SOUTHWEST RIVERSIDE COUNTY
REALTOR® REPORT

Sacramento Tackles the Housing Crisis! Are you concerned?

But first, the local news. Our August housing market turned out to be better than expected. In what may be the last gasp of the season, home sales across most of the region were up 11% over July (1,022 – 1,149) and 5% higher than last August (1,095). Sales were up in every city except Murrieta which suffered an inexplicable decline of 12% month-over-month. Nothing serious but went against the trend posted across the rest of the region. With pending sales across the region down 7% from July, we're not looking for a strong finish in September either, but with continued steady seasonal sales, 2017 should produce a higher sales volume than last year's good numbers.

Prices continue to be a bright spot (or not so much if you're a buyer). Median prices were up in nearly every city with the regional median rising 3% month over-month ($352,219 - $363,316) and holding a 7% increase over August 2016 ($338,278). That's right on par with the rest of the state which enjoyed a 7.4% year-over-year increase, and ahead of the national average of 5.4%. According to numbers compiled by CoreLogic, national home prices have increased 50% over their March 2011 low point and today 1/3 of the major housing markets in the country are overvalued. In spite of that, given the current shortage of available inventory and continued demand, there doesn't appear to be an abatement of market strength and no indication of a 'bubble' on the immediate horizon. I say immediate because this is California and bubbles is what we're all about - it just depends on which side of the wave you're riding and how long between sets (Note the trendy surf reference there. I just got back from Maui).

Inventory actually increased slightly last month, up about 4% from July (1,777 – 1,848) but stronger sales pushed available inventory back down to just 1.6 months from 2% in July. Last year at this time there were 2,478 homes for buyers to choose from. Homes are still flying off the shelf in 18 days on average – that's one whole day longer than last month.

I've used this forum in the past to report on the increasing severity of the housing crisis in California – the fact that we have underbuilt by more than half for the past decade leaving us some ½ million+ housing units short. As a result, housing prices continue to escalate and affordability drops. First-timers, veterans and our workforce are caught in a rising swell (surf reference #2). It took a few years but the issue has finally come to the attention of our Legislators in Sacramento who have a series of housing bills they'll consider later this week. As you might expect, most of these bills are heavy on verbiage, heavy on taxes and fees, and light on substance – but they'll pass anyway.

Unfortunately more than a few good housing bills, like AB 53 (Steinorth) that allowed homebuyers to establish a homeownership savings account to address the downpayment issue, or AB 1100 (Chen) that would have increased homeownership exemptions which haven't been updated in over 30 years, got blown out in committee (surf reference #3). Other bills that addressed some of the root causes of the crisis, including CEQA reform and reducing some state and local fees and regulations, wiped out early as well (surf reference #4).

There are still some good bills in the mix, depending on your viewpoint. A couple bills would penalize cities that don't address their housing element. While it does impact a city's ability to dictate land use, enough cities abuse the system so now the state feels it should step in.

Of course the bills also contain a gnarly dose of taxes, fees and bonds (#5) like the $4 billion bond to build housing. $1 billion of this is for veterans that they would actually repay themselves. The other 3$ billion? Yeah, we're on the hook for that. Other bogus (#6) bills advancing include an inclusionary housing program (which disincents builders from developing workforce housing), a mandate for prevailing wage in some new projects (yeah, raising the price of construction helps build less expensive housing), and a bill that increases your fee to $75 for most housing documents other than the purchase of your primary home. This bill *promises* to use most of the funds for housing construction and education but the anticipated $200,000 - $300,000 million annual take comes straight out of your pocket if you refinance, transfer title to a spouse or trust, and about 70 other classifications of real estate documents.

Oh well, Sacramento only has a couple weeks left to inflict its particular form of mayhem so there's that to look forward to. Unfortunately they'll still be working in D.C. but who knows, they might get something done. Hopefully they'll extend the National Flood Insurance Program and a couple other issues Realtors® are advocating for with some optimism.

For sure the weather will get cooler, Dudes. I'm amped about that (#7).

Gene

SW Market @ A Glance

Southwest California	Reporting Period	Current Period	Last Period	Year Ago	Change from Last Period	Change from Year Ago
Existing Home Sales ***(SFR Detached)***	August 2017	1,149	1,022	1095	11% ↑	5% ↑
Median Home Price		$363,316	$352,219	$338,278	3% ↑	7% ↑
Unsold Inventory Index ***(SFR Units)***		1,848	1,777	2,478	4% ↑	25% ↓
Unsold Inventory Index ***(Months)***		1.6	2	2.4	20% ↓	33% ↓
Median Time on Market ***(Days)***		18	17	54	6% ↑	66% ↓

Source: CRMLS

July 2017 SFR Transaction Value*:

Temecula	$93,933,072	Lake Elsinore	$38,189,733
Murrieta	$89,633,657	Wildomar	$12,480,288
Menifee	$57,138,794	Canyon Lake	$10,321,788
Hemet	$36,642,676	San Jacinto	$15,901,300
Perris	$18,967,950	Total	$373,229,258

* Revenue generated by single family residential transactions for the month.

August 2017 SFR Transaction Value*:

Temecula	$105,353,930	Lake Elsinore	$42,947,714
Murrieta	$81,587,846	Wildomar	$20,150,312
Menifee	$64,570,768	Canyon Lake	$11,337,300
Hemet	$42,752,164	San Jacinto	$23,104,688
Perris	$28,763,865	Total	$420,568,587

* Revenue generated by single family residential transactions for the month.

August Median Price:

	2016	2017	%
Temecula	$433,500	$468,950	8%
Murrieta	$398,000	$425,000	6%
Menifee	$325,000	$345,000	6%
Lake Elsinore	$335,000	$355,500	6%
Wildomar	$372,000	$409,950	9%
Canyon Lake	$445,000	$414,950	7%
Hemet	$225,000	$246,000	9%
San Jacinto	$235,000	$268,000	12%
Perris	$275,000	$307,000	10%

Your 'Average' House, August 2017

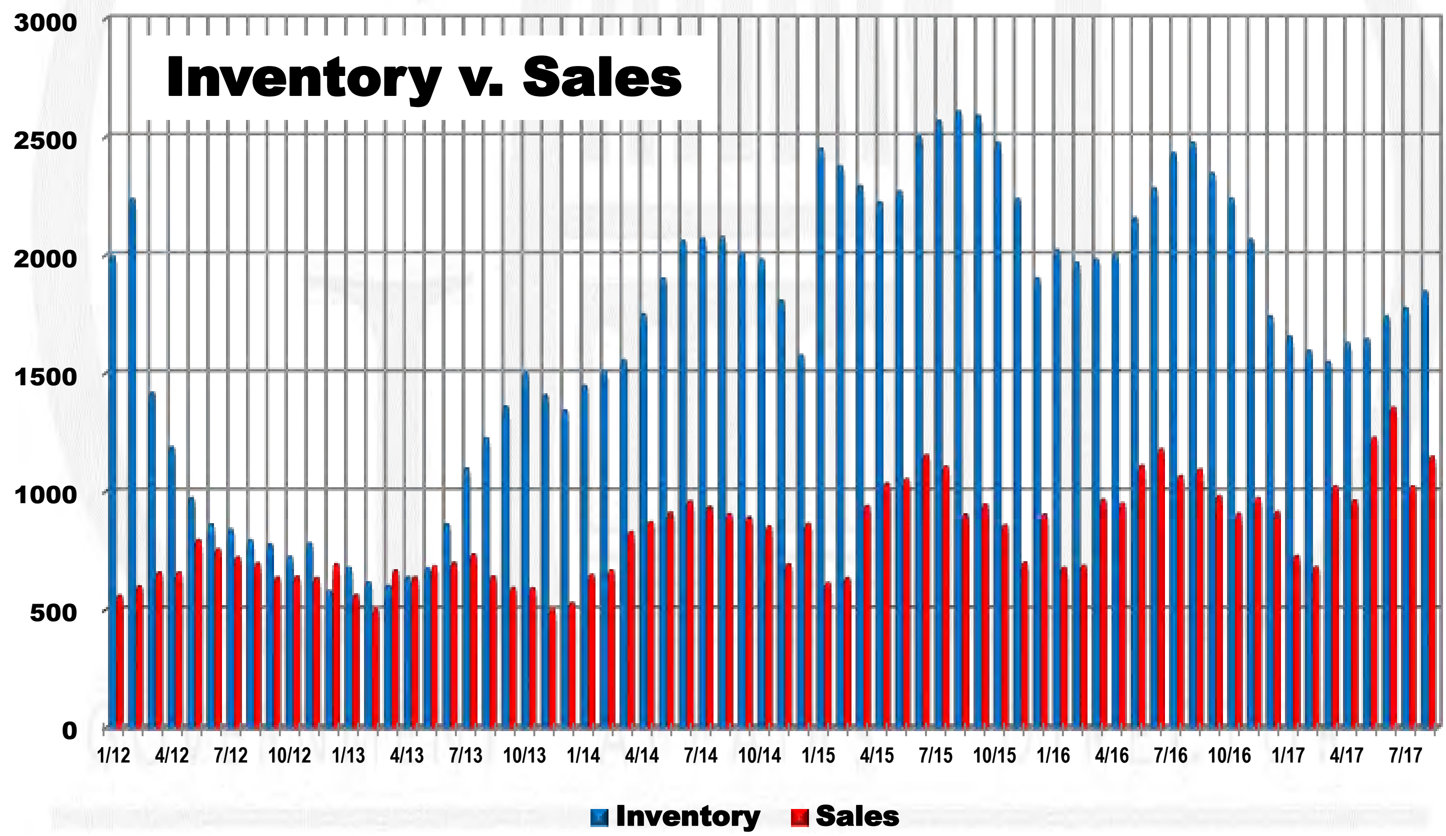
By City

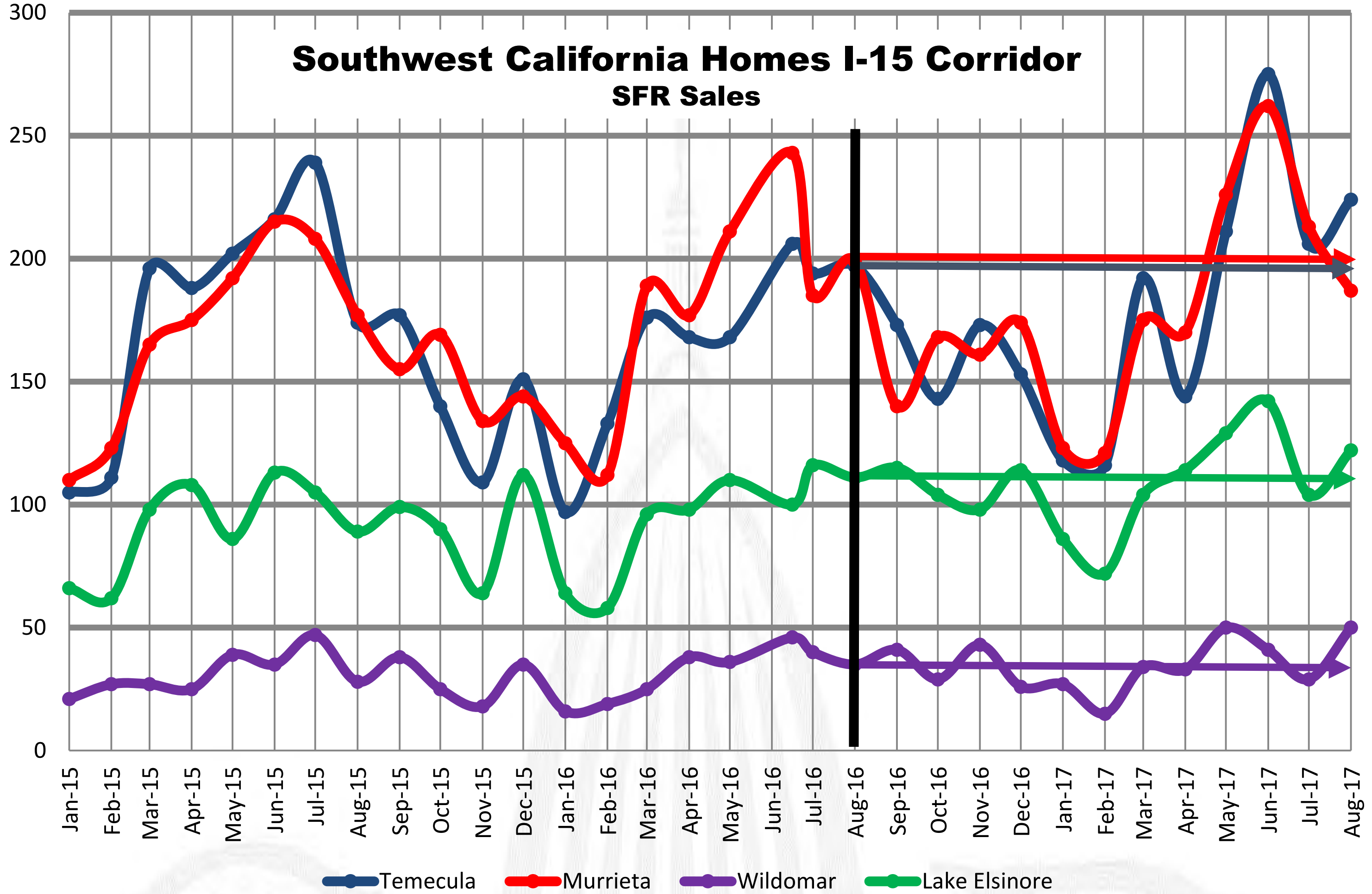
City	Median Sold $	Average Sold $	Average SqFt	Bed	Bath	YrBlt
Temecula	$468,950	$494,619	2,465	4	3	1998
Murrieta	$425,000	$441,015	2,601	4	3	2000
Wildomar	$409,950	$403,006	2,447	4	3	1999
Lake Elsinore	$355,500	$352,030	2,112	4	3	1999
Menifee	$345,000	$336,306	2,033	3	3	1995
Canyon Lake	$414,950	$436,050	2,239	3	3	1985
Hemet	$246,000	$250,013	1,742	3	2	1985
San Jacinto	$268,000	$271,820	2,006	4	3	1999
Perris	$307,000	$312,691	1,950	4	3	1999

Source: CRMLS

Median $: half sold for more, half for less

Average $: total revenue / number of sales (under $1,000,000)




Southwest California Homes I-15 Corridor
SFR Sales
300
250
200
150
100
50
0
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
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Oct-16
Nov-16
Dec-16
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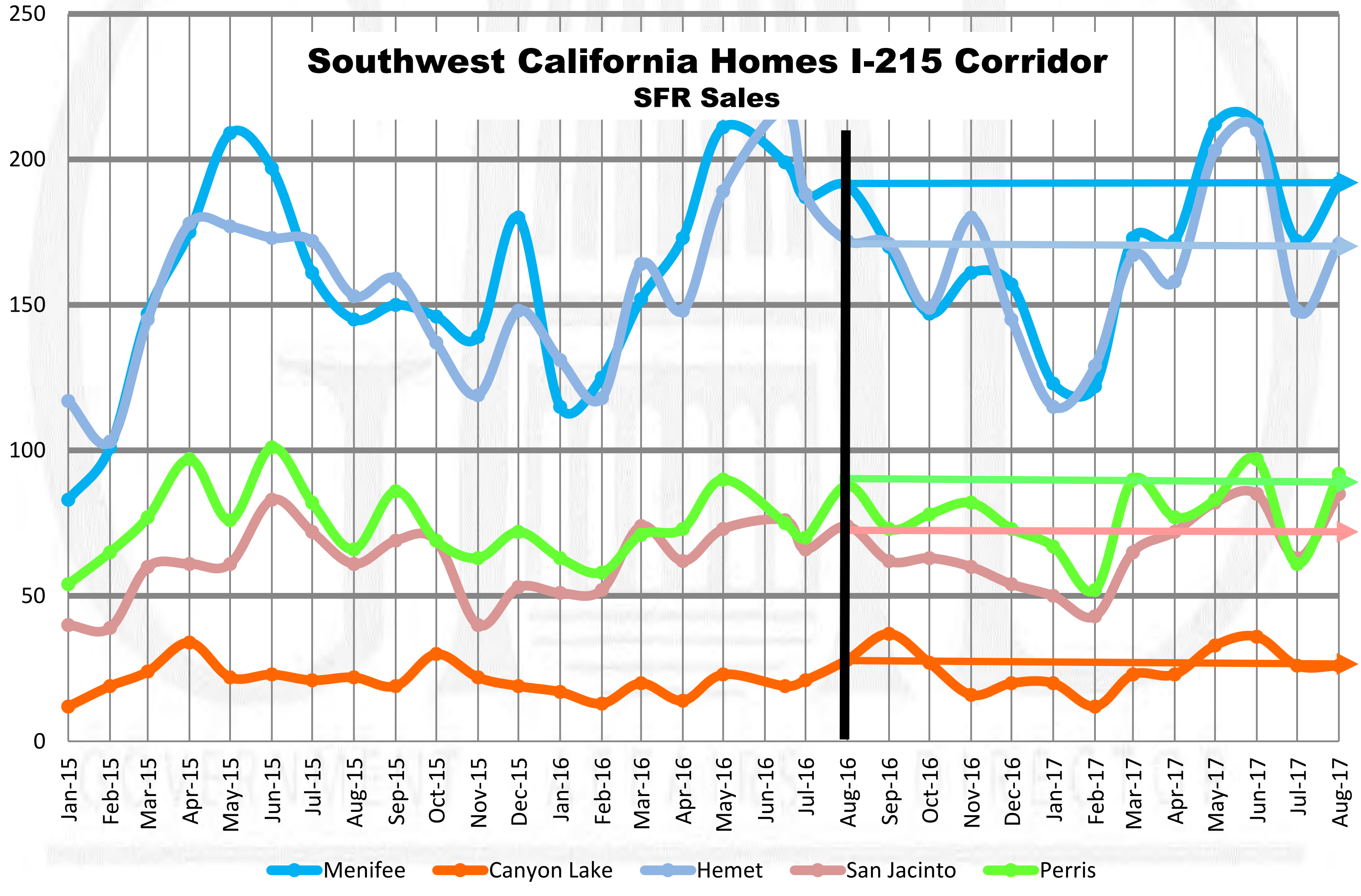
Jun-17
Jul-17
Aug-17
Temecula
Murrieta
Wildomar
Lake Elsinore


Southwest California Homes I-215 Corridor
SFR Sales
250
200
150
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Jan-15
Feb-15
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Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
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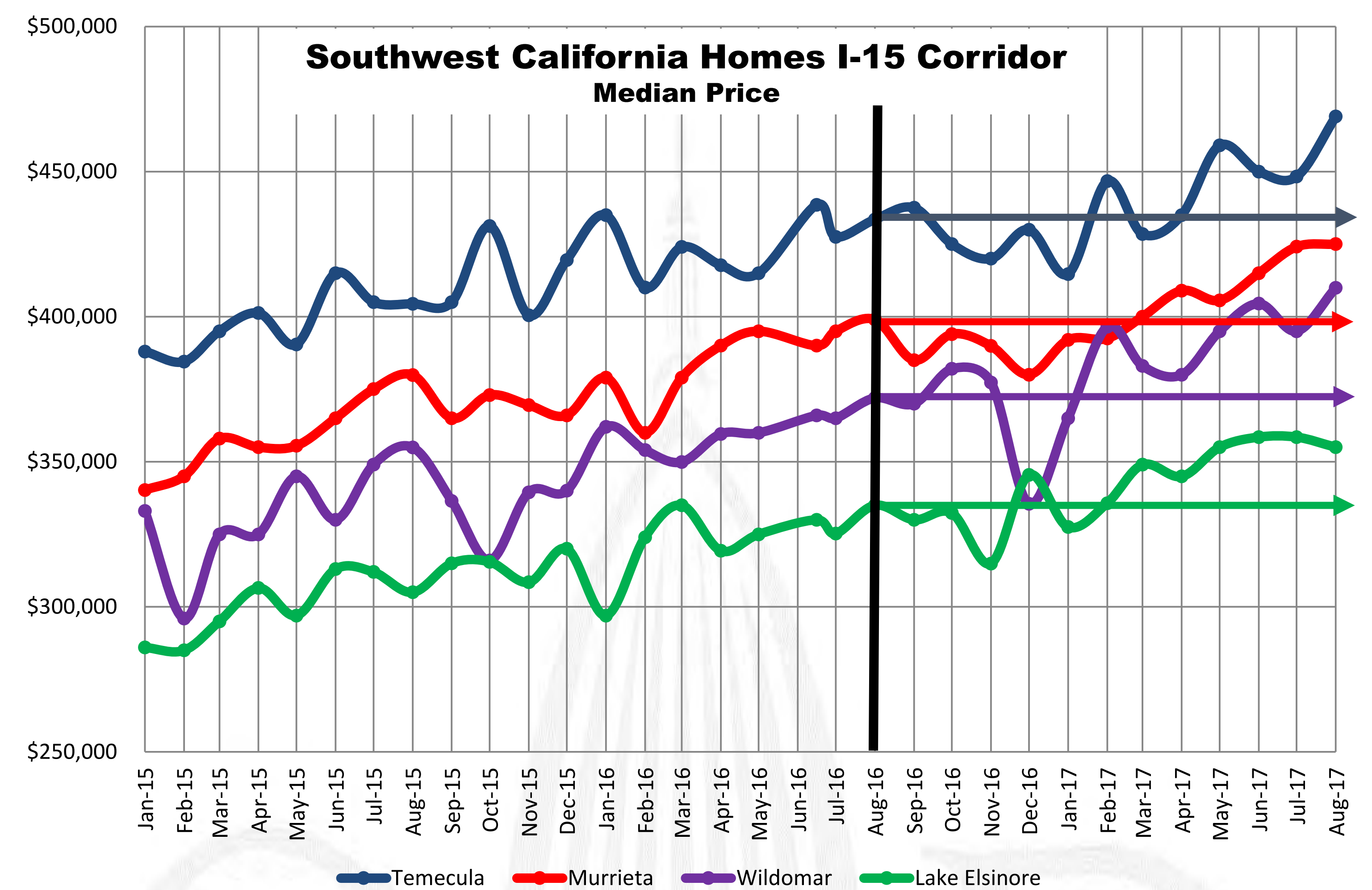
Menifee
Canyon Lake
Hemet
San Jacinto
Perris


Southwest California Homes I-15 Corridor
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$300,000
$250,000
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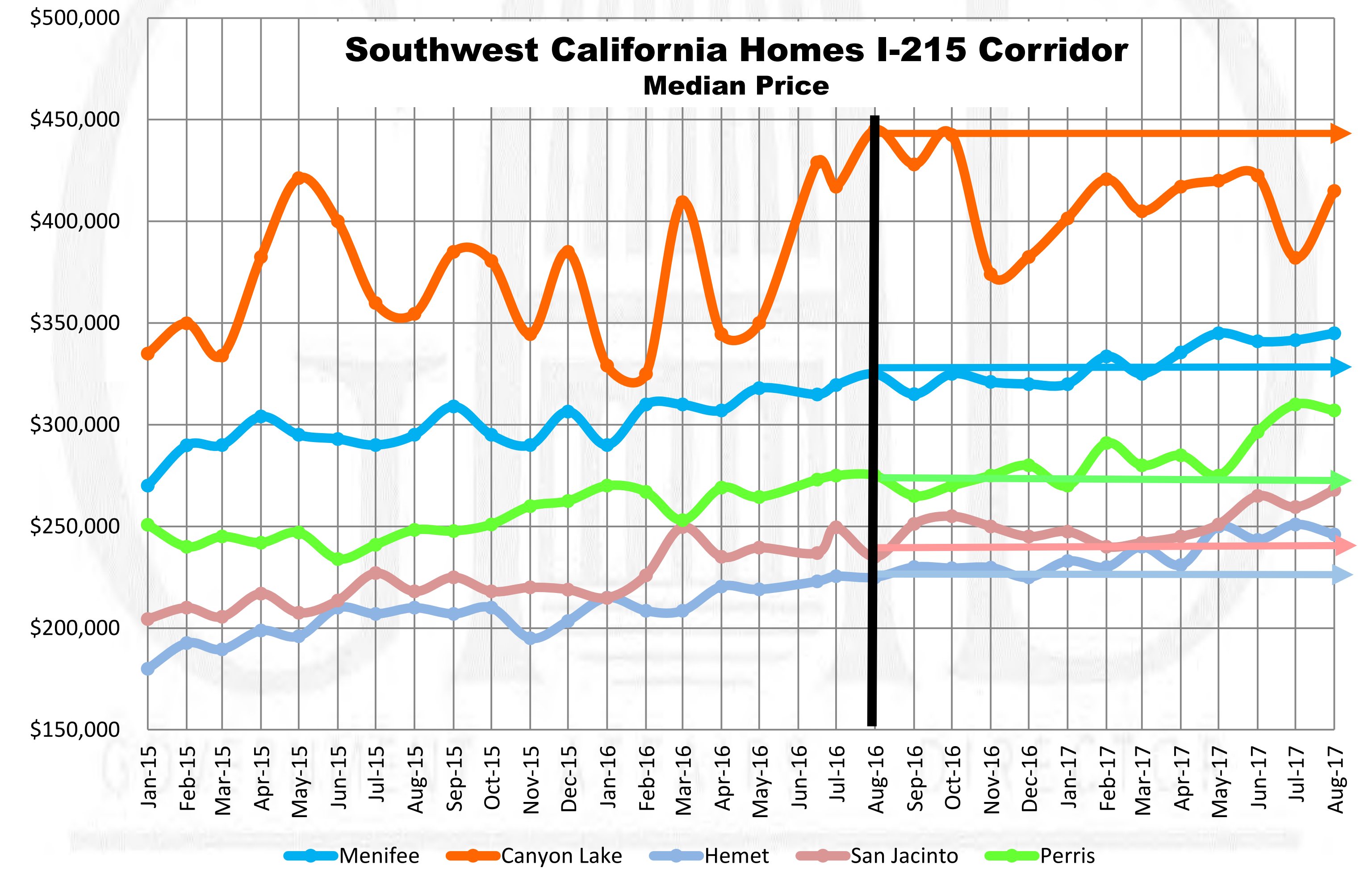
Temecula
Murrieta
Wildomar
Lake Elsinore


Southwest California Homes I-215 Corridor
Median Price
$500,000
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
Jan-15
Feb-15
Mar-15
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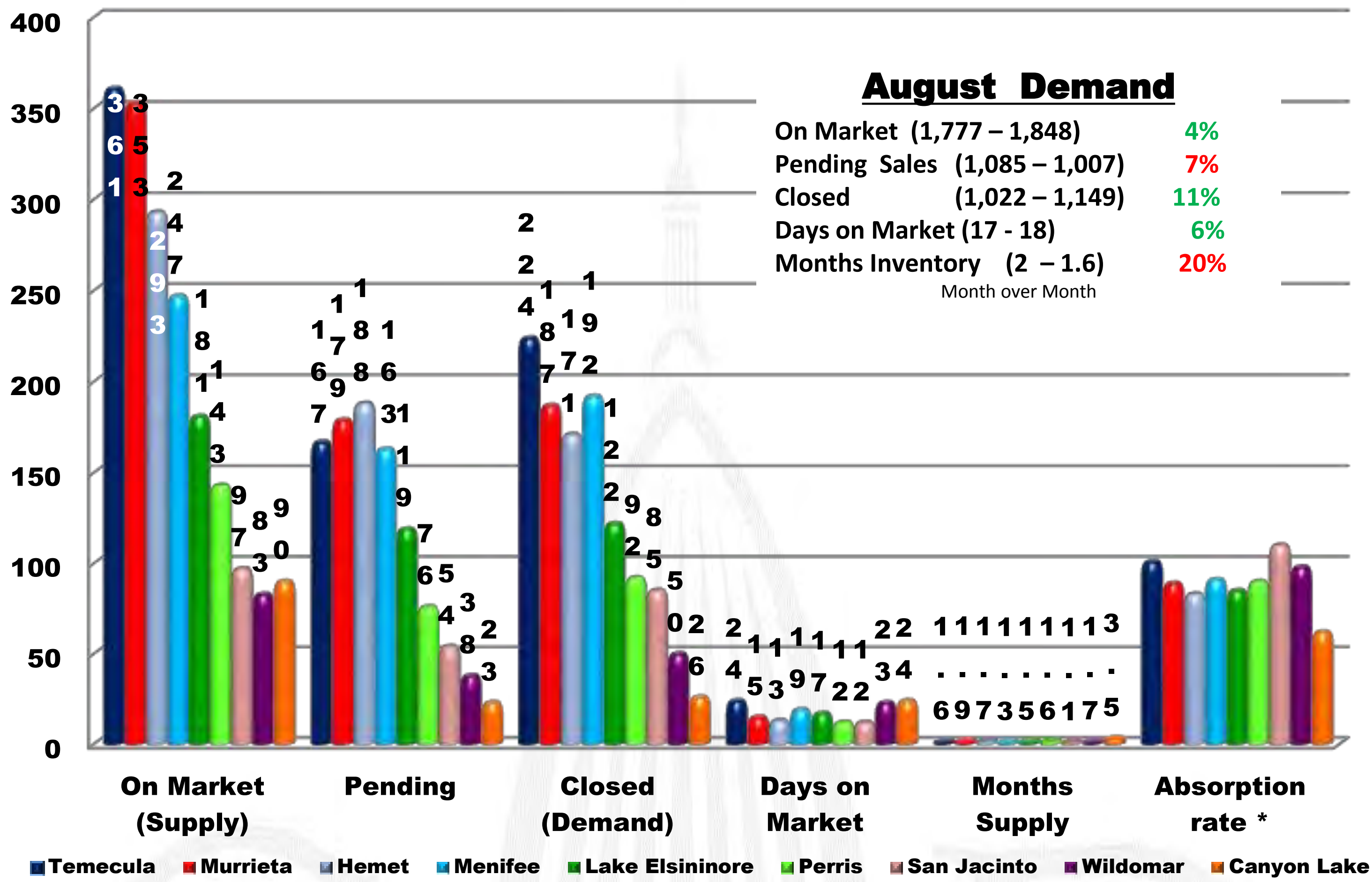
Menifee
Canyon Lake
Hemet
San Jacinto
Perris



* Absorption rate - # of new listings for the month/# of sold listings for the month

August Market Activity

By Sales Type

	Standard Sale				Bank Owned				Short Sale			
	Active	% of MKT	Sold	% of MKT	Active	% of MKT	Sold	% of MKT	Active	% of MKT	Sold	% of MKT
Temecula	326	90%	202	90%	1	0%	1	0%	7	2%	2	1%
Murrieta	324	92%	165	88%	1	0%	4	2%	9	3%	4	2%
Wildomar	73	88%	48	96%	3	4%	0	0%	4	5%	1	2%
Lake Elsinore	168	93%	114	93%	1	1%	2	2%	8	4%	0	0%
Menifee	238	96%	186	97%	1	0%	1	1%	3	1%	2	1%
Canyon Lake	83	92%	23	88%	0	0%	0	0%	1	1%	3	12%
Hemet	258	88%	158	92%	5	2%	6	4%	7	2%	3	2%
San Jacinto	88	91%	80	94%	1	1%	3	4%	6	6%	2	2%
Perris	129	90%	89	97%	2	1%	1	1%	7	5%	0	0%
Regional Average	1687	91%	1065	93%	15	1%	18	2%	52	3%	17	1%

Call for Action: National Flood Insurance Program

AUGUST 23, 2017

Reauthorize the National Flood Insurance Program (NFIP)

The 21st CENTURY FLOOD REFORM ACT (HR 2874)

The National Flood Insurance Program (NFIP) provides necessary flood protection and coverage for 5 million policyholders across 22,000 communities nationwide. However, the NFIP is currently running a $1.4 billion annual deficit,1 and accumulated a $24.6 billion debt after weathering a series of catastrophic loss years since 2005.2 The program is up for reauthorization on September 30th.

NAR urges the House of Representatives to bring up and pass **HR 2874: The 21st Century Flood Reform Act** upon returning in early September.

The bill meets all six of NAR's reform principles.3 It would reauthorize the program for 5 years, stabilize its financial position, and make numerous and significant improvements to current law. Following are NAR responses to questions about the bill.

FREQUENTLY ASKED QUESTIONS

Why should Congress pass the 21st Century Flood Reform Act?

✓ Reauthorizes the NFIP for 5 years;
✓ Limits maximum flood insurance premiums to no more than $10,000 per year for residential
✓ properties;
✓ Preserves the practice of grandfathering for remapped property owners who build to code;
✓ Removes hurdles to the private flood insurance market, which often offers better coverage at lower
✓ cost than the NFIP;
✓ Authorizes $1 billion in pre-flood mitigation assistance grants to elevate, flood proof, buyout or
✓ mitigate high risk properties;
✓ Doubles increased cost of compliance (ICC) coverage in the NFIP policy so policyholders can obtain
✓ up to $60,000 for property mitigation and access these funds before the property floods;
✓ Better aligns NFIP rates to the risk, particularly for lower risk and lower value properties inland of the
✓ coast;
✓ Enables more communities to develop alternative flood maps like North Carolina's, which are more
✓ accurate than FEMA's, and generally streamlines the map appeals process;
✓ Improves the claims process in light of problems experienced after Superstorm Sandy;
✓ Addresses issues with repeatedly flooding properties that account for 2 percent of NFIP policies but
✓ 25 percent of the claim payments over the history of the program; and
✓ Overall strengthens the solvency of the program over the long term.

More information: NAR Flood Insurance Portal

As the largest trade association in the U.S., the National Association of REALTORS® advocates every day on behalf of the nation's 1.2 million REALTORS® and 75 million property owners. NAR is widely considered one of the most effective advocacy organizations in the country.

EPA Releases Rule to Withdraw WOTUS

JULY 28, 2017

BY RUSSELL RIGGS, KEN WINGERT

Fulfilling a portion of an executive order by President Donald Trump, the EPA and the U.S. Army Corps of Engineers have released a proposal to rescind the Waters of the United States rule that expanded federal jurisdiction under the Clean Water Act.

The proposal(link is external) published in the Federal Register on Thursday, July 28 would nix the 2015 WOTUS rule and reinstate the definition of the streams and wetlands subject to federal oversight under the act that existed prior to its finalization.

The publication of the proposal constitutes the first part of a two-step process to meet the Feb. 28 executive order directing the rule's review. The second step will be “a separate notice and comment rulemaking that will consider developing a new definition" for the extent of federal jurisdiction under the act, say the EPA and the U.S. Army Corps of Engineers in a prepublication copy of the proposed rescission.

The embattled regulation was stayed by the 6th Circuit Appeals Court in October 2015. The rule's opponents have said it defined federal jurisdiction too broadly and granted undue control to the government.

NAR Advocated for Elimination of FHA Lifetime MIP

What is the fundamental issue?

Under the Federal Housing Administration (FHA) mortgage program, borrowers must pay an annual mortgage insurance premium to help protect lenders against losses in the event of a homeowner’s default. For FHA loans with a loan to value ratio (LTV) over 90 % at origination, borrowers must pay an annual mortgage insurance premium for the life of the loan, up to 30 years. FHA loans with a lower LTV at origination shall pay an annual mortgage insurance premium for 11 years or until the end of the mortgage term, whichever comes first. Prior to 2013, FHA cancelled annual mortgage insurance premiums for loans when the remaining balance reached an LTV of 78% regardless of the original down payment size. However, in June of 2013, FHA removed the ability to cancel the annual mortgage insurance premium for loans with over 90% LTV at origination. While FHA implemented the change in policy in order to mitigate credit risk and help strengthen the Mutual Mortgage Insurance Fund (MMIF), the greater overall health of the MMIF today shows it is time to reconsider the lifetime annual mortgage insurance premium.

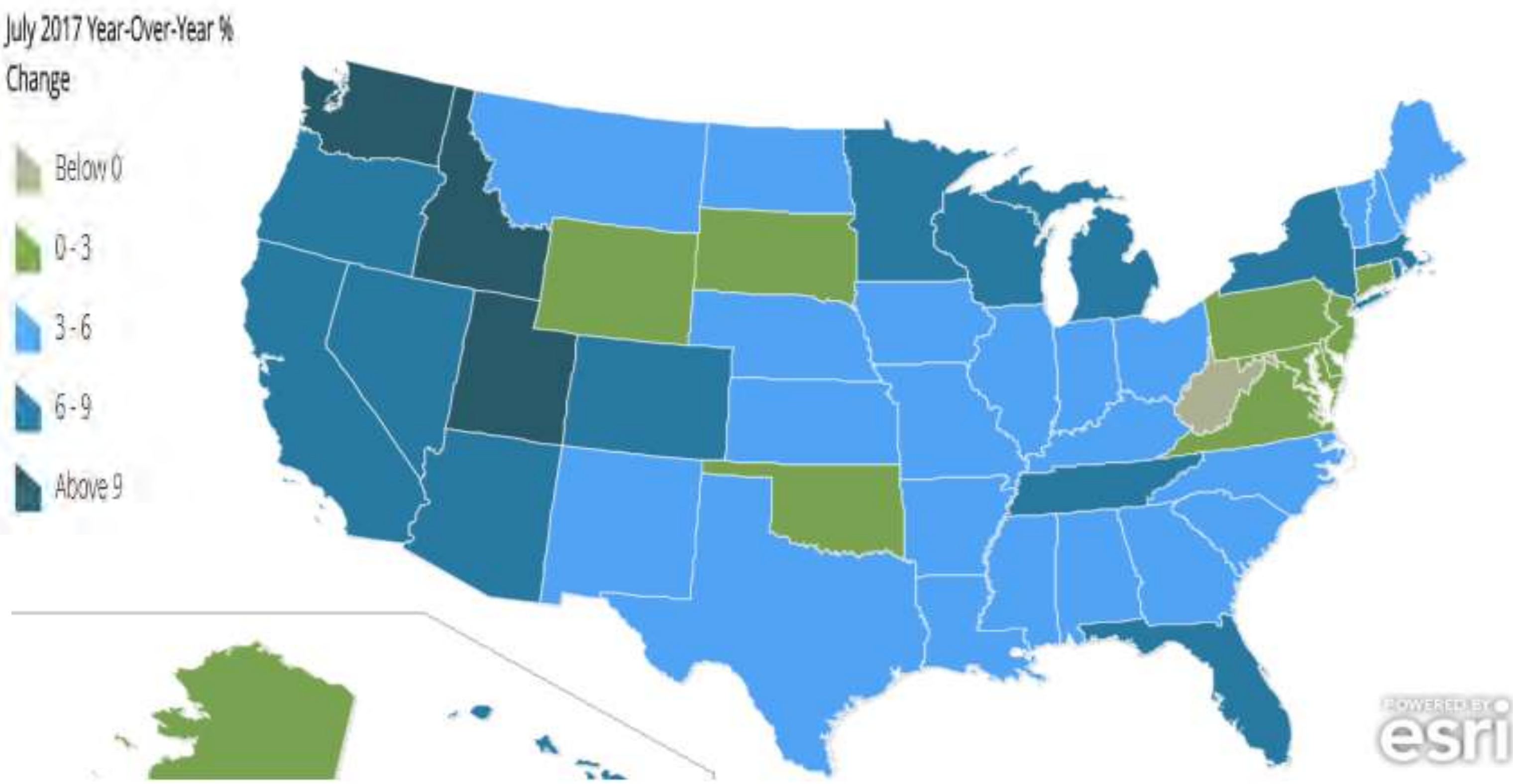
Legislative/Regulatory Status/Outlook

In January 2015, FHA reduced annual lifetime mortgage insurance premium from 1.35% to 0.85%, estimating an additional 250,000 potential homebuyers would purchase their first home within three years due to the reduction in overall cost. In November 2015, FHA released its Annual Report to Congress and the FY 2015 Independent Actuarial Assessment of the FHA Mutual Mortgage Insurance Fund (MMIF). The review showed that the MMIF capital reserve ratio has reached beyond the required two percent capital reserve ratio and has improved by more than $40 billion since FY 2012. The 0.5% mortgage insurance premium reduction in January 2015 increased the solvency of the fund and added 75,000 borrowers with credit scores below 680. NAR believes this trend will continue and will push FHA to make policy changes that promote homeownership, including advocating for the elimination of the annual lifetime mortgage insurance premium.

NAR Policy:

NAR supports the elimination of the lifetime annual mortgage insurance premium requirement for loans with an LTV greater than 90%.


"Home prices in July continued to rise at a solid pace with no signs of slowing down. The combination of steadily rising purchase demand along with very tight inventory of unsold homes should keep upward pressure on home prices for the remainder of this year. While mortgage interest rates remain low, affordability cracks are emerging as over a third of U.S. top cities are now overvalued."
- Frank Martell
President and CEO of CoreLogic
AFFORDABILITY
CRACKS EMERGING
1/3+
Of U.S. Top Cities
Now Overvalued
Graphics courtesy of:
CoreLogic


July 2017 Year-Over-Year % Change
Below 0
0-3
3-6
6-9
Above 9
POWERED BY
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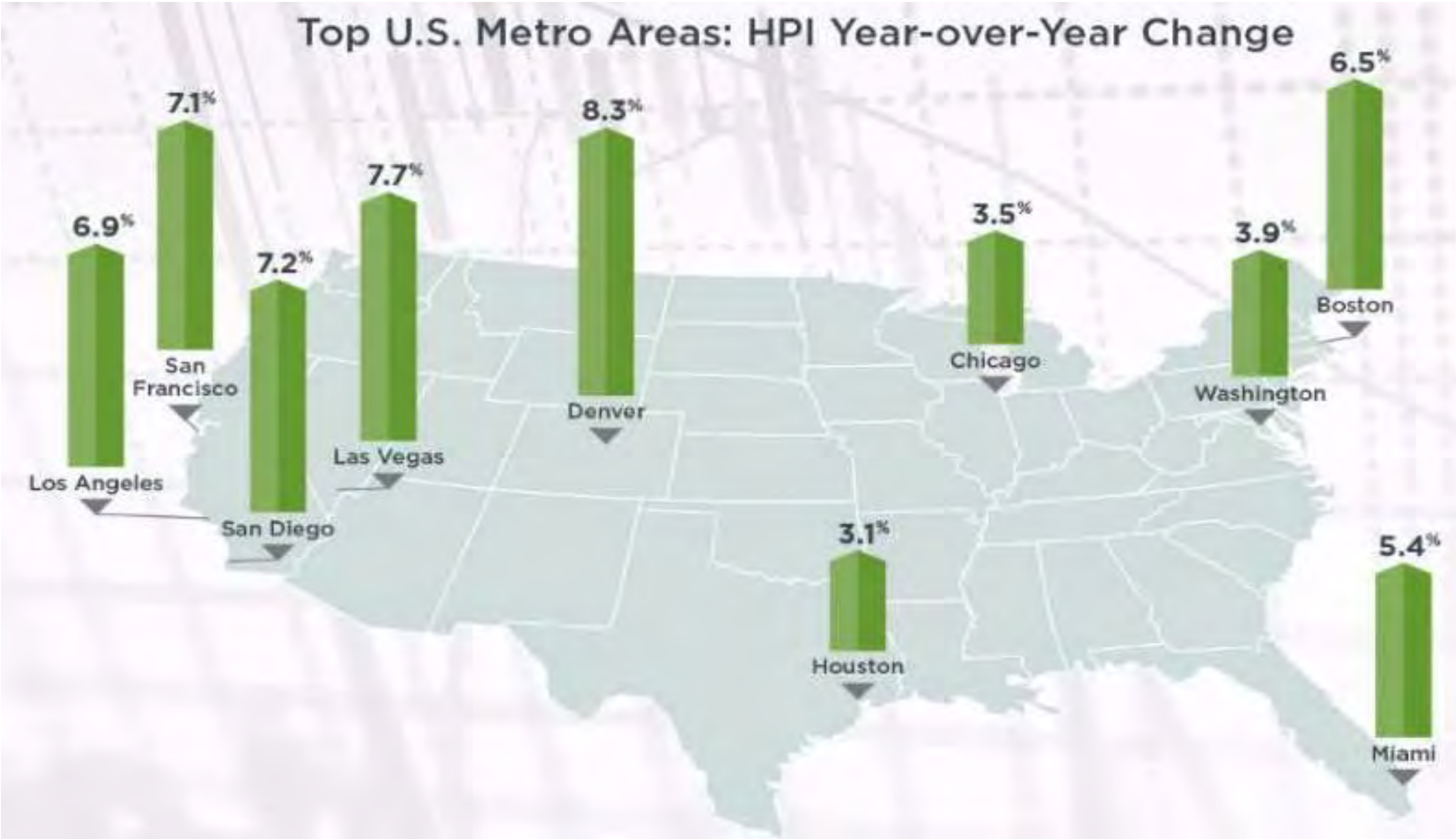
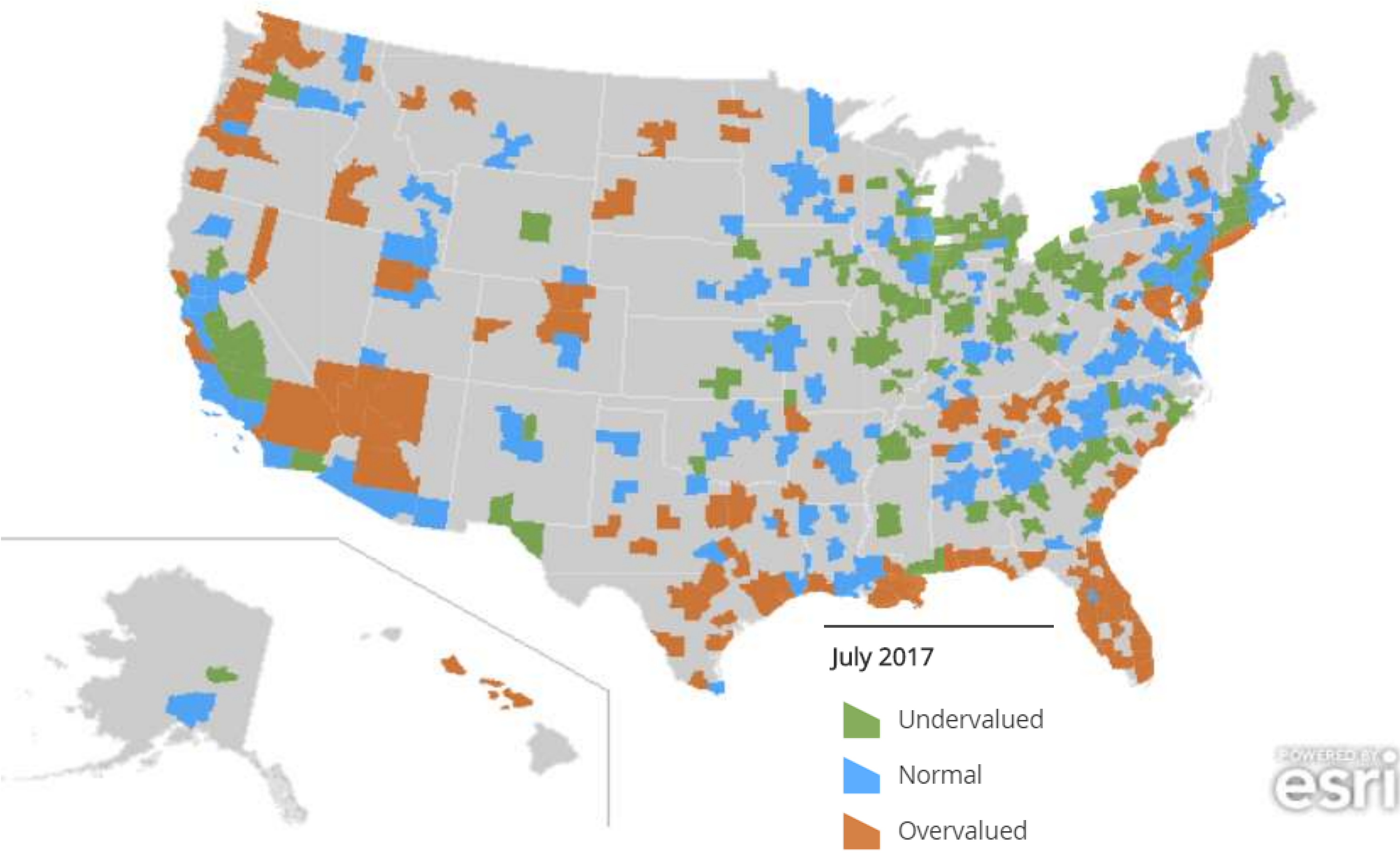
Nationwide, home prices are now 50% above March 2011 bottom





CALIFORNIA ASSOCIATION OF REALTORS® Research & Economics

Riverside County Market Update

Trends At A Glance For: July 2017

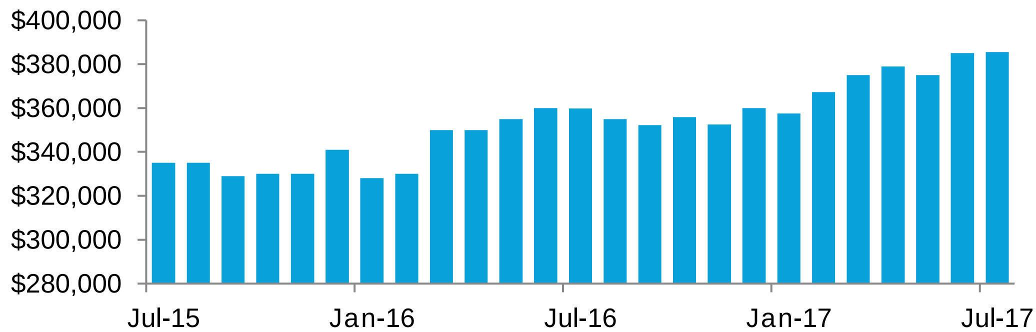
Median Price

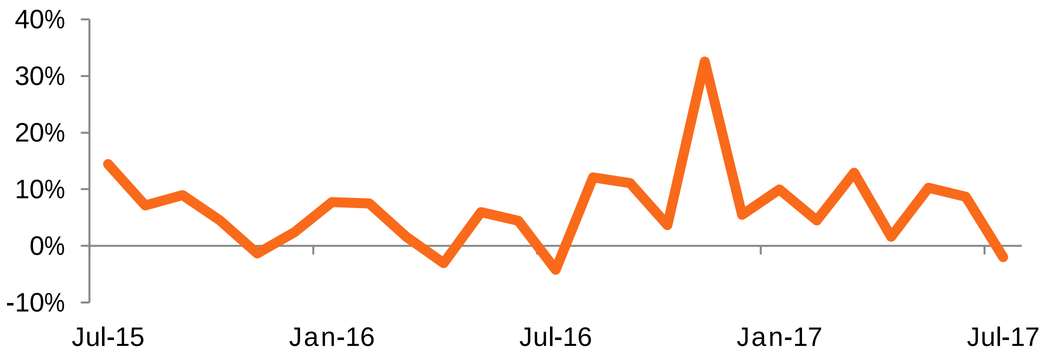
For SFH Homes

$385,500

0.1% MTM

7.1% YTY





Home Sales

For SFH Homes

-2% YTY

-22.3% MTM

6.5% YTD

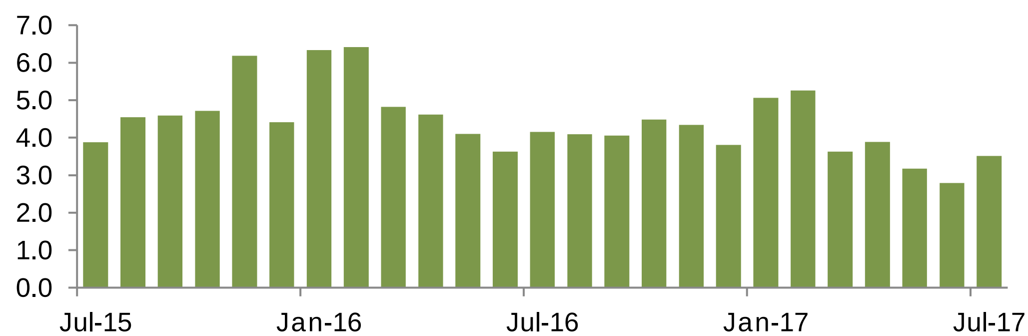
Unsold Inventory

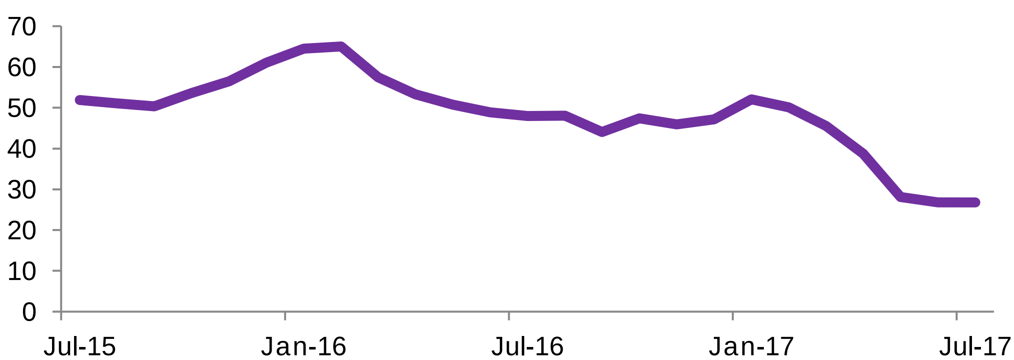
For SFH Homes

3.5 Months

25.9% MTM

-15.3% YTY





Median Time on Market

For SFH Homes

27 Days

-0.1% MTM

-44.2% YTY

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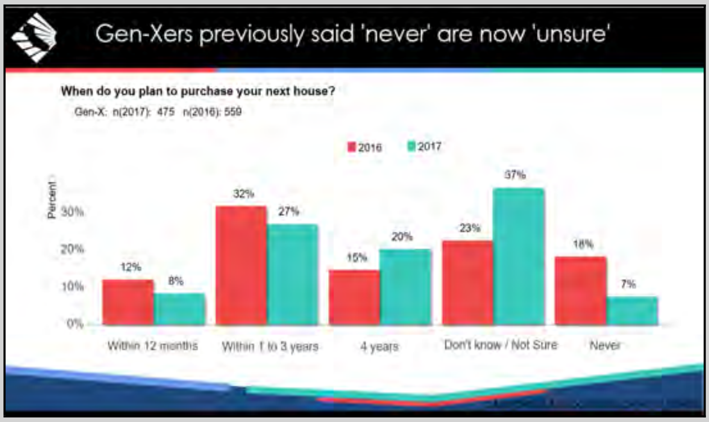
Renters Still Want to Buy... Just Out of Reach for Now

The combination of high prices and high demand in California have combined to create an environment of record low affordability. With the economy sustaining wage growth and low unemployment rates households, who have finally saved enough to buy have rushed to buy homes while long term mortgage rates remain low. This has led to quickly diminishing supply of homes in many markets and with low housing production a future of continuing price increases and low affordability is certain.

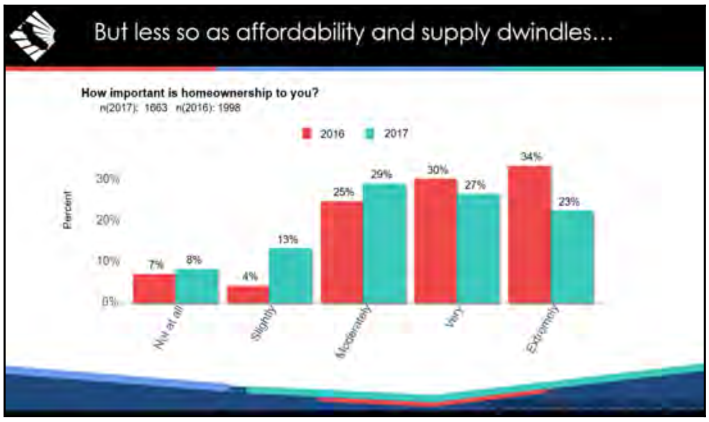
But what happens to renters who do not have the down-payments or income to be able to purchase in today's market environment? In a survey on California renters we find that views and aspirations for home-ownership turn directly along with their relative fortunes and ability to purchase in California.

The run up of prices has meant that many renters who last year were thinking about buying have pushed their purchase horizons out: in 2016, 42% of renters planned to purchase within 3 years, but with rising prices across the state only 32% now say they will. Yet as the economy improves, many people who said that they would never purchase are now



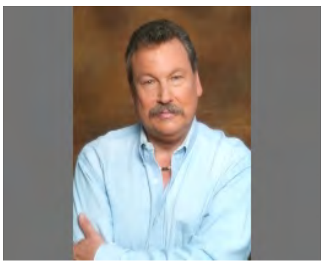
looking again: In 2016, nearly 20% of respondents said that they would never purchase, a number that dropped by half to 10%.

So, there is now a give and take in an environment where the economy is gaining footing, but the housing market is staying out of reach. As homes have become less affordable, the percentage of people who said that homeownership is extremely or very important to them dropped from 65% to 50%, and the percentage of people who said it was "Not At All" or "Slightly Important" grew from 11% to 21%.



As homeownership becomes less possible it makes sense that loses its place as long term achievable goal and aspiration; or even worse its place as part of the American dream. What is the way out of this? For many people who want to start raising families, the answer is simply to leave the state. For those who are sure that they want to leave California 43% say housing prices and cost of living are driving them, twice the percentage of those who are moving but staying in California. For Gen-Xers who are ready to start families that number is over 60%. It is time to seriously ask ourselves what we can do to keep our neighbors and friends in our state.

Brought to you by:



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