

2020
Annual Housing
Market Survey

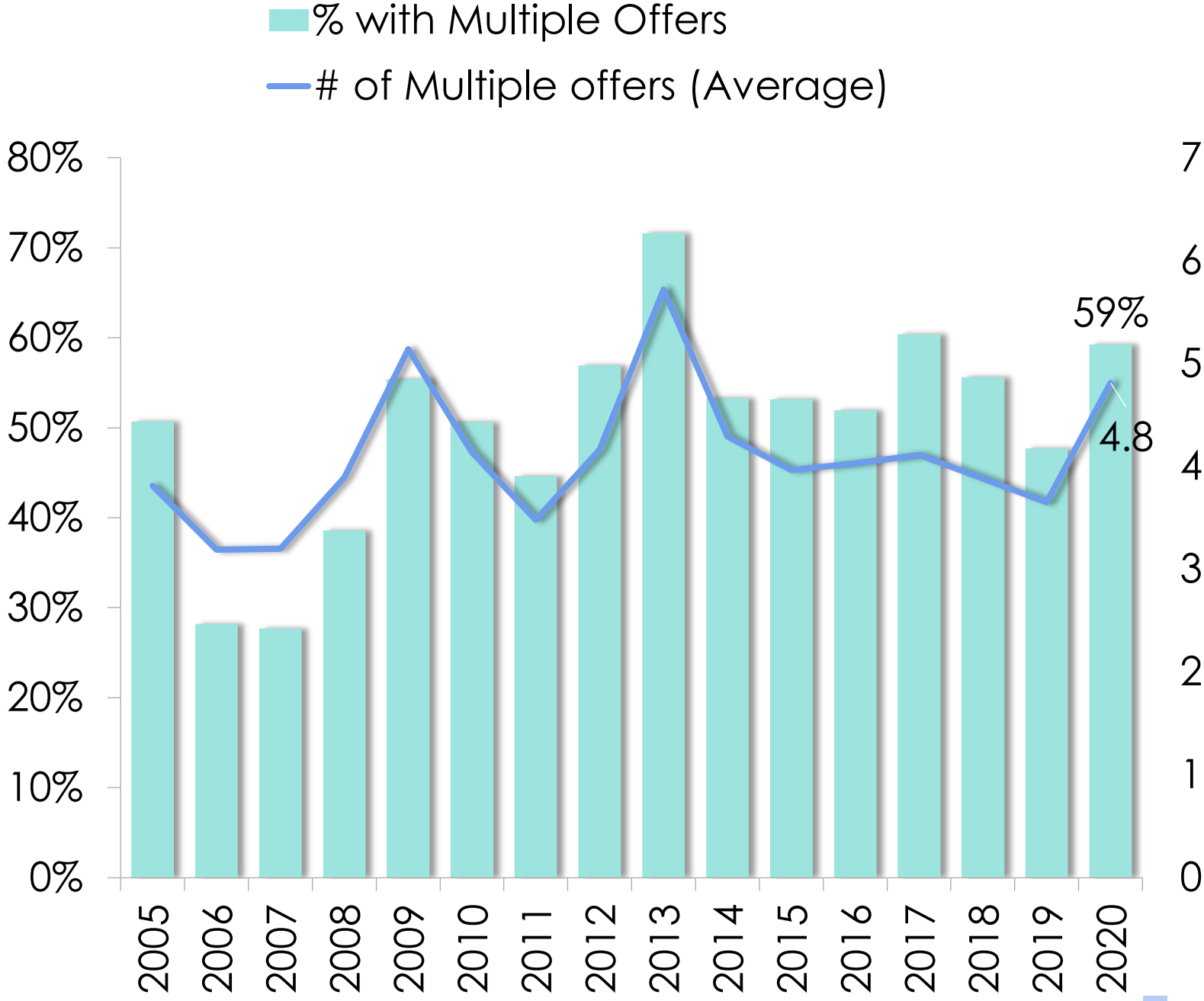


Surge in demand heightened market competition

The housing market has become more competitive as the imbalance between supply and demand continued to get worse. The percentage of sales with multiple offers and the average number of offers were both up this year and reached their highest levels since 2013.

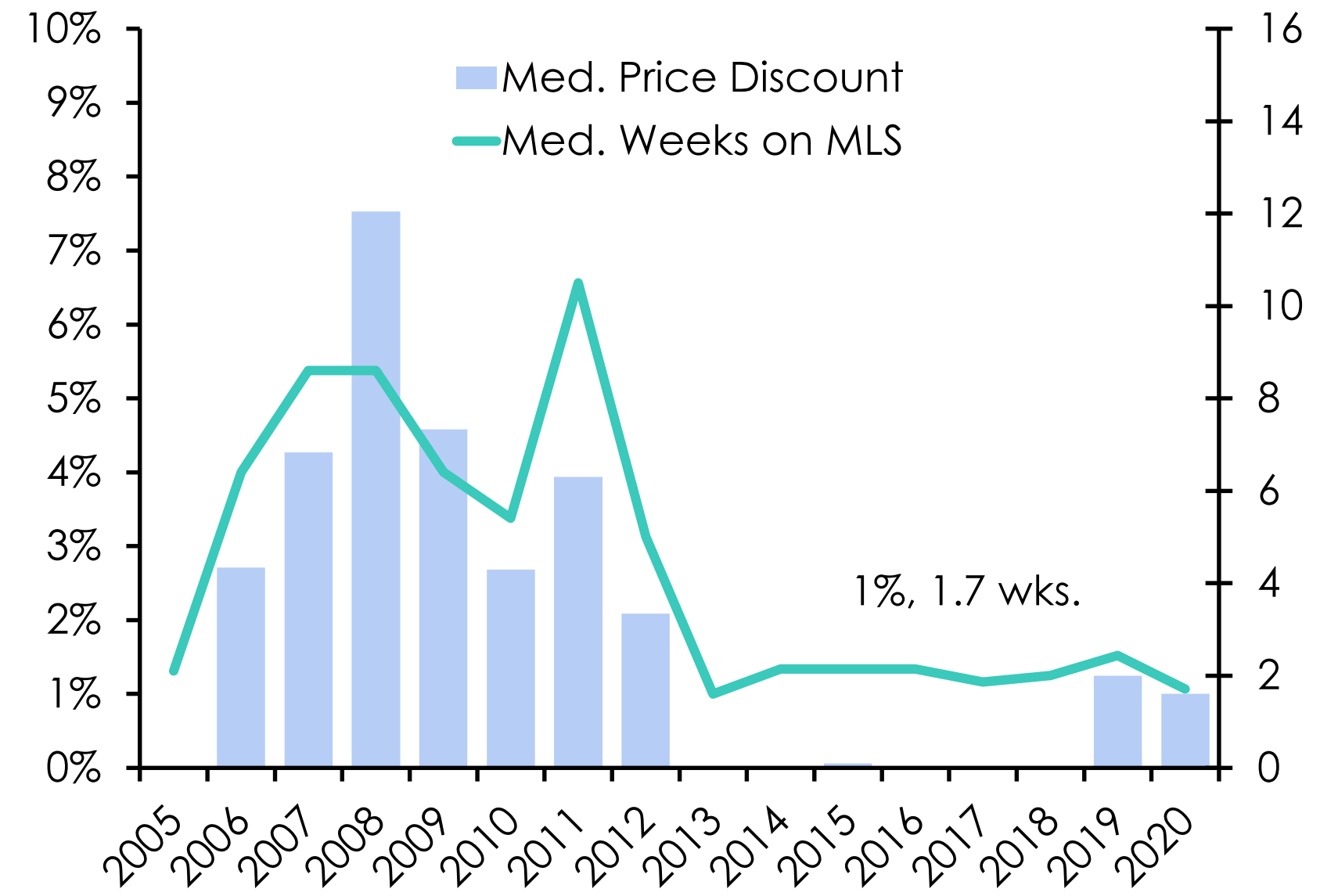
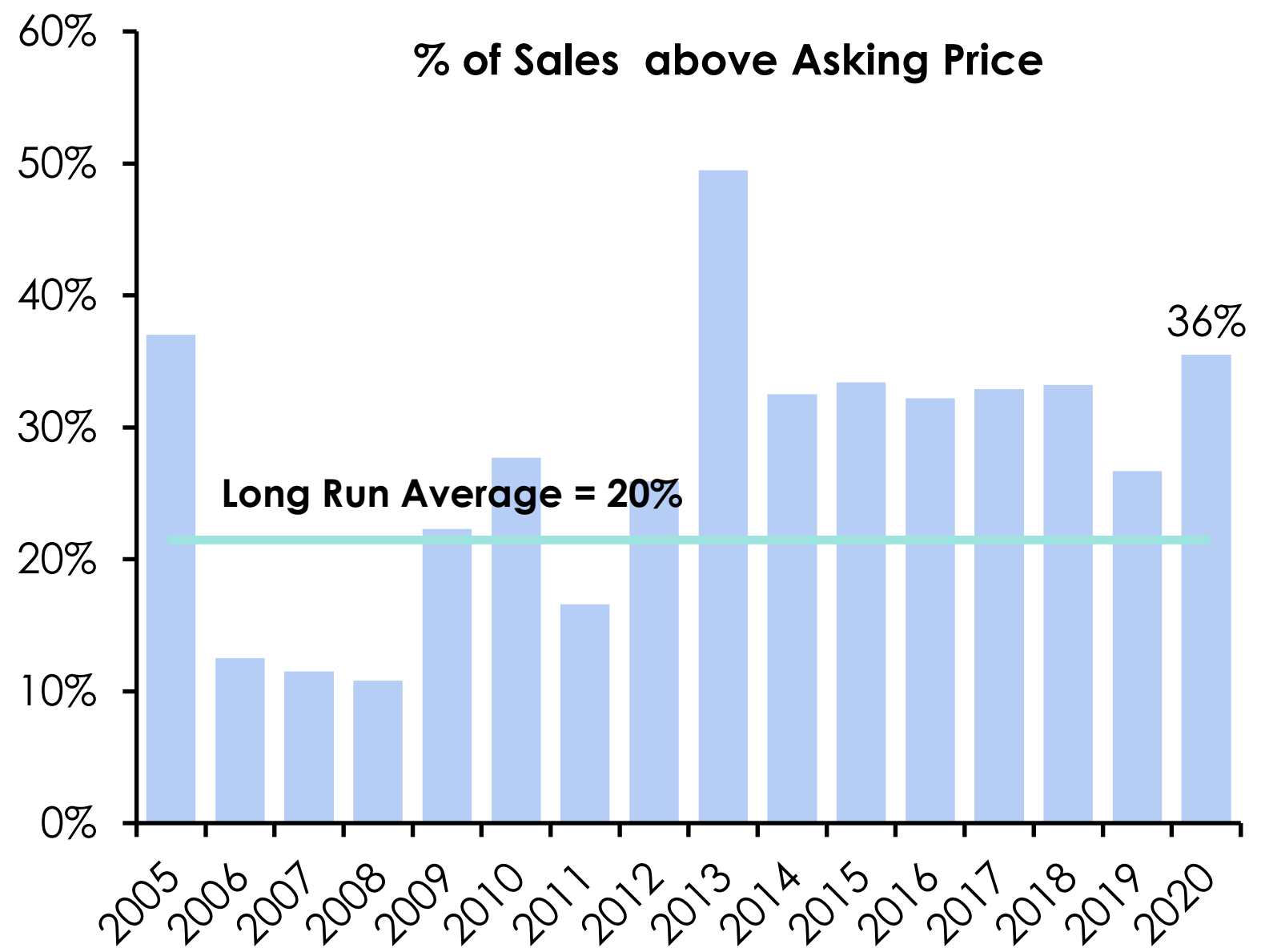
More properties were sold above asking price, with their share to total sales up nearly 10 percent from 2019. This year's level is the highest in seven years and is 16 percent higher than the long-run average.

- Q. Were there multiple offers made on the property?
- Q. How many offers were made?



Low rates and tight supply heat up the market

Properties have been flying off the shelf, with time on market hitting its lowest level since 2013. Tight inventory and record low rates are both contributing factors to this high level of market competition, and it could get worse as we move into 2021.



Mid-priced range most competitive

2020

	Lower-Priced Range (\$0 - \$499k)	Mid-Priced Range (\$500k - \$1 M)	Upper-Priced Range (\$1M+)	All Buyers
% with Multiple Offer	55.6%	62.5%	58.5%	59.2%
Avg. # of Offer	4.3	6.0	4.2	4.8
% of Sales Above Asking Price	30.3%	37.3%	40.9%	35.5%
Days on Market	14	10	14	12

Market competitiveness varied between price segments. Properties in the mid-priced range — homes sold with a price between \$500,000 and \$1 million — were the most sought after, as they were the most likely to receive multiple offers, the most likely to receive an offer with a price at or

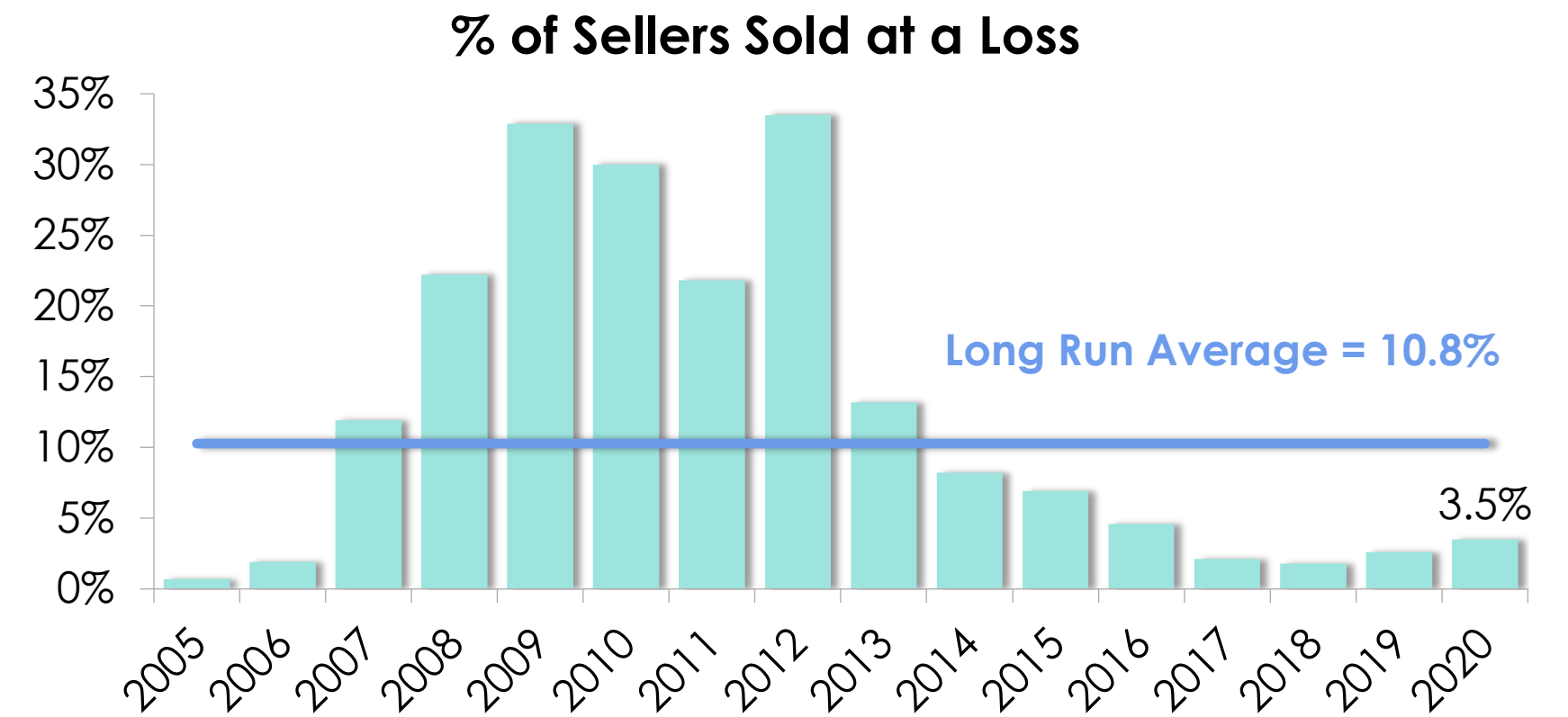
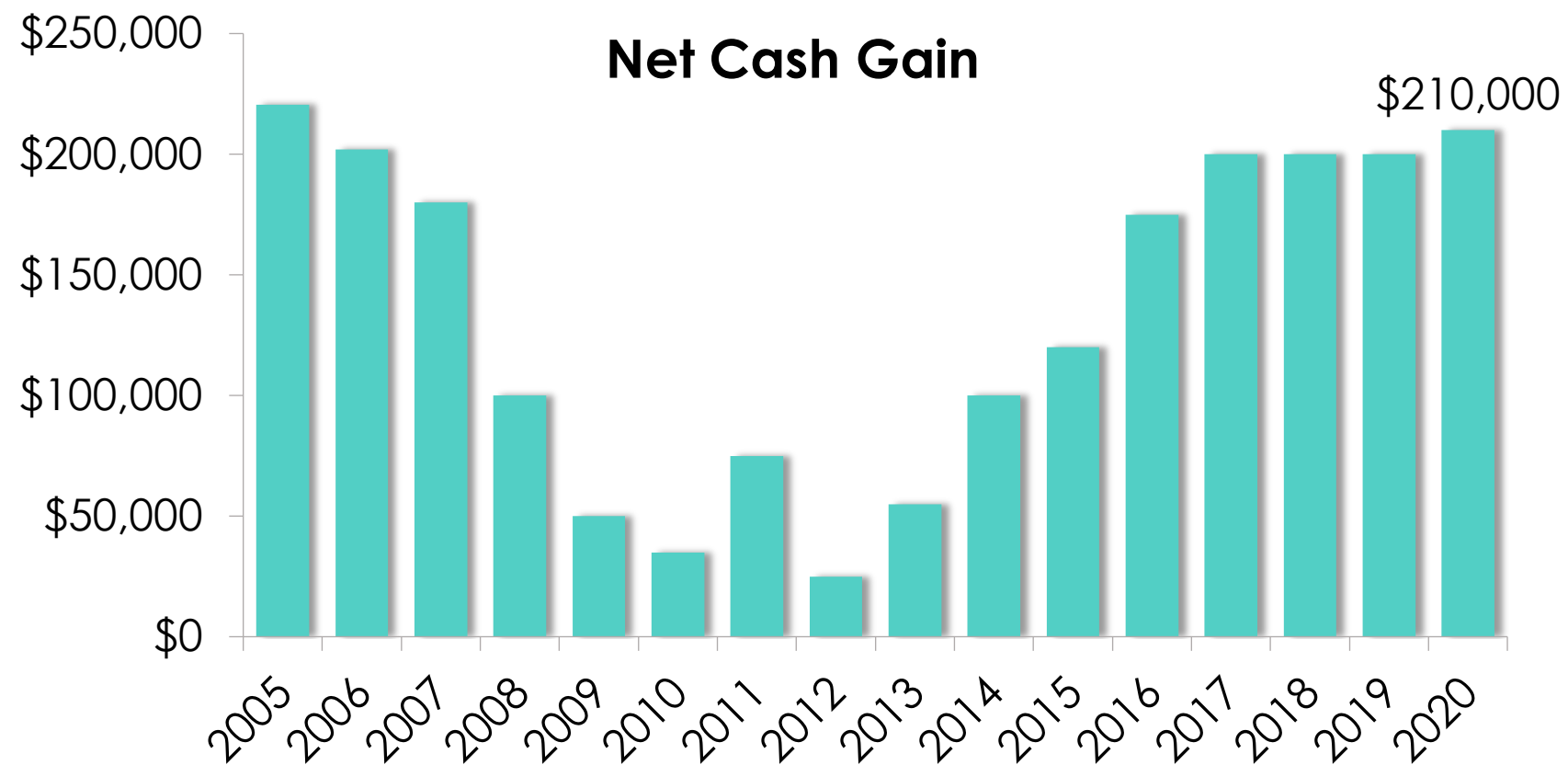
above the asking price, and sold the fastest. While all price segments were up from 2019, homes sold between \$500,000 to \$1 million had the biggest jump in average number of offers from last year, increasing from 3.5 in 2019 to 6 in 2020.

The market was less competitive last year

2019

	Lower-Priced Range (\$0 - \$499k)	Mid-Priced Range (\$500k - \$1 M)	Upper-Priced Range (\$1M+)	All Buyers
% with Multiple Offer	46.1%	50.4%	48.9%	47.7%
Avg. # of Offer	4.0	3.5	3.5	3.7
% of Sales Above Asking Price	22.2%	27.9%	34.1%	26.7%
Days on Market	18	15	14	17

It's good to be a seller in 2020!



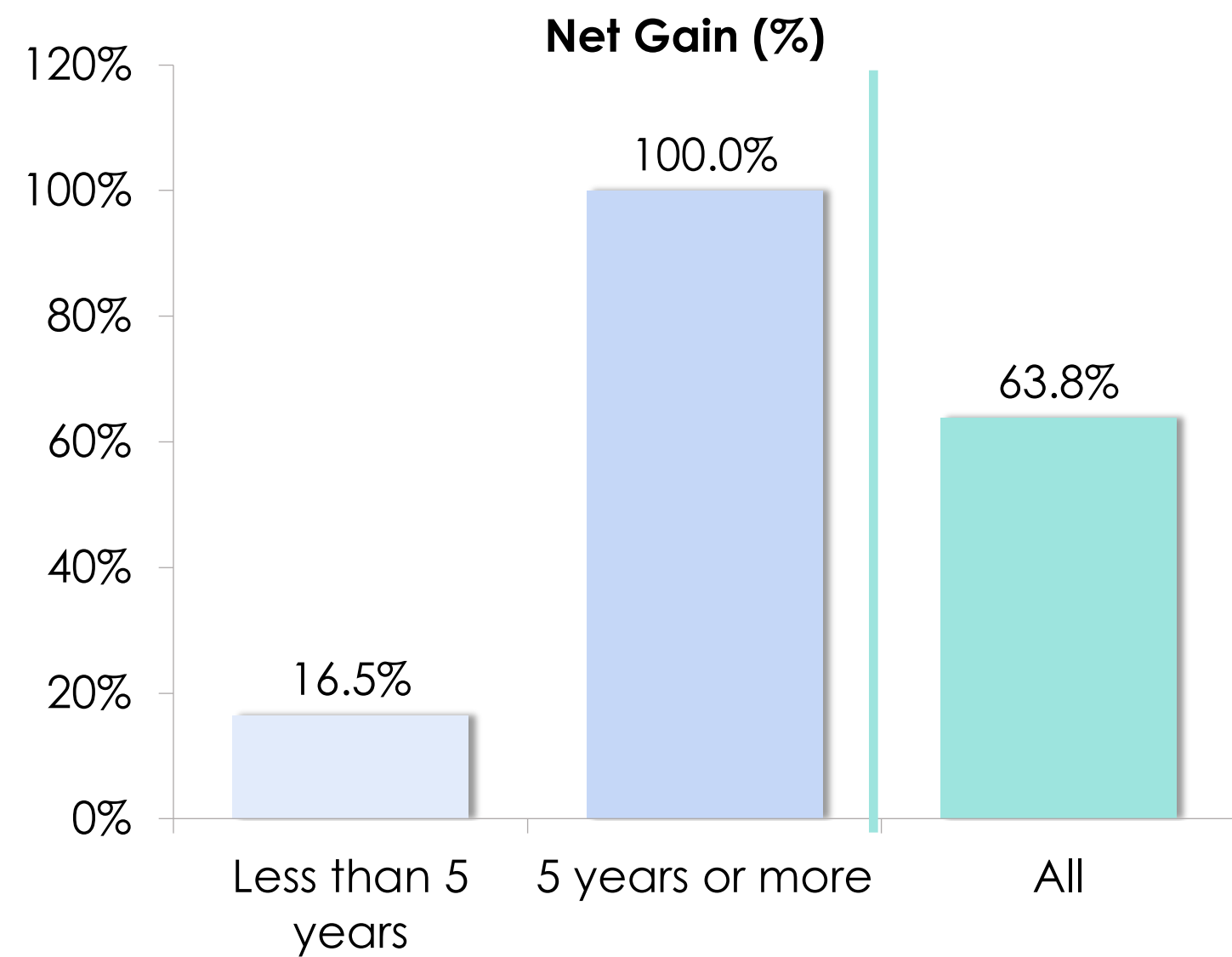
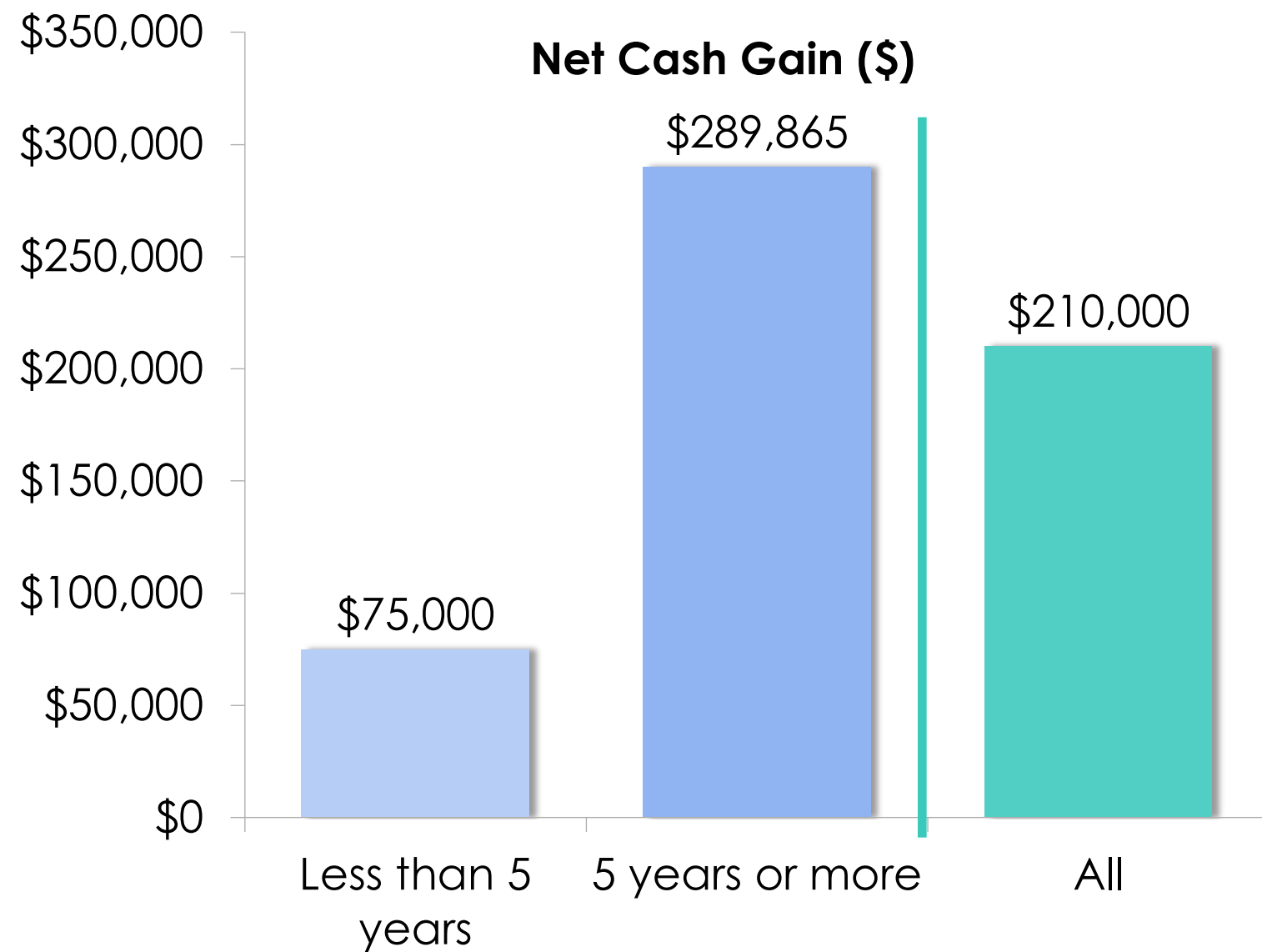
C.A.R.'s latest housing market forecast projects the statewide median home price to reach \$661,120 in 2020, an 11.6 percent increase from 2019's median. In addition, listings have been flying off the shelf at record rate and more homes have been sold above asking price. Results from the 2020 Annual Housing

Market Survey suggest that homesellers typically pocket a net cash gain of \$210,000 from the sale of their homes. That's a 63.8 percent increase from the purchase price! Less than one out of twenty sellers had a net loss from their home sale in 2020, a number that is well below the long-run average.

Q. What was the net cash gain or net loss to the seller as a result of this sale?

Net cash gain at the highest in 15 years

Homesellers who lived in their house for less than five years earned a 16.5 percent profit from their sales; those who lived in their house for five or more years earned a 100 percent profit.



Q. What was the net cash gain or net loss to the seller as a result of this sale?

Many sellers plan to buy again



Many homesellers are also repeat buyers or potential repeat buyers. The share of sellers who expressed interest in buying another property remained unchanged from last year, with over half planning on purchasing a home again.

Less than two-fifths of those sellers who planned to repurchase said that their new home will be located within the same county, while one-fifth of them planned to relocate to another county in California.

Q. Is the seller planning on purchasing another home?

More sellers move out of California

Location of Seller's New Home

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Within the same county	38%	41%	37%	45%	47%	42%	49%	49%	46%	44%	44%	40%	38%	36%	35%	36%
In another county in California	23%	18%	24%	17%	21%	21%	19%	18%	20%	21%	20%	21%	20%	21%	20%	18%
In another state	31%	28%	29%	27%	19%	20%	20%	22%	19%	22%	22%	25%	28%	29%	30%	30%

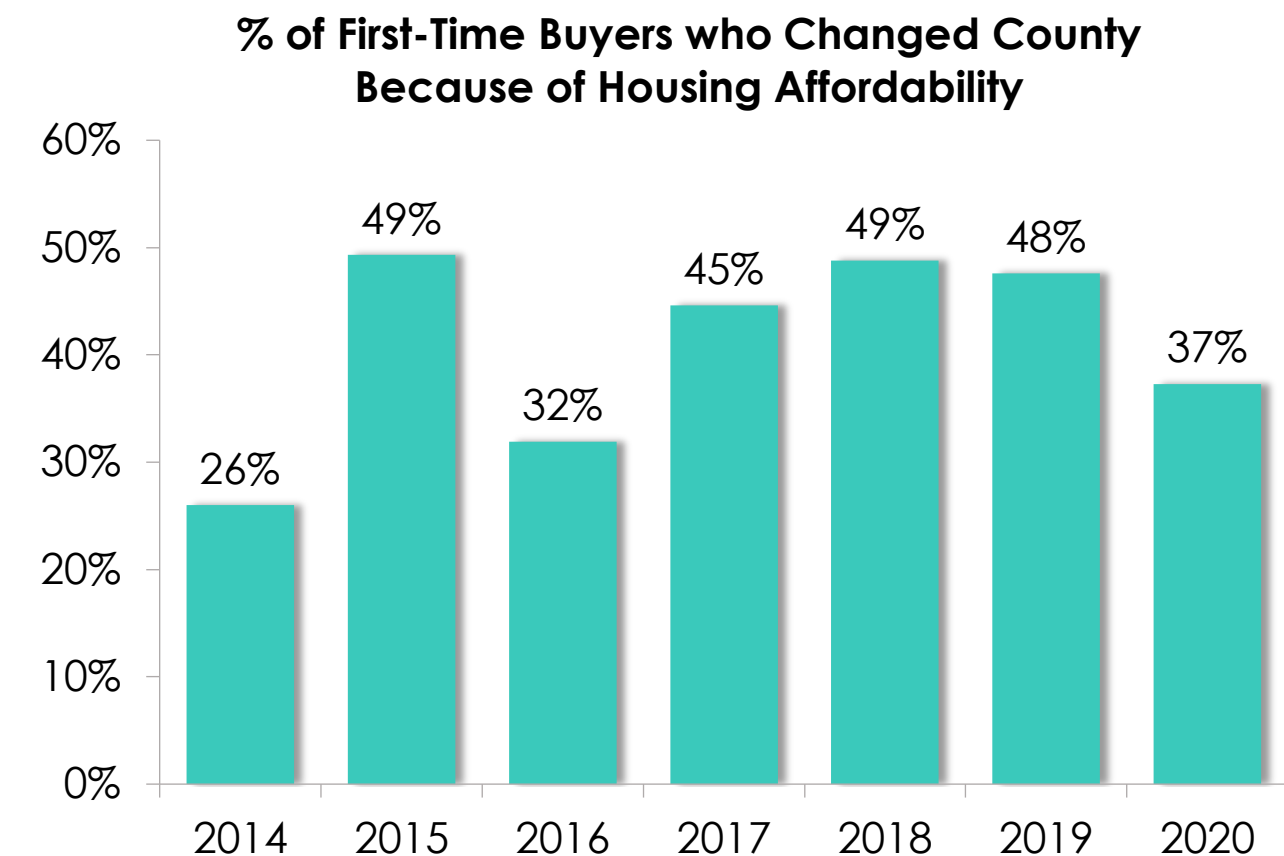
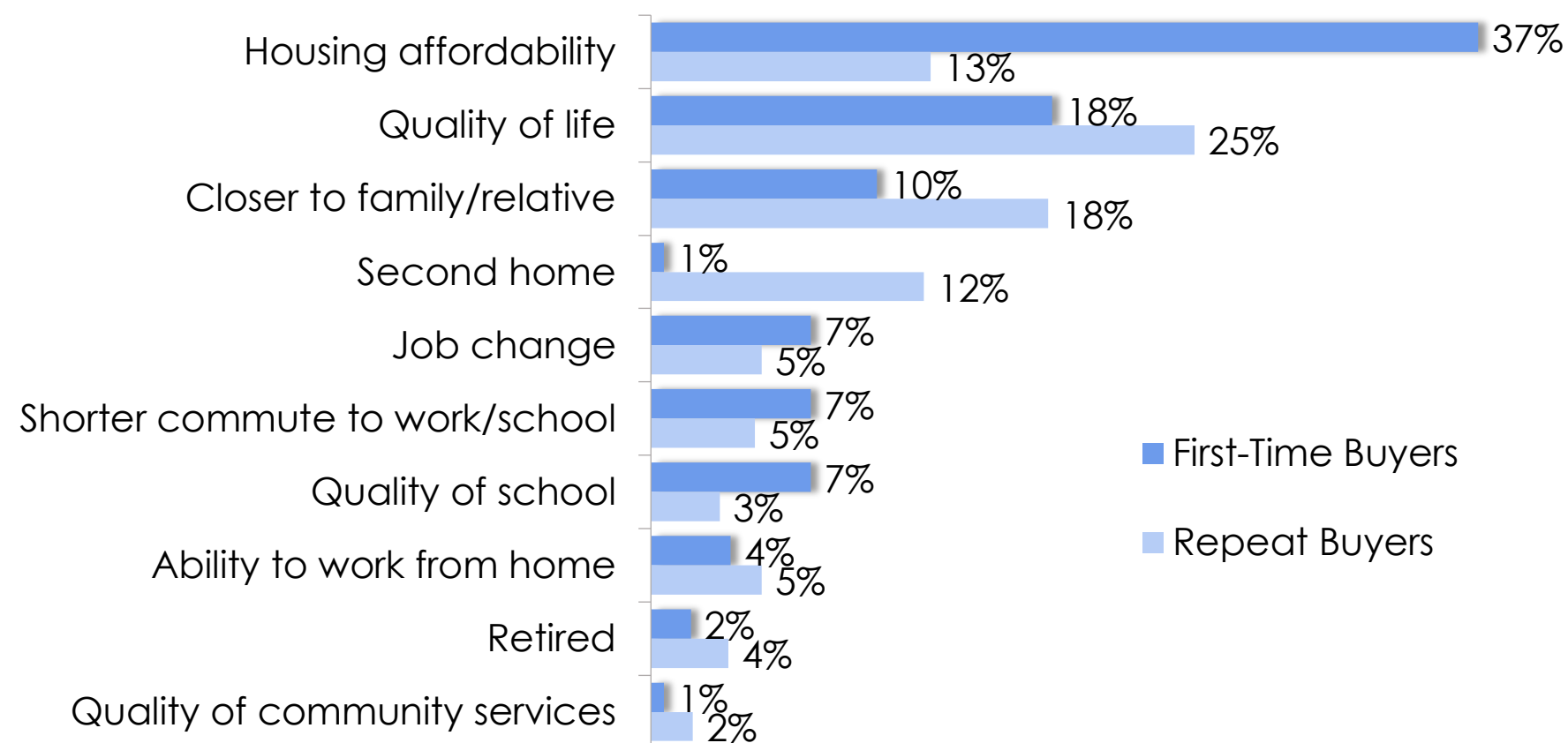
Three out of ten sellers who planned to purchase a new home decided to buy in another state outside of California, consistent with last year's level, and remained at the highest level since 2005. Declining housing affordability and the flexibility to work remotely are the driving force that led to an elevated level of sellers wanting to move to another state. The outmigration trend

has consequences far reaching than just a shrinking population count. Companies and jobs are also leaving the state and expanding elsewhere because they have difficulty finding qualified workers in California. Outmigration will also lead to an increase in income inequality since there will be a reduction in less-skilled workers' access to high-wage labor markets.

Housing affordability is still a big problem for first-time buyers

Despite record low interest rates, housing affordability remains a challenge for homebuyers as the statewide median price continued to rise by double-digit. The problem is especially pronounced for first-time buyers, as 37 percent

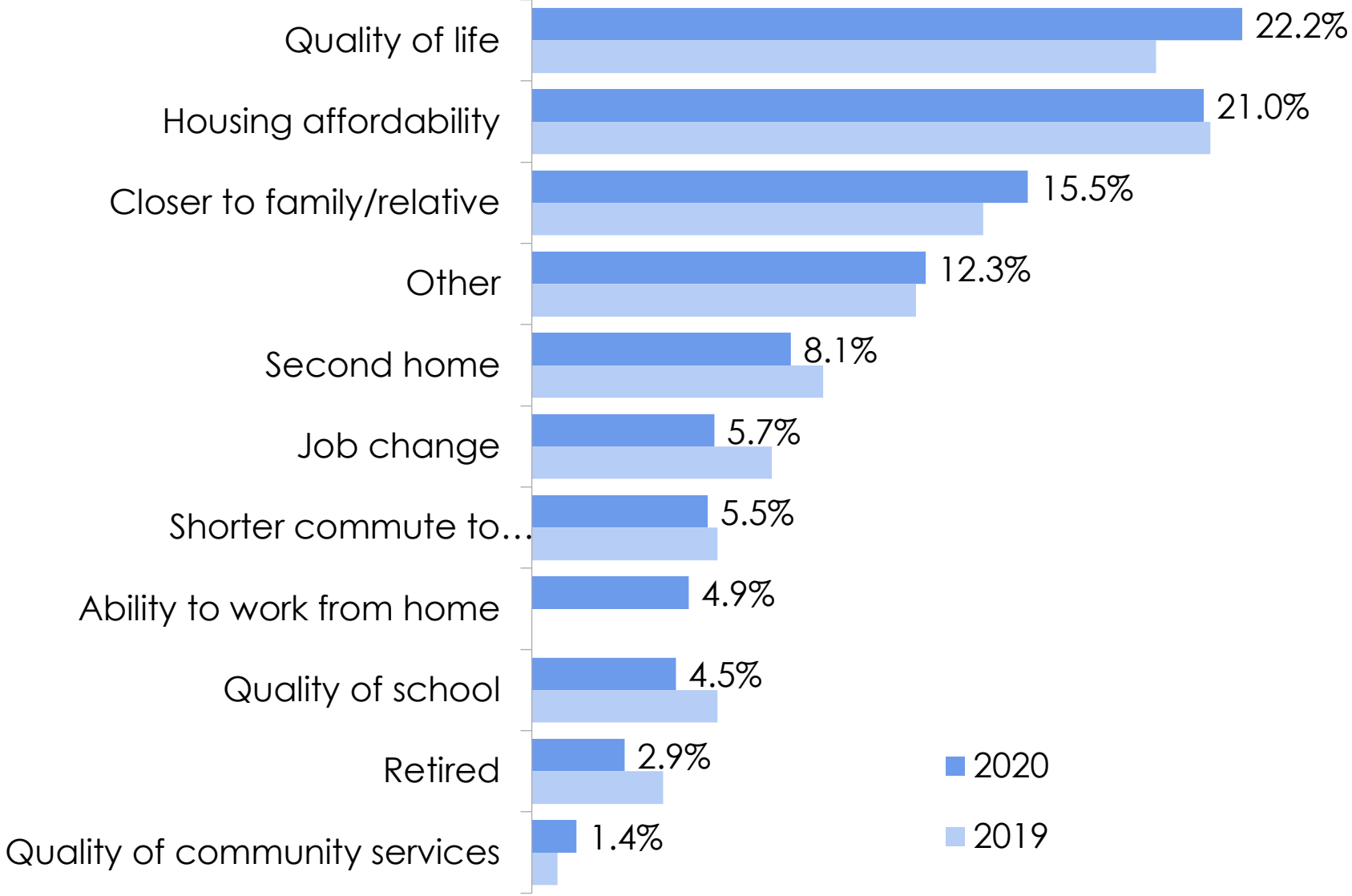
of them moved to another county in 2020 because of housing affordability reason. The share has dipped from prior years, however, as the pandemic continues to keep the cost of borrowing down this year.



Q. What was the primary reason for changing county?

Quality of life overtook housing affordability as the main reason for outmigration

All Buyers



With the Coronavirus taking the center stage this year, housing affordability got dethroned as the top reason to change county for all buyers, and quality of life took over the number one spot for outmigration.

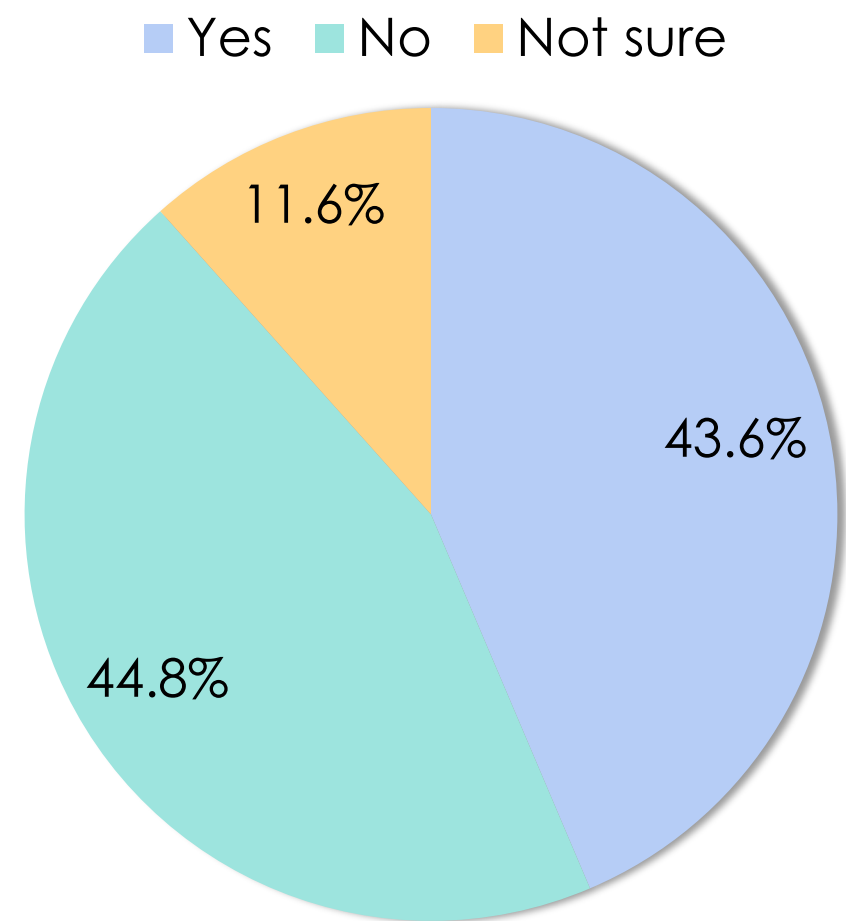
As employees have more flexibility to work remotely from home, commuting to the office has turned into a smaller issue overnight, and homebuyers are more willing to move further away from their office. Quality of life has become an even bigger factor in 2020 when deciding where to buy a property.

Q. What was the primary reason for changing county?

The pandemic is changing buyers' housing preference

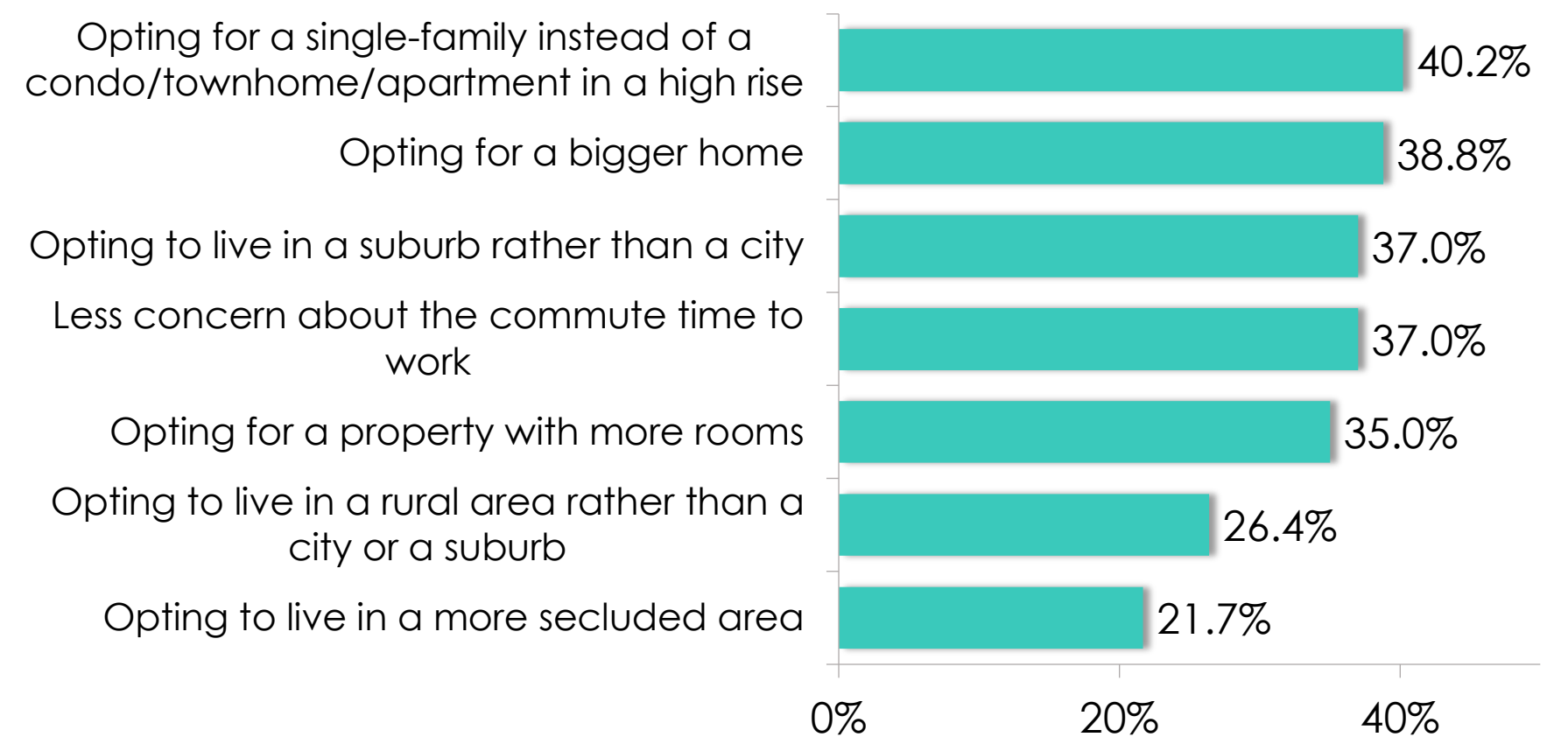
The Coronavirus is affecting consumers' homebuying behavior. With more people working remotely now and in the future, buyers' housing demand is slowly evolving. More than two of five REALTORS® noticed a change in buyers' preference of the

property that they want to purchase since the Coronavirus outbreak, according to C.A.R.'s 2020 Annual Housing Market Survey. Of those REALTORS® who noticed a change in buyers' preference:

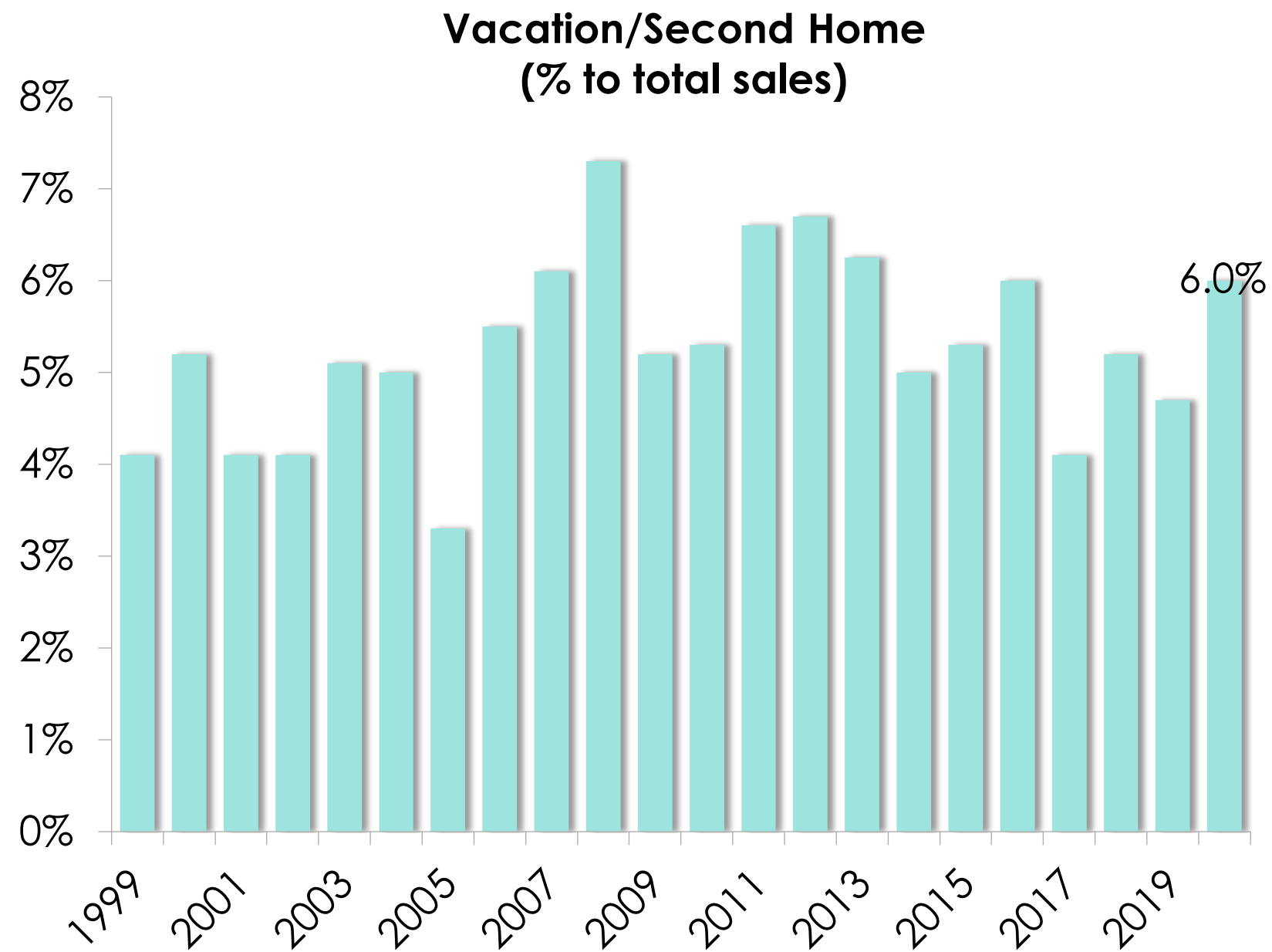


Q. Have you noticed a change in buyers' preference of the property that they want to purchase since the Coronavirus outbreak?

Change in buyers' preference



Highest vacation homes sale in four years



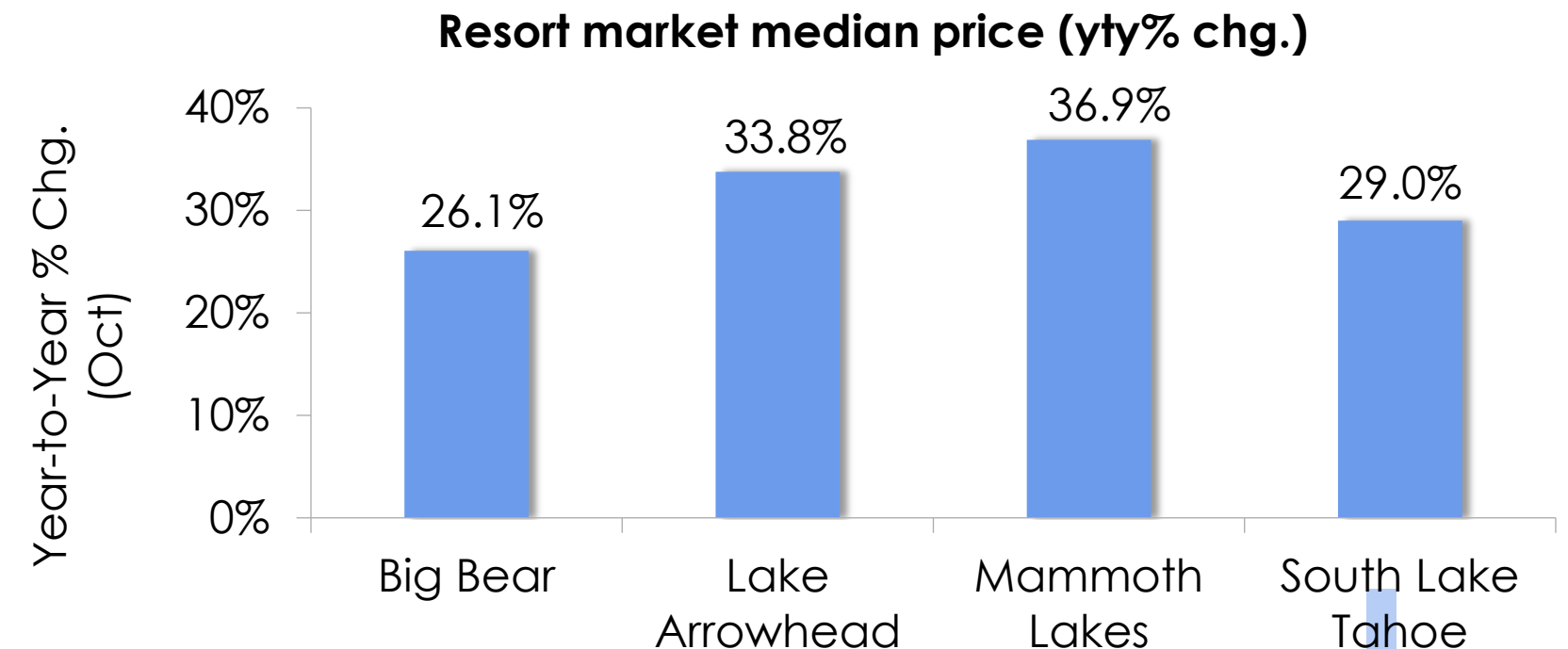
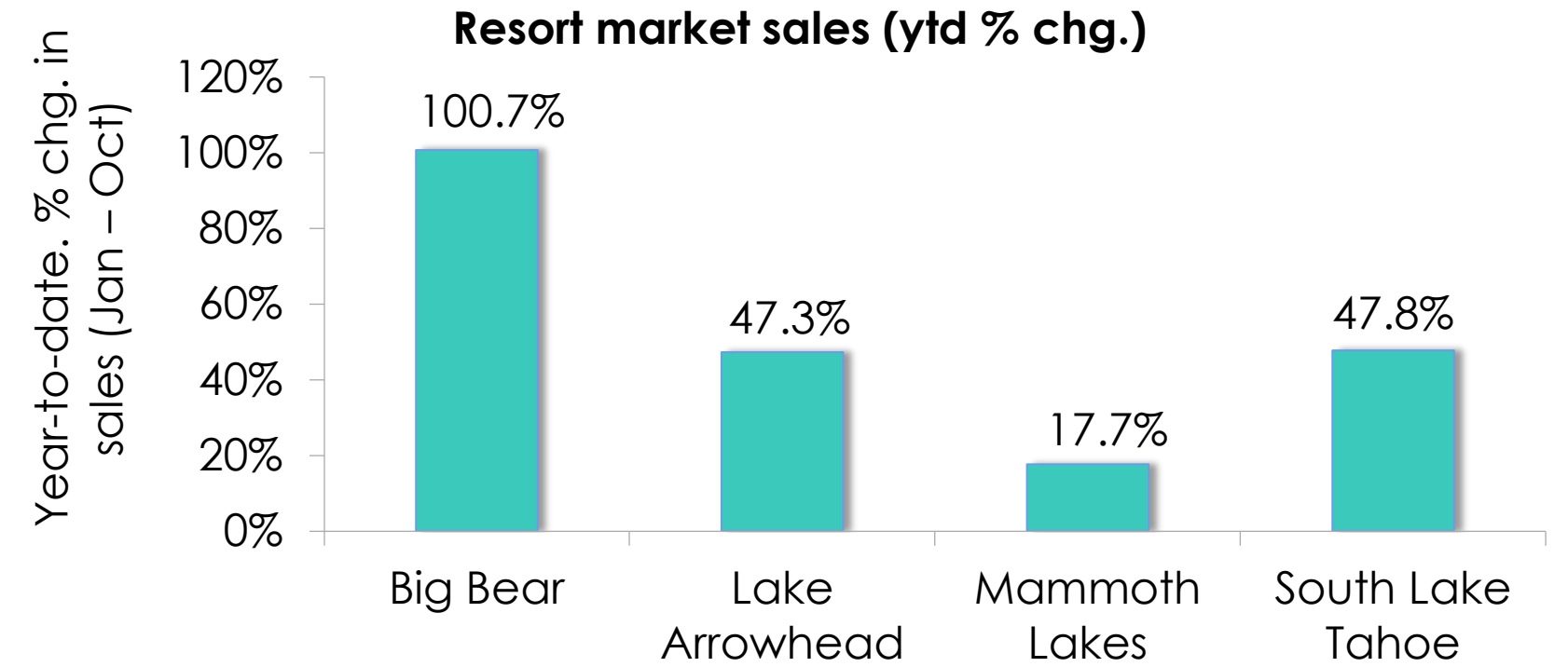
More people are buying vacation homes or second homes this year, as its share of total sales rose to the highest level in four years. The flexibility to work from home and the desire to move away from metropolitan areas motivated home buyers to flock to resort communities in search of more space and a healthier lifestyle.

Q. How will the property be occupied?

Resort markets booming

Resort communities are seeing unprecedented buying activity and price increases, and their markets have been outperforming the rest of California so far this year. On a year-to-date basis through October, sales increased 100.7 percent in Big Bear, 47.8 percent in South Lake Tahoe, 47.3 percent in Lake Arrowhead, and 17.7 percent in Mammoth Lake.

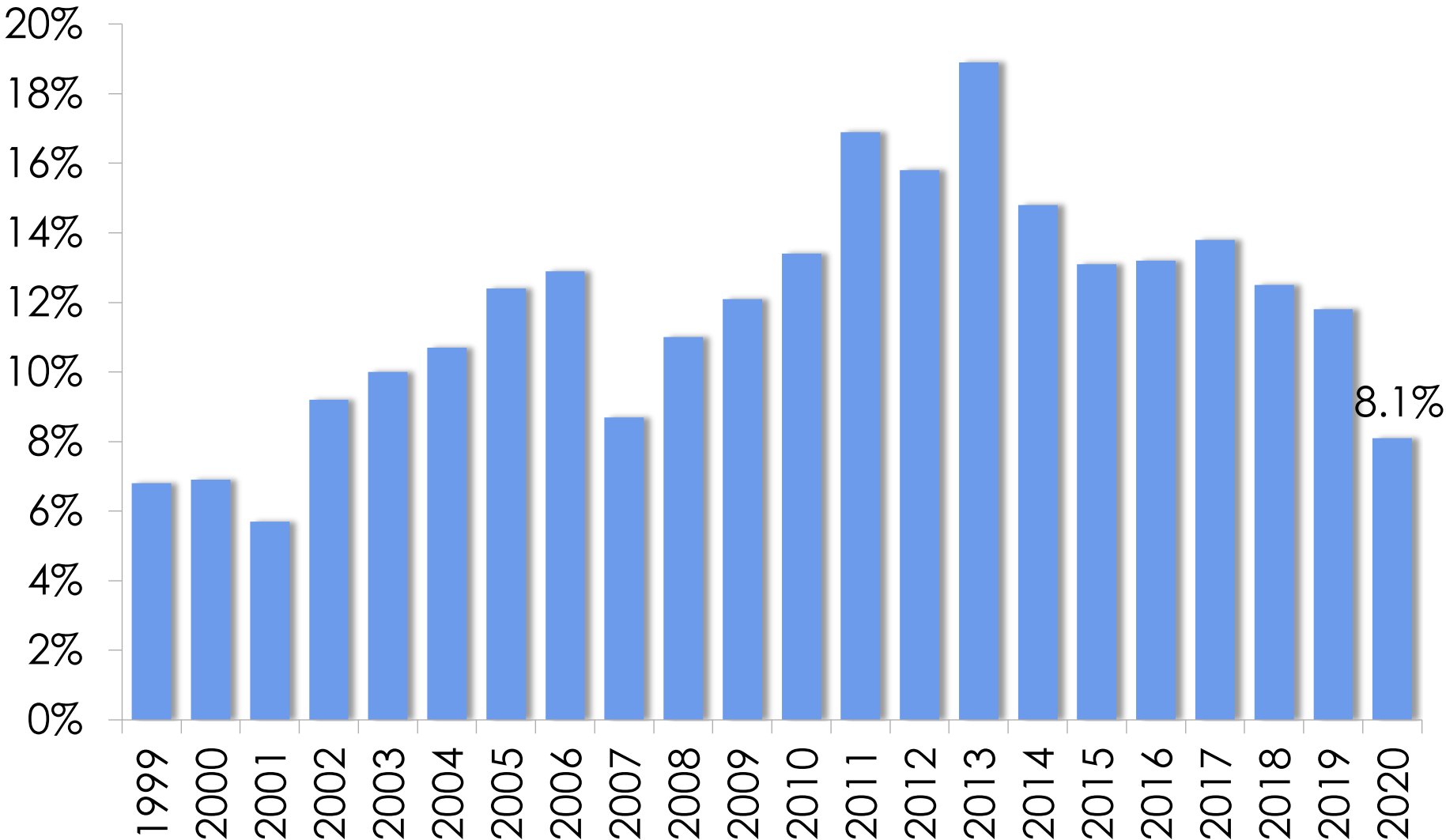
Home prices in resort communities have also been growing faster than the rest of California. In October, Mammoth Lakes' median price increased from last year by 36.9 percent, followed by Lake Arrowhead (33.8%), South Lake Tahoe (29.0%), and Big Bear (26.1%).



Investor/rental buyers declined as evictions remain a concern

With the eviction moratorium in place through at least the end of February 2021, real estate investors have been holding off on buying until there is more clarity to the rental housing market. Results from the C.A.R.'s 2020 Annual Housing Market Survey show that there were fewer investors purchasing rental properties this past summer. In fact, the share of homes bought by real estate investors hit the lowest level since 2001.

Buyers who purchased investment/Rental Property (% to total sales)

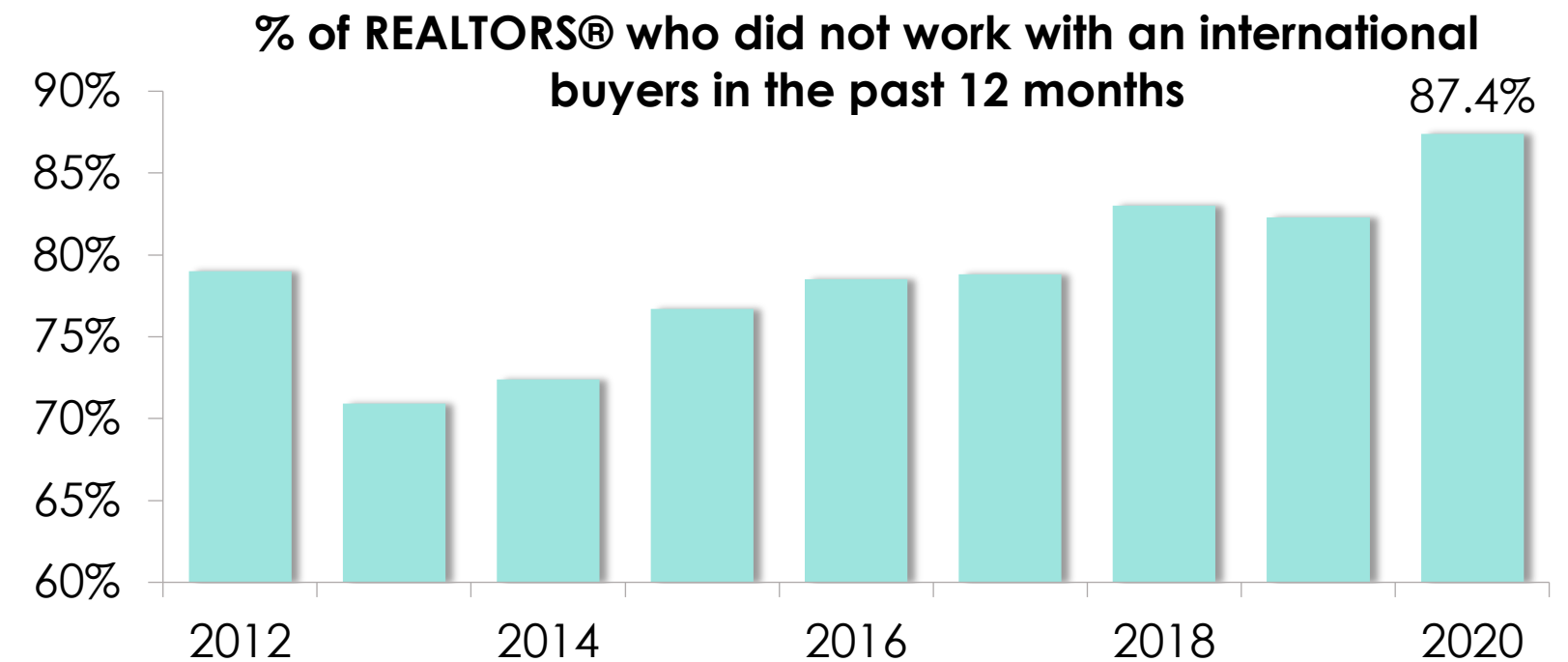
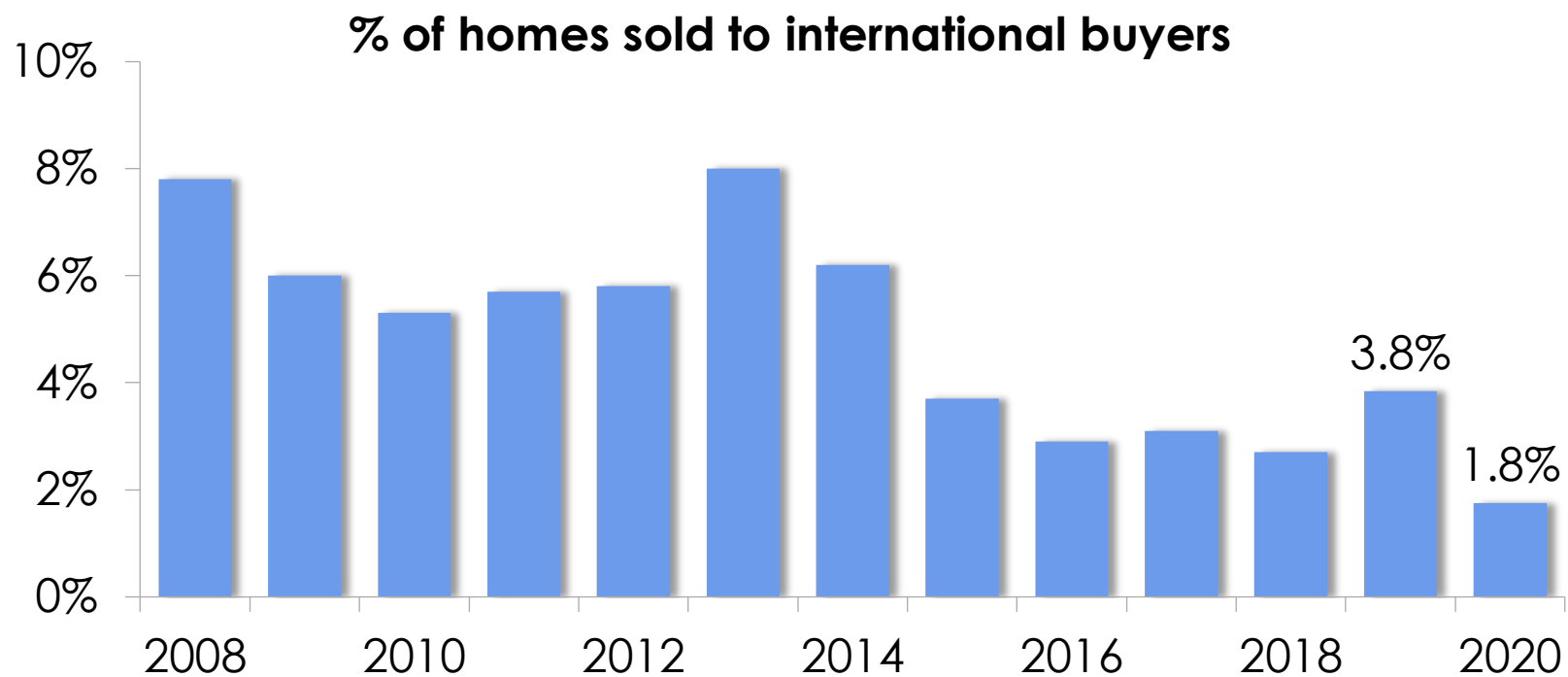


Q. How will the property be occupied?

International Buyers dropped in 2020

Fewer buyers from outside the U.S. purchased a property in California as COVID-19 continues to spread. The share of international buyers declined from 3.8 percent in 2019 to 1.8 percent in 2020, the lowest level in at least the last 13 years. The declining trend, in fact, started before the pandemic as home prices in California remained on an upward trend and cash

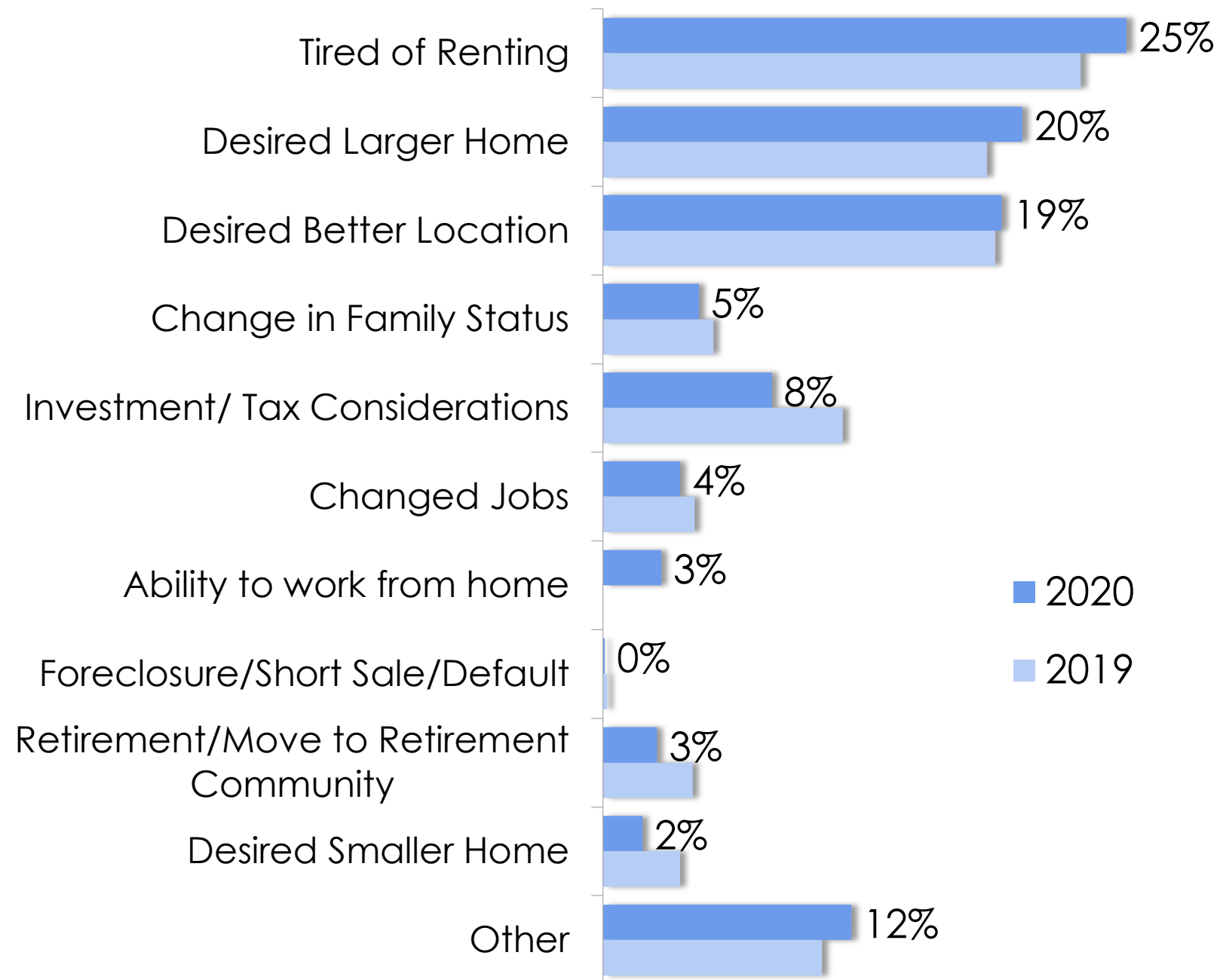
outflow restrictions in China remain tight. COVID-19 exacerbated the impact as new travel restrictions and concerns about the market further curtailed the desire for home purchase in the U.S. This trend is also evidenced by the fact that only 13 percent of REALTORS® worked with an international buyer in the past year, a drop from 18 percent in 2019.



Q. Was the buyer an international buyer – a person who was a citizen or a permanent resident of another country who wished to purchase residential real estate in the U.S.?

Q. In the last 12 months, what percentage of your transactions were with international buyers?

Reasons to buy: 2020 vs. 2019



Homebuyers bought for different reasons, but the top three reasons in 2020 remained the same as last year.

- A quarter of buyers bought because they were tired of renting a property
- One of five bought their home because they desired a larger home
- Another one-fifth bought their home because they desired a better location

All three reasons inched up from 2019, and COVID-19 may have played a role in the slight increases, but it would be difficult to confirm that the pandemic actually had any effect on the rises.

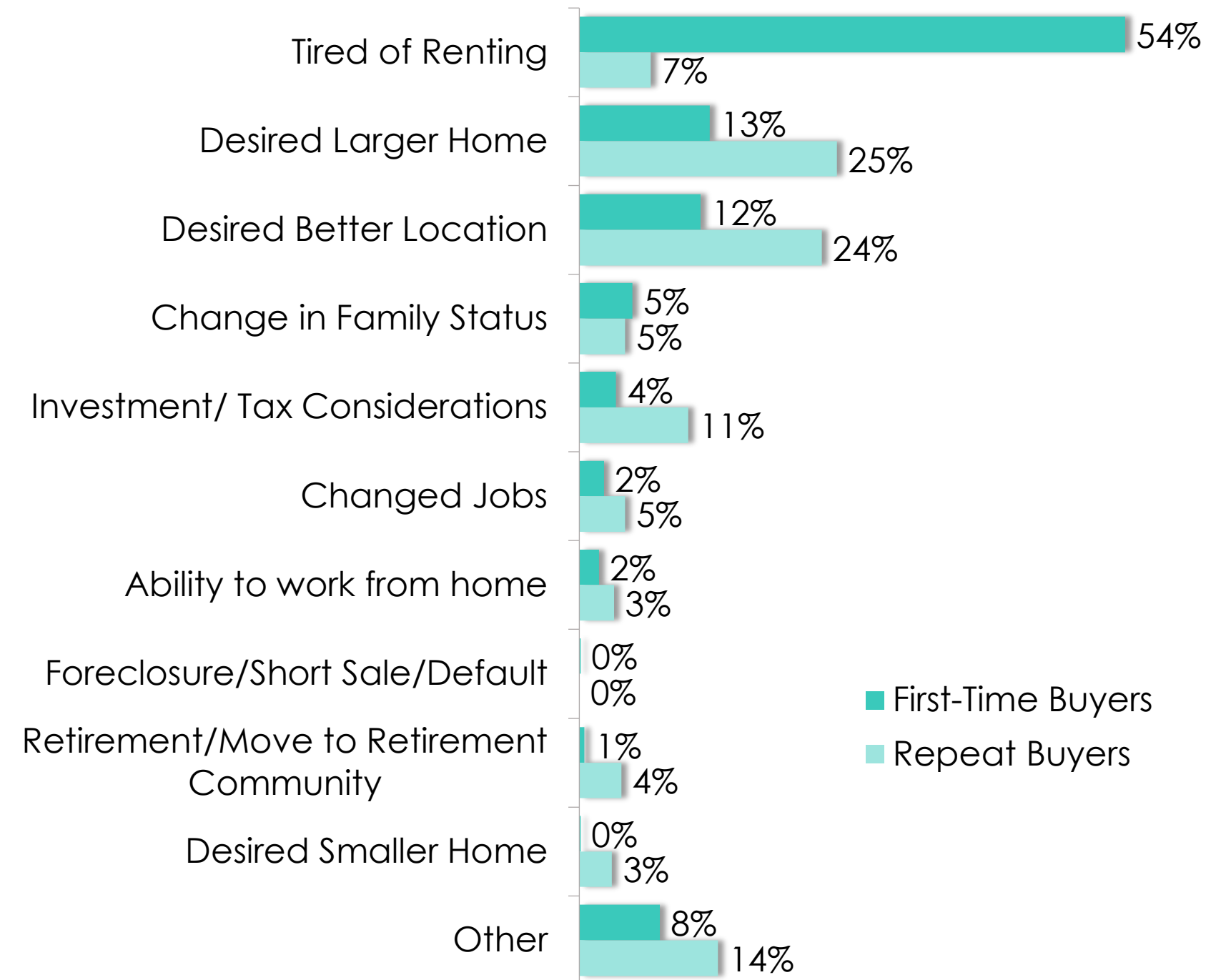
Reasons to buy: first-time vs. repeat

Over half of all first-time buyers purchased their home because they were tired of renting. With the cost of borrowing at historic lows, buying makes more sense than renting to many first-time buyers.

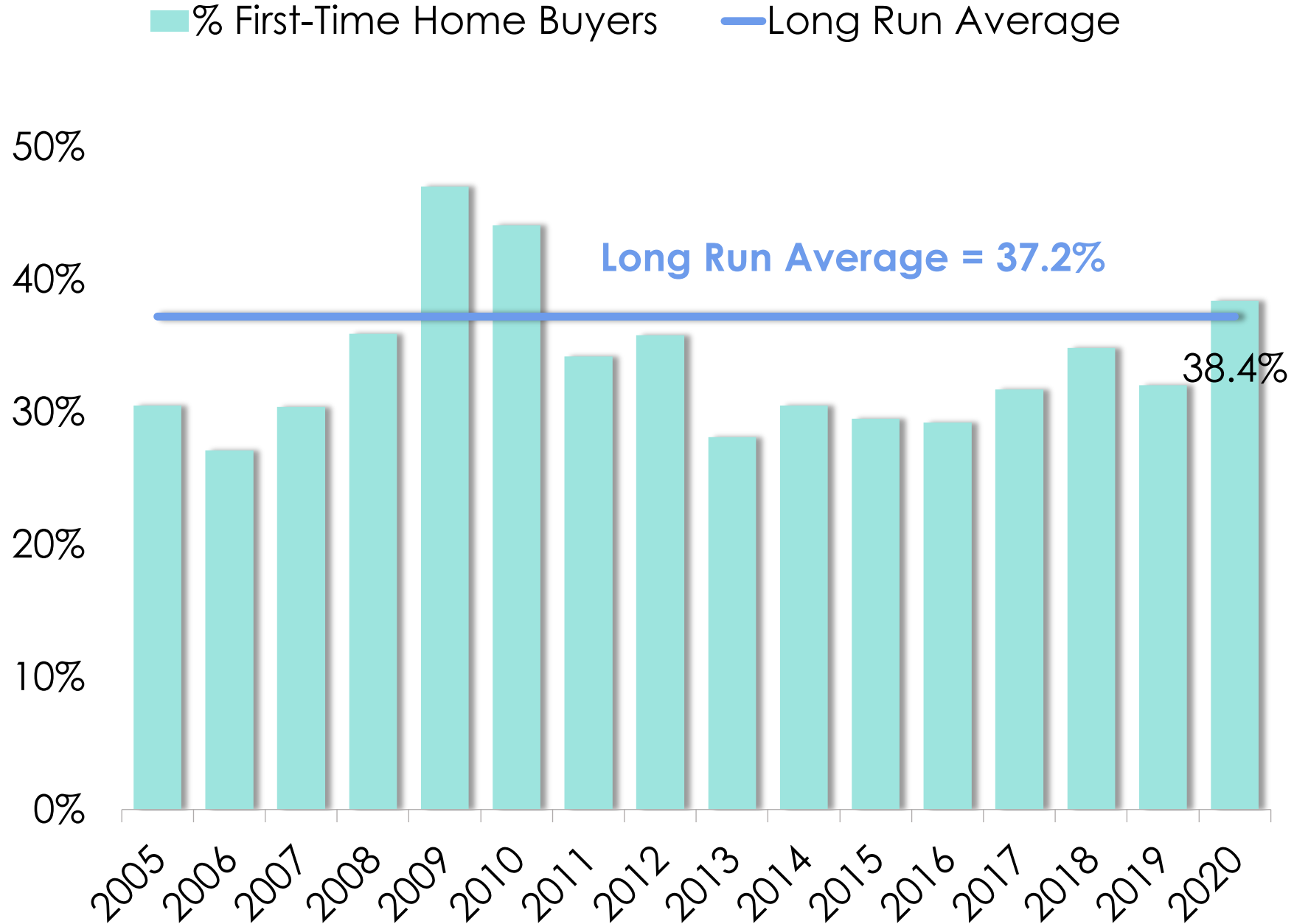
For repeat buyers, the primary reason to buy was their desire for a larger home at 25 percent, an increase of 4 percent from last year.

Also noteworthy is the fact that a small number of respondents cited “ability to work from home” as their clients’ primary reason to buy. While the share is relatively small, it suggests that at least some buyers took into consideration the new work trend when buying their property.

Q. What was the SINGLE MOST IMPORTANT REASON for buying the property?



Share of first-time buyers highest in 10 years...

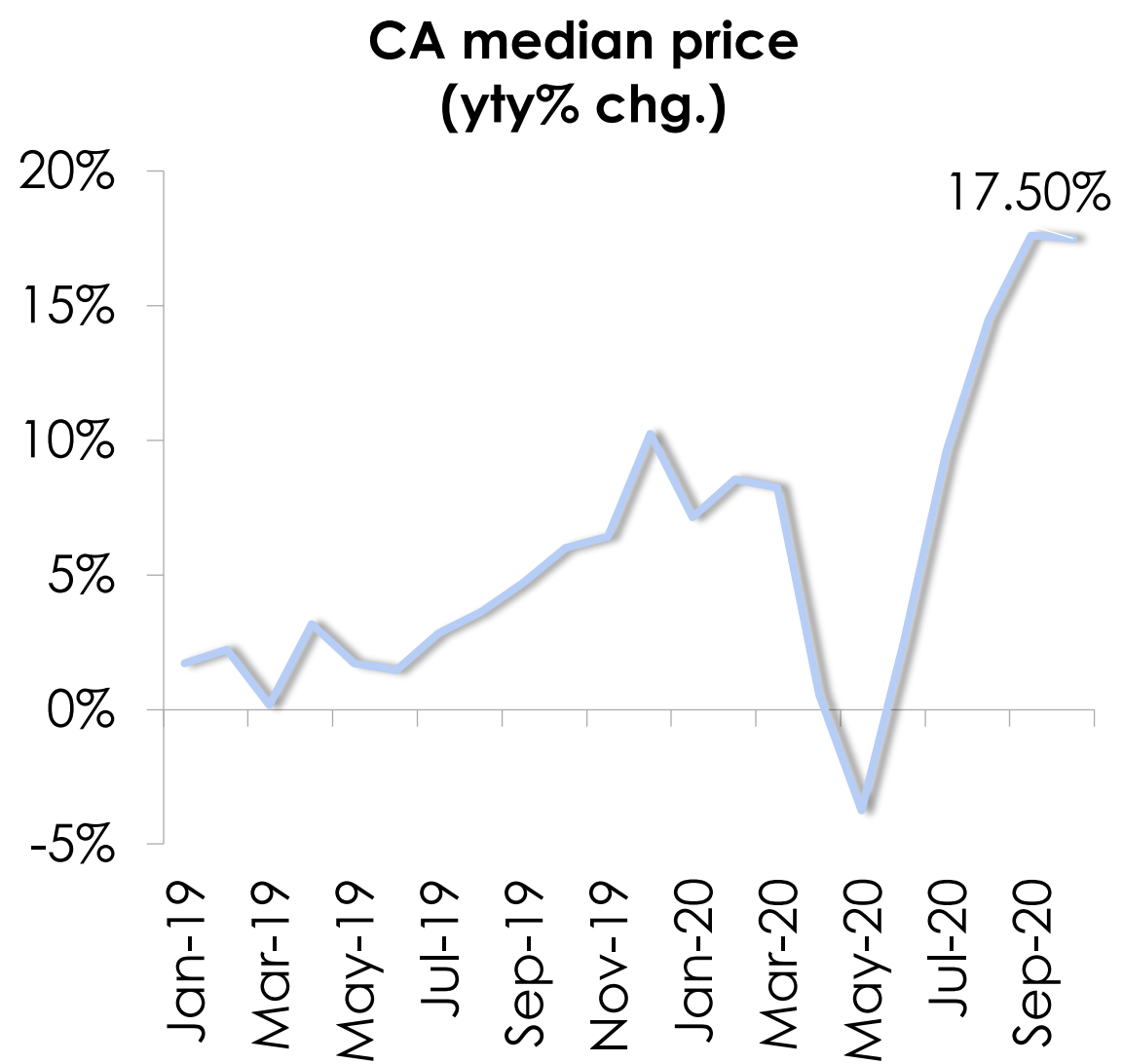
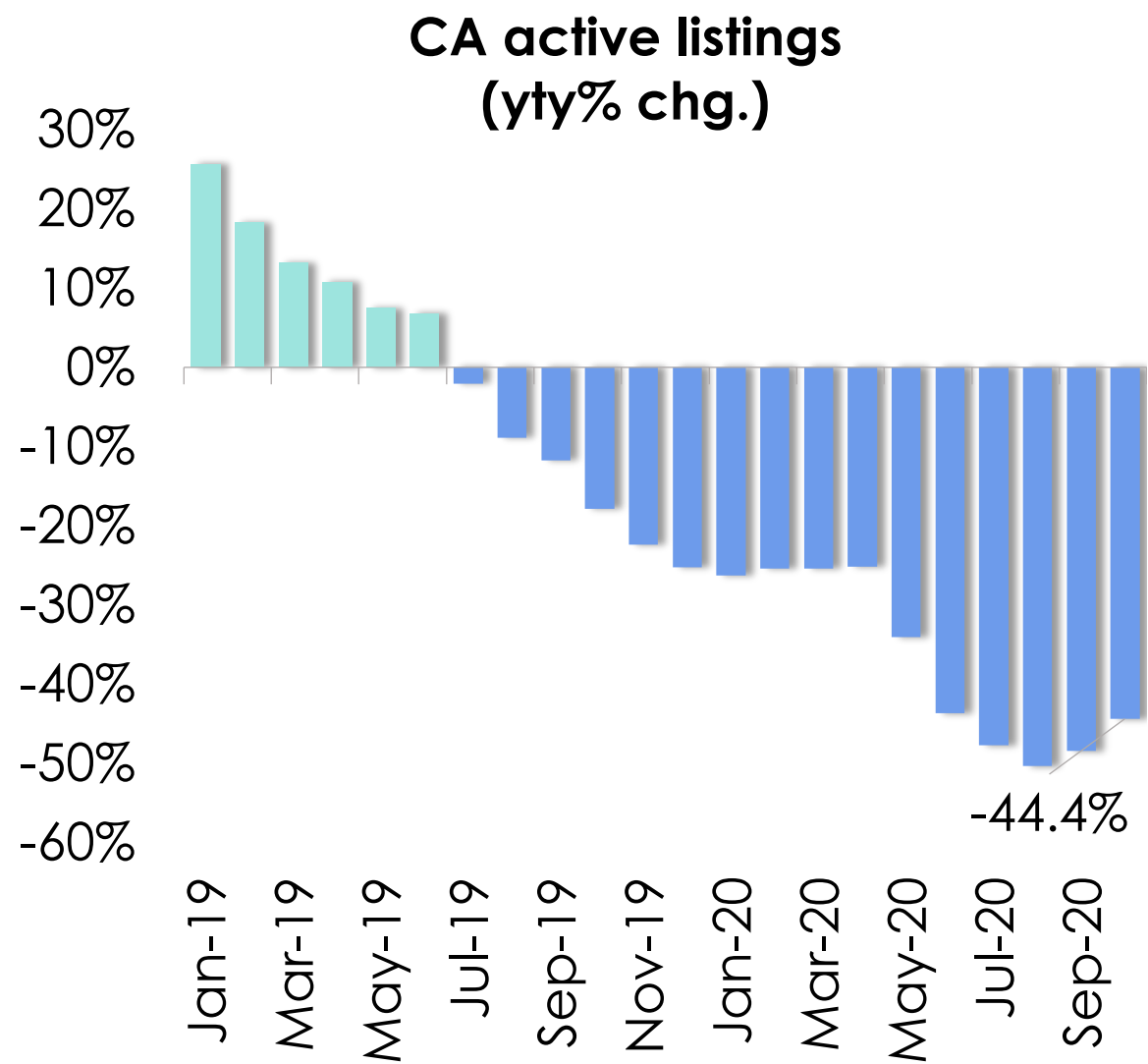


Record low interest rates have been fueling the market and many first-time buyers took advantage of cheaper costs of borrowing during this year's home buying season. The share of first-time buyers reached the highest level in ten years this past summer, with nearly two of five homes being sold to buyers who purchased for the first time. This year's spike could also be attributed to the fact that fewer homeowners (i.e. repeat buyers) have been putting their house up on the market and moving during the pandemic.

Q. Was the buyer a first-time buyer?

... but will it last?





The momentum of the demand from first-time buyers will likely ease going into the fall season, however, as tight supply continues to put upward pressure on home prices and negatively impact housing affordability.



CA Housing Affordability

Region	2019 Q3	2020 Q3	% CHG
HAI	31%	28%	3%
Min. Inc. Required	\$119,600	\$127,200	6.4%
PITI (Monthly)	\$2,990	\$3,180	6.4%

Housing characteristic: first-time vs. repeat

		2020			2019		
		First-time Buyers	Repeat Buyers	All Buyers	First-time Buyers	Repeat Buyers	All Buyers
	Median Sales Price	\$542,500	\$670,000	\$605,000	\$516,500	\$665,000	\$600,000
	Median Square Footage	1,500	1,896	1,700	1,500	1,800	1,700
	% of Detached Single-Family	74.2%	78.1%	76.3%	78.2%	74.5%	75.9%
	% of Condo/Townhome	19.5%	14.3%	15.0%	16.6%	16.4%	16.1%

Financial profile: first-time vs. repeat

	2020			2019		
	First-time Buyers	Repeat Buyers	All Buyers	First-time Buyers	Repeat Buyers	All Buyers
Median Household Income	\$114,000	\$150,000	\$140,000	\$90,000	\$150,000	\$120,000
Median Monthly Mortgage Payment	\$2,000	\$2,077	\$2,000	\$1,800	\$1,800	\$1,800
Median Downpayment (in \$\$)	\$50,500	\$125,000	\$83,000	\$35,500	\$138,000	\$100,000
Median Downpayment (in % to Price)	10.0%	20%	18.6%	9.8%	20%	19.8%

Buyers have more “skin” in the game

	2006	2017	2018	2019	2020
% of buyers with 20% or more down payment	43.2%	42.9%	44.2%	48.8%	44.9%
Median Downpayment (% to Price)	11.8%	17.6%	18.0%	19.8%	18.6%
% of buyers with zero down payment	21.1%	6.0%	7.3%	8.8%	8.5%
% of cash buyers	11.0%	21.5%	22.9%	19.7%	17.4%
% of home buyers with a second mortgage	43.4%	3.9%	4.2%	3.7%	3.1%
% of buyer with ARM	32.6%	5.1%	4.0%	4.2%	3.0%

The housing market is weathering the economic downturn better than it did 12-13 years ago during the Great Recession. It is able to do so partly because buyers who purchased in recent years have more skin in the game and they have stronger financial standings in general than homebuyers who purchased before the housing market collapsed in 2007.

Lower mortgage payment + Stronger household finance =Less likelihood to default

	2006	2017	2018	2019	2020
Median mortgage rate	6.5%	4.0%	4.5%	4.0%	3.3%
Median home price for existing single-family homes	\$556,430	\$525,000	\$570,000	\$600,000	\$605,000
Median household income for home buyers	\$100,000	\$120,000	\$120,000	\$120,000	\$140,000
Monthly mortgage payment (1 st mortgage)	\$2,500	\$1,924	\$2,000	\$1,800	\$2,000
Housing Affordability Index	12%	28%	26%	32%	31%

Compared to those who purchased before the Great Recession, homebuyers in recent years have

- Higher downpayments
- Fewer risky loans
- Lower borrowing costs, and
- Higher household income

As a result, fewer homeowners are expected to default because of the recession.

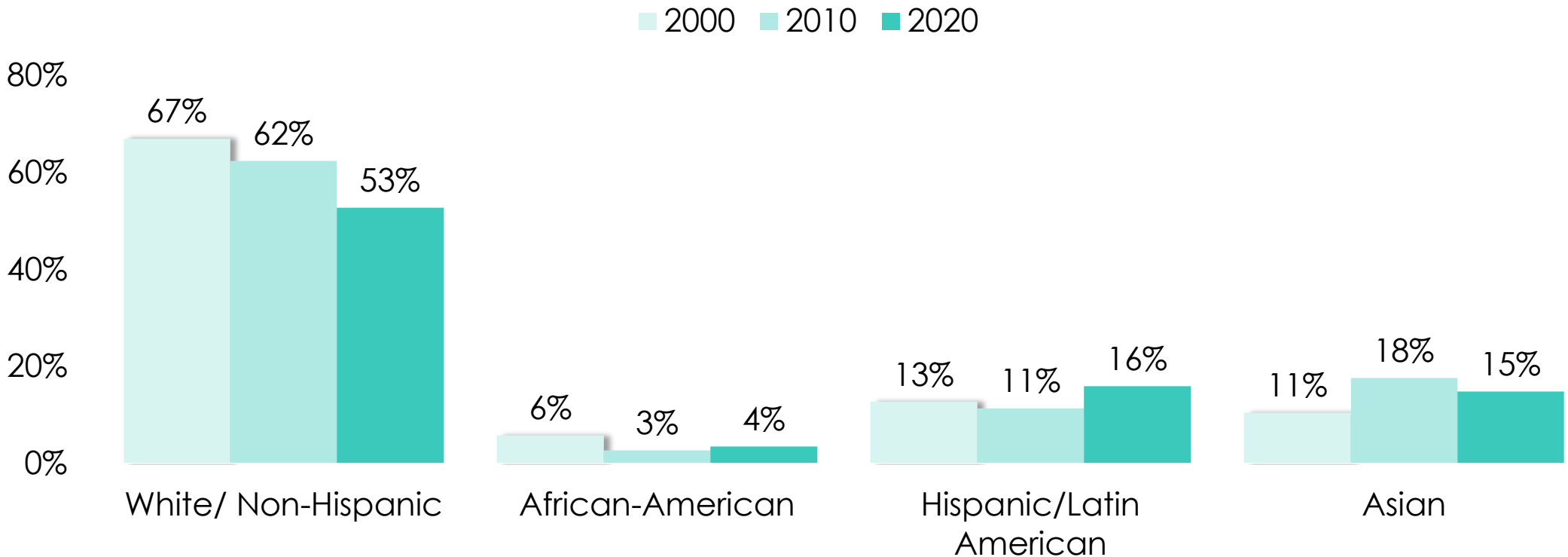
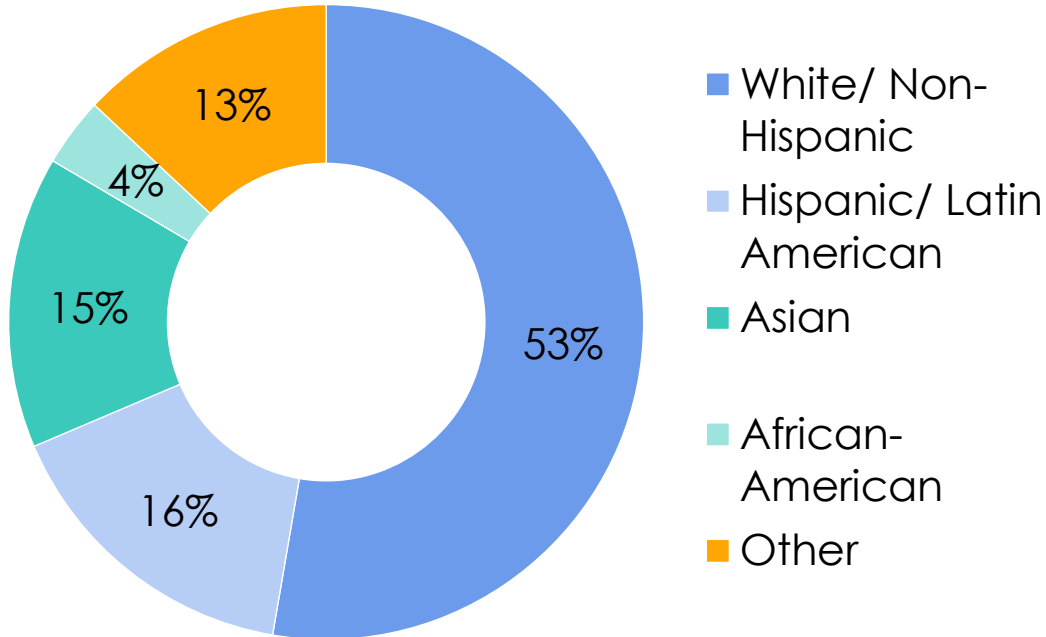
First-time buyers have more “skin” in the game

	2006	2017	2018	2019	2020
% of buyers with 20% or more down payment	23.9%	26.2%	27.2%	33.3%	33.1%
Median Downpayment (% to Price)	2.4%	7.4%	9.2%	9.8%	10.0%
% of buyers with zero down payment	40.9%	10.2%	9.2%	17.5%	10.6%
% of cash buyers	3.3%	6.7%	7.0%	9.3%	5.5%
% of home buyers with a second mortgage	62.8%	5.9%	6.6%	6.2%	4.0%
% of buyer with ARM	38.1%	4.4%	4.0%	3.7%	2.3%

More minority buying in 2020, but there is still a lot of work to be done

More non-white homebuyers are buying homes in 2020, compared to 10 and 20 years ago. In 2020, nearly half of all homes sold were purchased by non-white homebuyers, an improvement from 20 years ago when only one-third of the homes sold in the market were bought by non-white

homebuyers. Despite the increase, there is still a lot that needs to be done as the share of non-white homebuyers continue to trail behind the shares of the corresponding ethnic groups in the general population.



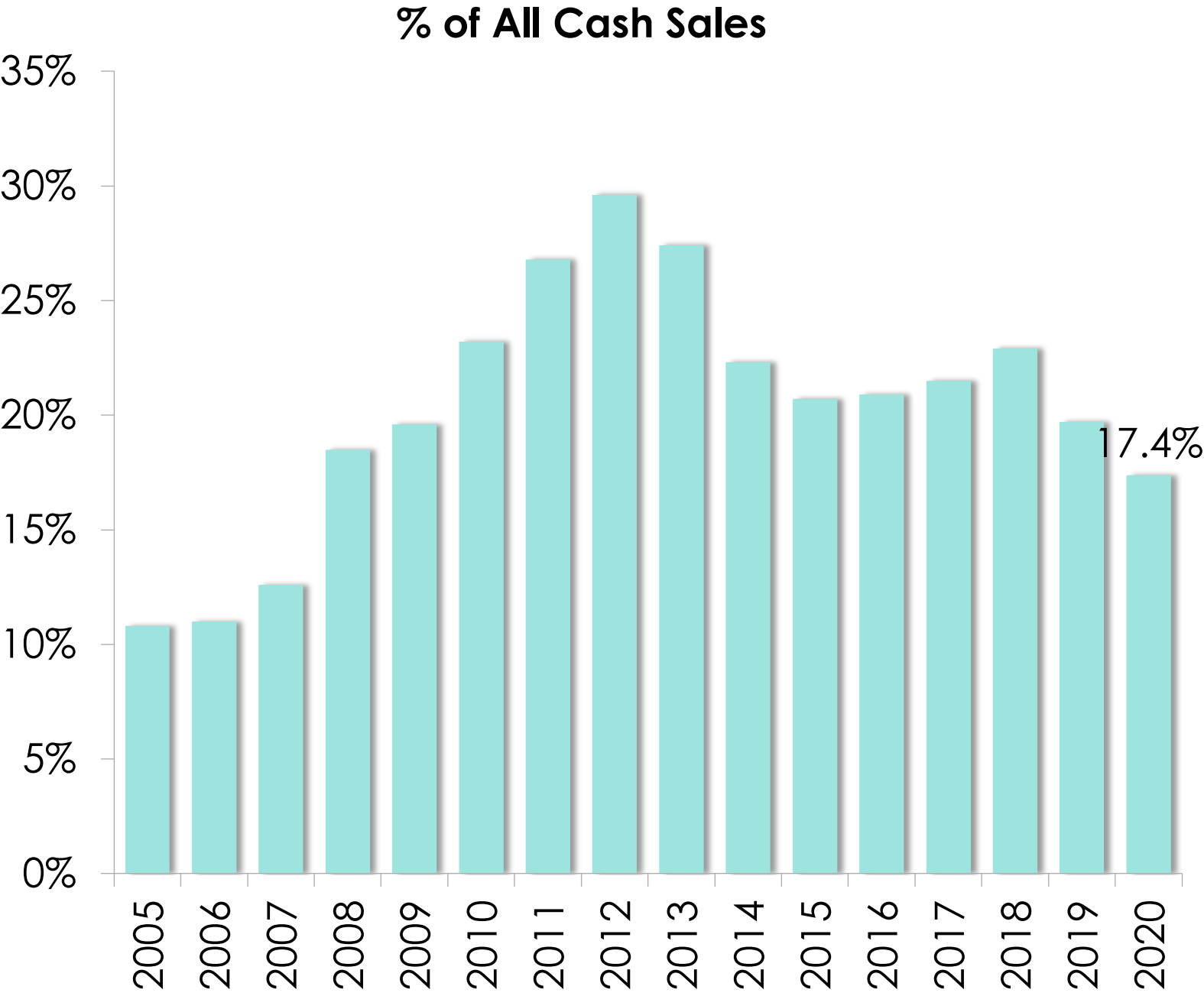
Q. What was the race/ethnicity of the head of household buying the property

Share of cash buyers lowest since 2007

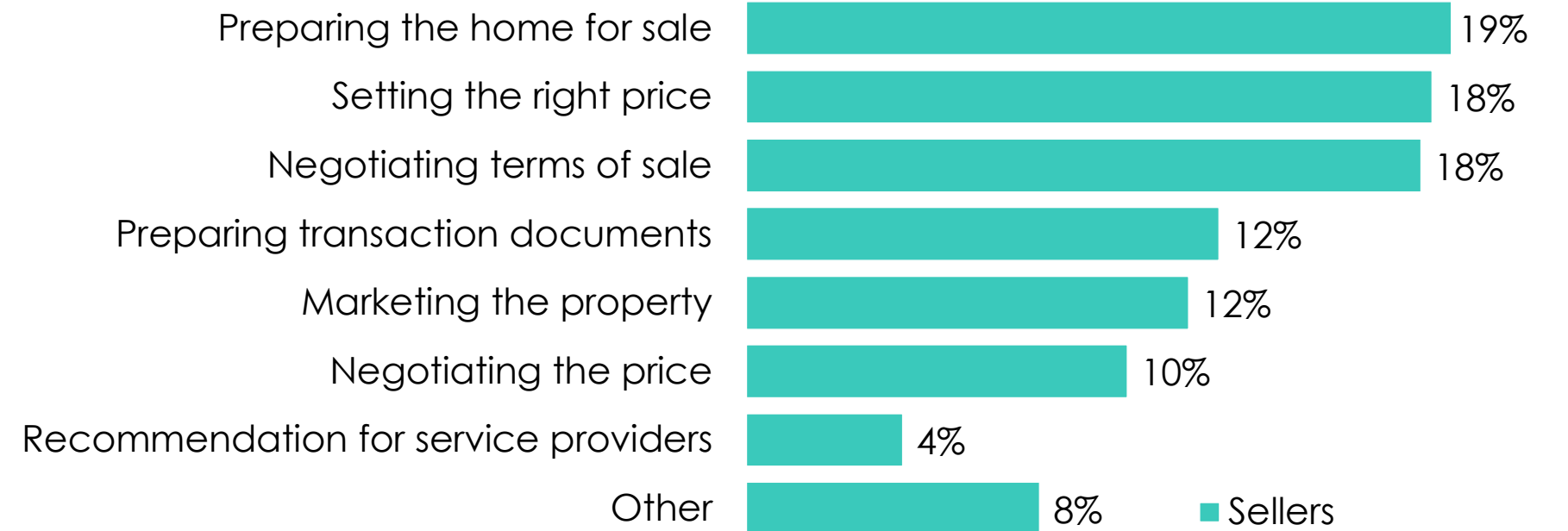
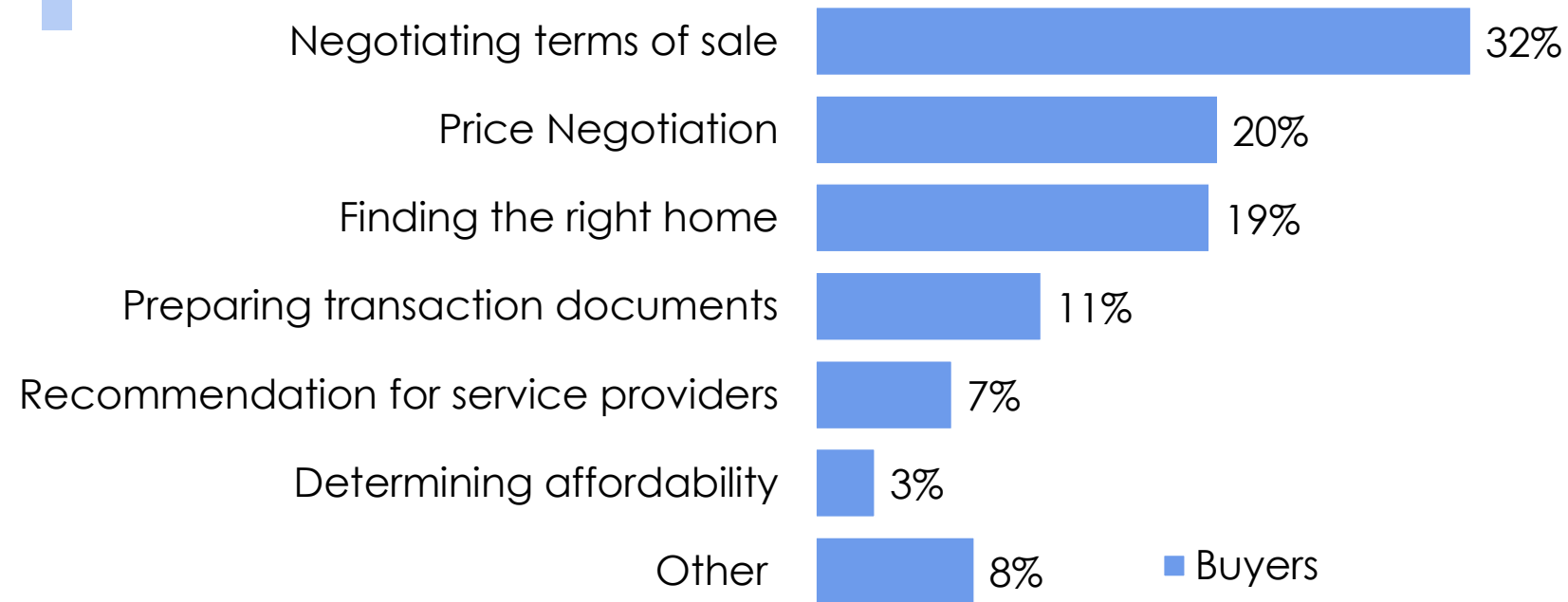
Less than one-fifth of all homebuyers paid with all cash in 2020, and the share of all-cash buyers continued to trend down for the second consecutive year. The share, in fact, was the lowest since 2007, the year when the Great Recession began and the housing market collapsed.

The percent of all cash sales in 2020 was far below the recent peak of 29.6 percent reached in 2012, when home prices were much lower, and the statewide median price was less than half of what the projected 2020 median.

With interest rates reaching record lows and home prices growing at a double-digit rate year-over-year, it was no surprise to see continuous decline of all cash buyers in the last couple years.



How REALTORS® can help



Over nine out of ten buyers and sellers in California use an agent in their home sale transactions. With COVID-19 creating so much market uncertainty and affecting many guidelines in the real estate industry, REALTORS® have been playing an even more important role to their consumers this year. As tight supply continued to heat up market competition, buyers needed the most assistance from REALTORS® in negotiating

terms of sale, negotiating price, and finding the right home. Sellers also need help from REALTORS® to navigate through the market uncertainties during this unusual time. In particular, survey results suggest that sellers needed the most assistance in preparing the home for sale, setting the right price, and negotiating terms of sale.

Q: In what part of the transaction buyer/seller needed the most assistance?

Methodology

C.A.R. has conducted the Annual Housing Market Survey since 1981. The survey was sent via email to a random sample of 60,124 REALTORS® throughout California. The sample represented the geographical distribution of C.A.R. membership across the state. The survey asked REALTORS® to provide information from their most recent sales transaction that closed escrow in the months between April 2020 and August 2020. The survey instrument was a questionnaire with both multiple choice and open-ended questions. There were 3,103 valid survey responses, equivalent to a response rate of 5.2 percent. The margin of error for this survey was +/- 1.8 percent at a 95 percent confidence level.





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The purpose of the CALIFORNIA ASSOCIATION OF REALTORS® is to serve its membership in developing and promoting programs and services that will enhance the members' freedom and ability to conduct their individual businesses successfully with integrity and competency, and through collective action, promotes real property ownership and the preservation of real property rights.

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