

COMPASS

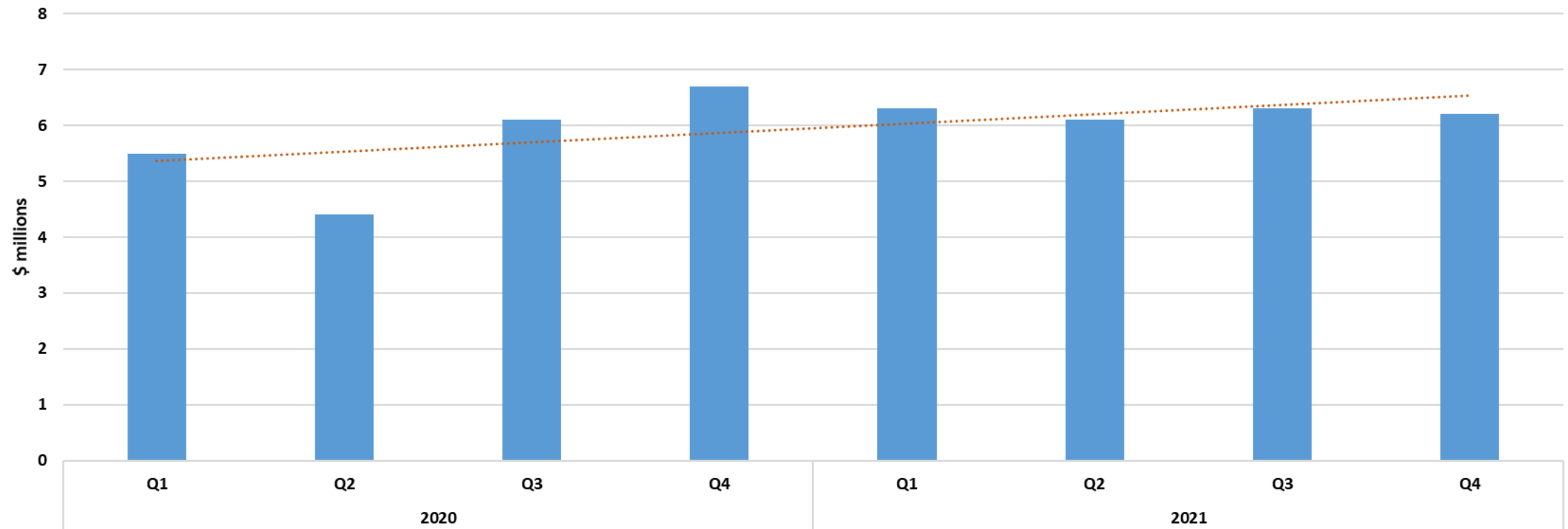
Demand Drives the Market

MAY 24, 2021



The data contained in this presentation has been directly sourced, with permission, from CoreLogic, Inc., John Burns Real Estate Consulting, LLC and California Association of Realtors®. Some of the graphics were developed by Compass, Inc.

2020 - 2021 Annualized SFH Sales



Source: Data from CoreLogic, Inc. May 2021, illustration only by Compass



Inventory Shortage Clarity



NOT TRUE that supply is low because many people are not selling their homes due to Covid fear. Sales are expected to be up 9% this year – the highest level in years. Sales cannot be up if fewer people are selling. Some people may be waiting to sell due to Covid.



TRUE that very few homes are available for sale, primarily because homes that come on the market are sold immediately due to high DEMAND. There is a supply shortage of homes available to purchase.



NOT TRUE that this is a supply problem due to years of underbuilding. If that were true, prices and rents would have been rising much faster than incomes in 2019. Prices, rents and incomes were rising 3-4% in 2019.



TRUE that there is a supply problem caused by the surge in DEMAND for both rentals and owned homes since both rents and home prices are both rising quickly. Household formations have surged.



TRUE that more homes now need to be built due to the surge in DEMAND that is allowing more people to buy or rent further from work.

Urban / Suburban Clarity



TRUE that there has been an urban exodus as evidenced by a clear decline in rents in urban areas versus suburban areas in the last year.



TRUE that there has been a surge in demand in outlying areas and more affordable metro areas due to a surge in newly-granted permission to work from home. Price appreciation in outlying areas and more affordable metro areas has been higher than urban areas and more expensive metro areas.



NOT TRUE that urban is dead. Rents and home prices are now rising after a price/rent adjustment.

JBREC Housing Cycle Risk Clarity



NOT TRUE that home prices cannot fall because supply is low. Demand needs to stay strong. Affordability needs to be maintained. If either erodes, the number of homes available for sale could quickly skyrocket.



TRUE that we have an affordability problem for a rising number of people who are unwilling or unable to relocate.



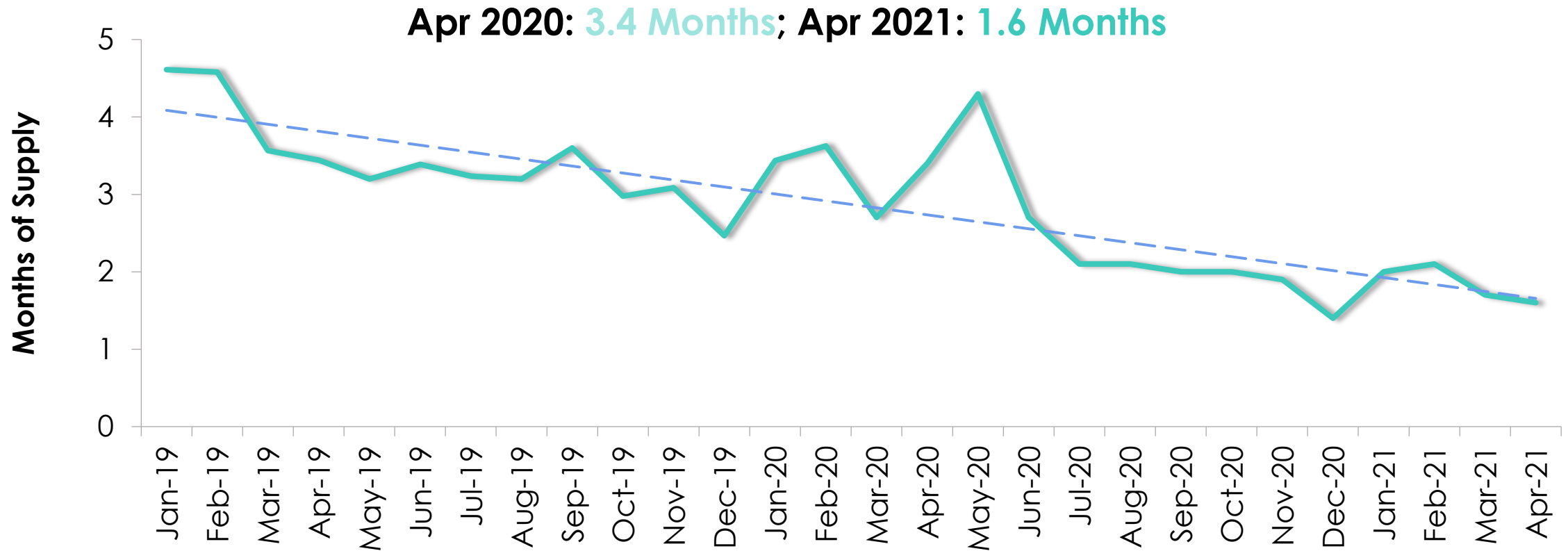
NOT TRUE that we have an affordability problem for people who can relocate to an affordable area where they will also be happy.

JBREC Summary

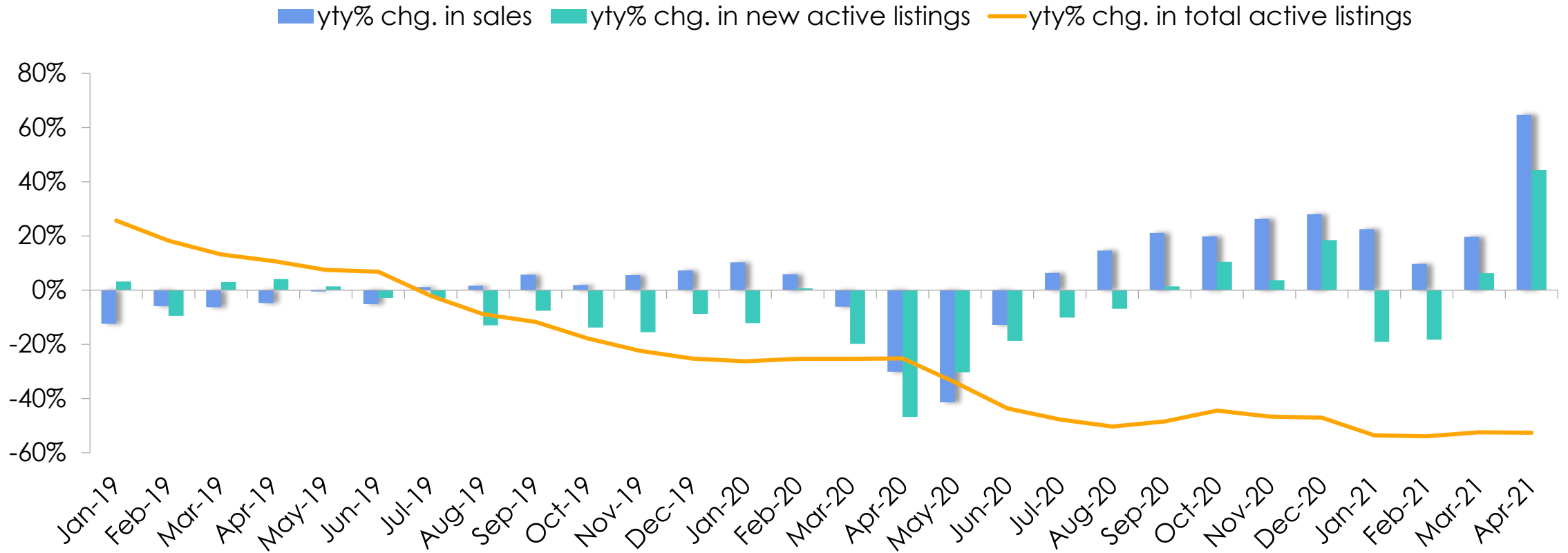
- Housing demand has surged during the pandemic.
- The surge in demand – not a lack of home sellers due to fear of disease nor a years long dearth of construction - has caused a shortage of homes available to rent and own, particularly in the more affordable areas
- The surge in demand has caused home prices, monthly payments and rents to surge, which is an affordability problem for those who cannot relocate or choose not to relocate
- The continued health of the housing market depends on: demand continuing to outstrip supply, and consumer's ability to afford housing where they choose to live

Source: Data from John Burns Real Estate Consulting, LLC. May 2021, illustration only by Compass

Inventory has been on a declining trend

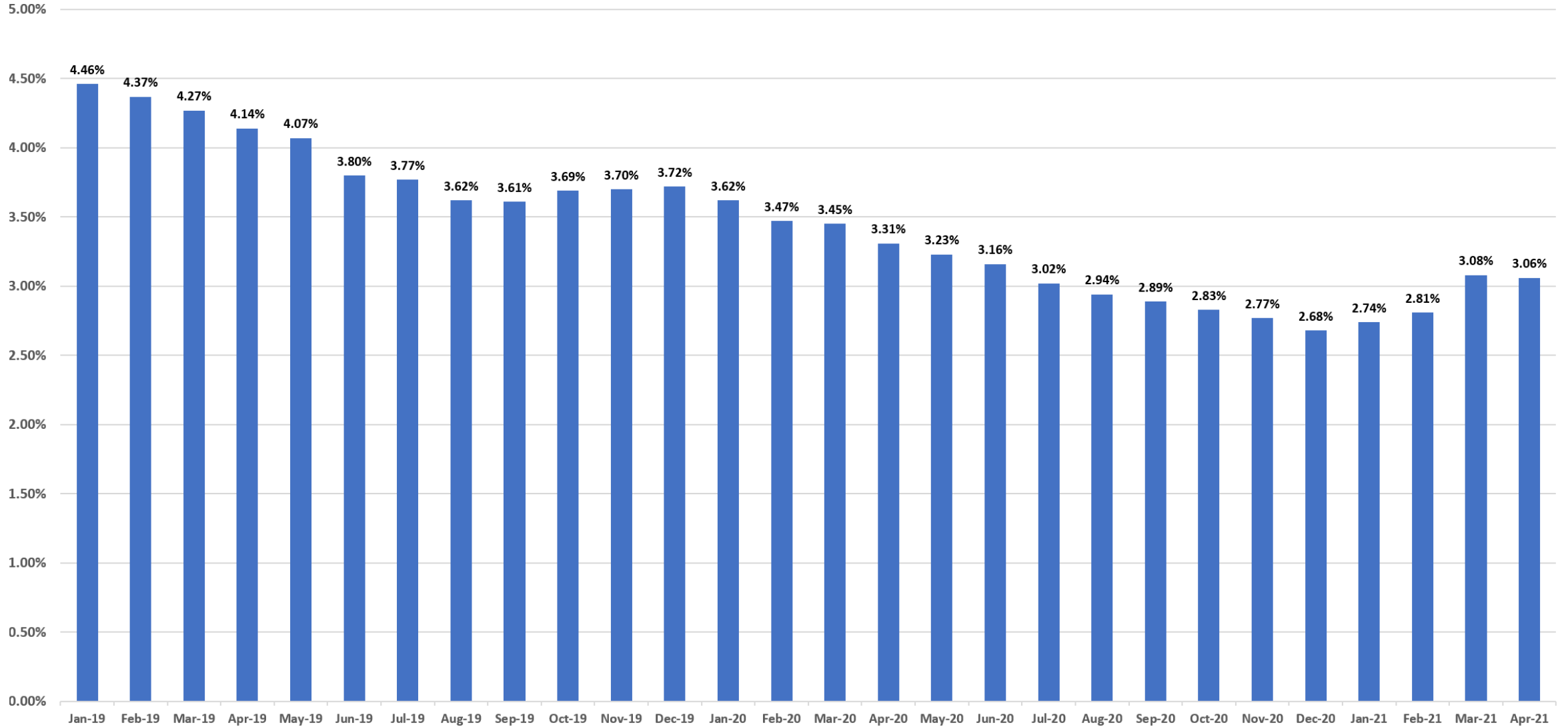


Imbalance between sales and newly added for-sale properties depletes overall supply level



Low Mortgage Rates Relative to Historical Levels

30-Year Fixed-Rate Mortgage Rates



Source: Freddie Mac (as of 5/12/21)

TOP 10

SIGNS OF A MARKET BUBBLE

As compiled by 73 executives at The Summit on June 13-14, 2013.



VISIBLE SIGNS IN 2021

Source: Data from John Burns Real Estate Consulting, LLC. May 2021, illustration only by Compass

JOHN BURNS
REAL ESTATE CONSULTING

Qualitative



LUXURY CARS FOR THE STAFF.

When your salesperson parks their Lamborghini in front of the model home, next to your Land Acquisition VP's Land Rover and mortgage representative's Ferrari.

MULTIPLE HOMES FOR EVERYONE.

When your hair dresser, cab driver, or nanny buys multiple homes, and your trades are fighting to get on the VIP list for your next community.



OUTLANDISH PARTIES.

When trades invite you to all-expenses-paid out-of-town parties featuring famous bands.

CREATIVE MORTGAGES.

When radio ads and billboards advertise creative mortgages such as no documentation, no income verification, 100%+ LTV, or 40-year interest-only loans.



TRUCK STOP FEASIBILITY.

When your Land Acquisition VP brings you a deal in a city you have only visited while putting gas in your car on a road trip.

Quantitative

NO

NO

VERY HIGH SUPPLY.

When single-family construction volumes approach historic market highs.



NO

NO

VERY POOR AFFORDABILITY.

When affordability approaches historical worst affordability.

NO

YES

WANING DEMAND.

When annual job growth is less than annual construction.



NO

NO

FALLING SALES.

When trailing 12 month total sales begin to trend down, while your cancellation rate spikes.

YES

NO

FALLING BUILDER STOCK PRICES.

When home builder stocks are off 15% more than the overall market, and insiders are selling.





Source: Data from John Burns Real Estate Consulting, LLC. May 2021, illustration only by Compass

JBREC Bubble Signs



Signs of a Housing Bubble Check –in (April 2021)

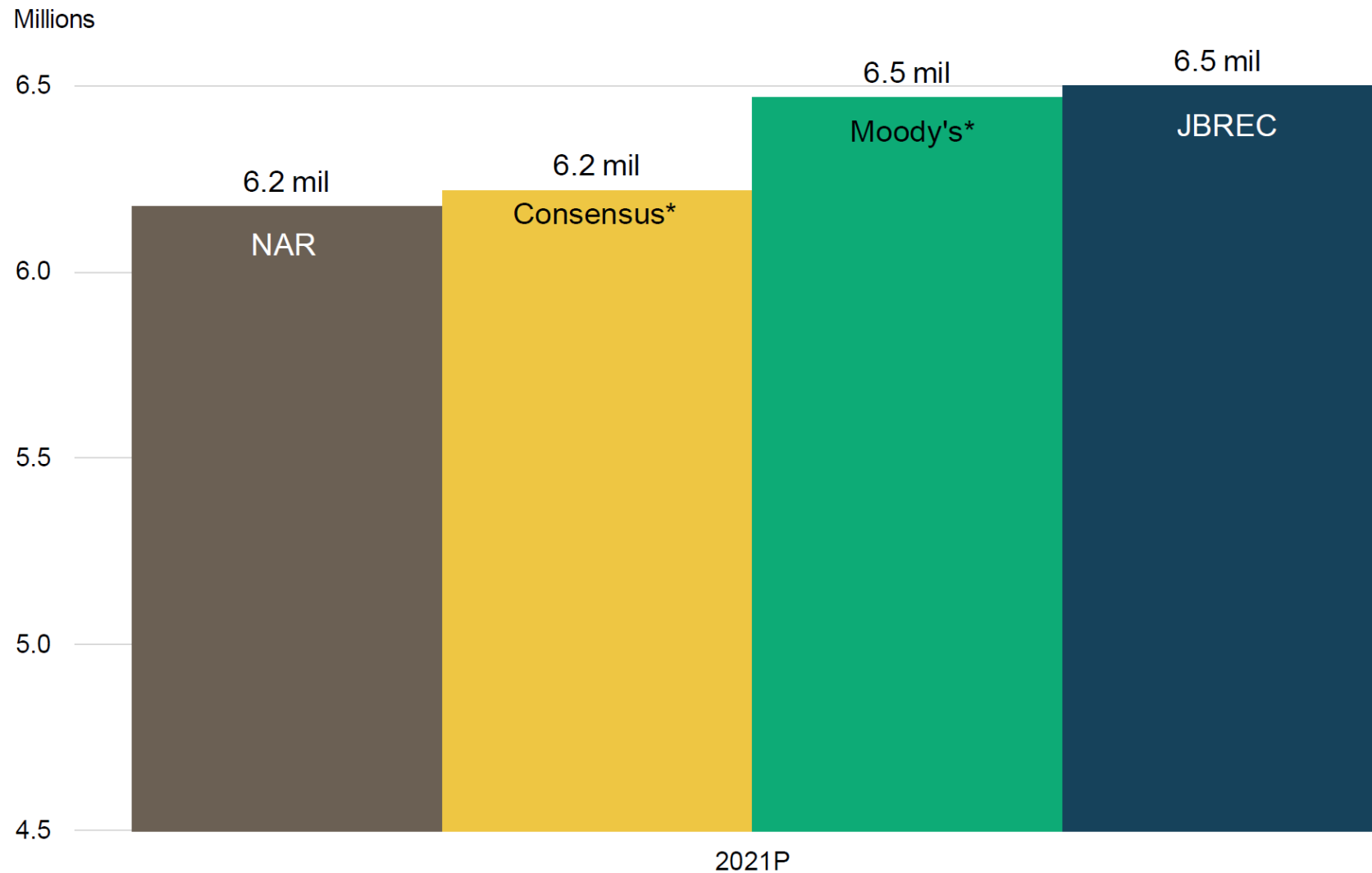
JBREC May 2021 Outlook

	2016	2017	2018	2019	2020	Current	2021P	2022P	2023P	2024P
New home sales (single-family) ¹	561K	613K	617K	683K	822K	1.02M	915K	1.02M	1.09M	1.03M
% GROWTH =	+12%	+9%	+1%	+11%	+20%	+67%	+11%	+11%	+7%	-6%
New Home Price Appreciation, Net	--	--	--	--	--	--	+16.1%	+6.8%	+3.9%	+0.5%
Single-family permits ¹	751K	820K	855K	862K	979K	1.20M	1.11M	1.23M	1.32M	1.25M
% GROWTH =	+8%	+9%	+4%	+1%	+14%	+36%	+13%	+11%	+7%	-6%
Multifamily permits ¹	456K	462K	473K	524K	492K	559K	520K	550K	580K	510K
% GROWTH =	-6%	+1%	+2%	+11%	-6%	+18%	+6%	+6%	+5%	-12%
TOTAL PERMITS ¹	1.21M	1.28M	1.33M	1.39M	1.47M	1.76M	1.63M	1.78M	1.90M	1.76M
% GROWTH =	+2%	+6%	+4%	+4%	+6%	+30%	+11%	+9%	+7%	-8%
Single-family housing starts ¹	782K	849K	876K	888K	991K	1.24M	1.16M	1.29M	1.38M	1.30M
% GROWTH =	+9%	+9%	+3%	+1%	+12%	+41%	+17%	+12%	+7%	-6%
Multifamily housing starts ¹	392K	354K	374K	402K	389K	501K	400K	435K	465K	410K
% GROWTH =	-1%	-10%	+6%	+8%	-3%	+29%	+3%	+9%	+7%	-12%
TOTAL HOUSING STARTS ¹	1.17M	1.20M	1.25M	1.29M	1.38M	1.74M	1.56M	1.73M	1.85M	1.71M
% GROWTH =	+6%	+2%	+4%	+3%	+7%	+37%	+13%	+11%	+7%	-7%
Existing home sales closings ¹	5.44M	5.53M	5.34M	5.33M	5.66M	6.01M	6.50M	6.70M	6.90M	7.00M
% GROWTH =	+4%	+2%	-3%	0%	+6%	+12%	+15%	+3%	+3%	+1%

Source: John Burns Real Estate Consulting, LLC

JBREC Forecast 6.5M Resale Closings in 2021

JBREC vs. Moody's and NAR

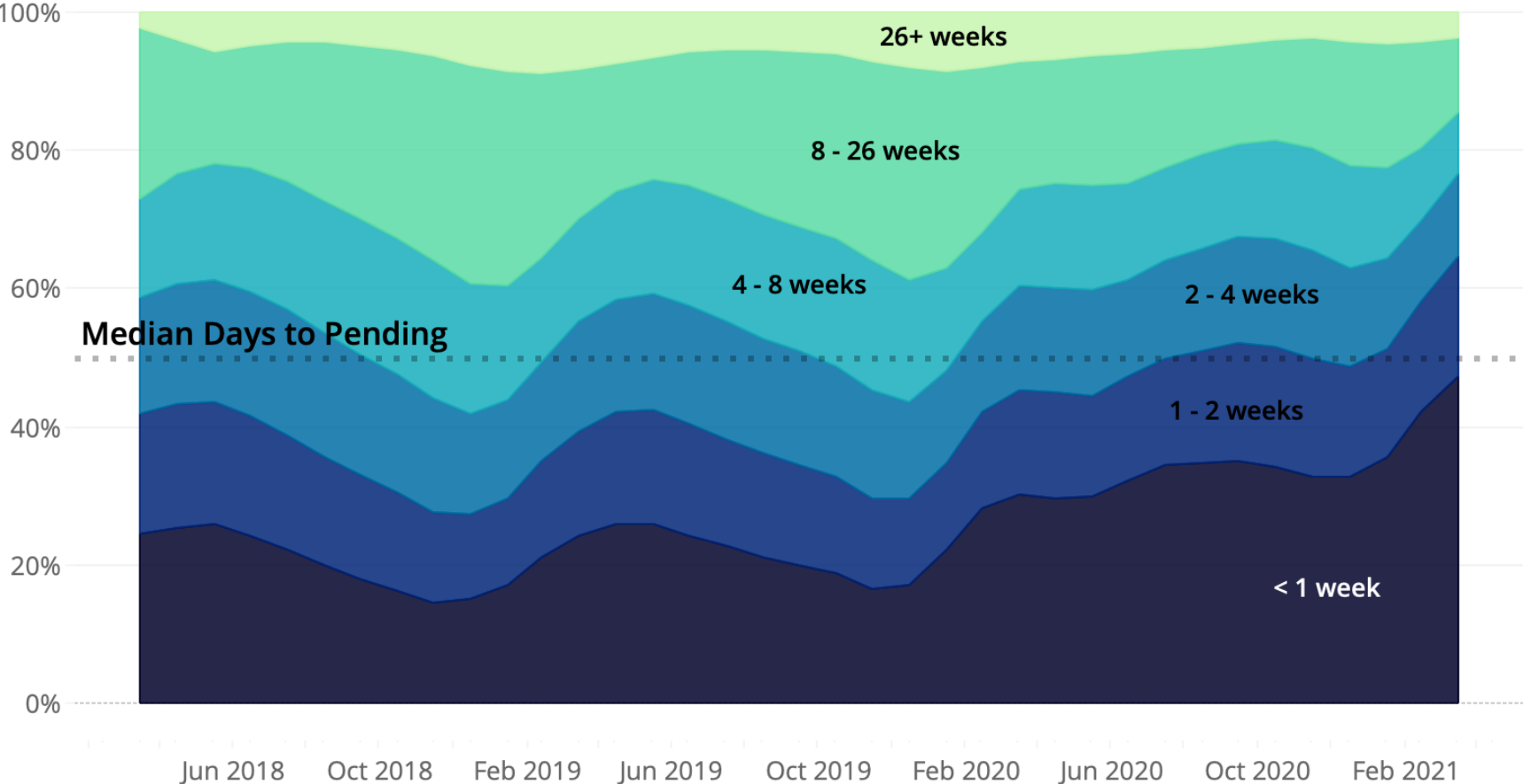


*Numerous banks and industry groups

Sources: Moody's; Census; ©2020 National Association of REALTORS®; John Burns Real Estate Consulting, LLC (Pub: May-21)

Inman News Reports Zillow Statistics

Nearly half of homes go under contract in less than one week
Share of homes selling within time frame



Source: Zillow, Inman 5-21-2021

Will Open Houses Create Inventory in LA County?

...and possibly calm the frenzied nature of the Buyer's pool..

Jeremy McGinnis

....not right away, but I do feel inventory will increase this Summer.

Fran Hughes

....sellers want to avoid the zoo of finding a replacement property. Contractors very busy updating and expanding properties. Many are going on vacation now and in the coming months.

Susan Jacobs

If I was selling my home why would I let people off the streets into my home. I'd only want preapproved vetted serious buyers coming in. And we're not done with the pandemic yet so that's another reason why open houses in my opinion are a bad idea.

Jimmy Martinez

it is definitely helpful in terms of getting buyers into properties without having to be there! I have enjoyed the control of requiring pre-approvals and PEADS for access as it weeds out the nosey neighbors and looky-Lou.

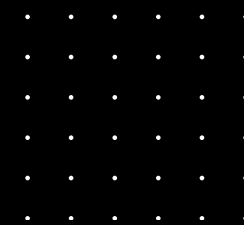
Jan Emamian

I don't see how open houses will generate more sellers ie: listings. I believe more listings will come once interest rates increase and we have less buyers.

Michele Downing

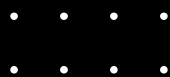
our current thinking is that Open Houses do not uncover new sellers. New sellers will show up when they discover an exit strategy.

Jim Walberg



Thank You

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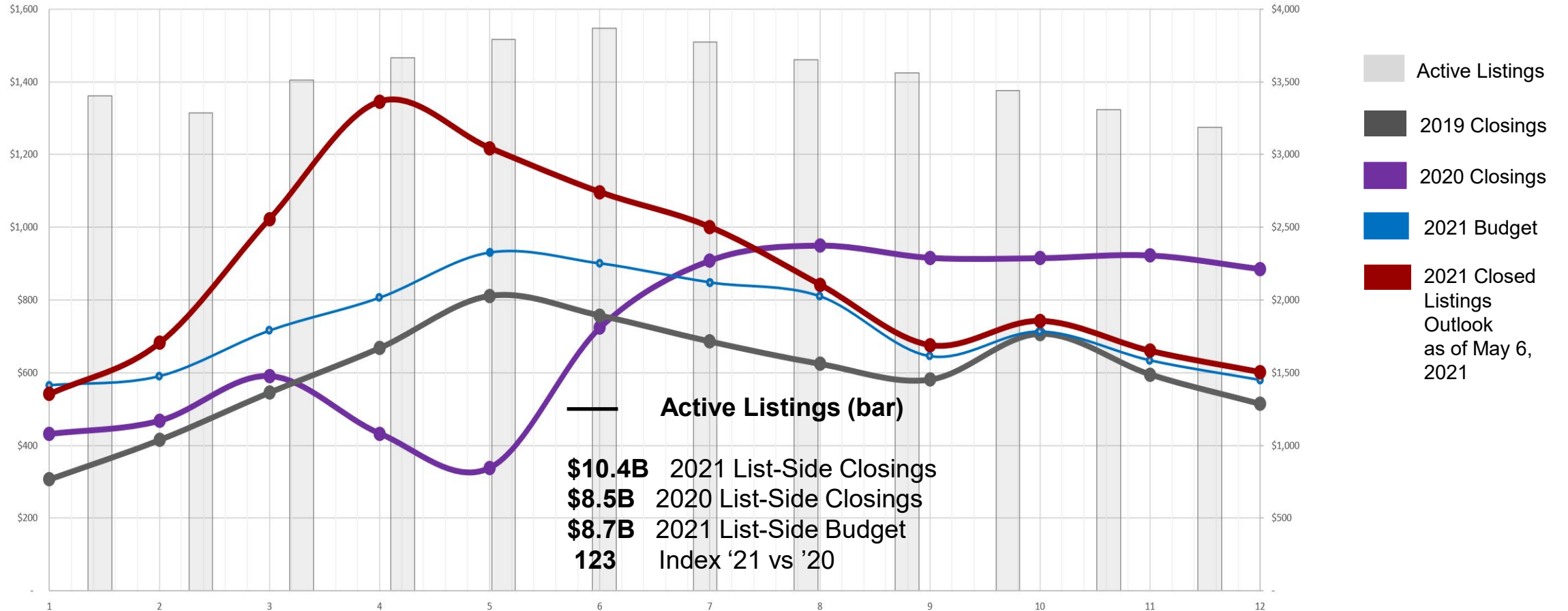


Curves – The Path Forward

May 11 Version

List-Side Closings \$M

List-Side Inventory \$M



Assumptions

- Sales continue momentum in Q1-Q2 and then slow down in Q3-Q4, reverting to normal seasonality level.
- Closed Listing Index vs LY: **May 283, Jun 144**

Takeaways

- **2021 will be an exceptional year, 123 v LY**
- Q1: 151 v LY | Q2: 245 v LY | Q3: 91 v LY | Q4: 74 v LY