

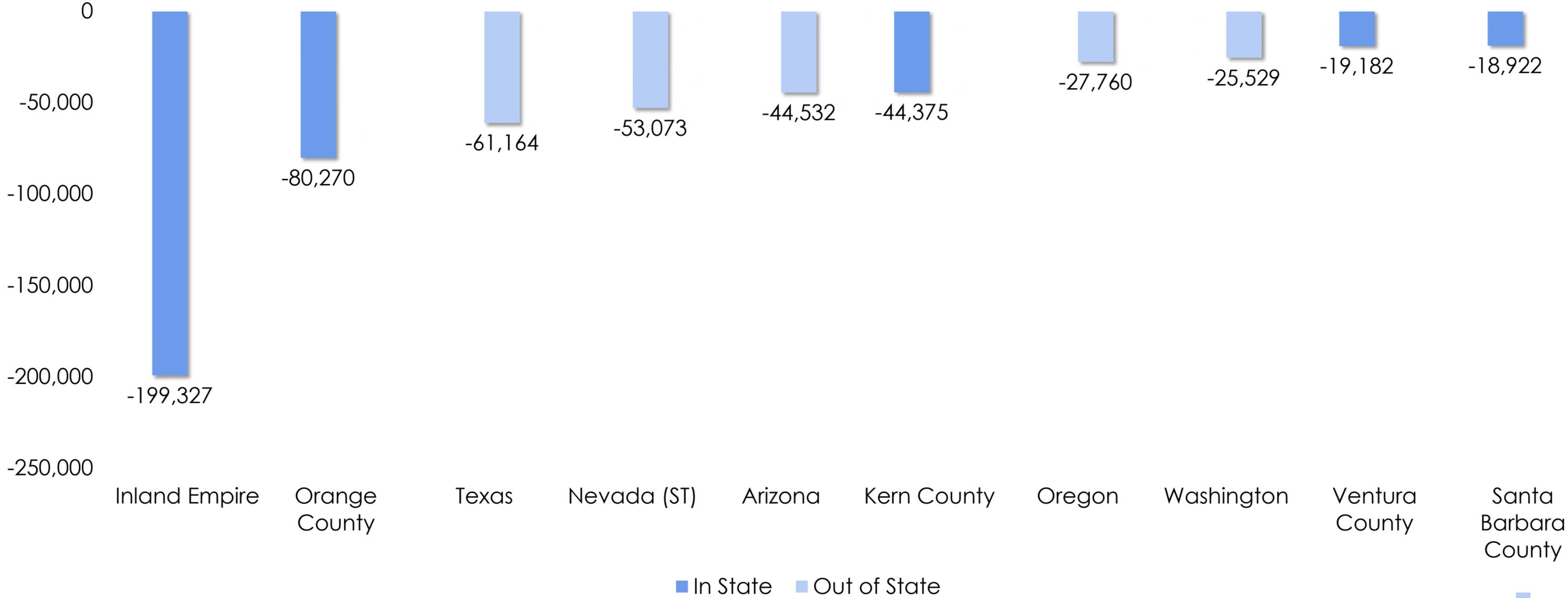


Southern
California



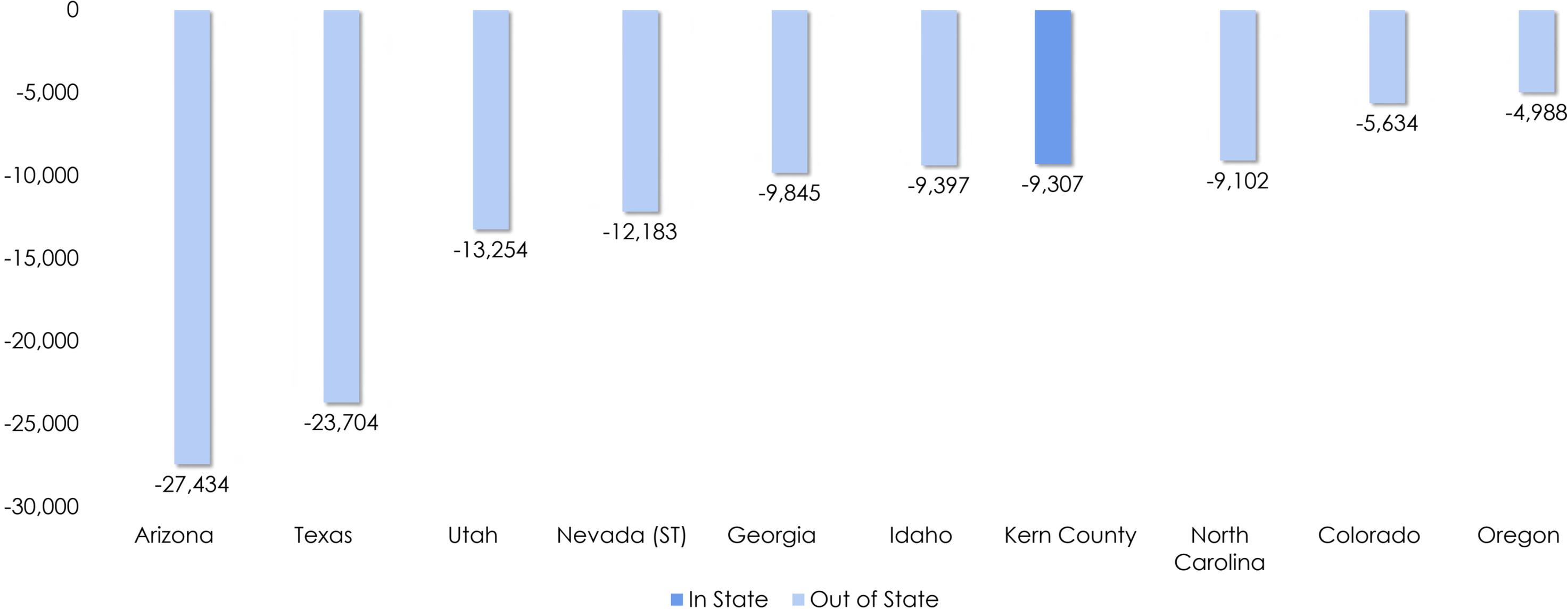
Step 1: Los Angeles mostly to the Inland Empire

Los Angeles County Net Domestic Migration
2010-2018 (Cumulative) - Top 10 Destinations



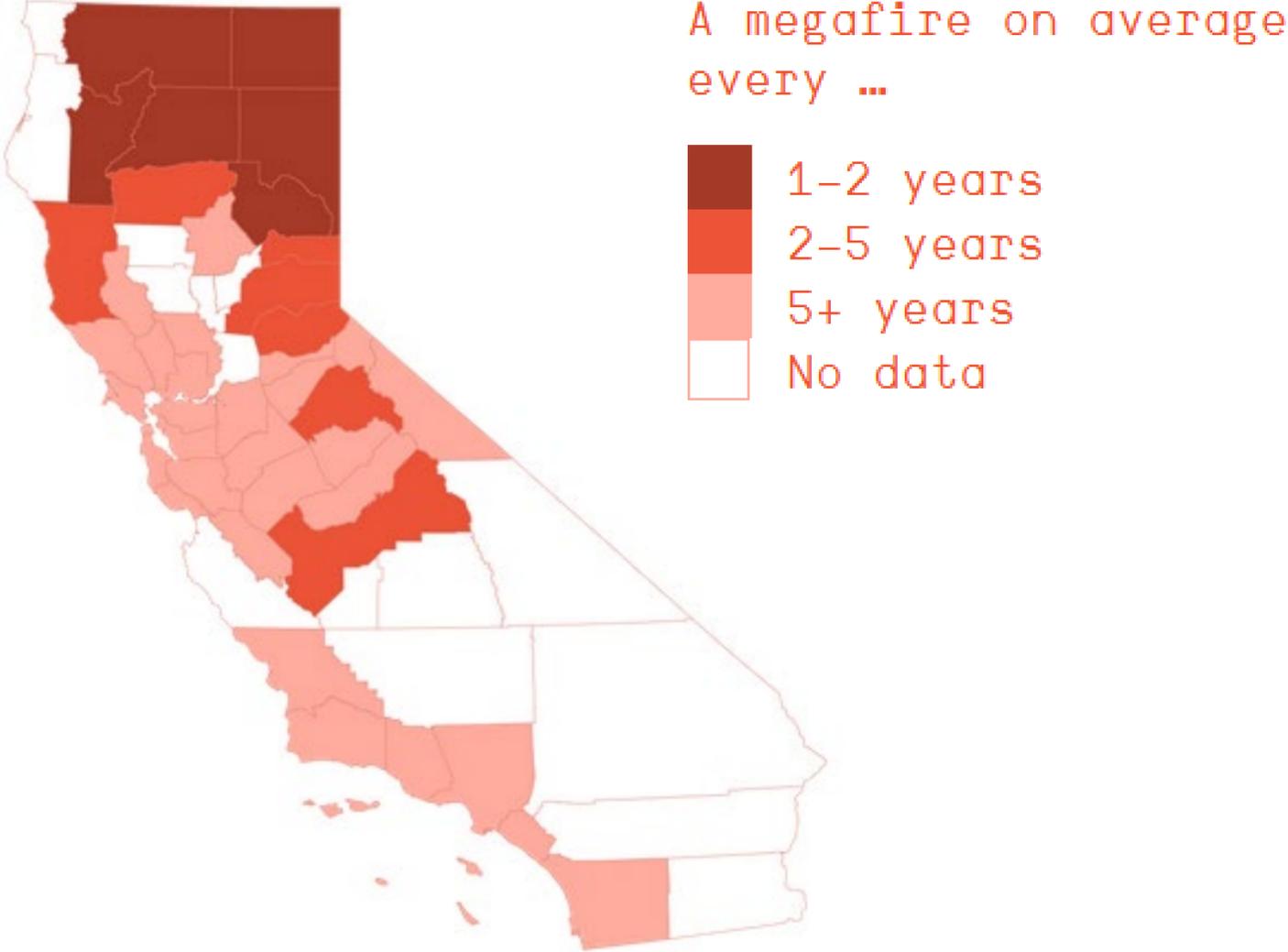
Step 2: Inland Empire mostly out of state

Inland Empire Net Domestic Migration
2010-2018 (Cumulative) - Top 10 Destinations



Climate change will lead to more and bigger wildfires in the future

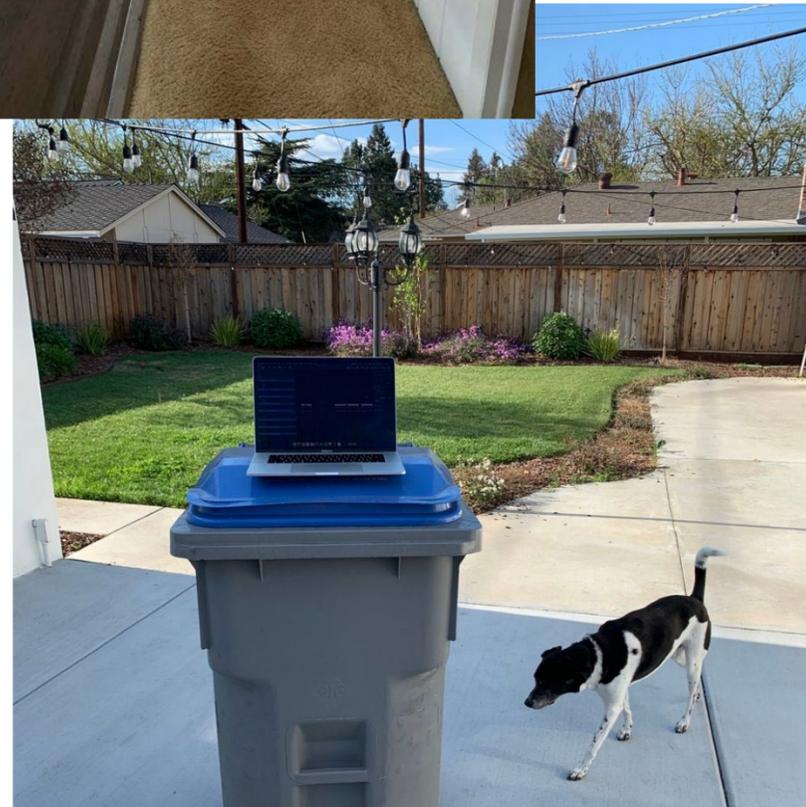
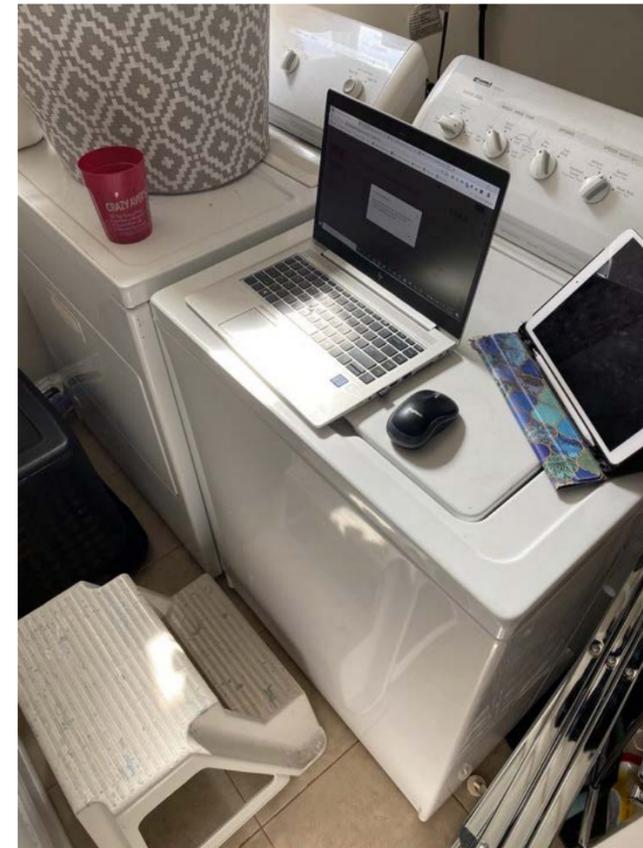
By 2070, some 28 million people across the country could face Manhattan-size megafires. In Northern California, they could become an annual event.



Q: Where do we go from here?
A: Home.



There's No Place Like Home



Research & Economics Team



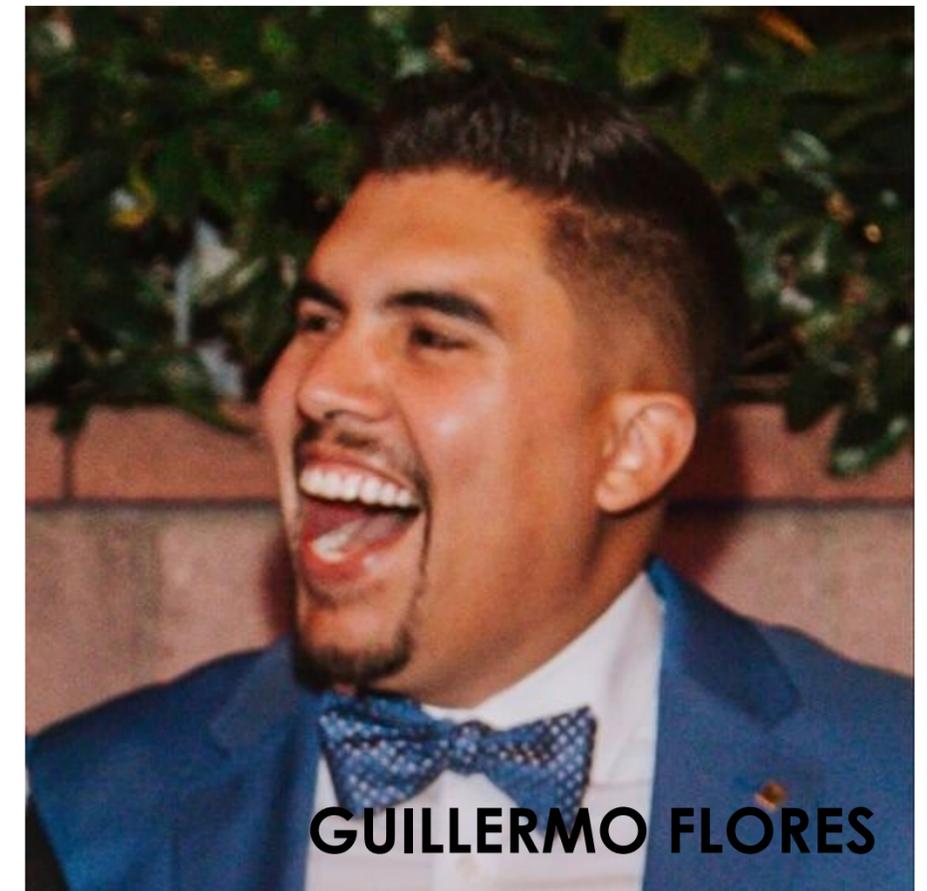
JORDAN LEVINE



OSCAR WEI



GEORGIA FUNNELL



GUILLERMO FLORES



SAMANTHA OLES

PAULA GREEN





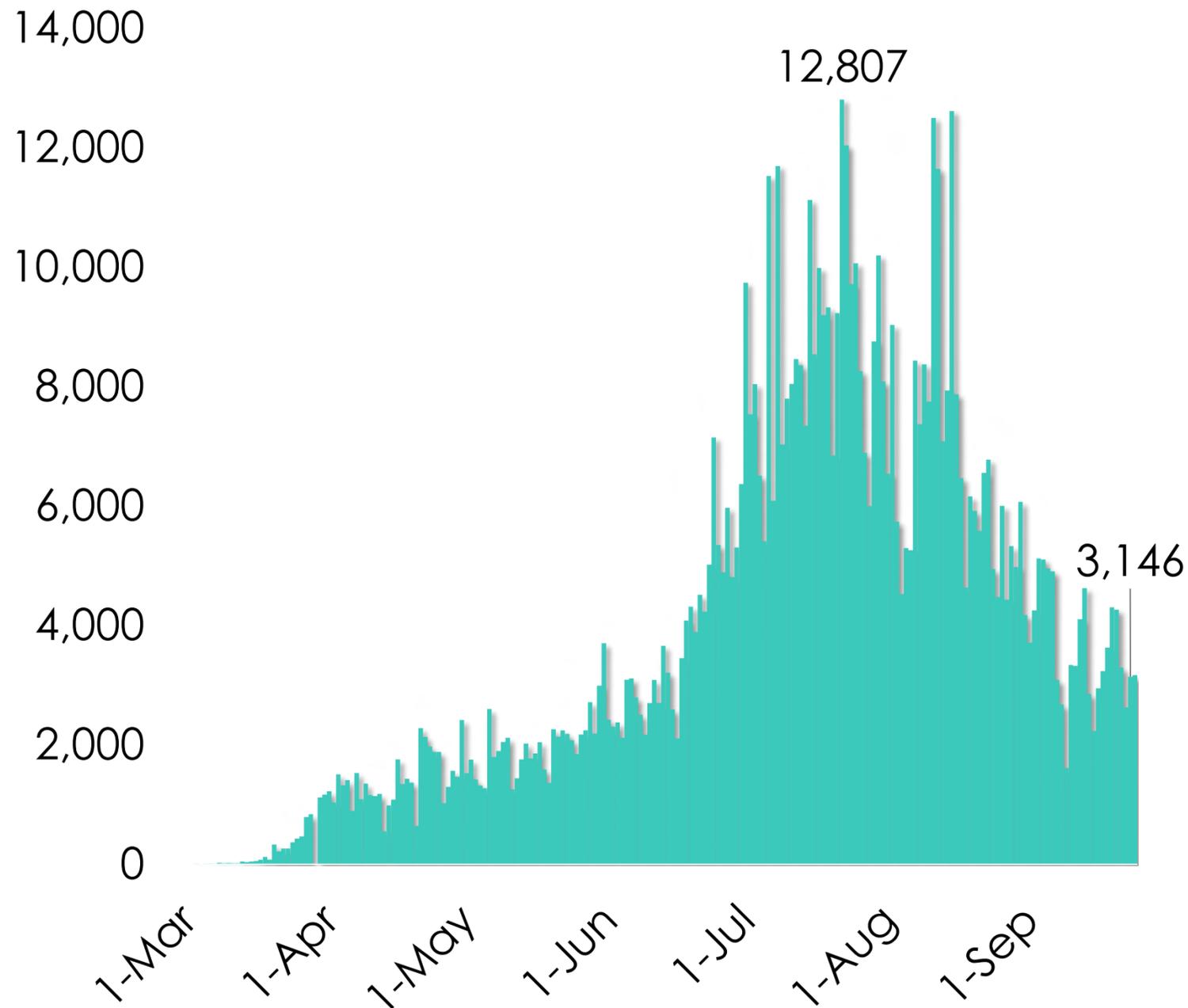
The
Forecast



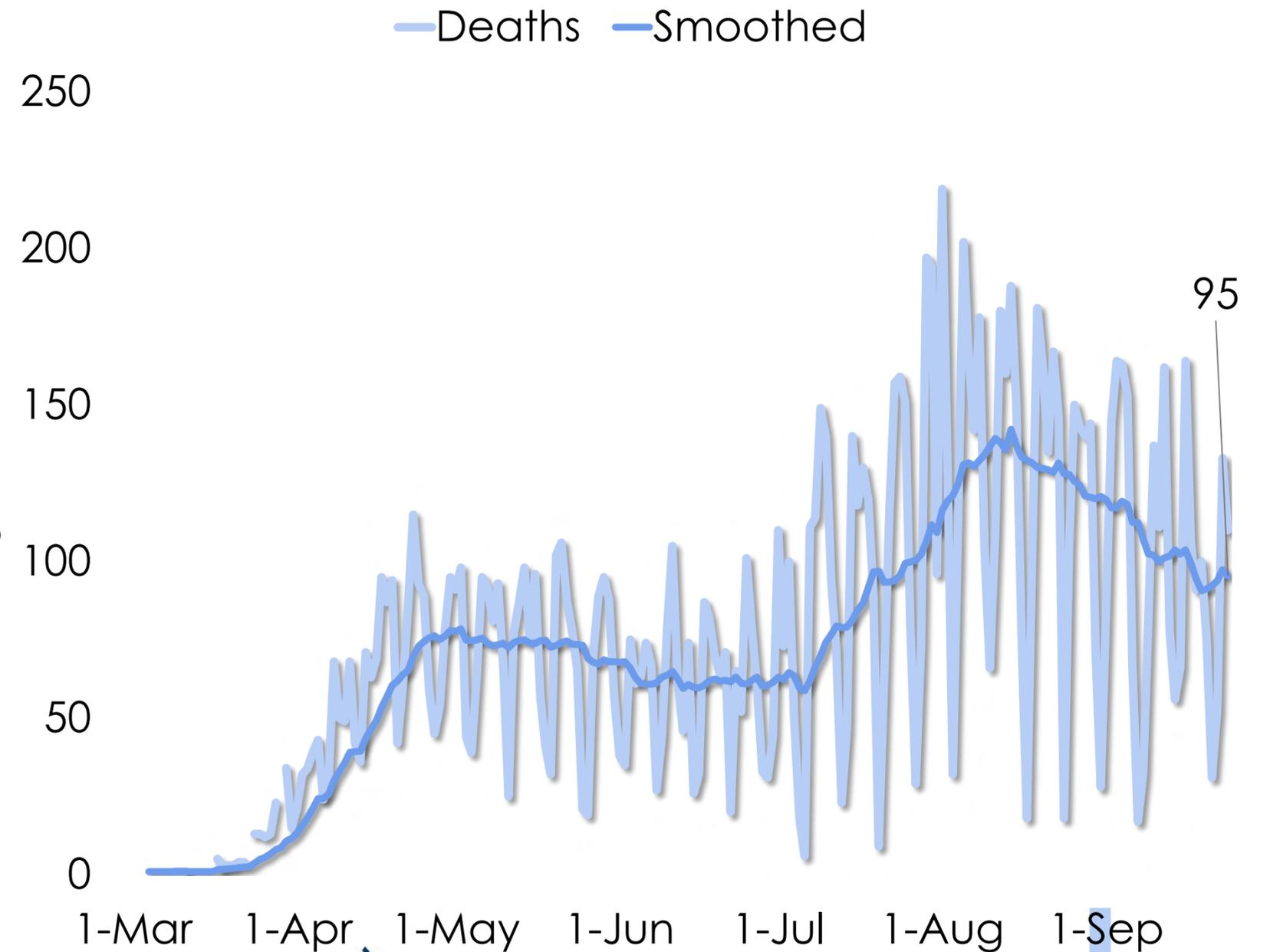


Coronavirus remains the biggest wildcard

California Daily New Cases



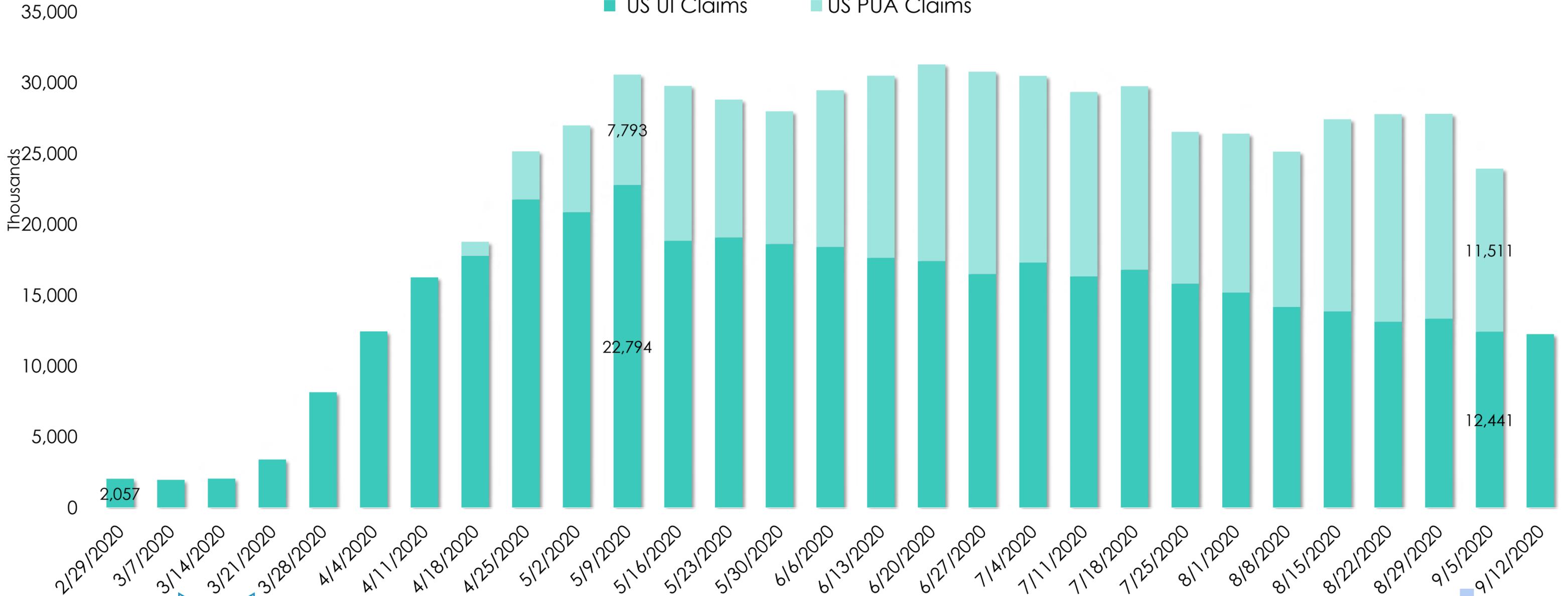
California Coronavirus Deaths



~24 million Americans still receiving unemployment

U.S. Continuing Unemployment Insurance Claims + PUA Claims (NSA)

■ US UI Claims ■ US PUA Claims



SOURCE: U.S. Dept. of Labor

U.S. economic outlook: ongoing recovery, but slower pace

	2015	2016	2017	2018	2019	2020p	2021f
US GDP	2.6%	1.6%	2.3%	3.0%	2.2%	-5.0%	4.2%
Nonfarm Job Growth	2.1%	1.8%	1.6%	1.6%	1.3%	-6.5%	3.0%
Unemployment	5.3%	4.9%	4.4%	3.9%	3.7%	8.8%	7.1%
CPI	0.1%	1.4%	2.1%	2.4%	1.8%	0.6%	1.7%
Real Disposable Income, % Change	3.4%	2.7%	2.9%	4.0%	2.9%	3.8%	-1.6%



Foreclosures could become a problem, size of impact will be more like 2015 than 2008

The Bad News:

- Potentially 600,000 foreclosures nationwide
- That suggests 60,000 in California
- Currently a moratorium through end of 2020
- Eventually delinquencies will be reckoned with
- Serious delinquencies up a lot in June
- Could impact prices (but single digit impacts)

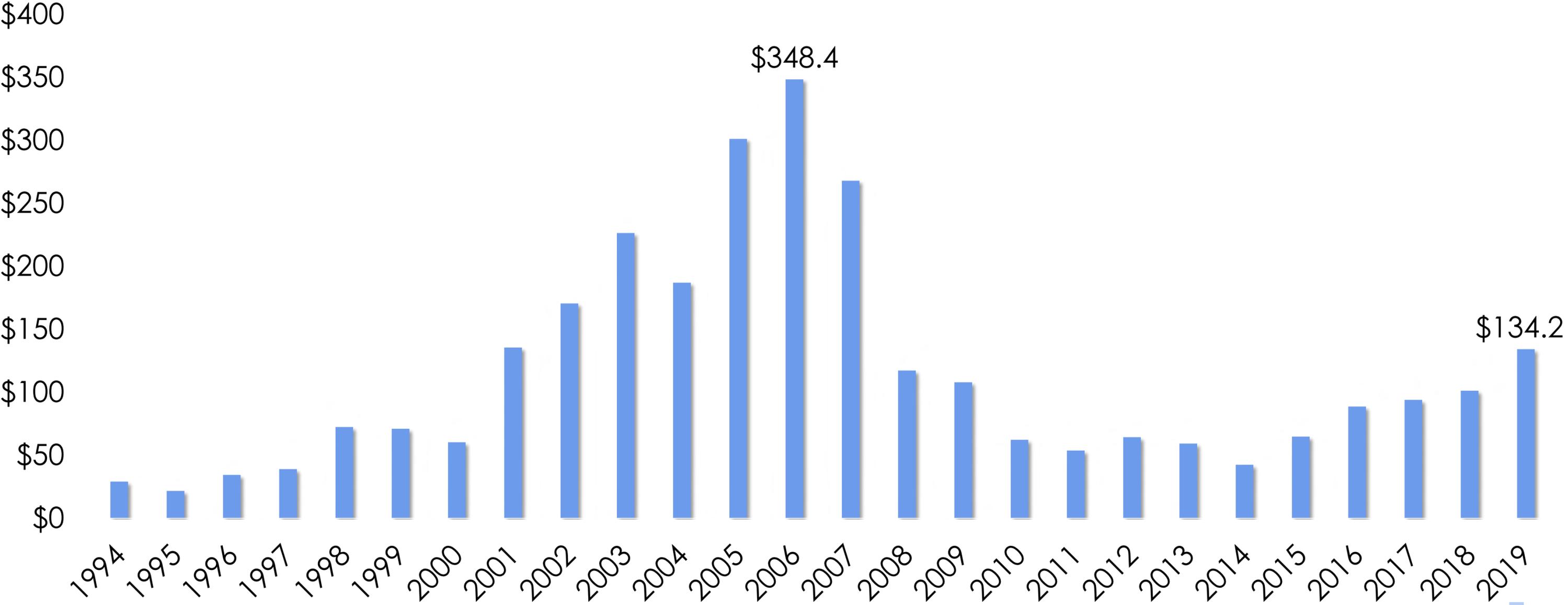
Reasons to Be Hopeful:

- Government on board this time
- 5-year + workouts
- Lots of home equity/minimal cashing out
- No NINJA loans/option ARMs

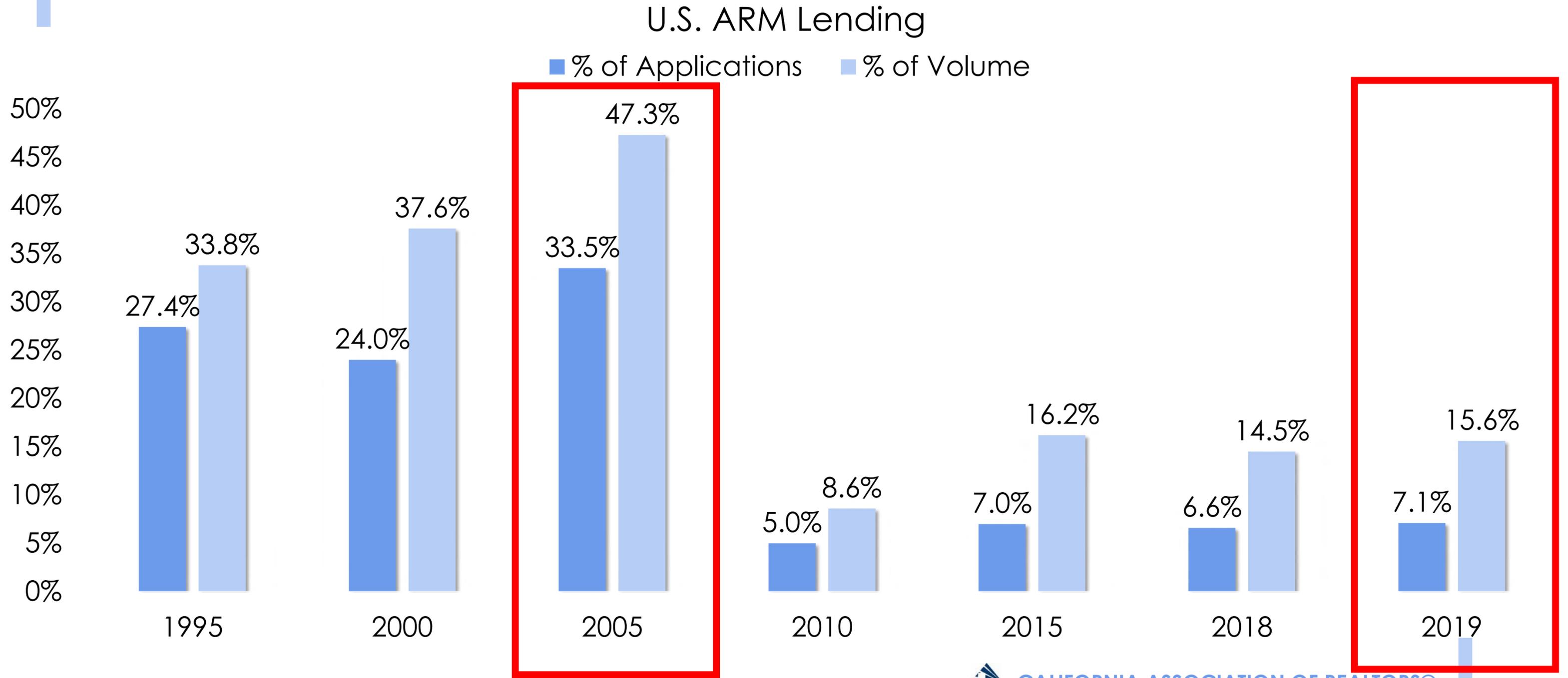


Many homeowners still have skin in the game

Combined Volume of Cash-out and 2nd Mortgages/HELOC Consolidation

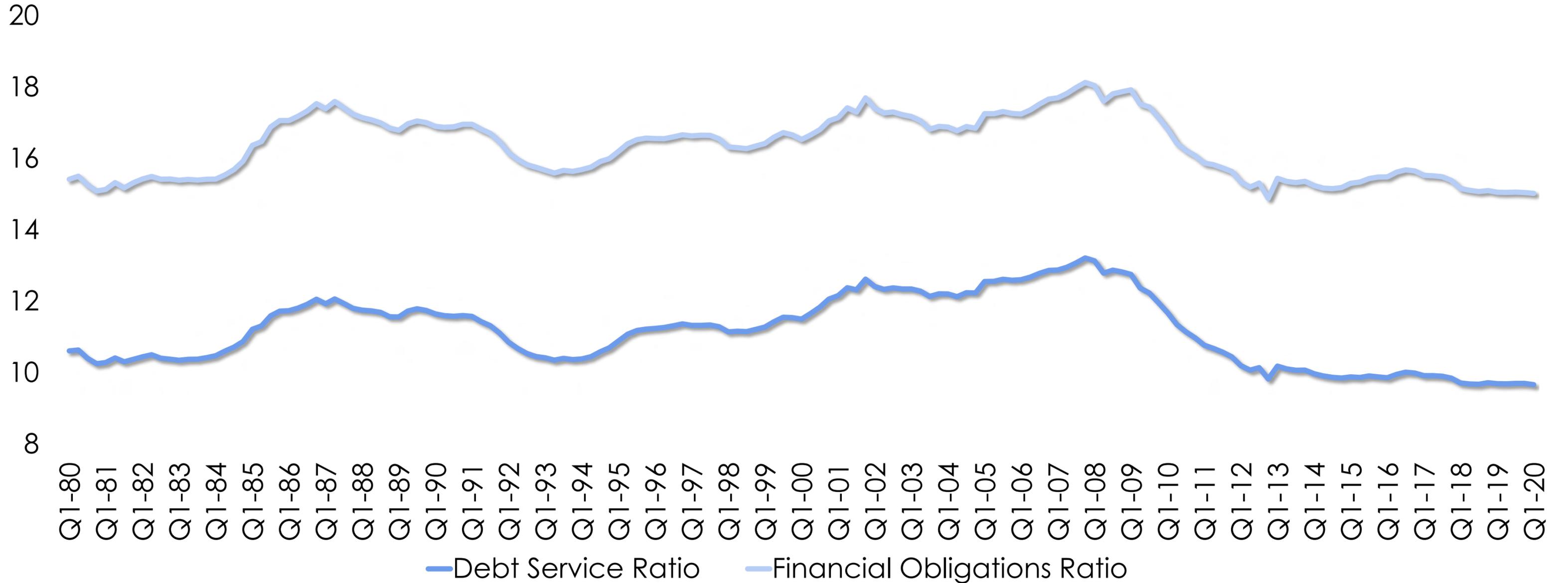


Not as many fundamental problems in mortgage market



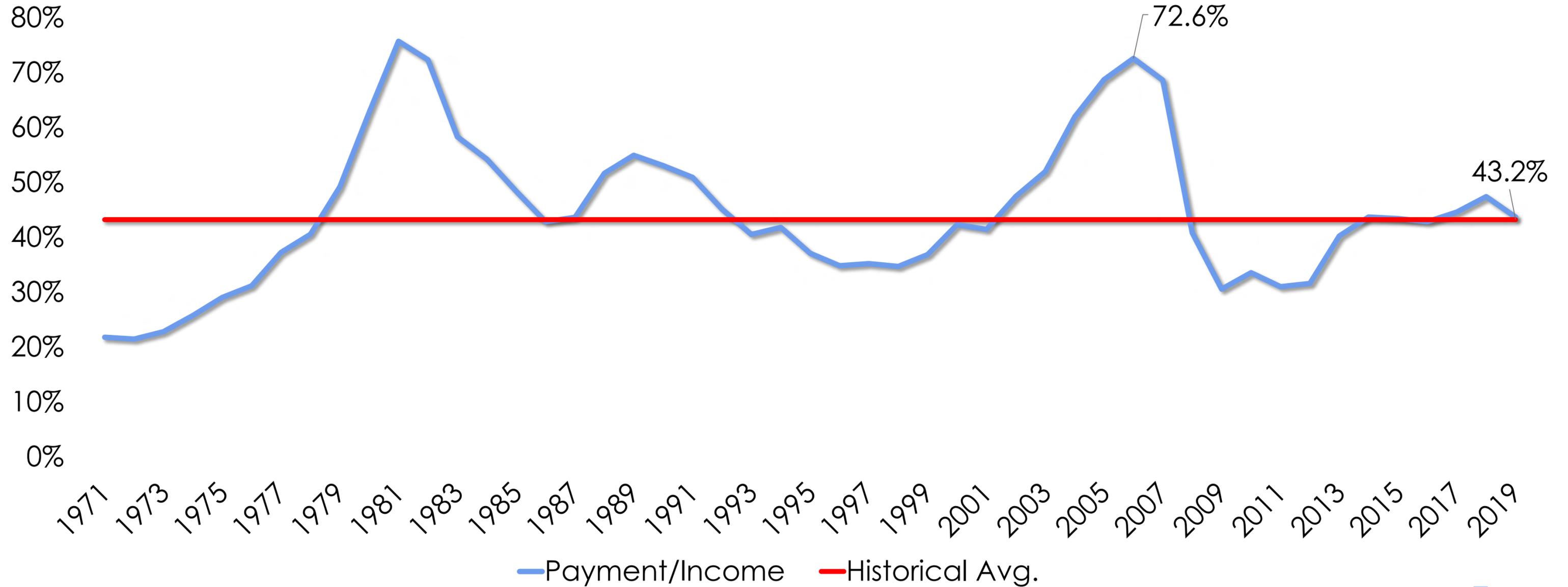
Household balance sheets **were in much better shape**

Household Debt and Financial Obligations



Prices weren't as inflated as they were in 2005

California Median Mortgage Payment to Income Ratio

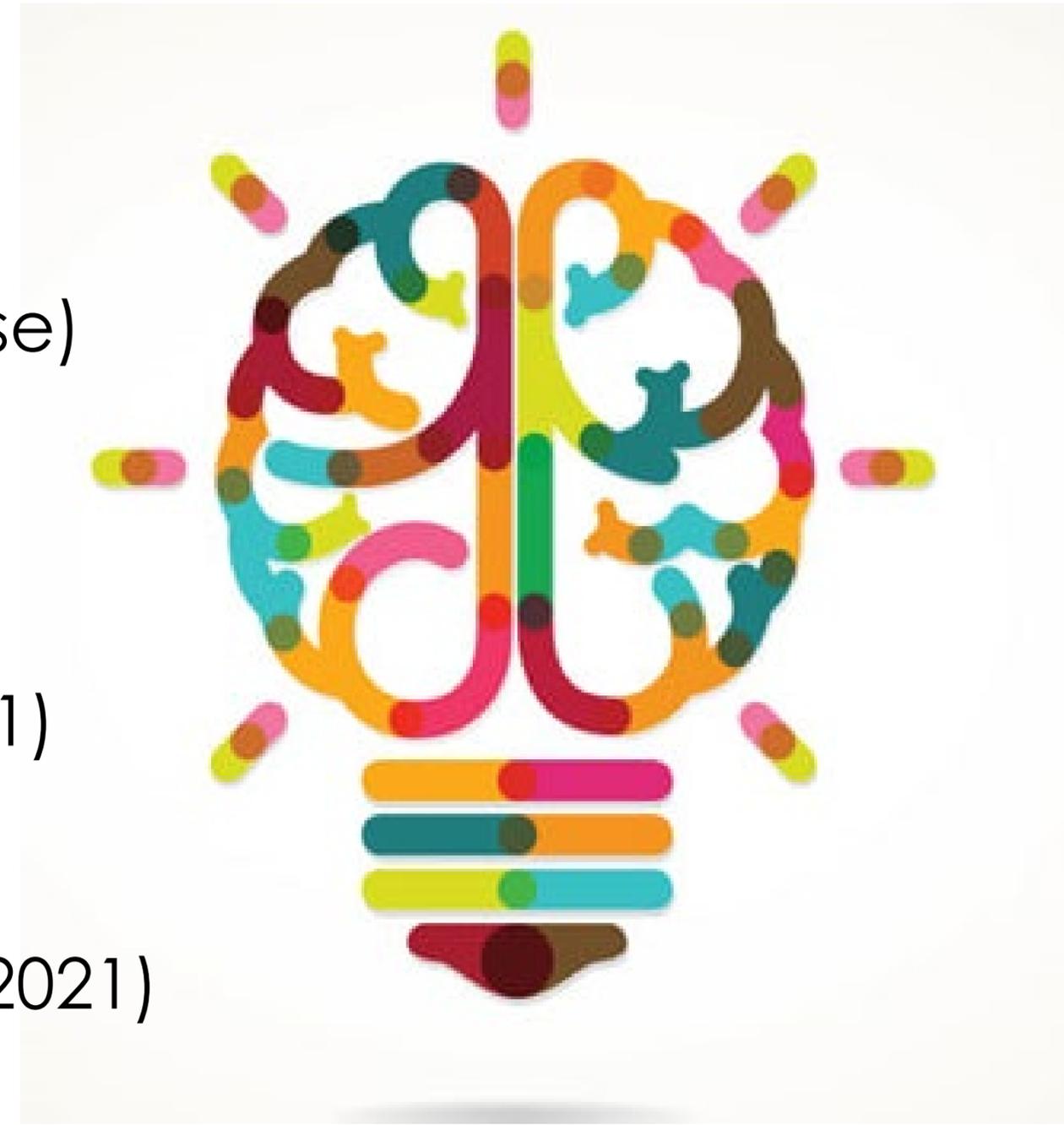


California housing market outlook (Most Likely)

	2015	2016	2017	2018	2019	2020p	2021f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	380.1	392.5
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	-4.5%	3.3%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$640.3	\$648.8
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	8.1%	1.3%
Housing Affordability Index	31%	31%	29%	28%	31%	32%	31%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.2%	3.1%

Baseline housing forecast **key assumptions**

- Vaccine available in H121
- No COVID surge this flu season (modest rise)
- GDP growth rate at 4.2% in 2021
- Household income growth at 3.3% in 2021
- Interest rates near record low (3.1% in 2021)
- 2021 inventory unchanged from 2020
- Foreclosures at low level (< 8% of sales in 2021)
- Foreclosures average <10% discount



Worst case housing forecast **key assumptions**

- Vaccine not available until H221
- Flu season resurgence in COVID
- California shut down for (2 months +)
- Zero growth in GDP in 2021
- Household income drops 4.2% in 2021
- No new federal stimulus in 2021
- Interest rates rise slightly (>3% in 2021)
- Inventory increases (+20-25% from 2020)
- Foreclosures at 2009-2010 (30% of all sales)
- Foreclosures average 40% discount

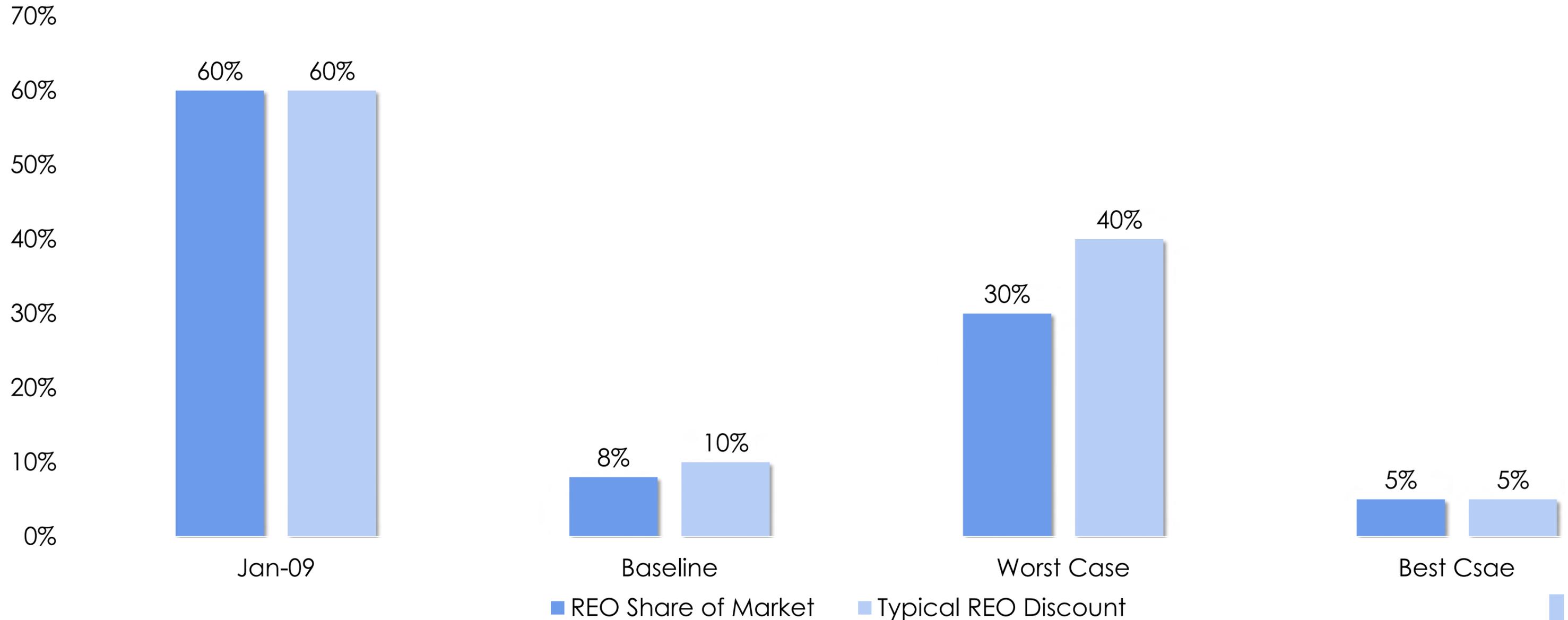


California housing market outlook (Worst Case)

	2015	2016	2017	2018	2019	2020p	2021f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	366.6	330.6
% Change	7.0%	2.0%	1.7%	-5.2%	-1.2%	-7.9%	-9.8%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$618.4	\$517.0
% Change	6.6%	5.4%	7.1%	5.9%	4.0%	4.4%	-16.4%
Housing Affordability Index	31%	31%	29%	28%	31%	33%	41%
30-Yr FRM	3.9%	3.6%	4.0%	4.5%	3.9%	3.2%	3.2%

Potential REO scenarios

California REO Market
REO Market Share and Typical Discount (Relative to Market)



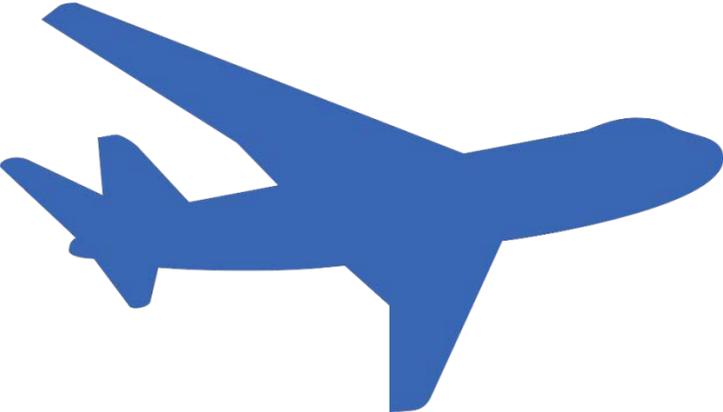
Still bullish on California long term

5th Largest



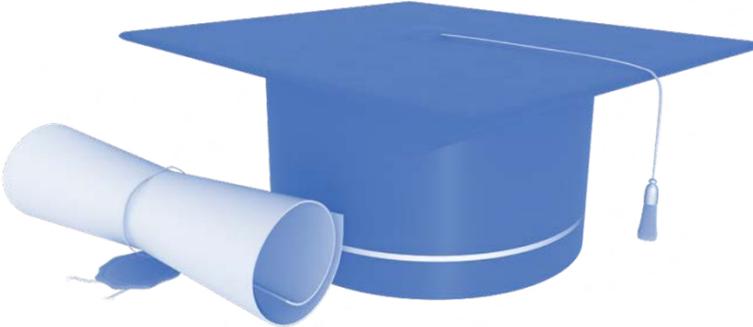
Economy

25 Million
International



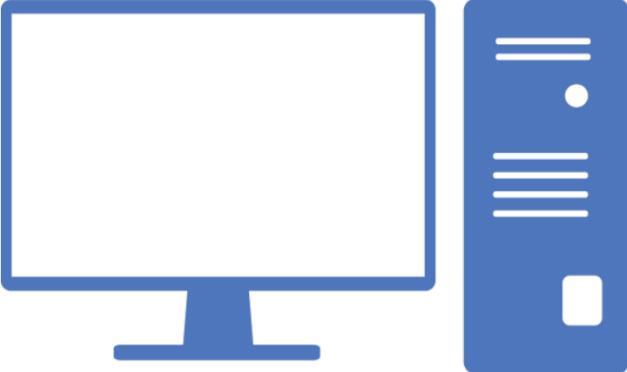
Arrivals Annually

Top Global



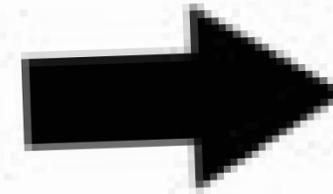
Universities

\$175 Billion

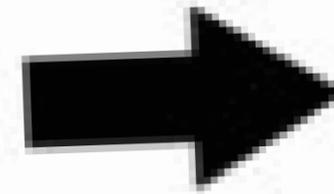


In Annual Exports

CHALLENGE



OPPORTUNITY





Thank You

This presentation can be found on
www.car.org/marketdata
Speeches & Presentations
jordanl@car.org