

Castro Valley Rotary Club February 8, 2022

Otto Catrina 2022 President California Association of REALTORS®



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#### Tempered optimism amidst increasing headwinds

### A tale of two forces

- Further signs of market normalization, but...
- Exacerbation of pre-existing conditions

- Lots to be optimistic about
  - Economy improving despite COVID flare
  - Housing remains the economic bright spot

### Many headwinds brewing

- Biggest challenge remains supply: new + existing
- + rates, affordability, sustainability, & industry stuff

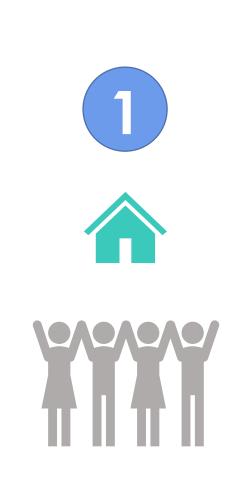
- What does it all mean?
- Consumers need us more than ever—even buyers!
- Must work harder than ever, despite good forecast!

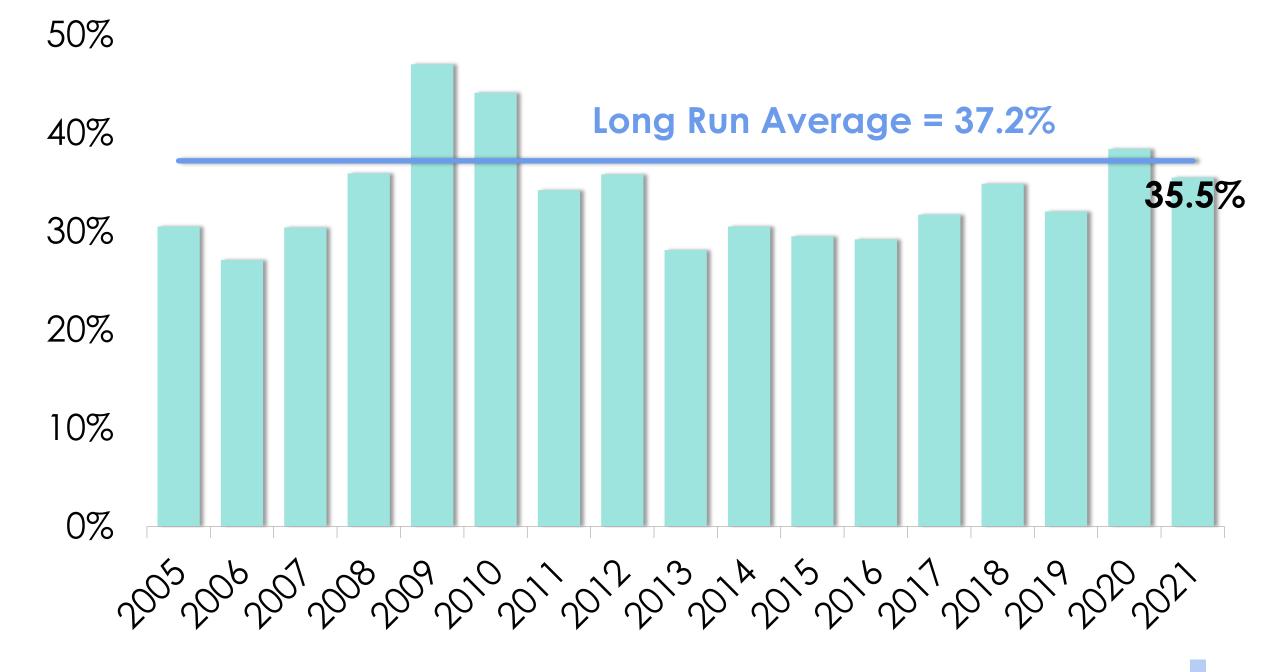


## Renewed Passion For Homeownership

#### First-time buyers still near decade-highs

Sirst-Time Home Buyers —Long Run Average



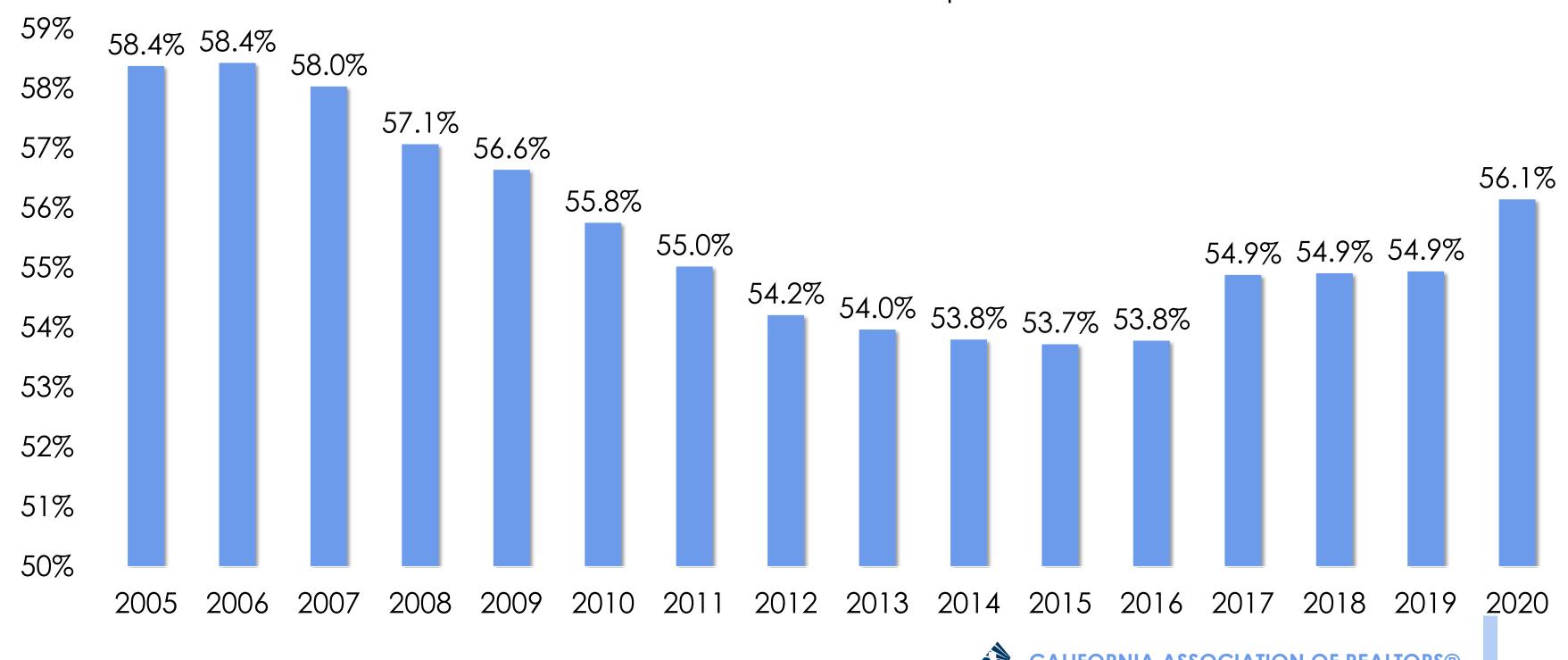




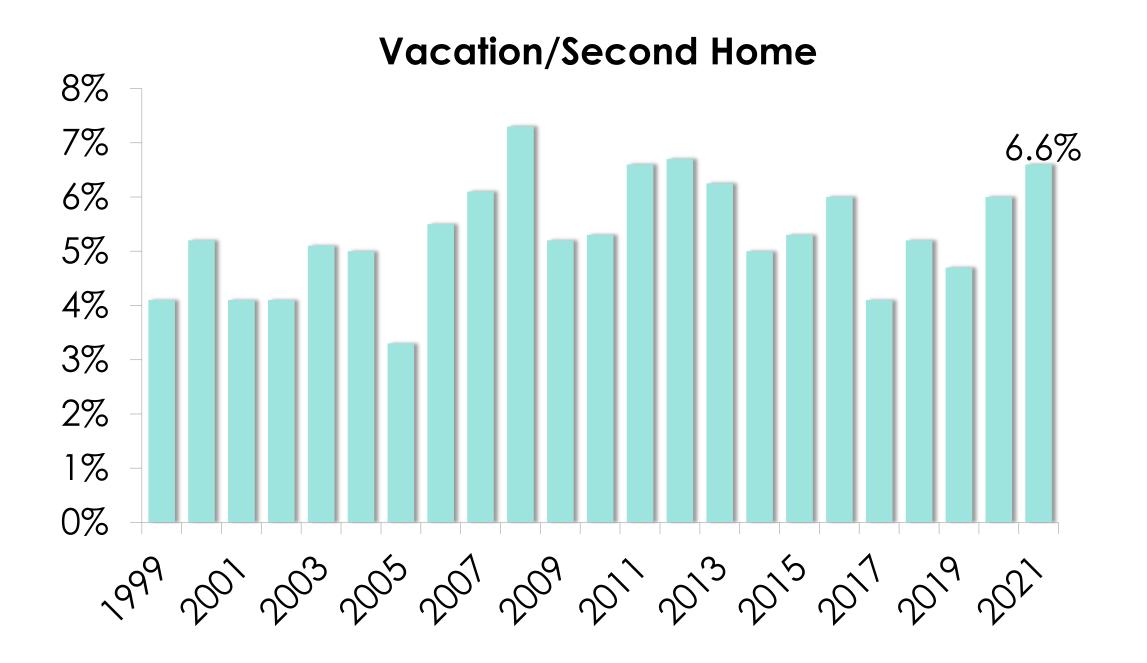


#### Appearance of nascent progress

California Homeownership Rate



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

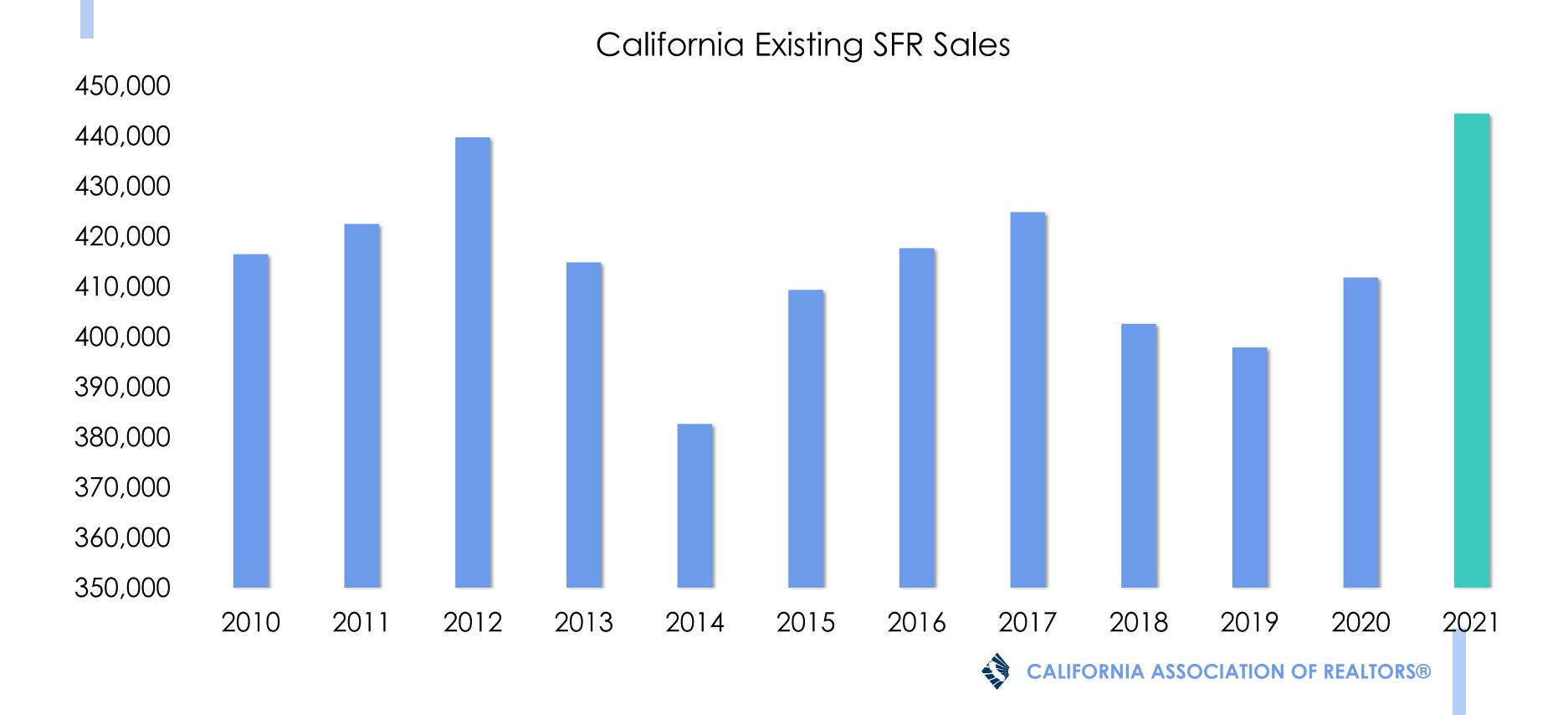






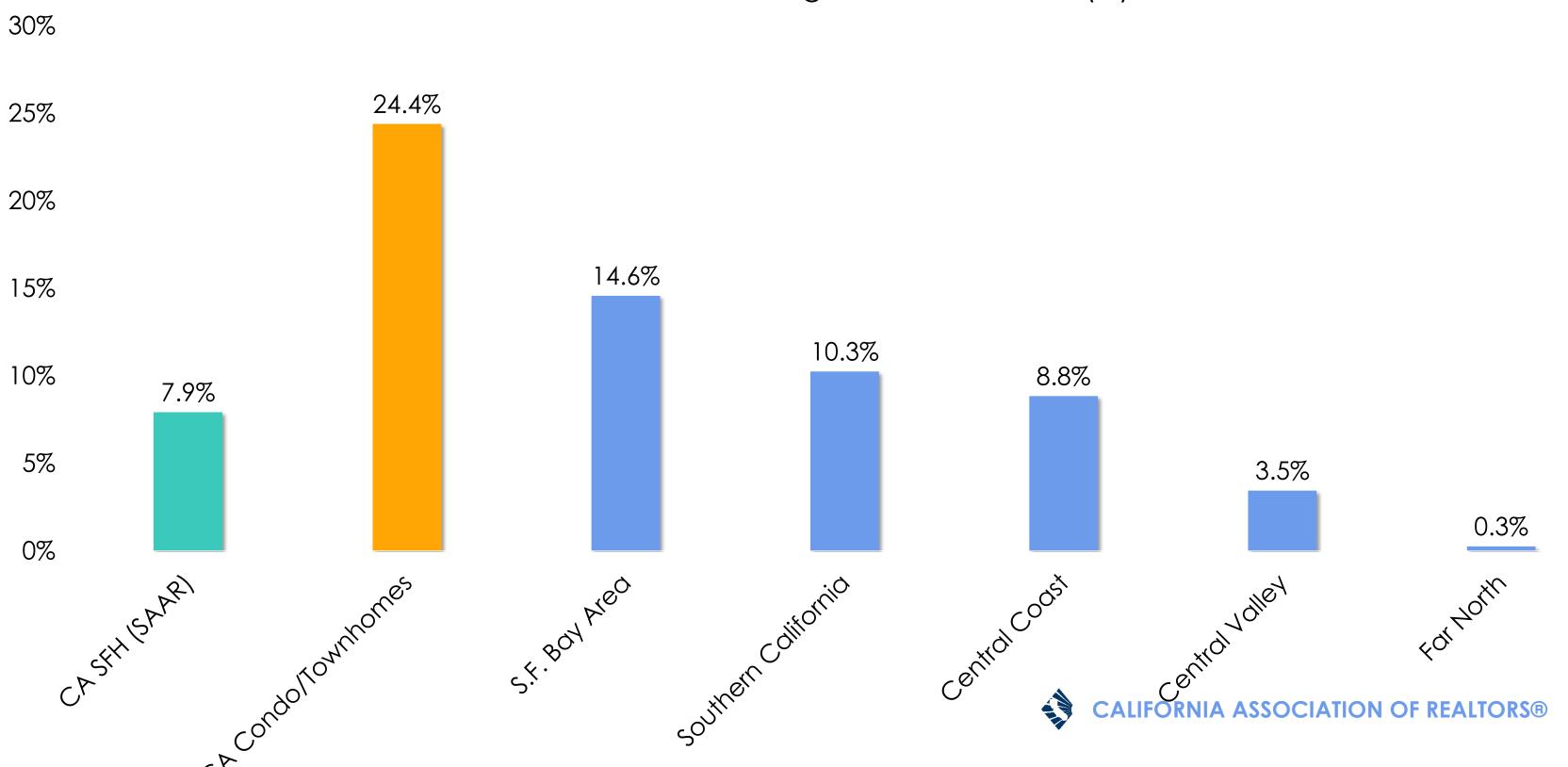


#### 2021 was the best year for home sales in a decade

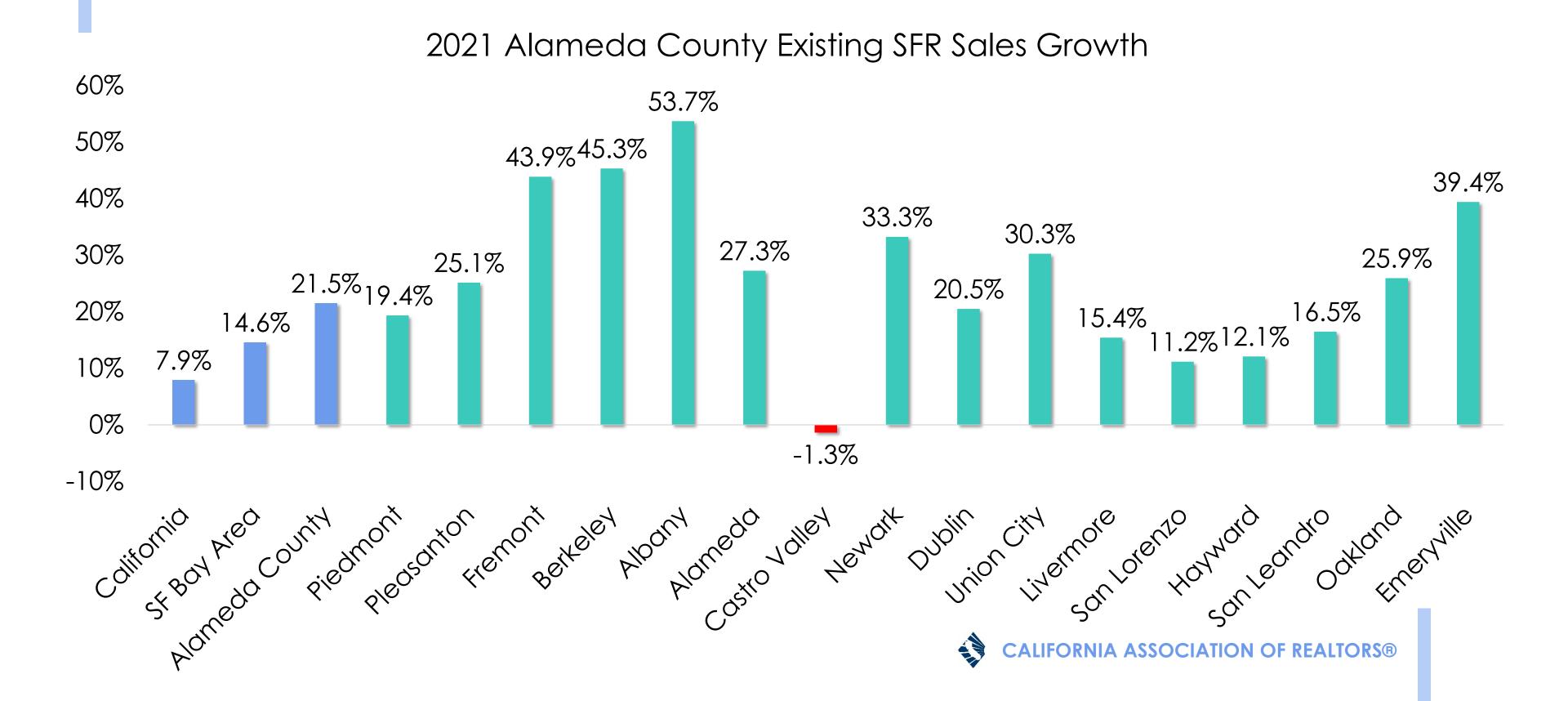


#### Core markets punching above their weight

2021 California Existing SFR Sales Growth (%)

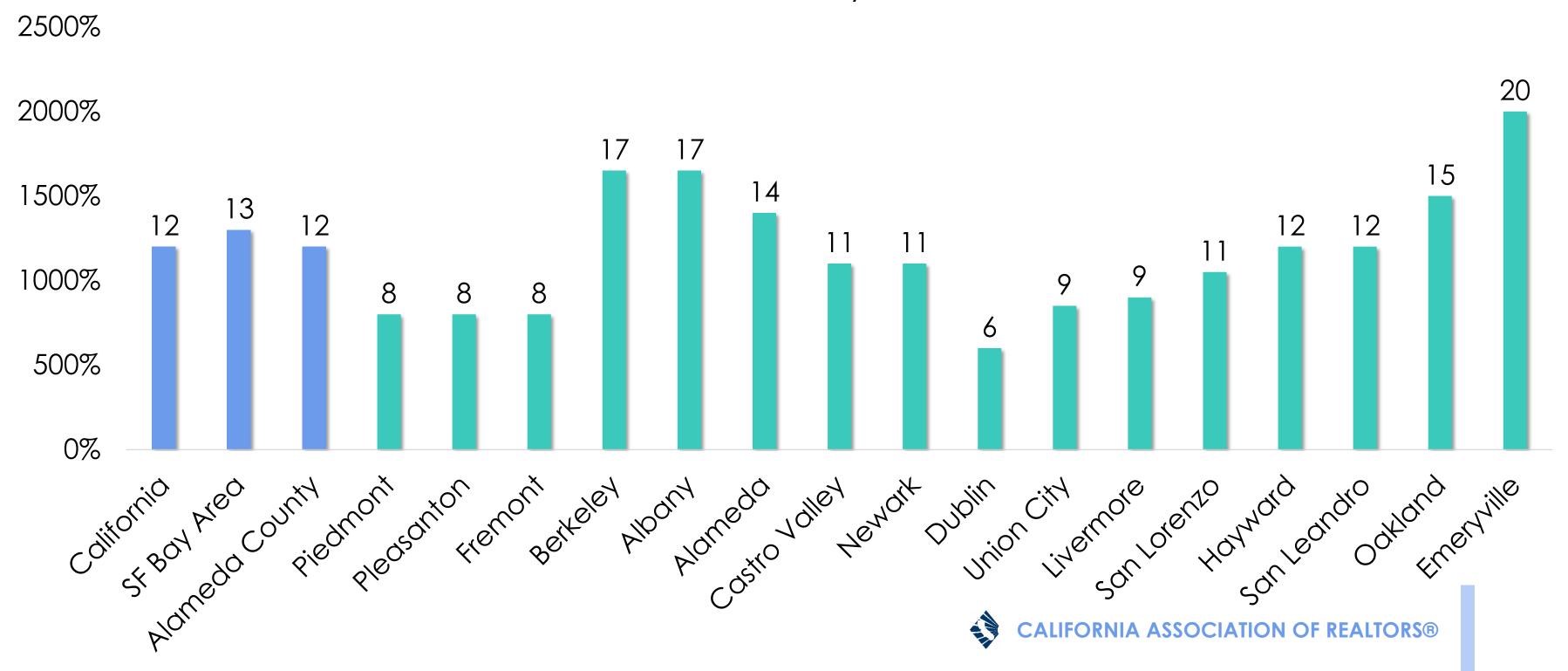


#### Alameda County outperforming state and region in sales



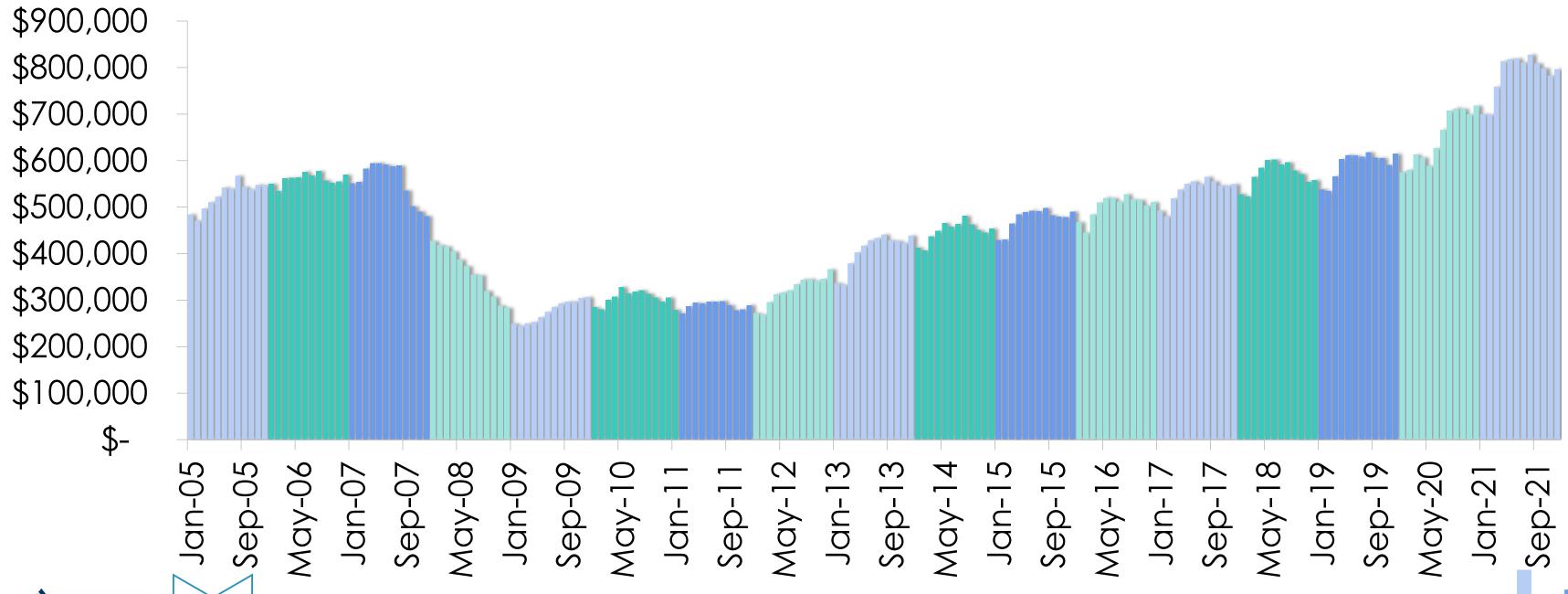
#### Alameda County outperforming state and region in sales

December 2021 Alameda County Median Time on Market



#### Median home price still near record highs

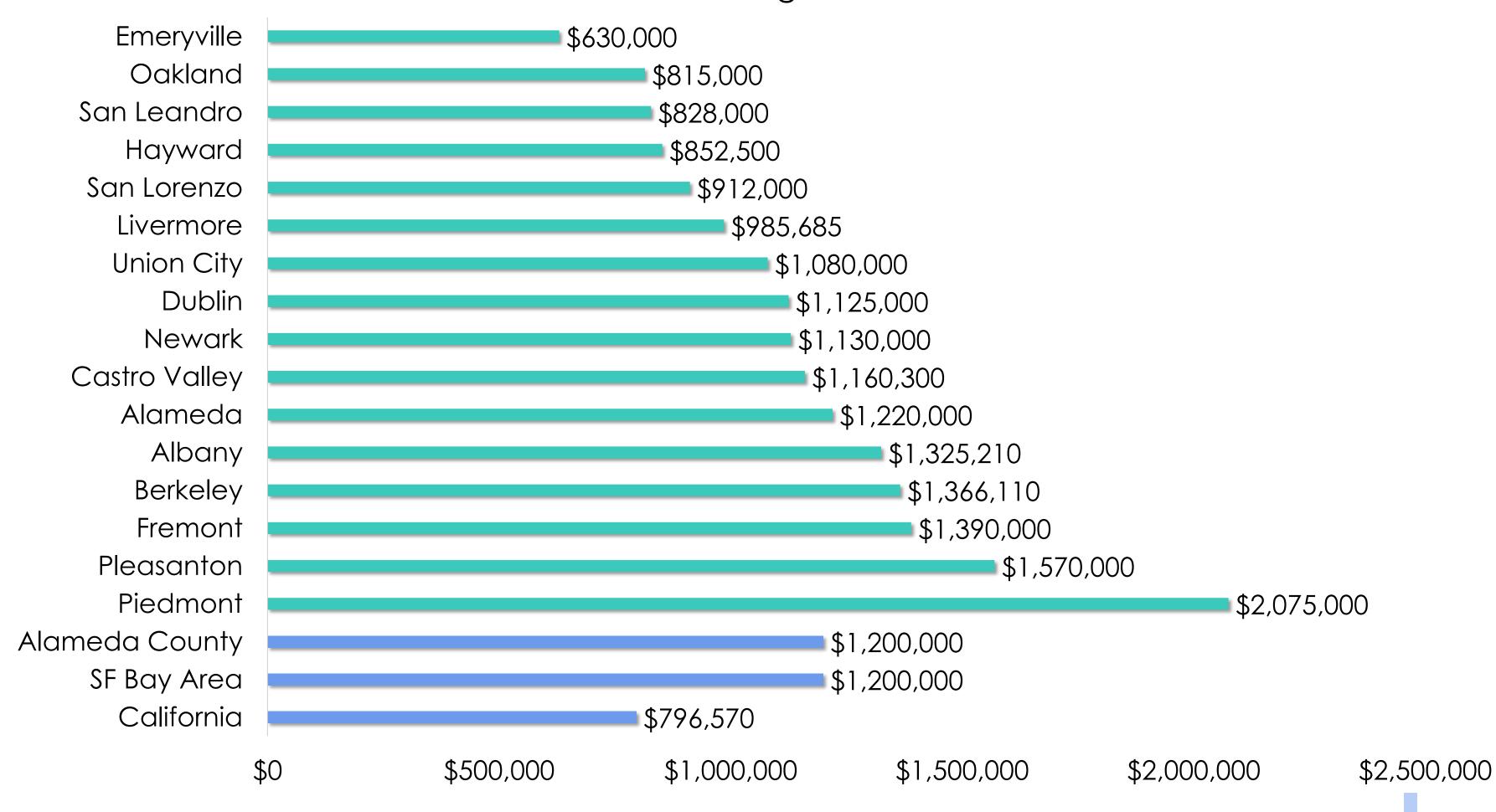
California, December 2021: \$796,570, +1.8% MTM, +11.0% YTY





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

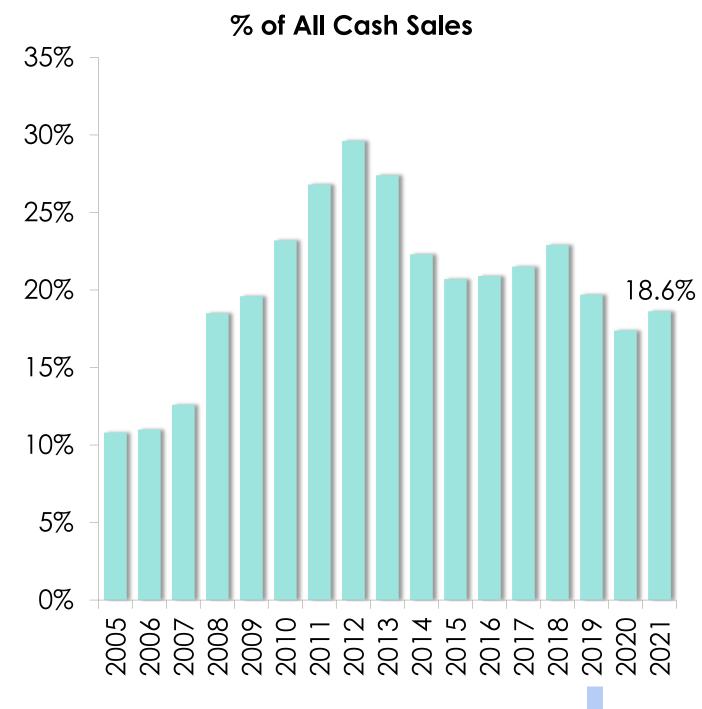
#### December 2021 Existing SFR Median Prices



#### More buyers paying all cash due to market competition

The share of all-cash buyers inched up in 2021 after it dipped to the lowest level since 2007 in the prior year. As competition remained intense in the market, more home buyers tried to stay on top of the heap by offering all cash. With interest rates remaining low by historical standards and home prices increasing by double-digits from a year earlier across the state, the share of all-cash sales remained the second lowest in the last 14 years, despite the slight bounce-back.

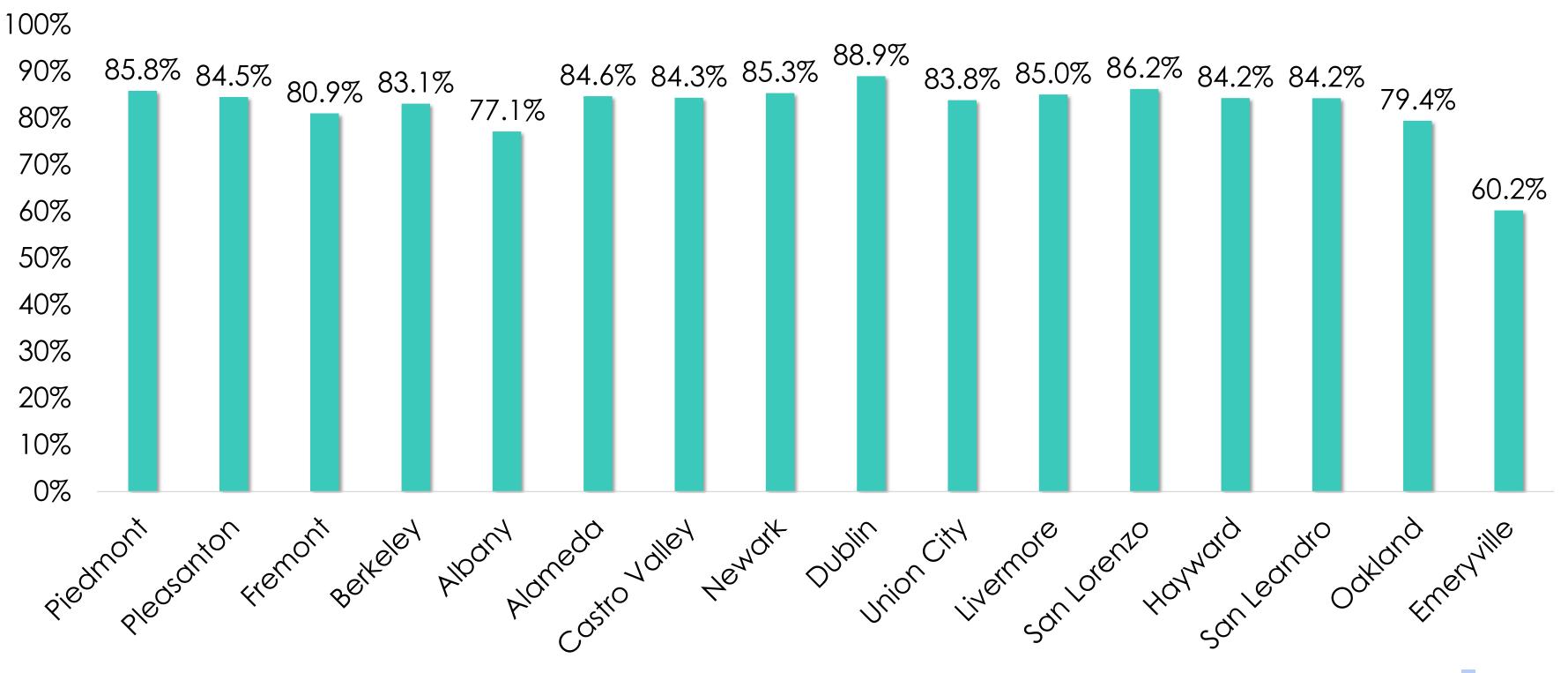
Market competitiveness varied between price segments. Properties in the midpriced range — homes sold between \$500,000 and \$1 million — continued to be the most sought after, as they were the most likely to receive multiple offers, the most likely to receive an offer with a price at or above the asking price, and sold the fastest. While the mid-priced range was still the segment with the highest average number of offers this year, it was also the only price segment without any increase when compared to last year.





#### Alameda County even more competitive than rest of CA

2021 Alameda County Existing SFR Sales Above List Price



#### Fierce competition, and not just on price

#### **Contingencies Waived on Offer Accepted**

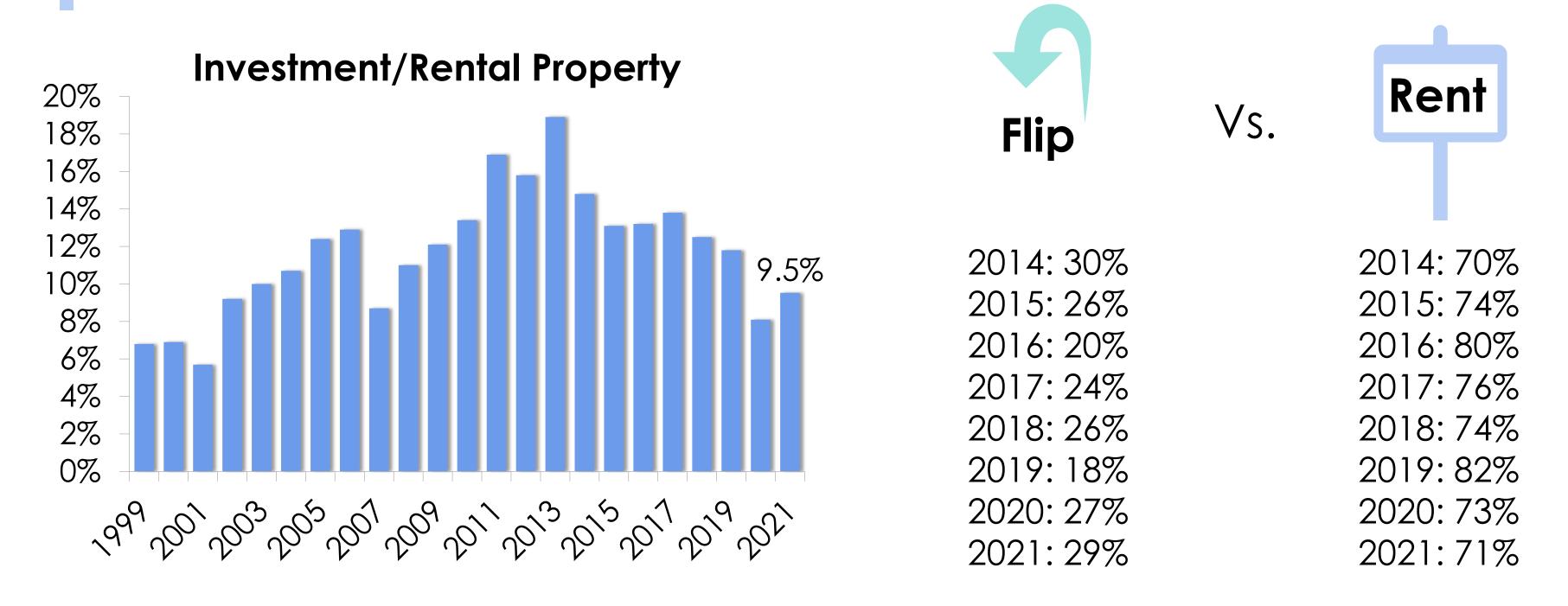
	\$500k or below	\$501k - \$1M	Over \$1M	All
Non-Contingent Offer	55.6%	61.4%	64.7%	60.5%
Appraisal	35.4%	53.7%	60.4%	49.8%
Property inspection	23.5%	28.3%	41.3%	29.9%
Financing	19.3%	24.7%	46.5%	28.7%
Selling of another house	12.2%	18.0%	27.4%	18.6%
Purchase of another house	6.8%	8.8%	14.2%	9.5%
Transfer disclosure statement post offer	4.8%	6.3%	10.9%	6.9%





# Initial Signs of Market Normalizing

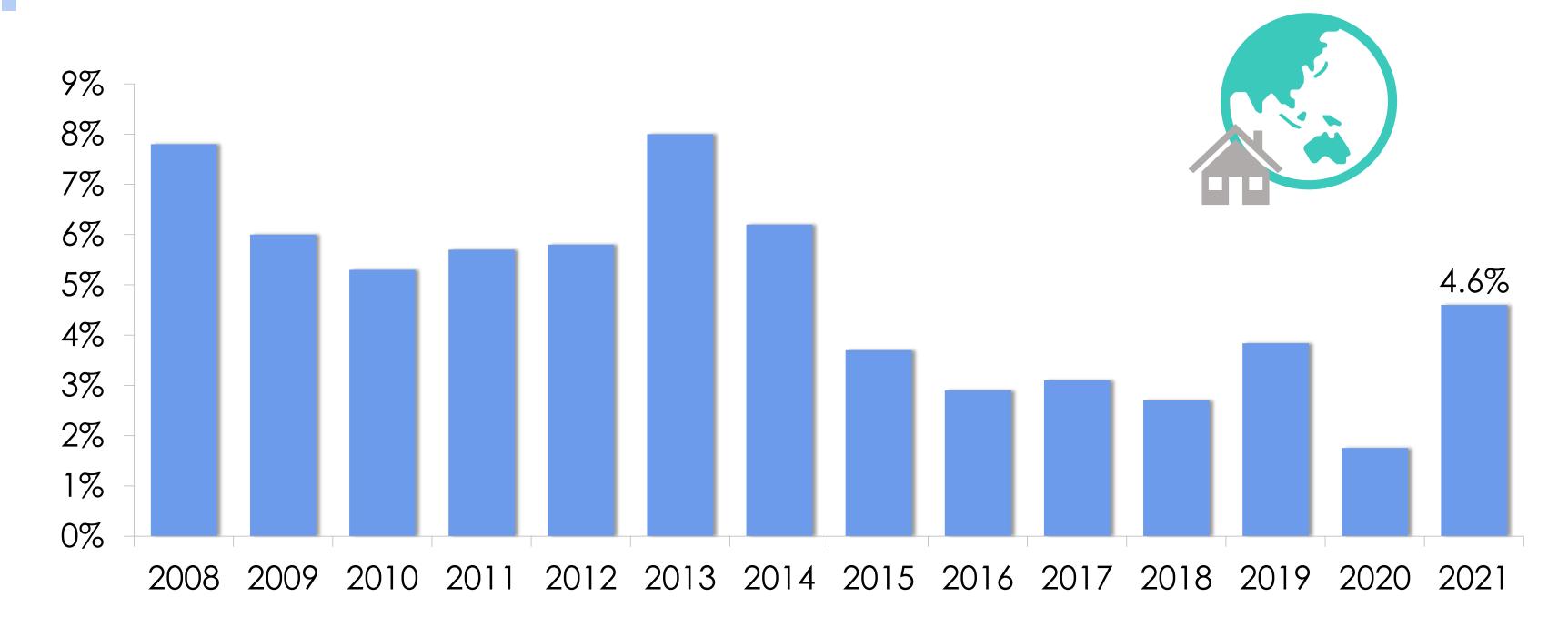
#### Investor share bounced back this year







#### International buyers bounced as well

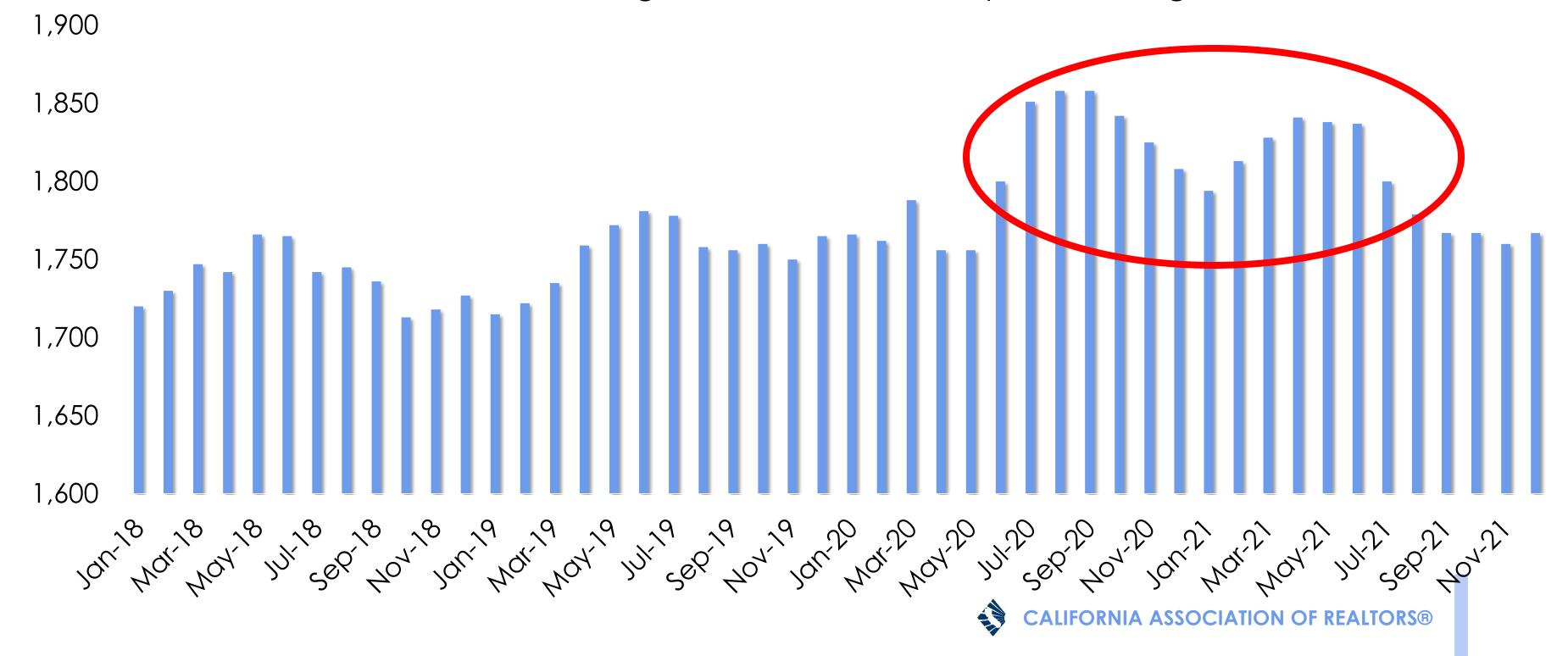






#### Size of home starting to normalize as well

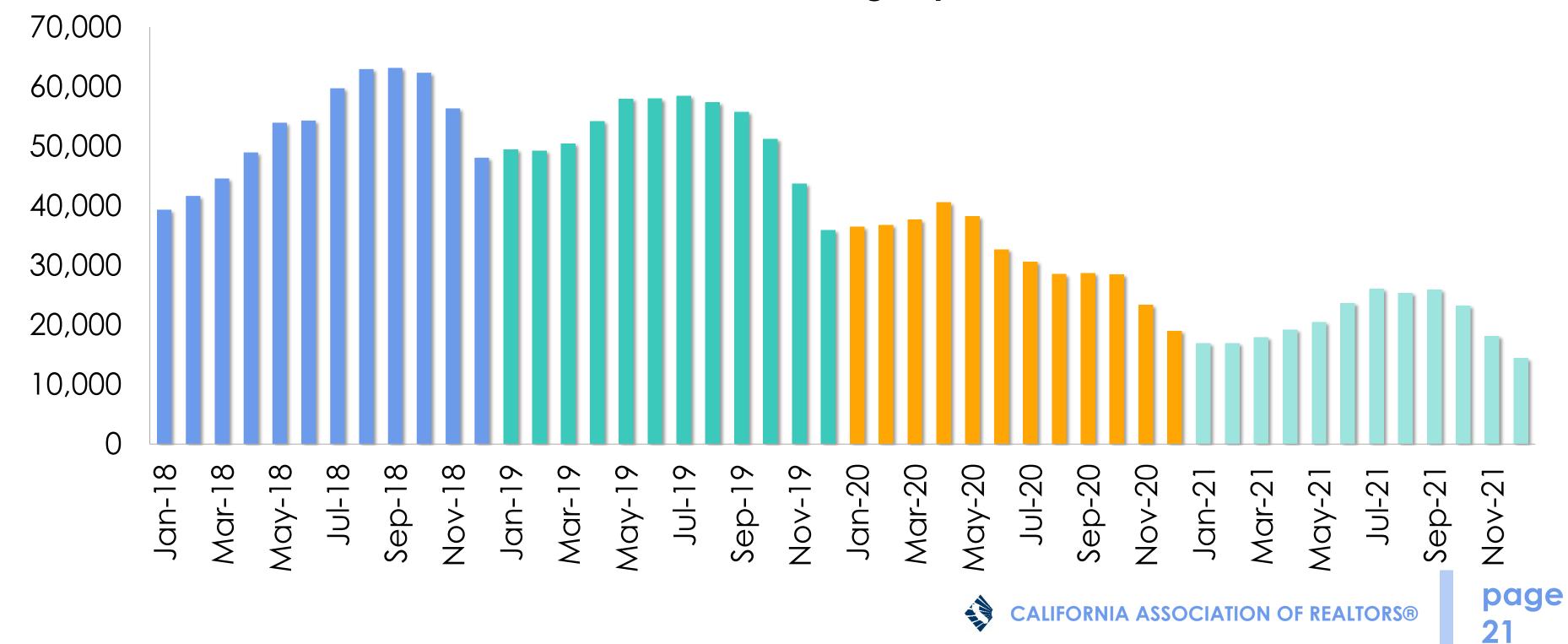
California Existing SFR Sales: Median Square Footage



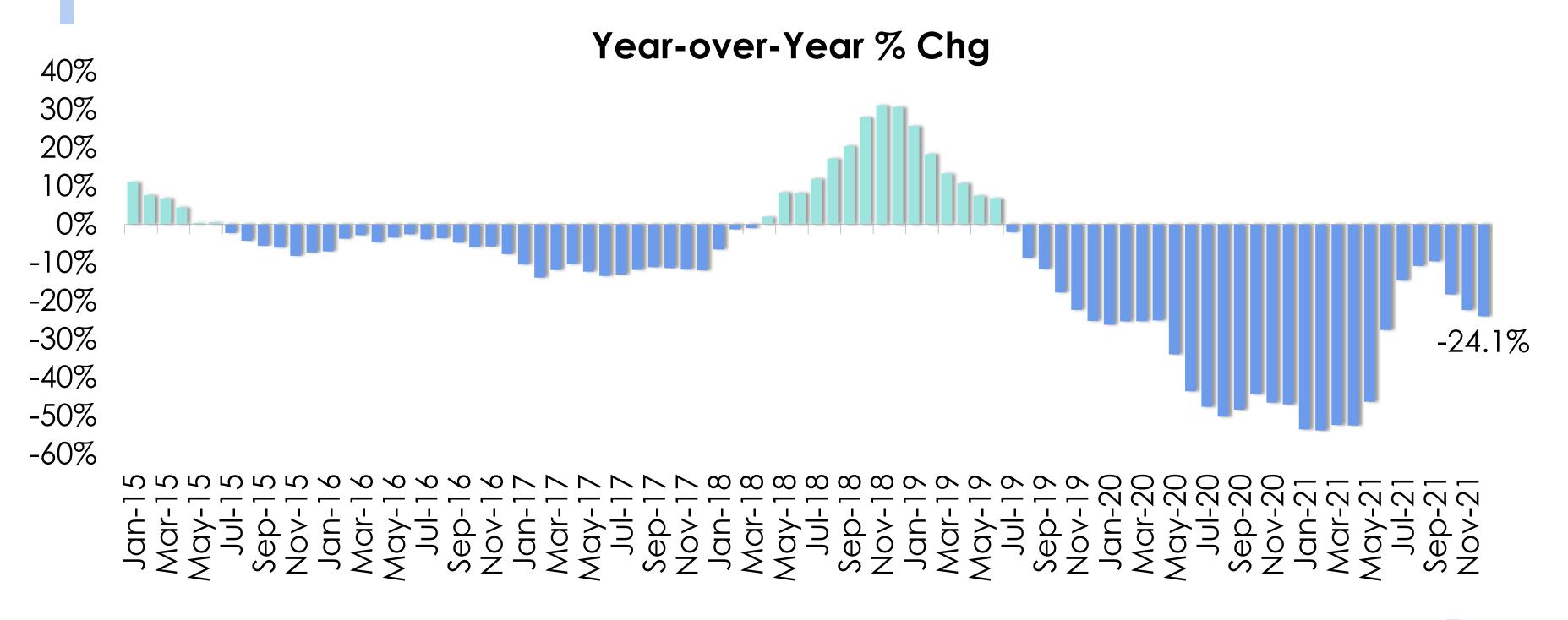
# Supply Remains THE Challenge

#### Listings following seasonal pattern and leveling off





#### Active listings dipped further in December

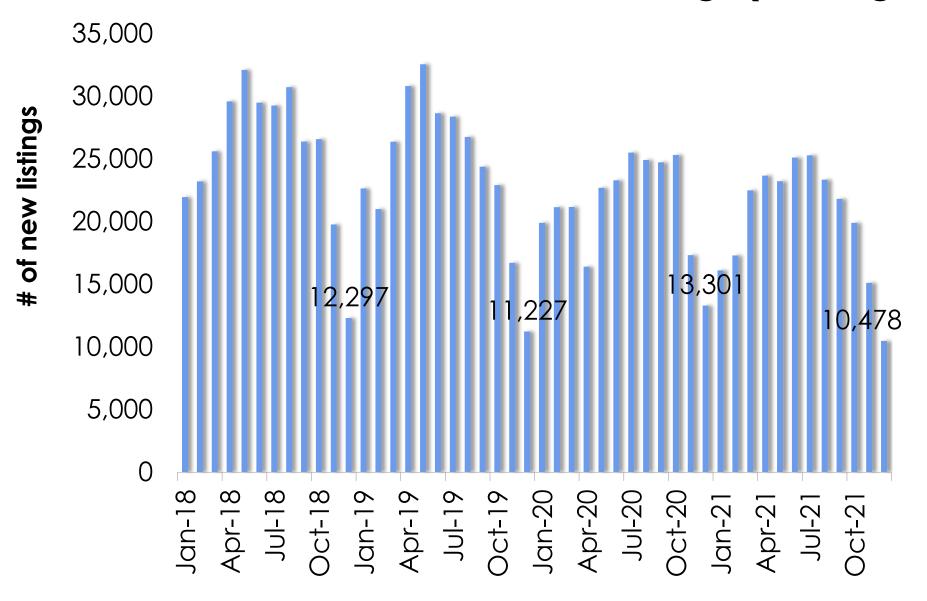


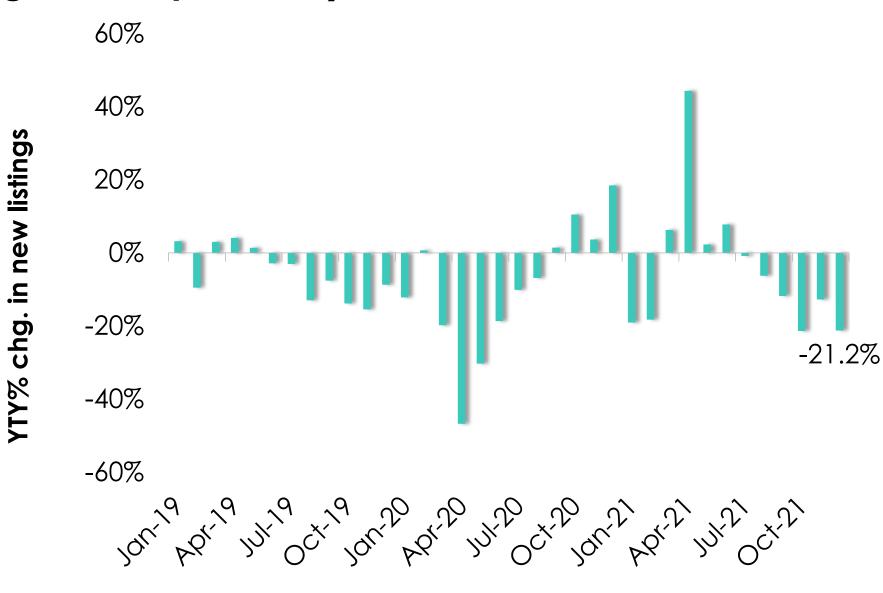




#### New listings continued to drop by double-digits

#### New Listings (Existing Single-Family Homes)



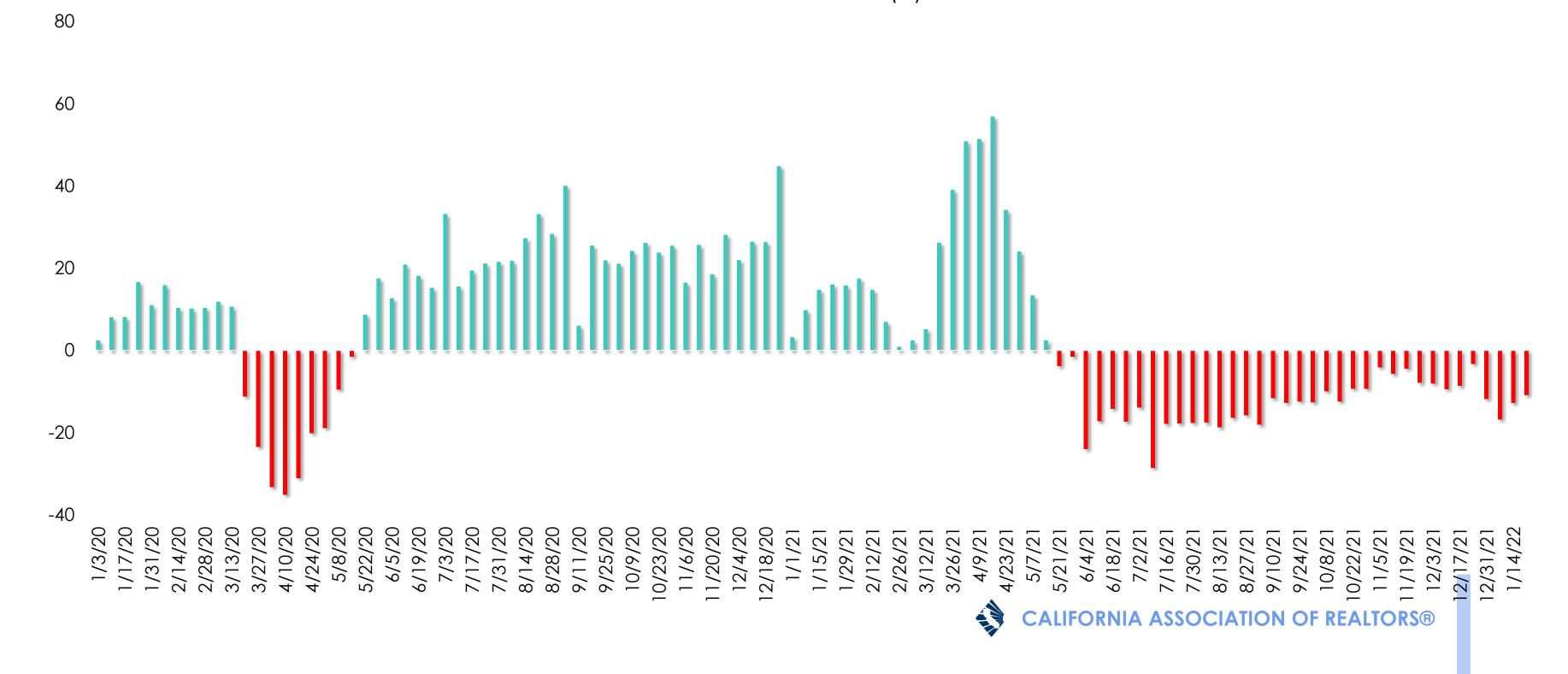




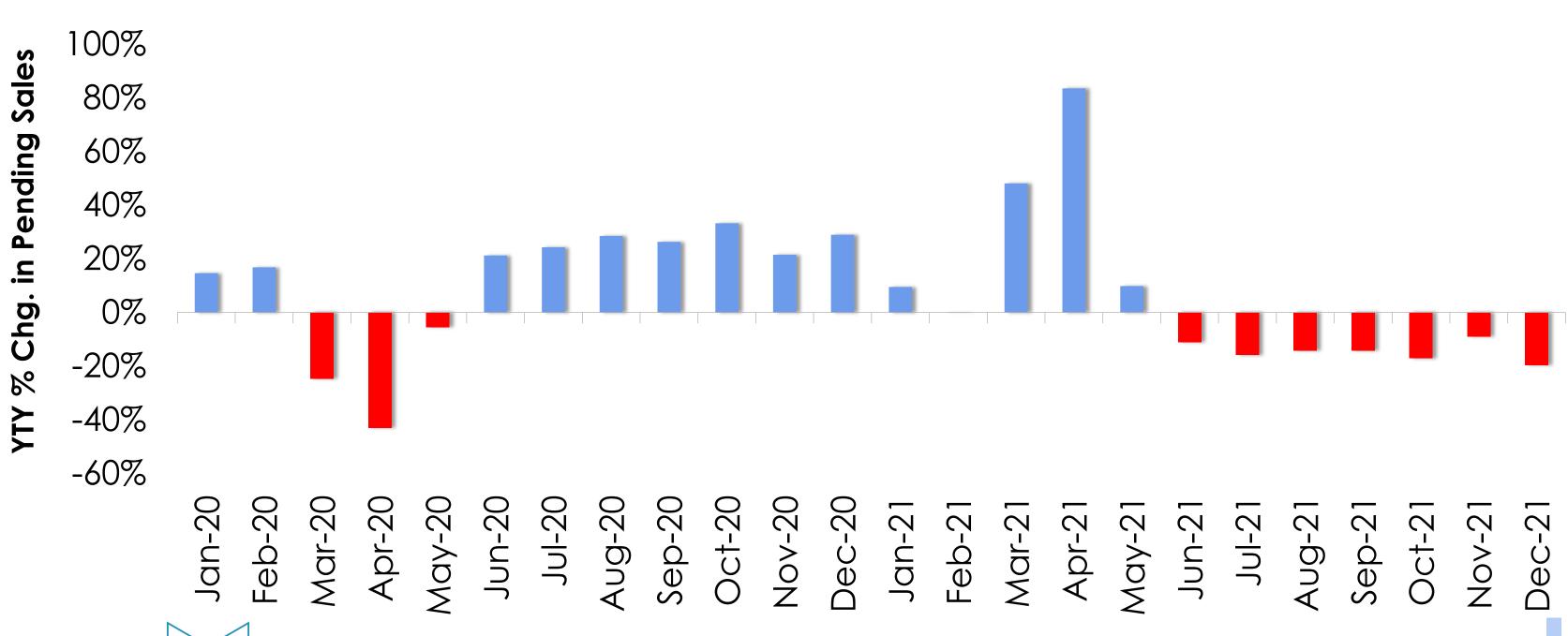


#### But... there's a demand component there as well

MBA Mortgage Applications Index – New Purchases Year-to-Year Growth (%)



#### Pending sales declining by double-digits since June



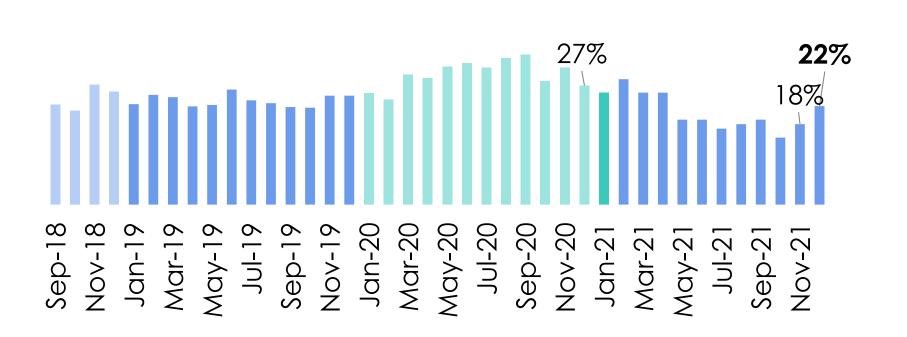




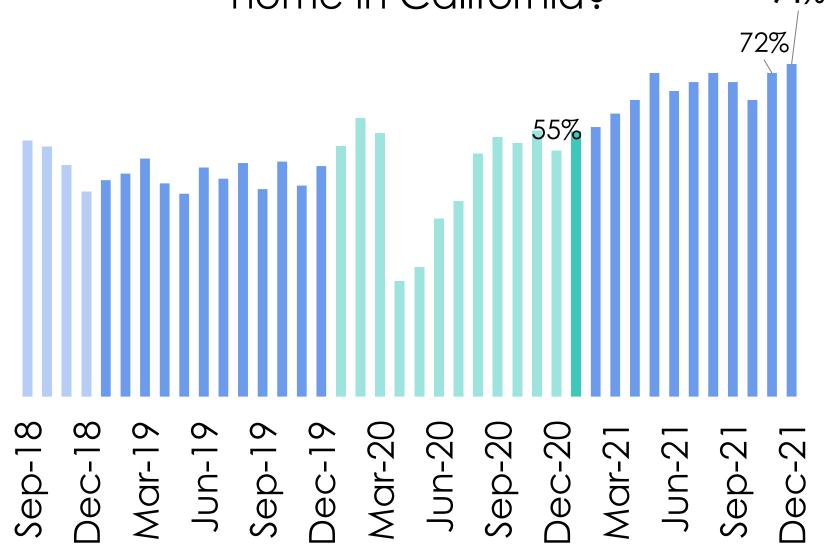
SERIES: Percent Change in Pending Sales SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

#### "Good time to buy" yet to fully rebound

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



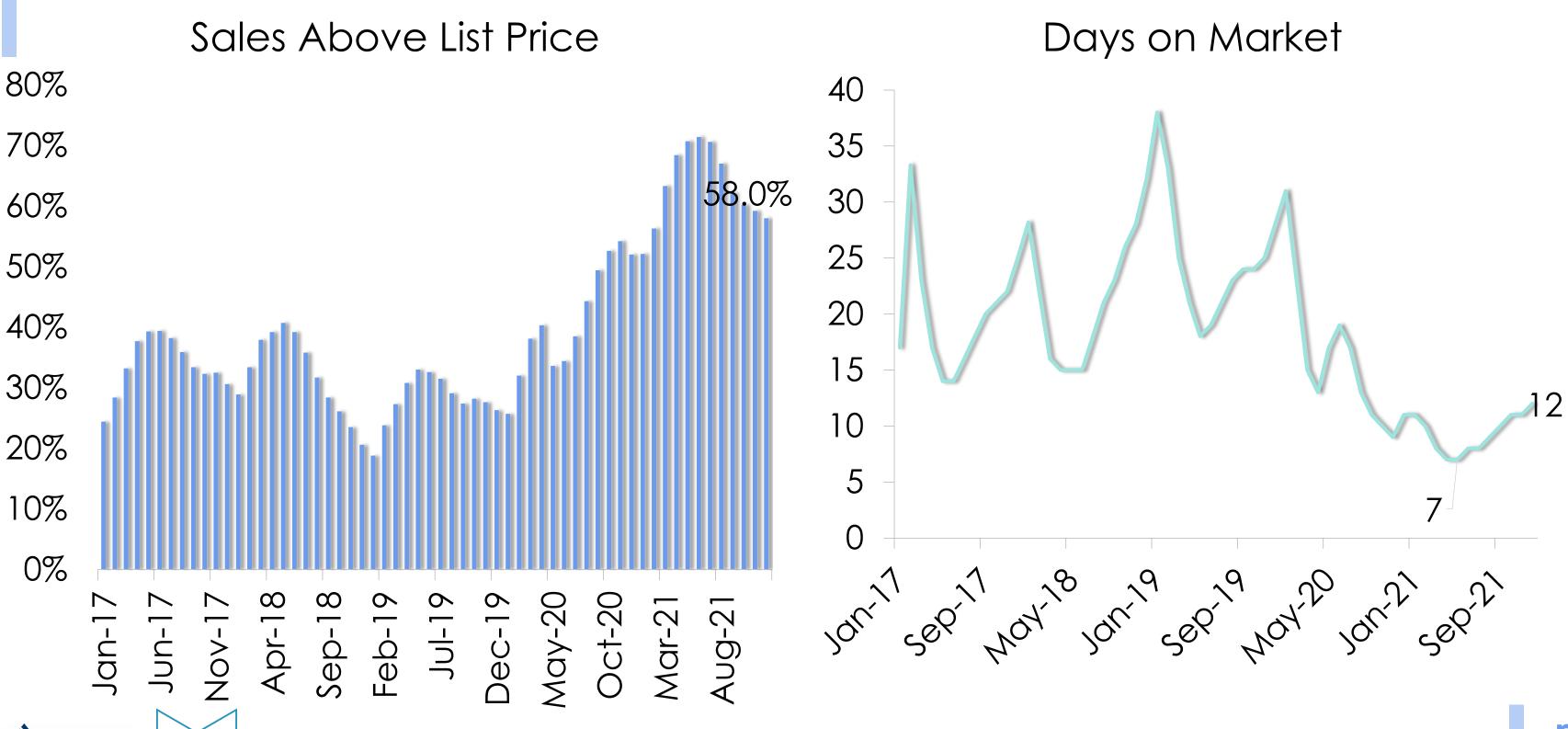
Do you think it's a good time to **sell** a home in California? 74%







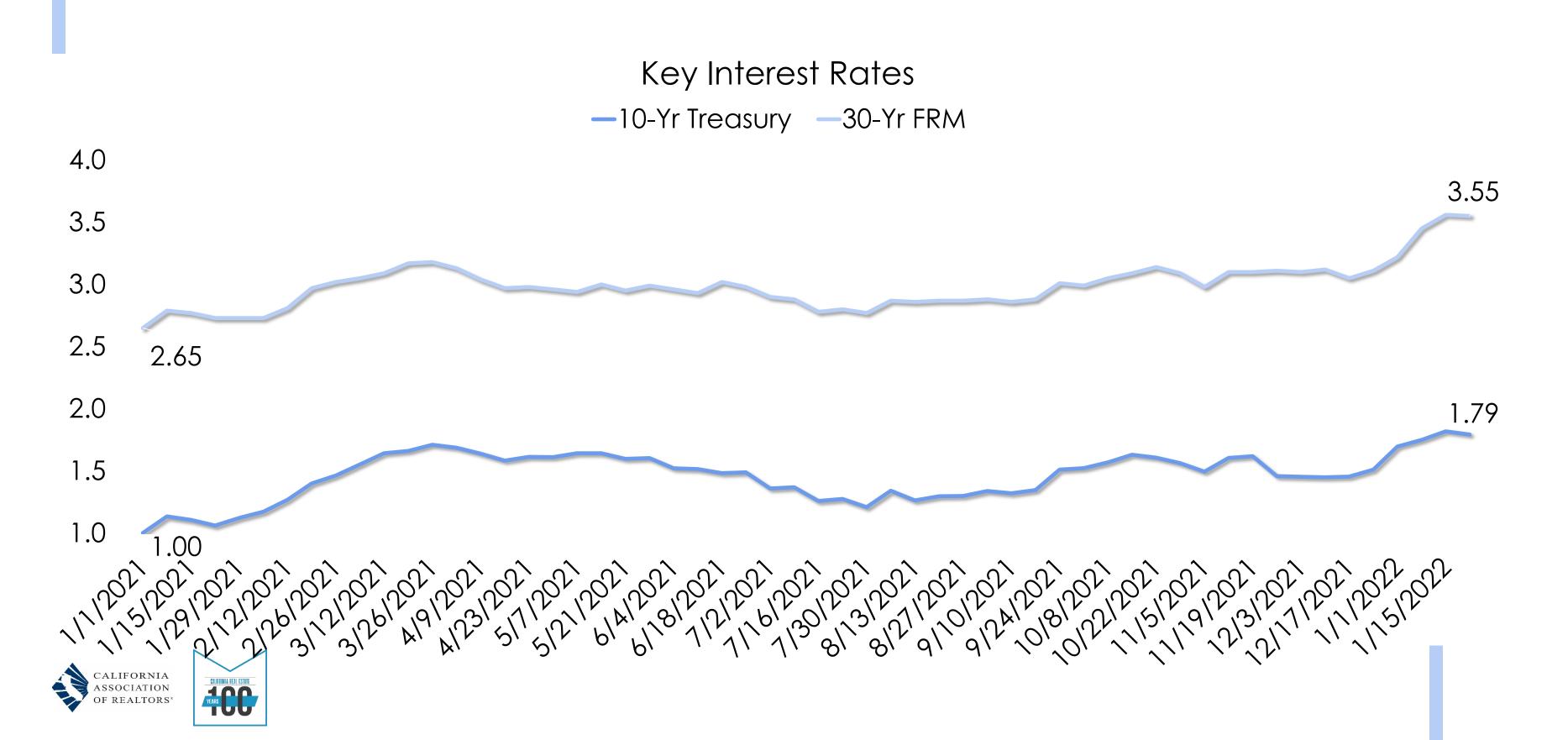
#### From white hot, back to plain old boring red hot (not cool)





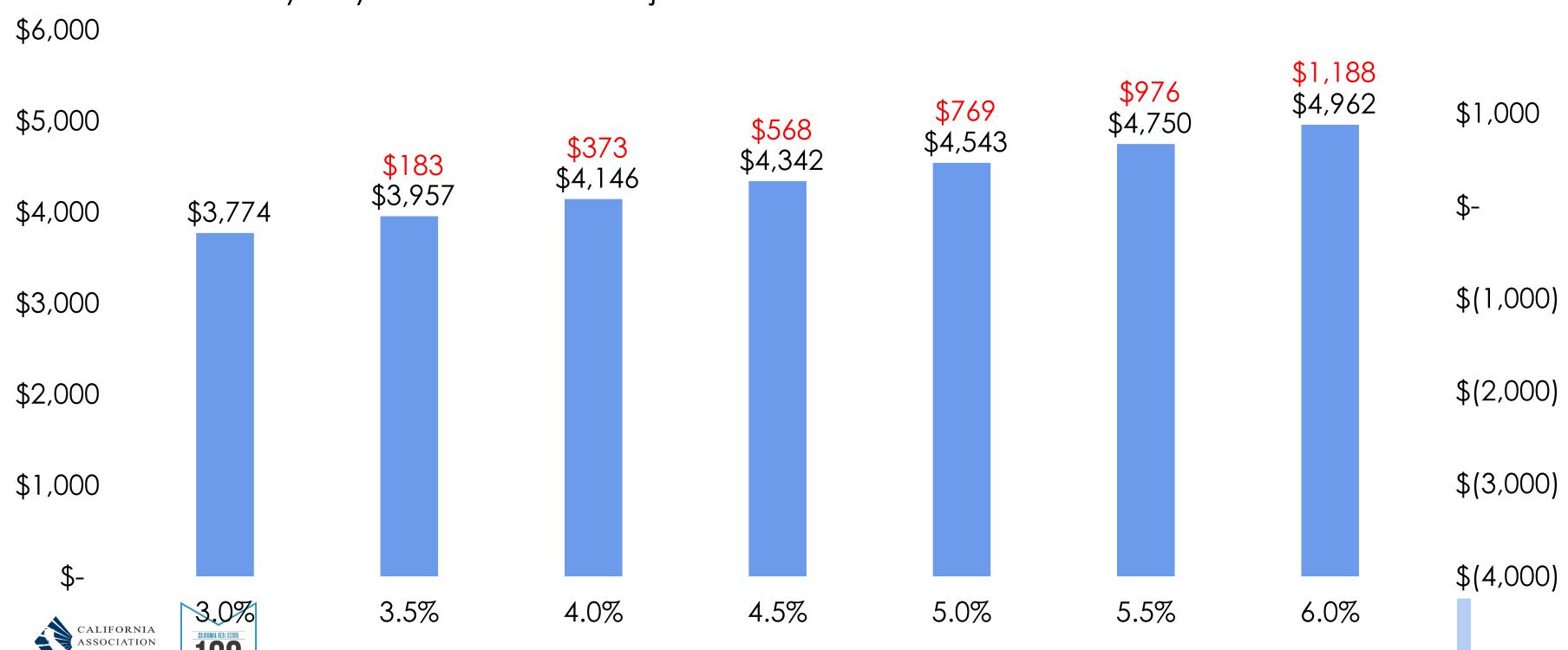
# Other Challenges For Homebuyers

#### Rates have been rising recently



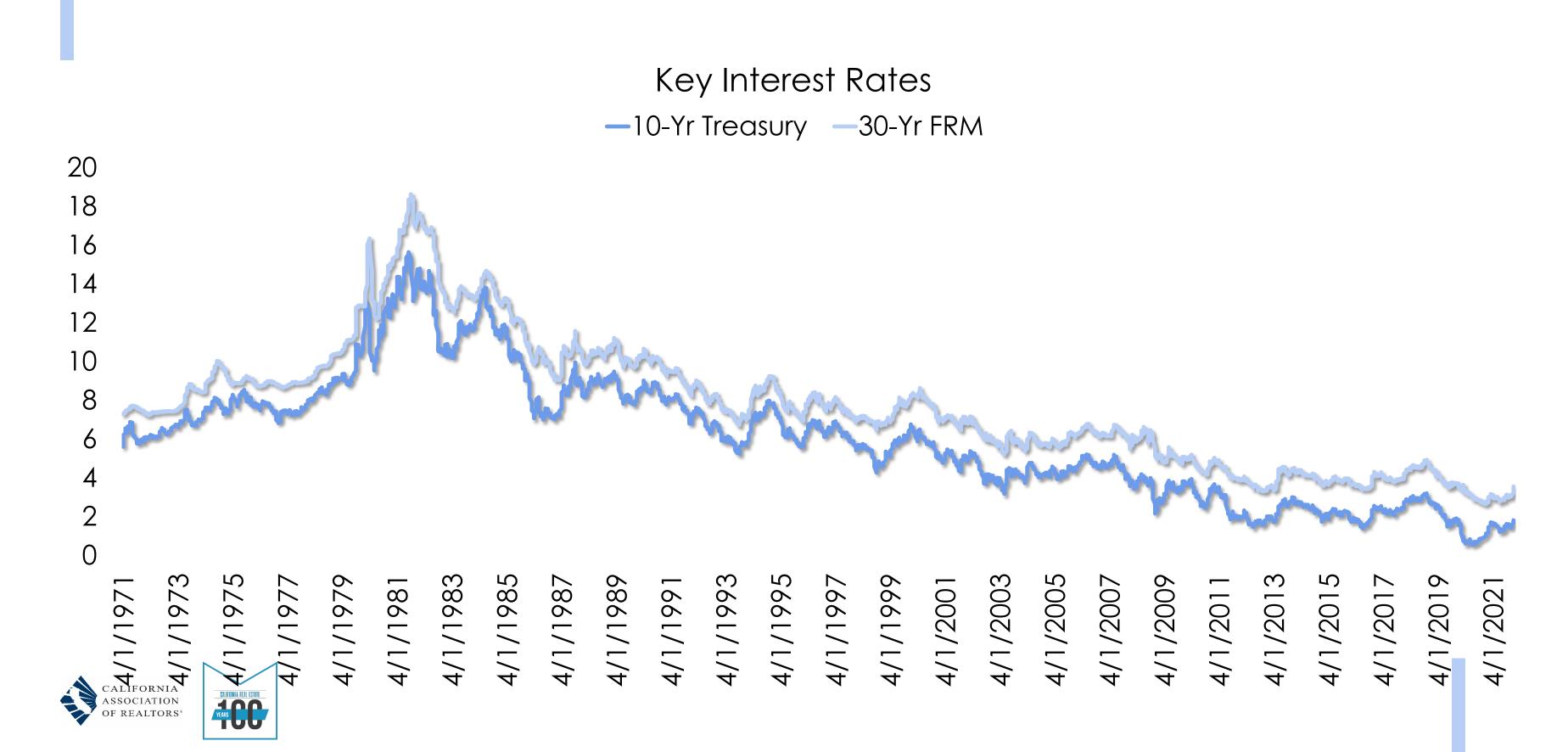
#### But even small changes in rates have a big impact

Monthly Payment on 2022 Projected Median Priced Home at Different Rates

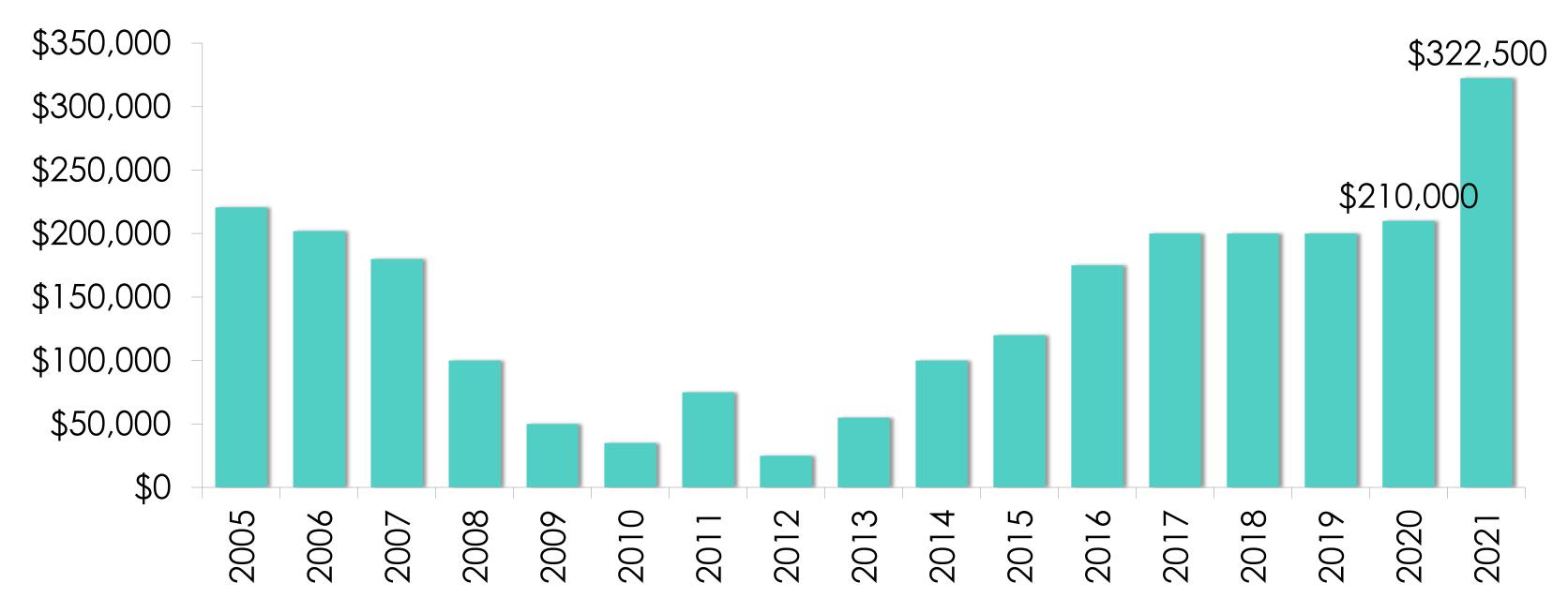


## Don't Panic

#### Still a tailwind for demand w/rates near historic lows



#### We need to keep buyers' eyes on the prize

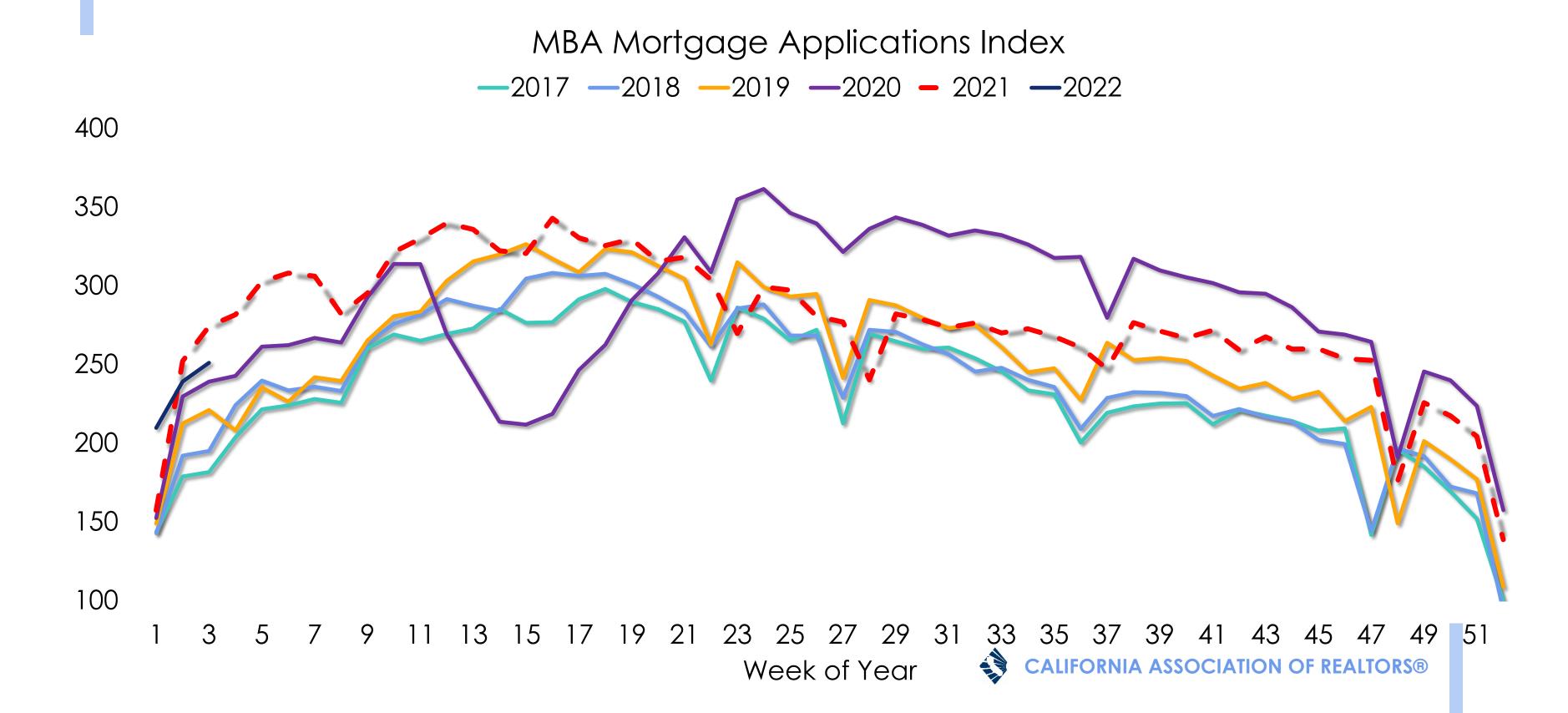








#### And... demand is still robust by pre-crisis standards



#### U.S. economic outlook

	2016	2017	2018	2019	2020	2021p	2022f
US GDP	1.6%	2.3%	3.0%	2.2%	-3.5%	5.7%	3.8%
Nonfarm Job Growth	1.8%	1.6%	1.6%	1.3%	-5.7%	3.7%	2.8%
Unemployment	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.8%
CPI	1.4%	2.1%	2.4%	1.8%	1.2%	4.7%	4.3%
Real Disposable Income, % Change	2.7%	2.9%	4.0%	2.9%	5.8%	2.1%	-3.1%

#### California economic outlook

	2016	2017	2018	2019	2020	<b>2021</b> p	2022f
Nonfarm Job Growth	2.3%	2.1%	2.1%	1.5%	-6.9%	2.0%	4.0%
Unemployment	5.5%	4.8%	4.3%	4.1%	10.3%	7.8%	5.9%
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	<b>2021</b> p	2022f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	444.5	421.5
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	3.5%	7.9%	-5.2%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$786.7	\$827.7
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.3%	19.3%	5.2%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	26%	23%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	3.8%



## Thank You

This presentation can be found on www.car.org/marketdata
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