



THE Q2 2019 | SOUTHERN CALIFORNIA  
**GARDNER**  
REPORT

*presented by*

  
**Windermere**  
REAL ESTATE

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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

Unexpectedly, the counties covered by this report — Los Angeles, San Diego, San Bernardino, Orange, and Riverside — saw total employment drop by 10,700 jobs (-0.1%) year-over-year. However, while Los Angeles and Orange counties reported declines, the smaller Riverside, San Bernardino, and San Diego counties saw employment rise. This is a significant reversal from the growth rates that have been in place for quite some time and may be due to re-benchmarking, which is when the government compares its sample to broader, historic data. I suspect that this is an anomaly and will reverse course, but I will continue to follow employment data closely as we move through the balance of the summer to see if this is a trend.

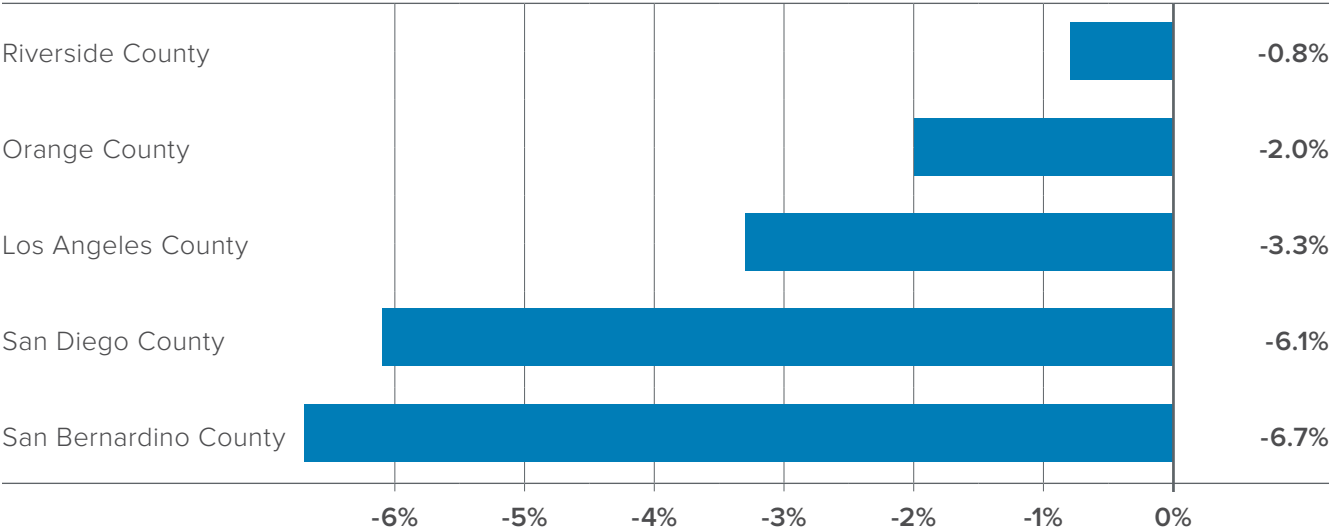
Over the past year, the unemployment rate in Southern California dropped from 3.6% to 3.4%, which further points to a data issue rather than a new trend that we need to be concerned about. I'll know more when we publish the third quarter *Gardner Report*.

HOME SALES

- There were 49,996 home sales in the second quarter of 2019. This was a drop of 3.6% from the same period in 2018 but 46.4% higher than the first quarter of this year.
- Pending home sales (an indicator of future closings) rose by 3.7% compared to a year ago, suggesting that total sales in the third quarter are likely to be an improvement over current levels.
- Following a trend that started last fall, home sales fell across the board. The most noticeable decline was again in San Bernardino County, which fell by 6.7%. The smallest drop was in the relatively affordable Riverside County.
- There was an average of 40,174 active listings in the second quarter — up 13.1% from a year ago and 6.7% higher than in the first quarter of the year.

ANNUAL CHANGE IN HOME SALES

Q2-2018 TO Q2-2019

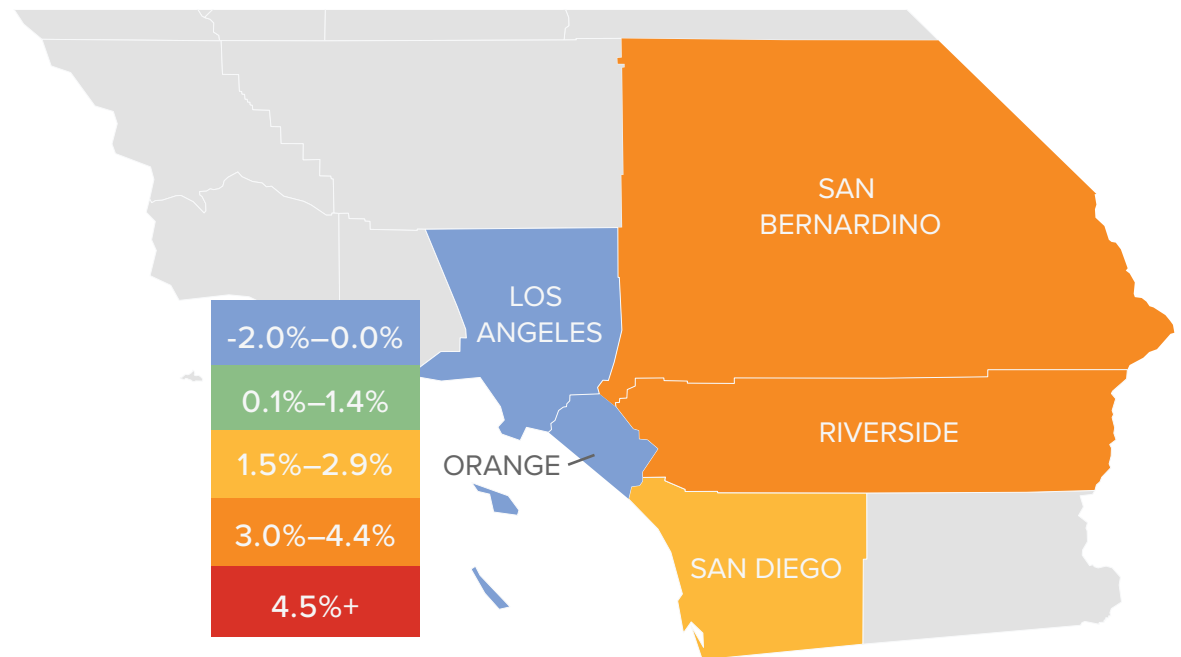
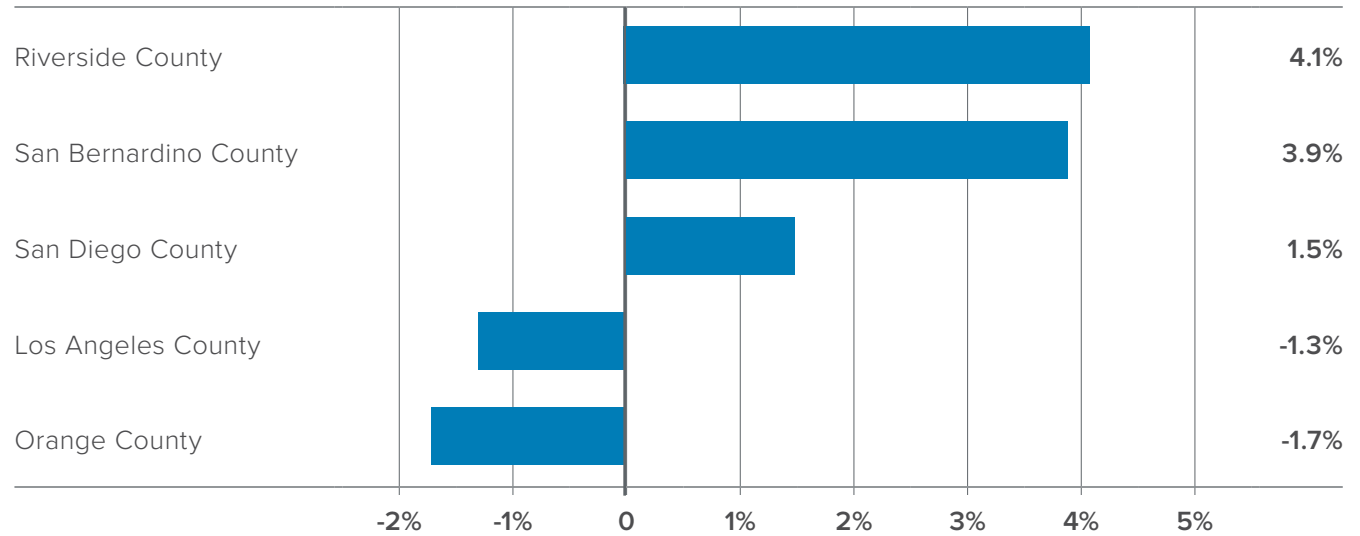


## HOME PRICES

- Year-over-year, average prices in the region were flat but were 5.3% higher than in the first quarter of 2019.
- As stated above, affordability issues continue in most Southern California markets and this will likely lead price growth to taper.
- Price growth in second quarter was mixed. Riverside County continues to have the greatest annual appreciation (+4.1%). Price gains were also seen in San Bernardino and San Diego counties. There were modest drops in average sale prices in Los Angeles and Orange counties, but this is not of great concern at the present time. That said, it is clear that affordability issues are present in these markets.
- On a year-over-year basis, I still expect to see home prices continue to rise, but this likely only due to the very competitive mortgage rates. If rates move higher, this will have an impact on price growth.

## ANNUAL CHANGE IN HOME SALE PRICES

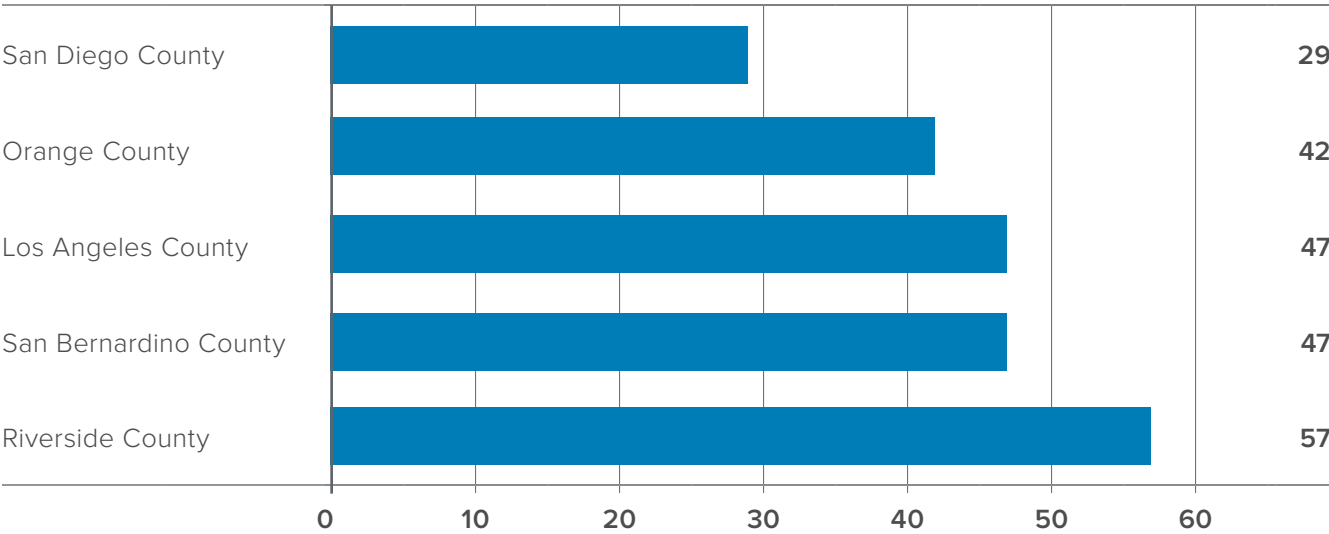
Q2-2018 TO Q2-2019



## DAYS ON MARKET

- › The average time it took to sell a home in the region was 44 days. This is an 8-day increase over the second quarter of 2018 but is down 9 days compared to the first quarter of 2019.
- › All markets saw the time it took to sell a house increase compared to the second quarter of 2018.
- › Homes in San Diego County continue to sell at a faster rate than other markets in the region. In the second quarter it took an average of just 29 days to sell a home. I would note that this is 5 more days than it took a year ago.
- › Market time is increasing, which may concern some, but it is simply a move back to historic averages.

## AVERAGE DAYS ON MARKET

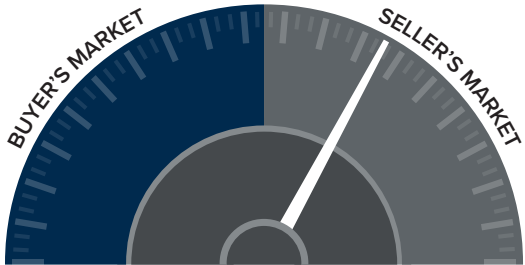


## ABOUT MATTHEW GARDNER

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.

## 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.

Rising inventory levels, and affordability concerns in many markets will likely lead to slower price growth as we move through 2019. That said, mortgage rates are still very attractive, and this can offset affordability issues to some degree.

Given rising inventories and slower price growth, I have moved the needle just a little more toward buyers, though it still remains a sellers market.