THE GARDNER REPORT

Q1 2020 | NORTHERN CALIFORNIA

presented by

Windermere
REAL ESTATE

windermere.com

We are excited to introduce the *Gardner Report* to Northern California! The following analysis of the real estate market in select counties of Northern California is provided by Windermere Real Estate Chief Economist Matthew Gardner. These reports are published on a quarterly basis and can be found online at windermere.com/economics.

A MESSAGE FROM MATTHEW GARDNER

Needless to say, any discussion about the U.S. economy, state economy, or housing markets in the first quarter of this year is almost meaningless given events surrounding the COVID-19 virus.
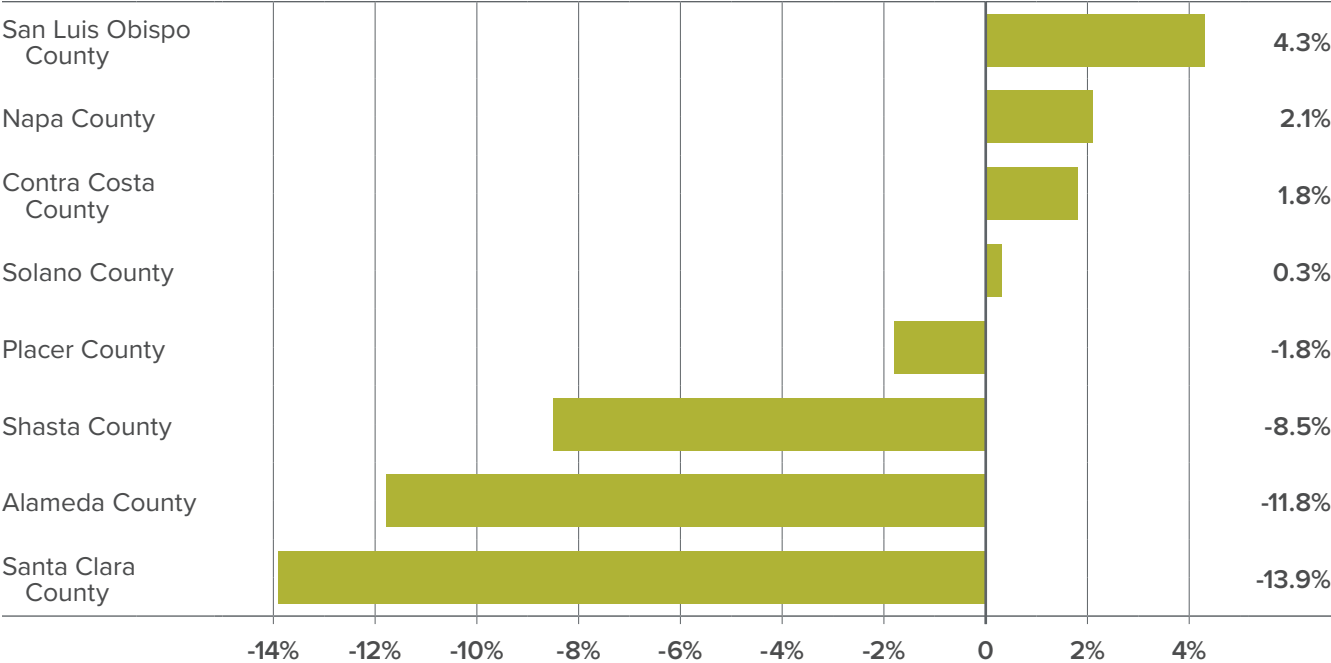
Although you will see below data regarding housing activity in the region, many markets came close to halting transactions in March and many remain in some level of paralysis. As such, drawing conclusions from the data is almost a futile effort. I would say, though, it is my belief that the national and state housing markets were in good shape before the virus hit and will be in good shape again, once we come out on the other side. In a similar fashion, I anticipate the national and regional economies will start to thaw, and that many of the jobs lost will return with relative speed. Of course, all of these statements are wholly dependent on the country seeing a peak in new infections in the relatively near future. I stand by my contention that the housing market will survive the current economic crisis and it is likely we will resume a more normalized pattern of home sales in the second half of the year.

HOME SALES

❯ In the first quarter of 2020, 6,191 homes sold, a drop of 3.8% compared to the first quarter of 2019.

❯ Sales were a mixed bag, with increases in half of the counties contained in this report and half seeing sales slow. Of note was the decent increase in sales in Contra Costa County, but this was offset by a drop in sales in Alameda County.

❯ The contraction of sales may be attributed to a significant drop in inventory, which was down 24.7% from a year ago. This decline is likely due to COVID-19. Second quarter data will confirm or refute this thesis.

❯ Pending home sales dropped 6.1% compared to the first quarter of 2019. Again, this is likely due to COVID-19.

ANNUAL CHANGE IN HOME SALES — Q1 2019 TO Q1-2020

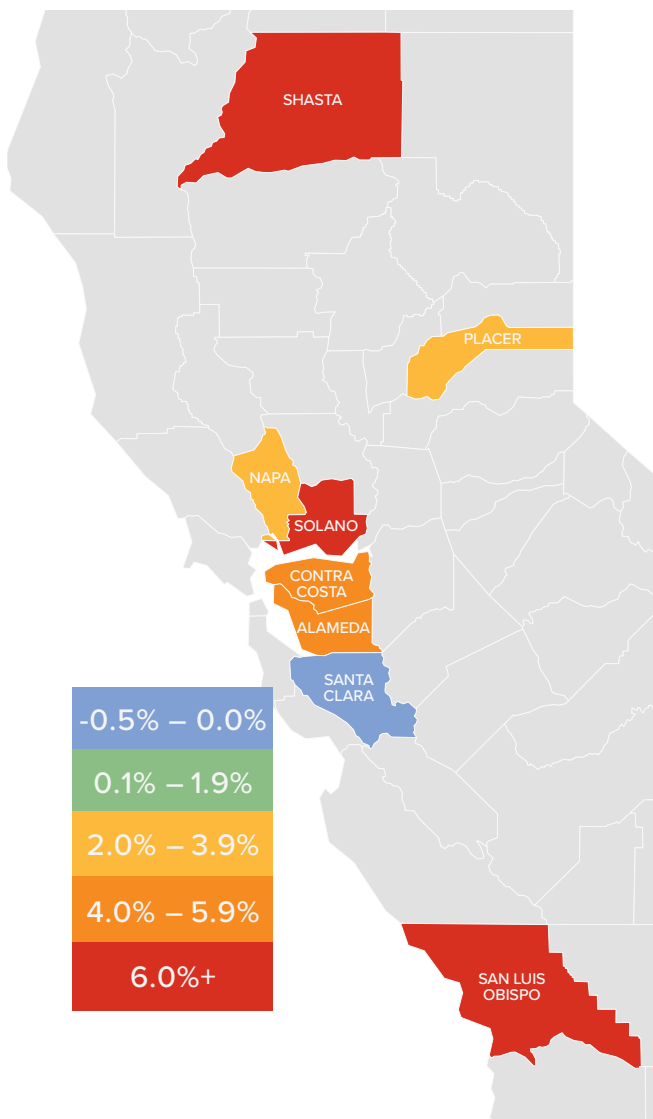| County	Change
San Luis Obispo County	4.3%
Napa County	2.1%
Contra Costa County	1.8%
Solano County	0.3%
Placer County	-1.8%
Shasta County	-8.5%
Alameda County	-11.8%
Santa Clara County	-13.9%

HOME PRICES

❯ The average home price in the Northern Californian counties contained in this report rose 3.7% year-over-year to $784,843.

❯ The most affordable counties in terms of average sale prices were Shasta and Solano. Price growth in these markets was very solid.
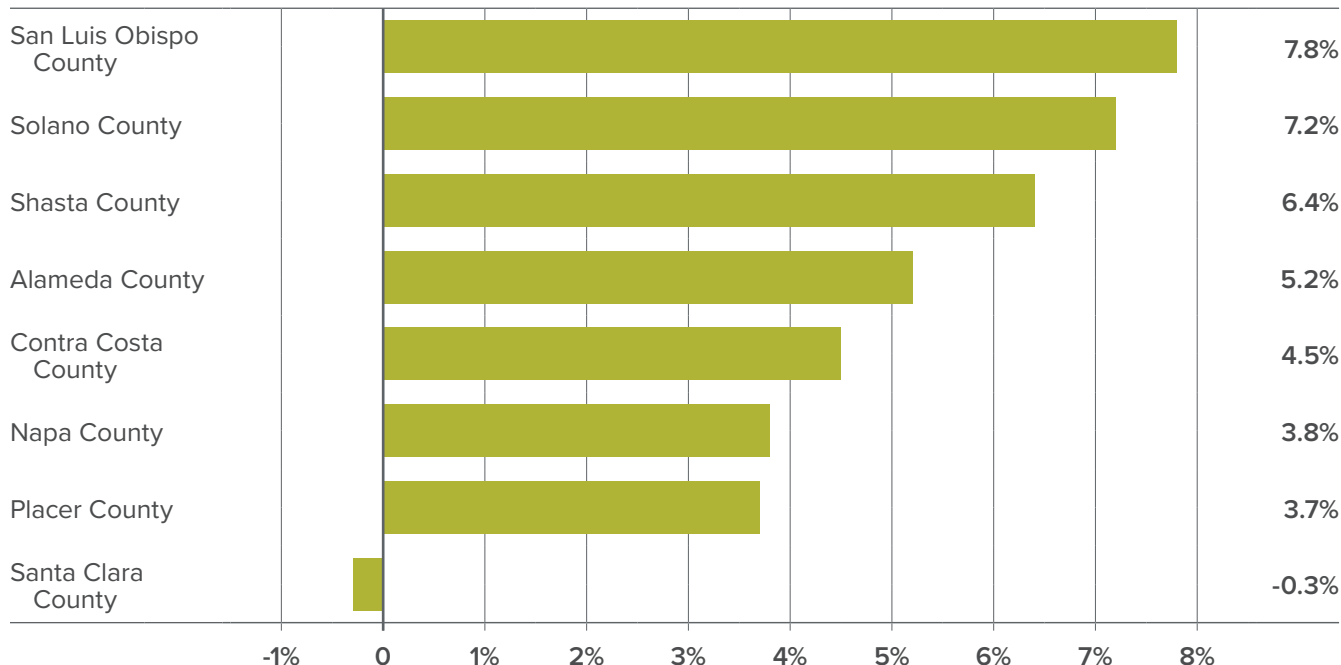
❯ Average prices rose in all counties other than Santa Clara, which is not surprising given it is the most expensive market covered in this report. Prices across most counties rose at above-average long-term rates, with impressive increases in San Luis Obispo and Solano counties.

❯ As this is the first report prepared for counties within Northern California, my ability to comment is limited. That said, it will be interesting to see how the market further reacts to COVID-19 and we look forward to offering analysis and perspective when we get second quarter data.

SHASTA

PLACER

NAPA

SOLANO

CONTRA COSTA

ALAMEDA

SANTA CLARA

SAN LUIS OBISPO

-0.5% – 0.0%
0.1% – 1.9%
2.0% – 3.9%
4.0% – 5.9%
6.0%+

ANNUAL CHANGE IN HOME SALE PRICES   Q1 2019 TO Q1-2020

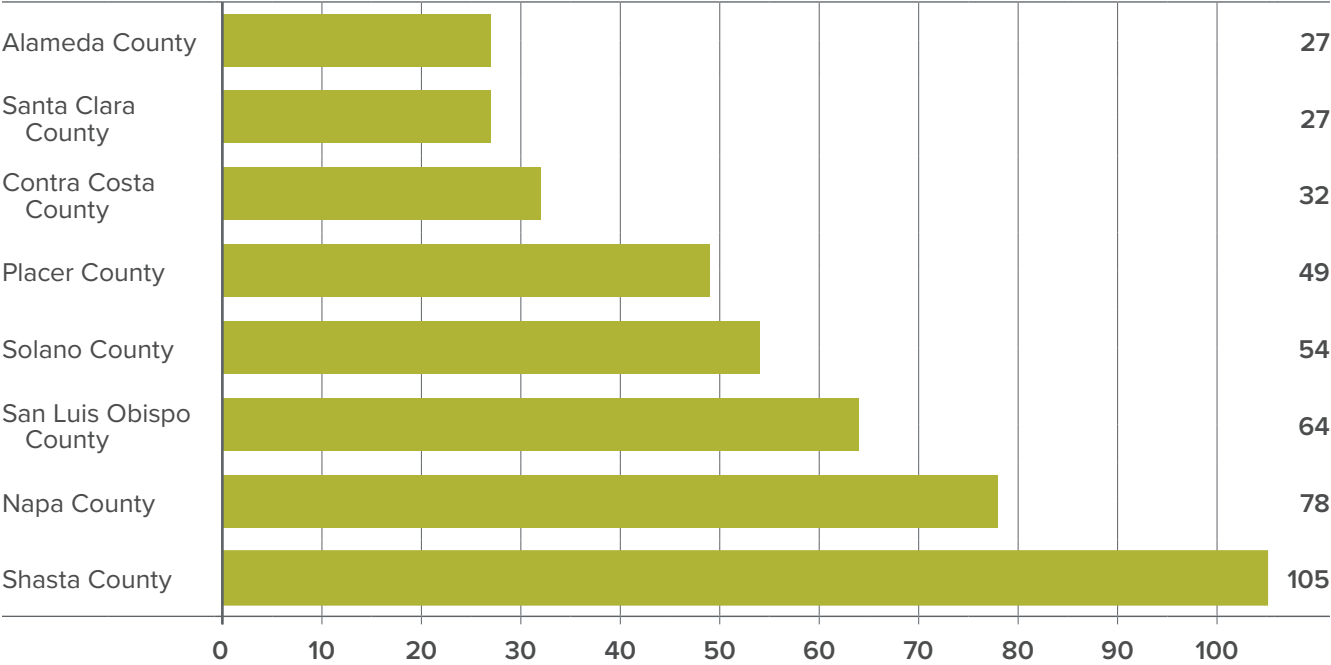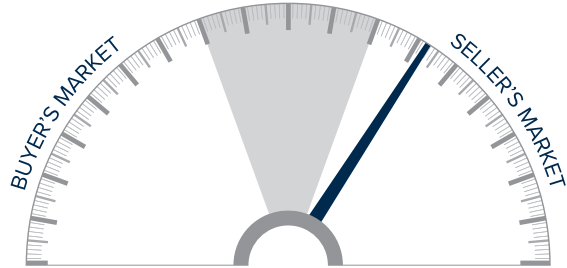| County	Annual Change
San Luis Obispo County	7.8%
Solano County	7.2%
Shasta County	6.4%
Alameda County	5.2%
Contra Costa County	4.5%
Napa County	3.8%
Placer County	3.7%
Santa Clara County	-0.3%

(Scale: -1%, 0, 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%)

DAYS ON MARKET

› The average time it took to sell a home in the Northern Californian counties covered by this report dropped five days compared to the first quarter of 2019.

› The amount of time it took to sell a home dropped in all counties other than Shasta (+2 days) and San Luis Obispo (+4 days).

› In the first quarter, it took an average of 55 days to sell a home. Homes sold fastest in Alameda and Santa Clara counties, and slowest in Shasta County.

› The greatest drop in market time was in Napa County, where it took 17 fewer days to sell a home than in the first quarter of 2019.

AVERAGE DAYS ON MARKET

Q1-2020

County	Days
Alameda County	27
Santa Clara County	27
Contra Costa County	32
Placer County	49
Solano County	54
San Luis Obispo County	64
Napa County	78
Shasta County	105

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.

Given the current economic uncertainty, I have decided to freeze the needle in place until we see a restart in the economy. Once we have resumed "normal" economic activity, there will be a period of adjustment with regard to housing. Therefore, it is appropriate to wait until later in the year to offer my opinions about any quantitative impact the pandemic will have on the housing 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.