

California COVID-19 Economic/Market Update

April 7, 2020

Jordan G. Levine
Deputy Chief Economist
California Association of REALTORS®



overview

01 Fundamentals First

- Still too early for most major indicators.
- We started on a strong footing economically

02 Impacts of COVID-19

- Revised forecasts for economy and housing
- Lots of uncertainty and forecasts change rapidly

03 Outlook & Scenarios

- Rates won't be enough to offset this one
- Housing could be a bright spot after crisis

04 Resources for YOU

- CAR has many resources available
- Information & will connect you with ASSISTANCE



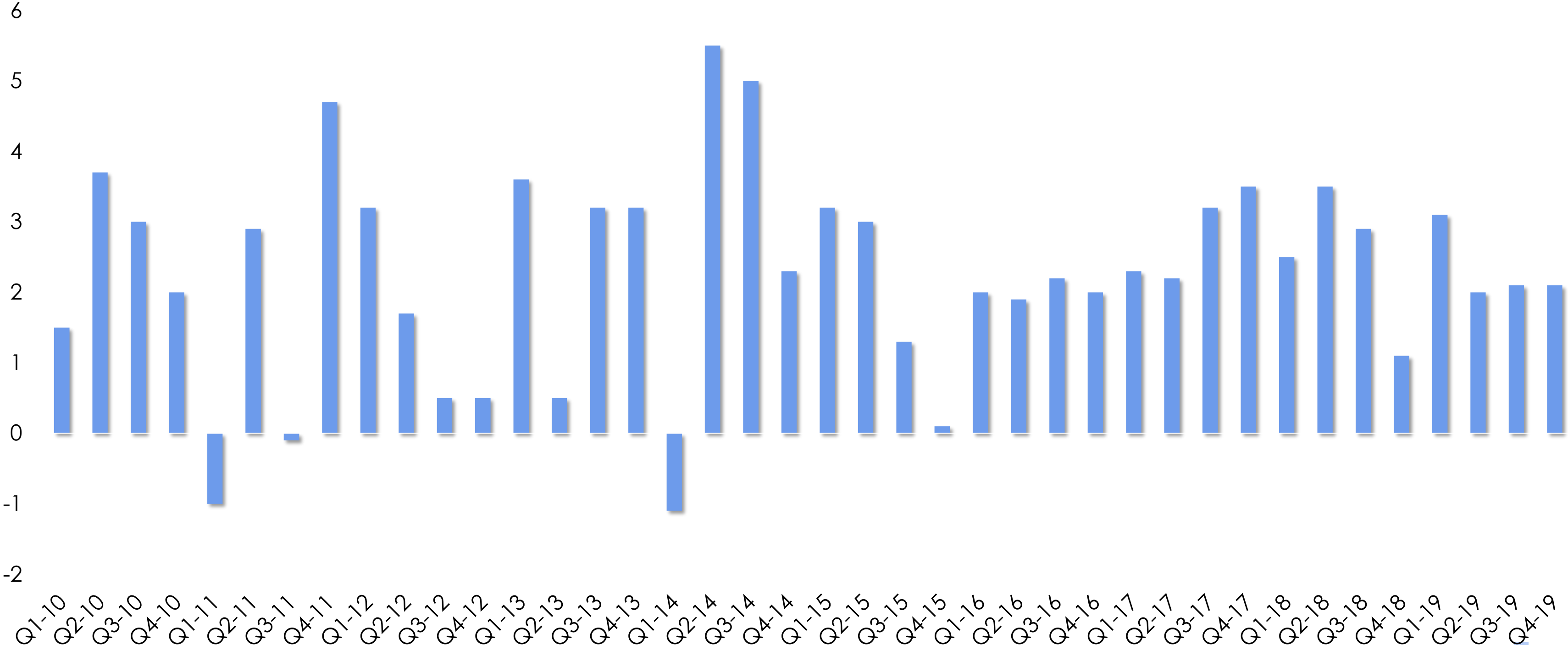


Review of **Pre-Crisis Economy**



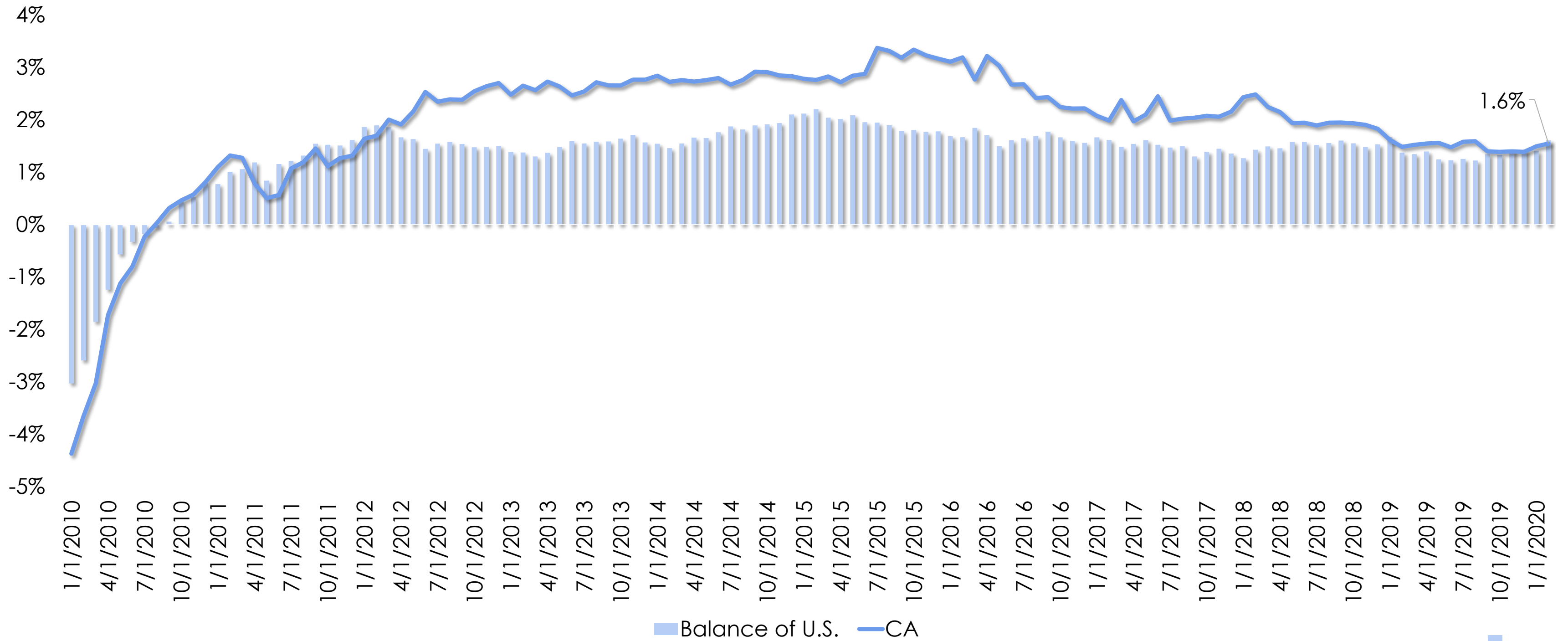
The economy was still growing at a decent clip

U.S. GDP Growth



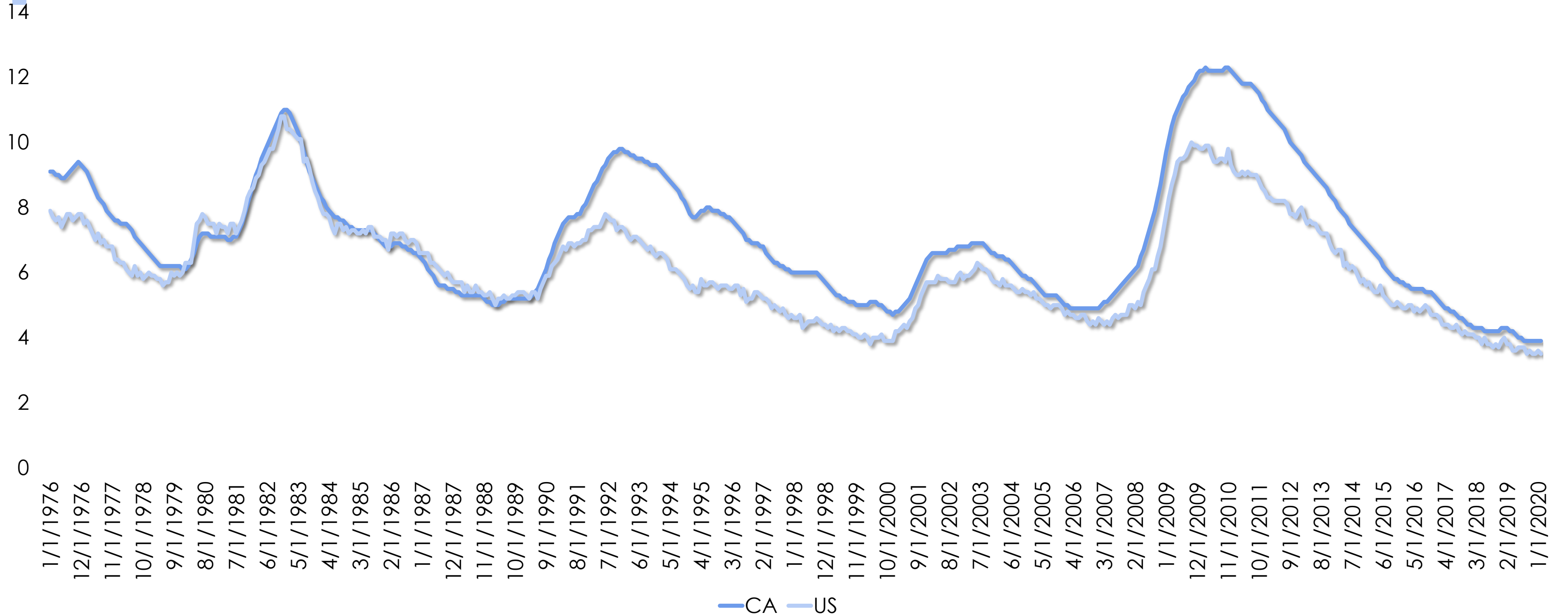
Fastest job growth in a year

U.S. vs California Job Growth

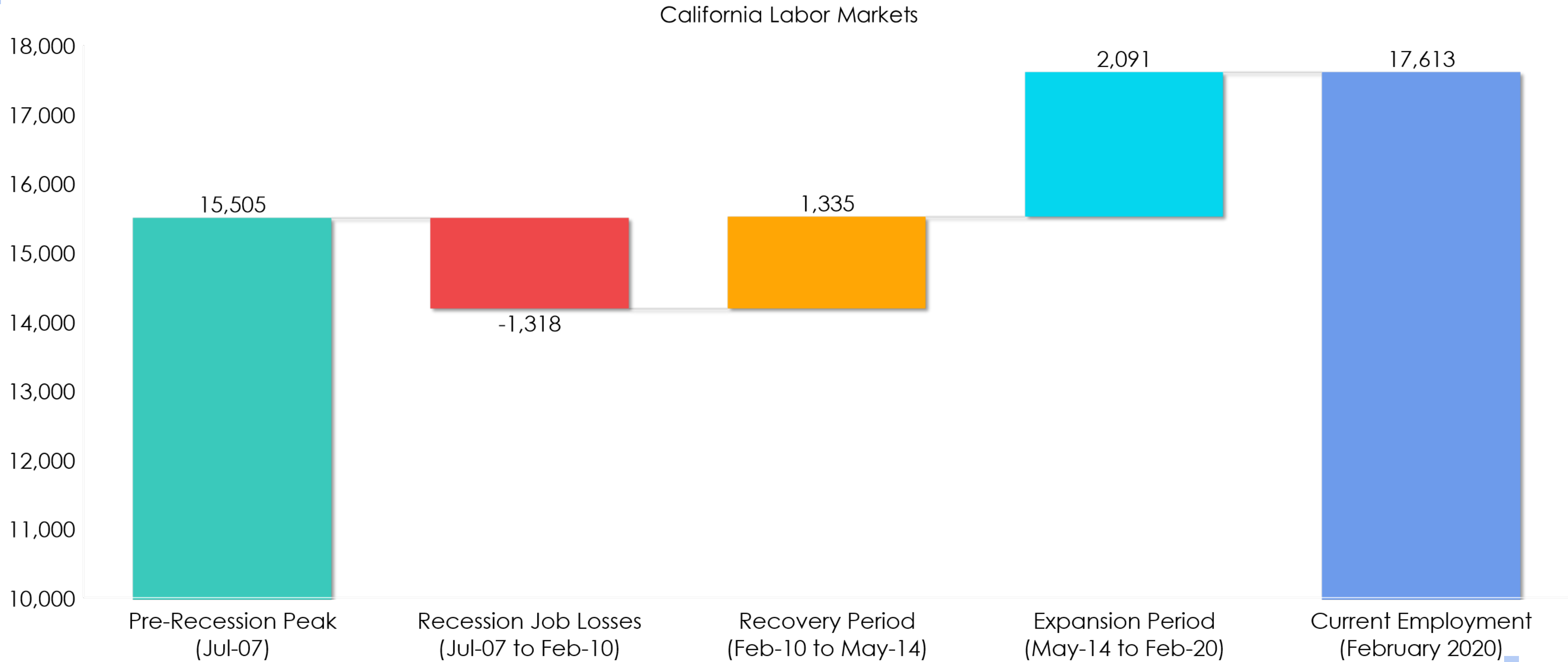


Unemployment shrinks back to all-time low

Unemployment Rate

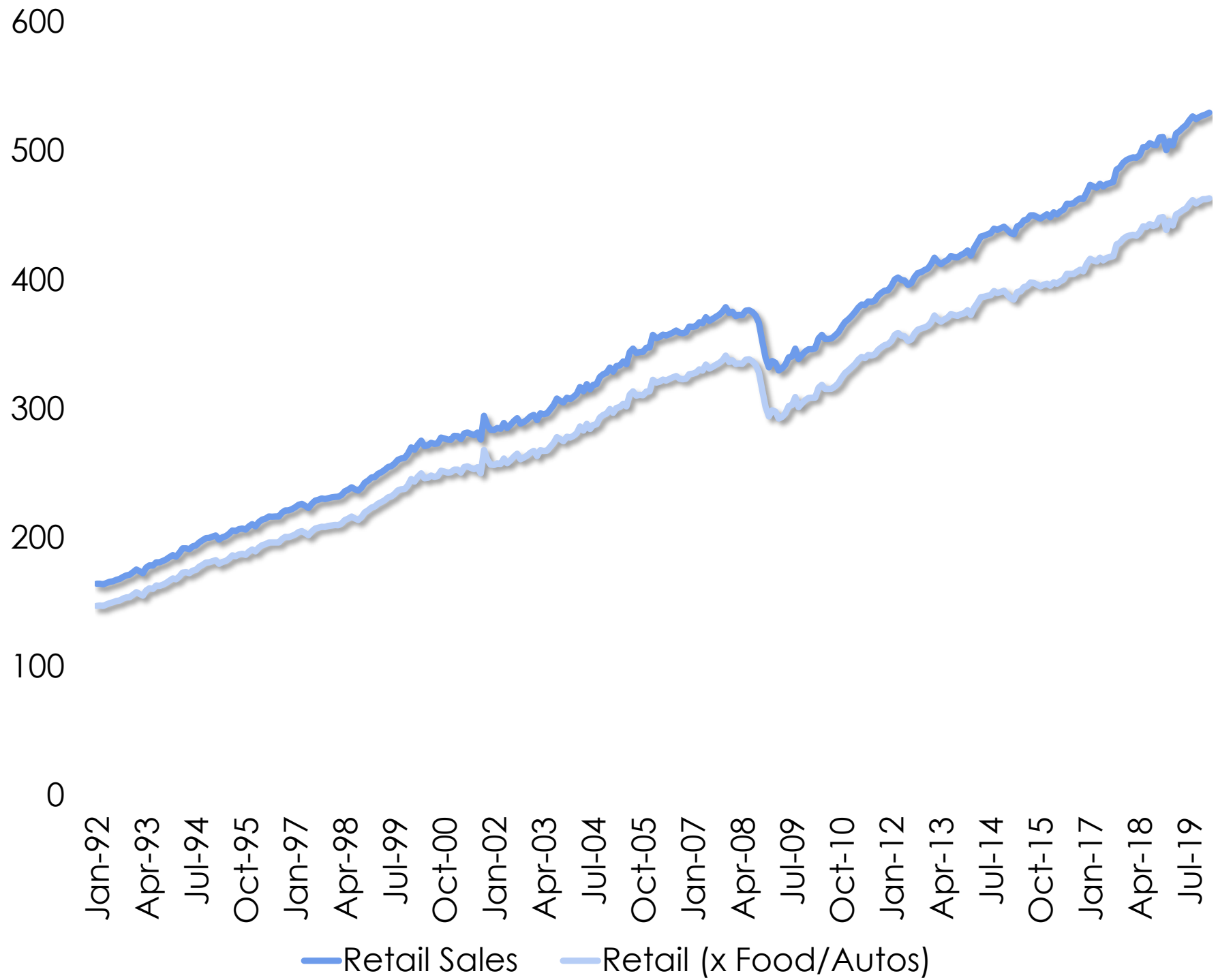


Biggest strength also big housing weakness

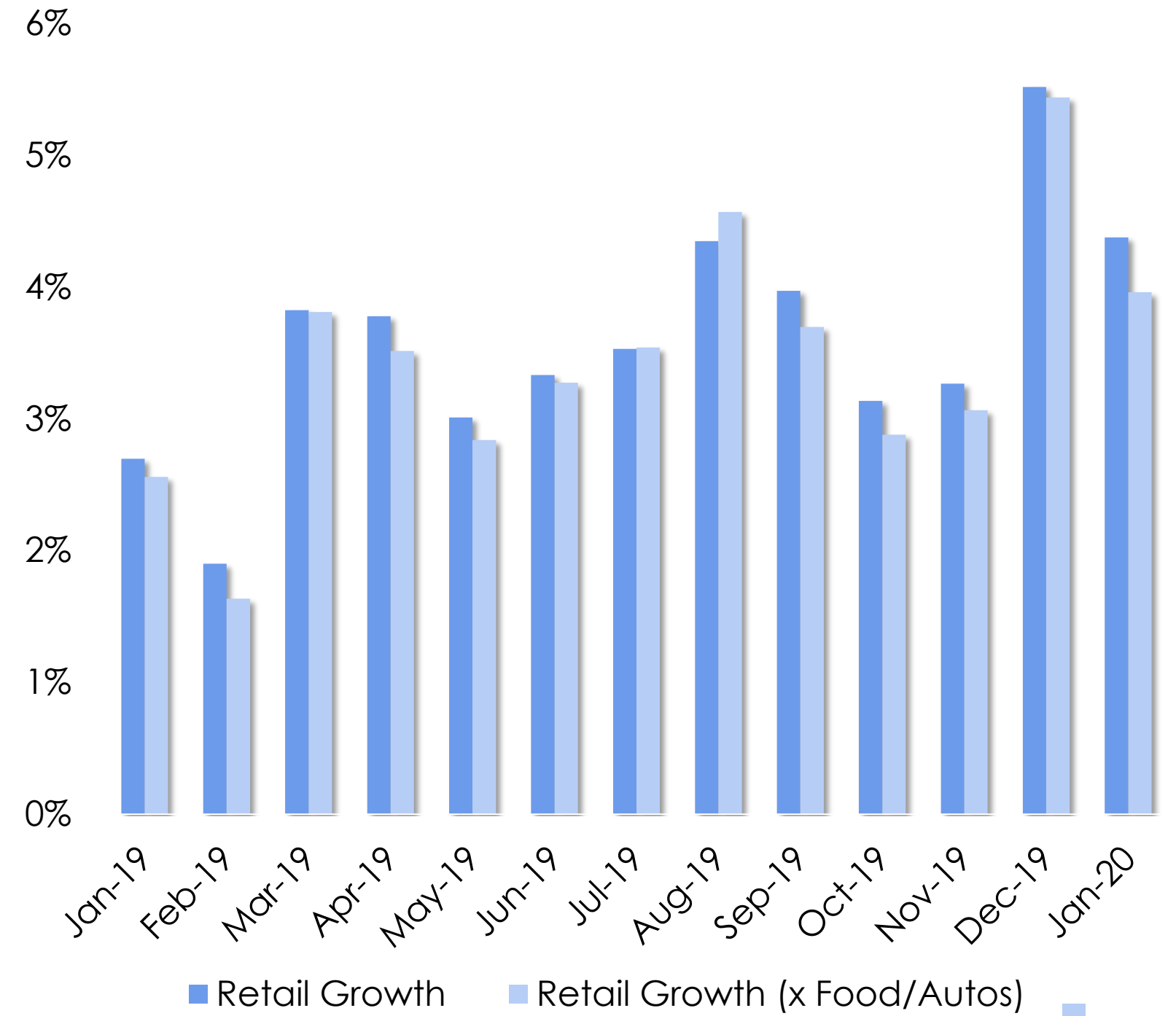


Consumer spending was still going strong

U.S. Retail Sales

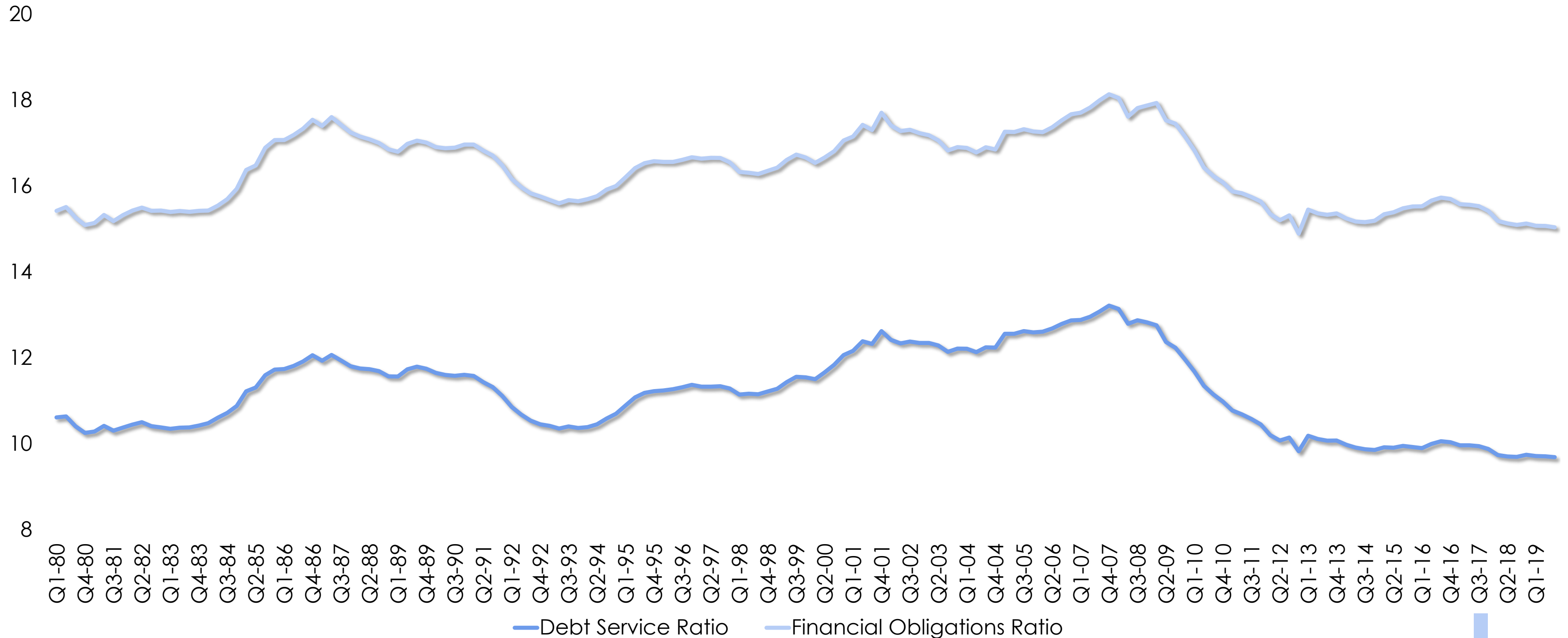


U.S. Retail Sales Growth



Consumers were in good financial shape!

Consumer Debt and Financial Obligations

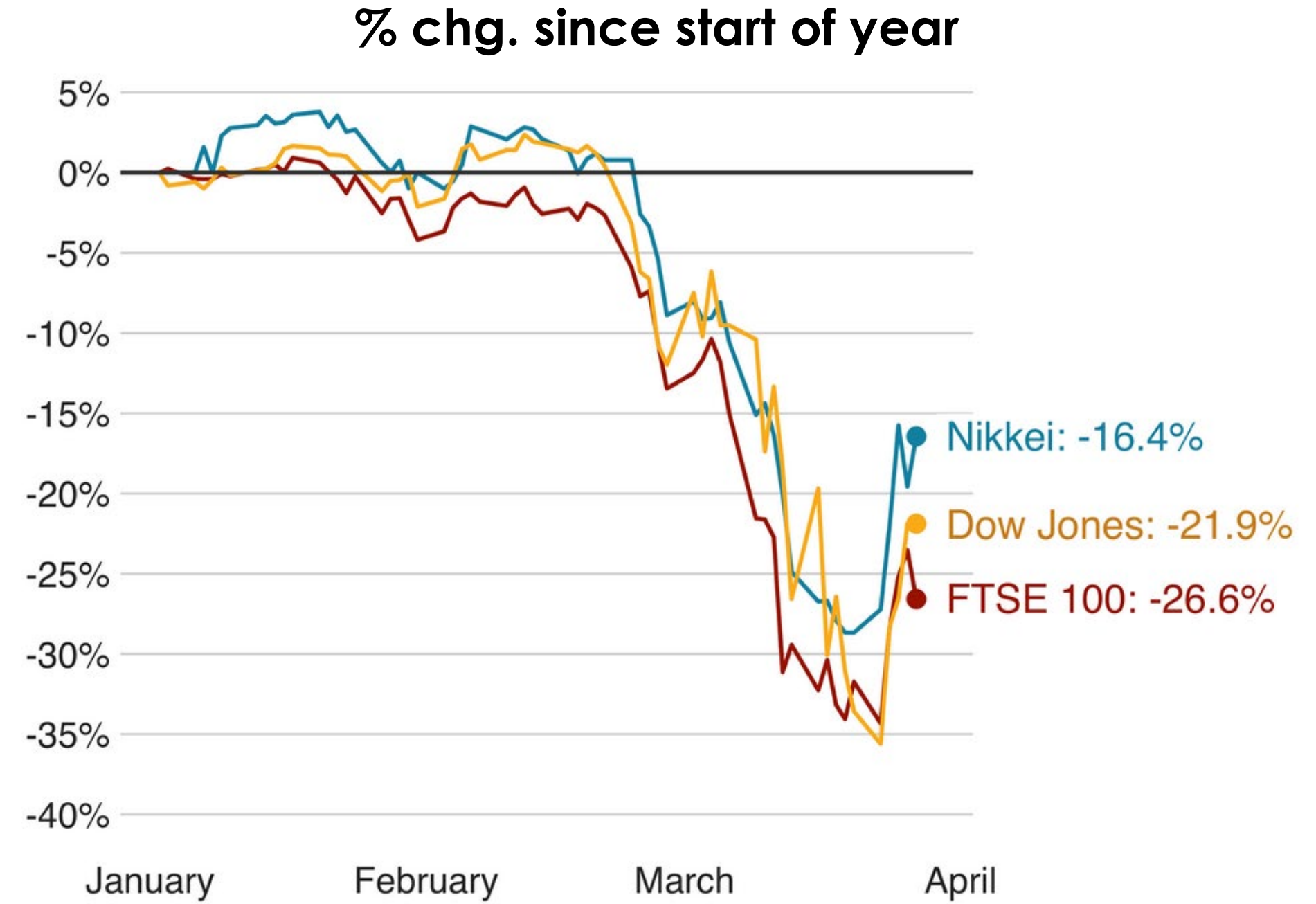
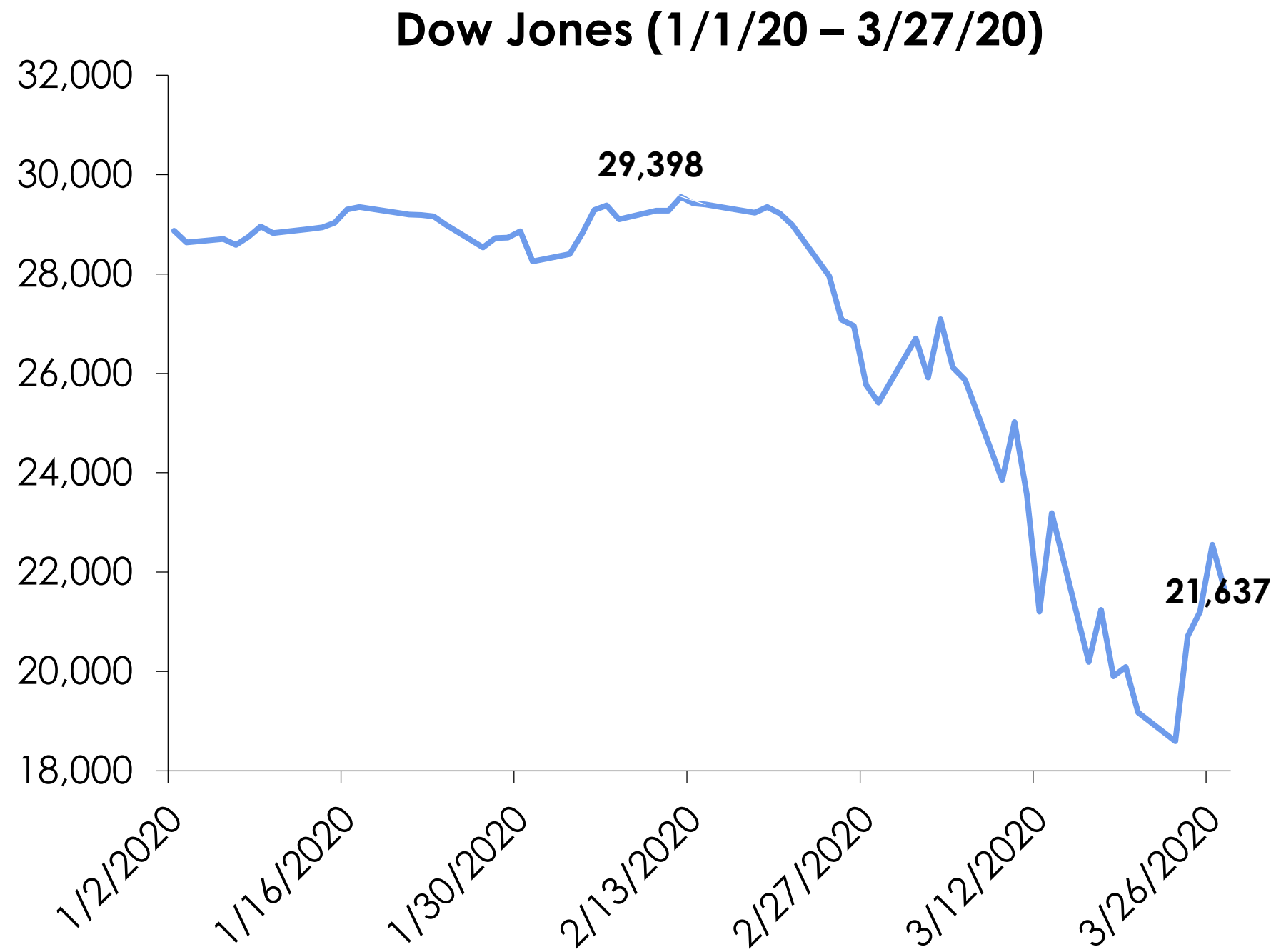




**Why This Should Be
Taken Seriously, Economically**

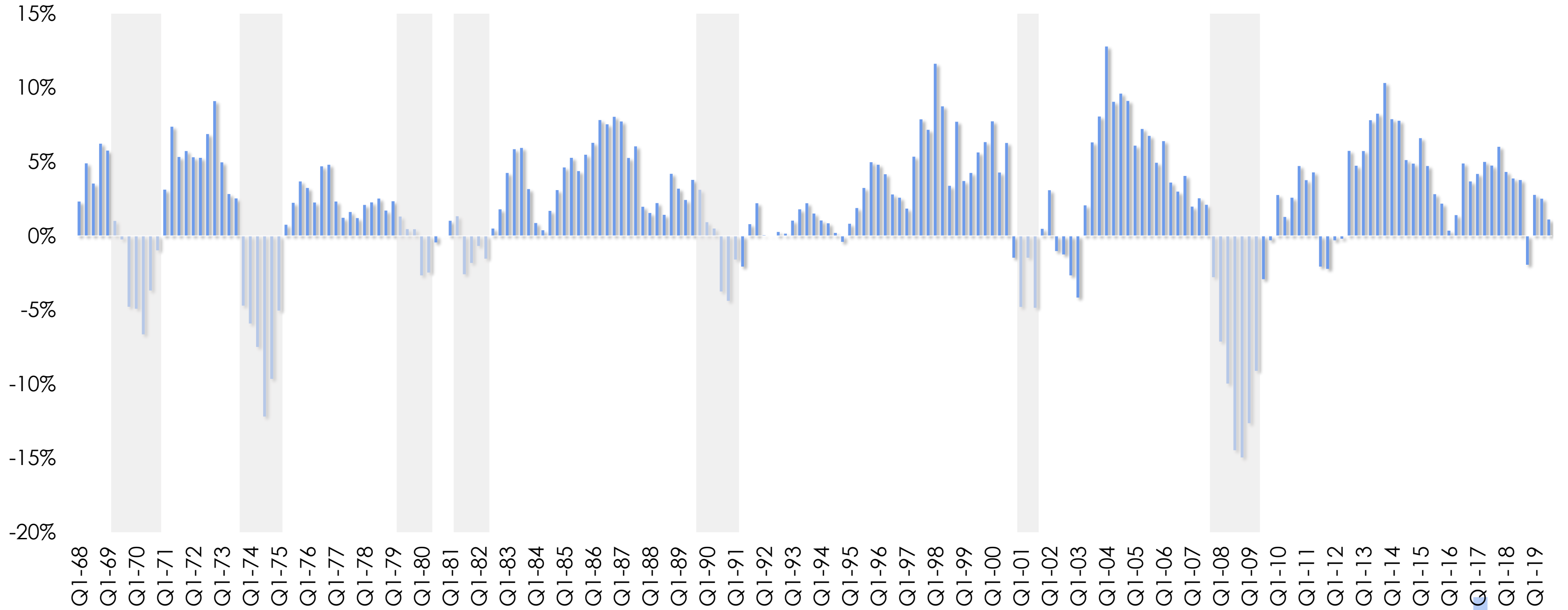


Financial markets impact people's wealth & confidence



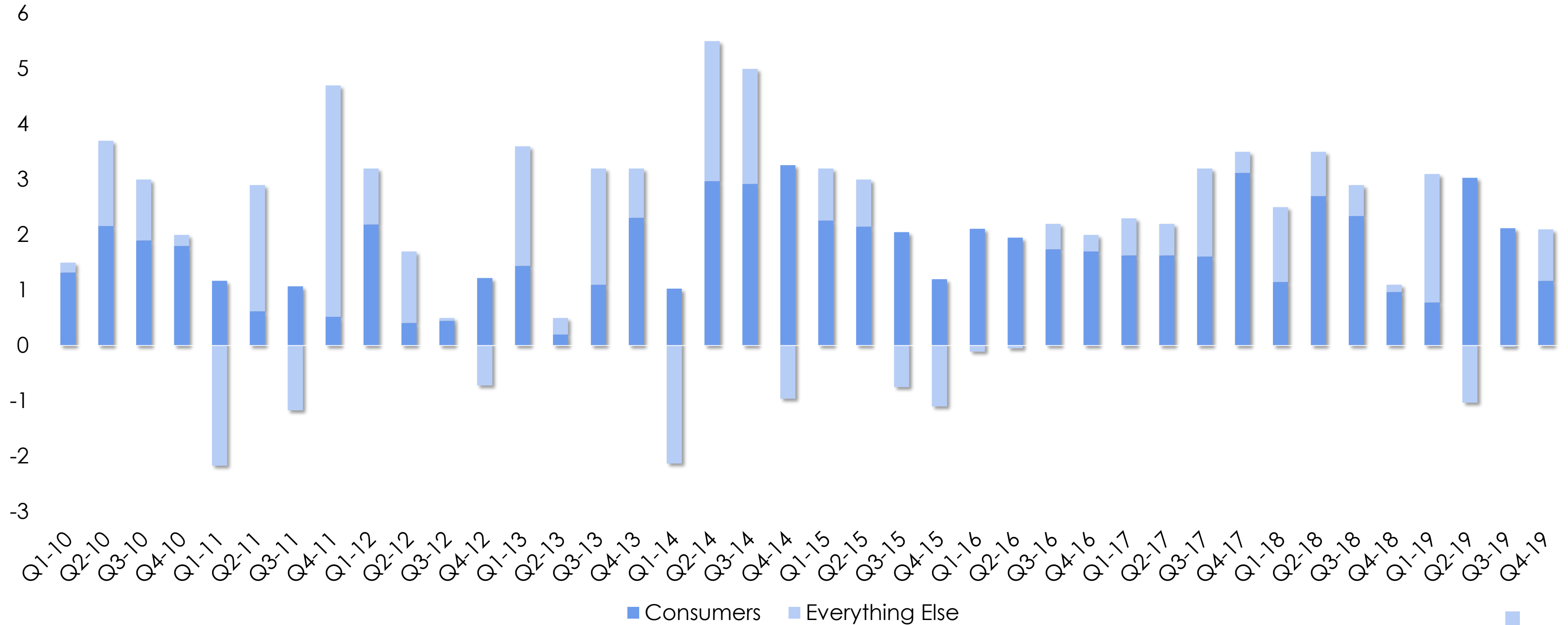
Poorer population is a good predictor of recession

YoY % Change in U.S. Real Net Worth Per Capita



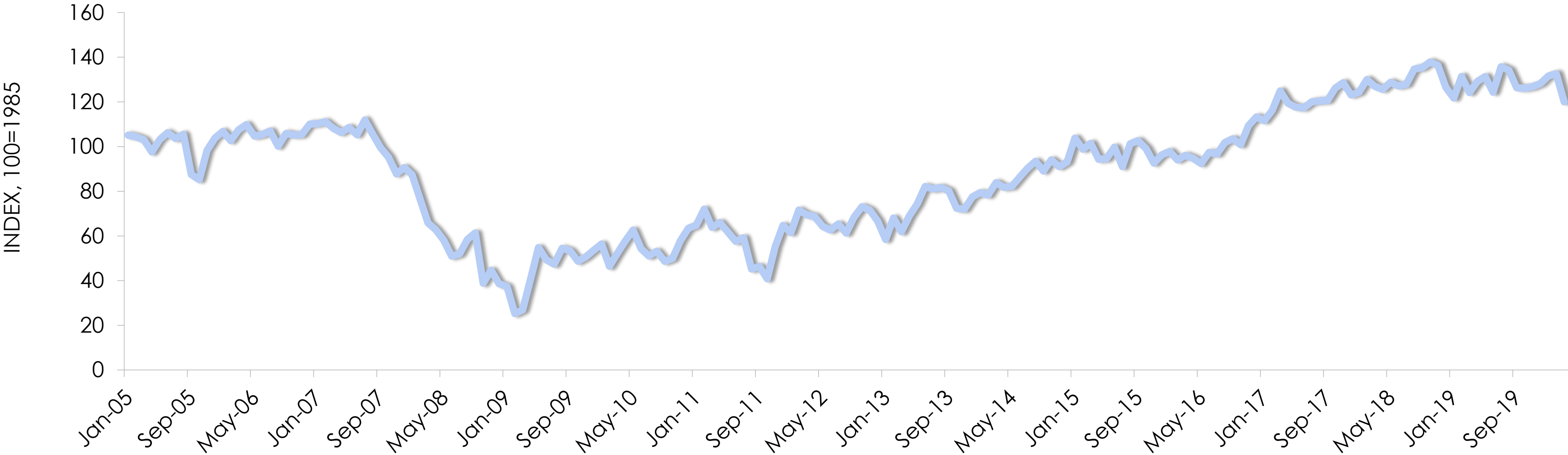
If confidence is also impacted, not much to fall back on

U.S. GDP Growth by Component



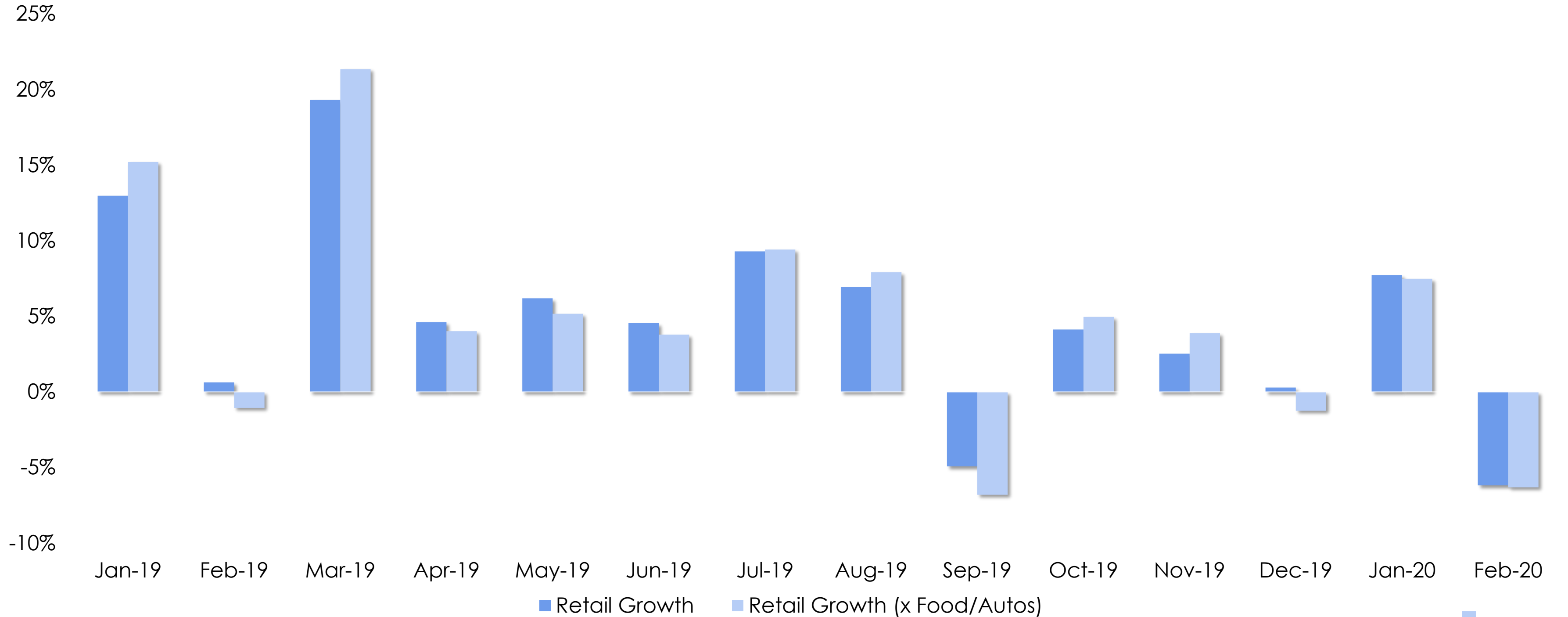
Consumer confidence declined sharply in March

March 2020 120.0



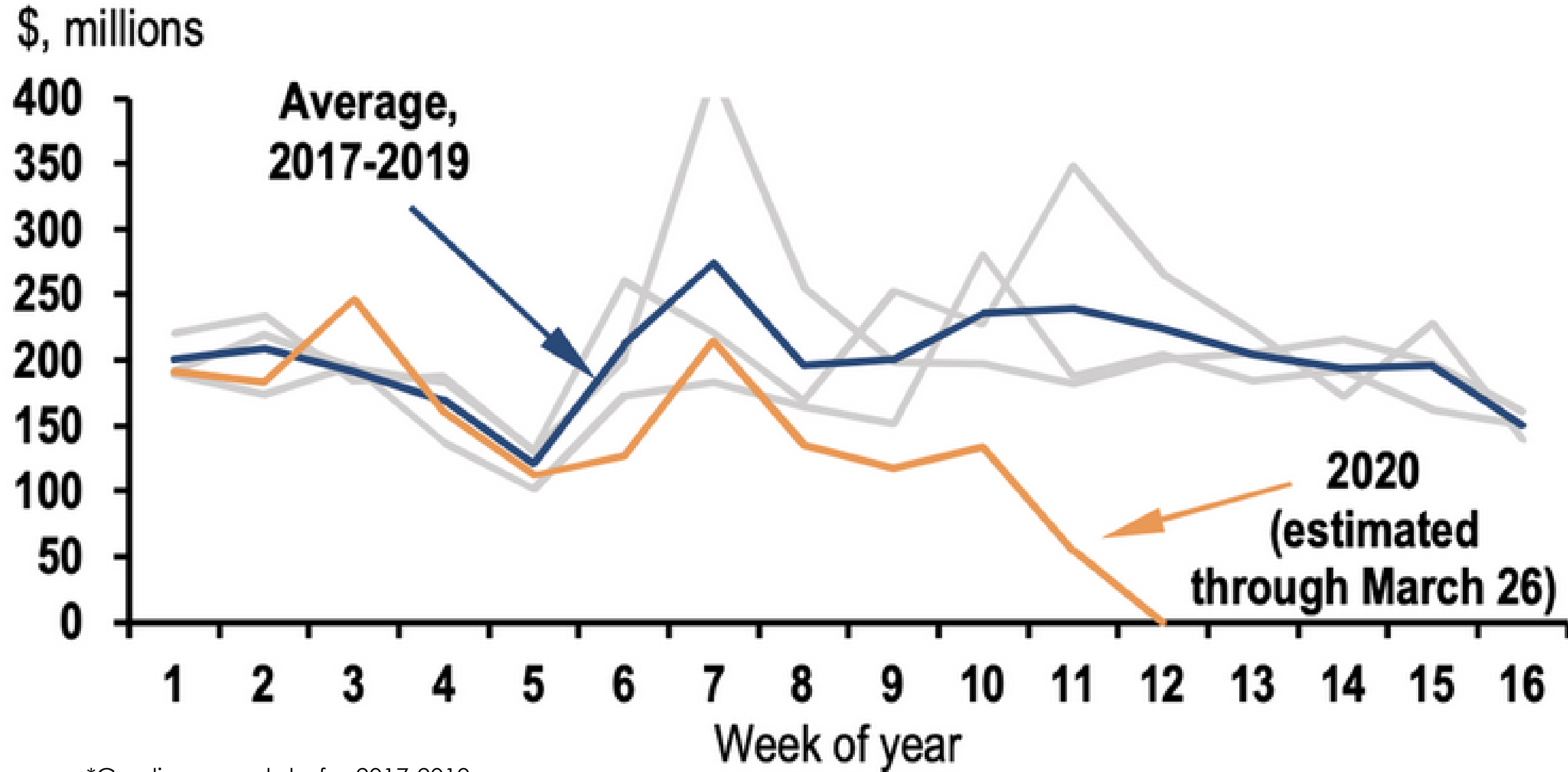
End of February already impacted in retail figures

U.S. Retail Sales Growth



U.S. movie theaters struggle

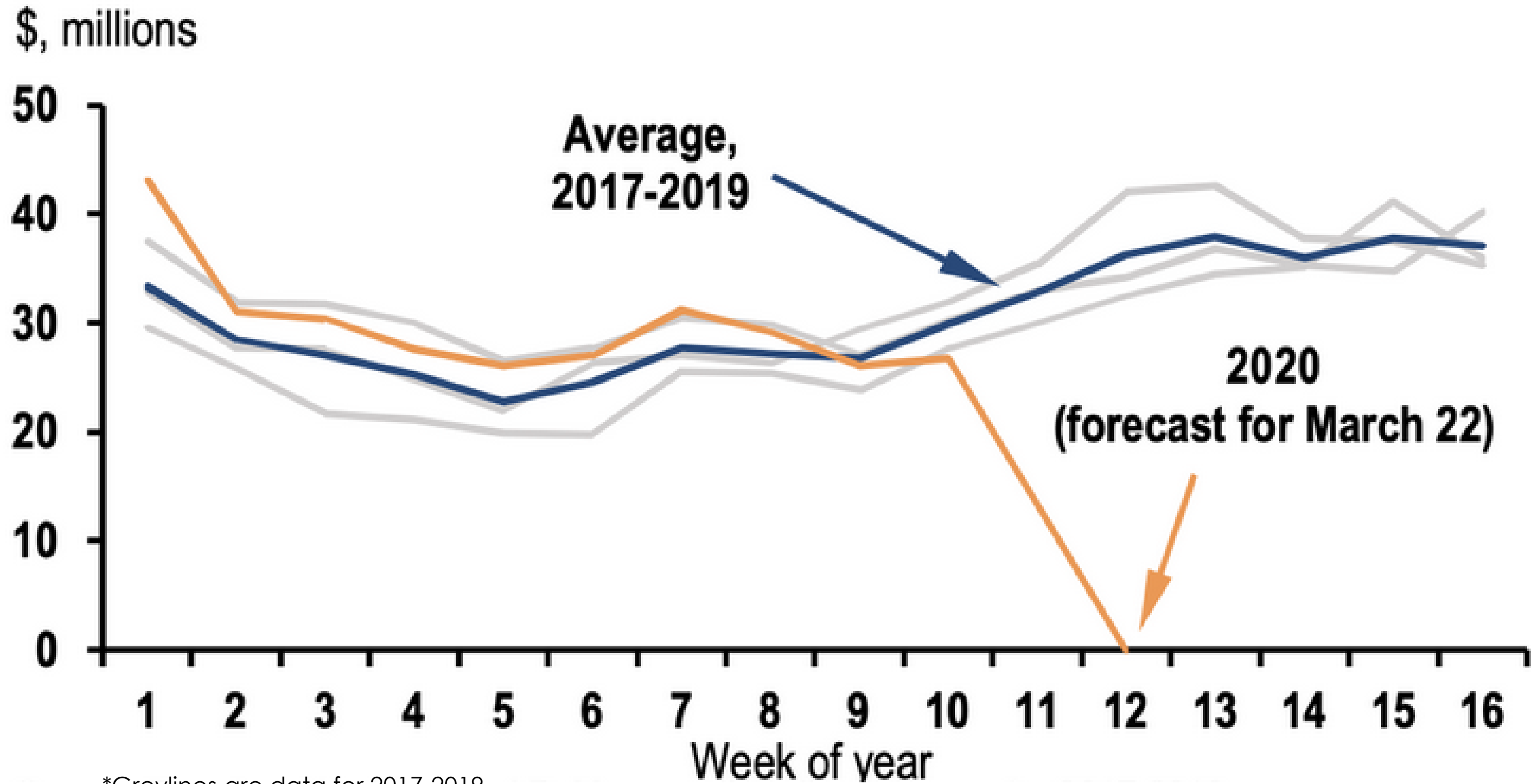
Domestic movie theater box office receipts



*Grey lines are data for 2017-2019

Broadway hits a new bottom

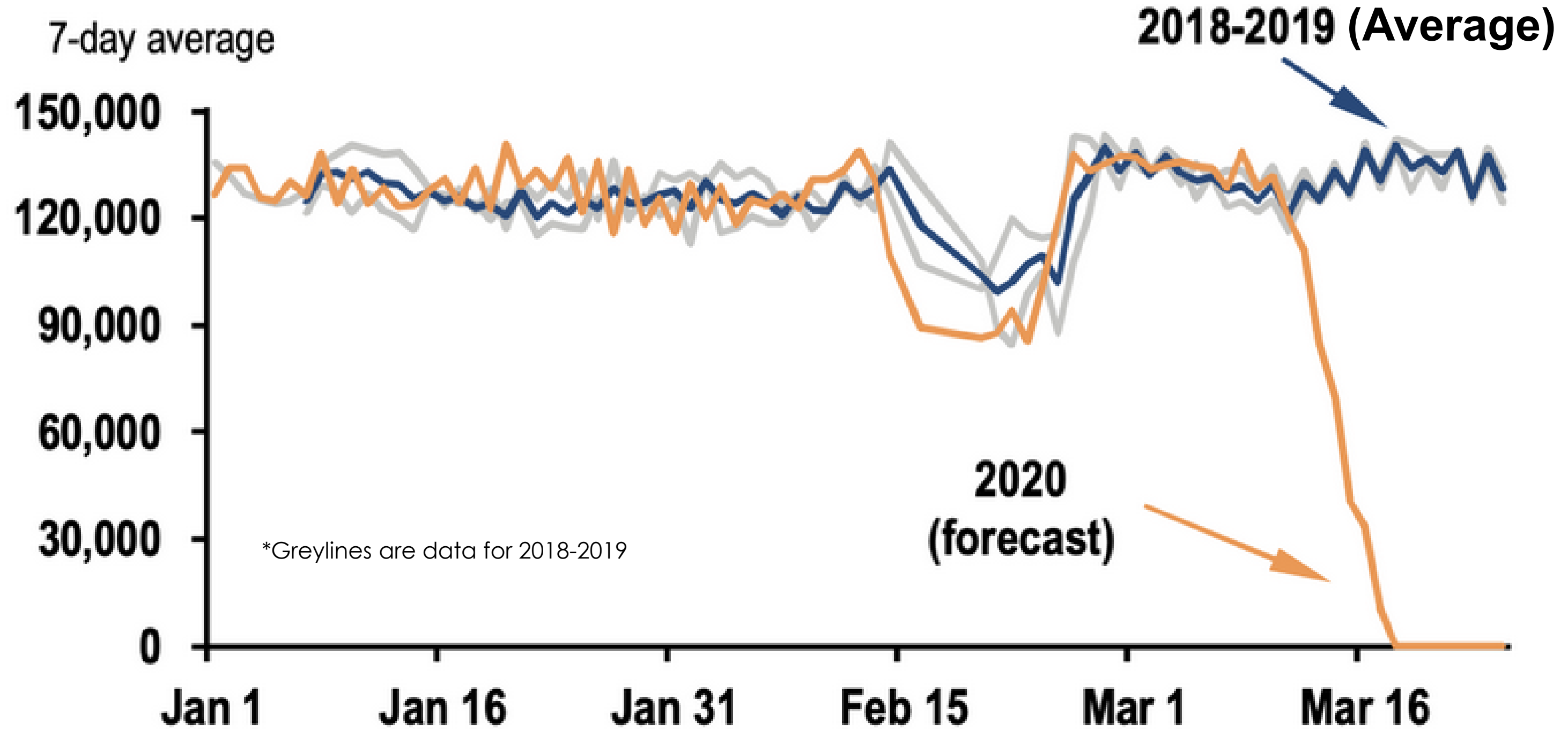
Broadway theater box office receipts



*Grey lines are data for 2017-2019

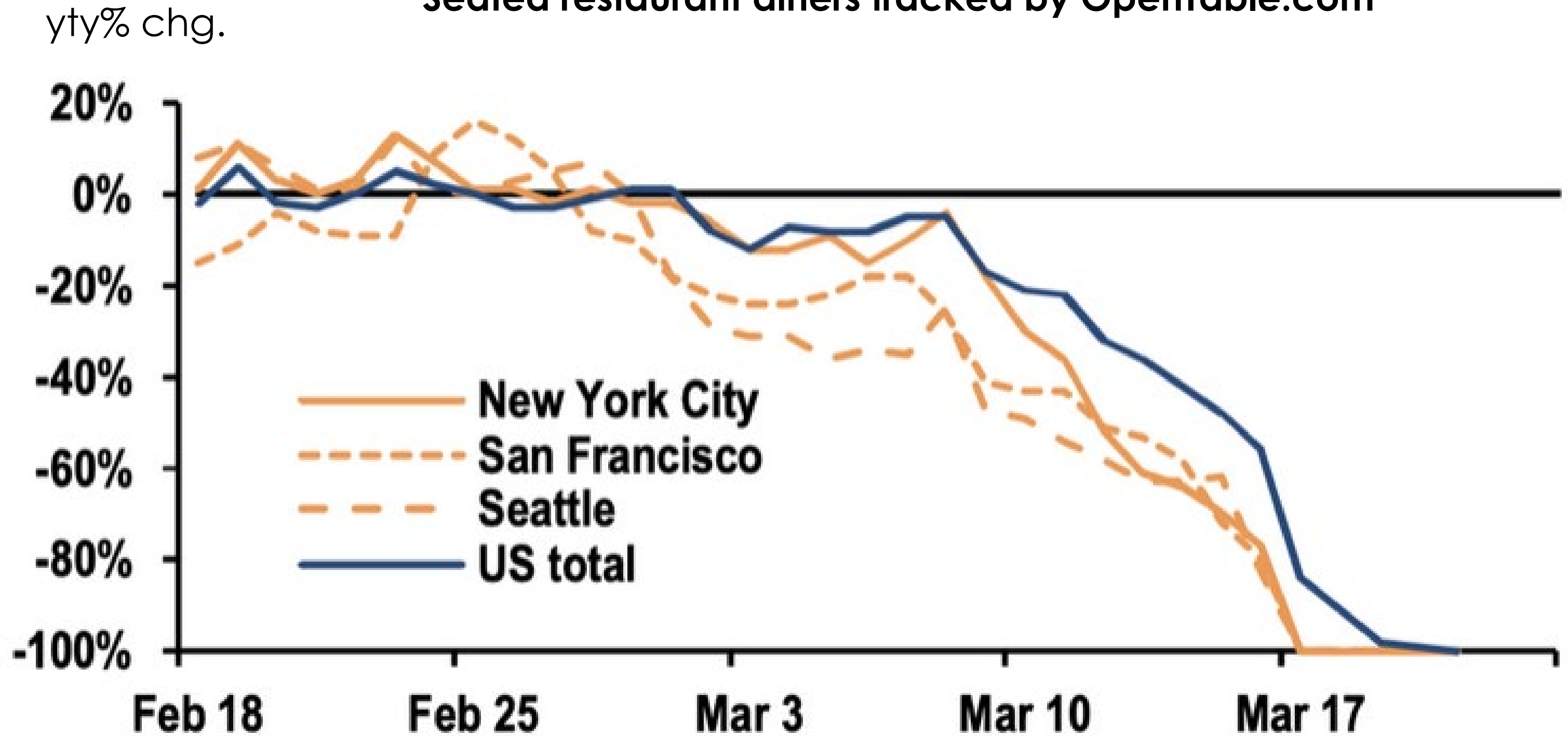
NBA attendance drops to zero

Attendance at NBA basketball games



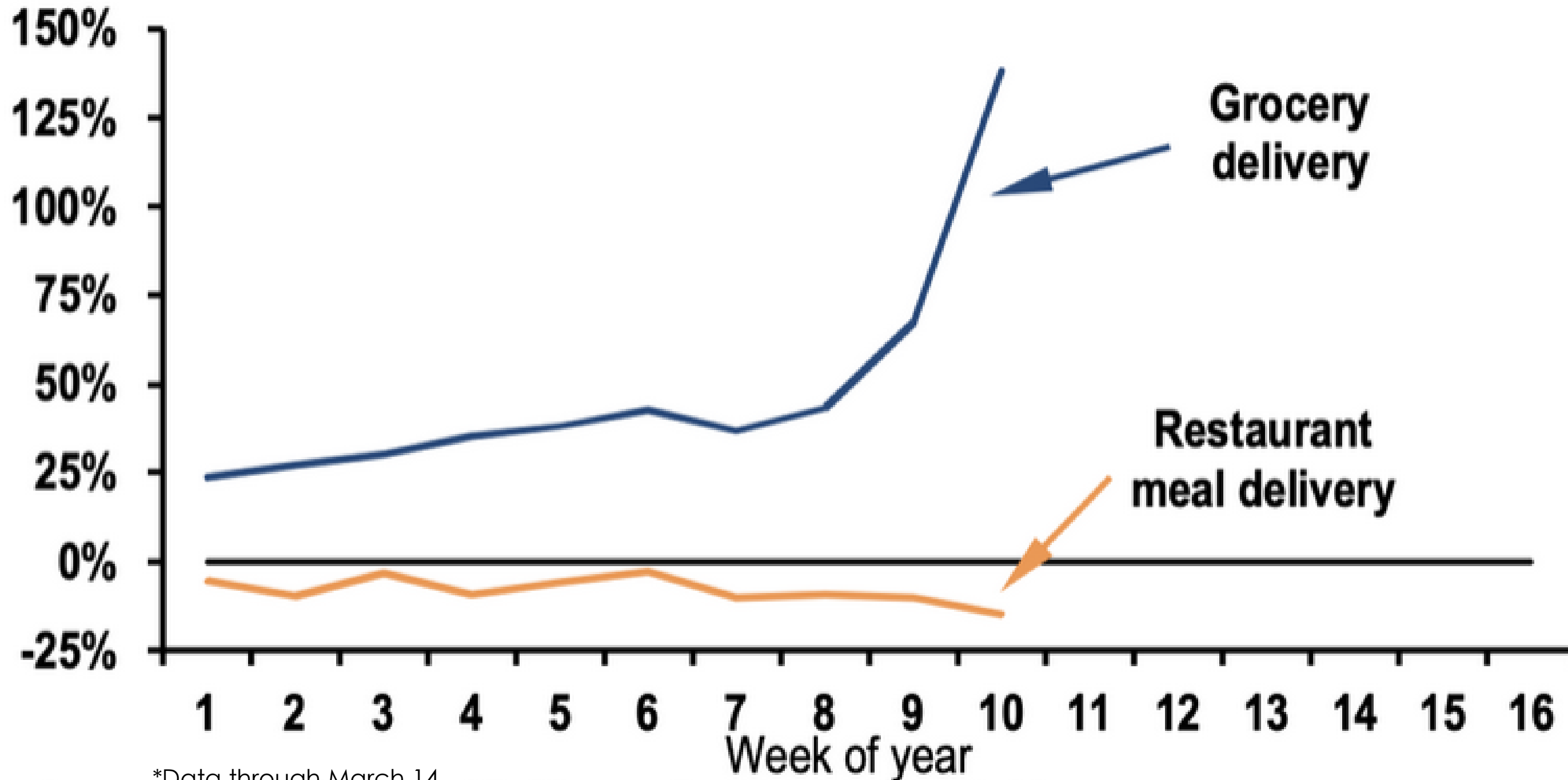
Restaurant bookings slide

Seated restaurant diners tracked by OpenTable.com



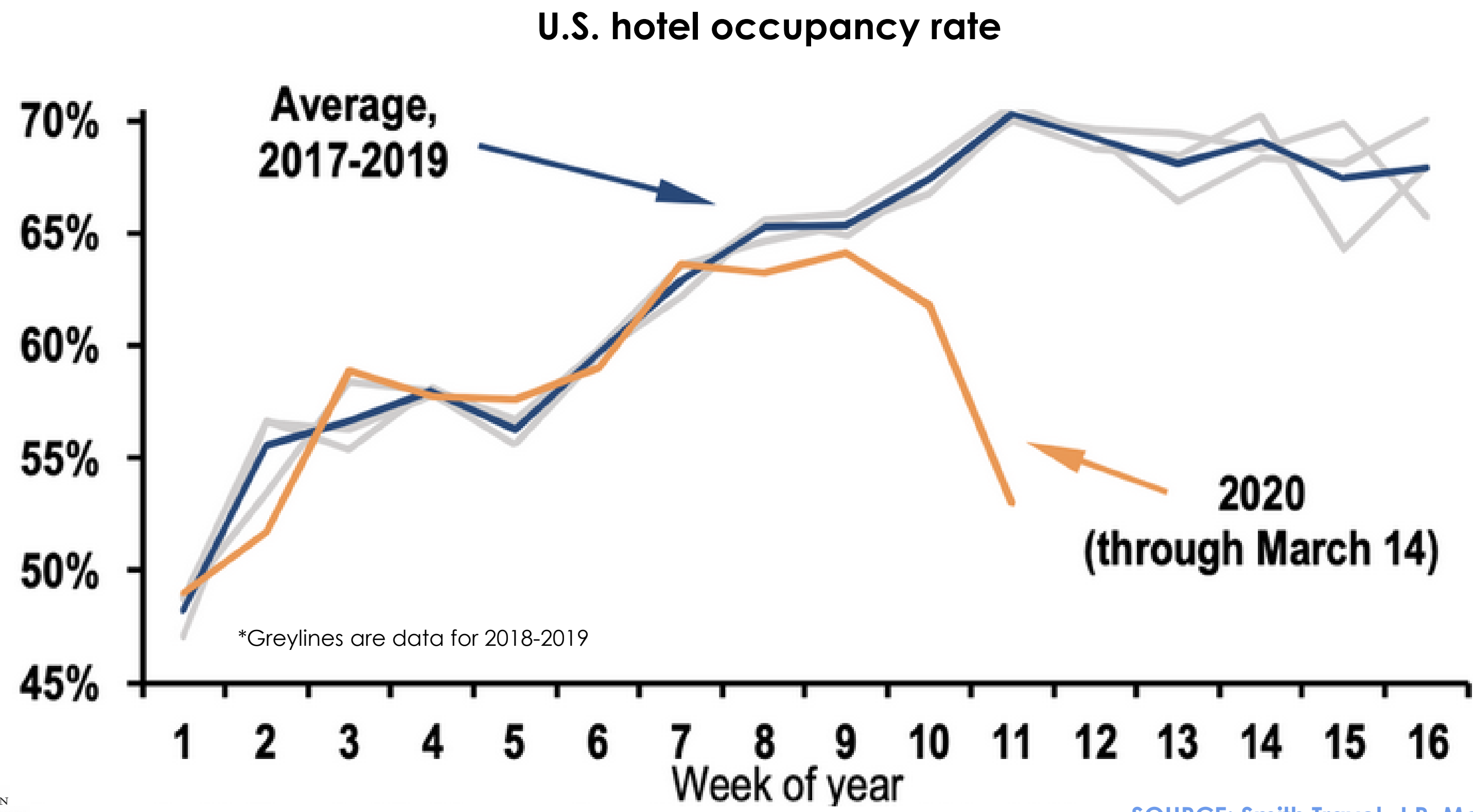
Grocery delivery surges but food delivery fails to increase

Website traffic growth over 2018-2019 average

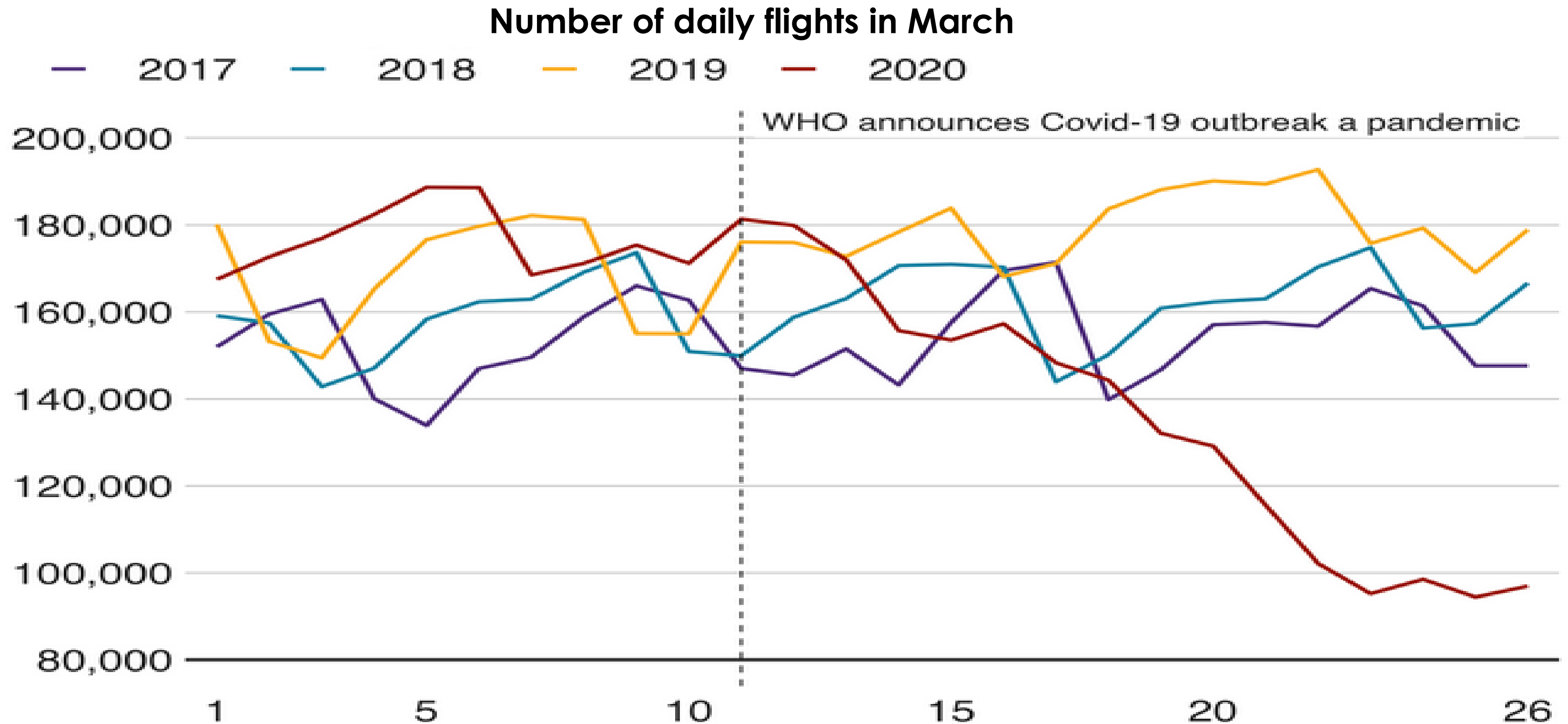


*Data through March 14

Hotel occupancy tumbles

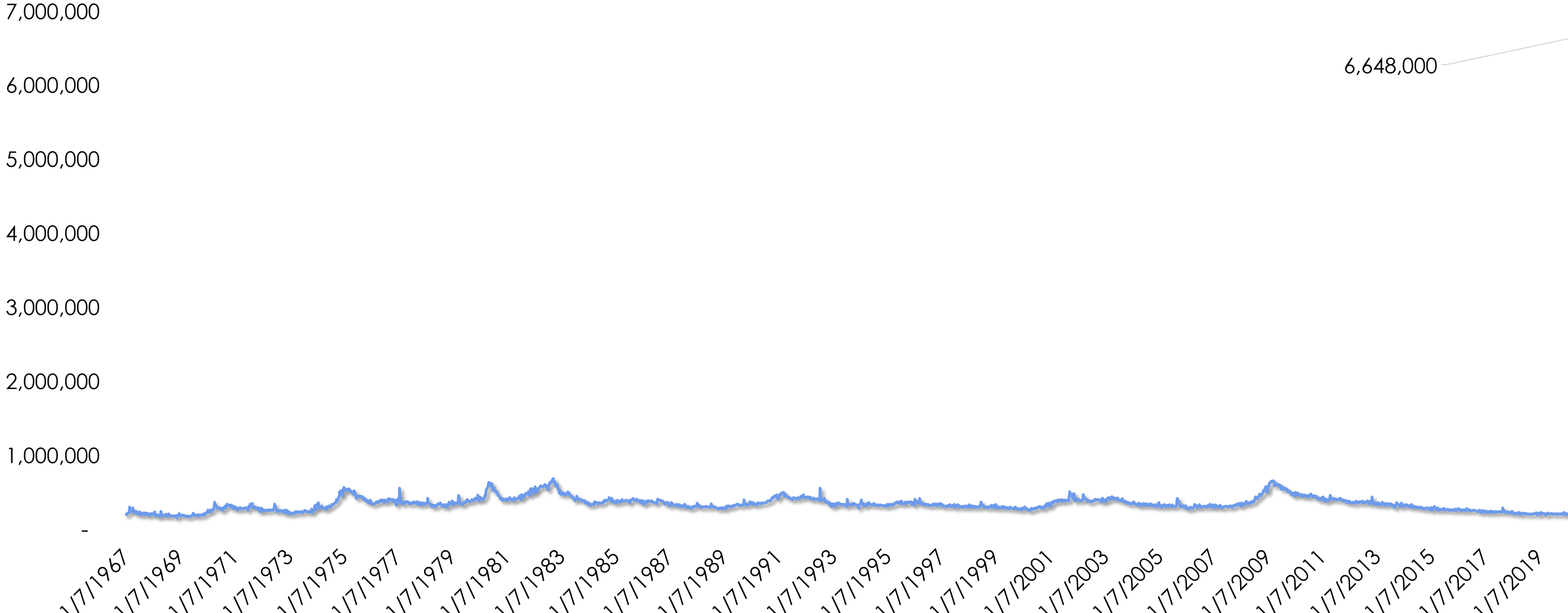


Fewer commercial flights



Where the rubber meets the road...

Initial Claims for Unemployment Insurance





Concerns in Real Estate
Ramped Up Quickly



Dates

- Week 1 (n=266): **March 6-8**
- Week 2 (n=1,085): **March 14-16**
- Week 3 (n=749): **March 20-23**
- Week 4 (n=923): **March 27-30**



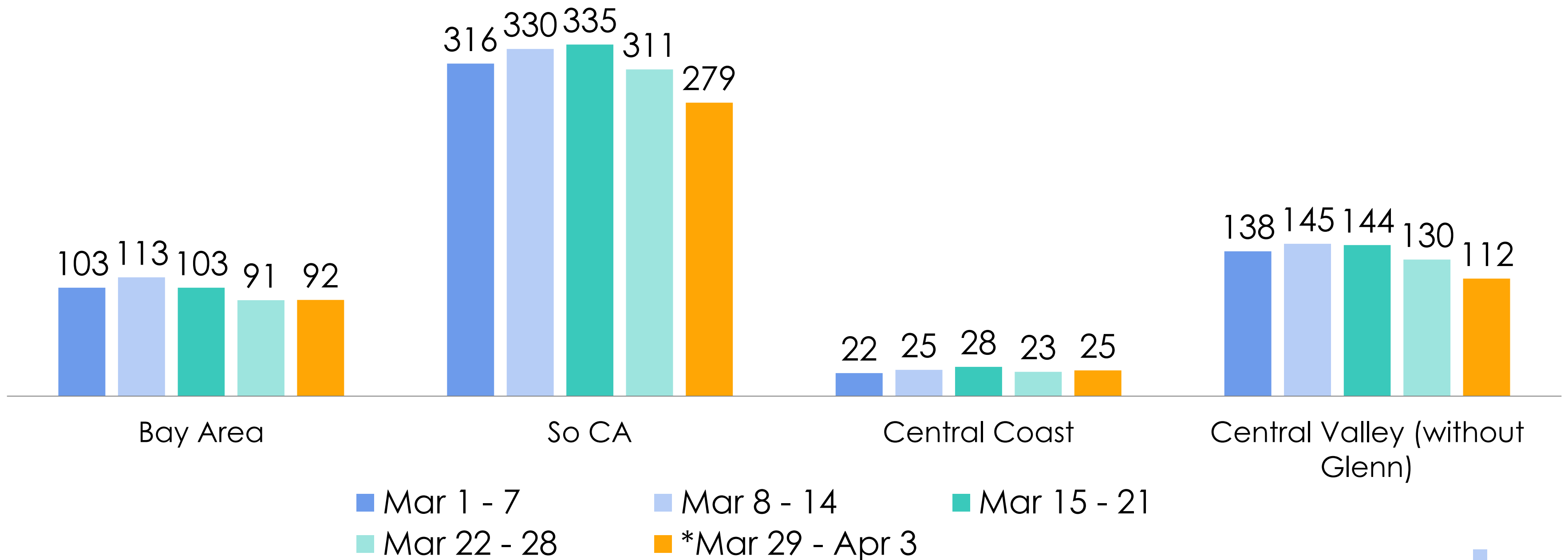


**Market Environment Will
Remain Challenging During SIP**



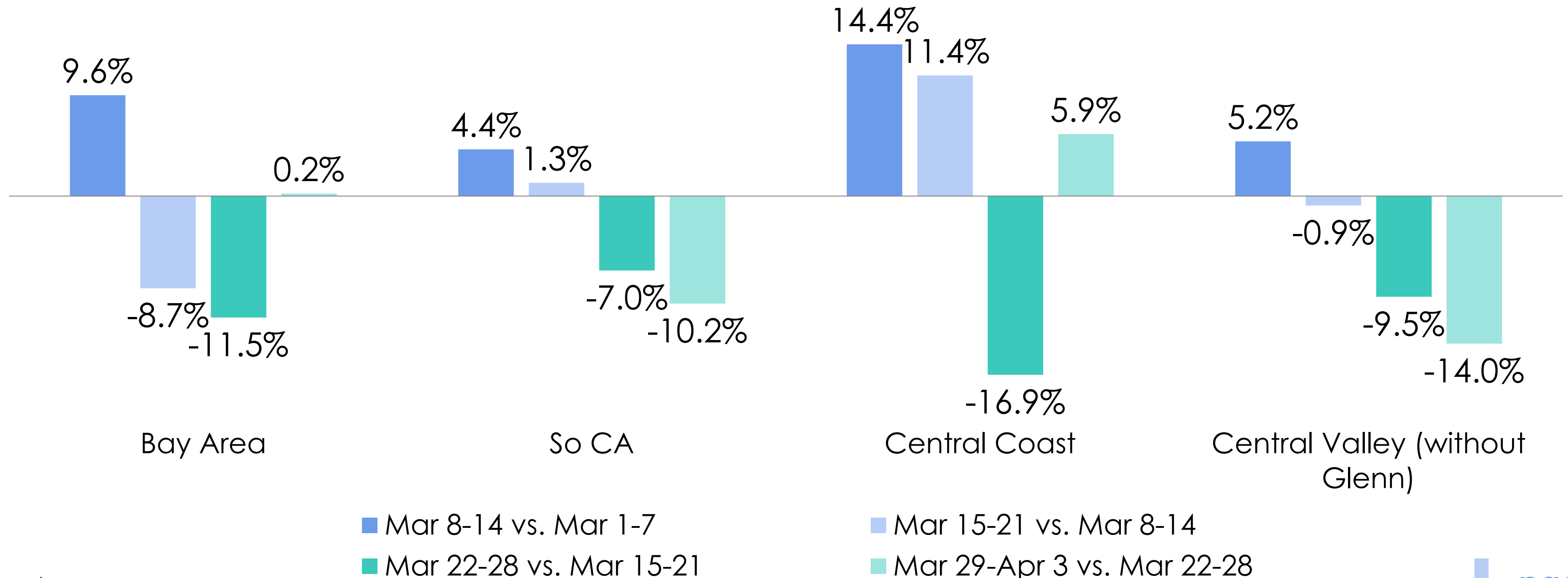
Closed sales started declining in most regions after SIP

Average Daily Closed Sales



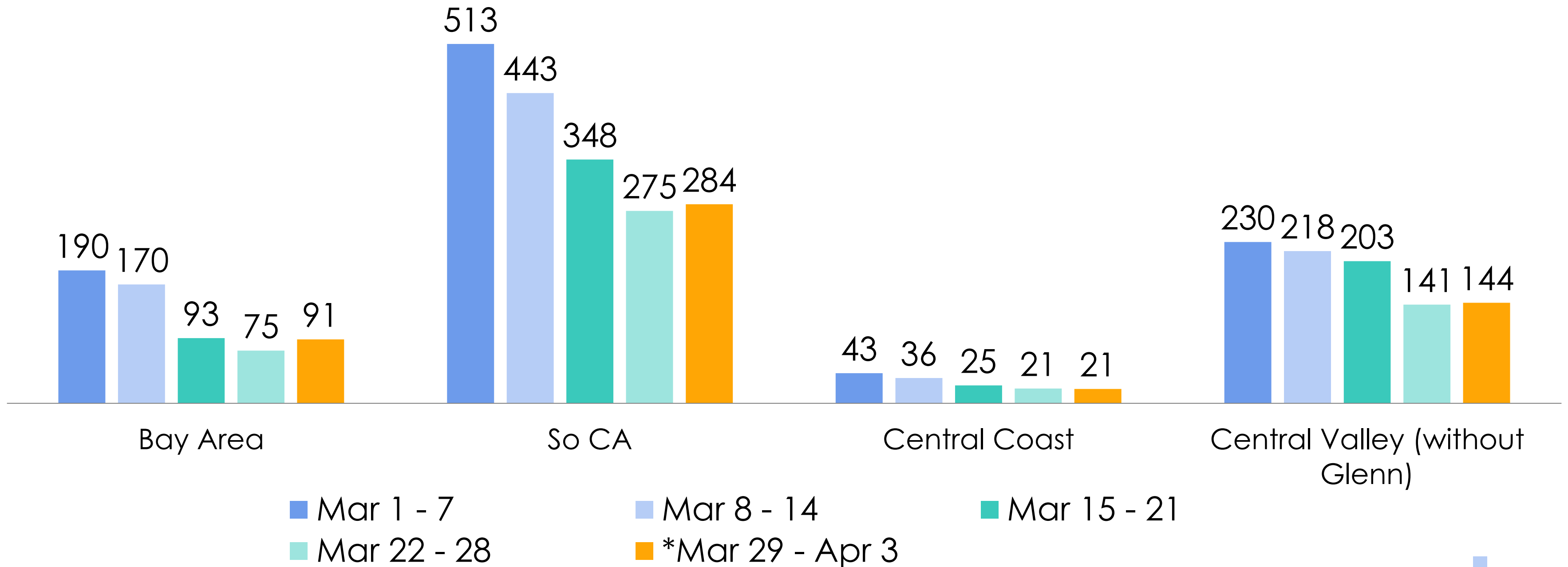
Most experienced double-digit declines

Week-to-Week % Chg. in Closed Sales (Daily Average)



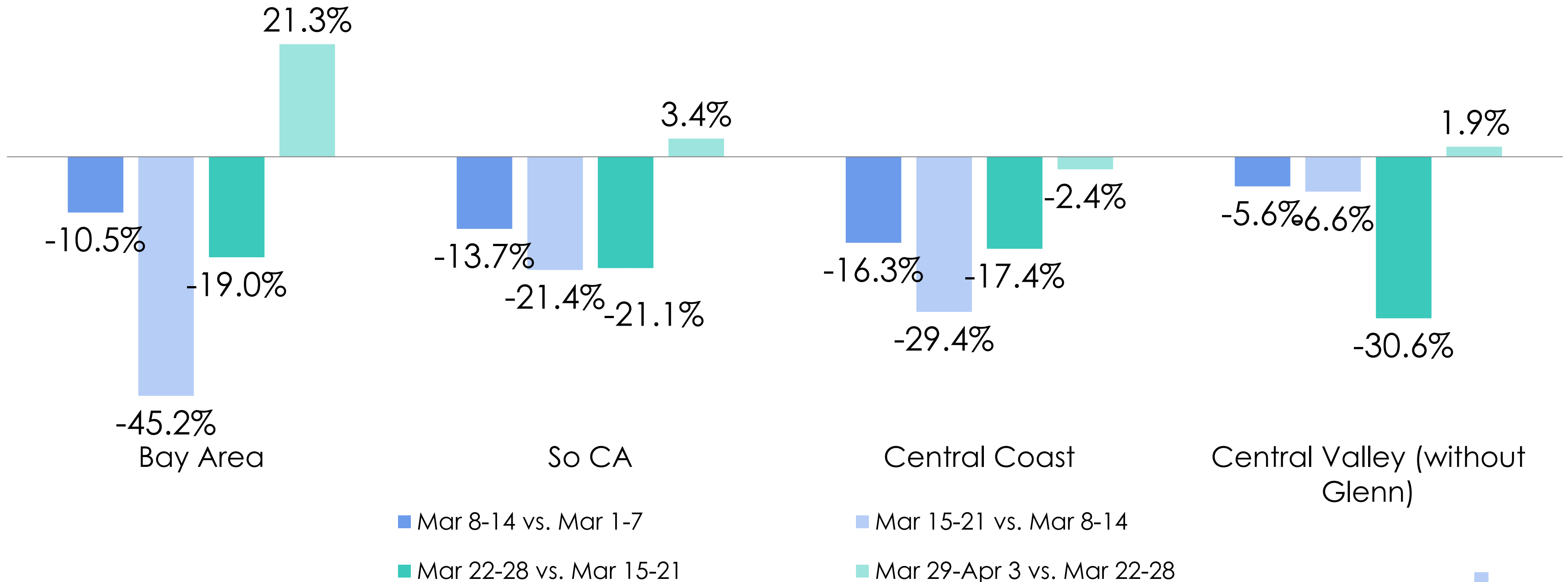
New listings *may be stabilizing?*

Average Daily New Listings



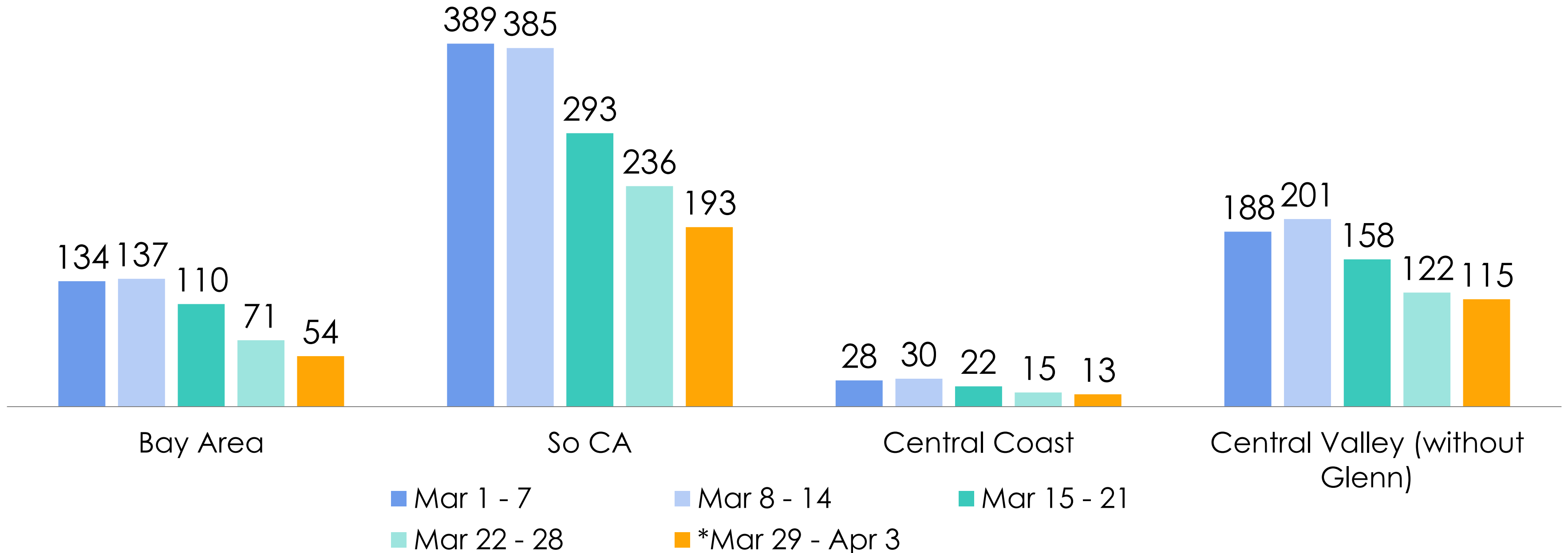
Bay Area had a strong rebound in new listings on MLS

Week-to-Week % Chg. in New Listings (Daily Average)



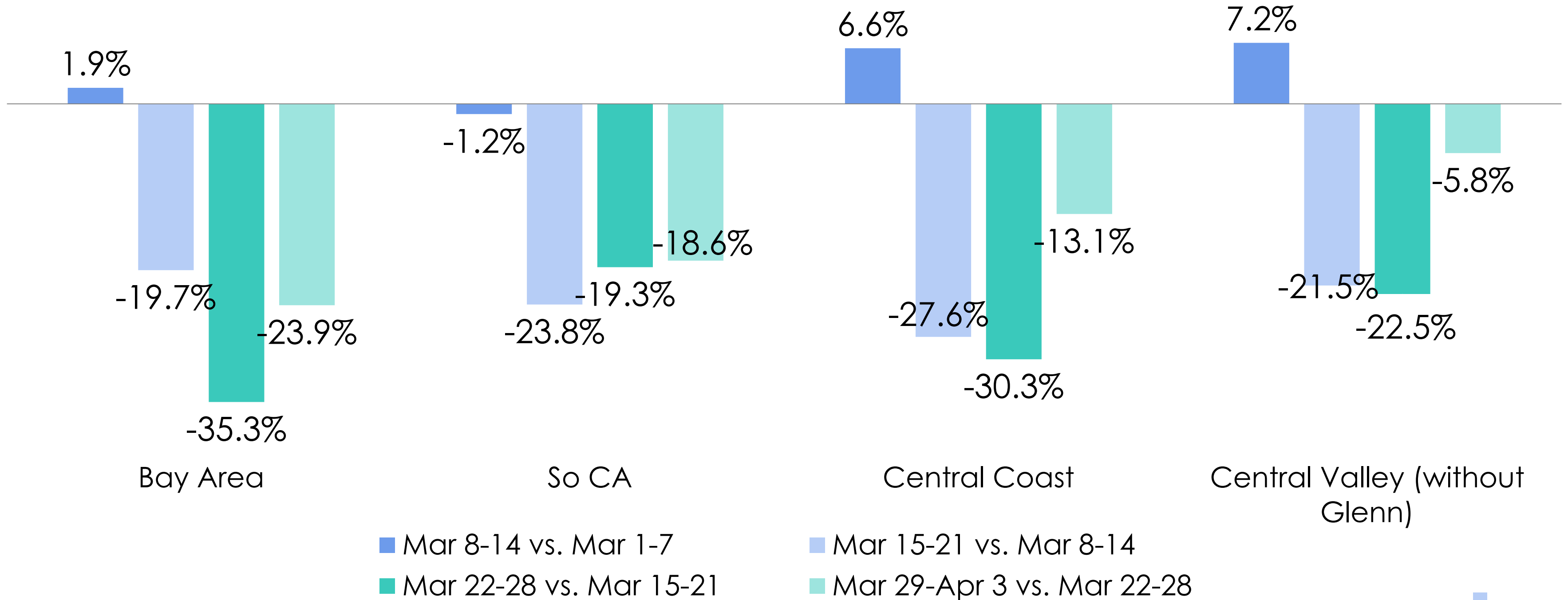
Pending sales remain weak

Average Daily Pending Sales



Double-digit declines remain common across state

Week-to-Week % Chg. in Pending sales (Daily Average)



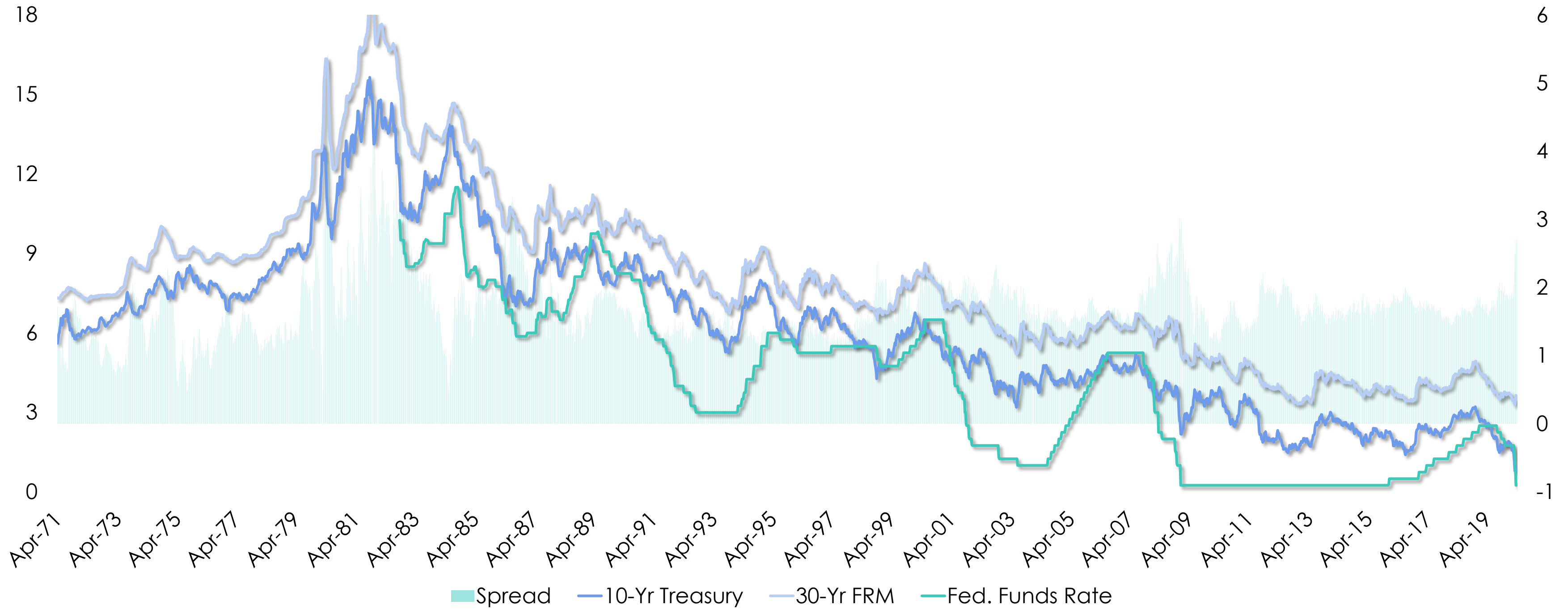


**Real Estate Poised for
Strong, *Eventual*, Recovery**



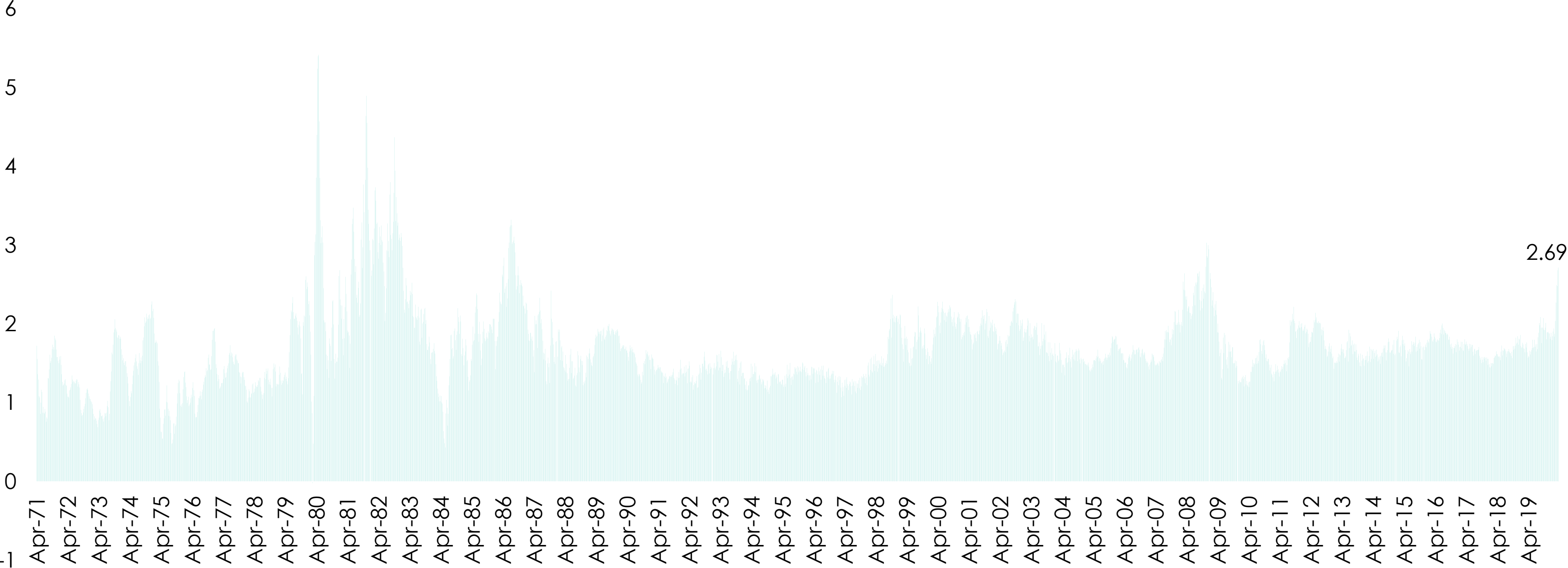
Rates are low, and poised to remain low

Key Interest Rates



Could eventually drop even lower

Interest Rate Spread (30 Yr. FRM – 10 Yr. Treasury)



■ Spread





Market might make real estate look more attractive



The Forecast

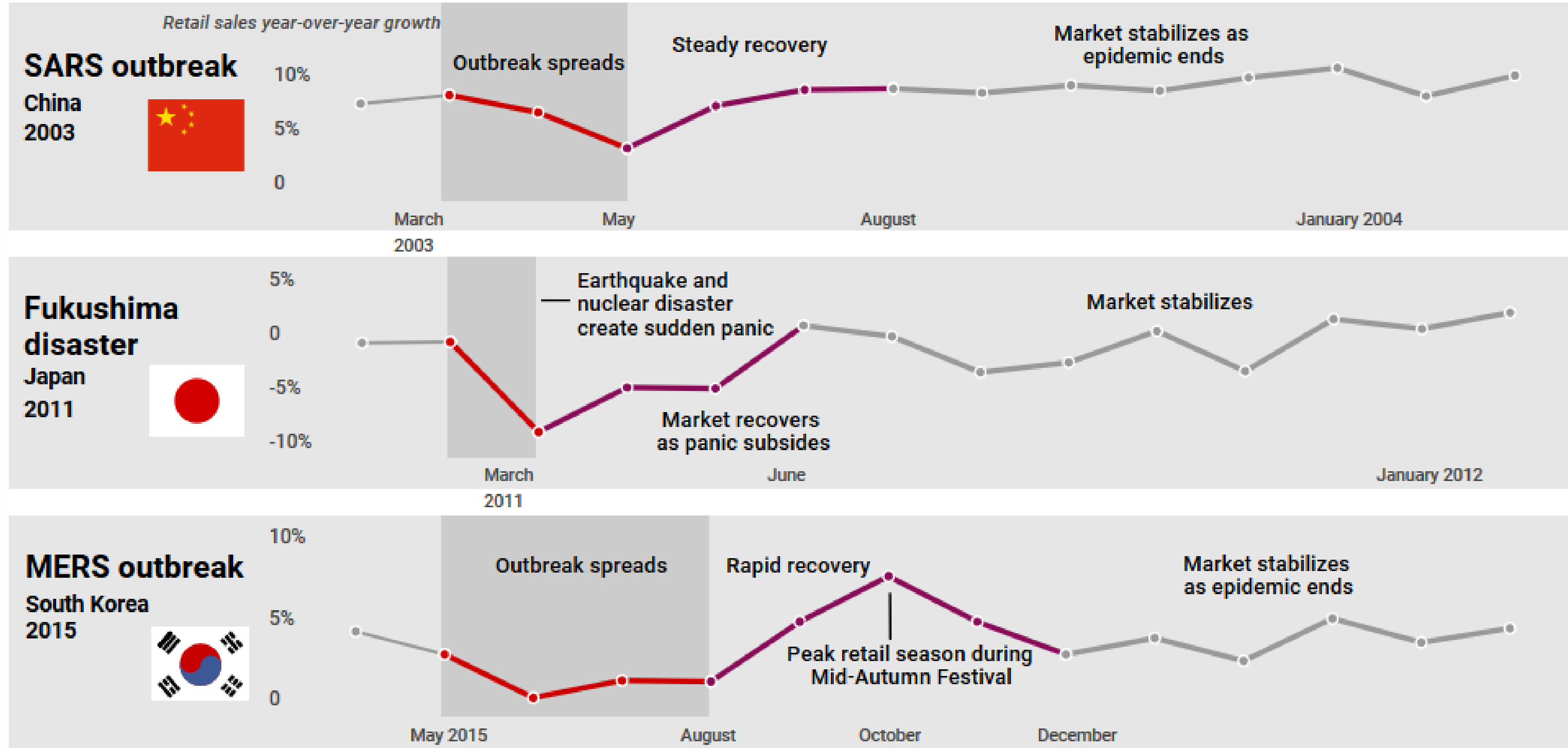




We are either already in a recession or entering one

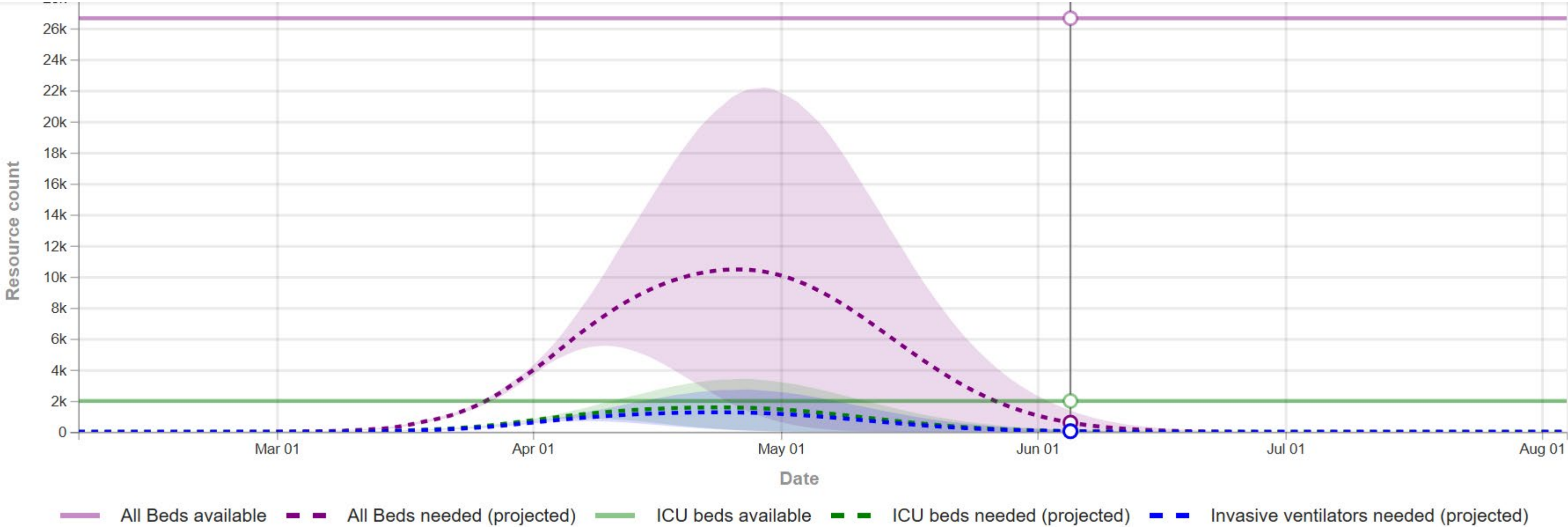
	Q120	Q220	Q320	Q420	2020
Bank of America	0.5%	-12.0%	3.0%	4.0%	-0.8%
Barclays	0.5%	-7.0%	0.0%	2.5%	-0.6%
Goldman Sachs	-9.0%	-34.0%	19.0%	NA	-6.2%
JP Morgan	-10.0%	-25.0%	8.0%	4.0%	NA
Morgan Stanley	-2.4%	-30.1%	29.2%	3.3%	-2.3%
UBS	-2.1%	-9.5%	2.1%	6.7%	-0.9%
UCLA	0.4%	-6.5%	-1.9%	4.0%	-0.4%
Wells Fargo	1.2%	-14.7%	-2.3%	1.8%	-2.4%

Retail markets dip during a crisis but stabilize eventually




Sources: China National Bureau of Statistics; Japan Ministry of Economy, Trade and Industry; South Korea government statistics

Timing is everything: when will we peak in California?



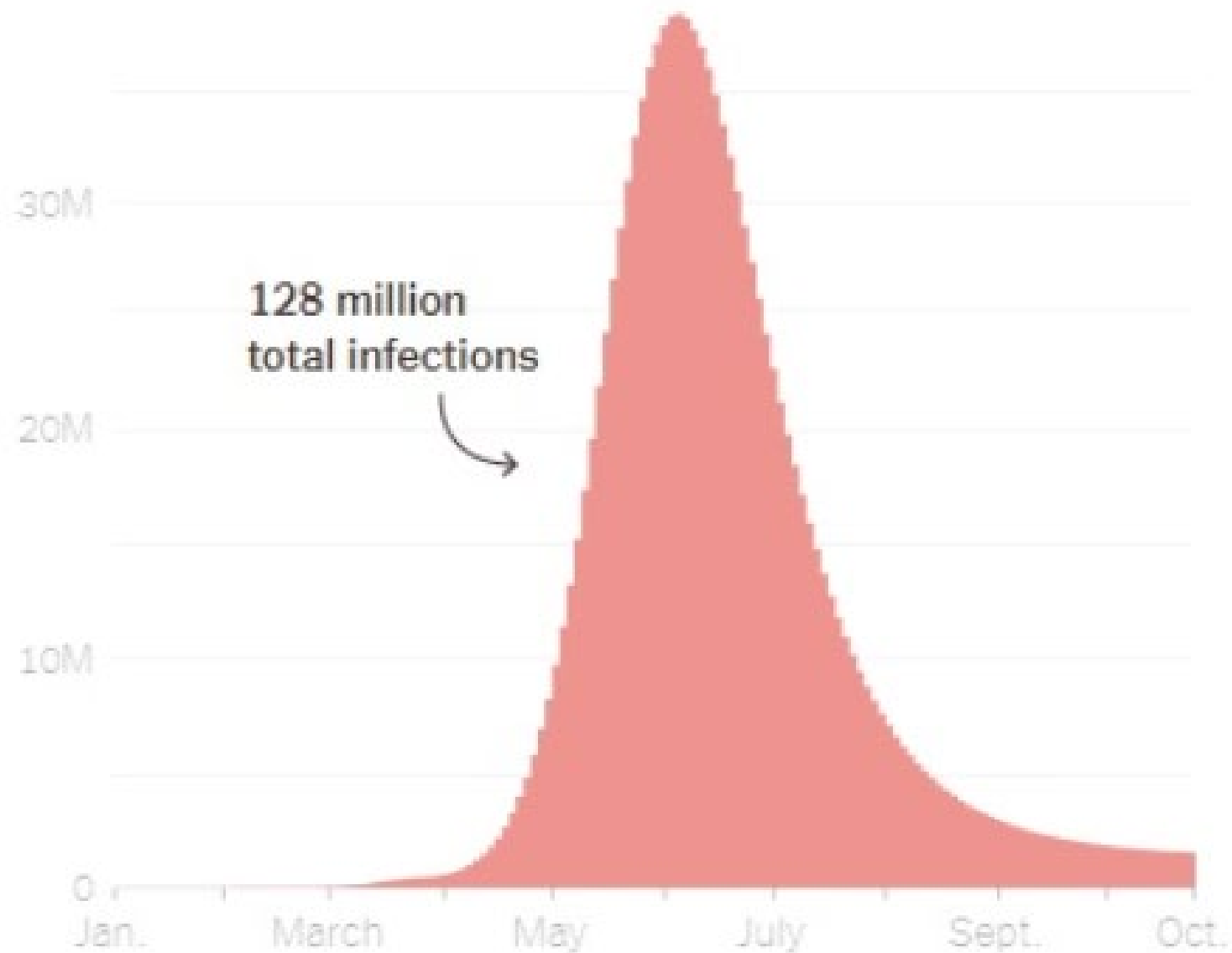
Note: The projections assume the continuation of strong social distancing measures and other protective measures.



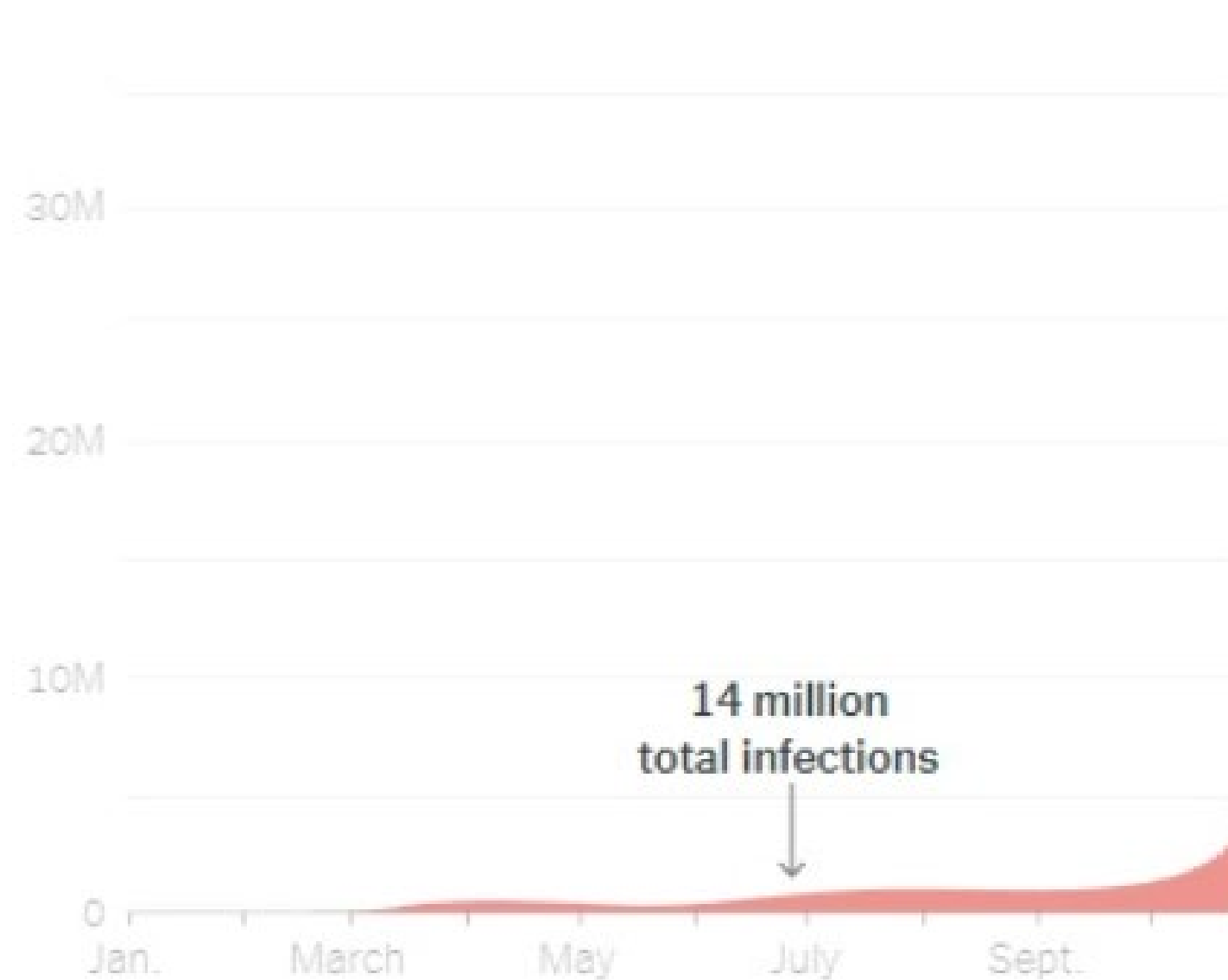
SOURCE: Institute for Health Metrics and Evaluation (IHME)

Rush to normalcy could increase the severity

Social distancing for 14 days



Social distancing for 2 months



Concluding remarks



1. Economy was in good shape prior to the outbreak
2. BUT, the virus has changed everything for 2020
3. Unprecedented in terms of size and economic scope
4. Data still rolling in and weeks seem like months
5. Unemployment is and will drive negative impacts
6. Already seeing the effects on housing
7. Key question hinges on how long the SIP lasts
8. Severe pullback may be best chance for quick recovery

Resources for REALTORS®

- CARES ACT Relief for REALTORS®
- Real Estate as an Essential Service
- New FORMS for REALTORS®
- Electronic Closings
- Online Notary Services
- Coronavirus Microsite
- COVID Relief Hotline
- Legal Hotline & Legal Webinars
- Transaction Rescue™ Hotline
- Ombudsman Hotline



<https://www.carcovidupdates.org/>



Thank You

This presentation can be found on
www.car.org/marketdata
Speeches & Presentations
jordanl@car.org