

Monthly Real Estate Statistical Update

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

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1.3 million more jobs needed in California

This chart shows the number of **nonfarm jobs** held in California. The gray columns indicate recessions.

California employment fell back slightly in July 2021, at 1.3 million jobs below the pre-recession December 2019 peak. Our state has now recovered just over half the jobs lost at the outset of the **2020 recession**, and the progress continues at a start-and-stop pace.

With the expiration of the foreclosure and eviction moratoriums that have kept jobless Californians housed during the recession and ongoing pandemic, expect a wave of **forced sales** to hit the market heading into 2022. This inventory boost will calm homebuyer FOMO enthusiasm and put downward pressure on home prices in 2022.



Stocks soar to new heights

This chart displays **stock pricing** on the S&P 500 index (the red line) and the price-to-earnings (P/E) ratio (the blue columns), the reciprocal of which is the capitalization rate—how real estate buyers price their investments. The gray columns are recessions.

Stock prices continued to break records in the second quarter (Q2) of 2021, and rising. Meanwhile, the **P/E ratio** fell back to 28.2, still well above the historically applicable benchmark of 15.5, and equal to a cap rate of 3.5%. Today's booming stock market is detached from the continuing impacts of the 2020 recession, including California's 1.3 million jobless workers.

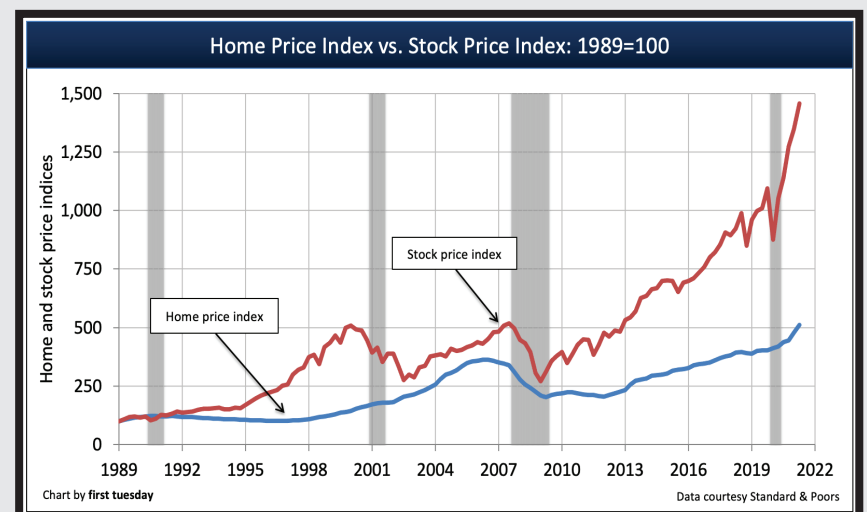
Absent a full jobs recovery and with the effects of stimulus payments and extended unemployment benefits behind us, **consumer spending** will not be able to prop up businesses for long. As government supports continue to lift, expect to see the stock market continue its volatile swings going into 2022.

Stocks or real estate in 2022?

This chart shows how the **stock price index** and the home price index have changed over time in relation to one another.

Stock prices were once again at **historic highs** in Q2 2021, up a whopping 39% from a year earlier. During the same period, home prices were up a significant 22%. The rapid price increases in the stock and housing markets suggest a full recovery is here, and the economy is booming. But these perceptions are distractions from the underlying foundation of the economy, which is jobs.

Without the support of a full jobs recovery, these asset markets are on shaky ground. Thus 2021-2022 remains a **hold phase** for real estate buyers; a **sell phase** for owners who intend to cash out. For the next ideal time to buy, look ahead to the rebound following the coming recession hangover, expected to arrive in 2023-2024.



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