

Methodology

The forecasts of home prices by county were produced in the December 2016 to January 2017 period. Our price forecasts are an extension of the actual price histories for the median home selling price through 2016.

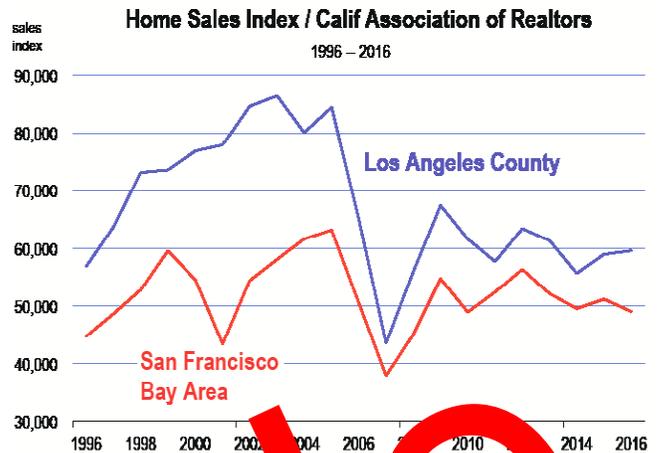
Homeowners and businesses have come to realize that relying on historical performance to predict future direction is ineffective in today's fast-moving economy, especially in view of regime changes and global influences.

Price forecasts are dependent on the demand for homes by consumers, the supply of new homes and the general statewide economic forecast for the 2017 to 2021 period.

The home sales series for each county is an index obtained from the California Association of Realtors, drawn from local Associations of Realtors. The series is an index of sales because it does not presume to include all county home sales during the year. Sales are for single family detached homes.

The home sales forecast utilizes a relationship of home sales with the probabilistic movements in employment growth, the unemployment rate, population growth, and the general statewide economy over the 2017 to 2021 period.

¹ We utilize the quarterly forecast of the U.S. and California Economies by the UCLA Anderson Forecast as a principal driver of our county level housing and existing home price projections.



Why the Forecast is Important

The direction and extent of home price forecasts directly impact the rate of investment in housing, the value of real estate investment trust shares, and the value of the home as a financial asset of the homeowner, directly influencing lending practices on residential real estate.

Forecast accuracy matters in most areas of economic forecasting because it drives many key financial metrics that directly impact return on capital and shareholder value.

The home sales forecast is less accurate and less important than the forecast of home prices because the sales variance is so dependent on the availability of inventory which, for the last several years, has been unpredictably sparse in California.

Low inventory levels of existing for-sale housing are the result of the aging population, California tax policy, and a serious lack of new home development over the last 10 years.

U.S. and California Home Price Forecasts for 2017 and Beyond

For the current year, the fundamentals lead to another year of rising home prices and apartment rents. We believe there is little risk that the new Trump administration would sponsor any type of new legislation that would hinder the forecast in 2017, and probably not in 2018 either.

Zillow issued a 12 month forecast in October 2016 calling for a rise in national home values of 2.7 percent. CoreLogic HPI has forecast an appreciation in home prices values of 4.7 percent in 2017.²

The National Association of Realtors predicts a strong year in 2017 for the U.S. housing market “with almost no risk of a crash downturn.”³ Although a moderate scenario of rising mortgage rates is expected, all forecasters’ probability of recession is extremely low and the likelihood of even faster economic growth supports strengthening housing demand this year.

Realtor.com predicts that the 2017 national real estate market will slow compared to the last two years, across the majority of economic indicators. Home prices are anticipated to increase 3.9 percent and existing home sales are forecast to increase 1.9 percent.⁴

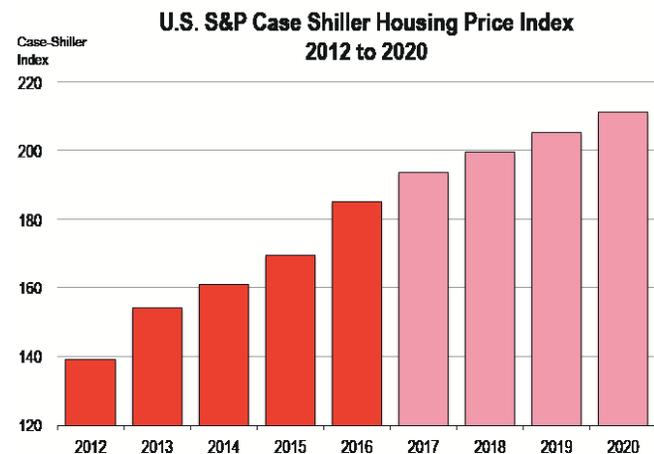
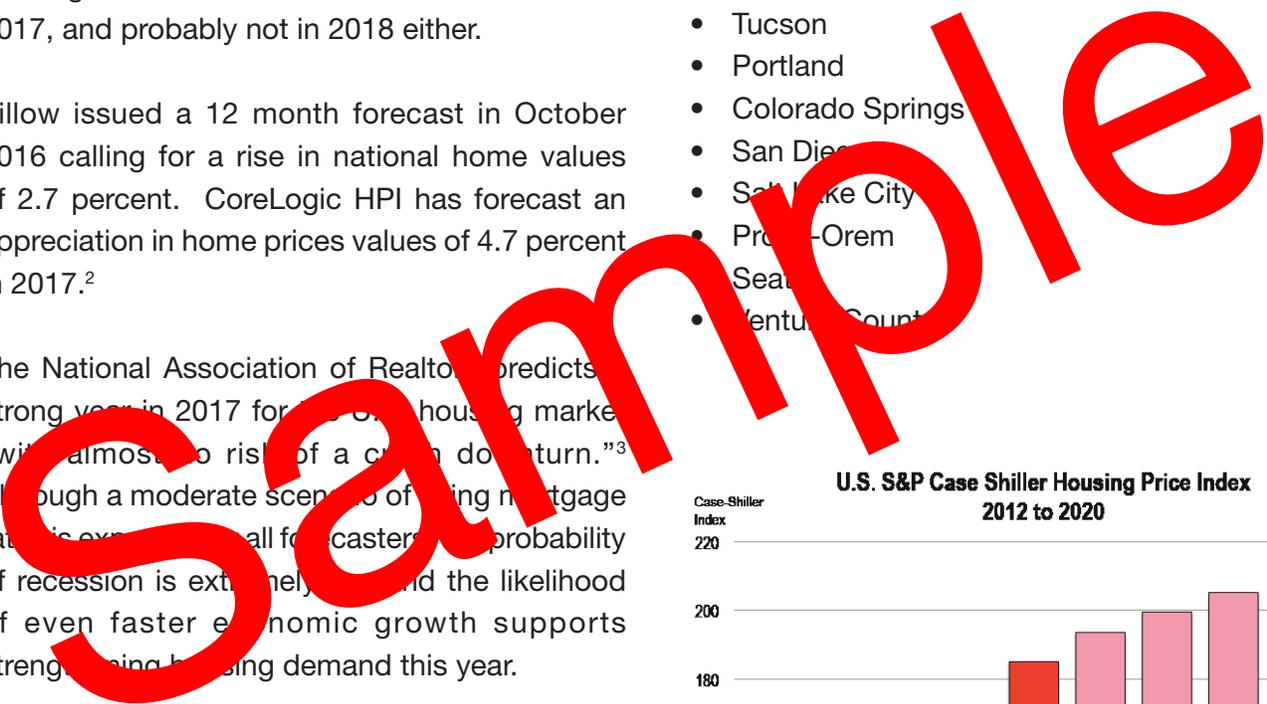
² <http://www.businesswire.com/news/home/20170103005129/en/CoreLogic-Home-Price-Report-Shows-Prices-7.1>

³ <http://www.gordcollins.com/real-estate/us-housing-market-looking-strong-2016-to-2020/>

⁴ <http://research.realtor.com/2017-national-housing-forecast/>

Housing values in the strongest regions in the nation, largely in the west, are forecast to rise 5.8 percent based on population and job growth. These markets include:

- Los Angeles
- Sacramento
- Riverside
- Tucson
- Portland
- Colorado Springs
- San Diego
- Salt Lake City
- Provo-Orem
- Seattle
- Ventura County



The U.S. S&P Case-Shiller Home price index is forecast by Trading Economics. That forecast through 2020 is presented here. The forecast is based on a mathematical model and expectations by analysts at Trading Economics.*

* <http://www.tradingeconomics.com/united-states/case-shiller-home-price-index/forecast>



“With the California economy continuing to outperform the nation, the demand for housing will remain robust even with supply and affordability constraints still very much in evidence. The result will be California’s housing market posting a modest increase in 2017.”⁵

The forecast is for a 4 percent increase in the median selling price for California, on the heels of a 6.2 percent increase during 2016.

County Forecasts

This report presents housing and sales forecasts for the 21 principal counties in the State, grouped by region. Over the next 5 years, home prices are unanimously forecast to rise in all markets, though at varying rates of increase.

⁵ <http://www.car.org/newsstand/newsreleases/2016releases/2017housingforecast>

⁶ http://www.car.org/3550/pdf/econpdfs/09-29-2016_EXPO_Forecast_Final.pdf

For home sales, the variation in the forecast is much greater. Some counties will continue to experience declines in the number of transactions per year, due largely to lack of inventory or the affordability of housing due to rising home prices and mortgage rates. Sales are projected to rise in other counties, due to increased population growth and a greater level of affordability.

Central Valley Forecasts

Central Valley home prices will appreciate quickly in 2017 and 2018, in some counties these gains will be lower than in recent years, but prices across the entire region will increase faster than the statewide average.

Prices will increase the fastest in Fresno County, appreciating by almost 8 percent in 2017. Values will increase the slowest in Sacramento County, where high levels of new housing production are adding supply to the market.

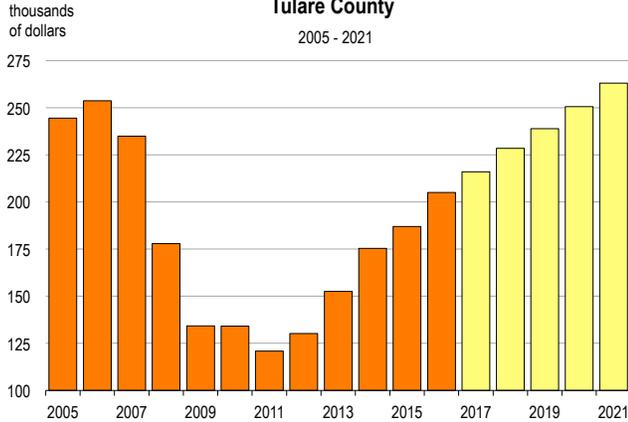
Sales volumes will expand relatively slowly, but again, there will be more activity than in the typical California region. Tulare and Stanislaus will be characterized by the largest increase in sales volumes, as buyers look for bargains in these relatively low-priced markets.

TULARE COUNTY HOUSING MARKET FORECAST



Tulare County

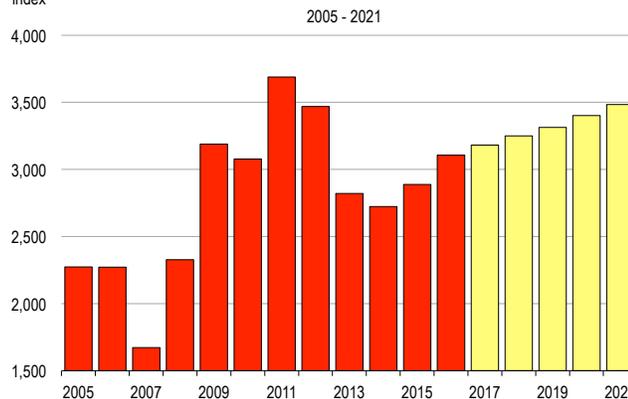
**Median Selling Price / Single-Family Homes
Tulare County**



**Home Price Appreciation / Single-Family Homes
Tulare County**



**Sales Index / Single-Family Homes
Tulare County**



Tulare County Housing Market Forecast

2010-2016 History, 2017-2021 Forecast

Year	Median Home Price (\$ 000s)	Home Price Change (%)	Home Sales Index (units)
2010	134.2	-0.1	3,077
2011	120.9	-9.9	3,688
2012	132.2	9.7	3,469
2013	152.3	17.1	2,821
2014	172.4	15.0	2,723
2015	187.0	6.6	2,887
2016	205.0	9.6	3,106
2017	216.0	5.4	3,181
2018	228.4	5.8	3,250
2019	238.9	4.6	3,313
2020	250.6	4.9	3,401
2021	263.0	5.0	3,483

Source: California Economic Forecast, January 2017

Note: All values are for existing single-family homes

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