

Experts: Bull run in residential real estate to continue

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Local real estate professionals expect the residential real estate market to strengthen through next year. Realtors up and down the Valley will have a lot to celebrate this holiday season: 2015 is shaping up to be one of the best years in nearly a decade for residential real estate.

Inventory remains tight but not too tight, interest rates remain at or near historic lows and prices continue to climb in a slow but steady up trend.

The financial crisis in 2008 that devastated the Valley's real estate market is but a fleeting memory and buyers have returned to the market in increasingly larger numbers the past few years.

"Nobody has a crystal ball but I don't really see anything happening next year that would make the market take a dip," said Colleen Wiginton, the current president of the Fresno Association of Realtors. "Even if interest rates creep up a little bit, our area is still very affordable. Maybe we'll see slightly less appreciation next year than we have this year but that would be a healthy thing."

The year started off with cautious optimism that the Valley would catch up with much of the rest of the Golden State, where residential real estate prices have been rising steadily since 2013.

Today, the latest data supports the assertion that the Central Valley real estate market has joined the rest of the state's full-blown recovery.

Wiginton characterized today's environment as "a return to normalcy," something that she said is "essential for a

healthy market.”

“We have a much larger pool of trade-up buyers because of our area’s affordability,” she said, adding that many recent transactions around the Valley involve buyers making offers contingent on their current homes selling.

“Some sellers, especially those in the \$250,000 to \$300,000 price range, are having to offer incentives, like covering closing costs, in order to compete with new construction,” Wiginton said.

But all in all, most realtors agree it’s become a seller’s market again.

“When homes are priced well, we’re still having situations with multiple offers,” Wiginton added. “ But we’re not seeing the kind of panic among buyers” that was occurring for a while when there was a limited inventory of homes for sale.

According to the California Association of Realtors (C.A.R.), home sales across the state are expected to increase 6.3 percent next year.

Median home prices across the Valley, while up 7 percent over the last year, still remain a bargain when compared with places like Southern California and the Bay Area.

In her annual forecast, delivered last week in San Jose, Leslie Appleton-Young, C.A.R.’s chief economist, cited lower home prices as one of the major factors that will allow the Valley real estate market to remain strong in 2016.

While the average home price in the San Francisco area just eclipsed \$1 million and the median home price across California currently stands at about \$475,000 — and is projected to increase 3.2 percent in 2016 to \$491,000 — in the Valley, the median home price is about \$277,000.

With about 3.6 months of inventory currently on the market, Appleton-Young points out that the Valley’s available supply of housing stock is much higher than in many other areas around the state.

According to the most recent CAR analysis, only seven California counties currently have homes for sale that a median-income household could afford, with Kings County being the most affordable in terms of the price differential.

In Kings County, a median-income household could afford to purchase a home priced at \$243,730, or \$57,400 more than the county’s actual median home price of \$186,330.

Tulare, Fresno and Madera counties, together with Merced, San Bernardino and Shasta counties, are the only other Golden State counties where median-income buyers are able to afford a home that is more expensive than the actual median home price in those counties.

Realtors report the Valley’s inventory of affordable new and existing home stock continues to attract newcomers to the area, some of whom are paying cash for properties after selling more expensive homes on the coast or in Southern California and the Bay Area, restarting a trend that occurred through the mid-2000s before the financial crisis brought the party to a thundering crash.

As 2015 winds down, Appleton-Young believes key indicators point to a sustained bull run as the Valley residential market charges into 2016.

Year-over-year, sales of residential properties across the Valley are up 12 percent so far in 2015, and the economist, in her recent forecast, points out that the U.S. economy has been growing for 68 straight months now.

With California’s unemployment rate holding steady at 6.1 percent — a full point above the national average but down from nearly 12 percent at the height of the recession — and consumer confidence rising, the outlook for residential real estate in the Golden State in 2016 is as bright as it’s been in nearly a decade.

Although price gains have slowed somewhat in recent months, Appleton-Young believes home sales in California “have regained momentum” and the economist called the current environment of low interest rates and positive job and income growth “the new normal.”

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