



# CALIFORNIA ECONOMIC UPDATE

ISSUE 59

JANUARY 2020

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## Policy Impacting Real Estate

Since 1995 my passion has been to figure out what is next for the real estate market of California. When I began, there was no blueprint. My original idea was to find someone who had already developed a methodology of telling in advance where California prices were heading.



Back in 1995, there were no computers to quickly do research. I went to a library and used microfilm, looking up anything written about real estate prices from 1970-1995. What I found was a repetitive theme.

The articles were always about very short-term projections and never about turning points where prices would abruptly change directions.

About that time, I had been reading a book written by called “The Buy and Hold Strategy” by David Schumacher. In that book, he said something that caught my attention. He said it would be easier to “appraise” the value of real estate a decade out than year by year.

So, in 1995, I began to research how to appraise the value of California real estate years out.

Without an existing road map, I had to create charts of every category of real estate I thought might impact prices. Many sets of those charts eventually did not make the cut. Someone once wisely said, “I know you know much more than what you have written in your reports.” That was true. Not only did I understand the categories that mattered to price movement in California, but I also understood the ones that did not.

The original report came out in January 1997. Aaron was not around at the time, so the report looked pretty average appearance-wise, but the research and conclusions were solid. They say timing is everything. I was very fortunate to come out with a report on the exact year the California market would turn and make a tremendous bull run in price.

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*Please forward all questions or comments to [aaron@thenorrisgroup.com](mailto:aaron@thenorrisgroup.com).*



In 1997, the title, *The California Comeback, Why Real Estate Prices Will Double in The Next Eight Years*, certainly attracted attention. California was coming off six declining years in price. People were ready for some good news but also had every reason to be skeptical. For a timing report to be valuable, it better inform you of what’s next, not what just happened.

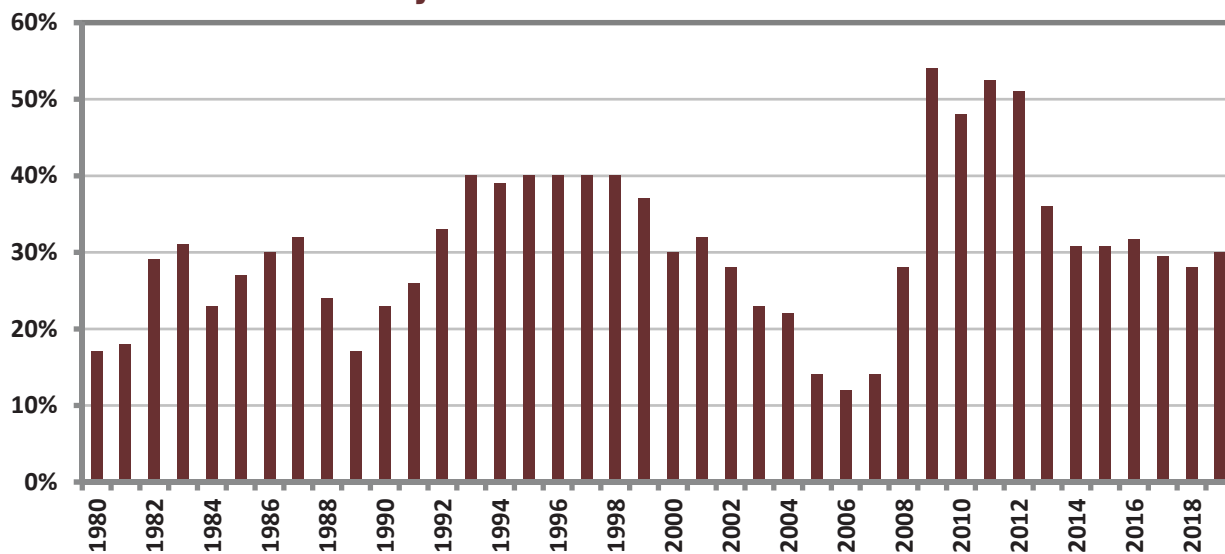
California went on this ridiculous price run, tripling in price from about \$180,000 to over \$560,000. What caused prices to triple were policy decisions having to do with lending. I realized that understanding real estate stats was not enough. I now had to pay attention to policy decisions that could skew real estate markets and create excesses not easily predictable.

In 2006, we wrote a report called the *California Crash*. I realized the numbers had gotten out of control, but I still did not realize why. That answer came in 2007 when I interviewed a lender in front of a large group of investors. I asked this question, “Stated income loans...where does that number come from?” Without batting an eye and in front of hundreds of people, the answer was. “We just make it up!”

That’s when I realized policy decisions can trump any real estate statistic.

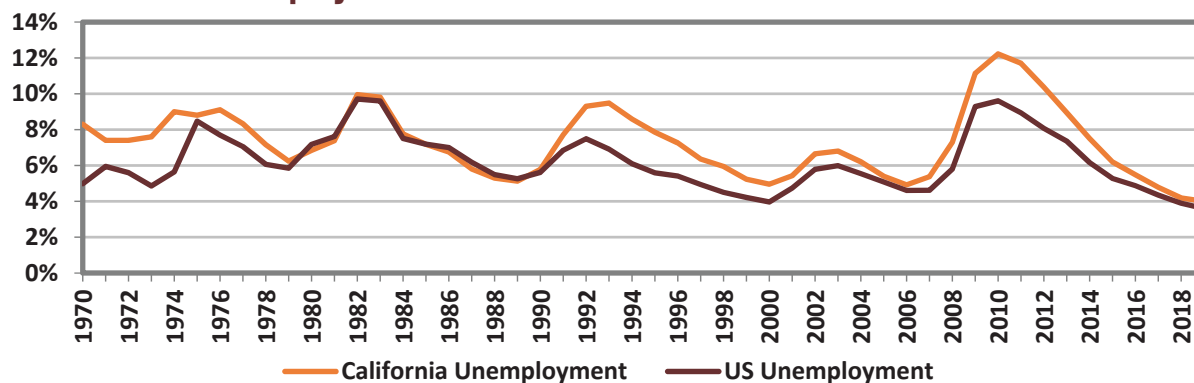
In 2019, real estate prices in California went up about 2% with the most positive set of charts I’ve ever seen. There are usually very predictable patterns that occur when you have the following charts.

**0.1 California Affordability**



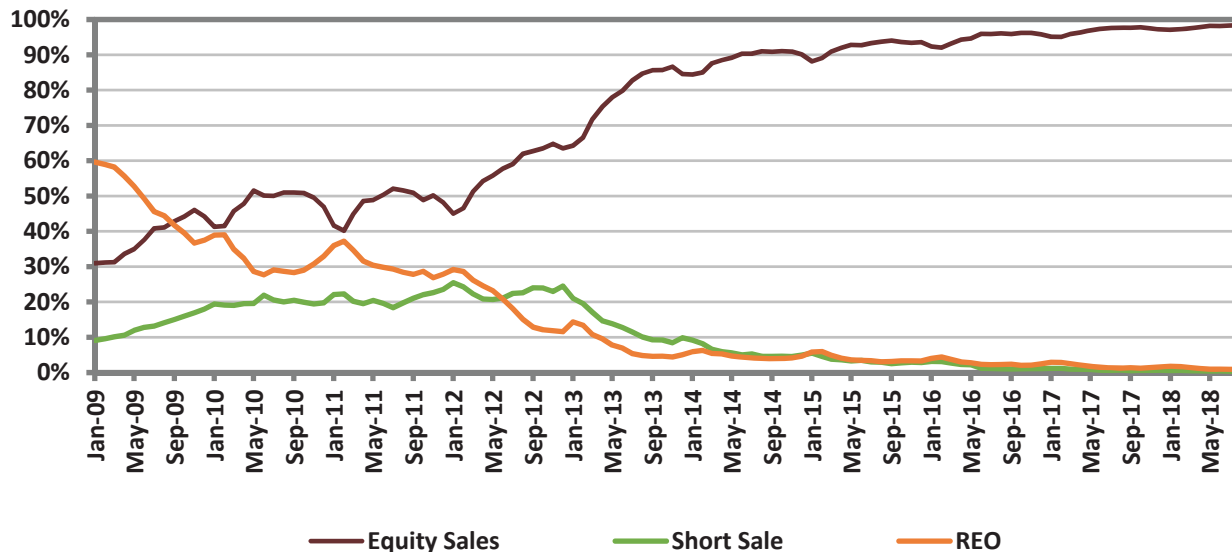
Source: California Association of Realtors.

**0.2 Historic Unemployment for US and California**



Source: Bureau of Labor Statistics.

### 0.3 California Inventory Mix



Source: California Association of Realtors.

Those three charts have spurred the following results in the past:

- Double-digit gains in median price
- The building of single-family homes explodes
- Home sales explode

None of those things occurred in California real estate in 2019 and will likely not happen in 2020 either. Why is it different this time?

In our 2019 report, *California Real Estate: On Borrowed Time*, I attempted to explain why the California market was not doing what it normally did. The last sentence of the report was:

“I’m actually searching for the answer as I write this. No one category jumps off the page. Maybe it’s an accumulation of negative that’s taking its toll. The best word to describe the California real estate market is fragile.”



The title to our 2020 report is, *Turmoil: The Coming Storm of Change(s)*. In the next 12 months, we will be going through an impeachment process and an election of a president. I expect this to be the most polarized year America has had in many decades. In a time when we need our elected leaders to put on their “I’m an American first hat,” they all have their partisan hats on.

On February 1, we’ll be talking about the future of California and our country. There are things that America needs to do in the next few years that are vitally important to our national interest and security. We simply have to get serious about this and cannot place second as a nation in numerous categories.

To accomplish this, we need our government representatives to set a goal similar to when JFK said “We are going to the MOON!” To accomplish this, we have to stop getting in our own way and all push in the same direction.

America has some tremendous challenges but also an incredible amount of brilliant people. We need to establish and implement the concept created by Ray Dalio called idea meritocracy. We need to be able to put all of America’s brilliant minds together about the categories we need to solve and let the top priority be making the best decision for America!

I believe we can still do that. I’m not sure what it will take, but I experienced that knowing we could accomplish anything moment once in Angel Stadium. It was shortly after 9/11. We had season tickets to the Angel games. Before every game, they played the

national anthem, and everyone dutifully stood up.

When they played the national anthem right after 9/11, something magical happened! Forty-five thousand people stood up and sung the nation anthem. At the same time, a fleet of U.S. fighter jets buzzed the stadium. I looked around and for the first time thought, we realize we all Americans and that’s the only thing that matters at this moment!

Turmoil is avoidable. We must return to the spirit we had after 9/11. Do we have the will to do that again? I’m betting we still can. The alternative will be turmoil. And that turmoil will trump any real estate chart for a long time.

# TURMOIL

## The Coming Storm of Change(s)

### WHEN

Sat., February 1st  
8:00am Registration  
8:30am-5pm Event

### WHERE

Riverside Convention Center  
3637 5th Street  
Riverside, CA 92501

REGISTER AT [THENORRISGROUP.COM](http://THENORRISGROUP.COM)

## 2020: The Year of the ADU

*Appeared on Forbes.com December of 2020.*

Accessory dwelling units (ADUs) should get a new lease on life in 2020 due to a heavy push for affordable housing perfectly timed with state regulation and advancements in construction technology.

The ADU housing approach is a fast and creative way to address affordable housing. ADUs, which have been around for years, go by a variety of names: casitas, pool homes, in-law suites, granny flats, guest houses and secondary dwelling units, among them.

They are getting more attention amid the housing crisis as a way to leverage existing city infrastructure preventing urban sprawl and costly system expansions. Construction of ADUs creates jobs as well as additional tax revenue. And since ADUs are typically smaller than a traditional home, they are less costly to build. With so many wins, why haven't ADUs gone viral?

### **NIMBYs, BANANAs and local government**

Developers have another name for NIMBYs, or the not-in-my-backyard crowds: they're BANANAs. The build-absolutely-nothing-anywhere-near-anything movement is real, loud, costly and frustrating for states attempting to address affordable housing. When affordable housing projects land at a city, unhappy citizens protest the elected officials they put in office and projects get nixed.

But, NIMBYs can't take all the credit. Berkeley's Turner Center for Housing Innovation produced a report, "Residential Impact Fees in California," and found some cities in California were charging upward of \$50,000 in impact fees for accessory dwelling units. This is particularly troublesome since ADUs range from 350-1,200 square feet and are placed on existing sites with existing infrastructure. Exorbitant impact, park, utility and school fees are just a few ways cities are stifling the



ADU movement in California which has been pushing ADUs since 2017.

In October, the city of Los Angeles released findings on its \$1.2 billion affordable housing bond (Proposition HHH) showing since 2016, of the 6,000 housing units in process, the average per unit cost is over \$500,000. The mouth-dropping cost combined with news of a 16% increase in LA's homeless population to 36,000 means LA – and other California cities – need other options.

October 2019 was one for the ADU history books. California Gov. Gavin Newsom signed 18 real estate related bills – including five on ADUs – making good on his promise to address California's serious lack of construction and shortage of affordable housing.

### **Local control stripped for ADUs**

California's handful of bills addressing ADU issues were far reaching and took away local control from city governments, effectively eliminating NIMBY push back.

Updates necessitate that cities standardize size requirements, update set back rules, approve permits within 60 days, clarify parking rules and launch a five-year owner-occupancy moratorium. It also drastically cuts impact fees. The goal is to make ADUs cheaper, faster and easier to get through the building-approval process.

Since the state is allowing and recommending ADUs count toward affordable housing numbers – which only a small fraction of cities in California are meeting – we can expect to measure the impact starting in 2021 after a year of tracking ADU numbers.

Thankfully, two technology trends are gaining traction that will address two key issues for the ADU market: skilled labor shortages and construction costs.



*Converted garage in Los Angeles into a one-bedroom ADU around 500 square feet. View from the back door of main house. DOSSIER CAPITAL*

## Prefab Construction and 3D Printing expand ADU options

According to the NAHB/Wells Fargo Housing Market Index in 2019, the cost and availability of skilled labor was one of the top challenges builders faced in 2018 and expected to face in 2019. It will likely receive top billing again in 2020. That's where prefab construction comes in.

Not to be confused with manufactured homes, prefabricated homes are also built in an indoor plant and shipped and erected on site, however, they fall under the same code as stick-build homes. The smaller size of ADUs fits in perfectly with prefab manufacturing and companies are taking notice, including the likes of Amazon.

Amazon announced an investment into Plant Prefab via the Alexa Fund in 2018. Plant Prefab positions itself as a fully integrated design and custom manufacturing firm able to design, build and install the prefab home of your dreams. From the 406 square foot AD1 model to the affordable multifamily Nest model (not to be confused with Alphabet's Nest brand), Plant Prefab is making waves in the affordable housing space.

Other prefab manufacturers are also targeting the ADU market including prefabADU, Abodu and California Modulars to name a few.

Prefab manufacturers will get additional competition via 3D printed homes in the next few years. Apis Cor, Mighty Buildings, Haus.me and ICON are just a handful of 3D printed home manufacturers. A select few are specifically targeting the affordable housing space.

In 2018, ICON built a 350 square foot home in 48 hours with the printed structure costing \$10,000. ICON's stated goal is getting that cost to \$4,000. Apis Cor alerted Facebook followers in October to expect news on affordable housing projects in California and Louisiana. They've partnered with the Housing Trust Fund of Santa Barbara County to create a one-story affordable home prototype.

## Where Technology Meets Need

Prefabricated and 3D printed home technology are gaining momentum at a time when skilled labor and affordable housing shortages are forcing state legislators to look at all options. If California successfully pushes ADUs into the mainstream, other states will follow. 2020 will likely be the year of the ADU.



## County Data

One of the formulas we created to detect a peak price for the California housing market was calculating the likely “peak payment” for each county.

The variables are that rising interest rates would make the peak price less; lower interest rates would push the price higher. We also had to calculate income gains and adjust accordingly.

Our peak-payment comparison year for each county is the first quarter 2005. At that time, California stood at 17% affordability and we consider that a repetitive low affordability for a cycle.

Can that change? Yes! In 2006, affordability got down to 12% due to extremely loose lending policies. In 2020, we have 31% affordability as a state.

Most of these counties will show we still have a healthy upside in price gains possible. However, these gains could be mitigated if things change.

We will cover each county on the webinar.

## iBuyers

iBuyers continue to expand throughout California. Over 1,800 homes have been purchased by iBuyers since they started buying here in late 2016.

This quarter, Zillow expanded purchase operations in San Diego and Sacramento. Offerpad has a new relationship with Opendoor and has wound down most of their direct purchase activity. Overall, iBuyer activity was slower in the 4th quarter.

You’ll notice we are missing sales data for iBuyers by region. We want to spend this week auditing the numbers to make sure we capture 2019 well. We will feature it in the *Turmoil* book and place in the portal for subscribers after February 1st.

If anyone has information on Keller Williams or Realogy and their programs, please contact me. From agents we’ve heard there’s been talk of launching the programs but no sales have been spotted.



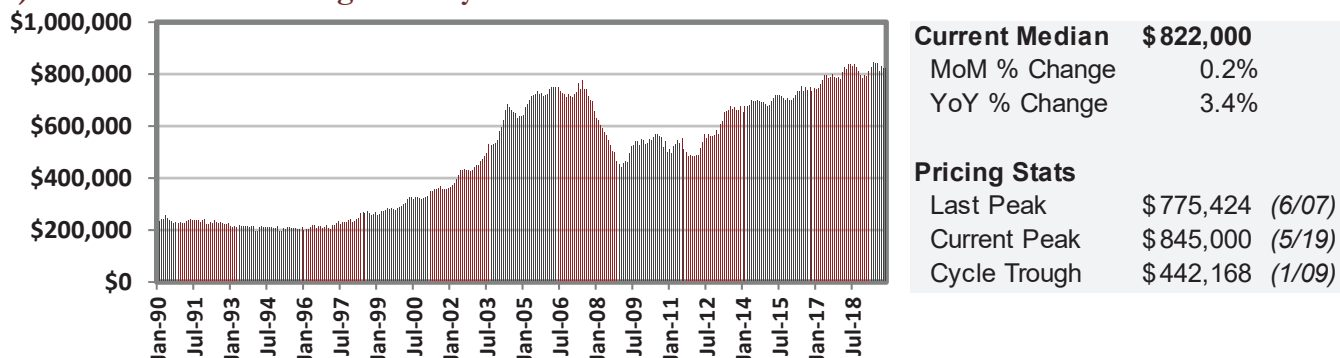
### Orange County Potential Price Increases

- Assume median income at peak in 2005
- Peak price was \$775,424 due to aggressive lending, assume \$697,798 max price and max payment \$3,299.
- In 2018, update to increase max payment to \$3,892 to reflect increase in median household income (\$593)

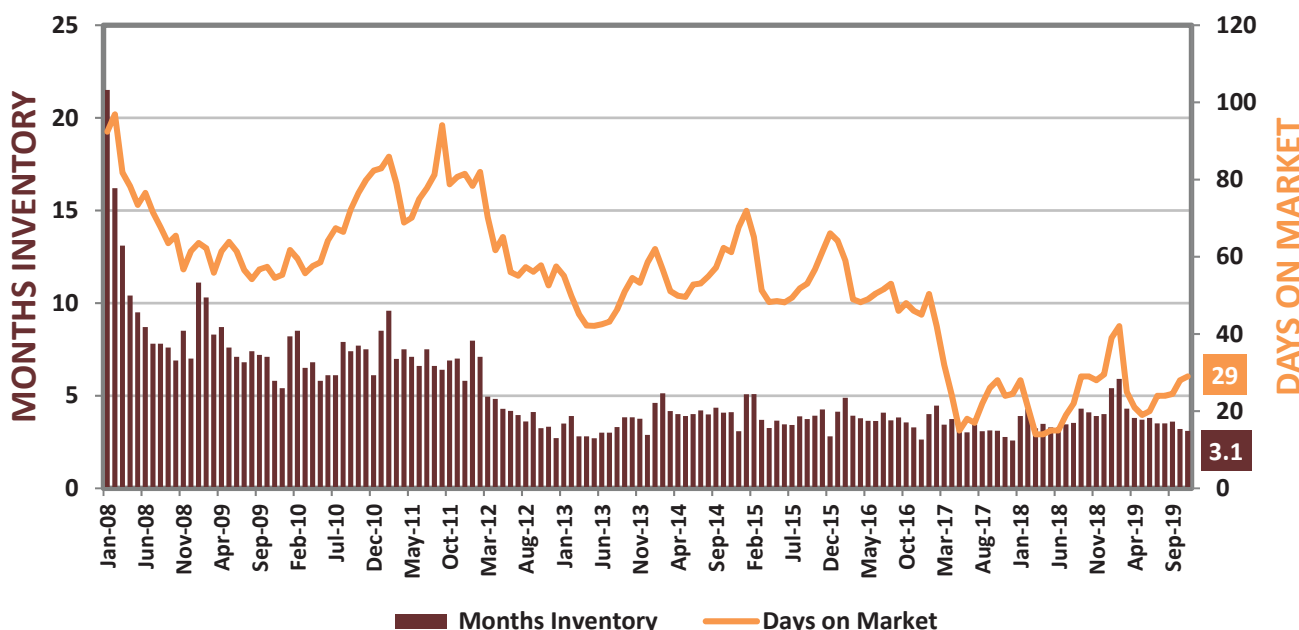
	Peak	Jan-2015	Nov-2019
Price	\$ 697,798	\$ 692,390	\$ 822,000
80% loan	\$ 558,238	\$ 553,912	\$ 657,600
Mortgage Payment (PI)	\$ 3,299	\$ 2,644	\$ 3,530

	3%	4%	5%	6%
Median Price	\$ 1,153,926	\$ 1,019,029	\$ 906,260	\$ 811,441
80% of Median Price	\$ 923,141	\$ 815,223	\$ 725,008	\$ 649,153
Mortgage Payment (PI)	\$ 3,892	\$ 3,892	\$ 3,892	\$ 3,892
Potential Upside if Interest Rates Remain at Interest Rate Listed	40.4%	24.0%	10.3%	-1.3%

#### 1) Median Price – Orange County



#### 2) Unsold Inventory and Time-On-Market Stats – Orange County



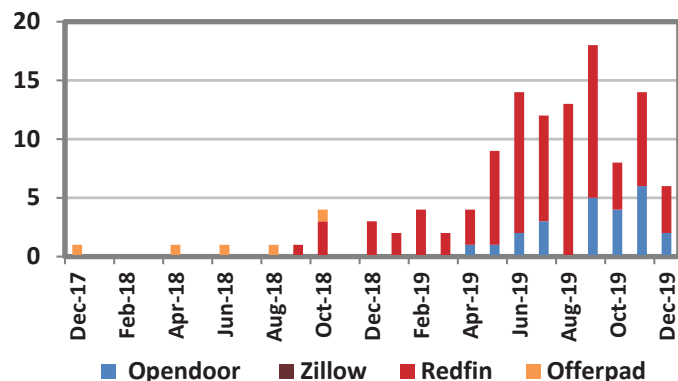
Source: California Association of Realtors, The Norris Group.



## Orange County iBuyer

OpenDoor	Min	Max	Average
Age	1953	2017	1972
Size	642	1,899	1,329
Lot Size	-	10,800	3,701
Beds	1	4	2.8
Baths	1	3	2.2
Price	\$ 281,000	\$ 739,000	\$ 535,917
Hold	71	114	87
Profit	\$ 9,000	\$ 12,500	\$ 11,000

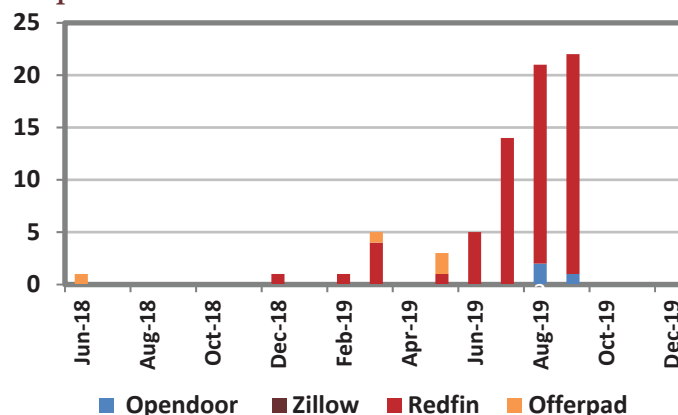
10 CND  
13 SFR  
**24**  
4/25/19



Zillow	Min	Max	Average
Age			
Size			
Lot Size			
Beds			
Baths			
Price			
Hold			
Profit			

0 CND  
0 SFR  
**0**

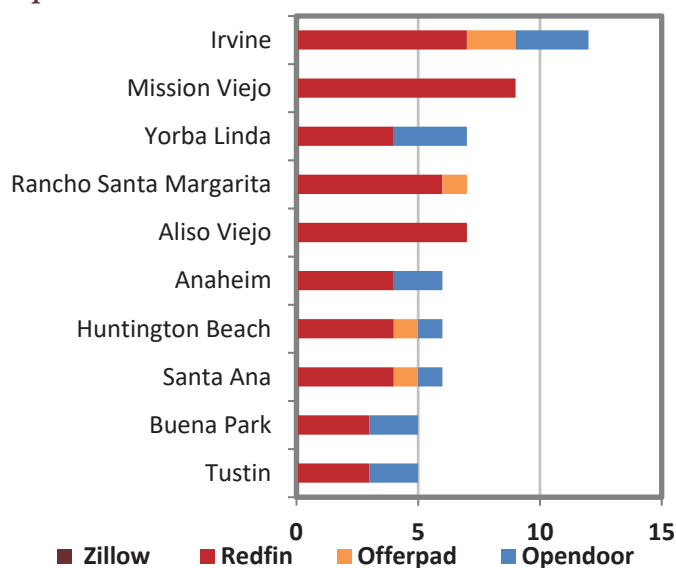
### Properties Sold



Redfin	Min	Max	Average
Age	1956	2016	1983
Size	531	3,223	1,627
Lot Size	-	12,823	4,816
Beds	1	6	3.0
Baths	1	4	2.5
Price	\$ 331,500	\$ 957,000	\$ 630,787
Hold	28	207	92
Profit	\$ (42,500)	\$ 160,000	\$ 24,250

37 CND  
52 SFR  
**89**  
9/19/18

### Top Cities



Offerpad	Min	Max	Average
Age	1958	2000	1980
Size	928	1,593	1,299
Lot Size	6,720	8,439	7,580
Beds	2	3	2.4
Baths	1	3	2.2
Price	\$ 373,000	\$ 710,000	\$ 552,200
Hold	66	316	201
Profit	\$ (3,000)	\$ 85,000	\$ 38,000

3 CND  
2 SFR  
**5**  
12/15/17

Source: PropertyRadar, Public Data, Aaron Norris.



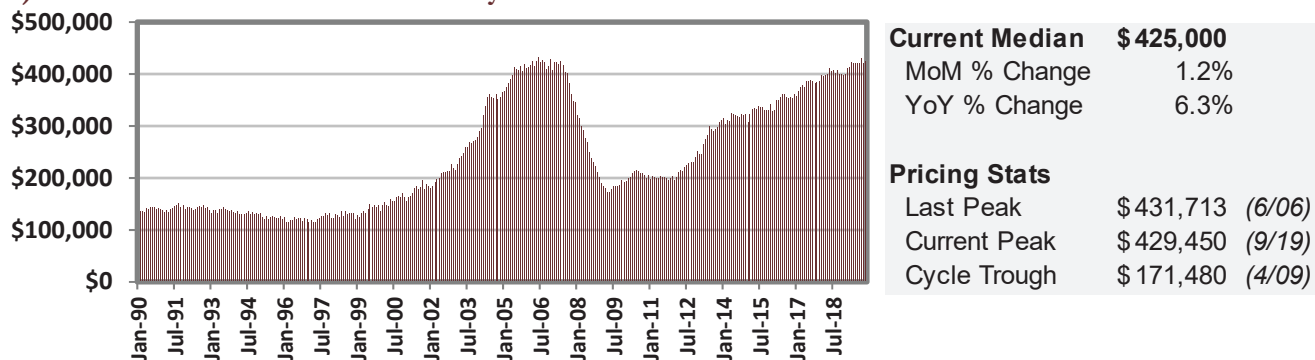
### Riverside County Potential Price Increases

- Assume median income at peak in 2005
- Peak price was \$431,713 due to aggressive lending, assume \$389,406 max price with goal max payment \$1,842
- In 2018, update to increase max payment to \$2,139 to reflect increase in median household income of \$297

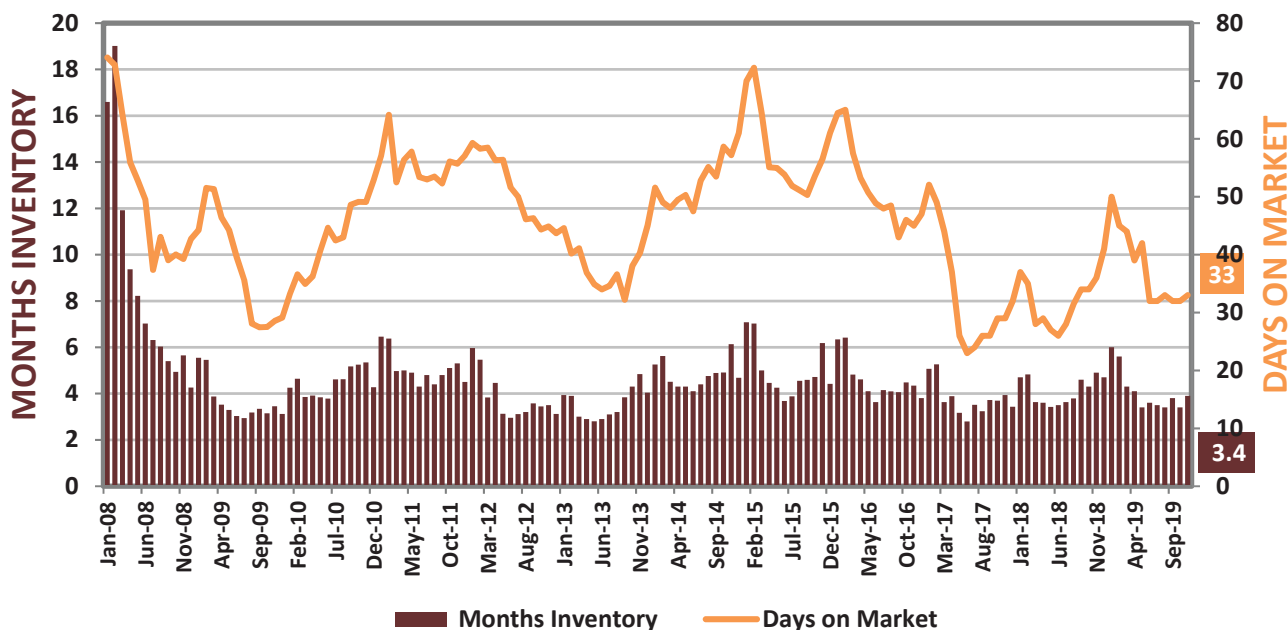
	Peak	Jan-2015	Nov-2019
Price	\$ 389,406	\$ 322,700	\$ 425,000
80% loan	\$ 311,525	\$ 258,160	\$ 340,000
Mortgage Payment (PI)	\$ 1,842	\$ 1,232	\$ 1,825

	3%	4%	5%	6%
Median Price	\$ 634,185	\$ 560,047	\$ 498,070	\$ 445,959
80% of Median Price	\$ 507,348	\$ 448,038	\$ 398,456	\$ 356,767
Mortgage Payment (PI)	\$ 2,139	\$ 2,139	\$ 2,139	\$ 2,139
Potential Upside if Interest Rates Remain at Interest Rate Listed	49.2%	31.8%	17.2%	4.9%

### 3) Median Price – Riverside County



### 4) Unsold Inventory and Time-On-Market Stats – Riverside County



Source: California Association of Realtors, The Norris Group.



## Riverside County iBuyer

OpenDoor	Min	Max	Average
<b>O</b>			
Age	1960	2017	1997
Size	650	4,115	2,111
Lot Size	436	20,909	7,334
Beds	1	7	3.7
Baths	1	5	2.7
Price	\$ 200,500	\$ 1,107,000	\$ 391,430
Hold	30	245	99
Profit	\$ (32,000)	\$ 434,000	\$ 15,995

15 CND  
272 SFR  
**287**  
11/5/18

Zillow	Min	Max	Average
<b>Z</b>			
Age	1952	2017	1997
Size	852	4,529	2,101
Lot Size	436	21,780	7,294
Bedrooms	1	6	3.5
Bathrooms	1	5	2.7
Price	\$ 217,000	\$ 932,000	\$ 425,392
Hold	34	105	76
Profit	\$ -	\$ 395,000	\$ 24,760

29 CND  
188 SFR  
**218**  
4/16/19

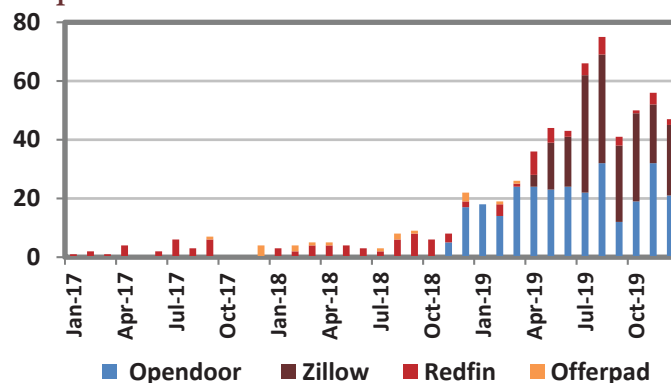
Redfin	Min	Max	Average
<b>R</b>			
Age	1960	2016	1997
Size	854	3,783	2,118
Lot Size	436	20,473	7,219
Beds	1	7	3.6
Baths	1	5	2.8
Price	\$ 91,682	\$ 906,000	\$ 386,152
Hold	33	216	96
Profit	\$ (35,000)	\$ 299,318	\$ 19,918

9 CND  
100 SFR  
**109**  
1/31/17

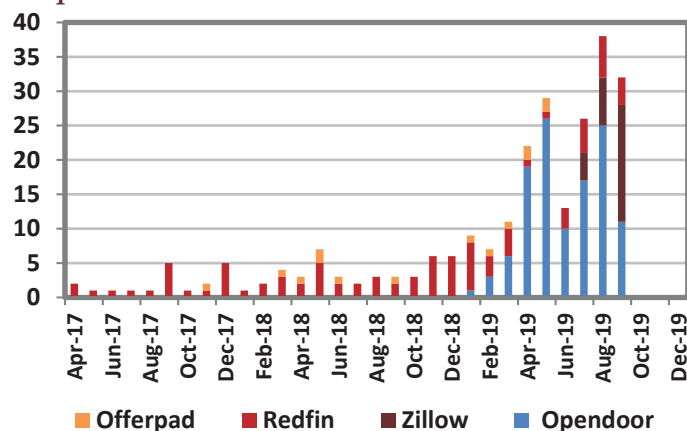
Offerpad	Min	Max	Average
<b>Offerpad.</b>			
Age	1950	2010	1987
Size	827	3,242	1,816
Lot Size	4,356	13,939	7,215
Beds	2	4	3.1
Baths	1	3	2.3
Price	\$ 118,500	\$ 546,500	\$ 329,879
Hold	63	378	127
Profit	\$ 6,000	\$ 74,500	\$ 46,540

2 CND  
16 SFR  
**18**  
9/6/17

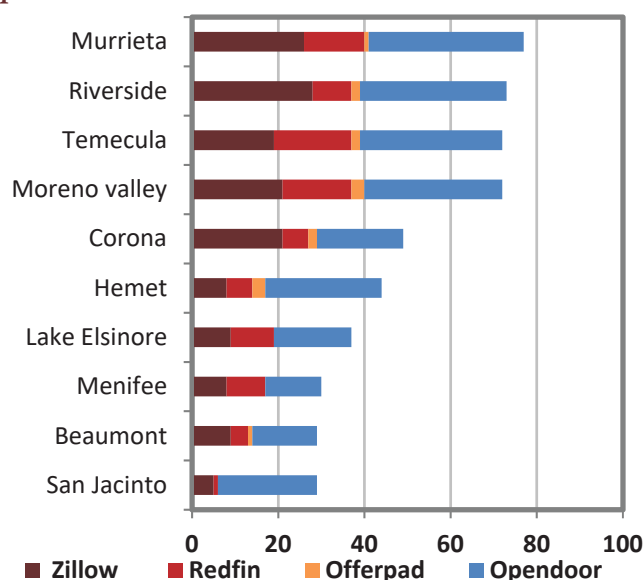
### Properties Purchase



### Properties Sold



### Top Cities



Source: PropertyRadar, Public Data, Aaron Norris.



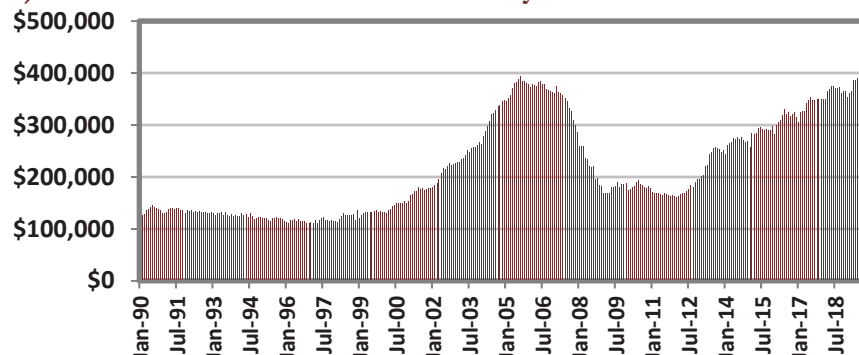
### Sacramento County Potential Price Increases

- Assume median income at peak in 2005
- Peak price was \$394,450 due to aggressive lending, assume \$369,765 max price with goal max payment \$1,750
- In 2018, update to increase max payment to \$2,051 to reflect increase in median household income of \$301

	Peak	Jan-2015	Nov-2019
Price	\$ 369,765	\$ 270,150	\$ 385,000
80% loan	\$ 295,812	\$ 216,120	\$ 308,000
Mortgage Payment (PI)	\$ 1,750	\$ 1,032	\$ 1,653

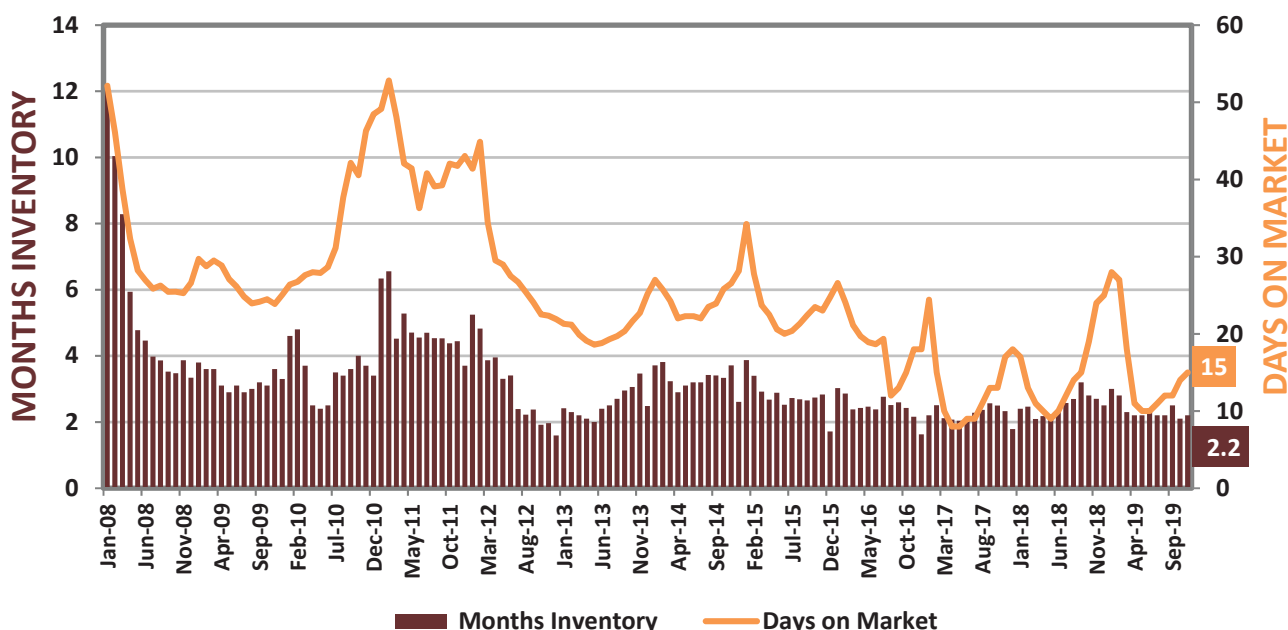
	3%	4%	5%	6%
Median Price	\$ 608,094	\$ 537,006	\$ 477,579	\$ 427,612
80% of Median Price	\$ 486,475	\$ 429,605	\$ 382,064	\$ 342,090
Mortgage Payment (PI)	\$ 2,051	\$ 2,051	\$ 2,051	\$ 2,051
Potential Upside if Interest Rates Remain at Interest Rate Listed	57.9%	39.5%	24.0%	11.1%

#### 5) Median Price – Sacramento County



<b>Current Median</b>	<b>\$ 385,000</b>
MoM % Change	0.0%
YoY % Change	5.5%
<b>Pricing Stats</b>	
Last Peak	\$ 394,450 (5/05)
Current Peak	\$ 390,000 (6/19)
Cycle Trough	\$ 161,080 (6/12)

#### 6) Unsold Inventory and Time-On-Market Stats – Sacramento County



Source: California Association of Realtors, The Norris Group.



### Sacramento County (Yolo/Placer) iBuyer

OpenDoor	Min	Max	Average
Age	1949	2018	1989
Size	768	4,235	1,727
Lot Size	820	43,560	6,698
Beds	1	6	3.4
Baths	1	6	2.2
Price	\$ 209,000	\$ 596,000	\$ 383,306
Hold	29	351	102
Profit	\$ (45,000)	\$ 59,000	\$ 8,272

9 CND  
356 SFR  
**365**  
5/31/17

Zillow	Min	Max	Average
Age	1984	2016	1998
Size	1,350	2,918	2,133
Lot Size	2,055	11,605	6,373
Bedrooms	3	5	3.7
Bathrooms	2	3	2.4
Price	\$ 300,000	\$ 599,000	\$ 438,150
Hold	0	0	#DIV/0!
Profit	\$ -	\$ -	#DIV/0!

0 CND  
10 SFR  
**10**  
10/31/19

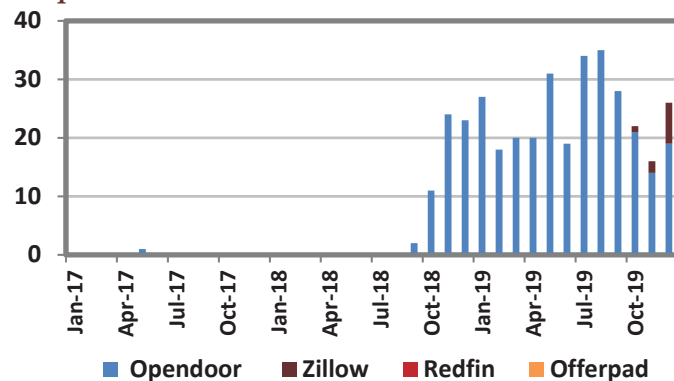
Redfin	Min	Max	Average
Age			
Size			
Lot Size			
Beds			
Baths			
Price			
Hold			
Profit			

0 CND  
0 SFR  
**0**  
1/0/00

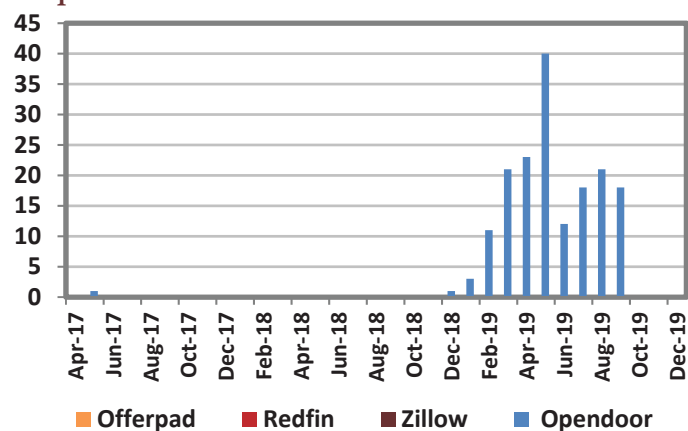
Offerpad	Min	Max	Average
Age			
Size			
Lot Size			
Beds			
Baths			
Price			
Hold			
Profit			

0 CND  
0 SFR  
**0**  
1/0/00

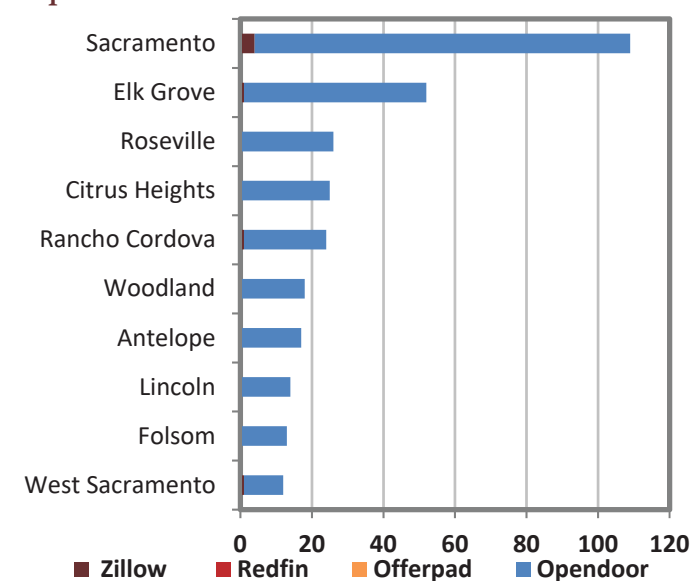
### Properties Purchase



### Properties Sold



### Top Cities



Source: PropertyRadar, Public Data, Aaron Norris.



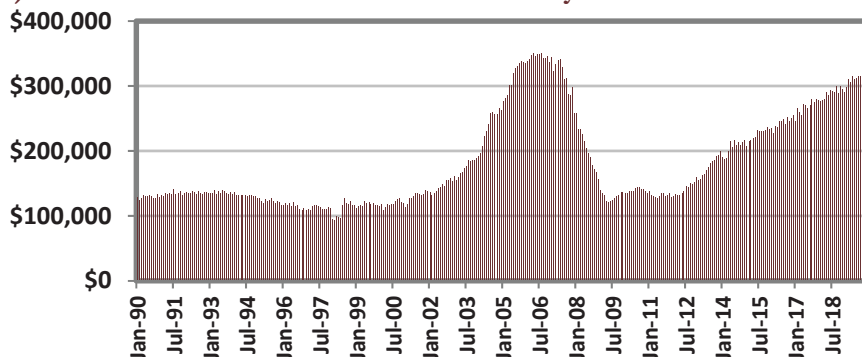
### San Bernardino County Potential Price Increases

- Assume median income at peak in 2005
- Peak price was \$350,288 due to aggressive lending, assume \$301,799 max price with goal max payment \$1,432
- In 2018, update to increase max payment to \$1,711 to reflect increase in median household income of \$279

	Peak	Jan-2015	Nov-2019
Price	\$ 301,799	\$ 208,080	\$ 315,000
80% loan	\$ 241,439	\$ 166,464	\$ 252,000
Mortgage Payment (PI)	\$ 1,432	\$ 795	\$ 1,353

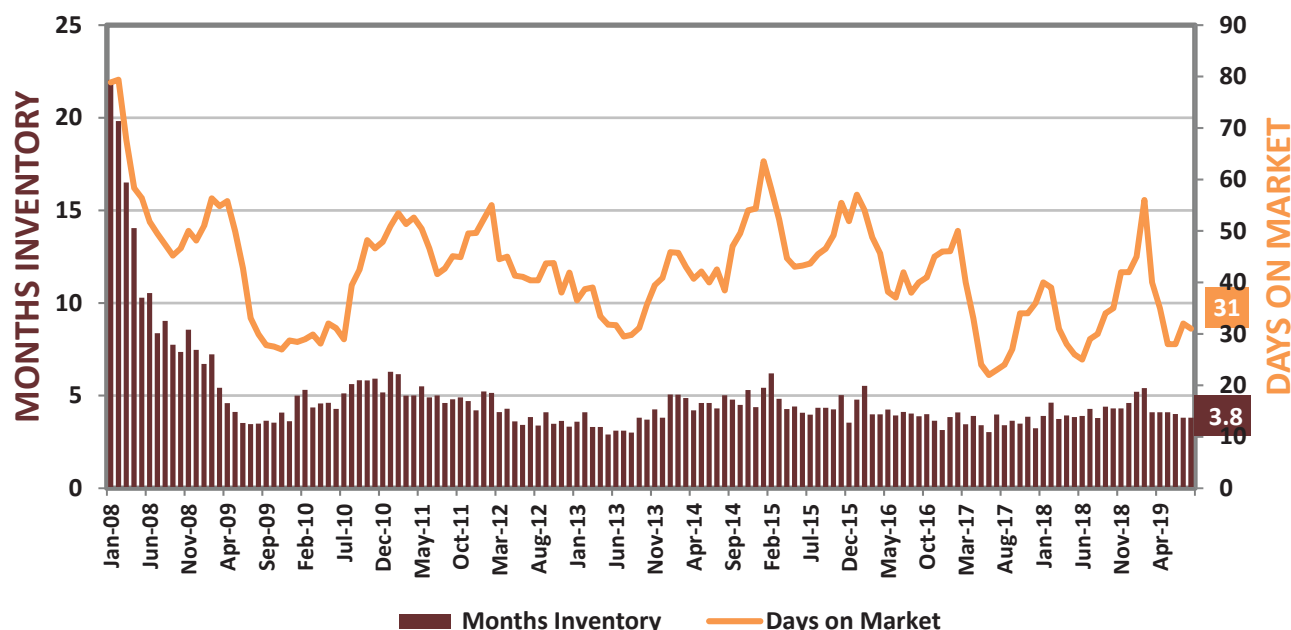
	3%	4%	5%	6%
Median Price	\$ 507,289	\$ 447,985	\$ 398,410	\$ 356,726
80% of Median Price	\$ 405,831	\$ 358,388	\$ 318,728	\$ 285,380
Mortgage Payment (PI)	\$ 1,711	\$ 1,711	\$ 1,711	\$ 1,711
Potential Upside if Interest Rates Remain at Interest Rate Listed	61.0%	42.2%	26.5%	13.2%

### 7) Median Price – San Bernardino County



<b>Current Median</b>	<b>\$ 315,000</b>
MoM % Change	-1.3%
YoY % Change	5.2%
<b>Pricing Stats</b>	
Last Peak	\$ 350,288 (8/06)
Current Peak	\$ 319,000 (10/19)
Cycle Trough	\$ 120,406 (5/09)

### 8) Unsold Inventory and Time-On-Market Stats – San Bernardino County



Source: California Association of Realtors, The Norris Group.



### San Bernardino County iBuyer

OpenDoor	Min	Max	Average
Age	1957	2017	1992
Size	884	3,738	1,795
Lot Size	672	18,436	6,358
Beds	1	5	3.4
Baths	1	4	2.4
Price	\$ 237,500	\$ 598,000	\$ 422,703
Hold	42	202	99
Profit	\$ (27,000)	\$ 48,000	\$ 12,672

18 CND  
115 SFR  
**133**  
11/15/18

Zillow	Min	Max	Average
Age	1953	2017	1992
Size	899	4,023	1,811
Lot Size	536	40,600	8,566
Bedrooms	2	5	3.4
Bathrooms	1	5	2.4
Price	\$ 208,000	\$ 675,000	\$ 376,130
Hold	42	97	72
Profit	\$ 3,000	\$ 22,000	\$ 11,467

13 CND  
64 SFR  
**77**  
4/8/19

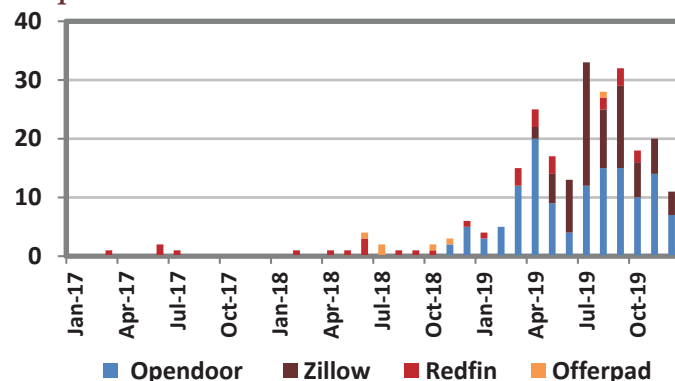
Redfin	Min	Max	Average
Age	1961	2015	1988
Size	999	2,443	1,600
Lot Size	999	10,873	6,268
Beds	2	4	3.2
Baths	2	3	2.3
Price	\$ 240,000	\$ 600,000	\$ 377,113
Hold	42	152	89
Profit	\$ 3,500	\$ 63,000	\$ 24,381

5 CND  
26 SFR  
**31**  
3/17/17

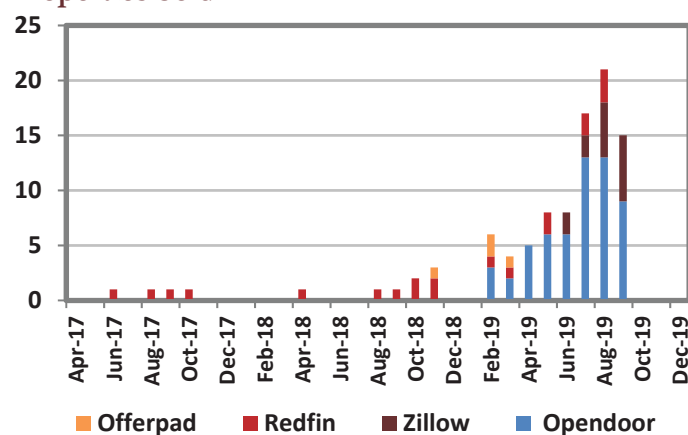
Offerpad	Min	Max	Average
Age	1905	2010	1955
Size	1,056	2,500	1,784
Lot Size	2,100	17,303	7,888
Beds	3	4	3.2
Baths	1	3.5	2.4
Price	\$ 295,000	\$ 630,000	\$ 410,917
Hold	105	257	179
Profit	\$ (35,000)	\$ 100,000	\$ 42,750

1 CND  
5 SFR  
**6**  
6/13/18

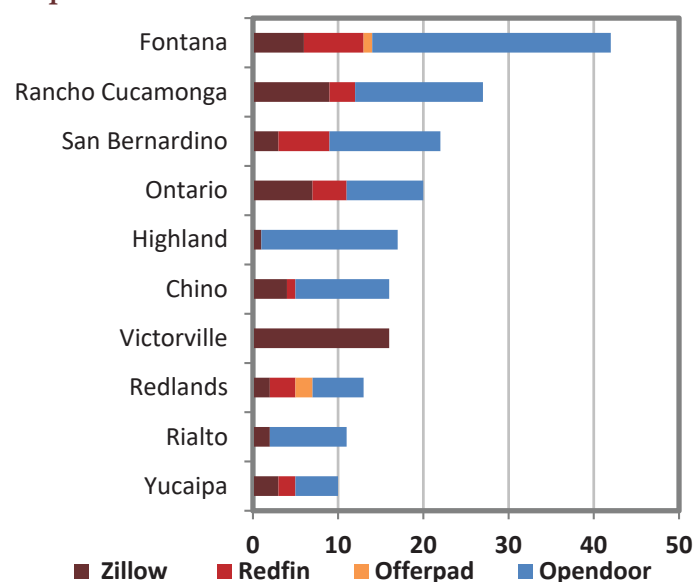
### Properties Purchase



### Properties Sold



### Top Cities



Source: PropertyRadar, Public Data, Aaron Norris.



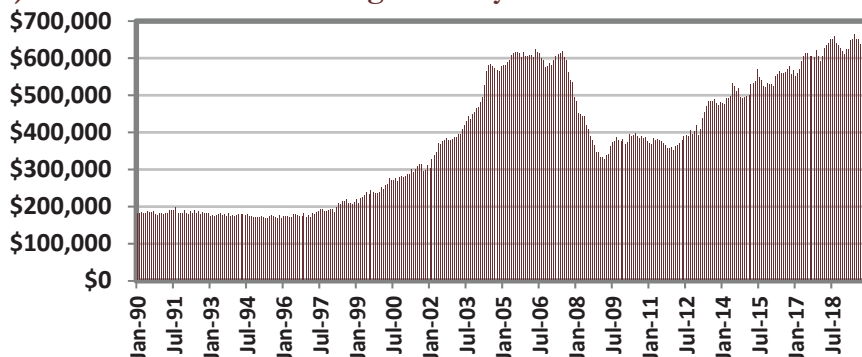
### San Diego County Potential Price Increases

- Assume median income at peak in 2005
- Peak price was \$622,378 due to aggressive lending, assume \$593,601 max price with goal max payment \$2,808
- In 2018, update to increase max payment to \$3,351 to reflect increase in median household income of \$543

	Peak	Jan-2015	Nov-2019
Price	\$ 593,601	\$ 493,000	\$ 650,000
80% loan	\$ 474,881	\$ 394,400	\$ 520,000
Mortgage Payment (PI)	\$ 2,808	\$ 1,883	\$ 2,791

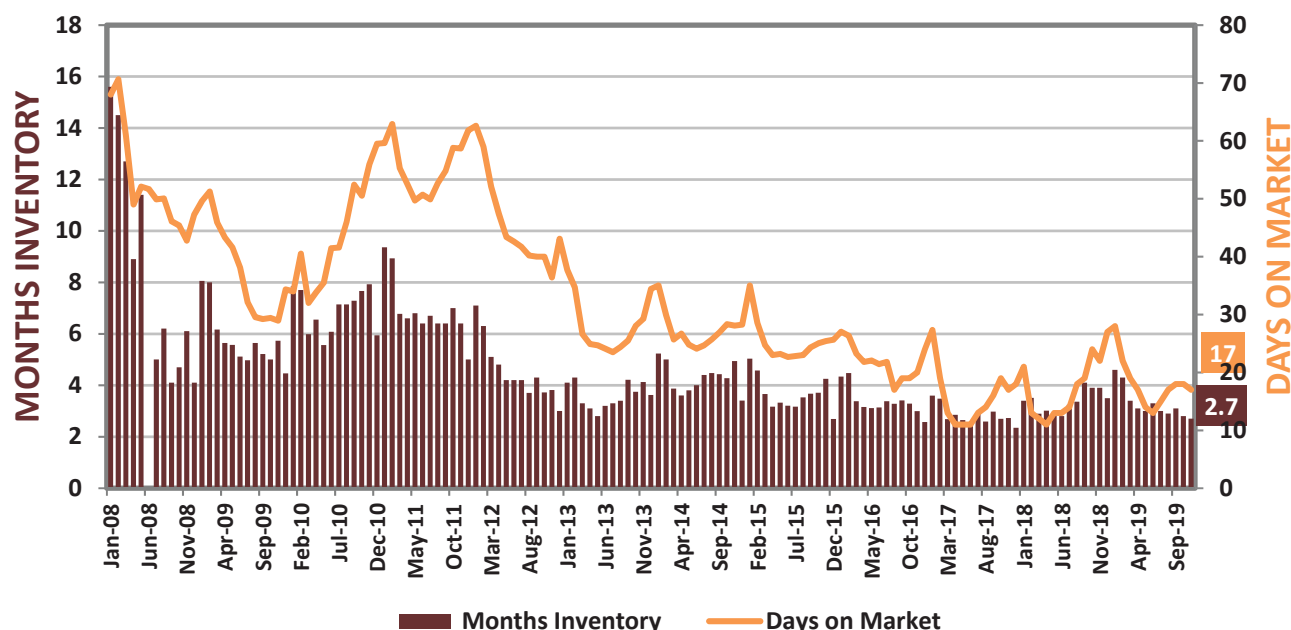
	3%	4%	5%	6%
Median Price	\$ 993,527	\$ 877,381	\$ 780,287	\$ 659,000
80% of Median Price	\$ 794,822	\$ 701,905	\$ 624,230	\$ 558,919
Mortgage Payment (PI)	\$ 3,351	\$ 3,351	\$ 3,351	\$ 3,351
Potential Upside if Interest Rates Remain at Interest Rate Listed	52.9%	35.0%	20.0%	1.4%

### 9) Median Price – San Diego County



<b>Current Median</b>	<b>\$ 659,000</b>
MoM % Change	1.1%
YoY % Change	5.3%
<b>Pricing Stats</b>	
Last Peak	\$ 622,378 (5/06)
Current Peak	\$ 665,000 (6/19)
Cycle Trough	\$ 326,832 (3/09)

### 10) Unsold Inventory and Time-On-Market Stats – San Diego County



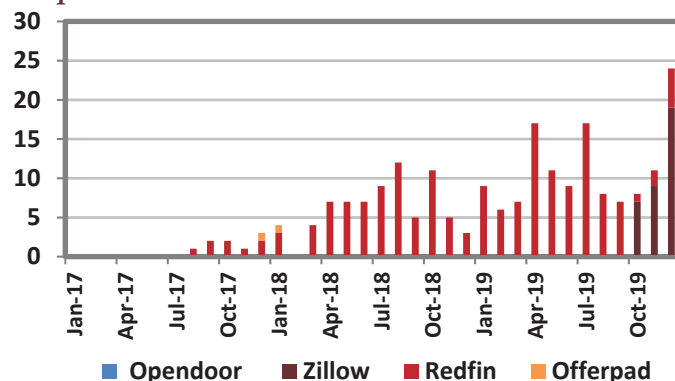
Source: California Association of Realtors, The Norris Group.



### San Diego County iBuyer

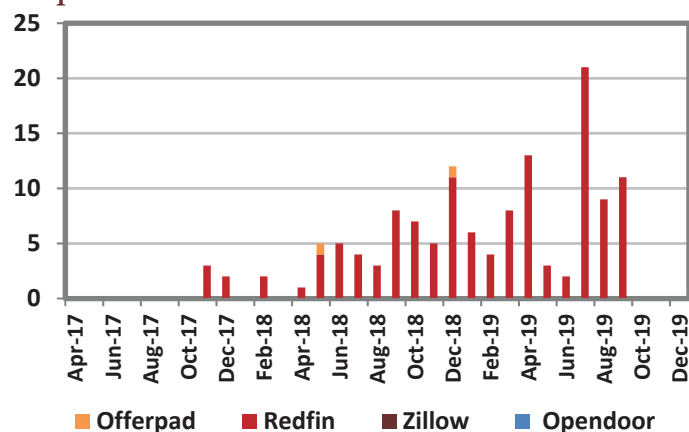
OpenDoor	Min	Max	Average
Age			
Size			
Lot Size			
Beds			
Baths			
Price			
Hold			
Profit			
0 CND			
0 SFR			
<b>0</b>			
1/0/00			

### Properties Purchase



Zillow	Min	Max	Average
Age	1965	2012	1988
Size	610	2,919	1,131
Lot Size	1,185	872,517	146,554
Bedrooms	1	4	2.0
Bathrooms	1	3	1.8
Price	\$ 278,000	\$ 850,000	\$ 441,671
Hold	0	0	#DIV/0!
Profit	\$ -	\$ -	#DIV/0!
30 CND			
5 SFR			
<b>35</b>			
10/16/19			

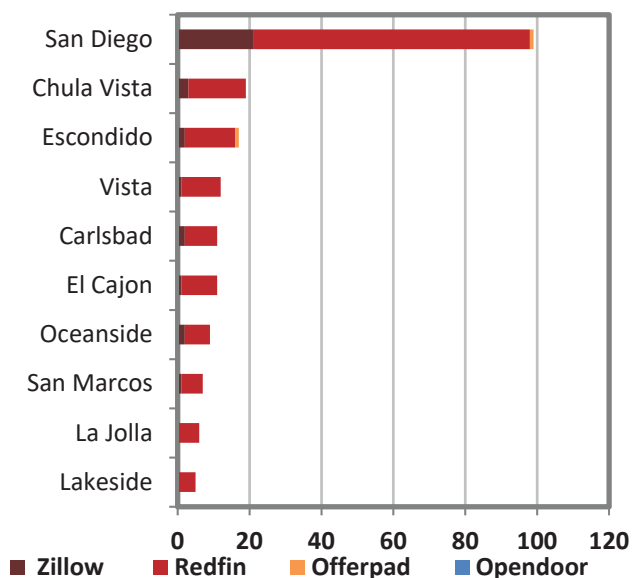
### Properties Sold



Redfin	Min	Max	Average
Age	1915	2018	1984
Size	496	2,944	1,422
Lot Size	1,681	393,302	33,544
Beds	0	5	2.7
Baths	1	4	2.1
Price	\$ 214,000	\$ 1,001,000	\$ 502,931
Hold	33	364	103
Profit	\$ (70,500)	\$ 113,000	\$ 16,201
98 CND			
82 SFR			
<b>180</b>			
8/17/17			

Offerpad	Min	Max	Average
Age	1960	1974	1967
Size	709	1,456	1,083
Lot Size	2,500	2,500	2,500
Beds	1	4	2.5
Baths	1	3	2.0
Price	\$ 150,000	\$ 564,000	\$ 357,000
Hold	124	303	214
Profit	\$ (5,000)	\$ 45,000	\$ 20,000
1 CND			
1 SFR			
<b>2</b>			
12/18/17			

### Top Cities



Source: PropertyRadar, Public Data, Aaron Norris.



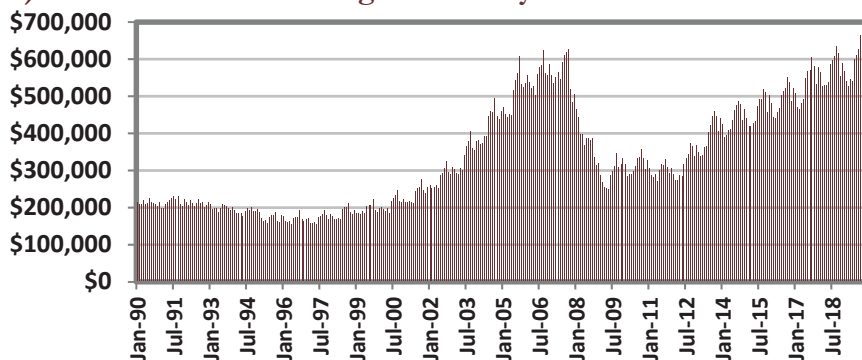
### Los Angeles County Potential Price Increases

- Assume median income at peak in 2005
- Peak price was \$625,812 due to aggressive lending. Going to use \$500,000 as max price with goal max payment \$2,365
- In 2018, update to increase max payment to \$2,858 to reflect increase in median household income of \$493

	Peak	Jan-2015	Nov-2019
Price	\$ 500,000	\$ 477,600	\$ 594,840
80% loan	\$ 400,000	\$ 382,080	\$ 475,872
Mortgage Payment (PI)	\$ 2,365	\$ 1,824	\$ 2,555

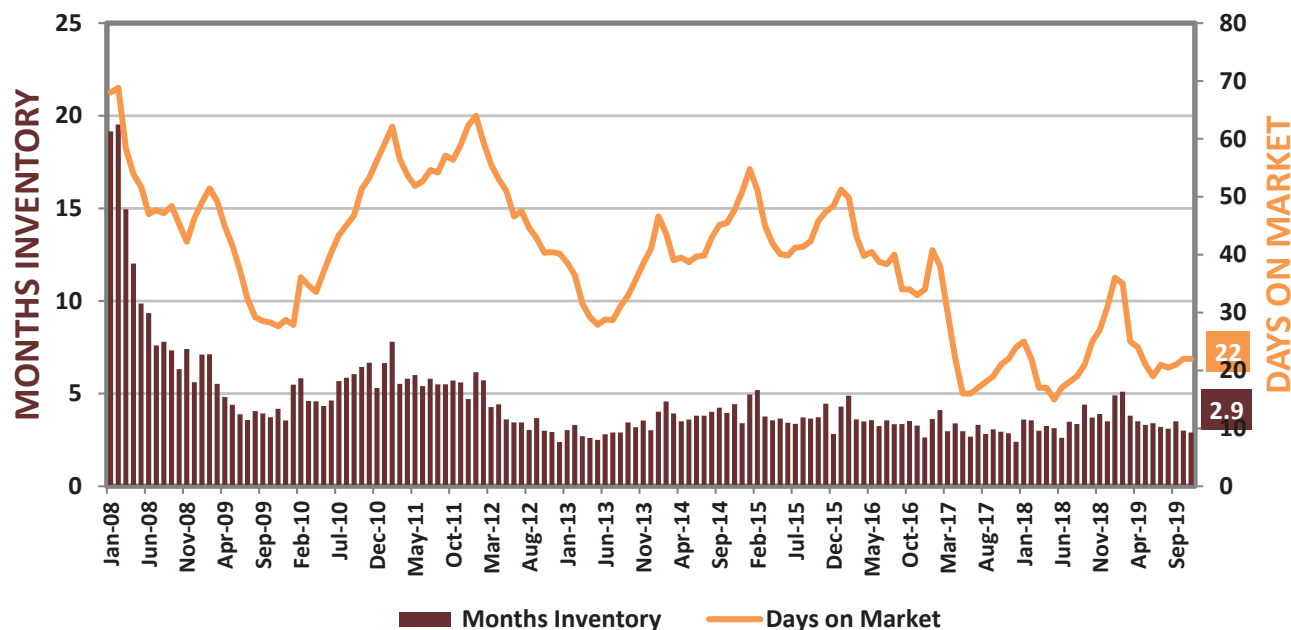
	3%	4%	5%	6%
Median Price	\$ 847,359	\$ 748,300	\$ 665,491	\$ 595,863
80% of Median Price	\$ 677,887	\$ 598,640	\$ 532,393	\$ 476,690
Mortgage Payment (PI)	\$ 2,858	\$ 2,858	\$ 2,858	\$ 2,858
Potential Upside if Interest Rates Remain at Interest Rate Listed	42.5%	25.8%	11.9%	0.2%

### 11) Median Price – Los Angeles County



<b>Current Median</b>	<b>\$594,840</b>
MoM % Change	-8.2%
YoY % Change	7.4%
<b>Pricing Stats</b>	
Last Peak	\$625,812 (9/07)
Current Peak	\$663,110 (9/19)
Cycle Trough	\$248,851 (5/09)

### 12) Unsold Inventory and Time-On-Market Stats – Los Angeles County



Source: California Association of Realtors, The Norris Group.



## Los Angeles County iBuyer

OpenDoor	Min	Max	Average
Age	1950	2016	1972
Size	942	2,702	1,373
Lot Size	1,549	826,239	60,502
Beds	2	4	2.8
Baths	1	3	2.1
Price	\$ 323,000	\$ 860,000	\$ 521,297
Hold	45	45	45
Profit	\$ 8,500	\$ 8,500	\$ 8,500

13 CND  
24 SFR  
**37**  
3/6/19

Zillow	Min	Max	Average
Age			
Size			
Lot Size			
Bedrooms			
Bathrooms			
Price			
Hold			
Profit			

0 CND  
0 SFR  
**0**  
1/0/00

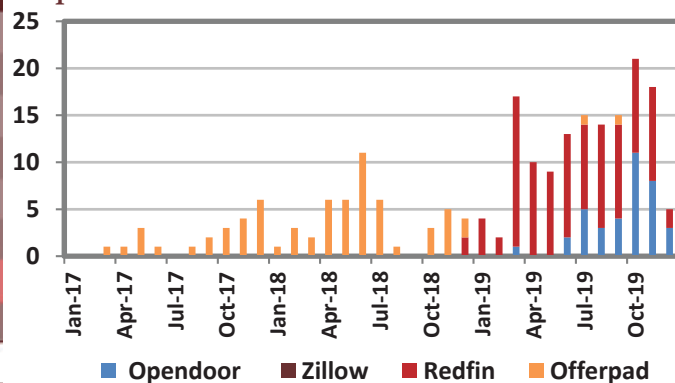
Redfin	Min	Max	Average
Age	1950	2016	1975
Size	684	3,251	1,500
Lot Size	807	595,676	33,706
Beds	1	6	2.9
Baths	1	4	2.3
Price	\$ 310,000	\$ 925,000	\$ 597,467
Hold	-43805	263	-23263
Profit	\$ (47,000)	\$ 201,000	\$ 32,856

46 CND  
60 SFR  
**106**  
12/27/18

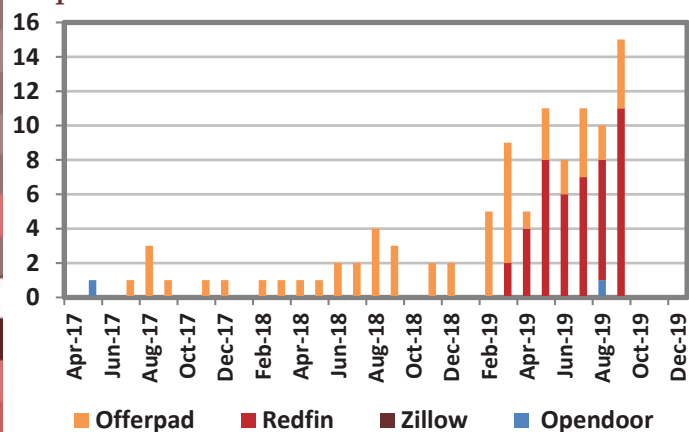
Offerpad	Min	Max	Average
Age	1921	2006	1956
Size	725	3,233	1,541
Lot Size	2,225	19,724	7,210
Beds	1	5	2.9
Baths	1	5	2.0
Price	\$ 210,000	\$ 968,000	\$ 600,239
Hold	87	503	246
Profit	\$ 38,000	\$ 485,000	\$ 173,907

21 CND  
48 SFR  
**69**  
3/17/17

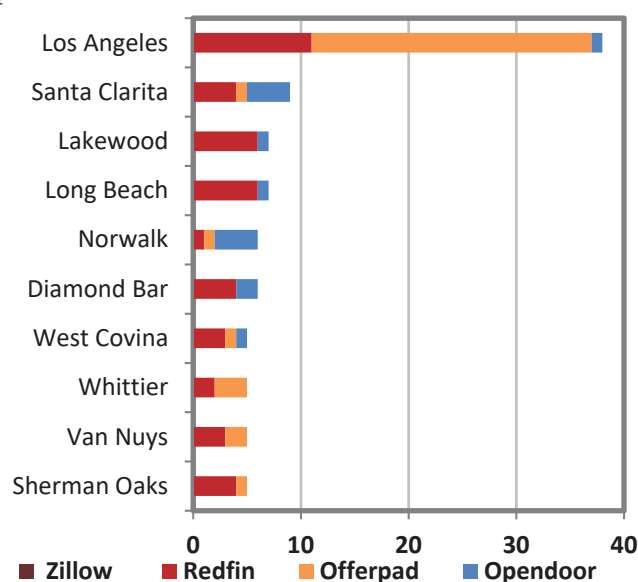
### Properties Purchase



### Properties Sold



### Top Cities



Source: PropertyRadar, Public Data, Aaron Norris.



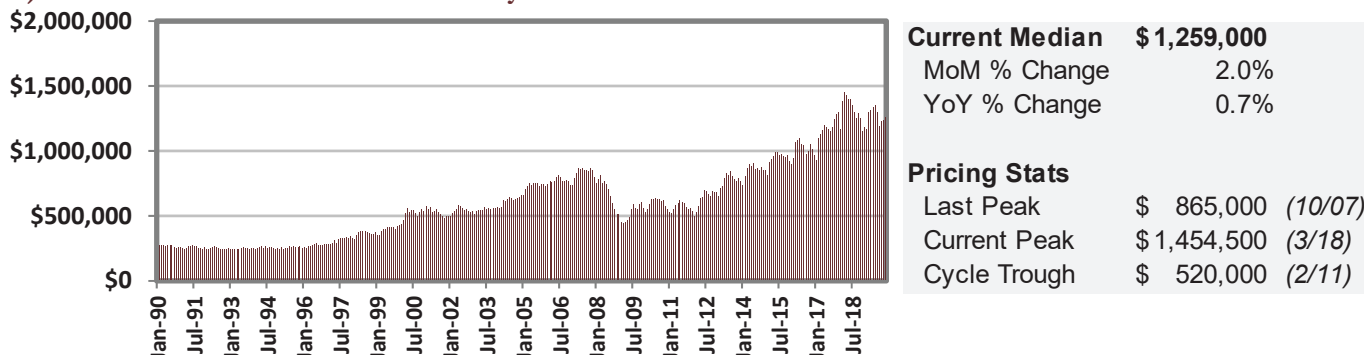
### Santa Clara County

- Assume median income at peak in 2005
- Peak price was \$865,000 due to aggressive lending, assume \$865,000 max price with goal max payment \$4,092
- In 2018, update to increase max payment to \$5,341 to reflect increase in median household income of \$1,249

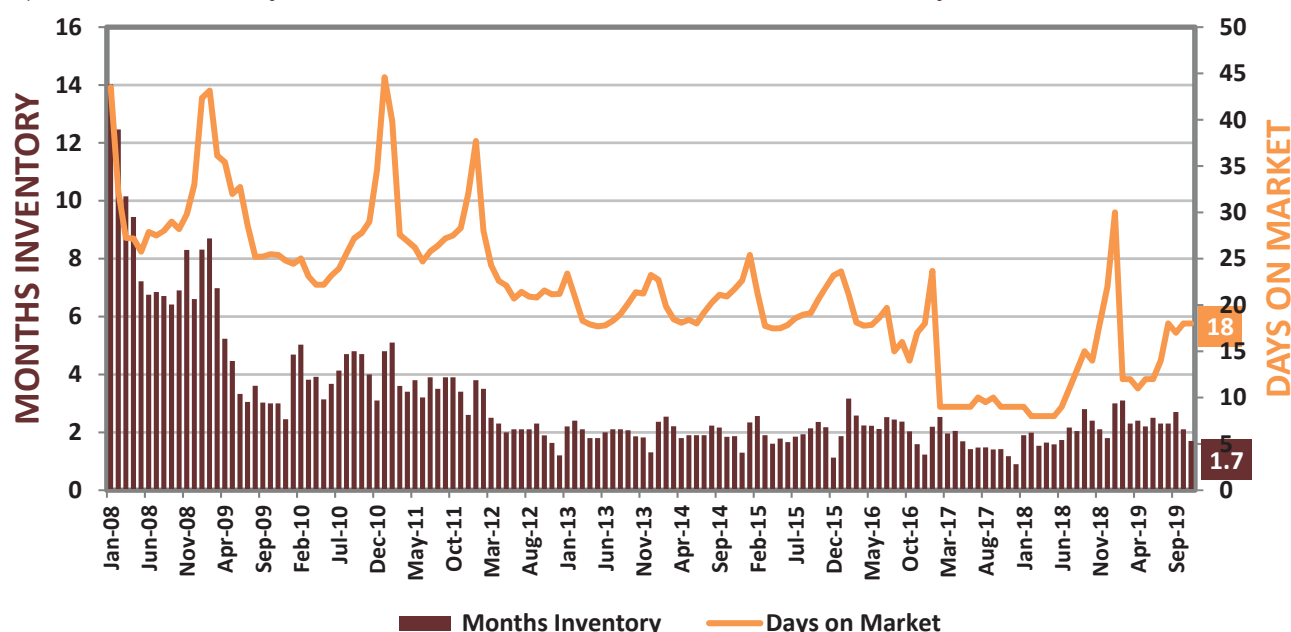
	Peak	2015	Nov-2019
Price	\$ 865,000	\$ 951,000	\$ 1,259,000
80% loan	\$ 692,000	\$ 760,800	\$ 1,007,200
Mortgage Payment (PI)	\$ 4,092	\$ 3,632	\$ 5,407

	3%	4%	5%	6%
Median Price	\$ 1,583,536	\$ 1,398,416	\$ 1,243,663	\$ 1,113,543
80% of Median Price	\$ 1,266,828	\$ 1,118,732	\$ 994,930	\$ 890,834
Mortgage Payment (PI)	\$ 5,341	\$ 5,341	\$ 5,341	\$ 5,341
Potential Upside if Interest Rates Remain at Interest Rate Listed	25.8%	11.1%	-1.2%	-11.6%

### 13) Median Price – Santa Clara County



### 14) Unsold Inventory and Time-On-Market Stats – Santa Clara County



Source: California Association of Realtors, The Norris Group.



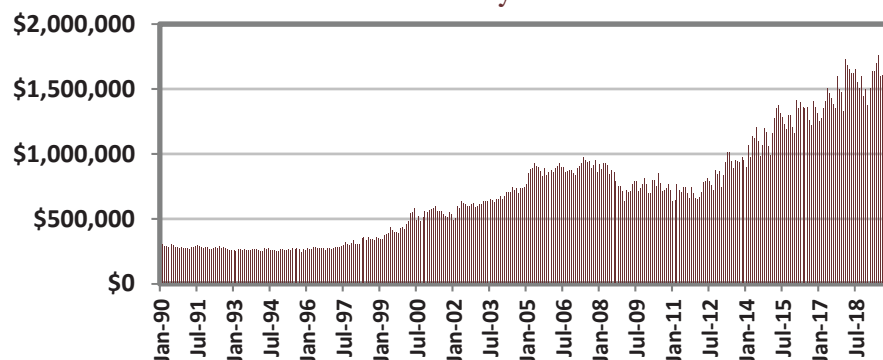
### San Francisco County

- Assume median income at peak in 2005
- Peak price was \$972,010 due to aggressive lending, assume \$972,010 max price with goal max payment \$4,598
- In 2018, update to increase max payment to \$6,263 to reflect increase in median household income of \$1,665

	Peak	2015	Nov-2019
Price	\$ 972,010	\$ 1,250,000	\$ 1,619,000
80% loan	\$ 777,608	\$ 1,000,000	\$ 1,295,200
Mortgage Payment (PI)	\$ 4,598	\$ 4,774	\$ 6,953

	3%	4%	5%	6%
Median Price	\$ 1,856,896	\$ 1,639,820	\$ 1,458,352	\$ 1,305,770
80% of Median Price	\$ 1,485,517	\$ 1,311,856	\$ 1,166,682	\$ 1,044,616
Mortgage Payment (PI)	\$ 6,263	\$ 6,263	\$ 6,263	\$ 6,263
Potential Upside if Interest Rates Remain at Interest Rate Listed	14.7%	1.3%	-9.9%	-19.3%

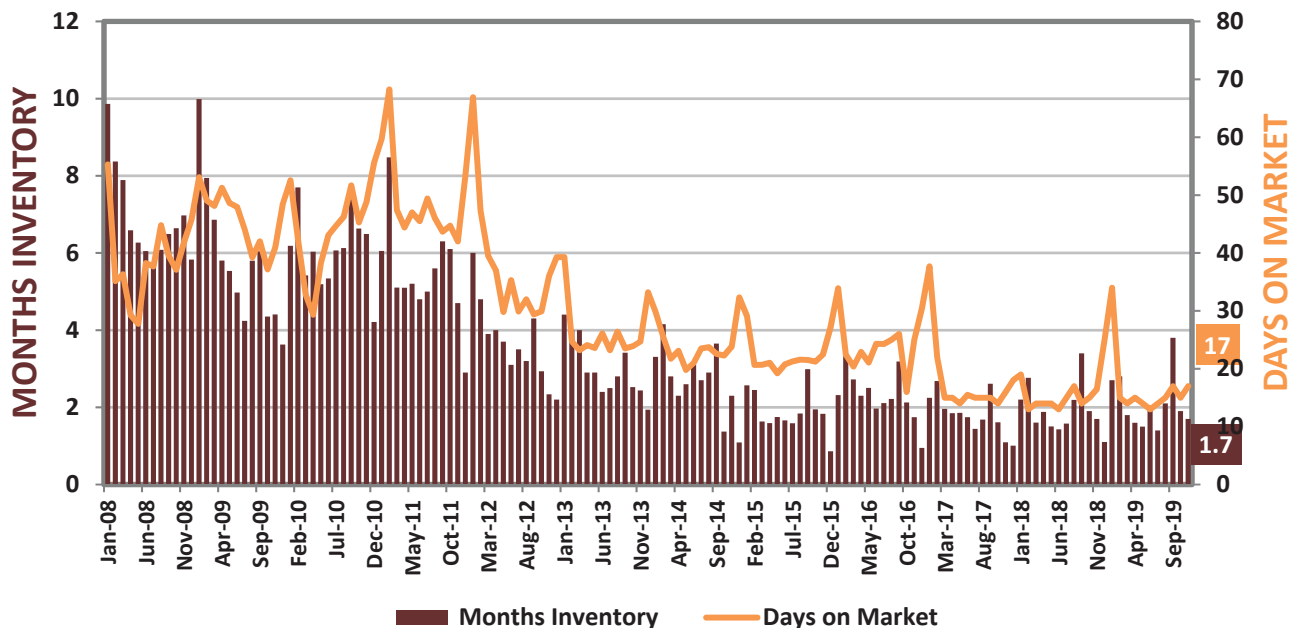
#### 15) Median Price – San Francisco County



<b>Current Median</b>	<b>\$ 1,619,000</b>
MoM % Change	-1.9%
YoY % Change	12.2%
<b>Pricing Stats</b>	
Last Peak	\$ 953,124 (11/07)
Current Peak	\$ 1,730,000 (2/18)
Cycle Trough	\$ 632,936 (1/11)

#### 16)

#### 17) Unsold Inventory and Time-On-Market Stats – San Francisco County



Source: California Association of Realtors, The Norris Group.



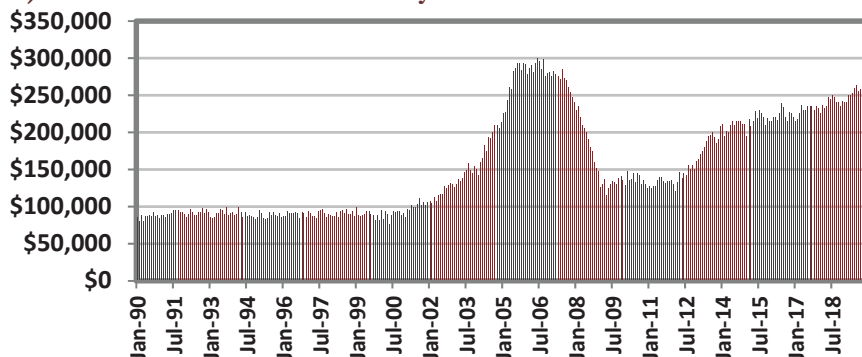
### Kern County

- Assume median income at peak in 2005
- Peak price was \$299,925 (6/06) due to aggressive lending, assume \$260,141 max price with goal max payment \$1,231
- In 2018, update to increase max payment to \$1,593 to reflect increase in median household income of \$362

	Peak	2015	Nov-2019
Price	\$ 260,141	\$ 219,900	\$ 258,000
80% loan	\$ 208,113	\$ 175,920	\$ 206,400
Mortgage Payment (PI)	\$ 1,231	\$ 840	\$ 1,108

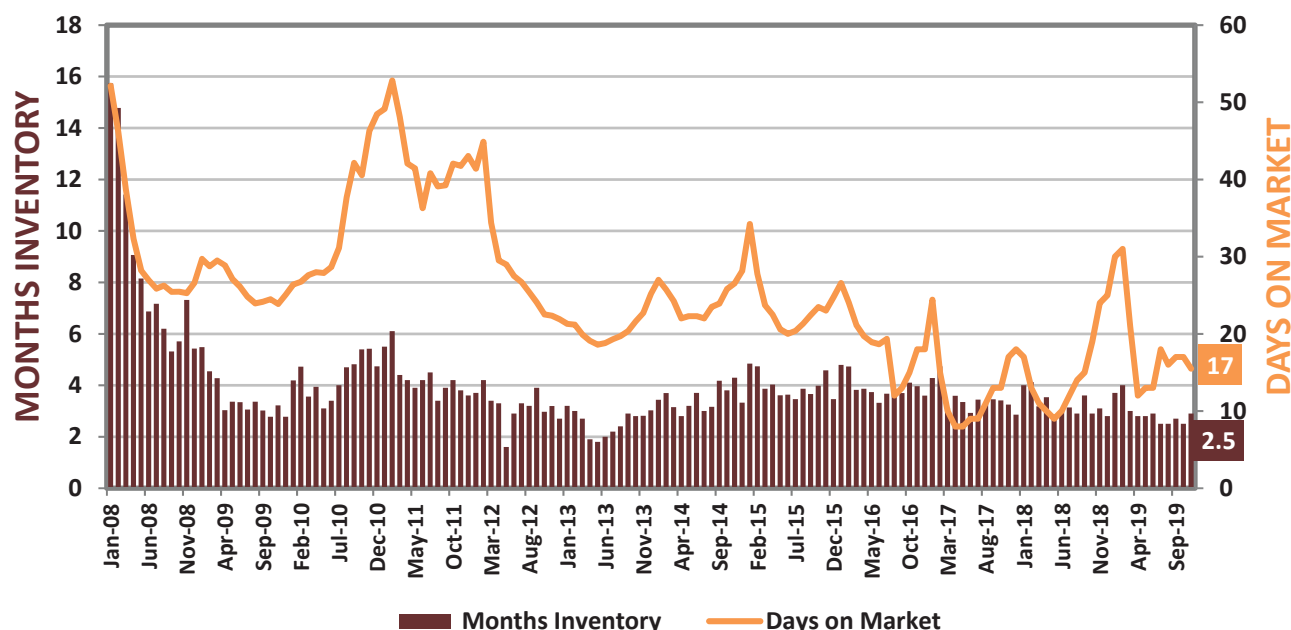
	3%	4%	5%	6%
Median Price	\$ 472,303	\$ 417,090	\$ 370,933	\$ 332,124
80% of Median Price	\$ 377,843	\$ 333,672	\$ 296,747	\$ 265,699
Mortgage Payment (PI)	\$ 1,593	\$ 1,593	\$ 1,593	\$ 1,593
Potential Upside if Interest Rates Remain at Interest Rate Listed	83.1%	61.7%	43.8%	28.7%

### 18) Median Price – Kern County



<b>Current Median</b>	<b>\$ 258,000</b>
MoM % Change	-1.5%
YoY % Change	9.7%
<b>Pricing Stats</b>	
Last Peak	\$ 299,925 (6/06)
Current Peak	\$ 263,000 (7/19)
Cycle Trough	\$ 115,000 (4/09)

### 19) Unsold Inventory and Time-On-Market Stats – Kern County



Source: California Association of Realtors, The Norris Group.



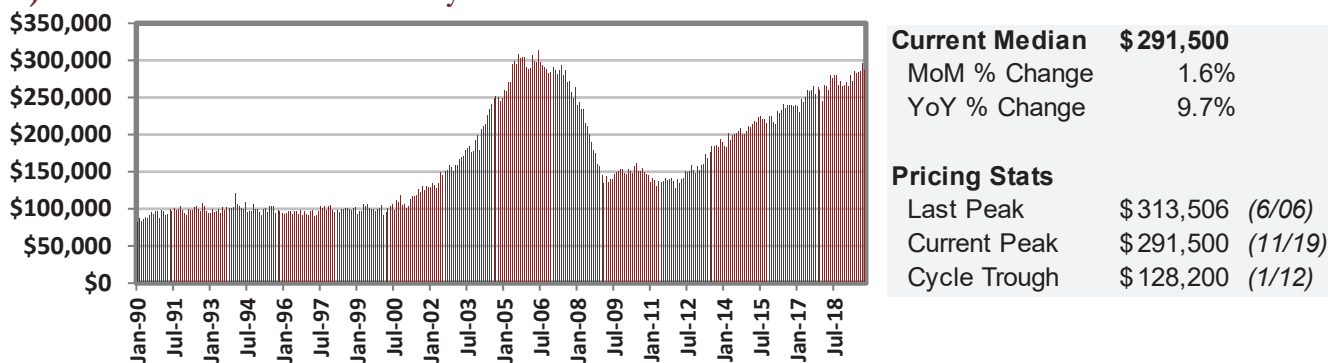
### Fresno County

- Assume median income at peak in 2005
- Peak price was \$306,936 (3/06) due to aggressive lending, assume \$270,652 max price (4/05) with goal max payment \$1,280
- In 2018, update to increase max payment to \$1,540 to reflect increase in median household income of \$260

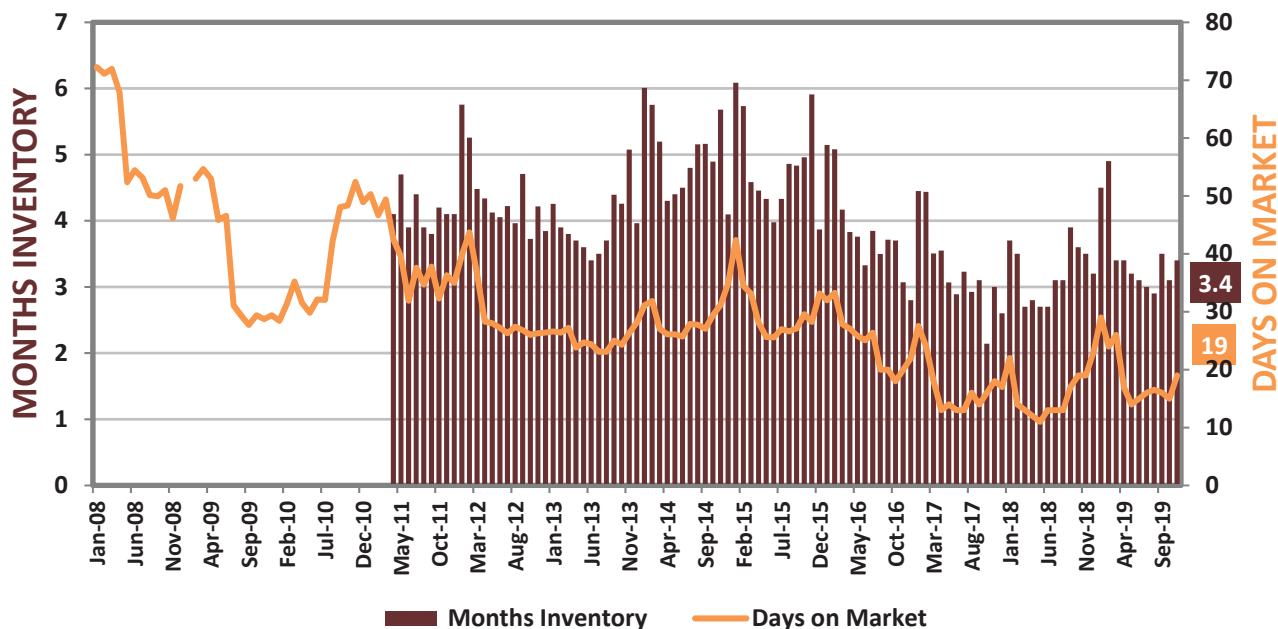
	Peak	2015	Nov-2019
Price	\$ 270,652	\$ 219,000	\$ 291,500
80% loan	\$ 216,521	\$ 175,200	\$ 233,200
Mortgage Payment (PI)	\$ 1,280	\$ 836	\$ 1,252

	3%	4%	5%	6%
Median Price	\$ 456,590	\$ 403,213	\$ 358,592	\$ 321,074
80% of Median Price	\$ 365,272	\$ 322,570	\$ 286,874	\$ 256,859
Mortgage Payment (PI)	\$ 1,540	\$ 1,540	\$ 1,540	\$ 1,540
Potential Upside if Interest Rates Remain at Interest Rate Listed	56.6%	38.3%	23.0%	10.1%

### 20) Median Price – Fresno County



### 21) Unsold Inventory and Time-On-Market Stats – Fresno County



Source: California Association of Realtors, The Norris Group.

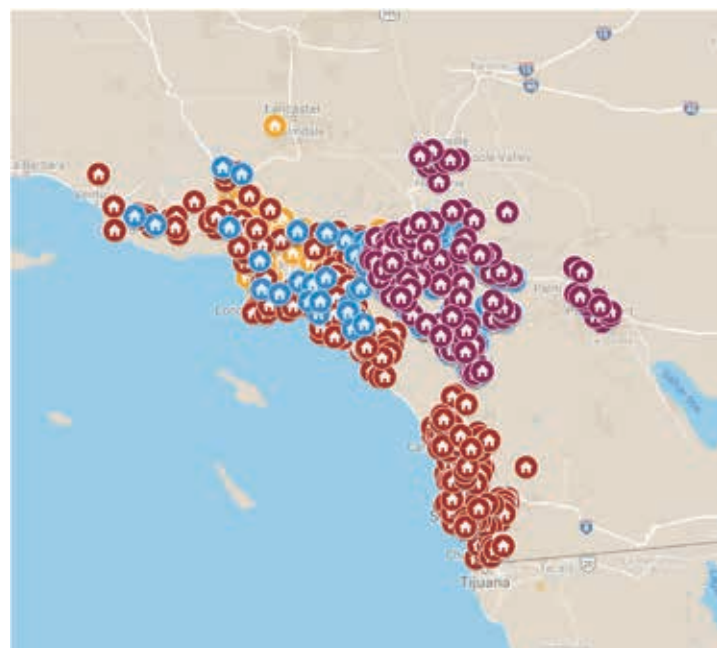
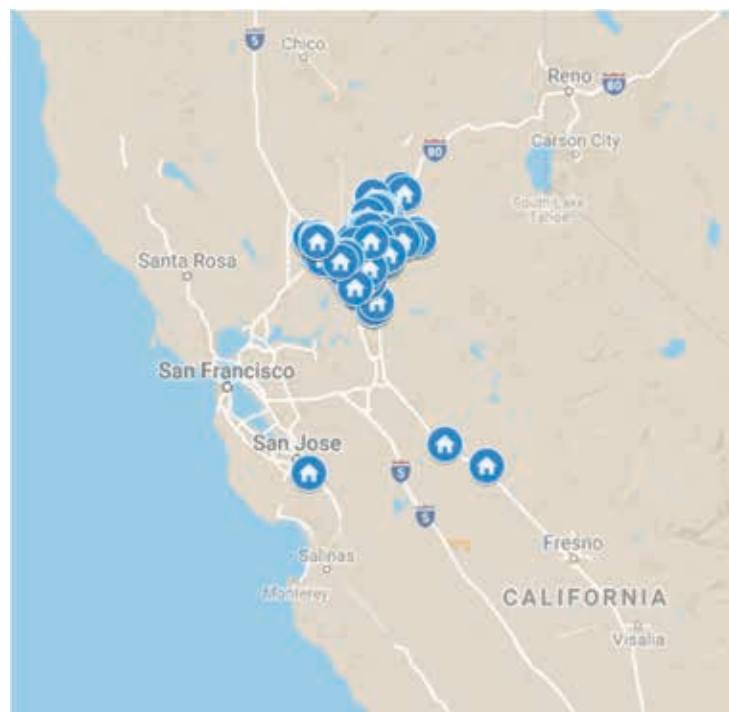
### iBuyers Total

OpenDoor	Min	Max	Average
Age	1949	2018	1991
Size	642	4,235	1,839
Lot Size	-	826,239	9,146
Beds	1	7	3.4
Baths	1	6	2.4
Price	\$ 123,500	\$ 1,107,000	\$ 403,011
Hold	29	351	100
Profit	\$ (45,000)	\$ 434,000	\$ 11,714
67 CND			
785 SFR			
<b>853</b>			
11/14/16			

Zillow	Min	Max	Average
Age	1952	2017	1995
Size	610	4,529	1,941
Lot Size	436	872,517	21,892
Bedrooms	1	6	3.3
Bathrooms	1	5	2.5
Price	\$ 208,000	\$ 932,000	\$ 416,440
Hold	34	105	75
Profit	\$ -	\$ 395,000	\$ 20,690
72 CND			
268 SFR			
<b>341</b>			
4/8/19			

Redfin	Min	Max	Average
Age	1915	2018	1985
Size	496	3,783	1,639
Lot Size	-	595,676	19,160
Beds	0	7	3.0
Baths	1	5	2.3
Price	\$ 91,682	\$ 1,001,000	\$ 515,590
Hold	28	364	97
Profit	\$ (70,500)	\$ 299,318	\$ 20,764
199 CND			
332 SFR			
<b>531</b>			
1/31/17			

Offerpad	Min	Max	Average
Age	1905	2010	1964
Size	709	3,242	1,590
Lot Size	2,100	19,724	7,151
Beds	1	5	2.9
Baths	1	5	2.1
Price	\$ 118,500	\$ 968,000	\$ 534,668
Hold	63	503	215
Profit	\$ (35,000)	\$ 485,000	\$ 128,989
29 CND			
74 SFR			
<b>103</b>			
3/17/17			



# Florida Boot Camp



**Interested in out-of-state investing?**  
We're taking 50 investors to Florida August 19-20!

**We've been investing in Florida for over 20 years. Now is *your* chance to diversify and upgrade your portfolio with TNG.**

## **Strategy?**

- Building three-four bedroom, single-family, infill, build-to-rent homes in Florida
- Investors adopt preferred TNG pricing on upgraded homes and select partners
- You select the lot, location, and model

## **What's included?**

- One-on-one strategy and portfolio review session with Bruce Norris
- 200-page Florida manual with detail on market, demographics, and build details
- Access to special TNG pricing
- Portal access with additional information on 1031 build exchanges and more
- Rebate for the trip when you purchase two properties
- And more, see detail on online

## **When:**

August 19-20

## **Where:**

Fort Myers, FL

**Register: [bit.ly/fl2019trip](http://bit.ly/fl2019trip)**  
**\$995 single / \$1,495 double**  
(trip cost rebated for investors that purchase two homes)

**Questions? Call Joey at 951-823-8266**



# CALIFORNIA & FLORIDA HARD MONEY

FAST CLOSINGS. GREAT SERVICE. NO BAIT AND SWITCH.



UP TO **90%** LTC

UP TO **100%** RENO

FAST AS **5 BIZ** DAYS

RENTAL **6.9%** RATE

## ARV FLIP



**1 Year** TERM

**9.9%** RATE

UP TO **90%** LTC

Up to 100% rehab. 70% ARV max. Interest-only payments.  
No prepayment penalty. Extensions available.  
Inspections for repair releases. **Discounts for experience!**

## LTV FLIP



**1 Year** TERM

**8.9%** RATE

**80%** Purchase

Up to 100% rehab. 70% ARV max. Interest-only payments.  
No prepayment penalty. Extensions available.  
Inspections for repair releases. **Discounts for experience!**

## Refinance Rental



**3 Year** TERM

**6.9%** RATE

UP TO **65%** LTV

Rent ready properties. Interest-only payments.  
CA is one-year prepayment penalty.  
FL is five-year term with two-year prepayment penalty @ 60% max.

## New Construction



**1 Year** TERM

**10.9%** RATE

UP TO **65%** FUTURE

No prepayment penalty. Interest-only payments.  
Releases handled by third-party funds control.  
CA is up to 65% after Florida 60% of after-build value.

## ADU Rental

2<sup>nd</sup> Position



**3 Year** TERM

**9.9%** RATE

UP TO **65%** LTV

One-year prepayment penalty. Interest-only payments.  
CA Title 24 code required. 20% holdback until final inspection.  
Fully amortized, conventional 1st loan required.



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O: 951-780-5856

F: 951-780-9827



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1845 Chicago Ave., Ste C  
Riverside, CA 92507

\* Loan rate assumes direct deposit. All loan programs subject to appraisal & vetting. See website for full details.

California DRE #01219911 | FL Mortgage Lender MLD1577 | NMLS #1623669

# TURMOIL

## The Coming Storm of Change(s)

California has plenty of great things happening. We have a 50-year low unemployment rate, low foreclosures, record-low interest rates, and our affordability chart is nowhere near previous lows. Yet, I'm uneasy.

"Turmoil" will be different from any other timing seminar we've ever done. For the first time, we'll be comparing Florida data alongside California. We're bringing in experts to explore risks and opportunities ahead for investors in 2020.

Between what I am building and what our investors are building, we are building almost 100 houses in Florida. Half of the conversations we take from investors looking to move money out of California are looking to avoid a downturn. The other half? Politics. I'm considering buying a residence in Florida.

As we approach the end of this latest and most prolonged economic recovery, the Fed has done some things it has never done before. Even with record-low unemployment, the Fed has

started lowering the Fed fund rate. And, California has and will do things we had hoped was never possible!

We'll have several guest experts talking about regulation and legislation about to go into effect in 2020 like changes to title 24, accessory dwelling units, rent control, as well as upcoming bills landing at one of the most contentious election cycles in history.

We often say our timing work is the "When to" that educates much of our training on "How to" do the real estate business. This year, we're adding a touch of "What to" and "Where to" because issues outside of our typical scope will impact our businesses in the years ahead. We're excited to add heavy comparisons to Florida to show you different economies and political environments far more friendly to investors, businesses, and landlords.

Yes, we are still lending in California. No, we haven't sold all our rentals. However, we've been strategic in looking across our portfolios and want to help more investors make thoughtful decisions in 2020.

<b>1</b> <i>California "Only"</i> <b>INVESTOR ESSENTIALS</b> <small>Essentials every smart California real estate investor must know</small>	<b>3</b> <i>California "Only"</i> <b>NEGOTIATING</b> <small>Closing secrets of the masters</small>	<b>5</b> <i>California "Only"</i> <b>SELLING SYSTEMS</b> <small>Secrets to selling houses in any California Market</small>
<b>2</b> <i>California "Only"</i> <b>BUYING SYSTEMS</b> <small>Secrets to finding deals in any California market</small>	<b>4</b> <i>California "Only"</i> <b>FORECLOSURES</b> <small>Every profit center and option for the California investor</small>	<b>TNG</b> <b>BONUS SESSIONS</b> <small>Taxes, Estate Planning, IRAs, 1031, and More</small>

### VIP INCLUDED!

Single attendance includes 70+ hours of our "how-to" courses online, investor discounts, and one-year of our economic update webinars and newsletters.



### When

Sat., Feb. 1st  
8:00am Registration  
8:30am-5:00pm event

### Where

Riverside Convention Center  
3637 5th Street  
Riverside, CA 92501

### Cost

\$447 single  
\$594 double  
Early-bird ends 1/10/20