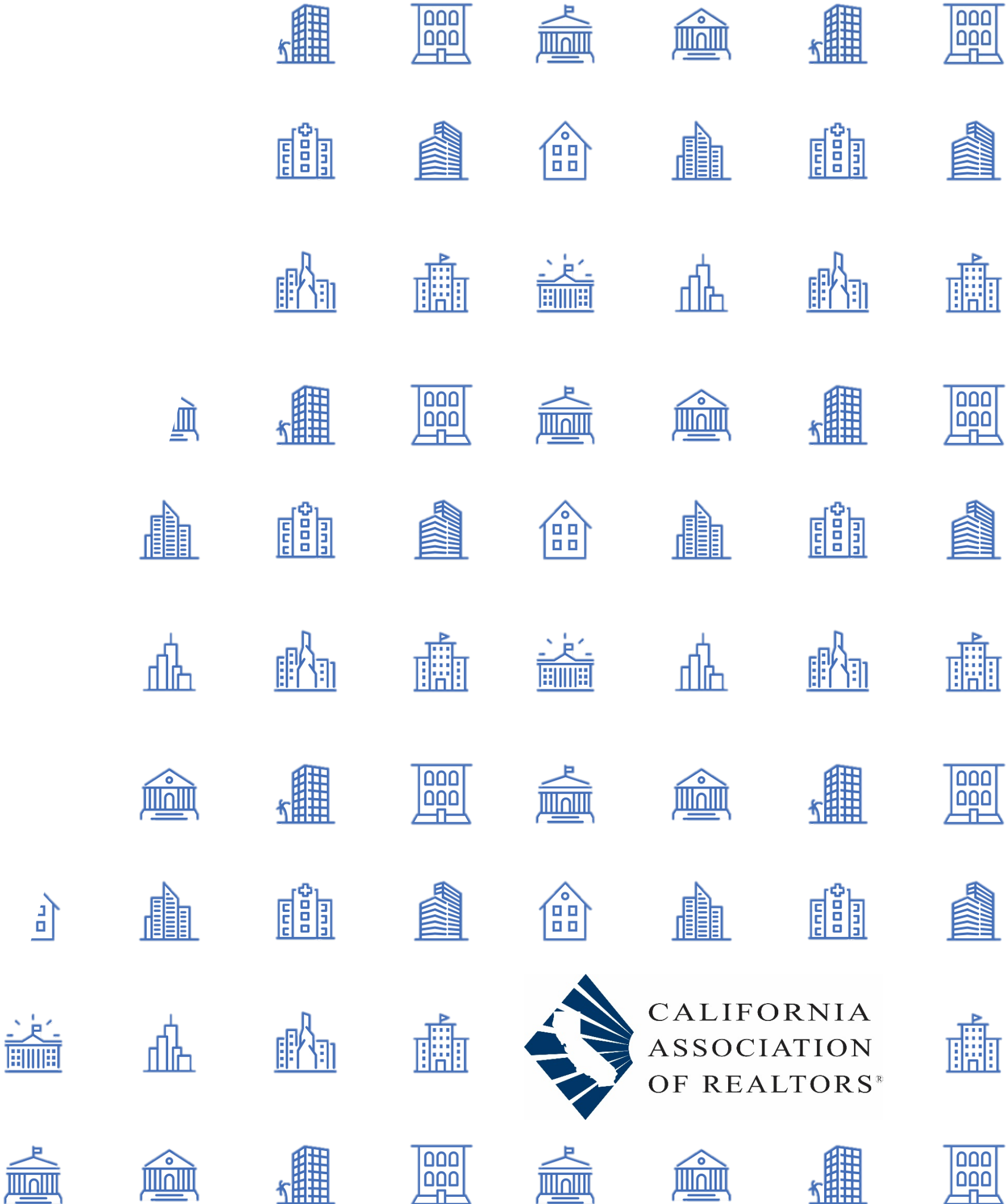


# California Housing Market Forecast

Orange County Association of REALTORS®  
September 16, 2020

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



# An environment of mixed signals

## The Good News

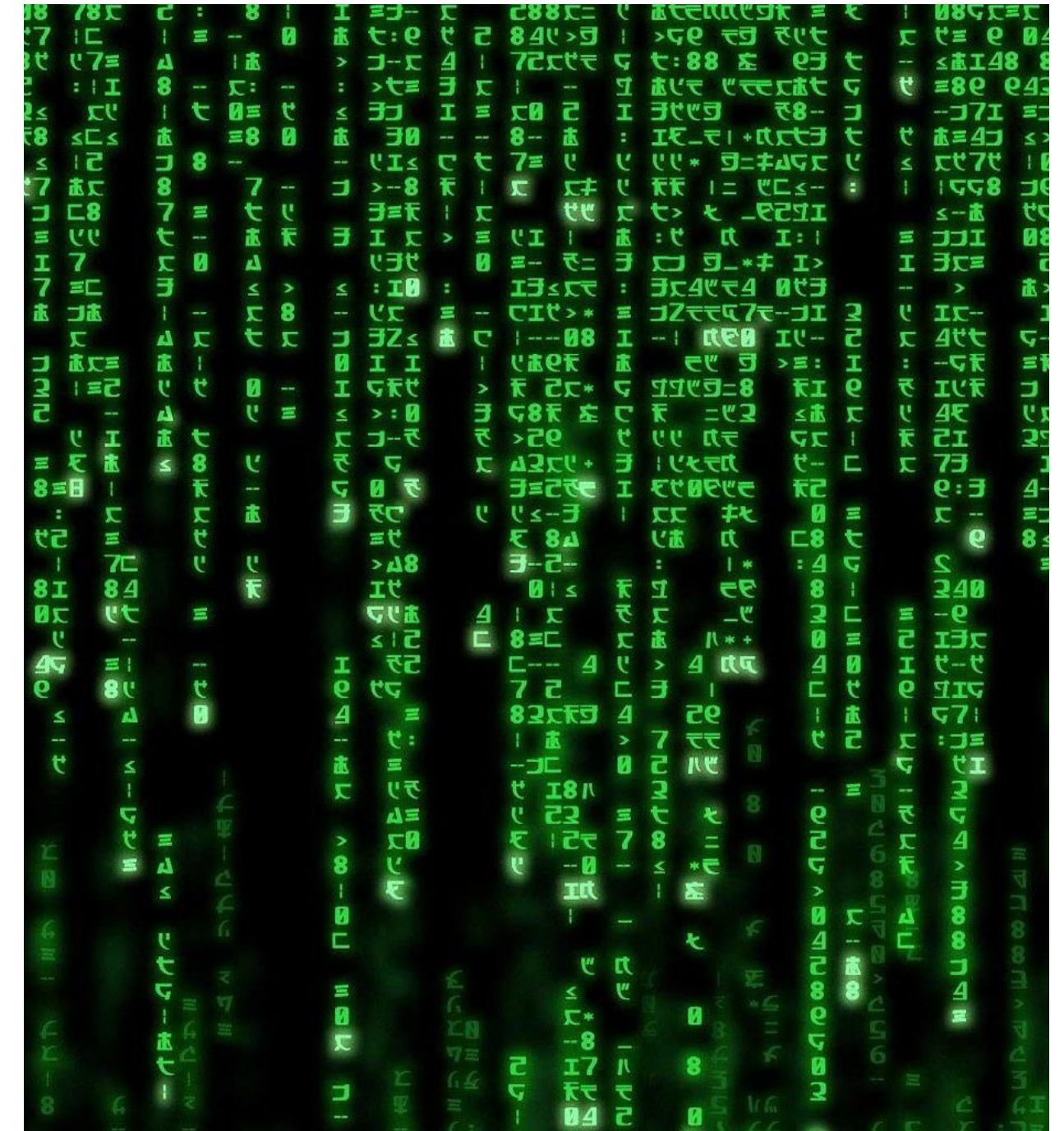
- Decline not as bad as initially expected
- Key economic indicators improved
- Robust housing rebound through August

## The Bad News

- Lots of pain in our industry
- Key indicators not recovering near enough
- Lack of supply impeding recovery

## The Wildcards

- Virus likely to be with us through winter
- What is Uncle Sam going to do?
- Evictions and foreclosures loom eventually!



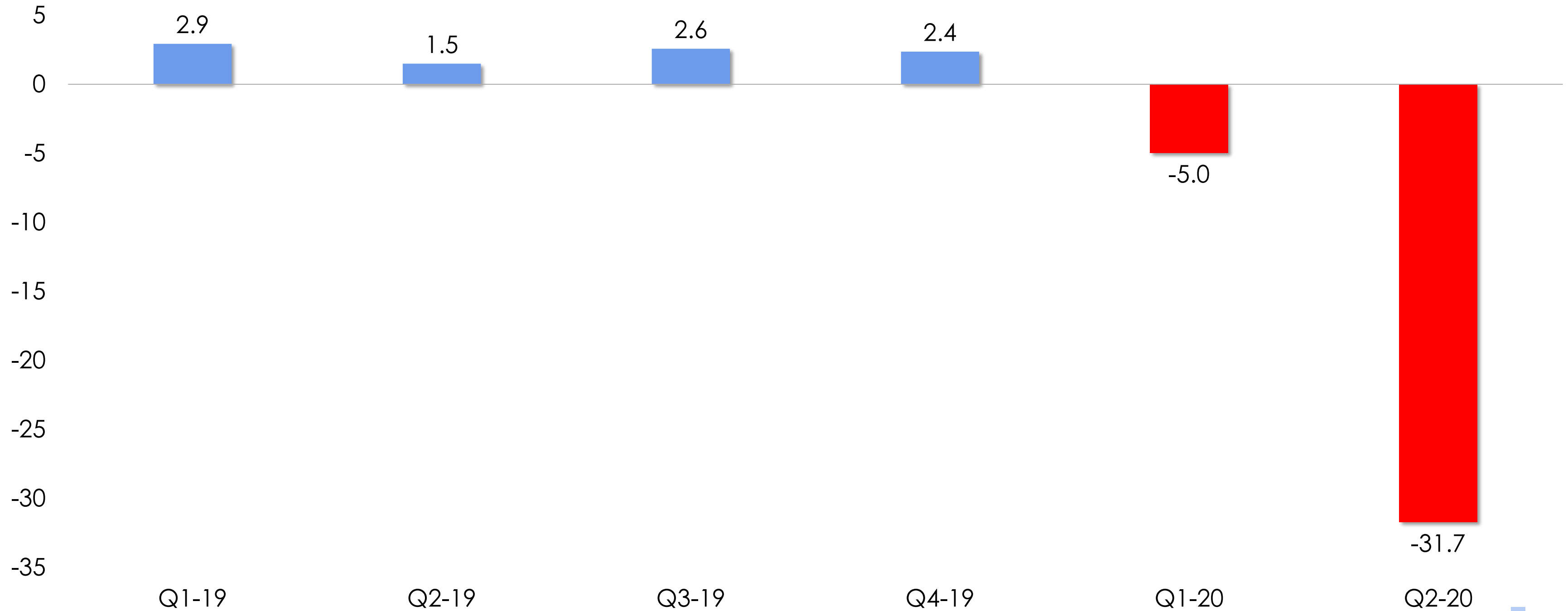


How About Some  
**GOOD NEWS?**

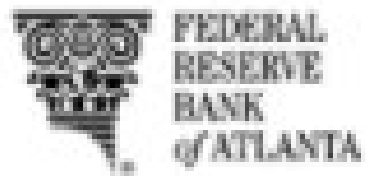


# Believe it or not, this chart actually looks GOOD

U.S. Real GDP Growth by Quarter (SAAR)



# Atlanta Fed's GDPNow expecting a healthy Q3 rebound



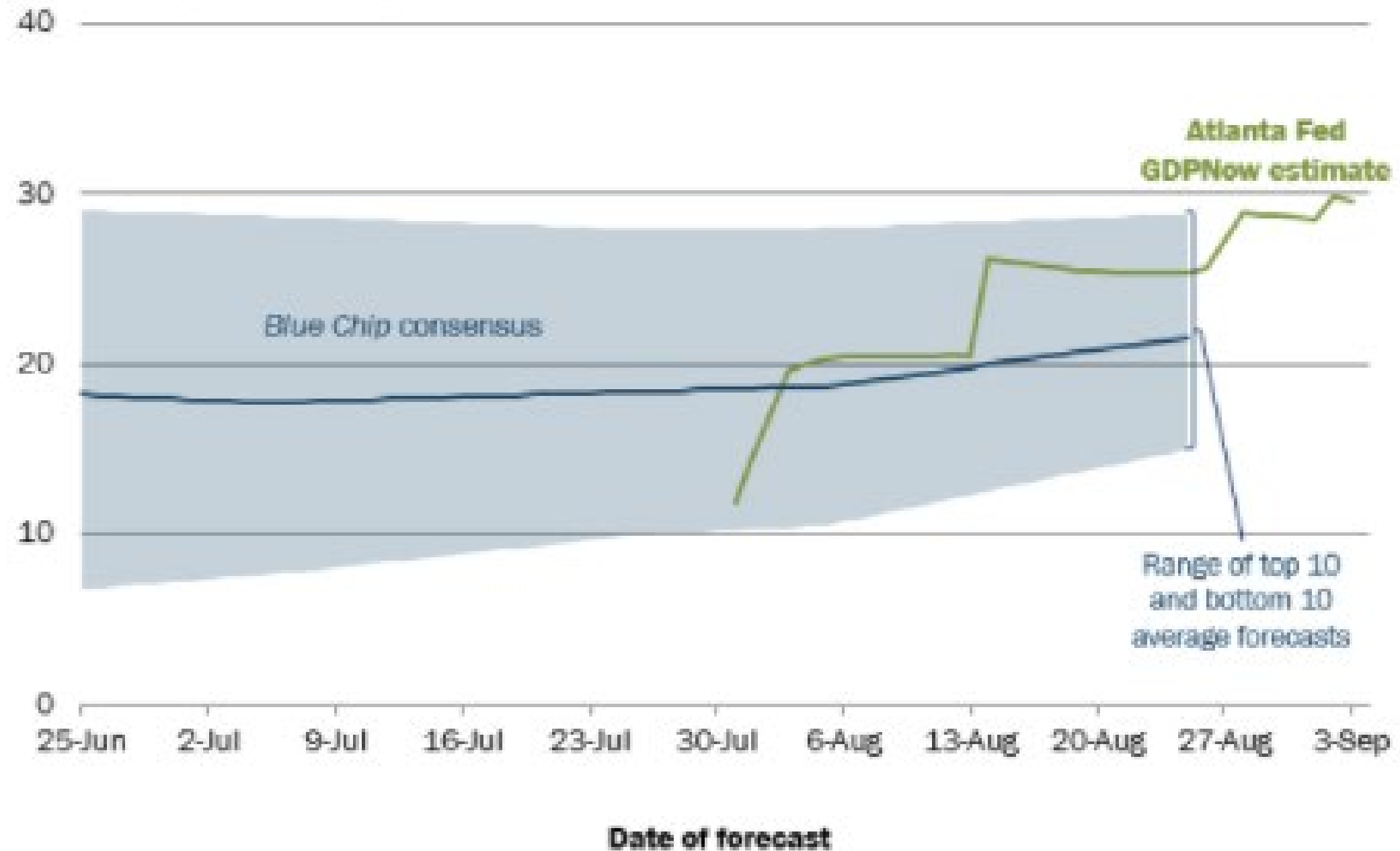
**GDPNow**

**GDPNow is not an official forecast of the Atlanta Fed.** Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

In particular, **it does not capture the impact of COVID-19 and social mobility** beyond their impact on GDP source data and relevant economic reports that have already been released. It does not anticipate their impact on forthcoming economic reports beyond the standard internal dynamics of the model.

**Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q3**

Quarterly percent change (SAAR)

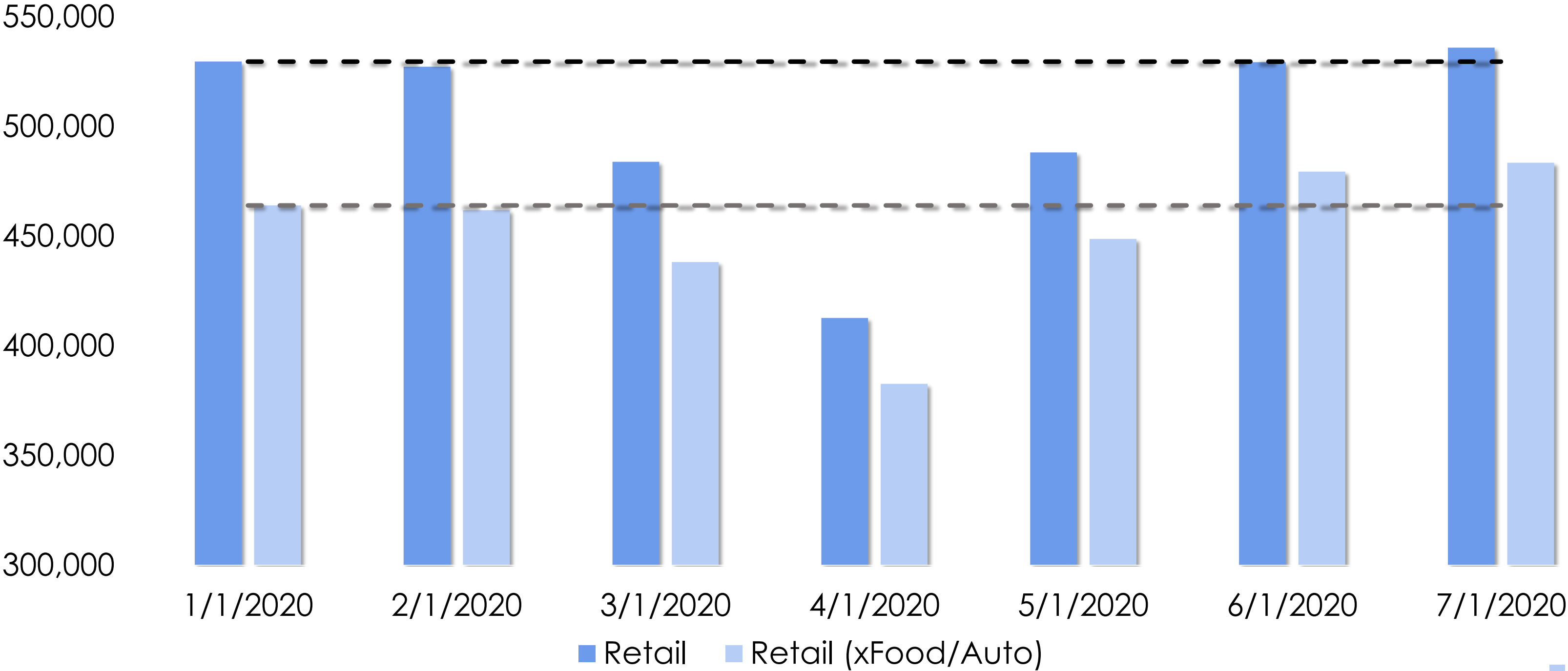


Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

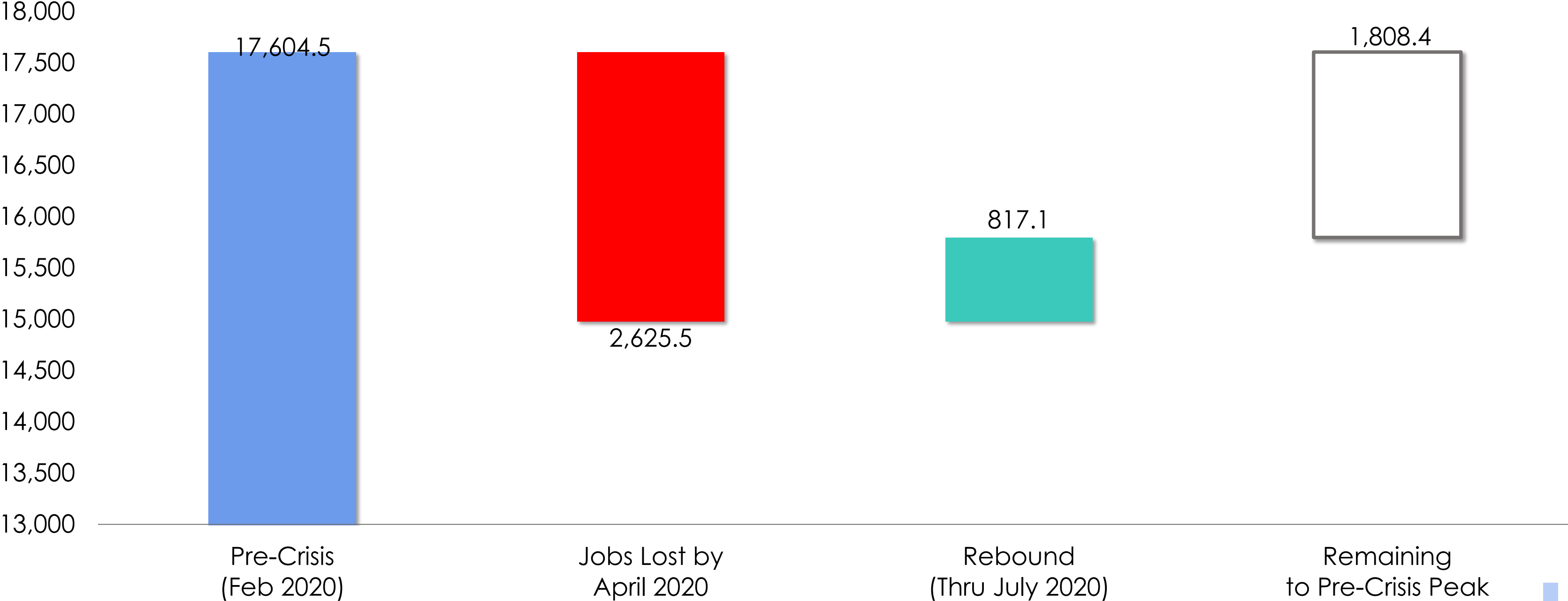
# Consumers bounced back all the way in July

U.S. Retail Sales



# Snapshot of California labor markets

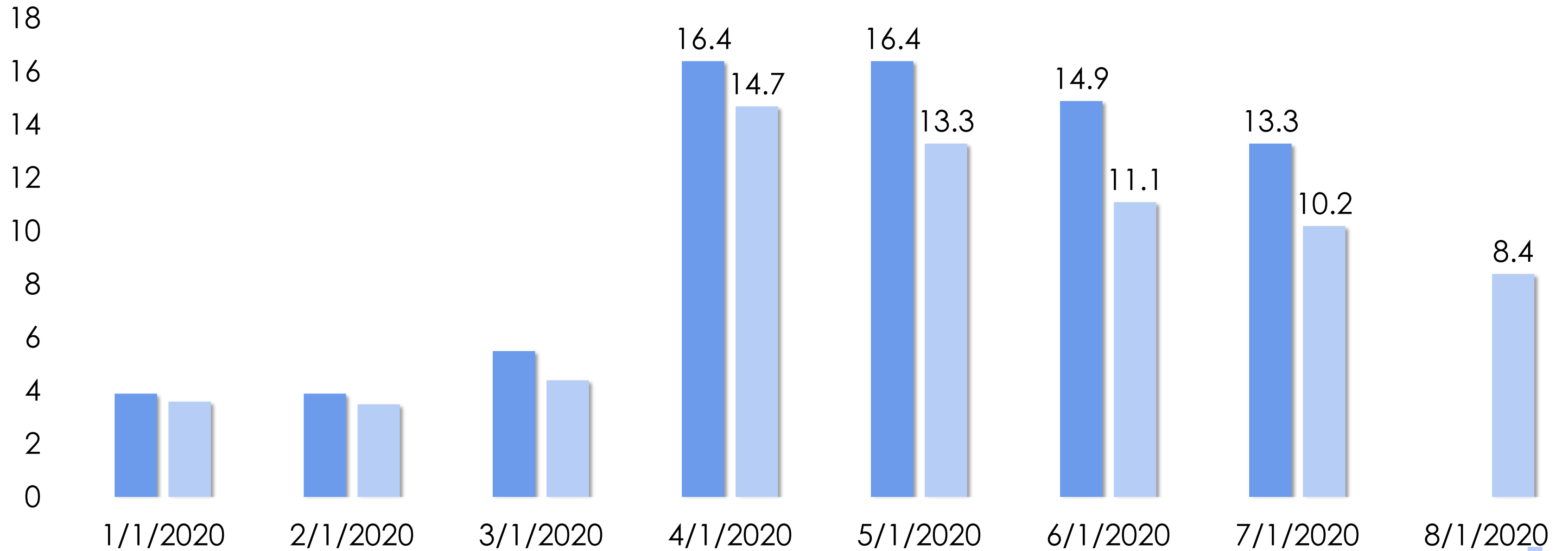
California Nonfarm Jobs



# Unemployment rate **down in July as well**

Unemployment Rates

■ CA ■ US







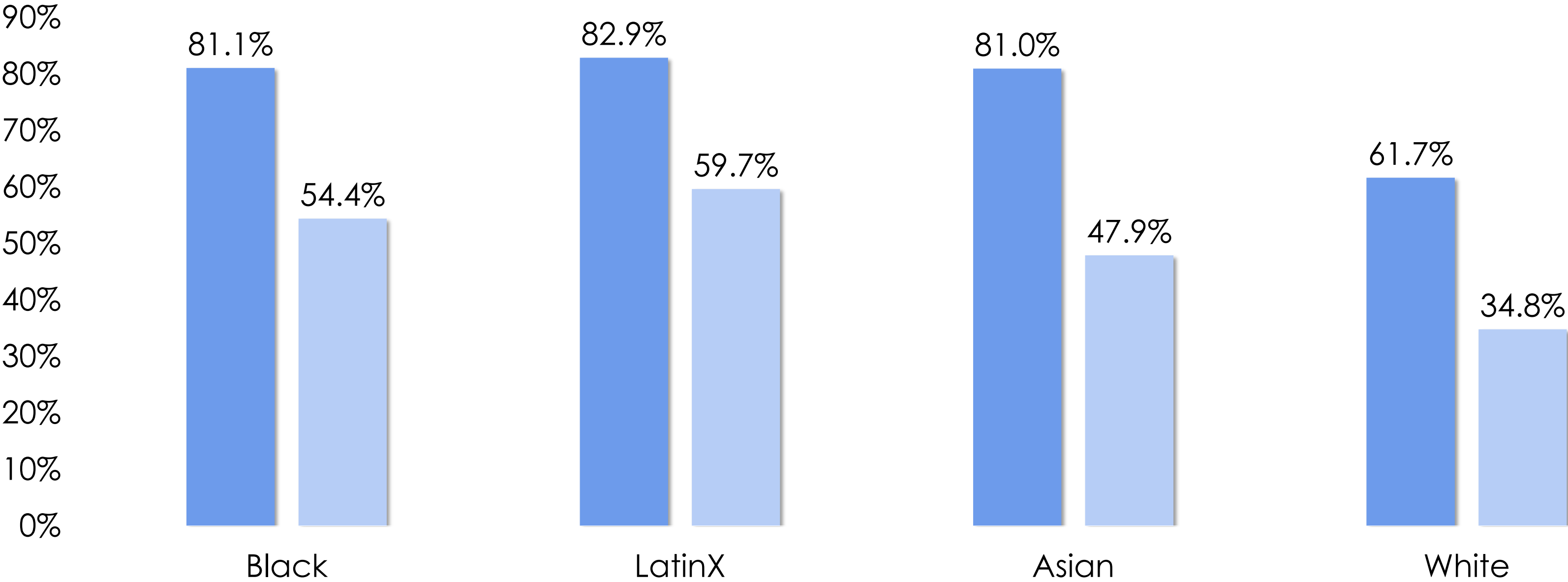
**Why Hasn't Recession  
Impacted Housing Demand?**



# Homeownership has always been the American Dream, and still is today

How Important is Homeownership to You?

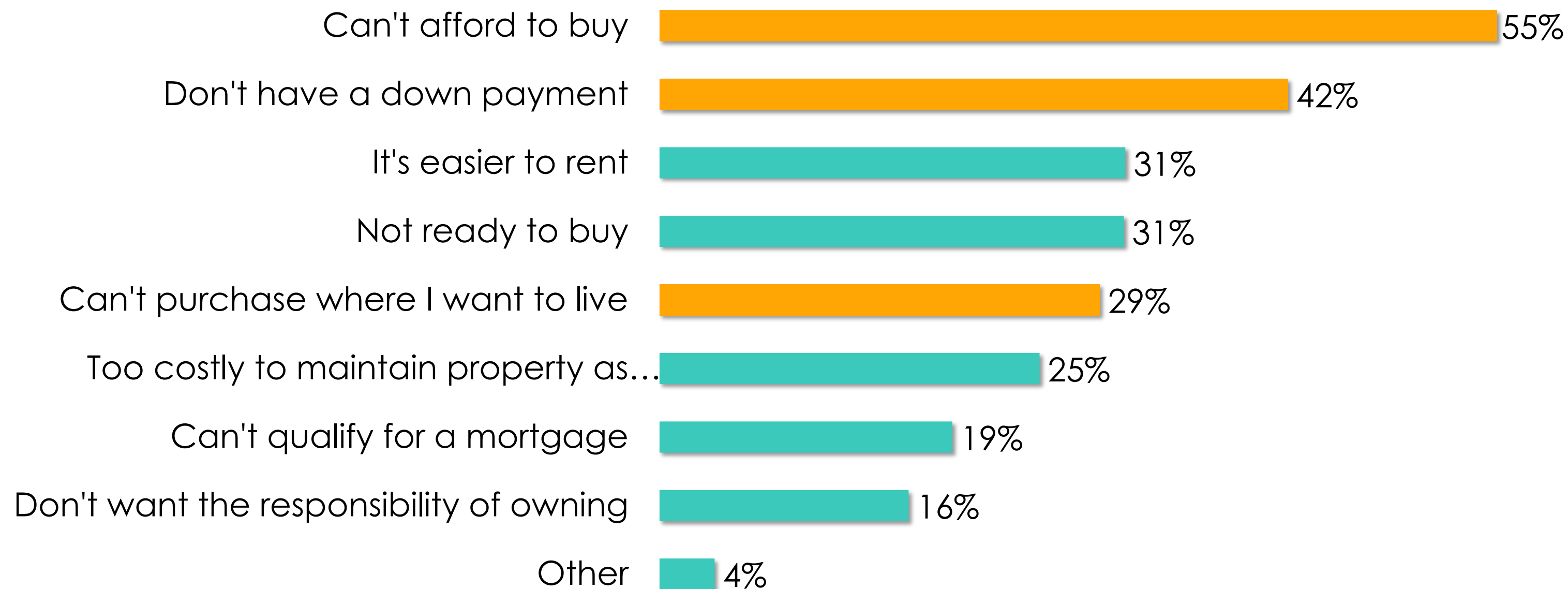
■ Moderately Important +    ■ Very Important +





# Weak homeownership is NOT due to lack of desire

## Why do you rent instead of buy? (n=1,007)

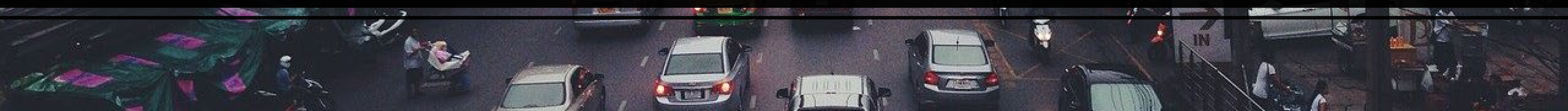




**Our homes are more important to us than ever before**

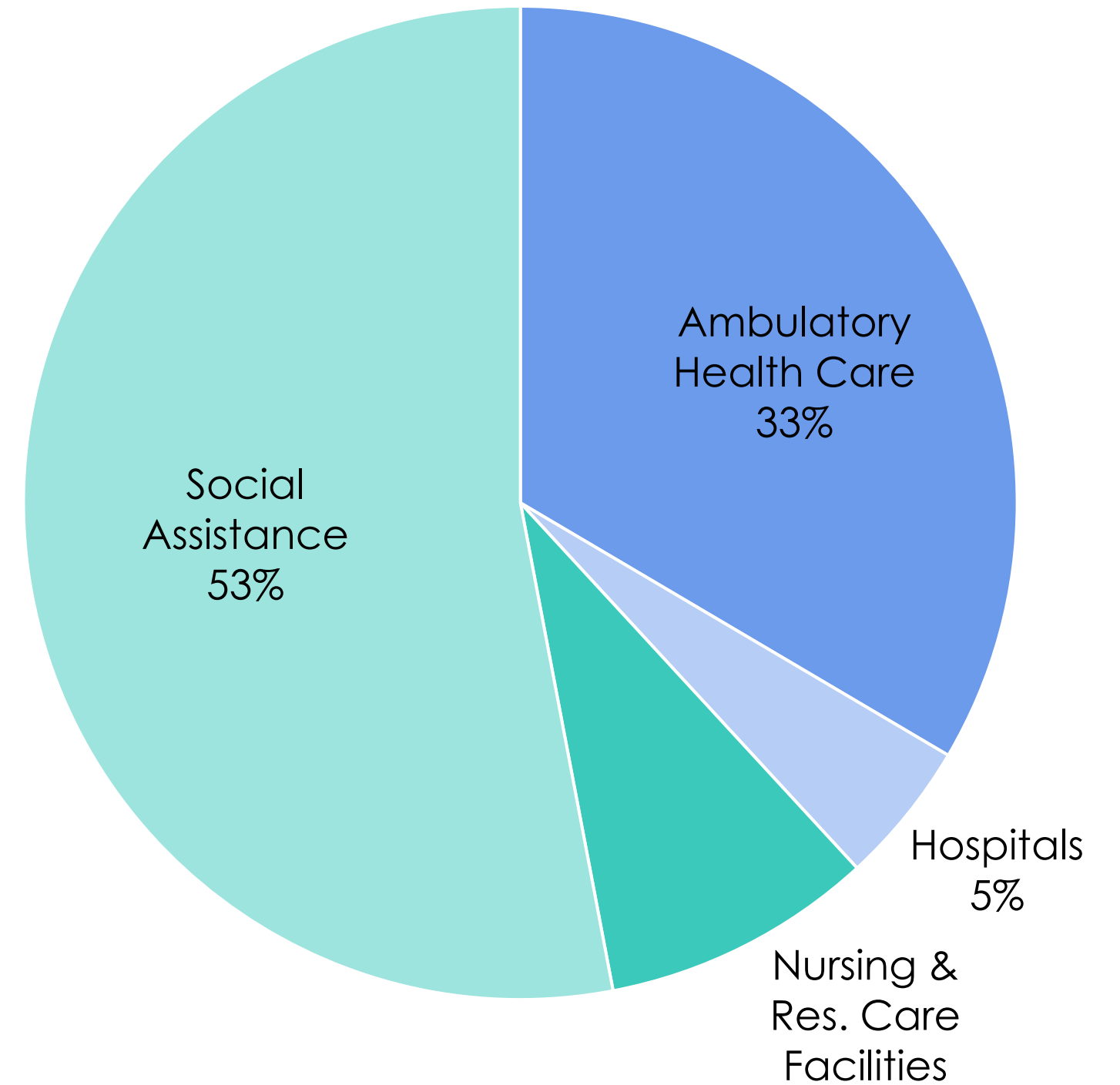
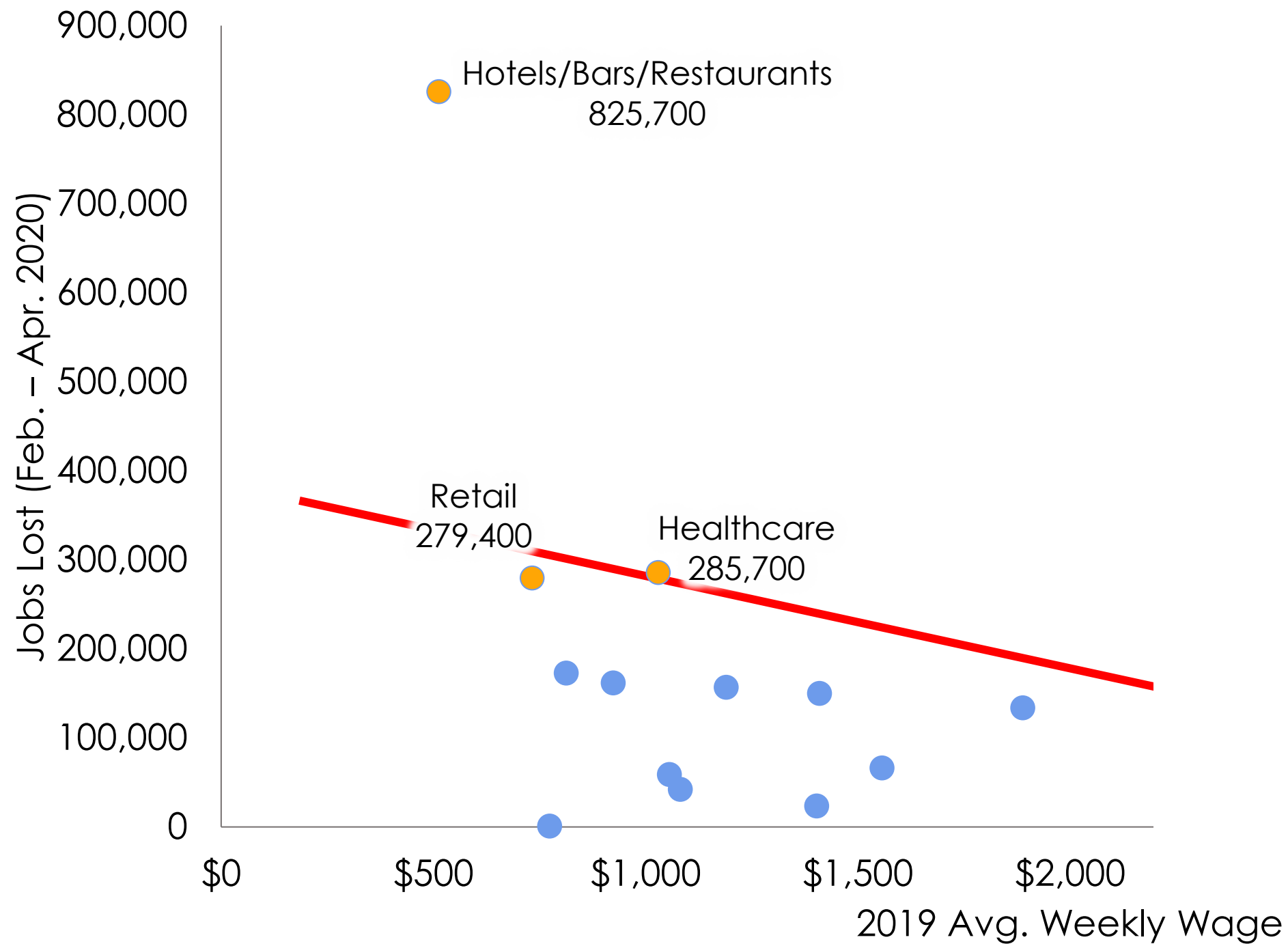


**And now, many workers have more flexibility**



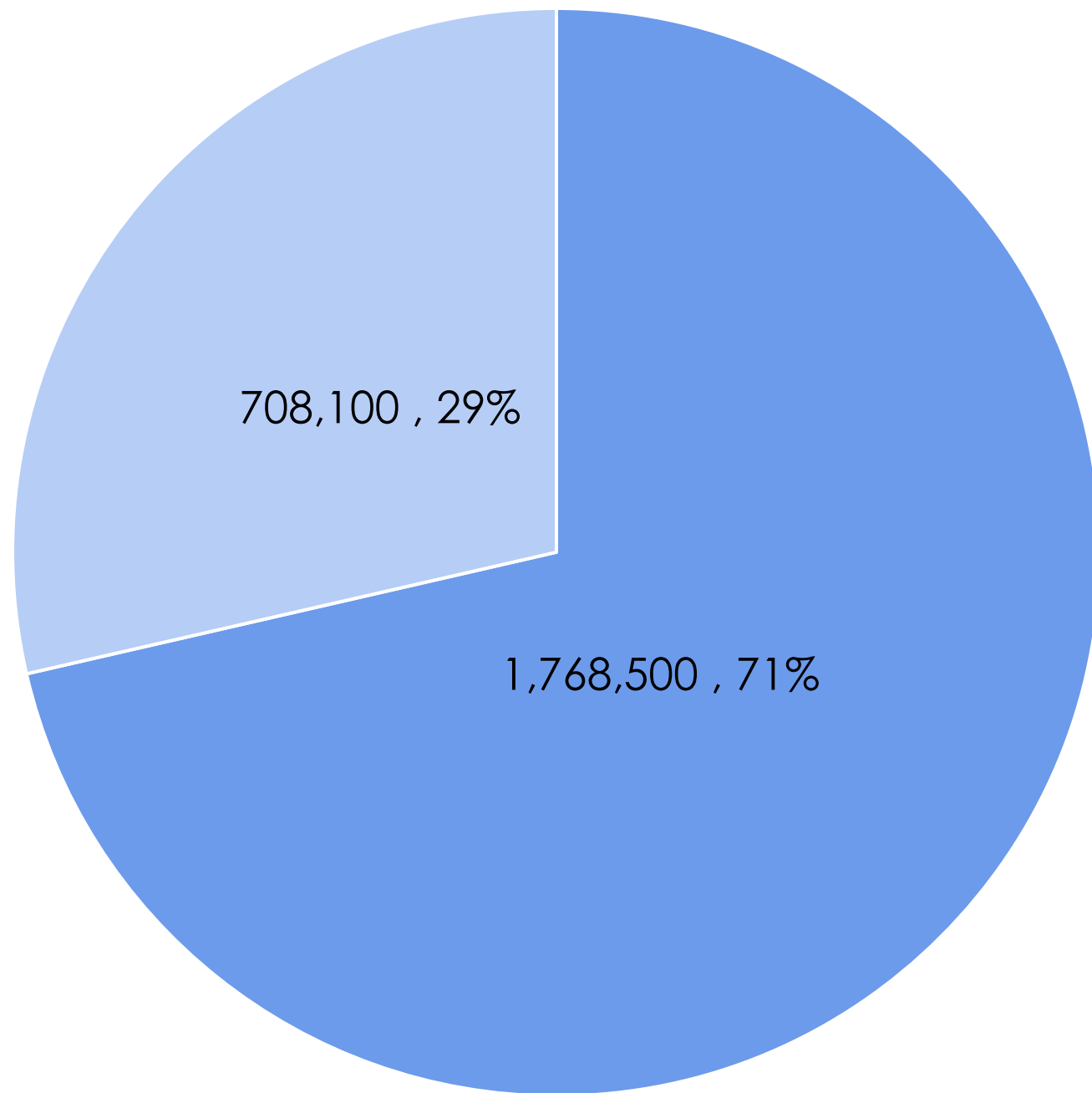
# Job losses haven't hit potential homebuyers as hard

California Jobs Losses vs. 2019 Avg. We



# Job losses concentrated in lower-wage industries

California Job Losses by Wage Category



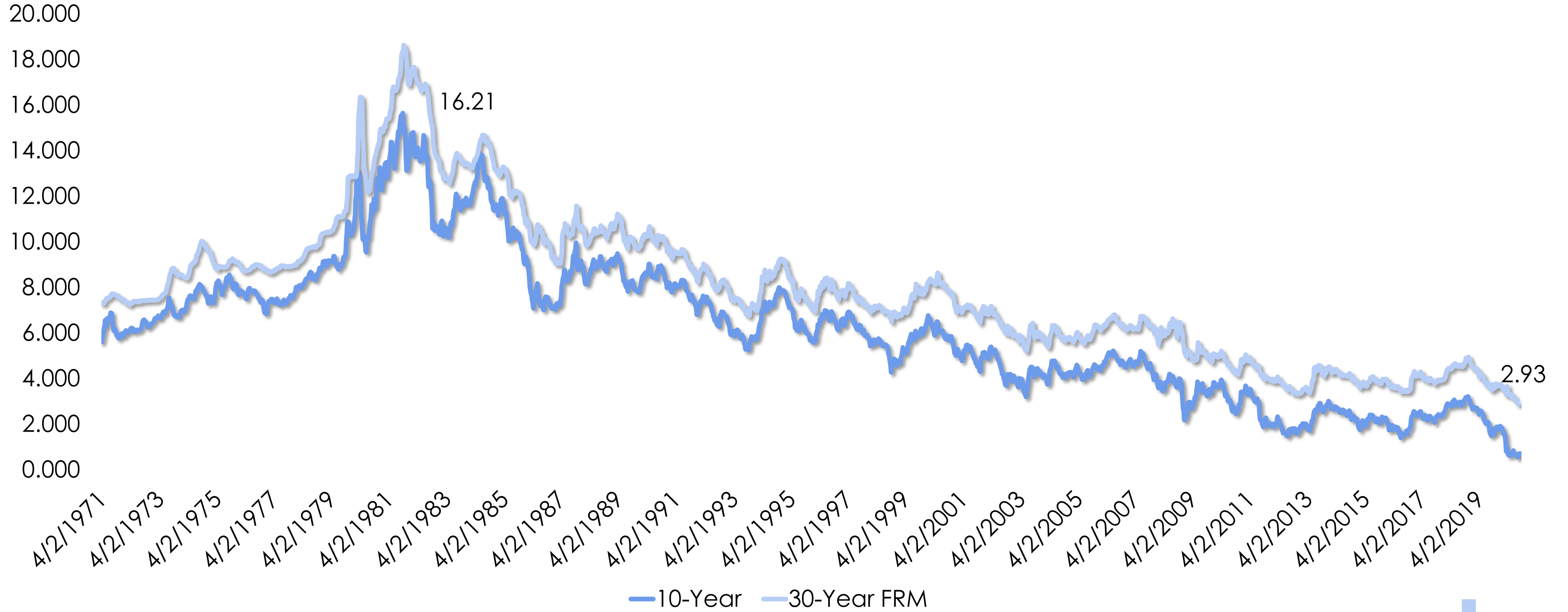
■ Under \$1,100/week   ■ Over \$1,100/week

Industry	Avg. Weekly Wage	Jobs Lost (Feb.-Apr.)
<b>Total Nonfarm</b>	<b>\$ 1,368</b>	<b>2,625,500</b>
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



# Interest rates have NEVER been lower

Selected Interest Rates



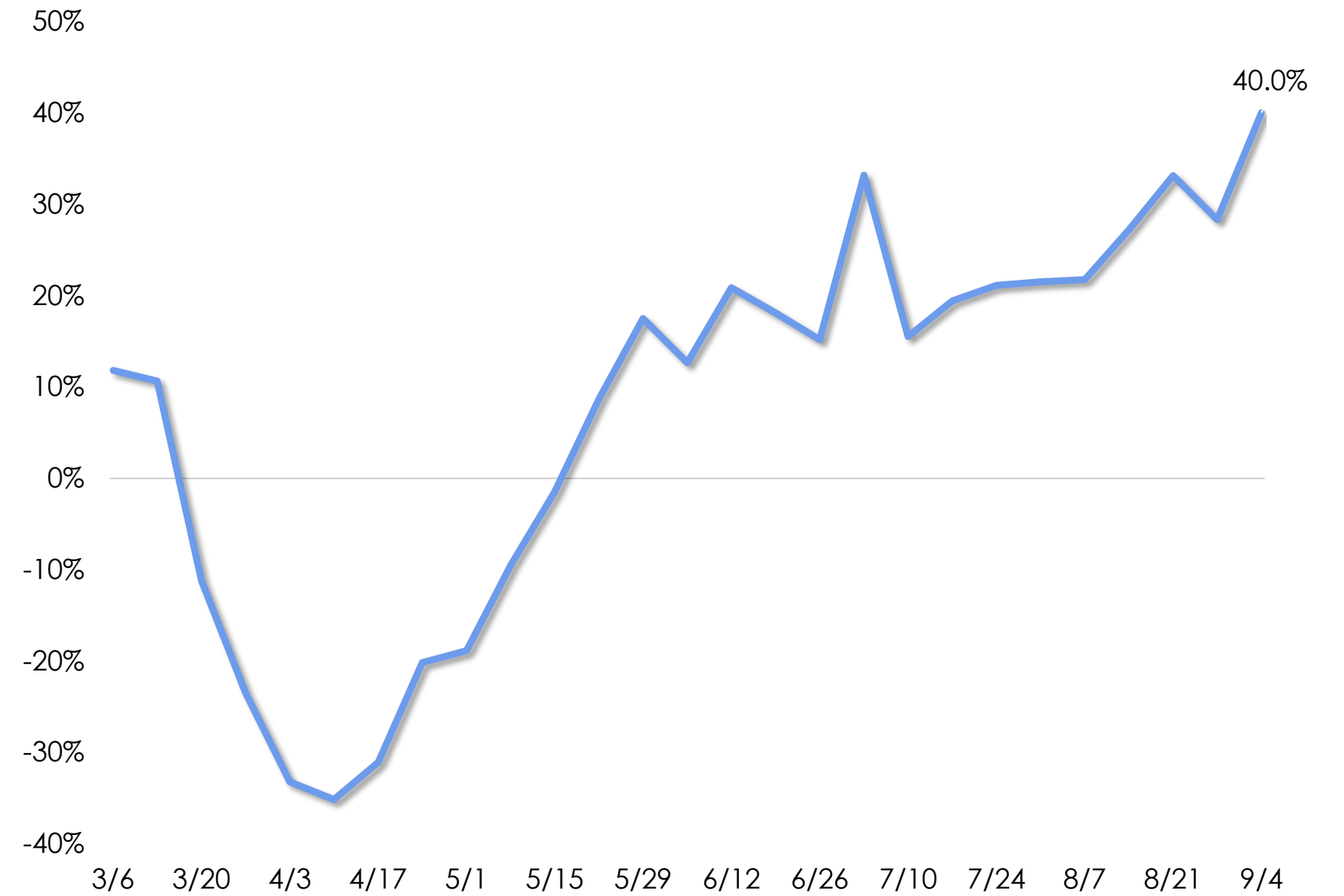


# Purchase applications accelerating into fall

Weekly Change in New Mortgage Purchase Applications

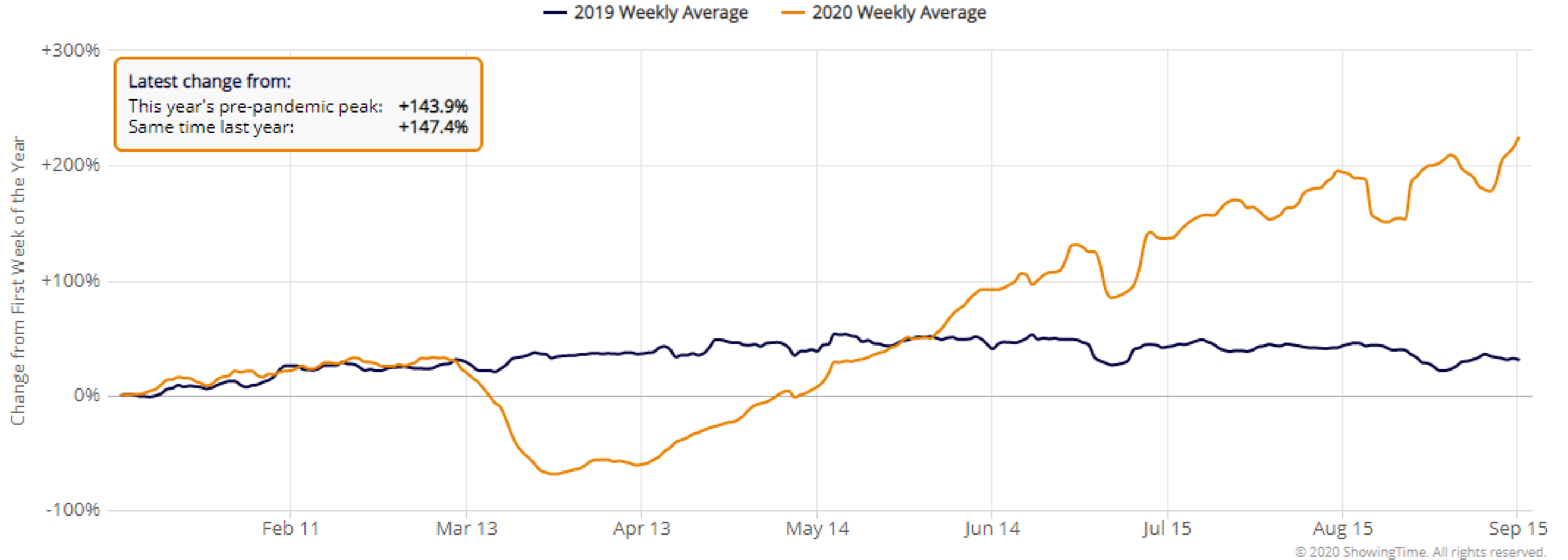


Year-to-Year Change in New Mortgage Purchase Applications



# 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 September 15, 2020





**Housing Market An  
Economic Bright Spot**



# July 2020 Statewide Summary

## Sales up, price set new record, supply lowest in years



**+6.4% YTY**  
**+28.8% MTM**

**Existing Home Sales**  
**% change**



**Price**

**\$666,320**  
**+9.6% Y2Y**



**Unsold Inventory Index**

**2.1 months**  
**-34.4% Y2Y**



**Median Days on Market**

**17 days**  
**-19.0% Y2Y**

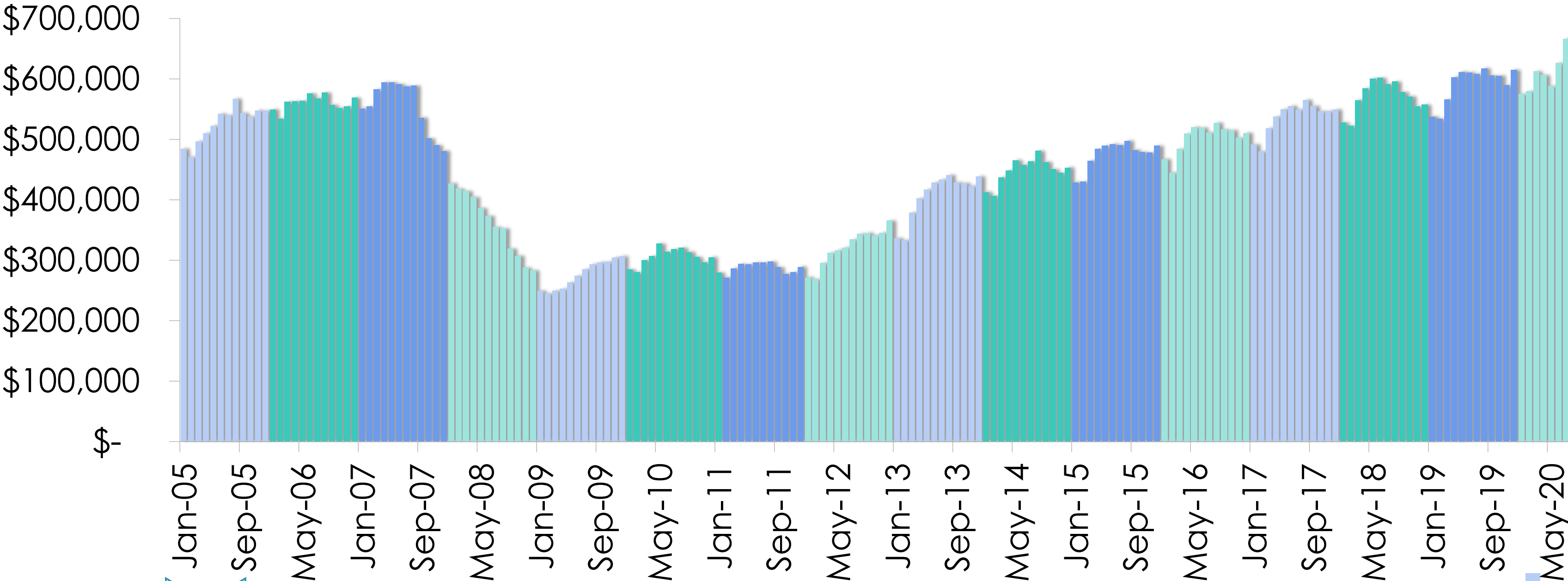


**Sales Price to List Price Ratio**

**100.0%**  
**+1.0% Y2Y**

# More high-end properties being sold pushed the state median price to a new all-time high

California, July 2020: **\$666,320**, +6.4% MTM, +9.6% YTY



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



**A Tale of Two  
Markets Locally**



monthly  
market  
report  
July  
2020

# Orange County

## Median Price



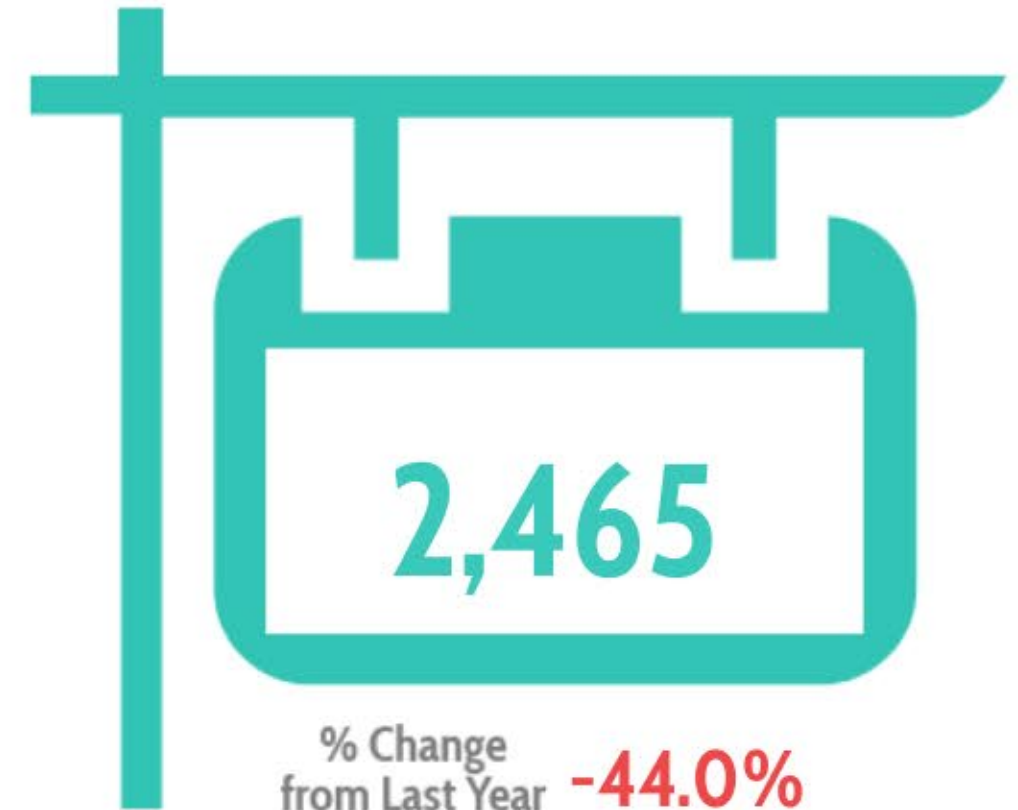
% Change  
from Last Year **+4.8%**

## Home Sales



% Change  
from Last Year **+2.2%**

## Active Listings



% Change  
from Last Year **-44.0%**

## Market Competition

Median  
Days on  
Market

**16**

Sales to  
List Price %

**99.4%**

% of Active  
Listings with  
Reduced Prices

**32.0%**

monthly  
market  
report  
July  
2020

# Brea, California

## Median Price



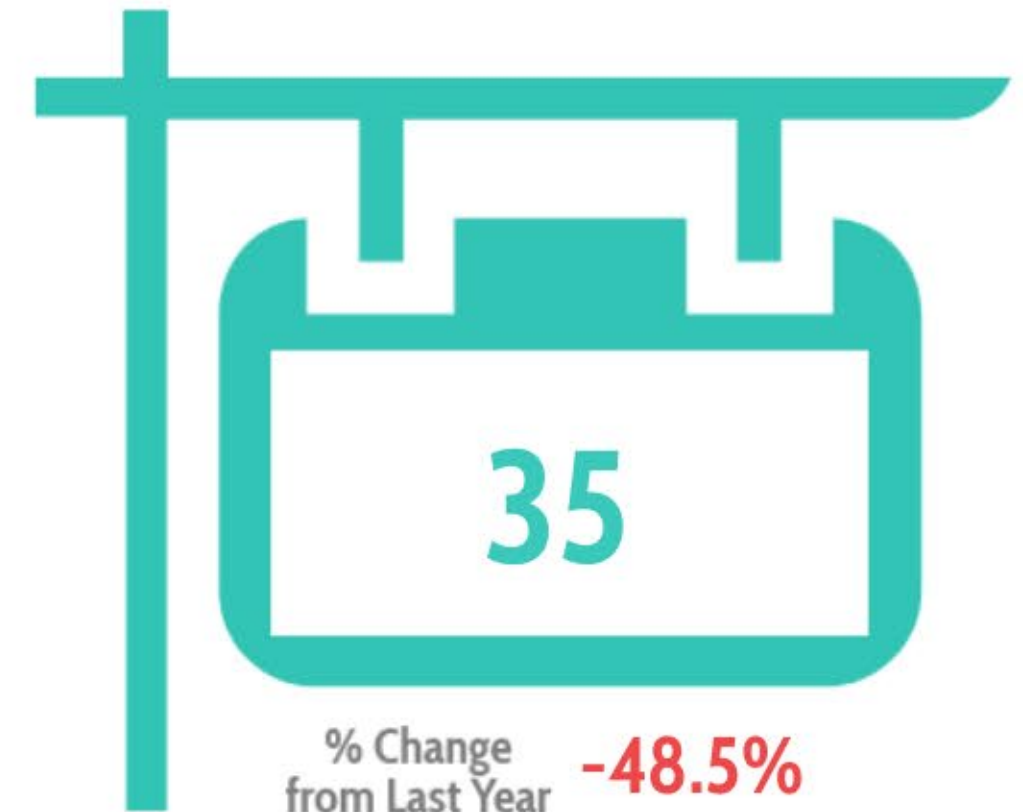
% Change  
from Last Year **+2.7%**

## Home Sales



% Change  
from Last Year **-2.8%**

## Active Listings



% Change  
from Last Year **-48.5%**

## Market Competition

Median  
Days on  
Market

12

Sales to  
List Price %

100.0%

% of Active  
Listings with  
Reduced Prices

31.4%



monthly  
market  
report  
July  
2020

# Anaheim, California

## Median Price



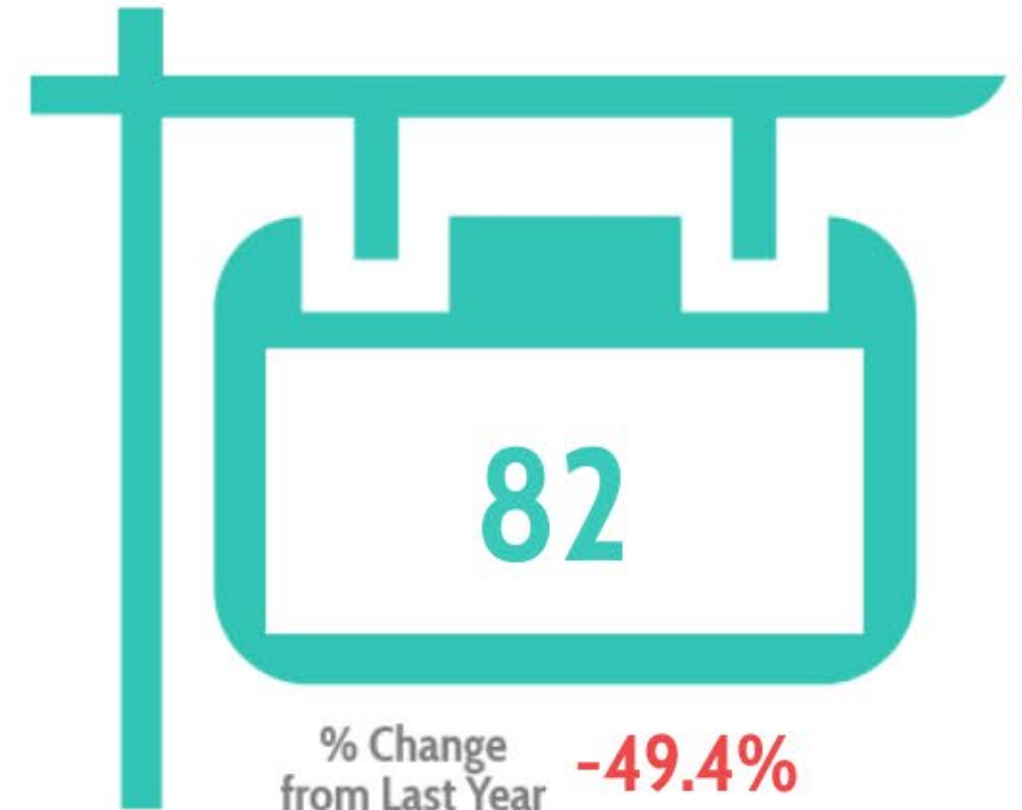
% Change  
from Last Year **+5.4%**

## Home Sales



% Change  
from Last Year **-21.8%**

## Active Listings



% Change  
from Last Year **-49.4%**

## Market Competition

Median  
Days on  
Market

14

Sales to  
List Price %

100.0%

% of Active  
Listings with  
Reduced Prices

19.5%

monthly  
market  
report  
July  
2020

# Fullerton, California

## Median Price



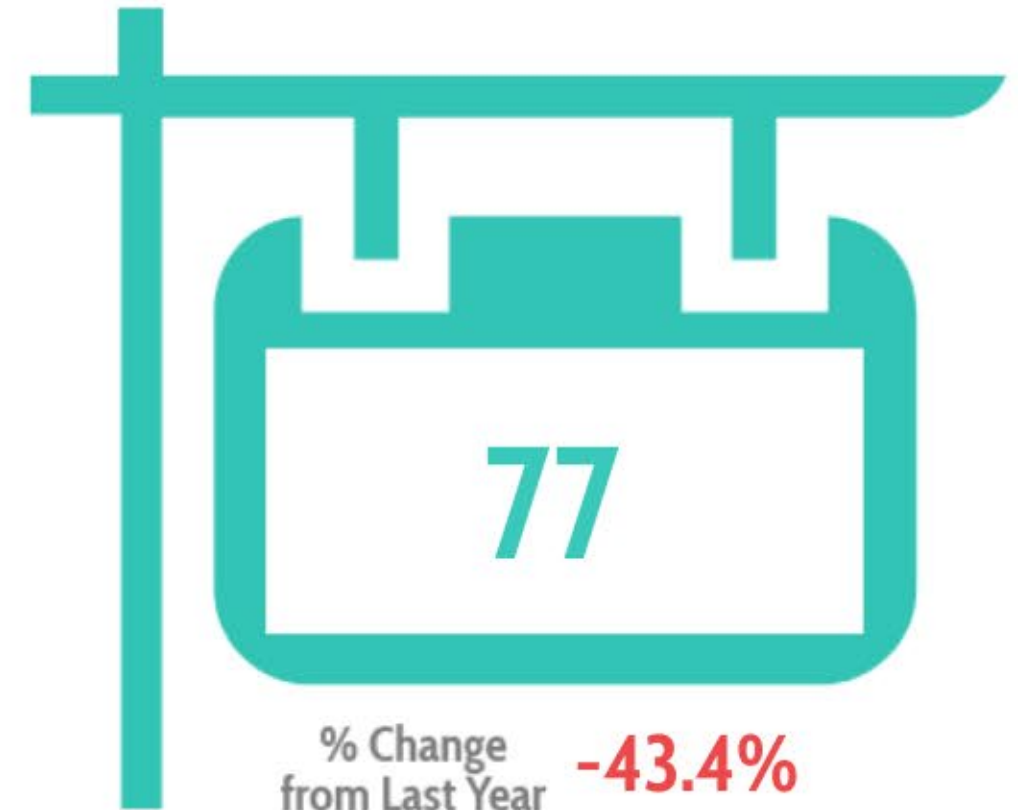
% Change  
from Last Year **-4.6%**

## Home Sales



% Change  
from Last Year **-15.6%**

## Active Listings



% Change  
from Last Year **-43.4%**

## Market Competition

Median  
Days on  
Market

14

Sales to  
List Price %

100.0%

% of Active  
Listings with  
Reduced Prices

31.2%

monthly  
market  
report  
July  
2020

# Irvine, California

## Median Price



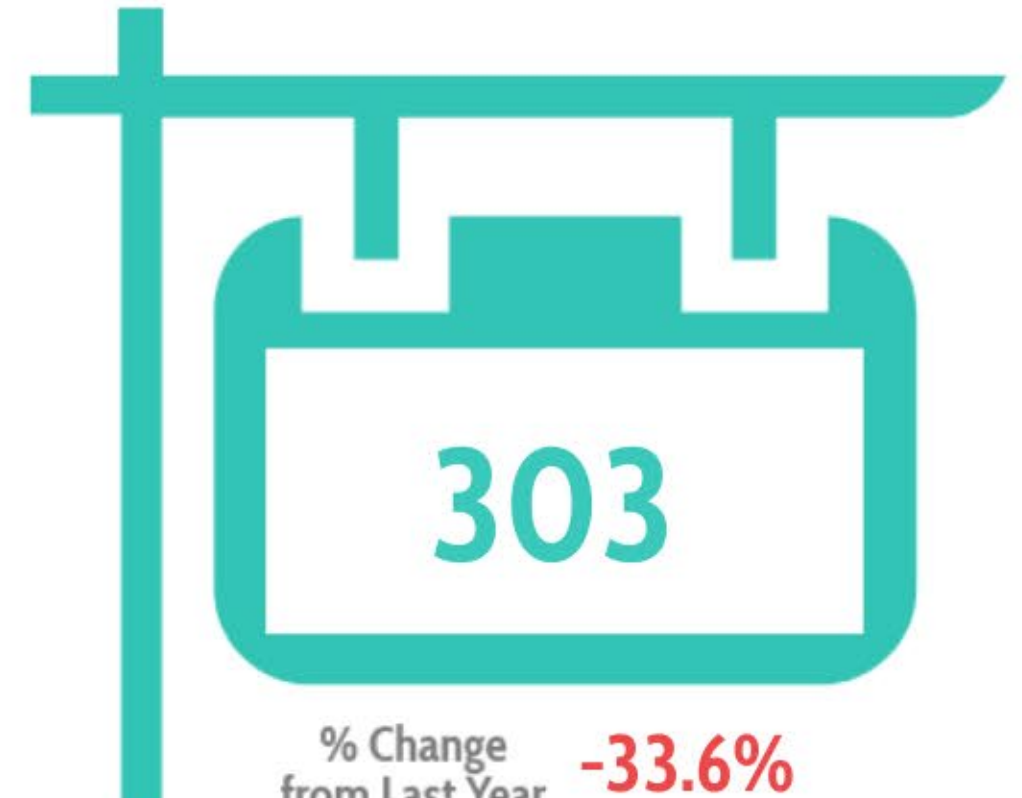
% Change  
from Last Year **+5.6%**

## Home Sales



% Change  
from Last Year **-16.2%**

## Active Listings



% Change  
from Last Year **-33.6%**

## Market Competition

Median  
Days on  
Market

24

Sales to  
List Price %

98.1%

% of Active  
Listings with  
Reduced Prices

34.3%

monthly  
market  
report  
July  
2020

# Laguna Niguel, California

## Median Price



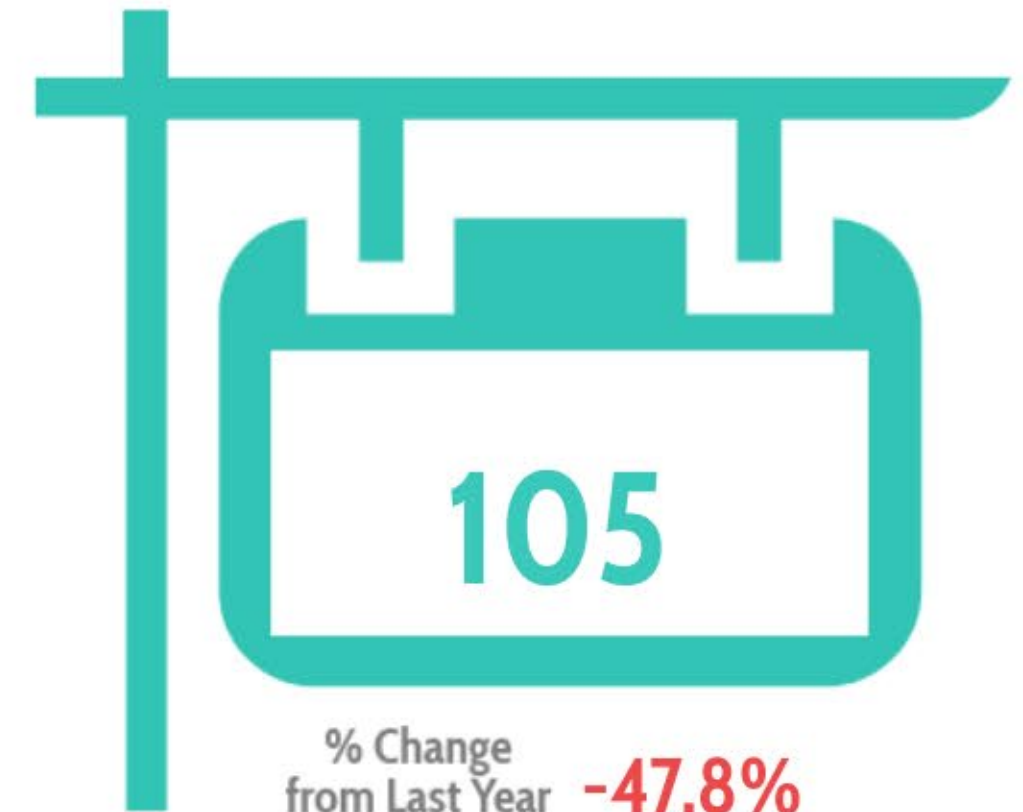
% Change  
from Last Year **-2.0%**

## Home Sales



% Change  
from Last Year **+7.1%**

## Active Listings



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

## Market Competition

Median  
Days on  
Market

**18**

Sales to  
List Price %

**99.3%**

% of Active  
Listings with  
Reduced Prices

**37.1%**

monthly  
market  
report  
July  
2020

# Huntington Beach, California

## Median Price



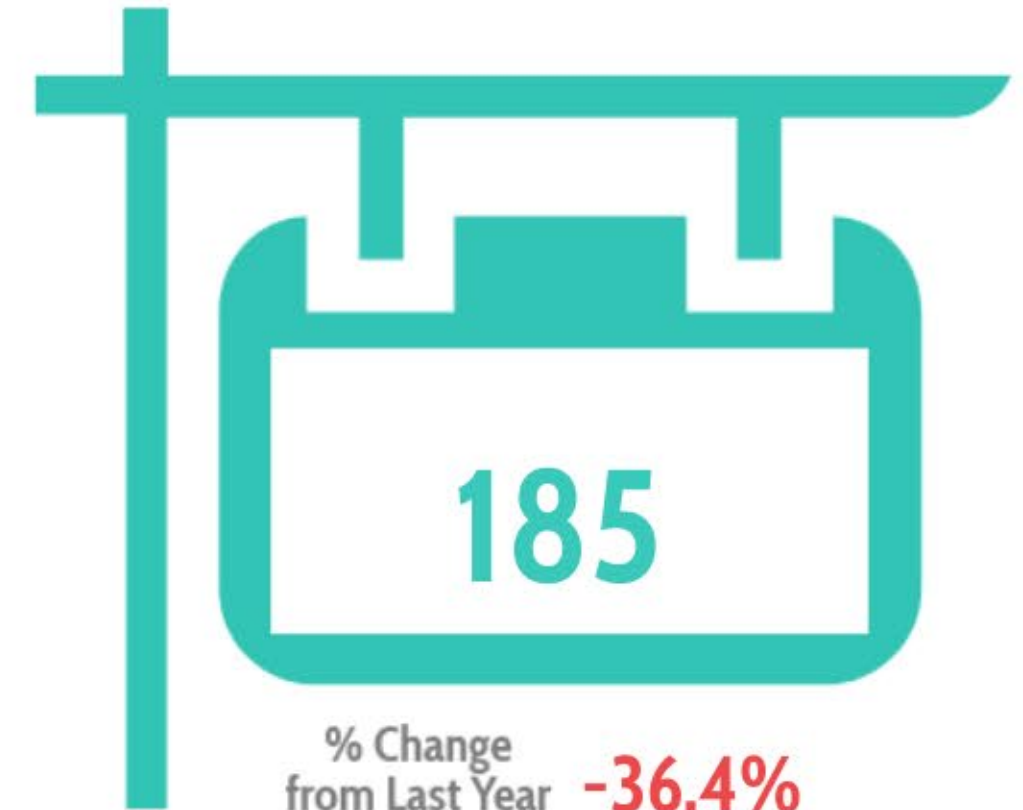
% Change  
from Last Year **+1.8%**

## Home Sales



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

## Active Listings



% Change  
from Last Year **-36.4%**

## Market Competition

Median  
Days on  
Market

**22**

Sales to  
List Price %

**99.0%**

% of Active  
Listings with  
Reduced Prices

**28.1%**

monthly  
market  
report

July  
2020

# Newport Beach, California

## Median Price



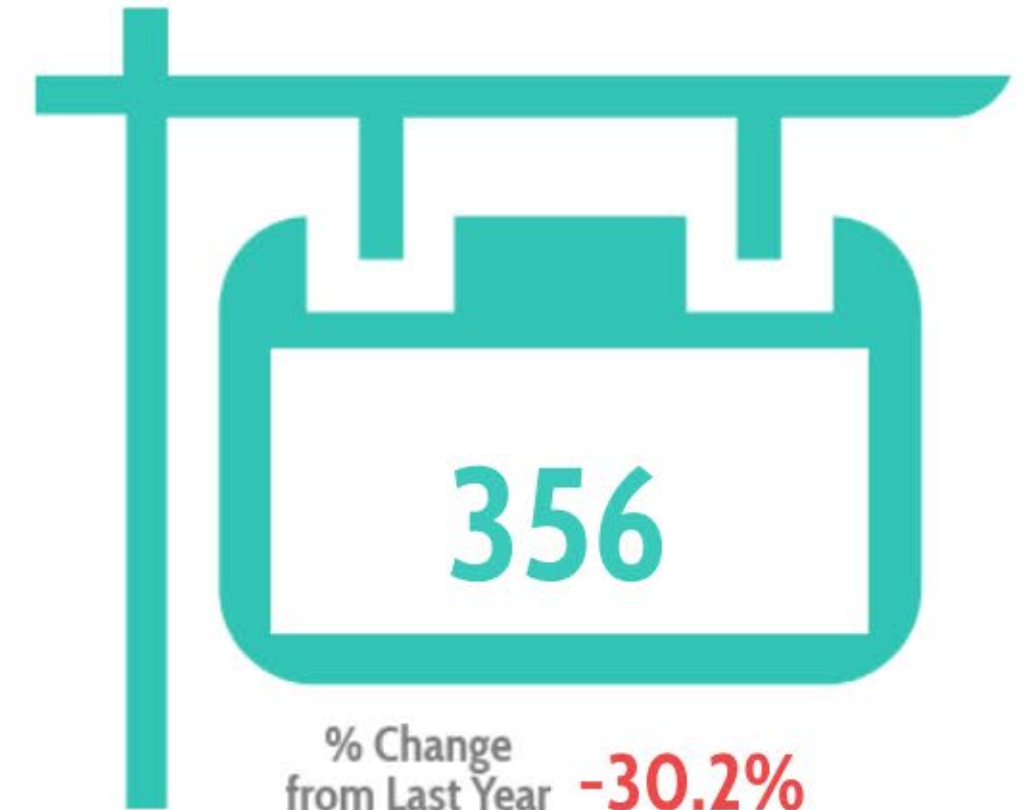
% Change  
from Last Year **+1.4%**

## Home Sales



% Change  
from Last Year **+3.4%**

## Active Listings



% Change  
from Last Year **-30.2%**

## Market Competition

Median  
Days on  
Market

**35**

Sales to  
List Price %

**96.5%**

% of Active  
Listings with  
Reduced Prices

**32.3%**



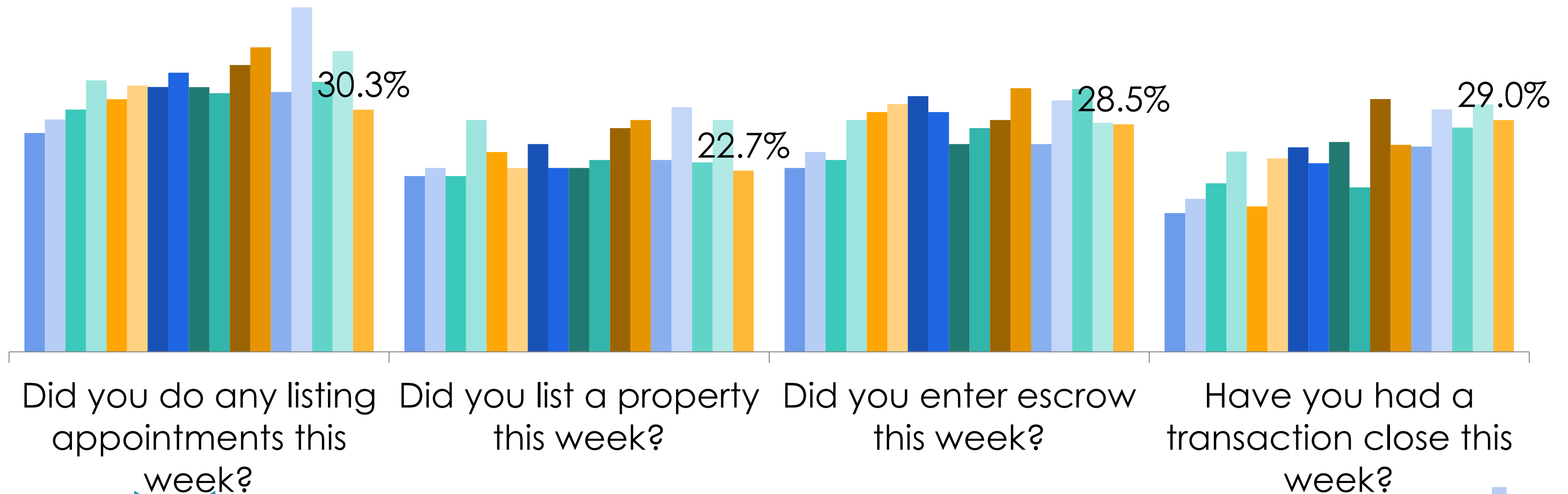
What Are  
**REALTORS®** Saying?



# REALTOR® activity generally trending upward

## Weekly CAR Member Survey

■ 5/22-5/25 ■ 5/29-6/1 ■ 6/5-6/8 ■ 6/12-6/15 ■ 6/19-6/22 ■ 6/26-6/29 ■ 7/3-7/6 ■ 7/10-7/13 ■ 7/17-7/20  
■ 7/24-7/27 ■ 7/31-8/3 ■ 8/7-8/10 ■ 8/14-8/17 ■ 8/21-8/24 ■ 8/28-8/31 ■ 9/4-9/7 ■ 9/11-9/14



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



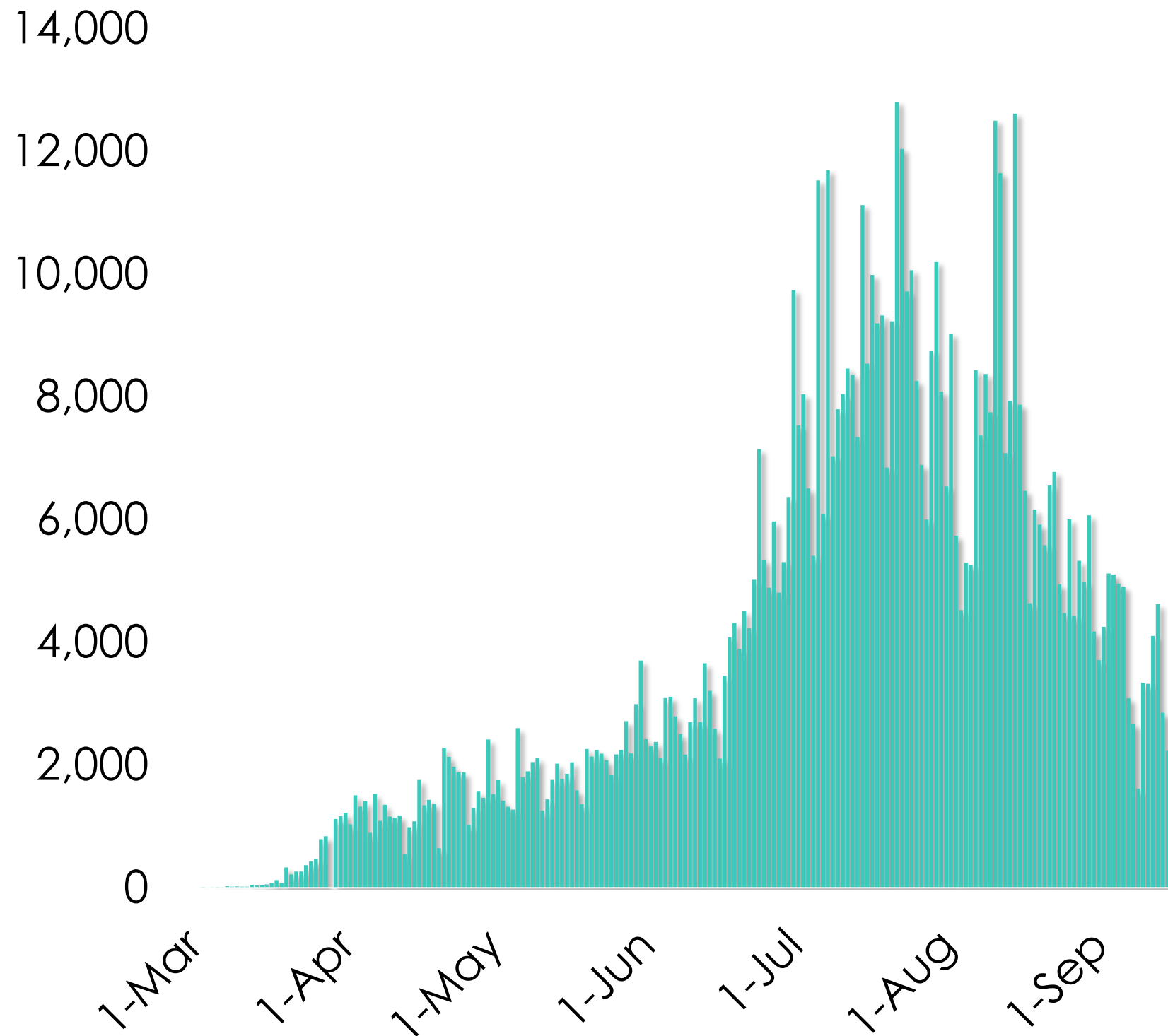


**Why We Should Keep  
Champagne Corked**

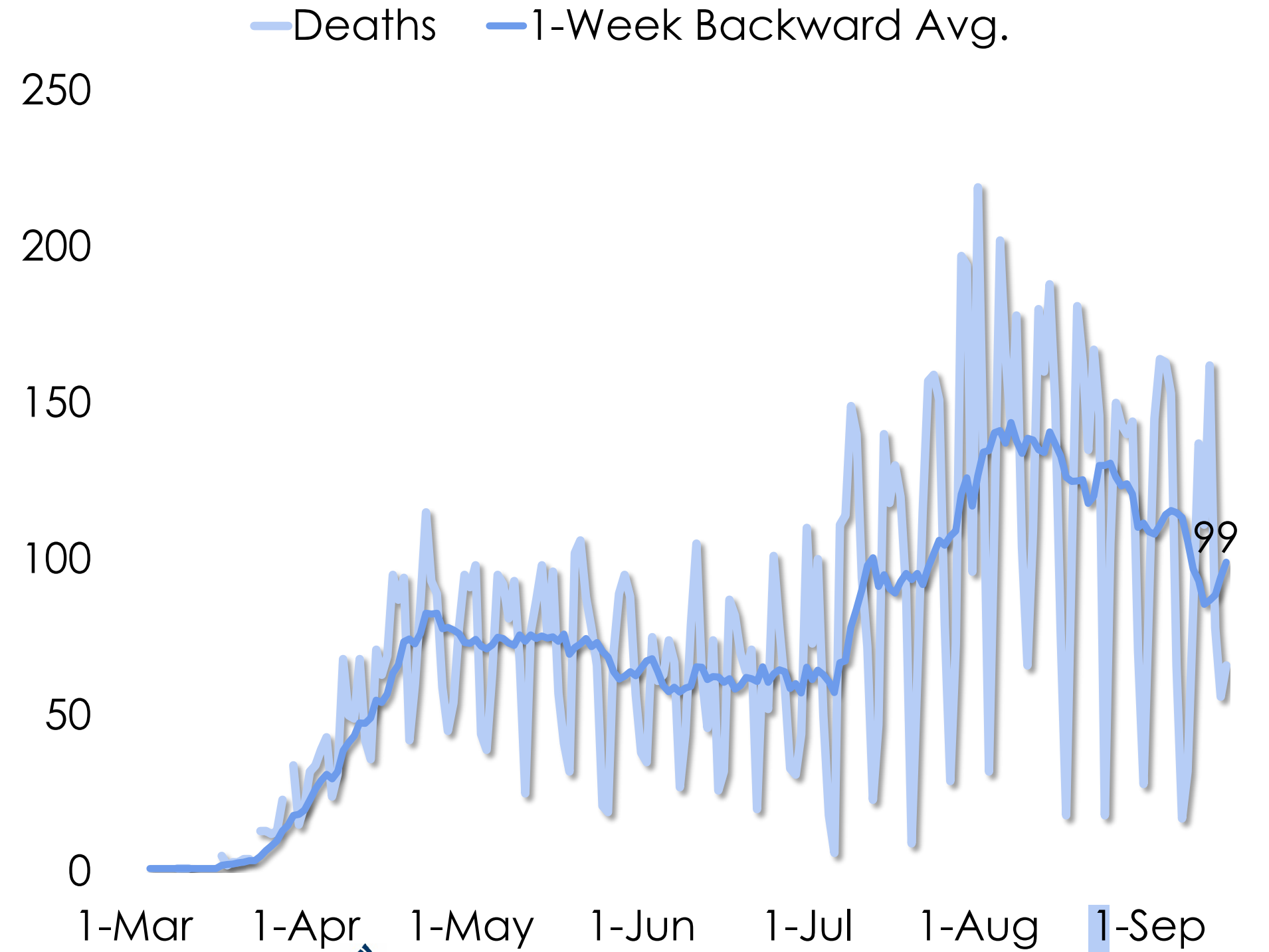


# Coronavirus remains the biggest wildcard

## California Daily New Cases



## California Coronavirus Deaths



# Over half have experienced a loss of employment income

Q: Have you, or has anyone in your household experienced a loss of employment income since March 13, 2020?

51%

of **Americans** have lost employment income since March 13

55%

of **CA REALTORS®** have lost employment income since March 13

# CA REALTORS® are feeling the stress

Q: Do you feel that worry or stress related to Coronavirus has had a negative impact on your mental health, or not?

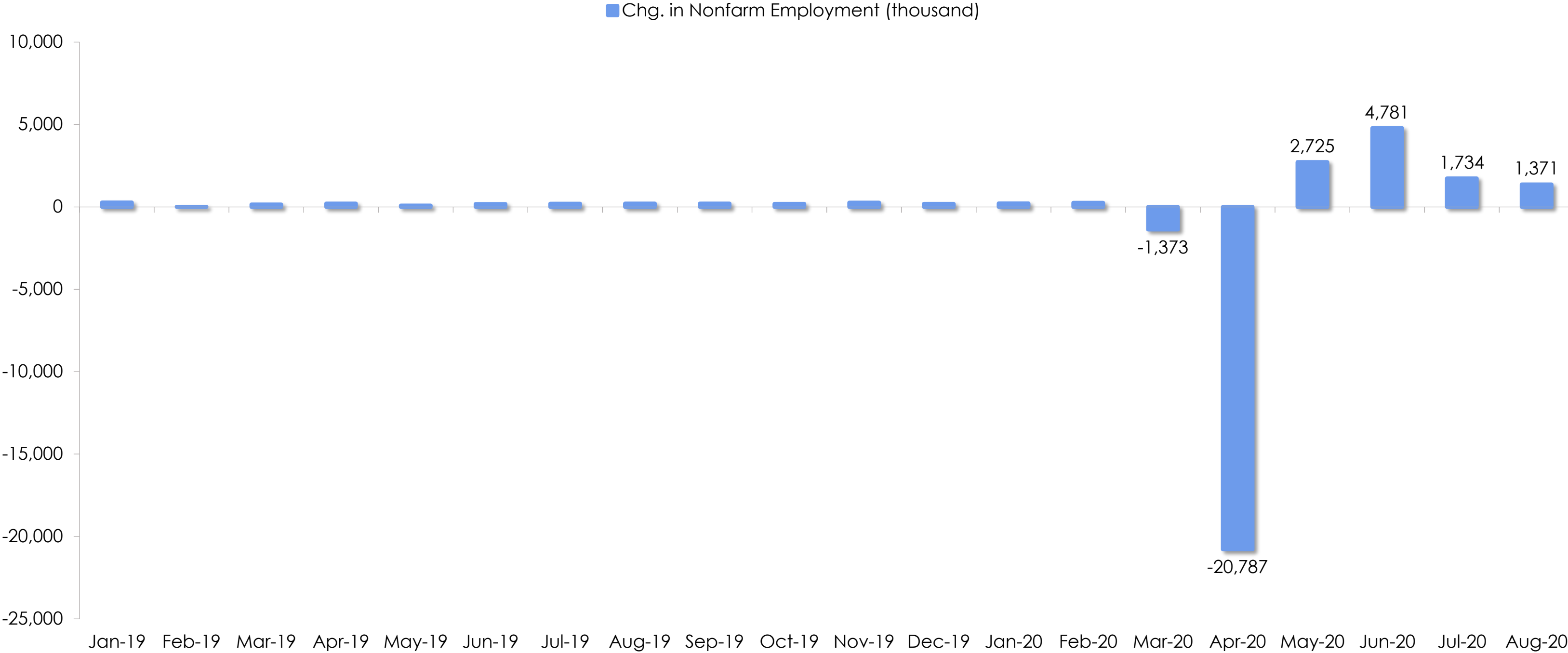
53%

of **Americans** say stress related to COVID-19 has had a negative impact on their mental health

64%

of **CA REALTORS®** say stress related to COVID-19 has had a negative impact on their mental health

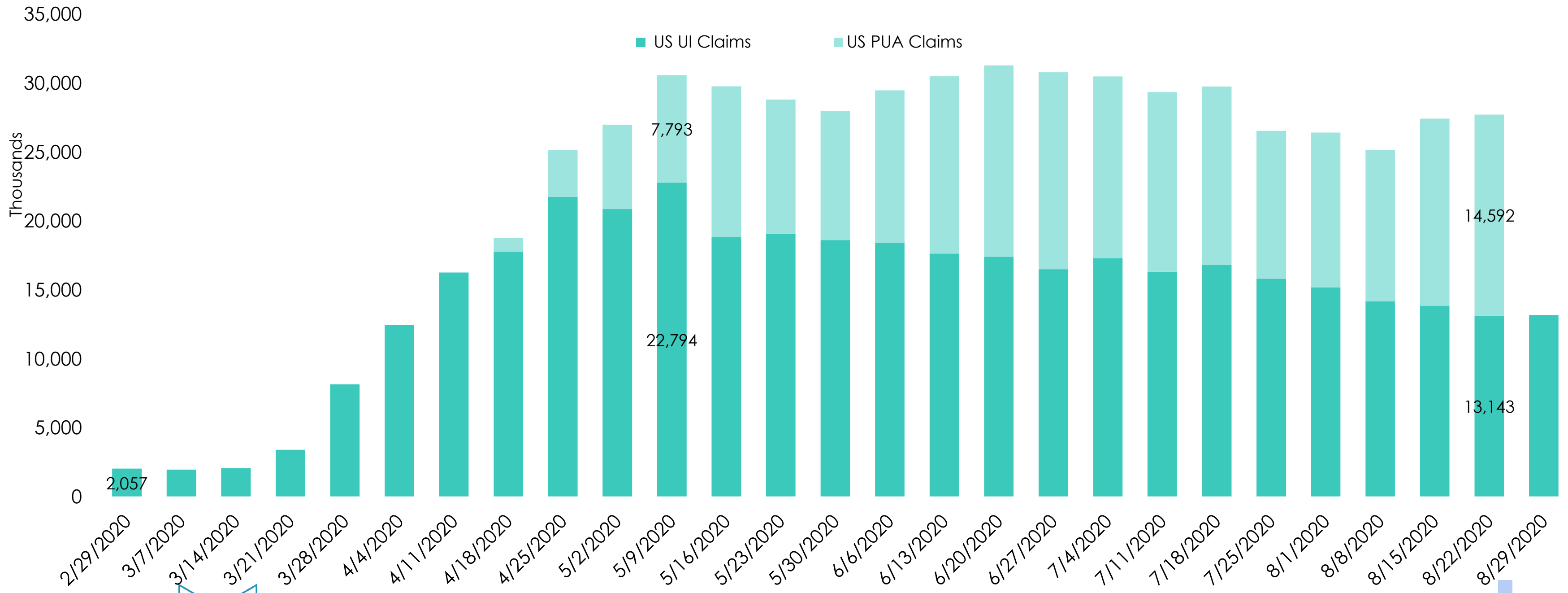
# Job growth downshifts significantly in August



SERIES: Chg. in Nonfarm Employment  
SOURCE: St. Louis Fed

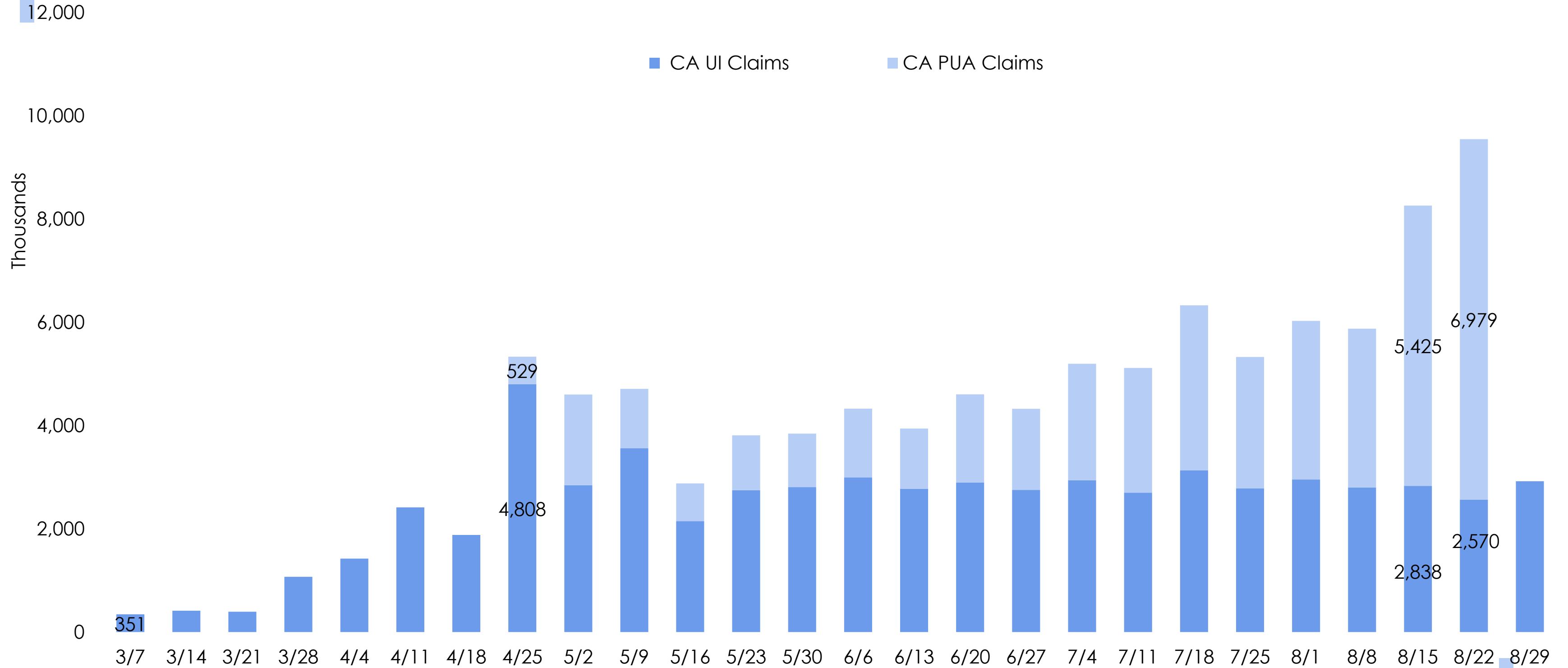
# 27.7 million Americans still receiving unemployment

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



# Nearly 10 million here in California

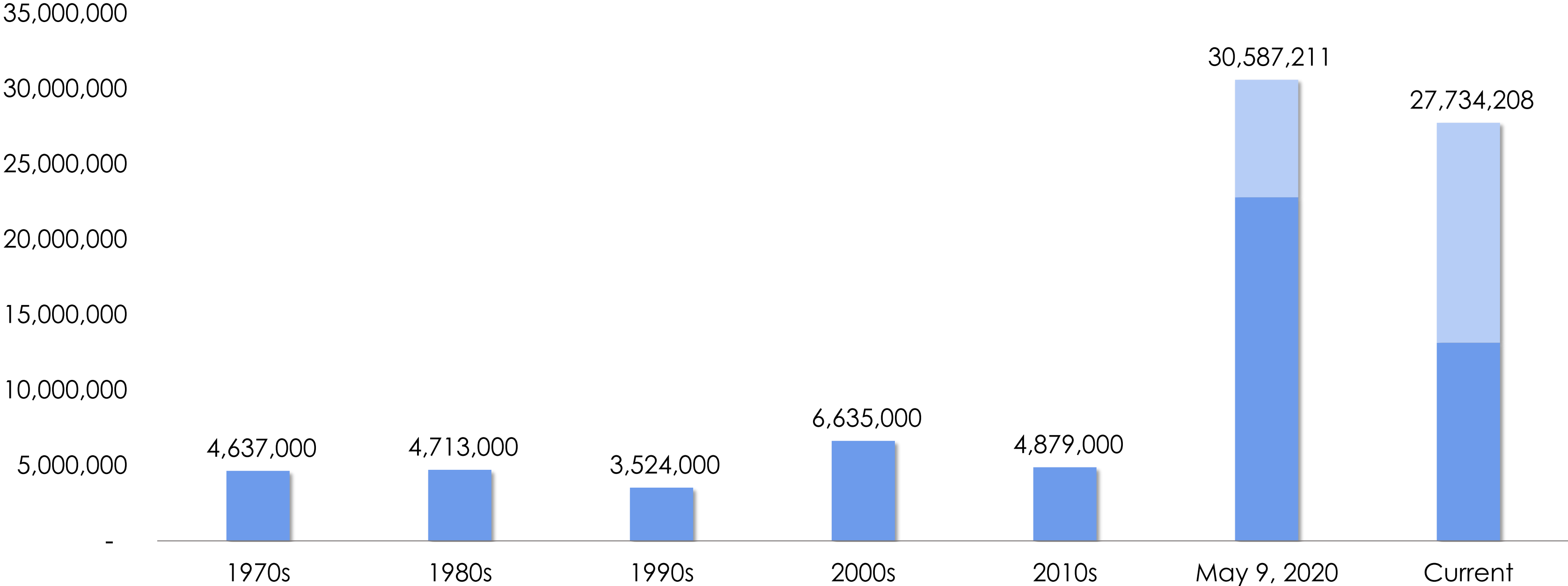
California Continuing Unemployment Claims (NSA)



# Still a lot of healing left **even when we get a lid on it**

U.S. Continuing Claims for Unemployment Insurance

■ Regular UI ■ Pandemic UA



Maximum Weekly Continuing Claims Filed by Decade





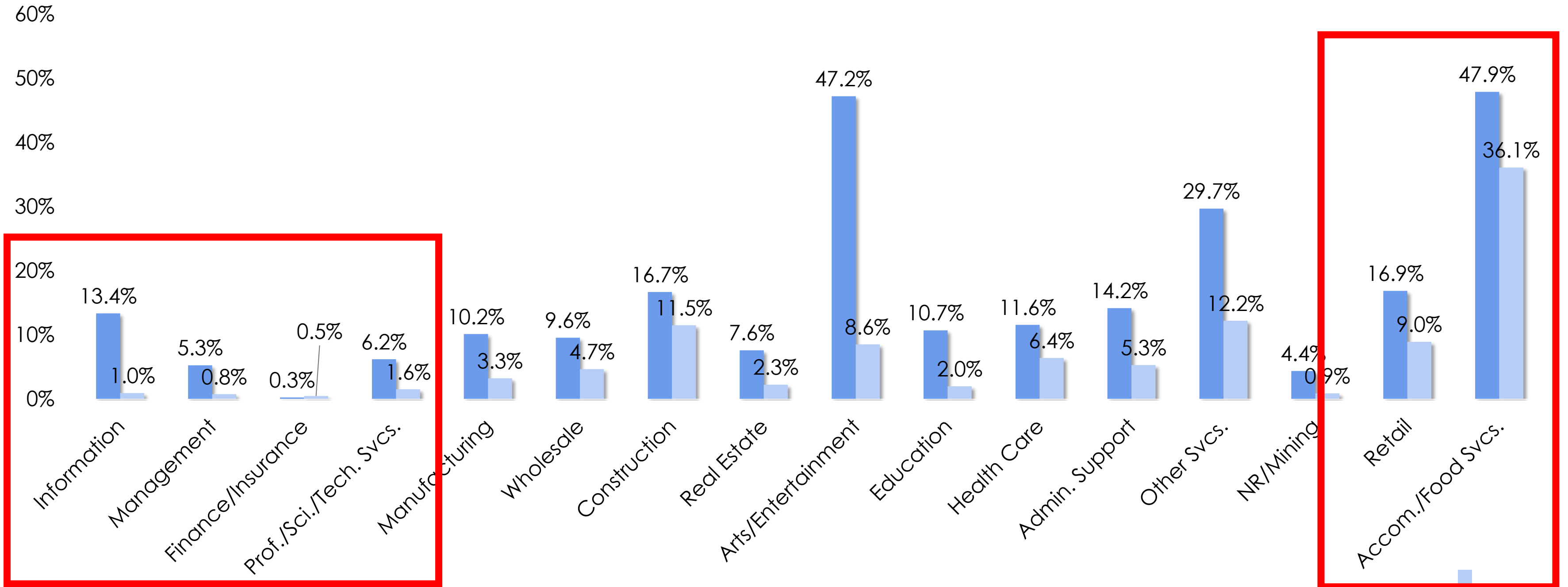
**Other Cautionary  
Signs in Economy?**



# High-wage sectors: slower rebound despite smaller knock

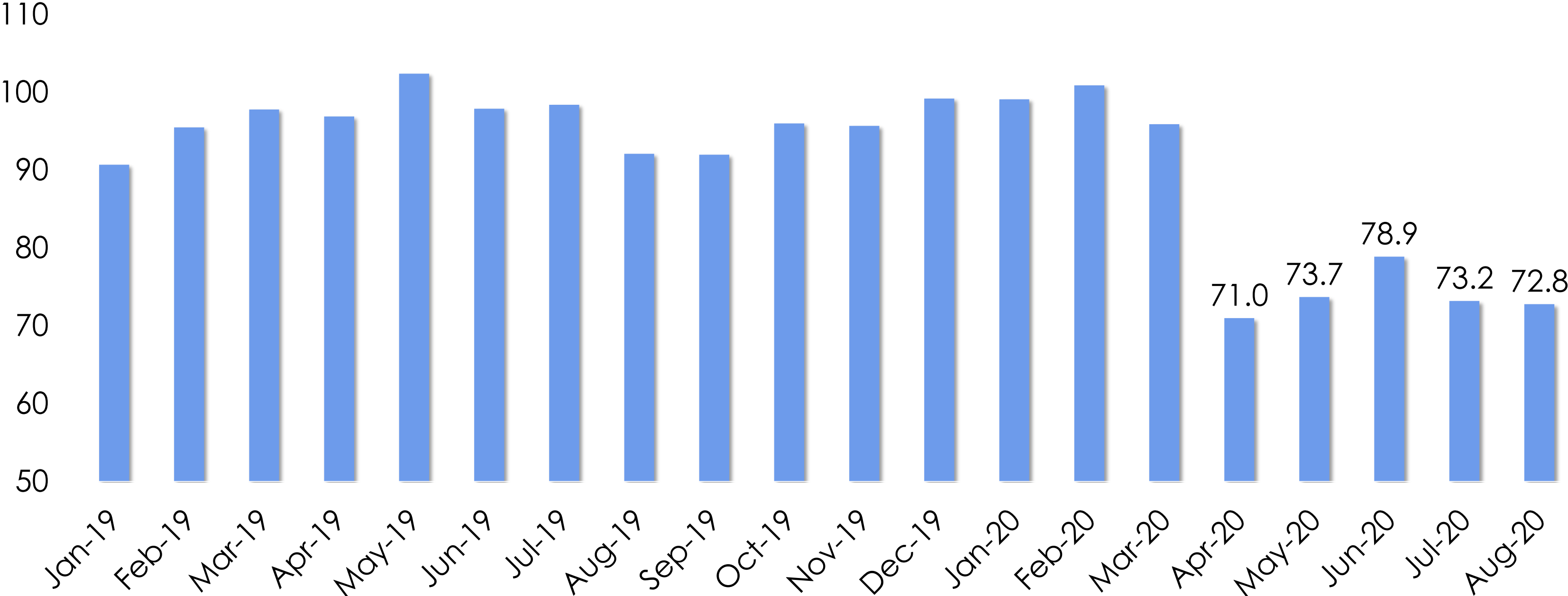
California Job Losses vs. Jobs Recovery (through July)

■ Lost ■ Gained



# Consumers are less confident about the future

U.S. Consumer Sentiment



# 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



# Evictions are real possibility too

## The Bad News:

- Roughly 1.7 million households not paying in full
- Represents more than 5 million people
- Could face potential eviction
- Landlords may face foreclosures
- Likely implications for home prices

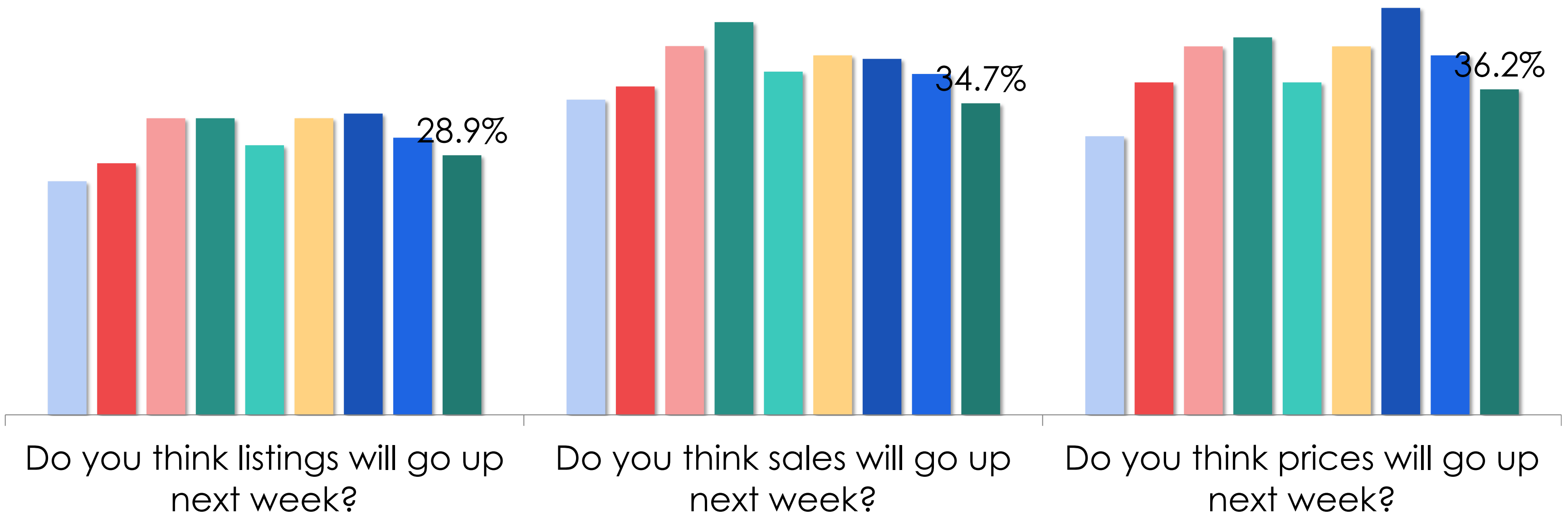
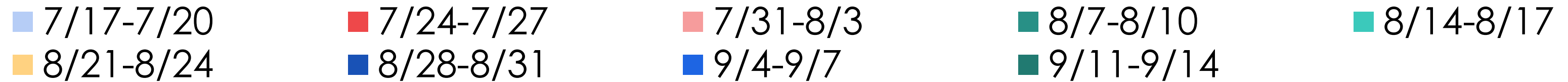
## Reasons to Be Hopeful:

- Government on board this time
- Some hope at federal level for renter relief
- Landlords still have home equity currently
- Some investor inventory would be welcome



# California REALTORS® optimism starting to wane?

## Weekly Survey of Members



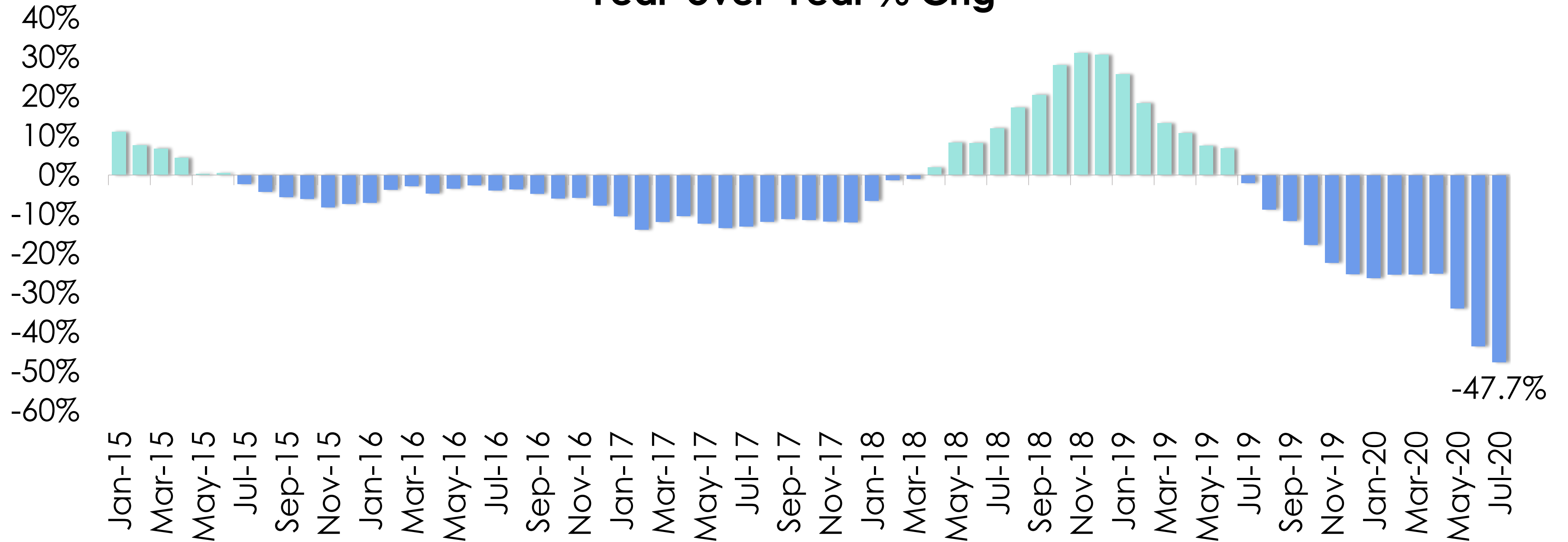


# Challenges in the Here and Now?



# Half as many listings on the market last month

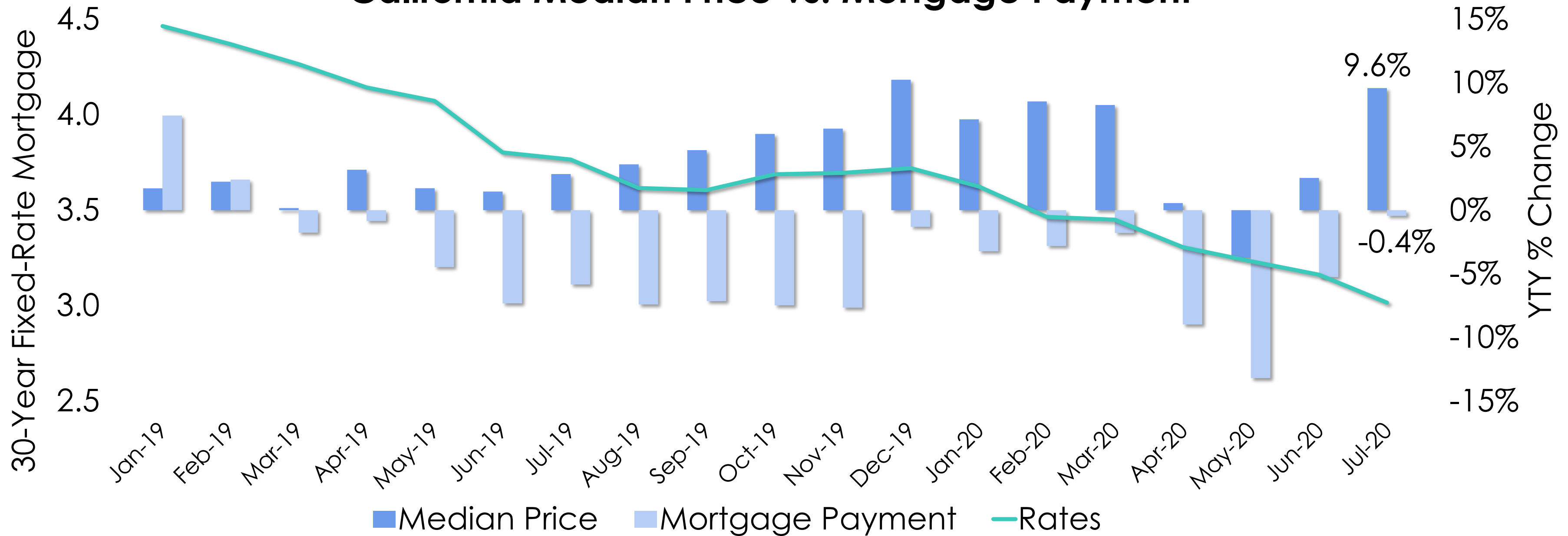
## Year-over-Year % Chg





# Rapid price growth cancels out benefit of lower rates

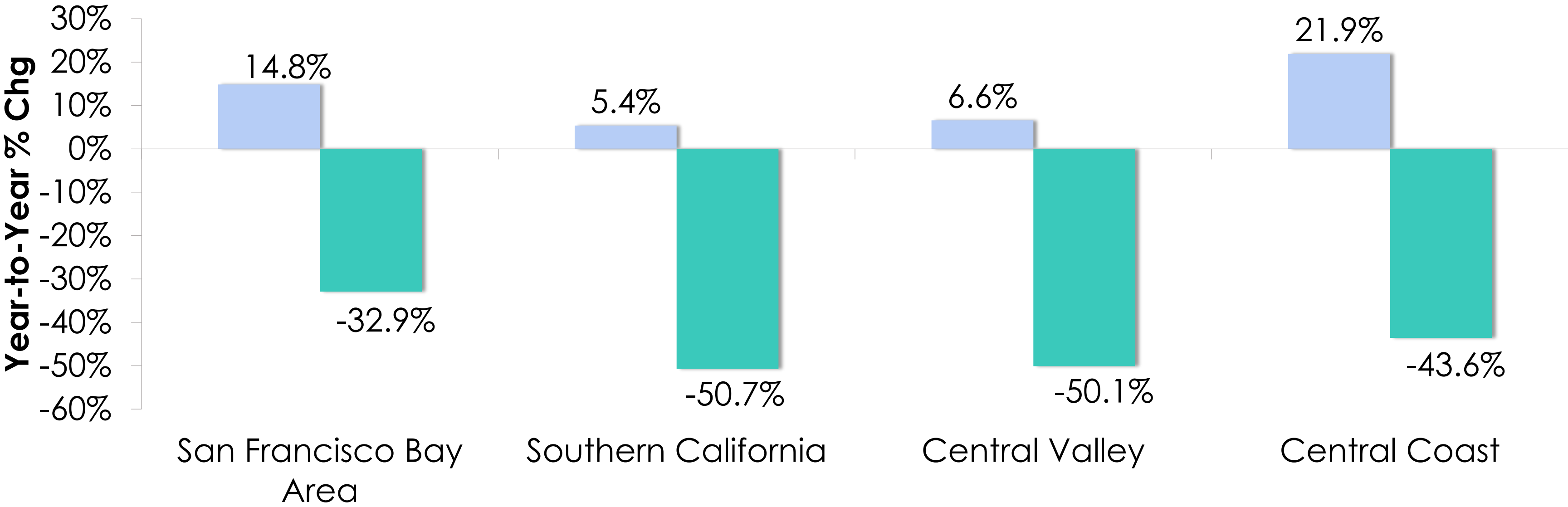
## California Median Price vs. Mortgage Payment



# Supply continued to drop as sales improved

July 2020

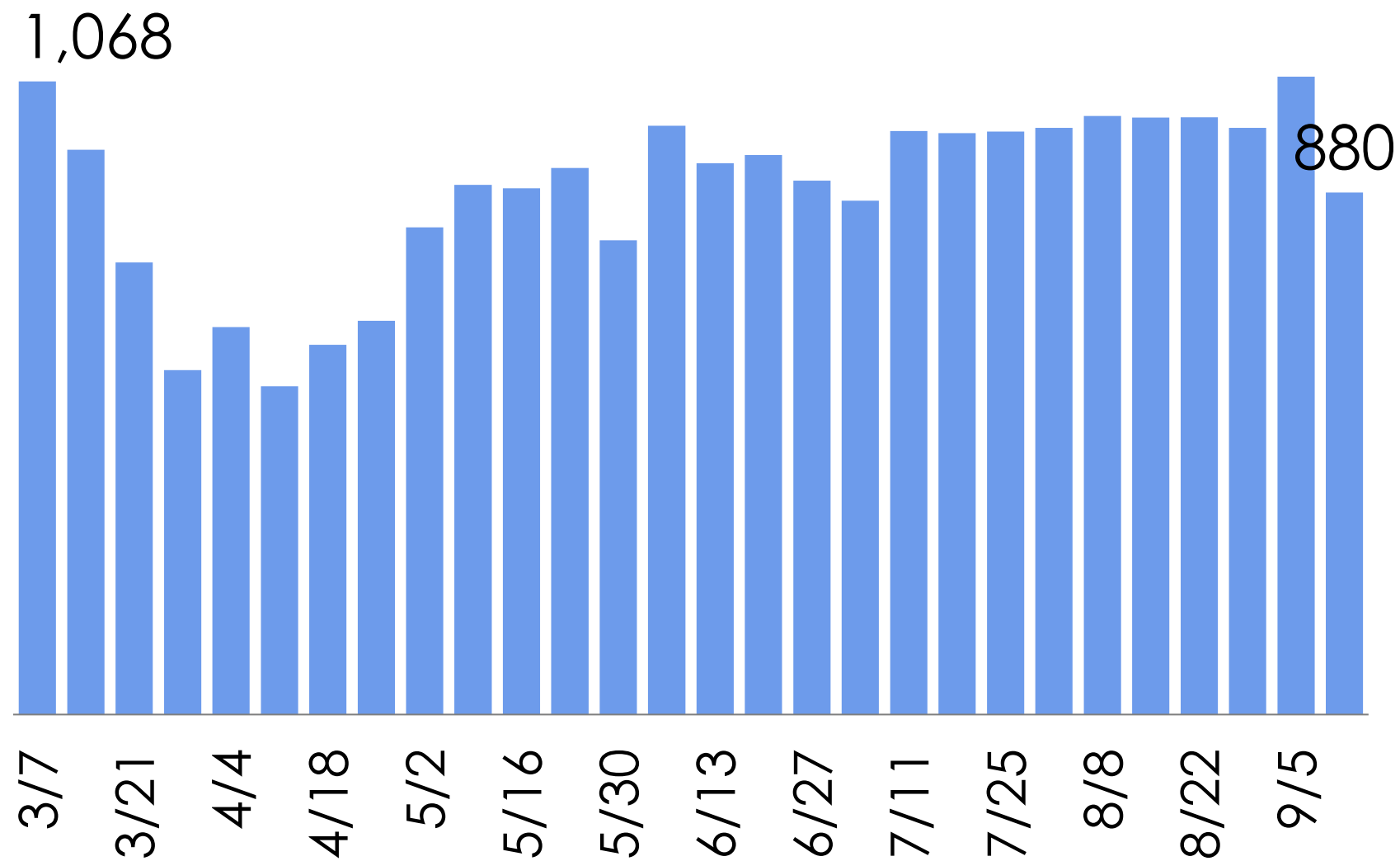
■ Sales ■ Active Listings



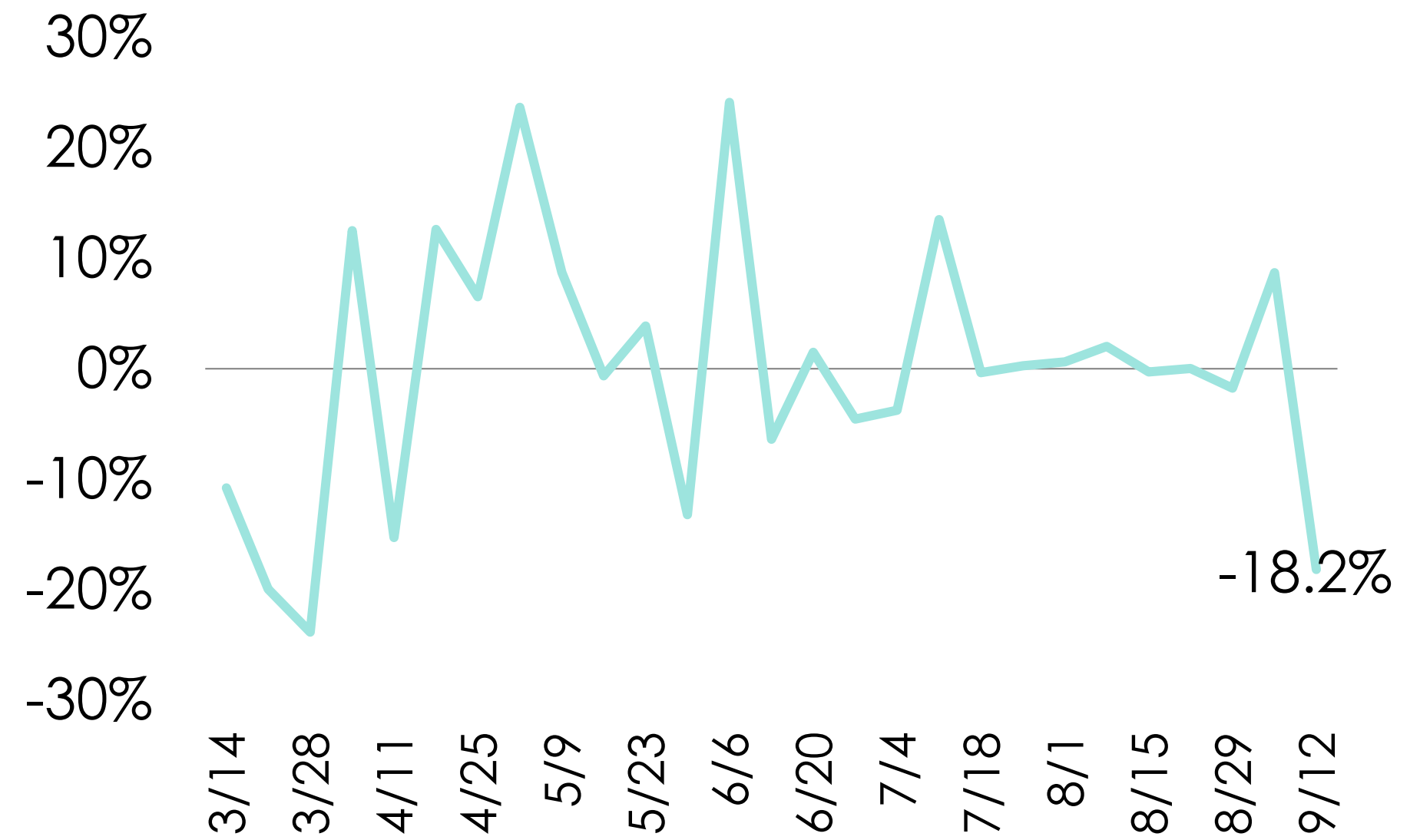
SERIES: Sales and Listings of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# New listings haven't budged in nearly 2 months

Average Daily New Listings  
(CA Existing SFH)

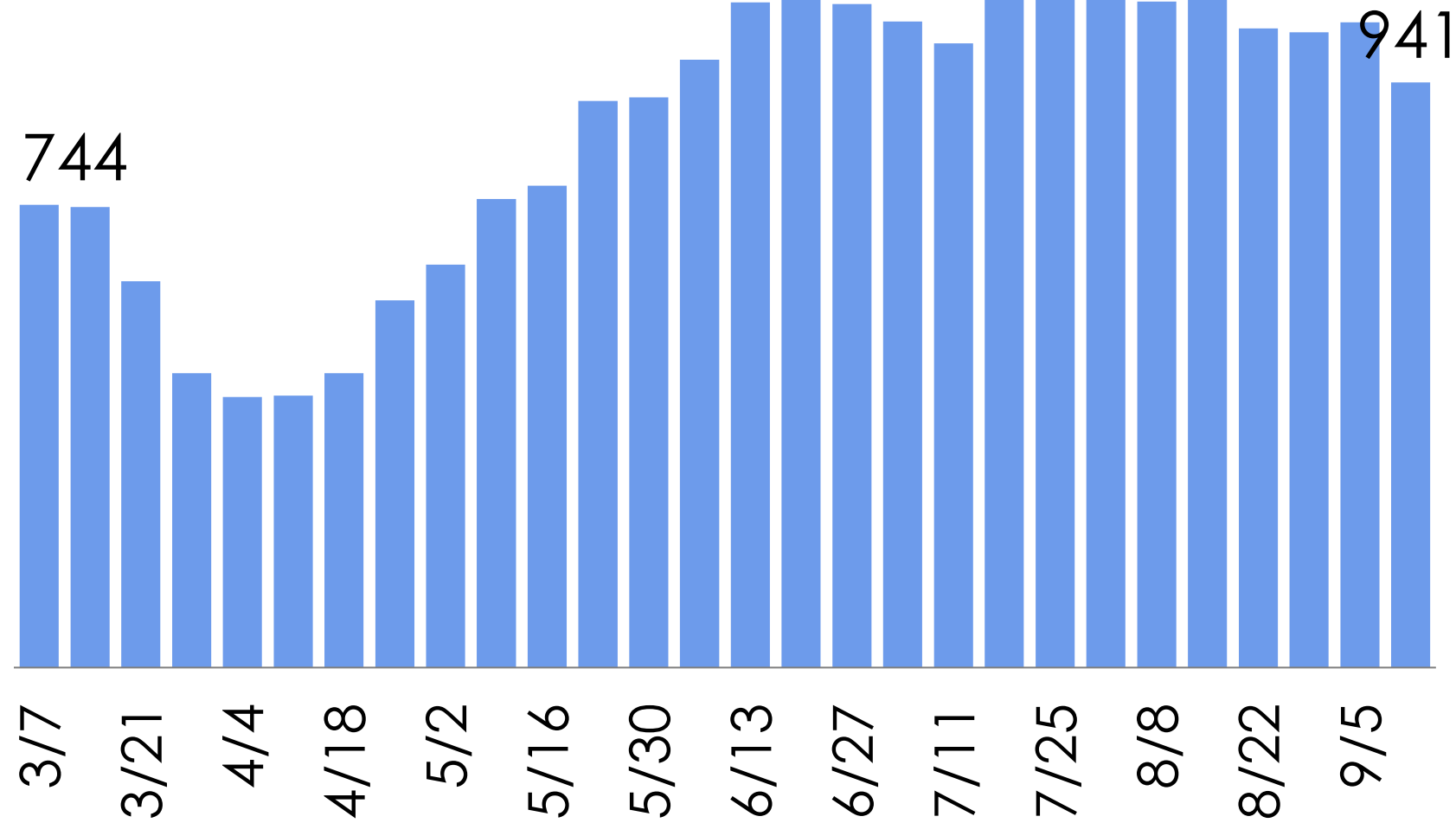


% Chg. in New Listings from Prior Week (Daily Average)

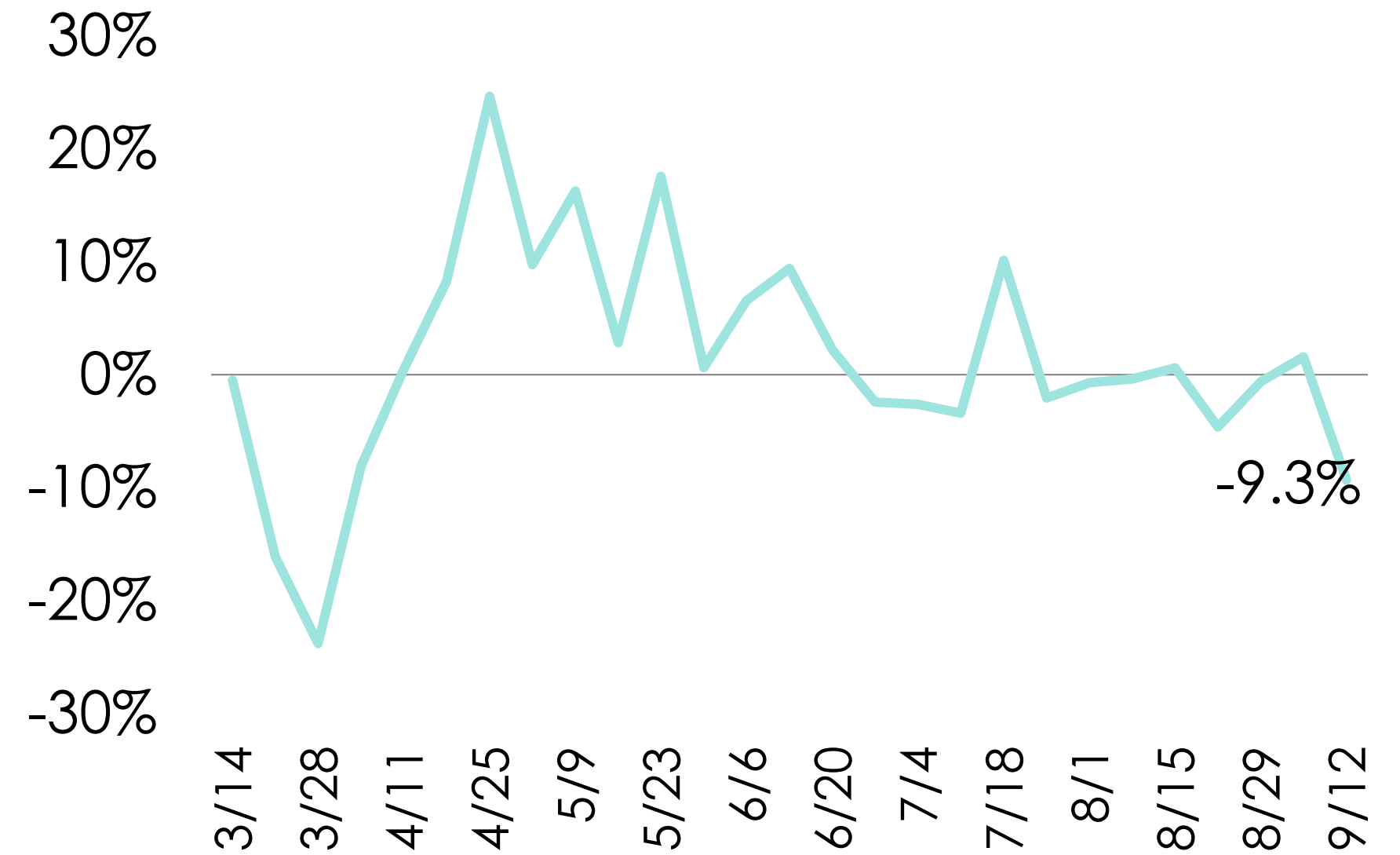


# Pending sales, unsurprisingly, on the downtrend

Average Daily Pending Sales  
(CA Existing SFH)

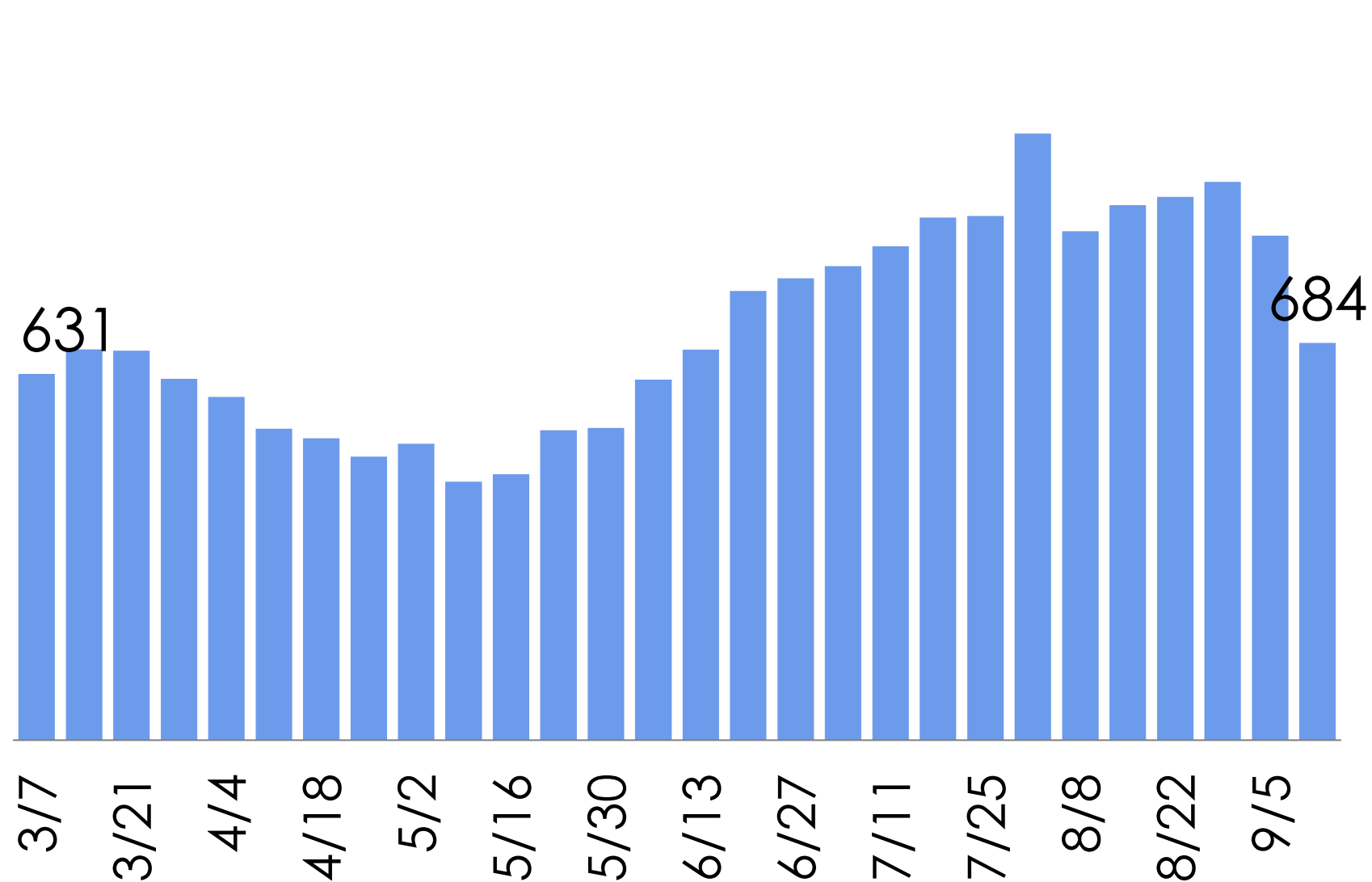


% Chg. in Pending Sales from Prior Week  
(Daily Average)

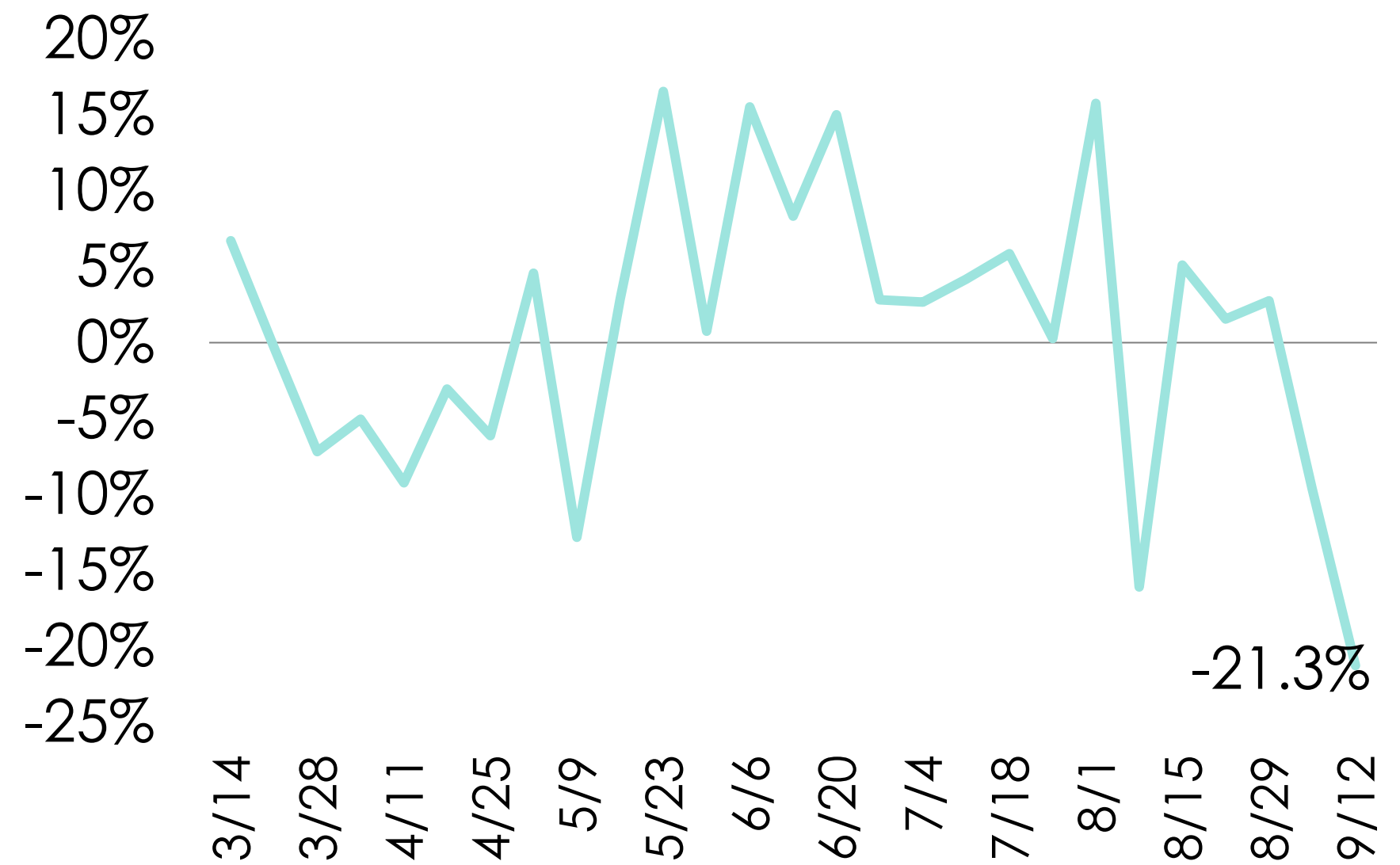


# Closed sales at lowest level since early July

Average Daily Closed Sales  
(CA Existing SFH)

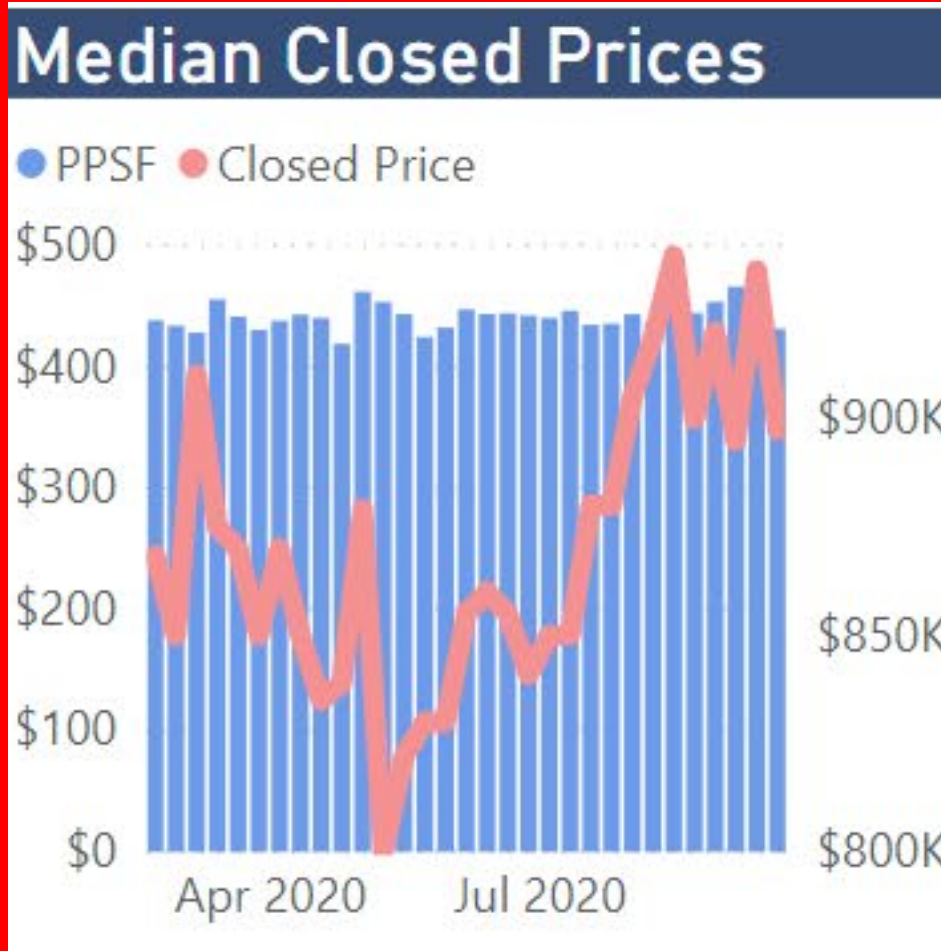
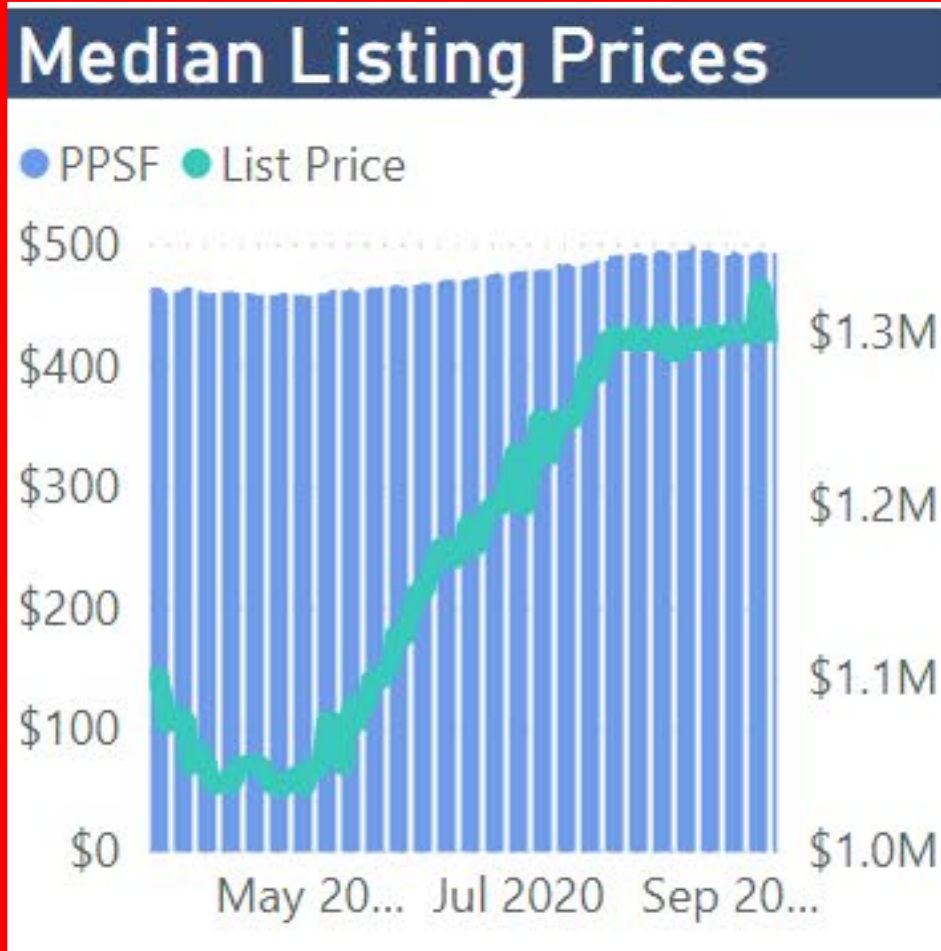
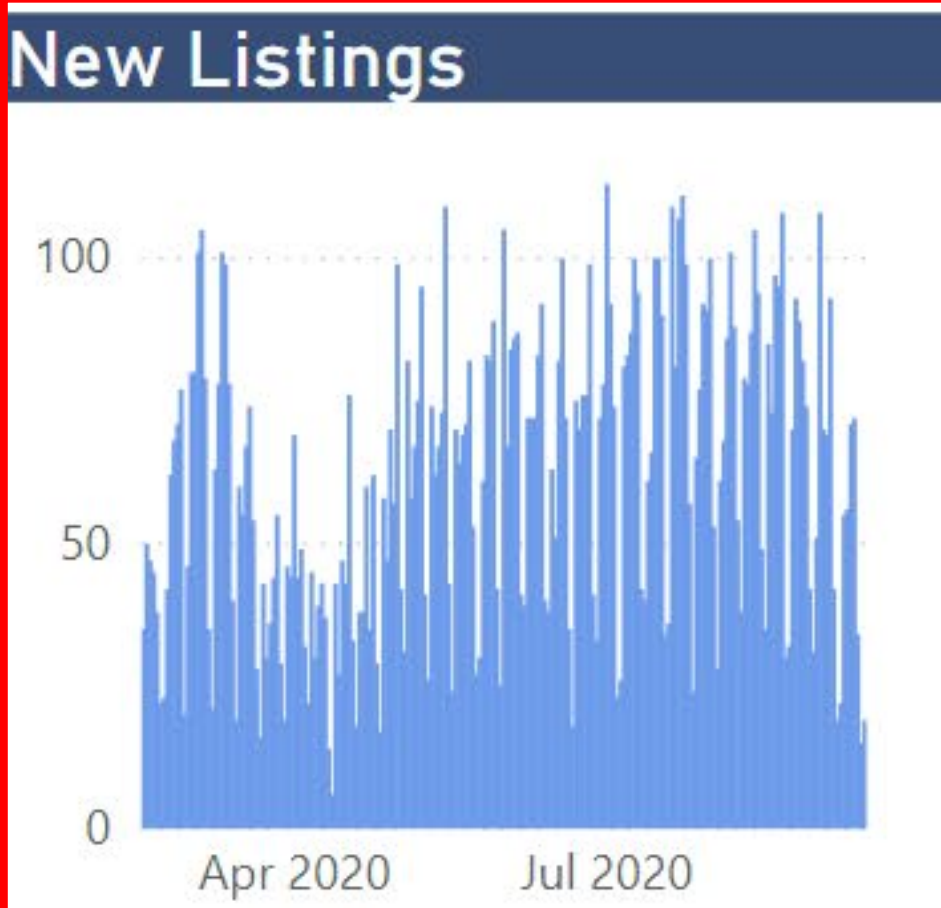


% Chg. in Closed Sales from Prior Week  
(Daily Average)



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

Region Name	Board Name	County	City
All	All	Orange	All





# The **Forecast**

# U.S. economic outlook

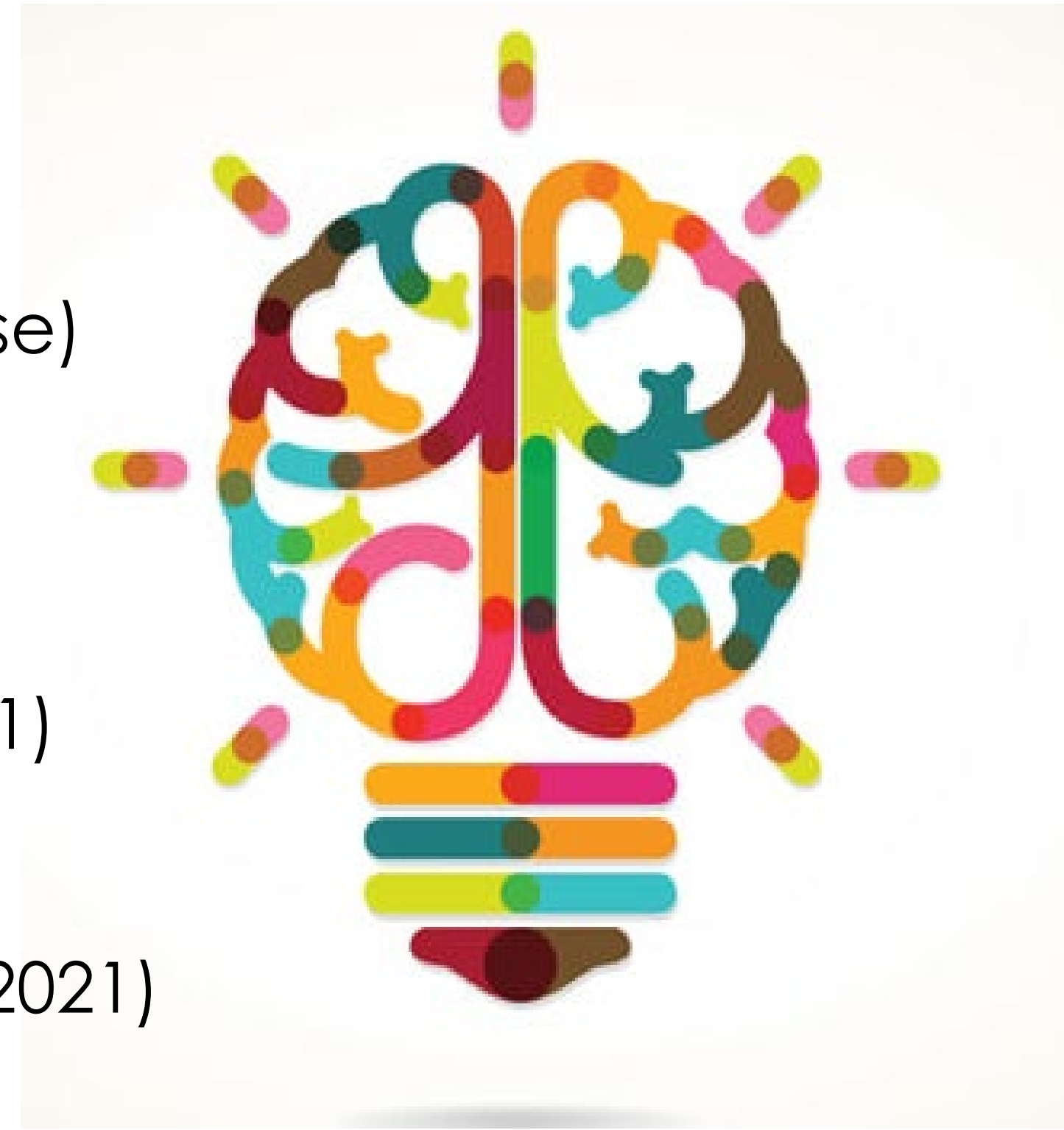
	2015	2016	2017	2018	2019	2020p	2021f
US GDP	2.6%	1.6%	2.3%	3.0%	2.2%	-5.0%	4.2%
Nonfarm Job Growth	2.1%	1.8%	1.6%	1.6%	1.3%	-6.5%	3.0%
Unemployment	5.3%	4.9%	4.4%	3.9%	3.7%	8.8%	7.1%
CPI	0.1%	1.4%	2.1%	2.4%	1.8%	0.6%	1.7%
Real Disposable Income, % Change	3.4%	2.7%	2.9%	4.0%	2.9%	3.8%	-1.6%





# 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 cast 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



# Concluding remarks

## Yes, things have gotten better

- Especially in the rearview mirror
- Macroeconomic data has also improved

## REALTORS® still face a challenging environment

- Inventory preventing many sales from happening
- Still a lot of healing left to do and many still hurting

## Keeping it really real

- Lots of uncertainty left until we get a vaccine
- Uncle Sam has muted the effects thus far
- Evictions, foreclosures, debt, future assistance loom
- Time for cautious optimism, **emphasis on caution**





**Thank You**

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