



BANK OF THE WEST
California Economic Outlook

EXECUTIVE SUMMARY

- California's labor market recovery is lagging the nation as job losses in pandemic impacted industries remain high and new business restrictions and stay at home orders begin to bite. After six consecutive months of job increases through October, employment in California is still 8.4% or 1.47 million jobs below the February peak.
- California employment is forecast to decrease 7.1% in 2020 and rebound 1.5% in 2021. California's economic downturn would have been much worse without the unprecedented fiscal support from federal and state governments and aggressive monetary action from the Federal Reserve that helped loosen financial conditions and keep California consumers and businesses solvent despite unprecedented sales declines and job loss.
- We assume additional substantial fiscal support from the Federal government will be needed and delivered by Congress in late 2020 and/or early 2021 to achieve this modest job growth across the state of California in 2021.
- California's unemployment rate declined to 9.3% in October from 16.4% in May, but remains the fourth highest among states in the nation. Further declines in California's unemployment rate in 2021 will come much slower than they did this year. The state's unemployment rate is expected to remain elevated and average 10.2% in 2020 and 8.9% next year, well above the U.S. unemployment rate of 8.1% in 2020 and 6.6% in 2021.
- Solid housing demand, record low mortgage rates, and slim new and existing home inventories has turbo charged California's housing market recovery since the Spring decline with existing home sales increasing 19.9% from a year earlier in October. Housing starts are forecast increase a solid 12.2% in 2021 on firming demand as the pandemic wanes and job growth returns.
- California home prices are forecast to rise a robust 10.4% this year – primarily due to a shortage of homes for sale – and moderate to 6.1% in 2021 and 4.0% in 2020 as homebuilders respond to stronger demand by putting up more homes to alleviate the inventory shortfall.

CALIFORNIA

Employment Outlook

Total nonfarm employment in California remains well below year ago levels, but improved for the sixth consecutive month through October. California has recreated about 44% of the jobs that were lost in March and April. Still the state's labor market recovery continues to lag the nations, with total nonfarm jobs falling 7.8% from a year earlier in October compared to the more modest decline of 6.1% for the nation. This is the ninth consecutive month that job growth year-on-year in California has underperformed the U.S. as a whole.

California job losses remain particularly high in industries that continue to be harmed by the pandemic and are still subject to state-required closures and limited capacity, including leisure & hospitality services (-25.4%) and other services (-17.8%). Other services includes personal care, pet care, photofinishing and temporary parking. The smallest percentage job declines were in financial services (-0.2%) and construction (-2.3%). Declines have been limited in financial

services as a majority of the workforce is able to work from home during the pandemic, while decreases in construction employment were modest due to a surge in new residential construction.

Broad Based State Job Declines in October



The sudden decline in employment in California that began in March was harsh – over 2.6 million jobs were lost over March and April, a peak-to-trough decline of nearly 15% – but the staggering job losses did not last long as job growth resumed in May.

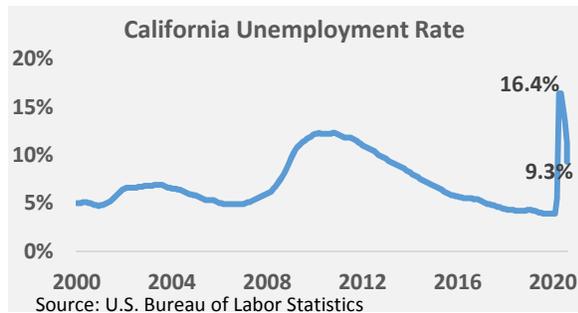
Recent Performance and Outlook

CALIFORNIA	2018	2019	2020 ^e	2021 ^f	2022 ^f
LABOR MARKET					
Employment Growth	2.1%	1.5%	-7.1%	1.5%	2.5%
Unemployment Rate	4.3%	4.1%	10.2%	8.9%	7.7%
INCOME AND SPENDING TRENDS					
Personal Income Growth	5.5%	4.7%	5.5%	1.7%	2.7%
Median HH Income (\$)	75,277	80,440	82,280	82,330	84,214
Retail Sales Growth	4.7%	3.1%	-2.2%	4.2%	4.9%
HOUSING MARKET					
Total Housing Starts Growth	5.9%	-9.8%	-1.2%	12.2%	8.9%
Med. Single Family Home Price	6.6%	1.4%	10.4%	6.1%	4.0%
DEMOGRAPHICS					
Population Growth	0.3%	0.1%	0.2%	0.1%	0.2%
Net Migration (000's)	-84.0	-129.4	-103.3	-127.1	-113.9

California nonfarm payrolls are forecast to decline 7.1% this year before rebounding 1.5% in 2021 and 2.5% in 2020. The recent COVID-19 restrictions and business shutdowns in much of the state in the fourth quarter will ensure steep California job losses this year, especially in eating and drinking establishments, leisure & hospitality services, entertainment, and recreation services. Moreover, weak global demand and negative net-migration will also contribute to job declines in other important California sectors such as information services, government, and manufacturing this year. However, next year reopening service businesses, residential construction, and the technology sector are expected to help lead the state back to net job growth in 2021 and beyond.

The number of unemployed Californians spiked from an expansion low of 753,000 in January 2020 to an April 2020 peak of just over 3 million, pushing the California unemployment rate to a record high of 16.4% in April and May. The number of unemployed has declined since as some previously furloughed workers were recalled and more non-essential businesses allowed to reopen, lowering the unemployment rate in California to 9.3% by October. Despite months of improvement, the California unemployment rate remains nearly 2.4 times higher than the record low of 3.9% set in February 2020.

CA Unemployment Has Fallen for Five Months



The recent business restrictions and stay at home orders means the California unemployment rate will remain high even as the

economy rebounds further next year. The state unemployment rate is expected to average 8.9% in 2021 and 7.7% in 2022, well above the U.S. average of 6.6% in 2021 and 5.7% in 2022.

Housing Outlook

The California housing market continued to flourish in October with existing home sales totaling an annualized 484,510, 1.0% lower than September but up a sizzling 19.9% from a year ago. Total home sales climbed above the 400,000 level in July and have remained above that level for four successive months after the pandemic depressed housing market activity earlier this year. Record-low mortgage rates and motivated buyers emerging from the Covid lockdown kept home sales high in October.

California Home Sales Spiked in October



Despite the considerable momentum in the California housing market, eroding affordability could restrain existing home sales over the near term as it forces potential homebuyers to the sideline. Indeed, the housing affordability index tumbled to 28% in the third quarter of this year, down from 33% in the second quarter and 31% a year ago. This means that only 28% of California households could afford to purchase the median-priced home of \$693,680 in the third quarter of 2020.

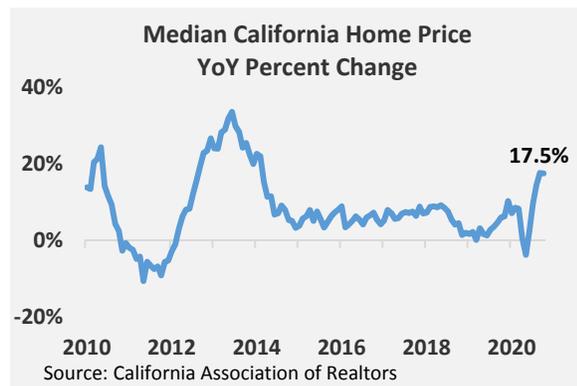
The prolonged inventory shortfall that is at least partially responsible for homes becoming less affordable could ease over the coming year. A

November poll by the California Association of Realtors indicated that 59% of consumers thought now was a good time to sell, up from 56% in October and 47% a year earlier.

California home price growth softened markedly in April and prices fell from a year ago in May for the first time since February 2012 as the onset of the pandemic sent potential buyers to the sidelines. But the drop in demand proved short-lived as Fed monetary intervention loosened financial conditions and sent mortgage rate down to historical lows.

Home prices rebounded strongly in June with the median price hitting a record high, the first of four consecutive months of all-time highs. That impressive streak ended in October with the median home price falling 0.2% month-on-month to \$711,300. Despite the decline, California median home prices are up a white-hot 17.5% from a year ago in October, according to the California Association of Realtors.

CA Home Price Growth Sizzling in October



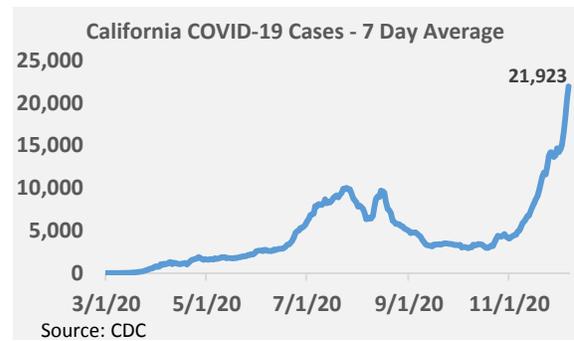
Demand for homes in California bounced back sooner than expected given the unprecedented job losses in the state, primarily because of low interest rates, new work-from-home rules, and pent-up demand from millennial buyers. Accordingly, housing starts, which plunged 9.8% in 2019, are projected to decline by just 1.2% in 2020, before rebounding 12.2% in 2021. The still-

elevated demand for housing is forecast to push California home prices up 10.4% this year and 6.1% in 2022.

New Restrictions Will Reverse Some Gains

On December 3, Governor Newsom announced new regional restrictions in response to spiking Covid-19 cases. The mandate will temporarily close indoor dining, bars, playgrounds, wineries, live sports with crowds, nail and hair salons and other personal services for a three-week period to slow the spread.

Covid-19 Cases Continue to Hit Record Highs



Bay Area health officials proactively implemented the restrictions early for five counties and the city of Berkeley, impacting nearly six million people through at least January 4. The Bay Area was joined shortly thereafter by the regions of Southern California, Sacramento, the Central Valley and Sonoma County. This means that most of the state’s residents are now under stay-at-home orders.

Another surge of furloughs and layoffs are expected as nonessential businesses close once gain. We expect California average unemployment will rise at least a few tenths of a percentage point in the first quarter of next year before it resumes its decline, but if shutdowns are extended or escalated, this forecast may end up being too optimistic.

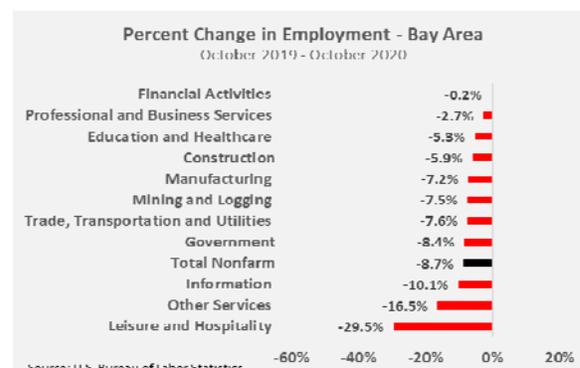
BAY AREA

Employment Outlook

Bay Area nonfarm employment was still 8.7% lower than a year ago in October, a worse performance than both the state of California and the nation. Bay Area job losses have moderated since the steep 14% drop in April, but the underperformance in job re-creation is troubling given the strength of the regions technology sector, and could lead to more permanent labor market and economic scaring.

Employment in all major sectors fell from a year earlier through October, led by big declines in sectors that continue to operate below capacity on weak demand: leisure & hospitality (-29.5%) and other services (-16.5%). These two sectors collectively are responsible for 43% of total nonfarm job losses in the Bay Area over the last year.

Job Declines Continued in the Region



The Bay Area has the second steepest decrease in jobs across the four major economic regions of California with only the Central Coast (-10.2%) recording a larger drop. Persistent double-digit declines in employment since April in Oakland, Napa and San Francisco are weighing on the Bay Area’s labor market recovery.

Recent Performance and Outlook

BAY AREA	2018	2019	2020 ^e	2021 ^f	2022 ^f
LABOR MARKET					
Employment Growth	2.2%	1.8%	-7.7%	1.3%	3.0%
Unemployment Rate	2.8%	2.7%	7.8%	6.8%	6.3%
INCOME AND SPENDING TRENDS					
Personal Income Growth	7.4%	4.1%	2.7%	1.8%	3.6%
Median HH Income (\$)	\$100,690	\$106,046	\$106,580	\$106,940	\$109,945
Retail Sales Growth	5.2%	2.7%	0.2%	5.5%	5.9%
HOUSING MARKET					
Total Housing Starts Growth	13.7%	-17.0%	-17.5%	7.3%	12.5%
Med. Single Family Home Price	9.9%	-1.8%	12.5%	4.5%	5.2%
DEMOGRAPHICS					
Population Growth	0.2%	0.0%	0.3%	0.2%	0.1%
Net Migration (000's)	-19.2	-29.6	-10.2	-12.6	-14.8

The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma counties.

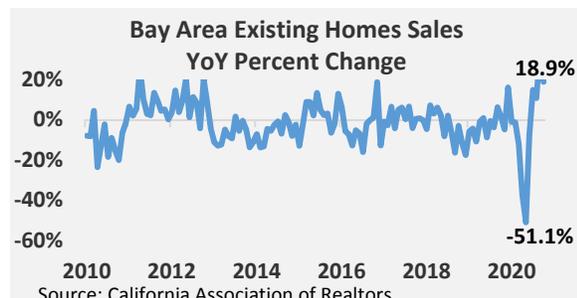
Economic reopening and rebounding demand for goods and services helped push the Bay Area unemployment rate down to 7.1% in October from the record-high of 13.4% in April. The Bay Area unemployment rate is expected to move higher again in the first quarter on renewed business restrictions, but then resume gradually declining. The Bay Area unemployment rate is expected to average an elevated 6.8% in 2021 and 6.3% in 2022.

Bay Area employment is projected to drop 7.7% this year before rebounding 1.3% in 2021 and 3.0% in 2022. The recovery in the Bay Area is expected to be comparatively weak as leisure and hospitality and tourism remains moribund, and more workers and firms relocate to lower cost locales to escape the high living and business costs in the region. Since March, 124,000 change of address forms have been processed by the USPS in San Francisco with 90,000 of them moving to addresses outside San Francisco.

Housing Outlook

Home sales in the Bay Area declined sharply for four months beginning in March but rebounded 14.8% from a year ago in July as the economy began to recover. Annual home sales gains have been sizzling ever since with impressive growth of 18.9% from a year ago in October. The incremental reopening of the regional economy, unwavering demand and record low interest rates have combined to drive Bay Area home sales to new heights in this expansion.

Home Sales Rebounded Strongly in the Region



Existing home sales advanced by double-digit rates in nearly all Bay Area counties from a year ago in October, led by Santa Clara (+32.4%), San Mateo (+29.1%), Marin (+18.9%) and Sonoma (+18.4%). Home sales growth was more subdued in Alameda (+10.7%) and Solano (+5.9%). The Kincadee wildfire in Sonoma in October, the largest of the 2019 fire season consuming over 77,000 acres, is supporting existing home sales in that county as residents rebuild.

Home Sales Increase Strongly in Most Counties



Housing starts in the Bay Area are expected to plunge 17.5% this year – mainly because of the shutdown of the economy – before rebounding 7.3% in 2021 and 12.5% in 2022 on firming economic growth.

In parallel with the solid bump in home sales, Bay Area home prices advanced 17.0% from a year ago in October, the second sharpest increase of any region in California. Besides pent-up demand, a lack of existing home inventory is supporting blistering home price gains in the region. The number of months it would take to exhaust the remaining existing home inventory at the current sales pace was just 1.9 months in October, down from 2.1 months in September and 2.3 months a year ago.

Bay Area home prices are predicted to climb 12.5% this year – mainly on the inventory shortfall – but then slow to 4.5% in 2021 and 5.2% in 2022 as the number of homes on the market increases and demand weakens.

SOUTHERN CALIFORNIA

Employment Outlook

Southern California nonfarm employment was 7.8% below year earlier levels in October, in-line with the statewide decline. The largest percentage job decreases occurred in leisure & hospitality (-25.6%) other services (-19.9%), and information sectors (-13.2%), which includes motion picture and sound recording. These sectors have been hit particularly hard by the initial round of business closures and lack of demand due to COVID fears. Construction employment edged up 0.4% from a year ago – as homebuilders ramped up construction to bring much-needed inventory to the Southern California housing market. The number of homes listed for sale is down 46.6% from a year ago in October in the region.

Employment Fell in Most Sectors in October



Total nonfarm payrolls in Southern California are projected to fall 7.4% this year and rebound 1.5% in 2021 and 2.7% in 2022. A high concentration of employment in leisure and hospitality, entertainment, recreation, and television and film production results in the outsized job declines in the region this year. High levels of outmigration and slow population growth will also limit job gains for the foreseeable future.

Recent Performance and Outlook

SOUTHERN CALIFORNIA	2018	2019	2020 ^e	2021 ^f	2022 ^f
LABOR MARKET					
Employment Growth	2.0%	1.4%	-7.4%	1.5%	2.7%
Unemployment Rate	4.1%	3.9%	11.3%	10.4%	8.0%
INCOME AND SPENDING TRENDS					
Personal Income Growth	5.1%	4.7%	6.3%	2.4%	2.7%
Median HH Income (\$)	79,674	83,181	83,493	83,508	85,388
Retail Sales Growth	4.5%	3.4%	-2.7%	4.0%	4.6%
HOUSING MARKET					
Total Housing Starts Growth	2.8%	-12.7%	2.8%	14.5%	10.4%
Med. Single Family Home Price	614%	2.8%	10.2%	5.2%	3.4%
DEMOGRAPHICS					
Population Growth	0.1%	0.0%	0.2%	0.1%	0.1%
Net Migration (000's)	-79.8	-100.3	-65.7	-98.7	-86.7

²The combined Southern California region includes Los Angeles, Orange, San Bernardino, San Diego, Riverside, and Ventura counties that is home to nearly two-thirds of Californians.

The Southern California labor market is gradually recovering from the pandemic, which pushed the unemployment rate to a record-high of 18.0% in May. Since then, the recall of previously furloughed workers and partial reopening of businesses lowered the Southern California unemployment rate to a still high 10.1% in October. Southern California is the only major California economic region with a double-digit jobless rate.

The Southern California unemployment rate is expected to average 11.3% in 2020 and forecast to dip to 10.4% in 2021 and 8.0% in 2022 on a return to positive net job creation. The region’s unemployment rate is projected to be the highest of the four regions in 2021, including the Central Valley which historically has the highest unemployment rate of all regions in the state.

Housing Outlook

The Southern California housing market stayed hot in October with existing home sales surging 16.8% from a year ago after an even stronger rise of 23.2% in September. This is the fourth straight year-on-year increase after sales plunged between April and June.

Despite the robust increase in home sales in recent months, the Southern California region experienced the second slowest growth of the four major California economic regions with only home sales in the Central Valley rising at a slower clip in October (+9.9%). Home sales might have risen at a somewhat faster pace if not for a lack of inventory keeping potential buyers on the sidelines. Indeed, the Unsold Inventory Index from the California Association of Realtors was 2.1 months in October for the L.A. metro region, down from 3.2 months in October 2019.

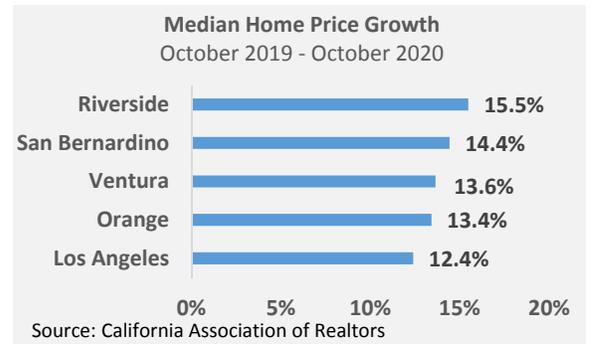
Home sales increases from a year ago remain vigorous in most Southern California counties, led by Orange (+29.3%) and Riverside (+18.5%). Sales rose at more moderate double-digit rates

of 16.0% in San Bernardino and 13.1% in Los Angeles, while home sales edged up meager 1.9% in Ventura County.

Southern California existing home prices accelerated to 16.1% growth rate from a year ago in October. Southern California home prices haven’t declined on year-over year basis since February 2012.

Home prices in every county in the region increased at double-digit rates over the last 12 months with the largest advances in Riverside (+15.5%), San Bernardino (+14.4%), Ventura (+13.6%) and Orange (+13.4%). Home prices in Los Angeles increased a comparatively moderate 12.4%.

Home Prices Soared in Southern California



Home prices in the region are projected to rise 10.2% this year and moderate to 5.2% in 2021 and 3.4% in 2022 as more homes are constructed to satisfy demand. Continued strong out-migration is also expected to limit home price growth in the region over the next two years.

CENTRAL COAST

Employment Outlook

The decline in total nonfarm jobs in the Central Coast region accelerated to 10.2% from a year earlier in October. This is a deterioration from 9.9% in September and the first time job losses have not moderated since May, breaking a string of five consecutive months.

Sharp job declines are fairly pervasive in the region with employment in Santa Cruz (-12.8%), San Luis Obispo (-12.2%) and Monterey (-10.0%) all falling by double-digit rates. A heavy concentration of employment in tourism and leisure and hospitality industries is the big driver of the job losses in these metros. Employment in Santa Barbara has held up comparatively well since March and declined a more moderate 7.5% in October. Moreover, Santa Barbara job losses have held below 10% for the last three months.

The moderate declines in Santa Barbara prevented more severe job losses in the region since the metro regularly accounts for over one-third of total employment in the Central Coast region.

The biggest job declines in the region were in leisure & hospitality (-21.3%), other services (-16.2%) and information (-11.6%). Jointly, these three sectors were responsible for over 60% of total annual job losses in October and have been underperforming since the recession began.

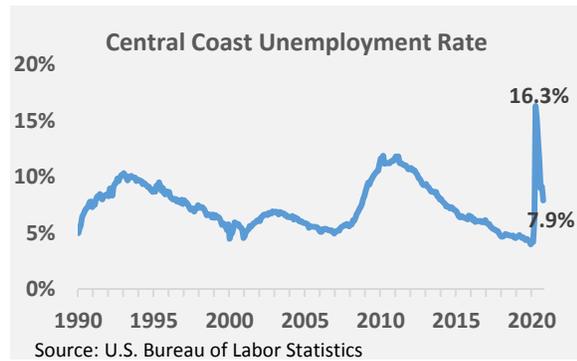
Despite the acceleration of job loss in October, the unemployment rate in the Central Coast fell to 7.9% in October from 9.1% in September and is the second lowest among the regions trailing only the Bay Area (7.1%).

Recent Performance and Outlook

CENTRAL COAST	2018	2019	2020 ^e	2021 ^f	2022 ^f
LABOR MARKET					
Employment Growth	1.4%	1.7%	-8.6%	1.3%	2.5%
Unemployment Rate	4.8%	4.5%	9.5%	8.7%	7.4%
INCOME AND SPENDING TRENDS					
Personal Income Growth	5.0%	4.5%	4.0%	1.3%	2.3%
Median HH Income (\$)	77,896	79,925	81,611	81,664	83,239
Retail Sales Growth	3.9 %	3.0%	-4.5%	2.6%	3.6%
HOUSING MARKET					
Total Housing Starts Growth	0.3%	-10.6%	7.1%	17.3%	10.9%
Med. Single Family Home Price	2.5%	2.0%	18.1%	2.7%	4.4%
DEMOGRAPHICS					
Population Growth	0.0%	0.0%	0.2%	0.1%	0.1%
Net Migration (000's)	-6.4	-4.8	-3.9	-3.3	-2.5

³The Central Coast region is comprised of Santa Barbara, Monterey, San Luis Obispo, and Santa Cruz counties.

Central Coast Jobless Rate About Half of Peak



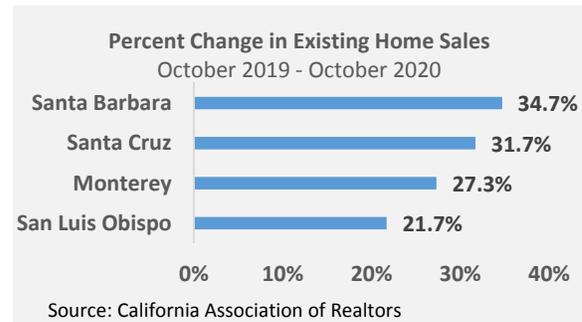
Central Coast employment is forecast to fall 8.6% this year, primarily due to the dislocation in the service sector, including tourism, caused by the pandemic. Job growth is forecast to rebound 1.3% in 2021 and 2.5% in 2022 once U.S. and foreign visitors become more confident that the coronavirus vaccine is effective and tourism to the region returns.

The Central Coast unemployment rate is expected to average 9.5% in 2020, 8.7% in 2021 and 7.4% in 2020 as job growth rebounds.

Housing Outlook

Central Coast existing home sales remain 28.0% higher than a year ago in October, down from an unsustainable pace of 42.0% in September - the strongest of all four regions. The continued brisk growth in sales was supported by solid demand – as buyers purchase homes in less expensive areas with the ability to work from home – and record-low mortgage rates. Sales rose at double-digit rates in all four counties, led by Santa Barbara (+34.7%) and Santa Cruz (+31.7%). Home sales increased at more modest but still solid paces of 27.3% in Monterey and 21.7% in San Luis Obispo.

Home Sales Spiked in All Central Coast Metros



In parallel with the large jump in homes sales, home prices in the region surged 25.9% from a year ago in October on increased high-end home sales in Santa Barbara and Monterey. Moreover, the Central Coast was the pace setter in home price growth among all California regions, well ahead of the Bay Area’s gain of 17.0%. Home prices rose at the fastest paces in Santa Barbara (+64.0%) and Monterey (+32.1%), although gains were also solid in Santa Cruz (+22.5%) and, to a lesser extent, San Luis Obispo (+11.7%).

Home Prices Skyrocketed in Santa Barbara



Home prices in the Central Coast are forecast to increase 18.1% this year – up from 2.0% in 2019 – as low mortgage rates and pent-up demand push prices higher. Price gains are projected to slow to 2.7% as affordability deteriorates and rebound 4.4% in 2022 as the regional economy regains its footing.

CENTRAL VALLEY

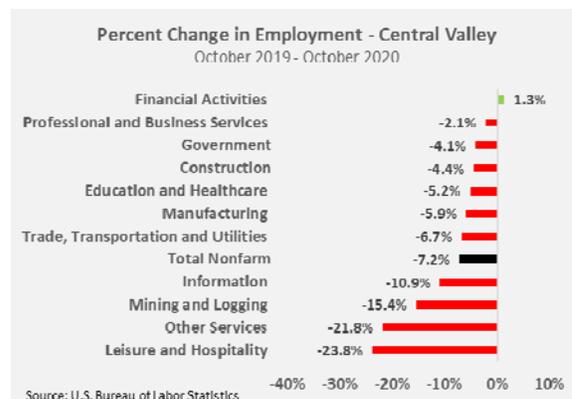
Employment Outlook

The Central Valley labor market performed comparatively well during the pandemic, partly because the region was less exposed to service industries that were more directly impacted by business closures related to the coronavirus such as leisure and hospitality and other services. The region’s outperformance has endured during the recovery, with total nonfarm employment falling 7.2% from a year ago in October – the smallest decline of any region and better than the statewide average of -7.8%.

Still net jobs have vanished across all but one sector over the last year through October with the largest declines in leisure & hospitality (-23.8%) and other services (-21.8%). Furthermore, the mining & logging sector has experienced large annual double-digit declines since April, due to oil prices being down

approximately 30% year-to-date through October and oil drilling and oil services down too. Financial activities employment edged up 1.3% year-on-year in October and has yet to decline during the recession.

Job Growth Mostly Negative in Central Valley



Total nonfarm jobs are forecast to fall 6.6% this year – the smallest decline of any region – and

Recent Performance and Outlook

CENTRAL VALLEY	2018	2019	2020 ^e	2021 ^f	2022 ^f
LABOR MARKET					
Employment Growth	2.9%	2.1%	-6.6%	0.8%	2.6%
Unemployment Rate	5.7%	5.4%	10.6%	10.3%	8.9%
INCOME AND SPENDING TRENDS					
Personal Income Growth	5.2%	5.3%	4.5%	3.0%	2.4%
Median HH Income (\$)	61,640	63,865	64,365	64,364	65,601
Retail Sales Growth	4.7%	2.5%	-4.6%	3.2%	3.8%
HOUSING MARKET					
Total Housing Starts Growth	2.4%	-1.3%	5.5%	12.6%	9.2%
Med. Single Family Home Price	6.8%	4.0%	9.6%	5.9%	4.3%
DEMOGRAPHICS					
Population Growth	0.9%	0.9%	0.5%	0.4%	0.3%
Net Migration (000's)	19.3	18.9	-11.3	-12.5	-9.9

⁴The Central Valley region is comprised of San Joaquin, Fresno, Madera, Sacramento, Placer, El Dorado, Yolo, Stanislaus, and Kern counties

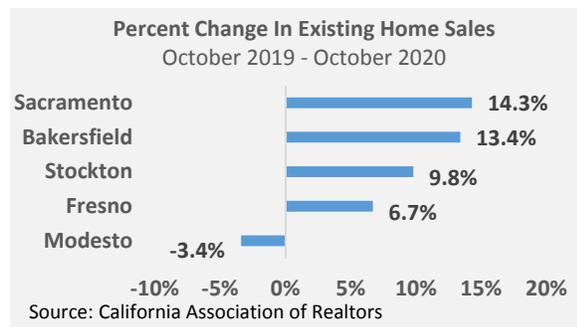
then rebound a modest 0.8% next year and 2.6% in 2022. Persistent outmigration, protracted trade tensions with China, and continued low oil prices are expected to keep job growth contained over the coming year.

The unemployment rate in the Central Valley peaked at 16.1% in April – more than three times above the pre-pandemic rate of 5.2% in February – but has mostly fallen to 9.4% in October. The jobless rate is projected to average a high 10.6% this year, remain elevated at 10.3% in 2021 and then fall to 8.9% in 2022 as job gains reaccelerate. The historic pattern of the Central Valley experiencing higher jobless rates compared to the other regions in the state will hold with labor markets in the three other California regions expected to outperform over the next two years.

Housing Outlook

The Central Valley housing market continued to underperform in October with existing home sales rising just 9.9% from a year ago, well below second place Southern California’s growth of 16.8%. Sacramento and Bakersfield led the way with home sales growth of 14.3% and 13.4% respectively, while sales gains were more modest in Stockton (+9.8%) and Fresno (+6.7%). Home sales fell 3.4% in Modesto.

Home Sales Rose In Most Central Valley Metros

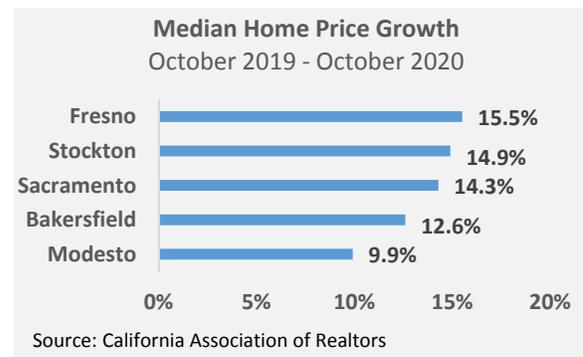


Despite relatively moderate existing home sales gains, home prices rose a solid 14.7% from a year earlier in October in the region, primarily on limited inventory. The number of months it

would take to sell the remaining existing home inventory at the current sales pace was only 1.8 months in October, down from 2.7 months in October 2019. The Central Valley region is tied with the Bay Area for the tightest existing home inventory as home building lags demand for affordable housing.

Despite the solid double-digit increase of 14.7% in home prices, the other three regions in the state outperformed the Central Valley. Still all five Central Valley metros experienced strong home price growth from a year ago in October, led by Fresno (+15.5%), Stockton (+14.9%) and Sacramento (+14.3%). Modesto experienced the slowest rate of home price appreciation, but that was a still solid 9.9%.

Home Price Gains Broad-Based in the Region



Central Valley home prices are projected to rise 9.6% this year – the fastest pace of growth since 2016 – as an inventory shortfall and more affordable housing than other California regions pushes home prices higher. Gains will moderate to 5.9% in 2021 and 4.3% in 2022 as pent-up demand fades and housing starts rise at robust rates in both years. Despite the moderation, annual Central Valley home price growth is expected to remain well above the long-run average of 2.0% from 2008 to 2019 over the forecast horizon.

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