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mlehman@golden1.com

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0:00:00.2 Amanda Lambert: Thank you for joining the Golden One Podcast. My name is Amanda Lambert and I am the Home Loans Program Manager here at Golden One. Today, I will be interviewing Ryan Lundquist to get his take on the Sacramento housing market.

0:00:14.0 Martin: Ryan Lundquist speaks monthly in real estate offices to share what the real estate market is doing as well as teaches appraisal-related classes. He has been involved with the Sacramento Association of Realtors for more than a decade and was awarded the Affiliate of the Year in 2014. He is a board member of the Real Estate Appraisers Association of Sacramento. He was given the Citizen of the Year Award by Rancho Cordova Rotary in 2008, and the Distinguished Service to Youth Award by the Cordova Community Council in 2009. Sacramento Magazine listed him as a notable business leader to watch in 2021. If you'd like to learn more about Ryan, you can check out his weekly real estate blog at www.Sacramentoappraisalblog.com.

0:01:02.4 Amanda Lambert: Hi Ryan. We are so excited to have you with us here today. I thought we could start by you just giving us a little history of what got you into the industry, what you do maybe on a day-to-day basis, and I've heard you say you love it before, so maybe speak to that a little bit.

0:01:20.3 Ryan Lundquist: Sure. So I think mostly everyone who gets into real estate gets in by accident, you just happen to know someone and that's exactly what it was for me. I was actually a middle school teacher of all things, and my wife got pregnant and we needed a different income if we wanted... We really wanted her to be able to stay home. And so I knew some appraisers, asked them to train me, and the rest is history, and that was I think in 2002, I ended my teaching and the rest is history. Yes, I do love it. I enjoy what I do on a day-to-day basis. I'm obviously doing appraisal reports, I do that full-time, but I'm pulling stats, I'm telling the story of the market. I think the most fascinating part for me about this occupation is just diving into the market and just really trying to understand the trends, so that's I think what I love the most.

0:02:12.5 Amanda Lambert: That's great. I think to be passionate about what we do translates into our work product, so it's always better to have that going for us. Do you think that you could maybe walk us through the last, oh 16 months or so? We've had a bit of a wild ride and maybe you can speak to what was happening before COVID, when COVID started happening, and then what you're seeing now.

0:02:38.4 Ryan Lundquist: Yeah, it's been a roller coaster, to say the least. I think really the housing market was actually slowing down before the global pandemic, and what I mean is that prices were still going up, there was still activity, there was still a lot of attention on the market, but we started to see a little bit lower price growth, and so maybe prices were up 4% to 6% from the previous year instead of 8%. And so it was like a car on the freeway that was speeding and then you take your foot off the gas, that was exactly what was happening in the housing market.

0:03:13.4 Ryan Lundquist: But then a global pandemic hits, and I think everyone and their mom who writes copy for doom and gloom type articles, they were so happy thinking, "The market's gonna crash and we've reached that moment," but here we are, the market did stall for about six weeks, there was so much uncertainty, but there's been this dramatic recovery where the market has

really, I think, been unexpected where we've seen profound growth.

0:03:44.0 Ryan Lundquist: In our 10th year of price growth here in the Sacramento region, we've seen a market that we're seeing price stats that are up 20% year over year. And so the market was slowing, but it's almost like that gas pedal was pushed and you have fewer sellers listing and you have excessive demand where there are so many buyers trying to get a home. And as soon as mortgage rates really went below 3% too, I feel like we hit this inflection point where it brought everyone out wanting to hunt for a home and it's just felt like chaos out there.

0:04:17.0 Ryan Lundquist: I think for anyone who works in real estate, it's been a really good year but it's been very stressful, and I feel for buyers out there who are out there, a lot of them have a fear of missing out or they're just trying to shop and trying to think, "How do I get a contract accepted?" And so it's really felt like an auction more than anything, instead of this real estate market. And so it's like it shouldn't be this hard to secure housing or shelter, but it really has felt like that auction environment.

0:04:49.1 Amanda Lambert: Yeah, definitely. That's a good word for it. Is... Or what would be the word that you would describe this market as, if you just had one word?

0:05:00.3 Ryan Lundquist: I would say chaotic auction. Really, I think at the beginning of the pandemic, when it's like everyone was like, "Hey, everything's gonna be okay." Or they're like, "What's one thing you wanna learn?" And we just wanna slap those people now, 'cause you're like, "I just don't like, let's not even ask those questions. They're not good ice breakers anymore." However, one of the things that COVID did to buyers and to people, it's kind of been a mirror where people are looking at themselves and thinking, "Where do I wanna live? Who do I wanna do life with? Where do I wanna be?"

0:05:34.7 Ryan Lundquist: It's really helped people make decisions and so I think that it has sort of pushed people out into the market, low rates are helping of course, but that's been, I think maybe one of the most fascinating effects anyway, where you would think that during a global pandemic all the doom and gloomers who thought that everything was about ready to crash that, you'd think that they would be right, but they've been not even close.

0:06:01.6 Amanda Lambert: Well, probably the history of the last 10 year, 15 gosh, how many years was it since '06? That might have painted a picture that people thought was gonna happen or maybe we weren't even there yet because the appreciation hadn't really kicked in yet, but I do hear a lot of people wondering, "Is this a bubble? Is what happened in '06 gonna happen now?" So what do you feel like in comparison? Are there some comparisons there, do you feel like it's similar? Expand on that.

0:06:38.7 Ryan Lundquist: So it's honestly, it's an interesting question because one of the ways that we know something is a bubble is if it actually pops. And so you can have these ideas about something, but you don't really know what that is until it actually happens, but... I always remind people that housing markets are sort of like kids, and for anyone who has children, you know that they're not all the same. My youngest is more of an introvert... Or excuse me, I'm getting them

mixed up. My oldest is more of an introvert, my youngest is more of an extrovert, they have different things that they're passionate about.

0:07:15.1 Ryan Lundquist: And I think sometimes when we compare different housing markets, we have to realize that the things that were driving the markets aren't always the same. And so in 2005, our market started to turn, it had a massive collapse, prices went down for six and a half years. It's something that no one locally wants to go revisit, that was not a fun time in real estate, alright?

0:07:37.3 Ryan Lundquist: But that was a market that was built on massive speculation, investors betting on appreciation, you had massive mortgage fraud, a lot of bad stuff. It was sort of like the fog and mirror test, "Hey, you need a home loan? Can you fog a mirror? Okay, great we'll give you \$400,000 to go buy a house." It was that easy. It's like, "Well, what could go wrong?" And I think in contrast, today, we have a very strict environment. Anyone who's gone through the financing process, you may be asking yourself, "Do they even wanna give me the loan?" Because it's stringent. Underwriters are doing their job and so that's not to say that this market isn't without red flags. I think we look at price appreciation and go, "This can't continue. This is not sustainable growth." For this season, it's made sense to see prices rapidly propel, but this cannot continue forever.

0:08:32.4 Ryan Lundquist: But here's the thing, what happened last time isn't the new template or it isn't the new formula for every future market correction. It's like the kids, I don't know if that's a good or bad analogy, but they're different, and we've had 10 years of price growth, it makes sense at some point that prices would go down. It's just... I think it's impossible to predict when would that be and if the market did correct, how much would it correct by? I talked with a homeowner who said, "I'm gonna sell my house and I'm gonna wait for this market to crash," and I'm like, "Well, you can do that because it's a free country and if you feel like that's an issue, go ahead." But I reminded him too though, is if it was like last time we had a six and a half year decline, so I just asked, "How long are you gonna rent for?"

0:09:20.5 Ryan Lundquist: And so I think sometimes we're so infatuated with all these geeky price metrics and we're following all these numbers because we have mass access to data online, but we're forgetting that most of the time people buy and sell because their lifestyle mandates it. It makes sense for where they're at in life. And so today, it's hard to get into a house, prices are a lot higher, but you know what? It makes sense for a lot of people because they've gotta get their kids in that school district or they're ready to move up, they're ready to move down. They want to live in Tahoe, they want that vacation house. There's so many different things going on.

0:09:57.9 Amanda Lambert: Absolutely, yeah. No, it's such a good point because I think there is that fear of missing out. There's also that fear of buying at the peak, nobody wants to do that and you always hear stories 10 years down the road or five years down the road where someone timed it perfectly, and so that's the gold standard, you wanna time it perfectly, but unfortunately you have to, like you said, live your life, do what makes sense for you and the family.

0:10:28.1 Ryan Lundquist: Yeah. And I'll say, Amanda, I almost think it's a myth for timing a market perfectly. I would say 99% of people when they bought in 2011 or early 2012, I ask them

this question, "Did you know it was the bottom?" Most of them say no. Someone the other day said yes, and I honestly thought, "Yeah, right." Because I thought almost everyone didn't know that it was at the bottom. A lot of people would have wanted to buy when prices were lower, but it didn't line up. Maybe they had a short sale or foreclosure on their record, their lifestyle didn't mandate it, they didn't have the job, and so it's not a cop out, it's not sort of this thing to say, "Hey, you should buy right now," there's no pressure from me.

0:11:11.6 Ryan Lundquist: I would just say to people, "Buy or don't buy, but be confident in your decision, but just recognize that it's not about those geeky metrics only." I would turn the table and say, "When's the best time to buy Bitcoin?" It's been really volatile, a month ago it was worth \$60,000 and now it's like \$38,000. And so it just shows that it's hard to predict the future and it's hard to time something absolutely perfect, but what we have to do whenever it's real estate or stock or whatever commodity it is, we have to be confident in our decision and we have to realize that things do go up, things do go down, there's seasons for everything.

0:11:46.8 Ryan Lundquist: And I mean, obviously, obviously no one wants to buy at the peak, I'm not minimizing that, alright? But I'm just saying that it's more difficult than I think that we actually realize. And we give lip service to this idea of how easy it is, but I would say most people, it's simply about them getting lucky rather than being strategic geniuses.

0:12:10.5 Amanda Lambert: Right. That's what I think hindsight is always 20/20. We can look back and say, "Yep, we did buy at the perfect time," but it just happened to line up with your life goals at that time, too. So...

0:12:21.7 Ryan Lundquist: Exactly.

0:12:23.1 Amanda Lambert: Such a good point. So let's talk a little bit about what's going on here locally with our median home price. I feel like I've been hearing some big numbers. Can you speak to what we've seen over even just the last 90 days or this whole year? What's going on there?

0:12:42.6 Ryan Lundquist: Yes, you have heard some big numbers. So since January, the median price in the Sacramento region that's Sac, Placer, Yolo, El Dorado, it's up about 15%. And so it was, I think about 485 in January and now it's 560,000. And so there's been very rapid appreciation in a very short period of time. For a number of months the median price has been up 20%, 22%. Right now stats are actually 25% to 30% up from last year, but last year is kind of weird, prices dipped during the being of the pandemic. I would say don't get stuck on 25% to 30%, but yeah, it's up 20%, 22% or so from last year. I do remind people that that doesn't mean that your home is actually worth that much more today, okay?

0:13:29.0 Ryan Lundquist: One of the things that we're seeing in our market, we are seeing more homes at higher prices sell, and so what that does to the numbers, you have more at the top, you have less at the bottom, it kinda pushes up the price stats overall. And so we just have to realize that part of the reason why prices have grown as a metric in the region is just because of that focus on higher dollar stuff, too/ And so I don't think that we talk a lot about it about that, that's probably too technical for real estate articles and such, but I think it's one of those things that we have to

understand, that's how the numbers work and so it's super important.

0:14:06.2 Amanda Lambert: Yeah, no, it's definitely interesting what the data can tell you. A lot of times it tells you what you wanna hear sometimes. So another thing that I hear a lot in the news and articles is this mass exodus from the Bay Area here, so is that hype? Is that sensationalized at all or is that really happening at a statistically higher degree than what we've seen in the past?

0:14:31.7 Ryan Lundquist: So I would say yes and no. There's no mistaking the Bay Area trend, it is heightened. I'll share some stats in just a sec. It is heightened during this COVID season, during the pandemic, but I think let's pause and realize that we always have a relationship with the Bay, this isn't something new, but we are seeing more people move here. One of the things to note about markets like San Francisco and Manhattan is that there has been a greater exodus from these urban environments.

0:15:05.0 Ryan Lundquist: At the same time, there's a lot of data scientists who are starting to come out and say, "I think we're exaggerating this. So time out, let's be a little bit careful." But for instance, so this is from a report from CBRE, they put out some data based on the Postal Service and... Let's see, I'm looking up so from San Francisco, Oakland, and Berkeley we saw last year, during 2020, there were 14,700 people who moved from those areas to Sacramento, Roseville, and Folsom. So you go, "Wow, there's almost 15,000 people from just those places who moved to those three sections of Sacramento, that is really huge."

0:15:46.4 Ryan Lundquist: But you look at the previous year and go, "Alright, there were about 11,000 people in 2019," and so there were a few thousand more from 2019 to 2020, but it's not like you all of the sudden have 15,000 from zero. And so I think that's important to understand or even stuff like LinkedIn is showing that there's been this 5% increase in membership in Sacramento among their members, and that was a really big change from considering other places around the country.

0:16:22.0 Ryan Lundquist: And so something has been happening in Sacramento, but I think the thing too, though to note is that say The San Francisco Chronicle a few months back, they published some stats where are people moving from San Francisco throughout California or wherever? And you know where Sacramento was? I think, I will say this in the eyes of locals, we think that we are number one on the list. So we think that everyone and their mom is moving here, but guess what? We were number 12, okay?

0:16:52.1 Ryan Lundquist: The bulk of people from San Francisco are actually moving to surrounding counties, so Alameda and San Mateo and Marin and Contra Costa, and it's sort of like what happens here. When people exit Sacramento, they're very often moving to Placer and El Dorado and such, and so again, I think that there's clearly a heightened trend, but I think one of the mistakes that we're making is that sellers would look and say, "Everyone's coming from the Bay and I'm gonna have this Bay Area unicorn swoop in and they're gonna pay top dollar more than anyone has ever paid in this market and I'm gonna get so lucky," or, "We're gonna have so much cash and everyone's dropping cash from the Bay." But then you look at cash stats and go, "Only 14% of the market is cash."

0:17:36.2 Ryan Lundquist: And so I think sometimes there's a disconnect with our narrative or we look and we see the most sensational examples possible, this house in the Bay area sold a million dollars above its list price, and then we expect to see that everywhere but that doesn't represent the market, it's an outlier. Just like that property, there's a property in Citrus Heights that got 122 offers and we go, "Oh my gosh, how can I ever get anything accepted?" But we've never seen any property ever have that many offers. That was number one all time in Sacramento. And so I think sometimes we just need to keep things in perspective.

0:18:14.1 Amanda Lambert: Absolutely. Could you touch and expand a little bit more on what you said about the cash buyers, 'cause that's another thing that we hear. "That traditional financing, you're at a real disadvantage because we've got all of these cash buyers coming in," mostly from the Bay of course so that's the narrative too. And they're swooping in and so people that are using financing are at a disadvantage from those cash buyers.

0:18:40.8 Ryan Lundquist: Yeah, so I would think that there's both good and bad news for local buyers when it comes to cash, and I think that the good news is that, like I said, only 14% of the market is all cash, and so literally, about 86% of all sales are dealing with financed... Okay, look, about 70% of the entire market, seven out of 10 sales are conventionally financed in the region, okay, about 10% FHA, 4% or so VA. So clearly, clearly, buyers are getting deals accepted with financed offers, but here's where cash does play a significant role, and here is I think the hard news for buyers, is that paying above sometimes appraised value to help a deal get done is very prominent, or bringing extra cash in or having something... Having funds available, it's like you have to save for your down payment, but you might have to have some savings for maybe paying above what's called the appraisal gap.

0:19:46.5 Ryan Lundquist: The difference between the contract price and whatever it appraises for, that gap sometimes buyers have had to cover that. So that's where cash is winning. And so I think sometimes we can be a little bit deceived if we look just at that 14% number, but I would say look at the whole picture though, there is hope. Even for FHA, I know it's not easy out there, but about one out of every 10 sales are FHA, and I think that that's at least some good news for buyers. It is possible to get an offer accepted. You're gonna have to be strategic. You're gonna have to work hard. You better be working with the right loan officer, and you better be working with the right realtor.

0:20:29.9 Amanda Lambert: Absolutely, yeah. Let's talk a little bit about when you're in contract or you're refinancing, you order the appraisal, and unfortunately, sometimes, like you said, it comes in low. So what is the appraiser you're using? I've heard the term comp, comparable. So explain how they're using that to determine the value.

0:20:53.6 Ryan Lundquist: So I can't speak for what every appraiser is doing. I will say that sometimes appraisers are doing a really great job, and we would call it... It came in low, but I would say it came in right where it should. Right? One of the...

[overlapping conversation]

0:21:07.2 Amanda Lambert: Lower than expected. Look for that, lower than expected.

0:21:09.6 Ryan Lundquist: Yeah, yeah. I always split hairs when people like, "Okay, okay." But it's an important line of demarcation to really look at and go, sometimes it should be coming in lower because the appraiser's job is not to sort of ratify the highest possible offer, that someone offered \$100,000 above the list price, and the appraiser is looking at comparable sales, okay, but the appraiser is also looking at what is similar that's getting into contract? So current paintings and current listings, and trying to recognize, where is value? And I know sometimes people say, "Well, market value is when a buyer and a seller agree on a price," but I just ask, "Okay, well, great."

0:21:54.4 Ryan Lundquist: Well, my grandma wants to sell me a house for a dollar, and so is that market value when we agree on the price? No. Market value would be the most probable price this property should bring in an open and competitive market, and so if you lined up 100 buyers, what's the most reasonable price they should pay?" I mean that's kind of what the appraiser should gauge. But I think here's the problem in today's market. Sometimes when an appraisal does legitimately come in too low, I think the appraiser hasn't recognized the difference between when these comps, when these comparable sales got into contract and how the market's changed since then. I was just in a house yesterday for a divorce appraisal, and then they're getting three appraisals and I thought, "Oh my."

0:22:38.9 Ryan Lundquist: There you go. So I'm apparently number three on the list. But they had one, and I looked at the appraisal report 'cause they showed me, I thought, "Hey sure, I'll check it out." And the appraiser used sales. They got into contract in March, they closed in May, and didn't give any adjustment up for the market changing between March and May. That was a legitimate example where it's very likely that this value was too low because the appraiser didn't consider how has the market change. So that's unfortunate. And I think it's a black eye for maybe the appraisal profession when stuff like that happens. But like I said, there are many examples when appraisers are doing an outstanding job, and it really should come in low, everyone and their mom knows that, the loan officer, the real state agent, they're all expecting it to come in low, or even the buyer, and when it does, we can't argue with that.

0:23:33.9 Amanda Lambert: Yes, yes, definitely. Well, even if you just define a comparable, I know sometimes when buyers going through the process, they might not understand what that means in relation to the appraisal.

0:23:51.2 Ryan Lundquist: Got it. I totally went on a tangent, so let's get back to that. So a comparable, I would say is a property. If you are looking at a home, the subject property, you're gonna buy that home, what else is similar enough that you would also buy that home? Or what's a replacement for the subject property, okay, that is competitive enough, it's probably similar in some regards, like condition, in size, probably the level of upgrades. If I am appraising something and it has a river location, well, the best comps probably also have that river location.

0:24:28.8 Ryan Lundquist: And so I think sometimes people use this terminology, they say comp, and they call anything that's a sale a comp, so that property next door is a comp and I'm going... No, that's a 1,000 square feet larger. It has a panoramic view. It doesn't back commercial property.

That's a sale. And so we just wanna use that language of comparable or competitive. Is it really a substitution? That's what nails it. And probably has a similar bed/bath count, all that stuff. But appraisers and really the market as a whole is looking at all those things lining up. Is it an apples to apples comparison? If I'm praising an apple, I probably wanna find what other apples have sold for. If I'm just using oranges, well, I haven't really proved what an apple's worth, have I?

0:25:17.5 Amanda Lambert: Such a good analogy, yeah. When you say if the appraisal comes in lower than the purchase price, you call that the appraisal gap, so then how would that work exactly?

0:25:33.2 Ryan Lundquist: So, well, first, I think that it's an interesting thing with this gap, sometimes we treat that the deal is dead, and the appraiser's job is to ratify the contract price, but I would say no, it's an opportunity to negotiate. And that's where I think real estate agents and homeowners and the buyer have to put their minds together to figure this out. Now, in an ultra-competitive market, the buyer in the contract might have already said, "I'm gonna pay the difference," or "I'm paying \$5,000 or \$10,000 above whatever it appraises for." There's so many different ways to do this. But I think, first, let's not... Let's just recognize it. It can be negotiated. It isn't the end.

0:26:18.1 Ryan Lundquist: It isn't sort of the last nail in the coffin to this deal. I think at one time it was very normative for appraisals to come in lower. During the previous housing crash, I think we forgot that where appraisers were maybe more deal enablers like, "Hey, what number do you need? Okay, great. Well then it's gonna appraise magically at that number." and that's not good. That's not ethical. That's not what we want to see. That's not healthy.

0:26:43.8 Ryan Lundquist: Appraisers to have an important role to play in the market system of checks and balances, alright? And so I'd say, yeah, they can negotiate, maybe the buyer's on the hook, maybe the seller and buyer meet halfway. The struggle is, if there's all these backup offers and they're willing to pay the full price or someone says, "I'm using conventional financing, and here are my cash reserves," that person might be in a winning position. And so I'd just say, be really careful with the language that you use in contracts though. It's not a fun situation. If you're looking at the market, you really think that this property is gonna praise at 330, but you're in contract at 390, and there is that difference somehow, you're gonna have to account for it, and it's not the appraiser's job to account for it unless the market really is at that level.

0:27:35.6 Amanda Lambert: Right, definitely. Thank you. Another kind of buzzy words, we talked about comps and appraisal gaps, and now I was hoping you could explain inventory. We hear that a lot too. "Two months left of inventory," "Not enough inventory," "There's no inventories," it's been a long time since I heard, "We have too much inventory." So what is inventory? Why does it impact our market and our values?

0:28:02.6 Ryan Lundquist: I know. I can't wait till we have more. That way we have to... We can have a different narrative in real estate. I swear everyone's like, "There's not enough, there's not enough," and it's like, "Oh yes, I know, it's been true for so long." So inventory would be the amount of homes for sale. And sometimes when we hear... If we hear there's 1.2 months of homes' worth for sale, that means... Or inventories at 1.2, that means that we have about 1.2 months' worth of listings before they'd all be gone. Or in the Sacramento area right now, we have 0.60 months'

worth of houses for sale, that's our inventory, and that means that there's about 19 days worth of listings before they are all gone.

0:28:42.0 Ryan Lundquist: And so that number could easily be twice that amount, maybe even three times that amount. And so it really is low, okay. But part of the reason why it's low is because so many buyers are already in contracts. And so that number is a little bit interesting, but there is a reason why it's artificially low. But we have had fewer sellers come in to the market, just not wanting people to come to their homes during the pandemic. And so hopefully, we kinda deal with that a little bit more in the future. Yes, people get as we normalize and people are going on vacation and all that stuff, hopefully we get normal again, going out to dinner, all that stuff, so... Come on, sellers, we need you.

0:29:24.8 Amanda Lambert: That's right. Well, it's been a long time since I've heard the term buyer's market. So when you do hear seller's market, buyer's market, is that tied to inventory in some way? Is there a formula that's telling you whether it's a buyer's market or a seller's market?

0:29:42.3 Ryan Lundquist: There's no real formula because it depends on the dynamics in the market. A lot of times in real estate, I hear this myth perpetuated. People say a five-month supply of homes for sale is normal, and I'm like, "Well, that's not normal here. I guarantee you that prices would be declining if we had five months' worth of homes for sale." So I would say our new normal has happened about two months. But that normal wouldn't have been normal maybe 15 years ago. And so I think our normal is constantly evolving, and so we just have to sort of be aware of that. And I totally forgot the question you asked. [laughter] So...

0:30:17.7 Amanda Lambert: Me too. No. [laughter]

0:30:18.7 Ryan Lundquist: If you wanna repeat that or... Yeah.

0:30:20.5 Amanda Lambert: Buyer versus sellers. You hear that terminology a lot, and I was just curious. I had always heard the six... I had heard six months' inventory one way or the other, but yeah.

0:30:33.7 Ryan Lundquist: Yeah, it just... And that really just has to do with, who has the power in the market? And so in a seller's market, the sellers are in control, you're driving the market. Buyer's market means the market is more tilted toward buyers, where buyers have more bargaining power. Actually, 2018, the market sort of... That was, I think our last buyer's market. For half a year, the market sort of got really dark 'cause mortgage rates shot up around 4.5%, almost 5%. All of a sudden there are all these listings on the market because buyers are like, "Whoa!" So that was sort of an example of maybe our last buyer's market, it just feels like it's been on hyper drive or warp speed since then.

0:31:17.7 Ryan Lundquist: We are nowhere close to any sort of buyer's market right now. So sellers... Sellers, basically, for about 10 years, have been in the driver's seat more or less, besides this little blip in 2018. And so I think buyers are maybe ready for a difference, but we'll see about that.

0:31:36.8 Amanda Lambert: Speaking a little bit, back to what we were talking about where the value comes in different than what people are maybe expecting is... I think part of that is based on the fact that they're going to Zillow and Realtor.com, and they're getting that perspective of what they think their value is, and especially lately, maybe checking every month and seeing that value go up by 1% or 5,000 or whatever it is. So are those a good indicator of what your home is worth? And maybe define the difference between how they're getting that, if you know, versus a real estate appraiser coming out and giving you an appraisal on your property.

0:32:16.9 Ryan Lundquist: So like the singing goes, Zillow doesn't know if 20 cats live there, it can't smell if 20 cats are in the residents, right? Sorry, cat owners, but it's really true. These websites have an algorithm. And so they're taking criteria about the property, the square footage and the lot size and all that stuff, and they're coming up with a value without being in there in person, or sometimes without really understanding that, wow, there's something really special about the ERA charm present at the home, or there's an accessory dwelling in the backyard, or just a backyard, and this is a perfect pandemic paradise.

0:32:55.5 Ryan Lundquist: It just makes a huge difference in value. And so I think that these websites, they're neat, I get it, I get the appeal. My wife loves some of the websites, especially when we were home-hunting six years ago, I mean she was glued to it. It wasn't every week. I think buyers are going... Or sellers are looking at it going, "My house is \$500 more based on two days ago," and I'm my like, timeout, the homes aren't the stock market. And I think that sometimes we give so much weight to these tools, we're maybe forgetting to look at comps, or we love big data so much that we're maybe forgetting the humans and good professional insight and judgment. And so there's a balance there maybe, but I would say be really careful because these websites can be incredibly hit-and-miss. Sometimes they are spot-on, right?

0:33:53.9 Ryan Lundquist: I finish an appraisal, and then I always check Zillow for all my private appraisals. Do you know why? Because I have lawyers come back, or I have home owners come back and they say, "But Zillow says..." And so I need to be ready to answer that question, unfortunately. But that's the nature of the beast. It's how things are. But there can be a profound difference. Sometimes it's hundreds of thousands of dollars. The one I think dirty little secret though, is Zillow I've seen, and I'm not sure if the others do this, but they have a tendency of matching their Zestimate to what the property sells for.

0:34:31.1 Ryan Lundquist: And so you have this list price, imagine if a property was overpriced, and then the list price keeps going down. Well, so does the Zestimate. So then they can say, "Look how close our Zestimate is to the final price." Well I go, "Yeah, because it chased that list price down until you found the sweet spot. And so of course that's gonna boost your accuracy rate." And I know everyone would say, "Oh, this is exactly what an appraiser would say," but I'm being objective. This is how their algorithm works, okay.

0:35:03.6 Ryan Lundquist: And so I think that there are some stuff we can do with statistics at time to sort of bend them in our favor. And if consumers don't care about that, and that's just some data nerd thing for me, then that's one thing. But if consumers do care and a brand is building trust and trying to win the hearts of consumers based on their accuracy, then maybe it's something to pay

attention to. But that's the cool part, consumers get to decide whether it's important or not. That's their call.

0:35:31.2 Amanda Lambert: Yeah, it's definitely good to keep in mind that maybe it could be a good indicator, but it can also not give an accurate portrayal depending on the uniqueness of the property. So I appreciate that. We've talked a lot about Sacramento in general, but what also... Like these trends that we're seeing in Sacramento, can we see them throughout the state and even nationally too, or are we a little hub?

0:36:02.3 Ryan Lundquist: Yeah, the market is only happening here. No, no, this has really felt like a national dynamic where as hot as things are, it's really... I log on Facebook, or I'm on social platforms, I'm talking to people all across the country, or I'm looking to actual stats, people are echoing this situation, it feels like an auction environment here, or the market has been moving up at insane speeds. And so I would say that this is a national thing. Alto's research this week, they talked about the median price is up about 15% nationally from last year, okay. It's at 399,000 this week.

0:36:38.0 Ryan Lundquist: And so it's seen substantial growth. A year ago, it was about 350,000. But in California, it's like we keep breaking records. The first time the median price ever over 750,000, and then our median price in April was 814,000. And so it just... It keeps sort of breaking this record each month. And so that's an interesting dynamic. But I would say one interesting thing though for buyers to consider is that the condo market is actually... It doesn't appreciate as fast as the rest of the single family market it's true in the entire state of California, that it's true locally also. And so it's still moving very fast. Don't get me wrong. It's not a softer dual market. But sometimes people who are looking and going, "Gosh, I don't know what I can afford," I just say that don't forget to look at the condo market because it could be a viable option for you.

0:37:35.4 Amanda Lambert: That's a great point, and it kinda leads me to my last question is, how can people put themselves in the best position, or what are some things to consider to make sure that they're making the best decision given the market as it is?

0:37:51.6 Ryan Lundquist: Absolutely. So I'm really careful about telling people what they should and shouldn't do, so I just say, first of all, people have to look at their lifestyle and their situation, and just ask the question, "What does affordability look like?" And so it's essential. The very first step, you have to talk to a loan officer and find out, "What can I actually qualify for?" and then begin looking at homes and think, "Am I okay with the product? Am I okay with the neighborhood?" It's like that first-time buyer mistake, you buy any house out there, then you realize like, "Oh wow, I didn't buy a partial island, I bought the neighborhood." And so the neighborhood really matters.

0:38:29.0 Ryan Lundquist: But I just say that you have to work with a good loan officer, and you have to work with a good real estate agent who has a track record of getting deals done, and who has good relationships with the rest of the real estate community, okay. Real estate doesn't happen in a vacuum. It's this very relational environment where relationships and history of loan officers and agents working together and closing deals, that can matter greatly sometimes to a seller who's getting advice from the listing agent saying, "Hey, this other agent and loan officer know what

they're doing. They have a proven track record."

0:39:07.9 Ryan Lundquist: And so that's why sellers aren't always accepting that all cash offer. And so they're... Or where your offer can stand out because it's strong or it's strong enough, But I just say for buyers too, you just need to be realistic about the dynamic out there, and you probably need to look at what you can qualify for and begin shopping at a lower price point. Because chances are, in this environment, the property might get bid up, okay. Now, I know the dream is to always get a property below list price, but don't be that buyer who is offering below list.

0:39:43.6 Ryan Lundquist: I swear, I hear from agent sometimes, they're complaining, not publicly, but we're talking in private, and I think, "Oh, what a buyer mistake." Okay. Just realize that in last month, in May 2021, in the whole region, only 5.75% of homes sold below the list price, okay. Now, about 20%, one in five homes sell at the list price or less, but you gotta think 80% of the market basically is getting bid up. And so you just have to be real about, "How much higher might I have to go?"

0:40:14.4 Ryan Lundquist: But just don't be scared as a hype though too, you're gonna have to offer a 100 grand above. Look, 6% of sales last month sold \$100,000 above what they listed for. There's that one example. I'm sorry if this is too nerdy. But there's that one example, \$340,000 above the list price, that's what it closed for, and we go, "Oh my gosh, how am I ever going to afford the market? I can't even qualify for \$340,000." But you gotta realize that less than 1% of sales sell \$200,000 above the list price, okay. I'm not trying to sugarcoat or soften how aggressive it is out there. It is definitely aggressive.

0:40:54.1 Ryan Lundquist: Be realistic about that, but also don't be so influenced by the sensational examples that 122 offers at Citrus Heights, that is not normal, okay. But I would just say, make sure that you buckle up. You're in for probably a stressful ride. And look at it, I would say my last thing, as sort like dating. You're probably not going to marry the first person you date, maybe you will, maybe you won't, and when it comes to real estate in today's environment, you're probably going to have to make a lot of offers before one sticks.

0:41:28.0 Amanda Lambert: Absolutely. So many good points there, so much information out there in general. And to point out that, at the end of the day, it's still a relationship when you're working with a loan officer, when you're working with your real estate agent, and they're working with the people that are in their sphere, so we're all connected, and it is so important to have those good relationships. Thank you.

0:41:52.3 Ryan Lundquist: Absolutely, absolutely.

0:41:55.4 Amanda Lambert: Alright, well again, so, so thankful to have you on, and hopefully we get to do it again sometime. I have wanted to pick your brain for many years now, so this has been very fun, and I know our listeners are gonna really gain a lot of value from it too.

0:42:14.2 Ryan Lundquist: Absolutely, it's a pleasure. Thank you so much, I appreciate the opportunity, and you guys keep up the great work, and I hope you have a really, really successful

rest of the year.

0:42:24.8 Amanda Lambert: Perfect. Thank you so much, Ryan.

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