

2022 California Economic & Housing Market Forecast

REImagine! Real Estate
Virtual Conference & Expo
October 7, 2021

Jordan G. Levine
VP & Chief Economist
California Association of REALTORS®



CALIFORNIA
ASSOCIATION
OF REALTORS®

California housing market outlook

	2015	2016	2017	2018	2019	2020	2021p	2022f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	439.8	416.8
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	3.5%	6.8%	-5.2%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$793.1	\$834.4
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.3%	20.3%	5.2%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	24%	23%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	3.5%



U.S. economic outlook

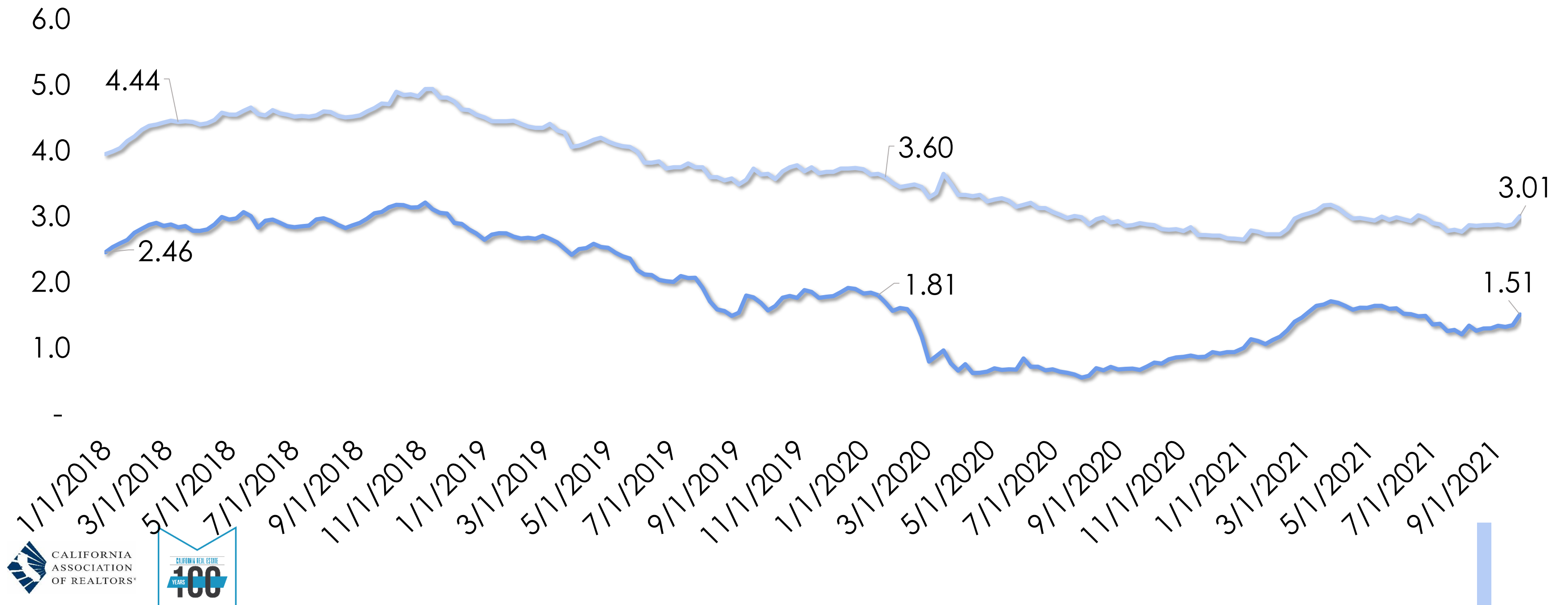
	2016	2017	2018	2019	2020	2021p	2022f
US GDP	1.6%	2.3%	3.0%	2.2%	-3.5%	6.0%	4.1%
Nonfarm Job Growth	1.8%	1.6%	1.6%	1.3%	-5.7%	3.7%	3.1%
Unemployment	4.9%	4.4%	3.9%	3.7%	8.1%	5.6%	4.3%
CPI	1.4%	2.1%	2.4%	1.8%	1.2%	4.2%	3.2%
Real Disposable Income, % Change	2.7%	2.9%	4.0%	2.9%	5.8%	2.5%	-2.2%



Rates are still incredibly low by historical standards

Key Interest Rates

— 10-Yr Treasury — 30-Yr FRM



California hit a 15-year high in December

December 2020

509,750 | Existing Home Sales
+28.0% YTY +3.5% YTD % change



Price

\$717,930
+16.8% Y2Y



Unsold
Inventory Index

1.3 months
-48.0% Y2Y



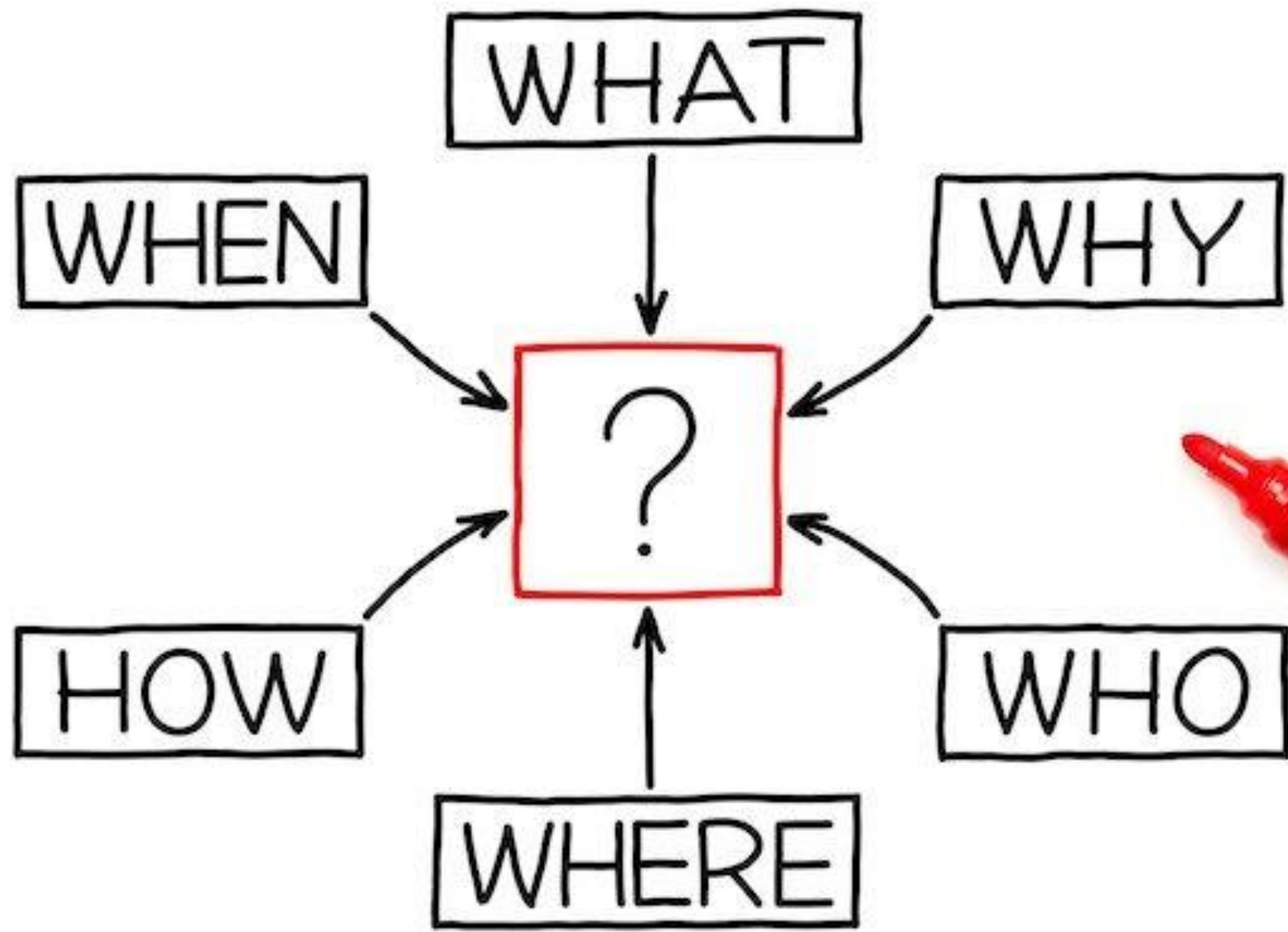
Median Days
on Market

11 days
-60.7% Y2Y



Sales Price to
List Price Ratio

100.1%
+1.9% Y2Y



Despite COVID, 20 cities grew by > 40% last year

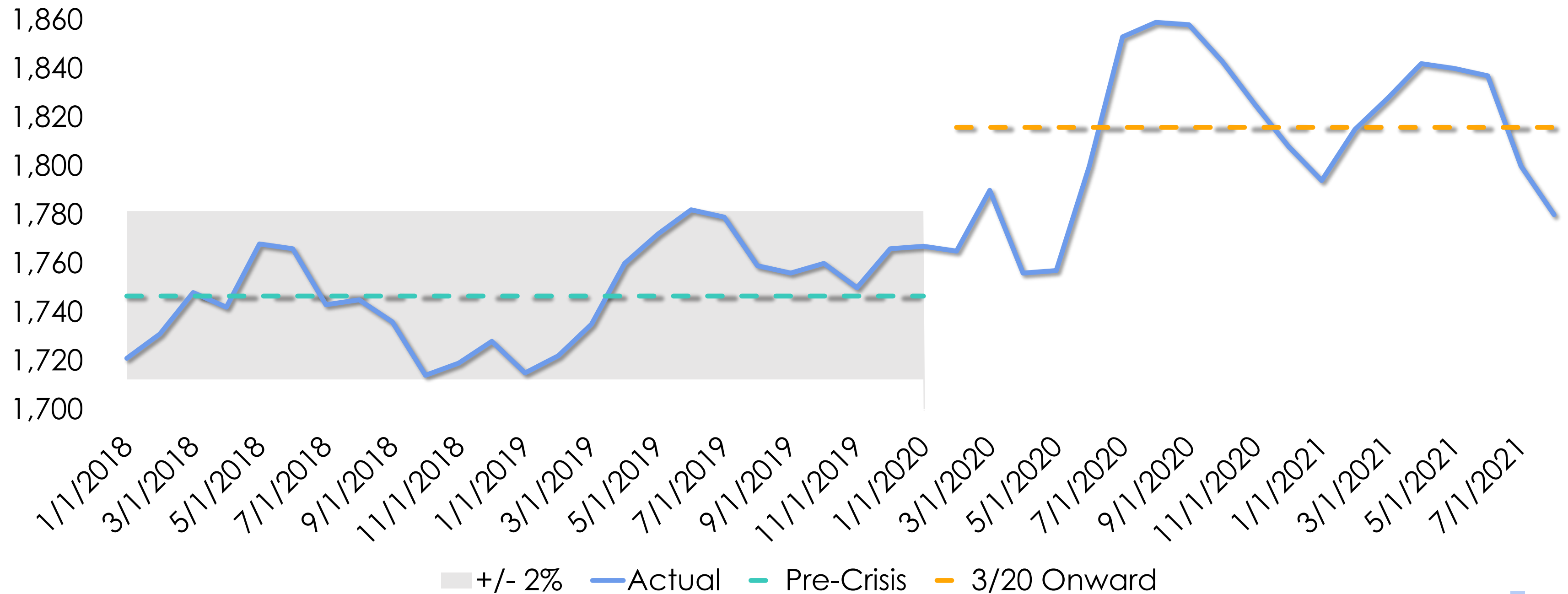
Rank	City	2020 YTY% Growth		Rank	City	2020 YTY% Growth
1	Big Bear	100%		11	Truckee	48%
2	Malibu	85%		12	Tiburon	48%
3	Montecito	85%		13	Rancho Santa Fe	47%
4	Foresthill	83%		14	Kelseyville	46%
5	Pollock Pines	57%		15	Indian Wells	45%
6	Lake Arrowhead	56%		16	Acton	42%
7	Tahoe City	52%		17	Rancho Murieta	42%
8	Arnold	50%		18	Tehachapi	41%
9	South Lake Tahoe	49%		19	Pioneer	41%
10	Shaver Lake	49%		20	Coarsegold	40%

Despite or Because of?

Rank	City	2020 YTY% Growth		Rank	City	2020 YTY% Growth
1	Big Bear	100%		11	Truckee	48%
2	Malibu	85%		12	Tiburon	48%
3	Montecito	85%		13	Rancho Santa Fe	47%
4	Foresthill	83%		14	Kelseyville	46%
5	Pollock Pines	57%		15	Indian Wells	45%
6	Lake Arrowhead	56%		16	Acton	42%
7	Tahoe City	52%		17	Rancho Murieta	42%
8	Arnold	50%		18	Tehachapi	41%
9	South Lake Tahoe	49%		19	Pioneer	41%
10	Shaver Lake	49%		20	Coarsegold	40%

Not just where, but also what consumers were buying

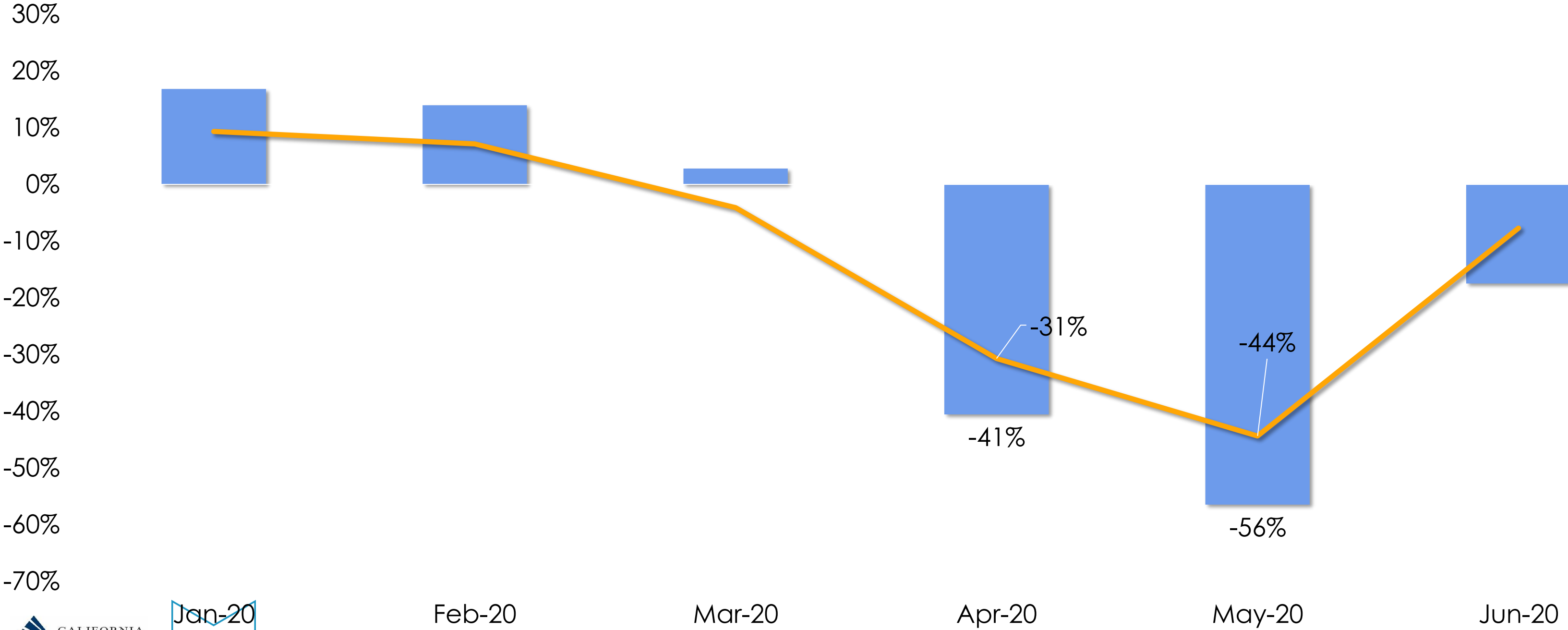
Median Sq. Ft. of Existing SFR Sales in California



Condo sales tell a similar story about the shape of demand

Year-to-Year Growth in Sales

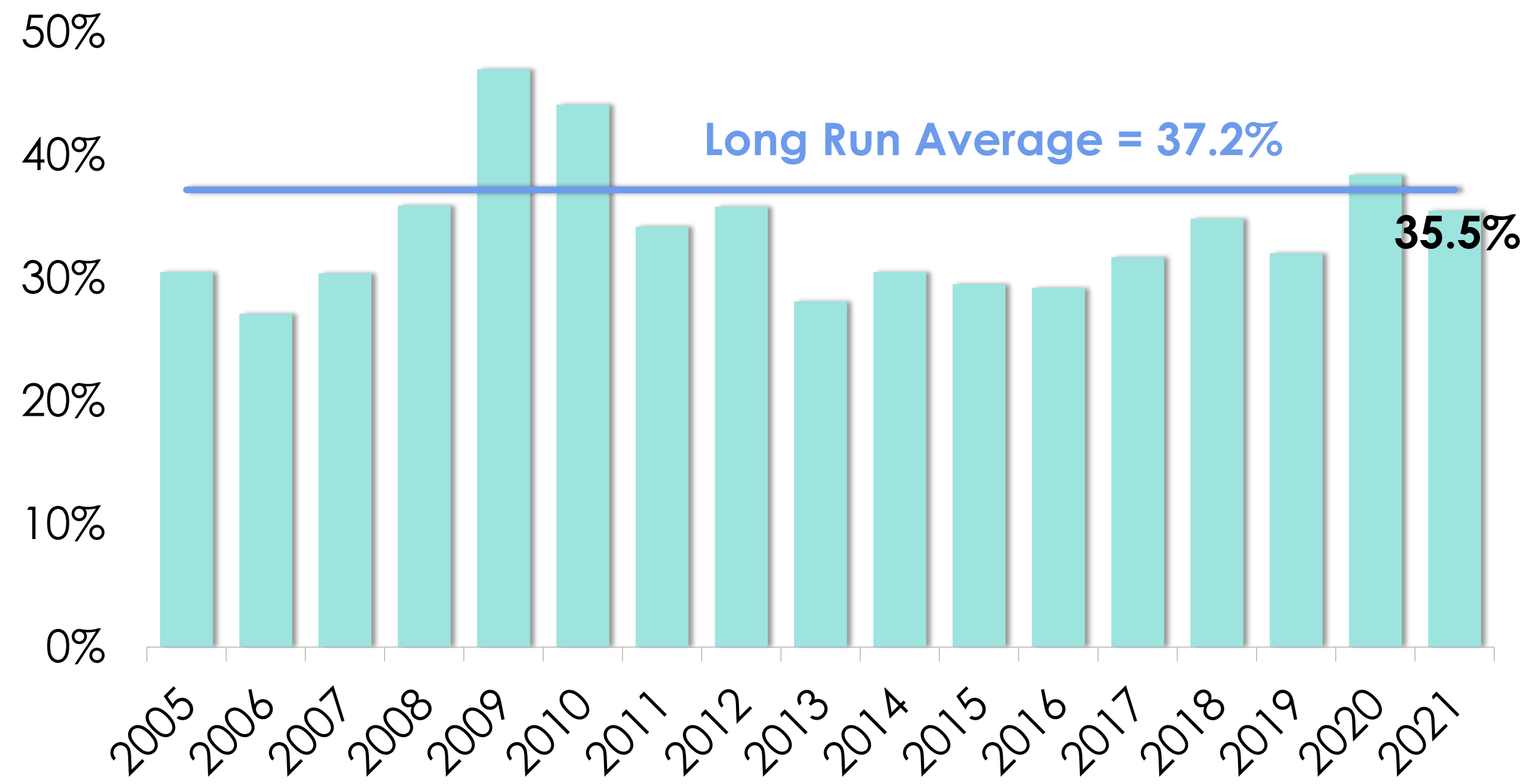
Condo Single-Family



First-time buyers **still near decade-highs**



■ % First-Time Home Buyers — Long Run Average



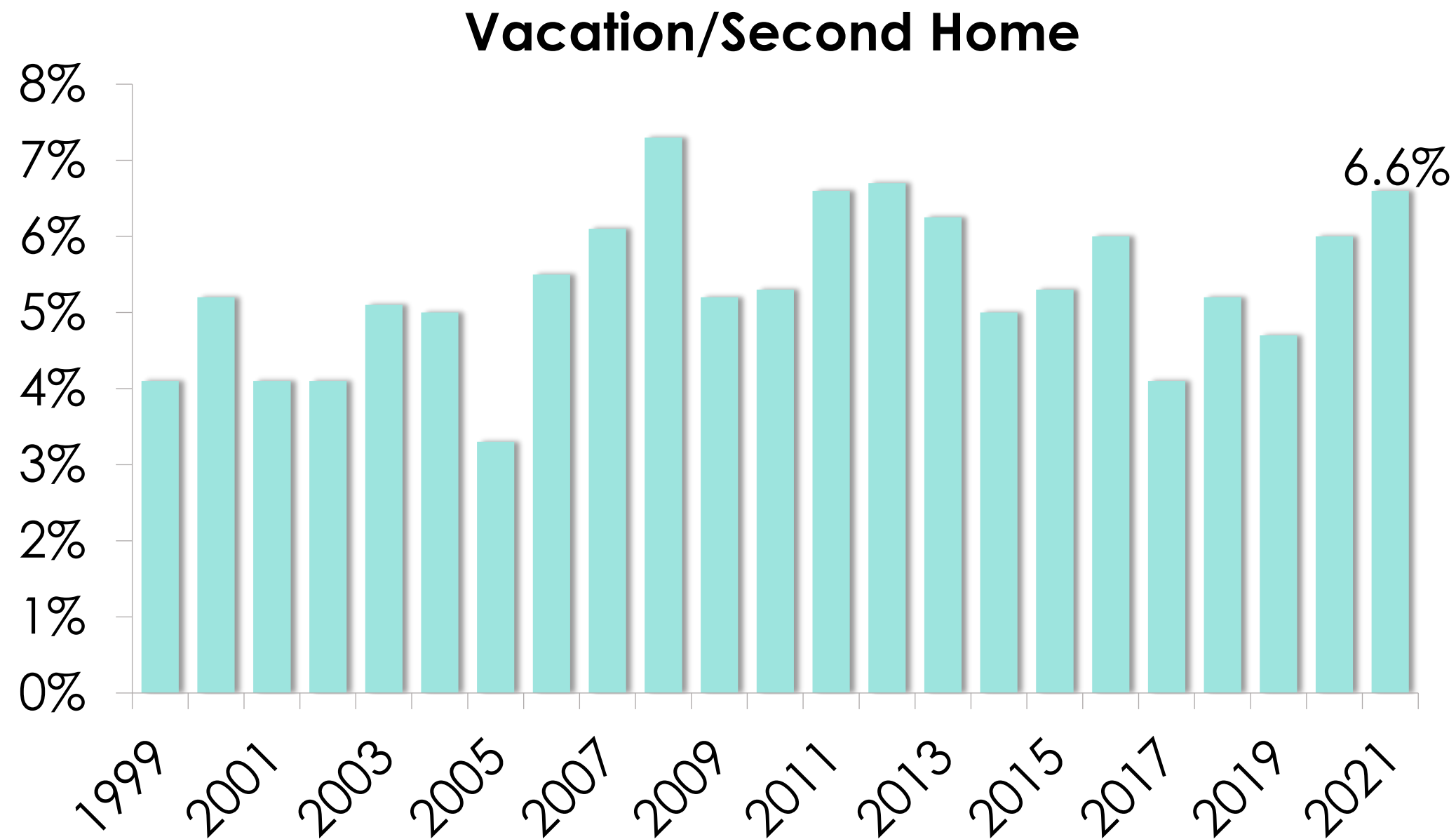
First-Time Buyers Have More “Skin” in the Game

	2006	2020	2021
% of buyers with 20% or more down payment	23.9%	33.1%	32.0%
Median Downpayment (% to Price)	2.4%	10.0%	9.7%
% of buyers with zero down payment	40.9%	10.6%	2.7%
% of cash buyers	3.3%	5.5%	4.4%
% of home buyers with a second mortgage	62.8%	4.0%	3.2%
% of buyer with ARM	38.1%	2.3%	1.2%

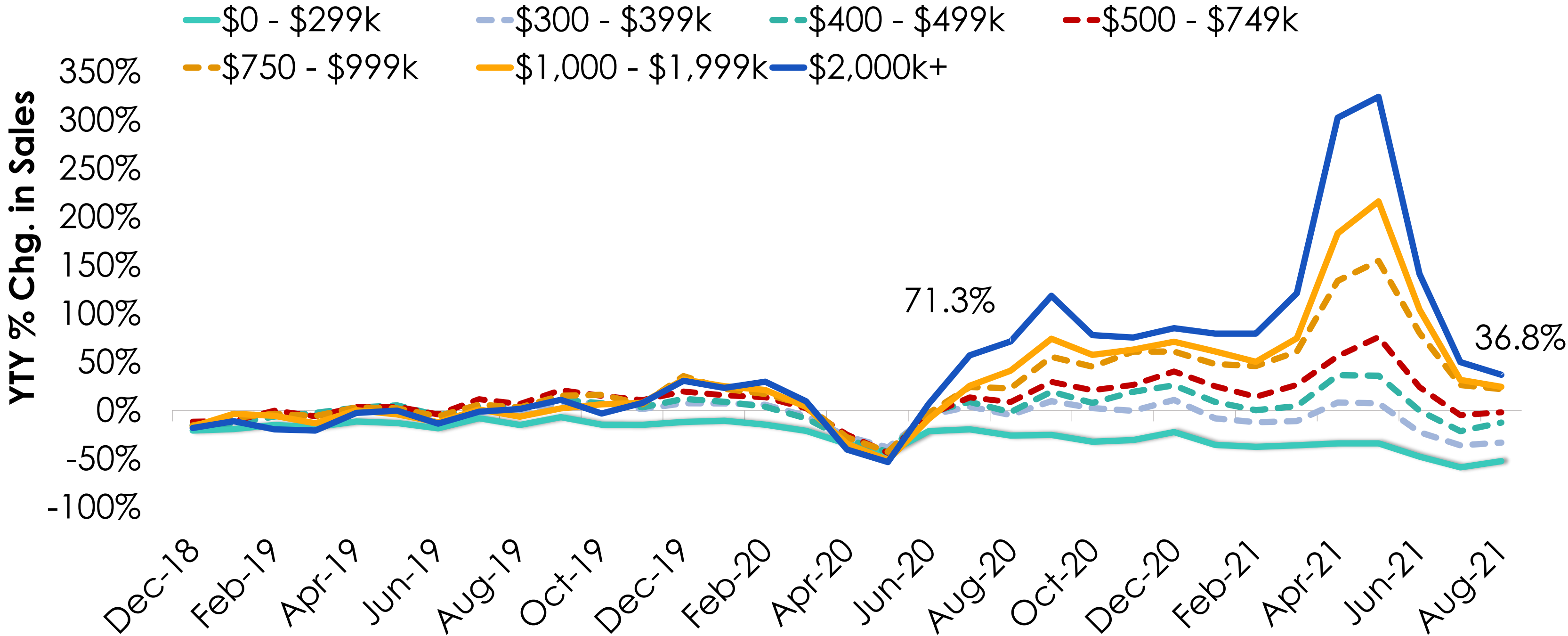
Financial Characteristics: First-Time vs. Repeat (2021)

	First-time Buyers	Repeat Buyers	All Buyers
Median Household Income	\$110,000	\$175,000	\$150,000
Median Monthly Mortgage Payment	\$2,360	\$1,668	\$2,075
Median Downpayment (in \$\$)	\$50,000	\$143,500	\$100,000
Median Downpayment (in % to Price)	9.7%	20%	18.7%

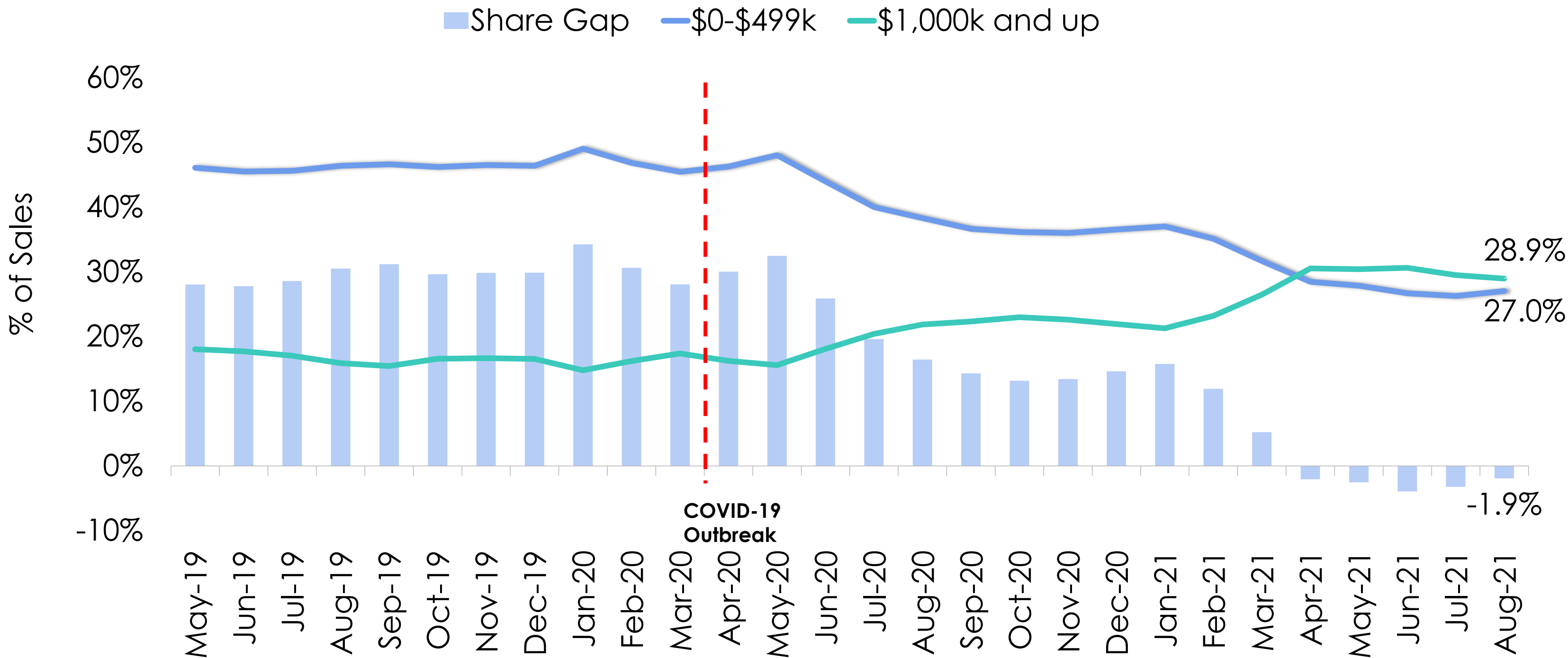
Share of 2nd/vacation home buying highest since 2012



Strength in \$1M+ reflects the broader economy



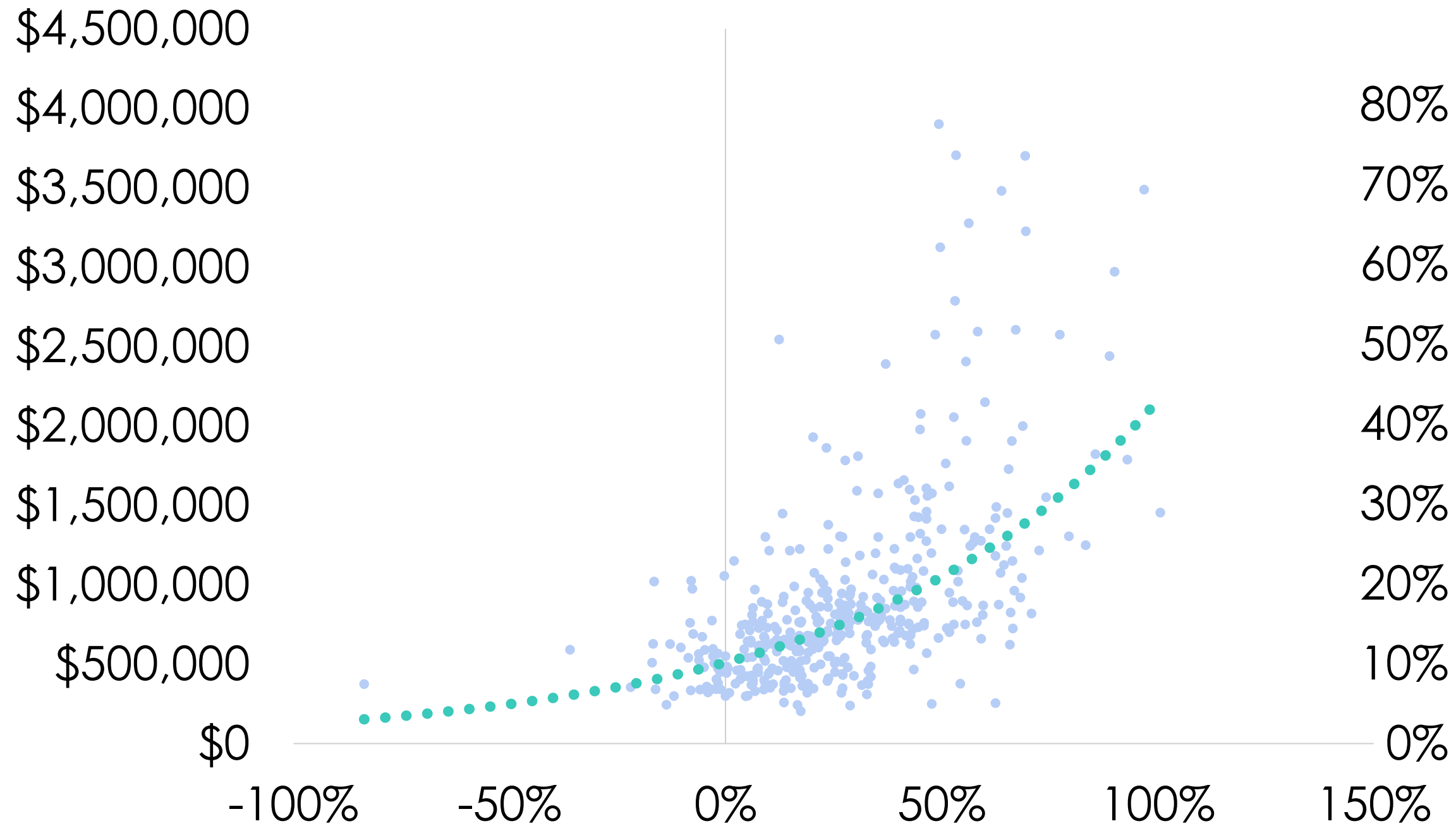
Now selling more \$1M+ homes than under \$500K



Looking Ahead, Some Markets
More Normal Than Others...

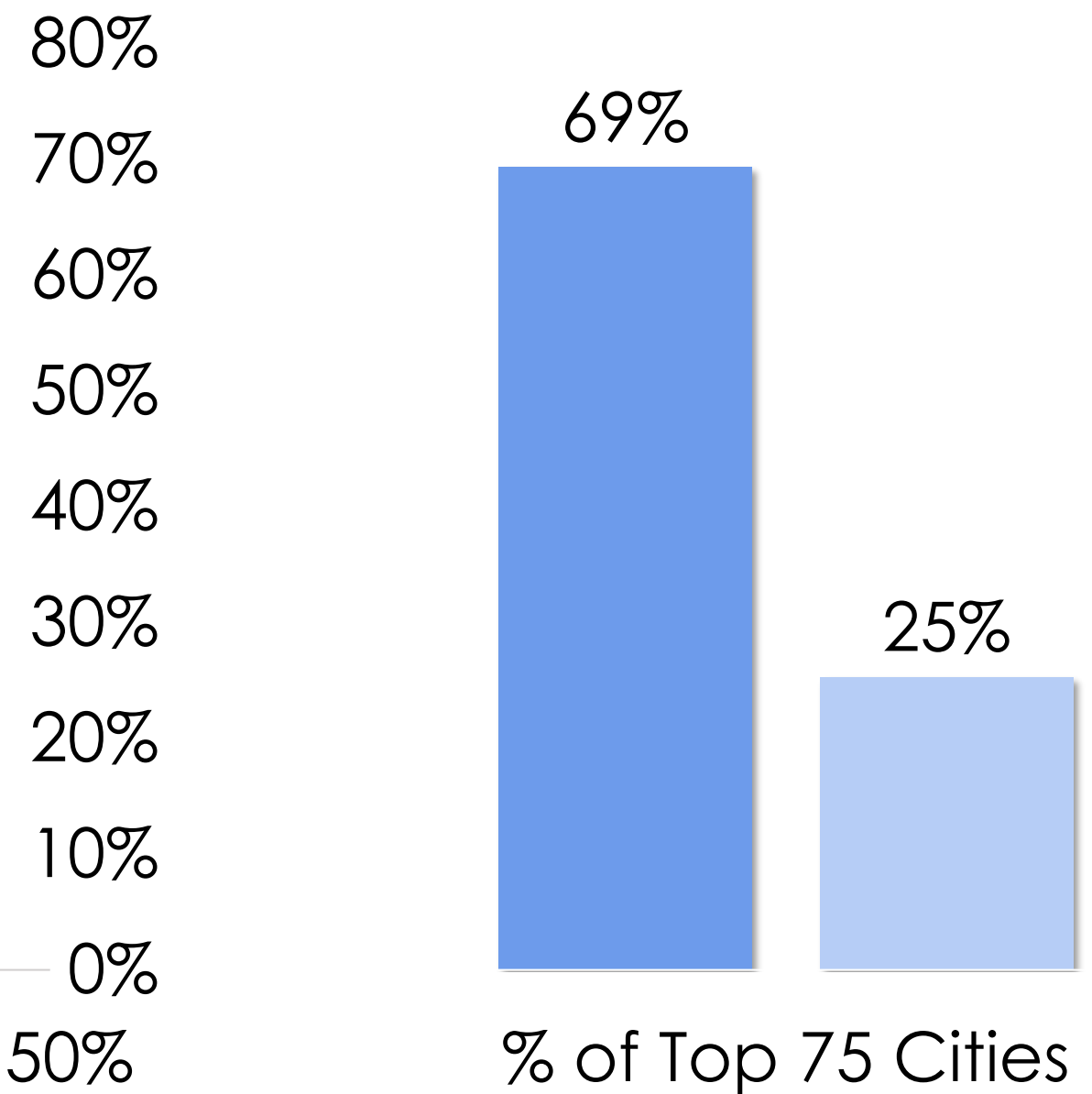
Higher-priced markets continue to drive growth

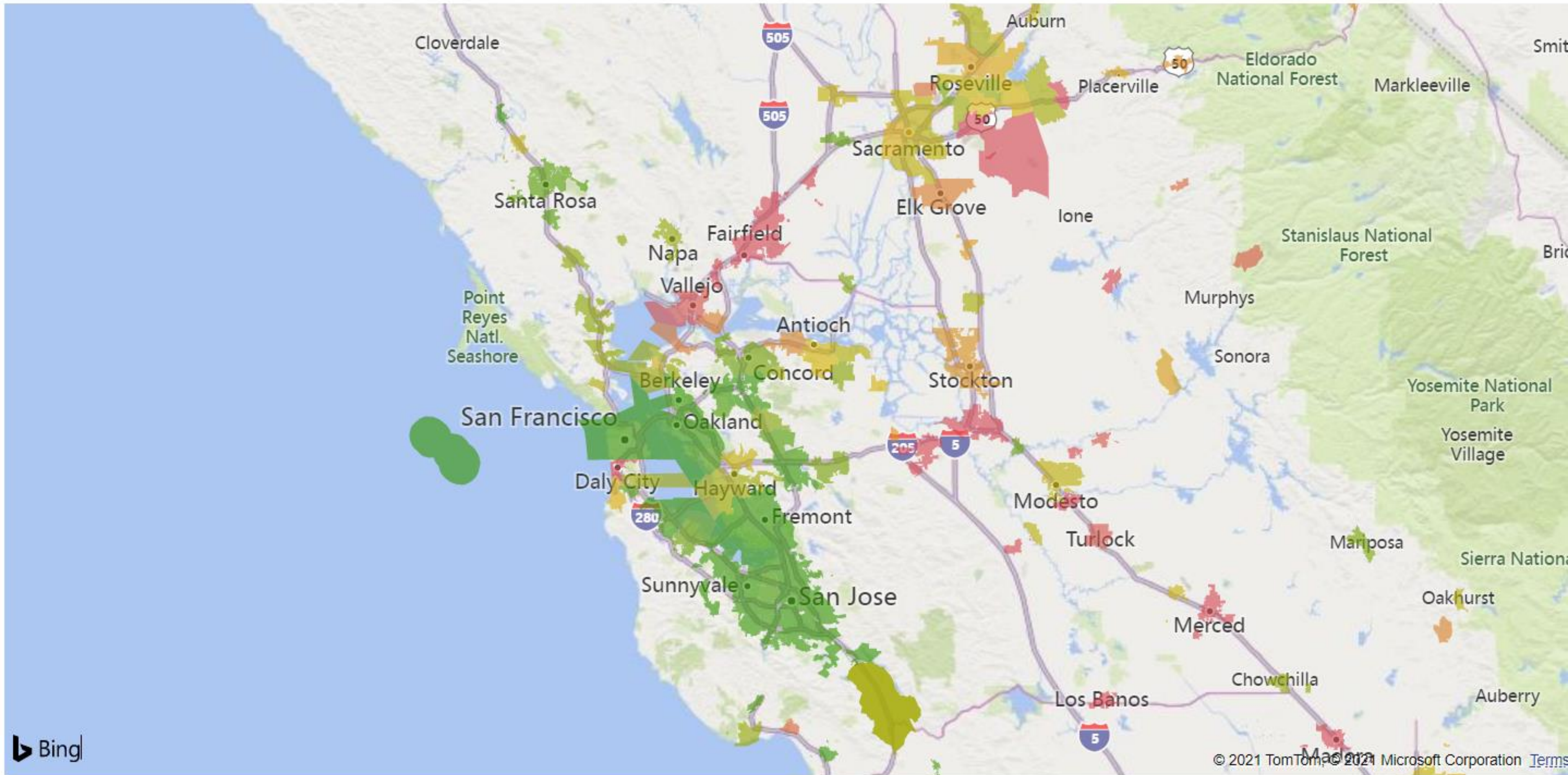
August 2021 YTD Sales Growth by Price

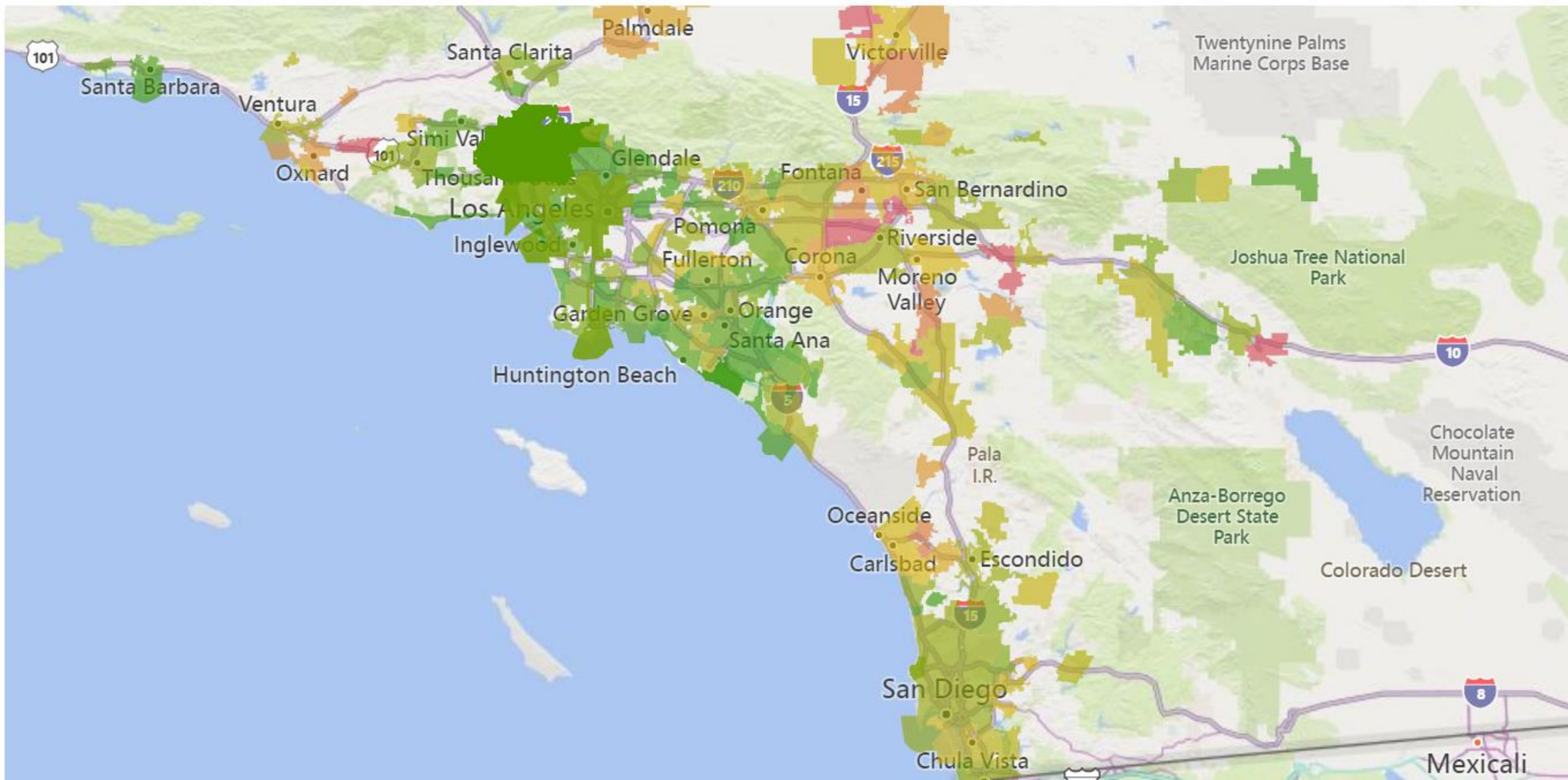


2021 Fastest Growing Cities

■ \$1M + ■ \$2M +

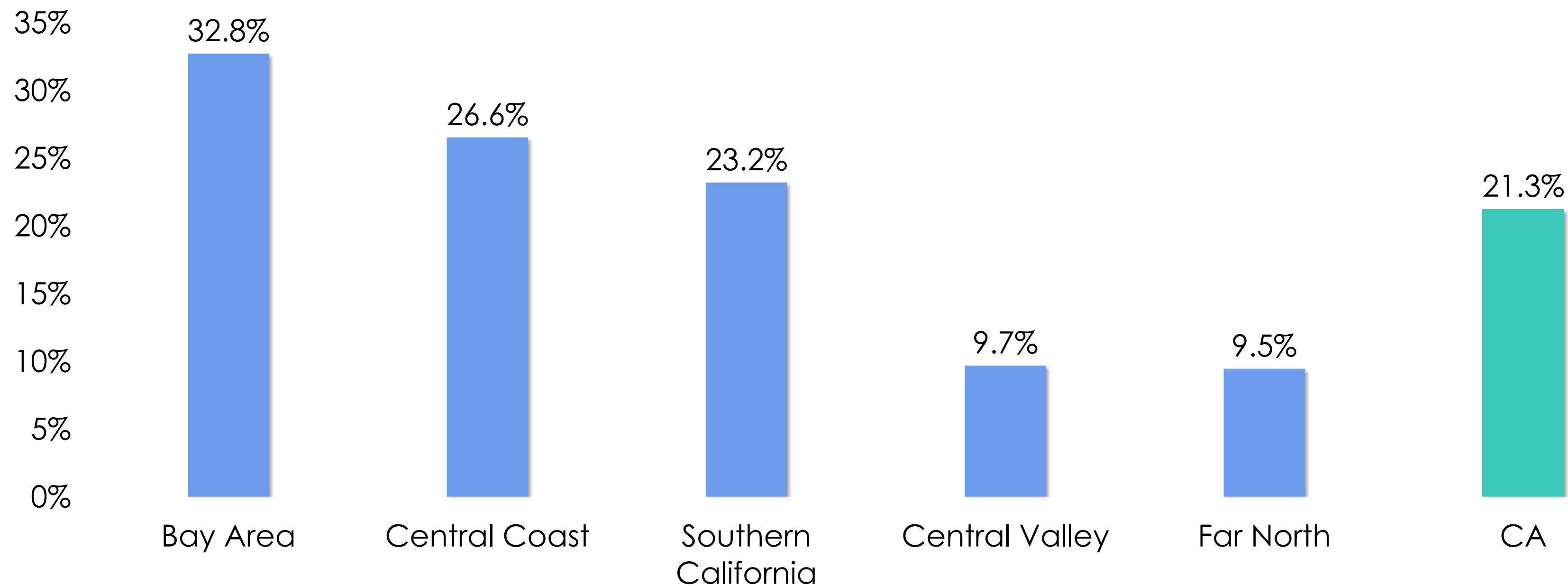






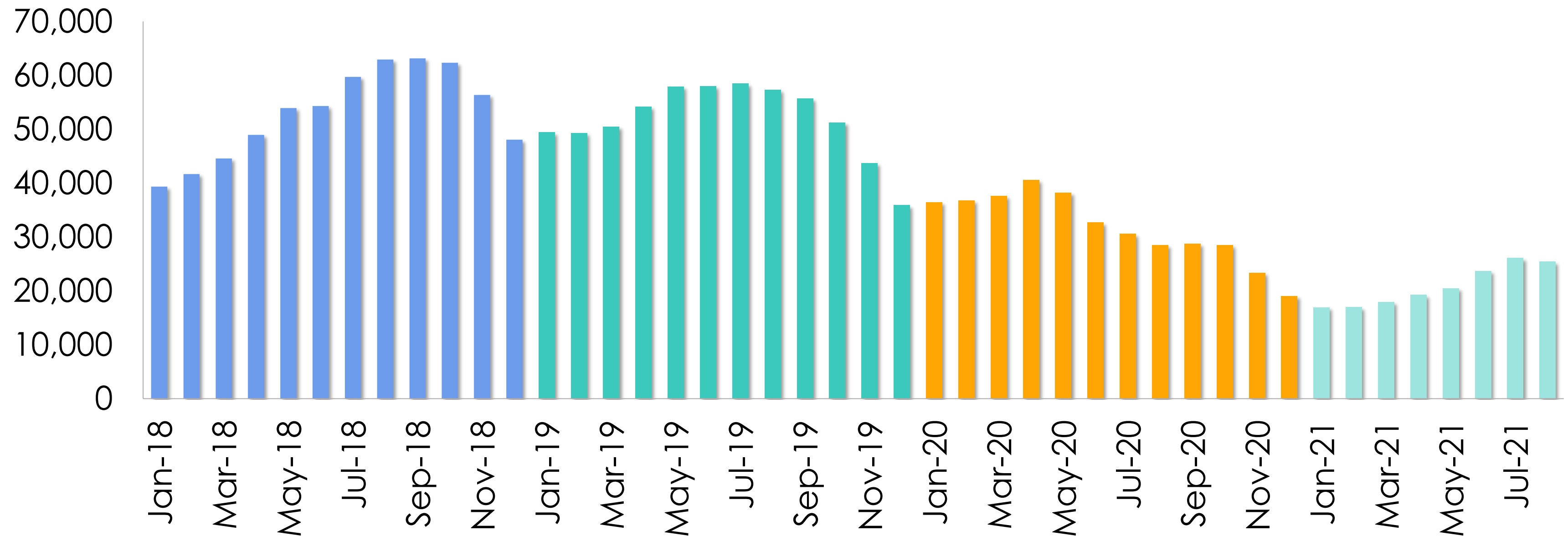
Sales are growing fastest in California's core

California Existing SFR Home Sales
(August 2021 YTD % Chg)



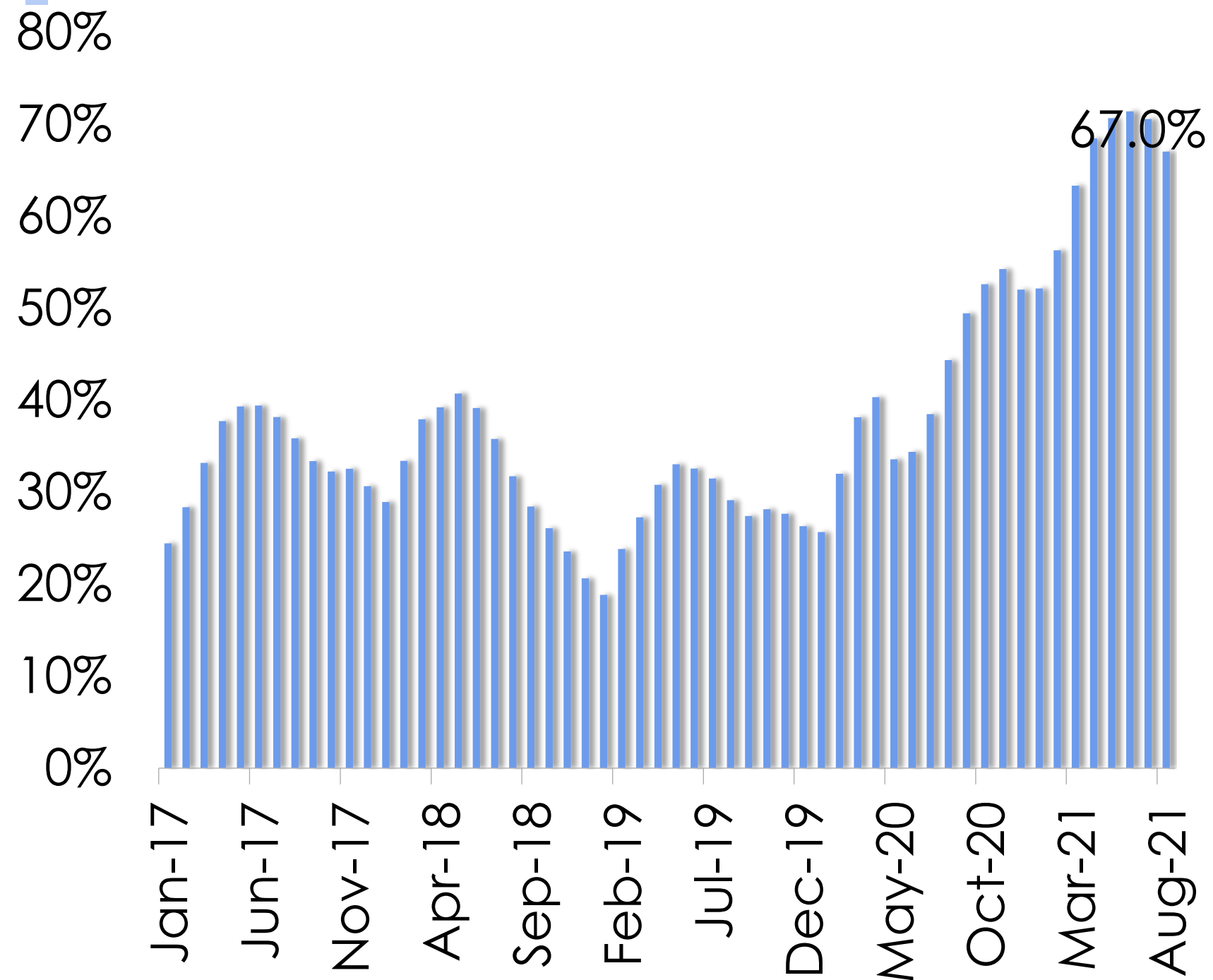
Buyers starting to get a few more options again

California Active Listings by Month

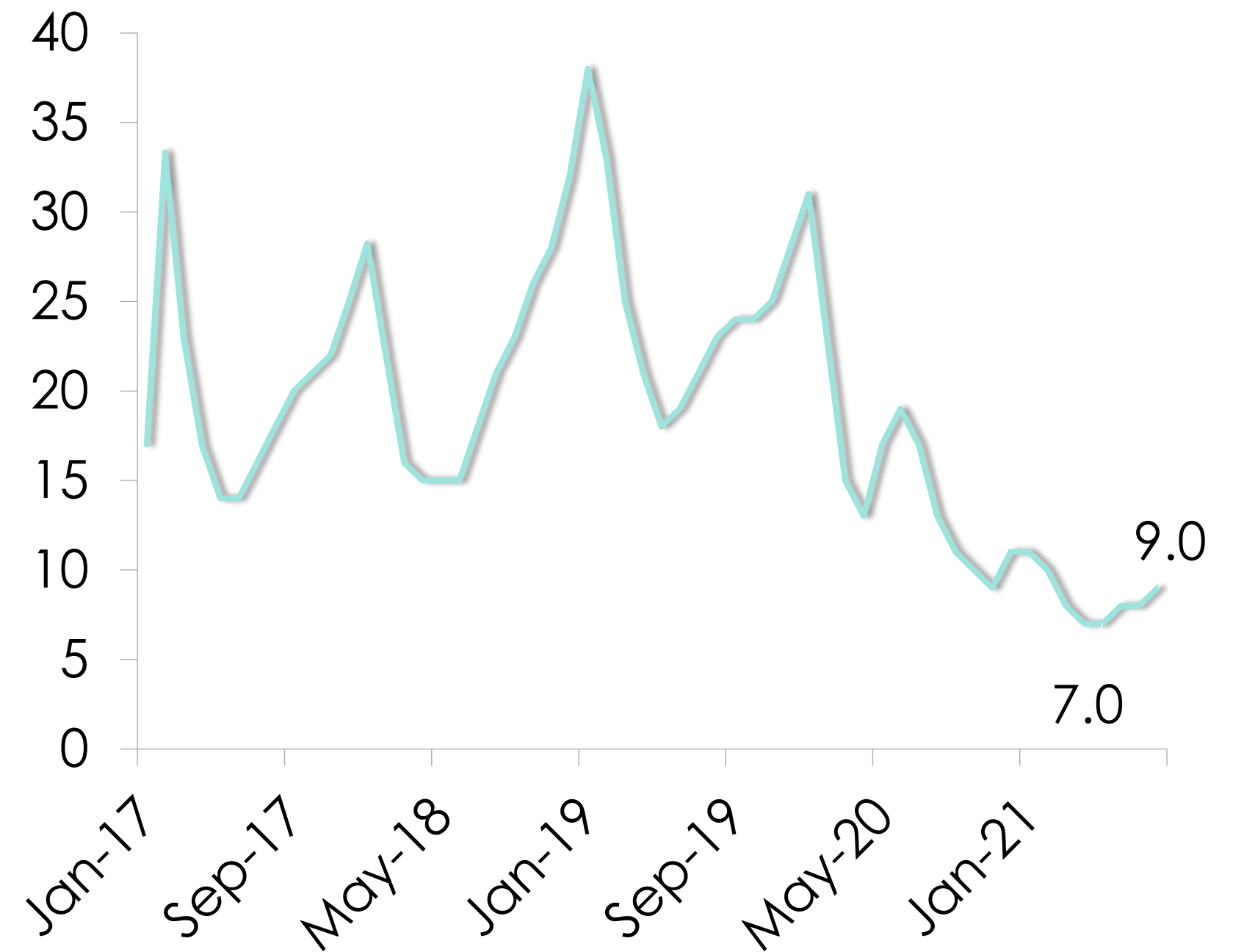


From white hot, back to plain old boring red hot (not cool)

Closed Sales Over List Price

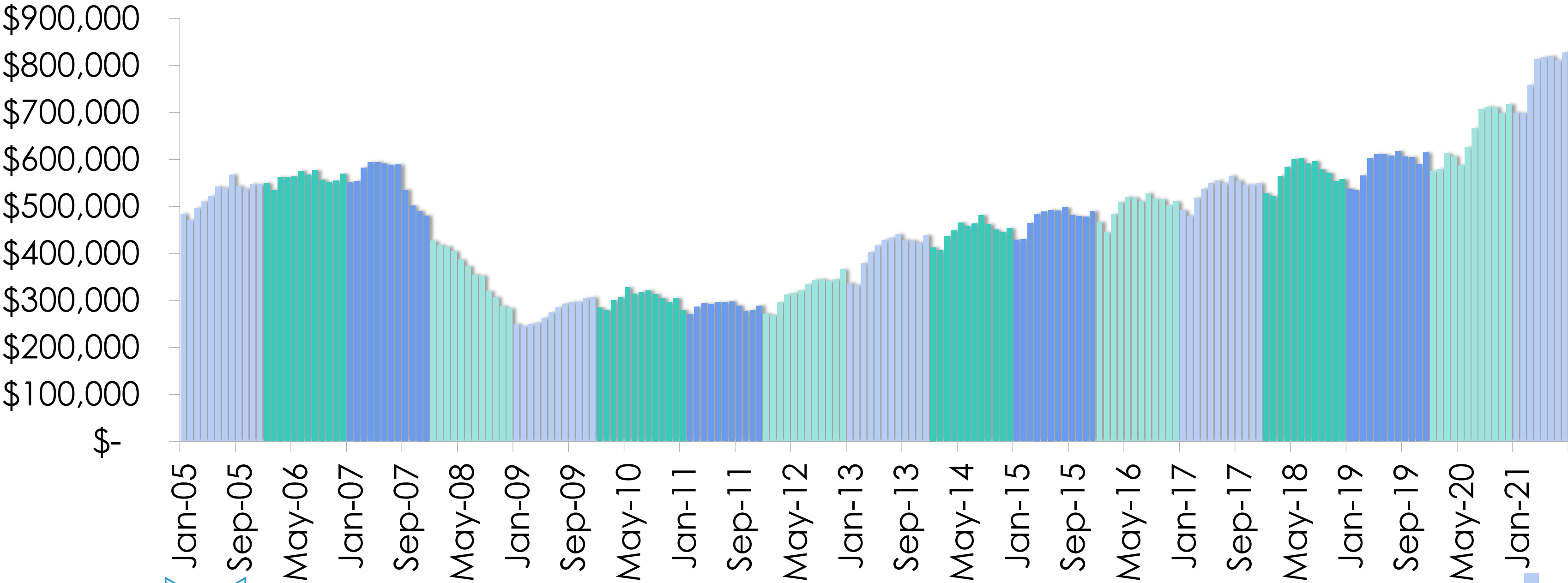


Days on Market



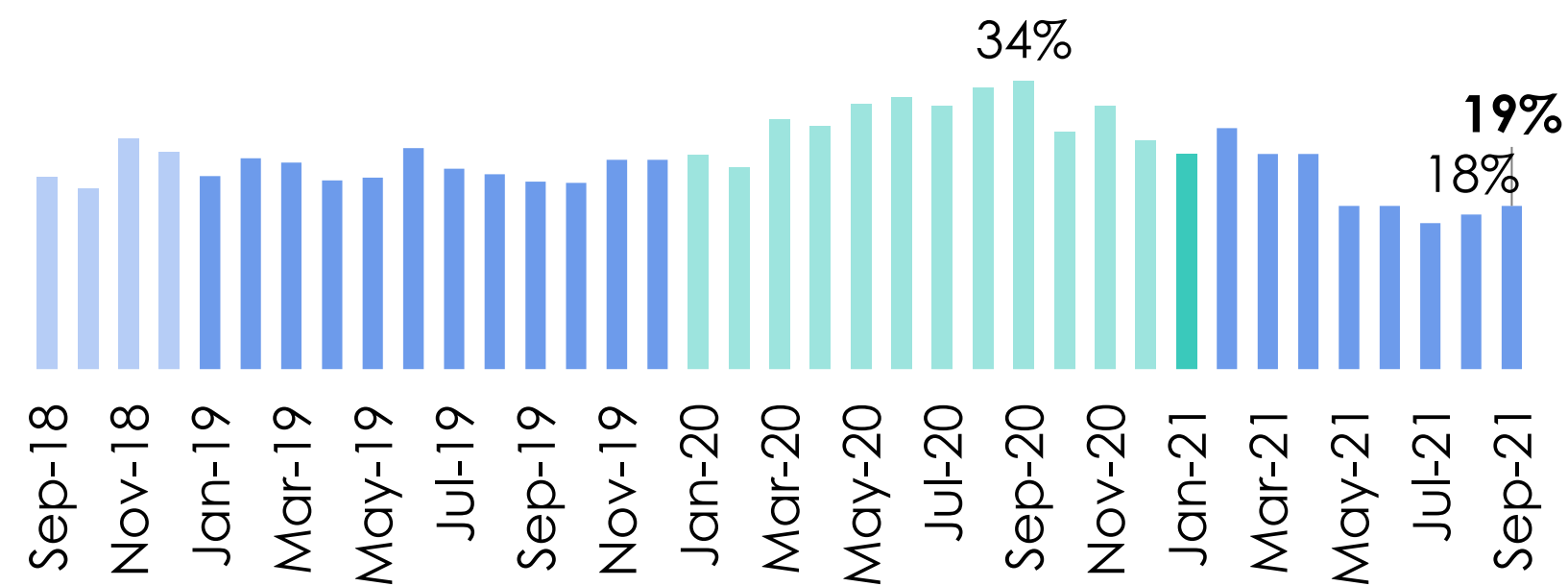
New all-time high, but slower growth

California, August 2021: **\$827,940**, +2.1% MTM, +17.1% YTY

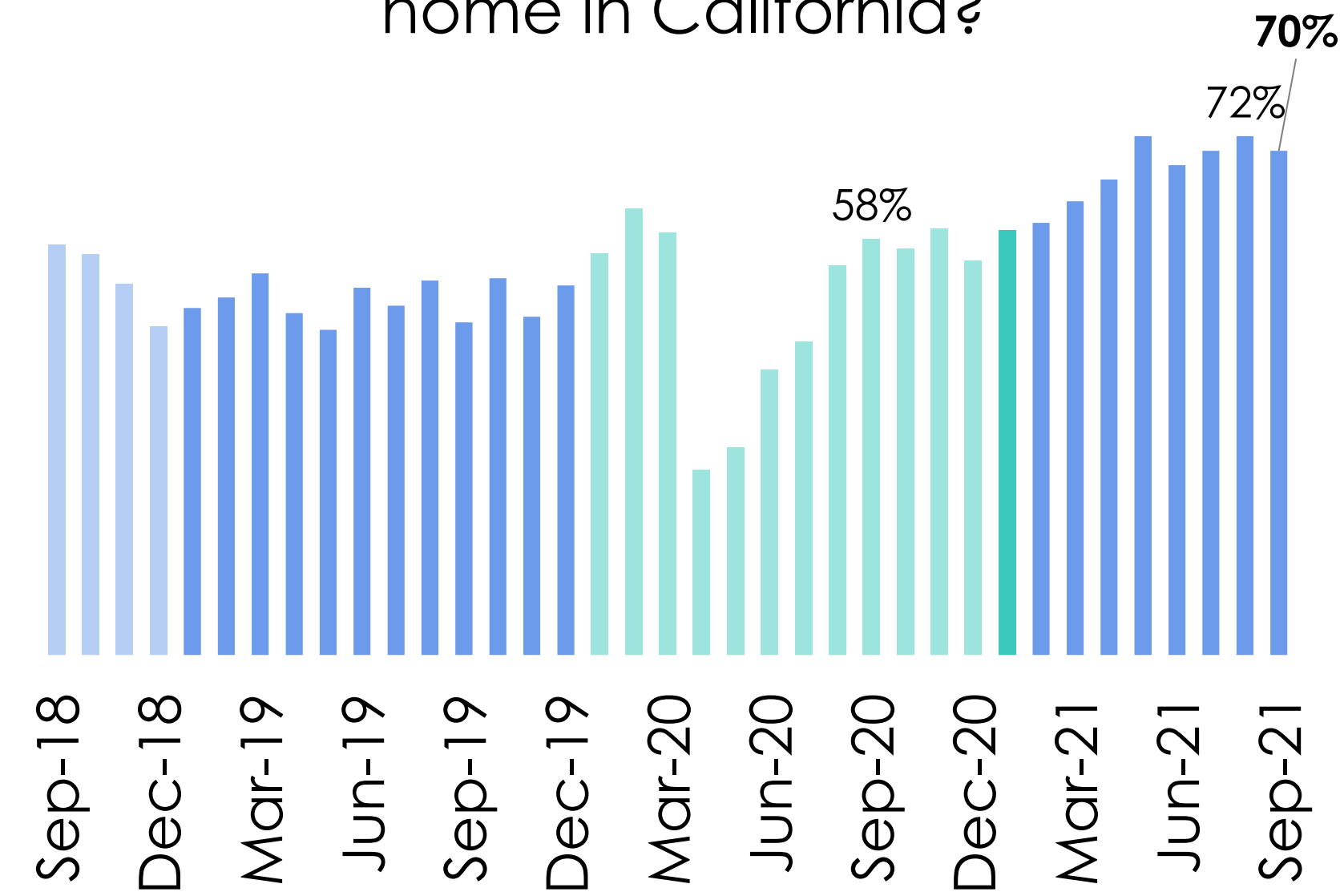


That is a good thing for discouraged buyers

Do you think it's a good time to **buy** a home in California?

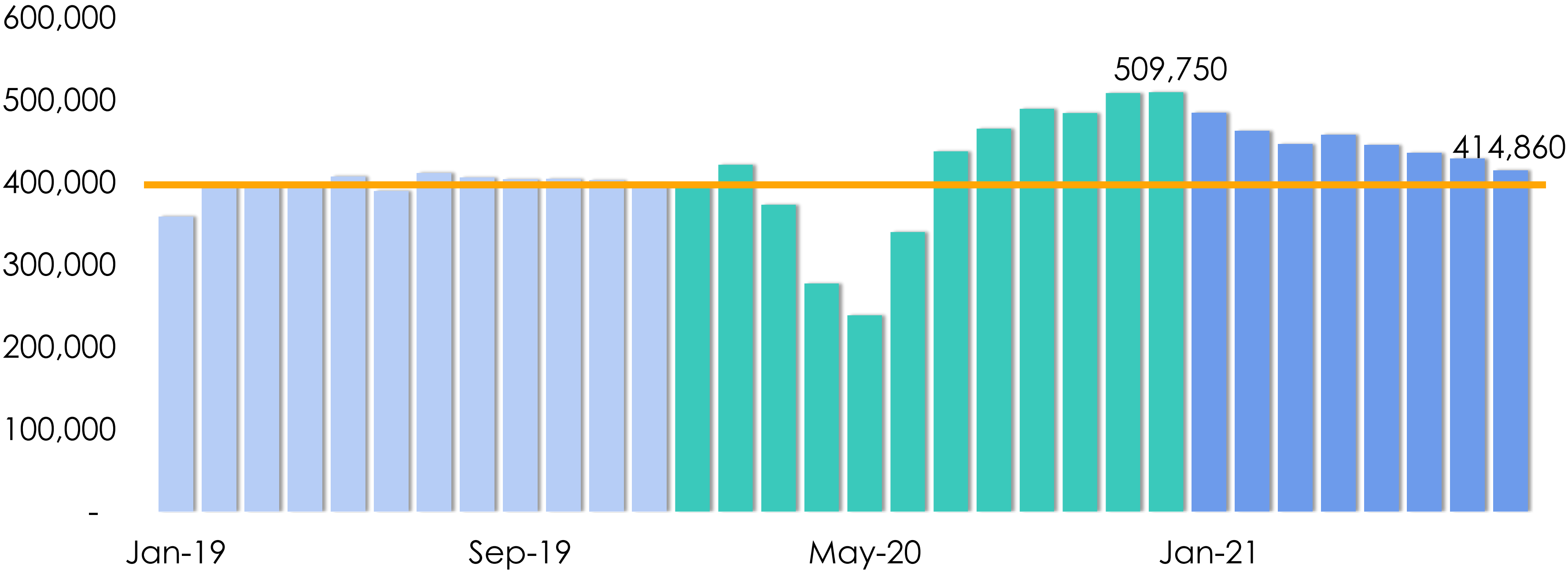


Do you think it's a good time to **sell** a home in California?



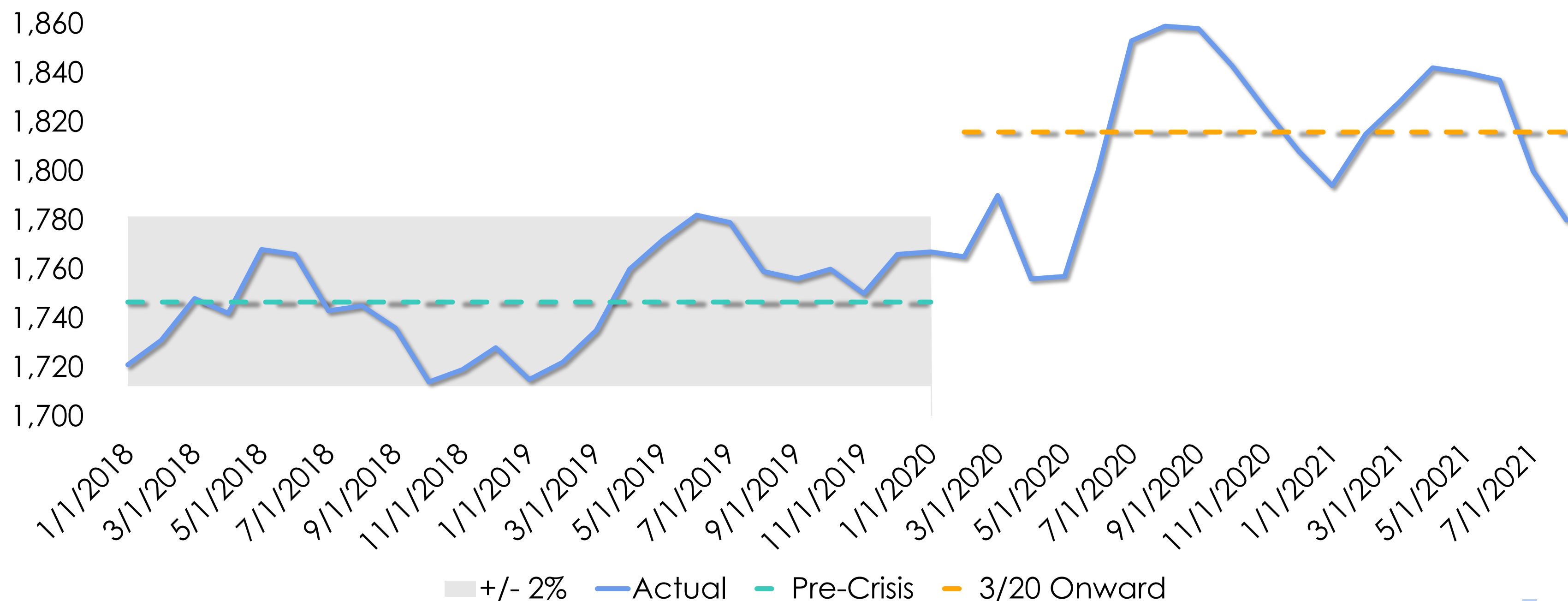
Momentum continues to slow from 15-year highs

California, August 2021 Sales: **414,860 Units**, +21.3% YTD, **-10.9% YTY**, -3.3% MTM



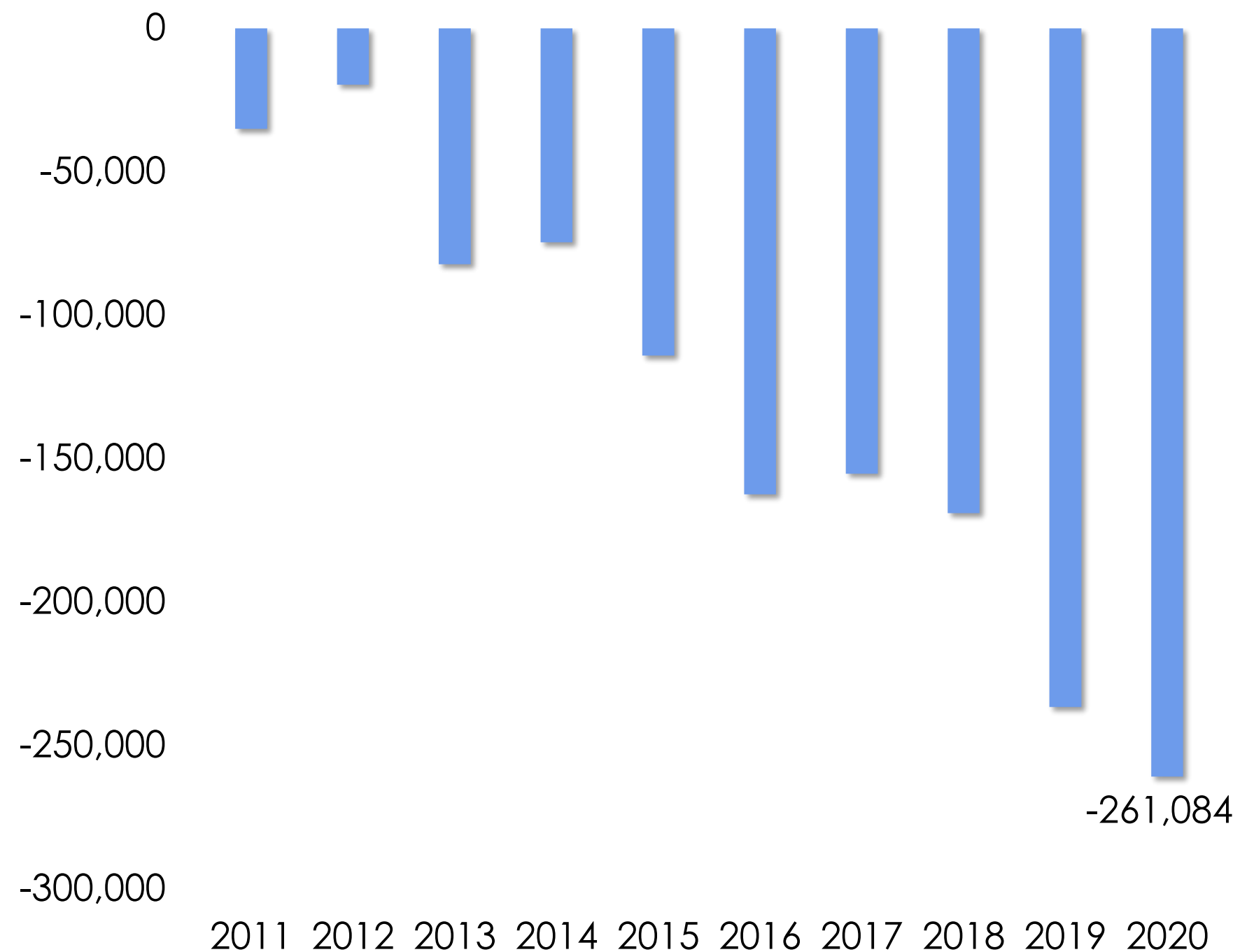
Size of home stickier than the geographic stuff

Median Sq. Ft. of Existing SFR Sales in California

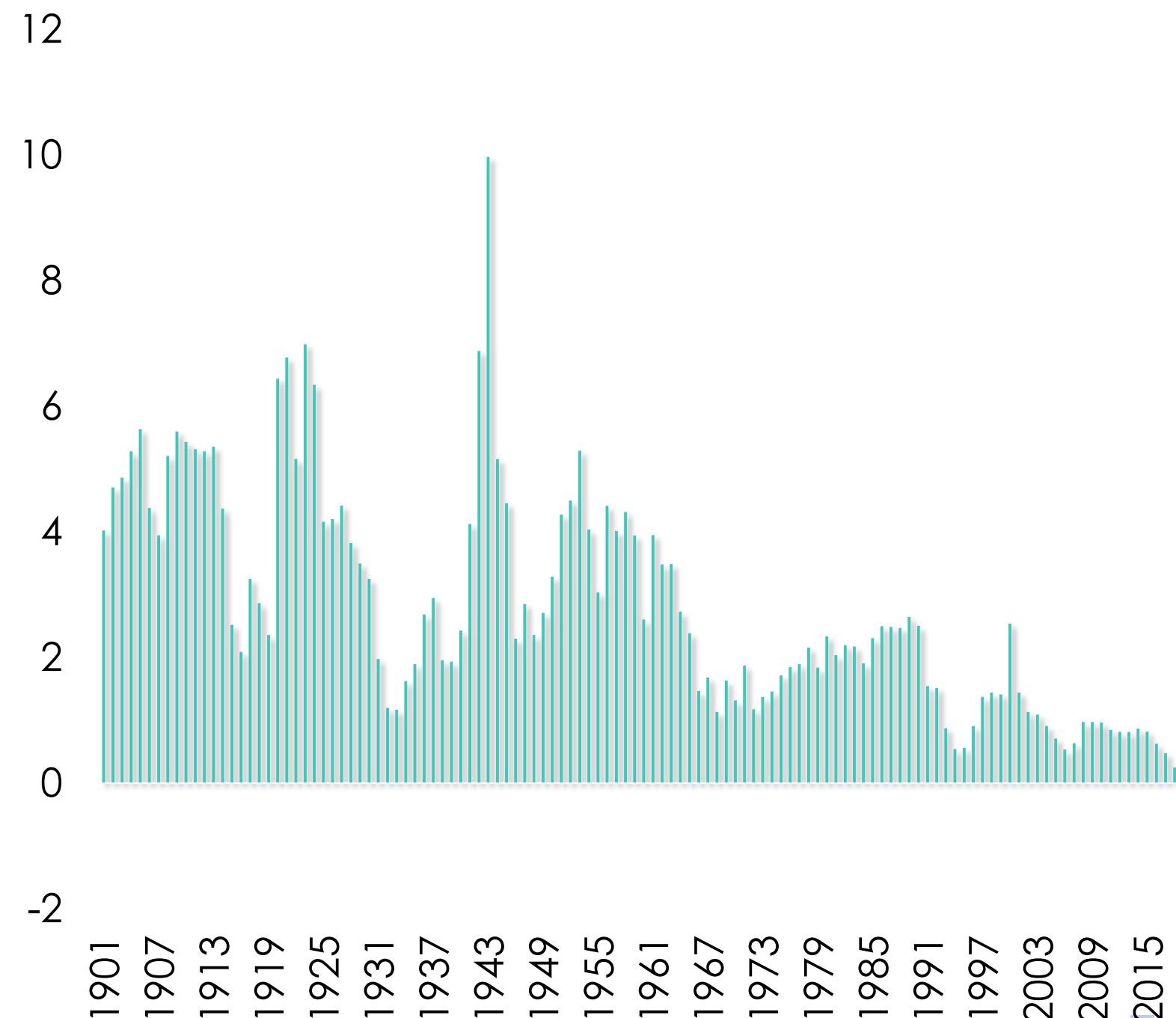


The need for housing is **MORE** urgent than ever

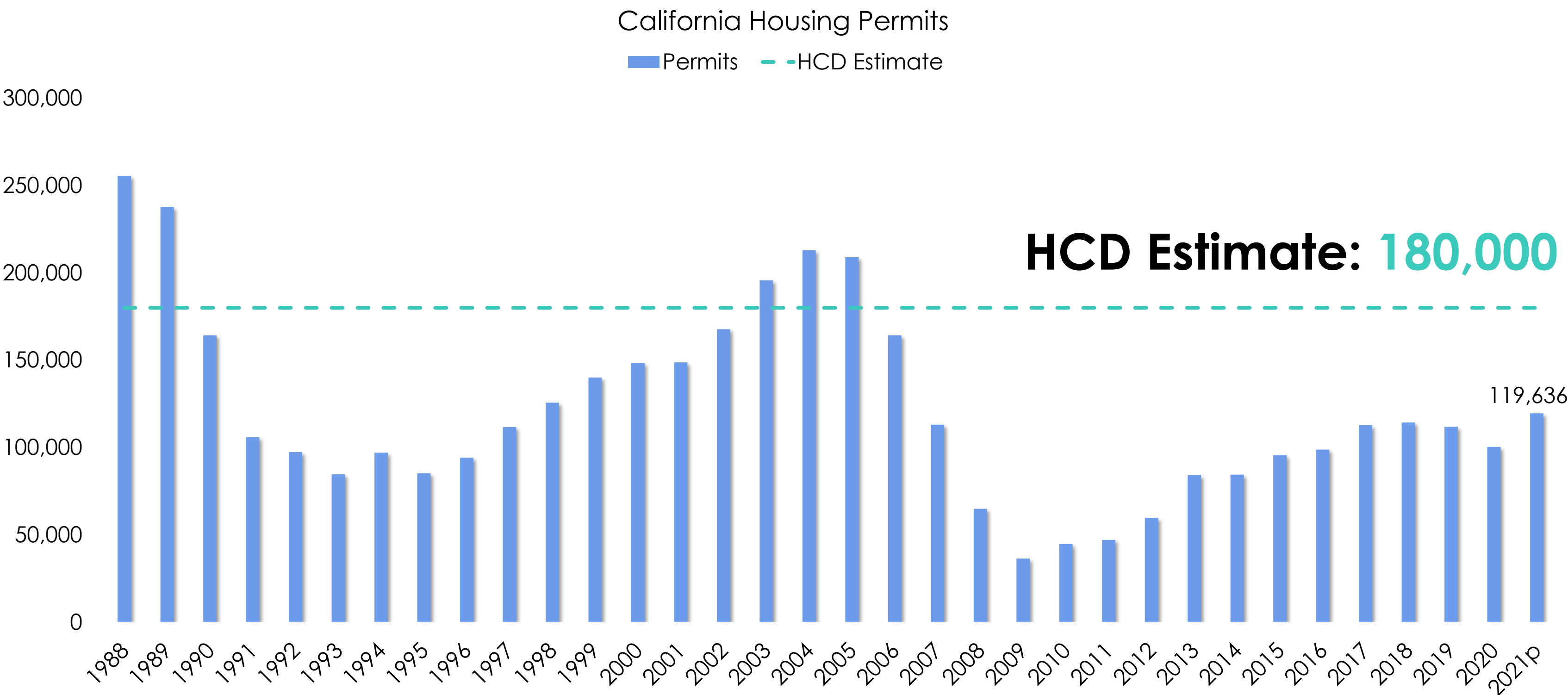
California Net Domestic Migration



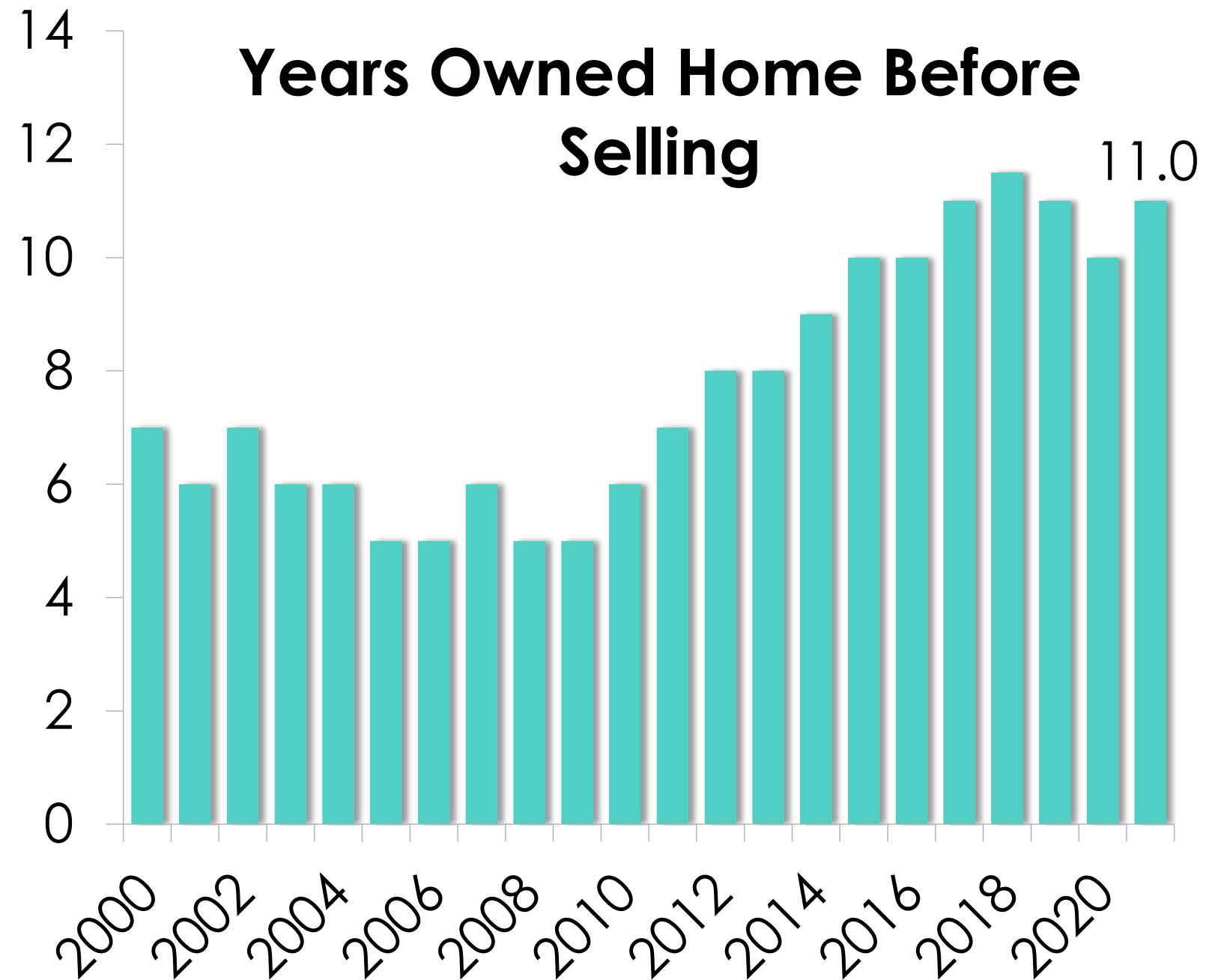
California Population Growth



Number of new housing units off by all measures...



So people stay in their homes longer

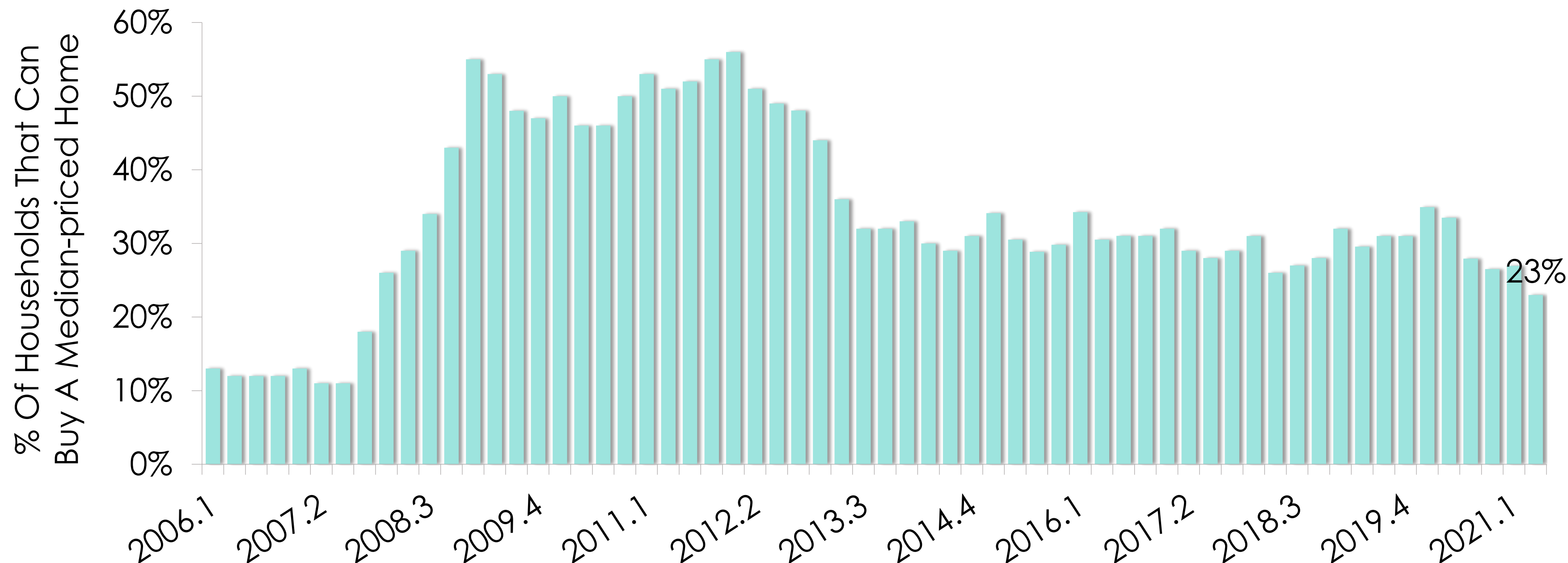


Long-Time Homeowners are not moving as in the past because:

- Low rate on current mortgage
- Low property taxes
- Capital gains hit
- Where can I afford to go?
- Remodel and stay

Affordability deteriorating **even with lower rates**

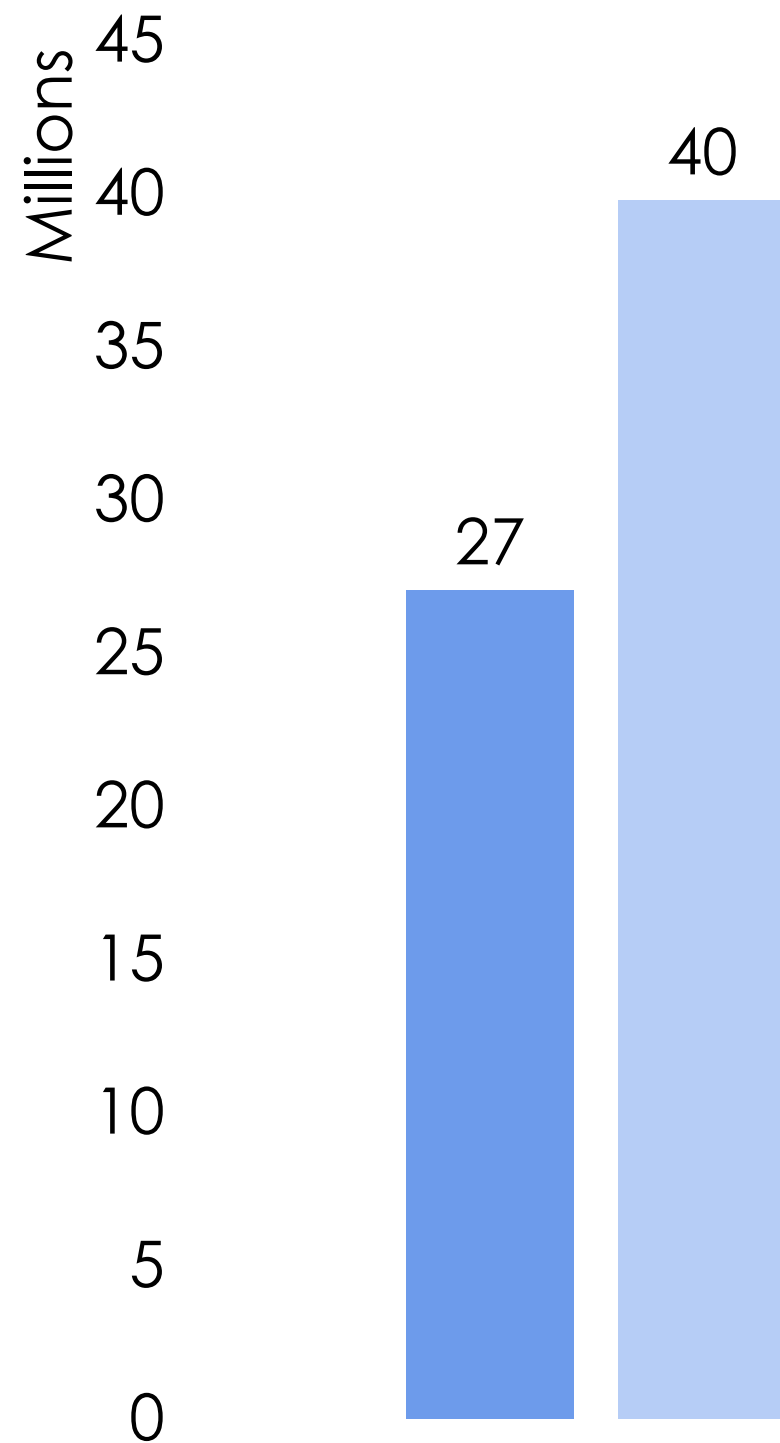
California: 2006-2021



Roots of the California housing crisis

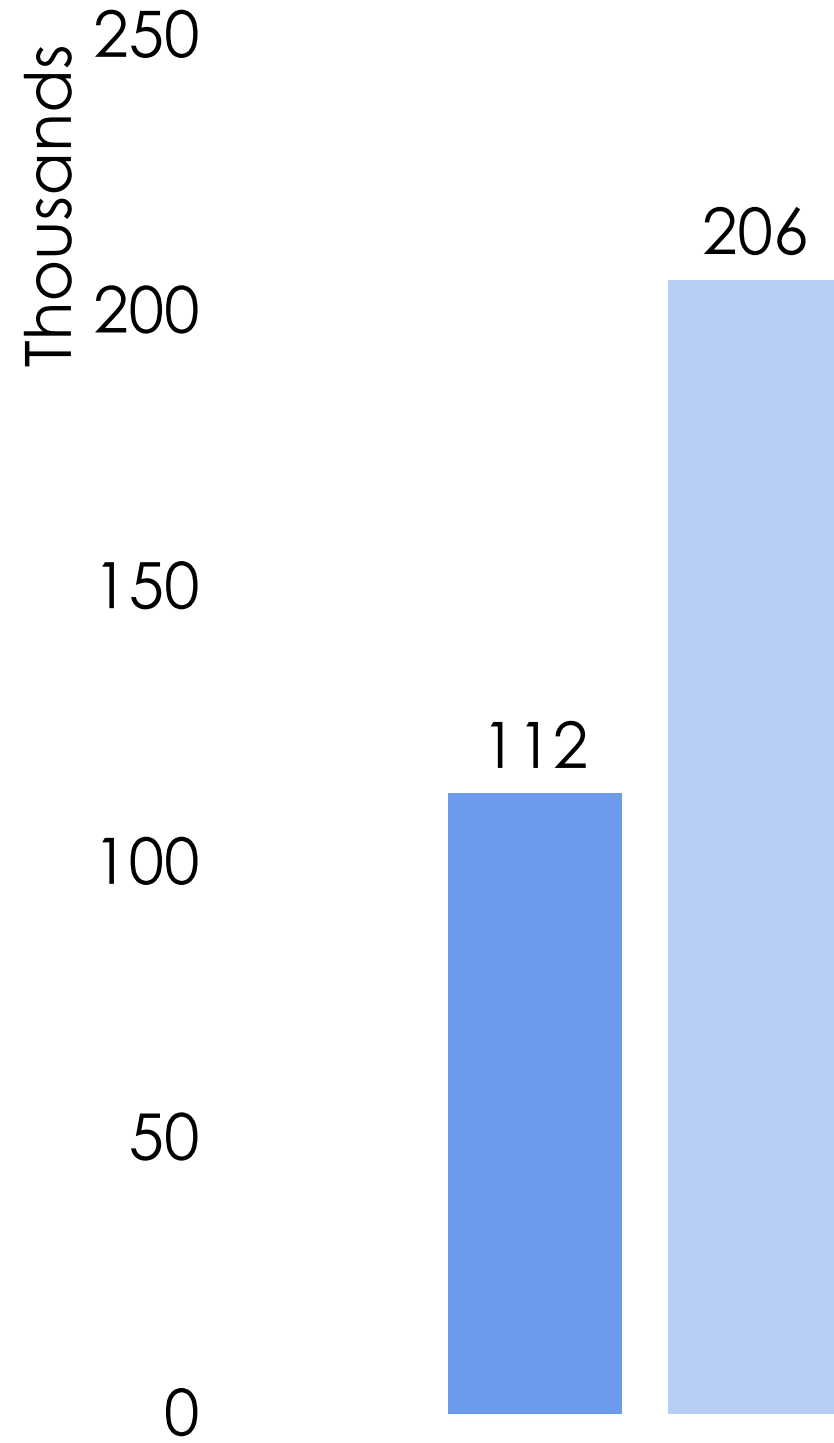
CA Population

■ 1986 ■ 2020



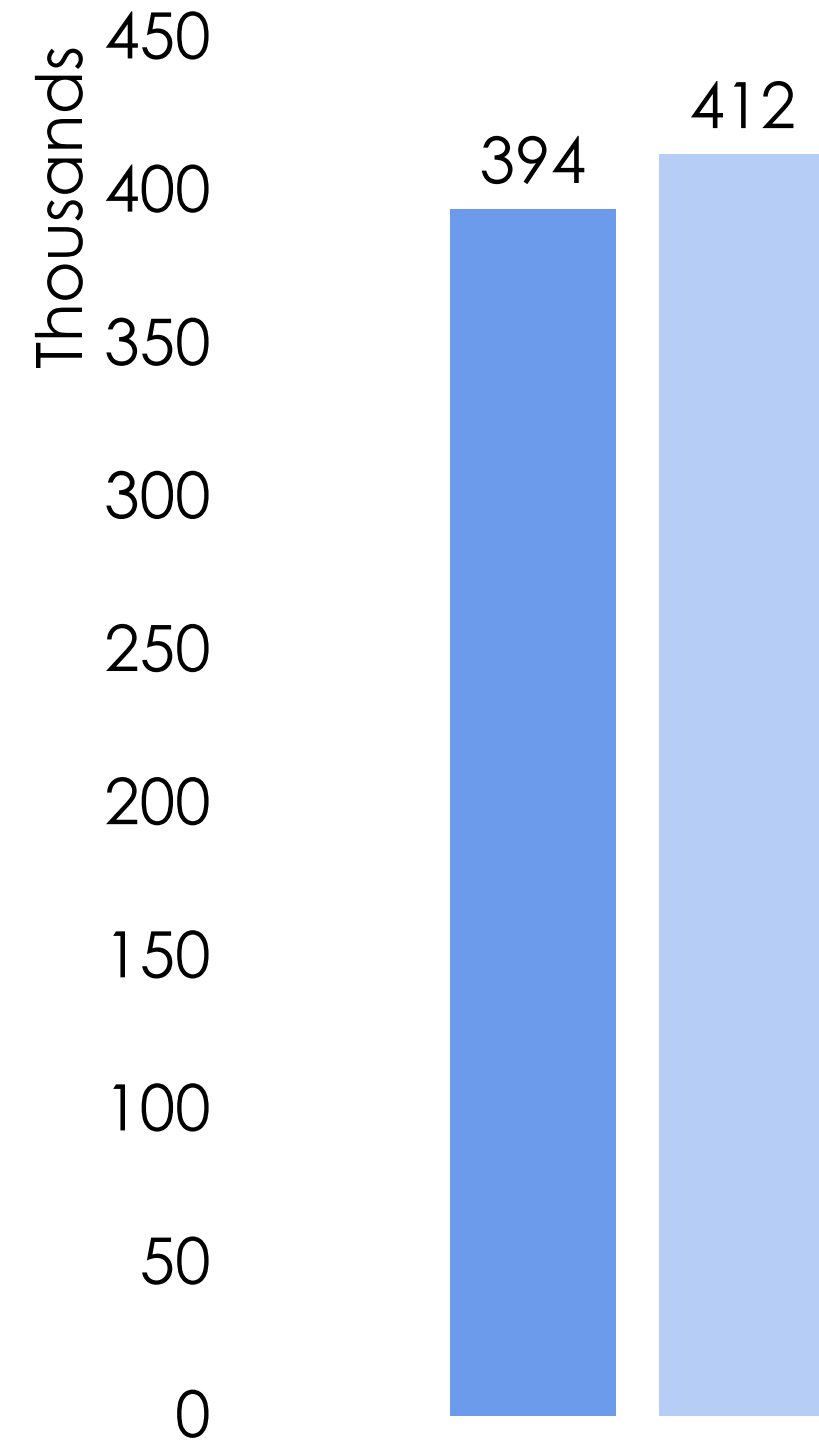
CA REALTORS®

■ 1986 ■ 2020



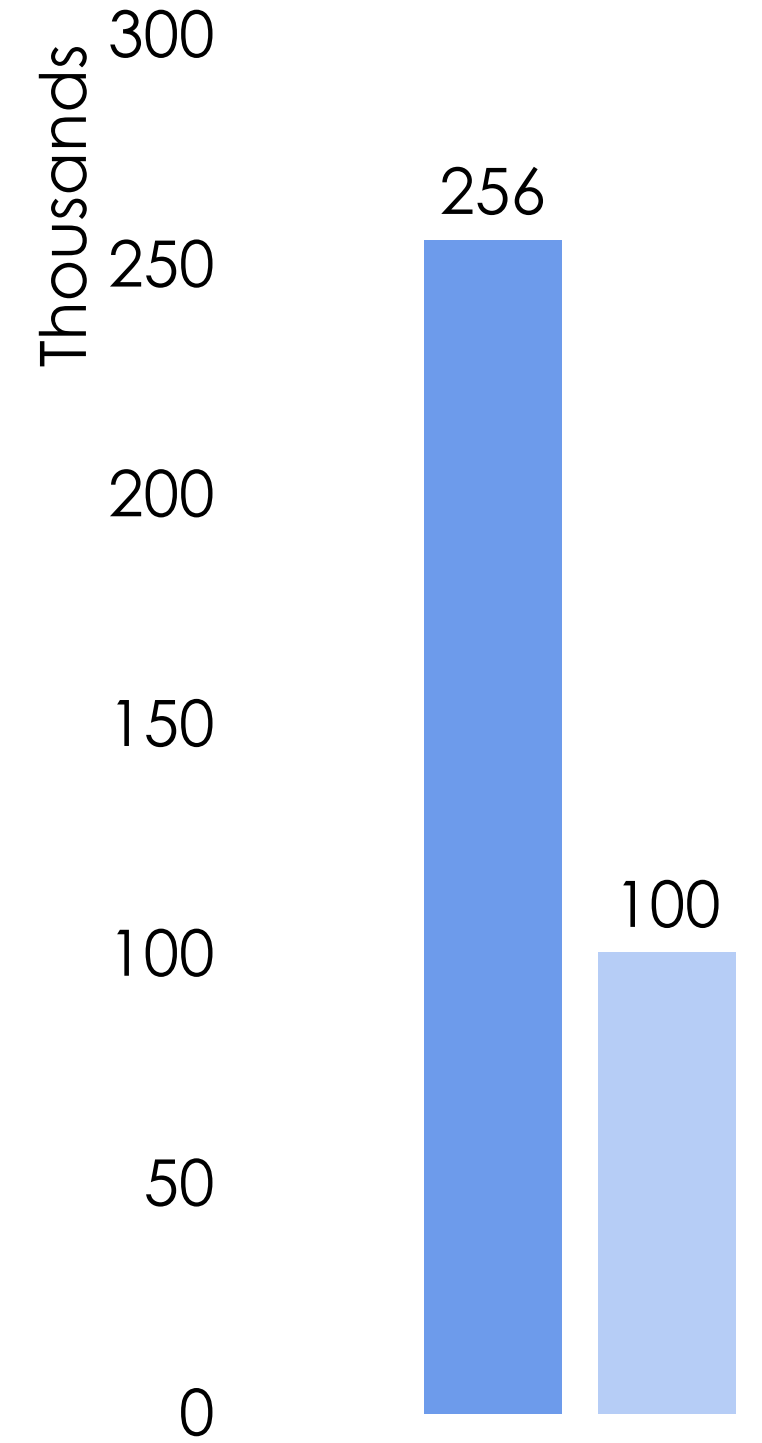
CA Home Sales

■ 1986 ■ 2020



CA Building Permits

■ 1986 ■ 2020



Many disparate external forces converging...

The Good News

- The econ. tide is rising
- Lid on COVID (for now)
- Buyers want to buy (a lot)
- Market still attractive for sellers
- Rates will be favorable
- Sales will stay solid next year
- Home prices will keep rising

The Bad News

- We still don't build enough
- COVID made problems worse
- Big challenges for FTBs
- Small rate changes hurt a lot
- Headwinds for homeownership
- Industry disruption accelerating
- Rising tide lifting *some* boats

