

2021 Annual Housing Market Survey



Housing market remains strong in 2021

Oct 2021



434,170
+13.4% YTD

\$798,440
+12.3% YTY



**Unsold
Inventory Index**

1.8 months

Existing Home Sales
% change

Existing Home Price
% change



**Median Days
on Market**

11 days



**Sales Price to
List Price Ratio**

101.5%

The housing market in California has been red hot since last July with home sales for the first ten months of 2021 surging above last year by double-digits. Home prices, meanwhile, continue to climb on a year-over-year basis with the state median price setting record highs multiple times throughout the year. Supply, however, remained tight as for-sale properties consistently dipped below year-ago levels by 40 - 50 percent in the first half of the year.

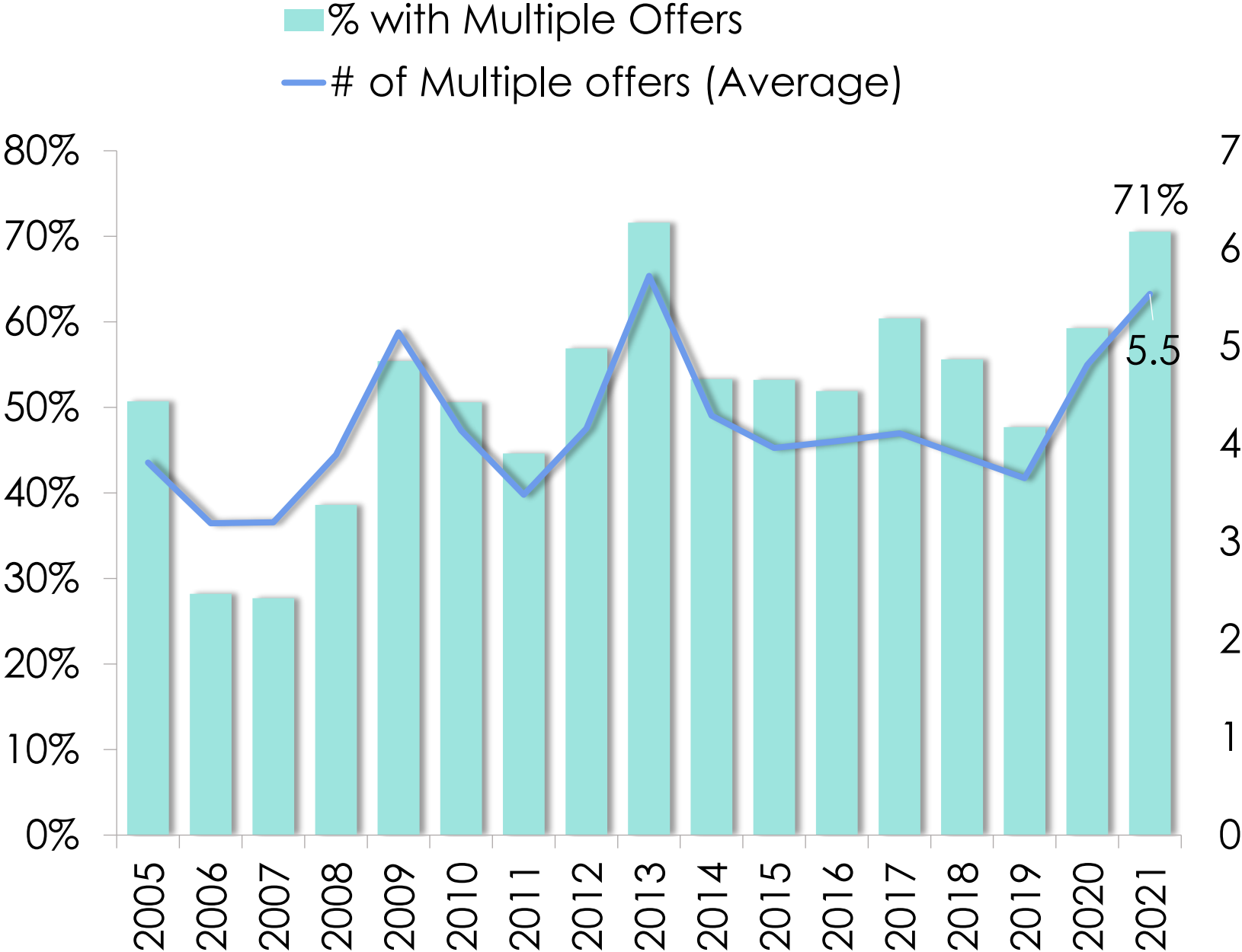
The imbalance between supply and demand has created headaches for homebuyers, as market competition remained intense while housing affordability continued to decline.



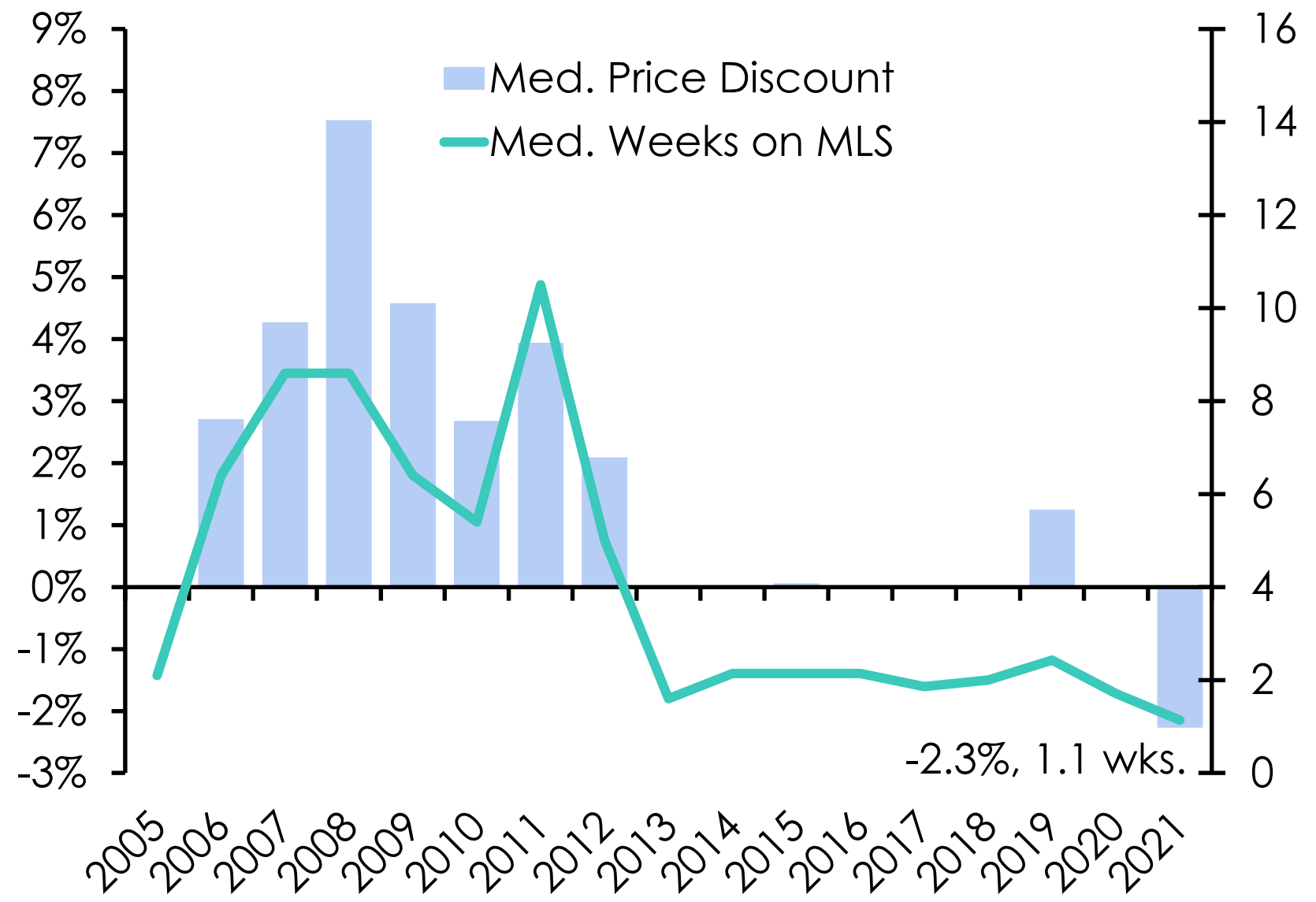
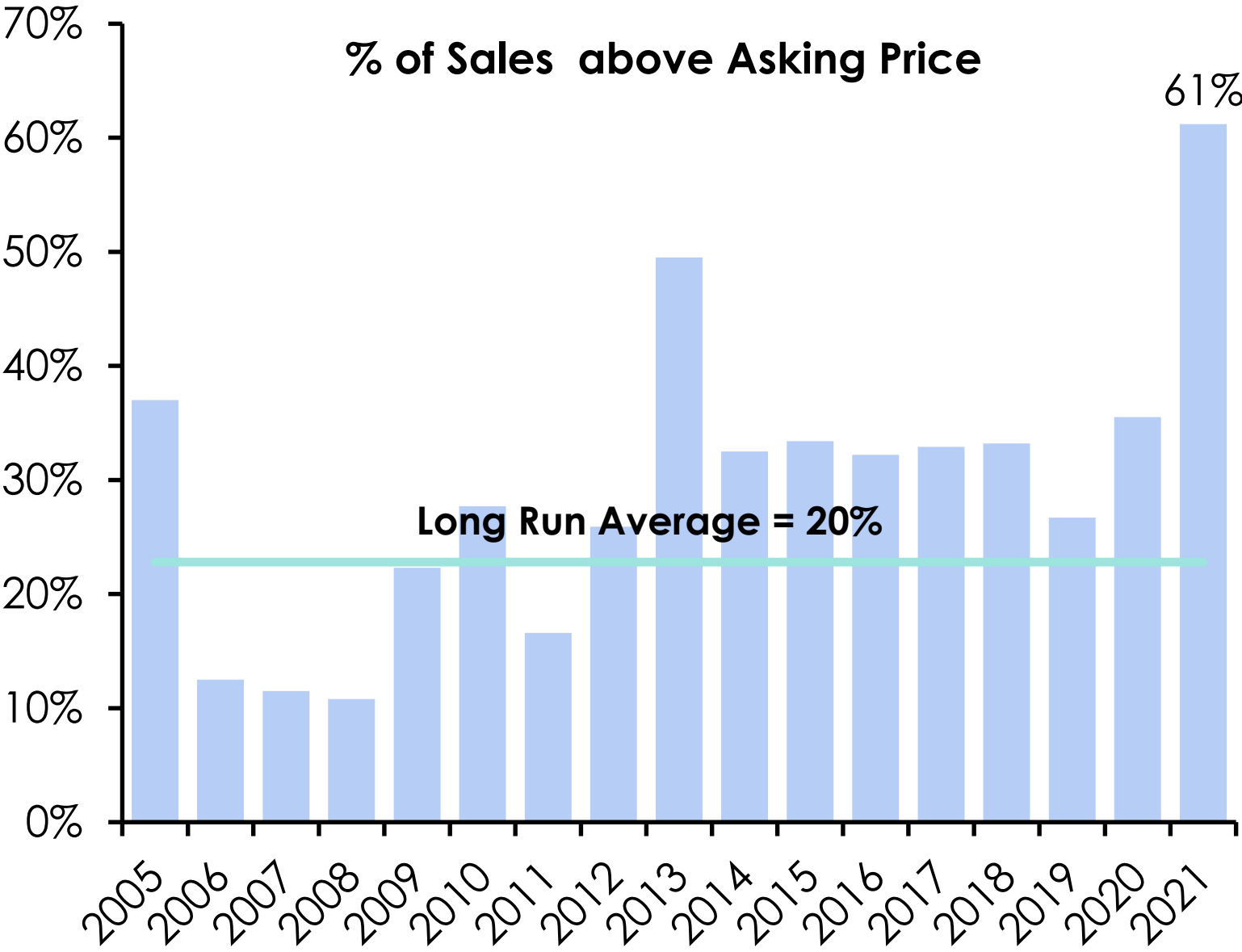
Surge in demand heightened market competition

With demand remaining strong and supply reaching record-low levels, competition has intensified in many markets in California. The share of sales with multiple offers and the average number of offers received climbed for the second year in a row in 2021 and both reached their highest levels since 2013. The number of properties sold with an above-asking price surged this year, with their share to total sales skyrocketing from 35.5 percent in 2020 to 61.2 percent in 2021. This year's level is the highest recorded in at least the last 30 years and is 41 percent higher than the long-run average of 20 percent.

Properties have been flying off the market at record speed, with a listing typically staying on the market for eight days, the shortest time-on-market since the survey started tracking the statistics in 1986.



Market competitiveness soared as demand surged and supply remained tight



Buyers waive contingencies in a competitive market

Contingencies Waived on Offer Accepted

	\$500k or below	\$501k - \$1M	Over \$1M	All
Non-Contingent Offer	55.6%	61.4%	64.7%	60.5%
Appraisal	35.4%	53.7%	60.4%	49.8%
Property inspection	23.5%	28.3%	41.3%	29.9%
Financing	19.3%	24.7%	46.5%	28.7%
Selling of another house	12.2%	18.0%	27.4%	18.6%
Purchase of another house	6.8%	8.8%	14.2%	9.5%
Transfer disclosure statement post offer	4.8%	6.3%	10.9%	6.9%

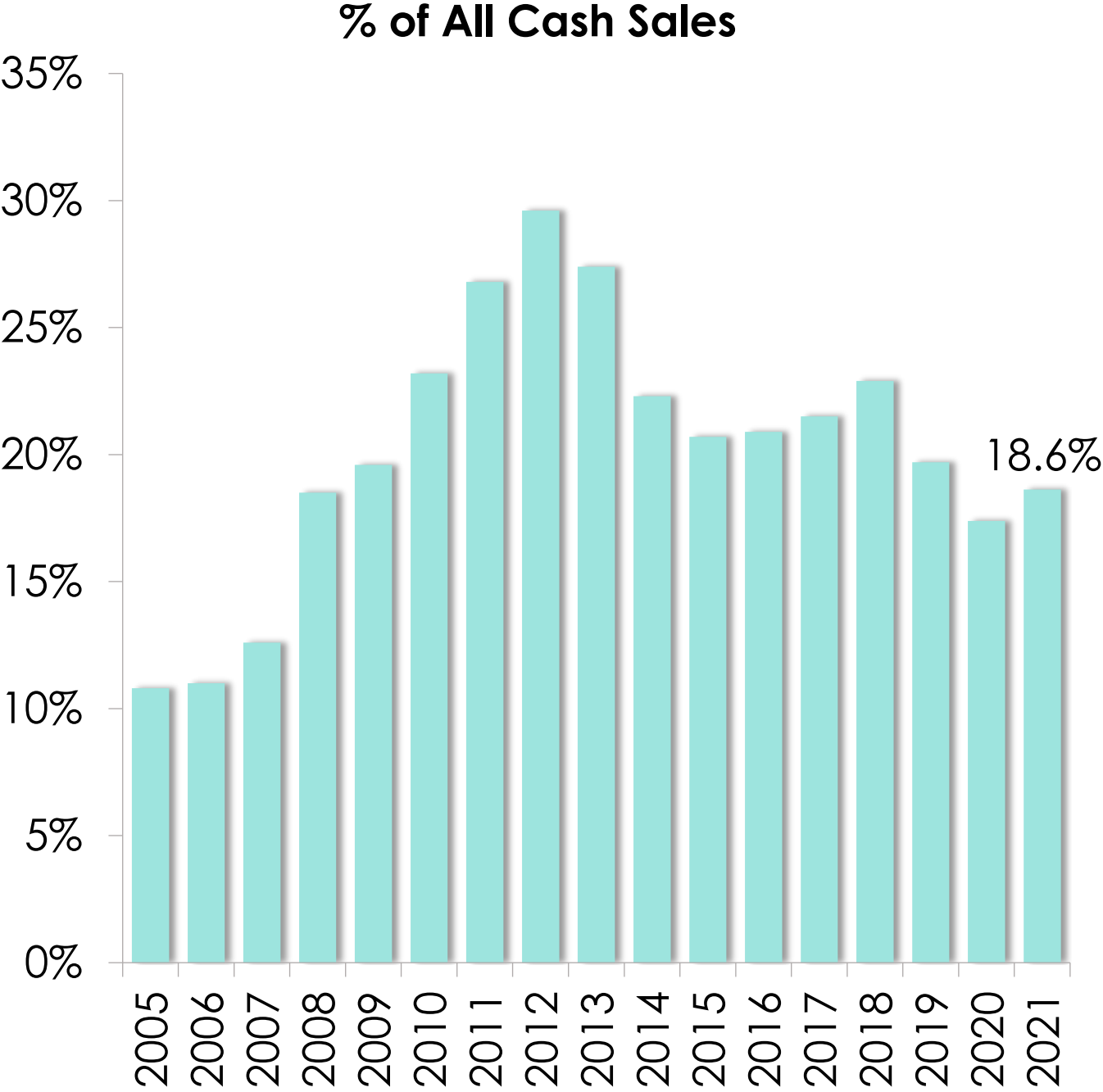
To gain an edge in this competitive environment, many homebuyers waived contingencies in the buying process to persuade sellers to choose their offer. Six out of ten offers accepted by the seller were non-contingent offers, while half of the offers accepted had the appraisal contingency waived (49.8 percent), nearly a third had the property inspection waived (29.9 percent), and over a quarter waived the contingency of securing financing for the house (28.7 percent).



More buyers paying all cash due to intense market competition

The share of all-cash buyers inched up in 2021 after it dipped to the lowest level since 2007 in the prior year. As competition remained intense in the market, more home buyers tried to stay on top of the heap by offering all cash. With interest rates remaining low by historical standards and home prices increasing by double-digits from a year earlier across the state, the share of all-cash sales remained the second lowest in the last 14 years, despite the slight bounce-back.

Market competitiveness varied between price segments. Properties in the mid-priced range — homes sold between \$500,000 and \$1 million — continued to be the most sought after, as they were the most likely to receive multiple offers, the most likely to receive an offer with a price at or above the asking price, and sold the fastest. While the mid-priced range was still the segment with the highest average number of offers this year, it was also the only price segment without any increase when compared to last year.



Market competition continues to be the most intense in mid-priced range segment

	Lower-Priced Range (\$0 - \$500k)		Mid-Priced Range (\$501k - \$1M)		Upper-Priced Range (\$1M+)		All Sales	
	2020	2021	2020	2021	2020	2021	2020	2021
% with Multiple Offer	55.6%	65.6%	62.5%	74.0%	58.5%	70.1%	59.2%	70.5%
% of Sales Above Asking Price	30.3%	48.9%	37.3%	66.5%	40.9%	64.9%	35.5%	61.2%
Days on Market	14	7	10	7	14	10	12	8

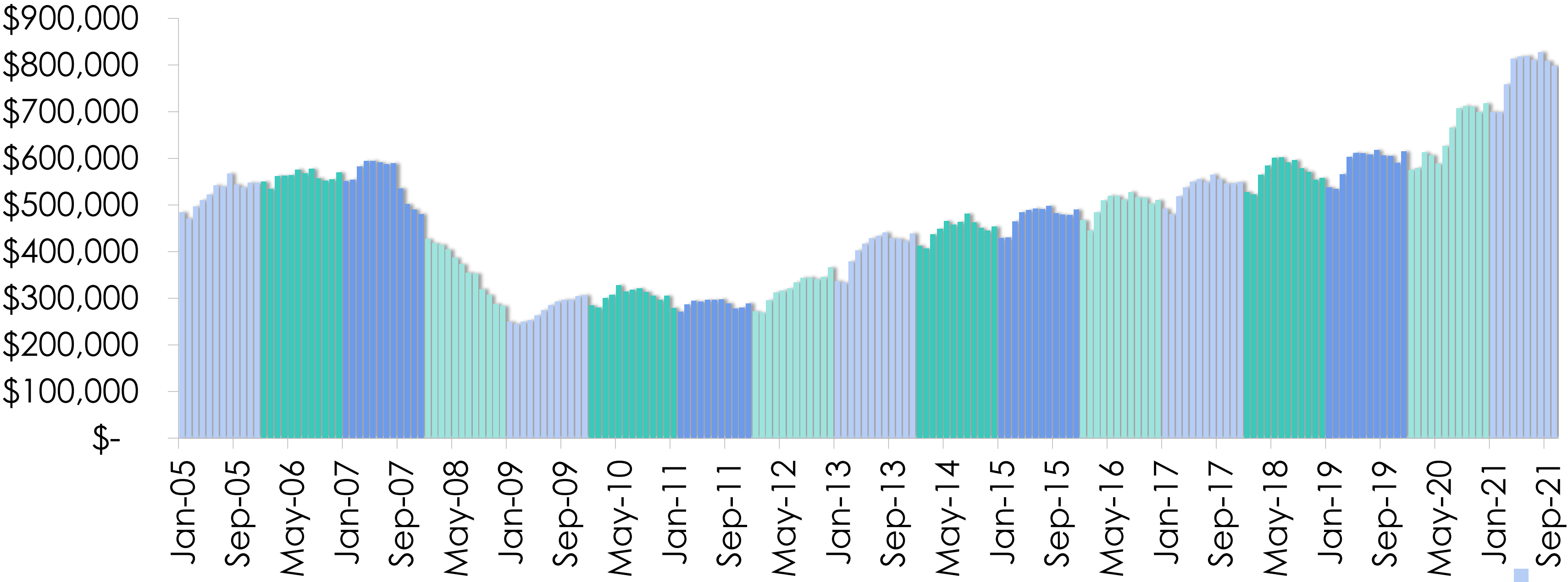


And remains more competitive for first-time buyers

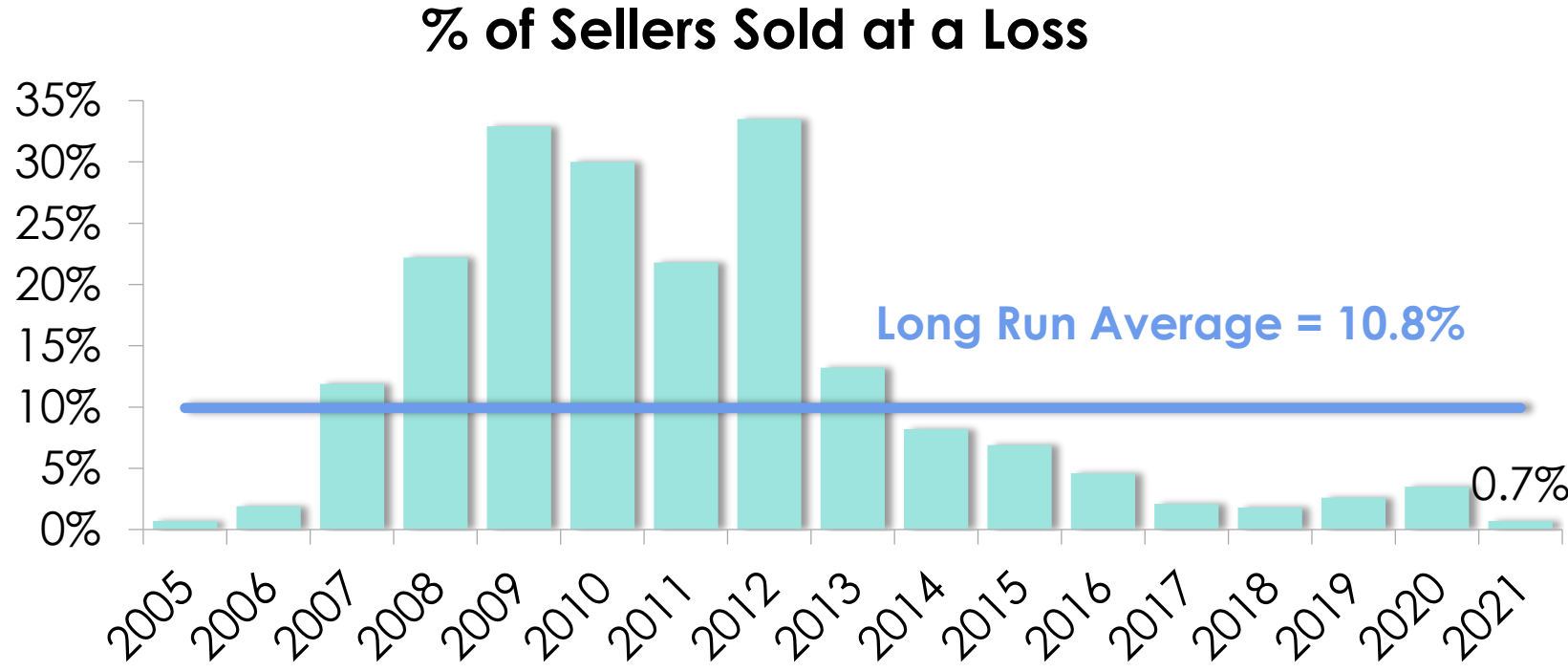
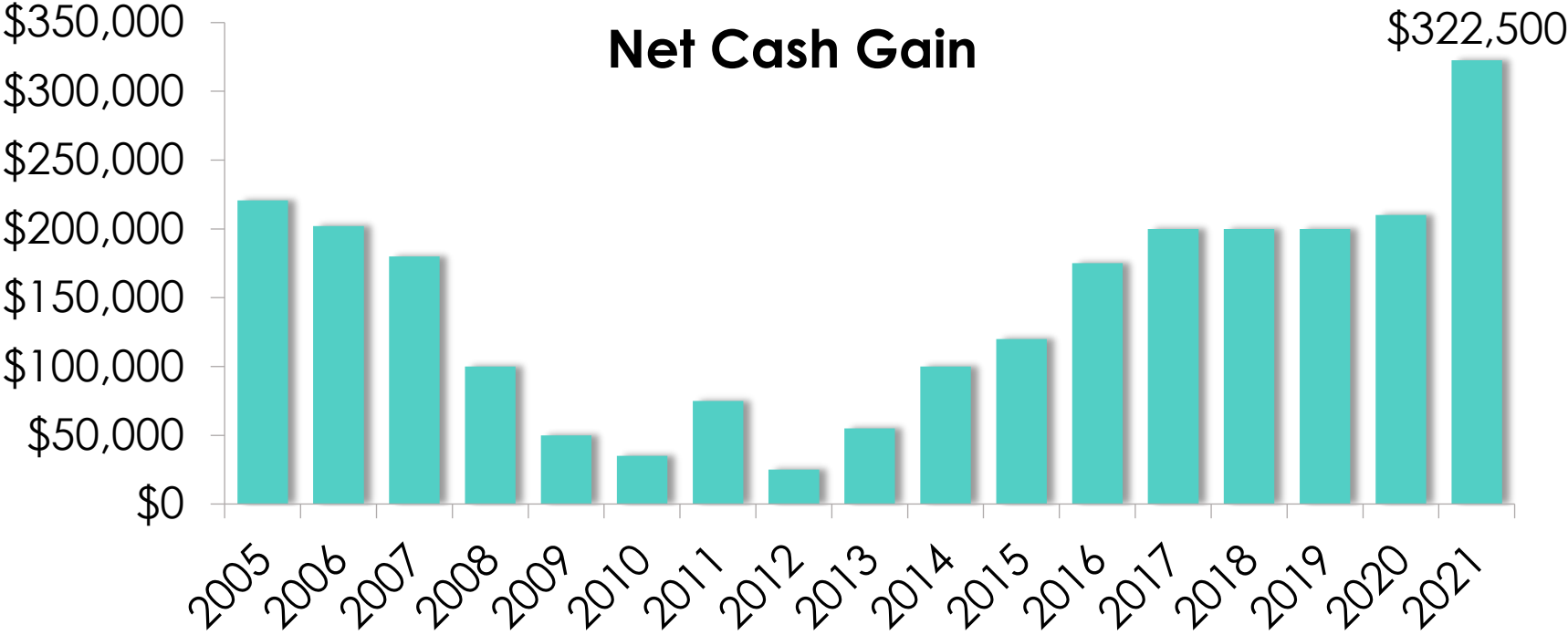
	First-time Buyers			Repeat Buyers			All Buyers		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
% with Multiple Offer	51.5%	64.4%	72.0%	45.3%	56.5%	69.8%	47.7%	59.2%	70.5%
% of Sales Above Asking Price	32.4%	42.0%	65.1%	24.8%	30.8%	59.4%	26.7%	35.5%	61.2%
Days on Market	15	10	7	20	14	8	17	12	8

California median home price is expected to increase by 20% and set a new annual record high

California, October 2021: **\$798,440**, -1.3% MTM, +12.3% YTY



Sellers had the largest net gain in 33 years after an increase of 54% from 2020



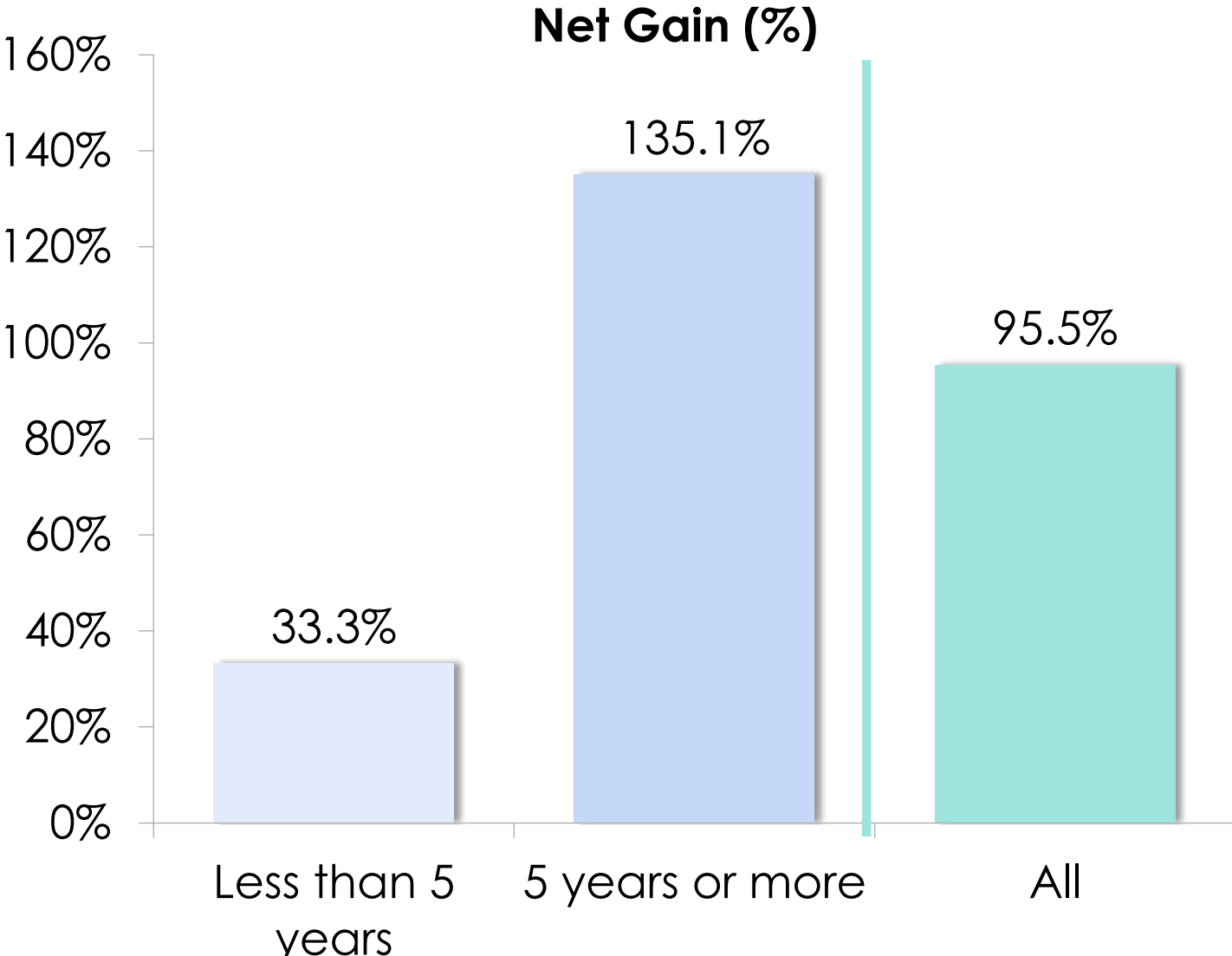
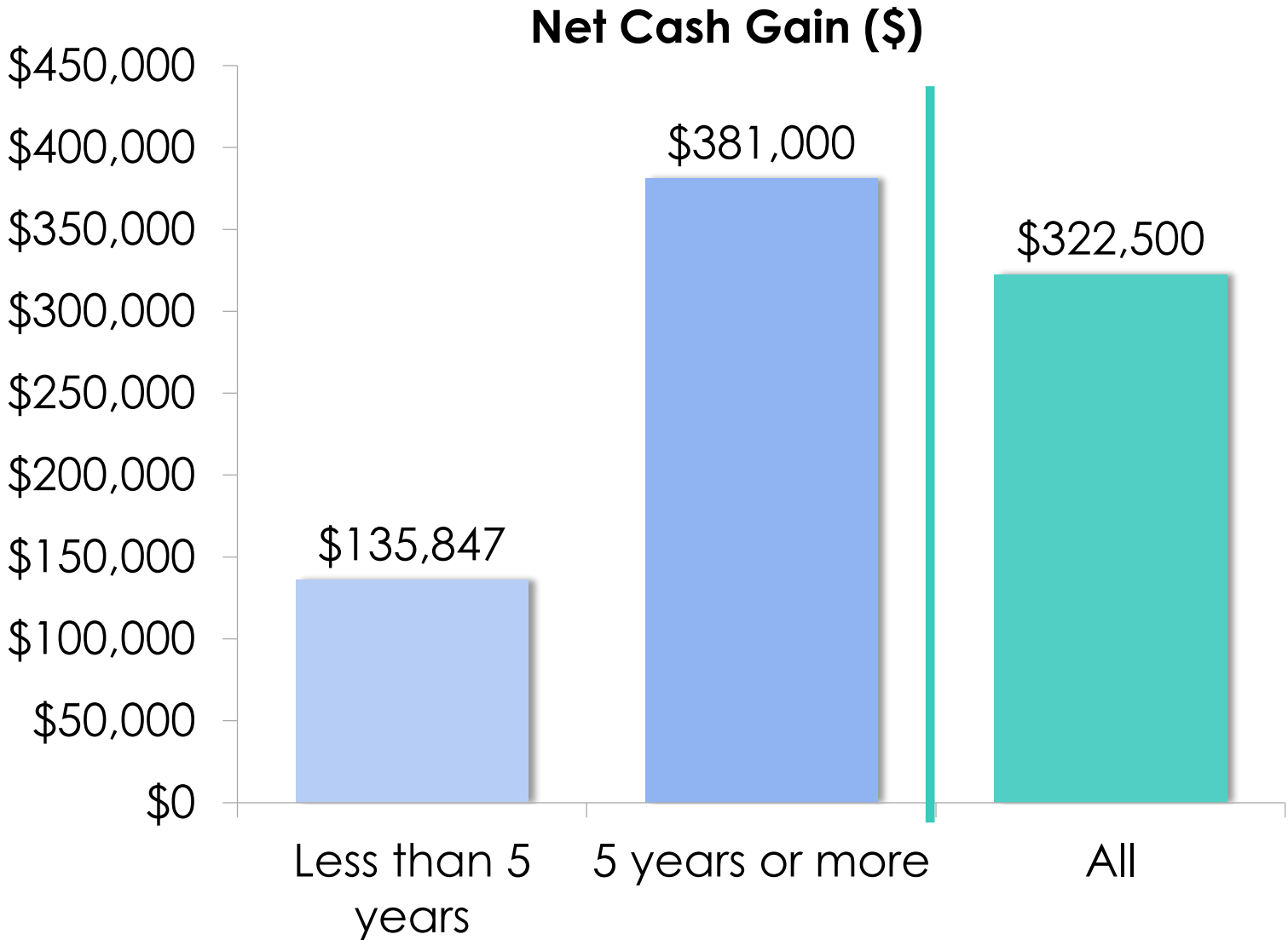
With the statewide median price expected to increase by double-digits from last year, home equity continued to grow in 2021. Results from the 2021 Annual Housing Market Survey suggest that home sellers typically pocketed a net cash gain of \$322,500 from the sale of their homes. That's a 95.5 percent increase from the purchase price. And less than one percent (0.7 percent) of all sellers had a net loss from their home sale in 2021, which is well below the long-run average of 9.9 percent going back to 1994.

Home sellers who lived in their house for less than five years earned a 33.3 percent profit from their sale, while those who lived in their house for five or more years earned a 135.1 percent profit.

Q. What was the net cash gain or net loss to the seller as a result of this sale?

Sellers accumulate wealth over time

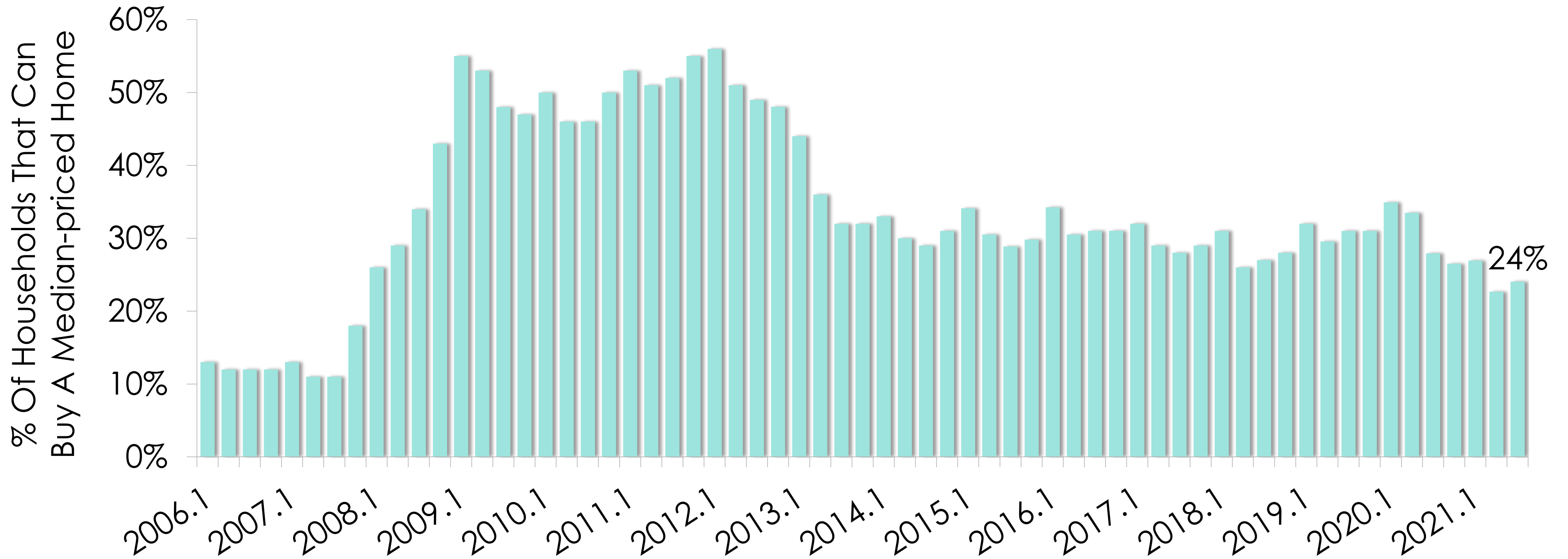
Home sellers who lived in their house for less than five years earned a 33.3 percent profit from their sales; those who lived in their house for five or more years earned a 135.1 percent profit.



Q. What was the net cash gain or net loss to the seller as a result of this sale?

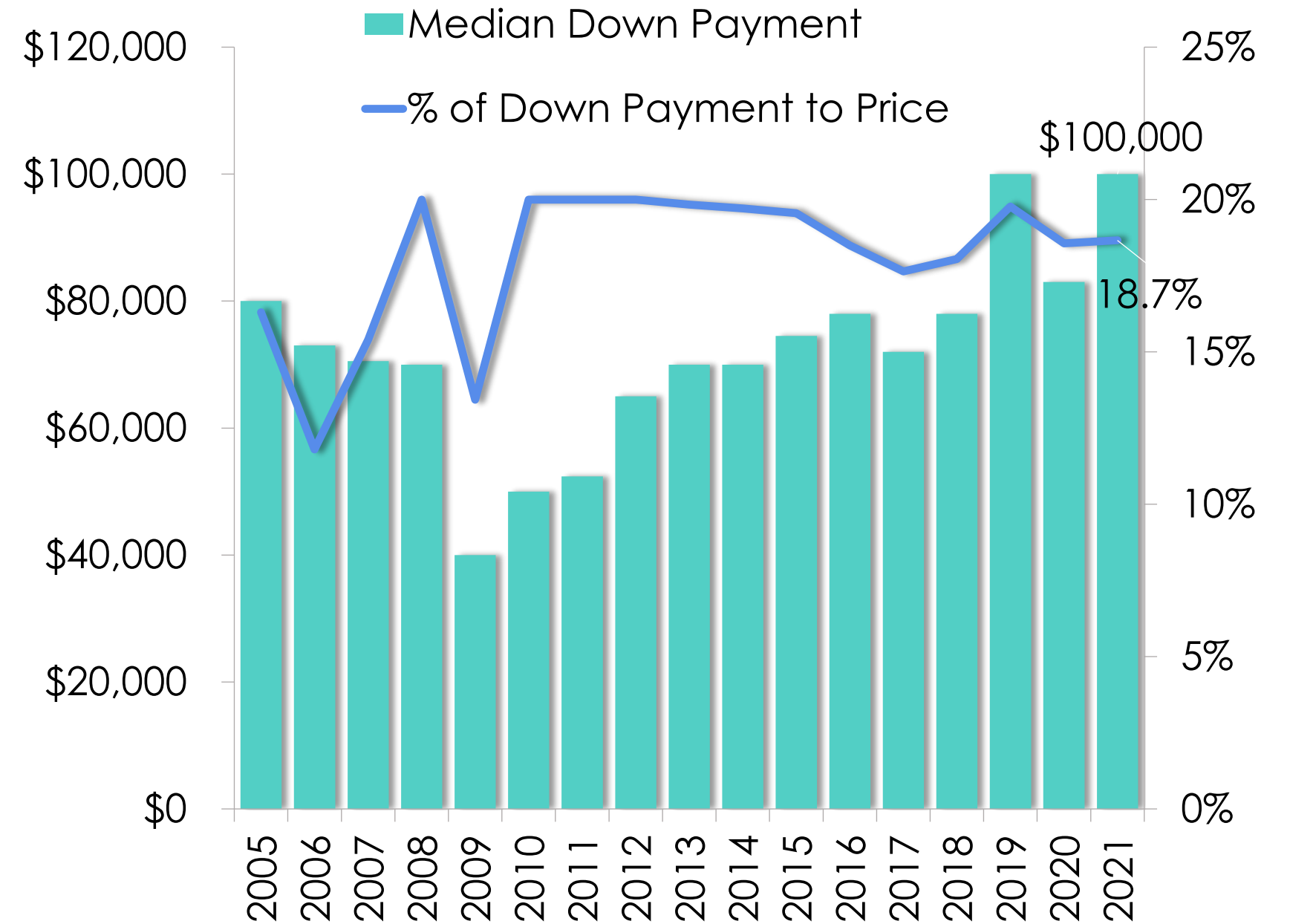
High prices deteriorate housing affordability

California Housing Affordability Index: 2006-2021



Down payment at the highest level in 22 years

A surge in home prices in the past year has presented a huge financial challenge for homebuyers. Housing affordability is both a mortgage payment issue, as well as a down payment issue. While record low mortgage rates helped homebuyers keep their monthly payment somewhat manageable, they still must save up enough for a down payment that has risen significantly since last year. The statewide median down payment in 2021, in fact, increased 20.5 percent from 2020 and was back to the record level at \$100,000 reached in 2019. Household income for homebuyers also increased accordingly, with the state median reaching \$150,000 in 2021, up 7.1 percent from \$140,000 in 2020.

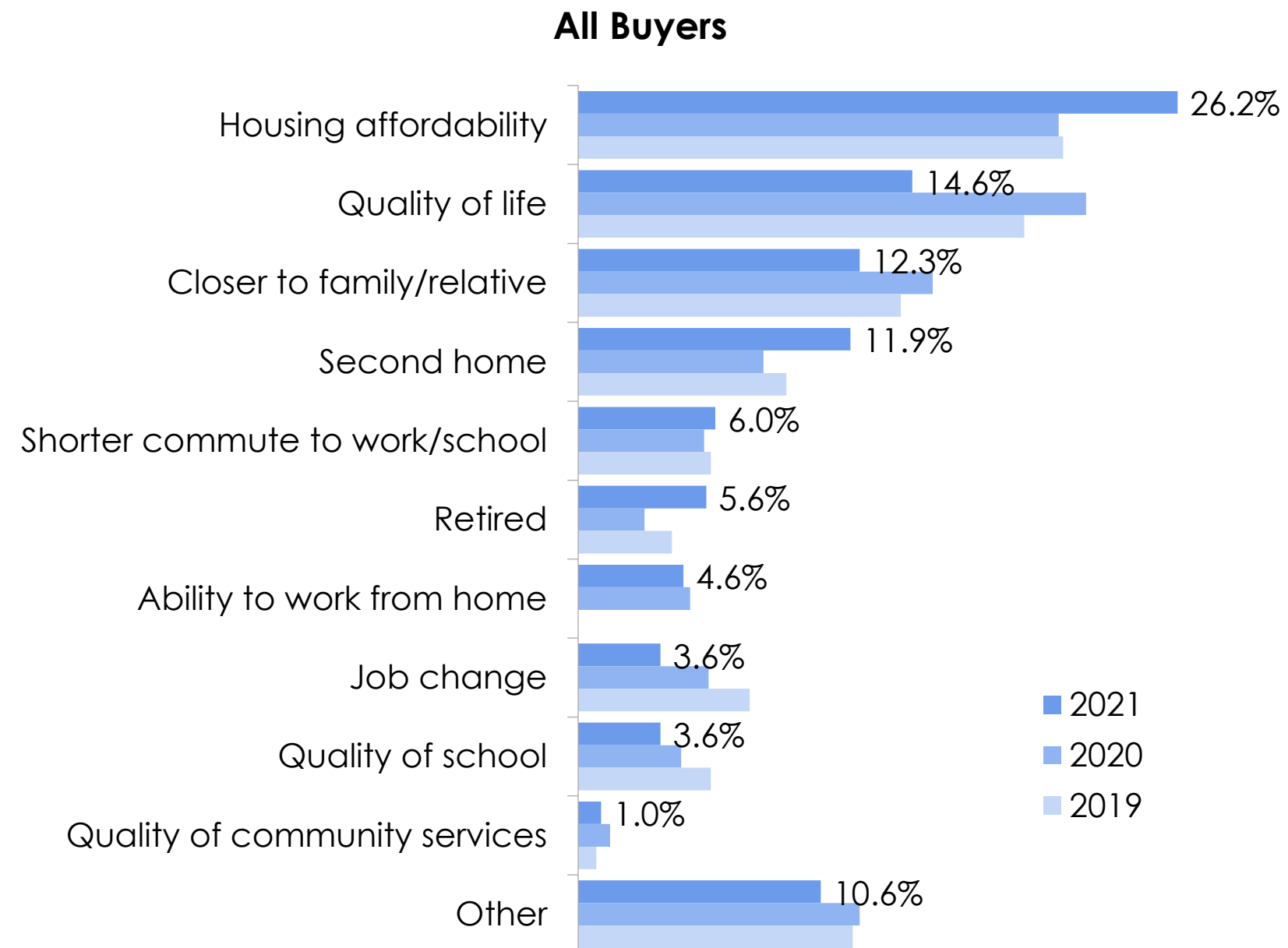


High home prices kept affordability low despite record low rates

	2006	2017	2018	2019	2020	2021
Median mortgage rate	6.5%	4.0%	4.5%	4.0%	3.3%	3.0%
Median home price for existing single-family homes	\$556,430	\$525,000	\$570,000	\$600,000	\$605,000	\$705,000
Median household income for home buyers	\$100,000	\$120,000	\$120,000	\$120,000	\$140,000	\$150,000
Monthly mortgage payment (1 st mortgage)	\$2,500	\$1,924	\$2,000	\$1,800	\$2,000	\$2,075
Housing Affordability Index	12%	28%	26%	32%	33%	23%



Housing affordability back on top as the main reason for buyers to move to another county



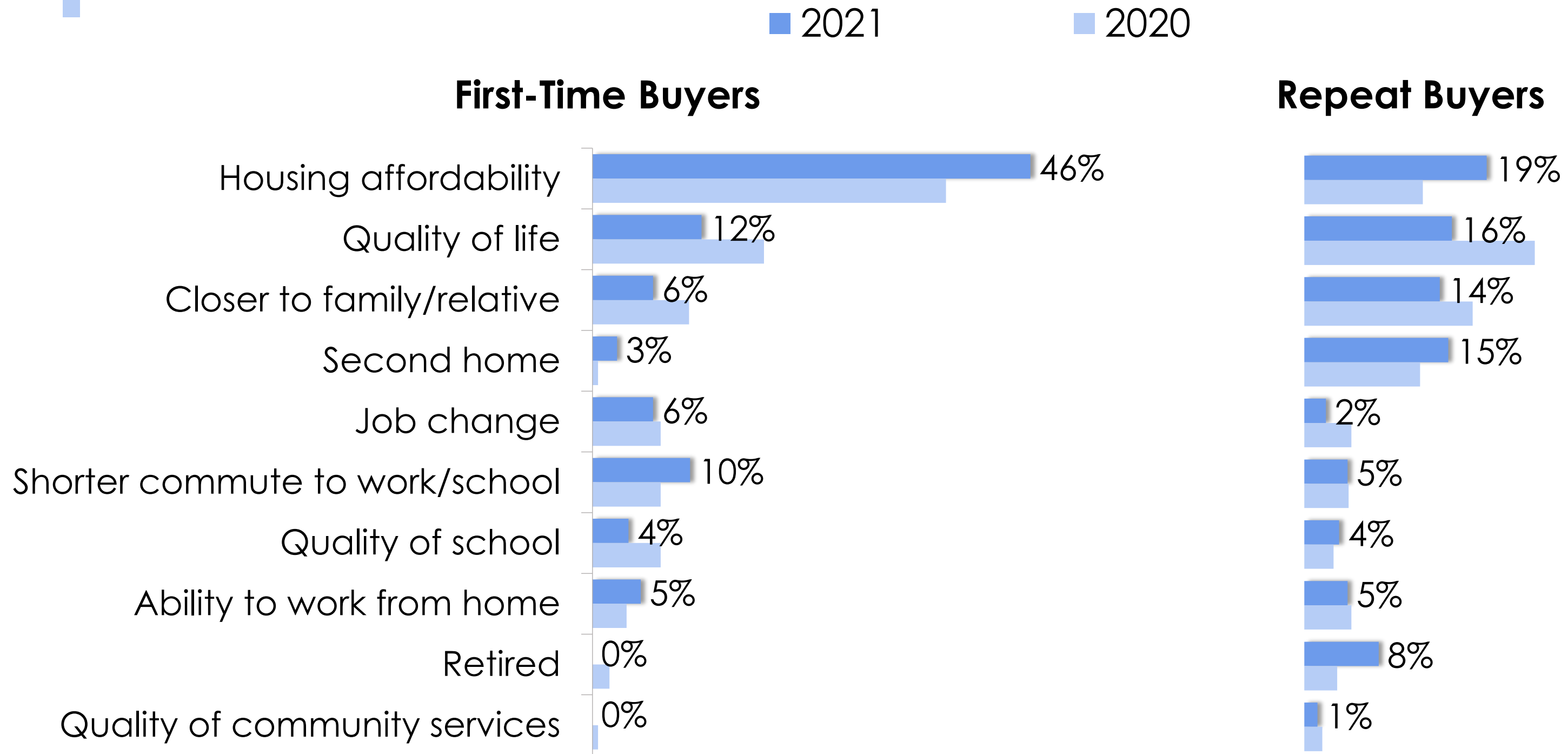
Housing affordability is back on top as the number one reason for buyers to relocate to another county. More than a quarter (26.2 percent) of all buyers in 2021 said housing affordability was their primary reason for changing counties, a noticeable increase from 21 percent in 2020. It was a bigger problem for first-time buyers, as 46 percent of them changed counties because of housing affordability issues, compared to 19 percent for repeat buyers.

As employees have more flexibility to work remotely from home, commuting to the office has become a smaller issue in the past 18 months, and homebuyers are more willing to move further away from their office in order to attain their homeownership goal.

Q. What was the primary reason for changing county?

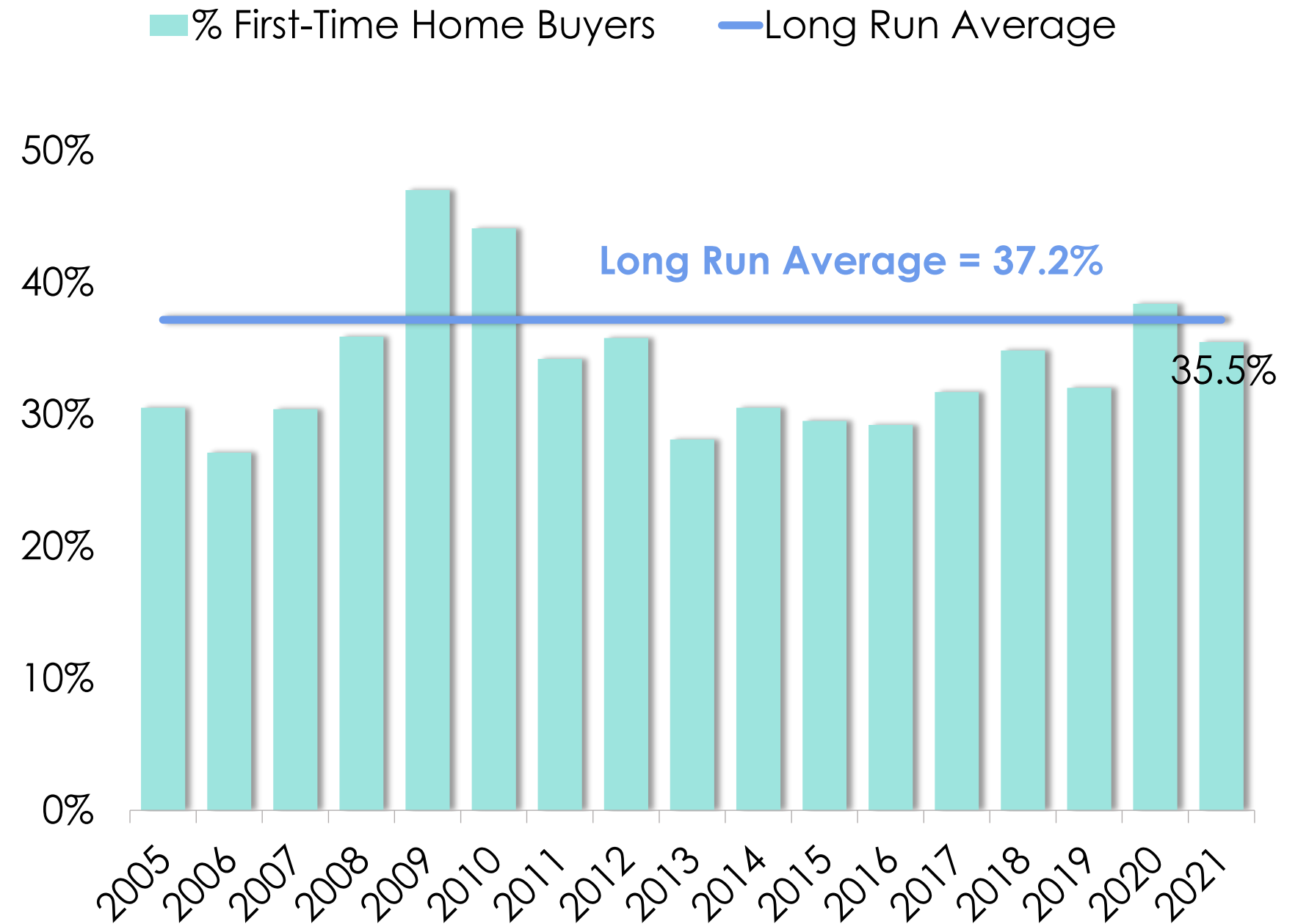


Housing affordability is still a bigger issue for first-time buyers

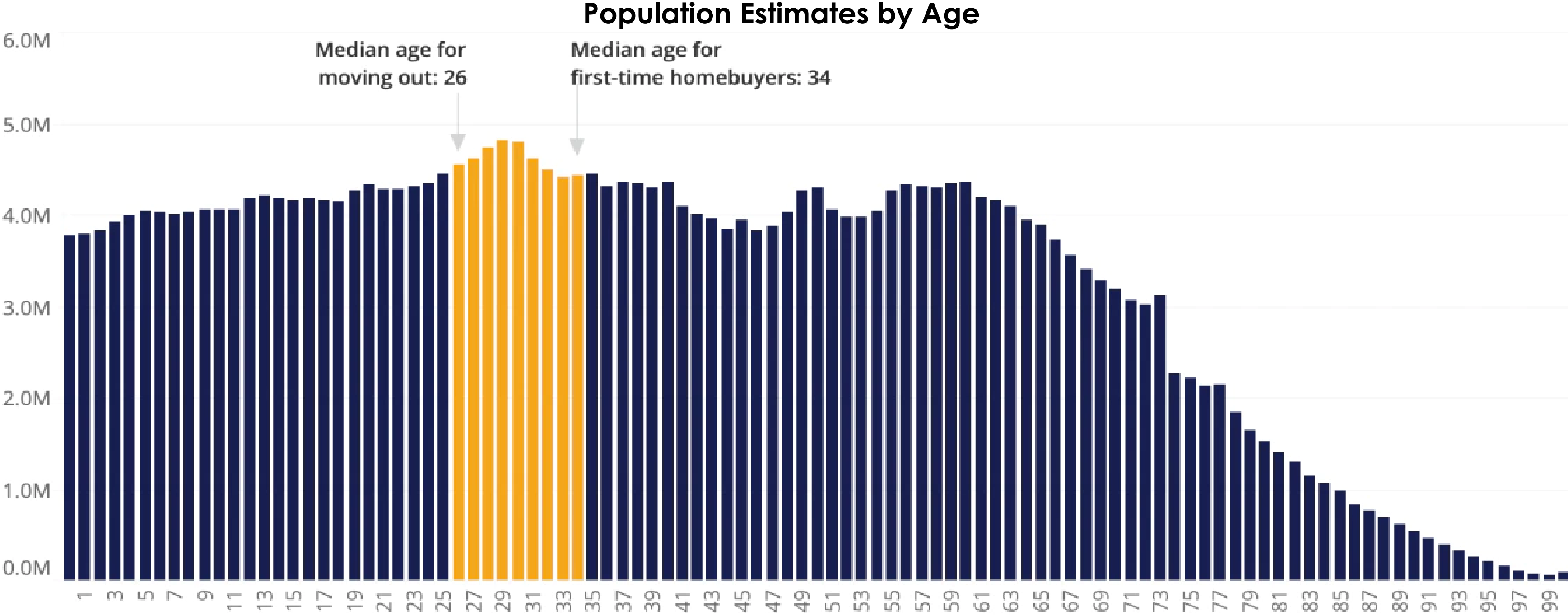


But many first-time buyers are still motivated to buy

Low interest rates continued to motivate first-time buyers in 2021. While the share of sales declined from 38.4 percent in 2020, first-time buyers still picked up more than a third of homes sold (35.5 percent) this year, and the share was higher than any year between 2013 and 2019. Homebuying is getting more financially difficult for first-time buyers, however, as monthly mortgage payments continue to rise, and the household income required to buy a house remains elevated. With interest rates projected to increase and home prices expected to inch up in 2022, the affordability challenge for first-time buyers will likely get worse in the upcoming year.



Many potential homebuyers will enter their prime home buying age in coming years



SOURCE: National Population Estimates, U.S. Census Bureau, Population Division, June 2020

First-Time Buyers Have More “Skin” in the Game

	2006	2017	2018	2019	2020	2021
% of buyers with 20% or more down payment	23.9%	26.2%	27.2%	33.3%	33.1%	32.0%
Median Downpayment (% to Price)	2.4%	7.4%	9.2%	9.8%	10.0%	9.7%
% of buyers with zero down payment	40.9%	10.2%	9.2%	17.5%	10.6%	2.7%
% of cash buyers	3.3%	6.7%	7.0%	9.3%	5.5%	4.4%
% of home buyers with a second mortgage	62.8%	5.9%	6.6%	6.2%	4.0%	3.2%
% of buyer with ARM	38.1%	4.4%	4.0%	3.7%	2.3%	1.2%

First-time buyers are doing their due diligence and not overleveraging in the current housing frenzy. Unlike their counterparts who bought 15 years ago before the Great Recession, first-time buyers in recent years have more skin in the game and have stronger financial standings in general. They typically have

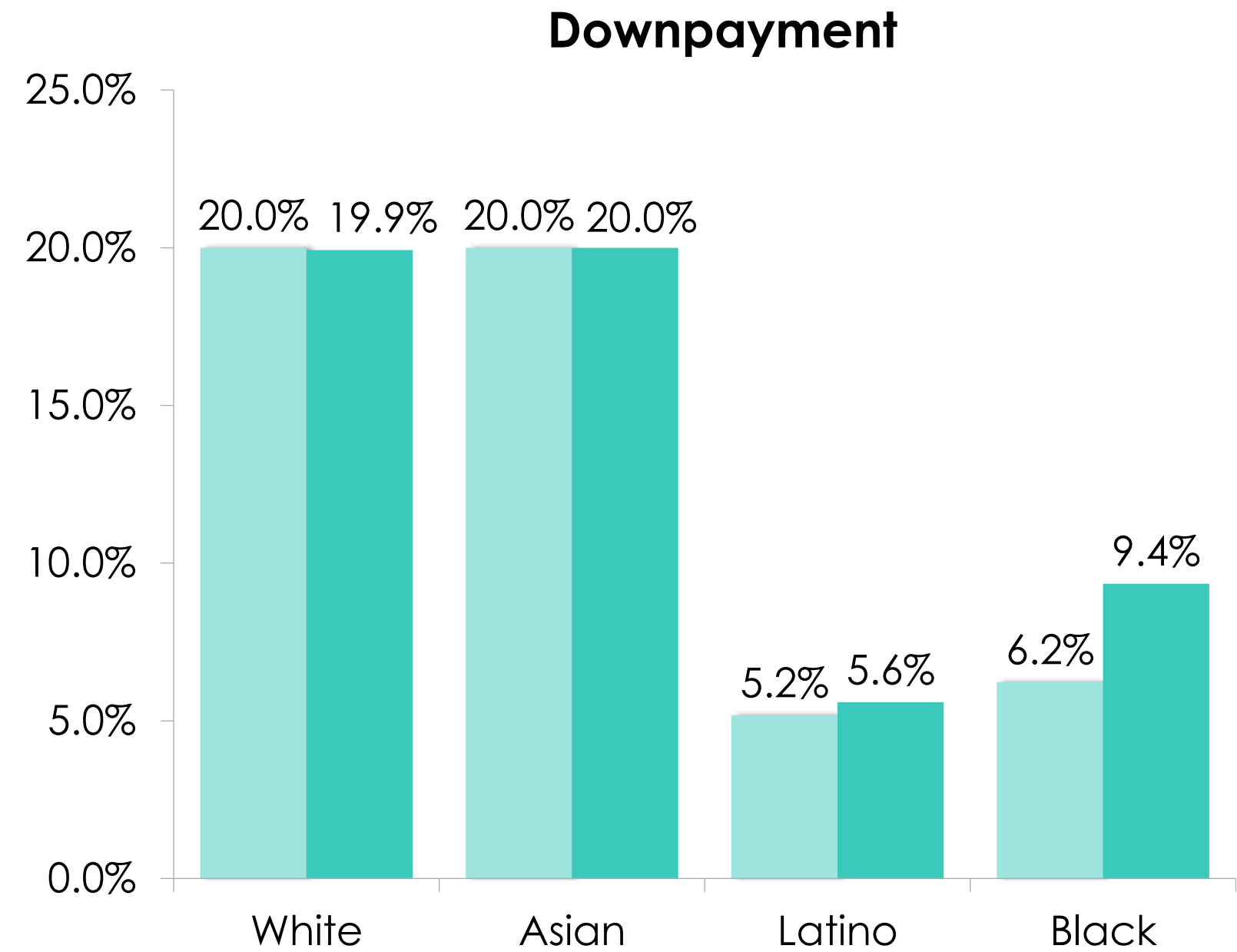
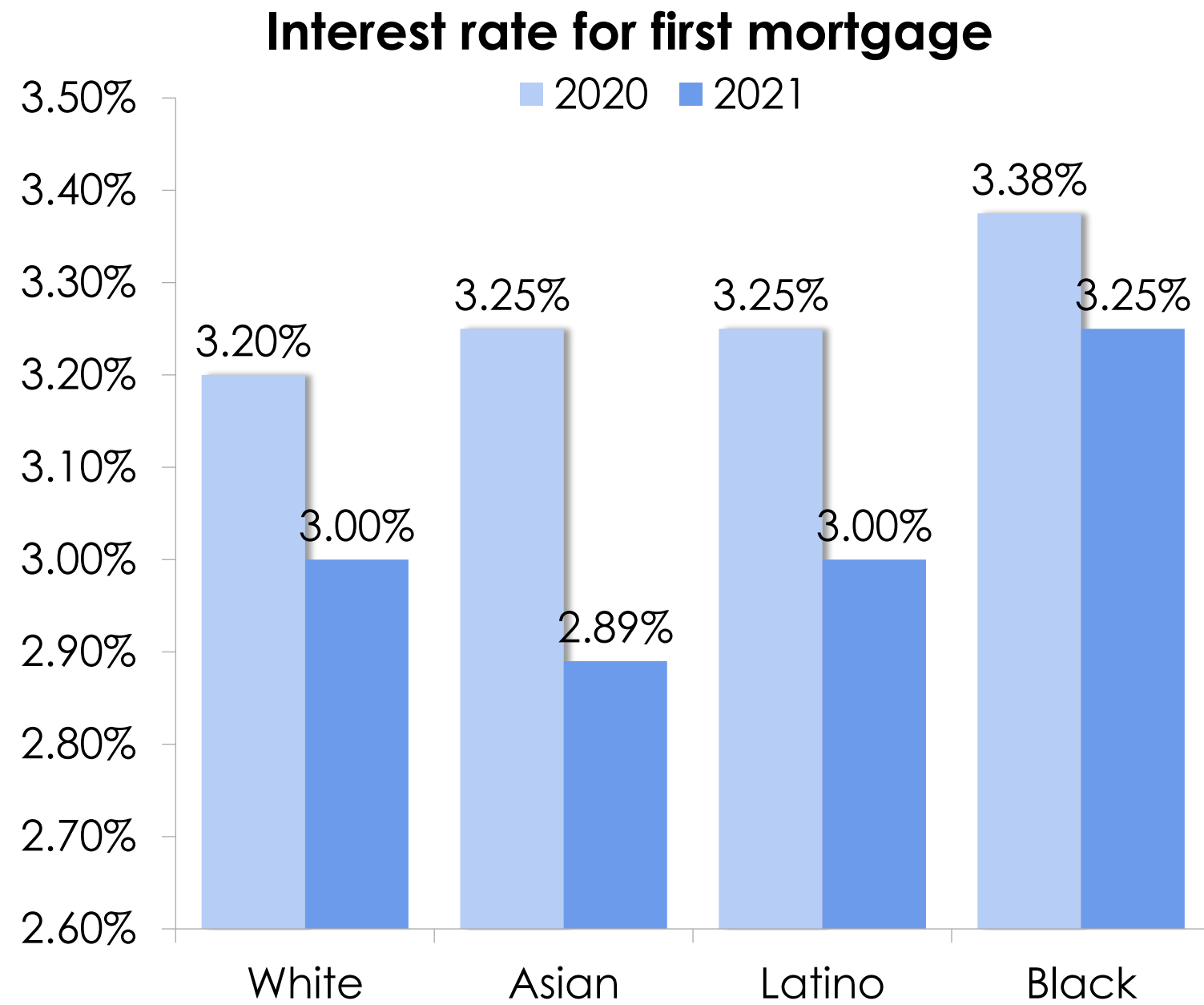
- Higher down payments
- Fewer risky loans
- Higher household income
- Lower mortgage payments/interest rates

Homebuyers' financial profile

	2021			2020		
	First-time Buyers	Repeat Buyers	All Buyers	First-time Buyers	Repeat Buyers	All Buyers
Median Household Income	\$110,000	\$175,000	\$150,000	\$114,000	\$150,000	\$140,000
Median Monthly Mortgage Payment	\$2,360	\$1,668	\$2,075	\$2,000	\$2,077	\$2,000
Median Downpayment (in \$\$)	\$50,000	\$143,500	\$100,000	\$50,500	\$125,000	\$83,000
% with FHA Loan	16.4%	4.9%	9.2%	20.1%	6.0%	12.6%
% with Jumbo Loan	19.4%	32.8%	27.6%	20.9%	35.0%	28.4%



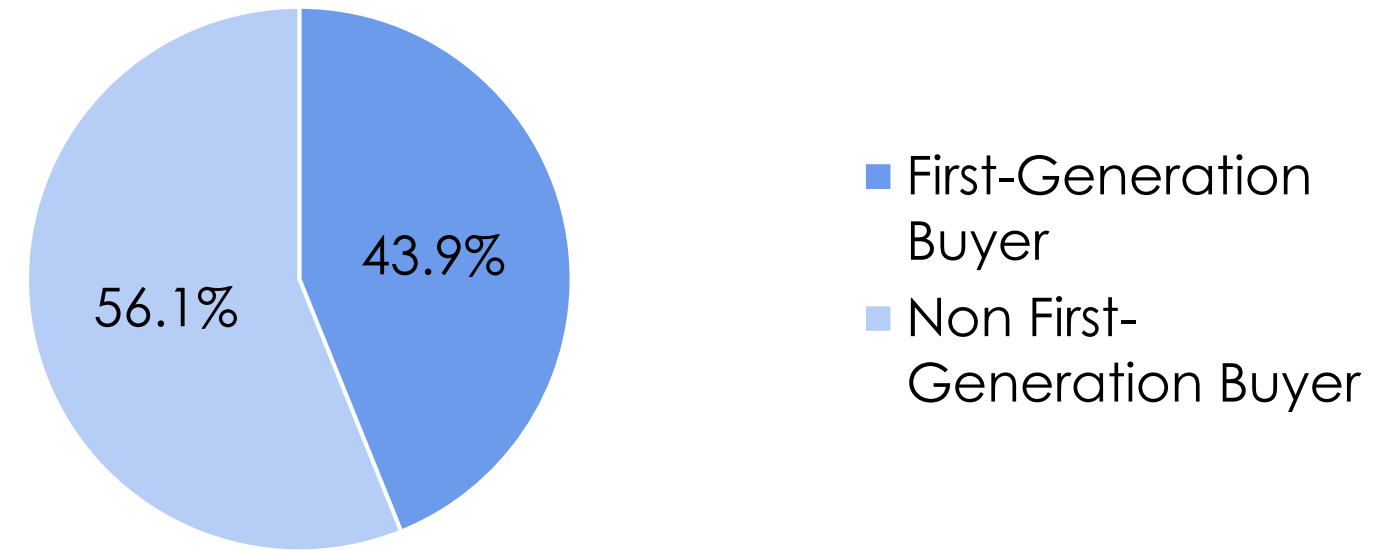
Homebuyers' interest rate and down payment by race



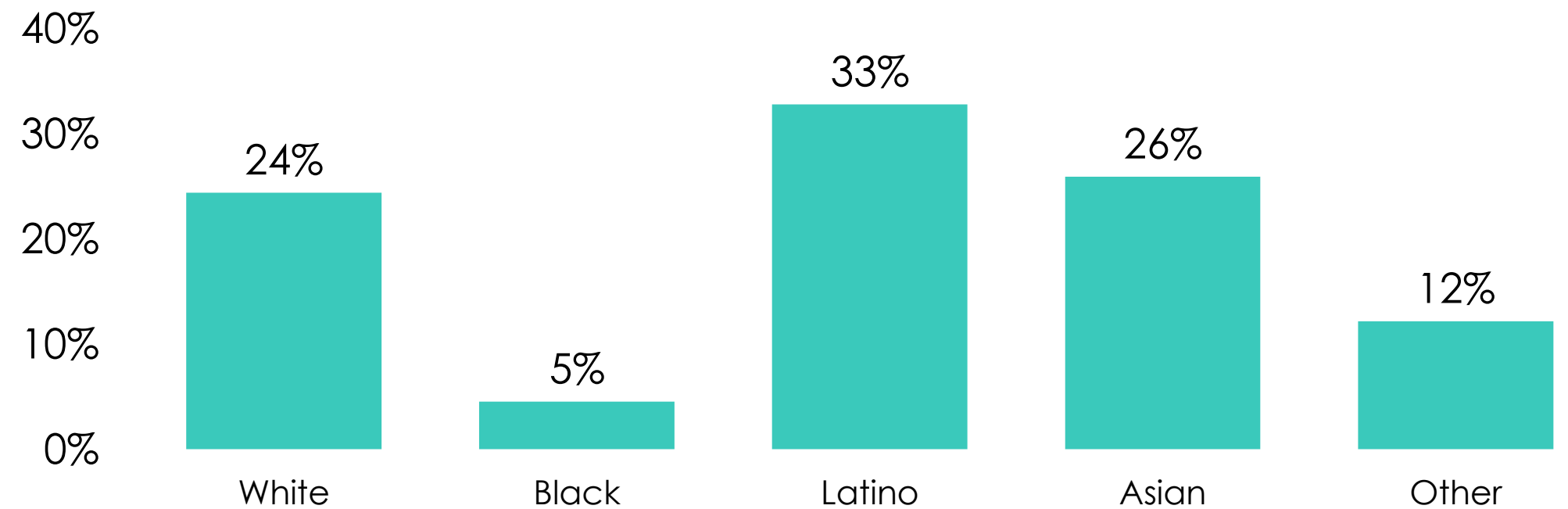
First-generation buyers

More than two out of five first-time buyers were also first-generation buyers and three-quarters of them were non-white ethnic background. Record low interest rates and the flexibility to work from home not only create an opportunity for many to buy their first home, but also made it easier for first-generation buyers to become a homeowner and establish a financial foundation for their own families and for future generations. The question is whether this momentum is sustainable in the coming year when the pandemic eases further and interest rates start rising.

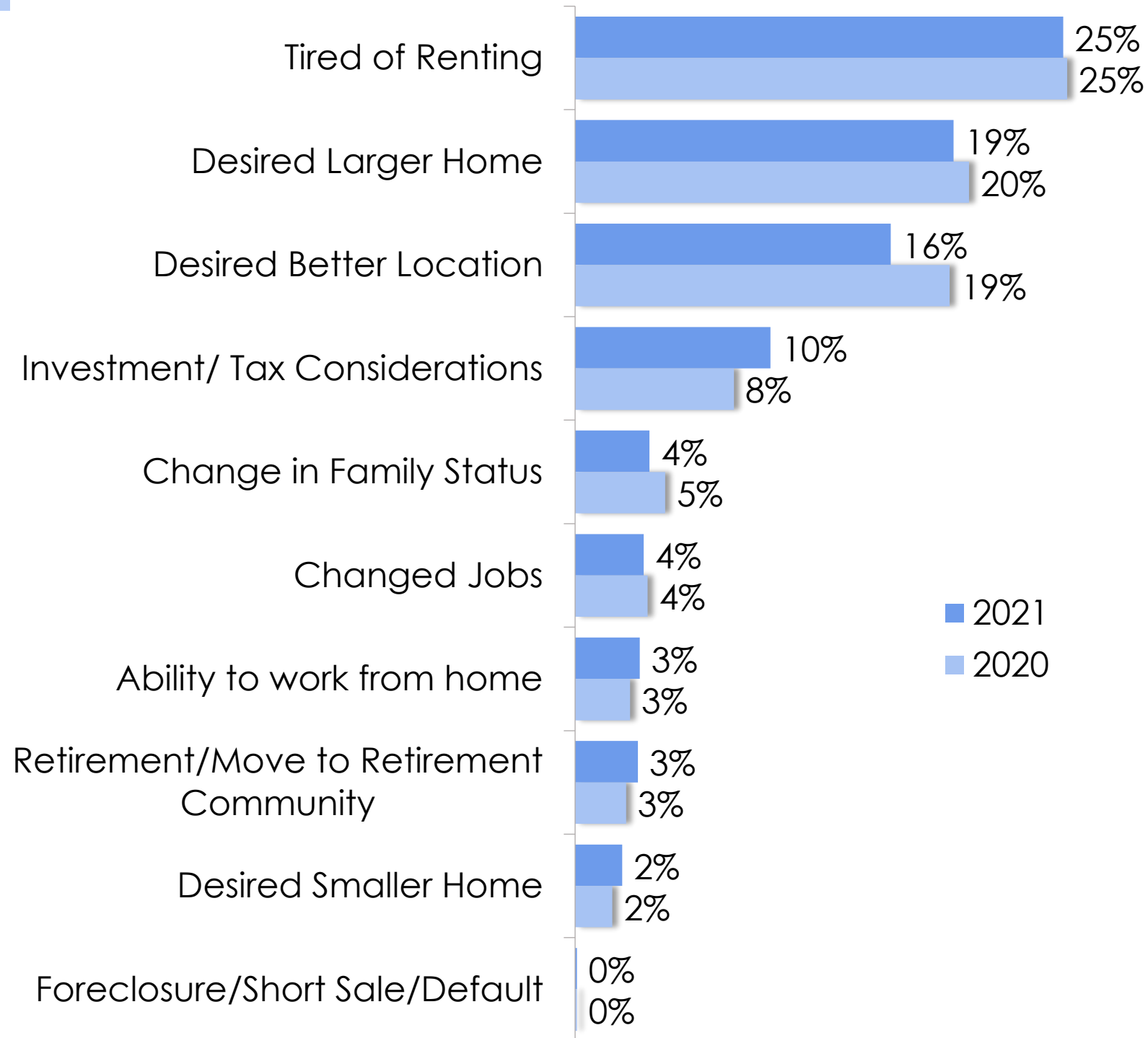
% of First-Time Buyer Sales



% of First-Generation Buyers by Ethnicity



Reasons to buy: 2021 vs. 2020



Homebuyers bought for different reasons, but the top three reasons in 2021 remained the same as last year.

- A quarter of buyers bought because they were tired of renting a property
- One in five bought their home because they desired a larger home
- One in six bought their home because they desired a better location

All three reasons dipped from 2020, and the declines for the second and third reasons could be a reflection of life going back to pre-pandemic normal, as COVID-19 cases slowly ease and more employees return to the office.

Q. What was the SINGLE MOST IMPORTANT REASON for buying the property?

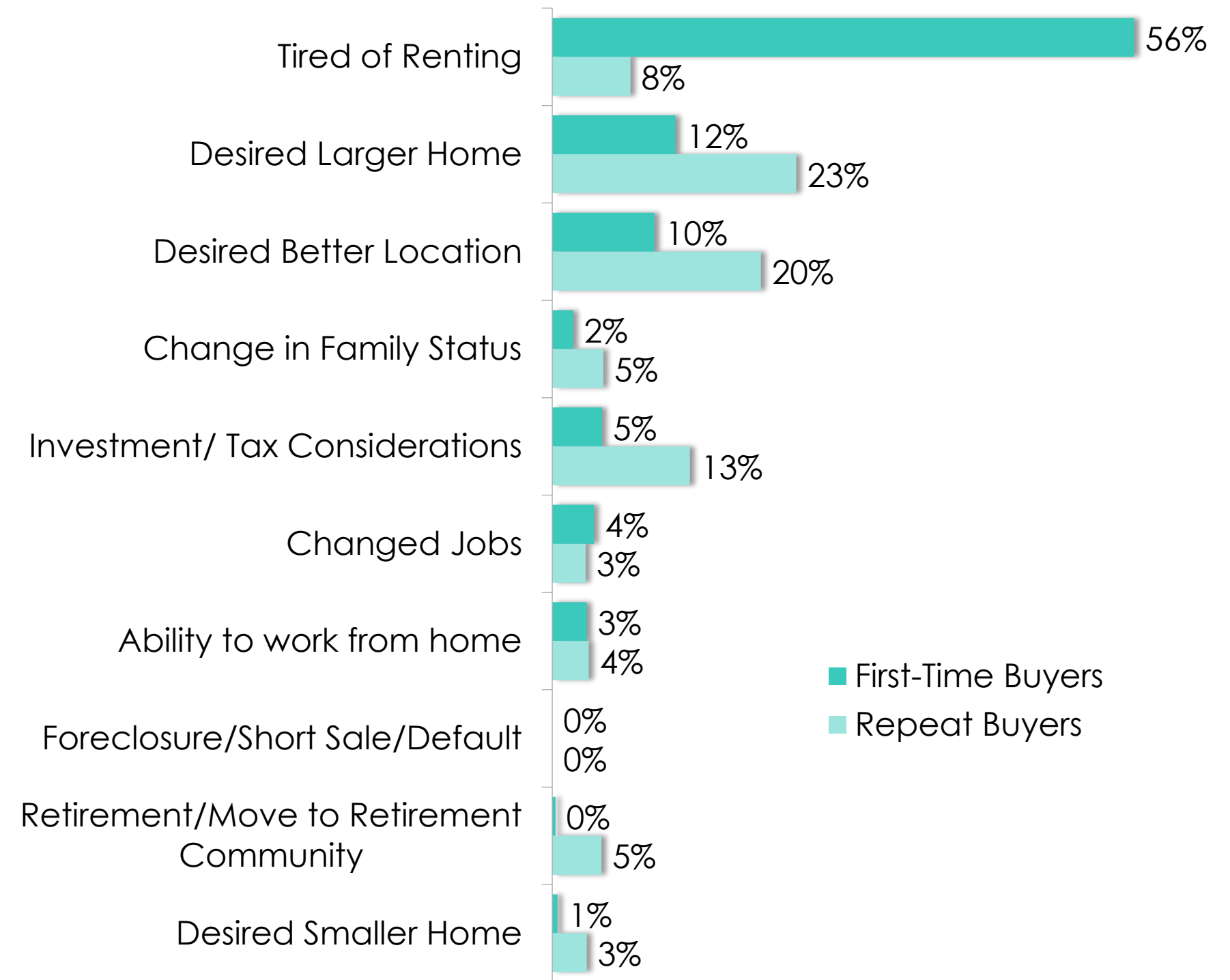


Reasons to buy: first-time vs. repeat

Over half of all first-time buyers purchased their home because they were tired of renting. With the cost of borrowing at historic lows and employers adopting more flexible remote-working policies, buying makes more sense than renting for many first-time buyers.

For repeat buyers, the primary reason to buy was their desire for a larger home at 23 percent, a decrease of 2 percent from last year.

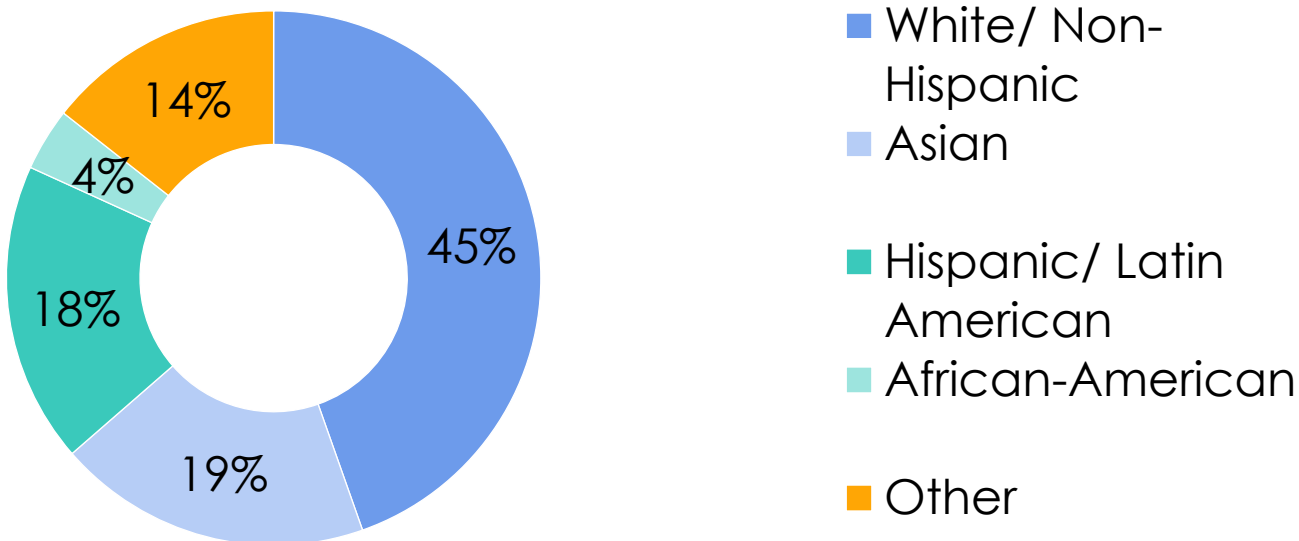
A small number of respondents cited “ability to work from home” as their clients’ primary reason to buy. The share is relatively small and is consistent with last year’s number. While the “ability to work from home” may never be considered a primary reason to buy for most buyers, it provides the flexibility for many to move to more affordable locations, which could lower the cost of owning.



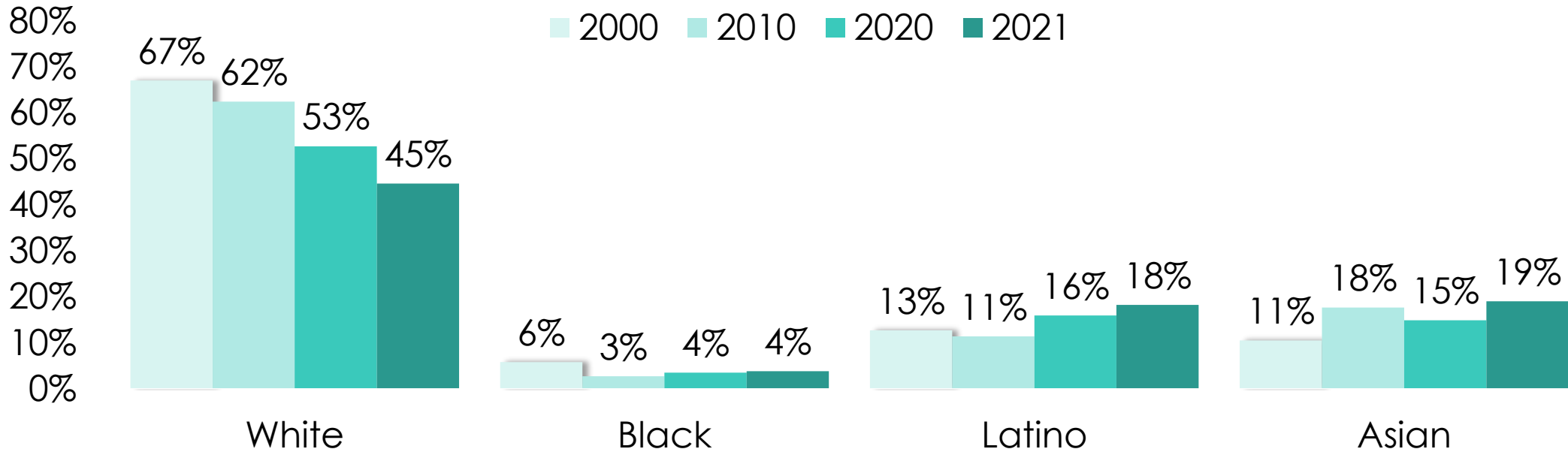
Q. What was the SINGLE MOST IMPORTANT REASON for buying the property?



Non-white home buyers exceeded half of all sales for the first time since 1995



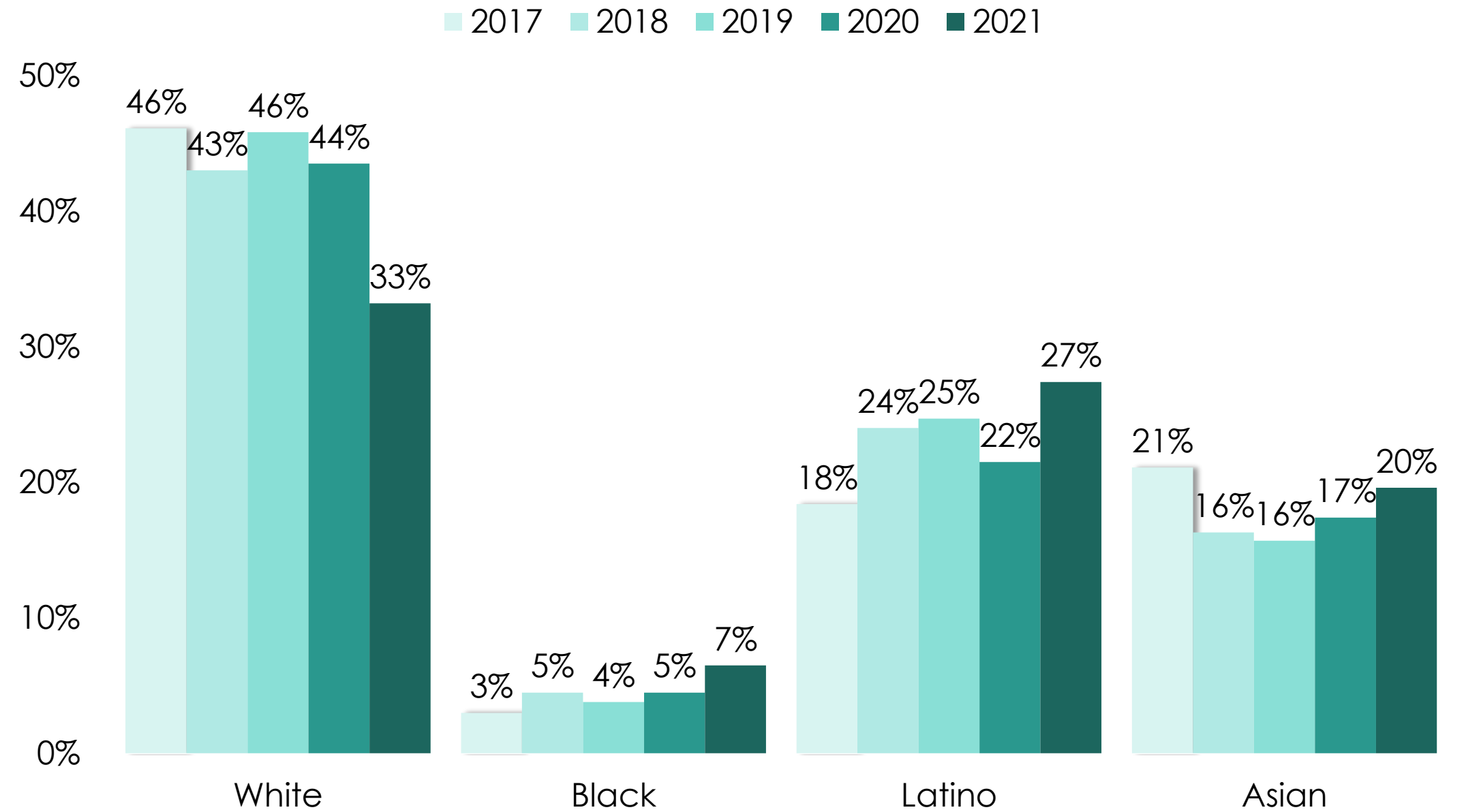
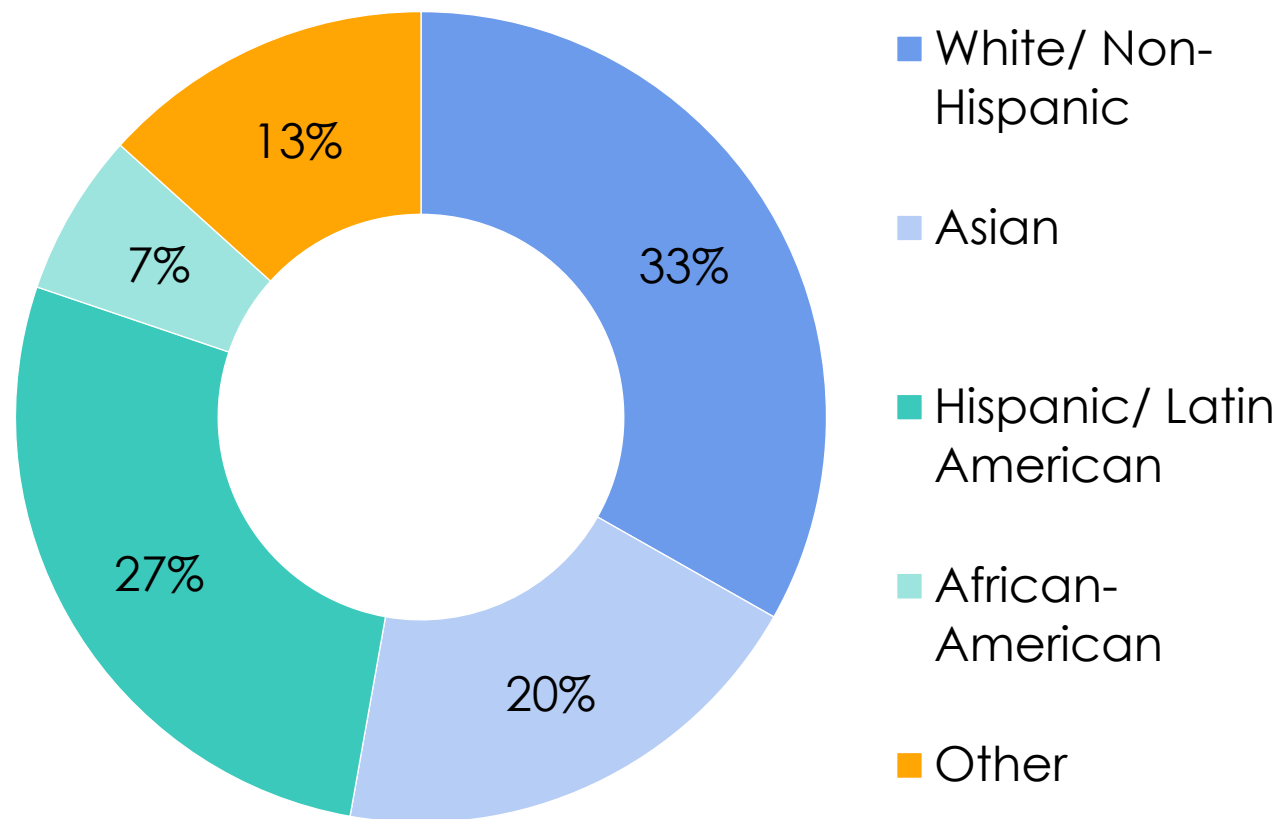
The number of non-white homebuyers continued to grow this year, and its share was more than half of all sales for the first time since 1995 when the survey started collecting the statistic. In 2021, more than two out of five homes sold were purchased by whites (45 percent), followed by Asians (19 percent), Latinos (18 percent), and Blacks (4 percent).



Despite the overall improvement, there is still a lot that needs to be done to close the racial homeownership gap as the share of Latinos and Blacks continues to trail behind the share of the general population.

Q. What was the race/ethnicity of the head of household buying the property

The share of non-white home buyers is even bigger for first-time buyers



Q. What was the race/ethnicity of the head of household buying the property

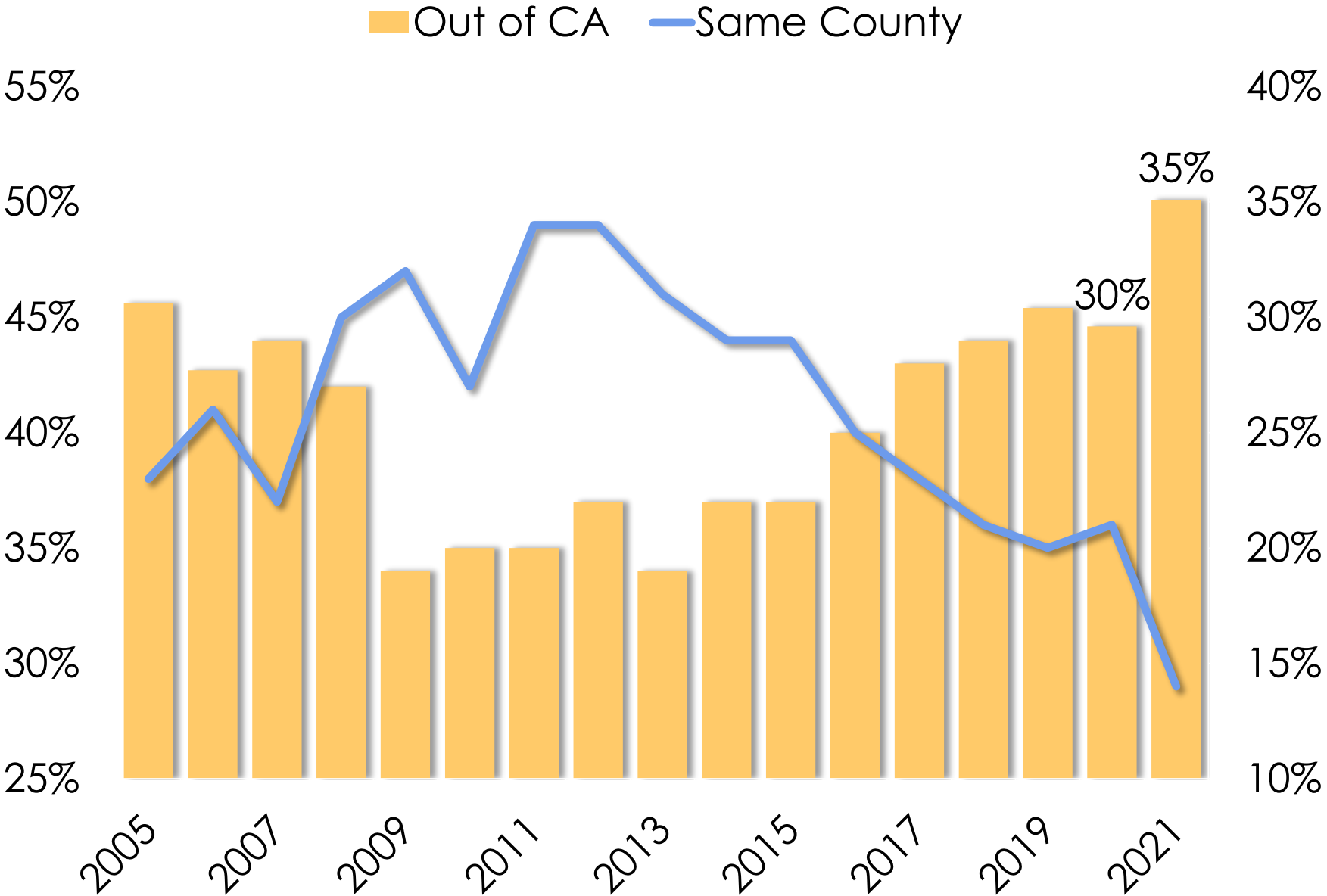


Sellers moving out of their counties and out of California

Many sellers expressed interest in buying another property, and the share of those who planned to make a home purchase remained virtually unchanged from last year at 53 percent. Three out of ten of them (29 percent) said their new residence would be located within the same county, a sharp decline from 2020 and the lowest level since 2005.

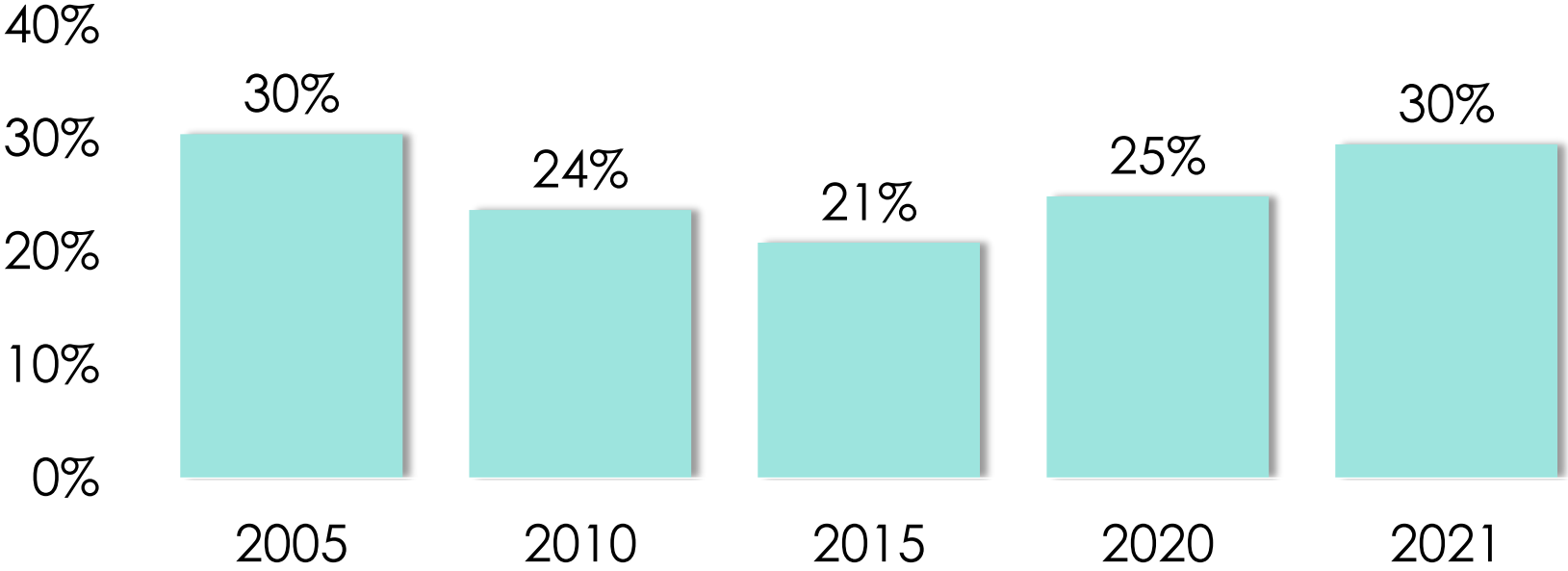
Meanwhile, sellers who planned to purchase their next home outside of California surged to 35 percent in 2021 from last year's 30 percent. The increase was the biggest year-over-year jump in at least the last 16 years.

% of Sellers by Location of Next Residence

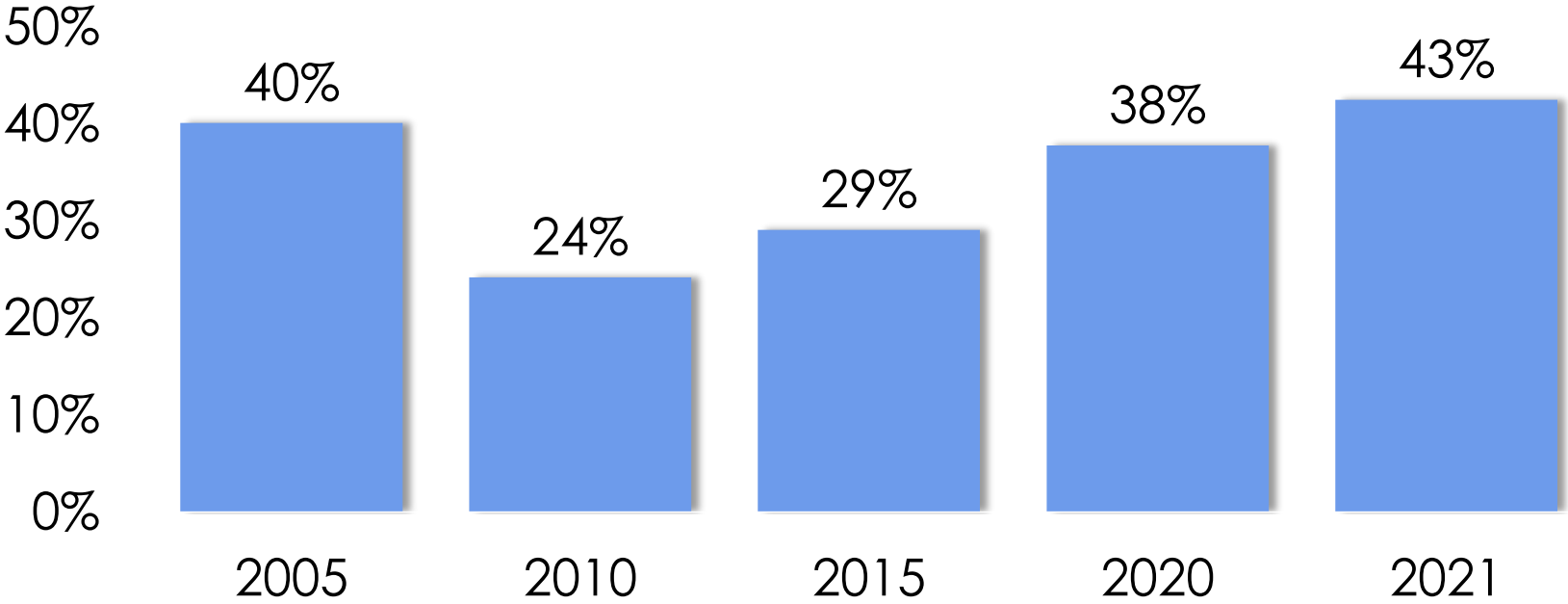


Sellers moving out of California

Sellers age 50 and below

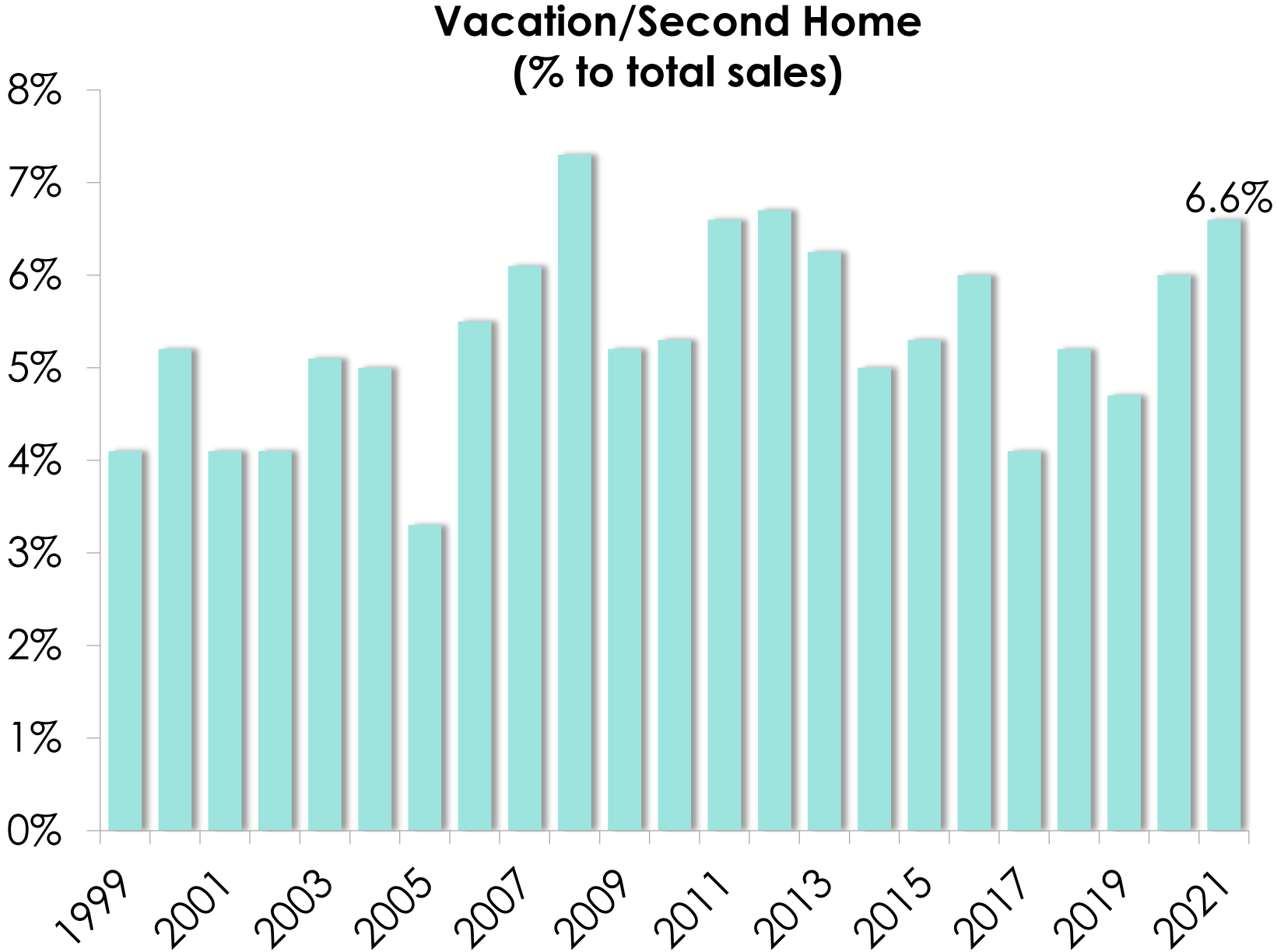


Sellers over 50



Declining housing affordability and the flexibility to work remotely continue to be the primary factors that led to an increase in the number of sellers wanting to move to another state. The outmigration trend has consequences far reaching than just a shrinking population count. Companies and jobs are leaving the state and expanding elsewhere because they have difficulty finding qualified workers in California. Outmigration will also lead to an increase in income inequality since there will be a reduction in access to high-wage labor markets for less-skilled workers.

Share of vacation home buying highest since 2012



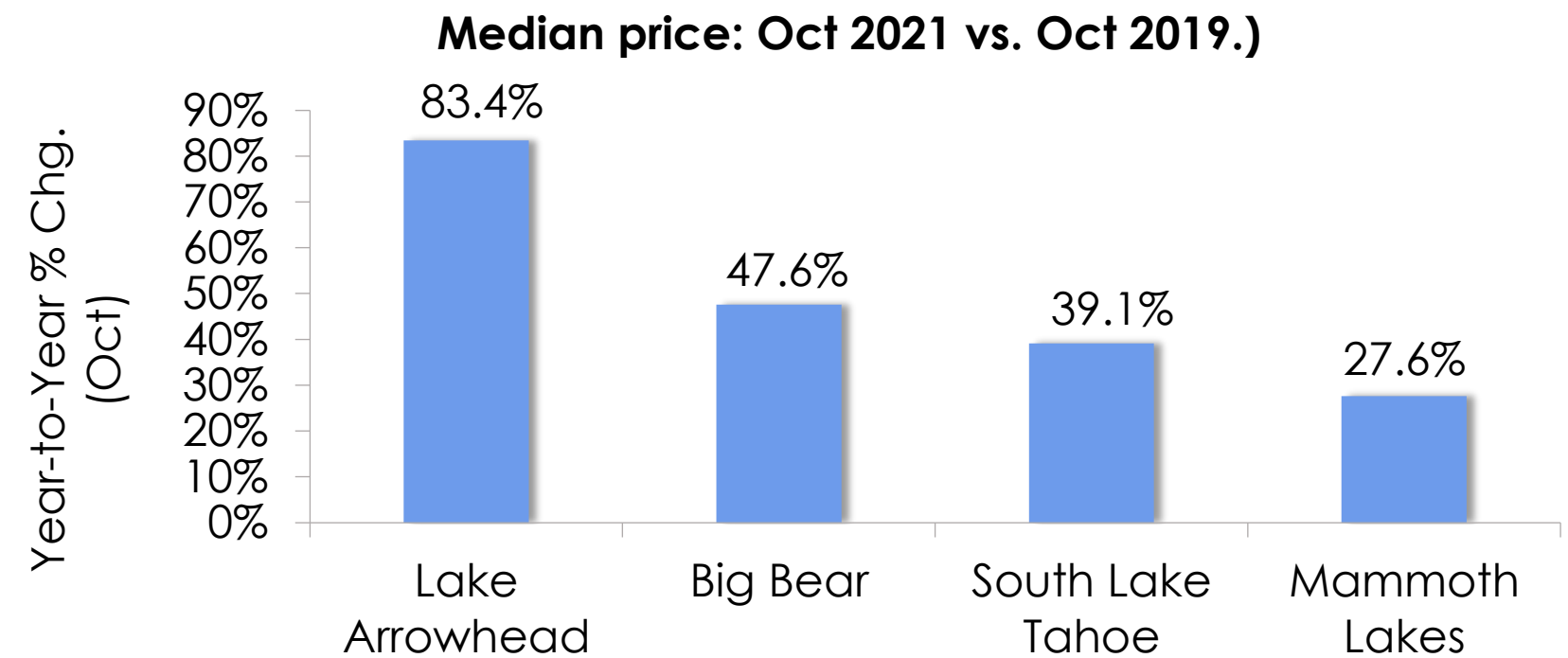
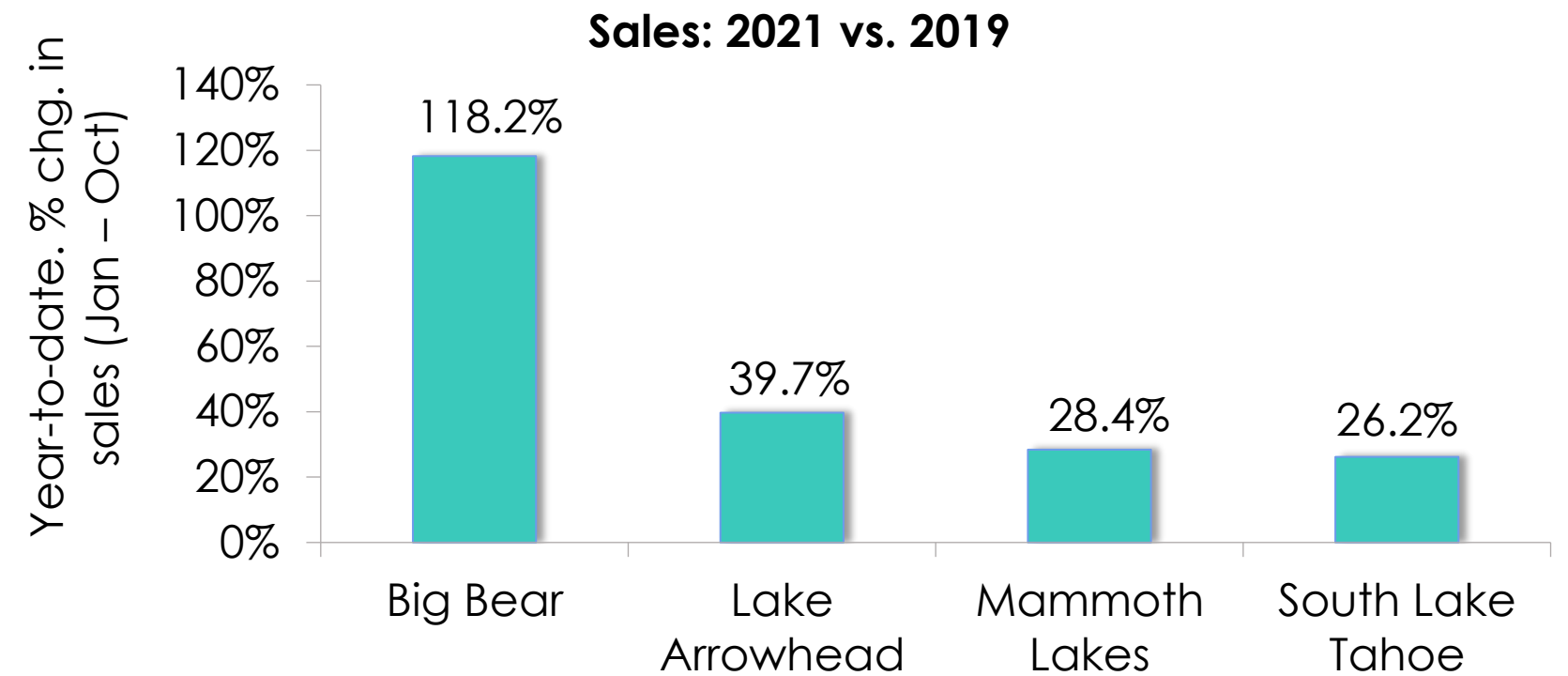
Demand for vacation homes or second homes remain elevated in 2021, as work-from-home policies solidified and mortgage rates continued to stay low by historical standards. The share of vacation/second home sales continued to rise in 2021 and surged to the highest level in nine years. Despite an improvement in the pandemic situation, more employers began to adopt permanent remote working policies that allow employees to work further away from the office. Many workers who have this flexibility chose to live in resort communities in search of more space and a healthier lifestyle.

Q. How will the property be occupied?

Resort markets continue to do well

Home sales in resort communities remain strong when compared to pre-pandemic levels. On a year-to-date basis through October, sales increased 118.2 percent in Big Bear when compared to 2019, while Lake Arrowhead (39.7 percent), Mammoth Lake (28.4 percent), and South Lake Tahoe (26.2 percent) all increased by double-digits. Sales would have risen even more if not for wildfires that took place during the summer in some of these areas.

Home values also have soared in resort communities as tight supply and fierce market competition continued to apply upward pressure on prices. In October, Lake Arrowhead's median price was above its pre-pandemic level in October 2019 by 83.4 percent, while prices in Lake Big Bear (47.6 percent), South Lake Tahoe (39.1 percent), and Mammoth Lake (27.6 percent) also rose.

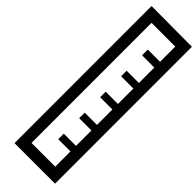


Vacation/Second homes housing characteristics



Median Sales Price

	2019	2020	2021
Median Sales Price	\$467,500	\$578,500	\$817,500



Median Square Footage

	2019	2020	2021
Median Square Footage	1,700	1,850	1,600



% of Detached Single-Family

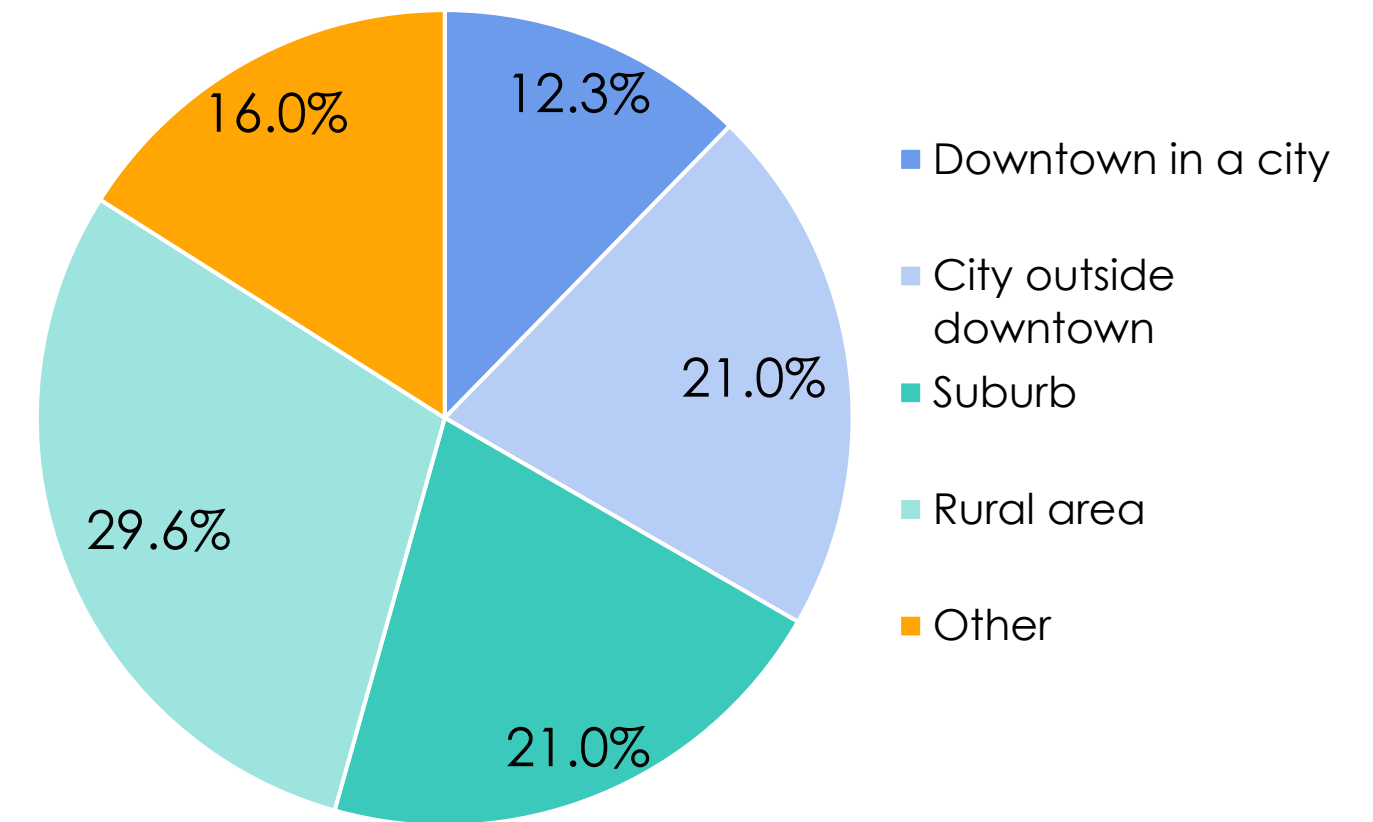
	2019	2020	2021
% of Detached Single-Family	60.4%	71.7%	68.7%



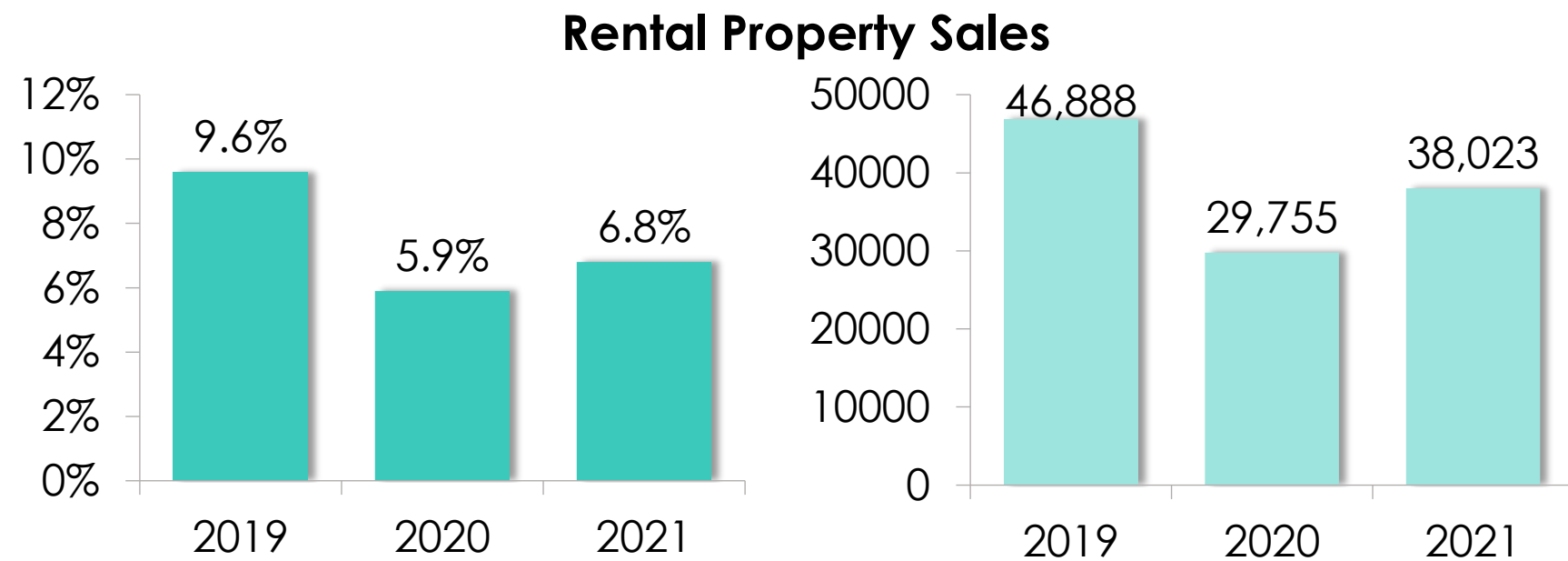
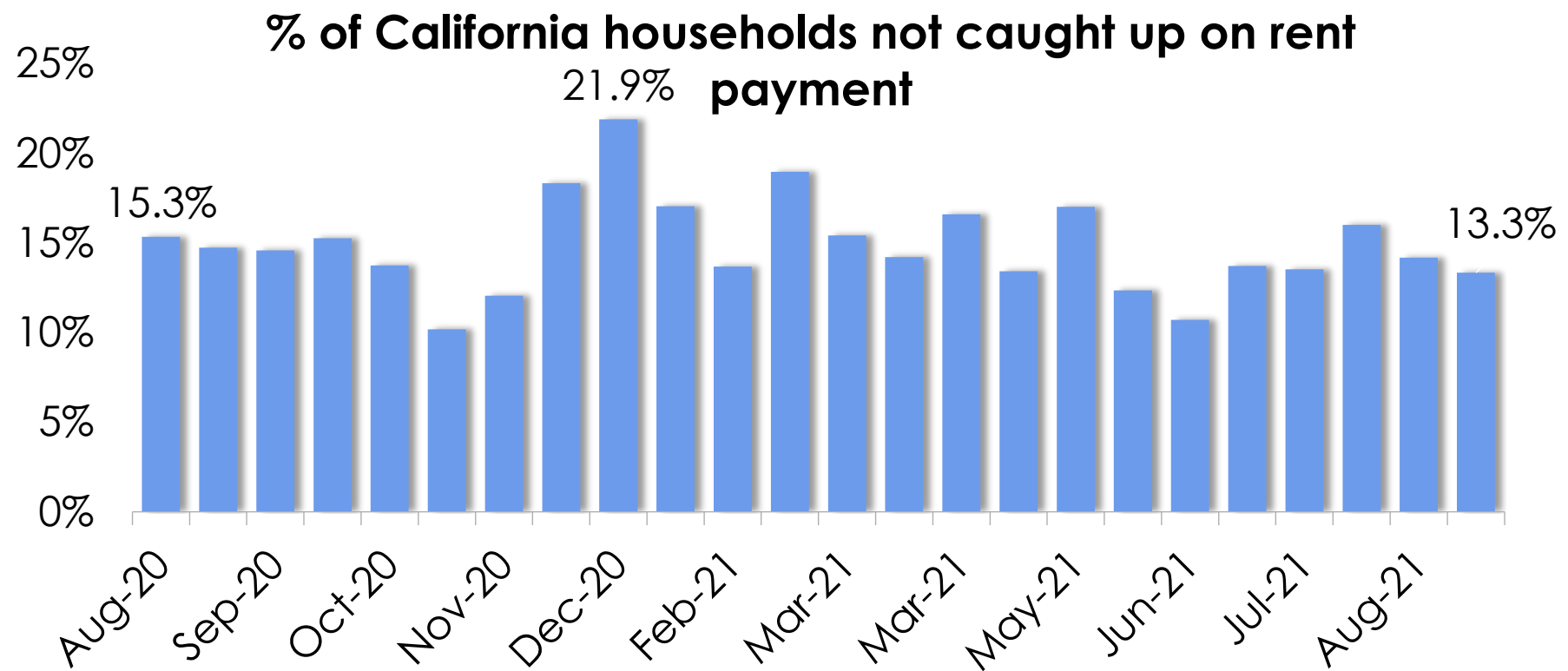
% of Condo/Townhome

	2019	2020	2021
% of Condo/Townhome	25.0%	18.9%	14.1%

Location of Property - 2021



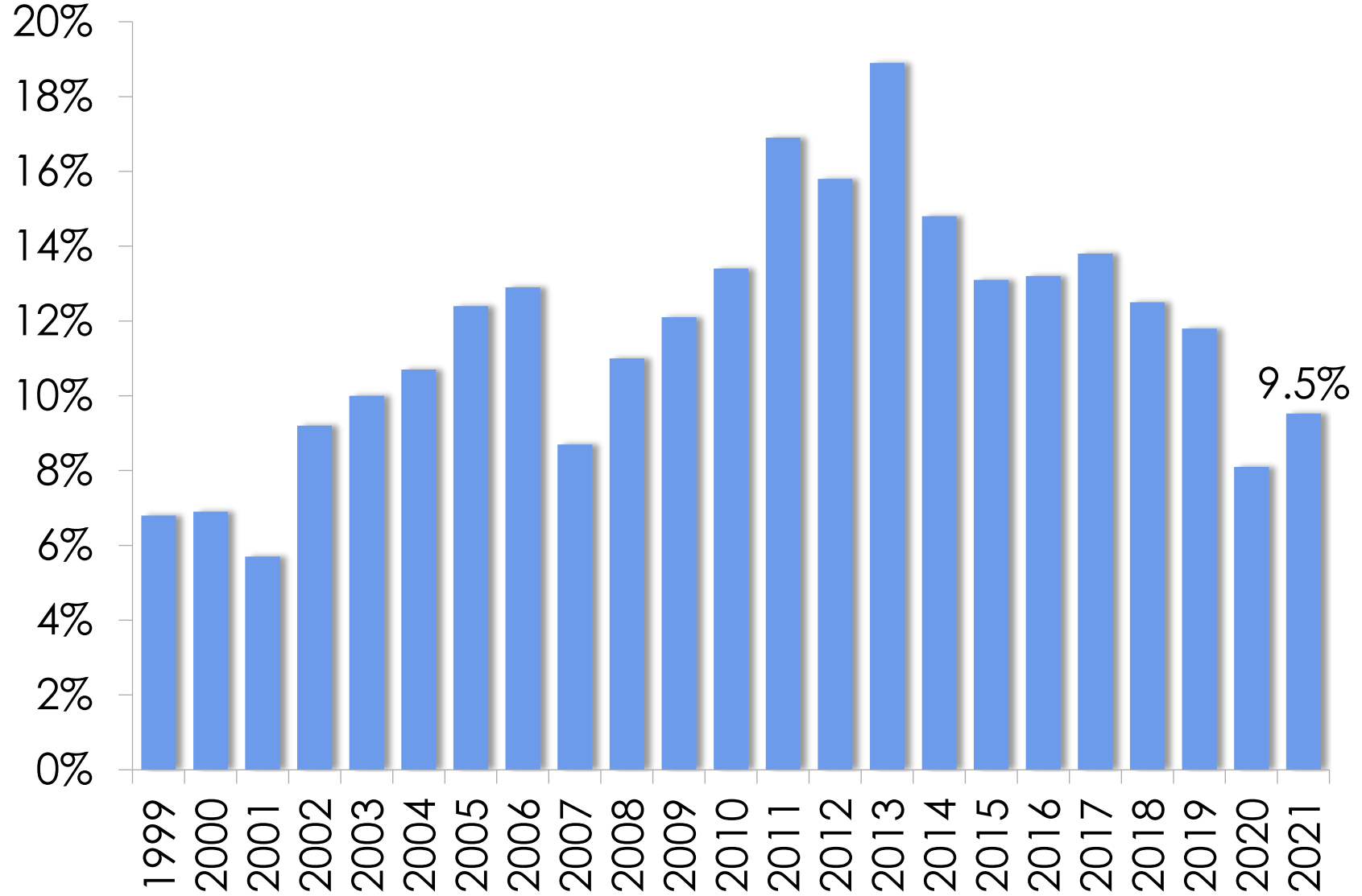
Financial hardship caused by the pandemic led to renters not being able to pay their rents



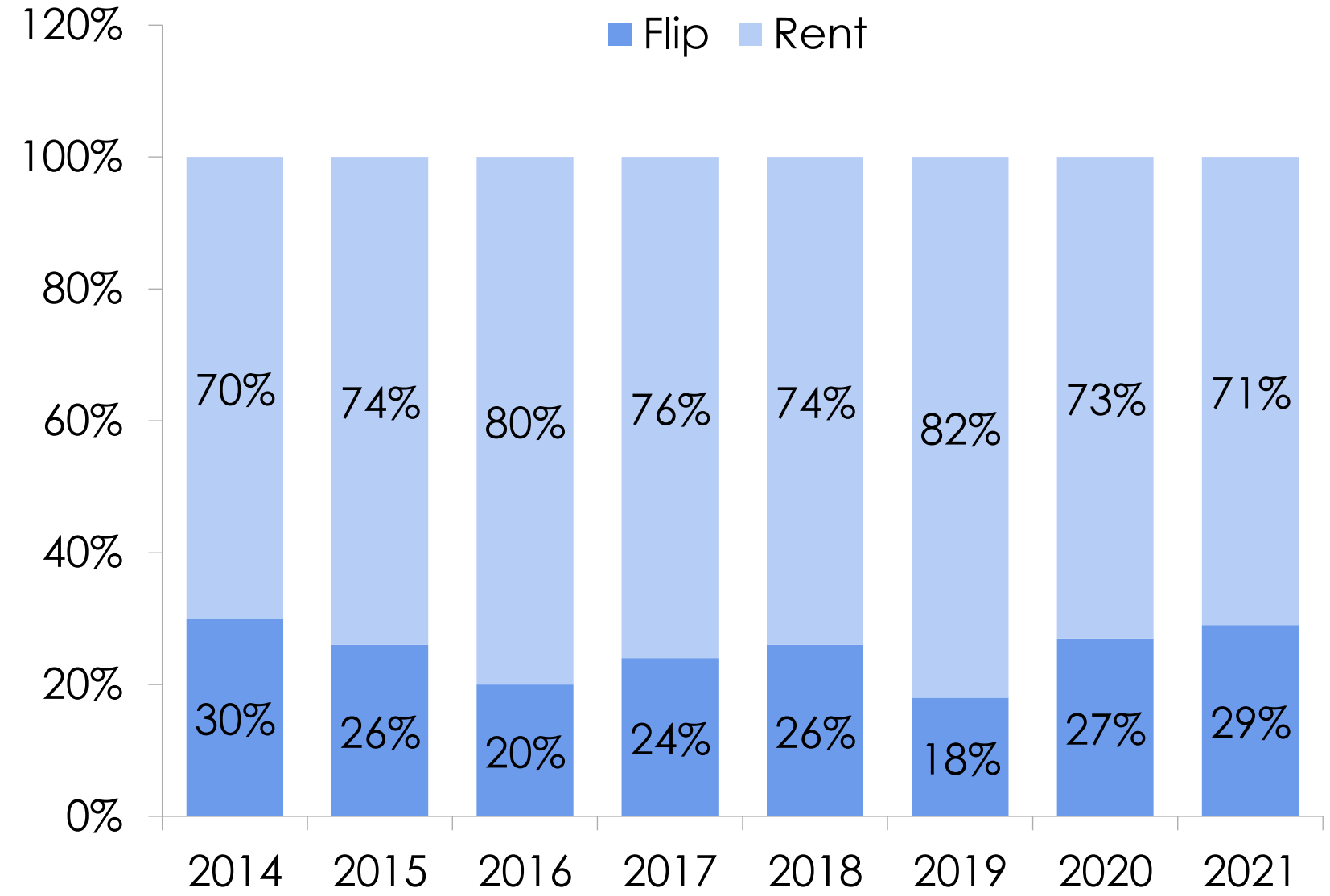
With the eviction moratorium lasting through the end of September 2021 for most areas in California, many real estate investors have been holding off on buying until there was more clarity to the rental housing market. As the economy started showing signs of a strong recovery earlier this year, some investors returned to the California market. The share of homes sold for investment purchases, indeed, inched up to 9.5 percent in 2021, after dipping to a 19-year low of 8 percent in 2020. Nearly three out of ten (29 percent) of the investment properties purchased were intended to be flipped for profit, the highest level since 2014 when home prices were significantly below current levels.

More investors are buying but not everyone is ready as the pandemic lingers on

Investment/Rental Property Sales



Investment Property: Flip vs. Rental

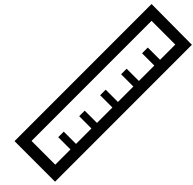


Investor homes housing characteristics



Median Sales Price

	2019	2020	2021
Median Sales Price	\$495,000	\$551,000	\$630,000



Median Square Footage

Median Square Footage	1,400	1,500	1,600
-----------------------	-------	-------	-------



% of Detached Single-Family

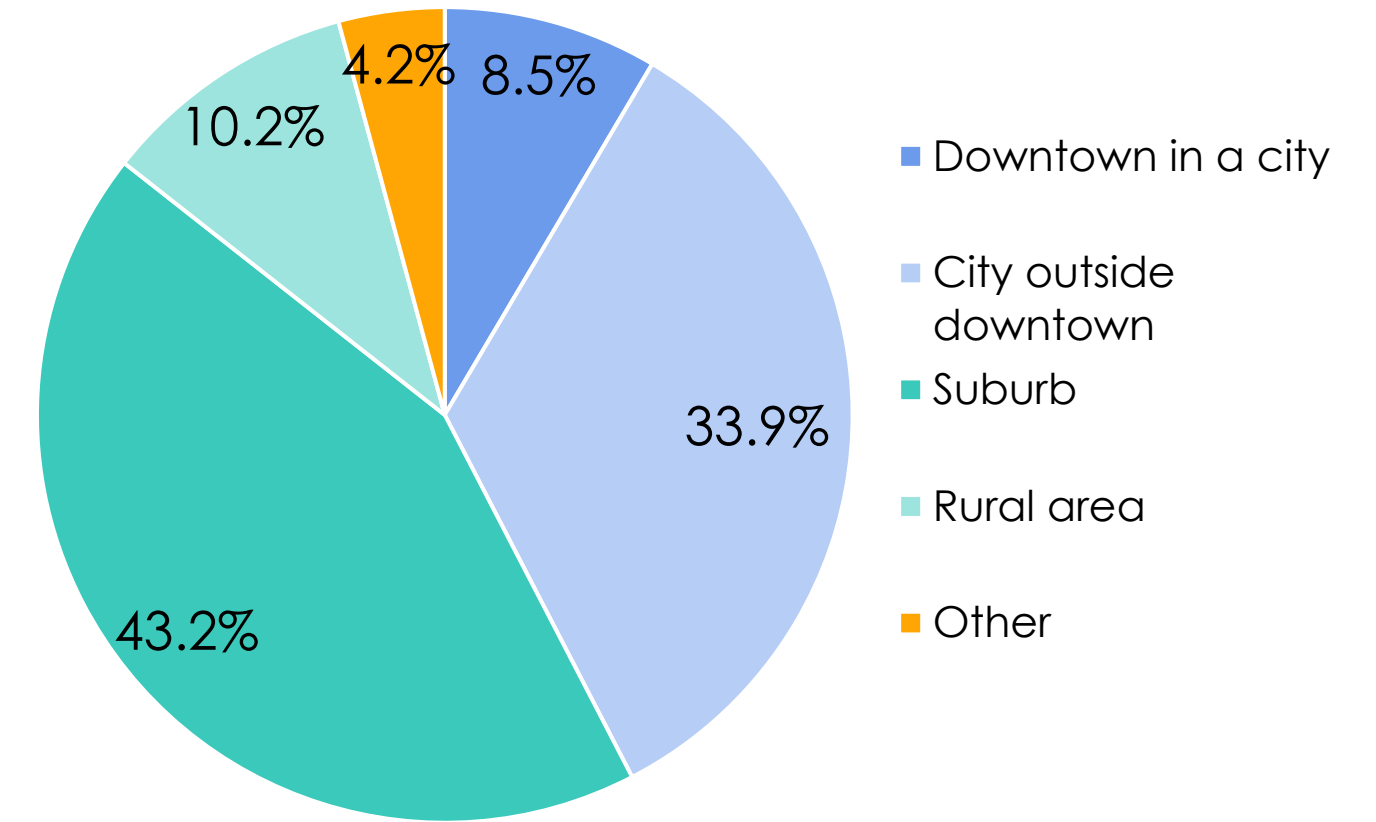
% of Detached Single-Family	59.7%	62.9%	64.4%
-----------------------------	-------	-------	-------



% of Condo/Townhome

% of Condo/Townhome	21.0%	12.4%	17.0%
---------------------	-------	-------	-------

Location of Property - 2021



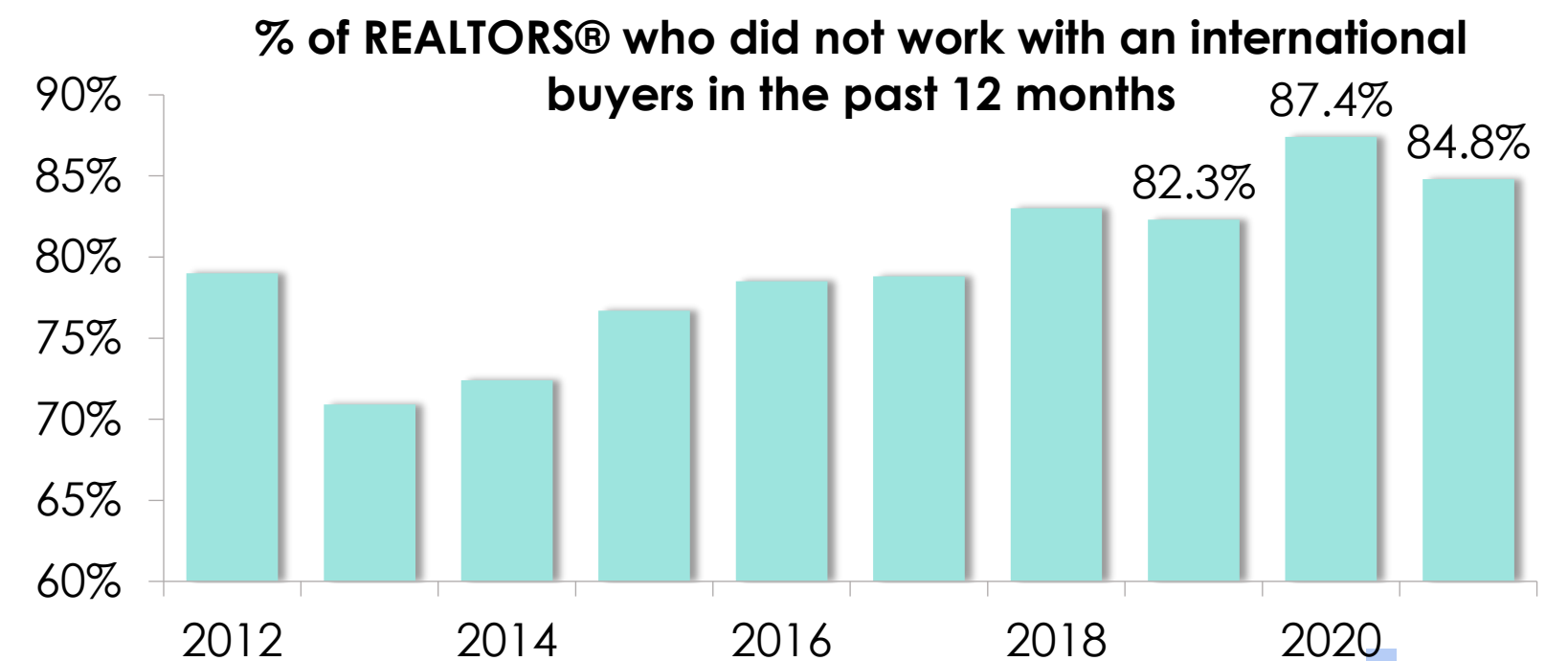
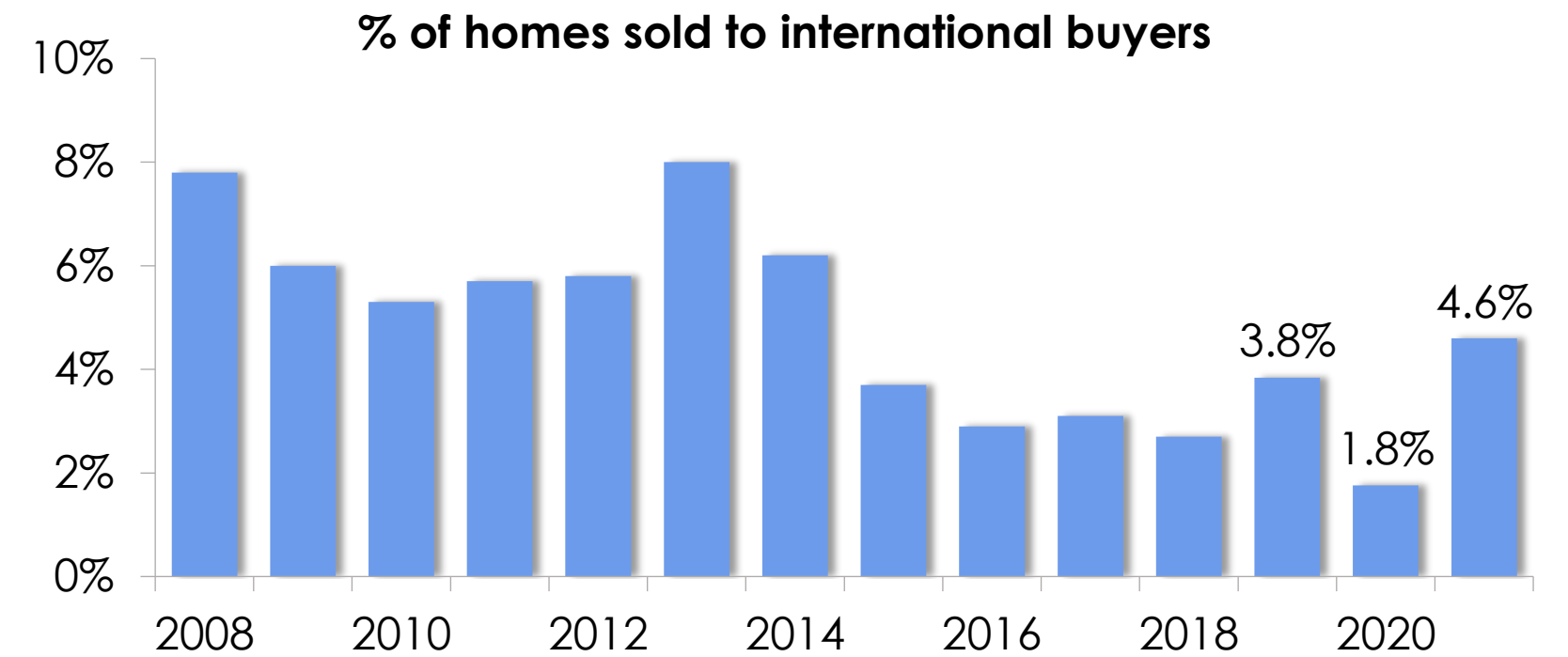
International buyers bounced back to highest level since 2014

Despite bans and restrictions on international travel, homes purchased by foreign buyers bounced back in 2021 with its share to total sales reaching the highest level since 2014. The increase in sales to foreign buyers could be attributed to buyers in general getting more comfortable with purchasing homes online and sight-unseen. The solid bounce back of the housing market after the initial dip also might have convinced many foreign buyers to return to California.

With more travel restrictions likely to be lifted next year when the COVID situation improves, prospective foreign buyers who have been sitting on the sidelines should return, and international home purchases could climb again in 2022.

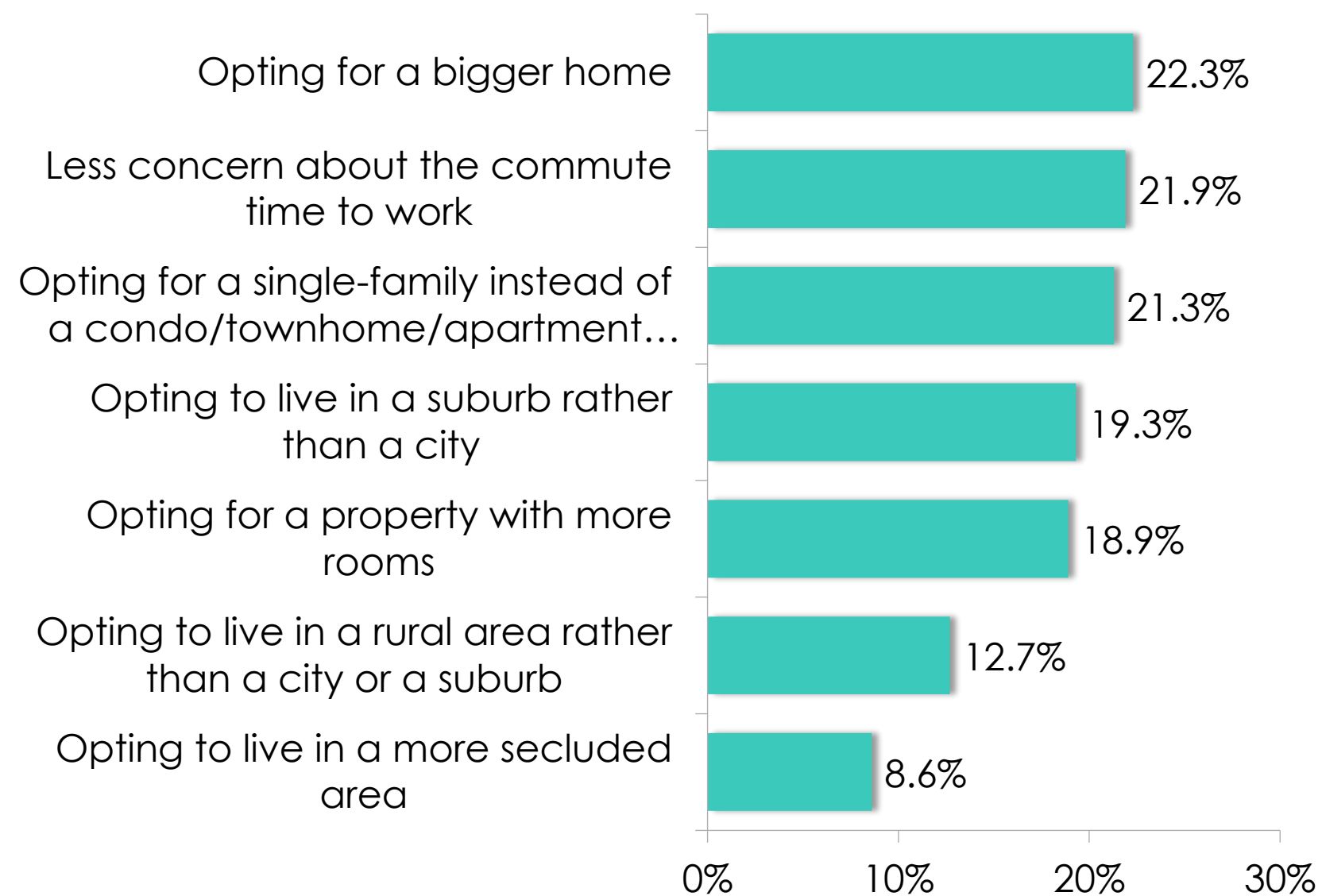
Q. Was the buyer an international buyer – a person who was a citizen or a permanent resident of another country who wished to purchase residential real estate in the U.S.?

Q. In the last 12 months, what percentage of your transactions were with international buyers?



The pandemic is changing buyers' housing preferences

Change in buyers' housing preference

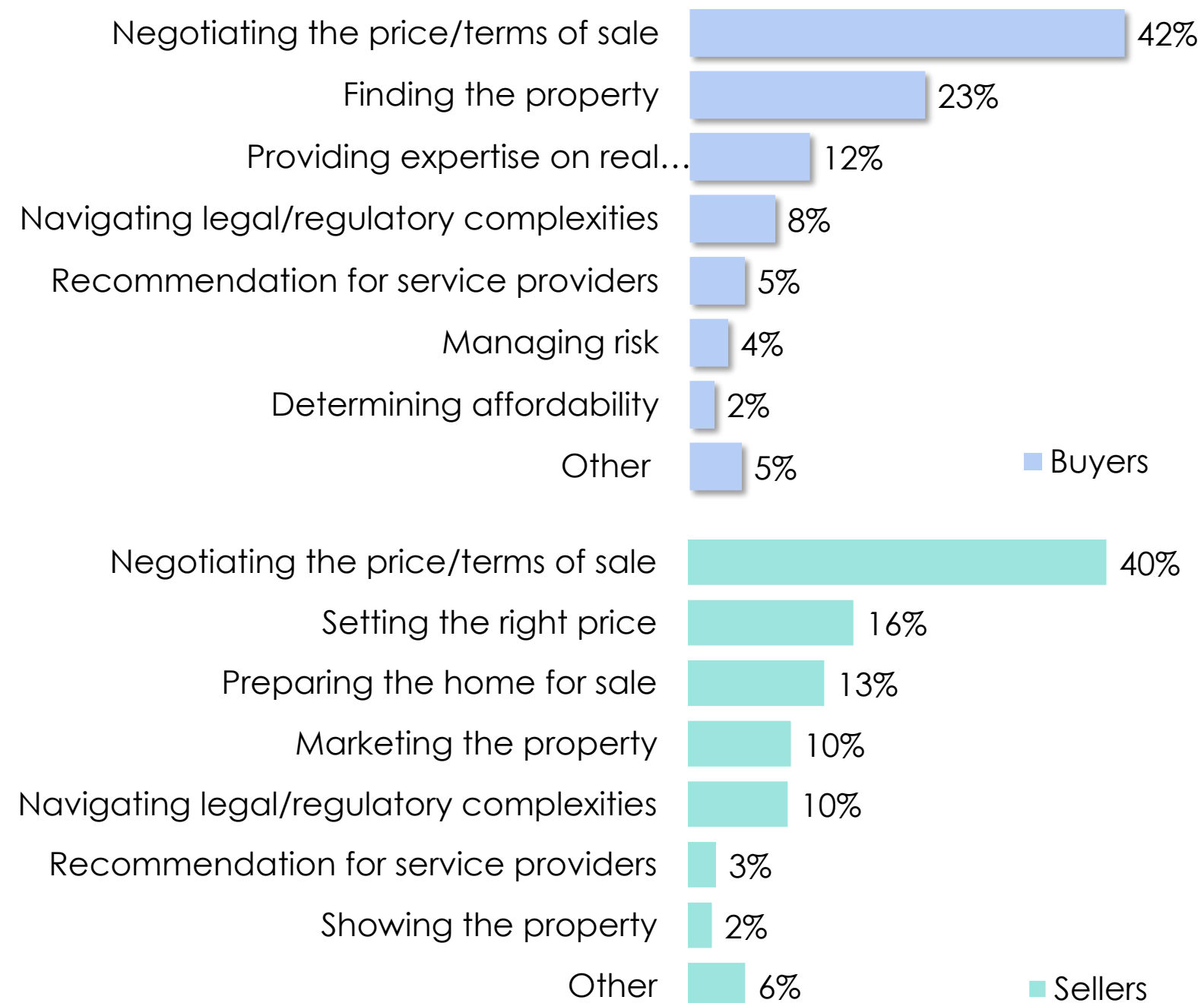


With more employees working away from their offices, buyers' housing needs and preferences continue to evolve. According to the 2021 Annual Housing Market Survey, only one out of ten REALTORS® did not notice any change in buyers' property preferences. Most REALTORS® noticed at least one of the following changes in buyers' preference:

- Opting for a bigger home (22.3 percent)
- Less concerned about the commute time to work (21.9 percent)
- Opting for a single-family home instead of a condo/townhome/apartment in a high-rise (21.3 percent)
- Opting to live in a suburb rather than a city (19.3 percent)
- Opting for a property with more rooms (18.9 percent)
- Opting to live in a rural area rather than a city or a suburb (12.7 percent)
- Opting to live in a more secluded area (8.6 percent)



What services buyers and sellers value the most?

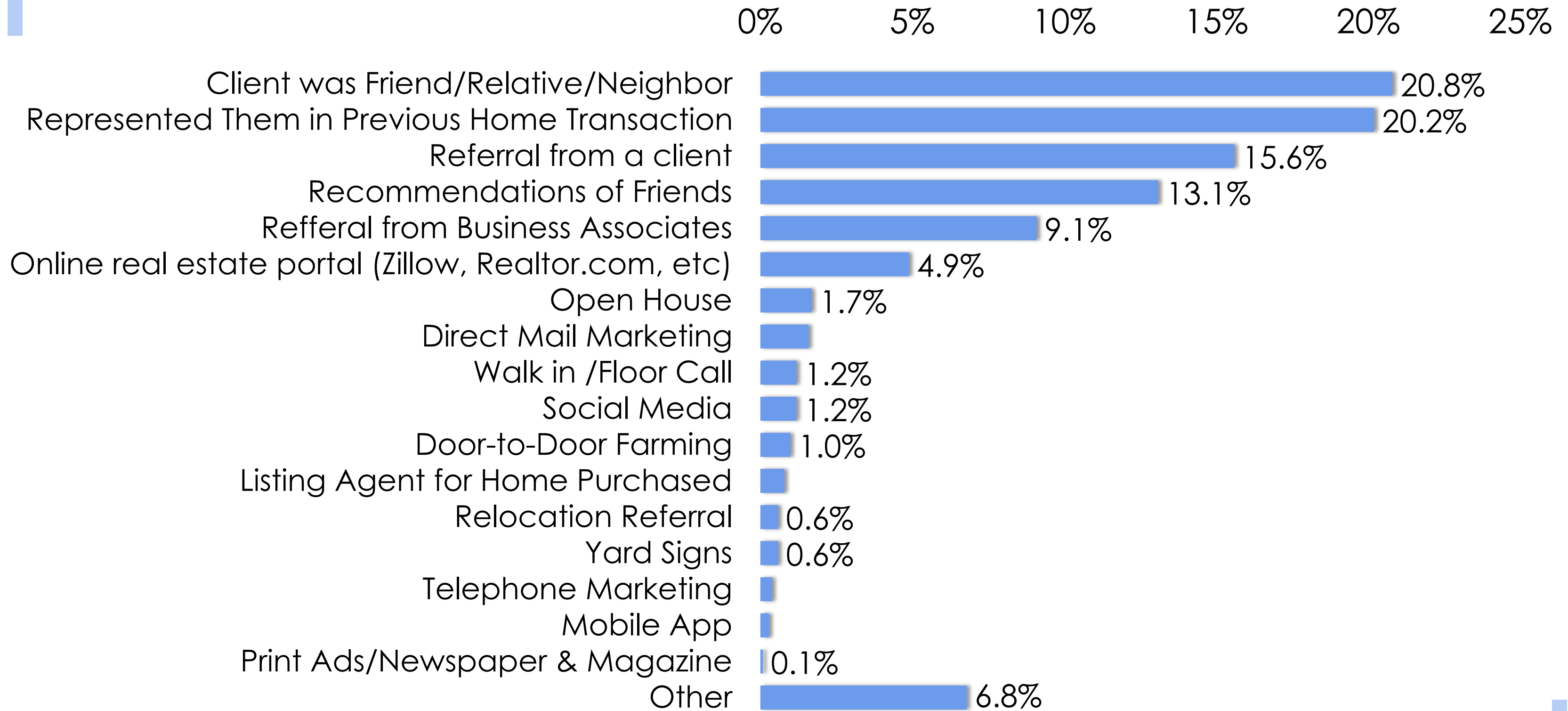


Buyers and sellers need help in navigating through a market with intense competition. Over nine out of ten home sale transactions in California are carried out with the help of a real estate agent. With tight supply here to stay and fierce competition not likely to go away in the short term, REALTORS® will continue to play an important role in the home buying and selling process this year and next year.

Q: What service buyer/seller value the most?



How Client Found Their Agent



California housing market outlook - 2022

Looking ahead to 2022, housing demand is expected to stay solid, assuming that the pandemic situation will continue to improve. Supply constraints and high home prices will lower sales in 2022 but the decline will be modest, and annual home sales will reach the second highest level in the past five years.

A favorable lending environment will continue to benefit the housing market as the average 30-year fixed rate mortgage remains below 3.5 percent for most of the year. Consumer finances will improve further as the economic recovery continues and will keep home buying interest alive.

	2015	2016	2017	2018	2019	2020	2021p	2022f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	439.8	416.8
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	3.5%	6.8%	-5.2%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$793.1	\$834.4
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	11.3%	20.3%	5.2%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	26%	23%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	3.5%



Methodology

C.A.R. has conducted the Annual Housing Market Survey since 1981. The survey was sent via email to a random sample of 39,567 REALTORS® throughout California. The sample represented the geographical distribution of C.A.R. membership across the state. The survey asked REALTORS® to provide information from their most recent sales transaction that closed escrow in the months between April 2021 and August 2021. The survey instrument was a questionnaire with both multiple choice and open-ended questions. There were 1,908 valid survey responses, equivalent to a response rate of 4.8 percent. The margin of error for this survey was +/- 2.2 percent at a 95 percent confidence level.





Leading the way...® in California real estate for more than 100 years, the CALIFORNIA ASSOCIATION OF REALTORS® (www.car.org) is one of the largest state trade organizations in the United States with more than 200,000 members dedicated to the advancement of professionalism in real estate. C.A.R. is headquartered in Los Angeles.

The purpose of the CALIFORNIA ASSOCIATION OF REALTORS® is to serve its membership in developing and promoting programs and services that will enhance the members' freedom and ability to conduct their individual businesses successfully with integrity and competency, and through collective action, promotes real property ownership and the preservation of real property rights.

This report is also available online.

Please visit www.car.org/marketdata/surveys to view or download