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MARCH 2019

Inland Valleys REALTOR®

THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

California REALTORS® Back Gov. Gavin Newsom's Housing Proposal

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MARCH 2019

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Like Much of California, Inland Empire Falling Well Behind on Home Building

JESSE STREETER,
2019 IVAR PRESIDENT

The Inland Empire has long been a focus of housing growth in Southern California. Working families pushed from high cost and more crowded regions in Los Angeles County, Orange County and San Diego County have found affordability in our region – often alongside hefty commutes.

That trend changed with the housing market collapse in the late 2000s. New construction dried up as values fell well below the cost of surviving California's regulatory hurdles to actually building a home.

The economy stabilized and jobs came back – along with housing values. Unfortunately, new construction has lagged far behind the pace at which kids became adults, started their careers and shopped for a home. As a result, the cost of housing at all levels is outpacing wages. Residents are dedicating more and more of their income to housing – increasingly housing that they do not own. At the lower end of the scale, families are struggling to find anywhere to live.

IVAR has been reviewing housing development numbers in relation to our growing population. Each city in our region, working with state demographers, set goals for housing production from 2013 to 2021 to accommodate the expected growth in their populations. More than halfway through that window, the shortfall is remarkable.

These targets, known as Regional Housing Needs Assessment goals and built into each city's General Plan, break down the expected need for housing at four levels of income. These are: Very Low Income, Low Income, Moderate Income and Above Moderate Income.

IVAR reviewed housing permits reported by most cities in the region covered by IVAR. Here are the results:

Through the end of 2017 (2018 reports are being filed this month), cities in our region have issued 13,361 permits in the first five years of the eight-year target period. That represents slightly less than 30 percent of the current goal. That sounds well short of ideal, but not terrible, right?

Let's look further. Of the 13,361, just over 10,000 are in the highest price category. For households ranging from Very Low Income to Moderate Income, a category that covers incomes from poverty to more than $90,000 in annual income, the region has issued 3,355 building permits. The goal for these groups, combined, is 26,973. Remove Chino Hills and Ontario from these numbers and the figure drops to just 671 – less than 5% of the way to the projected need.

The cities of Norco, Eastvale, Riverside, Rialto, Colton and Highland have combined to issue 31 permits in the Very Low to Moderate Income categories from 2013 to 2017.

When middle class families search for a home to buy or apartment to rent in their price range, their struggles to find something link directly to these lack-of-progress reports. This is also why Governor Newsom and housing proponents in California are increasingly trying to find ways to open the door for homebuilding and crack down on communities that actively try to avoid accommodating the growing need for workforce housing.

Remarkably, despite these figures, the Inland Empire is relatively friendly to home building. It exists, however, in the regulatory environment of the state of California, which is decidedly not friendly to home development or the people who would like to live in the homes that aren't getting off the ground – not to mention those who could earn a living by designing, building or selling these homes.

California REALTORS® Push Legislation to Spur Homebuilding

PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

California REALTORS® are supporting a wide array of efforts to push construction of more homes across the state. The multi-pronged effort is designed to address the severe housing shortage that has pushed up rental and ownership costs, often beyond the affordable reach of middle-class families.

As discussed in the message from IVAR President Jesse Streeter, the lack of construction has impacted middle to low income families most. Even the Inland Empire, long known for being a center of more affordable housing compared to coastal counties, is lagging well behind its targets for development of affordable, workforce housing of all forms.

At the state level, REALTORS® are currently sponsoring seven bills that impact housing affordability. These range from AB 599, which sets a goal for focusing on housing accessible to families making up to 120% of area median income (about $80,000 in the Inland Empire), to others that create funding sources or create true accountability for cities that fail to actively try to reach housing goals.

AB 1590 would create a first-time homebuyer tax credit to help those buyers, who haven't enjoyed the rising tide of real estate values, to get at least a modest tax benefit that helps close the gap on affordability.

SCA 1, a proposed state constitutional amendment, would repeal a 1950s era provision that requires publicly subsidized, low-rent proposed developments to receive voter approval from the city or county where they are to be built. This would remove a hindrance to building low income housing, the category with the highest amount of need across the state.

SB 50 would make it much easier for developers to build more densely near key public transportation corridors, primarily rail. The proposal is a reworked version of legislation that failed last year under intense opposition from cities as well as groups concerned that it would discourage public transportation. The new version softens the approach while retaining several impactful provisions that should benefit urban centers.

Finally, C.A.R. is supporting legislation to make it easier for homeowners to finance the construction of Accessory Dwelling Units (ADUs), more colloquially known as "granny flats" or "casitas." The legislation would create a state-backed financing program allowing homeowners to obtain loans to build these units. This addresses a common complaint from homeowners who have every legal and financial ability to add a unit on their property but struggle to find adequate financing.

This ADU effort is part of a continuing series of legislative efforts to make construction easier. Prior legislation has made it very difficult for cities to outright deny permits for ADUs.

Meanwhile, locally, IVAR is closely reviewing new building permit activities in cities to look for ways to advocate for the development of more housing. Please read IVAR President's Jesse Streeter's column this month for details about the extent of the stall in the past decade.

Paul Herrera is the Government Affairs Director for the Inland Valleys Association of REALTORS®. You can reach him at pherrera@ivaor.com or by phone at 951-500-1222.

California renters qualify for homeownership but lack financial knowledge to purchase, C.A.R. reports

LOS ANGELES (March 7) – While low affordability is the biggest obstacle most renters face in becoming homeowners, 14 percent of California renters can afford to purchase a home but are foregoing homeownership partly because they don't have the financial knowledge to do so, according to research findings by the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.).

Of the nearly 6 million California renters statewide*, 826,000 could qualify to purchase a median-priced home in the county in which they reside. Five in 10 who qualify to purchase a home are white (51.4 percent), 12 percent are Asian, more than one in four is Hispanic (26.9 percent), and 6 percent are black.

A lack of financial literacy is one of the biggest barriers preventing renters from becoming homeowners. Nearly three-fourths (73 percent) believe a down payment of at least 20 percent is required to purchase a home, and 72 percent are unaware of loan programs that require less than 20 percent down payment. Additionally, nearly seven in 10 (69 percent) would purchase a home if they could put down a lower down payment.

"While many renters earn the income and have the credit required to buy a home, they have misconceptions about what it takes to become a homeowner, which is holding them back from buying a home or causing them to give up on their American dream," said C.A.R. President Jared Martin. "Prospective first-time buyers should be aware that there are many down payment assistance programs offered by local housing agencies and low down payment programs from the Federal Housing Administration, U.S. Dept. of Agriculture and the Veterans Administration."

Los Angeles, San Bernardino, San Diego and Sacramento counties boast the largest number of qualified renters.

DRE Weighs in on "Coming Soon" Advertising

The Department of Real Estate has included in its 2018 Winter Real Estate Bulletin an article which discusses the risks of "Coming Soon" marketing. It includes a statement of the DRE's view of "best practices" for listing agents including:

- Market the property via multiple listing service or other broad advertising means.
- Make sure the seller agrees to and understands how the property will be marketed.
- If using a "Coming Soon" strategy, do not accept and act on offers until a property has been broadly marketed.
- If the property will not be fully marketed, obtain prior written permission from the seller that demonstrates they understand that such a "Coming Soon" strategy may not result in receiving the best sales price.
- Avoid double-ending a property that is not fully marketed—it is best to refer potential buyers to another agent.

The DRE notes that "a listing agent who encourages the use of a "Coming Soon" program, without broadly advertising a property via a multiple listing service or other means, especially exposes himself/herself to the potential for an increased chance of civil liability and regulatory action when the agent also then represents the buyer in a dual agent capacity. Such a dual agent would need to be able to demonstrate that the agent acted in the best interests of the seller to obtain a purchase price that was as high as could be expected for a fully marketed property. This agent, who receives commissions on both ends of the transaction, could face scrutiny questioning whether they worked to obtain the best offer possible for the seller or was acting in such a capacity for personal financial gain."

For an agent who takes a listing and markets the property as "coming soon" the C.A.R. Residential Listing Agreement explains the benefits to the seller of using the MLS and the impact of opting out. For the seller to instruct the agent to opt out of the MLS, the seller and broker must initial paragraph 5 of the RLA. Additionally, the seller must sign form SELM (Seller Instruction to Exclude Listing from Multiple Listing Service) or the comparable form provided by the MLS.

California REALTORS® Back Gov. Gavin Newsom's Housing Proposal

SACRAMENTO – The CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) today announced its support of Gov. Gavin Newsom's new legislative proposals to address the housing supply crisis. C.A.R. and its membership of more than 200,000 real estate professionals is encouraged by Gov. Newsom's continued leadership to address the housing shortage head on with bold and innovative ideas that will help put California on the right track to increase supply and protect homeownership.

"Gov. Newsom's legislative proposals demonstrate his steadfast commitment to digging California out of its dire housing crisis," said C.A.R. President Jared Martin. "California's future depends on addressing and solving the housing shortage and this plan provides a strong roadmap to get us there."

The governor's plan, rolled out on Monday, is part of his broader $1.75 billion housing crisis package for 2019. Monday's recommendations call for higher short-term statewide housing goals established by the California Department of Housing and Community Development, $250 million to help cities and counties with planning, $500 million in housing production incentive grants for local governments, $500 million for expanding the State Housing Tax Credit Program to spur middle-class housing production and modernizing long-term Regional Housing Need Allocation (RHNA) goals by 2022. The plan would also provide necessary accountability by withholding SB 1 gas tax funds from jurisdictions that are not compliant with the updated RHNA goals.

"The emphasis on increasing the housing supply through higher short-term production goals and reformed long-term housing goals paired with an essential level of accountability creates a sustainable pathway to achieving the governor's bold vision to 'build housing for all.' REALTORS® look forward to continuing to work with Gov. Newsom and the Legislature to advance these proposals in the coming months," Martin continued.

The governor's most recent announcement, along with bills that C.A.R. announced its sponsorship of earlier this week, continue the needed momentum to prioritize increasing housing supply as the solution to California's housing shortage.

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Housing Data Report February 2019

The Voice of Real Estate in the Inland Empire℠

A report brought to you by the Inland Valleys Association of REALTORS® (IVAR)
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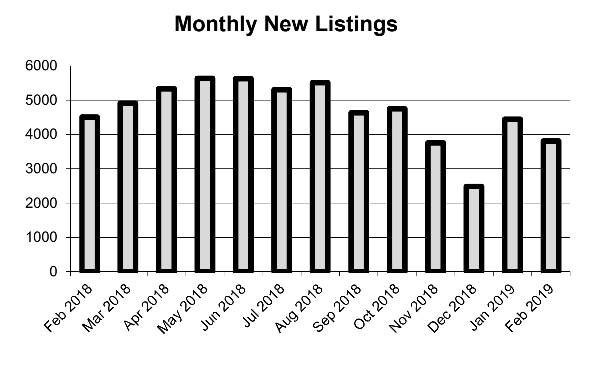
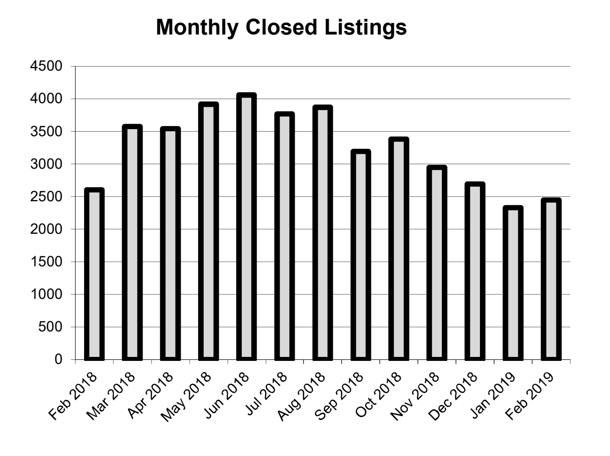
Mark Dowling, Chief Executive Officer

- The start of 2019 Inland Empire housing data reflects some of the same "market cooling" trends we saw the last half of 2018. When compared to 2018, the first two months of the year have New Listings down 6.6%, while Sold Listings are down 10.4%. Median Sales Price is up 2.6%, but total Sales Volume is down 8.1%.
- Median Sales Price is up 3.1% ($395,000) in a month-over-year comparison for February, which represents a $7,000 increase from January 2019.
- Reflecting a slowing, buyer's market, Days on Market – up 65.2% – also continues to increase.

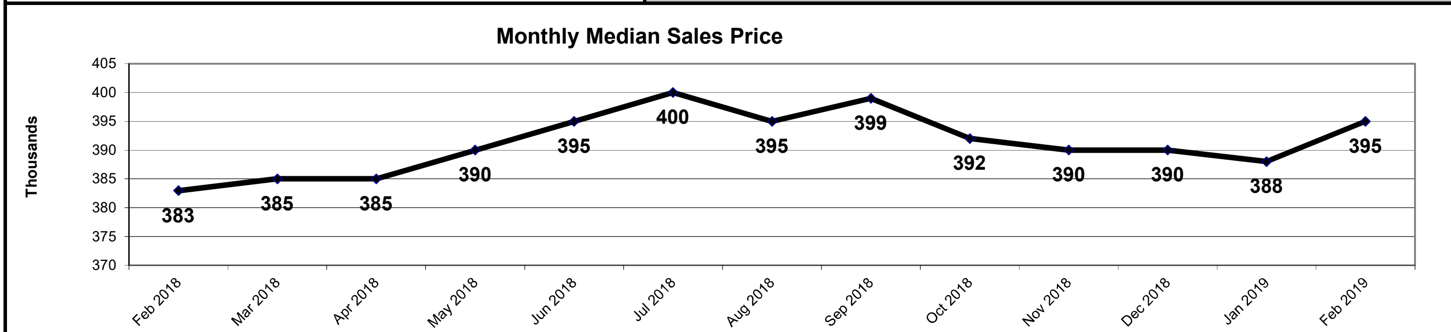


	Feb-2018	Feb-2019	Annual Change
New Listings	4,510	3,807	-15.6%
Pending Sales	3,344	3,355	0.3%
Sold Listings	2,606	2,450	-6.0%
Median Sales Price	$382,950	$395,000	3.1%
Sales Volume ($M)	$1,057	$1,023	-3.2%
Price/Sq.Ft.	$216	$218	1.3%
Sold $/List $	99.31%	98.12%	-1.2%
Days on Market	22	39	75.0%
CDOM	25	48	92.0%



All data used to generate these reports comes from the California Regional Multiple Listing Service, Inc. If you have any questions about the data, please call the CRMLS Customer Service Department between the hours of 8:30am to 9:00pm Monday thru Friday or 10:00am to 3:00pm Saturday and Sunday at 800-925-1525 or 909-859-2040.

CRMLS California Regional Multiple Listing Service, Inc.



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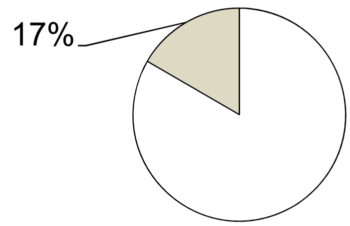
The statistics shown below are for the first 2 months of the years represented.

Month to month comparisons give you a quick way to see what is recently changing in the region. However, by comparing Year-To-Date (YTD) information across several years, you can observe more signifiant trends.

We are 2 months through the year:



	Jan-Feb 2018	Jan-Feb 2019	Year-Over-Year Change
New Listings	8,837	8,254	-6.6%
Pending Sales	6,461	6,414	-0.7%
Sold Listings	5,337	4,782	-10.4%
Median Sales Price	$380,000	$390,000	2.6%
Sales Volume ($M)	$2,165	$1,990	-8.1%
Price/Sq.Ft.	$214	$218	2.3%
Sold $/List $	99.19%	97.92%	-1.3%
Days on Market	23	38	65.2%
CDOM	27	46	70.4%

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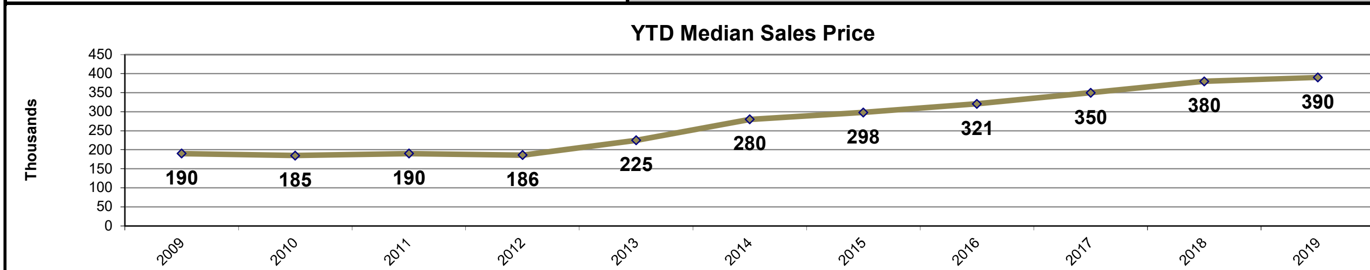

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Feb 2019 City Overview

As a service and convenience to our members, IVAR is pleased to offer several "Quick Look" reports. This is one more way for IVAR members to stay informed with minimal effort.

The following monthly data shows "YEAR-OVER-YEAR" (YOY)changes as well as current conditions in the real estate market

	YOY Sales Transactions	YOY Median Sales Price %	Median Sales Price $	Inventory	Price per Sq.Ft.	Total Days on Market
Alta Loma	86%	10%	$ 551,500	15	$ 286	59
Banning	13%	4%	$ 260,000	81	$ 185	78
Beaumont	-8%	9%	$ 341,000	99	$ 168	45
Calimesa	-21%	11%	$ 375,000	18	$ 194	152
Canyon Lake	13%	1%	$ 456,500	48	$ 197	31
Chino	-12%	2%	$ 491,000	105	$ 261	45
Chino Hills	11%	3%	$ 660,000	103	$ 306	61
Claremont	21%	12%	$ 660,000	29	$ 350	99
Colton	-45%	7%	$ 284,000	53	$ 217	64
Corona	-7%	3%	$ 475,000	242	$ 264	52
Diamond Bar	3%	-14%	$ 612,000	62	$ 364	64
Eastvale	-24%	-6%	$ 542,500	69	$ 196	81
Fontana	2%	2%	$ 402,750	216	$ 234	35
Hemet	5%	6%	$ 249,000	273	$ 160	56
Highland	-26%	7%	$ 357,000	92	$ 195	71
Jurupa Valley	36%	5%	$ 431,000	73	$ 225	41
La Verne	0%	21%	$ 687,000	28	$ 365	28
Lake Elsinore	-31%	2%	$ 360,000	134	$ 170	66
Loma Linda	30%	16%	$ 372,500	15	$ 201	32
Menifee	11%	2%	$ 372,428	197	$ 185	49
Moreno Valley	-9%	4%	$ 328,000	271	$ 194	31
Murrieta	19%	4%	$ 419,250	191	$ 198	58
Norco	0%	14%	$ 600,000	31	$ 268	59
Ontario	-8%	5%	$ 417,000	154	$ 275	35
Perris	36%	2%	$ 299,900	141	$ 190	41
Pomona	-13%	9%	$ 417,450	87	$ 307	47
Rancho Cucamonga	-26%	2%	$ 495,000	207	$ 293	42
Redlands	0%	-10%	$ 400,000	88	$ 248	49
Rialto	-21%	7%	$ 365,000	104	$ 228	27
Riverside	-3%	-2%	$ 398,000	540	$ 236	51
San Bernardino	-11%	6%	$ 275,500	281	$ 205	32
San Dimas	-21%	11%	$ 639,000	34	$ 367	63
San Jacinto	19%	15%	$ 288,009	93	$ 153	34
Sun City	-29%	0%	$ 249,500	36	$ 189	29
Temecula	-24%	1%	$ 452,500	217	$ 218	58
Upland	-23%	-3%	$ 514,000	76	$ 269	72
Wildomar	45%	17%	$ 384,950	49	$ 188	43
Winchester	-26%	2%	$ 428,500	41	$ 182	45
Yucaipa	-10%	-8%	$ 380,000	72	$ 210	82

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Feb 2019 - Sales Volume per City

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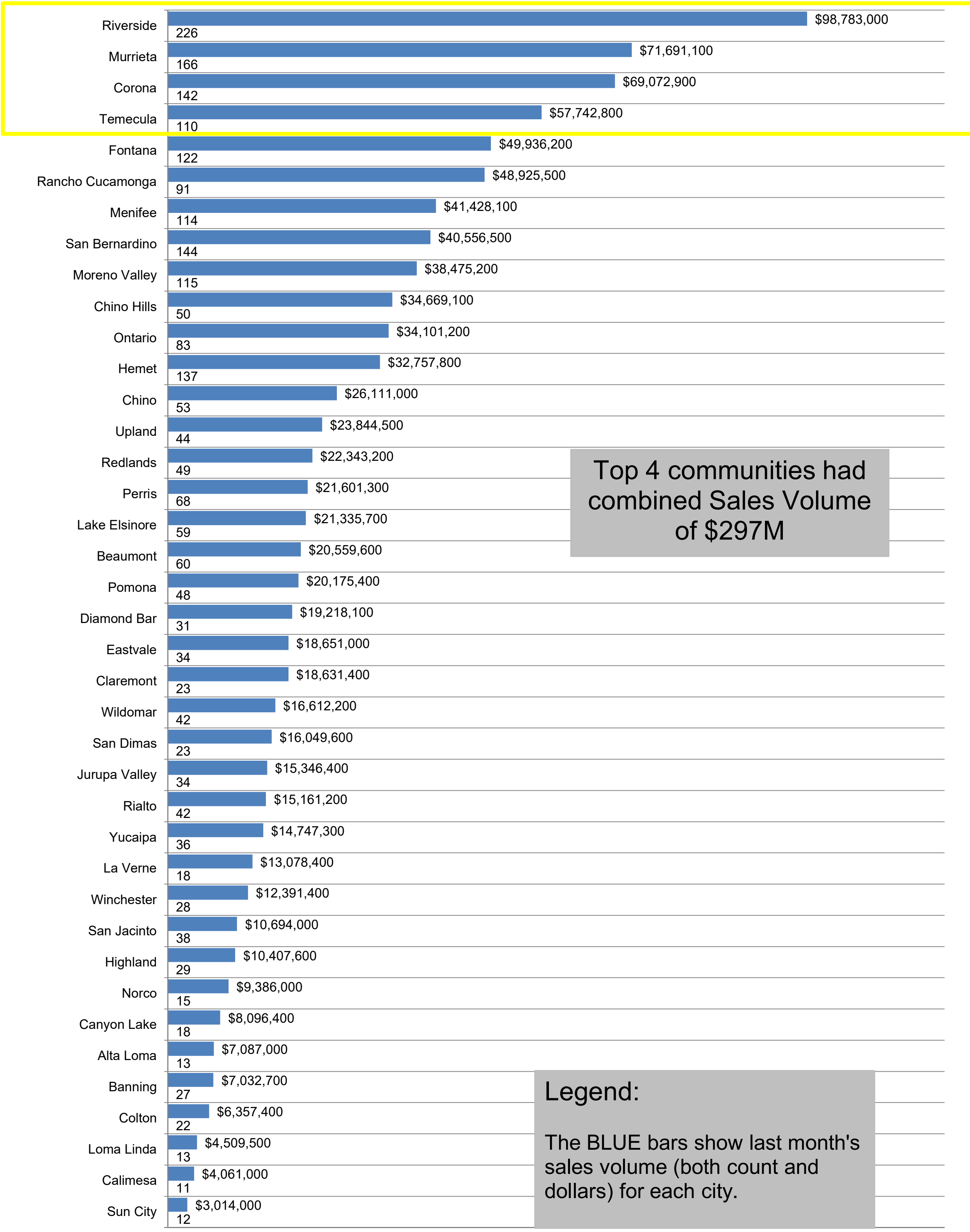

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Feb 2019 - Top Communities with New Listings (year-over-year)

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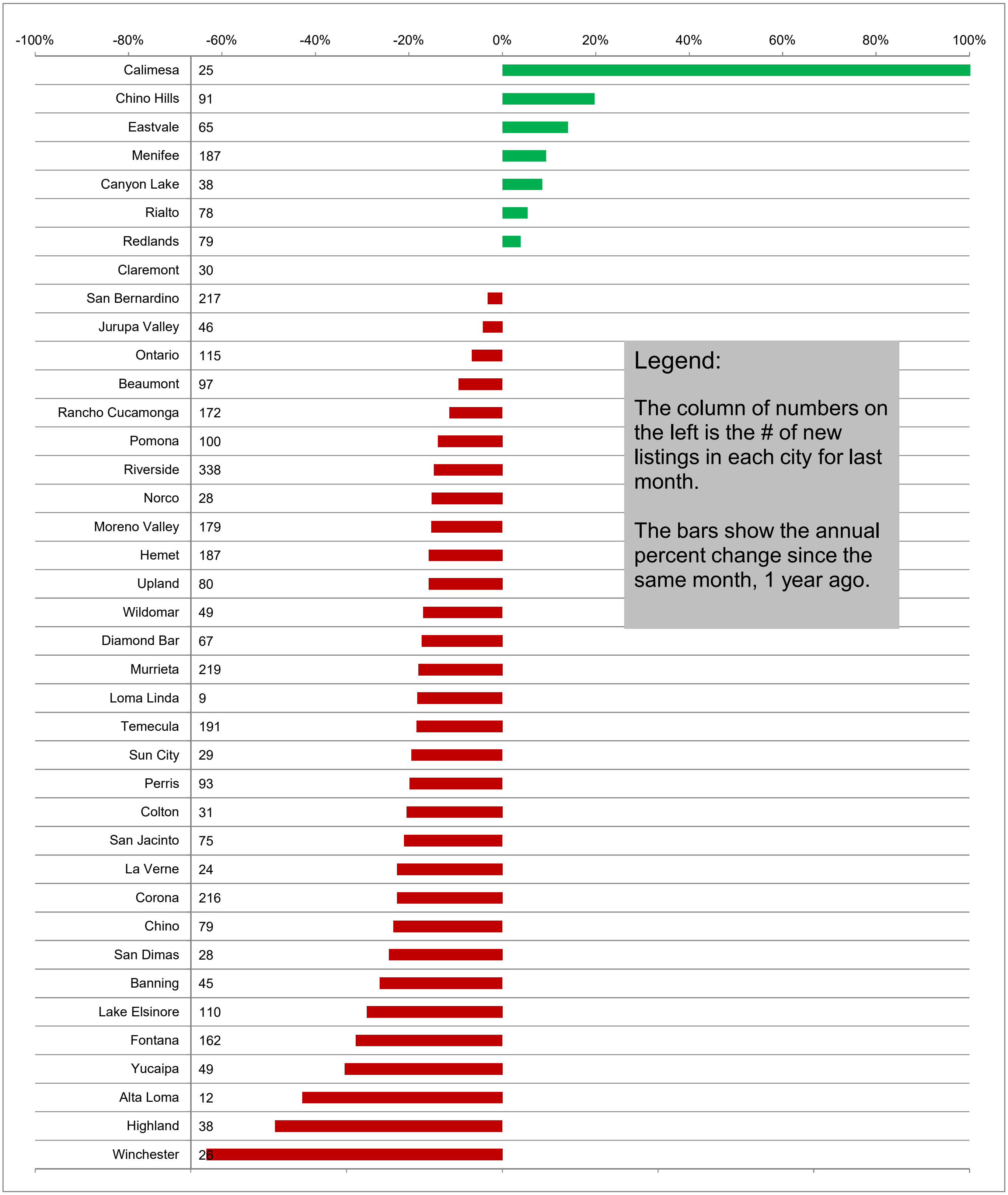

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Sell Price vs Original List Price

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Legend:
Any number ABOVE 100% means there is upward pressure to raise the sell price.

Any number BELOW 100% means there is downward pressure to lower the sell price.

This report is brought to you by IVAR:

As a service to the more than 4 million residents of the Inland Empire, the **Inland Valleys Association of Realtors®** is proud to distribute this data report on the housing market in the 50 communities served by our Realtor Members.

The core purpose of IVAR is to help its members become more professional and profitable, while promoting and protecting real property rights.

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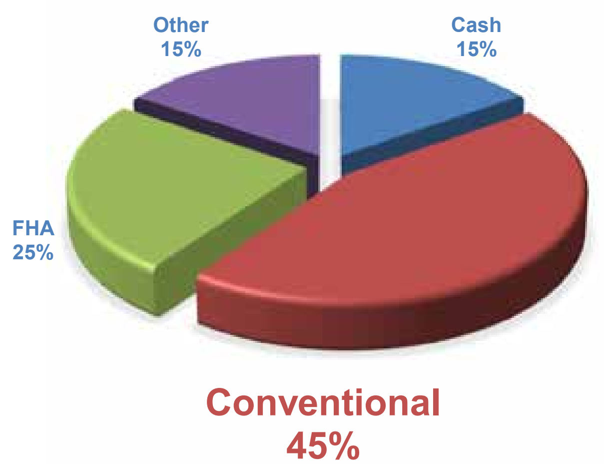

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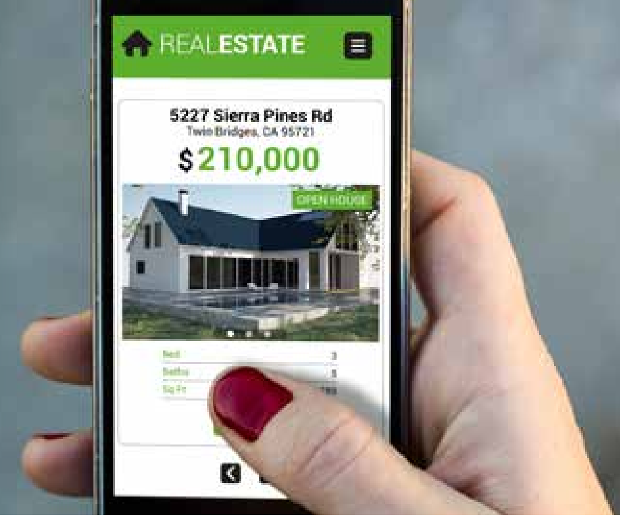
Majority of Real Estate Firms Remain Optimistic, Evolving Technology Remains a Challenge



NAR Media Contact: Cole Henry 202-383-1290

WASHINGTON (March 6, 2019) – The evolving technological landscape, competition from nontraditional market participants and housing affordability continue to be among the biggest challenges facing real estate firms in the next two years, according to a report by the National Association of Realtors®.

NAR's 2019 Profile of Real Estate Firms found that commercial real estate firms were more likely than residential firms to cite local or regional economic conditions as the biggest challenges, while residential firms were more likely to mention competition from non-traditional market participants and virtual firms.

The survey found that the vast majority of firms have an optimistic outlook for the industry's future growth. Although expectations have slightly decreased from last year's survey, firms remain confident and expect profits from real estate activities to increase or stay the same over the next year.

"Real estate firms continue to look optimistically toward the future, with a majority expecting profits to increase in the next two years. These trends are positive signs, particularly in our constantly evolving industry," said NAR President John Smaby, a second-generation REALTOR® from Edina, Minnesota and broker at Edina Realty.

The report is based on a survey of firm executives who are members of NAR and provides insight into firm activity, the scope of benefits and education provided to agents and future market outlooks.

The report shows that almost 60 percent of firms expected profitability (net income) from all real estate activities to increase in the next year. Forty-four percent of firms expected competition from virtual firms to increase in the next year and 43 percent expected the same from non-traditional market participants.

"It is clear that the real estate industry is rapidly changing, and with that comes growing competition in the market," said NAR CEO Bob Goldberg. "NAR continues to stay ahead of the evolving trends in technology as we work with market disruptors to best serve our members and ensure they have the resources needed to be successful."

Firms also predicted the effects different generations of homebuyers would have on the industry. Fifty-eight percent of firms were concerned with Millennials' ability to buy a home while 46 percent experienced similar heartburn with Millennials' view of homeownership.

Firms typically had 30 percent of their sales volume from past client referrals and 30 percent from repeat business from past clients. Fifty percent of current competition came from traditional brick and mortar large franchise firms. The most common benefit that firms offered to independent contractors, licensees, and agents was errors and omissions/liability insurance at 40 percent. Thirty-five percent of senior management received errors and omissions/liability insurance, 15 percent vacation/sick days, and 10 percent received health insurance.

That survey states that over 80 percent of real estate firms had a single office, typically with two full-time real estate licensees, down from three licensees in the 2017 report. Eighty-six percent of firms were independent non-franchised firms, 11 percent were independent franchised firms and 82 percent of firms specialized in residential brokerage. Thirty-two percent of brokers of record were CEOs, presidents or owners, and 64 percent were regional managers or regional vice presidents.

Firms with only one office had a median brokerage sales volume of $4.2 million in 2018 (down from $4.3 million in 2016), while firms with four or more offices had a median brokerage sales volume of $100 million in 2018 (down from $235.0 million in 2016). Thirteen percent of all firms had real estate teams, with a median of three people per team.

Real estate firms with one office had 18 real estate transaction sides in 2018 (down from 20 in 2016), while firms with four or more offices typically had 478 transaction sides (down from 550 in 2016). Firms usually received 30 percent of their sales volume from past client referrals and 30 percent from repeat business, while 50 percent of current competition came from traditional brick and mortar large franchise firms.