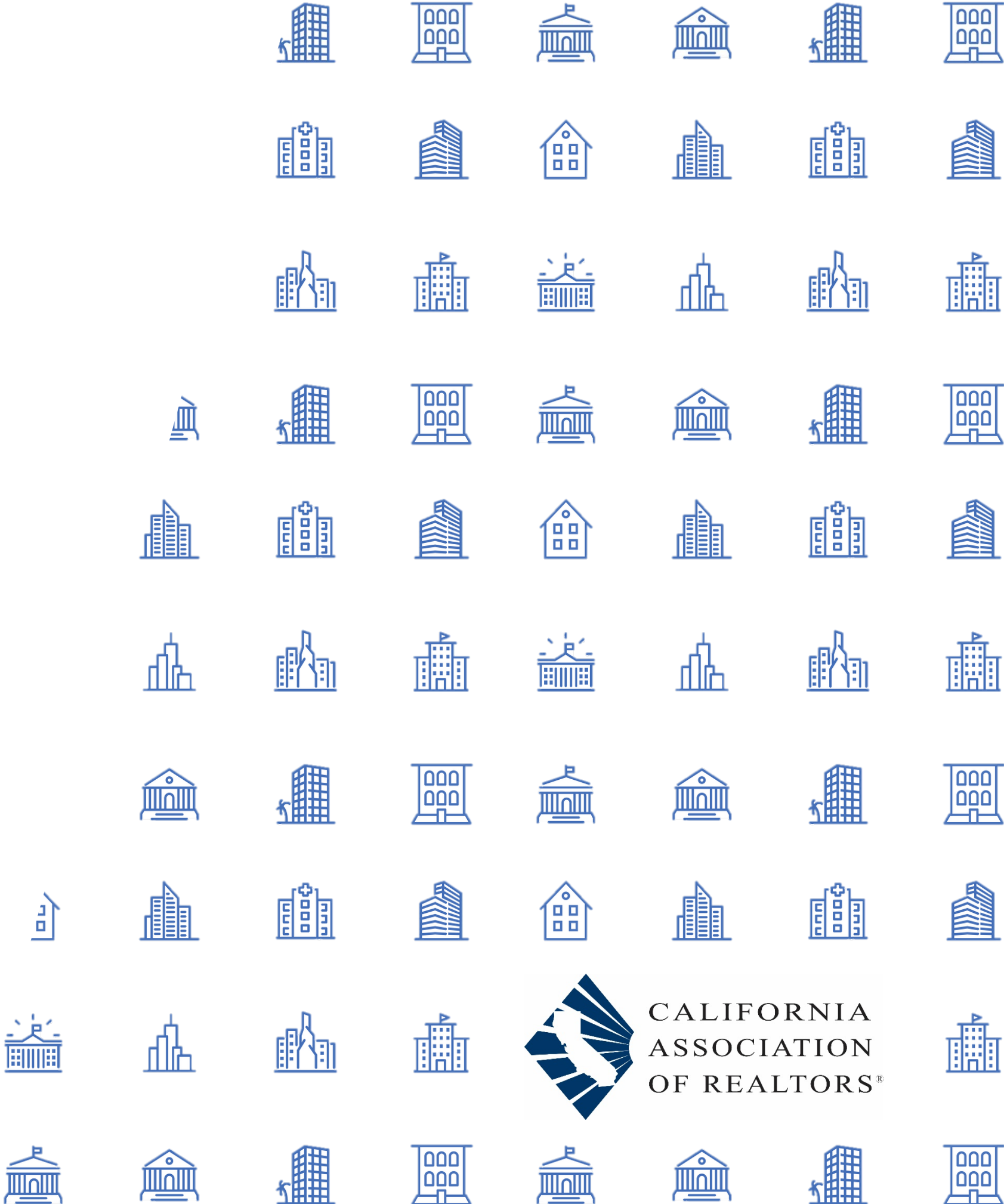


California Housing Market Forecast

Scenic Coast Association of REALTORS®
October 29, 2020

Jordan G. Levine
Deputy Chief Economist
California Association of REALTORS®



An environment of highs and lows

The Highs

- Economy healing broadly
- Buyer demand robust
- Home sales rising, prices at all-time high levels
- Fewer homeowners in forbearance
- COVID-19 numbers trending down consistently

The Lows

- 20+ million people on unemployment
- 350K delinquencies here in California
- Less than half as much inventory as 2019
- Pending sales suggest party winding down
- Rents falling, implications for prices?



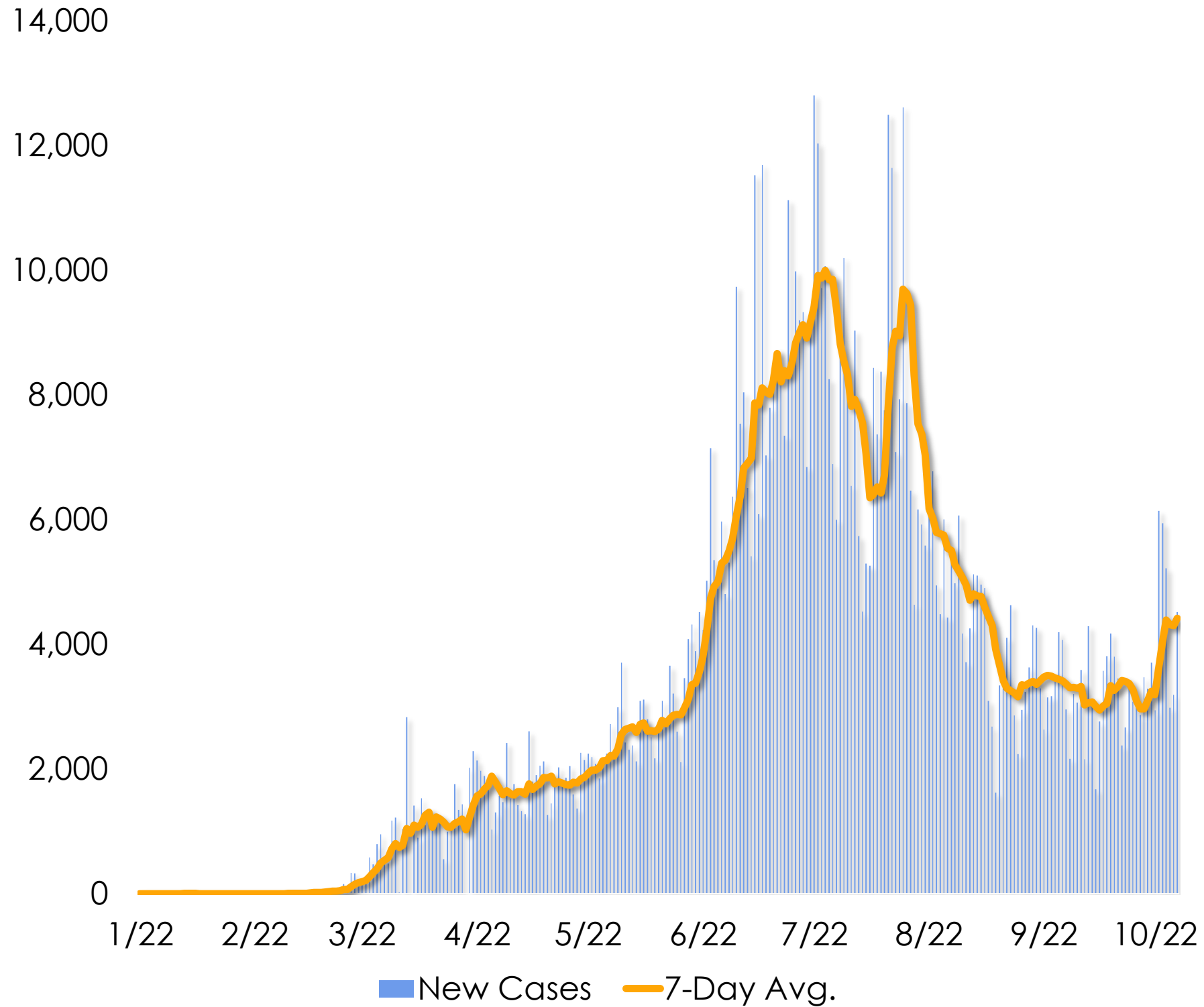


How About Some
GOOD NEWS?

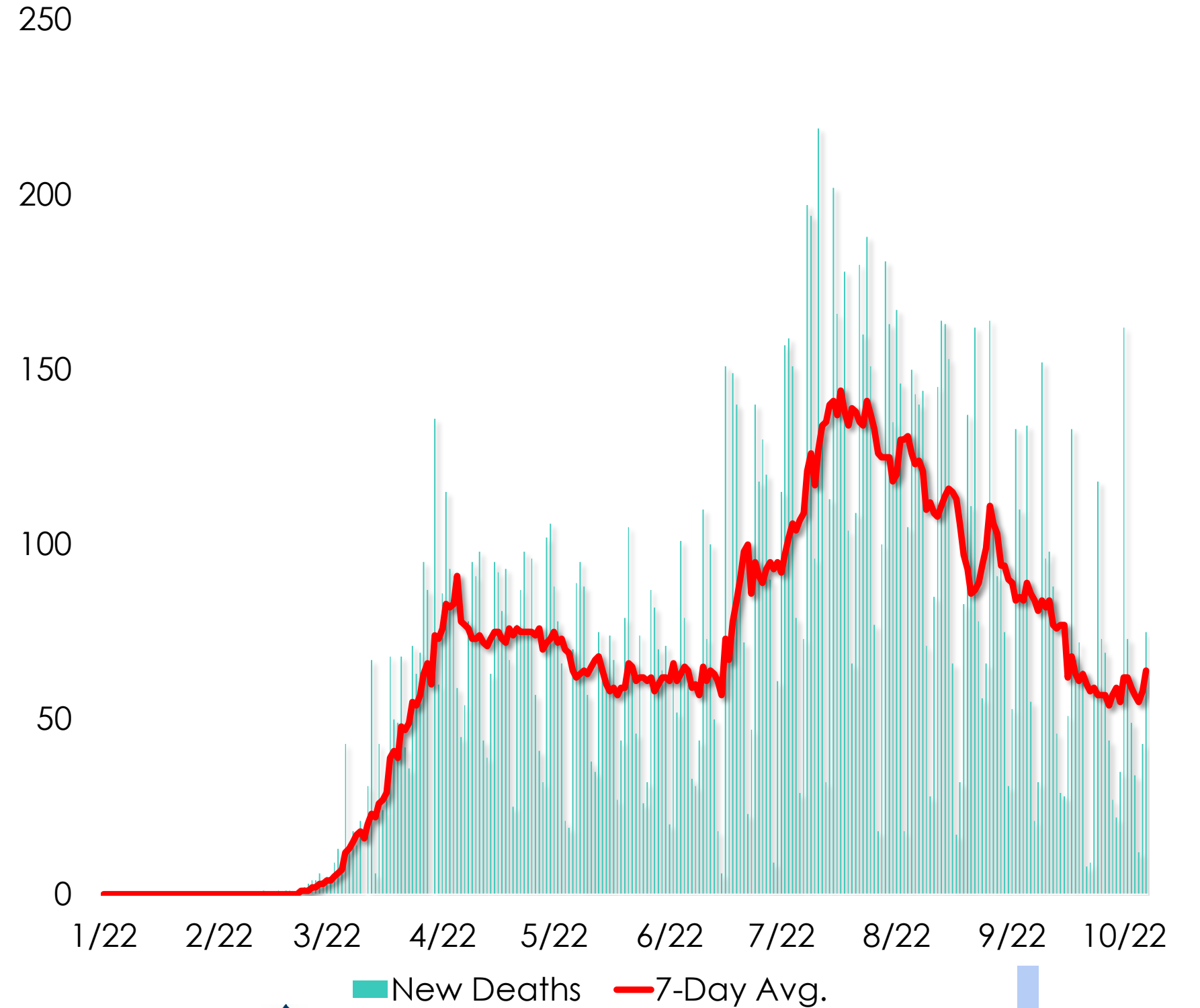


Daily California COVID-19 trends

Daily COVID-19 Cases in California

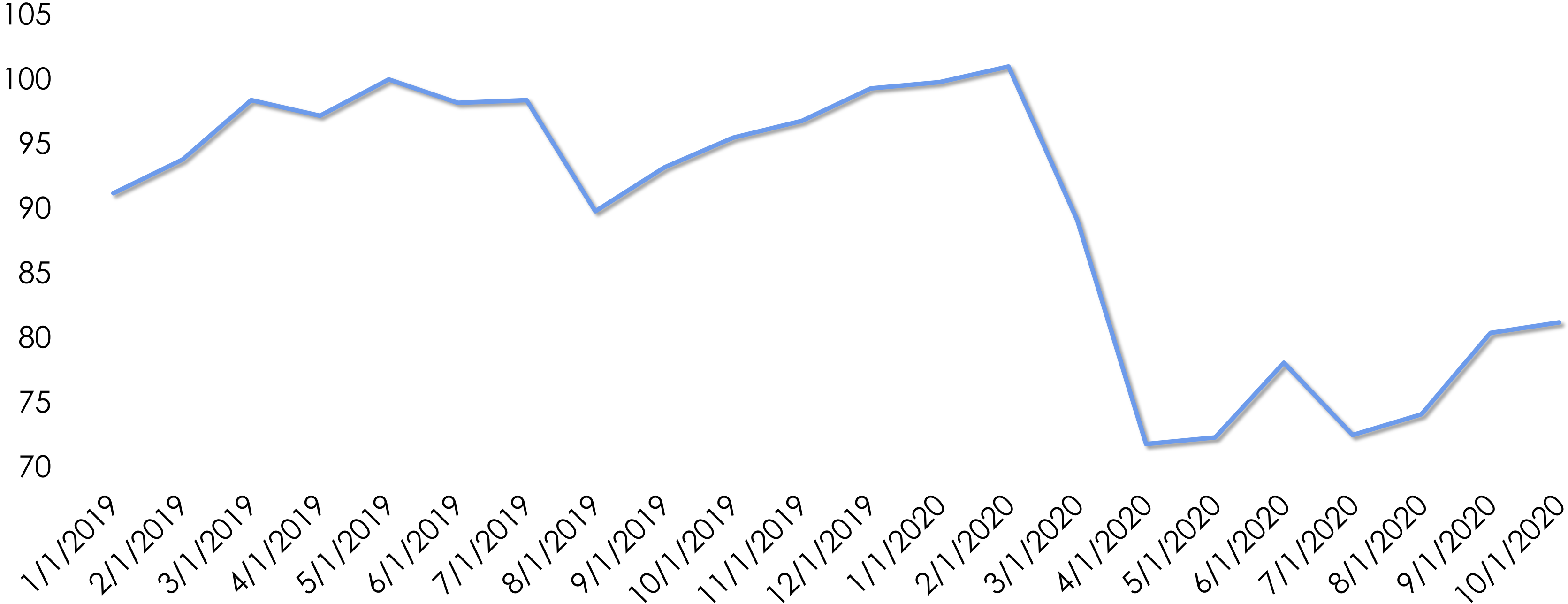


Daily COVID-19 Deaths in California



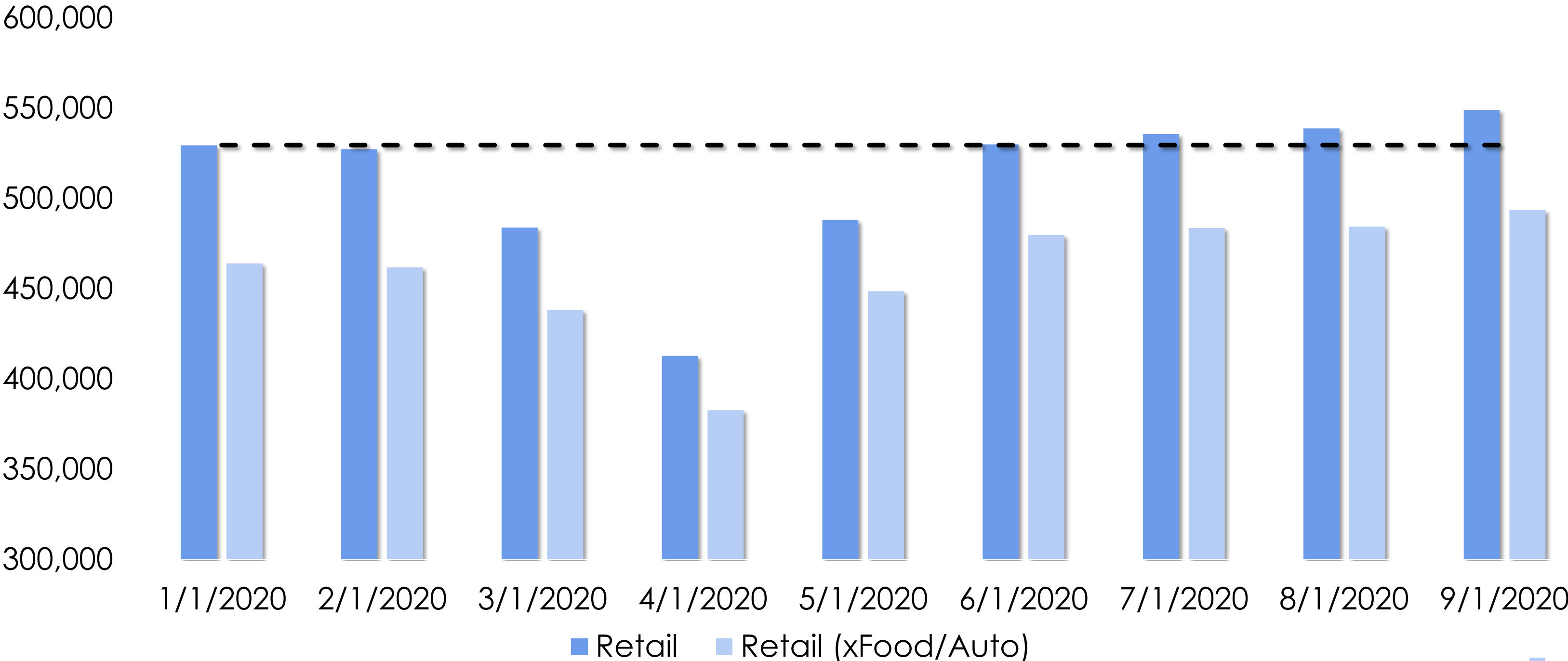
Consumers are feeling more confident

University of Michigan Index



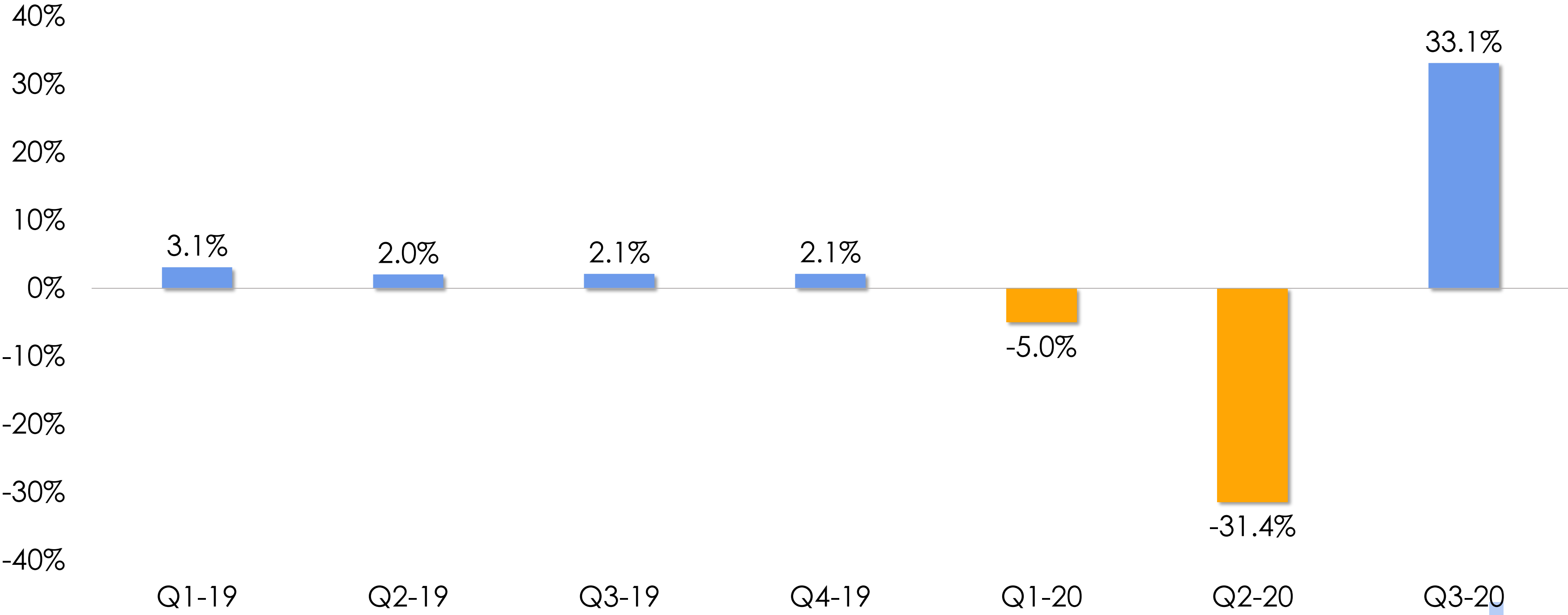
Consumers spending *accelerates* in September

U.S. Retail Sales



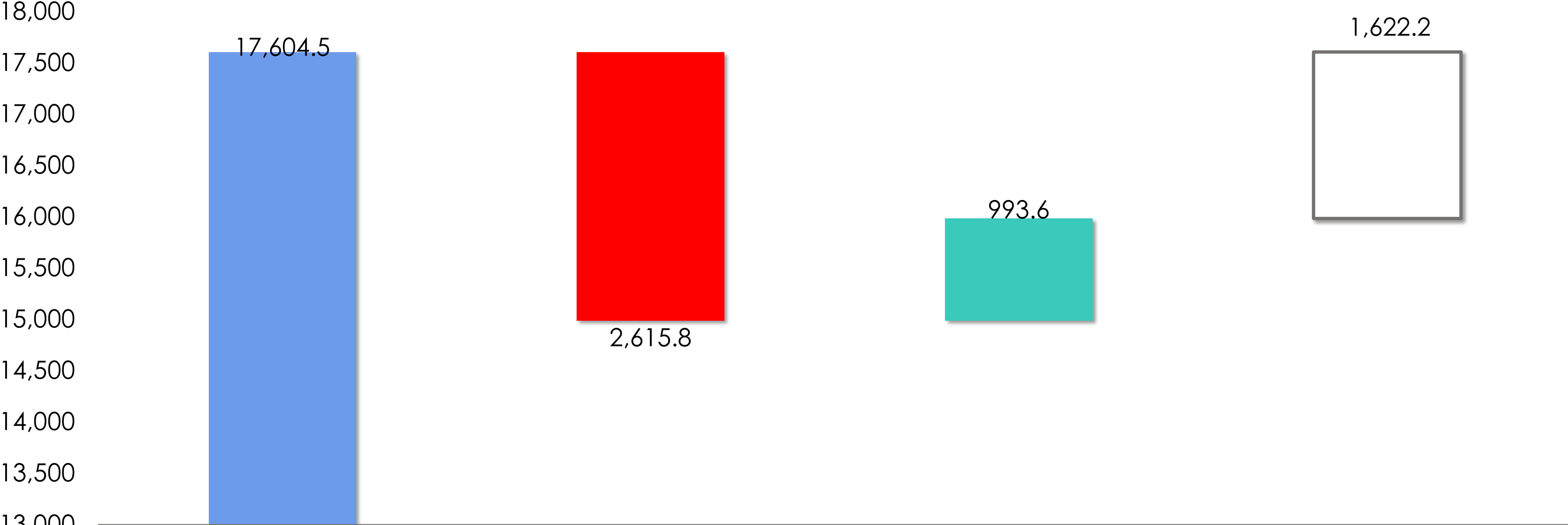
Sharp rebound in third quarter GDP

Real GDP Growth



Snapshot of California labor markets

California Nonfarm Jobs



Pre-Crisis
(Feb 2020)

Jobs Lost by
April 2020

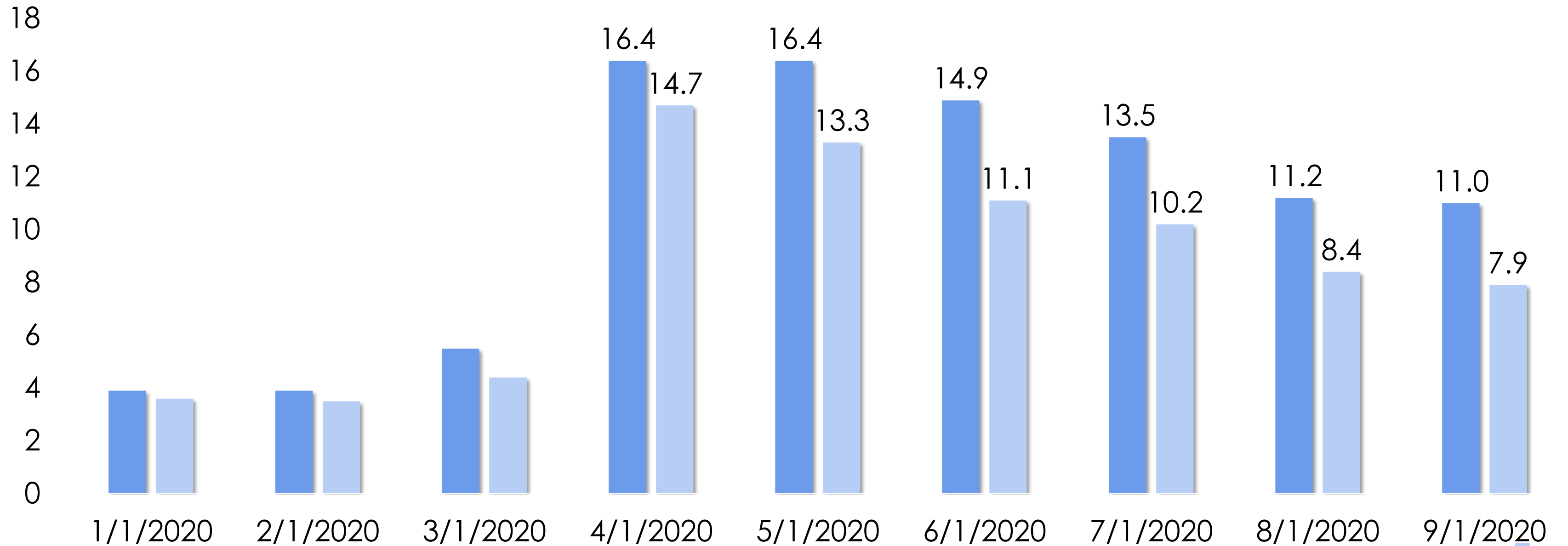
Rebound
(Thru September)

Remaining
to Pre-Crisis Peak

Unemployment rate **down consistently as well**

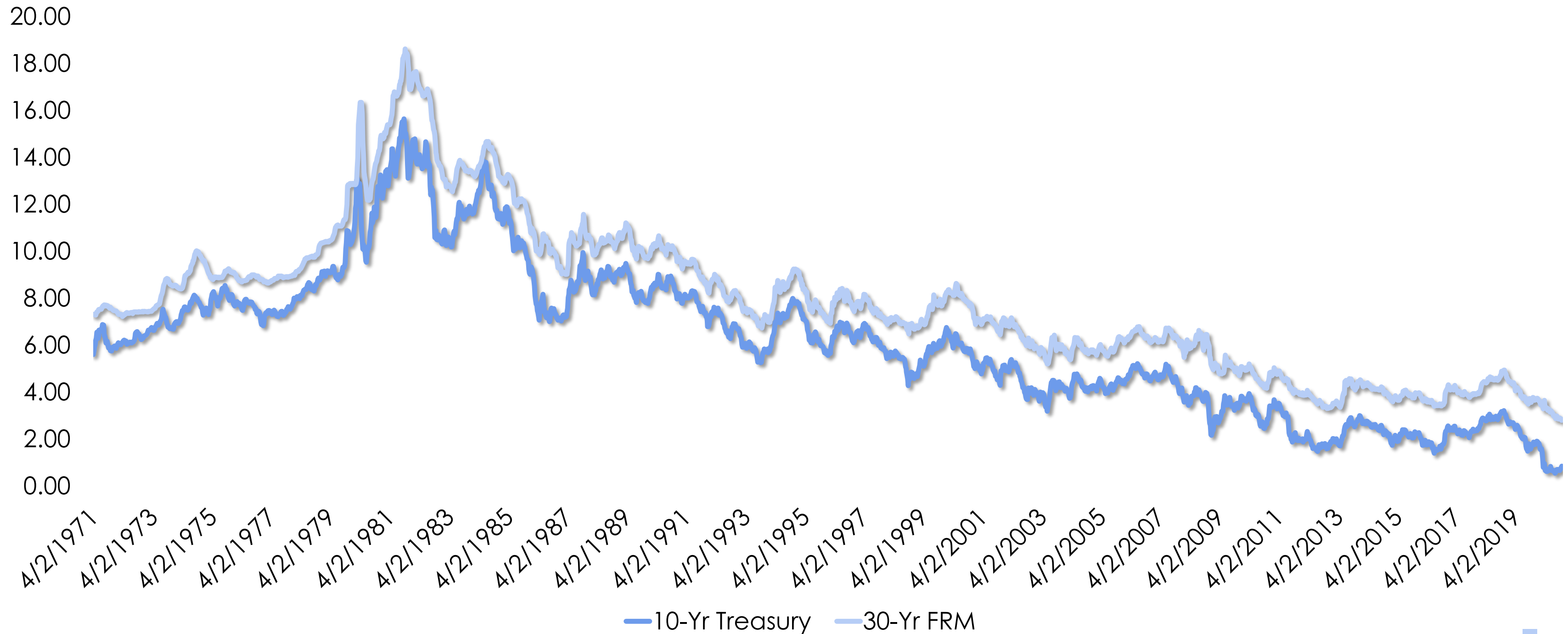
Unemployment Rates

■ CA ■ US



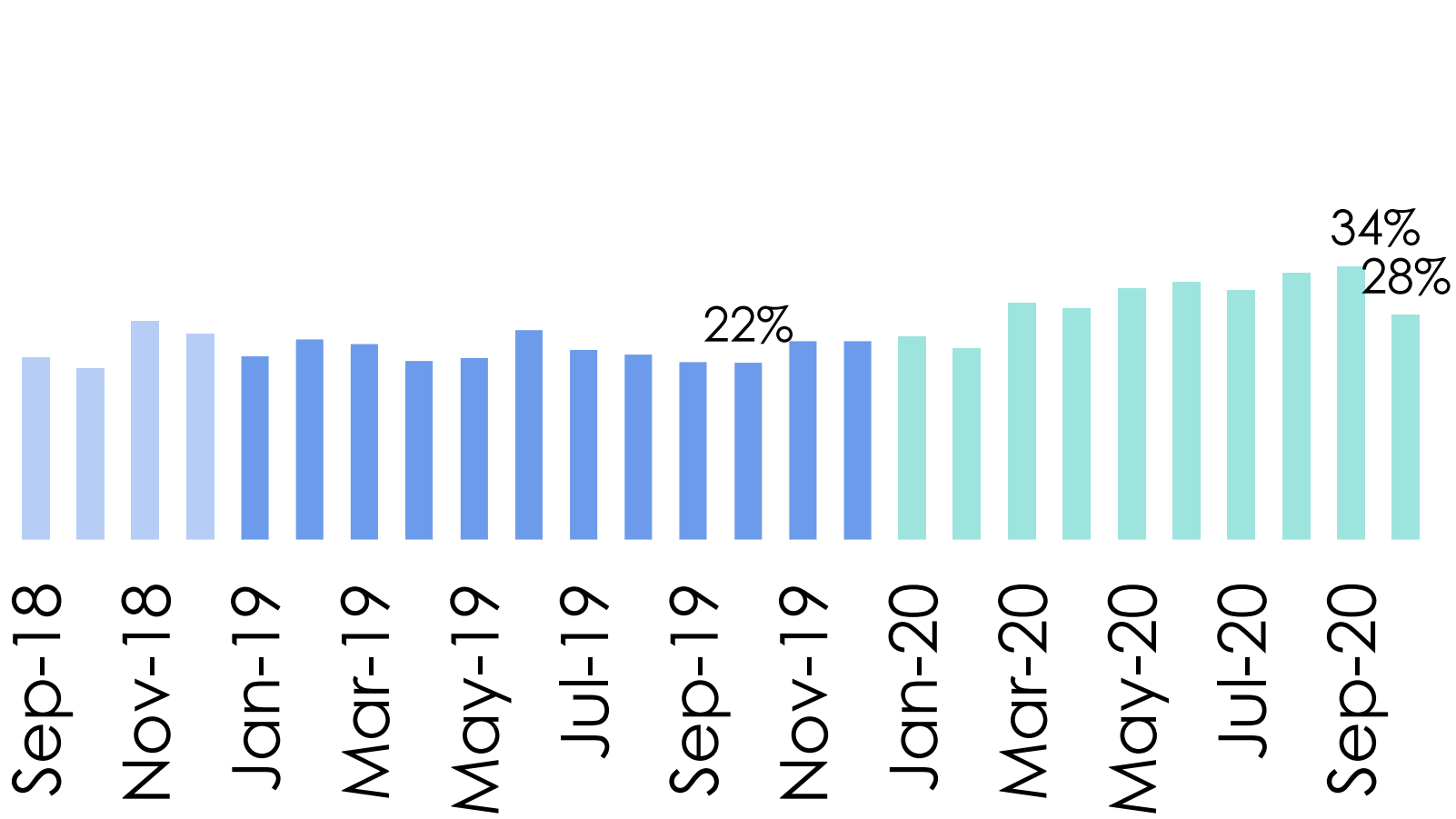
Interest rates have **NEVER** been lower

Key Interest Rates

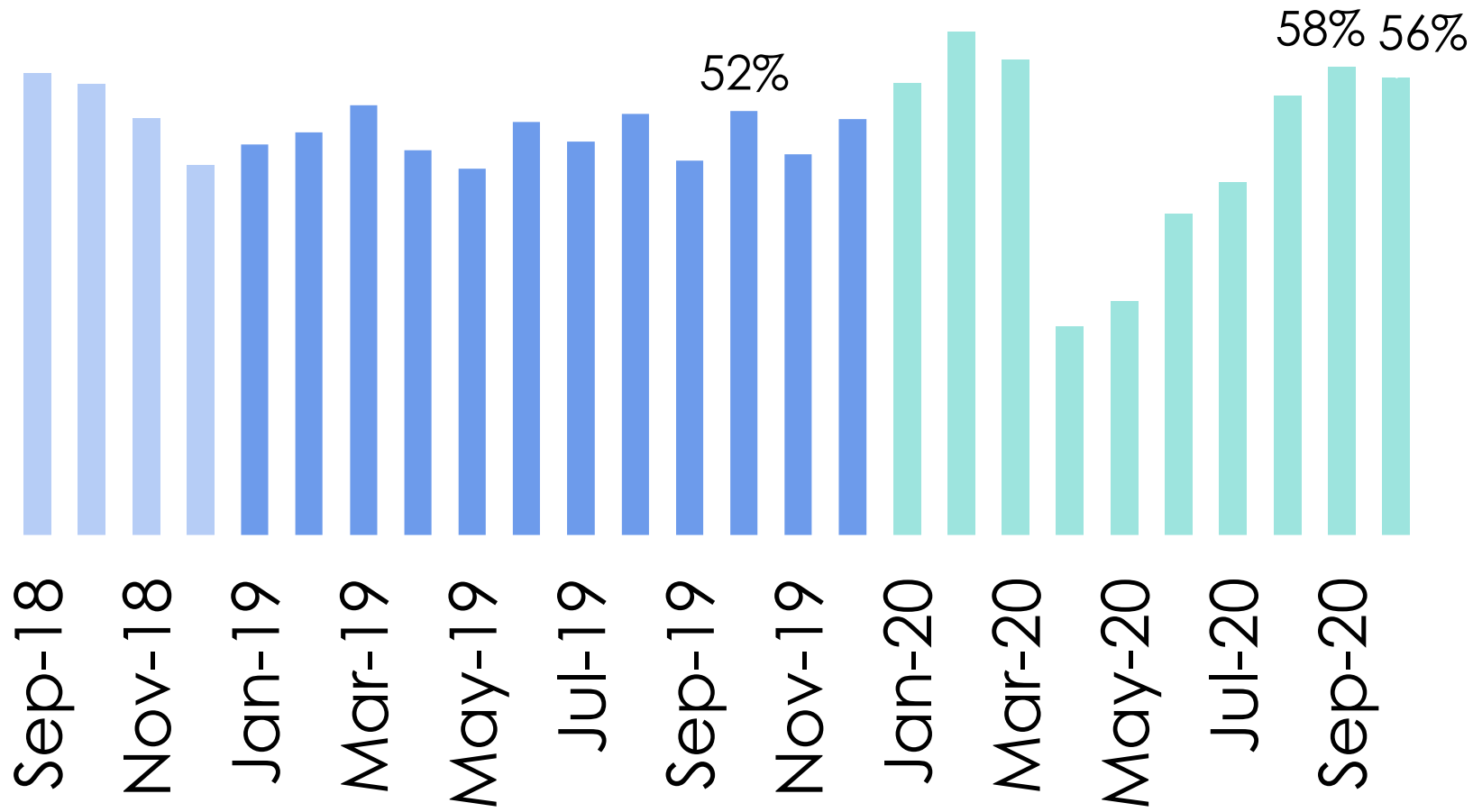


Is it a good time to buy or sell?

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

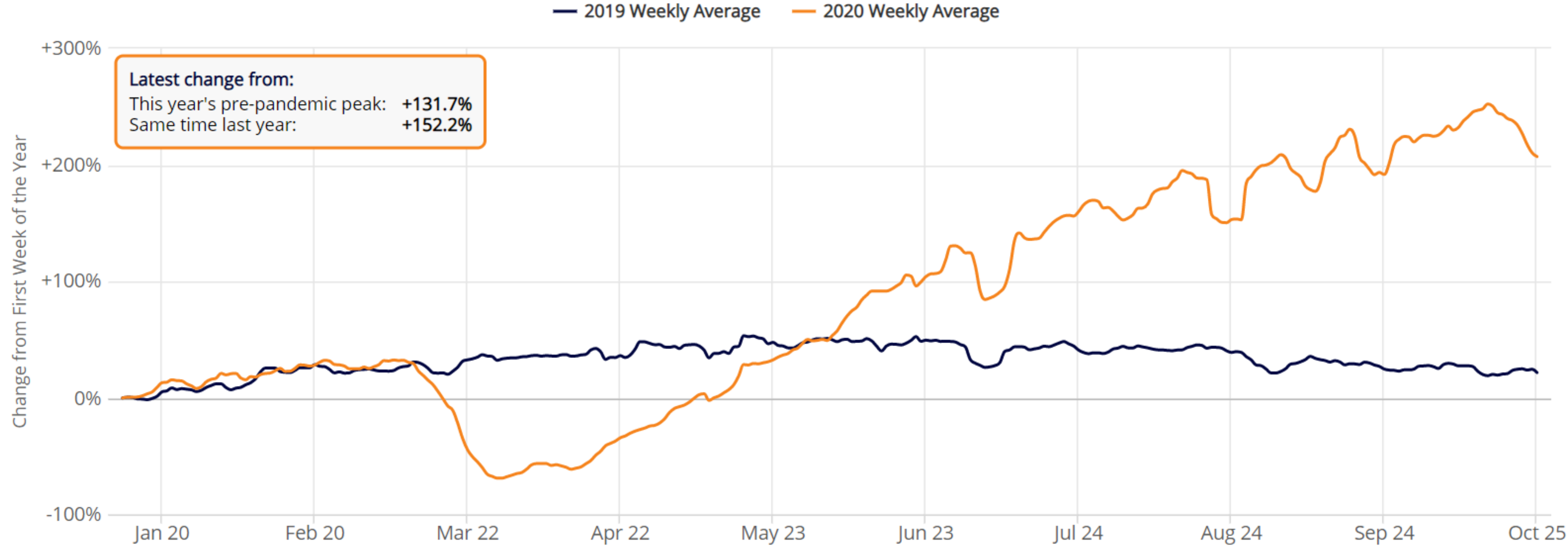


Do you think it's a good time to **sell** a home in California?



Impact of COVID-19 to Real Estate Showings in California

Weekly showings normalized to the first calendar week of January, 7-day moving average. Data through October 25, 2020



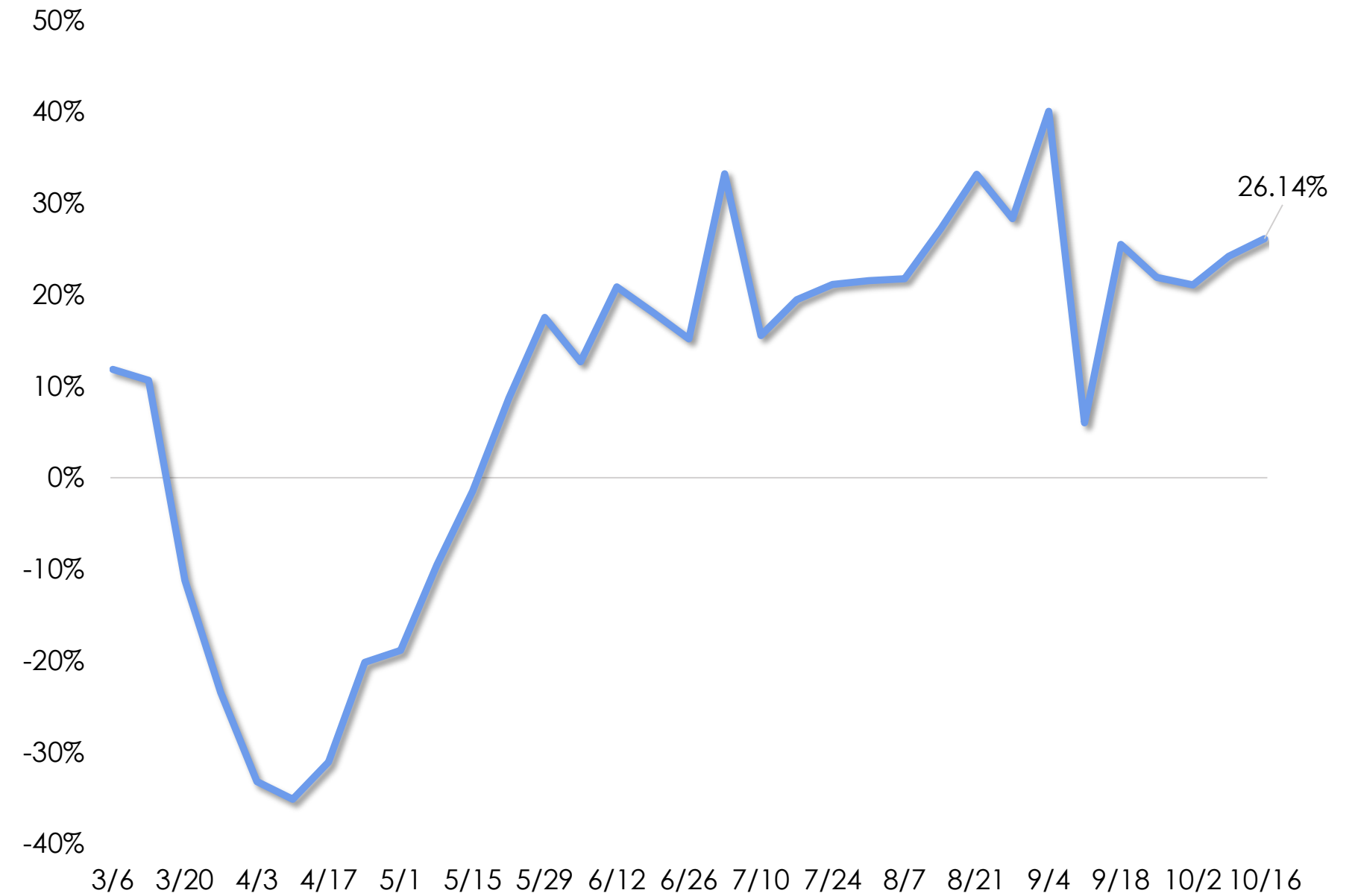
© 2020 ShowingTime. All rights reserved.

Purchase applications remain strong well into fall

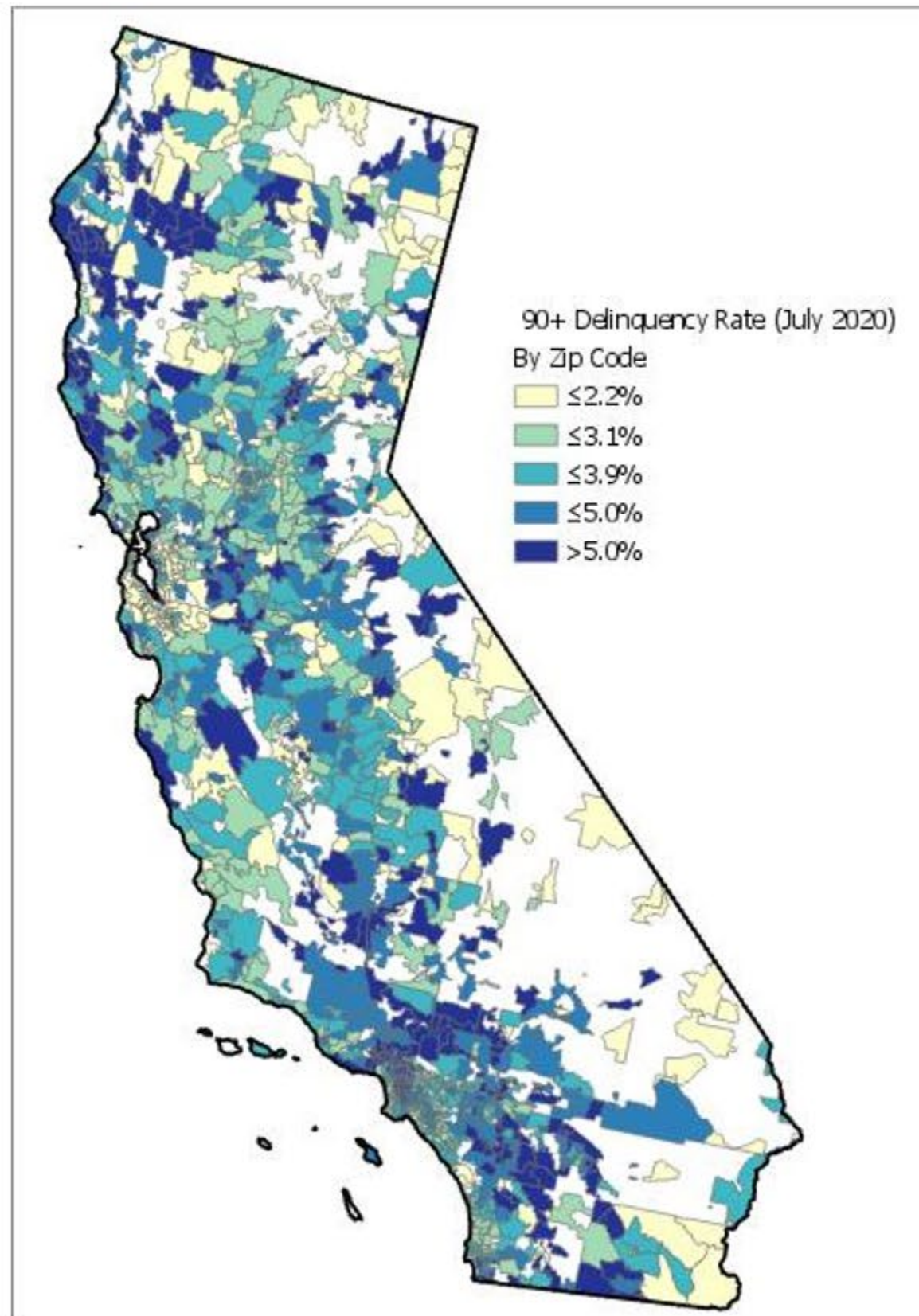
Weekly Change in New Mortgage Purchase Applications



Year-to-Year Change in New Mortgage Purchase Applications



Serious delinquencies peak outside main urban areas



- forbearances are among higher risk profiles homeowners: lower FICO scores, higher debt to income, higher loan-to-value, higher mortgage interest rates
- 41% of COVID-19 related forbearance plans have since exited:
 - 6% have paid off their mortgage in full (includes refinance)
 - 30% performing
 - 5% delinquent

Source: CoreLogic TrueStandings Servicing

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California housing market: sales up, price set new record, supply lowest in years

September 2020

489,590 | Existing Home Sales
+21.2% YTY **-3.7% YTD** % change



Price

\$712,430
+17.6% Y2Y



Unsold Inventory Index

2.0 months
-44.4% Y2Y



Median Days on Market

11 days
-54.2% Y2Y



Sales Price to List Price Ratio

100.0%
+1.5% Y2Y

September 2020 Central Coast Housing Snapshot



+42.0% YTY
-1.4% YTD

\$838,500
+20.6% YTY



**Unsold
Inventory Index**

1.8 months

Existing Home Sales
% change

Existing Home Price
% change



**Median Days
on Market**

12 days



**Sales Price to
List Price Ratio**

99.6%

monthly
market
report

September
2020

Ventura County

Median Price



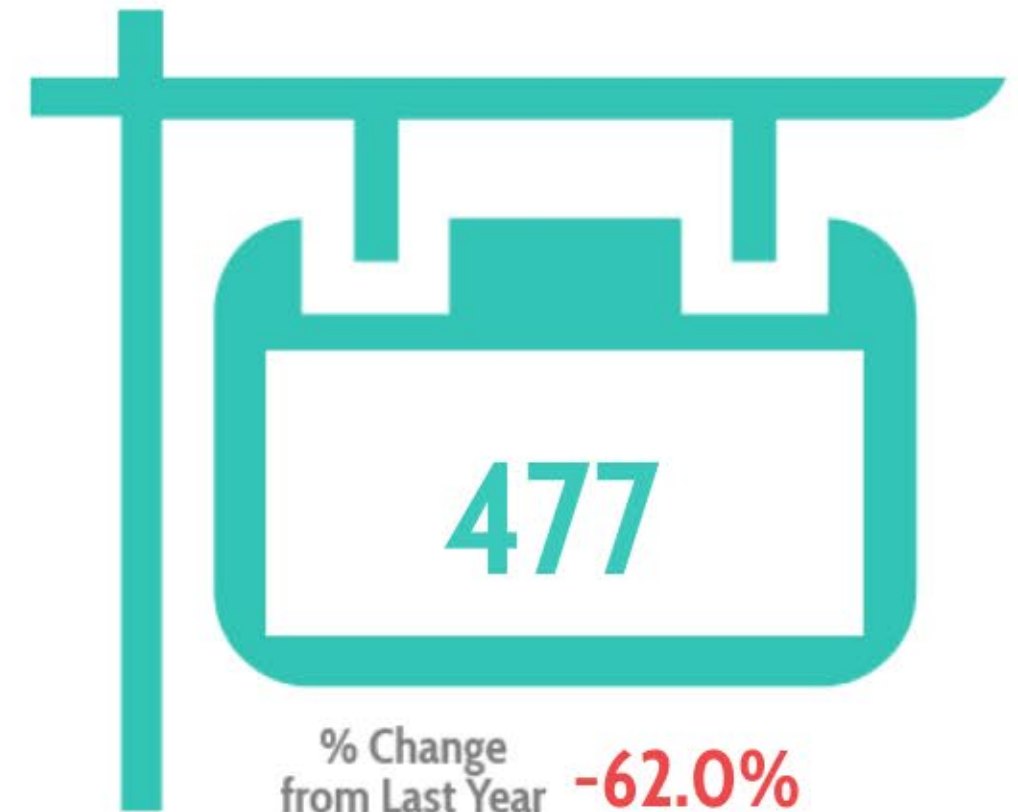
% Change
from Last Year **+19.5%**

Home Sales



% Change
from Last Year **+32.1%**

Active Listings



% Change
from Last Year **-62.0%**

Market Competition

Median
Days on
Market

30

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

25.4%

monthly
market
report

September
2020

Santa Barbara County

Median Price



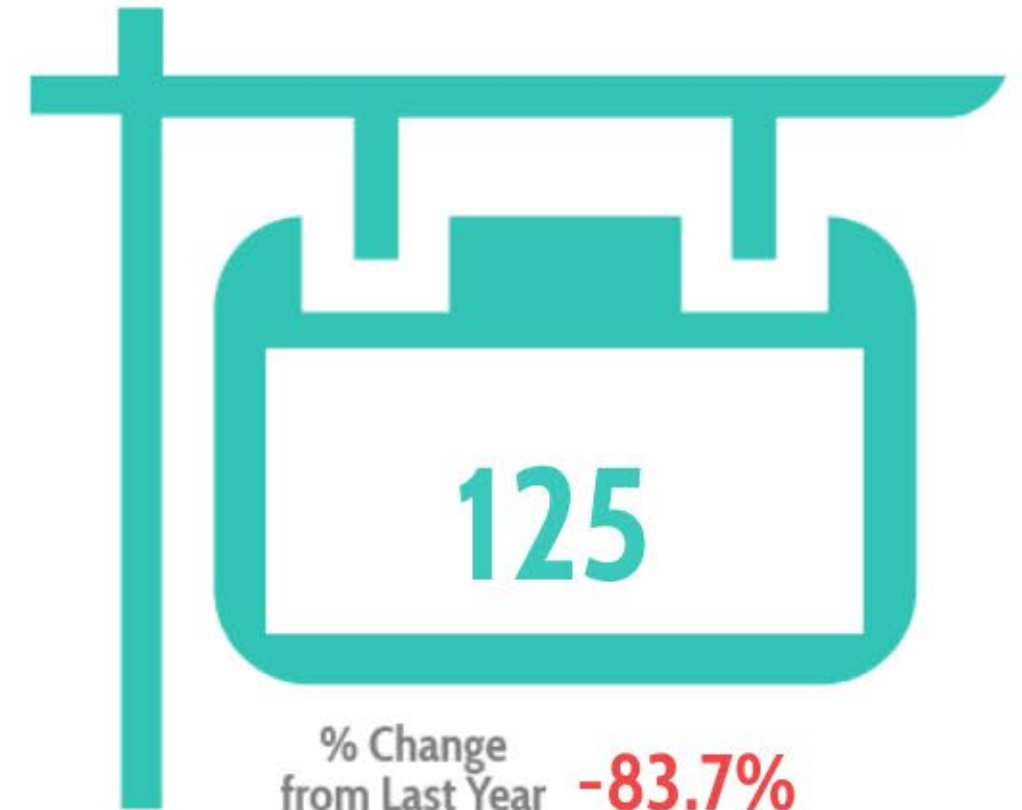
% Change
from Last Year **+36.7%**

Home Sales



% Change
from Last Year **+50.4%**

Active Listings



% Change
from Last Year **-83.7%**

Market Competition

Median
Days on
Market

14

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

28.8%

monthly
market
report

September
2020

San Luis Obispo County

Median Price



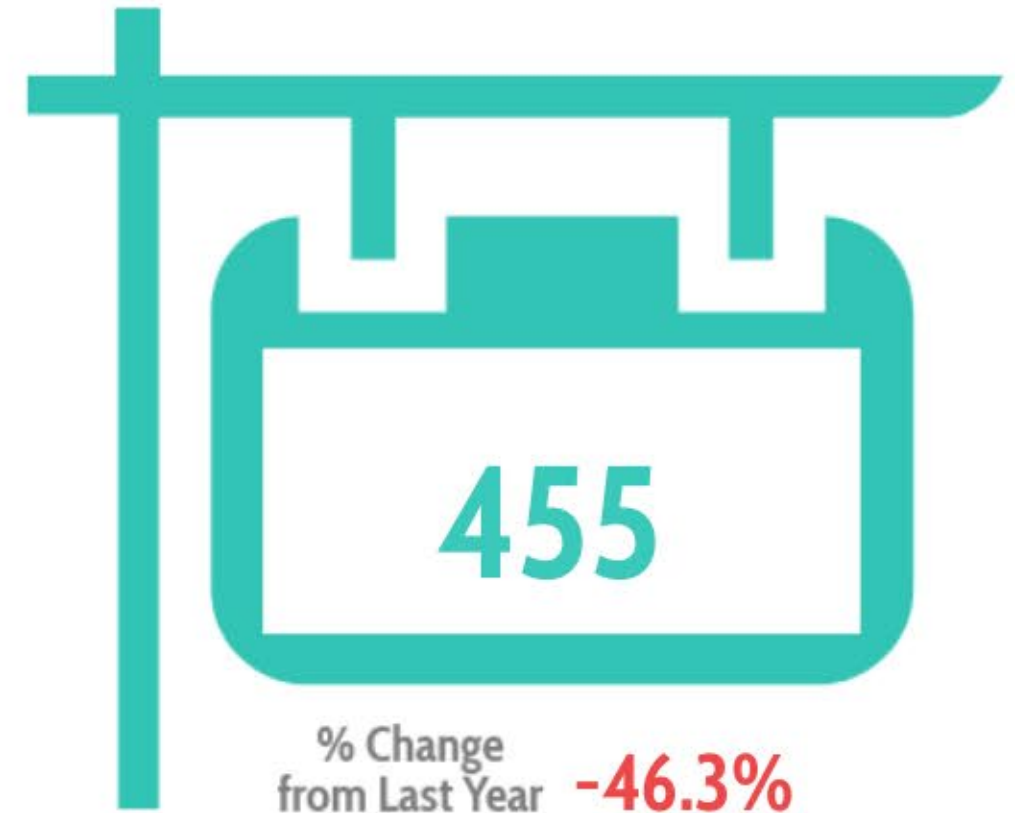
% Change
from Last Year **+4.4%**

Home Sales



% Change
from Last Year **+29.6%**

Active Listings



% Change
from Last Year **-46.3%**

Market Competition

Median
Days on
Market

11

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

35.2%

monthly
market
report

September
2020

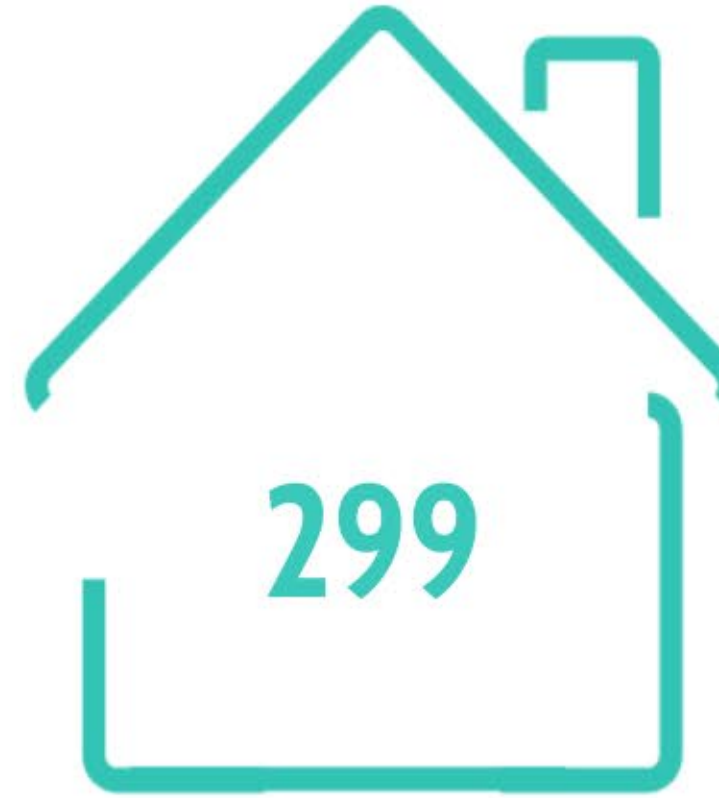
Monterey County

Median Price



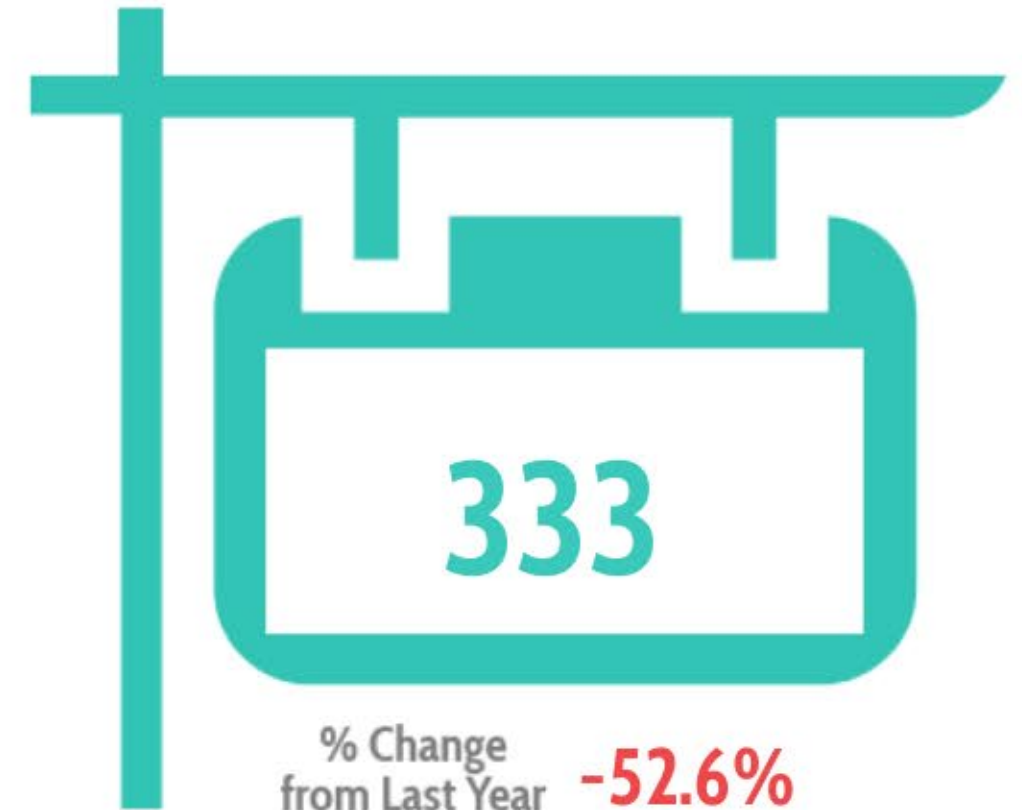
% Change
from Last Year **+30.7%**

Home Sales



% Change
from Last Year **+61.6%**

Active Listings



% Change
from Last Year **-52.6%**

Market Competition

Median
Days on
Market

10

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

27.9%

monthly
market
report

September
2020

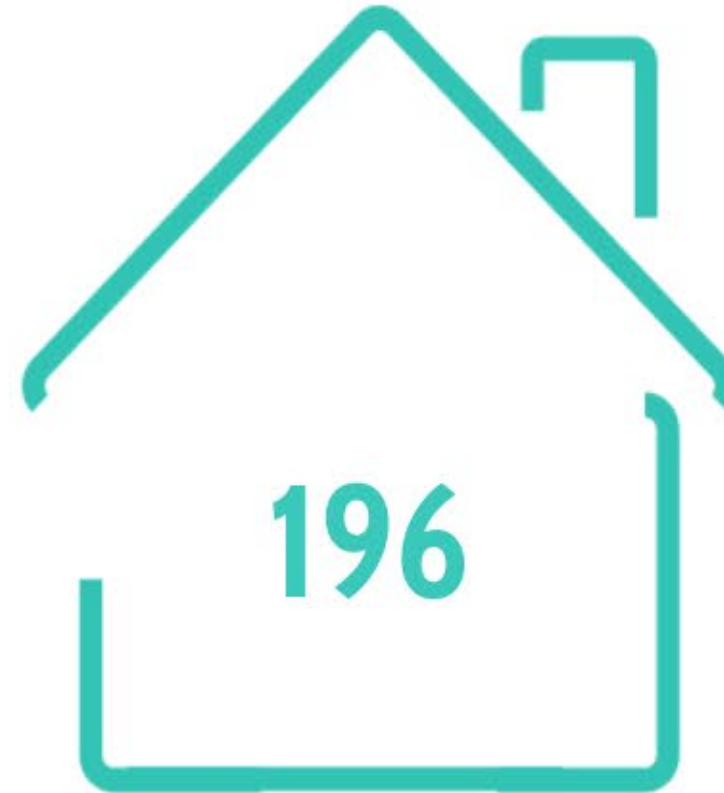
Santa Cruz County

Median Price



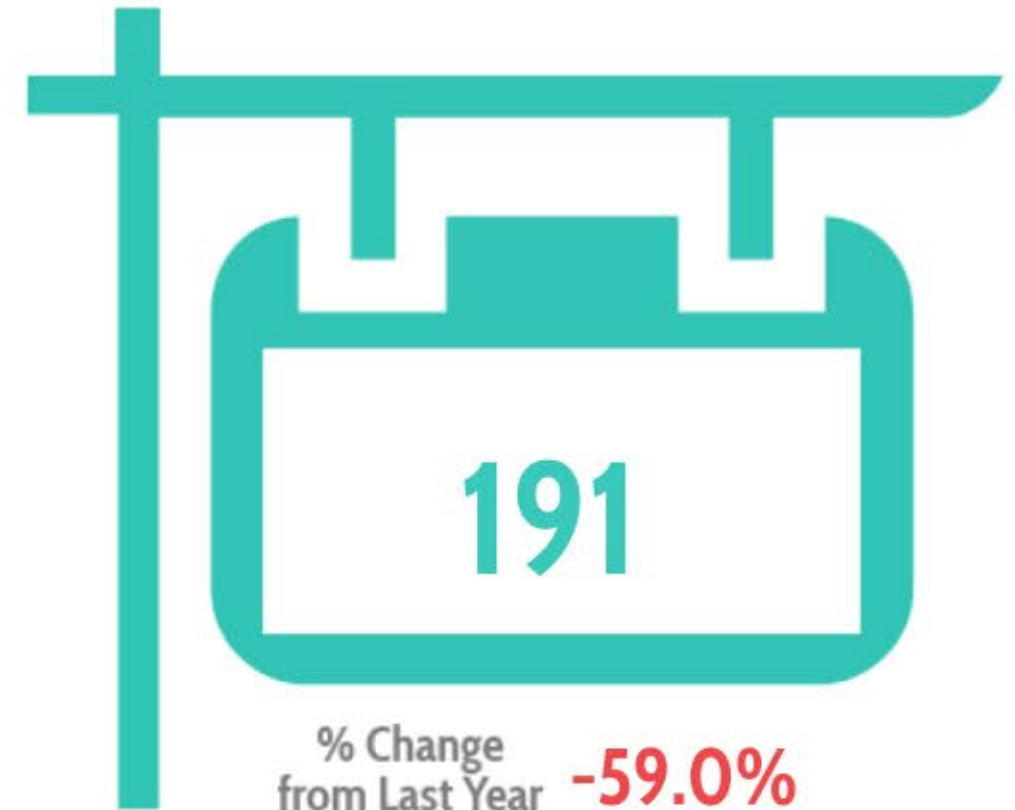
% Change
from Last Year **+33.6%**

Home Sales



% Change
from Last Year **+27.3%**

Active Listings



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

Market Competition

Median
Days on
Market

12

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

34.0%

monthly
market
report

September
2020

Arroyo Grande, California

Median Price



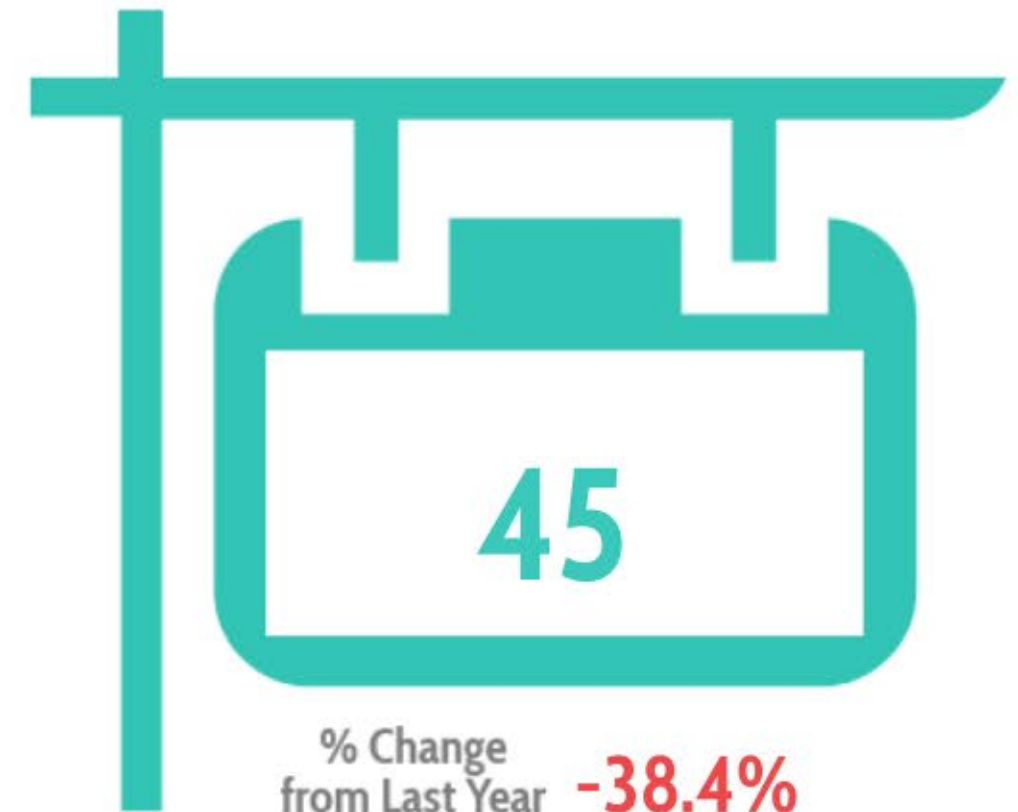
% Change
from Last Year **-1.7%**

Home Sales



% Change
from Last Year **+45.0%**

Active Listings



% Change
from Last Year **-38.4%**

Market Competition

Median
Days on
Market

8

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

33.3%

monthly
market
report
September
2020

Atascadero, California

Median Price



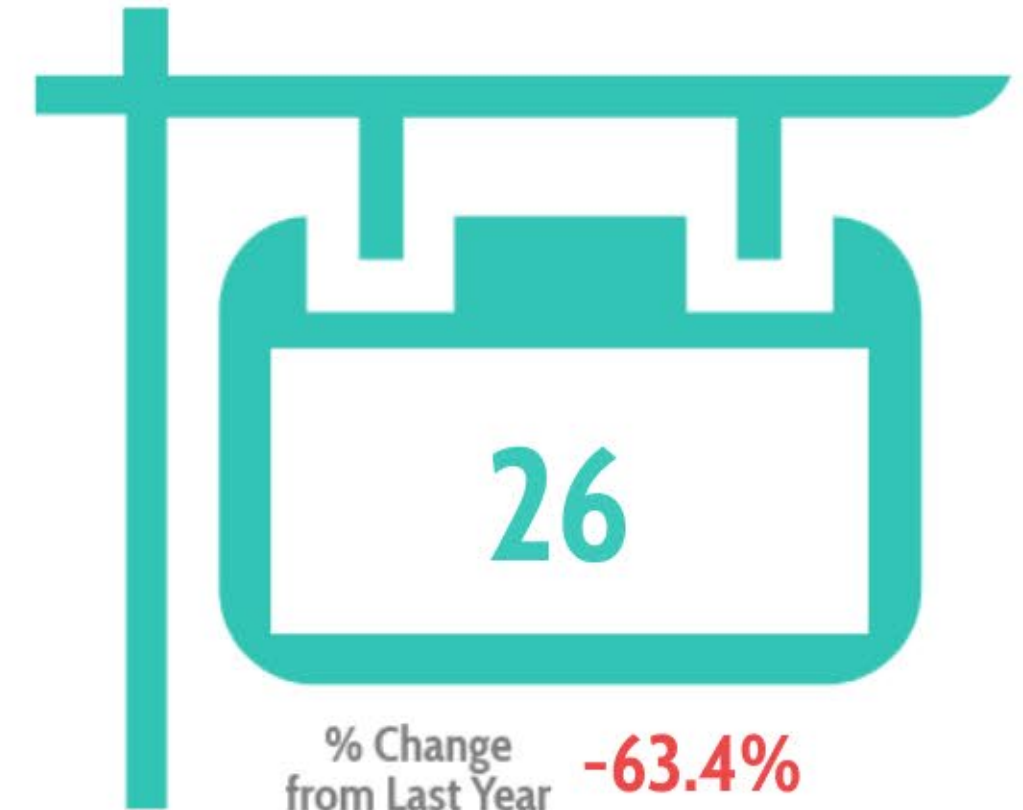
% Change
from Last Year **-8.3%**

Home Sales



% Change
from Last Year **+51.6%**

Active Listings



% Change
from Last Year **-63.4%**

Market Competition

Median
Days on
Market

9

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

42.3%

Cambria, California

monthly
market
report
September
2020

Median Price



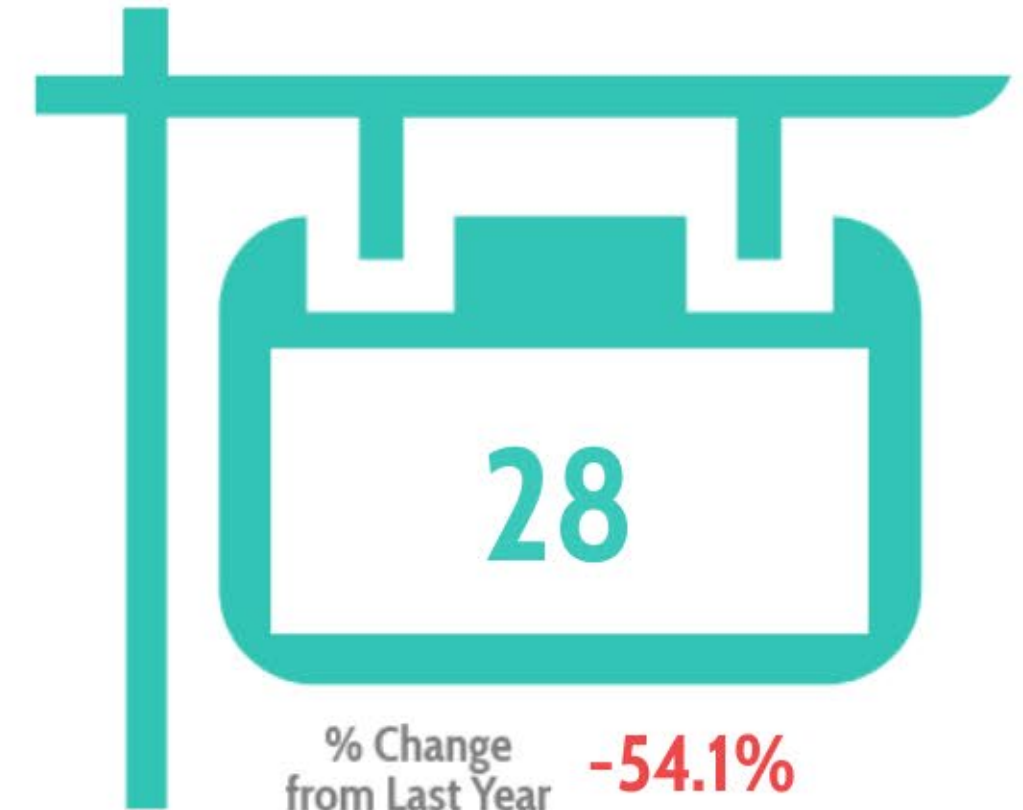
% Change
from Last Year **-19.3%**

Home Sales



% Change
from Last Year **-22.2%**

Active Listings



% Change
from Last Year **-54.1%**

Market Competition

Median
Days on
Market

21

Sales to
List Price %

98.9%

% of Active
Listings with
Reduced Prices

25.0%

monthly
market
report
September
2020

Grover Beach, California

Median Price



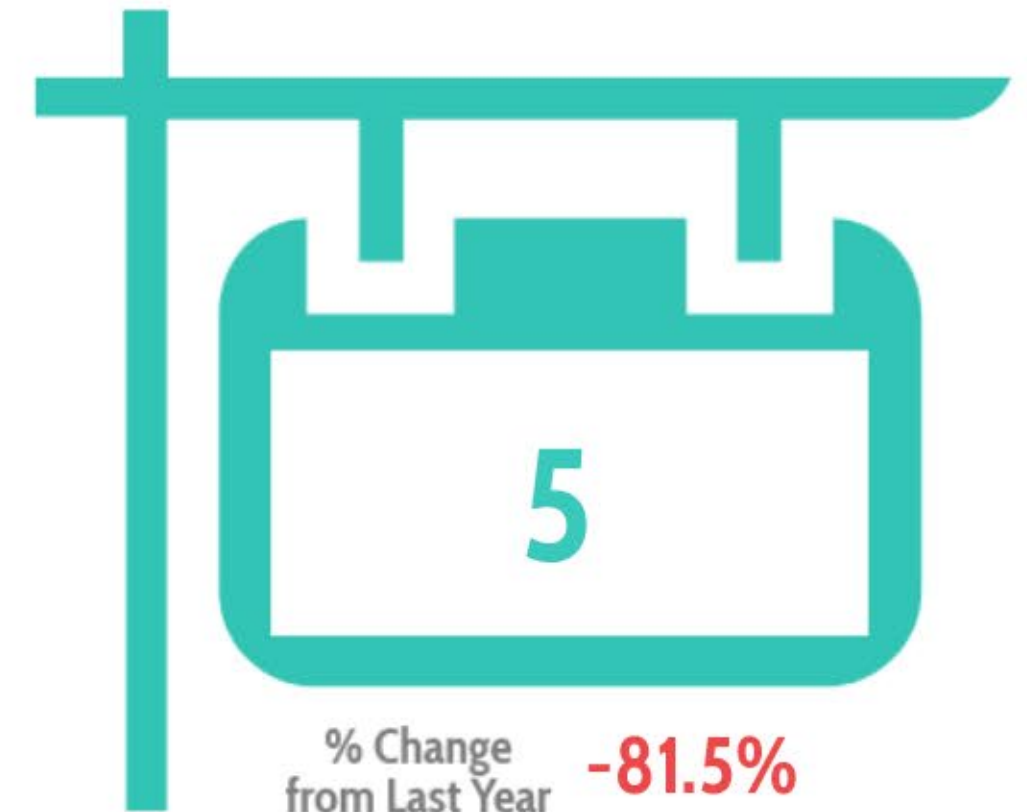
% Change
from Last Year **-0.6%**

Home Sales



% Change
from Last Year **-6.7%**

Active Listings



% Change
from Last Year **-81.5%**

Market Competition

Median
Days on
Market

11

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

60.0%

monthly
market
report
September
2020

Los Osos, California

Median Price



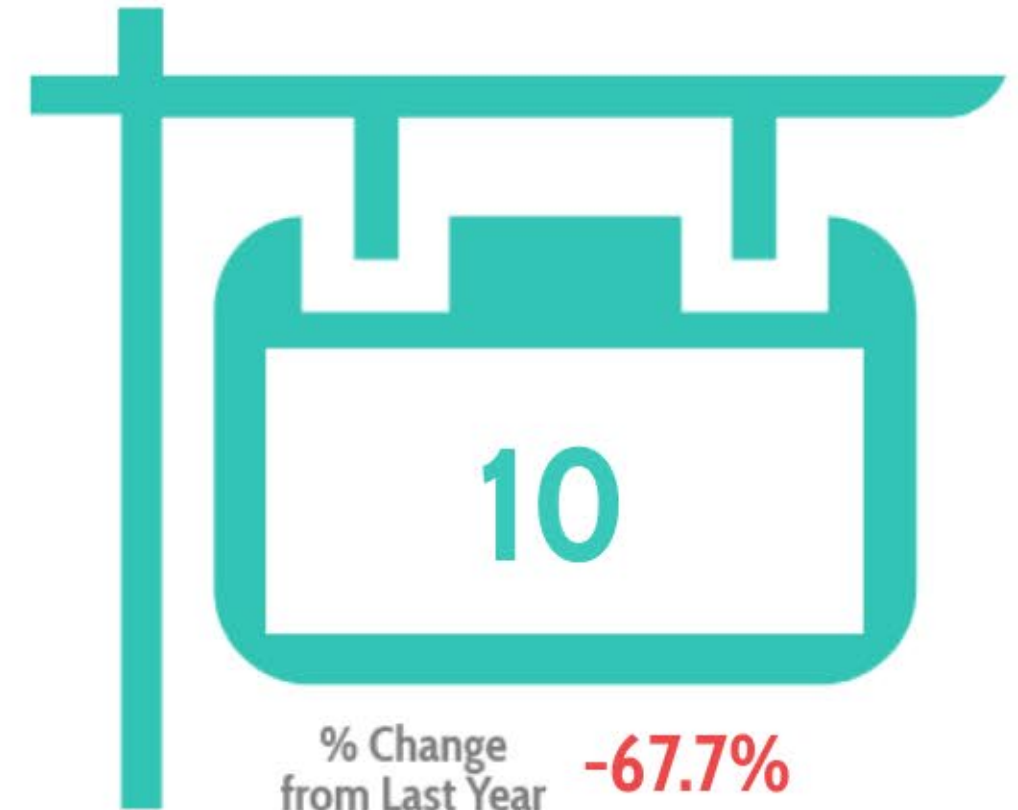
% Change
from Last Year **+26.9%**

Home Sales



% Change
from Last Year **-23.1%**

Active Listings



% Change
from Last Year **-67.7%**

Market Competition

Median
Days on
Market

7

Sales to
List Price %

99.4%

% of Active
Listings with
Reduced Prices

20.0%

monthly
market
report

September
2020

Morro Bay, California

Median Price



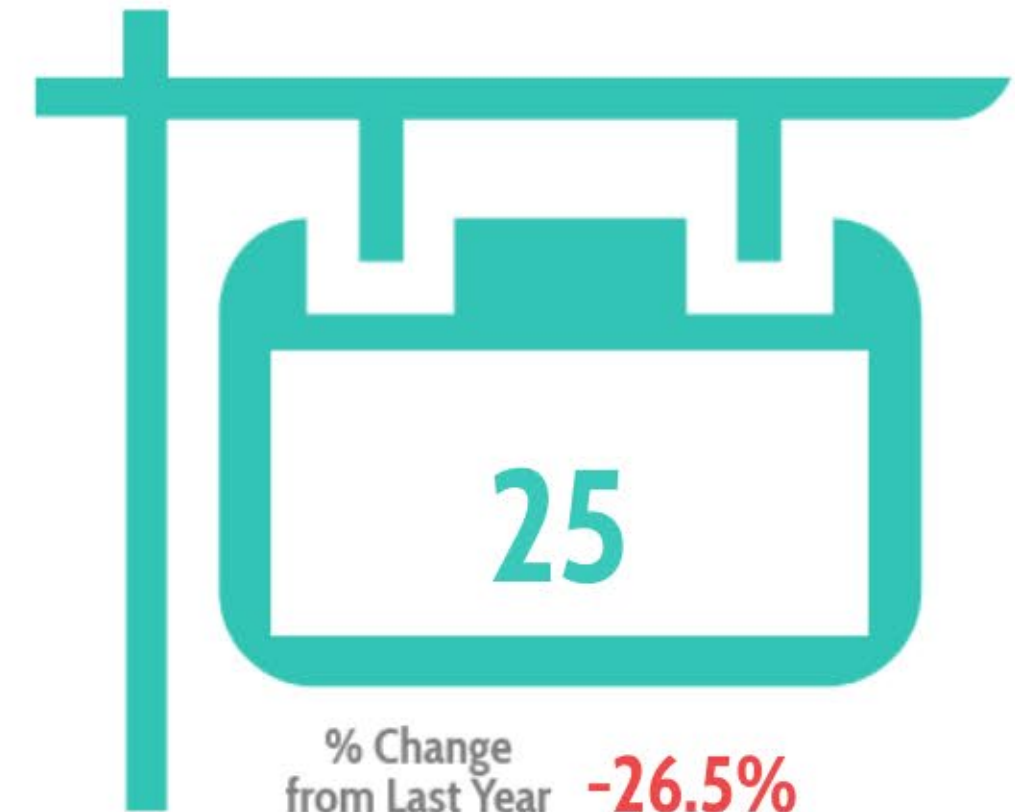
% Change
from Last Year **+5.4%**

Home Sales



% Change
from Last Year **+45.5%**

Active Listings



% Change
from Last Year **-26.5%**

Market Competition

Median
Days on
Market

7

Sales to
List Price %

99.6%

% of Active
Listings with
Reduced Prices

40.0%

monthly
market
report

September
2020

Nipomo, California

Median Price



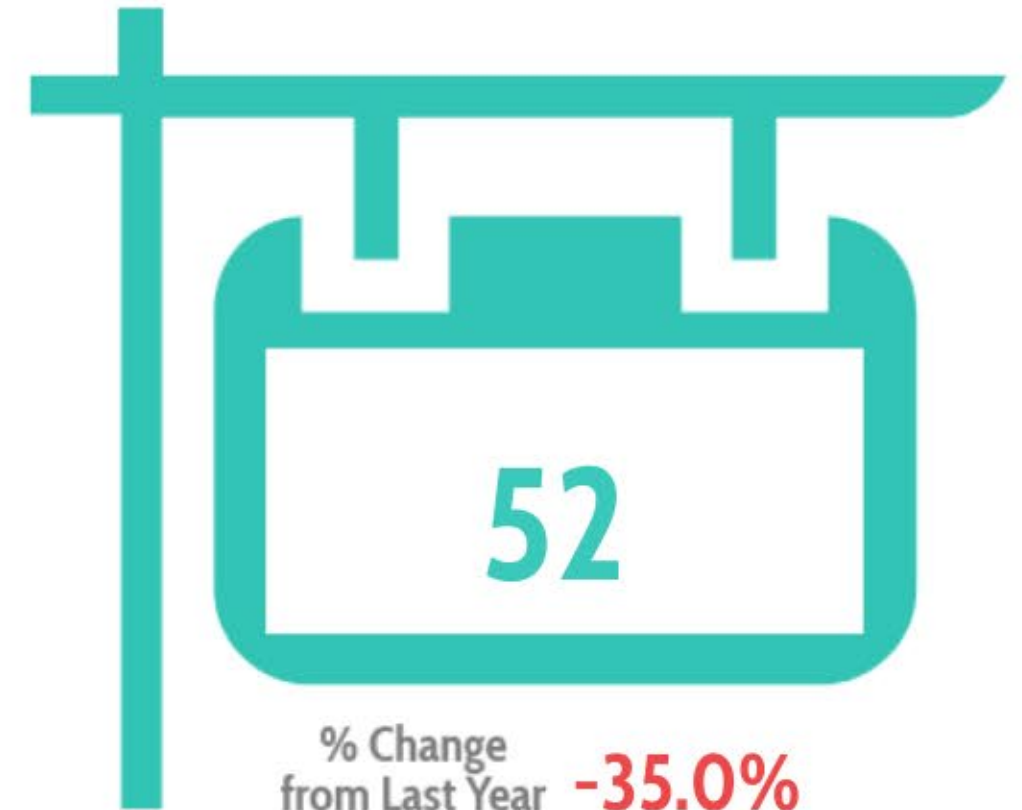
% Change
from Last Year **+23.8%**

Home Sales



% Change
from Last Year **+5.6%**

Active Listings



% Change
from Last Year **-35.0%**

Market Competition

Median
Days on
Market

19

Sales to
List Price %

99.3%

% of Active
Listings with
Reduced Prices

34.6%

monthly
market
report
September
2020

Paso Robles, California

Median Price



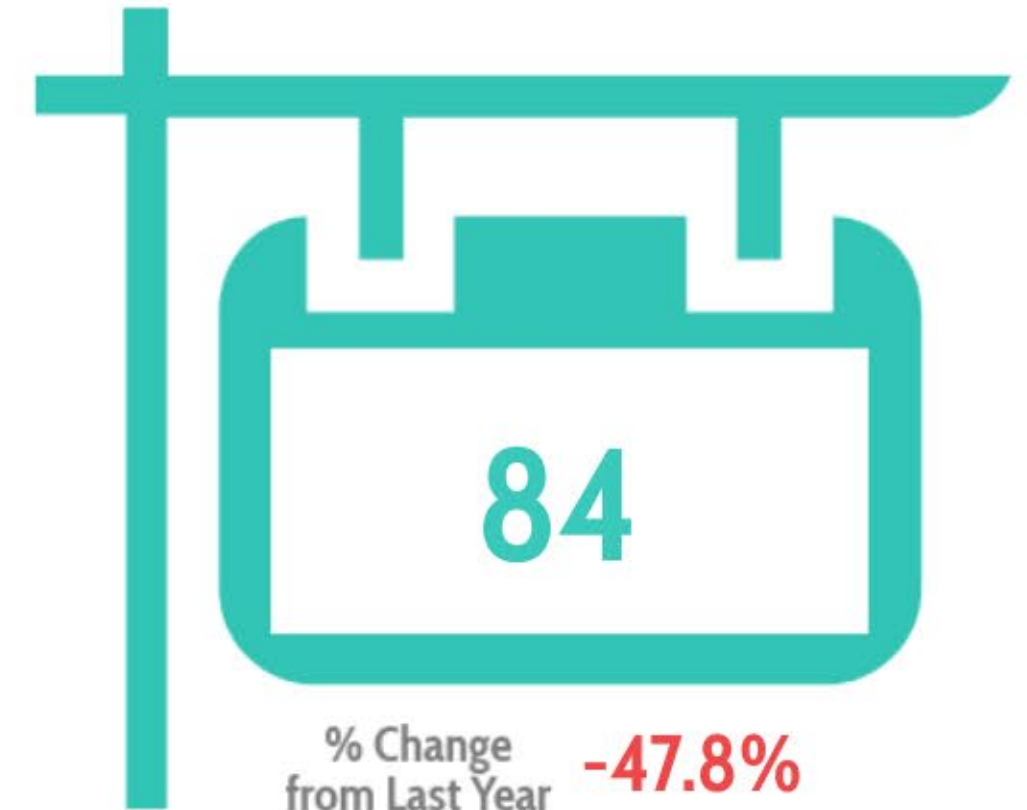
% Change
from Last Year **+20.4%**

Home Sales



% Change
from Last Year **+38.9%**

Active Listings



% Change
from Last Year **-47.8%**

Market Competition

Median
Days on
Market

10

Sales to
List Price %

99.5%

% of Active
Listings with
Reduced Prices

35.7%

monthly
market
report
September
2020

Pismo Beach, California

Median Price



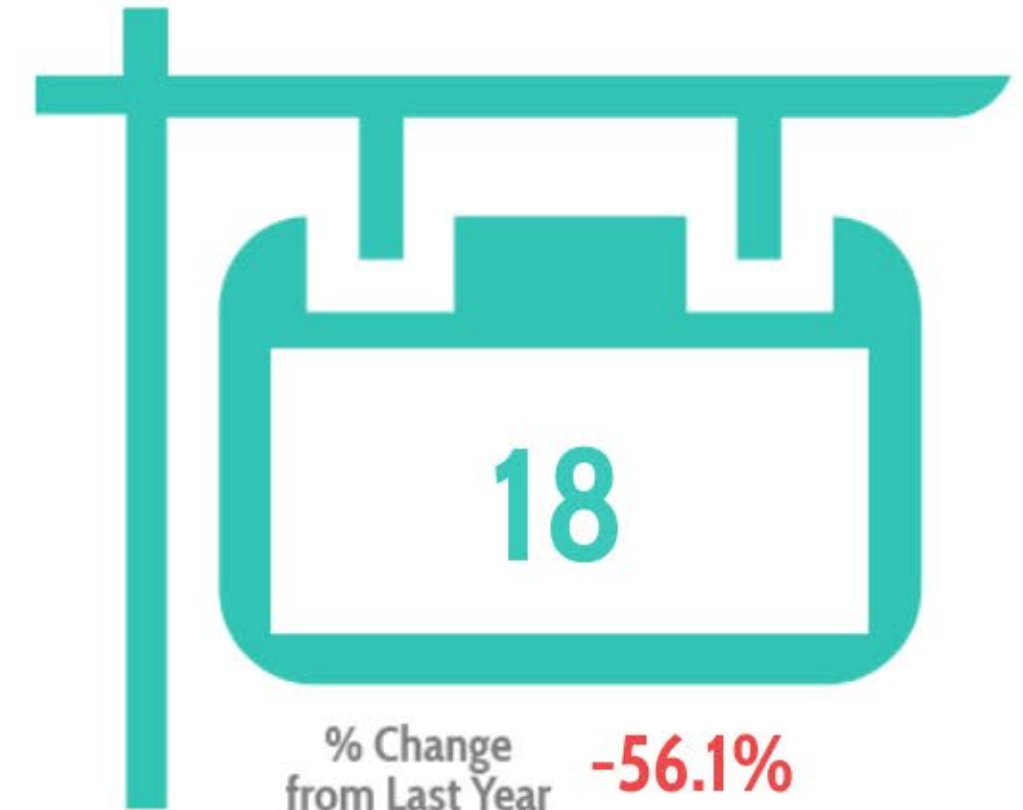
% Change from Last Year **-6.3%**

Home Sales



% Change from Last Year **+90.0%**

Active Listings



% Change from Last Year **-56.1%**

Market Competition

Median Days on Market

13

Sales to List Price %

98.8%

% of Active Listings with Reduced Prices

27.8%

monthly
market
report

September
2020

San Luis Obispo, California

Median Price



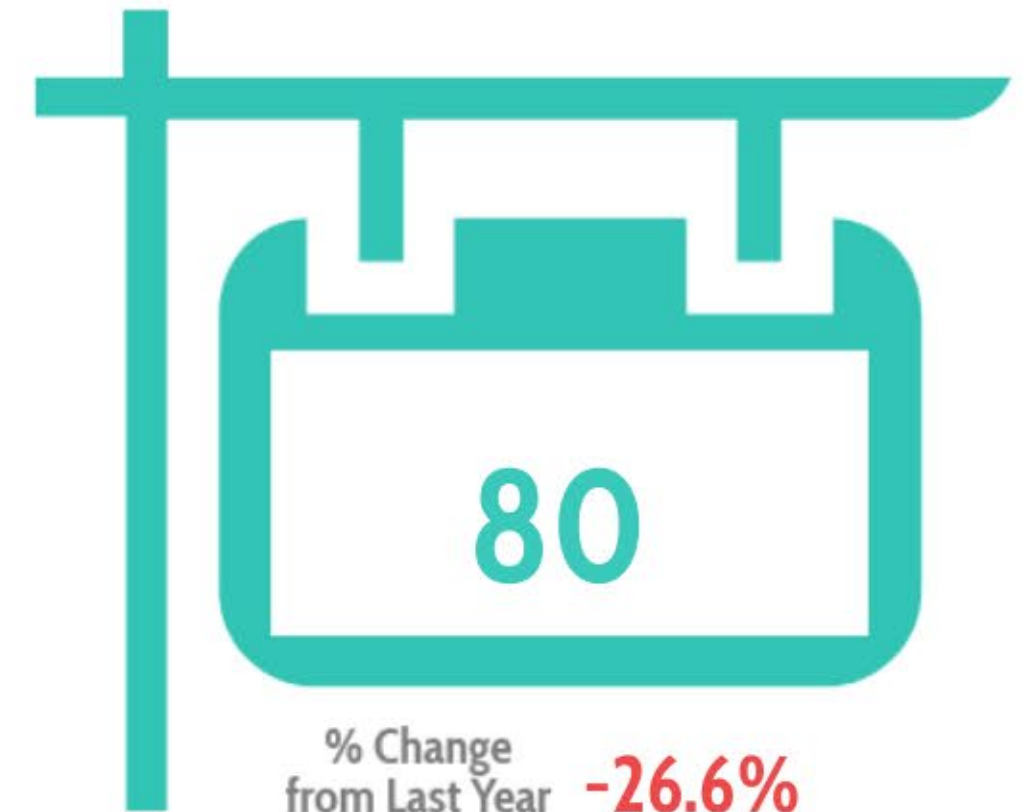
% Change
from Last Year **-0.8%**

Home Sales



% Change
from Last Year **+21.9%**

Active Listings



% Change
from Last Year **-26.6%**

Market Competition

Median
Days on
Market

15

Sales to
List Price %

99.6%

% of Active
Listings with
Reduced Prices

43.8%

monthly
market
report

September
2020

Templeton, California

Median Price



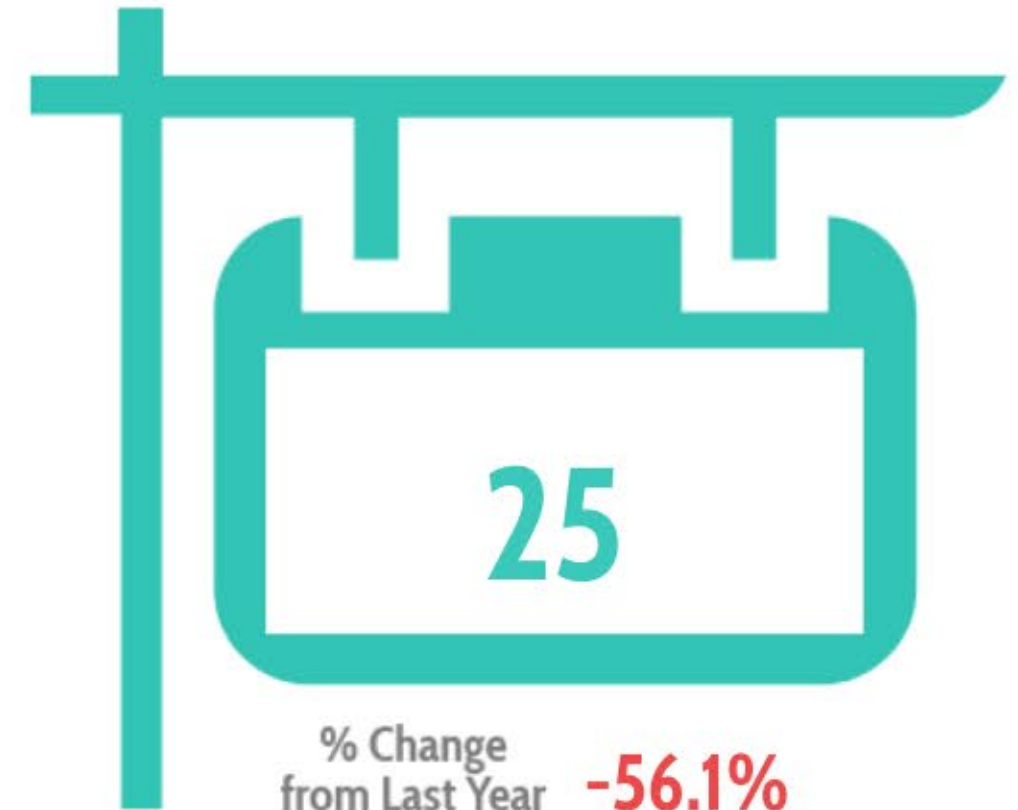
% Change
from Last Year **+20.3%**

Home Sales



% Change
from Last Year **+133.3%**

Active Listings



% Change
from Last Year **-56.1%**

Market Competition

Median
Days on
Market

11

Sales to
List Price %

100.0%

% of Active
Listings with
Reduced Prices

32.0%

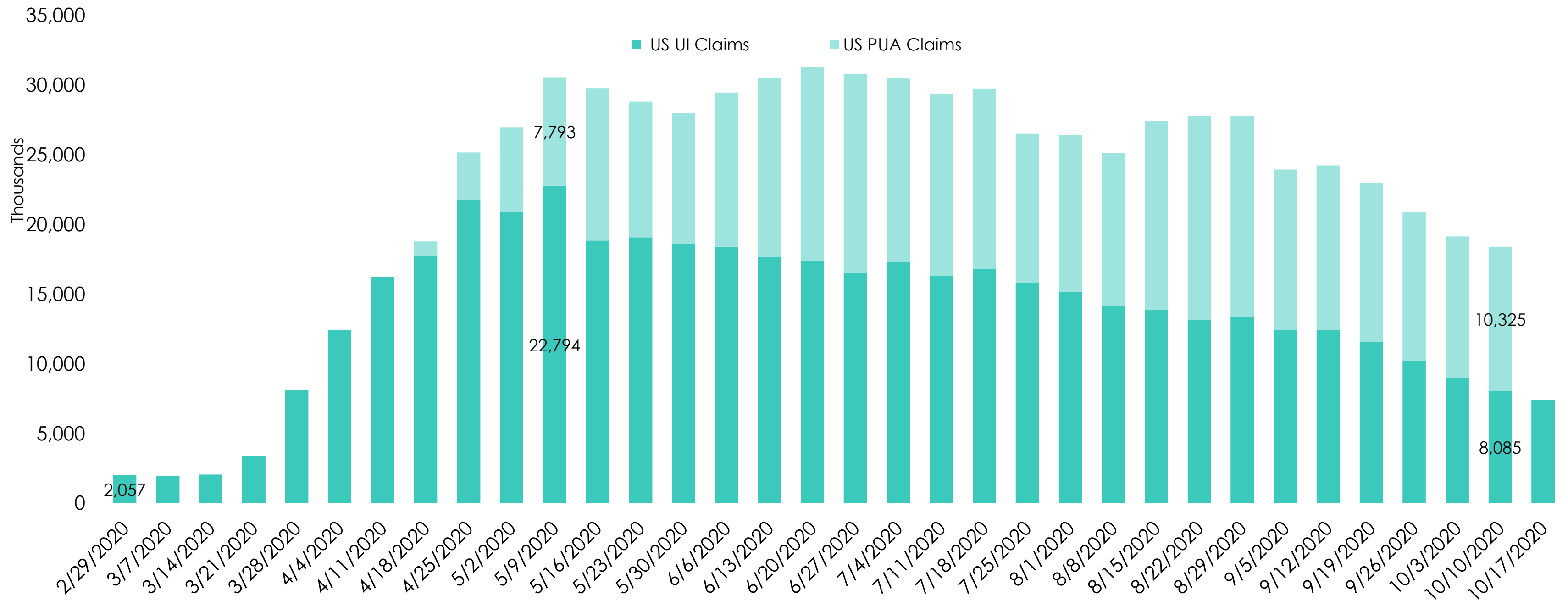


**Keep Champagne
Corked For Now**



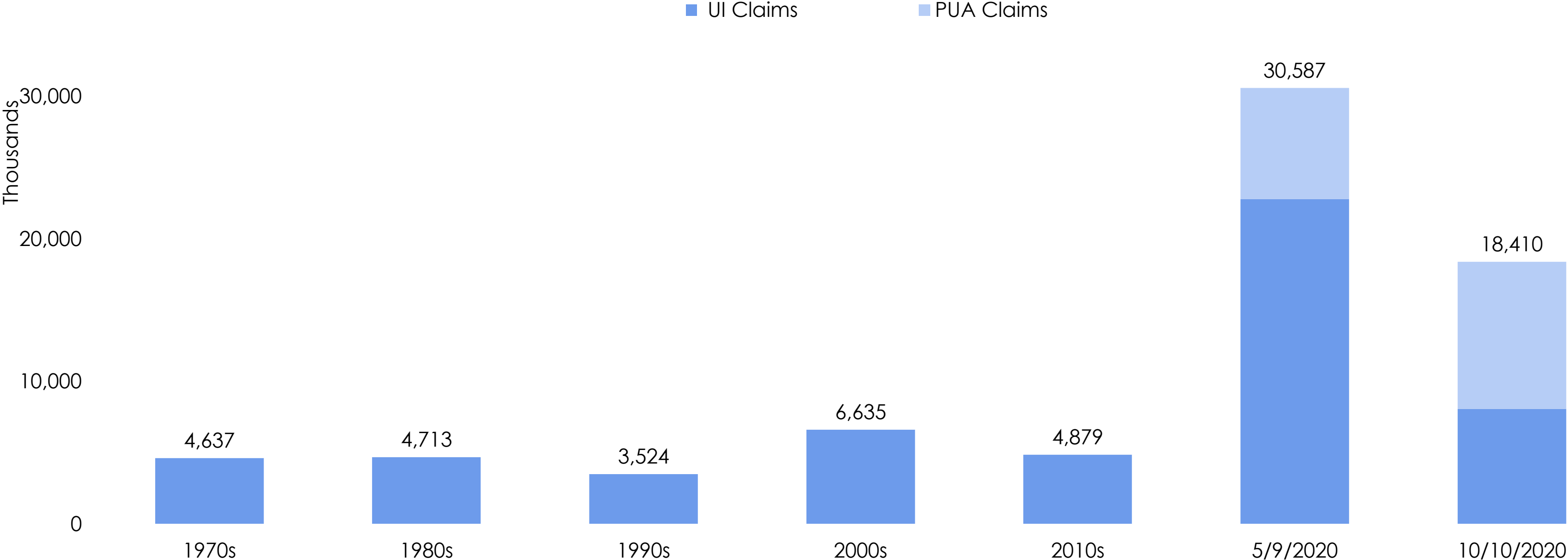
Lots of financial distress **still out there**

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



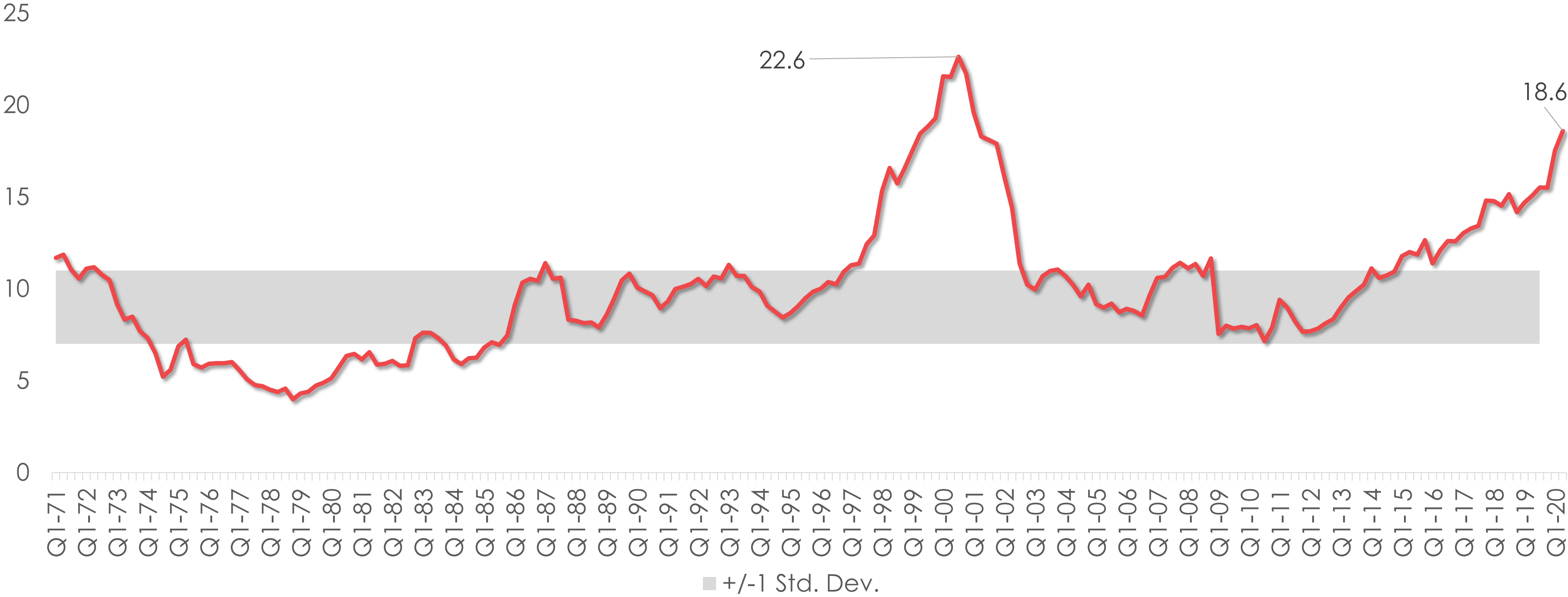
Continuing Unemployment Claims

Maximum number of concurrent continuing claims during



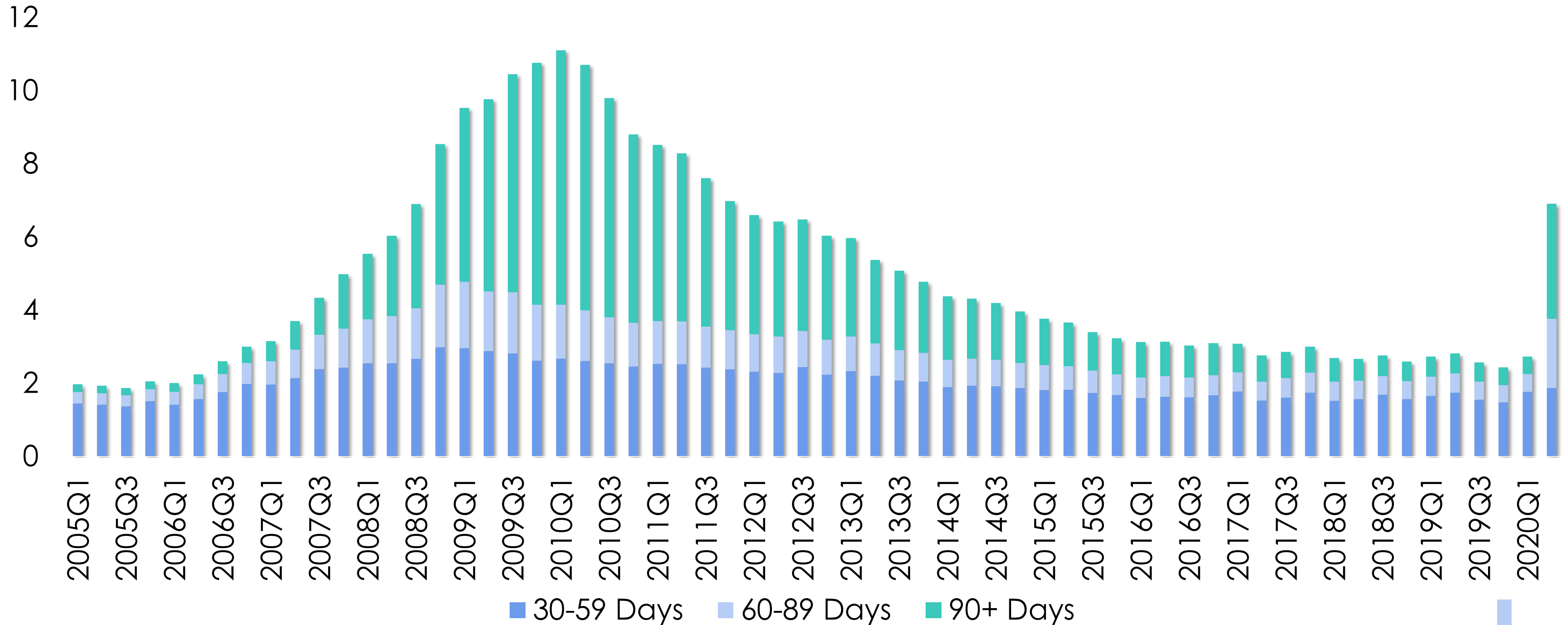
Stock market recovery: encouraging or worrying?

U.S. Capital Markets P/E Ratio
(Wilshire 5000 Market Cap / Total Corporate Profits)



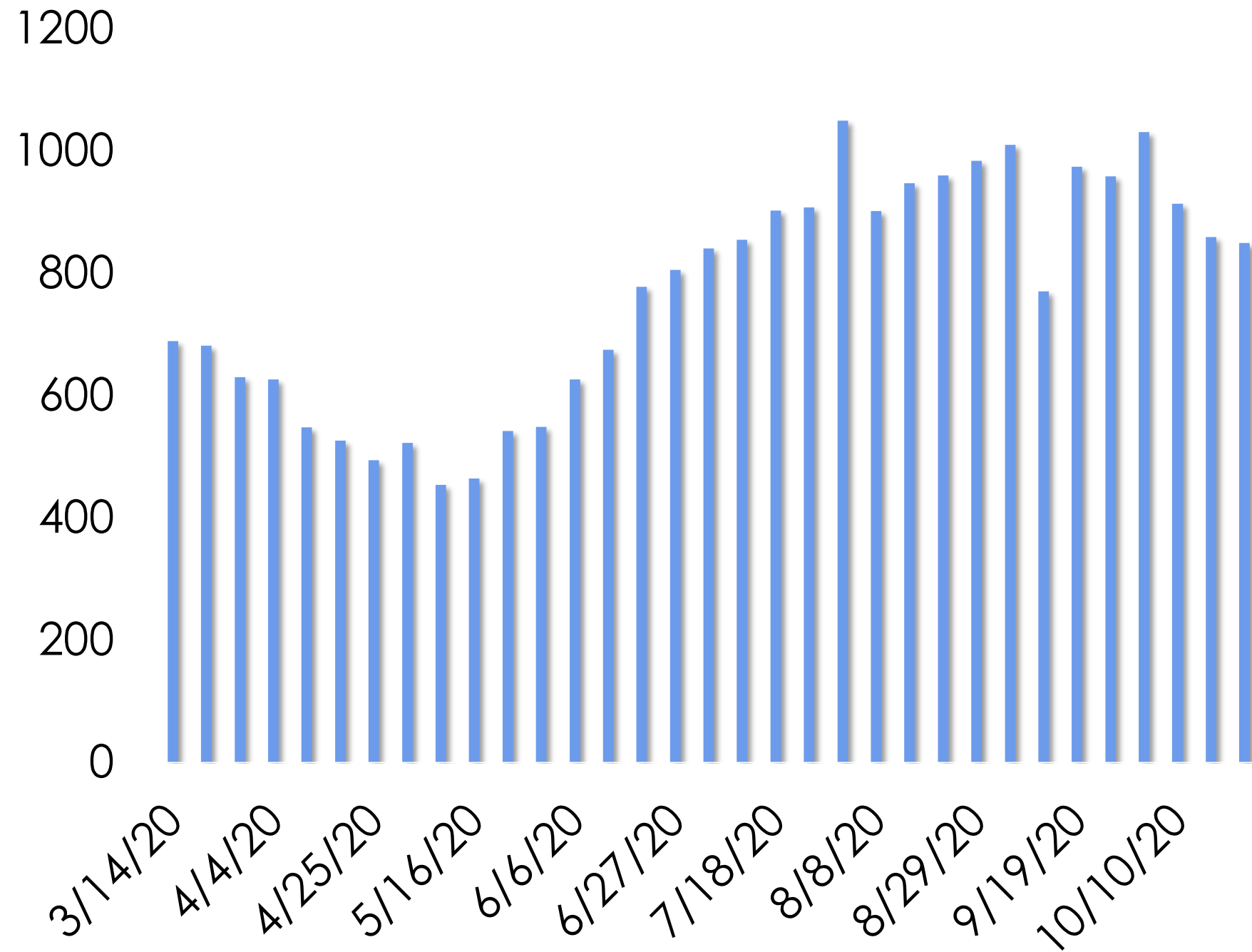
Lots of delinquency to reckon with eventually

California Mortgage Delinquencies

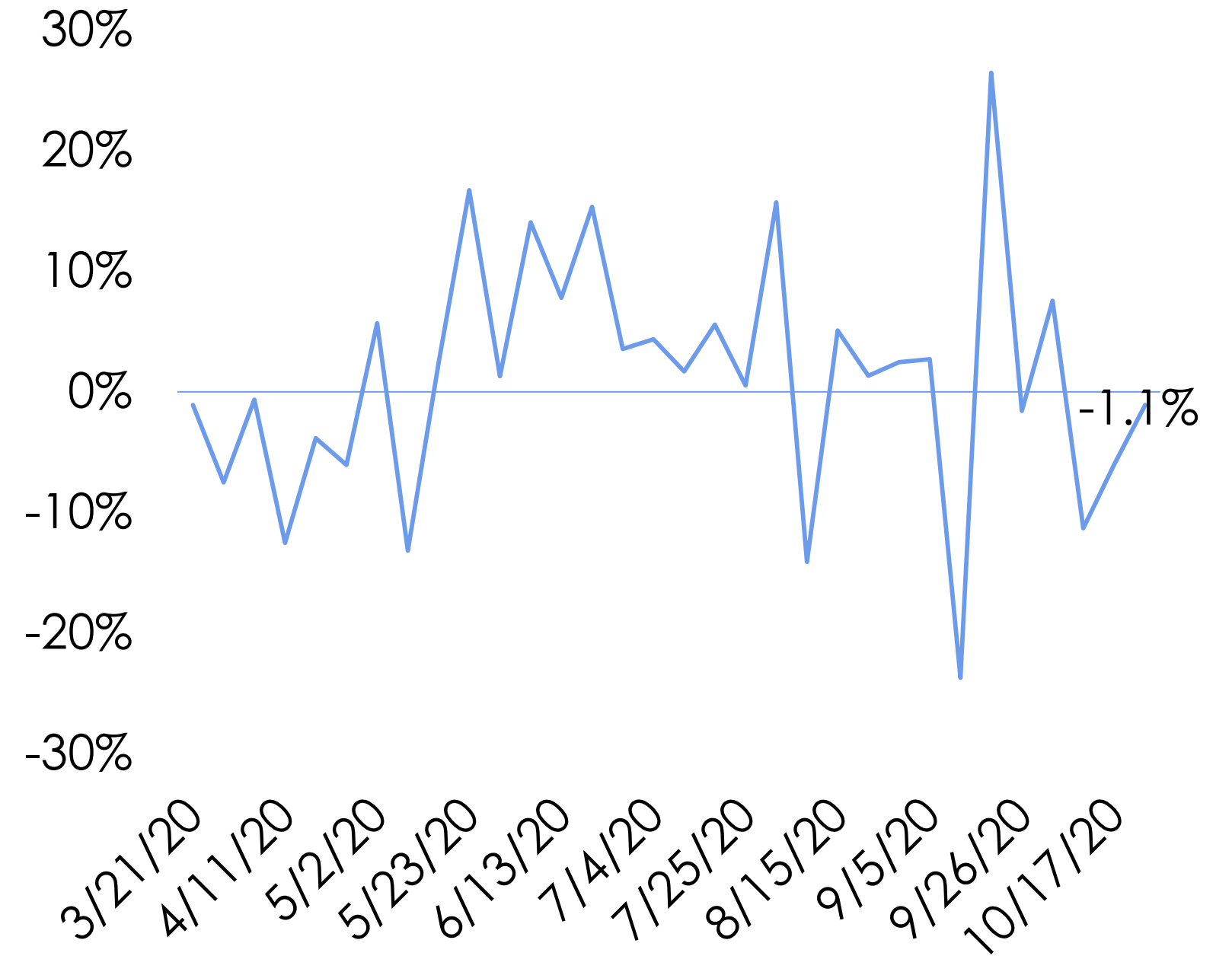


Sales unseasonably strong, but not actually growing

Average Daily Closed Sales (Existing SFH only)



% Chg. in Closed Sales from Prior Week (Daily Average)

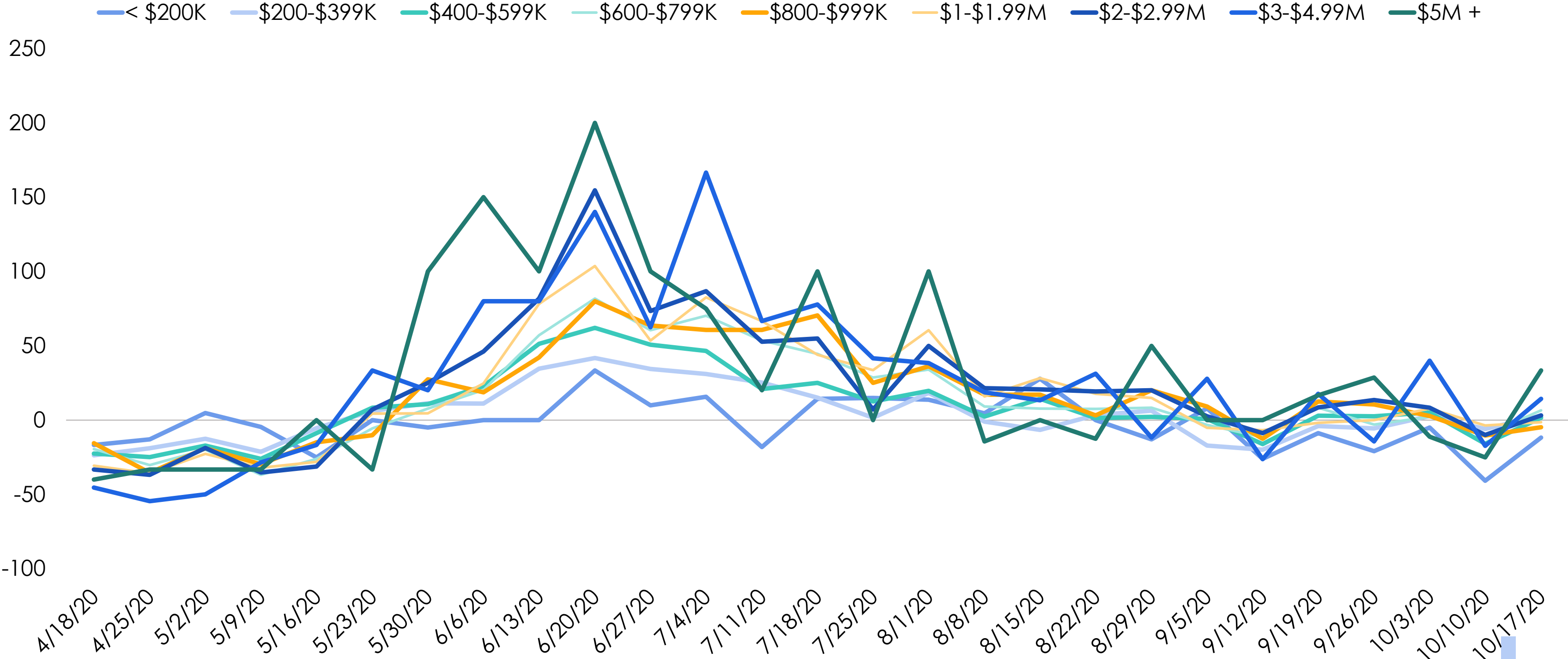


**Closed sales for the latest week will likely be revised upward due to recording delays.

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Slower across most price segments

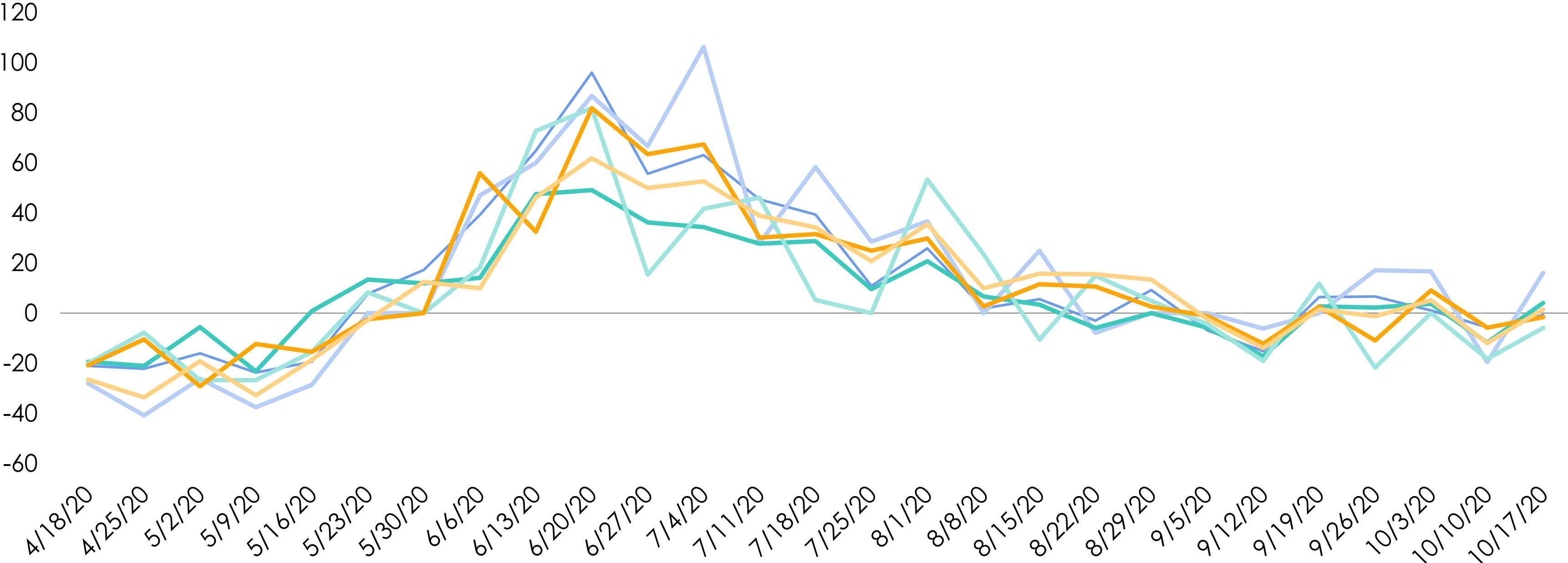
California Existing SFR Sales Growth (mtm %)



Slower across most regions as well

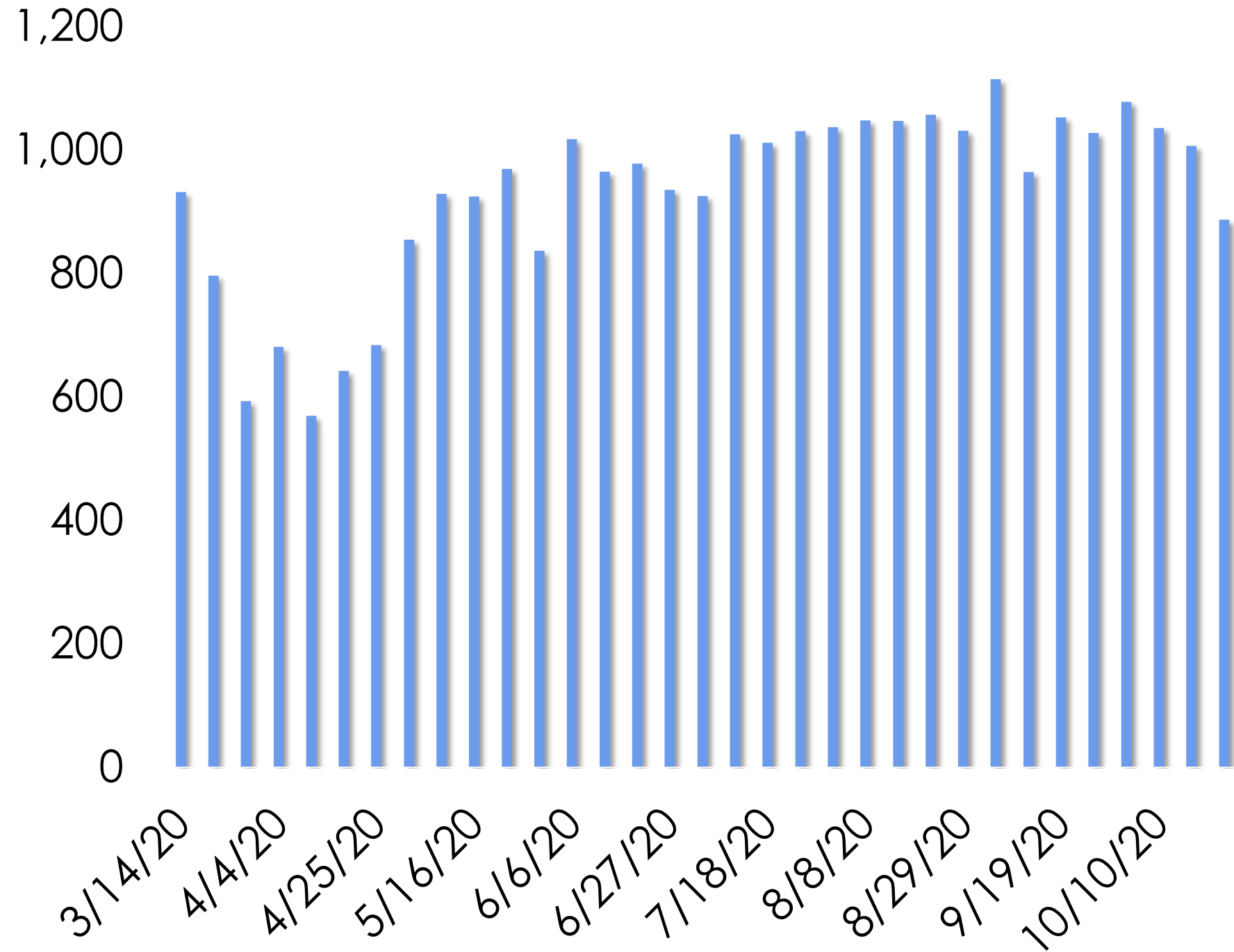
California Existing SFR Sales Growth (mtm %)

— Bay Area — Central Coast — Central Valley — Far North — Rest of California — SoCal

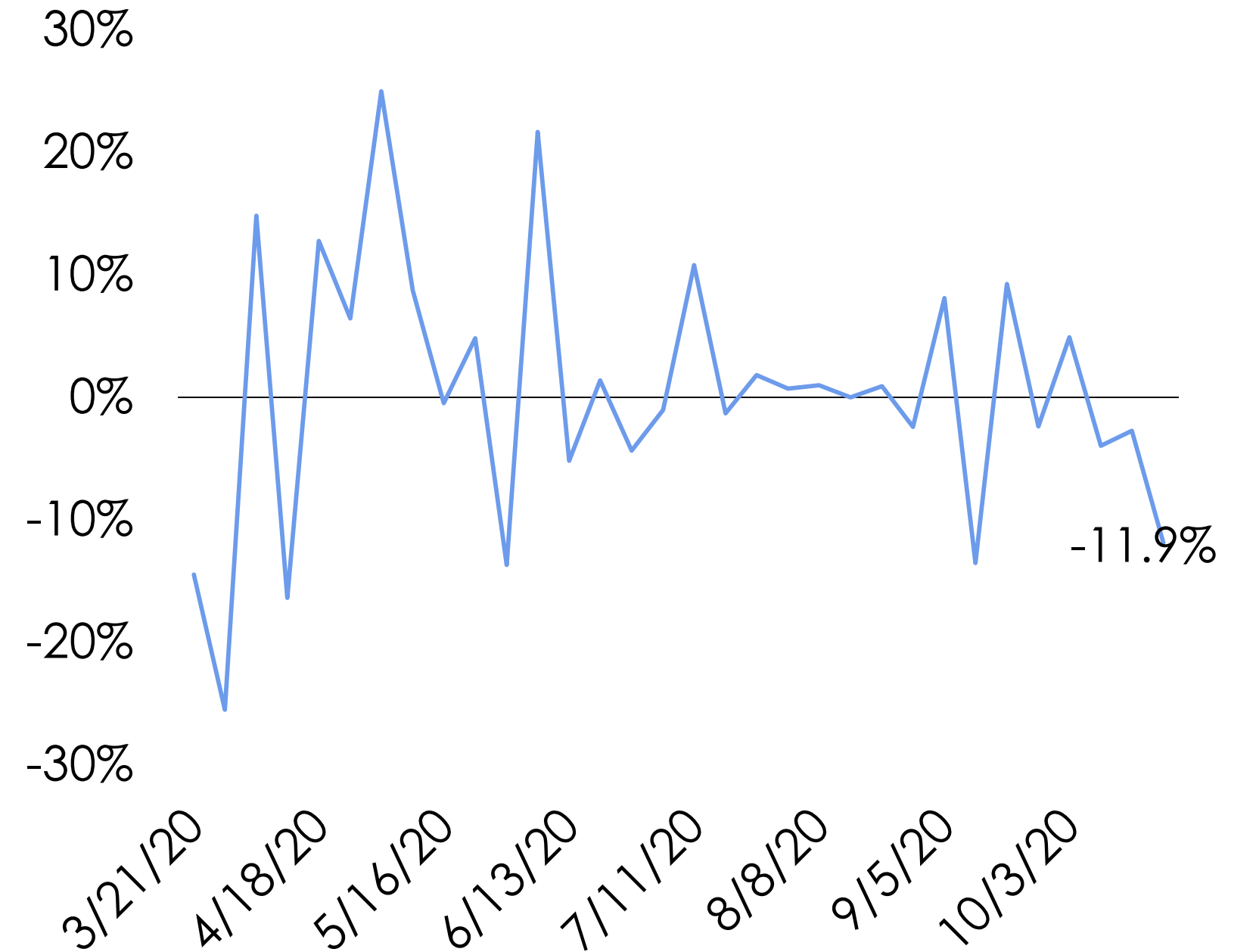


California new listings tighten up further

Average Daily New Listings (Existing SFR)



% Chg. in New Listings from Prior Week (Daily Average)

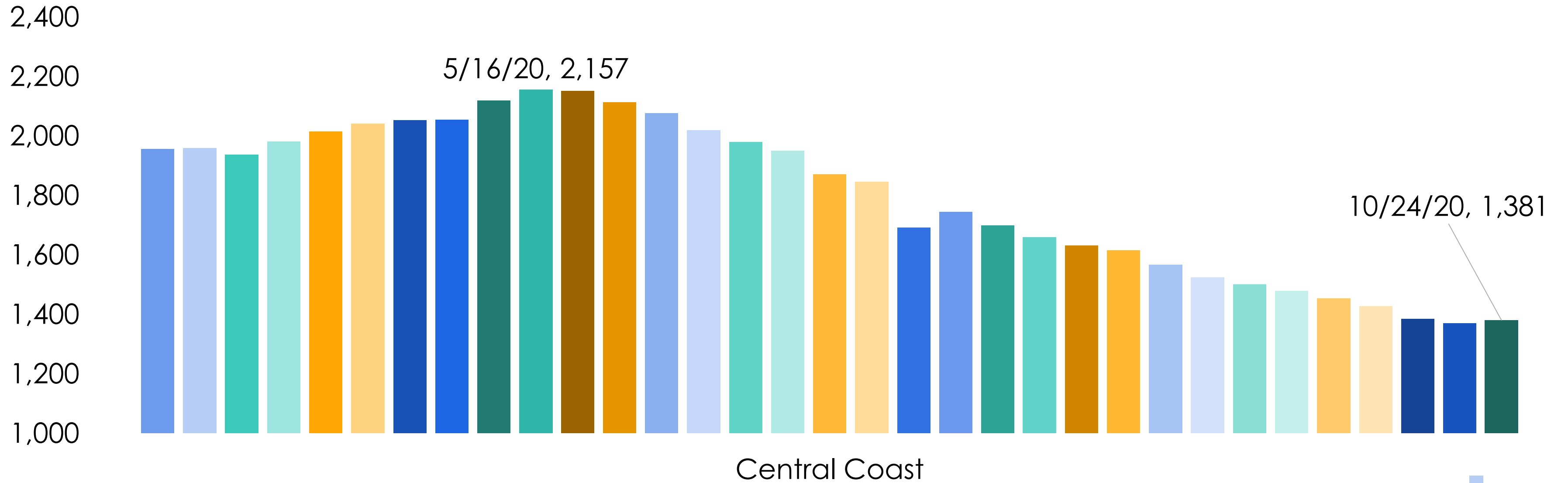


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Total active listings by region

Total Active Listings (Existing SFR)

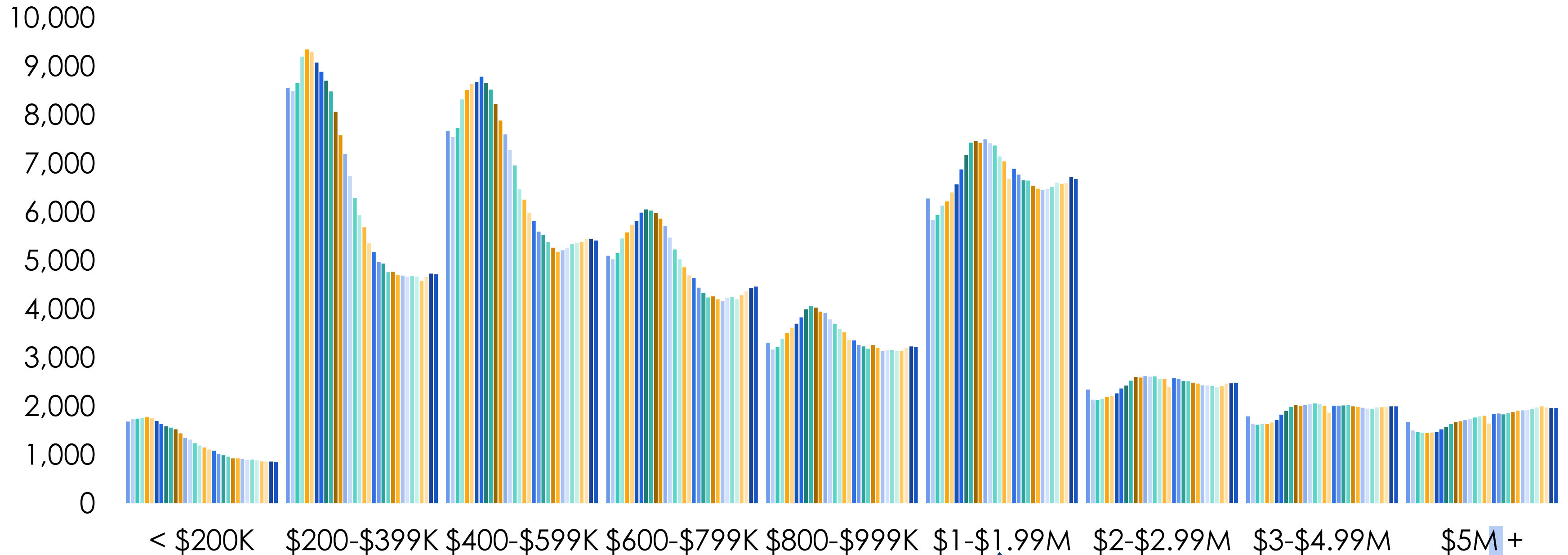
- 3/14/20 3/21/20 3/28/20 4/4/20 4/11/20 4/18/20 4/25/20 5/2/20 5/9/20 5/16/20 5/23/20
- 5/30/20 6/6/20 6/13/20 6/20/20 6/27/20 7/4/20 7/11/20 7/18/20 7/25/20 8/1/20 8/8/20
- 8/15/20 8/22/20 8/29/20 9/5/20 9/12/20 9/19/20 9/26/20 10/3/20 10/10/20 10/17/20 10/24/20



Total active listings by price range

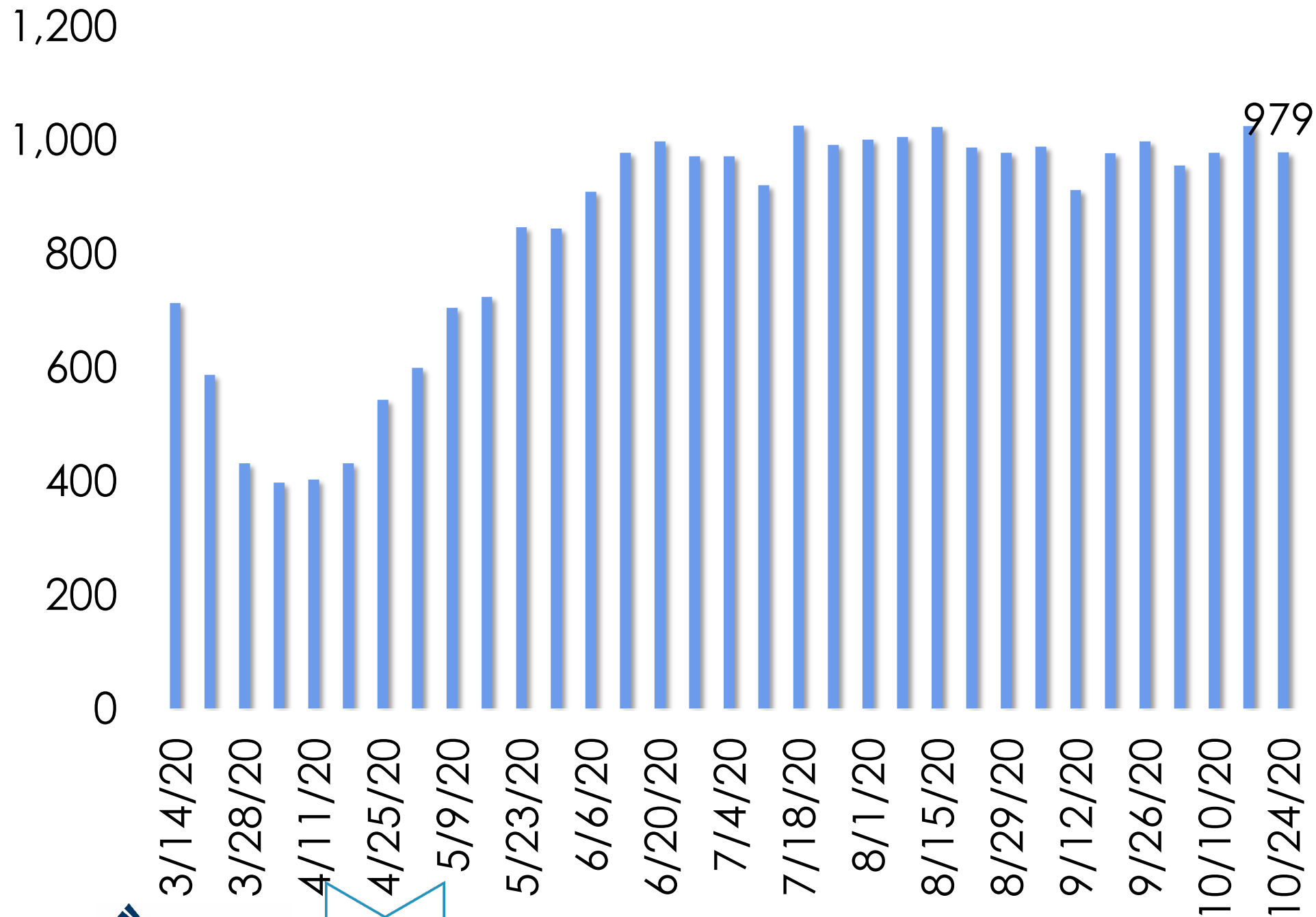
Total Active Listings (Existing SFR)

- 3/21/20 3/28/20 4/4/20 4/11/20 4/18/20 4/25/20 5/2/20 5/9/20 5/16/20 5/23/20 5/30/20
- 6/6/20 6/13/20 6/20/20 6/27/20 7/4/20 7/11/20 7/18/20 7/25/20 8/1/20 8/8/20 8/15/20
- 8/22/20 8/29/20 9/5/20 9/12/20 9/19/20 9/26/20 10/3/20 10/10/20 10/17/20 10/24/20

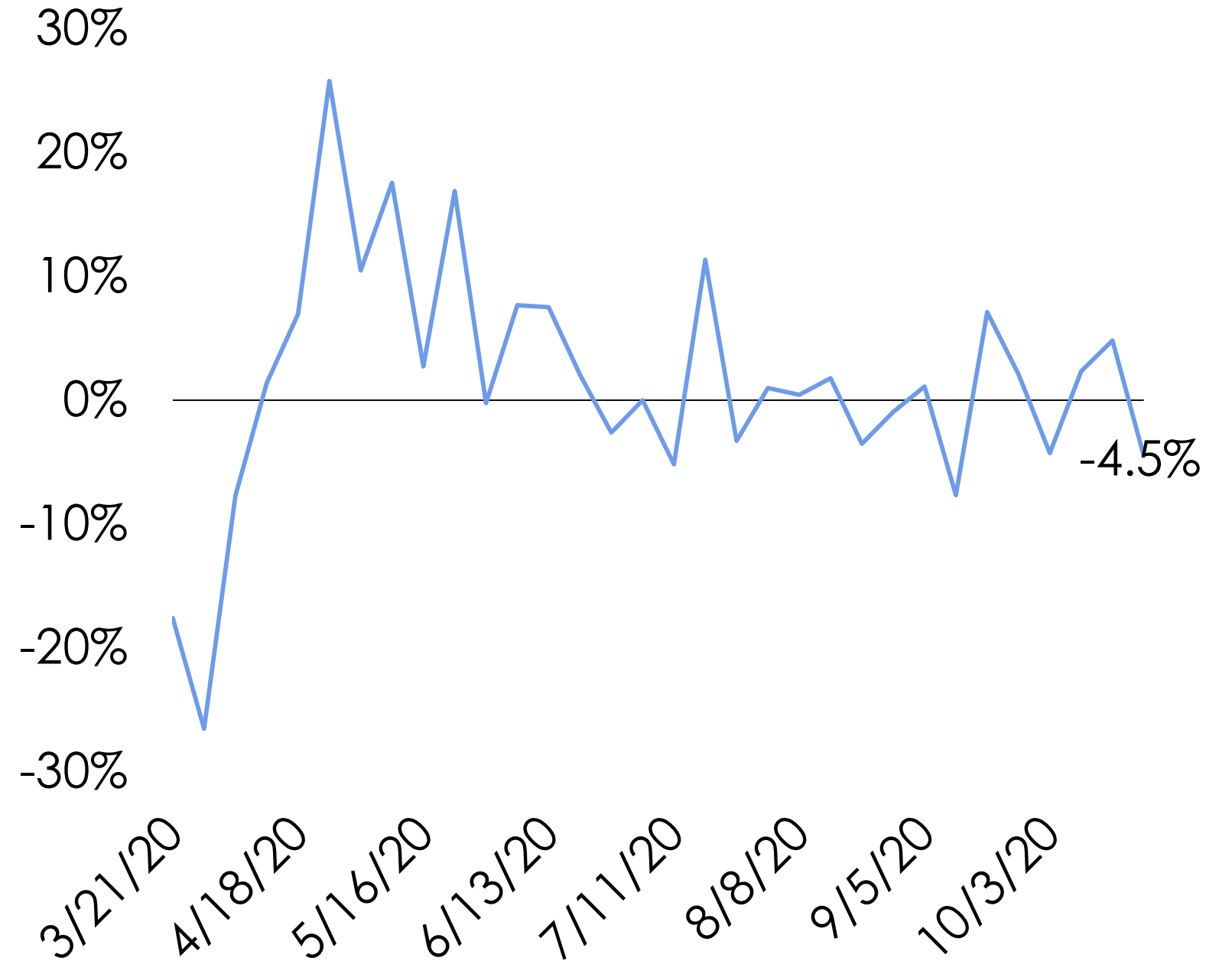


Pending sales virtually unchanged

Average Daily Pending Sales (Existing SFR)



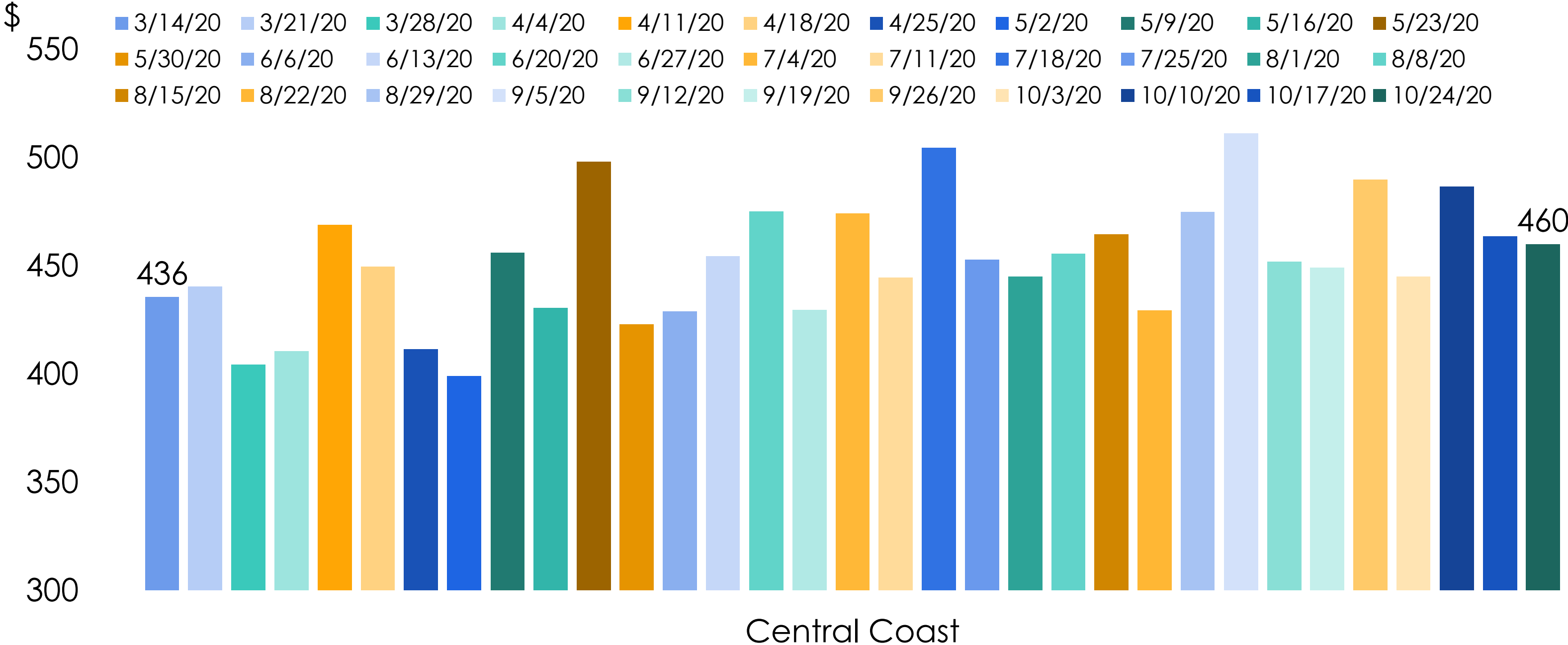
% Chg. in Pending Sales from Prior Week (Daily Average)



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

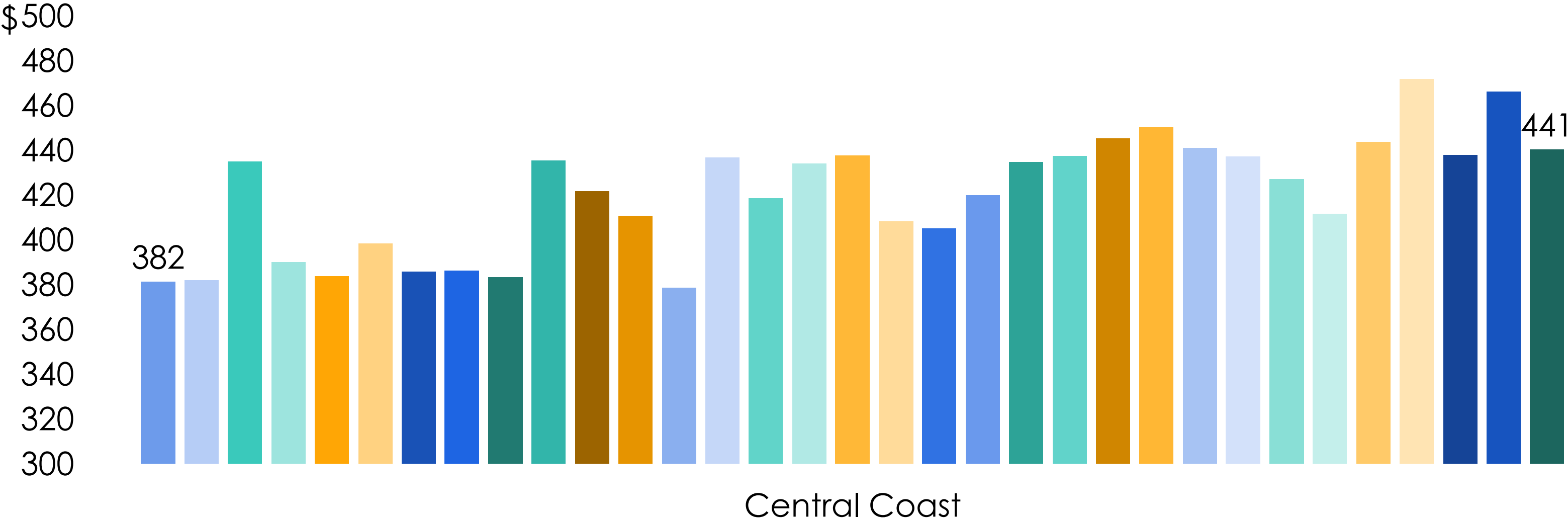
Asking price by region

Median List Price (\$/SF)



Sold price by region

Median Closed Sale Price (\$/SF)



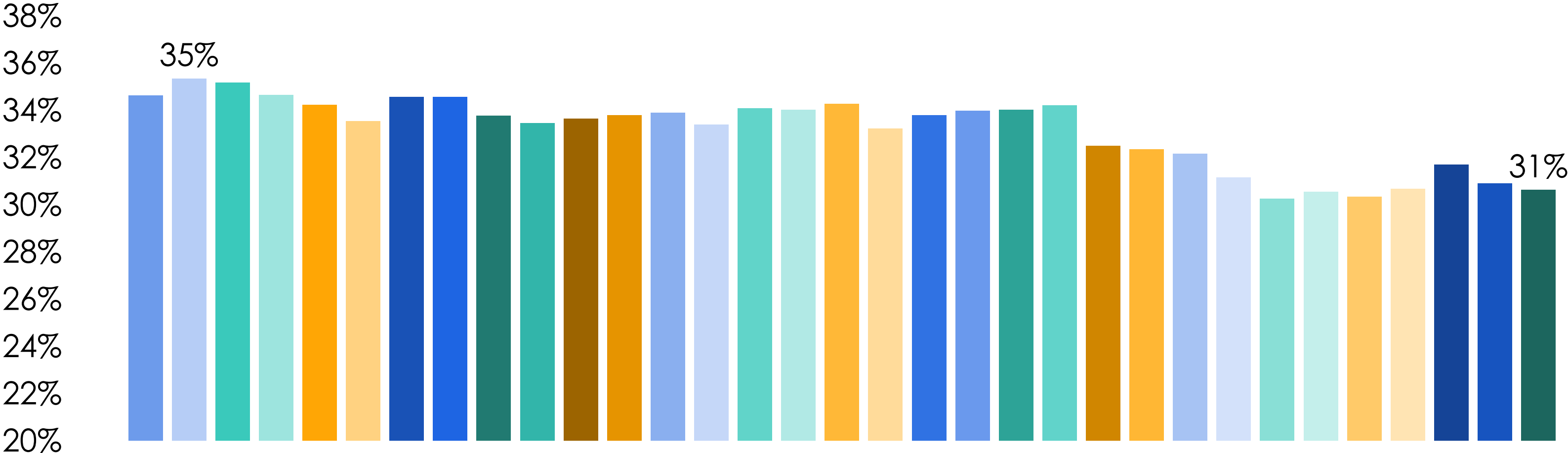
- 3/14/20
- 3/21/20
- 3/28/20
- 4/4/20
- 4/11/20
- 4/18/20
- 4/25/20
- 5/2/20
- 5/9/20
- 5/16/20
- 5/23/20
- 5/30/20
- 6/6/20
- 6/13/20
- 6/20/20
- 6/27/20
- 7/4/20
- 7/11/20
- 7/18/20
- 7/25/20
- 8/1/20
- 8/8/20
- 8/15/20
- 8/22/20
- 8/29/20
- 9/5/20
- 9/12/20
- 9/19/20
- 9/26/20
- 10/3/20
- 10/10/20
- 10/17/20
- 10/24/20



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Rest of California had the highest share of active listings with price reduction

Percentage of Active Listings Reduced from Original List Price



Central Coast

- 3/14/20
- 3/21/20
- 3/28/20
- 4/4/20
- 4/11/20
- 4/18/20
- 4/25/20
- 5/2/20
- 5/9/20
- 5/16/20
- 5/23/20
- 5/30/20
- 6/6/20
- 6/13/20
- 6/20/20
- 6/27/20
- 7/4/20
- 7/11/20
- 7/18/20
- 7/25/20
- 8/1/20
- 8/8/20
- 8/15/20
- 8/22/20
- 8/29/20
- 9/5/20
- 9/12/20
- 9/19/20
- 9/26/20
- 10/3/20
- 10/10/20
- 10/17/20
- 10/24/20

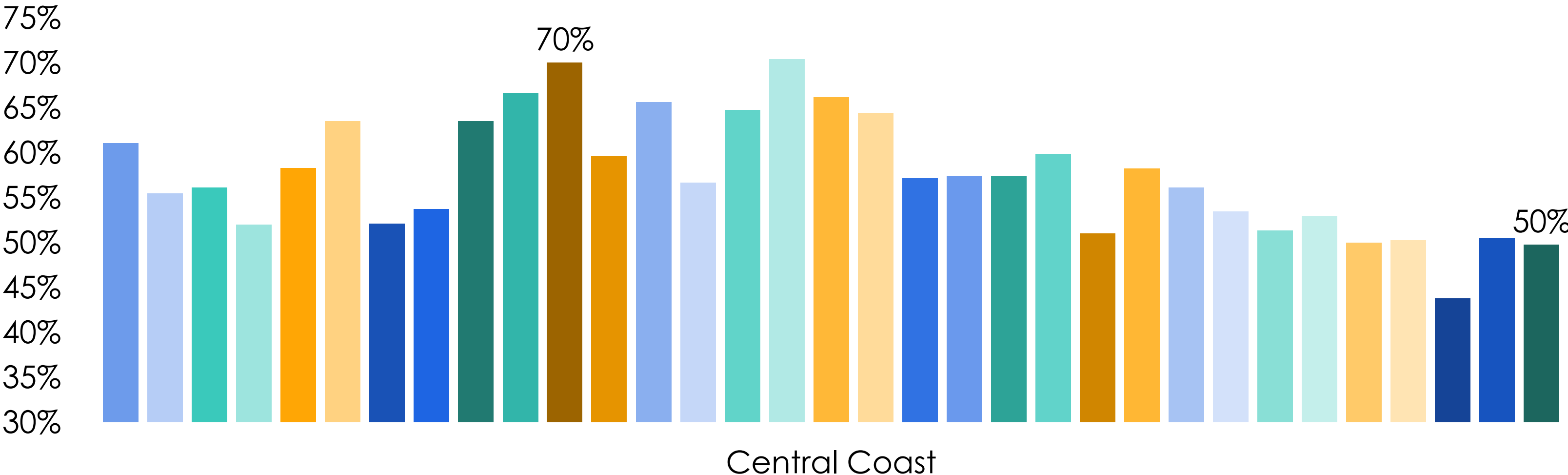


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Bay Area had the lowest share of homes sold with a discount

Percentage of Closed Sales with Price Reduction

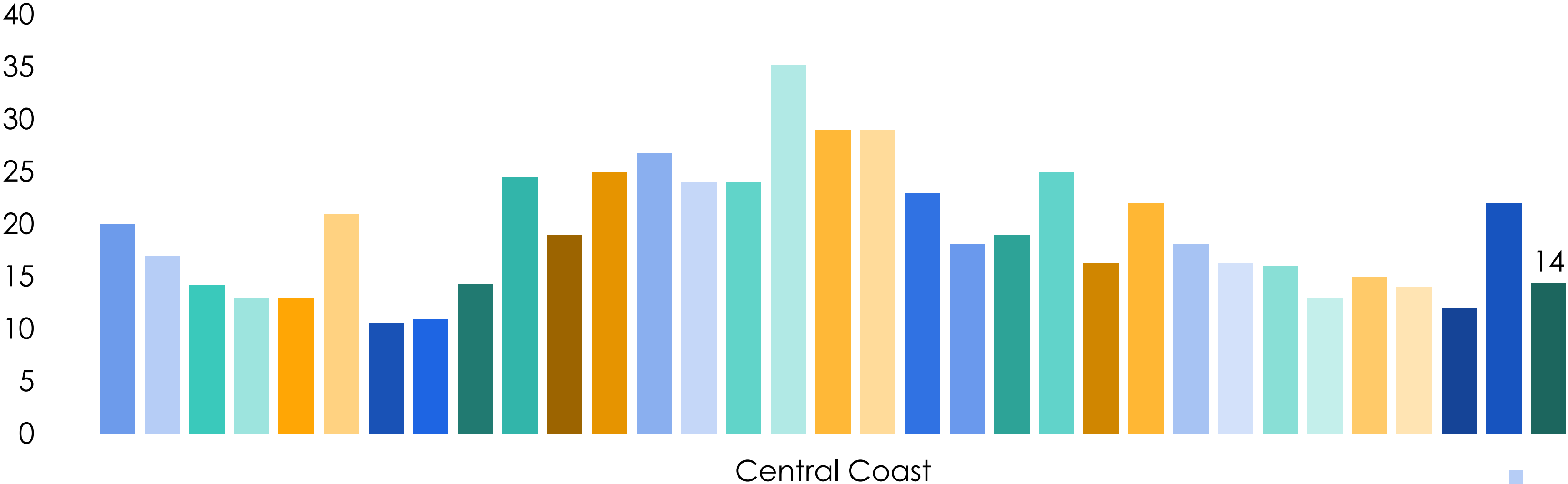
- 3/14/20
- 3/21/20
- 3/28/20
- 4/4/20
- 4/11/20
- 4/18/20
- 4/25/20
- 5/2/20
- 5/9/20
- 5/16/20
- 5/23/20
- 5/30/20
- 6/6/20
- 6/13/20
- 6/20/20
- 6/27/20
- 7/4/20
- 7/11/20
- 7/18/20
- 7/25/20
- 8/1/20
- 8/8/20
- 8/15/20
- 8/22/20
- 8/29/20
- 9/5/20
- 9/12/20
- 9/19/20
- 9/26/20
- 10/3/20
- 10/10/20
- 10/17/20
- 10/24/20



Median time on market (list date to pending date)

Median Time on Market by Region

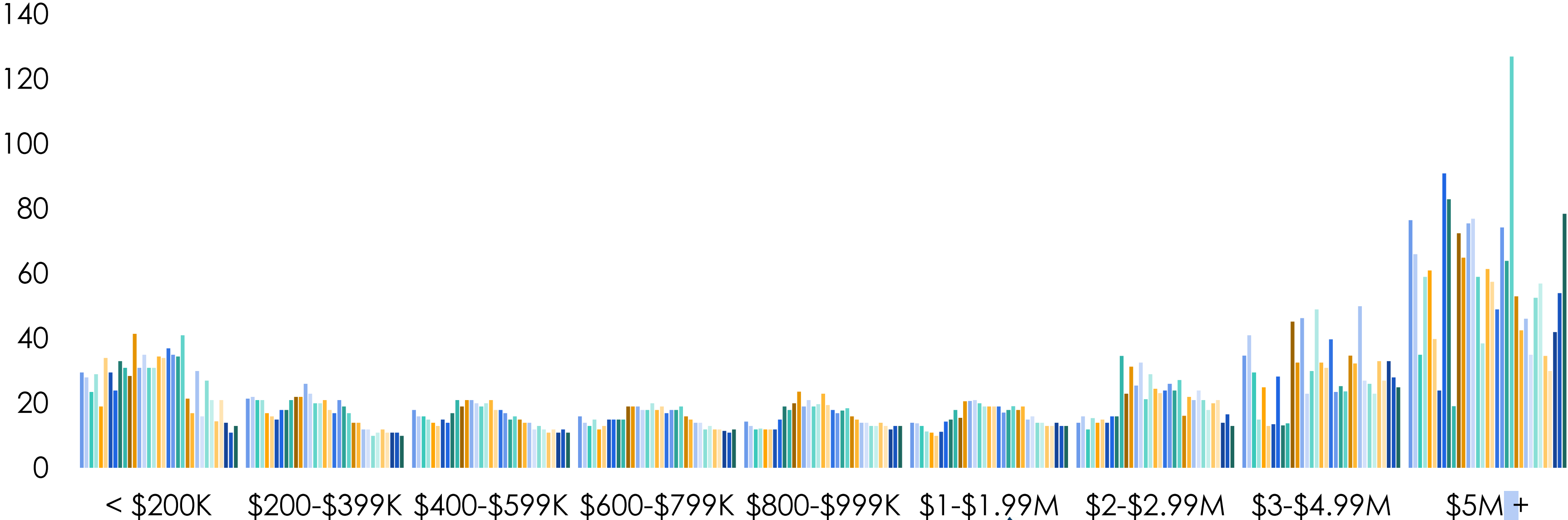
- 3/14/20 3/21/20 3/28/20 4/4/20 4/11/20 4/18/20 4/25/20 5/2/20 5/9/20 5/16/20 5/23/20
- 5/30/20 6/6/20 6/13/20 6/20/20 6/27/20 7/4/20 7/11/20 7/18/20 7/25/20 8/1/20 8/8/20
- 8/15/20 8/22/20 8/29/20 9/5/20 9/12/20 9/19/20 9/26/20 10/3/20 10/10/20 10/17/20 10/24/20



Median time on market (list date to pending date)

Median Time on Market by Price Range

- 3/14/20
- 3/21/20
- 3/28/20
- 4/4/20
- 4/11/20
- 4/18/20
- 4/25/20
- 5/2/20
- 5/9/20
- 5/16/20
- 5/23/20
- 5/30/20
- 6/6/20
- 6/13/20
- 6/20/20
- 6/27/20
- 7/4/20
- 7/11/20
- 7/18/20
- 7/25/20
- 8/1/20
- 8/8/20
- 8/15/20
- 8/22/20
- 8/29/20
- 9/5/20
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- 9/26/20
- 10/3/20
- 10/10/20
- 10/17/20
- 10/24/20



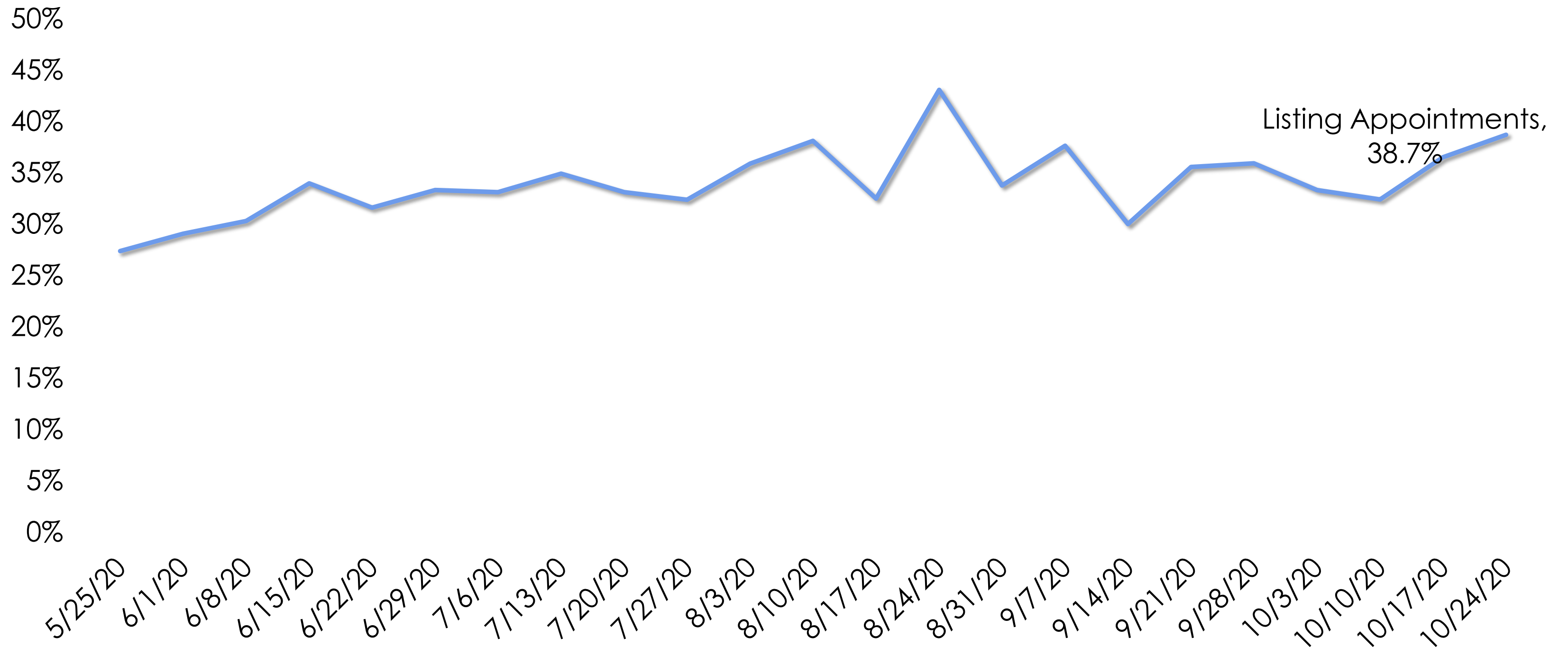


What Are
REALTORS® Saying?



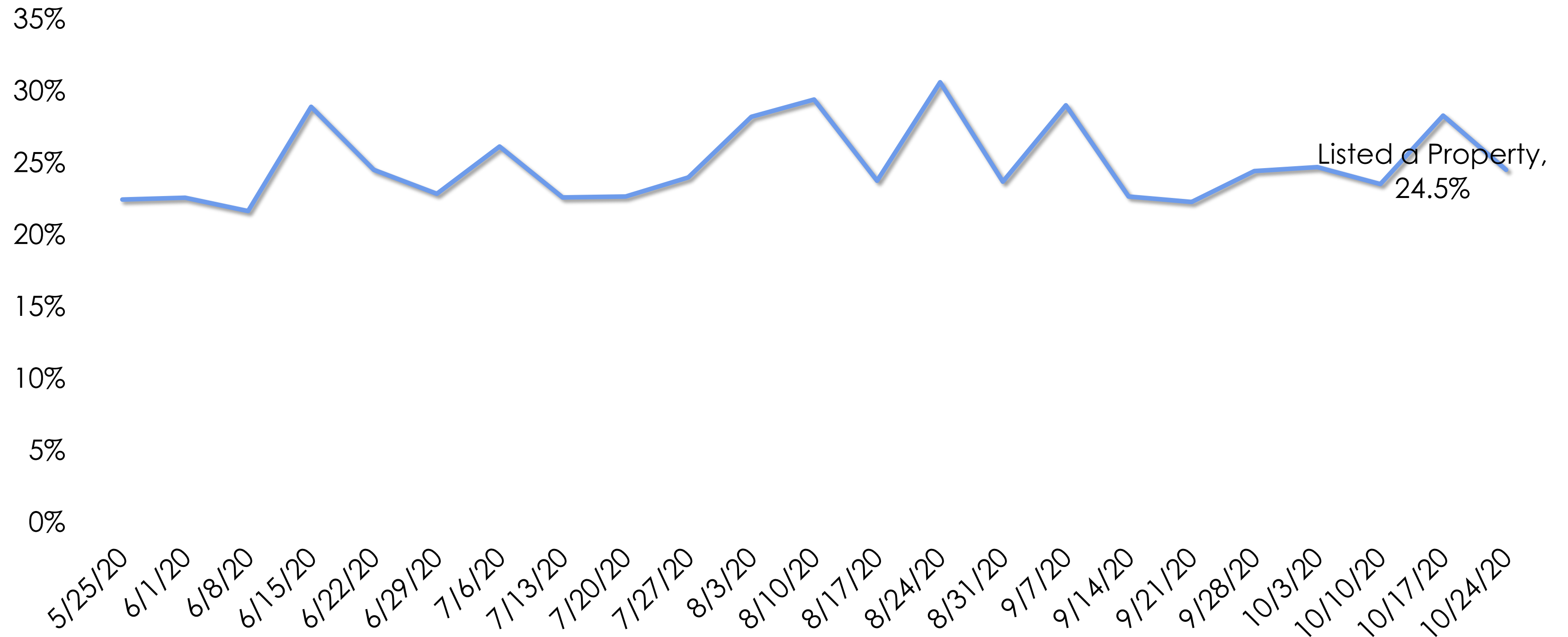
Market Conditions: REALTOR® Viewpoint

Q: Which of the following did you do this week?



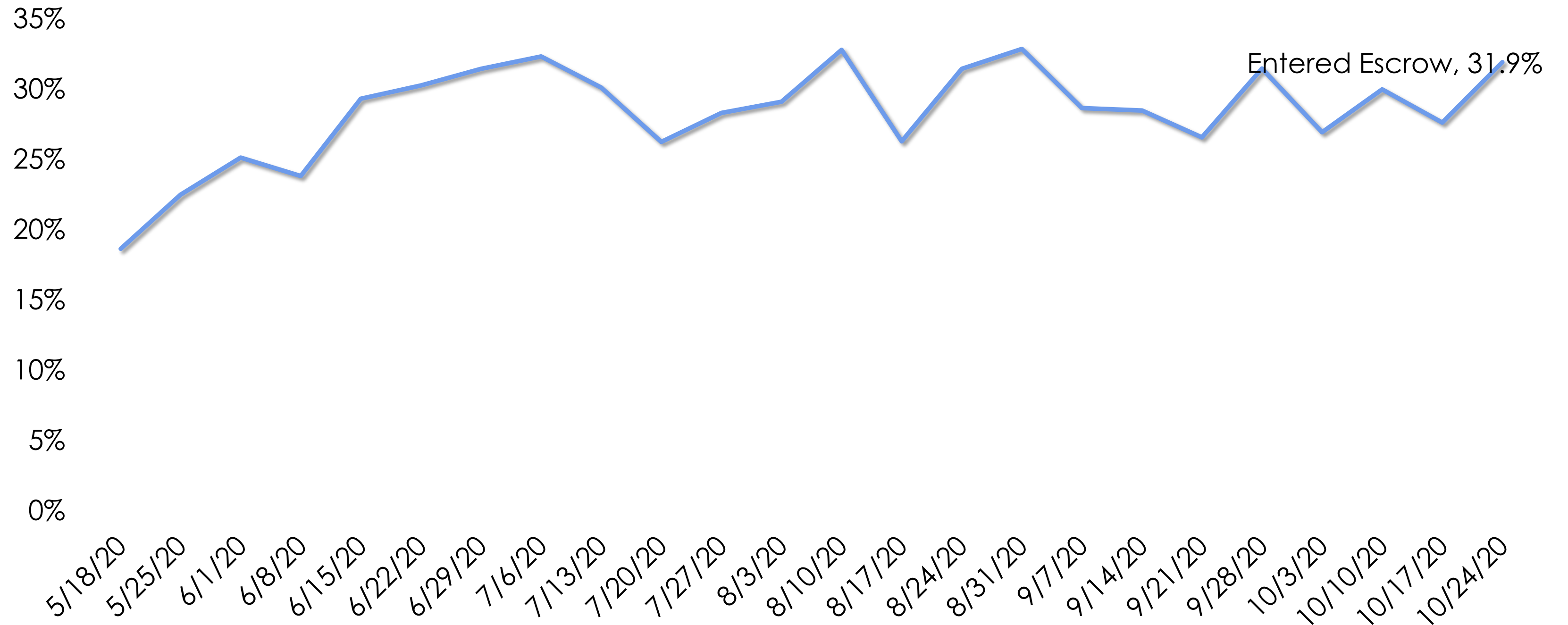
Market Conditions: REALTOR® Viewpoint

Q: Which of the following did you do this week?



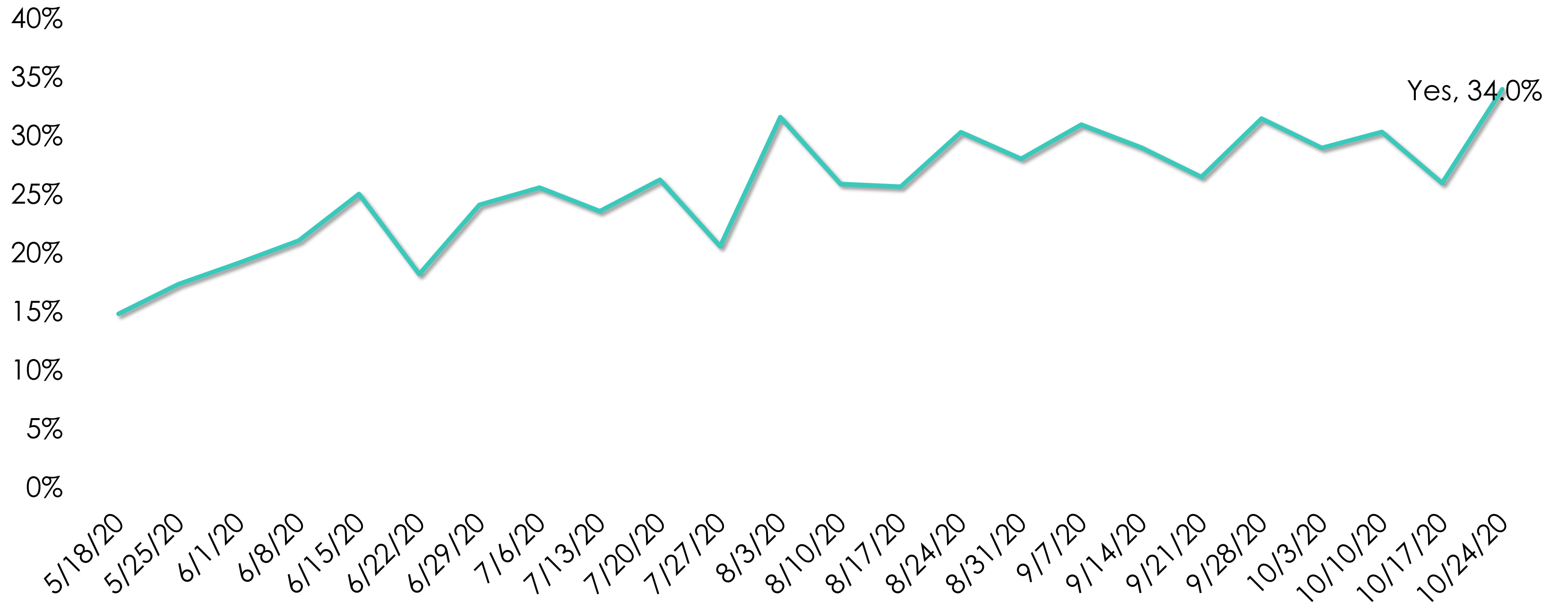
Market Conditions: REALTOR® Viewpoint

Q: Which of the following did you do this week?



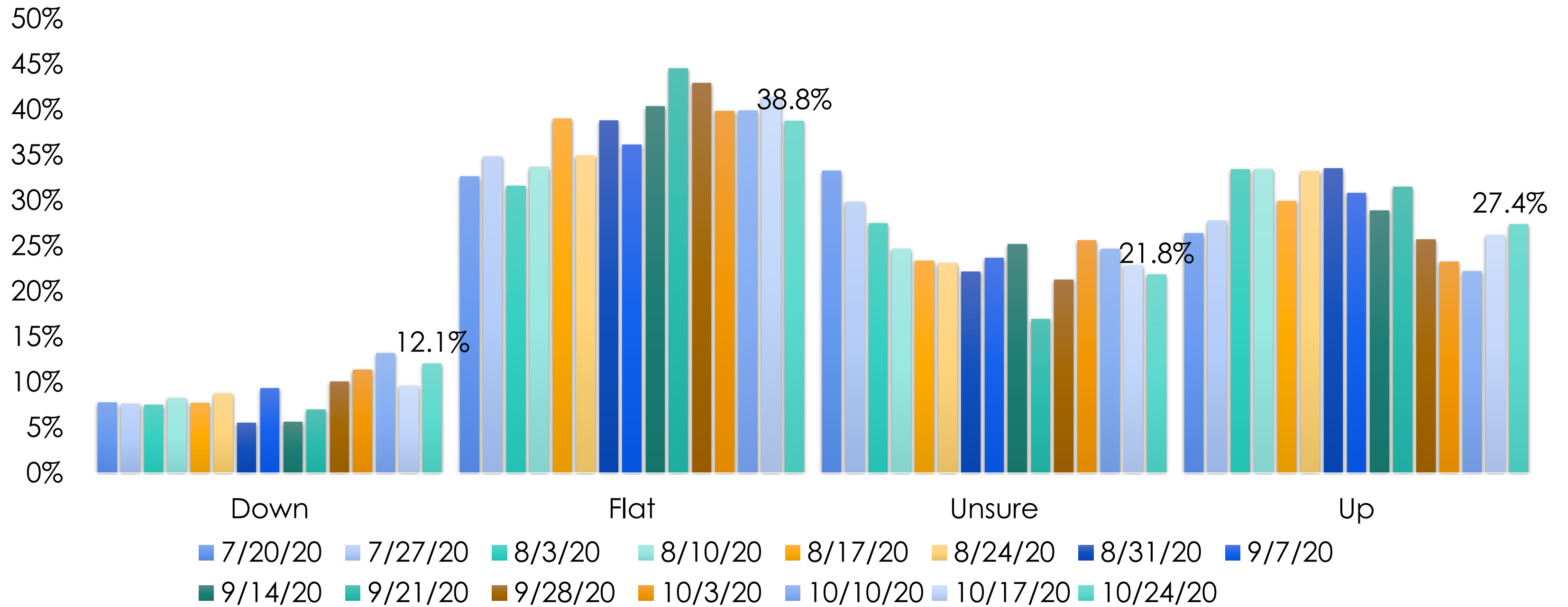
REALTOR® Activity - COE

Q: Have you had a transaction close this week?



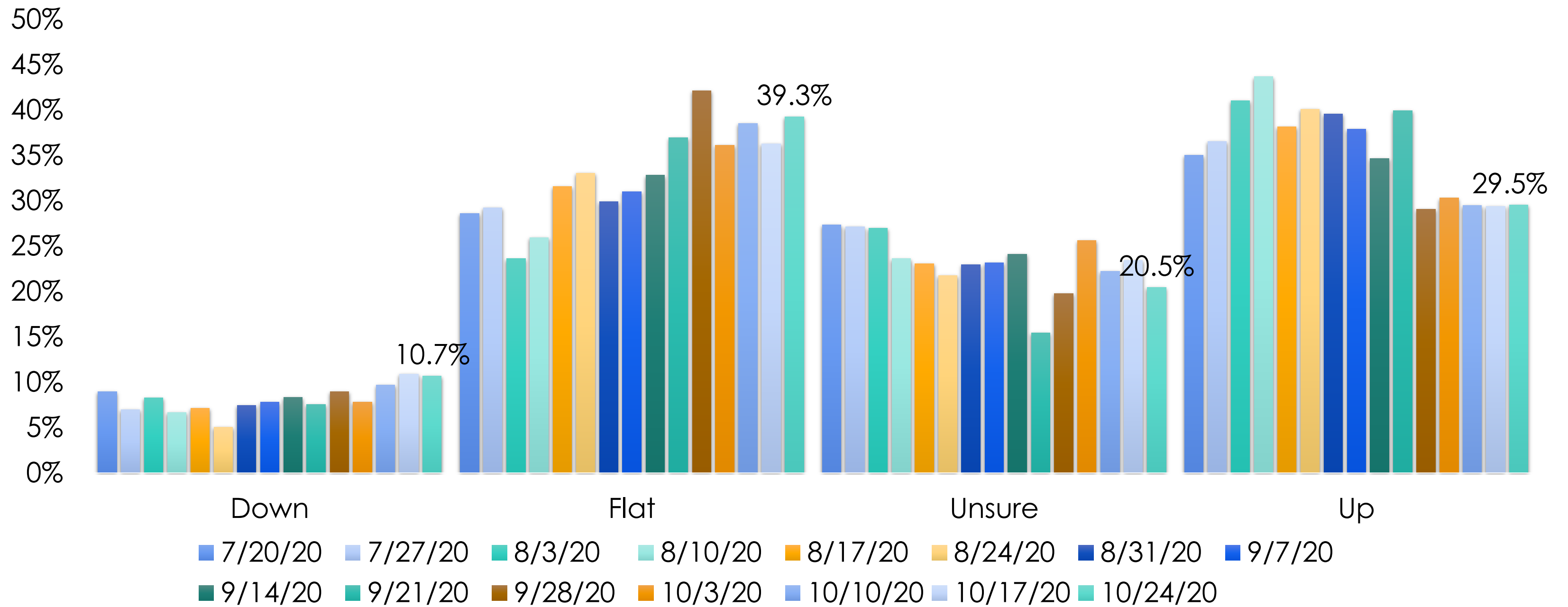
Listings Looking Ahead

Q: Do you think next week **listings** will go:



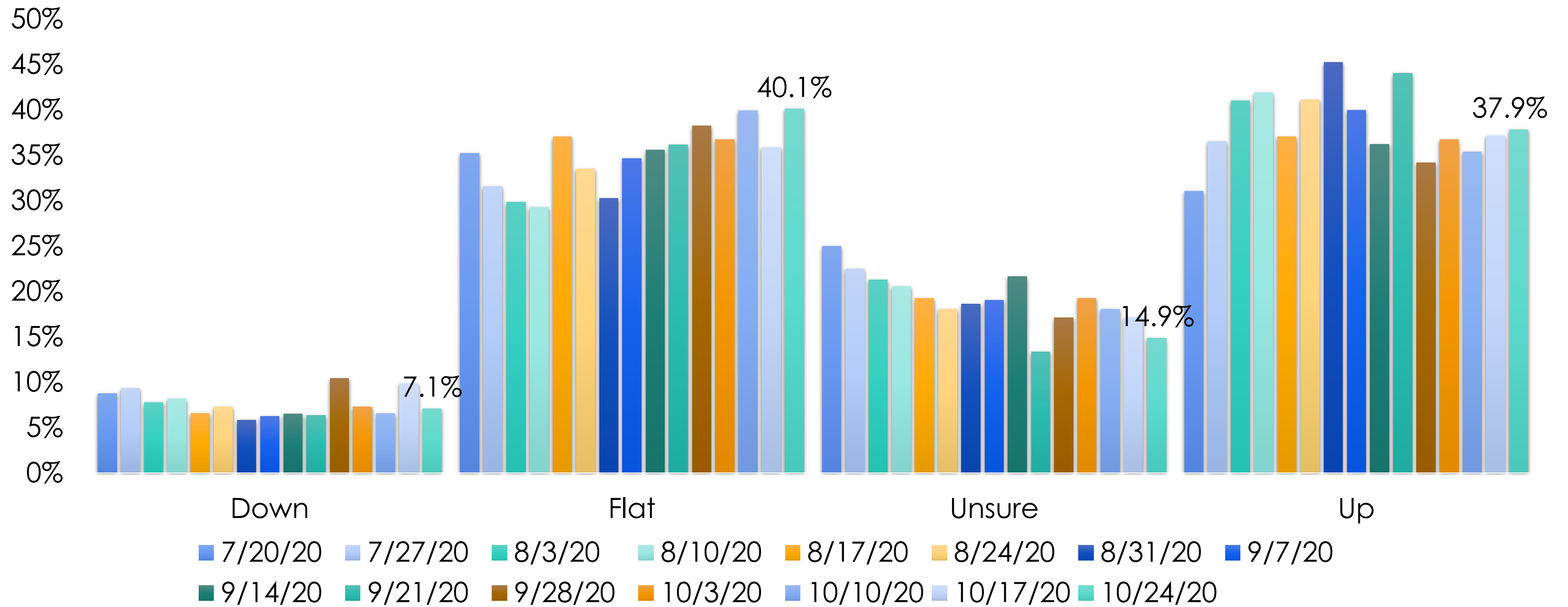
Sales Looking Ahead

Q: Do you think next week **sales** will go:



Prices Looking Ahead

Q: Do you think next week **prices** will go:





The
Forecast



U.S. economic outlook

	2015	2016	2017	2018	2019	2020p	2021f
US GDP	2.6%	1.6%	2.3%	3.0%	2.2%	-3.6%	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%	1.0%	2.1%
Real Disposable Income, % Change	3.4%	2.7%	2.9%	4.0%	2.9%	6.3%	-3.5%



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)

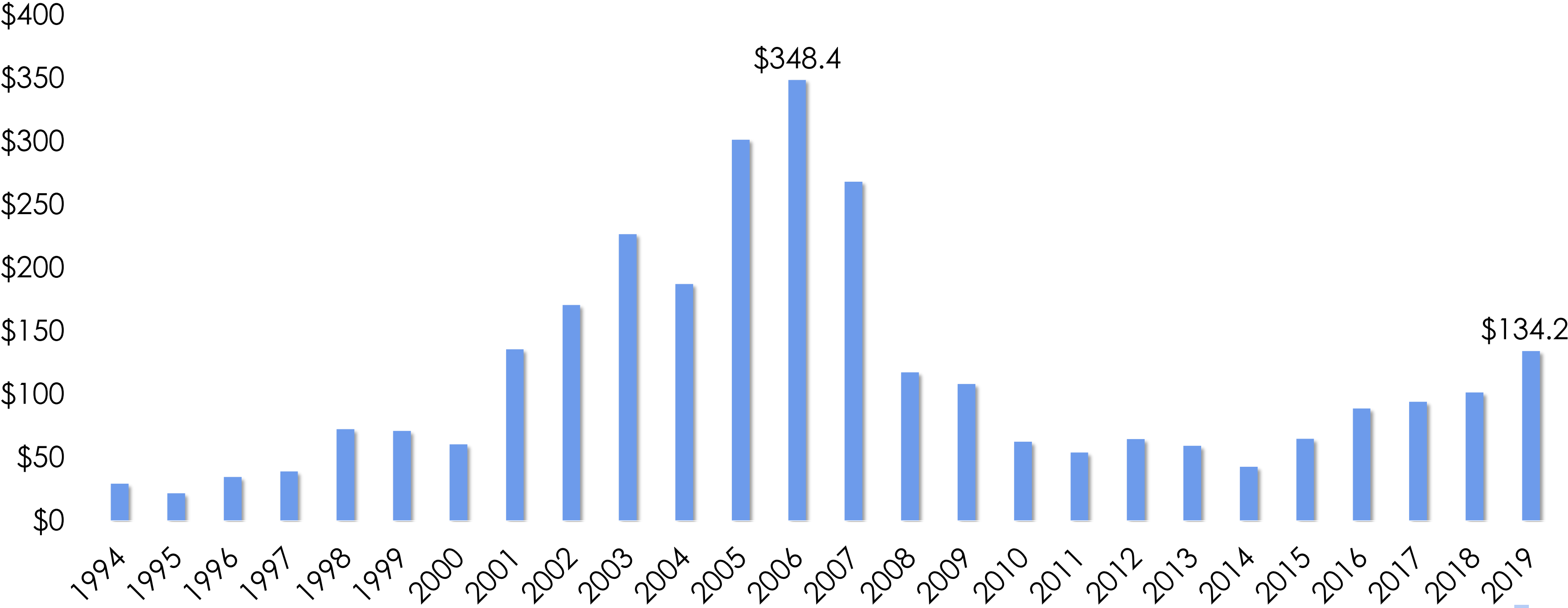
Reasons to Be Hopeful:

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

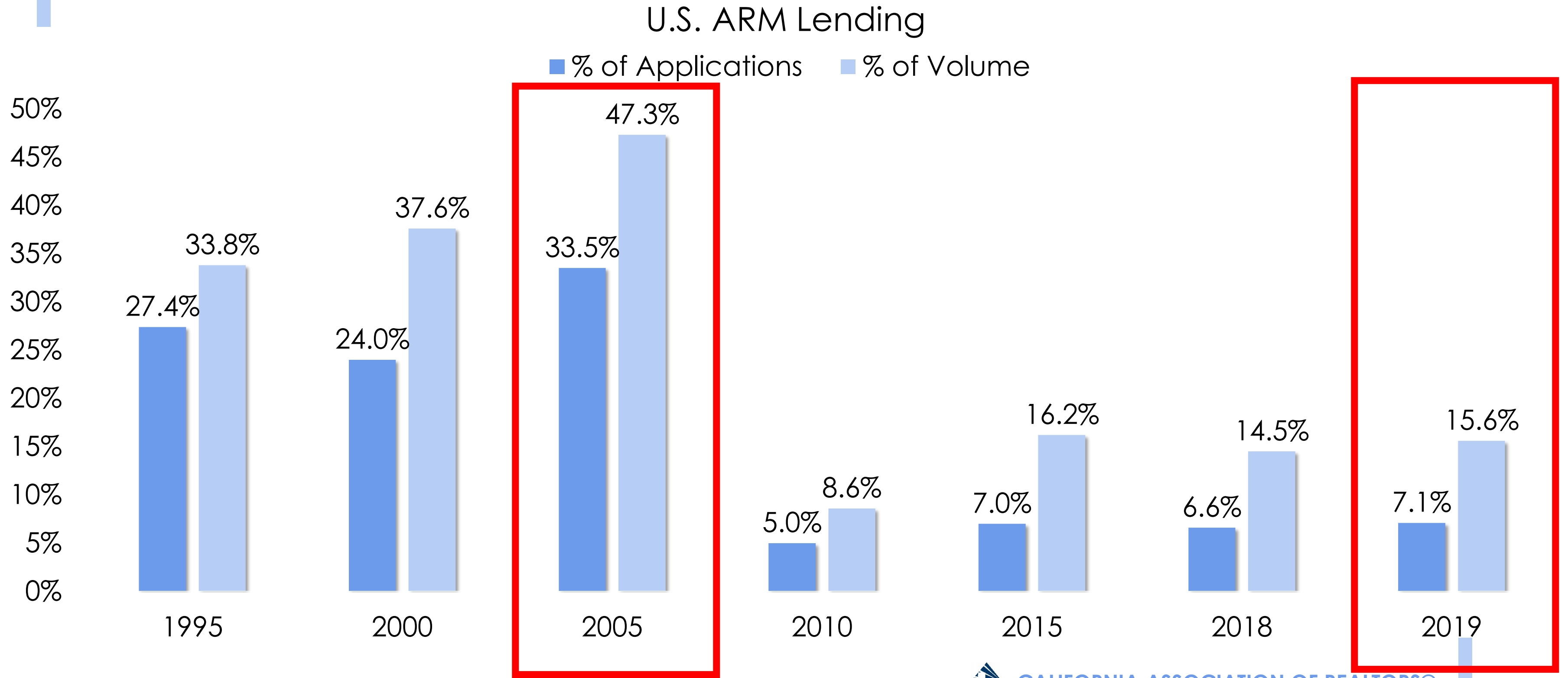


Many homeowners still have skin in the game

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

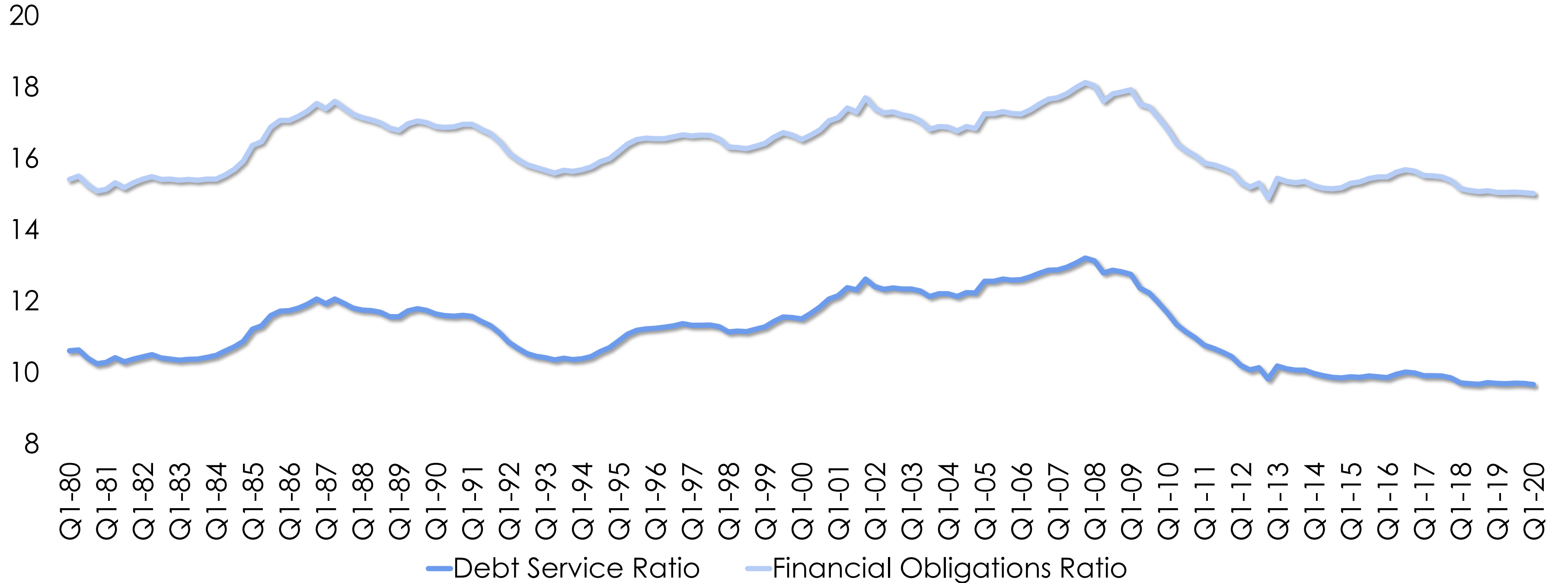


Not as many fundamental problems in mortgage market



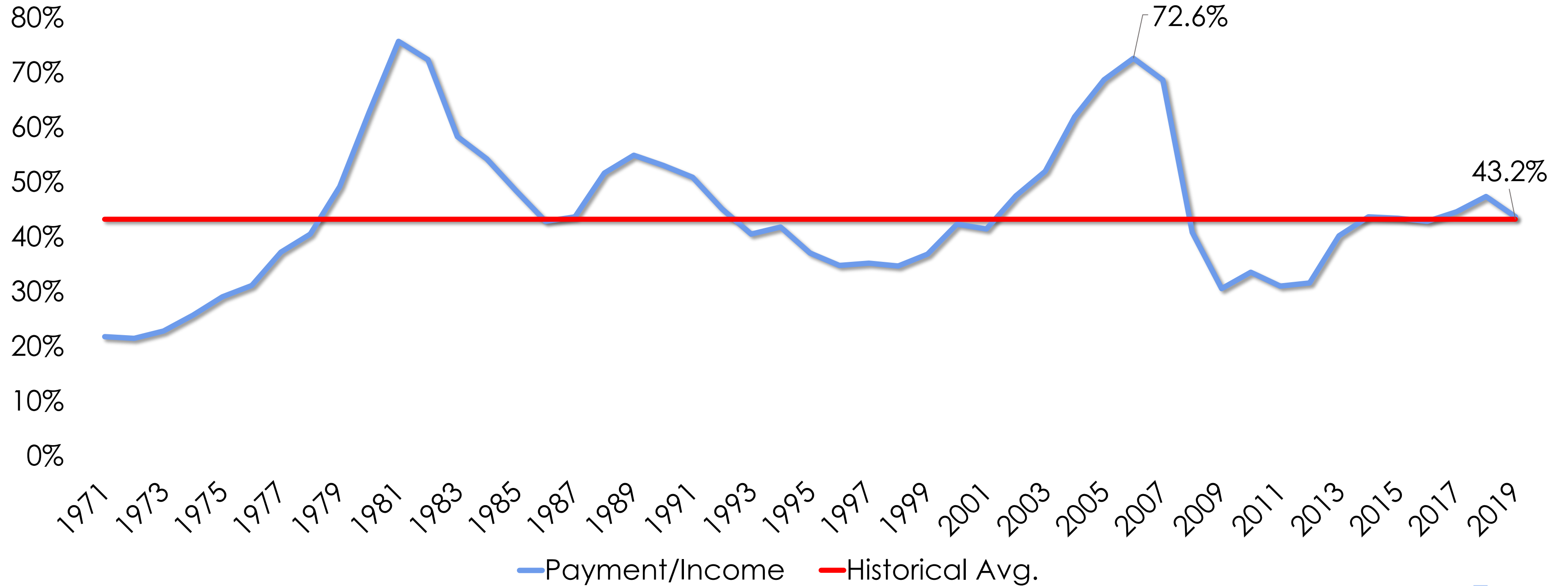
Household balance sheets **were in much better shape**

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

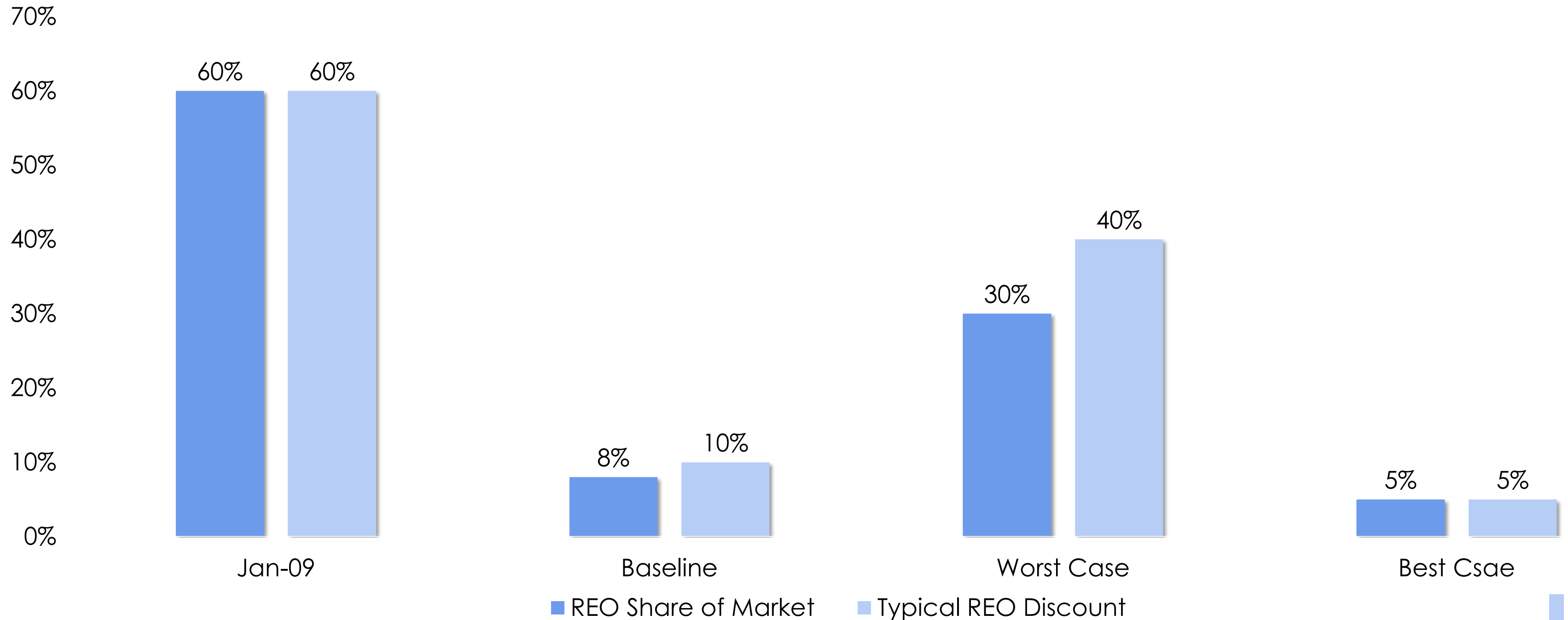


California housing market outlook (Worst Case)

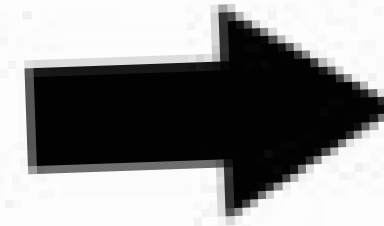
	2015	2016	2017	2018	2019	2020p	2021f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	366.6	330.6
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	-7.9%	-9.8%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$618.4	\$517.0
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	4.4%	-16.4%
Housing Affordability Index	31%	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

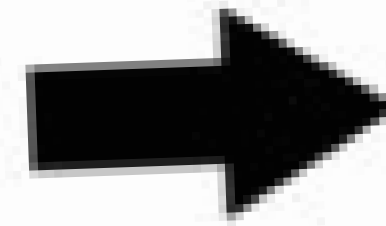
California REO Market
REO Market Share and Typical Discount (Relative to Market)



CHALLENGE



OPPORTUNITY





Thank You

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www.car.org/marketdata
Speeches & Presentations
jordanl@car.org