



MLSListings Quarterly Market Overview - Q3 2019

Q3 2019 National Economic Overview

As expected, growth in 19Q2 cooled, coming in at a mediocre 2%, compared to 3.1% in Q1 and 2.9% in 2018. As for the rest 2019, growth will be lucky to hit 2%. A combination of factors contributed to the slowdown, including a strong dollar, slowing global growth, fading effects from the 2017 tax cuts, and the continuing trade war with China. In addition, despite being late in the business cycle, inflation has been surprisingly weak. To boost inflation and insulate the slowing economy from the negative impacts of ongoing trade uncertainty, the Fed cut rates twice this past quarter, and one more cut is entirely possible. This is the first time the Fed has cut rates in over a decade, and while the rates cut will help, outside of a boost to housing and possibly autos, it will be limited. That said, because the labor market remains tight and wage growth is steady, the all-important US consumer continues to power the economy forward despite general weakness elsewhere in the economy. These trends strongly suggest that growth, albeit in the range of just 1.75% to 2%, will continue well into 2020, and that a recession is not on the horizon. Last but surely not least, towards the end of the quarter the Democrats in the House of Representatives opened an impeachment inquiry against President Trump. Looking back at the impeachment proceedings against presidents Nixon and Clinton, markets were largely non-plussed by the ups and downs of the political process. Rather, the large economic trends of the day swamped any impacts that impeachment may have had; this time is likely to be no different.

Q3 2019 Regional Economic Overview

According to Eisenberg, what is incredibly amazing about the Silicon Valley real estate market this quarter, is that after years of headlines, skyrocketing prices, and dramatic changes in inventory, suddenly, things are relatively calm. There were few to no outsized changes this quarter. Prices are generally declining slightly (outside of Monterey County, where they were up just a bit), and sales price to listing price ratios are flattening, tangible evidence of a calmer market. The heady days of bidding wars are largely in the past, but inventories remain limited, so prices are not likely to decline much. While 2019 was looking to be a great IPO year, clearly the weak performance of a couple of high-profile unicorns has cooled enthusiasm and accordingly, probably hurt the Silicon Valley real estate market.

Q3 2019 Market Overview by County

San Mateo County

- Largest single-quarter decline in prices since Q3 2011. Last four quarters have shown a profound break over what we had seen over the past few years. Prices are flat to declining over the past year overall. There was a median price peak in Q2, but comparing Q3 med price to Q1 med price, prices are down slightly overall.
- Average sale over original list price is still slightly above 1.00 but is hovering near lows. This another sign of cooling. Eisenberg comments: "This is a market that is slowly coming down to earth."
- Inventories had been rising substantially on a year over year basis, and suddenly growth stopped when looking at Q3'19 vs Q3'18. Rapid changes in inventories, up then down, back up, now it looks like inventories might be shrinking again.
- New listings have been down last couple of quarters and are substantially down this past quarter.



Prepared by Elliot Eisenberg, PhD., MLSListings Partner Economist

- Largest decline in units sold since 16Q3, and we've seen that quarterly numbers compared to the same quarter prior year have been down 6 quarters in a row.
- In the common interest market, main difference from single-family is that inventories are up significantly, as they have been for the past four quarters.

Santa Clara County

- In Santa Clara County, prices hit the wall a year ago. They had been up consistently prior to that but have been in a mild funk since.
- Average Sale over Listing Price is at the lowest level it's been since Q1 2012.
- Sales are down for six quarters in a row and continue to weaken. Sales are not bad by any stretch of the imagination, but generally they are softening.
- Inventories are up just slightly this month, after more than a year of huge increases in inventory. Eisenberg says it wouldn't surprise him if inventories started declining next quarter.
- In the common interest market, no matter how you slice it, everything is down. Prices and sales are down. Inventory had skyrocketed, but growth is slowing and may have peaked out. Sales have been down significantly for 12 of last 13 quarters.

Santa Cruz County

- In Santa Cruz, Eisenberg notes that "Prices have generally been more stable here than in other areas in the region, but this is the first price decline in years."
- Average Sale over Listing Price is stable.
- Inventories are rising but more slowly.
- Sales are down four quarters in a row.
- Most important are median prices and sales and they are both going in the wrong direction.
- Common interest - prices are continuing to go up. Median price is up, but not by much. Average Sale over Listing Price is stable. Sales have been relatively flat over the several years but are trending down.

Monterey County

- Eisenberg notices that "Monterey County is a very tranquil community, at least from the real estate market perspective. The good news is, median sales prices are up for the first time this year and at a new record high. Generally, Monterey has seen steady, mild price appreciation over the last few years."
- Average Sale over Listing Price is incredibly stable.
- Inventories are mildly down this quarter and have been declining very slightly over the past several years
- Sales have been solidly declining for a year now.
- Common interest - Prices are at record high. After rising dramatically for the past year, inventories suddenly declined for the first time in two years. Sales are generally flat.

San Benito County

- Eisenberg says that "In San Benito County, prices seemed to have peaked out at the end of 2018 or early 2019, now they are down just a touch and it would not be surprising if prices continue to decline slightly going forward; they may have gotten slightly ahead of themselves."
- Average Sale over Listing Price is very stable.
- Inventories down ever so slightly after the last couple of quarters of growth.
- Sales are up significantly from last year, but over the past few years, have been relatively flat.
- Common interest - prices are very low compared to the rest of the region and are down the last three quarters.