Monthly Real Estate Statistical Update

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

June 2021 • Vol. 11 • Issue 06 • ***Don't be misled by these bright spots in the housing recovery***

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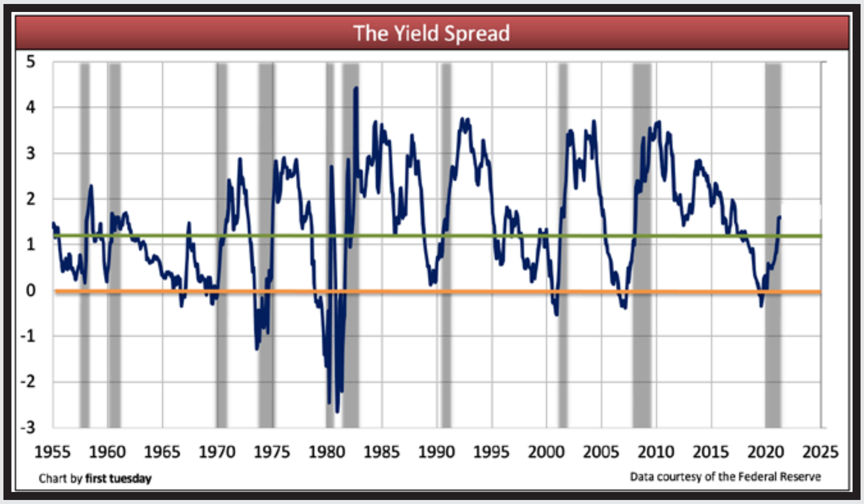
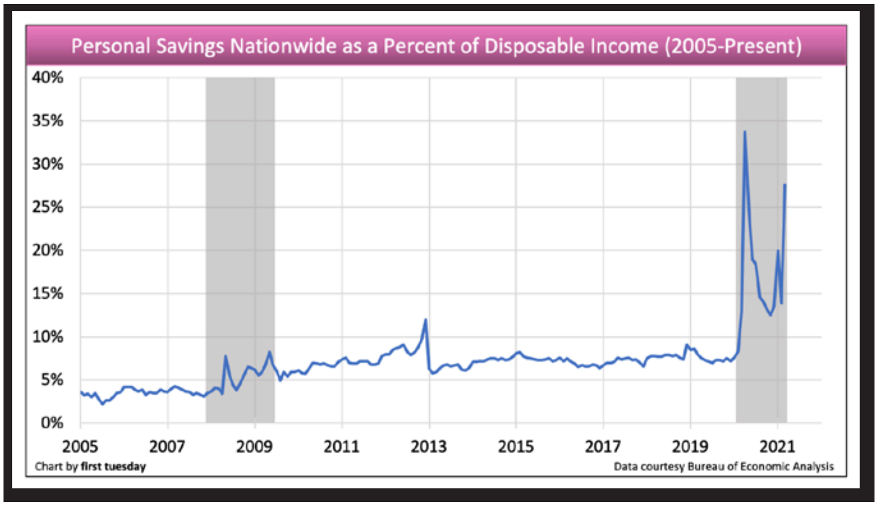
The yield spread forecasts no double-dip recession

This chart shows the **yield spread**, which indicates the likelihood of a recession or recovery one year forward. The gray columns indicate economic recessions. The green line shows the danger point for the spread and the orange line indicates the point of no return for a forthcoming recession.

After over a decade of positive activity, the yield spread went negative in mid-2019 for an extended time, **forecasting a recession** to arrive one year later. With these warnings, real estate professionals had the opportunity to prepare for the 2020 recession, which continues today.

The yield spread is +1.6 as of April 2021, just above the danger point for a **double-dip recession**. This positive — but still low — yield spread tells us the likelihood of another recessionary dip is low in the coming year. However, the low spread shows that business and economic activity still have years to go before reaching a **full recovery**.





Stimulus payments distort personal savings rates

This chart shows the average national **personal savings rate**.

The national personal savings rate jumped to historic levels in 2020, peaking at nearly 34% of disposable personal income in April 2020. These savings coincided with the first round of **stimulus checks**, which many put directly into savings. This rate fell back slightly in 2020, bouncing back to 27.6% in March 2021 with the arrival of yet another round of stimulus. For perspective, savings bottomed near 2% in 2005 when consumer confidence was high.

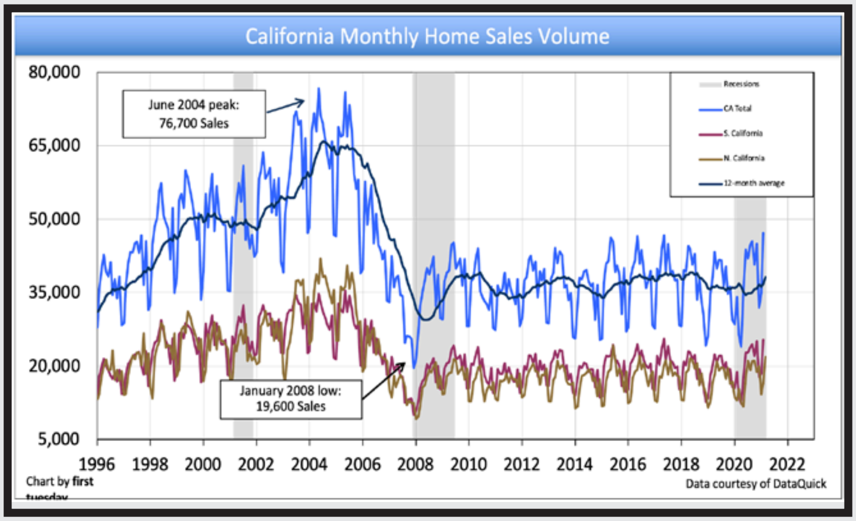
Don't expect today's high savings rates to continue. The short-term boosts provided by three rounds of stimulus were not built to last. Lacking access to quality, **stable jobs**, many residents will turn to their savings to survive in the months following the end of stimulus.

Rising home sales volume: a mirage?

This chart shows the number of homes sold each month in **California**. The blue line displays the state total, while the red and gold lines show Southern and Northern California home sales, respectively.

47,200 new and resale home transactions closed escrow during March 2021. In March alone, sales volume was a whopping 39% higher than a year earlier, when sales faltered in the face of the **pandemic**. Still, March's high sales volume is more evidence of the altered annual cycle of sales experienced since March 2020.

Today's volatile sales volume is the result of low interest rates, tight inventory and rising **fear of missing out (FOMO)** from homebuyers. But these fuels are not sustainable. The year-old foreclosure moratorium scheduled to expire June 30, 2021, along with gradually rising interest rates, will dampen homebuyer enthusiasm. The true recovery — fed by a return of jobs — will begin around 2024-2025.



Click on any chart for more information!

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