

2021 Housing Market Overview

North State BIA

October 28, 2021

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WHO WE ARE

John Burns Real Estate Consulting, LLC provides independent research and consulting services related to the US housing industry. John Burns founded the company in 2001 because he saw a need for better analysis of the housing market. The company has grown into a highly passionate team of research analysts and consultants in offices across the country. We work together to provide the most trusted source of US housing analysis.



Research Subscriptions

An ongoing, retainer-based relationship, in which we provide clients with our published research, client services, and exclusive events. Clients find immense value in our research and services for:

- Superior insight on housing and remodeling trends
- Regional intelligence
- Internal reporting and business planning
- Investor relations support



Custom Market Consulting

A contracted engagement, in which we help clients with a specific strategic decision or question.

- Demand forecasting
- Market analysis
- Growth strategy
- Voice of customer analysis

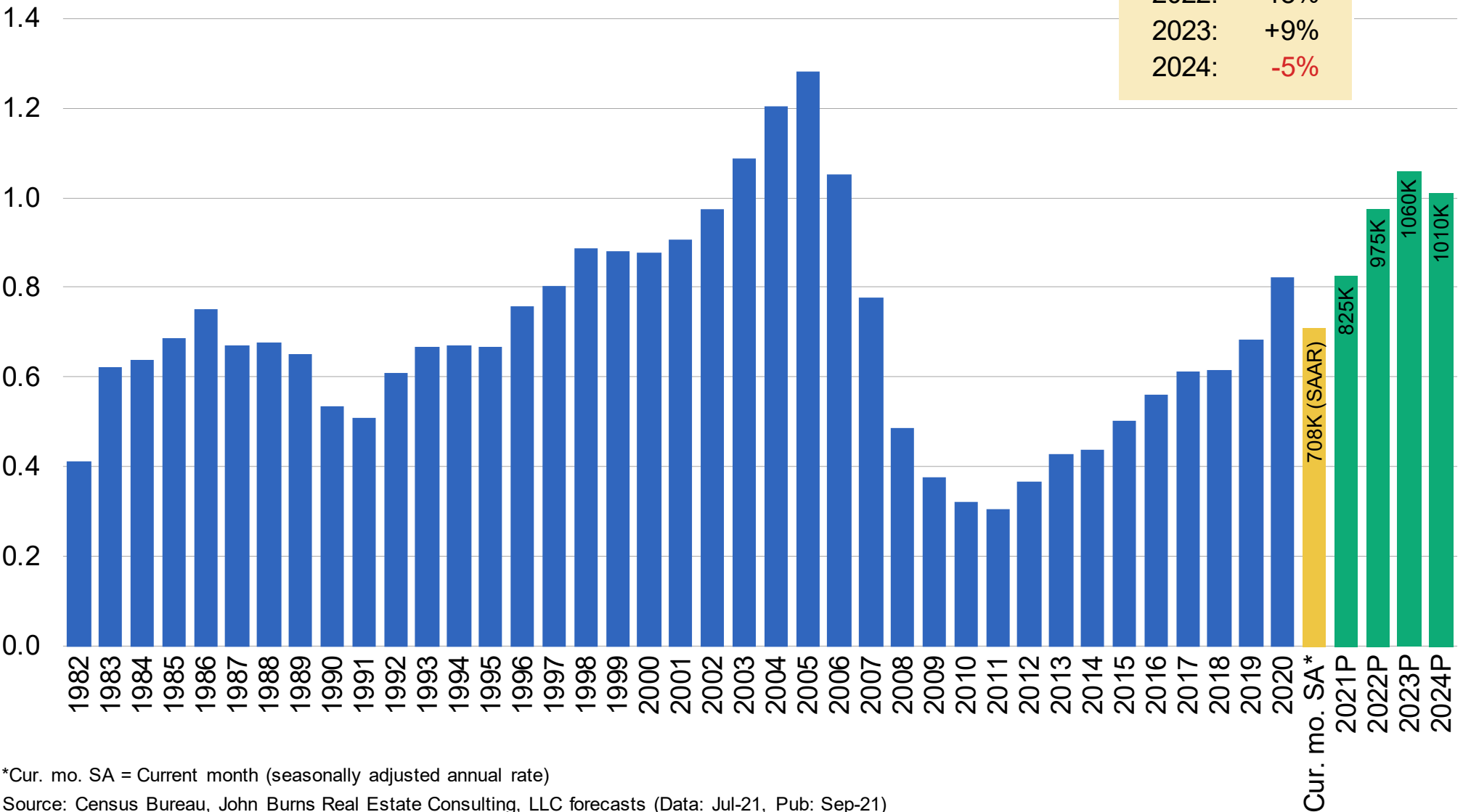
National

US New Single-Family Home Sales

We forecast new single-family home sales to rise through 2023 to 1.06M (highest since 2005) before falling in 2024.

US New Single-Family Home Sales

Millions



*Cur. mo. SA = Current month (seasonally adjusted annual rate)

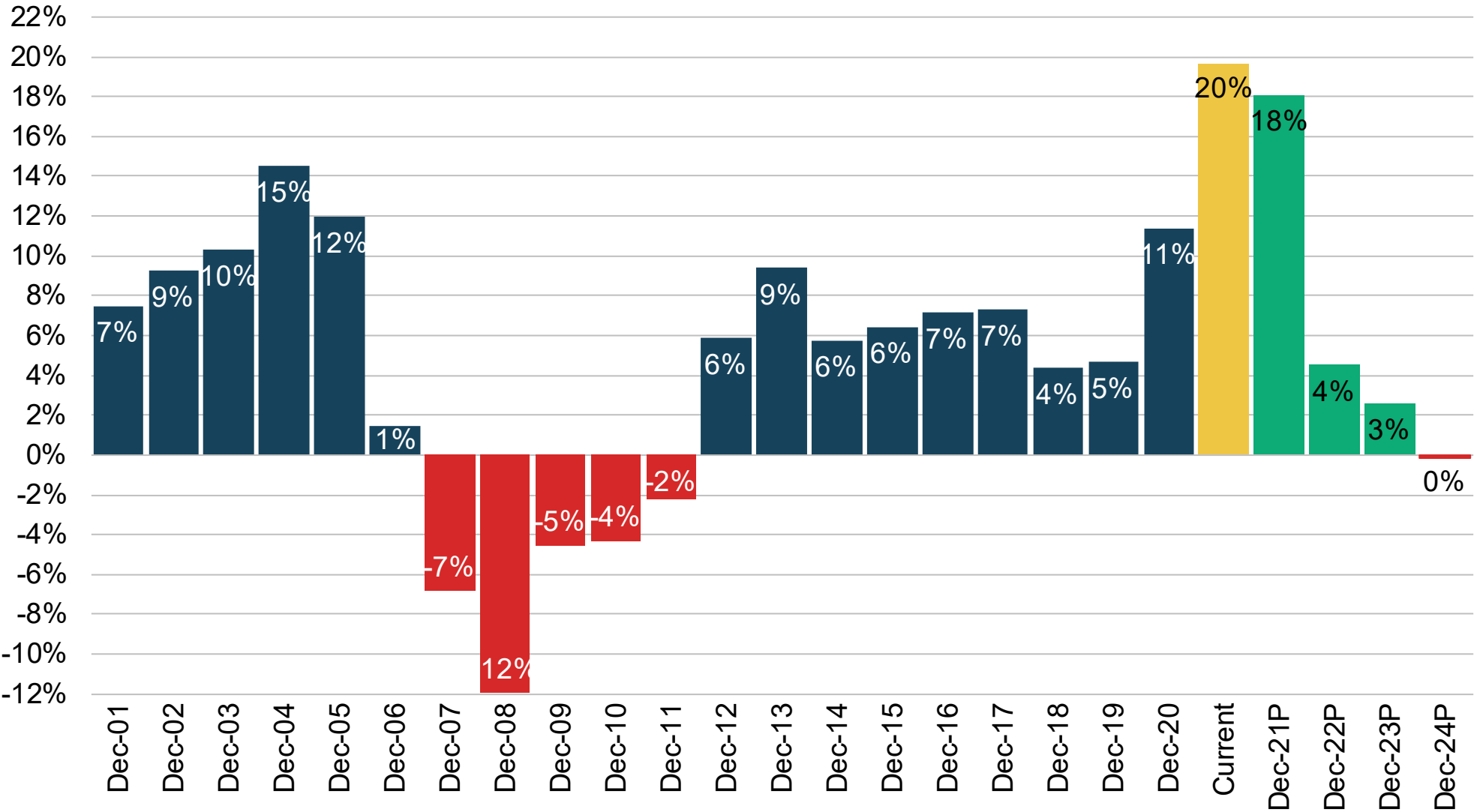
Source: Census Bureau, John Burns Real Estate Consulting, LLC forecasts (Data: Jul-21, Pub: Sep-21)

Burns Home Value Index

We forecast home prices to gain 18% in 2021 following 11% growth in 2020 (strongest rate of appreciation since 1980, the furthest back we have data). Price appreciation should slow through 2024.

Burns Home Value Index™

Year-end YOY % change



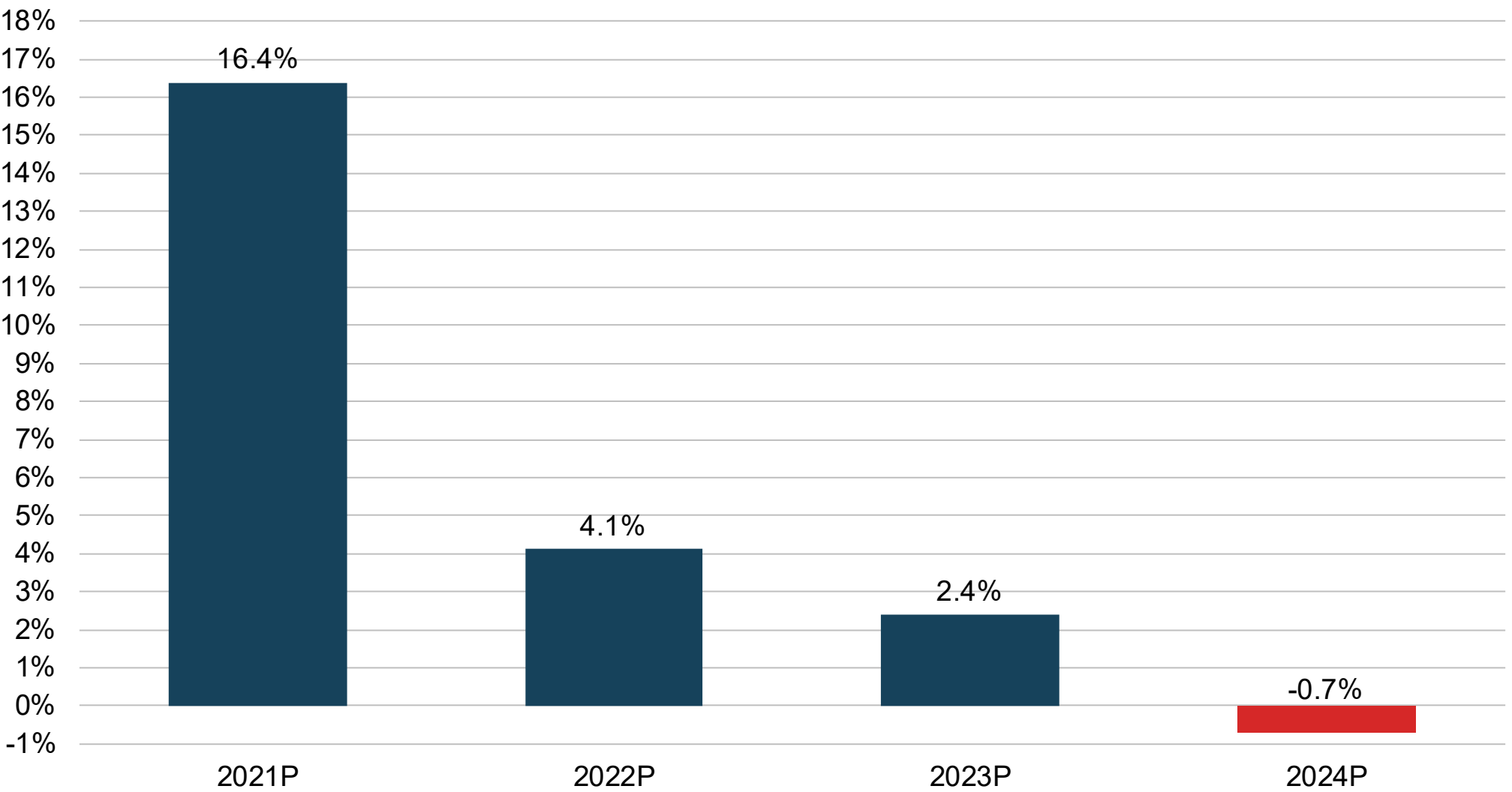
Source: John Burns Real Estate Consulting, LLC (Data: Aug-21, Pub: Sep-21)

US New Home Price Appreciation Forecast (Net of Incentives)

We project new home prices will increase 16% in 2021. We expect growth to slow through 2023 and decline slightly in 2024.

US New Home Price Appreciation Forecast

Per community, net of incentives



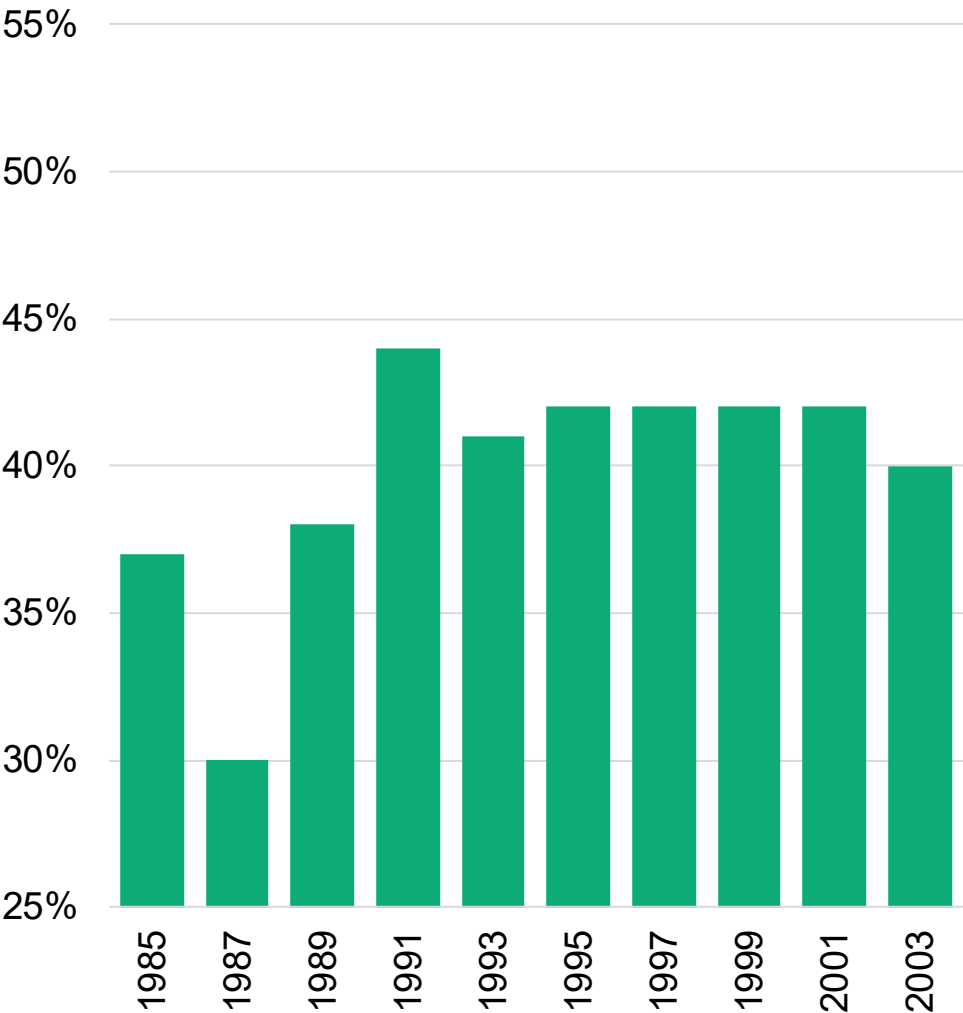
Source: John Burns Real Estate Consulting, LLC (Pub: Sep-21)

Share of Homes Sold to First-Time Buyers

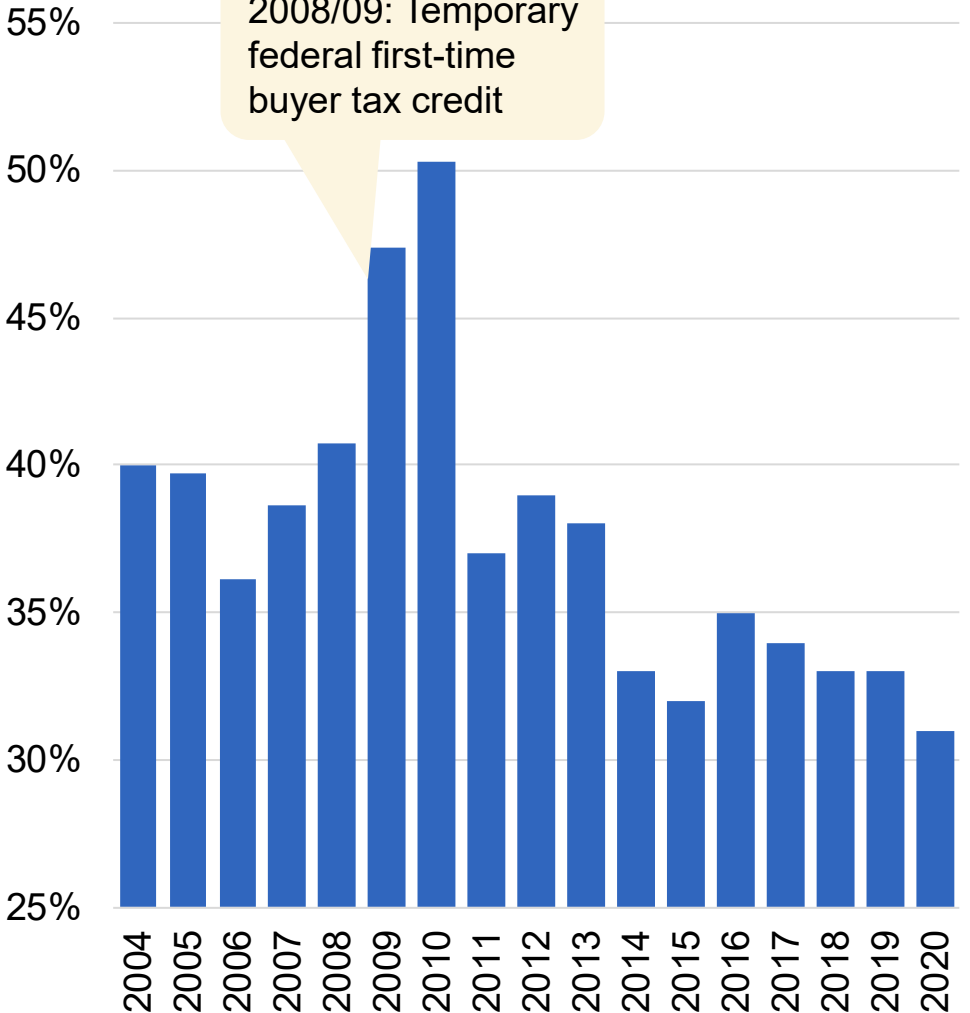
The share of existing homes sold to first-time buyers is near the lowest level since 1987. Peak share was reached in 2010 when 50% of buyers were first-time buyers.

Share of Existing Homes Sold to First-Time Buyers

1985–2003



2004–2019



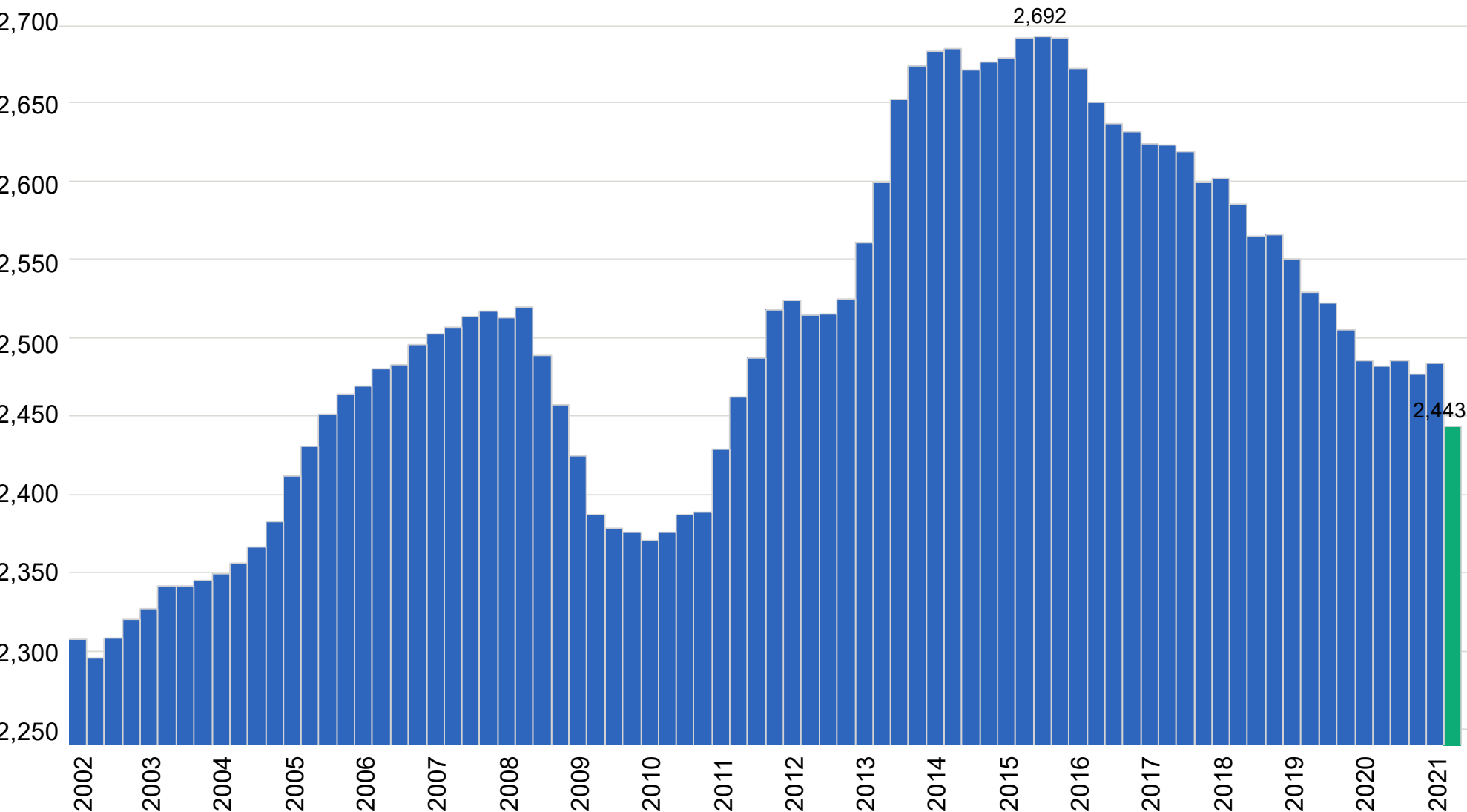
Sources: NAR; John Burns Real Estate Consulting, LLC (Data: 2020, updated quarterly†)

Size of New Single-Family Homes

New single-family home sizes decreased -9% since 2015 as builders pivot to the entry-level segment.

Size of New Single-Family Homes

SF starts: average floor area



Source: U.S. Census Bureau (Data: 2Q21, Pub: Sep-21)

The New New Home?

World's largest community of 3D-printed homes to be built in Austin, co-designed by BIG

by Stephanie Becerra

Tuesday, October 26th 2021

AUSTIN, Texas — The world's largest neighborhood of 3D-printed homes will be built in Austin, according to a joint press release from ICON and Lennar on Tuesday.

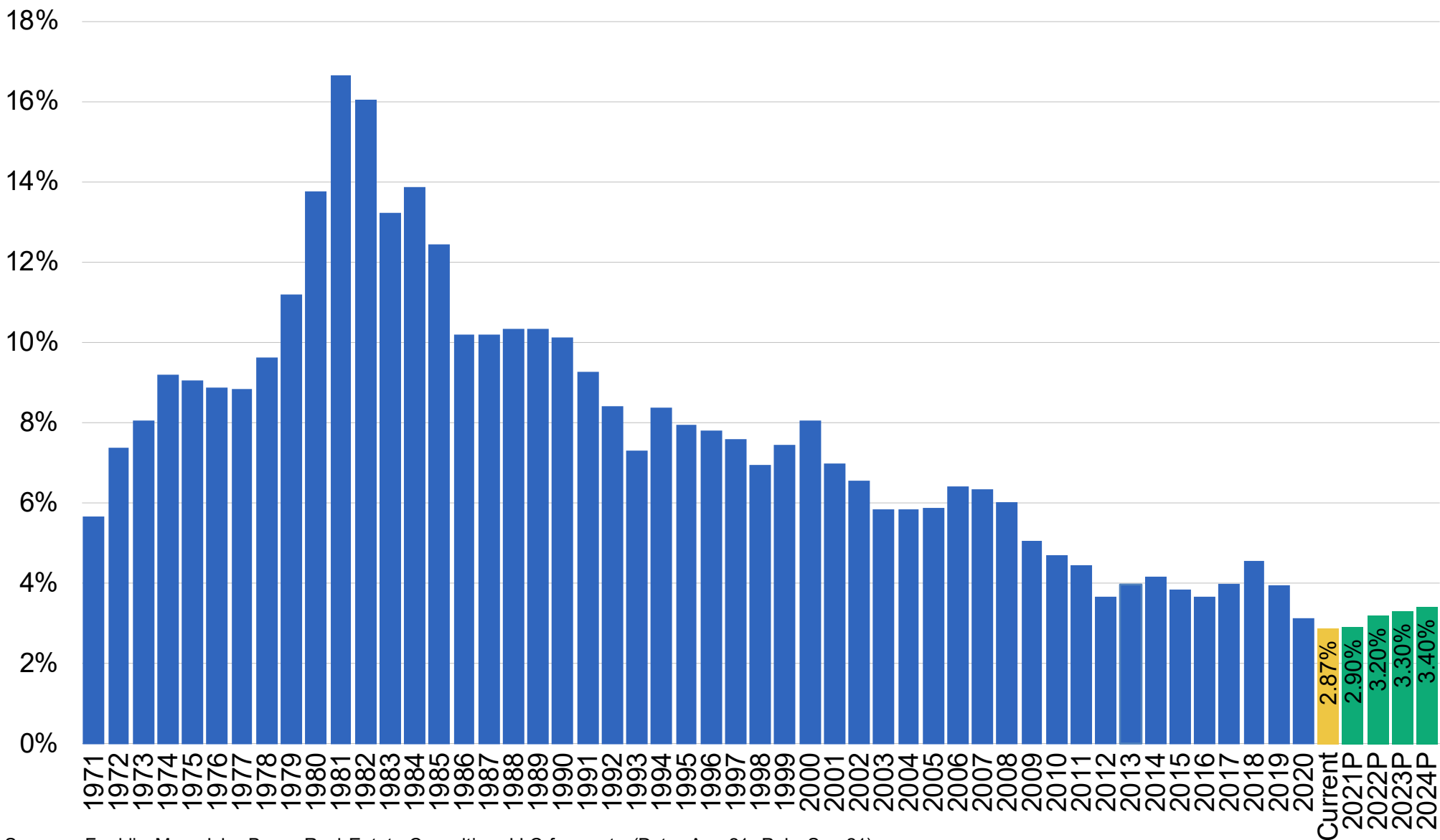
[ICON](#), an Austin-based construction technologies company pioneering large-scale 3D printing, will be working with homebuilder [Lennar](#), to build 100 homes co-designed by the architecture firm, BIG-Bjarke Ingels Group.



Mortgage Rates

We expect mortgage rates to rise to 3.4% by 2024, still historically low.

30-Year Fixed Mortgage Rates



Sources: Freddie Mac; John Burns Real Estate Consulting, LLC forecasts (Data: Aug-21, Pub: Sep-21)

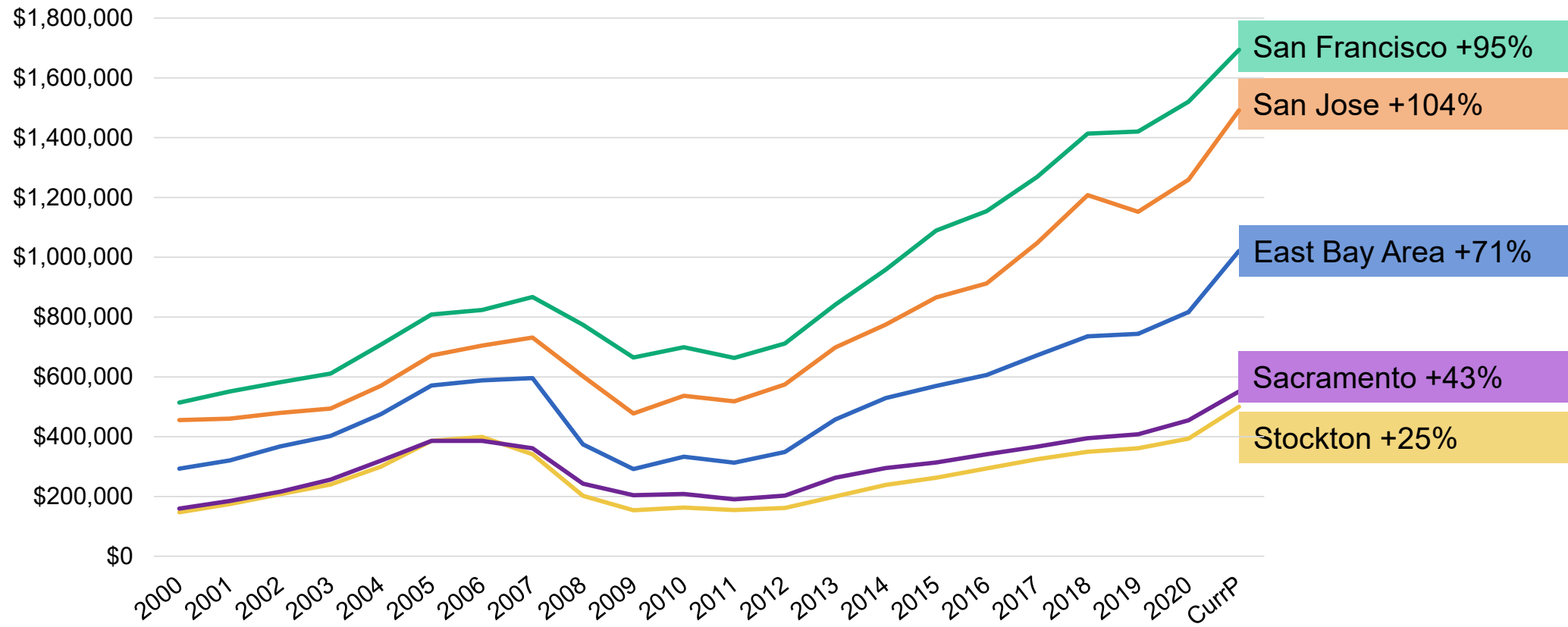
Regional

Existing Home Prices

Existing Home Median Price by MSA

— East Bay Area* — San Francisco** — San Jose — Stockton — Sacramento

**Percent
Above/Below Peak¹**



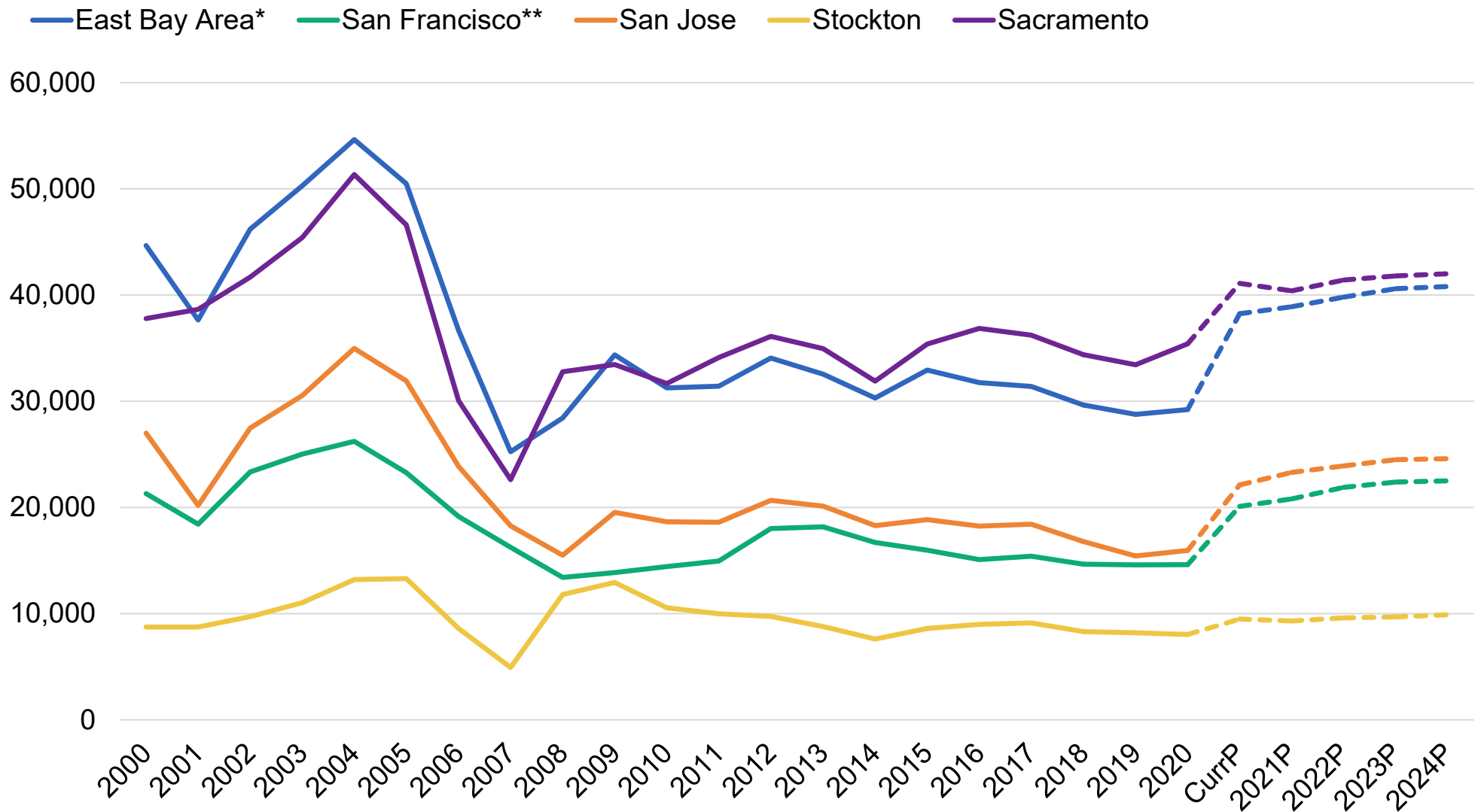
*Metro division, ** Combination of metro divisions

1) BHVI. Peak values from 2000–2008

Sources: Corelogic; John Burns Real Estate Consulting, LLC for forecasts (Data: Jan-21, Pub: Mar-21)

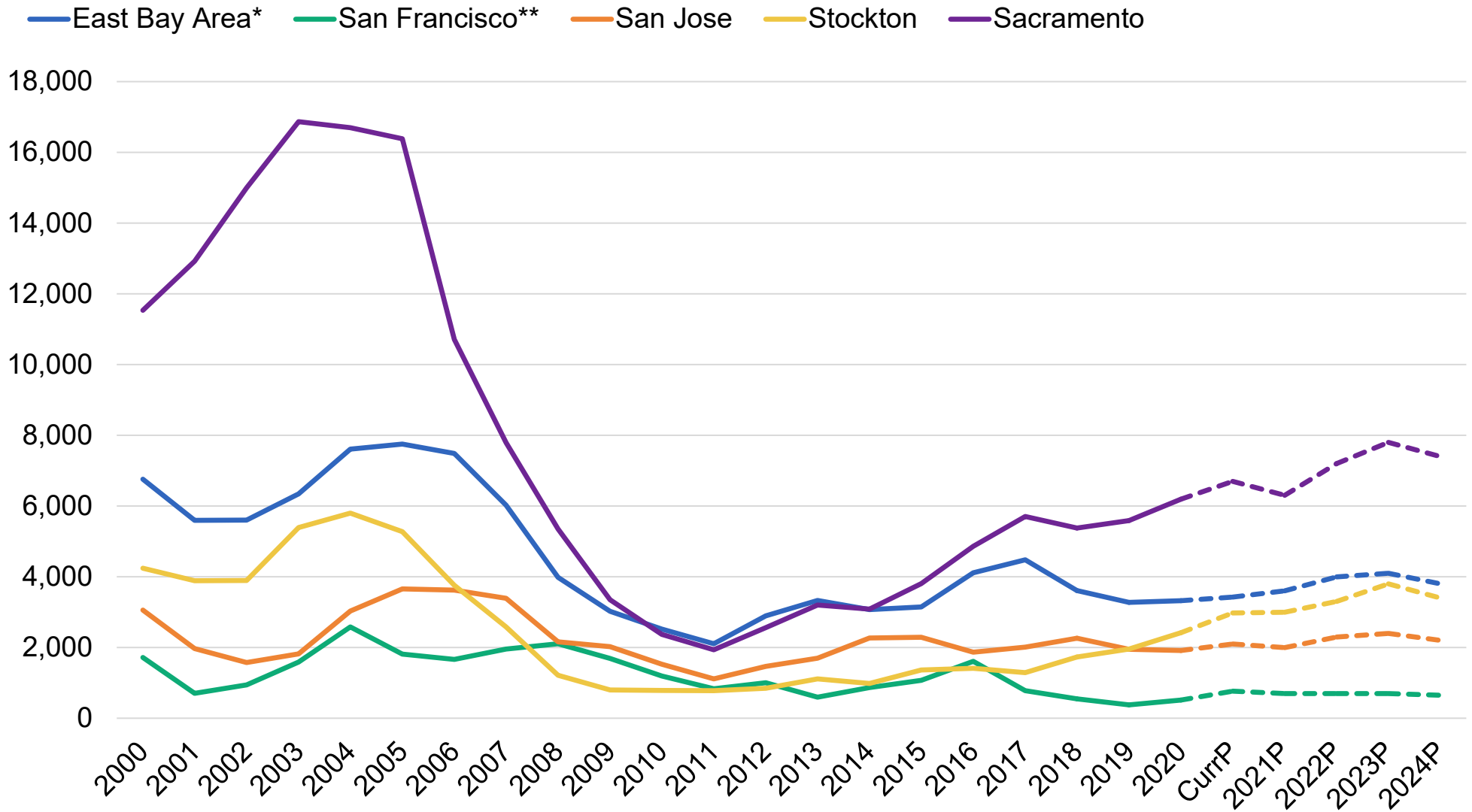
Existing Home Sales

Existing Home Sales by MSA



New Home Sales

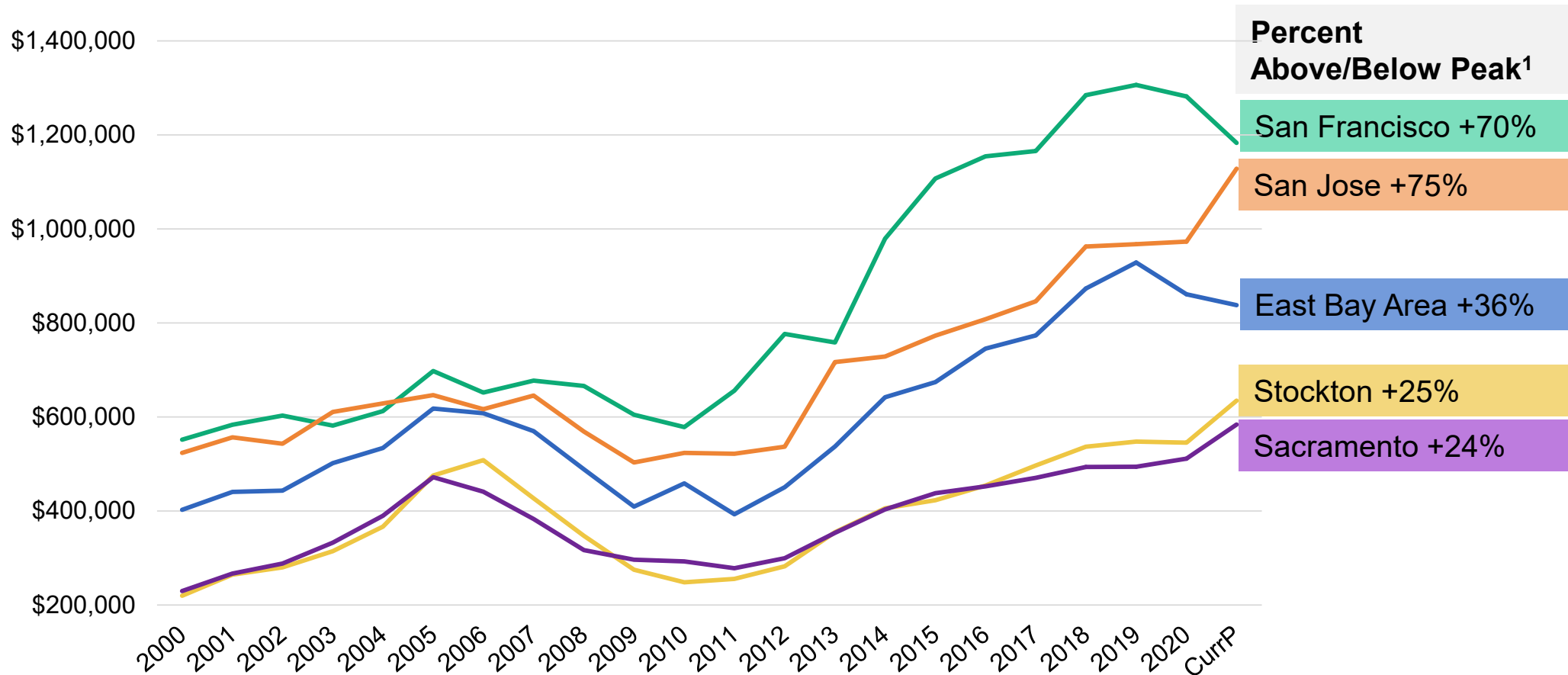
New Home Sales by MSA



New Home Prices

New Home Median Price by MSA

— East Bay Area* — San Francisco** — San Jose — Stockton — Sacramento



*Metro division, ** Combination of metro divisions

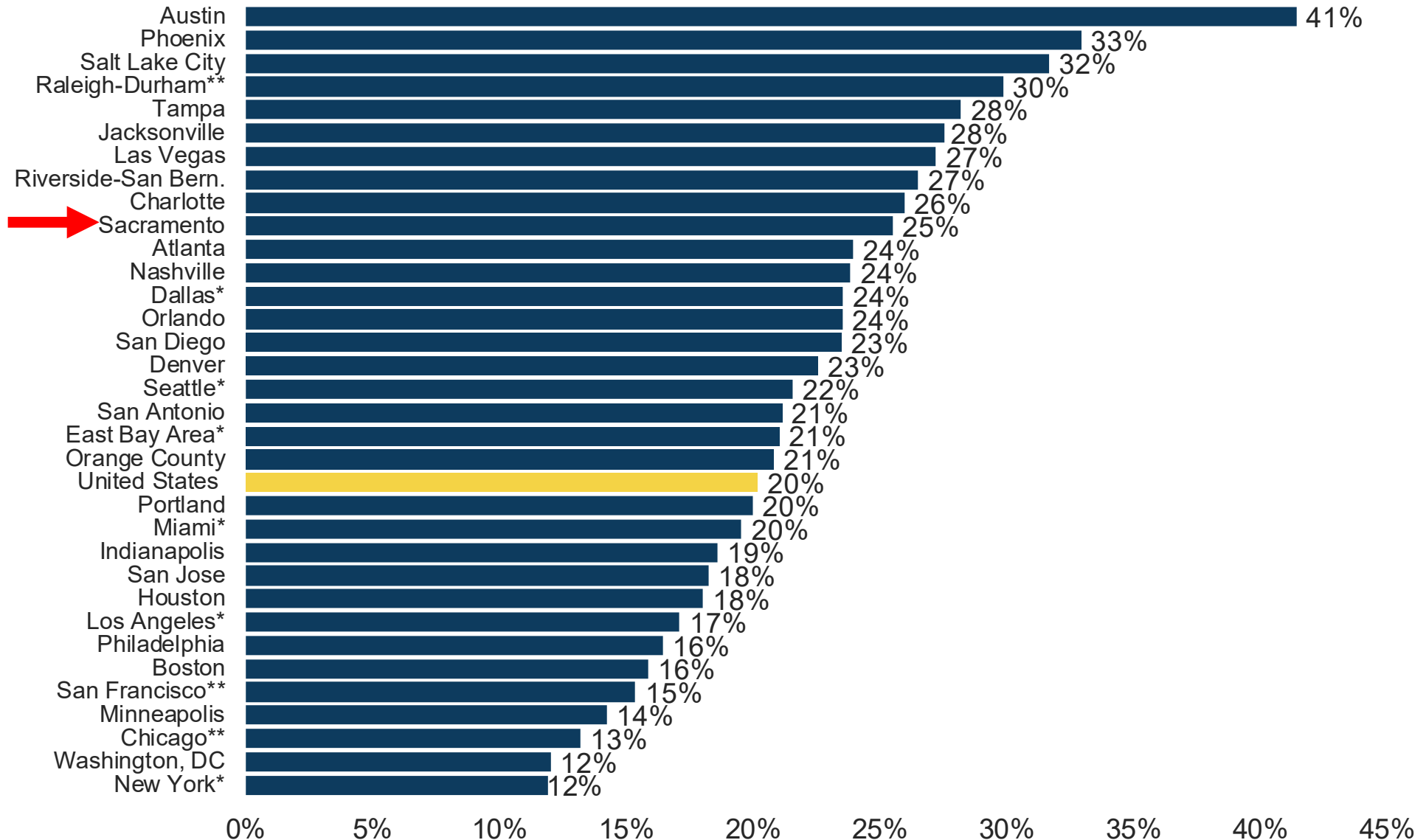
1) Peak values from 2000–2008

Sources: Corelogic; John Burns Real Estate Consulting, LLC for forecasts (Data: Jan-21, Pub: Mar-21)

Price Appreciation in All Top Markets; 30%+ YOY in Austin, Phoenix, Salt Lake City, and Raleigh-Durham

Prices: Burns Home Value Index™

YOY % change (September 2021)



*Metro division **Combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

Source: John Burns Real Estate Consulting, LLC (Data: Sep-21, Pub-Oct-21)

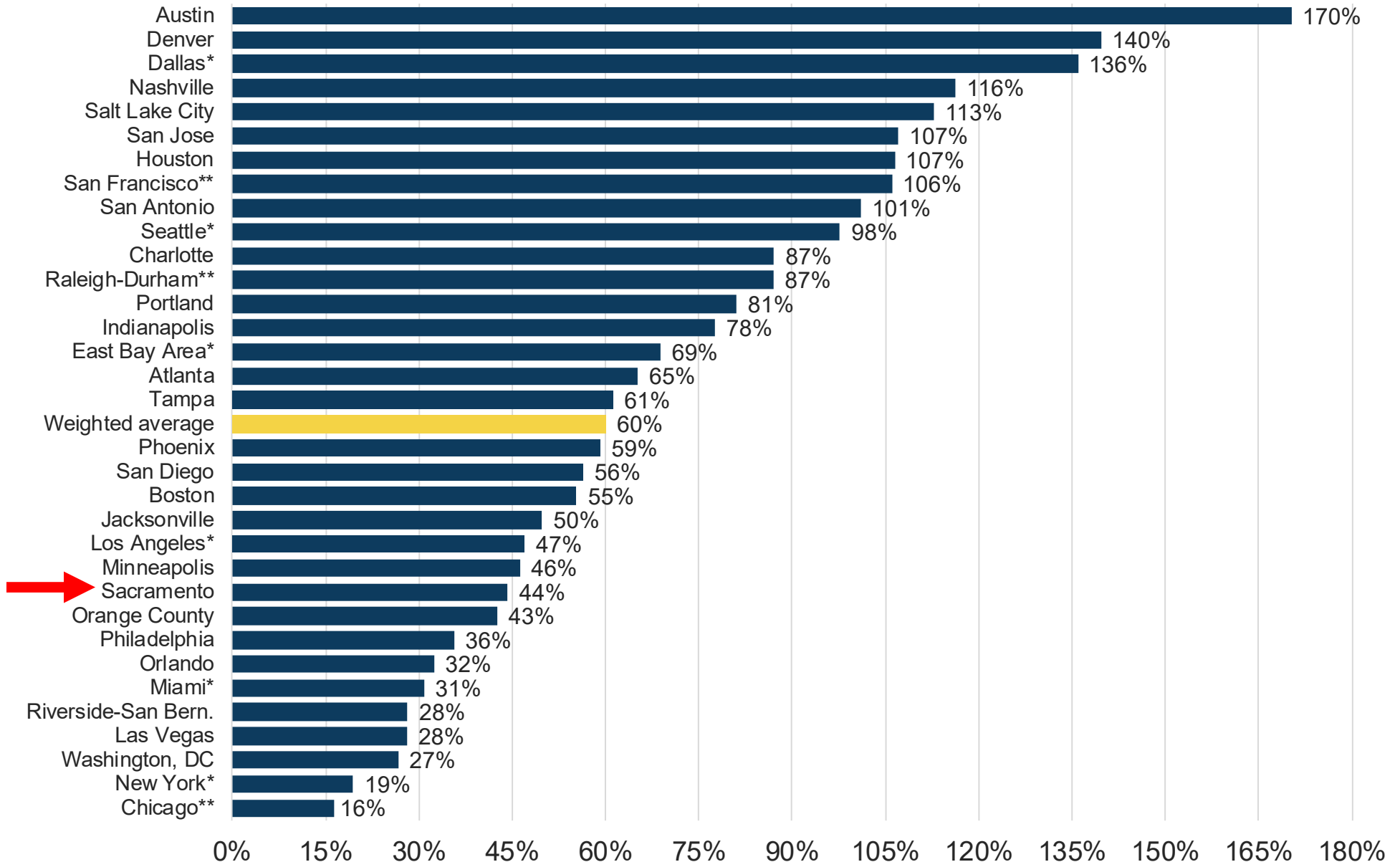
As seen in *Burns Regional Analysis and Forecast*

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Home Values in the Top Markets Exceed Their Previous Peak by an Average of 60%

Burns Home Value Index™ Percent above/below Peak¹



1. Peak BHVI values from 2002–2008 *Metro division **Combination of metro divisions (except Raleigh-Durham, which is combination of metros)

Source: John Burns Real Estate Consulting, LLC (Data: Sep-21, Pub: Oct-21)

Resale home prices have grown faster than incomes in every major market since 2012

Resale Price Appreciation vs. Income Growth

Jan 2012 to current

Metro	Resale Prices ¹	Median Household Income	Difference
Las Vegas	219%	22%	197%
Phoenix	211%	42%	169%
Tampa	177%	38%	139%
→ Sacramento	180%	46%	134%
Salt Lake City	173%	40%	134%
Riverside-San Bern.	172%	42%	129%
Miami*	163%	38%	124%
Orlando	156%	35%	121%
East Bay Area*	181%	63%	118%
Austin	168%	51%	118%
Seattle*	172%	57%	115%
San Jose	166%	53%	113%
Denver	155%	52%	103%
Atlanta	142%	40%	102%
Dallas*	136%	39%	98%
San Diego	137%	46%	90%
Los Angeles*	133%	44%	89%

Metro	Resale Prices ¹	Median Household Income	Difference
Portland	139%	51%	88%
Jacksonville	129%	42%	87%
Nashville	134%	52%	83%
San Francisco**	156%	77%	80%
Charlotte	119%	42%	77%
Orange County	109%	37%	72%
San Antonio	101%	34%	67%
Houston	102%	35%	66%
Minneapolis	100%	39%	61%
Indianapolis	91%	34%	58%
Raleigh-Durham**	101%	45%	56%
Boston	88%	44%	44%
Washington, DC	63%	28%	35%
Chicago**	71%	37%	34%
Philadelphia	58%	34%	24%
New York*	54%	42%	11%

*Metro Division **Combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

1. Burns Home Value Index™

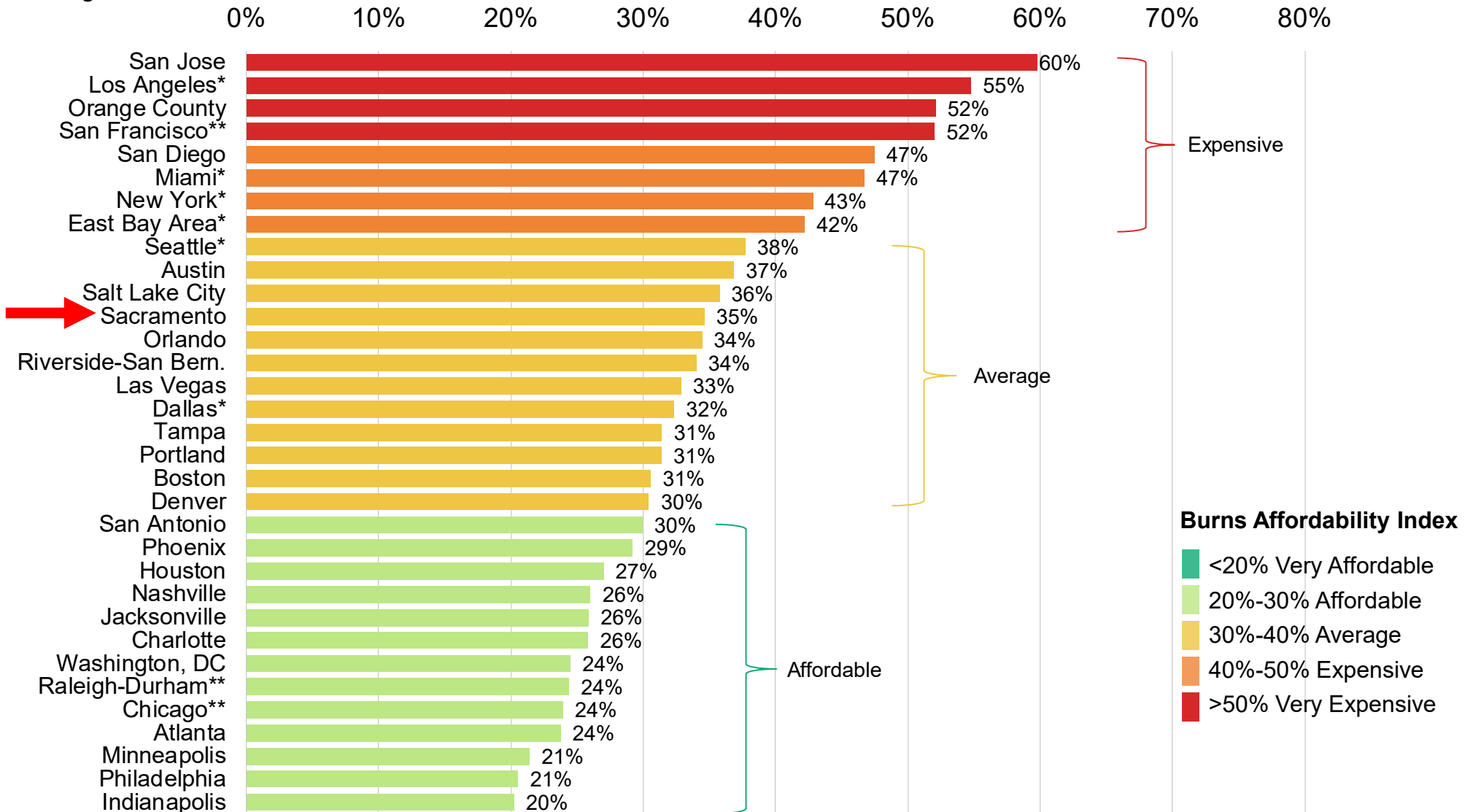
Source: John Burns Real Estate Consulting, LLC (Data: Sep-21, Pub: Oct-21)

Burns Affordability Index: Top US markets

The Newly improved Burns Affordability Index now measures the housing cost to income ratio for each market. We calculate the housing cost to income ratio (HC/I ratio) by dividing the market's median monthly housing costs by 125% of the median income. Housing cost assumes the purchase of a home equal to the market's median-priced existing home with a 10% down payment and a 30-year, fixed-rate mortgage. Payment includes PITI (principal, interest, taxes and insurance) plus mortgage insurance.

Burns Affordability Index

Housing Cost to Income Ratio



*Metro division **Combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

Source: John Burns Real Estate Consulting, LLC; See Methodology Section (Data: Sep-21, Pub: Oct-21)

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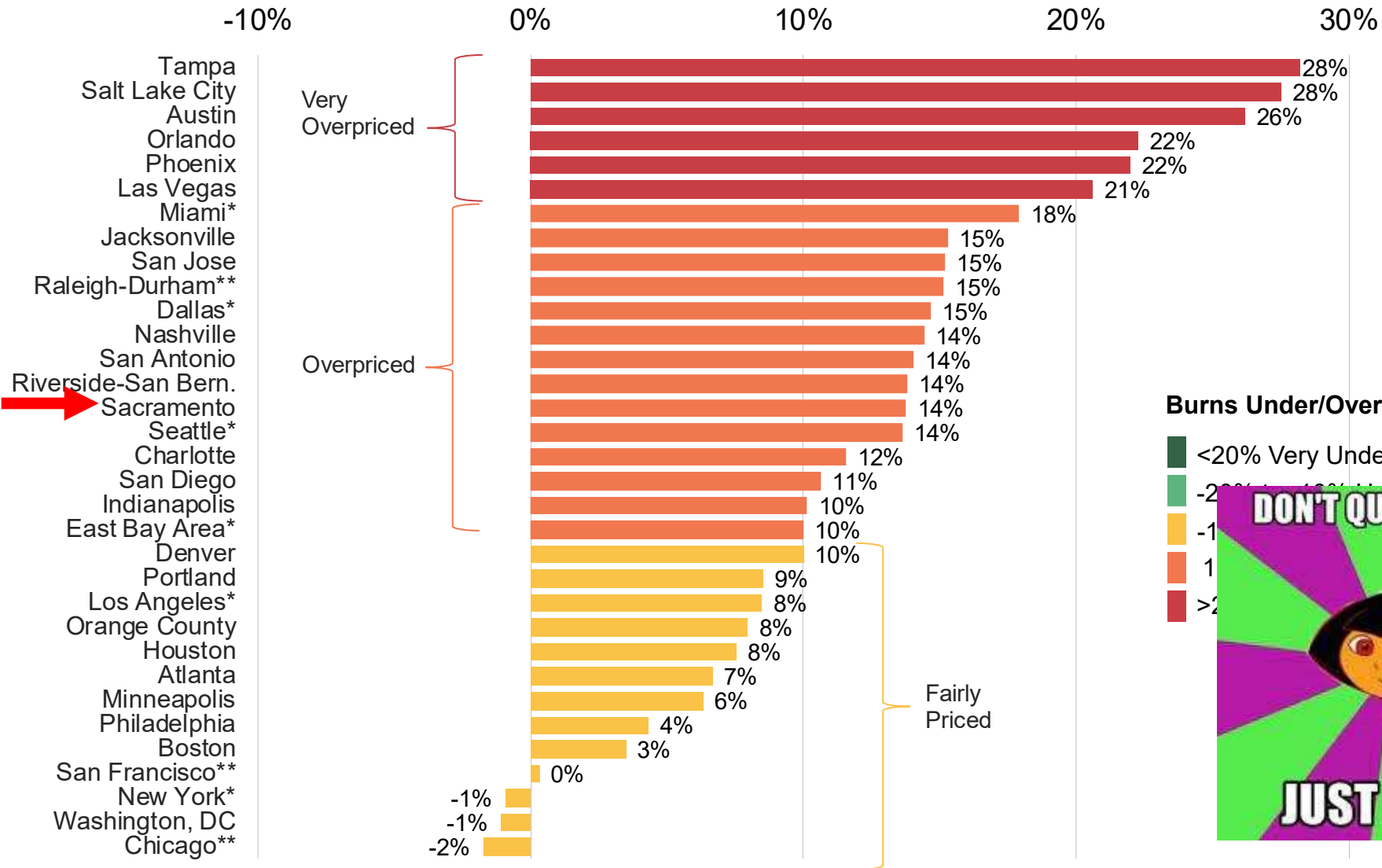
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Burns Under/Overpriced Market Index: Top US markets

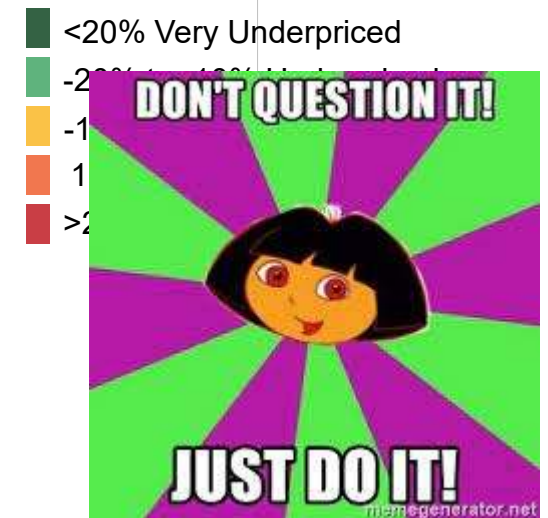
Our newly released Burns Under/Overpriced Market Index was created to better analyze how much a market is underpriced or overpriced compared to the market's own long-term housing cost to income ratio. We attempt to account for other market fundamentals, and any perceived permanent changes to a market's demand and supply factors.

Burns Under/Overpriced Market Index

Top US markets



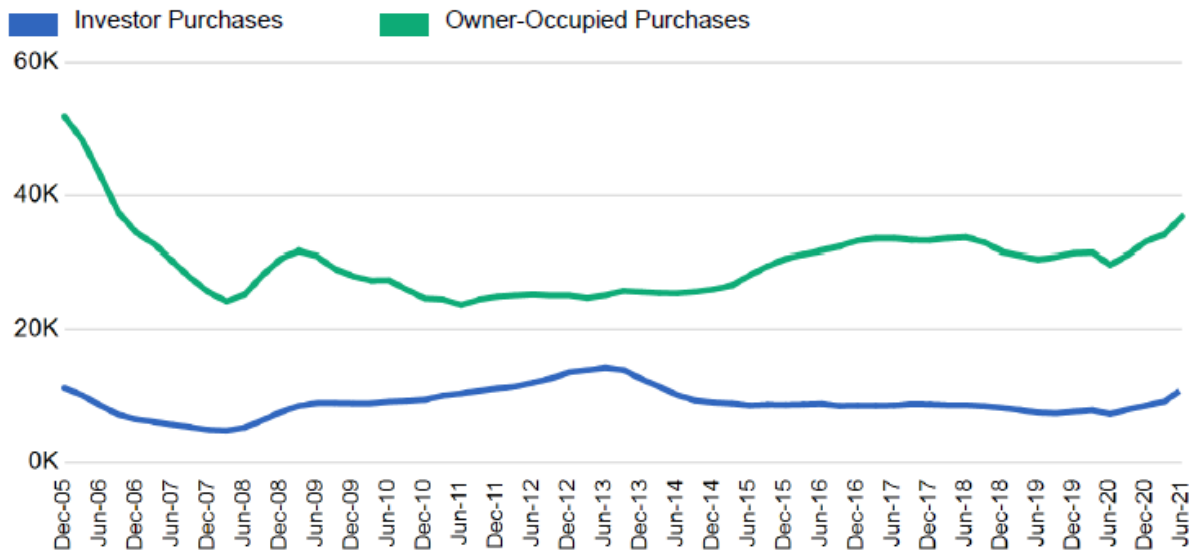
Burns Under/Overpriced Market Index



Investor Activity

Sacramento, CA
October 2021

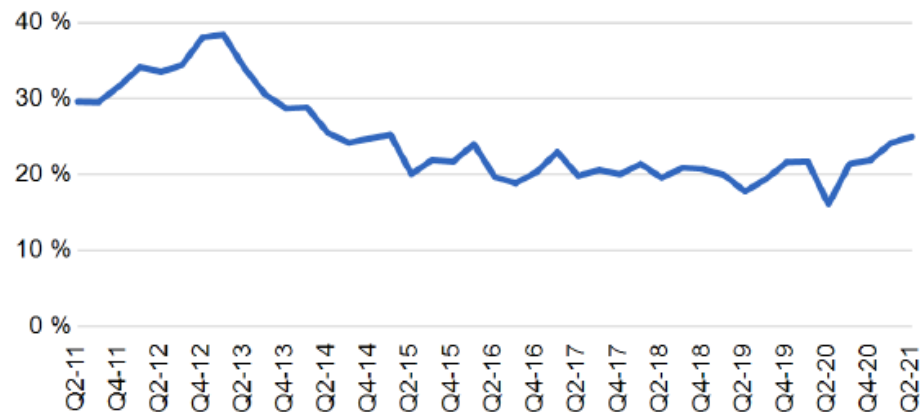
INVESTOR vs OWNER-OCCUPIED PURCHASES (TTM)



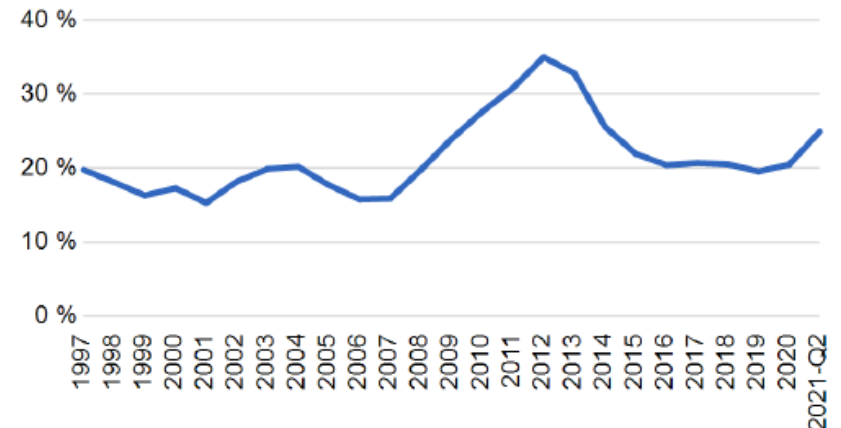
% OF INVESTOR PURCHASES

Quarterly Data		Annual Data	
Date	Value	Date	Value
2018-Q2	19.5%	2009	24.0%
2018-Q3	20.9%	2010	27.7%
2018-Q4	20.7%	2011	30.9%
2019-Q1	19.9%	2012	35.0%
2019-Q2	17.7%	2013	32.8%
2019-Q3	19.4%	2014	25.6%
2019-Q4	21.6%	2015	22.0%
2020-Q1	21.7%	2016	20.4%
2020-Q2	16.0%	2017	20.7%
2020-Q3	21.4%	2018	20.6%
2020-Q4	21.9%	2019	19.6%
2021-Q1	24.1%	2020	20.5%
2021-Q2	25.0%	2021-Q2	25.0%

QUARTERLY % OF INVESTOR PURCHASES TO TOTAL PURCHASES



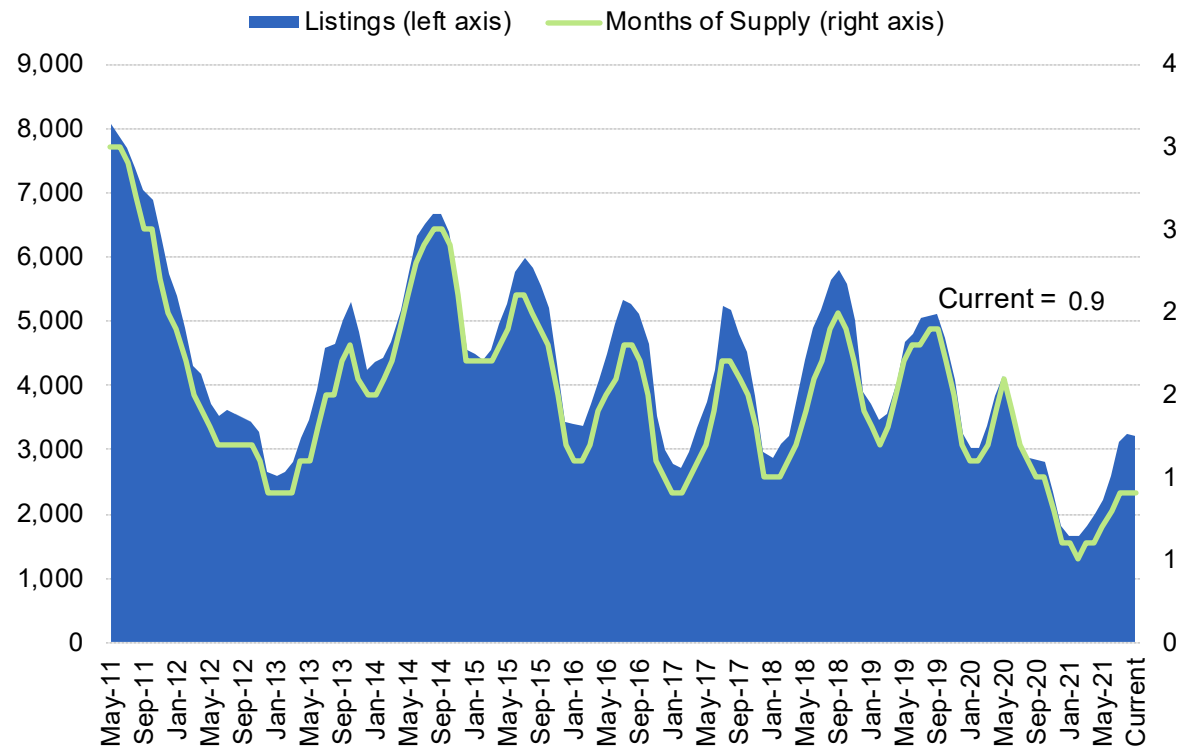
ANNUAL % OF INVESTOR PURCHASES TO TOTAL PURCHASES



*A calculation of home sale closings with different zip codes for the property and the owner's mailing address for tax statements. Includes only sales where both the site and mail zip code are known. Actual activity is probably higher because some owners do not change the property tax address, especially if property taxes are impounded by the lender. Includes new and existing homes.

Months of Supply

Resale Listings		Months of Supply	
Current	Year-Ago	Current	Year-Ago
3,226	2,855	0.9	1.0



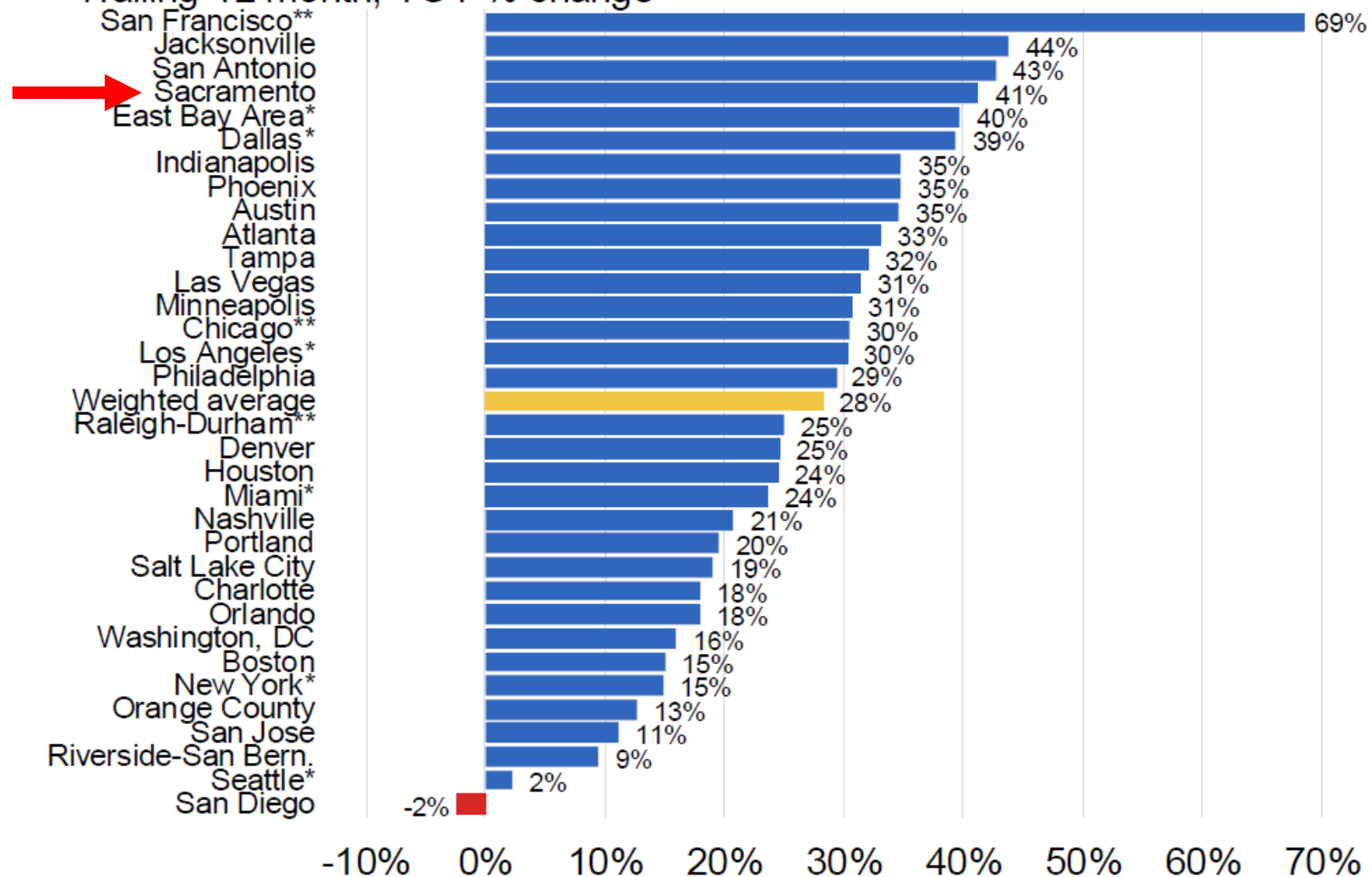
Sources: John Burns Real Estate Consulting, LLC MOS Estimate; TrendGraphix (Data as of September 2021, projections as of October 2021)

Supply on the Uptick Nationally

New home supply is ramping up quickly, with SF permits up 28% YOY.

Single-Family Permit Growth

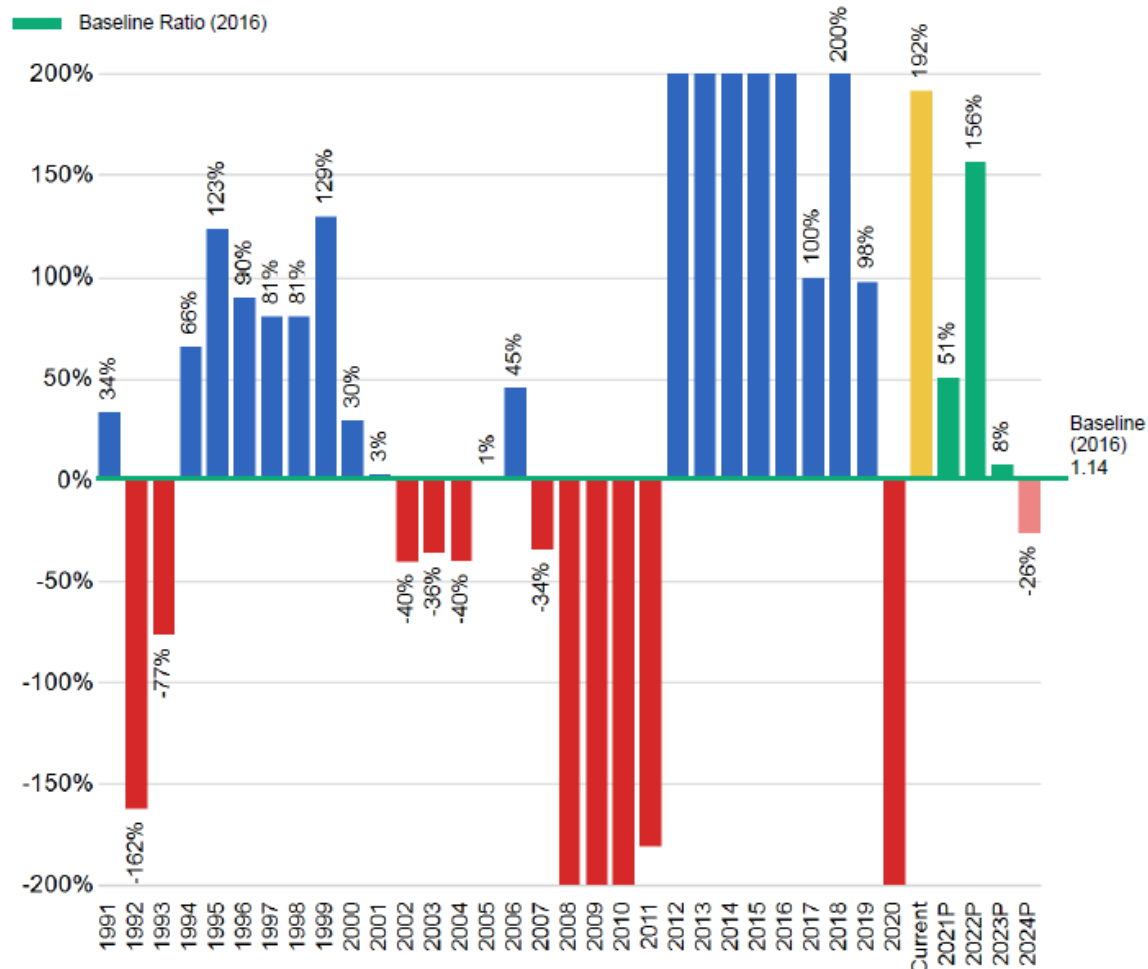
Trailing-12 month, YOY % change



Excess Demand / Supply

Sacramento, CA
October 2021

Current employment growth / total building permits (e/p) ratio of 3.31 is **192% above** the 1.14 baseline 2016 ratio for the total employment to total household ratio. A positive percentage means current demand for more housing units exceeds current supply.



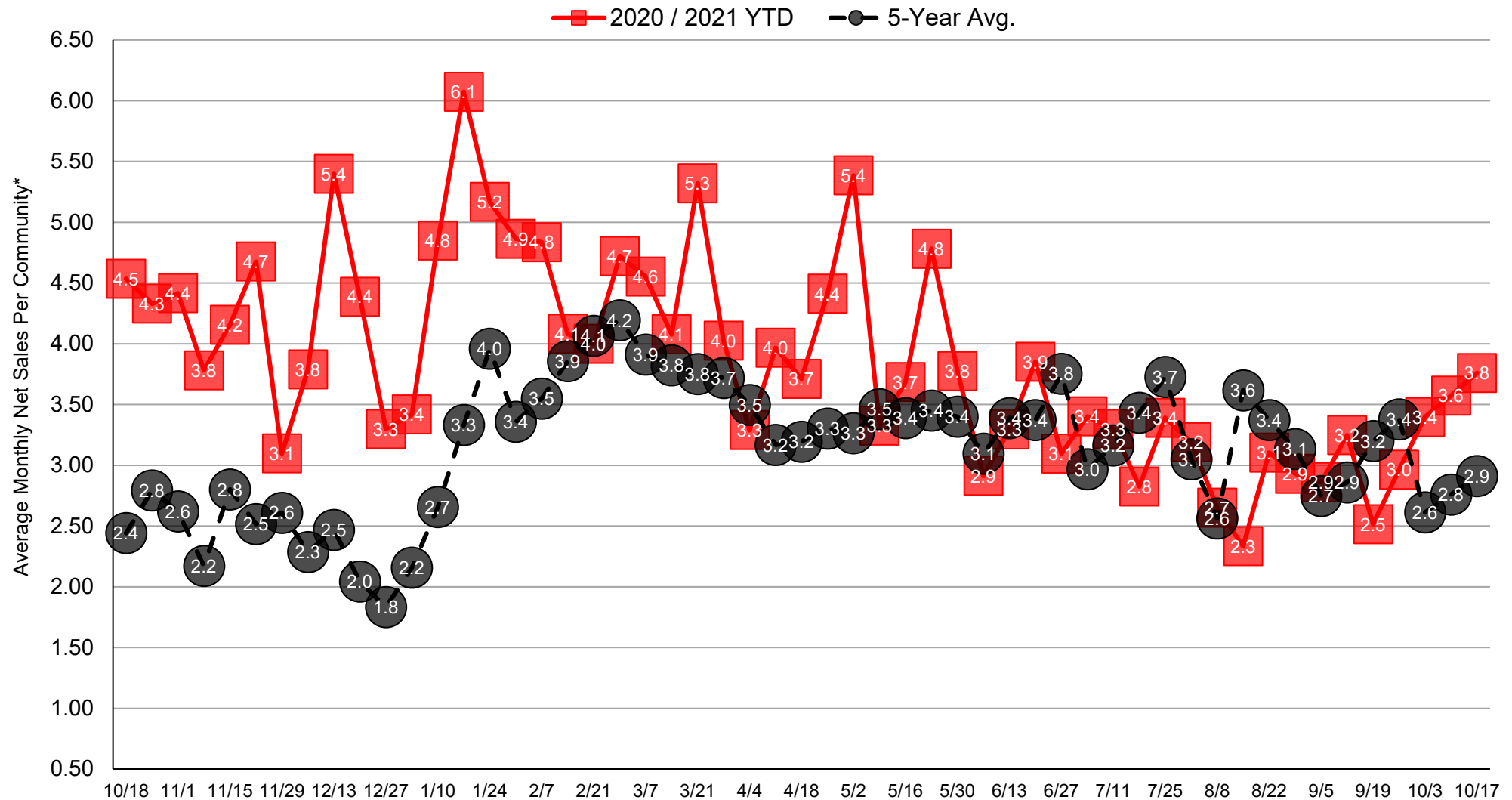
Note: Chart scale cropped at 200% / -200% to better illustrate the variations between years

	Payroll Employment Growth	Total Building Permits	Emp / Permits Ratio (E/P)	Excess Demand / (Supply)
2002	15,000	22,099	0.68	-40%
2003	16,600	22,832	0.73	-36%
2004	15,000	21,999	0.68	-40%
2005	23,200	20,182	1.15	1%
2006	19,600	11,877	1.65	45%
2007	6,000	8,050	0.75	-34%
2008	(18,600)	5,511	(3.38)	-397%
2009	(48,900)	2,710	(18.04)	-1689%
2010	(22,200)	2,702	(8.22)	-823%
2011	(2,300)	2,491	(0.92)	-181%
2012	17,900	3,408	5.25	362%
2013	22,600	4,189	5.40	375%
2014	20,000	4,159	4.81	323%
2015	28,300	6,184	4.58	303%
2016	32,200	7,204	4.47	294%
2017	21,700	9,567	2.27	100%
2018	28,100	8,251	3.41	200%
2019	21,900	9,761	2.24	98%
2020	(52,500)	11,246	(4.67)	-511%
Current	41,300	12,473	3.31	192%
2021P	21,900	12,800	1.71	51%
2022P	41,900	14,400	2.91	156%
2023P	19,000	15,500	1.23	8%
2024P	11,600	13,800	0.84	-26%

These ratios show whether or not more housing is needed to meet the demand from economic and demographic growth. Affordability and other factors can also help determine whether prices will rise or fall.

Trailing 12M Average Weekly Net Sales Rate – Sacramento (per Ryness)

Sacramento Average New Home Net Sales Per Community - 2020 & 2021 YTD vs. 5-Year Average



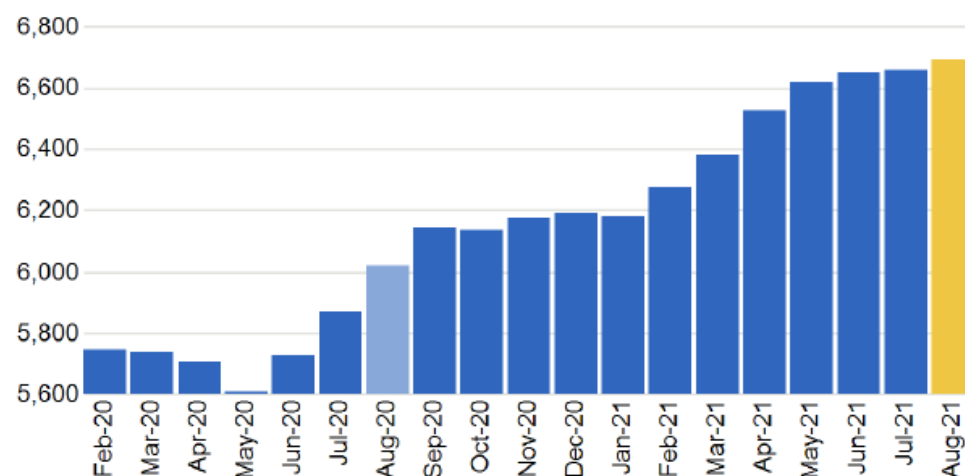
*Data shown is self-reported information from about 90-95% of the new home projects in this market

Sources: Ryness, JBREC

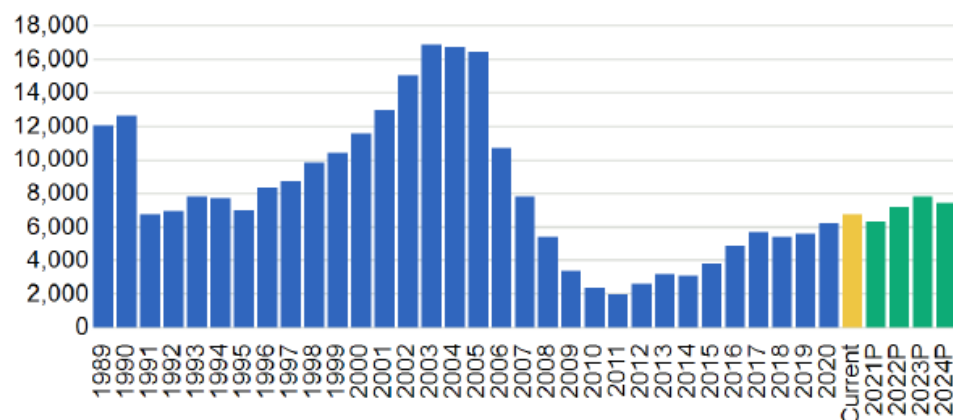
New Home Sale Closings Volume

Sacramento, CA
October 2021

MONTHLY 12-MONTH ROLLING NEW HOME SALE CLOSINGS



ANNUAL NEW HOME SALE CLOSINGS



Monthly Data - TTM

Date	Sales	YOY %
Aug-19	5,231	-10.2%
Sep-19	5,312	-6.5%
Oct-19	5,399	-4.5%
Nov-19	5,445	-3.1%
Dec-19	5,588	3.9%
Jan-20	5,689	7.8%
Feb-20	5,747	10.3%
Mar-20	5,738	11.0%
Apr-20	5,707	10.4%
May-20	5,609	7.9%
Jun-20	5,729	10.5%
Jul-20	5,872	12.0%
Aug-20	6,024	15.2%
Sep-20	6,143	15.6%
Oct-20	6,135	13.6%
Nov-20	6,173	13.4%
Dec-20	6,192	10.8%
Jan-21	6,180	8.6%
Feb-21	6,275	9.2%
Mar-21	6,382	11.2%
Apr-21	6,527	14.4%
May-21	6,620	18.0%
Jun-21	6,649	16.1%
Jul-21	6,659	13.4%
Aug-21	6,694	11.1%

Annual Data

Date	Sales	YOY %
2001	12,920	12.0%
2002	14,994	16.1%
2003	16,863	12.5%
2004	16,691	-1.0%
2005	16,383	-1.8%
2006	10,711	-34.6%
2007	7,790	-27.3%
2008	5,351	-31.3%
2009	3,349	-37.4%
2010	2,372	-29.2%
2011	1,934	-18.5%
2012	2,563	32.5%
2013	3,202	24.9%
2014	3,084	-3.7%
2015	3,808	23.5%
2016	4,862	27.7%
2017	5,704	17.3%
2018	5,377	-5.7%
2019	5,588	3.9%
2020	6,192	10.8%
2021P	6,300	1.7%
2022P	7,200	14.3%
2023P	7,800	8.3%
2024P	7,400	-5.1%

* Source: CoreLogic; Provided by DQNews

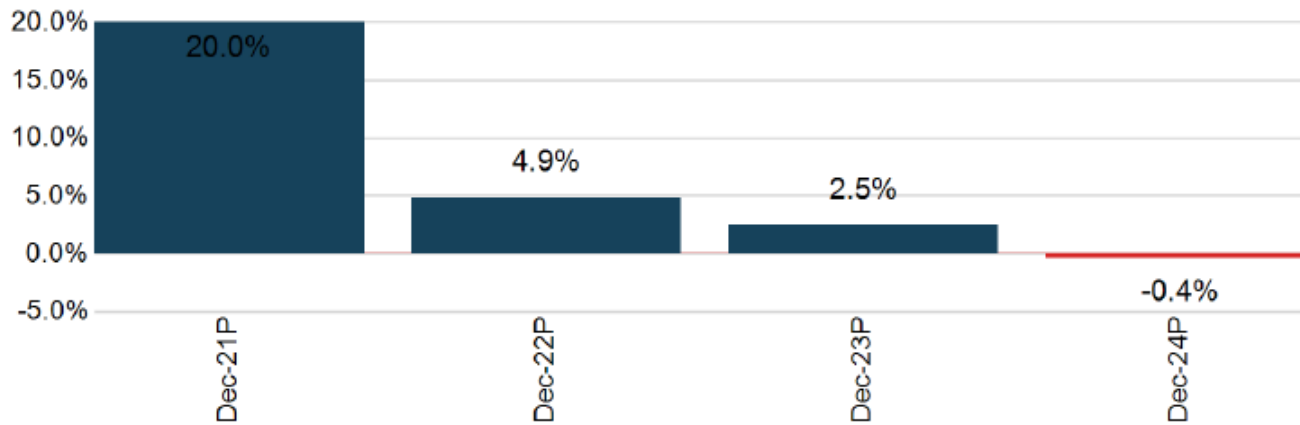
We provide these statistics as a courtesy. New home sales are a lagging indicator in comparison to permits.

New Home Sale Closings include attached and detached homes, including condominiums.

New Home Price Appreciation Forecast

Sacramento, CA
October 2021

NEW HOME PRICE APPRECIATION FORECAST (YOY)*



Year End Values

Date	YOY %
Dec-21P	20.0%
Dec-22P	4.9%
Dec-23P	2.5%
Dec-24P	-0.4%

* Our new home price appreciation forecast is a "net of incentives" price forecast. Historical new home prices are closing prices that include upgrades, etc. As a side note, our forecasted price appreciation for new home projects depends heavily on local submarket conditions.

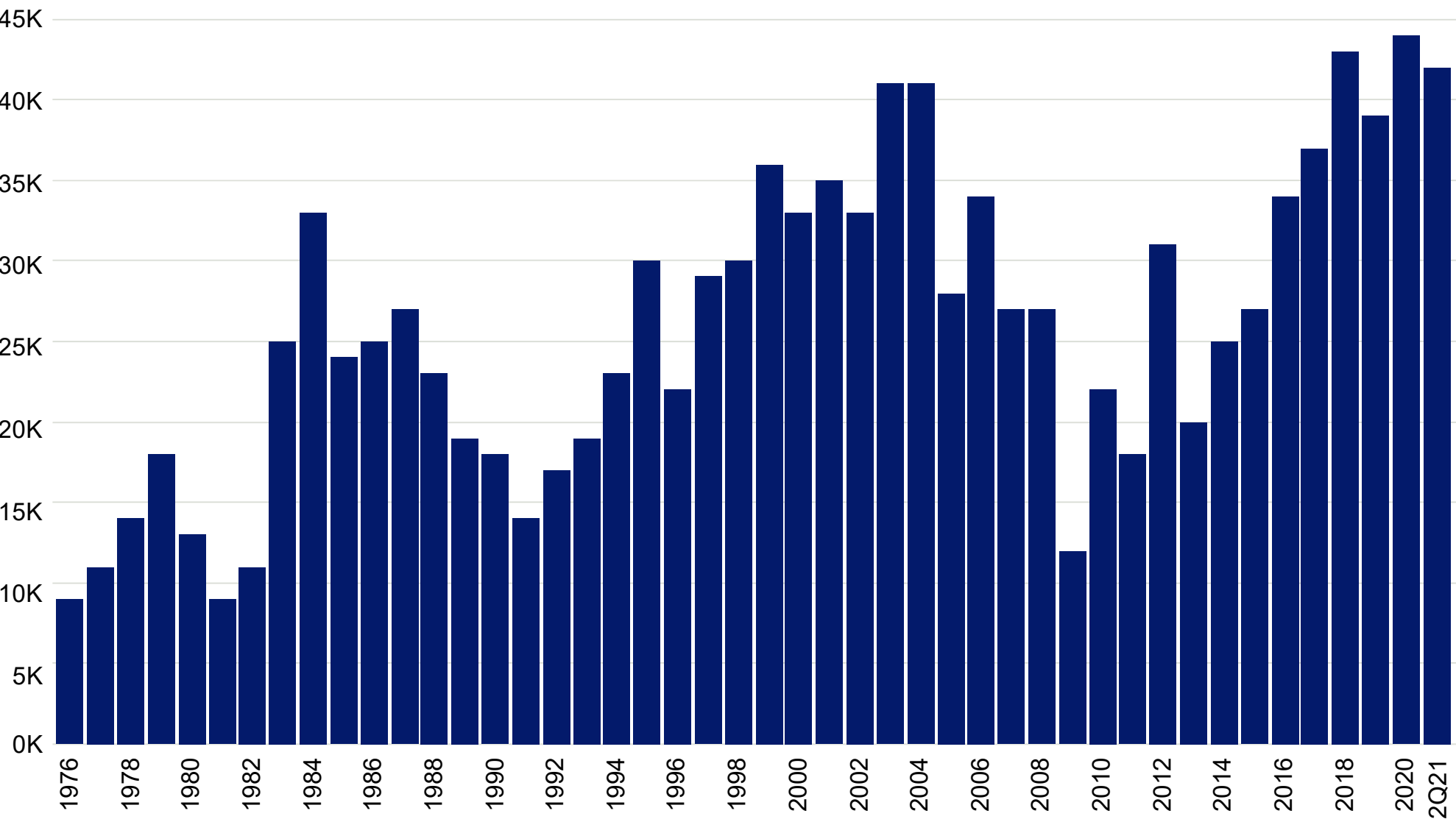
SFR/BFR: New Kid on the Block

Single-Family Build-for-Rent Starts

Single family build-for-rent starts rose to 42K on a trailing 4-quarter basis.

SF Build-for-Rent Starts

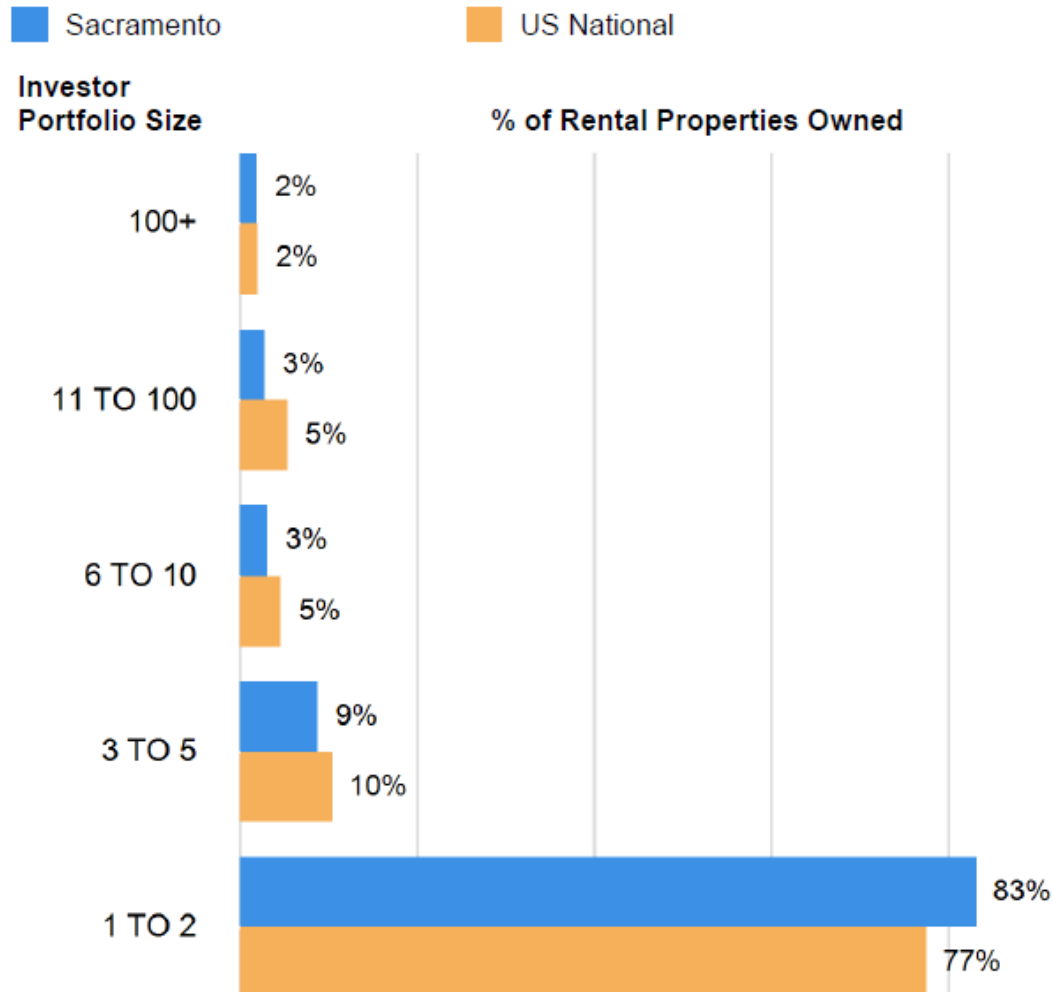
Trailing 4 quarters ■ Single-family: 42,000



Source: U.S. Census Bureau (Data: 2Q21, Pub: Sep-21)

SFR Ownership in Sacramento

Single-Family Rental Market by Distribution Portfolio Size of Investor Owned Homes



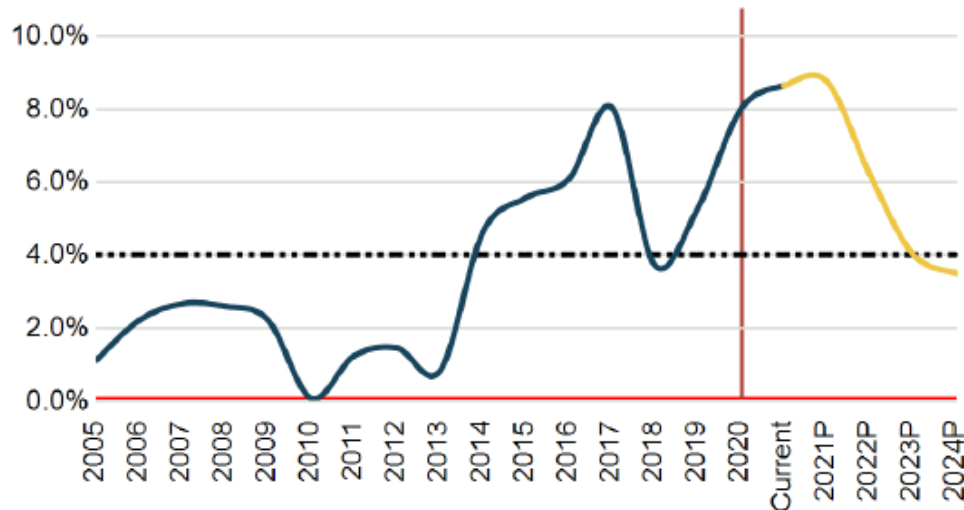
Portfolio Size	Market Properties	US Properties	Market % of Total	US % of Total
1 TO 2	73,428	14,051,881	83%	77%
3 TO 5	7,783	1,895,397	9%	10%
6 TO 10	2,768	837,351	3%	5%
11 TO 100	2,513	969,331	3%	5%
100+	1,757	380,269	2%	2%
Total SF Rental Properties	88,249	18,134,229		
Market % of US	0%			

Data: Feb 2021

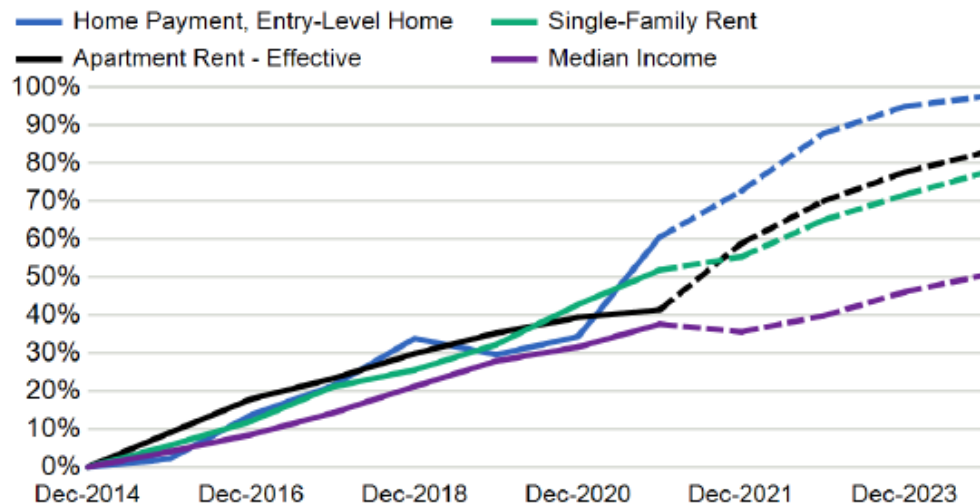
Source: RENTRANGE

SFR Rent History in Sacramento MSA

Burns Single-Family Rent Index™ (YOY %)
--- Historical Average since 1985 = 4.0%



Change in Payment, Rents and Income
(Cumulative Growth From 2014 to Current)



BFR Questions

- Amenitize?
- Quality product?
- Value long-term success?
- Are cities leery of BFR?
- Is there a wave of money for BFR? (\$30B)
- Can BFR developers outbid you?
- Will mistakes be made?
- Will consolidation follow?
- Will BFR continue to grow and institutionalize?
- BTR or BFR or B4R?

Consumers

Key Findings for Home Preferences

If they were to move, most homeowners with net worth of \$100K+ would **rather buy a new home** than remodel a resale into their dream home. Attract them by:

Spending more on:



- **Kitchens**

- The kitchen remains (by far) the space that makes or breaks a purchase.
- Incorporate storage and a sufficiently open layout.



- **Memory points, particularly for families**

- 64% of homeowners have a deep emotional connection to their home, requiring it to support their life beyond providing shelter. Implications include the way we merchandise, the spaces we include, and marketing messaging.
- Families describe the importance of their kitchens and family rooms in terms of moments and memories.

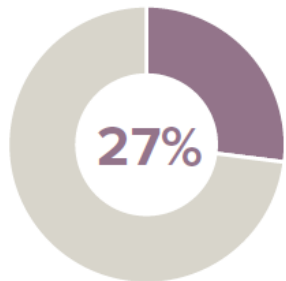


- **Primary bedroom privacy**

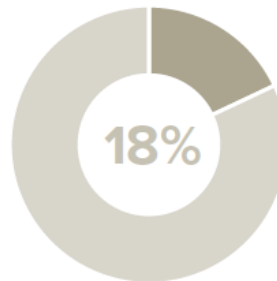
- Most homeowners—and about half of Young Families—want the primary bedroom separated from the secondary ones (but the degree of separation preferred depends on life stage).

Consumer Trends and Preferences

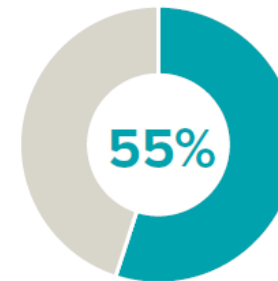
Homeowners are twice as likely to **prefer buying a new home** (to avoid remodeling) than to remodel a resale home to their exact preferences.



I would rather buy a resale home and remodel to my exact preferences.



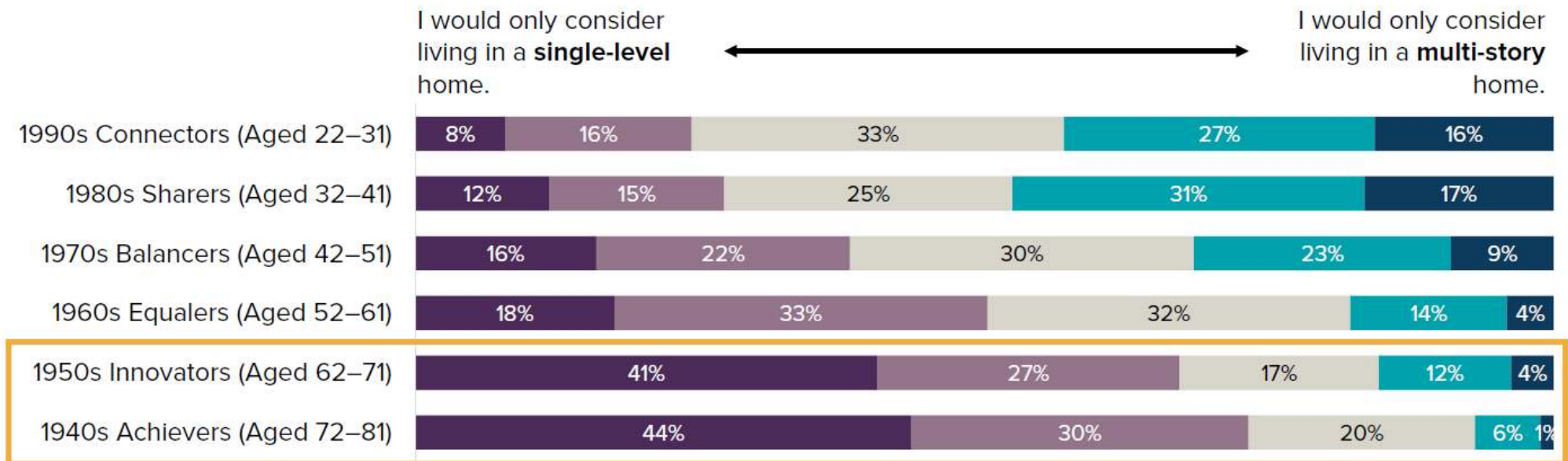
Neutral



I would rather buy a new home to avoid remodeling.

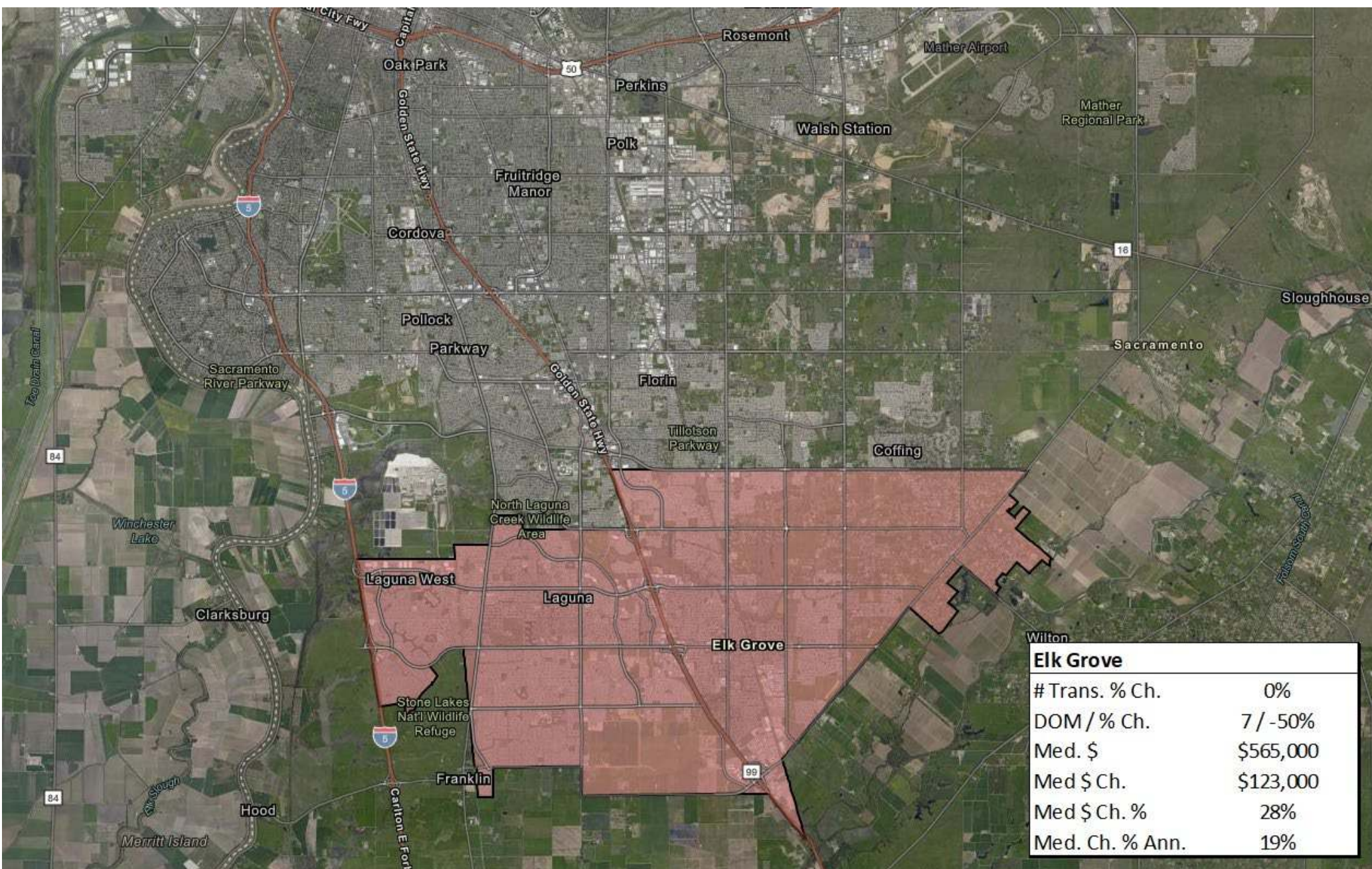
Not all mature buyers require single-level living: 56%–59% of homeowners aged 62+ might consider multi-story under the right conditions.

Share of homeowners with net worth of \$100k+
*by single-level vs. multi-story preference**

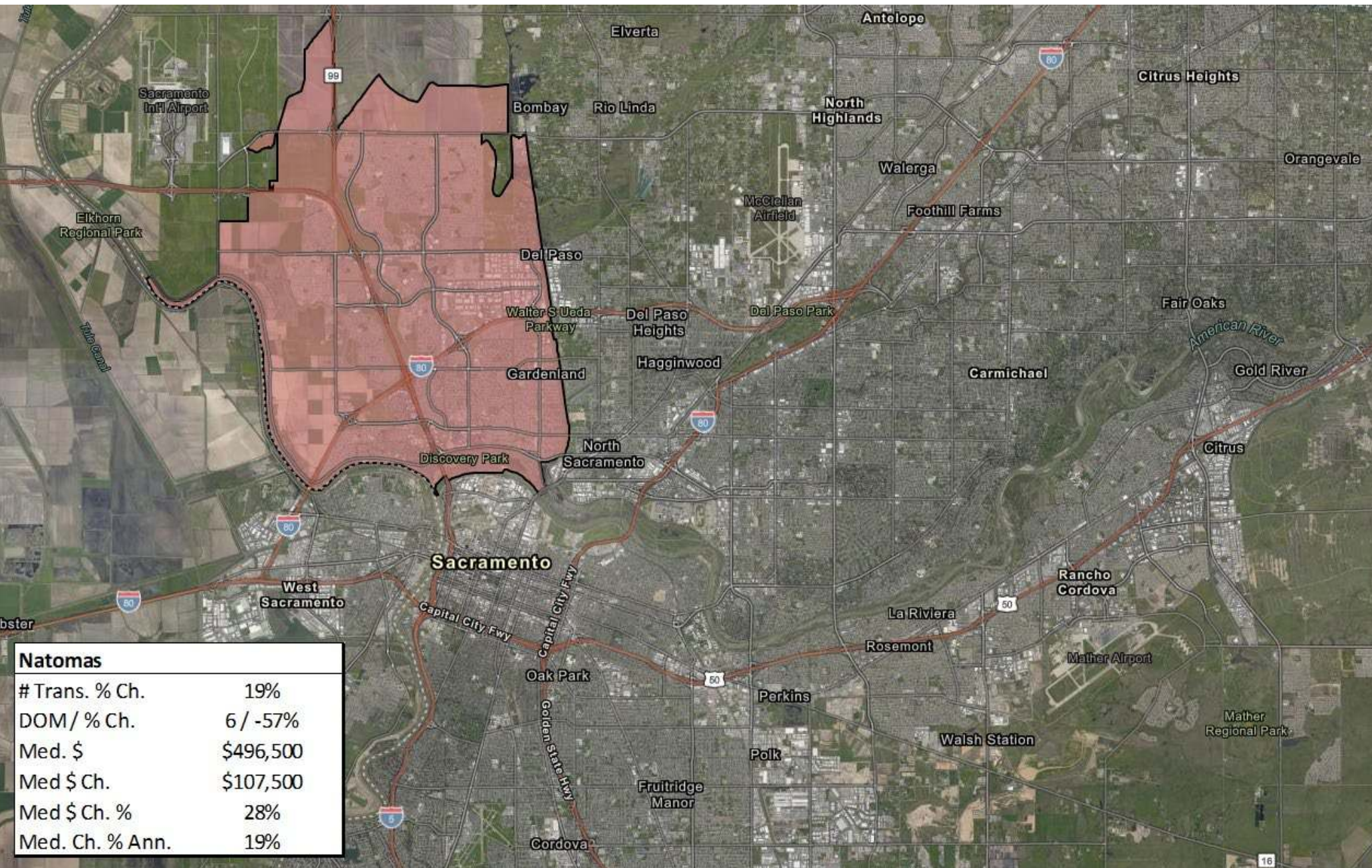


Submarkets

Submarkets – Elk Grove



Submarkets – Natomas



Submarkets – Folsom / EDH / Rancho Cor.

Folsom

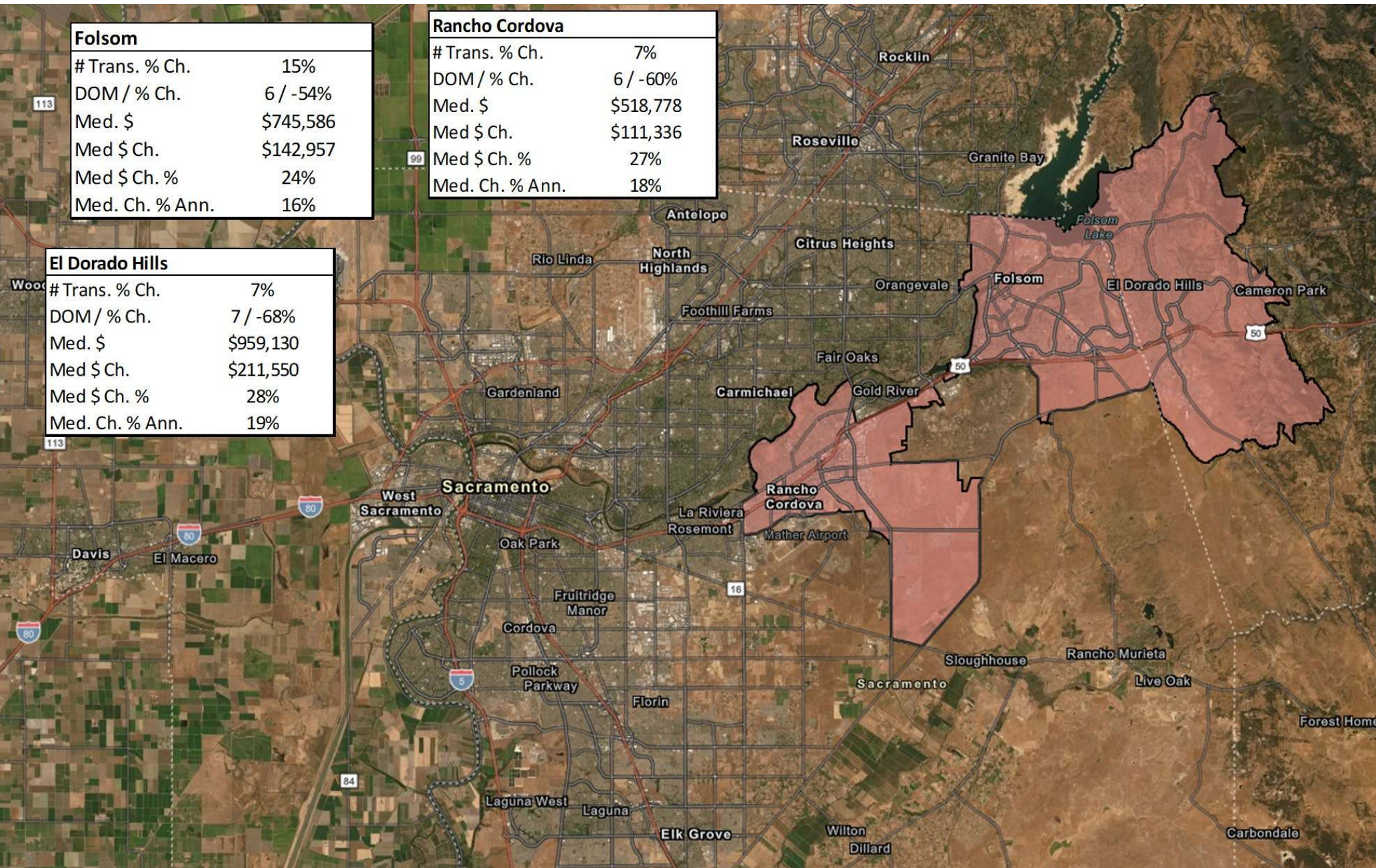
# Trans. % Ch.	15%
DOM / % Ch.	6 / -54%
Med. \$	\$745,586
Med \$ Ch.	\$142,957
Med \$ Ch. %	24%
Med. Ch. % Ann.	16%

Rancho Cordova

# Trans. % Ch.	7%
DOM / % Ch.	6 / -60%
Med. \$	\$518,778
Med \$ Ch.	\$111,336
Med \$ Ch. %	27%
Med. Ch. % Ann.	18%

El Dorado Hills

# Trans. % Ch.	7%
DOM / % Ch.	7 / -68%
Med. \$	\$959,130
Med \$ Ch.	\$211,550
Med \$ Ch. %	28%
Med. Ch. % Ann.	19%



Submarkets – South Placer Co.

Roseville

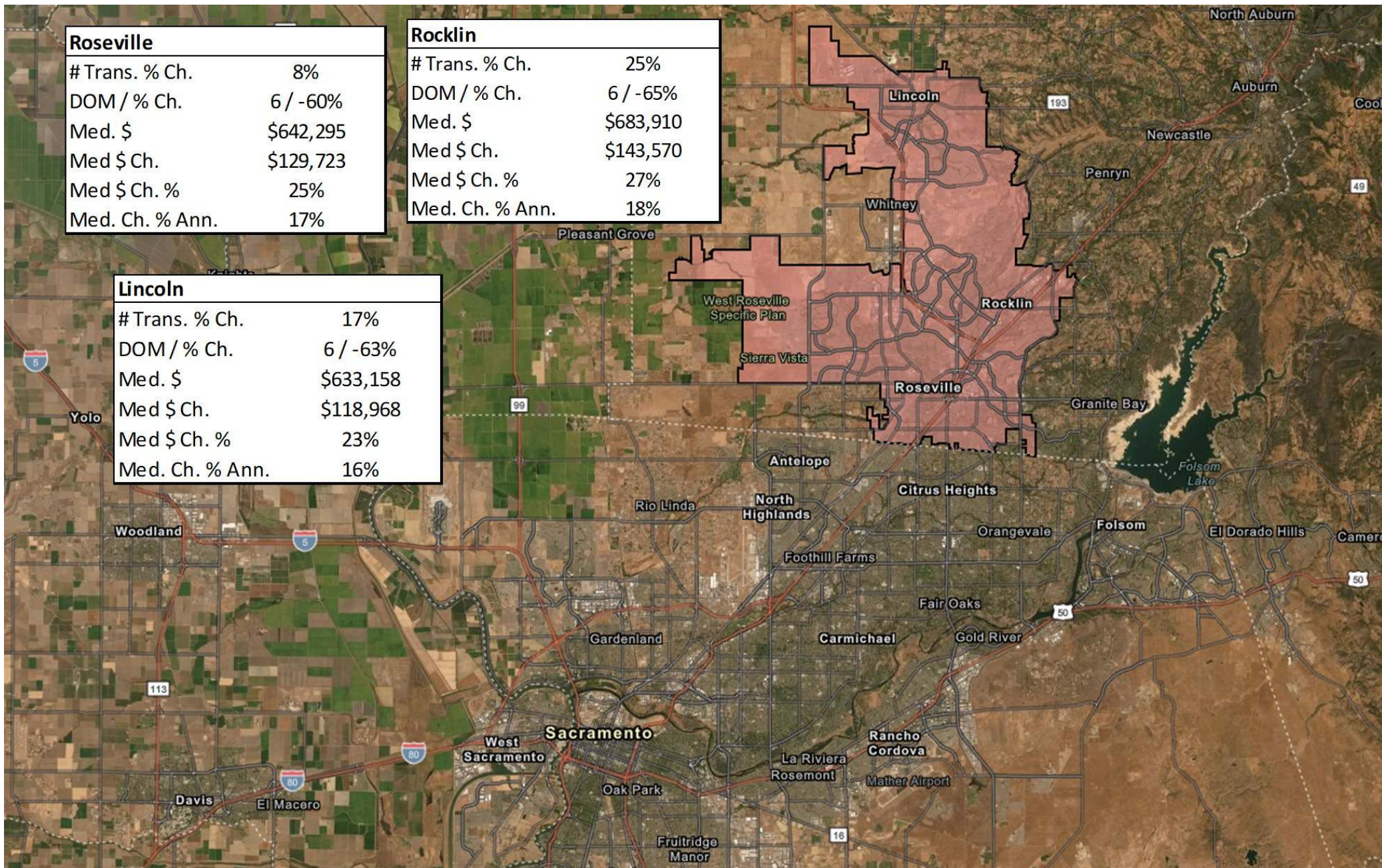
# Trans. % Ch.	8%
DOM / % Ch.	6 / -60%
Med. \$	\$642,295
Med \$ Ch.	\$129,723
Med \$ Ch. %	25%
Med. Ch. % Ann.	17%

Rocklin

# Trans. % Ch.	25%
DOM / % Ch.	6 / -65%
Med. \$	\$683,910
Med \$ Ch.	\$143,570
Med \$ Ch. %	27%
Med. Ch. % Ann.	18%

Lincoln

# Trans. % Ch.	17%
DOM / % Ch.	6 / -63%
Med. \$	\$633,158
Med \$ Ch.	\$118,968
Med \$ Ch. %	23%
Med. Ch. % Ann.	16%



This Time

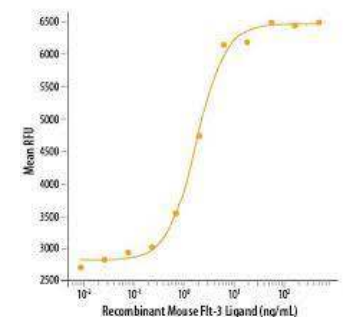
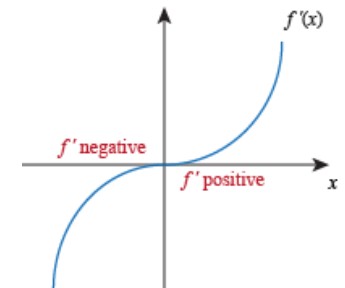
Why this time is not like the last time

- Economy / Jobs
- Mortgage Rates
- Supply
- Price appreciation

THEN



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REAL ESTATE CONSULTING