
Reports on HOUSING
Your Local Real Estate Snapshot
100000
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Jan
Feb
Mar
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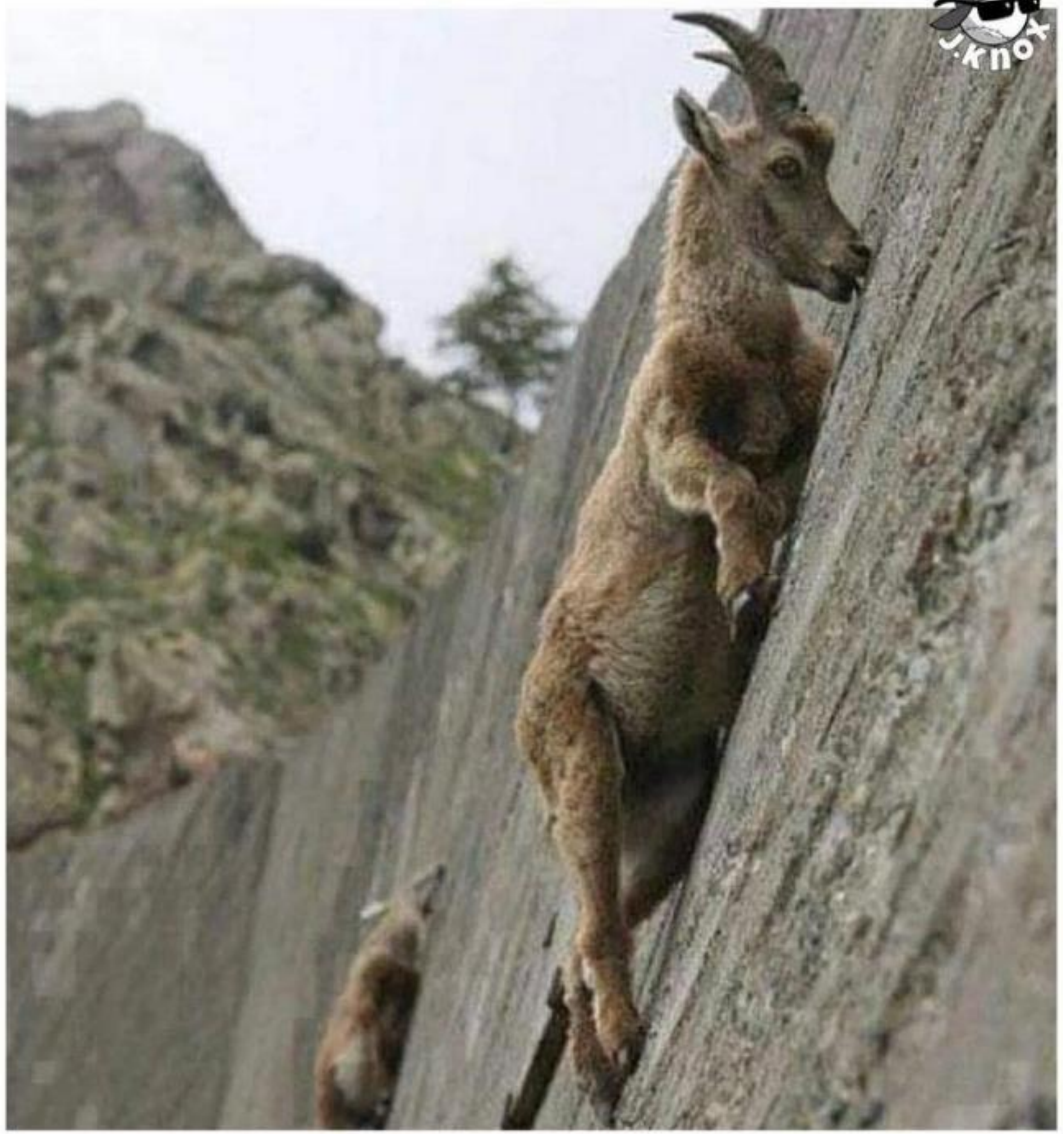
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Summer Housing Update

Buyers: "I hope interest rates don't get any higher..."

Interest rates:

BUYERS: “I’M GOING TO HOLD OFF BUYING A HOME UNTIL THE RATES FALL!”

THE RATES:



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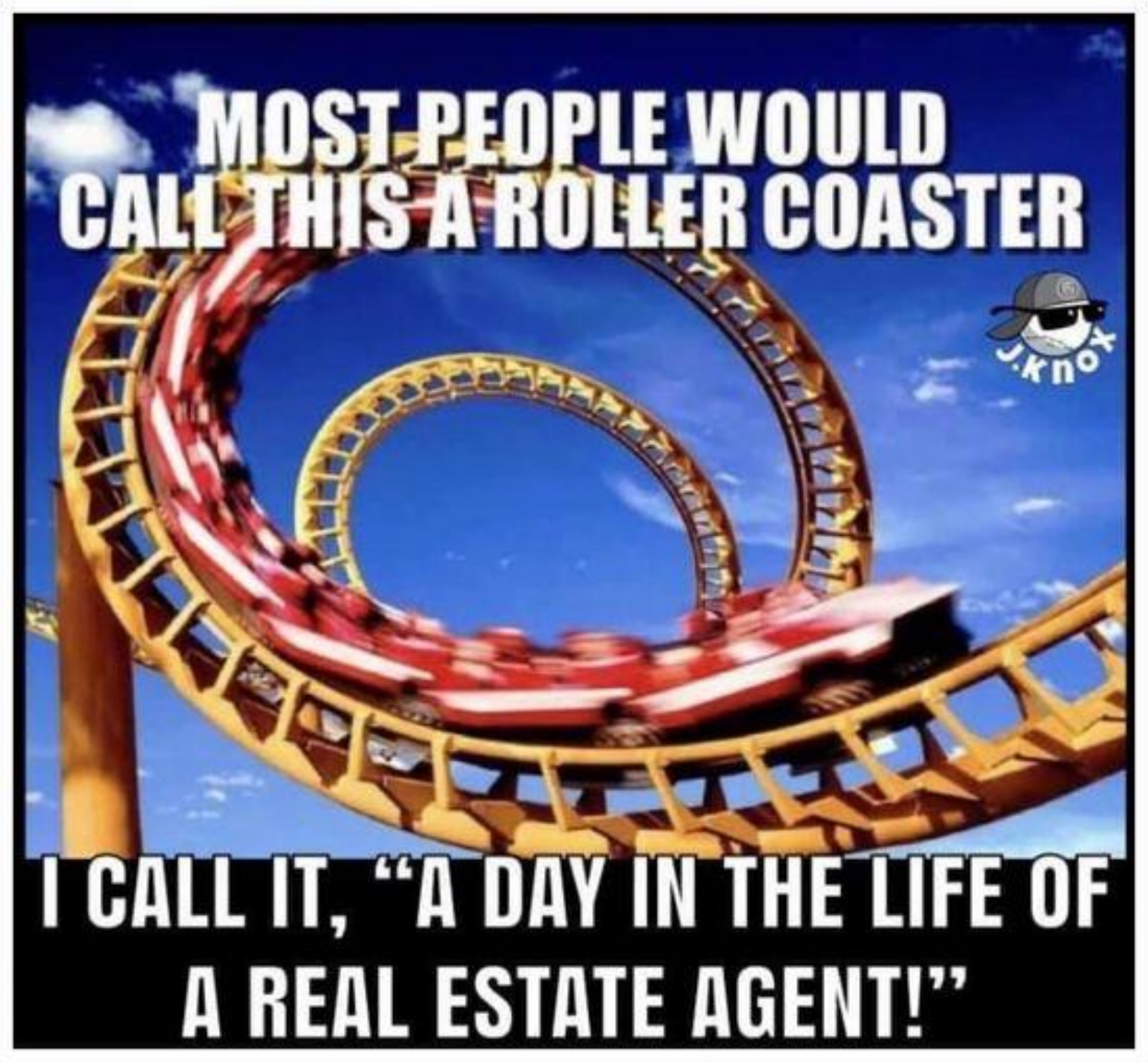
MOST PEOPLE WOULD CALL THIS A ROLLER COASTER
J.KNOX
I CALL IT, "A DAY IN THE LIFE OF A REAL ESTATE AGENT!"


SELLERS: THE
MARKET IS BLAZING HOT
BUYERS:
BLESS YOUR HEART
imgflip.com


Early 2022: No FHA offers
Now: Hello FHA
imgflip.com


MARRY THE HOUSE
DATE THE RATE


Reports on HOUSING
Your Local Real Estate Snapshot
Introduction
What is Going On With Rates?!?
The Housing Market
Market Overview

Reports on HOUSING

Your Local Real Estate Snapshot

Introduction

My Background

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

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

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4 LOS ANGELES

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Expectations

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

Coming SOON: The Bay Area

JANUARY 10 2022

Reports on HOUSING
Your Local Real Estate Snapshot

THE LOS ANGELES COUNTY HOUSING REPORT

UNPRECEDENTED START

WRITTEN BY
STEVEN THOMAS

EVEN WITH A RISING MORTGAGE INTEREST RATE ENVIRONMENT, IT IS THE HOTTEST START TO A YEAR SINCE TRACKING BEGAN IN 2004 BY A LANDSLIDE.

INSANELY HOT SELLER'S MARKET

WITH A RIDICULOUSLY RECORD LOW SUPPLY OF HOMES AVAILABLE TO PURCHASE MATCHED WITH STRONG DEMAND, THE HOUSING MARKET IS WHITE HOT.

The COVID-19 pandemic has severely disrupted the supply of goods and commodities. Initially, back in March 2020, there was a relentless run on toilet paper when people stood in long lines for hours as new shipments arrived. As the pandemic evolved, so did the impact on the supply of computer chips, which ultimately hit the automobile industry the hardest. Flash forward to today and new car lots are empty, there is a COVID premium on the sticker price, and many must wait weeks or months for delivery. It is just as challenging to obtain a used car and prices have gone through the roof. It boils down to supply and demand. Even when demand levels do not change much, yet inventories drop substantially, prices soar.

That is precisely what is occurring in the Los Angeles County housing market today. The supply of homes available to purchase today is at a staggering, mind blowing, record low level, and it is matched with strong demand that is not much different than prior to the pandemic. As a result, the market has been white hot, insane, from day one of 2022. It is an unprecedented start to the year that is without comparison. On January 3, 2013, according to the Primary Mortgage Market Survey conducted by Freddie Mac for the past 51-years, mortgage rates were at 3.34%, slightly higher than the record low, at the time, of 3.31% achieved on November 21, 2012. On January 7, 2021, mortgage rates hit a 17th record low since the start of the pandemic, dropping to 2.65%. That rate remains the record today, a year later. On January 6, 2022, mortgage rates had risen to 3.22%, the highest level since May 2020. Even with higher, rising mortgage rates, the housing market already has exceptionally strong momentum.

As the inventory dropped, housing has grown hotter and hotter. Today, there are only 4,732 homes available to purchase, an unmatched, ultra-low supply of homes that shattered the prior record low achieved in January 2021, at 7,688 homes. Last year's start beat the 2013 record start of 8,017 homes. The active inventory had been dropping prior to COVID, but the pandemic further disrupted housing and intensified the inventory crisis. The crisis had evolved into a catastrophe by the end of 2021 as the fewest number of homes come on the market in December and the second fewest occurs in November. That set up the unprecedented start to this year.

Expected Market Time & Mortgage Rates to Start the Year

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Active Listing Inventory	4,732	7,688	8,418	12,434	8,402	10,050	10,879	11,323	11,110	8,017
Expected Market Time	38 Days	53 Days	80 Days	135 Days	79 Days	85 Days	96 Days	99 Days	92 Days	53 Days
Mortgage Rates	2.65%	2.65%	3.72%	4.51%	3.95%	4.20%	3.97%	3.73%	4.53%	3.34%

When the inventory is this low, just about everything that is placed on the market is

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THE SAN DIEGO COUNTY HOUSING REPORT

WILL IT SLOW IN 2022?

WRITTEN BY
STEVEN THOMAS

HOUSING HAS ONLY GROWN HOTTER DESPITE MORTGAGE RATES RISING CONSIDERABLY SINCE RINGING IN A NEW YEAR, INDICATING IT WILL TAKE FURTHER CHANGES FOR THE MARKET TO SLOW.

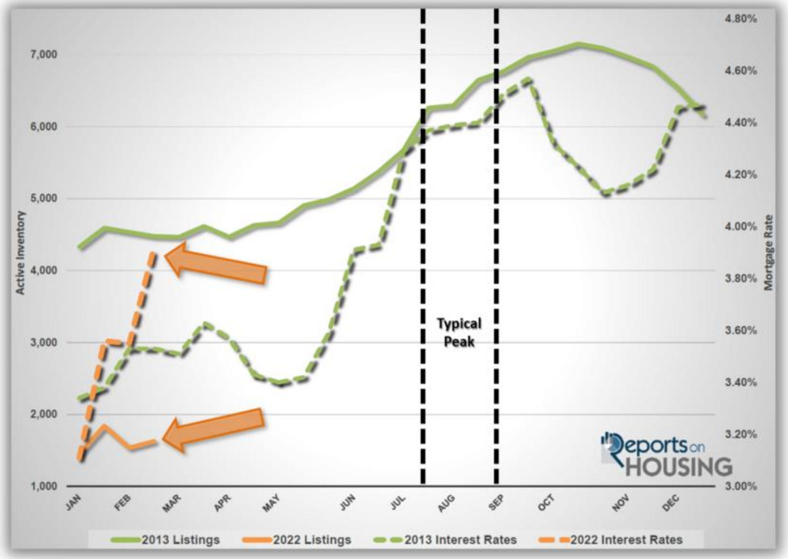
MARKET SHIFTS

IF MORTGAGE RATES RISE ABOVE 4% AND REMAIN ELEVATED WITH STAYING POWER, THEN HOUSING WILL FINALLY SLOW A BIT, SHIFTING FROM AN INSANE SELLER'S MARKET TO A REGULAR HOT SELLER'S MARKET WITH LONGER MARKET TIMES.

Today's society is accustomed to getting information immediately and from a variety of different sources. Nobody really has to wait for the 5:00 newscast or the morning paper to get the latest news. Everything now can be found on the web and on a smartphone in an instant. The Wall Street Journal, CNBC, MSNBC, FOX, CNN, CBS, ABC, BBC, and the countless millions of other websites allow everyone to be plugged into all the constant world changes. It is reported live 24 hours a day, seven days a week. When a bad earnings report for a company is announced… BOOM! The company stock drops in an instant. The Consumer Price Index (inflation) rises a lot higher than estimates… BOOM! The DOW, S&P 500, and NADAQ all plummet immediately. Yet, changes in the housing market are far from instant.

The transformation of the housing market occurs over time. It just does not change in the snap of a finger. Houses are not traded on Wall Street. They are not stocks that are easily bought and sold. Instead, they are homes, a place to rest, relax, and unwind, a place to start or raise a family. Everyone needs shelter and must live somewhere. It is understandable that in tracking housing, new trends slowly shift the tide and eventually reveal a change in the housing market.

SAN DIEGO COUNTY ACTIVE LISTING INVENTORY AND RATES
(2013 VS 2022)



A new trend has emerged this year, rising rates. According to Freddie Mac's Primary Mortgage Market Survey®, 30-year fixed rates have risen from 3.05% on December

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THE SAN DIEGO COUNTY HOUSING REPORT

HOUSING CRACKS

WRITTEN BY
STEVEN THOMAS

EVEN THOUGH HOUSING IS INSANELY HOT, TRENDS HAVE EMERGED THAT CONFIRM THAT THE SAN DIEGO COUNTY HOUSING MARKET IS STARTING TO COOL.

CRACKS APPEARING

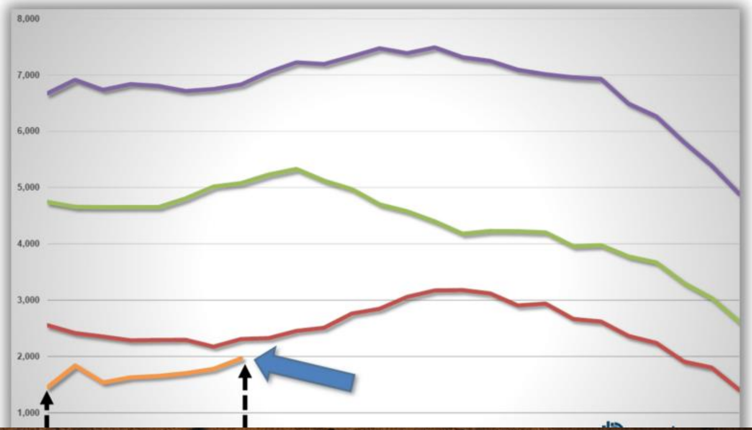
TRENDS ARE DEVELOPING WHICH DEMONSTRATE THAT THE PANDEMIC INDUCED, INSANE HOUSING RUN IS COOLING.

Incredible, relaxing, memory-filled vacations come to an end. Ski seasons come to an end. The last pages of a good book come to an end. Binge watching a favorite television show comes to an end. Weekends come to an end. Seemingly nothing lasts forever. For the San Diego County housing market, the incredible, insanely Hot Seller's Market will eventually evolve into something completely different, and that is beginning to take place right now.

Now that the first quarter of 2022 is in the rearview mirror, noticeable cracks have appeared that illustrate a cooling market. It is not as if housing has suddenly tilted in favor of buyers. No, multiple offers are still the norm, and most homes are flying off the market and into escrow just moments after FOR-SALE signs are pounded into the front yard. Buyers are still frustrated by the lack of available homes to purchase in all price ranges. Sellers remain in the driver's seat able to call the shots. Nonetheless, trends have surfaced that highlight a cooling marketplace that will eventually pave way to a completely different housing scene thanks to a dramatic rise in mortgage rates from 3.25% at the start of the year to 5.35% today (Mortgage News Daily).

CRACK – The current active inventory has increased by 35% since early-January. From January 6th through today, the number of available homes to purchase has risen from 1,453 to 1,967, up an astonishing 35%, or 514 additional homes. The inventory has struggled to grow after ringing in a New Years since 2020, the start of the pandemic. It is the largest gain since 2018. Today's level is still extremely anemic and far below normal levels, yet is a trend that demonstrates that not all homes are selling instantly. It will not be long before there are more homes on the market this year compared to 2021. Last year everything that was placed on the market was slammed into escrow. That is not the case today even with a muted number of homes coming on the market.

SAN DIEGO COUNTY ACTIVE LISTING INVENTORY
YEAR-OVER-YEAR (2019-2022)



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THE ORANGE COUNTY HOUSING REPORT

THE SKY: NOT FALLING

WRITTEN BY
STEVEN THOMAS

MANY ARE JUMPING TO EXTREME CONCLUSIONS ABOUT THE IMPACT OF HIGHER RATES, HIGH INFLATION, AND A POTENTIAL RECESSION ON THE HOUSING MARKET.

A SELLER'S MARKET WILL PREVAIL

WHILE THE MARKET IS SLOWING, IT IS GRADUALLY EVOLVING FROM ITS OUT OF CONTROL, INSANE PACE, TO A NORMAL SELLER'S MARKET WHERE PRICING WILL BE FUNDAMENTAL IN FINDING SUCCESS.

In flipping open a Merriam-Webster Dictionary and looking up "Chicken Little," it states, "one who warns or predicts calamity especially without justification." Economists are used to the constant chatter about recessions, bubbles, and plunging home prices. The current economic environment has amplified the noise: surging interest rates, highest inflation since 1981, and a volatile stock market. This will definitely have an impact on the economy and housing, yet it will not be to the extent of the fearmongering masses who immediately jump to the worst possible outcome. The sky is NOT falling when it comes to housing.

Most people remember the burn of the Great Recession. It either happened to them specifically, a family member, or a friend. There was an unstoppable wave of foreclosures and short sales. Home prices plummeted, erasing years of incredible gains. Unemployment jumped and took over six years to recover. The Great Recession was the largest economic downturn since the Great Depression, and it has left deep scars on society at large. Flash forward to today and home prices continue to soar, interest rates remain elevated above 5%, housing is just starting to slow, and many are calling for an imminent recession.

Only two of the last six recessions negatively impacted housing values here in Southern California, and both were caused by the housing industry. The savings and loan crisis of the 1980's and early 1990's led to a recession and an erosion in homes values that started in August 1990. One of the main reasons for the recession: unsound real estate lending practices. The Great Recession began in 2007 after the March subprime meltdown. Easy credit, pick-a-payment plan, subprime lending, zero-down loans, easy qualifying, adjustable teaser rates, and fraudulent lending all led to the largest downturn since the depression.

When pundits start talking about a potential recession, everyone's collective brains immediately recall the Great Recession and expect the economy and housing to behave just like it did in 2007. They forget about the other recessions where housing values continued to rise. Today's housing has an extremely strong foundation with years of tight lending qualifications, large down payments, fixed rate mortgages, plenty of nested equity, and limited cash-out refinances.

In housing, during a slowdown, demand falls, the active inventory rises, and it takes longer to sell a home. During the Great Recession there was a glut of homes available to purchase and it was matched up with muted demand. Consequently, home values plunged. In Southern California there were nearly 120,000 homes available in 2007 compared to the 19,000 homes available today, over six times more. Today's missing ingredient that would lead to falling home values is supply. The number of homes on the market today is far below averages prior the start of the pandemic when values were still rising, but at a much more methodical pace.

The Orange County supply is at 2,452, a sharp rise from the 994 homes on January 1st, but still far below the 3-year average prior to COVID (2017 to 2019) for this time of year of 6,255. That is 155% more than today, more than double. Even with a 348-home climb, or 17% rise, in

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AFFORDABILITY CHALLENGES

WRITTEN BY
STEVEN THOMAS

WHEN ESCALATING HOME PRICES ARE MATCHED WITH MUCH HIGHER MORTGAGE RATES, HOME AFFORDABILITY DRAMATICALLY WEAKENS AND RESULTS IN FEWER BUYERS ABLE TO MAKE A PURCHASE.

DEMAND IS DROPPING DUE TO AFFORDABILITY

LOWER RATES HAD PROPPED UP AFFORDABILITY, YET TODAY'S HIGHER INTEREST RATE ENVIRONMENT IS IMPACTING DEMAND AS MANY HOME BUYERS STRUGGLE TO AFFORD THE MONTHLY PAYMENT.

In May of 2021, a gallon of gas cost $4.07. In January of this year, it had increased to $4.59, a rise of 52 cents in 8 months. It climbed to $5.66 a gallon in April, and then to $6.17 in May. That is a $1.58 jump in 4 months. Everyone is acutely aware of soaring prices at the pump. As consumers feel the strain in their monthly budgets, the rising fuel cost will begin to impact discretionary spending.

Mortgage rates have experienced a similar fate, climbing from 2.78% last August to 3.25% by the start of this year. They then jumped to 4.95% in April and sit at 5.25% today. This two-point rise since ringing in the New Year sidelined many potential buyers as home affordability has impacted the ability for many to qualify and purchase a home.

In looking at home affordability it is critical to look at home prices, household incomes, and the prevailing mortgage rate. Home values have risen sharply since the start of the pandemic. In fact, the national Case-Shiller Home Price Index increased by 20.6% year-over-year in March, a record rise. Higher prices were not a problem when rates were in the two's and three's and buyer demand was through the roof; however, today's 5.25% mortgage rate, according to Mortgage News Daily, is a significant jump that has squeezed buyers swiftly. As a result, the demand for Orange County Housing has weakened.

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%
2006	3.34%	$728,000	$73,000	59%
2012	3.66%	$543,000	$72,000	33%
2020	3.11%	$900,000	$99,000	37%
2021	3%	$1,100,000	$102,000	44%
2022	5.25%	$1,325,000	$106,000	66%

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VALUES WILL **NOT** PLUNGE

WRITTEN BY
STEVEN THOMAS

MANY BELIEVE THAT THE RAPIDLY SLOWING HOUSING MARKET WILL LEAD TO CRASHING HOME VALUES, YET THE FACTS DO NOT SUPPORT THIS THEORY.

NO CRASH AROUND THE CORNER

HOUSING DATA ILLUSTRATES THAT THERE IS NOT A HOUSING CRASH ON THE HORIZON.

According to researchers at Penn State University, only 8% of the things that people worry about come true. From finances to job security to relationships to health, worry is everywhere. The collective mind seems to almost always jump to the worst-case scenario. It seems as if nobody is immune to worry.

With strong inflation numbers, Wall Street volatility, and soaring interest rates, panic and worry is in the air. So many are jumping to the immediate conclusion that as housing slows, values will eventually plunge like they did during the Great Recession. They recall how home values surged from 2000 to 2006, only to plummet after the subprime meltdown in March 2007. Everyone remembers the deep scars from the worst recession since the Great Depression.

Even though so many are anticipating and reporting that a housing crash is eminent, it simply is not going to occur, not now and not in the foreseeable future. Why not? Collectively, homeowners across the country were sitting in a much different position prior to the Great Recession compared to where they stand today. To best understand the differences let us take a closer look and compare the two.

First, the direction of housing has everything to do with supply and demand. Prior to the Great Recession, the inventory climbed to over five times where it stands today. There was a glut of homes on the market. Like today, demand was muted, but was due to the deterioration of lending standards. When low demand was pit against a glut of available homes, the market lined up heavily in favor of buyers and prices sank. Back then there were low or no down payments, fraudulent lending practices, and loose lending standards and programs, allowing anyone to get a loan and purchase a home. The average buyer FICO score was 681. Today, buyers are purchasing with higher down payments, tight qualification and lending standards, and the average FICO score for buyers is 745. Cash-out refinances accumulated for years leading up to the Great Recession. Yet, today, pulling cash out has been plunging as rates have climbed. There is plenty of tappable equity and there are far more homeowners who own their homes free and clear.

Great Recession Housing	Today's Housing
✗ Glut of Homes on the Market	✓ Very limited Inventory
✗ Low Demand	✓ Low Demand
✗ Way Too Much Supply Verus Low Demand, Heavily Favoring Buyers	✓ Low Supply and Low Demand Create Balance
✗ Low or No Down Payments Were Common	✓ Large Down Payments
✗ Subrime Loans, Pick-a-Payment Plans, Teaser Rate Adjustable Mortgages, Fraudulent Lending	✓ Tight Qualifications and Strict Lending Standards
✗ Average Buyer FICO Score = 681 (2006)	✓ Average Buyer FICO Score = 745
✗ Flood of Cash-Out Refinances - Homes Used as ATM's	✓ With Higher Rates, Cash-Out Refinance Activity is Plunging
✗ National Delinquency Rate for June Prior to the	✓ The Current National Delinquency Rate is at 2.8%

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THE LOS ANGELES COUNTY HOUSING REPORT

WHAT A DIFFERENCE A **YEAR** MAKES

WRITTEN BY
STEVEN THOMAS

IN COMPARING THIS YEAR TO LAST YEAR, THE HOUSING MARKET IS PROFOUNDLY DIFFERENT WITH HIGHER MORTGAGE RATES, MORE AVAILABLE HOMES, MUCH LOWER DEMAND, AND SIGNIFICANTLY LONGER MARKET TIMES.

YEAR-OVER-YEAR COMPARISON

THE LOS ANGELES COUNTY HOUSING MARKET HAS DOWNSHIFTED CONSIDERABLY COMPARED TO 2021.

The tell-tale signs that the market has changed are all here. OPEN HOUSE directional arrows now adorn busy intersections, and it is common to see the same OPEN HOUSE for multiple weekends in a row. The number of price reductions is rapidly growing, indicating buyers' sensitivity to pricing. Sales prices are no longer stretching tens of thousands of dollars above asking prices. The heydays of 2020, 2021, and the first few months of this year are gone. The rapidly appreciating, insanely hot housing market has transformed into a completely different, much slower Slight Seller's Market that requires a much different strategy and approach to find success.

The Los Angeles County housing market has transitioned from an Expected Market Time (the number of days between hammering in the FOR-SALE sign to opening escrow) of 30 days in March to 79 days today. Anything below 60-days is considered a Hot Seller's Market. Below 40-days is insane, and at 30-days it is nothing short of nuts, almost instantaneous. That is where buyers trip over each other to see every home that enters the fray, sellers call all the shots, multiple offers and bidding wars are the norm, and home values uncontrollably skyrocket higher. Yet today, the Expected Market Time has risen to 79 days, a Slight Seller's Market, where sellers still get to call more of the shots, but there are fewer multiple offers, home values are not appreciating that fast, the market is no longer instant, and properly pricing is absolutely crucial to find success.

Inventory Compared to Last Year

Price Range	YOY Inventory Change	Percent Change
$0 - $500k	+82	+9%
$500k - $750k	+647	+35%
$750k - $1m	+967	+61%
$1m - $2m	+599	+28%
$2m+	-94	-4%
Overall	+2,201	+26%

Demand Compared to Last Year

Price Range	YOY Inventory Change	Percent Change
$0 - $500k	-498	-50%
$500k - $750k	-803	-40%
$750k - $1m	-309	-23%
$1m - $2m	-392	-28%
$2m+	-197	-35%
Overall	-2,199	-35%

Reports on HOUSING

What happened in just a few short months? When mortgage rates climbed from 3.25% at the

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THE ORANGE COUNTY HOUSING REPORT

LOW **SUPPLY** VS LOW **DEMAND**

**WRITTEN BY
STEVEN THOMAS**

MATCH SEVERELY WEAKENED DEMAND DUE TO THE SHARP RISE IN MORTGAGE RATES WITH A RELENTLESSLY LOW SUPPLY OF HOMES, AND THE RESULT IS A SUBSTANTIAL SLOWDOWN IN HOUSING THAT STILL FAVORS SELLERS.

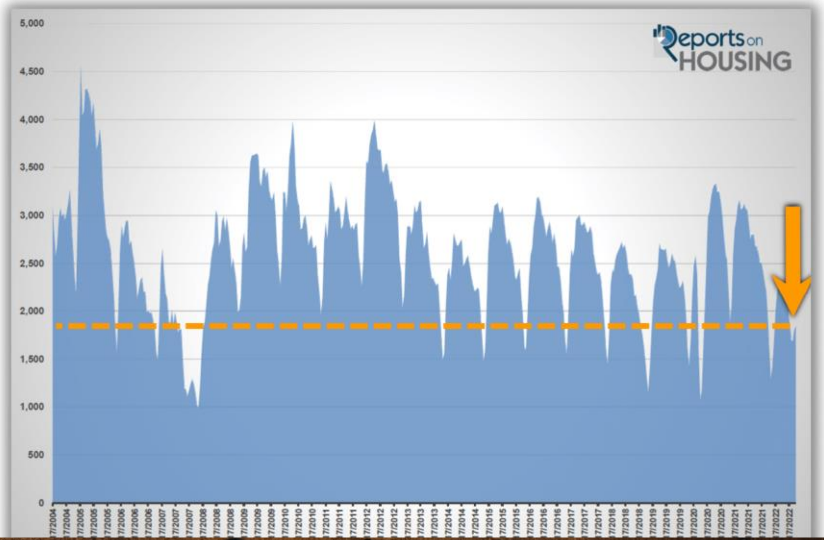
A SHOWDOWN BETWEEN SUPPLY AND DEMAND

EVEN WITH ULTRA-LOW DEMAND, THE ORANGE COUNTY HOUSING MARKET LINES UP IN FAVOR OF SELLERS DUE TO THE PERSISTENT LACK OF SUPPLY.

In the past week there has been a lot of noise about a "housing recession." It was revealed that closed sales plummeted in July. In Southern California, sales were off by 37% compared to 2021. As a result, proclamations from experts across the nation exclaimed that the housing market is officially in a recession. Unfortunately, way too many people will jump to the conclusion that values are going to plummet like they did during the Great Recession. The recession that experts are alluding to is a major drop in sales, fewer purchase and refinance loans, and an overall limited number of transactions for all those involved in the real estate industry. Yet, a recession does not mean that housing is in crisis and that values will plummet. Only two of the last six recessions prompted a drop in home values, the Savings and Loan Scandal of 1991 and the Great Recession, both instigated by the missteps of the housing industry. The other four recessions resulted in an appreciating housing stock.

Every recession is different. During the Great Recession unemployment skyrocketed and housing was a huge "house of cards" built on years of subprime loans, pick-a-payment plans, teaser rate adjustable mortgages, and fraudulent lending practices. It was not a shock that housing values sank. This "recession" will be entirely different. Thus far in 2022, the Orange County housing market has slowed from an Expected Market Time (the time between hammering in the FOR-SALE sign to opening escrow) of 19 days in early March to 65 days today, yet the slowing has stopped. In fact, the market time has dropped by 7 days since climbing to 72 days a month ago. To understand why housing has shifted but is not on the verge of collapse, look no further than to good old-fashioned supply and demand.

ORANGE COUNTY DEMAND



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THE LOS ANGELES COUNTY HOUSING REPORT

A SLIGHT SELLER'S MARKET

WRITTEN BY
STEVEN THOMAS

EVEN WITH MUTED DEMAND DUE TO THE HIGHER MORTGAGE RATE ENVIRONMENT, THE MUTED SUPPLY OF AVAILABLE HOMES HAS ALLOWED THE LOS ANGELES COUNTY HOUSING MARKET TO CONTINUE TO LINE UP SLIGHTLY IN FAVOR OF SELLERS.

A "NORMAL" MARKET

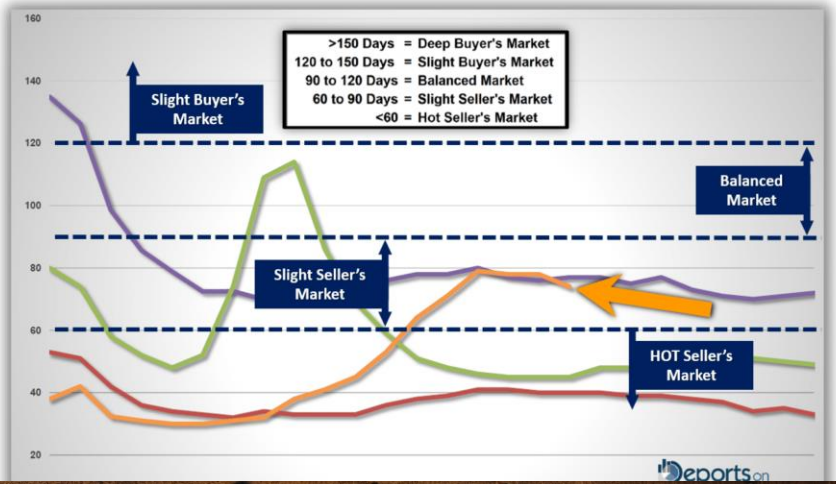
THE INSANE PACE OF THE HOUSING MARKET HAS COME TO AN END AND THE INSTANT MARKETPLACE HAS SHIFTED TO A MUCH MORE NORMAL, TYPICAL SPEED FOR THIS TIME OF YEAR.

Everyone seemingly has an opinion when it comes to the housing market. Forget economic models, data, charts, and statistics. Most believe that since values have soared to ridiculous heights and now mortgage rates have skyrocketed to their highest level since 2008, prices must correct. Yet, this kind of logic ignores facts. There is still a huge missing ingredient when it comes to housing, not enough homes. There is an absurd lack of homes available to purchase. Due to a lack of supply, the housing market continues to line up in favor of sellers.

The Expected Market Time (the time between hammering in the FOR-SALE sign to opening escrow) reveals the true speed of the market and is based upon supply and demand, the number of available homes to purchase and the number of buyers in the marketplace writing offers. The inventory is at 10,730 today, not quite as low as last year's 8,300 homes, the lowest start to September since tracking began 10-years ago, but well off averages prior to COVID. The 3-year average (2017 to 2019) was 13,084, a mind-blowing 22% higher, or 2,354 more than today. And the inventory peaked in mid-August and will now drop for the rest of the year. Demand (last 30-days of pending sales activity) is at 4,327, the lowest level to start September since tracking began and 31% less than last year. There were 1,921 additional pending sales last year. Current demand is off by 19% compared to the 3-year average prior to COVID of 5,363. Demand has definitely been impacted by much higher rates.

In pairing low supply with low demand, the Los Angeles County housing market lines up slightly in favor of sellers. The Expected Market Time is at 74 days, a Slight Seller's Market (between 60 and 90 days). It has actually improved since the end of July when it was at 79 days. Yet, it is much slower than the 30-day level reached mid-March.

LOS ANGELES COUNTY EXPECTED MARKET TIME
YEAR-OVER-YEAR

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What is Going On With Rates?!?


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market back on a
sustainable path
a balance betw
demand.”
RESET

Fed Doubles Down on Inflation With Back-to-Back Rate Hikes

Upper limit of the U.S. federal funds target rate range*

* dotted lines indicate median projections of the midpoint of the appropriate target range for the federal funds rate at the end of the specified calendar year

Source: U.S. Federal Reserve

U.S. Inflation Eases in July

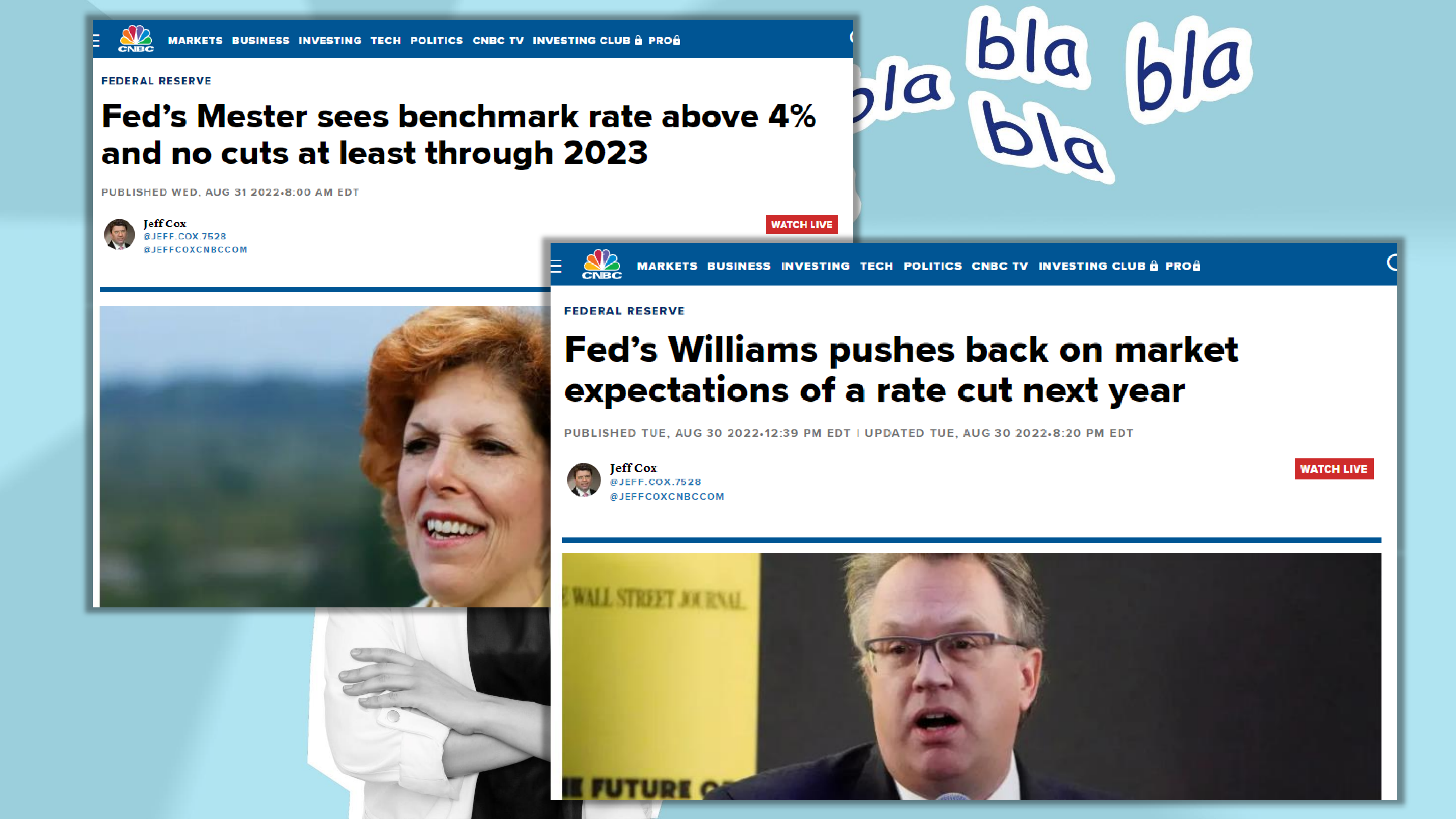
Year-over-year change in the Consumer Price Index for All Urban Consumers in the U.S.*

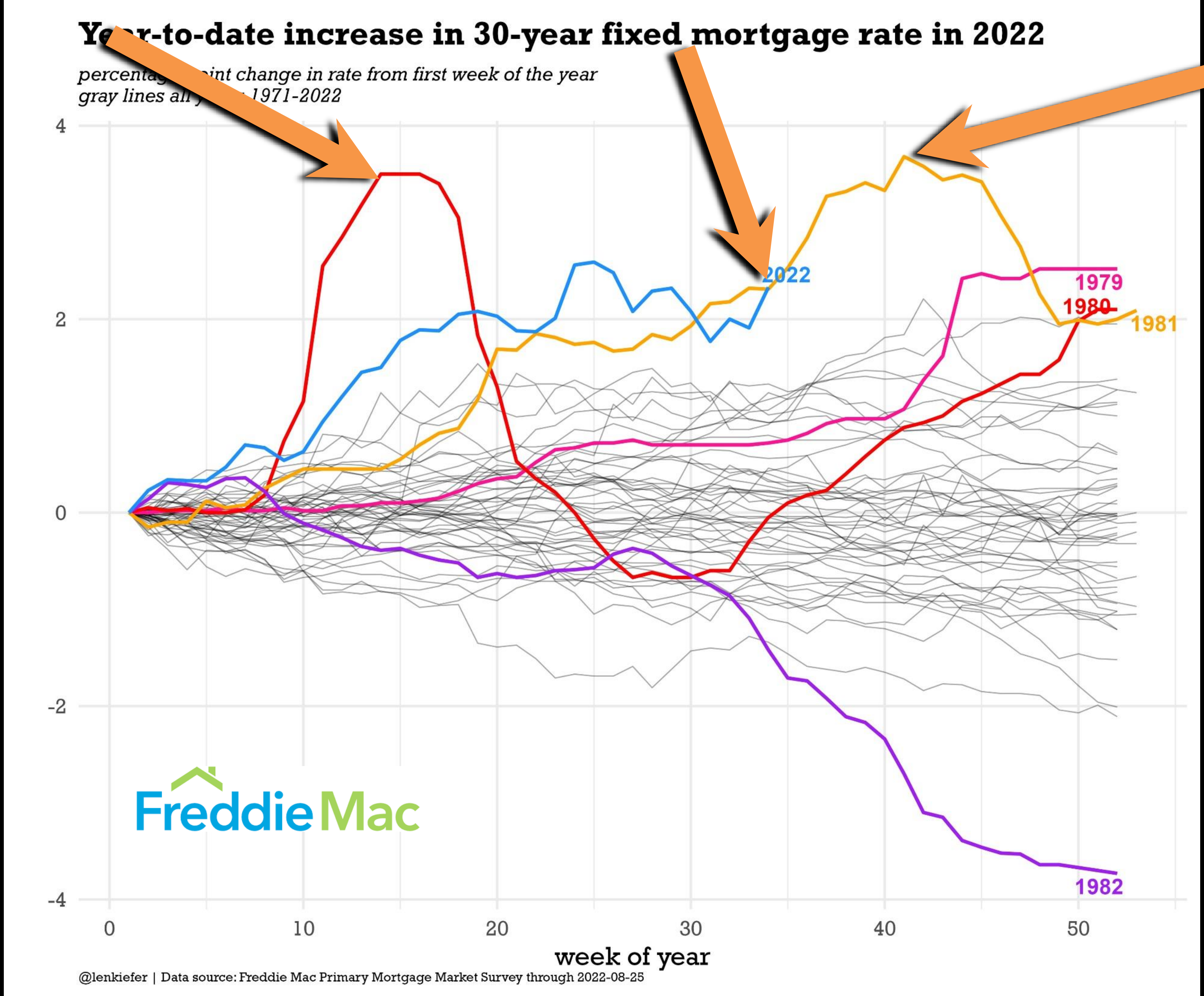
* not seasonally adjusted

** average annual increase of the CPI-U over the previous three years

Source: Bureau of Labor Statistics

"Restoring price stability will likely require maintaining a restrictive policy stance for <u>SOME TIME</u>. The historical record cautions strongly against prematurely loosening policy."


MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV INVESTING CLUB PRO
FEDERAL RESERVE
Fed's Mester sees benchmark rate above 4% and no cuts at least through 2023
PUBLISHED WED, AUG 31 2022·8:00 AM EDT
Jeff Cox
@JEFF.COX.7528
@JEFFCOXCNBCCOM
WATCH LIVE
bla
bla
bla
bla
MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV INVESTING CLUB PRO
FEDERAL RESERVE
Fed's Williams pushes back on market expectations of a rate cut next year
PUBLISHED TUE, AUG 30 2022·12:39 PM EDT | UPDATED TUE, AUG 30 2022·8:20 PM EDT
Jeff Cox
@JEFF.COX.7528
@JEFFCOXCNBCCOM
WATCH LIVE



-to-date increase in 30-year fixed mortgage rate in 2022
percenta int change in rate from first week of the year
gray lines all 1971-2022
4
2
0
-2
-4
0
10
20
30
40
50
week of year
2022
1979
1980
1981
1982
FreddieMac
@lenkiefer | Data source: Freddie Mac Primary Mortgage Market Survey through 2022-08-25

U.S. 10 Year Treasury

US10Y:Tradeweb

RT Quote | Exchange

Yield | 11:39 AM EDT

3.286% ▲ +0.021

1D 5D 1M 3M 6M YTD 1Y 5Y ALL

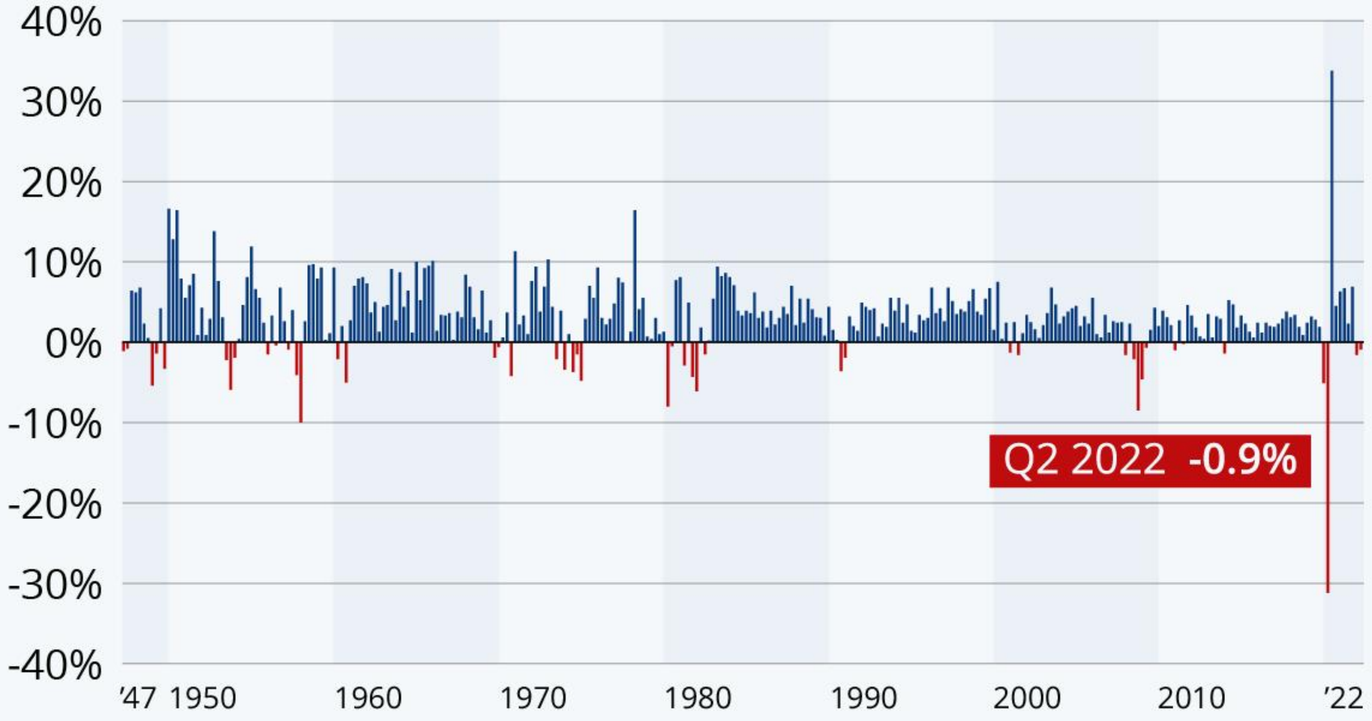
+ Comparison   1D   Display   Studies


6.12%
November
2008
MORTGAGE
News Daily
6%
5%
4%
3%
2%
Nov '21
Jan '22
Mar '22
May '2
Sep '22


RECESSION

U.S. Enters Technical Recession in Second Quarter

Quarterly real GDP growth in the United States*

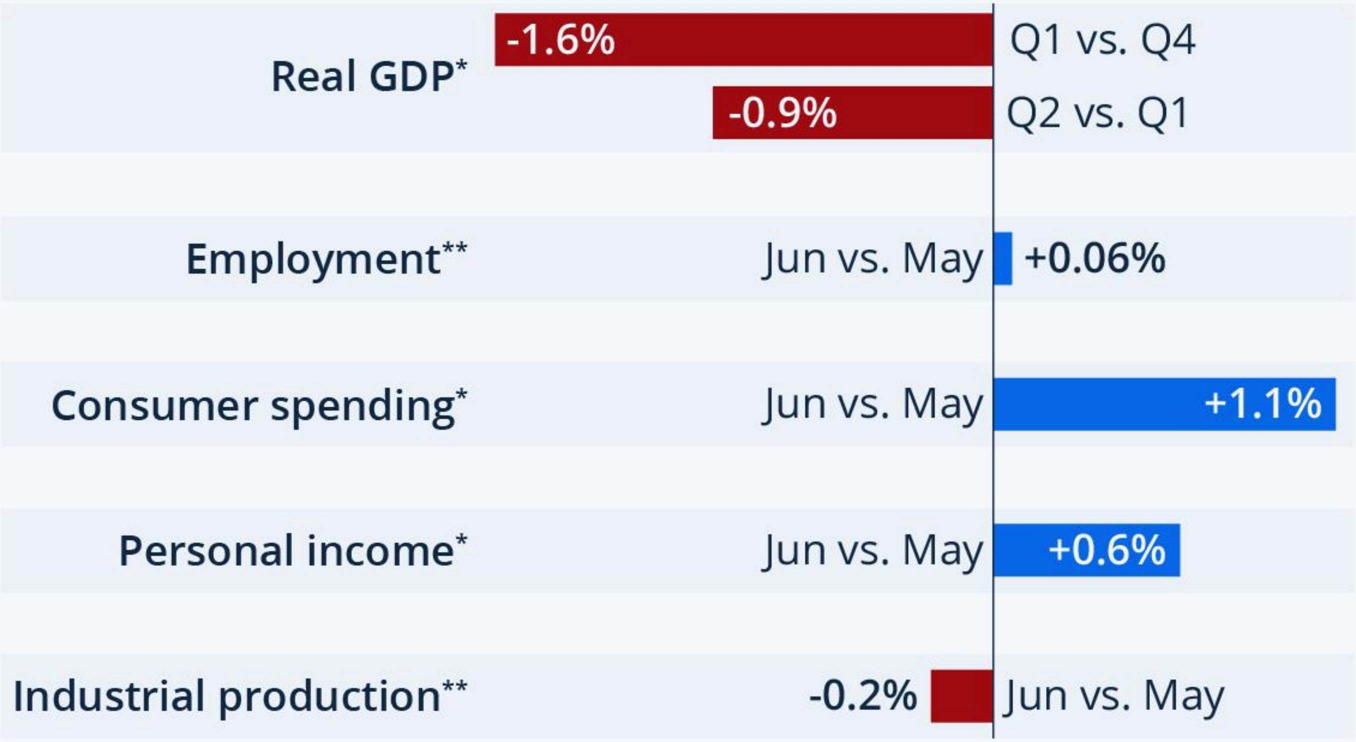


* percent change from preceding quarter; seasonally adjusted at annual rates

Source: U.S. Bureau of Economic Analysis

U.S. Recession: Just a Technicality?

Real GDP growth in the U.S. in Q1/Q2 of 2022 and change in other economic indicators (June vs. May)



* seasonally adjusted at annual rates   ** seasonally adjusted

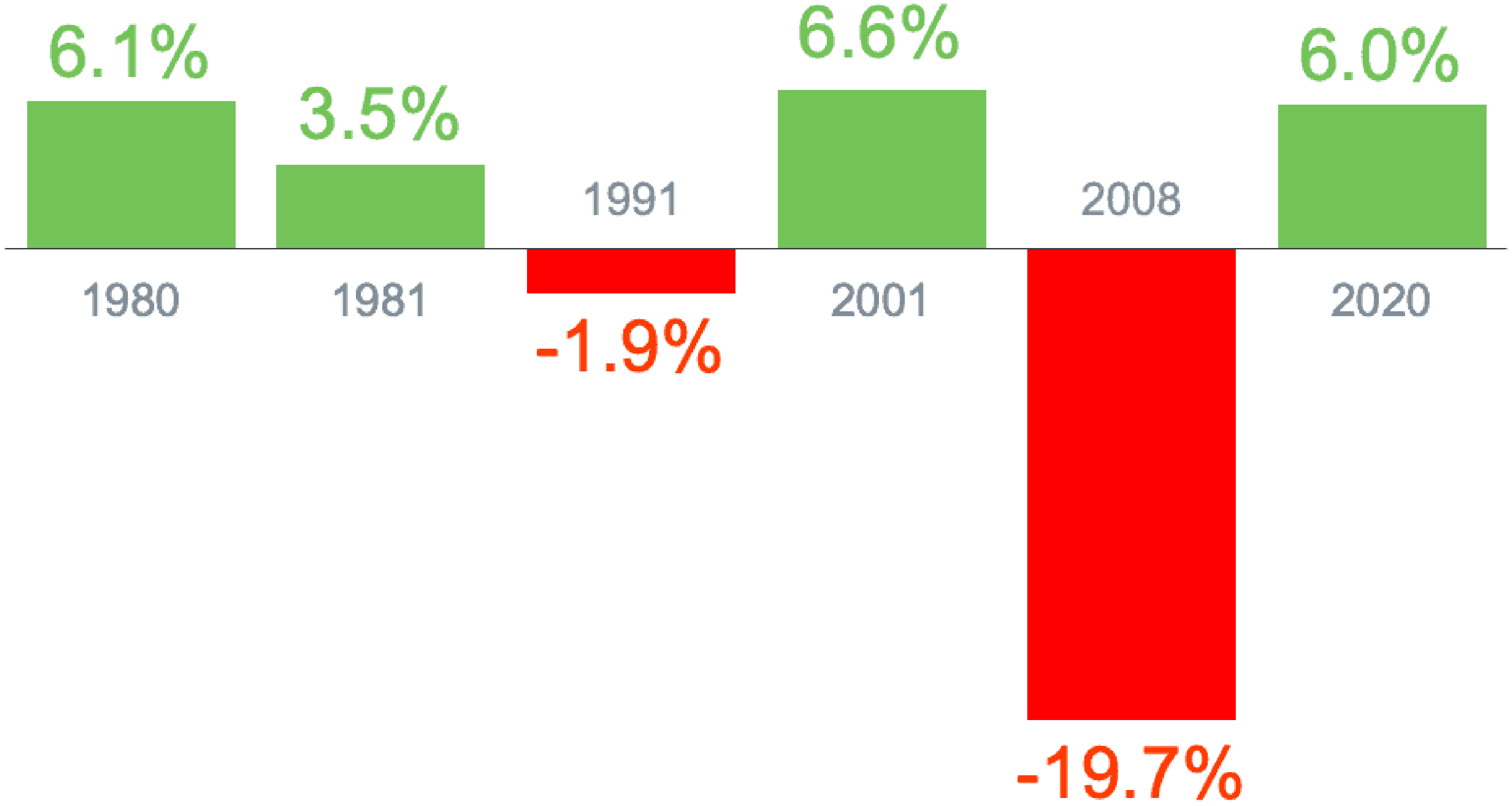
Sources: BEA, BLS, St. Louis Fed

National Bureau of Economic Research

Conducting and disseminating nonpartisan economic research

Recession Doesn't Equal a Housing Crisis

Home Price Change During Last 6 Recessions



Source: CoreLogic, The Balance

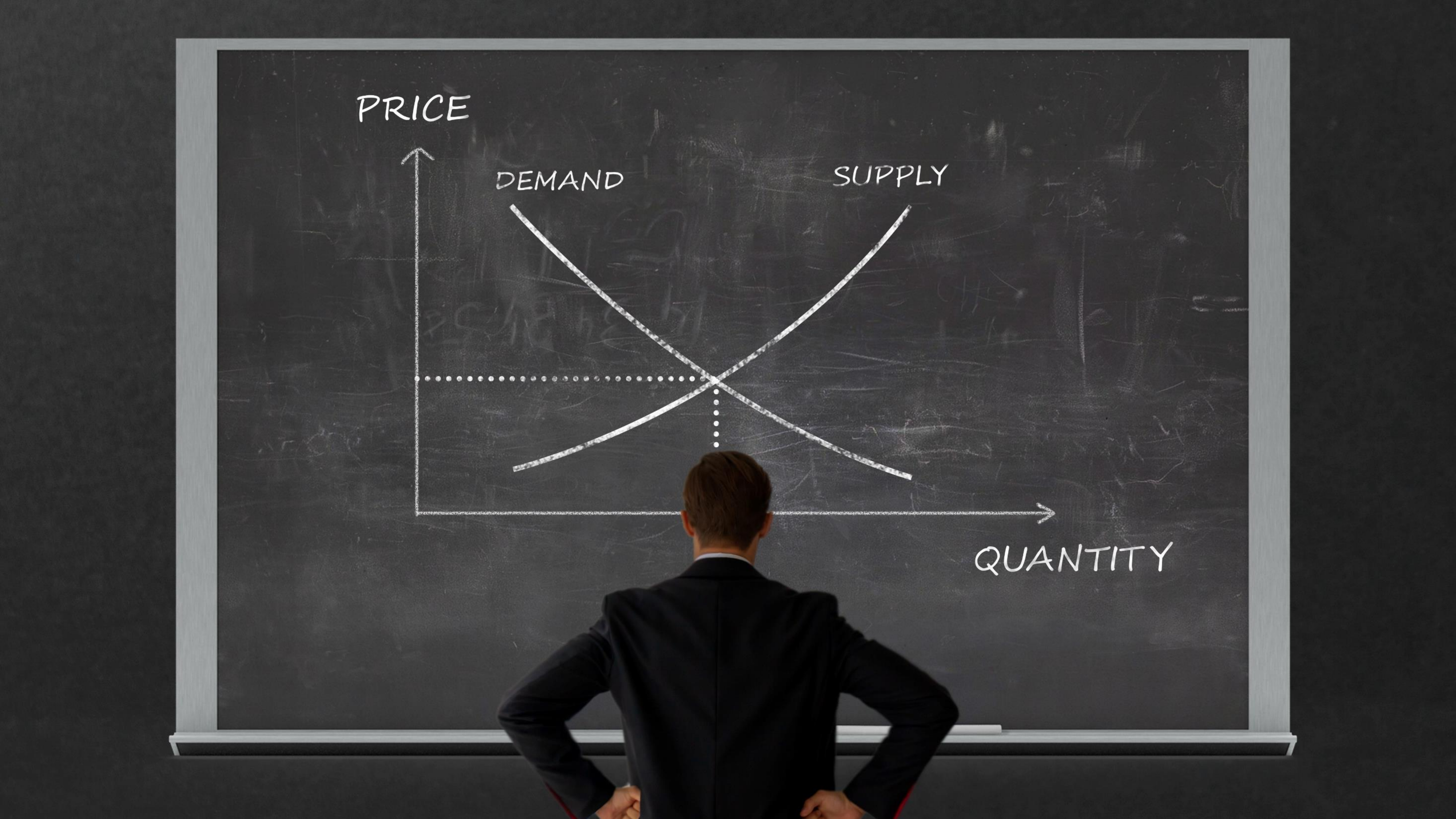
FRED
30-Year Fixed Rate Mortgage Average in the United States
Percent
20.0
17.5
15.0
12.5
10.0
7.5
5.0
2.5
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
16% to 11.75%
18% to 13%
11% to 8.75%
7.375% to 6.75%
6% to 4.875%
3.75% to 2.75%

4.5% to 6.25%

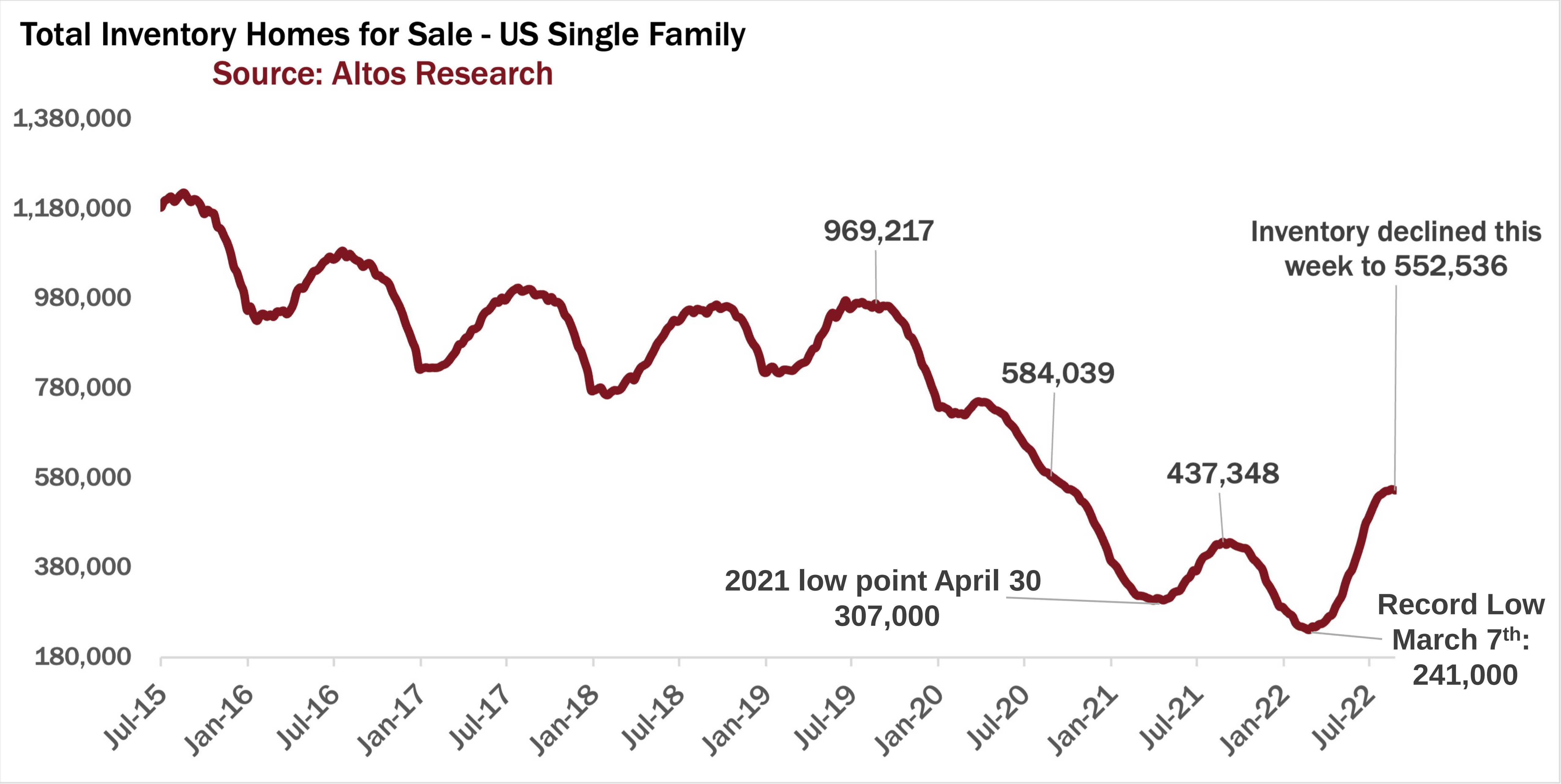
Slight Seller's Market

Balanced Market

The Housing Market


PRICE
DEMAND
SUPPLY
QUANTITY


FOR
SALE
Supply Catastrophe



Total Inventory Homes for Sale - US Single Family
Source: Altos Research
1,380,000
1,180,000
980,000
780,000
580,000
380,000
180,000
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
Jan-22
Jul-22
969,217
584,039
437,348
Inventory declined this week to 552,536
2021 low point April 30 307,000
Record Low March 7th: 241,000

Seasonality


Inventory
Drops
Demand
Slowly Falls

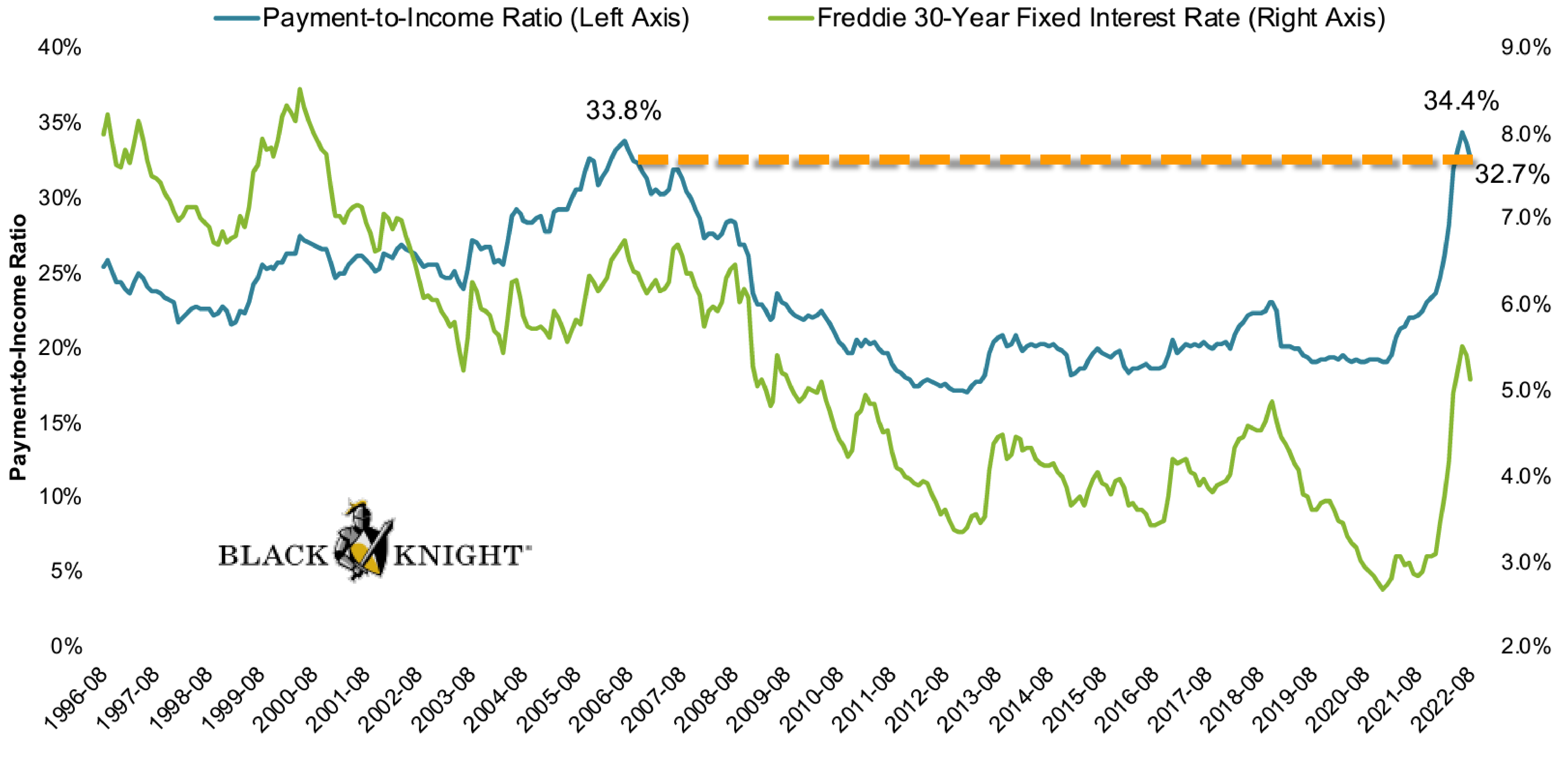

DEMAND


Supply


MARKET
TIME


DEMAND

NATIONAL PAYMENT-TO-INCOME RATIO*

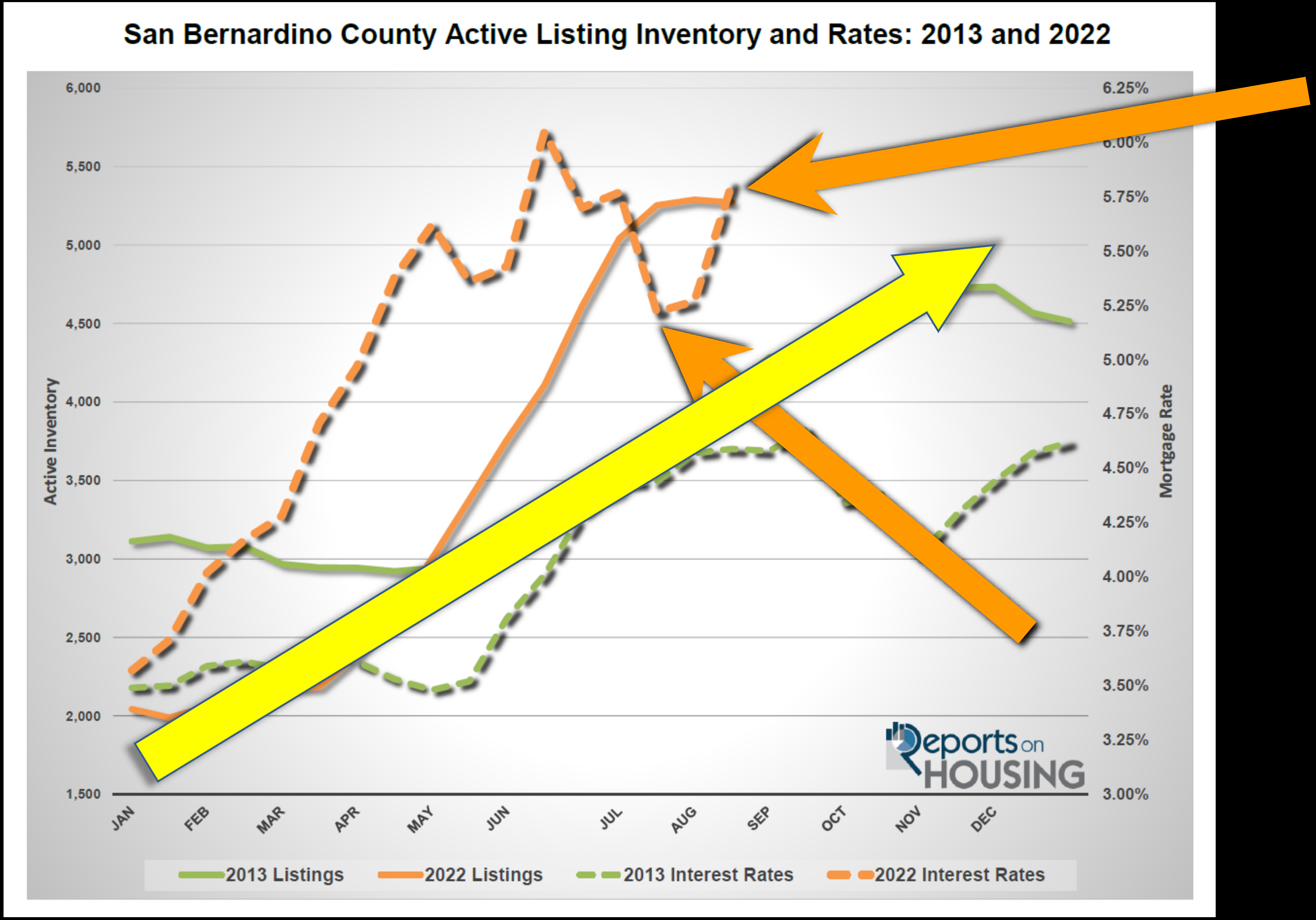


Volatility

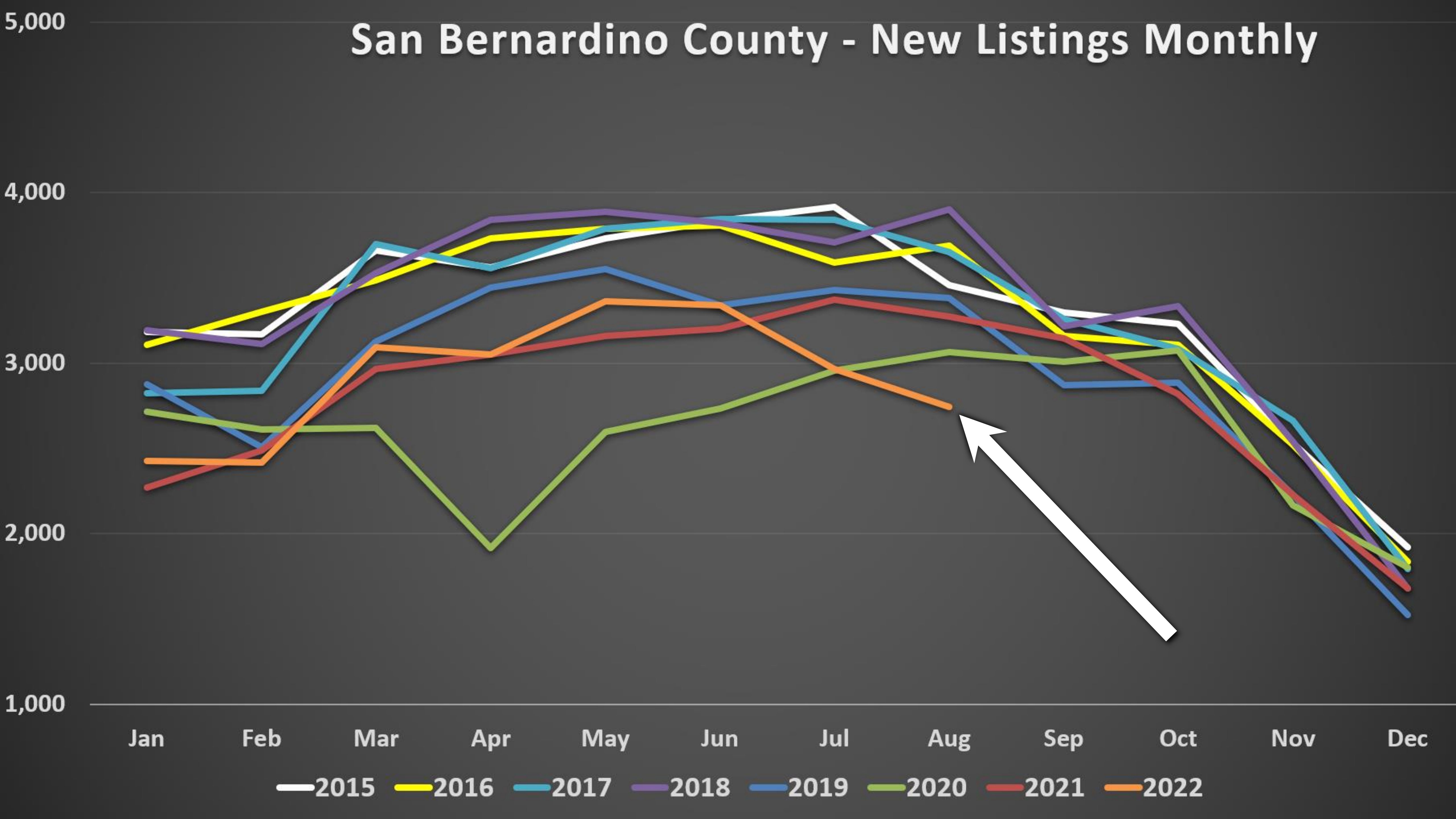
Fewer People Will Be Willing to Buy


Supply


OVERPRICED!
FOR SALE



San Bernardino County Active Listing Inventory and Rates: 2013 and 2022
Active Inventory
6,000
5,500
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
Mortgage Rate
6.25%
6.00%
5.75%
5.50%
5.25%
5.00%
4.75%
4.50%
4.25%
4.00%
3.75%
3.50%
3.25%
3.00%
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2013 Listings
2022 Listings
2013 Interest Rates
2022 Interest Rates
Reports on HOUSING



San Bernardino County - New Listings Monthly
5,000
4,000
3,000
2,000
1,000
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2015
2016
2017
2018
2019
2020
2021
2022

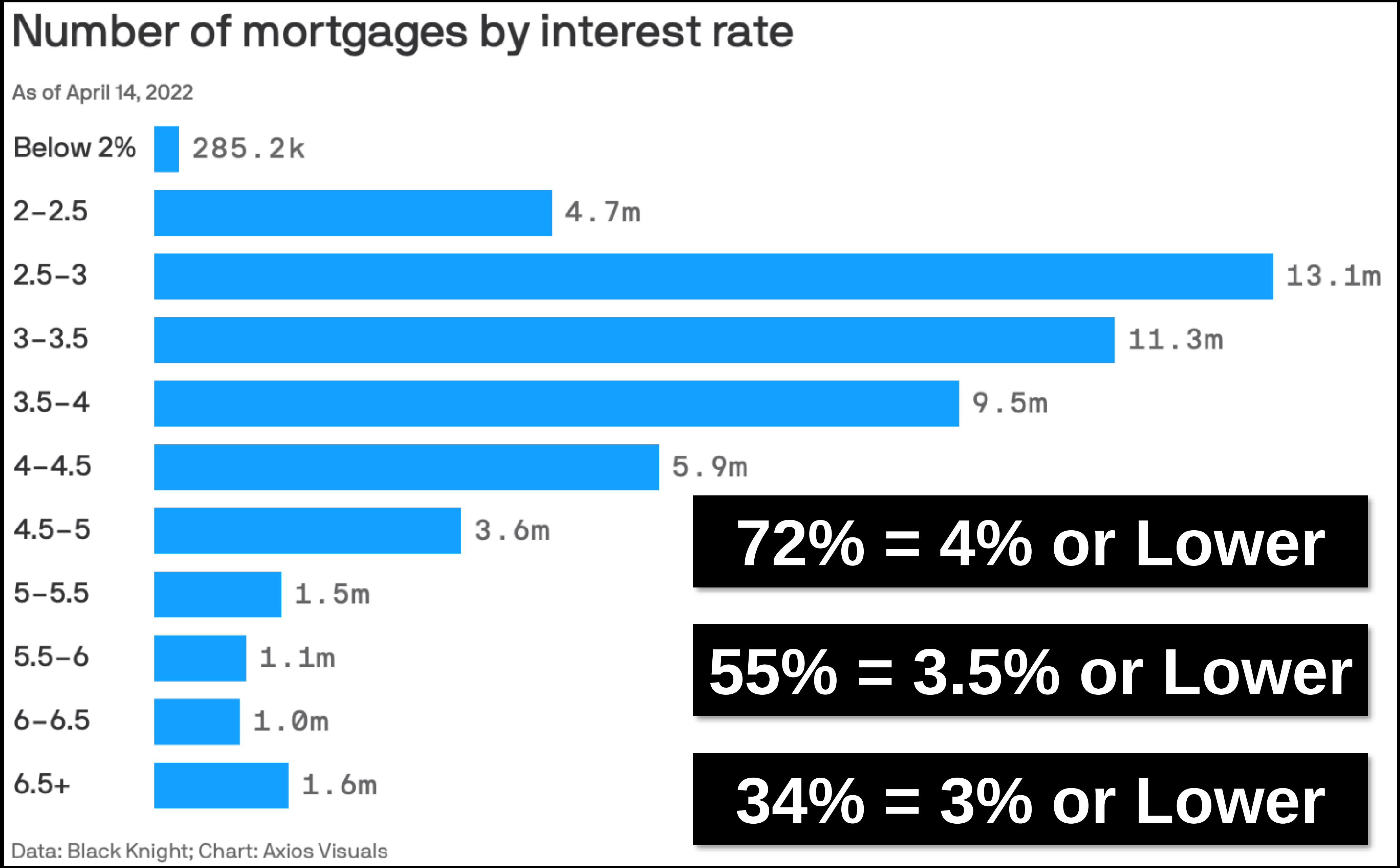
New FOR-SALE Signs

3-Year Avg Pre-COVID

2020
-17% or -6,600 Homes

2021
-11% or -4,200 Homes

Jan to Aug 2022
-15% or -4,200


Number of mortgages by interest rate
As of April 14, 2022
Below 2%
285.2k
2–2.5
4.7m
2.5–3
13.1m
3–3.5
11.3m
3.5–4
9.5m
4–4.5
5.9m
4.5–5
3.6m
5–5.5
1.5m
5.5–6
1.1m
6–6.5
1.0m
6.5+
1.6m
72% = 4% or Lower
55% = 3.5% or Lower
34% = 3% or Lower
Data: Black Knight; Chart: Axios Visuals

Purchased In 2014

- $435k
- 3% Loan
- PIT = $2,483

Sell Today

- $760k
- NET = $380k

PIT = $2,483

$900k Purchase

- PIT = $4,257
- +$1,774 per MO
- +$21,288 per YR

$900k Purchase

January 1st		Today
+$880 per MO	→	+$1,774 per MO
+$10,560 per YR		+$21,288 per YR

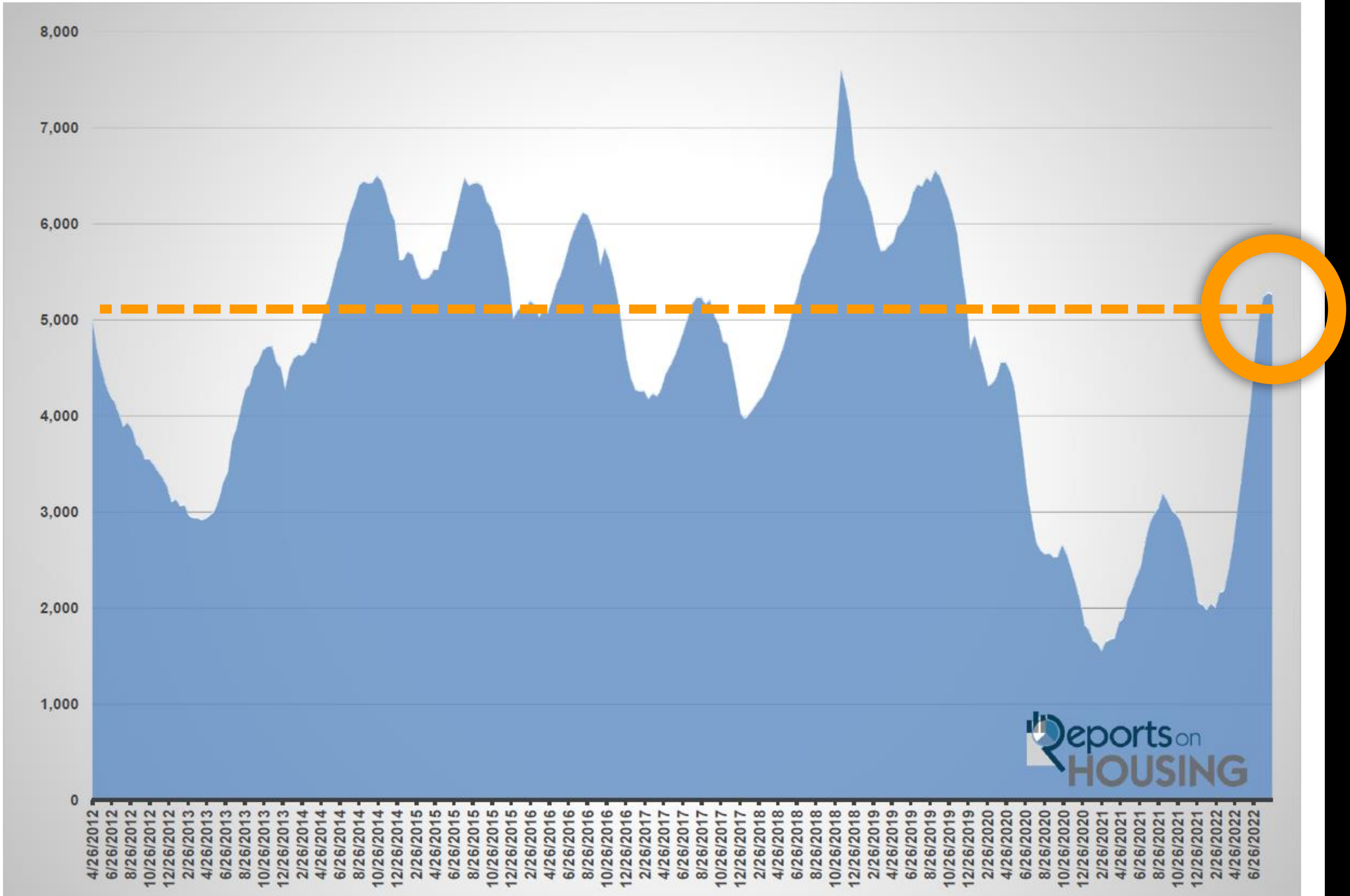
Fewer Homeowners Willing to Sell


Market Time

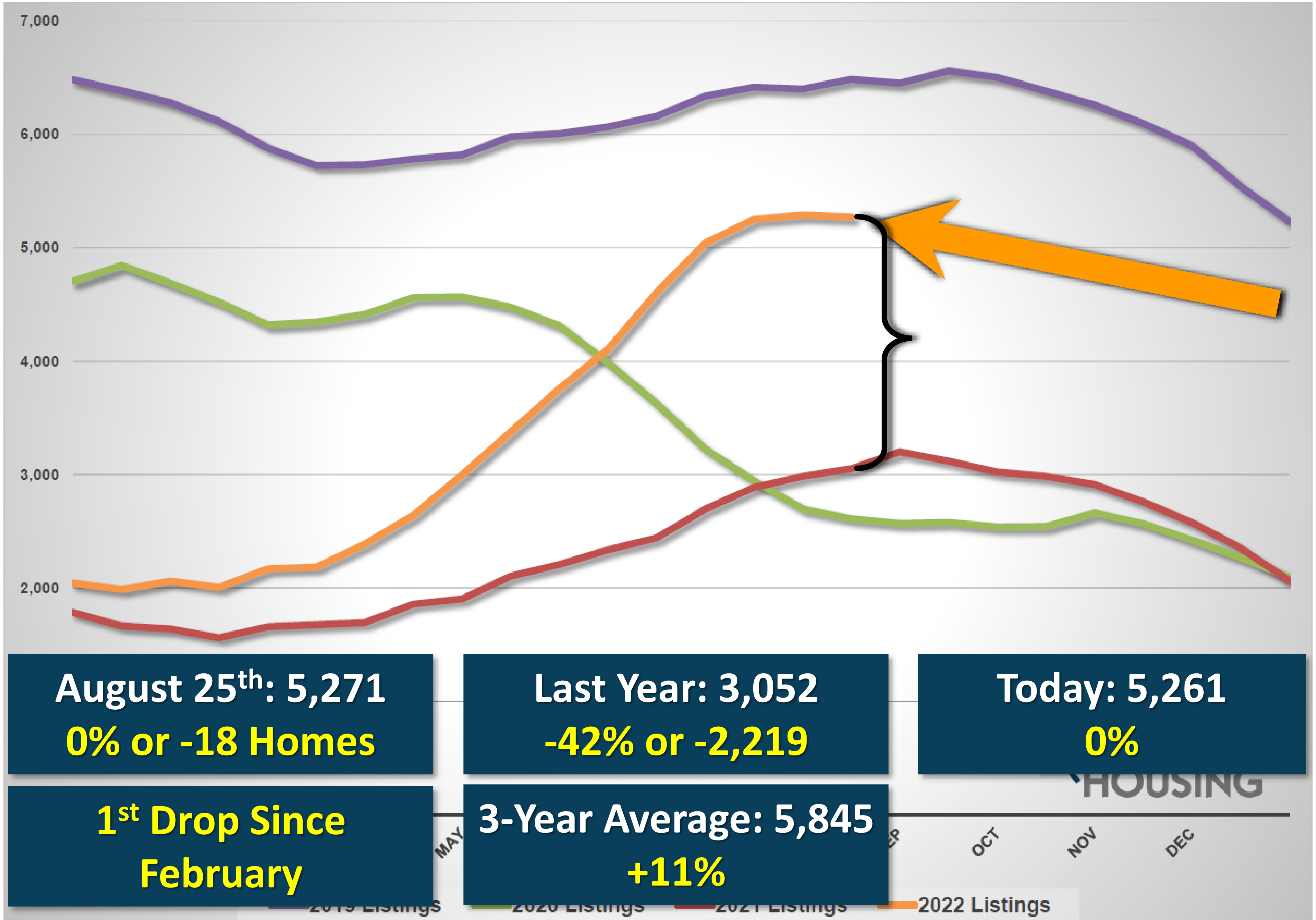
Supply

San Bernardino County

San Bernardino County Active Listing Inventory



San Bernardino County Active Listing Inventory Year Over Year



August 25th: 5,271
0% or -18 Homes

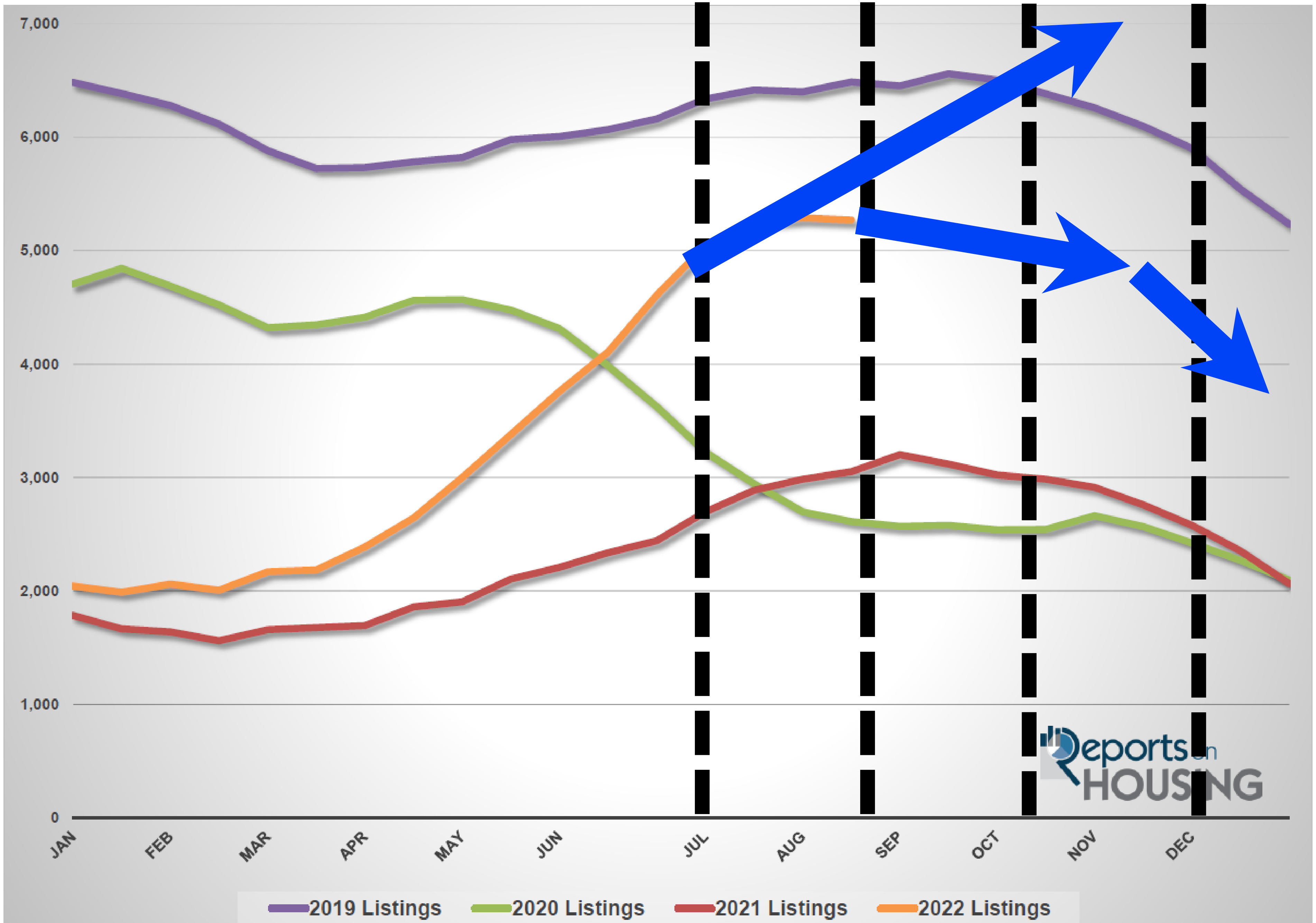
Last Year: 3,052
-42% or -2,219

Today: 5,261
0%

1st Drop Since February

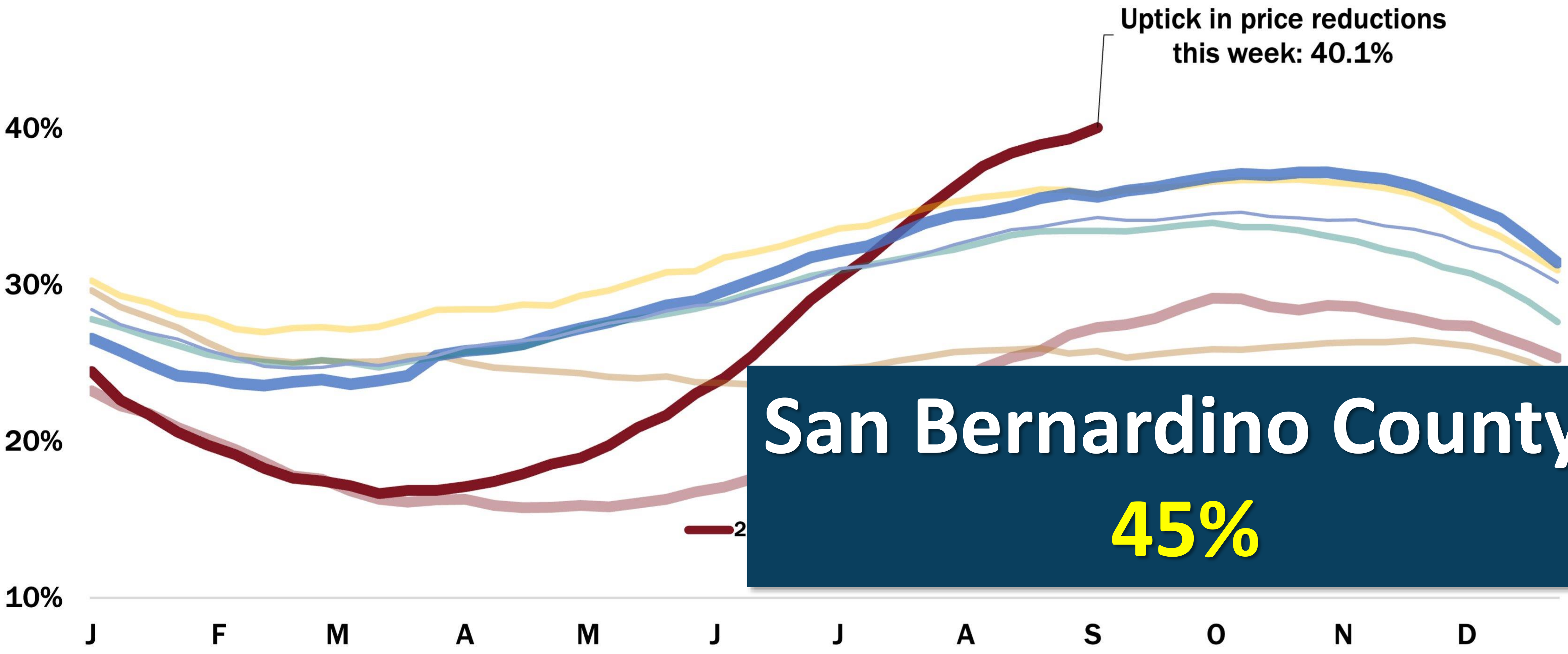
3-Year Average: 5,845
+11%

San Bernardino County Active Listing Inventory Year Over Year



Percent of Properties with Recent Price Reductions - US Single Family Homes

Source: Altos Research



San Bernardino County:

45%


DEMAND


FOR
SALE

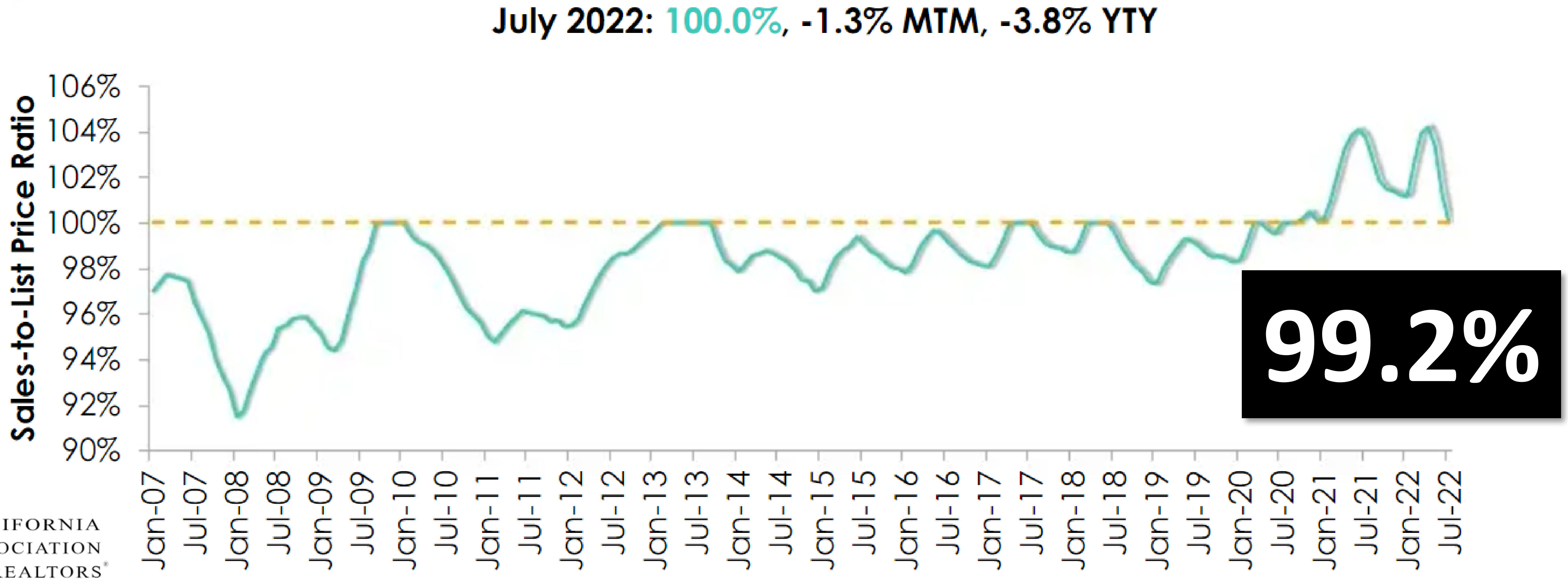
CHASE ORA
OPEN HOUSE
OPEN HOUSE
OPEN HOUSE
PATTY KARIMI
OPEN HOUSE
Open House
RE/MAX
Debbie Plummer
OPEN HOUSE
OPEN HOUSE
JEFF & LORRIE WHITE
OPEN HOUSE
OPEN HOUSE
555.444.4321
OPEN HOUSE

California – July 2022 - # Sales Above List

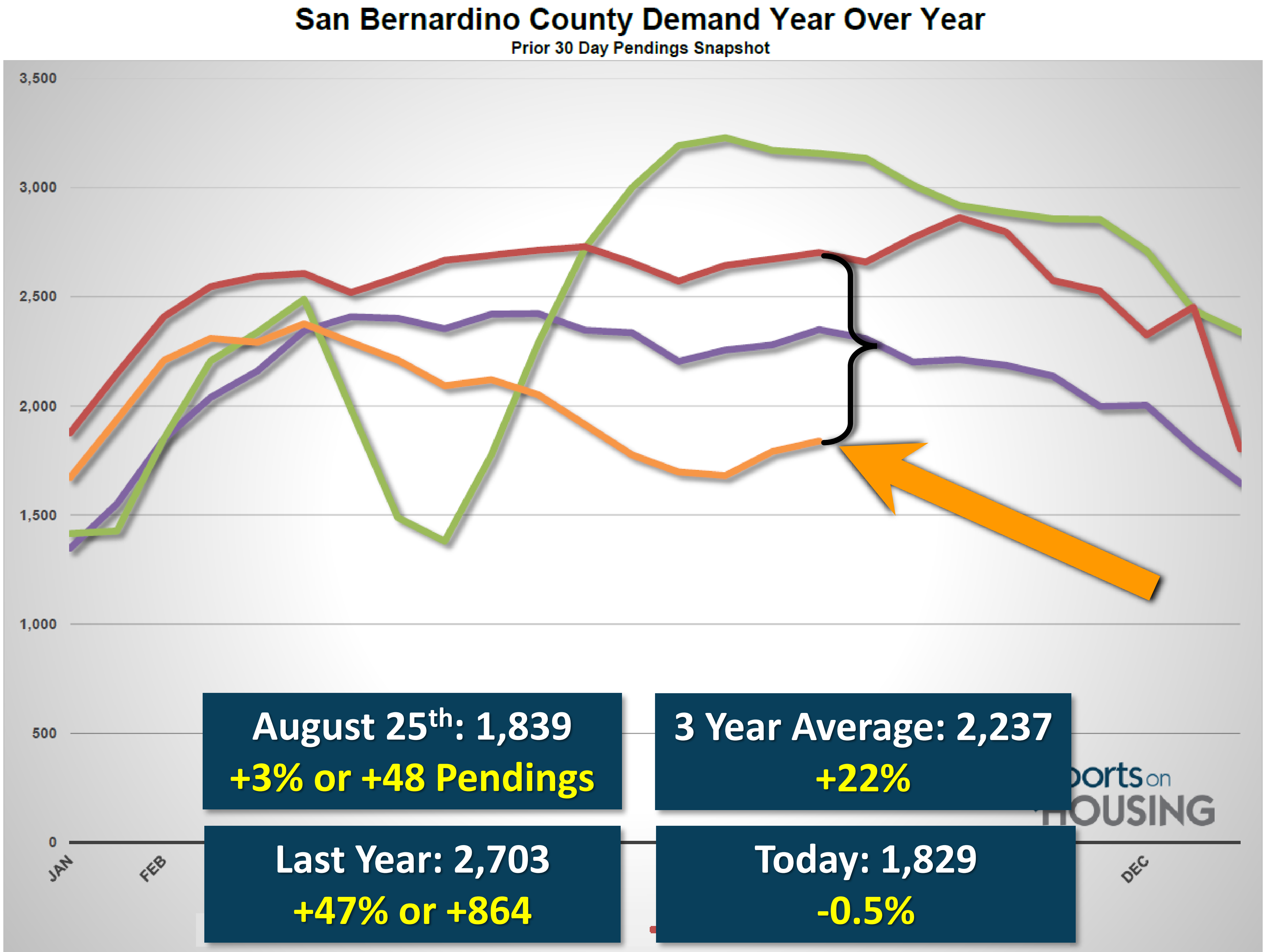
CALIFORNIA
ASSOCIATION
OF REALTORS®

July 2022 – Sales Price-to-List Price Ratio

Sales price-to-list price ratio easing as market becomes less competitive



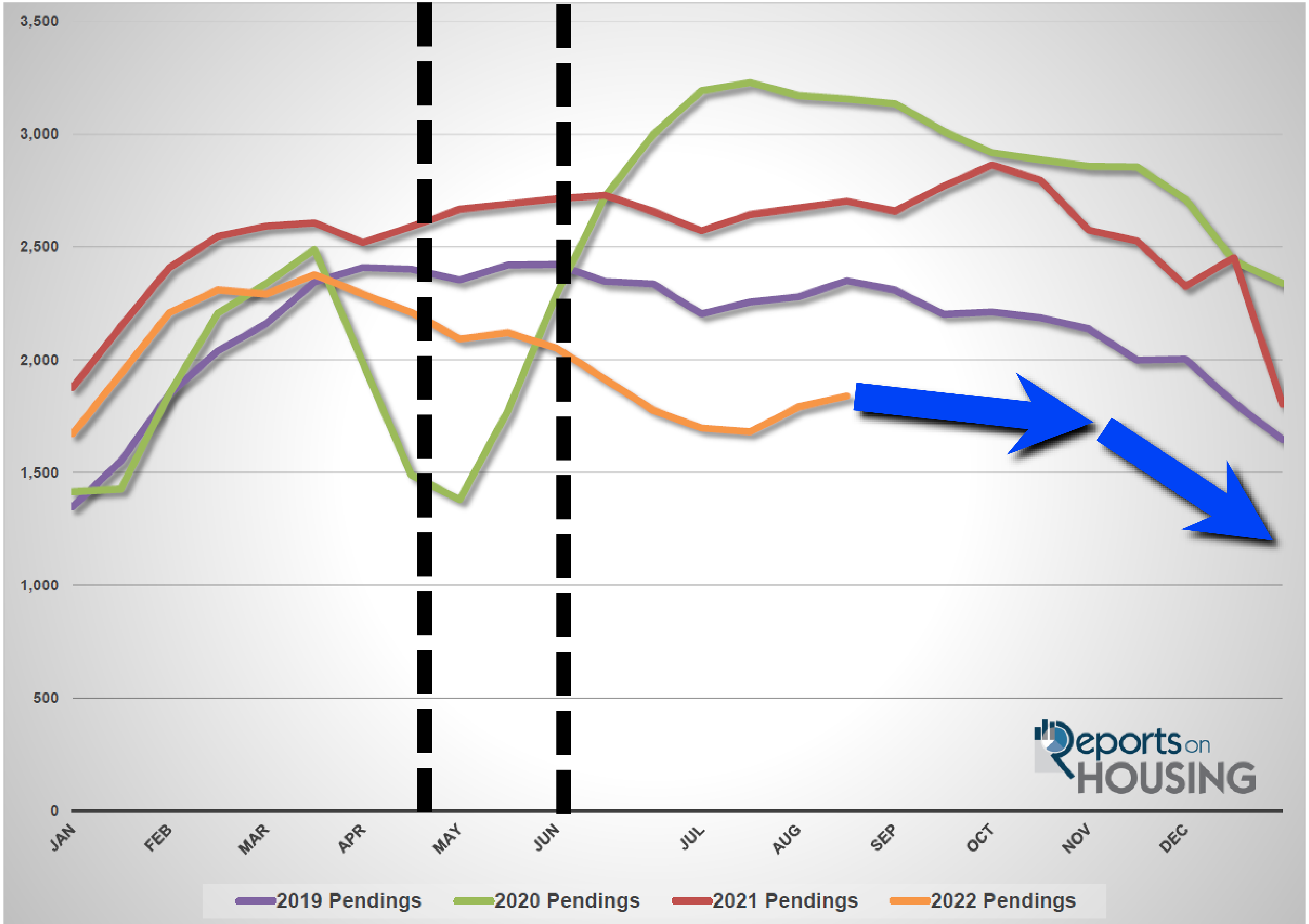
CALIFORNIA ASSOCIATION OF REALTORS®



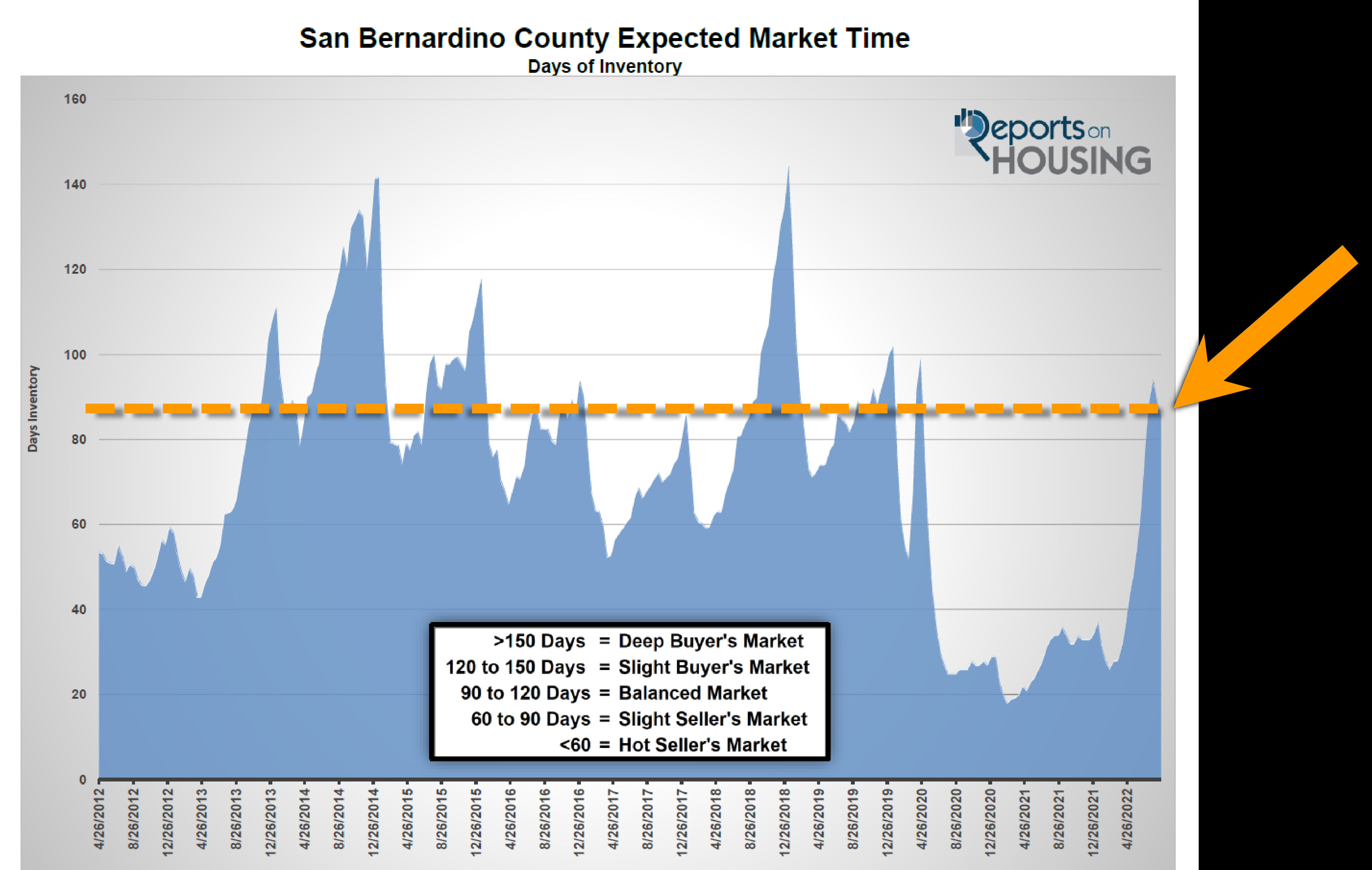
San Bernardino County Demand Year Over Year
Prior 30 Day Pendings Snapshot
3,500
3,000
2,500
2,000
1,500
1,000
500
0
JAN
FEB
DEC
August 25th: 1,839
+3% or +48 Pendings
3 Year Average: 2,237
+22%
Last Year: 2,703
+47% or +864
Today: 1,829
-0.5%

San Bernardino County Demand Year Over Year

Prior 30 Day Pendings Snapshot



How Fast is the Market?


San Bernardino County Expected Market Time
Days of Inventory
Days Inventory
160
140
120
100
80
60
40
20
0
Reports on HOUSING
>150 Days = Deep Buyer's Market
120 to 150 Days = Slight Buyer's Market
90 to 120 Days = Balanced Market
60 to 90 Days = Slight Seller's Market
<60 = Hot Seller's Market
4/26/2012
8/26/2012
12/26/2012
4/26/2013
8/26/2013
12/26/2013
4/26/2014
8/26/2014
12/26/2014
4/26/2015
8/26/2015
12/26/2015
4/26/2016
8/26/2016
12/26/2016
4/26/2017
8/26/2017
12/26/2017
4/26/2018
8/26/2018
12/26/2018
4/26/2019
8/26/2019
12/26/2019
4/26/2020
8/26/2020
12/26/2020
4/26/2021
8/26/2021
12/26/2021
4/26/2022

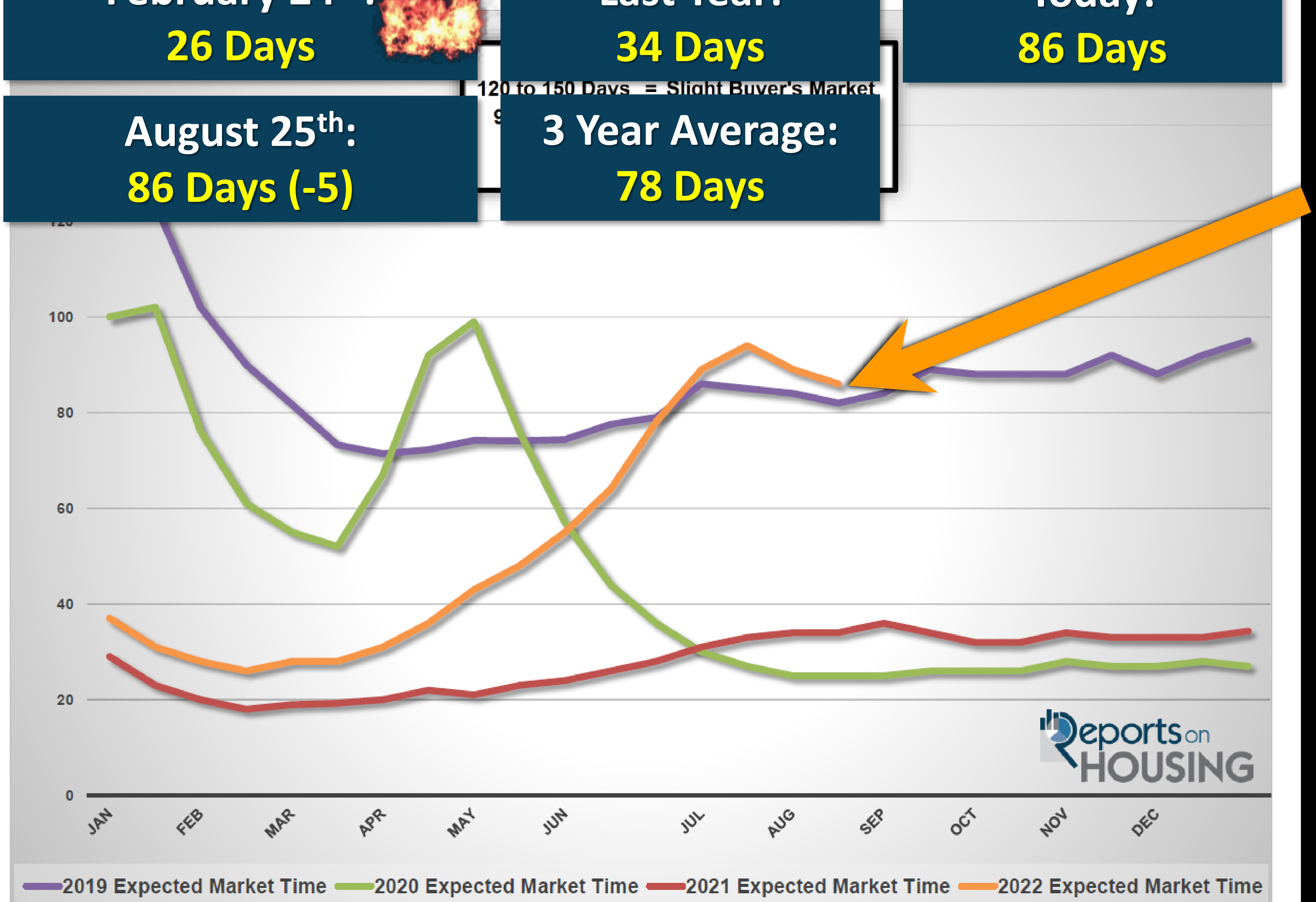
February 24th:
26 Days

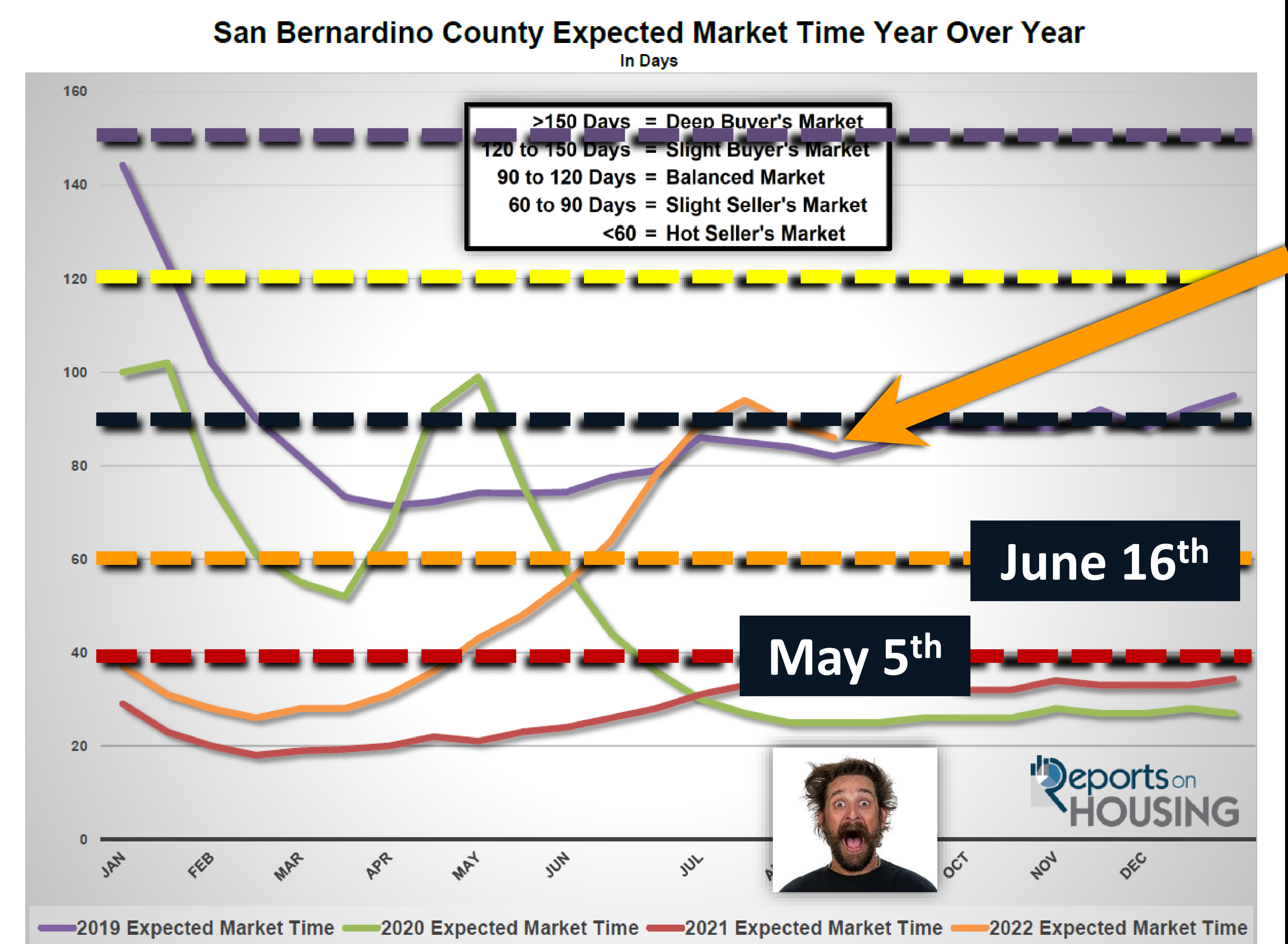
Last Year:
34 Days

Today:
86 Days

August 25th:
86 Days (-5)

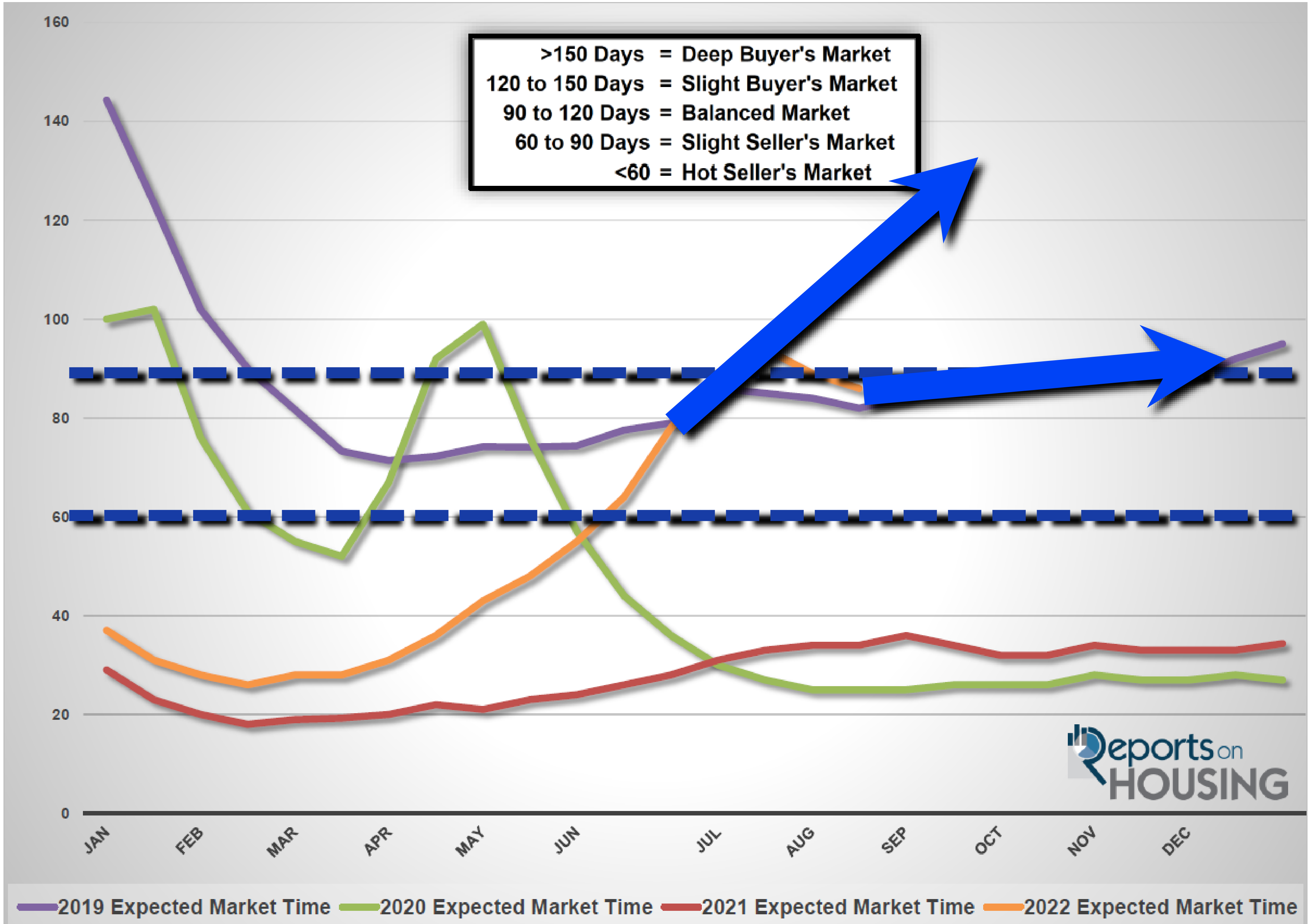
3 Year Average:
78 Days




San Bernardino County Expected Market Time Year Over Year
In Days
>150 Days = Deep Buyer's Market
120 to 150 Days = Slight Buyer's Market
90 to 120 Days = Balanced Market
60 to 90 Days = Slight Seller's Market
<60 = Hot Seller's Market
160
140
120
100
80
60
40
20
0
JAN
FEB
MAR
APR
MAY
JUN
JUL
OCT
NOV
DEC
June 16th
May 5th
Reports on HOUSING
2019 Expected Market Time
2020 Expected Market Time
2021 Expected Market Time
2022 Expected Market Time

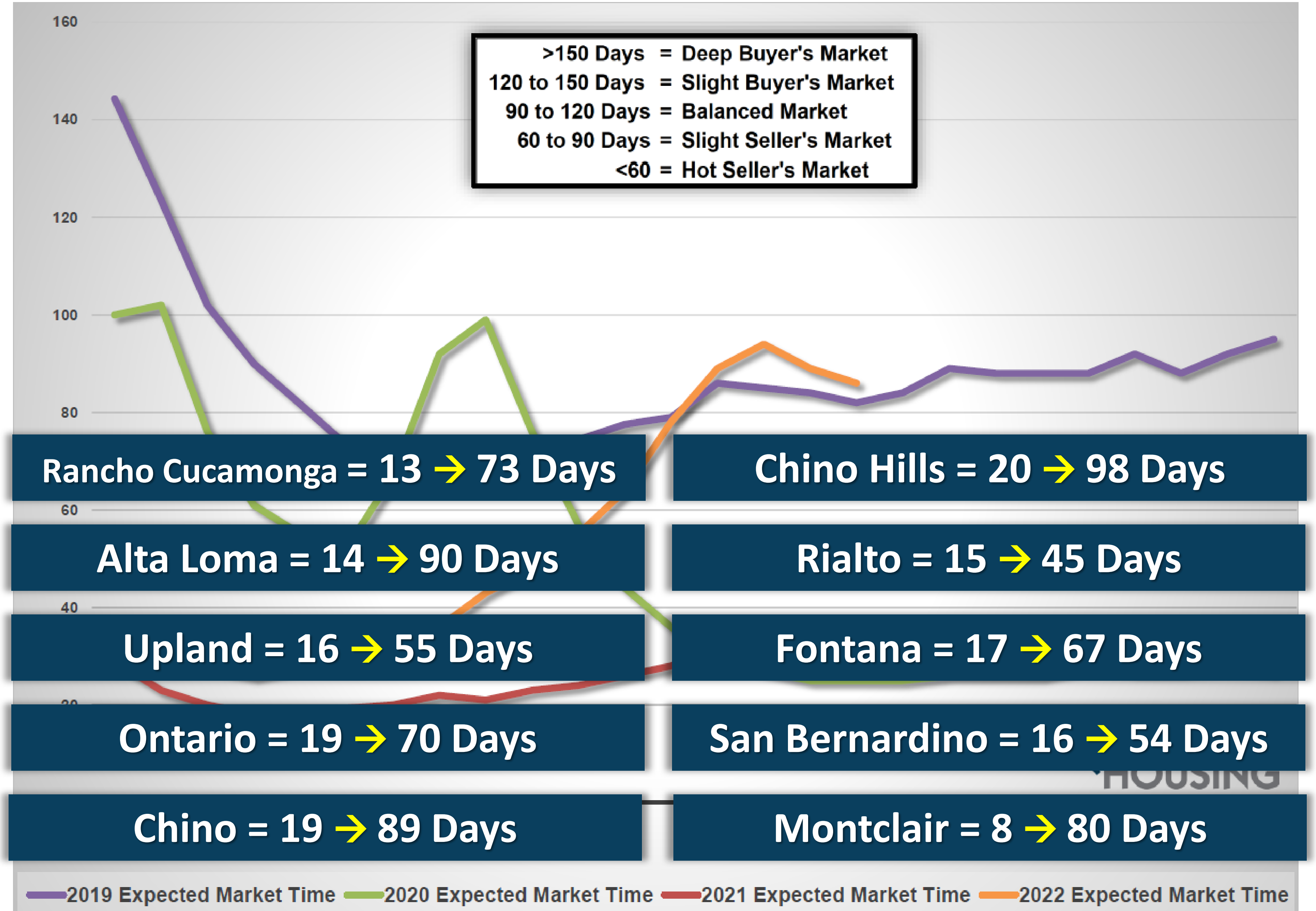
San Bernardino County Expected Market Time Year Over Year

In Days



San Bernardino County Expected Market Time Year Over Year

In Days



Rancho Cucamonga = 13 → 73 Days

Chino Hills = 20 → 98 Days

Alta Loma = 14 → 90 Days

Rialto = 15 → 45 Days

Upland = 16 → 55 Days

Fontana = 17 → 67 Days

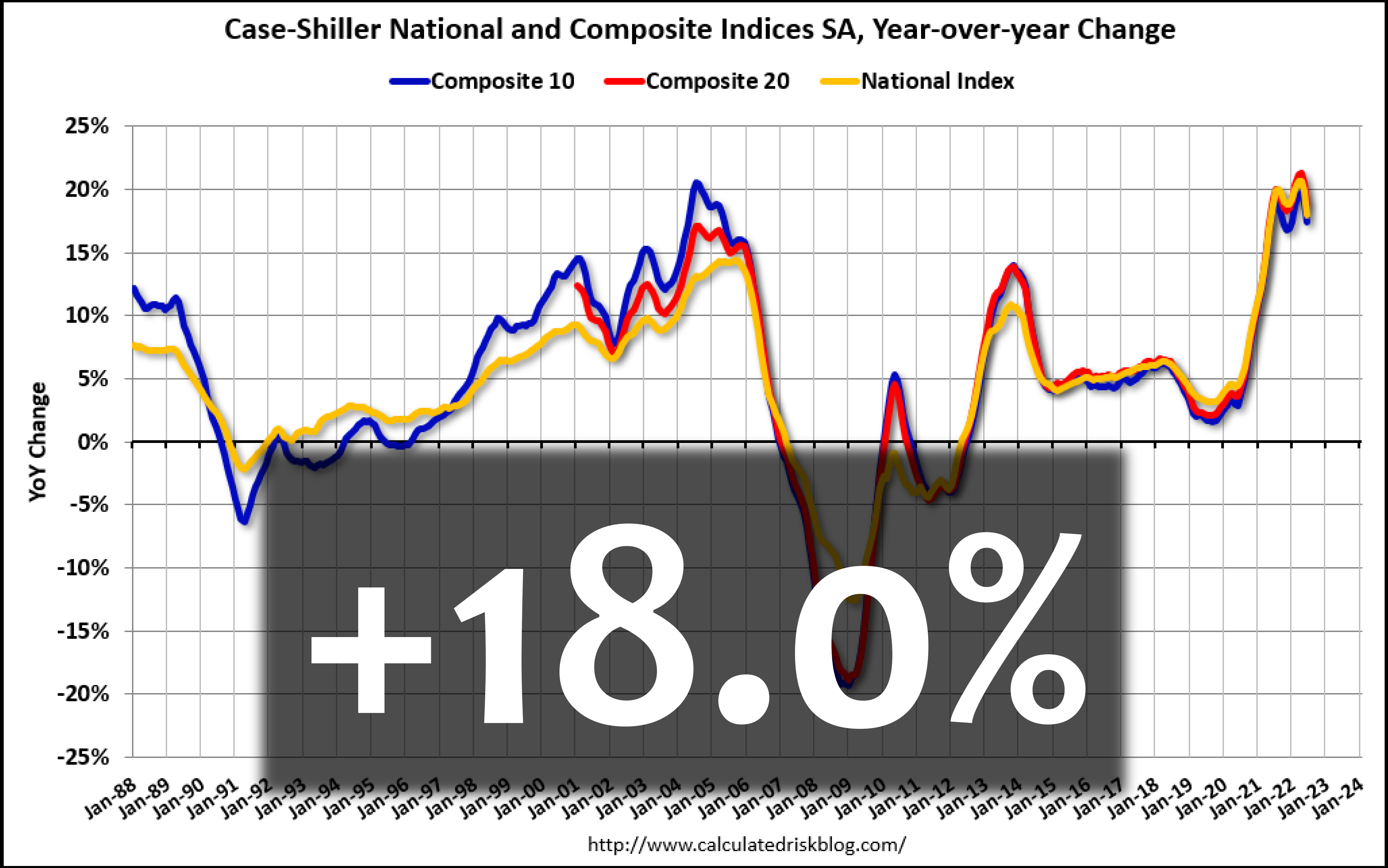
Ontario = 19 → 70 Days

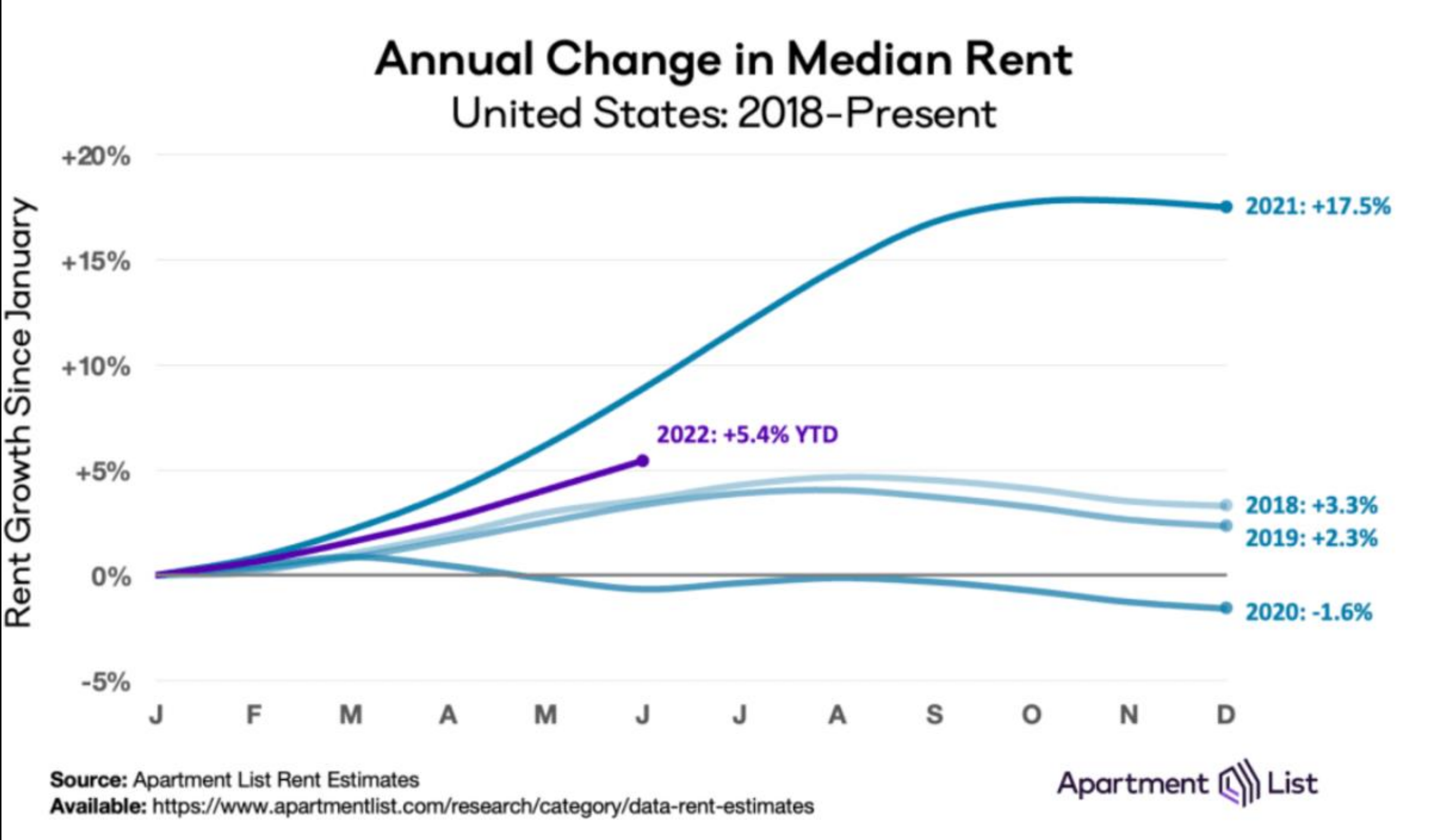
San Bernardino = 16 → 54 Days

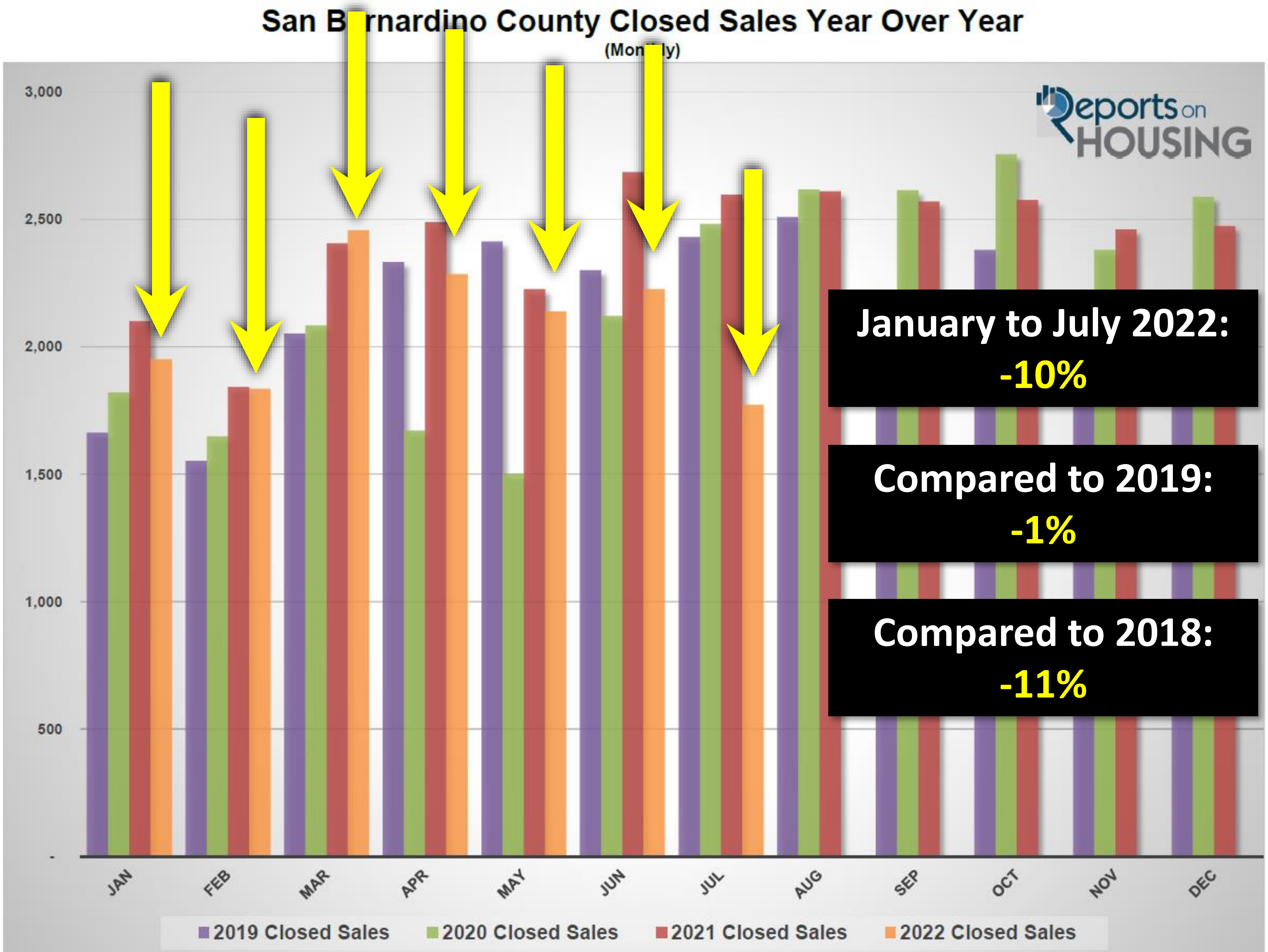
Chino = 19 → 89 Days

Montclair = 8 → 80 Days

Market Overview


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
Jan-24
+18.0%
http://www.calculatedriskblog.com/


Annual Change in Median Rent
United States: 2018-Present
Rent Growth Since January
+20%
+15%
+10%
+5%
0%
-5%
J
F
M
A
M
J
J
A
S
O
N
D
2021: +17.5%
2022: +5.4% YTD
2018: +3.3%
2019: +2.3%
2020: -1.6%
Source: Apartment List Rent Estimates
Available: https://www.apartmentlist.com/research/category/data-rent-estimates
Apartment List



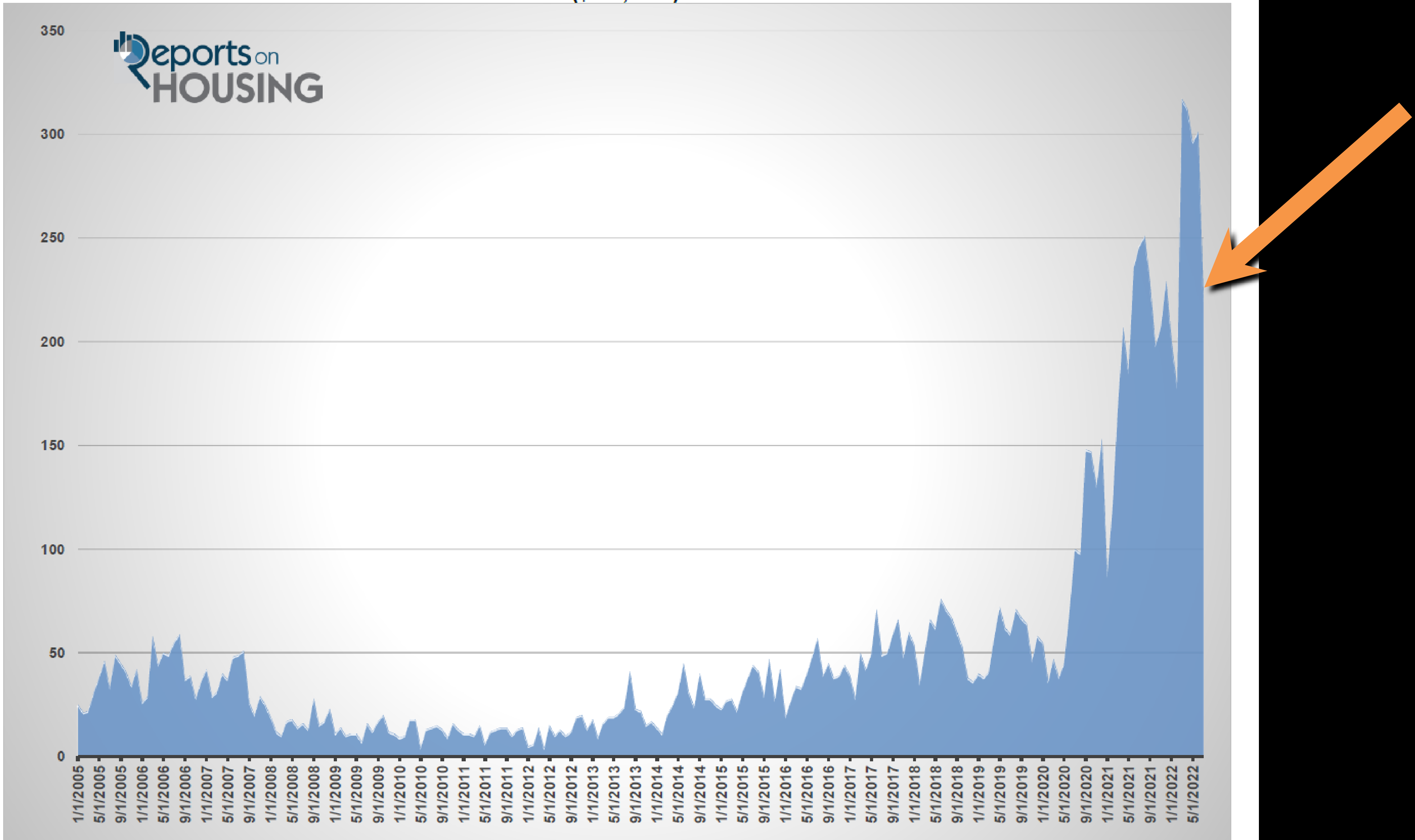
January to July 2022:
-10%

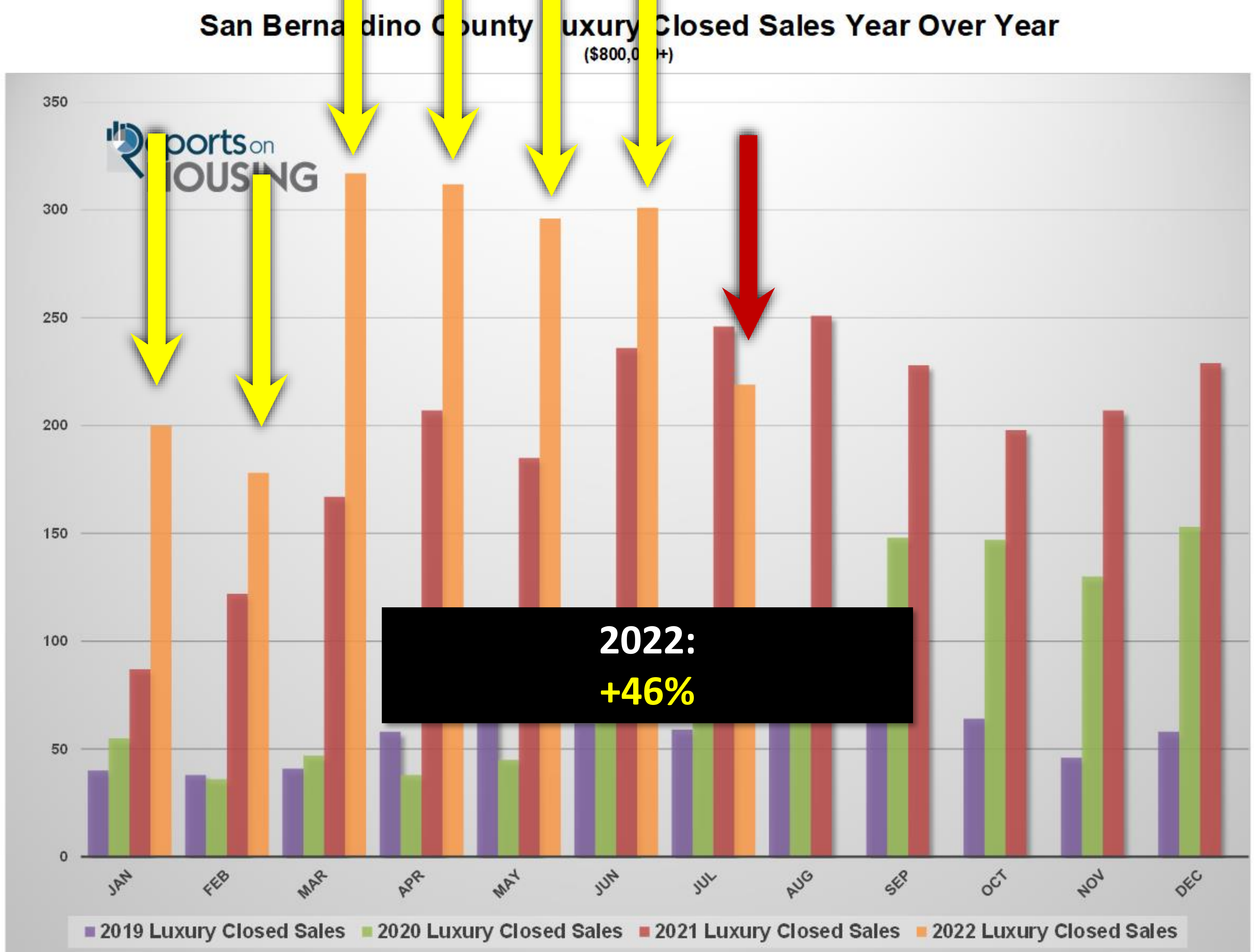
Compared to 2019:
-1%

Compared to 2018:
-11%


Luxury

San Bernardino County Luxury Closed Sales
($800,000+)





San Berna dino C unty uxury Closed Sales Year Over Year
($800,0 +)
Reports on HOUSING
350
300
250
200
150
100
50
0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2019 Luxury Closed Sales
2020 Luxury Closed Sales
2021 Luxury Closed Sales
2022 Luxury Closed Sales
2022:
+46%

YOY Luxury

Inventory: 844
+89% or +397 Homes

Demand: 167
-14% or -28 Pendings

Expected Market Time: 152 Days
69 Days Last Year

Every Thursday at 3 PM

Facebook.com/ReportsOnHousing

YouTube.com/ReportsOnHousing