Monthly Real Estate Statistical Update

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

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February 2021 • Vol. 11 • Issue 02 • ***A durable real estate market is built on personal income growth***

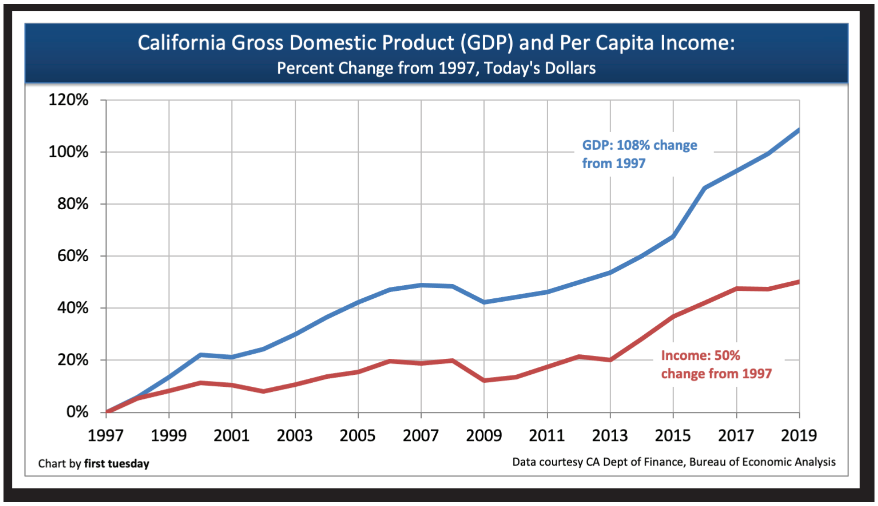
As other economic measures improve in 2021, individual Californians struggle with lost income

This chart shows the number of **individuals employed** in California. The gray bars are economic recessions.

California employment continued on the rebound in November 2020, but is down 1.35 million jobs from a year earlier. Today, jobs are 7.6% below the December 2019 peak, an **erasure of the past four years** of job growth.

The lost jobs reduce consumer spending despite record profits for employers and stockholders, evidence that the top end of the marketplace is detached from reality. Without income from these lost jobs, or a massive 2021 cash stimulus, consumer spending will not be able to prop up failing businesses. For real estate, this means we are in a **hold phase** as savvy investors look ahead to the next buyer's market when property prices bottom to signal the start of the next business cycle, two or three years after the end of foreclosure and eviction moratoriums.

For Californians to again achieve income equality, California's GDP needs reallocation to our workforce



This chart shows the change in California's **gross domestic product (GDP)** and per capita income from 1997 through 2019.

Accounting for inflation, California's GDP increased by 108% from 1997-2019, at $2.8 trillion in 2019. During the same time, average **per capita income** in California rose 50%. Thus, GDP has grown at a rate over twice that of personal income.

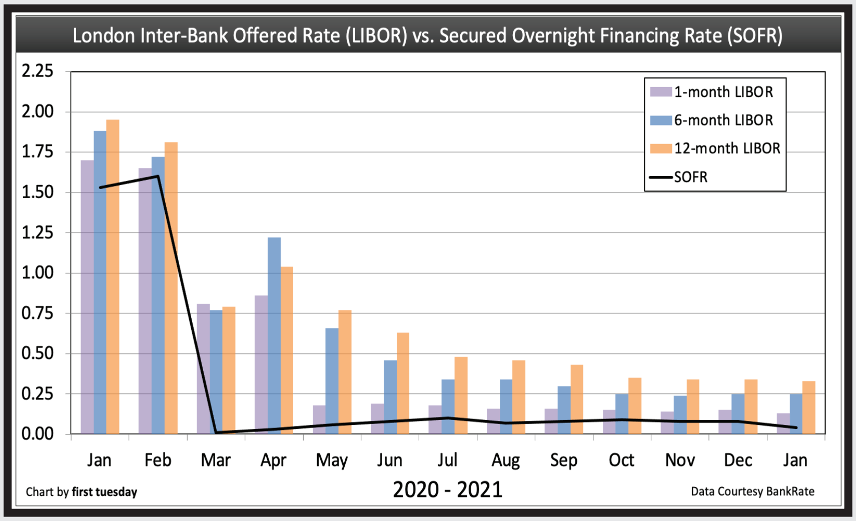
GDP is the measure of a state's total economic output. However, GDP growth clearly does not translate directly to personal income growth. The bulk of the increasing divide is due simply to business ownership's ability to retain earnings disproportionately to pay workers to produce their goods and services — a situation known as **income inequality**, which has grown each year, chipping away at the purchasing power of most future homebuyers.

Introducing the SOFR for ARMs, the replacement for the corrupt LIBOR

This chart shows the average **Secured Overnight Financing Rate (SOFR)** for the past year overlayed on top of the London Inter-Bank Offered Rate (LIBOR).

This index is one of several indices mortgage lenders use in their ARM notes to periodically adjust the note's interest rate. The SOFR is replacing the **London Interbank Offered Rate (LIBOR)**, which expires at the end of 2021. The LIBOR was found to be manipulated in the years prior to the 2008 recession and financial crisis. In contrast, the SOFR is based on overnight borrowing in the U.S. Treasury markets based on observable transactions. Unlike the LIBOR, it is not set by lender estimates.

Real estate professionals: familiarize yourself with the **new benchmark rate** — it will soon be replacing LIBOR in ARM mortgages, both existing and new originations.



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