Reports on HOUSING

Your Local Real Estate Snapshot

Orange County 2021 Forecast & Housing Update

Fall Fun
Photos

Expectations

THE LOS ANGELES HOUSING REPORT

VALUES GOING UP

October 19, 2020

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

The Los Angeles County housing market will remain a Hot Seller's Market for the remainder of 2020 and into the New Year, paving the way for persistent appreciation.

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Reports on HOUSING
Your Local Real Estate Snapshot

Appreciation

With strong demand and an incredibly low inventory, the market will continue to lean heavily in favor of sellers, resulting in home values rising.

One of the most popular toy fads of the 1980's was the Cabbage Patch Doll. The dolls were a "must have" for Christmas. Eager parents flocked to stores only to be met with empty shelves. Tactical shoppers knew when shipments would arrive and would be the first in line to purchase as soon as the dolls were unloaded from the truck. It was common for people to offer $100 or more in the parking lot for a Cabbage Patch Doll that was still in the shopping cart in route to the family car. They retailed for $30. Why would someone pay over three times the original price for a doll? It was simple supply and demand. Coleco could not manufacture and ship enough dolls to match the unquenchable demand. As a result, retailers charged more for the dolls suggested MSRP and prices went up.

When there is a scarcity of something popular for sale, the price goes up. More people are desirous of a good than the number of goods available. If that sounds familiar, it is from the echoing lecture halls of Econ 101. It is basic supply and demand. When very little supply is matched with unbelievably strong demand, prices go up. That is precisely what is occurring in the housing market today.

There is a scarcity of homes for sale. Multiple offers are the norm. It is not uncommon to hear that 15 offers are generated on a home that just hit the market. When this occurs, a bidding war ensues. It is as if a mini auction occurs. The highest and best offer wins and 14 buyers must go back to the drawing board and continue their search for a home. More buyers are desirous of homes than the number of homes available. As a result, home values have been on the rise since June. That is when the Expected Market Time (the time between pounding in the FOR-SALE sign to opening escrow) first dropped below 60-day threshold, a Hot Seller's Market.

The Expected Market Time is the speed of the market. The lower the Expected Market Time, the faster the market. It takes into consideration both the current inventory of homes available to purchase and buyers demand to pull the trigger and buy a home (the last 30-days of pending sales). Today, it sits at 49 days, far below the 60-day threshold that indicates a Hot Seller's Market, a market where sellers get to call the shots and values are on the rise.

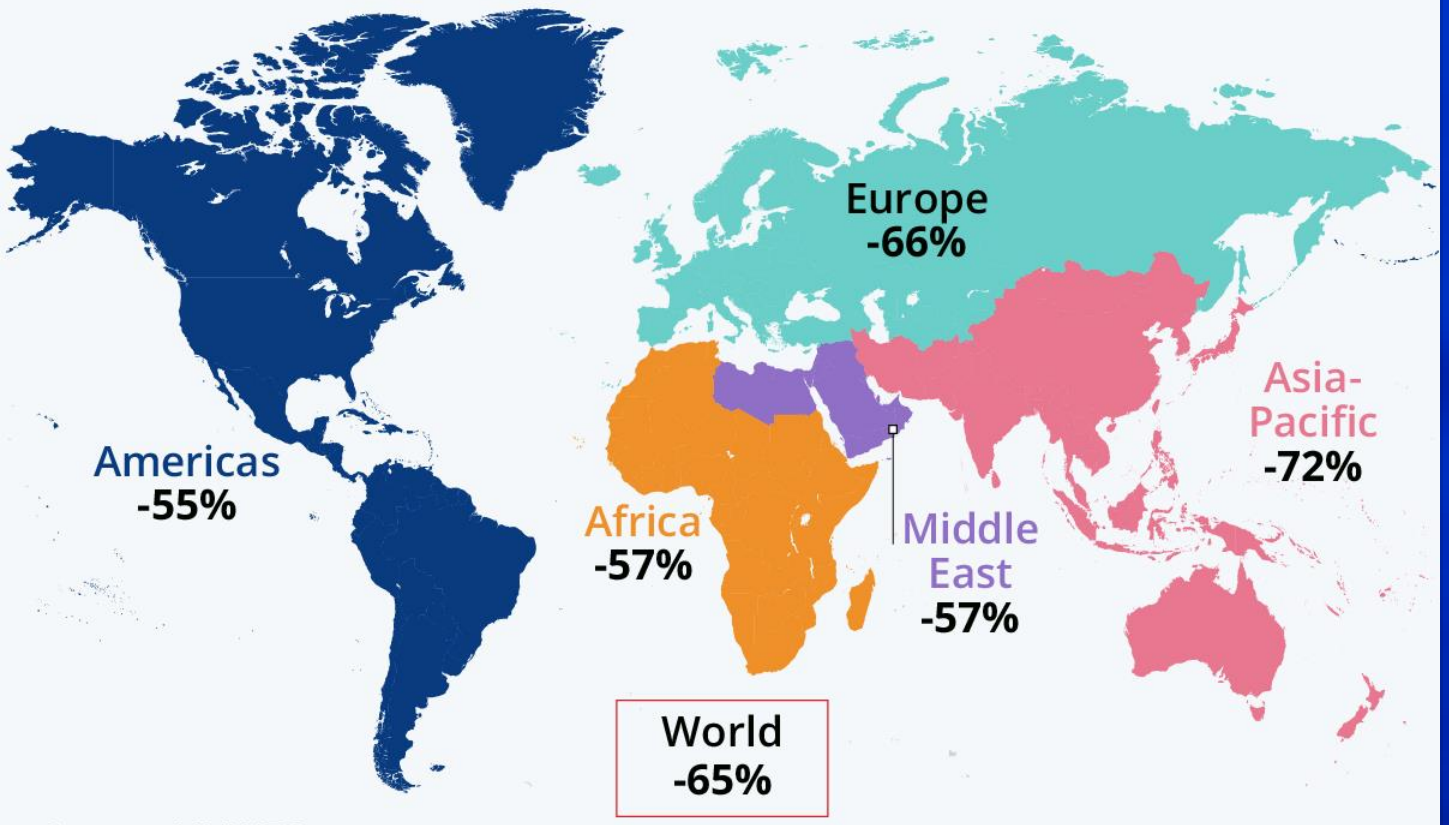
In order to arrive at 49-days, it takes a low supply and strong demand. Today's active listing inventory is at 10,846 homes, its lowest level for this time of the year since 2012. Today's demand is at 6,705, the highest mark for this time of the year since 2012. The last time it was a Hot Seller's Market in mid-October, less than 60-days, was back in 2012 when it reached 45 days.

Hottest Market Since 2012

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Current Actives	10,846	12,952	15,111	11,608	13,636	14,233	15,245	12,964	10,703
Demand (Last 30 Days Pendings)	6,705	5,039	4,541	5,518	5,427	5,565	4,535	4,827	7,077

COVID-19's Crushing Impact On International Tourism

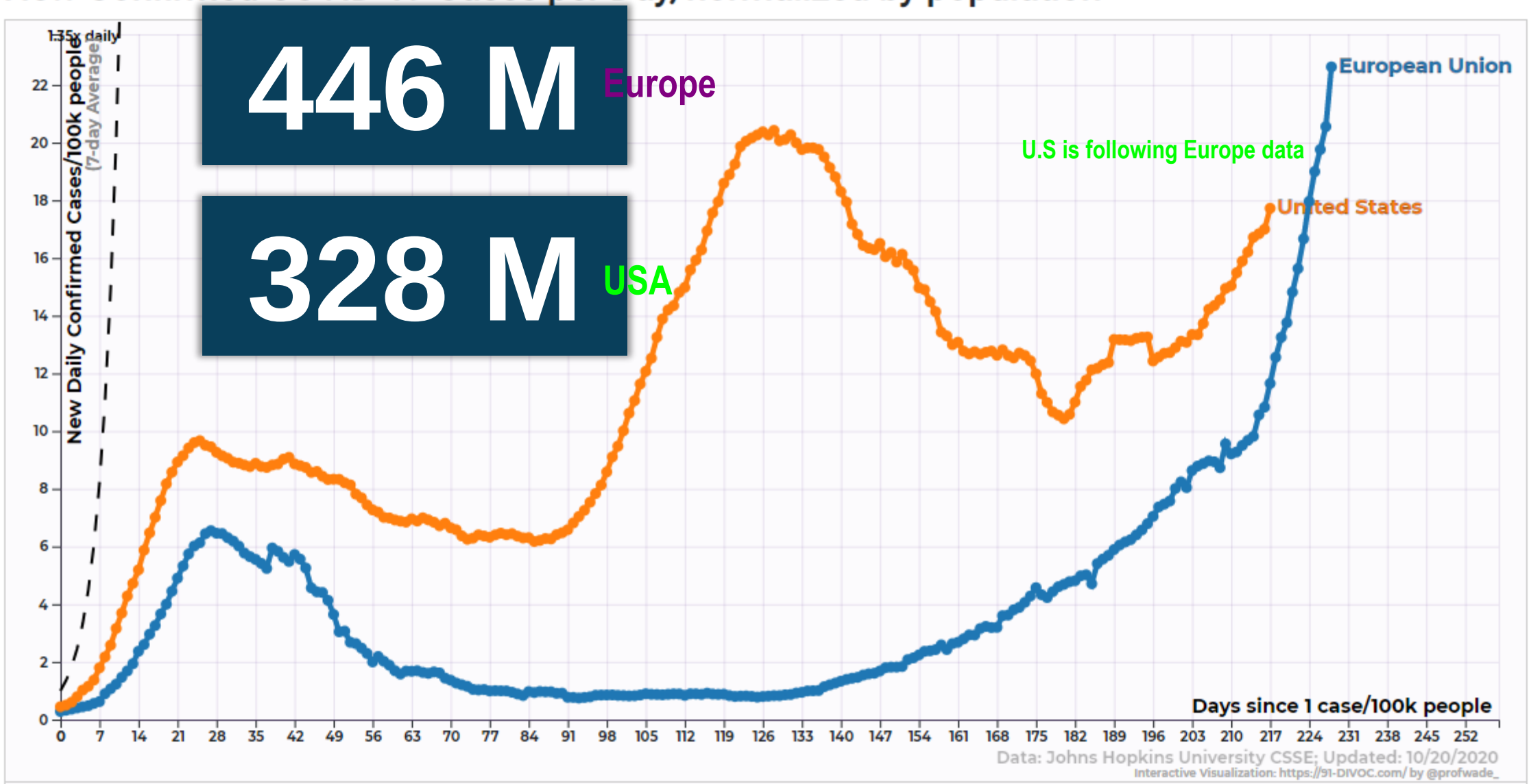
Change in international tourist arrivals from January through June 2020 vs. 2019



Source: UNWTO

statista

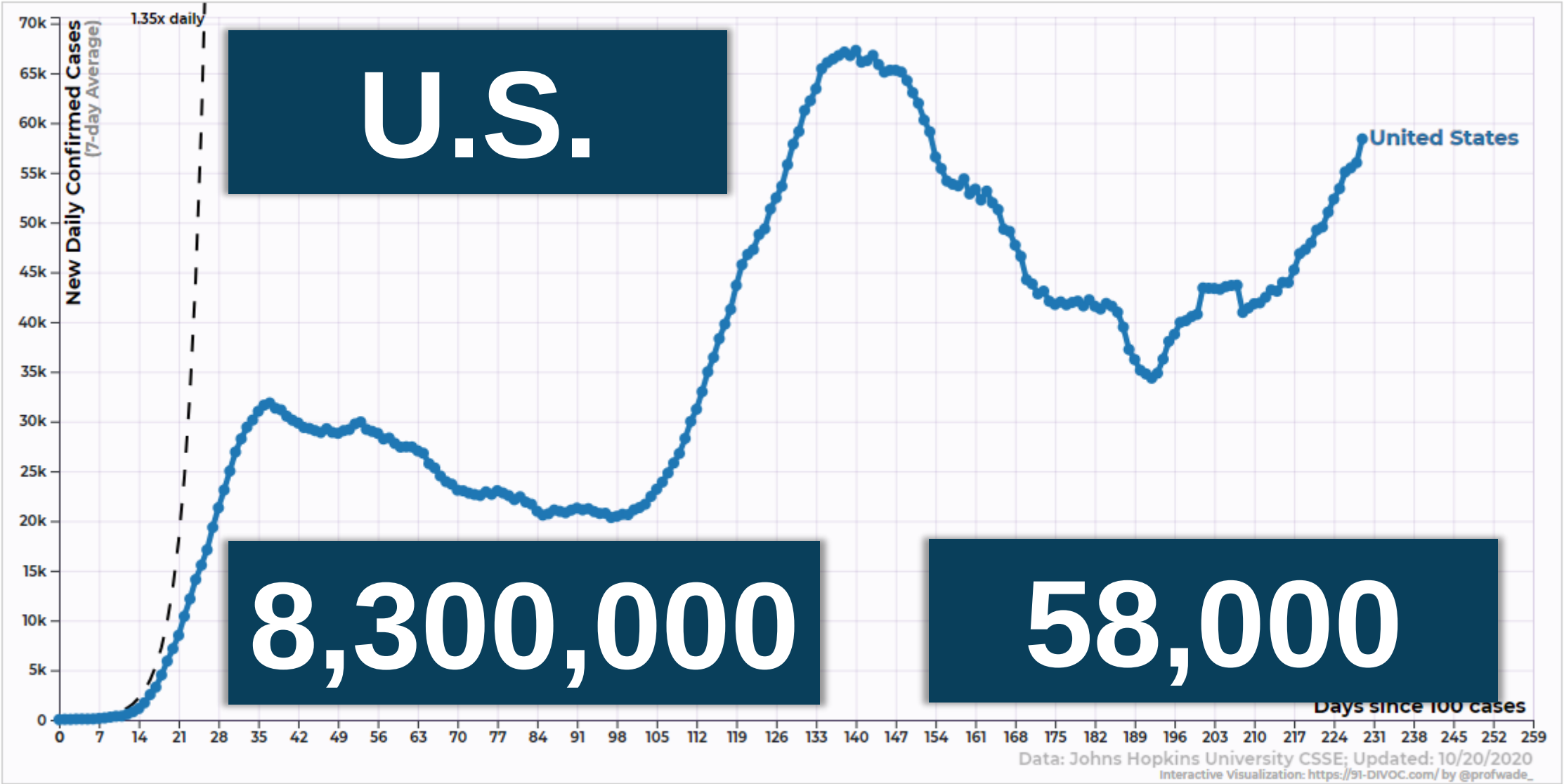
New Confirmed COVID-19 Cases per Day, normalized by population



Highlight: European Union | Data: New Cases, 1 Wk. Avg. | Scale: Log Linear

Show: Highlight Only | X-Axis: Days since threshold (left aligned) | Y-Axis: All Highlight & All Current

New Confirmed COVID-19 Cases per Day



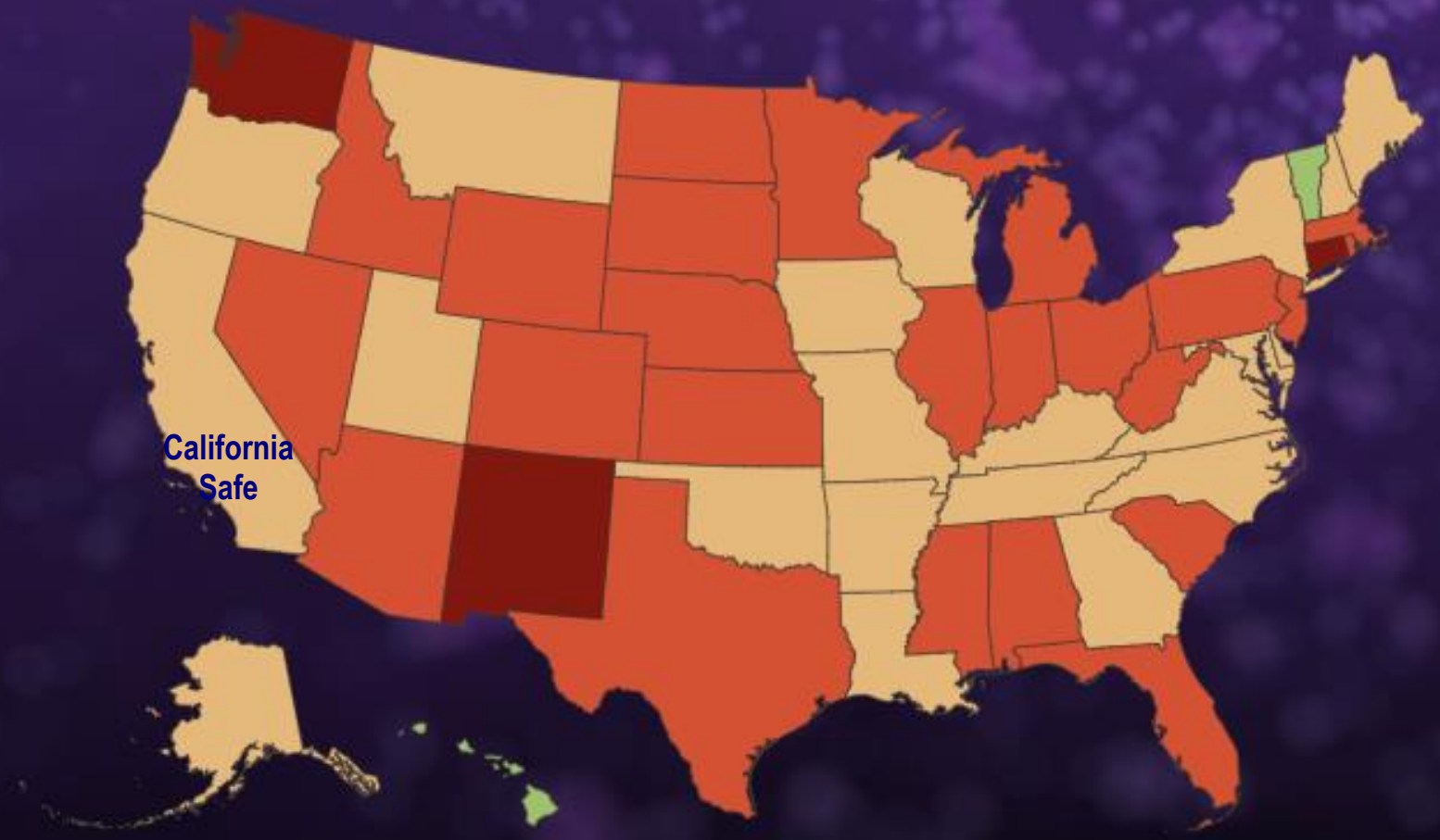
Highlight: United States | Data: New Cases, 1 Wk. Avg. | Scale: Log Linear

Show: Highlight Only | X-Axis: Days since threshold (left aligned) | Y-Axis: All Highlight & All Current | Animate

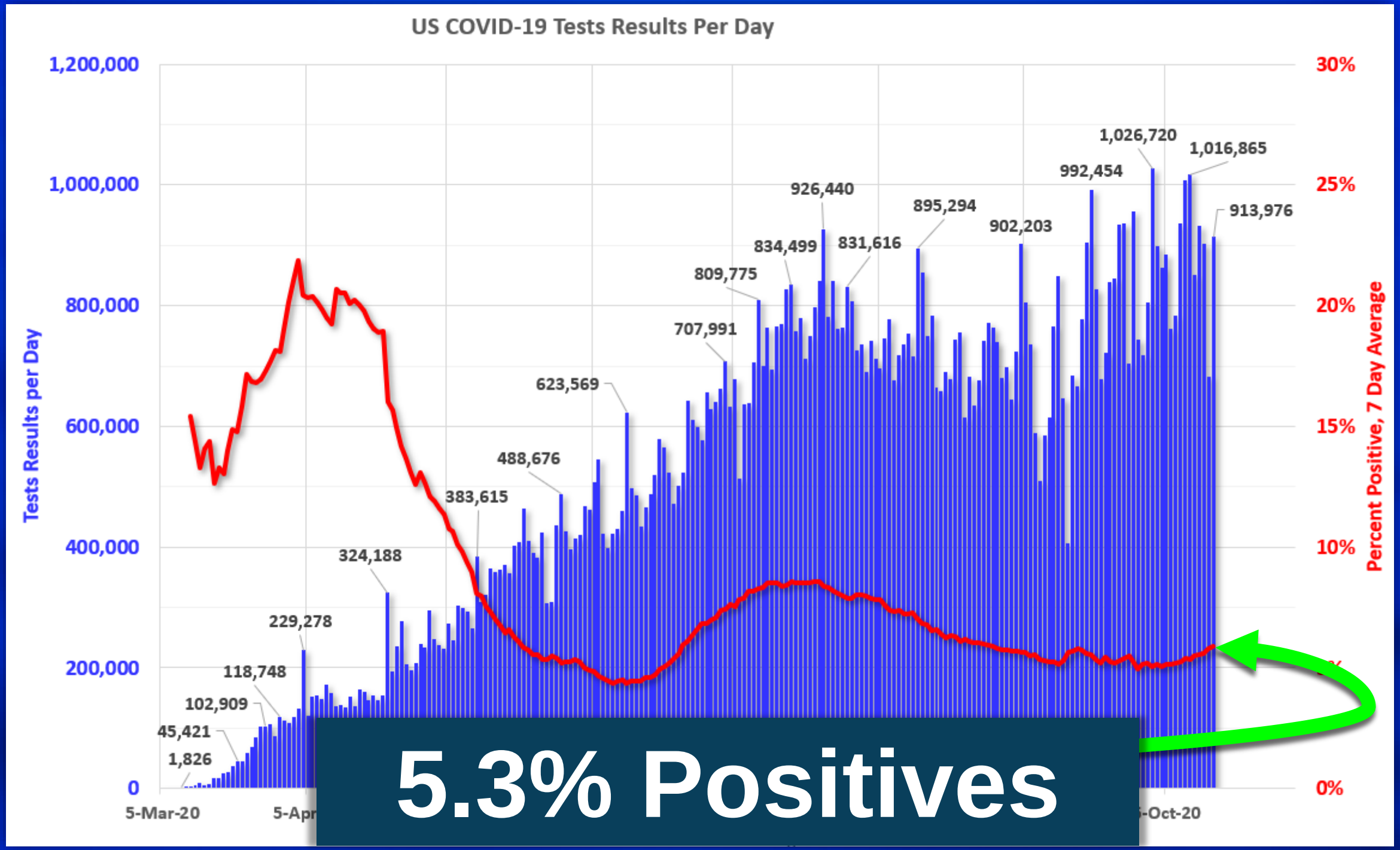
CORONAVIRUS IN THE UNITED STATES

NEW CASES IN PAST WEEK VS PREVIOUS WEEK

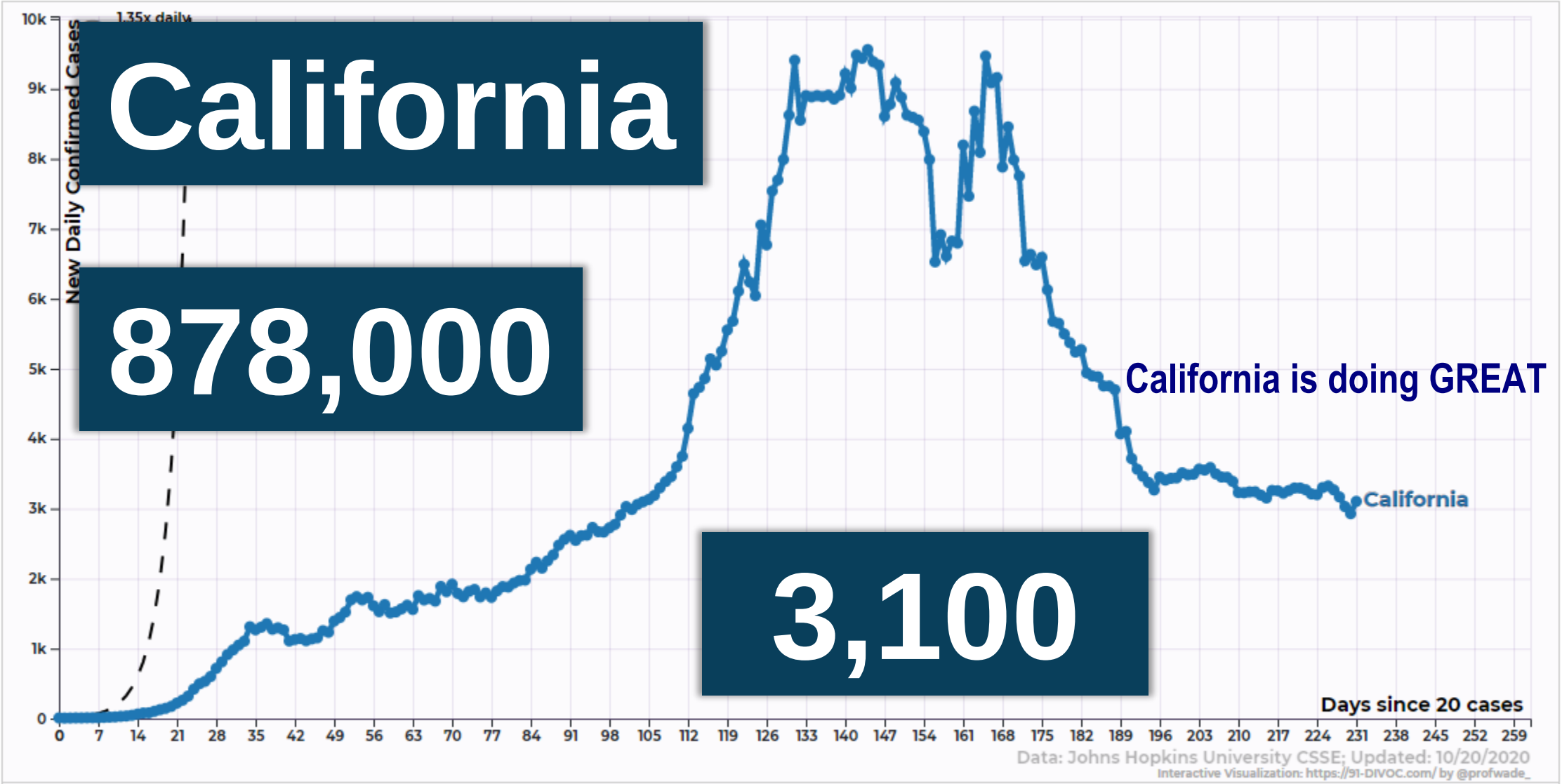
3	▲ 50%+
24	▲ 10-50%
21	STEADY
2	▼ 10-50%
0	▼ 50%+



SOURCE: JOHNS HOPKINS UNIVERSITY


US COVID-19 Tests Results Per Day
Tests Results per Day
Percent Positive, 7 Day Average
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
30%
25%
20%
15%
10%
0%
5-Mar-20
5-Apr
-Oct-20
1,826
45,421
102,909
118,748
229,278
324,188
383,615
488,676
623,569
707,991
809,775
834,499
926,440
831,616
895,294
902,203
992,454
1,026,720
1,016,865
913,976
5.3% Positives

New Confirmed COVID-19 Cases per Day by US States/Territories



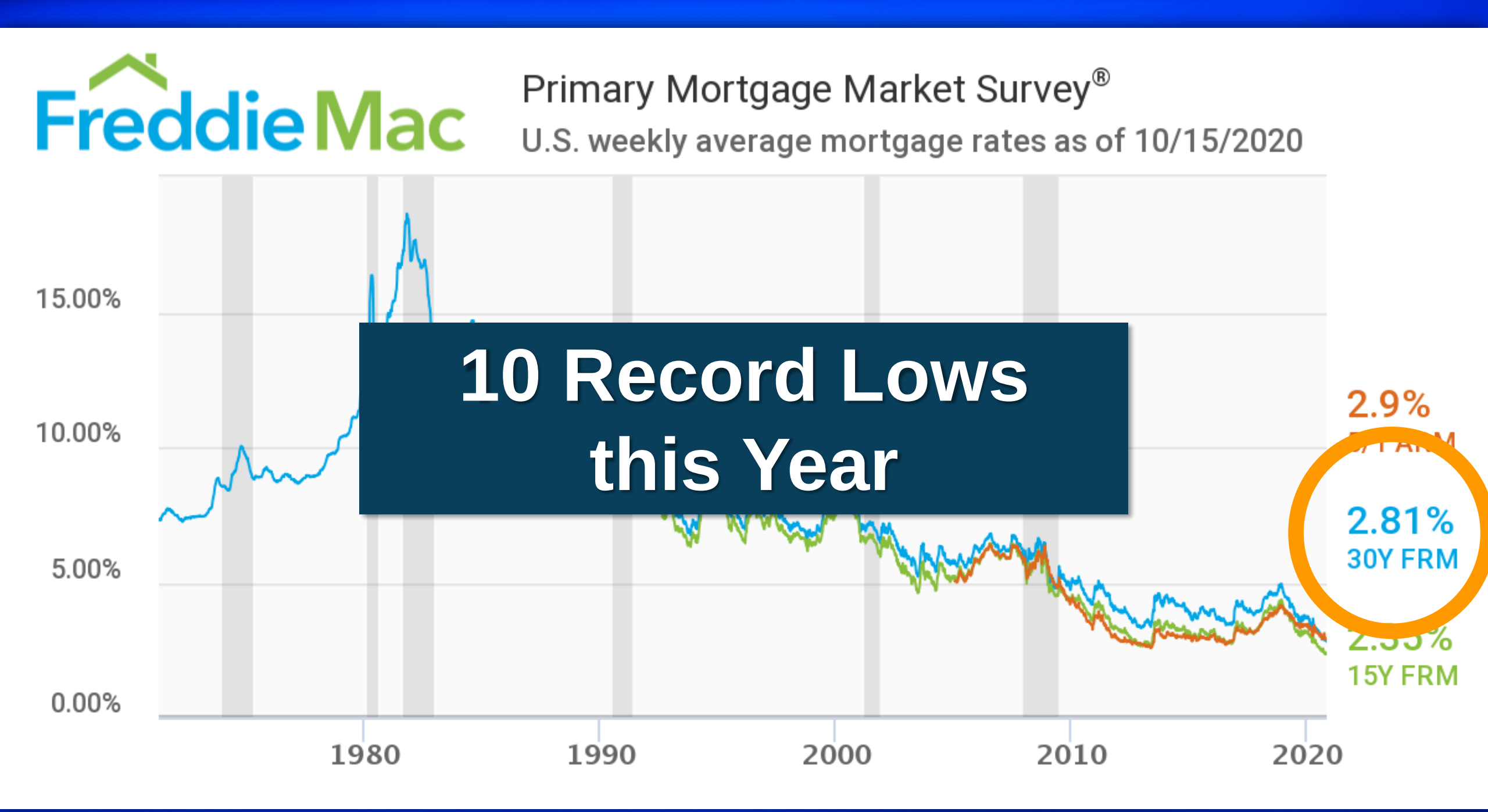
Highlight: California | Show: Highlight Only | Data: New Cases, 1 Wk. Avg. | Scale: Log Linear

X-Axis: Days since threshold (left aligned) | Y-Axis: All Highlight & All Current | Animate

Reopening Tiers

Current Tier	Los Angeles County	Orange County	Riverside County	San Bernardino County	San Diego County
New Cases	7.6	4.6	9.2	10.3	6.8
Positive Tests %	3.7%	3.5%	5.9%	6.5%	3.0%
Health Equity Metric	6.0%	6.5%	7.7%	8.7%	5.7%
Movement			YIKES!		

United States Economic Outlook

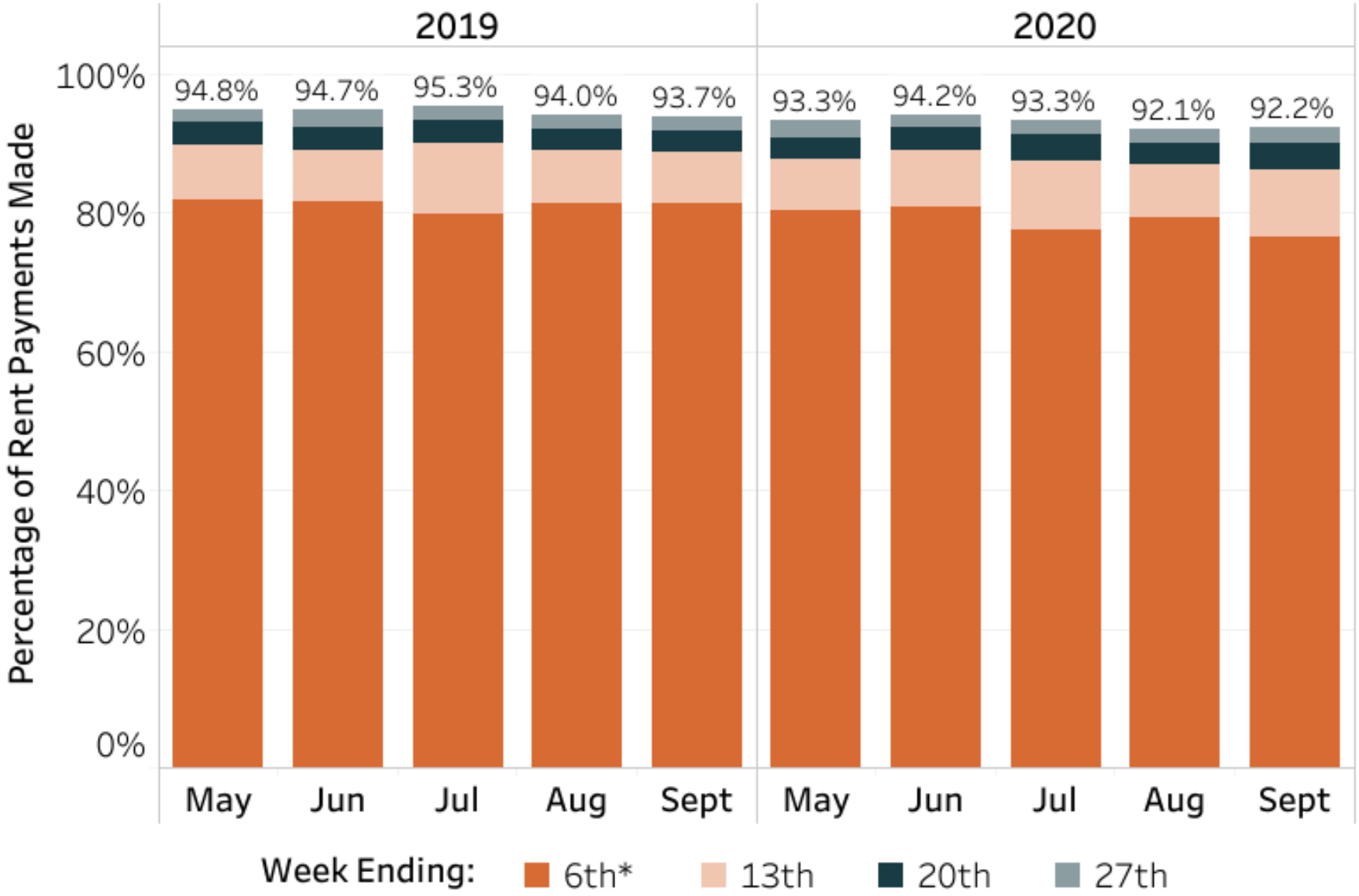


10 Record Lows this Year

LANDLORDS

Rent Payment Tracker: Weekly Results

**Data collected from between 11.1 - 11.5 million apartment units each month



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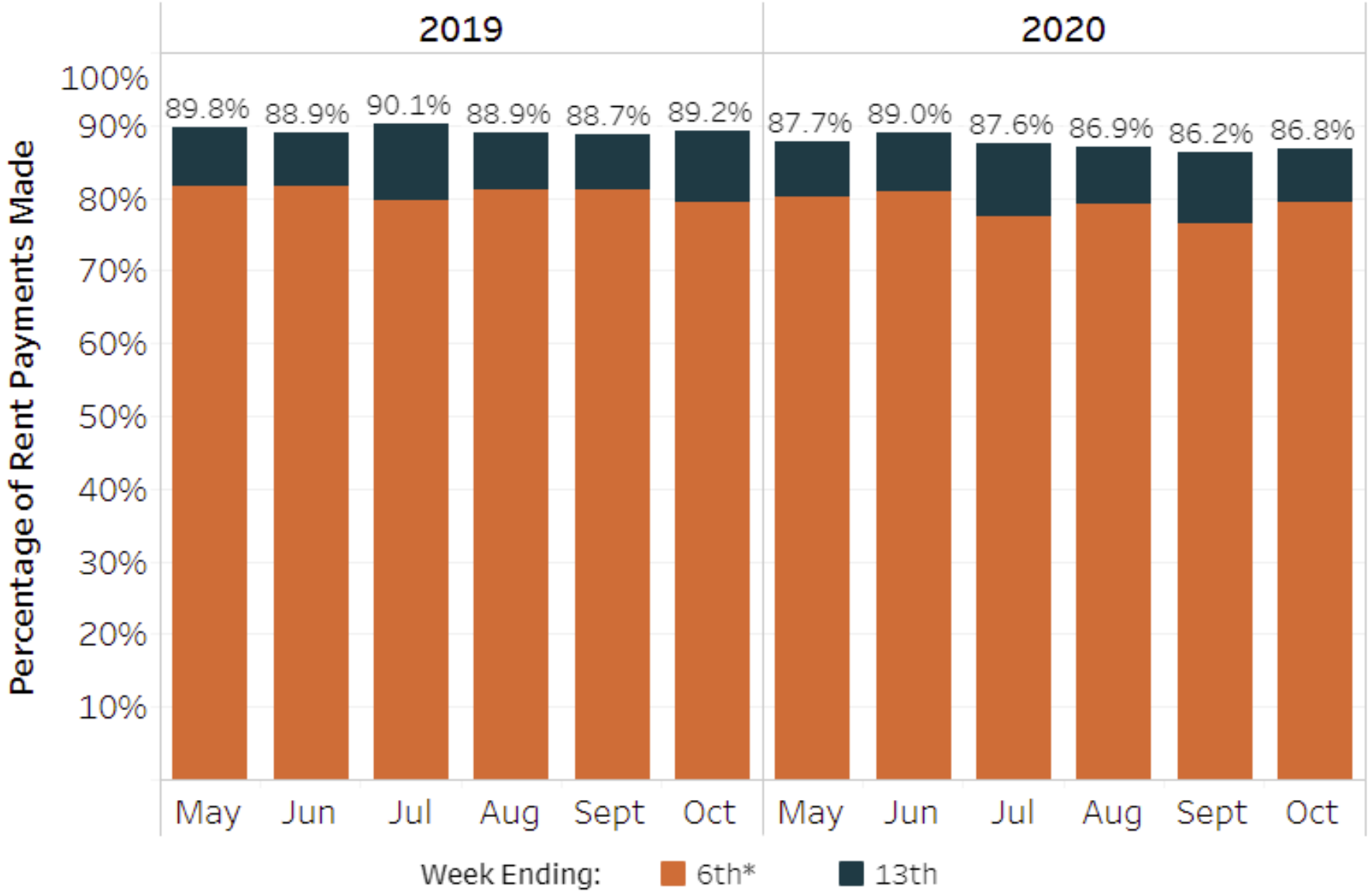
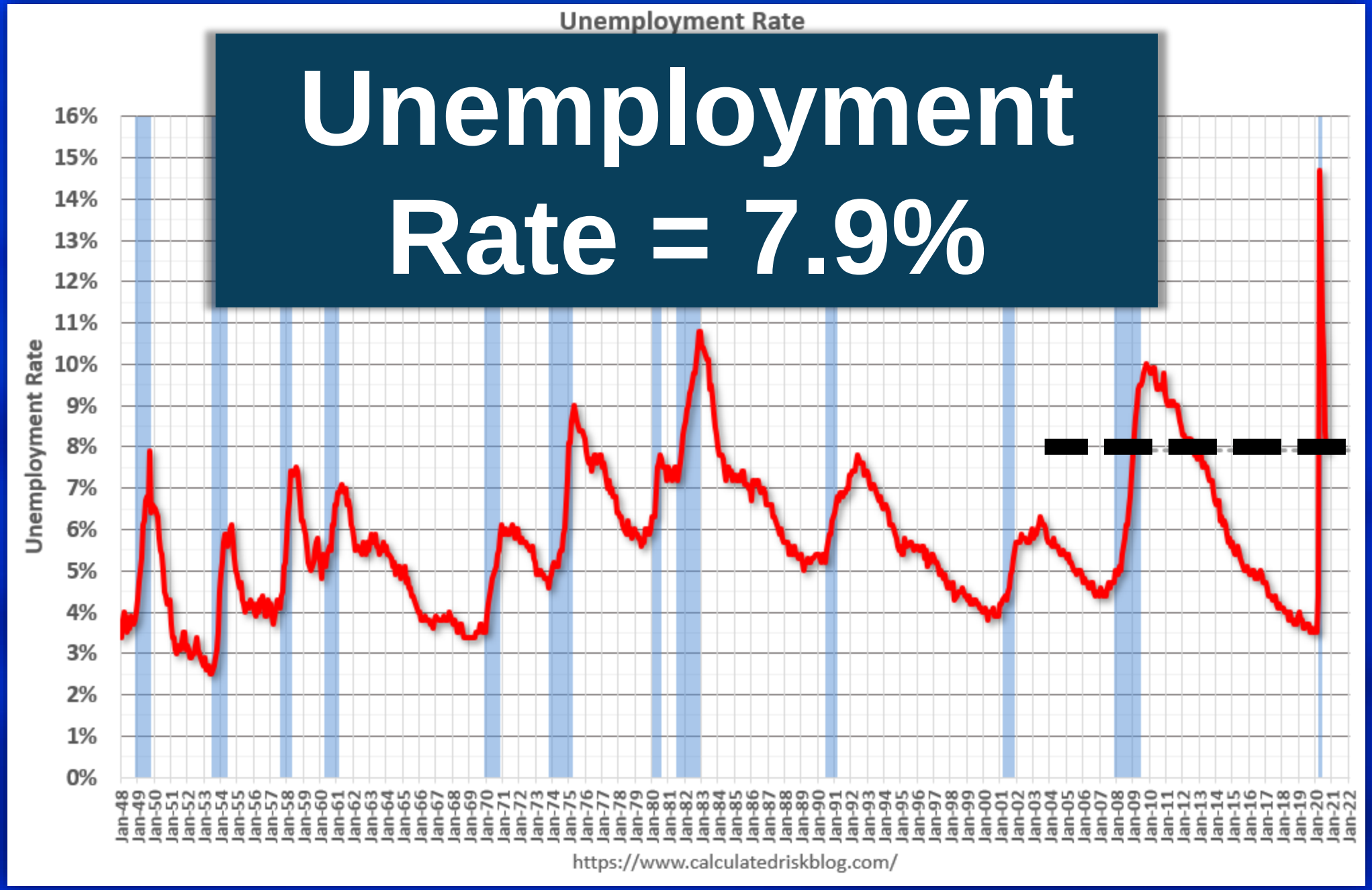
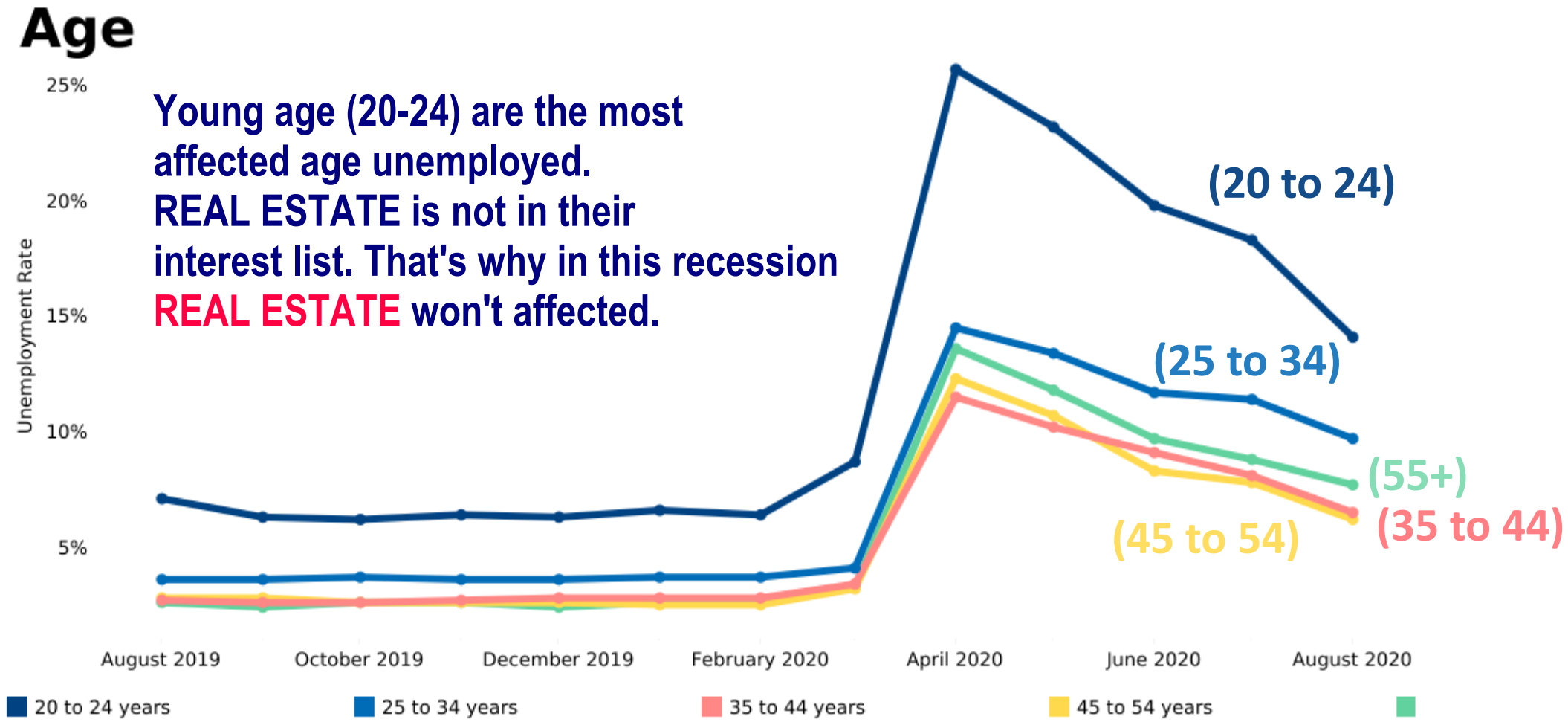



Unemployment Rate
Unemployment Rate = 7.9%
Unemployment Rate
16%
15%
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Jan-48 Jan-49 Jan-50 Jan-51 Jan-52 Jan-53 Jan-54 Jan-55 Jan-56 Jan-57 Jan-58 Jan-59 Jan-60 Jan-61 Jan-62 Jan-63 Jan-64 Jan-65 Jan-66 Jan-67 Jan-68 Jan-69 Jan-70 Jan-71 Jan-72 Jan-73 Jan-74 Jan-75 Jan-76 Jan-77 Jan-78 Jan-79 Jan-80 Jan-81 Jan-82 Jan-83 Jan-84 Jan-85 Jan-86 Jan-87 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
https://www.calculatedriskblog.com/

Unemployment Comparison

Recession	Number of Months Unemployment Greater Than or Equal to 9%
Great Depression	108 Months
Great Recession	30 Months
1980's Oil Recession	19 Months
2020 Recession	**4 Months**

Unemployment Rate

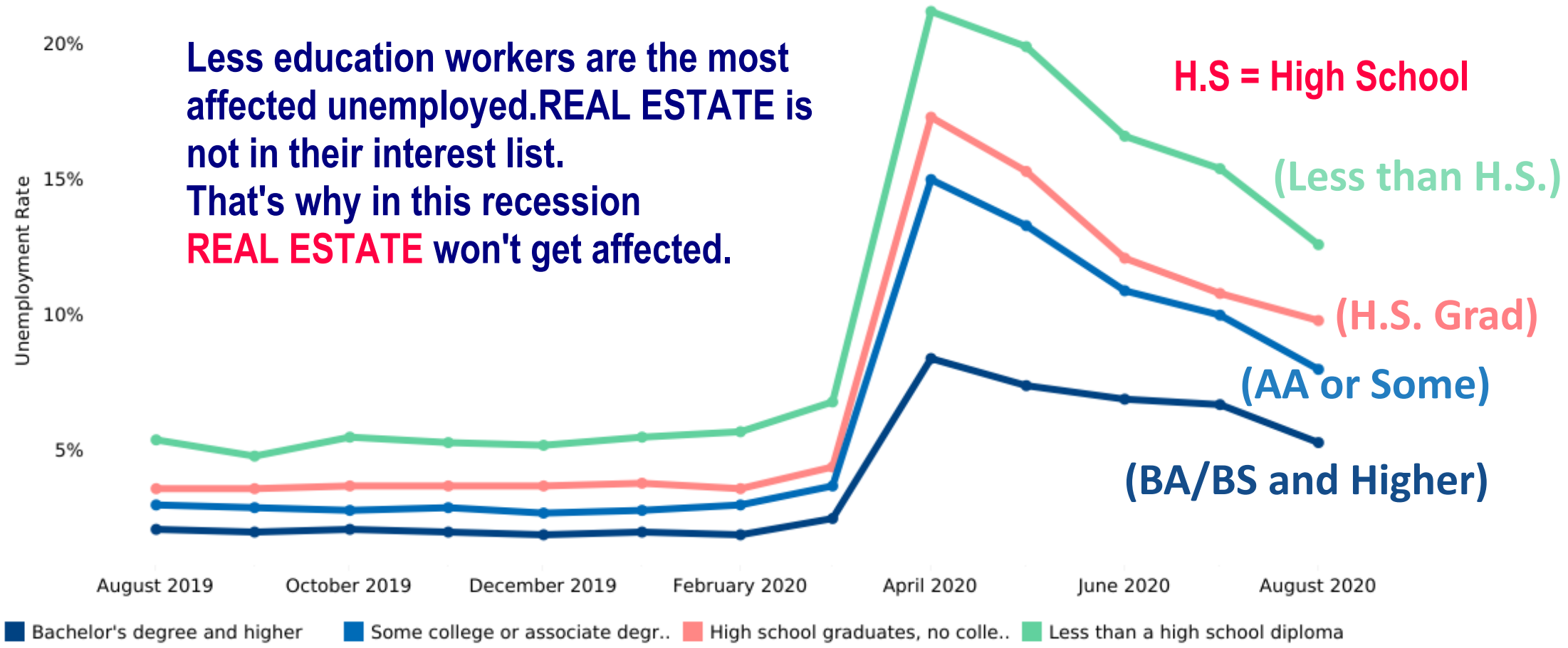


Sources: NAR Calculations of CPS data, U.S. Census Bureau

NATIONAL ASSOCIATION OF REALTORS®

Unemployment Rate

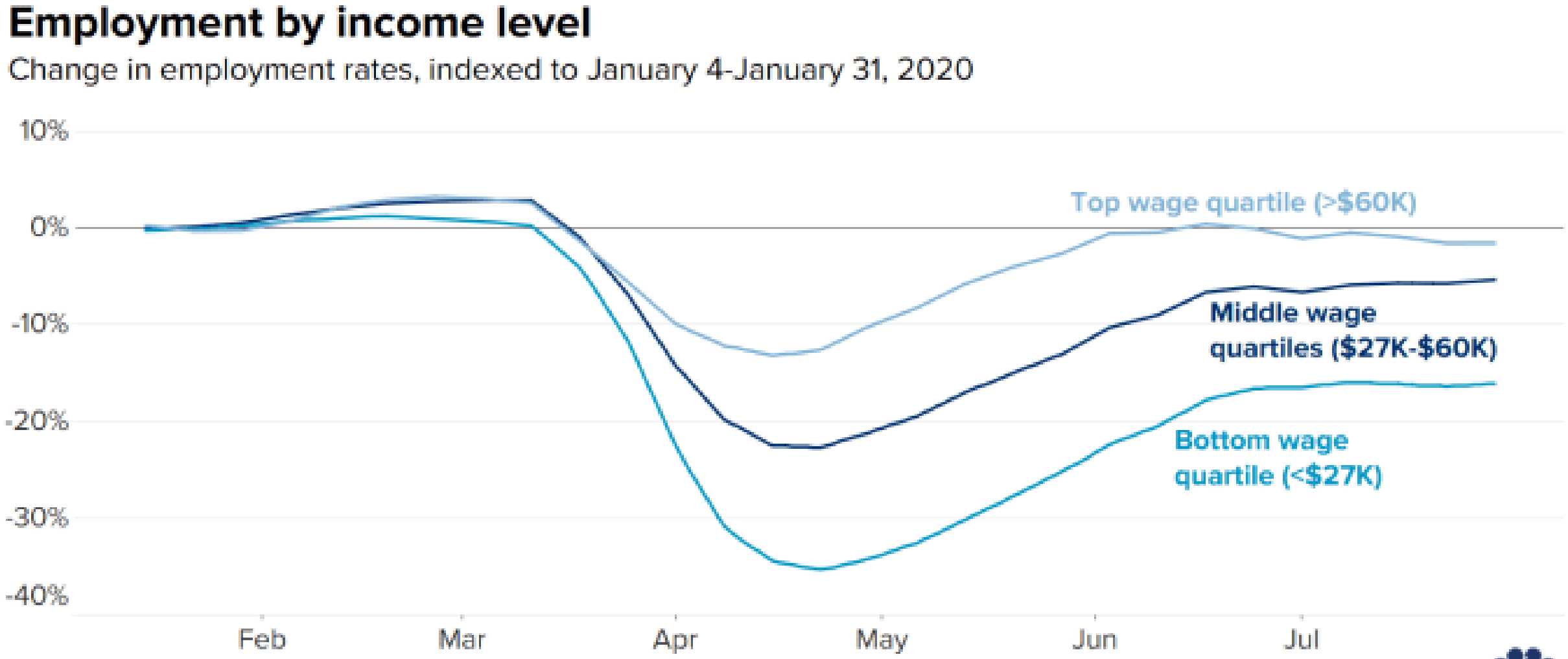
Education



Sources: NAR Calculations of CPS data, U.S. Census Bureau

NATIONAL ASSOCIATION OF REALTORS®

Unemployment Rate

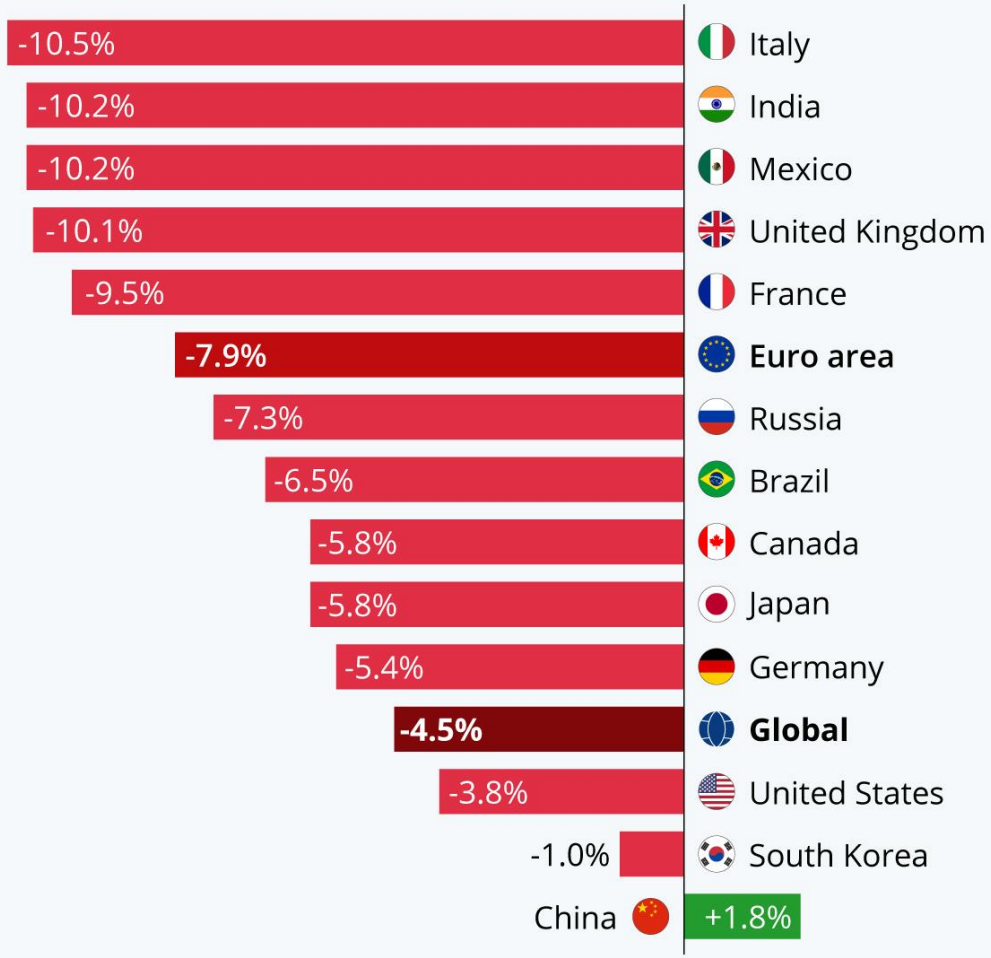


SOURCE: Opportunity Insights. Based on payroll data from Paychex and Intuit, employment and earnings data from Earnin, and timesheet data from Kronos.

CNBC

How Hard Will GDP Be Hit in 2020?

Year-on-year real GDP growth forecasts for 2020

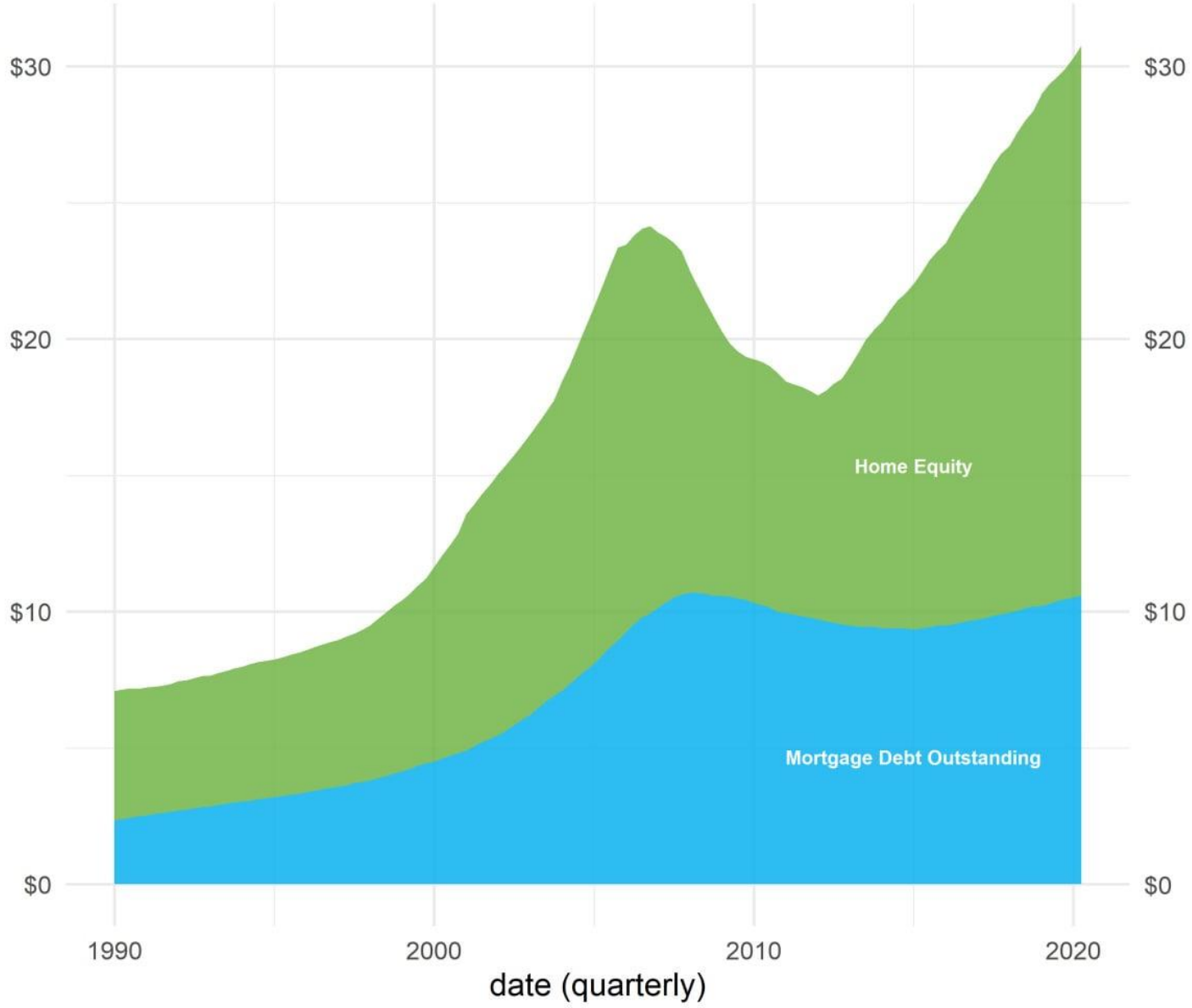


Source: OECD

statista

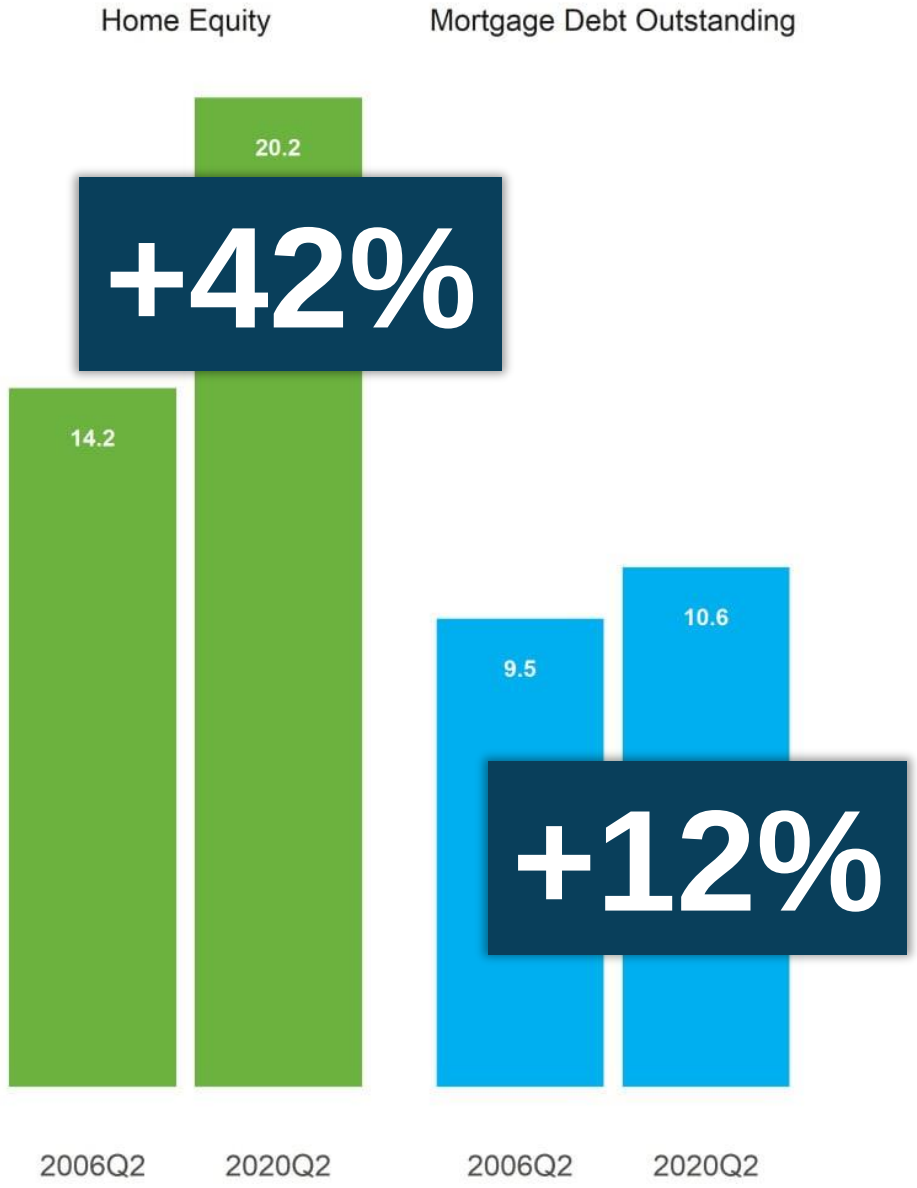
Total value of U.S. real esate held by households

$ Trillions



Comparing 2020Q2 to 2006Q2

$ Trillions



@lenkiefer Source: Federal Reserve Board's Financial Accounts of the United States, Table B. 101. Data through June 30, 2020

U.S. Retail Sales Return to Pre-Pandemic Levels

Monthly retail and food services sales in the United States (seasonally adjusted)*

* August 2020 figure represents an advance estimate based on a subsample of the Census Bureau's full retail and food services sample

Source: U.S. Census Bureau

statista

New Home Sales and Recessions
Seasonally Adjusted Annual Sales Rate (000s)
1,600
1,400
1,200
1,000
800
600
400
200
0
Jan-63
Jan-64
Jan-65
Jan-66
Jan-67
Jan-68
Jan-69
Jan-70
Jan-71
Jan-72
Jan-73
Jan-74
Jan-75
Jan-76
Jan-77
Jan-78
Jan-79
Jan-80
Jan-81
Jan-82
Jan-83
Jan-84
Jan-85
Jan-86
Jan-87
Jan-88
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Jan-90
Jan-91
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Jan-94
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Jan-01
Jan-02
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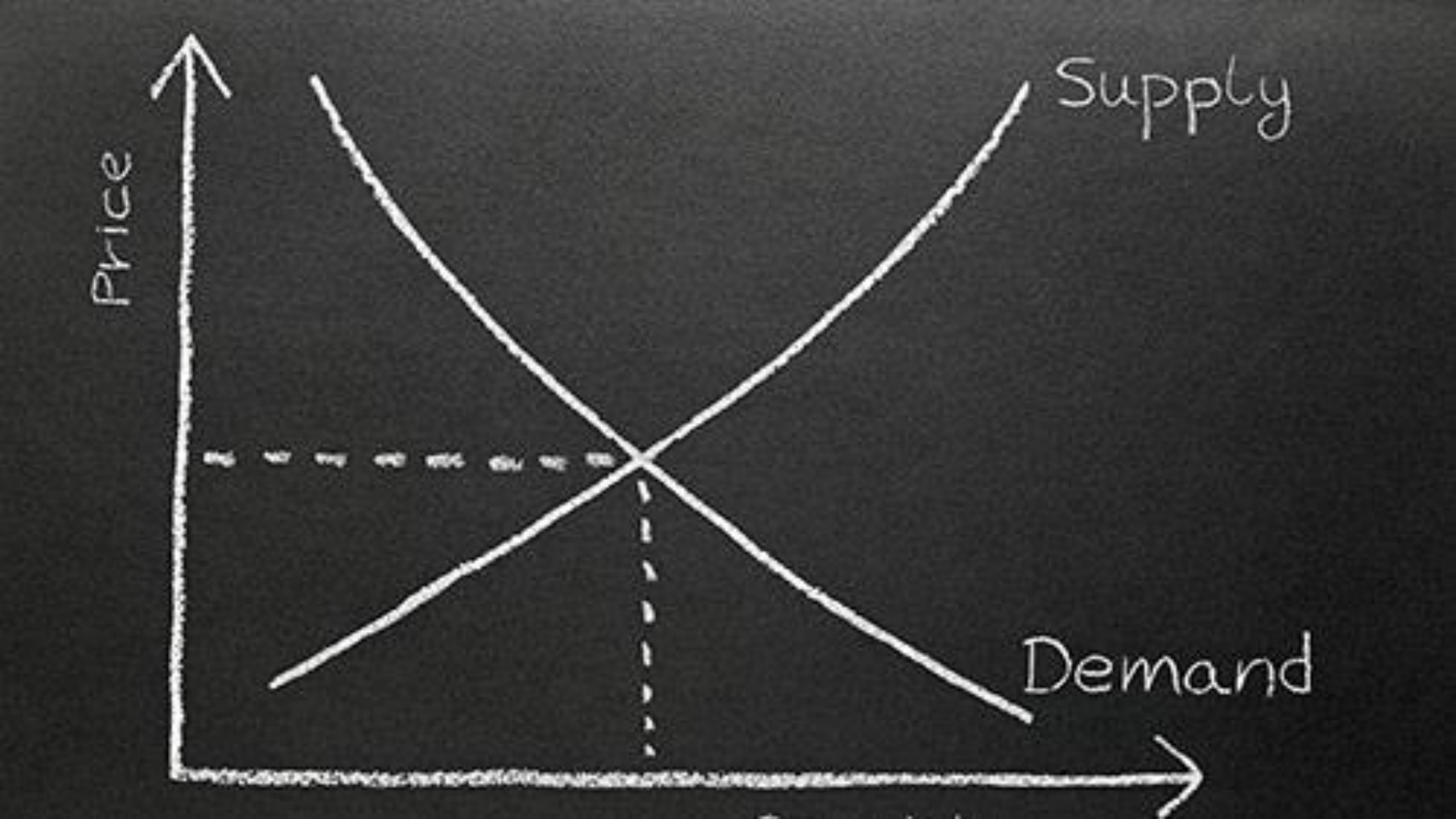
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
http://www.calculatedriskblog.com/
Highest Sales Rate Since 2006

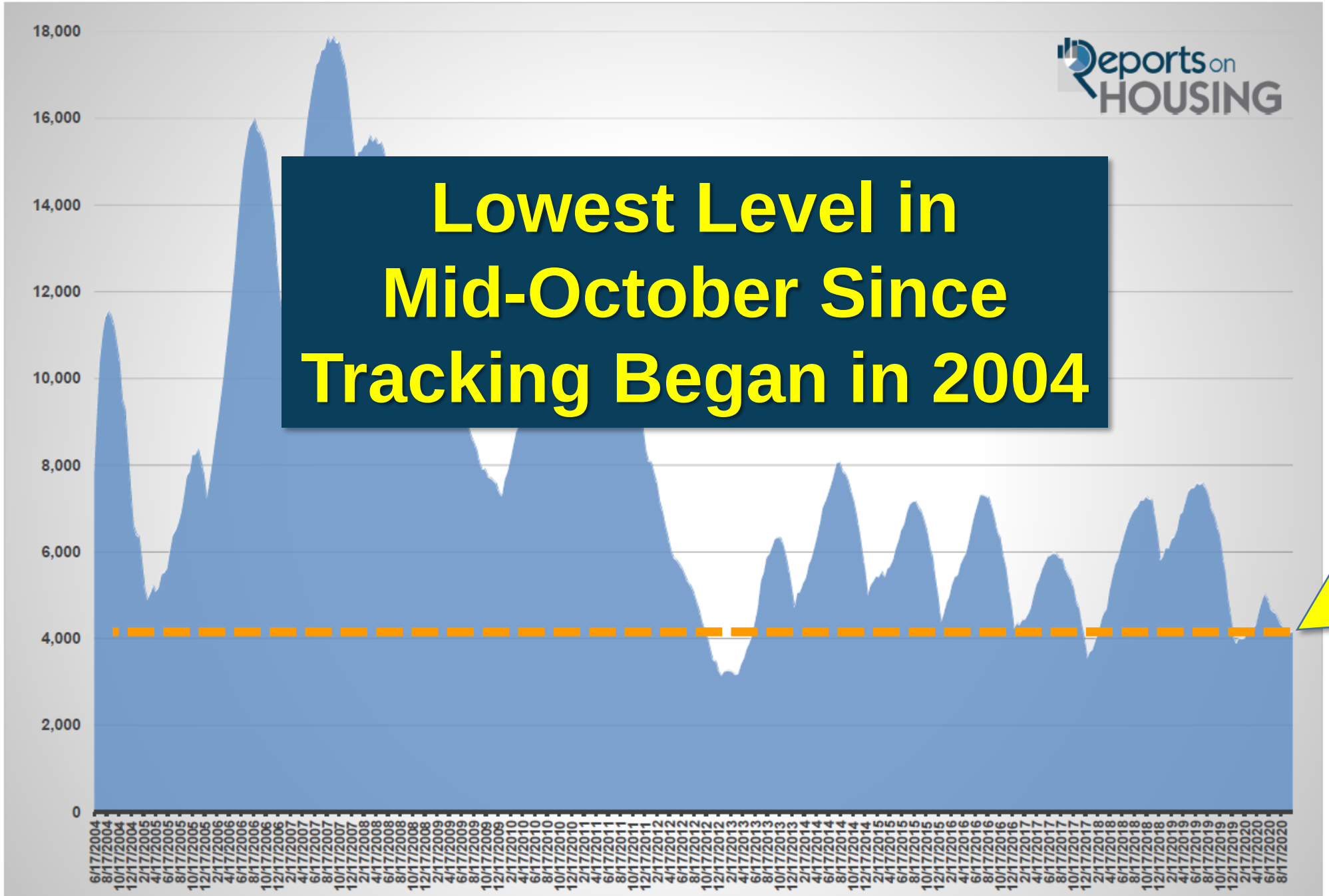
The Orange County Market

HOUSING

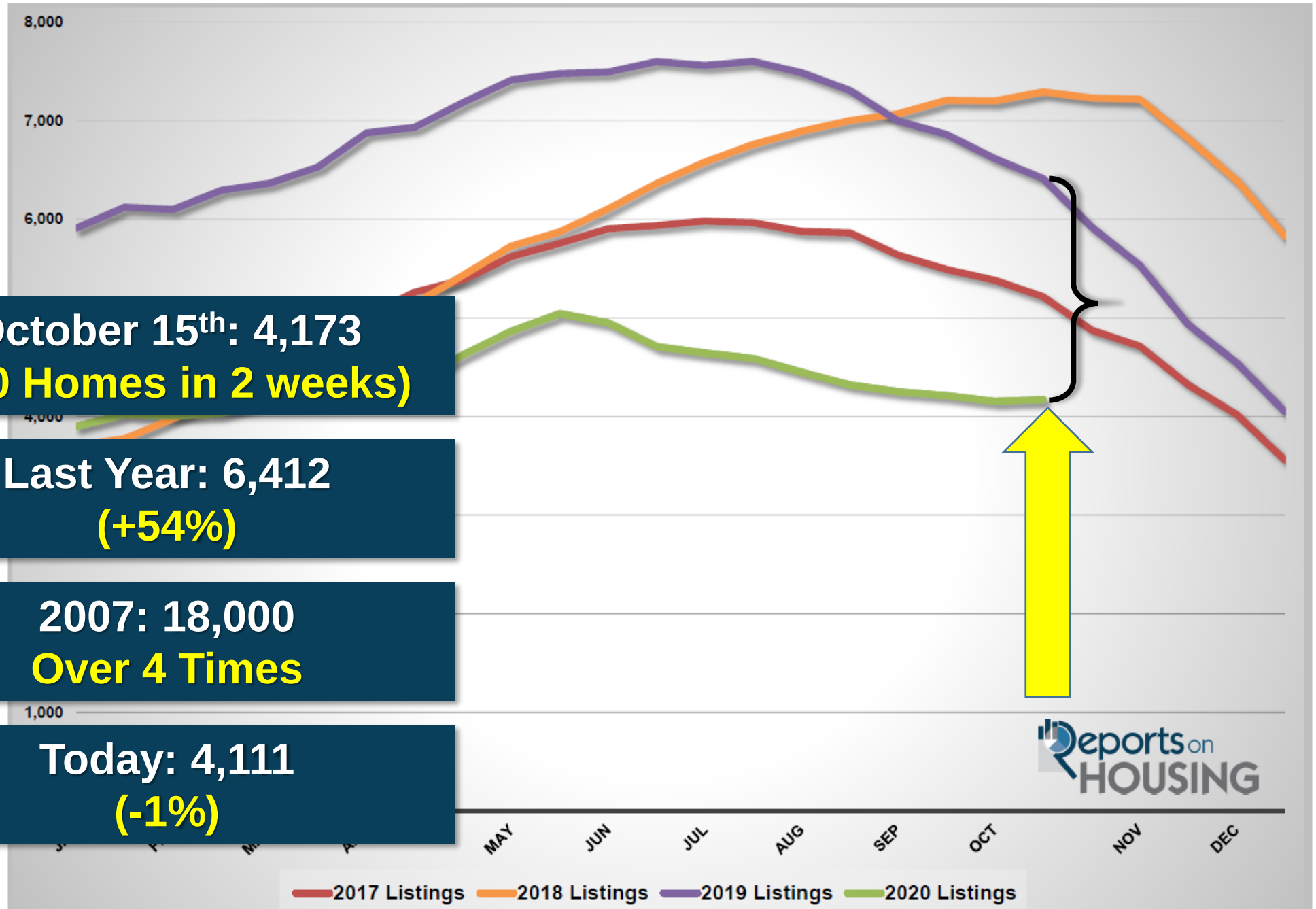

Price
Supply
Demand

Orange County Housing Supply

Orange County Active Listing Inventory



Orange County Active Listing Inventory Year Over Year



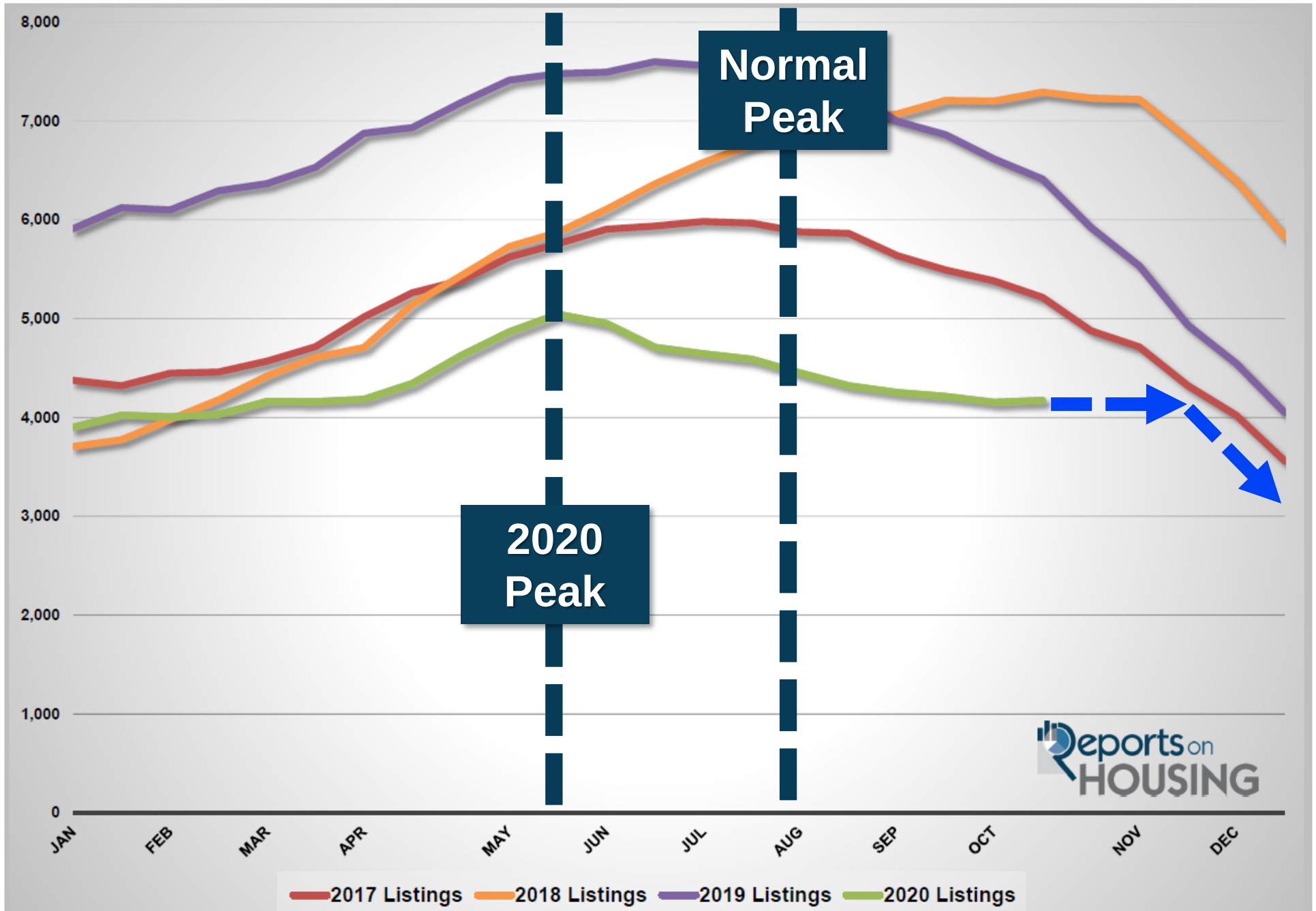
October 15th: 4,173
(+20 Homes in 2 weeks)

Last Year: 6,412
(+54%)

2007: 18,000
Over 4 Times

Today: 4,111
(-1%)

Orange County Active Listing Inventory Year Over Year



COVID 19, is it *STILL* Suppressing Supply?

of New FOR SALE Signs in Orange County Compared to 2019

March: (-25%)

April : (-50%)

May : (-26%)

June: (-5%)

July: (+4%)

August: (+14%)

September: (+25%)

COVID 19

Is NO LONGER

Suppressing Supply

of Missing FOR-SALE Signs Year to Date
Orange County :
-8% or -2,723

Year Over Year Inventory

	Current Actives 10/15/2020	Active Inventory 10/17/2019	Year Over Year
Los Angeles County	10,846	12,952	-16%
Orange County	4,173	6,412	-35%
Riverside County	4,370	8,462	-48%
San Bernardino County	2,626	6,335	-59%
San Diego County	3,976	6,932	-43%
SOCAL TOTALS	25,991	41,093	-37%

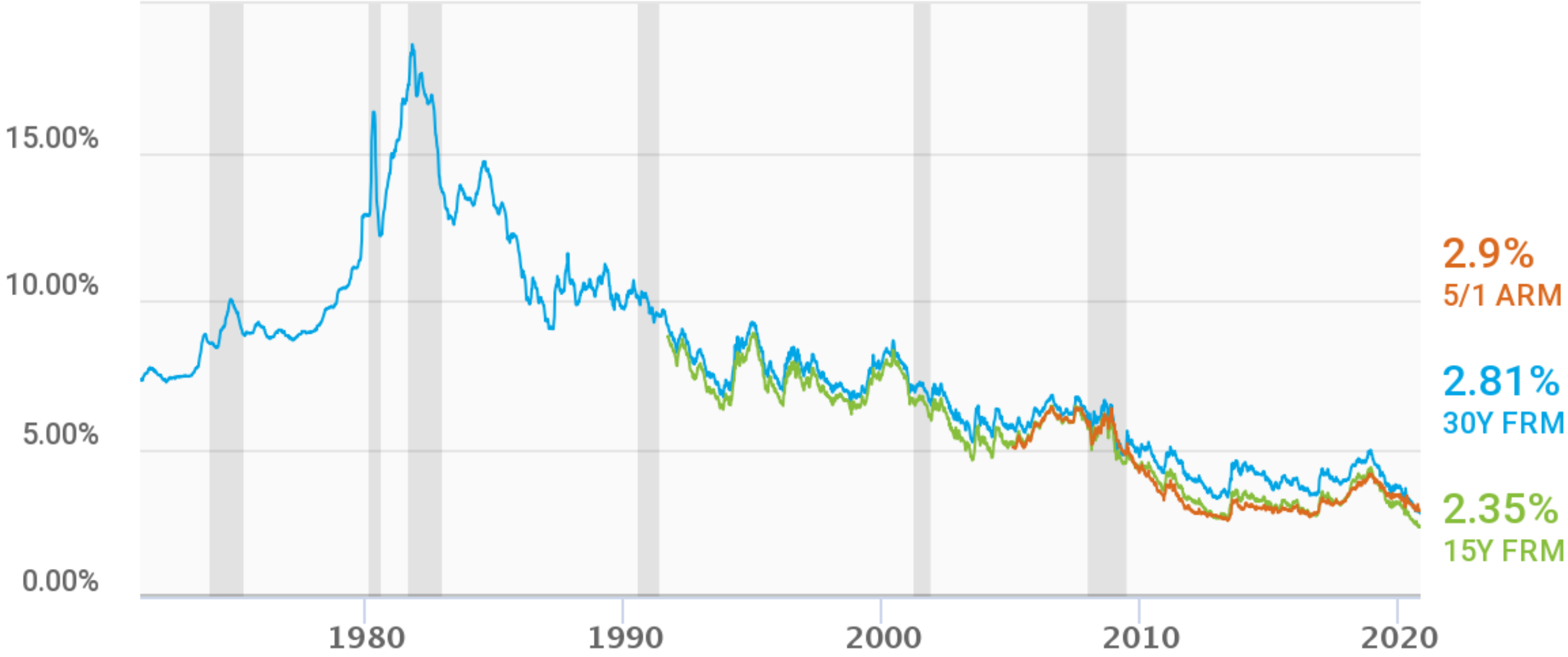
Potential buyer: "Hi, I'm looking to buy a house. How's the market?"

Me: "Remember back in May when you were looking for toilet paper? Yeah... just like that."

Freddie Mac

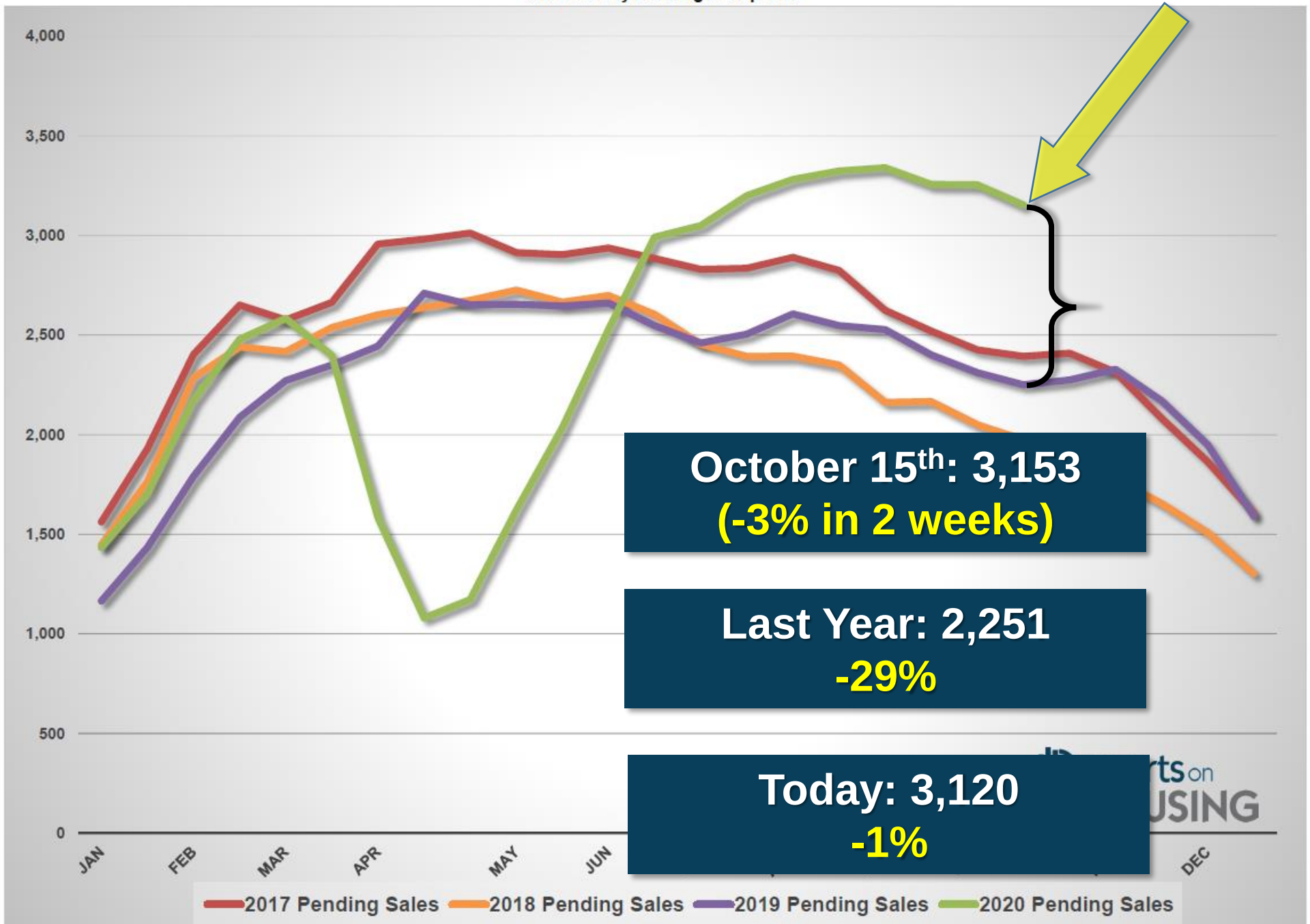
Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 10/15/2020



Orange County Demand Year Over Year

Prior 30 Day Pendings Snapshot



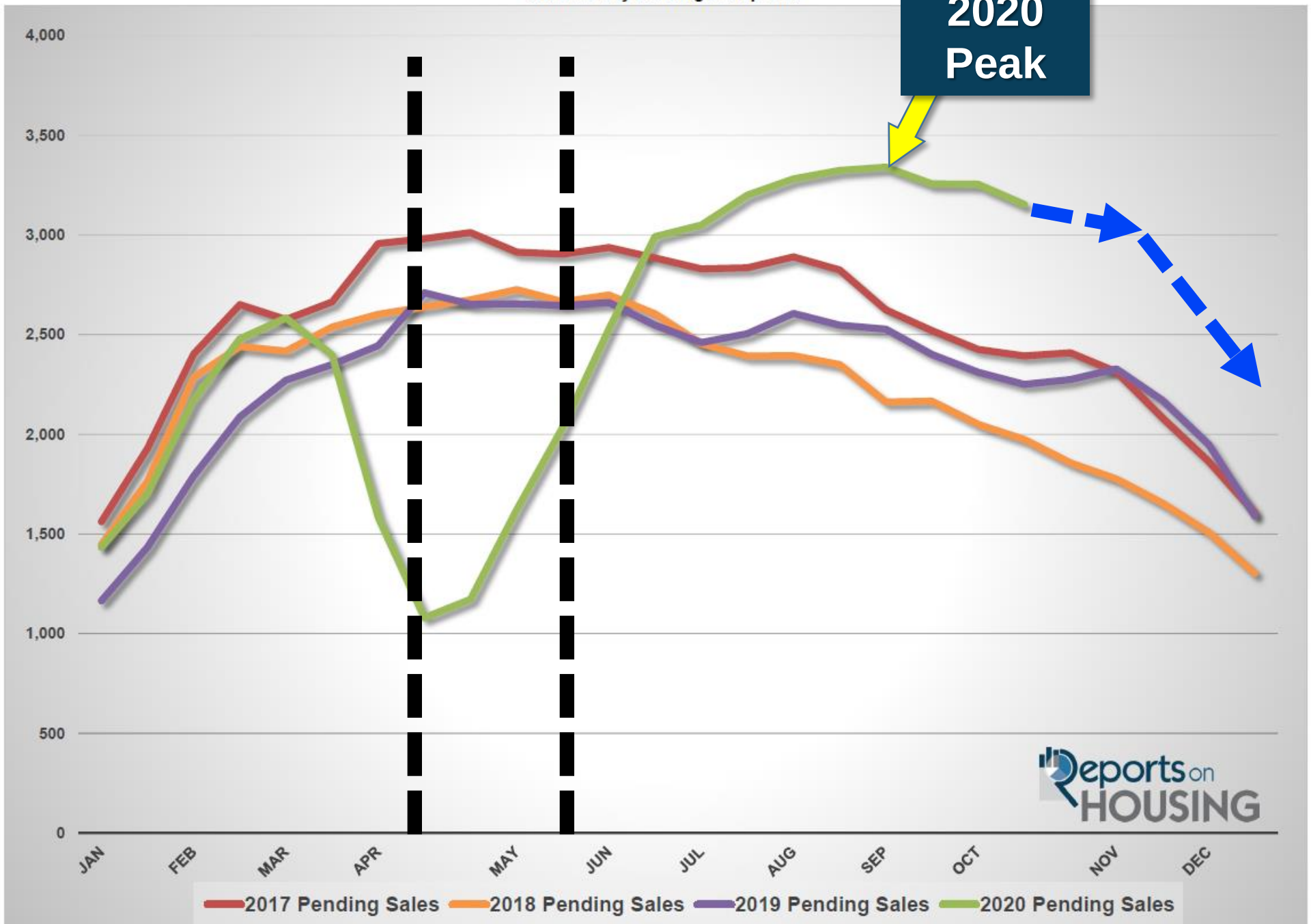
Oktober-Housingfest

Orange County Demand

(Prior 30 Day Pendings Snapshot)

Orange County Demand Year Over Year

Prior 30 Day Pendings Snapshot



Year Over Year Demand

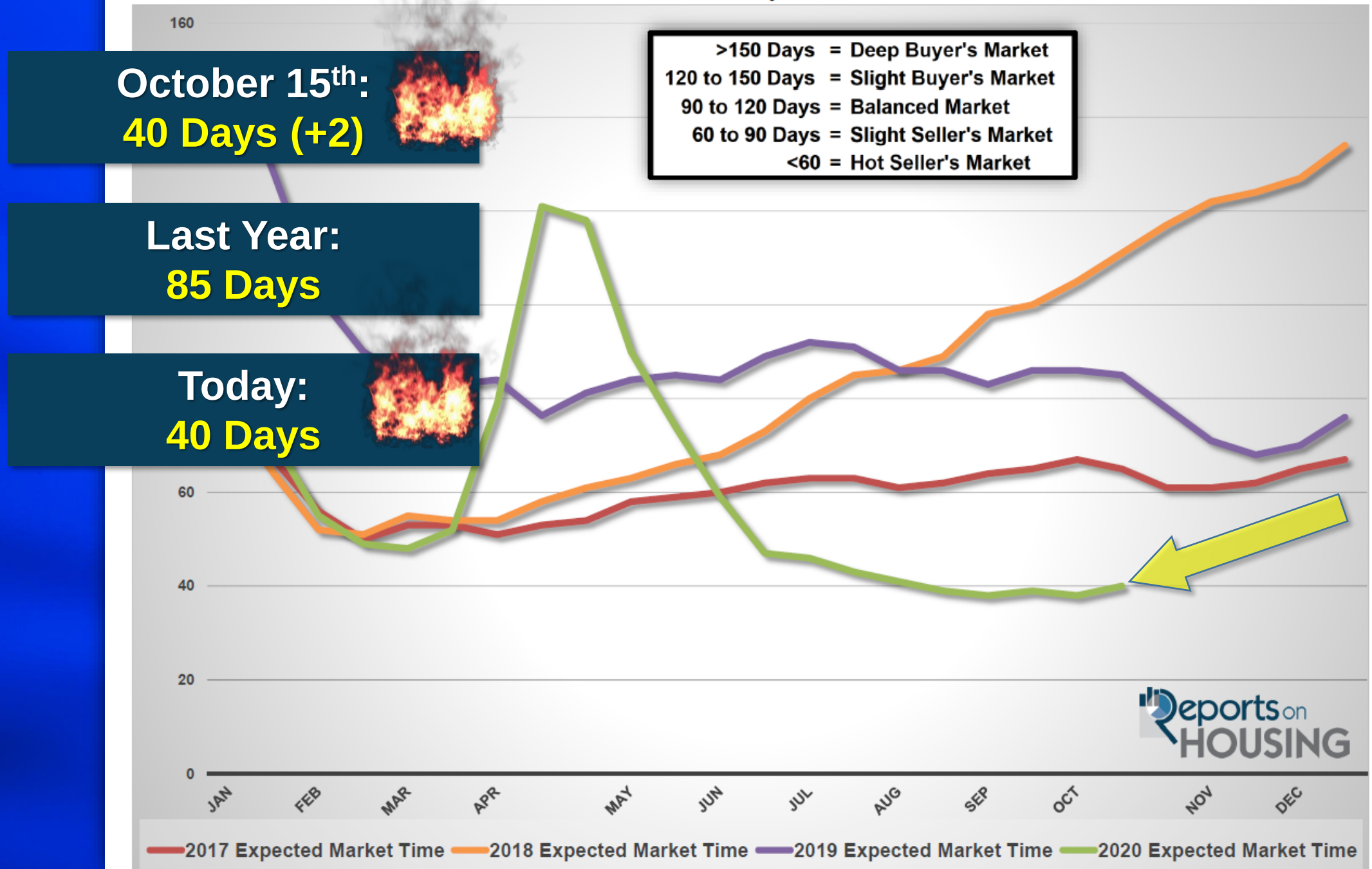
	Demand (30 Days Pendings) 10/15/2020	Demand (30 Days Pendings) 10/17/2019	Year Over Year
Los Angeles County	6,705	5,039	33%
Orange County	3,153	2,251	40%
Riverside County	4,097	2,660	54%
San Bernardino County	2,781	2,133	30%
San Diego County	3,976	2,850	40%
SOCAL TOTALS	20,712	14,933	39%

Demand Will Drop

So Will the Supply

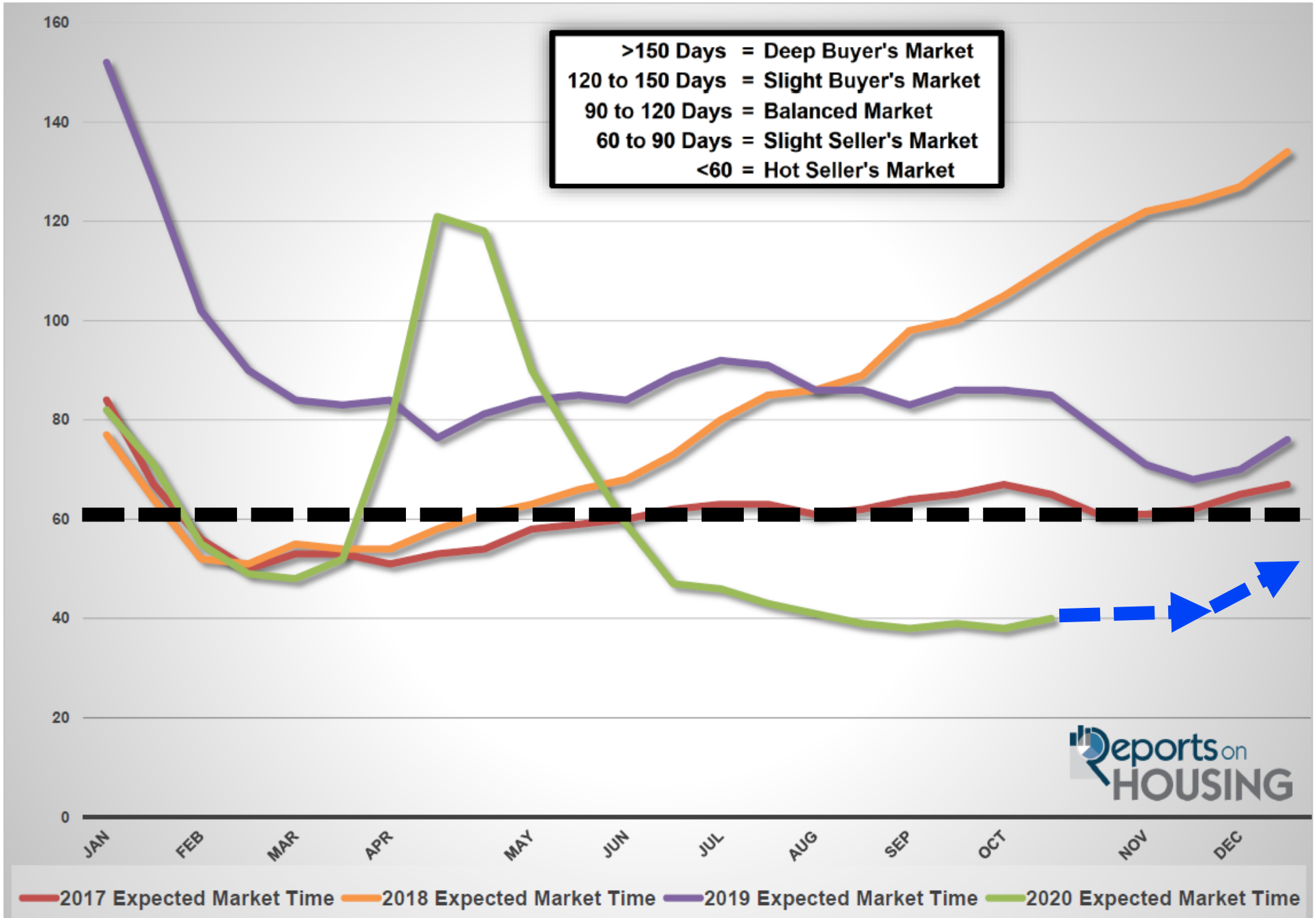
Orange County Expected Market Time Year Over Year

In Days



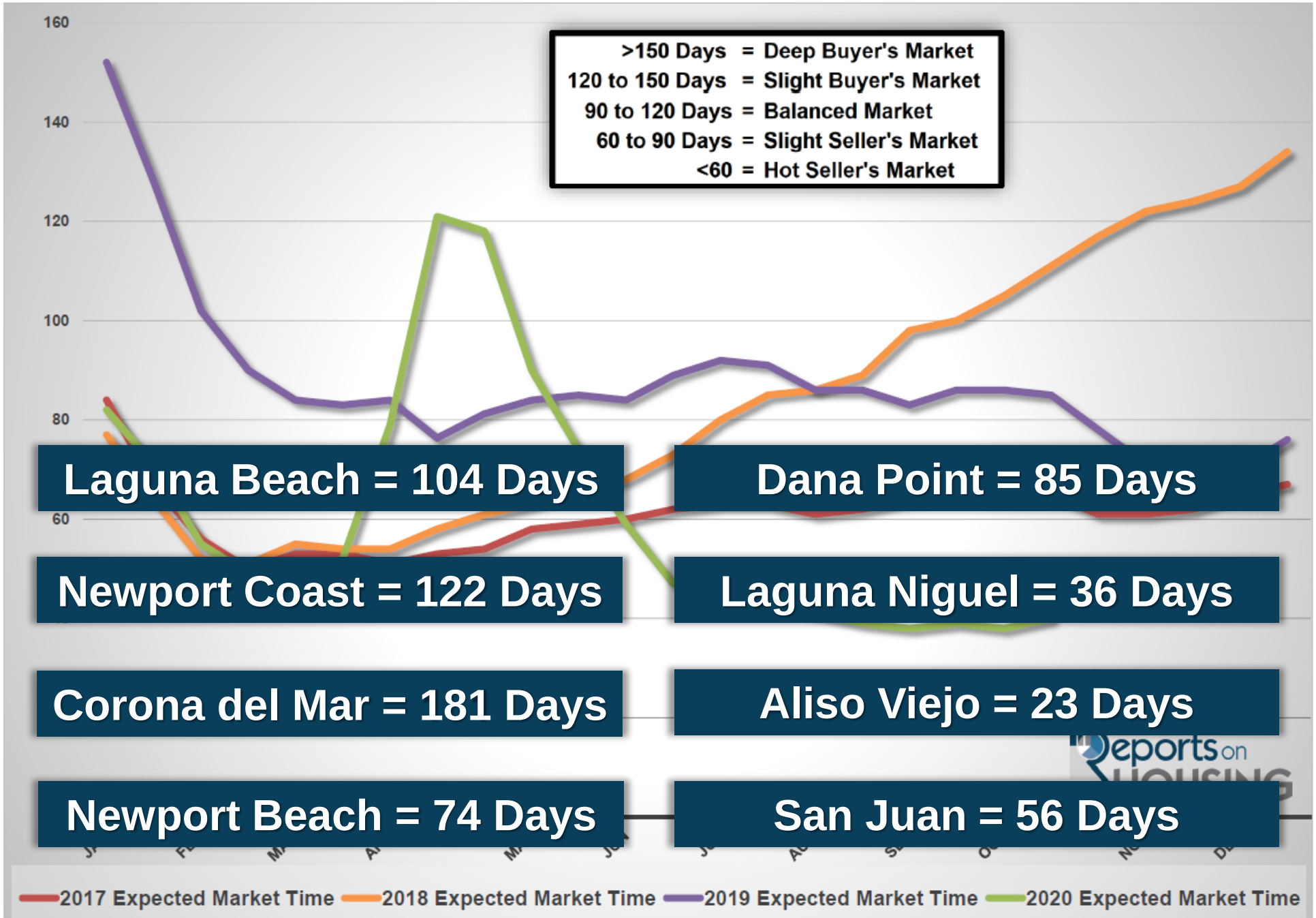
Orange County Expected Market Time Year Over Year

In Days



Orange County Expected Market Time Year Over Year

In Days



Buyers

Low Mortgage Rates

Low Mortgage Rate Environment

	11/15/2018	Current Rates	Monthly Savings	Annual Savings	5 Year Savings
Mortgage Amount	5%	2.8%	2.8%	2.8%	2.8%
$500,000	$2,684	$2,054	$630	$7,560	$37,800
$700,000	$3,758	$2,876	$882	$10,584	$52,920
$1,000,000	$5,368	$4,109	$1,259	$15,108	$75,540

Low Mortgage Rate Environment

	Prior to Great Recession	Current Rates	Monthly Savings	Annual Savings	5 Year Savings
Mortgage Amount	6.35%	2.8%	2.8%	2.8%	2.8%
$500,000	$3,111	$2,054	$1,057	$12,684	$152,208
$700,000	$4,356	$2,876	$1,480	$17,760	$213,120
$1,000,000	$6,222	$4,109	$2,113	$25,356	$304,272

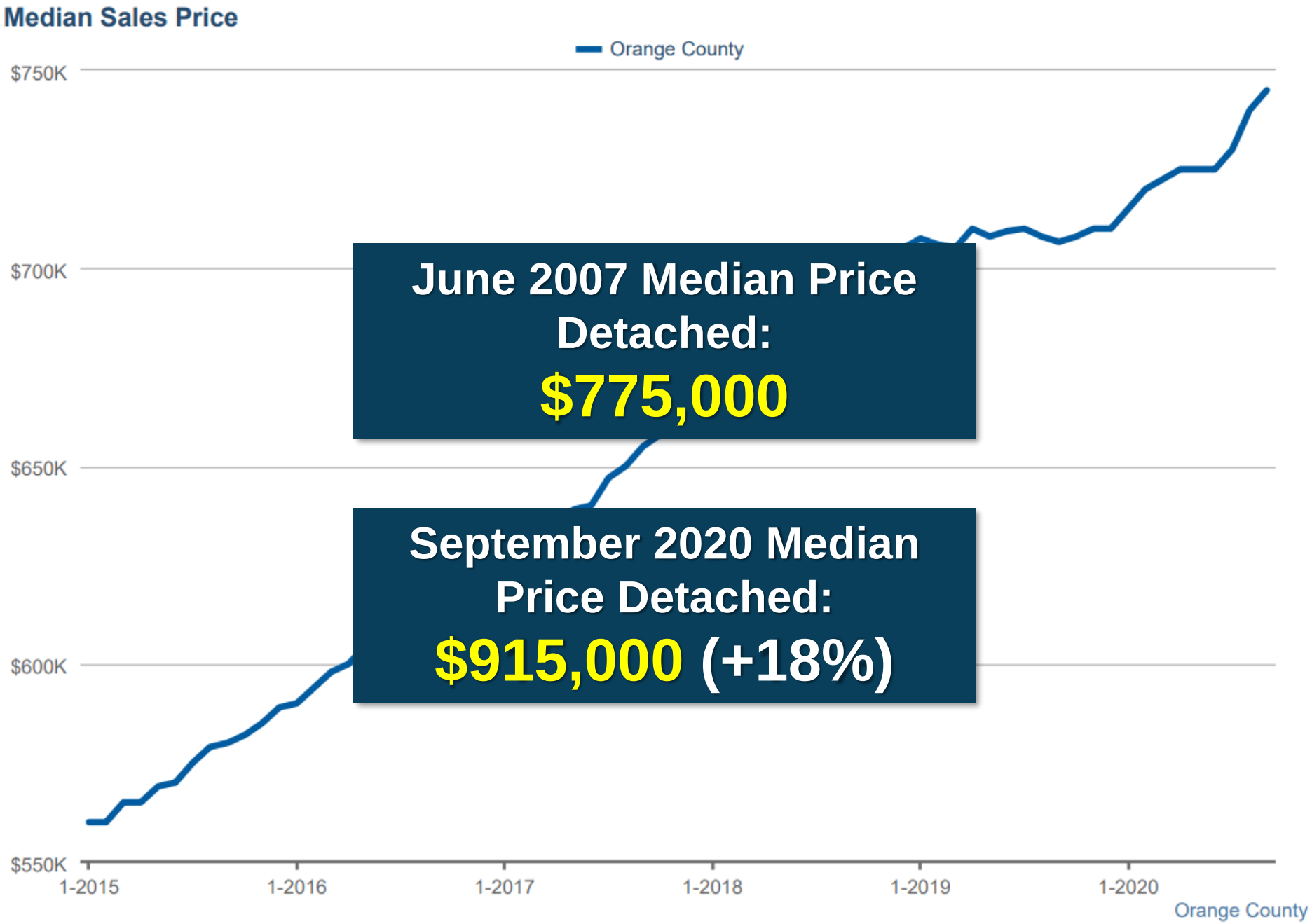
Low Mortgage Rate Environment

Interest Rates Impact on Affordability

	2.8%	3.25%	3.50%	3.75%	4.0%	4.25%	4.5%	5.0%
$3,000 a Month Desired Jumbo Mortgage Payment	↓ Price of Home Able to Afford ↓							
	$912,500	$861,250	$835,000	$810,000	$785,000	$762,500	$740,000	$698,750

*Mortgage Payment is Principal & Interest Only & 20% Down Payment

Reports on HOUSING



June 2007 Median Price Detached:
$775,000

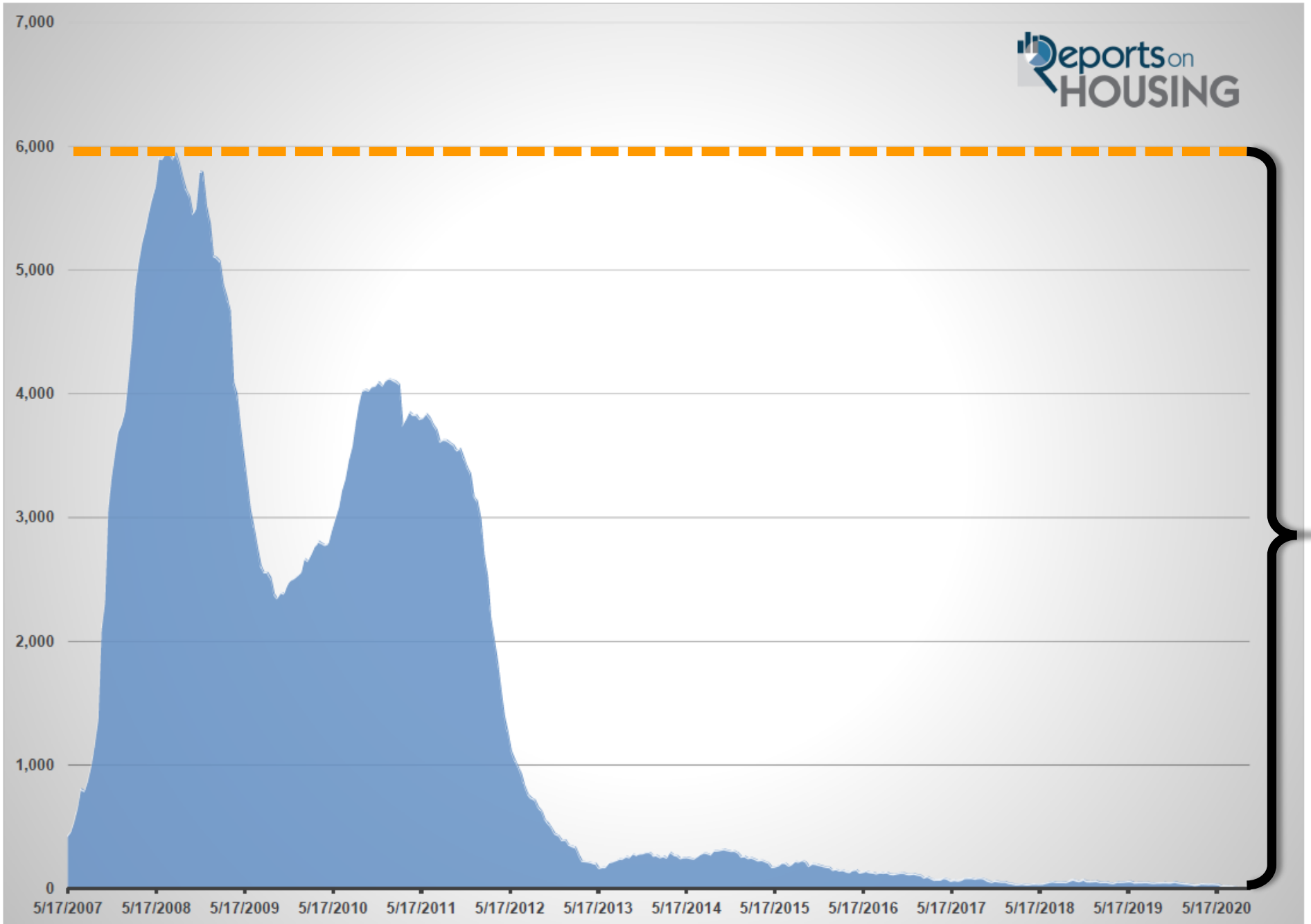
September 2020 Median Price Detached:
$915,000 (+18%)

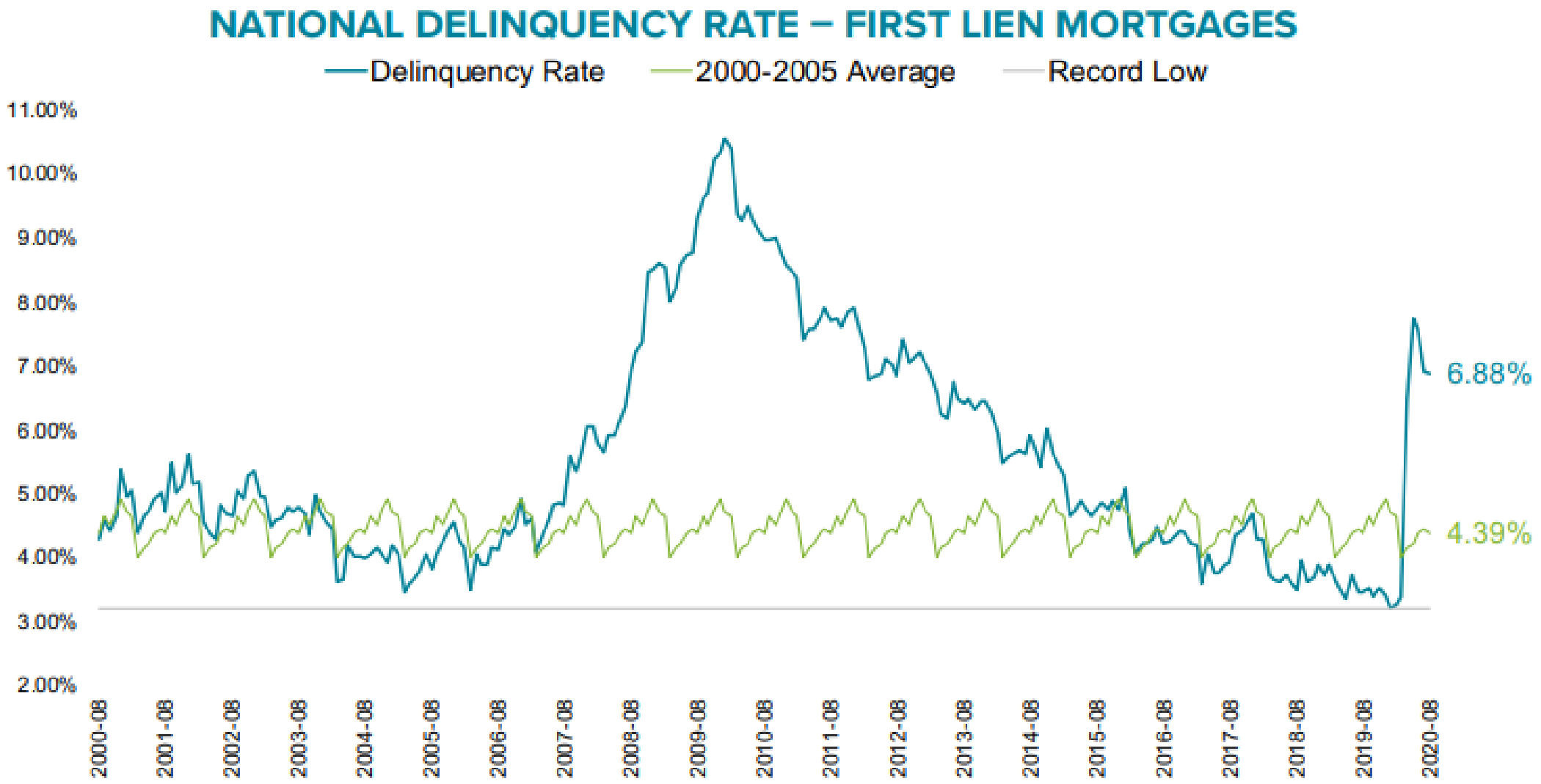
Each data point is 12 months of activity. Data is from October 6, 2020.

All data is from the California Regional Multiple Listing Service, INC. InfoSparks © 2020 ShowingTime.

The Election won't affect the REAL ESTATE!

Orange County Distressed Listing




NATIONAL DELINQUENCY RATE – FIRST LIEN MORTGAGES
Delinquency Rate
2000-2005 Average
Record Low
11.00%
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
6.88%
4.39%
2000-08
2001-08
2002-08
2003-08
2004-08
2005-08
2006-08
2007-08
2008-08
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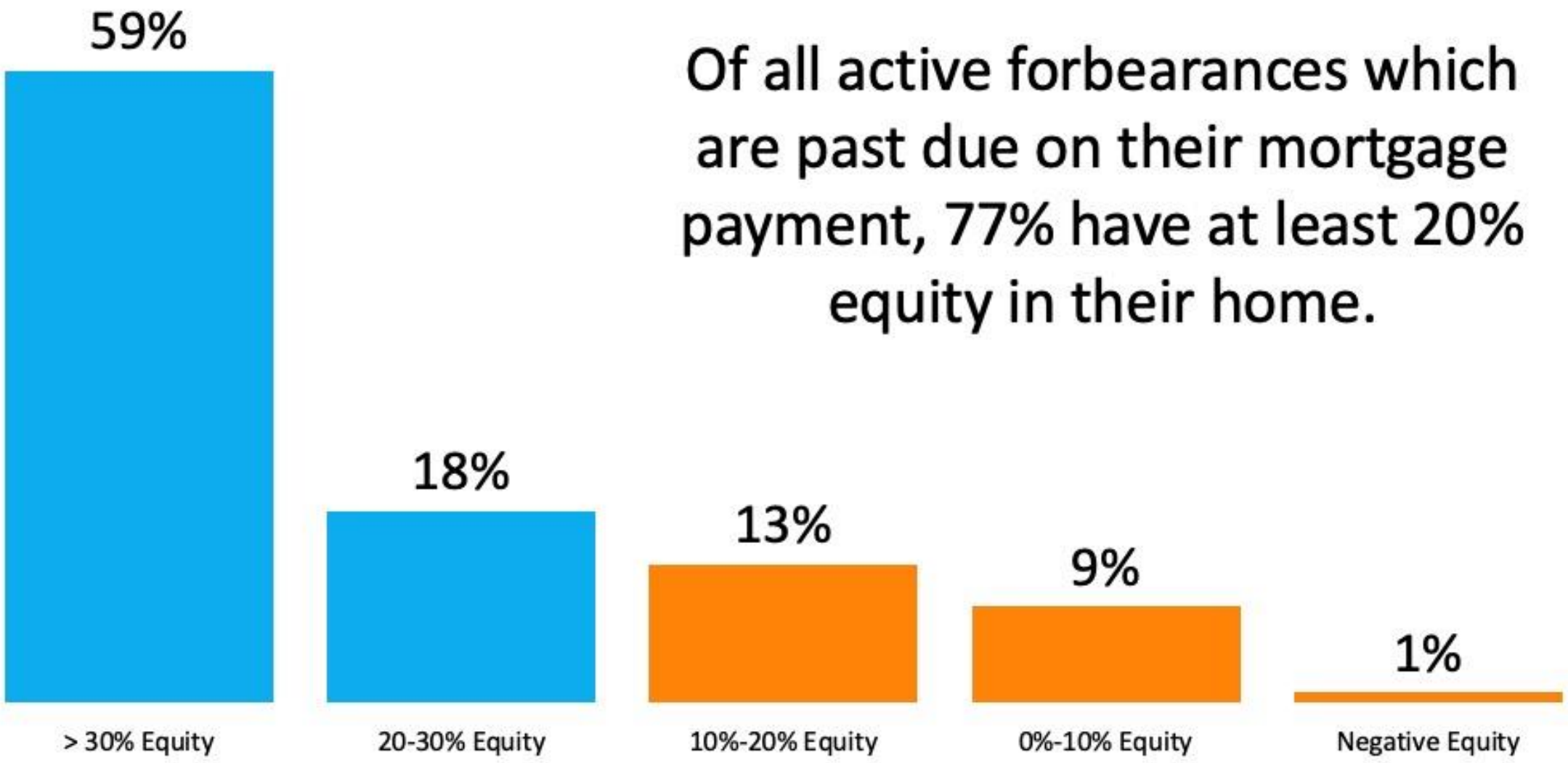
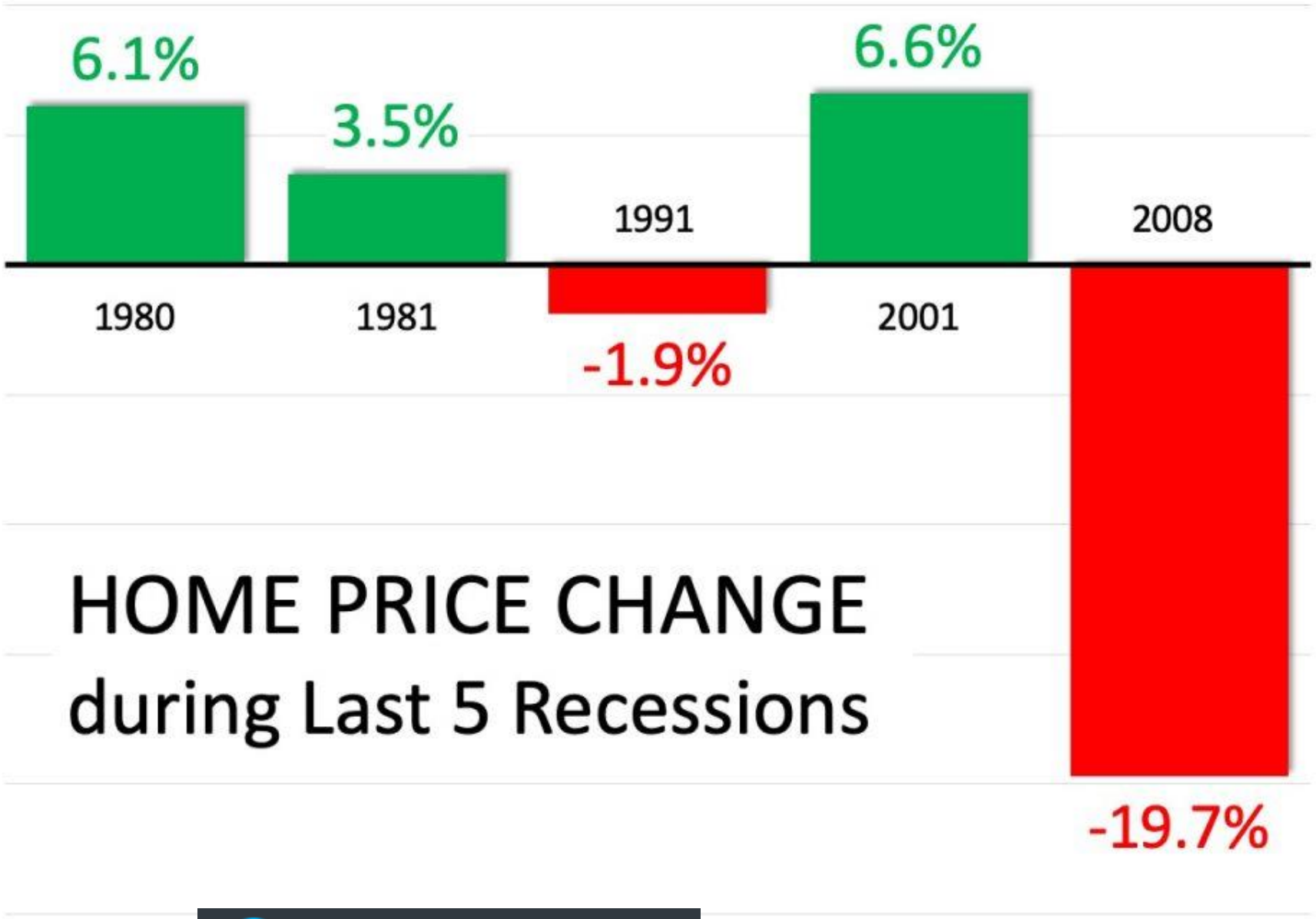
2018-08
2019-08
2020-08



Of all active forbearances which are past due on their mortgage payment, 77% have at least 20% equity in their home.

Keeping Current Matters

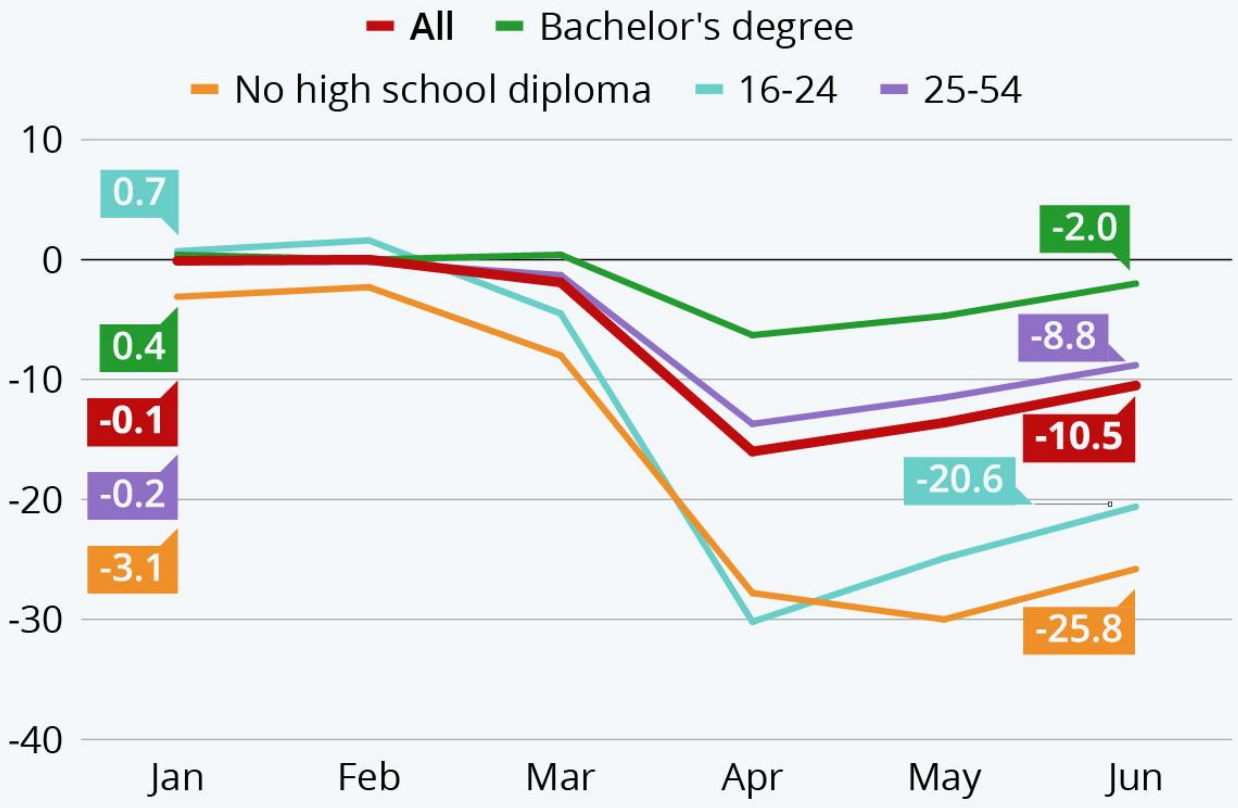
Black Knight


6.1%
3.5%
1991
6.6%
2008
1980
1981
-1.9%
2001
-19.7%
HOME PRICE CHANGE
during Last 5 Recessions
KEEPING CURRENT MATTERS
CoreLogic National Home Price Index

UNEMPLOYMENT

Young Workers Hit Hardest by COVID

Percent change in employment since December 2019, by education and age



Seasonally adjusted

Sources: Wall Street Journal, Bureau of Labor Statistics

statista

Sellers

Property
Value

Sitting on the Market

Reports on HOUSING
Your Local Real Estate Snapshot

	Current Actives	Days On Market Over 60	Percentage 60 Days Plus	Expected Market Time
O.C. $0-$500k	642	179	28%	35 Days
O.C. $500k-$750k	746	111	15%	23 Days
O.C. $750k-$1m	741	147	20%	27 Days
O.C. $1m-$1.25m	400	119	30%	37 Days
O.C. $1.25m-$1.5m	340	97	29%	48 Days
O.C. $1.5m-$2m	331	121	37%	61 Days
O.C. $2m-$4m	578	281	49%	100 Days
O.C. $4m+	357	217	61%	315 Days
All of O.C.	4,136	1,273	31%	39 Days

*October 14, 2020

Price Adjustments

Edit	Listing ID	S	Sub Type	St#	St Name	City	Area	SLC	L/C Price
	PW18157877	A	SFR/D	6292	Larchwood DR	HB	17	STD	$755,000
	PW18152155	A	SFR/D	6172	Dudman AV	GG	47	STD	$755,000
	PW18162636	A	SFR/D	8192	Hazard AV	MC	60	STD	$755,000
	PW18114383	A	SFR/D	1124 W	La Entrada CR	ANA	79	STD	$755,000
	OC18105667	A	SFR/D	1669 S	Melissa WY	ANA	79	STD	$755,000
	RS18151341	A	SFR/A	631	Macadamia LN	PLA	84	STD	$755,000
	PW18110071	A	SFR/D	5069	Burgundy LN	YL	85	STD	$755,000
	OC18177475	A	SFR/D	24792	Camino Villa	LF	LN	STD	$755,000
	OC18153383	A	SFR/A	24372	Woodwalk RD	LF	LS	STD	$755,000
	OC18179951	A	SFR/D	21755	Tobarra	MV	MN	STD	$755,000
	PW18166877	A	SFR/D	29	Fairfield	LF	FH	STD	$758,000
	18337320	A	SFR/A	28202	ALAVA	MV	MC	STD	$758,000
	PW18146711	A	SFR/D	15871	Pilgrim CR	HB	17	STD	$759,000
	TR18122059	A	SFR/D	7611	Rhone LN	HB	17	STD	$759,000
	PW18124012	A	SFR/D	5132	Carlsbad CR	LOSA	52	STD	$759,000
	WS18148059	A	SFR/A	5371	Duncannon AV	WTM	58	STD	$759,000
	PW18154961	A	SFR/D	1908 S	Artesia ST	SA	69	STD	$759,000
	OC18136805	A	CONDO/D	2033 N	Orange-Olive RD	ORG	72	STD	$759,000
	PW18105008	A	SFR/D	7739 E	Misty Glen CT	AH	77	STD	$759,000
	PW18181229	A	SFR/D	7753	La Mesa WY	BP	82	STD	$759,000
	PW18156948	A	SFR/D	1400	Old River RD	FUL	83	STD	$759,000
	OC18076348	A	CONDO/A	3141	Michelson DR #608	IR	AA	STD	$759,000
	OC18176460	A	CONDO/D	9	Nantucket LN	AV	AV	STD	$759,000
	OC18084320	A	SFR/D	831	Darrell ST	CM	C2	STD	$759,000
	OC18119354	A	SFR/D	24881	Monte Verde DR	LN	LNSEA	STD	$759,000

10% Reduced Last Week

The Golden Opportunity

Orange County - August 2020

Reduction	% of Sales	Sales to Last Price Ratio	Sales to Original List Price Ratio	Median Sales Price	Avg DOM
5% or more	9%	94.7%	85.3%	$995,000	125 Days
1% to 4%	15%	97.8%	95.4%	$785,000	65 Days
No Reduction	76%	99.6%	99.6%	$775,000	19 Days

Reports on HOUSING

Market Overview

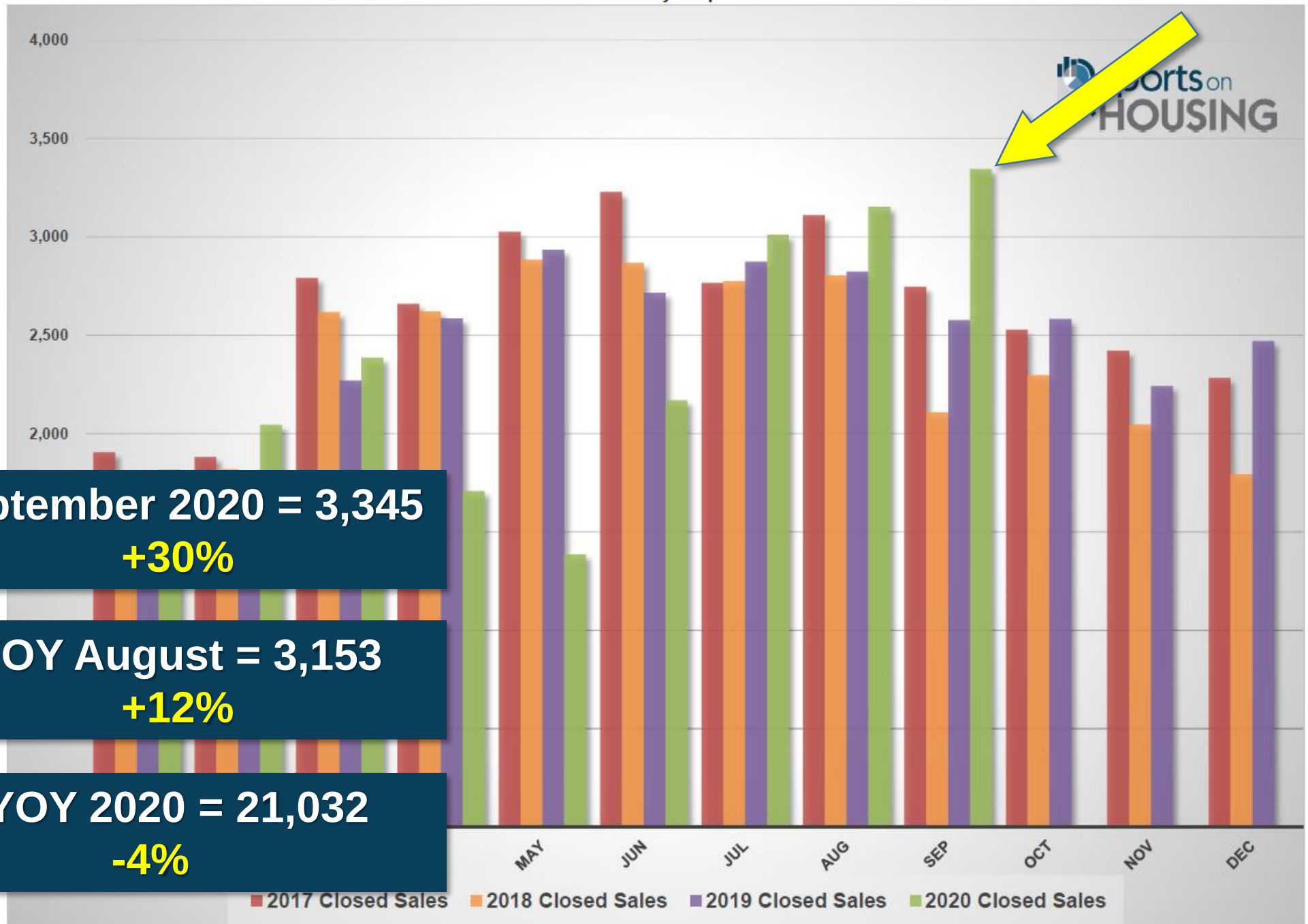
Orange County Housing Market

	Expected Market Time	Share of Housing Inventory	Share of Current Demand	Last Year
O.C. $0-$750k	29 Days	34%	47%	56 Days
O.C. $750k-$1m	27 Days	18%	26%	70 Days
O.C. $1m-$1.25m	42 Days	10%	9%	109 Days
O.C. $1.25m-$1.5m	55 Days	8%	6%	118 Days
O.C. $1.5m-$2m	61 Days	8%	5%	200 Days
O.C. $2m-$4m	109 Days	14%	5%	316 Days
O.C. $4m+	194 Days	9%	1%	619 Days

Reports on HOUSING

Orange County Closed Sales Year Over Year

Prior 30 Day Snapshot



September 2020 = 3,345
+30%

YOY August = 3,153
+12%

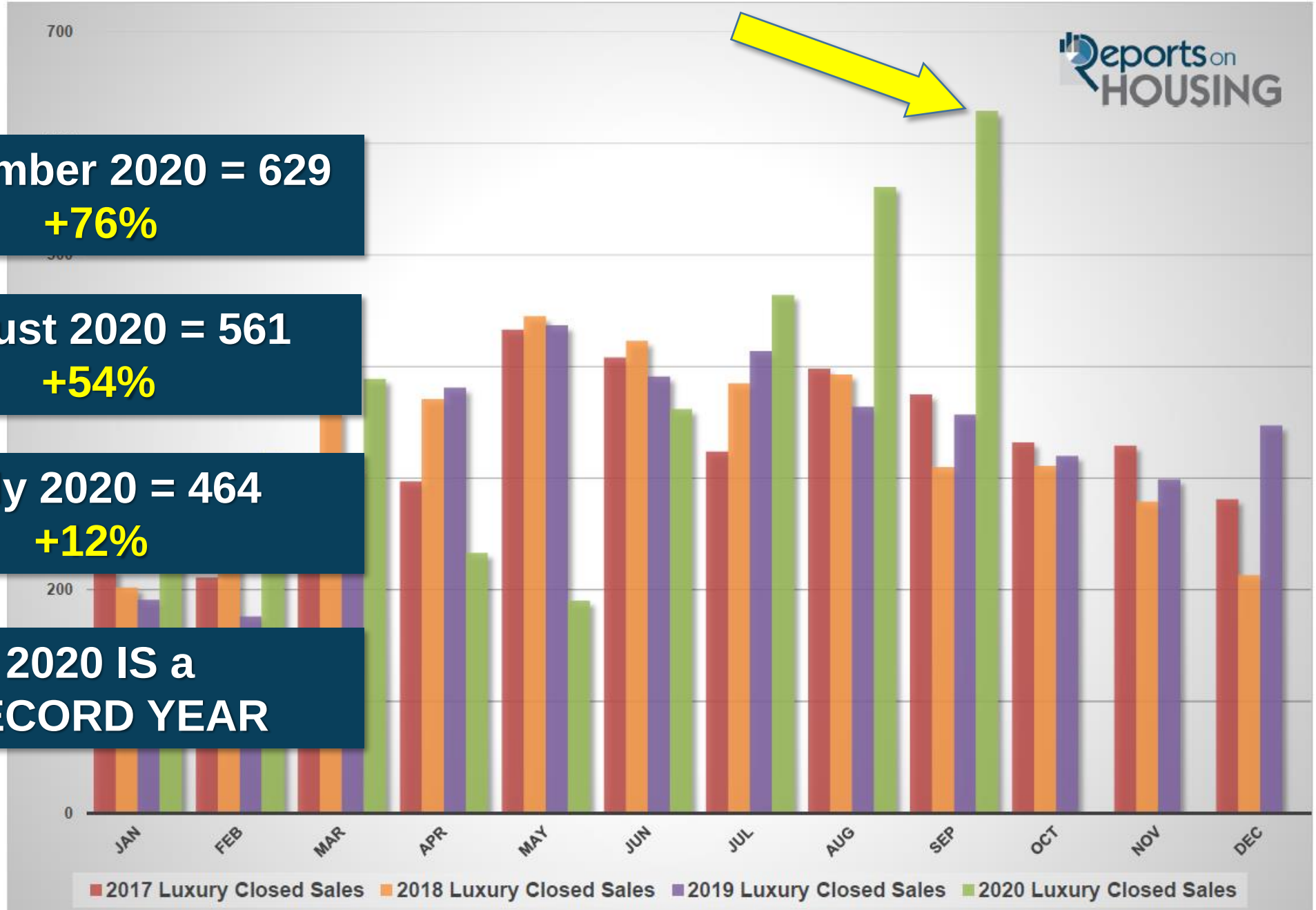
YOY 2020 = 21,032
-4%

Orange County Luxury Closed Sales

($1.25m+)

Orange County Luxury Closed Sales Year Over Year

($1.25m+)



September 2020 = 629
+76%

August 2020 = 561
+54%

July 2020 = 464
+12%

2020 IS a RECORD YEAR

	YOY Demand Change	YOY % Change
$0 - $750k	+190	+15%
$750k - $1.25m	+432	+64%
$1.25m+	+280	+97%
Overall	+902	+41%

Let’s Forecast

My 2021 Concerns

Travel Industry

Values Rise TOO Fast

Jobs

Unrealistic Sellers

My 2021 Forecast

- Distressed rises slightly – NO WAVE
- Return of the unrealistic, overpriced seller
- Normal housing cycle with better activity than 2020. 1st half will be HOT!

My 2021 Forecast

- Record Low to Start the Year = 3,000 (Beats 2013 Record)
- Rise in active inventory: 5,500-6,500
- Appreciation in 2021, up 4 to 6%.

My 2021 Forecast

- Upper ranges thrive in spring/summer, then slow for last third.
- Continued increase in move-up sellers.
- Closed sales up 4% to 8% compared to 2020.

My 2021 Forecast

- Buyers = Motivated by low rates (willing to stretch a bit)
- Interest rates between 2.75% to 3.25%

BERKSHIRE HATHAWAY
HomeServices
California Properties

Home

Amir Vahdat

949-682-9090

CIPS

That's all Folks!