



THE Q4 2018 | SOUTHERN CALIFORNIA
GARDNER
REPORT

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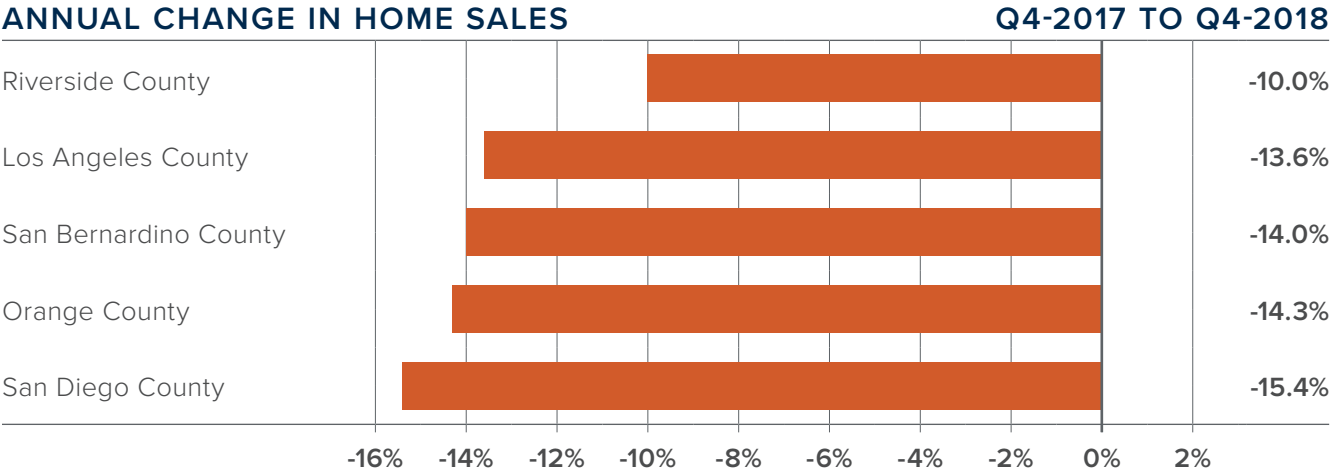
The following analysis of the Southern California real estate market is provided by Windermere Real Estate Chief Economist Matthew Gardner. We hope that this information may assist you with making better-informed real estate decisions. For further information about the housing market in your area, please don't hesitate to contact me.

ECONOMIC OVERVIEW

The counties covered by this report — Los Angeles, San Diego, San Bernardino, Orange, and Riverside — added 139,000 new jobs between November 2017 and November 2018, representing an annual growth rate of 1.4%. The unemployment rate held at 4%. Employment growth in Southern California continues to slow but, as I discussed in the third quarter *Gardner Report*, the market is heavily affected by the substantial Los Angeles County market, which is seeing significantly slower employment growth. My 2019 forecast for employment in Southern California is for growth to continue at around 1.5%.

HOME SALES ACTIVITY

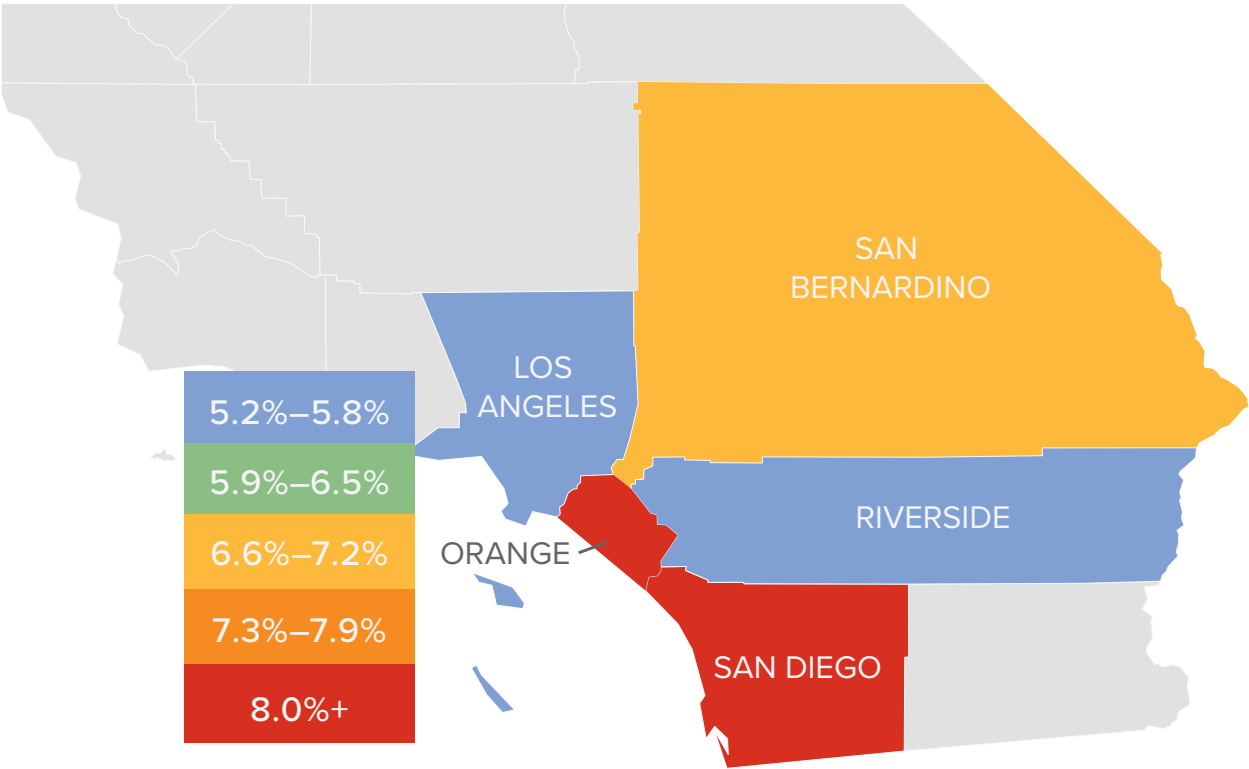
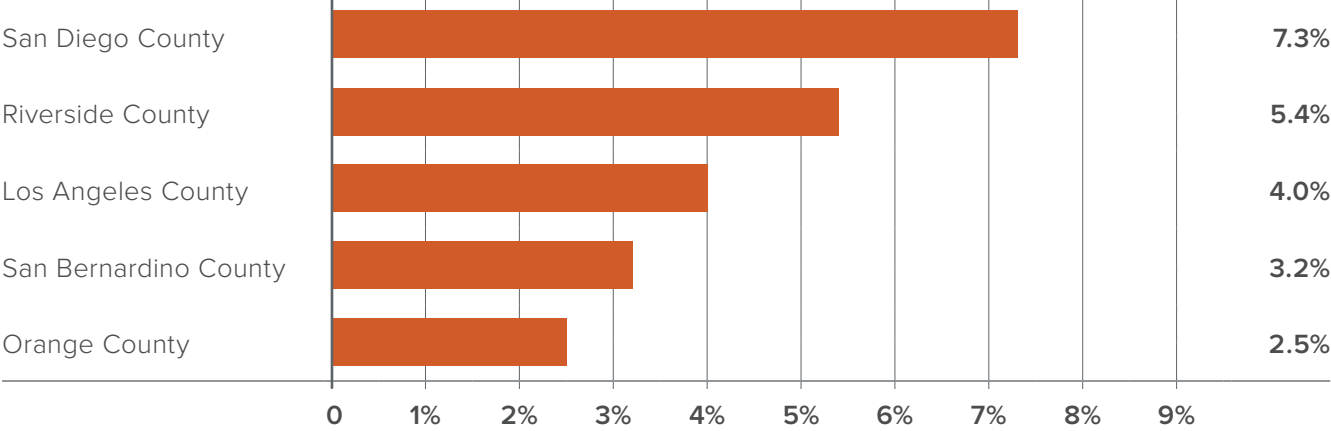
- There were 39,655 home sales in the final quarter of 2018. This was a drop of 13.5% from the same period in 2017 and 16.2% lower than the third quarter of this year.
- Pending home sales (an indicator of future closings) were 8.8% lower than during the same period a year ago, and down 21.6% compared to the third quarter of 2018. This suggests that total sales in the first quarter of 2019 are likely to also be down.
- Home sales dropped across the board, but the most noticeable decline was again seen in San Diego County, which fell by 15.4%. I am still attributing this to the significant rise in inventory (+51.7%) as well as high average home prices. Interestingly, however, price growth in the San Diego area remains robust.
- There was an average of 41,199 active listings in the fourth quarter — up 38.2% from a year ago.



HOME PRICES

- Year-over-year average prices in the region rose 4.1%, but they were 2% lower than in the third quarter of 2018.
- Affordability remains an issue in most of the Southern Californian counties contained in this report, which, in concert with growing inventory, continues to limit home price growth.
- Price growth was varied, with San Diego County showing the greatest annual appreciation (+7.3%). The slowest appreciation was in Orange County, which saw prices rise only 2.5%.
- Home prices will continue to rise in 2019, but the rate of growth will continue to taper as the economy slows and income growth remains muted.

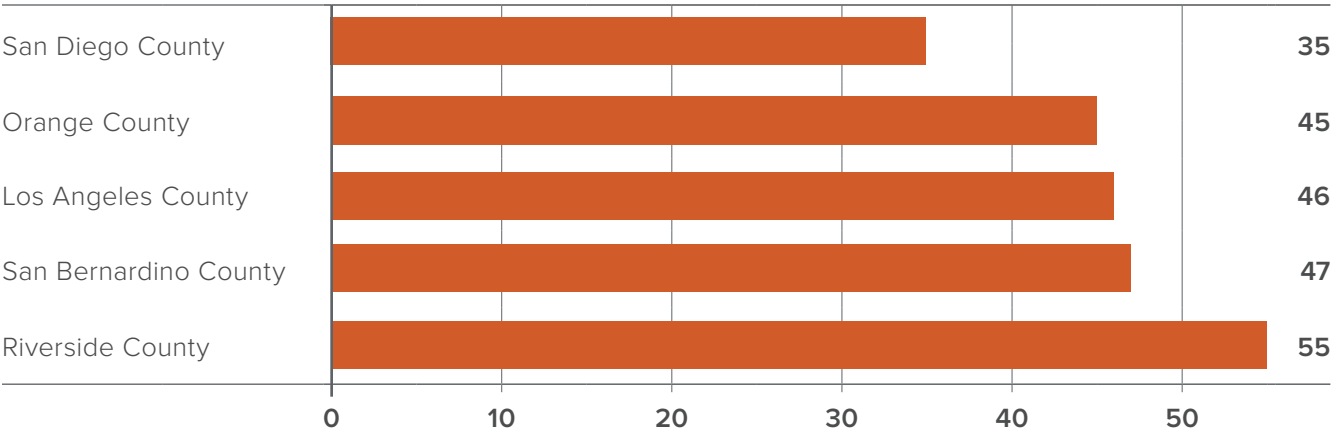
ANNUAL CHANGE IN HOME SALE PRICES Q4-2017 TO Q4-2018



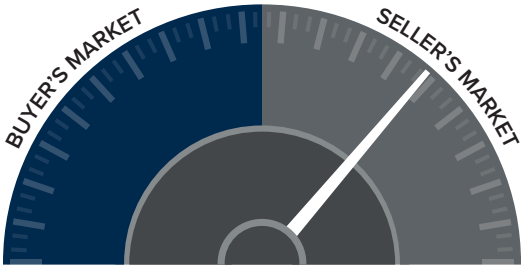
DAYS ON MARKET

- › The average time it took to sell a home in the region was 46 days. This is a three-day increase compared to the fourth quarter of 2017, and seven days more than in the third quarter of 2018.
- › No market saw the time it took to sell a house drop compared to the fourth quarter of 2017. It also took more time to sell a home in the fourth quarter than it did in the third.
- › Homes in San Diego County continue to sell at a faster rate than other markets in the region. In the fourth quarter, it took an average of 35 days to sell a home, five days more than it took a year ago.
- › Market time is increasing, which may concern some; however, it is simply a move back to normal averages.

AVERAGE DAYS ON MARKET



CONCLUSIONS



The speedometer reflects the state of the region’s real estate market using housing inventory, price gains, home sales, interest rates, and larger economic factors.

The Southern California economy continues to slow and the number of homes for sale is rising. This combination will lead to slower price appreciation, but I do not see it as anything to worry too much about. We are simply trending back to a “normal” housing market. Given these factors, I have moved the needle a little further toward buyers.

ABOUT MATTHEW GARDNER

As Chief Economist for Windermere Real Estate, Matthew Gardner is responsible for analyzing and interpreting economic data and its impact on the real estate market on both a local and national level. Matthew has over 30 years of professional experience both in the U.S. and U.K.

In addition to his day-to-day responsibilities, Matthew sits on the Washington State Governors Council of Economic Advisors; chairs the Board of Trustees at the Washington Center for Real Estate Research at the University of Washington; and is an Advisory Board Member at the Runstad Center for Real Estate Studies at the University of Washington where he also lectures in real estate economics.