

2021-2022 Housing Market Outlook

Contra Costa Association of REALTORS®

October 13, 2021

Joel Singer
C.A.R. CEO



CALIFORNIA
ASSOCIATION
OF REALTORS®

Overview

- **Market Update**

- Demand has been robust with rates remaining low
- Home prices set new record highs
- Tight supply creates intense market competition

- **The Big Picture**

- The pandemic situation is improving
- Economic growth slows but still strong
- Tight labor market and inflation are challenges in the coming year

- **Outlook**

- Market will slow but remain solid in 2022
- Foreclosures will not be an issue
- Structural issues will remain





Market Update

California market snapshot:

Sales dipped but median price set a new record

August 2021

414,860 | Existing Home Sales
-10.9% YTY +21.3% YTD % change



Price

\$827,940
+17.1% Y2Y



Unsold
Inventory Index

1.9 months
-9.5% Y2Y



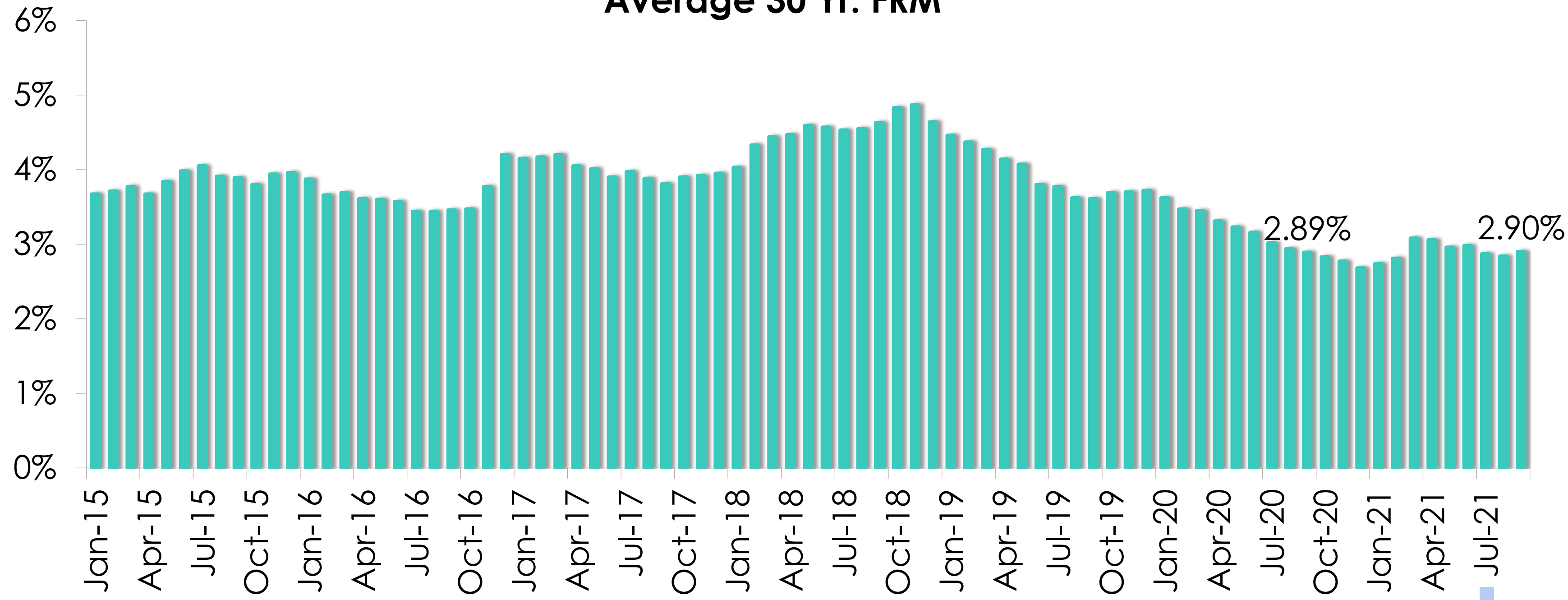
Median Days
on Market

9 days
-30.8% Y2Y



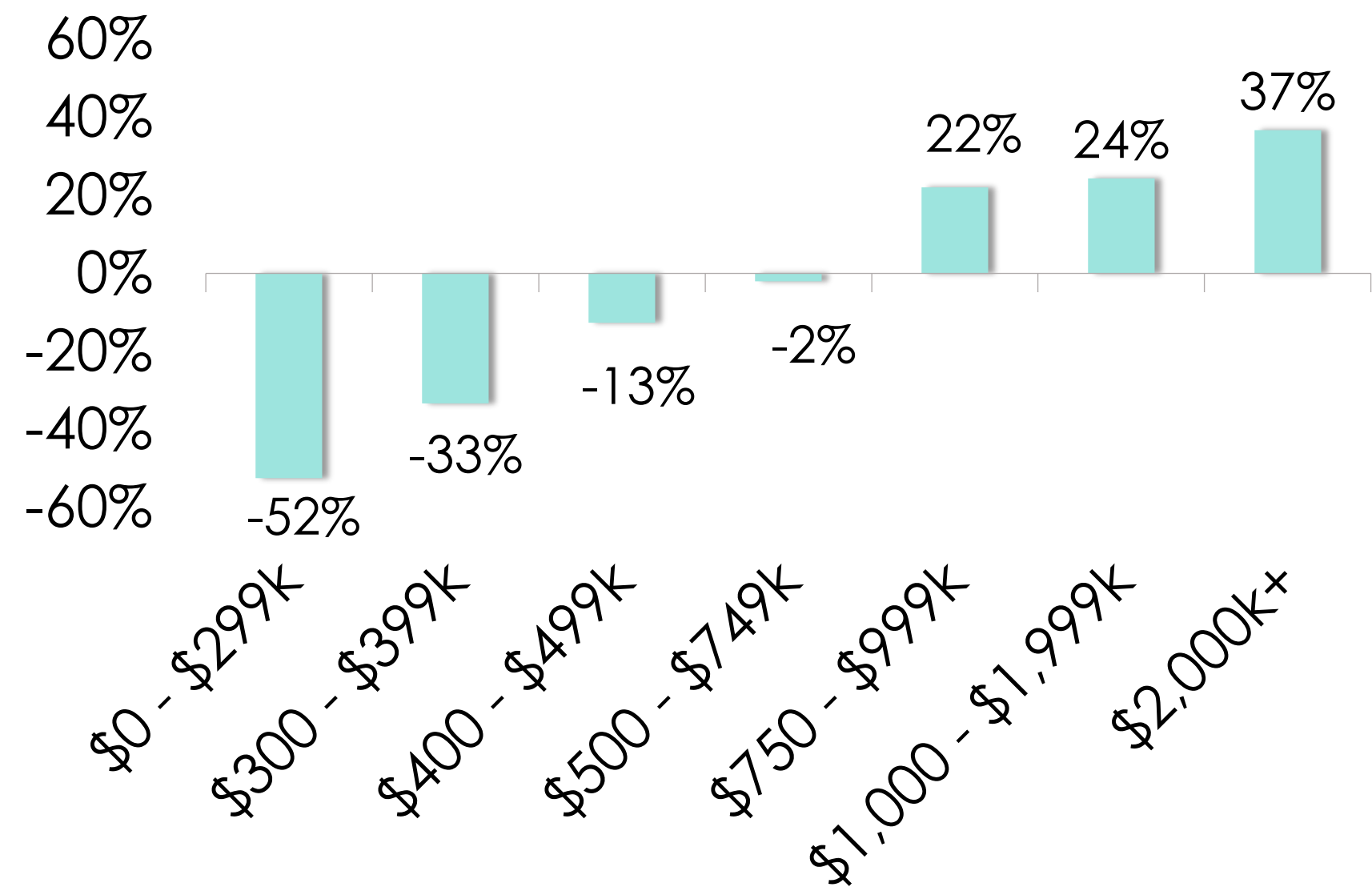
Low rates continue to motivate buyers

Average 30 Yr. FRM

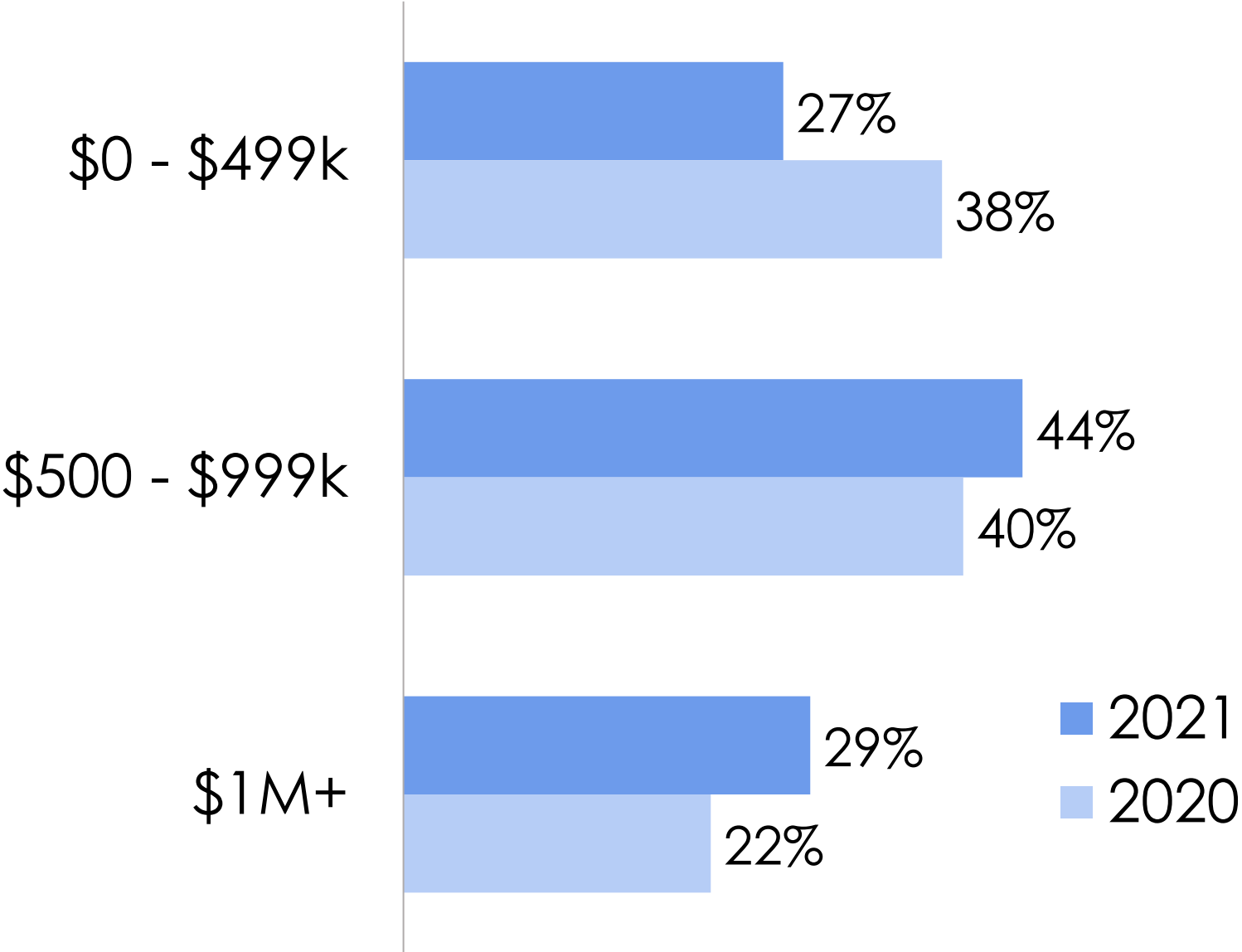


Sales in upper priced segments remain strong

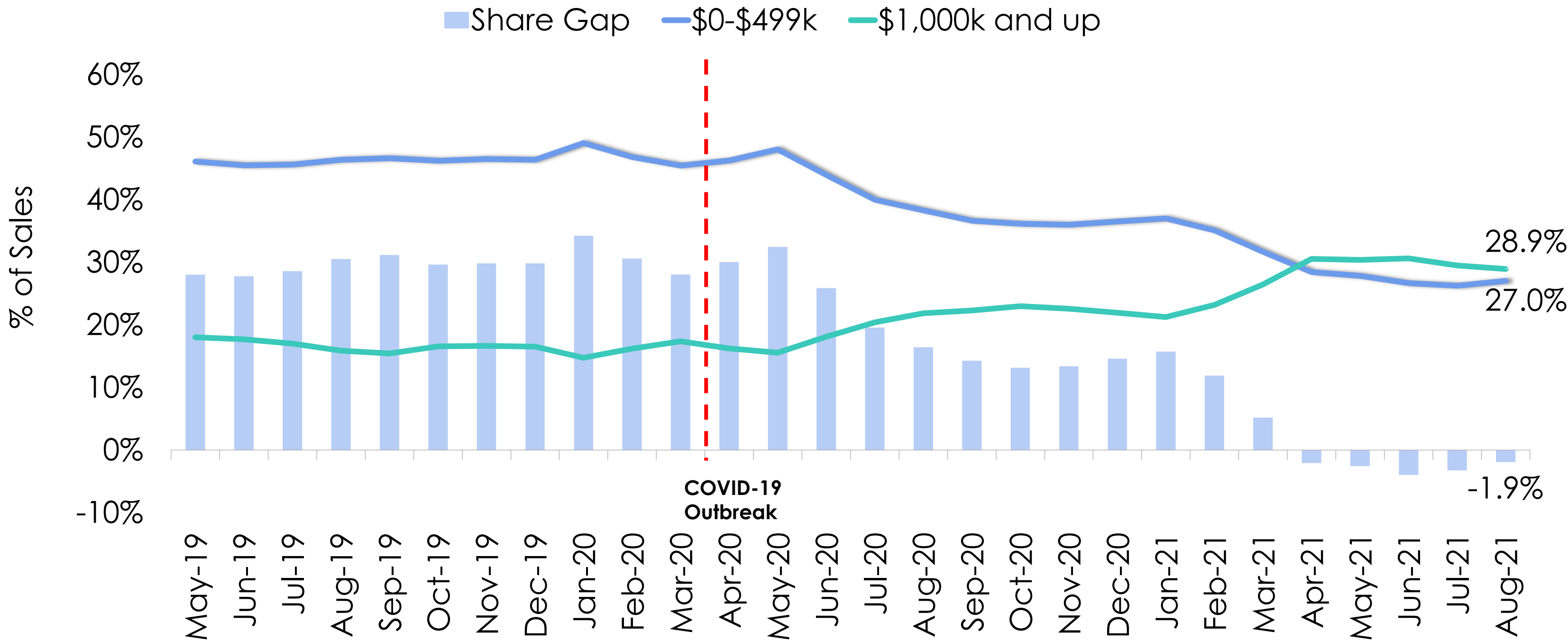
August 2021
(YTY% Chg.)



Share by Price Segment



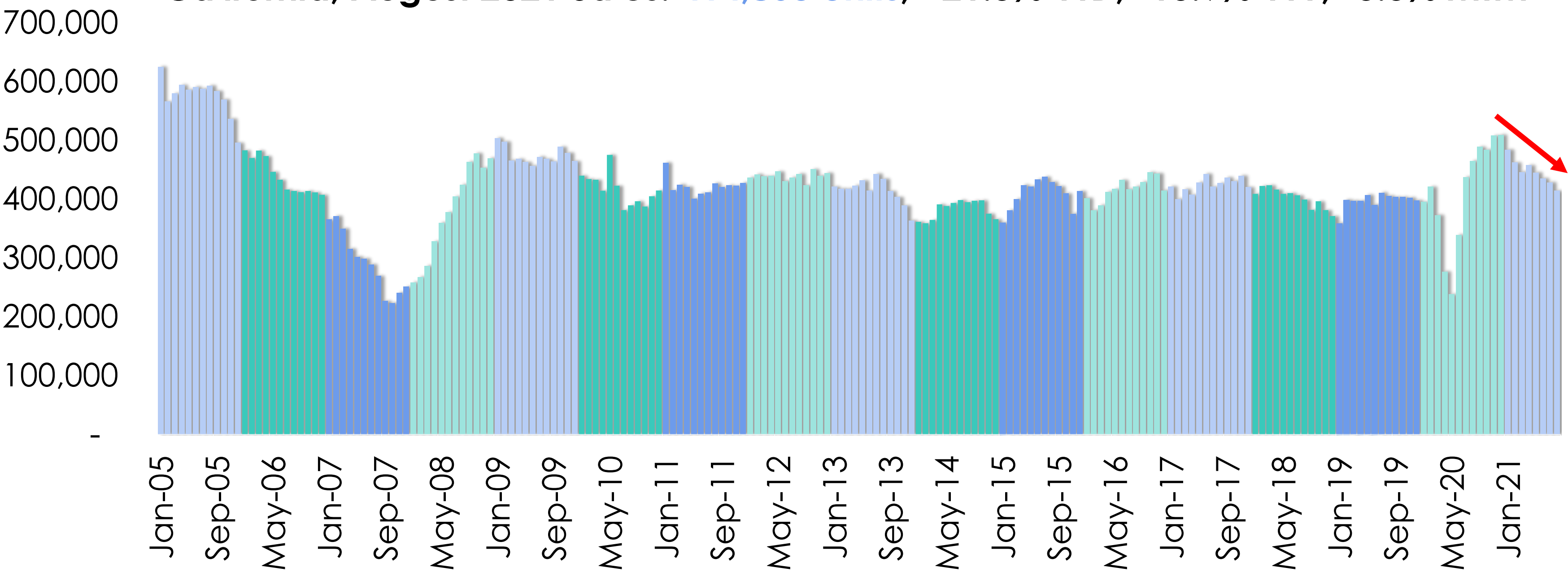
More sales of million-dollar homes than sub \$500k since April 2021



SERIES: Sales by Price Range
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

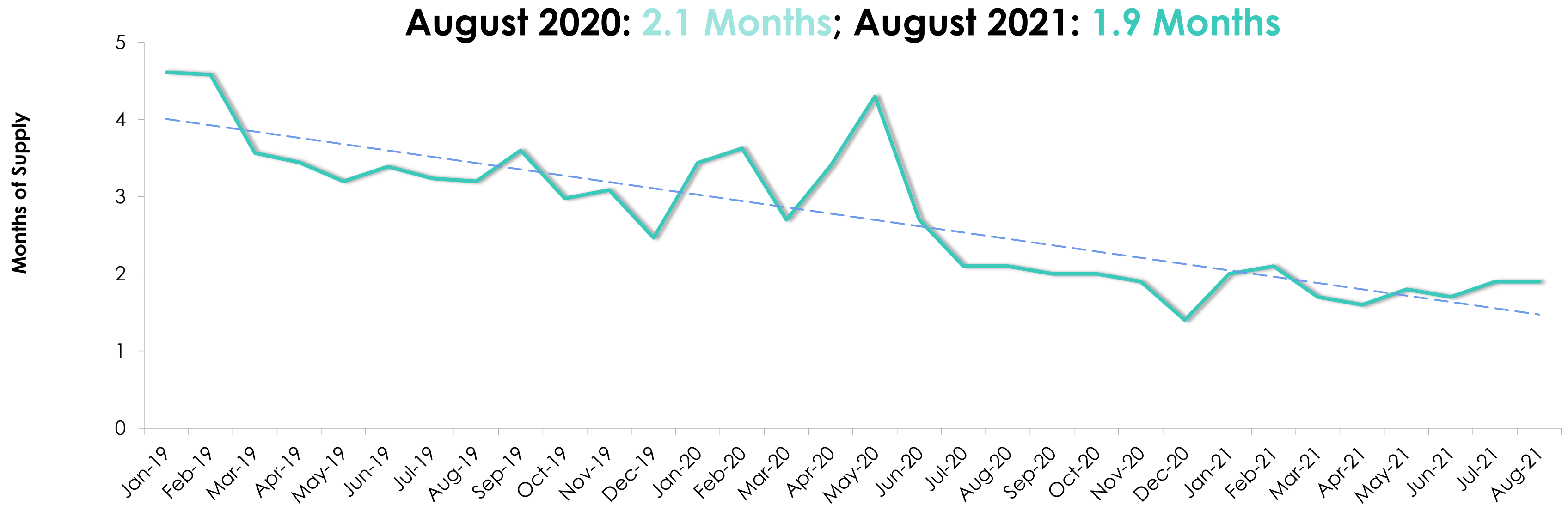
But momentum is slowing

California, August 2021 Sales: 414,860 Units, +21.3% YTD, -10.9% YTY, -3.3% MTM



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

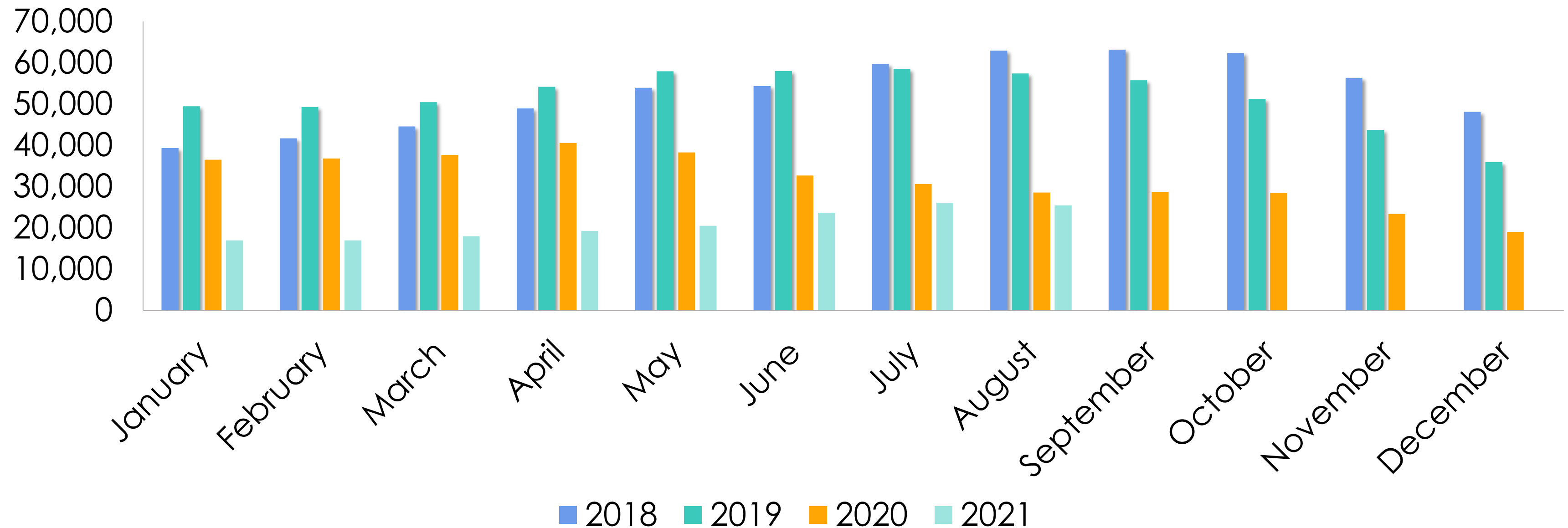
Tight supply is constraining sales



SERIES: Unsold Inventory Index of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

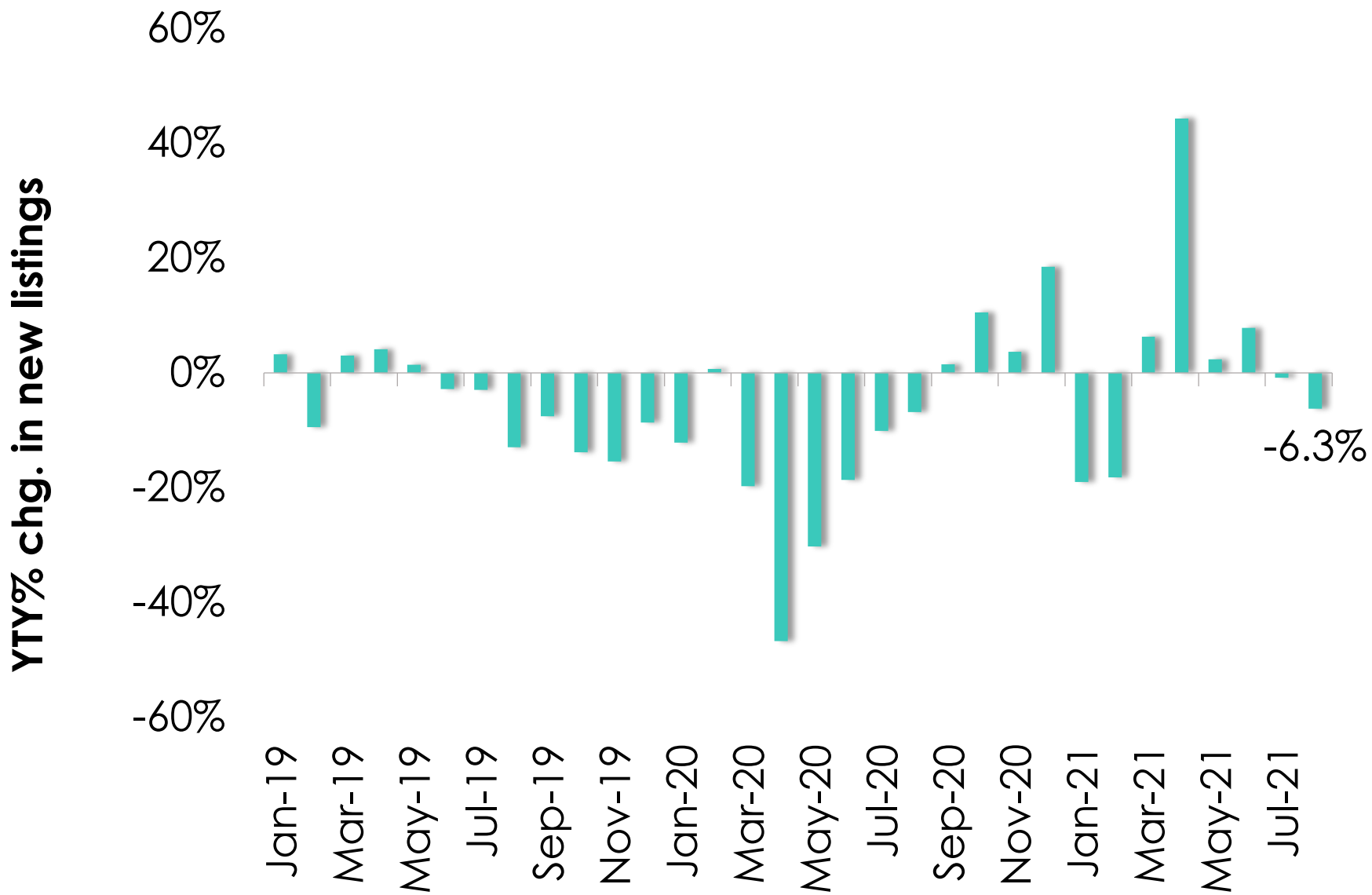
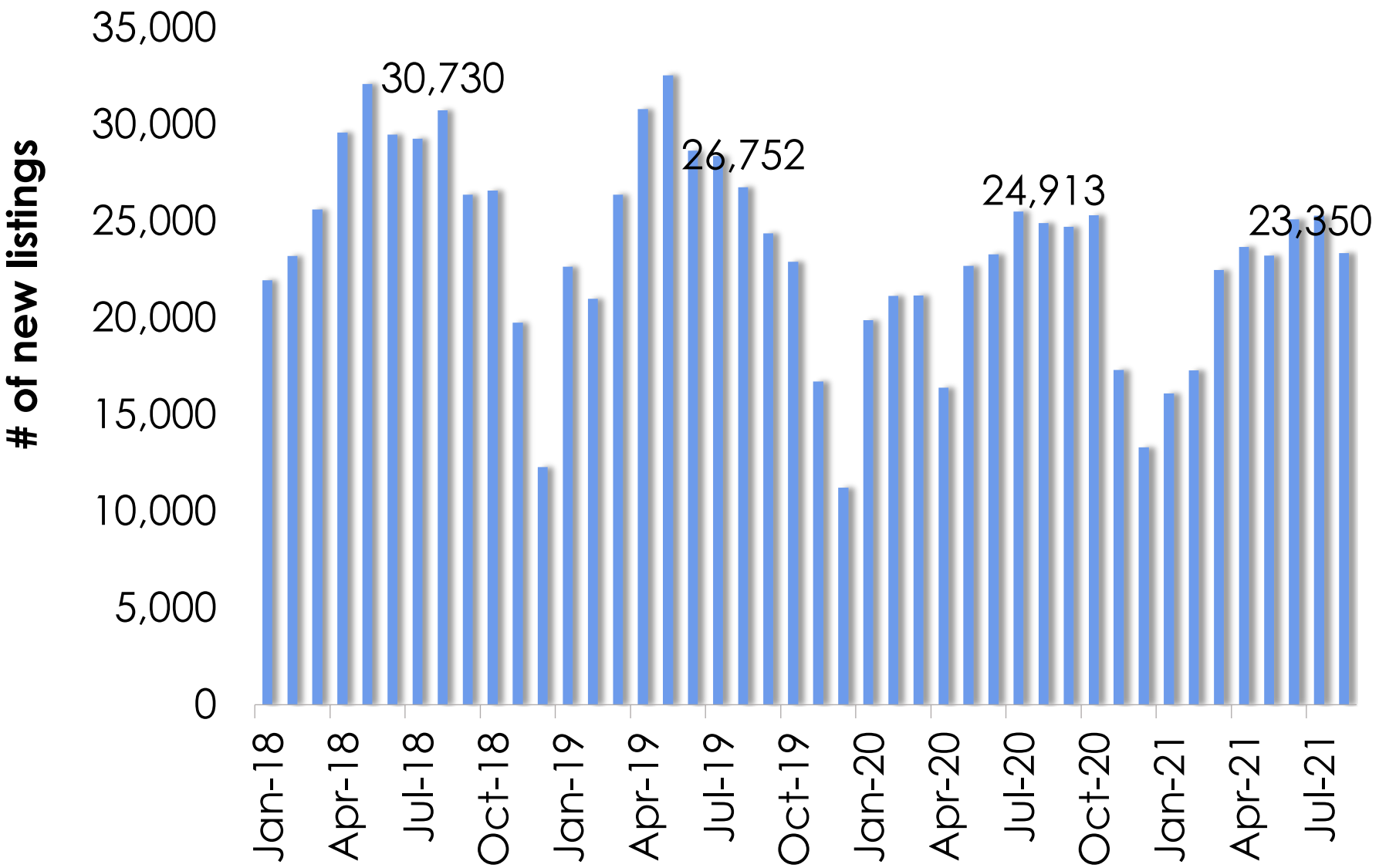
Active listings following seasonal pattern and leveling off

California Active Listings by Month

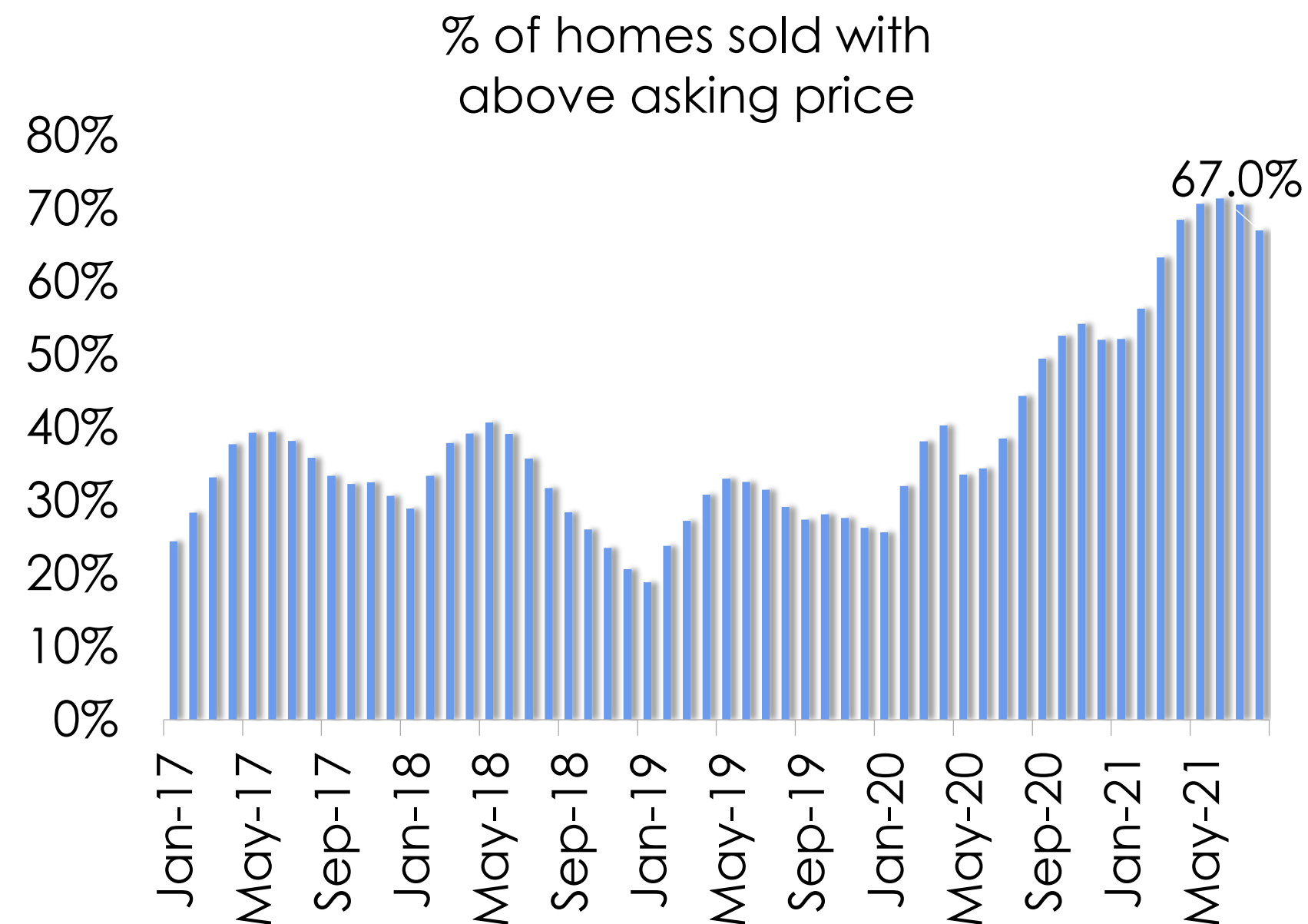
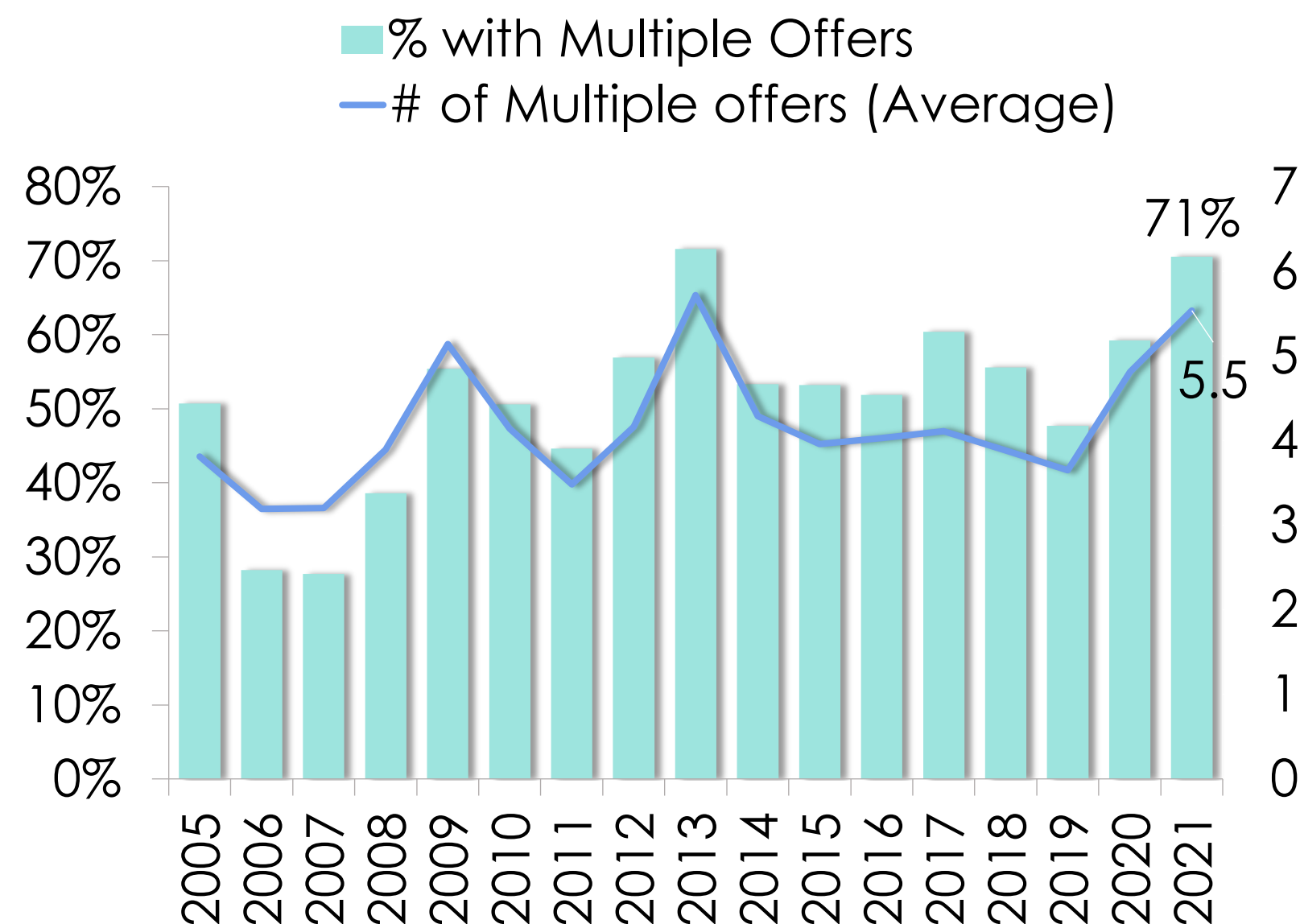


New listings did improve but dipped as the market entered off-season

New Listings (Existing Single-Family Homes)

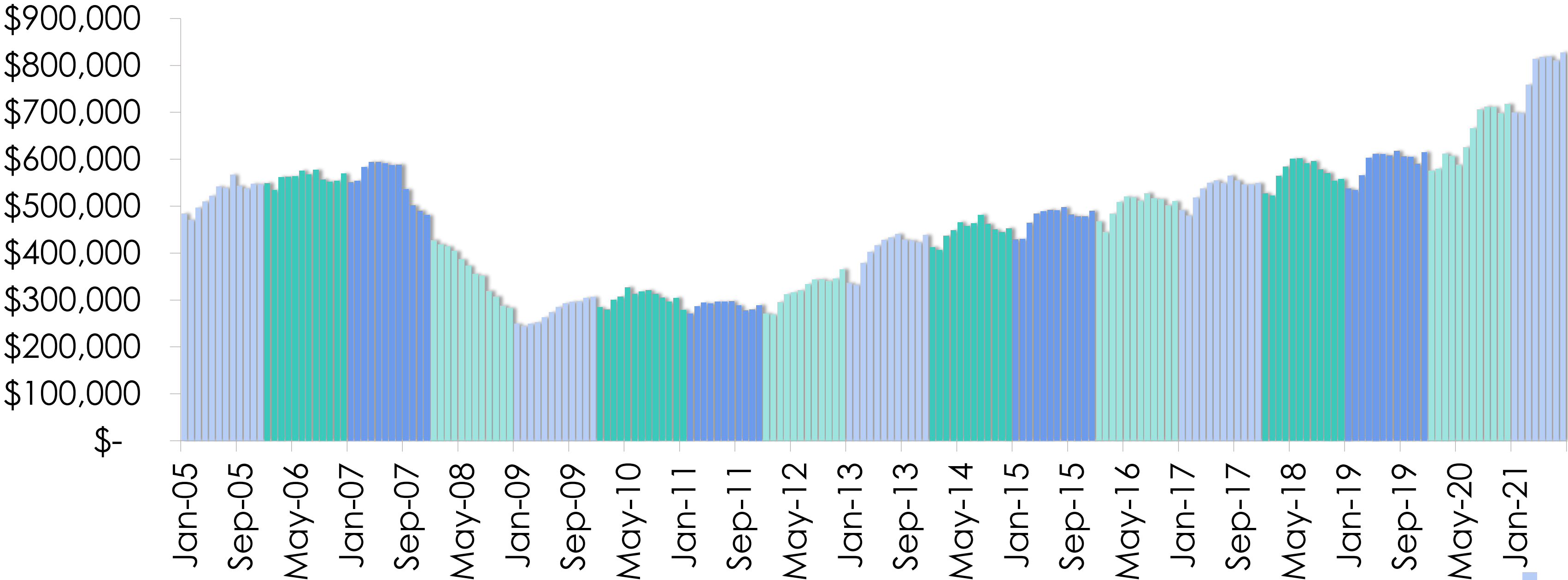


The market is the most competitive since 2013



Competition led to new record median price

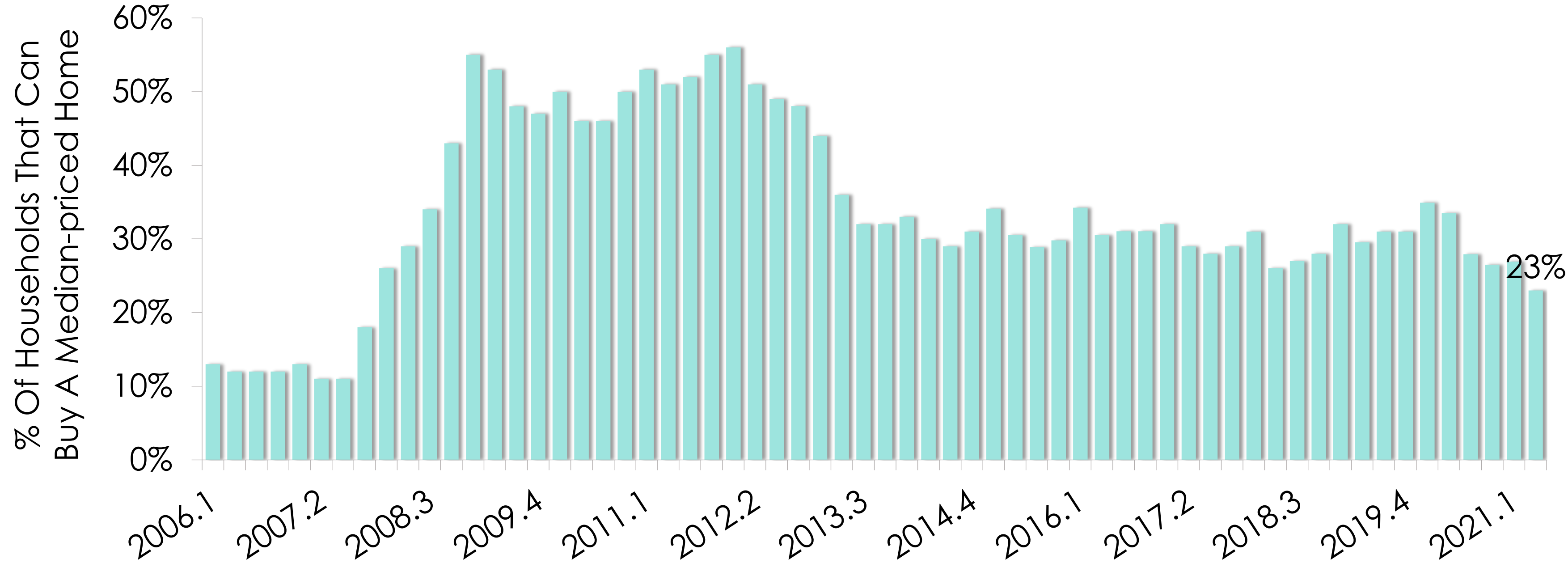
California, August 2021: **\$827,940**, +2.1% MTM, +17.1% YTY



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

Affordability deteriorating even with lower rates

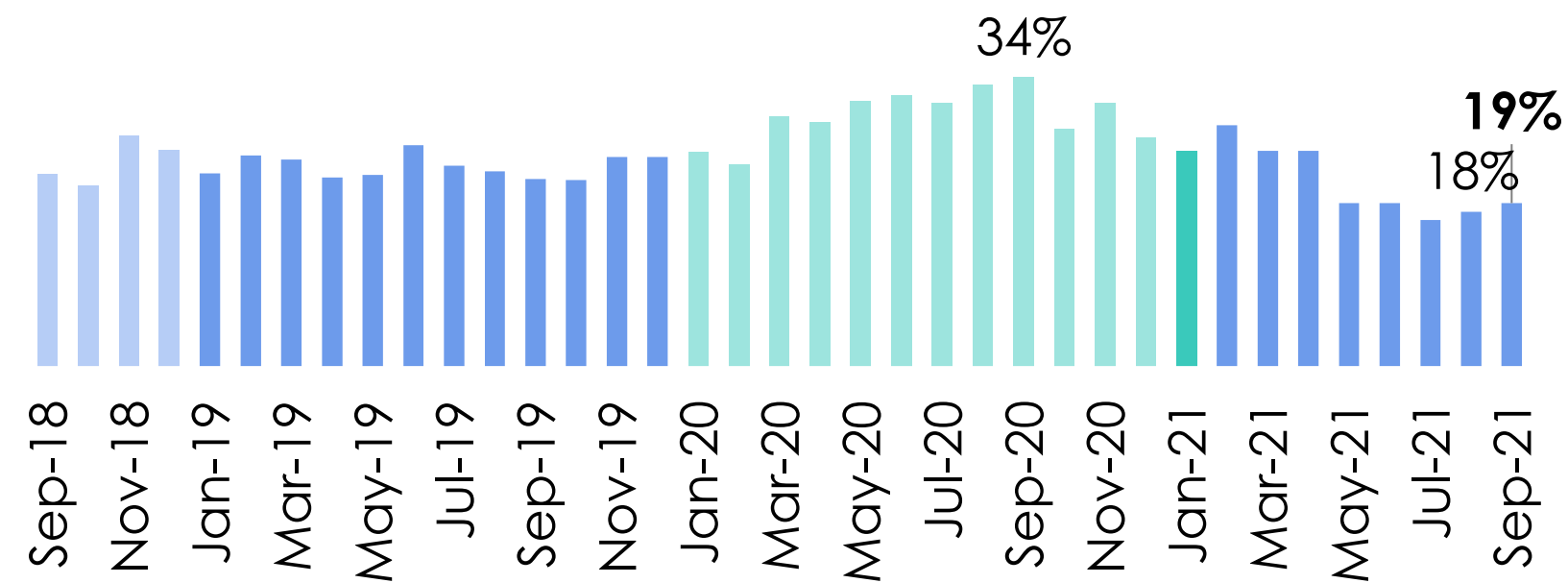
California: 2006-2021



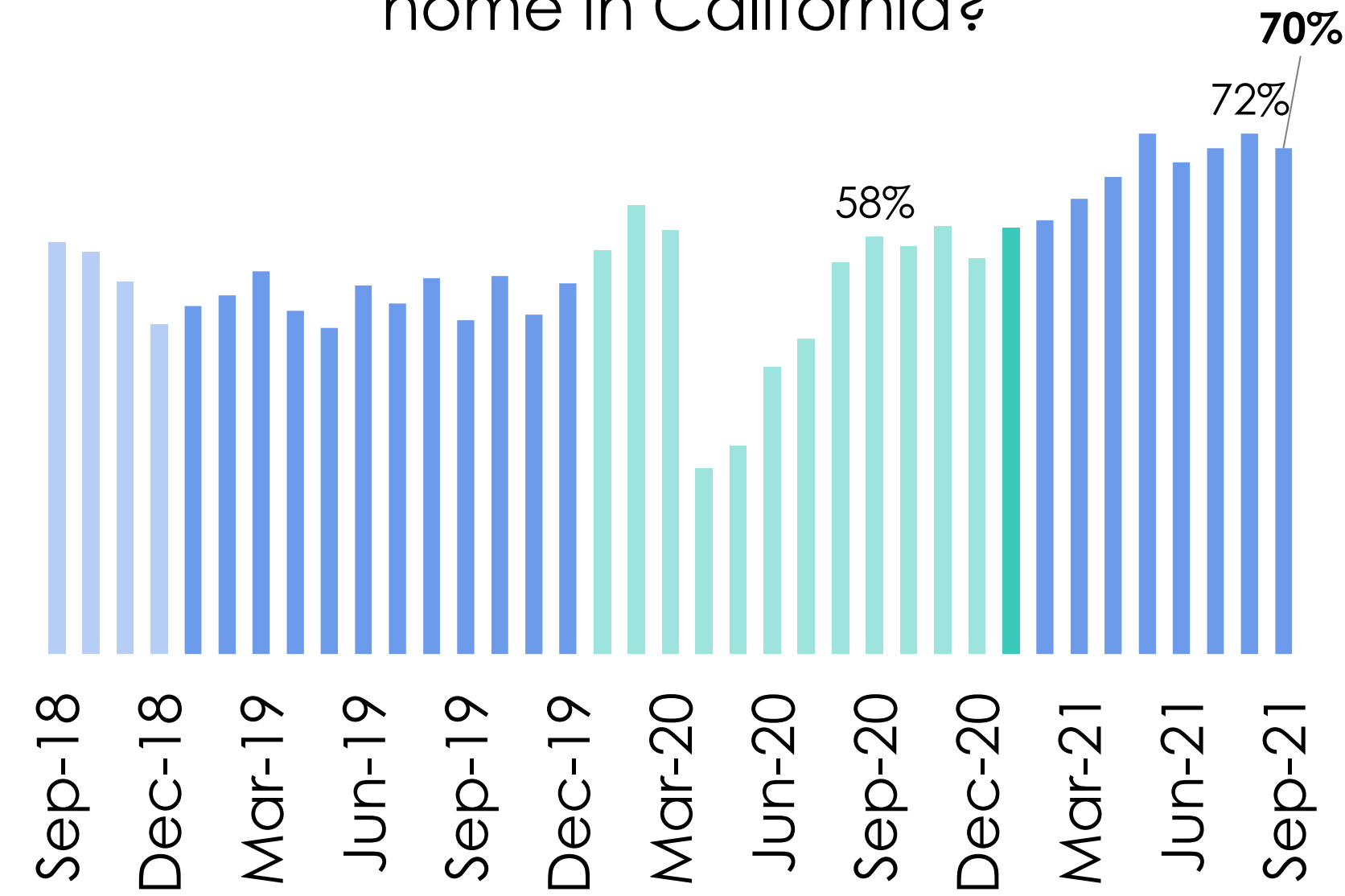
SERIES: Housing Affordability Index of Traditional Buyers
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Consumer sentiment is affected

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

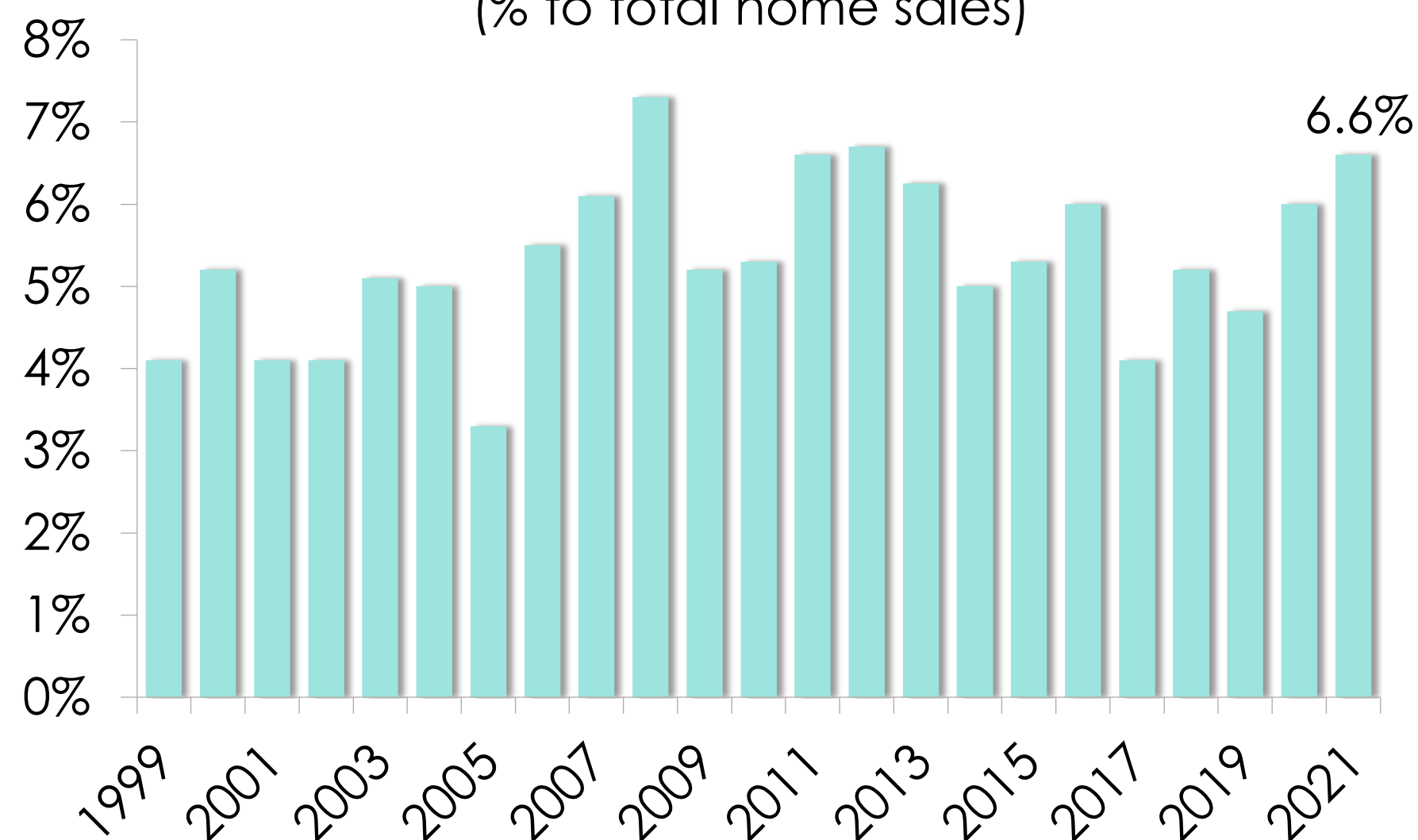


Do you think it's a good time to **sell** a home in California?



Vacation home sales are doing well - Highest in nine years

Vacation/Second Home
(% to total home sales)

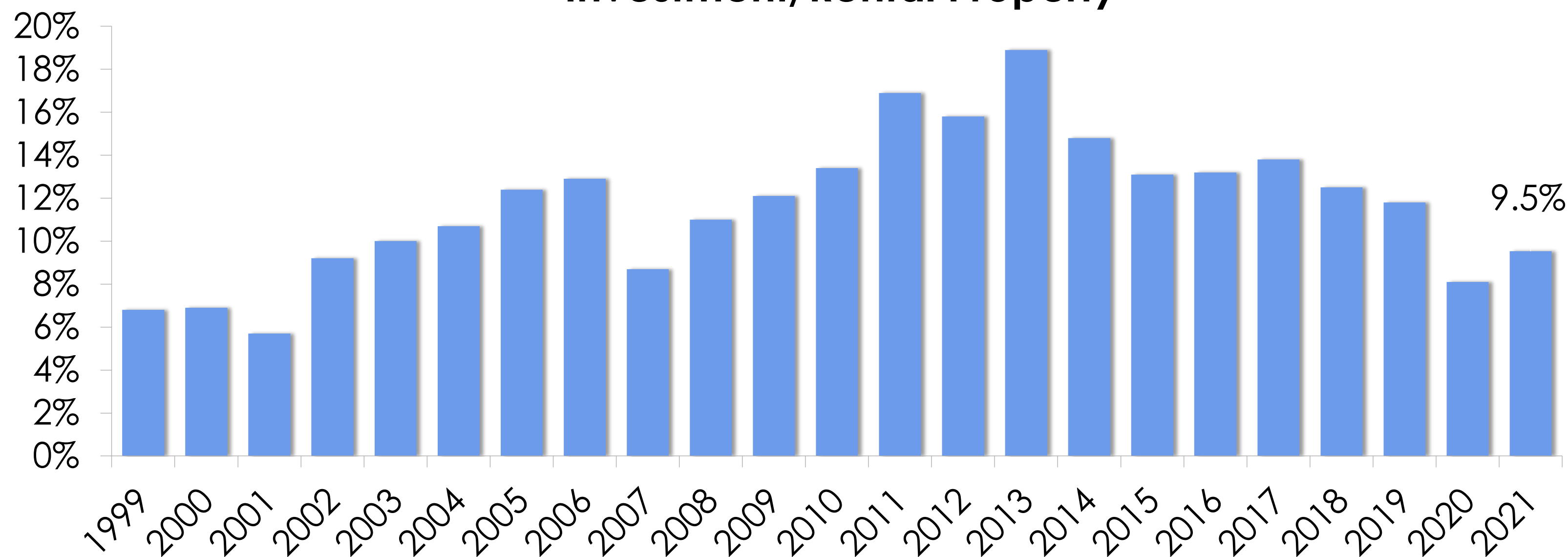


Q. How will the property be occupied?

SERIES: 2021 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Investor share bounced back but still lower than pre-pandemic level

Investment/Rental Property





Regional Housing Market Update

August 2021 Bay Area market snapshot



+2.5% YTY
+32.8% YTD

\$1,265,000
+18.4% YTY

Existing Home Sales
% change

Existing Home Price
% change



**Unsold
Inventory Index**

1.5 months



**Median Days
on Market**

11 days



**Sales Price to
List Price Ratio**

106.5%



Bay Area Home Sales

County	Aug-21	Aug-20	YTY% Chg.	YTD% Chg.
Alameda	1,102	982	12.2%	43.8%
Contra Costa	1,044	1,129	-7.5%	28.1%
Marin	178	266	-33.1%	3.9%
Napa	117	151	-22.5%	19.8%
San Francisco	243	214	13.6%	56.1%
San Mateo	413	388	6.4%	35.8%
Santa Clara	1,047	947	10.6%	47.1%
Solano	399	381	4.7%	-3.0%
Sonoma	554	517	7.2%	33.3%

Bay Area Median Prices

County	Aug-21	Aug-20	YTY% Chg.
Alameda	\$1,300,000	\$1,028,220	26.4%
Contra Costa	\$889,500	\$805,000	10.5%
Marin	\$1,560,000	\$1,512,500	3.1%
Napa	\$900,000	\$867,000	3.8%
San Francisco	\$1,850,000	\$1,663,000	11.2%
San Mateo	\$1,925,000	\$1,812,500	6.2%
Santa Clara	\$1,655,000	\$1,400,000	18.2%
Solano	\$590,000	\$515,000	14.6%
Sonoma	\$770,000	\$715,000	7.7%

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



Contra Costa

monthly
market
report
August
2021

Contra Costa County

Median Price



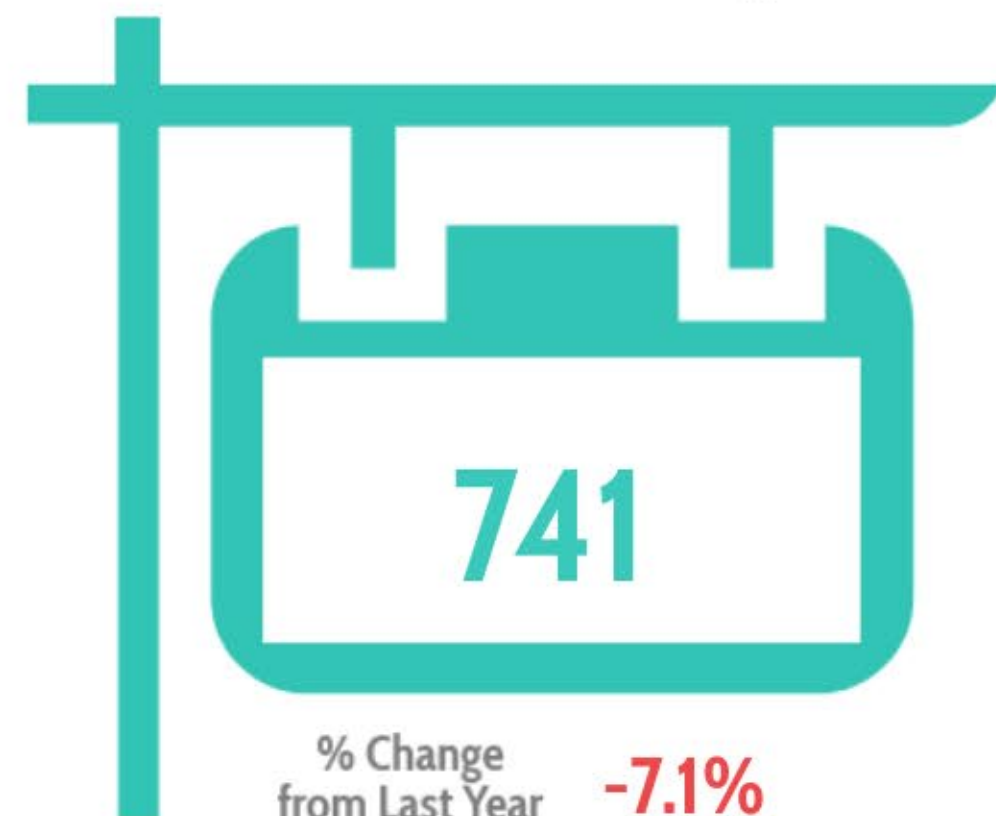
% Change
from Last Year **+10.5%**

Home Sales



% Change
from Last Year **-7.5%**

Active Listings



% Change
from Last Year **-7.1%**

Market Competition

Median
Days on
Market

8

Sales to
List Price %

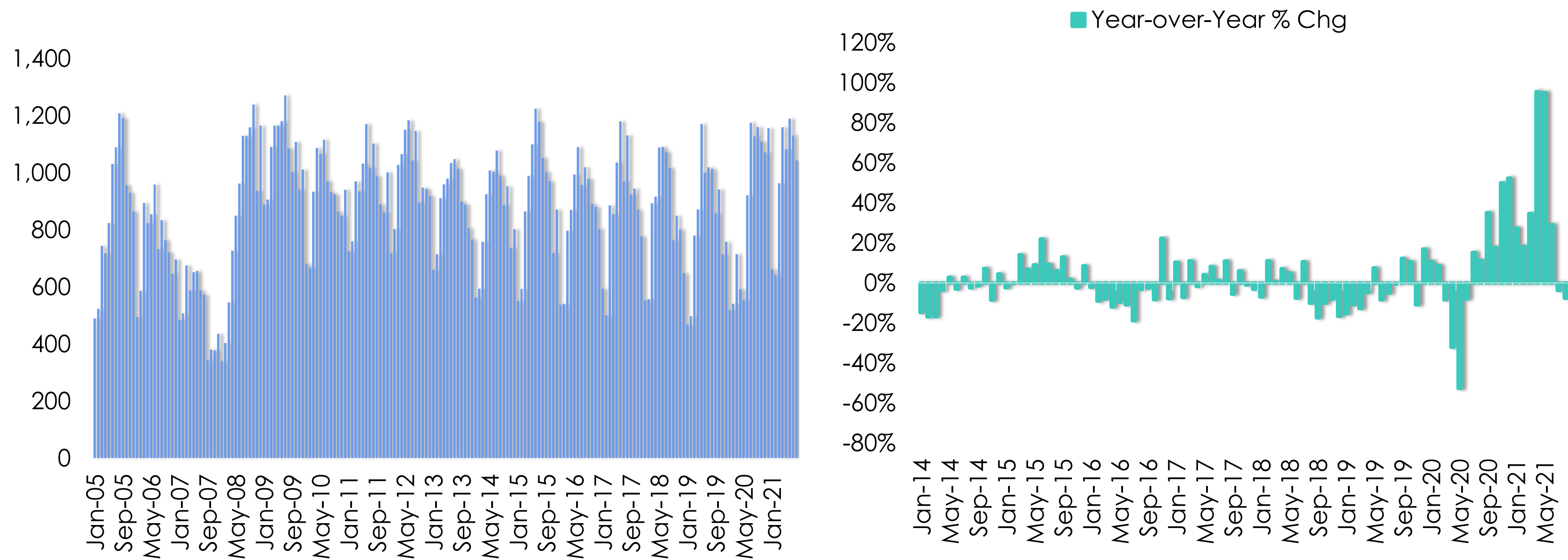
106.2%

% of Active
Listings with
Reduced Prices

20.2%

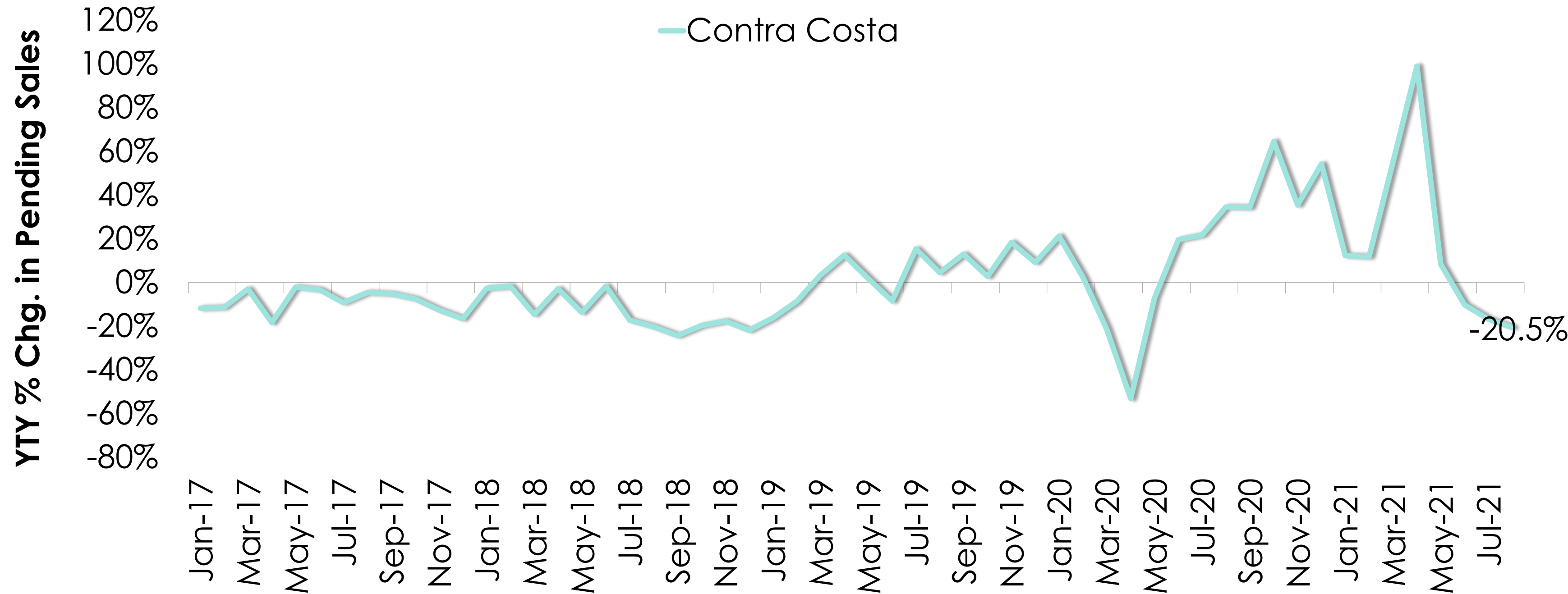
Sales momentum in Contra Costa is also slowing down

August 2021 Sales: 1,044 Units, 28.1% YTD, -7.5% YTY



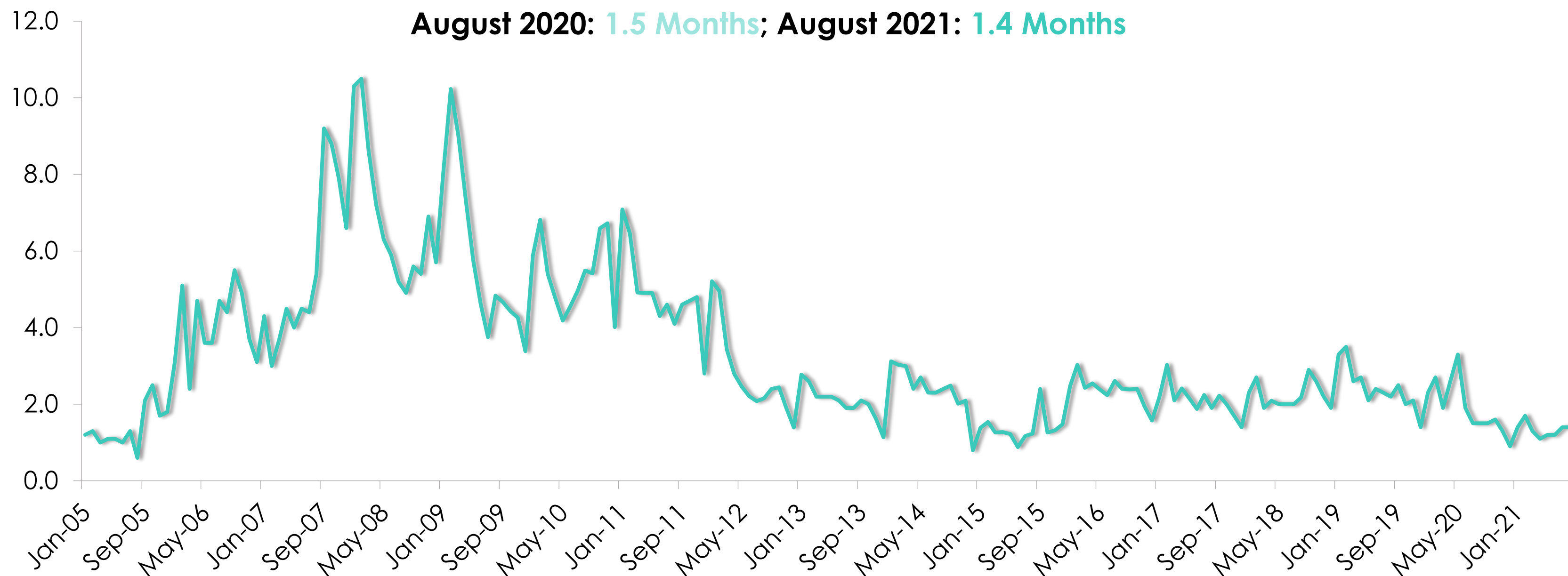
SERIES: Sales of Existing Detached Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Pending sales: Momentum expected to slow further in the coming months



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

Inventory improves but still remains tight



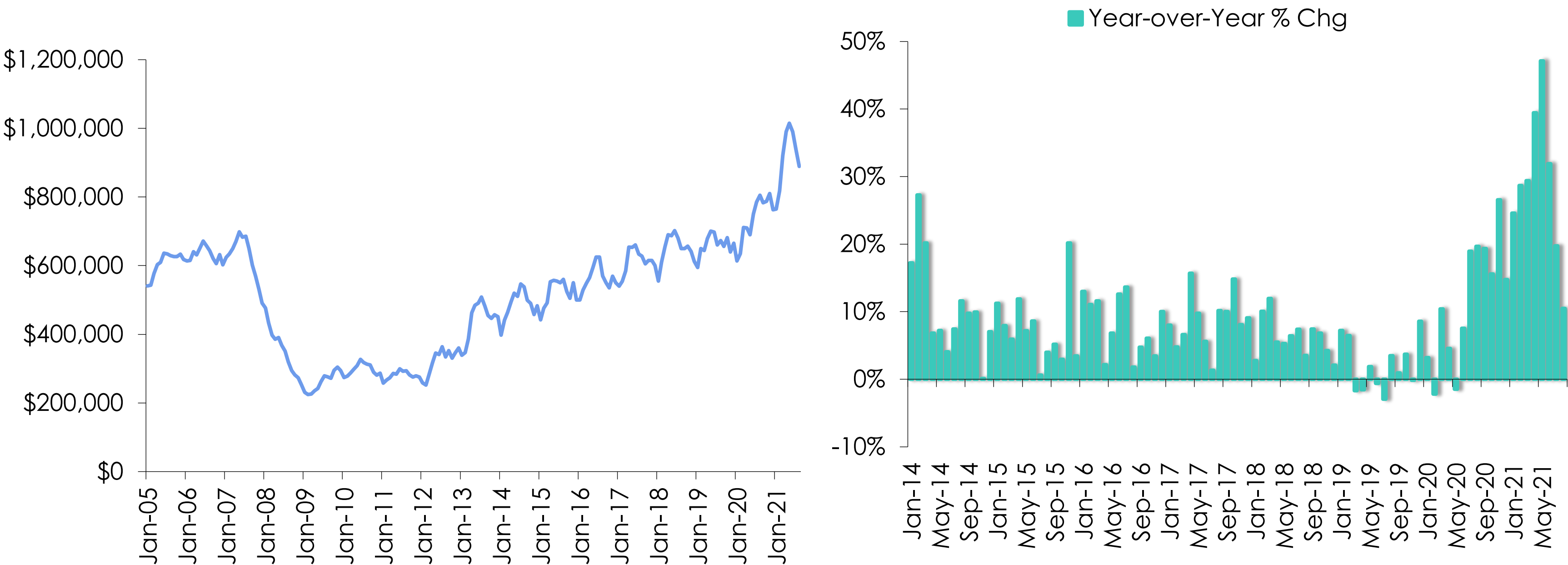
Note: "Unsold Inventory Index" represents the number of months it would take to sell the remaining inventory for the month in question. The remaining inventory for the month is defined as the number of properties that were "Active", "Pending", and "Contingent" (when available) and divide the sum by the number of "Sold" properties for the month in question.



SERIES: Unsold Inventory Index of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Median home price continued to grow by double-digits

August 2021: \$889,500, Up 10.5% YTY





Local **Housing Market Update**

monthly
market
report
August
2021

Antioch, California

Median Price



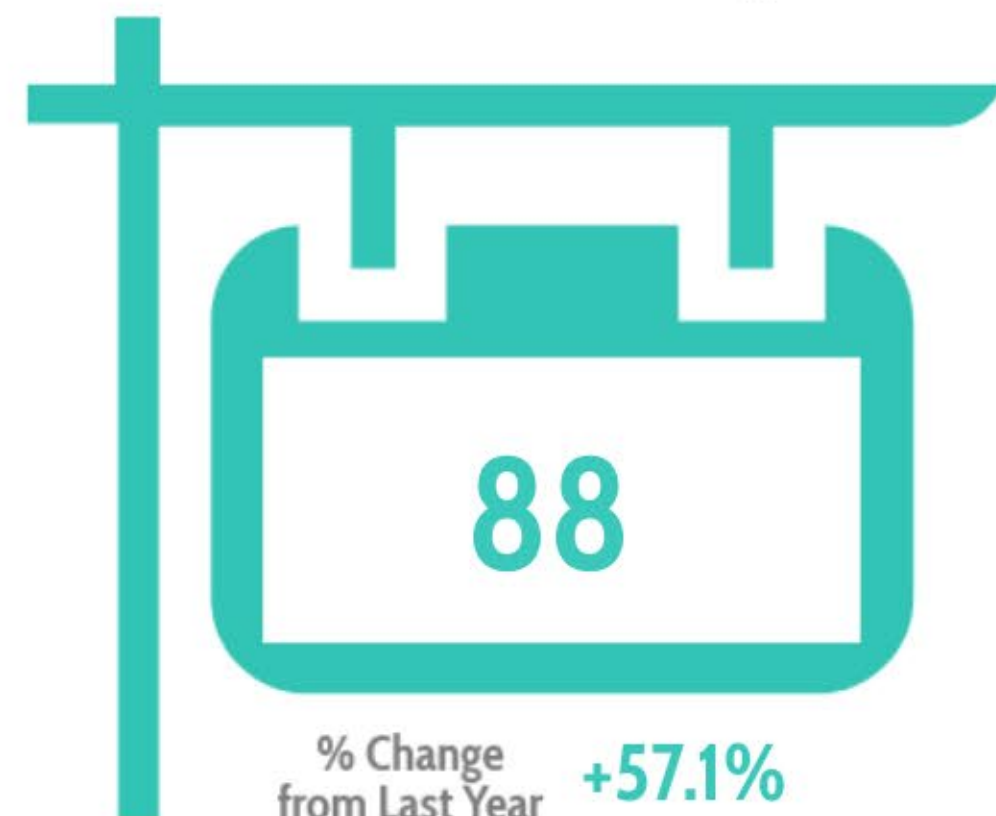
% Change
from Last Year **+28.2%**

Home Sales



% Change
from Last Year **+19.4%**

Active Listings



% Change
from Last Year **+57.1%**

Market Competition

Median
Days on
Market

7

Sales to
List Price %

106.6%

% of Active
Listings with
Reduced Prices

12.5%

monthly
market
report
August
2021

Concord, California

Median Price



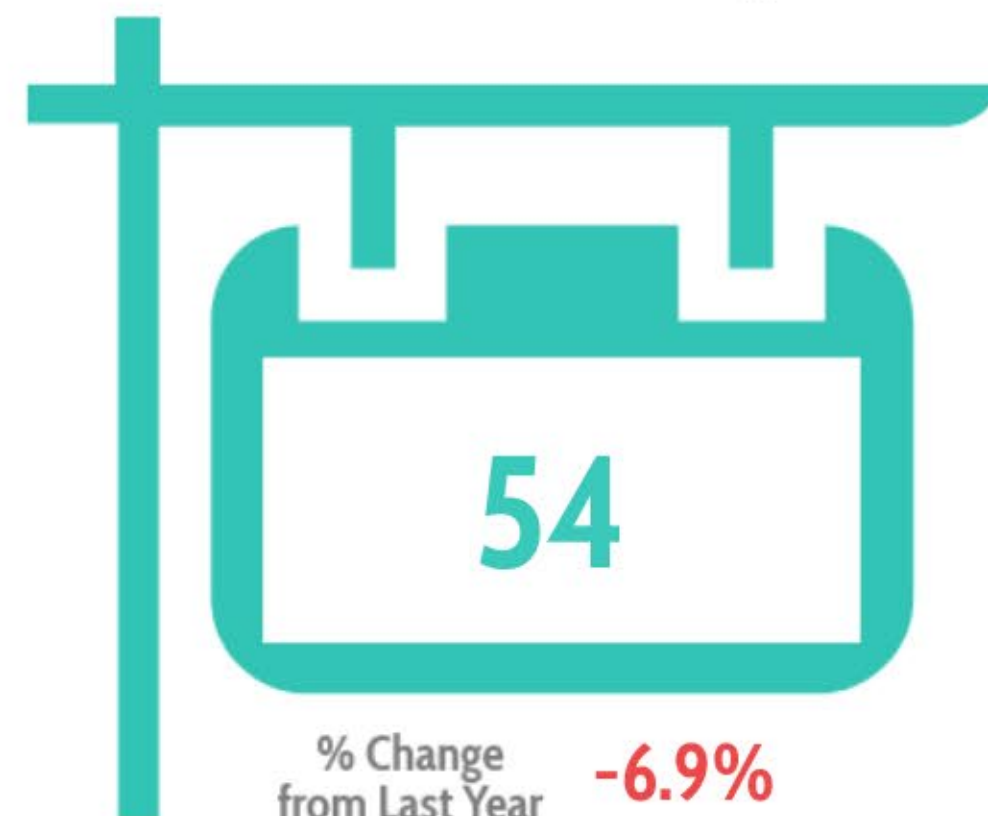
% Change
from Last Year **+11.5%**

Home Sales



% Change
from Last Year **-20.9%**

Active Listings



% Change
from Last Year **-6.9%**

Market Competition

Median
Days on
Market

9

Sales to
List Price %

105.7%

% of Active
Listings with
Reduced Prices

31.5%

monthly
market
report
August
2021

Danville, California

Median Price



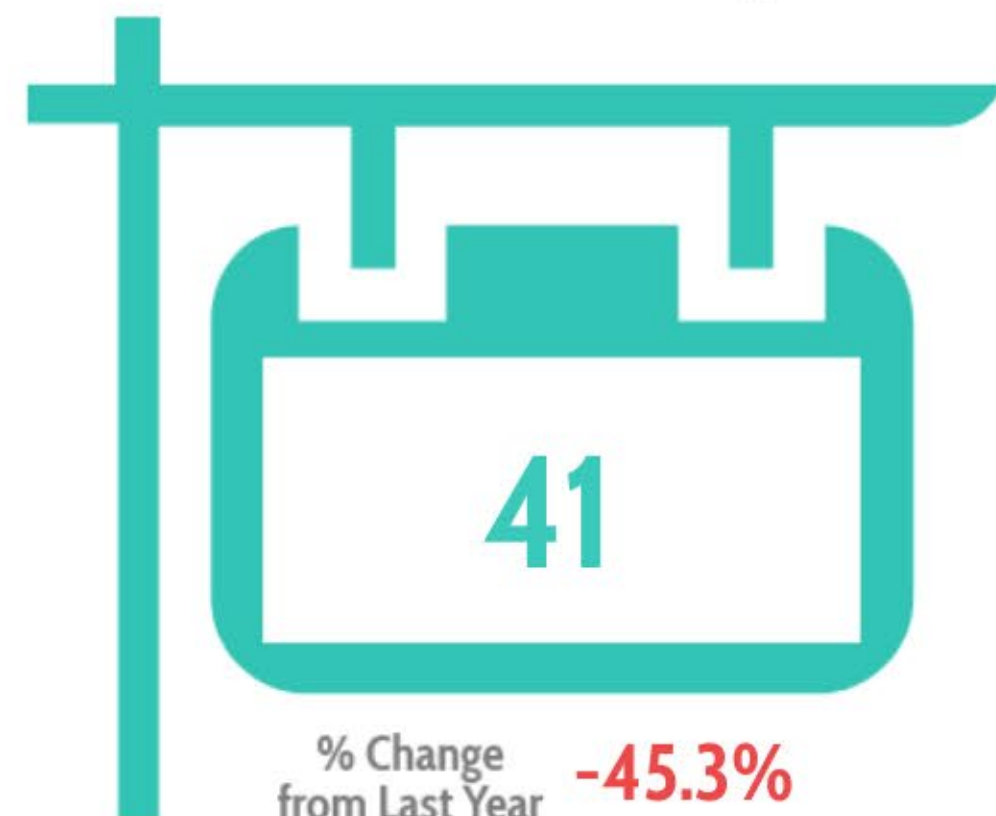
% Change
from Last Year **+27.8%**

Home Sales



% Change
from Last Year **-36.8%**

Active Listings



% Change
from Last Year **-45.3%**

Market Competition

Median
Days on
Market

7

Sales to
List Price %

108.3%

% of Active
Listings with
Reduced Prices

4.9%

monthly
market
report
August
2021

Walnut Creek, California

Median Price



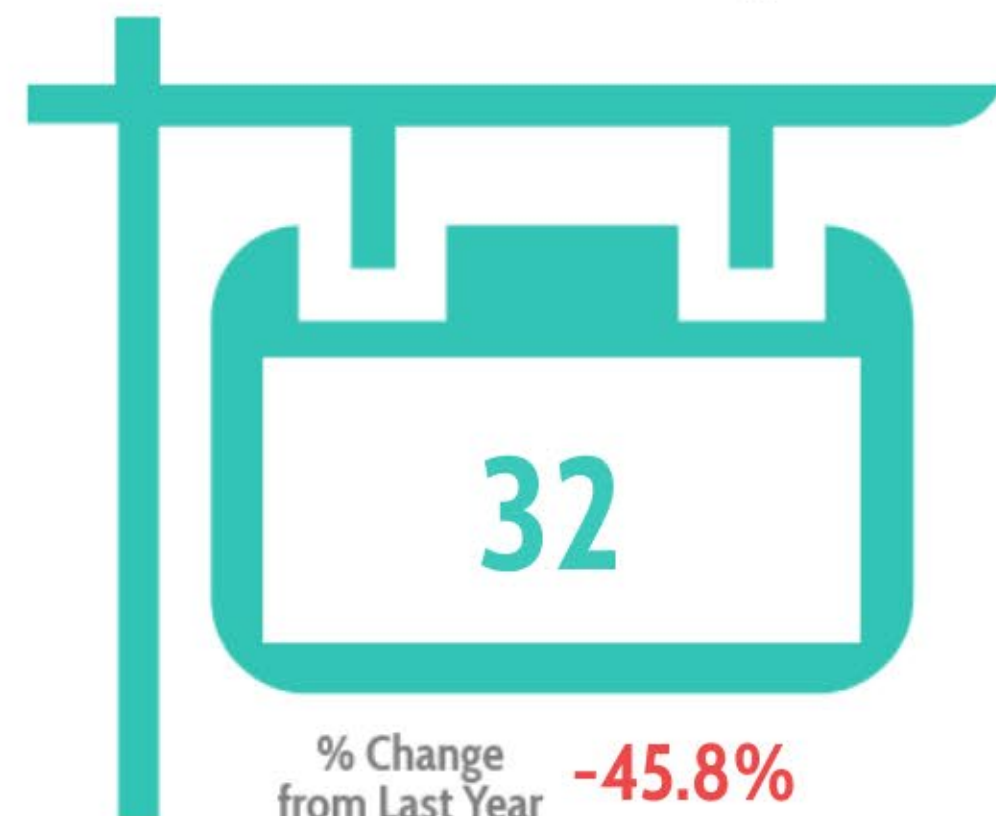
% Change
from Last Year **+13.1%**

Home Sales



% Change
from Last Year **+10.9%**

Active Listings



% Change
from Last Year **-45.8%**

Market Competition

Median
Days on
Market

8

Sales to
List Price %

106.2%

% of Active
Listings with
Reduced Prices

18.8%



Economic Outlook

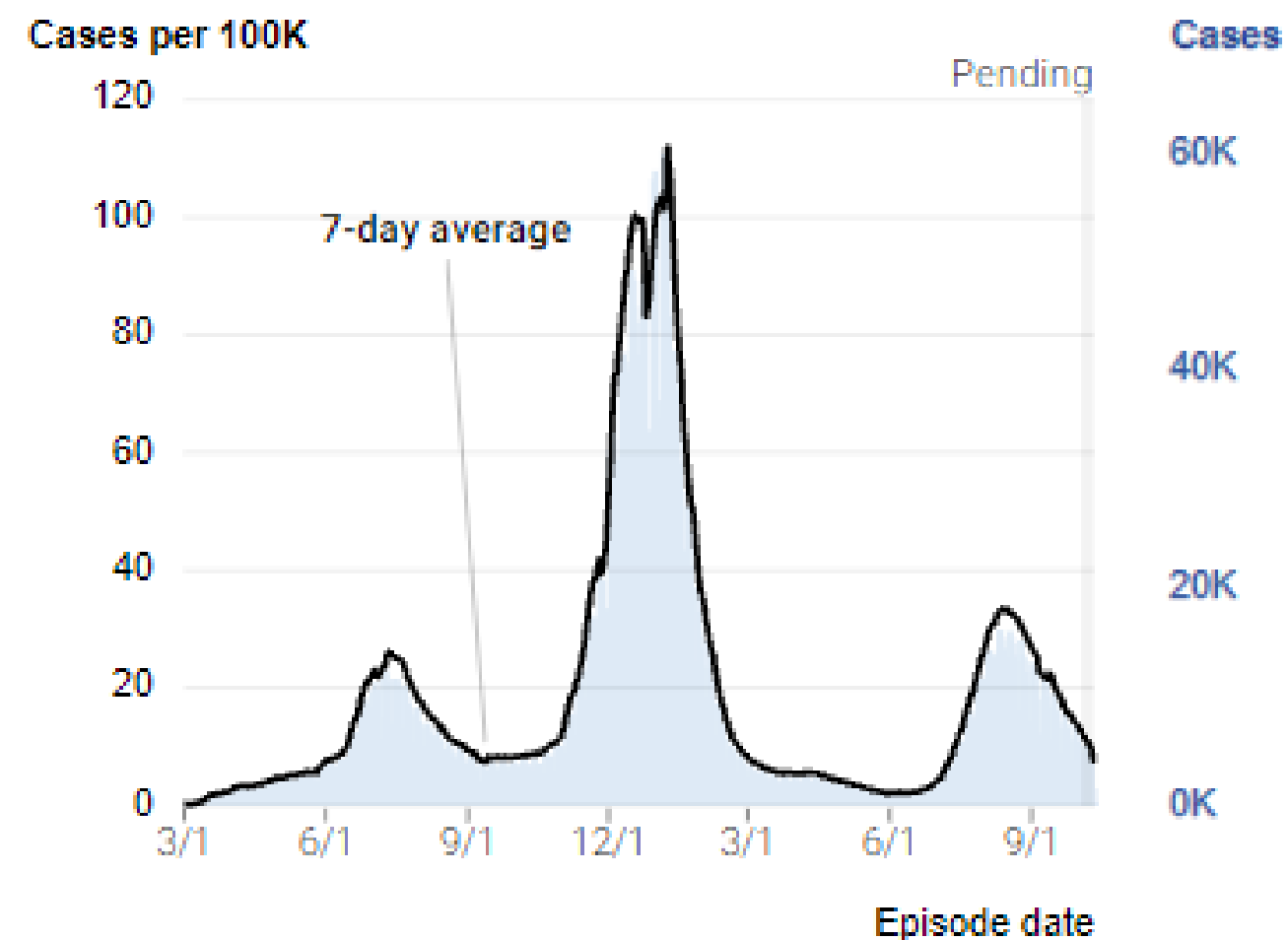
COVID trends show signs of improvement

Confirmed cases in California

4,557,285 total confirmed cases

4,091 new cases (**0.1%** increase)

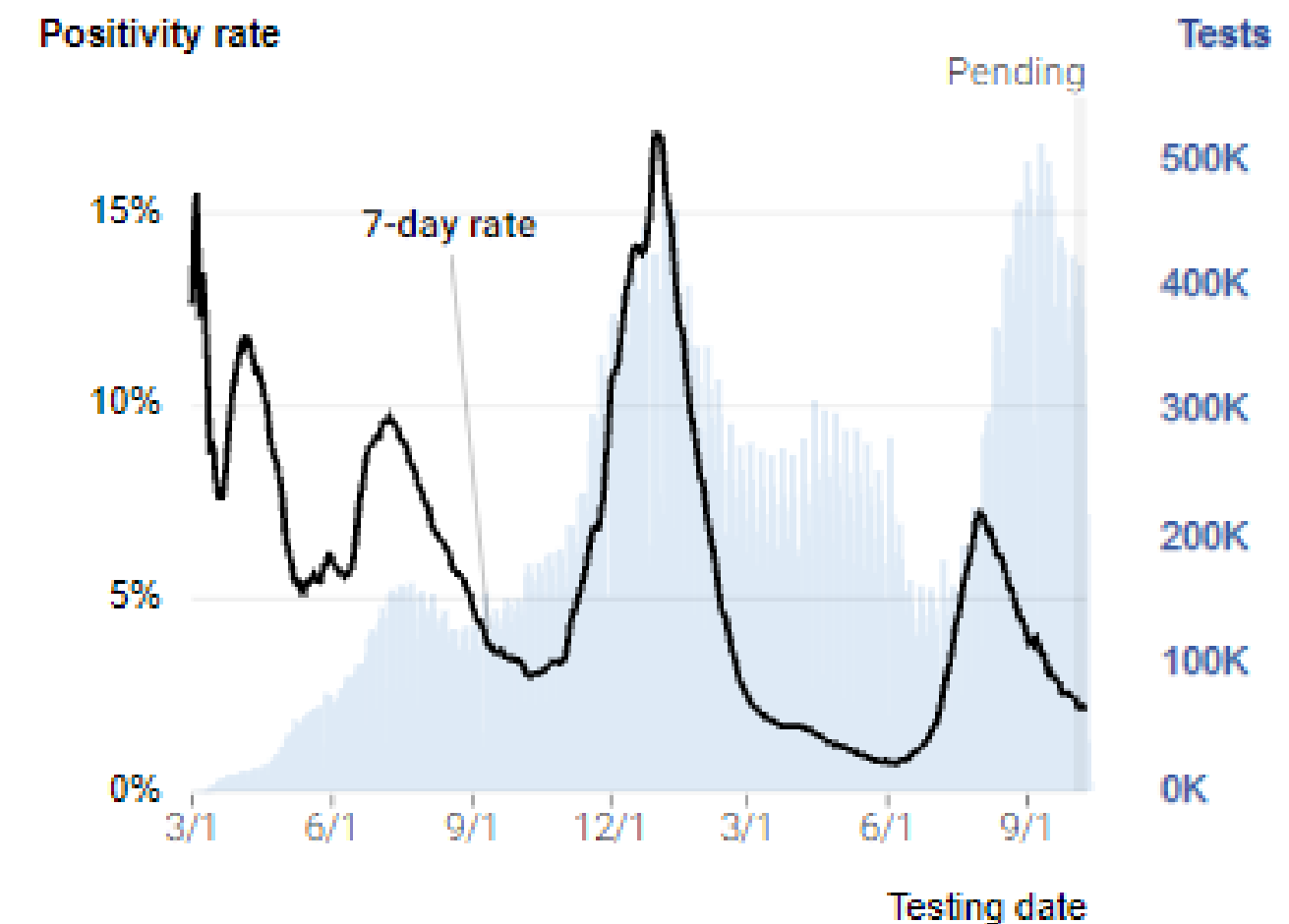
12.2 cases per 100K (7-day average)



Positivity rate in California

2.1% test positivity (**7-day rate**)

0.3% decrease from 7-days prior

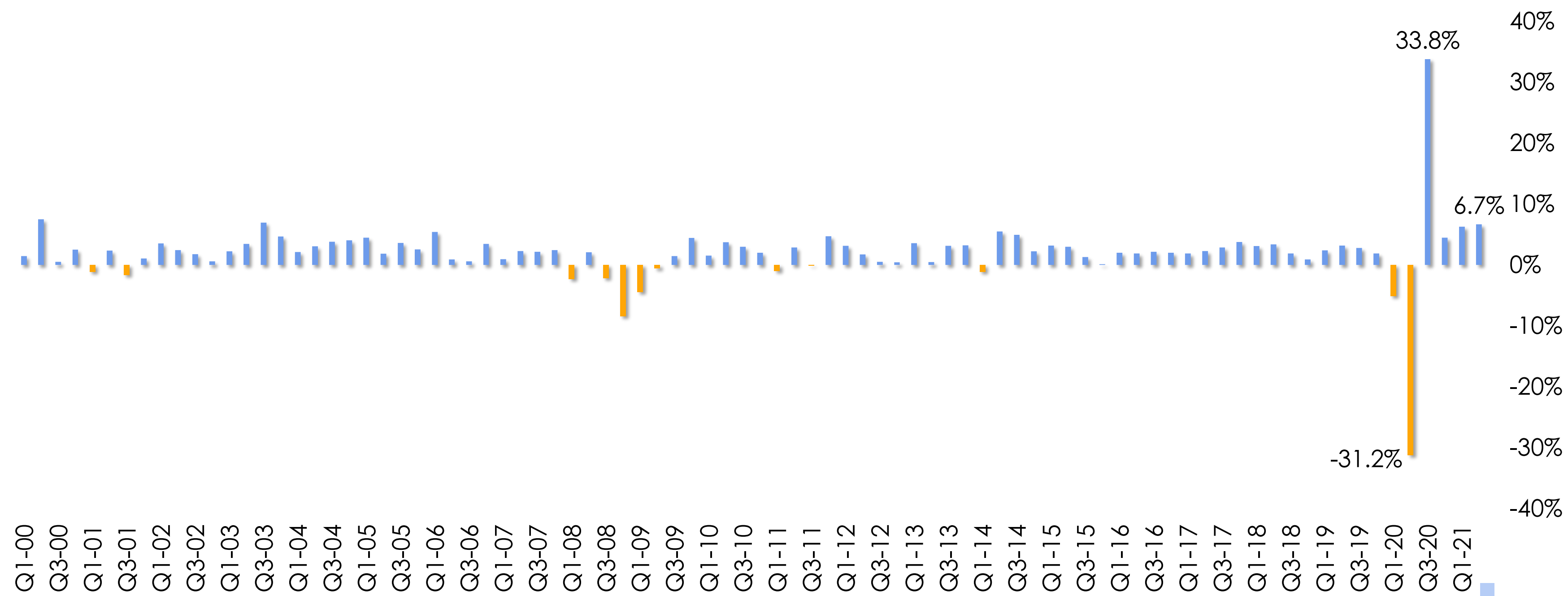


* Updated as of 10/12/2021

SOURCE: State of California (<https://update.covid19.ca.gov/>)

U.S. economy grew in Q2 but at a lower-than-expected rate

Real GDP Growth



Delta variant is causing uncertainty in the retail sector

U.S. Retail Sales: August 2021

	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Retail Sales (MoM)	2.2	0.1	-1.4	-1.2	7.6	-2.9	11.3	0.9	-1.4	0.9	-1.8	0.7
Retail Sales (YoY)	6.0	5.6	3.8	2.3	9.4	6.5	29.7	53.4	28.0	18.9	15.1	15.1
Retail Sales (% Change from Jan-20)	4.3	4.4	3.0	1.7	9.4	6.3	18.3	19.3	17.7	18.7	16.6	17.4
Retail Sales, Ex. Autos (MoM)	1.7	0.1	-1.2	-2.1	8.3	-2.7	9.8	-0.1	-0.4	1.7	-1.0	1.8
Retail Sales, Ex. Autos (YoY)	4.9	4.5	3.4	0.6	8.2	5.7	21.2	42.7	26.6	18.7	15.2	16.2
Control Group Sales (MoM)	1.6	0.2	-0.9	-2.9	8.5	-3.4	8.5	-0.4	-1.0	1.6	-2.0	2.6
Control Group Sales (YoY)	10.7	10.4	9.6	6.1	14.3	10.3	15.9	31.4	18.5	13.7	9.5	12.1

Notes: MoM = Month-over-Month Percent Change
YoY = Year-over-Year Percent Change

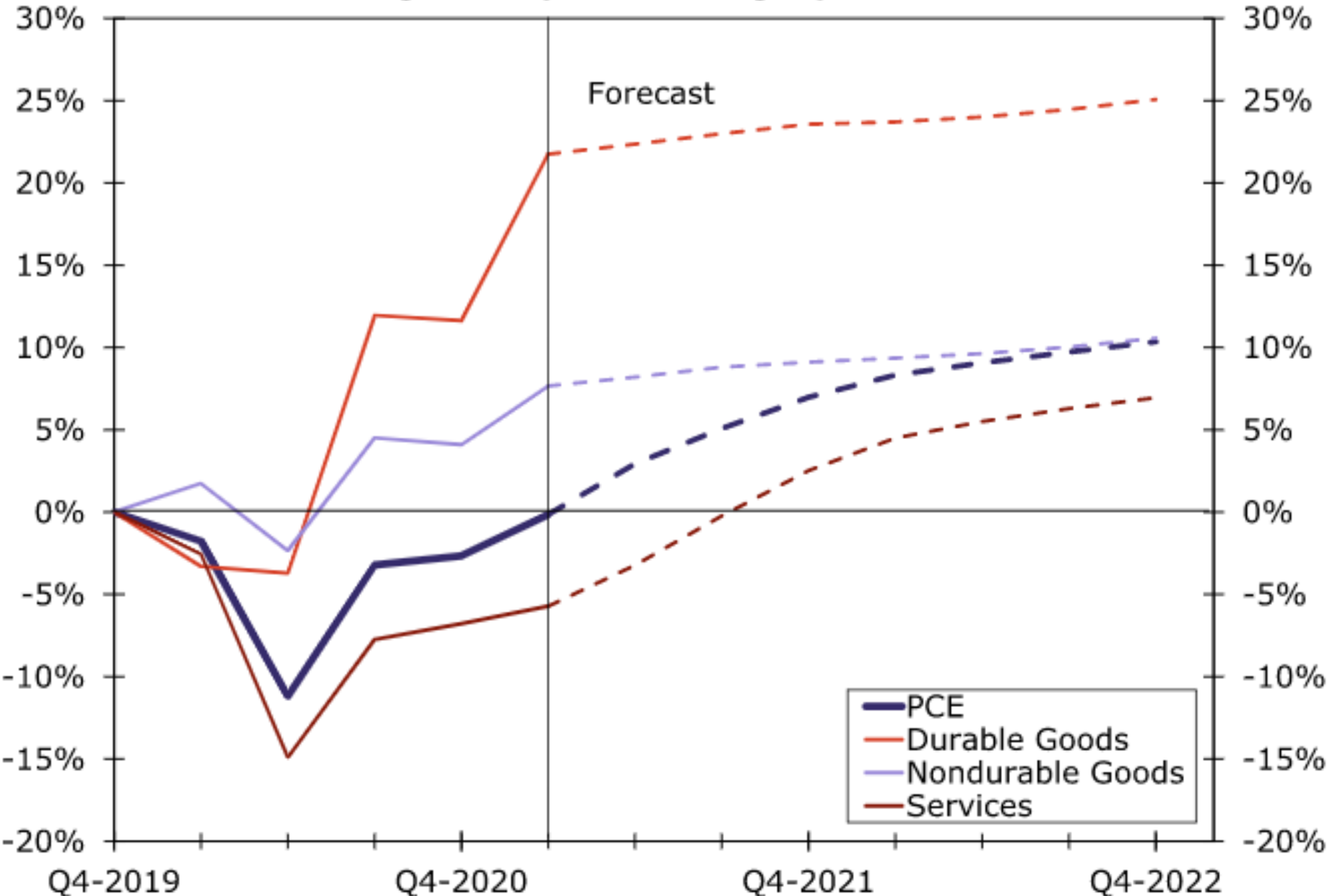
Consumer spending expected to improve

Retail sales Recovery
(% Change in Retail Sales)



Real Personal Consumption Expenditures

Actual Change from Q4-2019 through Q1-2021 & Forecast

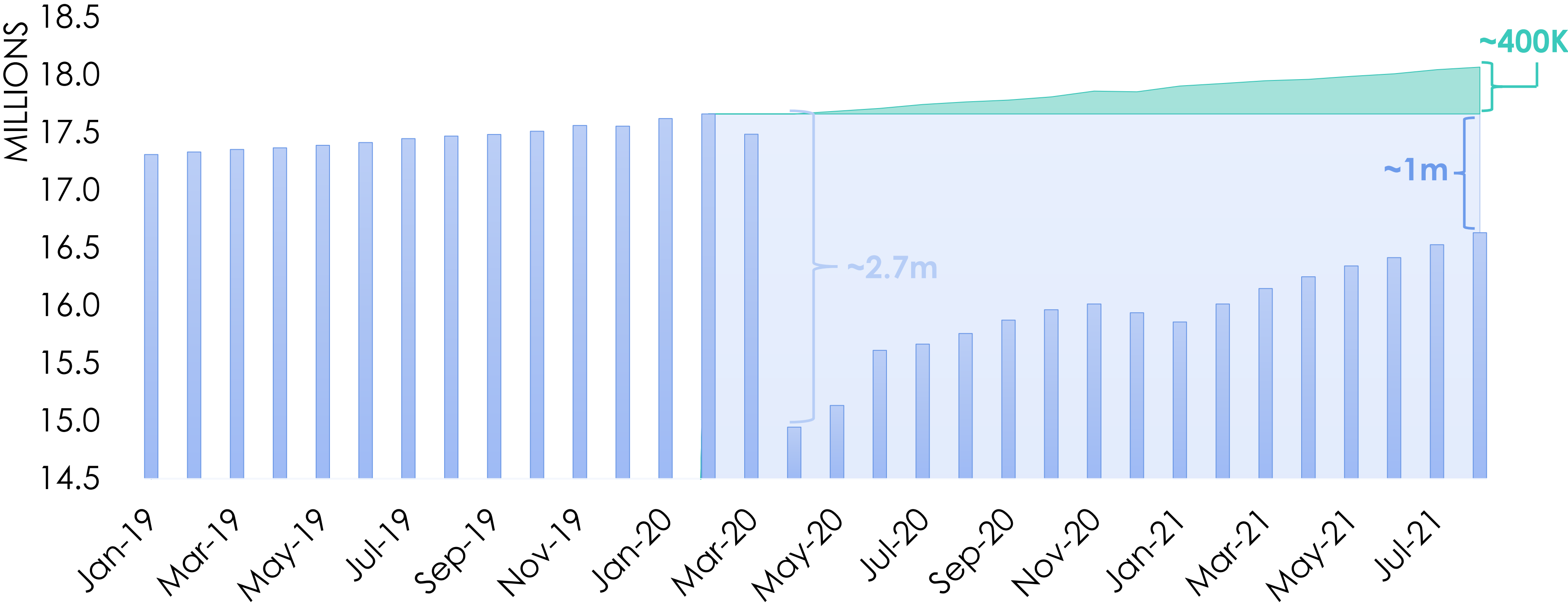


SOURCE: Fed. St. Louis, Wells Fargo

California economy healing, but still a long way to go

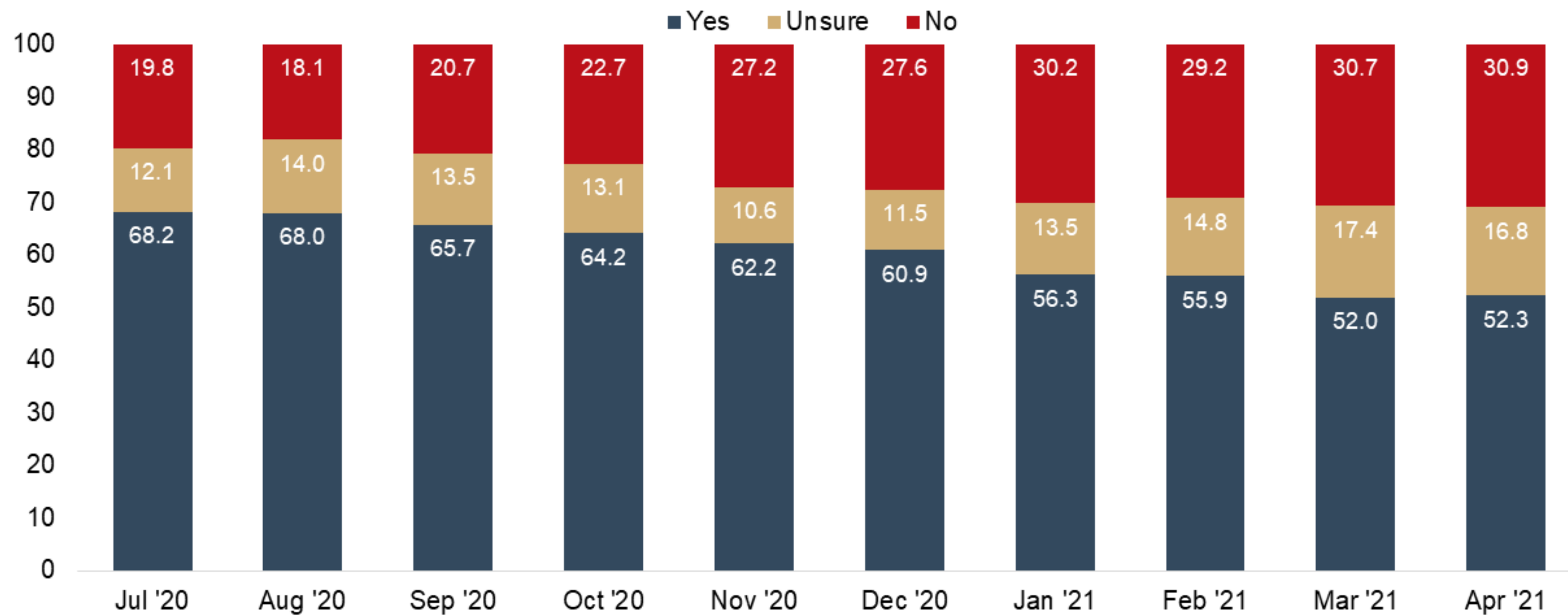
California Nonfarm Employment

Pre-Crisis Trend Growth Nonfarm



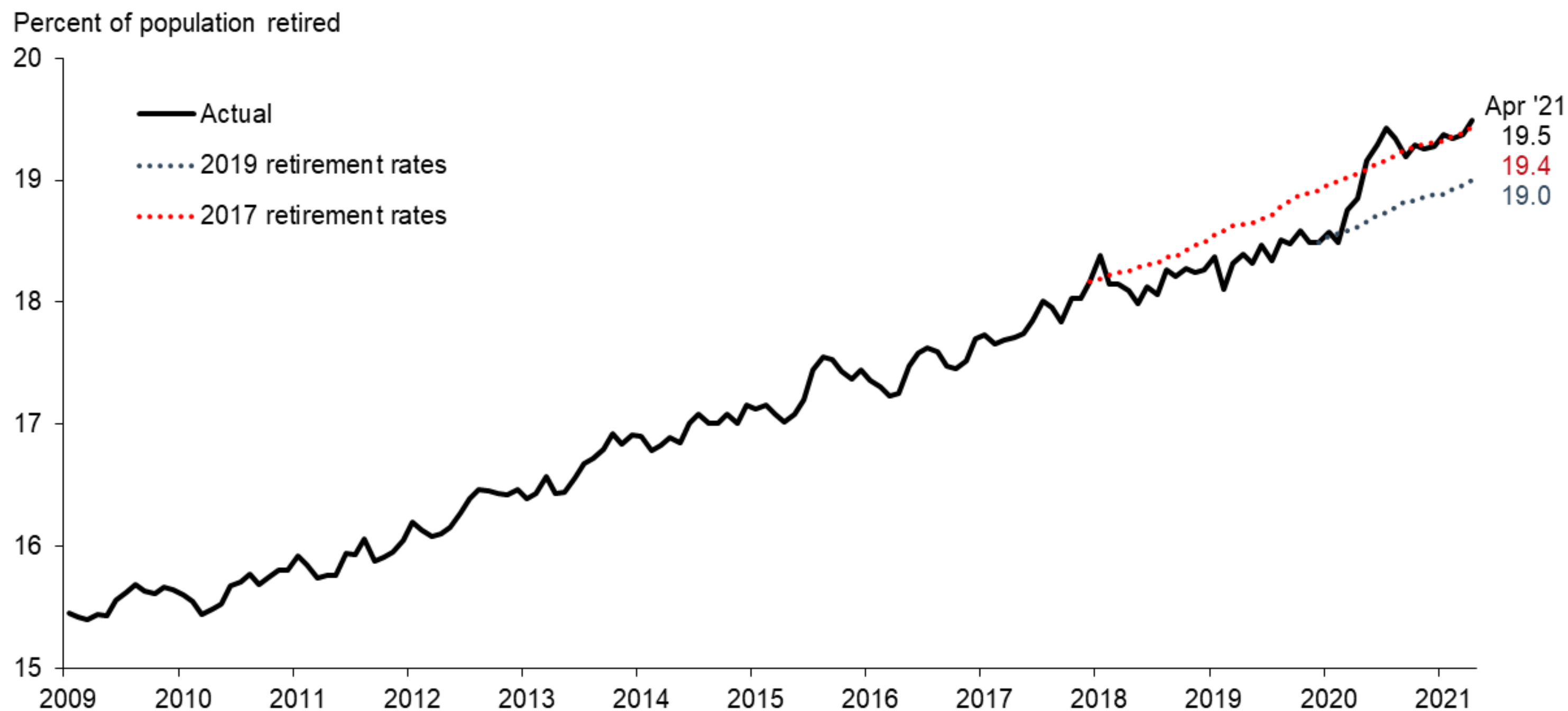
Many employees are reluctant to return to previous position

% willing to return to previous job (same pay/hour)



SOURCE: Federal Reserve Bank of Dallas

Many of them are retiring due partly to the pandemic

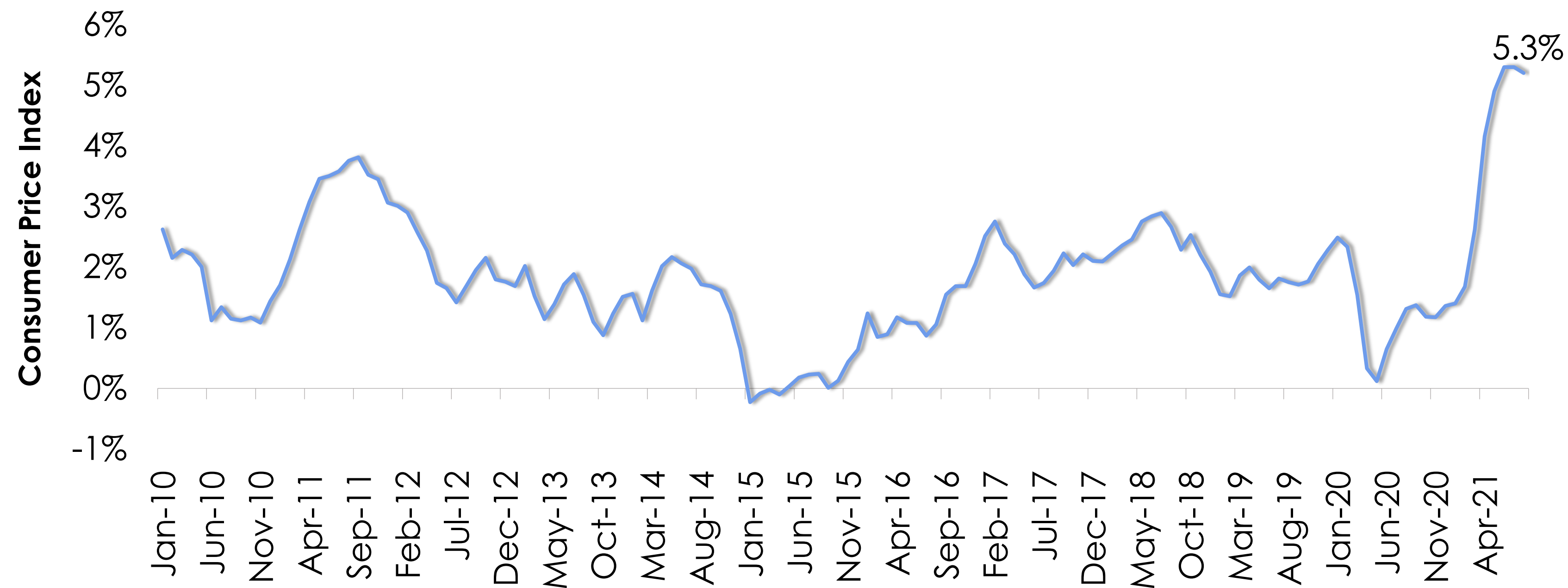


NOTE: "2019 retirement rates" is a counterfactual where the retirement rates for each age are fixed at their 2019 averages but the age distribution of the population changes with the actual data; "2017 retirement rates" is similarly calculated.

SOURCE: IPUMS-CPS, University of Minnesota.

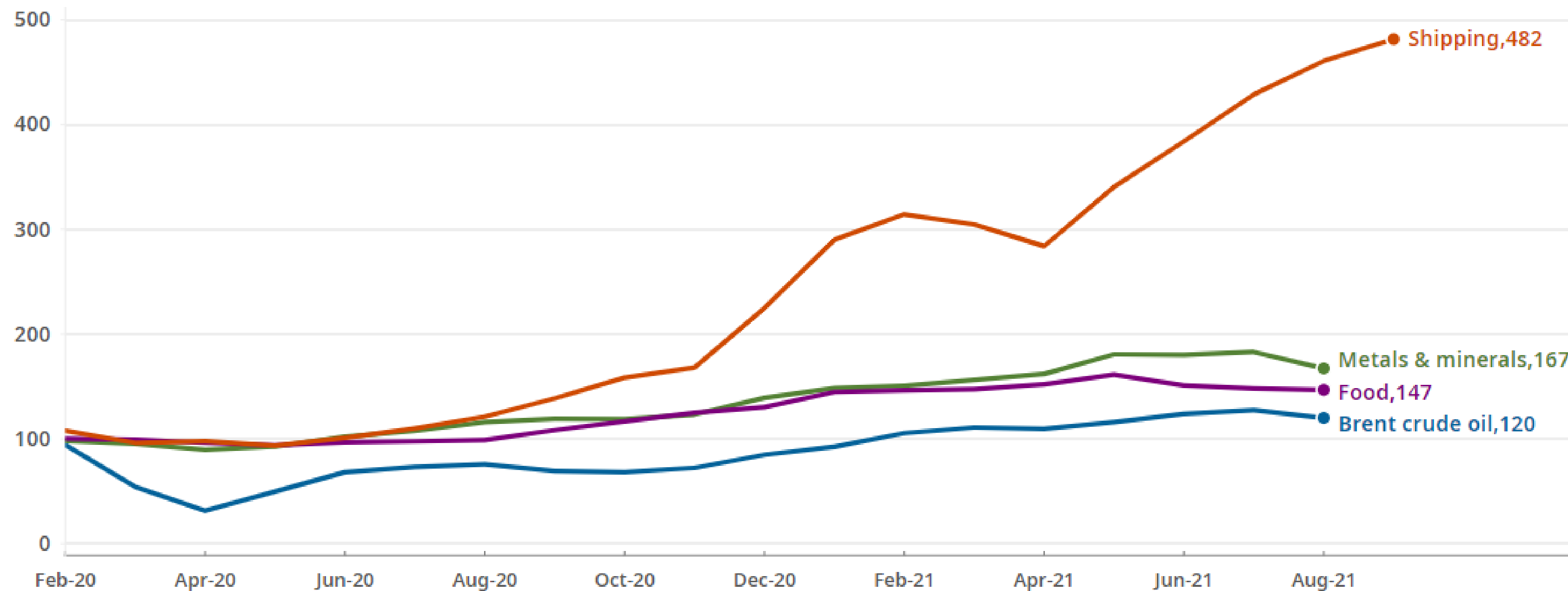
SOURCE: Federal Reserve Bank of Dallas

Inflation surged in recent months



SERIES: Consumer Price Index
SOURCE: Bureau of Labor Statistics

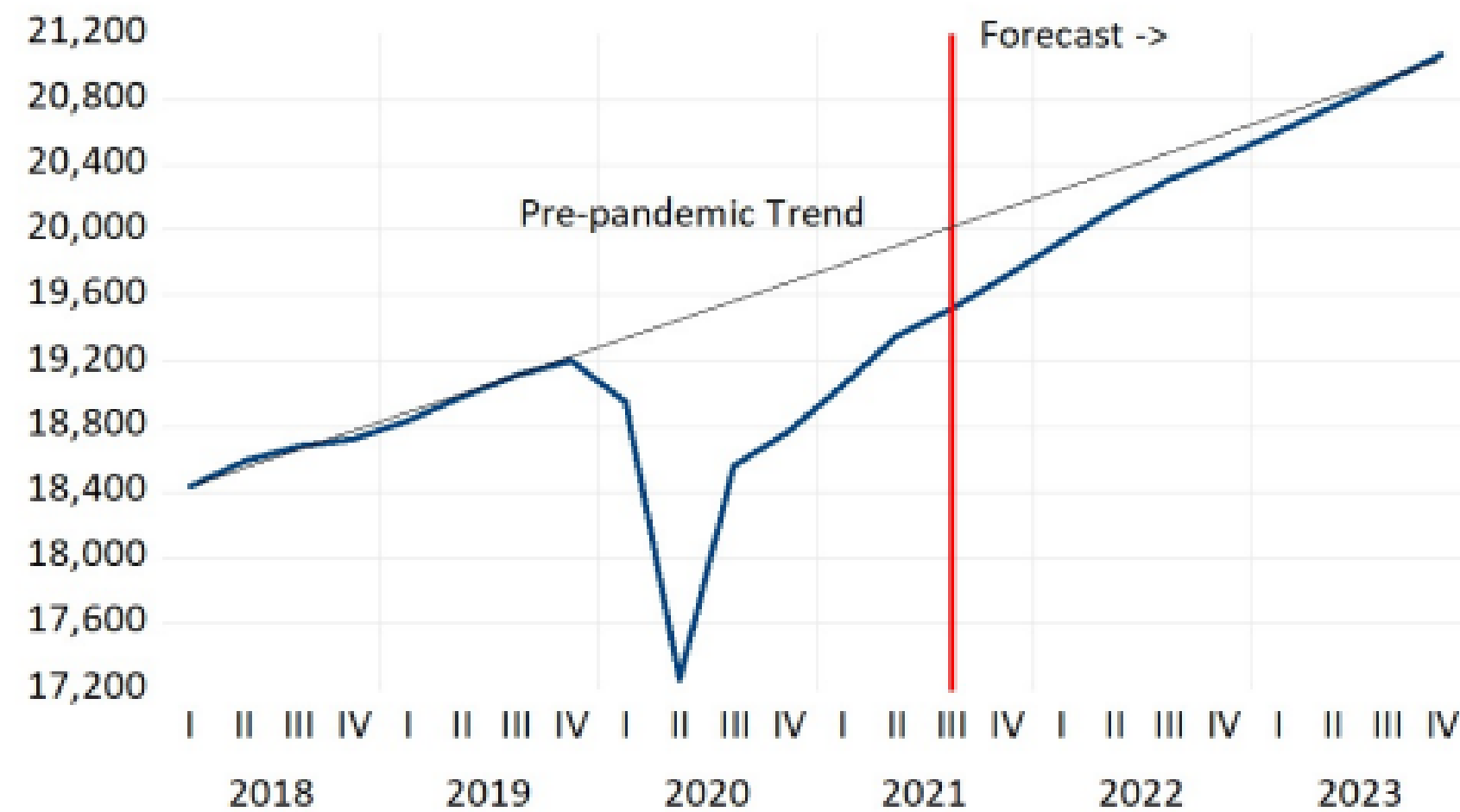
Inflation rise due to input prices



The economy will continue to grow in 2022 and 2023

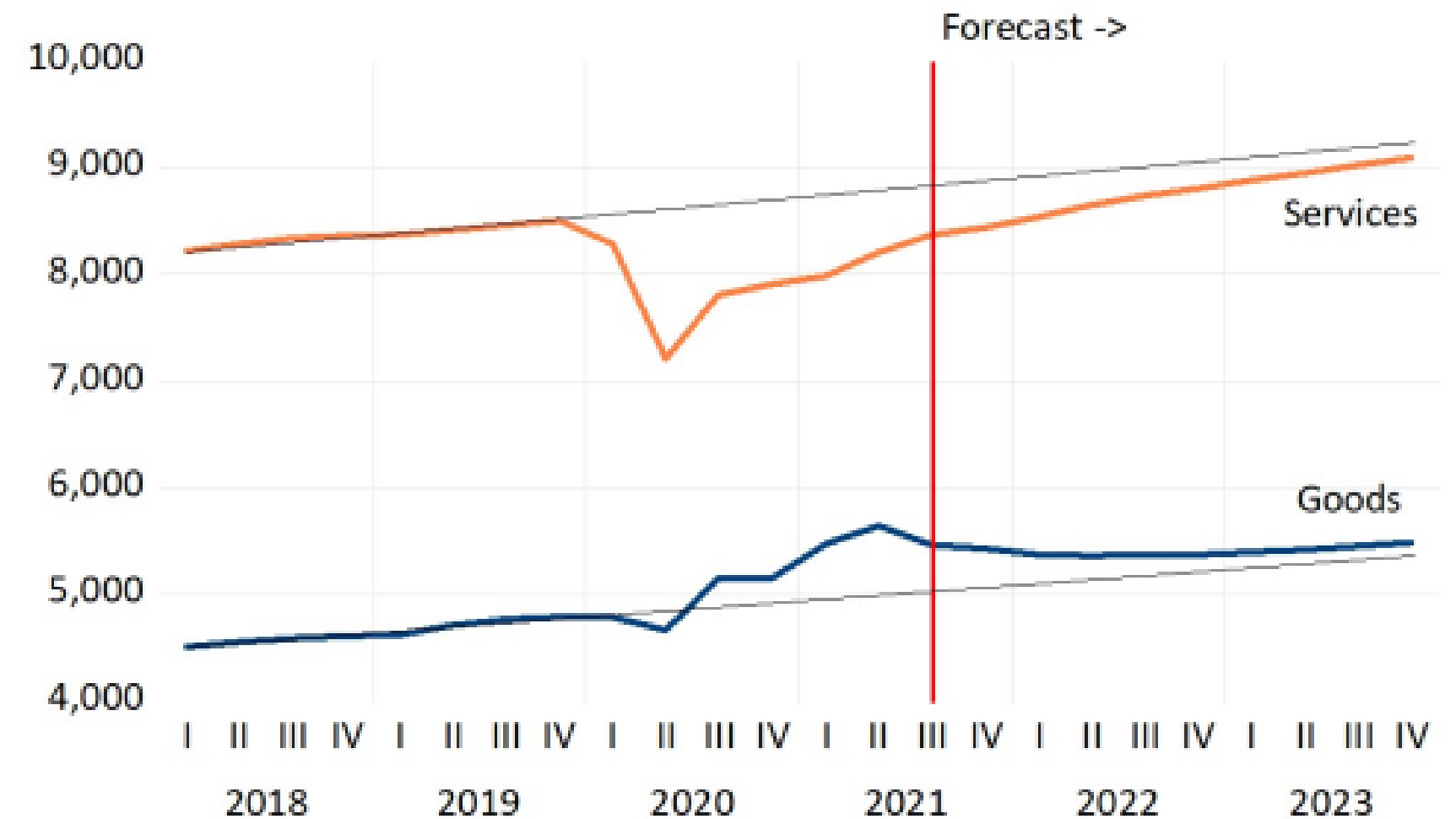
Real GDP Levels, 2018Q1–2023Q4

Billions of chained 2012\$, annual rate



Real Consumption of Goods and Services, 2018Q1–2023Q4

Billions of chained 2012\$, annual rate



U.S. economic outlook

	2016	2017	2018	2019	2020	2021p	2022f
US GDP	1.6%	2.3%	3.0%	2.2%	-3.5%	6.0%	4.1%
Nonfarm Job Growth	1.8%	1.6%	1.6%	1.3%	-5.7%	3.7%	3.1%
Unemployment	4.9%	4.4%	3.9%	3.7%	8.1%	5.6%	4.3%
CPI	1.4%	2.1%	2.4%	1.8%	1.2%	4.2%	3.2%
Real Disposable Income, % Change	2.7%	2.9%	4.0%	2.9%	5.8%	2.5%	-2.2%



California economic outlook

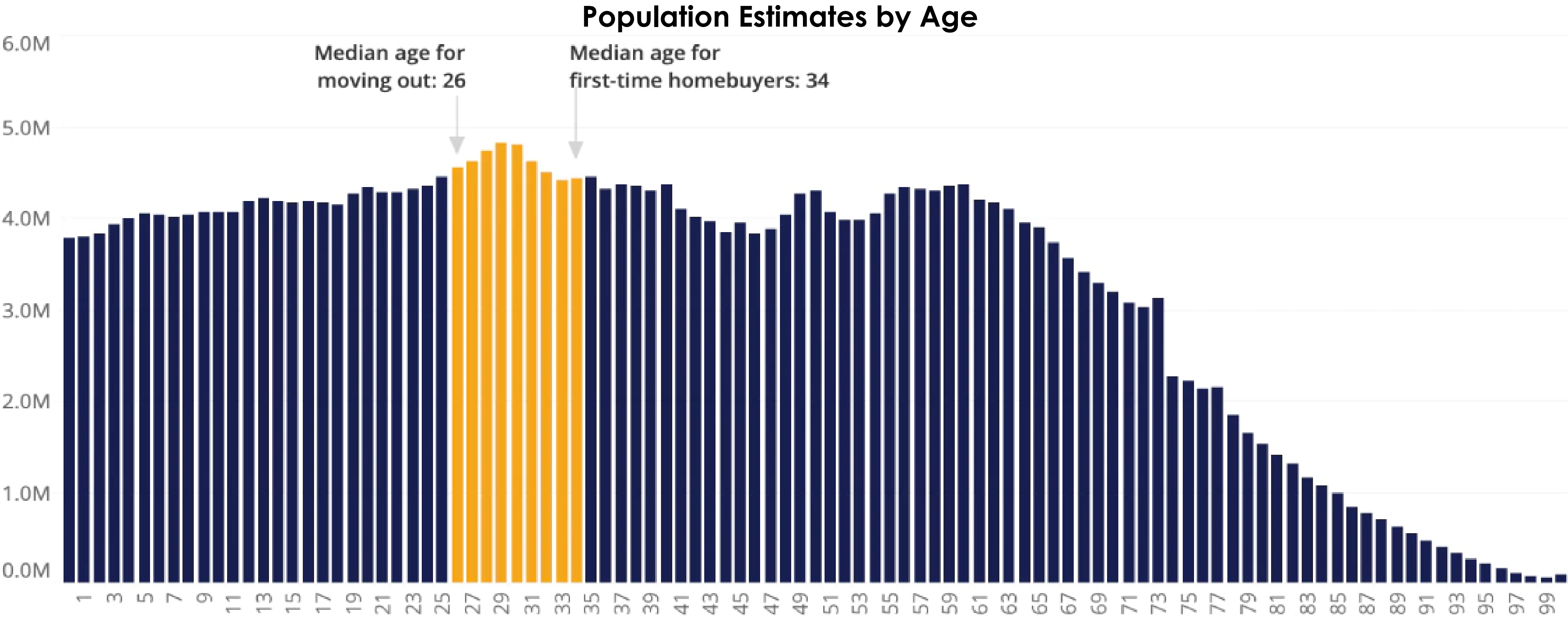
	2016	2017	2018	2019	2020	2021p	2022f
Nonfarm Job Growth	2.3%	2.1%	2.1%	1.5%	-6.9%	2.0%	4.6%
Unemployment	5.5%	4.8%	4.3%	4.1%	10.3%	7.8%	5.8%
CA Population (Million)	39.4	39.5	39.6	39.6	39.5	39.5	39.5
Population Growth	0.6%	0.4%	0.2%	0.1%	-0.5%	0.0%	0.1%





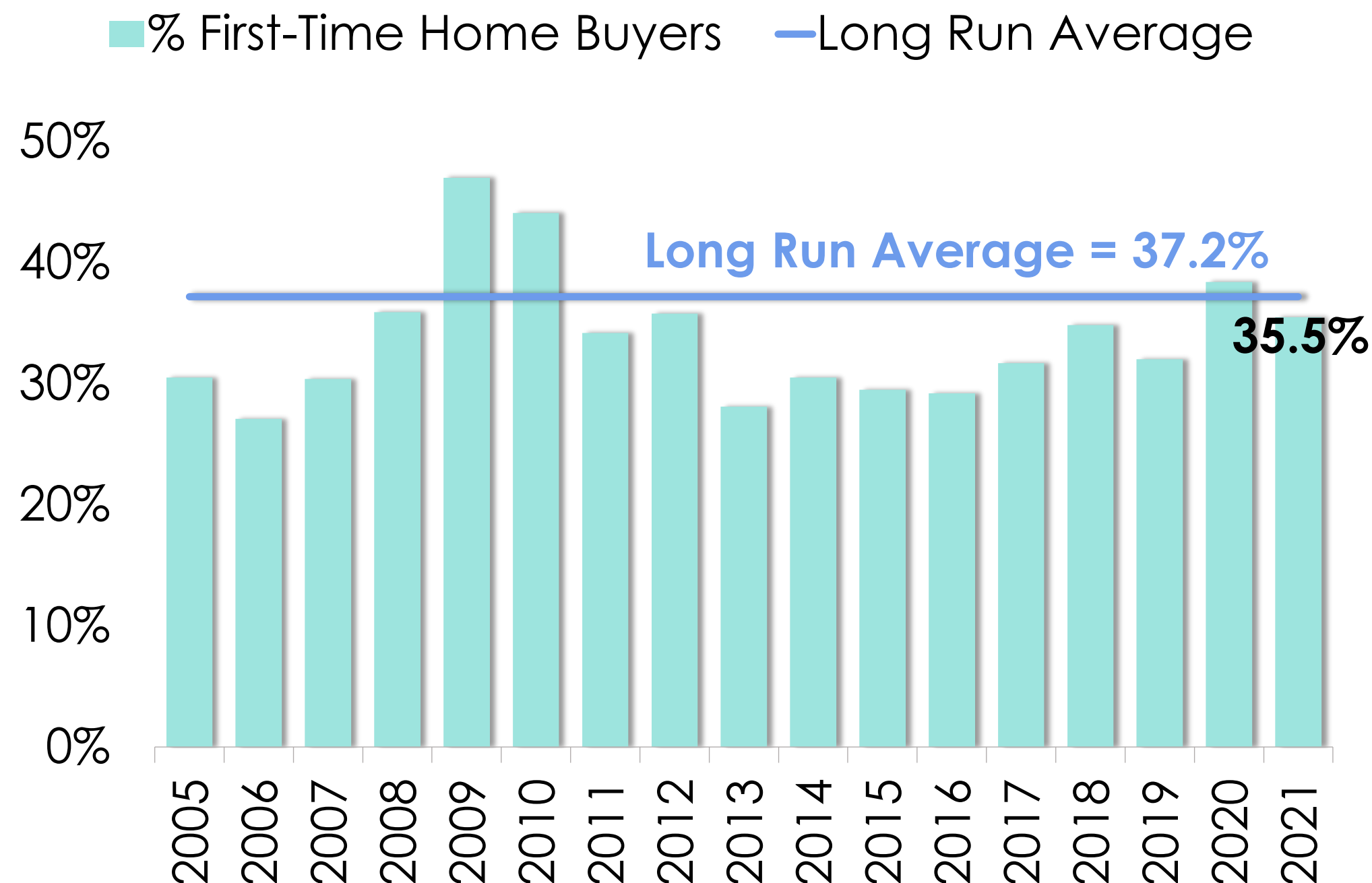
Market Outlook

Many potential homebuyers will enter their prime home buying age in coming years



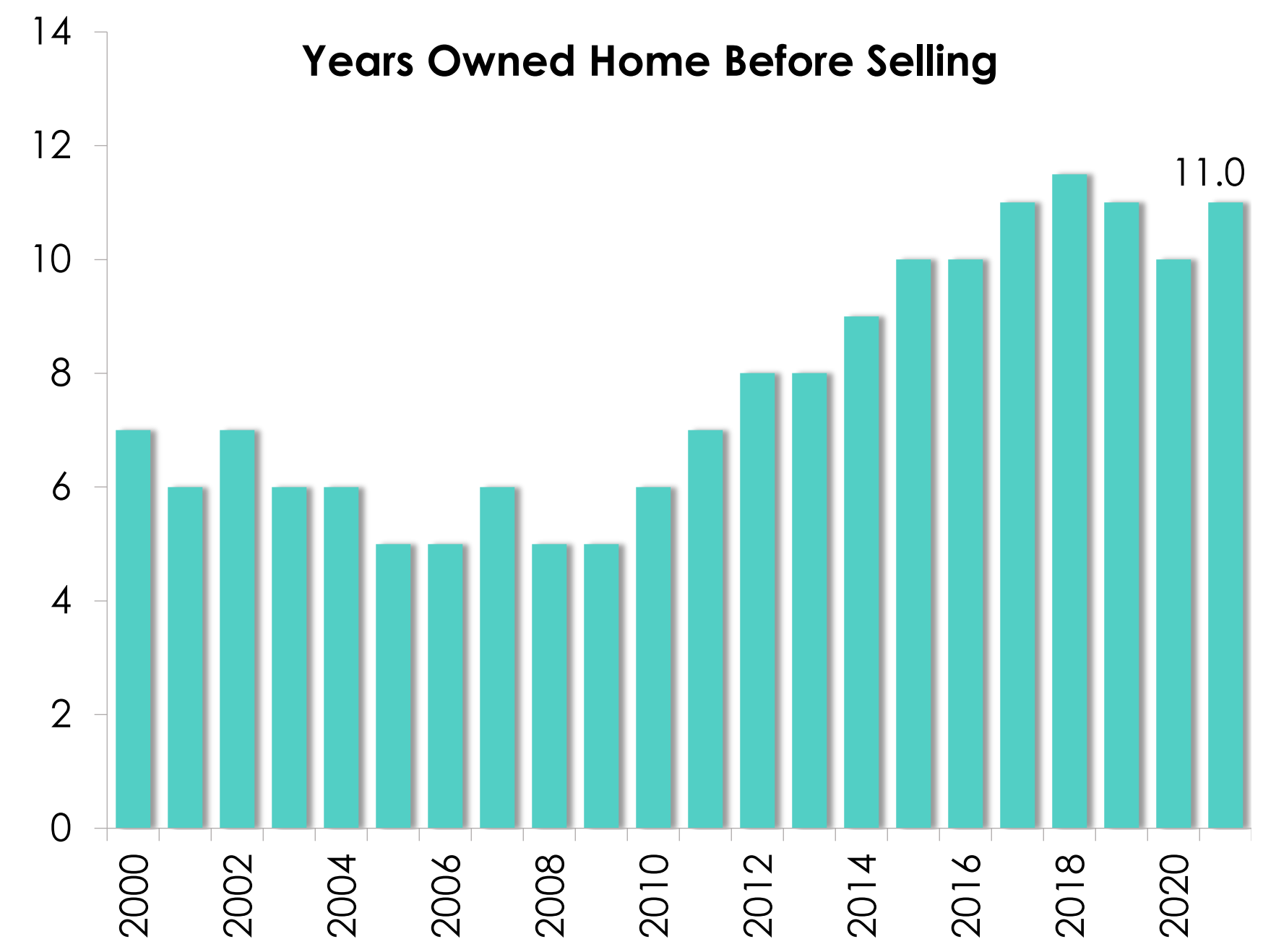
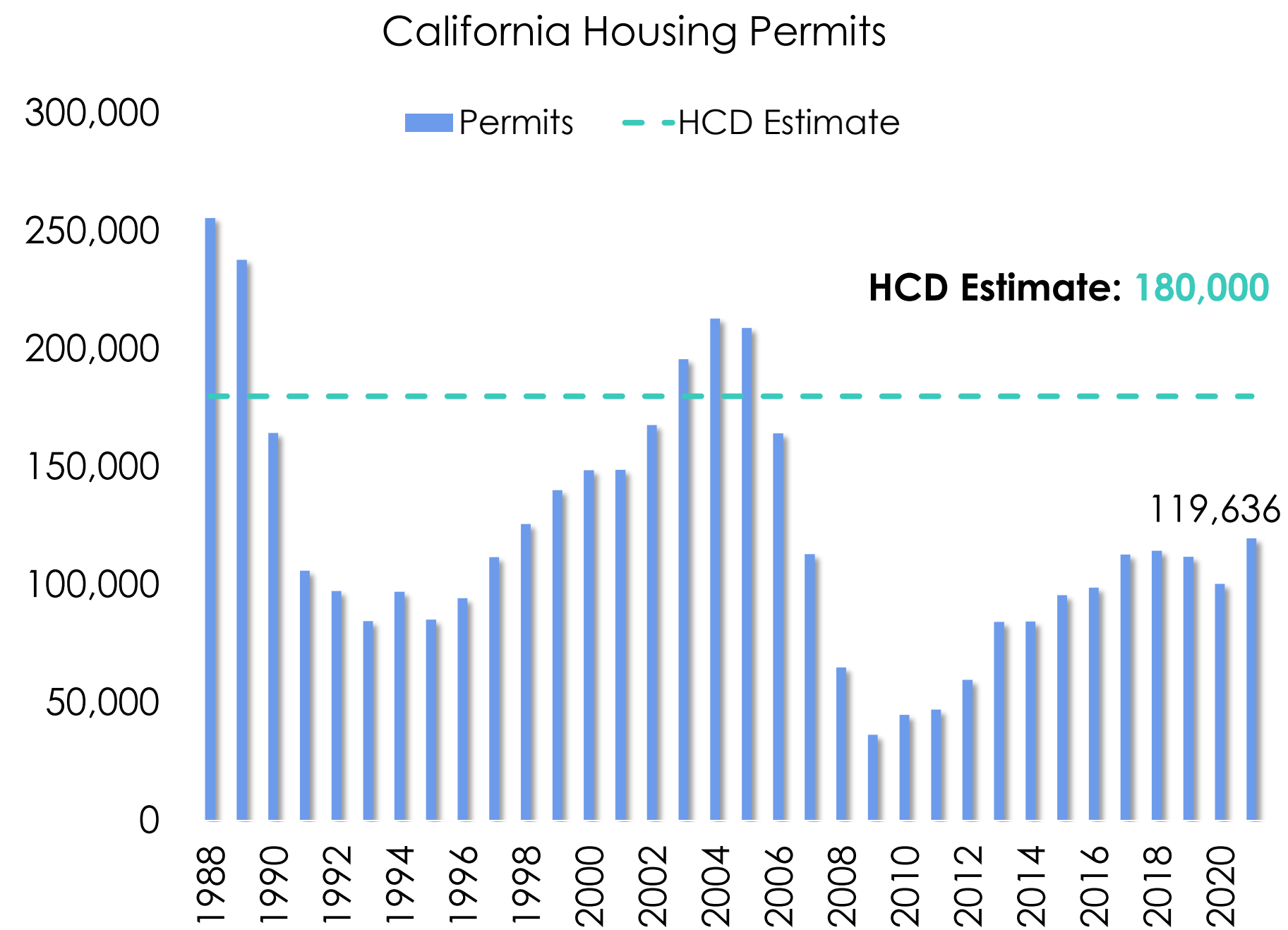
SOURCE: National Population Estimates, U.S. Census Bureau, Population Division, June 2020

Share of First Time Buyers dipped in 2021 but could play a bigger role in the years to come



SERIES: 2021 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

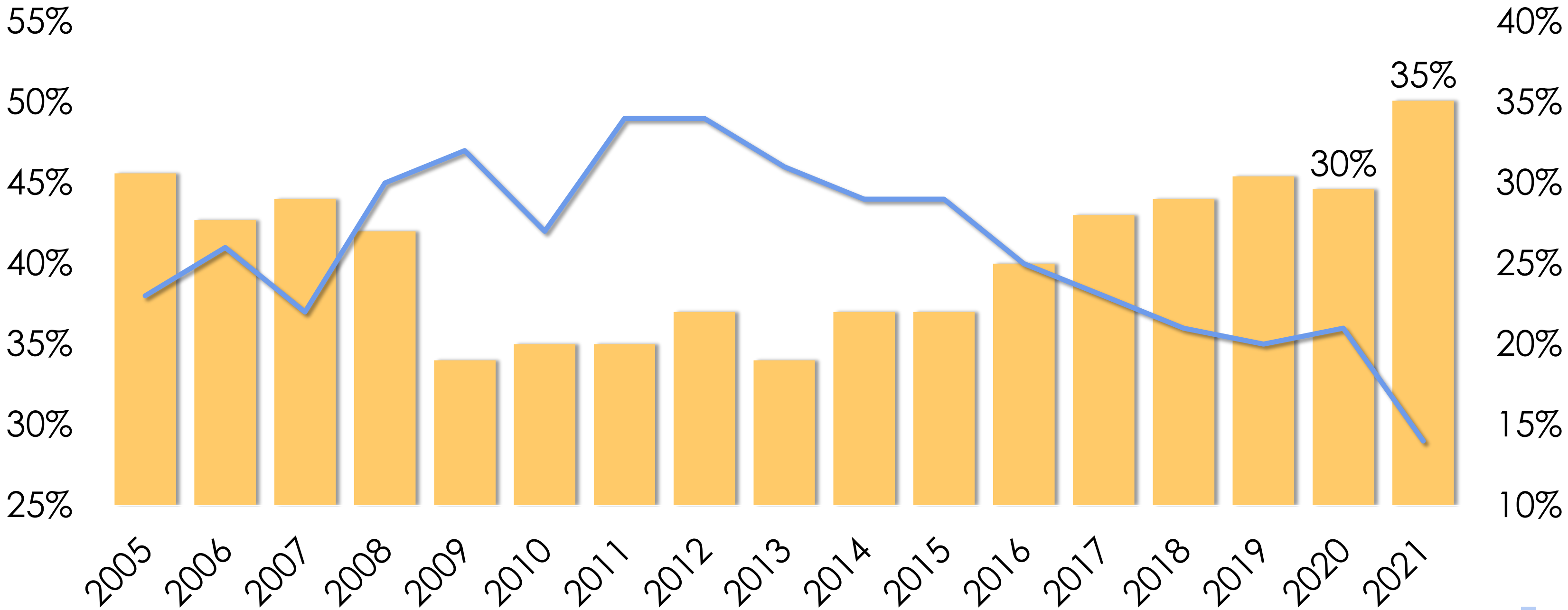
Structural challenges: Supply constraints will continue



Structural challenges: Outmigration

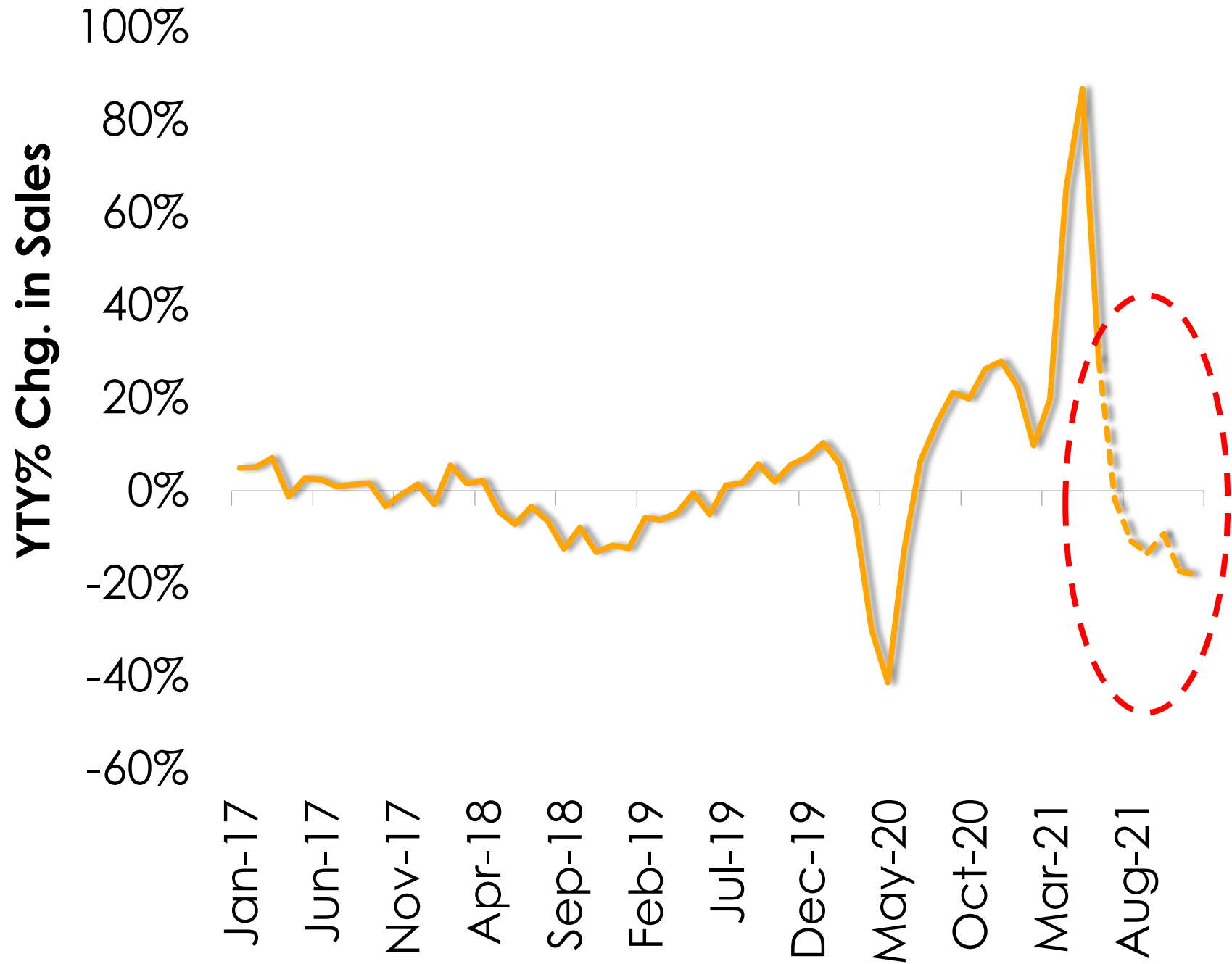
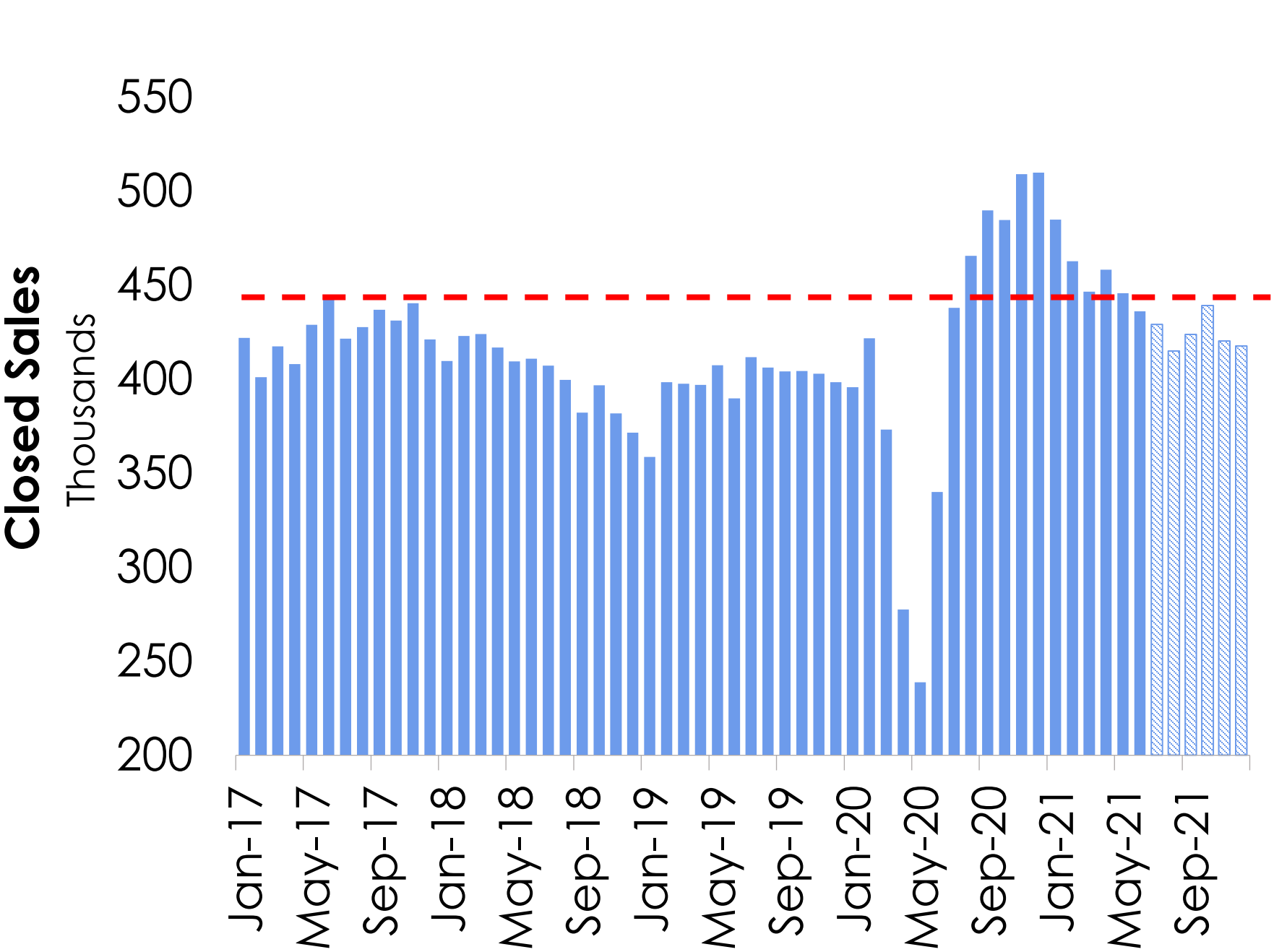
Percentage of Sellers by Location of Next Residence

■ Out of CA — Same County



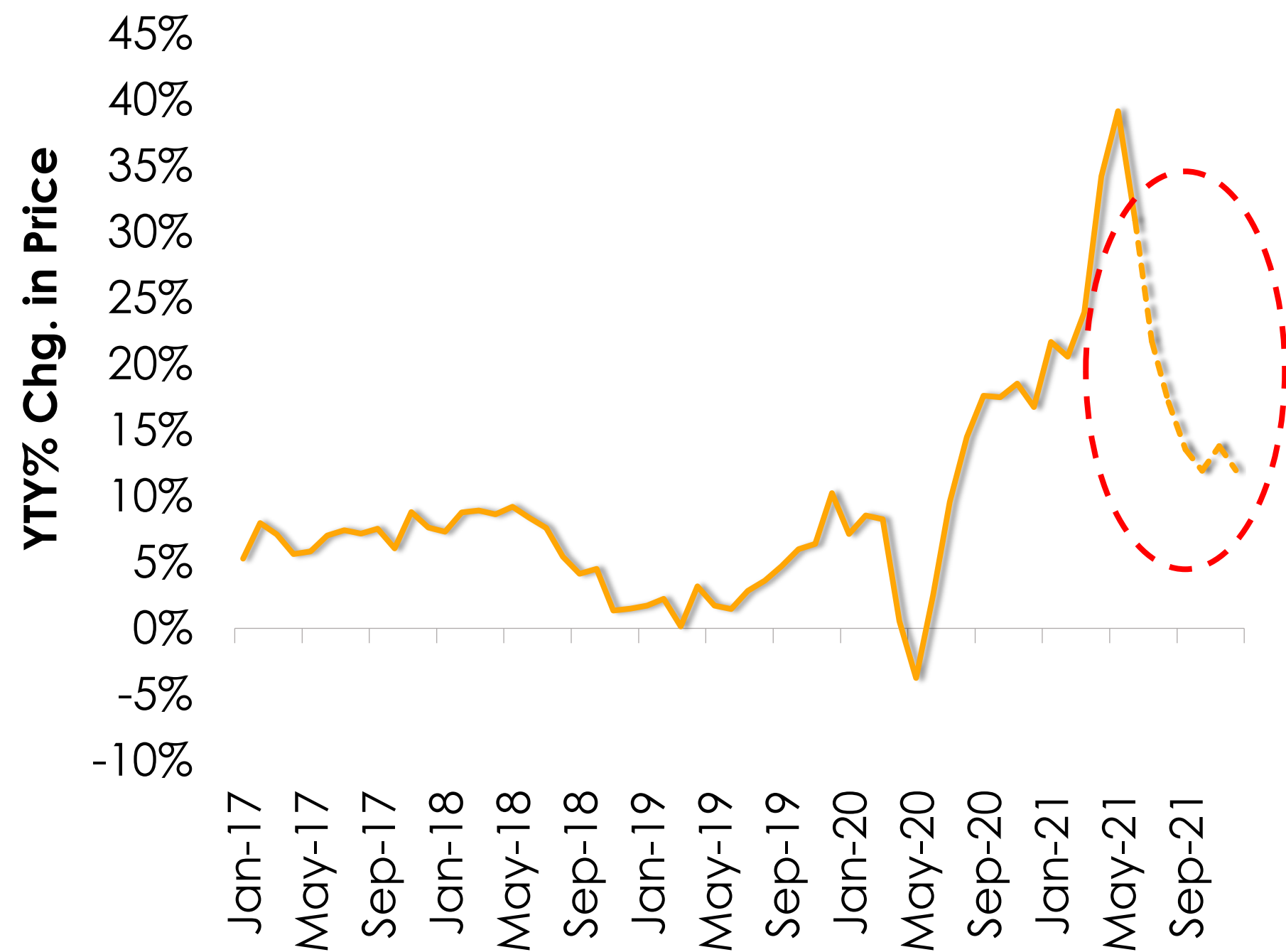
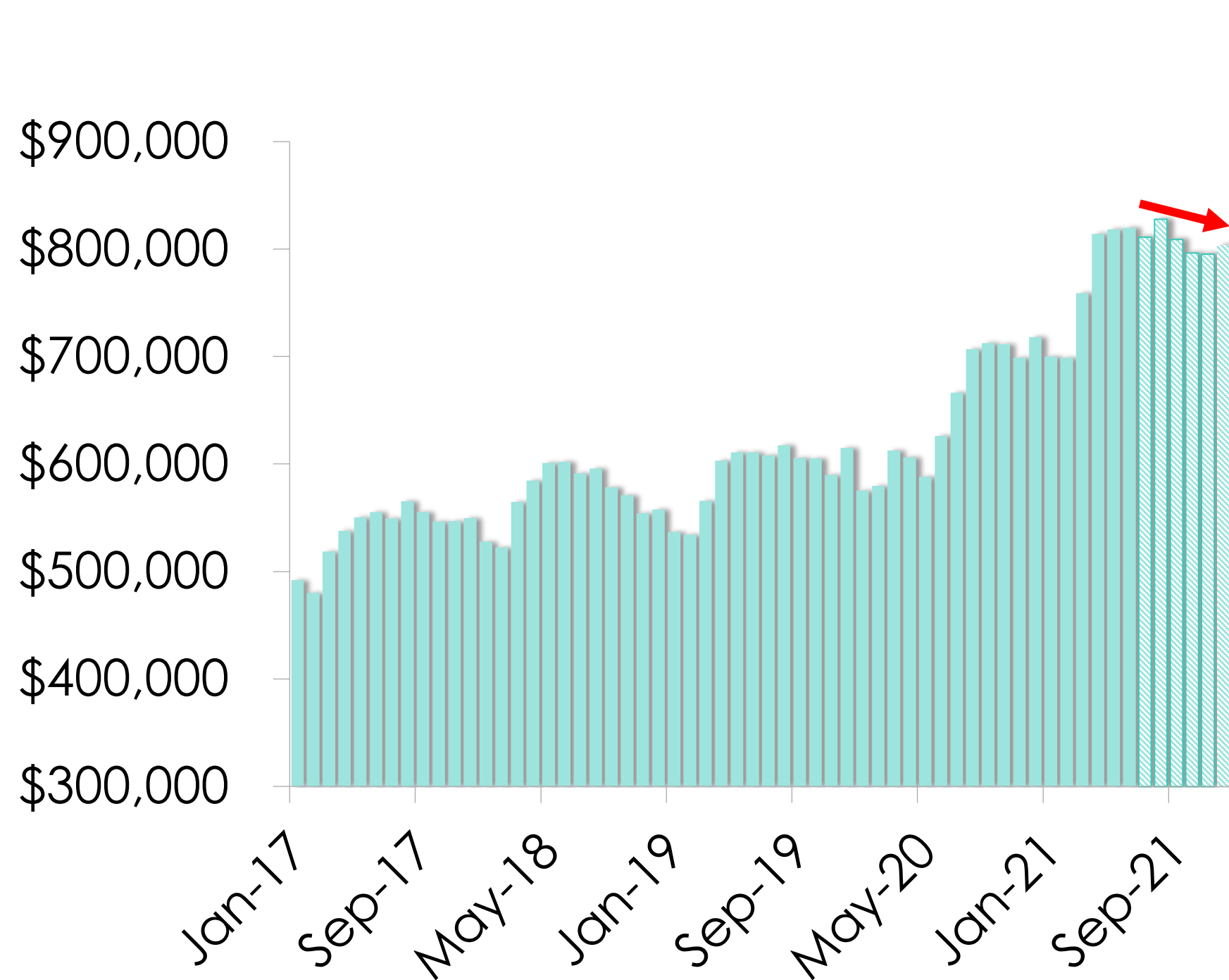
SERIES: 2021 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Rest of 2021: Home sales expected to slow but remain solid



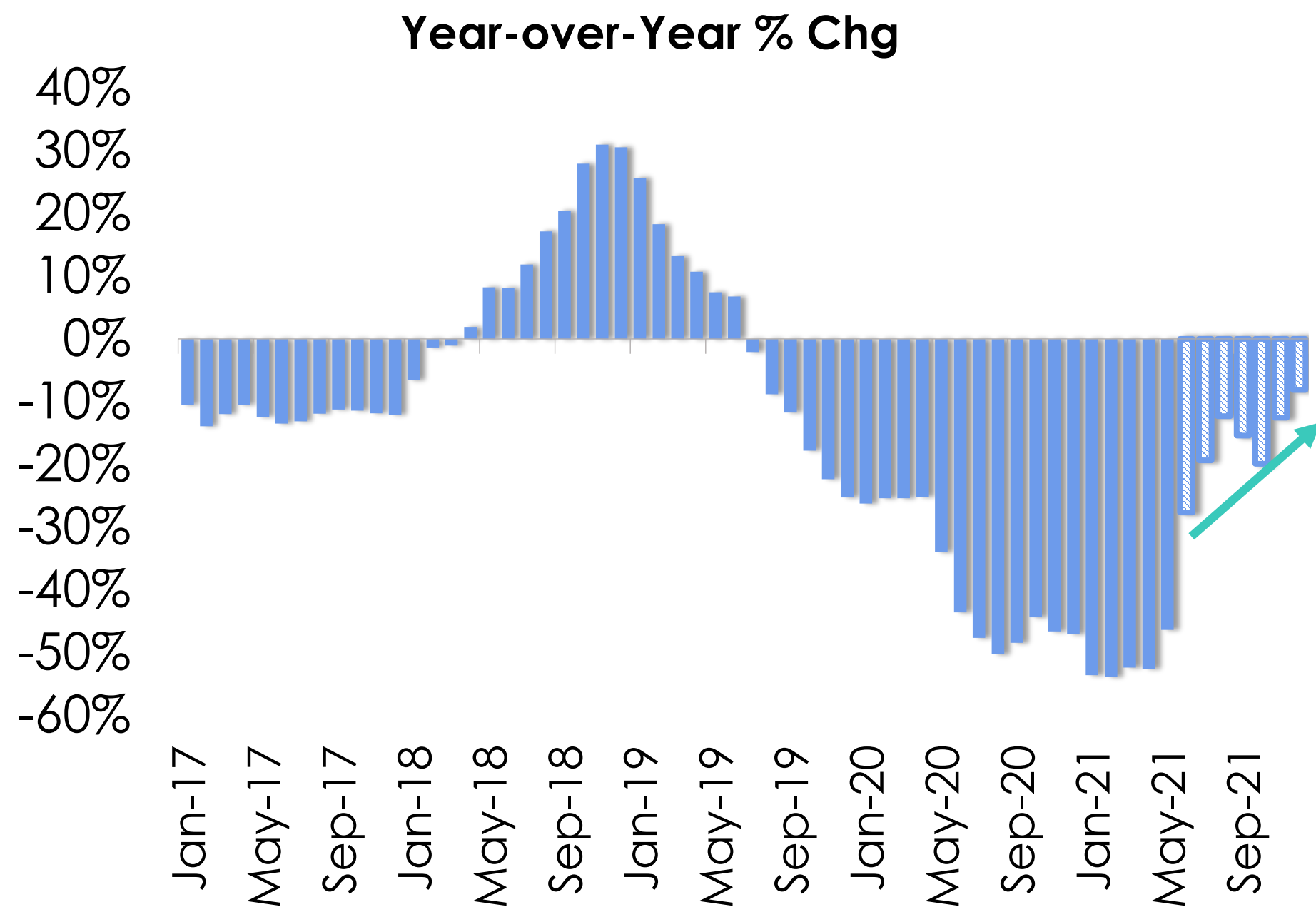
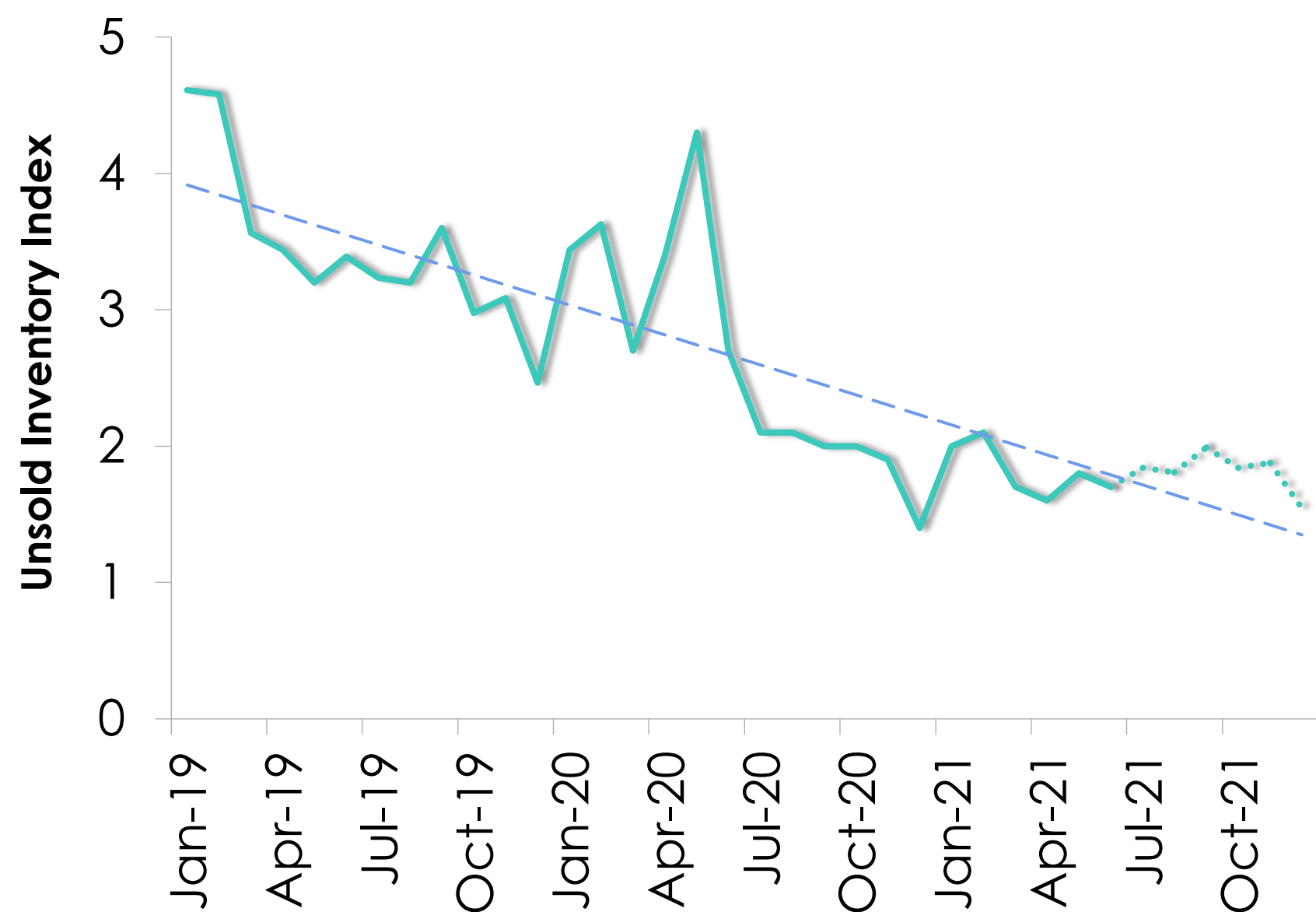
SERIES: Sales of Existing Single-Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Rest of 2021: Median price will stay elevated



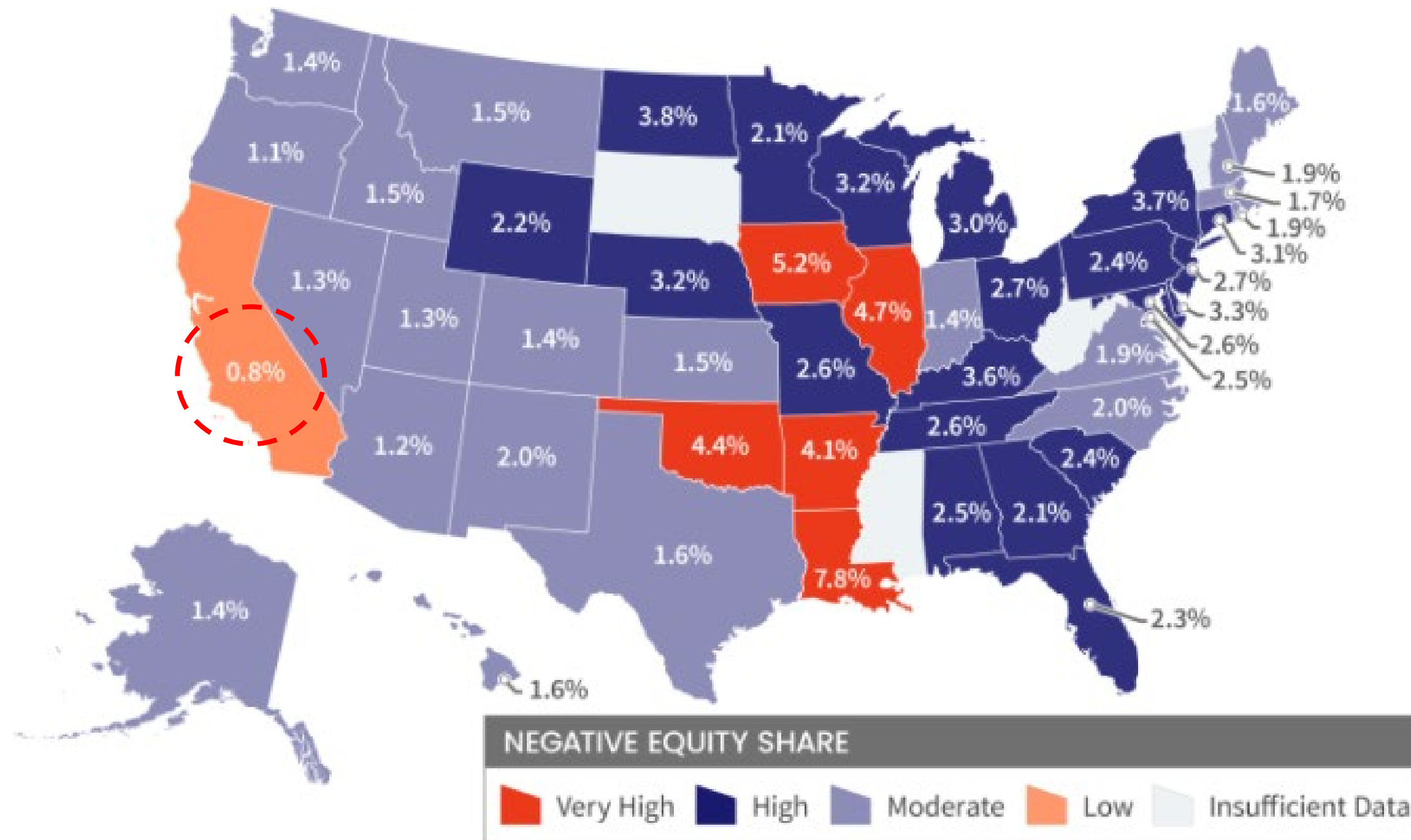
SERIES: Median Price of Existing Single-Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Rest of 2021: Active listings will continue to decline but at a slower pace



SERIES: Active Listing of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Surge in foreclosures not expected as negative equity share is small compared to the Great Recession



- Share of mortgaged residential properties with negative equity in the U.S. was 2.3% in Q221
- If home prices decline by 5%, 211,000 would fall underwater, and the share with negative equity would increase to 2.7%
- Negative equity peaked at 26% in Q409 in the last recession

Surge in foreclosure not expected as buyers have more “skin” in the game

	2006	2017	2018	2019	2020	2021
% of buyers with 20% or more down payment	43.2%	42.9%	44.2%	48.8%	44.9%	45.6%
Median Downpayment (% to Price)	11.8%	17.6%	18.0%	19.8%	18.6%	18.7%
% of buyers with zero down payment	21.1%	6.0%	7.3%	8.8%	8.5%	2.8%
% of cash buyers	11.0%	21.5%	22.9%	19.7%	17.4%	18.6%
% of home buyers with a second mortgage	43.4%	3.9%	4.2%	3.7%	3.1%	1.9%
% of buyer with ARM	32.6%	5.1%	4.0%	4.2%	3.0%	2.1%

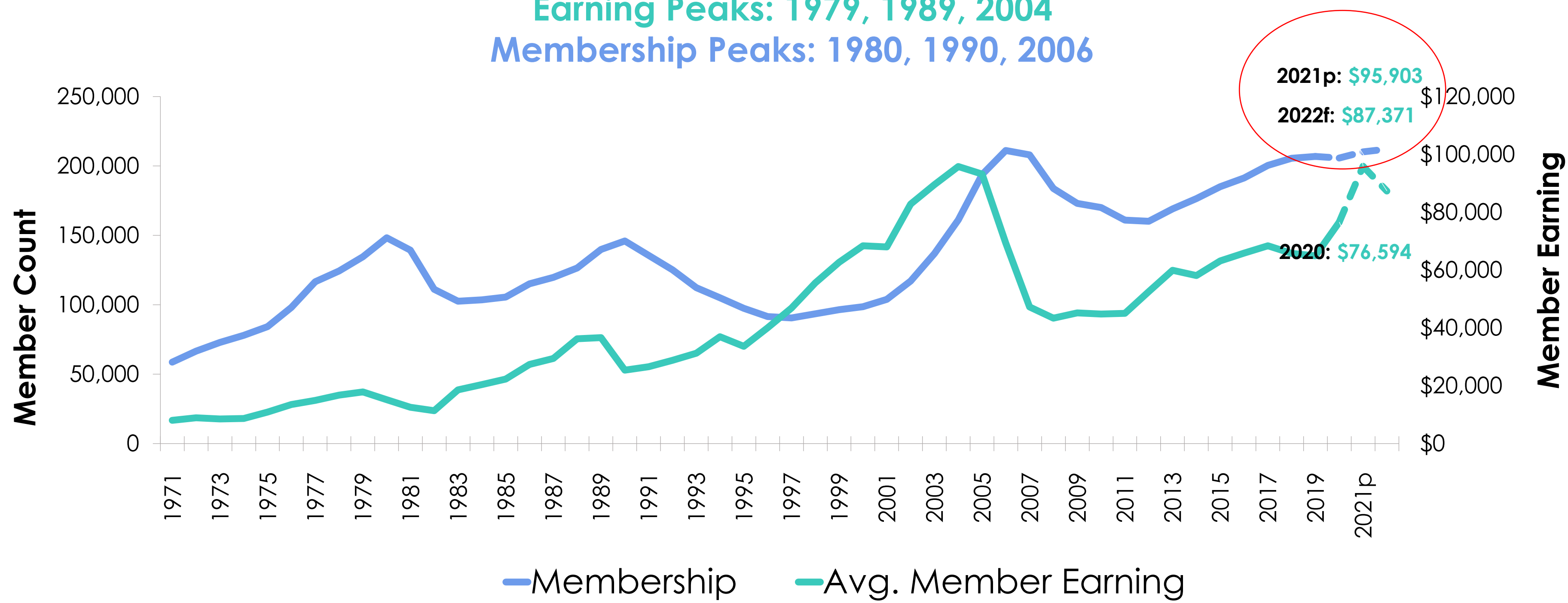
California housing market outlook

	2015	2016	2017	2018	2019	2020	2021p	2022f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	439.8	416.8
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	3.5%	6.8%	-5.2%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$793.1	\$834.4
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.3%	20.3%	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%	3.5%

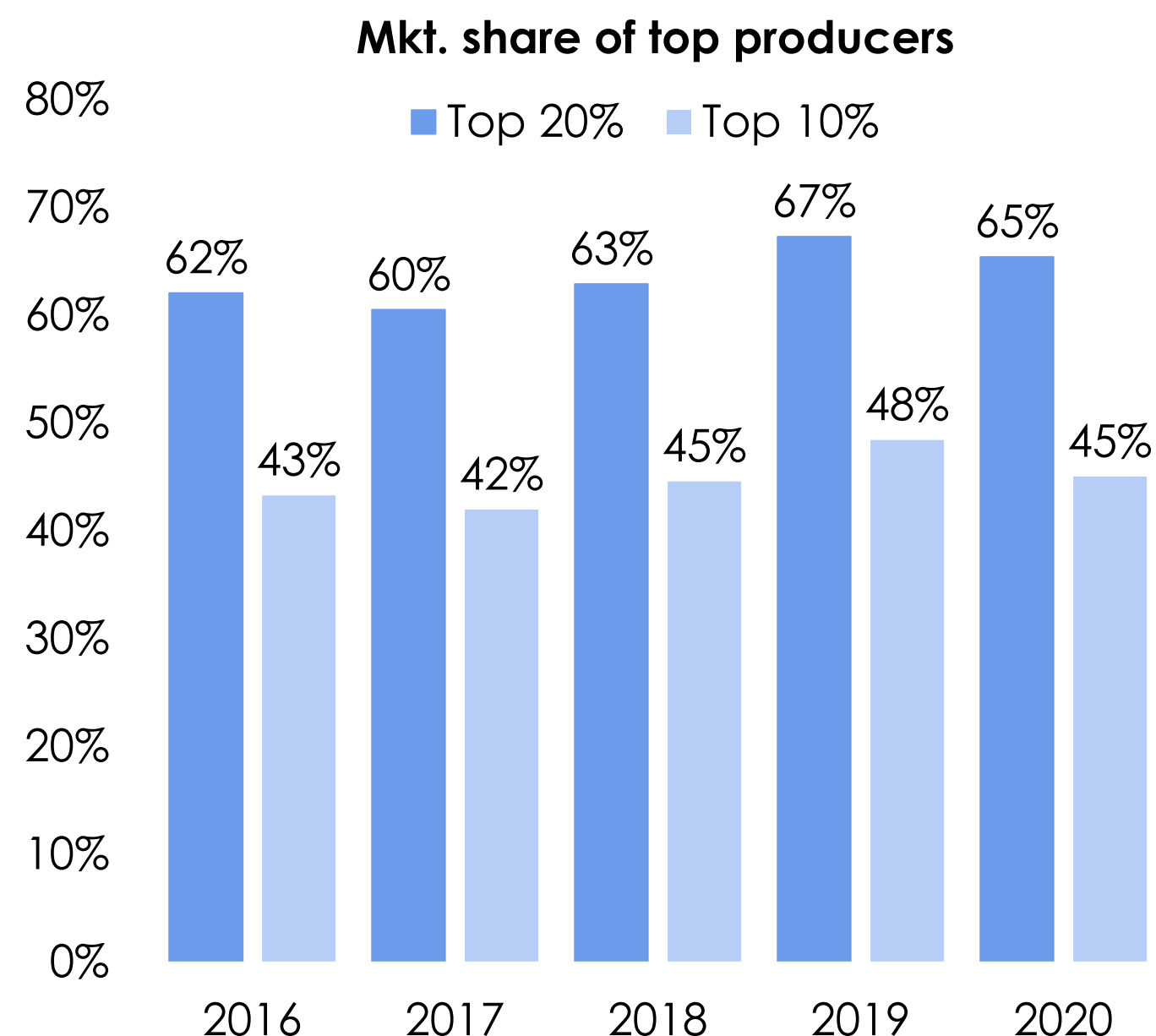
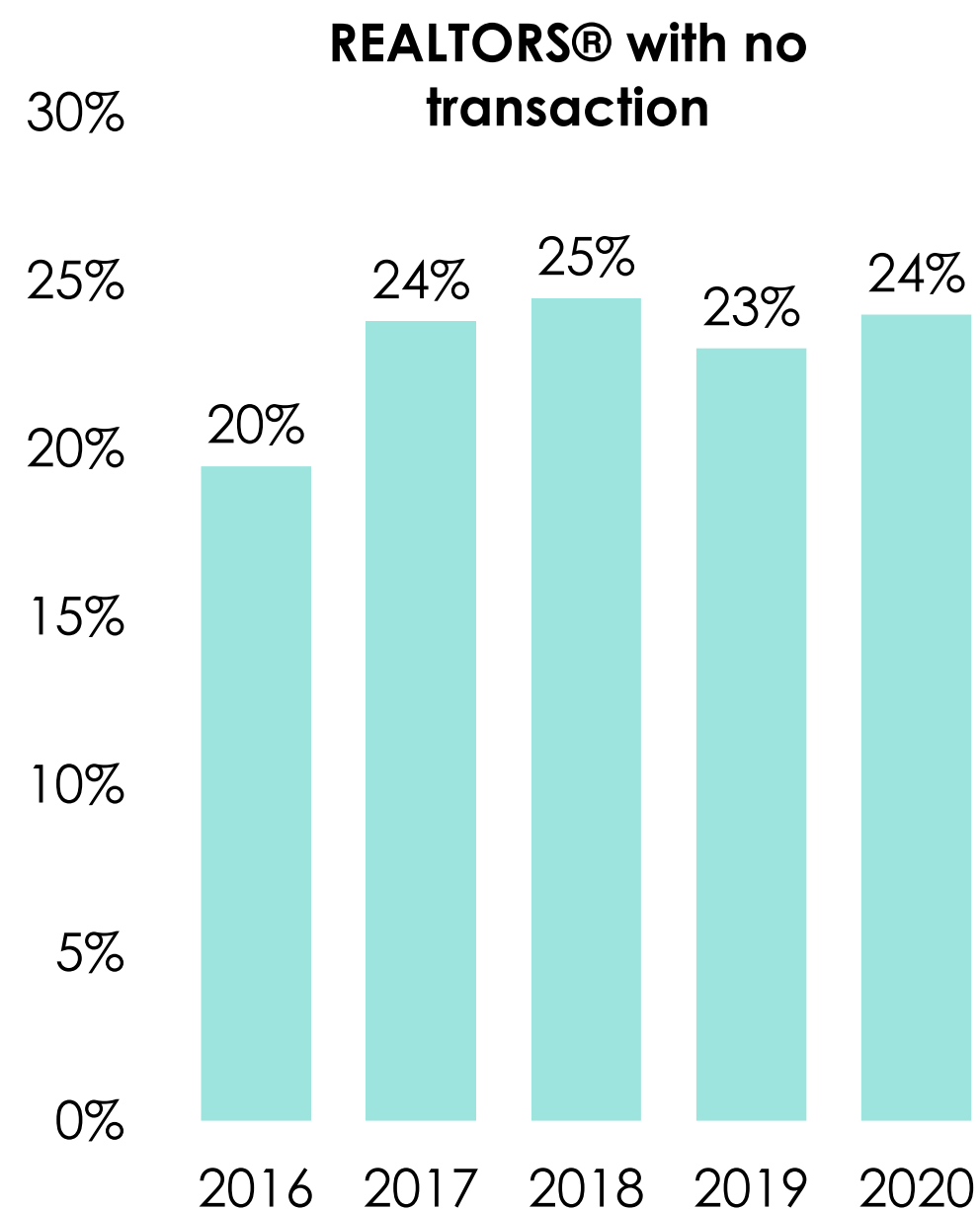


REALTOR® Outlook: Earning will rise this year and will remain elevated next year

Earning Peaks: 1979, 1989, 2004
Membership Peaks: 1980, 1990, 2006



REALTOR® Outlook: Market is still very competitive; Some will benefit more than most others



Median Income	
	Top 20%
2019	\$155,000
2020	\$180,000
YTY% Chg.	16.1%

Median Income	
	Bottom 80%
2019	\$42,000
2020	\$35,000
YTY% Chg.	-16.7%

Concluding remarks



- Housing demand will remain solid as rates stay low by historical standards
- Inventory should increase in upcoming months, but supply shortage will continue to constrain demand
- Price growth will decelerate as market competition cools off... slightly
- The economy will grow further in 2022, but COVID-19 remains the wildcard
- The market will remain competitive for both buyers and REALTORS®

「Thank You」