

FALL PREVIEW 2024

Real Estate



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Gazing into the real estate crystal ball

Insights from Jordan Levine, senior VP and chief economist for California Association of Realtors

BY DAVID STARK

What does the future hold for residential real estate, homebuyers and home sellers?

Jordan Levine, senior vice president and chief economist for the California Association of Realtors, had several answers to this question during our recent conversation.

What's front-and-center in your real estate crystal ball?

Levine: The top thing is interest rates and what's going to happen with mortgage rates. There's a couple of other things to pay attention to: The jobs numbers which are driving inflation.

We have a labor shortage and that's driving up wages. That together with housing costs are the two last vestiges of inflation. If we get strong job numbers, rates are likely to bump up a little bit and if we get weaker job numbers then they're likely to go down.

There's going to be ongoing volatility in rates even against the kind of backdrop where rates are gradually falling to the sub-6% range by the end of next year.

Those are two major macroeconomic issues that impact both buyer and seller behavior. How would you predict the future of either regional and local real estate markets?

Levine: For the Bay Area it's the twin challenge of supply and affordability. The good news is that supply has already started to improve.

As rates come down, you're going to see homeowners — those would-be home sellers that are locked in by super-low rates on their existing home loans — be more willing to move. That will help supply and prices in the Bay Area to moderate.

At the same time, you're going to see the demand side pick up because buyers are going to be eager to take advantage of these falling rates as well. You probably won't see prices go down; they just won't be growing as fast as they have these last couple of years.

What's in your crystal ball in terms of new residential construction, and does that even factor into how you predict where markets are going to go?

Levine: It does over the medium term. Meanwhile, it's critical to build up the resale market if you're not building anything new.

We are seeing a little bit of an increase in new construction statewide. If you go back to the pre-pandemic timeframe, there were about 100,000 new homes built per year — now we're doing about 130,000 during the last two to three years.

The unfortunate part is that most of that uptick has happened in Southern California, and mostly concentrated on accessory dwelling units. Hopefully we'll start to see the Bay Area participate in some of that growth, add a little bit of density and supply while still maintaining neighborhood character and some of the other things that traditionally cause opposition and new development.

What about homebuyer behavior?

Levine: It's hard to predict because there's a huge psychological component to it along with a hyper focus on interest rates.

There are a lot of buyers waiting on the sidelines. That super short-term focus is a bit misplaced because even as we have price growth moderating, we still have prices going up. You're going to have more demand as these rates go down and you're going to see a tendency towards short term focus and trying to time the market and get that perfect interest rate.

It's important to remember it's a long-term game, and when you look at the history of prices and the forecast for where they're going in the future, it means the best time to buy is as soon as humanly possible because those prices are going to continue to go up.

Where are Bay Area employment trends in your crystal ball?

Levine: I'm not worried. I do think that we'll see the labor market moderate. We've been in an extremely tight labor market for the last four years, and I think that that will normalize in California.

We've seen the unemployment rate tick up to the low five percent range compared with the high 3% range. That's still a pretty low unemployment rate number. I know we've had some layoffs in the Bay Area, though I think net job growth is still basically positive or flat.

We might not enjoy that same kind of persistent, super-strong job growth that we've had, but I don't see a big retrenchment either, barring some unforeseen economic shock.

What about population trends, any worries there?

Levine: That is a little bit more worrisome. One of the things the Bay Area has been rocked by was a shift in demographic patterns during the pandemic.

We saw people moving from the Peninsula

to the East Bay and much further afield beyond Sacramento to vacation and second home markets like Tahoe and Mammoth. Then the Bay Area enjoyed the kind of renormalization where people came back to the cities after the lockdown over the last year or two.

Now we see that pattern pick back up where the Peninsula is again losing people to the East Bay and the East Bay is losing people to places like Sacramento and Yolo County. It underscores how, if left unchecked, supply problems become demand problems. A lot of people that migrated to Sacramento, most of them still work in the Bay Area and they moved for affordability reasons.

It really behooves us to get serious about the supply side. Pushing people further abroad, that's economic activity that we're depriving ourselves of in the Bay Area, because those people could be shopping and spending money after work in the East Bay as opposed to in Sacramento.

Is it conceivable that we could see a rebound effect where people would come back to the East Bay after traveling far afield seeking affordability opportunities?

Levine: I think so. During COVID, many people said, "You know, I'm locked down so I might as well be in my cabin in the woods." After a couple of years people realized they wanted to be back where the culture is, go to a game, to see a show and we've seen some reverse migration back into core urban metros. In fact, in 2022, the Bay Area and core Southern California were some of the fastest growing markets for that reason.

See **CRYSTAL BALL** on Page 22

Talking Real Estate with Doug Buenz | Compass

Q & A: Can an “As Is” Buyer ask for repairs later?

Q: We recently sold our house to a buyer “AS IS”. We were only on the market for about a week and had 3 offers. All were over the asking price, and we accepted the highest one. We did counter the buyer back insisting the offer be “AS IS”, and they accepted. Now that the buyer has done their inspections, they are coming back and asking for some repairs. Can they do that? We are not happy about this and want to cancel the deal. What should we do?

A: There is a lot of confusion about “AS IS” contracts. While every seller wants to sell their house “AS IS”, meaning they don’t have to pay for any repairs, the contractual process can be a bit tricky. The basic Purchase Agreement (CAR version, which is almost always used) is essentially an “AS IS” contract in that the seller is not obligated to do any repairs to the property, other than making sure it has smoke detectors, carbon monoxide detectors, and water heater strapping. Otherwise, the seller is under no obligation to complete any repairs and is perfectly within their rights to refuse to do any. However, the contract

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CRYSTAL BALL

Continued from Page 21

I do think that those kinds of patterns are coming back where people priced out of the least affordable markets in the Bay Area look to places in the East Bay because they largely still work in the Bay Area.

Do you believe that Pleasanton, because of its location, will be in high demand almost regardless of what the economic conditions are?

Levine: I do because the Bay Area has been one of the economic success stories globally over the last 20 to 30 years. We have such an imbalance between amazing economic, job and income growth, and we could not keep up with housing supply.

There is just so much excess demand that even as unaffordable as things are, even with interest rates that went from 3% to 7%, we actually were still selling a lot of homes in the Bay Area. I think that’s just a testament to its

strength, but also just underscores how that strength is a double-edged sword because it necessitates a lot more housing too.

What question do you wish I really would have asked?

Levine: The only other thing is just how much different the fundamentals are this time.

For people that think prices are too high or that we’re in bubble territory and things like that, these are not sketchy lending practices that drove this. This was lots of demand for homes butting up against few homes available for sale because we don’t build a lot of homes and the homes that we already have in California don’t change hands for myriad reasons, from capital gains to property tax to interest rates. Plus, loan delinquencies and foreclosures are still super low.

In other words, there’s no real estate bubble on the horizon. ■

Editor’s note: David Stark is chief public affairs and communications officer for the Bay East Association of Realtors, based in Pleasanton.

SALES AT A GLANCE

Pleasanton (Aug. 5-9)

Total sales reported: 10
Lowest sale reported: \$520,000
Highest sale reported: \$4,750,000
Average sales reported: \$2,082,000

Livermore (Aug. 5-9)

Total sales reported: 19
Lowest sale reported: \$650,000
Highest sale reported: \$2,675,000
Average sales reported: \$1,306,421

Dublin (Aug. 5-9)

Total sales reported: 12
Lowest sale reported: \$410,000
Highest sale reported: \$1,635,000
Average sales reported: \$1,156,916

San Ramon (Sept. 23-27)

Total sales reported: 18
Lowest sale reported: \$735,000
Highest sale reported: \$2,342,000
Average sales reported: \$1,302,750

Source: California REsource

HOME SALES

This week’s data represents homes sold during Aug. 5-9 for Pleasanton, Livermore and Dublin, and Sept. 23-27 for San Ramon.

Pleasanton

4226 1st Street First Street Of Vineyard Ave LLC to Gawfco Ents LLC for \$4,750,000
6537 Calle De La Mancha B. & D. Hager to P. & L. Chen for \$2,147,500
6235 Club House Drive Sami Consulting Corp to X. & W. Jia for \$3,450,000
4101 Cristobal Way C. & S. Vega to C. Qian for \$1,400,000
376 Del Sol Avenue Henry 1996 Trust to E. & K. Chu for \$1,575,000
543 Montori Court Chandel Family Trust to S. Vonti for \$2,872,500
8015 Mountain View Drive #E Rose Trust to M. Wakerling for \$520,000
3154 Pawnee Way Bradley Trust to C. & Y. Yao for \$605,000
1811 Rosetree Court M. & R. Helmer to Q. & B. Huang for \$1,680,000
5725 San Carlos Way Locatelli Family Trust to S. & A. Aliamus for \$1,820,000

Livermore

3161 Bay Meadows Court Asbury 1998 Family Trust to C. & W. Kan for \$2,675,000
1638 Bridle Path Court Scott Living Trust to B. & M. Stones for \$1,500,000
1048 Bucknell Court China Family Trust to Jha Family Trust for \$1,500,000
162 Cameo Drive Smith Family Trust to Gary Family Trust for \$1,300,000
4033 Camrose Avenue W. Triantos to M. & R. Bharadwaj for \$1,765,000
2121 Chestnut Street S. & P. Nallani to K. & F. Meier for \$1,325,000
1644 Del Norte Court Whippet Trust to Sas Flips LLC for \$650,000
865 El Caminito Ross Trust to S. & B. Salunke for \$1,033,500
597 Emerald Street Miller Family Trust to Y. & S. Mahato for \$1,355,000

4176 Florida Court P. & R. Cuadro to Ahuja Family Trust for \$915,000
460 Humboldt Way P. & A. Pilz to Hanbon Ca I LLC for \$1,100,000
317 Jensen Street Spicer Trust to B. & B. Patterson for \$910,000
452 Kinglet Road P. Ferrari to M. & K. Ford for \$1,150,000
1274 Lakehurst Road G. Strack to T. Vaughn for \$1,100,000
1761 Monterey Drive B. Kyle to R. & S. Almeida for \$688,000
436 Persimmon Common #7 R. Setty to Dante Trust for \$970,000
1540 San Remo Court Walter Trust to B. & A. Srivastava for \$2,325,000
2137 Westbrook Lane L. & G. Symons to L. & A. Kamarajugadda for \$1,600,000
1301 Windswept Common M. & A. Martino to Rocha Trust for \$960,500

Dublin

5586 Barrel Avenue D. & J. Djuran to M. & M. Jain for \$1,175,000
6712 Birch Court Brester Trust to Villas Management LLC for \$1,310,000
5934 Cannon Road L. & E. Garcia to J. & M. Liao for \$1,085,000
7709 Chantilly Drive V. Patel to C. Sodha for \$880,000
5501 De Marcus Boulevard #325 J. Freund to R. & A. Hammond for \$410,000
8249 Elgin Lane M. Raphael to V. & B. Tubera for \$1,225,000
4254 Escudo Court S. Smith to Bairy Family Trust for \$1,635,000
5436 Gracen Way P. Sen to P. & S. Gala for \$1,105,000
5623 Horizon Parkway S. & R. Nelikil to R. Cooper for \$1,339,000
4210 Loyaltan Road Hiresave Trust to A. & C. Wong for \$1,450,000
7008 Newport Court Brisentine Family Trust to D. Cunha for \$1,300,000

Source: California REsource

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— Brett and Sarah - 455 Covellite Ln Livermore, CA



"Kris was absolutely awesome in guiding us through the complexities of selling our dad's San Ramon house. I really appreciated her mapping out the expected timelines, attention to detail, and directing us to professionals that were needed to get the house in selling condition. She was extremely responsive in her communications and always cheerful and pleasant. Her deep knowledge and experience gave us a lot of peace as we worked through the process of selling the house. I was concerned that we would be able to close escrow before our overseas vacation, and she got it done for us in good time. We are so thankful for Kris, and highly recommend her to anyone needing to buy or sell real estate."

— Rich and Sabrina - 2304 Greenberry Ct, Pleasanton Buyers (2010), now sellers (2024)



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3657 DUNSMUIR CIR, PLEASANTON
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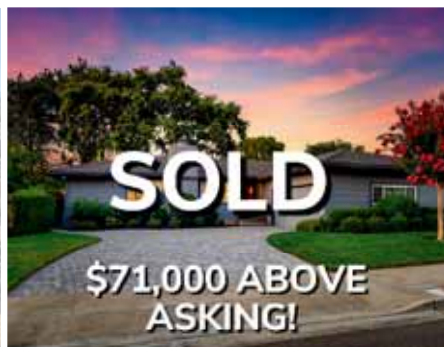
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