
California Economic & Market Update

Orange County REALTORS®

March 27, 2023

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Vice President & Chief Economist

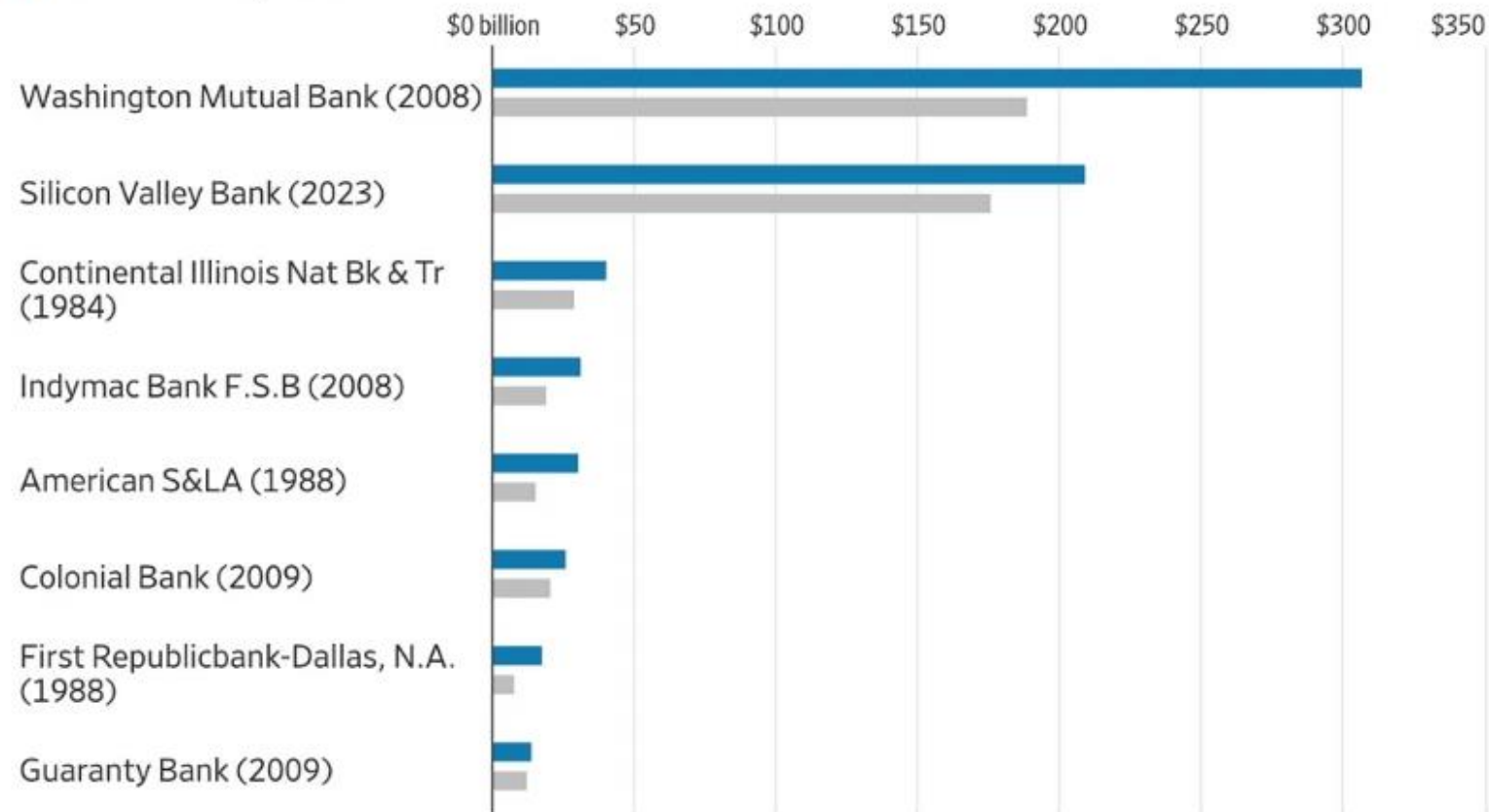
California Association of REALTORS®



SVB collapse was the second largest bank failure

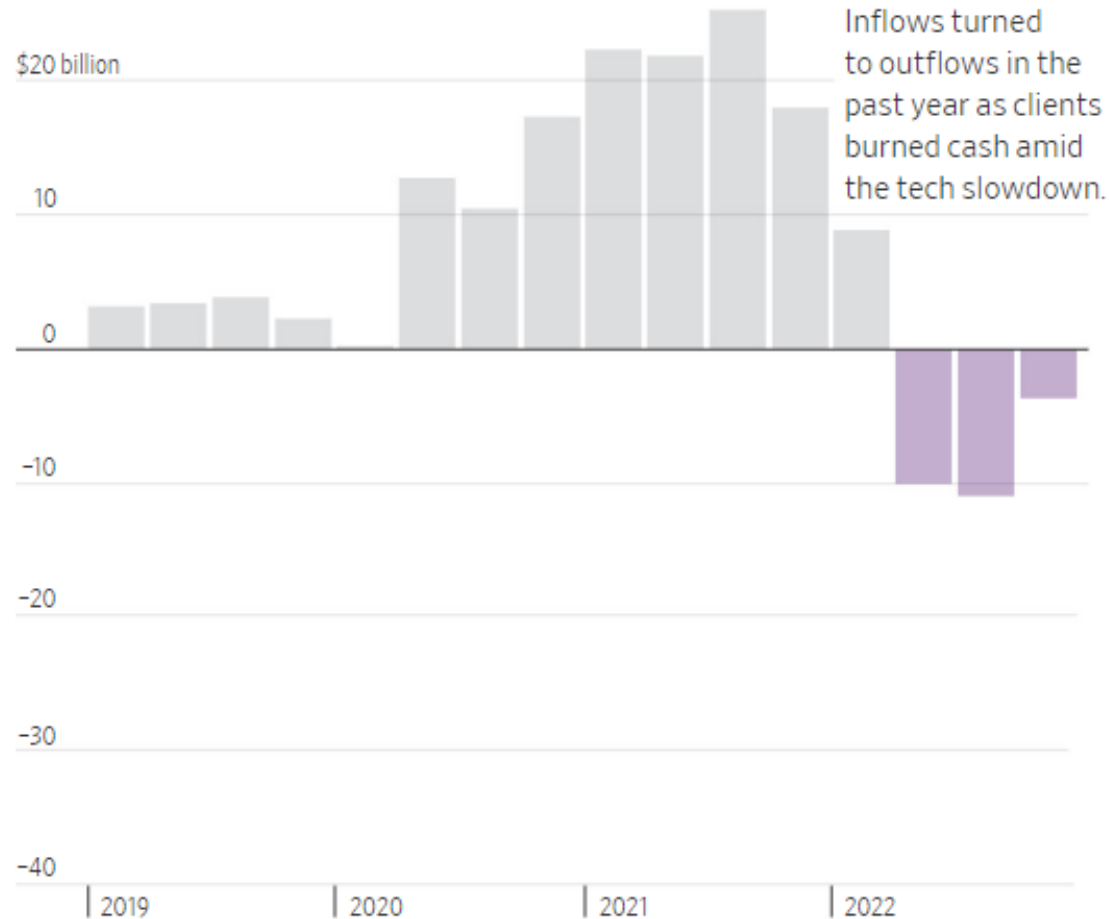
Biggest bank failures

■ Assets ■ Deposits



Bank run that led to the collapse

SVB Financial deposits, quarterly net change

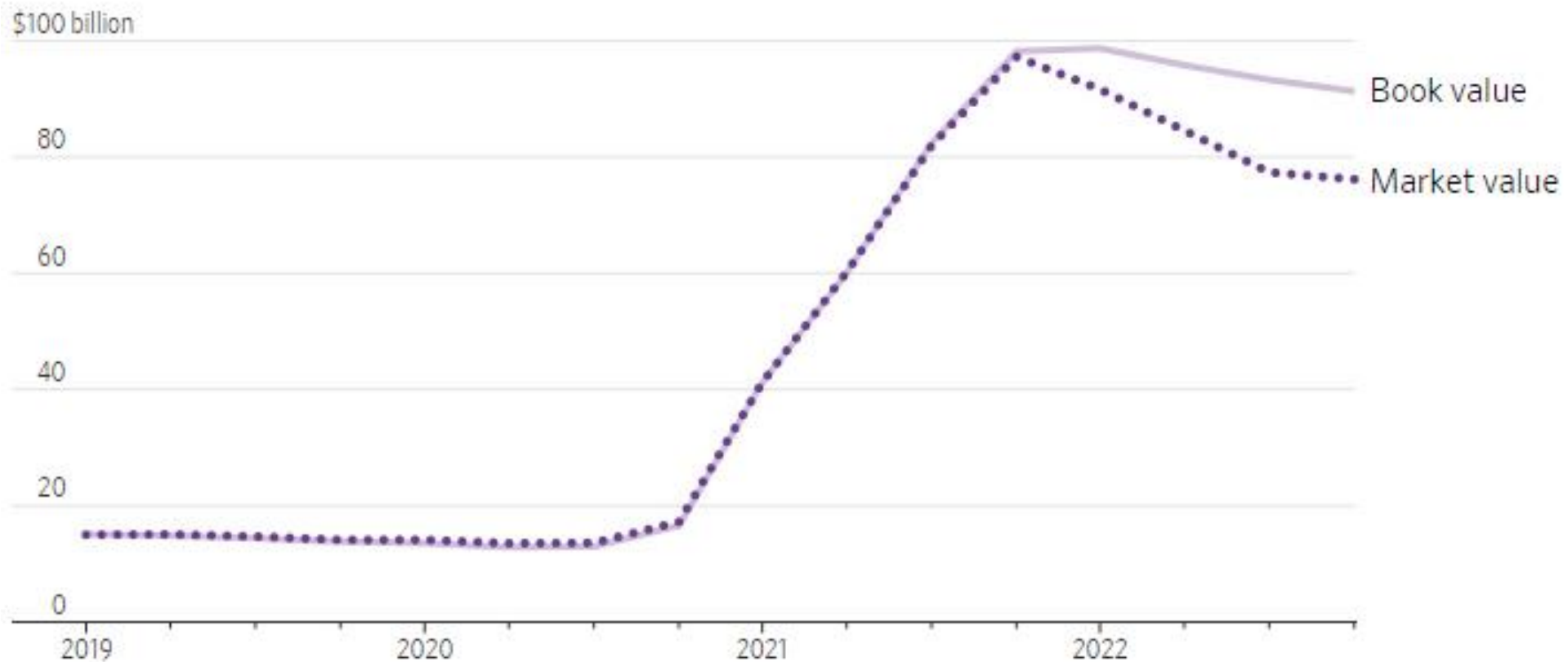


Inflows turned to outflows in the past year as clients burned cash amid the tech slowdown.

\$42 billion
in attempted withdrawals on March 9

SVB had to sell bonds that it was going to hold

Bonds Silicon Valley Bank said it would hold until they matured



Bank Shocks

3/10/23: SVB taken over by FDIC

3/12/23: Signature Bank in SF fails

3/15/23: Credit Swiss value plunges

3/16/23: First Republic in NYC rescued

3/19/23: UBS rescues Credit Suisse

\$140 billion committed by Fed

\$153 billion in emergency borrowing

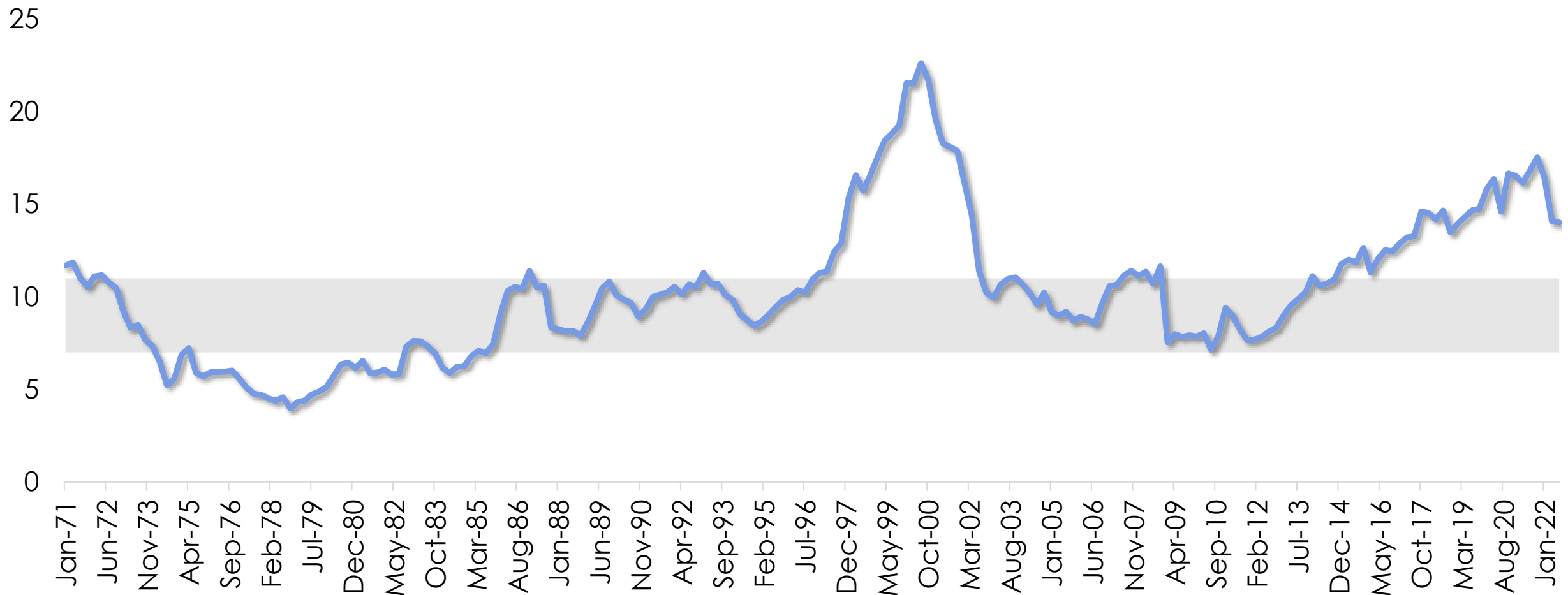
Private Money pumped into First Repub.



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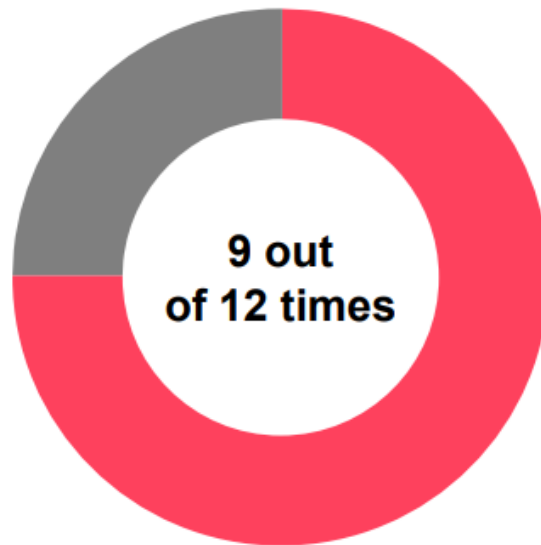
Financial markets could still have a way to go

U.S. Price-Earnings Ratio
Wilshire 5000 Market Cap / U.S. Corporate Profits

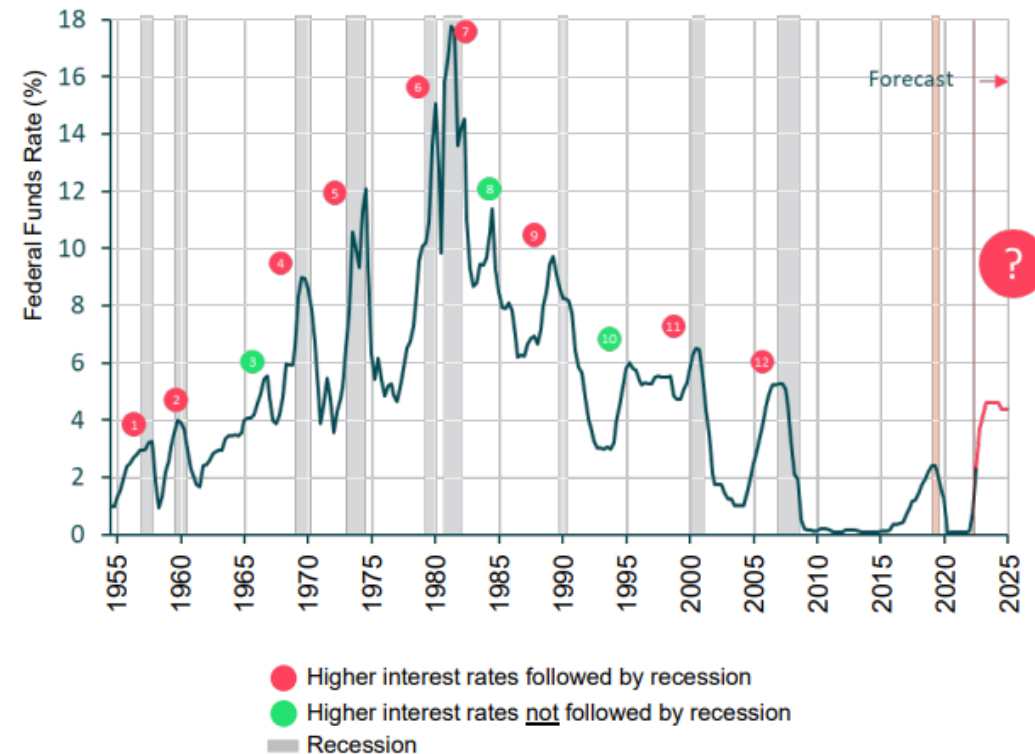


Should we expect a recession?

The Fed is increasing rates to combat high inflation



Federal Reserve tightening cycles almost always end in recessions

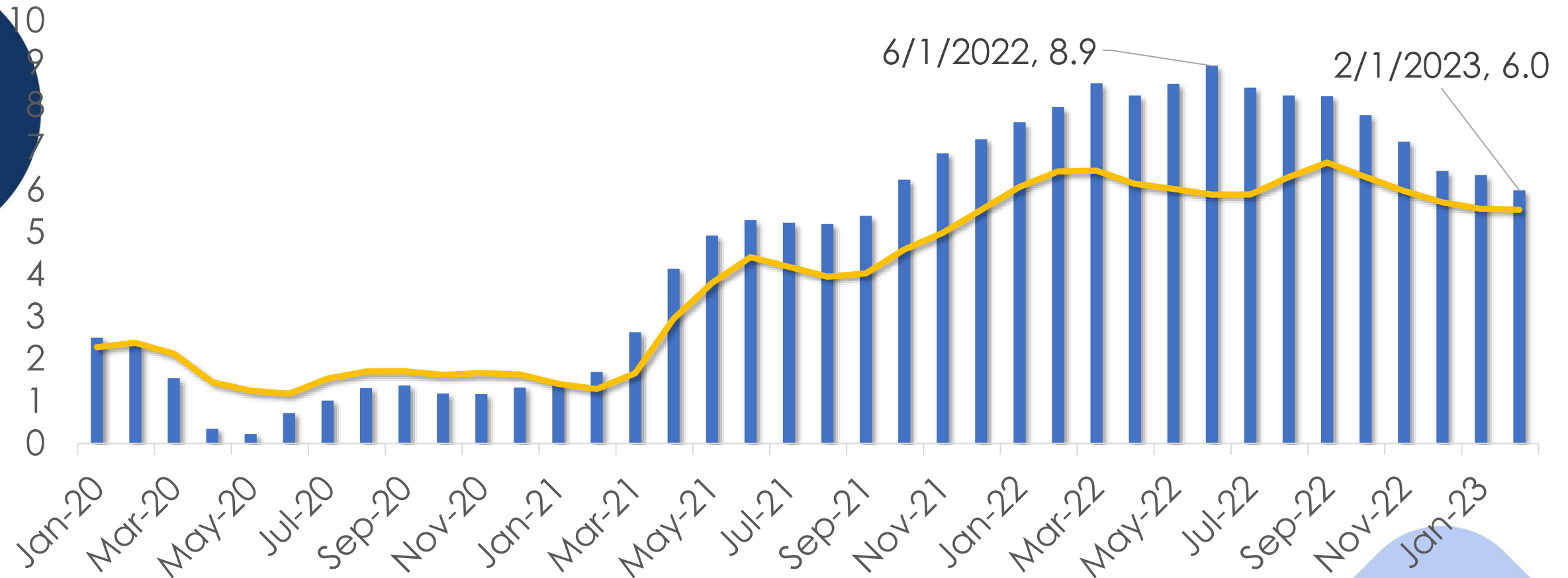


Will this time be different?

Inflation still 3X higher than the Fed wants it to be

U.S. Consumer Price Index

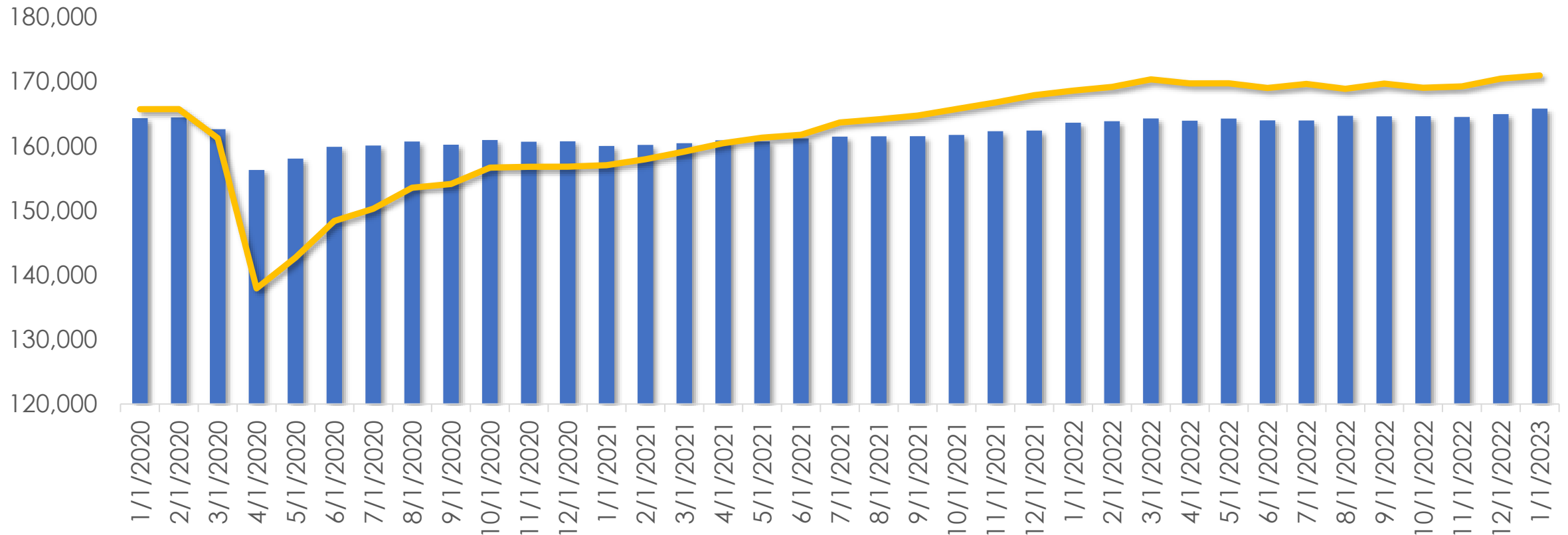
■ CPI YoY Growth — Core CPI YoY Growth



Labor markets still 4.2 million workers short

U.S. Labor Supply & Demand

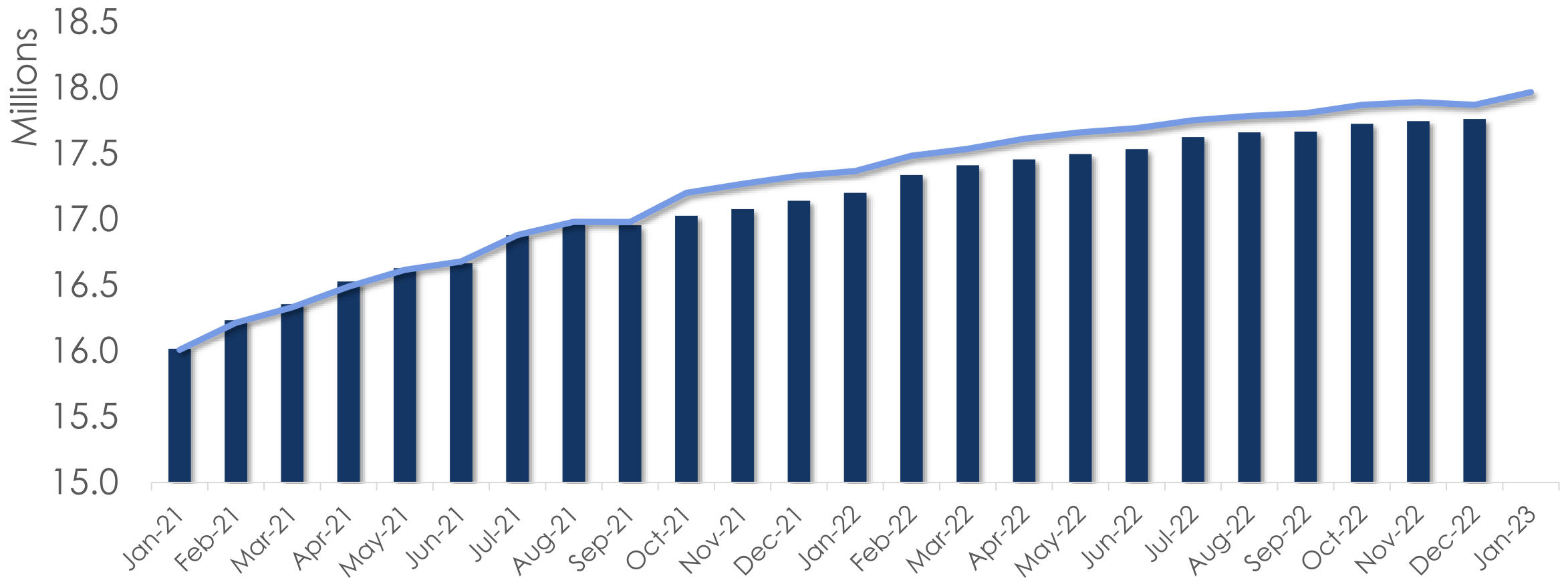
■ Working + Looking for Work — Filled & Unfilled Positions



Recovery in CA stronger than initially reported

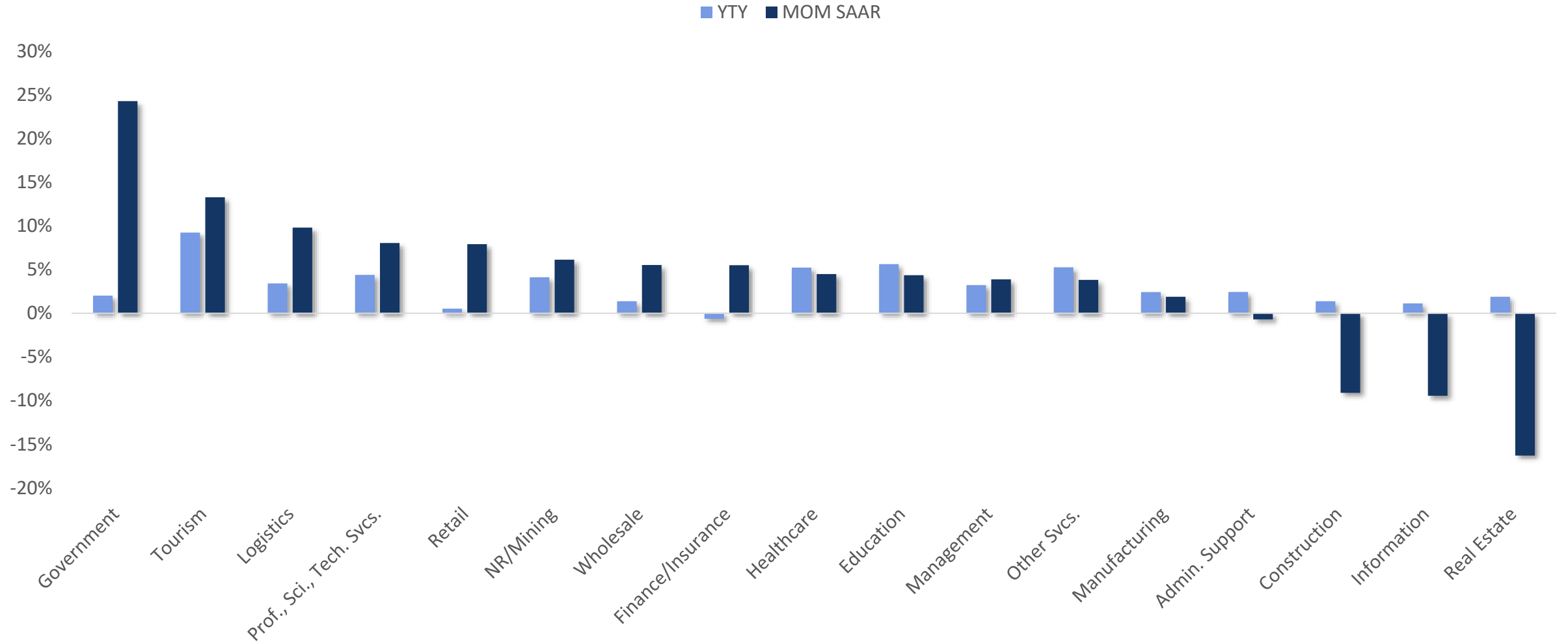
California Nonfarm Employment

■ 2021 Benchmark — 2022 Benchmark



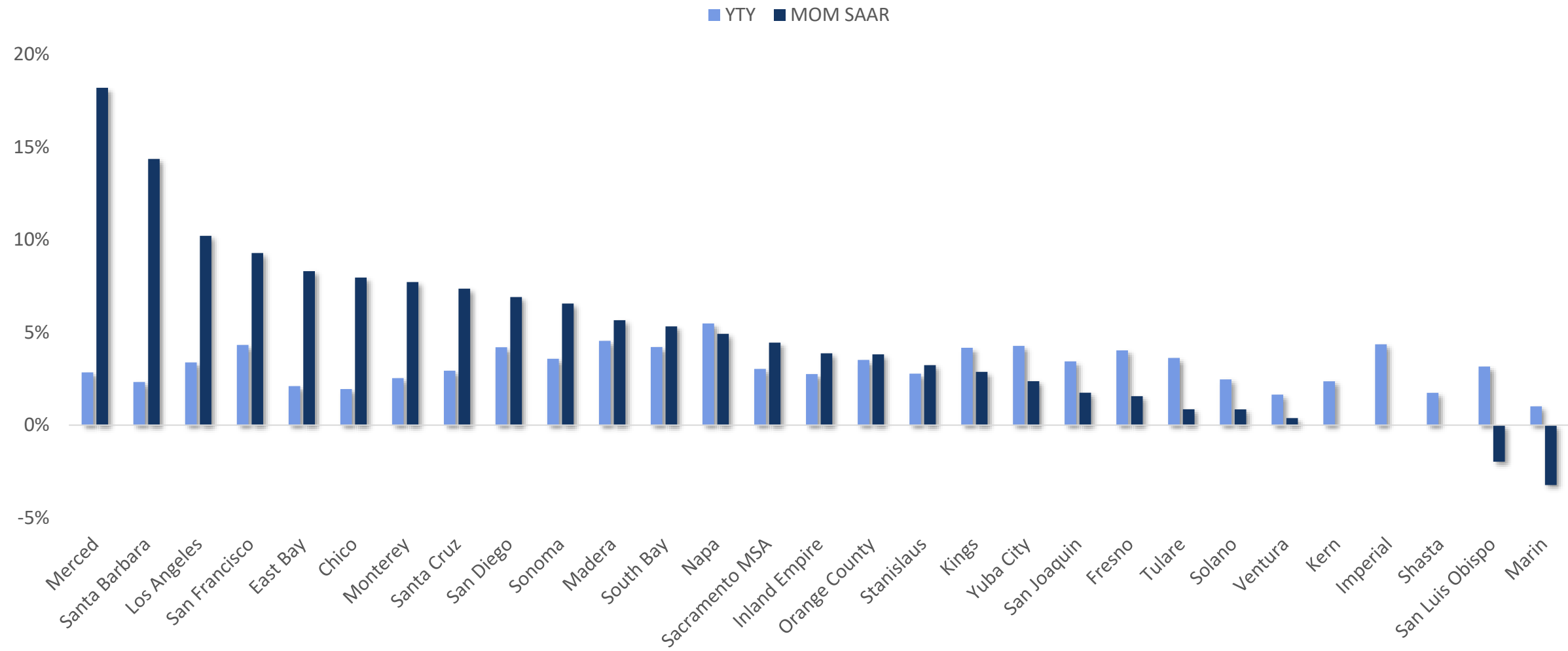
Most of California's industries still growing in January

California Employment Growth by Industry (January 2023)



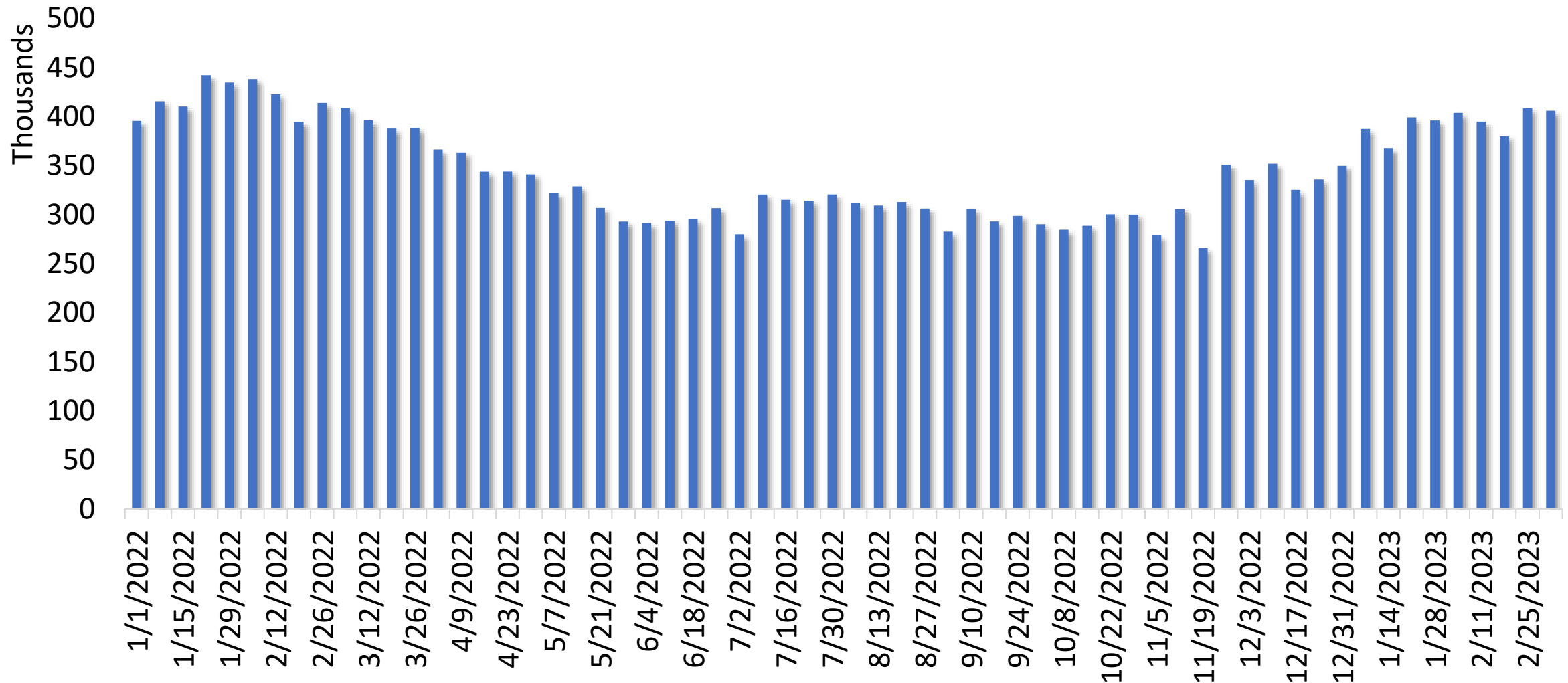
Most of California's counties growing too, even Bay Area

California Employment Growth by County/MSA (January 2023)



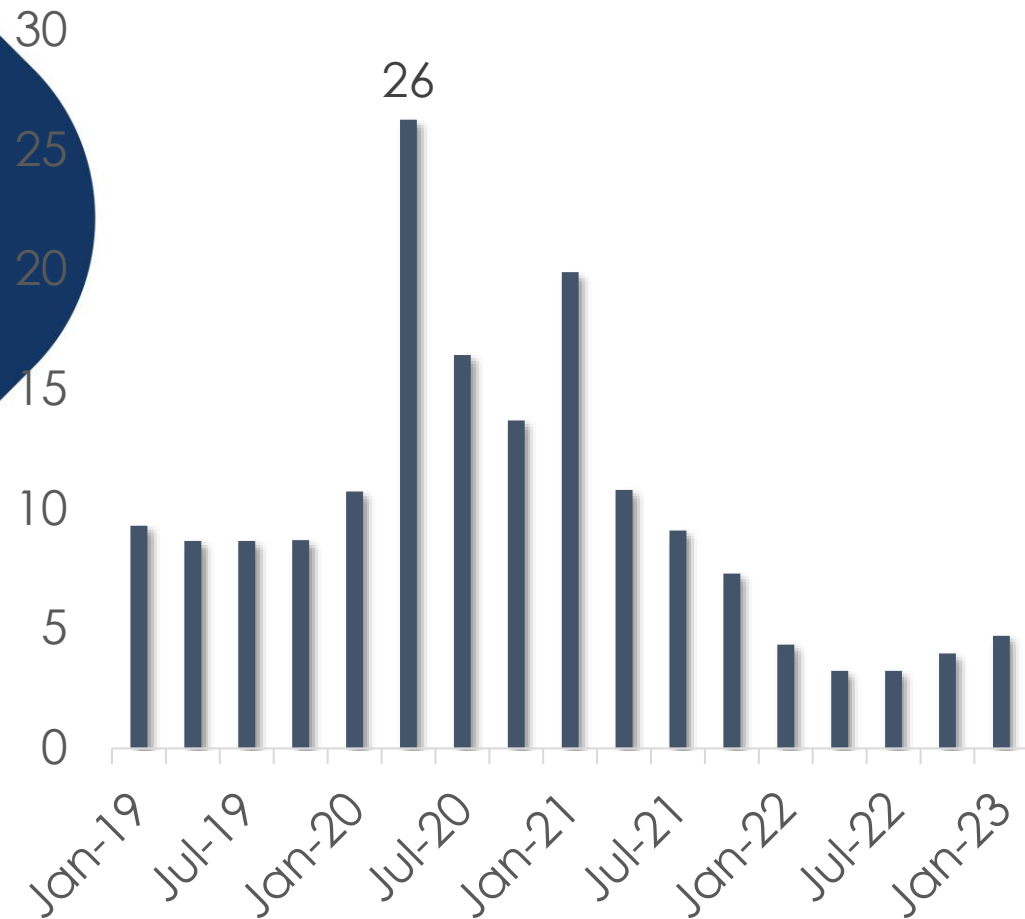
But unemployment insurance claims starting to rise

California Continuing Unemployment Claims

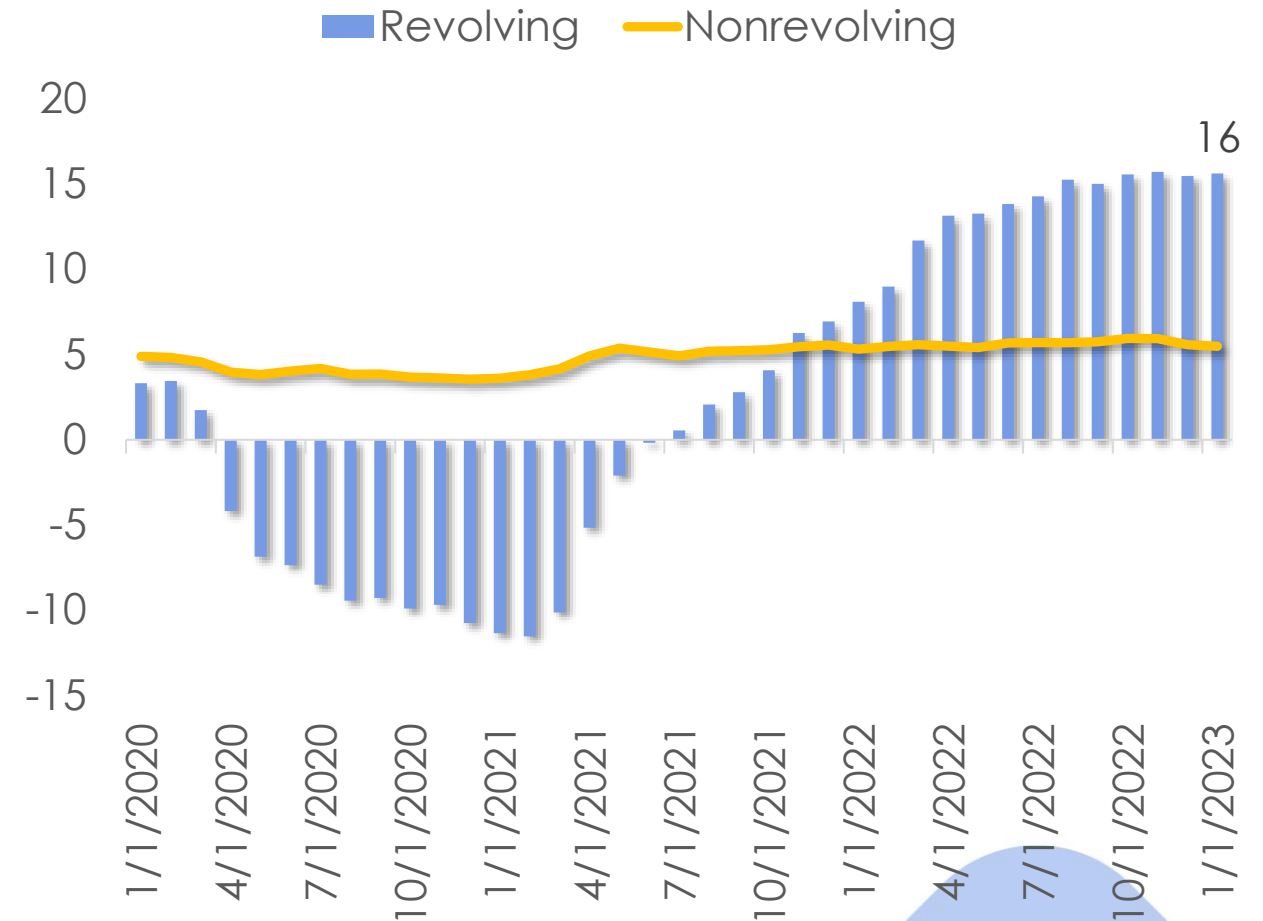


Savings being rebuilt as credit utilization increases

U.S. Savings Rate



U.S. Consumer Credit Growth (YTY %)



Many already feeling poorer than they were last year

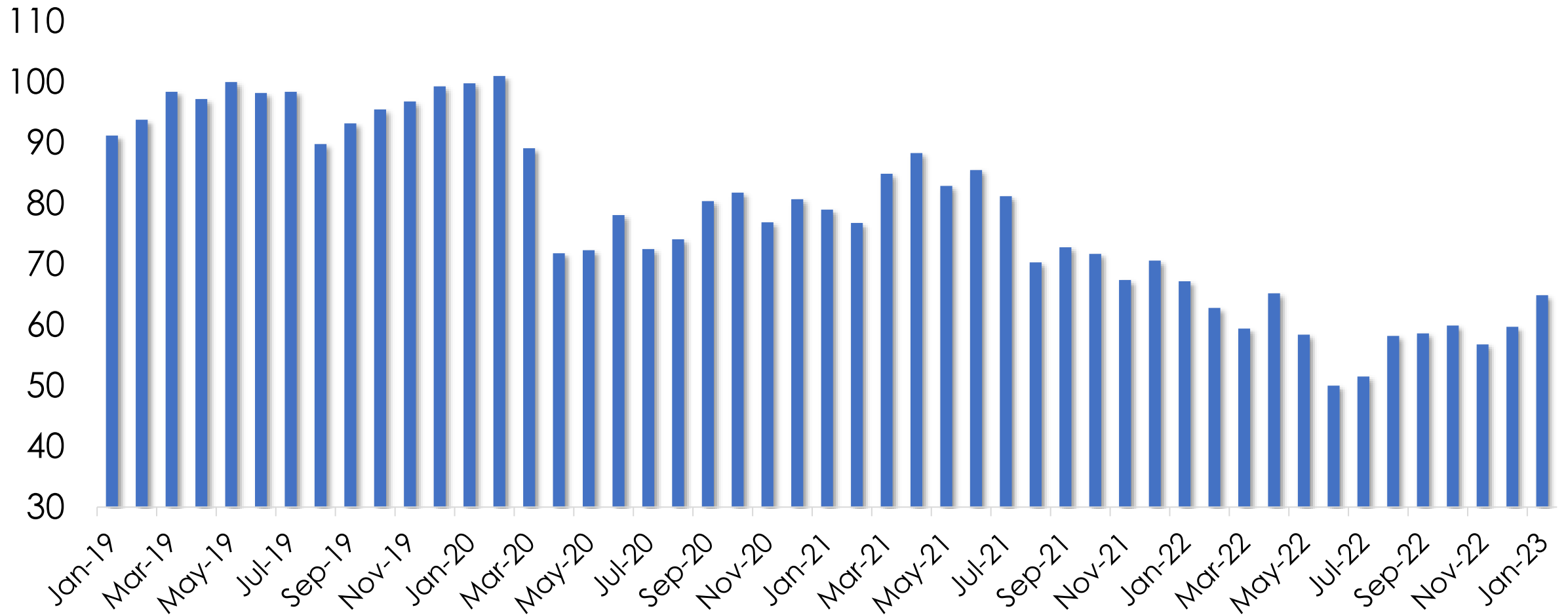
Growth in Real Net Worth Per Capita (YTY %)

■ Growth Real Net Worth Per Capita ■ Recession

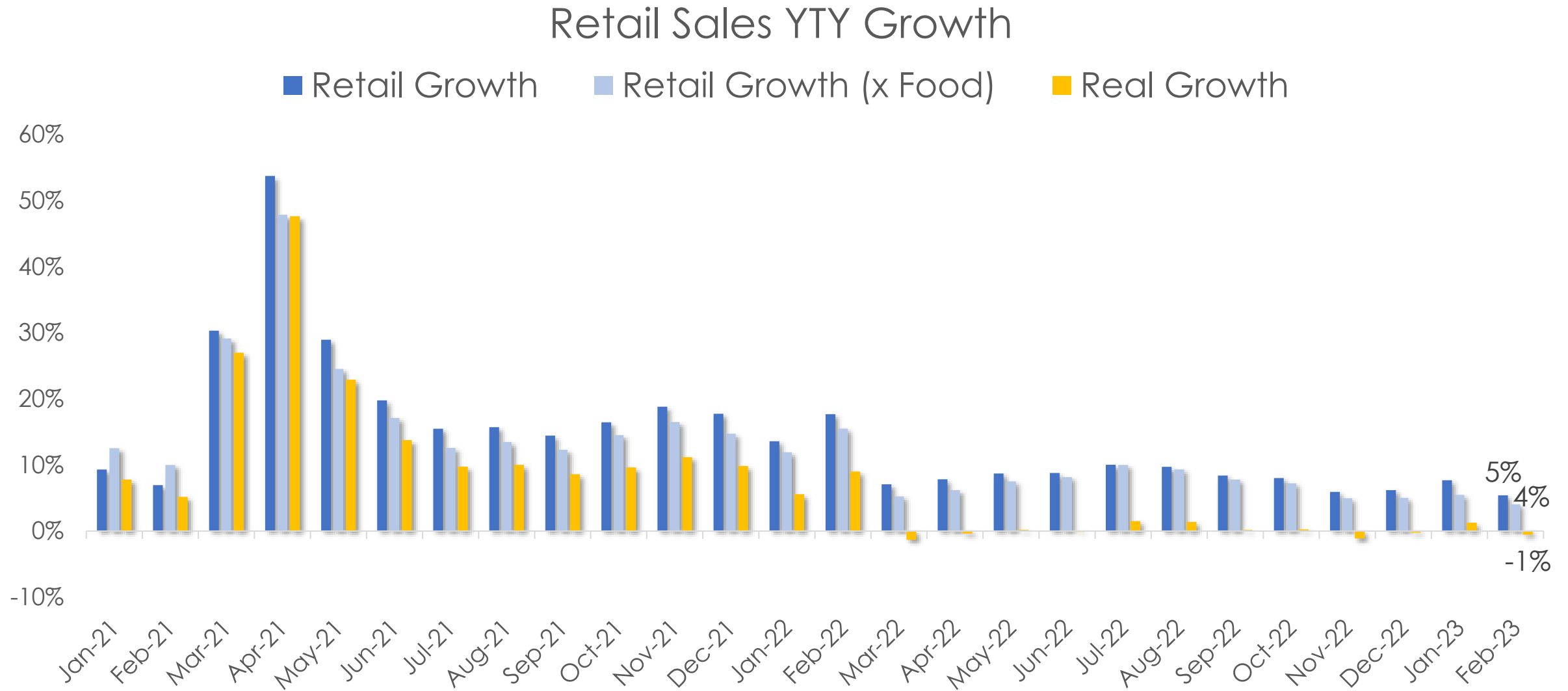


Consumer confidence down significantly from last year

U. Mich. Consumer Sentiment Index

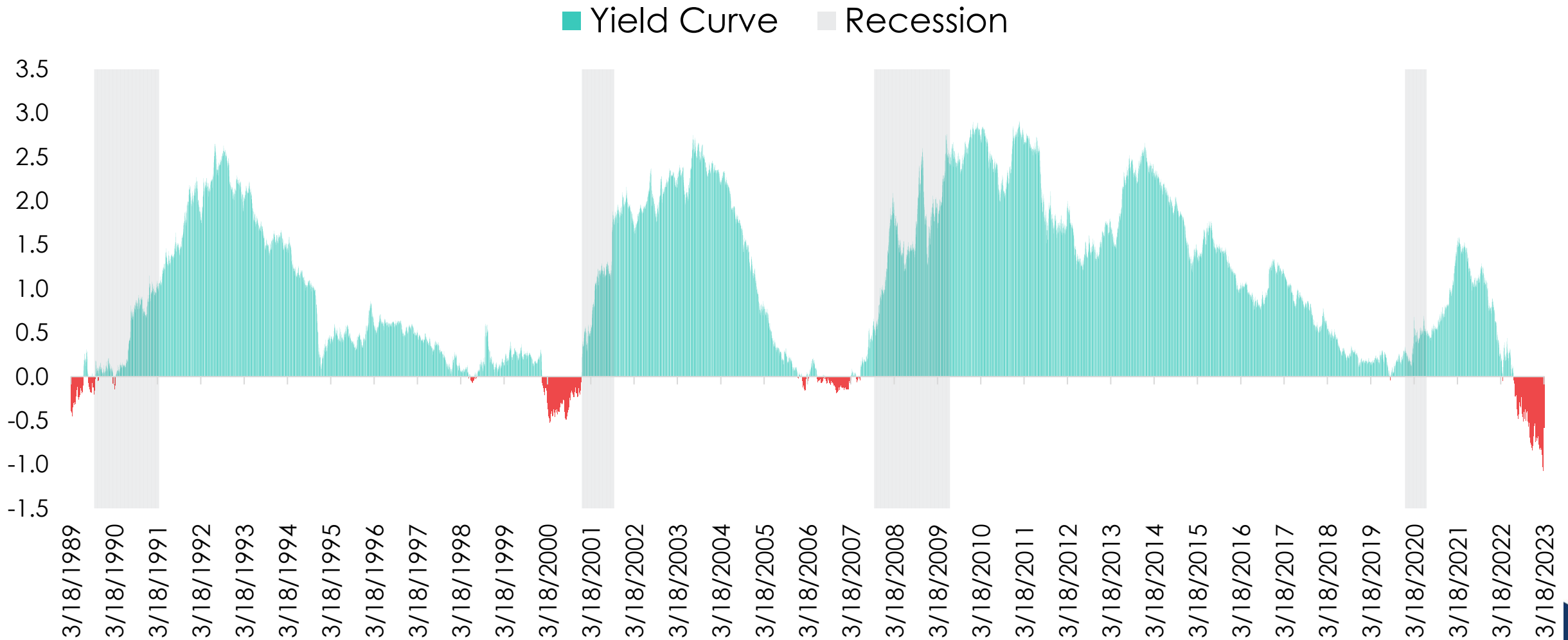


Retail sales have been dropping in real terms



Yield curve typically predictive of recession

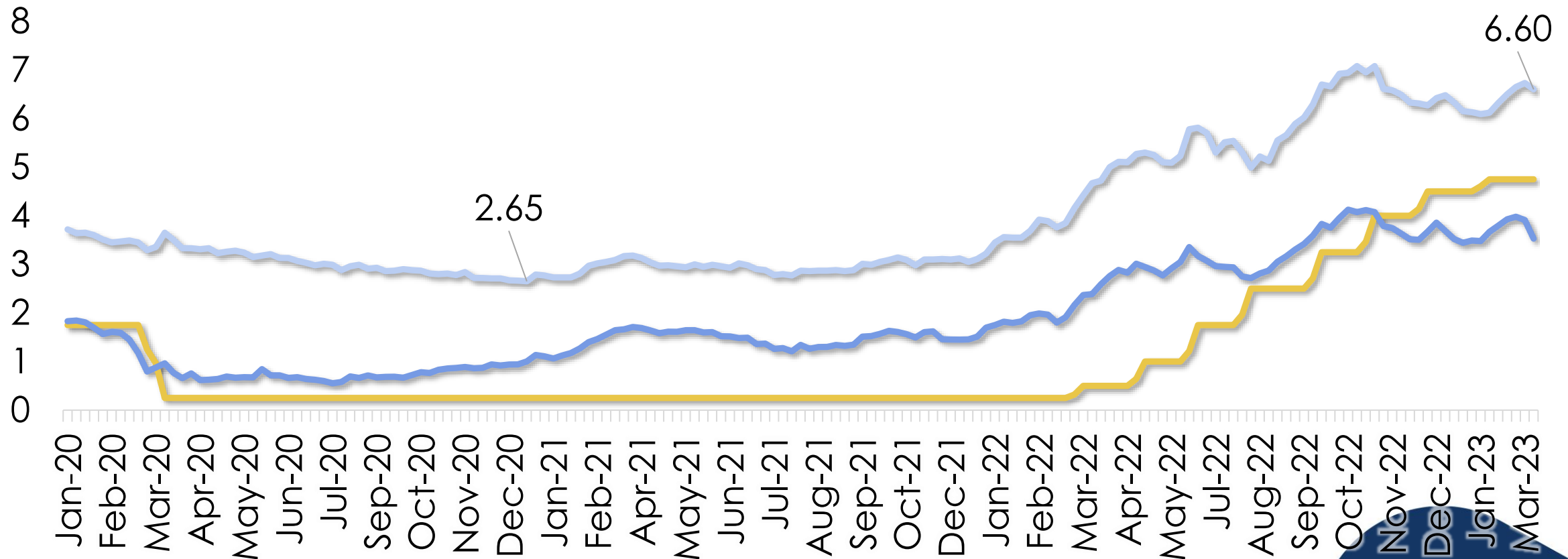
U.S. Yield Curve (10yr. - 2yr.)



Rates broke 7% again, but back down again after SVB

Key Interest Rates

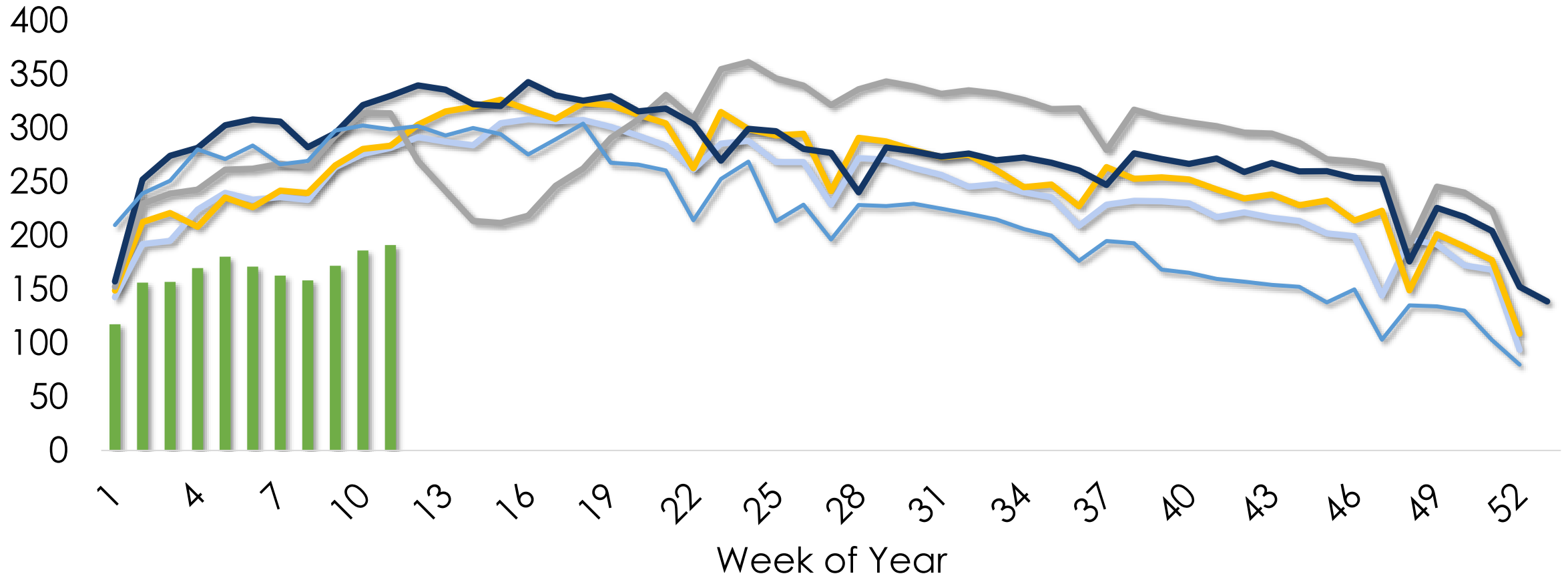
— Fed. Funds Target — 10-Yr Treasury — 30-Yr FRM



Demand becoming less of a concern despite rates

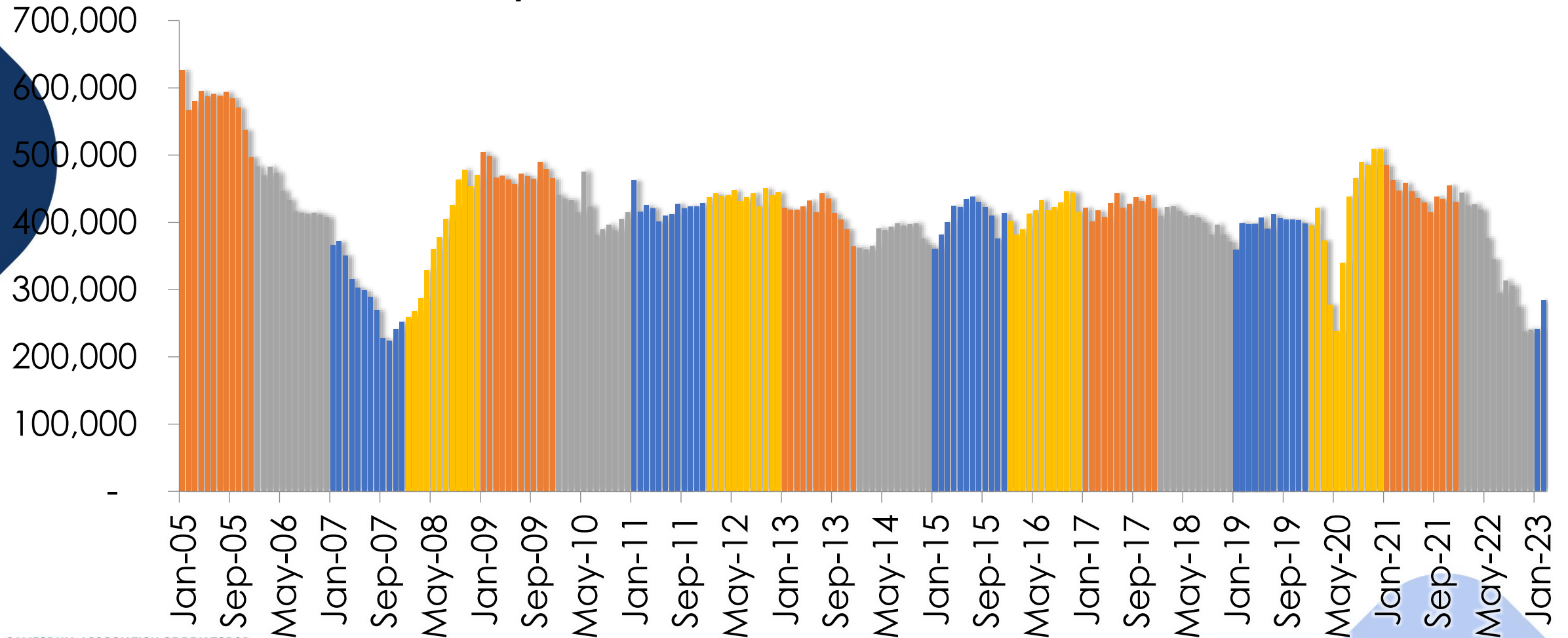
Mortgage Purchase Applications Index

■ 2023 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022



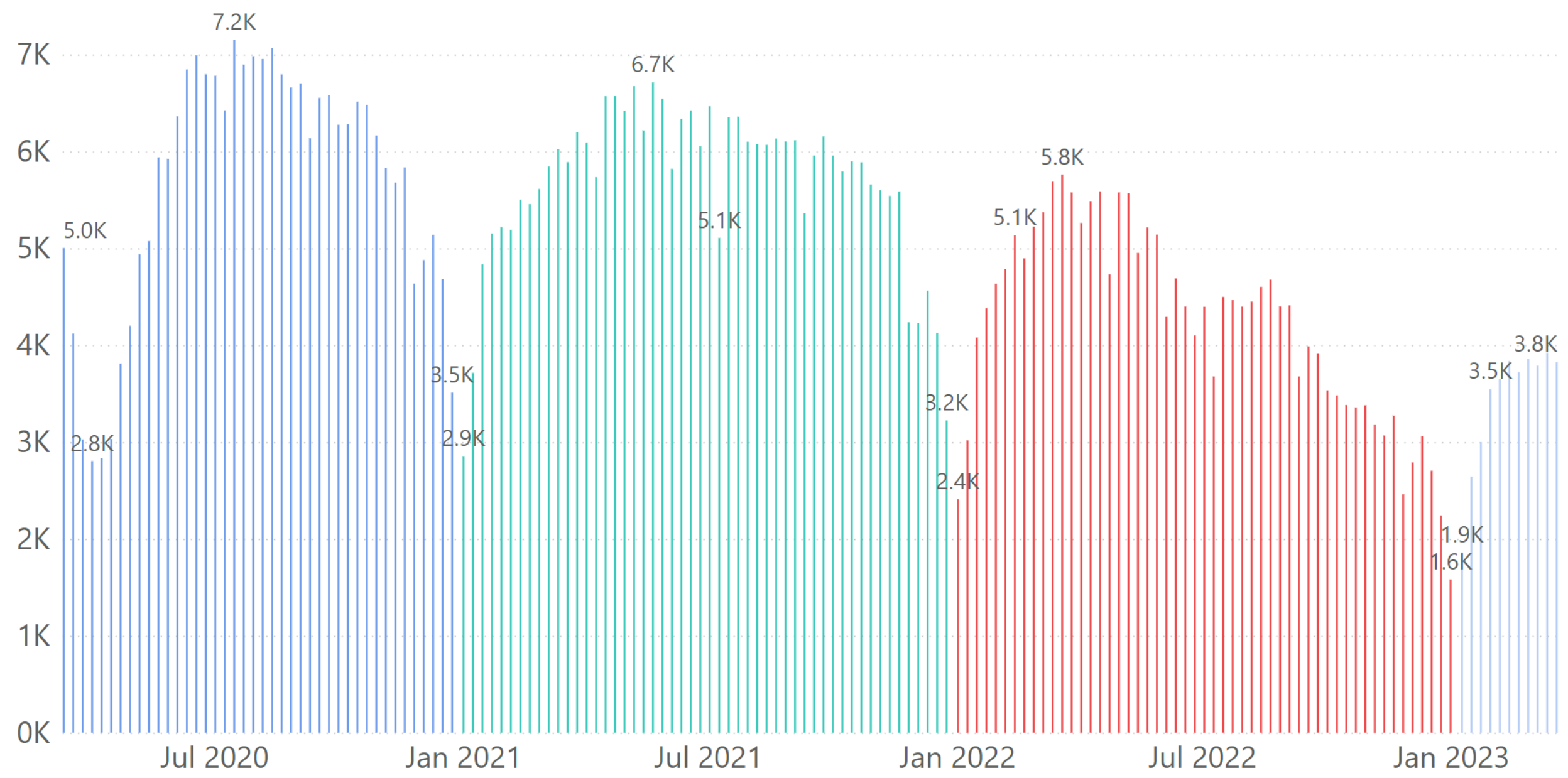
Sales perk up amidst mortgage rates reprieve

California, February 2023 Sales: 284,010 Units, **-33.2%** YTY, **+17.6%** MTM

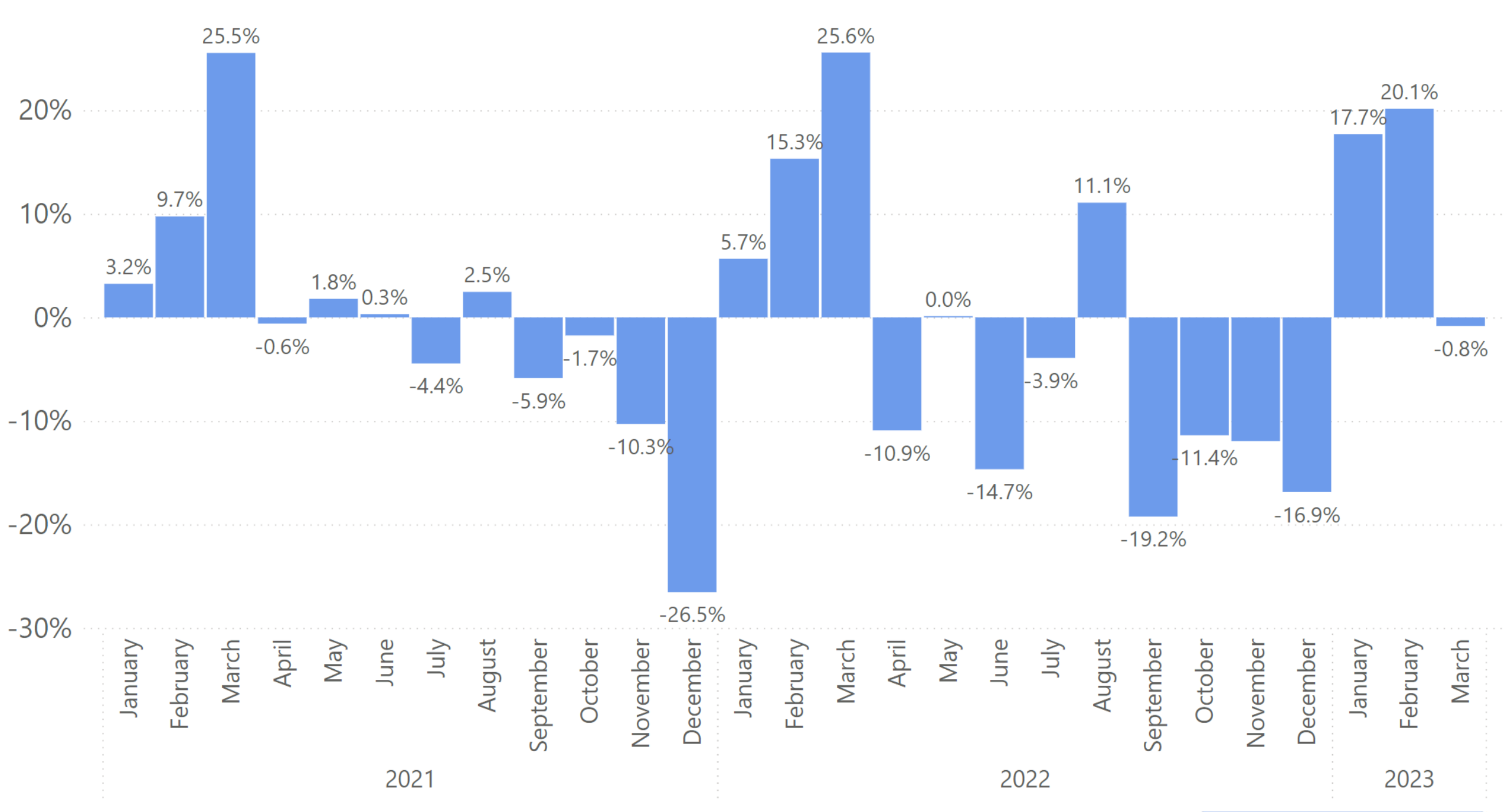


Existing SFR Pending Sales

Year ● 2020 ● 2021 ● 2022 ● 2023

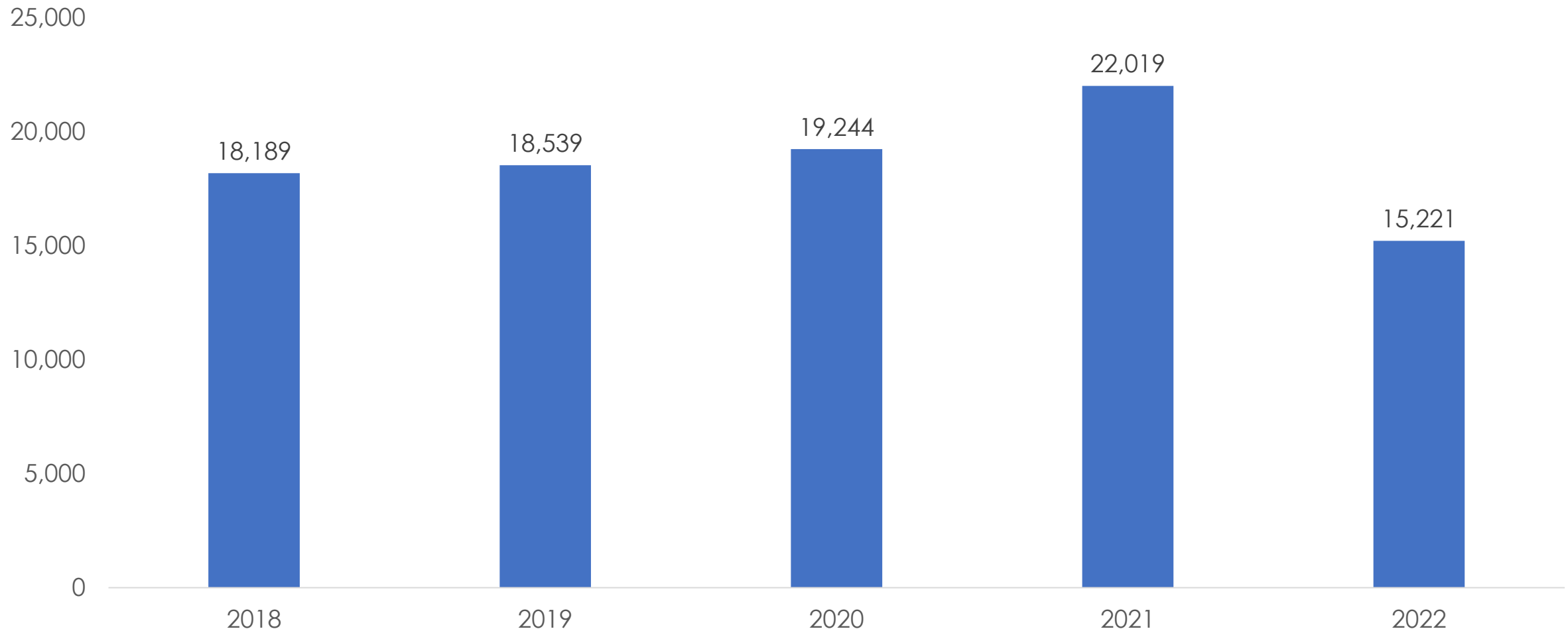


Month-to-Month Existing SFR Pending Sales Growth (Month-to-Date for Current Month)



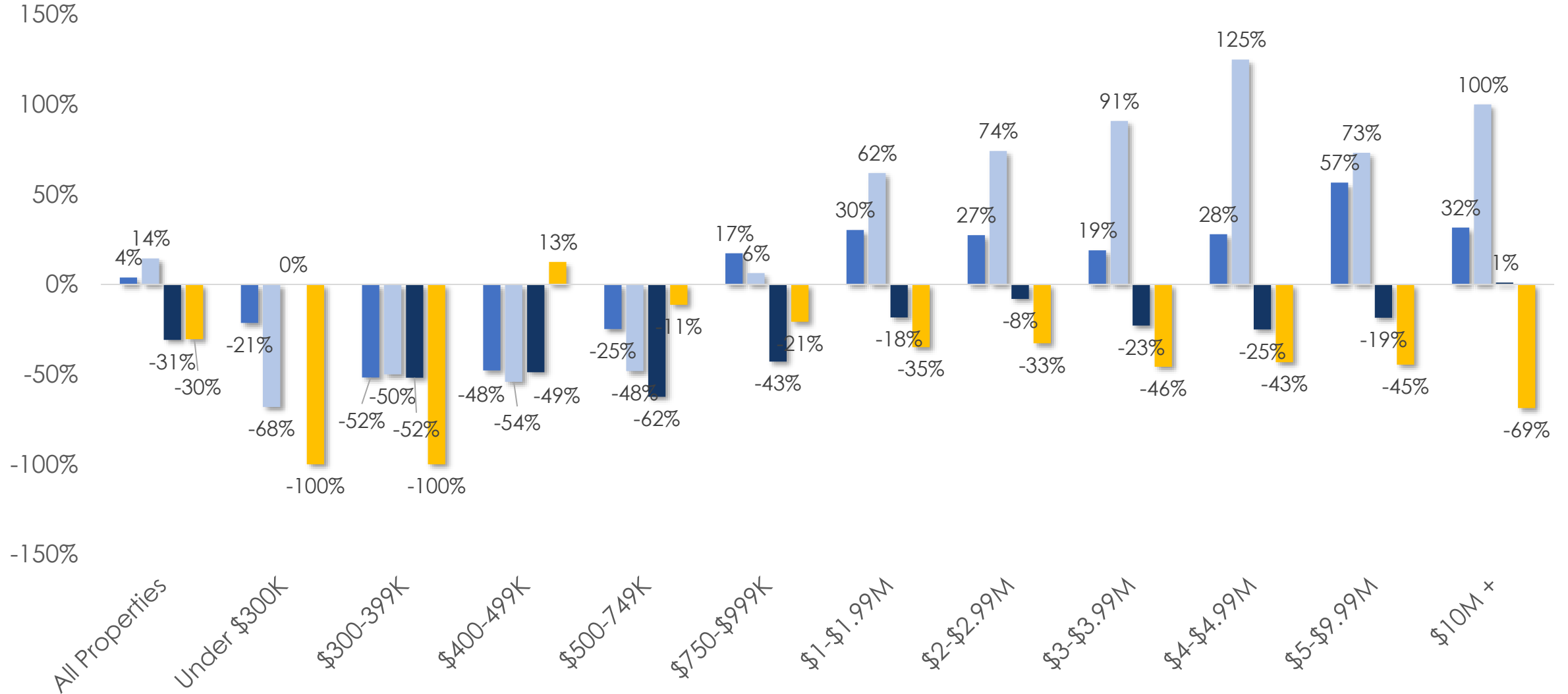
Similar drop below pre-pandemic levels locally

Orange County Existing SFR Sales



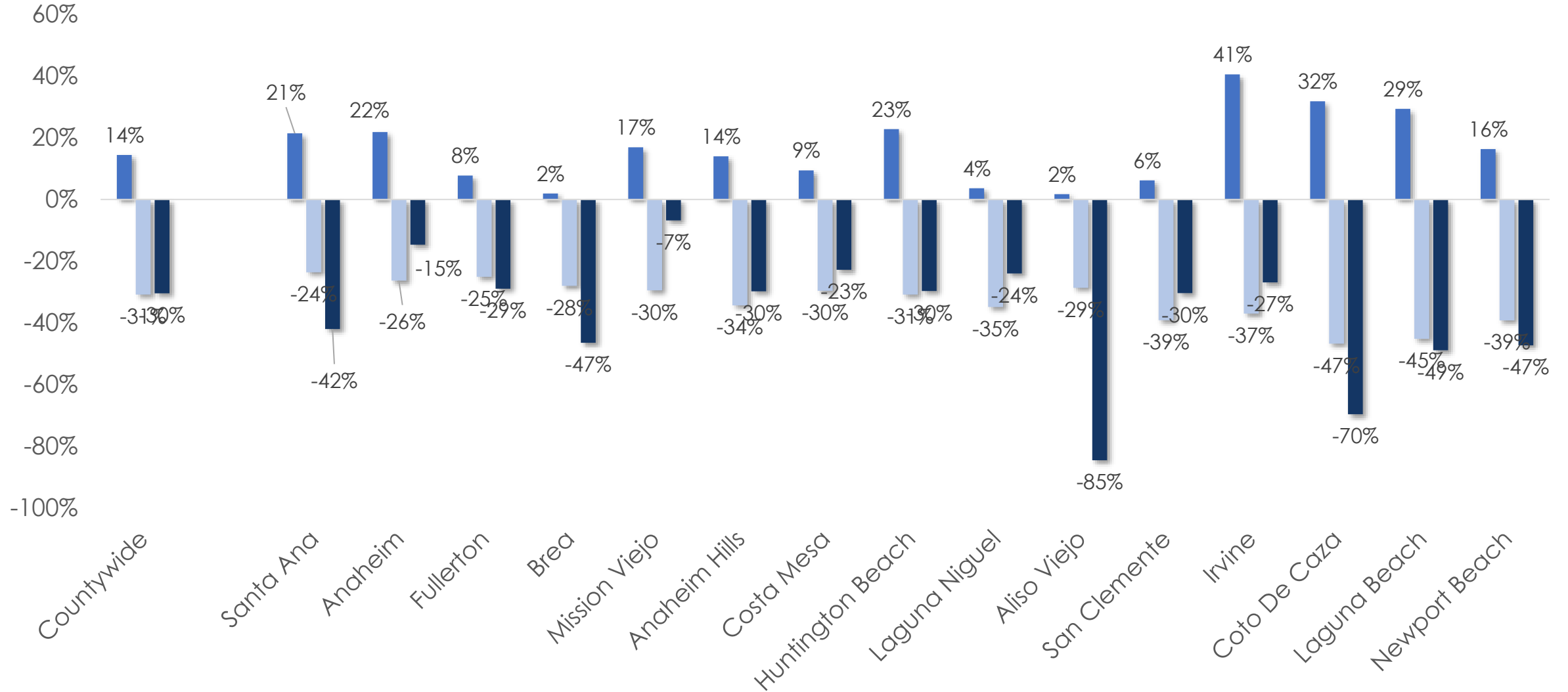
Orange County Existing SFR Sales

■ 2020 ■ 2021 ■ 2022 ■ 2023 YTD



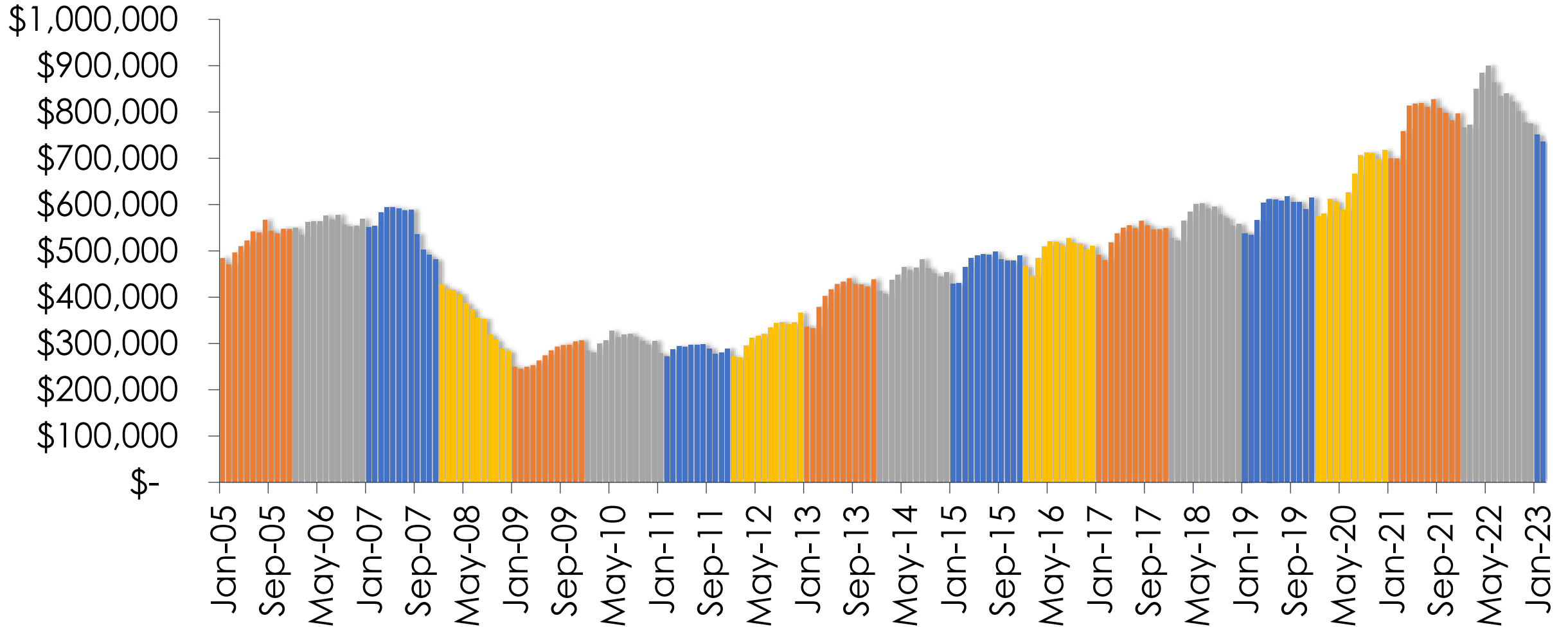
Orange County Existing SFR Sales

■ 2021 ■ 2022 ■ 2023 YTD

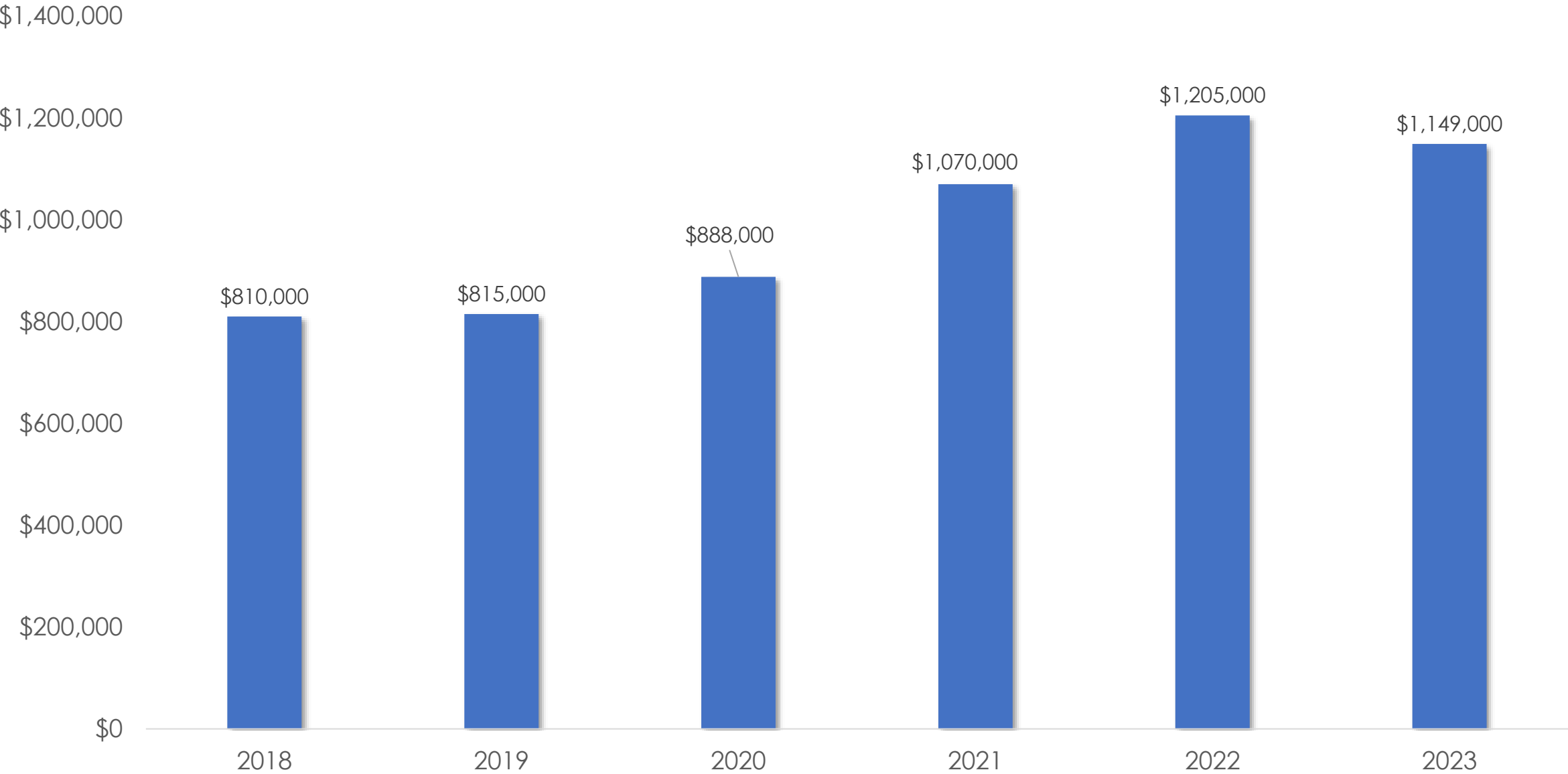


California median home price softens

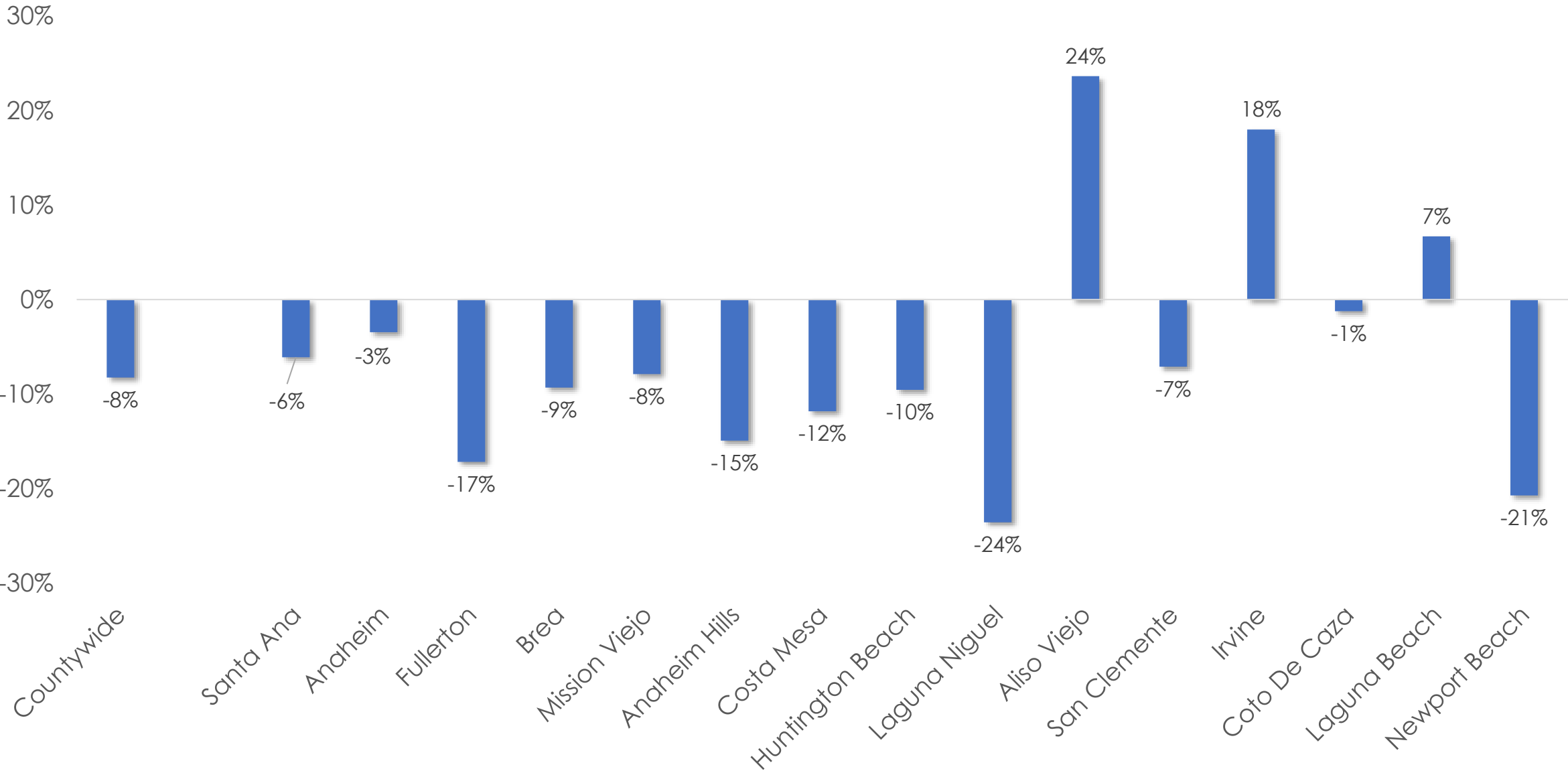
California, February 2023: \$735,480, -2.1% MTM, -4.8% YTY



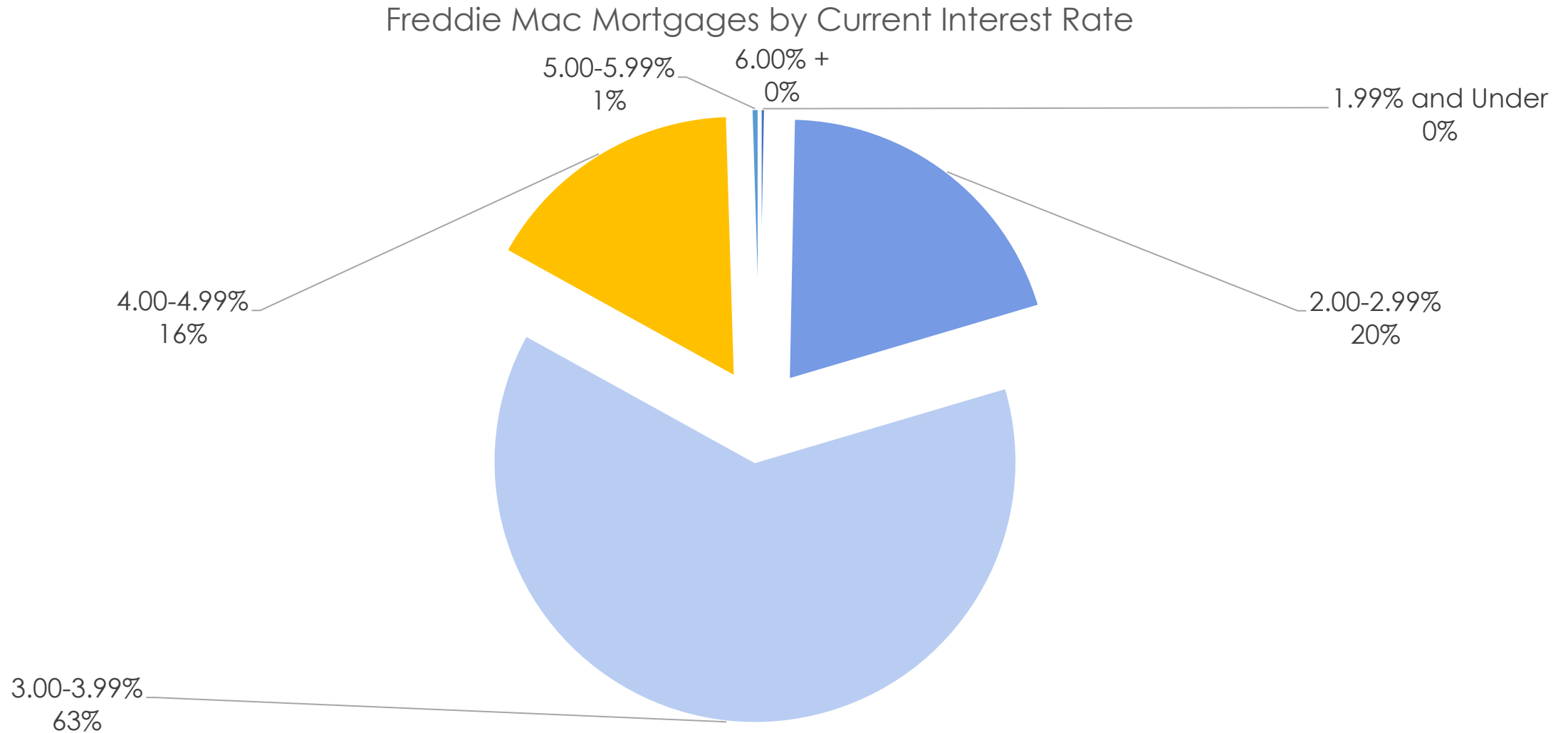
Orange County Existing SFR Median Prices



Orange County Existing SFR Median Prices

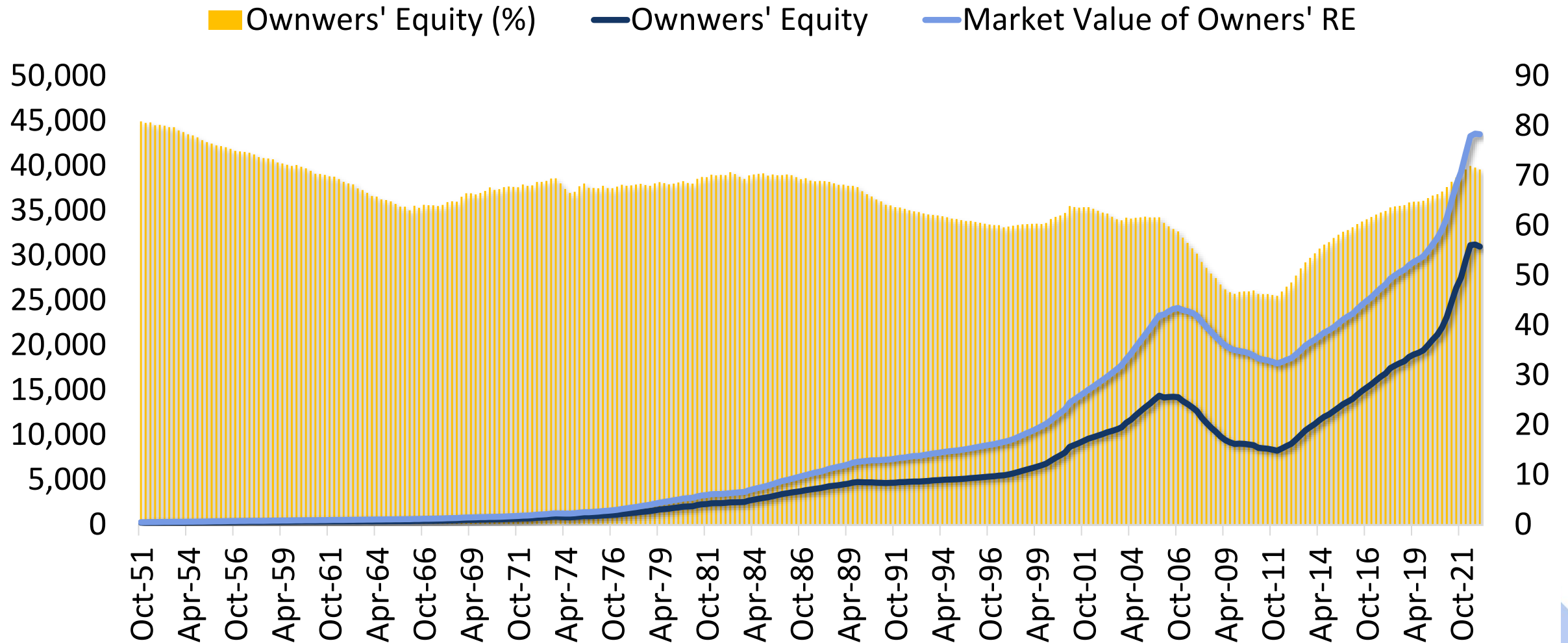


Lock in effect is alive and well, unfortunately

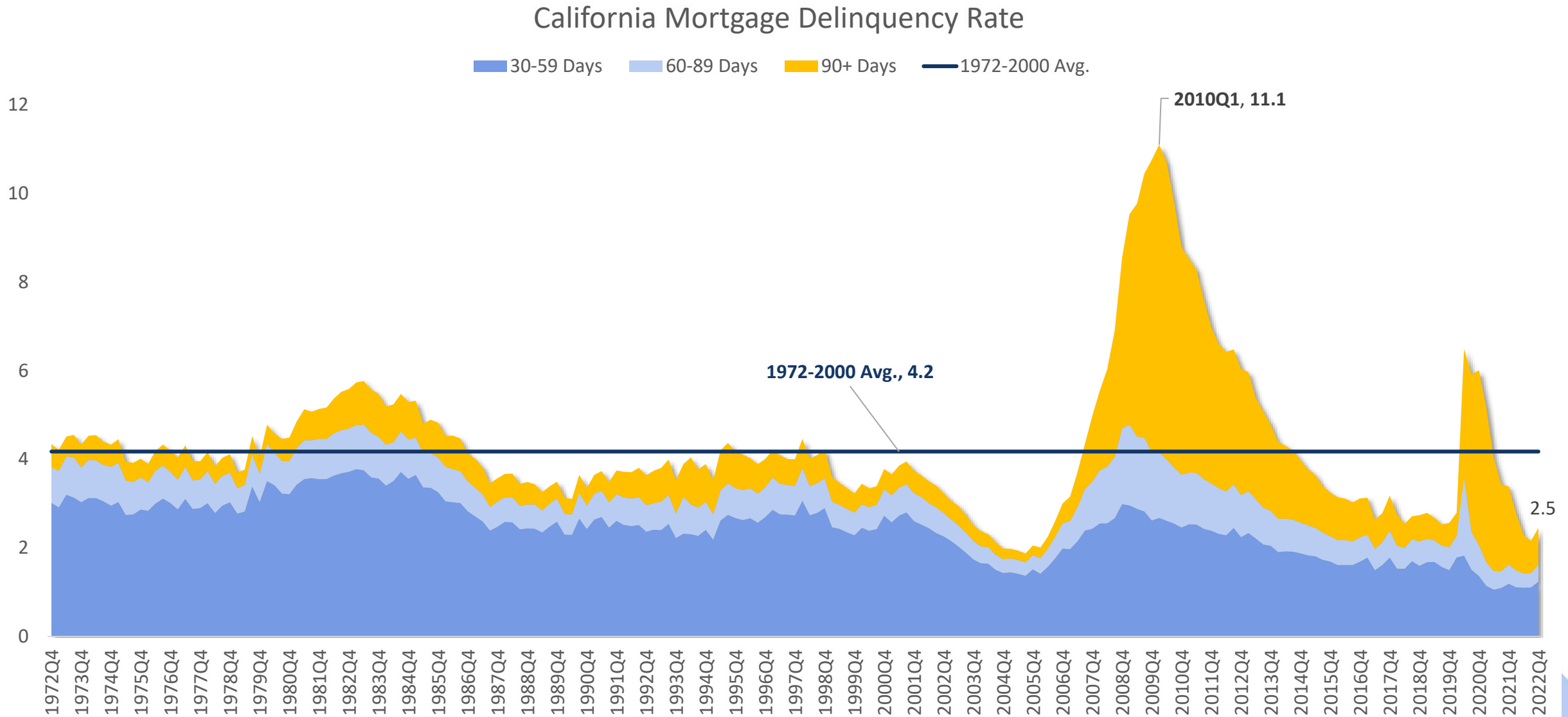


Homeowner equity still at an all-time high

U.S. Homeowners' Equity

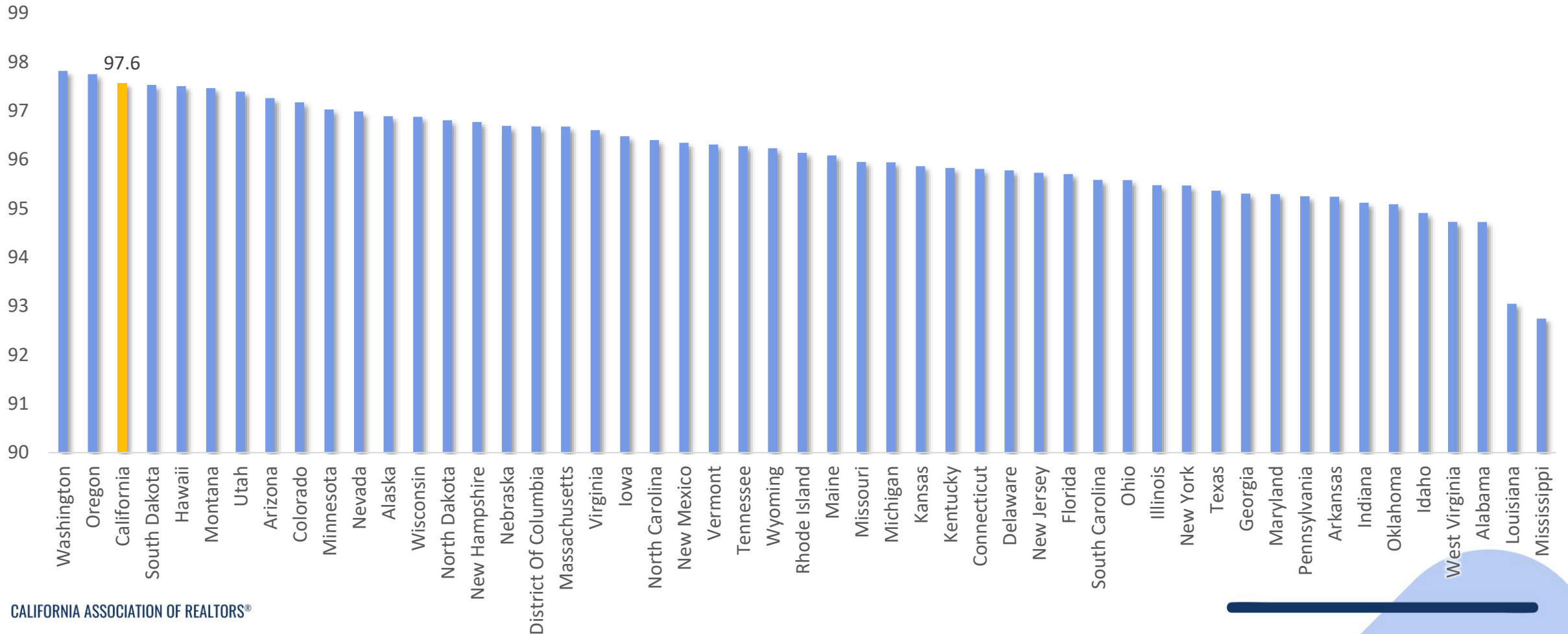


Delinquency up slightly, but way below historic norms



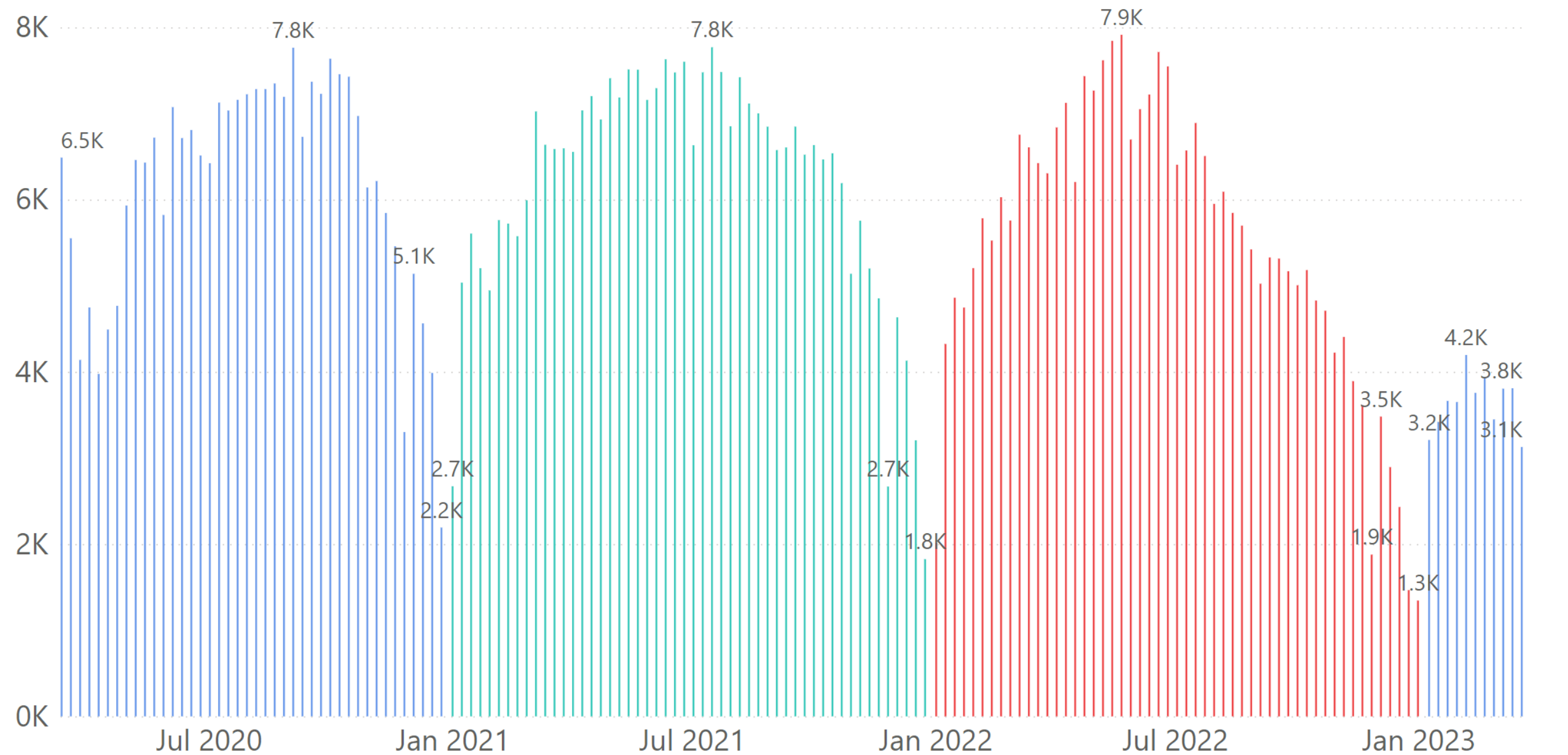
3rd Lowest delinquency rate in the nation

Mortgage Delinquency by State
(% of Mortgages Current, 2022Q4)



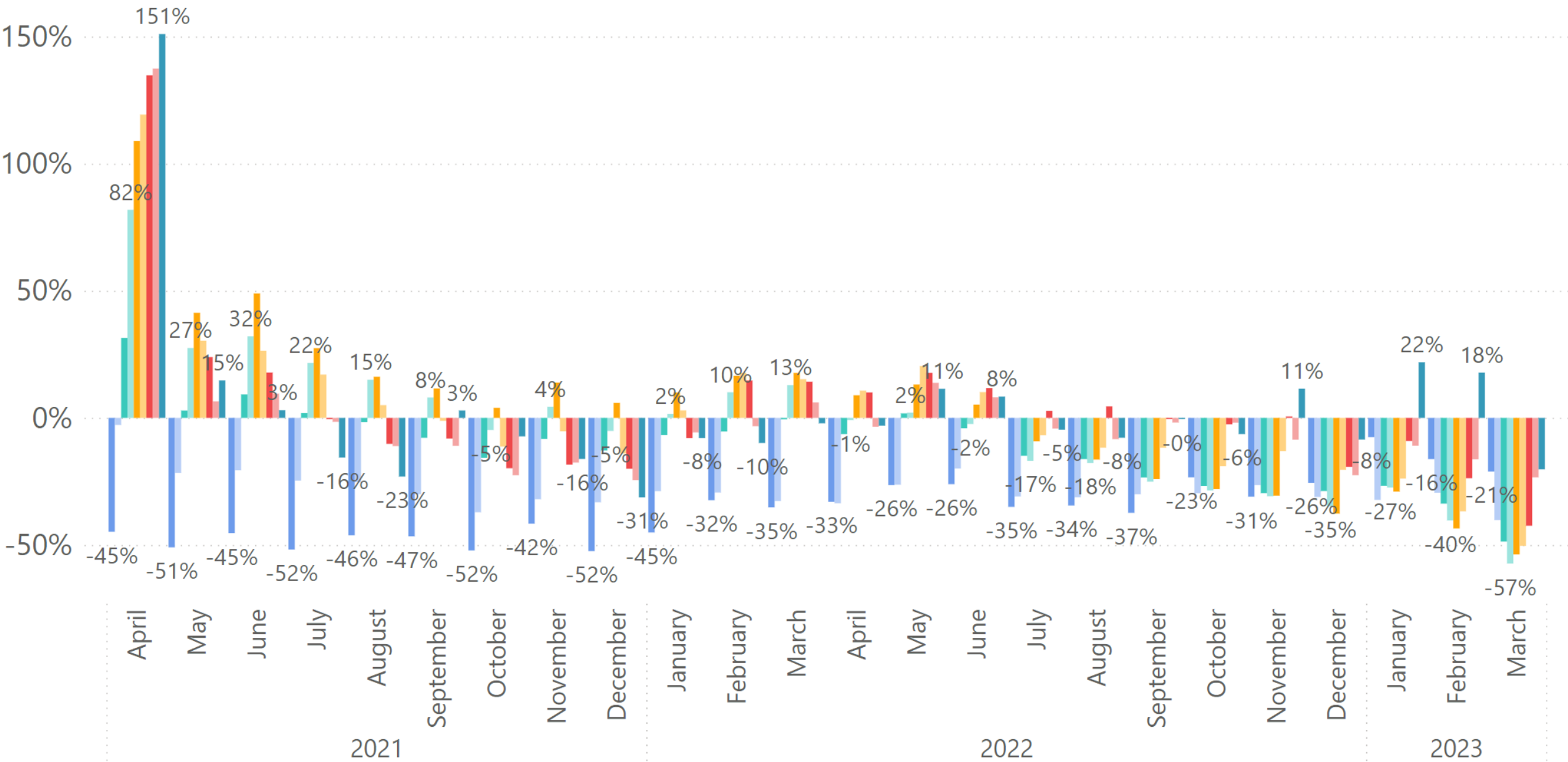
New Existing SFR Listings Added to MLSs

Year ● 2020 ● 2021 ● 2022 ● 2023



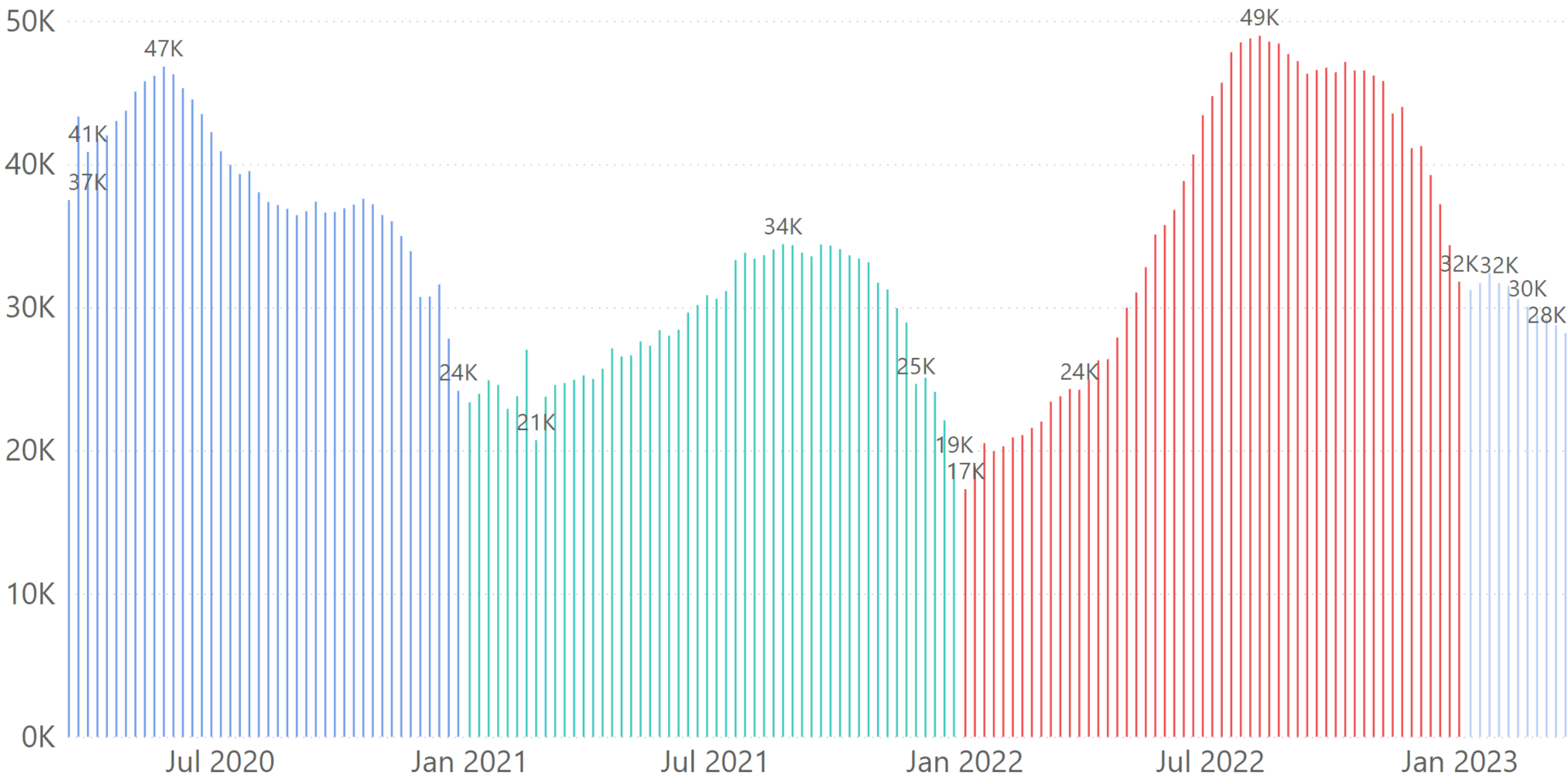
Year-to-Year Existing SFR New Listings Growth (Month-to-Date for Current Month)

● < \$200K ● \$200-\$399K ● \$400-\$599K ● \$600-\$799K ● \$800-\$999K ● \$1-\$1.99M ● \$2-\$2.99M ● \$3-\$4.99M ● \$5M +

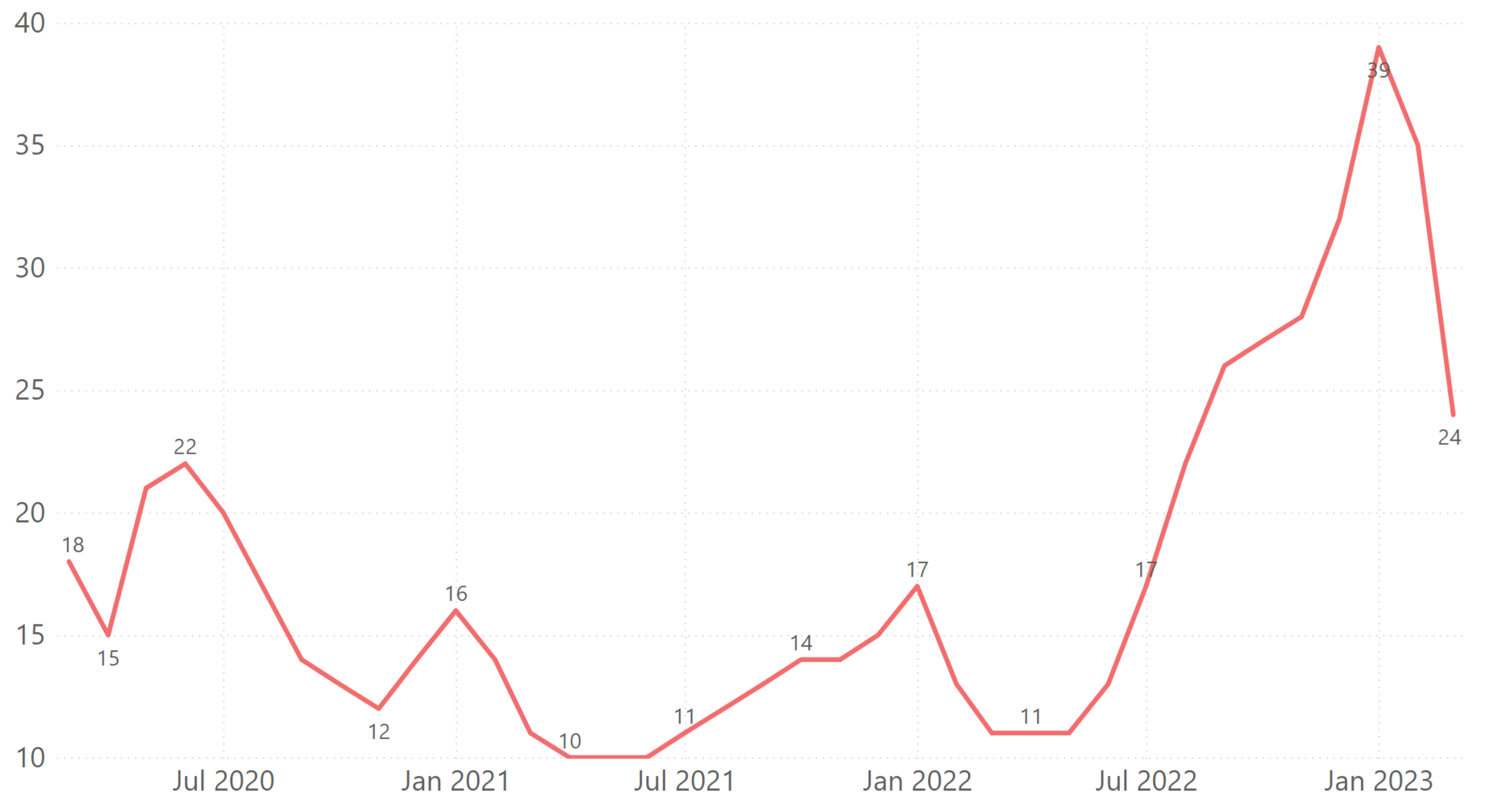


Existing SFR Active Listings

Year ● 2020 ● 2021 ● 2022 ● 2023



Median Days on Market for Closed Sales (Month-to-Date for Current Month)



U.S. economic outlook

	2016	2017	2018	2019	2020	2021	2022p	2023f
US GDP	1.6%	2.3%	3.0%	2.2%	-3.5%	5.7%	0.9%	-0.5%
Nonfarm Job Growth	1.8%	1.6%	1.6%	1.3%	-5.7%	2.8%	3.4%	-0.5%
Unemployment	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.7%	4.4%
CPI	1.4%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.4%
Real Disposable Income, % Change	2.7%	2.9%	4.0%	2.9%	5.8%	2.2%	-5.4%	0.2%

California economic outlook

	2016	2017	2018	2019	2020	2021	2022p	2023f
Nonfarm Job Growth	2.3%	2.1%	2.1%	1.5%	-6.9%	3.2%	4.9%	1.0%
Unemployment	5.5%	4.8%	4.3%	4.1%	10.3%	7.4%	4.4%	4.7%
CA Population (Million)	39.4	39.5	39.6	39.6	39.5	39.5	39.5	39.5
Population Growth	0.6%	0.4%	0.2%	0.1%	-0.5%	-0.1%	0.0%	0.0%

California housing market outlook

	2015	2016	2017	2018	2019	2020	2021	2022	2023p
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	444.5	342.0	286.6
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	3.5%	7.9%	-23.1%	-16.2%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$786.8	\$822.3	\$755.6
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.3%	19.3%	4.5%	-8.1%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	26%	19%	18%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	5.3%	6.6%

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Thank You