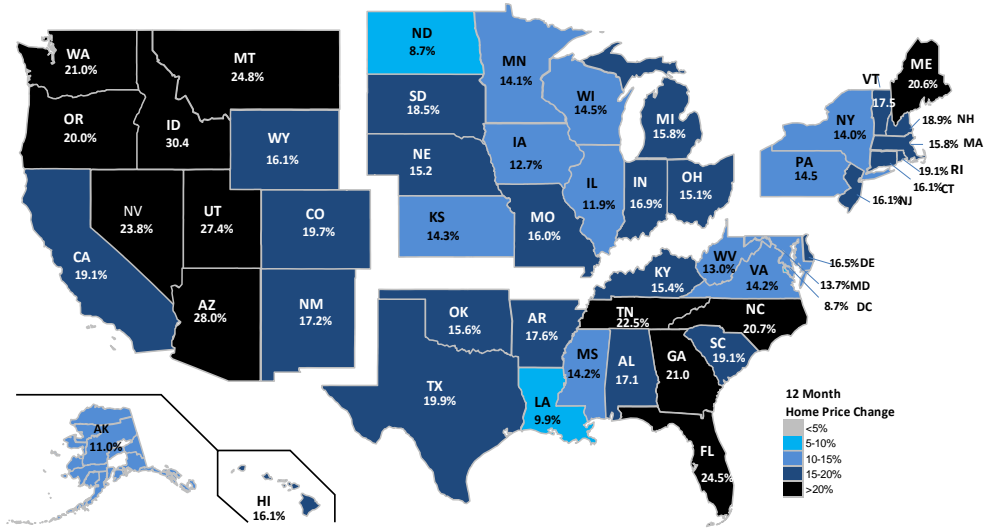


# Home Prices Above 5yr CAGR – Expected to Revert Back to Normal in 2022-2023

➤ Nationally, home prices rose 17.9%<sup>1</sup> in 2021, contributing to significant gains in home equity for existing homeowners and decreasing affordability for prospective buyers.

➤ Similarly, home prices in California increased 19.1% during the same time period.



## Home Price Appreciation Trends in California CBSAs

	12-Month % Chg	2Yr CAGR <sup>2</sup>	5Yr CAGR	Pre-Pandemic 5Yr CAGR 2015-2019	% Over-Valued (annually over the past 2 Yrs)
<b>National</b>	<b>17.9%</b>	<b>11.9%</b>	<b>7.8%</b>	<b>5.2%</b>	<b>6.7%</b>
<b>California</b>	<b>19.1%</b>	<b>12.0%</b>	<b>7.8%</b>	<b>5.8%</b>	<b>6.2%</b>
Los Angeles-Long Beach-Glendale	17.0%	11.1%	7.5%	5.8%	5.2%
Anaheim-Santa Ana-Irvine	16.0%	10.0%	6.3%	4.4%	5.6%
San Francisco-San Mateo-Redwood City	5.7%	0.7%	2.5%	6.0%	
Oakland-Berkeley-Livermore	16.8%	10.2%	7.0%	6.6%	3.6%
Riverside-San Bernardino-Ontario	24.0%	15.3%	9.6%	6.0%	9.4%
San Diego-Chula Vista-Carlsbad	20.6%	13.2%	8.1%	5.5%	7.7%
Sacramento-Roseville-Folsom	20.9%	13.8%	9.0%	6.6%	7.2%
San Jose-Sunnyvale-Santa Clara	10.1%	5.5%	4.3%	5.4%	0.1%
Fresno	21.7%	13.7%	9.1%	6.0%	7.7%
Bakersfield	20.6%	13.8%	8.1%	4.1%	9.7%
Oxnard-Thousand Oaks-Ventura	17.6%	11.1%	6.7%	4.4%	6.7%
Stockton	25.1%	15.5%	10.0%	7.2%	8.3%
Chico	13.7%	9.4%	8.8%	7.6%	1.8%
El Centro	18.5%	12.7%	7.5%	5.4%	7.3%
Hanford-Corcoran	20.5%	14.0%	8.2%	5.4%	8.7%
Madera	19.7%	14.0%	9.0%	6.3%	7.6%
Merced	23.3%	14.2%	10.1%	7.5%	6.7%
Modesto	21.5%	14.8%	9.7%	7.1%	7.7%
Napa	17.6%	10.5%	6.7%	5.7%	4.8%
Redding	18.9%	12.7%	8.5%	5.1%	7.6%
Salinas	18.4%	12.0%	8.0%	6.7%	5.3%
San Luis Obispo-Paso Robles	17.4%	10.5%	6.6%	5.2%	5.3%
San Rafael	10.5%	5.1%	3.2%	4.1%	1.0%
Santa Cruz-Watsonville	17.6%	9.7%	6.0%	5.5%	4.2%
Santa Maria-Santa Barbara	18.5%	11.1%	6.2%	4.2%	7.0%
Santa Rosa-Petaluma	12.4%	7.3%	5.7%	6.1%	1.2%
Vallejo	19.5%	12.3%	8.4%	7.0%	5.3%
Visalia	21.0%	13.4%	8.7%	5.5%	7.9%
Yuba City	21.1%	14.3%	10.0%	8.0%	6.3%
S&P500	26.9%	21.5%	16.3%	9.4%	12.0%
NASDAQ	21.4%	32.0%	23.8%	13.6%	18.4%

- Additional analysis indicates that annual pace of National home price appreciation (“HPA”) observed during the pandemic was approximately 6.7% higher relative to the 5yr CAGR prior to the pandemic. This implies prices outpaced pre-pandemic trends cumulatively by 13.9% over the past two years.
- In California, the annual HPA was in excess of pre-pandemic 5yr CAGR at 6.2%, however a few CBSAs like San Jose, San Francisco, Santa Cruz are already experiencing affordability headwinds.
- In comparison, broad U.S. Equity indices rose at significantly higher rates than real estate when compared to pre-pandemic trends.

Sources: Federal Housing Finance Agency (“FHFA”) House Price Index® as of Q4 2021.

<sup>1</sup> Home price change – based on FHFA All-Transactions home price index from Q4 2020 to Q4 2021. <sup>2</sup> CAGR – Compound annual growth rate.

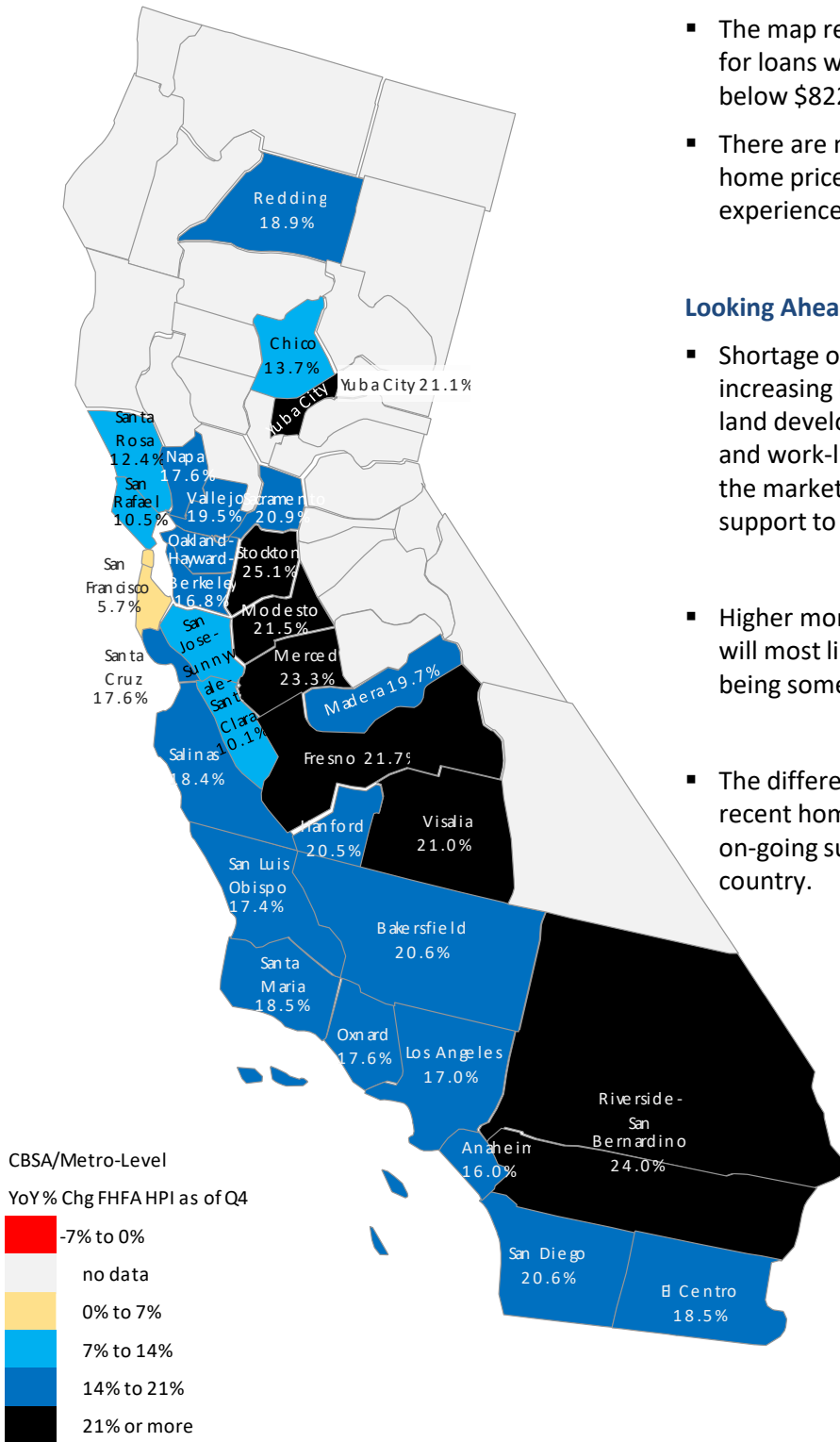
# CA Home Price Outlook

## California

- The map reflects FHFA Home Price performance for loans with conforming loan balances (balances below \$822,375 in 2021)
- There are no CBSA/Metro areas that have had home price declines. Most areas have experienced at least a 10% increase.

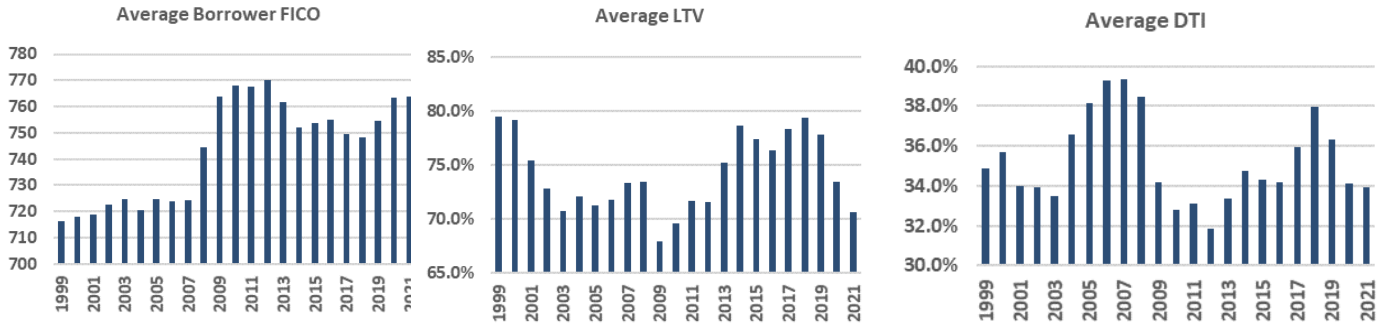
## Looking Ahead:

- Shortage of available inventory of homes for sale, increasing labor and material costs, restrictions on land development, strong household formation, and work-lifestyle changes are expected to drive the market in the near-term, thus providing support to home prices.
- Higher mortgage rates and decreasing affordability will most likely result in home price appreciation being somewhat muted relative to recent history.
- The difference between Pre-Pandemic CAGRs and recent home price trends can be explained by the on-going supply-demand imbalances across the country.
- **Continued strict underwriting standards in place post-GFC give us a reason to believe strong credit performance will continue, especially given the recent equity build-up.**

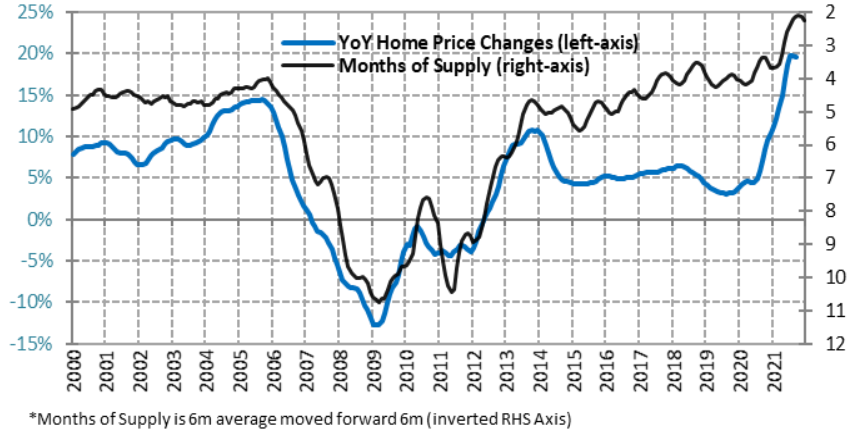


# Trends in Housing Market Continue To Mitigate Underlying Risk

## Continued Improvement in Borrower Profile and Homeowner Equity



Home prices experienced sharp increases as inventory levels (as illustrated by months of supply) have dropped to unprecedented levels.



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