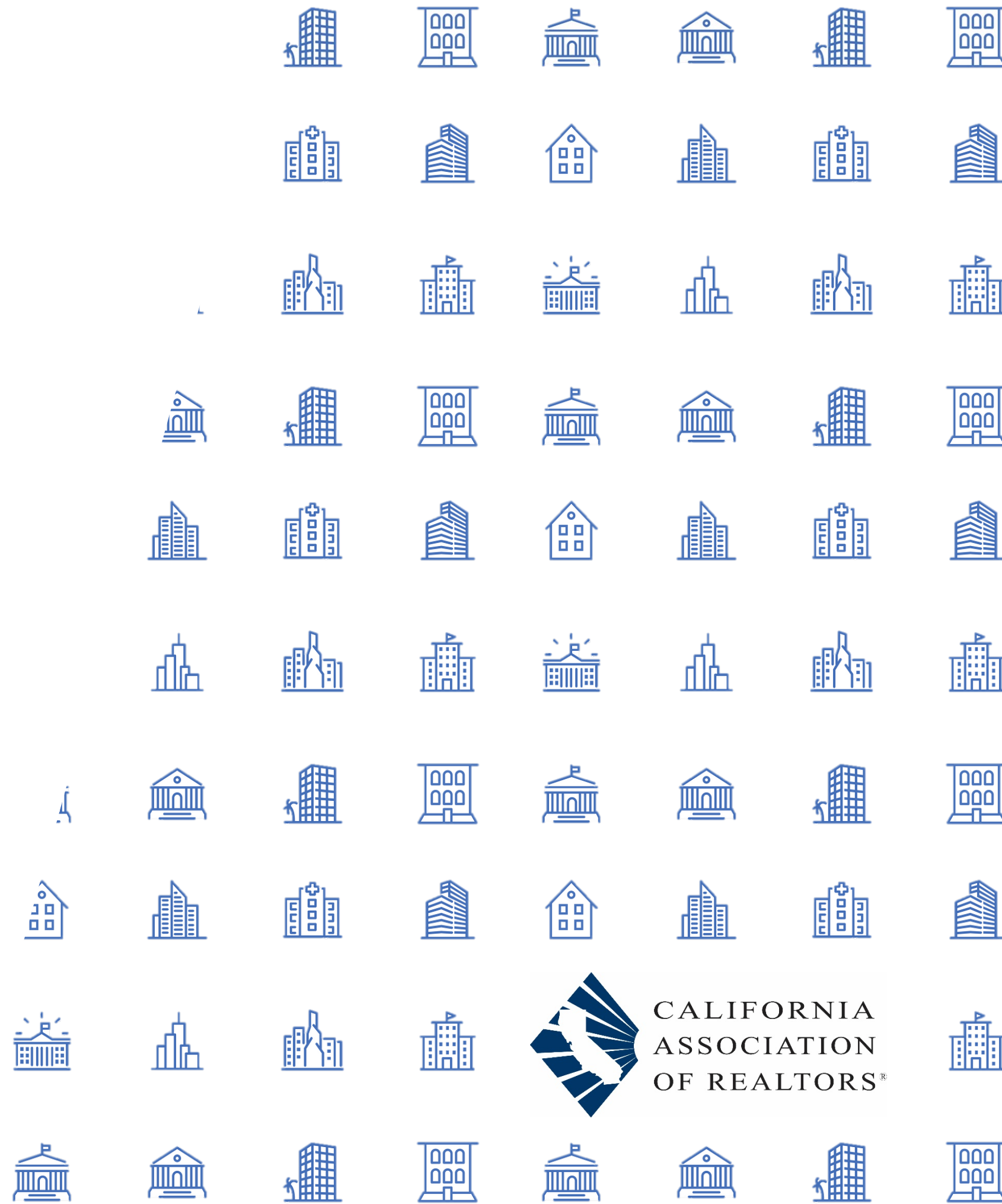


State of the California Housing Market

Legislative Day
April 27, 2021

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



Overview

01 2021 Off to Strong Start:

- Lot to be optimistic about economically
- Housing remains the bright spot this year

02 A Tale of Two Markets:

- Strong demand across the board, especially at top
- Nature of crisis protected high income earners

03 Why It Wasn't 2008 All Over

- Good fundamentals, foreclosure crisis unlikely
- Structural issues more urgent than ever

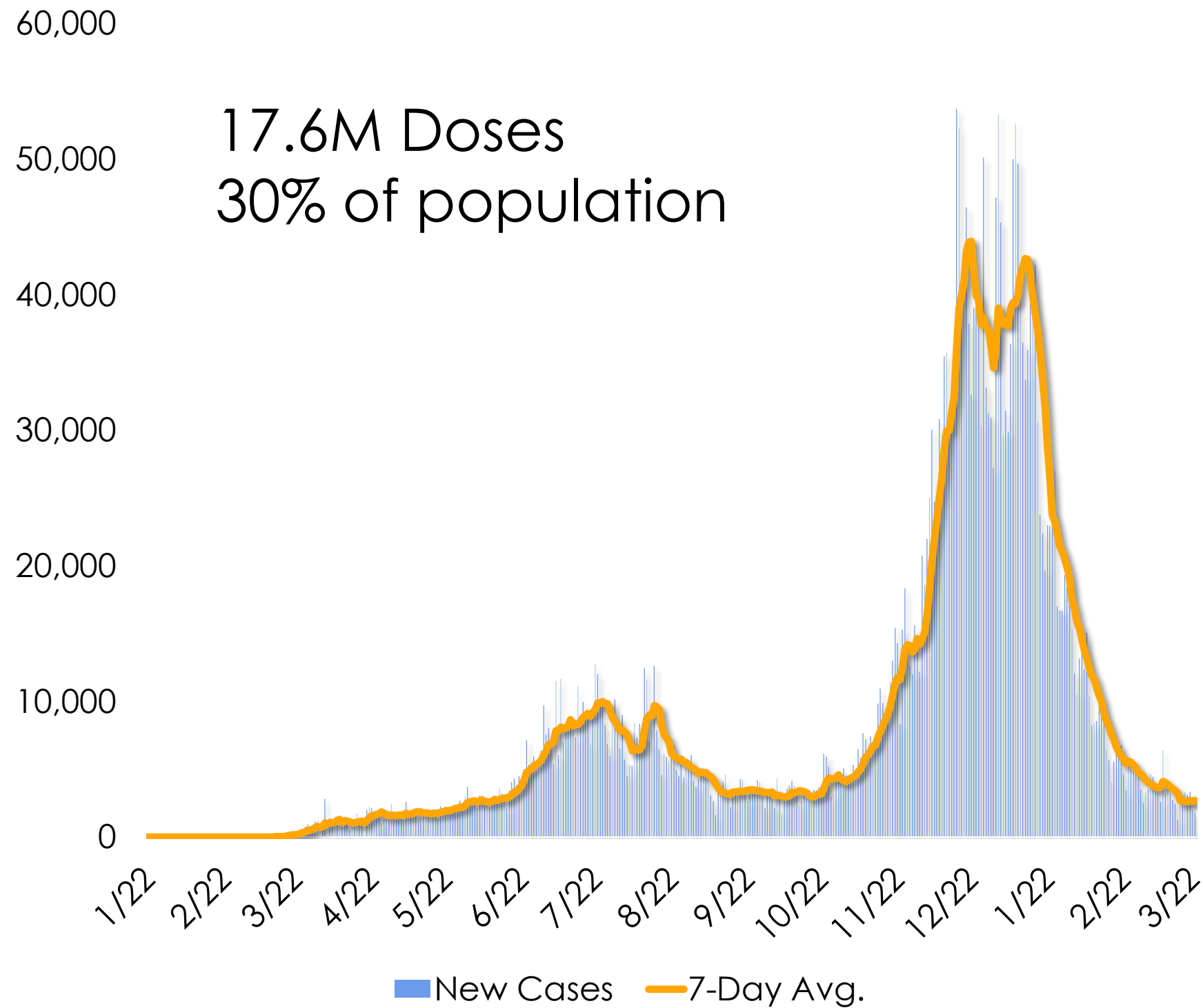
04 The Forecast

- Forecast has recently been upgraded
- Growth expected to downshift eventually

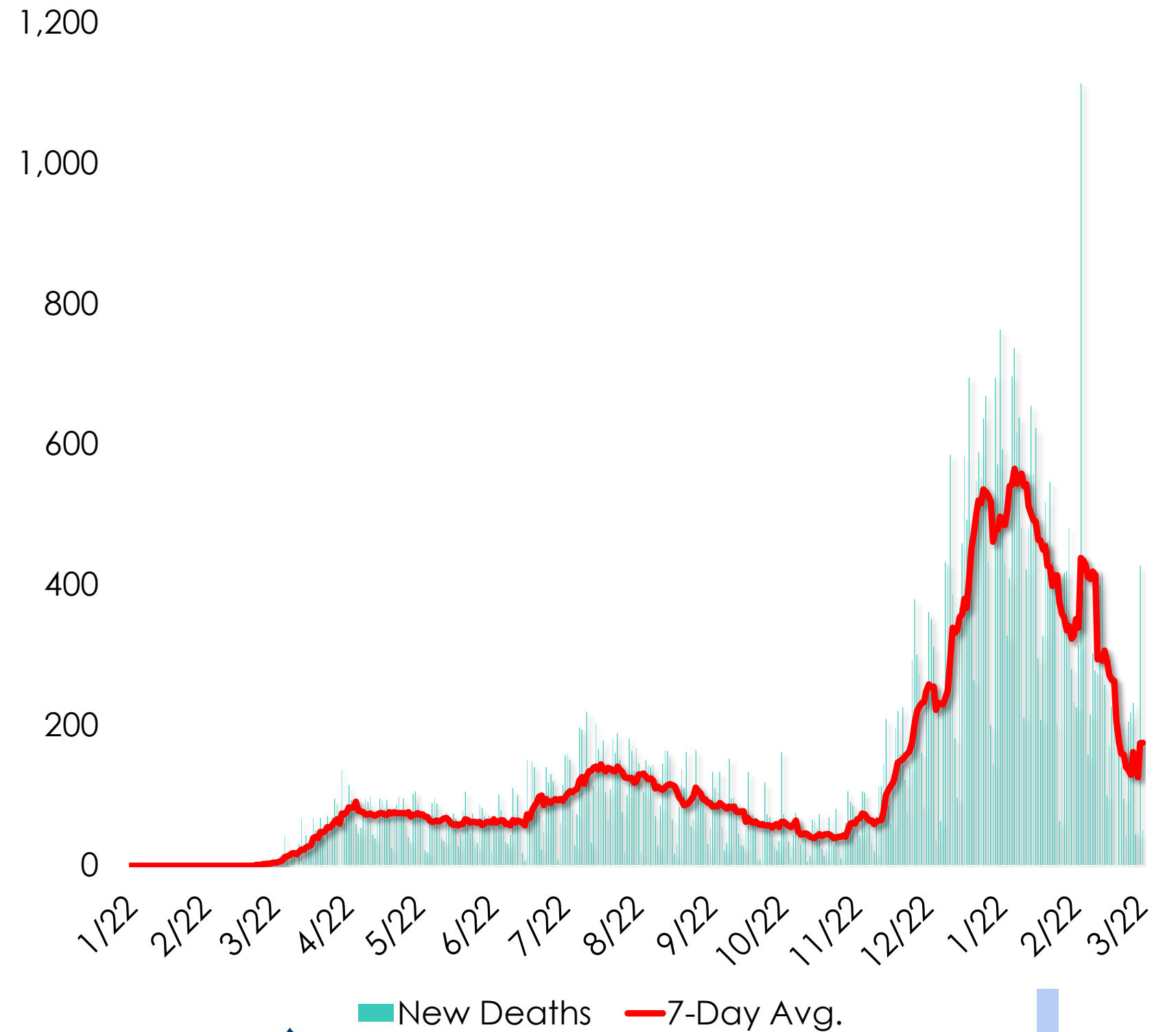


Daily California COVID-19 trends are encouraging

Daily COVID-19 Cases in California

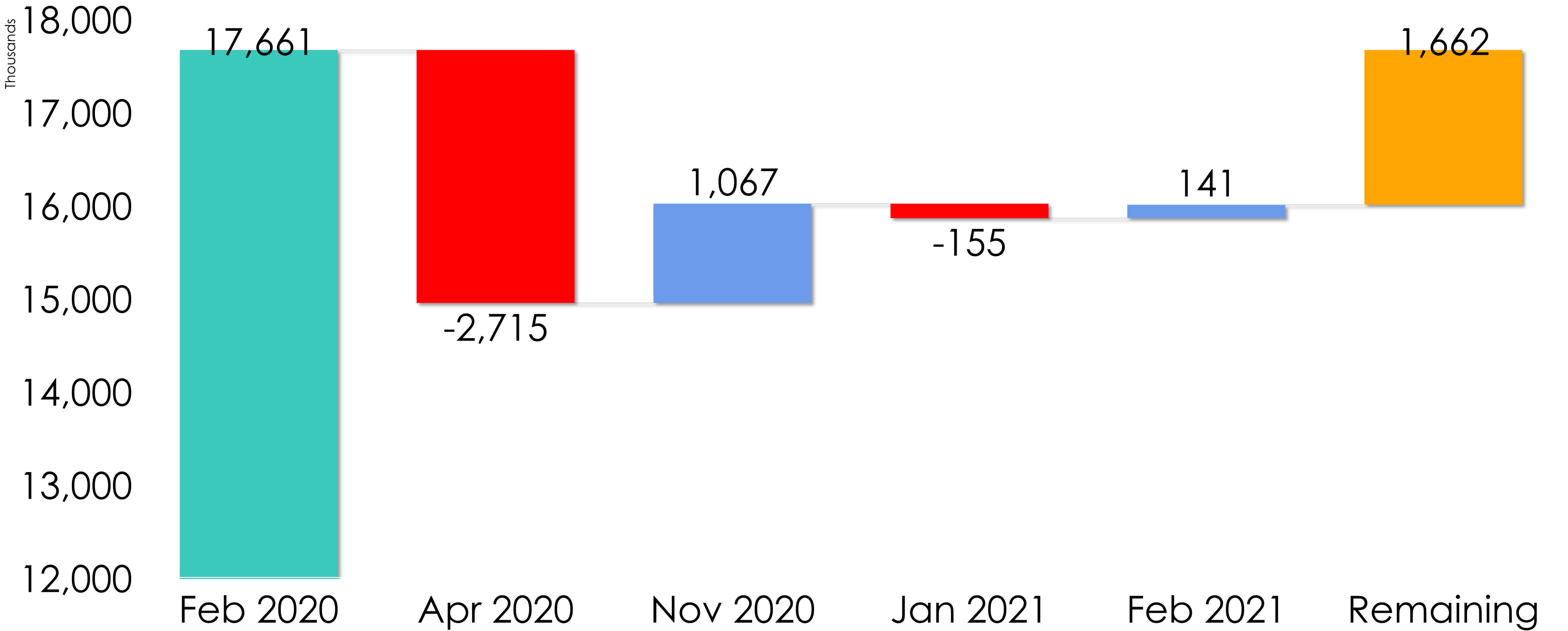


Daily COVID-19 Deaths in California



More than 1 million jobs added back during recovery

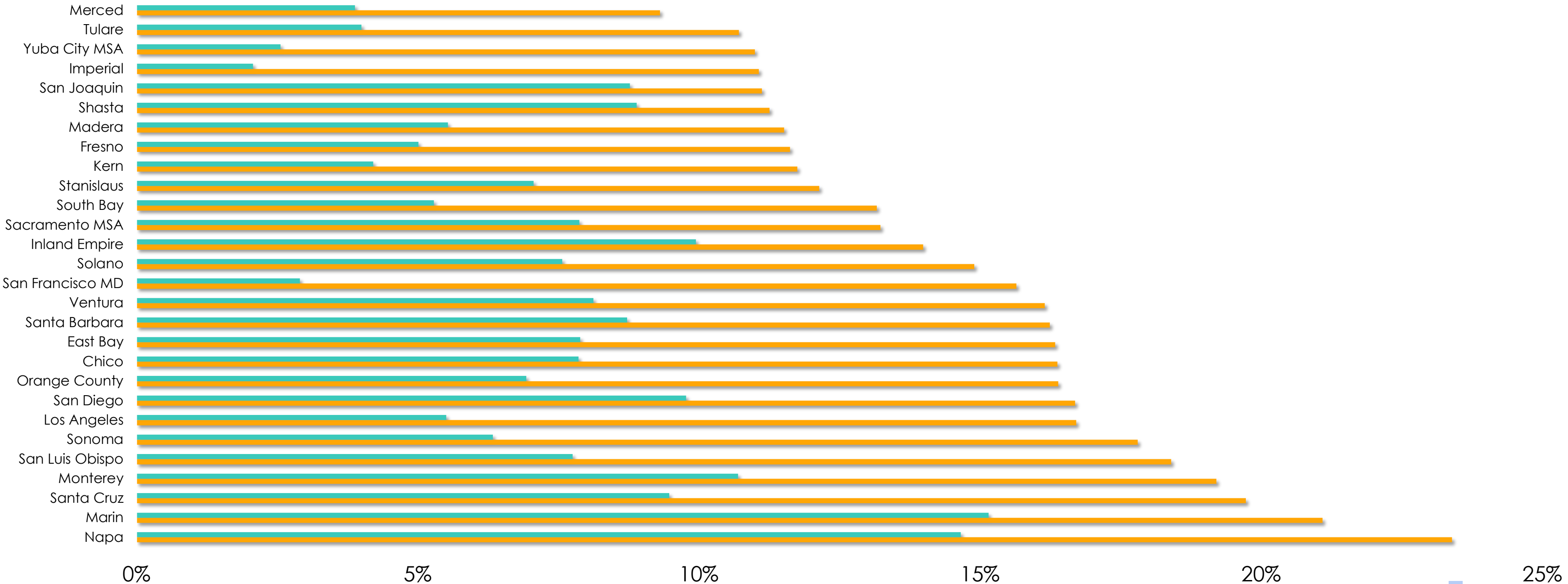
California COVID-19 Jobs Summary



Almost every part of the state has improved

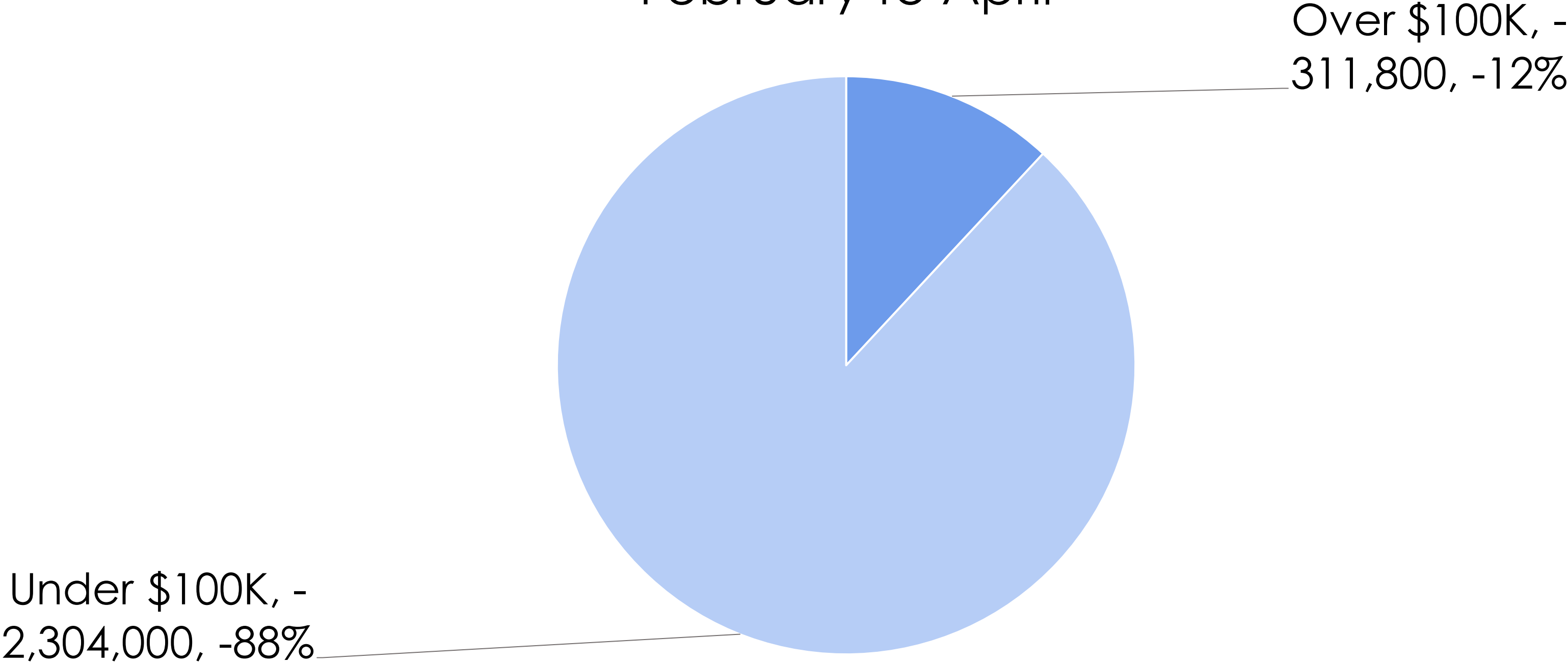
California Nonfarm Jobs Lost vs. Jobs Recovered (%)

Recovered Lost



How is housing so strong during a recession?

California COVID Job Losses
February to April



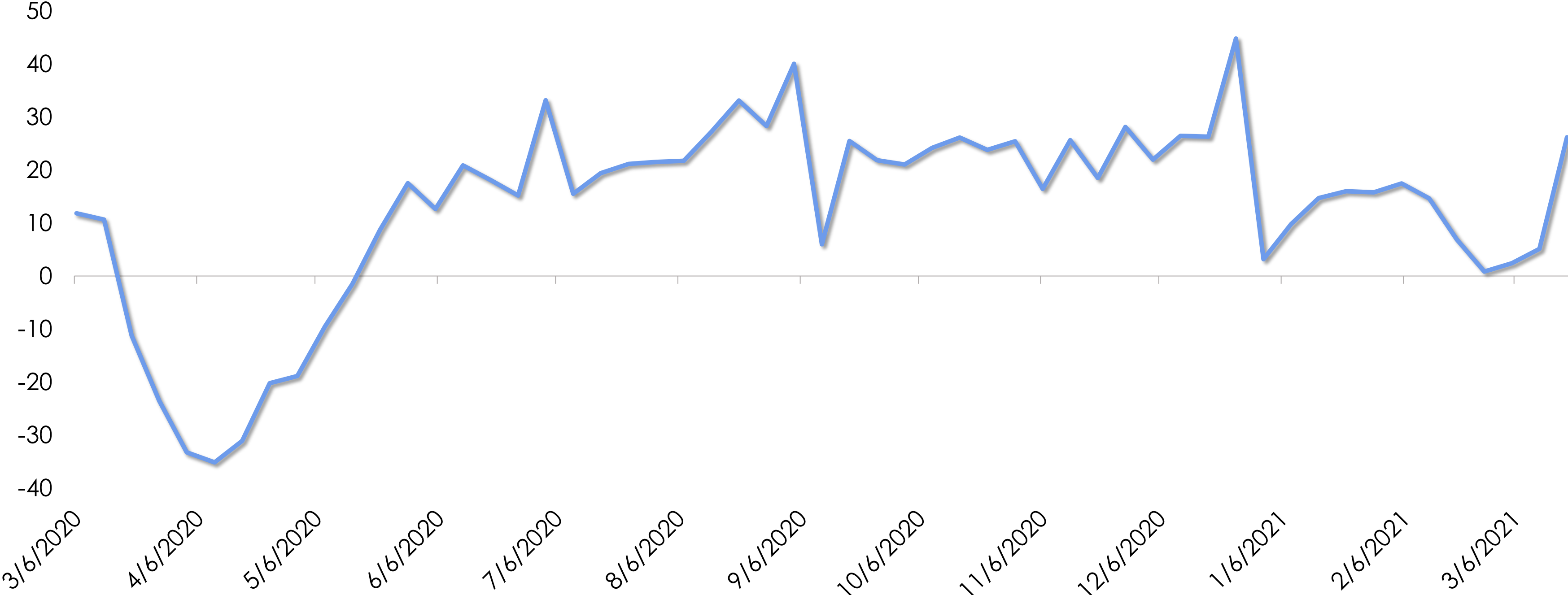
Rates still “relatively” low

Key Interest Rates



Mortgage applications: 45TH consecutive week of growth

Year to Year Growth in Mortgage Applications (%)



Ended 2020 on a strong note

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

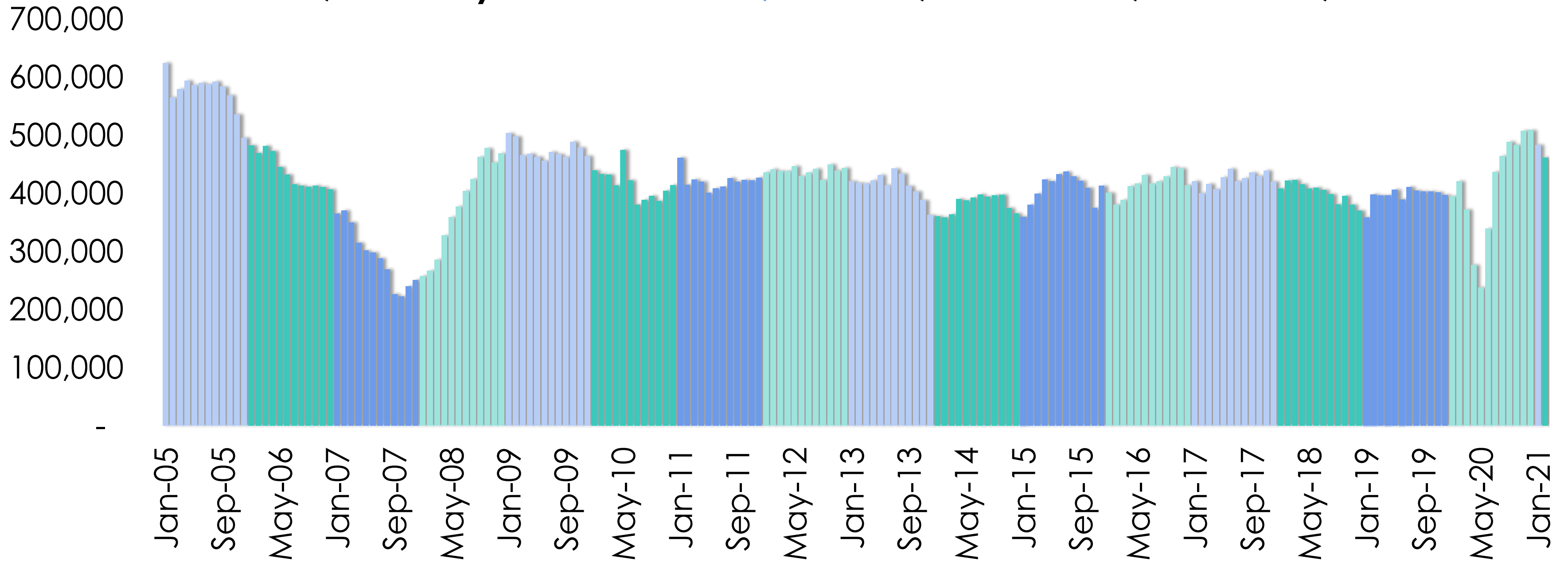


Sales Price to
List Price Ratio

100.1%
+1.9% Y2Y

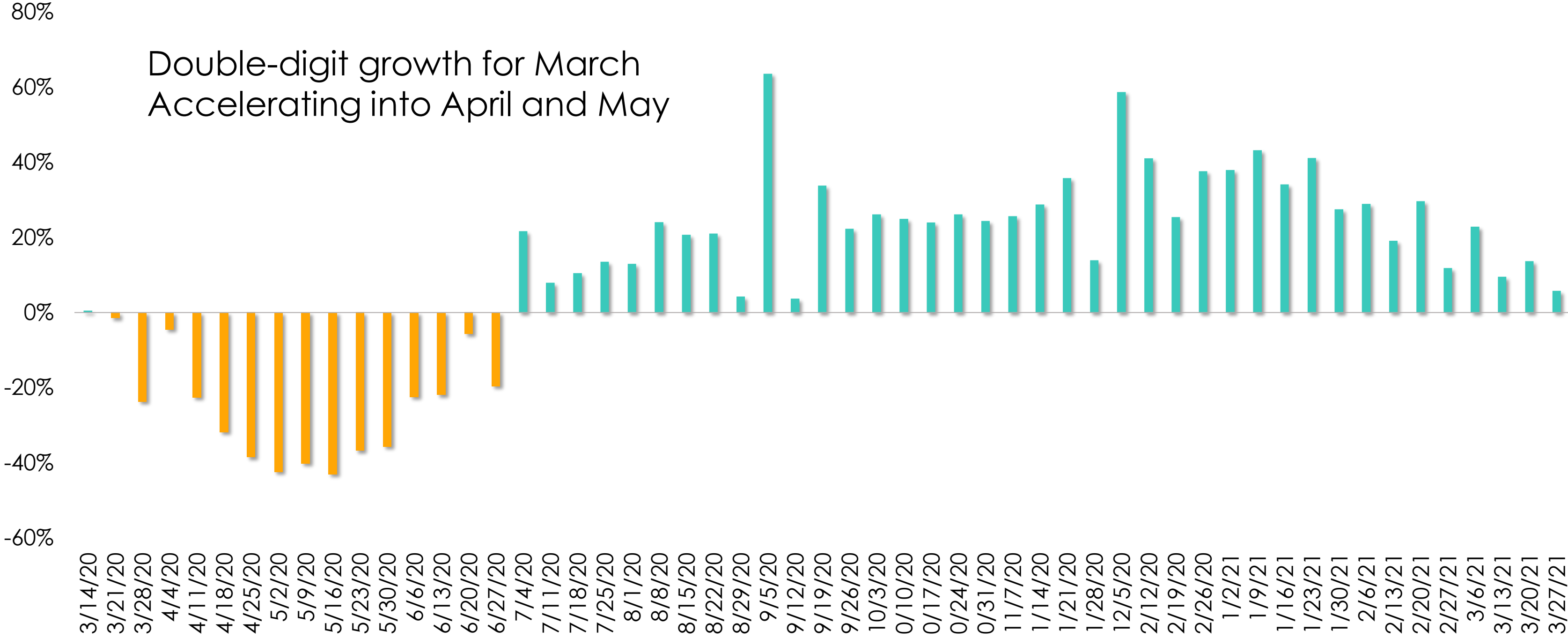
Home sales maintaining momentum in 2021

California, February 2021 Sales: **462,720 Units**, +15.9% YTD, +9.7% YTY, -4.5% MTM



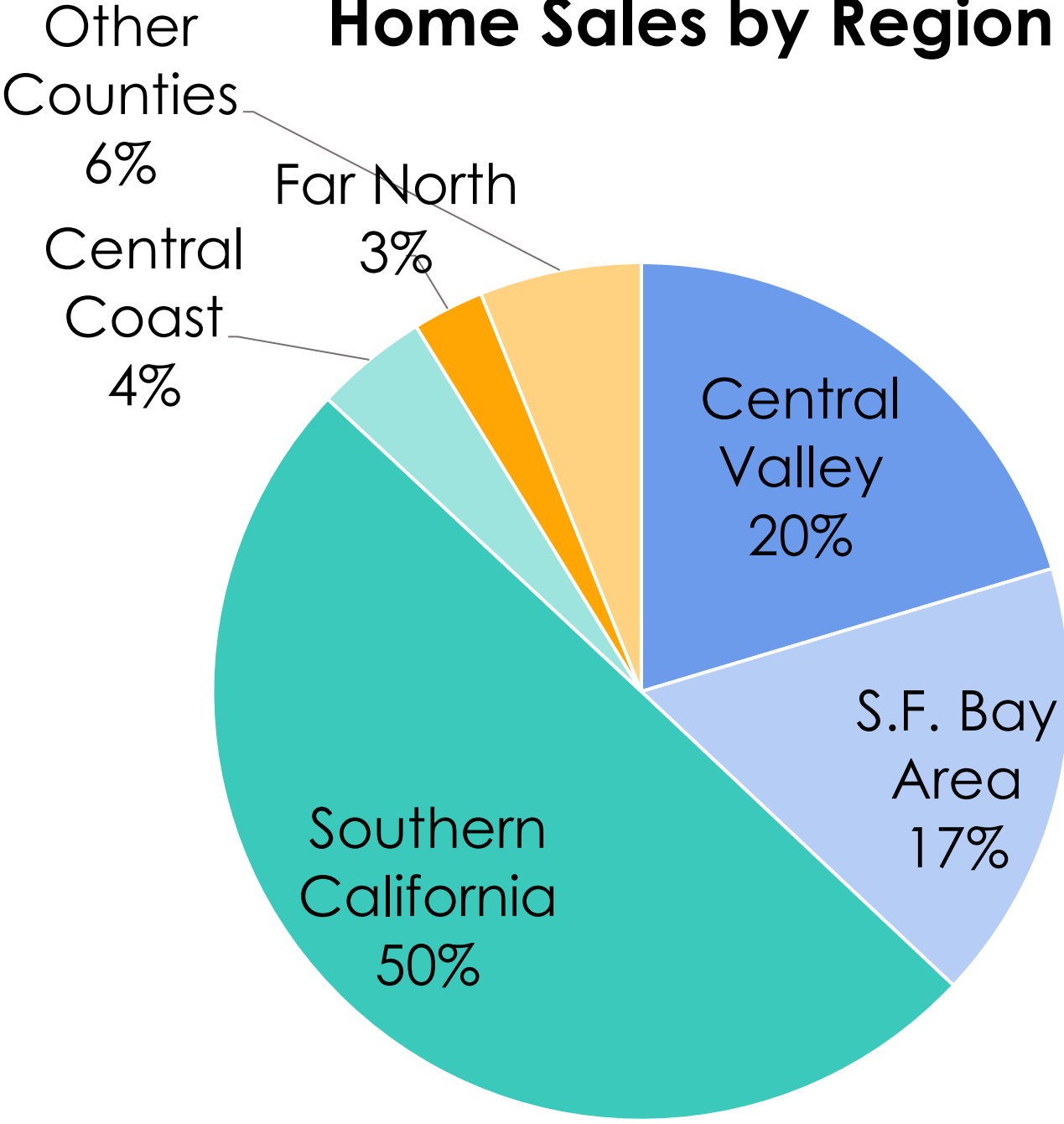
Momentum continues into first week of April

Annual Growth in California's Weekly Existing SFR Home Sales

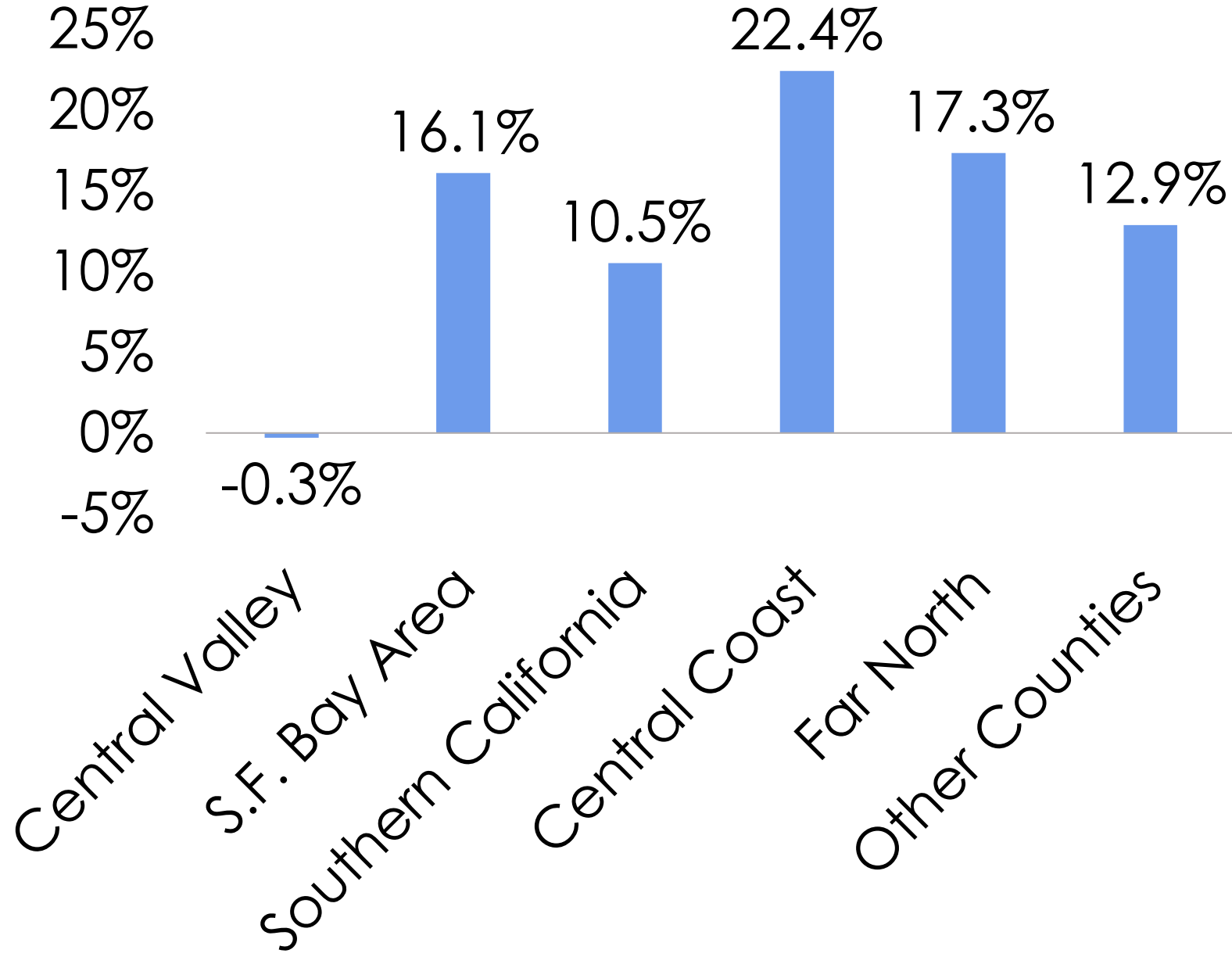


Sales by Region

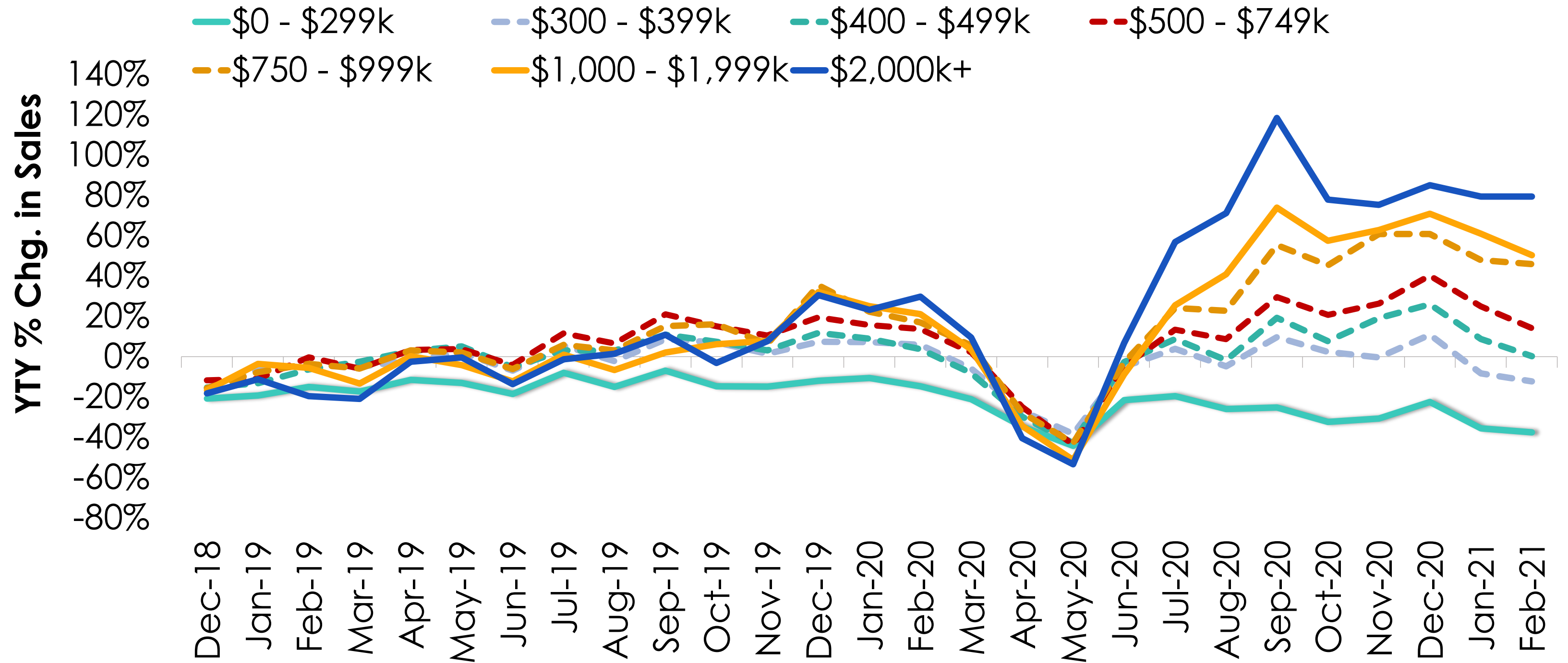
February 2021 Home Sales by Region



February 2021 Home Sales Growth by Region

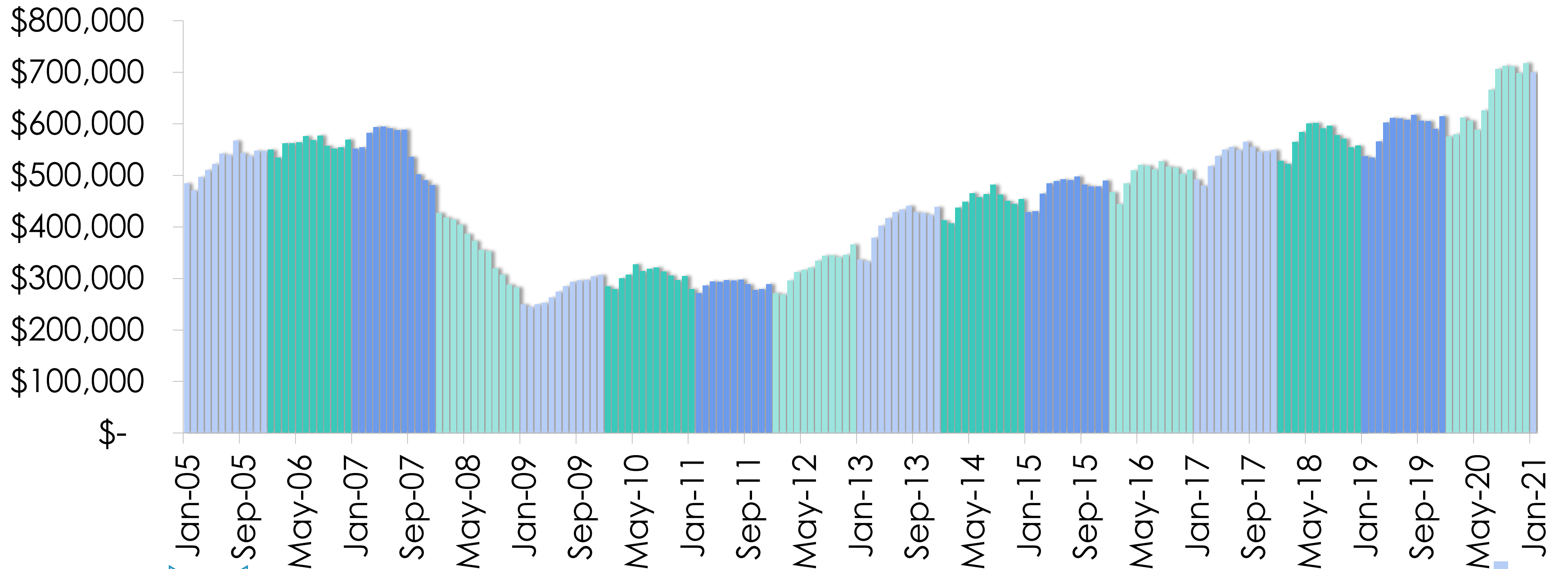


Reflective of strength in stocks and high-wage industries



California prices: strongest growth in ~7 years

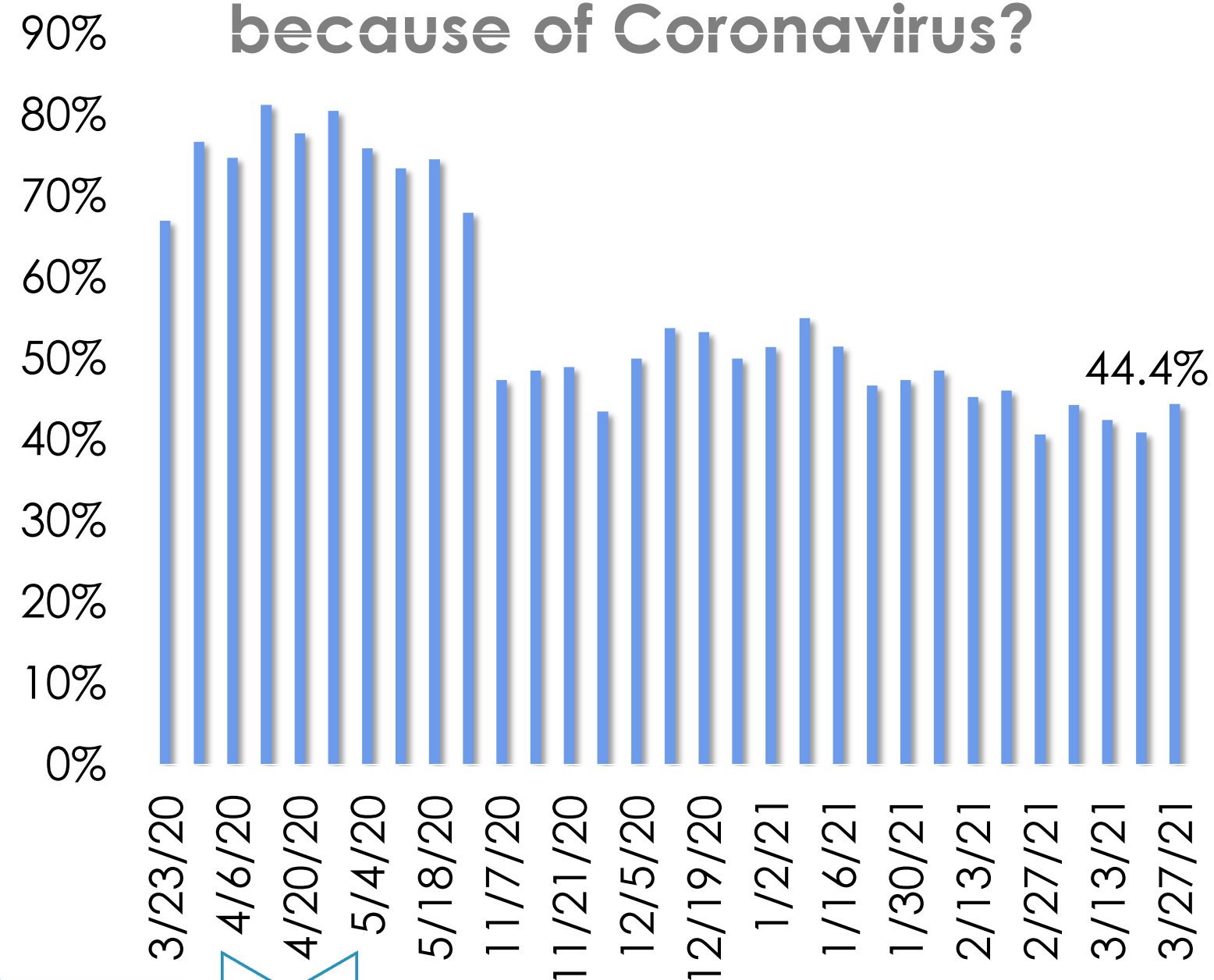
California, January 2021: **\$699,890**, -2.5% MTM, +21.7% YTY



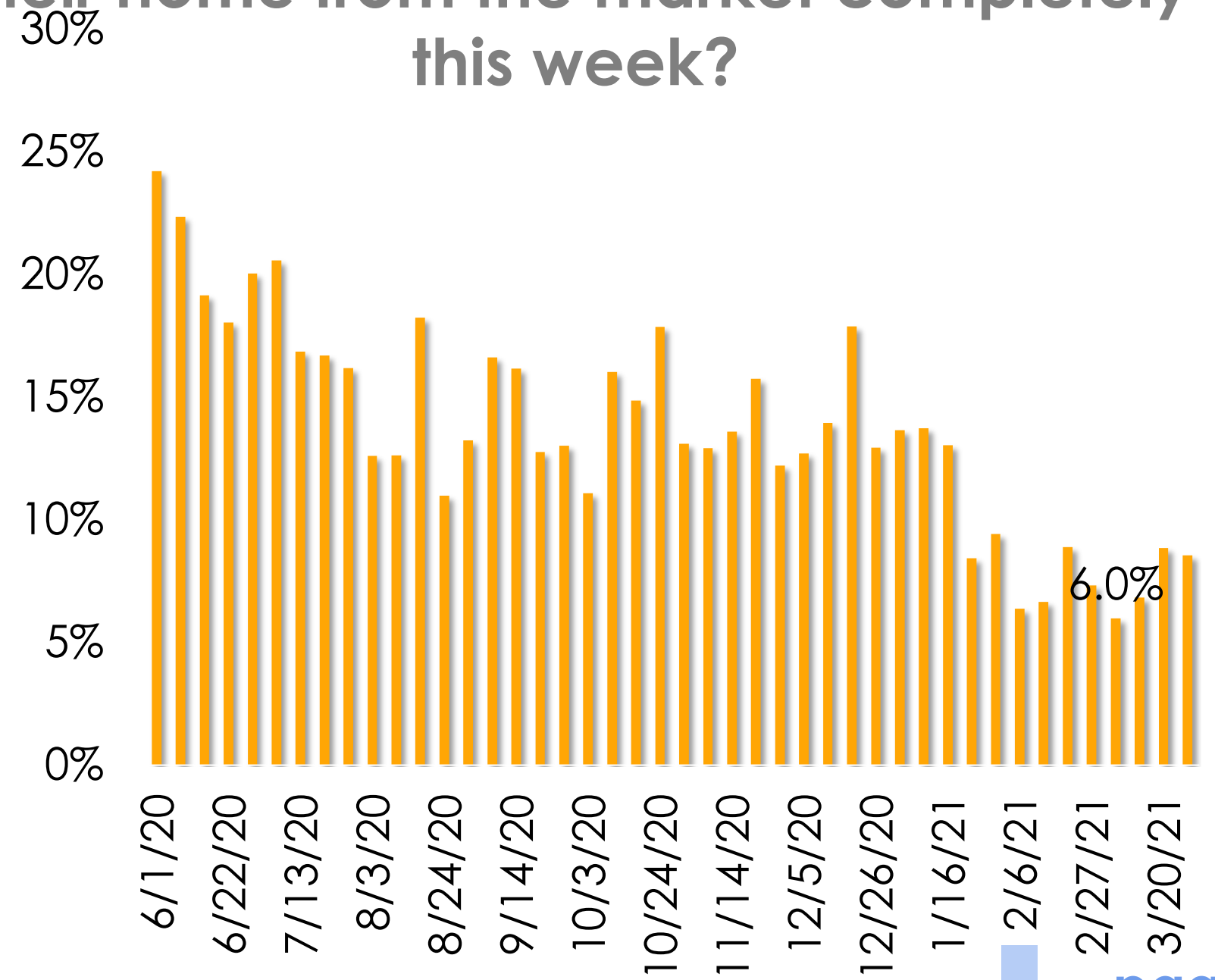
SERIES: Median Price of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

The Cold Foot Index is improving

Q: Have you had any clients holding back from selling because of Coronavirus?



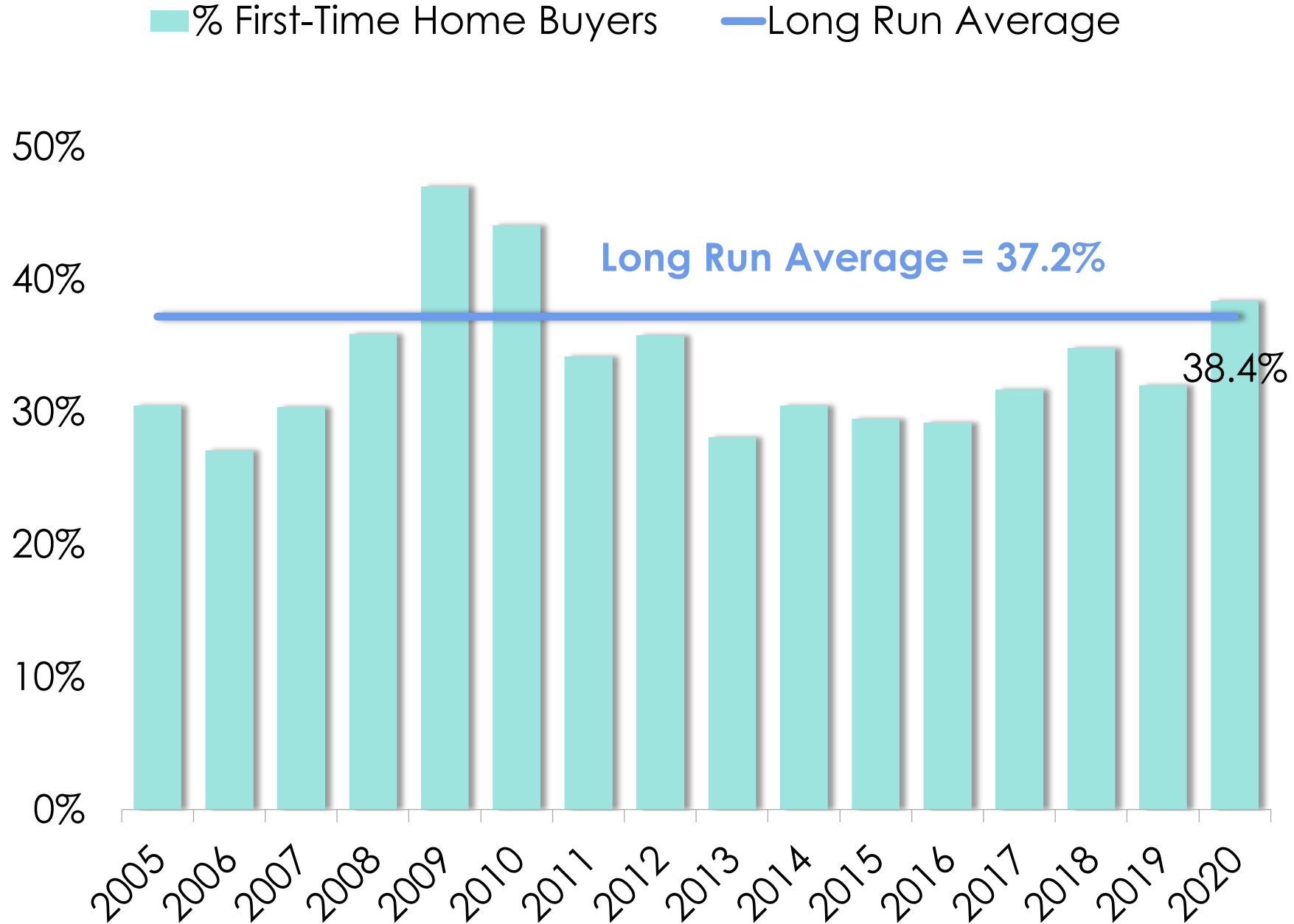
Q: Have you seen any sellers remove their home from the market completely this week?



SERIES: 2020 Coronavirus Member Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Who's **Buying** *What?!*

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.

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

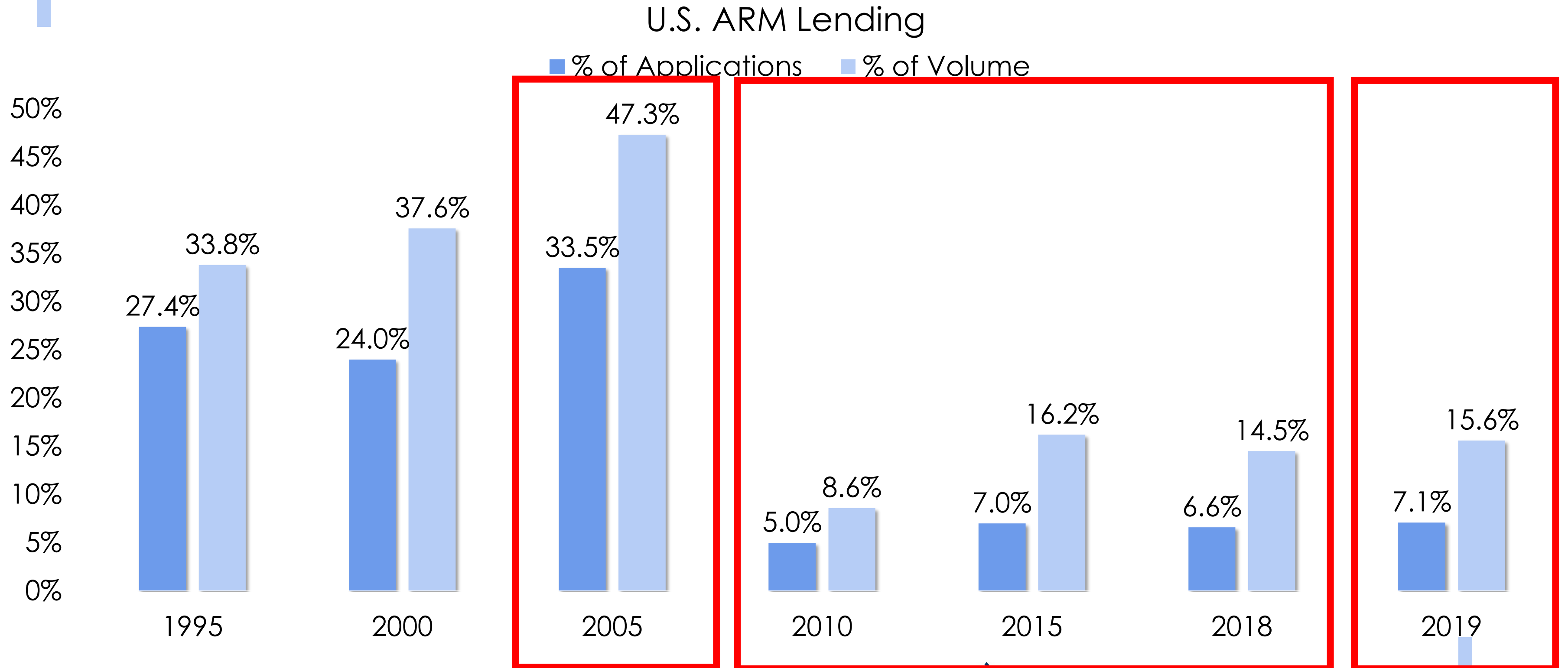
	2006	2017	2018	2019	2020
% of buyers with 20% or more down payment	23.9%	26.2%	27.2%	33.3%	33.1%
Median Downpayment (% to Price)	2.4%	7.4%	9.2%	9.8%	10.0%
% of buyers with zero down payment	40.9%	10.2%	9.2%	17.5%	10.6%
% of cash buyers	3.3%	6.7%	7.0%	9.3%	5.5%
% of home buyers with a second mortgage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



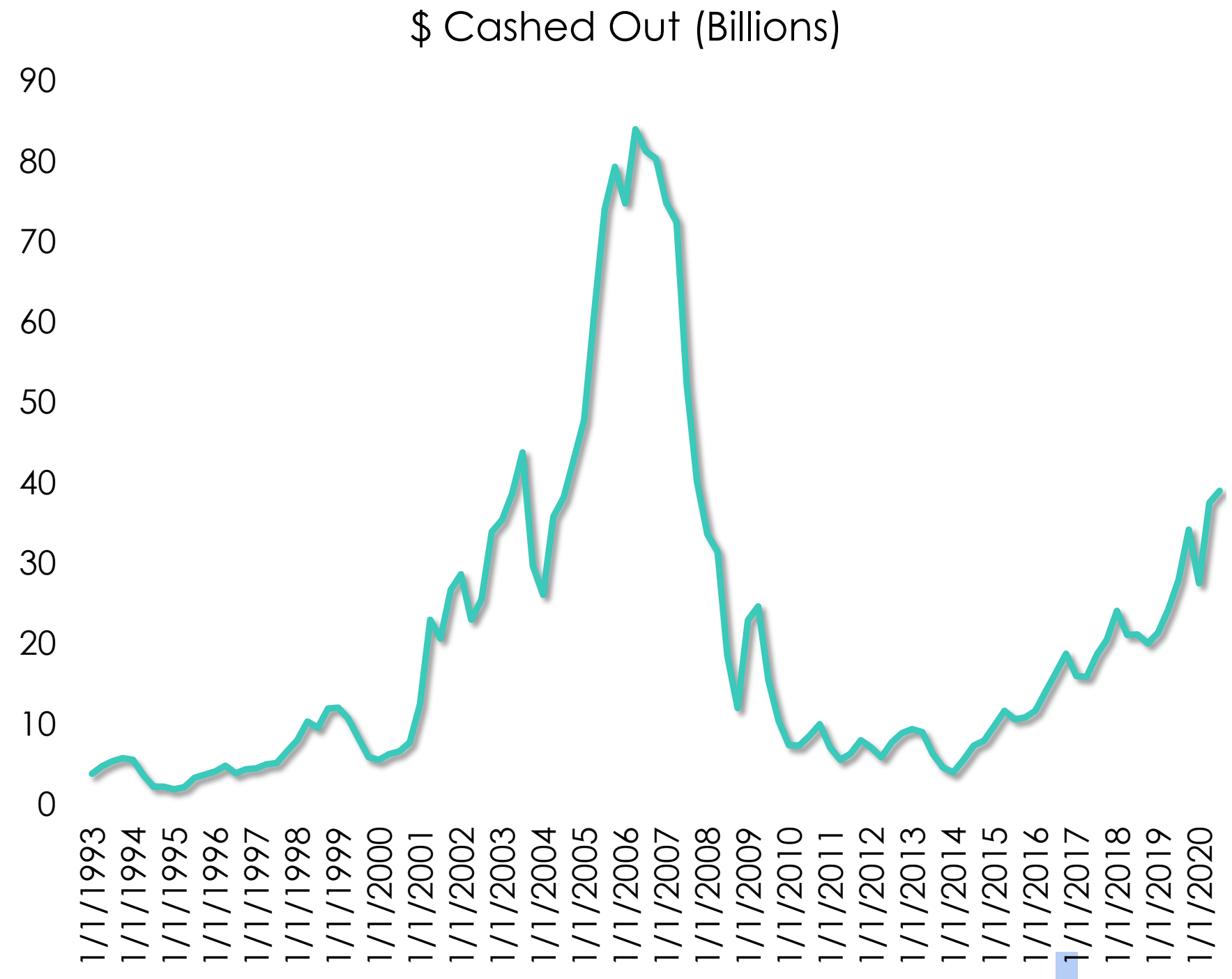
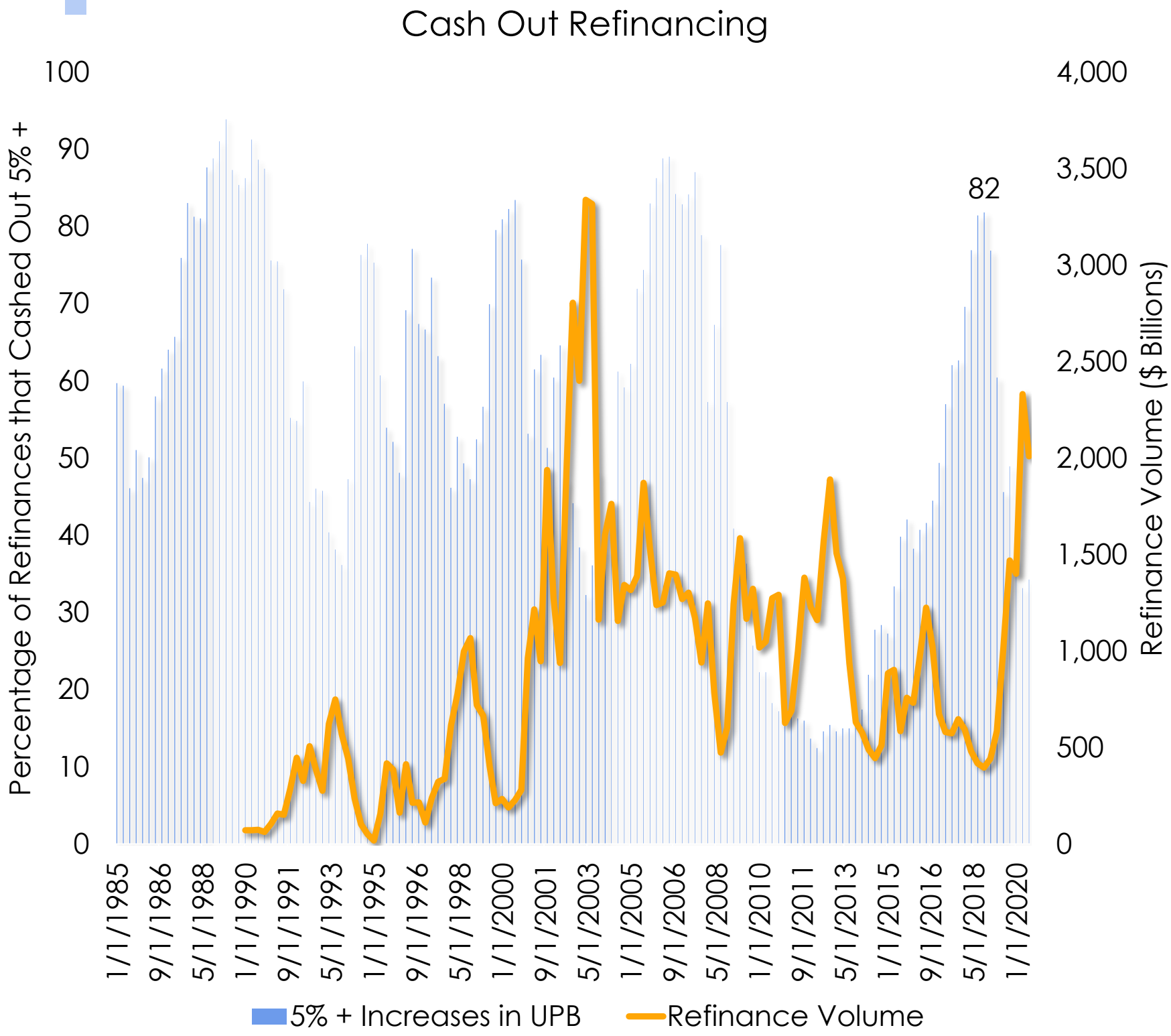
Let's Talk
Fundamentals



Not as many fundamental problems in mortgage market



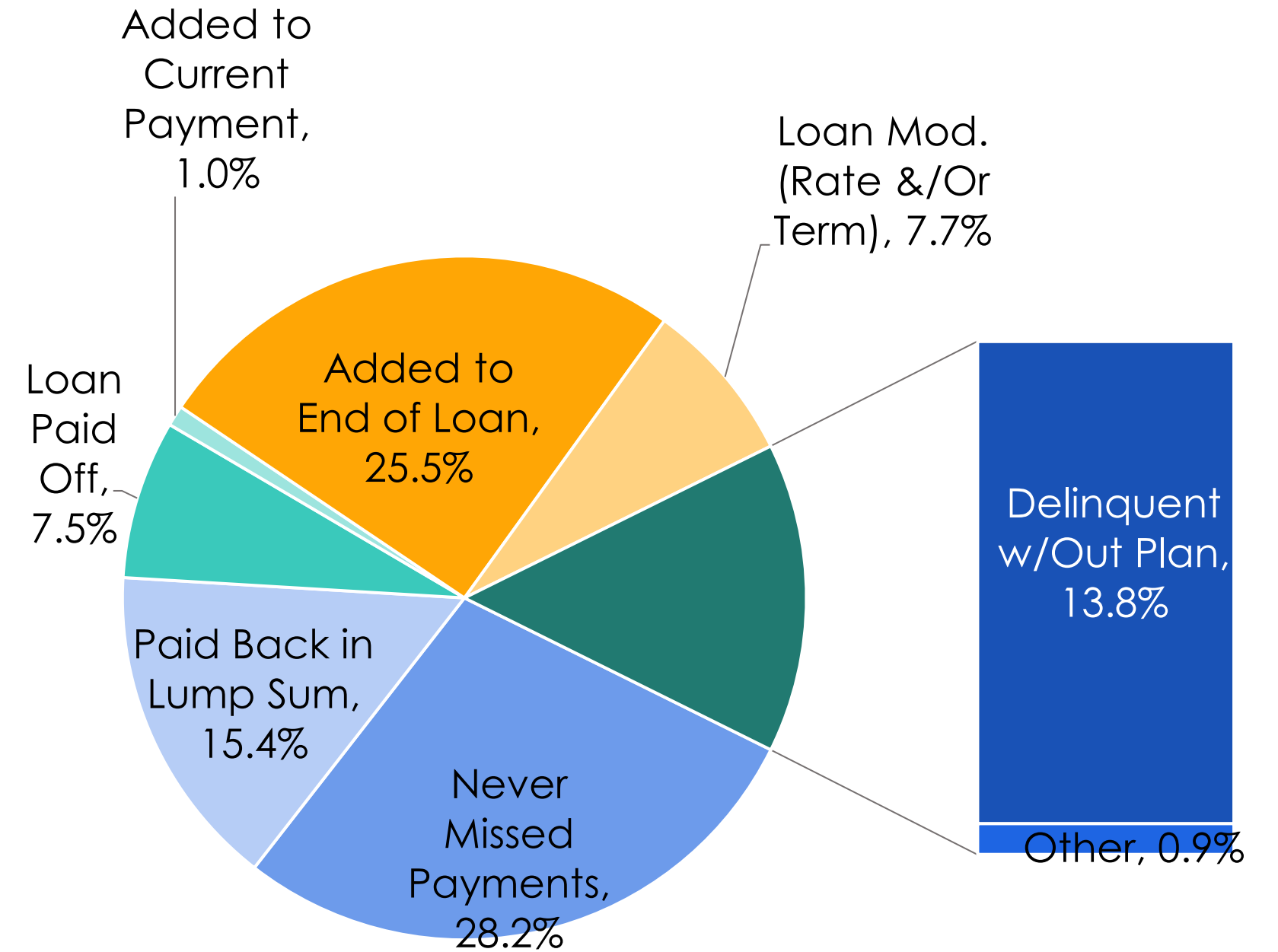
Many homeowners still have skin in the game



Estimates on foreclosures

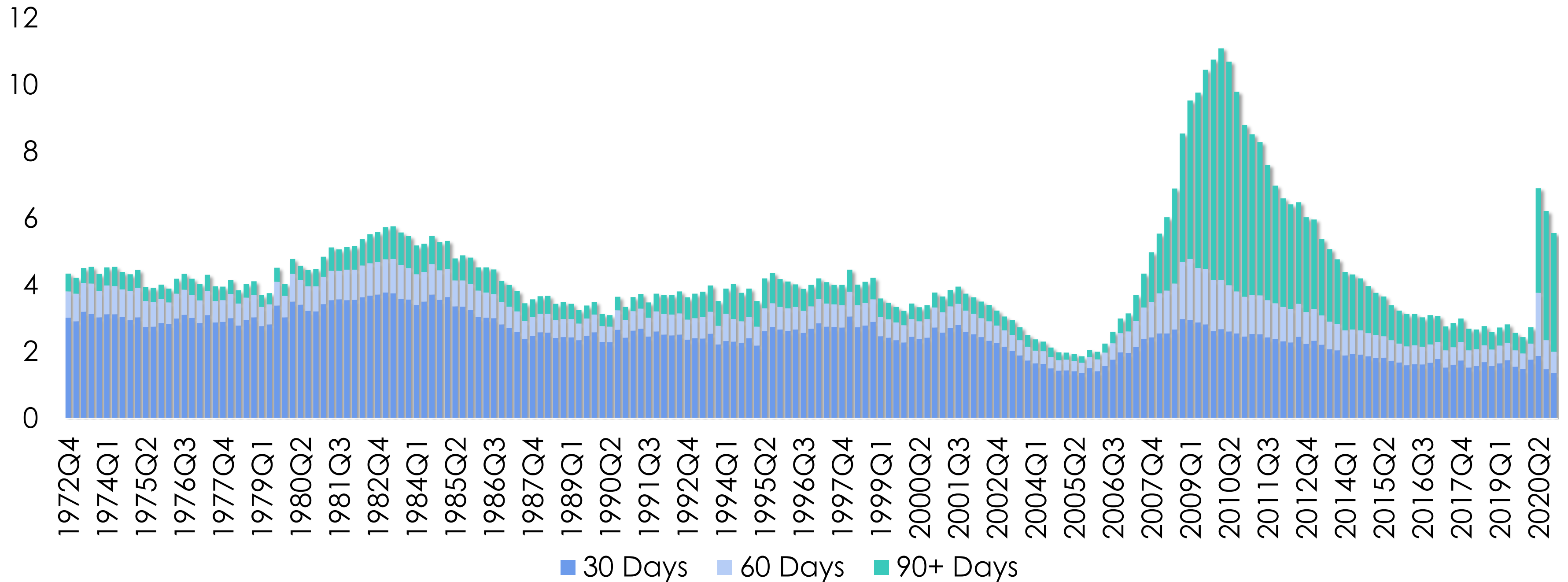
Delinquency Status		
30-59 Days Past Due	1.4%	70,415
60-89 Days Past Due	0.6%	32,671
90+ Days Past Due	3.5%	180,130
Total Delinquent	5.5%	283,786
Loans		5,142,674
Forbearance Exits		
Never Missed Payments	28.2%	80,028
Paid Back in Lump Sum	15.4%	43,760
Loan Paid Off	7.5%	21,312
Added to Current Payment	1.0%	2,753
Added to End of Loan	25.5%	72,394
Loan Mod. (Rate &/Or Term)	7.7%	21,937
Delinquent w/Out Plan	13.8%	39,106
Other	0.9%	2,469
At-Risk Mortgages		
Exits with No Plan in Place	14.7%	41,575
Percent with Equity (Parameter)	20.0%	8,315
Seriously At-Risk	11.7%	33,260

% of Cumulative Forbearance Exits by Reason
6/1/2020-2/7/2021



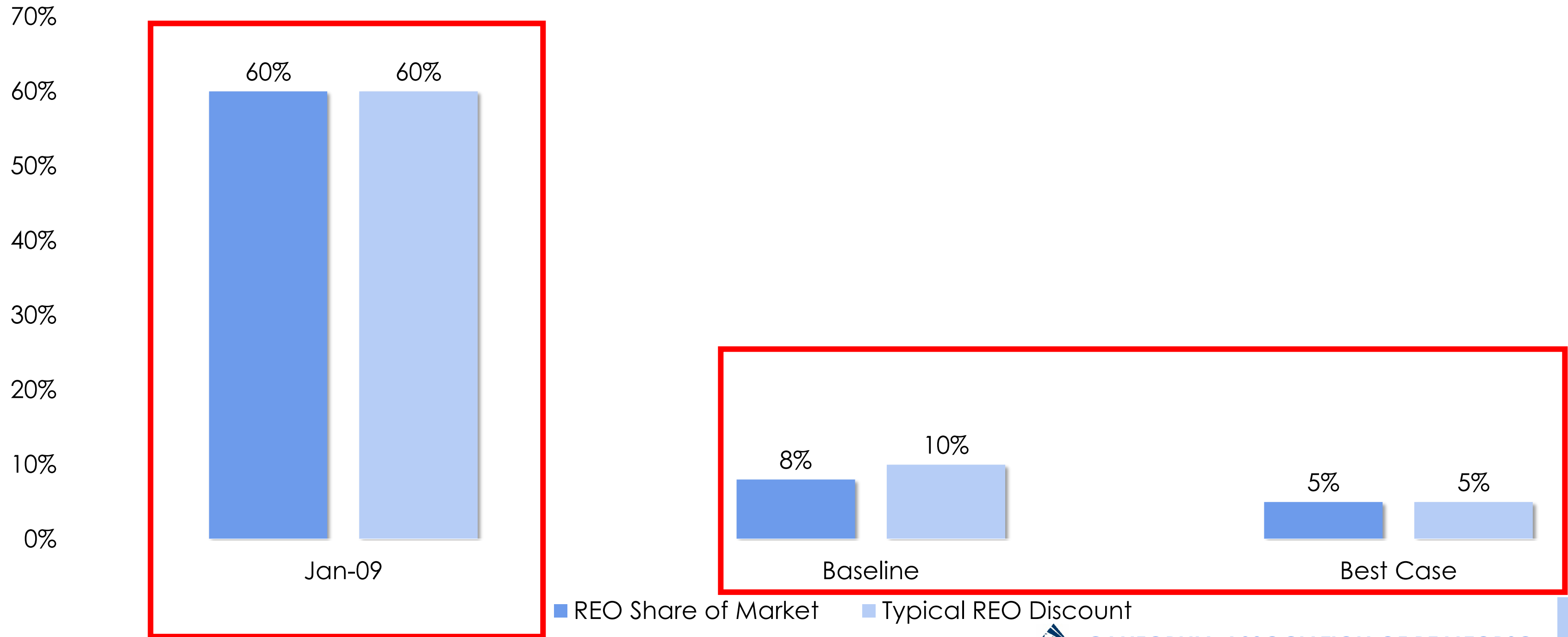
Delinquency already improving despite slower recovery

California Mortgage Delinquencies



Potential REO scenarios

California REO Market
REO Market Share and Typical Discount (Relative to Market)





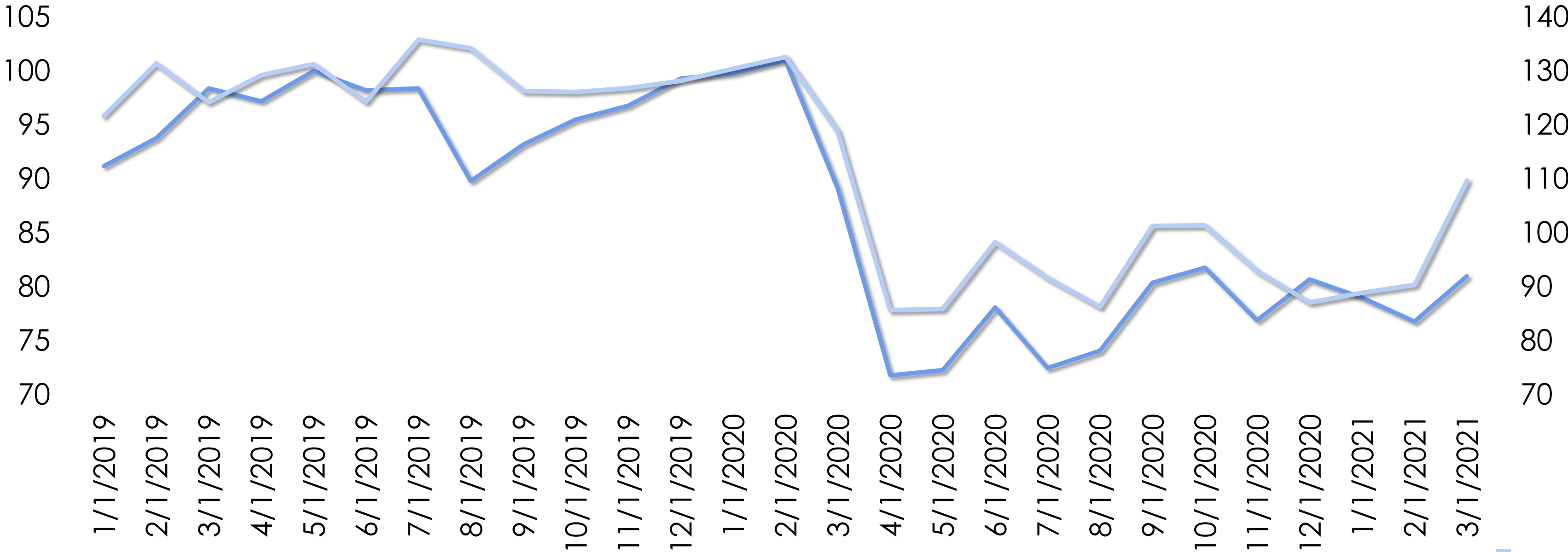
**Keep Champagne
Corked For Now**



Consumer as a whole continue to lack confidence

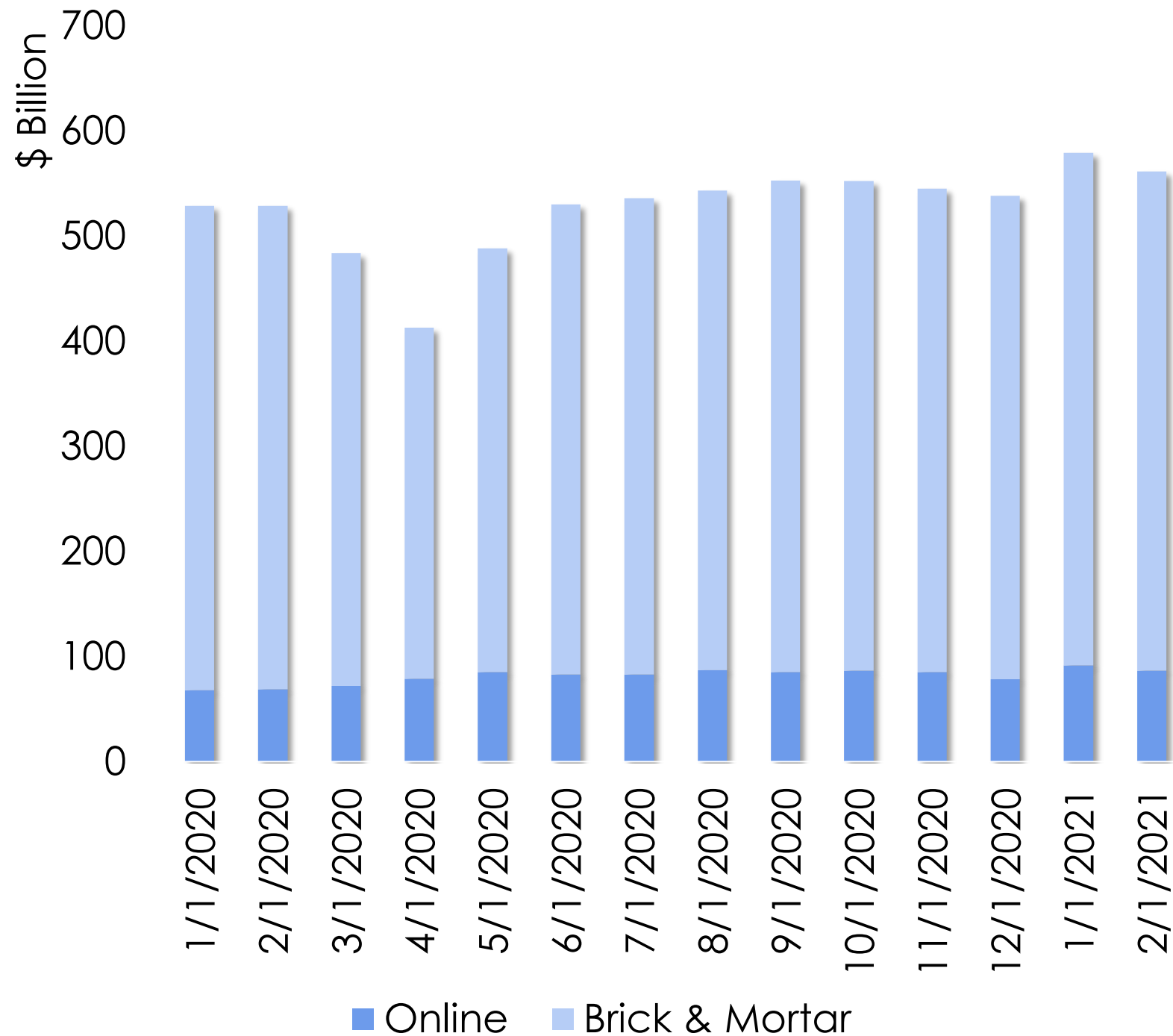
Consumer Sentiment/Confidence

— U. Mich — Conference Board

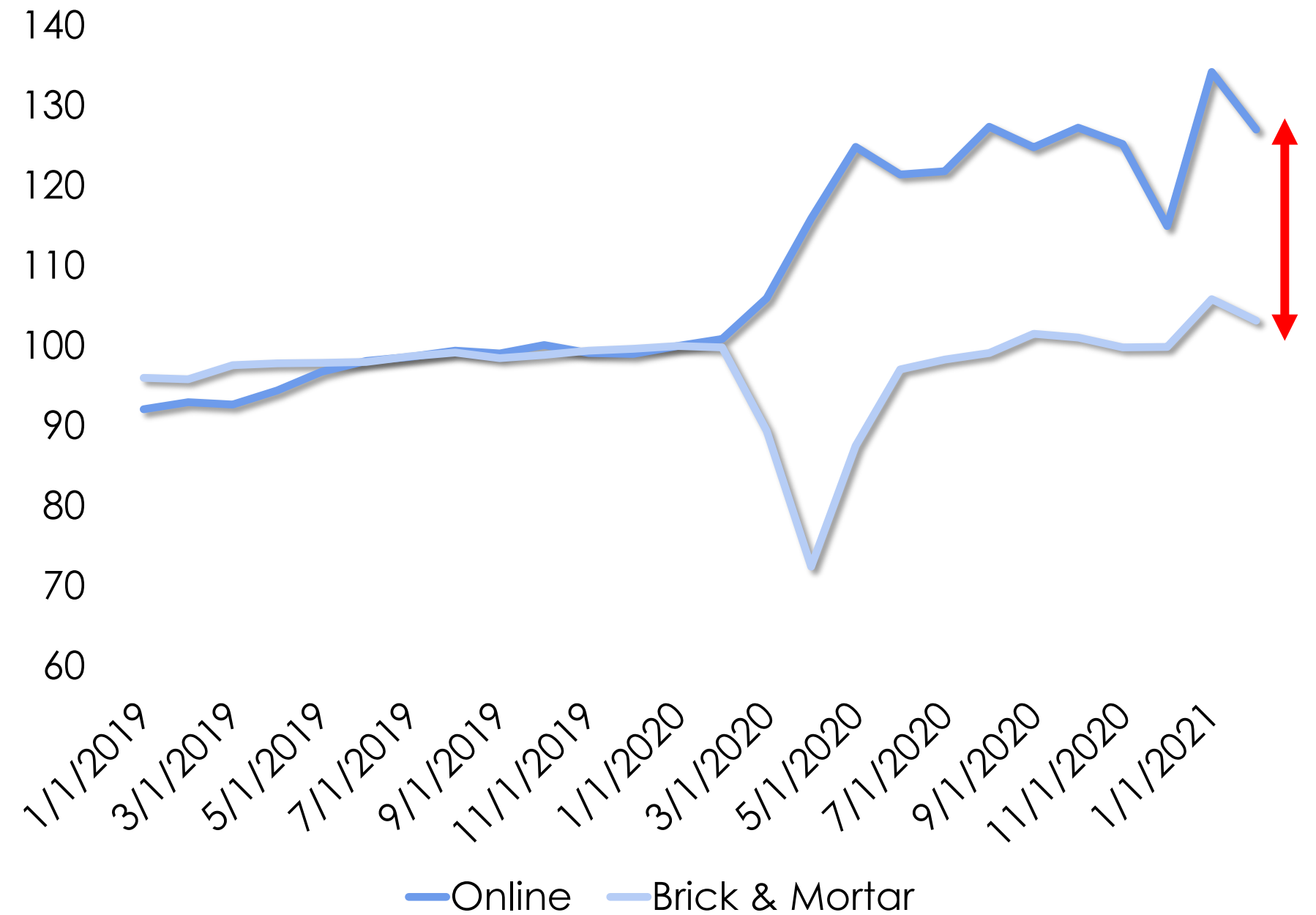


Disproportionate impacts will take longer to heal for many

Retail Sales by Type of Retailer

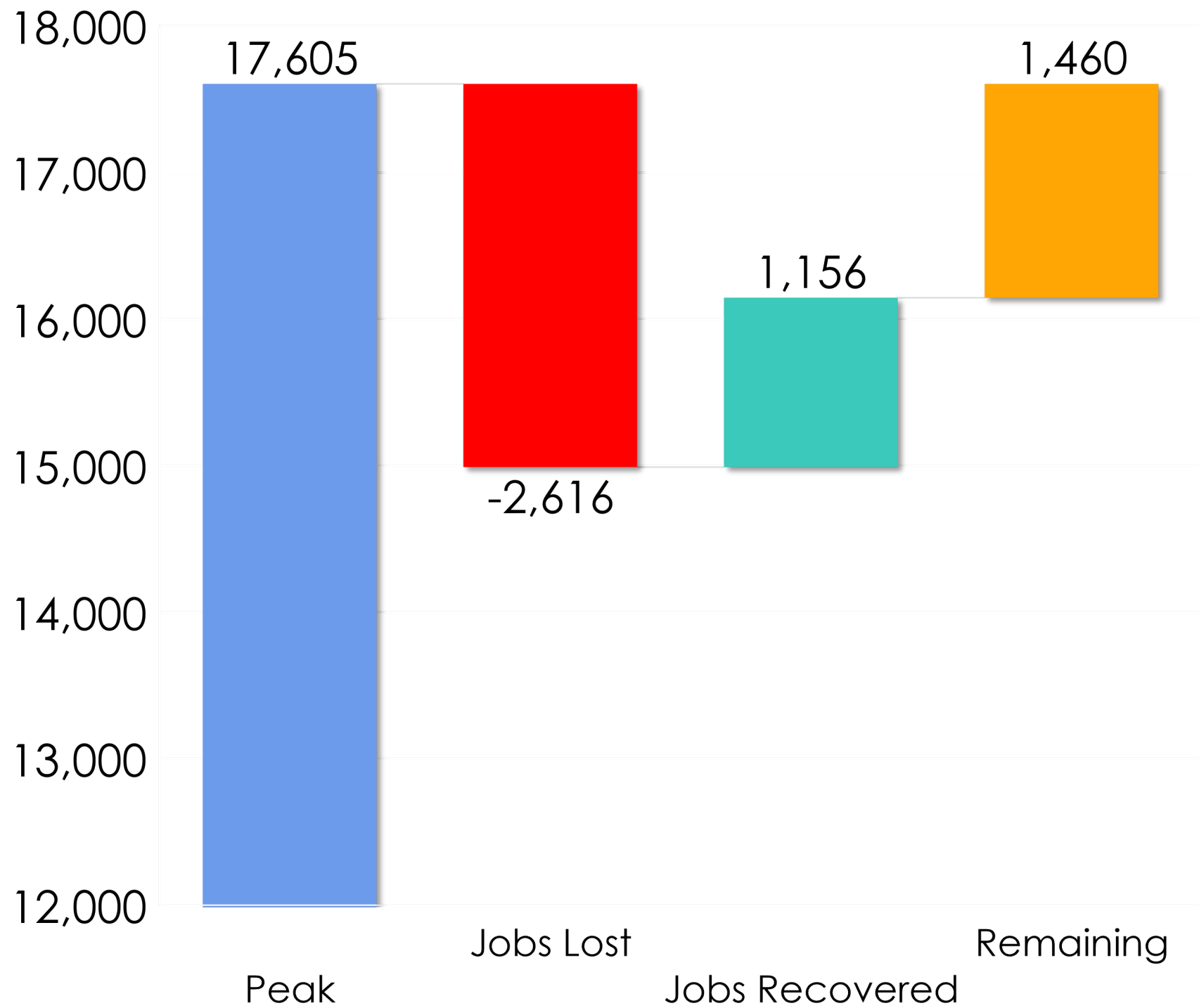


Index of Retail Sales by Type of Retailer
January 2019 = 100

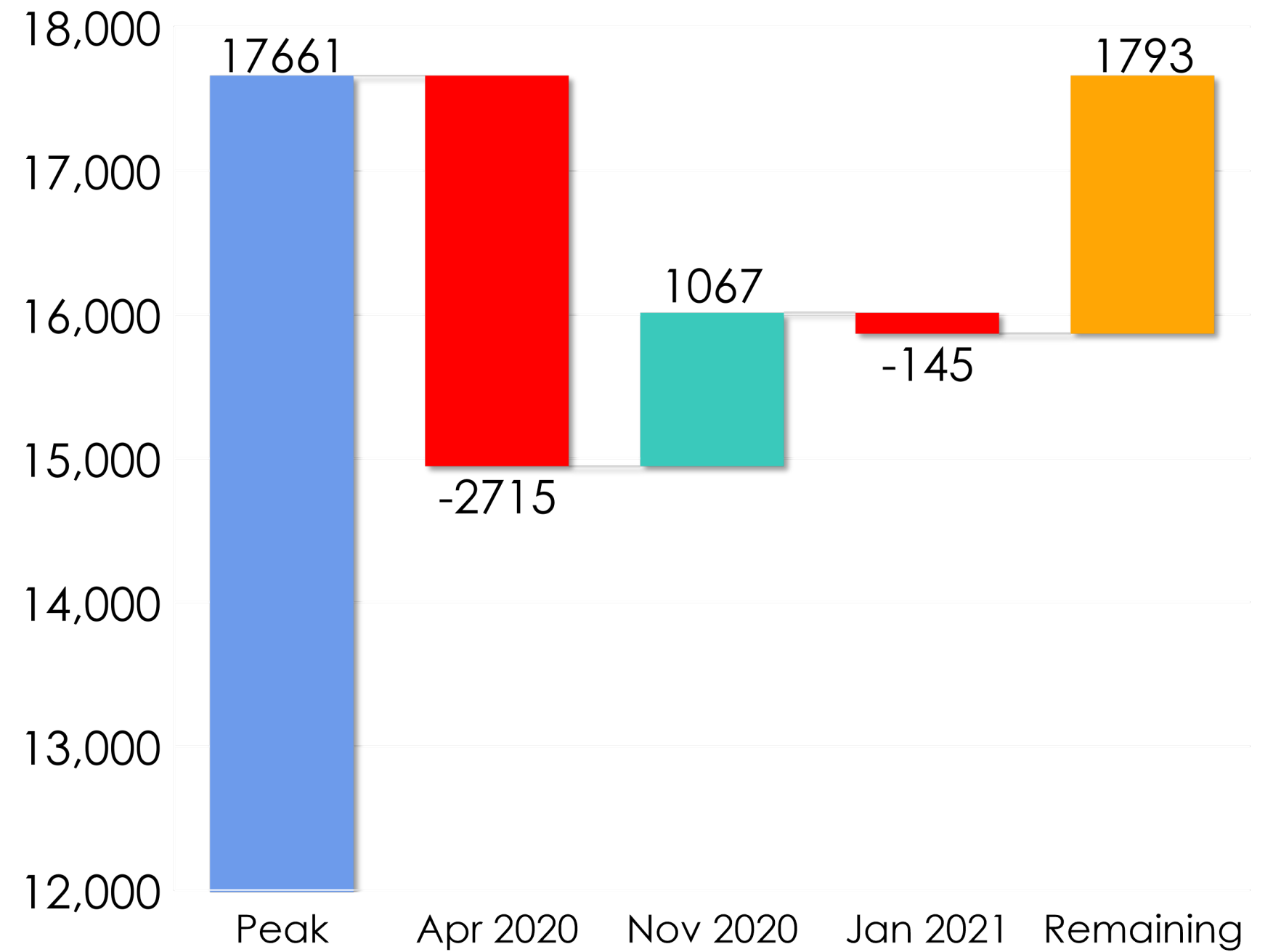


Revised jobs numbers show steeper decline

Original California Nonfarm Jobs
(Through December 2020)



Revised California Nonfarm Jobs
(Through January 2021)



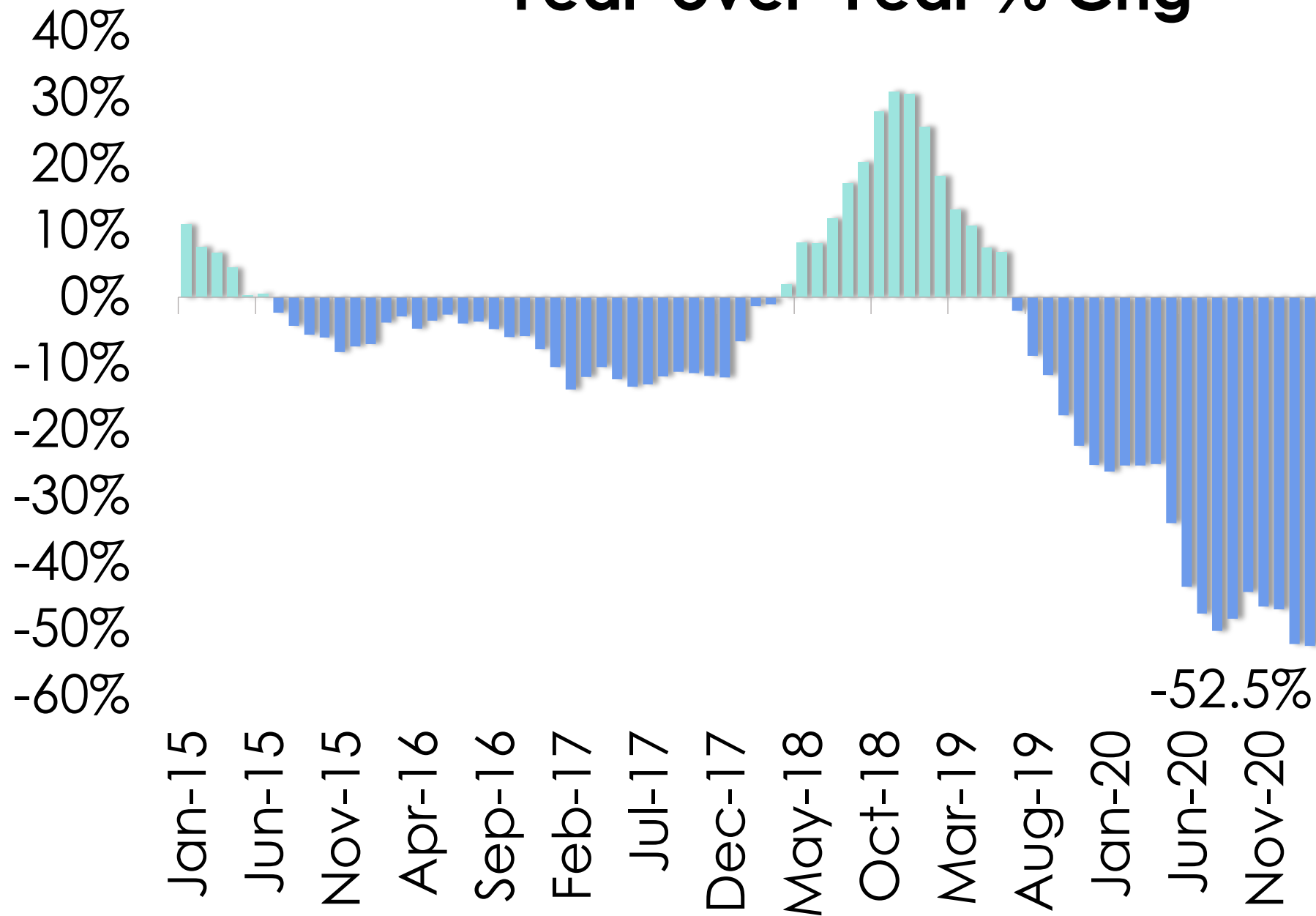


**Nonexistent
Inventory**

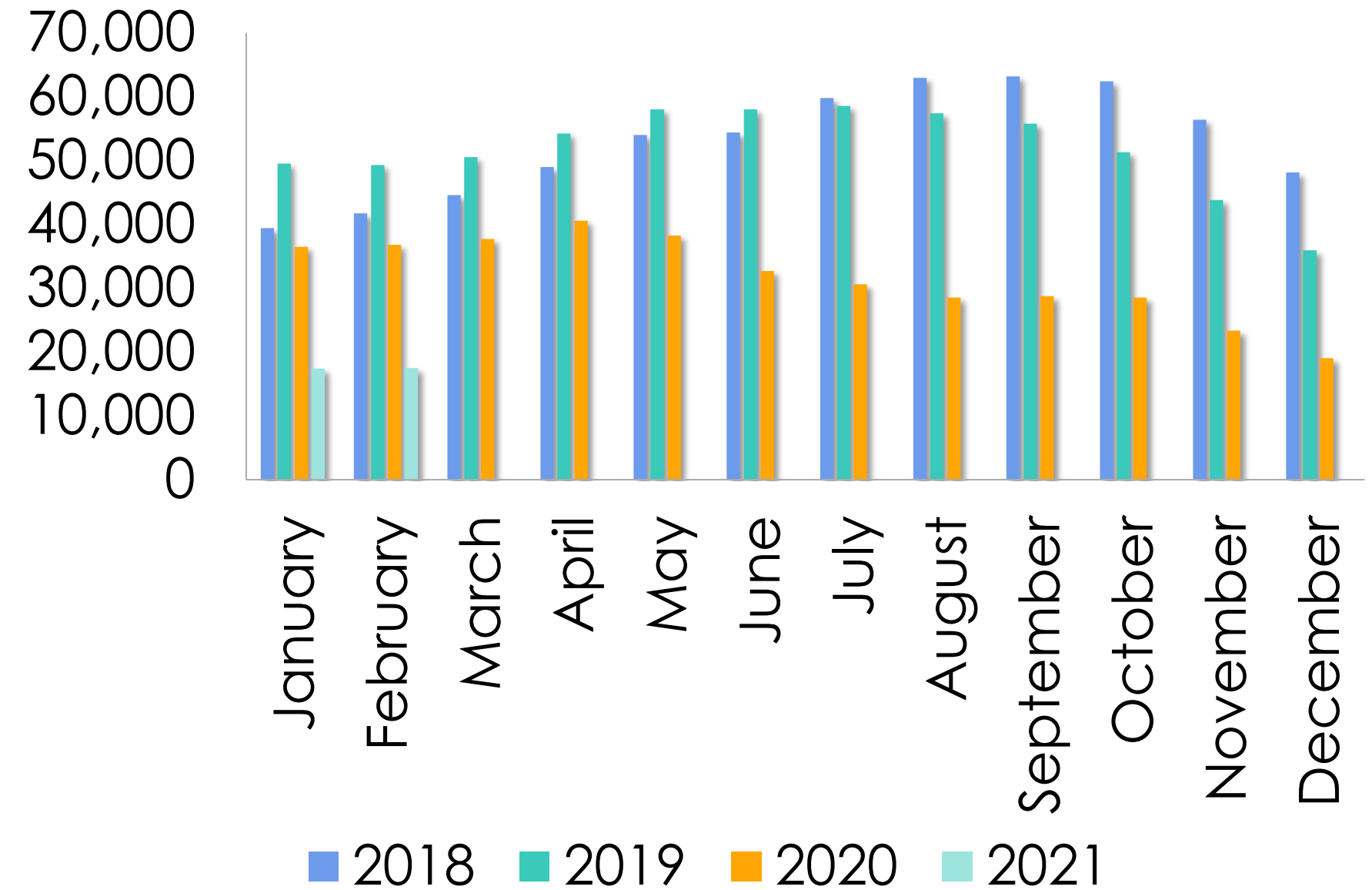


Active listings dipped to lowest level in over 15 years

Year-over-Year % Chg

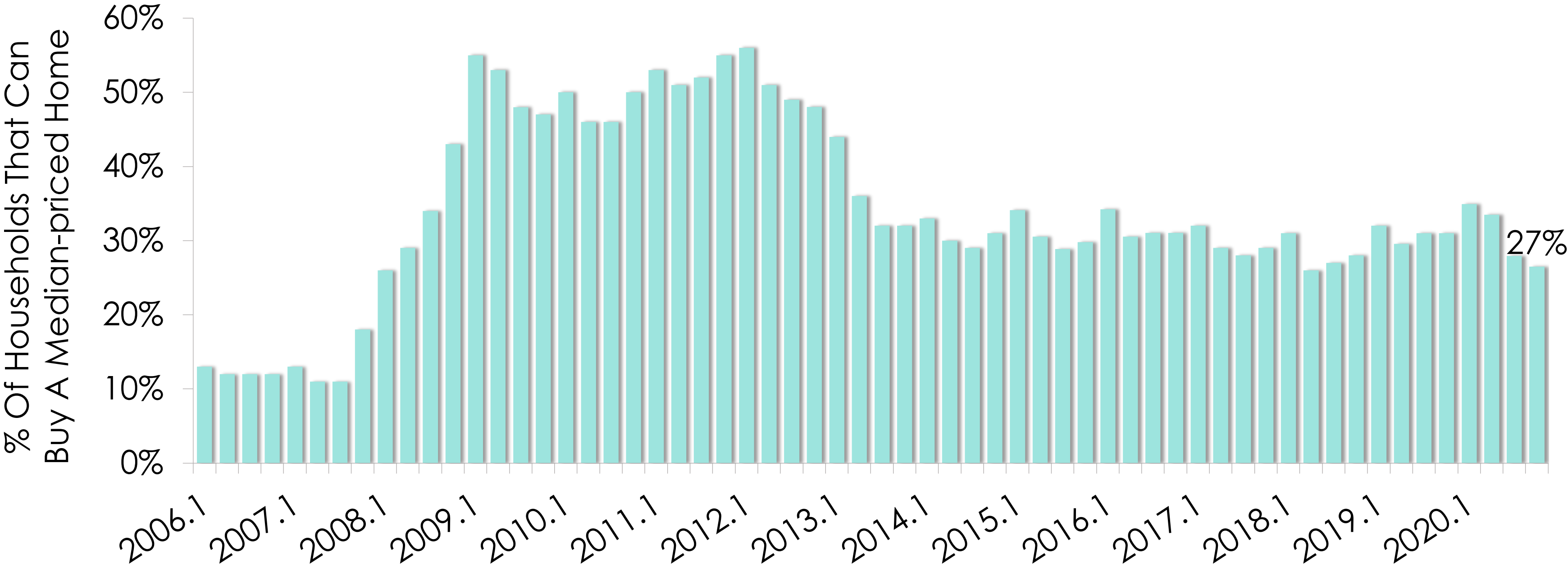


California Active Listings by Month



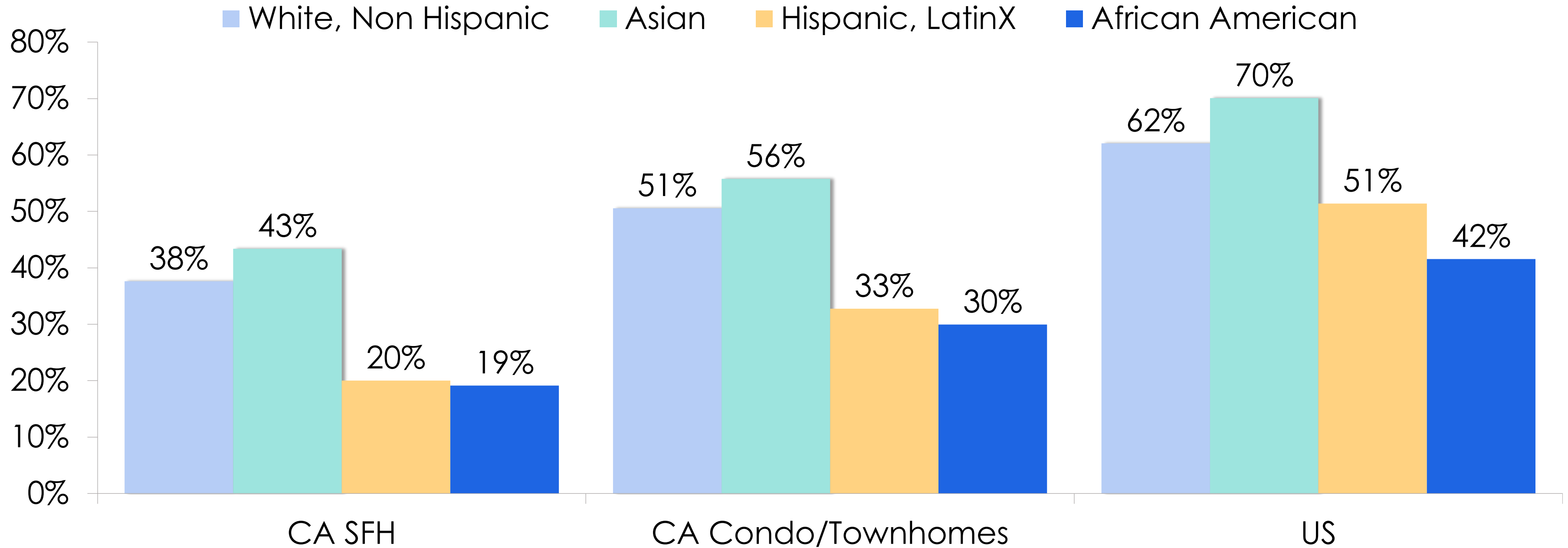
Affordability deteriorating even with lower rates

California: 2006-2020

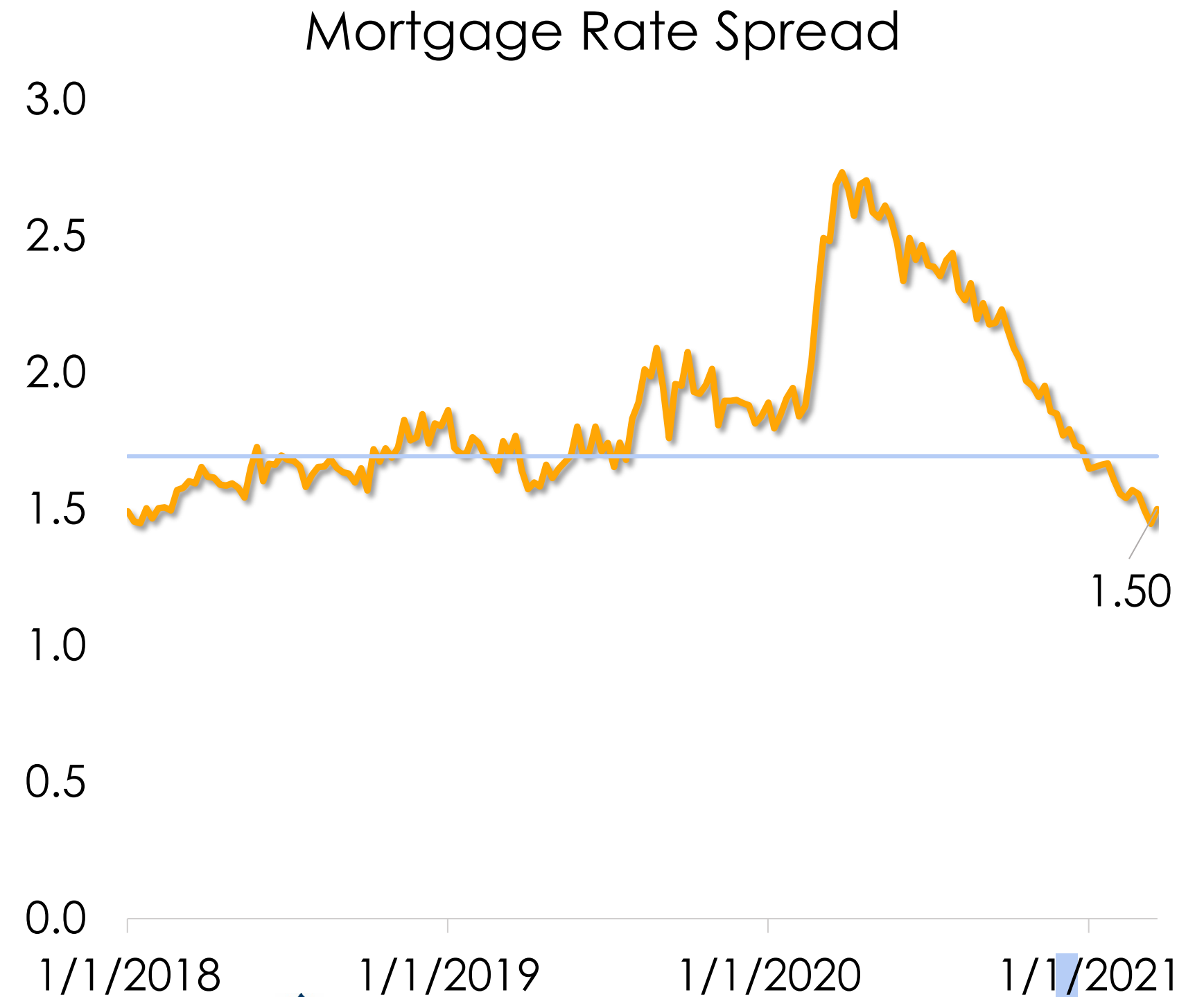
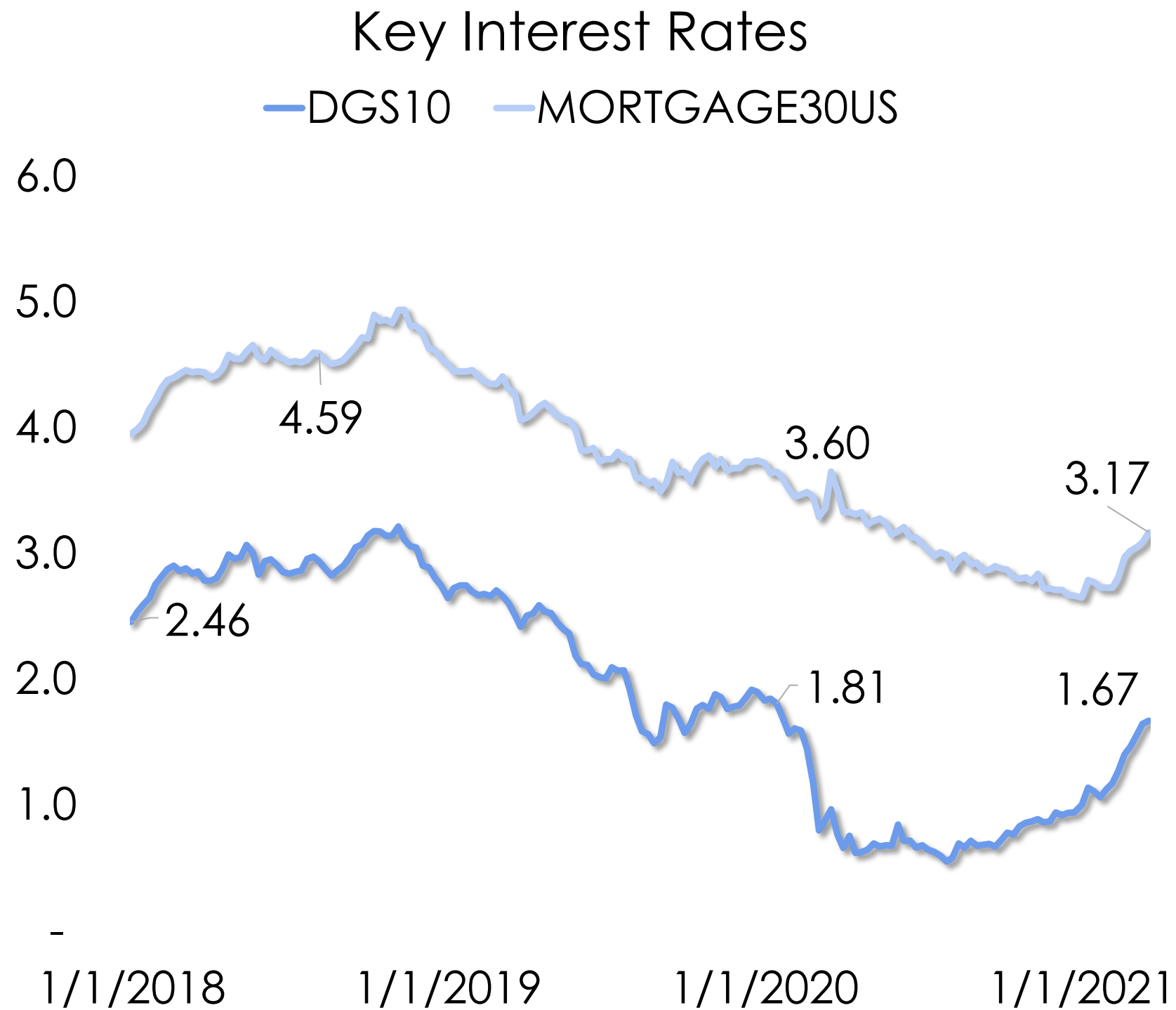


Especially tough for groups needing homeownership most

2020 HAI

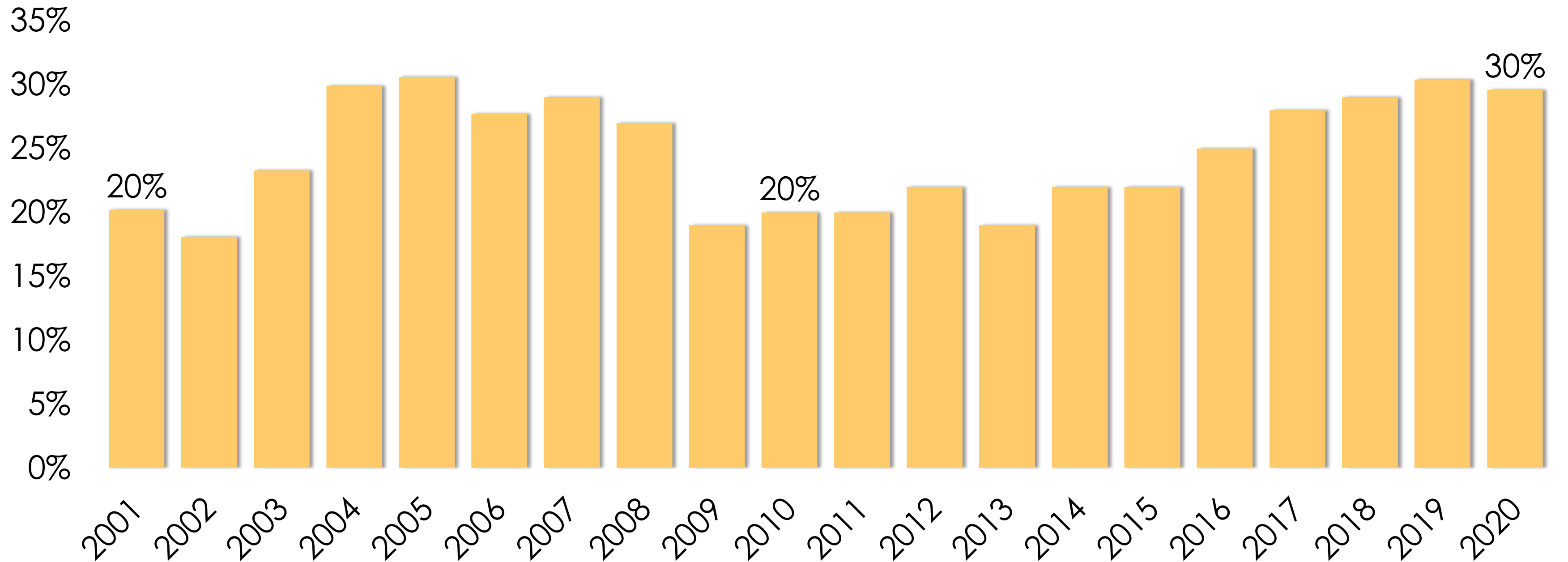


Where will rates end up settling?



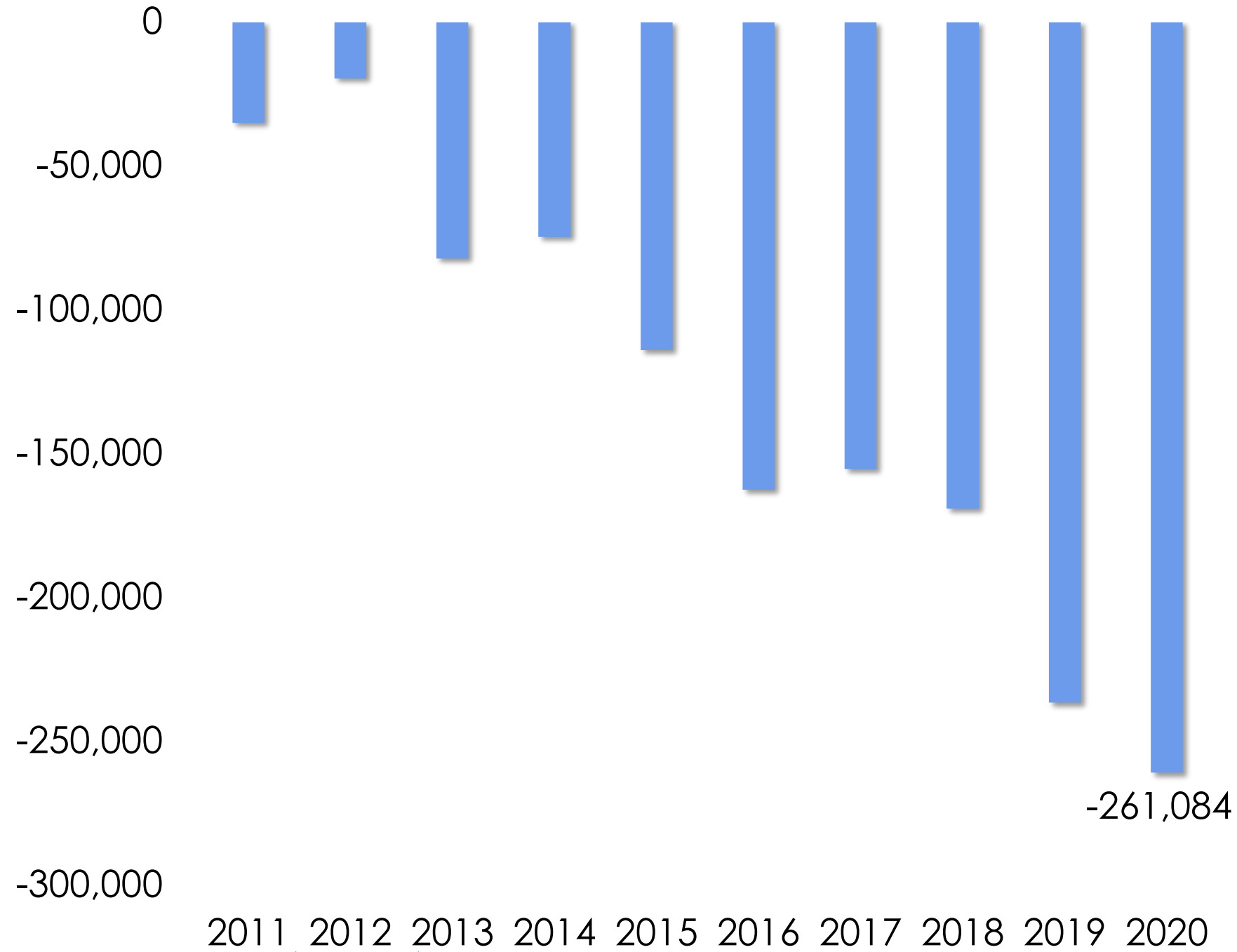
Left unchecked, supply problems become demand ones

Sellers Who Left California

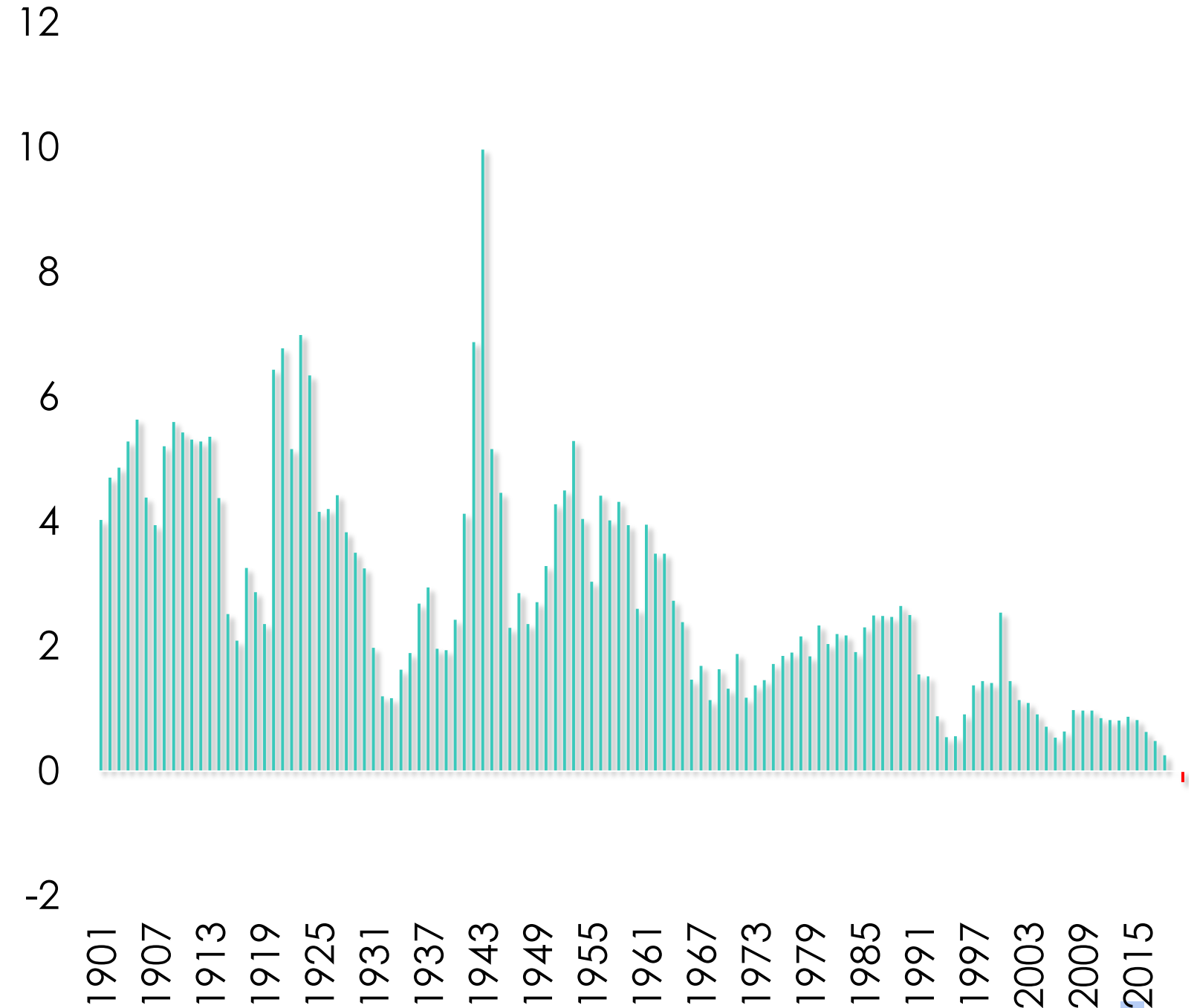


The need for housing is **MORE** urgent now than ever

California Net Domestic Migration



California Population Growth

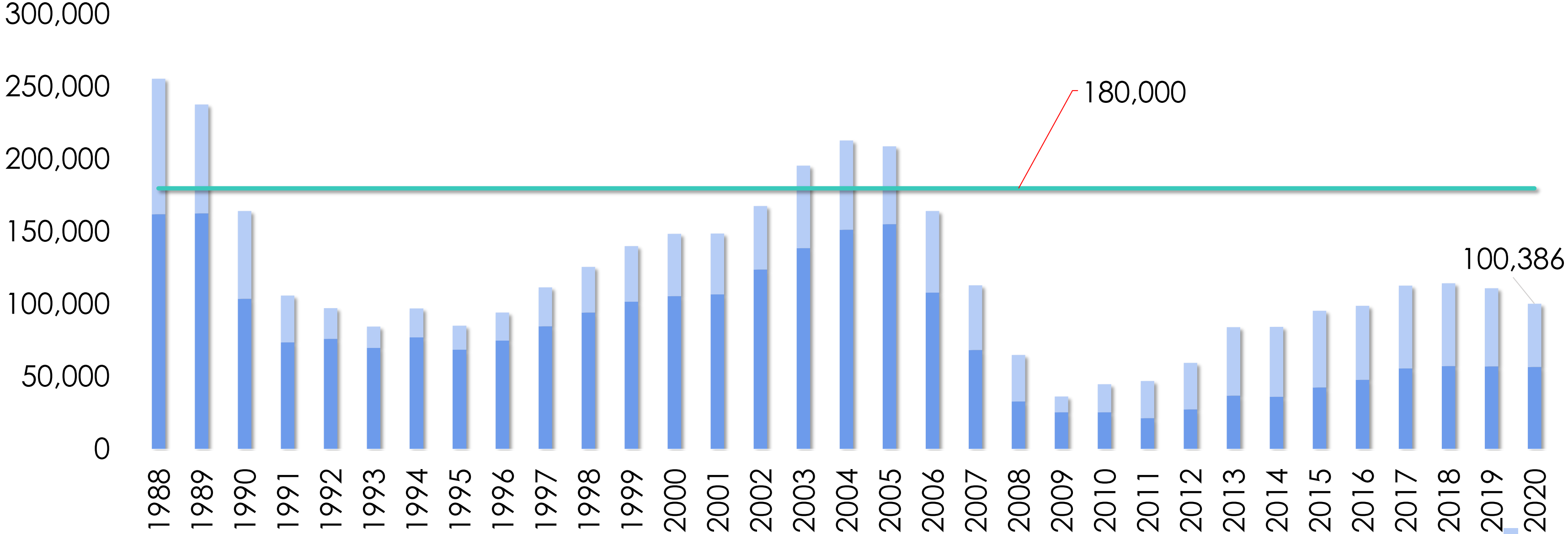


SERIES: 2020 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Should we be optimistic about supply?

California New Building Permits

SF MF HCD's Estimated Need



California's dubious record on housing affordability

- 2nd worst Jobs-to-Construction ratio in nation.
- The 5th lowest homeowner vacancy rate in the nation.
- 3rd lowest rental vacancy rate in the nation.
- 1.3 months of housing inventory supply in December.
- \$717,930 record-setting median price in December.
- 2nd worst state for % of rent-burdened households.
- 2nd worst state for overcrowded housing.
- Dead last for supplemental poverty estimates.
- Affordability will prevent many from achieving ownership.





Optimistic
But NOT
Overconfident



California housing market outlook

	2015	2016	2017	2018	2019	2020	2021f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	458.0
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	3.5%	11.2%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$712.1
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.3%	8.0%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	27%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%

Concluding remarks



Housing market still doing unseasonably well

- Lots of buyer demand amidst all-time low rates
- Housing market data closed ABOVE 2019!

Broader indicators are less rosy

- Still lots of folks on the unemployment rolls
- Gotta hunker down for last bit of COVID
- Ominous trends for the population and economy

Keeping it really real

- Demographics creates **more**, not less, urgency
- Time for get serious about supply & new construction
- Impacting much more than just the real estate market



Thank You

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Speeches & Presentations
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