

C.A.R. 2021 California Housing Market Forecast

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California housing market recovery hinges on widespread availability and usage of effective coronavirus vaccine in early 2021.

LOS ANGELES (Oct. 13) – Low mortgage interest rates and pent-up demand from a desire for homeownership will bolster California home sales in 2021, but economic uncertainty caused by the coronavirus pandemic and continued supply shortage will limit sales growth, 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 "2021 California Housing Market Forecast" sees a modest increase in existing single-family home sales of 3.3 percent next year to reach 392,510 units, up from the projected 2020 sales figure of 380,060. The 2020 figure is 4.5 percent lower compared with the pace of 397,960 homes sold in 2019.

The California median home price is forecast to edge up 1.3 percent to \$648,760 in 2021, following a projected 8.1 percent increase to \$640,330 in 2020 from \$592,450 in 2019.

"An extremely favorable lending environment and a strong interest in homeownership will continue to motivate financially eligible buyers to enter the market," said C.A.R. President Jeanne Radsick, a second-generation REALTOR® from Bakersfield, Calif. "While the economy is expected to improve and interest rates will stay near historical lows, housing supply constraints will continue to be an issue next year and may put a cap on sales growth in 2021."

C.A.R.'s forecast projects growth in the U.S. gross domestic product of 4.2 percent in 2021, after a projected loss of 5.0 percent in 2020. With California's 2021 nonfarm job growth rate at 0.5 percent, up from a projected loss of 12.7 percent in 2020, the state's unemployment rate will dip to 9.0 percent in 2021 from 2020's projected rate of 10.8 percent.

The average for 30-year, fixed mortgage interest rates will dip to 3.1 percent in 2021, down negligibly from 3.2 percent in 2020 and down from 3.9 percent in 2019, remaining low by historical standards.

“While home prices rose sharply in 2020, driven by strong sales of higher-priced properties and a limited inventory of homes for sale, the pace of price growth will be more moderate in the coming year,” said C.A.R. Senior Vice President and Chief Economist Leslie Appleton-Young. “The uncertainty about the pandemic, sluggish economic growth, a rise in foreclosures, and the volatility of the stock market are all unknown factors that could keep prices in check and prevent the statewide median price from rising too fast in the upcoming year,” Appleton-Young continued.

2021 CALIFORNIA HOUSING FORECAST

| | 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% |

f = forecast

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

