



C.A.R. releases its 2022 California Housing Market Forecast

FOR RELEASE

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California housing market to remain solid if pandemic is kept under control, but structural challenges will persist

- Existing, single-family home sales are forecast to total 416,800 units in 2022, a decline of 5.2 percent from 2021's projected pace of 439,800.
- California's median home price is forecast to rise 5.2 percent to \$834,400 in 2022, following a projected 20.3 percent increase to \$793,100 in 2021.
- Housing affordability is expected to drop to 23 percent next year from a projected 26 percent in 2021.

LOS ANGELES (Oct. 7) – Supply constraints and higher home prices will bring California home sales down slightly in 2022, but transactions will still post their second highest level in the past five years, according to a housing and economic forecast released today by the **CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.)**.

The baseline scenario of C.A.R.'s "2022 California Housing Market Forecast" sees a decline in existing single-family home sales of 5.2 percent next year to reach 416,800 units, down from the projected 2021 sales figure of 439,800. The 2021 figure is 6.8 percent higher compared with the pace of 411,900 homes sold in 2020.

The California median home price is forecast to rise 5.2 percent to \$834,400 in 2022, following a projected 20.3 percent increase to \$793,100 in 2021 from \$659,400 in 2020. An imbalance in demand and supply will continue to put upward pressure on prices, but higher interest rates and partial normalization of the mix of sales will likely curb median price growth. Additionally, a shift in housing demand to more affordable areas, as the trend of remote working continues, will also keep prices in check and prevent the statewide median price from rising too fast in 2022.

"A slight decline next year from the torrid sales pace of the past year-and-a-half will be a welcome relief to potential homebuyers who have been pushed out of the market due to high market competition and an extremely low level of homes available for sale," said C.A.R. President Dave

Walsh. "Homeownership aspirations remain strong and motivated buyers will have more inventory to choose from. They will also benefit from a favorable lending environment, with the average 30-year fixed rate mortgage remaining below 3.5 percent for most of next year."

C.A.R.'s 2022 forecast projects growth in the U.S. gross domestic product of 4.1 percent in 2022, after a projected gain of 6.0 percent in 2021. With California's 2022 nonfarm job growth rate at 4.6 percent, up from a projected increase of 2.0 percent in 2021, the state's unemployment rate will decrease to 5.8 percent in 2022 from 2021's projected rate of 7.8 percent.

Growing global economic concerns will keep the average for 30-year, fixed mortgage interest rates low at 3.5 percent in 2022, up from 3.0 percent in 2021 and from 3.1 percent in 2020 but will still remain low by historical standards.

"Assuming the pandemic situation can be kept under control next year, the cyclical effects from the latest economic downturn will wane, and a strong recovery will follow," said C.A.R. Vice President and Chief Economist Jordan Levine. "However, structural challenges will reassert themselves as the normalization of the market continues. Demand for homes will continue to outstrip available supply as the economy improves, resulting in higher home prices and slightly lower sales in 2022," Levine continued.

2022 CALIFORNIA HOUSING FORECAST

	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	7.00%	2.00%	1.70%	-5.20%	-1.20%	3.50%	6.80%	-5.20%
Median Price (\$000s)	\$476.3	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$793.1	\$834.4
% Change	6.60%	5.40%	7.10%	5.90%	4.00%	11.30%	20.30%	5.20%
Housing Affordability Index*	31%	31%	29%	28%	31%	32%	26%	23%
30-Yr FRM	3.90%	3.60%	4.00%	4.50%	3.90%	3.10%	3.00%	3.50%

p = projected

f = forecast

* = % of households who can afford median-priced home

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