

It's been a few months since we were last together... Let's see what has happened since that time... and see what C.A.R., your Trade organization, needs to be focused on this year and next:

1. We have Consumer Confidence down with a surging Covid Delta Variant leading to who knows what... this presents unknown challenges on how this might impact future housing demand in California.
2. After 18 strong months of activity, we faced a slowing sales market in August and September and are trying to decide is this really the long expected "buyer pushback/ buyer fatigue" or did everyone in the State just simply go on vacation at the same time...?
3. Weekly Mortgage Applications nationwide for new home purchases posted their 20th consecutive year-to-year decline, and this critical metric of demand fell by double digits again as well. Despite stable interest rates and slightly less market competition, buyers have yet to re-enter the market in significant numbers.
4. We still have a dysfunctional Rent relief program with potential for an extended Eviction moratorium with only \$526 million of \$5.2 billion getting into the hands of just 44,000 out of 807,000 California households that are behind on their rent... Projections now show that there is over \$3.5 billion in back rent owed to desperate California housing providers...
5. We had the "Recall Newsom" campaign that cost California \$276 million... Will we have the same Governor in 2022 Or will we be back to the drawing board with someone new in this office next year who will have a different set of Housing Policies?
6. We have the DOJ / NAR Lawsuits and the resulting potential commission compression / decoupling that will likely be the end result. Learning to navigate these possible changes will be challenging for our members.
7. We now have the "Budget Reconciliation Package" moving through Congress so we can figure out how we will pay for the potential \$3.5 trillion infrastructure package. Are 1031 exchanges and repealing the "step up in basis" on the chopping block?
8. We have Fire Insurance challenges coming again as we survive yet another fire season. Insurers are trying to flee fire-prone areas and experts are predicting that some premiums may increase 5-fold in the very near future...

9. We have drought conditions throughout the state threatening to derail any-and-all new housing construction being planned as the shortage of water resources hits epic levels...
10. We will build 119,636 new homes this year which is just 66% of the projected annual need for new construction in the state. It will be the 29th year out of the past 34 years that we fall short of the construction levels the state must have to house its residents. It's no wonder that we have the housing crisis we have.
11. We set a new all-time high median sales price of \$827,940 statewide (up from \$706,900 last August) while SCC, where I live, we had a median SP of \$1,750,000 in June before backing off to \$1,665,000 in August putting homeownership out of reach for many Californians. In fact, only 17% of Buyers say that this is a good time to buy a home... (31% said so last year at this same time!)
12. Wire fraud is getting worse. The Internet Crime Complaint Center reports that Title Companies, Realtors and our clients are still prime targets, and ultimately victims, of wire fraud with losses over \$220 million reported in real estate transactions through August 2020, which is a 13% increase from the same period in 2019.
13. Due to the market pressures up and down the State, Buyers are drafting "non-contingent purchase contracts" to be competitive with their offers. Unfortunately, when these Buyers breach their non-contingent purchase contracts, we are seeing Seller's enforcing their "claims for earnest money deposits" like never before, (in my humble opinion).

On the plus side:

14. California continues to show signs of progress on the public health front with new coronavirus cases, hospitalizations, and deaths all trending downward. The state is currently averaging just over 6,100 new cases over the past week—half as many as at the end of August.
15. The GDP has returned to pre-pandemic levels... with 5.4% unemployment in August and 11 over million jobs available nationwide...
16. We have the California labor market continuing to recover having its second straight month of creating over 100,000 new jobs. (Leisure and Hospitality also battled back with over 33,000 of these new jobs!).

17. More on the Ca. Labor market: We lost almost 1,000,000 jobs in the Leisure and Hospitality sector – we have recovered over 60% of them! We've recovered 77% of the Retail/Trade jobs – 73% of the Education/Health Services jobs and 80% of the Construction jobs! California now has improved to 7.8% (down from the 10.3% peak) with projections for us to go down to 5.8% in 2022.
18. Hotel occupancy has rebounded from 24.5% in April 2020 to 66% in July 2021 as people start to travel again.
19. Rates for 30-year fixed-rate mortgages have been remarkably stable for the better part of the last two months. Last week, rates averaged an unbelievable 3.01%.
20. Home sales are up 21.3% YoY statewide with closed sales up 33.6% in the first half the year, on track for the most closed sales in California in over a decade.
21. First time home buyers are projected to represent 35.5% of our sales this year, which is very good news! It is just below the 37.2% long run average, but over 32% of them had more than a 20% down payment only 1.2% of them are buying with an adjustable-rate mortgage.
22. More than 62% of transactions that have closed thus far in September have closed above asking price, (but that number is down from a peak of more than 70% in June.) So the market has gone from “white hot” back to plain old boring “red hot”.
23. 19% of Californians who responded to C.A.R.'s monthly Consumer Housing Sentiment Survey and said that they thought September was a good time to purchase a home. That still represents less than 1 in 5 Californians, but it marks an improvement from the all-time low of just 17% a few months ago.
24. We have 79% of Sellers saying it is a good time to sell their CA home – this is not really surprising since we have a blazingly fast DOM of 9 days Statewide with our sellers receiving an average of 103% of their asking price!
25. We are in the “golden age of commissions” with residential commissions generated Nationwide being estimated to top \$100 billion in 2021.
26. The Governor has signed a number of C.A.R. supported housing bills, including SB 9 (Atkins), SB 10 (Wiener) and AB 1174 (Grayson) which will help tackle the State's housing supply crisis.

27. There is a possible SALT Cap repeal in the works...and it couldn't come at a better time since Californians have paid an additional \$11.2 billion in Federal taxes since this policy has been in place.
28. Earlier this year, C.A.R.'s impact litigation non-profit, **Californians for Homeownership** filed an amicus brief in a case with major implications for housing law in California. This month the California Court of Appeal issued its decision in the case, overturning the City of San Mateo's denial of an apartment project and affirming the constitutionality of the Housing Accountability Act. The Act is a critical tool for enhancing the housing supply throughout California, and this decision will help organizations like Californians for Homeownership fight for housing accountability statewide.
29. C.A.R. has started the "Unlocking California Politics" podcast featuring C.A.R. Senior VP, Sonjay Waglay, which takes a deep dive into how politics work in the State of California. The latest version is "An inside look at how Ca. Housing Policy is built".
30. Despite the surging COVID, we do not see a return of the dreaded PEAD forms! And of course, We have a New 16-page RPACA coming in December!