

Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from RPI (Realty Publications, Inc.)

March 2023 • Vol. 13 • Issue 3 • **Underwater homes, reduced construction starts spell change for California's active agent population**



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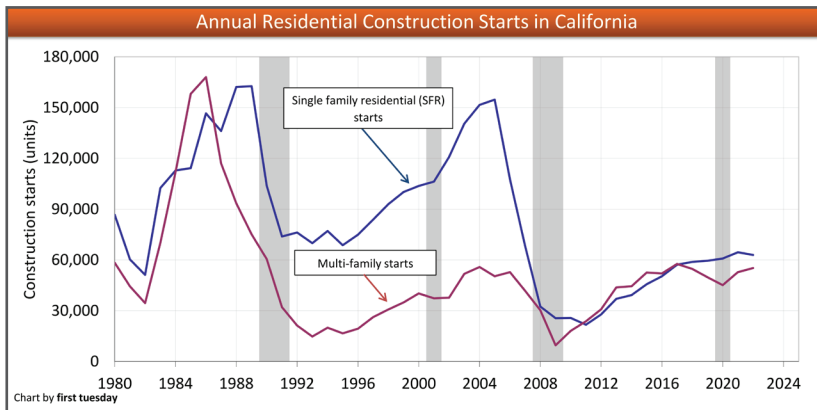
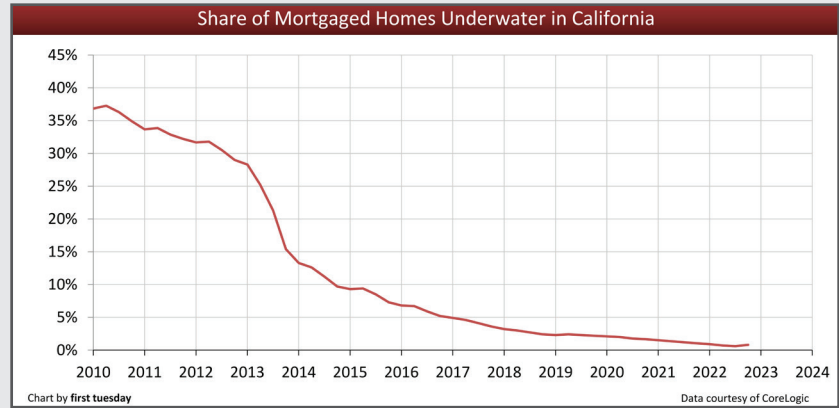
Presented by

Underwater homeowners on the rise from a cyclical low

This chart shows the share of California's mortgaged homeowners owing more on their mortgage balance than the current market price of their property — a condition called **negative equity**.

The share of negative equity homes in **California** increased slightly to 0.8% in the third quarter (Q3) of 2022. This low level is inching higher from the record low reached earlier in 2022, well below the 37% reached in 2010, at the height of the last foreclosure crisis.

As **home prices** continue to contract over the next two-to-three years after peaking in Q2 2022, watch for the share of underwater homes to rise rapidly. Anyone who purchased with a minimal down payment during 2019-2022 will plunge deep underwater.



Residential construction to back off in 2023

This chart shows the number of single family residential (SFR) and multi-family **construction starts** each year in California.

In 2022, multi-family construction experienced a 4% increase from the prior year, with 55,200 new units started. **Demand** for multi-family rentals in the past decade has generally exceeded demand for new SFRs, with SFR starts declining 2% in 2022.

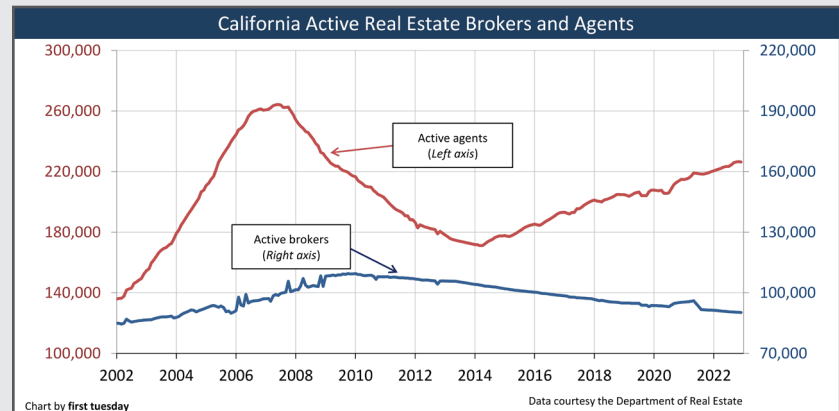
While builders were beginning to cash in on legislative incentives and rising homebuyer demand, leaping mortgage rates and spiraling sales volume and prices in 2022 crushed **builder sentiment**. Thus, residential construction starts will not reach their full potential until after the 2023 recession, when prices bottom around 2025 and the recovery picks up steam around 2027.

A bloated agent population unhinged from shrinking broker numbers

This chart shows the number of active **real estate agents** and **brokers** in California. It excludes agents who are unemployed by a broker, and brokers who do not use their licenses.

California had 90,200 active real estate brokers in December 2022. The number of active brokers has been decreasing from a January 2010 peak and has yet to find a bottom. Conversely, the number of active agents has steadily climbed out of a 2014 low, reaching an inflated 226,300 in December 2022.

Watch for a dramatic 50% fall back in sales agent **licensing** in 2023-2025, the result of reduced fees from sales volume and pricing. Expect the next big wave of licensees to arrive around 2028 — rebuilding first with the return of speculators, then end user homebuyers to propel the housing market to its next expansion.



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