

Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**
July 2022 • Vol. 12 • Issue 7 • **California home prices, bankruptcies, and jobs**
are at a turning point



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Presented by

Jobs are nearing a pandemic recovery

This chart shows the number of individuals employed in **California**. Grey bars represent periods of recession.

17.5 million people are employed in California as of May 2022. While **employment** is still recovering from the pandemic, this is 232,000 short of the pre-2020 recession peak achieved in December 2019.

The 2020 recession was officially the shortest on record, cut off by the huge amounts of pandemic stimulus pumped into the economy during 2020-2021. But with government support now gone and **the Federal Reserve (the Fed)** faced with corralling pandemic inflation, the recession is returning for an encore — and soon. Until then, expect a full recovery of jobs lost in the pandemic just as the recession returns, likely as we head into 2023.

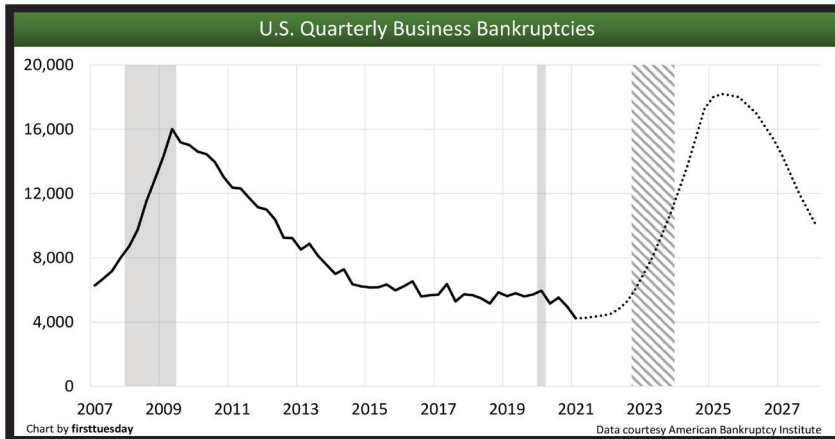


Business bankruptcies to explode without stimulus

This chart shows the number of business bankruptcies filed nationwide each quarter. Gray lines indicate an economic recession. Dashed lines are **RPI's** forecasts.

Bankruptcies declined abnormally during the 2020-2021 pandemic period. Without fuel from stimulus and inflation, bankruptcies would have risen significantly in 2020-2021. Just 6,100 business bankruptcies were filed in California during 2021, a fraction of the 63,200 California filings during the 2011 peak year following the 2008 recession.

But today, the economy has started to contract as it ushers in the second act of the **2020 recession**. Expect a cyclically disproportionate rise in bankruptcy filings in the next three years, likely exceeding the aftermath of the 2008 recession. For the housing market, leveraged owners who see the equity in their property disappear often file bankruptcy petitions when job loss occurs. Watch for more personal and business bankruptcies, beginning to rise in 2023 and peak in 2026.

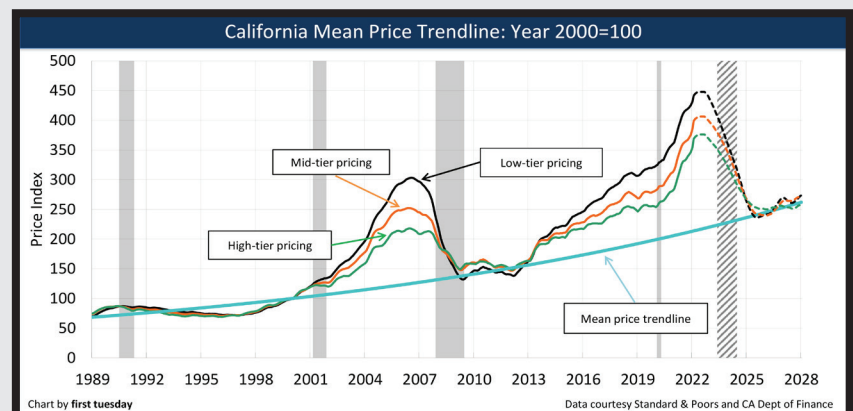


The mean price trendline's tether on home prices

This chart shows home price movement in California's three price tiers — the blue line is the **mean price trendline**, the historical equilibrium level to which property prices cyclically return. Grey bars indicate periods of recession. Dashed lines are **RPI's** forecast.

Home prices today are far elevated from the mean price trendline, mostly due to pandemic conditions. Without a serious price correction, the forward trend in rising mortgage rates will bar acquisition of property by an ever higher percentage of families. The support given property prices in the pandemic is gone.

Expect **home prices** to drift lower by the end of 2022, not to find a bottom until 2025. By then, prices will reach the mean price trendline. This timeline may well be shifted by global events and any government stimulus occurring during the coming recession.



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