


Monthly Real Estate Statistical Update

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

August 2021 • Vol. 11 • Issue 08 • **More jobs and pay needed to support today's home prices**

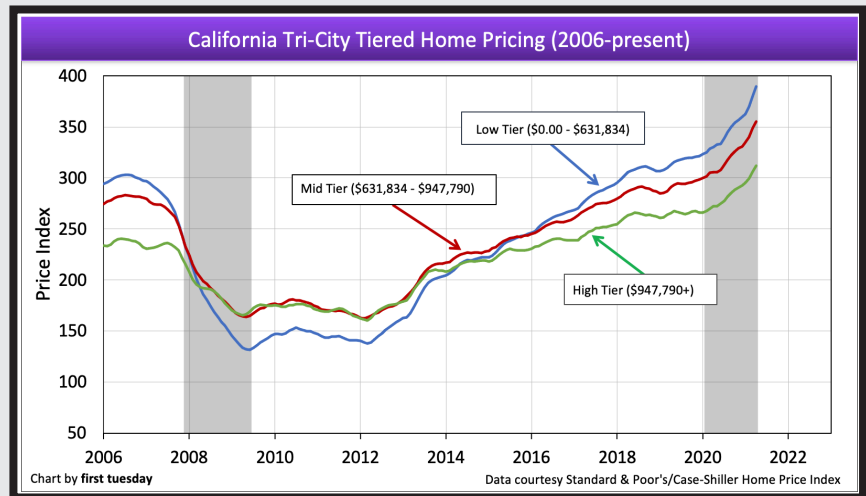
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California home prices soar

This chart shows **home price movement** across California's three price tiers.

Home prices continued to rise rapidly in all tiers during April 2021. The statewide average for low- and mid-tier prices was 18% higher than a year earlier, and high-tier prices were 17% higher. These **price jump** distortions continue to gain momentum, despite the 1.4 million pre-pandemic jobs still missing from California's economy as of May 2021.

Looking ahead, expect home prices to fall following the expiration of the foreclosure moratorium this July 2021 and as the Fed tapers mortgage-backed securities (MBS) purchases in early 2022. The housing market's performance in the next couple of years will depend on **job creation**, whether through government programs or more slowly through an organic return over the next several years.



Jobs begin their long recovery

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

California employment increased slightly in May 2021, at 1.2 million jobs above a year earlier following the **historic job losses** that took place in spring 2020. However, jobs are still 1.4 million or 7.8% below the pre-recession December 2019 peak. California has now recovered just half of the jobs lost at the outset of the 2020 recession.

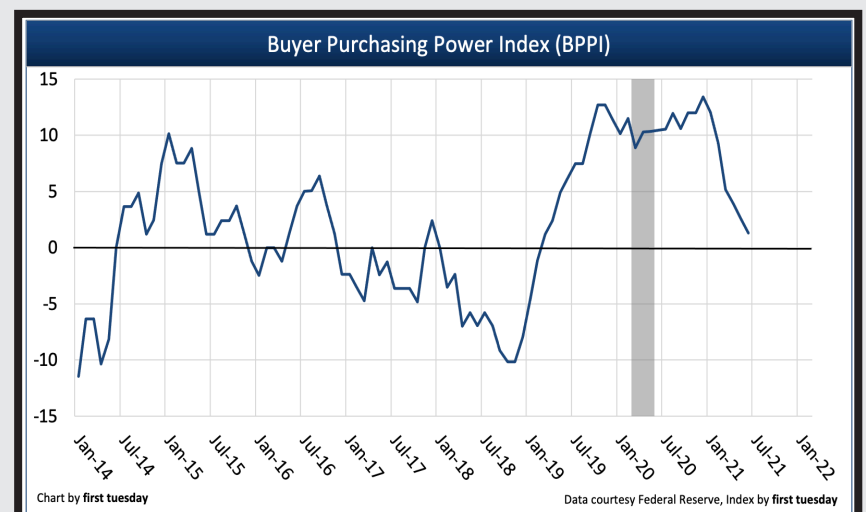
With the expiration of the foreclosure and eviction **moratoriums** that have kept jobless California homeowners housed during this recession and pandemic, 2022 will see a flood of forced sales hit the market, overreaching homebuyer demand and pulling home prices down. Home sales volume will slip and won't recover fully until Californians emerge from the jobless recession, a recovery not to even begin until around 2024.

Homebuyer purchasing power to level, removing support for increasing prices

This chart shows **firsttuesday's Buyer Purchasing Power Index (BPPI)**, calculated using the average 30-year fixed rate mortgage (FRM) rate and California's median income.

The California BPPI figure declined to +1.3 in June 2021. This positive figure tells you a homebuyer with the same income is able to borrow a slight 1.3% more today than a year ago. However, this positive level has decreased since Q4 2020, the result of gradually rising mortgage rates as the Fed prepares to exit the MBS market.

While **homebuyers** are able to borrow 1.3% more today than a year earlier, home prices have accelerated to 17%-18% over a year earlier. This imbalance indicates today's mortgage rates will inevitably check home prices. Looking forward, without falling mortgage rates, additional stimulus, and significant increased jobs and pay, expect home prices to retreat heading into 2022.



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