

## Housing/Real Estate Market

**April California home sales remained stagnant despite declining interest rates, yet median home price reached new high:** Even as demand for existing single-family detached homes weakened and sales stumbled -0.1% when compared to March, the statewide median home price set another record high in April, hitting \$602,920.

**California housing affordability climbs in first quarter of 2019:**

C.A.R.'s Housing Affordability Index (HAI) showed slight improvement, with 32% of households able to afford the median priced home compared to 28% in the last quarter of 2018. While a welcome improvement, affordability remains low and continues to be California's #1 market challenge.

**U.S. home sales expected to be stronger:** NAR's midyear forecast calls for rising home sales this year, driven by the continued economic expansion, increased wage growth, consistent year-over-year growth of inventory for the last 8 months, strong consumer confidence, a growing labor market, and low interest rates.

**Builders' sentiment improved, reflecting confidence in the economy:** Despite the American home builders' confidence year-to-date average of 62 still being lower from last year's average of 67, May reported the highest reading of 66 in the last 7 months.

**Housing starts rose almost 6% in April, but builders' pace is still lagging last year's pace:** Construction of new houses increased to an annual rate of 1.24 million compared to a revised 1.17 million from March. However, building permits on the other hand barely rose 1%, suggesting that the growth in new construction moving forward will continue to be modest.

## Macro Economy

**California payrolls jump in April:** Employment growth for the Golden State has been stable, but more moderate this year as payrolls rose 1.6% on a year-over-year basis and unemployment on the other hand remained unchanged at 4.3%. However, California continues to add a significant number of jobs each month.

**NFIB small-business optimism index jumped to four-month high in April:** 8 out of 10 components of the index increased, led by earnings trends. Meanwhile labor market indicators remained extremely positive, but hiring has begun to moderate.

**Retail sales in April struggled to reach same level as March:** U.S. retailers reported a 0.2% decline in sales, which points to consumers being cautious over how they spend their money and showing more restraint than last year.

**Industrial production slumped 0.5% in April:** The Fed announced that industrial capacity utilization fell sharply to 77.9% from an upwardly revised 78.8%. The report for the most part indicated an under performance particularly in automotive industry, chemical products and consumer energy products.

**The consumer sentiment index increased in May to 102.4:** Despite lackluster retail sales, consumers' sentiment towards the economy improved from last month's reading of 97.2 – to a 15-year high. The report also found that consumer expectations rose at fastest rate in more than seven years as it climbed from 87.4 in April to 96 in May.

### Upcoming Data Releases

- Fed Activity Index – 5/20/19
- NAR Existing Home Sales – 5/21/19
- New Home Sales – 5/23/19
- Durable Goods – 5/24/19
- Weekly Jobless Claims – 5/24/19

**Weekly jobless claims decline to lowest level in a month:** The number of Americans who applied for unemployment benefits sank by 16,000 to a seasonally adjusted 212,000. The number of people already collecting unemployment benefits also dropped by 28,000 to 1.66 million. Hinting at a strong labor market with no signs of deterioration, punctuated by the lowest unemployment rate in half a century.

## **Real Estate Finance**

**Mortgage rates decrease slightly once again:** The 30-year fixed-rate mortgage for last week averaged 4.07% down from the week prior which saw a 4.10% interest rate. Rates are almost half a basis point lower than they were a year ago, which should continue to provide a window of opportunity for buyer thinking of homeownership.

**Mortgage applications had a healthy increase of 15.6% in April from a year ago:** Likely due to lower interest rates for the same time period, despite having slightly higher home prices.

**Delinquencies in February are lowest in nearly two decades:** CoreLogic's Loan Performance Insights report indicated that loans 30 days or more delinquent were down to 4% from a 4.8% reported last year. The transition rates, which measure the share of mortgages that transition from current to 30-days past due remained unchanged from last year at 1%. This shows a healthy and strong mortgage market.