Reports on HOUSING

Your Local Real Estate Snapshot

Los Angeles County 2022 Forecast & Housing Update


Autumn
Fun Photos


1 of 24
3695
NEVADA
527·XKY
starmls


17 of 24


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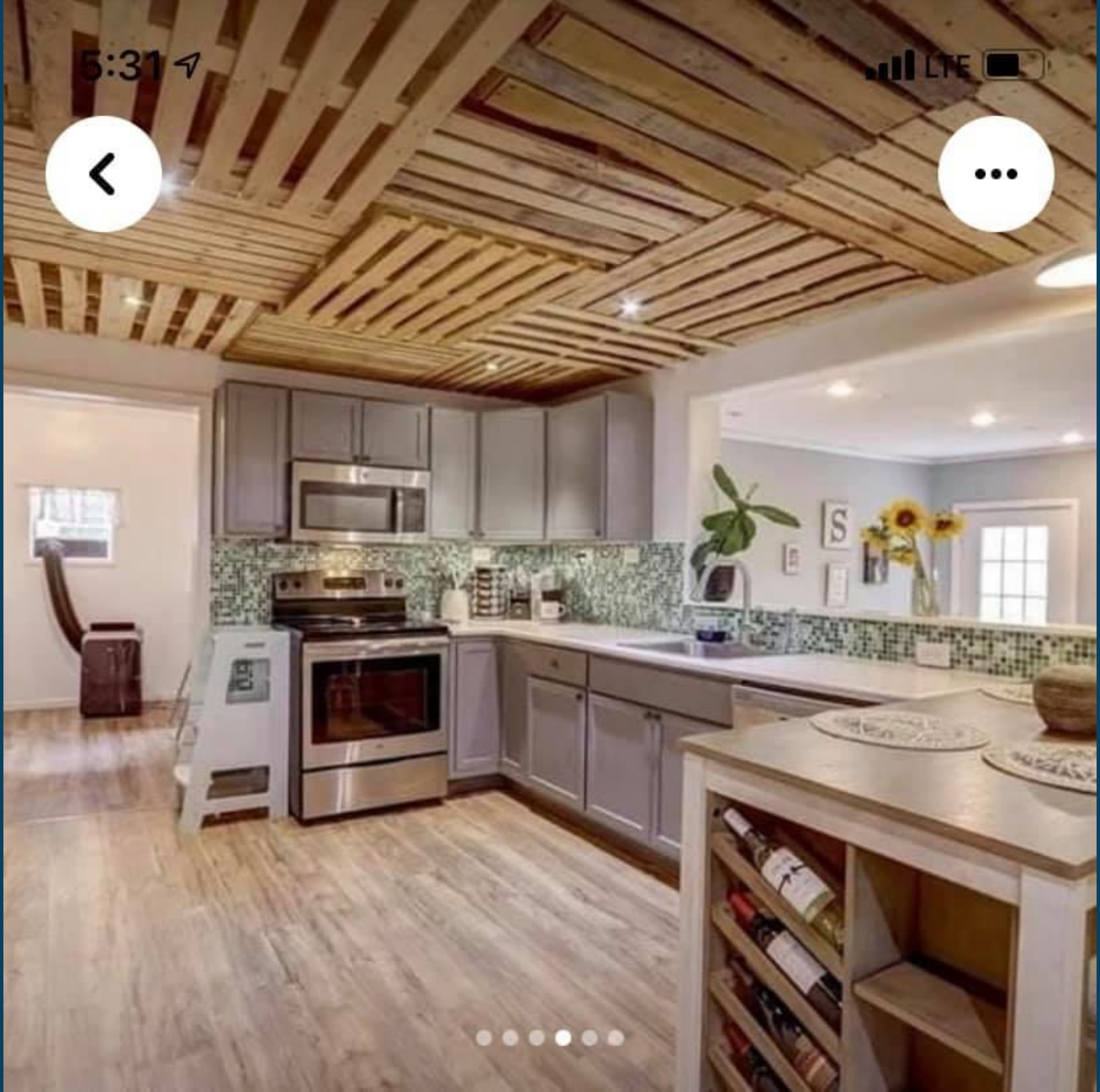
starmls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This is your listing about 90 minutes
after it goes live on the MLS!

Finally found a house in my price range

The 4 C's of Real Estate

Coffee
Clients
Closings
Cwine


WHEN YOU GET A FULL PRICED OFFER IN THIS MARKET!
"Are you kidding me? That insultingly low!"
J.KNOX


WHEN THE SELLER AGREES
TO TAKE ON REPAIRS!

Buying a house in 2021:
"$180,000"


Reports on HOUSING
Your Local Real Estate Snapshot
Introduction


Housing Crash???


Where Are Rates Headed?


The Housing Market


SLOW DOWN
When Will the Market Slow?


Market Overview


The 2022 Forecast

Reports on HOUSING

Your Local Real Estate Snapshot

Introduction

My Background

- Quantitative Economics & Decision Sciences
    - UCSD
- 30 Years in Business
- OC Native
- Capo Valley HS Grad
- 9 kids!
- Avid runner





The Thomas Bunch






Forbes

Bloomberg

USA TODAY

KTLA 5

FT
FINANCIAL TIMES

KCAL 9

FORTUNE

The New York Times

abc 7

THE WALL STREET JOURNAL.

Los Angeles Times

THE ORANGE COUNTY REGISTER

4 LOS ANGELES

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ORANGE COUNTY BUSINESS JOURNAL

Reports on
HOUSING
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PRICE
REDUCED
FOR SALE


Expectations

Los Angeles, Orange County, Riverside, San Bernardino, and San Diego Reports

THE Orange County HOUSING REPORT

BLAZING BEGINNING

January 11, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

To go along with record low mortgage rates, it is the hottest start to a year since tracking began in 2004.

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Hot Seller's Market

With a record low supply of homes available to purchase and staggering demand, the market is extremely hot.

The unveiling of the new Star Wars: Galaxy's Edge at the Disneyland Resort in Anaheim was met with throngs of eager parkgoers and the line for the Millennium Falcon on opening day was 5 hours long. Movie tickets for the initial release of Avengers: Endgame in April 2019 were extremely hard to come by. It ultimately became the number one box office hit of all time. In December 2015, Adele placed all 50 shows of her Adele Live 2016 international tour on sale at the same time, 750,000 tickets, and they sold out in just 20 minutes. These are all examples of an overpowering demand met with an exceptionally limited supply.

That is precisely what is occurring in the San Diego County housing market today. There is an imbalance in supply and demand. The supply of homes is at a record low and demand is off the charts. As a result, the market has been hot from day one of 2021. The only other time that occurred was back in 2013. What 2013 and 2021 have in common are record low mortgage rates. On January 3, 2013, mortgage rates were at 3.34%, slightly higher than the record low 3.31% achieved on November 21, 2012. On January 7, 2021, according to the Primary Mortgage Market Survey conducted by Freddie Mac for the past 50-years, mortgage rates hit a 17th record low since March, dropping to 2.65%. In the past 10-months, mortgage rates continued to drop to record low territory, dropping below 3% in July for the first time ever. The further rates dropped, the more demand soared, and the hotter the market became.

Today, there are 2,556 homes available to purchase, an ultra-low supply of homes that shattered the prior record low achieved in January 2013, at 4,329. That is 41% lower. To put it into proper perspective, last year there were 4,744 homes, 86% more. Two years ago, there were 6,674, 161% more. Current demand (a snapshot of the last 30-days of new escrows) is at 2,144 pending sales, a bit lower than 2013's 2,693. Yet, it is 17% higher than last year's 1,838 level, and 32% higher than the 1,619 pending sales reached in 2019.

The imbalance of an overpowering housing demand and an exceptionally low supply of available homes has resulted in an Expected Market Time (the time between hammering in the FOR-SALE sign to opening escrow) of 36 days, the lowest level since tracking began in 2012. Only 2013 came close at 48 days. At 36 days it is a Hot Seller's Market (less than 60 days), where sellers call the shots, multiple offers and bidding wars are the norm, and home values are on the rise. Last year started with an Expected Market Time of 77 days, a Slight Seller's Market (between 60 and 90 days), where sellers get to call more of the shots, but there are fewer multiple offers and home values are not appreciating much at all. It was at 124 days to start 2019, a Buyer's Market that quickly evaporated by the end of January with dropping mortgage rates.

Expected Market Time & Mortgage Rates to Start the Year

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expected Market Time	36 Days	77 Days	124 Days	69 Days	66 Days	82 Days	88 Days	79 Days	48 Days
Mortgage Rates	2.65%	3.72%	4.51%	3.95%	4.20%	3.97%	3.73%	4.53%	3.34%

THE SAN DIEGO HOUSING REPORT

BIDDING WAR

February 9, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

When a home hits the market, it is greeted with throngs of buyers and so many offers to purchase that a bidding war ensues.

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Multiple Offers

It is not uncommon for homes marketed FOR-SALE to procure 5, 10, 15, or even more offers to purchase within a few days of coming on the market.

Charity auctions can be very entertaining. There is always something that nearly everyone wants. An Italian villa, a gourmet chef for a week, a ski chateau in the Rocky Mountains, all garner plenty of attention. After scouring all the details, attendees strategize and settle on their maximum bids. The auctioneer starts the bidding low to capture everyone's attention. Paddles are eagerly raised one after the other. There is so much interest that the auction transforms into a bidding war. The value soars upward until it finally slows, and a winning bidder is revealed. The final price is typically a lot more than many of the bidders were originally willing to pay.

That in essence is what is occurring daily in the real estate trenches. Homes that hit the market are instantly greeted with plenty of buyer interest and a stream of showings. In no time multiple offers follow. Buyers are pitted against each other and a bidding war develops. Countless buyers offer the full asking price, only to receive a counter offer that asks them to come back with their highest and best offer to purchase. Yes, in many cases that means that a buyer must be willing to pay higher than the asking price to be the winning bidder. Many homes ultimately sell for more than their asking prices.

There are a lot of reasons the market is exceptionally hot today. The leading factor is record low mortgage rates. The monthly and annual payment savings are jaw dropping and has been the catalyst to a tsunami of buyer interest. Another factor is the lack of available homes to purchase. There are fewer homes coming on the market right now because it is still the Winter Market. The vast majority of homeowners opt to "wait until the spring" to market their homes. Spring does not begin until Saturday, March 20th. Until then, there should not be the expectation of a bunch of new homes hitting the market. With demand so hot, many homes are not available to purchase because they are in escrow. With more escrow activity, the supply diminishes. Also, fewer homes came on the market in January compared to the 5-year average, 24% less, or 1,028 missing FOR-SALE signs. That is a lot of homes for a housing market starved for fresh inventory.

Year Over Year Comparison

	YOY Inventory Change	YOY % Change
$0 - $500k	-842	-59%
$500k - $750k	-598	-53%
$750k - $1m	-282	-47%
$1m - $1.25m	-127	-49%
$1.25m+	-447	-36%

	YOY Demand Change	YOY % Change
$0 - $500k	-137	-2%
$500k - $750k	+109	+10%
$750k - $1m	+160	+41%
$1m - $1.25m	+20	+15%
$1.25m+	+142	+53%

THE LOS ANGELES HOUSING REPORT

WAITING WILL BE COSTLY

April 5, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

Even though buyers are exceedingly frustrated with the housing market after writing too many offers to no avail, waiting until the market gets easier is not the answer.

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Your Local Real Estate Snapshot

Cost of Waiting

Housing will become more unaffordable as homes continue to rapidly appreciate and mortgage rates rise.

Ask any buyer what it is like attempting to purchase a home in today's housing market and the responses will be same. It is frustrating, overwhelming, exhausting, and disheartening. Buyers consistently get their hopes up and run around each weekend to see the few new houses that are now available. They ultimately write another offer. A few days later they write a counteroffer, often for way more than the asking price. They agonizingly wait another day or two only to find out that they are not the winning bidder. It is back to the drawing board, again.

It feels like a dog chasing its own tail, a pointless exercise that ends in exhaustion. After writing offer after offer with no success, many buyers become discouraged and question whether they should continue to pursue their dream in purchasing a home. Maybe they should wait until the market is not so blistering hot, or until they have a larger down payment, or when there are more homes available. The facts and data illustrate why waiting is not a great strategy at all.

While it may be discouraging for buyers to continue the pursuit in purchasing a home, diving into the consequences of waiting will keep them motivated. It is important to focus on the monthly payment in purchasing a home today and compare it to delaying until the end of the year. An $875,000 home purchased today with a 20% down payment yields a monthly payment of $2,999 at the current interest rate of 3.125%.

Purchase a Home Today			Purchase a Home in December			Cost of Waiting	
Purchase Price	Mortgage Amount (20% Down)	Payment at Today's Rate 3.125%	Purchase Price 8% Appreciation	Mortgage Amount (20% Down)	Payment at Projected 3.75% Rate	Monthly Cost of Waiting	Annual Cost of Waiting
$875,000	$700,000	$2,999	$945,000	$756,000	$3,501	$502	$6,024

With a record low supply of available homes to purchase paired with unstoppable demand powered by historically low mortgage rates, home values are anticipated to continue to increase at a pace of about 1% per month through the end of the year. That equates to home appreciation of 8% from now through December. At the same time, the United States economy is revving its massive engine now that it is emerging from the depths of the pandemic. Excellent job reports, increased travel, a massive personal savings surplus, and a return to some semblance of normal life again will ignite the economy and translate to a rise in mortgage interest rates. It is already occurring. According to Freddie Mac's Primary Mortgage Market Survey®, rates started the year at 2.65%, an all-time record low, and have since risen to 3.125%. That is nearly a half a point higher in just a few months. By year's end, rates are forecasted to hit 3.75% or higher.

That means that the $875,000 home example above will appreciate to $945,000 in December. Match that up with the expected 3.75% mortgage rate, and the monthly payment blossoms from $2,999 to $3,501 per month, an increase of $502 every single month for the life of the loan. That is $6,024 per year or $30,120 in five years. This example only factors the increase in the principal and interest payment. The 20% down payment for $945,000 is an extra $14,000 down. Property taxes go up too. With the average tax rate of 1.1%, that amounts to an additional $770 annually.

THE
Riverside County
HOUSING REPORT

CRASH COMING?

May 24, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

With housing values soaring like they did prior to the Great Recession coupled with recent inflation news, many are calling for a correction in housing.

Reports on HOUSING
Your Local Real Estate Snapshot

No Crash Coming

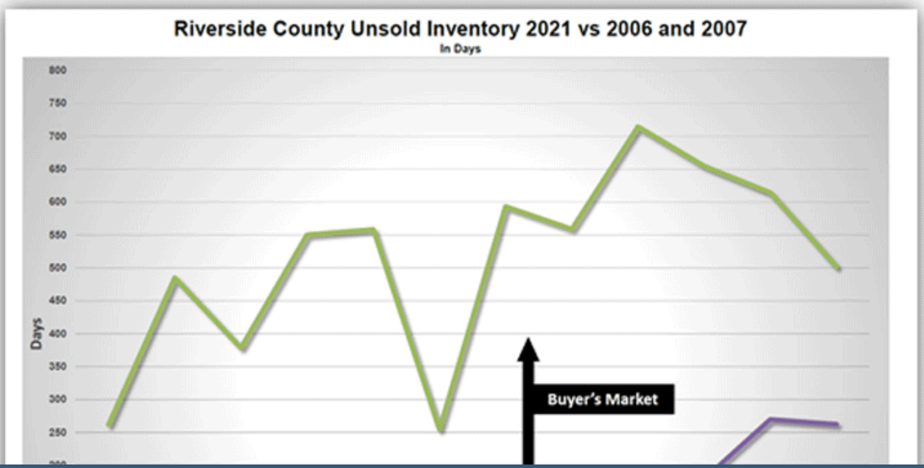
Housing data illustrates that there is not a housing crash on the horizon.

Home prices were surging from 2000 through 2006. Homeowners were sitting back in their recliners watching their home value skyrocket to the heavens. It seemed like the housing market was unstoppable. Then it all came tumbling down with the beginning of the subprime meltdown in March 2007. Values dropped like a rock. Many lost their homes to foreclosure or short sale. Everybody remembers the scars of the Great Recession. Either they were directly affected, or it happened to somebody they knew.

Once again, housing is soaring upward with seemingly no end in sight. Buyers are tripping over each other, willing to pay tens of thousands of dollars above the asking price. Throw in the news of rising inflation and the potential of drastically higher mortgage rates, the madness must come to a screeching halt soon, right? Even though so many are anticipating and reporting that a housing crash is eminent, it simply is not going to occur, not now, not in the next 6-months, and not in the foreseeable future.

The Great Recession was triggered by the housing market where anyone could purchase a home regardless of their true qualifications. Zero down payment loans, negative ARM's, cash out refinancing, subprime lending, and fudged loan documents all contributed to the astonishing rise in values that inflated the housing bubble that ultimately collapsed in 2007. The housing market crashed, and home values plunged.

What occurred can be explained by looking at supply and demand. When supply rises and demand drops, the unsold inventory climbs. When supply drops and demand rises, the unsold inventory falls. The writing was already on the wall a couple of years prior to the start of the Great Recession. Housing data illustrated market conditions that were lining up in favor of buyers. The inventory swelled while demand crumbled. As a result, the unsold inventory rose to unfathomable heights. In June 2006, it surpassed 180 days, a Buyer's Market. It grew to 263 days by December. In 2007, it surpassed 500 days in April, the start of the subprime meltdown. In September, it eclipsed 700 days.



THE

Orange County

HOUSING REPORT

IS HOUSING UNAFFORDABLE?

June 1, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

As home values rocket upwards, affordability weakens, yet homes are still not too far out of reach for most buyers because of low mortgage rates.

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Low Rates Prop Up Affordability

Even with record level home prices, low mortgage rates have kept affordability in check.

In 1980, a new car cost around $7,200 and a gallon of gas was $1.19. It was $2.25 for a movie ticket, 15 cents for a first-class stamp, 91 cents for a dozen eggs, and $2.16 for a gallon of milk. Wow! It was cheap living back in 1980. Reminiscing and longing for the good ol' days leaves out a very important, often overlooked difference, income. The Orange County median household income in 1980 was $22,000, a drop in the bucket compared to today's $100,000 level.

It boils down to perspective. Looking only at housing prices tells only part of the story. It is important to also consider household incomes and the prevailing mortgage rates. Naysayers are quick to point out how the median sales price was much lower back in prior years; however, taking into consideration both the median income and the average 30-year mortgage rate illustrates how buyers can afford so much more today. The historically low mortgage rate environment has stoked today's unsatiable demand and has allowed housing to soar over the past year.

To understand where this heightened demand and buyer's exuberance is coming from it is necessary to consider where interest rates and income have historically been and their impact on affordability. The chart below highlights how higher interest rates limit the price of a home that a buyer can afford. In 1980, the average mortgage rate was 13.75%, the median income was $22,000, and the median detached sales price was $108,000. That meant that the monthly housing payment was 55% of a homeowner's income. Rates continued to drop and incomes climbed decade after decade. In 2000, mortgage rates were at 8%, the median income grew to $56,000, and the median detached sales price had blossomed to $317,000. Yet, the monthly payment was only 40% of a homeowner's income. It swelled to 59% in 2007, just prior to the start of the Great Recession, and dropped to 33% in 2012 as housing began to climb once again. Flash forward to today's 3% mortgage rate, $101,000 median income, and a record setting April median detached sales price of $1,100,000, and the monthly housing payment is 44% of a homeowner's monthly paycheck.

Orange County Affordability Over Time

	Average 30-Year Rate	Median Detached Sales Price	Median Income*	Payment as % of Income
1980	13.75%	$108,000	$22,000	55%
1990	10%	$239,000	$41,000	50%
2000	8%	$317,000	$56,000	40%
2007	6.34%	$728,000	$73,000	59%

THE
LOS ANGELES
HOUSING REPORT

SUMMER TRANSITION

June 14, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

The Summer Market is officially here and with it typically comes an increase in the inventory, a slight drop in demand, and a rise in market time.

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Summer Market

Expect a downshift from the Spring Market to the Summer Market.

The end of the school year has finally arrived, and diplomas have been distributed at festive commencement ceremonies. The temperature is heating up and the days are growing longer. The 4th of July is less than three weeks away, and family vacations are booked. From the pool to the beach to hiking Southern California's many trails, summer is here along with all its distractions. Toss in the fact that everybody can walk the earth freely again now that COVID-19 is disappearing. Everyone is ready to enjoy a bit of fun in the sun.

The distractions of summer impact the housing market. The busiest time of the year in terms of demand, the Spring Market, comes to an end with the conclusion of the school year and graduations. The Summer Market lasts from the end of May to the start of school at the end of August. Summer is when active buyers are pulled away from the frantic pace of housing. Kids are home and parents are busy carpooling to camps, water parks, pools, beaches, and friends' houses.

During the Summer Market demand decreases slightly. There are fewer new escrows opened due to buyers placing their home search tours on pause to take a short break and enjoy all the trappings of summer. With demand dropping, the supply of available homes rises as more homeowners place their homes on the market. Many often mistake the Summer Market as the best time of the year to sell a home. In terms of new escrow activity, it is second to the Spring Market. With an increasing supply and falling demand, the Expected Market Time (the amount of time between hammering in the FOR-SALE sign to opening escrow) increases.

Supply	Demand	Market Time
Increases	Decreases Slightly	Increases

In reviewing these trends, many buyers may get ahead of themselves and expect the market to line up in their favor. That is not the case. Instead, the market will remain a Hot Seller's Market, yet the frantic pace will slow. The changes will be subtle and, over time, will reveal a trend that will result in a shift in the market.

In looking at the 5-year average from 2015 through 2019 (excluding 2020 due to COVID-19 skewing the data), the supply of homes has increased by 1,335 from the end of May to the end of July. On average, demand dropped by 484 pending sales. That would be an increase in the supply of available homes from 7,478 at the end of May of this year to 8,813 homes by the end of July. Demand would drop from 6,773 pending sales to 6,289. With a rising supply and falling demand, the Expected Market Time would rise from 33 days at the end of May to 42 days, the highest level since the beginning of February. In the past two weeks, from the end of May to the start of June, it has already increased from 33 to 36 days with dropping demand and a rising inventory.

At 42 days the Los Angeles County housing market is still insanely hot, but it will not be as hot as

THE SAN DIEGO HOUSING REPORT

PERMANENTLY PARKED

July 27, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

Ever since the Great Recession, far fewer homeowners have been selling their homes annually, and now even fewer are opting to participate in selling their homes.

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Lack of Sellers

Fewer homeowners are opting to sell despite homes appreciating to record levels.

This is the time of year when Southern Californians flock to the beach to escape the heat and enjoy the cool surf of the Pacific Ocean. After a long day of jumping in and out of the water, chasing the waves, building sandcastles, and basking in the warmth of the sun, many experienced beach goers realize that they forgot to reapply sunscreen. Upon returning home and gazing in the mirror, they quickly confirm that they have a lobster red sunburn from head to toe. Nearly everybody has experienced the pain of this sunburn. The pain is a helpful reminder to never forget to reapply sunscreen again.

Similarly, homeowners across the nation watched the housing market take a brutal pounding during the Great Recession as their equity vanished in a blink. Many lost their homes to foreclosures or short sales. Everybody was either personally burned or they knew somebody who experienced the painful sting of the downturn. As a result, a new trend emerged to avoid that lobster red burn with staying power: homeowners remain in their homes for a lot longer. They are content in keeping their home. There are fewer homeowners who opt to sell every year, and even with record home values, the trend continues.

From 2000 to 2008, there were an average of 1,991 more homes that came on the market every single month compared to the past 10 years. That is an extra 23,887 sellers every year, 38% more. That has been the storyline for more than a decade, not enough homes are offered for sale. It is not just a San Diego County phenomenon or isolated to just Southern California. Nor is it unique to the state of California. A lack of sellers has been a national issue that has plagued the real estate market and made it very difficult for buyers to isolate a home.

The lack of supply and years of red-hot demand, juiced by record low interest rates (especially since the start of the COVID-19 pandemic), has resulted in homes appreciating to record levels in San Diego County, erasing the losses and sting of the Great Recession entirely. This more than a decade long trend is now the norm. Homeowners are not moving as often as they used to.

Based upon 2020 closed sales, the turnover rate for the San Diego County's housing stock is once every 20 years. It has bounced between 19 years and 23 years for the past decade. Remarkably, only 4.9% of all homeowners opted to sell their homes last year.

County	Total SFR/Condo	Closed Sales in 2020	Turnover Per Year	Projected Average Time In Home Based on 2020
Los Angeles County	1,740,277	62,152	3.6%	28 Years
Orange County	731,197	30,555	4.2%	24 Years
Riverside County	607,439	38,468	6.3%	16 Years
San Bernardino County	497,284	25,127	5.1%	20 Years
San Diego County	761,298	37,302	4.9%	20 Years
All of SoCal	4,337,495	193,604	4.5%	22 Years

There are numerous reasons why homeowners in San Diego County and across the nation are

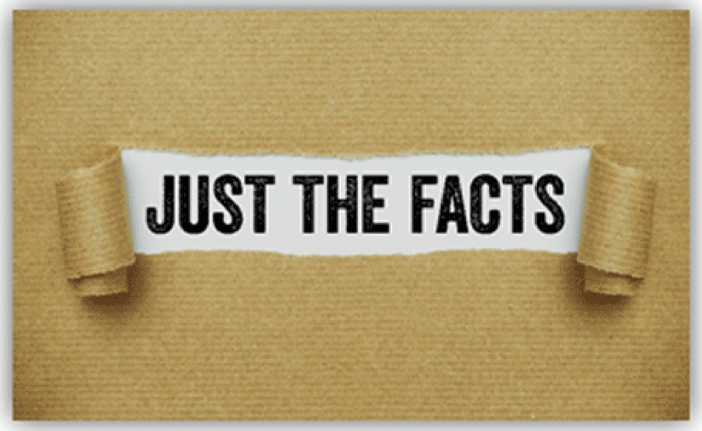
THE *Orange County* HOUSING REPORT

FORBEARANCE, FORECLOSURES, FACTS

August 9, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

Seemingly everyone is expecting a wave of foreclosure due to forbearance, yet taking a closer look at the facts reveals that it simply in not going to happen.



Reports on HOUSING
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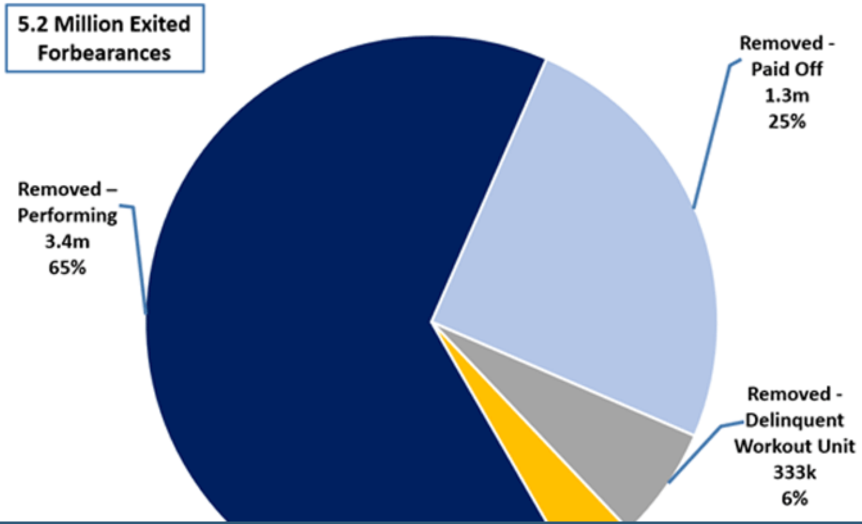
The Distressed Market

Fewer homeowners are opting to sell despite homes appreciating to record levels.

Remember the Y2k scare? It was when the calendar year changed from 1999 to 2000, the turn of the century. There were predictions of global chaos because computer programs would reset from '99 to '00, making the year 2000 indistinguishable from 1900. The programming error could potentially bring down electric grids, banking, airlines, and cash registers worldwide. Many feared that it would cause a global recession and airplanes would literally fall from the sky. As a result, people stocked up on food, water, backup generators, and withdrew large sums of money in anticipation of the coming catastrophe. Companies and governments worldwide worked with programming experts and took pre-emptive action in the years leading up to January 1, 2000. In the end, contrary to the public expectation, very few errors occurred, and a disaster was averted.

Flash forward to today and the general public fears that the national forbearance program will lead to a wave of foreclosures and cause chaos in today's sizzling hot real estate market. Everyone has heard of the vast number of homeowners who have turned to forbearance during the pandemic amidst economic shutdowns and slowdowns. Forbearance allowed borrowers to pause their payments. Repayment of the missed payments can be done all at once, with a payment plan, or often deferred to the end of the term of the loan.

Everyone seems to jump to the plight and struggles of the Great Recession and believe that the housing market is about to repeat itself. Yet, in August 2008, 9.2% of all U.S. mortgages were either delinquent or in foreclosure. By September 2009, it had risen to 14.4%. Today, 3.4% of all mortgages are in forbearance, which amounts to 1.7 million homeowners. The vast majority of those that remain in forbearance will perform and not become a foreclosure or short sale statistic. Why not? It is important to dive a bit deeper and take a look at the huge number who have already exited forbearance.



THE LOS ANGELES HOUSING REPORT

UNHEALTHY PACE

August 23, 2021

By Steven Thomas
Quantitative Economics and Decision Sciences, B.A.

Although home values have been skyrocketing at a record pace, eating into affordability, the housing market is not going to cool anytime soon.

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Housing Will Remain Hot

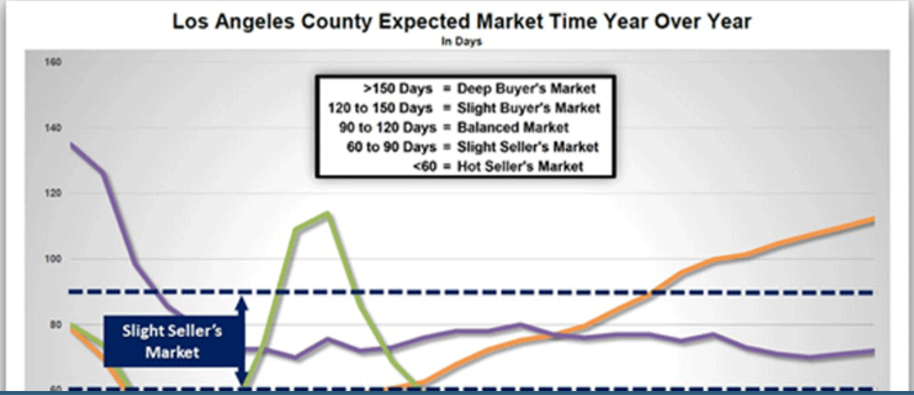
The Expected Market Time has remained at unprecedented low levels and will not budge much for the remainder of the year.

Everybody looks forward to the Super Bowl. It is not just the excitement surrounding championship football, or the extravagant, over-the-top television commercials, or getting together with family and friends to enjoy the game. It is also about the bountiful feast, the plethora of food options. Hamburgers, hot dogs, chicken wings, several varieties of chips, nachos, chili-cheese dip, spinach-artichoke dip, cheese, crackers, nuts, pretzels, beer, soda, brownies, cookies, candy, and so much more. By the second half of the game, it gets harder and harder to dip just one more corn chip into the chili-cheese dip. It is an unhealthy pace in eating for one afternoon per year.

Similarly, with market time at unprecedented low levels, home values are shooting skyward, eroding home affordability at an unhealthy pace. Yet, it has been going strong since July of last year and will not slow for the rest of the year and into 2022. It is great to be a homeowner, but for those aspiring to own a home sometime in the future, the goal is getting harder and harder to reach, and, for some, out of reach.

It is important to clear the air and explain that just because housing is appreciating at an unhealthy rate, it does not mean that a bubble is inflating or that housing will inevitably crash. There is absolutely nothing in the charts and data that statistically support that conclusion. Instead, housing is becoming unattainable for more and more first-time homebuyers and renters.

In looking at the Expected Market Time (the amount of time between hammering in the FOR-SALE sign to opening escrow), it has remained below 45-days since February of this year. Anything below 45-days indicates an insane, scorching hot housing market where buyers are tripping over themselves to be the first to see a home that just hit the market, multiple offers is the norm, and homes are selling above their list prices. In fact, according to the California Association of REALTORS®, 70% of all closed sales in the month of July sold above their asking prices. It has been 10-consecutive months that more than 50% of closed sales sold above their asking price. Today's 40-day Expected Market Time is below that 45-day threshold, the lower the market time, the hotter the market. Technically, a Hot Seller's Market is anything below 60-days, which is why at 45 and below, it is just nuts.



OCTOBER 4 2021

Reports on HOUSING
Your Local Real Estate Snapshot

THE LOS ANGELES COUNTY HOUSING REPORT

LAST CALL FOR 2021

WRITTEN BY
STEVEN THOMAS

HOUSING WILL SHIFT TO THE HOLIDAY MARKET IN JUST 7-WEEKS AND BUYER AND SELLER ACTIVITY WILL PLUNGE TO ITS LOWEST LEVELS OF THE YEAR.

END OF YEAR EXPECTATIONS

SEVEN MORE WEEKS UNTIL THE SLOWEST SEASON OF THE YEAR STARTS, THE HOLIDAY MARKET.

Before the blink of an eye, everyone will be gathering for a day of gratitude, family, feasting, and football. That is correct, Thanksgiving is less than two months away. From there, it will be turkey leftovers, calendars filled with holiday parties, Amazon, UPS, and FedEx trucks will be parked in front of every door, and families will gather again and swap gifts with the ones they love. The holiday season is around the corner.

From now through the week before Thanksgiving, it is the LAST HURRAH before housing transitions from the Autumn Market to the Holiday Market, the slowest time of the year for real estate in terms of supply and demand. The holidays are filled with distractions. As a result, the hunt for a home takes a back seat for many buyers and fewer homeowners take advantage of selling their homes regardless of how incredibly hot the rest of the year will be for real estate. The overall speed of the market cools slightly, and the market time increases a little bit.

Supply	Demand	Market Time
Plunges ↓	Plunges ↓	Increases Slightly ↑

the towel to enjoy the holidays and hold off until the Spring Market. It is hard to imagine that there are that many homeowners lingering on the market, unable to sell, given how hot housing is right now. Yet, there are 2,276 sellers today, 28% of the current active inventory, who have been exposed to the market for more than two months. Also, November and December are when the fewest number of homeowners opt to list their homes for sale during the year. The five-year average number of homes coming on the market from 2015 to 2019 (intentionally omitting 2020 due to the skew from COVID) for November is 5,792 homes, 36% less than the annual height in June of 8,992. In December it drops to 3,756 homes, 58% less than the height in June. With both sellers throwing in the towel and fewer homeowners coming on the market, the inventory plunges. From 2015 to 2019 the inventory dropped, on average, by 23% by year's end.

With the inventory dropping, there are fewer available options for buyers to choose from. Many buyers also place their home shopping desires on hold while they enjoy the holiday season. As a result, demand, the number of new escrows over the prior month, plunges. From 2015 to 2019 demand sank by 36% to its lowest levels of the year by year's end.

As demand plunges a little bit more than the inventory, the Expected Market Time (the amount of time between pounding in the FOR-SALE sign and opening escrow) increases slightly. Today's ultra-low, insanely hot 39 day Expected Market Time may eclipse 45 days by the time everyone rings in a New Year. This means that for those buyers and sellers that do participate in the real estate market during the holidays, they can expect housing to continue to soar at an

OCTOBER 19 2021

Reports on HOUSING
Your Local Real Estate Snapshot

THE SAN DIEGO COUNTY HOUSING REPORT

LUXURY SOARS

WRITTEN BY
STEVEN THOMAS

LUXURY HOUSING EMERGED FROM THE LOCKDOWNS OF COVID-19WITH UNBELIEVABLE STRENGTH AND HAS REACHED UNPRECEDENTED LEVELS.

A HOT LUXURY MARKET

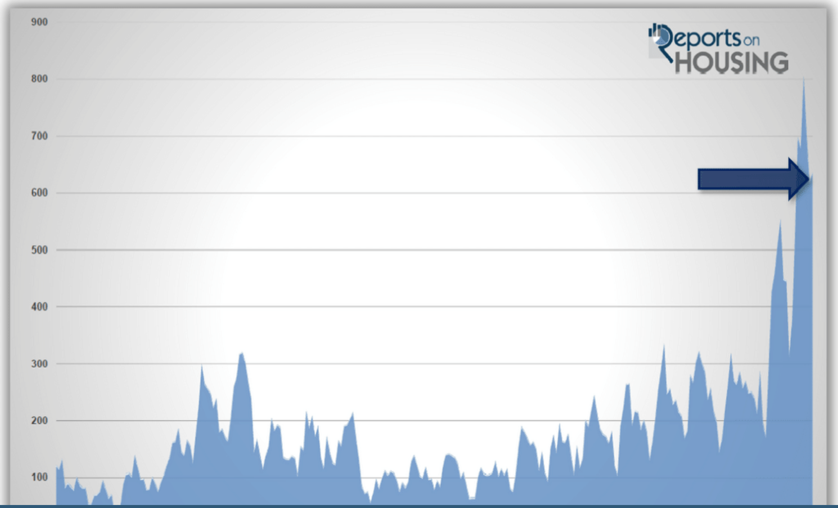
IN 2021, ONE IN SIX CLOSED SALES WERE LUXURY.

In June of last year, housing climbed out of the COVID lockdowns and resurfaced firing on all cylinders. It was as if someone had flipped a switch. Then in 2021, the real estate marked evolved further, from red hot to white hot. Overnight, the real estate industry had become accustomed to throngs of showings, multiple offers, and homes selling for more than their asking prices. A surprising twist was that the luxury housing market surged right along with the lower price ranges and at a record pace.

What sparked the wave of luxury sales? The run-up on Wall Street has certainly helped. After the S&P plunged 32% at the beginning of the pandemic in March 2020, it nearly doubled since, swelling by 94%. It surpassed the prior, pre-COVID, record height in August 2020. The record low interest rate environment is a key factor in luxury's elevated demand as well. And, the inventory crisis does not only include the lower ranges, luxury buyers have been confronted with an extremely limited supply of available homes to purchase.

The luxury home market in San Diego County, defined as the top 10% of all closed sales, is currently at $1.25 million in 2020 but is set to move to $1.5 million at the start of 2022. In September, there were 636 luxury closed sales. That would be a record level in any other year, but not this year. April through August were all higher, with an 805-peak reached in June. Last year's record, 554 luxury sales, was achieved in October and surpassed the prior annual record set in June 2017 by 65%. Even with September's slight seasonal dip in home sales above $1.25 million, it is still 25% higher than last September.

SAN DIEGO COUNTY LUXURY CLOSED SALES ($1.25M+)



Go to: ReportsOnHousing.com


RE: Orange County Housing Report: Q1 - OC Housing is Resilient - Message (HTML)
File
Tell me what you want to do...
PDF
Every 2 Weeks!!!
If you want to view the written report as a Word documen
http://www.reportsonhousing.com/docs/OCHousing-Apr-
INFOGRAPHICS
ORANGE COUNTY HOUSING REPORT | MARCH 9 2021
NEW FOR-SALE SIGNS
INVENTORY STILL LOW
43%
SOCIAL POSTS
HOMES PLACED ON THE MARKET IN AUGUST: 3,150
COMPARED TO 3-YR AVG*: -11%
OF MISSING FOR SALE SIGNS: -387
as an Excel spreadsheet, click on the following:
gSold-Apr-BRK-16.xls
If you want to view the Orange County Foreclosure Report as an Excel spreadsheet, click on the following:

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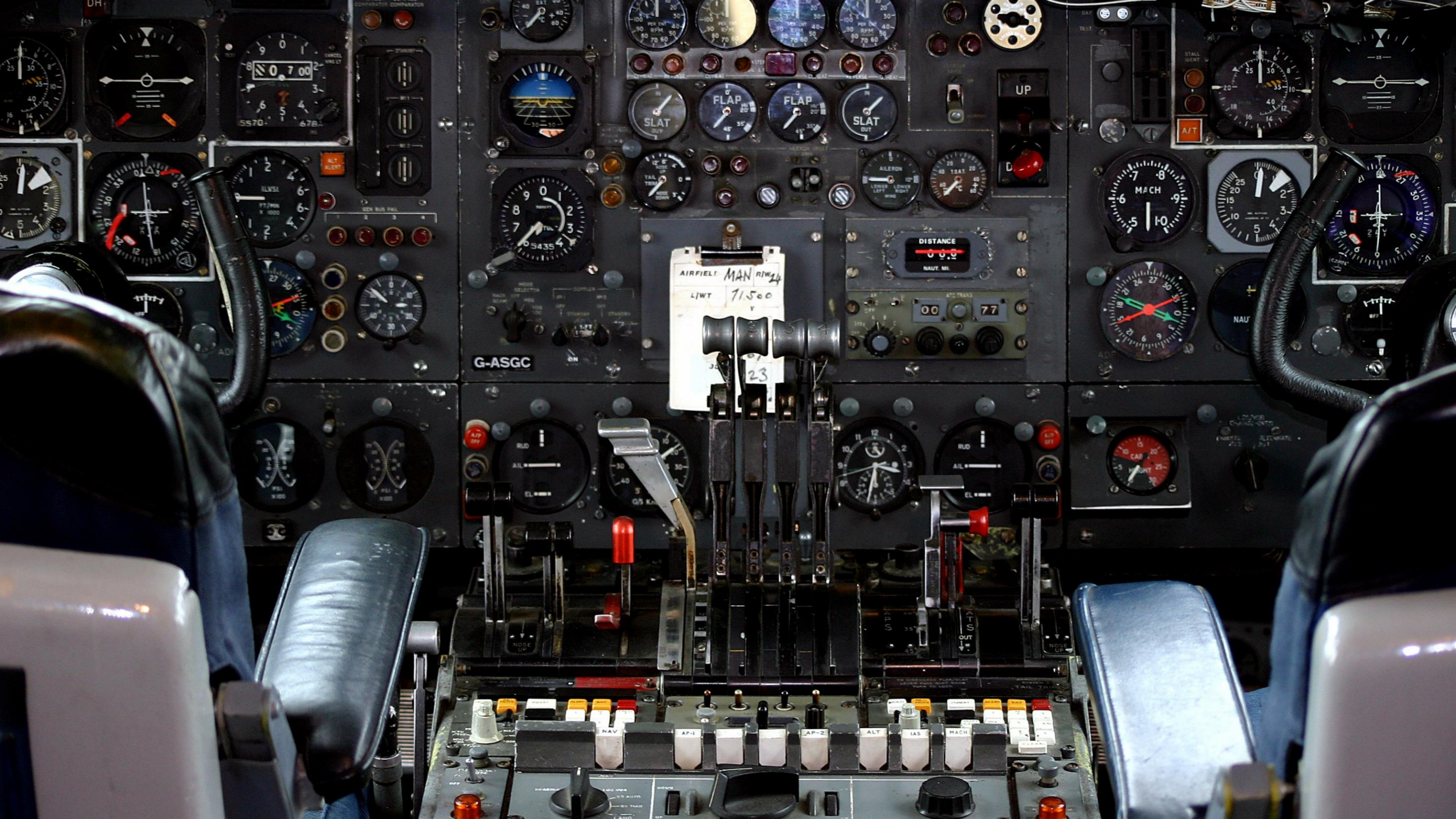
Estate


Housing Crash???


Quantitative Economics & Decision Sciences

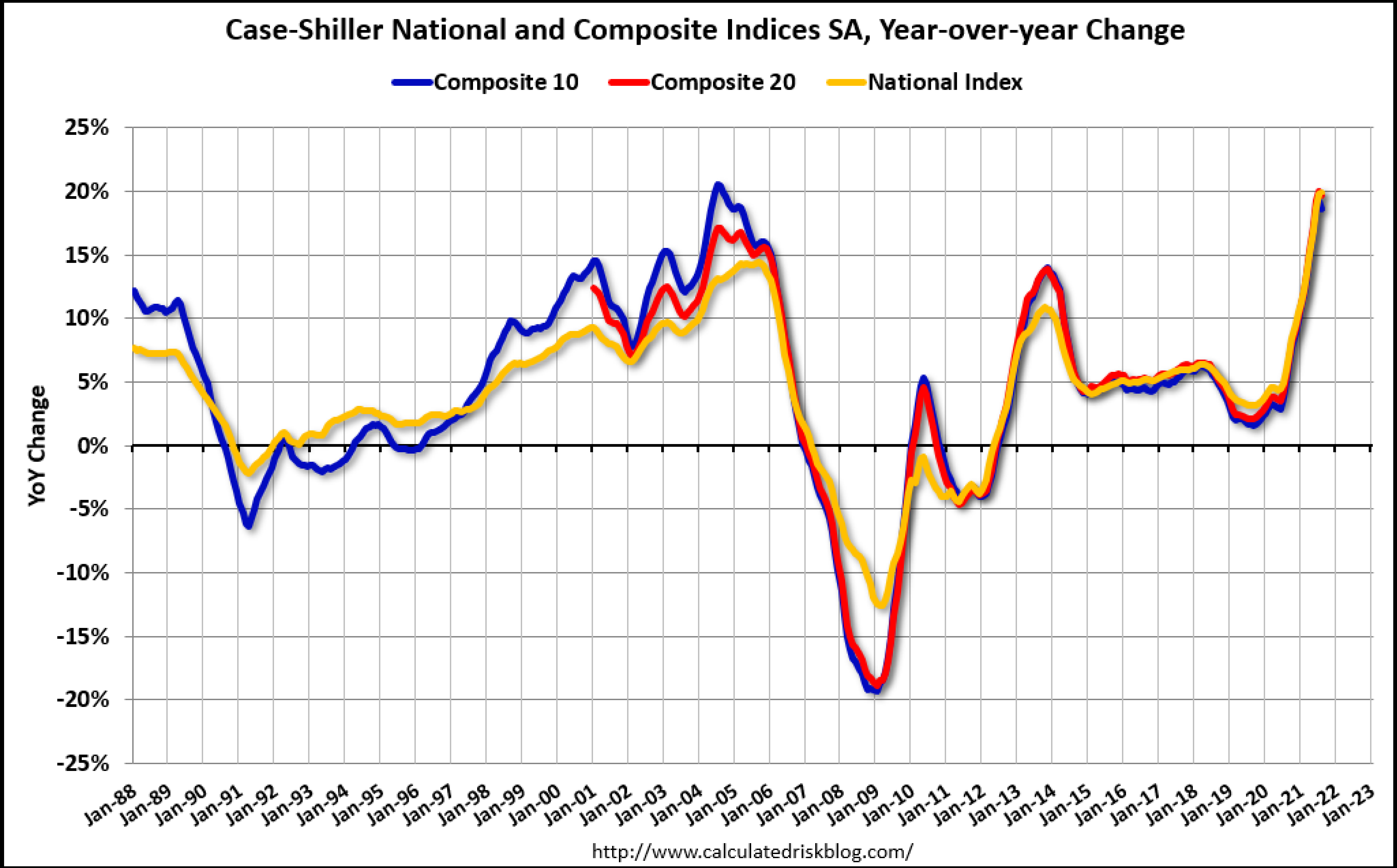

G-ASGC
FLAP
FLAP
SLAT
SLAT
UP
MACH
DISTANCE
NAUT. MI.
AILERON
MAN
71500
NAV
AP-1
AP-2
ALT
IAS
MACH

My Cockpit

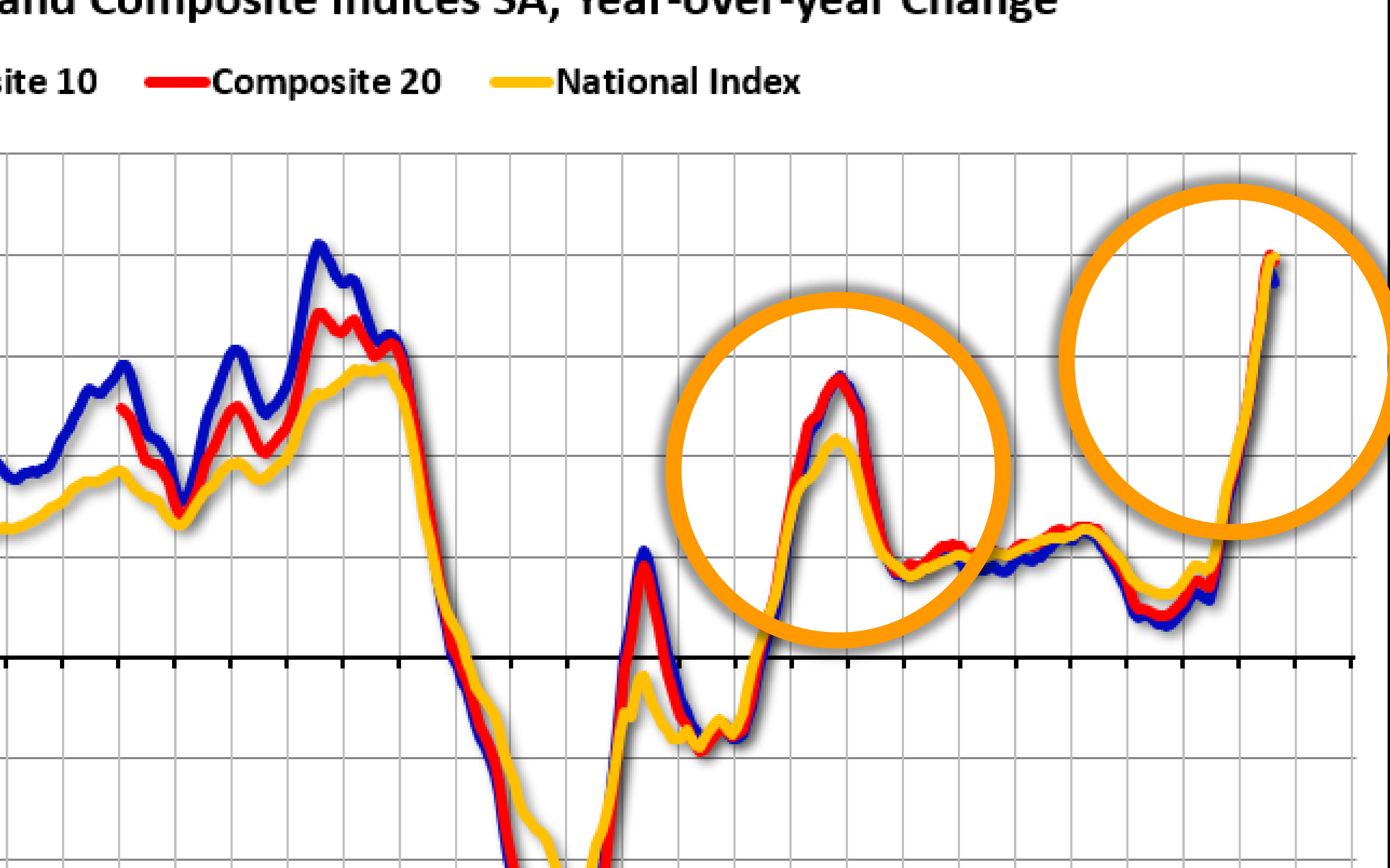
ISM Manufacturing: PMI Composite Index
Monthly Series with Recessions Highlighted
Monthly change in nonfarm payroll employment, seasonally adjusted, January 2014 to December 2019
Job growth by industry
March 2020, month-over-month, annualized
Employment dropped most in low-wage industries
New Private Housing Units Authorized by Building Permits
Median Household Income in the 21st Century:
Nominal and Real Estimates, January 2000 to November 2019
FRED
MBA Purchase Applications Index
Monthly Retail & Food Services Sales
Year-over-Year with Recessions Highlighted
NATIONAL DELINQUENCY RATE – FIRST LIEN MORTGAGES
Initial Jobless Claims Are (Quite Literally) Off the Charts
statista
Hotel Occupancy Rate by Week of Year
Conference Board Consumer Confidence Index
Recessions Highlighted in Gray, Real GDP Shown Below
Unemployment Rate, 1960-2019
NFIB Small Business Optimism Index
Shoulders of Giants
Growth in U.S. consumption has outpaced GDP growth in recent years
indeed
UP
SLAT


Social Media
Misinformation

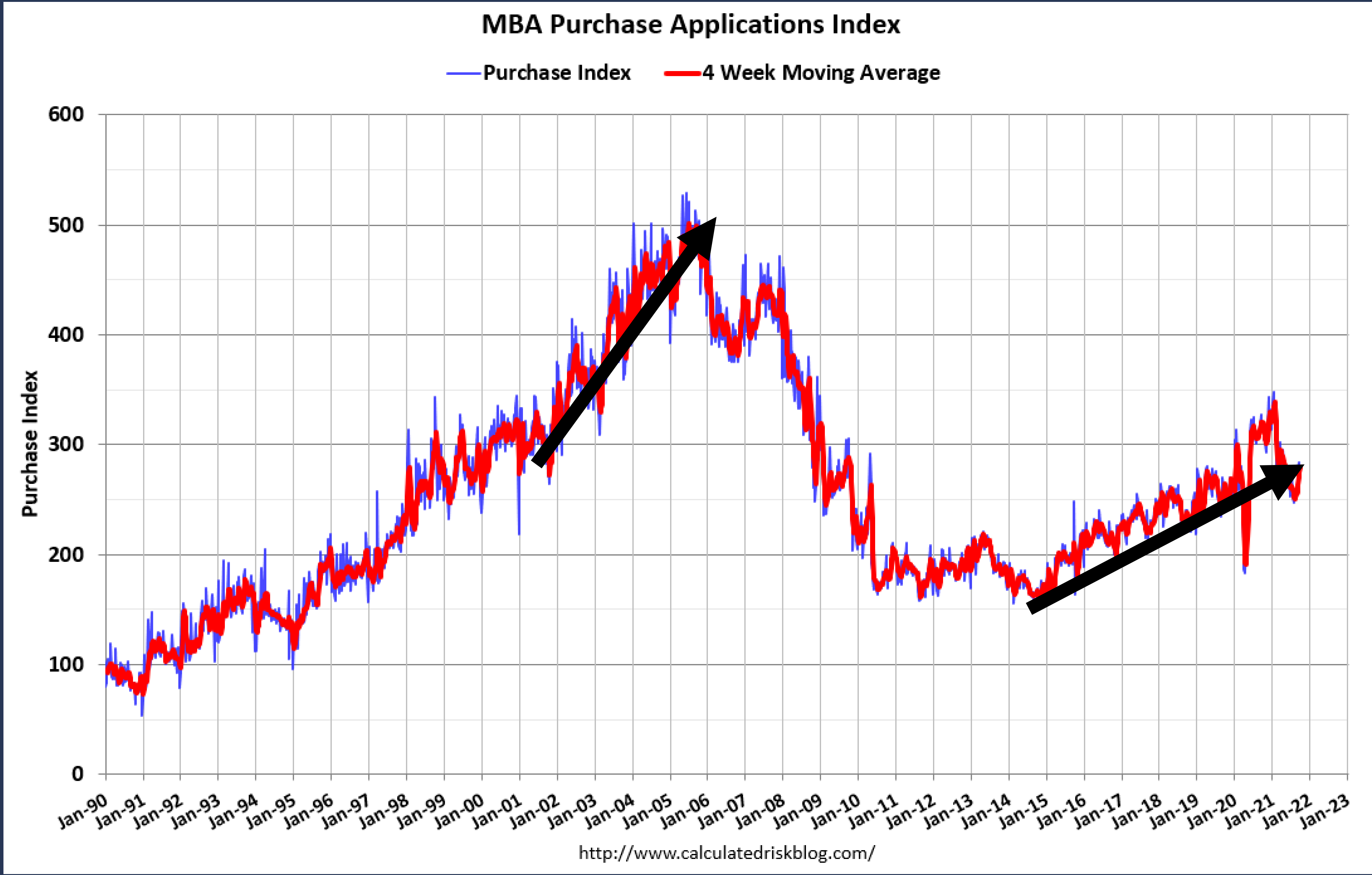

HOME
VALUES



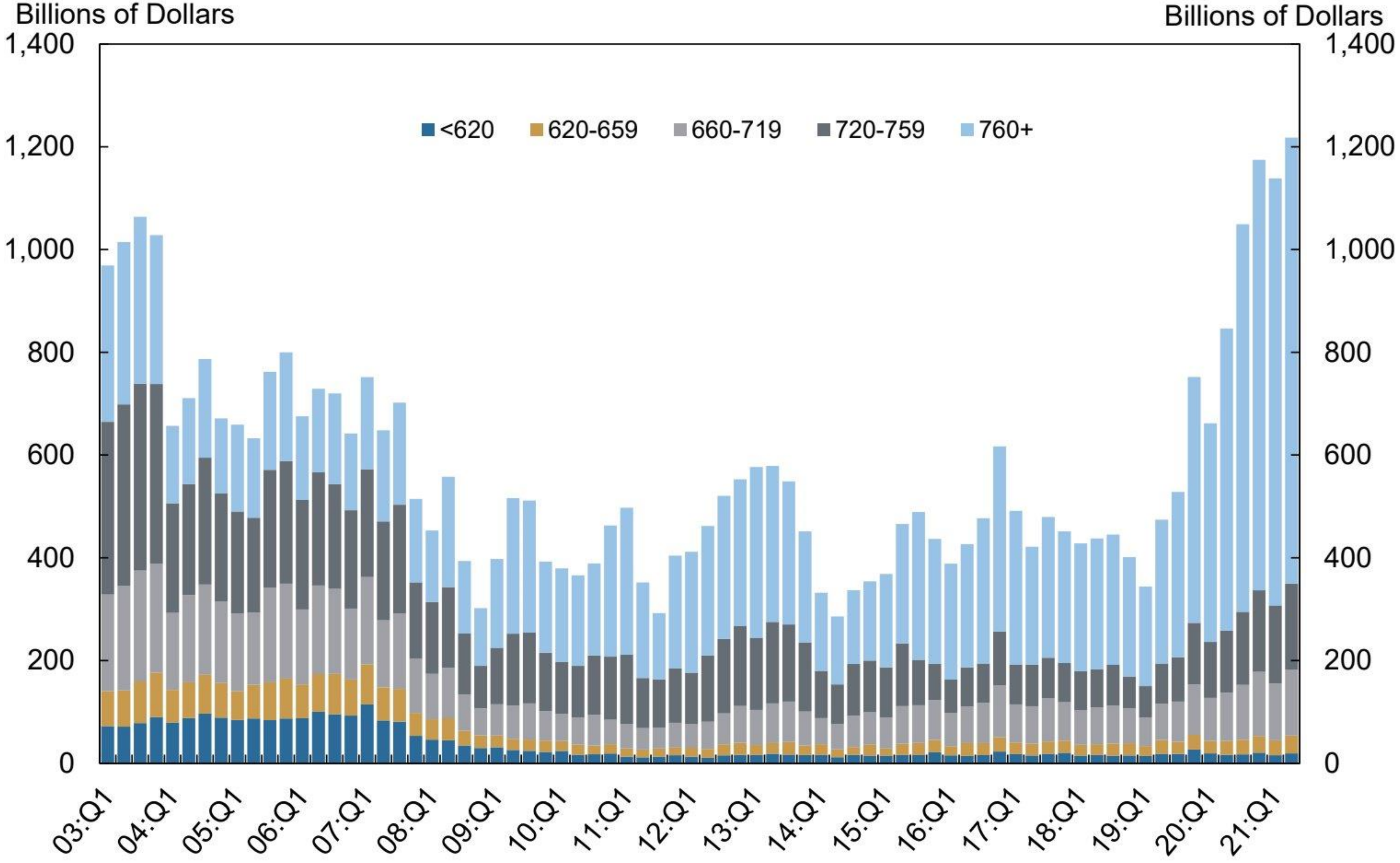
Case-Shiller National and Composite Indices SA, Year-over-year Change
Composite 10
Composite 20
National Index
YoY Change
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
Jan-23
http://www.calculatedriskblog.com/



site 10
Composite 20
National Index

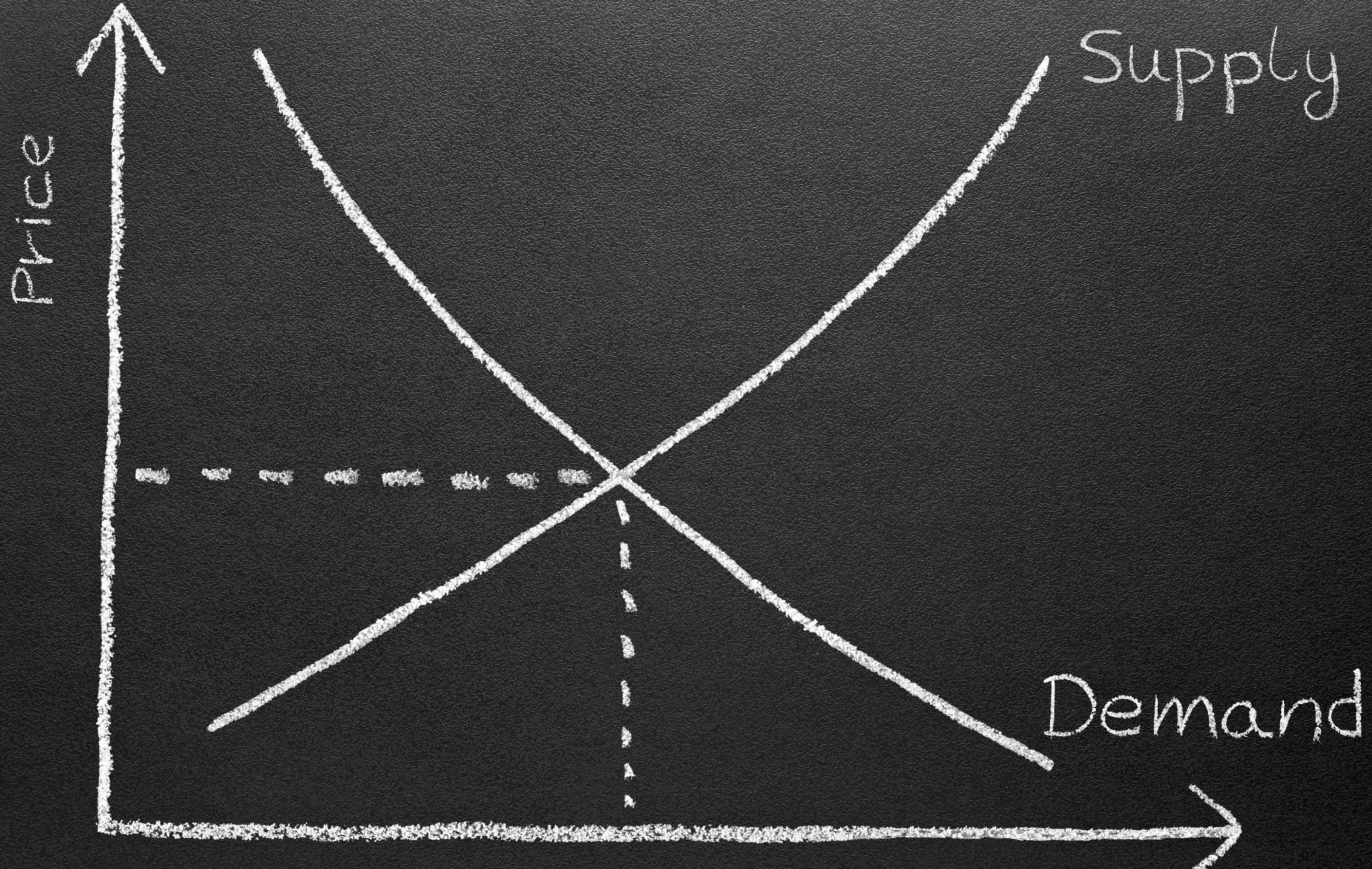

MBA Purchase Applications Index
Purchase Index
4 Week Moving Average
Purchase Index
600
500
400
300
200
100
0
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
Jan-23
http://www.calculatedriskblog.com/

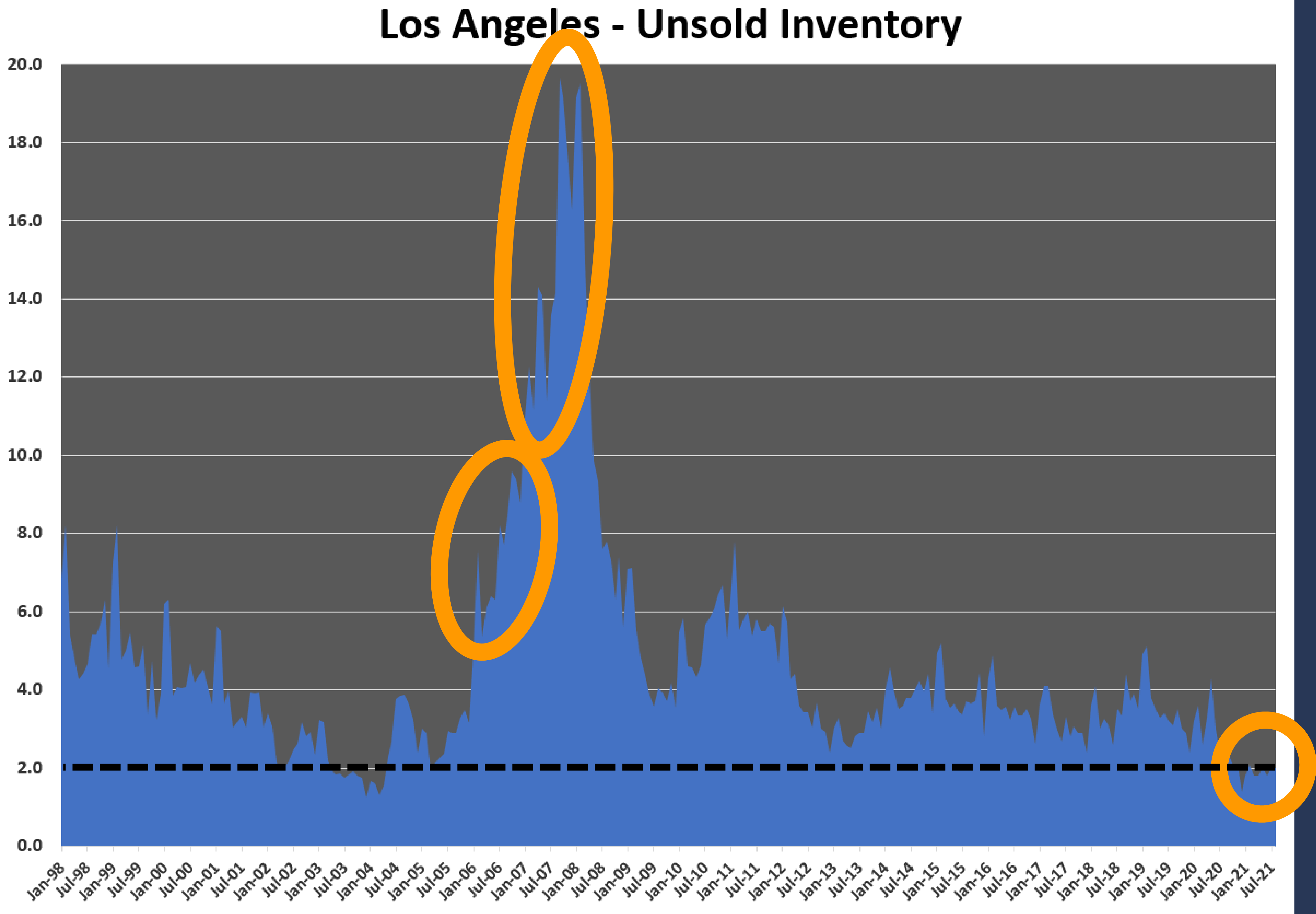
Mortgage Originations by Credit Score*



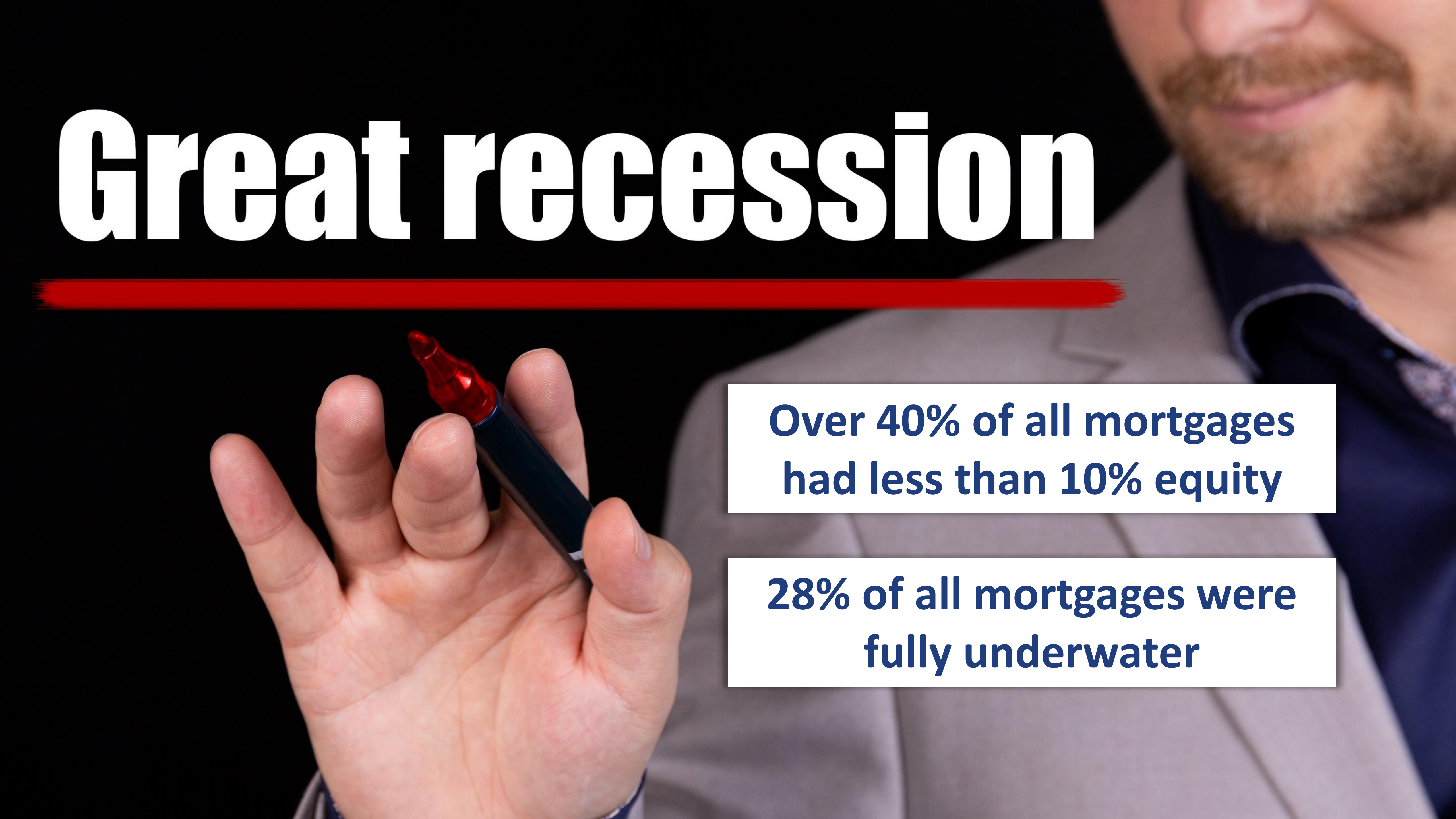
Source: New York Fed Consumer Credit Panel/Equifax

* Credit Score is Equifax Riskscore 3.0

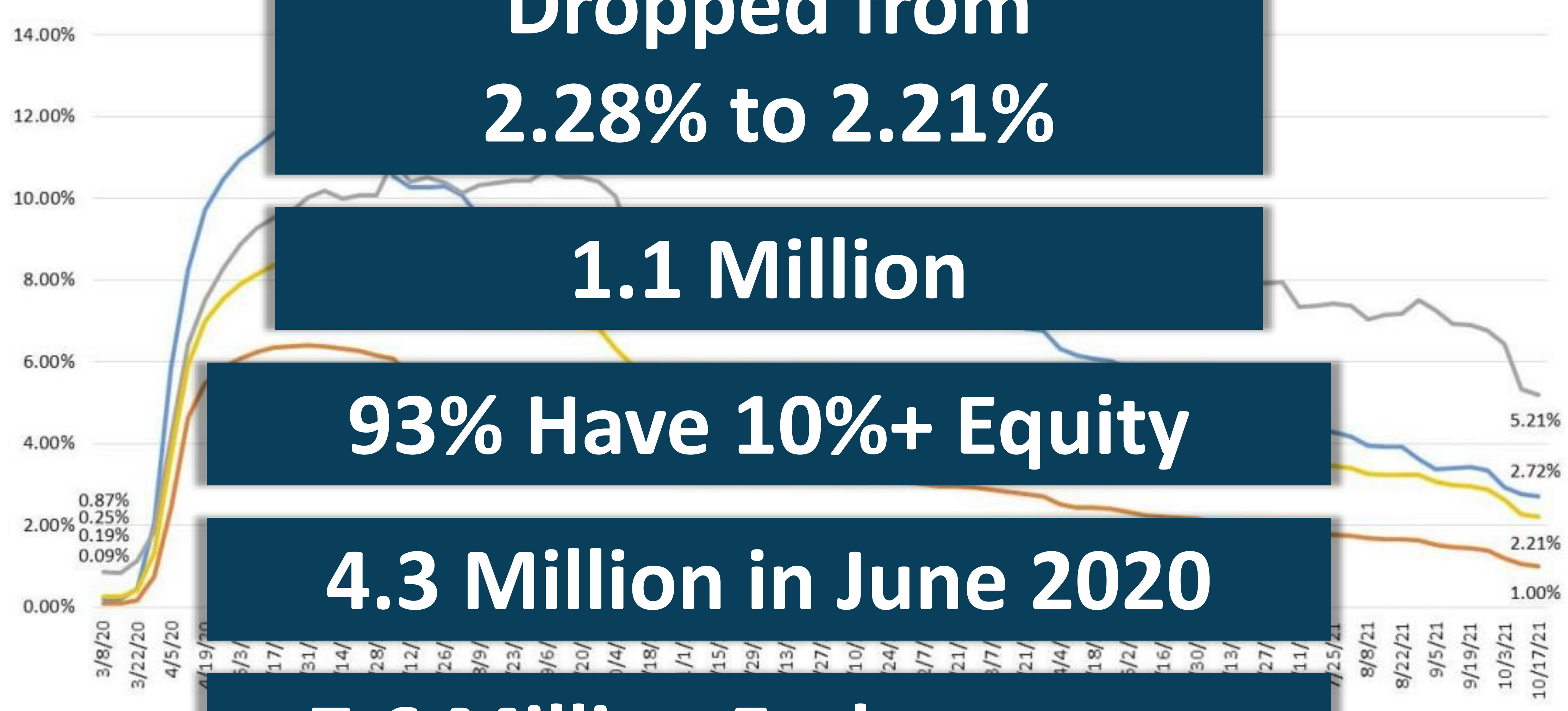

Supply
Price
Demand



Los Angeles - Unsold Inventory
20.0
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Jan-98 Jul-98 Jan-99 Jul-99 Jan-00 Jul-00 Jan-01 Jul-01 Jan-02 Jul-02 Jan-03 Jul-03 Jan-04 Jul-04 Jan-05 Jul-05 Jan-06 Jul-06 Jan-07 Jul-07 Jan-08 Jul-08 Jan-09 Jul-09 Jan-10 Jul-10 Jan-11 Jul-11 Jan-12 Jul-12 Jan-13 Jul-13 Jan-14 Jul-14 Jan-15 Jul-15 Jan-16 Jul-16 Jan-17 Jul-17 Jan-18 Jul-18 Jan-19 Jul-19 Jan-20 Jul-20 Jan-21 Jul-21


Great recession
Over 40% of all mortgages had less than 10% equity
28% of all mortgages were fully underwater

% of Servicing Portfolio Volume in Forbearance by Investor Type over Time (Full Sample)



Dropped from 2.28% to 2.21%

1.1 Million

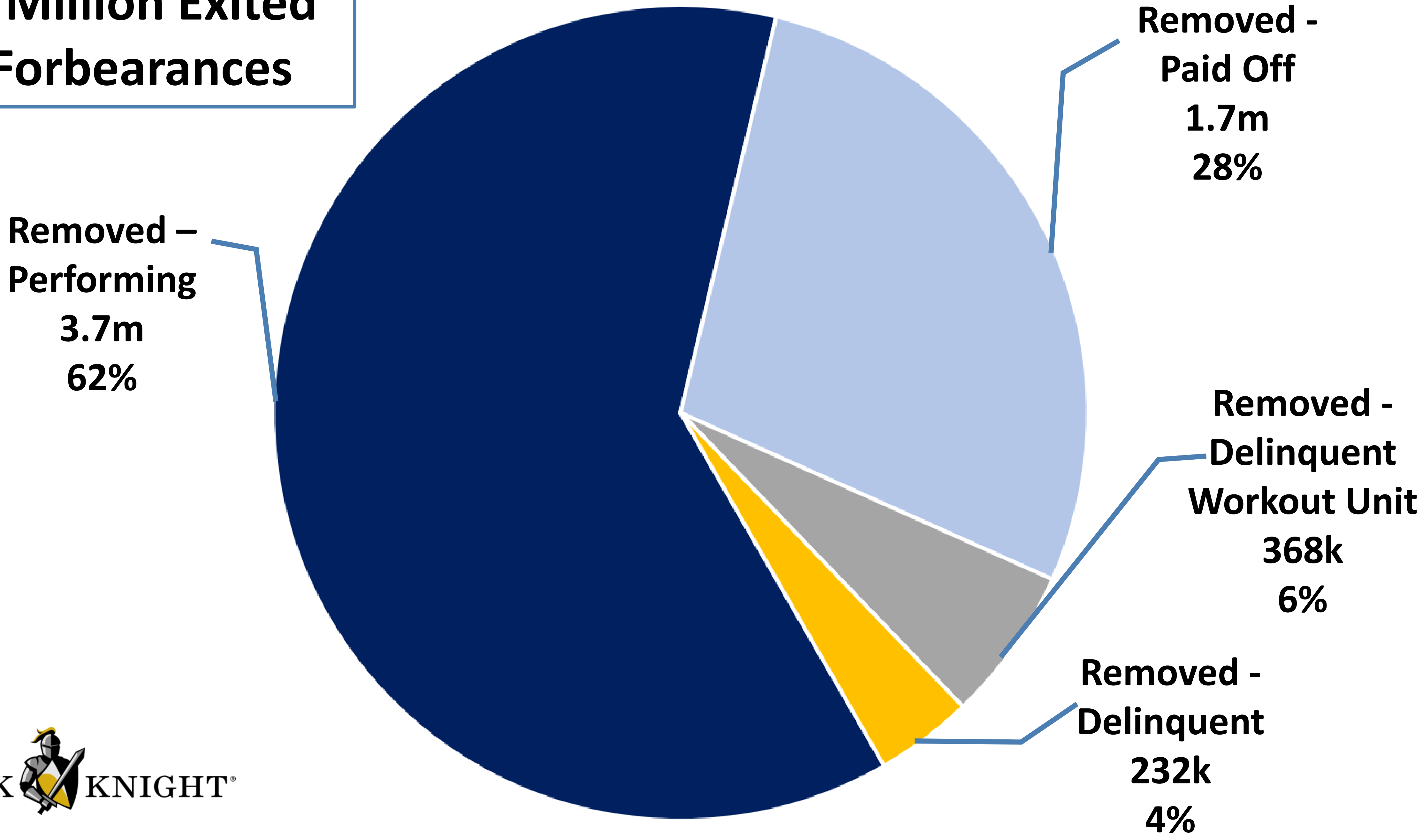
93% Have 10%+ Equity

4.3 Million in June 2020

7.6 Million Forbearances

Source: MBA's Weekly Forbe

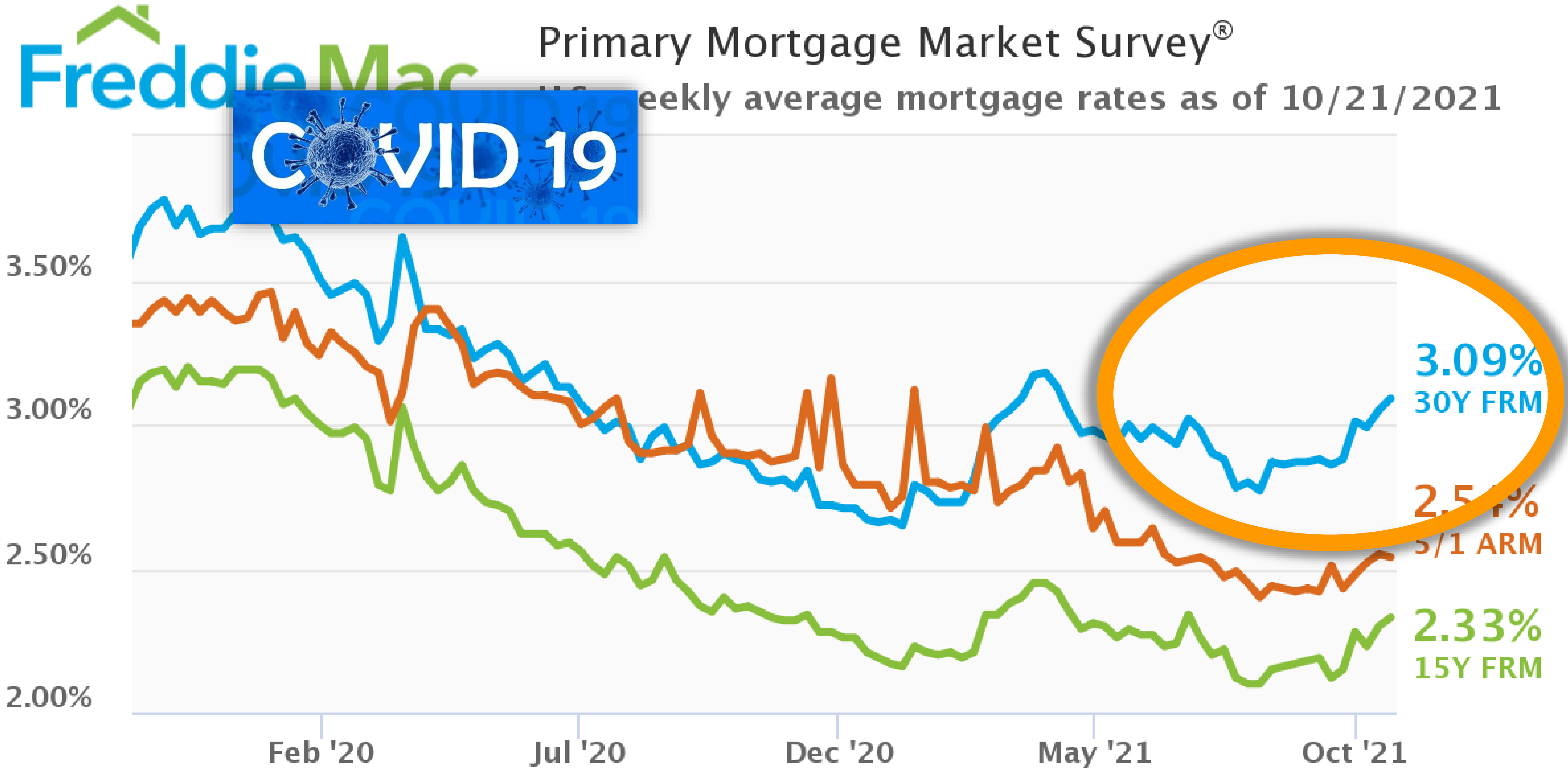
6 Million Exited Forbearances




FOR
SALE


Unhealthy

Where Are Rates Headed?



Primary Mortgage Market Survey®
eekly average mortgage rates as of 10/21/2021
COVID 19
3.50%
3.00%
2.50%
2.00%
Feb '20
Jul '20
Dec '20
May '21
Oct '21
3.09%
30Y FRM
5/1 ARM
2.33%
15Y FRM


U.S. 10 Year Treasury
US10Y:Tradeweb
RT Quote | Exchange
Yield | 7:54 PM EDT
1.664% ▲ +0.029
1D 5D 1M 3M 6M YTD 1Y 5Y ALL
+ Comparison
1D Display Studies
1.7000
1.6640
1.6000
1.5000
1.4000
1.3000
1.2000
1.1000
1.0000
14 Feb 14 Mar 14 Apr 14 May 14 Jun 14 Jul Aug 14 Sep 14 Oct 14
CNBC

Fe

Ta

Date	Tentative Agency MBS Purchases**	Operational Results***
August 13, 2021 - September 14, 2021	The Desk will purchase approximately $98.8 billion over the noted monthly period, including approximately $40 billion of purchases to increase SOMA holdings of agency MBS, and $58.8 billion in reinvestments of principal payments from agency MBS and agency debt. The next release of tentative purchase amounts in agency MBS will be at 3 p.m. on September 14, 2021.	Operational results for this period will be released at 3 p.m. on September 15, 2021.

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inflation
finance
market
economy
money
investment
crisis
stock
bankrupt
increase
value
stack
paper
crash
invest
calculating
deflation
speculator
success
investor
exchange
data
budget
banking
tax
achievement
equity
earnings
growth
uncertainty
chart
savings
economic
currency
cash
balance
change
financial
bank
sell
warning
debt
entrepreneur
buy
businessman
recession
business
profit
decline
rise
save
future
wealth
rate
insurance
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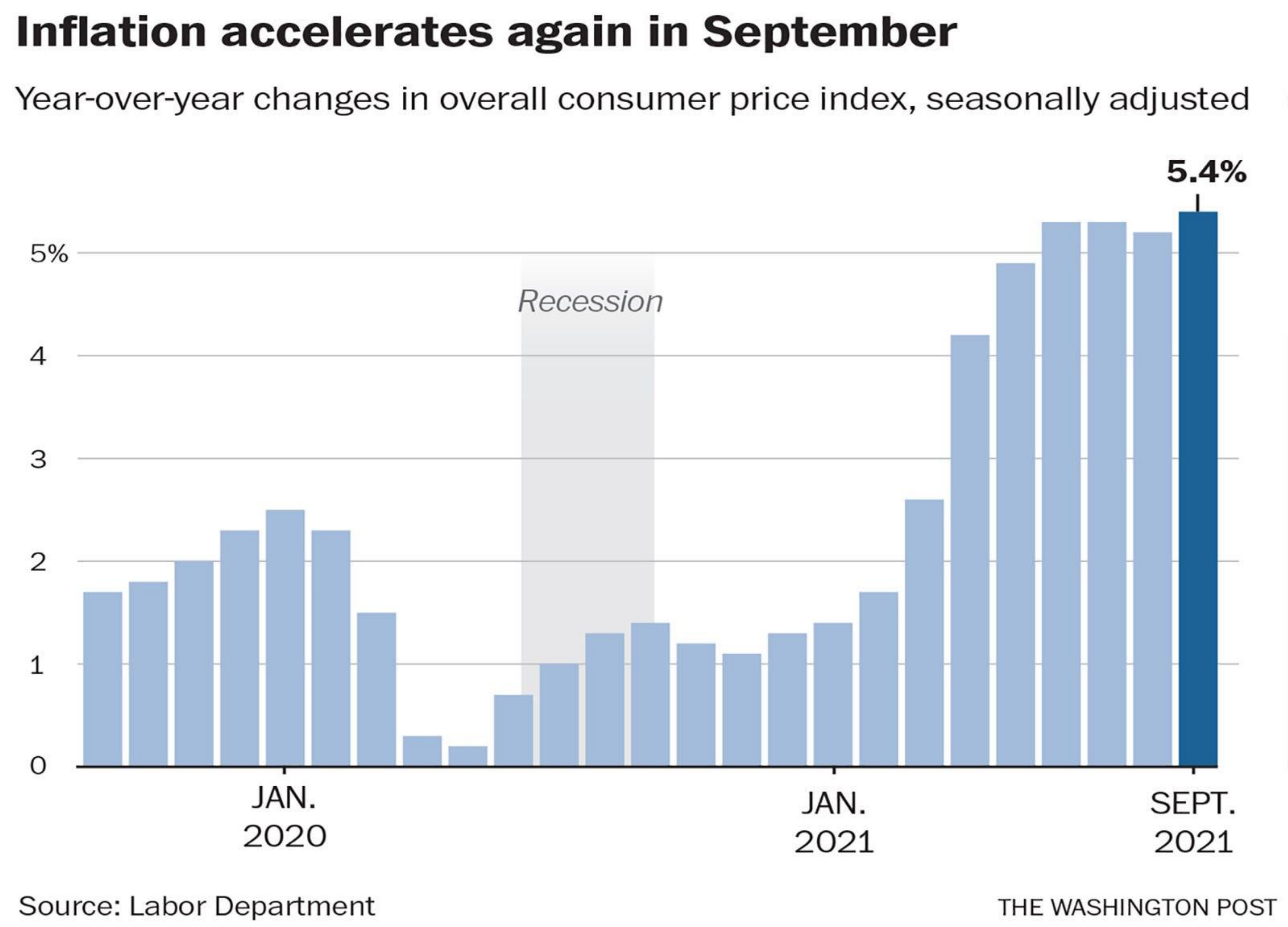
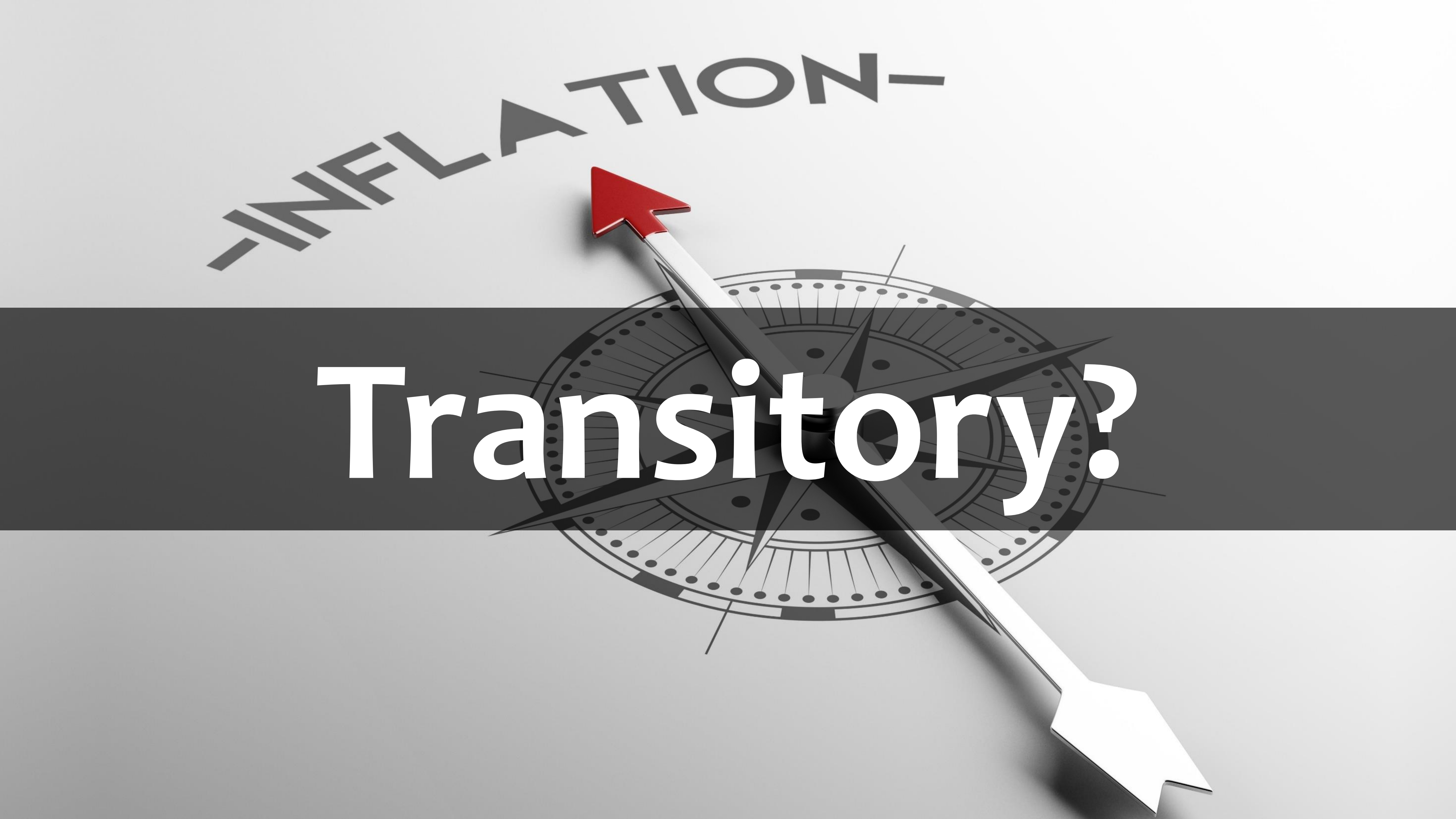
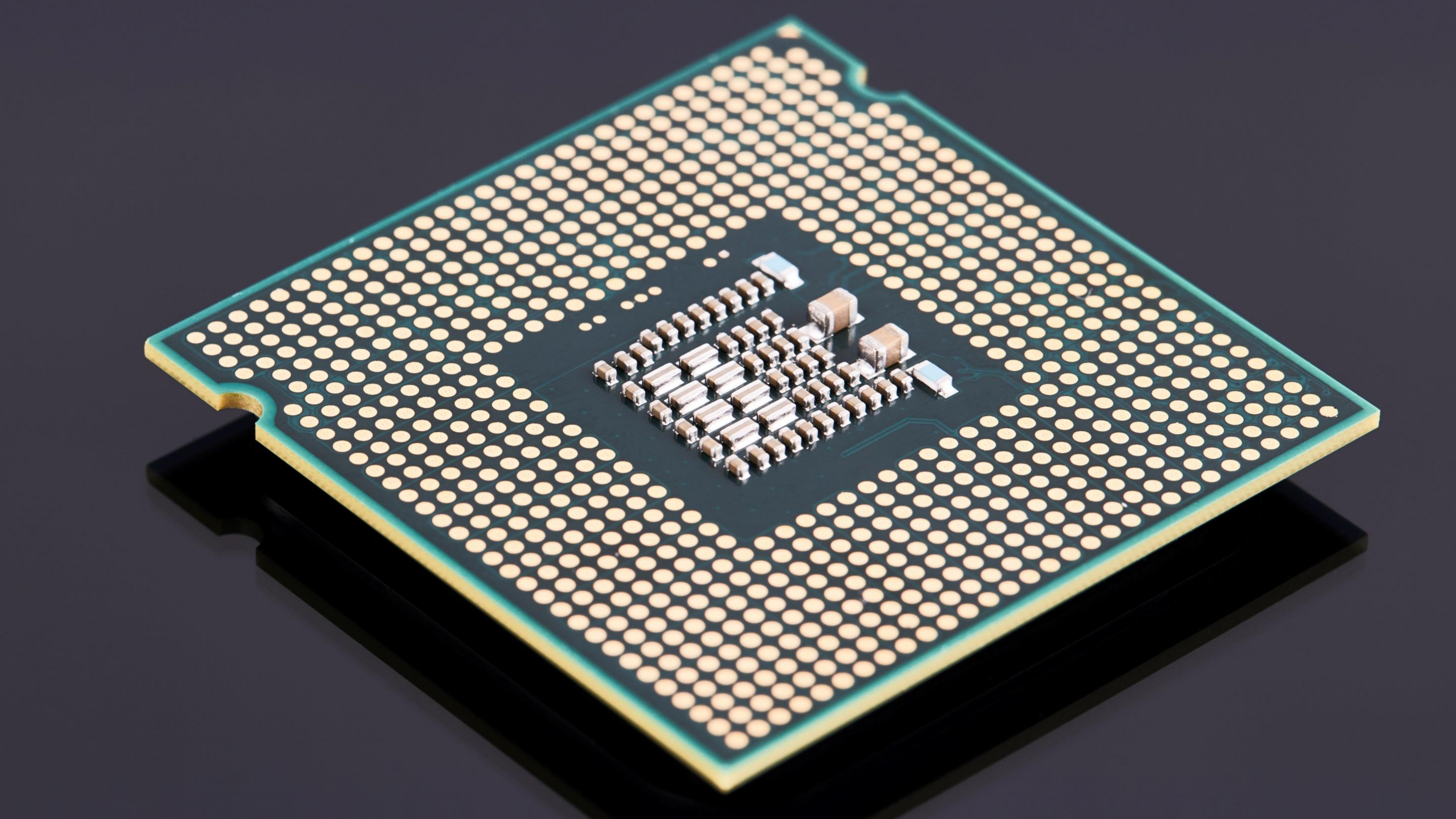
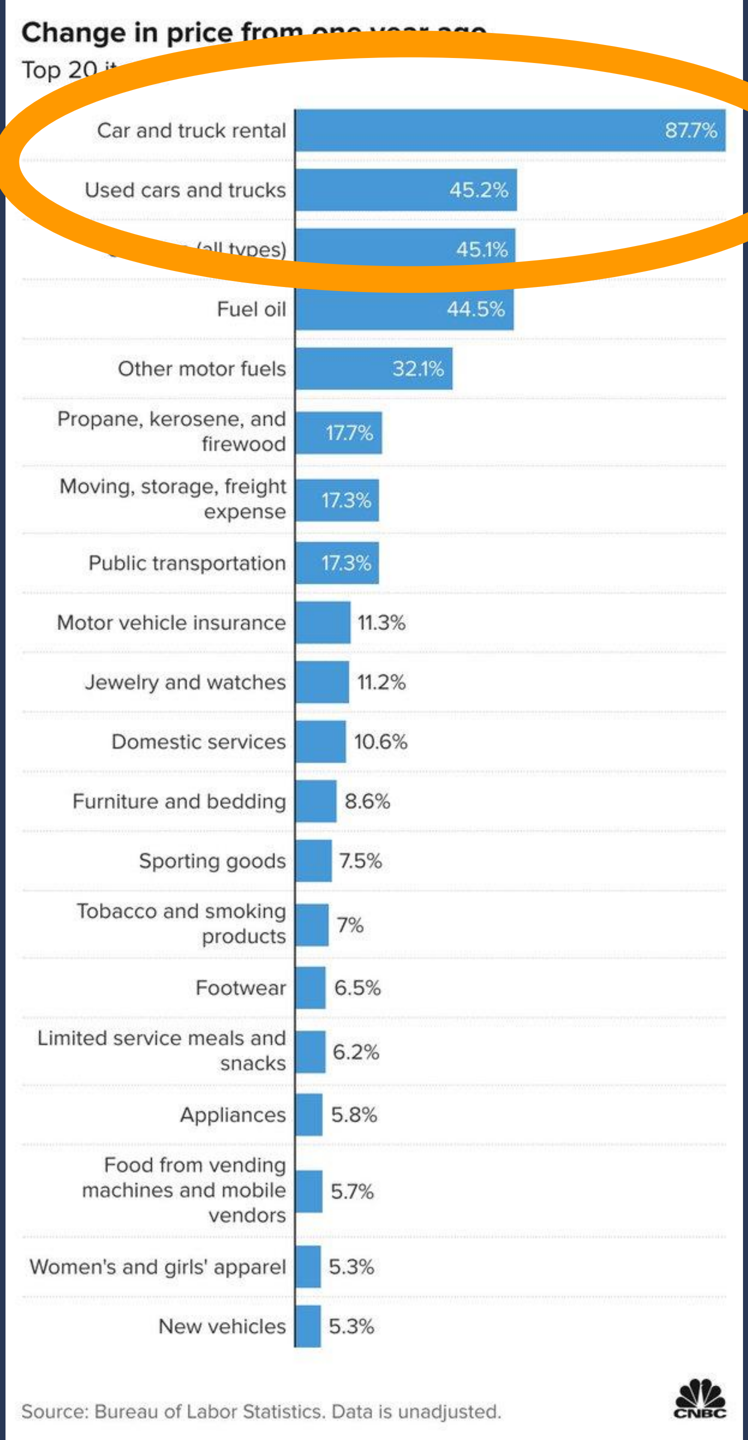
calculator
performance
asset
speculate
fortune
treasure
price
interest


Inflation accelerates again in September
Year-over-year changes in overall consumer price index, seasonally adjusted
5.4%
5%
4
3
2
1
0
Recession
JAN. 2020
JAN. 2021
SEPT. 2021
Source: Labor Department
THE WASHINGTON POST


INFLATION
Transitory?

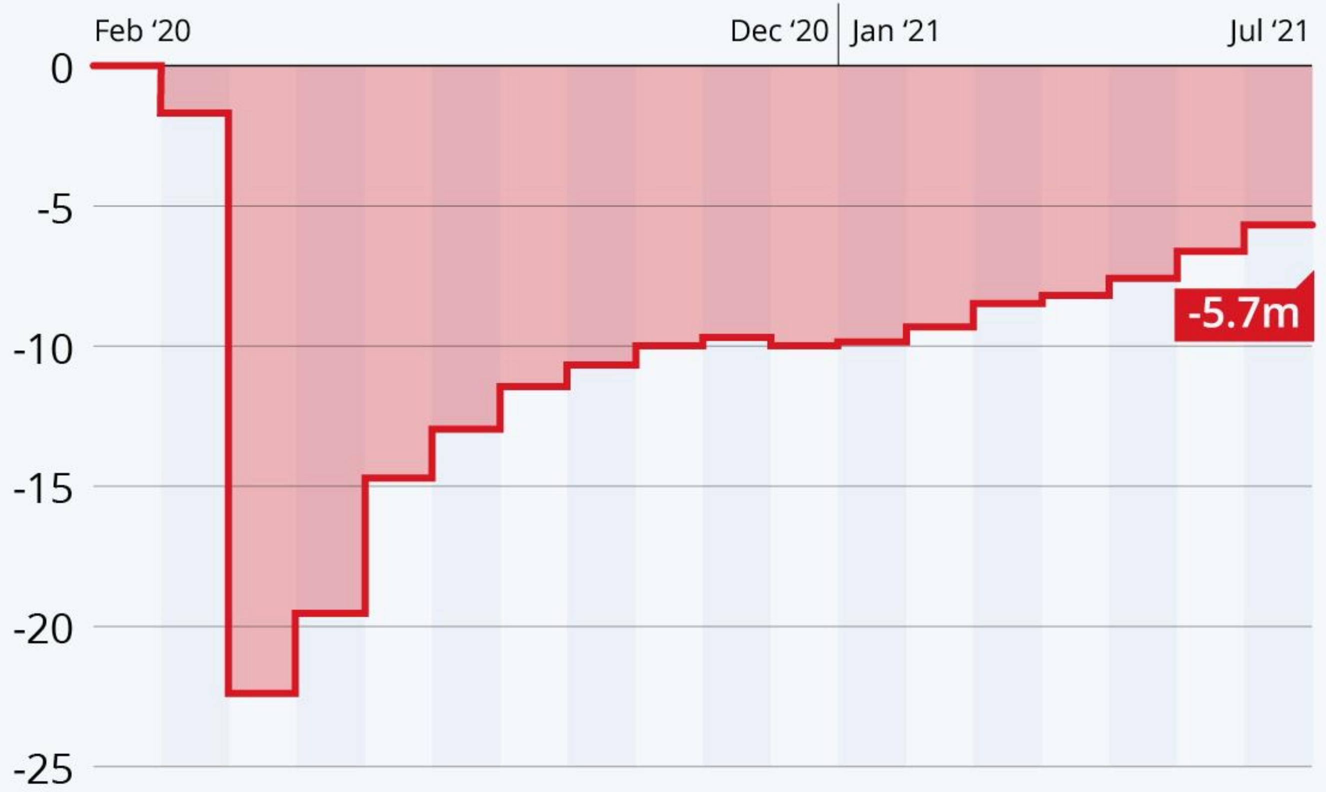
Supply Chain Problems




Change in price from
Top 20
Car and truck rental
87.7%
Used cars and trucks
45.2%
(all types)
45.1%
Fuel oil
44.5%
Other motor fuels
32.1%
Propane, kerosene, and firewood
17.7%
Moving, storage, freight expense
17.3%
Public transportation
17.3%
Motor vehicle insurance
11.3%
Jewelry and watches
11.2%
Domestic services
10.6%
Furniture and bedding
8.6%
Sporting goods
7.5%
Tobacco and smoking products
7%
Footwear
6.5%
Limited service meals and snacks
6.2%
Appliances
5.8%
Food from vending machines and mobile vendors
5.7%
Women's and girls' apparel
5.3%
New vehicles
5.3%
Source: Bureau of Labor Statistics. Data is unadjusted.

The State of the Jobs Recovery

Cumulative change in total nonfarm employment in the United States since February 2020 (seasonally adjusted)*



* excludes proprietors, private household employees, unpaid volunteers, farm employees, and the unincorporated self-employed

Source: U.S. Bureau of Labor Statistics

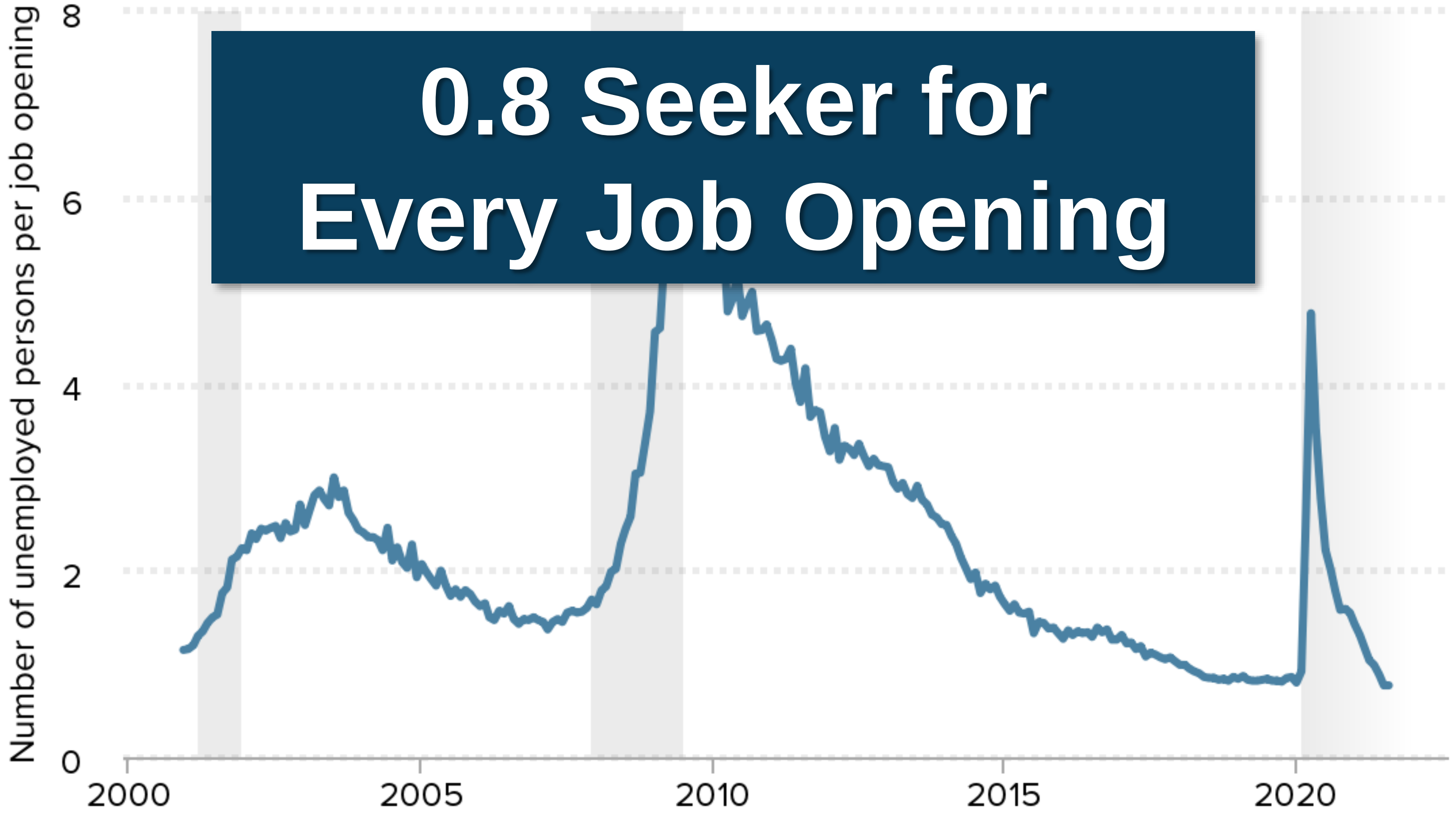
Job openings fall to 10,439,000 jobs in August 2021

Job openings still up 48.9% from February 2020, an all-time record high

Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, August 2021

glassdoor | ECONOMIC RESEARCH

The job-seekers ratio, 2000–2021



Notes: Shaded areas denote recessions. Unemployment levels represent the average of the unemployment level for the current month and the subsequent month in the Current Population Survey to better line up with the job openings data from the Job Openings and Labor Turnover Survey.

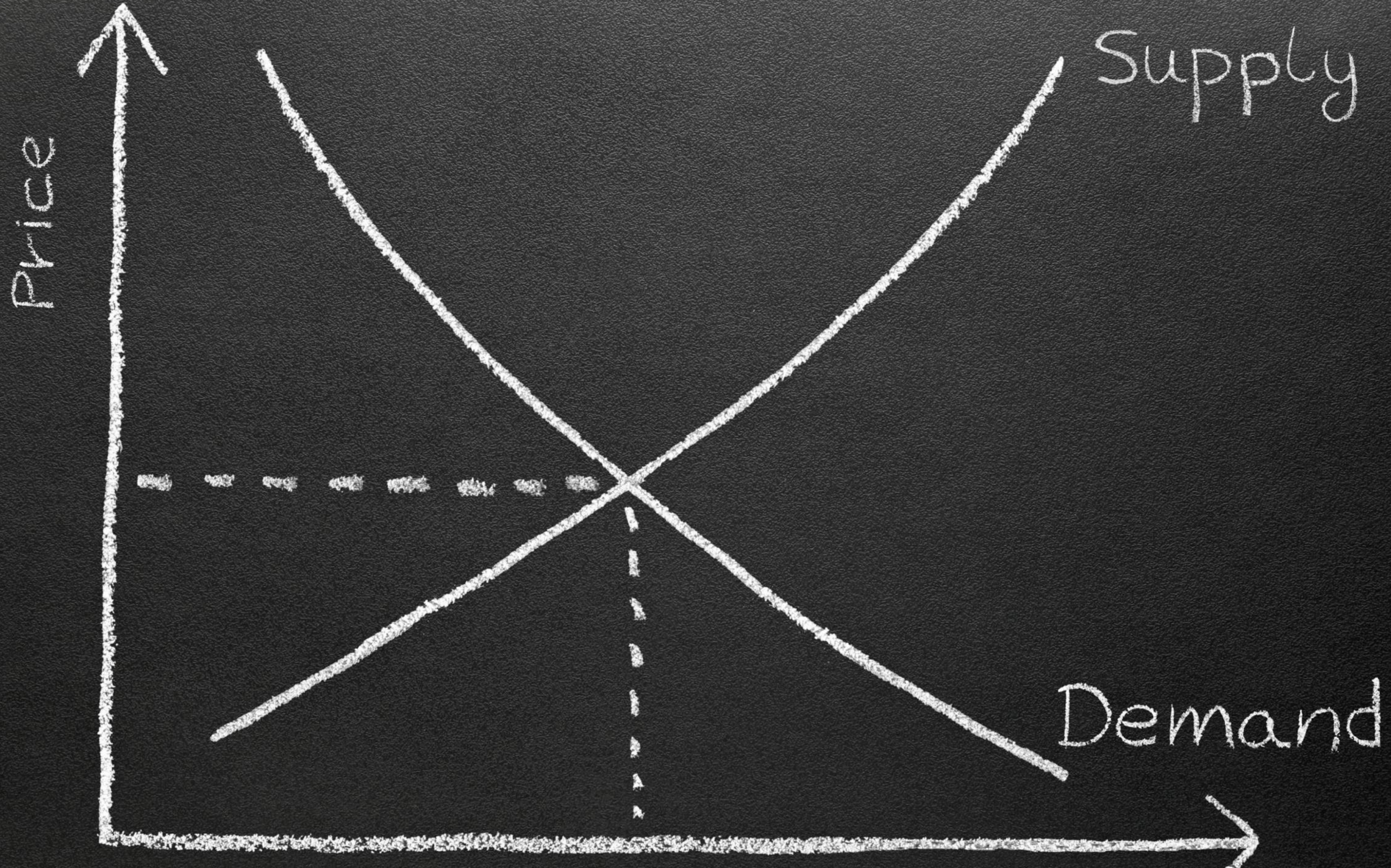
Source: EPI analysis of Bureau of Labor Statistics Job Openings and Labor Turnover Survey and Current Population Survey

Economic Policy Institute


H edge
A gainst
I nflation


2.75% to 3.5%
INSANE Seller's Market
Seller's Market

The Housing Market



Supply
Price
Demand

Inventory Crisis


economic
cycles

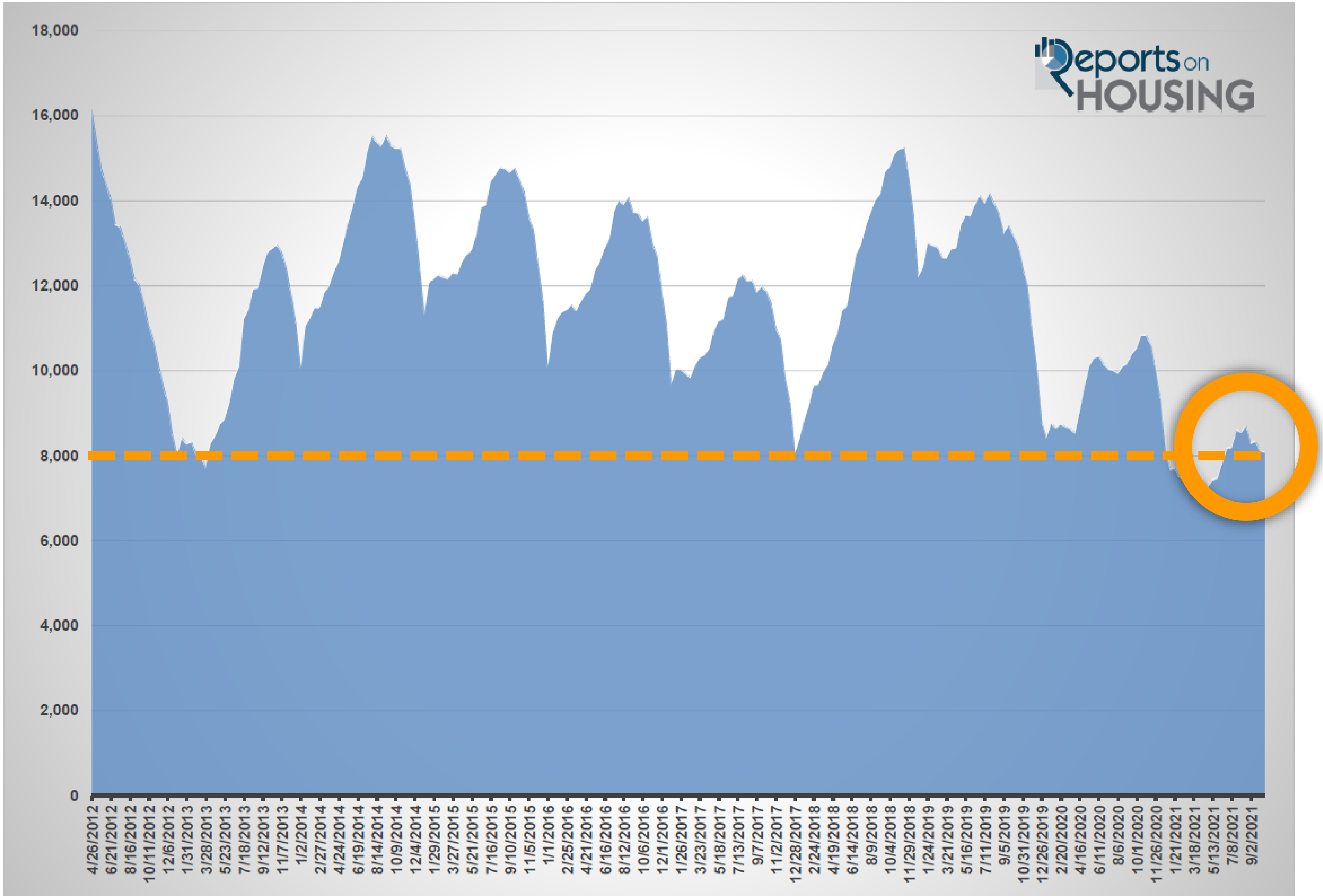
Seasonality

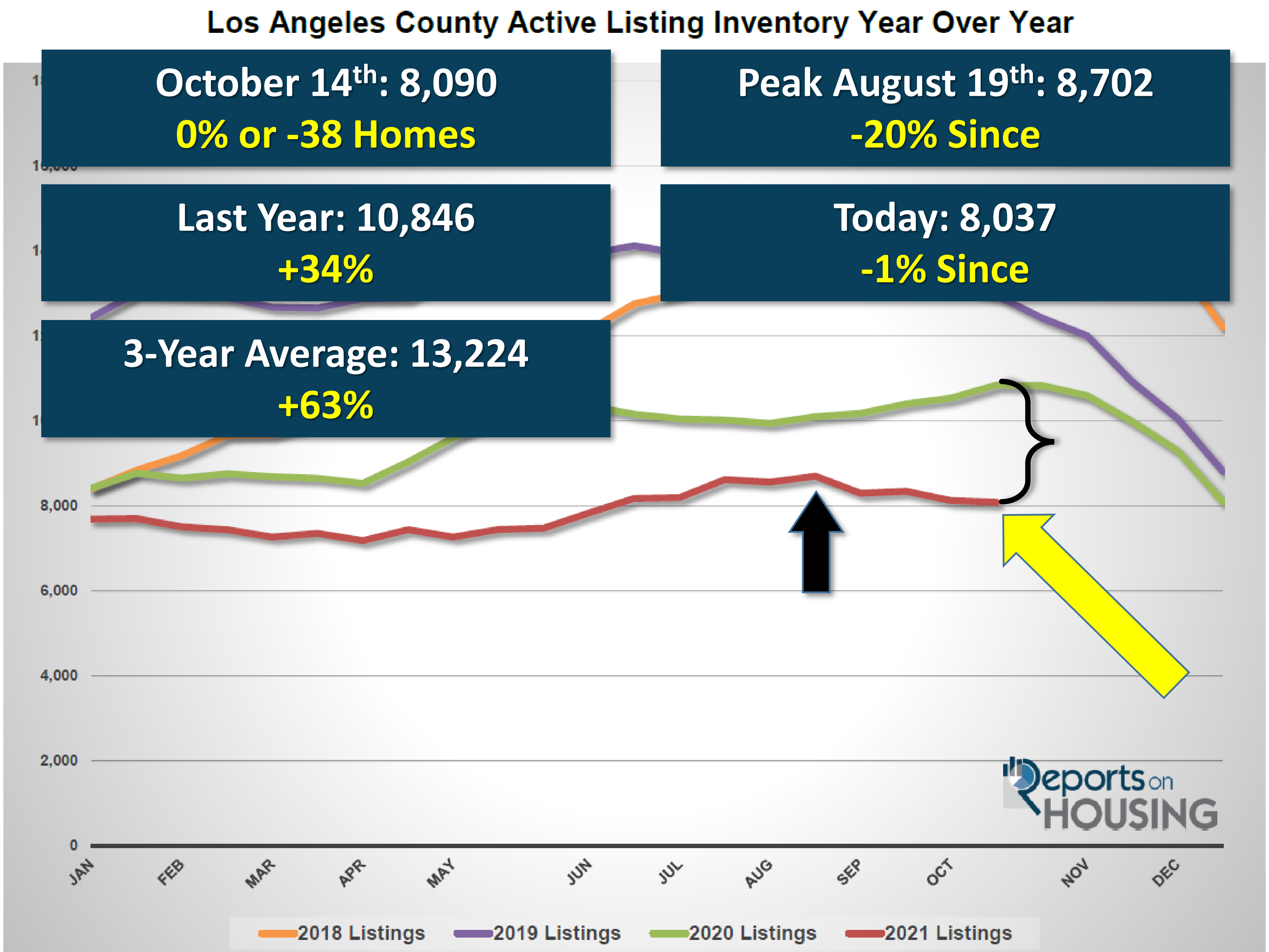
Inventory & Demand Slowly Drops


Inventory & Demand
Plunges

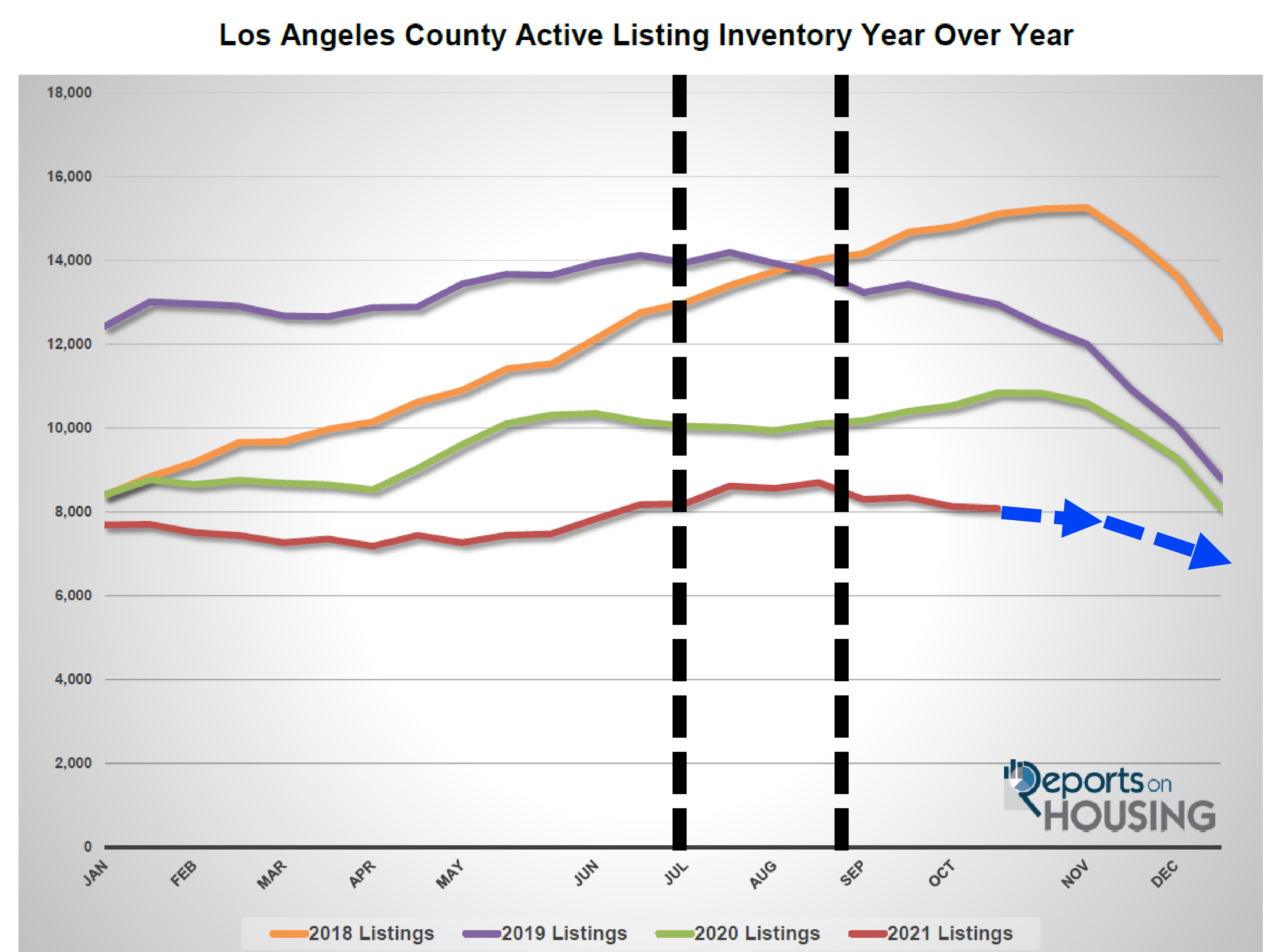

Los Angeles County Supply

Los Angeles County Active Listing Inventory





Los Angeles County Active Listing Inventory Year Over Year
October 14th: 8,090
0% or -38 Homes
Peak August 19th: 8,702
-20% Since
Last Year: 10,846
+34%
Today: 8,037
-1% Since
3-Year Average: 13,224
+63%
8,000
6,000
4,000
2,000
0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Reports on HOUSING
2018 Listings
2019 Listings
2020 Listings
2021 Listings



Los Angeles County Active Listing Inventory Year Over Year
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Reports on HOUSING
2018 Listings
2019 Listings
2020 Listings
2021 Listings

of New FOR-SALE Signs Compared to 3-Year Average

Los Angeles County

All of 2020

-8% or -7,715 Homes

Jan to Sep 2021

-2% or -1,477 Homes


COVID 19


"Where Will
I Go?"


Los Angeles County
Demand

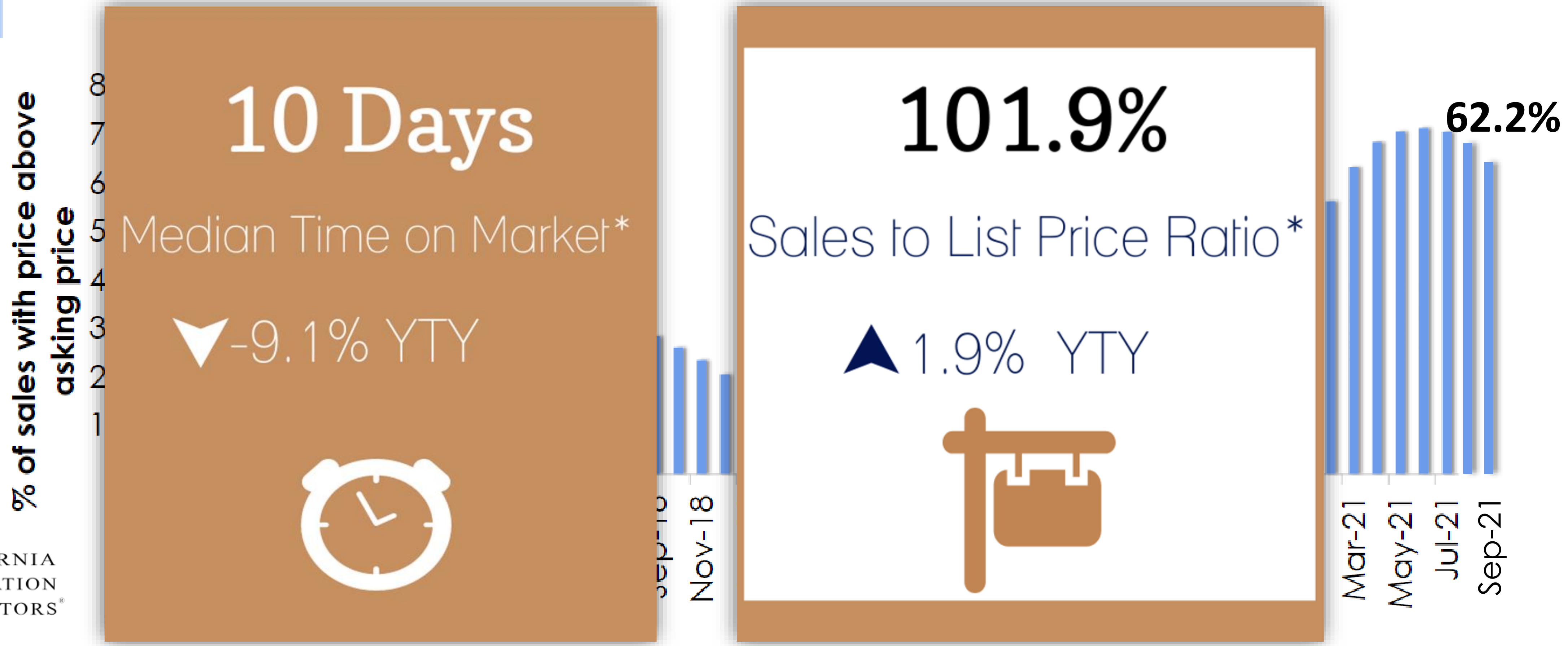


08
FOR
SALE
05


SOLD OVER ASKING
FOR
SALE

California - September 2021 - # Sales Above List

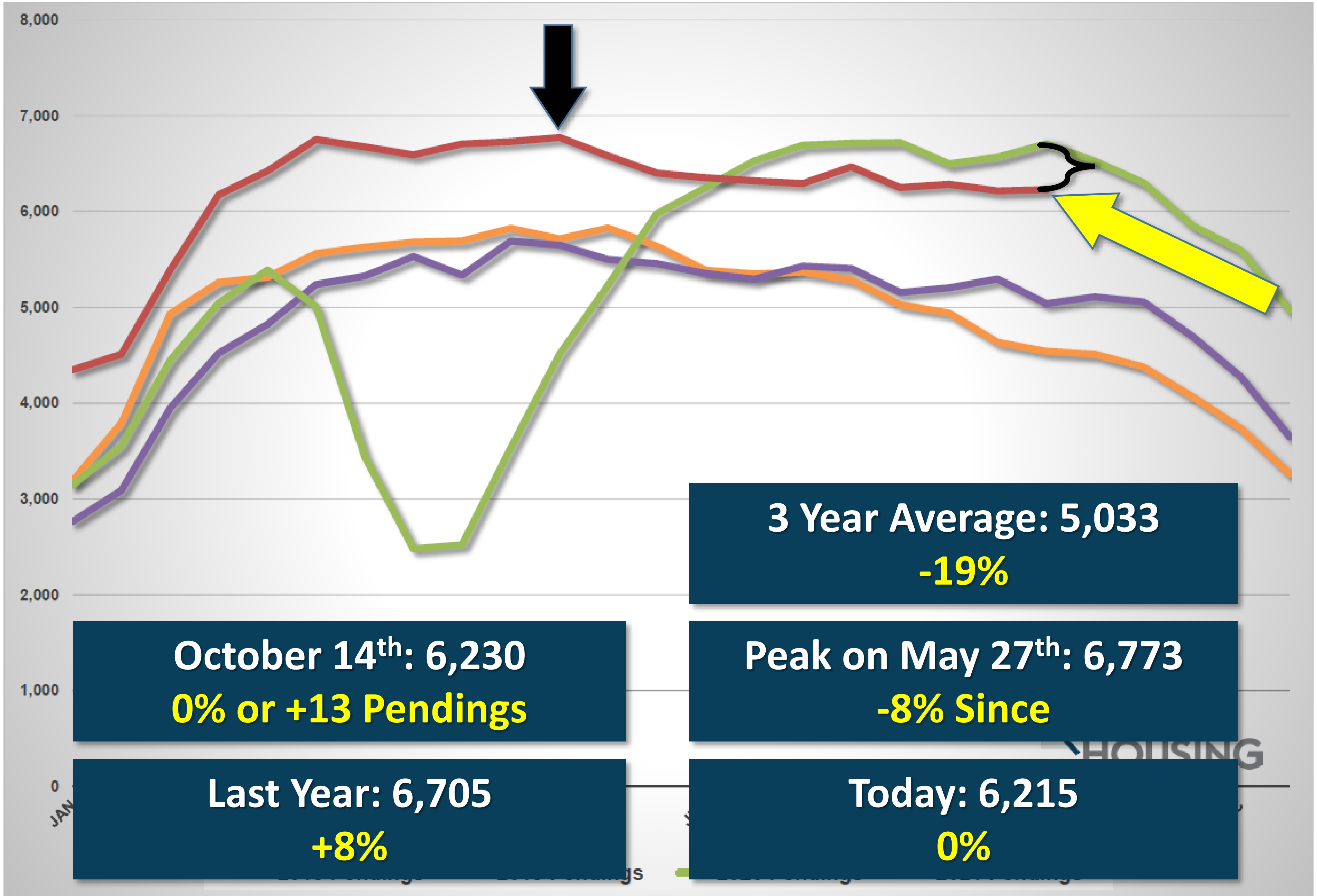
Six out of ten homes sold above asking price



CALIFORNIA ASSOCIATION OF REALTORS®

Los Angeles County Demand Year Over Year

Prior 30 Day Pendings Snapshot



3 Year Average: 5,033
-19%

October 14th: 6,230
0% or +13 Pendings

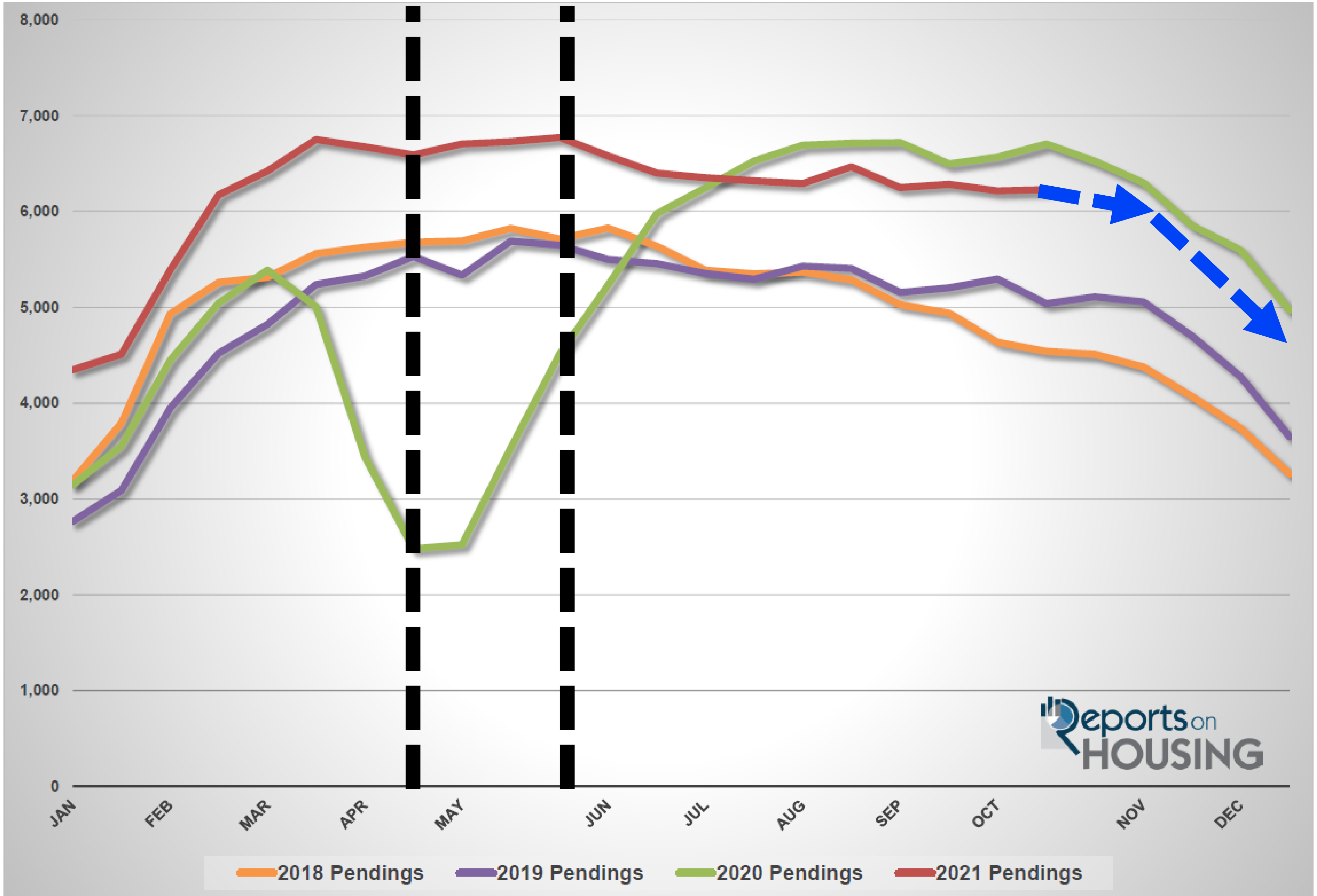
Peak on May 27th: 6,773
-8% Since

Last Year: 6,705
+8%

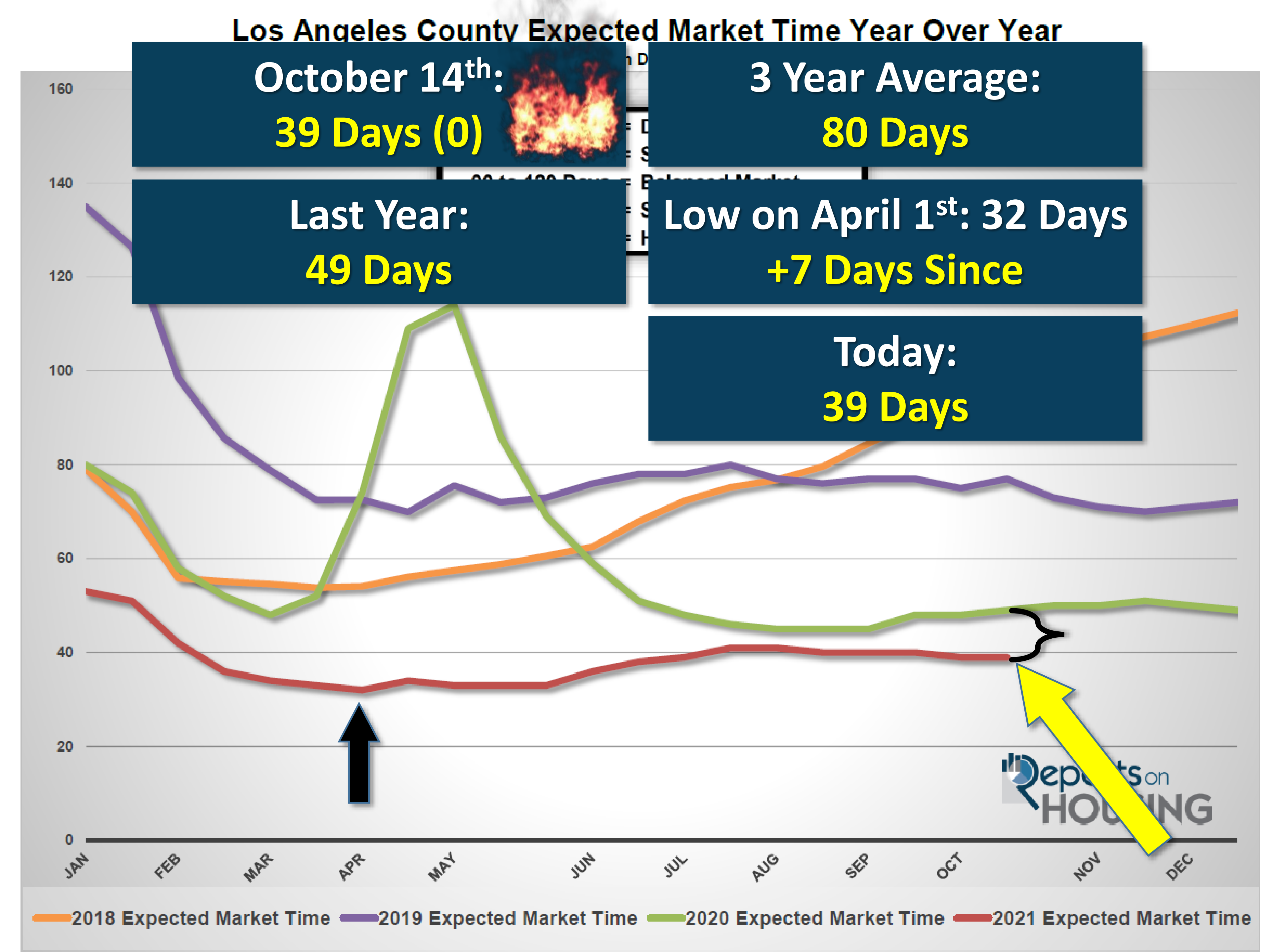
Today: 6,215
0%

Los Angeles County Demand Year Over Year

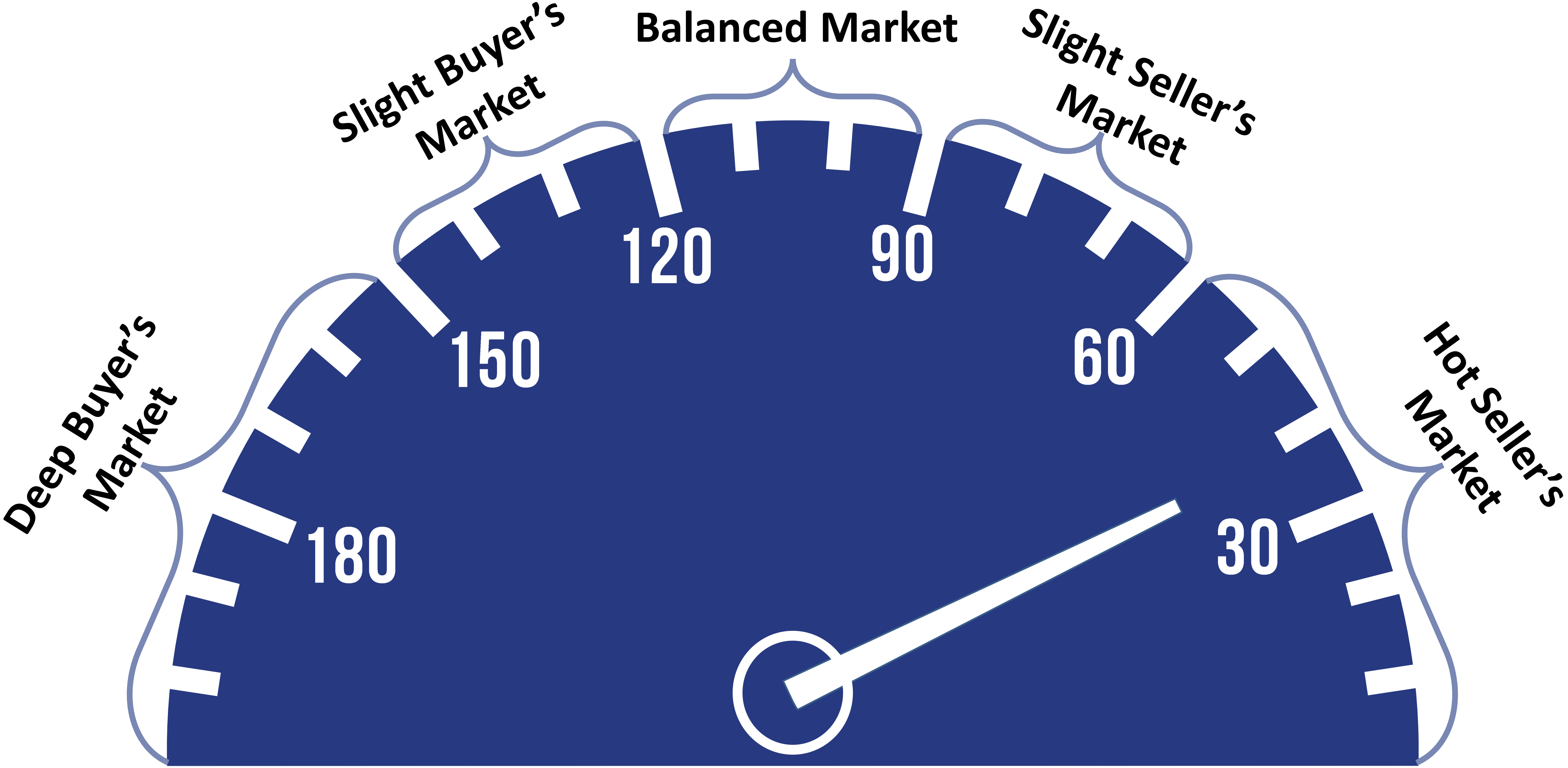
Prior 30 Day Pendings Snapshot



How Fast is the Market?

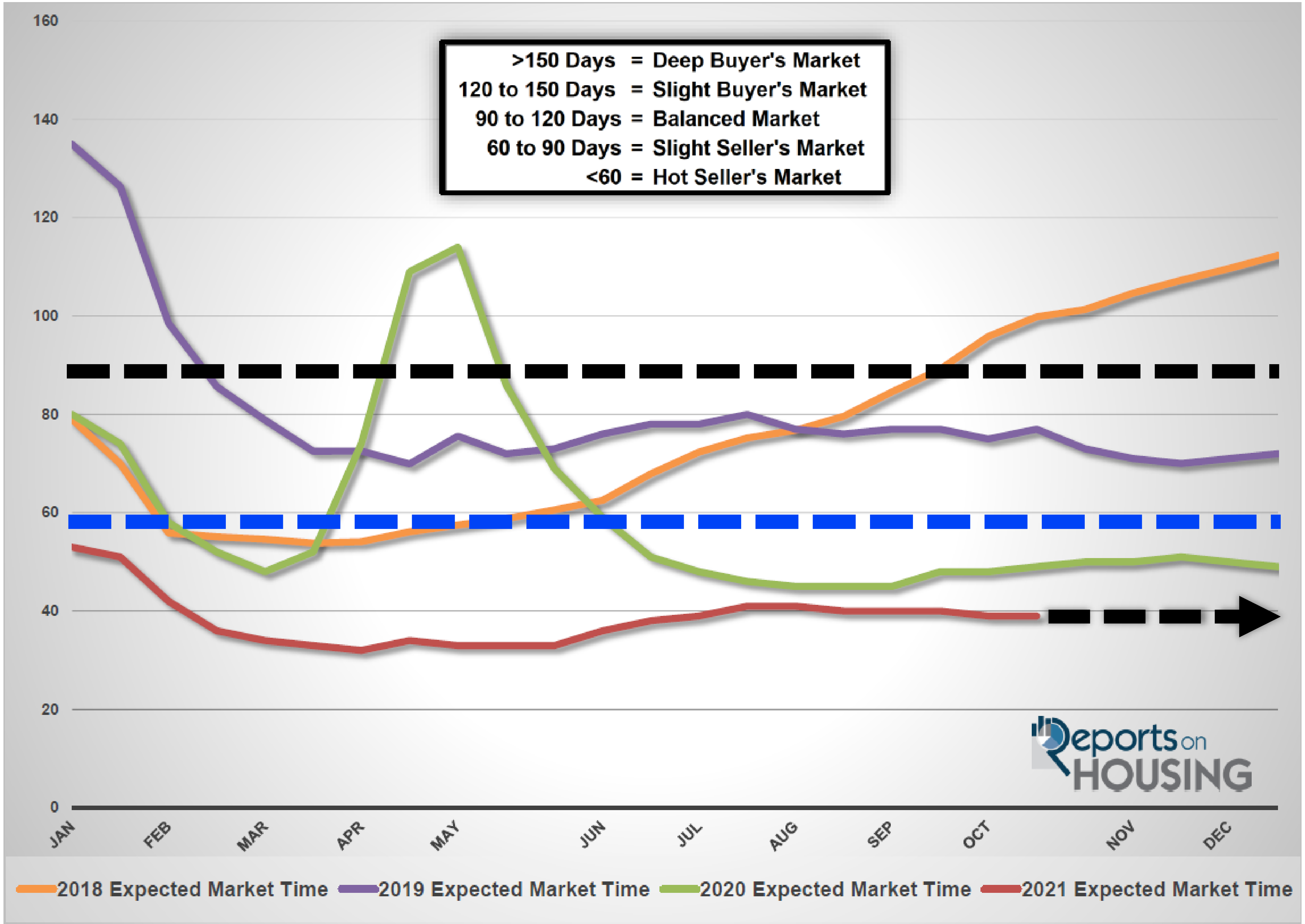


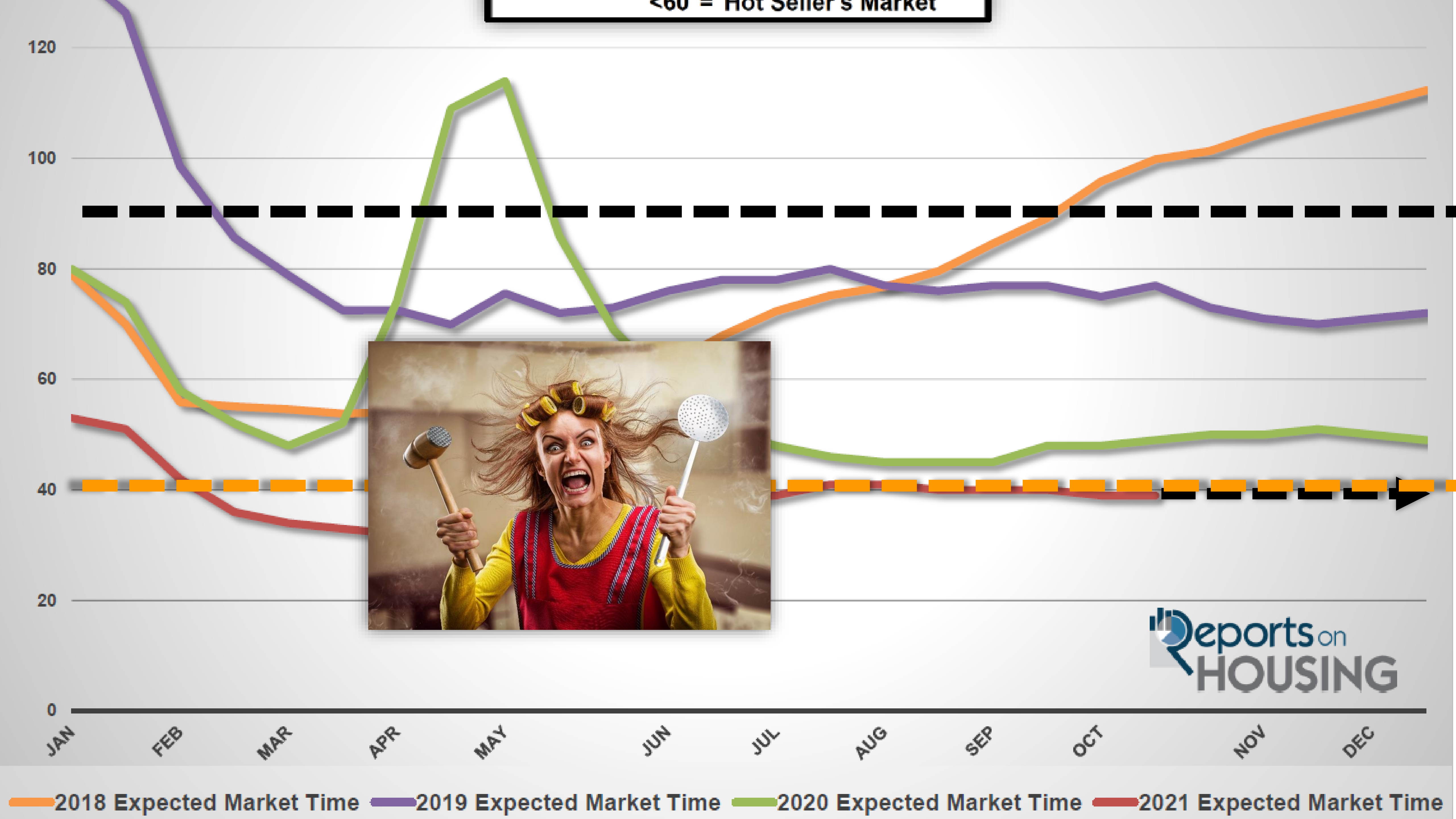
Los Angeles County Expected Market Time Year Over Year
October 14th: 39 Days (0)
3 Year Average: 80 Days
Last Year: 49 Days
Low on April 1st: 32 Days +7 Days Since
Today: 39 Days
160
140
120
100
80
60
40
20
0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2018 Expected Market Time
2019 Expected Market Time
2020 Expected Market Time
2021 Expected Market Time


Balanced Market
Slight Buyer's Market
Slight Seller's Market
Deep Buyer's Market
Hot Seller's Market
180
150
120
90
60
30

Los Angeles County Expected Market Time Year Over Year

In Days

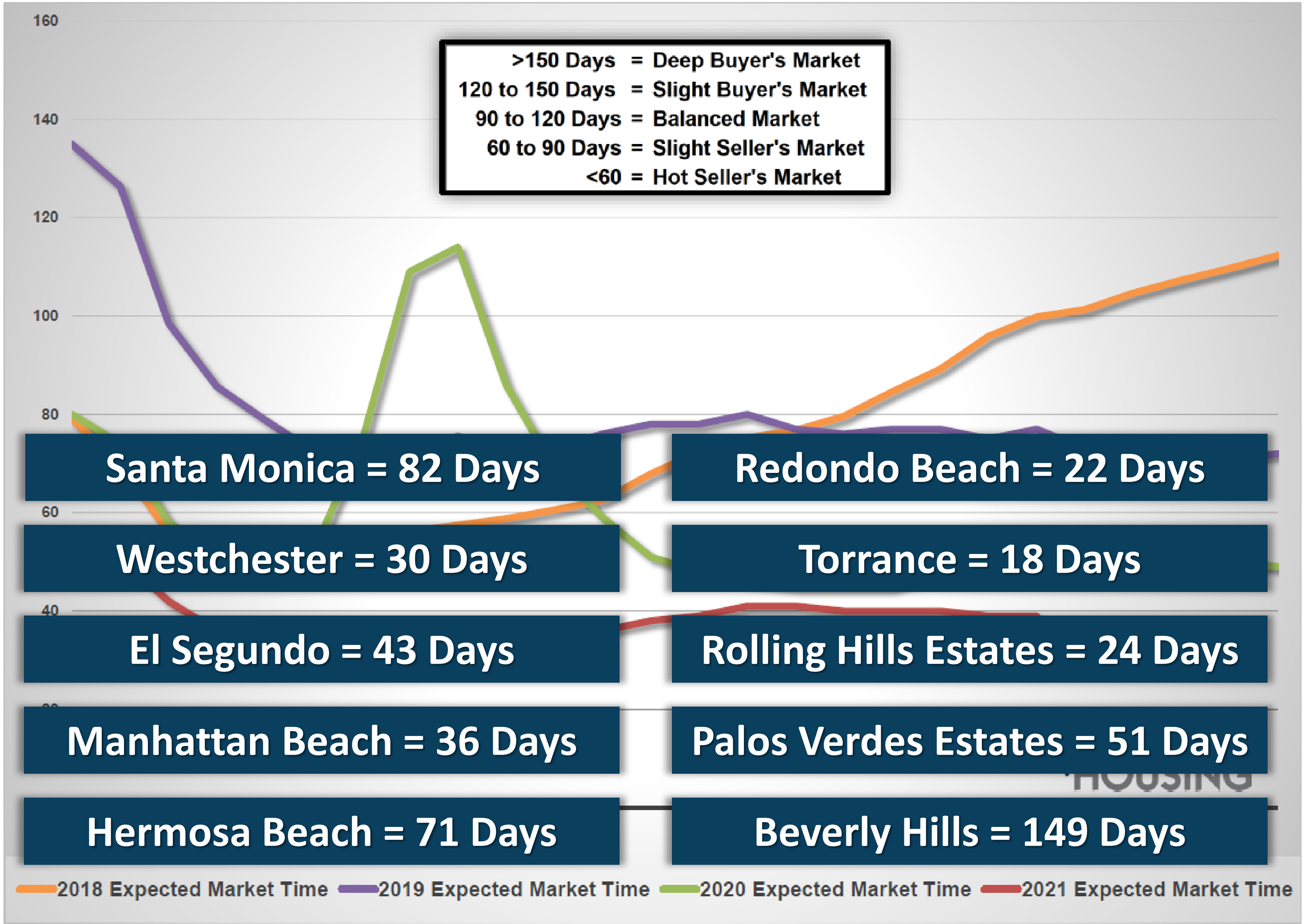




<60 = Hot Seller's Market
120
100
80
60
40
20
0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Reports on HOUSING
2018 Expected Market Time
2019 Expected Market Time
2020 Expected Market Time
2021 Expected Market Time

Los Angeles County Expected Market Time Year Over Year

In Days



Santa Monica = 82 Days

Redondo Beach = 22 Days

Westchester = 30 Days

Torrance = 18 Days

El Segundo = 43 Days

Rolling Hills Estates = 24 Days

Manhattan Beach = 36 Days

Palos Verdes Estates = 51 Days

Hermosa Beach = 71 Days

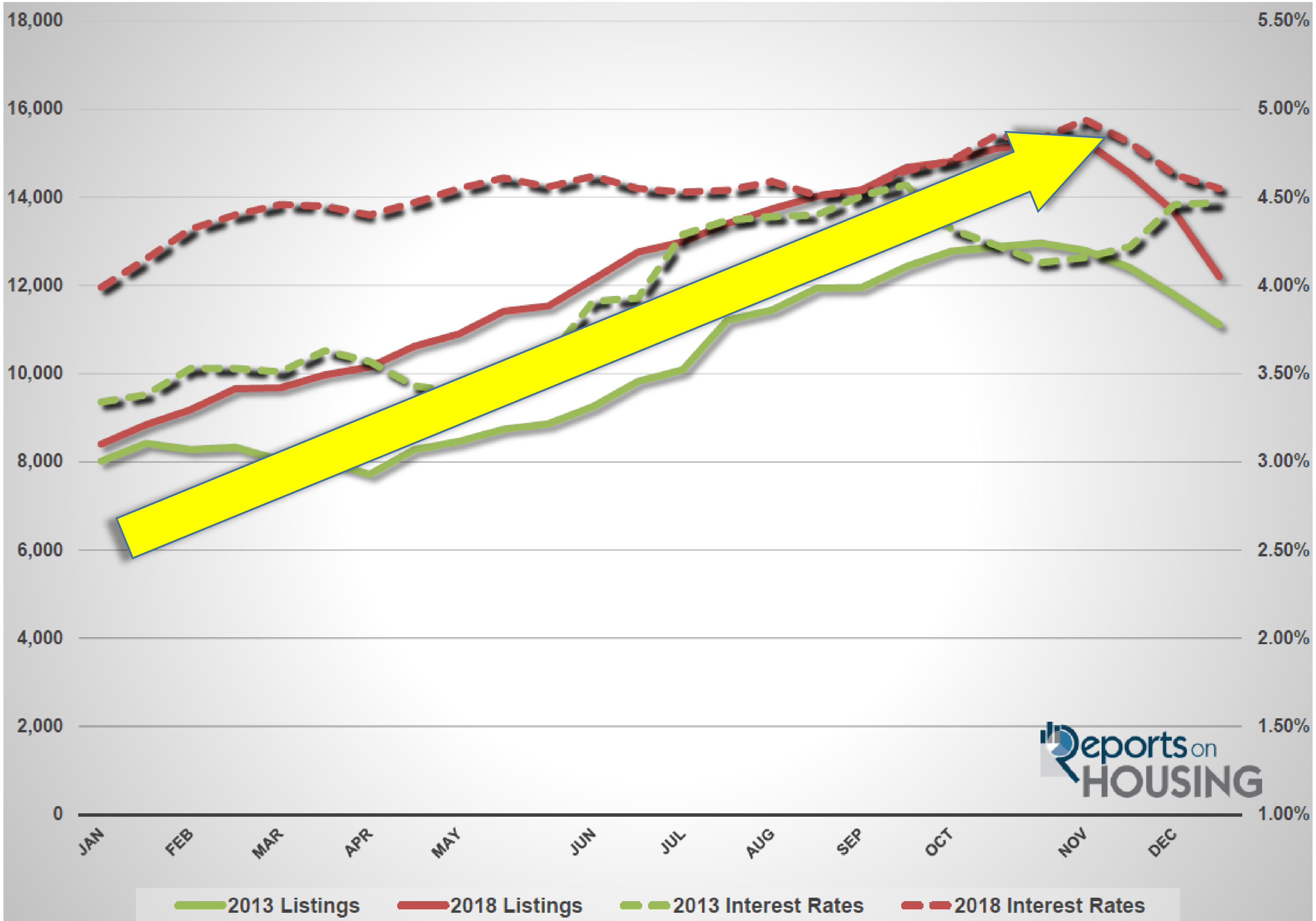
Beverly Hills = 149 Days


Home Values

When Will the Market Slow?


INTEREST RATES

Los Angeles County Active Listing Inventory and Rates 2013 and 2018




Affordability


Mortgage Rate Sensitivity
10%
8%
6.35%
5%
4%
3.75%
3.5%

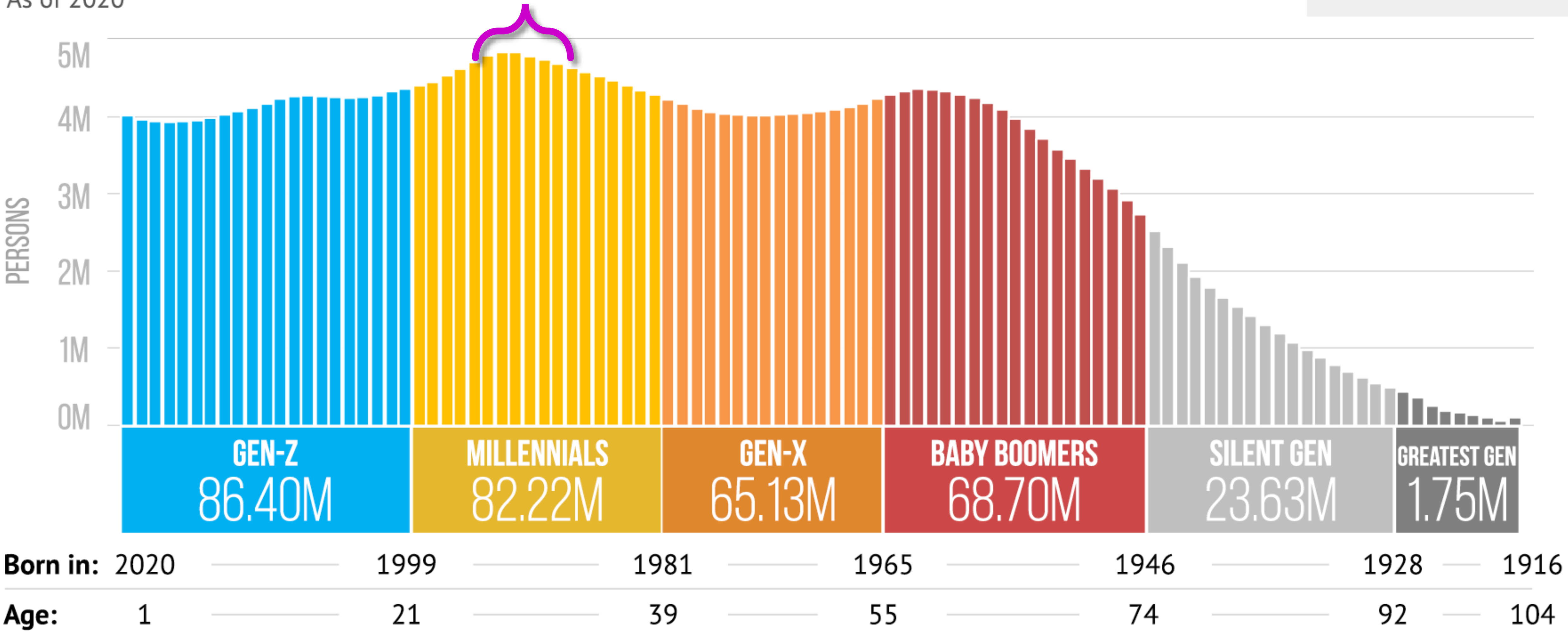

SLOW
DOWN

Market Overview

Total US Population by Age and Generation

As of 2020

Data Driven



knoema

Source: U.S. Census Bureau

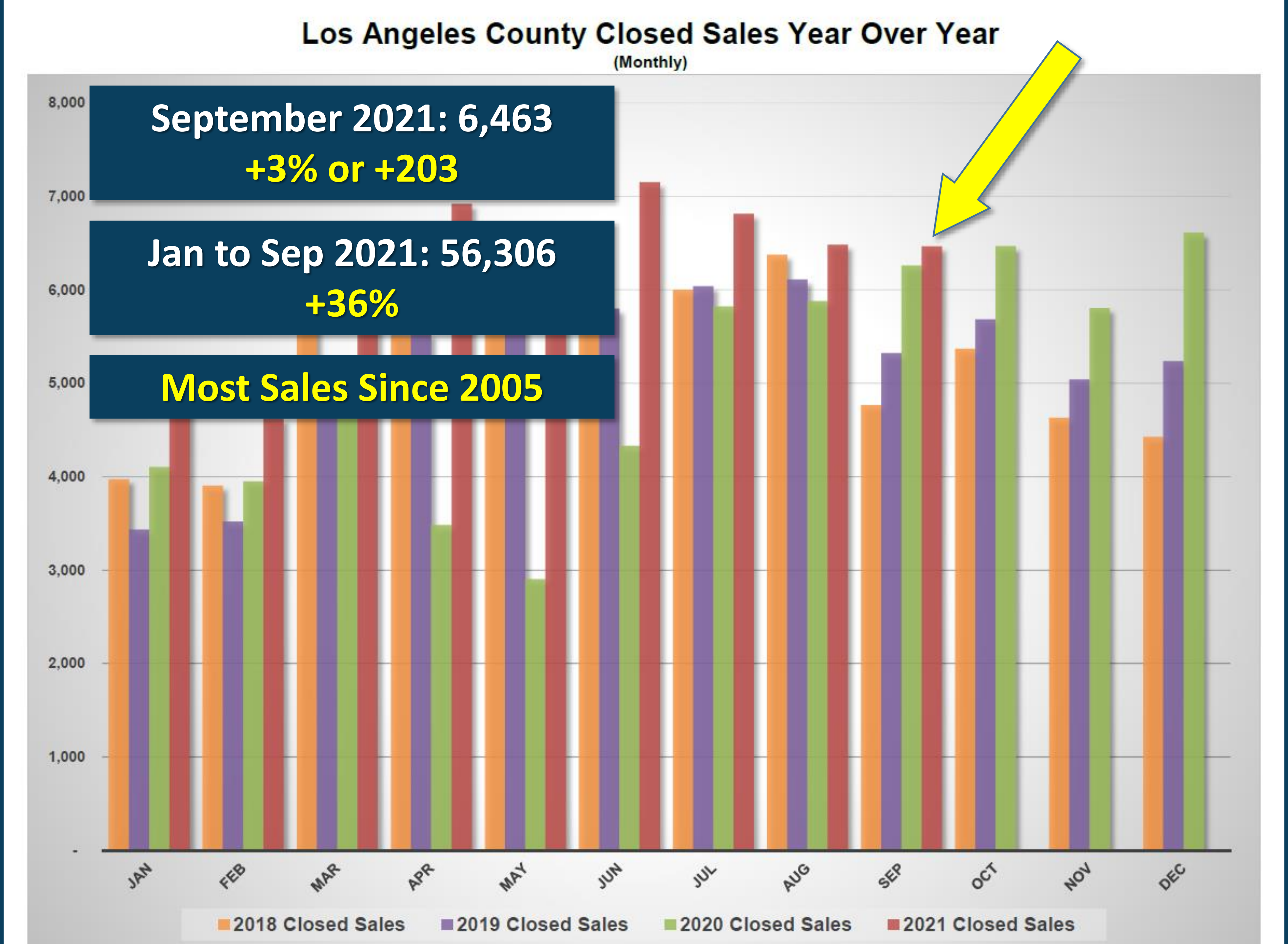
Not All Home Sell Instantly

Los Angeles County

30+ Days
50% or 4,028 Homes

60+ Days
30% or 2,416 Homes

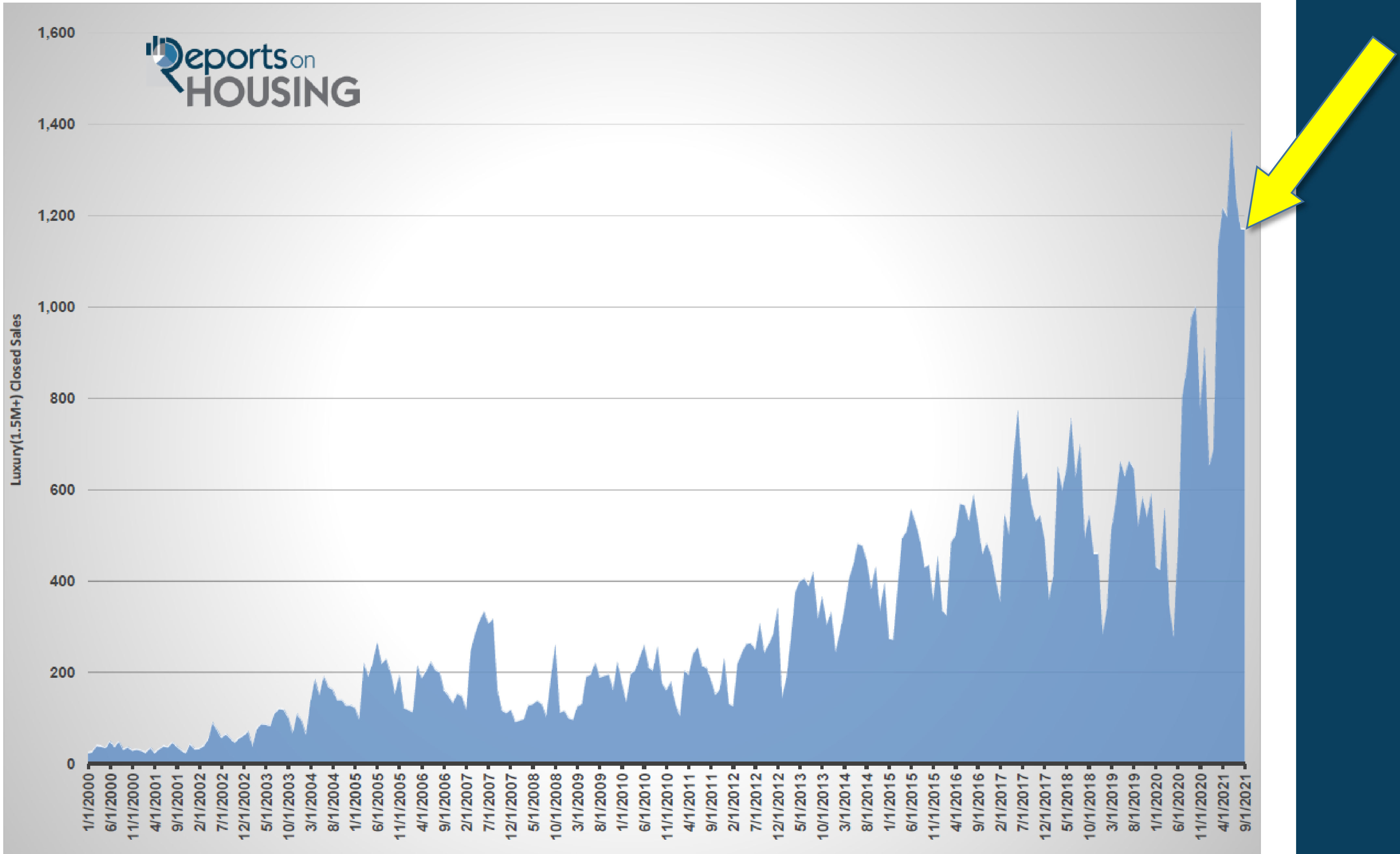
90+ Days
19% or 1,511 Homes



Los Angeles County Closed Sales Year Over Year
(Monthly)
September 2021: 6,463
+3% or +203
Jan to Sep 2021: 56,306
+36%
Most Sales Since 2005
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2018 Closed Sales
2019 Closed Sales
2020 Closed Sales
2021 Closed Sales


Luxury is Surging

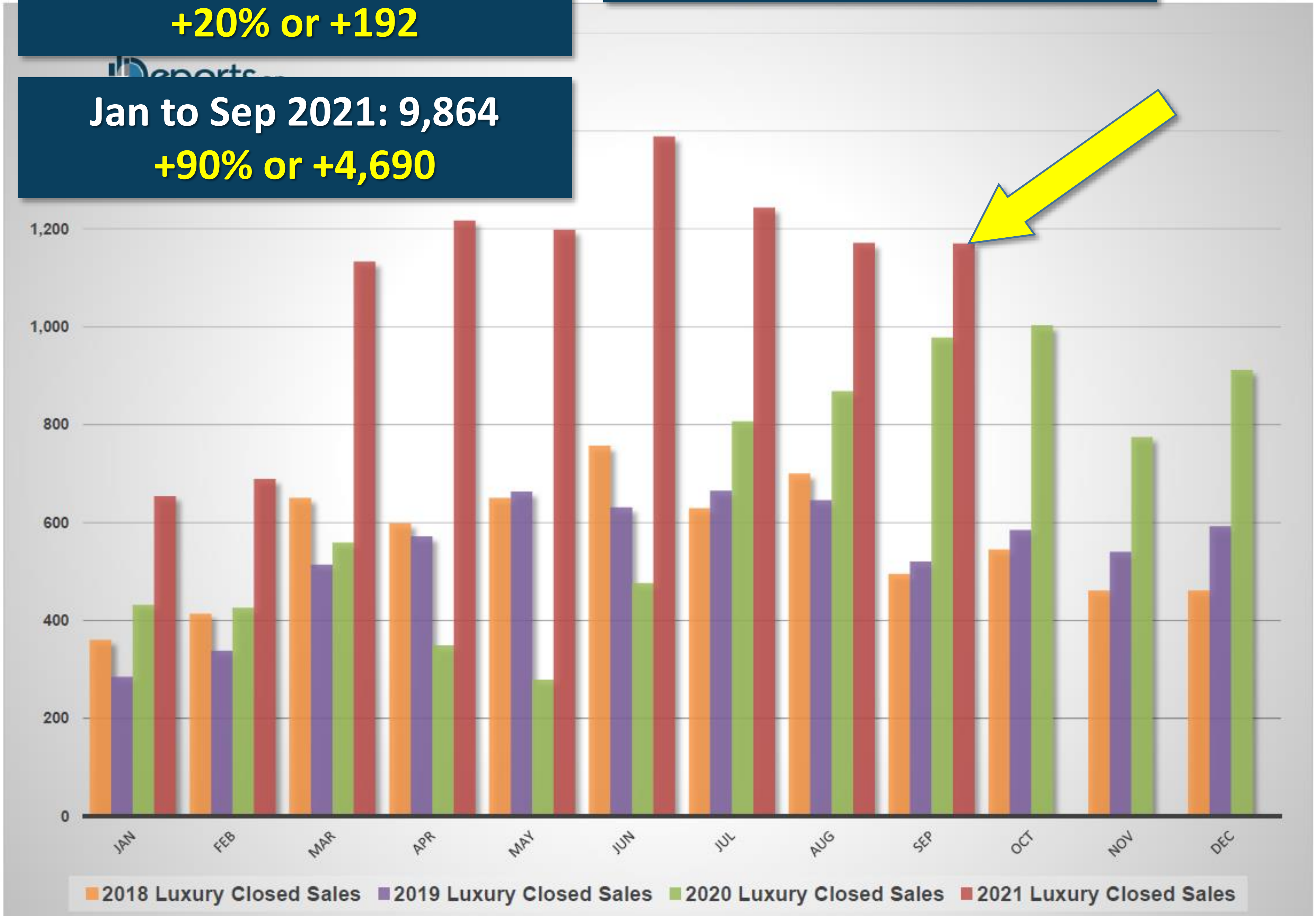
Los Angeles County Luxury Closed Sales
($1.5 Million+)



September 2021: 1,170
+20% or +192

Jan to Sep 2021: 9,864
+90% or +4,690

Record Level

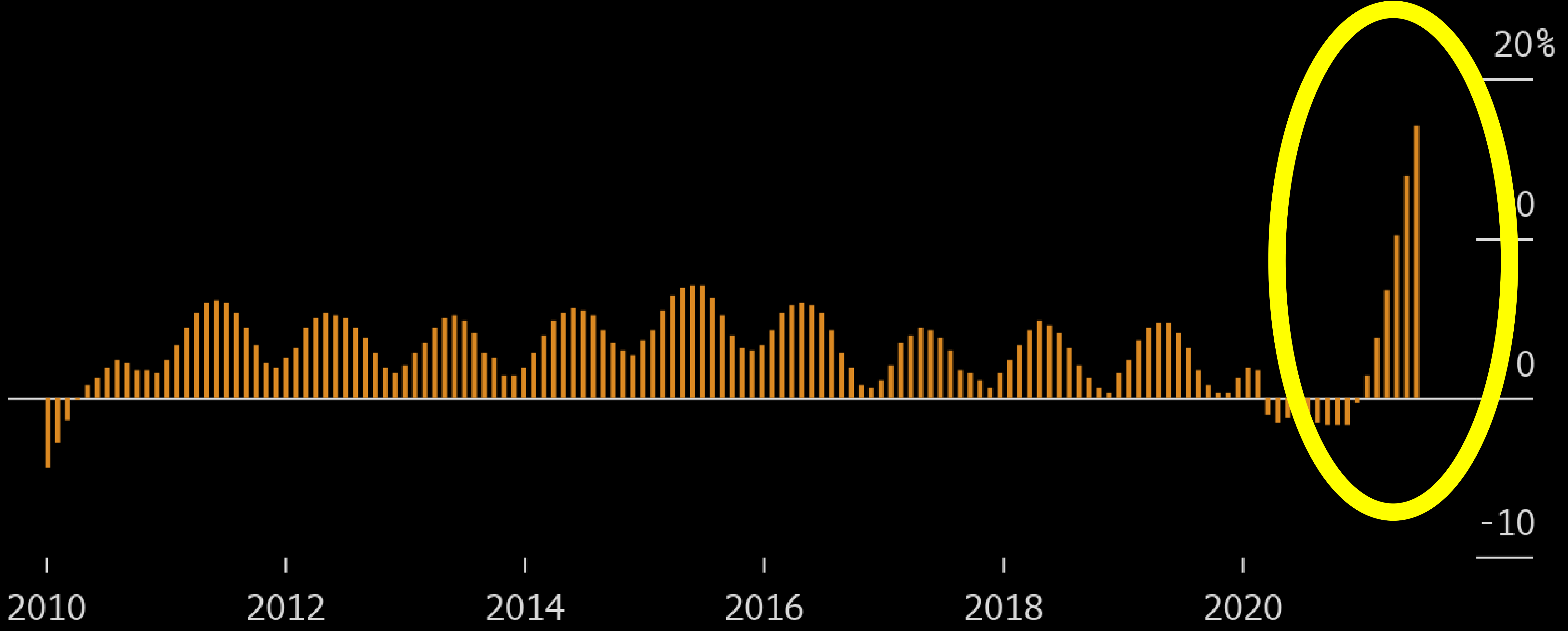


Luxury Homes

$2,000,000+

High Cost Of Renting

Costs for new leases skyrocket as apartment hunting gets competitive



Source: RealPage Inc.

Note: Annual rent growth compares new leases with what previous tenant paid

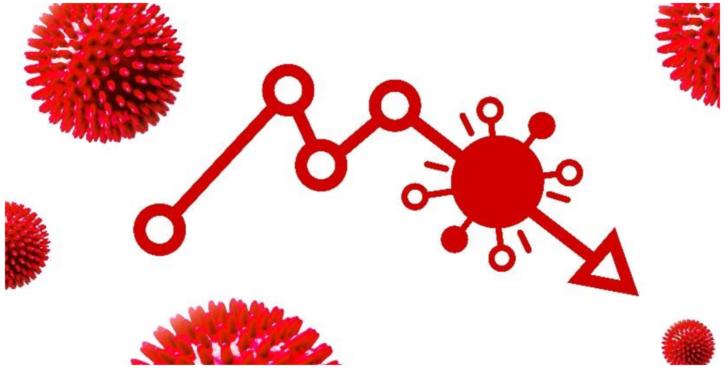

The 2022 Forecast


FIFTYFOOTSHADOWS.NET

My 2022 Concerns

Uncertainty

Rates Remain Low



COVID-19 Variants

Washington DC

My 2022 Concerns

Wages Rise Too Fast

Values Rise TOO Fast

Buyer Fatigue

Unrealistic Sellers

My 2022 Forecast

- Distressed rises slightly – NO WAVE
- Normal housing seasons with slightly less activity than 2021
- 1st half will be HOT due to limited inventory & 2nd half slower with higher rates

My 2022 Forecast

- Record Low Inventory to Start the Year = Under 6,500
- Rise in Inventory Eclipsing 10,000 Homes
- Demand (Recent Pending Sales) Down Slightly YOY

My 2022 Forecast

- Appreciation in 2022, up 8% to 10%
- Luxury Continues to Soar, But Slightly Muted Compared to 2021 as Year Progresses.
- Continued Increase in Move-Up Sellers

My 2022 Forecast

- Closed Sales Down 3% to 6%
- Buyers = Motivated By Low Rates, But Not as Willing to Stretch.
- Interest rates between 2.75% to 3.5%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Q&A

That's all Folks!