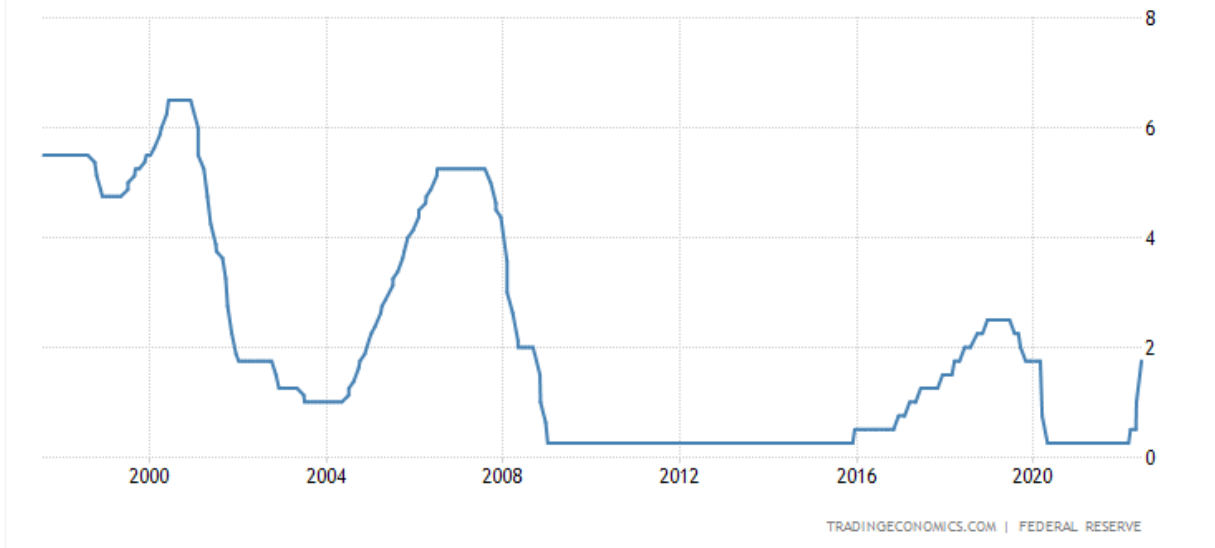


The FED wants to slow down the economy to bring inflation down.

In the first quarter of 2022, Gross Domestic Product (GDP) decreased by 1.6%. A recession is formally identified as a fall in GDP in two successive quarters. We are half way into a recession. One of the most important components of the economy is consumer spending, and an early measurement of consumer spending is consumer confidence. They lack confidence.

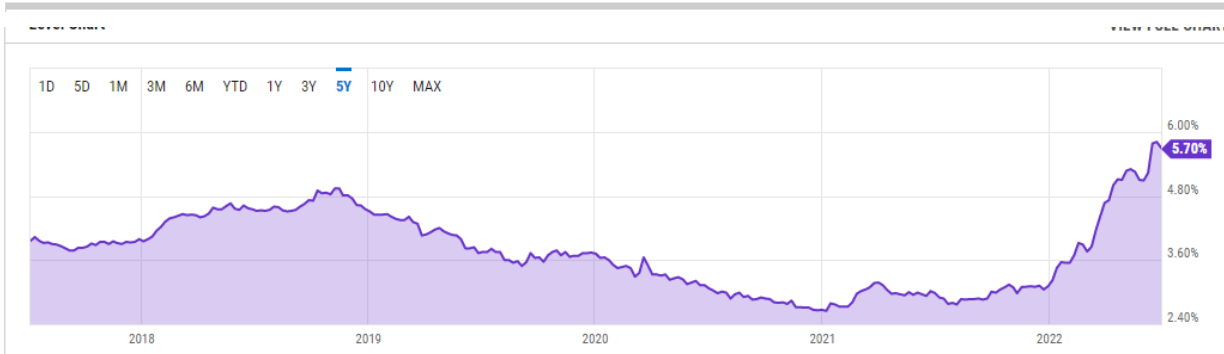
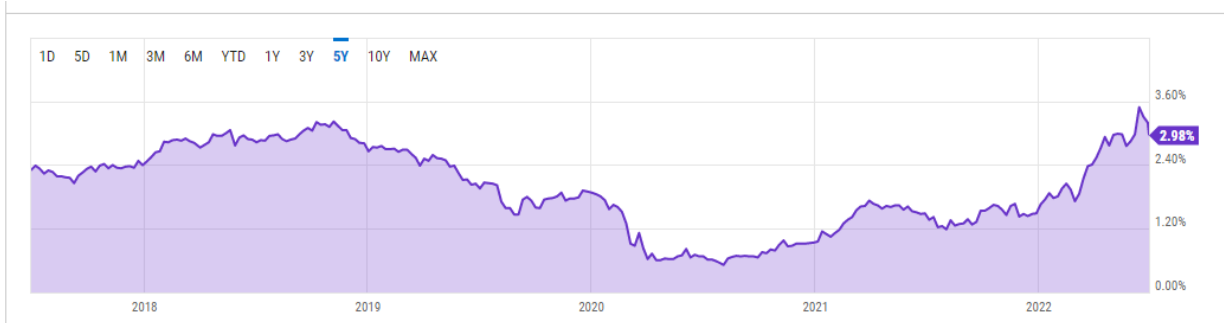
In the Covid years, the Fed has engaged two major policies to lower mortgage rates. They have kept interest rates low, and they have bought large amounts of Mortgage Backed Securities (MBS) for their portfolio. This year, they have significantly raised interest rates, and they are no longer purchasing MBS, The chart below displays the FED rate history.



Interest rates still remain relatively low. Rates were raised considerably prior to the 2008 Super Recession, and then dropped and kept near zero to provide stimulus to the economy. In 2016, things were going well and the FED consistently raised rates 1/4% point almost monthly, until early 2020 when COVID threatened another recession.

In addition to the FED dropping rates (Monetary Policy), Congress threw massive amounts of money at the economy to keep it afloat. (Fiscal Policy)

Mortgage rates do not follow the Fed Funds rate, they normally follow the 10-year treasury rate. Except for the drop in rates caused by COVID, the 10-year bond is what closely coincides with the 30-year fixed Mortgage. The chart just below is the past five years of 10-year bond rates, and the chart below is for the 30-year mortgage for the same time frame.

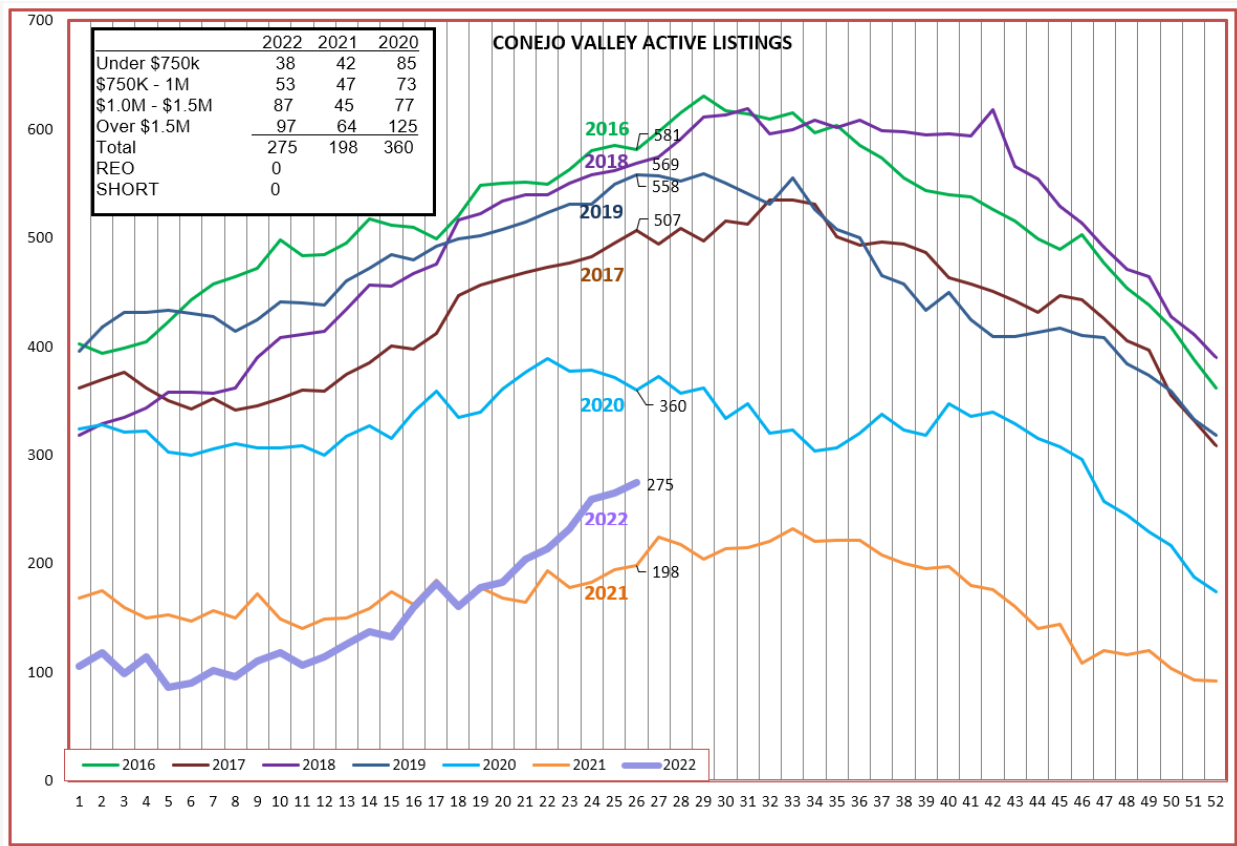


The 10-year bond is the one to watch to see where mortgage rates are going. And in this time of inflation, it is important to compare apples and apples. There are reports of food manufacturers selling goods in smaller packages, effectively raising the cost without raising the price for a box. And I now consistently see quotes for mortgages with points added. Make sure you compare apples to apples.

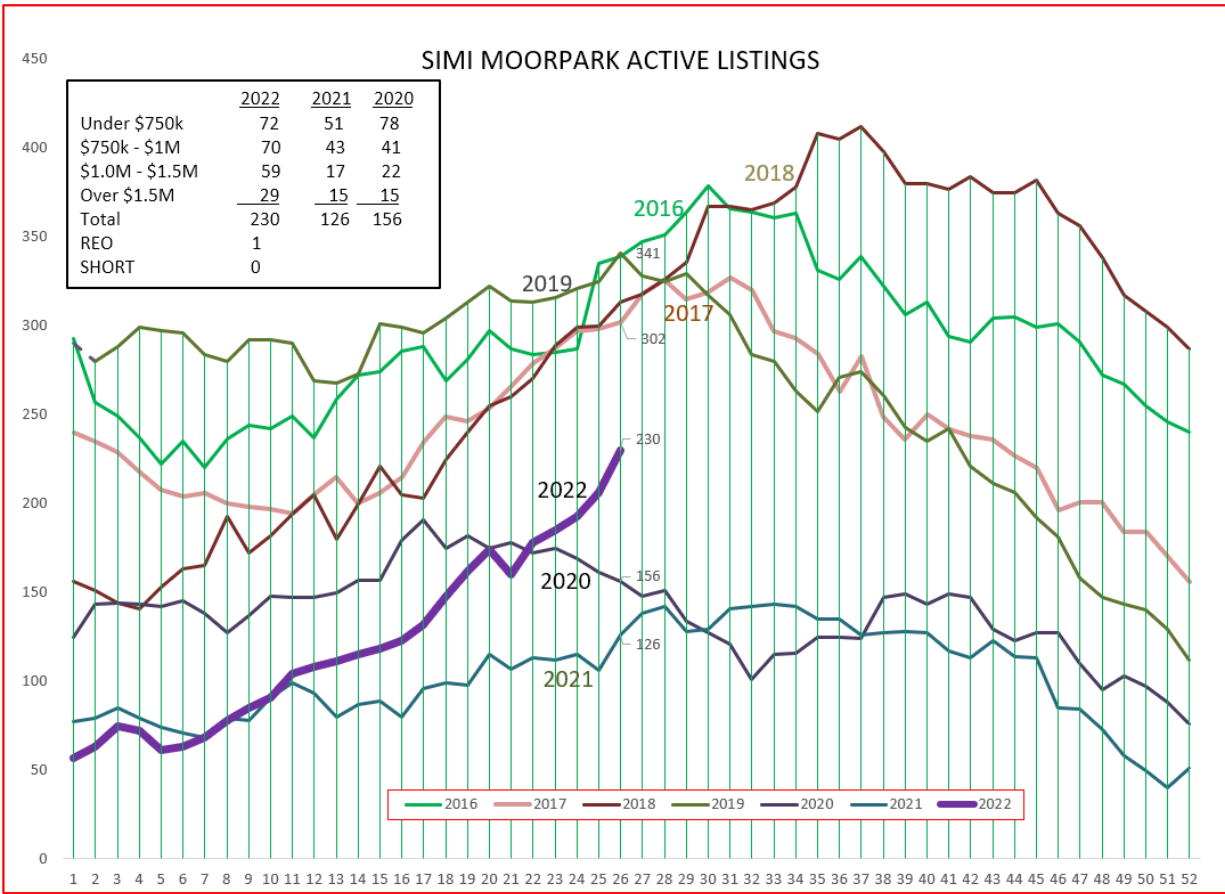
All this talk of tightening in the recent announcements from the FED should be slowing the market down. Yes, it has begun. When our market slows down, we expect to see inventory increase. The number of Pending listings will drop, forecasting a drop in the number of closed escrows.

And prices will stabilize, or may even drop a little. Homes will stay on the market longer. The number of listings attracting multiple offers will decrease. There are charts for all these metrics, but I will give you the local charts I have been following.

A strong move to increase inventory is taking place. 2020 and 2021 saw practically no growth as the year proceeded, but 2022 seems to be following the path we normally expect as we go into the summer months.



Simi Valley and Moorpark are seeing very strong inventory growth, almost double the amount of listings available last year.



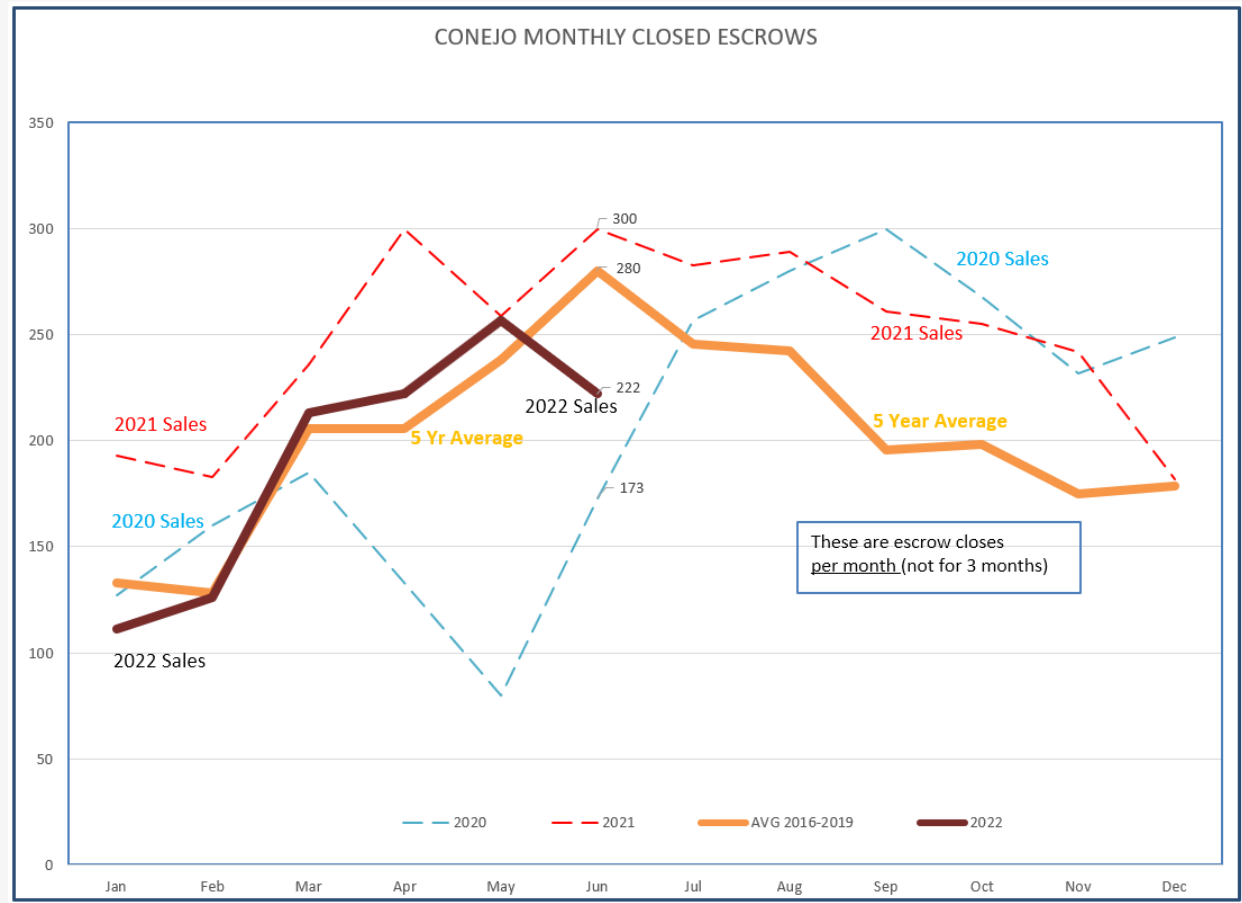
Let's see how this year and last year compare on the statistics table. For Conejo, inventory availability is up 39%, while the number of sales is down by 21%. But remember, the sales number is not what is happening today, it represents contracts written two months ago. This table records the average of the last three months versus those same three months a year ago. Prices are stabilizing, particularly the average prices, which are more influenced by the number of higher priced homes. Looking at the bottom of this chart, the number of sales for all price tranches (slices) are down significantly except the highest price group.

STATS CONEJO VALLEY	7/2/2022		Versus Same Period Last Yr.
	2022	2021	
3-month Period	4/1/2022 - 6/30/2022	4/1/2021 - 6/30/2021	
Total Active Residential Listings	275	198	Up 39%
Median Sold Price	\$ 1,155,000	\$ 986,000	Up 17%
Average Sold Price	\$ 1,361,970	\$ 1,252,000	Up 9%
Average Days On MLS	17	24	3 weeks to sell
Number of sales	675	857	Down 21%
Total Dollar Value of Solds	\$ 919,329,750	\$ 1,072,964,000	Down 14%
Months of Inventory	1.2	0.7	Sales -21%, inventory +39%
Listings under \$750,000	38		
Avg Monthly Sales under \$750,000	38		
Months of under \$750,000 Inventory	1.01		VERY TIGHT INVENTORY
Bracket Sales for Last 3-Month Period	2022	2021	
Total Number of Sales	675	857	Down 21%
Under \$750,000	109	188	Down 42%
\$750,000 - \$1,000,000	145	253	Down 43%
\$1,000,000 - \$1,500,000	232	246	Down 6%
Over \$1,500,000	189	169	Up 12%

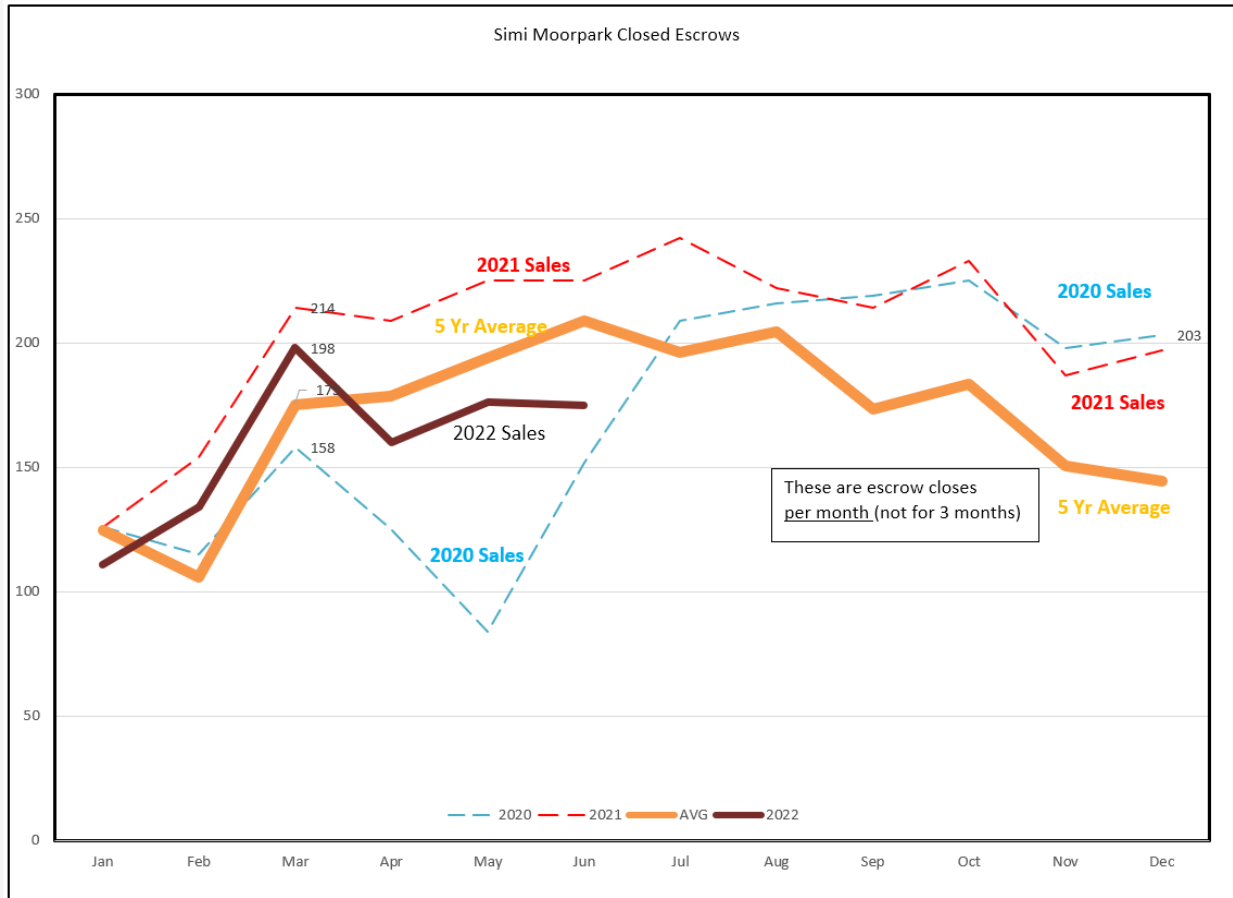
For Simi Valley and Moorpark, the story is similar. Inventory has been minimal to non-existent for a couple of years in Simi/Moorpark, but now the numbers are increasing strongly and are 83% higher than a year ago. Median prices are stabilizing, but average prices remain high because (bottom of the table) sales of homes above \$1 million are very strong. Inventory is up 83% while sales are down 21%.

STATS SIMI MOORPARK	7/2/2022		
	2022	2021	
	4/1/2022-6/30/2022	4/1/2021-6/30/2021	Versus Same Period Last Year
Total Active Residential Listings	230	126	Up 83%
Median Sold Price	\$ 840,000	\$ 745,000	Up 13%
Average Sold Price	\$ 928,224	\$ 789,439	Up 18%
Average Days On MLS	17	19	2 weeks to sell
Number of sales	519	659	Down 21%
Total Dollar Value of Solds	\$ 481,748,256	\$ 520,240,301	Down 7%
Months of Inventory	1.3	0.6	Sales -21%, Inventory +83%
Listings under \$750,000	72		
Avg Monthly Sales under \$750,000	55		
Months of under \$750,000 Inventory	1.31		SALES DECLINING INVENTORY GROWING
Bracket Sales for Last 3-Month Period	2022	2021	
Total Number of Sales	519	659	Down 21%
Under \$750,000	159	342	Down 54%
\$750,000 - \$1,000,000	218	219	Same
\$1,000,000 - \$1,500,000	114	84	Up 36%
Over \$1,500,000	28	14	Double

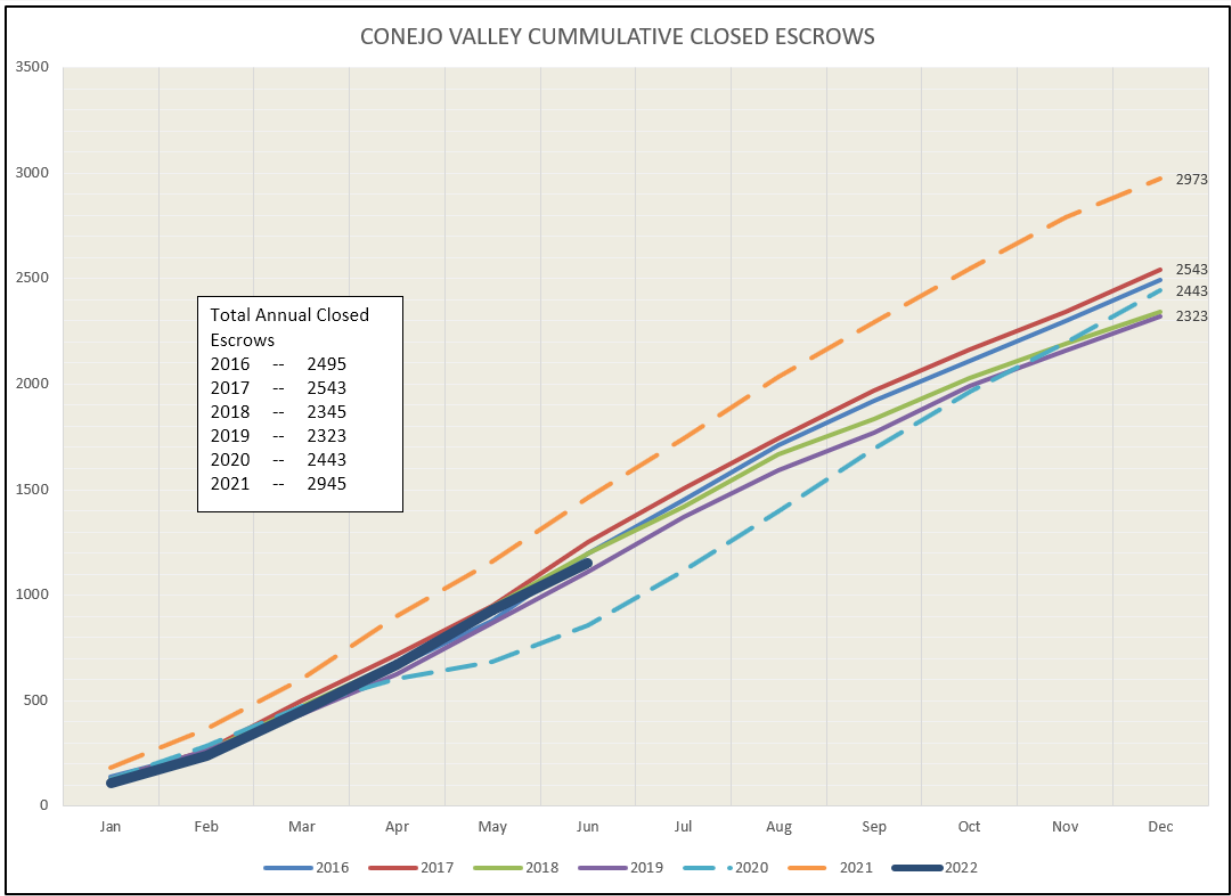
How is demand doing? Again, these charts are based on contracts written two months ago. I have changed the covid years to dotted lines, because they are abnormal. The heavy 2022 line was following the 5-year average, but dipped strongly last month. I expect that dip to continue as this year progresses. Inflation pressure, high home costs, concerns about inflation, consumer confidence, and the almost doubling of mortgage rates will continue to have an effect.



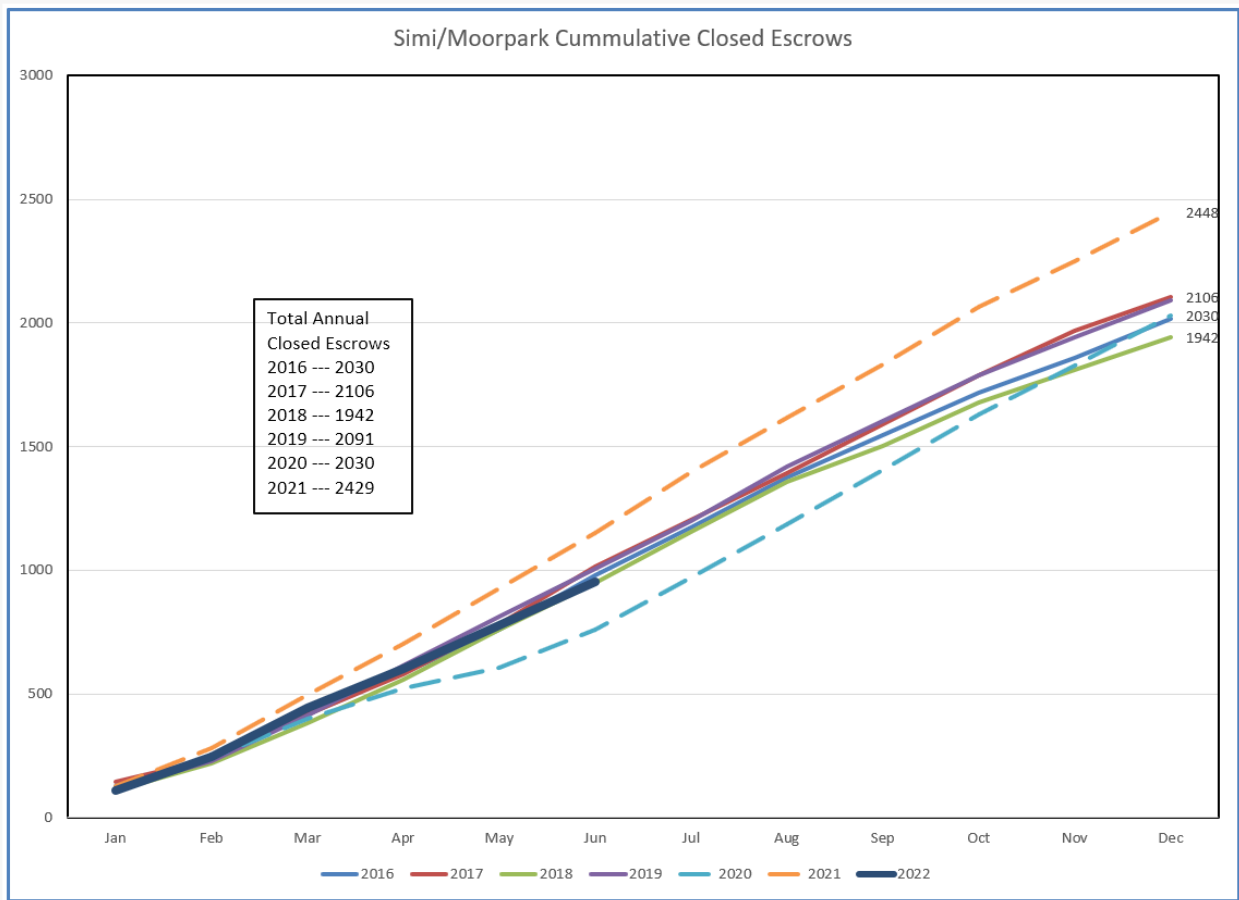
For Simi/Moorpark, the same holds true. This year started out more normal, but things are changing, decreasing sales.



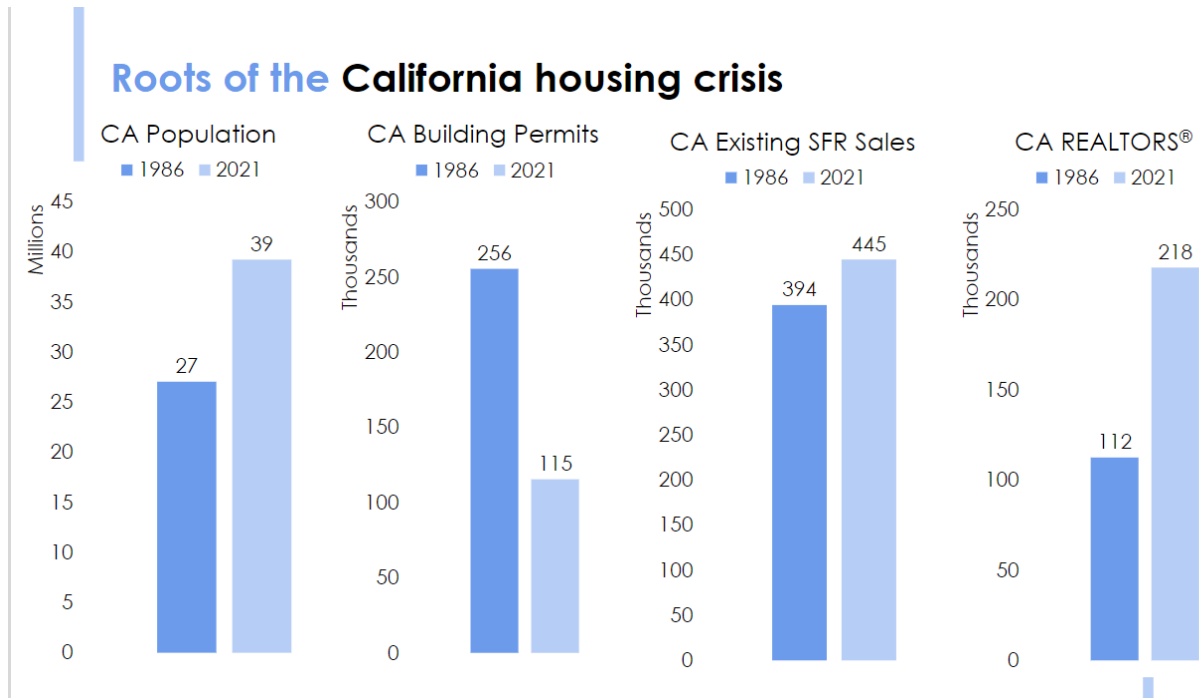
Looking at the same information to see how things are changing as the year progresses, let's look at the cumulative sales charts. You can see that the curve started out pretty much in line with previous years, but has taken a recent dip.



Simi/Moorpark is similar, the trend is down.

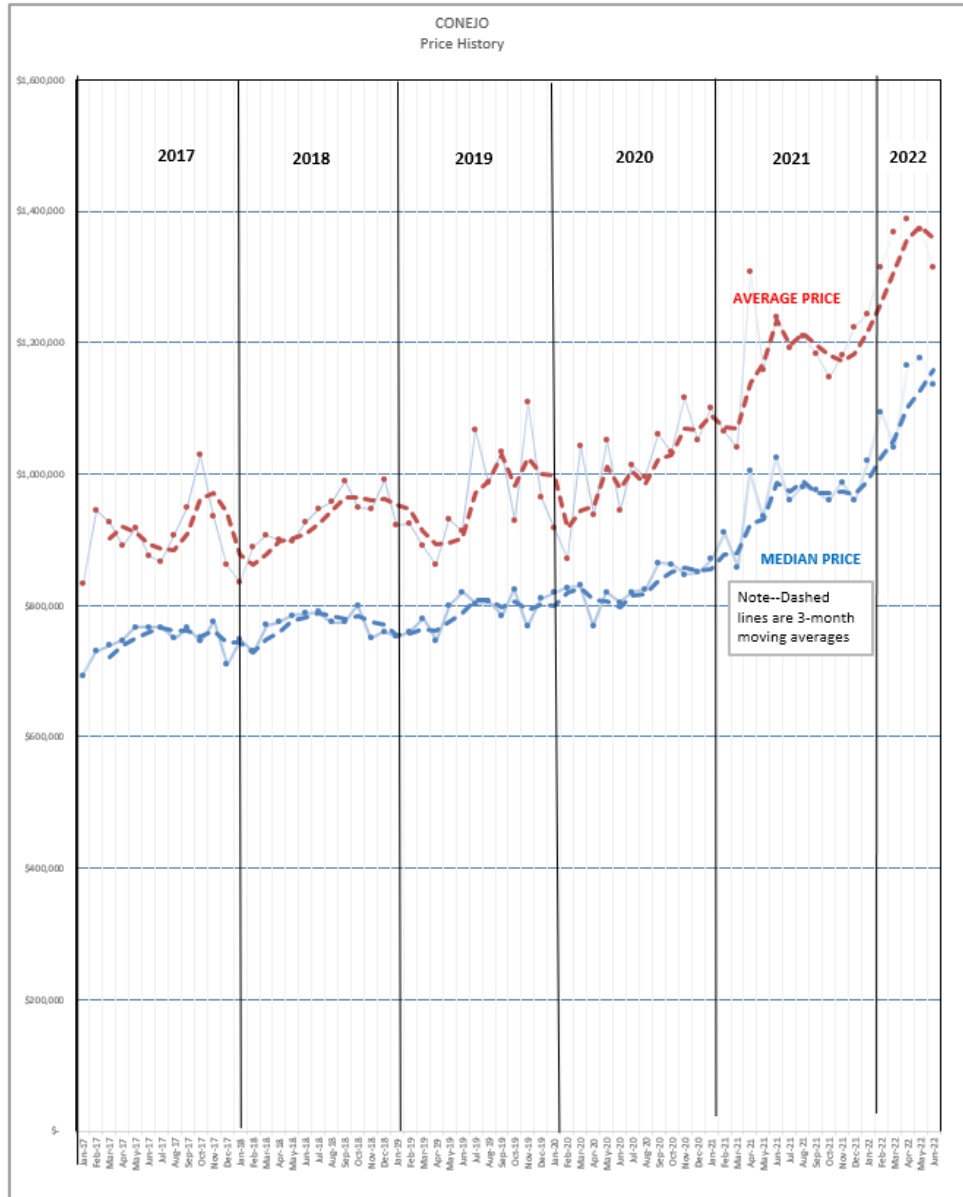


With inventory increasing and sales decreasing, we look for prices to begin to stabilize. They should not fall through the floor because 1) there is no bubble and 2) we continue to experience the result of years of underbuilding. I suggest you go to the CAR website to view the presentation Jordan Levine made on June 24 to the AEs and GADs. Copied below is one of his slides. Population in California was 27 million in 1986, increasing to 49 million in 2021, a 44% increase. Building permits in 1986 of 256,000 units compare to only 115,000 units in 2021, even though we know we are desperately short of housing. There continues to be a housing shortage, with no quick solution in sight.



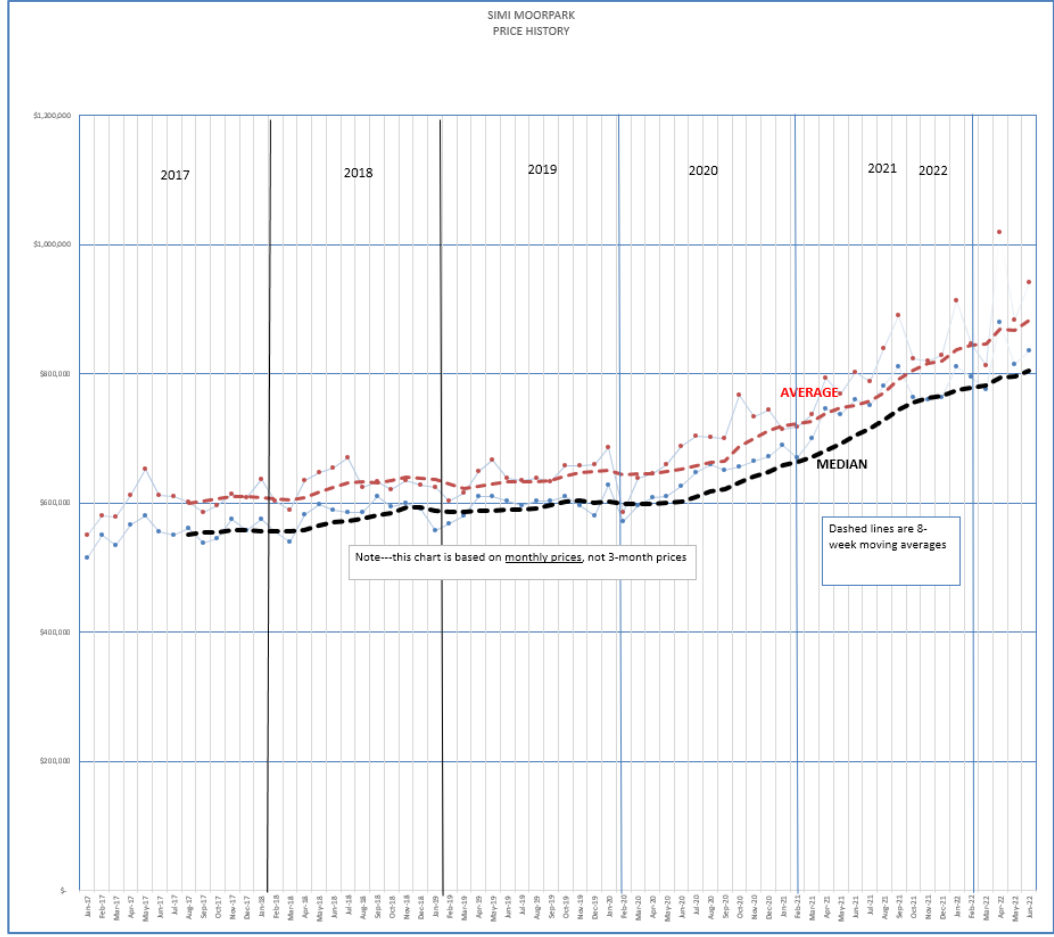
Finally, let's look at the history of prices. These prices represent the median and average prices for one month, not a three-month average. But they also represent contracts that were written two months ago. The three-month comparison table showed average prices beginning to stabilize, down to only 9% after months of double digit increases. However, median prices remain strong, up 17% based on the information in the table. The difference between the two lines represents the strength of the higher priced inventory. In future months, I predict both figures will stabilize, strong increases will give way to average increases.

CONEJO VALLEY		
	MEDIAN	AVERAGE
Jan-17	\$ 693,000	\$ 833,505
Feb-17	\$ 730,000	\$ 944,801
Mar-17	\$ 739,000	\$ 926,804
Apr-17	\$ 747,000	\$ 890,111
May-17	\$ 766,500	\$ 917,196
Jun-17	\$ 767,000	\$ 875,586
Jul-17	\$ 766,900	\$ 867,574
Aug-17	\$ 750,000	\$ 907,669
Sep-17	\$ 765,000	\$ 949,097
Oct-17	\$ 745,750	\$ 1,029,891
Nov-17	\$ 775,500	\$ 936,479
Dec-17	\$ 710,000	\$ 862,565
Jan-18	\$ 747,500	\$ 835,575
Feb-18	\$ 730,000	\$ 868,357
Mar-18	\$ 770,000	\$ 906,240
Apr-18	\$ 774,900	\$ 900,068
May-18	\$ 785,000	\$ 898,481
Jun-18	\$ 788,200	\$ 926,918
Jul-18	\$ 790,000	\$ 947,440
Aug-18	\$ 775,000	\$ 957,017
Sep-18	\$ 775,000	\$ 988,026
Oct-18	\$ 800,000	\$ 949,696
Nov-18	\$ 750,000	\$ 945,902
Dec-18	\$ 760,000	\$ 990,409
Jan-19	\$ 752,500	\$ 922,295
Feb-19	\$ 760,000	\$ 924,258
Mar-19	\$ 780,000	\$ 891,026
Apr-19	\$ 747,000	\$ 862,369
May-19	\$ 800,000	\$ 930,176
Jun-19	\$ 820,000	\$ 912,404
Jul-19	\$ 802,500	\$ 1,067,988
Aug-19	\$ 806,000	\$ 986,789
Sep-19	\$ 785,000	\$ 1,034,622
Oct-19	\$ 825,000	\$ 927,955
Nov-19	\$ 767,500	\$ 1,108,783
Dec-19	\$ 810,000	\$ 965,586
Jan-20	\$ 818,700	\$ 917,906
Feb-20	\$ 827,400	\$ 870,226
Mar-20	\$ 830,000	\$ 1,042,890
Apr-20	\$ 769,000	\$ 938,795
May-20	\$ 820,000	\$ 1,051,872
Jun-20	\$ 805,000	\$ 945,644
Jul-20	\$ 820,000	\$ 1,014,336
Aug-20	\$ 825,000	\$ 995,356
Sep-20	\$ 865,000	\$ 1,060,749
Oct-20	\$ 862,500	\$ 1,033,982
Nov-20	\$ 847,500	\$ 1,115,324
Dec-20	\$ 850,000	\$ 1,052,577
Jan-21	\$ 870,000	\$ 1,101,123
Feb-21	\$ 910,000	\$ 1,064,590
Mar-21	\$ 858,000	\$ 1,039,843
Apr-21	\$ 1,003,750	\$ 1,308,864
May-21	\$ 935,000	\$ 1,158,744
Jun-21	\$ 1,025,000	\$ 1,238,194
Jul-21	\$ 960,000	\$ 1,192,702
Aug-21	\$ 980,500	\$ 1,210,621
Sep-21	\$ 975,000	\$ 1,183,644
Oct-21	\$ 960,000	\$ 1,148,478
Nov-21	\$ 987,500	\$ 1,181,805
Dec-21	\$ 960,000	\$ 1,222,485
Jan-22	\$ 1,020,000	\$ 1,243,839
Feb-22	\$ 1,094,975	\$ 1,313,957
Mar-22	\$ 1,040,000	\$ 1,368,892
Apr-22	\$ 1,165,000	\$ 1,368,774
May-22	\$ 1,177,000	\$ 1,372,918
Jun-22	\$ 1,137,250	\$ 1,315,114



For Simi/Moorpark, the distance between the two lines has been increasing due to the strong sales of properties priced above \$1 million. Considering the rapid growth in active inventory, I forecast these to also begin to level out.

SIMI/MOORPARK		
	MEDIAN	AVERAGE
Jan-17	\$ 515,000	\$ 543,361
Feb-17	\$ 550,000	\$ 579,449
Mar-17	\$ 535,000	\$ 578,049
Apr-17	\$ 565,000	\$ 611,936
May-17	\$ 579,950	\$ 651,621
Jun-17	\$ 555,000	\$ 610,839
Jul-17	\$ 550,000	\$ 609,521
Aug-17	\$ 560,000	\$ 600,526
Sep-17	\$ 538,500	\$ 585,616
Oct-17	\$ 545,000	\$ 596,597
Nov-17	\$ 578,250	\$ 614,067
Dec-17	\$ 556,500	\$ 607,912
Jan-18	\$ 576,000	\$ 636,968
Feb-18	\$ 555,000	\$ 602,919
Mar-18	\$ 539,000	\$ 589,222
Apr-18	\$ 582,500	\$ 635,306
May-18	\$ 597,000	\$ 646,954
Jun-18	\$ 588,000	\$ 653,952
Jul-18	\$ 585,000	\$ 670,386
Aug-18	\$ 585,000	\$ 623,610
Sep-18	\$ 610,000	\$ 632,187
Oct-18	\$ 593,750	\$ 620,047
Nov-18	\$ 600,000	\$ 635,252
Dec-18	\$ 590,000	\$ 628,353
Jan-19	\$ 557,538	\$ 623,387
Feb-19	\$ 568,250	\$ 602,159
Mar-19	\$ 579,450	\$ 615,764
Apr-19	\$ 609,990	\$ 649,177
May-19	\$ 610,000	\$ 666,010
Jun-19	\$ 602,500	\$ 638,214
Jul-19	\$ 594,950	\$ 634,267
Aug-19	\$ 602,625	\$ 638,864
Sep-19	\$ 603,000	\$ 632,155
Oct-19	\$ 610,000	\$ 658,002
Nov-19	\$ 595,000	\$ 657,806
Dec-19	\$ 580,000	\$ 658,715
Jan-20	\$ 627,500	\$ 685,494
Feb-20	\$ 572,000	\$ 594,352
Mar-20	\$ 595,000	\$ 638,210
Apr-20	\$ 609,000	\$ 645,457
May-20	\$ 610,000	\$ 659,376
Jun-20	\$ 625,000	\$ 686,950
Jul-20	\$ 647,000	\$ 702,500
Aug-20	\$ 656,750	\$ 700,840
Sep-20	\$ 650,000	\$ 693,945
Oct-20	\$ 656,000	\$ 767,301
Nov-20	\$ 685,000	\$ 734,048
Dec-20	\$ 672,000	\$ 743,228
Jan-21	\$ 690,000	\$ 713,852
Feb-21	\$ 670,000	\$ 716,670
Mar-21	\$ 700,000	\$ 736,423
Apr-21	\$ 745,000	\$ 783,945
May-21	\$ 737,500	\$ 768,061
Jun-21	\$ 760,000	\$ 801,057
Jul-21	\$ 750,000	\$ 787,708
Aug-21	\$ 780,000	\$ 839,154
Sep-21	\$ 810,000	\$ 890,600
Oct-21	\$ 763,125	\$ 822,497
Nov-21	\$ 753,000	\$ 819,558
Dec-21	\$ 764,000	\$ 828,508
Jan-22	\$ 810,000	\$ 913,119
Feb-22	\$ 795,500	\$ 846,193
Mar-22	\$ 775,000	\$ 811,634
Apr-22	\$ 879,750	\$ 1,018,855
May-22	\$ 815,000	\$ 882,306
Jun-22	\$ 836,000	\$ 940,373



So, that's what I think will happen. The charts represent history, they are accurate, the past is locked in and recorded.