

2021 Market Forecast



EXPO/Reimagine Conference & EXPO

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California Association of REALTORS®



How did we do?



2020 C.A.R. Forecast Report Card:

	2019 Actual	2020 Forecast	2020 Projected
SFH Resales (000s)	398.0	393.5	380.1
% Change	-1.2%	0.8%	-4.5%
Median Price (\$000s)	\$592.4	\$607.9	\$640.3
% Change	4.0%	2.5%	8.1%
30-Yr FRM	3.9%	3.7%	3.2%
Housing Affordability Index	31%	32%	32%
U.S. Gross Domestic Product	2.2%	1.6%	-5.0%



The Economy

RECAP

**AVOID GATHERINGS
REDUCE CROWDING
WASH YOUR HANDS**

NON-HOV
MUST USE
LOWER ROWY
8AM-10AM

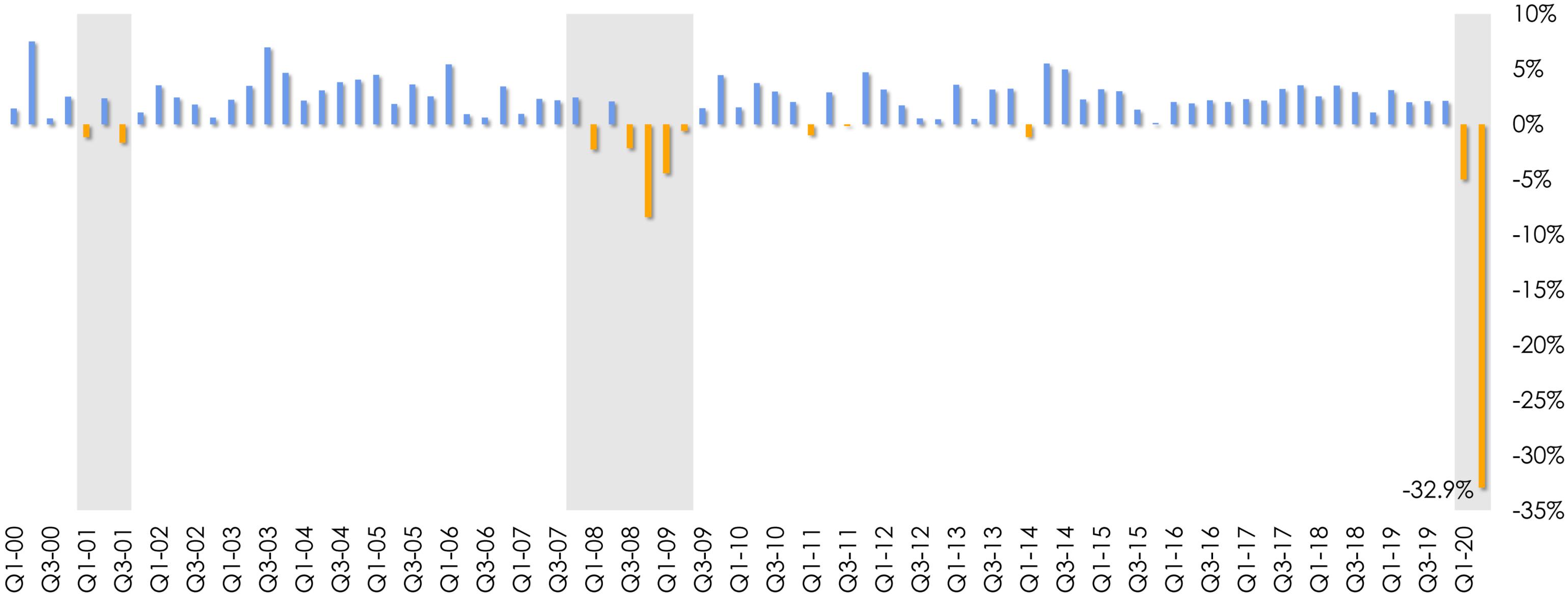
Manhattan Bridge
Holland Tun | Chrystie St
Canal St W | Canal St E
Bowery
2 LEFT LANES | RIGHT LANE

**ROAD
WORK
AHEAD
20
FEET**

Manhattan Bridge
Holland Tun | Chrystie St
Canal St W | Canal St E
Bowery
2 LEFT LANES | RIGHT LANE

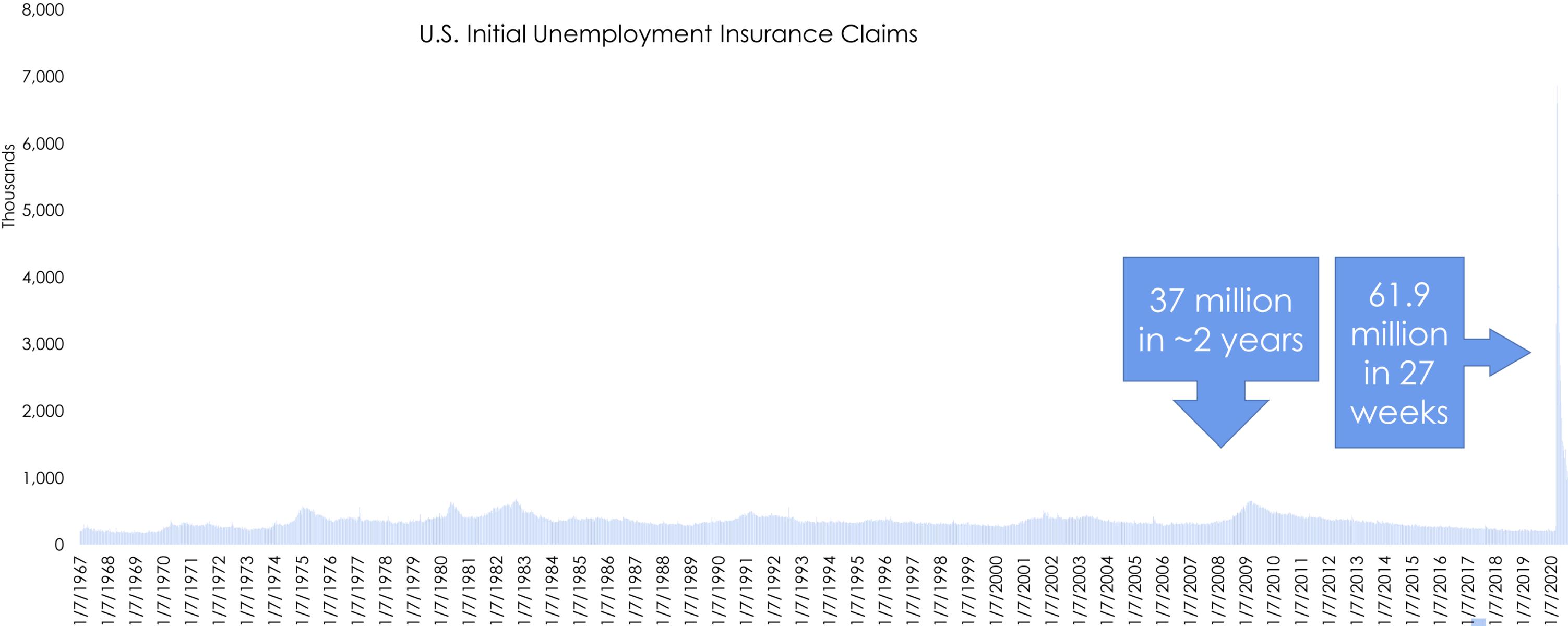
U.S. economy contracted at the sharpest rate on record

Real GDP Growth



■ Recession ■ Real GDP Growth

SPEED: Over the past 6 months, nearly 62 million Americans have filed for unemployment insurance



Uncertain path of recovery: bounce back in H2, modest growth in 2021

2020-2021 GDP Forecasts

	Q120	Q220	Q320	Q420	2020	2021
Bank of the West	-5.0%	-31.7%	29.2%	3.1%	-3.7%	3.6%
Fannie Mae	-5.0%	-31.7%	30.4%	6.2%	-2.6%	3.4%
Mortgage Bankers Association	-5.0%	-31.7%	18.3%	5.4%	-5.6%	4.1%
NAR	-5.0%	-31.7%	20.0%	8.0%	-6.0%	4.0%
UCLA	-5.0%	-31.7%	28.3%	1.2%	-4.2%	3.5%
Wells Fargo	-5.0%	-31.7%	25.4%	7.2%	-4.2%	4.6%

* Latest updates as of 09/29/2020





Fiscal Policy: Quick Action + Bottlenecks

- Coronavirus Preparedness & Response Supplemental Appropriations Act (3/6)
- Families First Coronavirus Response Act (3/18)
- Coronavirus Aid, Relief, and Economic Security Act (\$2.2T CARES Act) (3/27)
- Paycheck Protection Program & Health Care Enhancement Act (4/24)

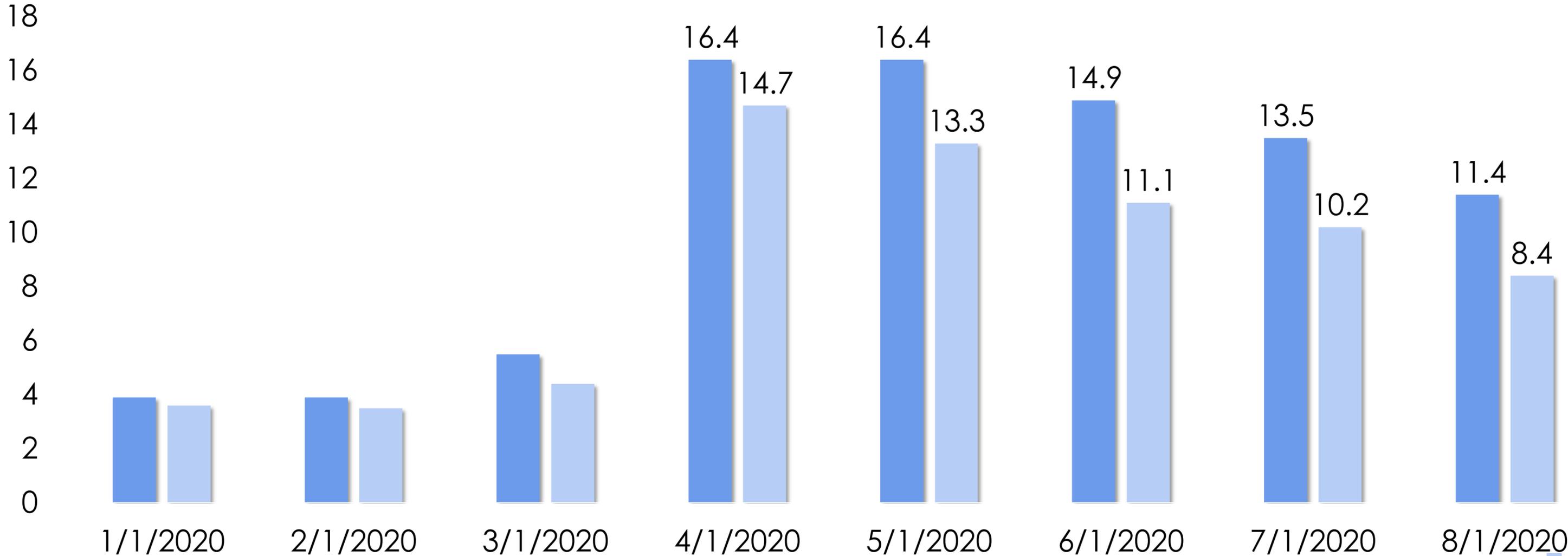
Monetary Policy: Fed takes unprecedented action

- Cut fed funds rate: 0% - 0.25%
- Forward guidance: “rates will remain low”
- Lowered discount window rate to 0.25%
- Open-ended Securities purchases (QE)- Treasuries, MBS’s
- Direct lending to banks, major corporate employers
- Temporary relaxation of regulatory requirements
- Expanded repo operations

Unemployment rate peaked in April & May coming down: 8.4% in August

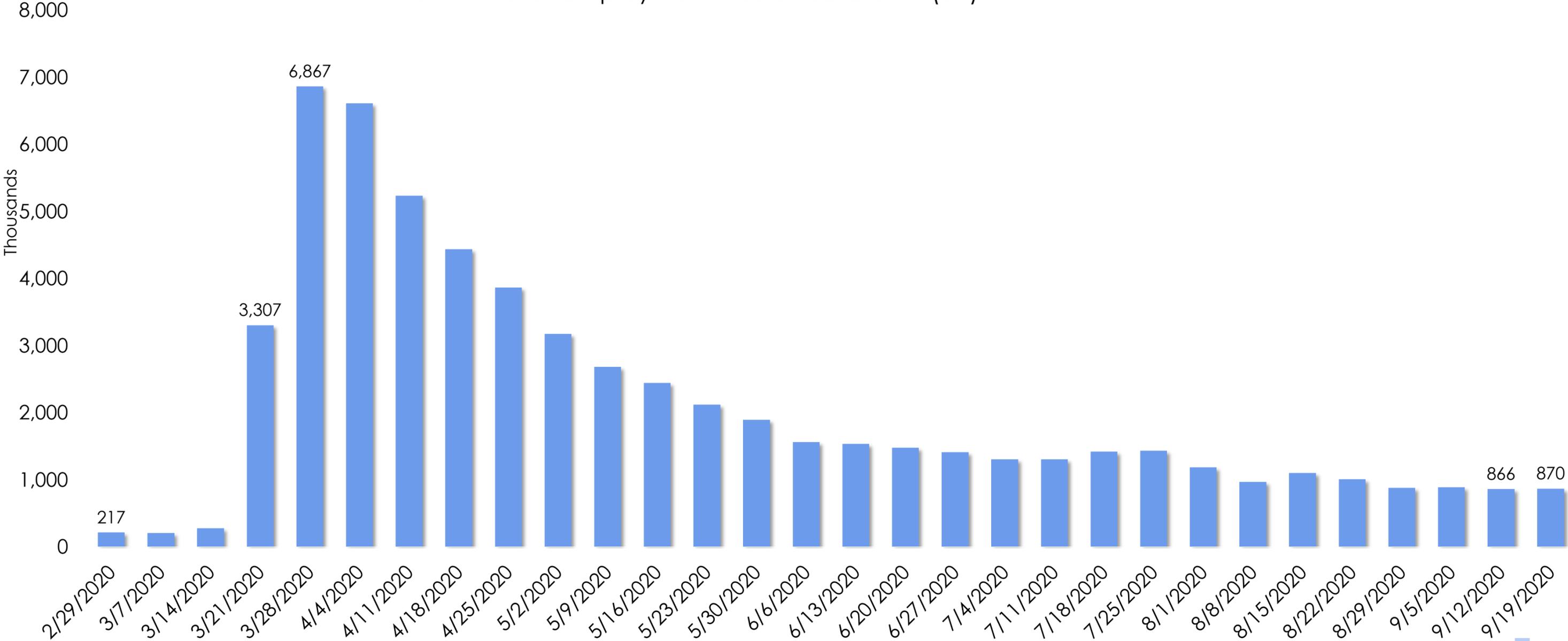
Unemployment Rates

■ CA ■ US



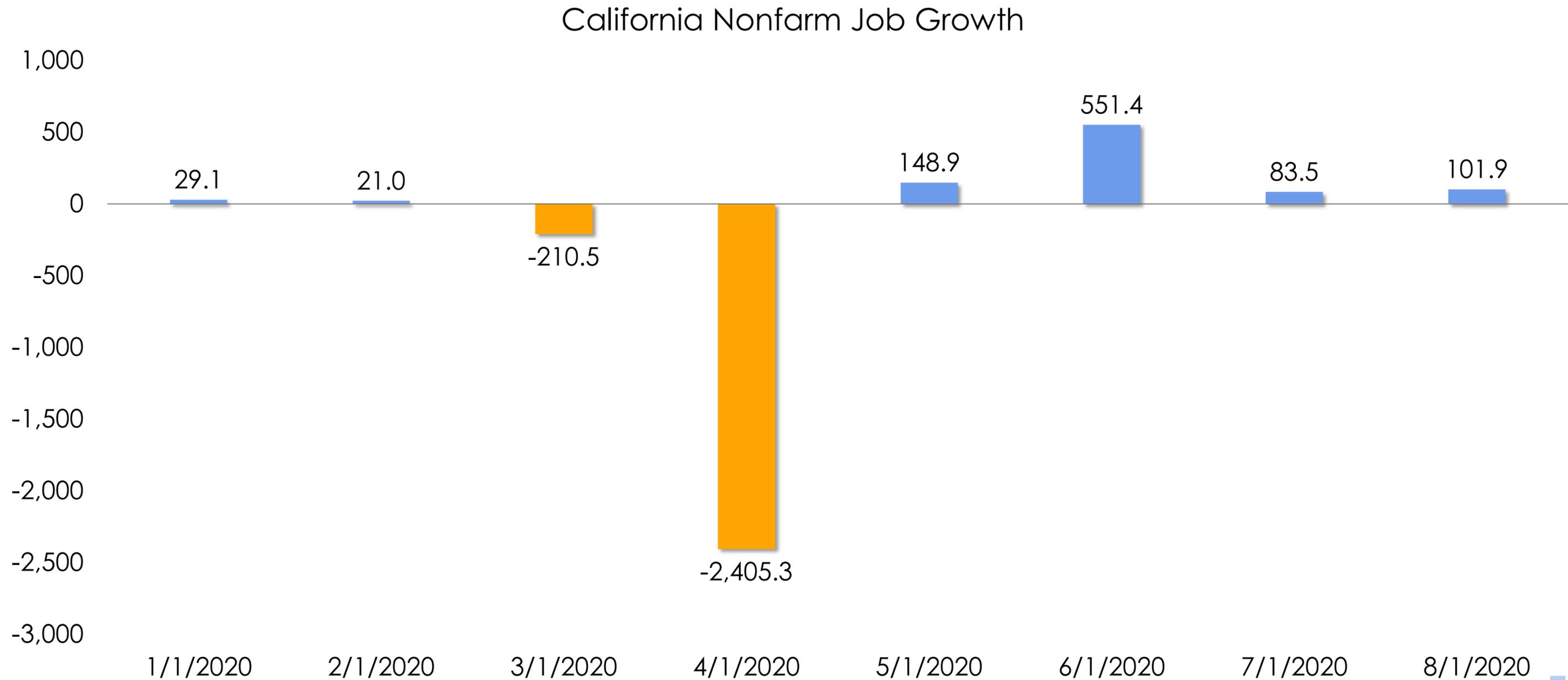
Jobless claims inched up from prior week

U.S. Initial Unemployment Insurance Claims (SA)



Job losses in March & April

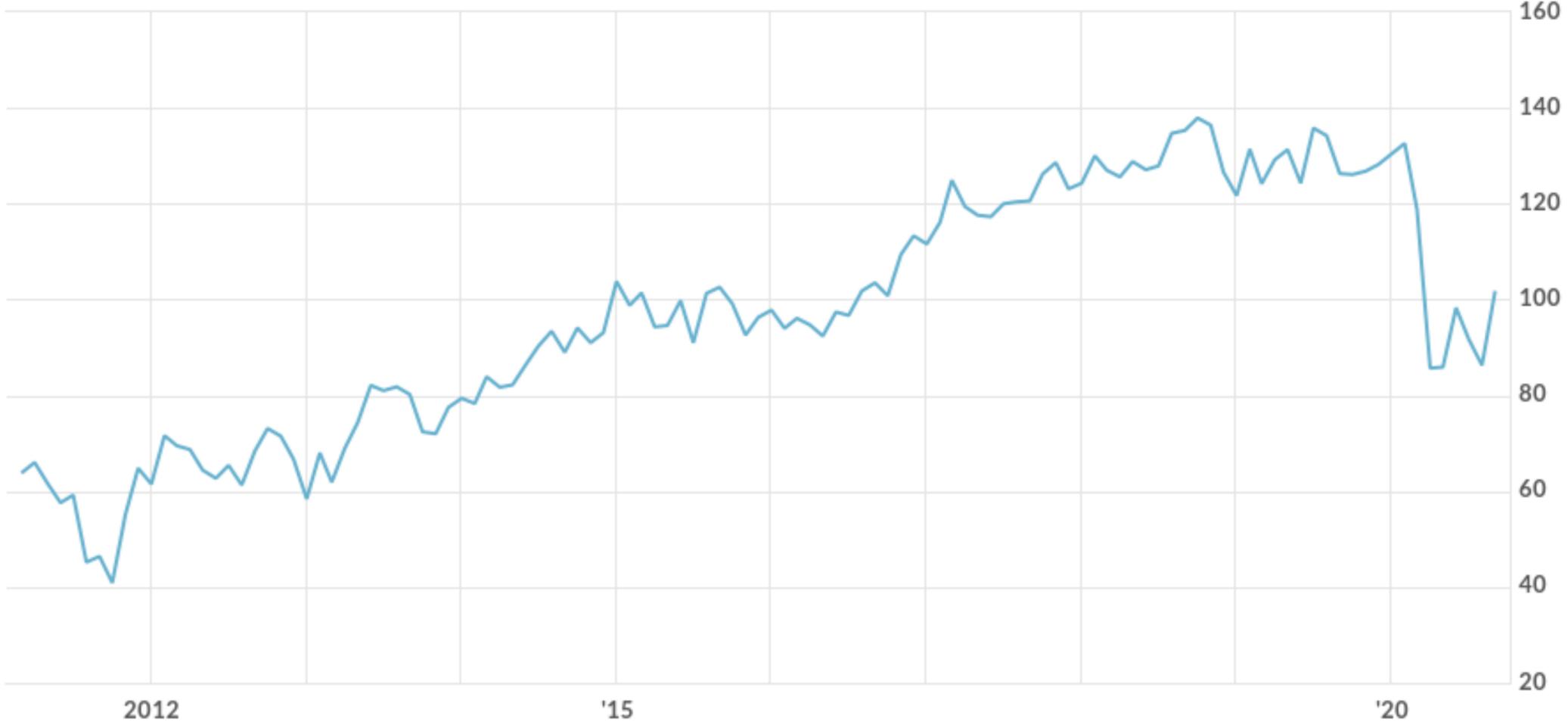
Gains have moderated since June



Consumer Confidence Building Back 101.8 in September

Consumer confidence surges in September

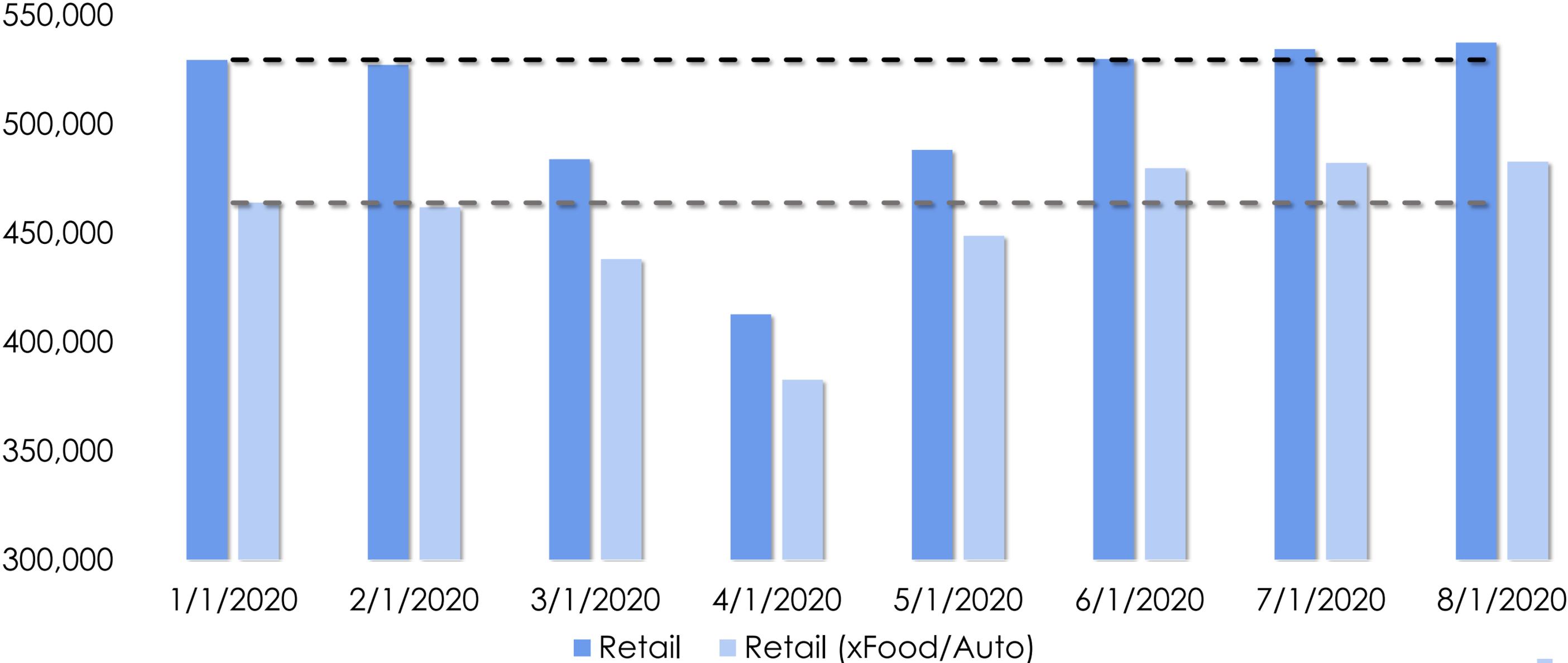
Index of consumer confidence rises to highest level since pandemic began



Source: Conference Board

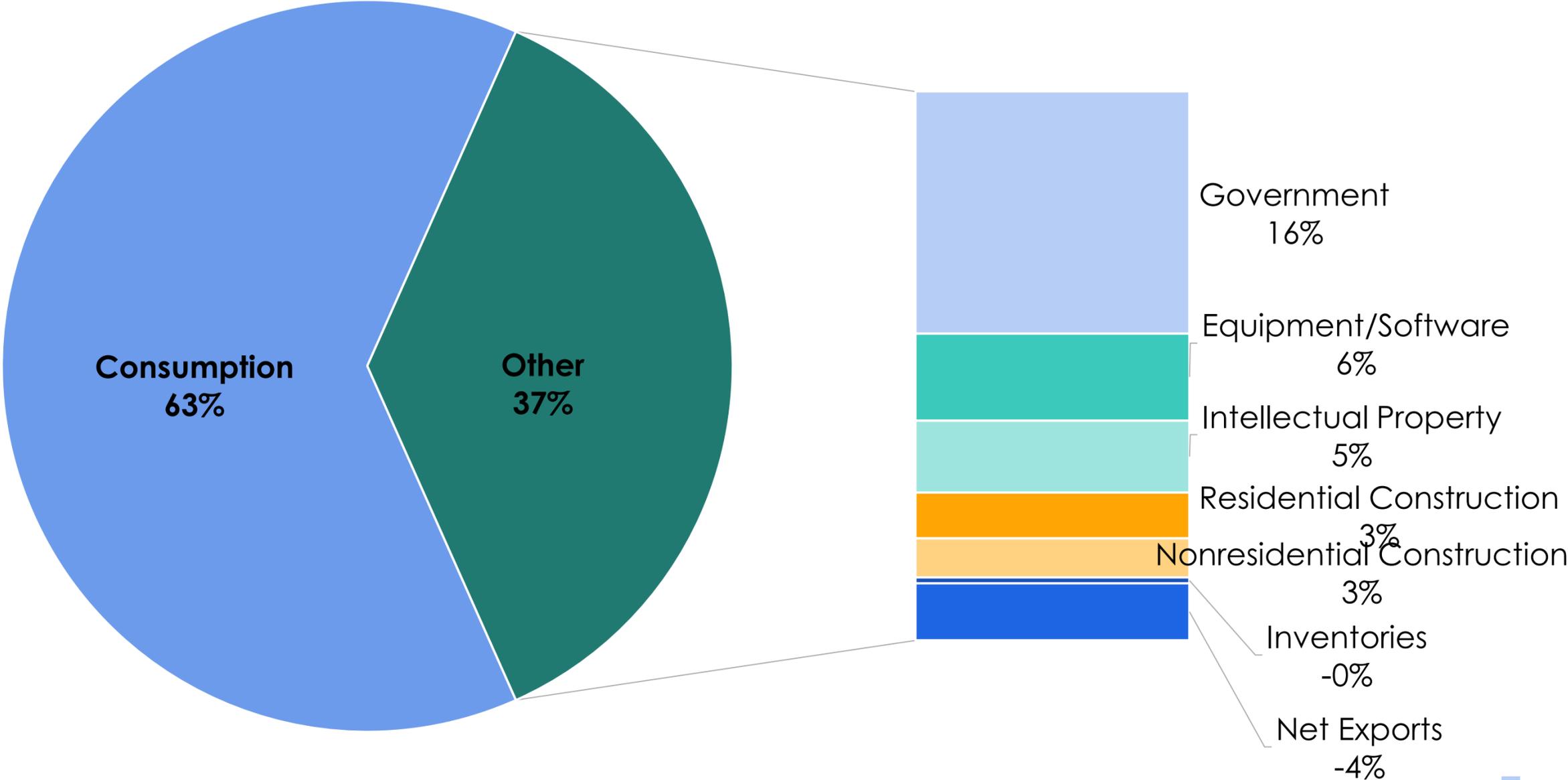
Consumers spending hits all-time highs in August

U.S. Retail Sales



Why consumer spending matters so much

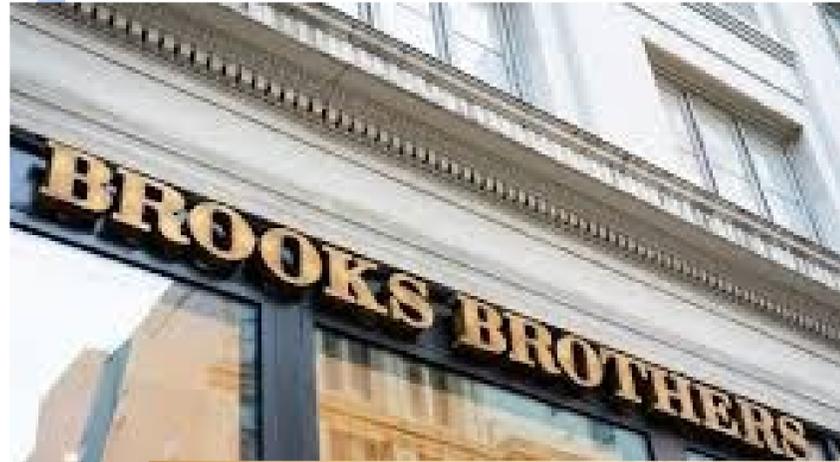
U.S. Real GDP by Component



Pandemic Winners



Retail Apocalypse



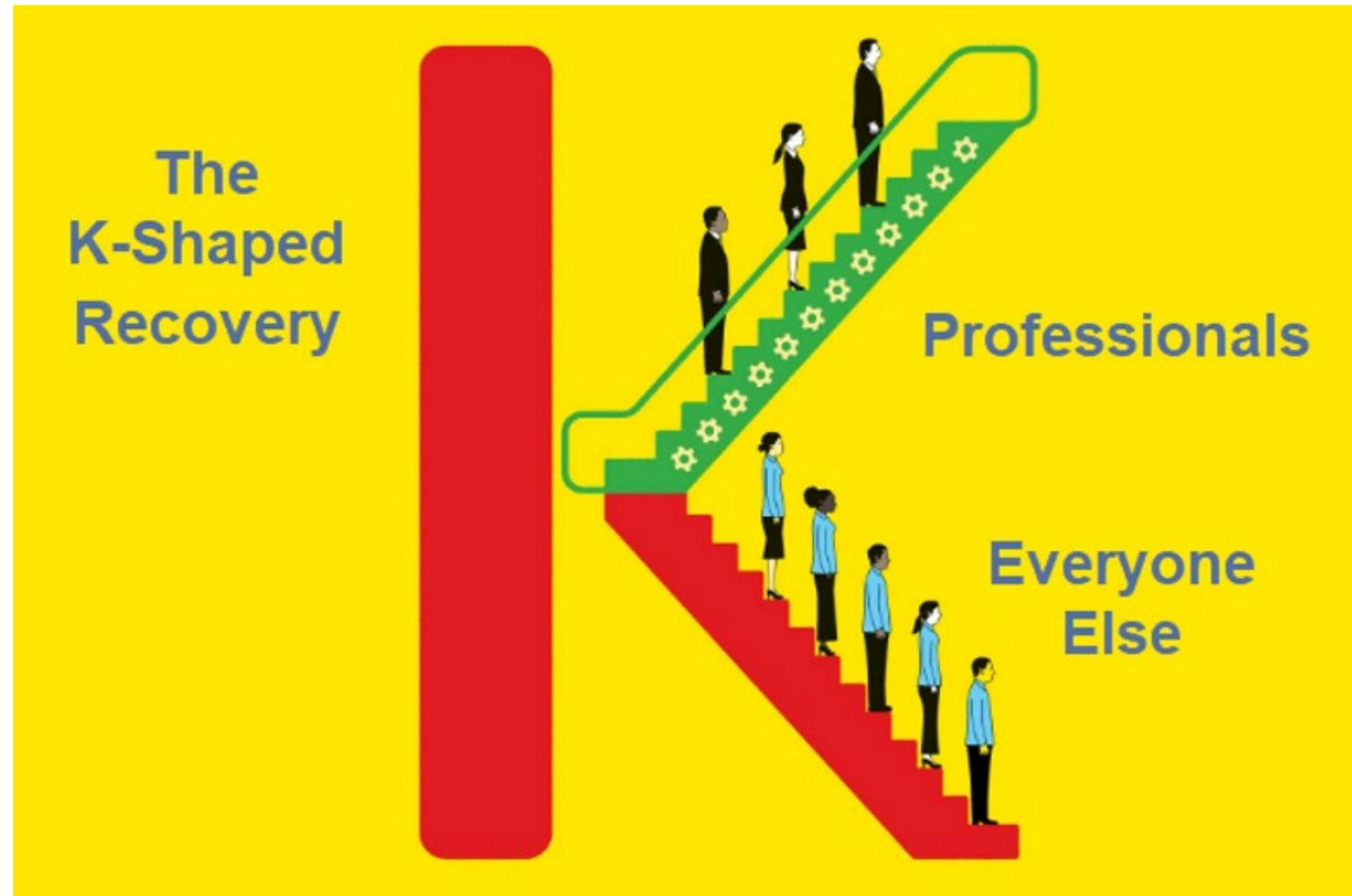
Commercial Office Space



Multifamily

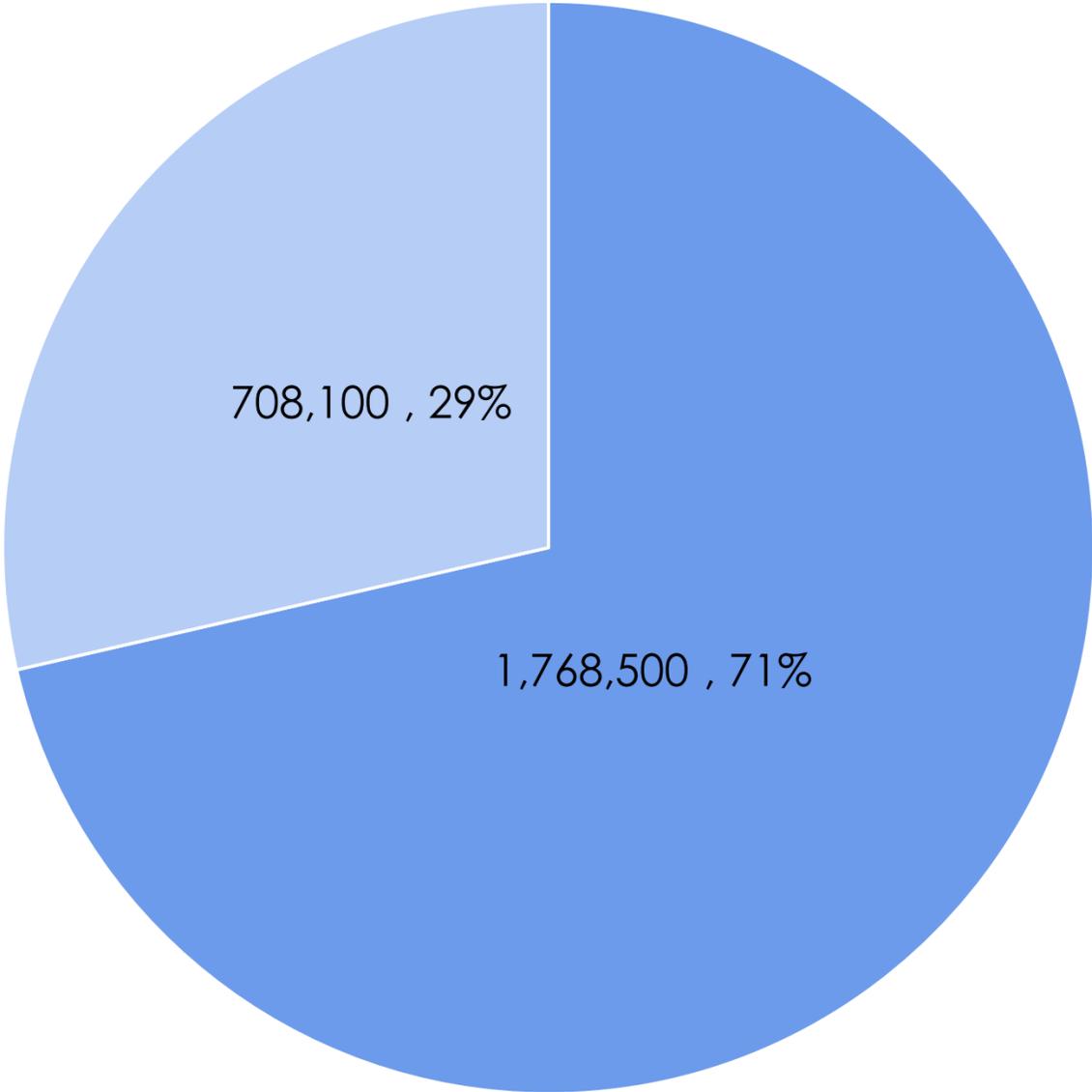


The K-Shaped Recovery



Job losses concentrated in lower-wage industries

California Job Losses by Wage Category

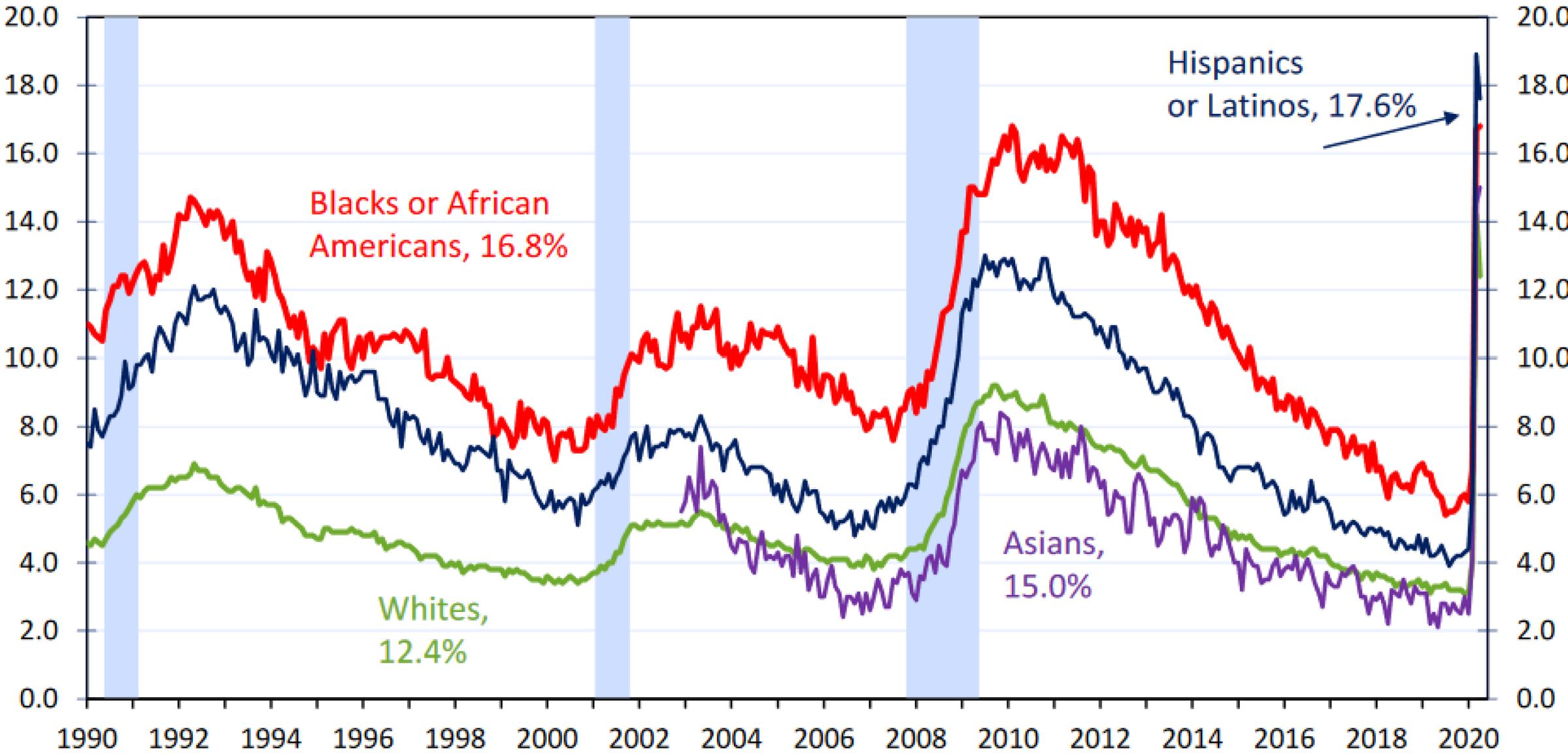


■ Under \$1,100/week ■ Over \$1,100/week

Industry	Avg. Weekly Wage	Jobs Lost (Feb.-Apr.)
Total Nonfarm	\$ 1,368	2,625,500
Accom./Food Svcs.	\$ 513	825,700
Health Care	\$ 1,030	285,700
Retail	\$ 733	279,400
Other Svcs.	\$ 813	172,700
Admin. Support	\$ 924	161,800
Arts/Entertainment	\$ 1,190	156,700
Construction	\$ 1,410	150,000
Manufacturing	\$ 1,889	133,800
Prof./Sci./Tech. Svcs.	\$ 2,459	84,400
Information	\$ 3,678	78,700
Wholesale	\$ 1,557	66,200
Education	\$ 1,082	42,200
Real Estate	\$ 1,403	23,400
Management	\$ 2,604	13,400
Finance/Insurance	\$ 2,599	1,500
NR/Mining	\$ 774	1,000

Disparate Impact: Unemployment rates by ethnicity (U.S.)

Percent



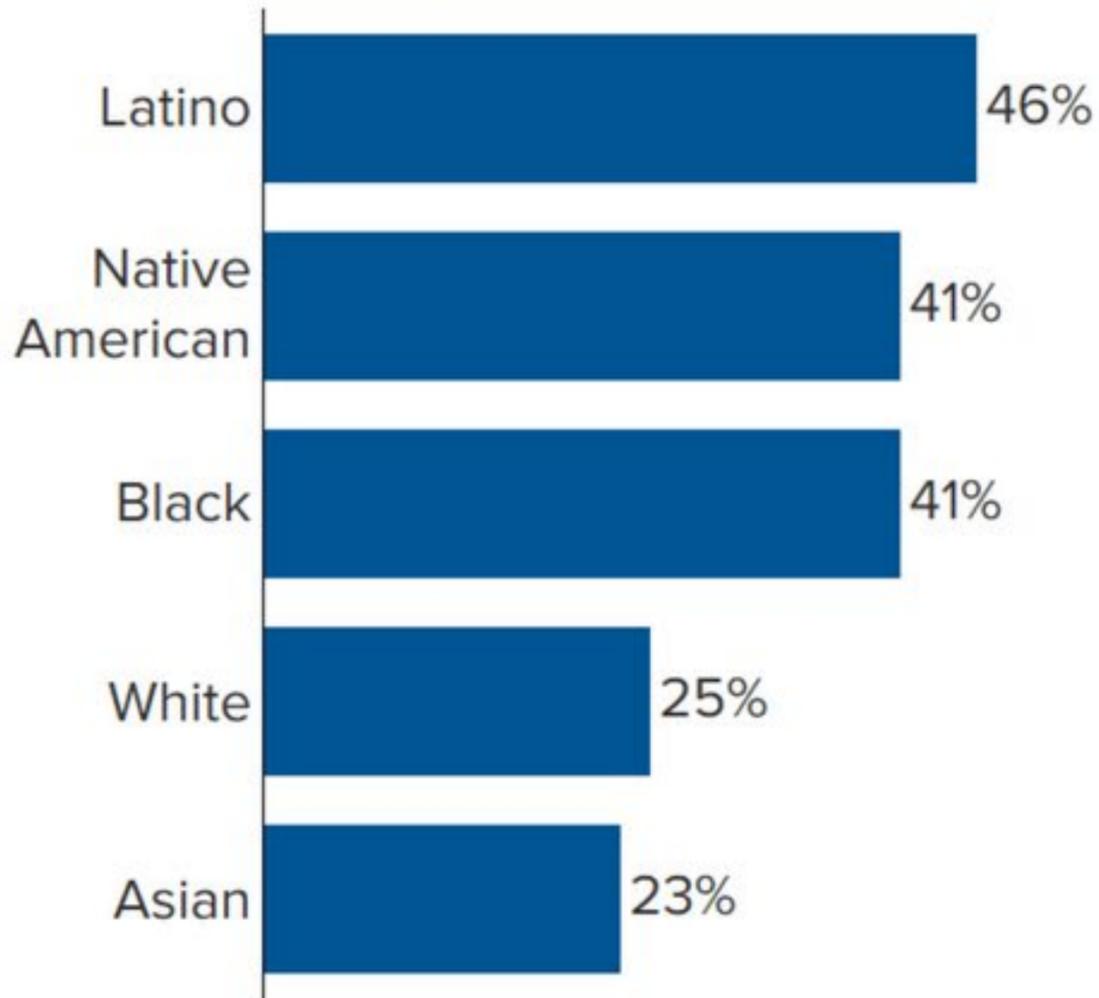
Updated with May 2020 data

SERIES: Unemployment rates by race and Hispanic or Latino ethnicity (seasonally adjusted 1990-2020)

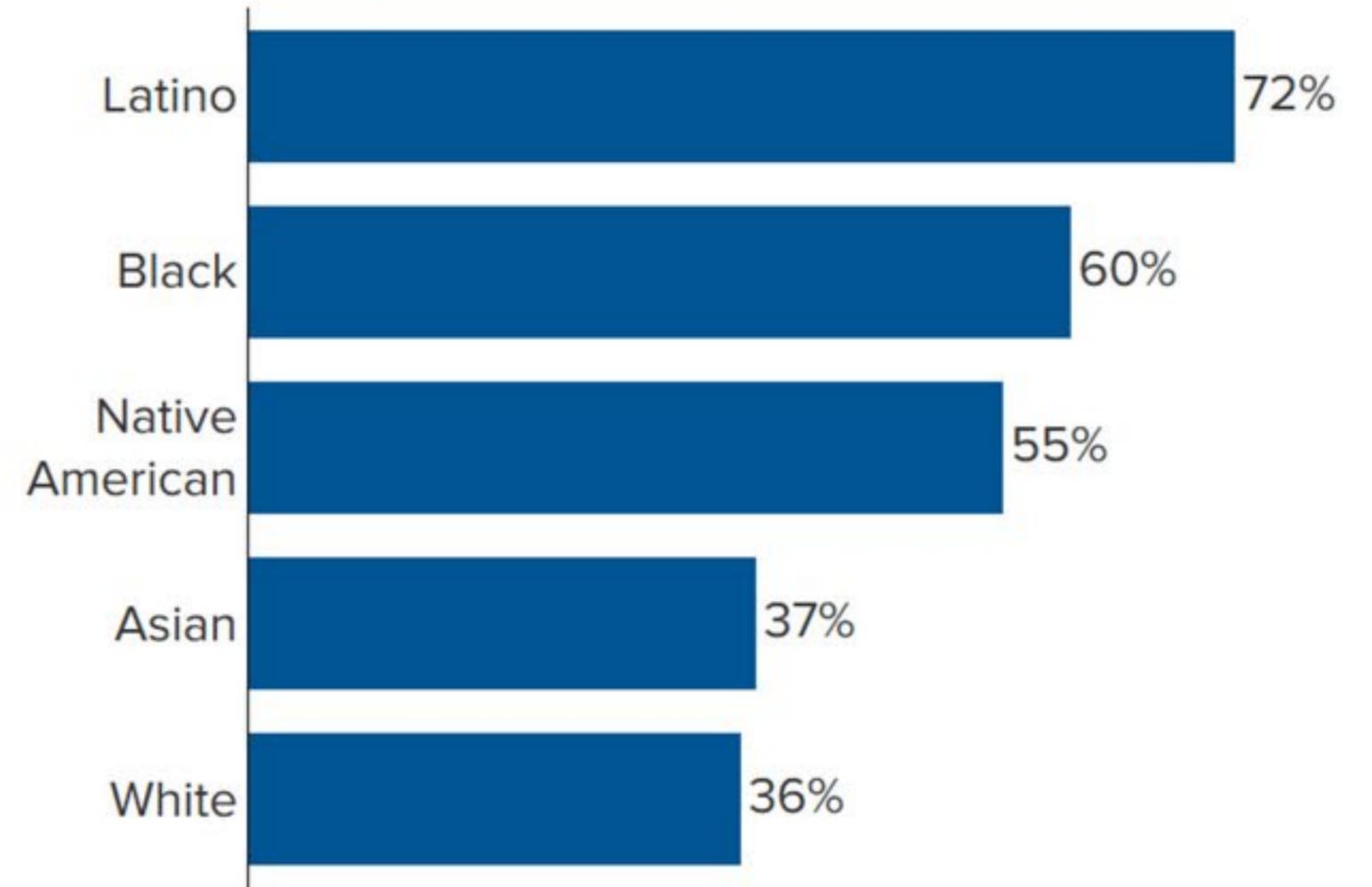
SOURCE: U.S. Bureau of Labor Statistics/Current Population Survey

Financial Hardship Greatest for Latinos, Blacks, Native Americans

Share of individuals/household members who have used up all or most of their savings since the start of the pandemic.



Share of people who have experienced serious financial problems since the start of the coronavirus outbreak.



Survey of 3,454 U.S. adults between July 1 and August 3



PRESIDENTIAL

2020

ELECTION



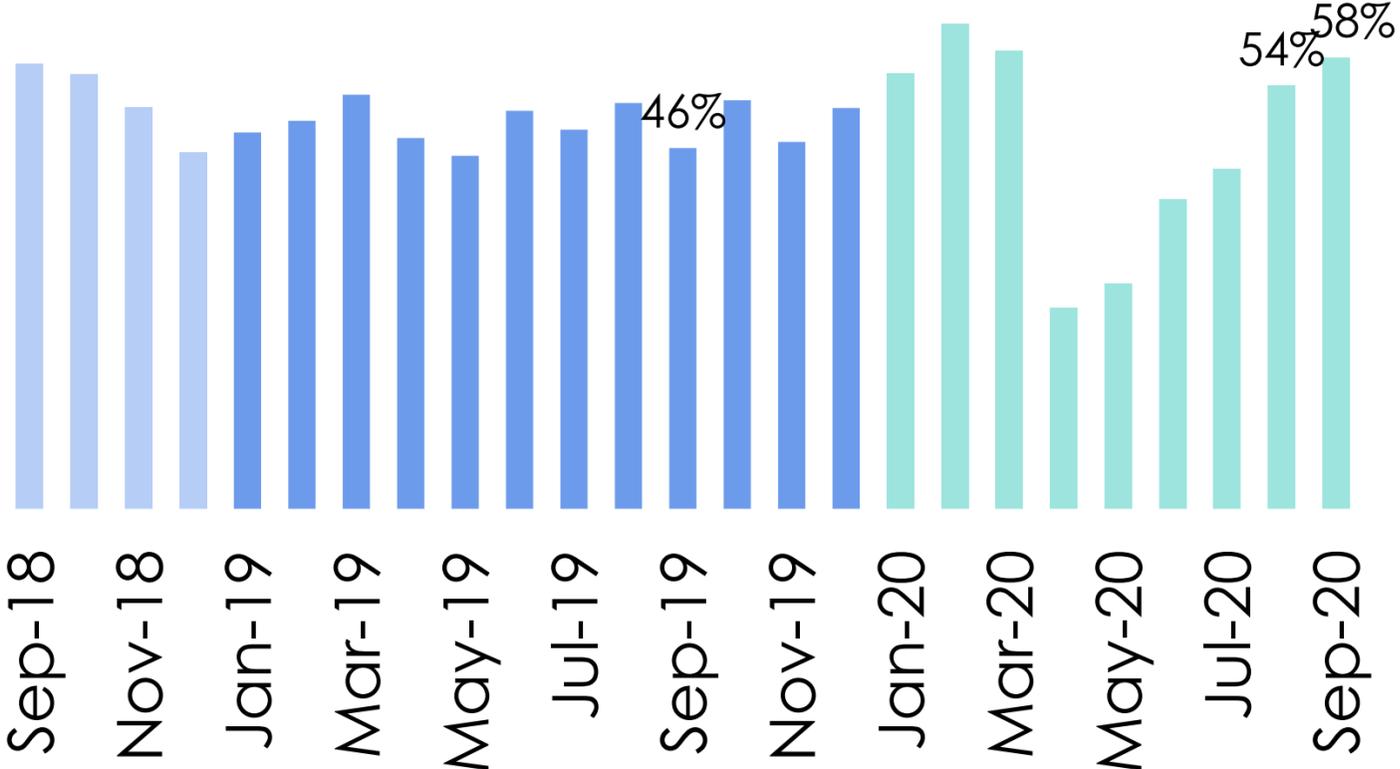
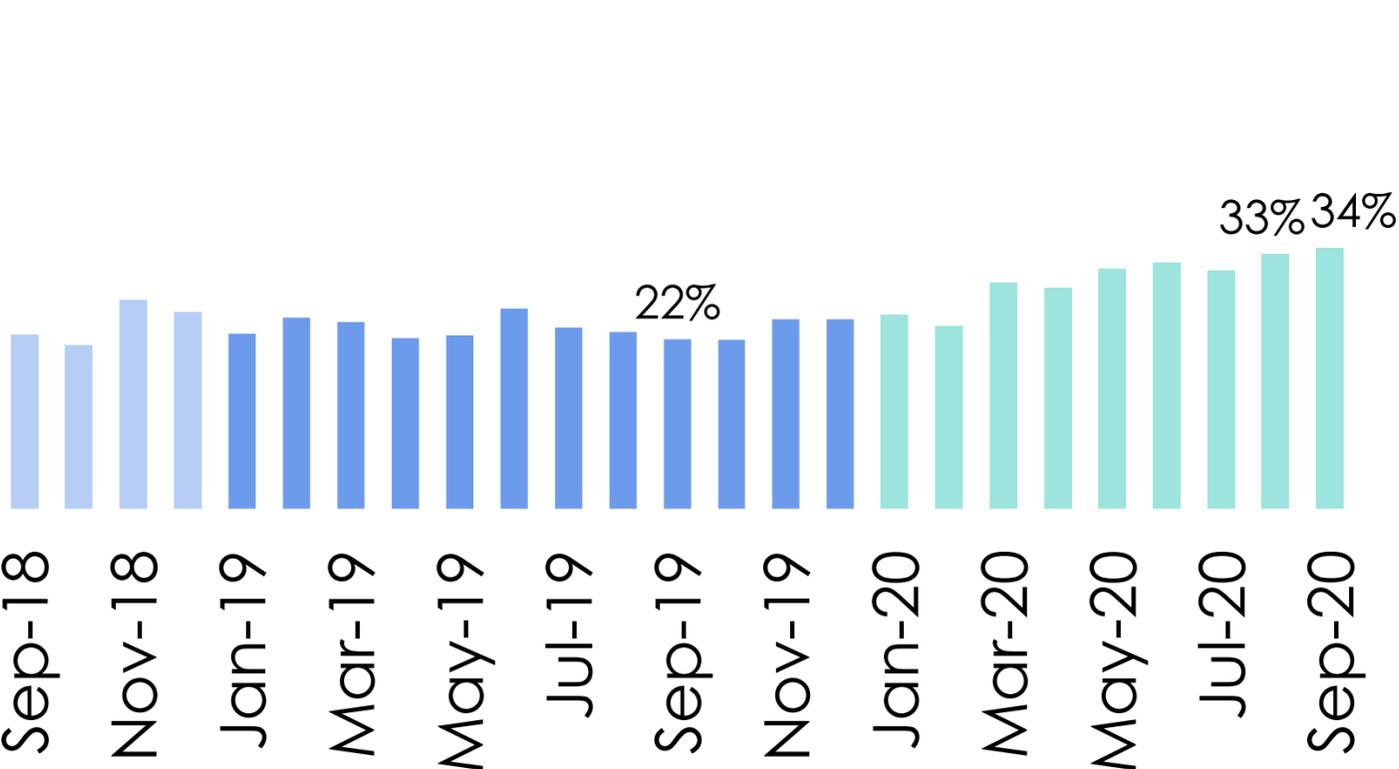


CA Housing Market

September 2020: Is it a good time to **buy** & sell?

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

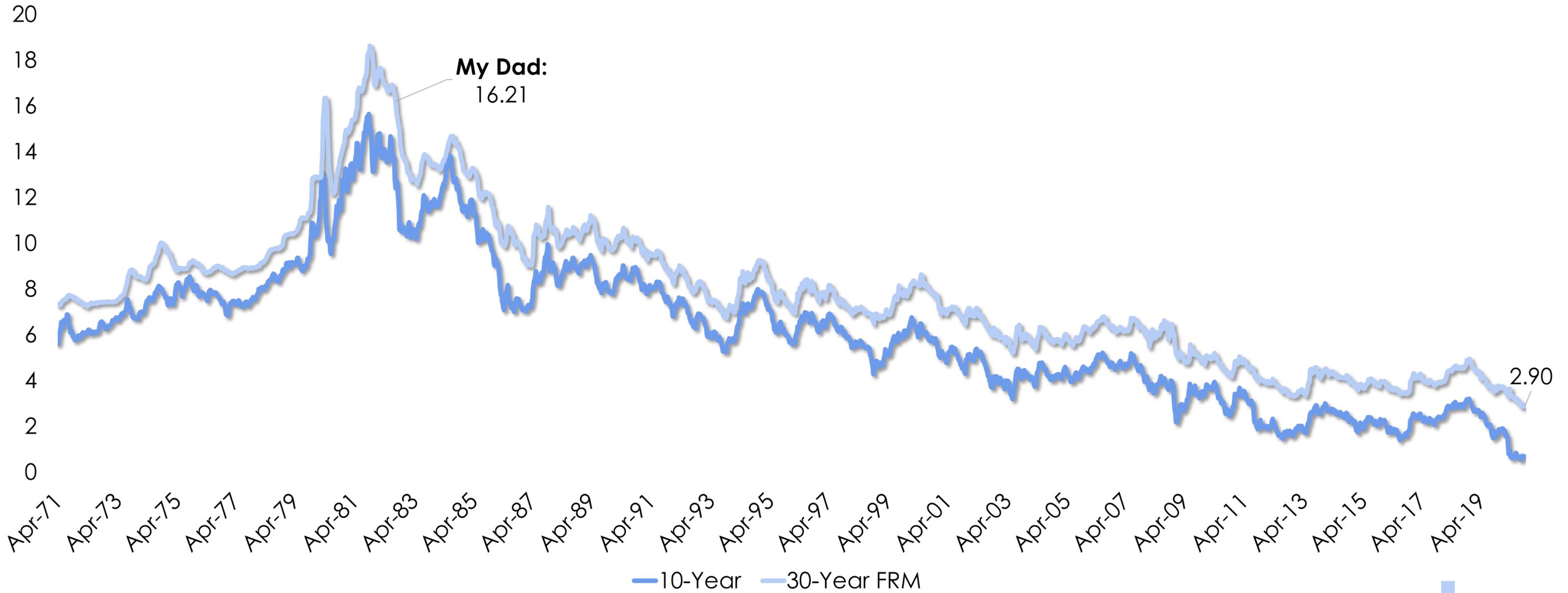
Do you think it's a good time to **sell** a home in California?



SERIES: Google Consumer Poll
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Interest rates have NEVER been lower

Selected Interest Rates

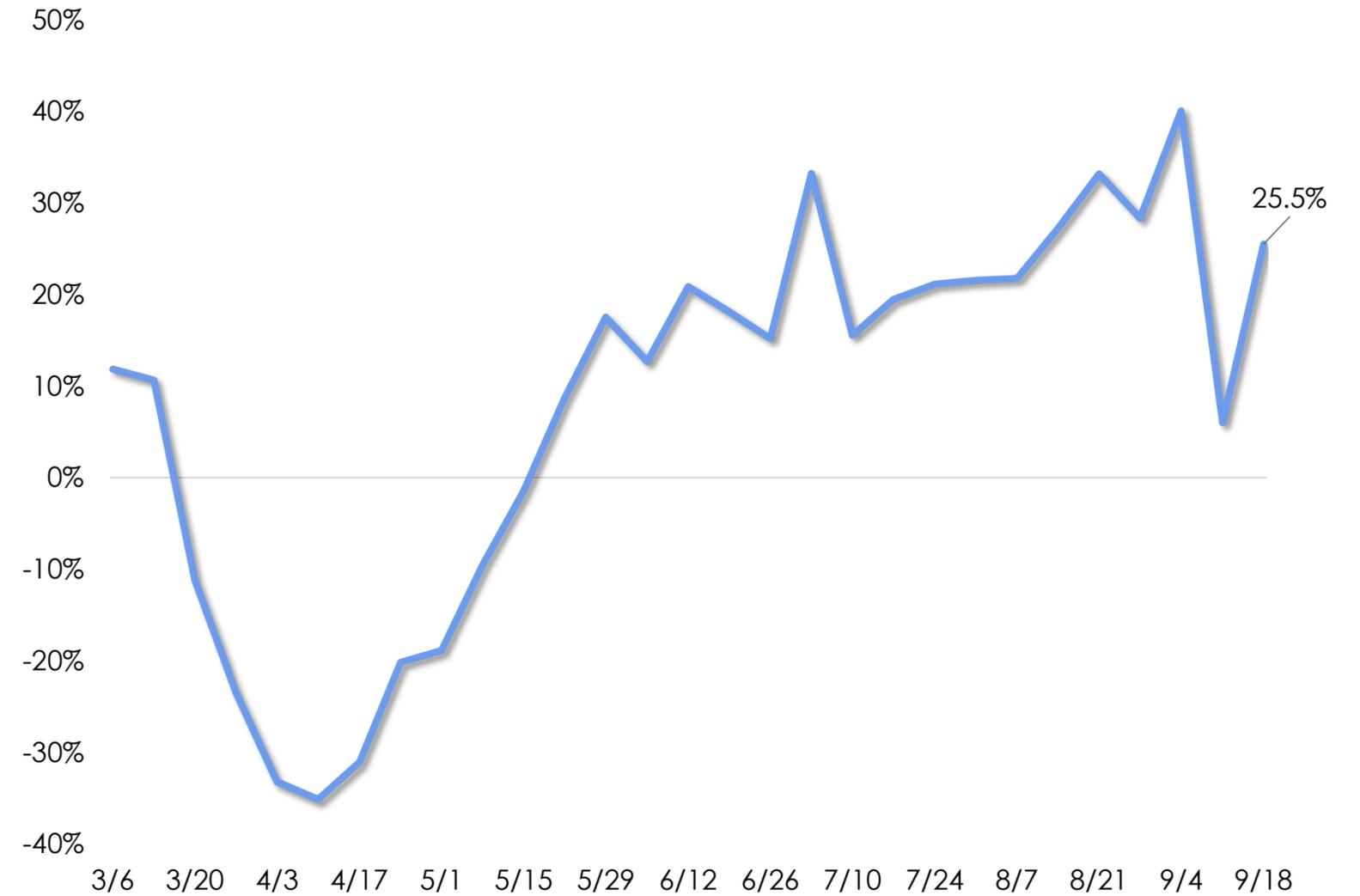


Buyers fueling strong demand for mortgages

Weekly Change in New Mortgage Purchase Applications

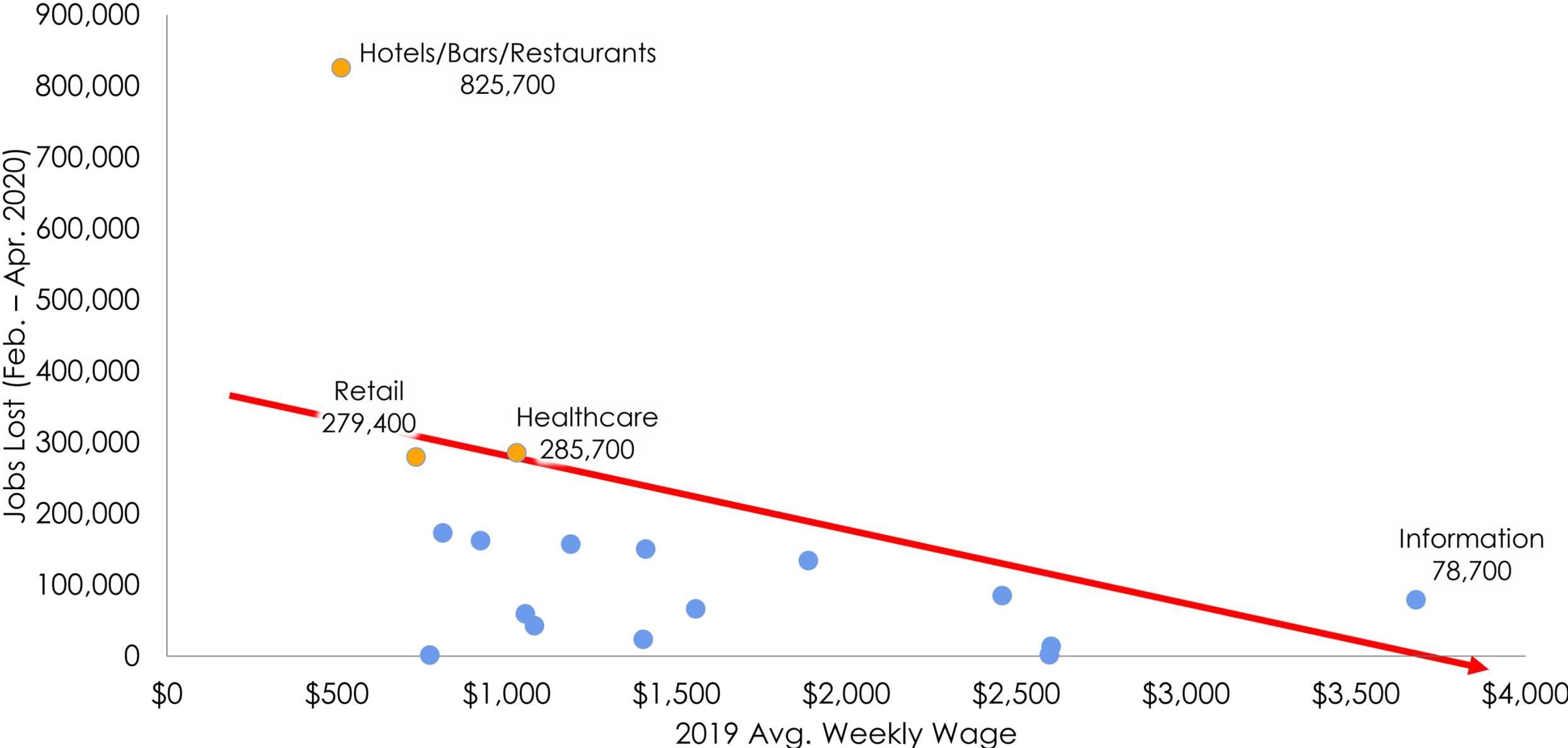


Year-to-Year Change in New Mortgage Purchase Applications



Job losses haven't hit potential homebuyers as hard

California Jobs Losses vs. 2019 Avg. Weekly Wage by Industry



CA May Market Snapshot

Sales down sharply, Median price down, Supply up

May 2020

-41.4% YTY
-12.9% YTD

Existing Home Sales
% change



Price

\$588,070
-3.7% Y2Y



Unsold
Inventory Index

4.3 months
34.4% Y2Y



Median Days
on Market

17 days
-5.6% Y2Y



Sales Price to
List Price Ratio

99.7%
0.4% Y2Y

CA August Market Snapshot: Sales up, Prices up, Supply down

August 2020

+14.6% YTY
-6.8% YTD

Existing Home Sales
% change



Price

\$706,900
+14.5% Y2Y



Unsold
Inventory Index

2.1 months
-34.4% Y2Y



Median Days
on Market

13 days
-43.5% Y2Y

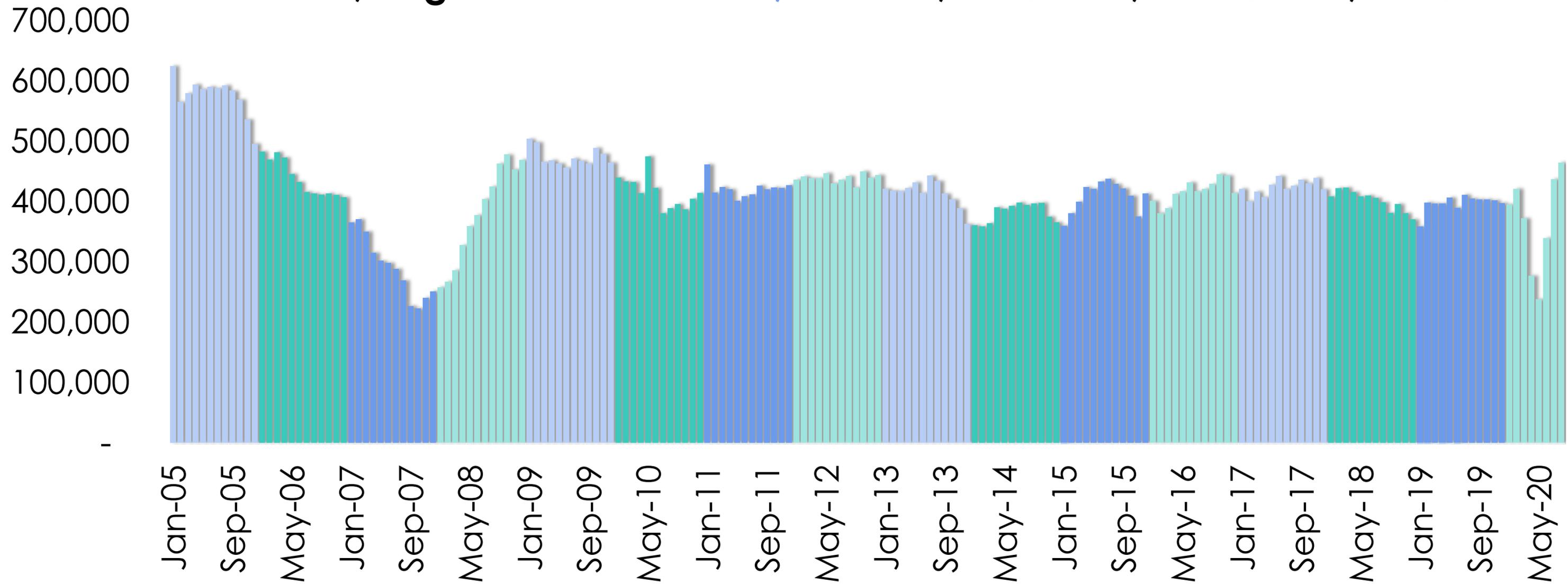


Sales Price to
List Price Ratio

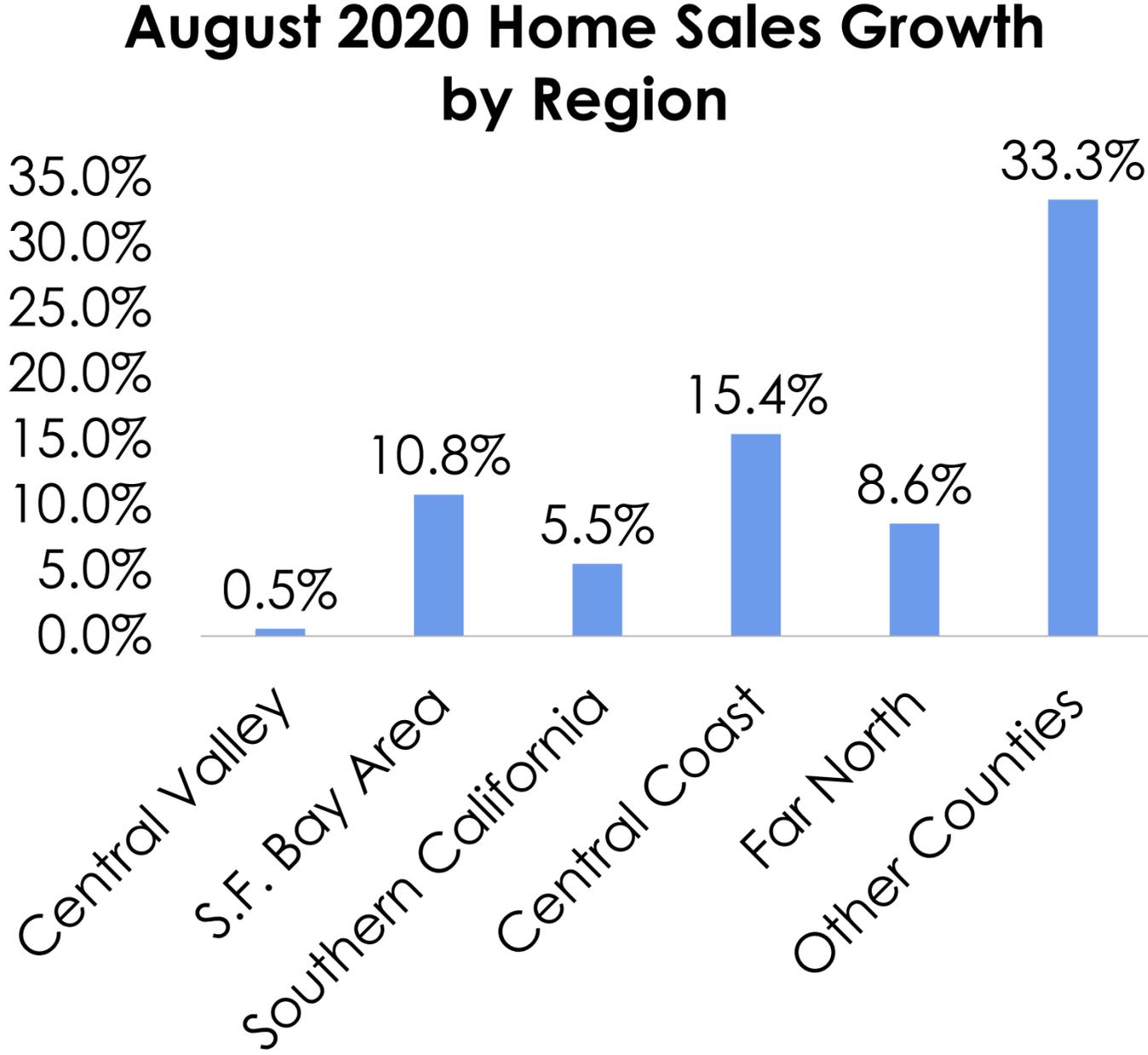
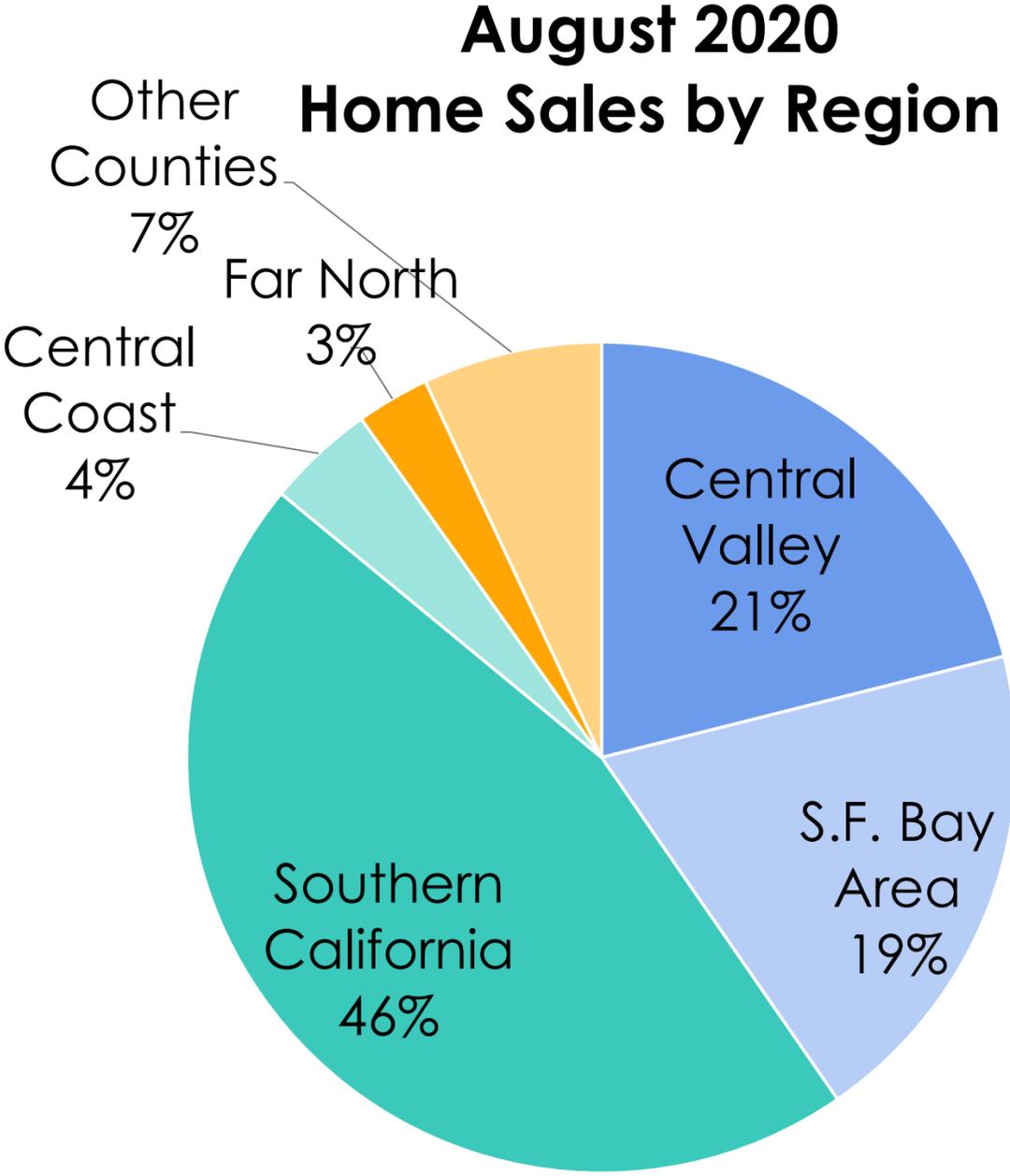
100.0%
+1.3% Y2Y

Sales momentum continues – highest in over 10 years.

California, August 2020 Sales: 465,400 Units, -6.8% YTD, +14.6% YTY, +6.3% MTM



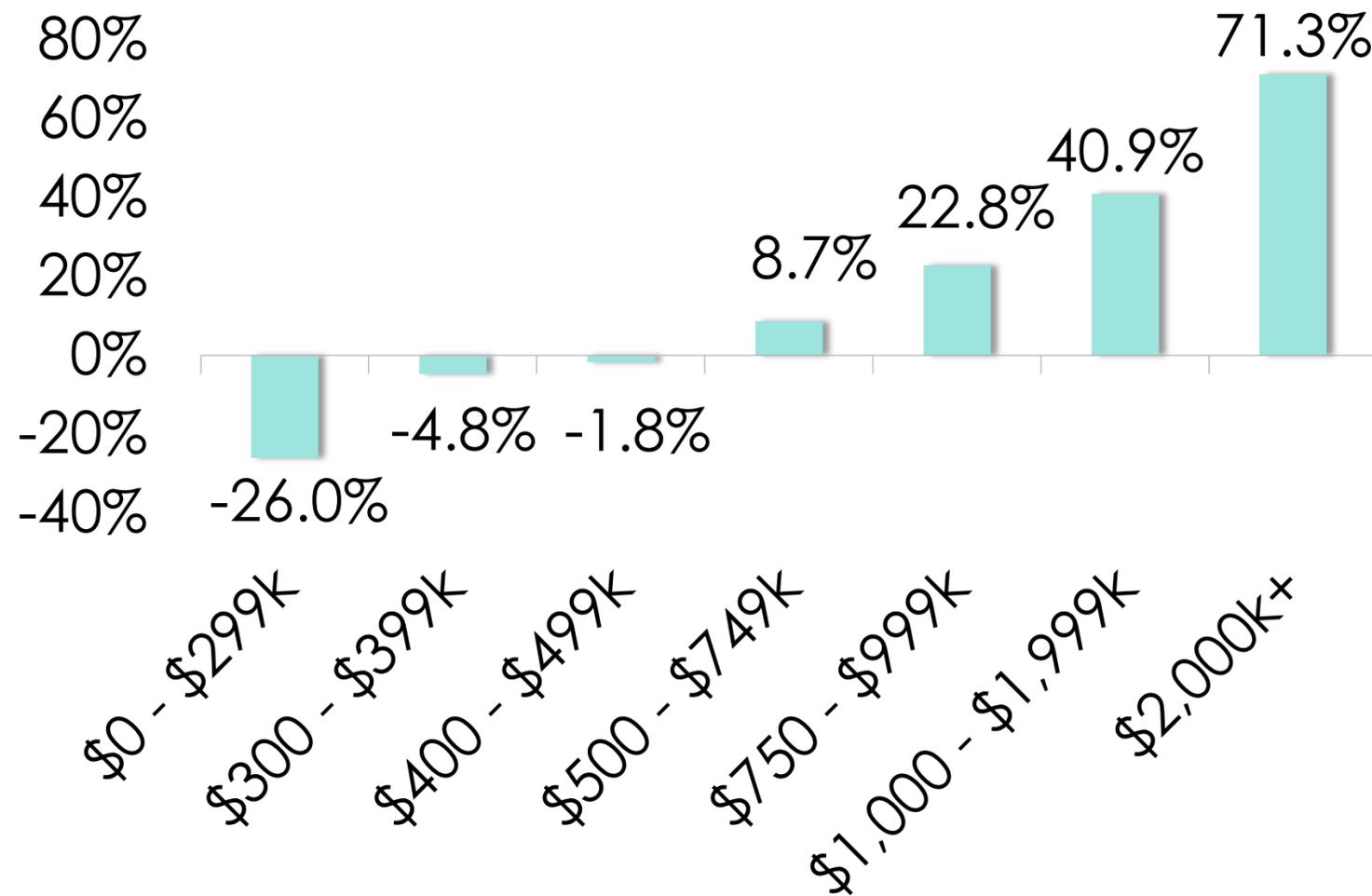
Sales by Region



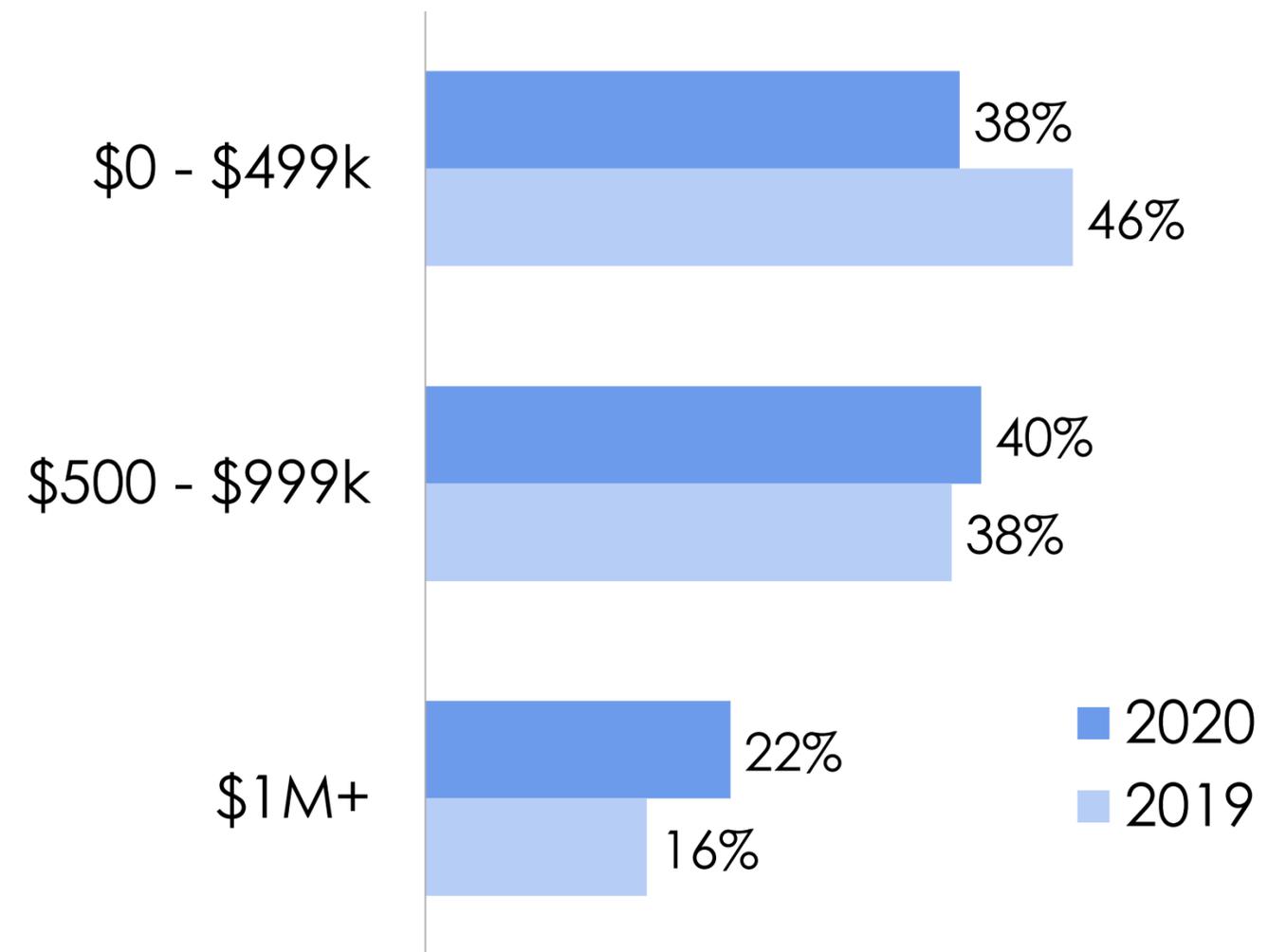
Low supply hampers sales of affordable homes

Strong sales gains from \$750K+

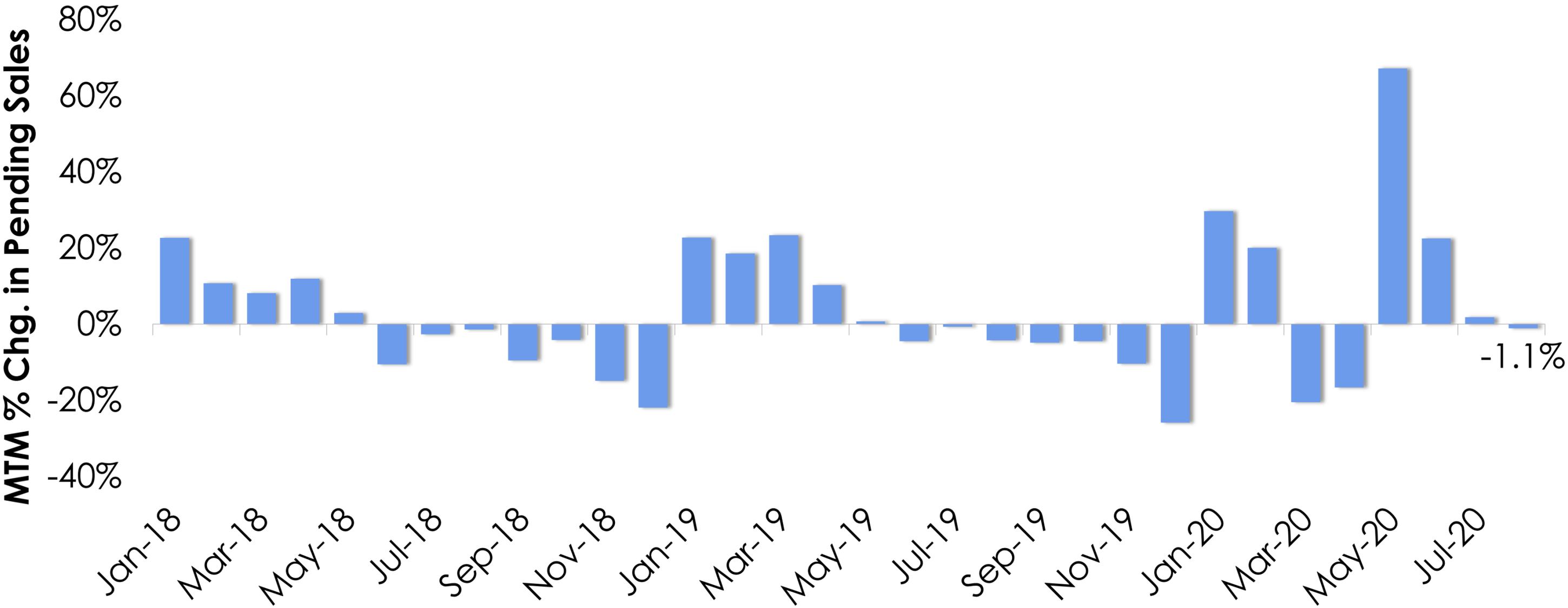
**August 2020
(YTY% Chg.)**



Share by Price Segment

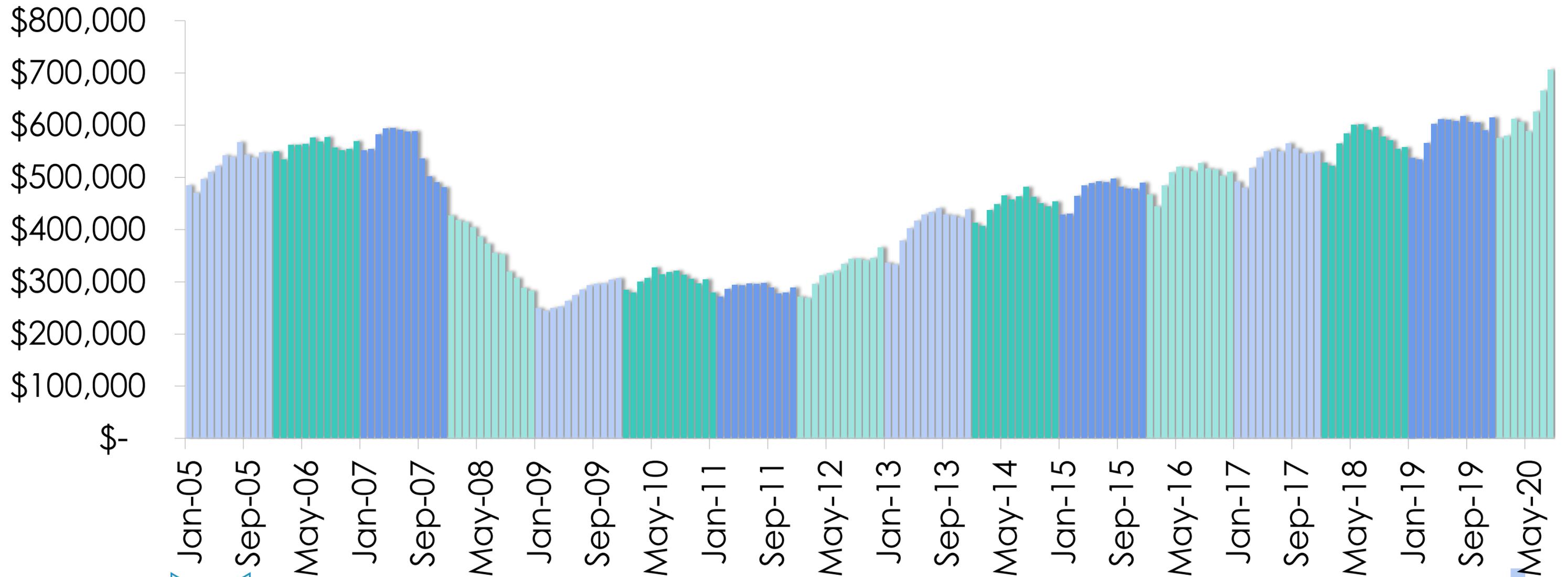


What lies ahead: Pending sales slowing



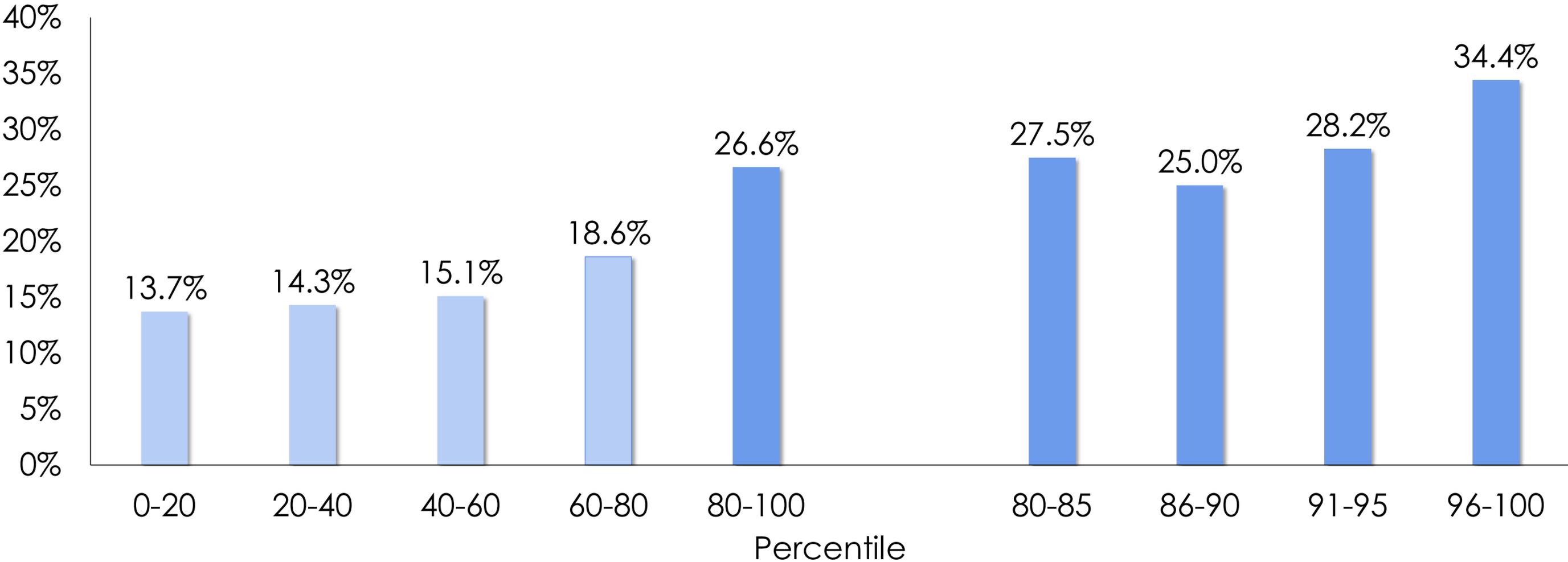
\$706,900 -- CA median price reaches all-time high

August 2020: **\$706,900**, +6.1% MTM, +14.5% YTY

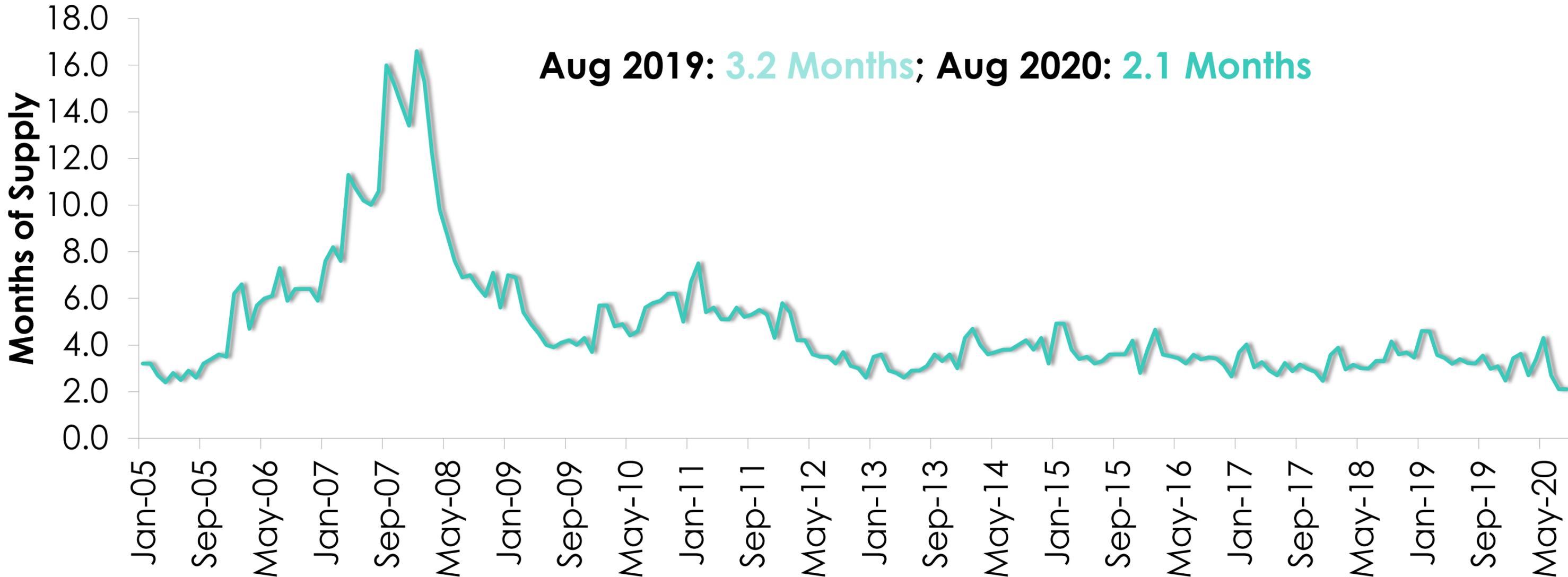


Price growth up by double digits in all percentiles; strongest gain in the top end

Year-over-Year Price Growth

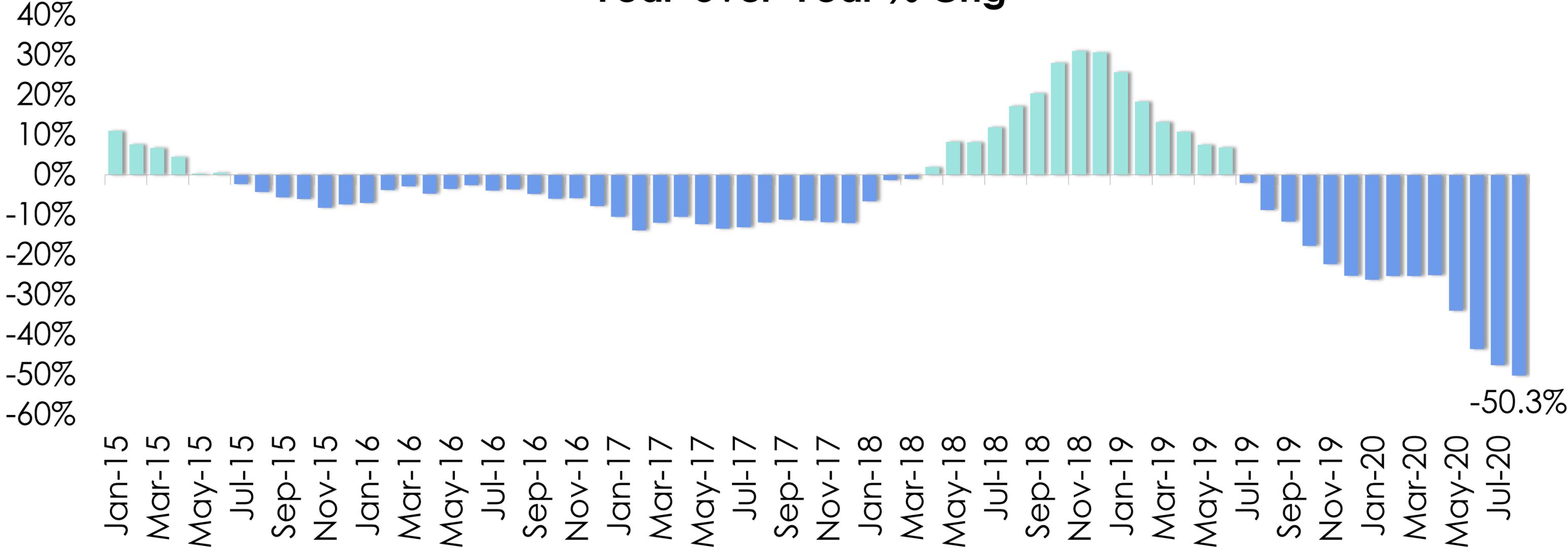


Inventory down as sales improved and fewer new listings being added



Active listings plunged as pent up demand remained robust

Year-over-Year % Chg





Big
Cities



monthly
market
report
August
2020

San Diego, California

Median Price



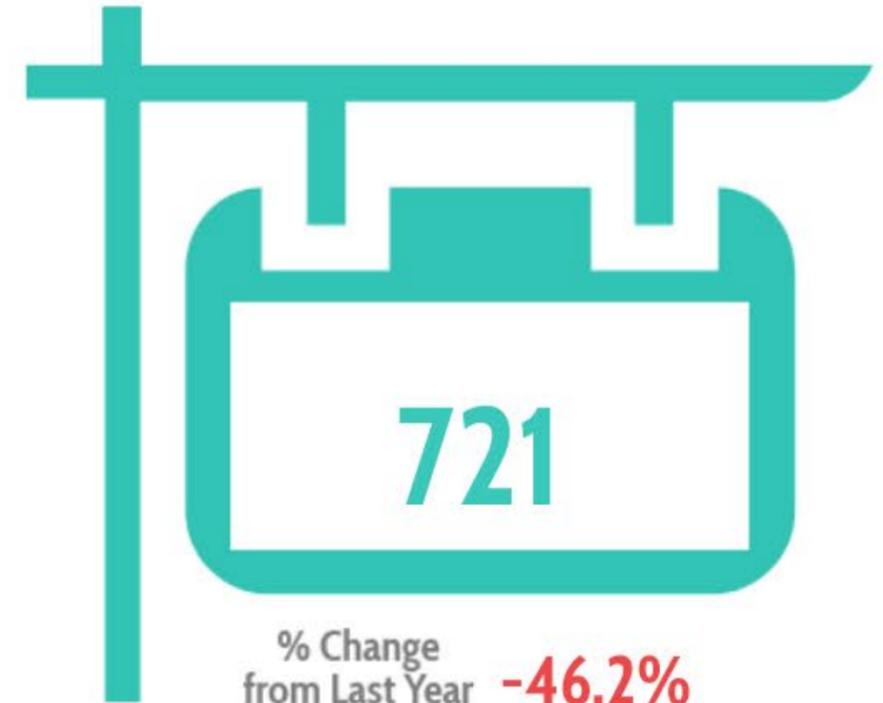
% Change
from Last Year **+11.6%**

Home Sales



% Change
from Last Year **+10.4%**

Active Listings



% Change
from Last Year **-46.2%**

Market Competition

Median
Days on
Market

7

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

23.3%

monthly
market
report
August
2020

Los Angeles, California

Median Price



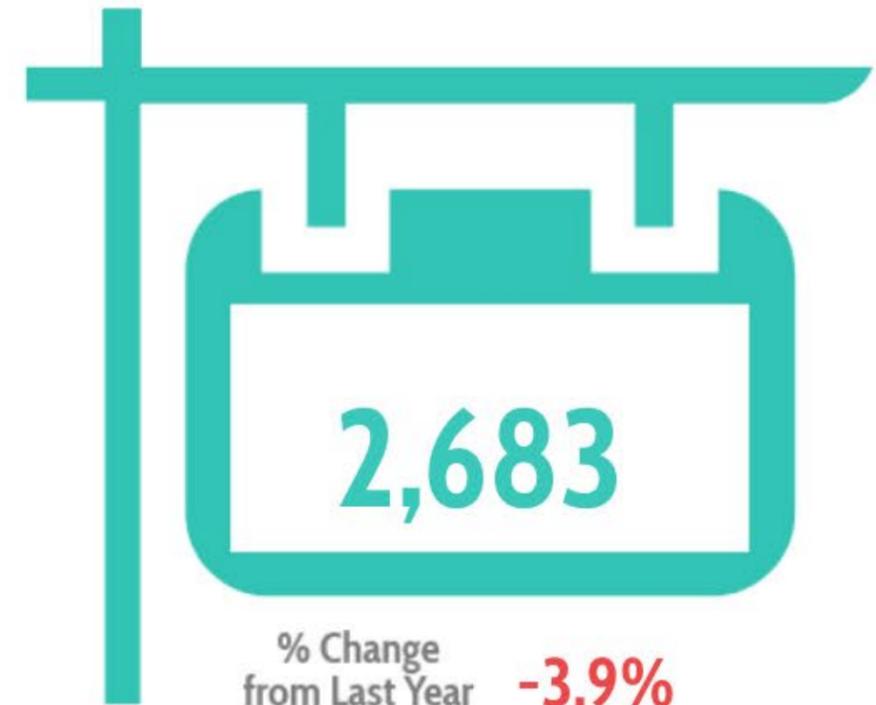
% Change
from Last Year **+19.2%**

Home Sales



% Change
from Last Year **-4.2%**

Active Listings



% Change
from Last Year **-3.9%**

Market Competition

Median
Days on
Market

14

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

23.8%

monthly
market
report
August
2020

Bakersfield, California

Median Price



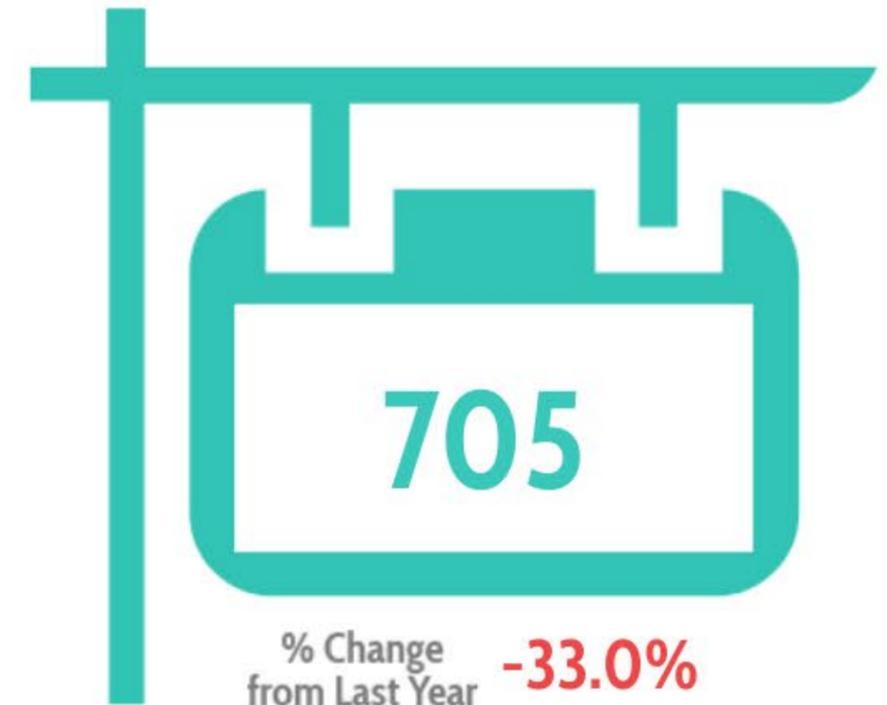
% Change
from Last Year **+12.9%**

Home Sales



% Change
from Last Year **-15.0%**

Active Listings



% Change
from Last Year **-33.0%**

Market Competition

Median
Days on
Market

10

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

23.7%

monthly
market
report
August
2020

San Jose, California

Median Price



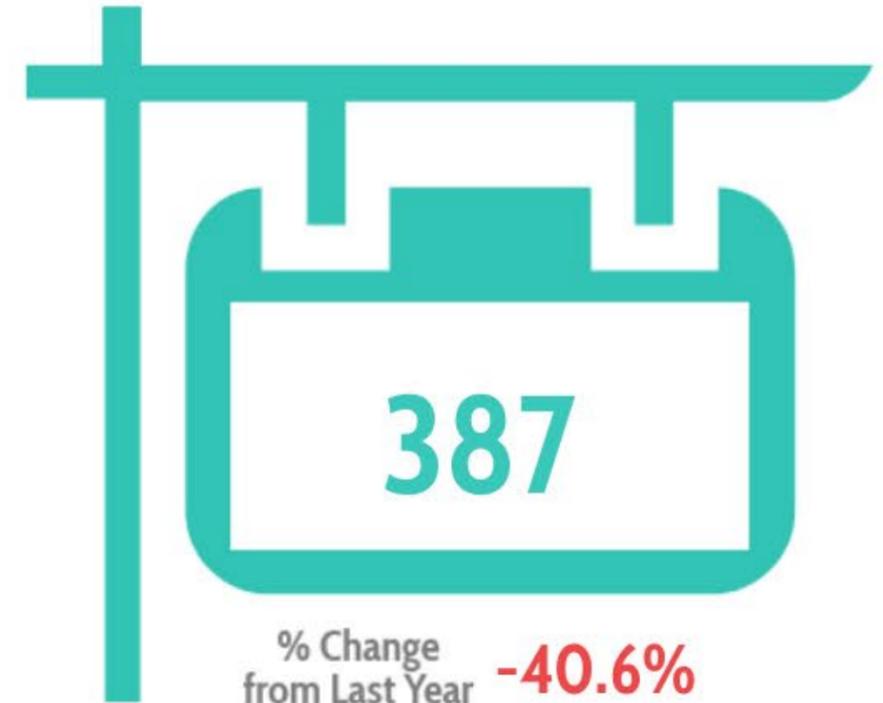
% Change
from Last Year **+18.9%**

Home Sales



% Change
from Last Year **-5.3%**

Active Listings



% Change
from Last Year **-40.6%**

Market Competition

Median
Days on
Market

9

Sales to
List Price %

101.9%

% of Active
Listings with
Reduced Prices

23.8%



The
Suburbs



monthly
market
report
August
2020

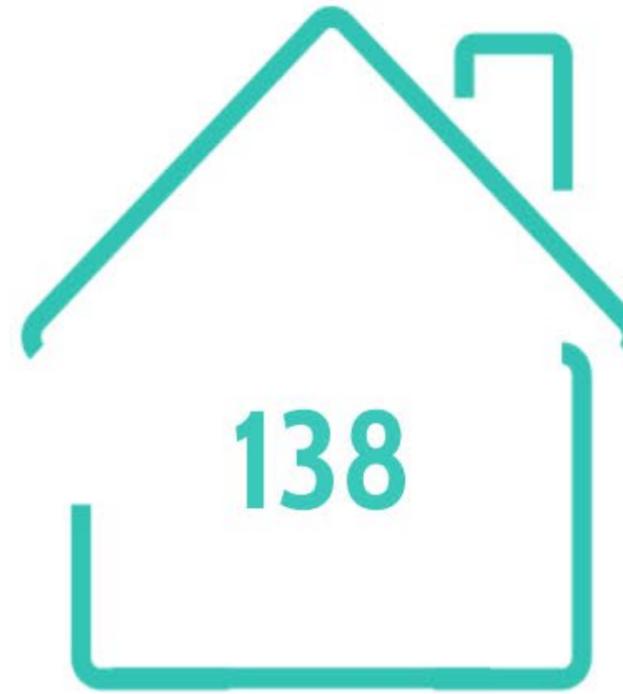
Chula Vista, California

Median Price



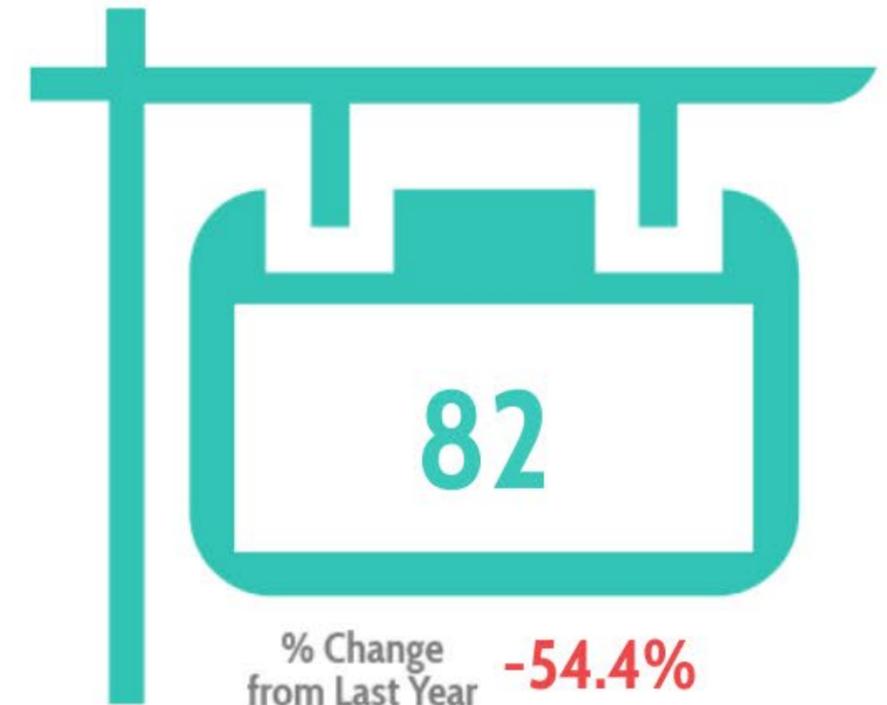
% Change
from Last Year **+11.4%**

Home Sales



% Change
from Last Year **+3.0%**

Active Listings



% Change
from Last Year **-54.4%**

Market Competition

Median
Days on
Market

6

Sales to
List Price %

100.7%

% of Active
Listings with
Reduced Prices

22.0%

monthly
market
report
August
2020

Thousand Oaks, California

Median Price



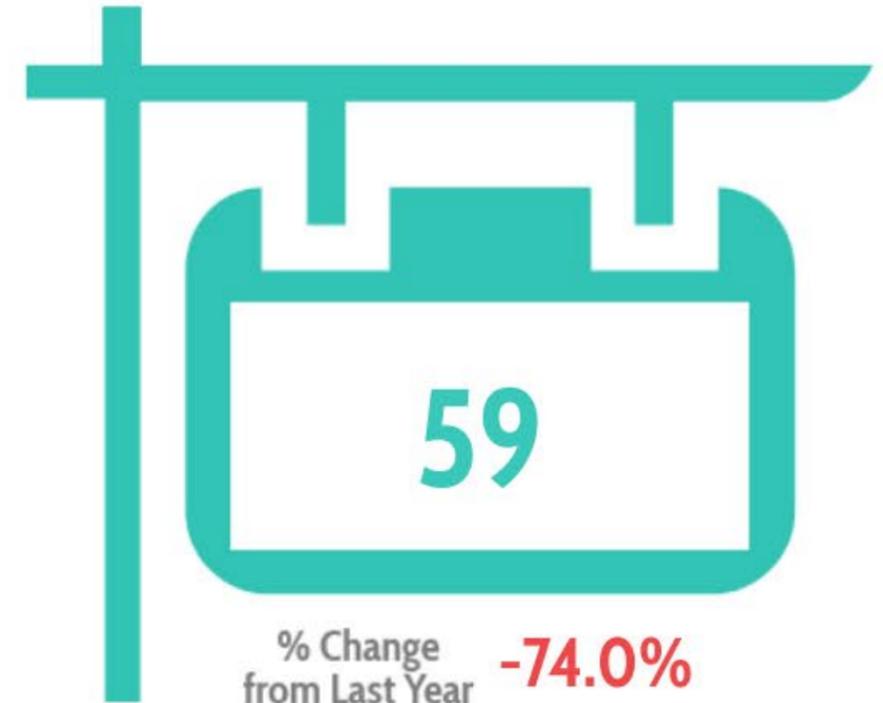
% Change
from Last Year **-5.8%**

Home Sales



% Change
from Last Year **+35.3%**

Active Listings



% Change
from Last Year **-74.0%**

Market Competition

Median
Days on
Market

45

Sales to
List Price %

99.4%

% of Active
Listings with
Reduced Prices

27.1%

monthly
market
report
August
2020

Pleasanton, California

Median Price



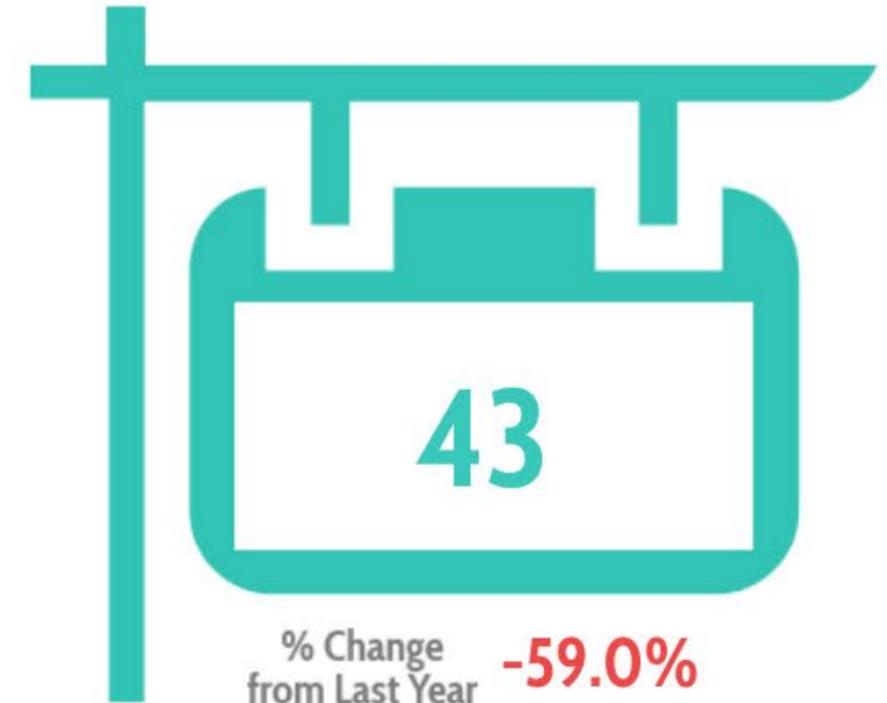
% Change
from Last Year **+2.6%**

Home Sales



% Change
from Last Year **+22.8%**

Active Listings



% Change
from Last Year **-59.0%**

Market Competition

Median
Days on
Market

14

Sales to
List Price %

100.9%

% of Active
Listings with
Reduced Prices

18.6%



The
Resorts



monthly
market
report
August
2020

La Quinta, California

Median Price



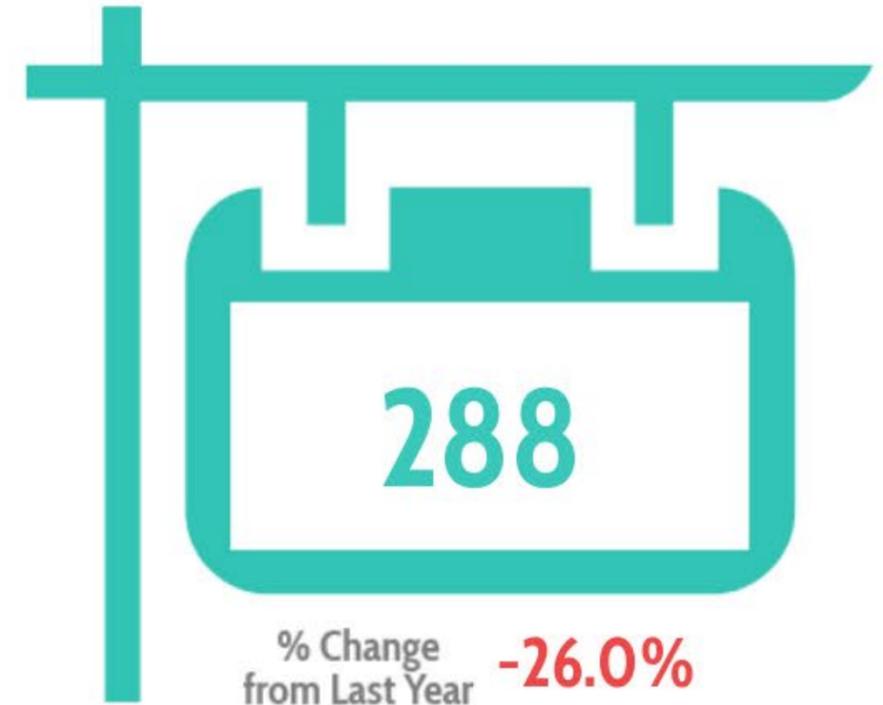
% Change
from Last Year **+43.9%**

Home Sales



% Change
from Last Year **+94.6%**

Active Listings



% Change
from Last Year **-26.0%**

Market Competition

Median
Days on
Market

62

Sales to
List Price %

97.7%

% of Active
Listings with
Reduced Prices

19.1%

monthly
market
report
August
2020

Lake Arrowhead, California

Median Price



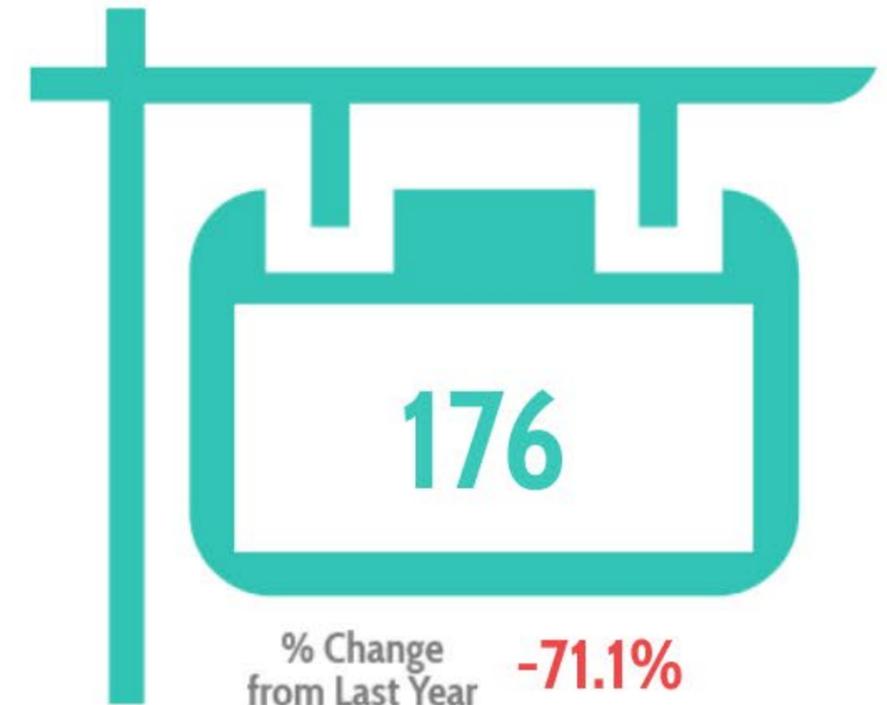
% Change
from Last Year **+16.5%**

Home Sales



% Change
from Last Year **+103.1%**

Active Listings



% Change
from Last Year **-71.1%**

Market Competition

Median
Days on
Market

48

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

30.1%

monthly
market
report
August
2020

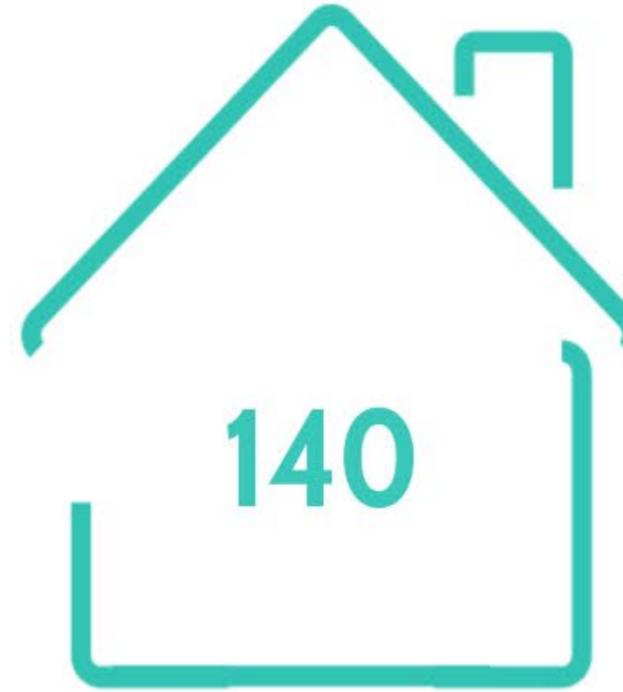
South Lake Tahoe, California

Median Price



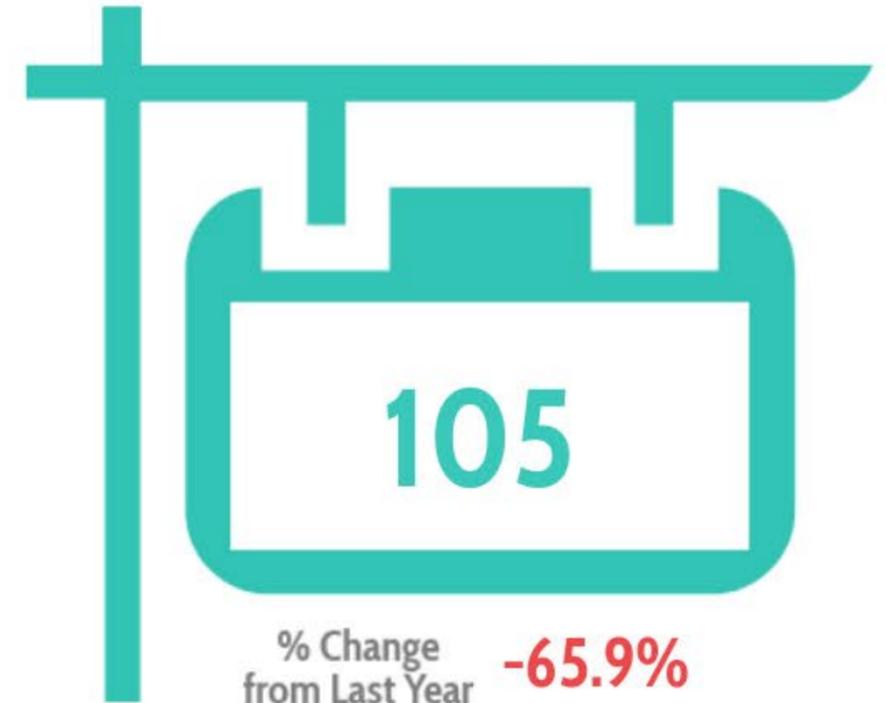
% Change
from Last Year **+20.5%**

Home Sales



% Change
from Last Year **+125.8%**

Active Listings



% Change
from Last Year **-65.9%**

Market Competition

Median
Days on
Market

56

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

15.2%



The
High-End



monthly
market
report
August
2020

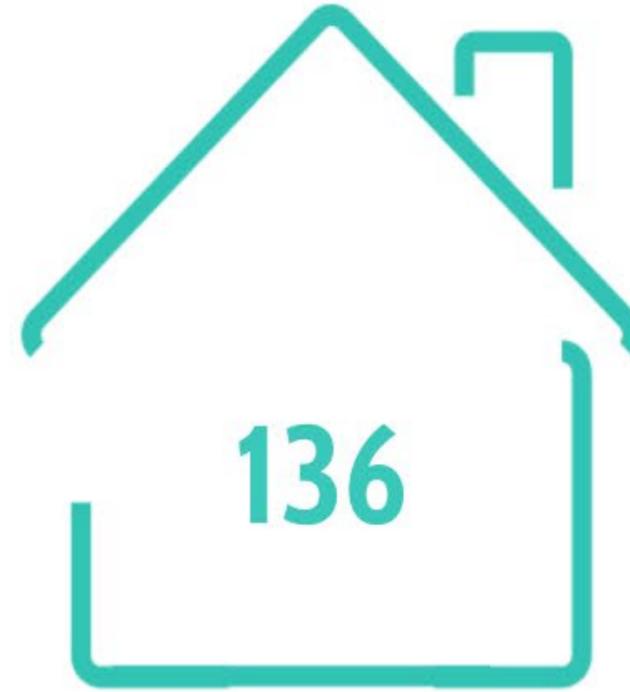
Newport Beach, California

Median Price



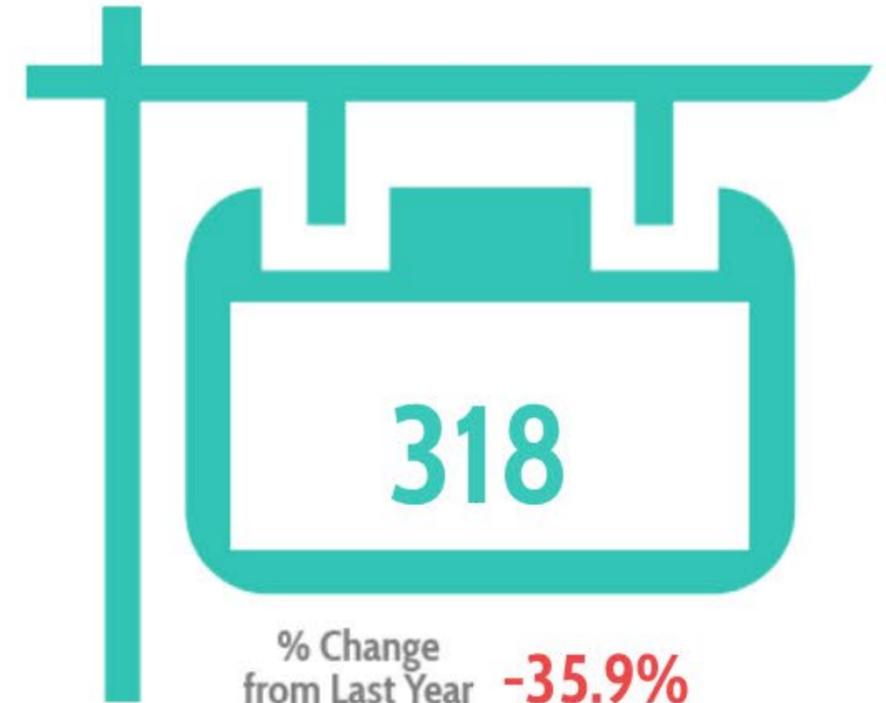
% Change
from Last Year **-8.9%**

Home Sales



% Change
from Last Year **+76.6%**

Active Listings



% Change
from Last Year **-35.9%**

Market Competition

Median
Days on
Market

37

Sales to
List Price %

96.5%

% of Active
Listings with
Reduced Prices

32.7%

monthly
market
report
August
2020

Carmel By The Sea, California

Median Price



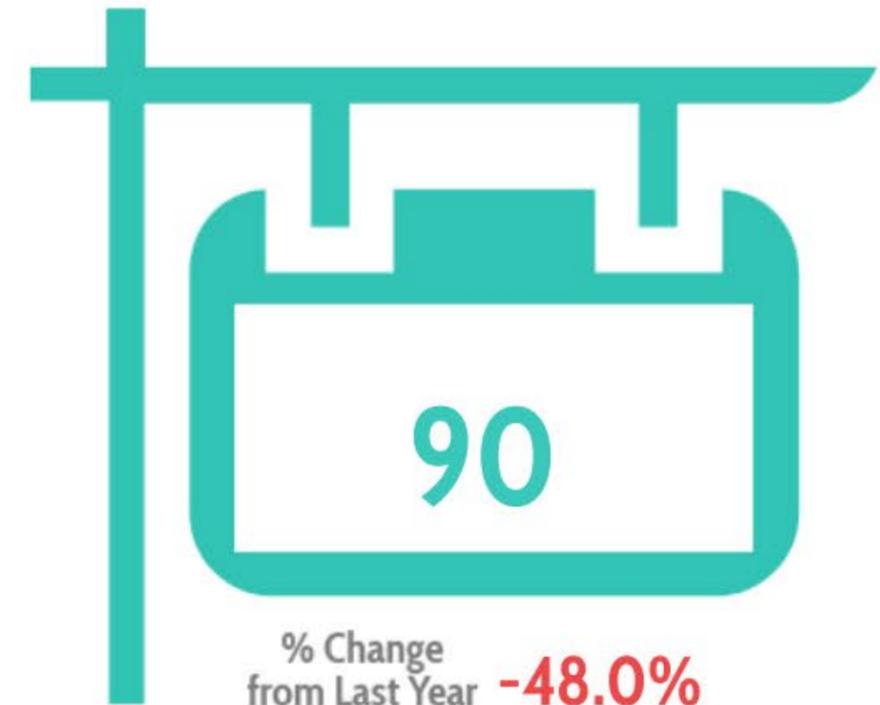
% Change
from Last Year **+31.3%**

Home Sales



% Change
from Last Year **+131.8%**

Active Listings



% Change
from Last Year **-48.0%**

Market Competition

Median
Days on
Market

18

Sales to
List Price %

96.9%

% of Active
Listings with
Reduced Prices

34.4%

monthly
market
report
August
2020

Hillsborough, California

Median Price



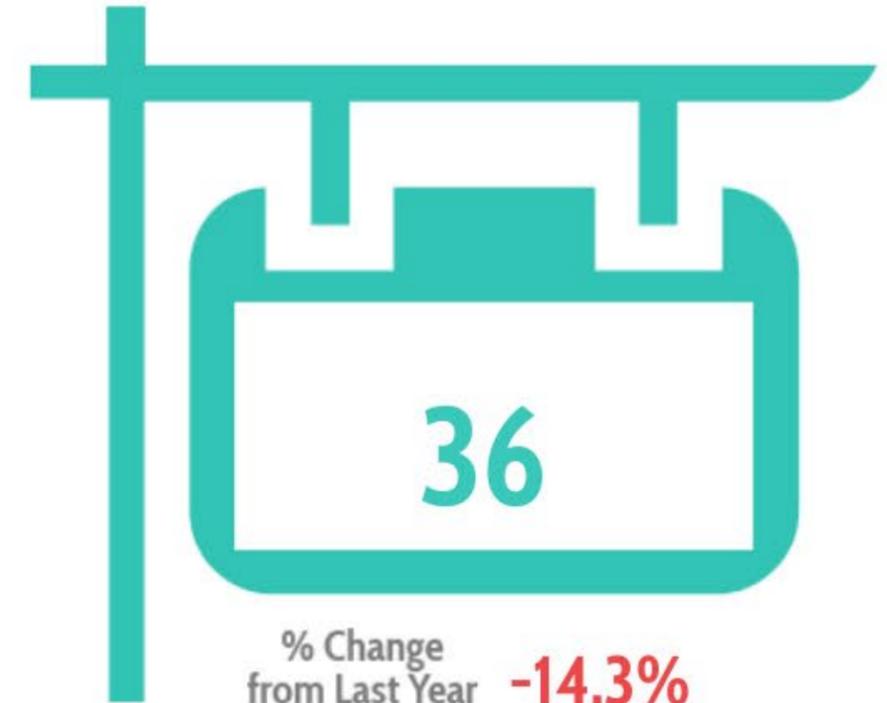
% Change
from Last Year **+18.3%**

Home Sales



% Change
from Last Year **+109.1%**

Active Listings



% Change
from Last Year **-14.3%**

Market Competition

Median
Days on
Market

10

Sales to
List Price %

100.7%

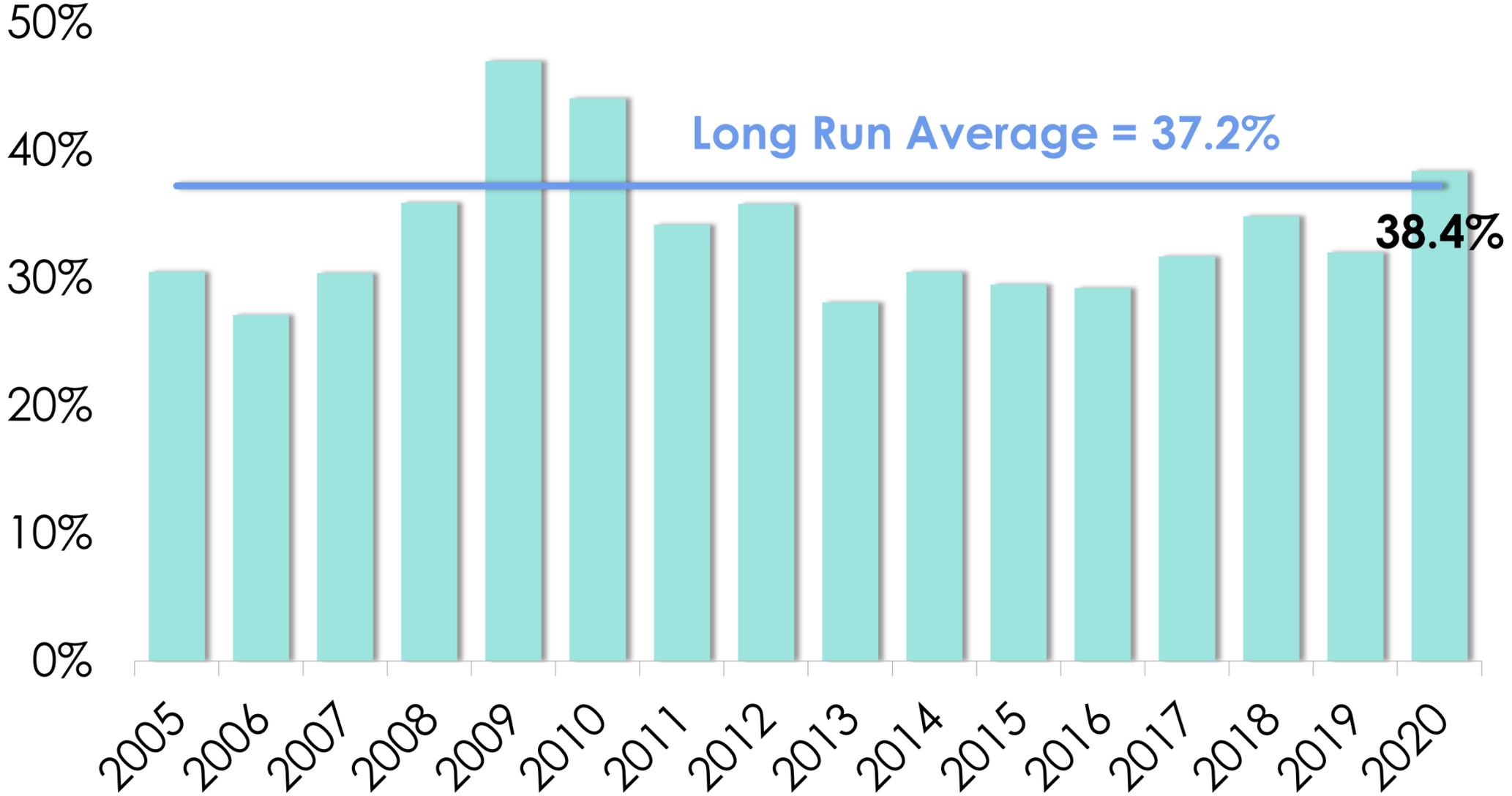
% of Active
Listings with
Reduced Prices

33.3%

Share of First Time Buyers Highest in 10 years

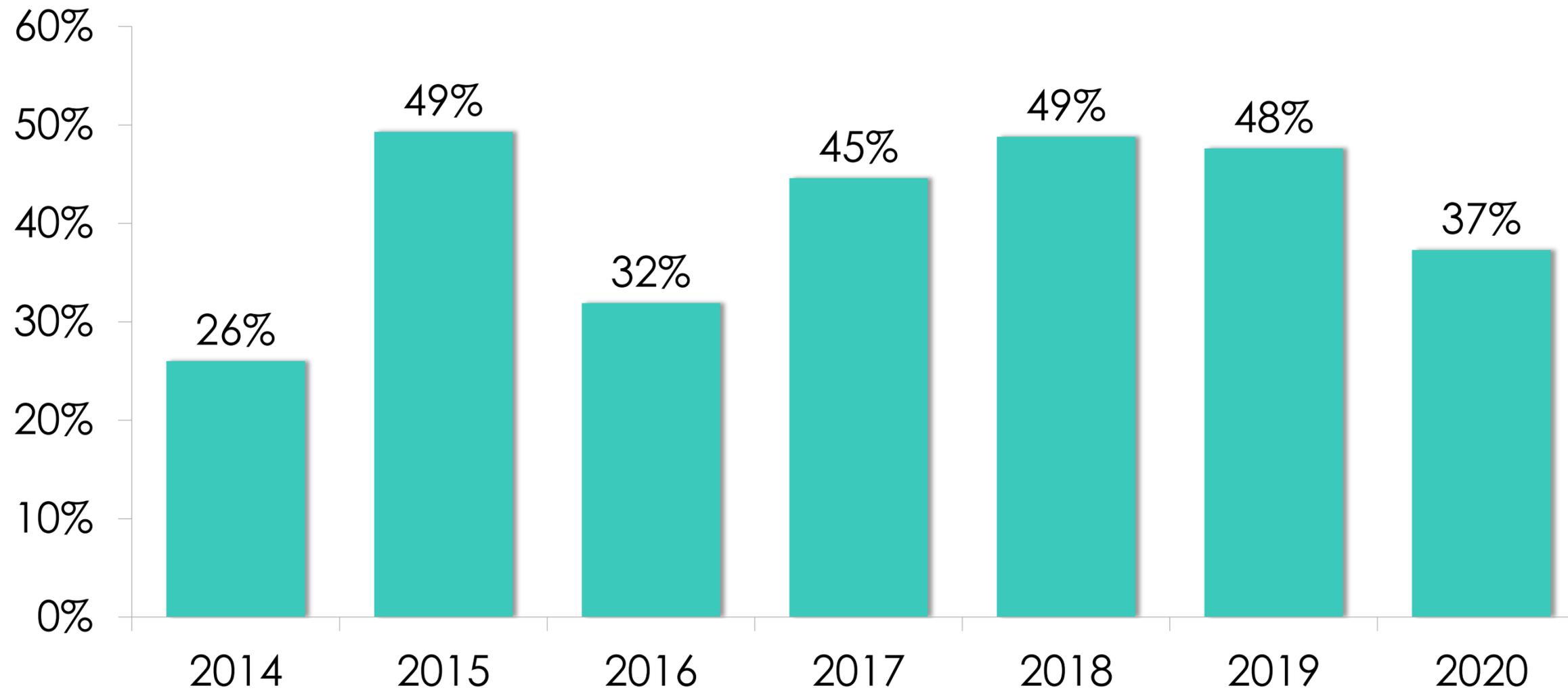


■ % First-Time Home Buyers — Long Run Average

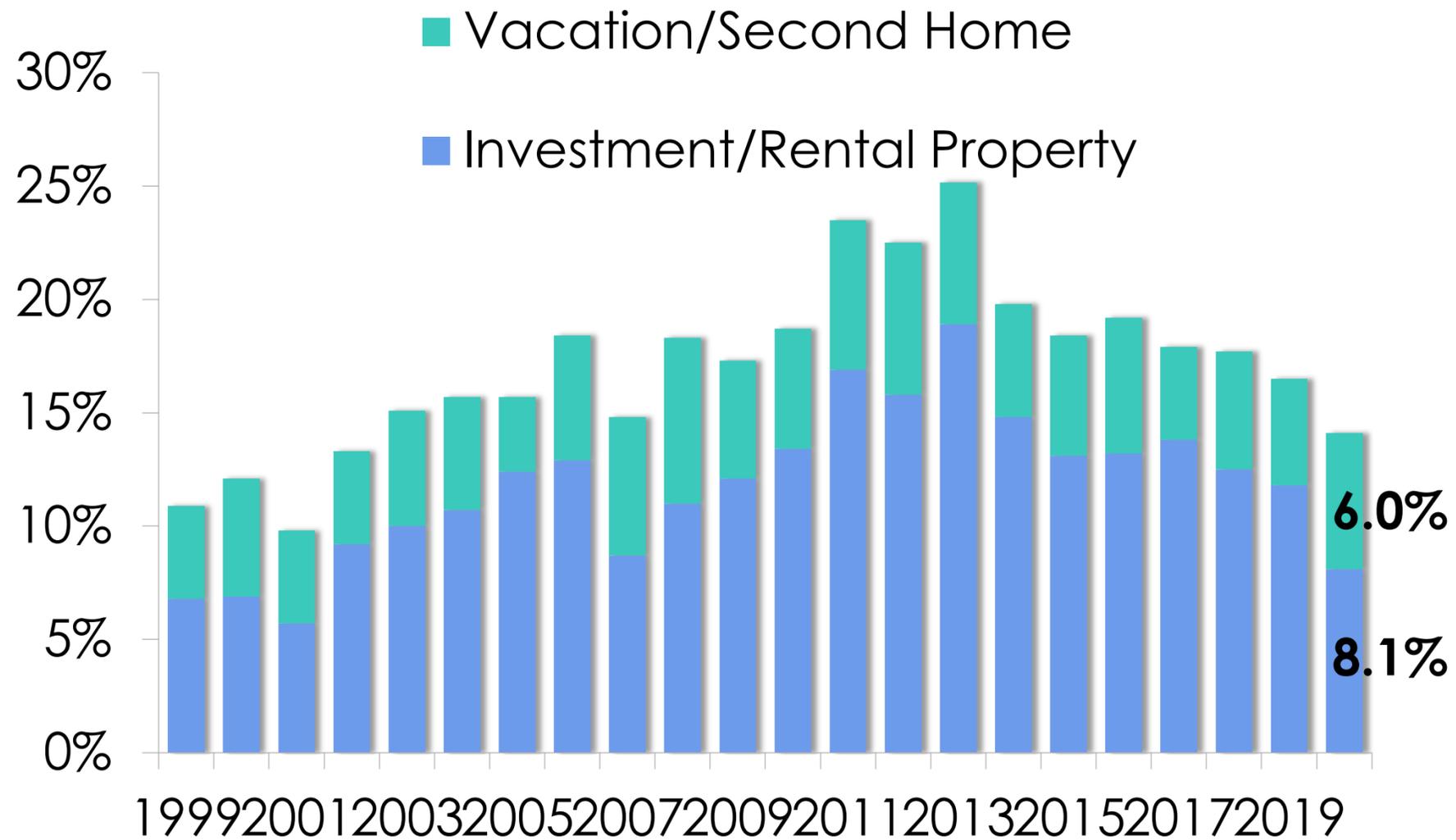


Housing affordability improved in 2020 but still an issue

% of First-Time Buyers who Changed County Because of Housing Affordability

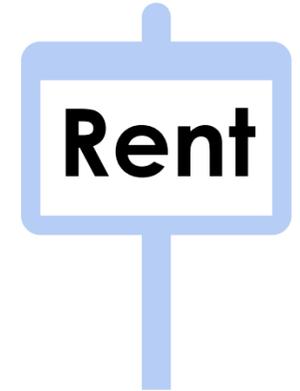


Investor Buyers lowest since 2001 Vacation/Second Home share up




Flip

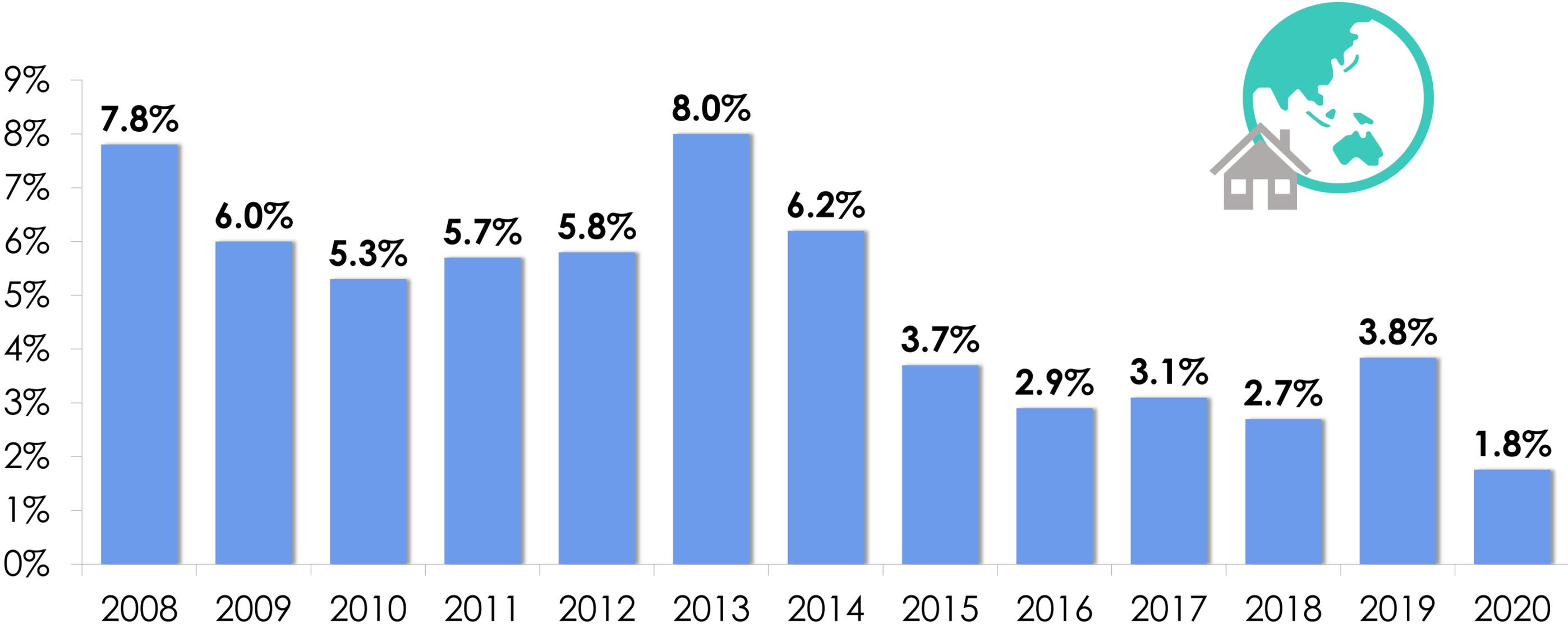
VS.


Rent

2014: 30%
 2015: 26%
 2016: 20%
 2017: 24%
 2018: 26%
2019: 18%
2020: 27%

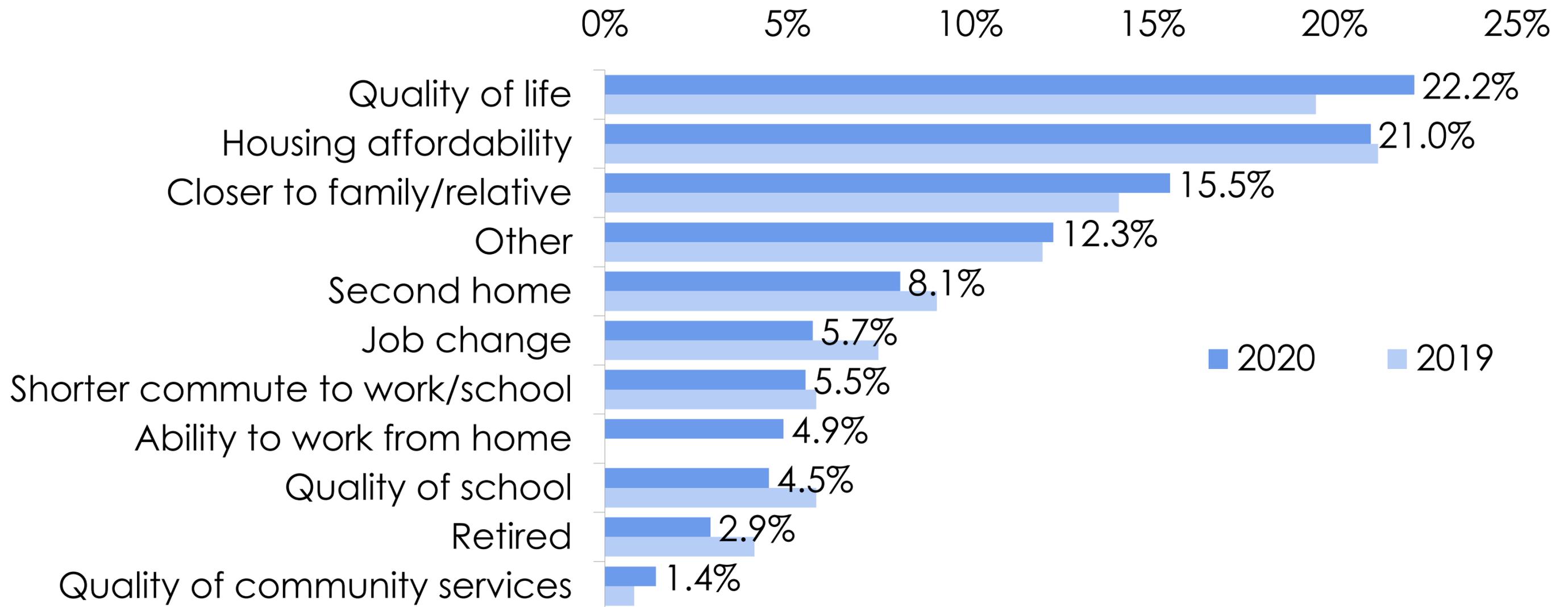
2014: 70%
 2015: 74%
 2016: 80%
 2017: 76%
 2018: 74%
2019: 82%
2020: 73%

International Buyers down sharply



Quality of life overtook housing affordability as buyer's main reason for relocating

Q. What was the primary reason for changing county?



More Sellers Continue to Move out of California; Highest since 2005

Location of Seller's New Home

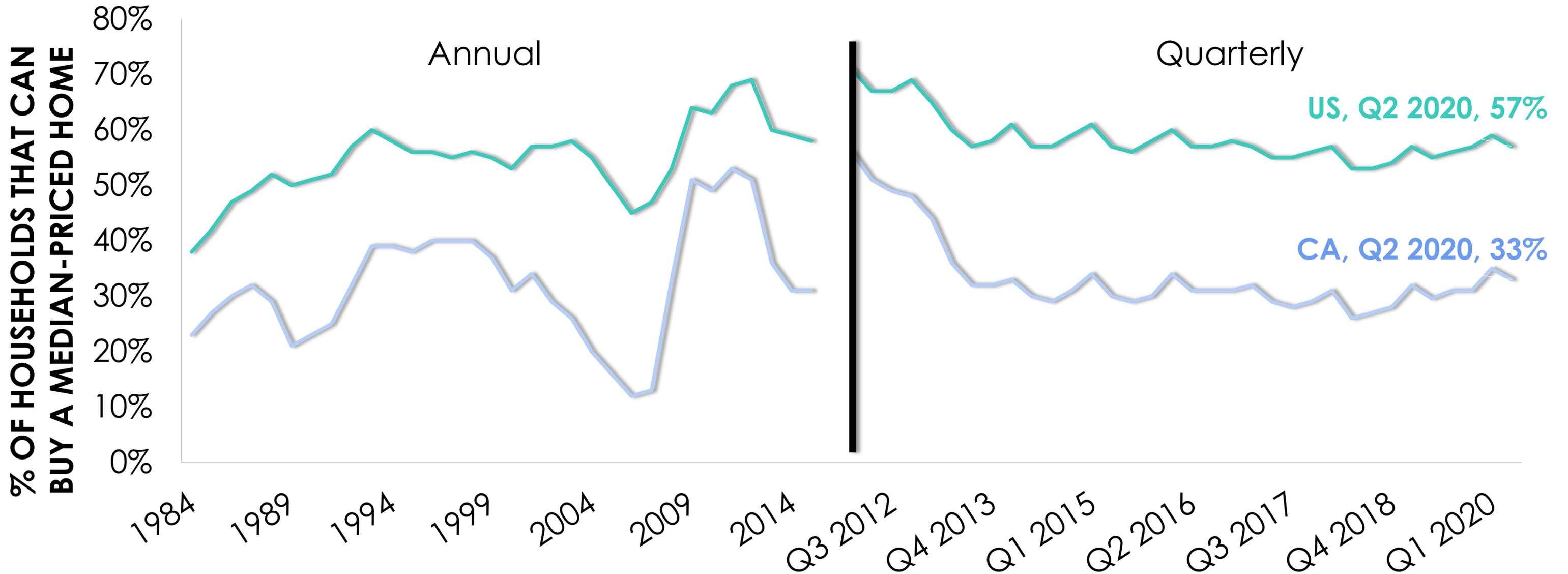
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Within the same county	38%	41%	37%	45%	47%	42%	49%	49%	46%	44%	44%	40%	38%	36%	35%	36%
In another county in California	23%	18%	24%	17%	21%	21%	19%	18%	20%	21%	20%	21%	20%	21%	20%	18%
In another state	31%	28%	29%	27%	19%	20%	20%	22%	19%	22%	22%	25%	28%	29%	30%	30%
Out of US	1%	2%	1%	1%	2%	1%	1%	1%	0%	1%	1%	1%	1%	1%	0%	1%
Don't Know/Not sure	7%	11%	9%	10%	12%	16%	10%	10%	15%	13%	13%	13%	14%	13%	14%	15%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Migration Trends: Where are we headed?



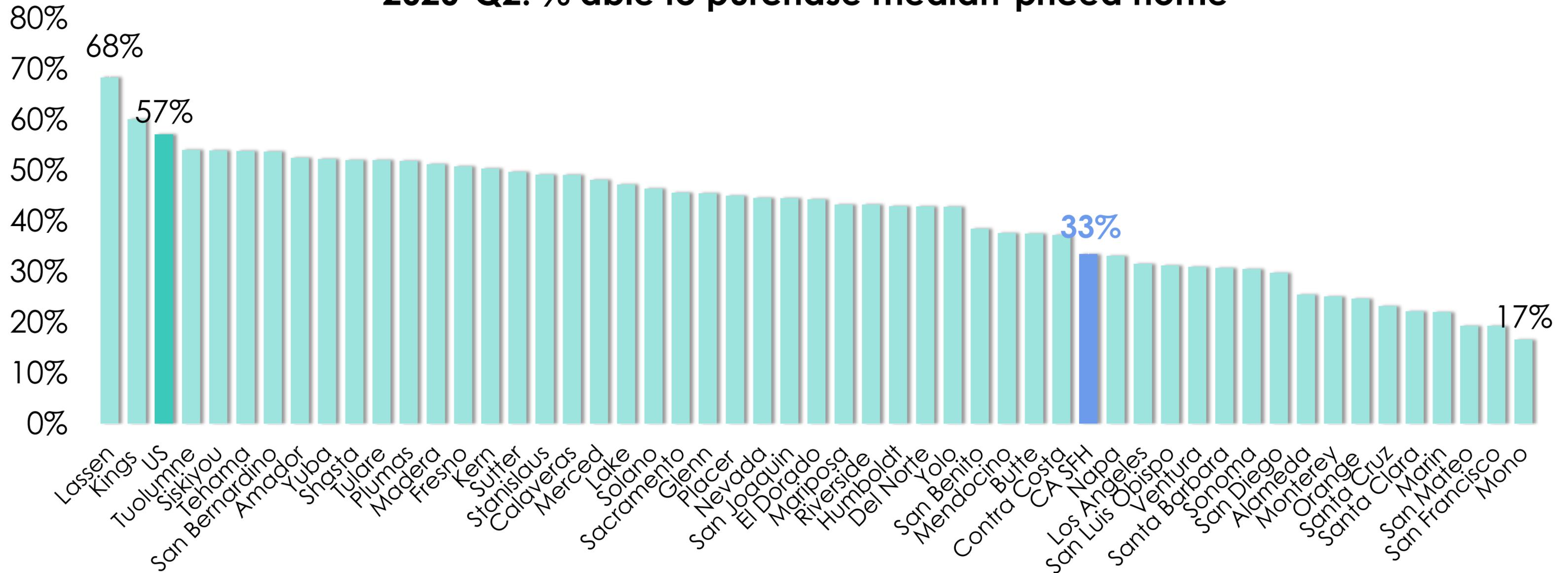
Housing affordability peaked at Q2-2012

California, 1984-2020

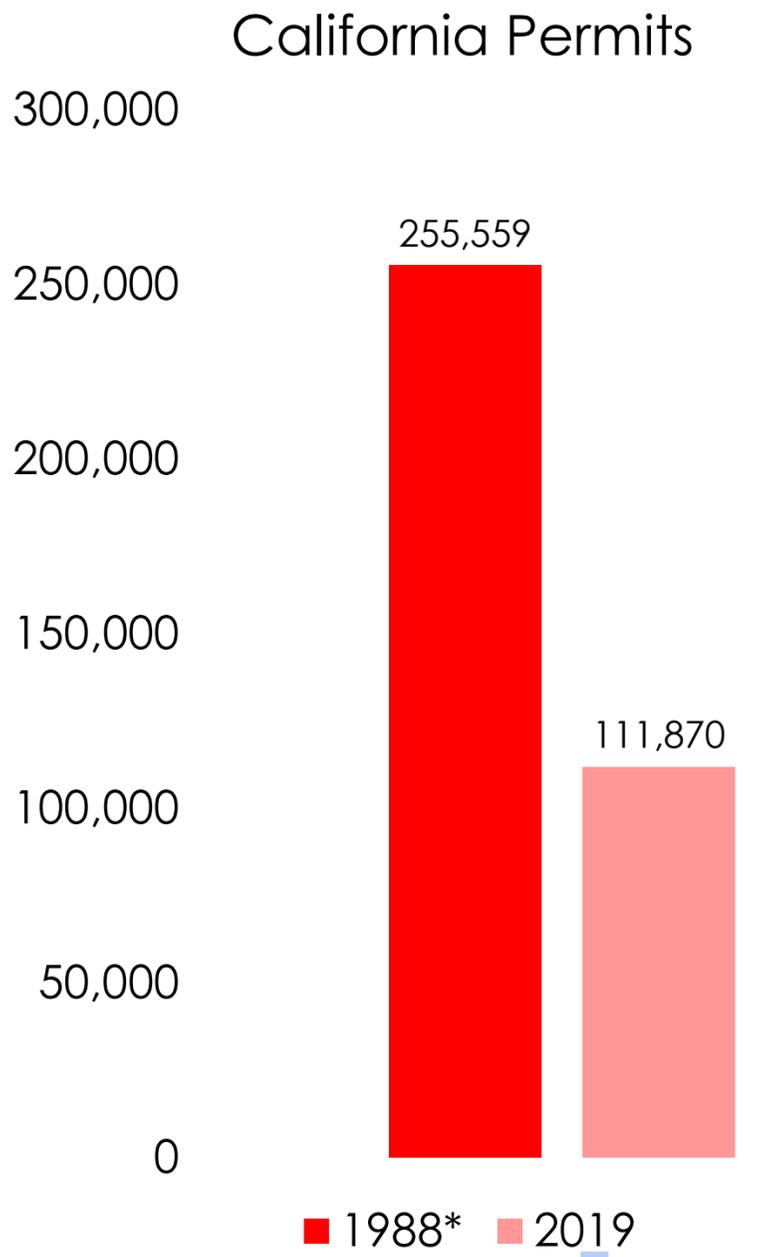
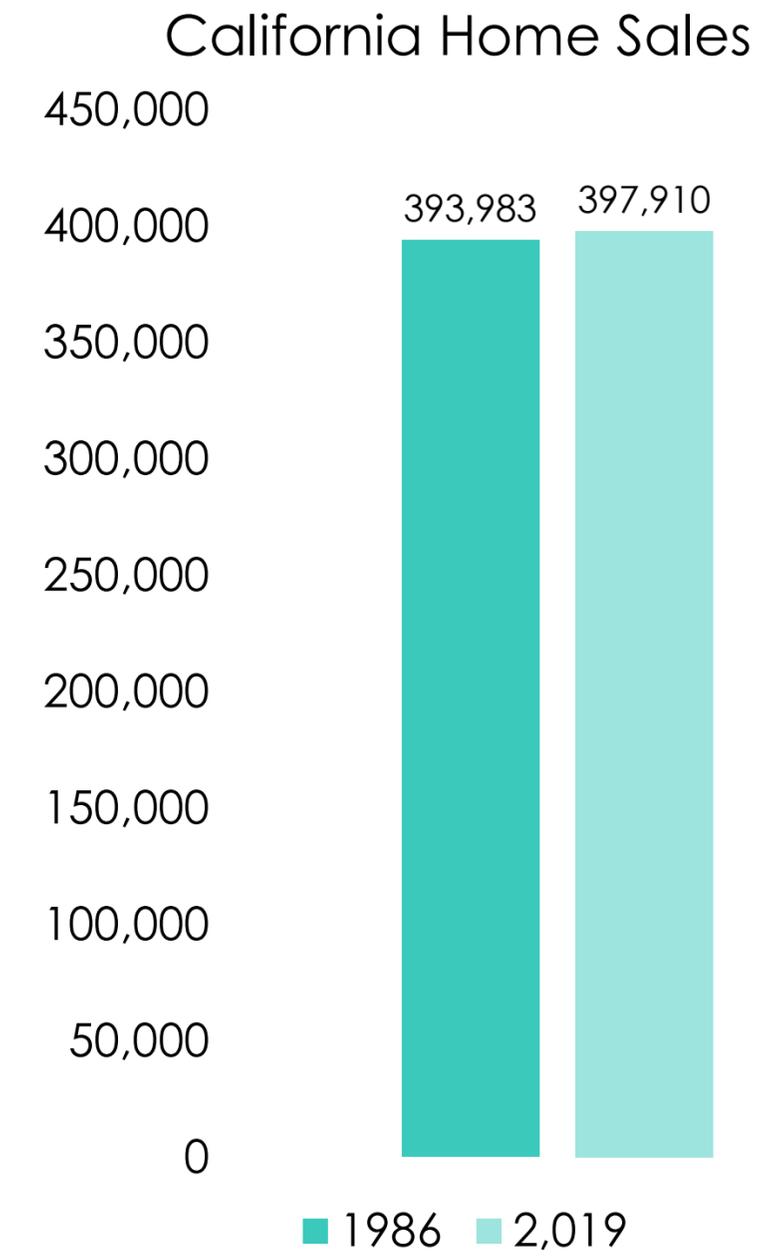
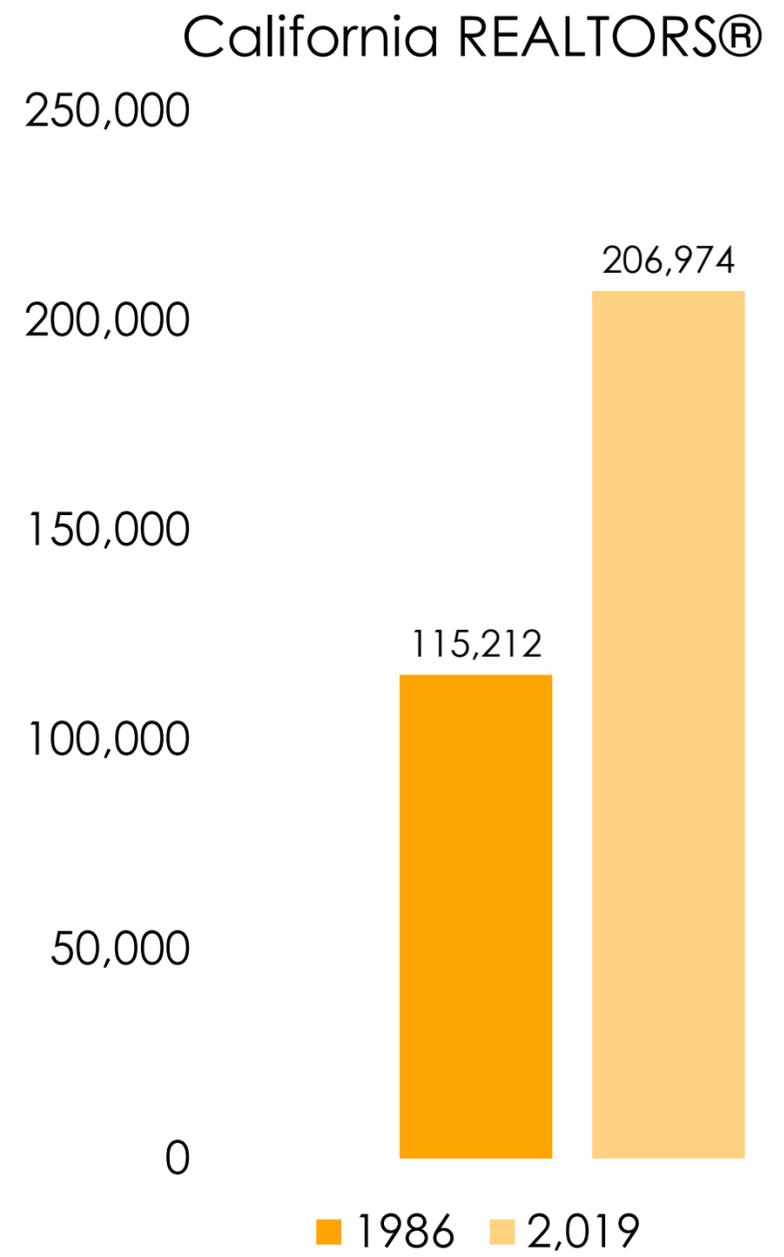
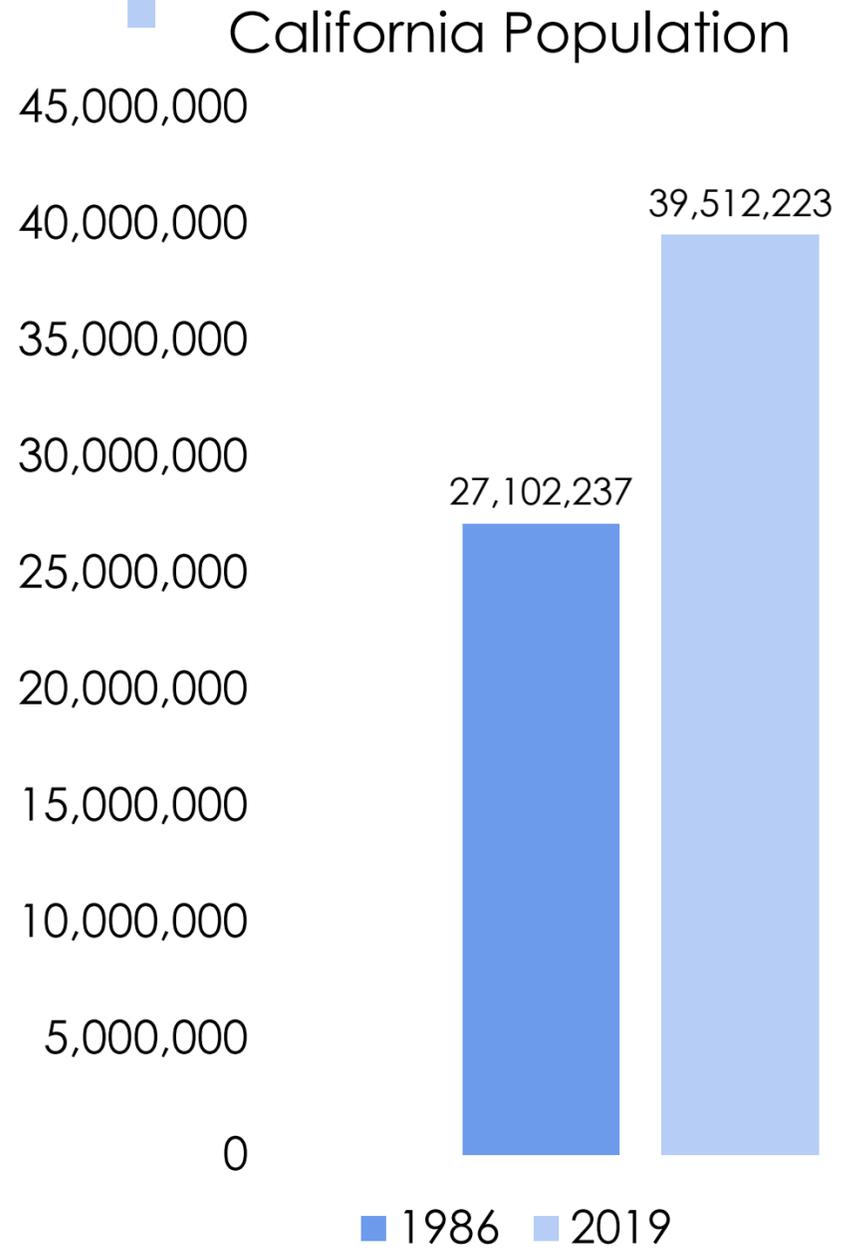


Housing Affordability in CA by county

2020-Q2: % able to purchase median-priced home

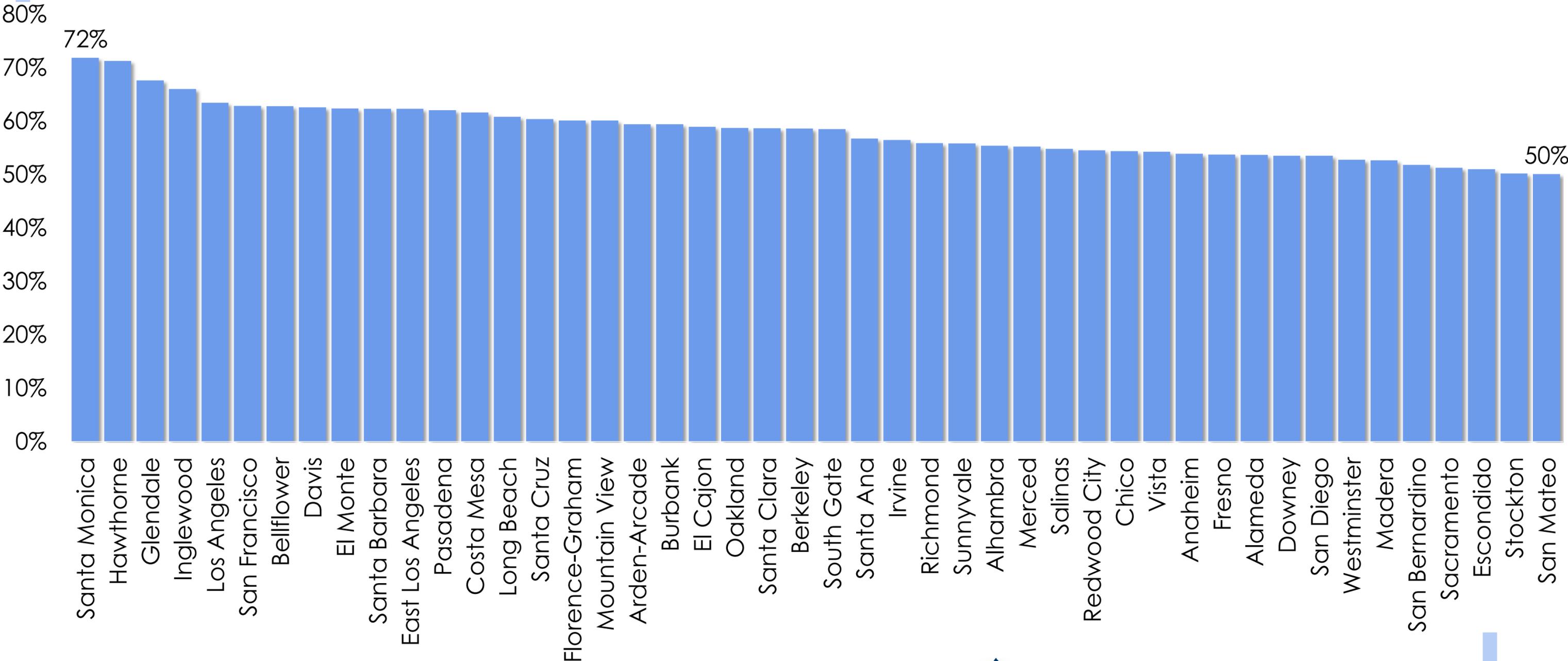


More of everything, except...



46 of 143 largest cities already majority renter

2019 California Renter Rate by City



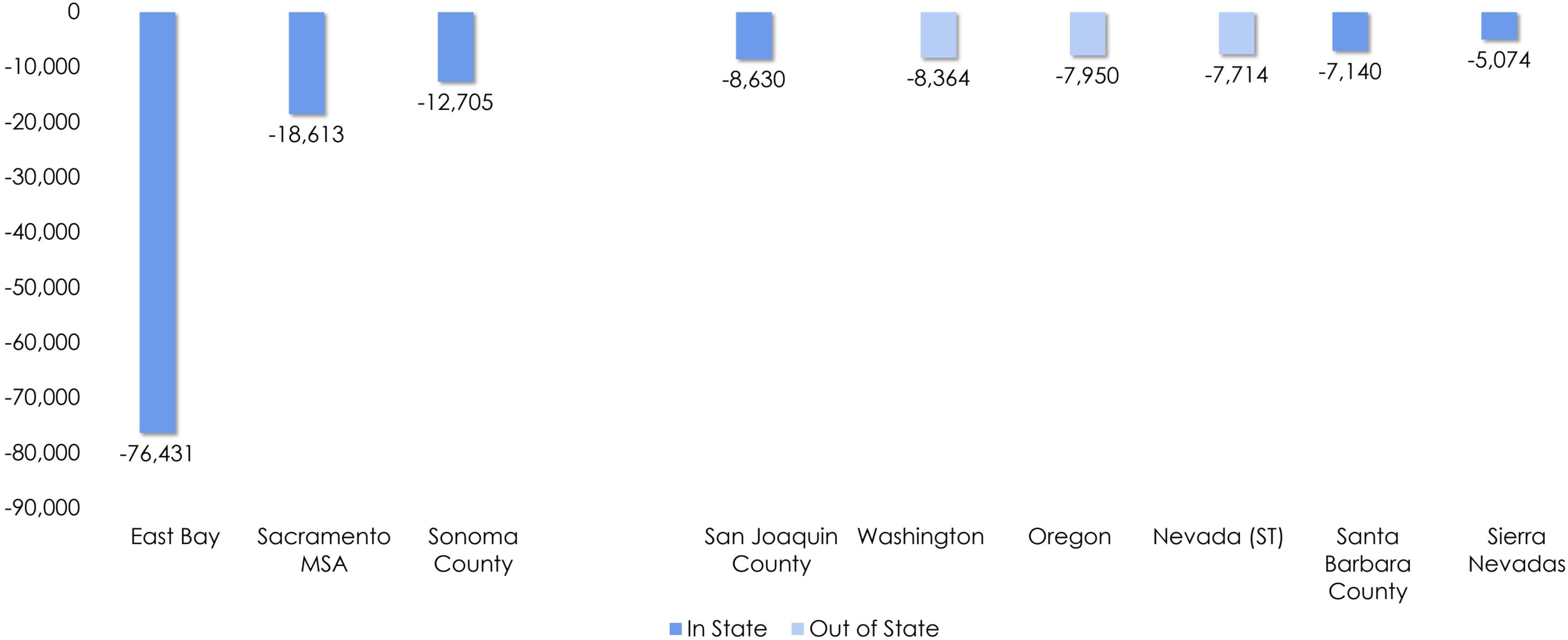


San Francisco
Bay Area



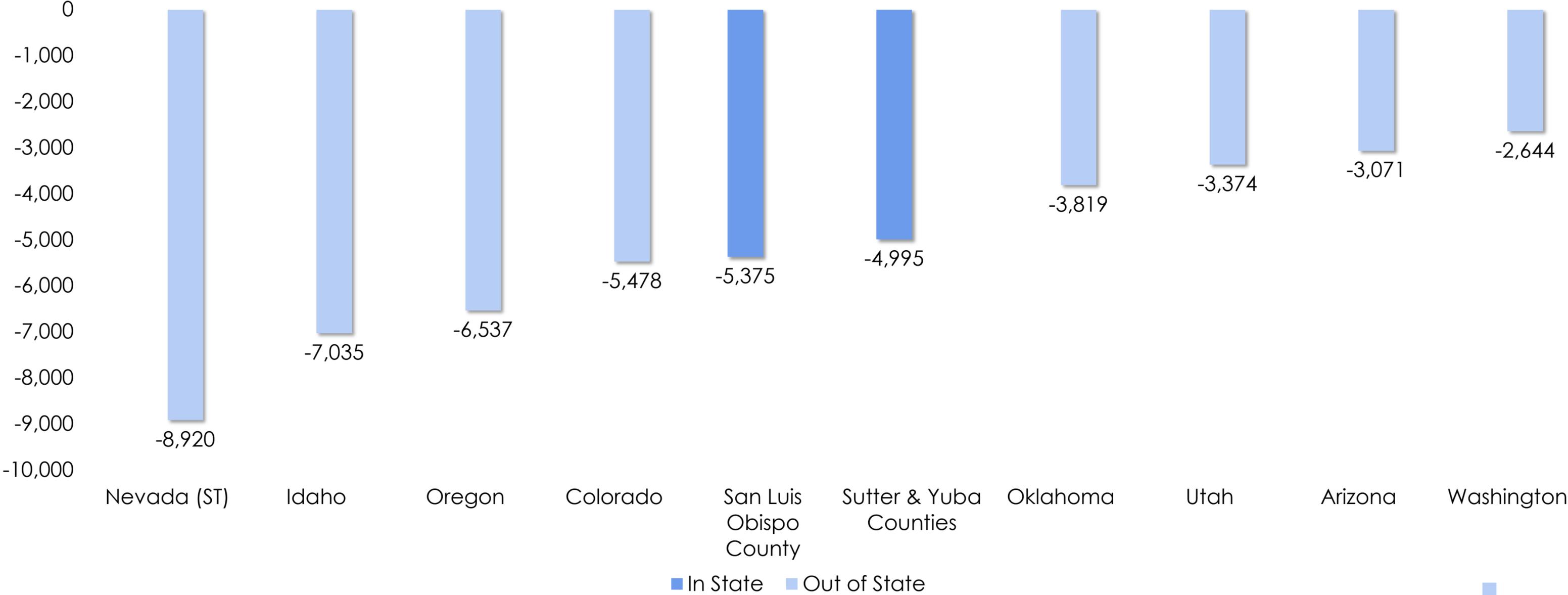
Step 1: Core Bay Area to Cheaper Counties

San Francisco-Marín-San Mateo Net Domestic Migration
2010-2018 (Cumulative) - Top 10 Destinations



Step 2: Cheaper Counties Leaving the State

Sacramento MSA Net Domestic Migration
2010-2018 (Cumulative) - Top 10 Destinations



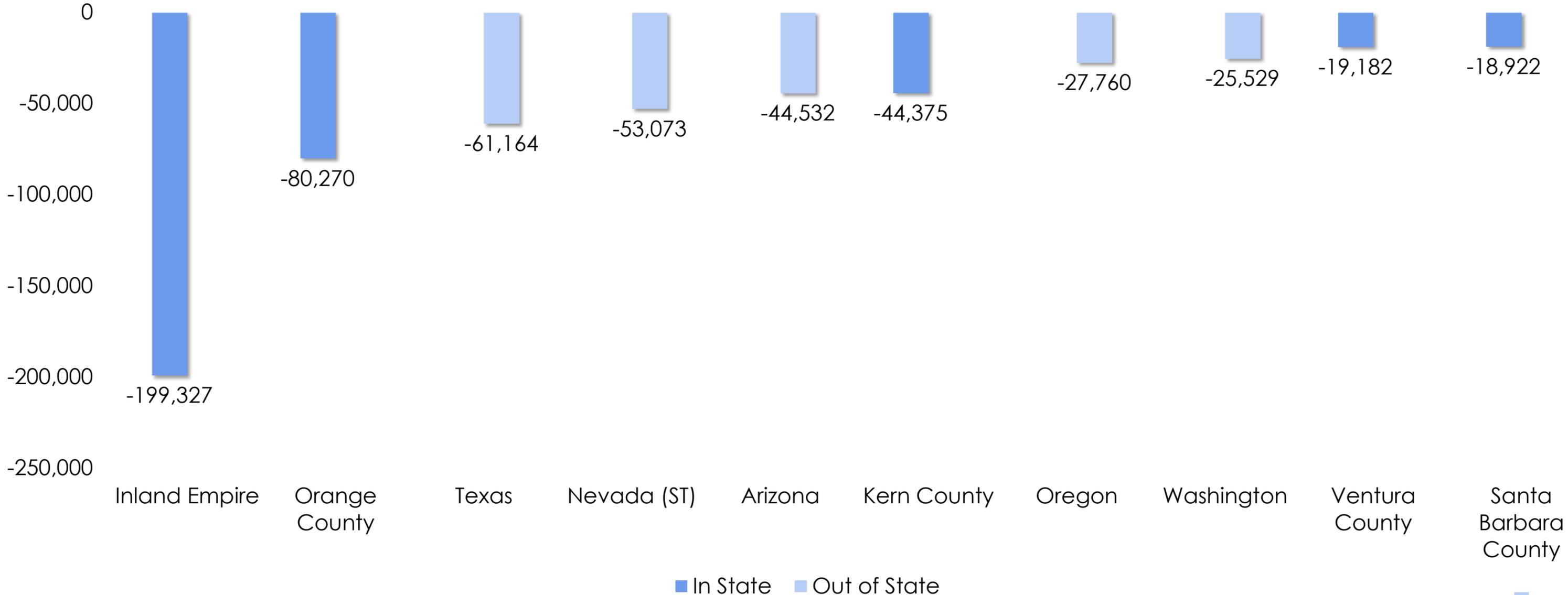


Southern
California



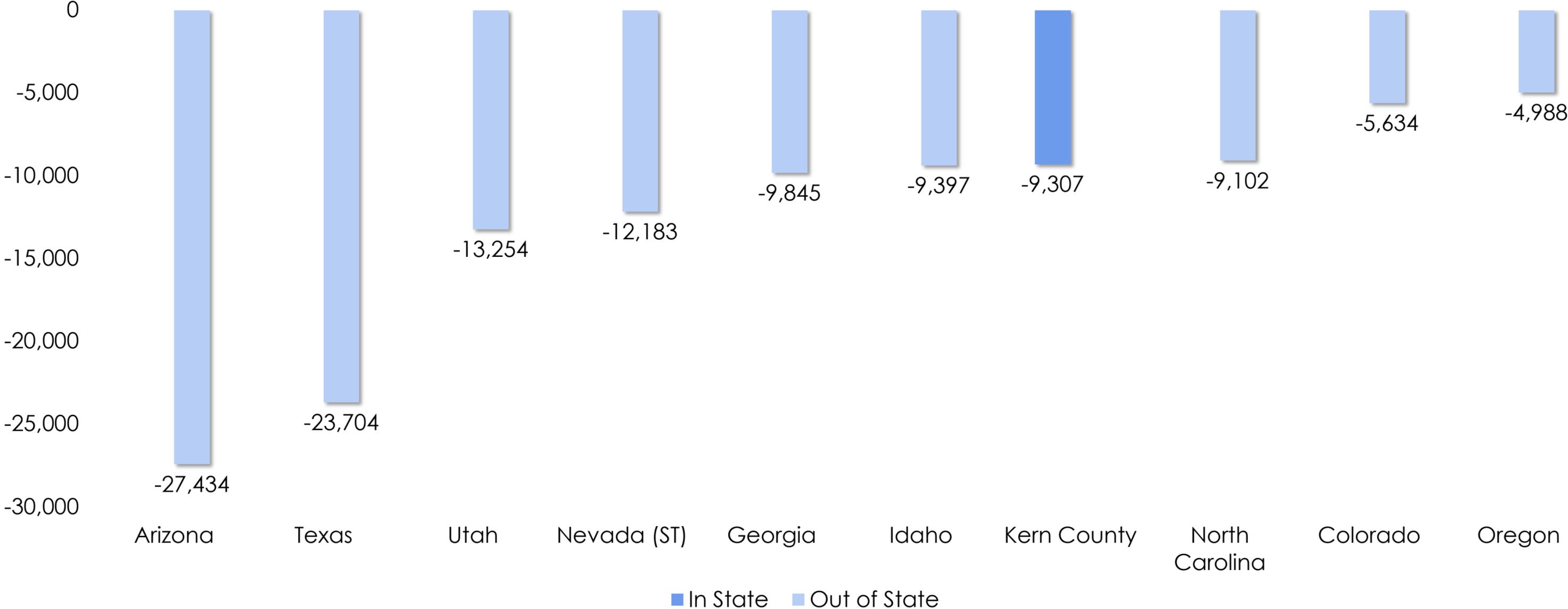
Step 1: Los Angeles mostly to the Inland Empire

Los Angeles County Net Domestic Migration
2010-2018 (Cumulative) - Top 10 Destinations



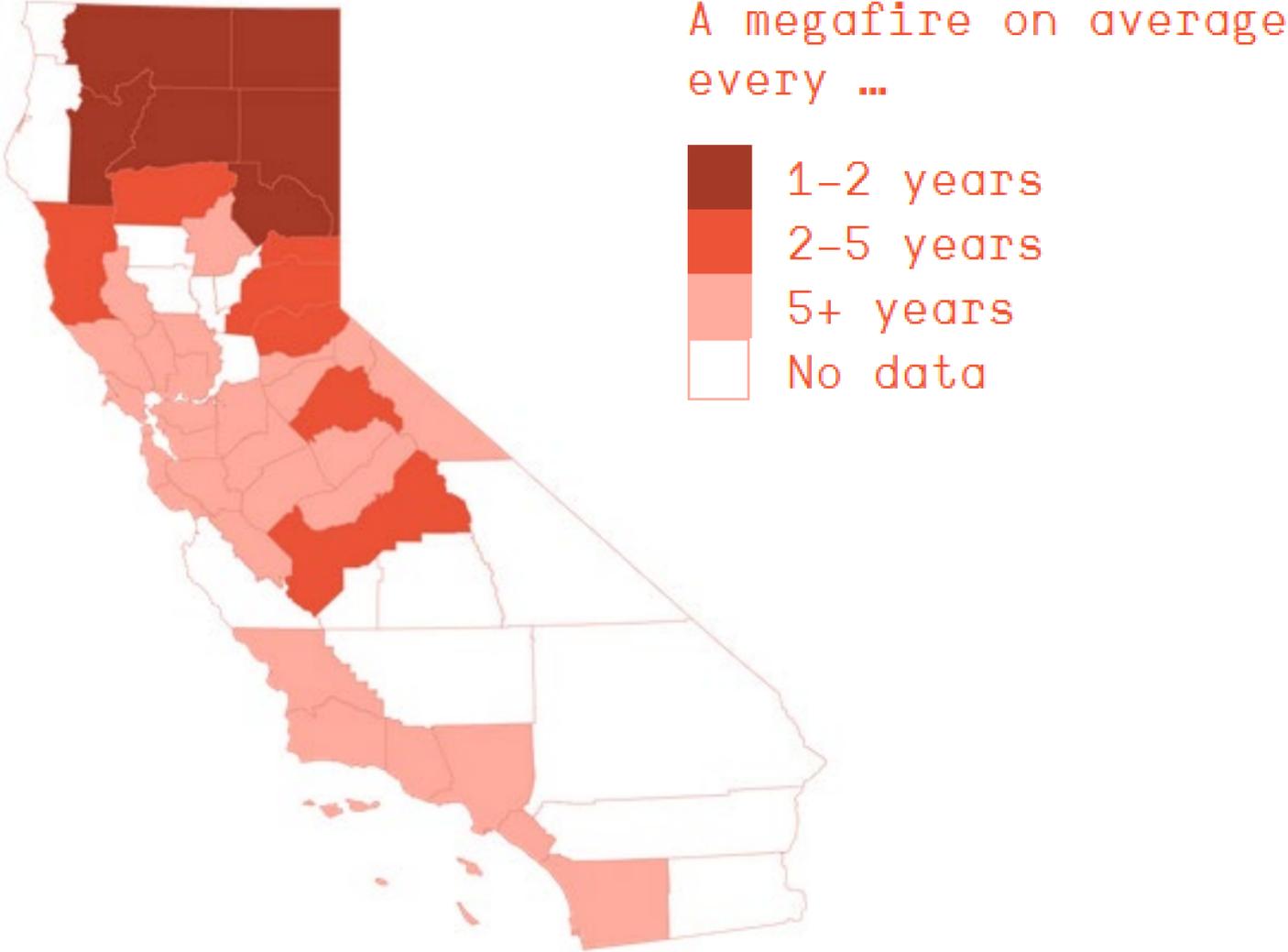
Step 2: **Inland Empire** mostly out of state

Inland Empire Net Domestic Migration
2010-2018 (Cumulative) - Top 10 Destinations



Climate change will lead to more and bigger wildfires in the future

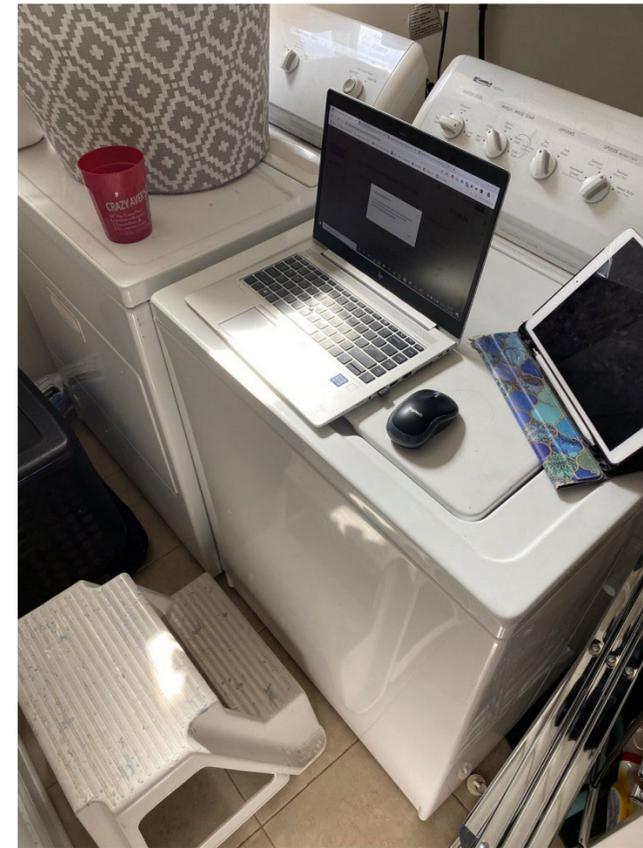
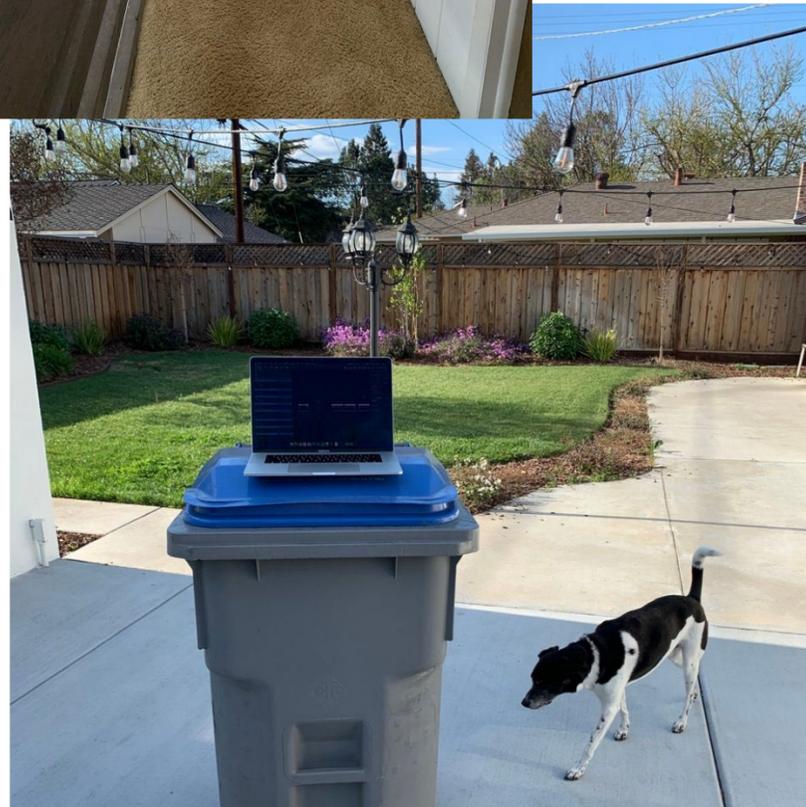
By 2070, some 28 million people across the country could face Manhattan-size megafires. In Northern California, they could become an annual event.



Q: Where do we go from here?
A: Home.



There's No Place Like Home



Research & Economics Team



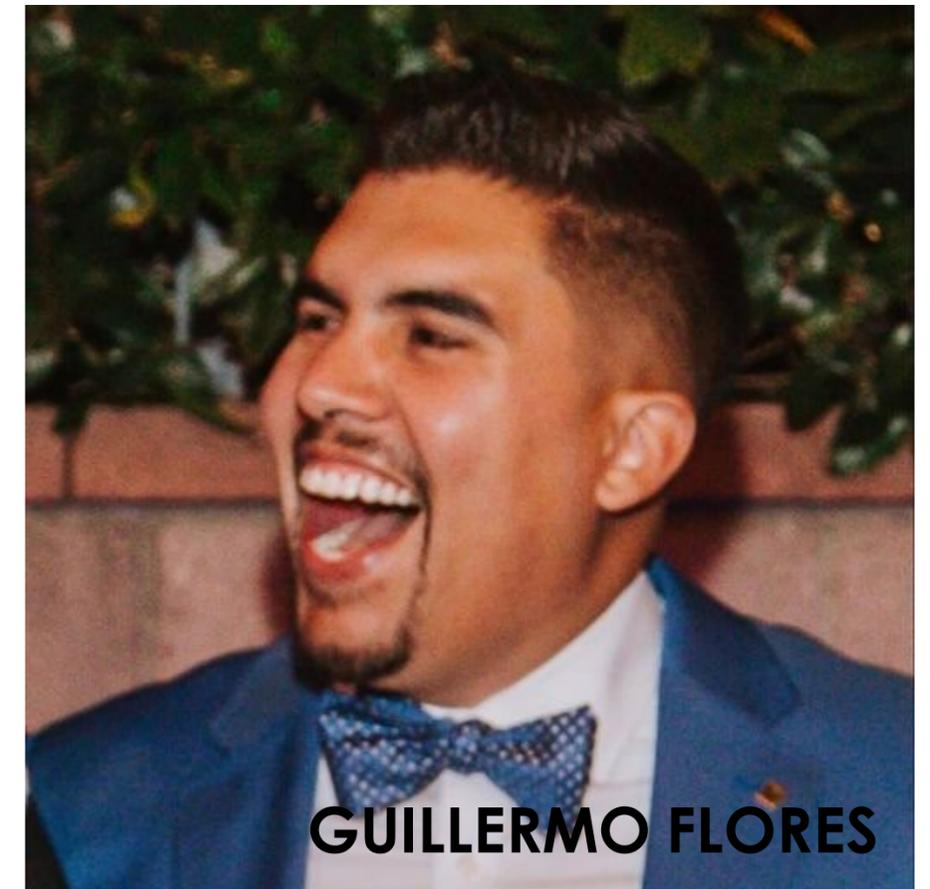
JORDAN LEVINE



OSCAR WEI



GEORGIA FUNNELL



GUILLERMO FLORES



SAMANTHA OLES

PAULA GREEN



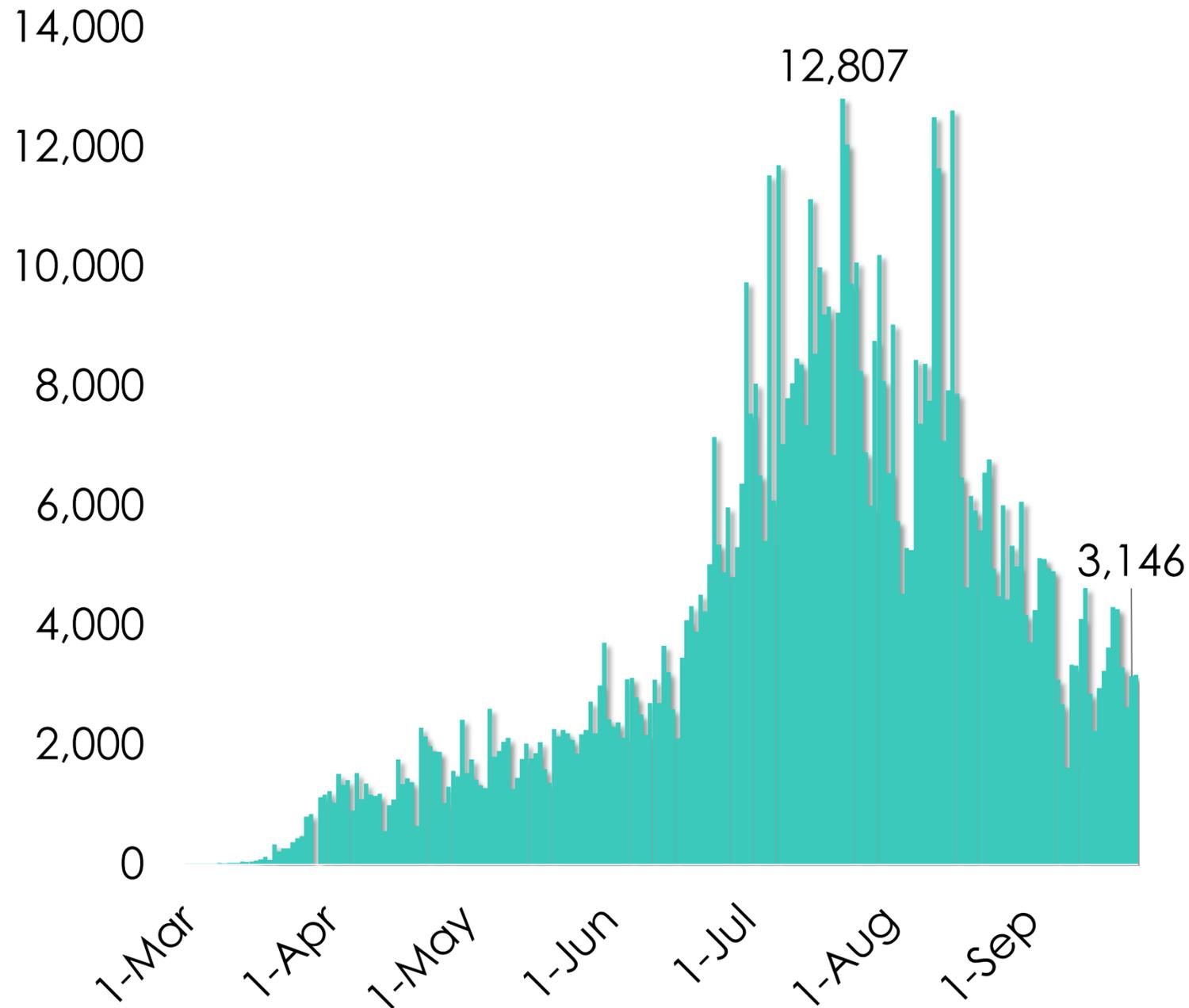


The **Forecast**

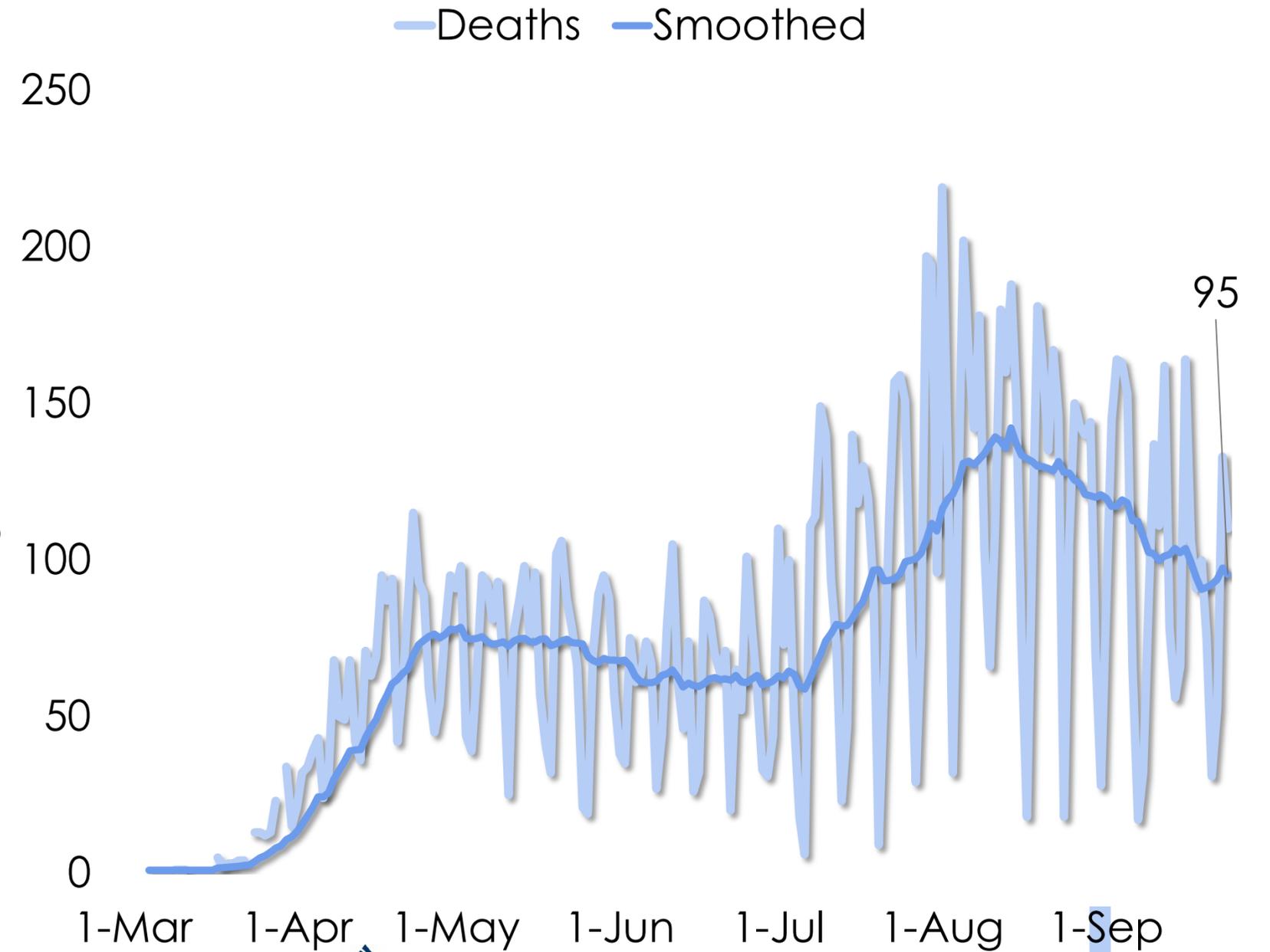


Coronavirus remains the biggest wildcard

California Daily New Cases



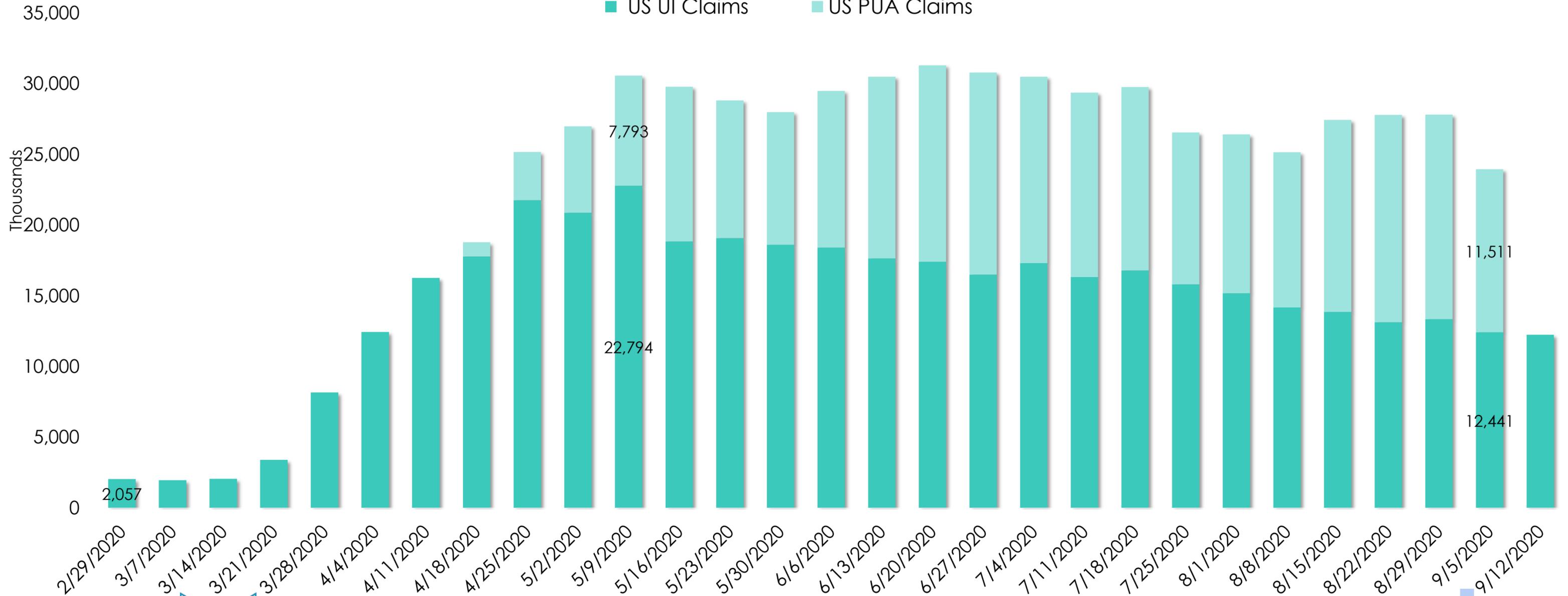
California Coronavirus Deaths



~24 million Americans still receiving unemployment

U.S. Continuing Unemployment Insurance Claims + PUA Claims (NSA)

■ US UI Claims ■ US PUA Claims



U.S. economic outlook: ongoing recovery, but slower pace

	2015	2016	2017	2018	2019	2020p	2021f
US GDP	2.6%	1.6%	2.3%	3.0%	2.2%	-5.0%	4.2%
Nonfarm Job Growth	2.1%	1.8%	1.6%	1.6%	1.3%	-6.5%	3.0%
Unemployment	5.3%	4.9%	4.4%	3.9%	3.7%	8.8%	7.1%
CPI	0.1%	1.4%	2.1%	2.4%	1.8%	0.6%	1.7%
Real Disposable Income, % Change	3.4%	2.7%	2.9%	4.0%	2.9%	3.8%	-1.6%



Foreclosures could become a problem, size of impact will be more like 2015 than 2008

The Bad News:

- Potentially 600,000 foreclosures nationwide
- That suggests 60,000 in California
- Currently a moratorium through end of 2020
- Eventually delinquencies will be reckoned with
- Serious delinquencies up a lot in June
- Could impact prices (but single digit impacts)

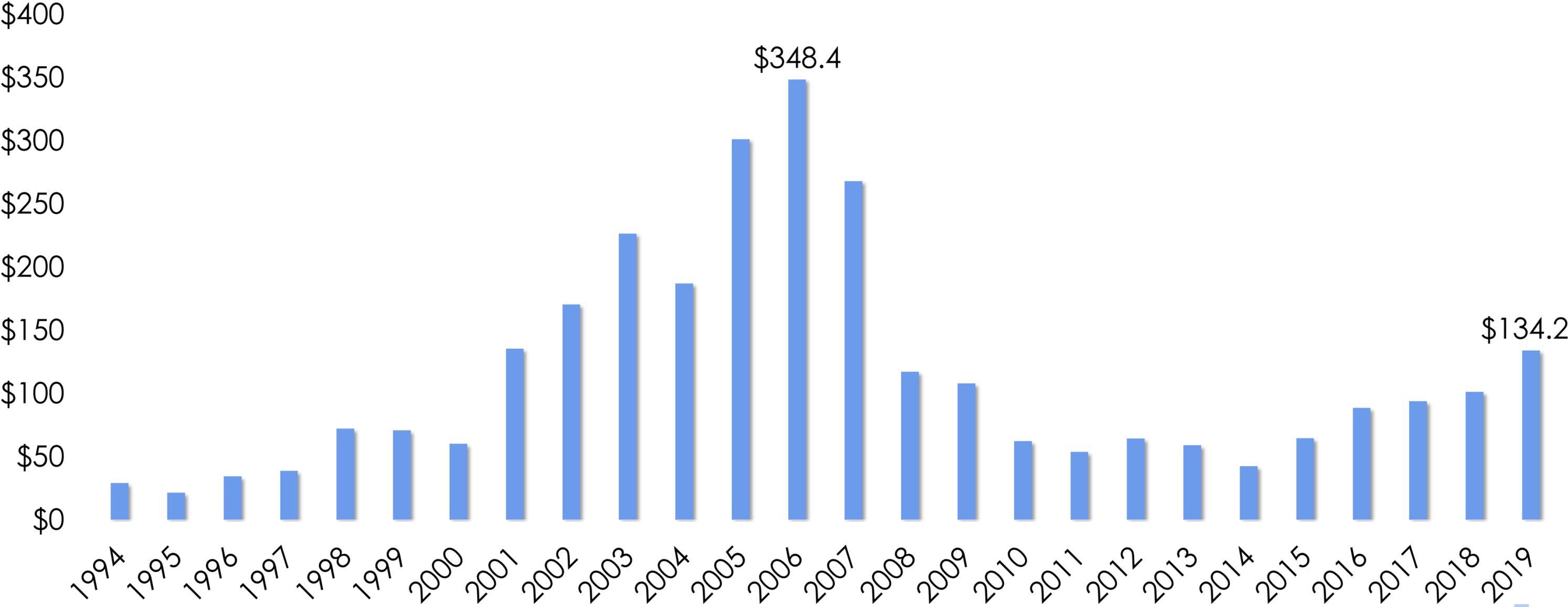
Reasons to Be Hopeful:

- Government on board this time
- 5-year + workouts
- Lots of home equity/minimal cashing out
- No NINJA loans/option ARMs

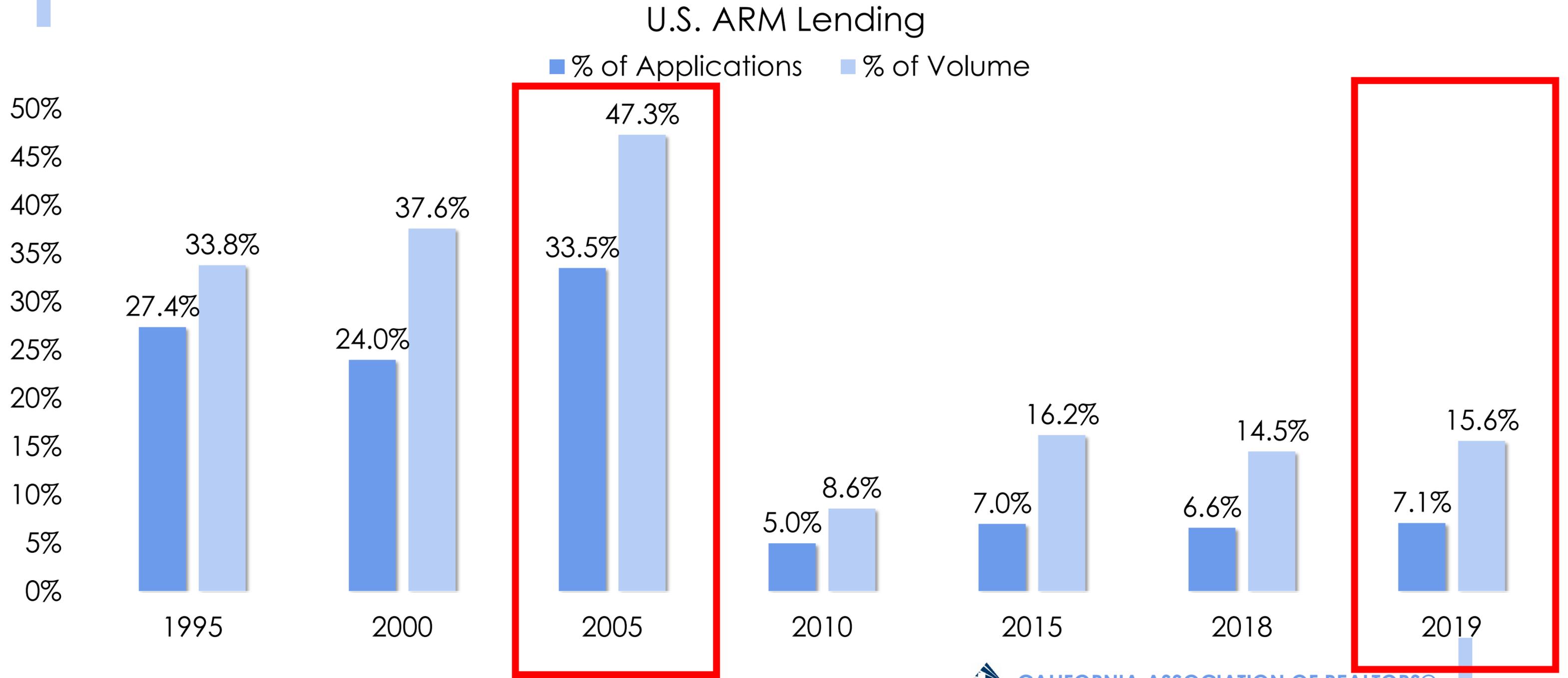


Many homeowners still have skin in the game

Combined Volume of Cash-out and 2nd Mortgages/HELOC Consolidation

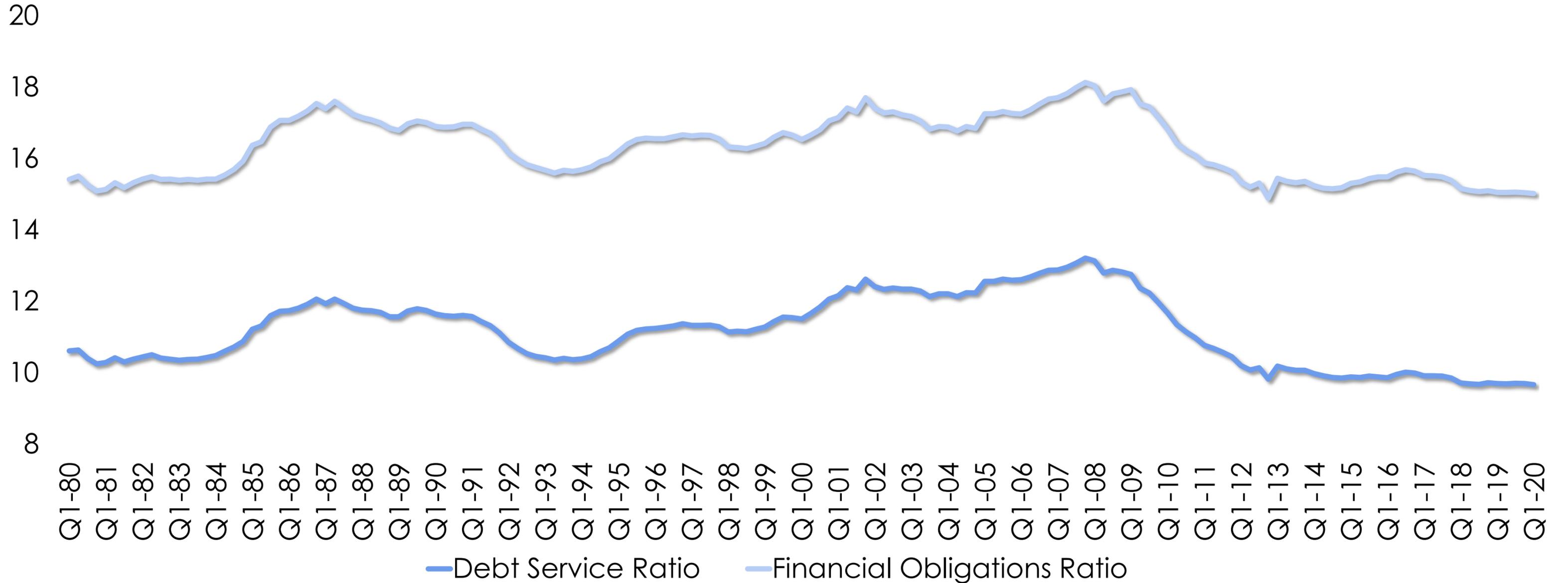


Not as many fundamental problems in mortgage market



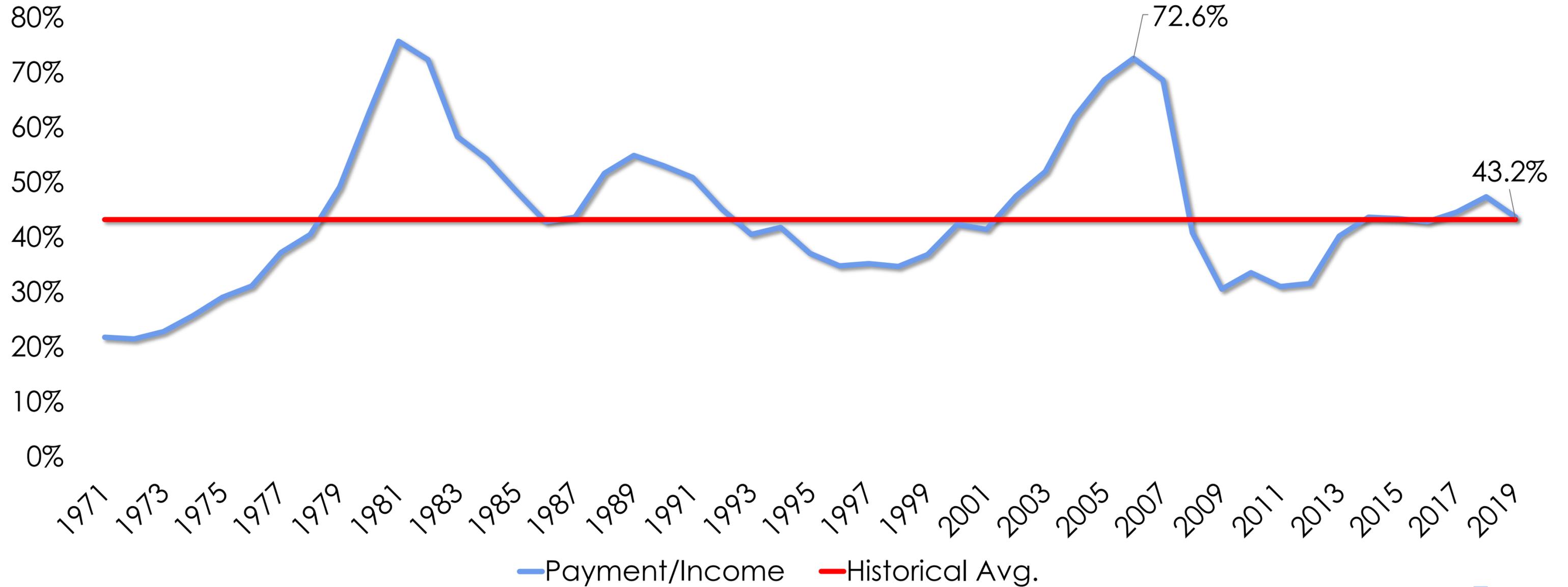
Household balance sheets **were in much better shape**

Household Debt and Financial Obligations



Prices weren't as inflated as they were in 2005

California Median Mortgage Payment to Income Ratio



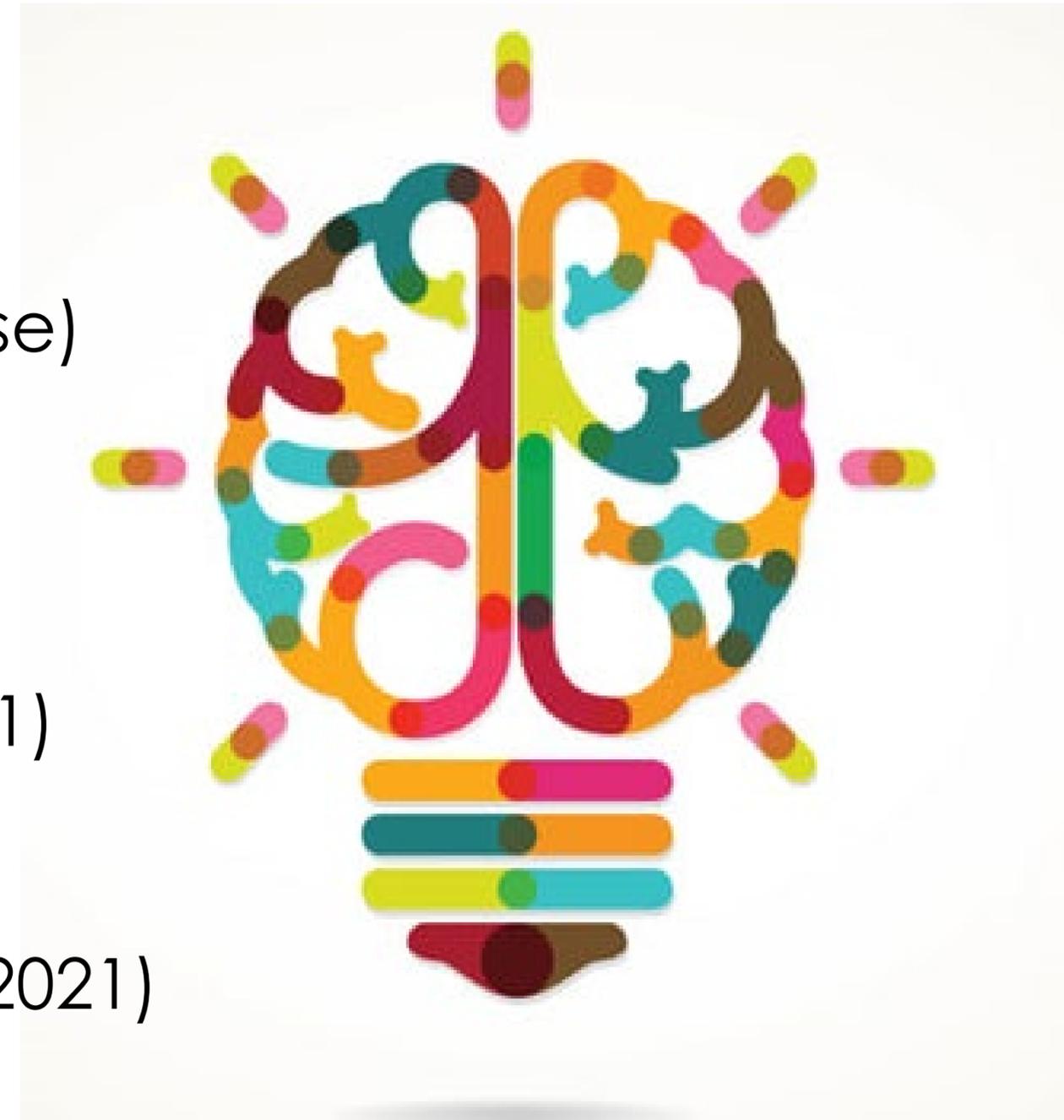
California housing market outlook (baseline)

	2015	2016	2017	2018	2019	2020p	2021f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	398.8	411.9
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	0.2%	3.3%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$661.1	\$690.3
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.6%	4.4%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	31%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.2%	3.1%



Baseline housing forecast **key assumptions**

- Vaccine available in H121
- No COVID surge this flu season (modest rise)
- GDP growth rate at 4.2% in 2021
- Household income growth at 3.3% in 2021
- Interest rates near record low (3.1% in 2021)
- 2021 inventory unchanged from 2020
- Foreclosures at low level (< 8% of sales in 2021)
- Foreclosures average <10% discount



Worst case housing forecast **key assumptions**

- Vaccine not available until H221
- Flu season resurgence in COVID
- California shut down for (2 months +)
- Zero growth in GDP in 2021
- Household income drops 4.2% in 2021
- No new federal stimulus in 2021
- Interest rates rise slightly (>3% in 2021)
- Inventory increases (+20-25% from 2020)
- Foreclosures at 2009-2010 (30% of all sales)
- Foreclosures average 40% discount



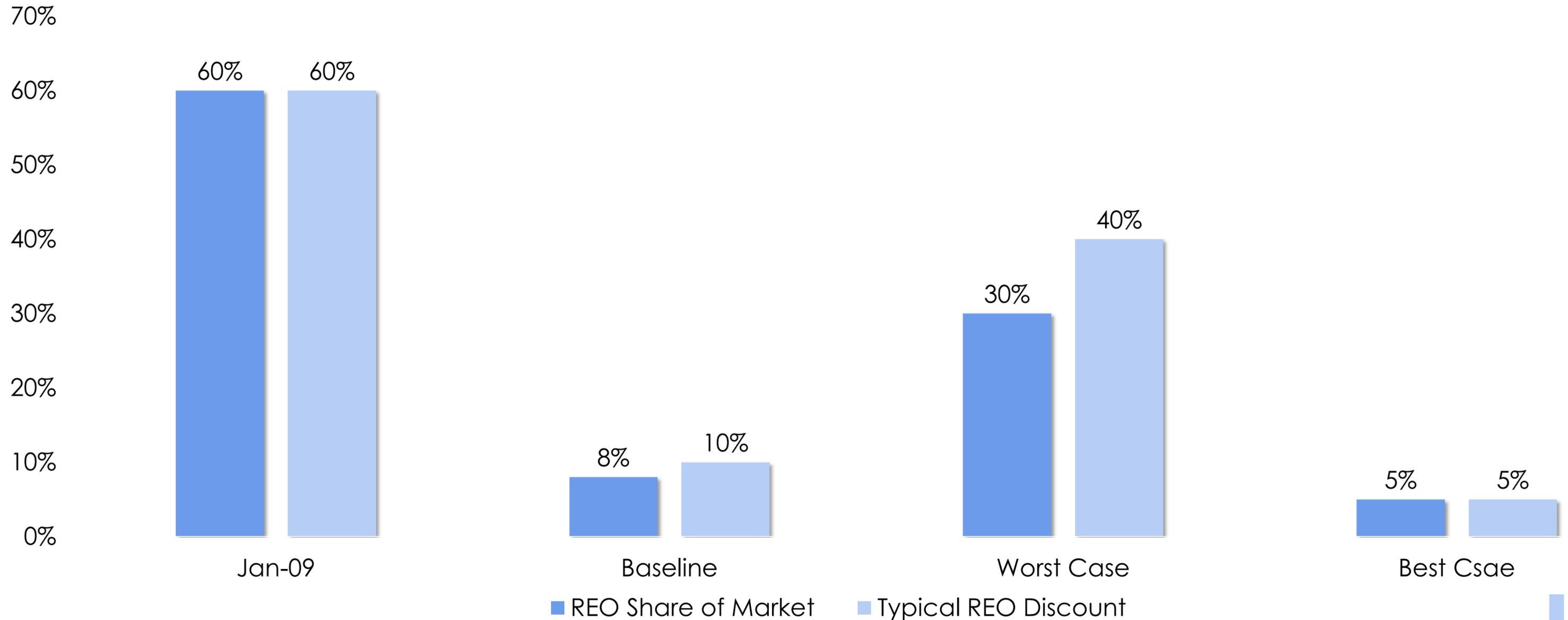
California housing market outlook (worst case)

	2015	2016	2017	2018	2019	2020p	2021f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	377.0	330.0
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	-5.3%	-12.5%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$620.6	\$518.8
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	4.8%	-16.4%
Housing Affordability Index	31%	31%	29%	28%	31%	33%	41%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.2%	3.2%



Potential REO scenarios

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



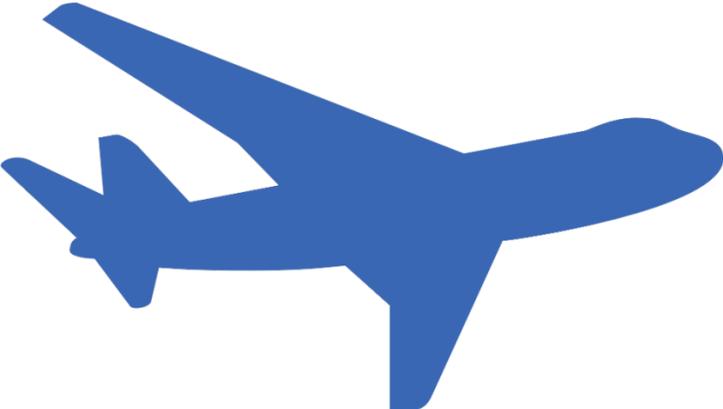
Still bullish on California long term

5th Largest



Economy

25 Million
International



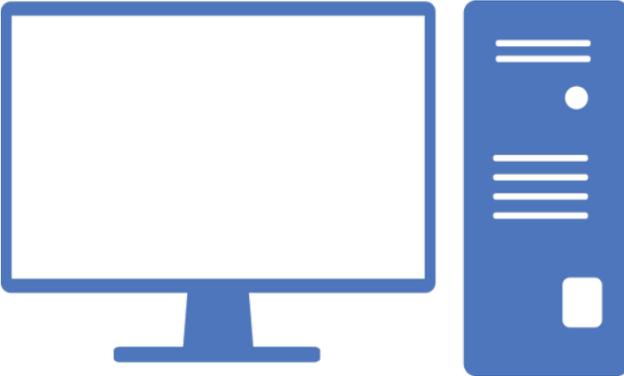
Arrivals Annually

Top Global



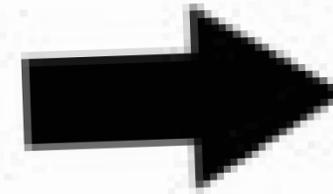
Universities

\$175 Billion

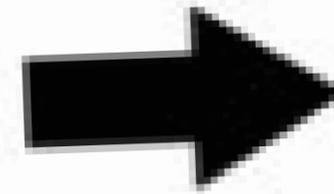


In Annual Exports

CHALLENGE



OPPORTUNITY





Thank You

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