


Monthly Real Estate Statistical Update

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

March 2022 • Vol. 12 • Issue 3 • **2021 sales volume and construction gains offset in 2022 by higher mortgage rates**

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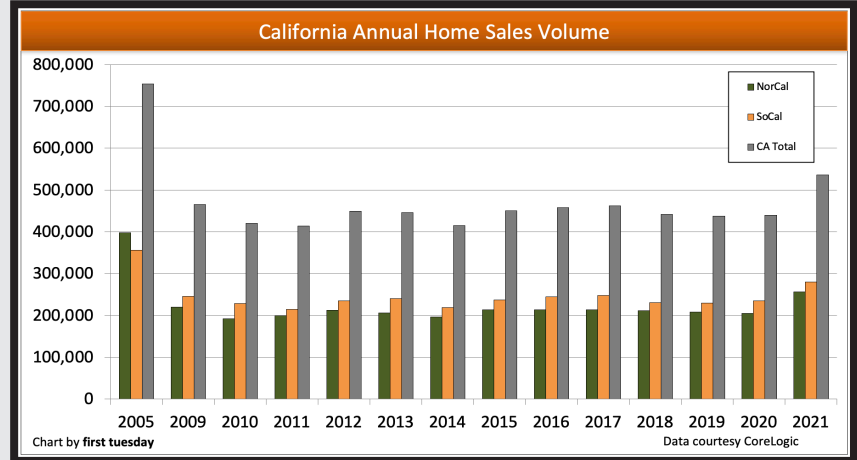
Presented by

Home sales got a (temporary) boost in 2021

This chart shows the number of homes sold annually in California. The gray bars are the state's total, while the orange displays Southern California (SoCal) **annual home sales** and the green shows NorCal home sales.

536,600 home sales closed escrow in **California** during 2021, a 22% increase over the prior year. 2021 was the first year since 2005 to see a significant increase in sales volume. However, 2021's sale numbers pale in comparison, at 29% below the 2005 peak year for sales volume.

2022 will not sustain the breakneck sales pace of 2021. Recent **mortgage rate jumps** from historic lows have reduced buyer purchasing power, dampening homebuyer enthusiasm. The rise in forbearance exits and California's ongoing jobs recovery will also drag down home sales volume in 2022 as buyer caution tips the market.

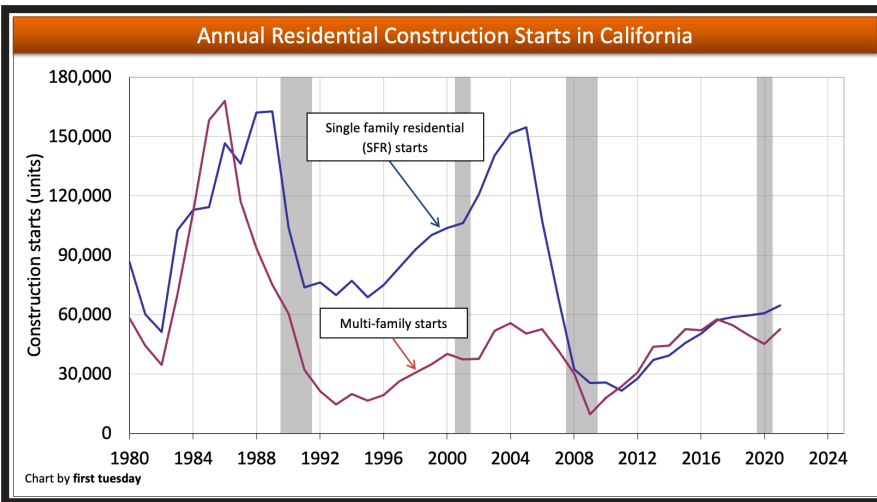


Residential construction is not (yet) meeting demand

This chart shows the number of **new residential units** started annually in California. The blue line shows single family residential (SFR) units and the red line shows the number of multi-family units started each year. The gray bars denote periods of economic recession.

64,500 SFR starts took place in 2021, a 6% increase over 2020. Further, 2021 saw 52,800 multi-family unit starts, a significant 17% annual increase. Still, residential starts are far below the Millennium Boom years and well below levels needed to meet **buyer and renter demand**.

While construction has inched higher, the slow **job recovery** makes builders cautious. Also, the inevitable fallout from the expiration of foreclosure and eviction moratoriums is a concern. Building material and labor shortages add to the turmoil. These and a likely switch back to urban housing hold back residential construction for the immediate future.

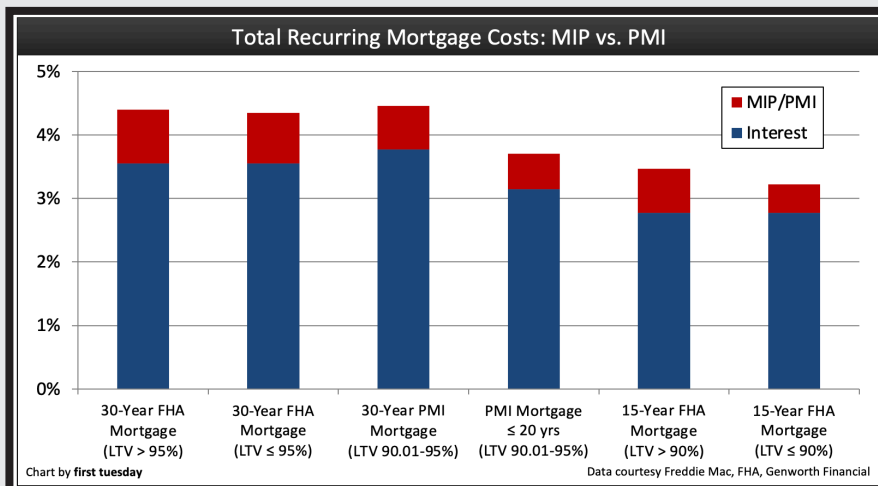


Mortgage insurance woes for leveraged buyers

This chart tracks the total percentage rate homebuyers pay for mortgage debt when their **down payment** falls below 20%. The blue is the FRM rate and the red is the insurance premium rate.

The mortgage insurance premium (MIP) rate for a **Federal Housing Administration (FHA)** mortgage with a 3.5% down payment remains at 0.85%, while the **private mortgage insurance (PMI)** rate with a 5% down payment is at 0.68%.

Today's higher interest rates have reduced **buyer purchasing power** and cut into demand for ownership. In turn, home sales volume will slow in 2022 followed by declining prices in 2023. Mortgage insurance with higher interest rates will limit gains from reduced homebuyer competition until pricing falls into line with incomes. The alternative for buyers is to remain tenants and gradually accumulate savings to avoid mortgage insurance premiums.



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