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Prepared by Elliot Eisenberg, PhD., MLSListings Partner Economist

MLSListings Quarterly Market Overview - Q2 2020

Q2 2020 National Economic Overview

After a strong start to the year, the US economy was put into a coma in mid-March to prevent the novel coronavirus from potentially killing millions. Were it not for the massively stimulative policies emanating from Washington, DC, another Great Depression would have been a distinct possibility. Fortunately, the worst was avoided and the shortest recession in US history probably ended in April, if not May. As for the recovery, it is likely to be check mark shaped, meaning a steep decline followed by a slow steady recovery, such by late 2022, GDP has recovered to where it was before the onset of the pandemic. That said, there is the possibility of a dreaded W-shape recovery if the virus forcefully returns in fall 2020. As for unemployment, it will probably end the year above 10%, but well down from its peak of almost 20% in April. Regarding the November elections, markets are beginning to realize that presumptive Democratic nominee Joe Biden's chances of unseating President Trump are currently well above 50%.

In the housing market, through mid-March sales were very strong but then began to quickly weaken and bottomed out in early April, with Y-o-Y sales activity down about 30%. Since the end of nationwide lockdowns, sales have staged a furious recovery, with first time mortgage applications having not only made up all lost ground but up Y-o-Y over 20%. There are several reasons for the strong recovery, including record low interest rates and very favorable Millennial demographics. Additionally, there is pent-up demand due to both supply shortages before the pandemic struck and the early spring sales activity that was delayed by stay-at-home orders.

Interestingly, the coronavirus itself has stimulated housing sales as households now rethink their needs. Some may now prefer a house in a more rural area, one that is bigger, one that has a yard, or one that is new. Additionally, supply remains very constrained as building activity has fallen, forbearance keeps houses off the market, and potential sellers remain reluctant to have strangers walk through their houses for obvious reasons. As a result, prices have continued to rise, albeit more slowly than before. Housing should continue to do well with three caveats 1) new cases of Sars-Cov-2 don't get significantly worse, 2) the economic recovery remains relatively strong and does not falter, and 3) there is no meaningful exodus of folks from high priced areas to more inexpensive ones. All bear watching, but at this point it is the first and second that are of paramount concern.

Q2 2020 Market Overview by County

San Mateo County

- In San Mateo County, median home prices reached an all-time quarterly high of \$1.7 million. Dr. Eisenberg says that "Sales prices are at an all-time high, with strong demand aided and abetted by low interest rates."
- New listings were at an all-time quarterly low, as were closed sales, all obviously due to pandemic impacts. As Dr. Eisenberg notes "Coronavirus is wreaking havoc on already troubled inventories as new listings are further compressed by a reluctance of sellers to have strangers in their homes."
- There is 2.4 months supply of inventory at the end of June, the highest level since 2012. New pending sales inched up just slightly compared to the last several years.
- San Mateo County saw the 3rd highest all-time median sales price for common interest properties. New listings are at a record low and sales collapsed, although inventory rebounded slightly and is at highest Q2 level since 2014. Days-on-market is near record low.



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Q2 2020 Market Overview by County (cont'd)

Santa Clara County

- With a median sales price of \$1.38 million, Santa Clara County single family home prices rose compared to 2Q19 but remain just below the 2018 quarterly high of \$1.4 million.
- Both new listings and closed sales declined due to Covid impacts, while overall inventory levels remain near all-time lows.
- Dr. Eisenberg comments: "With only a 1.9 months' supply of inventory of single-family residences, it's clear you simply do not have nearly enough available homes to meet the demand in Santa Clara County."
- In the common interest market in Santa Clara County, new listings are, again, at a ridiculous low, inventory is near all-time lows. There's simply nothing available to buy, and as such, sales are absolutely horrible. Prices have fallen from the highs of the last few springs.

Santa Cruz County

- In Santa Cruz County, while the median sale price of \$905,000 is well below last year's peak of \$947,450, price per square foot was at an all-time quarterly high of \$560/sq. ft.
- In Dr. Eisenberg's parlance: "New listings are crummy, inventory is absolutely crummy, and closed sales are, well, crummy. What's not so crummy are pending sales, which are well up from the usual June levels." As Dr. Eisenberg notes, "Humans adapt, and now we've figured out how to buy a house in a covid environment."
- In Santa Cruz, the common interest market appears to be in a solid, steady place. Inventory levels are consistent with this time of year, and prices are nearly flat compared last year.

Monterey County

- Homes in Monterey County saw the largest level of price appreciation across the area, rising to \$675,000 and gaining 8% over the same time last year, but are still well below the record prices of 2007. Interestingly, Dr. Eisenberg notes that median sale prices in 2012 were just \$280,000, now they are more than double that.
- New listings in Monterey are at an all-time quarterly low, as are active listings, although there is a 5.3 months' supply of inventory, the highest in the area. Closed sales are slightly above the 2Q07 trough of 360.
- The common interest market in Monterey County is similarly situated as the single-family market. New listings, closed sales and inventory levels are at or near Q2 lows, while prices approach 2007 highs.

San Benito County

- Home prices in San Benito County improved dramatically over last year to a median sales price of \$600,000 but remain well below the records highs set before the last recession.
- Market activity has slowed due to Covid, with new listings at an all-time quarterly low and sales nearing 2007 levels. Dr. Eisenberg reminds us that while we are looking at sales nearing recessionary low levels, the big difference is that prices then were going down and inventories were going up, and now the slowing is simply a function of Covid concerns.
- A bright spot is pending sales, which are well above June levels from the last five years and at the second highest quarterly level in recent memory, perhaps due to shift of the selling season due to Covid.
- Due to the profoundly limited activity in the common interest market in San Benito County, it makes any statistical inferences difficult.