Canvass Properties
3701 Sacramento St. #106, San Francisco, CA 94118
O: (415) 608-0544

Joan Laguatan
DRE License: 01379835
joan@canvassproperties.com
C: (415) 608-0544

Housing Perspective

Light at the End of the Tunnel, but Recovery Will Take Time

The California housing market is showing signs of recovery in recent weeks. Home sales are expected to fall further in May, after declining with the fastest pace since December 2007 in April. However, consistent improvement in housing demand in the past few weeks suggests a solid bounce back in upcoming months. In fact, since bottoming out in early April, pending sales have improved by more than 100%.

Other indicators suggest a stronger performance for housing in the months ahead as well. After declining by nearly 75% from where we started the year, the number of showings booked through Showingtime.com increased to just 0.3% below the same point last year. That puts the number of showings up by more than 50% on a weekly basis from where we started 2020 and 13.2% higher than the pre-crisis levels of late February. In addition, new purchase mortgage applications in California finally exceeded 2019 levels for the first time last week, after weeks of decline since the pandemic lock-down. Both represent strong, and consistent, signs that buyer demand is returning.

Tight housing supply could remain an issue though. One reason closed sales may see a slow upward trajectory is that new supply is not rebounding as quickly as buyer demand in California. Pending sales were only down slightly at the end of May, but the pace of new listings coming onto the market has been flat or down for the past five weeks. Thus, even as the economy starts to open and buyer demand starts to return, new supply is desperately needed in order to maintain an uptrend in pending sales so that closed transactions can actually rise.

Home prices have remained fairly stable up to this point, but more discounting recently implies softening prices in the future. The percentage of active listings and closed sales that have been reduced from their original listing price gone up in the last few weeks. However, the magnitude of the discounts has been shrinking and was between a median of 3.5% and 4% over the past two weeks compared with 4% to 4.5% back in early May.

The economic and market data shifted toward a less pessimistic tone at the end of May with many critical indicators showing signs of life. However, real estate remains poised for ongoing challenges over the next few months as the ripple effects of over 40 million job losses continue to play out. We are seeing that light shining at the end of the tunnel, but it is likely still several months out before we truly emerge from the darkness.