
Homeownership in California & Its Benefits

STEPS Toward Homeownership

March 28, 2023

Jordan G. Levine

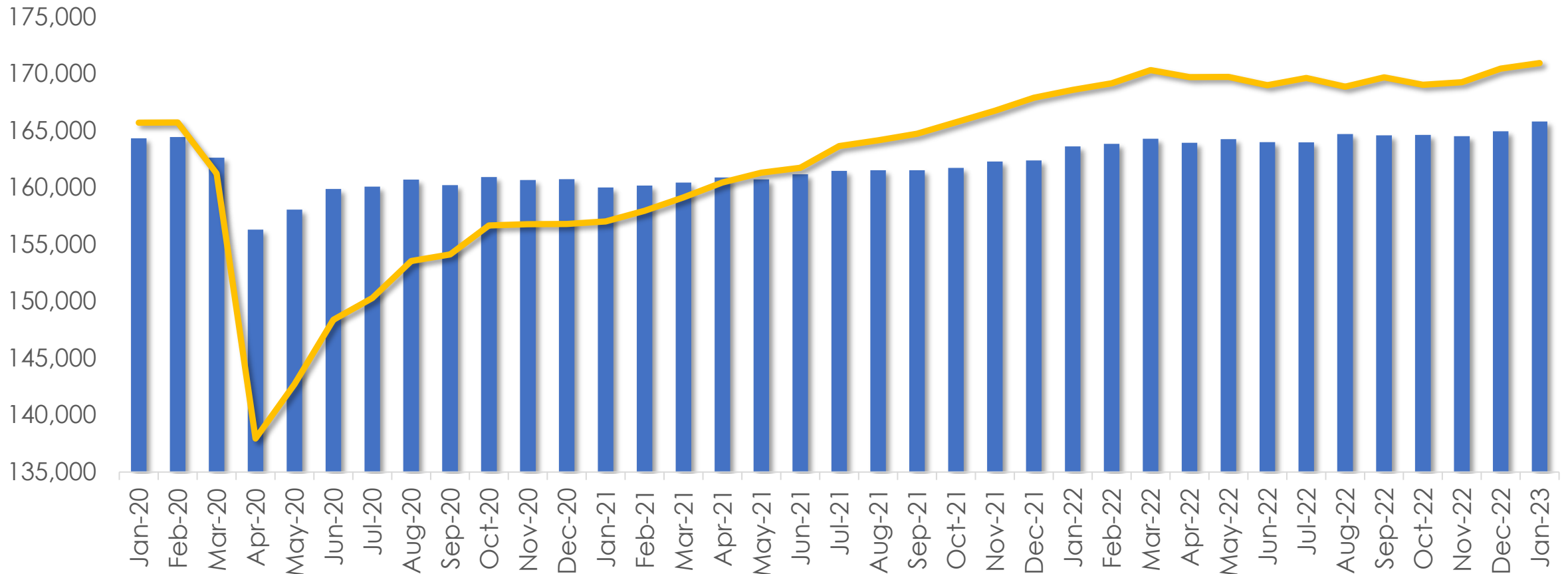
Vice President & Chief Economist
California Association of REALTORS®



Labor markets still 4.2 million workers short

U.S. Labor Supply & Demand

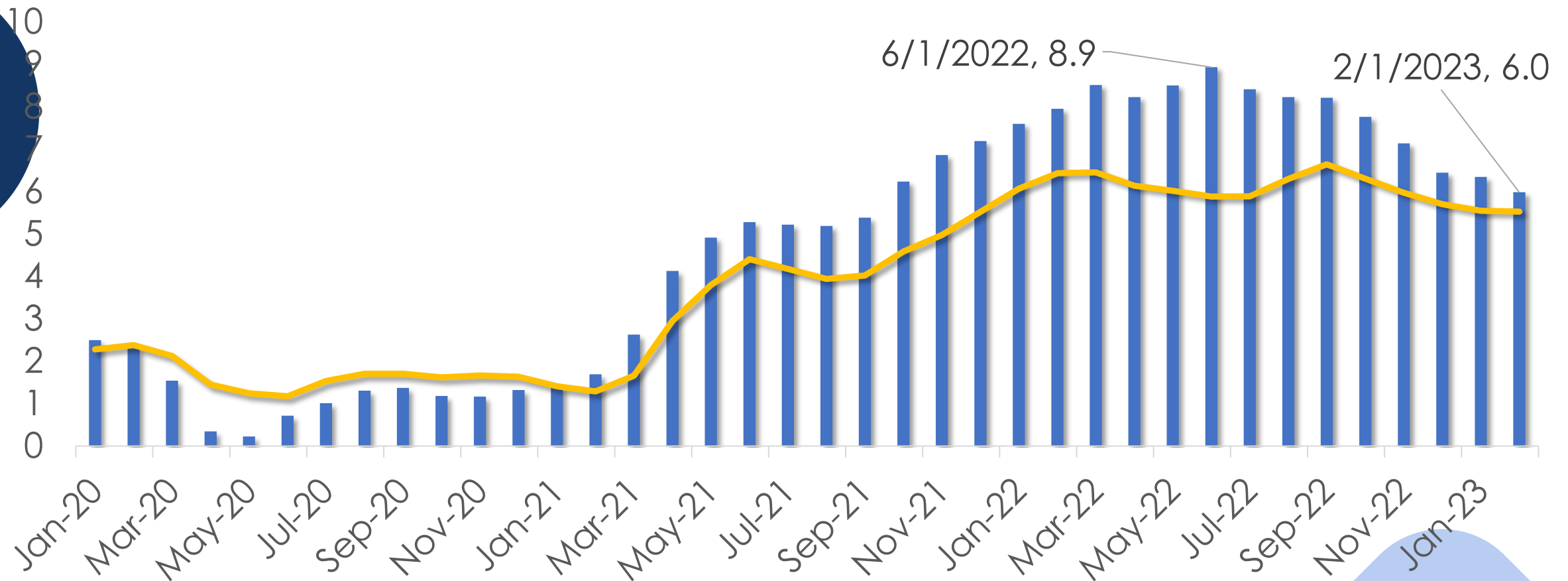
■ Working + Looking for Work — Filled + Open Positions



Inflation still 3X higher than the Fed wants it to be

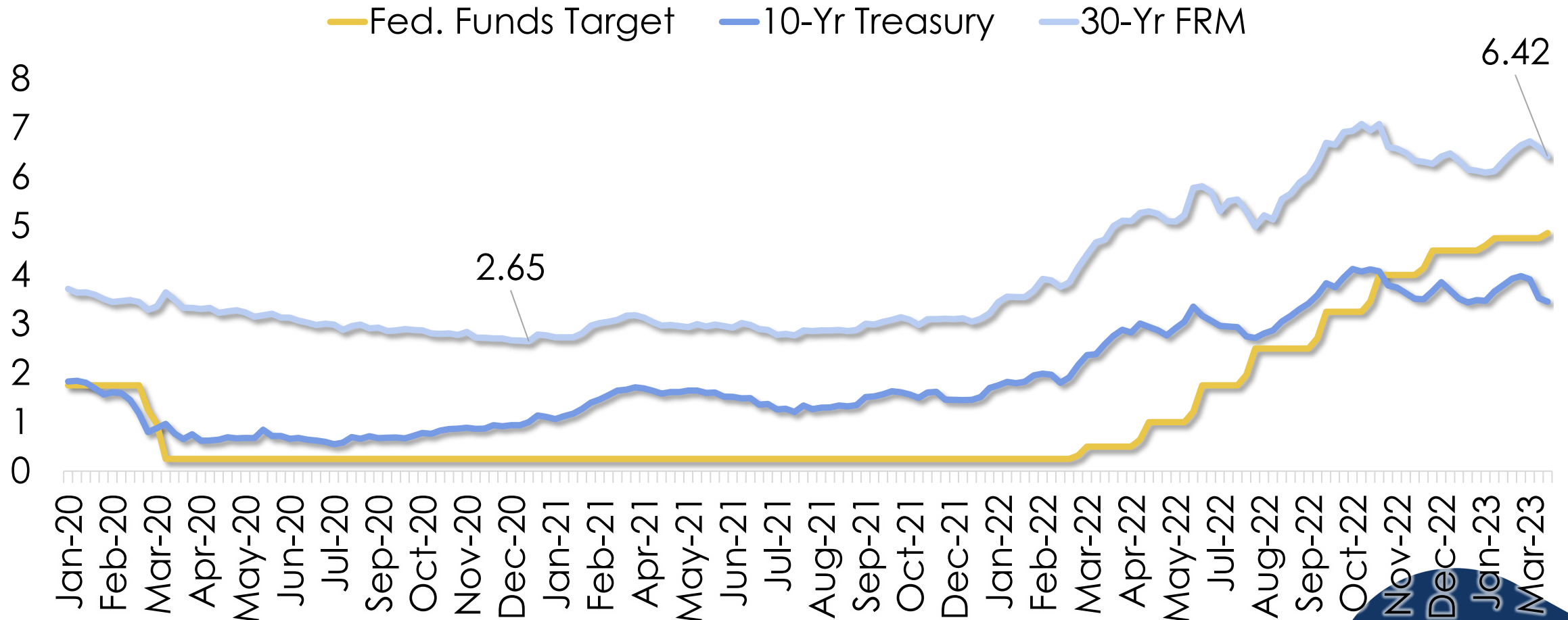
U.S. Consumer Price Index

■ CPI YoY Growth — Core CPI YoY Growth



Rates broke 7% again, but back down again after SVB

Key Interest Rates



Step 1: Define Buyer's Profile

Select County of Residence

Riverside

Select Annual Household Income

\$80,000

Select Desired Downpayment (% of Purchase Price)

3.5%

5.0%

10.0%

20.0%

Select Desired Monthly Payment (% of Income)

Low (30%)

Medium (35%)

High (40%)

Step 2: Toggle Interest Rate for Buyer Impacts

Select Rate for Purchasing Power & Inventory Below Cutoff

3.0%

3.5%

4.0%

4.5%

5.0%

5.5%

6.0%

6.5%

7.0%

7.5%

8.0%

8.5%

9.0%

9.5%

10.0%

Impact on Homebuyer's Purchasing Power

\$2,000

Target Monthly Payment (PITI)

\$442,201

Price Cutoff At Selected Rate

\$88,440

Downpayment Amount

Impact on Number of Listings Below Cutoff

Feb-23

Listings As Of Month

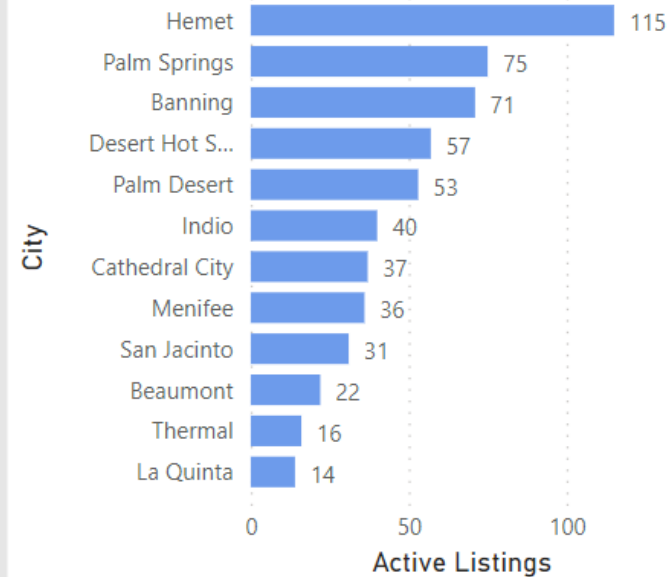
678

Listings At/Below Price Cutoff

19%

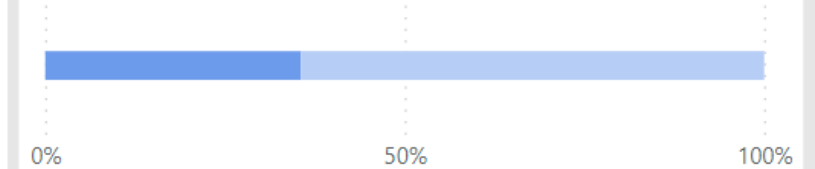
Share At/Below Price Cutoff

Active Listings by City



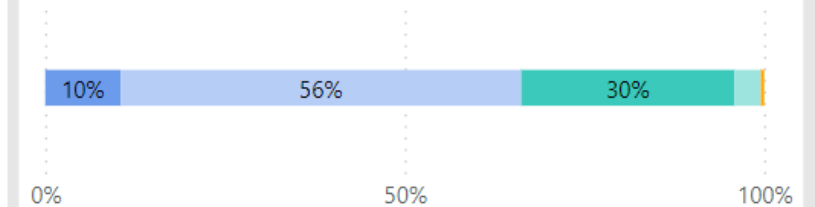
Share of Active Listings by Property Type

Property Type ● Condo ● Single-Family



Share of Active Listings by # of Bedrooms

of Bedrooms ● 1 ● 2 ● 3 ● 4 ● 5



Step 1: Define Buyer's Profile

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3.0%

3.5%

4.0%

4.5%

5.0%

5.5%

6.0%

6.5%

7.0%

7.5%

8.0%

8.5%

9.0%

9.5%

10.0%

Impact on Homebuyer's Purchasing Power

\$2,000

Target Monthly Payment (PITI)

\$322,241

Price Cutoff At Selected Rate

\$64,448

Downpayment Amount

Impact on Number of Listings Below Cutoff

Feb-23

Listings As Of Month

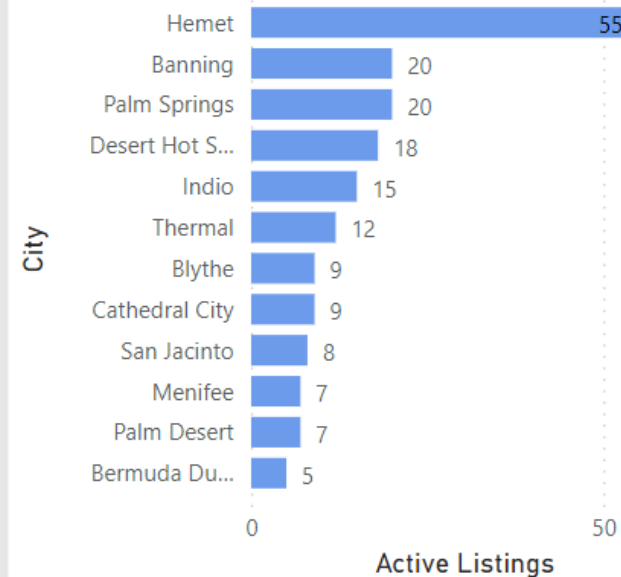
213

Listings At/Below Price Cutoff

6%

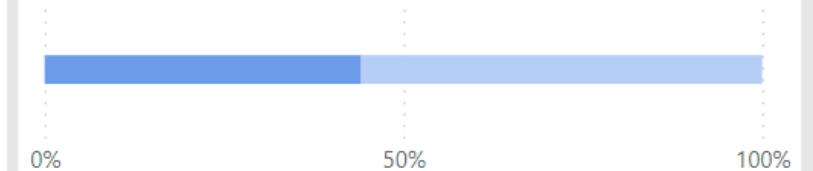
Share At/Below Price Cutoff

Active Listings by City



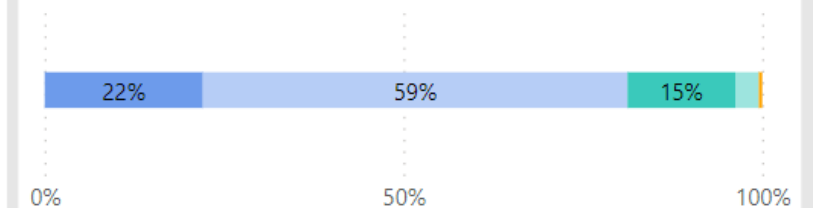
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Property Type ● Condo ● Single-Family



Share of Active Listings by # of Bedrooms

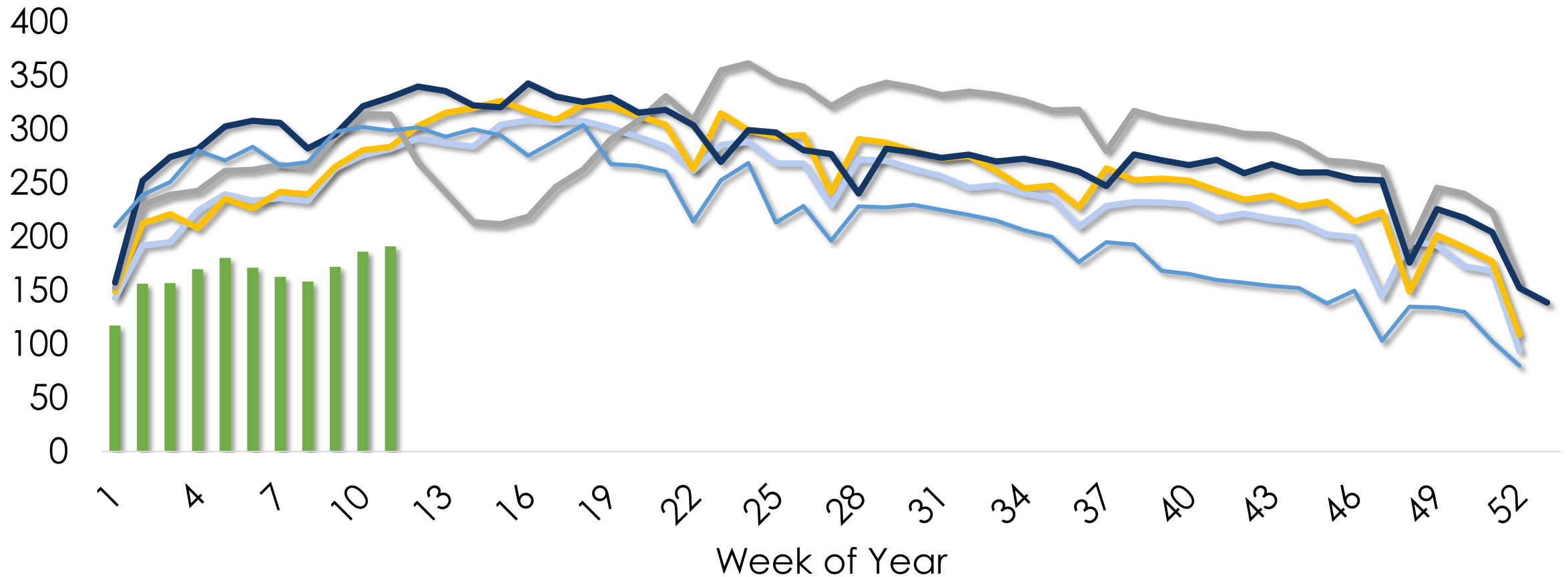
of Bedrooms ● 1 ● 2 ● 3 ● 4 ● 5



Demand becoming less of a concern despite rates

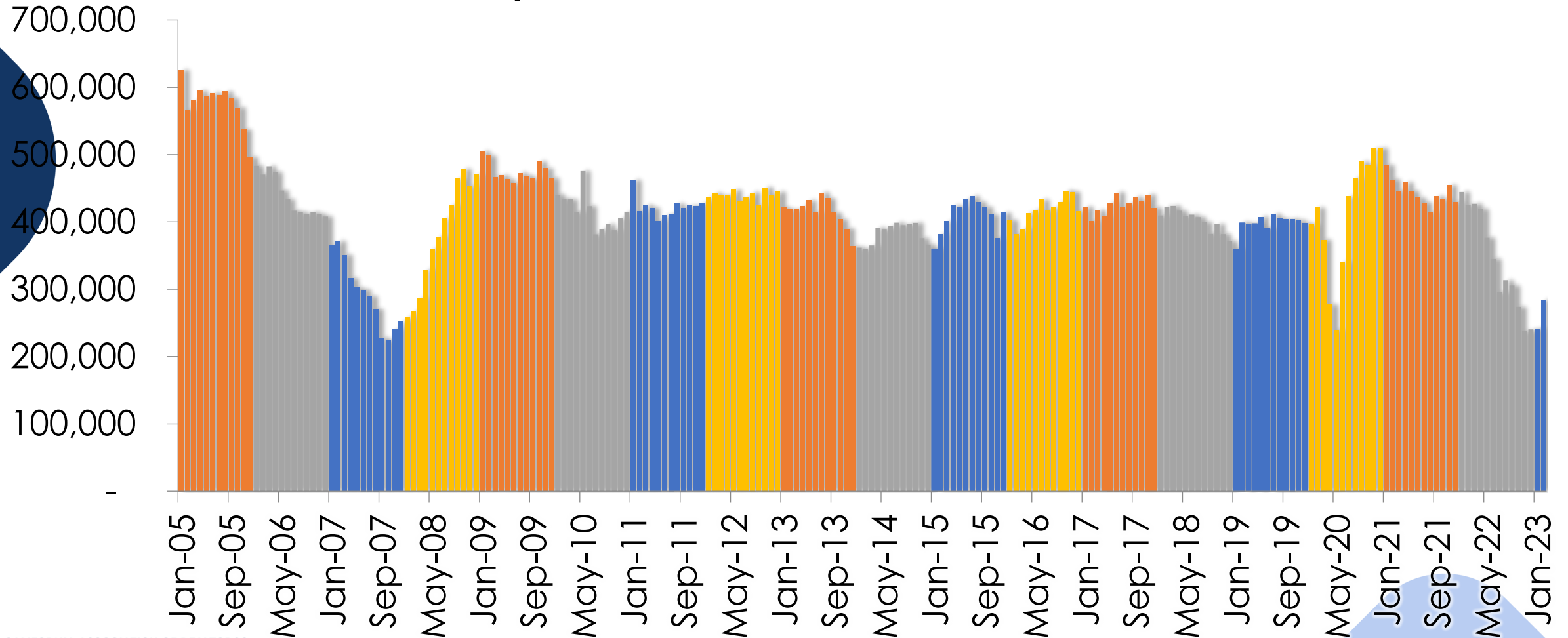
Mortgage Purchase Applications Index

■ 2023 — 2018 — 2019 — 2020 — 2021 — 2022



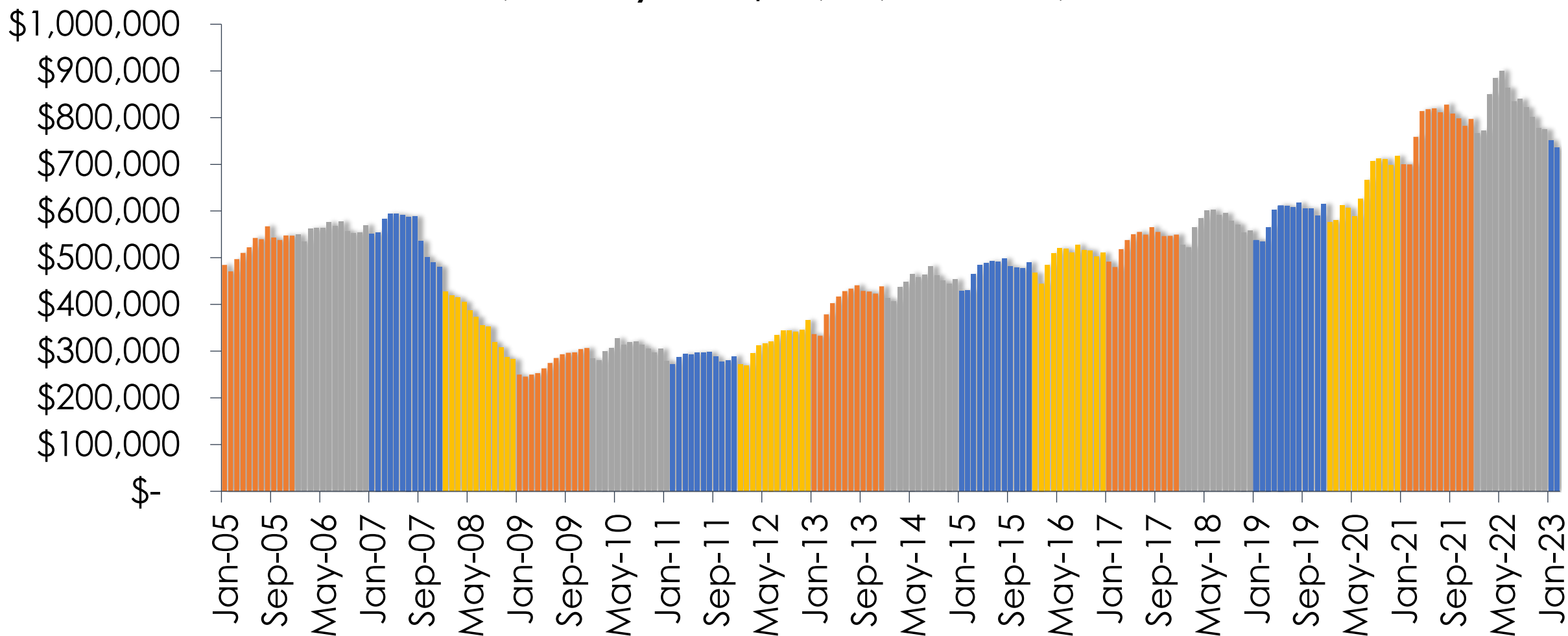
Sales remain below 300,000 for 5th straight month

California, February 2023 Sales: 284,010 Units, **-33.2%** YTY, **+17.6%** MTM



California median home price softens

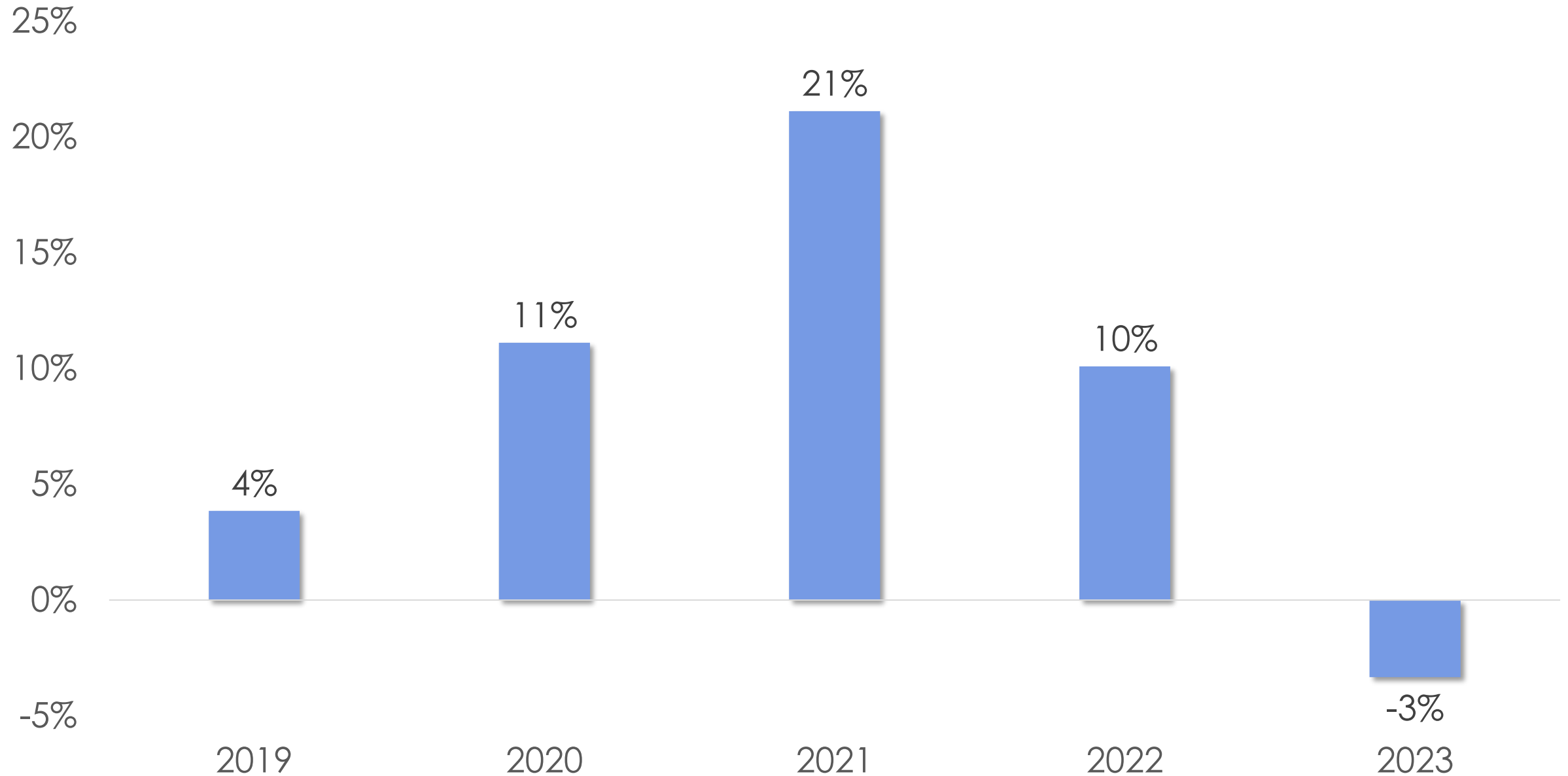
California, February 2023: \$735,480, -2.1% MTM, -4.8% YTY



Riverside County Existing SFR Median Price

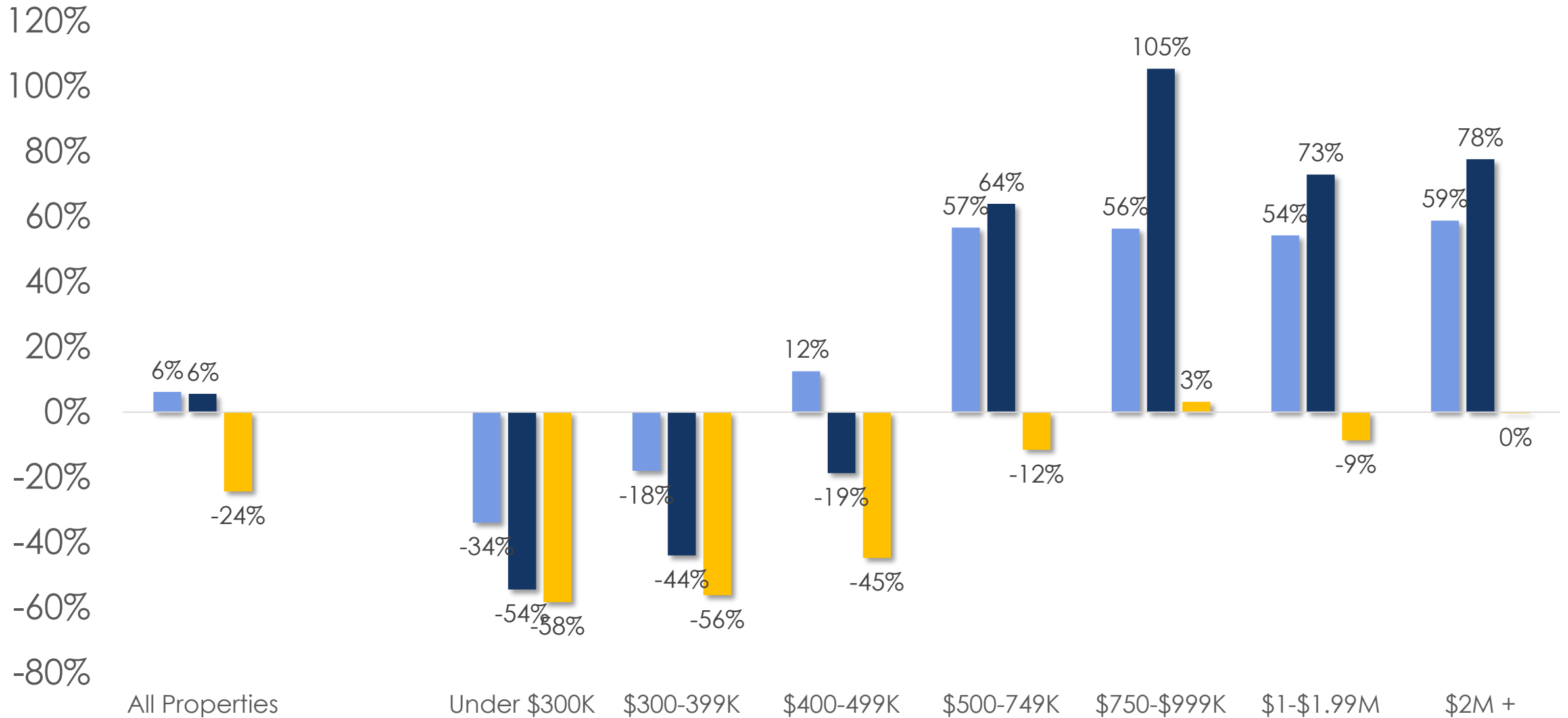


Riverside County Existing SFR Median Price Growth

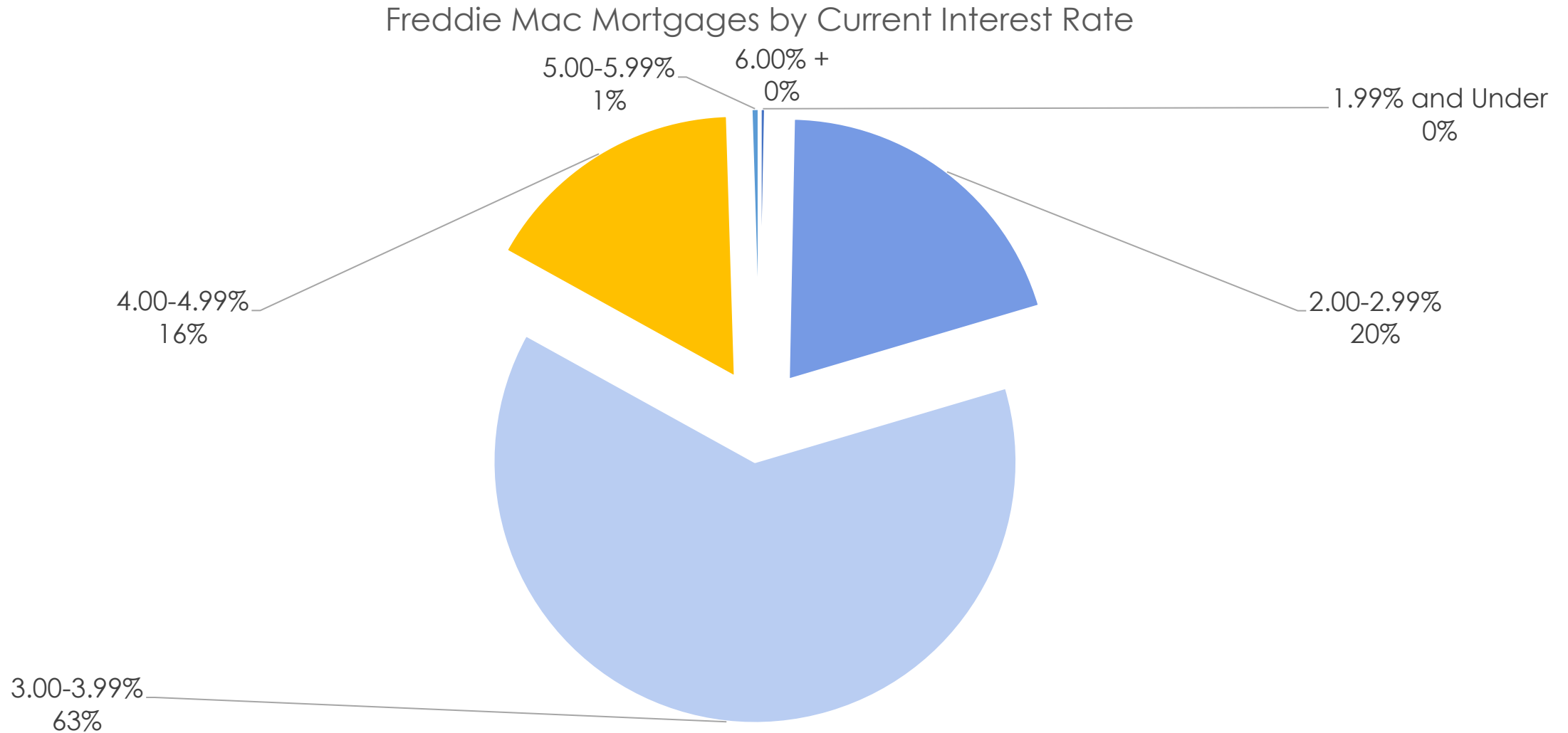


Riverside County Existing SFR Sales Growth (YTY %)

■ 2020 ■ 2021 ■ 2022

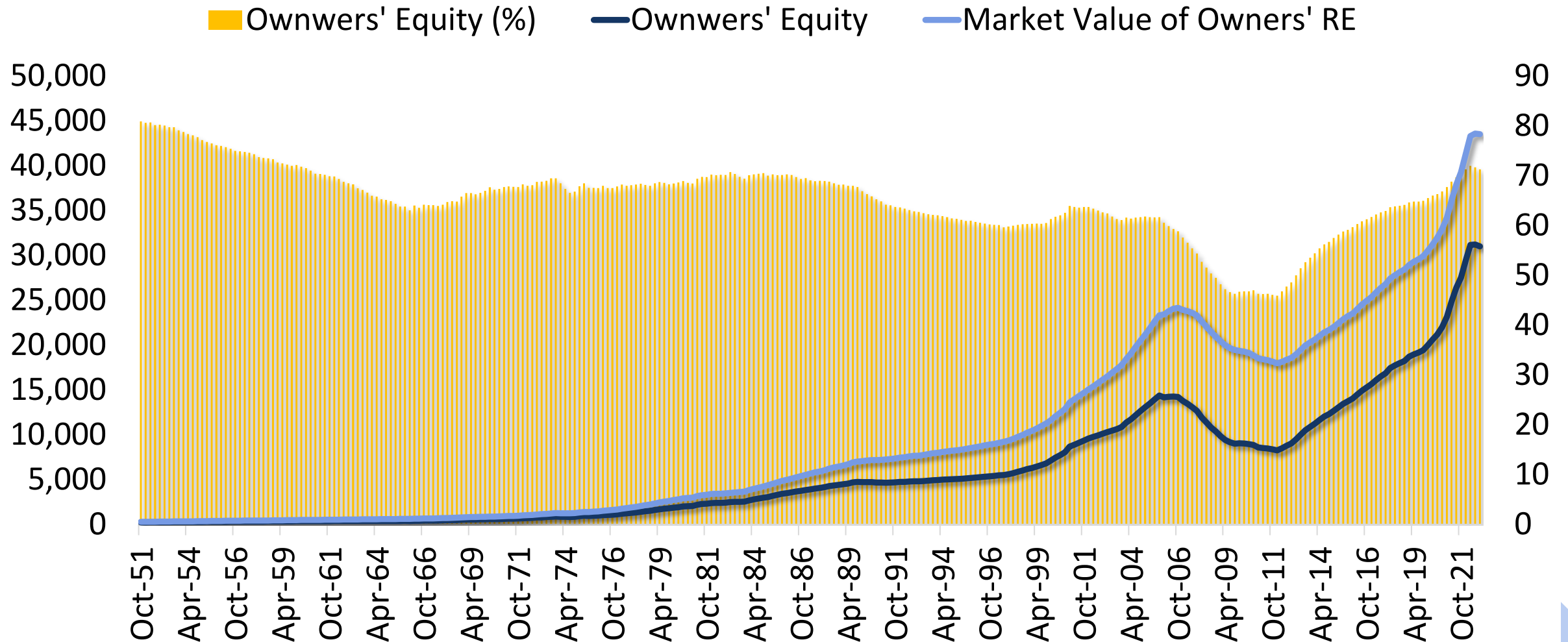


Lock in effect is alive and well, unfortunately

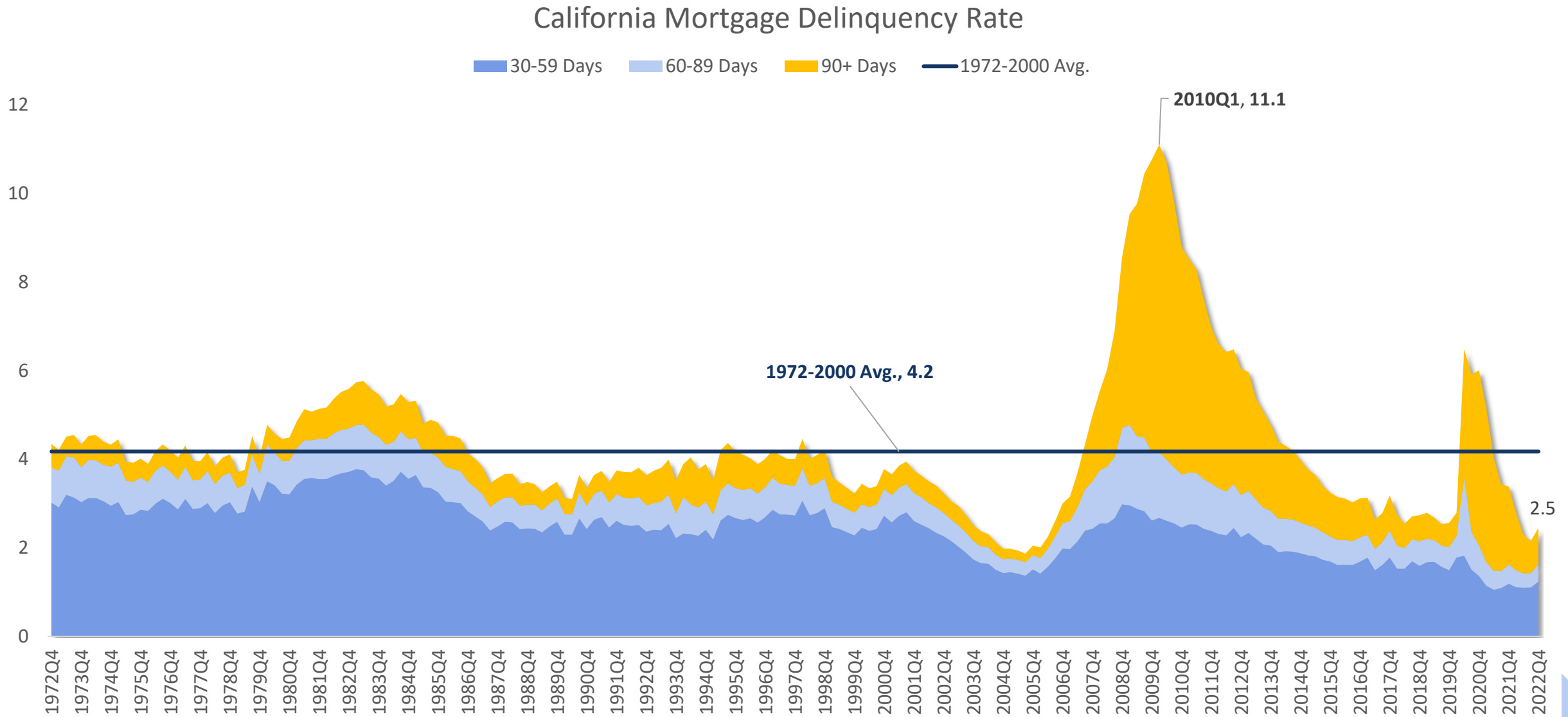


Homeowner equity still at an all-time high

U.S. Homeowners' Equity

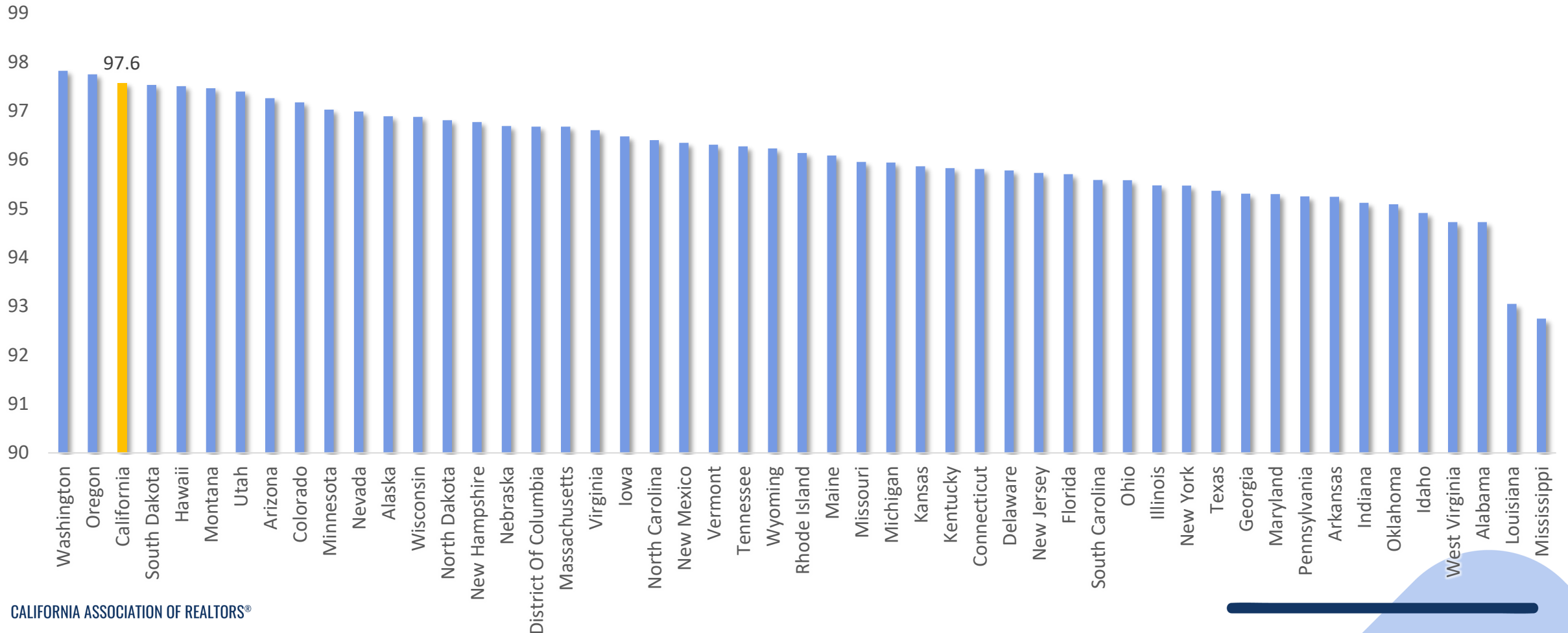


Delinquency up slightly, but way below historic norms



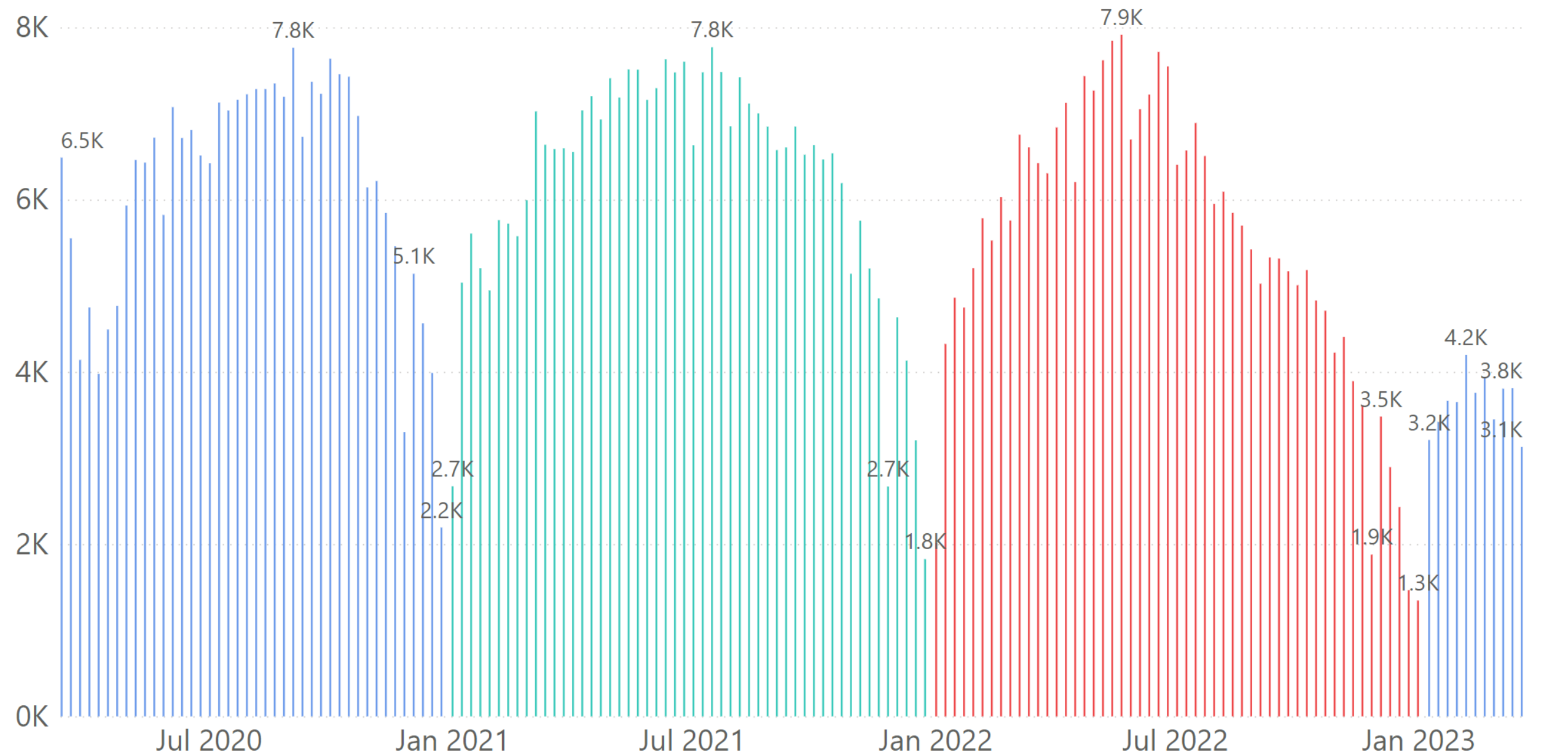
3rd Lowest delinquency rate in the nation

Mortgage Delinquency by State
(% of Mortgages Current, 2022Q4)



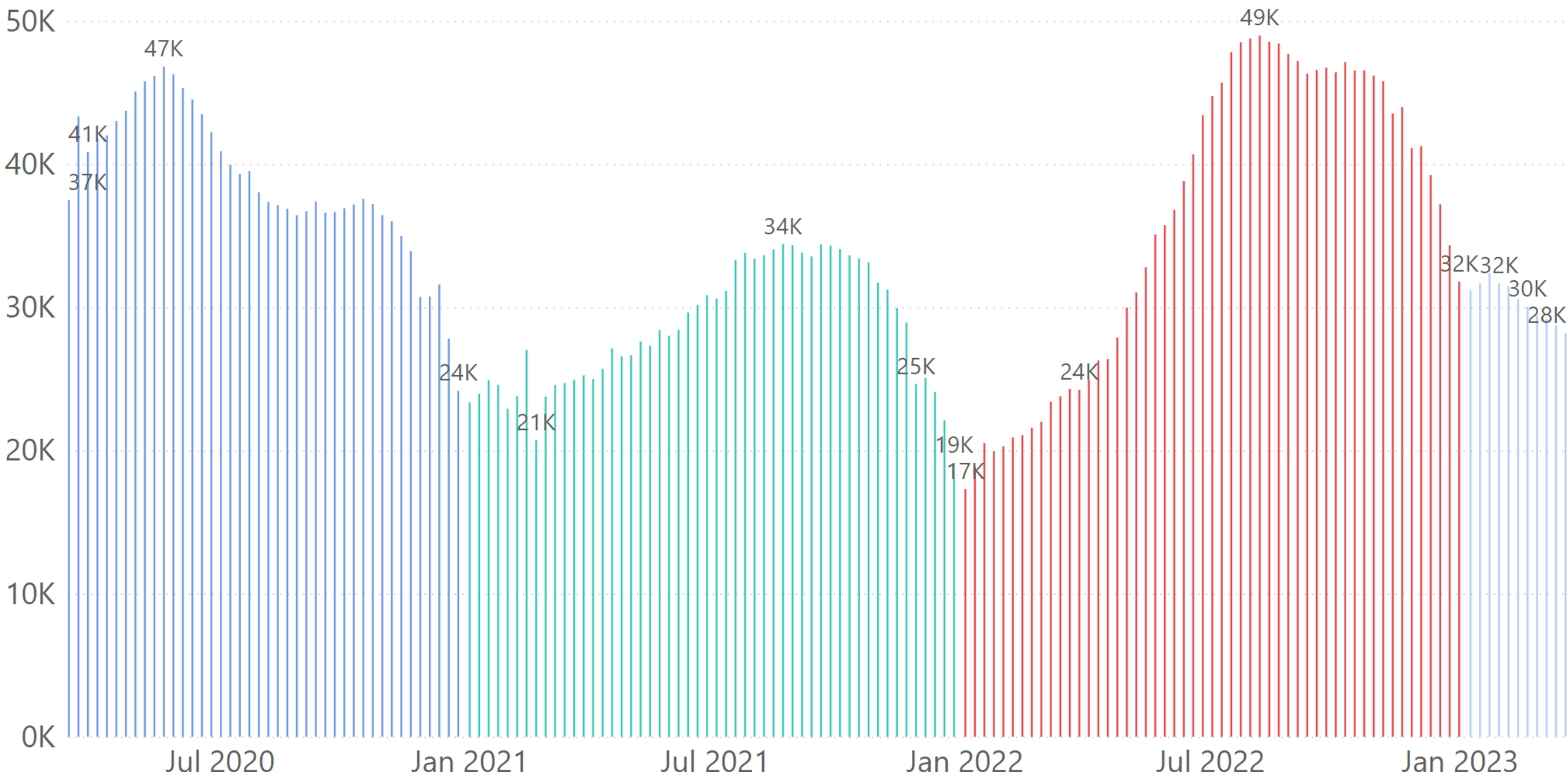
New Existing SFR Listings Added to MLSs

Year ● 2020 ● 2021 ● 2022 ● 2023



Existing SFR Active Listings

Year ● 2020 ● 2021 ● 2022 ● 2023



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5.5%

6.0%

6.5%

7.0%

7.5%

8.0%

8.5%

9.0%

9.5%

10.0%

Impact on Homebuyer's Purchasing Power

\$2,000

Target Monthly Payment (PITI)

\$309,003

Price Cutoff At Selected Rate

\$61,801

Downpayment Amount

Impact on Number of Listings Below Cutoff

Feb-23

Listings As Of Month

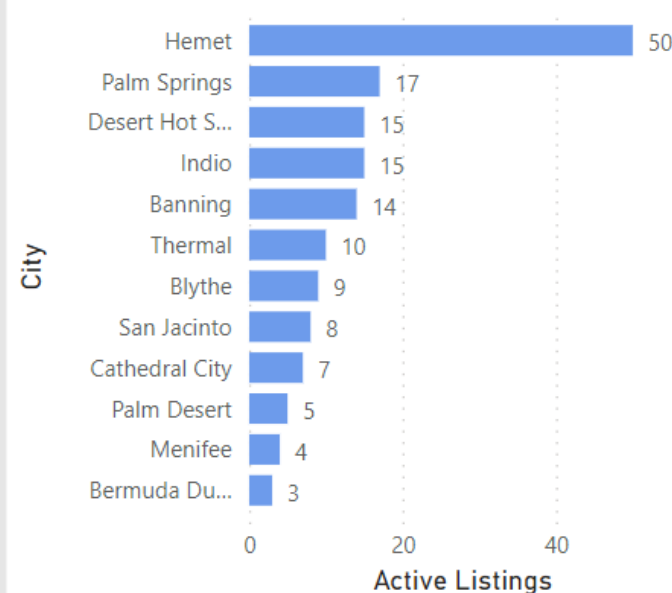
176

Listings At/Below Price Cutoff

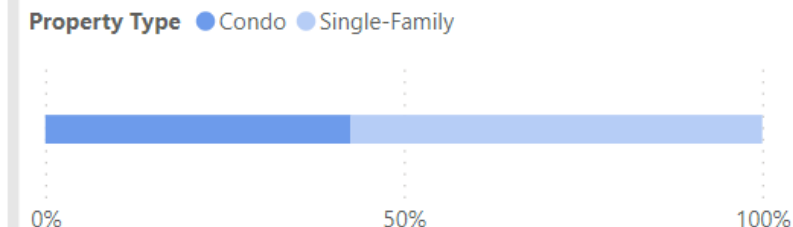
5%

Share At/Below Price Cutoff

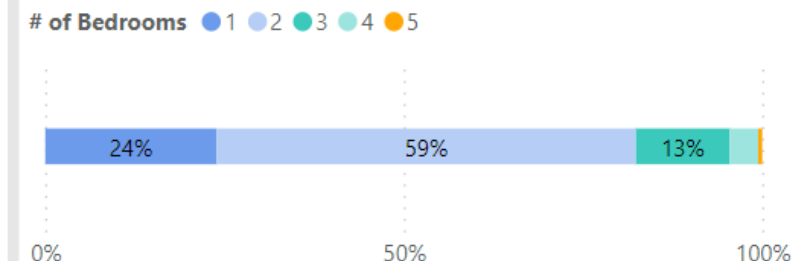
Active Listings by City



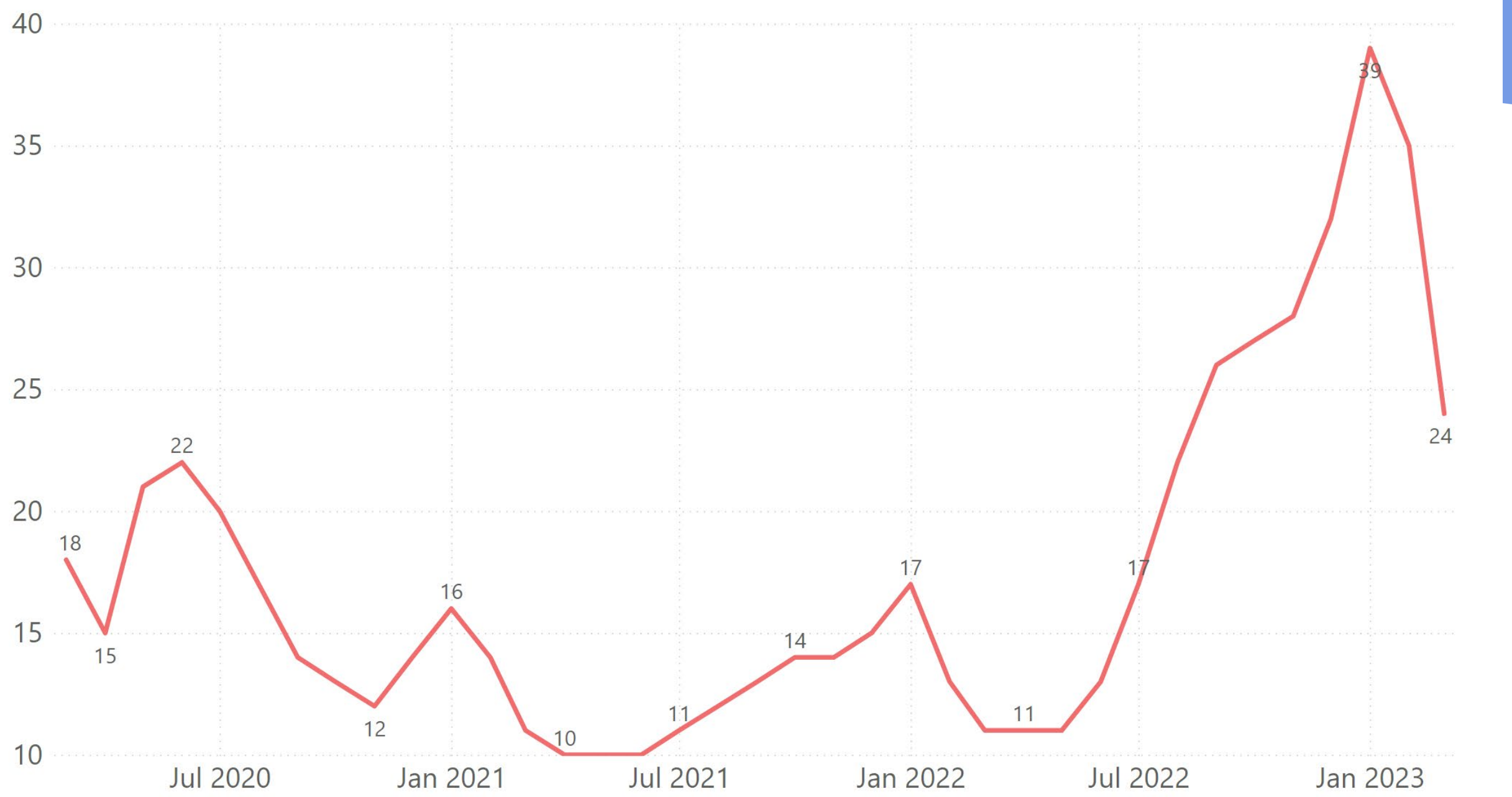
Share of Active Listings by Property Type



Share of Active Listings by # of Bedrooms

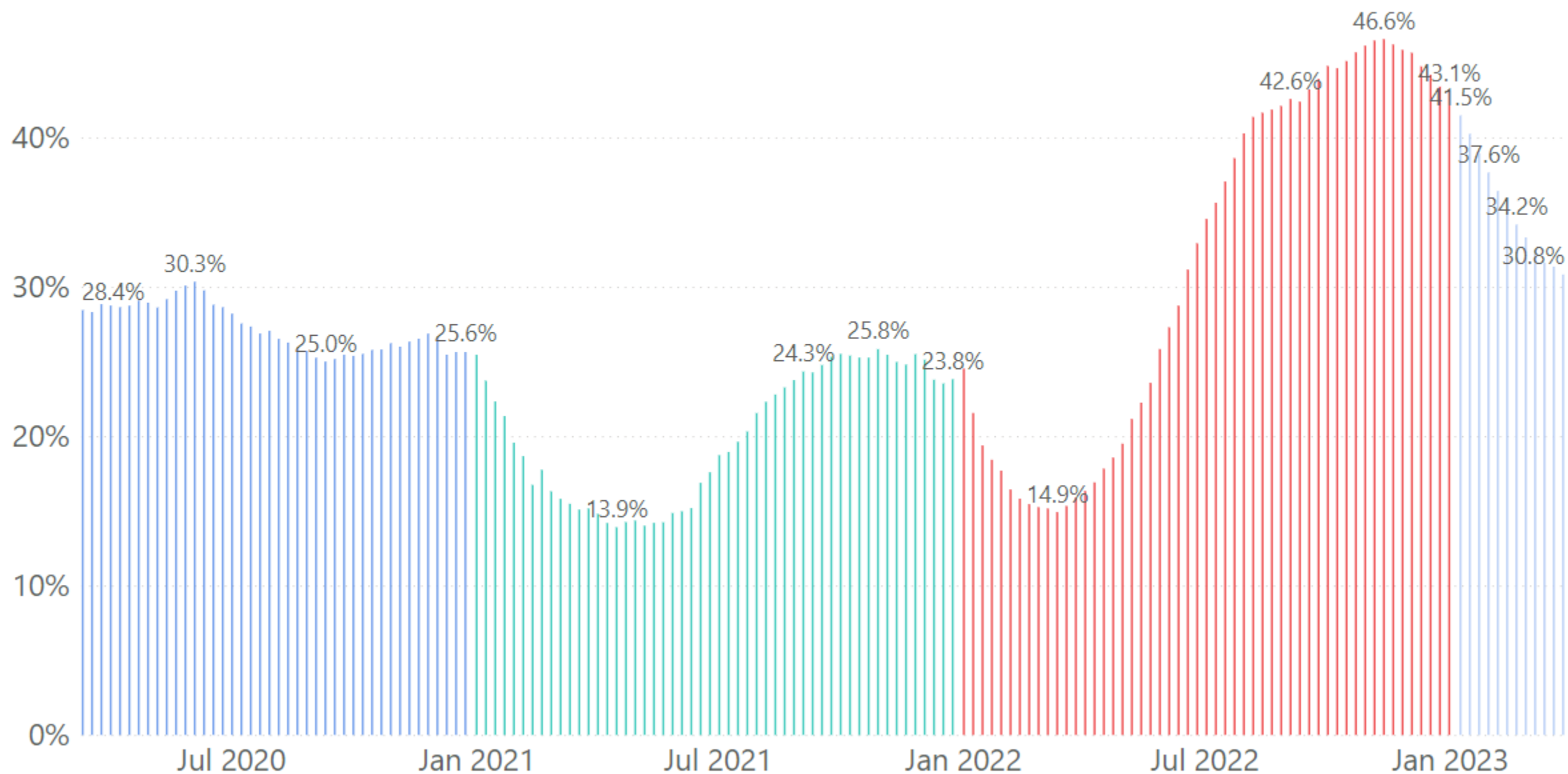


Median Days on Market for Closed Sales (Month-to-Date for Current Month)



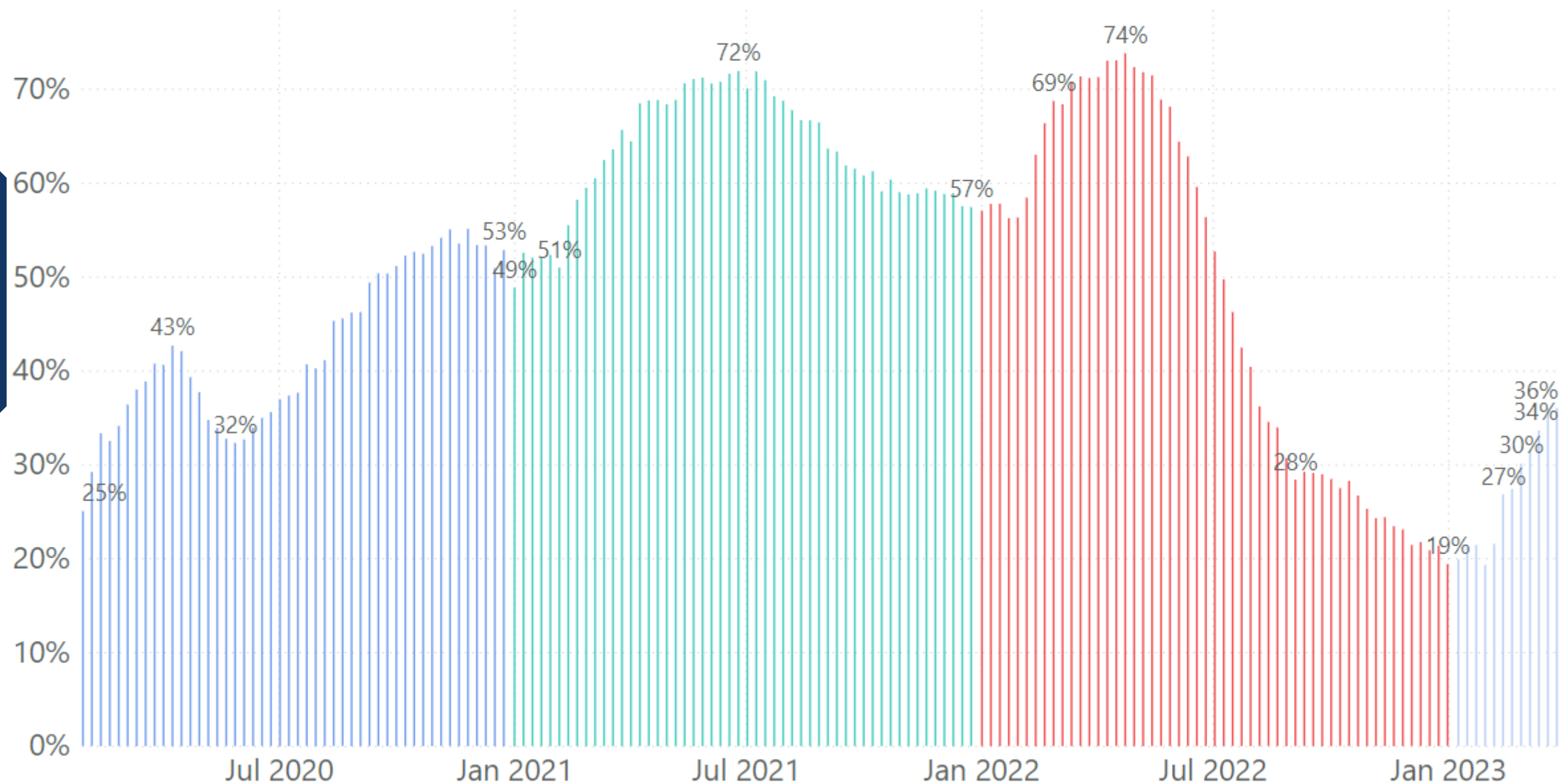
% of Active Listings w/Reduced Price

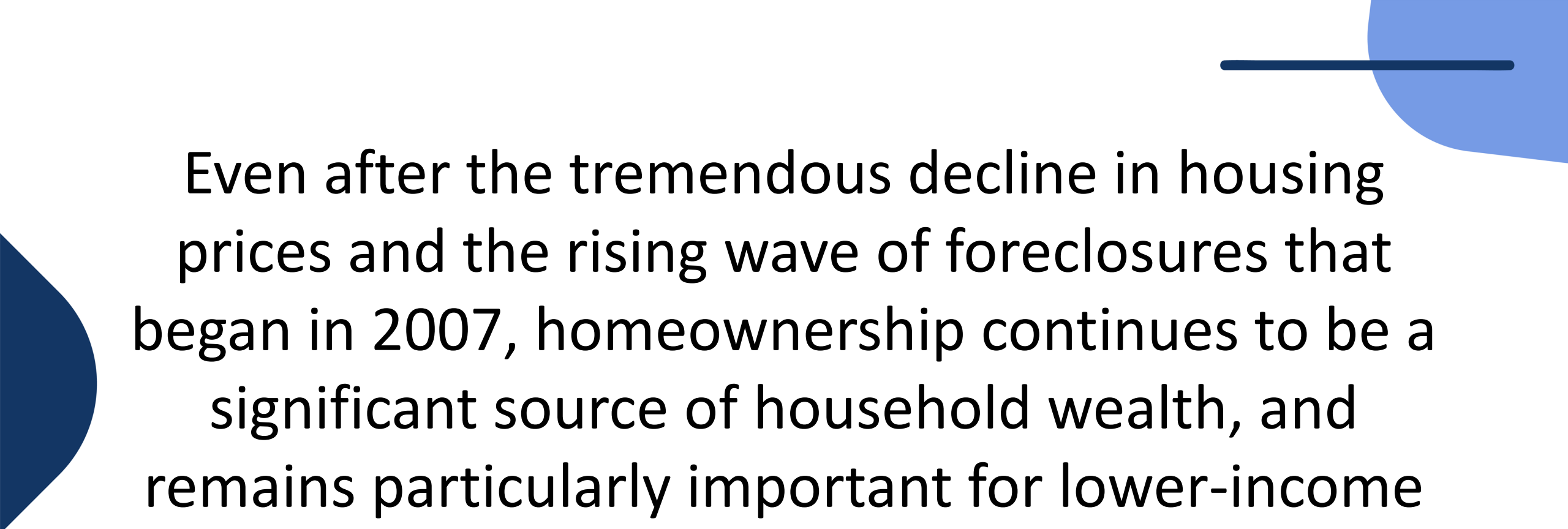
Year ● 2020 ● 2021 ● 2022 ● 2023



% of Homes Closed Above List Price

Year ● 2020 ● 2021 ● 2022 ● 2023

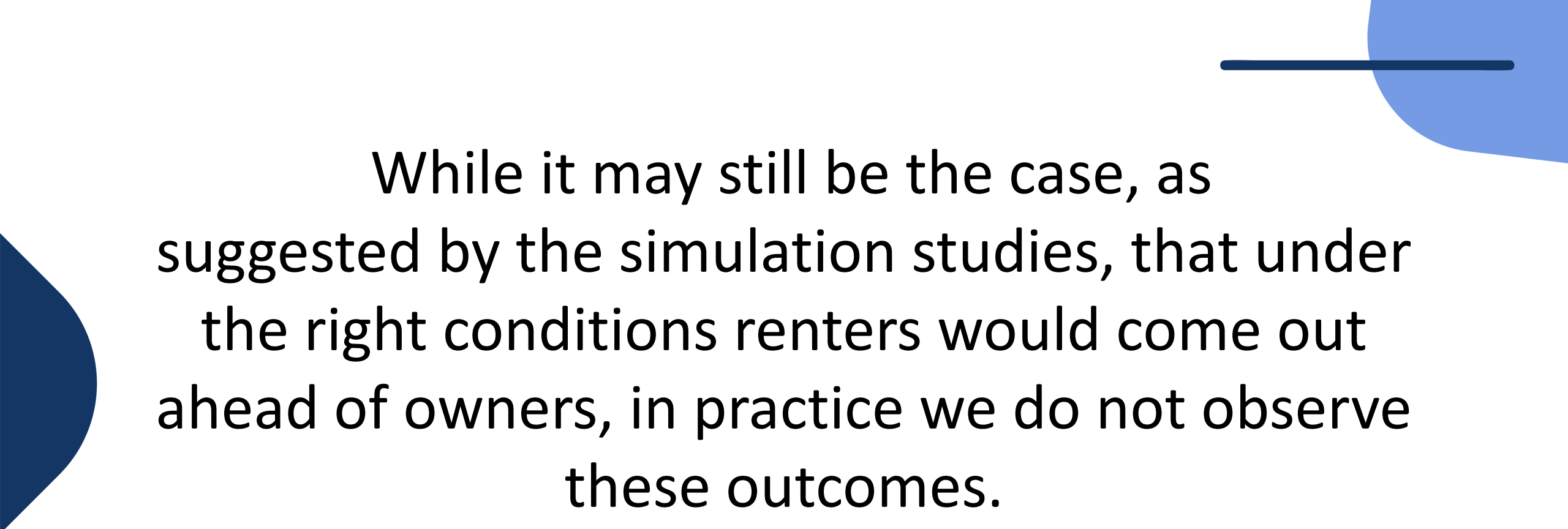




Even after the tremendous decline in housing prices and the rising wave of foreclosures that began in 2007, homeownership continues to be a significant source of household wealth, and remains particularly important for lower-income and minority households.

Harvard Joint Center for Housing Studies, 2013

Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)

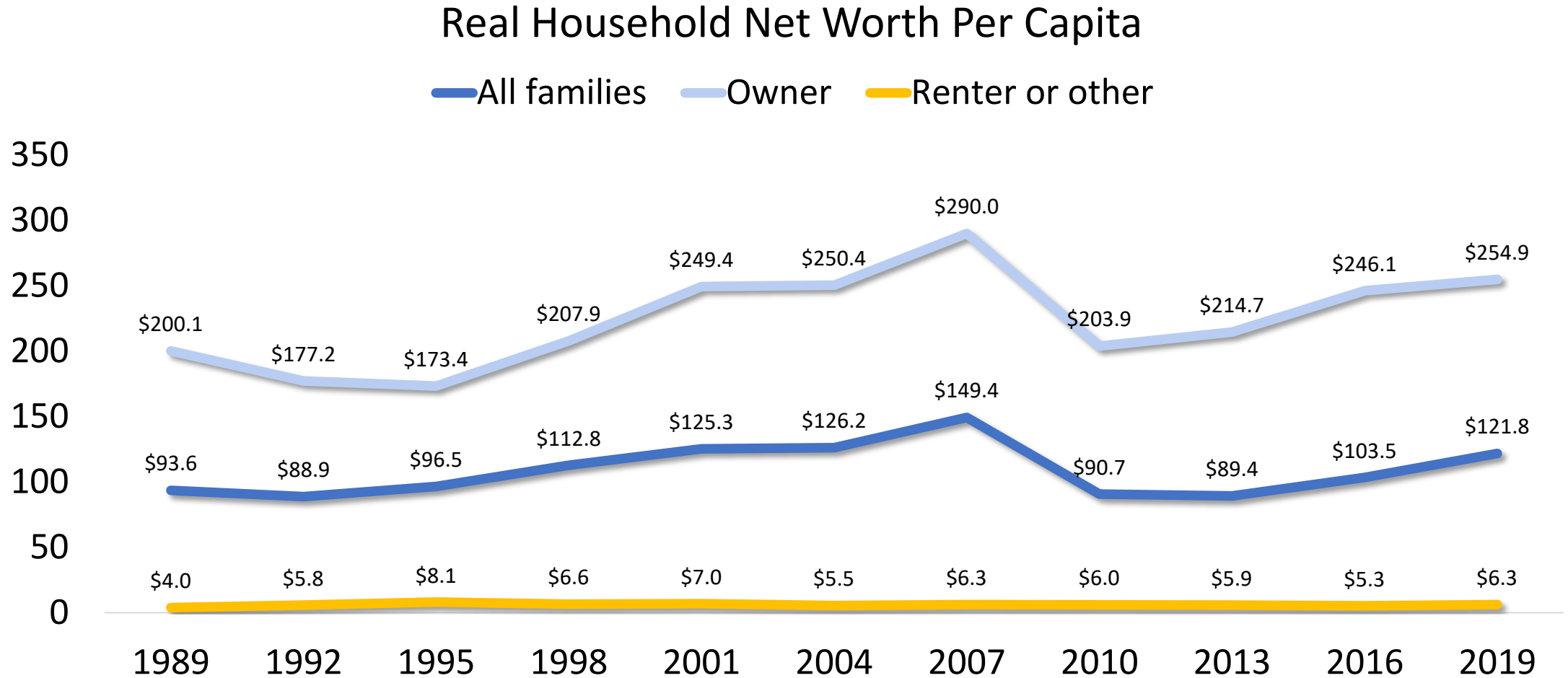


While it may still be the case, as suggested by the simulation studies, that under the right conditions renters would come out ahead of owners, in practice we do not observe these outcomes.

Harvard Joint Center for Housing Studies, 2013

Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)

The benefits of homeownership are well documented

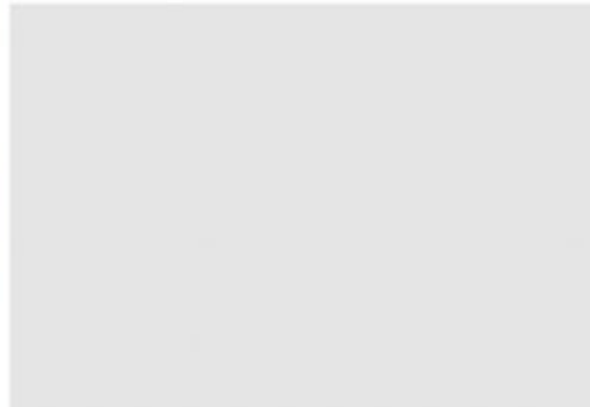


Education



Findings show that homeownership has a significant positive impact on educational achievement.

Children of homeowners tend to have higher levels of achievement in math and reading, and lower drop-out rates.



Health



Homeowners and children of homeowners are generally happier and healthier than non-owners.

The wealth building effect of homeownership and the sense of control it provides to homeowners in a stable housing market positively affect homeowners' mental and physical health.

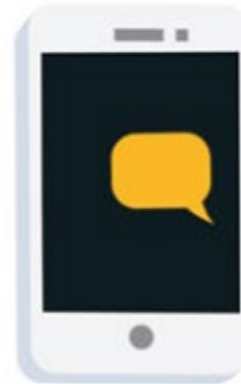


Civic Engagement



Homeowners tend to be more involved in their communities than renters.

Homeowners are likely to participate in local elections, civic groups and neighborhood groups.

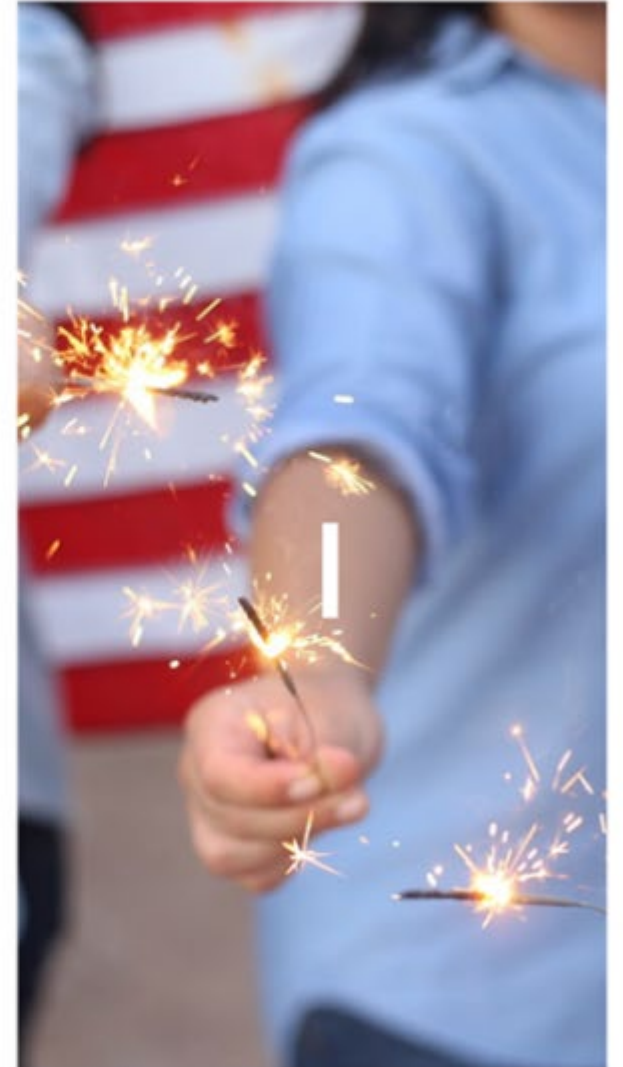


Crime



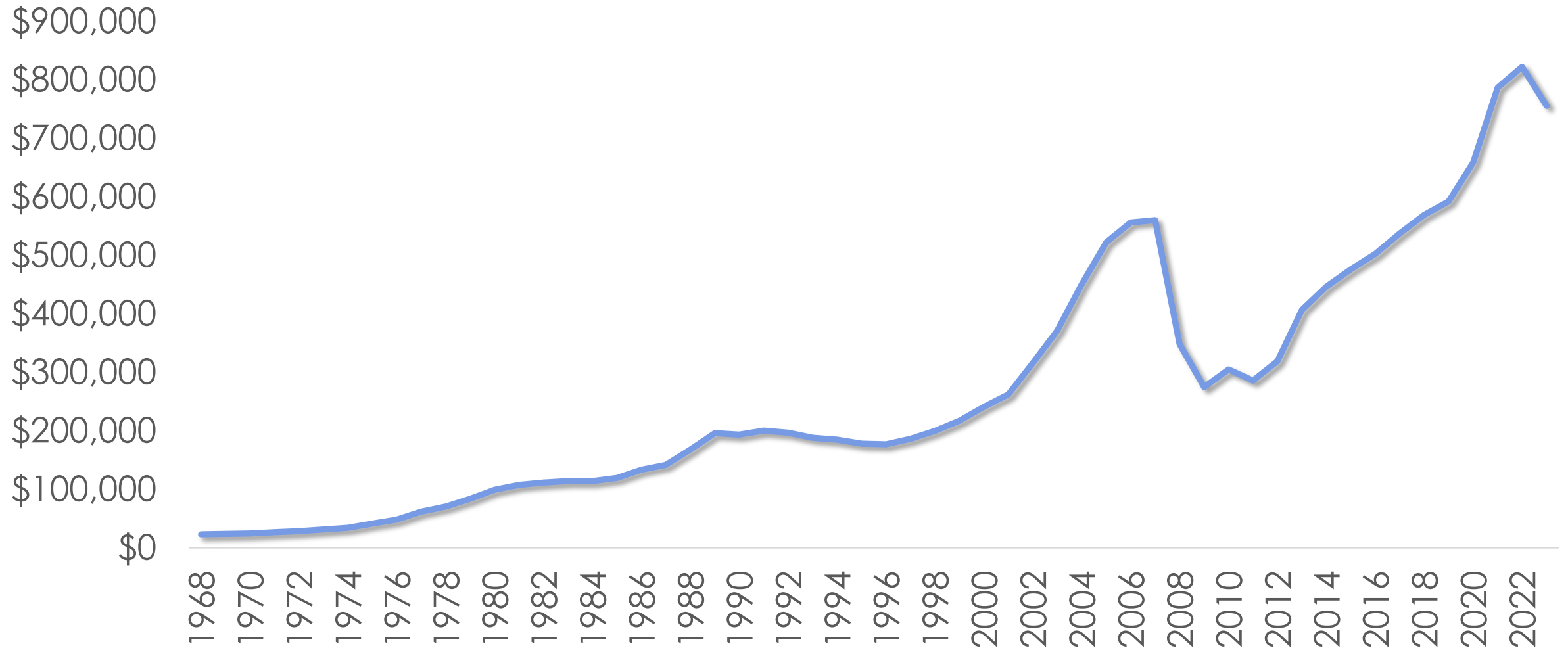
There is a lower crime rate among homeowners and people living in a stable housing environment.

A stable neighborhood, independent of ownership structure, is also likely to reduce crime.



Over the long run, prices in CA only go 1 way

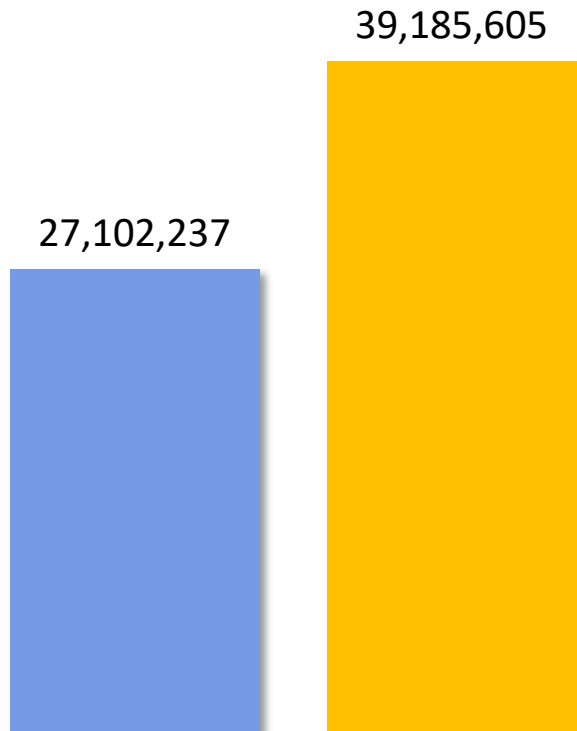
California Existing SFR Median Price



Basic laws of supply and demand ensure that...

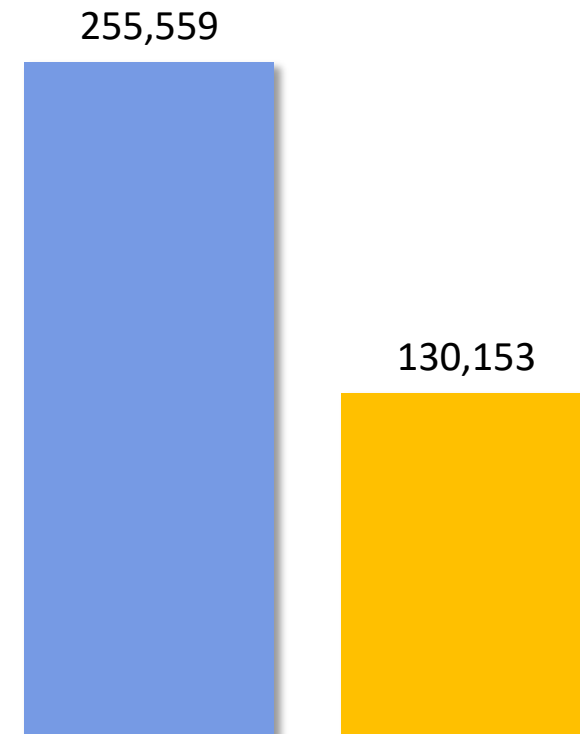
California Population

■ 1986 ■ 2022

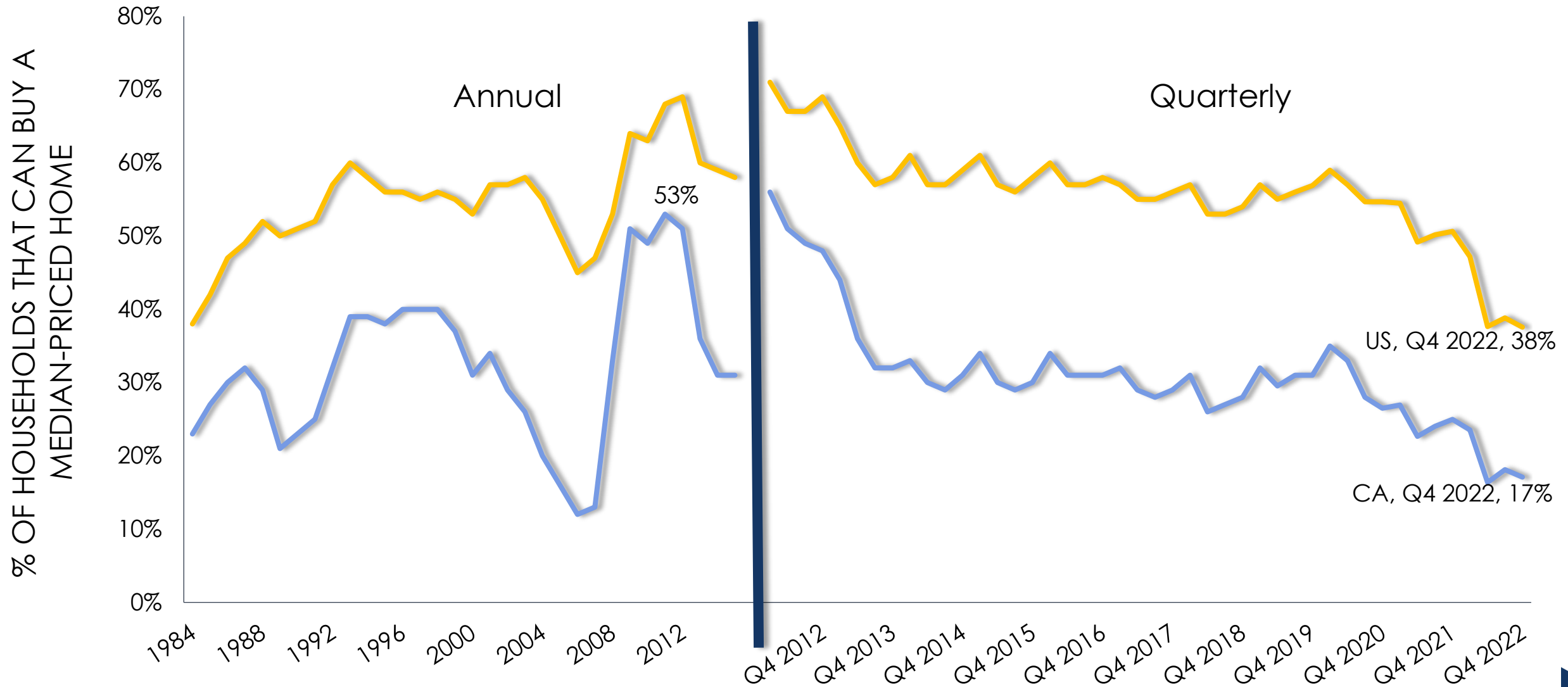


California Permits

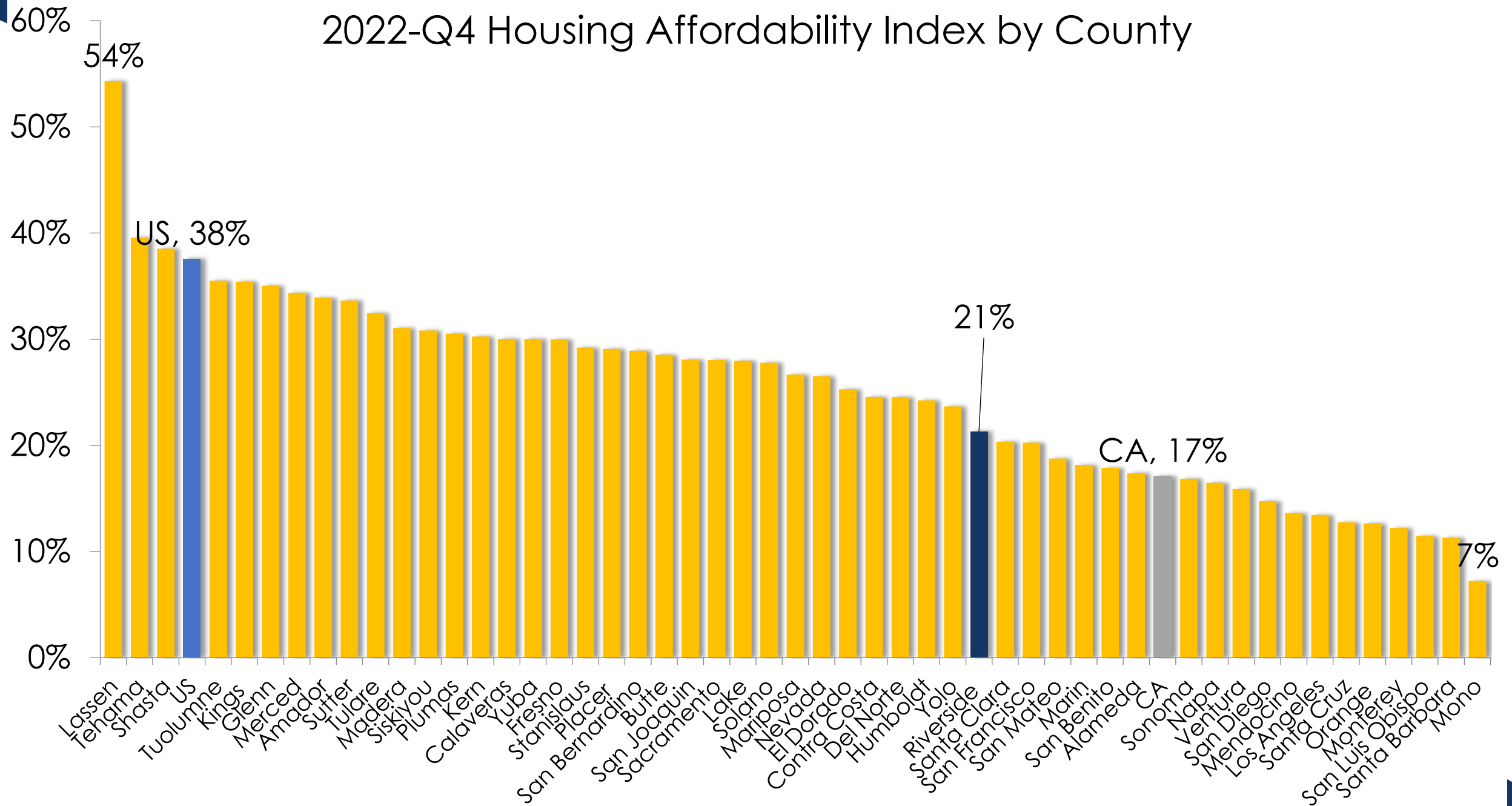
■ 1988* ■ 2022



Housing affordability near the lowest level since 2007



2022-Q4 Housing Affordability Index by County



The slide features decorative elements in the corners: a dark blue shape on the top left, a light blue shape on the top right, and a light blue shape on the bottom right. Each of these shapes is accompanied by a horizontal dark blue line.

Thank You