Southern California Housing and Economic Outlook
December 2018

UCLA Anderson FORECAST

metrostudy

CALIBER HOME LOANS

FEATURED SPEAKERS

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Mark Boud
Chief Economist and Sr. Vice President, Metrostudy

John Mulville
Regional Director for Southern California, Metrostudy

Mark Robertson
Branch Manager and Loan Advisor, Caliber Home Loans—Program Moderator

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FORECAST

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$$S + T - G = I + (X\text{-}M)$$

Private Savings + Government Savings

=

Domestic Investment + Net Trade Balance

5

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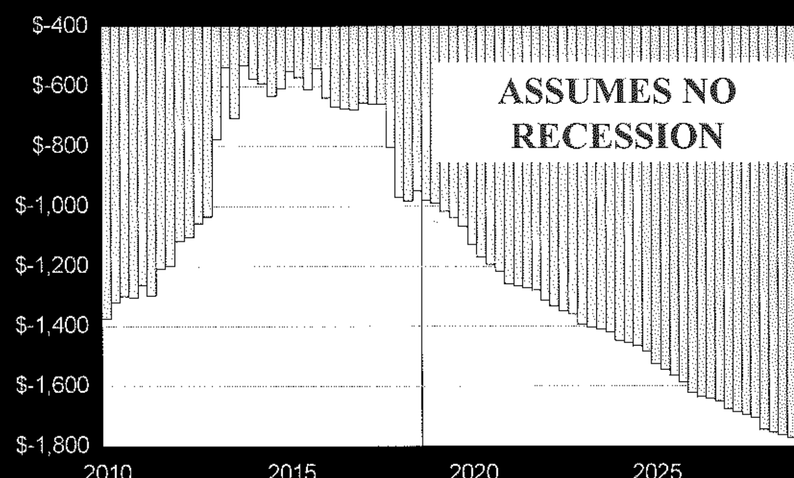
As the Federal Deficit Explodes

(Billions $, Annual Data)



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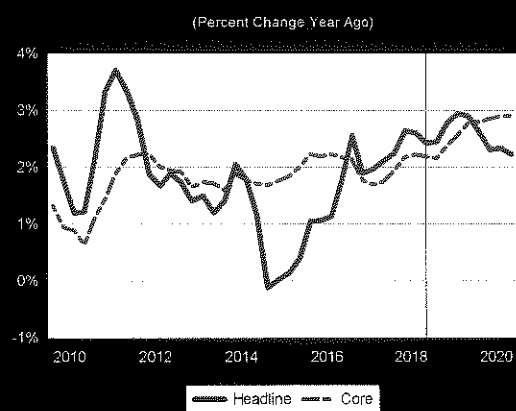
Inflation Remains Above 2% Target



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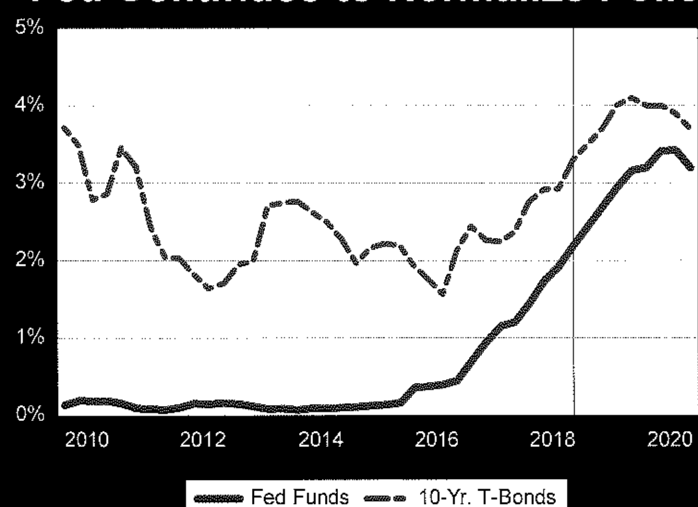
Fed Continues to Normalize Policy



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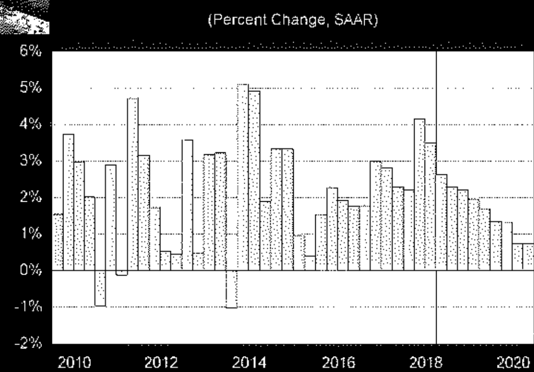
GDP Growth 3-2-1 (percent)



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CALIFORNIA: HOW IS IT DIFFERENT?

- GDP growth & higher personal taxes
- Employment
- Trade response to recent tensions
- Home Construction & Higher Interest Rates
- The Forecast

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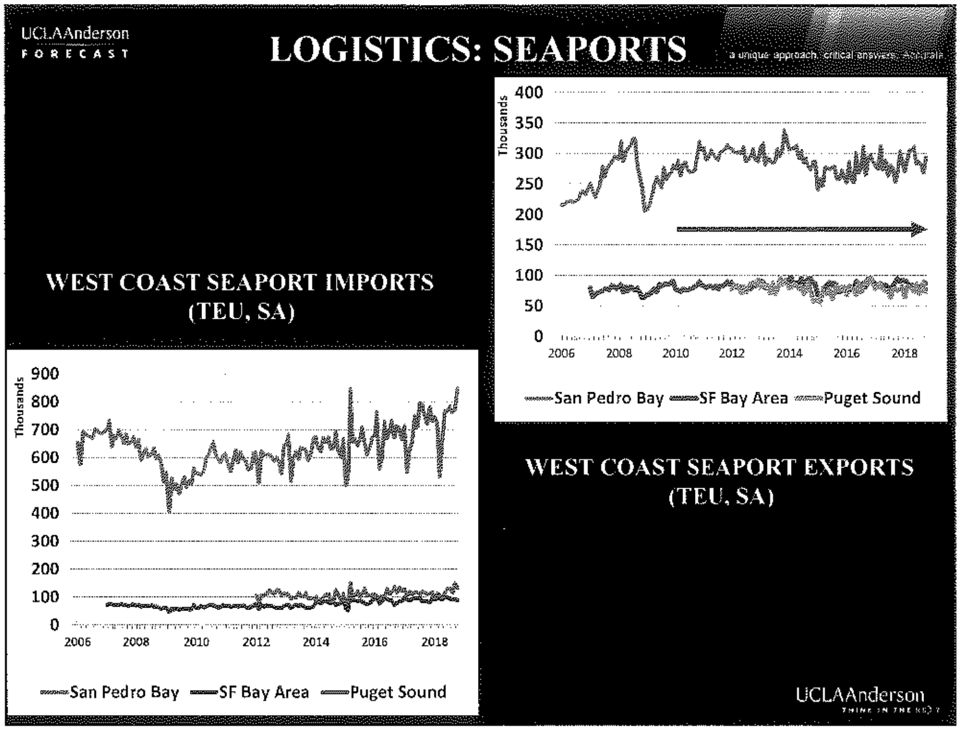
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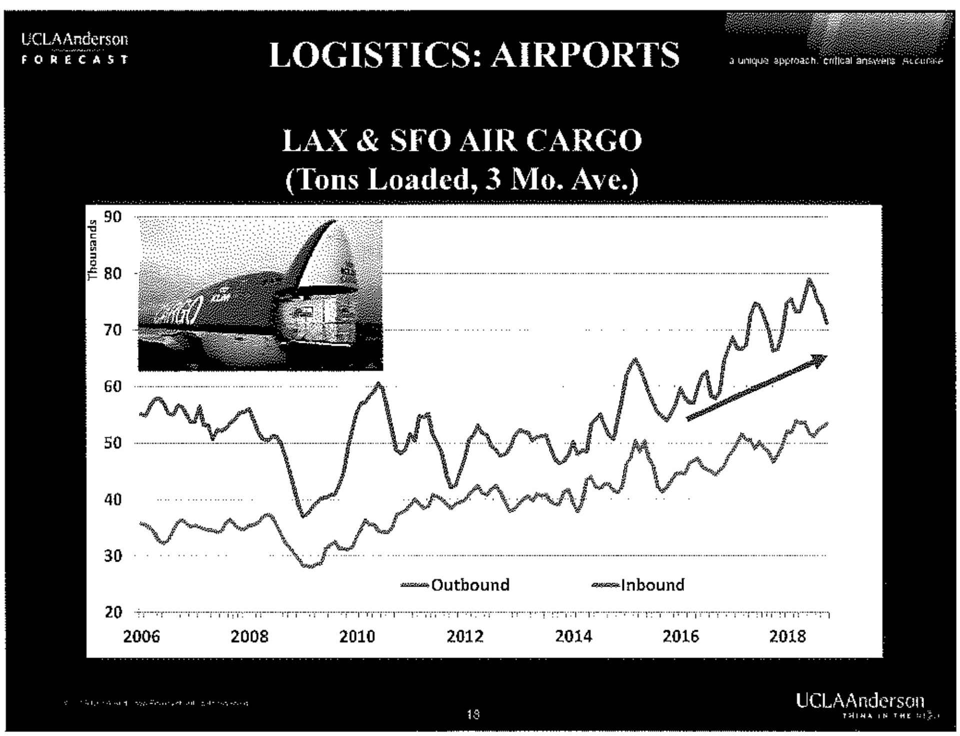
FORECAST
LOGISTICS: SEAPORTS
WEST COAST SEAPORT IMPORTS
(TEU, SA)
Thousands
900
800
700
600
500
400
300
200
100
0
2006 2008 2010 2012 2014 2016 2018
San Pedro Bay
SF Bay Area
Puget Sound
WEST COAST SEAPORT EXPORTS
(TEU, SA)
Thousands
400
350
300
250
200
150
100
50
0
2006 2008 2010 2012 2014 2016 2018
San Pedro Bay
SF Bay Area
Puget Sound
UCLAAnderson


UCLAAnderson
FORECAST
LOGISTICS: AIRPORTS
LAX & SFO AIR CARGO
(Tons Loaded, 3 Mo. Ave.)
Thousands
90
80
70
60
50
40
30
20
2006 2008 2010 2012 2014 2016 2018
Outbound
Inbound
18
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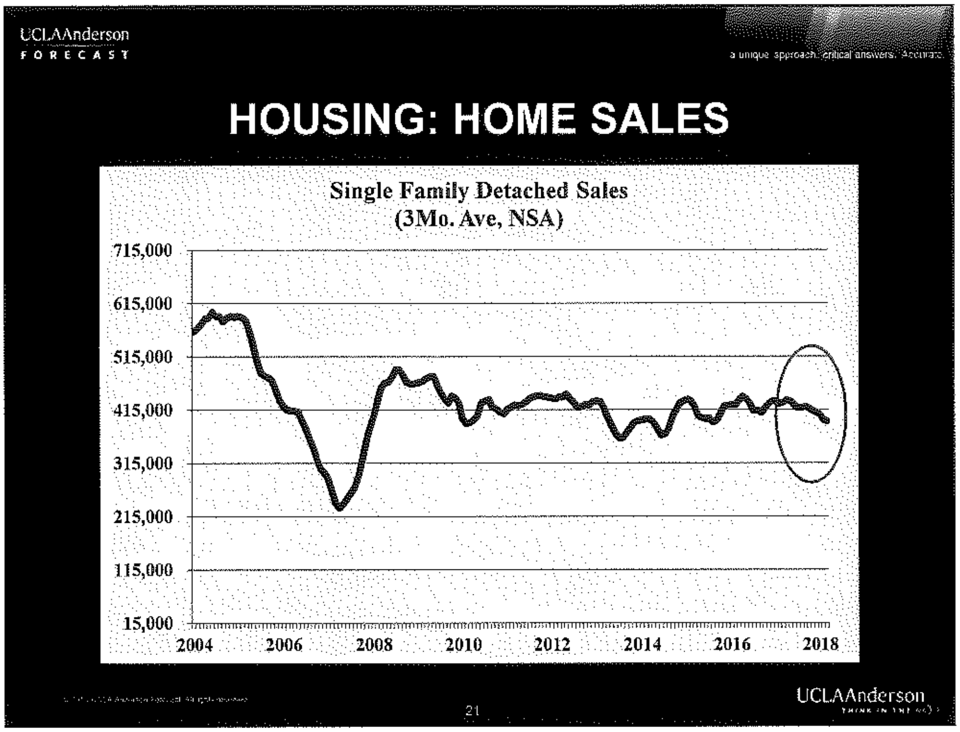
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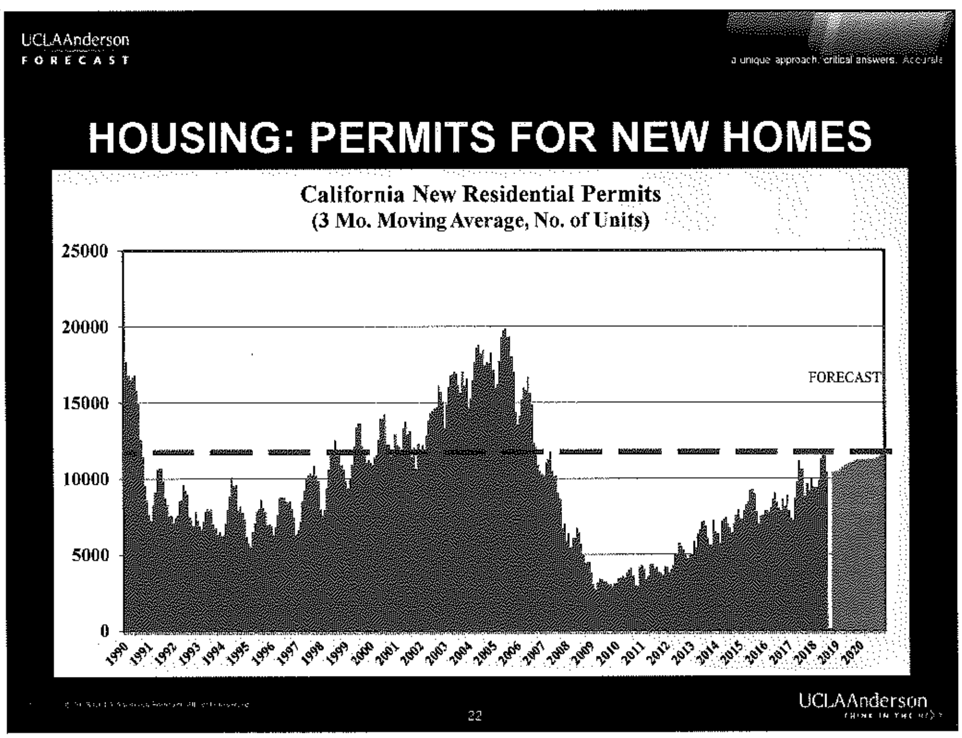
HOUSING: HOME SALES
Single Family Detached Sales
(3Mo. Ave, NSA)
715,000
615,000
515,000
415,000
315,000
215,000
115,000
15,000
2004
2006
2008
2010
2012
2014
2016
2018
UCLAAnderson
21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HOUSING: PERMITS FOR NEW HOMES
California New Residential Permits
(3 Mo. Moving Average, No. of Units)
25000
20000
15000
10000
5000
0
FORECAST
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
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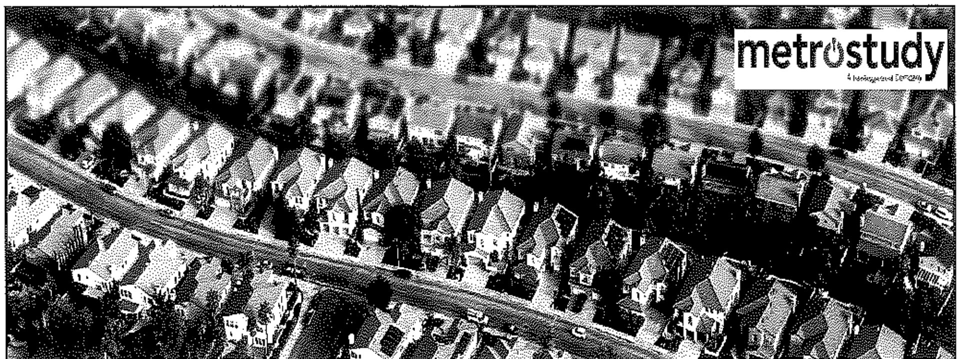
22



THE MODEL

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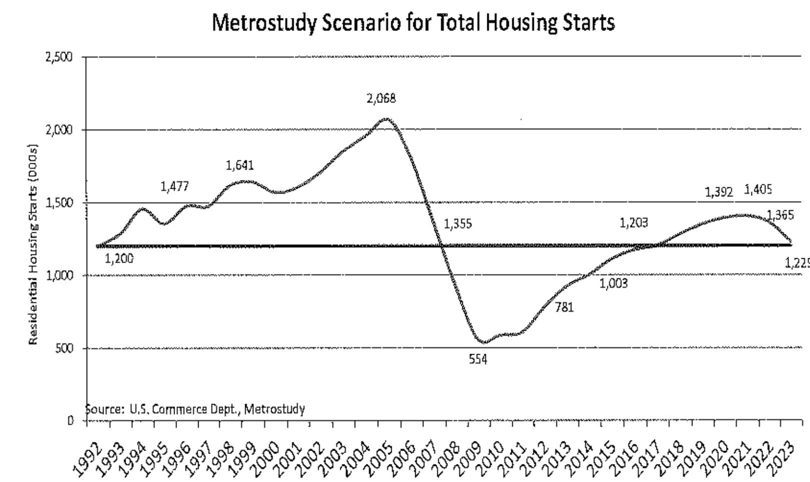
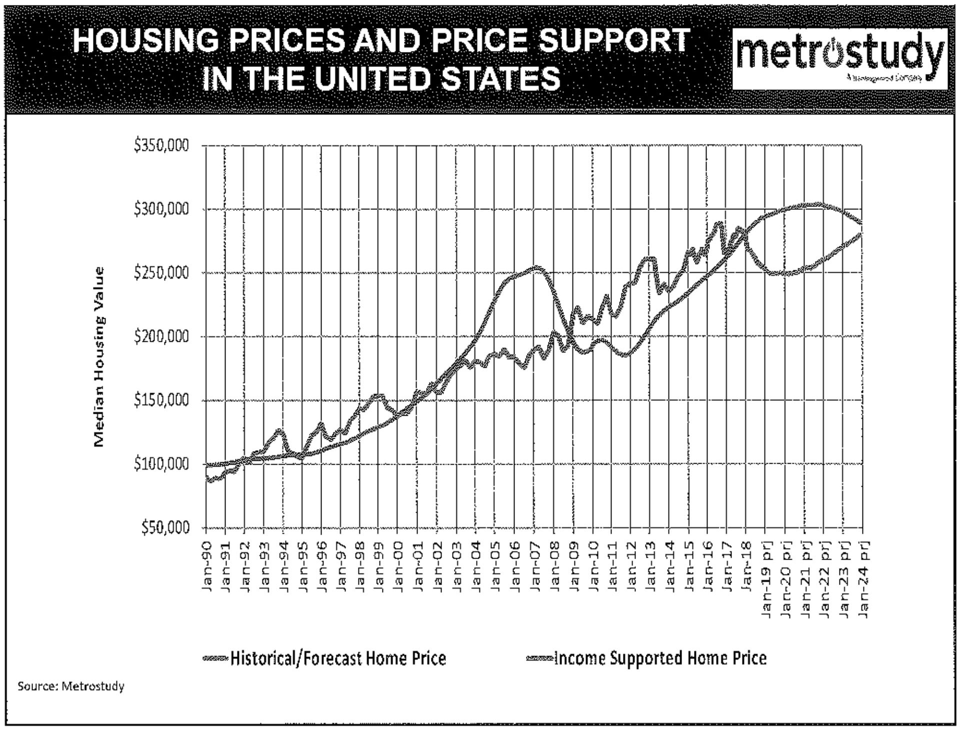
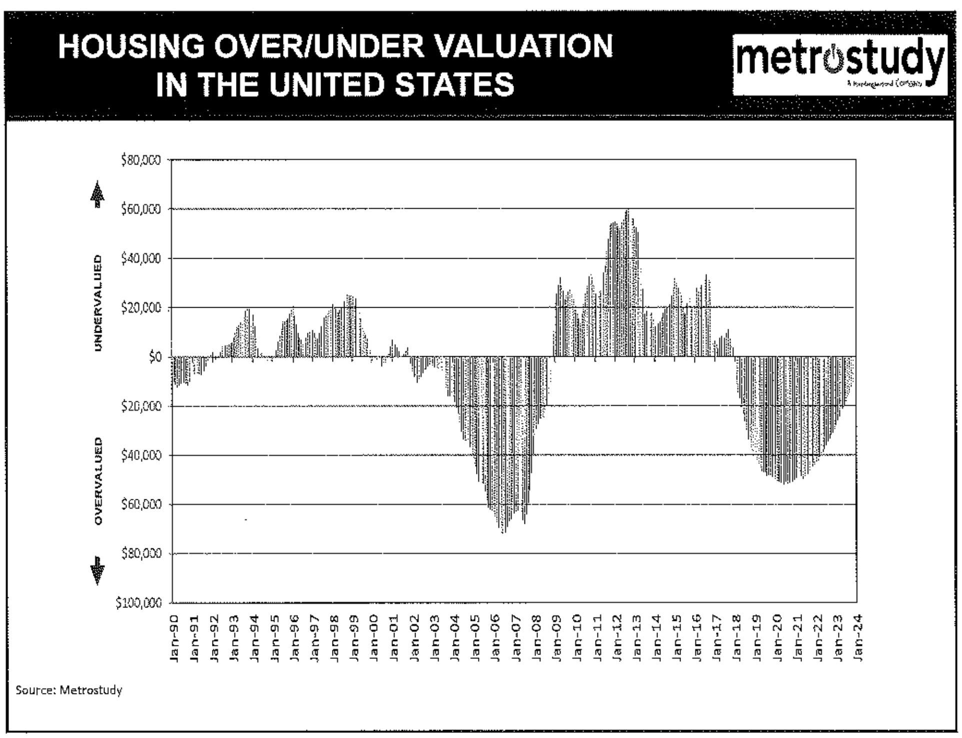
TOTAL HOUSING STARTS WILL PEAK WELL BELOW THE PREVIOUS CYCLE'S PEAK LEVEL



Source: Metrostudy


HOUSING PRICES AND PRICE SUPPORT
IN THE UNITED STATES
metrostudy
Median Housing Value
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Jan-19 prj
Jan-20 prj
Jan-21 prj
Jan-22 prj
Jan-23 prj
Jan-24 prj
Historical/Forecast Home Price
Income Supported Home Price
Source: Metrostudy


HOUSING OVER/UNDER VALUATION
IN THE UNITED STATES
metrostudy
UNDERVALUED
OVERVALUED
$80,000
$60,000
$40,000
$20,000
$0
$20,000
$40,000
$60,000
$80,000
$100,000
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
Jan-23
Jan-24
Source: Metrostudy

Market Opportunity Rankings

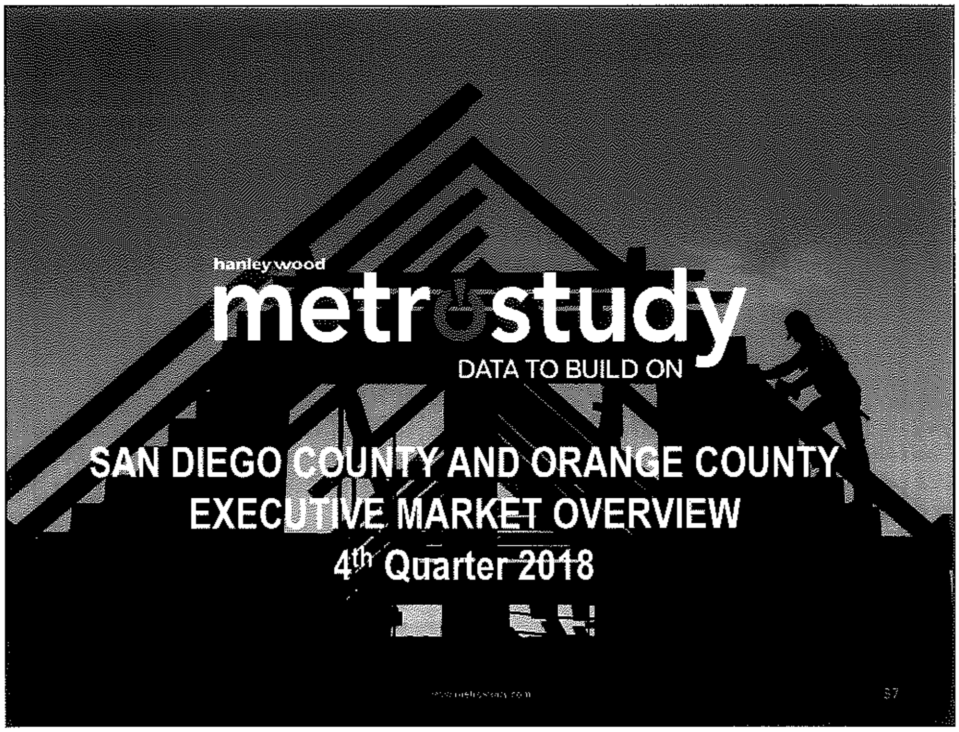
metrostudy

	REGION	2018 Est. Jobs & Housing: Non-Farm Jobs	2018 Est. Jobs & Housing: Housing	2018 Home Prices: Median	2018 Home Prices: Equili-brium	Median H.Hold Income	Year 2018 Under/(Over) Supplied	Year 2018 Under/(Over) Valued	Near-Term Risk	Year 2006 Under/(Over) Valued
31	Los Angeles-Long Beach-Glendale, CA MD	4,509,821	3,592,118	$589,768	$401,341	$65,518	4.5%	-13.8%	Low	-39.0%
32	Sacramento-Roseville-Arden-Arcade, CA CBSA	988,353	905,537	$398,289	$353,418	$70,547	4.0%	-11.7%	Low	-39.8%
33	Denver-Aurora-Lakewood, CO CBSA	1,509,094	1,230,979	$425,089	$361,139	$78,718	4.6%	-15.0%	Low	-14.6%
34	Ogden-Clearfield, UT CBSA	261,149	228,100	$282,713	$245,346	$76,593	4.3%	-13.2%	Low	-2.0%
35	Columbus, OH CBSA	1,099,793	879,163	$202,977	$174,840	$66,667	4.4%	-13.9%	Low	-8.6%
36	Vallejo-Fairfield, CA CBSA	130,816	159,583	$444,812	$375,307	$79,191	4.7%	-15.8%	Low	-43.1%
37	Tampa-St. Petersburg-Clearwater, FL CBSA	1,361,729	1,490,213	$228,680	$203,091	$55,176	3.9%	-11.2%	Low	-37.6%
38	Indianapolis-Carmel-Anderson, IN CBSA	1,081,267	904,222	$174,099	$148,332	$63,229	4.5%	-14.8%	Low	3.7%
39	Reno, NV CBSA	241,796	205,000	$379,684	$300,785	$63,461	5.5%	-20.8%	Low	-38.8%
40	Portland-Vancouver-Hillsboro, OR-WA CBSA	1,197,939	1,002,883	$394,821	$358,869	$75,144	3.4%	-9.1%	Low	-26.9%
41	Charlotte-Concord-Gastonia, NC-SC CBSA	1,222,853	1,072,447	$224,423	$194,622	$64,429	4.2%	-13.3%	Low	-10.9%
42	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD CBSA	2,947,686	2,564,089	$233,957	$231,223	$72,637	2.0%	-1.2%	Low	-21.4%
43	Fort Collins, CO CBSA	172,572	148,741	$415,228	$331,275	$72,836	5.3%	-20.2%	Low	1.0%
44	Seattle-Bellevue-Everett, WA MD	1,738,744	1,283,677	$560,779	$492,226	$91,798	3.8%	-12.2%	Low	-28.9%
45	Providence-Warwick, RI-MA NECTA	594,633	706,805	$289,329	$278,699	$65,763	2.3%	-3.7%	Low	-27.2%
46	Phoenix-Mesa-Scottsdale, AZ CBSA	2,110,053	1,945,246	$258,671	$232,422	$63,931	3.2%	-10.1%	Low	-39.4%
47	Minneapolis-St. Paul-Bloomington, MN-WI CBSA	2,028,916	1,501,747	$260,892	$241,956	$78,692	2.6%	-7.3%	Low	-25.8%
48	Richmond, VA CBSA	682,693	551,194	$253,477	$242,863	$70,827	1.9%	-4.2%	Low	-26.3%
49	Kansas City, MO-KS CBSA	1,102,647	967,217	$206,924	$184,612	$67,939	3.0%	-10.8%	Moderate	-14.9%
50	Salt Lake City, UT CBSA	735,529	434,694	$311,396	$277,165	$74,961	3.1%	-11.0%	Moderate	-16.1%
51	Washington-Arlington-Alexandria, DC-VA-MD-WV CBSA	3,344,149	2,435,023	$434,005	$431,562	$102,699	1.1%	-0.6%	Moderate	-35.4%
52	Wasatch Front, UT (Provo, UT & Salt Lake City, UT CBSAs)	1,251,913	889,985.	$320,506	$275,450	$75,799	3.4%	-14.1%	Moderate	-10.7%
53	Las Vegas-Henderson-Paradise, NV CBSA	1,007,235	902,048	$260,871	$230,902	$58,293	2.9%	-11.5%	Moderate	-39.9%
54	Naples-Immokalee-Marco Island, FL CBSA	146,152	219,041	$460,980	$418,178	$65,526	2.4%	-9.3%	Moderate	-44.7%
55	Pittsburgh, PA CBSA	1,192,904	1,196,985	$148,708	$148,420	$61,983	0.8%	-0.2%	Moderate	-7.7%
56	Springfield, MO CBSA	217,753	197,757	$134,476	$136,796	$51,454	0.4%	1.7%	Moderate	-18.7%
57	Jacksonville, FL CBSA	711,416	686,683	$226,248	$202,487	$64,014	2.4%	-10.1%	Moderate	-25.7%
58	Fayetteville-Springdale-Rogers, AR-MO CBSA	260,068	203,635	$190,066	$169,672	$55,239	2.4%	-10.7%	Moderate	-9.8%
59	Urban Honolulu, HI CBSA	481,433	356,239	$817,820	$721,037	$85,964	2.6%	-11.8%	Moderate	-21.4%
60	Knoxville, TN CBSA	402,874	385,395	$181,700	$173,315	$54,712	1.2%	-4.6%	Moderate	-14.5%
61	Wilmington, NC CBSA	128,994	143,806	$252,840	$241,743	$51,563	1.1%	-4.4%	Moderate	-26.9%
62	Milwaukee-Waukesha-West Allis, WI CBSA	872,202	694,300	$235,806	$230,773	$65,011	0.6%	-2.1%	Moderate	-21.6%

Market Opportunity Rankings

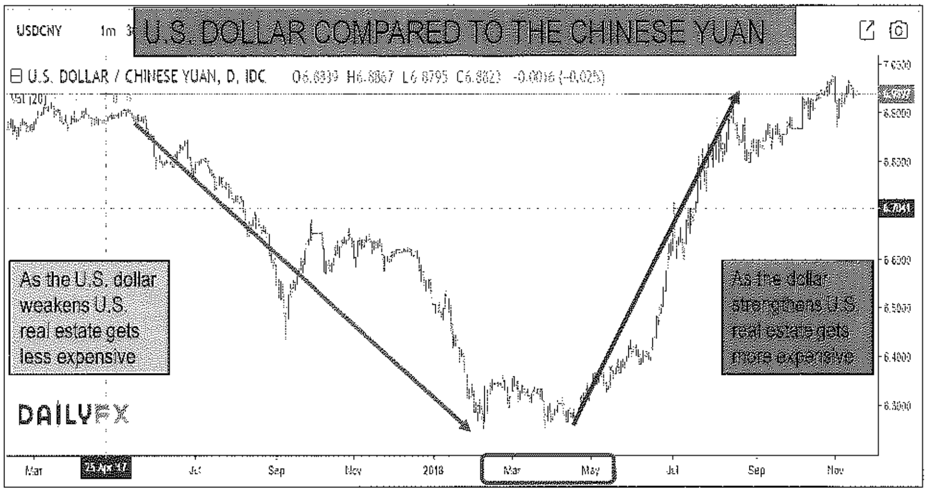
metrostudy

	REGION	2018 Est. Jobs & Housing: Non-Farm Jobs	2018 Est. Jobs & Housing: Housing	2018 Home Prices: Median	2018 Home Prices: Equili-brium	Median H.Hold Income	Year 2018 Under/(Over) Supplied	Year 2018 Under/(Over) Valued	Near-Term Risk	Year 2006 Under/(Over) Valued
63	Oxnard-Thousand Oaks-Ventura, CA CBSA	310,580	287,627	$704,457	$617,859	$85,333	2.3%	-12.3%	Moderate	-35.7%
64	Greenville-Anderson-Mauldin, SC CBSA	422,080	389,519	$203,144	$188,688	$66,717	1.4%	-7.1%	Moderate	-9.6%
65	Lakeland-Winter Haven, FL CBSA	226,637	299,229	$187,482	$163,581	$50,030	2.3%	-12.7%	Moderate	-33.2%
66	Colorado Springs, CO CBSA	295,960	297,096	$285,365	$261,642	$69,400	1.5%	-8.3%	Moderate	-18.8%
67	Boise City, ID CBSA	328,826	285,838	$229,985	$203,014	$60,231	2.1%	-11.7%	Moderate	-29.1%
68	Cleveland-Elyria, OH CBSA	1,071,352	1,000,319	$148,018	$139,768	$57,008	0.9%	-5.6%	High	-9.8%
69	Charleston-North Charleston, SC CBSA	361,984	349,609	$284,676	$263,136	$62,960	1.3%	-7.6%	High	-21.0%
70	Oklahoma City, OK CBSA	641,039	592,109	$155,768	$165,934	$58,508	-1.2%	6.5%	High	-16.4%
71	St. Louis, MO-IL CBSA	1,394,182	1,338,774	$176,209	$163,578	$64,973	1.1%	-7.2%	High	-17.2%
72	McAllen-Edinburg-Mission, TX CBSA	260,826	274,923	$94,313	$89,778	$38,089	0.6%	-4.8%	High	-8.1%
73	Raleigh-Durham, NC CBSAs	956,303	808,345	$267,479	$243,337	$71,682	1.3%	-9.0%	High	-16.1%
74	St. George, UT CBSA	66,384	70,324	$301,422	$254,771	$58,858	2.4%	-15.5%	High	-23.1%
75	Augusta-Richmond County, GA-SC CBSA	241,929	258,635	$157,513	$142,854	$53,322	1.3%	-9.3%	High	-6.4%
76	El Paso, TX CBSA	318,487	291,728	$156,000	$148,687	$45,339	0.3%	-4.7%	High	-19.4%
77	Columbia, SC CBSA	401,290	361,006	$167,946	$166,117	$57,756	-0.6%	-1.1%	High	-10.7%
78	Winston-Salem, NC CBSA	266,936	298,340	$156,072	$145,920	$50,121	0.2%	-6.5%	High	-10.9%
79	Dallas-Fort Worth-Arlington, TX CBSA	3,710,883	2,896,909	$254,911	$198,228	$69,980	2.8%	-22.2%	High	-4.1%
80	Palm Bay-Melbourne-Titusville, FL CBSA	219,299	284,531	$221,584	$172,835	$64,699	2.8%	-22.0%	High	-36.6%
81	Waco, TX CBSA	123,059	109,884	$150,776	$127,632	$48,912	1.6%	-15.3%	High	-4.3%
82	Bakersfield, CA CBSA	261,018	295,681	$240,544	$216,295	$51,940	-6.6%	-10.1%	High	-45.7%
83	Austin-Round Rock, TX CBSA	1,063,861	840,191	$306,537	$272,210	$77,558	0.7%	-11.2%	High	-4.5%
84	Memphis, TN-MS-AR CBSA	664,387	609,393	$172,611	$152,941	$54,187	0.5%	-11.4%	High	-14.9%
85	Baton Rouge, LA CBSA	409,634	357,096	$198,460	$191,770	$57,271	-1.2%	-3.4%	High	-24.0%
86	Spokane-Spokane Valley, WA CBSA	260,068	250,489	$230,811	$213,853	$57,346	-0.5%	-7.3%	High	-24.9%
87	Houston-The Woodlands-Sugar Land, TX CBSA	3,094,996	2,648,044	$225,530	$199,818	$65,970	0.2%	-11.4%	High	-9.0%
88	Huntsville, AL CBSA	239,273	186,526	$199,066	$190,679	$61,436	-1.1%	-4.2%	High	-10.7%
89	Virginia Beach-Norfolk-Newport News, VA-NC CBSA	793,184	777,113	$229,023	$225,937	$68,527	-1.7%	-1.3%	High	-28.4%
90	Birmingham-Hoover, AL CBSA	640,807	528,953	$197,902	$179,207	$56,523	-0.4%	-9.4%	High	-11.7%
91	Greensboro-High Point, NC CBSA	366,820	340,839	$164,074	$153,105	$48,391	-1.0%	-6.7%	High	-13.5%
92	Des Moines-West Des Moines, IA CBSA	373,359	286,585	$200,889	$189,661	$70,861	-1.2%	-5.6%	High	-9.9%
93	Albuquerque, NM CBSA	396,071	368,206	$207,430	$202,360	$55,063	-1.8%	-2.4%	High	-17.9%
94	San Jose-Sunnyvale-Santa Clara, CA CBSA	1,119,714	716,500	$1,381,169	$1,022,838	$121,910	8.2%	-25.9%	High	-24.7%



What's Up With The Housing Market?

FOREIGN BUYERS GO TO THE SIDE LINES



Note the March to May 2018 time frame outlined above.

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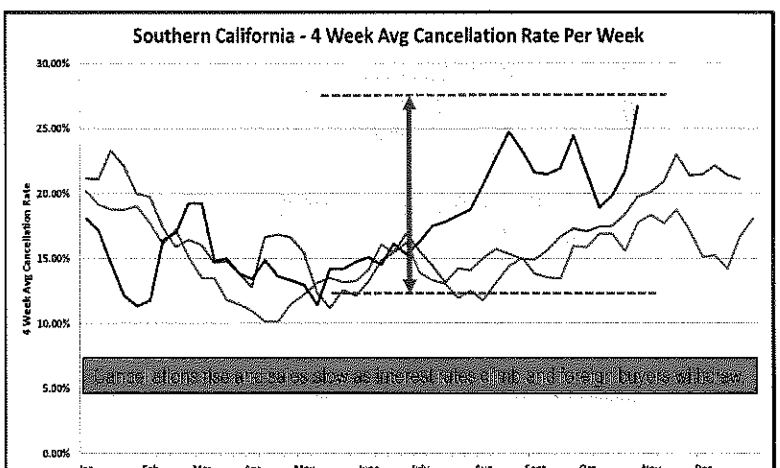
DATA TO BUILD ON

FOREIGN DEMAND COOLS, CONFIDENCE WEAKENS, CANCELLATIONS RISE



Source: Metrostudy Sales and Traffic Report

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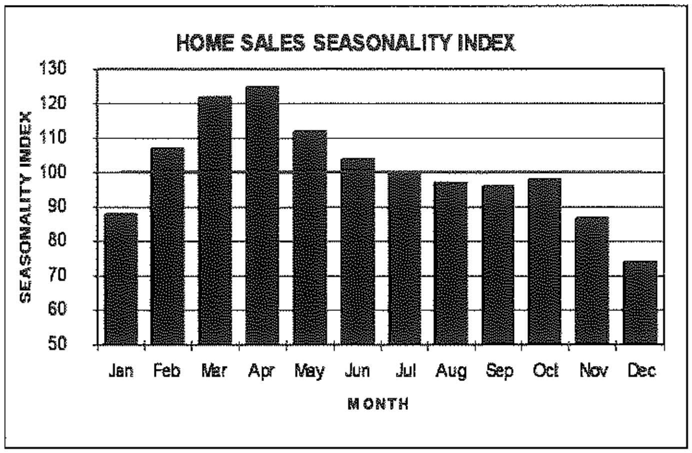
DATA TO BUILD ON

HOME SALES ARE ALWAYS SEASONAL



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45

Existing Home Market

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New Home Market
San Diego County

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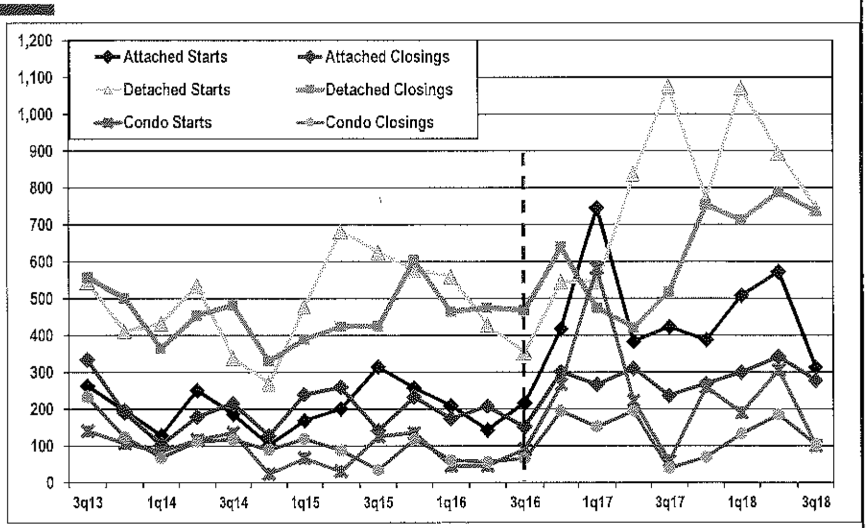
San Diego County – New Home Starts and Closings – Quarterly Totals



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DATA TO BUILD ON

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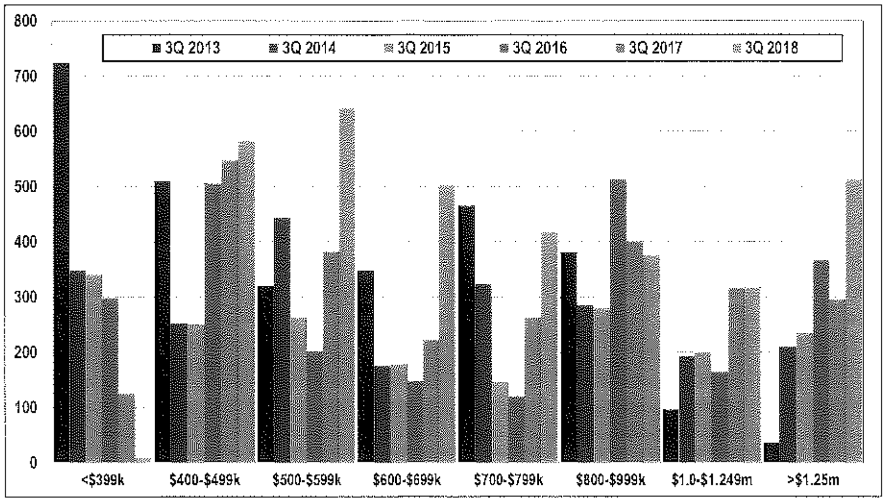
San Diego County
Historical Annual Closings by Price Range – 3Q 2013 to 3Q 2018



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DATA TO BUILD ON

Top Production Builders by Trailing Twelve Month Closings
Attached, Condo & Detached

Rank	Builder	TTM	3Q 2018	2Q 2018	1Q 2018	4Q 2017
1	Calatlantic Homes	475	106	176	87	106
2	Shea Homes	346	37	93	121	95
3	Pardee Homes	338	67	98	106	67
4	KB Home	236	44	121	28	43
5	Lennar Homes	170	22	25	53	70
6	Toll Brothers, Inc.	148	33	47	31	37
7	Cornerstone Communities	129	10	25	49	45
8	Brookfield Residential	127	0	1	49	77
9	Beazer	123	34	22	30	37
10	Bosa Development	115	0	0	0	115
11	Taylor Morrison	92	25	45	10	12
12	Express Homes	91	0	0	52	39
13	DR Horton Homes	88	0	6	38	44
14	Pacific Coast Communities	69	0	17	33	19
15	Meridian Communities	67	29	8	12	18

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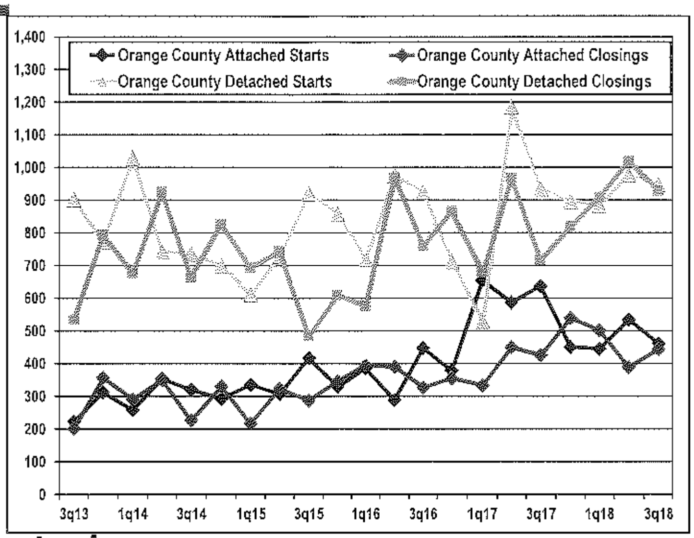
Orange County – New Home Starts and Closings – Quarterly Totals



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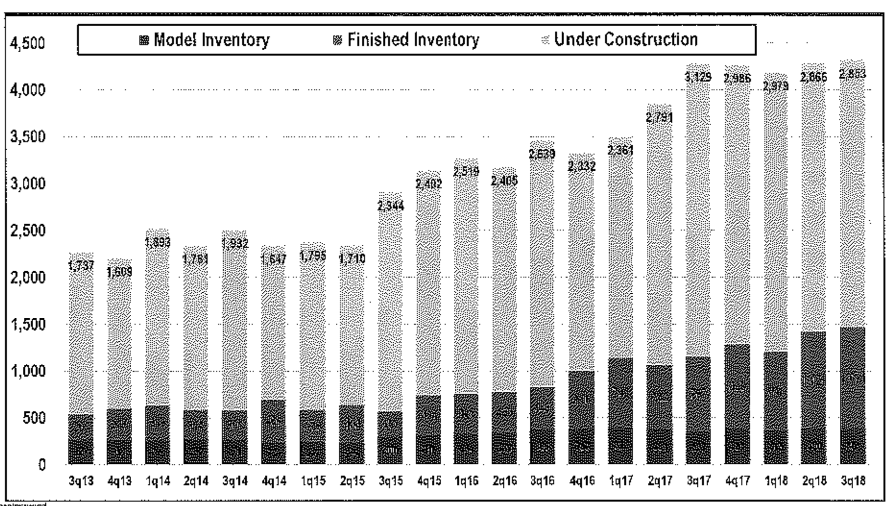
Orange County – Inventory By Type
(Models + Finished Vacant + Under Construction)



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Top Production Builders by Trailing Twelve Month Closings

Rank	Builder	TTM Closings	3Q 2018	2Q 2018	1Q 2018	4Q 2017
1	Irvine Pacific	576	179	147	81	169
2	Toll Brothers Inc	535	110	103	183	139
3	CalAtlantic Homes	371	43	90	111	127
4	Shea Homes	368	77	106	77	108
5	TRI Pointe Homes	352	45	64	149	94
6	California Pacific	347	108	140	49	50
7	Lennar	330	59	90	112	69
8	William Lyon Homes	289	93	88	78	30
9	Taylor Morrison	251	40	55	81	75
10	The New Home	214	28	38	63	85
11	The Olson Company	169	10	68	38	53
12	KB Home	144	29	60	30	25
13	City Ventures	116	25	28	49	14
14	Del Webb	112	39	30	13	30
15	Meritage Homes	106	20	15	35	36

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HOUSING MARKET OUTLOOK

The Economy
- A recession is NOT imminent in the next 12-18 months, however, economic growth has peaked for this cycle.

The Cycle
- Higher rates, tight labor and production bottlenecks are signs of cycle maturity, watch indicators carefully,

Supply Constraints
- Housing production is increasing, but not enough to offset the supply shortfall at affordable price points,

Input Costs
- Labor, materials costs and interest rates are rising faster than incomes, affordability is clearly challenged,

Buyer Psychology
- Some "pull-forward" in sales occurred in 2017 to avoid higher rates, foreigners on sidelines,

Demand
- There is solid demand from millennials, mature buyers and move-up buyers, foreign demand is weak,

Bottom Line
- Low levels of construction and the deep undersupply will continue to provide decent price support. Sales volume will trend lower while prices adjust. Foreigners will wait for conditions they consider more favorable.

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