
California's Housing Crunch

SGVEP – CAL POLY CBA ECONOMIC FORECAST SUMMIT

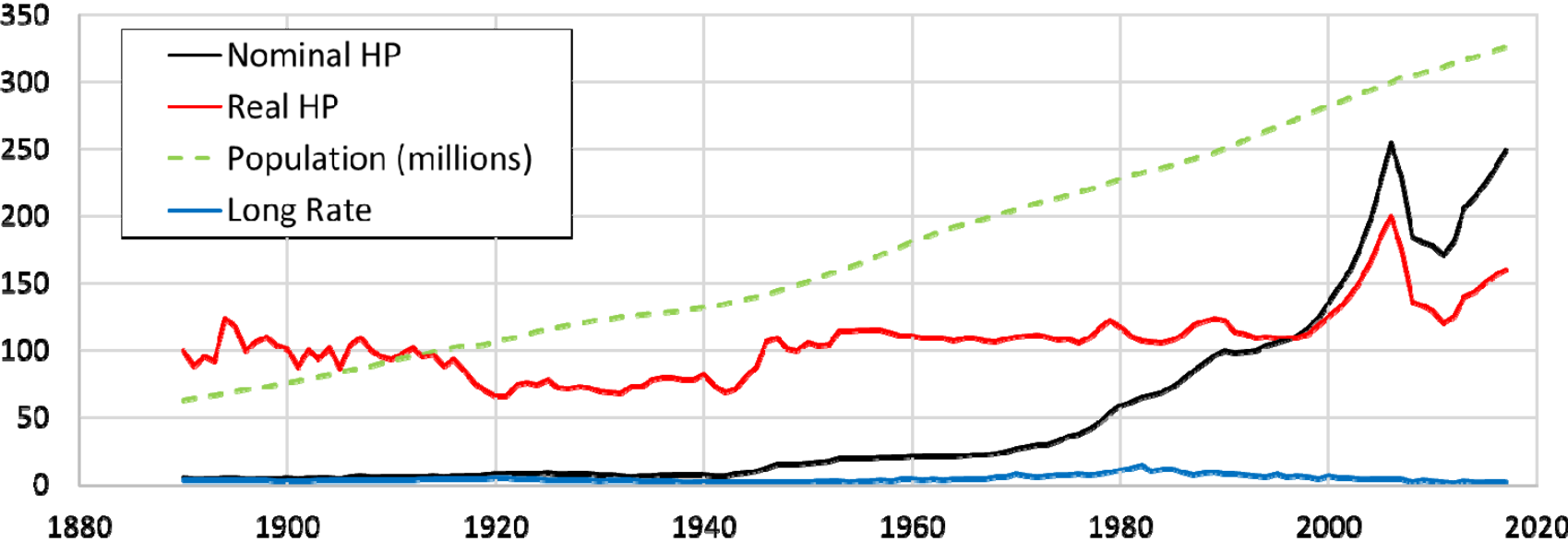
GERD WELKE – CAL POLY POMONA AND REAL ESTATE RESEARCH COUNCIL

Summary

- Prices high, but not quite 2005
 - Nominal vs Real, rent multipliers stable
 - Cost of equity - Underwriting still OK
- Sign of stress
 - Cost of debt
 - Strong rent appreciation vs CPI beginning to moderate
 - New inventory low, insufficient construction
 - Sales steady, but low, declining

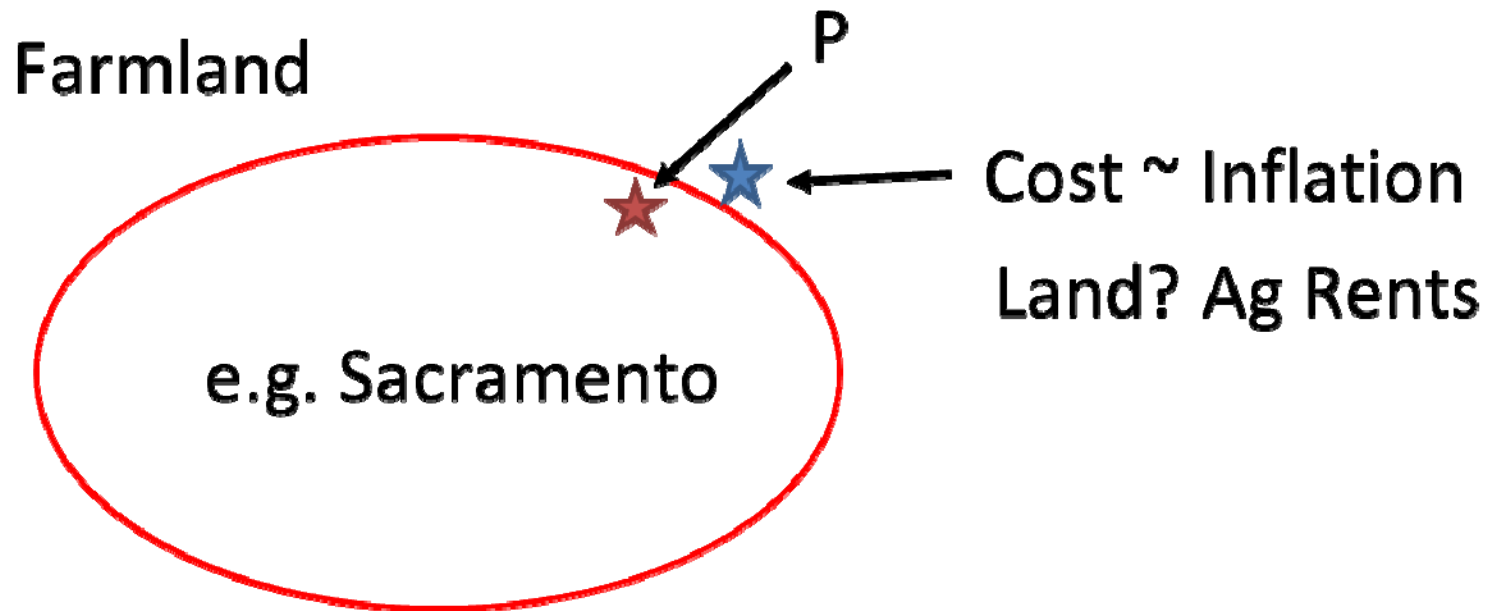


US House Prices: 1890-2017

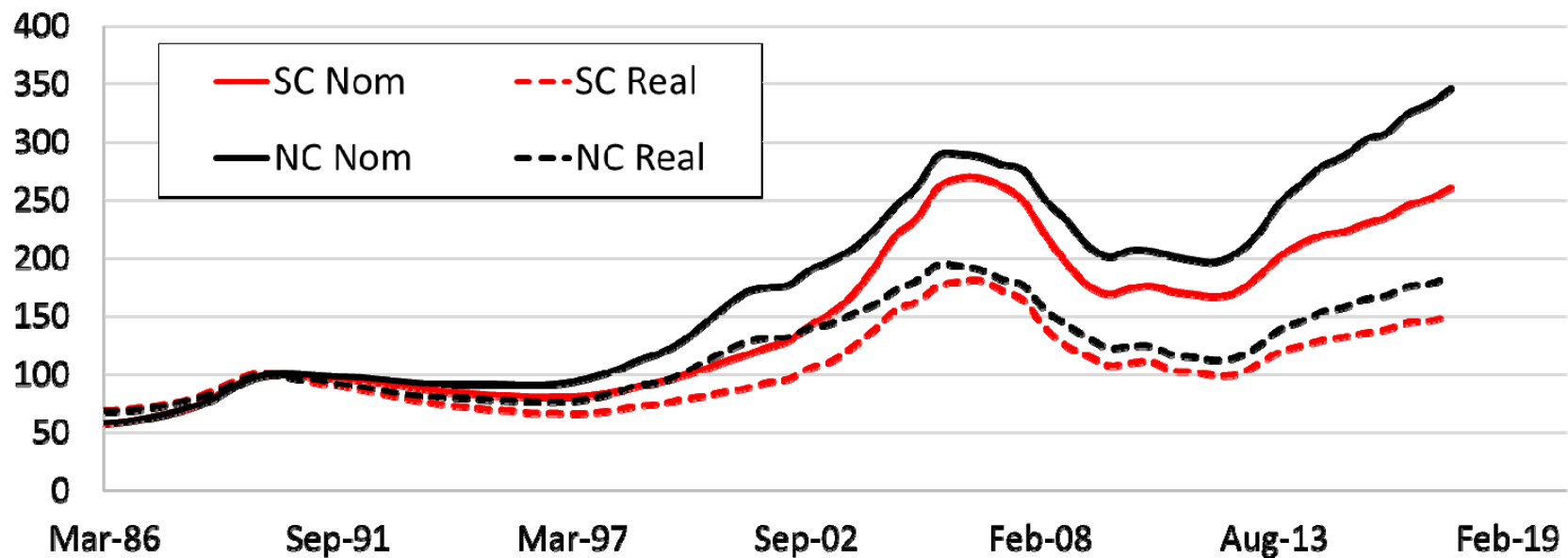


Robert Shiller and RERC

Construction Cost



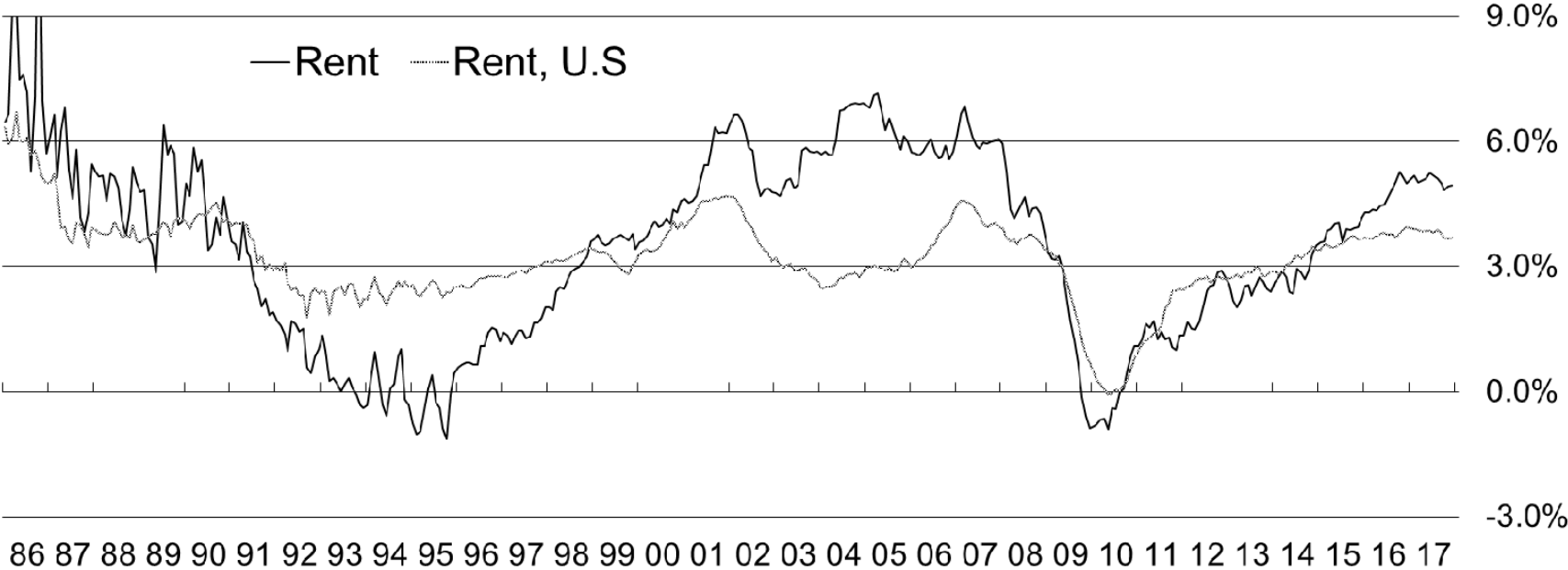
Fixed Quality, Constant Dollars



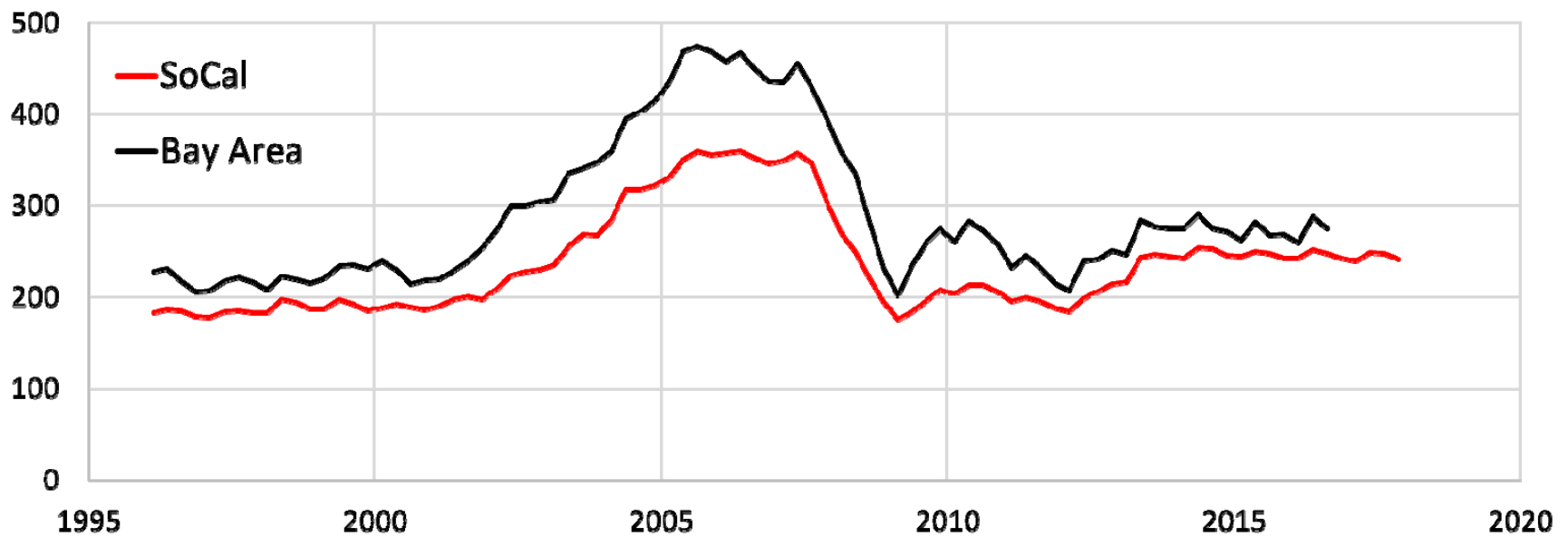
RERC House Price Survey and BLS



L.A. Rent Growth vs US



Price to Rent Ratio



Corelogic/DQNews and RERC

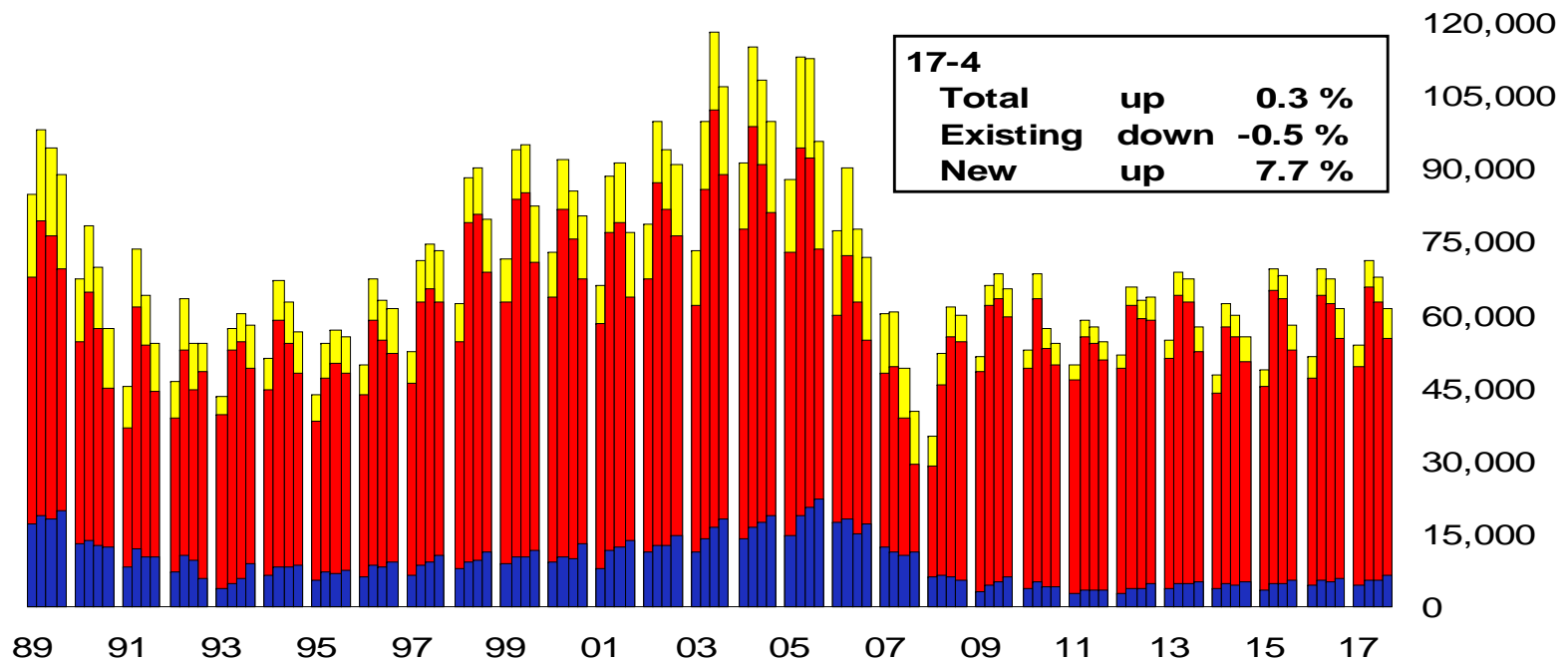


Gap between Rent Growth and CPI Narrowing

	<u>LA</u>	<u>SF</u>	<u>US</u>
CPI	3.6 ↑	2.9 ↔	2.1 ↔
Housing Costs	3.6 ↔	3.8 ↓	2.9 ↔
Homeowners	4.4 ↔	4.0 ↓	3.2 ↔
Residential Rent	5.0 ↔	4.8 ↔	3.7 ↔

RERCSC and BLS.

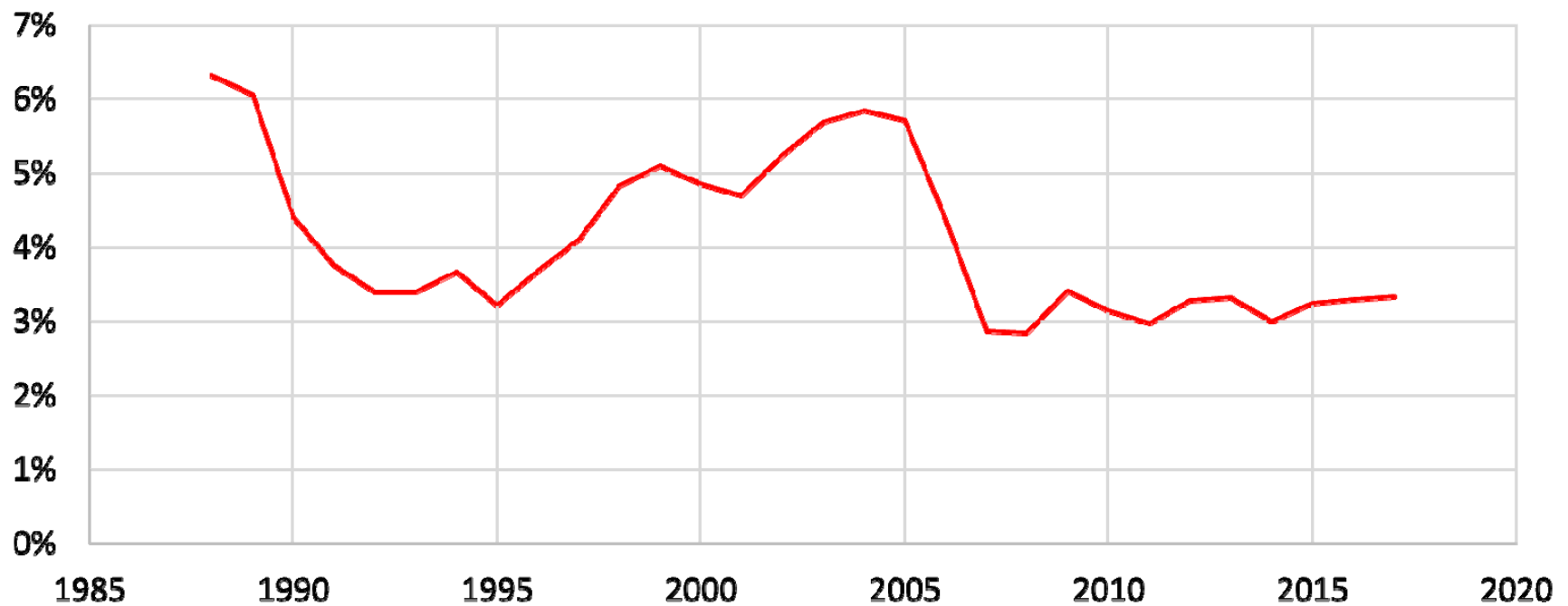
Southern California Sales



Corelogic/DQNews and RERC

Sale per Household per Year

Southern California

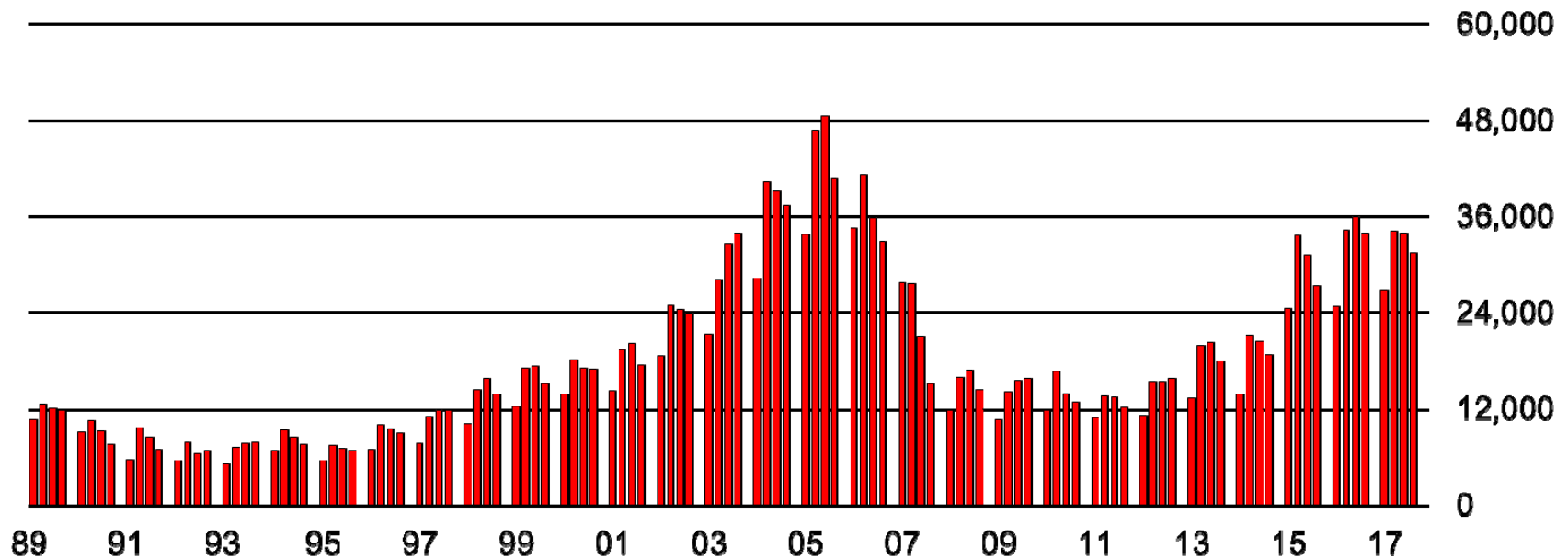


Corelogic/DQNews, CA EDD, and RERC



Residential Purchase Lending

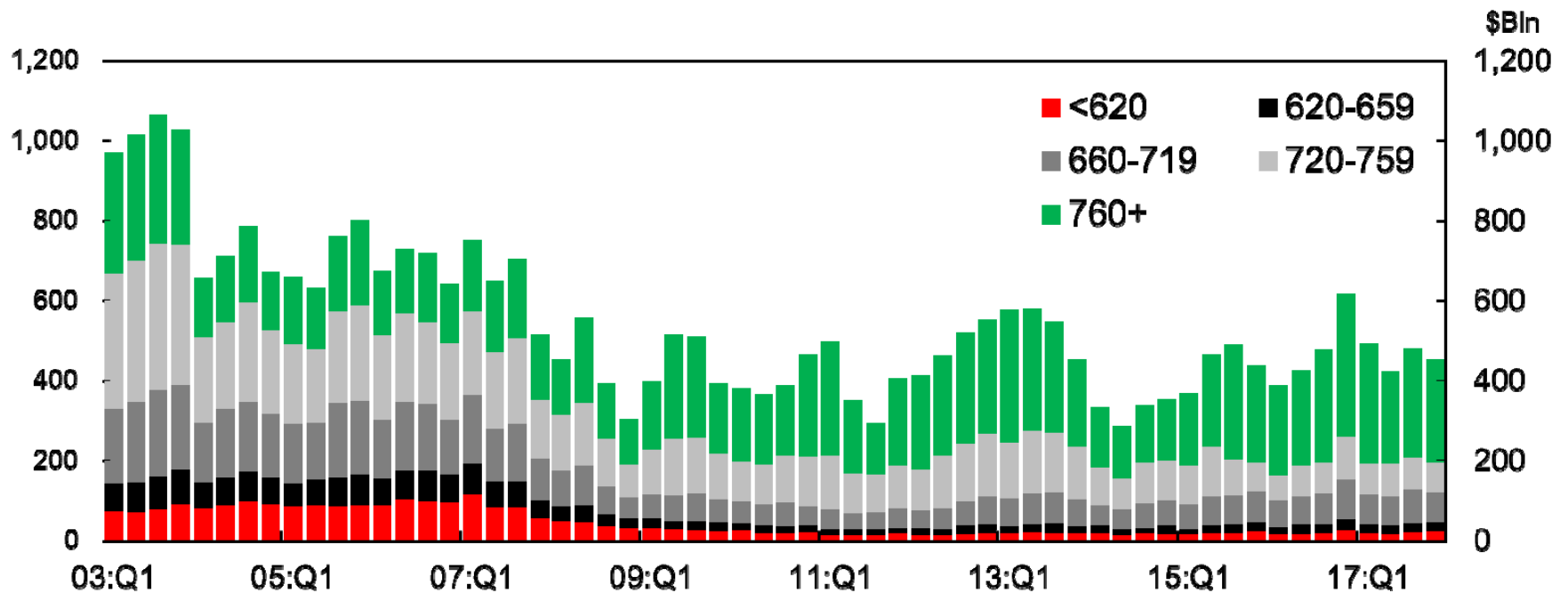
Southern California \$mln



Corelogic/DQNews and RERC

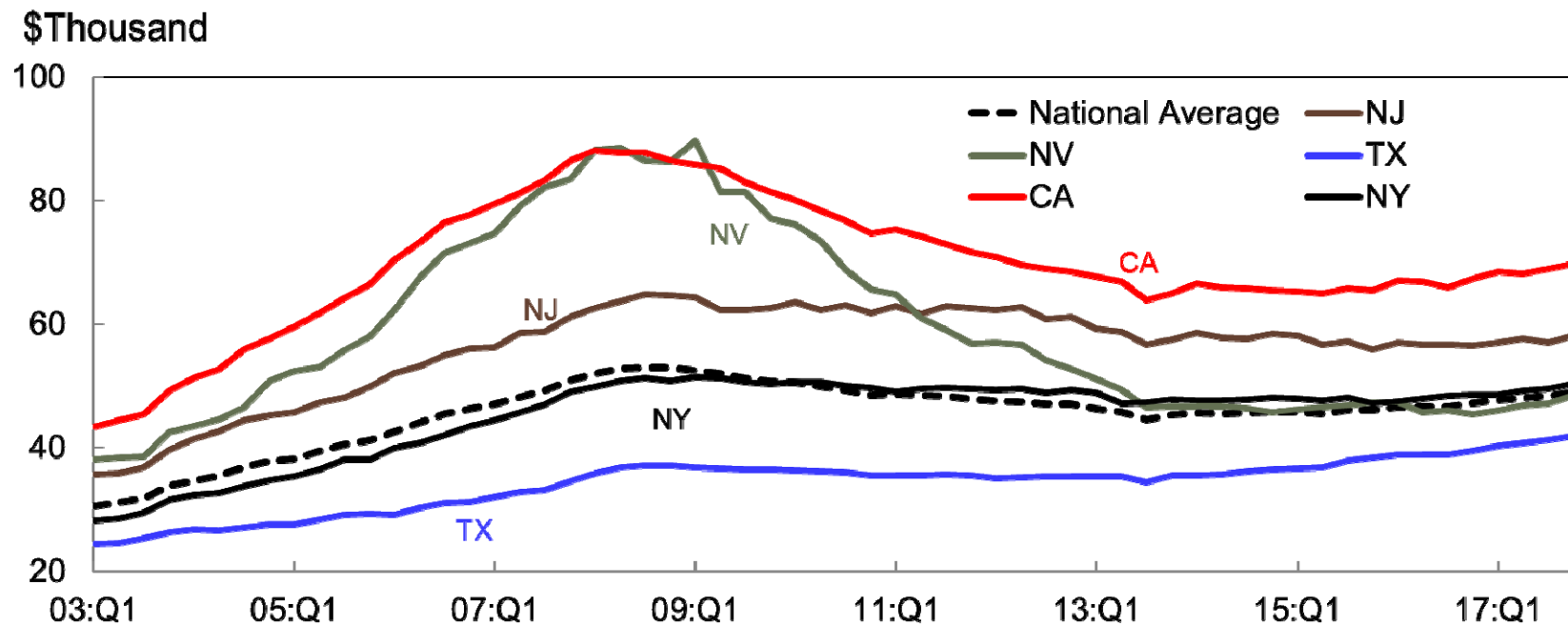


Origination by Credit Score



NY Federal Reserve/Equifax

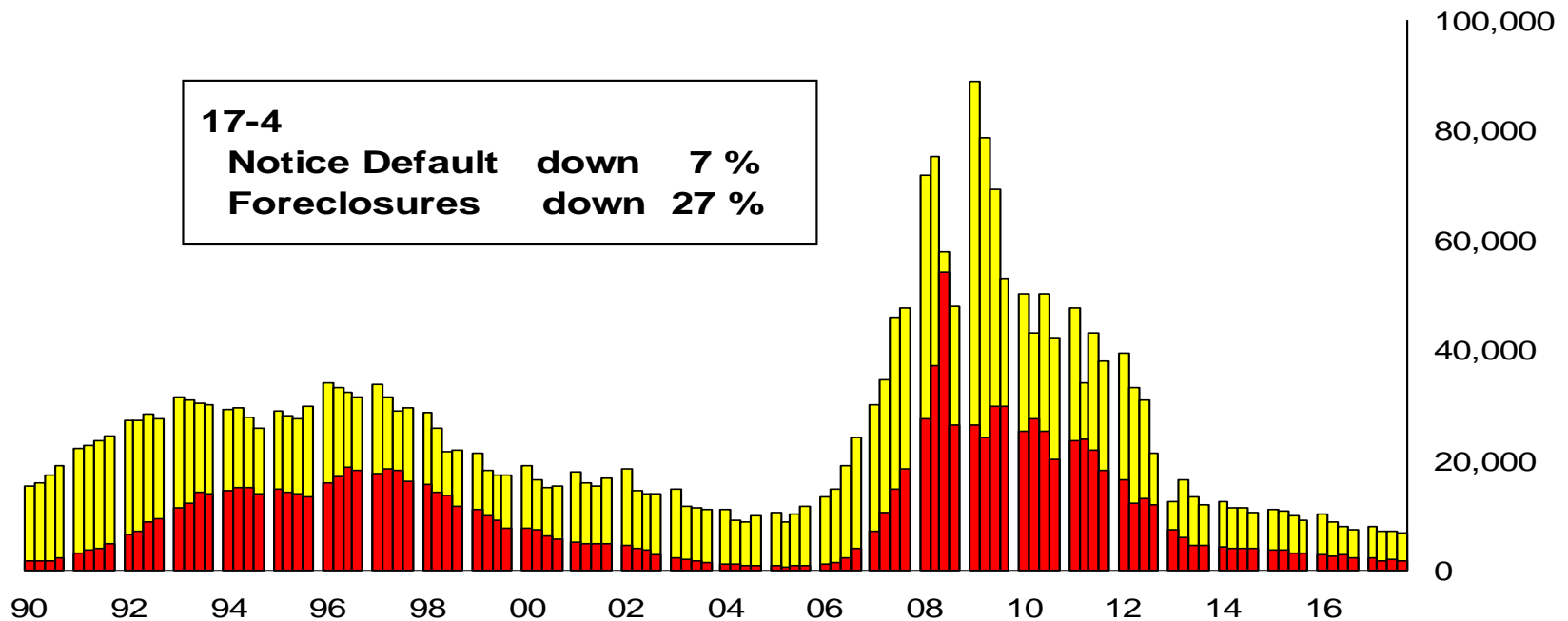
Total per Capita Debt



NY Federal Reserve/Equifax

Notices Default and Trustee Deeds

Southern California

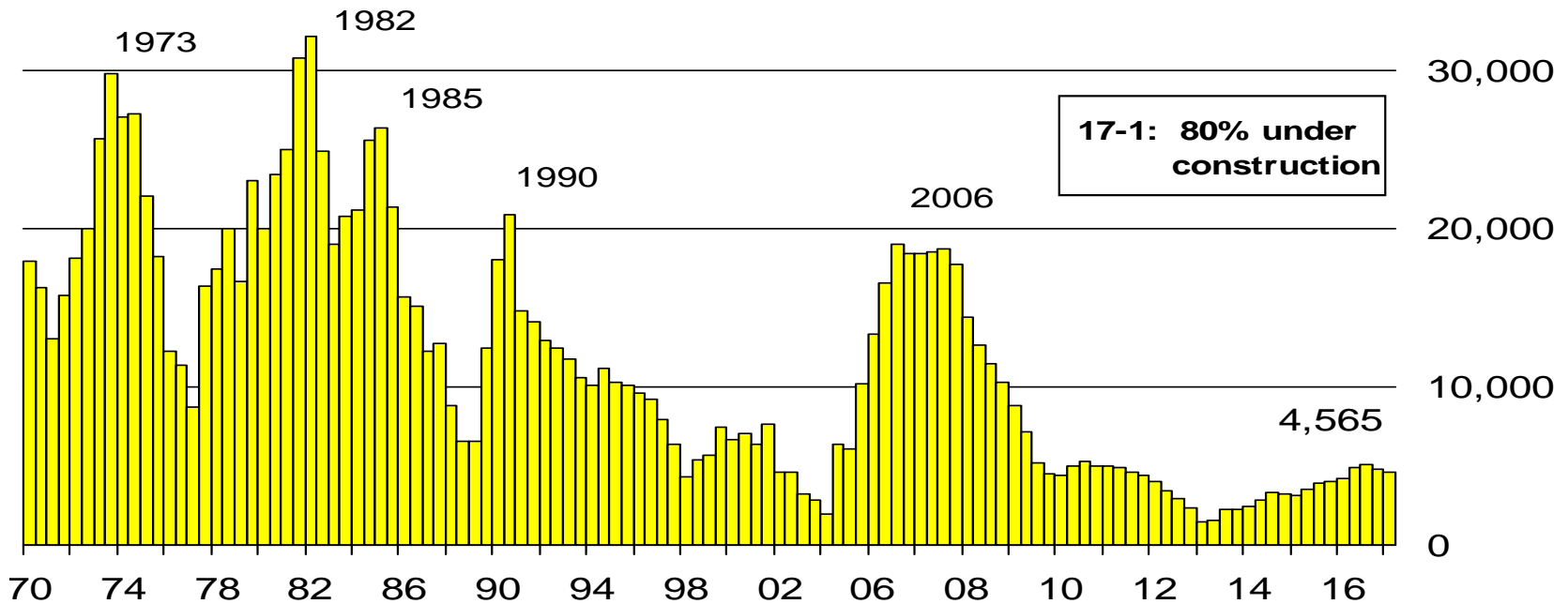


County Recorders



Unsold New Tract Housing

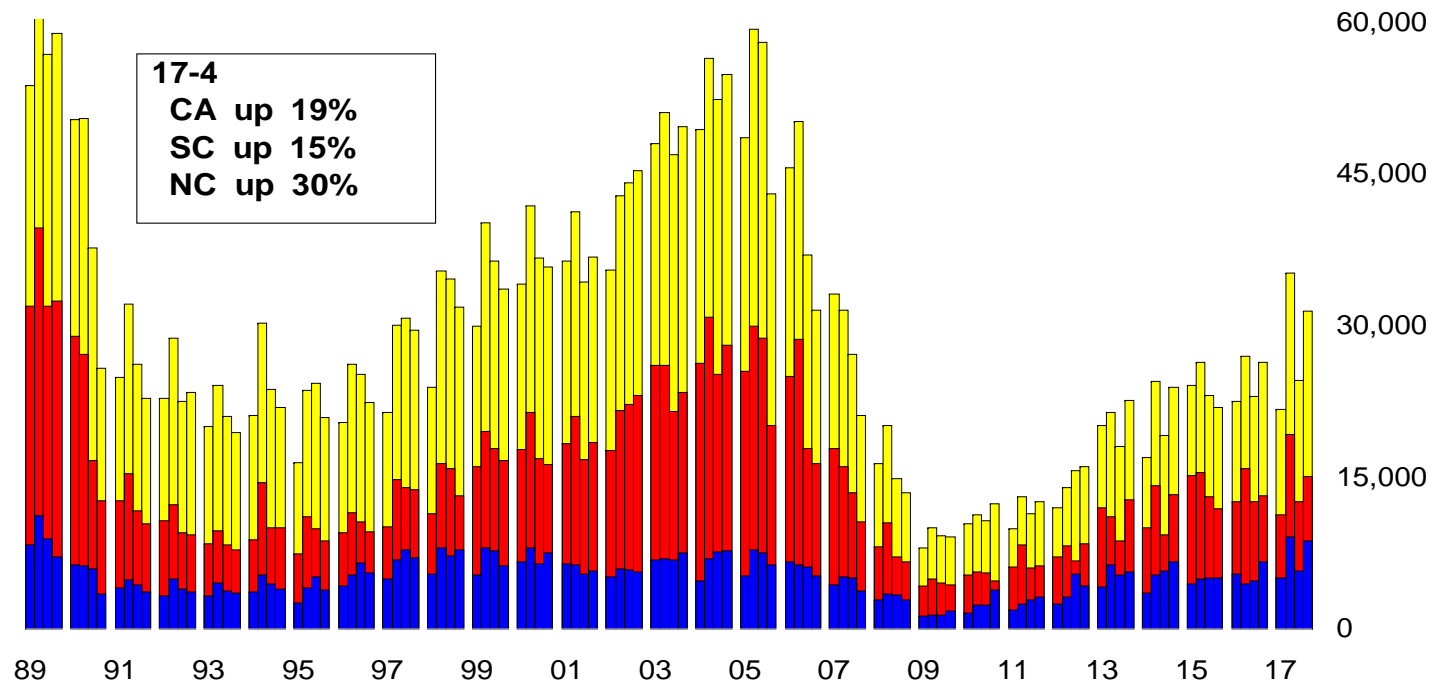
Southern California, 1970-17Q1



RERC and Marketpointe

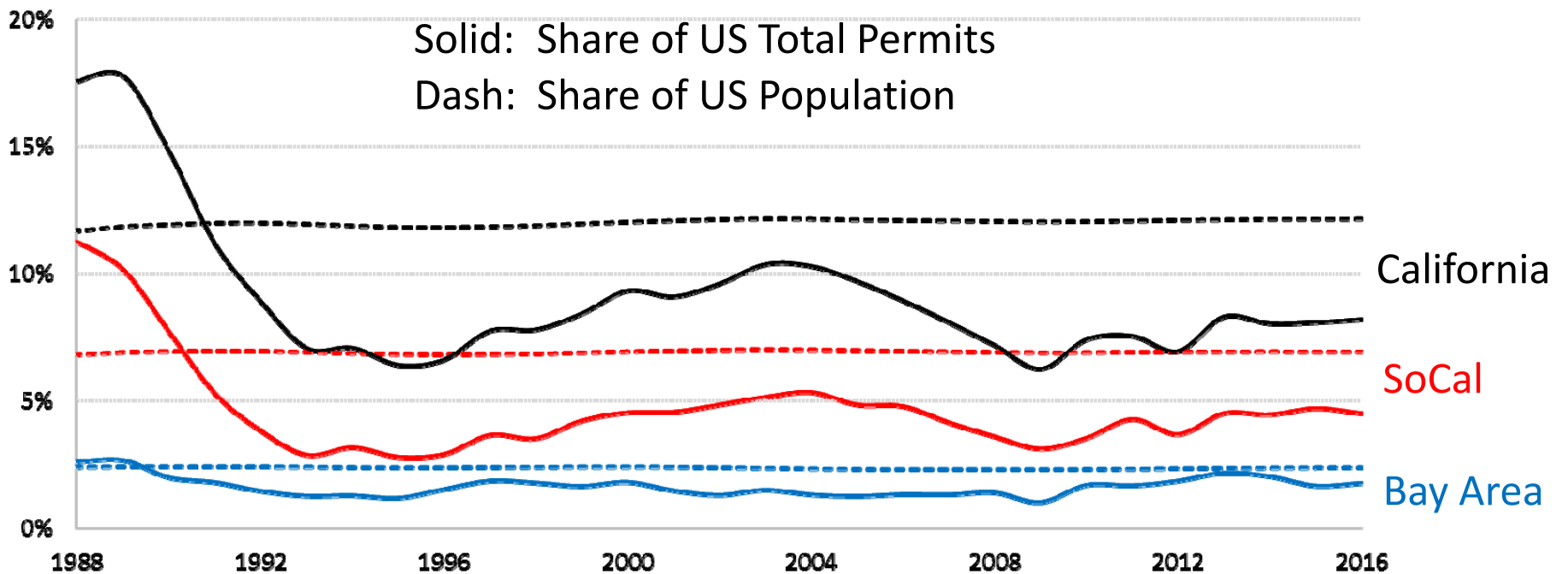
Total Residential Units in Permits

California, Southern California, and Bay Area



CHF | CIRB and RERC

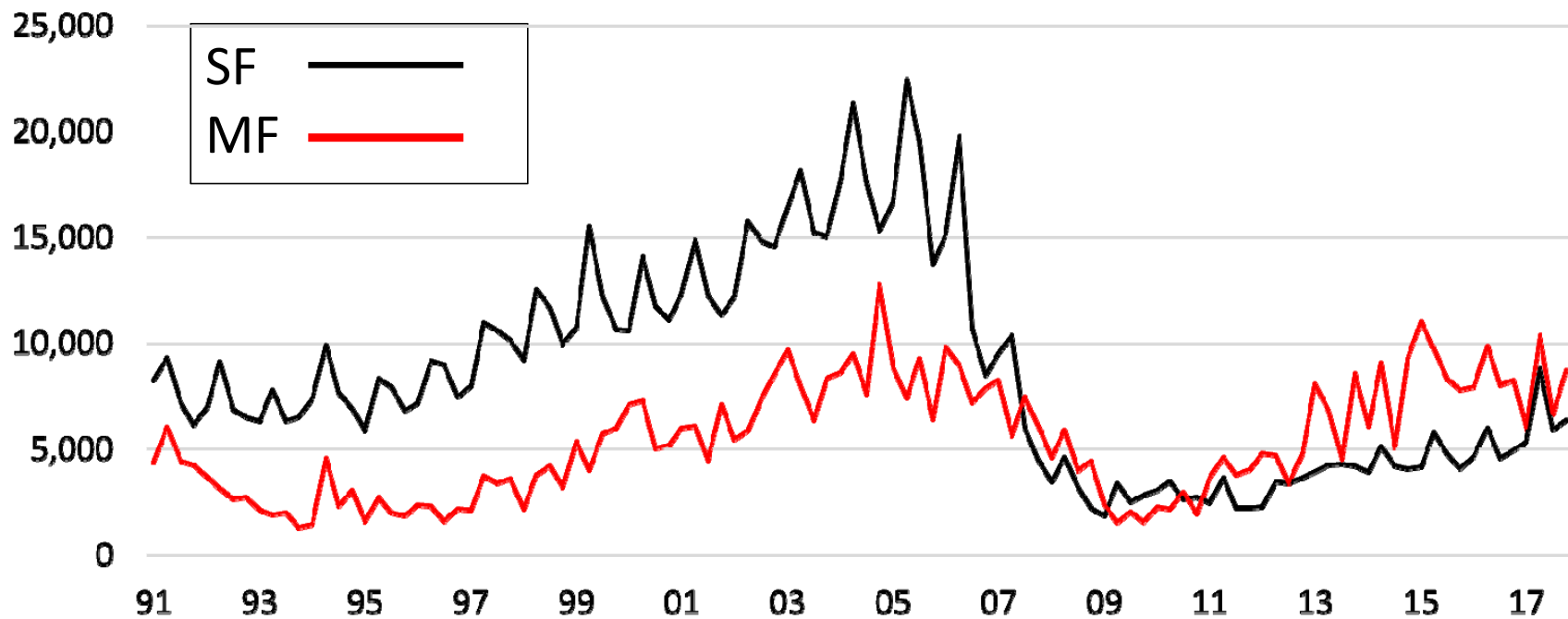
Insufficient Residential Construction



CHF | CIRB, Census, and RERC

SF versus MF Units in Permits

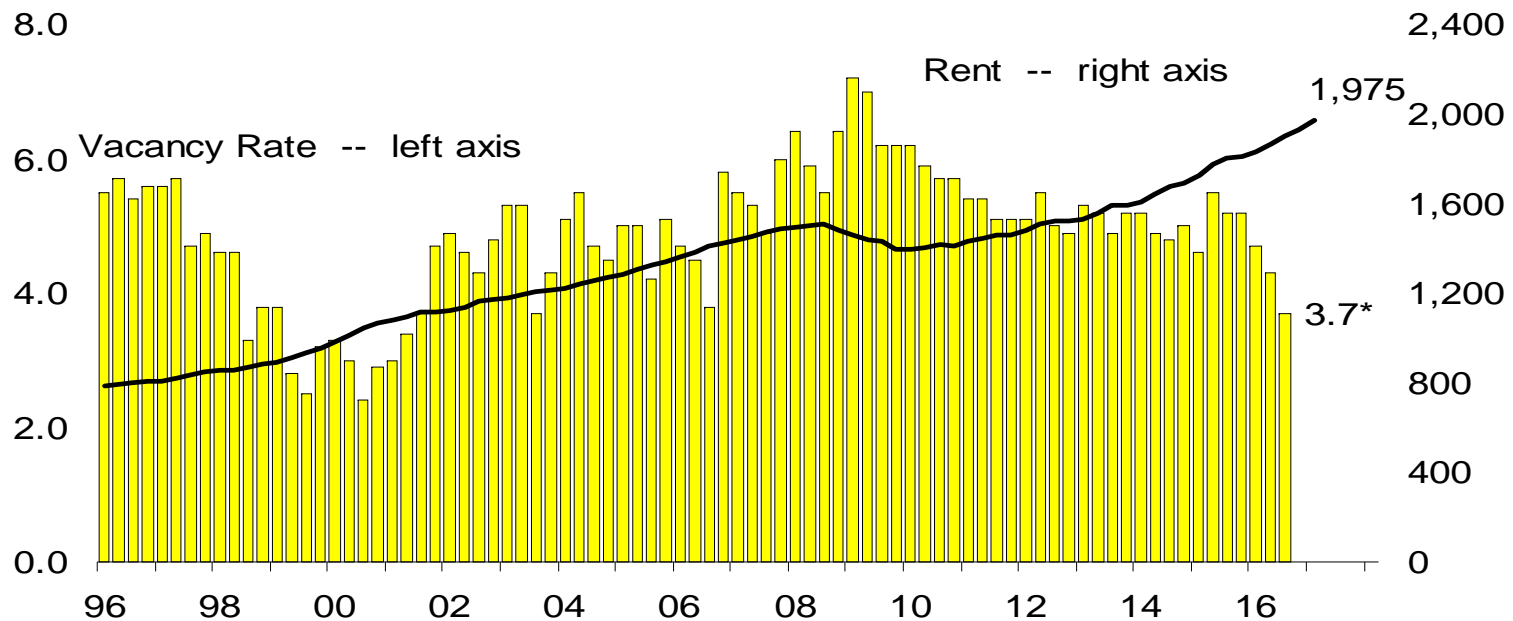
Southern California, Quarterly Rate



CHF | CIRB and RERC

Apartment Vacancies and Rents

Southern California 16Q3



realAnswers and RERC

Summary

- Prices high
 - New inventory and construction low, sales low
 - But nominal vs real, rent multipliers stable, underwriting, higher end homes
- Cracks?
 - Cost of debt
 - Strong rent appreciation vs CPI beginning to moderate
 - New inventory low, insufficient construction
 - Sales steady, but low, declining
 - New federal tax laws a one-time tax on existing homeowners



Thank you!

- Contact Dr. Gerd Welke at rerc@cpp.edu for more information on the Real Estate Research Council's
 - Quarterly SoCal and NorCal reports, and
 - Quarterly luncheons and presentations at Cal Poly Pomona

