Real Estate Trends in the Time of COVID-19

SPUR Business Breakfast

November 17, 2020
Cheryl Young, Zillow Senior Economist
Nationally buyers are Back, but sellers aren't.
Home values continue to gain in the Bay Area

**Zillow Home Value Index**

- **San Jose, CA:** $1,219,074
- **San Francisco, CA:** $1,113,664
- **United States:** $259,906

**Zillow Home Value Index, YoY**

- **2020:** 10.5%
- **2019:** 5.5%
- **2018:** 3.6%
Bay Area list prices up to double digits again
Compared to nationally, inventory recovering in the Bay Area

For-Sale Inventory, YoY

San Francisco, CA

San Jose, CA

United States

Weekly inventory gains in Bay Area defy national trends
Yet homes are still flying off the market
Affordability remains a major issue

Share of income spent on mortgage and rent:
- San Francisco, CA: 34.4% in 2019, 29.0% in 2021
- San Jose, CA: 31.6% in 2019, 27.2% in 2021
- United States: 29.9% in 2021
Rents softening, negative in the Bay Area
Landlords offering more incentives to entice renters

**Share of rental listings with a concession**

- **San Francisco-Oakland-Hayward**: 42.4%
- **San Jose-Sunnyvale-Santa Clara**: 52.1%
- **United States**: 33.9%
More young adults moved back home this year
More young adults moved back home this year

Share of 18-25 year olds living with parents in 2019 and 2020

- 2019: 54.7%
- 2020: 61.2%
Industries impacted by the pandemic in California

Share of housing payments owed by newly unemployed in each industry

- Information: 14.6%
- Retail Trade: 11.7%
- Accommodation and Food Services: 9.6%
- Other Services (except Public Administration): 8.6%
- Health Care and Social Assistance: 6.4%
- Arts, Entertainment, and Recreation: 5.1%
- Manufacturing: 4.4%
- Construction: 3.9%
- Wholesale Trade: 3.8%
- Transportation and Warehousing: 3.8%
- Educational Services: 3.7%
- Real Estate Rental and Leasing: 2.3%
- Finance and Insurance: 2.2%
- Professional, Scientific, and Technical Services: 0.9%
- Utilities: 0.8%
- Public Administration: 0.2%
- Agriculture, Forestry, Fishing and Hunting: -0.5%
Renters make up large share of those impacted

### Housing payments owed by newly unemployed homeowners and renters in each industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Homeowners Owed</th>
<th>Renters Owed</th>
<th>Total Owed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Trade</td>
<td>$118,466,871</td>
<td></td>
<td>$118,466,871</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>$110,103,601</td>
<td></td>
<td>$110,103,601</td>
</tr>
<tr>
<td>Information</td>
<td>$93,427,820</td>
<td></td>
<td>$93,427,820</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$60,911,375</td>
<td></td>
<td>$60,911,375</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>$55,598,927</td>
<td></td>
<td>$55,598,927</td>
</tr>
<tr>
<td>Other Services (except Public Admin)</td>
<td>$47,969,237</td>
<td></td>
<td>$47,969,237</td>
</tr>
<tr>
<td>Educational Services</td>
<td>$40,050,755</td>
<td></td>
<td>$40,050,755</td>
</tr>
<tr>
<td>Construction</td>
<td>$37,602,246</td>
<td></td>
<td>$37,602,246</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>$23,197,584</td>
<td></td>
<td>$23,197,584</td>
</tr>
<tr>
<td>Professional, Scientific, and Tech</td>
<td>$17,893,663</td>
<td></td>
<td>$17,893,663</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>$15,875,901</td>
<td></td>
<td>$15,875,901</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$15,074,925</td>
<td></td>
<td>$15,074,925</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>$10,811,040</td>
<td></td>
<td>$10,811,040</td>
</tr>
<tr>
<td>Real Estate Rental and Leasing</td>
<td>$9,718,546</td>
<td></td>
<td>$9,718,546</td>
</tr>
<tr>
<td>Public Administration</td>
<td>$1,870,930</td>
<td></td>
<td>$1,870,930</td>
</tr>
<tr>
<td>Utilities</td>
<td>$1,005,177</td>
<td></td>
<td>$1,005,177</td>
</tr>
</tbody>
</table>

Note: The chart shows the total owed by homeowners and renters in each industry.
Renter incomes largely come from at-risk jobs
Communities of color rely on income from at-risk jobs

Median share of household income comes from high contact-intensity job by race

<table>
<thead>
<tr>
<th>Race</th>
<th>San Francisco, CA</th>
<th>San Jose, CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>48.2%</td>
<td>40.4%</td>
</tr>
<tr>
<td>Black</td>
<td>65.2%</td>
<td></td>
</tr>
<tr>
<td>Hispanic</td>
<td>45.6%</td>
<td>44.2%</td>
</tr>
<tr>
<td>White</td>
<td>50.0%</td>
<td>48.7%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, ACS 2018 and Federal Reserve Bank of St. Louis.
CARES Act helped households meet housing payments

Share of households that are severely rent-burdened will skyrocket when $600/week expires
Share of households that are severely housing burdened with state unemployment insurance and additional $600/week and without additional $600/week

San Francisco, CA: 13.1% with additional $600/week, 44.7% without additional $600/week
San Jose, CA: 16.7% with additional $600/week, 43.7% without additional $600/week

Source: U.S. Census Bureau, ACS 2018 and Federal Reserve Bank of St. Louis.
Suburban and urban areas are both hot housing markets.
Inventory recovering in some cities relative to their metro

Change in YoY Inventory from February 2020, in MSA and city proper

<table>
<thead>
<tr>
<th>Boston</th>
<th>Los Angeles</th>
<th>Miami</th>
<th>San Francisco</th>
<th>Seattle</th>
<th>Washington</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSA</td>
<td>city proper</td>
<td></td>
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</tbody>
</table>

- Mar  | Apr | May | Jun | Jul | Aug |
- Mar  | Apr | May | Jun | Jul | Aug |
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Work from home creates options to afford elsewhere

Share of renter households that could buy the typical U.S. starter home if allowed to telecommute

- San Jose, CA: 25.2% (71,410)
- San Francisco, CA: 22.0% (164,571)
- Los Angeles, CA: 17.2% (377,014)
- San Diego, CA: 15.4% (79,369)
- Seattle, WA: 12.5% (75,660)
- Boston, MA: 10.3% (72,599)
- Washington, DC: 8.6% (68,245)
- New York, NY: 7.4% (253,400)
- Phoenix, AZ: 7.1% (43,191)
- Minneapolis-St Paul, MN: 6.6% (27,571)
- Riverside, CA: 6.4% (30,345)
- United States: 4.5% (1,921,862)
- Dallas-Fort Worth, TX: 3.2% (33,333)
- Miami, FL: 3.1% (25,582)
- Baltimore, MD: 2.5% (8,344)
- Atlanta, GA: 2.2% (16,893)
- Tampa, FL: 2.2% (9,058)
- Houston, TX: 1.6% (14,360)
- Philadelphia, PA: 1.2% (9,225)
- Chicago, IL: 1.1% (13,721)
Regional impacts as telecommuting becomes widespread

Share of renter households that could buy the typical U.S. starter home if allowed to telecommute