



In the Age of COVID-19, Predicting the Davis Real Estate Market

May 15, 2020

As promised in our previous newsletter, I have prepared, in cooperation with a cadre of well-respected local realtors, an analysis to "predict the Davis marketplace in 2021." Here is a summary of our collective forecast.

In the course of our lifetimes, we've all weathered several recessions that have had radical impact on how many of us view the world.

In the 1980s, we had record, runaway inflation. In 2008–2009, the economy crumbled - giving us the Great Recession. Our recovery from these has been strong, but now we're grappling with the effects of the COVID-19 crisis.

There is no question that each one of these recessions have left their mark on consumers.

This current recession has nothing to do with housing and, because of that, housing won't be much affected. Prior to COVID-19, housing had substantial momentum and as we progress through this time, it will come out just as strong.

Compared to any other city in our region or state, for that matter, Davis has a unique housing market structure with significantly greater stability. For this reason, Davis has been less effected during major economic downturns. As someone in the real estate business for five decades, I expect the impacts of this recession to be similar to the last two major recessions, but less severe, especially, in Davis.

Notably, the effects of COVID-19 have softened the stability of the market as some buyers are temporarily out of the market due to job instability and some sellers will opt to wait a year if they are not comfortable showing their home

during these times. What remains static is the strength of our community and identity as an attractive place where people want to live, work and establish roots. **These are the fundamentals of the Davis real estate market.**

Why is Davis an attractive place for individuals and families to purchase a home?

1. Well-funded and strongly supported schools. An ethos of education and its opportunities.
2. **Location:** A small town feeling especially within individual neighborhoods. "A nice place to live."
3. University of California with its strong economic and employment base.
4. Safe community: low crime rate and strong civic involvement.
5. Family oriented town with associated amenities.
6. Conveniently located near a major city, airport and transportation corridors.
7. The prestige of affording Davis' higher real estate prices. There may be bigger, often nicer homes in some Sacramento suburbs, but those areas lack what Davis has to offer.

Nothing is changing in our fundamentals because of this particular economic and health instability.

While the economy is clearly in flux, the fundamental reasons to select Davis over other locations remains firm and constant if you can afford it.

The question facing Bretton Woods's buyers is: To what degree will a strained state and national economy impact demand and prices for my current Davis home?

Short answers:

Balance of 2020:

With the shelter in place orders and social distancing protocols likely with us until we have a vaccine or "herd immunity," I expect the number of sales to be reduced about 20-25% from a typical year. If buyers can't see a home, you can't effectively sell it.

Prices:

While up slightly in April from the same time last year, the expectation is that they will vary slightly downward from more recent 2019 levels, 2–5% lower depending on when restrictions change and buyers are allowed to visit for-sale homes. Prices in the fall and winter are usually "softer."

Demand:

Demand is not the same as actual sales. The demand and capability of buyers remains high in Davis, but is constrained by the fears of uncertainty and the quarantine's unintended consequences. It is true; many

buyers will hesitate until 2021 to make a purchase.

2021:

Return to normal pre-COVID-19 sales per year. Bretton Woods's new homes will generate inventory in the right neighborhoods.

Number of Sales: More resale inventory for families because the homes being sold by Bretton Woods's buyers are mostly family-oriented houses and located in an attractive and mature neighborhood close to schools and parks.

Prices: Increasing slightly then leveling off in 2021; no great fluctuation; about the same as the end of 2020. Well maintained homes, ready for occupancy will bring a price premium. My guess, we're all going to be tired of home related chores including buyers.

Demand: Increasing because of available inventory with homes oriented to families.

Loans: Low interest rates, in the 2.5–3.5% range, with slightly higher rates for jumbo mortgages.

Your Competitive Advantage: The Bretton Woods energy retrofit program with its free inspection, subsidies from the Bretton Woods builders and PG&E will be a strong competitive edge for your home. Other homes not being supported by Bretton Woods funds will be at a competitive disadvantage to yours.

Regional Economy

The Sacramento region's economy is largely tied to the government sector and like most parts of California will suffer losses. The City of Davis will be hit hard as tax revenues decline, resulting in furloughs, hiring freezes, layoffs and service reductions. Our service industry will also be challenged, especially the restaurant sector where many will close. The City of Davis' finances will no doubt be strained along with this entire region. There are some bright areas.

Our health care sector with Kaiser, Sutter and UC Davis Medical Center should stabilize and ultimately expand. Innovation-oriented businesses and UC Davis will continue to anchor our economy. The regional economy will emerge from this and I predict we'll be stronger than ever as Bay Area folks continue to migrate here. The quarantine has accentuated the ability of employees to work long distances from corporate offices and still effectively function.

Bottom Line

While sales of both newly constructed and existing home sales are below the numbers for the same time last year, prices are actually up on sales of existing homes. Activity for both is increasing weekly as models at new subdivisions and existing for-sale homes become more accessible to buyers with the use of technology and virtual home tours. Davis still has a significant housing shortage and extremely low inventory now exacerbated by the COVID-19 crisis. Davis has been and will always be a place where people want to live, work and put down roots.

Independent Real Estate Needed Advice

We encourage you to speak with your real estate professional. If you do not have one, here is a list of highly respected and experienced Realtors who have been on the Bretton Woods Advisory Group.

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What's next?

Next week, we will be sending out emails in groups of 10 each for Cottages, Bunalows and Greenways with information on the reservation process with instruction on setting an appointment to move forward.

If you have not already, please visit our website to view the floorplans and

neighborhood map, so you can begin selecting a floorplan and lot ahead of time.

We continue to update and add to our website. Find answers to popular questions, home designs, articles, and more at:

BrettonWoodsDavis.com
