



# **Economic Update**

## ***California Community Colleges Real Estate Educators' Conference***

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**Friday, October 15, 2010**

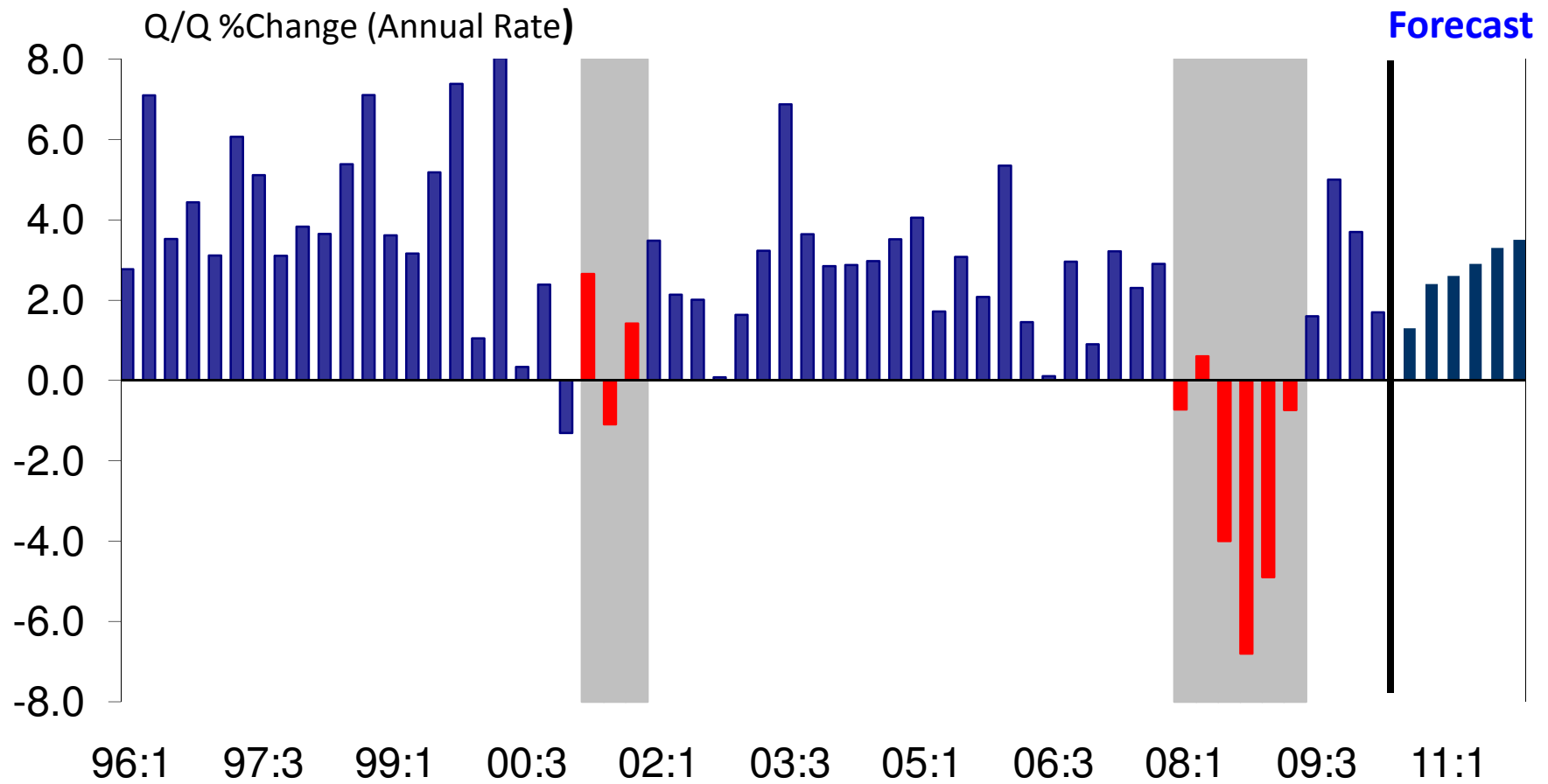


# Economic Outlook

- **Will the economy ever recover?**
- **How is California doing?**
- **What about housing and construction?**



# ***U.S. Economic Growth***

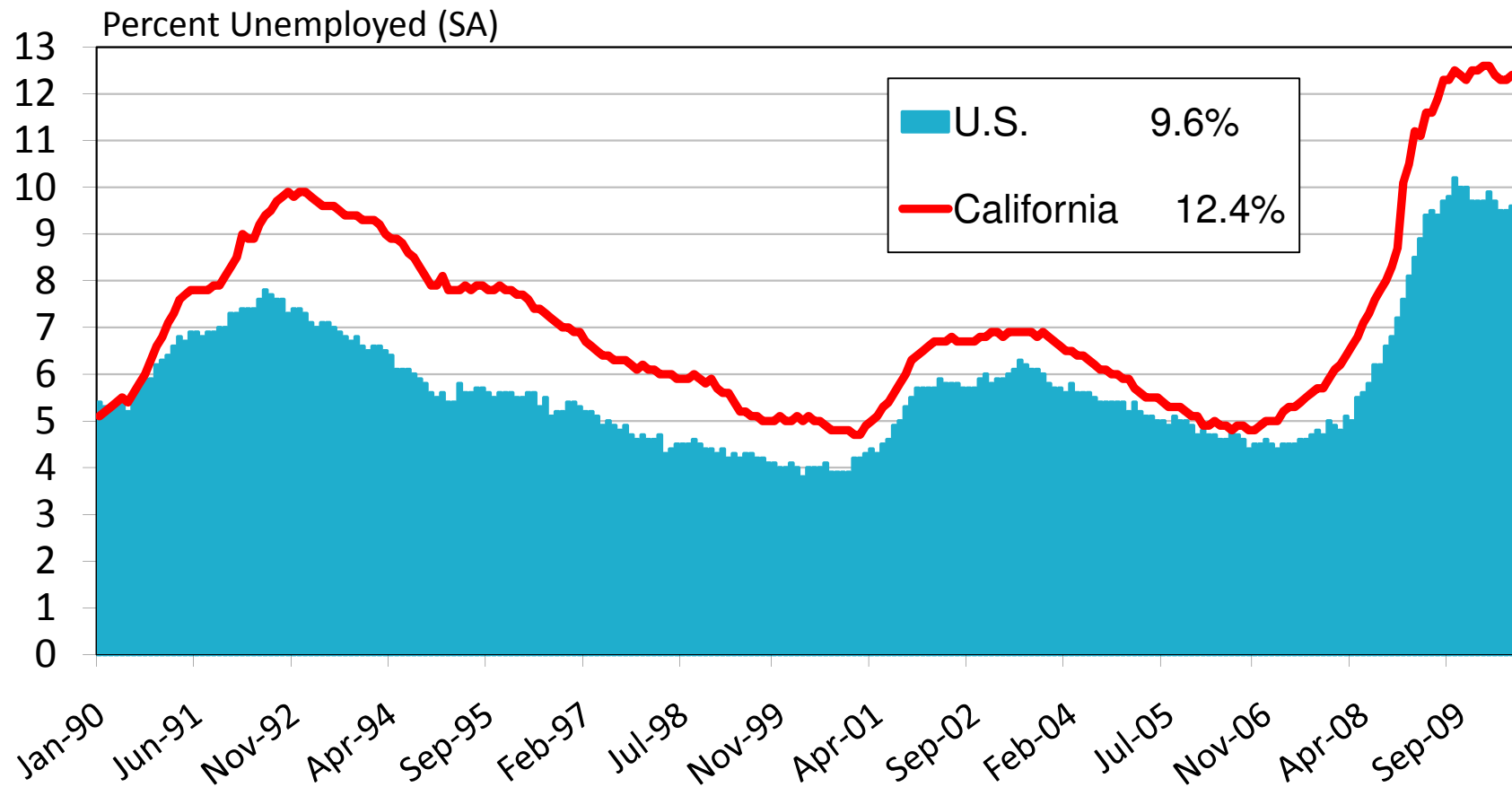


Sources: Bureau of Economic Analysis, forecasts by LAEDC

Year : Quarter



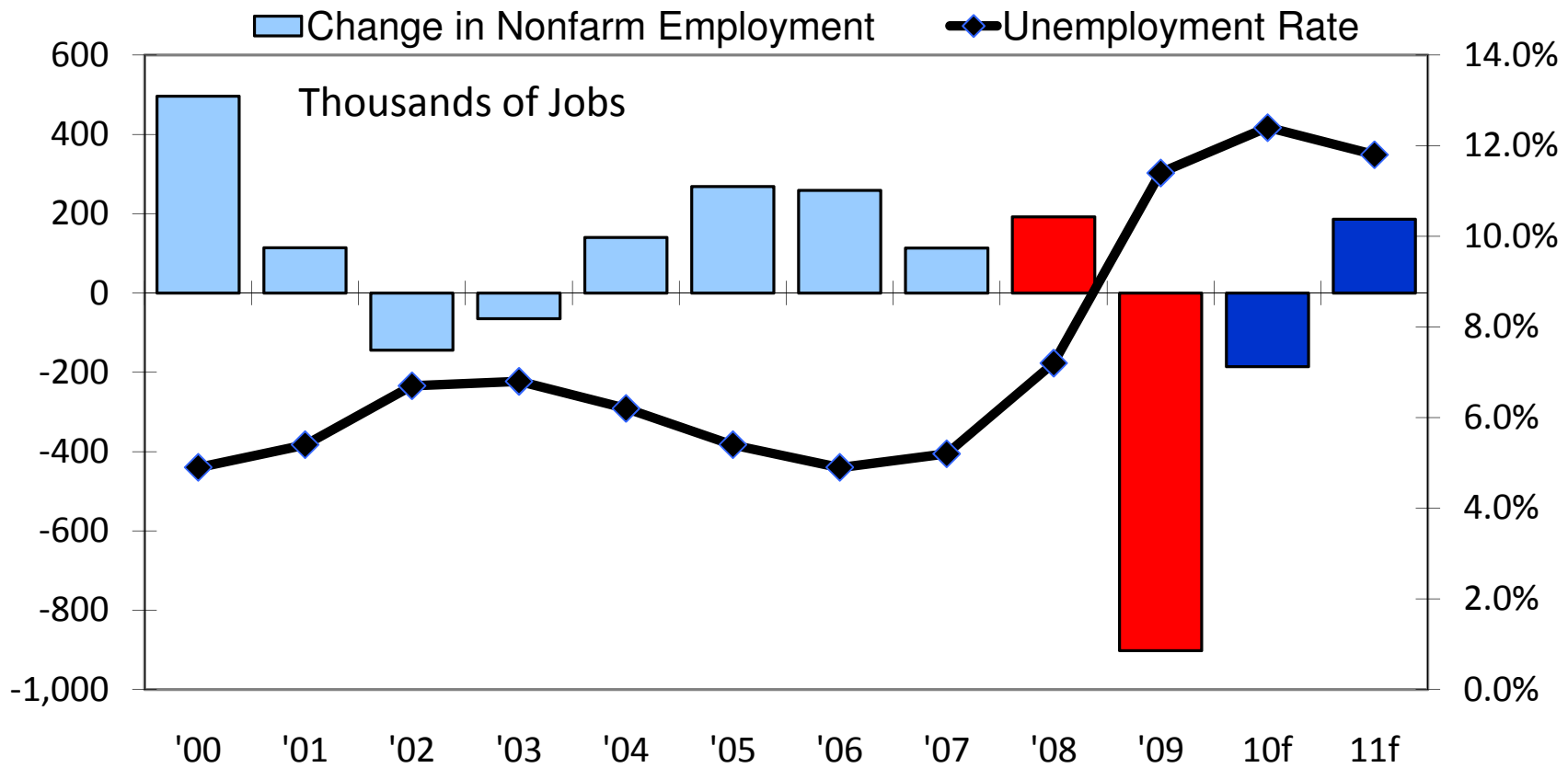
# JOBLESS RATES STILL AT HIGH LEVELS



Sources: BLS, CA EDD



# California Fundamentals

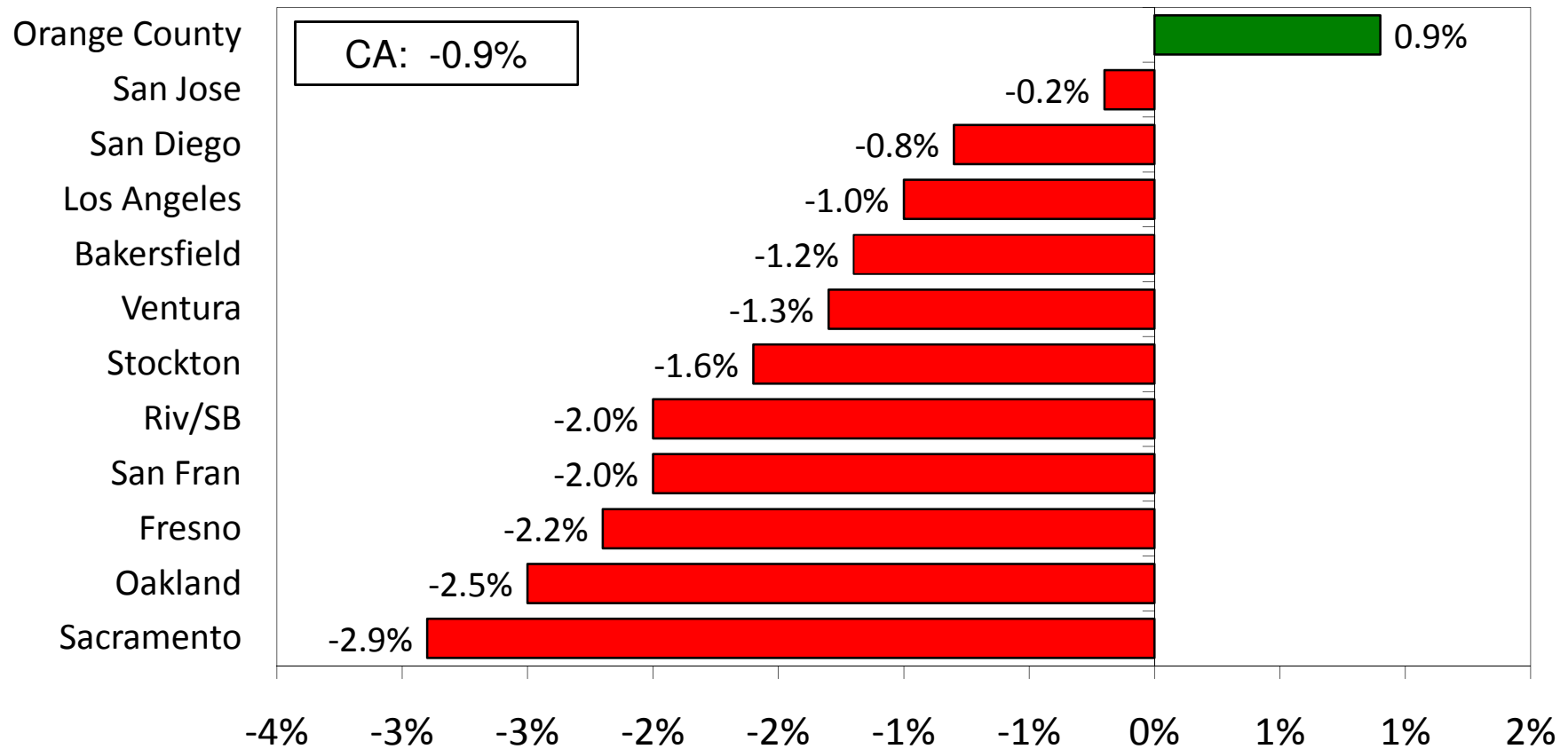


Source: CA Labor Market Information Division; forecast by LAEDC



# JOB TRENDS BY METRO AREA

12-Month % Change to August 2010

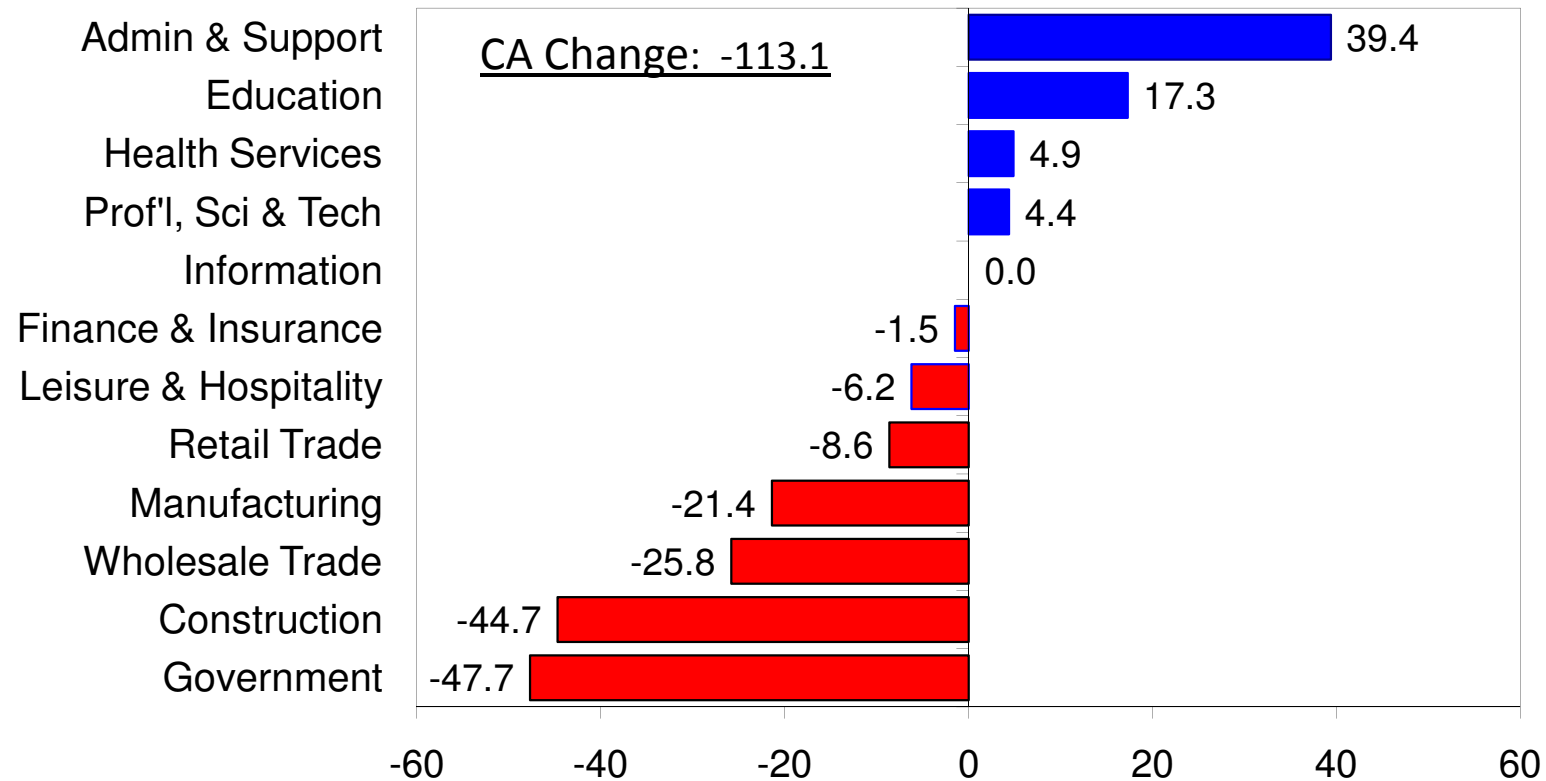


Source: CA EDD, Labor Market Information Division



# Job Trends by Industry - California

12-Month Change to August-2010 (000s)



Source: California Employment Development Dept.



# CALIFORNIA'S ECONOMIC ENVIRONMENT 2010-2011

## Positives

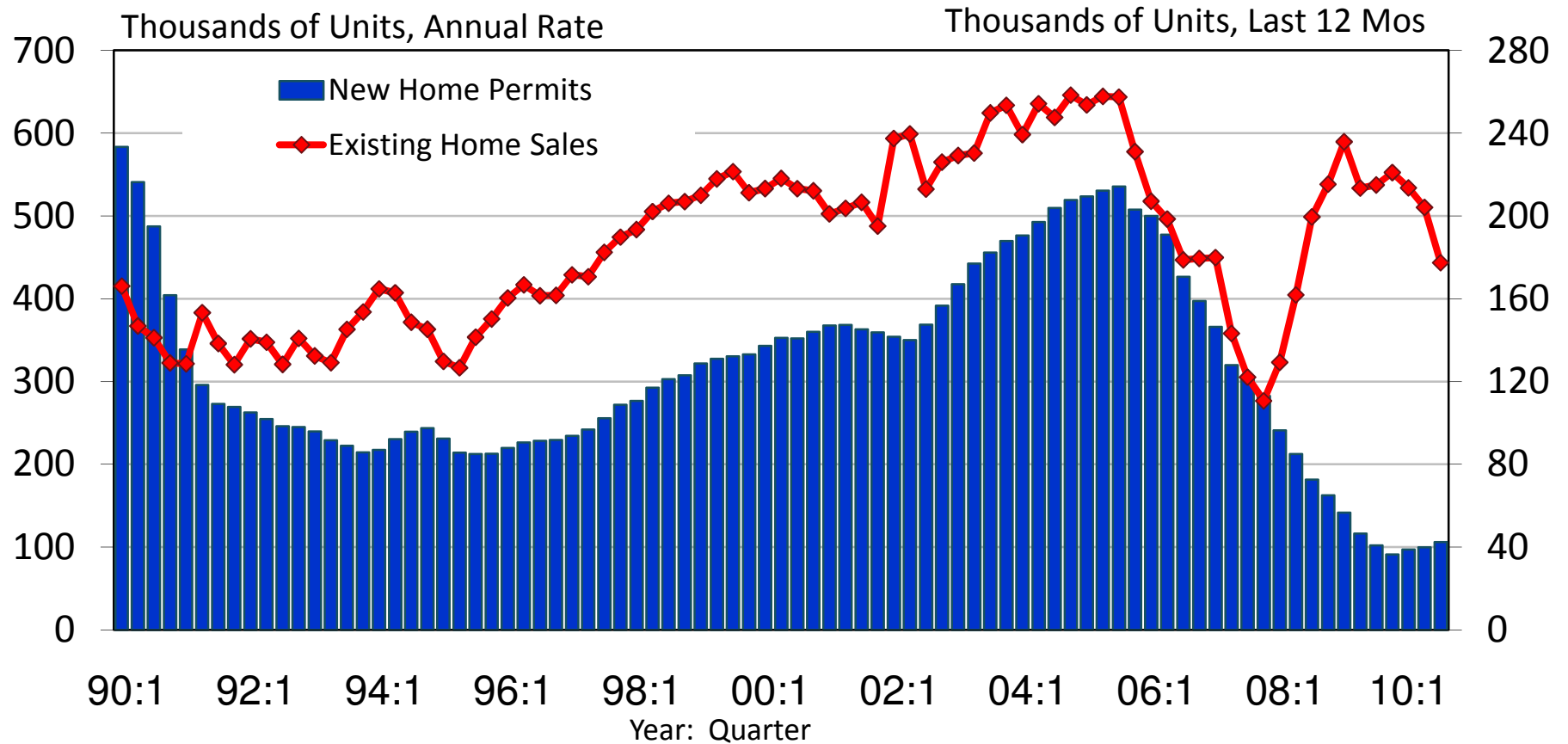
- Growth in some sectors
- Improved housing affordability

## Negatives

- Record unemployment
- Construction & manufacturing sectors struggling
- Credit squeeze hurts
- State budget deficit
- Water supply constraints



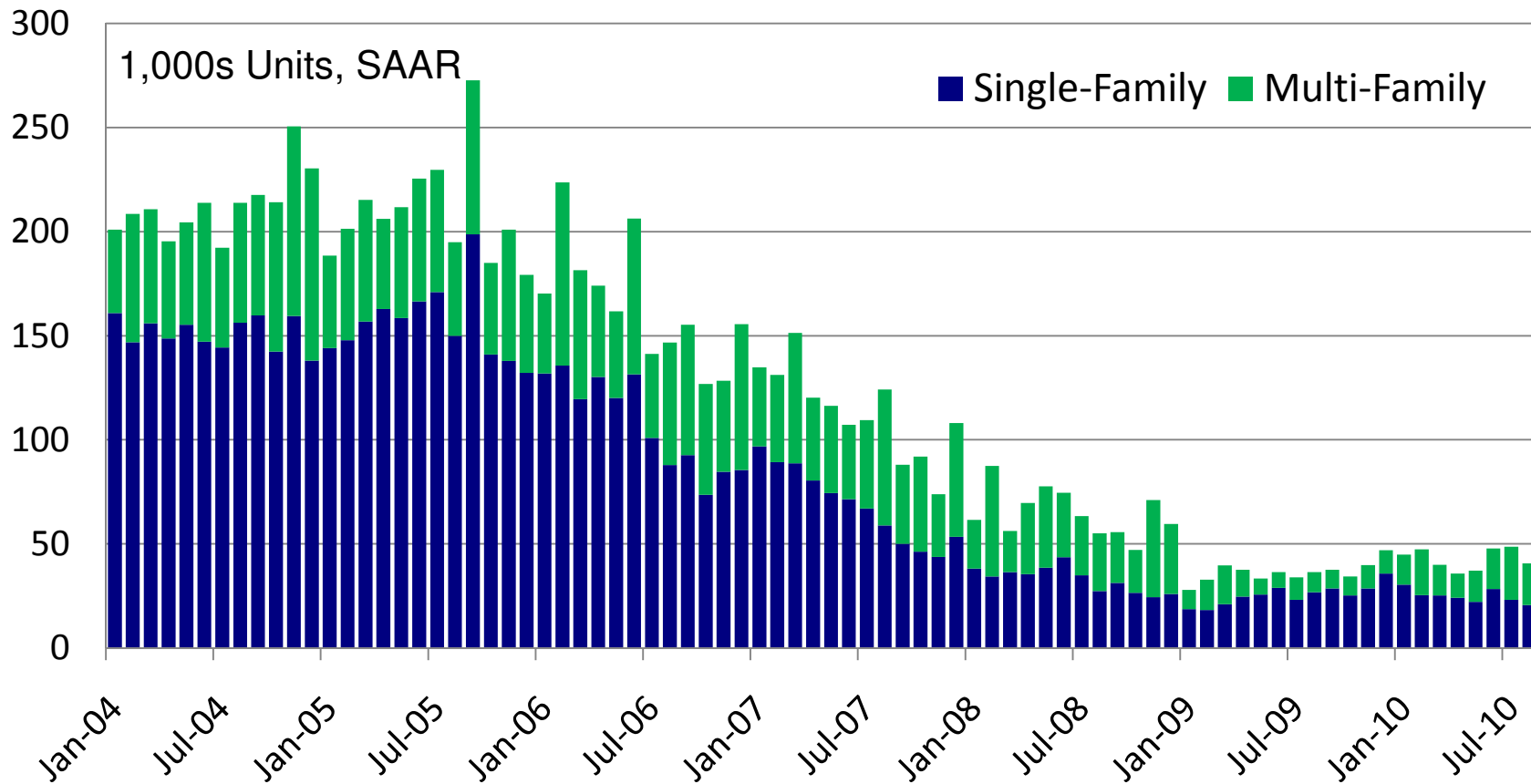
# California Housing Market



Sources: U.S. Census Bureau, California Association of Realtors



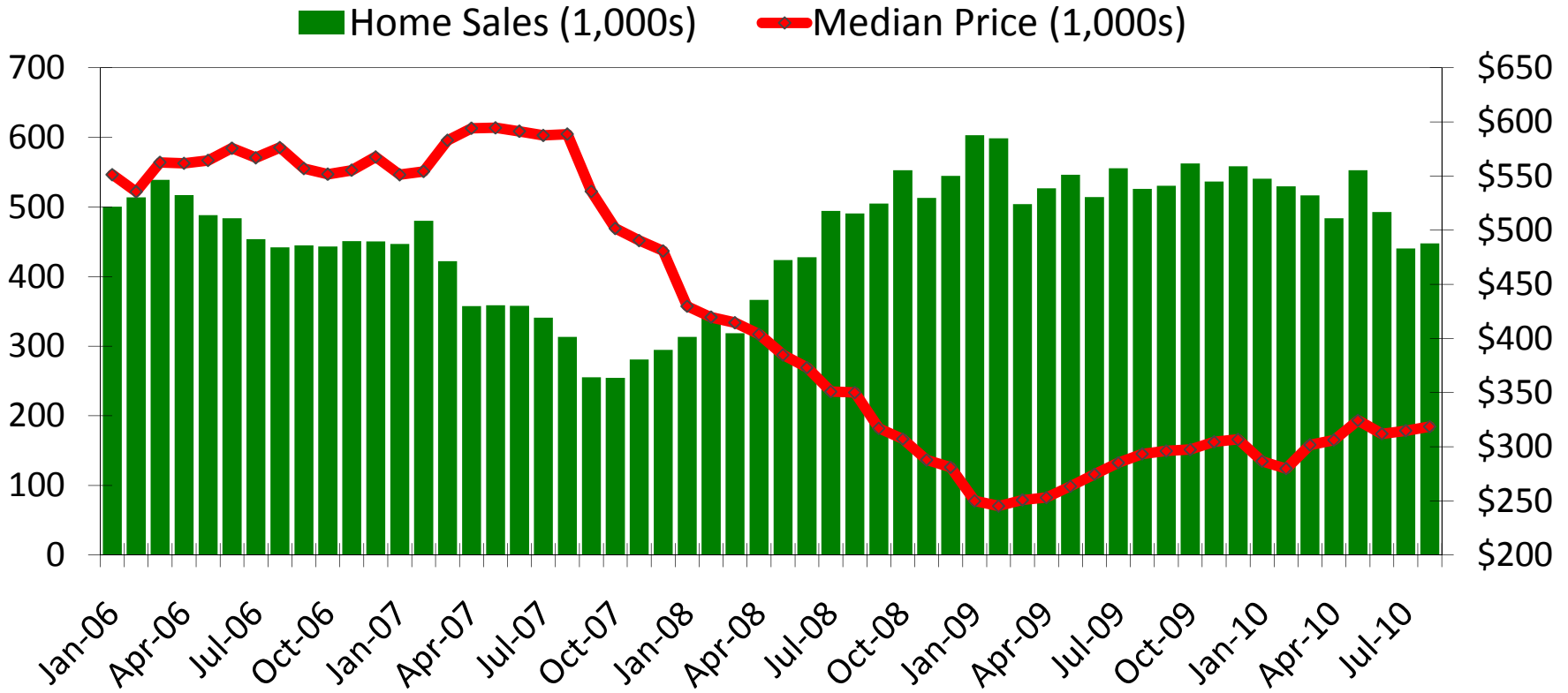
# California Housing Permits



Source: CIRB



# California Existing SF Home Sales & Median Price

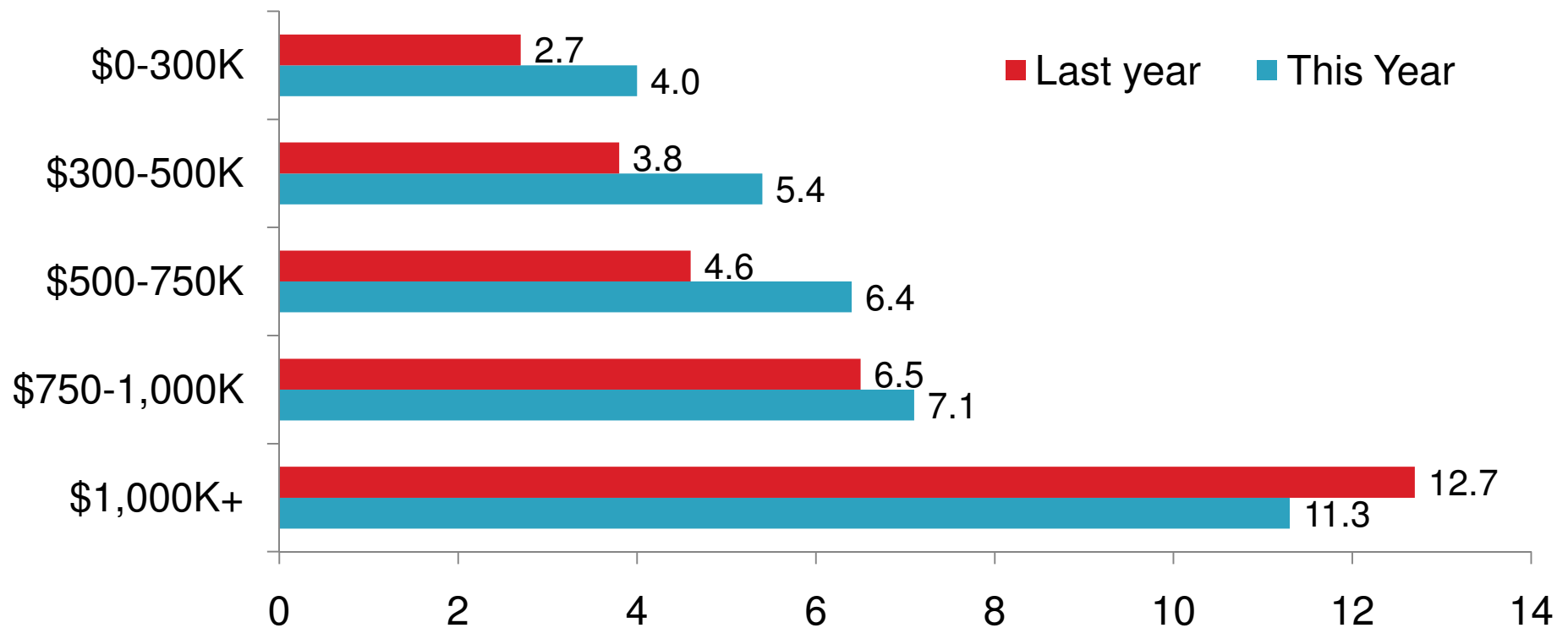


Source: California Association of Realtors



# Unsold Inventory By Price Range

## California - Existing Homes Aug 2010 vs. Aug 2009



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



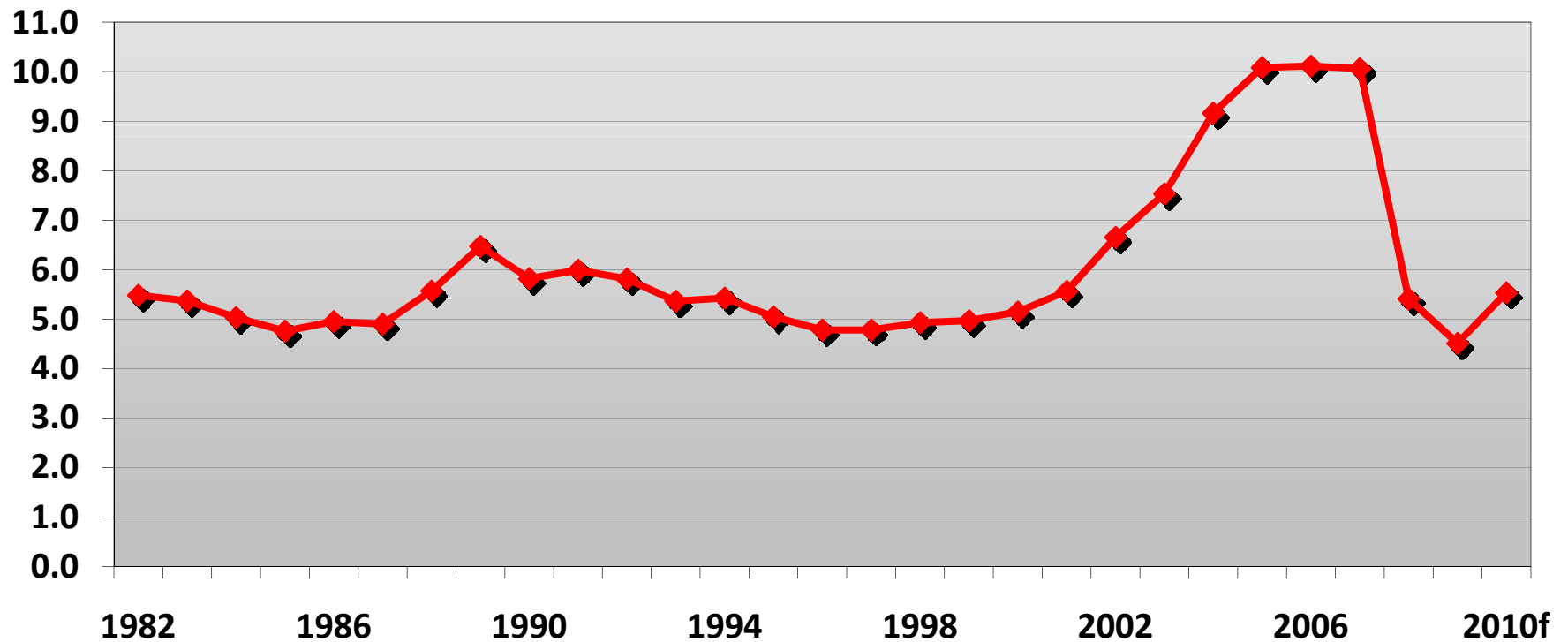
# Trough vs. Current Price – Aug 2010

Region	Trough Month	Trough Price	Aug-10 Median	% Chg from Trough
San Francisco Bay	Feb-2009	\$399,040	\$591,990	48.4%
Monterey Region	Feb-2009	\$241,130	\$352,270	46.1%
Santa Clara	Feb-2009	\$445,000	\$633,250	42.3%
<b>California</b>	<b>Feb-2009</b>	<b>\$245,230</b>	<b>\$318,660</b>	<b>29.9%</b>
Ventura	Feb-2009	\$359,630	\$434,480	20.8%
Inland Empire	Apr-2009	\$156,840	\$188,570	20.2%
Los Angeles	Mar-2009	\$295,100	\$349,600	18.5%
Orange County	Jan-2009	\$423,100	\$499,580	18.1%
San Diego	Mar-2009	\$326,830	\$384,700	17.7%
Sacramento	Apr-2009	\$167,340	\$186,750	11.6%
San Luis Obispo	Apr-2009	\$338,160	\$358,890	6.1%
Northern California	May-2010	\$243,200	\$248,490	2.2%

Source: California Association of Realtors



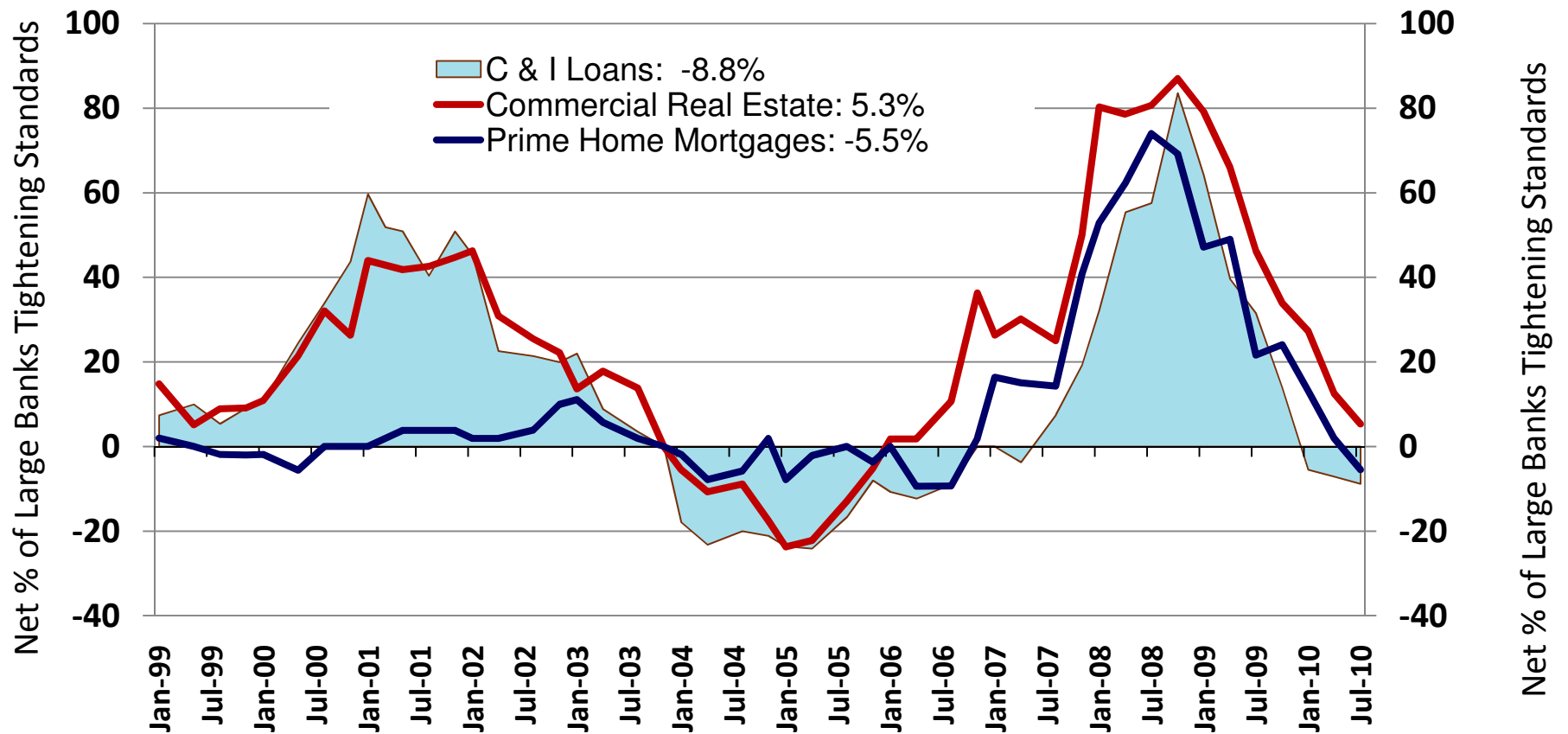
## *Median Price to Median HH Income Ratio*



Source: Calif. Dept. of Finance, CAR



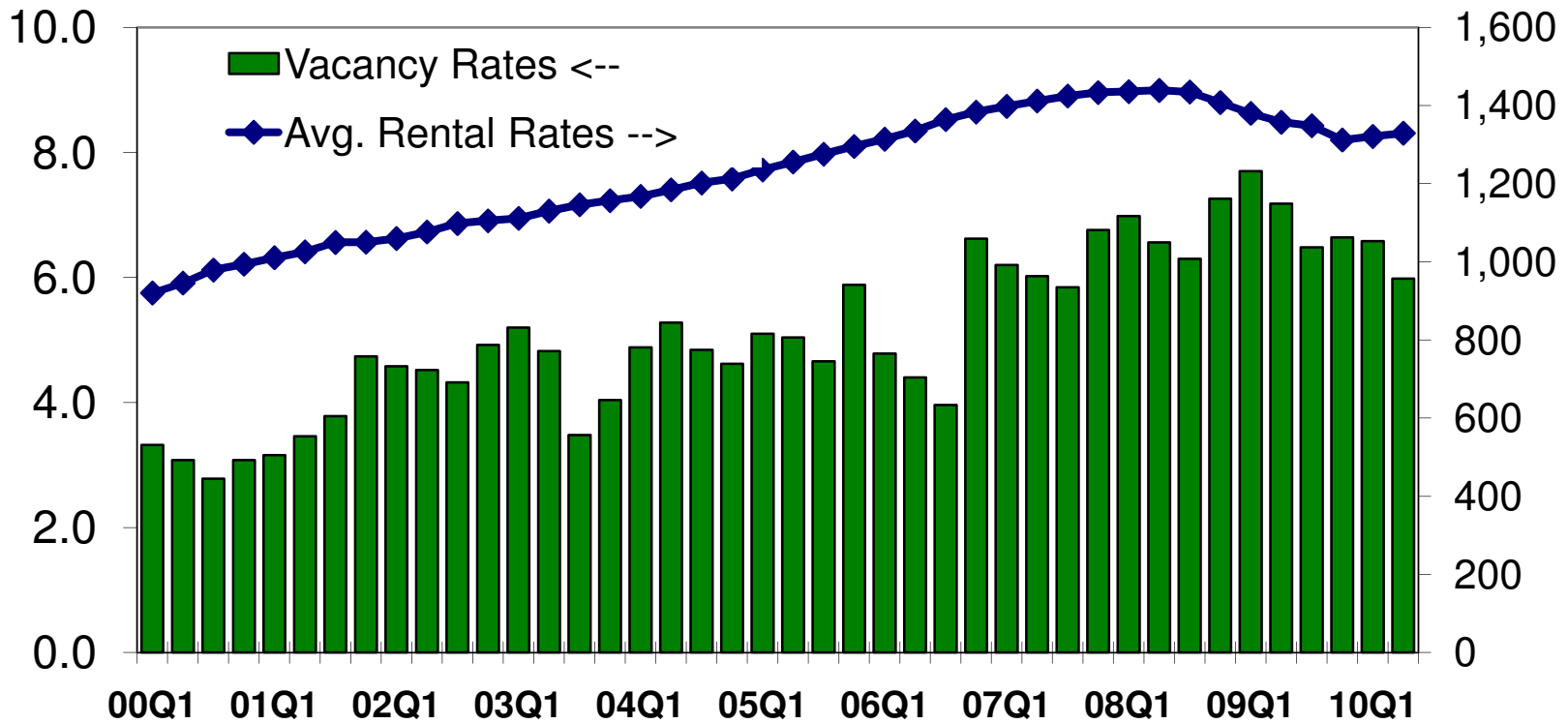
# Still Tight Lending Standards



Source: Federal Reserve Board, latest survey July 2010



# LA 5-County Region Apartment Vacancy Rates & Average Rent



Note: For apartments with more than 100 units

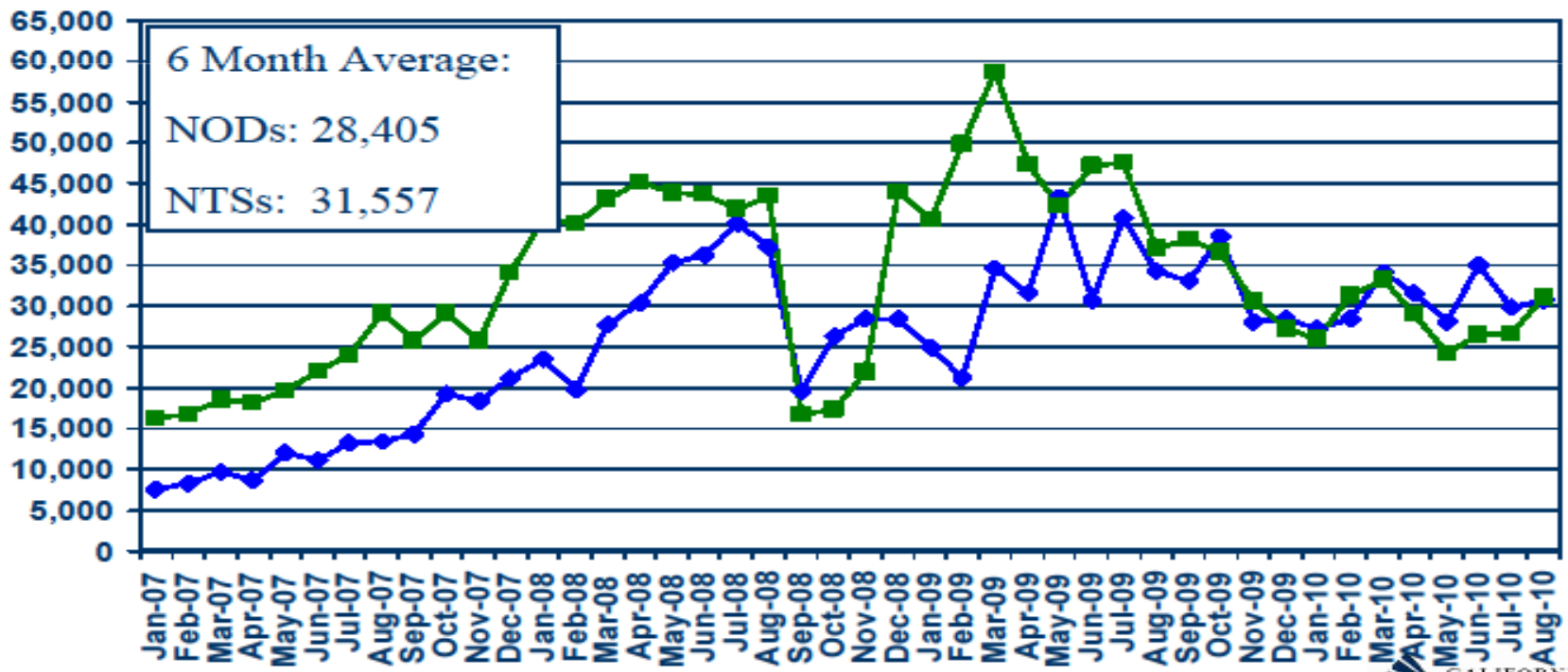
Source: Real Estate Research Council



# California Foreclosure Filings

Aug-10: 31,120 NODs • 30,726 NTSs

◆ Notice of Trustee Sale - Counts   
 ■ Notice of Defaults - Counts



SOURCE: ForeclosureRadar.com

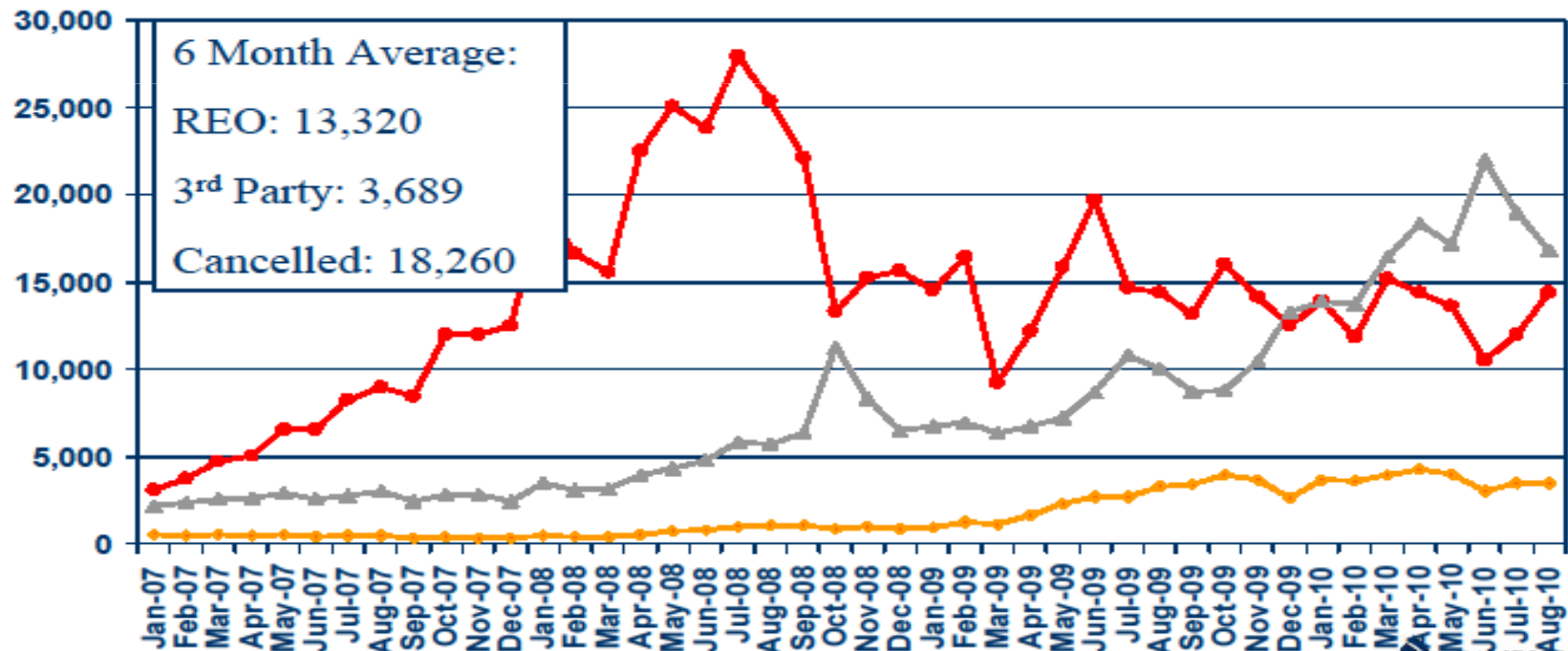




# California Foreclosure Outcomes

Aug-10: 14,369 REOs • 3,472 Sold to 3<sup>rd</sup> Party • 16,828 Cancelled

● REOs   
 ● Sold to 3<sup>rd</sup> Party   
 ▲ Cancellations

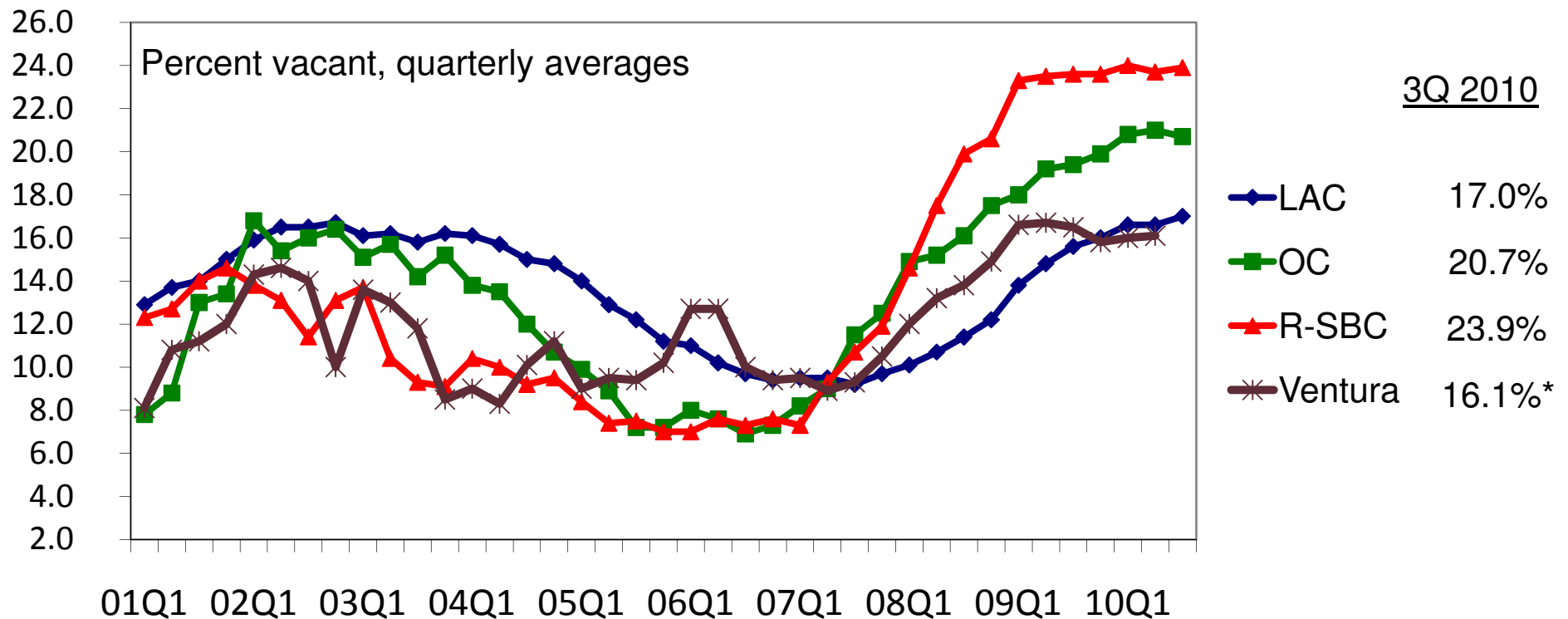


SOURCE: ForeclosureRadar.com





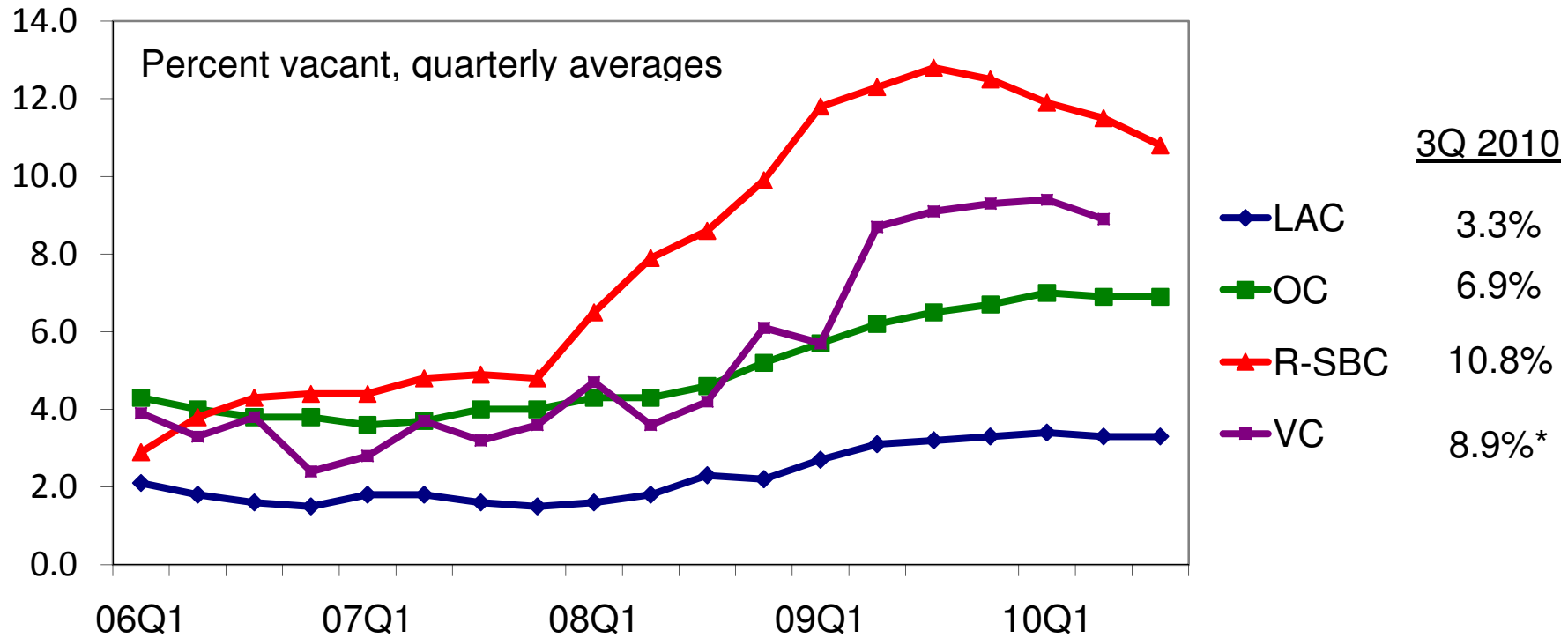
# Office Vacancy Rates in Southern California



Source: Grubb & Ellis Research Services



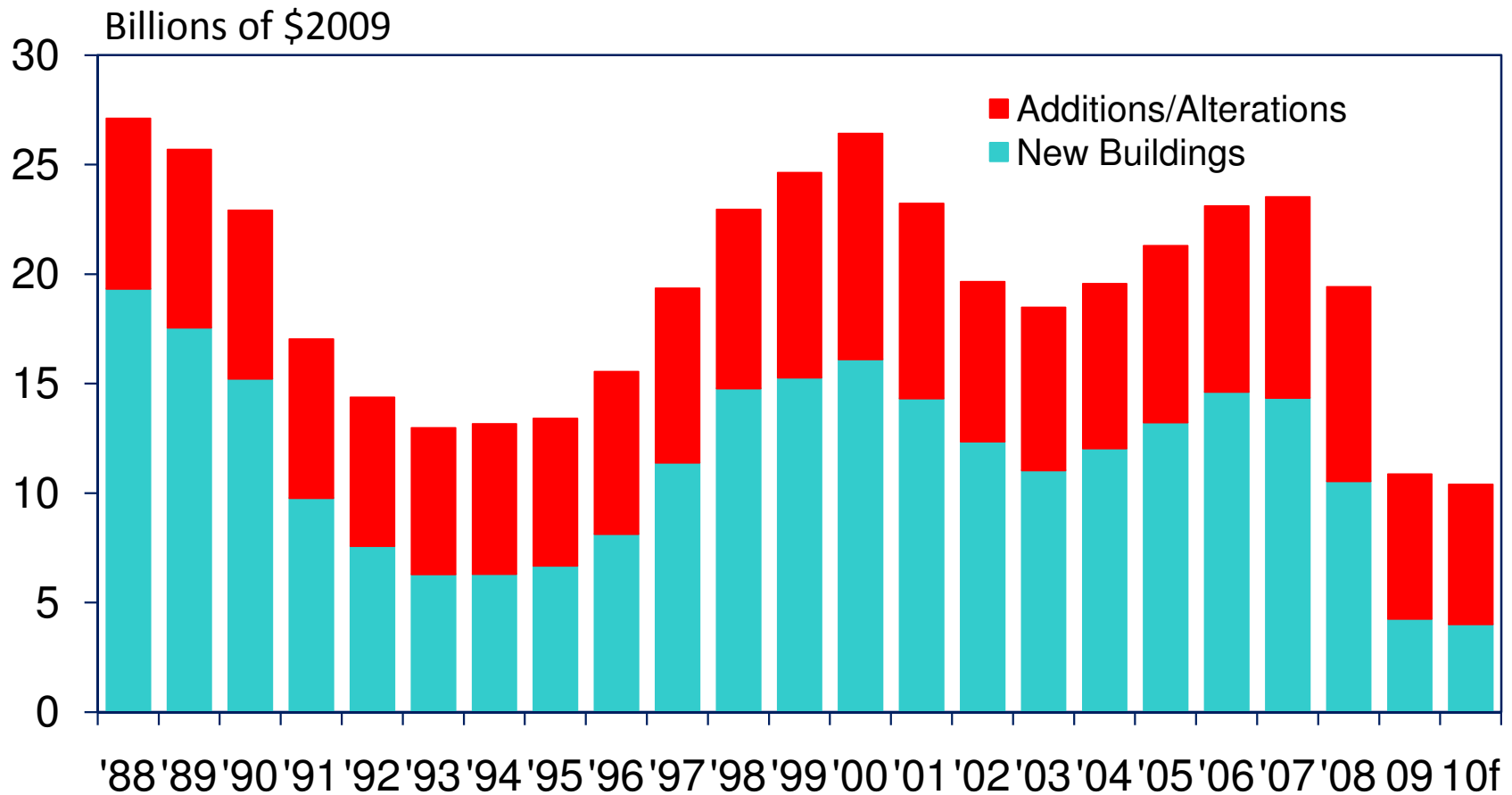
# Industrial Vacancy Rates in Southern California



Source: Grubb & Ellis Research Services



# California Nonresidential Building Permits



Source: Construction Industry Research Board



# CALIFORNIA ECONOMIC FORECAST

	2007	2008	2009	2010f	2011f
<b>Nonfarm Jobs</b>	0.8	-1.2	-6.7	-1.3	1.3
<b>Unemployment Rate</b>	5.4	7.2	11.4	12.4	11.8
<b>Personal Income</b>	5.8	2.9	-2.5	1.7	4.4
<b>Taxable Retail Sales</b>	-0.5	-7.9	-14.4	5.6	5.6
<b>Housing Unit Permits</b>	113.0	64.8	36.4	40.0	55.0

Annual % change except housing permits, which are in thousands of units.

Forecast Source: LAEDC



# Interest Rate Forecast

	2005	2006	2007	2008	2009	2010f	2011f
30-Yr FRM	5.9%	6.4%	6.3%	6.0%	5.1%	4.7%	5.1%
1-Yr ARM	4.5%	5.5%	5.6%	5.2%	4.7%	3.9%	4.1%

Source: California Association of Realtors



# 2011 Housing Forecast

	2005	2006	2007	2008	2009	2010f	2011f
SFH Resales (thousands)	625.0	477.5	346.9	439.8	546.5	492.0	502.0
% Change	0.03%	-23.6%	-27.3%	26.8%	24.3%	-10.0%	2.0%
Median Price (thousands)	\$522.7	\$556.4	\$560.3	\$346.4	\$275.0	\$306.5	\$312.5
% Change	16.0%	6.5%	0.7%	-38.2%	-20.6%	11.5%	2.0%

Source: California Association of Realtors

# THANK YOU and STAY INFORMED

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**Los Angeles County Economic Development Corporation  
The Kyser Center for Economic Research**

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May 10, 2010

## This Week's Headlines

[April U.S. Labor Market Report](#)

[California's Budget Position in April](#)

[Consumer Credit Edged Up in March](#)

[April Light Vehicle Sales](#)

[Northern California Hotel Business Showing Signs of Life](#)

[March LAX and Ontario International Airport Passenger and Cargo Figures](#)

Last Week's Headlines

## April U.S. Labor Market Report

The Bureau of Labor Statistics just released its latest U.S. Labor Market Report covering the U.S. employment situation in April. The overall message was pretty positive on the employment side, not so positive on the household side. The unemployment rate ticked up, while nonfarm employment jumped in April and in March, especially in the private sector. Taken together, it appears the long downtrend in labor markets is nearing the end-and none too soon. [Full Article](#)

## California's Budget Position in April

California's overall budget position in April was worse than expected, but behind the numbers, the results were mixed. Total receipts were up compared to the same period last year, but still fell short of disbursements by -\$8.3 billion. The State's cash balance now stands at -\$20.2 billion (an improvement over March when the cash balance stood at -\$22.6 billion). The latest financial results released by the State Controller for the General fund show that during the first ten months of FY 2009-2010, total receipts increased by +1.9% to \$68.6 billion (up by +\$1.3 billion compared with the same period last year). Total disbursements fell - dropping by -\$10.1 billion to \$78.7 billion (or by -11.3% on a year-over-year basis). While the year-over increase in revenue is