Market Data Report

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MLSListings Quarterly Market Overview – Q4 2019

Q4 2019 National Economic Overview

After a weak start, growth in 19Q4 steadily improved and should come in at about 2.3%, slightly higher than in Q2 and Q3. Add a strong 19Q1 when growth was 3.1% and growth in all of 2019 should be about 2.3%. While that is clearly down from 2.9% in 2018, it is still above trend growth and does not even hint at a recession in 2020. A combination of factors contributed to the slowdown, including a surprisingly strong dollar, slowing global growth, fading effects from the 2017 tax cuts, and the continuing trade war with China. On the flipside, despite being late in the business cycle, inflation remains weak. To boost inflation and reduce to a minimum the chances of a recession, the Fed cut rates three times this past year and has expressed a clear willingness to cut further should the economy falter, but that does not seem likely. Low rates have already boosted home construction and sales activity, and the willingness to cut further if necessary has lifted equity prices.

Elsewhere, the labor market remains tight, wage growth is good, and the all-important US consumer continues to power the economy forward despite weakness in exports, manufacturing, trade and energy. These trends suggest growth of about 2% should prevail in 2020 and that a recession is not in the cards despite this now being the longest recovery ever. As expected, the impeachment proceedings against President Trump have had little to no impact on macroeconomic fundamentals however, the upcoming election and the attendant uncertainty over who will win, will hurt already weak corporate investment in plant and equipment. Among the Democratic challengers, Senators Sanders and Warren are the least business friendly, while Vice President Biden is the clear business favorite.

Q4 2019 Regional Economic Overview

The Silicon Valley real estate market ended 2019 with mixed results. For calendar year 2019, median sale prices for single-family homes compared to last year were down in San Mateo, and Santa Clara, level in Santa Cruz, and up in Monterrey and San Benito Counties. In the common interest market, median sales prices were down in San Mateo, Santa Clara, and San Benito Counties, and up in Santa Cruz and Monterrey Counties. Closed sales for the year were down everywhere except in Monterrey. Overall inventory levels are nearly the same as they ended last year.

Dr. Eisenberg would be willing to bet that sales in 2020 will eke out slight gains compared to 2019, driven by a combination of a continued strong labor market, large price gains in the equity market overall and in tech shares particularly, and the ongoing benefit from the multiple 2019 interest rate cuts. From an agent's perspective, the most important economic indicators to keep an eye on, in order (but keeping in mind that they influence each other) are job growth, consumer spending, and trade issues. Job growth of at least 140,000 per month is optimal. While higher levels of consumer confidence are important, what really matters is actual consumer spending, and as long as inflation-adjusted consumer spending grows by 2% or more, we're fine. On the trade front with China, the status quo is fine, a phase two deal would be better and let's hope we avoid any backslides.

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Q4 2019 Market Overview by County

San Mateo County

- In San Mateo County, median sales prices for single family homes rose to an all-time high of $1.544 million.
- Inventories have rebounded slightly from 2017 but are still very low.
- Sales are dismal; the weakest they've been since 2008.
- All metrics still point to a very tight market – there are very few active listings, median days-on-market is just 14 and final sales price is consistently well above listing price.
- Eisenberg says that "Even with prices hovering around $1.5 million, there's simply nothing to buy."
- The common interest market in San Mateo is not quite as tight as the single-family market and seems to have loosened up a bit from last year, as seen in median sales price declining from $920k to $901k, and days on market rose slightly. However, inventories remain tight.

Santa Clara County

- In Santa Clara County, the median sales price of $1,250,000 is above last year, but down from the peak seen in Q4/2017.
- Overall, the market is basically unchanged from last year. Eisenberg says "the Santa Clara market is just incredibly tight, as tight as last year and with no indication of a shift anywhere on the horizon."
- New listings are well down, active inventory is down and days-on-market is largely unchanged. Dollar volume is up, driven primarily by increased sales.
- However, the common interest market in Santa Clara seems to be a little less frenetic. Some market metrics have loosened just slightly compared to last year.

Santa Cruz County

- Median sales prices for single-family homes in Santa Cruz County hit the highest Q4 level ever at $888,725.
- Overall, the market is a bit tighter than it was at this time last year, with fewer new listings and less inventory. The number of sales decreased just slightly and, surprisingly, median days on market increased to 40 days from 29.
- Eisenberg noted that: "Notwithstanding the increase in median days on market, it's clear that traveling down the freeway may get you lower prices but it certainly doesn't get you an easier market."
- Although median sales prices eased just a bit from last year, most other metrics show that the common interest market in Santa Cruz County is still very tight.

Monterey County

- Median sales prices in Monterey County surged to pre-recession levels, hitting $651,250 in Q4.
- Eisenberg noted that "The single-family market in Monterey County is ridiculously tight, with most metrics at historic levels and no relief in sight."
- Similarly, the Monterey County common interest market is also very tight, with low levels of active inventory and prices nearing pre-recession levels.

San Benito County

- Prices in San Benito County also surged to pre-recession levels with a median sales price of $600,000.
- This is a classically tight market, where sales continually exceed new listings, ratcheting down available inventories and pushing up prices.
- Eisenberg points out "There are no indications that the problem is going away tomorrow, and nothing will improve until there is more inventory on the market."
- The common interest market is even more challenging, with little active inventory and few new listings, but the relatively few data points make it difficult to discern trends in this small market.