Monthly Real Estate Statistical Update

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

November 2021 • Vol. 11 • Issue 11 • ***Buyer purchasing power goes negative, reigning in home sales volume and prices***

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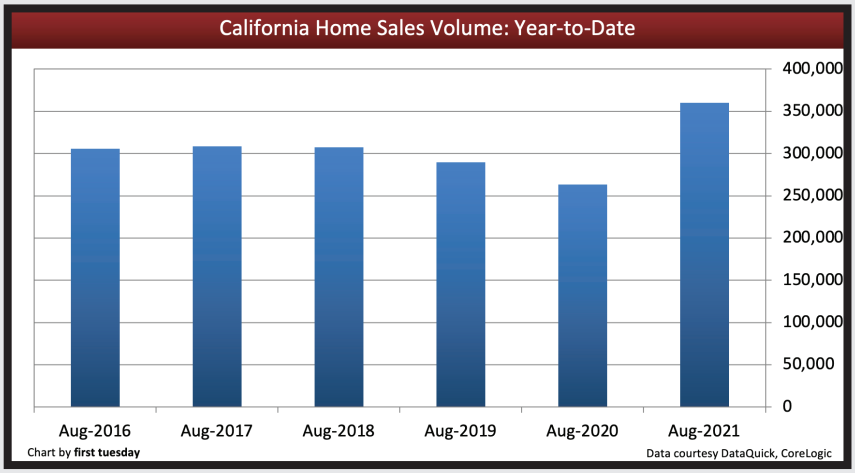
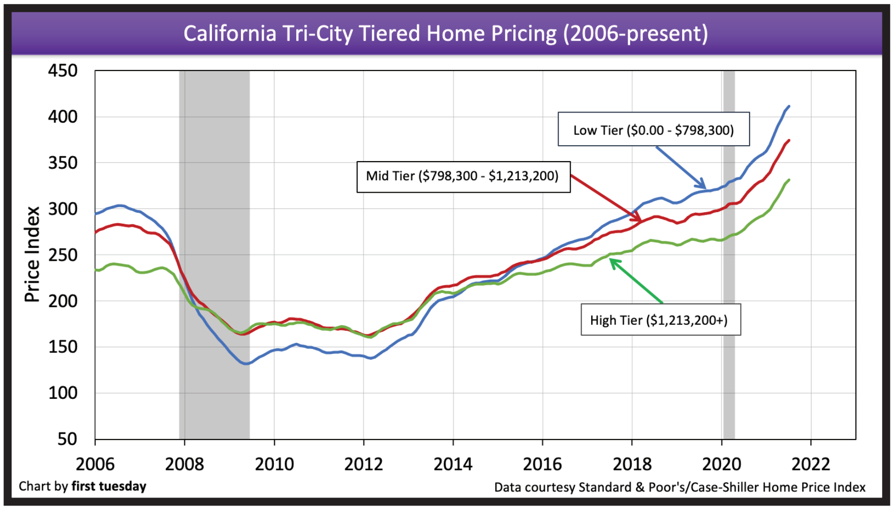
Home sales volume jumped — past to present

This chart shows the number of homes sold **year-to-date (YTD)** in California each year as of August 2021.

Nearly 360,000 home sales have closed YTD in California as of August 2021, up 37% from a year earlier. This significant year-over-year jump will likely taper in Q4 2021. The reason: the 2020 home sales peak was delayed several months as the pandemic shut down Q2 2020 sales, the **peak sales volume** occurring in October 2020. In contrast, home sales volume typically peaks in June each year.

Thus, you can expect 2021's sales volume to end the year around 15% above 2020's level, since sales volume appears to have peaked for 2021. **Rising interest rates** and the return of forced sales will also pull back home sales heading into 2022.





Pandemic-primed home prices now ripe to pop

This chart displays California **home price movement** in three price tiers, averaged across its three largest metros. The grey lines indicate periods of recession.

As of July 2021, Californian home prices averaged 23% higher than a year earlier in the low-tier and 22% higher in the mid-tier. High-tier home prices were a whopping 24% higher than a year earlier. Annual price increases picked up speed as the Covid-19 battle became more deeply entrenched.

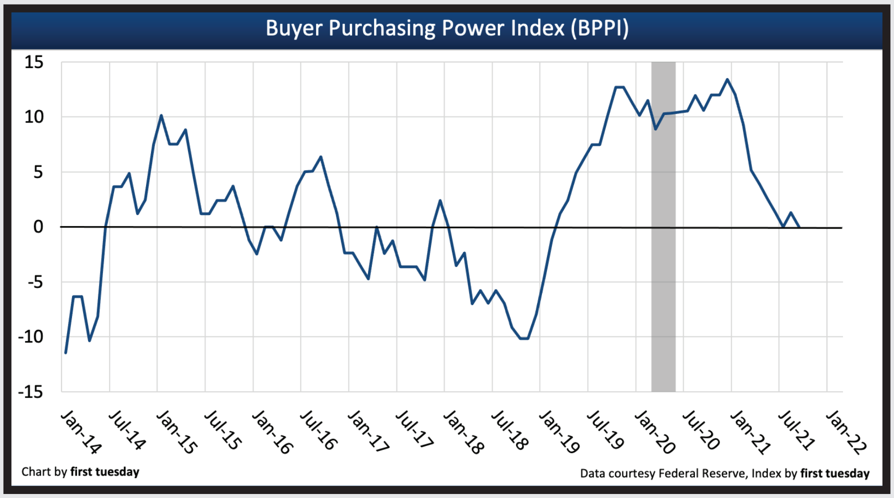
However, anticipate recent rapid home price increases to reverse course in 2022 due to several converging factors. These include the recent expiration of the foreclosure moratorium coupled with high levels of **90+ day mortgage delinquencies**, rising mortgage rates, the waning of consumer stimulus, and California's 7.6% fewer paying jobs than two years ago. For home prices to stabilize, we need a full jobs recovery.

Buyer purchasing power turns against home sales

This chart shows California's **Buyer Purchasing Power Index (BPPI)**, calculated by **firsttuesday**. This figure tells us how much mortgage principal a homebuyer can borrow today compared to a year earlier based on changes in interest rates.

The BPPI declined to **zero** in Q3 2021, leaving today's homebuyers unable to borrow more than the same amount as a year earlier. The BPPI went positive during the prior 12 months as the pandemic response dropped mortgage rates. Since homebuyers qualify for a mortgage amount based on their income, any rise in **mortgage rates** instantly cuts the amount they can borrow — pay — for a home.

Going forward, the BPPI will continue to decline as the **Federal Reserve (the Fed)** allows rates to rise and transition mortgage funding back to the private bond market. As the BPPI declines, so goes home prices.



Click on any chart for more information!

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