

Sacramento Bee Article:

Housing market in California, Sacramento to lag in 2020, experts say. But will prices dip?

By Tony Bizjak
January 3, 2020 5:00 am

Home prices likely will increase in Sacramento in 2020, but will lag behind the national average, according a survey of 100-plus economists, investment strategists and real estate experts.

Fifty-two percent of those experts say they expect Sacramento home price growth to lag the expected 2.8 percent national house price average increase, according to Zillow and Pulsenomics, two national real estate data analyst firms.

Most experts say they see capital region home prices rising, rather than dipping, and 21 percent were even more optimistic, saying they expected Sacramento house sale prices to be stronger than the modest national average.

The poll, released Thursday, mirrors a recent in-depth Sacramento analysis for 2020 offered by local real estate experts, but with slightly lower forecast numbers.

Major California coastal cities, other than San Diego, fared worse than the capital city in the Zillow forecast.

Sixty-four percent of analysts predict San Francisco home prices will lag the nation, 61 percent said the same for San Jose and 55 percent for Los Angeles. A majority of experts in fact forecast that San Francisco and San Jose real estate prices, among the highest in the nation, will fall in 2020.

Most analysts believe that San Diego, however, will match or beat the expected national price increase.

Austin, Charlotte, Atlanta and Nashville are expected to be the cities that will best outperform the national market.

The analysis does not come as a surprise, given that California's soaring housing costs have put most median-priced houses out of reach of the average Golden State salary earner, causing sales to lag in recent months and median sales prices to dip in some major cities.

“Having subjected buyers to a crucible of fierce competition for multiple years, many West Coast markets hit an affordability ceiling that set off declining home values in the most expensive of these,” said Skylar Olsen, Zillow’s director of economic research.

Olsen said the West Coast is experiencing a price correction: “A clap back from having appreciated with too much exuberance in the recent past.”

Statewide, the median sales price of a house in California dropped in the most recent month analyzed, from \$605,000 in October to \$590,000 in November. That data comes from the California Association of Realtors. December sales values have not yet been released.

Notably, though, the \$590,000 November 2019 median California home sales price was still up 6 percent from the median price in November 2018.

In Sacramento County, November’s median sales price was flat, matching October’s at \$385,000. That number is 5.5 percent higher than the \$365,000 median price for a house sale in Sacramento the previous year in November 2018. Sacramento housing prices jumped most notably in 2019 in the higher and lower tiers of the price market, East Sacramento and Oak Park.

Experts expect buyers to be cautious in Sacramento and coastal cities this year.

The state economy remains strong. Some analysts predict a recession could come as early as later this year, but a mild recession is unlikely to dramatically affect home prices. Sacramento’s increasingly diversified economy should provide more of a buffer for its housing market than in past recessions, analysts said.