

# The real estate market is on fire?!

Fannie Mae at the beginning of the year revised its 2020 economic outlook for the real estate market to be even more robust. They had no way of knowing what was in the store for 2020. As we enter what has been known traditionally as the busiest time of the year to sell real estate, we found ourselves bracing for the worst in the wake of this pandemic. Instead, we find ourselves using the terms "the market is on fire." One could ask how this could be, considering the havoc this virus has caused the US economy. Since the

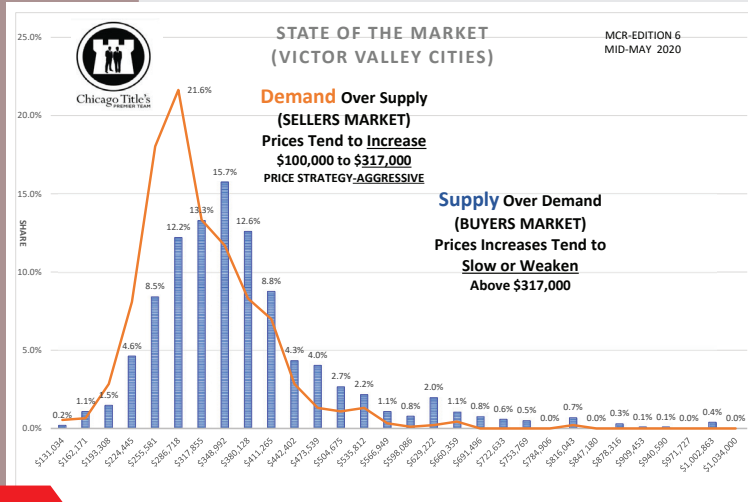
beginning of March, and the first part of April, real estate did experience a bit of a slowdown, but then towards the end of April and the beginning of May, the market picked up steam. The number of pendings went up, and the number of listings has gone down.

This is the time of year where we would typically see more people putting their houses on the market, however, a lot of potential sellers held off on this or just took their homes off the market for fear of having too many people walking through their home. So we have a bit of a supply and demand issue. For the High Desert area, a good amount of houses on the market would be 1,500 to 2,000 listings. At this moment we have nearly 1000 listings. That's only a couple of months of supply. Meaning if we were to stop taking listings today, it would only take us two months to get through the amount at the current rate of absorption. So as a result, it has created a lot of demand for an affordable product. Anything under that \$317,000 price, you were definitely in a seller's market. I hear too many comparisons to what we are experiencing now and the last recession. We have to remember, real estate was the cause of the last recession, which also dragged Wall Street down with it. This time the consumer and the banks are much more financially stable than they were during the previous recession. We are still 20% to 30% off of our all time highs. So the buyers sitting on the fence waiting for recession pricing will be surprised to learn

that there are multiple offers on a product they are looking for and many going over asking price. How could this be? Like I mentioned at the beginning, Fannie Mae updated their 2020 outlook in January because the millennial was finally ready to leave home and purchase their first home. The millennial population is now our most significant population. What did we previously learn about the millennial? We learned that the millennial wanted to be within walking distance to work, schools, and entertainment. They wanted those urban areas.

Enter the Coronavirus. Real estate economists and consultants are starting to see changes in behavior. Towards the end of April, some of your public builders began to see a jump in sales, mainly from renters living in those heavily populated urban areas. April also saw a 26% drop in the number of condo sales. Those folks that wanted to live in urban areas may not want to be close to a large population, they may not want to get in the elevator with six other people and touch the same button that 1000 people may have touched before them. You're also seeing large corporations that lease a lot of commercial space in large cities holding off on signing new leases. They are waiting to see how productive employees can be working from home. We are witnessing a whole paradigm shift. This transition from working in the office to home that would have normally taken 2 to 3 years to accomplish is accomplished in 2 to 3 weeks by necessity. It's no wonder that the real estate market in the High Desert is hot. The High Desert had a lot going for us even before this pandemic. Our local municipalities have been working for decades courting large employers to our area. Now it's finally happening, and on top of that, you have a large portion of the population working in those urban areas that may be able to work from home. We have the advantage of our affordability, interest rates are at an all time historic low, and we have lots of space. I would say the real estate market in the High Desert market is poised to lead our V shaped recovery.

One could say it's on FIRE.



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