2027 ECONOMIC & HOUSING OUTLOOK

Sacramento at a Crossroads:

Boom, Bust, or a New Normal?

Somjita Mitra, PhD
Chief Economist
California Department of Finance





Agenda

1 A Year Ago…

2 U.S. Economic Outlook

3 California Economic Outlook

4 2027 Outlook and Risks

5 The North State BIA Region

6 Key Takeaways



A Year Ago…

- Government Shutdown
- Tariffs
- Immigration Enforcement
- Slow Hiring
- Fed Rate Decisions

By late February, mortgage rates had dipped below 6%.

…Then the war with Iran began.



So What Happened?



Oil Spiked

War with Iran began in late February.



Gas Followed

California is back above $6 a gallon.



Prices Jumped

Inflation climbed back toward 4%.



Rates Went Up

The Fed raised rates in September.

U.S. Economic Outlook

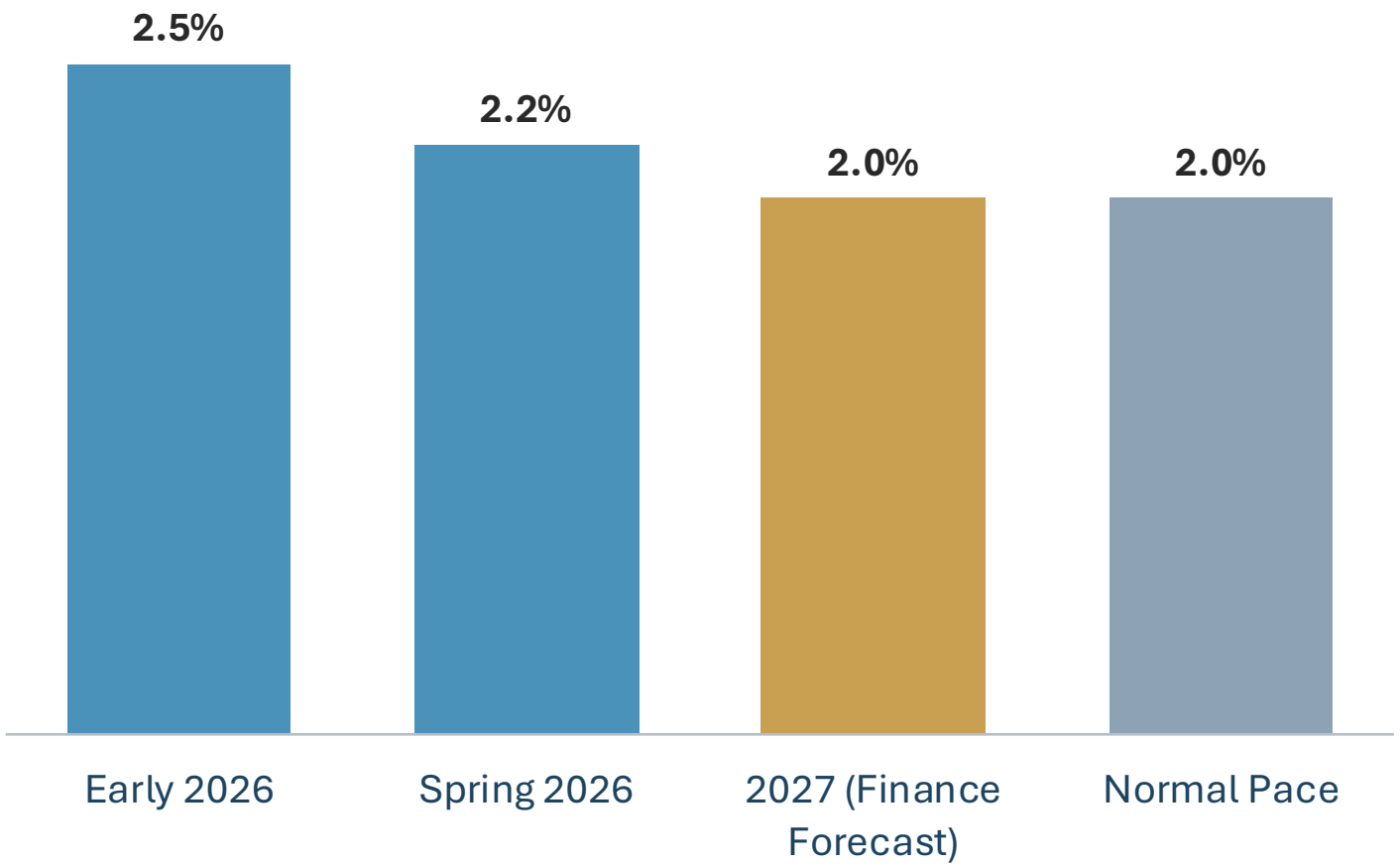


A Quick Check-Up on the Economy

Growth	Holding up	Hiring	Slowing
Paychecks	Trailing prices	Inflation	Too high
Mortgage Rates	Near 2023 highs	Consumer Mood	Near record lows
Builder Mood	Lowest since 2012	Building Costs	Going up

The Economy Is Still Growing

U.S. real GDP growth, annual rate (%)



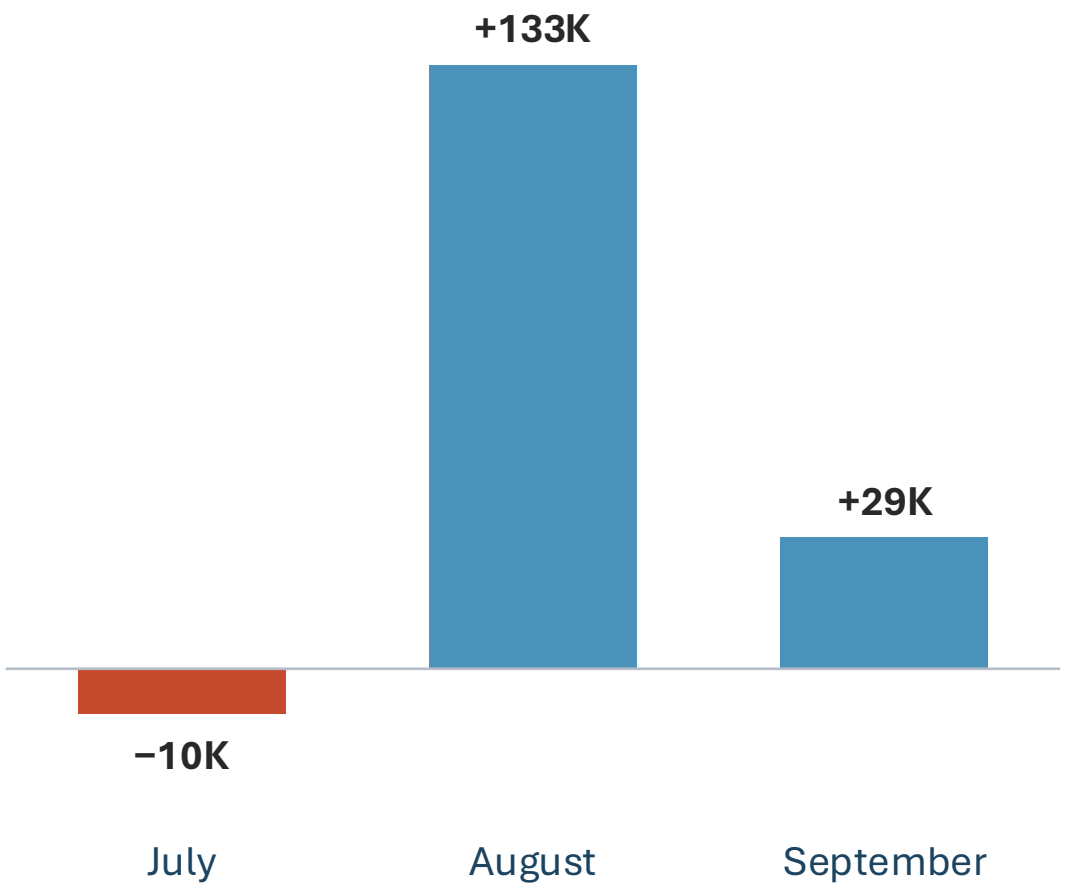
People are still spending.

Some of them are dipping into savings to do it.



Hiring Has Slowed Way Down

Jobs added each month, nationwide



Over the Past Year

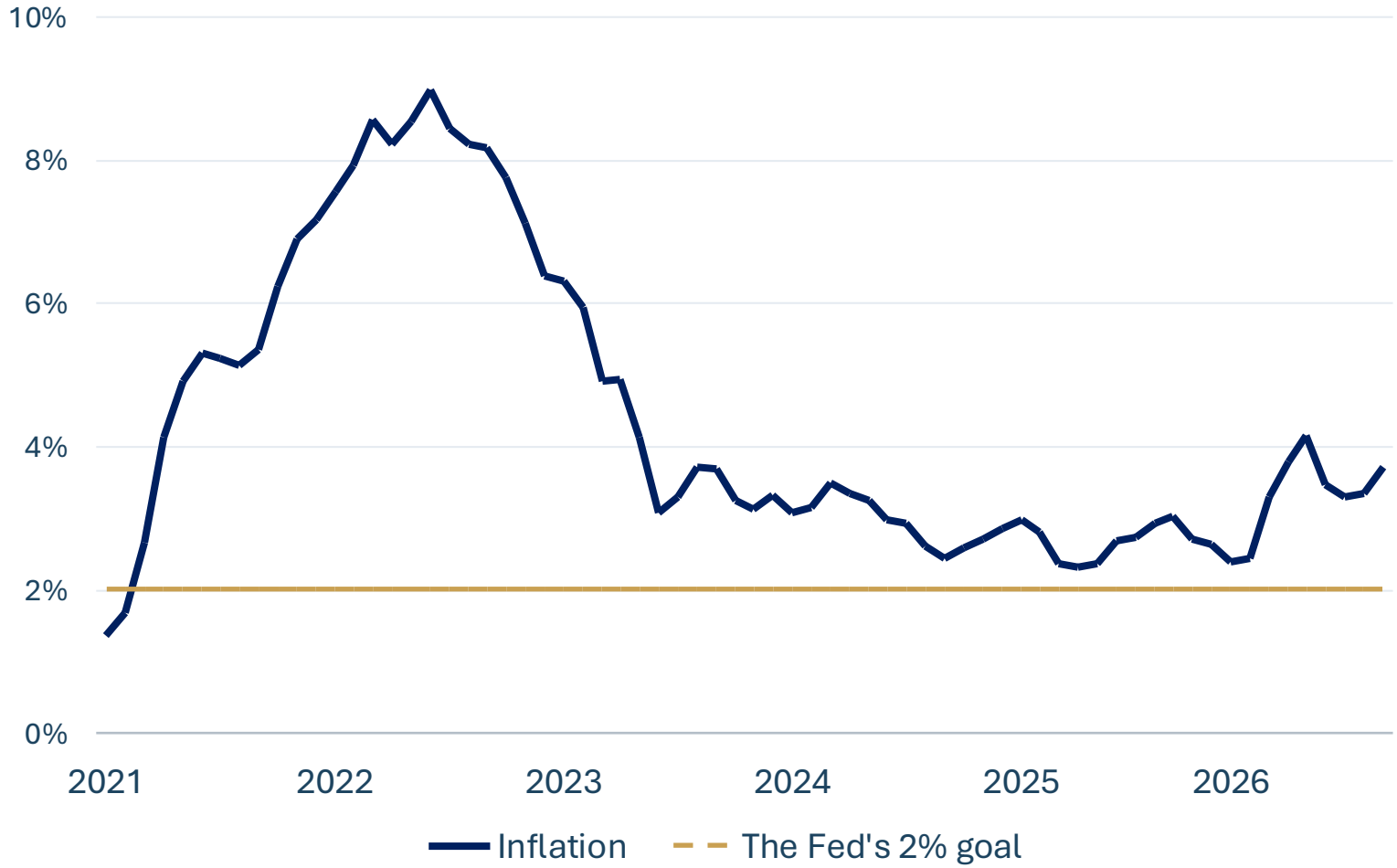


Hourly pay is up 3% over the year.
Prices are up 3.7% over the year.

Result = Pay Cut

Gas Prices Pushed Inflation Back Up

U.S. consumer prices, change from a year earlier (%)



Inflation was almost back to normal in January.

Then the war with Iran started, and gas prices took off.



The Fed Doesn't Control Mortgage Rates

Late 2024 Through 2025

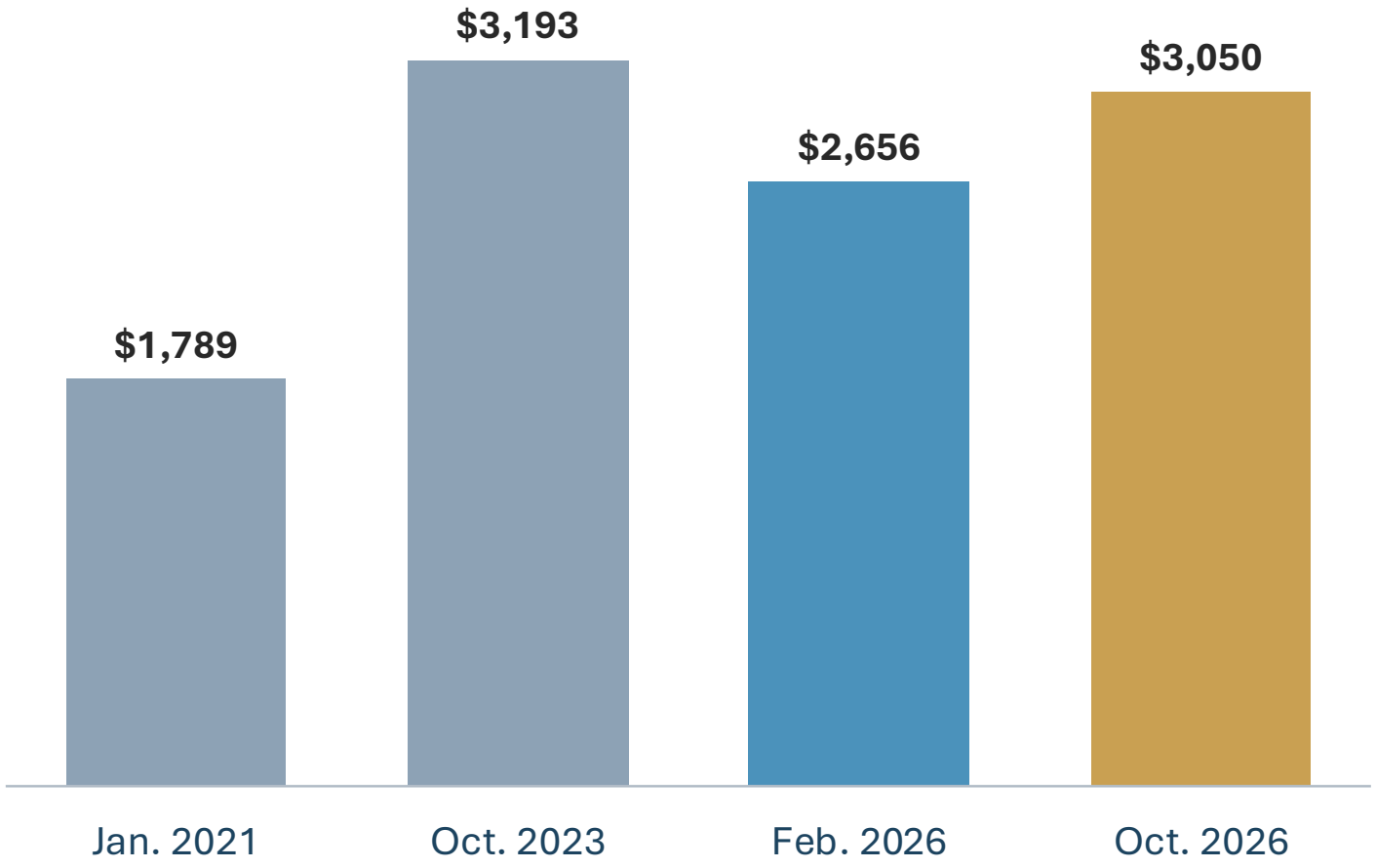
- The Fed cut rates
- Mortgage rates barely moved

This Year

- The Fed raised rates a little
- Mortgage rates jumped

Same House, Different Payment

Monthly mortgage payment on the same Sacramento County home



$400

more a month than in February

$555,000 home (Sacramento County median, September), 20% down. Principal and interest only.

People Are Feeling Pretty Gloomy

How Consumers Feel



How Builders Feel



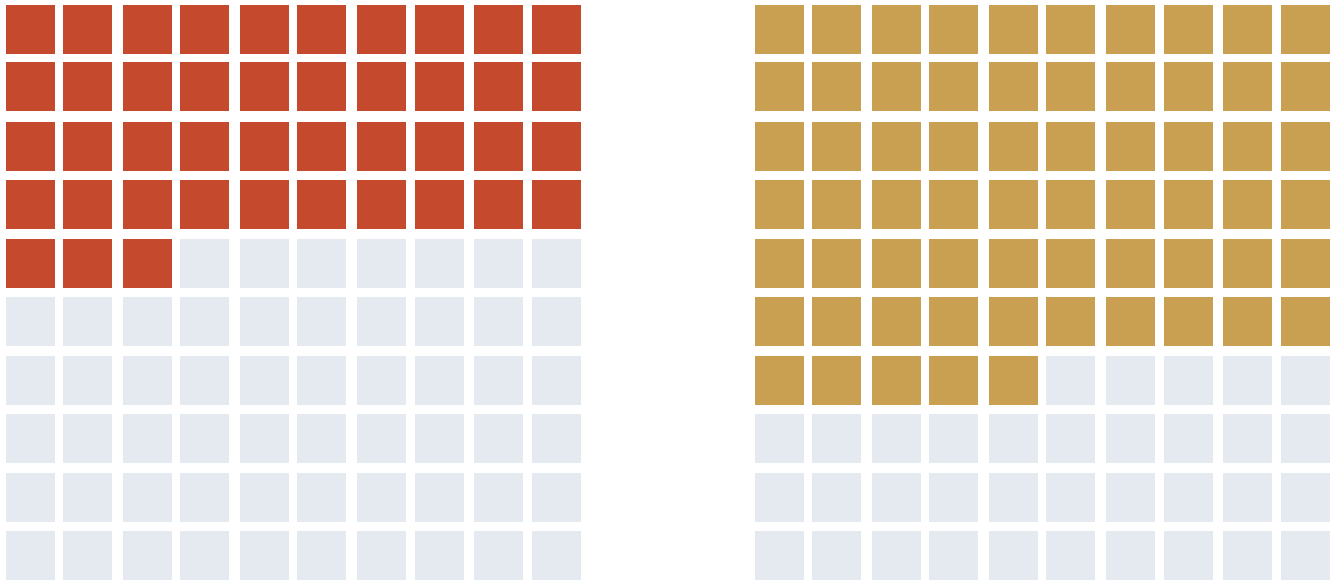
Consumers feel about as bad as they have since the survey began in 1952.

Builders haven't been this down since 2012.

When buyers get nervous, they pullback on spending.

Builders Are Doing More to Close a Sale

Each square is 1 of every 100 builders surveyed nationally in October



43% cut prices

65% offered incentives

Buyers shop by the monthly payment, so rate buydowns are doing a lot of the work.



Building a House Costs More Than It Did a Year Ago

Tariffs

On steel, lumber, copper and cabinets



Loans

Land and construction loans cost more



Fuel

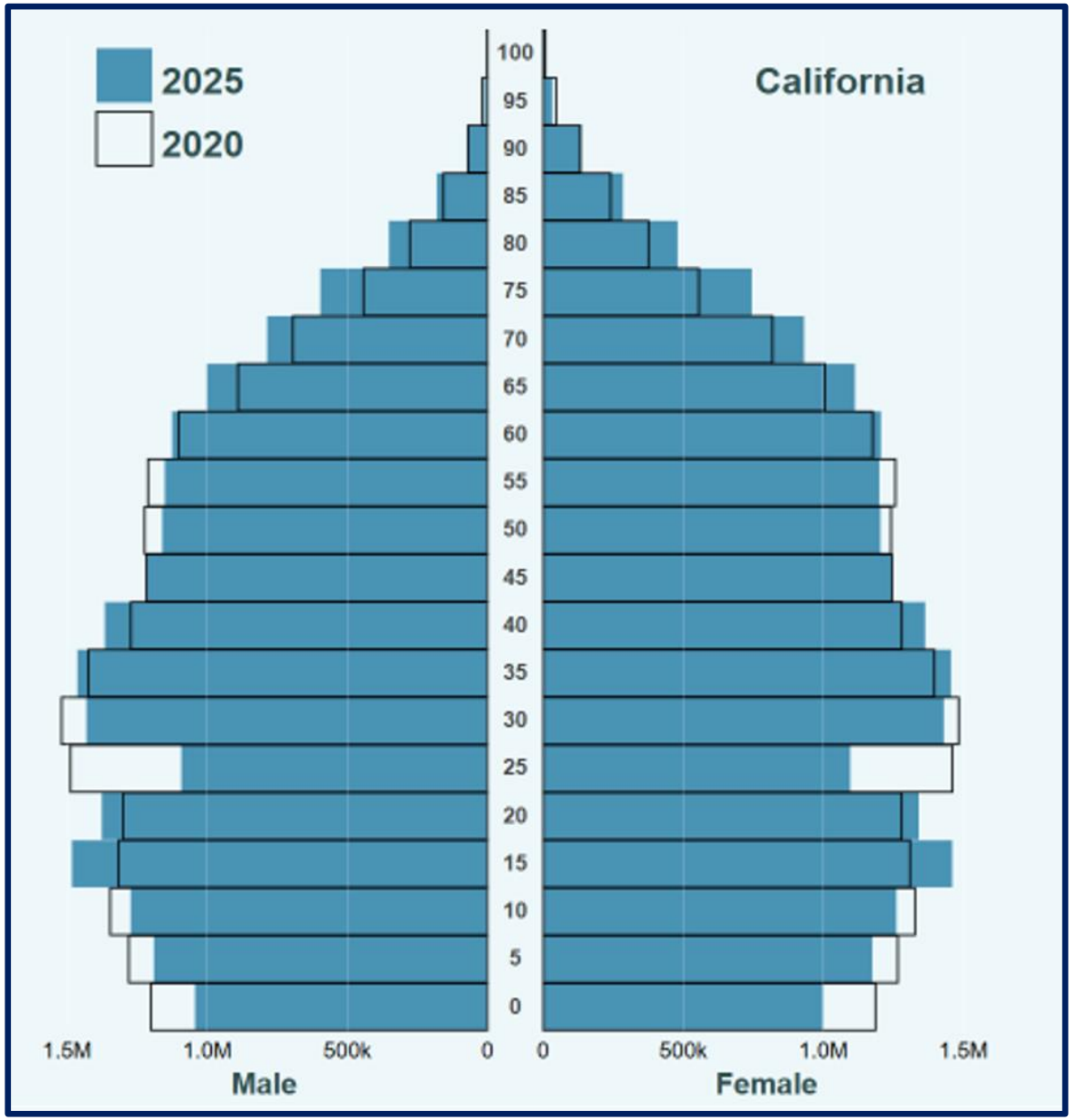
Diesel and deliveries cost more



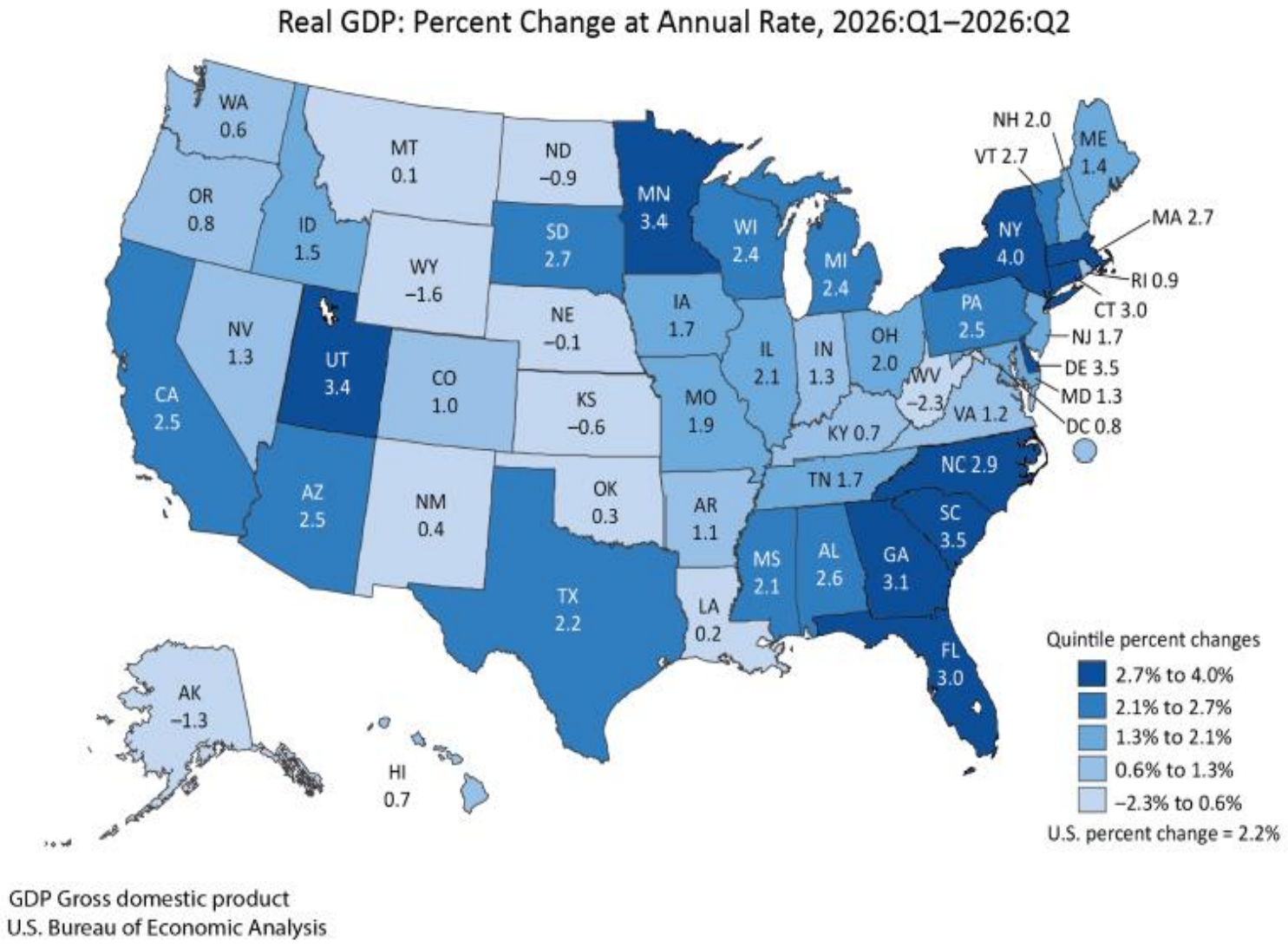
California Economic Outlook

Demographics, growth, jobs and the workforce

We're Getting Older…



California's Economy Grew Slightly Faster Than The U.S.



GDP Gross domestic product
U.S. Bureau of Economic Analysis

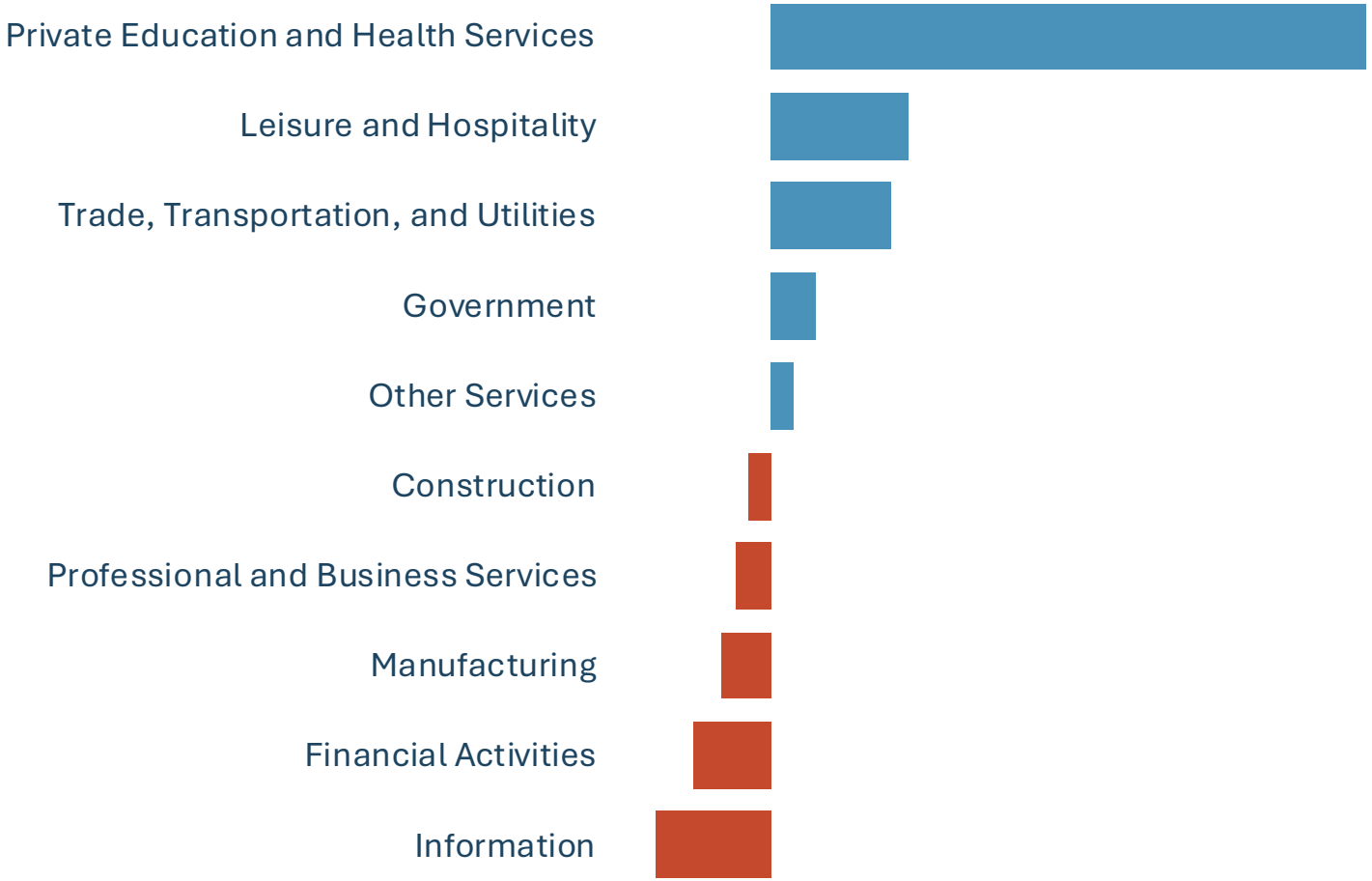
CALIFORNIA: 2.5%

U.S.: 2.2%



California Isn't Hiring Much Outside Health Care

Jobs added or lost in California over the past year, September 2025 to September 2026



California lost jobs in September, and unemployment is higher here than nationally.



California's Workforce Is Shrinking

379,000

fewer people in California's labor force than a year ago



Construction relies heavily on immigrant workers, and builders say immigration enforcement is slowing projects down.

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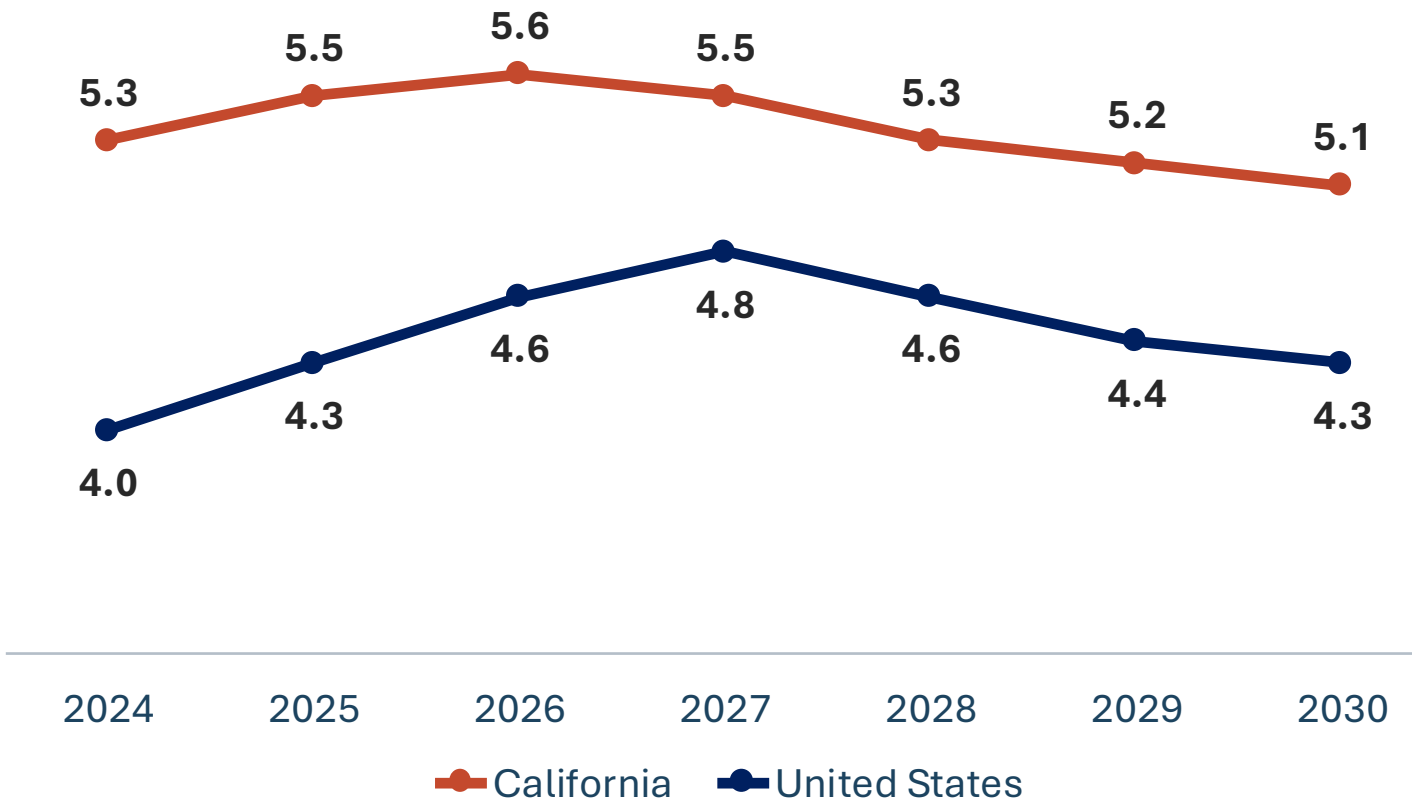
The State's Forecast: Inflation Up, Jobs Flat

California Department of Finance, 2026-27 May Revision forecast, Update in January 2027

	2025 Actual	2026 Forecast	2027 Forecast
U.S. economic growth	2.1%	2.1%	2.0%
U.S. inflation	2.7%	3.5%	2.2%
California inflation	3.1%	4.1%	3.1%
California unemployment rate	5.5%	5.6%	5.5%
California personal income growth	5.5%	4.1%	4.4%
California job growth	0.3%	−0.02%	0.1%

Unemployment Rate to Tick Up in 2026, Then Ease

Annual unemployment rate (%), May Revision forecast (2026–2030 are forecasts)

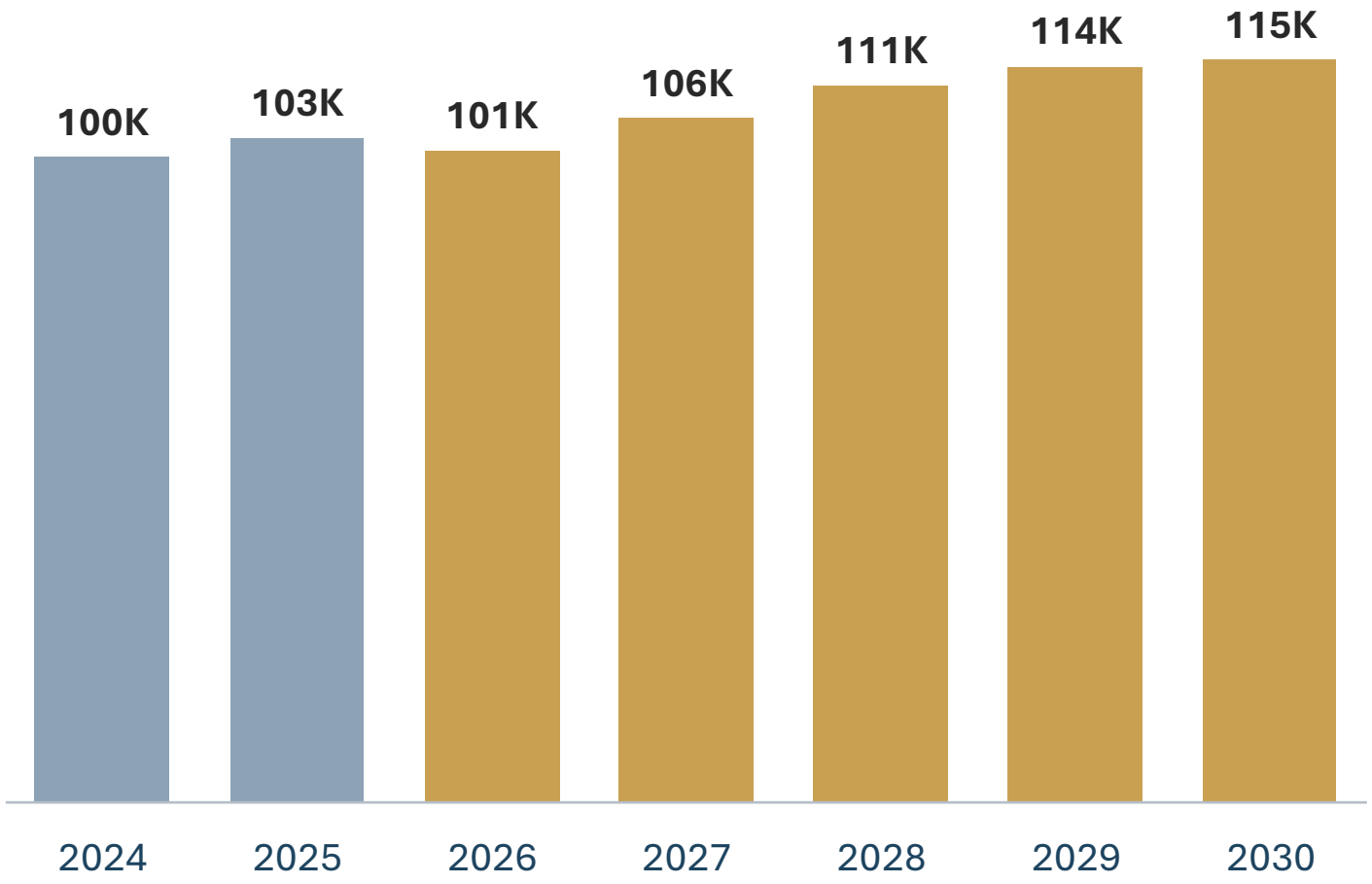


Job growth is projected to stay near zero in 2026 and 2027.



California Permits Forecast to Reach About 115,000 by 2030

Residential units permitted in California, thousands (2026–2030 are forecasts)



That's above the 2015–2019 average of about 108,000 a year.

Despite demand, building in California faces significant constraints.

What Forecasters Expect for 2027

Growth	Steady, a little over 2%
Inflation	Easing, but still above the Fed's target
The Fed	Little or no relief
Mortgage Rates	**Somewhere between 6.6% and 7.5%**
Oil	??

Three Ways Next Year Could Go

	What Happens	Mortgage Rates
Relief	Oil calms down and inflation cools off	**Low 6%**
Slow Grind Most likely	Inflation eases slowly and the Fed sits tight	**Around 7%**
Squeeze	Oil stays high and the Fed hikes again	**7.5% or more**

Risks to the Outlook



- Oil prices and the war with Iran
- Inflation that won't come down
- Higher long-term interest rates
- Tariffs on building materials
- Fewer workers
- A stock market correction

Ongoing Structural Risks to the State

- Aging population
- Continued housing shortage
- High costs and affordability
- Wildfire and insurance costs
- Fewer workers
- State revenue swings

Implications for the North State BIA Region

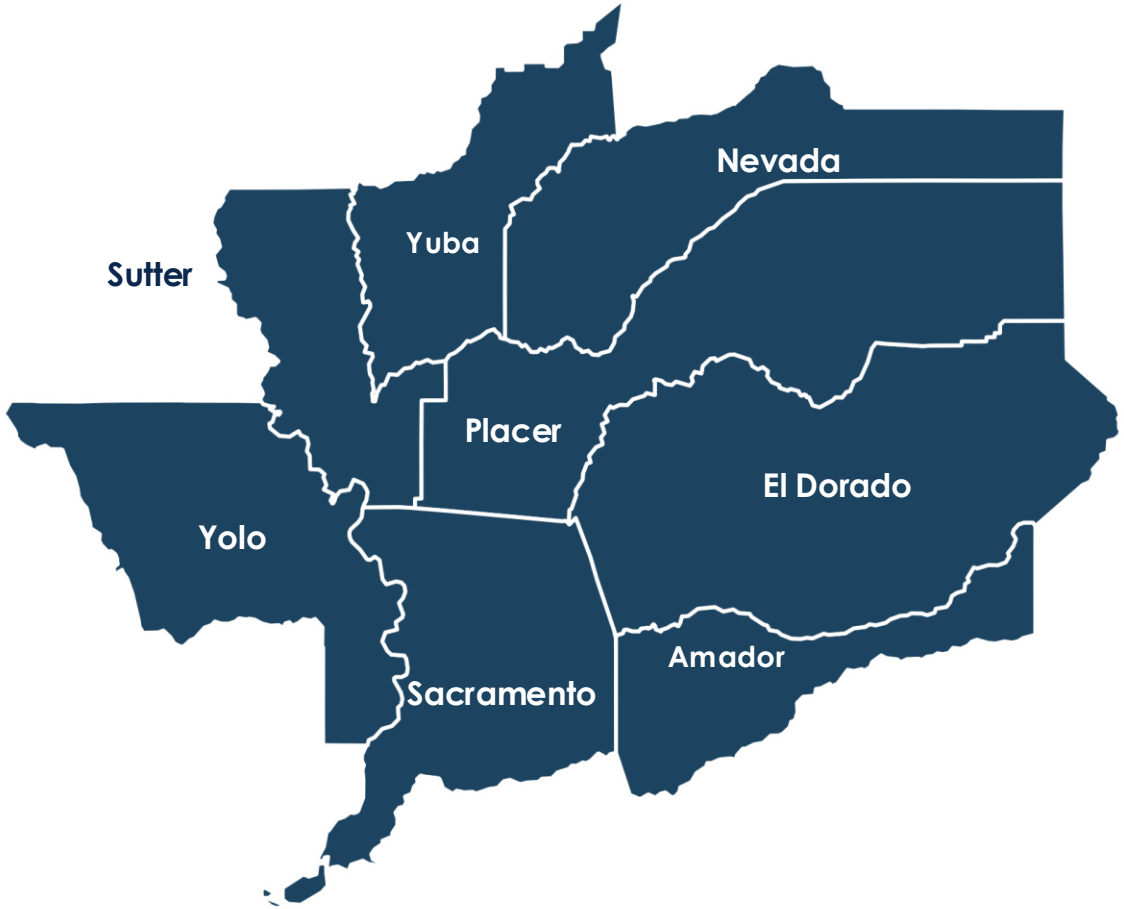




Amador, El Dorado, Nevada, Placer, Sacramento, Sutter, Yolo and Yuba counties

- Steady but slow job growth, anchored by government
- A growing population keeps demand strong
- Prices well below the rest of California
- The monthly payment is the biggest hurdle
- Building costs remain issue

Eight Counties, Very Different Prices

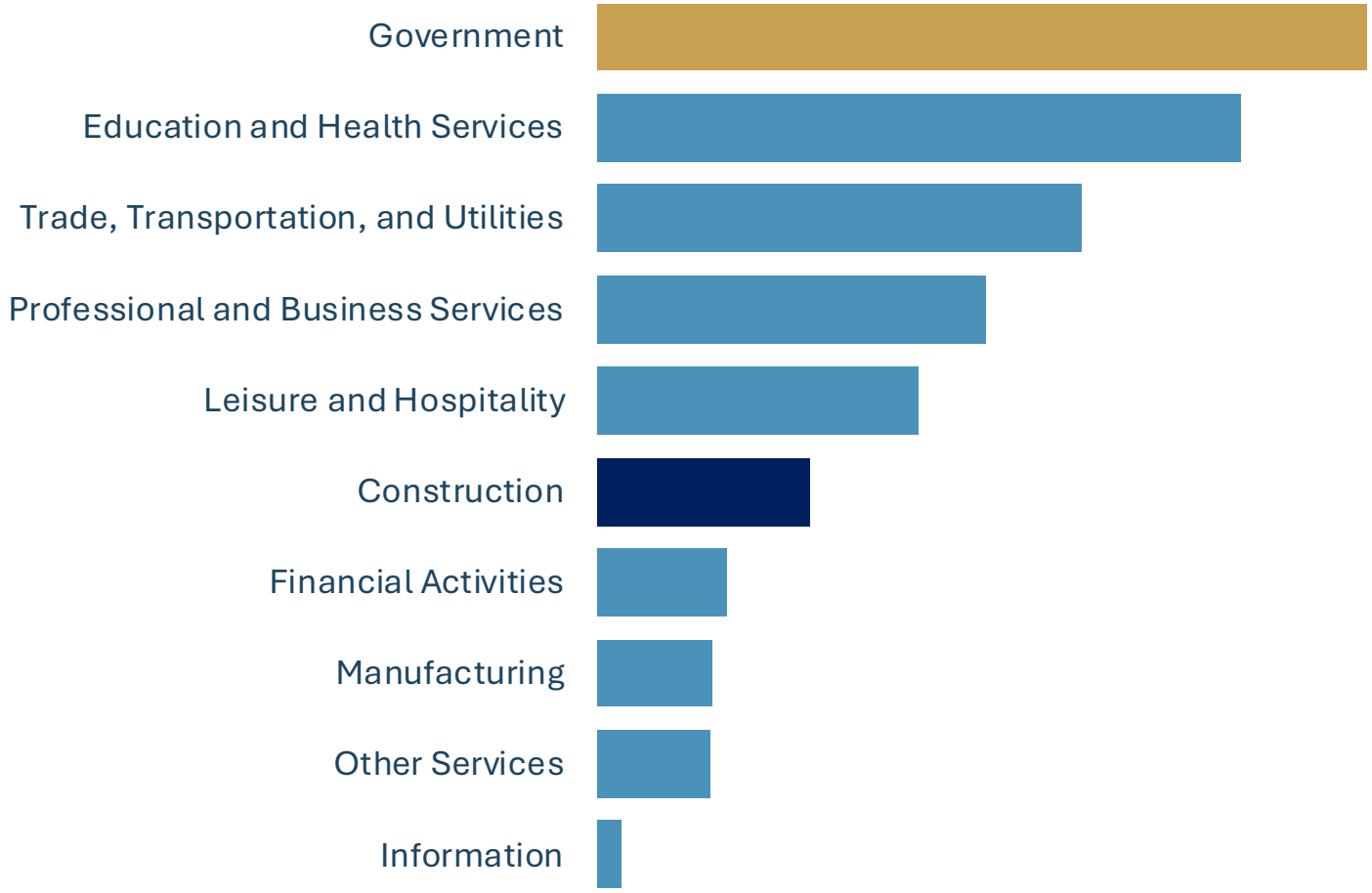


Typical Home Price, September 2026

El Dorado	$682K
Placer	$675K
Yolo	$635K
Sacramento	$555K
Nevada	$550K
Yuba	$457K
Sutter	$433K
Amador	$415K
California	$900K

Who Works Here

Jobs in the Sacramento area, by industry, September 2026

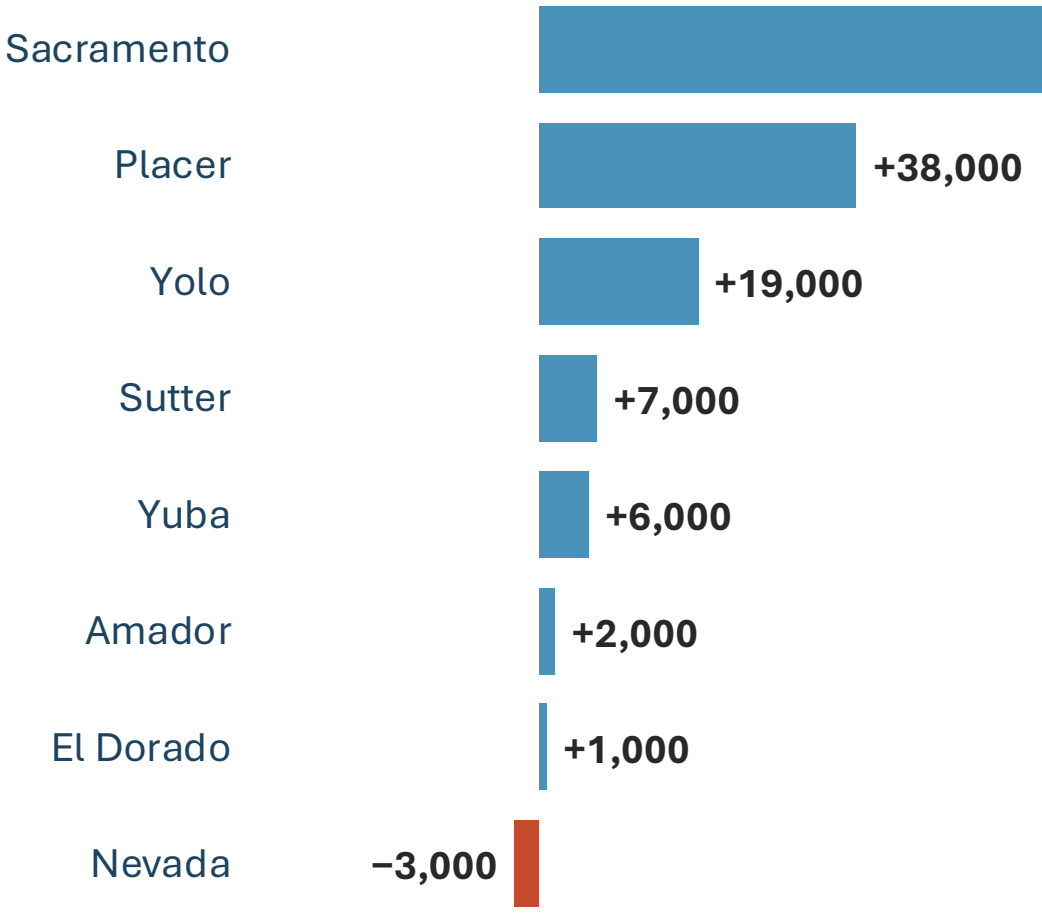


About 1 in 4 jobs here is in government.

That keeps the region steady in a downturn, and ties it to the state budget.

The Region Keeps Growing

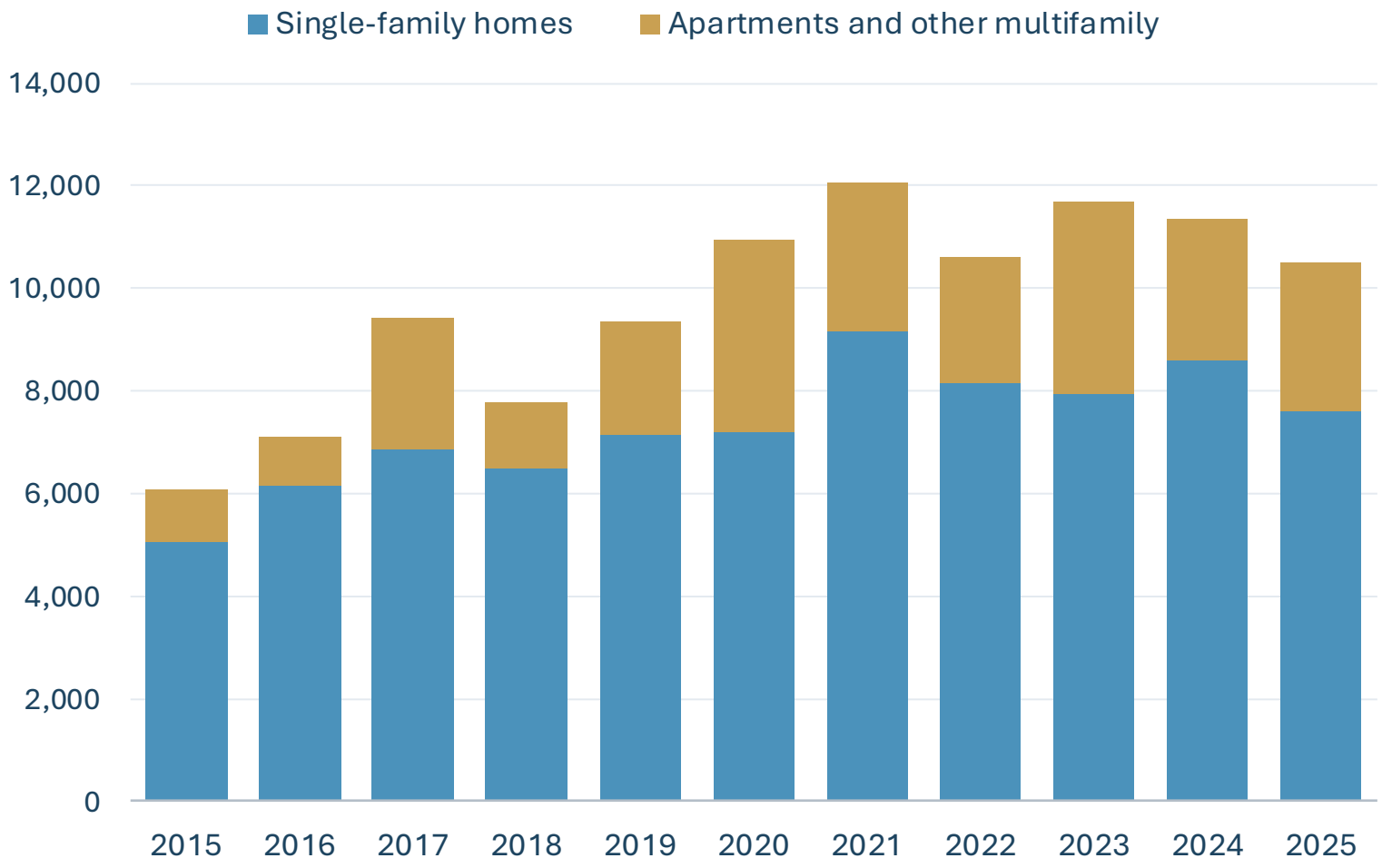
Expected population change, 2025 to 2035, by county (DOF long-run county forecasts)





What's Being Built

New homes permitted each year, Sacramento metro area



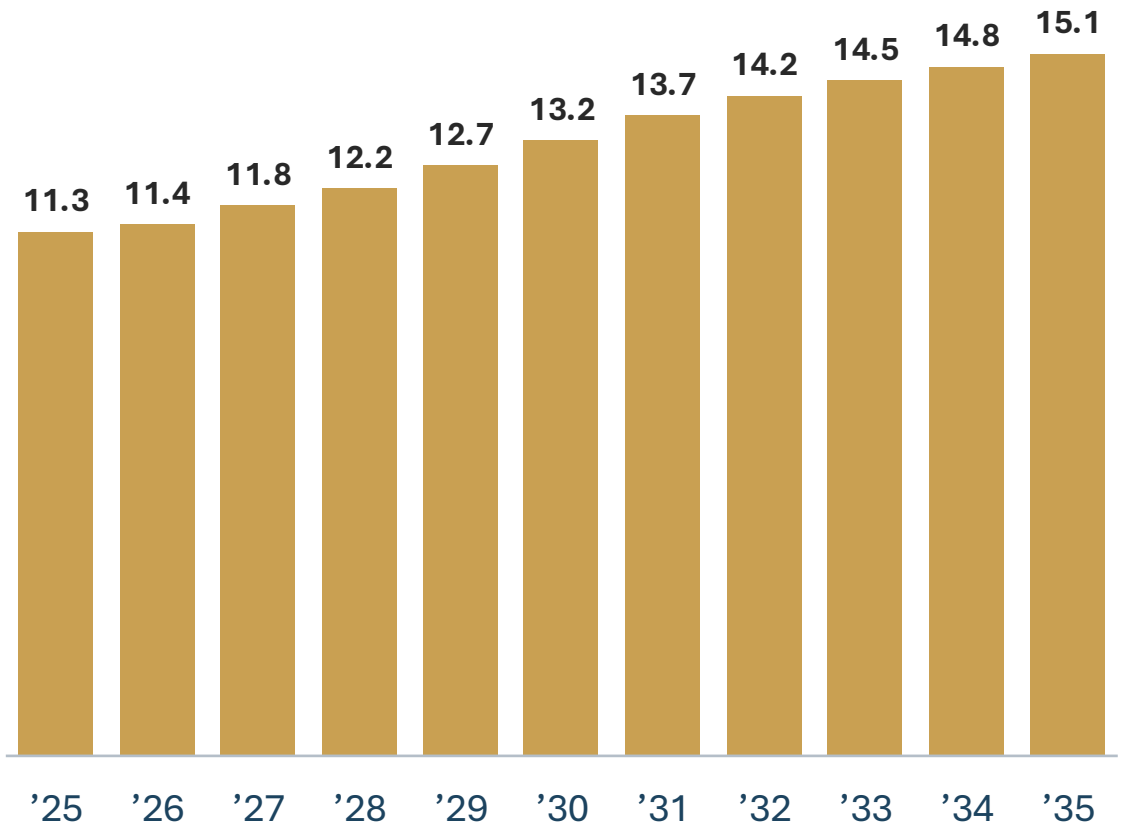
Since 2020, the Sacramento area has permitted about 10,000 to 12,000 homes a year.



Permits Projected to Rise in All Eight Counties

Housing units permitted per year, DOF long-run county forecasts (January 2026)

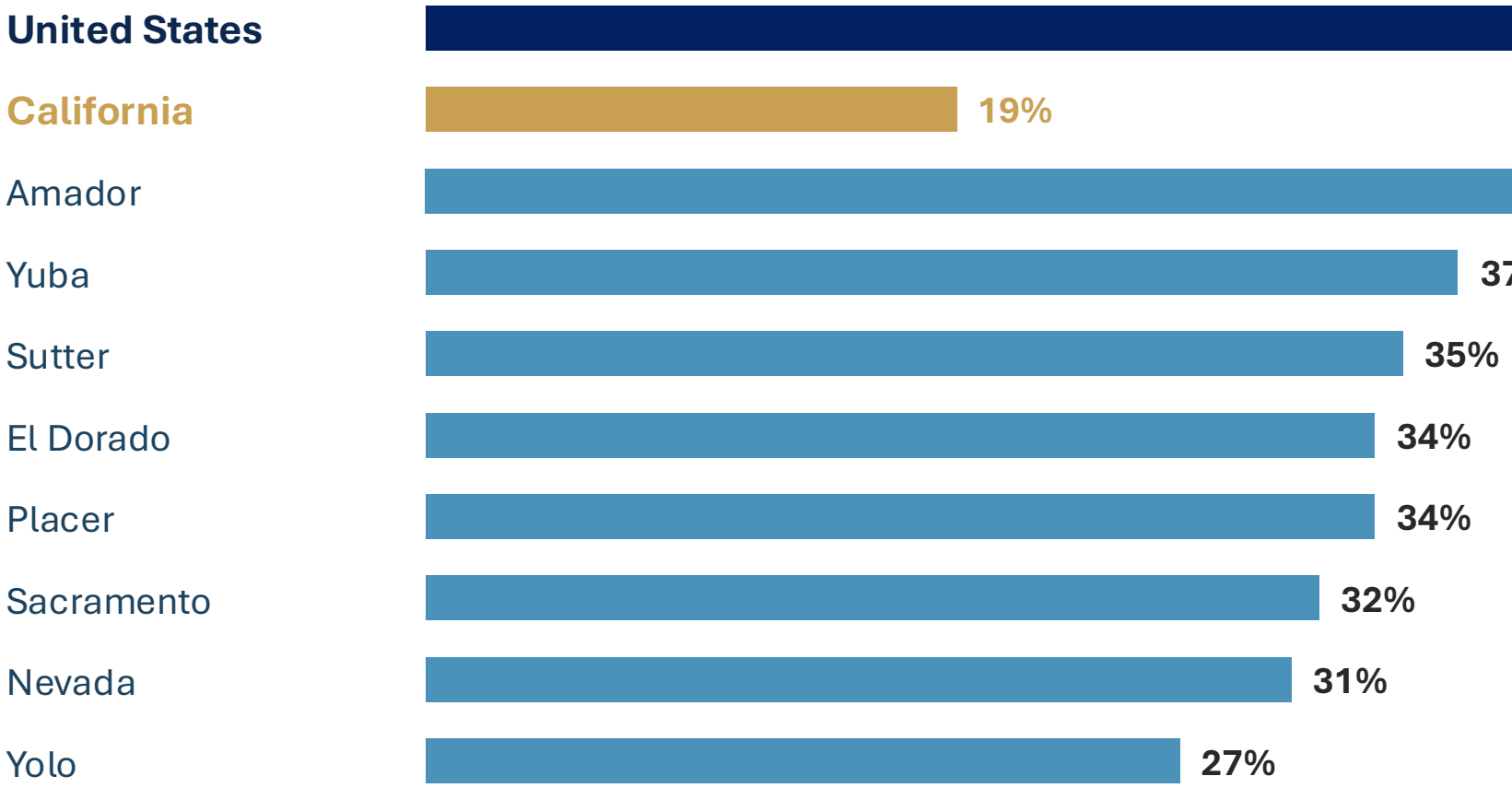
Eight-county total, thousands



County	2025	2030	2035
Sacramento	5,389	6,569	7,624
Placer	3,513	3,749	4,095
Yolo	737	895	1,022
El Dorado	575	680	771
Yuba	535	671	796
Nevada	281	342	397
Sutter	130	189	248
Amador	94	110	124
Eight Counties	**11,254**	**13,205**	**15,077**

Sacramento Region Slightly More Affordable Than California

Share of households able to afford the median-priced existing single-family home | Q2 2026





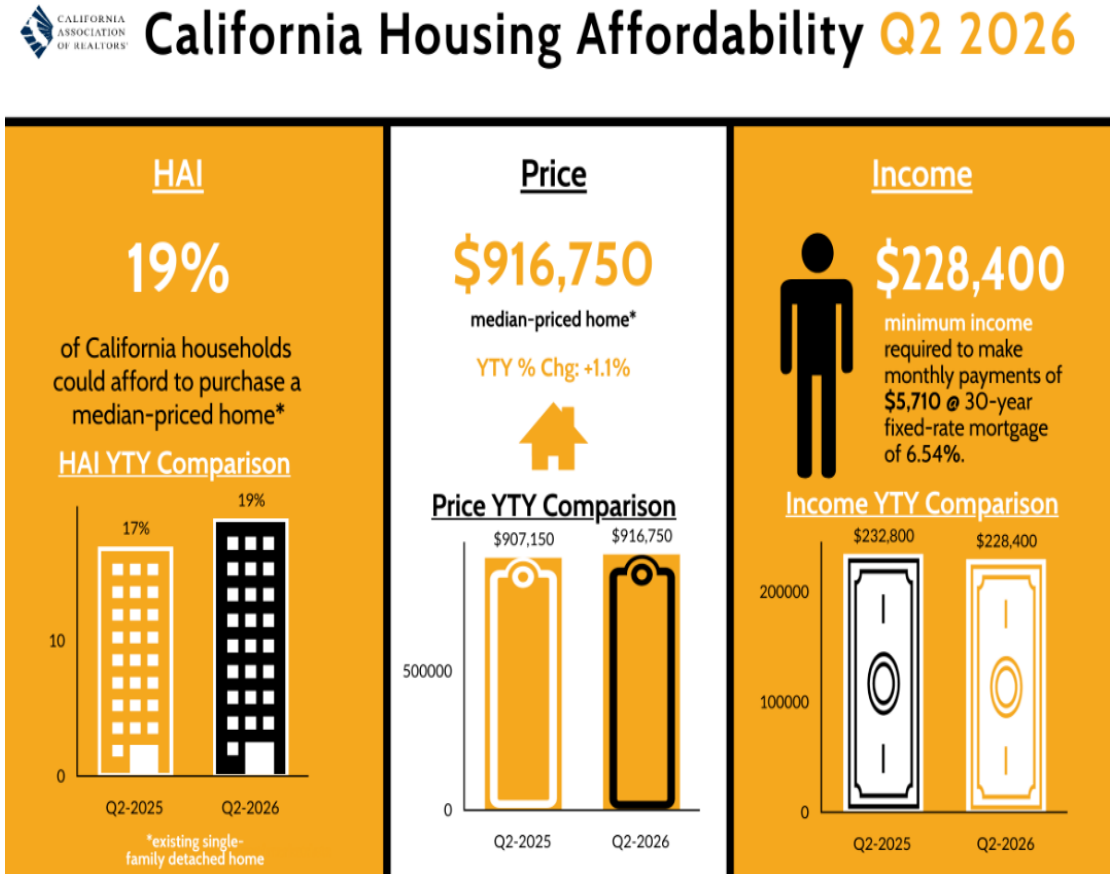
Household Income vs Minimum Home Buying Income

What a typical Sacramento County household earns

$93,000

What it takes to buy a typical home today

About $148,000



Long-Run County Forecasts



Scan for your county's forecast

Forecasts for California and all 58 counties

Including all eight North State BIA counties:

Amador	Sacramento
El Dorado	Sutter
Nevada	Yolo
Placer	Yuba

Published January 2026 with Caltrans, and updated every year.

dof.ca.gov › Forecasting › Economics › Long-Run County Level Forecasts

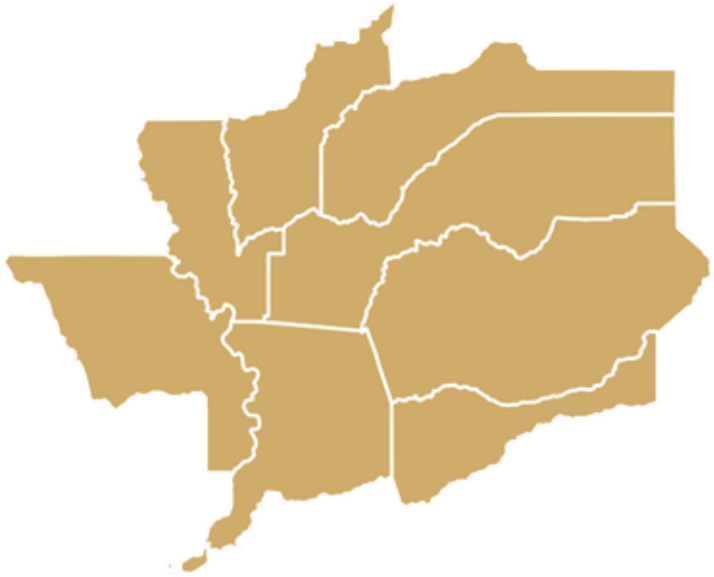
Key Takeaways

1. People still want to live here.

2. Higher mortgage rate are a significant constraint.

3. Keep an eye on oil prices and 10-year Treasury rates.

4. Slowly growing, but fragile economy.



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Thank You

Questions?

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