THE WRIGHT REPORT

The Macro View of the Residential Housing Markets of the United States, California, and 16 Northern California Counties:

January to June, 2016

The Wright Report

By:

Prepared By:	Joel Wright
Document Version:	Final
Last Updated On:	November, 2016

TABLE OF CONTENTS

EXECUTIVE SUMMARY:

The U.S. housing market continues to grow in the first half of 2016. Its median sales price surpassed the peak of the previous cycle (July 2006) by some $17,000 and the number of sales for the first half of year is up 5% over the previous year. The number of sales for newly constructed homes is also up. While these strong numbers leave some concerned that the market is headed for a downturn, many factors show we are not yet pointed in that direction.

There are large external forces that could affect the housing market such as the U.S. debt in double digit Trillion, a troubled world economy, BREXIT in Europe, and the outlandish U.S. Presidential election. However, we are not seeing the detrimental effects one might expect. Internally the housing market has remained strong and very resilient.

New to this report is a series of National Indicators that affect the housing market (page 8). Four of the five indicators point towards a strong housing market continuing forward.

Some topics covered in this report are:

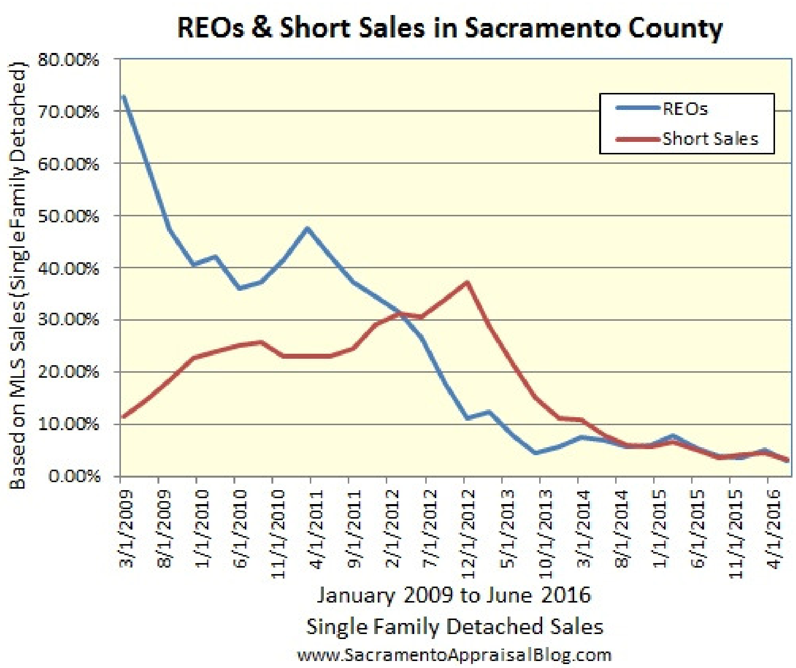
- U.S. housing numbers (page 11)
- National economic trends that affect the housing market (pg. 21)
- How banks are handling the next wave of loan recasts, HELOCs (pg. 17)
- Mortgage Lending Trends, and update on interest rates (pgs. 18-19)
- Overview of the California housing market (pg. 23)
- How the Bay Area market may soon be adjusting (pg. 26)
- Statistics for 16 Northern California Counties, including sales trends, market cycles, and a ***NEW*** Momentum Indicator chart (pgs. 28-42).

THE EXPERTS WEIGH IN:

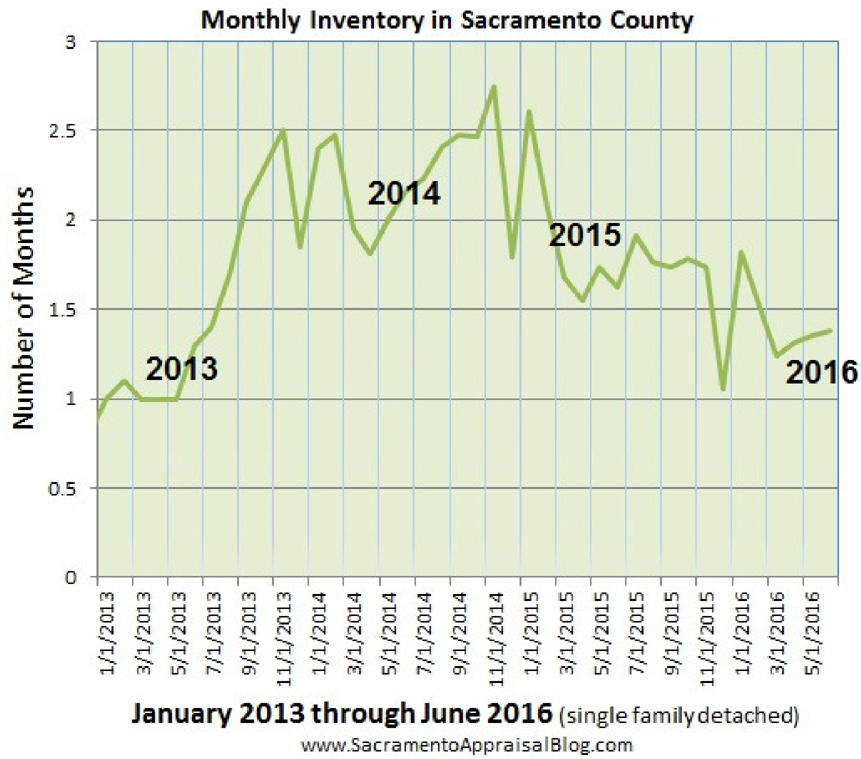
Sacramento Appraiser: Ryan Lundquist

Modest Value Increases & Non-Desperate Buyers

On paper the market has been hot, but actual value increases have been more modest in 2016 than previous years. So far in 2016 for the first two quarters we've seen slightly higher sales volume, sparse housing inventory, and overall a market that is trying to figure out what normal looks like after a few years of rapid appreciation. If you didn't know, the median price in Sacramento County has been hovering close to 100% higher than it was in 2012 and about 18% lower than the peak in 2005. Distressed sales reached their lowest level since 2009 last quarter too, which reminds us we are no longer in a distressed market.



Cash sales volume has been hovering closer to 15% of all sales (normal level) while FHA sales volume has been roughly 25% of sales. Overall the market is still very competitive, but it's starting to cool off after spring. While the sales stats don't show it yet, we see a slower market with days on market increasing and the sales-to-list price ratio beginning to decline. It makes sense to see stats begin to soften because that normally begins to happen in the mid-Summer, but there is also an element where value increases this year have seem more subdued than last year in many neighborhoods (for the single family market at least).



Overall buyers are profoundly more in tune with values these days compared to a decade ago, so they can spot an overpriced home very quickly. This is one big reason why overpriced listings are sitting instead of selling. Moreover, after the last real estate "bubble" burst, buyers seem to have grown more picky and cautious about getting into contract on homes (and then staying in contract). In other words, despite inventory being low, buyers aren't acting desperate. They are willing to wait for the right home.

Ryan Lundquist is a Certified Real Estate Appraiser in the Greater Sacramento Area. He also specializes in reducing property taxes. Check out his informative Blog at www.SacramentoAppraisalBlog.com or contact him directly at (916) 595-3735.

HOUSING MARKET INDICATORS:

Summary:

There are a variety of indicators that point to the direction the housing market will take. Here are five Data Points whose effects ripple through the housing markets as they swing up and down. They are **GDP** (Gross Domestic Product)**, Jobs, Interest Rates, Unemployment, and Housing Inventory.** The current effects of these five indicators on the U.S. housing market is predominantly positive.

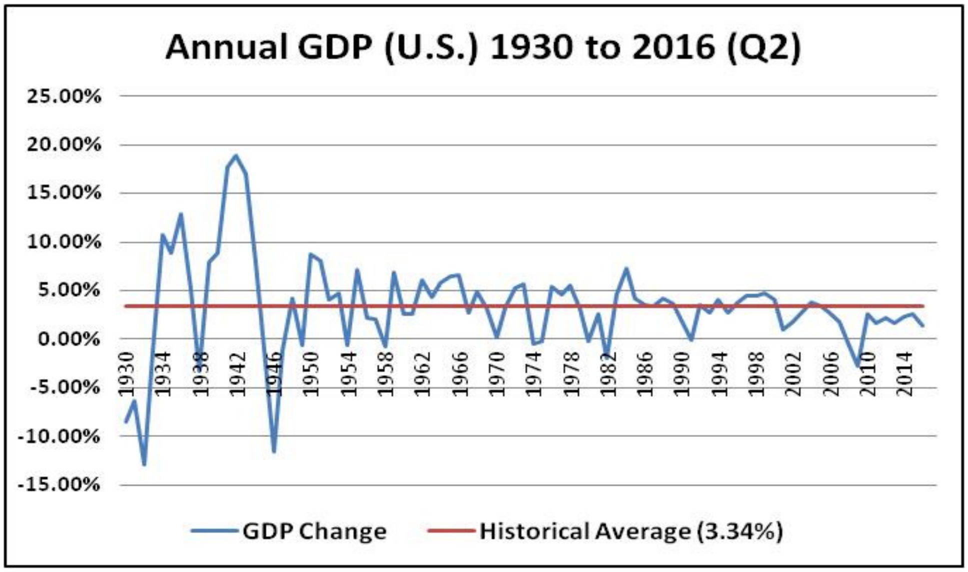
They are **GDP** is lower at 1.4% in the second quarter 2016 (Q2-16) than would be desired, and **Jobs** are showing small positive growth. On the other hand **Interest Rates** remain at historic lows, **Unemployment** is low, and **Housing Inventory** is relatively low as well.

The following chart shows how each indicator is expected to be either a **DRAG** on, or a **DRIVE** to move the housing market forward.

Housing Market Indicators (June 2016)	#	DRAG Market	DRIVE Market
GDP (Q2-16)	1.4	X	
Jobs Report	287K		X
Interest Rates	3.6%		X
Unemployment	4.9%		X
Housing Inventory	1.88M		X

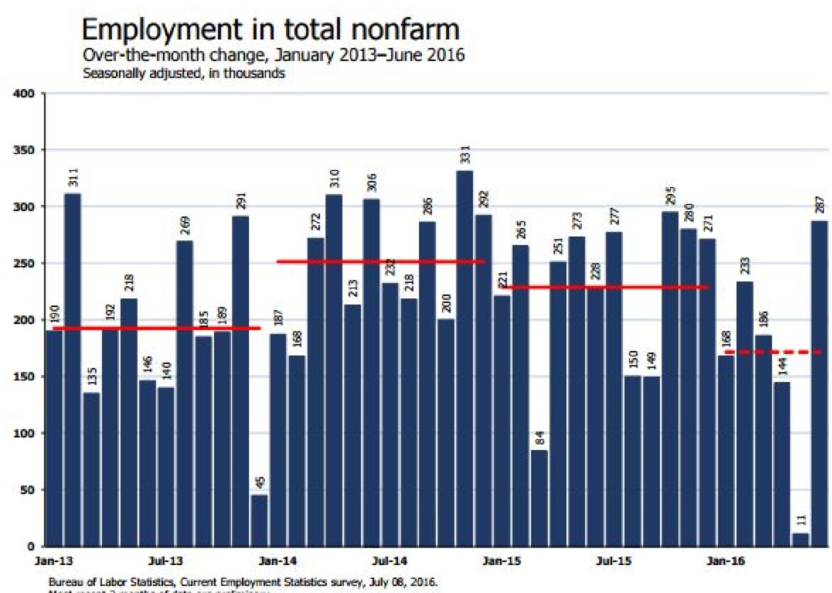
GDP:

The historical average from 1930 to 2016 is 3.3% growth annually. It has been below that average since 2006, and in 2016 it appears that it will be lower than in 2014 at 2.4% and in 2015 at 2.6%. GDP is one of the indicators of how well the economy is doing, and when it is not doing well then it reflects in jobs and income, and ultimately buyer's willingness to purchase Real Property.



Jobs Report:

Through the first half of 2016 there has been an estimated gain of just over 1 Million jobs, an average of 171,000 per month. That is not very much higher than the 150,000 new jobs required monthly to accommodate new entrants into the work force from migration and young people graduating.



Interest Rate:

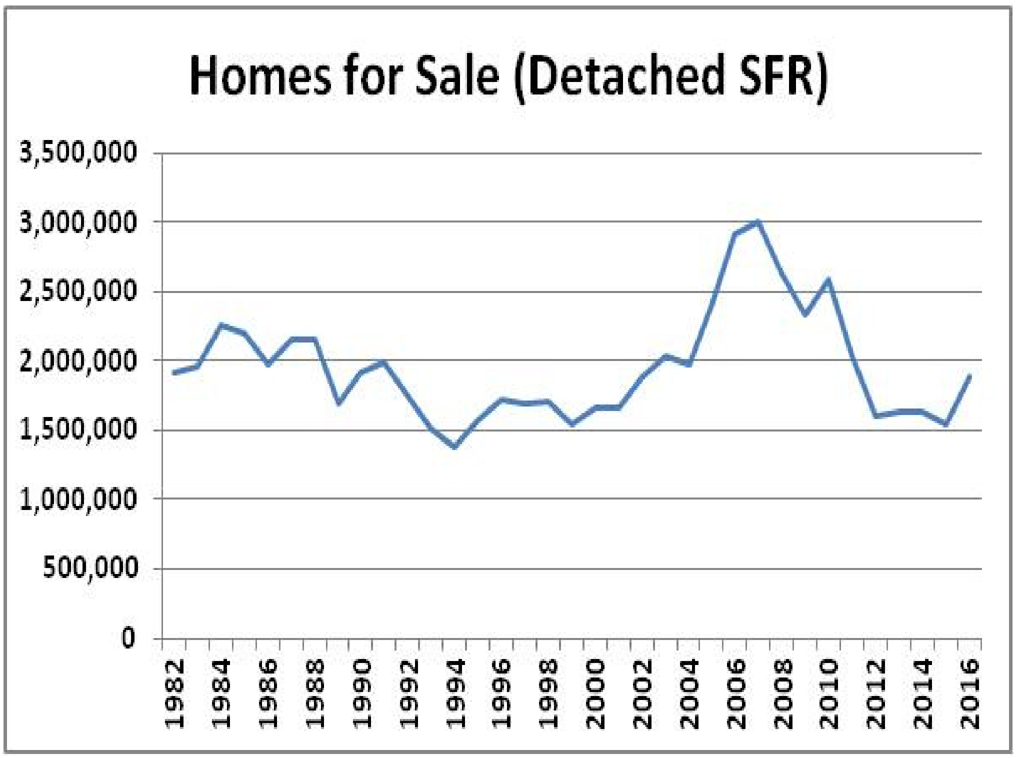
Interest rates are as low as they have ever been and have remained around 4% since the end of 2011. Rates affect the amount of monthly payment a homeowner will pay for when purchasing a home, and the higher rates rise the more the payment increases and the fewer people who can afford to purchase.

Unemployment:

In October 2009 the unemployment rate was 10%. In the first half of 2016 it has not gone over 5.0%, a substantial improvement.

Housing Inventory:

The number of single family homes (not including condos) for sale in June reached 1,880,000 units, somewhat lower than the historical average of 2,213,000 units. That equates to 4.6 months of inventory of homes for sale. The monthly average over the last 4 ½ years, since January 2012, has been 5.1 months of inventory. Since 1983 it was higher at 7 months of inventory average.

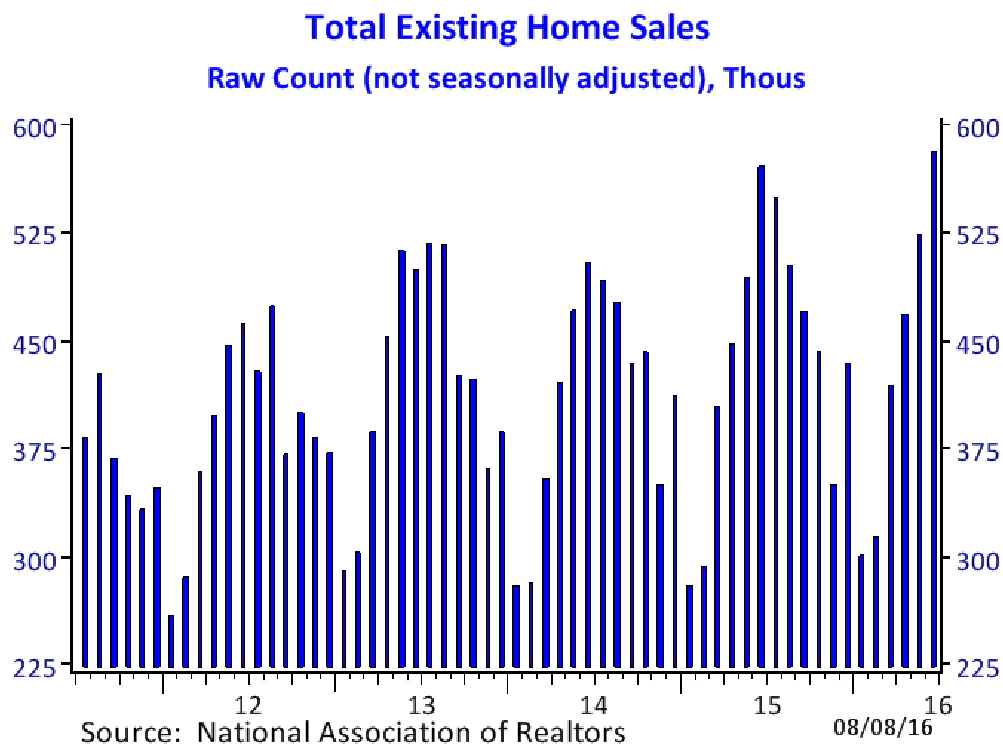


NATIONAL MARKET TRENDS:

National Housing Market:

The U.S. median sold price in June 2016 reached $247,700. That is a 5% increase over June 2015, and 11% increase over December 2015. It is 8.2% higher than the last cycle high which reached $230,900 in July 2006, and 62% higher than the low point in January 2012 of $154,600.

The average sold price for single family homes in June 2016 was $291,300, an increase of 3.6% over June 2015 ($281,300). It is 9.1% higher than December 2015, and 4.8% higher than the previous cycle high of $277,900 in June of 2007.

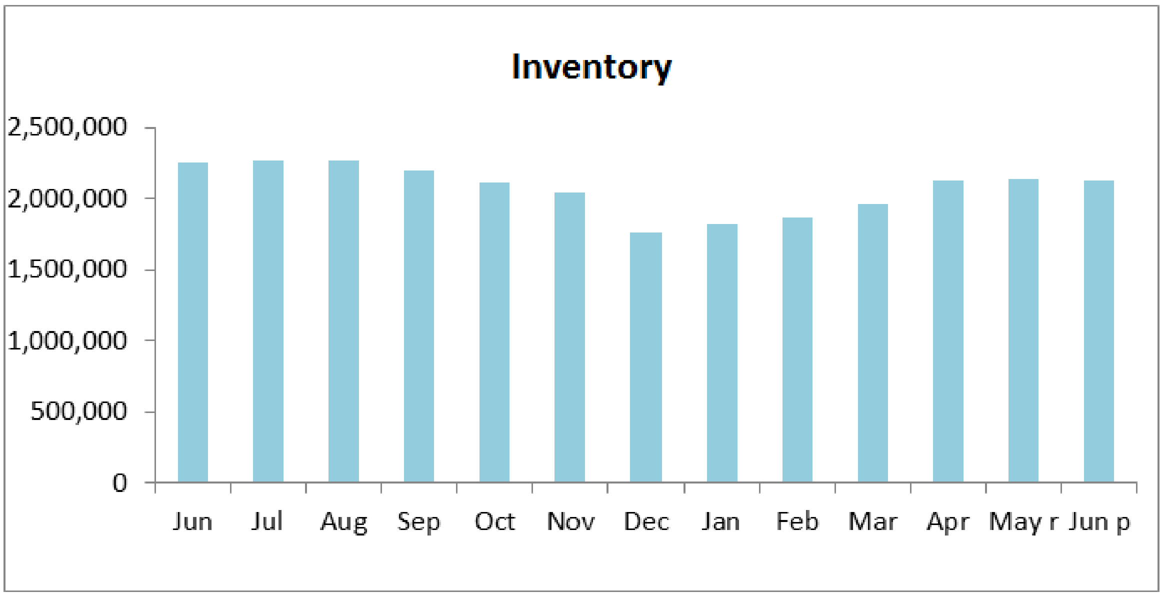


http://economistsoutlook.blogs.realtor.org/2016/08/09/raw-count-of-home-sales-june-2016/

In the first 2 quarters of 2016 the number of single family homes sold (excluding condos) was 2,318,000. That is 5% higher than the same period in

2015 (2.2 Million). Sales are projected to surpass 5 Million units this year. Last year, 2015, there were 4,646,000 resale homes sold.

U.S. inventory in June 2016 is 1.88 Million units. That is down 6% from 2 Million in June 2015, but up 21.3% from December's 1.55 Million units. The average number of units in the national inventory over the last 4+ years, since January 2012, is 1,876,545 units.

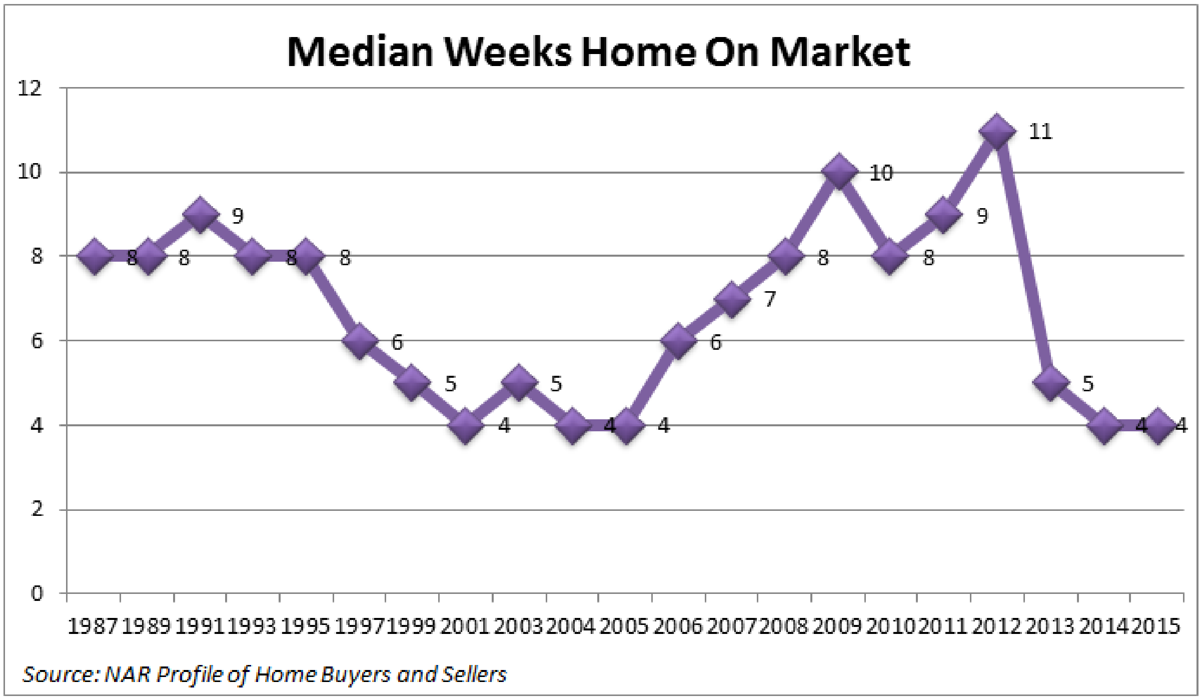


http://economistsoutlook.blogs.realtor.org/2016/08/02/june-2016-existing-home-sales/

The number of months of inventory in June is 4.6 months, down from 5 months the previous year, and up from 3.9 months in December 2015. The average months of inventory for the U.S. market since the median price turned upwards in January 2012 is 5.1 months.

The National Home Ownership Rate in Q2-2016 continued its downward trend to 62.9% from Q1-16's rate of 63.5%. In Q4-15 the rate was 63.8% which was higher than one year ago (Q2-15) when it was 63.4%.

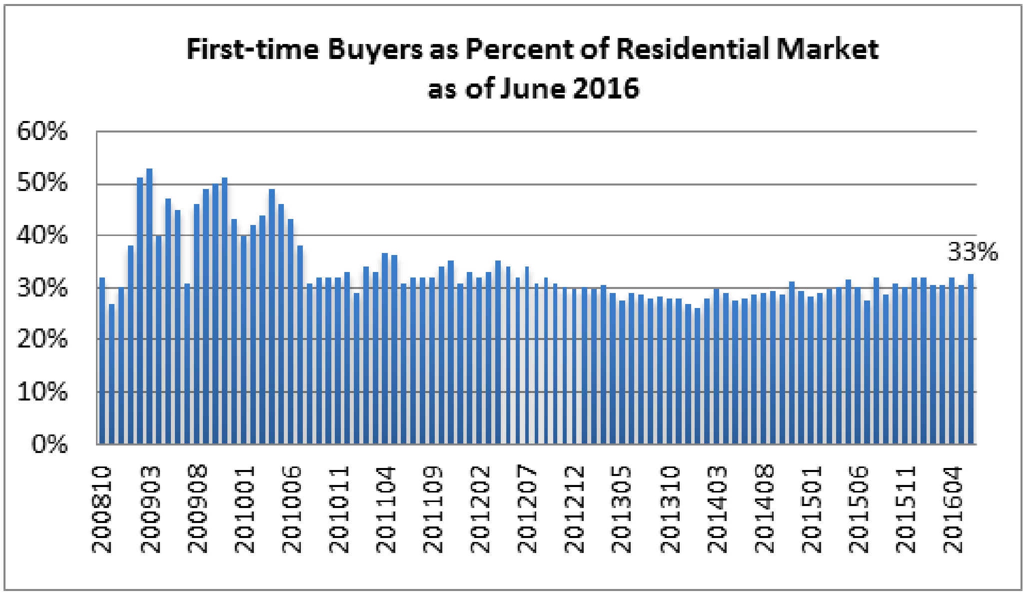
To add perspective, the National Home Ownership Rate first started being tracked in 1965 with the first numbers coming in at 62.9%. From that time until Q3-1995 it remained under 65%, except for a brief period when it touched 65% for the first time in Q3-1977 and remained at 65% for 10 consecutive quarters between Q3-1979 to Q4-1981. In fact the numbers from 2008 to 2015 look like the unwinding of the same numbers from 1991 to 2001 – just in reverse.



http://economistsoutlook.blogs.realtor.org/2016/09/07/historical-low-time-on-market-to-sell-a-home/

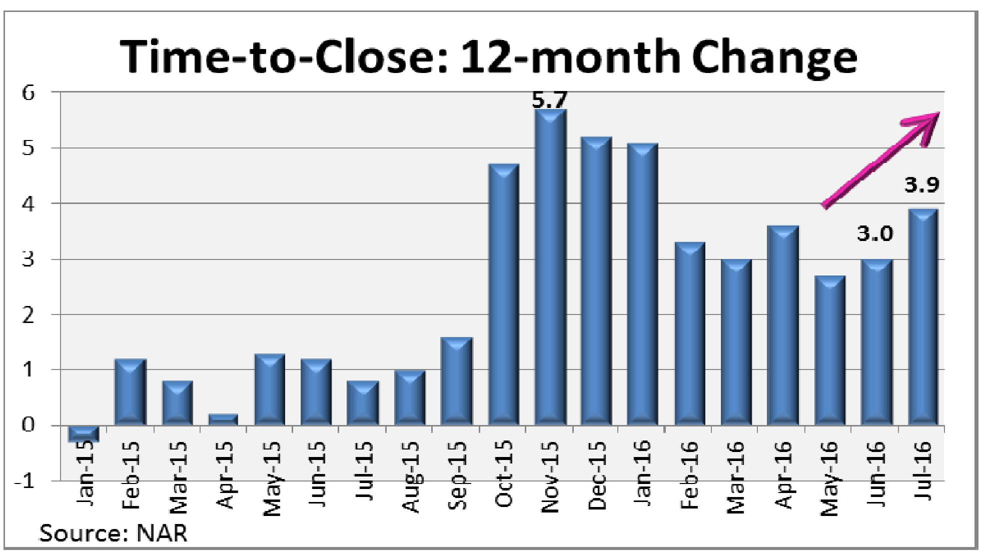
The average number of days a property was marketed before an offer was received is 34 days, which is just over one month. The marketing time has been quicker since 2013, which is similar to the years between 1999 and 2005.

First time home buyer trends seem to be fairly stable since the middle of 2010. While trending up and down they are not varied significantly from being about 30% of purchases.



http://economistsoutlook.blogs.realtor.org/2016/08/15/sales-to-first-time-buyers-33-percent-of-sales-in-june-2016/

The amount of time in escrow from start of the contract to receiving the keys at close has increased by about 3.5 days, predominantly due to the TRID (the Federally mandated 3 day waiting period for a new loan) requirements that went into effect in October 2015. That number is also decreasing from 5 days as lenders and title companies become accustomed to the added requirements.



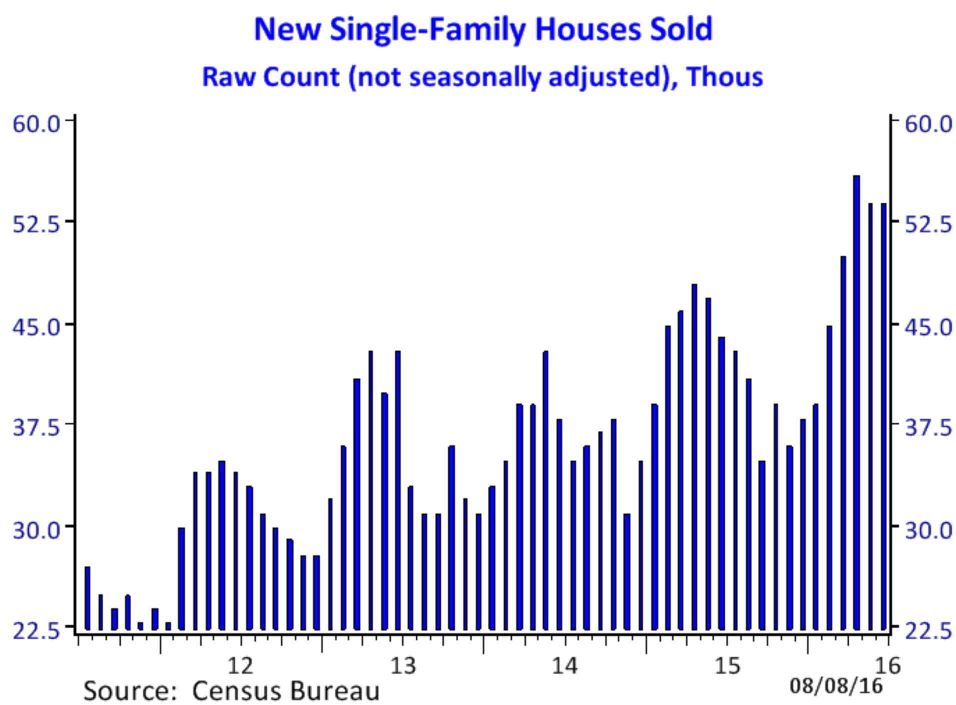
http://economistso tutlook.blogs.realtor.org/2016/09/13/settlement-delays-edge-upward/

New Home Sales:

SFR (Single Family Residence) New Home sales in the first half of 2016 reached 298,000 units, showing a strong increase from 2015 which ended the year with a total of 501,000 units sold.

New construction has not kept up with the rest of the housing recovery. While resale homes numbers are up along with employment, the number of new homes sales is still below historic trends.

There appears to be no smoking gun to tell why it has taken so long to recover, but increases in permit fees and permit time over the last 10+ years is a contributor, as is the lack of skilled labor.



http://economistsoutlook.blogs.realtor.org/2016/08/09/raw-count-of-home-sales-june-2016/

In the foreseeable future new home construction is expected to maintain the slow and steady path seen over the last 5 years.

In June there was 4.6 months of standing inventory, which is down slightly from the average since 2013. The annual sales number projected for the year 2016 is 592,000 units, 18% higher than 2015's final sales numbers (501,000). Through June of 2016 we have seen sales of 294,000 SFR units

Median sold price in June was $320,700; up from $299,000 in December, 2015. The average, however, remained essentially the same from December 2015 ($358,100) to $363,100 in June.

Distressed Sales:

Distressed sales continue to decline for the first half of 2016. In June the national delinquency rate was 2.3%, and the seriously delinquent loans with 90 or more days late or in some process of foreclosure were 1.4% of all loans. That is down from 2.07% in June of 2015.

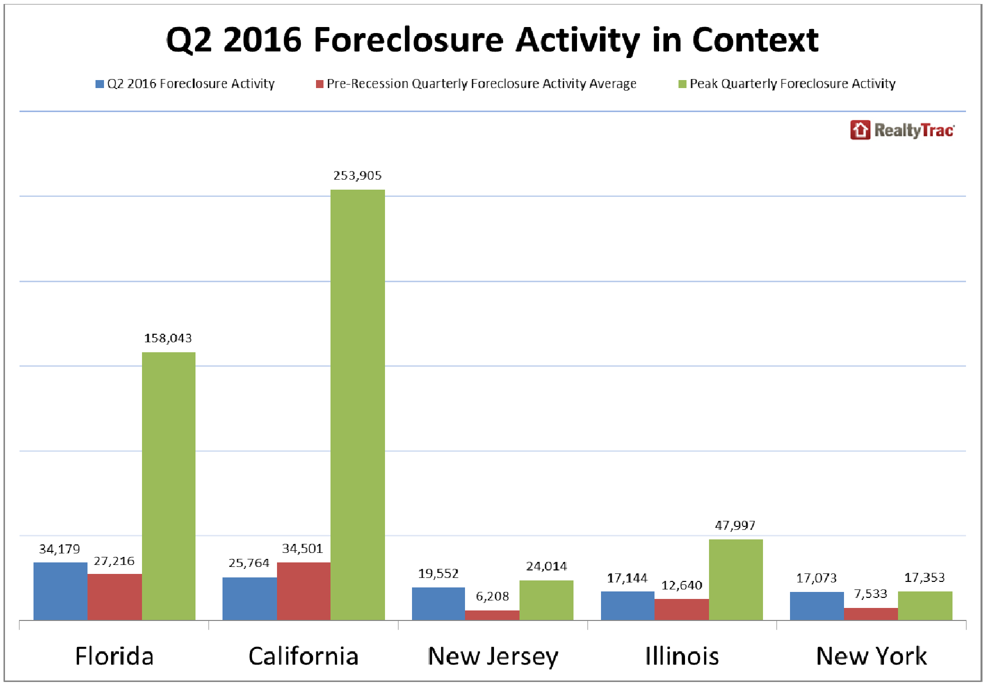
Underwater loans, those with no equity, represent about 8% of loans in Q1-16.

Distressed sales are only 6% of all sales: 4% REOs (foreclosures), and 2% Short Sales. That is down from 8% in June 2015.

Between September 2008 to Q1-16 some 3.7 Million Foreclosure Prevention Actions have taken place. These have allowed 3 Million homeowners to stay in their homes and created 1.9 Million permanent loan modifications.

After the national lawsuit against banks for their practice of Robo-signing foreclosure documents, which resulted in a $25B verdict against the largest banks in the country, banks began implementing foreclosure prevention programs in earnest and also began to sell off some of their non performing loans to large funds in order to remove the resolution of these distressed assets out of their hands.

During the summer of 2016 Fannie Mae did its 7th Non-Performing Loan sale with more than 6,000 loans included. HUD has also done several rounds of sales, as have other large banks.



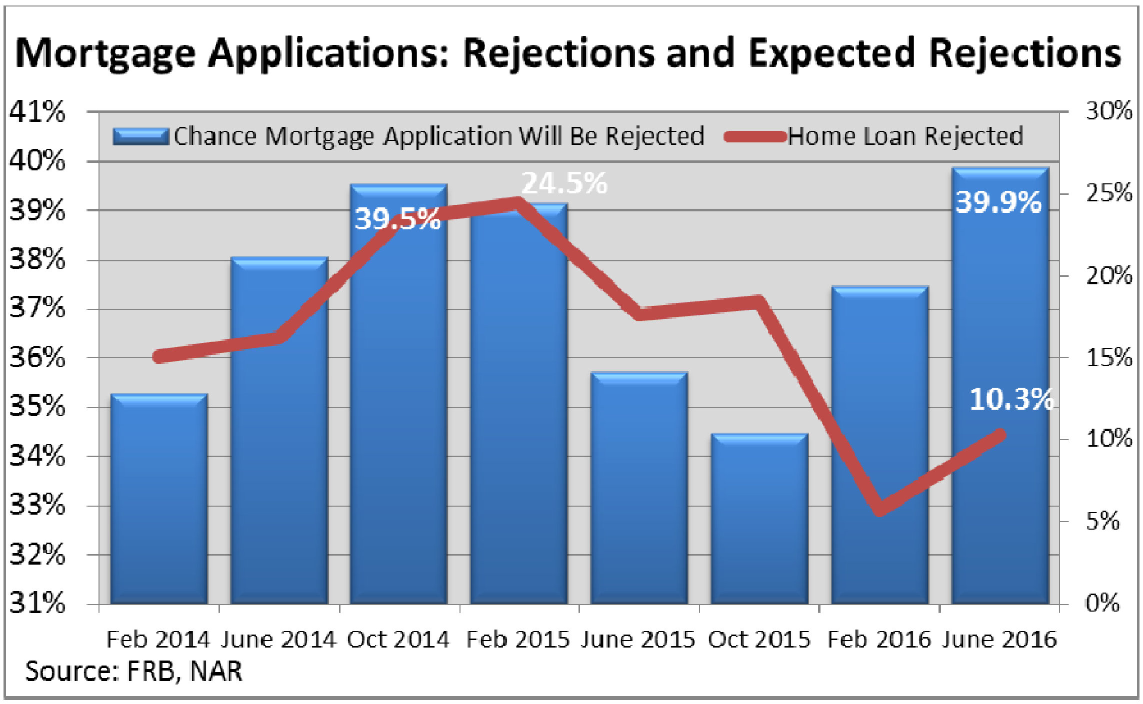
https://www.realtytrac.com/news/foreclosure-trends/midyear-2016-foreclosure-market-report/

Another lending problem that has arrived is the recasting of many of the 10,000,000+ HELOC (Home Equity Lines of Credit) loans. The hazard here is that the 20 year **interest only** loans are recasting at 10 years to **principle and interest** payments. Many of these loans were created between 2005 and 2008 and are now coming due.

As yet, we have not seen significant problems in the residential real estate markets due to these recasts. This is likely because banks are quite experienced at working with distressed home owners. Many of these properties have equity, but not enough to sell and repay the HELOC, and markets are rising. Banks know very well they are in a bad position with these loans, and are willing to work with the homeowners and make modifications until new arrangements can be made for full repayment.

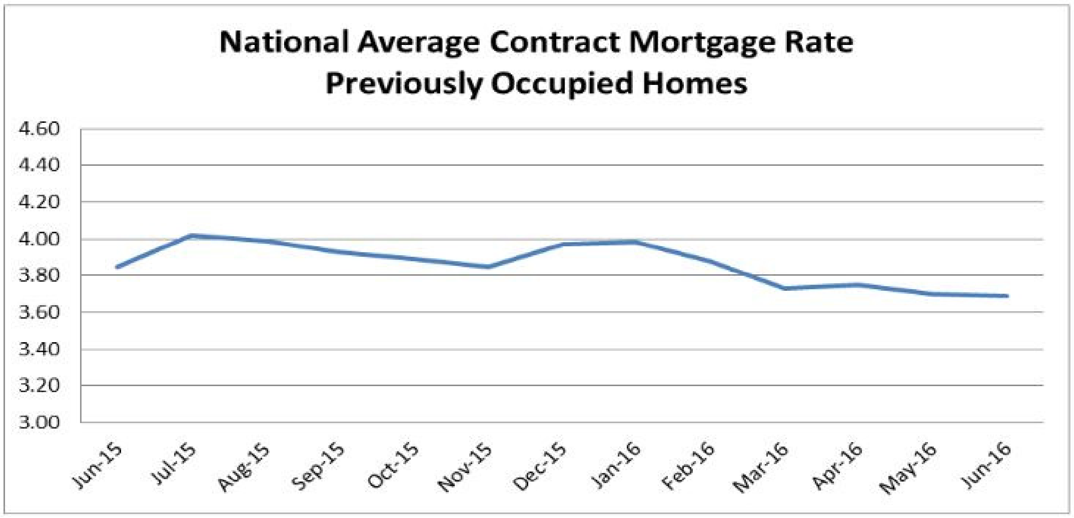
Lending, Banking & Interest Rates:

Lending standards for residential loans loosened slightly during the first half of the year, and financially the largest mortgage lending banks are doing well. As underwriting standards for residential loans are getting easier, commercial lenders are beginning to tighten slightly their standards.



http://economistsoutlook.blogs.realtor.org/2016/08/05/mortgage-applications-perception-vs-reality/

While rejections are actually down over the last couple of years, the opinion of potential home owners is not as rosy, with almost 40% of potential borrowers fearing they will be rejected by their lender, when in fact only 10.3% of those that apply are rejected.



Source: FHFA

http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Indices-Show-Little-Movement-in-Interest-Rates.aspx

Average monthly interest rates declined through the first half of 2016, from 3.94% in December 2015 to 3.57% in June. In June 2015 they were 3.98%. The average rate in 2015 was 3.85% and the first half of 2016 it was 3.66%.

These are historically low interest rates, the likes of which we have only seen at the end of 2012. It also appears likely that these rates will continue for the next couple of years, if the past couple of years shed any light on the future.

Low interest rates allow higher priced homes to be more affordable, and increasing rates will definitely apply breaking pressure to rising home values.

So far in 2016 the Federal Reserve has not raised the FED funds rate. Several economists expect it to increase again in the December FED meeting. The last time it was raised was December 2015, with a .25% increase, and there was no affect at the consumer's level on the interest rates for 30 year mortgages.

One shift occurring in lending is the shift away from the large banks with mortgage originations. A larger and larger part is being created by large Corporate Loan Brokers and Credit Unions.

Lawsuits regarding the sale of toxic securities in 2007 to 2008 continue within the industry. FDIC is in another lawsuit seeking reparations against

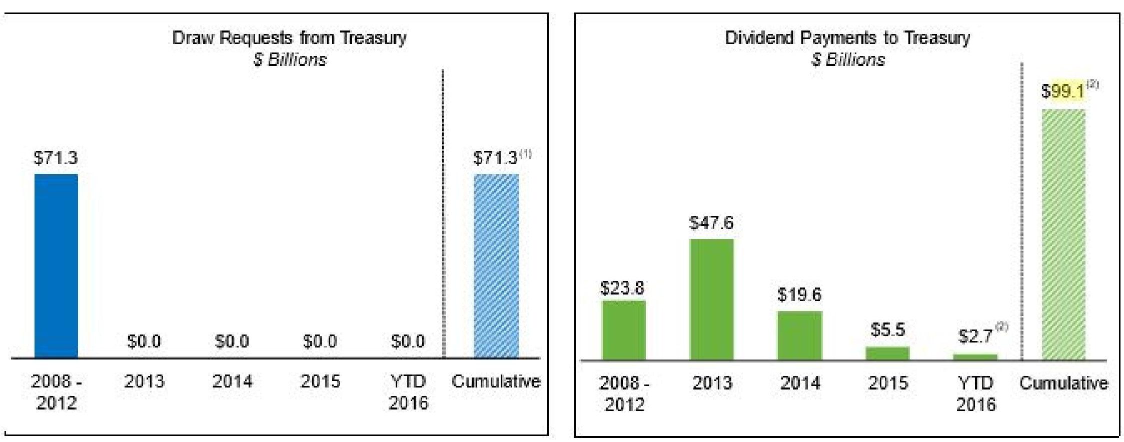
Countrywide RMBS (Residential Mortgage Backed Securities). Morgan Stanley in February 2016 was hit with a $3.2B settlement from the DOJ and NY State. Deutsch Bank is not out of the woods yet, still facing a $2.55B suit for securities it sold in 07-08.

Fannie & Freddie:

During Q2-16 Fannie Mae made $2.9B (Billion), down substantially from Q2-15 at $4.6B. Freddie Mac saw income of just under $1B ($993M) in Q2, which was up from the Q1-16's loss of $354M, and down from Q2-15's income of $4.17B. For the last couple of years Fannie and Freddie have been running in the black and paying back the debt and then some.

In 2008 both of the GSEs (Government Sponsored Entities) took money from the Federal Government to save themselves from collapse. Fannie Mae has paid back the $116B borrowed along with another $35B as part of the U.S. Government's ownership position and Preferred Purchase Stock Agreement. Freddie Mac has repaid their $71.3B loan in full, along with $27.8B to this point.

Treasury Draw Requests and Dividend Payments



(1) Excludes the initial $1 billion liquidation preference of senior preferred stock issued to Treasury in September 2008 as consideration for Treasury's funding commitment. The company received no cash proceeds as a result of issuing this initial $1 billion liquidation preference of senior preferred stock.
(2) Includes the September 2016 dividend obligation of $933 million.

http://www.dsnews.com/daily-dose/08-02-2016/freddie-macs-income-swings-back

One very big problem created by Congress is a law requiring both GSEs to reduce their capital buffer to $0 by January 1, 2018. They currently hold more than $1B in reserves. Without a buffer they could easily be in a fiscal bind after one negative quarter. If that happens they would need to borrow from the U.S. Treasury, and nobody wants that.

It would seem an easy solution for Congress to change the law and allow the GSEs to hold reserves, but it may be politically difficult to back pedal with no emergency eminent and years of blame targeting the GSEs. To date there is no viable replacement for their role in the mortgage market and if they are eliminated their dissolution would have immediate and detrimental effects on lending.

One ingenious idea Freddie Mac implemented, possibly to preempt this legislated $0 capital reserves requirement, is to create the Whole Loan Securities, a product that allows them to split off and sell the risk on a portion of their loan portfolio. Acting like a bond, these securities allow buyers to purchase an income stream based on a bulk set of mortgages. The returns vary and are based on the degree of risk an investor wants to take on.

Macro Economic Trends:

Annual GDP growth is estimated at 1.4% for Q2-16, which is up from a revised 1.1% of Q1-16.

The U.S. unemployment rate declined again through the first half of 2016 to 4.9% in June. It is down from 5.3% in June 2015 and 5.0% in December 2015. Through the first two quarters it remained stable between 4.9% to 5.0%, except in May when it bounced to 4.7%.

The labor force participation rate (the % of the population actually working) has increased to 62.7%, up slightly from December 2015 at 62.6%.

Job growth has declined somewhat in the first half of 2016, showing lower gains than the previous 3 years. While June job gains were strong with 287,000 new jobs, it was marginalized by the 11,000 gained in May.

As a side note, some of the sectors where job growth has been slowing (according to the Bureau of Labor Statistics) are Mining, which has been down for almost 2 years, Manufacturing, which has been slow since the start of 2015, Transportation and Warehousing which has flattened out, and Temporary Help Services which is also down.

Employment in Construction, though down in May and June, has been up through the first four months of the year. Retail Trade is also up as are the other economic sectors.

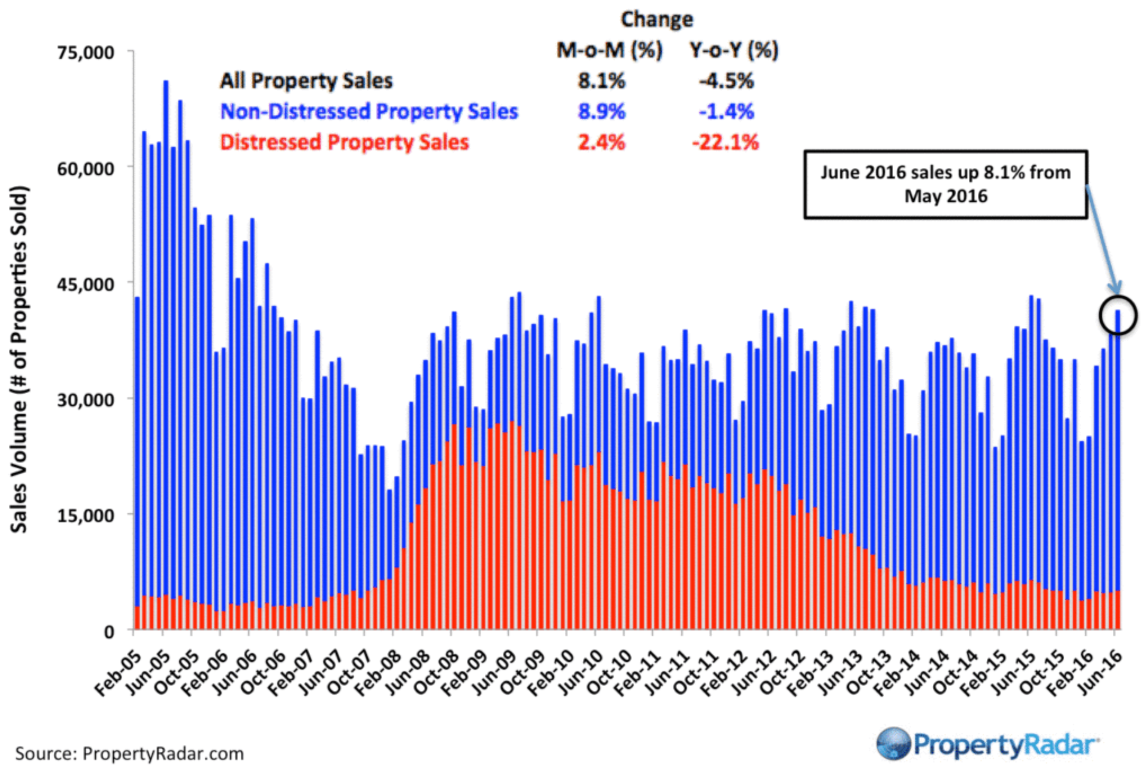
Some other difficult to quantify issues that will affect the housing market are BREXIT making things interesting in Europe, and the U.S. Presidential Elections.

How will the election affect the housing market? It is anyone's guess, but it will probably be business as usual as housing will probably not be at the top of the elected President's list for the first hundred days.

CALIFORNIA MARKET TRENDS:

In California the median sold price reached $519,410 in June, up 6.1% from June 2015 ($489,560). The median price is up 112% from the 2009 bottom of $245,230. The current median price is also only 12.6% below the 2006 high of $594,530.

Number of sales in CA is down slightly from June 2015, but is consistent with the number of sales occurring over the last several years.



The number of distressed sales is also down.

The recovery in California remains two sided, with June's median price being higher in 7 Counties than at their previous market cycle high. These include Alameda (11%), Marin (6%), San Francisco (45%), San Mateo (28%), Santa Clara (21%), Santa Cruz (1%) and Yolo (31%) Counties.

On the slow recovery side there are 7 Counties whose median price in June is still 30% or more under the previous high for the County: included are Calaveras (35%), Glenn (34%), Mariposa (53%), Mono (45%), Monterey (31%), San Bernardino (30%) and Tuolemne (38%).

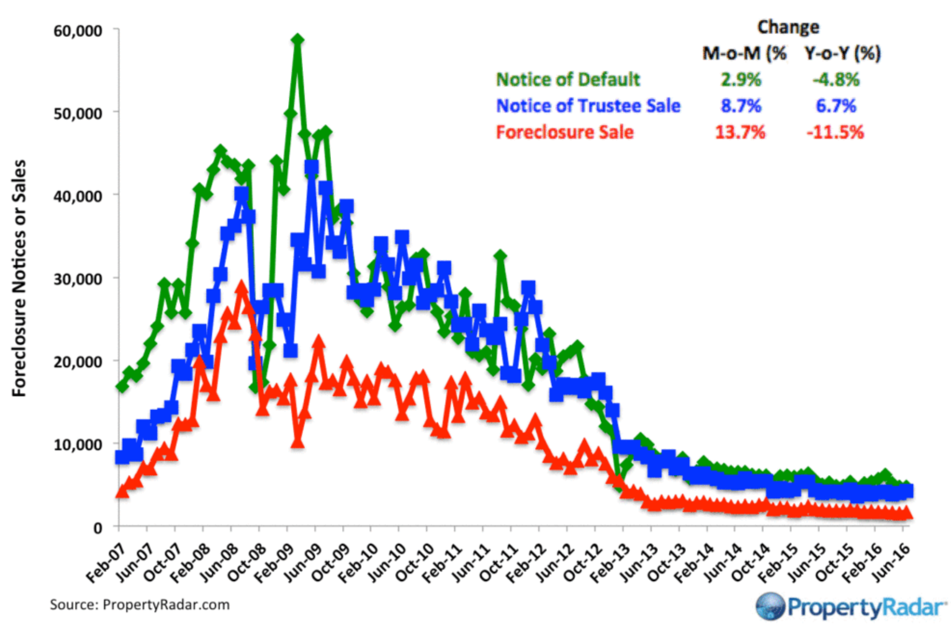
California has experienced job growth (all nonfarm) over the last year of 2.8% from June 2015 to June 2016.

Unemployment went down to 5.4% in June from 5.9% in December and 6.2% in June 2015. It is now below the pre-recession unemployment number of 5.5%.

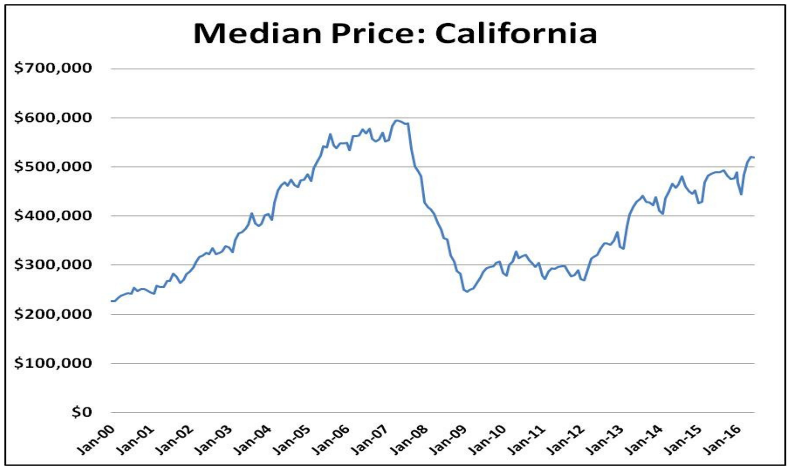
The average Affordability, the percent of people in California who can afford to purchase the median priced home with 20% down payment, is 31% in Q2-2016. That is up 1 point from Q2-15 and Q4-15.

Affordability in the Bay Area continues to be low at 23% in Q2-16, and the Los Angeles Metro Area rose 1 point to 33% over the last year.

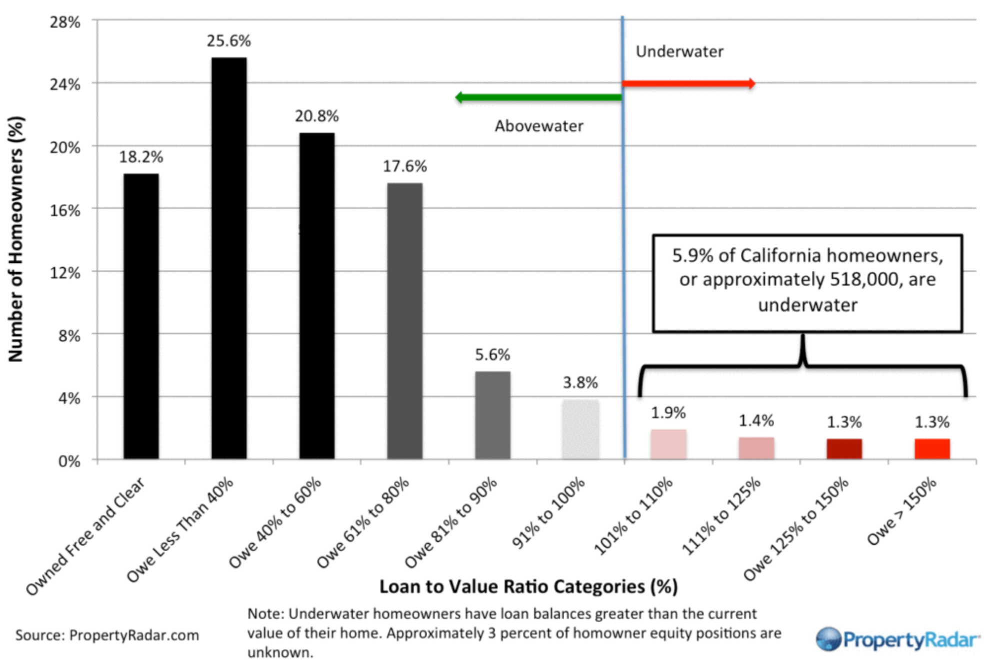
The least affordable Counties are San Francisco with affordability at 13%, followed by San Mateo with 14% and Marin at 18%. The most affordable Counties are King and San Bernardino Counties at 56% respectively.



Foreclosure sales have dropped off substantially since the end of 2012. This is primarily due to the banks offering alternatives to foreclosure for distressed homeowners which reduced the number of short sales on the market and REO's taken by the bank. The reduction in distressed inventory created demand for regular sales and lowered the inventory, which raised prices.



As home prices increase the number of homeowners with equity increases to where a distressed seller is able to sell, rather than lose their property to foreclosure. Currently only 5.9% of homeowners are under water in CA.



REGIONAL STAPSHOTS: Northern California 16 Counties

PRICE AND SALES DIRECTION:

Sales Prices around the Bay Area in June 2016 were over $1,000,000 in Marin, San Francisco, San Mateo and Santa Clara Counties. Alameda County was at $800,000 median sold price. Expanding out geographically the price drops to the $600,000 in Sonoma, Napa, and Contra Costa Counties. Solano and surrounding Sacramento County (Placer, El Dorado & Yolo) the median sales price is lower, between $390k and $465k. Sacramento and San Joaquin County are lower still at $315k to $330k. South down the Central Valley Stanislaus County is at $276k and Merced County at $213k.

Shifts in Sales Prices from June 2015 to June 2016 are quite varied, but one possible explanation is the epicenter is experiencing a leveling in sales price over the last year. Outside of the center price varied between $26k to $60k in annual price change.

At the center San Francisco and San Mateo Counties experienced less than a 3% increase from June 2015 to June 2016, and Alameda County saw negative price growth over the same period.

Moving outward Marin, Sonoma, Santa Clara, Contra Costa, and Solano Counties saw between 4% and 9%. Then farther out Sacramento, El Dorado, Placer, San Joaquin, and Stanislaus Counties saw between 6% and 13%.

The odd Counties out were Napa, which went negative (-3.5%), Yolo which hardly moved (1.6%), and Merced County which saw 3.6% increase.

The **Number of Sales** from Q2-15 to Q2-16 was down year over year across the Bay Area, except for San Francisco County. In the Sacramento Valley sold numbers were up, except in Placer County. The Central Valley followed the bay area with fewer sales in 2016, except for Merced County where it rose.

NEW - MOMENTUM INDICATORS CHART:

Something new to this report is the Momentum Indicator chart for each of the Counties. The 5 indicators charted are Affordability, Sold Price, Number of Sales, Sold Price ratio to List Price, and Median (or Average) Days on Market (DOM). These indicators are intended to display the inherent strength or weakness within the fundamentals of each County's Residential Real Estate Market in an attempt to forecast market shifts before they occur.

The findings are somewhat stronger than expected. 8 of the 16 Counties had 4 or 5 indicators on the STRONG side of the Momentum Scale, and many indicators showing WEAK results were only a little WEAK, not moderately or very WEAK. 6 of the remaining 8 Counties had 3 of the 5 indicators on the STRONG Momentum side.

If this evaluation model is correct then Counties with STRONG Momentum Indicators will have an upward trajectory in sales prices over the next 6 to 12 months.

Only Napa County had all 5 indicators on the WEAK Momentum side and Sonoma County had 3 indicators on the WEAK side.

SUMMARY:

Sales Prices appear to be softening in the Bay Area but the Momentum Indicators remain strong in most Counties. The Sacramento and Central Valley appear poised for continued growth. The North Bay Counties of Sonoma and Napa may see less growth.

It should be mentioned that during the last half of the year (July to Dec.) 8 of the Counties have a history of price declines which appears to be seasonal. They are San Francisco, San Mateo, Contra Costa, Santa Clara, Alameda, Marin, Napa, Placer, and Yolo Counties.

Northern Bay Area Counties – Marin, Sonoma, Napa

Market Trends:

The three Counties on the North end of the San Francisco Bay Area have experienced solid growth over the last several years. Employment has risen near 1% in all 3 counties and unemployment continues to remain less than the state average of 5.4% over the last year.

County Trends	*1 Year % Change in # of Employed*	*Unemployment Rate*
Marin	*1.4%*	*3.5*
Sonoma	*0.9%*	*4.2*
Napa	*1.0%*	*4.2*

Momentum:

Marin has the strongest momentum of the 3 Counties going into the last half of the year, as only the number of sales dipped slightly from Q2-15 to Q2-16. All 3 Counties showed the average of the first 6 months of the years higher than the average sold price for the last 6 months of 2015. There was also a higher average sold price than list price, and relatively quick marketing time or Days on Market (DOM – days the home was solicited for sale before receiving an offer). Sonoma County was not really strong in any one area, and Napa County showed the weakest with no STRONG indicators.

	MARIN COUNTY		SONOMA COUNTY		NAPA COUNTY	
MARKET FUNDAMENTALS	MOMENTUM WEAK	MOMENTUM STRONG	MOMENTUM WEAK	MOMENTUM STRONG	MOMENTUM WEAK	MOMENTUM STRONG
AFFORDABILITY	X		X		X	
SALES PRICE		X		X	X	
# of Sales (Q2-15,16)	X		X		X	
Sold Price % of List $		X		X	X	
Median DOM		X	X		X	

Real Estate Trends:

From 2015 to 2016 prices of Single Family Residences (SFR) has risen substantially. All 3 Counties have a median sales price higher than the state average, and Marin and Sonoma have increased 5% or more.

Median Sales Price	Median Sold Price June 2016	Median Sold Price June 2015	Yr/Yr % Change
Marin	$1,218,500	$1,163,460	4.7%
Sonoma	$608,000	$573,640	6.0%
Napa	$619,000	$641,670	-3.5%

The Number of Sales decreased in all 3 Counties from Q2-15 to Q2-16.

# of Homes Sold	# Sold Q2-2016	# Sold Q2-2015	Yr/Yr % Change
Marin	715	721	-0.8%
Sonoma	1285	1395	-7.9%
Napa	359	363	-1.1%

In June 2016 properties in Marin and Sonoma sold above list price at 104.3% and 100.8% respectively. Napa County sold at 98.2% of the price listed for sale on the MLS (Multiple Listing Service).

The median number of Days on Market (DOM) declined in Sonoma between June 2015 and June 2016 from 39 days to 36 days. Marin stayed the same at 29 days and Napa’s median DOM increased from 41 to 43 days.

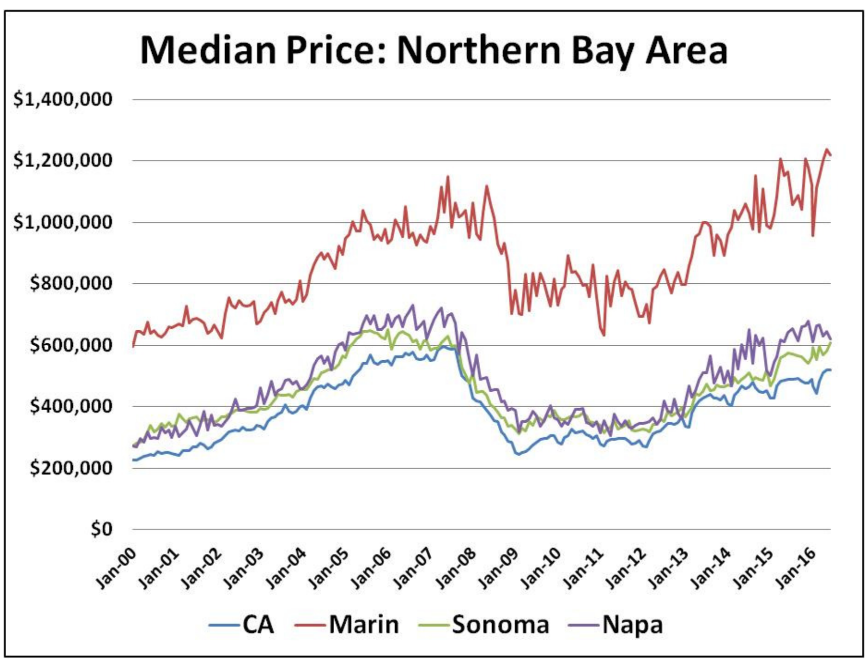
Affordability, the percentage of families that can afford the median priced home, went up in Marin from Q2-15 at 17% to Q2-16 to 18%. Sonoma declined 1 point to 26%, and Napa increased 1 point from 24% to 25%.

Market Cycles:

Marin County reached the high point in the last cycle during June 2007 at $1,149,390. The low price point was in February 2011 at $632,580. Since then the median sold price increased 92.6% to June 2016 at $1,218,500. It is currently 6% above the previous high. Over the first 6 months the price has increased and peaked in May at $1,237,500.

Sonoma County reached the high point of the last cycle in January 2006 at $650,326. The lowest point was in February 2009 at a price of $312,338. Since then it has increased 95% to $608,000, where it is currently 6.5% below the previous high. Since December 2015 ($563,320) the price has fluctuated wildly but peaked in June 2016.

Napa County reached the high point in the last cycle during August 2006 at $729,166. The lowest point was in April 2011 at a price of $306,820. Since then it increased 102% to $619,000 in June 2016, which is down 1.5% from December 2015 ($628,120). It is currently 15% below the previous market high. Over the first 6 months of 2016 the price peaked in March at $666,670 and bounced around till June.



Southern Bay Area Counties – San Francisco, San Mateo & Santa Clara

Market Trends:

The three Counties South of the Golden Gate Bridge have seen continued growth with solid growth in employment and low unemployment well below the state average, 5.4%.

County Trends	1 Year % Change in # of Employed	Unemployment Rate
San Francisco	1.3%	3.6
San Mateo	1.3%	3.3
Santa Clara	1.9%	4.0

Momentum:

San Francisco has the strongest momentum of the South Bay Counties for the first half of the year. All 3 Counties suffer from low affordability, the ability of buyers to afford the median priced home. The number of sales from Q2-15 to Q2-16 has declined in San Mateo and Santa Clara Counties. Overall the markets are positive with the average sales price increasing, homes selling over asking price, and quite low median and average Days on Market.

	SAN FRANCISCO		SAN MATEO		SANTA CLARA	
MARKET FUNDAMENTALS	MOMENTUM WEAK	MOMENTUM STRONG	MOMENTUM WEAK	MOMENTUM STRONG	MOMENTUM WEAK	MOMENTUM STRONG
AFFORDABILITY	X		X		X	
SALES PRICE		X		X		X
# of Sales (Q2-15,16)		X	X		X	
Sold Price % of List $		X		X		X
Median DOM (*Ave.)		X		X*		X*

Real Estate Trends:

From June 2015 to June 2016 prices of Single Family Homes rose, but only slightly, except for Santa Clara. This could be signaling a cooling off as the annual increase for 2015 in Santa Clara was 8.7%; San Francisco and San Mateo both rose 21+%.

Median Sales Price	Median Sold Price June 2016	Median Sold Price June 2015	Yr/Yr % Change
San Francisco	$1,350,000	$1,339,290	0.8%
San Mateo	$1,306,250	$1,300,000	0.5%
Santa Clara	$1,050,000	$990,000	6.1%

The Number of Sales decreased in San Mateo and Santa Clara from Q2-15 to Q2-16, and increased slightly in San Francisco.

# of Homes Sold	# Sold Q2-2016	# Sold Q2-2015	Yr/Yr % Change
San Francisco	653	641	1.9%
San Mateo	1206	1279	-5.7%
Santa Clara	3175	3351	-5.3%

In June 2016 properties in San Francisco County sold well above asking price with the average sale being at 115% of list price. In San Mateo County it was 104% and Santa Clara County was 103% of list.

The number of Days on Market (DOM) rose in all 3 Counties. San Francisco median DOM rose 5 days, from 16 (June 2015) to 21 days (June 2016). San Mateo's average DOM rose from 17 days to 22 days, and Santa Clara rose from 19 to 25 DOM.

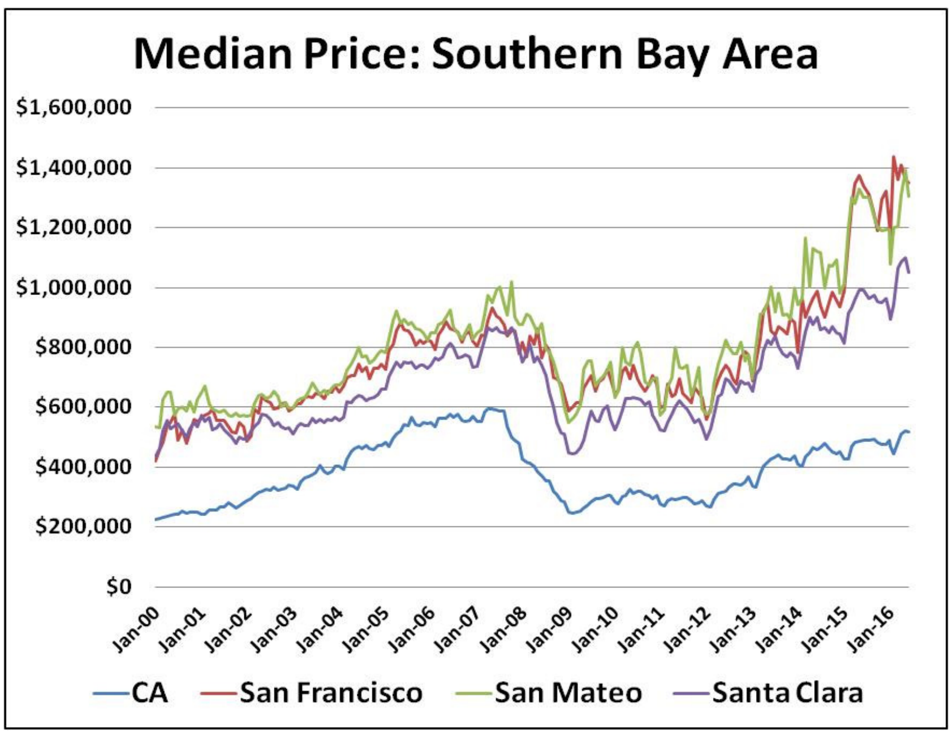
Affordability increased in San Francisco from Q2-15 to Q2-16, from 10% to 13%. It went up 1 point in San Mateo to 14%, and stayed the same in Santa Clara County at 19%. The average affordability in CA is 31%.

Market Cycles:

San Francisco County reached the high point of the last market cycle in May 2007 at $932,352. The lowest point was January 2012 at $561,270. Since the low the median sold price has increased 141% to $1,350,000 in June 2016. It is currently 45% above the previous high. Over the last 6 months the price rose 2 times over $1.4M only to settle back to $1.35M in June.

San Mateo County reached the high point in October 2007 at $1,020,000, then declined until January 2009 at $551,000. Since then it has increased 137% to $1,306,250, where it is currently 28% higher than the previous high. Since June 2015 ($1,300,000) the price declined to December then increased to peak in May 2016 at $1.39M.

Santa Clara County reached the high point of the last cycle in April 2007 at $856,000. The lowest point was in February 2009 at a price of $445,000. Since then it has increased 136% to $1,050,000, where it is currently 21% above the previous high. Over the last 6 months sold price has increased to peak in May at $1.1M the decline in June.



Eastern Bay Area Counties – Contra Costa, Alameda & Solano

Market Trends:

The three Counties have seen continued employment growth and low unemployment, with the exception of Solano County.

County Trends	1 Year % Change in # of Employed	Unemployment Rate
Contra Costa	0.7%	4.9
Alameda	0.8%	4.7
Solano	0.9%	5.8

Momentum:

Contra Costa and Alameda Counties have low affordability and Contra Costa and Solana have seen a reduction in number of sales compared to last year. However, there is still strong Momentum moving prices forward, so even though the median sold price in Alameda County from June 2015 to June 2016 was negative the average sold price in the first half of the year was 4.5% higher than the average sold price for the last half of 2015. Not only is the median sales price continuing to rise, but homes consistently sell over asking price, and marketing time (DOM) is under 2 weeks in Contra Costa and Alameda Counties.

	CONTRA COSTA		ALAMEDA		SOLANO	
MARKET FUNDAMENTALS	MOMENTUM WEAK	STRONG	MOMENTUM WEAK	STRONG	MOMENTUM WEAK	STRONG
AFFORDABILITY	X		X			X
SALES PRICE		X		X		X
# of Sales (Q2-15,16)	X		X		X	
Sold Price % of List $		X		X		X
Median DOM		X		X	X	

Real Estate Trends:

From 2015 to 2016 prices of Single Family Homes increased in Contra Costa and Solano Counties between 8% and 10%. In Alameda County there was actually a reduction in sales price from June 2015 to June 2016.

Median Sales Price	Median Sold Price June 2016	Median Sold Price June 2015	Yr/Yr % Change
Contra Costa	$625,000	$572,420*	9.2%
Alameda	$803,000	$814,480	-1.4%
Solano	$390,000	$359,930	8.4%

* Sales from July 2015

The Number of Sales decreased from Q2-15 to Q2-16 in all 3 Counties.

# of Homes Sold	# Sold Q2-2016	# Sold Q2-2015	Yr/Yr % Change
Contra Costa	3123	3321	-6.0%
Alameda	2850	3126	-8.8%
Solano	1380	1502	-8.1%

In June 2016 properties sold in Contra Costa County at 103% of list price. In Alameda County the median sold price was 107%, and Solano County sold price was 100% of list price.

The median number of Days on Market (DOM) stayed the same in Contra Costa (12) and Alameda (13) Counties June 2015 to June 2016. In Solano County it declined from 39 days to 32 days in 2016.

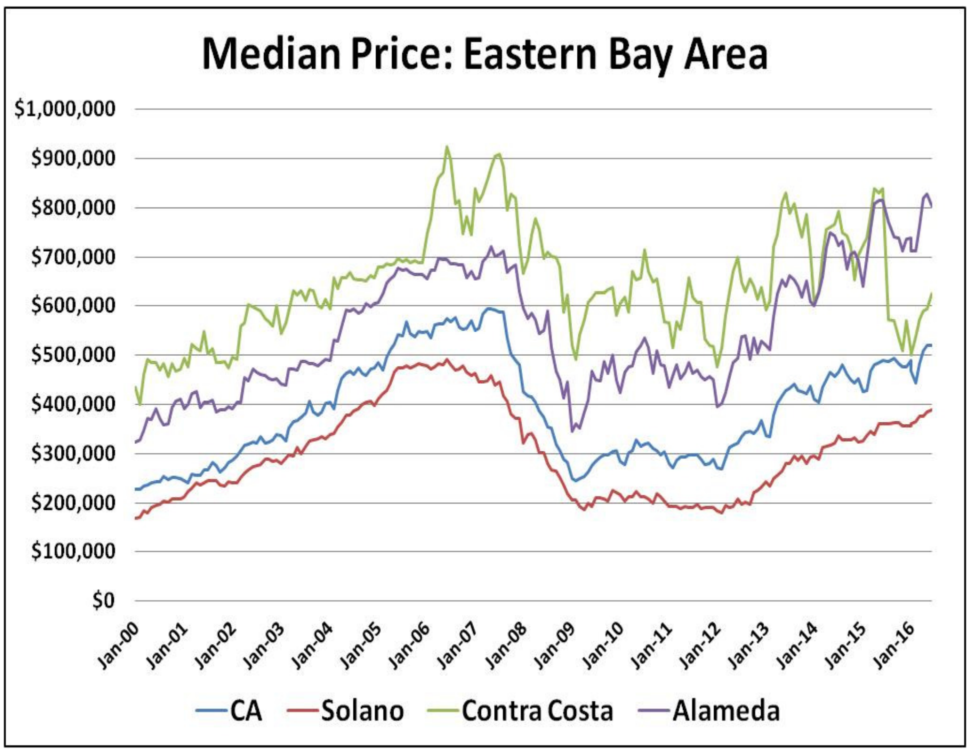
Affordability went down in Contra Costa County declined from 34% to 32%, from Q2-15 to Q2-16. Alameda stayed the same at 20% affordability, and Solano hit 45%, down from 46%.

Market Cycles:

Contra Costa County reached the high point in the last cycle during June 2006 at $923,155. The lowest point was in January 2012 at $476,470. The median price reached $839,910 before the geographic area being tracked was changed. This adjustment showed a median price change of some $260,000 to $572,420 in July 2015. Since then the price has risen 9.2% to $625,000 in June 2016.

Alameda County reached the high point of the last cycle in May 2007 at $722,044. The low point was in January 2009 at a price of $346,236. Since then it increased 132% to $803,000, where it is currently 11% above the previous high. Since June ($814,480) the median price has dropped 1.4%.

Solano County reached the high point in June 2006 at $492,799 and the lowest point was in February 2012 at a median price of $179,020. Since then it increased 118% to $390,000, where it is currently 21% below the previous high. Over the first 6 months of 2016 the price has gradually increased to the high in June.



Sacramento Valley Counties – Sacramento, Placer, El Dorado & Yolo

Market Trends:

North East of the Bay Area is the Sacramento Valley, home of the Sacramento Metro Area and the nexus of 4 Counties. Employment has grown over the last year at near .8%, and unemployment circles the CA state average of 5.4% - Sacramento and Yolo being higher, El Dorado close to state average, and Placer County being lower at 4.8%.

County Trends	1 Year % Change in # of Employed	Unemployment Rate
Sacramento	*0.8%*	*5.8*
Placer	*0.8%*	*4.8*
El Dorado	*0.7%*	*5.3*
Yolo	*0.8%*	*5.8*

Momentum:

Sacramento County is the only one with all indicators showing STRONG momentum, and continued price increases are expected through the region. There is not a big issue with affordability yet, sold prices are up, number of sales is also up over last year, homes are selling very close to list price, and the number of Days on Market is very low.

	SACRAMENTO		PLACER		EL DORADO		YOLO	
MARKET FUNDAMENTALS	MOMENTUM		MOMENTUM		MOMENTUM		MOMENTUM	
	WEAK	STRONG	WEAK	STRONG	WEAK	STRONG	WEAK	STRONG
AFFORDABILITY		X		X	N/A		N/A	
SALES PRICE		X		X		X	X	
# of Sales (Q2-15,16)		X	X			X		X
Sold Price % of List $		X		X	X			X
Median DOM		X		X		X		X

Real Estate Trends:

From June 2015 to June 2016 prices of Single Family Homes have risen in all 4 Counties with only Yolo growing slightly 1.6%. Sacramento and El Dorado Counties both grew by more than 10%.

Median Sales Price	Median Sold Price June 2016	Median Sold Price June 2015	Yr/Yr % Change
Sacramento	$329,000	$295,310	11.4%
Placer	$430,000	$402,870	6.7%
El Dorado	$461,550	$410,320	12.5%
Yolo	$399,900	$393,590	1.6%

The Number of Sales declined only in Placer County, and rose in El Dorado and Yolo Counties.

# of Homes Sold	# Sold Q2-2016	# Sold Q2-2015	Yr/Yr % Change
Sacramento	4952	4925	0.5%
Placer	1806	1838	-1.7%
El Dorado	786	760	3.4%
Yolo	507	491	3.3%

In June 2016 properties sold at 100% of list price. Only in El Dorado County did they sell for less at 98.1% of list.

The median number of Days on Market (DOM) declined in all 4 counties between June 2015 and June 2016. Sacramento, Placer and Yolo Counties saw marketing times between 10-12 days. El Dorado was less than 3 weeks at 20 days.

Affordability went down in Sacramento to 45% (Q2-16) from 47% in Q2-15, and up in Placer County from 44% to 46% from Q2-15 to Q2-16.

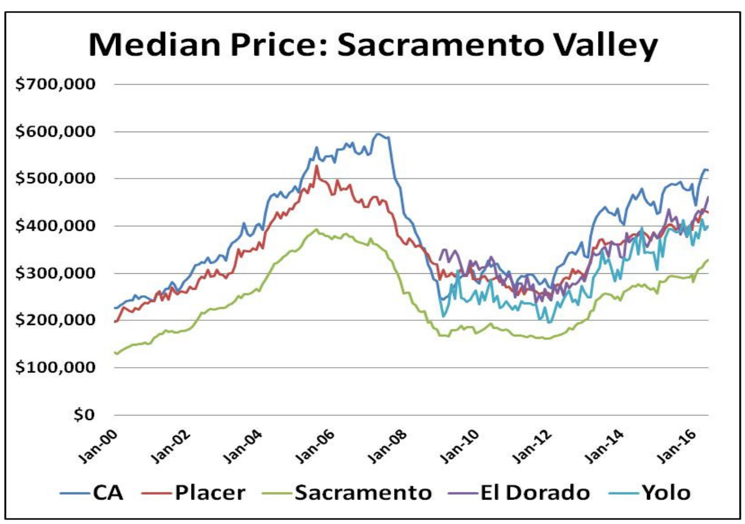
Market Cycles:

Sacramento County reached the high point of the last cycle in August 2005 at $394,450. The lowest point was January 2012 at $161,080. Since then the median sold price has increased 104% to June 2016 at $329,000. It is currently 17% below the previous cycle high. Over the first 6 months the median price has grown to the high in June.

Placer County reached the high point of the last cycle in August 2005 at $527,995. The lowest point was in February 2012 at a price of $251,450. Since then it increased 71% to $430,000 where it is currently 19% below the previous high. Over the last year the price has increased 6.7%.

El Dorado County's median sales price is tracked by CAR (California Association of Realtors) only back to 2009, so we don't have the previous cycle high, however, the low point was September 2011 at $238,750. Since then it has increased 93% to $461,550. Over the last 6 months the price has increased substantially from the median sold price in December 2015, $409,800.

Yolo County's records at CAR also begin in 2009 with no previous cycle high point either. The lowest point was in October 2011 at the price of $195,550. Since then it has increased 105% to $399,900 in June 2016. Over the first 6 months of 2016 the market peaked in April at $415,280 and has then dipped to the current price.



Central Valley Counties – San Joaquin, Stanislaus, & Merced

Market Trends:

The Central Valley is located South of the Sacramento Valley. While unemployment remains higher than the state average all 3 Counties have experienced growth in the number of people employed.

County Trends	*1 Year % Change in # of Employed*	*Unemployment Rate*
San Joaquin	*2.2%*	*8.3*
Stanislaus	*1.6%*	*9.1*
Merced	*1.0%*	*10.4*

Momentum:

All 3 of the Counties in the Central Valley have strong forward momentum with only one of the indicators being weak for each County. Though the number of sales decreased slightly in 2 Counties, affordability remains strong, prices are increasing, and marketing time is very short.

	SAN JOAQUIN		STANISLAUS		MERCED	
MARKET FUNDAMENTALS	MOMENTUM WEAK	STRONG	MOMENTUM WEAK	STRONG	MOMENTUM WEAK	STRONG
AFFORDABILITY		X		X		X
SALES PRICE		X		X		X
# of Sales (Q2-15,16)	X		X			X
Sold Price % of List $		X		X	X	
Median DOM		X		X		X

Real Estate Trends:

From June 2015 to 2016 prices for SFR rose in all Counties with Stanislaus gaining the most in value, 10.5%.

Median Sales Price	Median Sold Price June 2016	Median Sold Price June 2015	Yr/Yr % Change
San Joaquin	$315,000	$296,030	6.4%
Stanislaus	$276,000	$249,670	10.5%
Merced	$213,500	$206,080	3.6%

The Number of Sales have only increased in Merced.

# of Homes Sold	# Sold Q2-2016	# Sold Q2-2015	Yr/Yr % Change
San Joaquin	1959	1981	-1.1%
Stanislaus	1523	1594	-4.5%
Merced	359	329	9.1%

In June 2016 properties sold in San Joaquin County at 100.2% of list price. In Stanislaus County it was 99.3% and Merced it was 98%.

The median number of DOM dropped in San Joaquin and Stanislaus Counties from 17 days in June 2015 to 13 days in June 2016. Merced's DOM increased from 18 days to 21 days. Average DOM is only just a bit higher between 28 and 35 days.

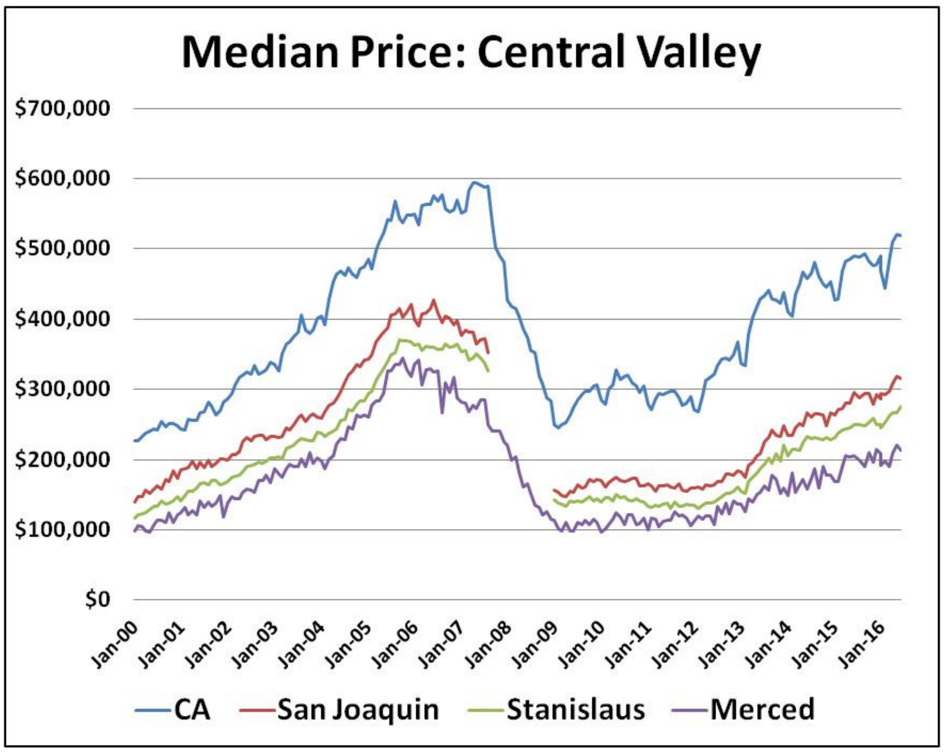
Affordability went up 8 points in San Joaquin County from Q2-15 to 55% in Q2-16, from 37% to 45%. Stanislaus also went up 7 point, from 41% to 48% in Q2-16. Merced went down 3 points from 55% to 52%.

Market Cycles:

San Joaquin County reached the high point in the last cycle during June 2006 at $426,829. The lowest point was in April 2009 at a price of $147,053. Since then the median sold price has increased 114% to $315,000 in June 2016. It is currently 26% below the previous high. Over the last 6 months the sold price has increased to peak in May.

Stanislaus County reached the high point of the last cycle in September 2005 at $370,103. The lowest point was in February 2012 at a price of $129,863. Since then it increased 112% to $276,000 where it is currently 25% below the previous high. Over the last 6 months the price has increased to its current high point.

Merced County reached the high point of the last cycle in October 2005 at $344,615. The lowest point was in January 2010 at a price of $96,666. Since then it increased 121% to $213,500 where it is currently 38% below the previous high. Over the first 6 months of 2016 the price has risen and fallen but is overall higher.



RESOURCES:

ABREVIATIONS

CAR = California Association of Realtors

HAFA = Home Affordable Foreclosure Alternative

HAMP = Home Affordable Mortgage Program

MLS = Multiple Listing Service

NAR = National Association of Realtors

NOD = Notice of Default

NOT = Notice of Trustee Sale

REO = Real Estate Owned by a bank, or foreclosure

SAR = Sacramento Association of Realtors

TRID = TILA / RESPA Integrated Disclosure

WRE = Wright Real Estate

ADDITIONAL RESOURCES

MetrolistMLS.com - to search for properties. www.metrolistmls.com

NorthState Building Industry Association (BIA) www.northstatebia.org

Rental Housing Association (RHA) www.rha.org

Sacramento Association of Realtors (SAR) www.sacrealtor.org

California Association of Realtors (CAR) www.car.org

National Association of Realtors (NAR) www.realtor.org

CA Employment Development Department (EDD) www.labormarketinfo.eed.co.gov

United States Census www.factfinder.census.gov

WRIGHT
Real Estate

Serving the Sacramento Area since 2000.

For FREE Information and Consulting Services contact us:

Office: 916.726.8308 **WrightRealEstate@GMail.com**