

Sales of new and more-expensive homes rise sharply in Sacramento County

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Sales of newly built houses rose sharply in Sacramento County and some suburban locations last month, signaling a resurgence of an industry that had dominated the region but nearly vanished in the recession.

Sacramento County experienced a 32 percent increase in new homes sales in November compared with the same month last year, real estate tracking firm CoreLogic reported Friday.

Though the number of new homes sold countywide, 241, falls far short of historical averages, it's nearly triple the number of new houses sold in November 2011 during the depths of the housing collapse.

"We're not back to what the region used to produce in new homes, but it's still a significant increase over last year," said Andrew LePage, an analyst for Irvine-based CoreLogic.

A tight supply of resale homes and rising prices have prompted more buyers to turn to new homes, the traditional "pressure release valve" when demand exceeds supply in Sacramento, LePage said.

"Inventory (and) affordability constraints continue to limit resale activity," he wrote in an email.

Sales of existing homes fell off last month in Sacramento County, in part because there are so few homes for sale and prices have been trending upward, LePage said. The median price for existing homes in the county rose nearly 7 percent in November, to \$329,000, compared with November 2016.

The Sacramento Association of Realtors recorded 1.6 months of inventory this November, meaning that's about how long it would take to sell all of the resale homes on the market in Sacramento County and the city of West Sacramento.

Anything less than three months of inventory is considered a strong sellers' market. In Sacramento County, the vast majority of homes sold in less than 30 days, the realtors' association reported.

Sacramento County saw a 30 percent increase in sales of houses priced at more than \$500,000 in November, indicative of the shift toward higher home prices, LePage said.

Another factor potentially driving home sales is spillover from the super-heated housing market in the San Francisco Bay Area, LePage and others said.

Adjusted for inflation, Sacramento County's all-home median of \$335,000 in November was still 29 percent below the peak of the housing bubble in August 2005. In comparison, the Bay Area saw a median price of \$787,000 in November – a new record and just shy of the region's peak in June 2006 after adjusting for inflation.

How many Bay Area buyers are coming to Sacramento remains a question.

Reports of a Bay Area exodus are largely anecdotal; current statistics are scarce. But there's little doubt that prices there are driving some residents to seek more affordable markets.

The median price of homes sold in San Francisco and San Mateo counties pushed toward \$1.3 million, and Santa Clara and Marin County each saw median prices of close to \$1 million.

The median is the price at which half of homes sold for more and half sold for less.

"At what point does that market slow down?" said Greg Paquin, a consultant to the new home industry based in Folsom. "There's going to be a point at which people can't buy a house there anymore."

When they can't – or when they decide to sell their pricier homes and pocket the difference – markets such as Sacramento become more attractive. Paquin said that may be starting to occur, which partly accounts for the increase in new home sales.

"We've been thinking that's going to happen over some time," he said. "It's finally starting to show up in the numbers."