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:
REFRESHED PRICING!

New Price: $3,199,990
Experienced Agent in a Market Shift.
Starbucks' New Size Lineup

- Tall
- Grande
- Venti
- Trenta
- Realtor
MOST PEOPLE WOULD CALL THIS A ROLLER COASTER

I CALL IT, “A DAY IN THE LIFE OF A REAL ESTATE AGENT!”
SELLERS: THE MARKET IS BLAZING HOT

BUYERS: BLESS YOUR HEART
Early 2022: No FHA offers

Now: Hello FHA
MARRY THE HOUSE

DATE THE RATE
Introduction
My Background

• Quantitative Economics & Decision Sciences
  • UCSD
• 31 Years in Business
• OC Native
• Capo Valley HS Grad
• 9 kids!
Expectations
Los Angeles, Orange County, Riverside, San Bernardino, and San Diego Reports

Coming SOON: The Bay Area
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, 2023, 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**

<table>
<thead>
<tr>
<th>Expected Market Time</th>
<th>Mortgage Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Listing Inventory</td>
<td>4.732</td>
</tr>
<tr>
<td>Days</td>
<td>38 Days</td>
</tr>
<tr>
<td>2021</td>
<td>53 Days</td>
</tr>
<tr>
<td>2020</td>
<td>80 Days</td>
</tr>
<tr>
<td>2019</td>
<td>135 Days</td>
</tr>
<tr>
<td>2018</td>
<td>79 Days</td>
</tr>
<tr>
<td>2017</td>
<td>85 Days</td>
</tr>
<tr>
<td>2016</td>
<td>96 Days</td>
</tr>
<tr>
<td>2015</td>
<td>99 Days</td>
</tr>
<tr>
<td>2014</td>
<td>92 Days</td>
</tr>
<tr>
<td>2013</td>
<td>53 Days</td>
</tr>
</tbody>
</table>

When the inventory is this low, just about everything that is placed on the market is
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 instant seller’s market to a more realistic hot seller’s market with lenders tightening 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 NASDAQ 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

(2015 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 5, 2016, to 3.66% on December 27, 2017. This is the biggest increase in rates since January 2009.
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 Year 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 it 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)](chart)
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.

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 home 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 2,492, 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 6,295. That is 155% more than today, more than double. Even with a 548-home climb, or 17% rise, in
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 have 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 12 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 rate, 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Average 30-Year Rate</th>
<th>Median Detached Sales Price</th>
<th>Median Income*</th>
<th>Payment as % of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>13.75%</td>
<td>$108,000</td>
<td>$22,000</td>
<td>55%</td>
</tr>
<tr>
<td>1990</td>
<td>10%</td>
<td>$239,000</td>
<td>$41,000</td>
<td>50%</td>
</tr>
<tr>
<td>2000</td>
<td>8%</td>
<td>$317,000</td>
<td>$56,000</td>
<td>40%</td>
</tr>
<tr>
<td>2006</td>
<td>3.34%</td>
<td>$728,000</td>
<td>$73,000</td>
<td>59%</td>
</tr>
<tr>
<td>2012</td>
<td>3.66%</td>
<td>$543,000</td>
<td>$72,000</td>
<td>33%</td>
</tr>
<tr>
<td>2020</td>
<td>3.11%</td>
<td>$900,000</td>
<td>$99,000</td>
<td>37%</td>
</tr>
<tr>
<td>2021</td>
<td>3%</td>
<td>$1,100,000</td>
<td>$102,000</td>
<td>44%</td>
</tr>
<tr>
<td>2022</td>
<td>5.25%</td>
<td>$1,325,000</td>
<td>$106,000</td>
<td>66%</td>
</tr>
</tbody>
</table>
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 what 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 pitted 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.

<table>
<thead>
<tr>
<th>Great Recession Housing</th>
<th>Today’s Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>✗ Glut of Homes on the Market</td>
<td>✓ Very limited inventory</td>
</tr>
<tr>
<td>✗ Low Demand</td>
<td>✓ Low Demand</td>
</tr>
<tr>
<td>✗ Way Too Much Supply Versus Low Demand, Heavily Favoring Buyers</td>
<td>✓ Low Supply and Low Demand Create Balance</td>
</tr>
<tr>
<td>✗ Low or No Down Payments Were Common</td>
<td>✓ Large Down Payments</td>
</tr>
<tr>
<td>✗ Subprime Loans, Pick-a-Payment Plans, Teaser Rate Adjustable Mortgages, Fraudulent Lending</td>
<td>✓ Tight Qualifications and Strict Lending Standards</td>
</tr>
<tr>
<td>✗ Average Buyer FICO Score = 681 (2006)</td>
<td>✓ Average Buyer FICO Score = 745</td>
</tr>
<tr>
<td>✗ Flood of Cash-Out Refinances - Homes Used as ATM’s</td>
<td>✓ With Higher Rates, Cash-Out Refinance Activity Is Falling</td>
</tr>
<tr>
<td>✗ National Delinquency Rate for June Prior to the</td>
<td>✓ The Current National Delinquency Rate is 2.3%</td>
</tr>
</tbody>
</table>
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 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 skyrocketed 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 proper pricing is absolutely crucial to find success.

<table>
<thead>
<tr>
<th>Price Range</th>
<th>YOY Inventory Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $500k</td>
<td>+82</td>
<td>+9%</td>
</tr>
<tr>
<td>$500k - $750k</td>
<td>+647</td>
<td>+35%</td>
</tr>
<tr>
<td>$750k - $1m</td>
<td>+967</td>
<td>+61%</td>
</tr>
<tr>
<td>$1m - $2m</td>
<td>+599</td>
<td>+28%</td>
</tr>
<tr>
<td>$2m+</td>
<td>-94</td>
<td>-4%</td>
</tr>
<tr>
<td>Overall</td>
<td>+2,201</td>
<td>+26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price Range</th>
<th>YOY Inventory Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $500k</td>
<td>-498</td>
<td>-50%</td>
</tr>
<tr>
<td>$500k - $750k</td>
<td>-803</td>
<td>-40%</td>
</tr>
<tr>
<td>$750k - $1m</td>
<td>-309</td>
<td>-23%</td>
</tr>
<tr>
<td>$1m - $2m</td>
<td>-392</td>
<td>-28%</td>
</tr>
<tr>
<td>$2m+</td>
<td>-197</td>
<td>-35%</td>
</tr>
<tr>
<td>Overall</td>
<td>-2,199</td>
<td>-35%</td>
</tr>
</tbody>
</table>

What happened in just a few short months? When mortgage rates climbed from 3.25% at the
A SHOWDOWN BETWEEN SUPPLY AND DEMAND

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.
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 instant 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 new 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

- 150 Days = Deep Buyer’s Market
- 130 to 150 Days = Slight Buyer’s Market
- 60 to 120 Days = Balanced Market
- 60 to 90 Days = Slight Seller’s Market
- 60 or less = Hot Seller’s Market
Go to: ReportsOnHousing.com
$15 per month
or
$150 per year
FIRST MONTH FREE
CARD AUTHORIZATION

CARDCARDHOLDER INFORMATION

NAME: ____________________________

BILLING ADDRESS: ____________________________

CITY: ____________________________ STATE: ________ ZIP CODE: ________

EMAIL: ____________________________ PHONE: ____________________________

SUBSCRIPTION PREFERENCE:

☐ YEARLY $150/YEAR

Please Check One: First month is FREE when signing up using this form.

☐ MONTHLY $15/MONTH

COUNTY PREFERENCE:

☐ LOS ANGELES

Please Check One: Each county is a separate subscription cost.

☐ ORANGE

☐ RIVERSIDE

☐ SAN BERNARDINO

☐ SAN DIEGO

CARD INFORMATION

CARD NUMBER: ____________________________

EXPIRATION DATE: ____________________________

SECURITY CODE: ____________________________

CARDHOLDER SIGNATURE: ____________________________ DATE: ____________________________
INFLATION
We want to “get the housing market back on a more sustainable path where there is a balance between supply and demand.”
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

statista
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 SOME TIME. The historical record cautions strongly against prematurely loosening policy.”
U.S. 10 Year Treasury

Yield | 11:39 AM EDT

3.286%  ▲ +0.021

CNBC
6.12% November 2008
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)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Change</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP*</td>
<td>-1.6%</td>
<td>Q1 vs. Q4</td>
</tr>
<tr>
<td></td>
<td>-0.9%</td>
<td>Q2 vs. Q1</td>
</tr>
<tr>
<td>Employment**</td>
<td>+0.06%</td>
<td>Jun vs. May</td>
</tr>
<tr>
<td>Consumer spending*</td>
<td>+1.1%</td>
<td>Jun vs. May</td>
</tr>
<tr>
<td>Personal income*</td>
<td>+0.6%</td>
<td>Jun vs. May</td>
</tr>
<tr>
<td>Industrial production**</td>
<td>-0.2%</td>
<td>Jun vs. May</td>
</tr>
</tbody>
</table>

* 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

- 1980: 6.1%
- 1981: 3.5%
- 1991: -1.9%
- 2001: 6.6%
- 2008: -19.7%
- 2020: 6.0%

Source: CoreLogic, The Balance
4.5% to 6.25%
Slight Seller’s Market
Balanced Market
Supply Catastrophe
Record Low: March 7th: 241,000

2021 low point April 30: 307,000

Inventory declined this week to 552,536

Record Low: March 7th: 241,000
Seasonality

SPRING

SUMMER

AUTUMN

WINTER

Holidays
Inventory Drops
Demand Slowly Falls
NATIONAL PAYMENT-TO-INCOME RATIO*

Payment-to-Income Ratio (Left Axis)  Freddie 30-Year Fixed Interest Rate (Right Axis)

33.8%

34.4%
Volatility
Fewer People Will Be Willing to Buy
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
$900k Purchase

- PIT = $4,257
- +$1,774 per MO
- +$21,288 per YR
$900k Purchase

January 1st
+$880 per MO
+$10,560 per YR

Today
+$1,774 per MO
+$21,288 per YR
Fewer Homeowners Willing to Sell
Market Time
Supply
San Bernardino County
San Bernardino County Active Listing Inventory Year Over Year

August 25th: 5,271
0% or -18 Homes
1st Drop Since February

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

3-Year Average: 5,845
+11%

Today: 5,261
0%

1st Drop Since February
San Bernardino County: 45%
Share of homes sold above asking price back to "normal"

**14 Days**

Median Time on Market*

▲75.0% YTY

**18 Days**

**100.0%**

Sales to List Price Ratio*

▼-3.8% YTY
July 2022 – Sales Price-to-List Price Ratio

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

July 2022: 100.0%, -1.3% MTM, -3.8% YTY

99.2%
August 25th: 1,839
+3% or +48 Pendings

Last Year: 2,703
+47% or +864

3 Year Average: 2,237
+22%

Today: 1,829
-0.5%
How Fast is the Market?
San Bernardino County Expected Market Time

Days of Inventory

- >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
August 25th: 86 Days (-5)

February 24th: 26 Days

Last Year: 34 Days

3 Year Average: 78 Days

Today: 86 Days

Graph showing expected market times from January to December with different lines for each year, from 2019 to 2022.
San Bernardino County Expected Market Time Year Over Year

- **Rancho Cucamonga**: 13 → 73 Days
- **Alta Loma**: 14 → 90 Days
- **Upland**: 16 → 55 Days
- **Ontario**: 19 → 70 Days
- **Chino**: 19 → 89 Days
- **Fontana**: 17 → 67 Days
- **Chino Hills**: 20 → 98 Days
- **Rialto**: 15 → 45 Days
- **San Bernardino**: 16 → 54 Days
- **Montclair**: 8 → 80 Days

**Legend**:
- >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
Market Overview
Case-Shiller National and Composite Indices SA, Year-over-year Change

+18.0%
Annual Change in Median Rent
United States: 2018-Present

Rent Growth Since January

- 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
San Bernardino County Closed Sales Year Over Year

January to July 2022: -10%
Compared to 2019: -1%
Compared to 2018: -11%
San Bernardino County Luxury Closed Sales
($800,000+)

[Graph showing luxury home sales over time, with a significant increase towards the end of the period.]
San Bernardino County Luxury Closed Sales Year Over Year
($800,000+)

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
Housing Debrief

Every Thursday at 3 PM

Facebook.com/ReportsOnHousing

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