

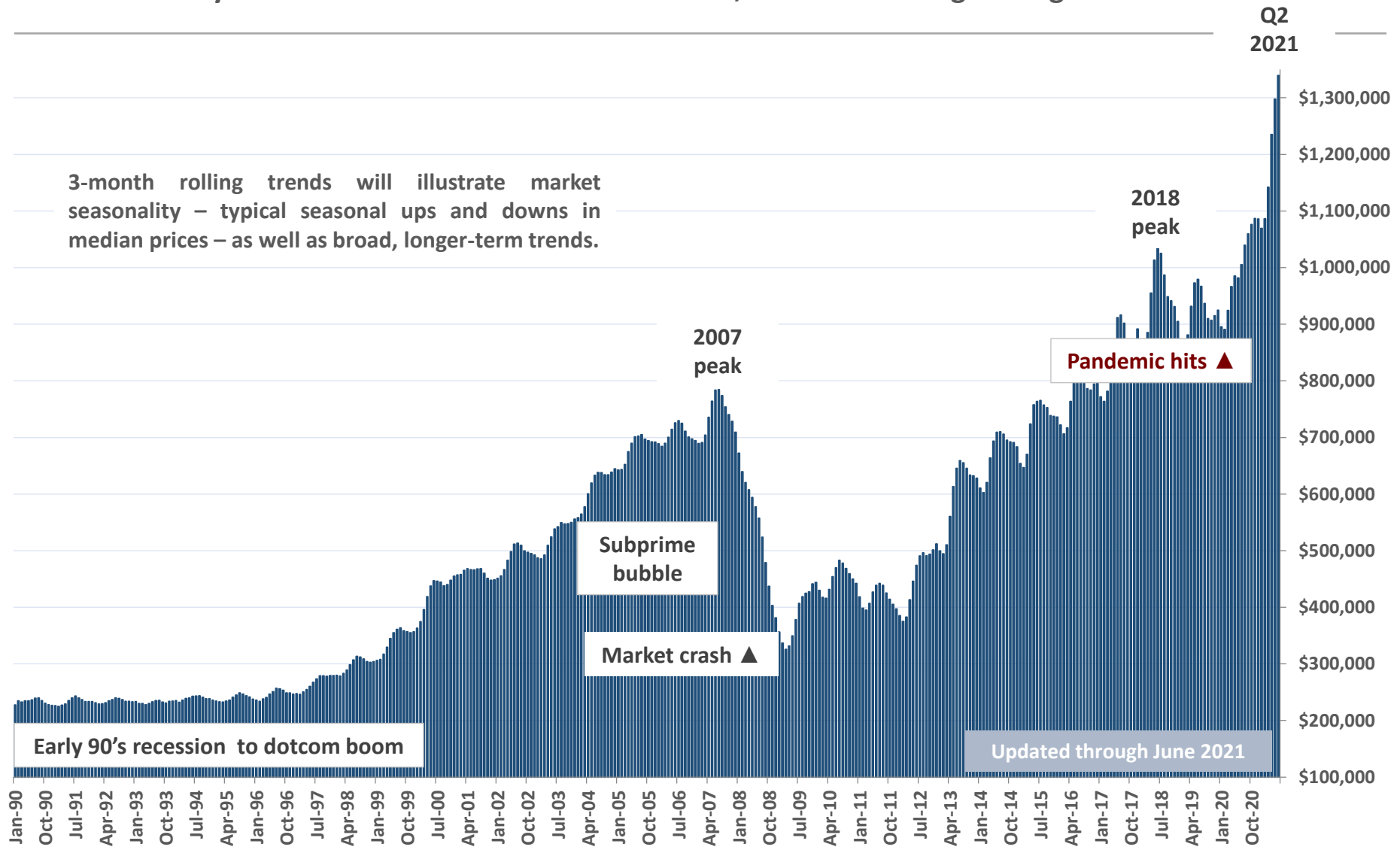
San Francisco Bay Area Q2 2021 Housing Affordability

An analysis of year-over-year county median house sales prices, the income required to purchase the median priced house, monthly housing costs, household incomes, the percentage of households financially able to purchase, and the possible role of pandemic-caused migration and unemployment in minimizing declines in county housing affordability

Bay Area Home Price Appreciation – Long-Term Overview

Monthly Median House Sales Prices since 1990, 3-Month Rolling Average

3-month rolling trends will illustrate market seasonality – typical seasonal ups and downs in median prices – as well as broad, longer-term trends.



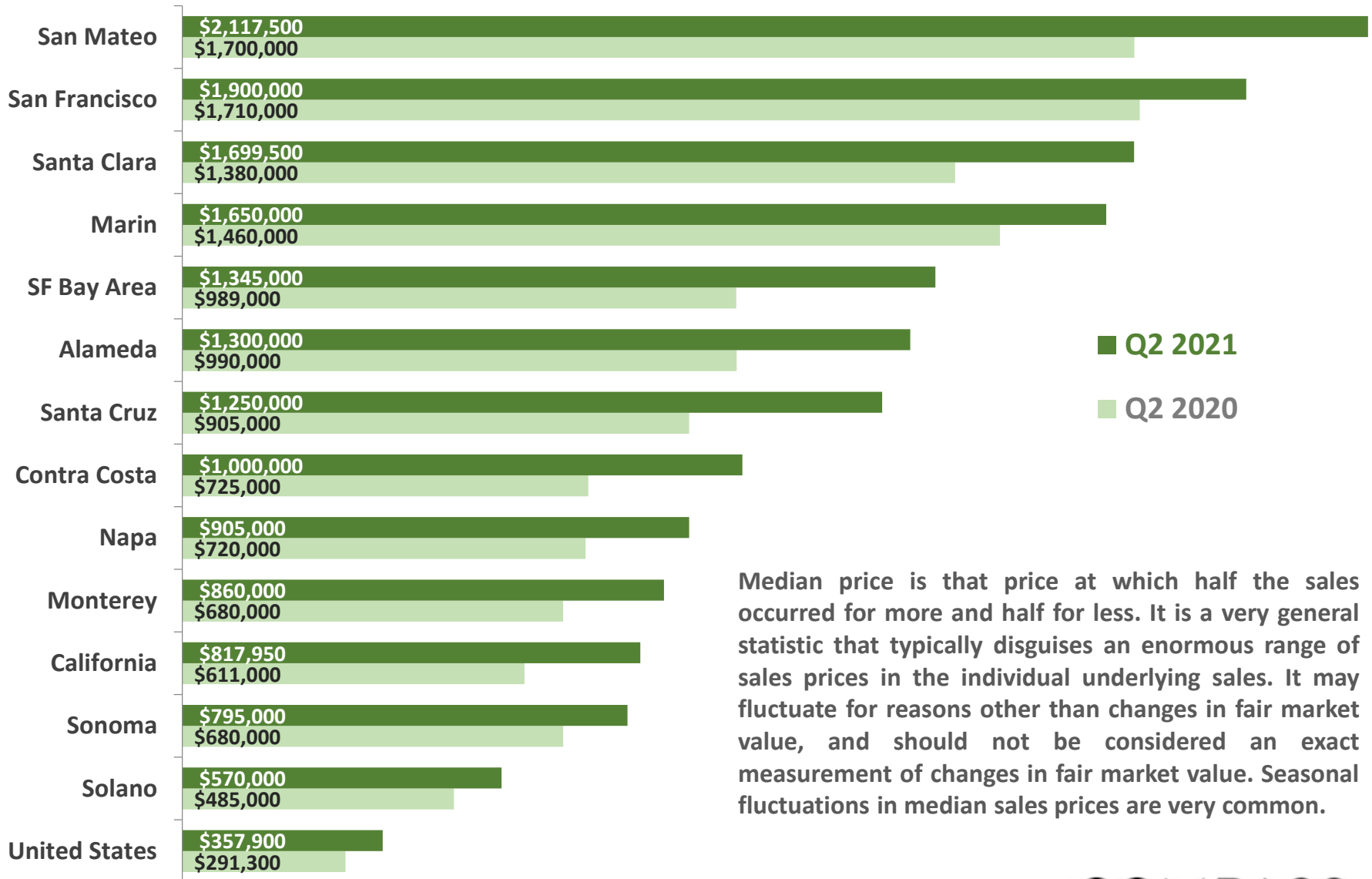
Each point reflects a 3 month rolling average of monthly median sales prices for existing houses, 9 Bay Area Counties, per CA Assoc. of Realtors (CAR) or NorCal Regional MLS. Analysis may contain errors and subject to revision. All numbers approximate.



Year-over-Year Median House Sales Price Increases

by Bay Area County, Q2 2021 vs. Q2 2020

Per CAR Housing Affordability Index calculations



Median price is that price at which half the sales occurred for more and half for less. It is a very general statistic that typically disguises an enormous range of sales prices in the individual underlying sales. It may fluctuate for reasons other than changes in fair market value, and should not be considered an exact measurement of changes in fair market value. Seasonal fluctuations in median sales prices are very common.

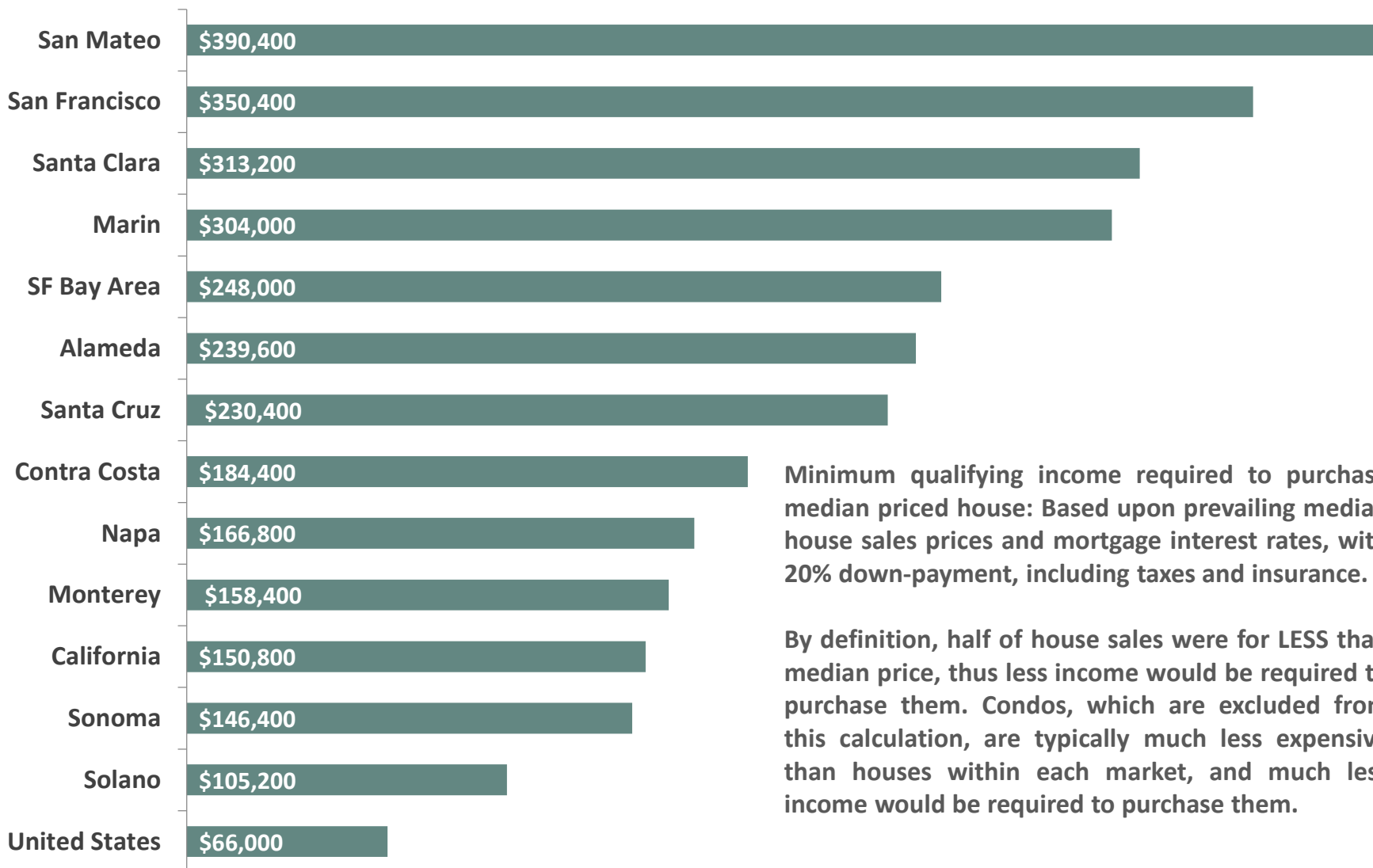
Data per California Association of Realtors: "C.A.R.'s Traditional Housing Affordability Index (HAI). Methodology can be found on www.CAR.org, Market Data section. "SF Bay Area" includes 9 counties, Napa to Santa Clara.



Minimum Qualifying Income Required to Purchase

Median Sales Priced House, by Bay Area County, Q2 2021

Per CAR Housing Affordability Index, incl. taxes & insurance.



Minimum qualifying income required to purchase median priced house: Based upon prevailing median house sales prices and mortgage interest rates, with 20% down-payment, including taxes and insurance.

By definition, half of house sales were for LESS than median price, thus less income would be required to purchase them. Condos, which are excluded from this calculation, are typically much less expensive than houses within each market, and much less income would be required to purchase them.

Data per California Association of Realtors: "C.A.R.'s Traditional Housing Affordability Index (HAI). Methodology can be found on www.CAR.org, Market Data section. All numbers should be considered approximate.

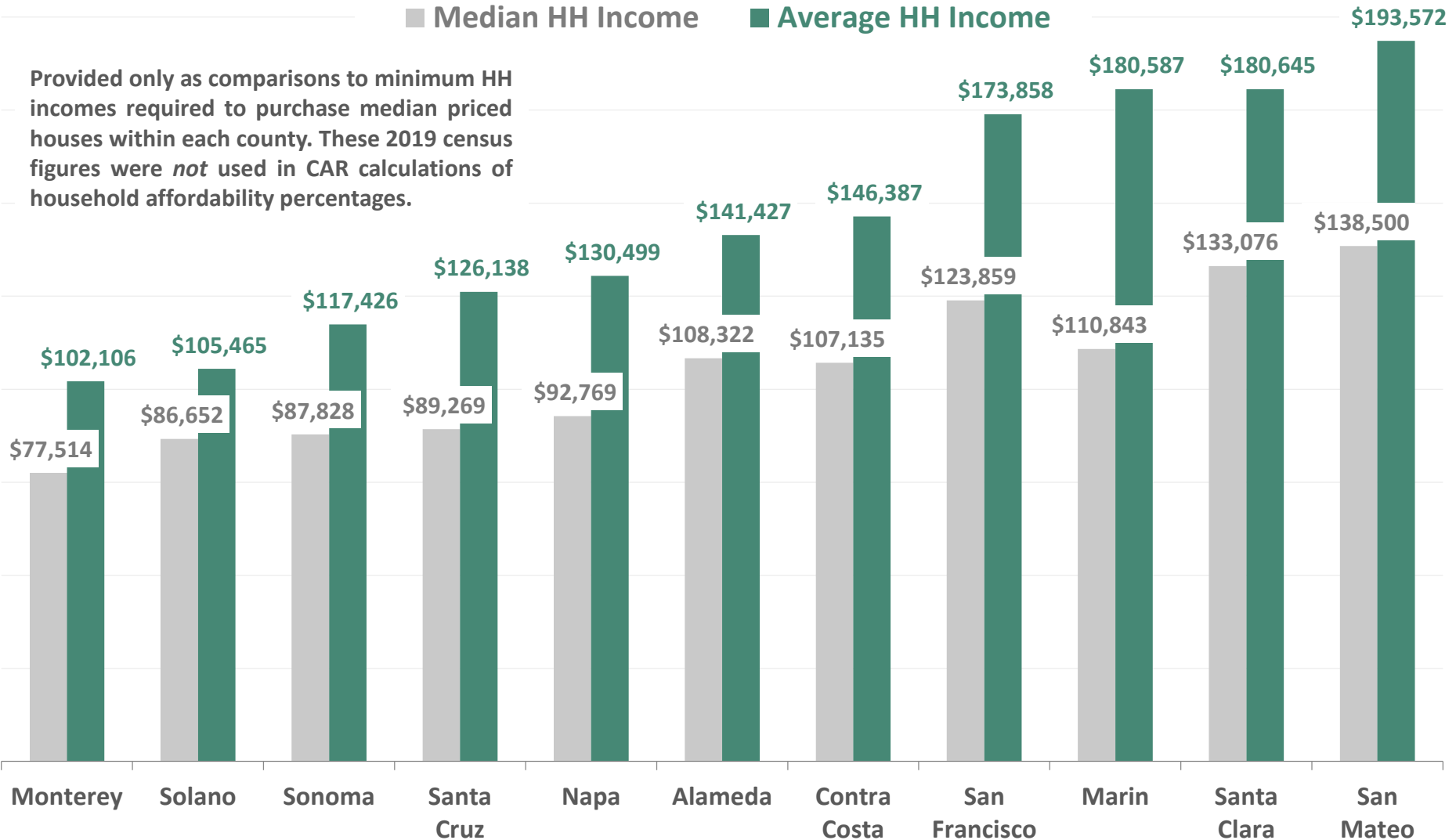


Median & Average Household (HH) Incomes

by Bay Area County, 2019 U.S. Census Estimates

■ Median HH Income ■ Average HH Income

Provided only as comparisons to minimum HH incomes required to purchase median priced houses within each county. These 2019 census figures were *not* used in CAR calculations of household affordability percentages.



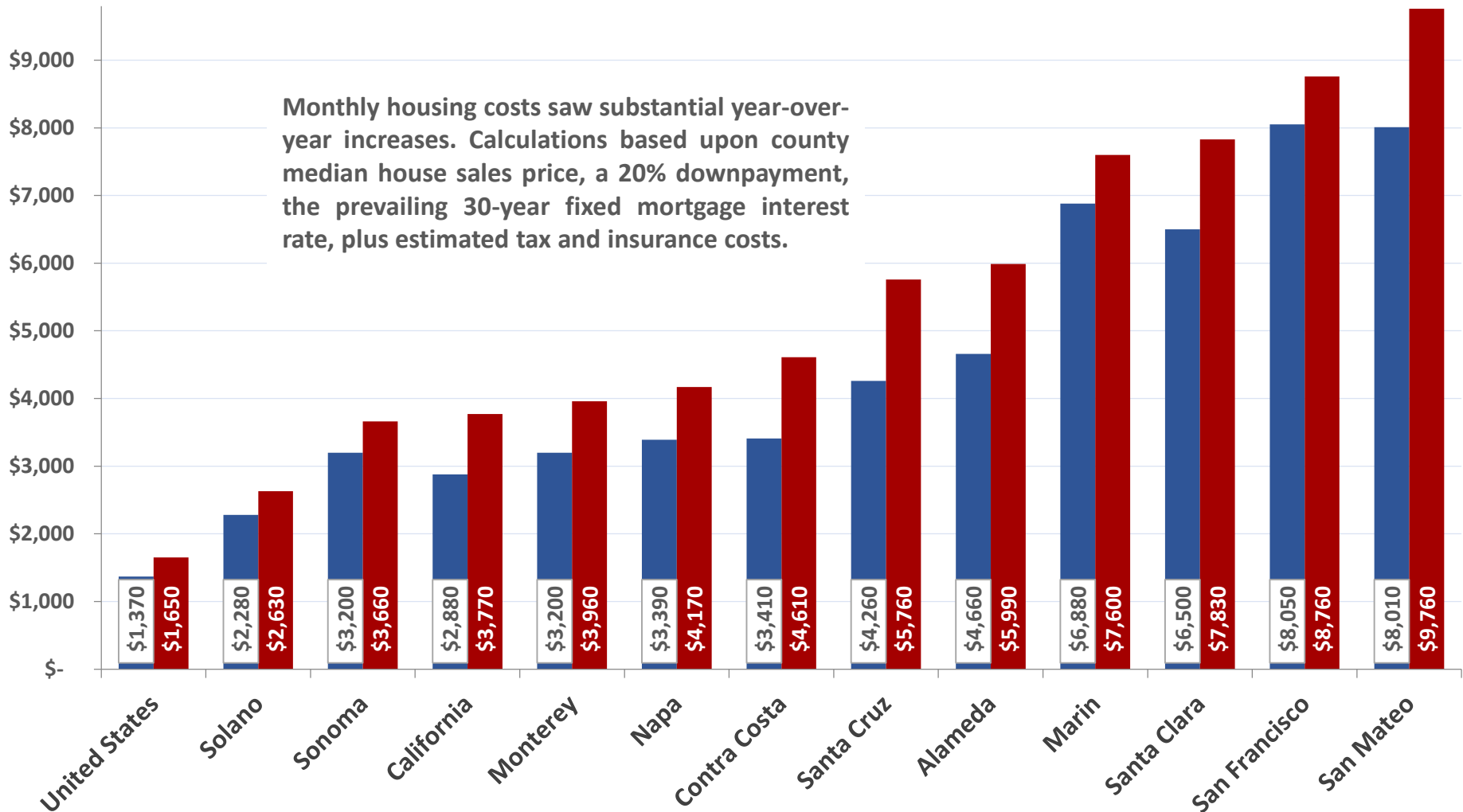
As accessed on census website 8/12/21. These analyses performed in good faith with data derived from sources deemed reliable, but may contain errors and subject to revision. All numbers to be considered approximate.



Monthly Housing Costs at Median House Sales Price

Principal, Interest, Taxes & Insurance (PITI): Q2 2020 to Q2 2021

Per CAR Housing
Affordability Index



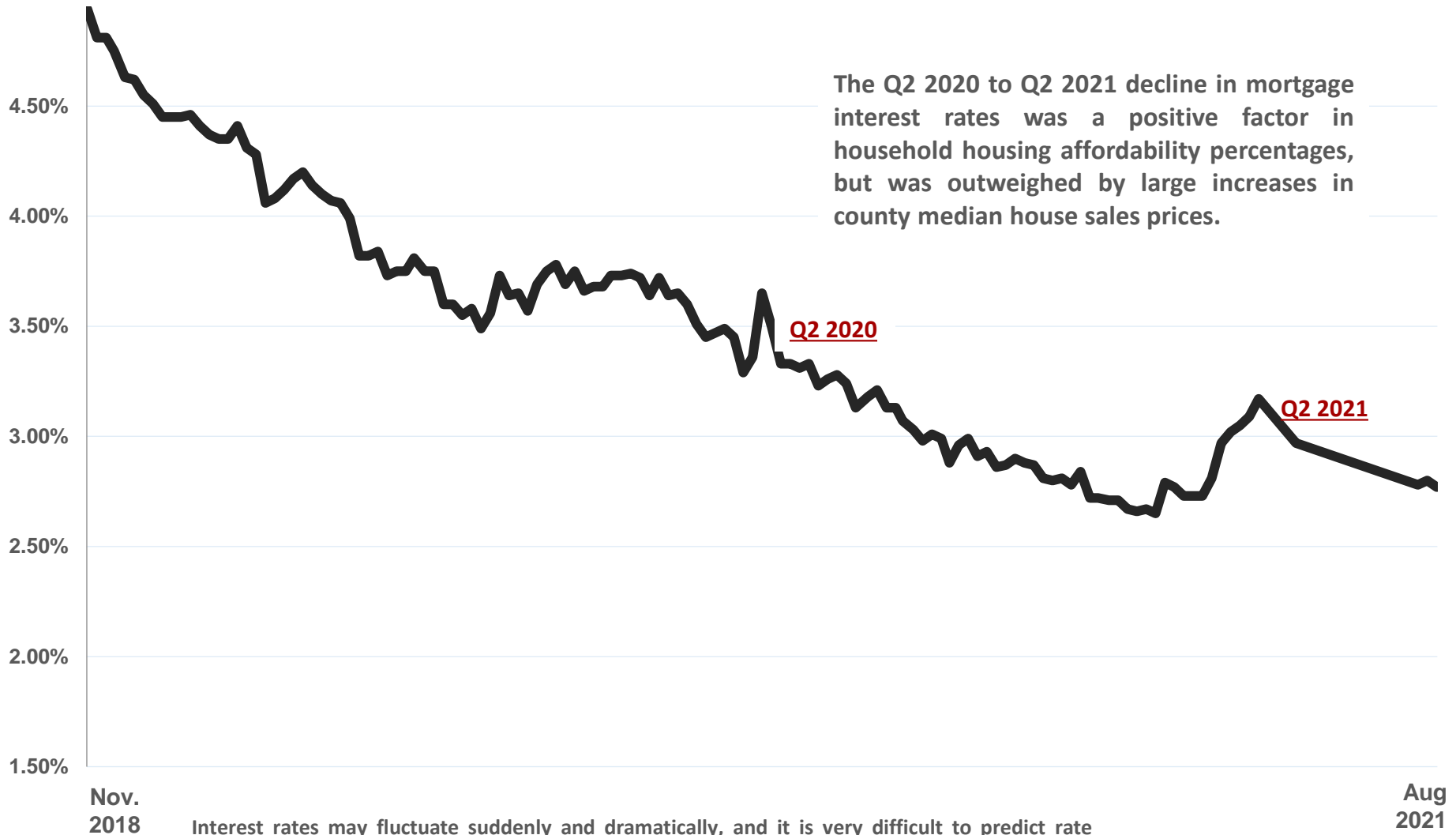
Calculation per California Association of Realtors: "C.A.R.'s Traditional Housing Affordability Index (HAI). Methodology can be found on www.CAR.org, Market Data section. All numbers should be considered approximate, and subject to possible error and revision. References are made to counties, not cities of the same name.



Mortgage Interest Rate Trends, November 2018 – Present

30-Year Conforming Fixed Rate Loans, Weekly Average Readings

Rates published
by the FHLMC



Interest rates may fluctuate suddenly and dramatically, and it is very difficult to predict rate changes. Data from sources deemed reliable but not guaranteed. Anyone interested in residential home loans should consult with a qualified mortgage professional and their accountant.

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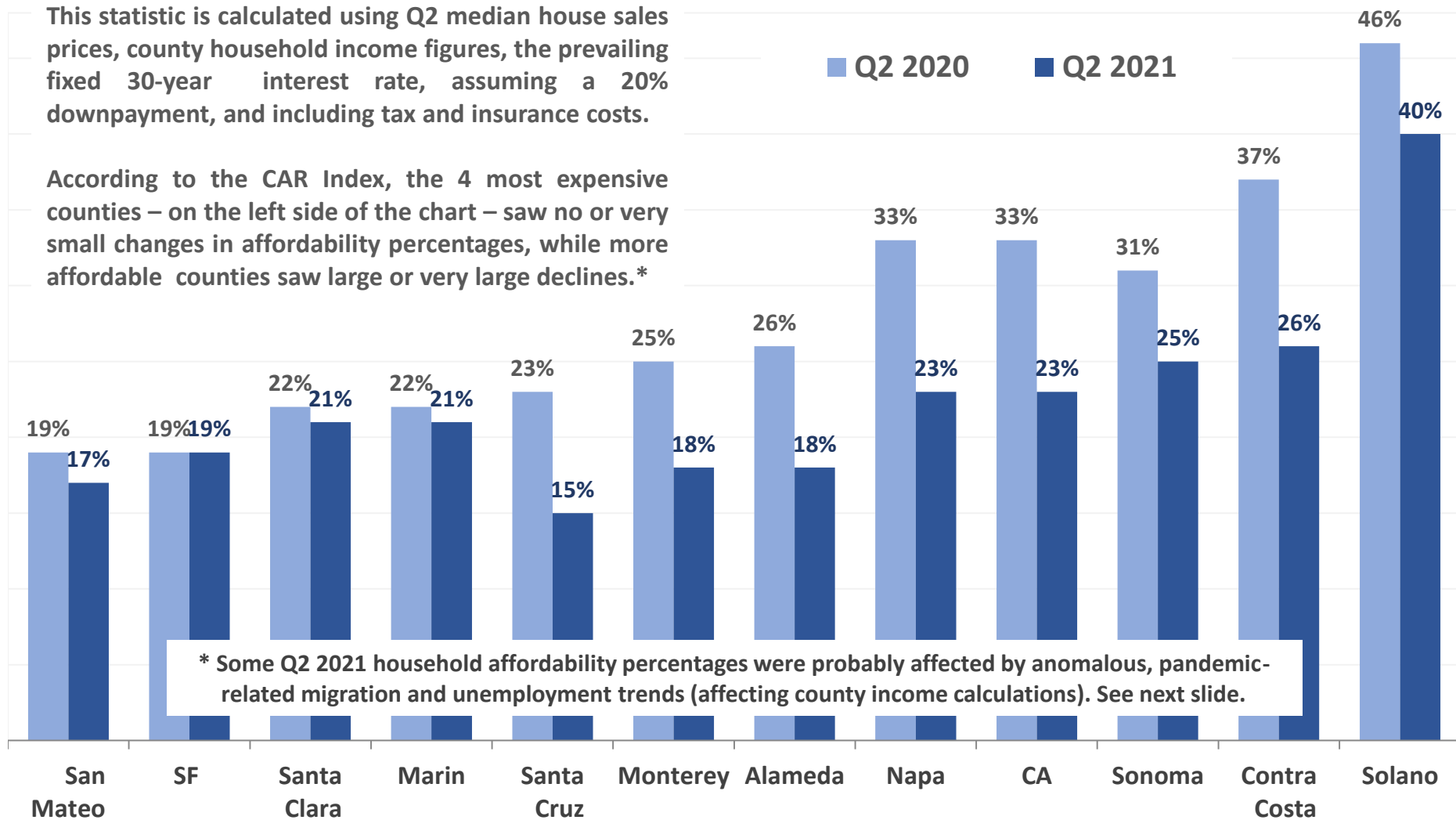
Percentage of Households Able to Afford Median Priced House

by San Francisco Bay Area County, Q2 2020 to Q2 2021

Per CAR Housing Affordability Index

This statistic is calculated using Q2 median house sales prices, county household income figures, the prevailing fixed 30-year interest rate, assuming a 20% downpayment, and including tax and insurance costs.

According to the CAR Index, the 4 most expensive counties – on the left side of the chart – saw no or very small changes in affordability percentages, while more affordable counties saw large or very large declines.*



* Some Q2 2021 household affordability percentages were probably affected by anomalous, pandemic-related migration and unemployment trends (affecting county income calculations). See next slide.

Did Post-Pandemic Migration/Unemployment Trends Minimize Year-over-Year Declines in Household Housing Affordability Percentages?

The 3 main factors behind housing affordability percentages: Median house sales prices, mortgage interest rates, and county income distribution figures.

San Francisco's Q2 2021 median house sales price increased by almost \$200,000 year-over-year, but its percentage of households able to buy a median priced house *remained unchanged*. One factor was a y-o-y decline in mortgage interest rates.

The other, larger factor at play was that after the pandemic struck, San Francisco saw an outward migration estimated at approximately 40,000 households (see following slide). Many, probably most of those households were made up by lower-wage workers, mostly tenants, in occupations such as tourism, hospitality and retail, who lost their jobs and left the city due to its extremely high rents (and/or because their universities closed). Since a high number of lower-wage residents who couldn't afford to buy a home *left the city* – pushing the city's income distribution figures higher – a higher percentage of those residents remaining *were* financially qualified to buy. Or, actually, the percentage of SF households who were able to buy a median priced house stayed the same, albeit at a very low percentage of 19%, even though the median price jumped dramatically.

This same dynamic was almost certainly at play in San Mateo County (median house price + \$400,000), and in Santa Clara County (+ \$300,000), where negative migration trends also occurred, and y-o-y household affordability declines were very low.

In counties which saw *positive*, post-pandemic migration trends, affordability percentages may have skewed by an *influx of higher-wage homebuyers* from outside the county, as well as outward-migration of lower-wage residents. That is, *the more affluent moved in and the less affluent moved out* (or combined households). This made *their* household income figures skew higher, minimizing drops in affordability percentages, despite large jumps in median home prices. The best example of this dynamic is probably Marin County, which saw a substantial surge of very affluent, out-of-county homebuyers: Its median house price increased by almost \$200,000, but its affordability percentage dropped by only 1%. Other counties saw a mix of circumstances to varying effect.

Estimated Migration of Bay Area Households in 2020

Bay Area County	# Households Moving In (2020)	# Households Moving Out (2020)	Change in # Households	Total # of Households	% Change in Households
Alameda	50,000	67,000	- 17,000	577,177	- 2.9%
Contra Costa	35,000	32,000	+ 3,000	394,769	+ .8%
Marin	9,050	7,000	+ 2,050	105,432	+ 1.9%
Monterey	5,400	5,050	+ 350	127,155	+ .3%
Napa	3,300	2,550	+ 750	48,705	+ 1.5%
San Francisco	27,500	68,000	- 40,500	362,354	- 11%
San Mateo	24,000	34,000	- 10,000	263,543	- 3.8%
Santa Clara	42,000	67,000	- 25,000	640,215	- 3.9%
Santa Cruz	6,050	6,000	+ 50	95,818	-
Solano	12,000	10,650	+ 1,350	149,865	+ .9%
Sonoma	10,900	8,800	+ 2,100	189,374	+ 1.1%

Household numbers are *estimates* extrapolated from *The Wall Street Journal* article, “Americans Up & Moved During the Pandemic,” based on “permanent,” change-of-address filings in 2020. The term “household” can signify one or many persons. The general dynamic in the Bay Area was net out-migration from more urban regions, and net in-migration into more suburban/rural areas. **Of counties seeing negative changes, relocating tenants (paying very high rents) – the newly unemployed, office employees changed to work-from-home, or students at closed universities – were almost certainly the dominant component in out-migration.** Trends may change with the opening of offices, universities, urban amenities. Even in non-pandemic years, significant population movements are normal.

All numbers are approximate. WSJ article published 5/11/21: Methodology/data not validated by Compass. Other sources have published different conclusions on migration. Total household data per U.S. Census 2019 ACS survey estimates. Compiled in good faith, but may contain errors, and subject to revision.

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California Association of Realtors (CAR) Housing Affordability Index (HAI):

<https://www.car.org/marketdata/data/haitraditional>
<https://www.car.org/marketdata/data/haimethodology>

Median sales prices are huge generalities and how they apply to any particular home is unknown without a specific comparative market analysis. Median sales prices often fluctuate due to other factors besides changes in fair market value – for example, large increases in the sale of higher-price homes.

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