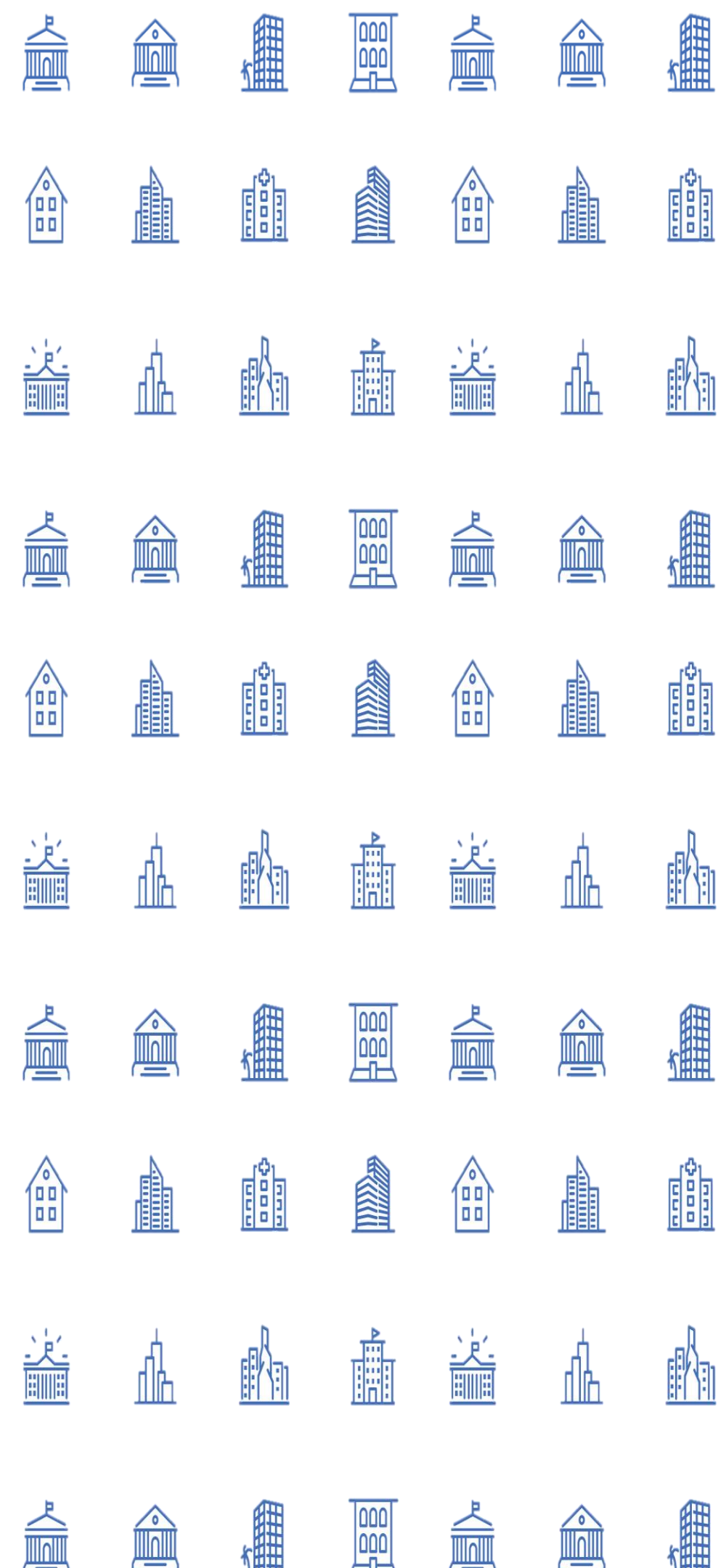


# 2022 California Economic & Housing Market Forecast

Presented by,  
ANTHONY VULIN  
2022 GLAR President  
Owner/Broker of *the collective*



# California housing market outlook (Most Likely)

	2015	2016	2017	2018	2019	2020	2021f	2021p	
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	392.5	439.8	
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	3.5%	3.3%	6.8%	↑
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$648.8	\$793.1	
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.3%	1.3%	20.3%	↑↑
Housing Affordability Index	31%	31%	29%	28%	31%	32%	31%	26%	
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.1%	3.1%	3.0%	



# Cyclical issues fade, structural issues emerge & reemerge

## 01 Is the tide rising?

- More jobs, income, spending, life events
- BUT... rising uncertainty—COVID & otherwise

## 02 How is housing going to fare?

- Sales, prices, competition, discounts/lack thereof
- Will housing continue to punch above its weight?

## 03 Lasting & transitory changes

- The who, what, when, where, and why for housing
- PLUS the broader structural/environmental issues

## 04 What does it all mean for you?

- Structural issues impact not just our clients...
- What can we do to help revive homeownership?





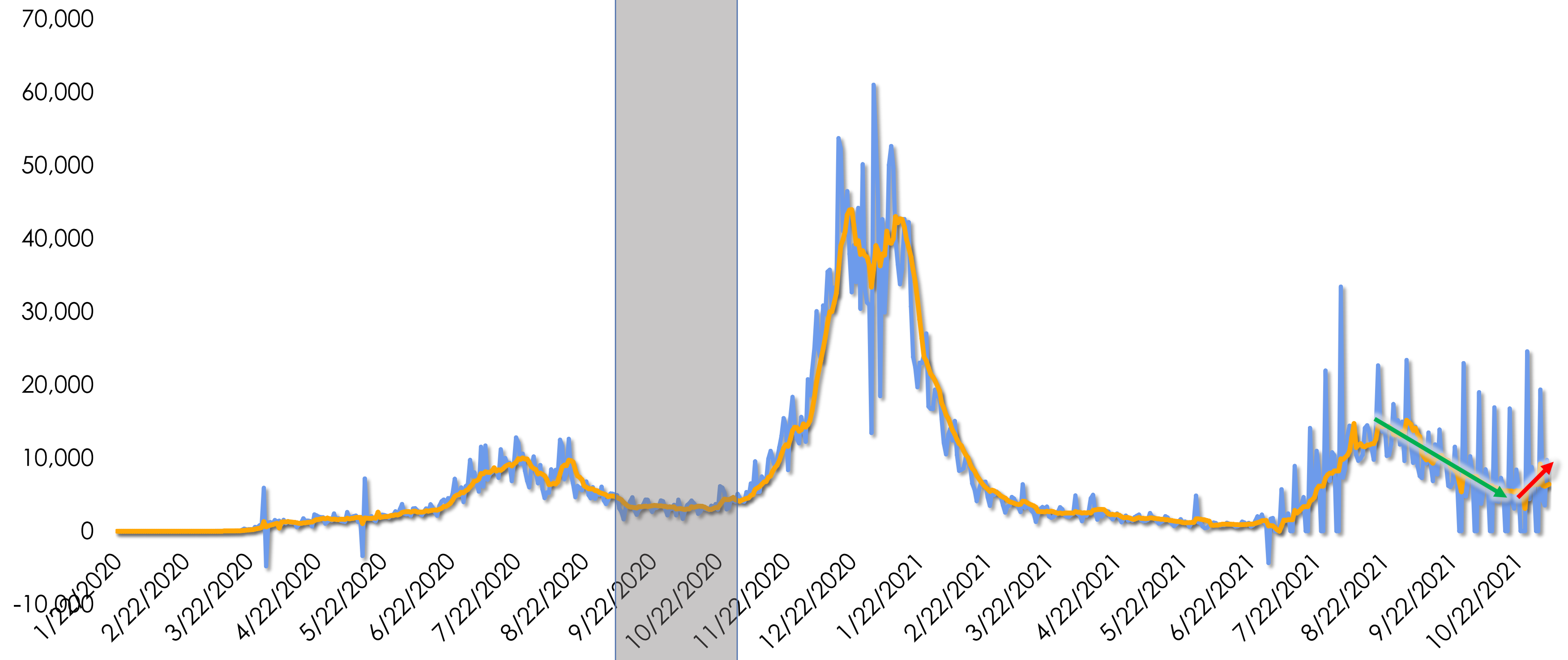
# Let's Talk About **That Tide**



# COVID is the wildcard that we didn't predict well last year...

New Coronavirus Cases in California

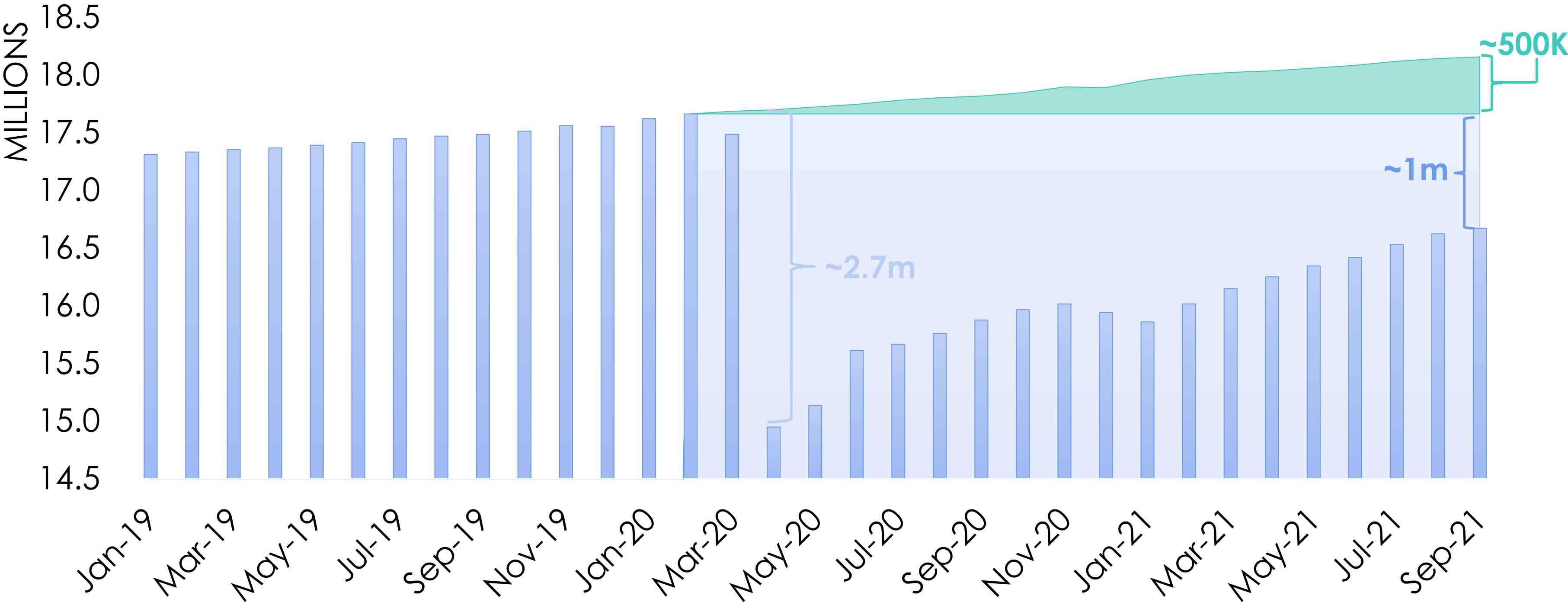
— New Cases — 7-Day Avg.



# California economy healing, but still a long way to go

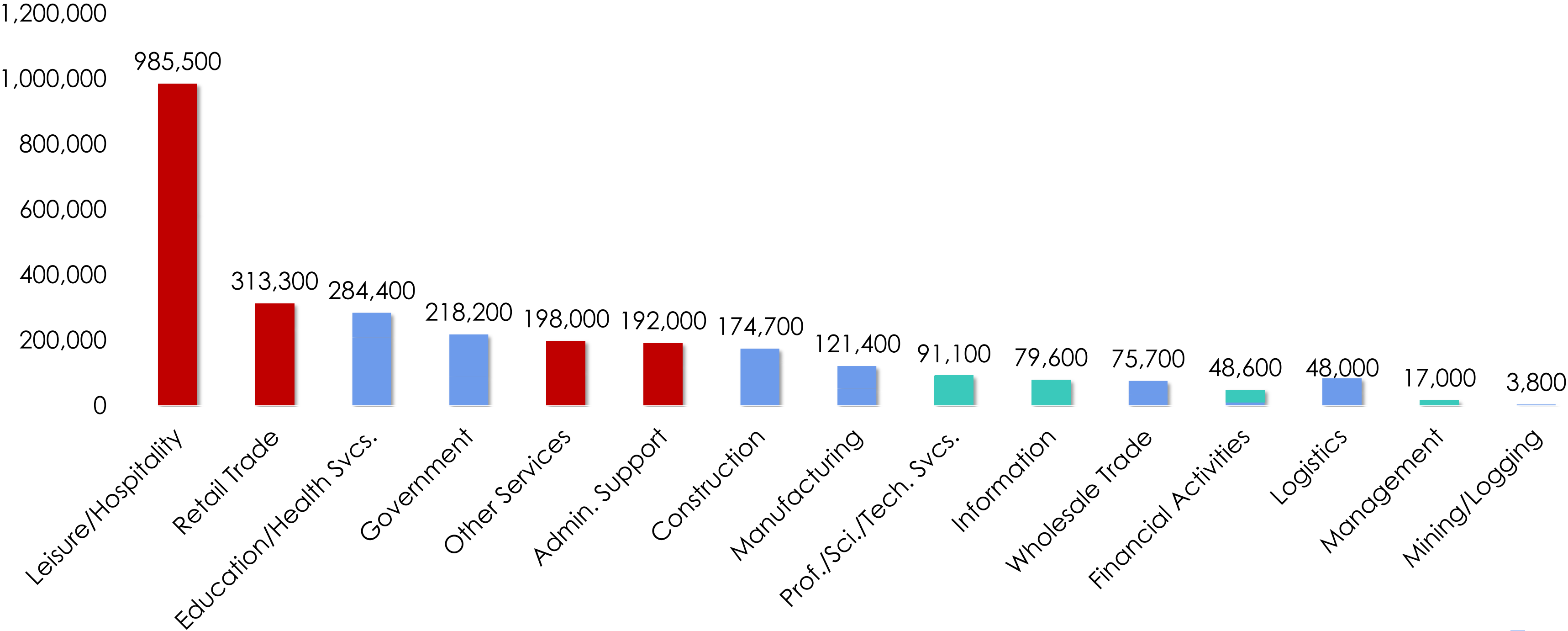
## California Nonfarm Employment

Pre-Crisis   Trend Growth   Nonfarm



# Nature of crisis insulated the housing market

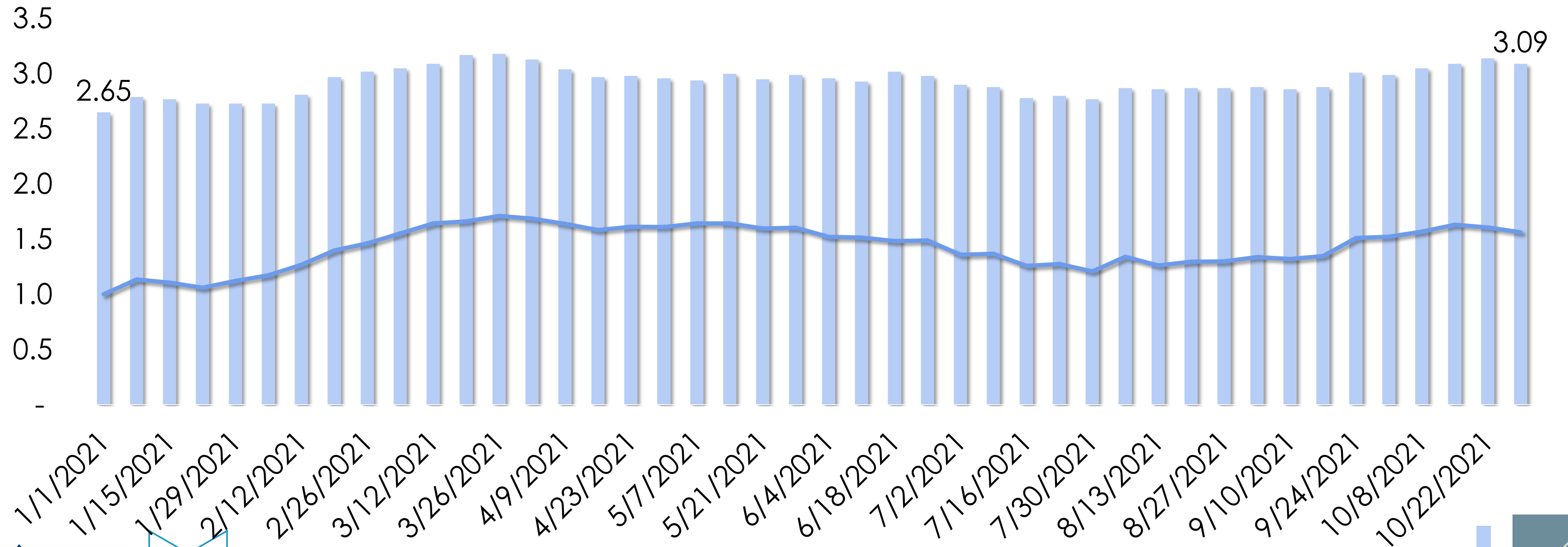
California COVID Job Losses and Jobs Recovery-to-Date



# Rates are still incredibly low by historical standards

## Key Interest Rates

■ 30-Yr FRM    — 10-Yr Treasury

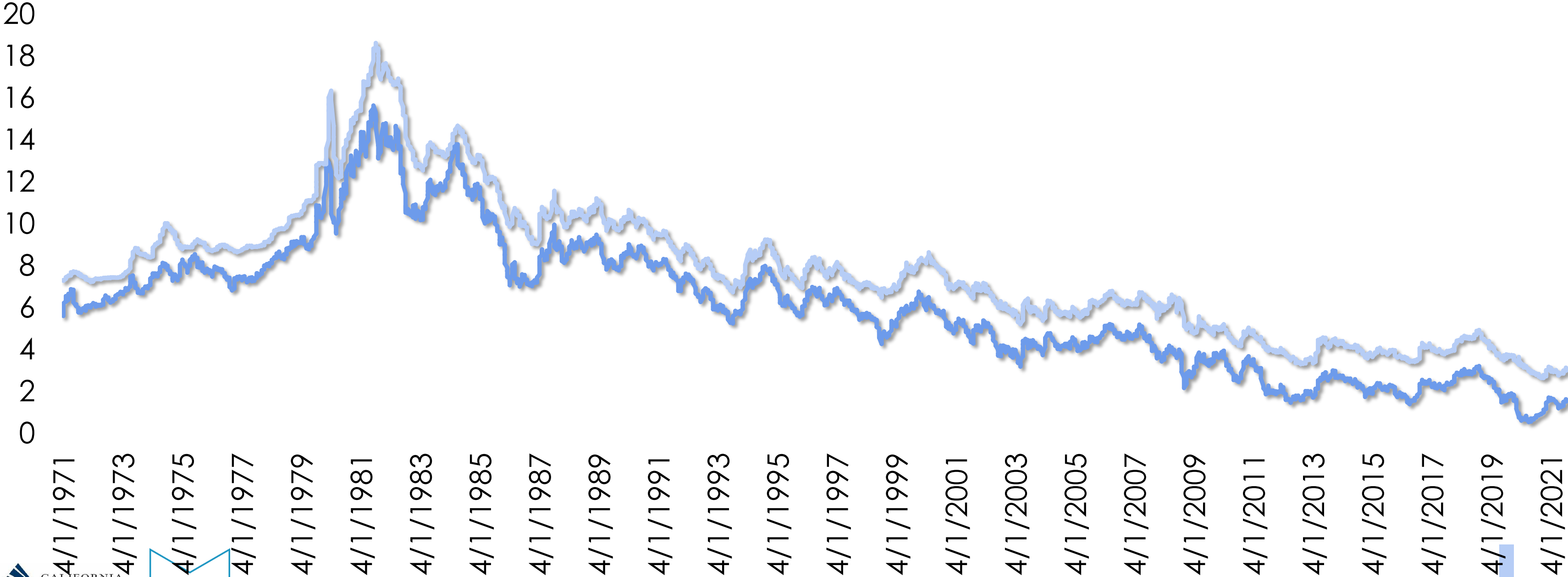




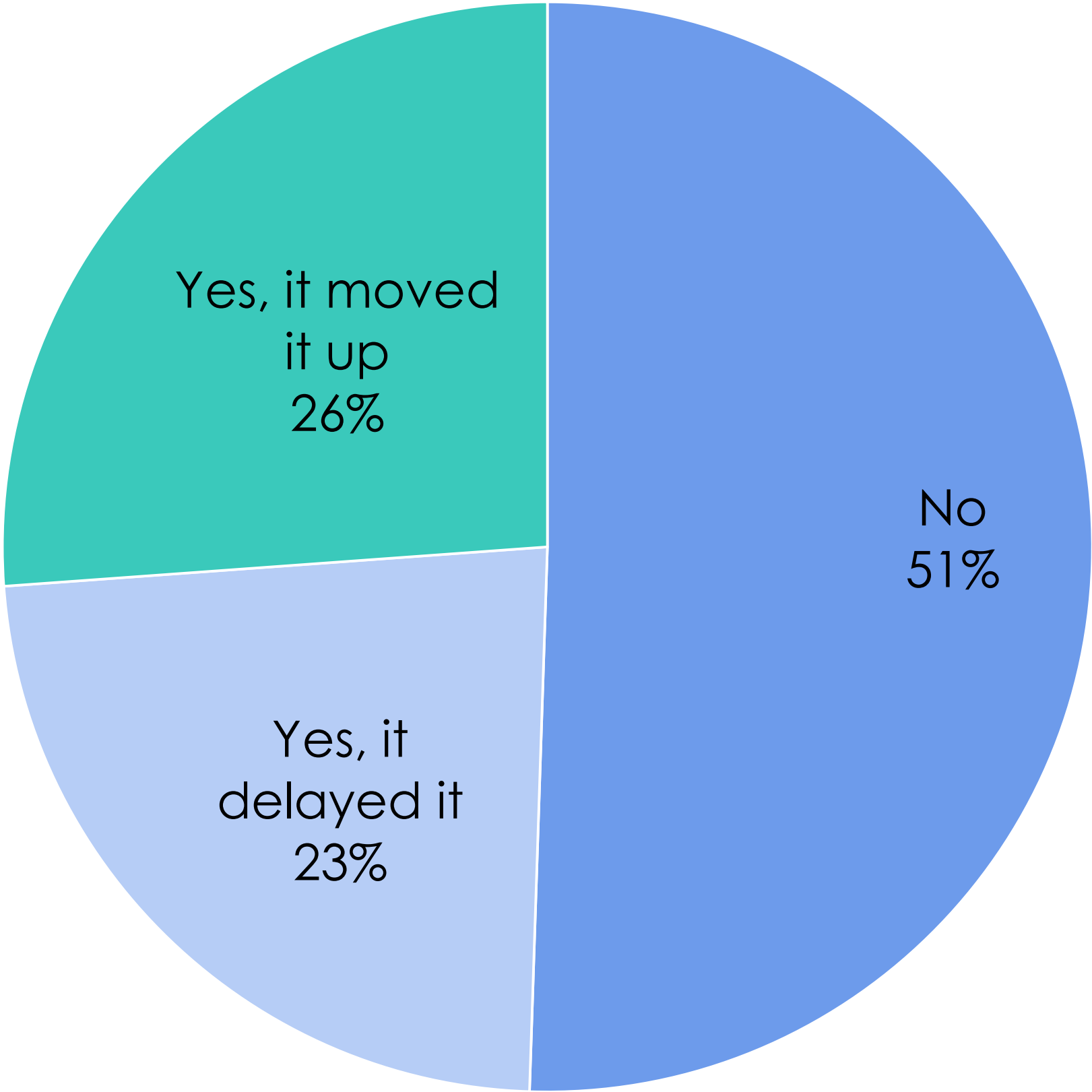
# Wish my dad was around to take advantage

Key Interest Rates

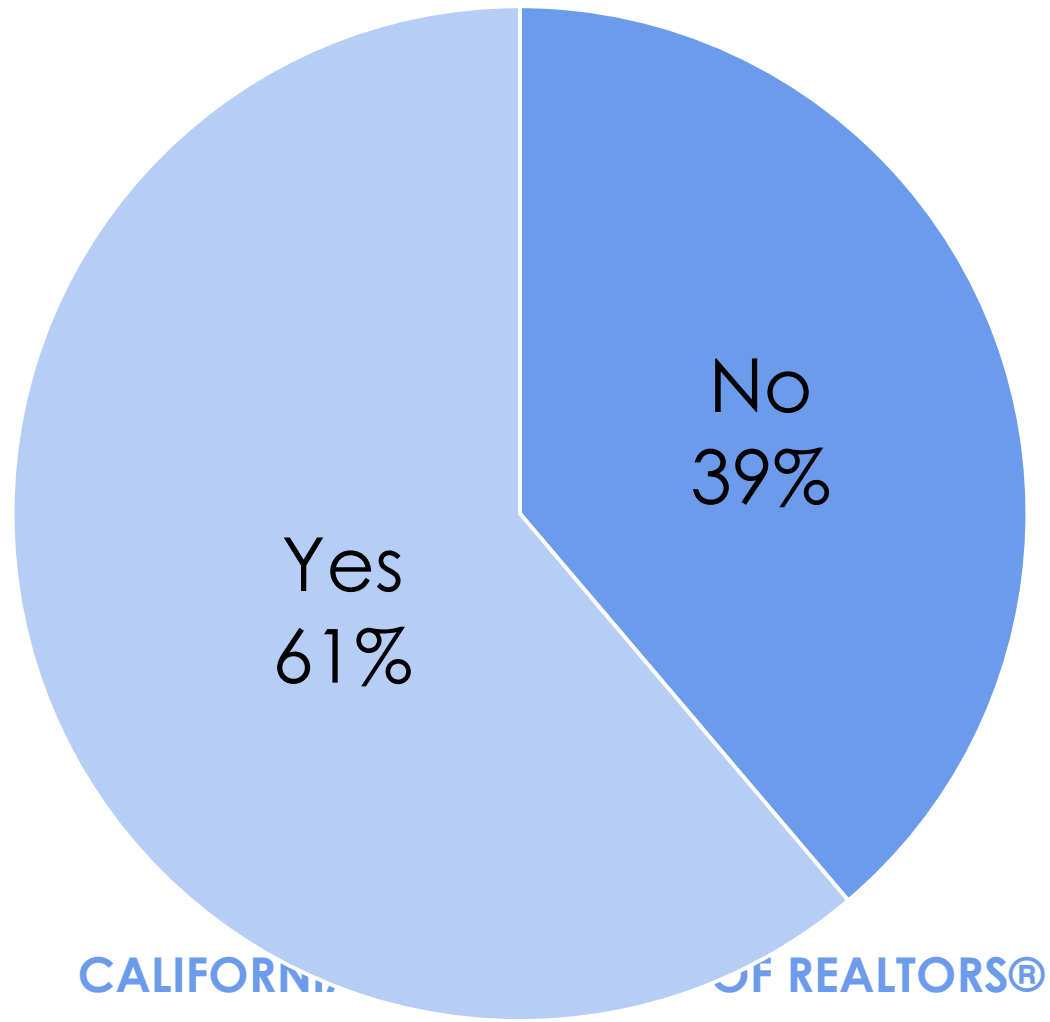
—10-Yr Treasury —30-Yr FRM



Did the COVID-19 pandemic change the timing of your home buying plan?

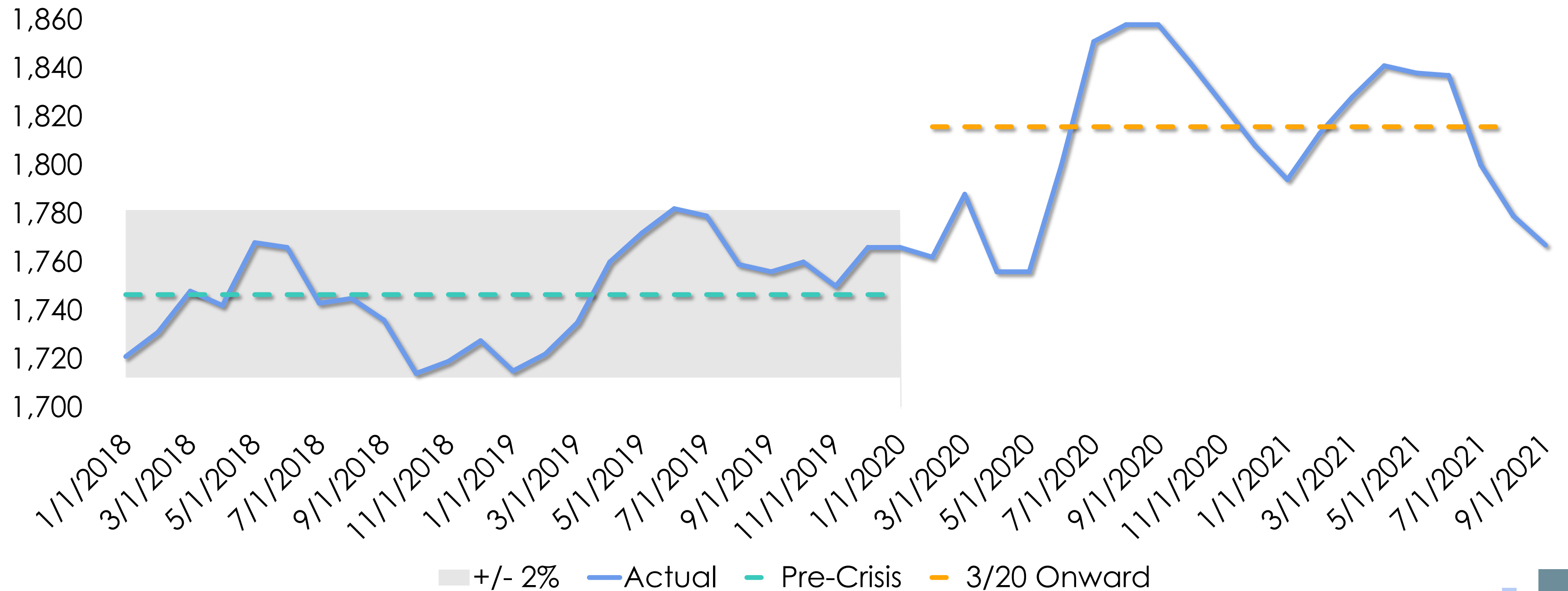


Did you have a change in your preference of property that you want to purchase since the COVID-19 pandemic?



# Not just where, but also what consumers were buying

Median Sq. Ft. of Existing SFR Sales in California



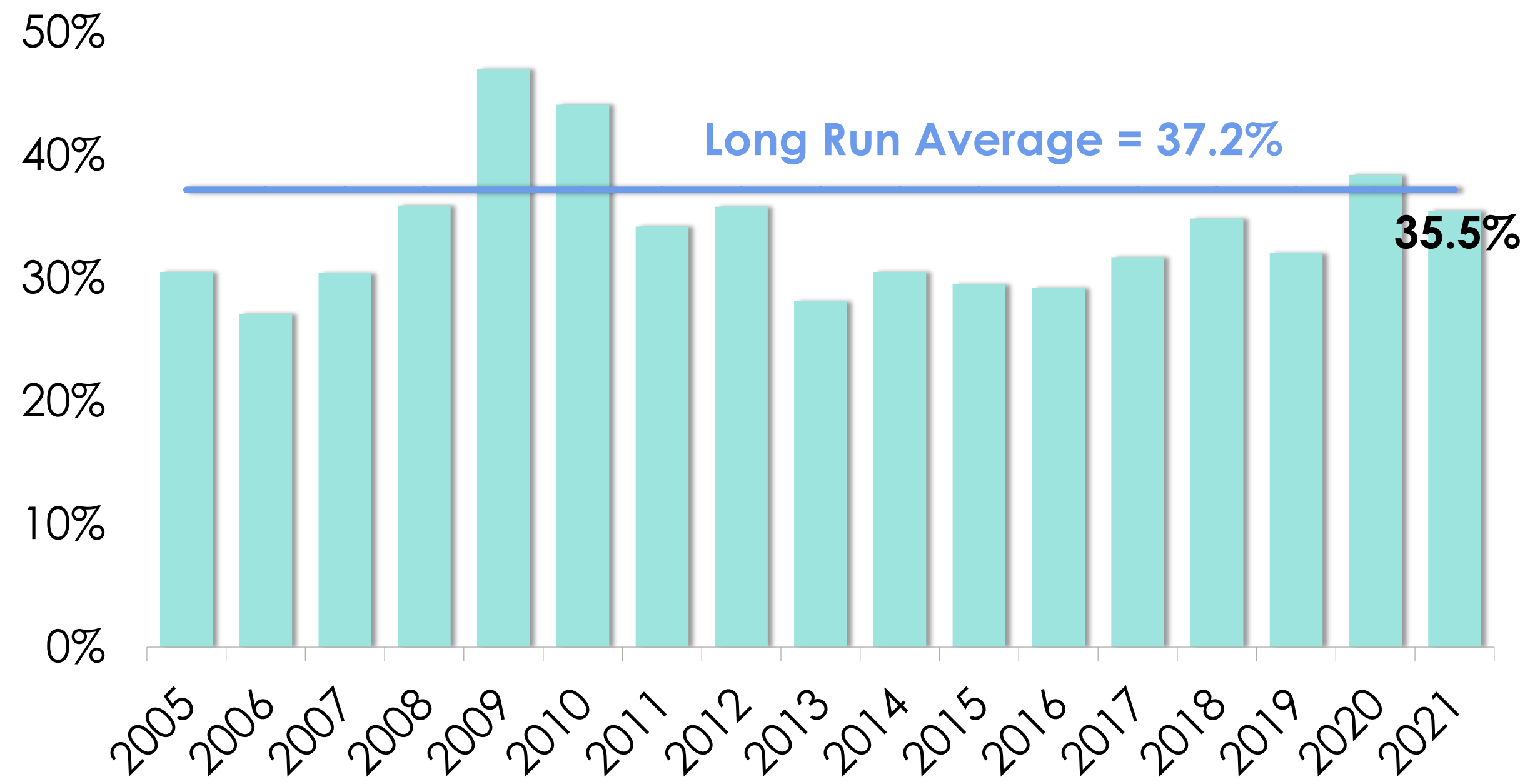
CALIFORNIA ASSOCIATION OF REALTORS®



# 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%

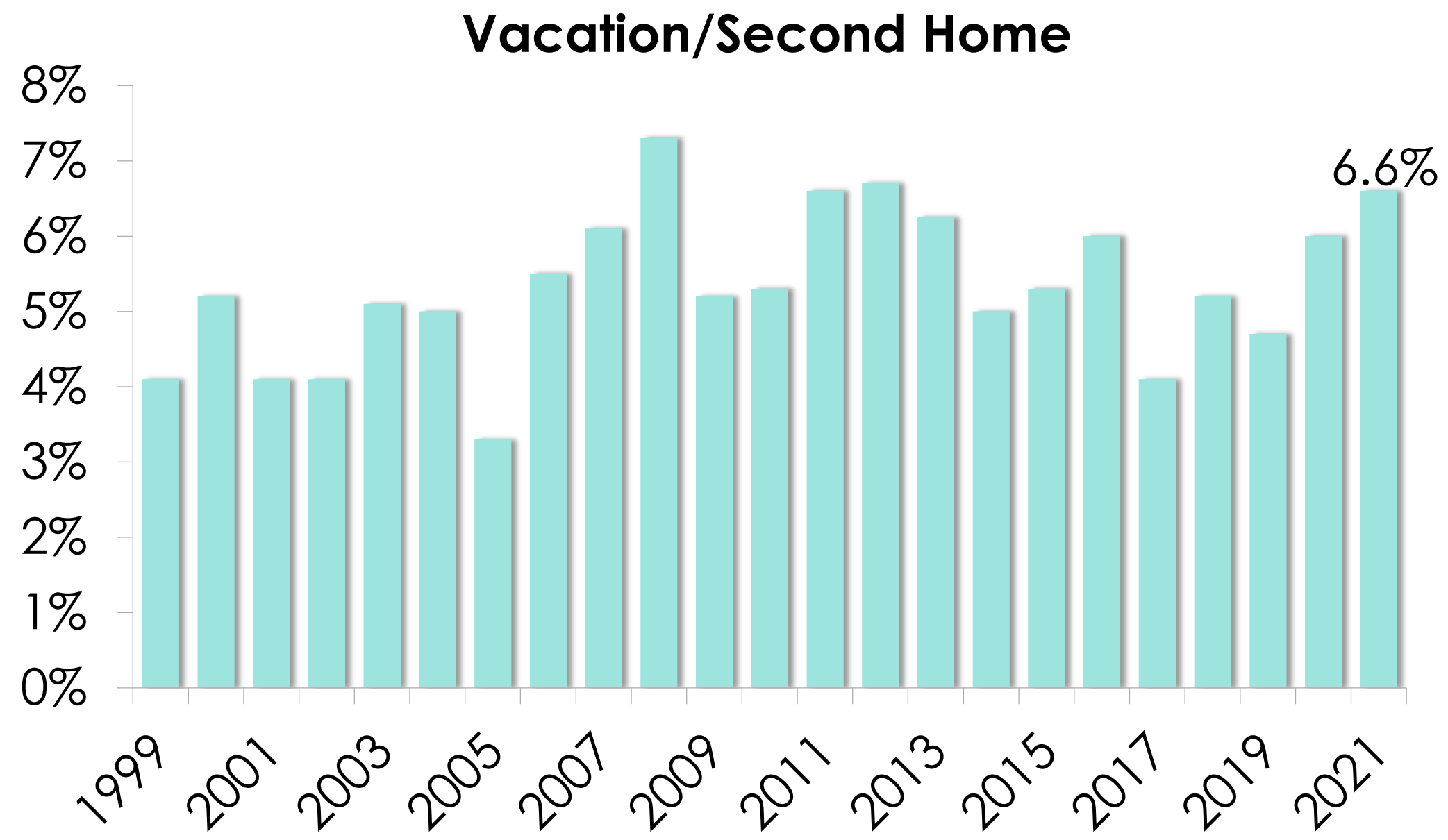


# Financial Characteristics: First-Time vs. Repeat (2021)

	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%

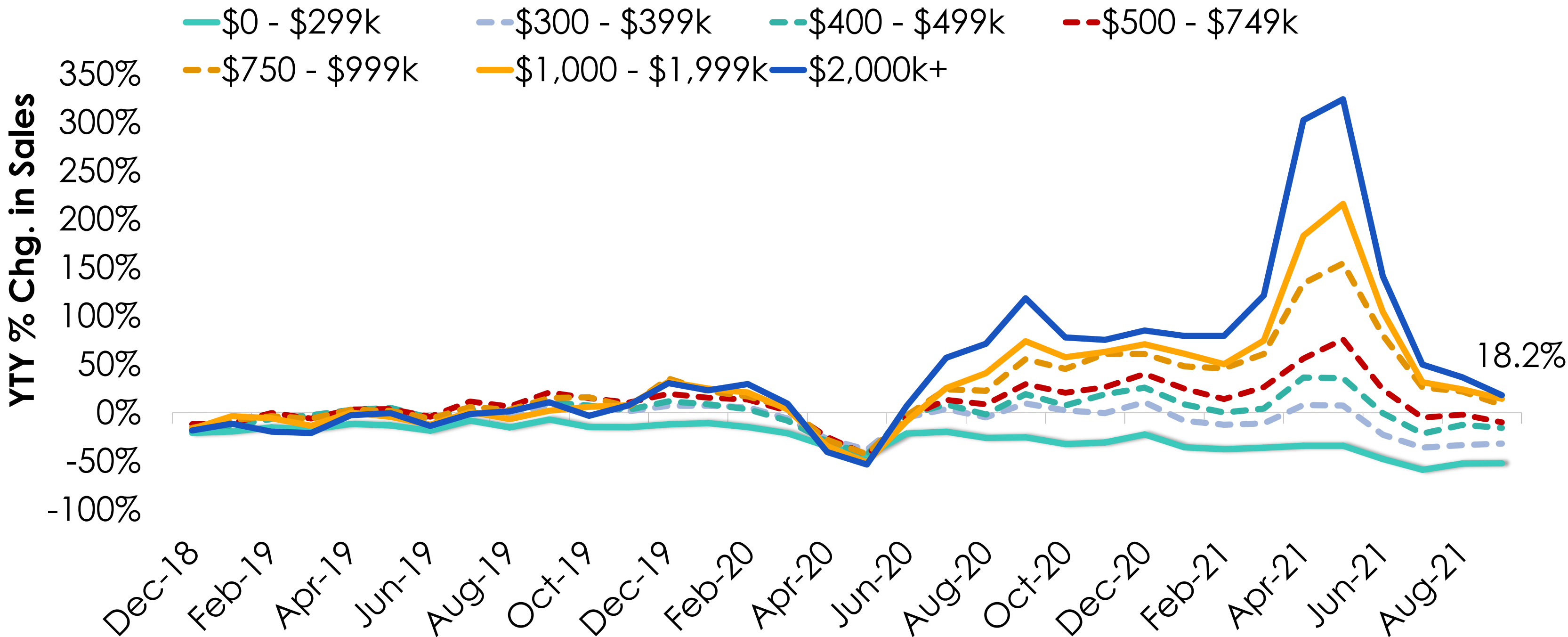


# Share of 2<sup>nd</sup>/vacation home buying highest since 2012



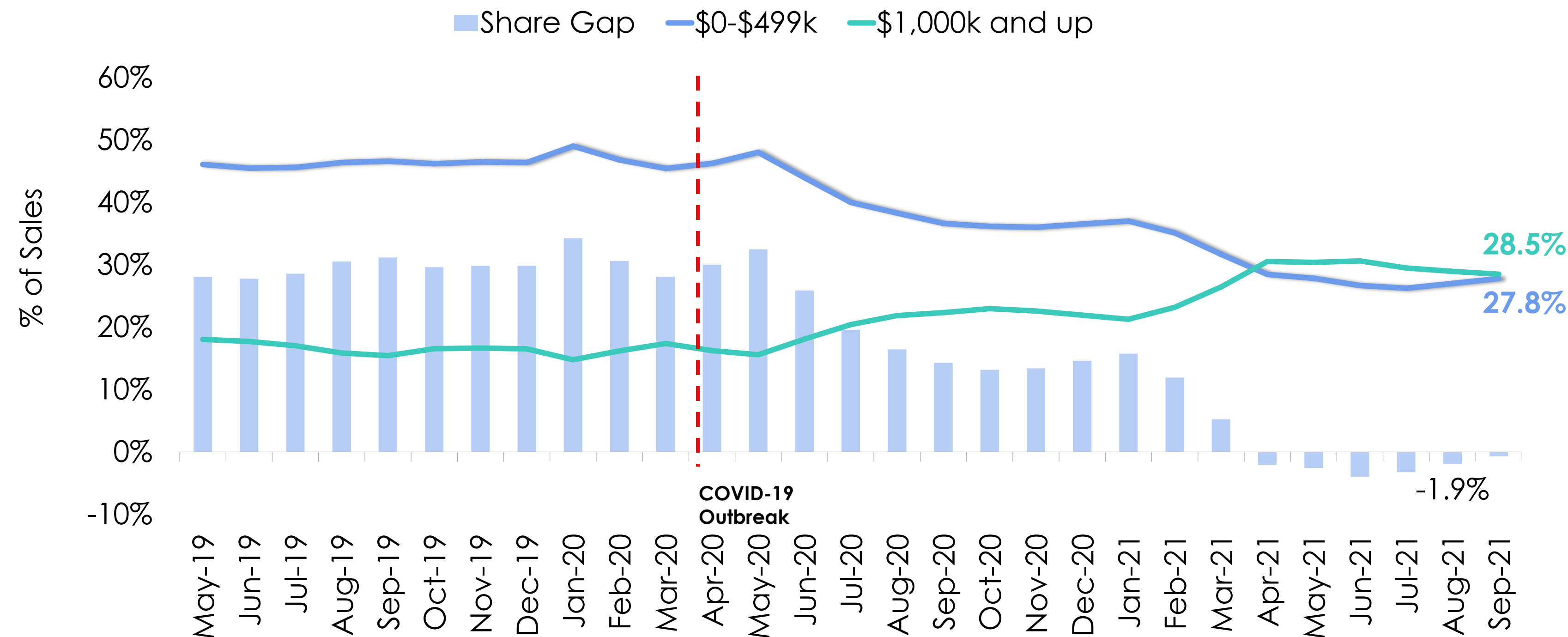


# Strength in \$1M+ reflects the broader economy



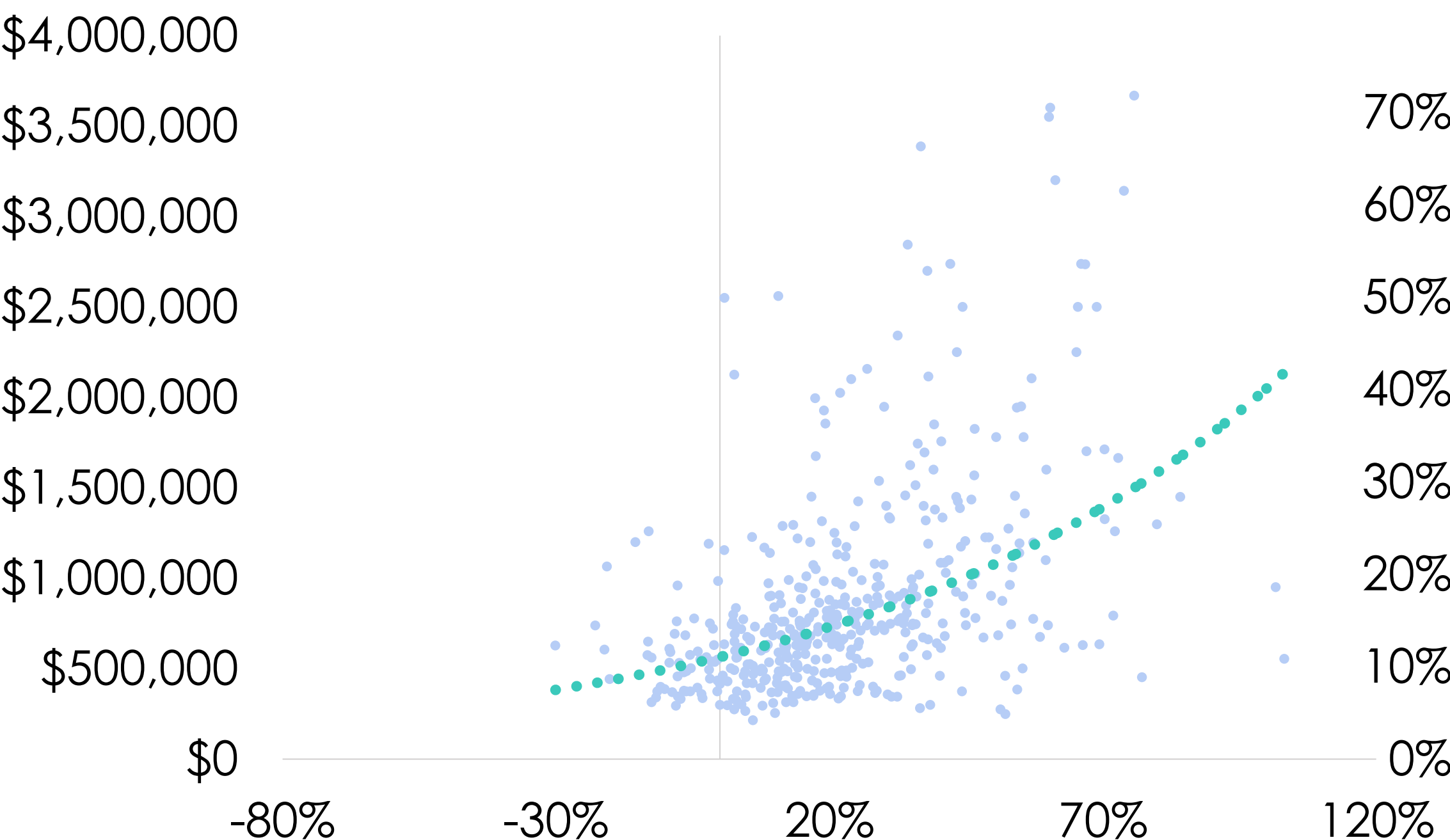


# Now selling more \$1M+ homes than under \$500K

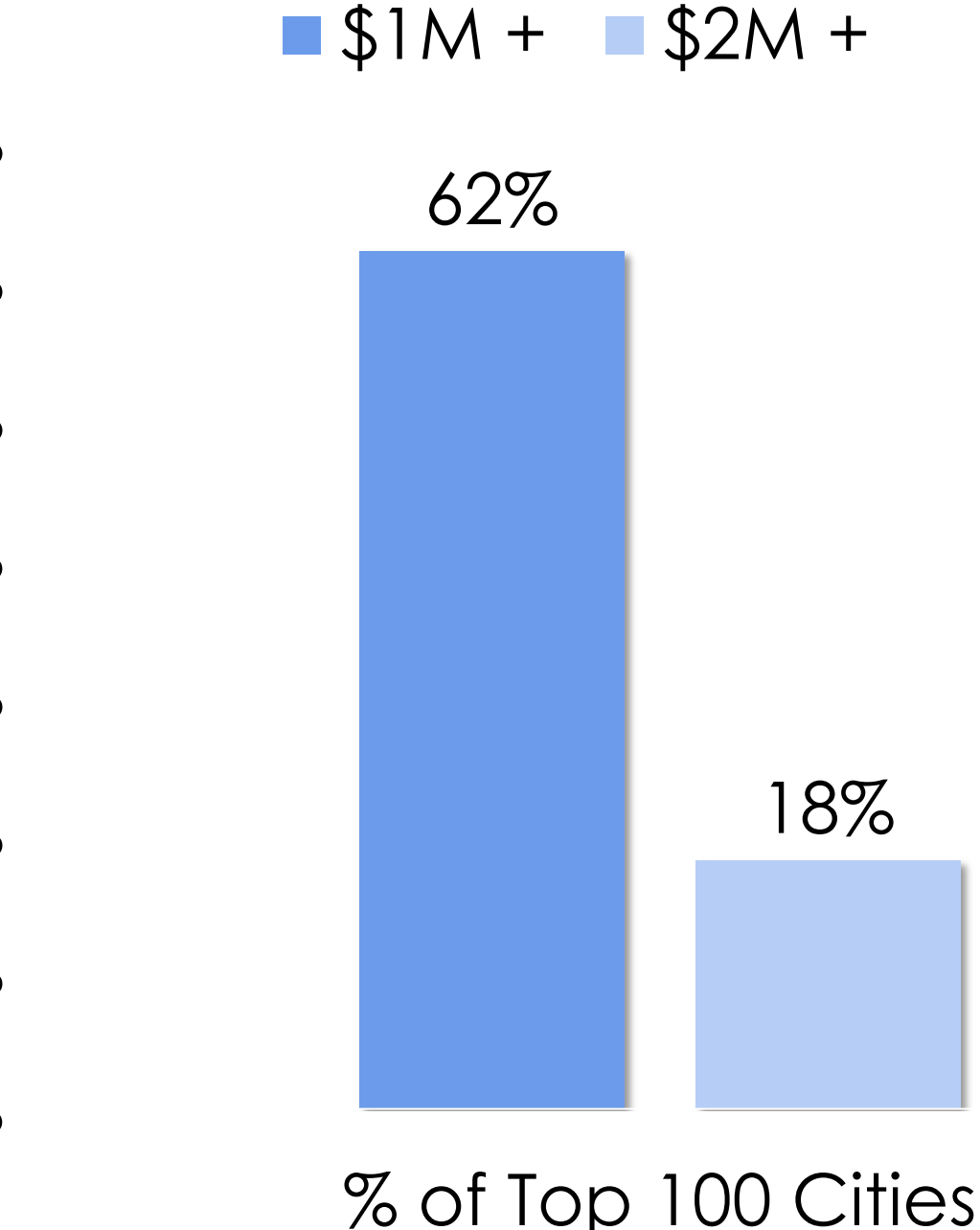


# Higher-priced markets continue to drive growth

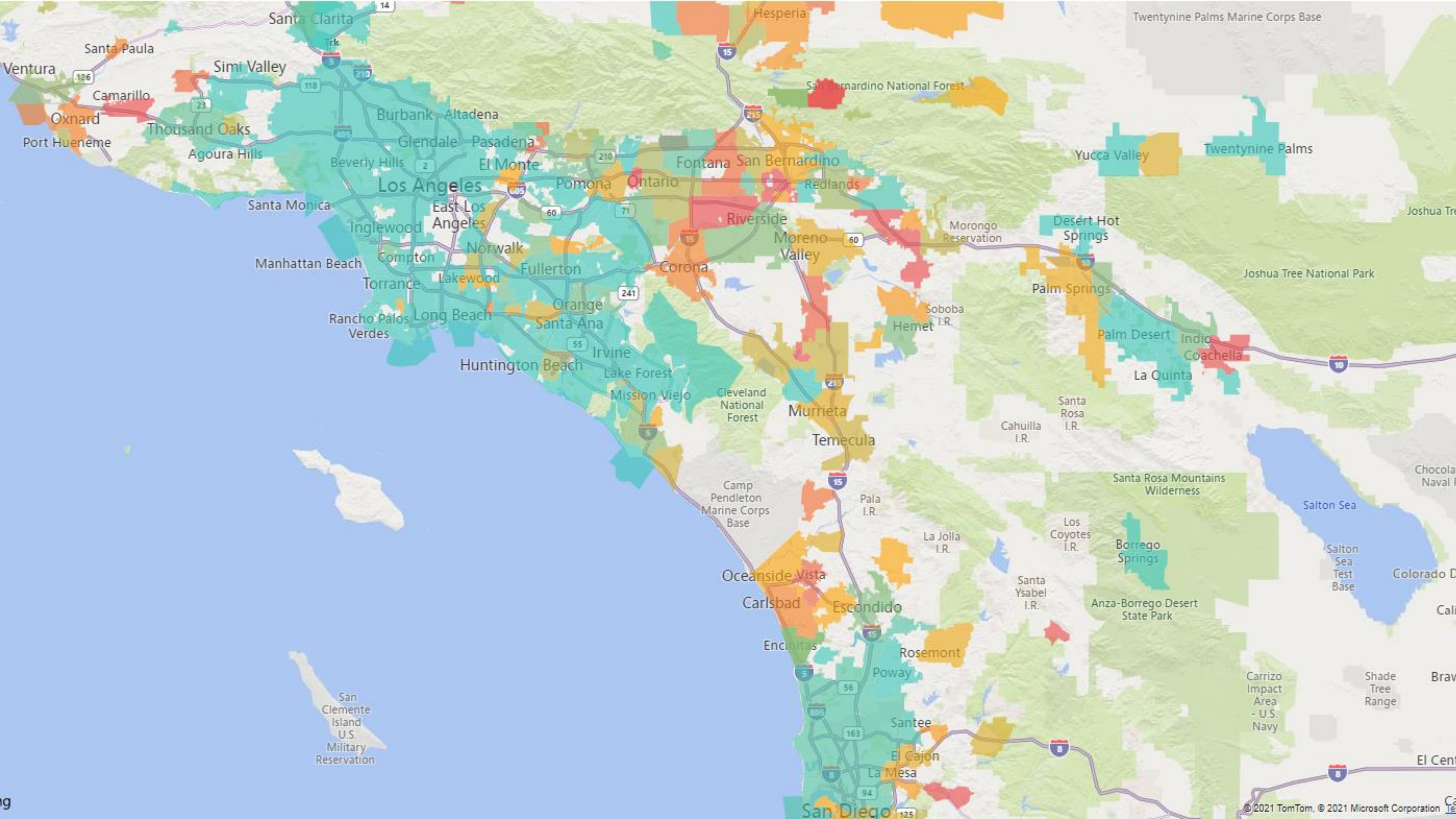
Sep-21 YTD Sales Growth by Price



2021 Fastest Growing Cities



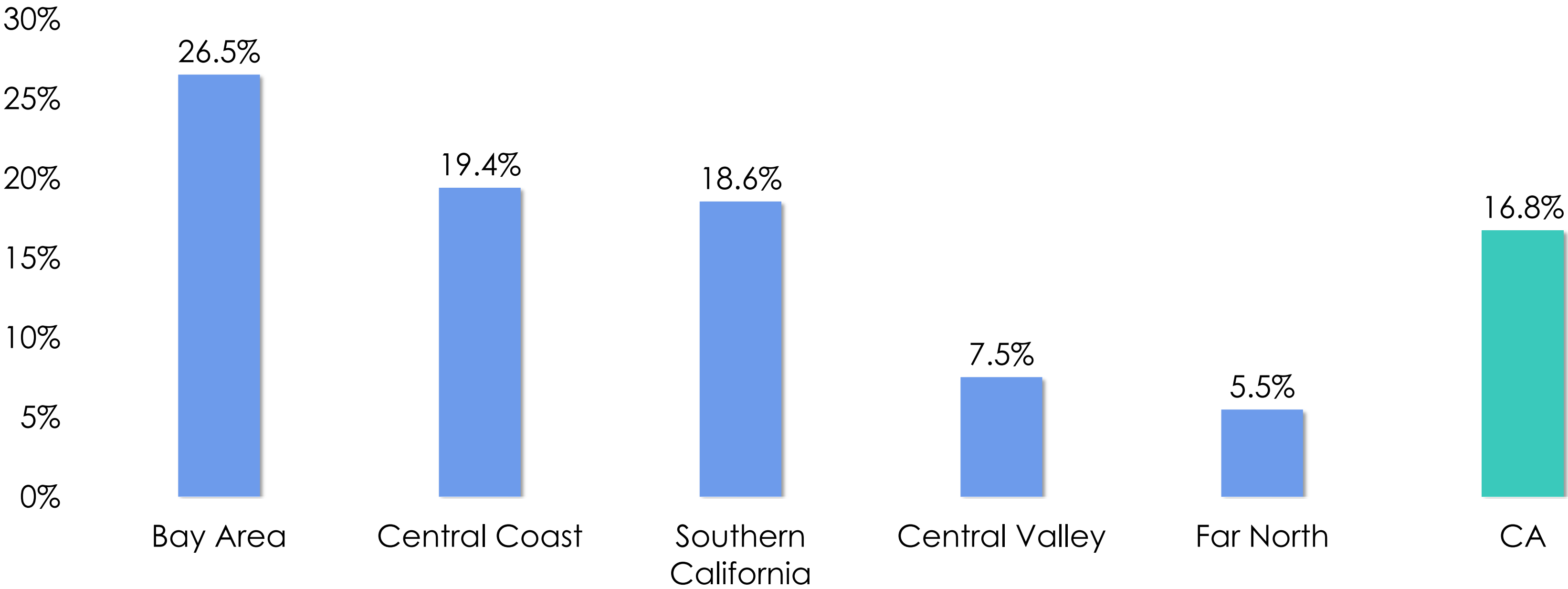






# Sales are growing fastest in California's core

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





YTD Through

Sales Growth YTD

Sales Over List

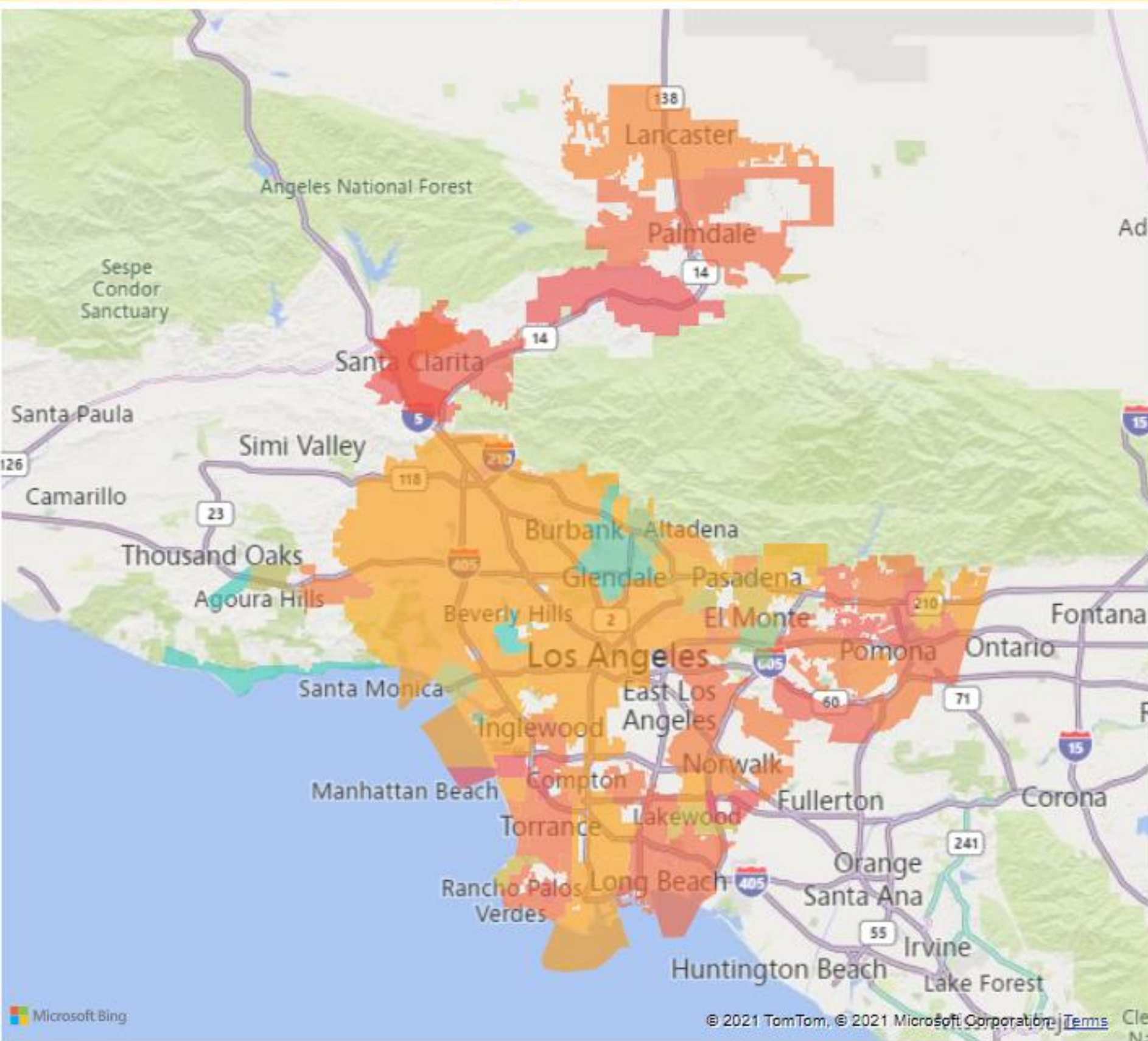
Existing Home Sales by Time on Market

September 2021

35.4%

61.0%

Current Median Time on Market by ZIP



10%

Under a Week

60%



2-3 Weeks

29%



Over 3 Weeks

Zoom to Specific County

Los Angeles

City	Current Median Price	Current Median DOM	% Over List	Sales Growth YTD
Signal Hill	\$555,000	10	69.0%	103.2%
Arcadia	\$1,298,000	15	44.4%	79.9%
Beverly Hills	\$3,667,500	32	21.8%	75.8%
Marina Del Rey	\$1,260,000	22	32.6%	72.3%
Diamond Bar	\$792,800	10	63.2%	71.9%
South Pasadena	\$1,712,500	13	65.8%	70.3%
Palos Verdes Estates	\$2,500,000	18	56.0%	65.5%
San Marino	\$2,250,000	19	37.7%	65.2%
Baldwin Park	\$616,000	9	72.5%	63.0%
Rosemead	\$739,700	11	61.6%	60.0%
West Hollywood	\$775,000	21	33.9%	57.3%
Altadena	\$1,197,500	13	77.1%	57.3%



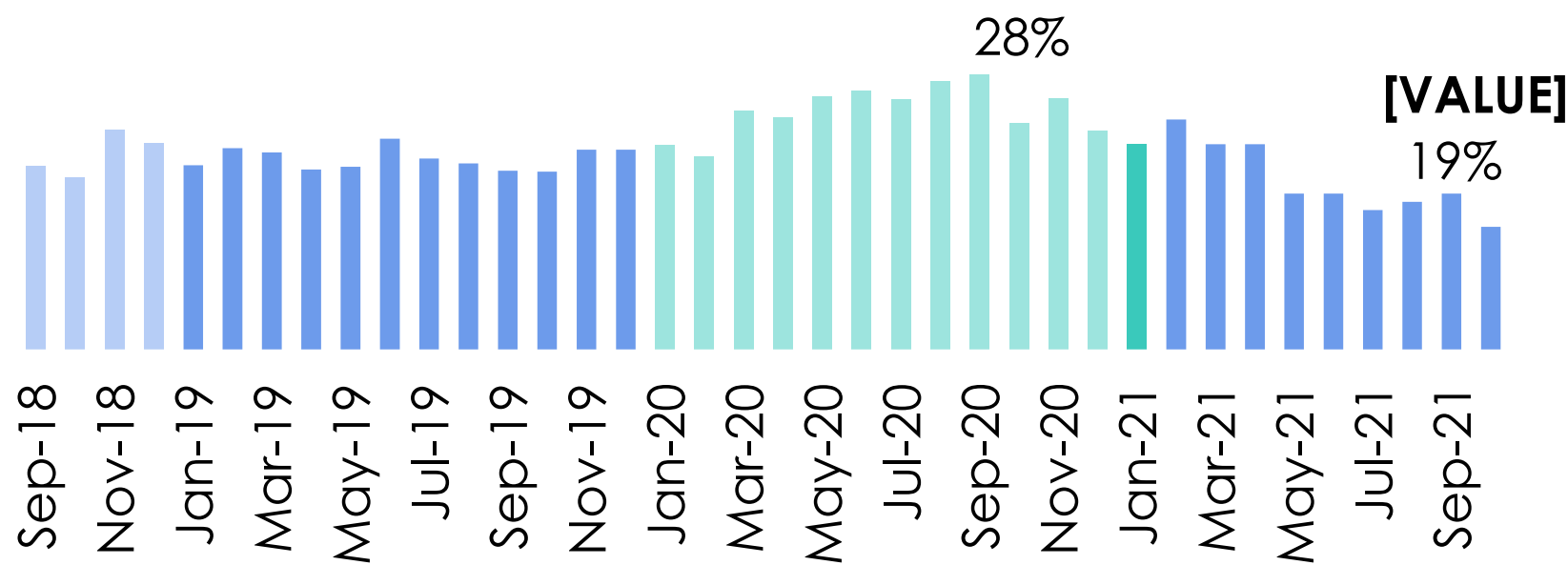


**More Normal Means  
Slower Growth**

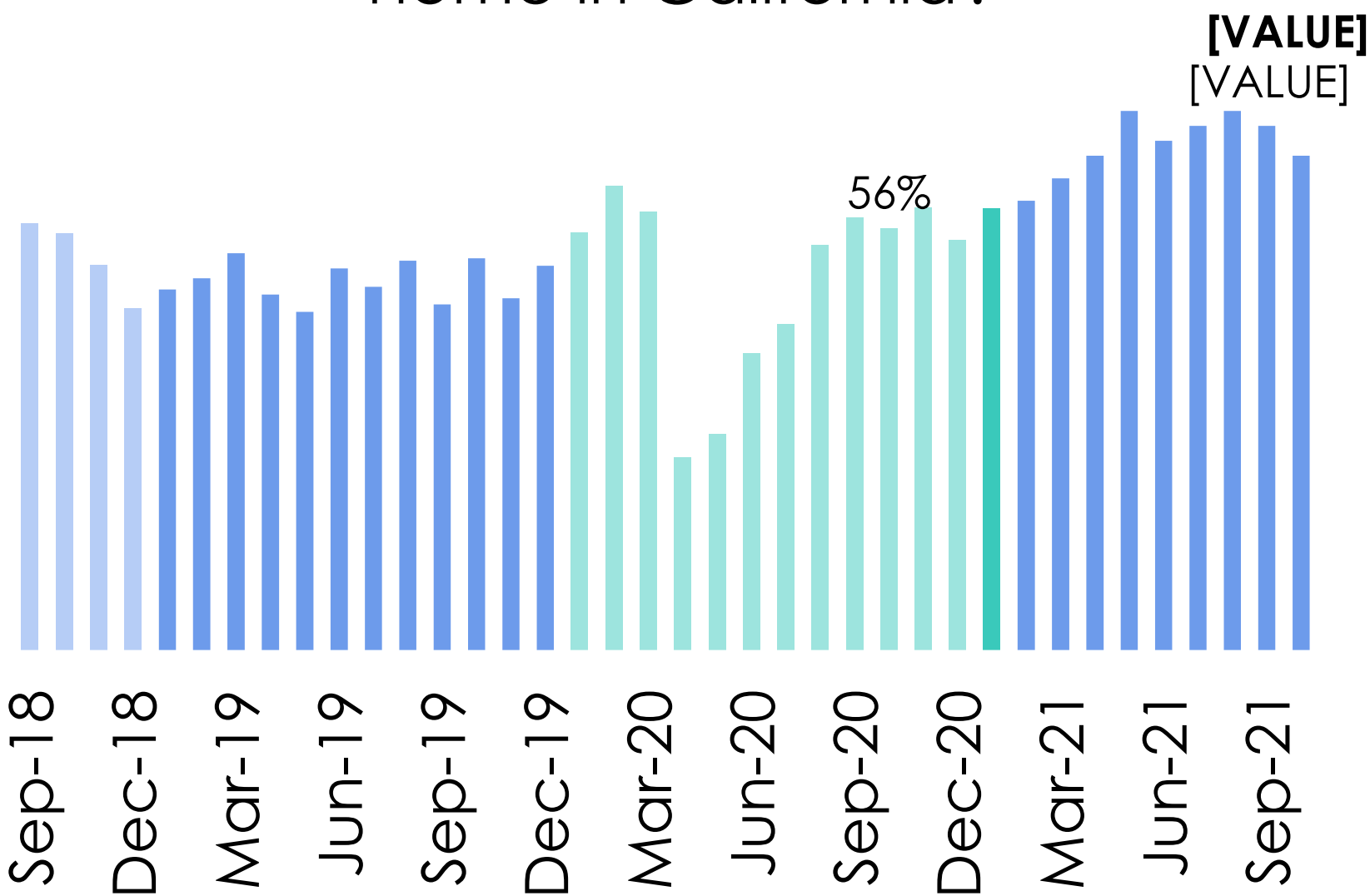


# Is it a good time to **buy** or **sell**?

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



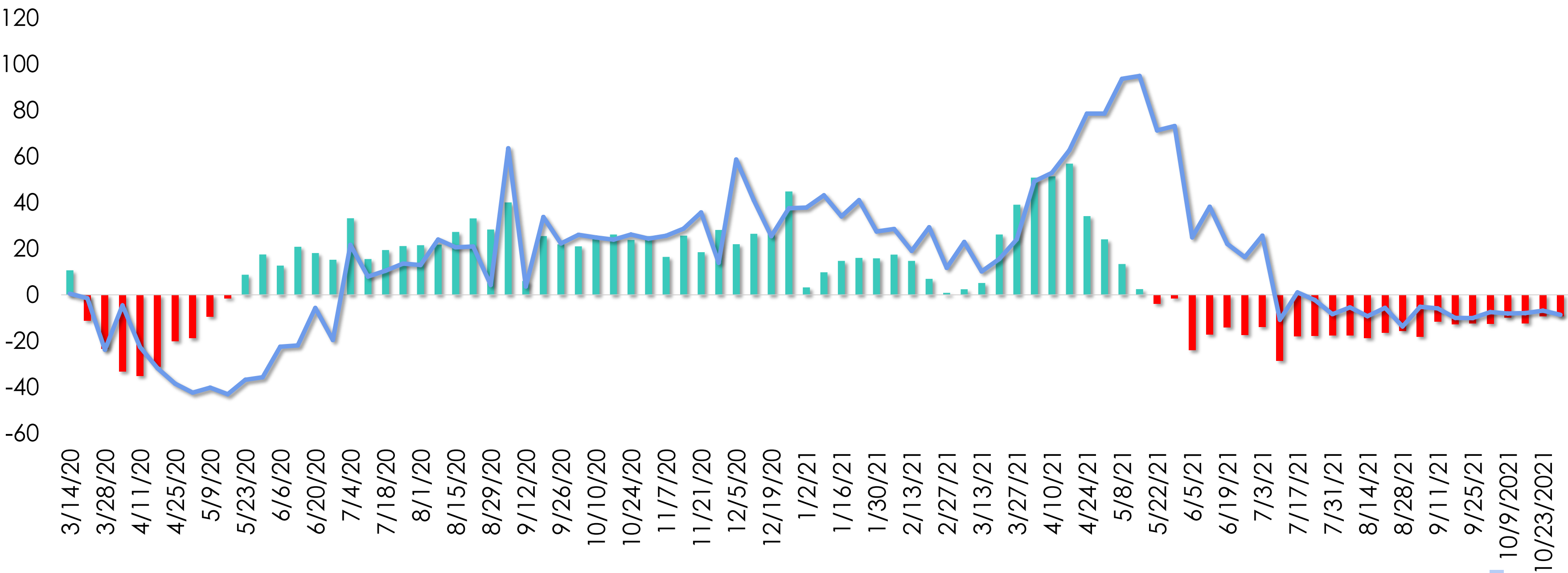
Do you think it's a good time to **sell** a home in California?



# Showing up consistently in the demand data

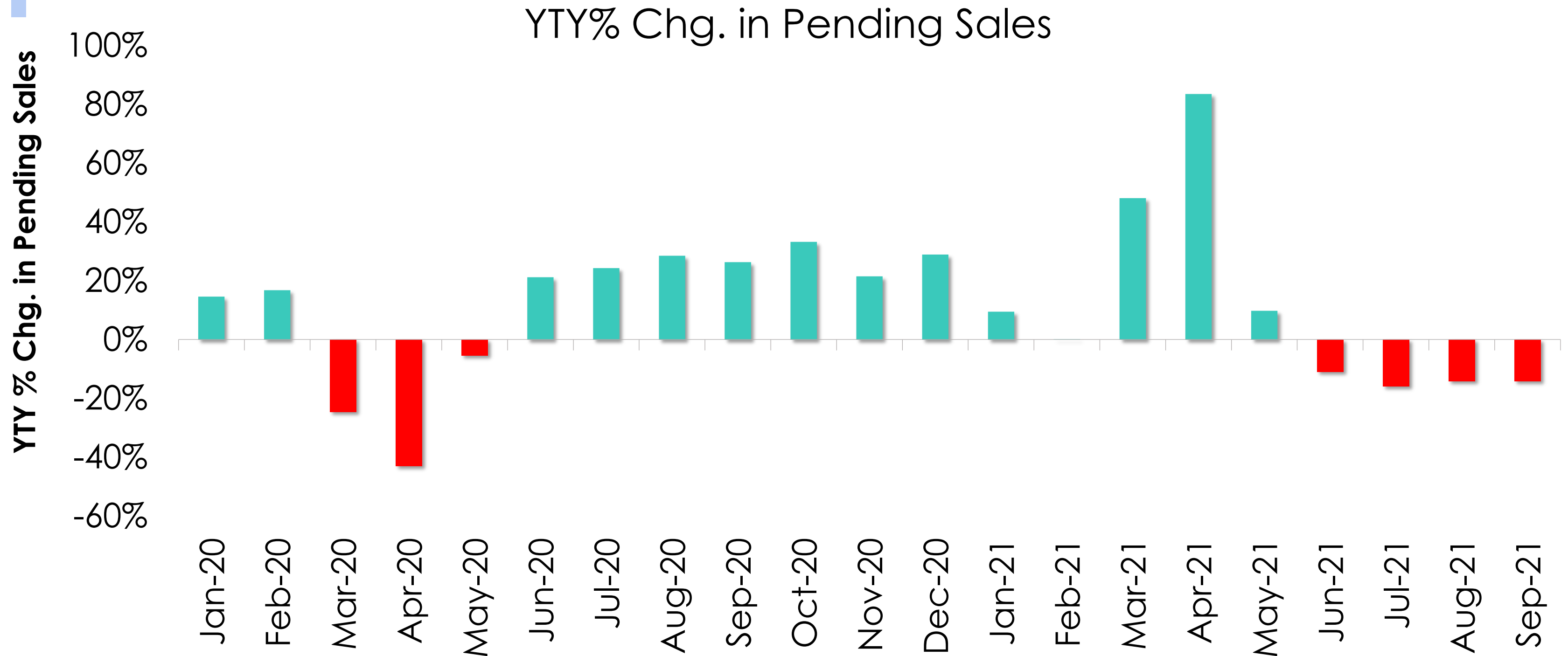
California Home Sales vs. MBA Mortgage Applications

■ Mortgage Applications    — Existing SFR Sales



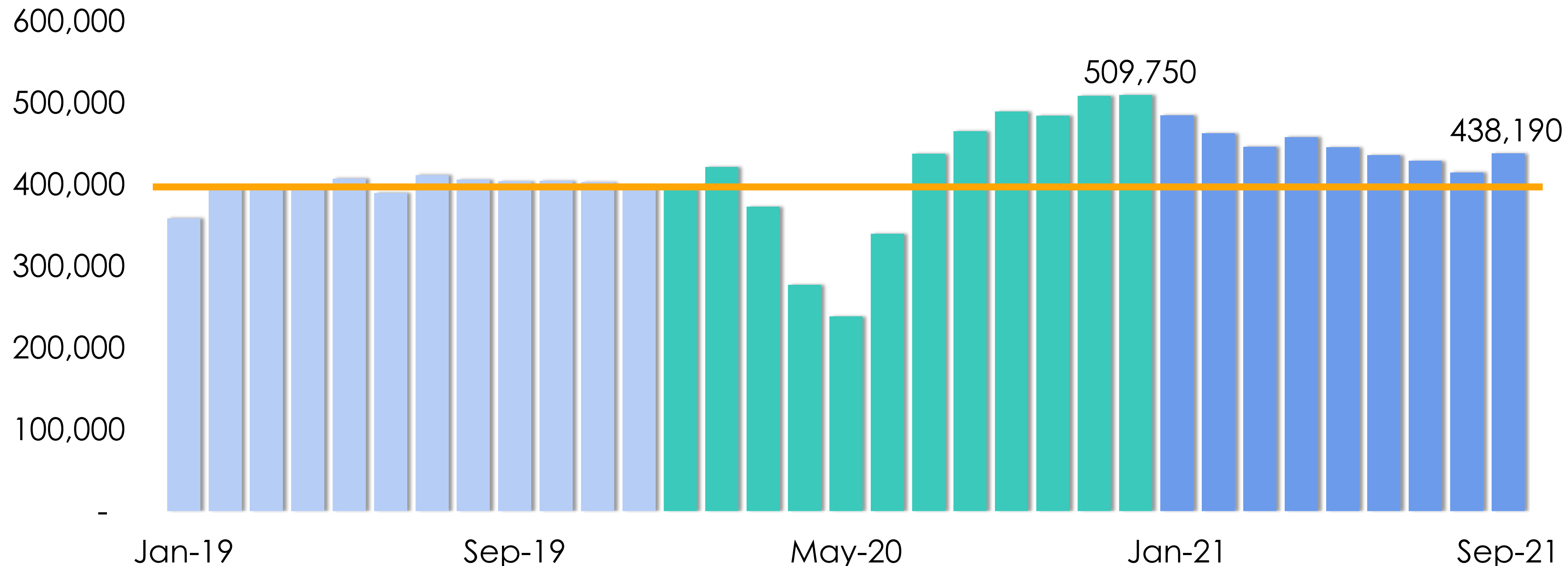


# Pending sales down for the third straight month



# Stabilizing above pre-crisis levels, just not 15-year highs...

California, September 2021 Sales: **438,190 Units**, +16.8% YTD, -10.5% YTY



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

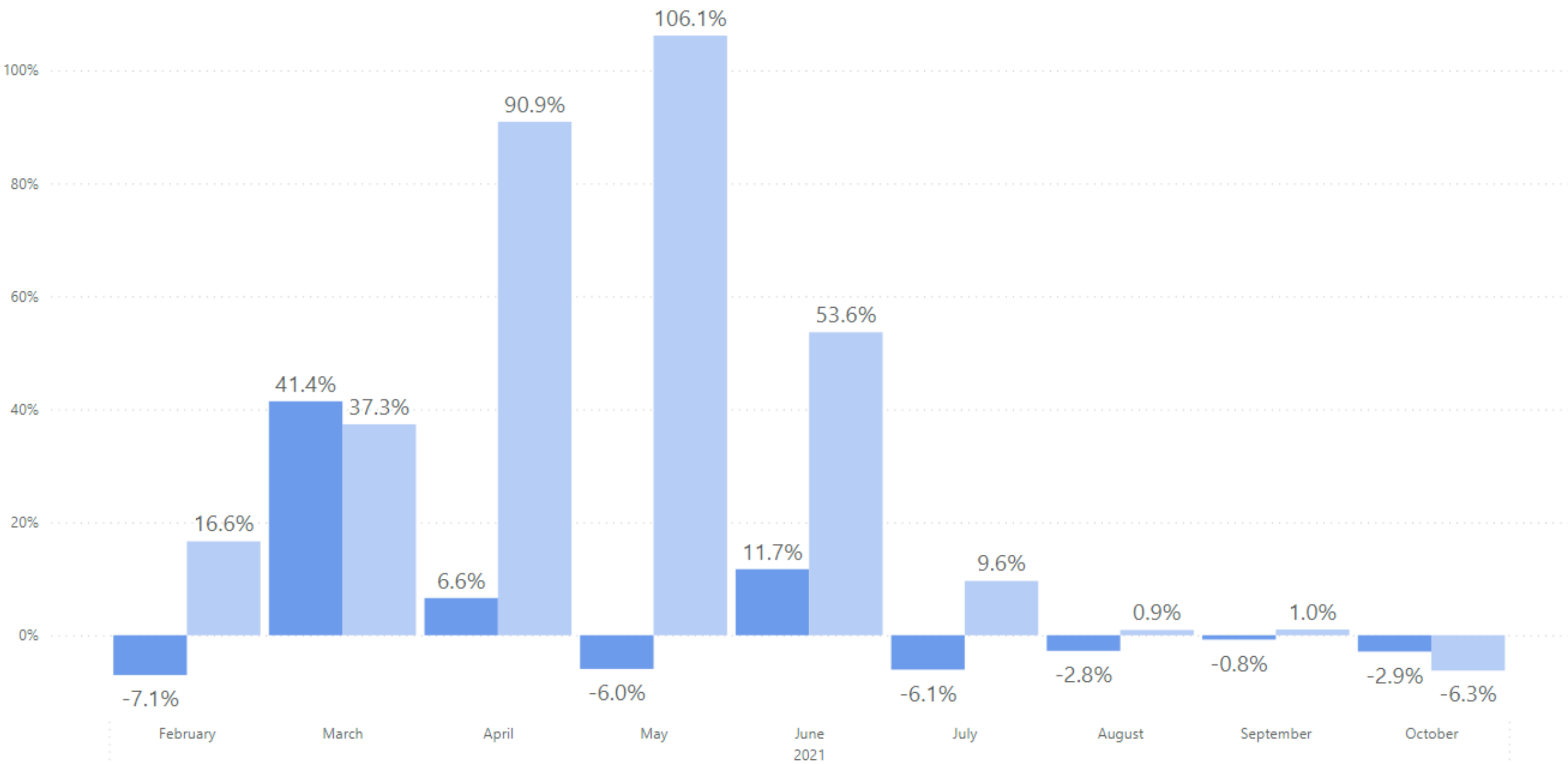


# Los Angeles outperforming the state this year

## Existing SFR Home Sales Growth (Month-to-Date for Current Month)

● Month-to-Month % ● Year-to-Year %

Los Angeles County



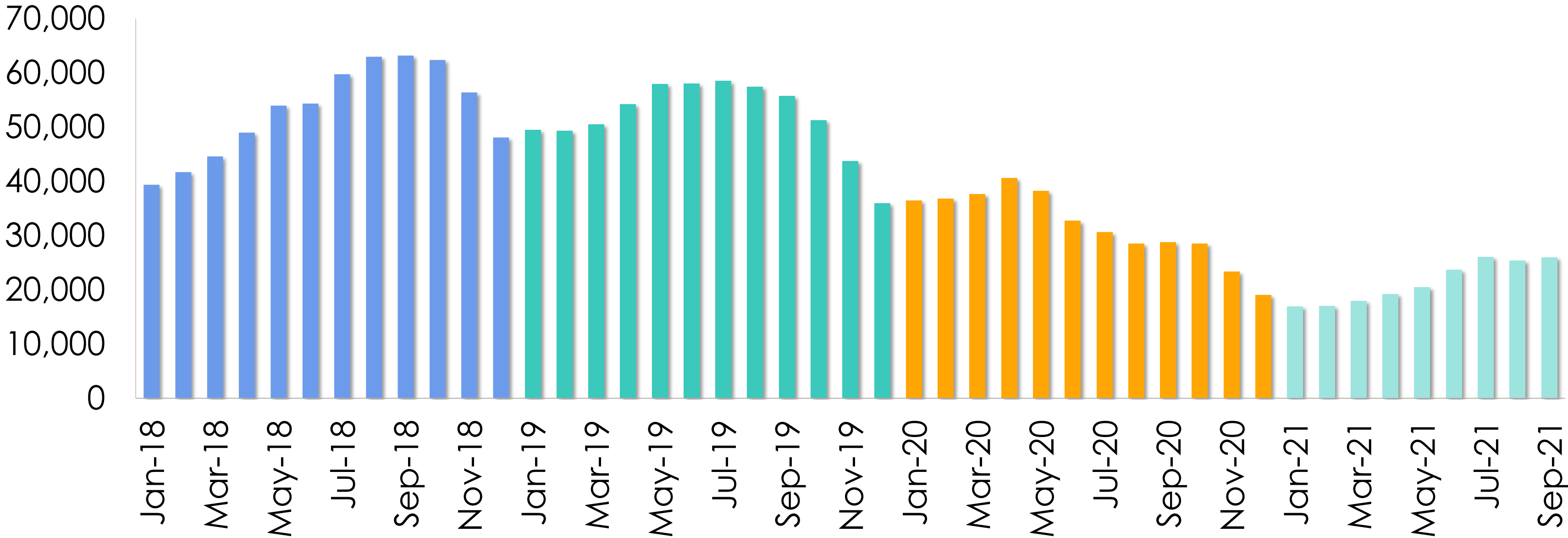


**Sales Aren't Only Thing  
Reverting Back Again**



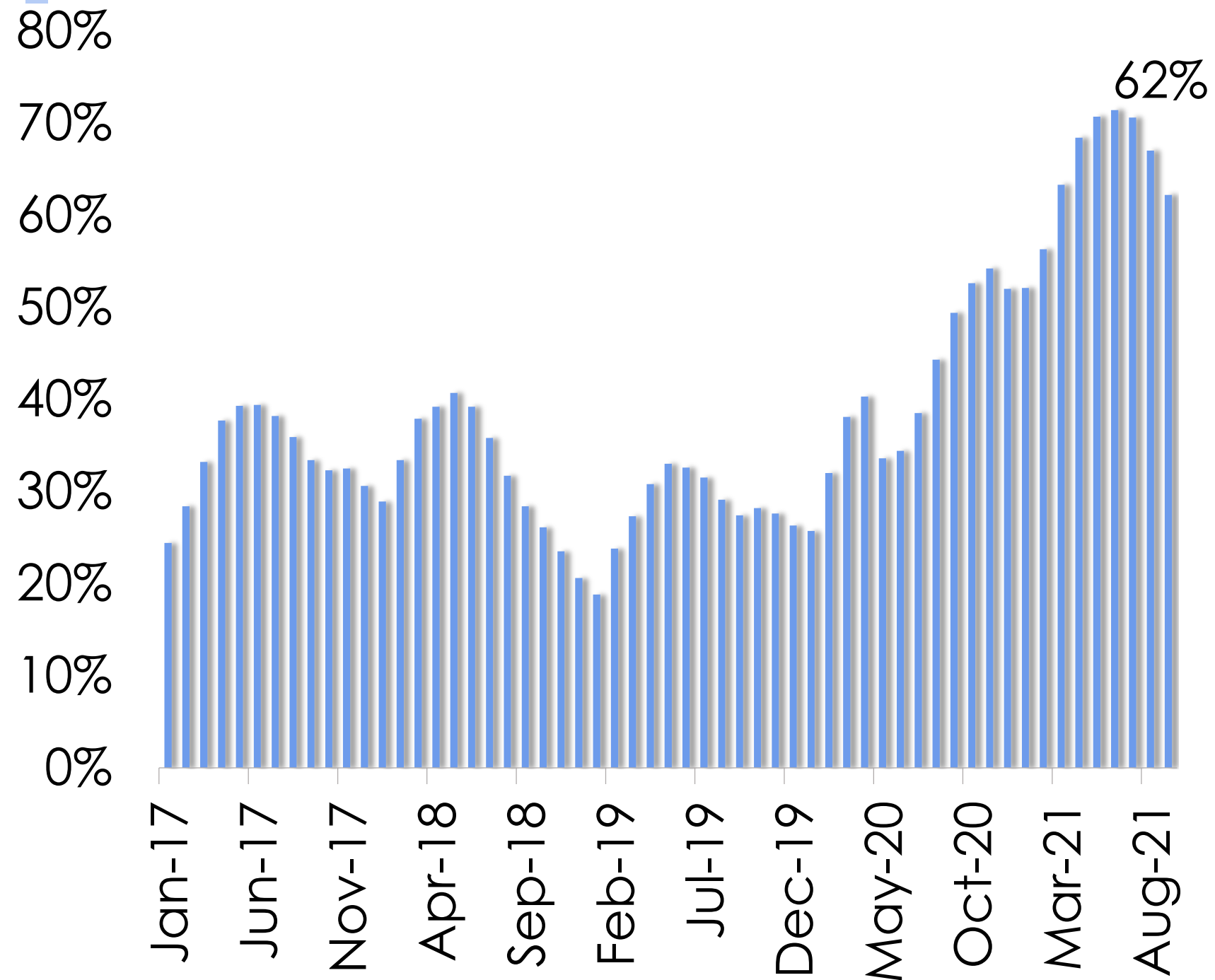
# Buyers starting to get a few more options again

California Active Listings by Month

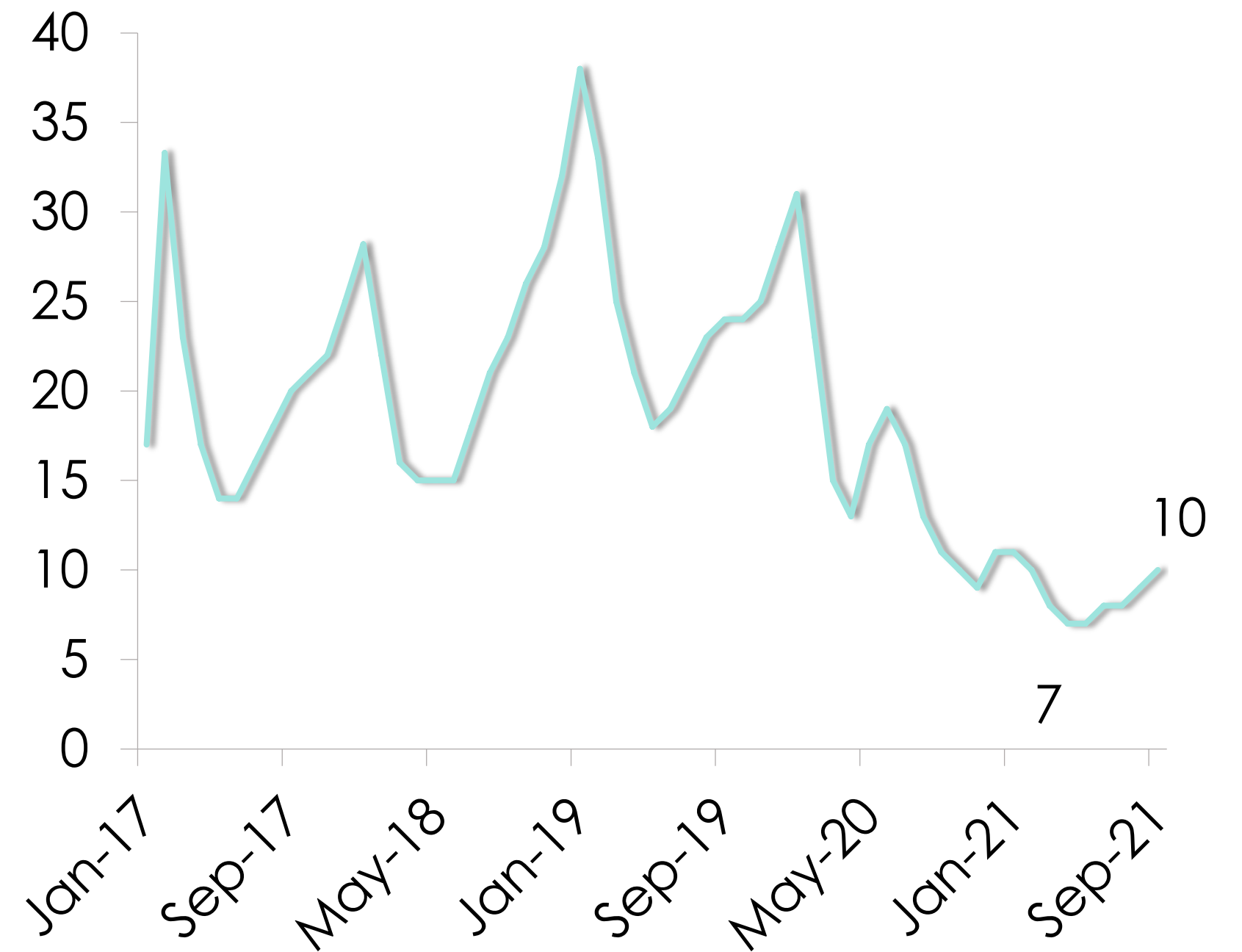


# From white hot, back to plain old boring red hot (not cool)

## Closed Sales Over List Price

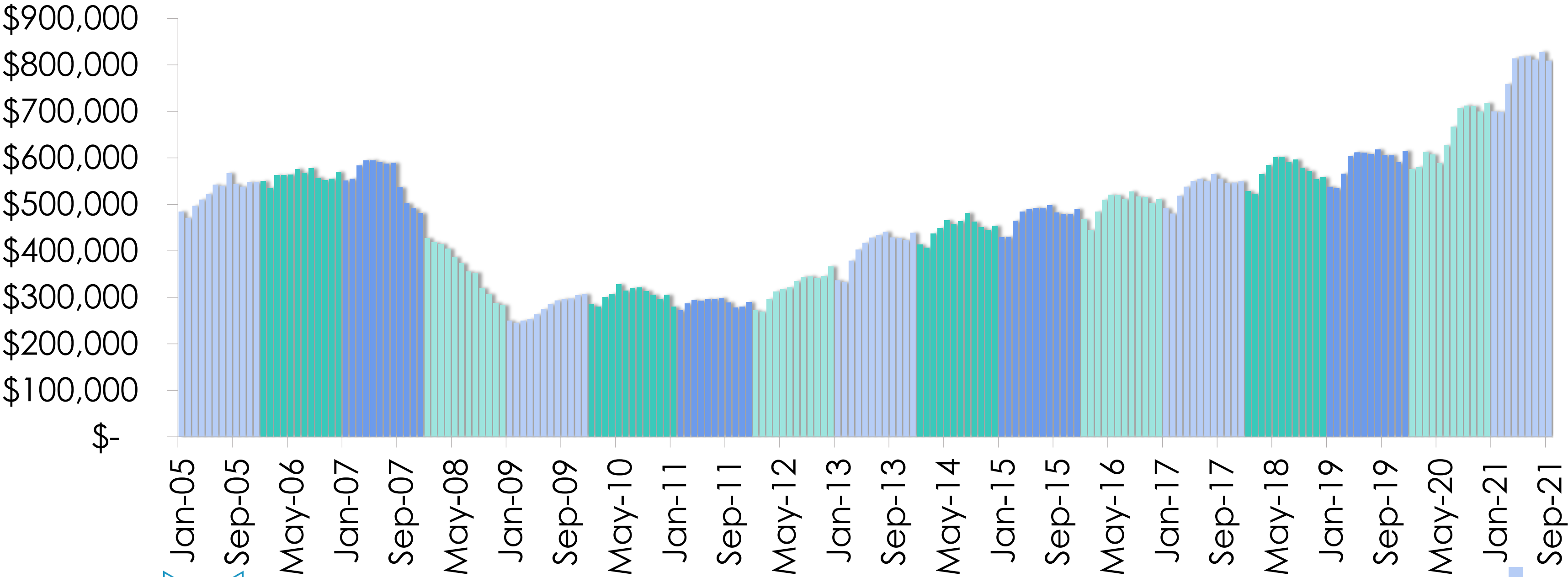


## Days on Market



# Median home price retreated after hitting new peak

California, September 2021: **\$808,890**, -2.3% MTM, +13.5% YTY





The background is a dark blue field filled with abstract digital elements. In the upper half, there are several rectangular blocks of glowing green and yellow binary code (0s and 1s) that appear to be floating or scrolling. Scattered throughout the image are numerous out-of-focus circular light spots in shades of orange, yellow, and light blue, creating a bokeh effect. The overall aesthetic is futuristic and tech-oriented.

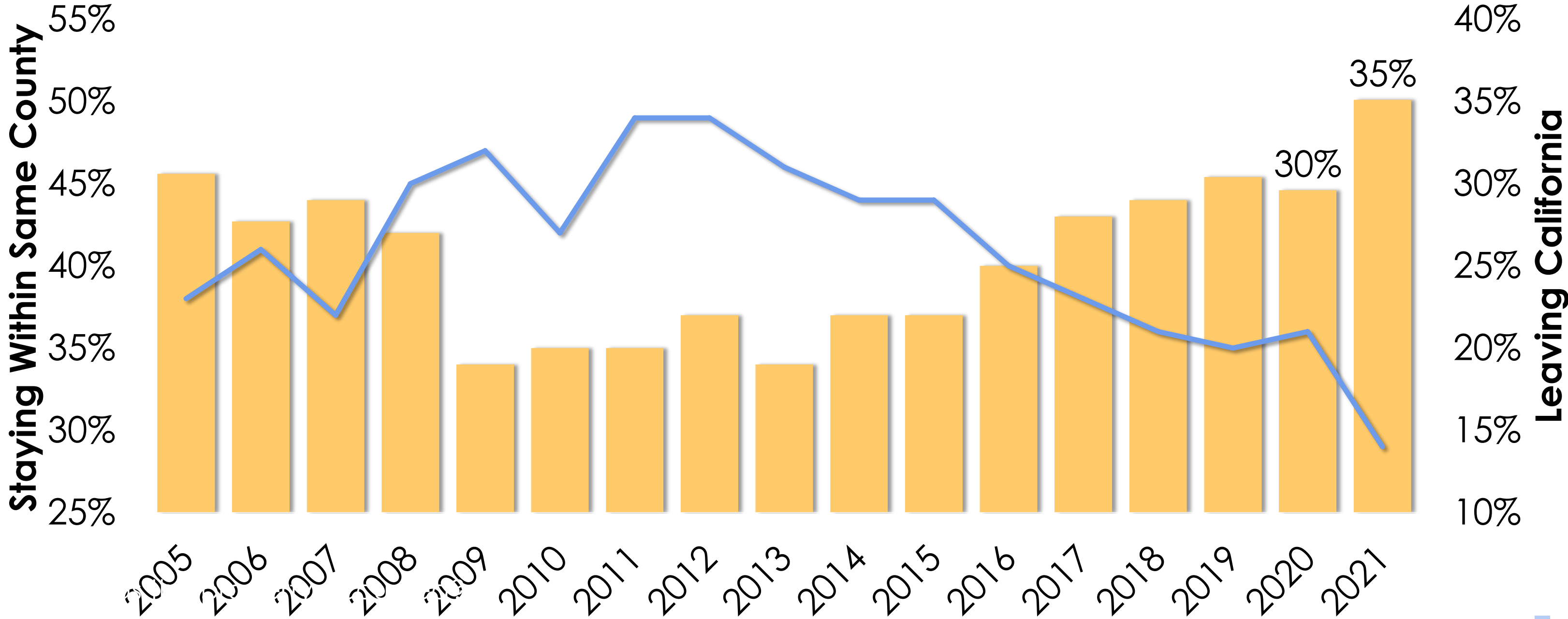
# Normal 2.0



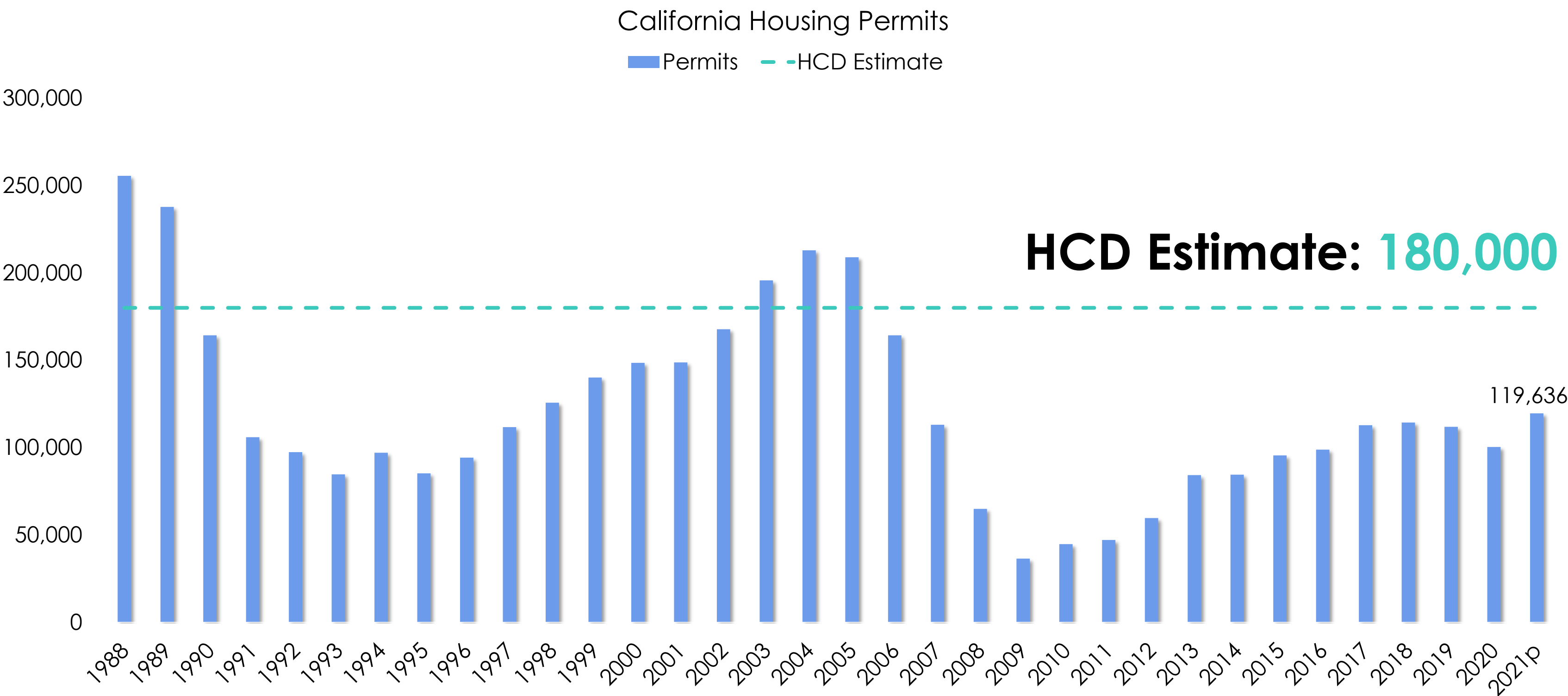
# Structural challenges accelerated by COVID

Percentage of Sellers by Location of Next Residence

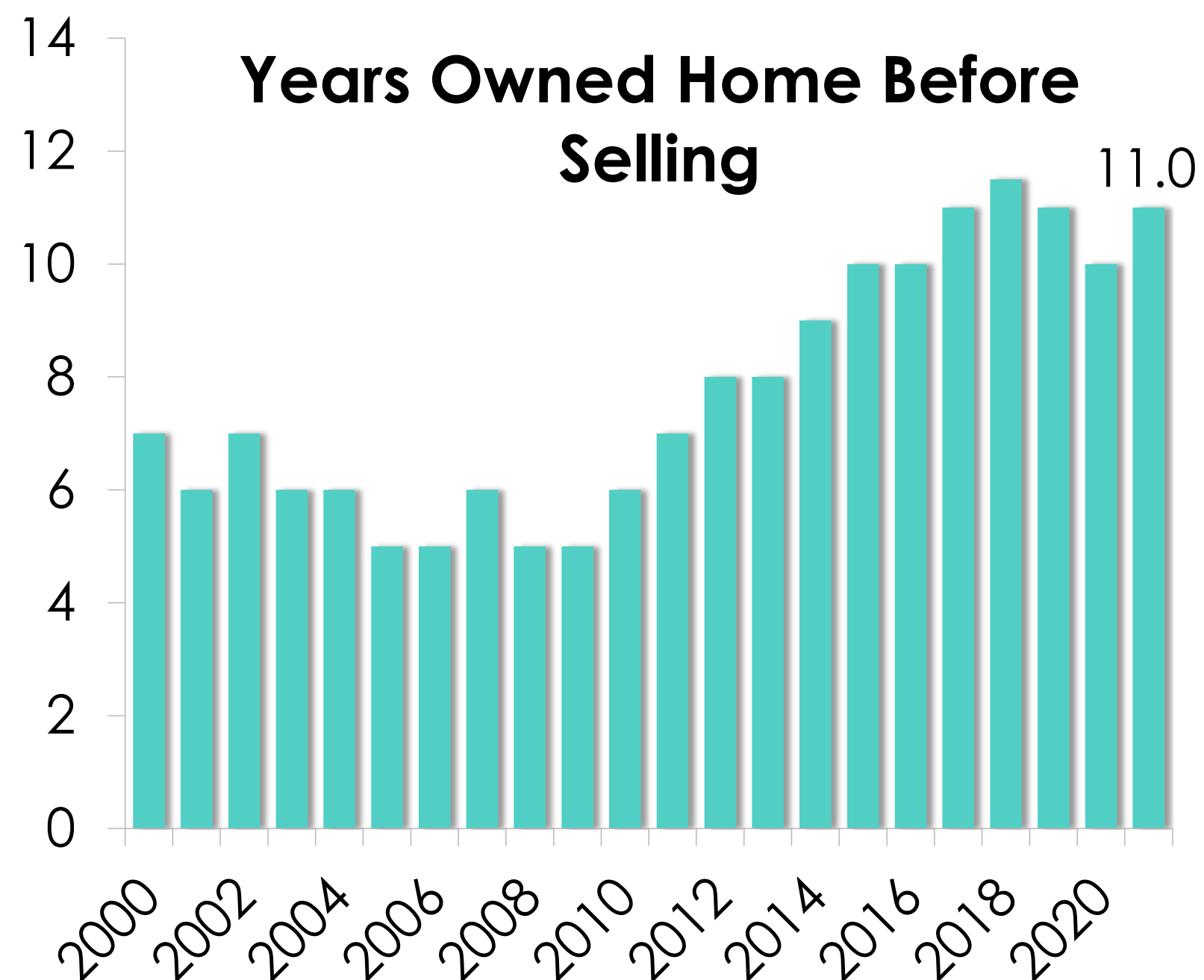
■ Out of CA    — Same County



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



# So people stay in their homes longer



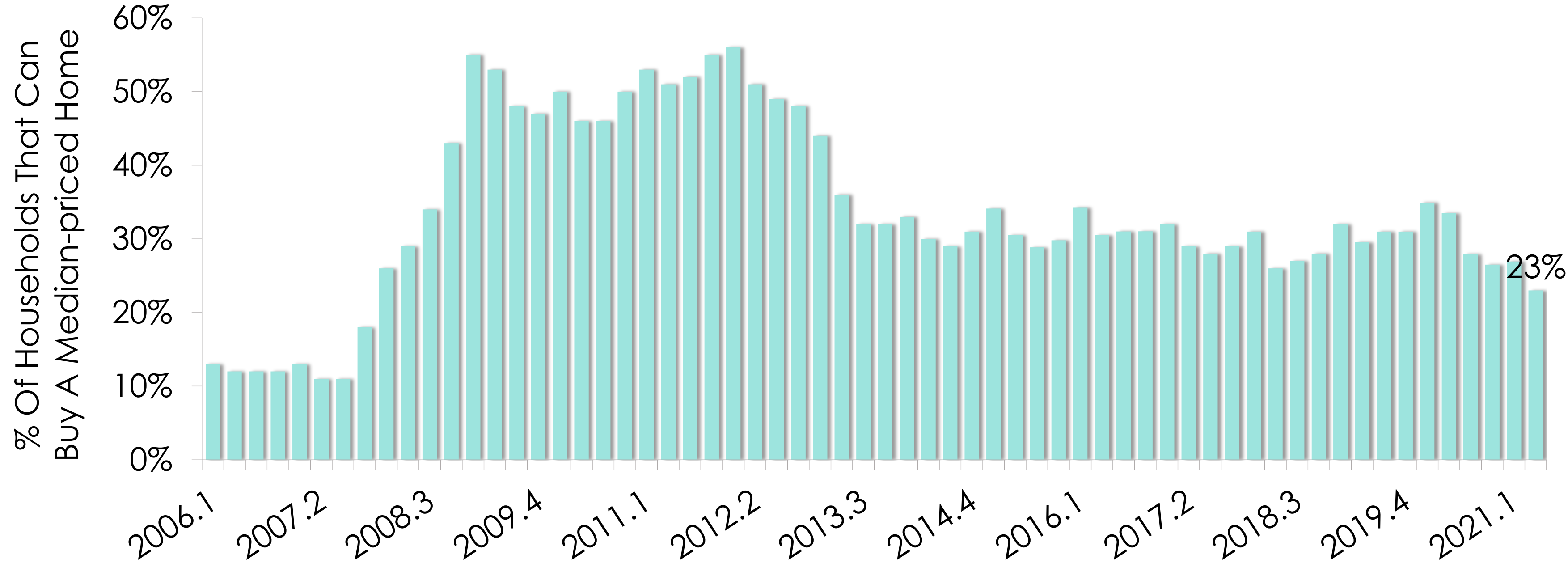
Long-Time Homeowners are not moving as in the past because:

- 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

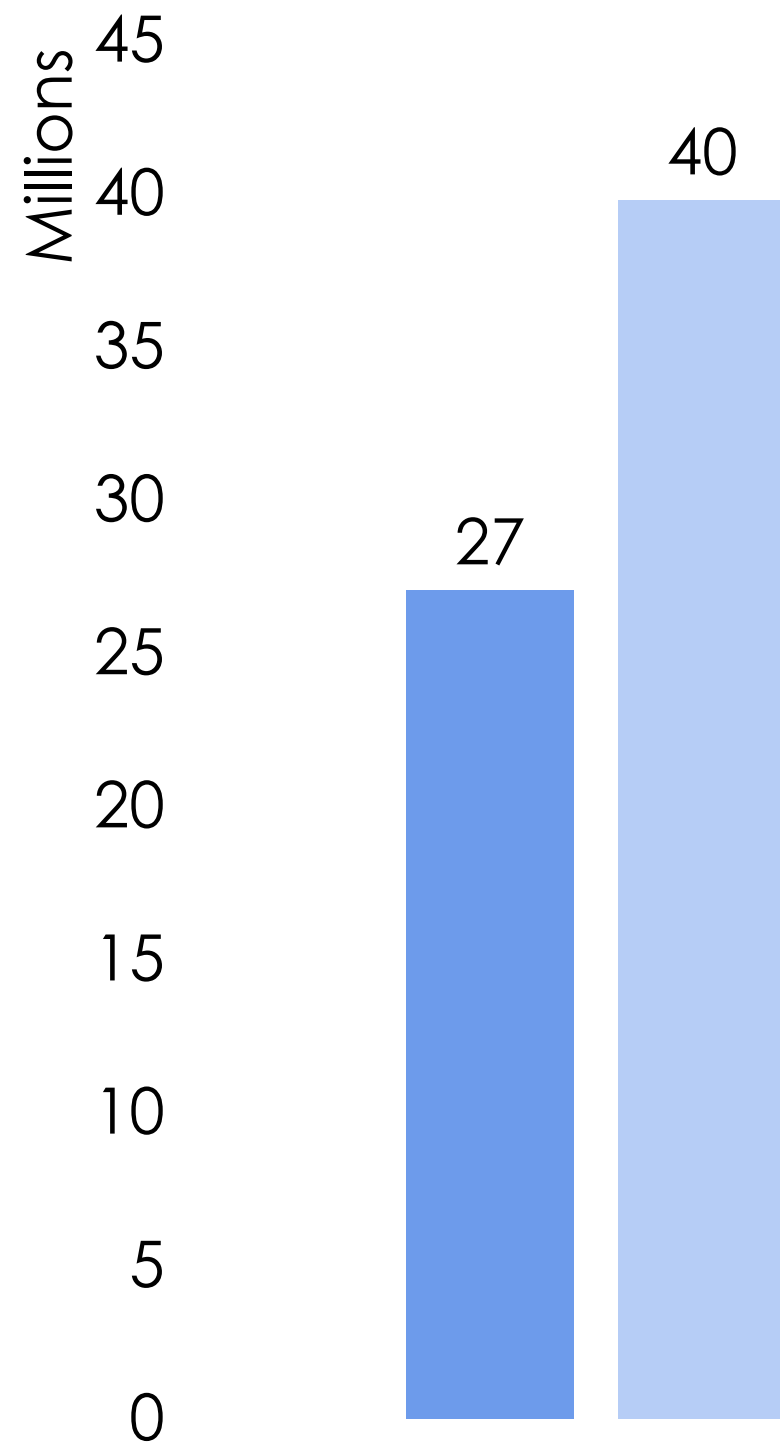
California: 2006-2021



# Roots of the California housing crisis

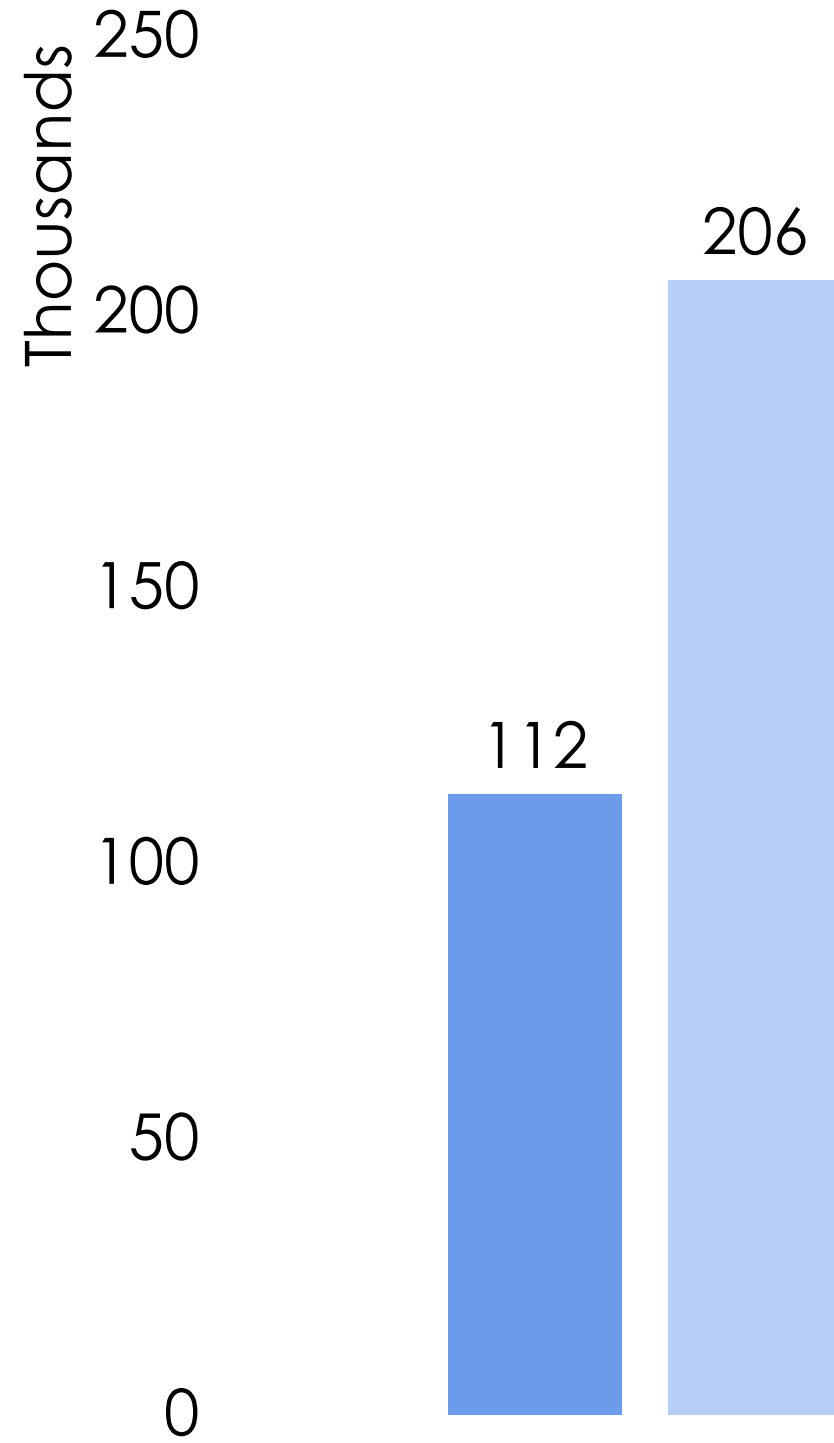
CA Population

■ 1986 ■ 2020



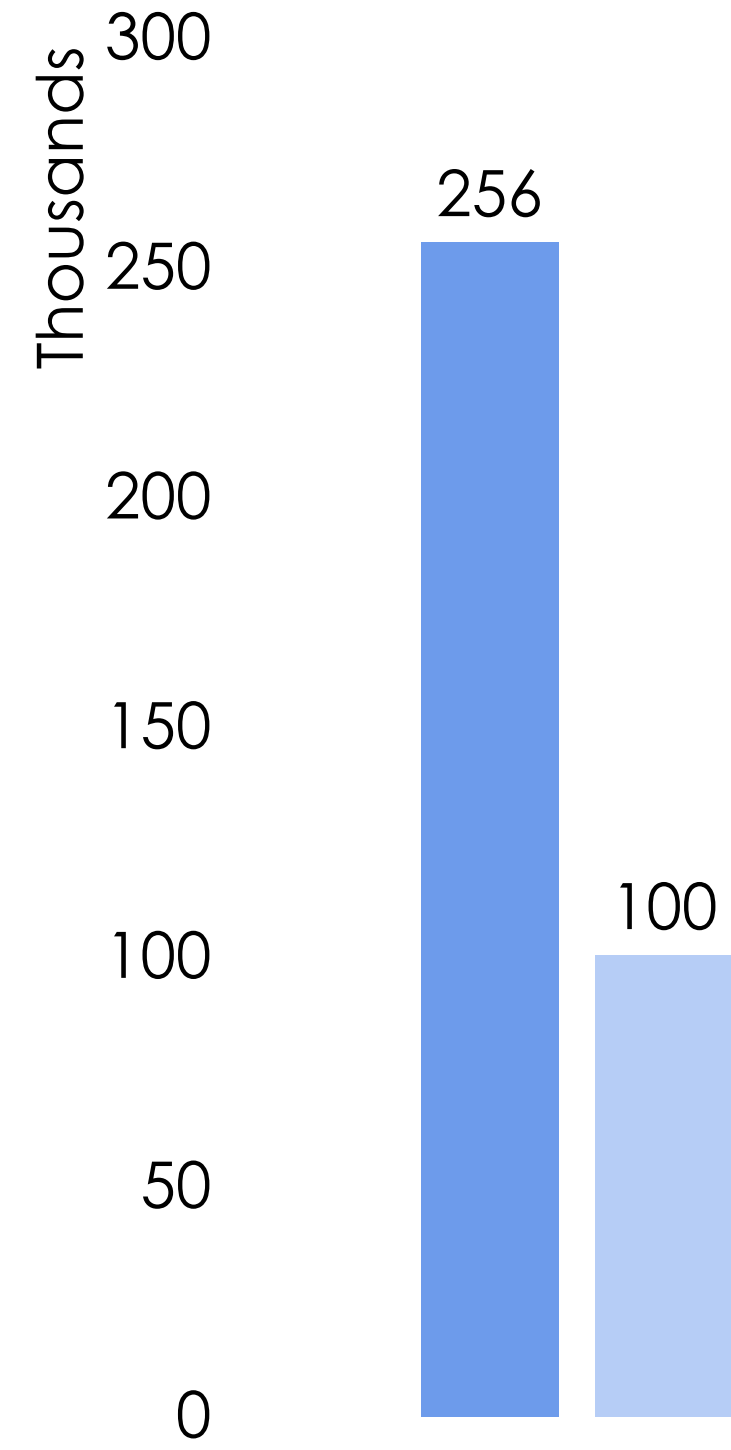
CA REALTORS®

■ 1986 ■ 2020



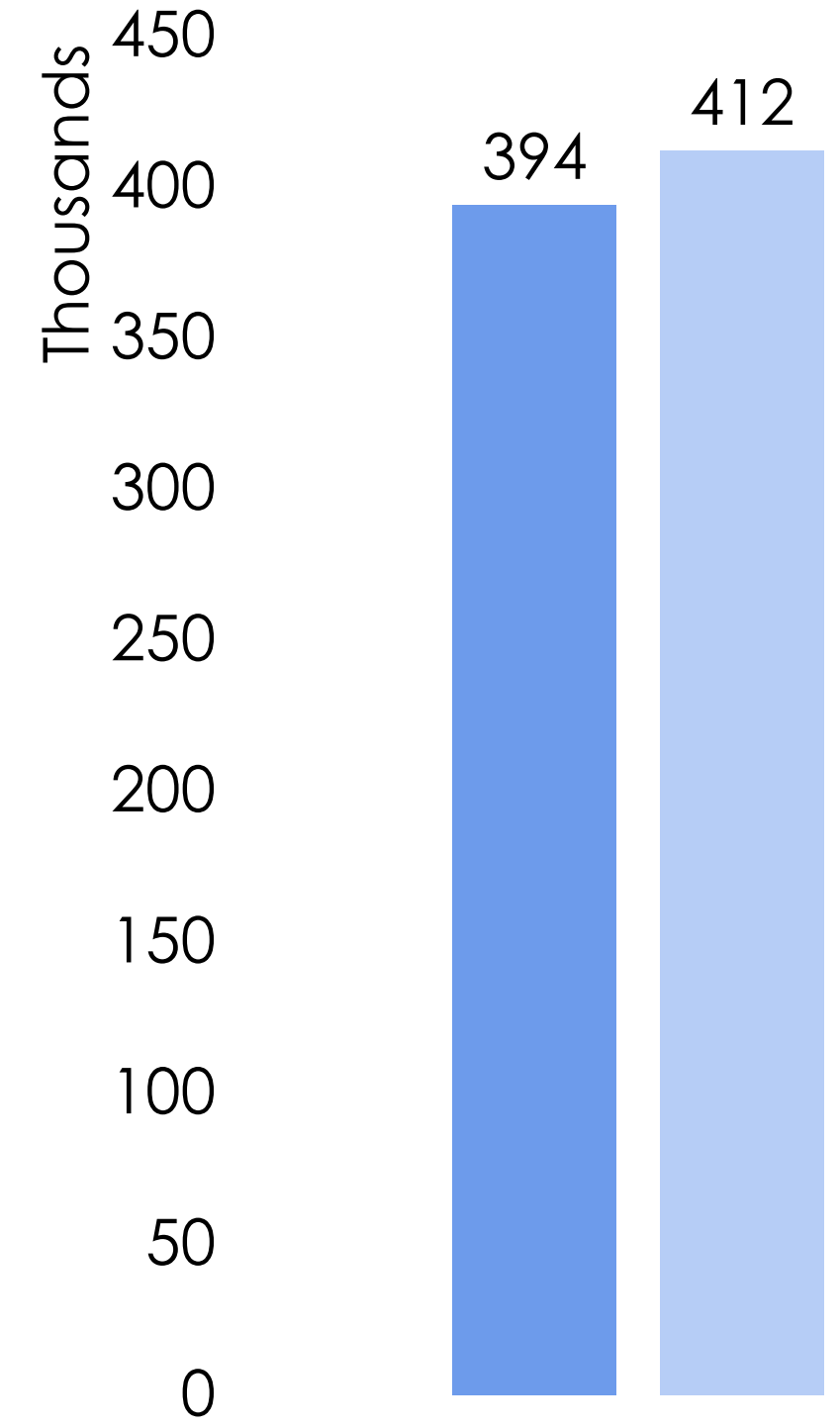
CA Building Permits

■ 1986 ■ 2020



CA Home Sales

■ 1986 ■ 2020

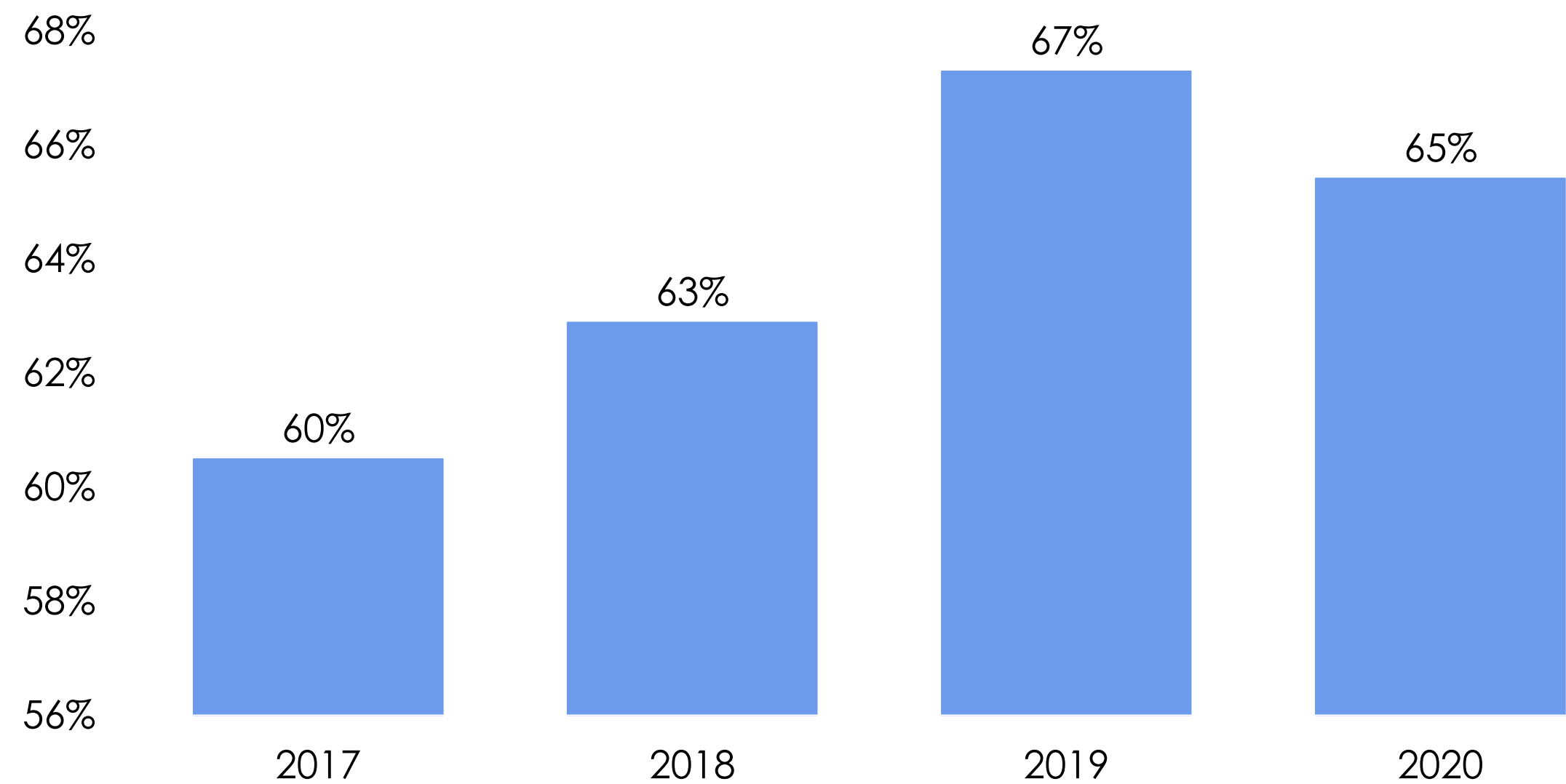






# Rising tide only lifting some boats

Market Share of Top Producers (Top 20%)



Mean Income

	Top 20%
2019	\$155,000
2020	\$180,000
YTY% Chg.	16.1%

Median Income

	Bottom 80%
2019	\$42,000
2020	\$35,000
YTY% Chg.	-16.7%



# 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%





# California economic outlook

	2016	2017	2018	2019	2020	2021p	2022f
Nonfarm Job Growth	2.3%	2.1%	2.1%	1.5%	-6.9%	2.0%	4.6%
Unemployment	5.5%	4.8%	4.3%	4.1%	10.3%	7.8%	5.8%
CA Population (Million)	39.4	39.5	39.6	39.6	39.5	39.5	39.5
Population Growth	0.6%	0.4%	0.2%	0.1%	-0.5%	0.0%	0.1%



# 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
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30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	3.5%



# 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



# THANK YOU!

## STAY IN TOUCH:

Anthony Vulin

[anthony@thecollectiverealty.com](mailto:anthony@thecollectiverealty.com)

INSTA- @thecollectiverealty

YOUTUBE- *the collective realty*

## Next zoom:

CRYPTO AND REAL ESTATE

THURSDAY DEC 16<sup>th</sup> 2PM

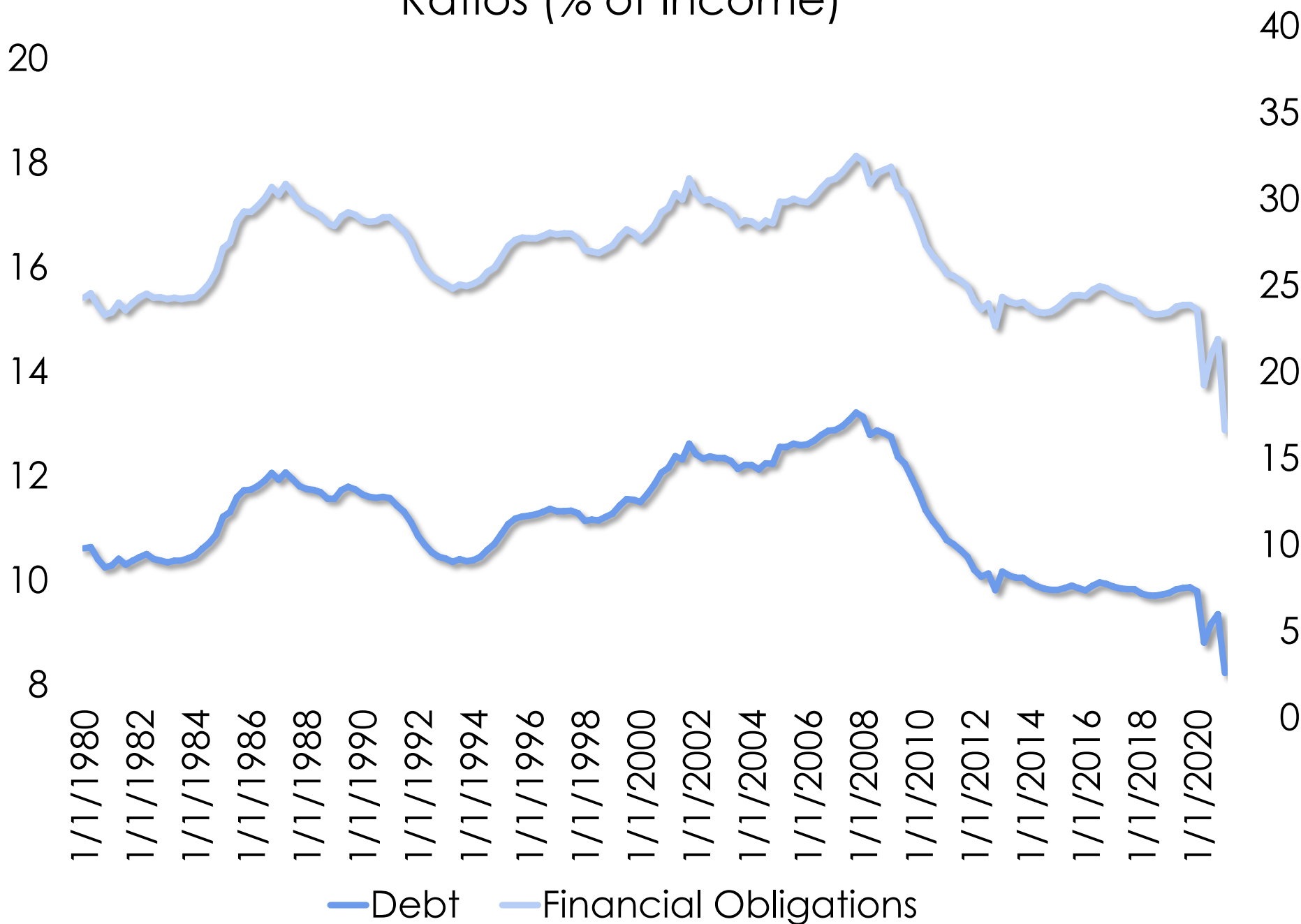
[www.thecollectiveRSVP.com](http://www.thecollectiveRSVP.com)



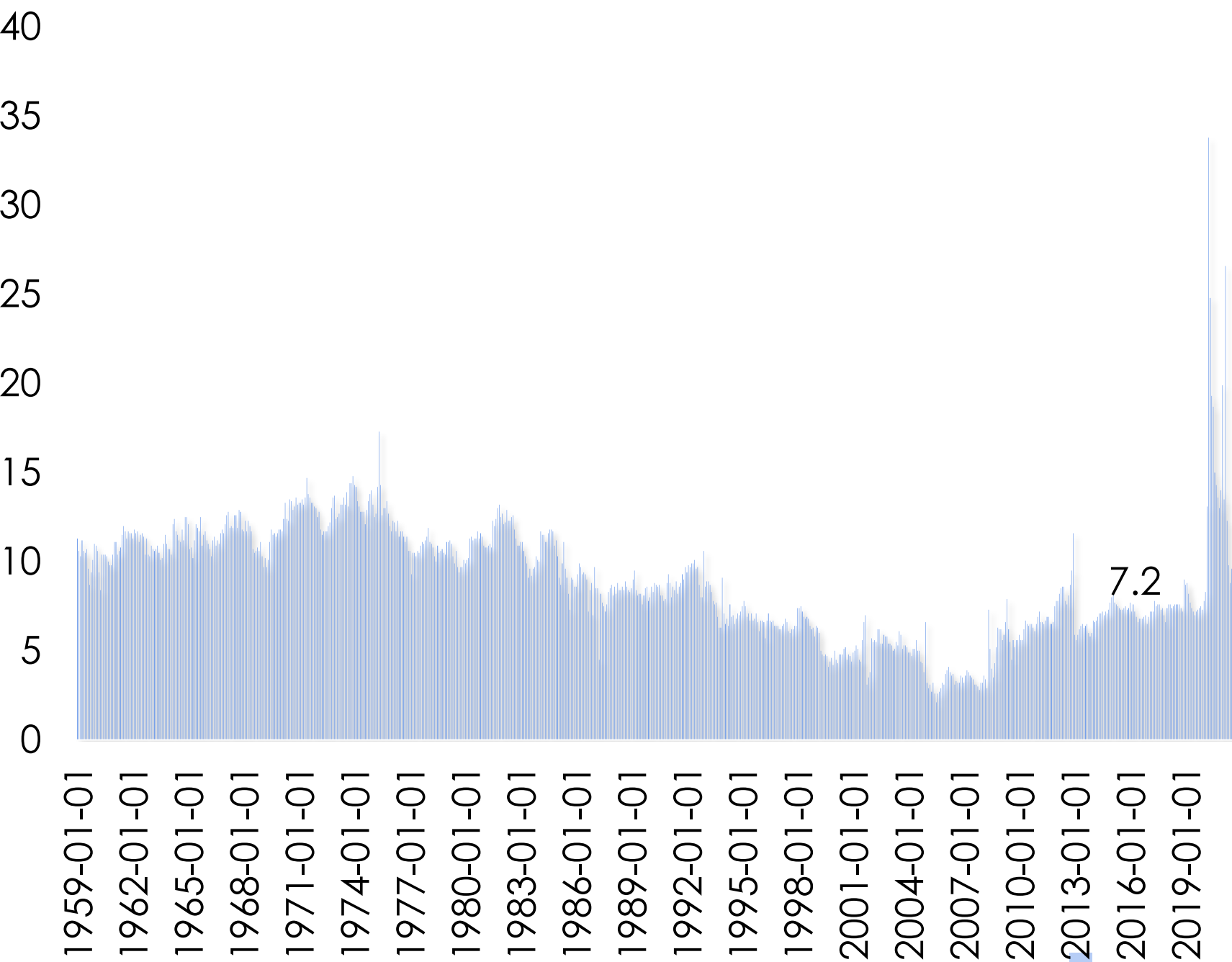
CREATING PATHS TO WEALTH THROUGH REAL ESTATE

# Household balance sheets in much better shape

Household Debt & Financial Obligations Ratios (% of Income)



U.S. Personal Savings Rate





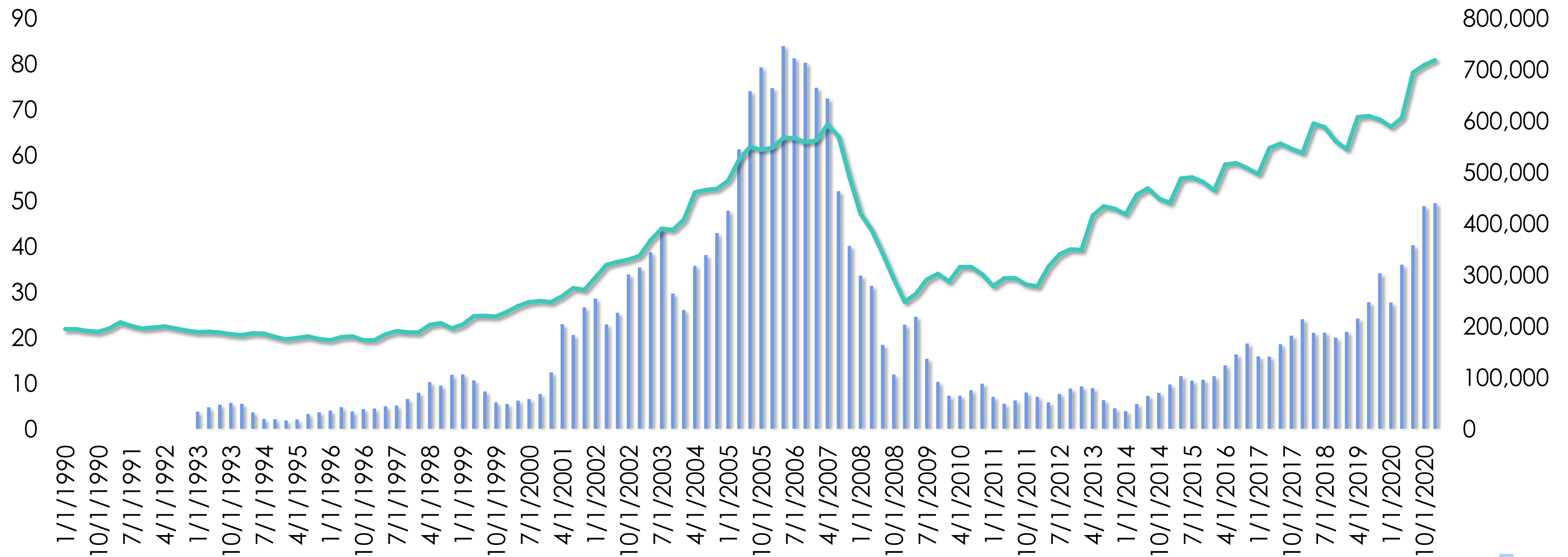
# First-Time Buyers Have More “Skin” in the Game

	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%
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% of home buyers with a second mortgage	62.8%	4.0%	3.2%
% of buyer with ARM	38.1%	2.3%	1.2%

# Much of the equity remained in people's homes

Cash Out Refinancing & California Median Prices

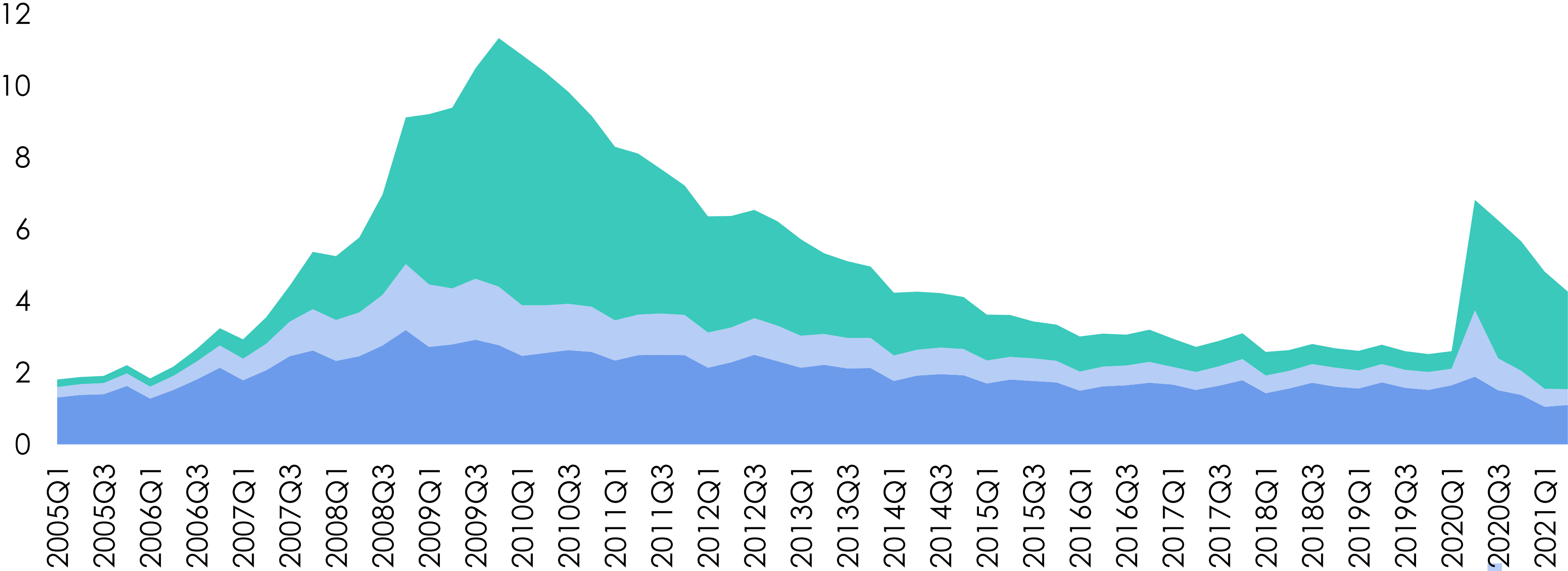
■ \$ Cashed Out    — Median Price



# Fewer distressed homeowners **this time around**

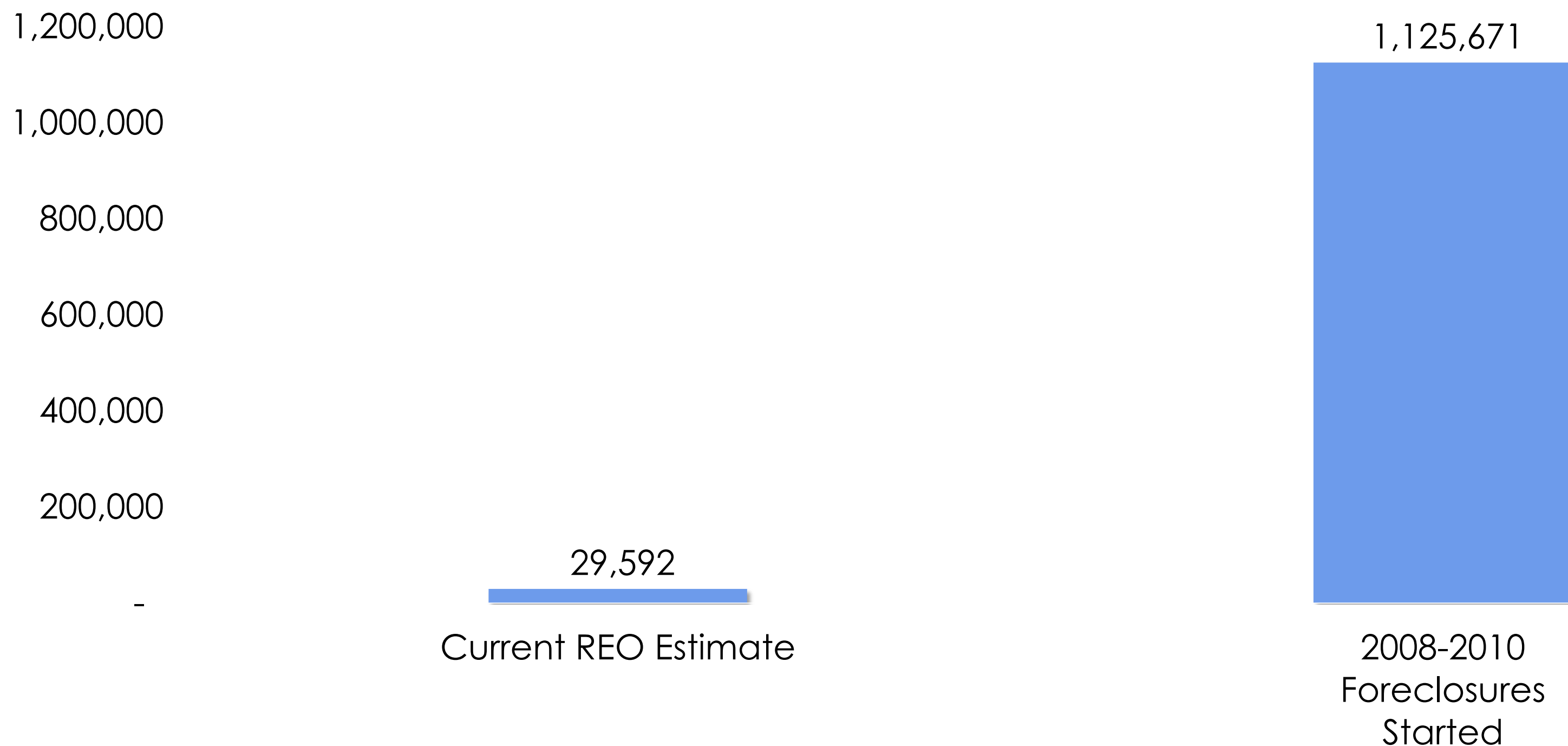
California Mortgage Delinquencies

■ 30-59 ■ 60-989 ■ 90+



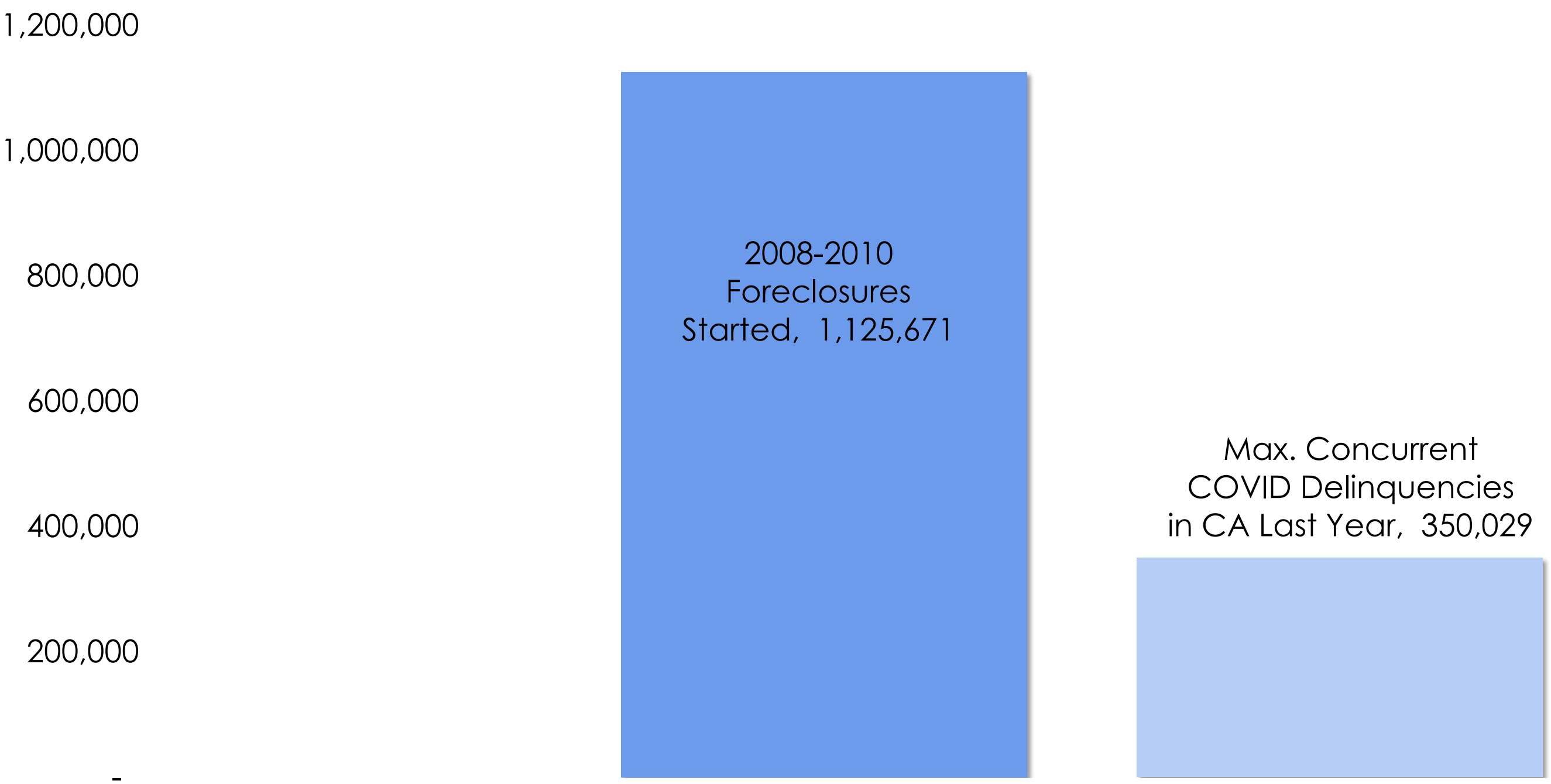
# Pale in comparison to last time

## C.A.R. Estimates of Potential Foreclosures



# Even unrealistic assumptions are way better

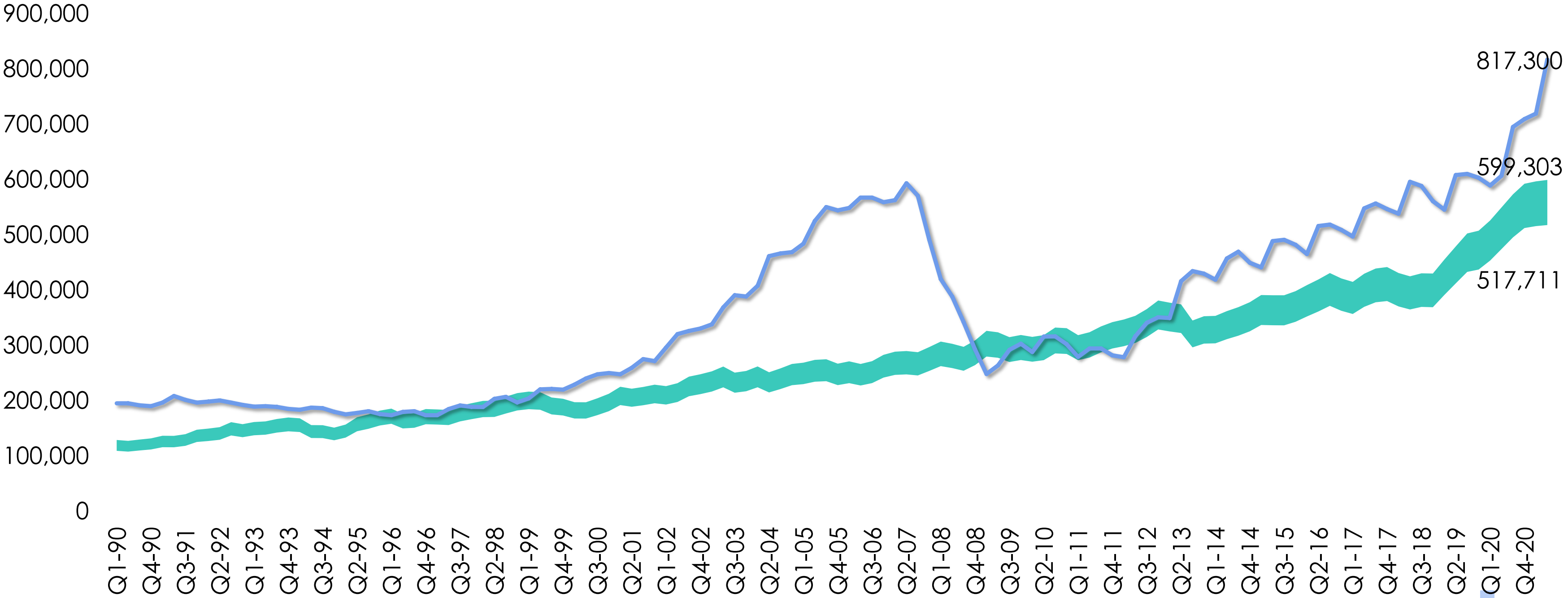
Comparing California Delinquency/Foreclosure between 2008-2010 and 2020





# 20% growth is sustainable indefinitely, but...

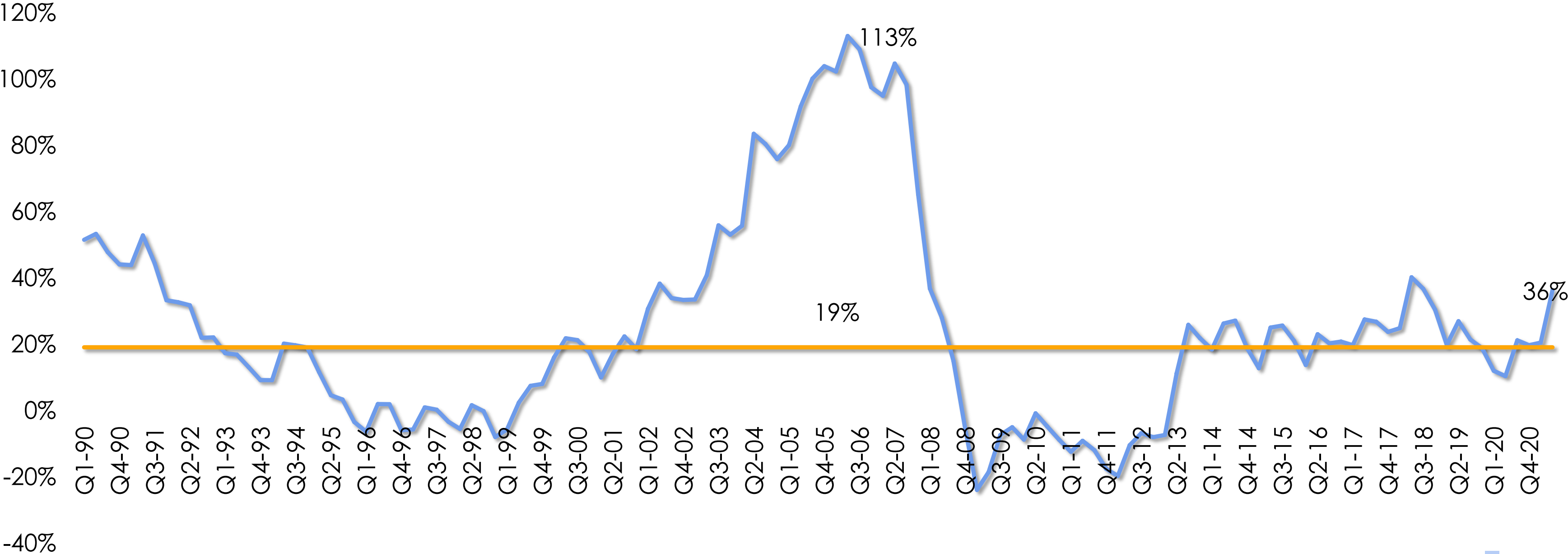
California Actual Median Existing SFR Price vs. Hypothetical “Market Clearing” Price



# Worst case scenario has a lot smaller downside potential

California Actual Median Existing SFR Price vs. Hypothetical “Market Clearing” Price

— Over/Under — Average



# Evergrande highlights bigger source of systemic risk

