



## MLSListings Quarterly Market Overview - Q2 2019

### Q2 2019 National Economic Overview

While growth in 19Q1 came in at 3.1%, it was largely due to three one-off factors - weak imports, surprisingly strong state and local government spending, and large increases in inventories. Stripping those effects away, real growth was about 1.5%, precisely where 19Q2 GDP is likely to be. The economy is noticeably cooling as impacts from tax cuts and deficit financed spending increases ebb. Separately, while it looked like trade issues were on the verge of being resolved, they have once again taken center stage and have necessarily dampened exports and manufacturing. Due to these factors as well as weakening inflation and an inverted yield curve, the Fed is, for the first time in a decade, strongly signaling a willingness to reduce rates to boost growth. To that end, a 25bp rate cut in late July or mid-September is virtually guaranteed. On a positive note, global weakening has put downward pressure on mortgage rates, and they are now a full percentage point off their late 2018 highs, helping housing. Despite these headwinds, the labor market remains strong, wage growth is good, and equities are at or near all-time highs suggesting that a recession before mid-20Q2 is highly unlikely.

### Q2 2019 Regional Economic Overview

This quarter, there was continued mild cooling in the region. The housing market remains strong, but the stratospheric gains of the last few years are firmly in the rearview mirror. From our current vantage point, mid to late 2018 was, generally speaking, the peak of the cycle, and most metrics in most counties have since deteriorated. In the Silicon Valley, Eisenberg expects continued price deceleration (and in some cases mild price depreciation) for the next year, even as inventories remain tight and the economy is still strong, simply because prices in the area went up too fast and too much. The power is slowly shifting from sellers to buyers. Santa Cruz County seems to be the best performing area in the region. Generally, the single-family market remains more stable than the common interest sector, which is showing more widespread price erosion.

### Q2 2019 Market Overview by County

#### *San Mateo County*

- Prices are still increasing, but at a much slower rate, the consistently large price appreciation numbers of the past are probably gone.
- Market appears to be weakening, but at a very slow pace. Everything besides price is down, but just slightly
- *Eisenberg says prices in San Mateo County are essentially treading Evian water.*
- Sales price to original listing price is still above 100%, but, like other metrics, is tapering down.
- Inventories of common interest properties are up significantly, sales are well down, DOM is up and prices dipped slightly. We've seen back-to-back quarterly price depreciation. Prices are down after multiple quarters of double-digit increases. The common interest market is slightly weaker than single-family market.



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## **Santa Clara County**

- There is across-the-board weakness in every metric. Last year appears to have been the peak of the market; since then active inventory is up, DOM are up, sales are down, and pending sales are down.
- Even with the doubling of inventory, days on market is up but remains remarkably tight.
- *Eisenberg says by all measures this is a weakening market. Prices got ahead of themselves and now are retracing their way down.*
- The common interest market, much like the single family market, is weakening. There is a big increase in inventory, a meaningful decline in closed sales, coupled with price declines. This marks five straight quarters of decelerating prices.

## **Santa Cruz County**

- 19Q2 results show more available homes, but because of increasing prices, sales have declined over the last few quarters. Prices are still rising, albeit at a slightly slower pace.
- *Eisenberg expects price appreciation to continue to slow and may turn sideways in the next few quarters. Overall however, the Santa Cruz real estate market appears to be a bit stronger than its neighbors.*
- Common interest market - Median prices are up decently, but all other metrics are slightly weaker.

## **Monterey County**

- In Monterey County, most metrics have weakened compared to last year and appear to have peaked several quarters ago. We saw the second consecutive quarter of price depreciation, following several quarters of slowing appreciation. There was also a rise in median days on market, sales were down, and generally all is indicative of a classically **weakening** (but not necessarily weak) market.
- *Eisenberg sees power shifting every-so-slightly from sellers to buyers. After the last few years of incredible price surges, it's never been a better time to buy.*
- In the common interest market, the market is weakening more quickly, prices are down substantially, aided by significant gains in inventories. Bucking the trend, though, closed sales are up.

## **San Benito County**

- In San Benito County, nominal price appreciation has stalled and real price appreciation is down just slightly. Sold counts are down slightly, as are pending sales, while new listings and inventory levels are up meaningfully.
- In sum, it appears that last year may have been the peak of the market.
- *Eisenberg says that after several years of a hyperactive real estate market, the San Benito market has basically stalled on the tracks. However, it remains an "island of relative affordability."*
- Common interest market - Inventory levels rose noticeably, but from such a small base, it's difficult to establish trends; all other metrics generally unchanged to slightly weaker.