

# California Real Estate Market Outlook Real Estate Education Center February 25, 2011

**Robert Kleinhenz, Ph.D.**  
**Deputy Chief Economist**

CALIFORNIA ASSOCIATION OF REALTORS®

# www.car.org/marketdata → Speeches

The screenshot shows the California Association of Realtors (CAR) website in a Windows Internet Explorer browser. The address bar shows the URL <http://www.car.org/marketdata/>. The page features a navigation menu with links for Home, Market Data, Legal, Government Affairs, Education, Member Resources, Newsstand, Meetings & Events, Business Tools, and About Us. The main content area is titled "MARKET DATA" and includes a "WHAT'S NEW" section with articles such as "January sales and price report", "Q4 First-time Buyer Housing Affordability", "Price Trends of Distressed Sales and Non-Distressed Sales", "Real Estate 411:", and "2010 Housing Market Recap & 2011 Outlook". A sidebar on the left lists "Current Research" items, with "Speeches & Presentations" highlighted by a red box and a red arrow pointing to it. The text "Speeches & Presentations" is written in red next to the box. The bottom of the browser shows the Windows taskbar with various open applications and the system clock at 8:51 PM.

# Overview

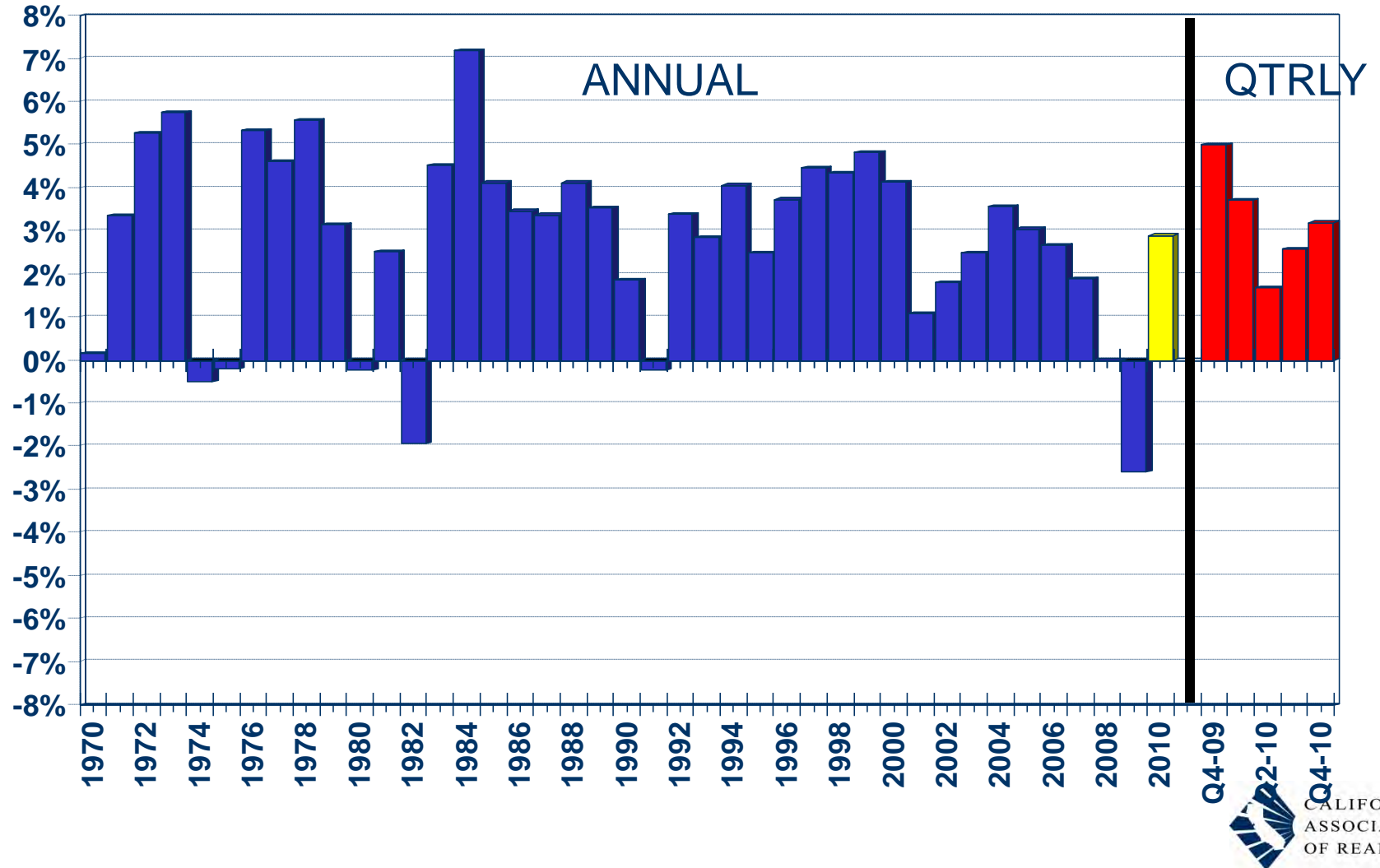
- **US and California Economies**
- **California Housing Market**
- **Local/Regional Housing Market**
- **California Forecast**

# US and California Economic Conditions

# Gross Domestic Product

2010: +2.9%; 2010 Q4: +3.2%

ANNUAL PERCENT CHANGE, CHAIN-TYPE (2005) \$



# Economic Outlook

## ➤ **Economic Activity**

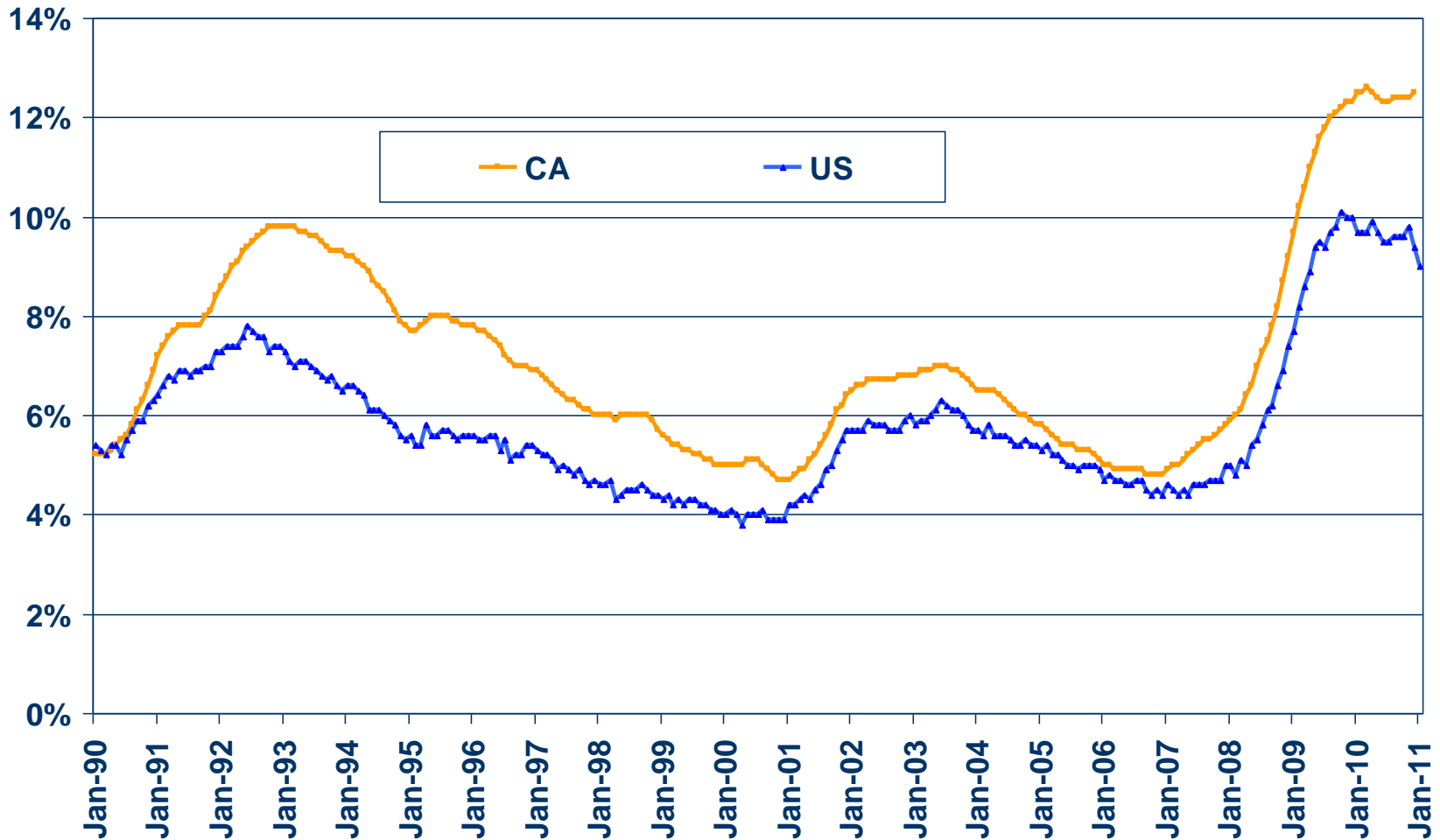
- GDP grew modestly in 2010
- Need faster growth to create jobs
- Consumer spending on the rise

## ➤ **Inflation**

- In check now through end of 2011
- Food and energy price increases likely

# Unemployment Rate

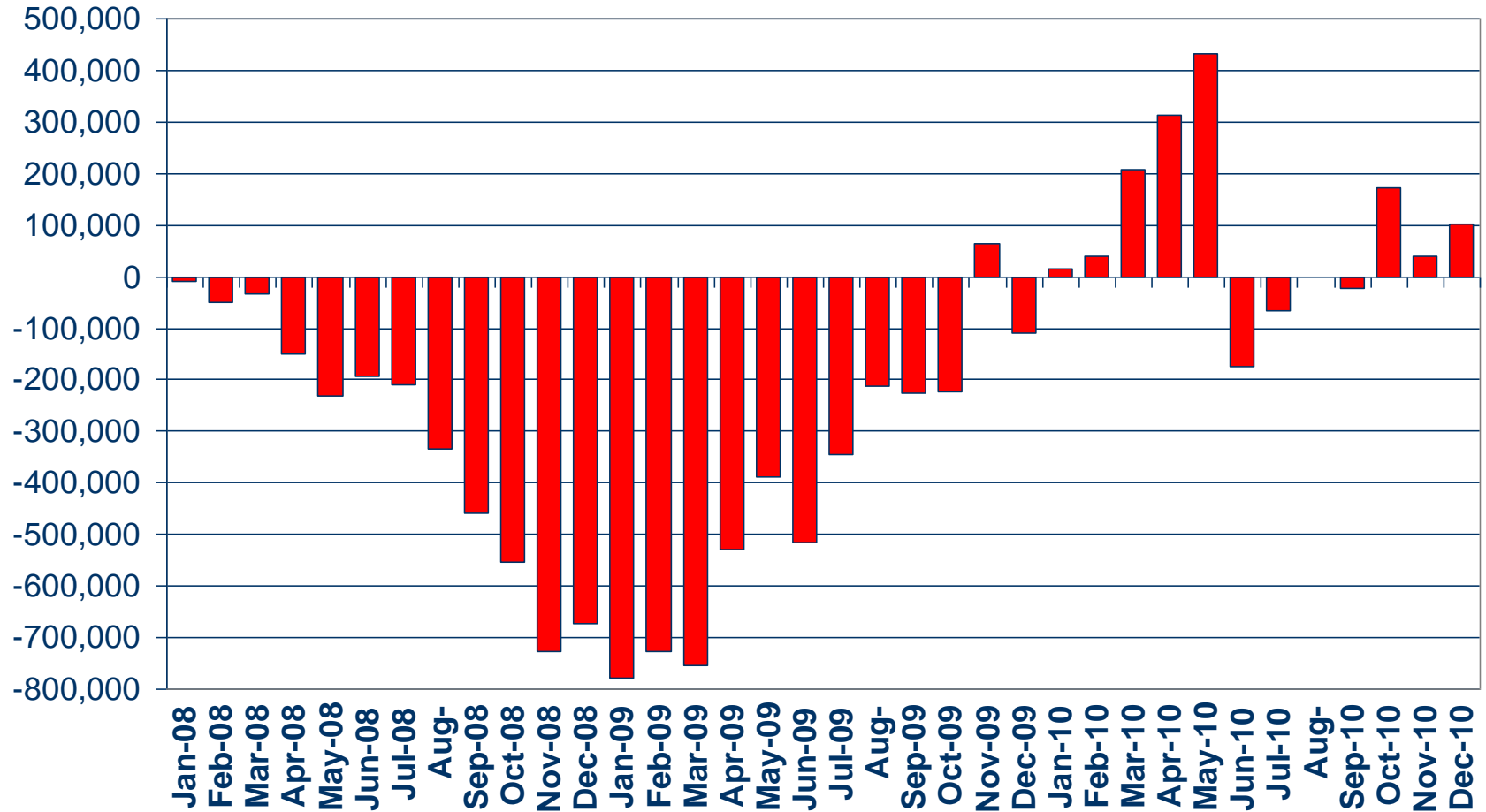
## California vs. United States



SOURCE: CA Employment Development Division

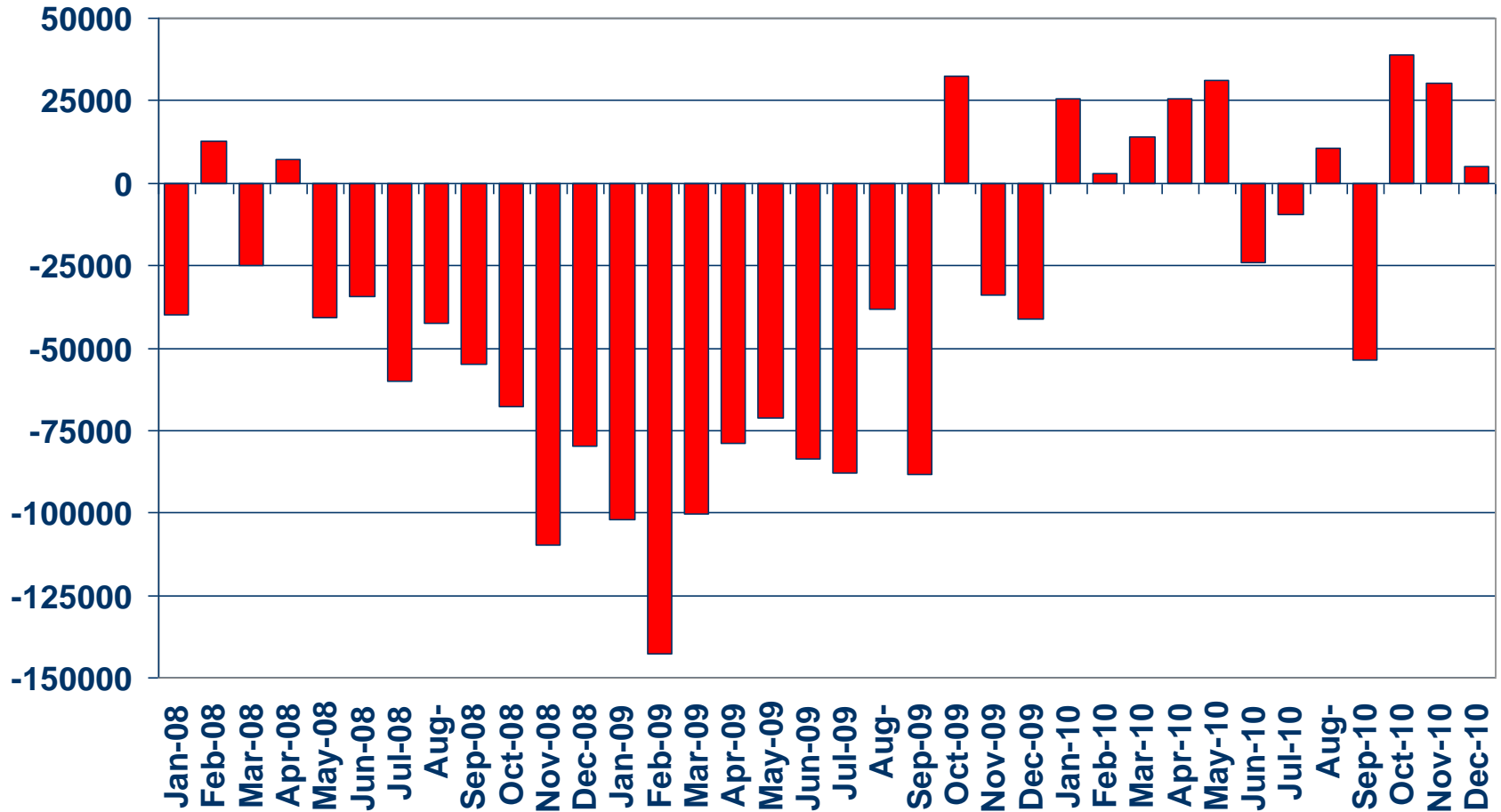


# U.S. Non-farm Job Growth Month-to-Month Changes



SOURCE: US Dept of Labor, Bureau of Labor Statistics

# California Non-farm Job Growth Month-to-Month Changes



SOURCE: CA Employment Development Division

# Economic Outlook

## ➤ Employment

- Stubbornly high unemployment rate
- US: Lost 8.4m jobs 2008-09, +1m 2010
- CA: Lost 1.4m jobs 2008-09, +100k 2010
- Structural unemployment and tech change

## ➤ Overall

- 2011 a year of recovery
- Improved labor market
- Gov't sector (-) Consumer sector (+)

# U.S. Economic Outlook

	2004	2005	2006	2007	2008	2009	2010	2011f
<b>US GDP</b>	3.6%	3.1%	2.7%	1.9%	0.0%	-2.6%	2.9%	2.4%
<b>Nonfarm Job Growth</b>	1.1%	1.7%	1.8%	1.1%	-0.4%	-4.3%	-0.4%	1.0%
<b>Unemployment</b>	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.7%	9.6%
<b>CPI</b>	2.7%	3.4%	3.2%	2.8%	3.8%	-0.3%	1.5%	1.7%
<b>Real Disposable Income, % Change</b>	3.4%	1.3%	4.0%	2.2%	0.5%	0.9%	1.3%	1.1%

Forecast Date: February 2011

# California Economic Outlook

	2004	2005	2006	2007	2008	2009	2010	2011f
<b>Nonfarm Job Growth</b>	1.0%	1.8%	1.7%	0.8%	-1.3%	-6.0%	-1.0%	1.6%
<b>Unemployment Rate</b>	6.2%	5.4%	4.9%	5.4%	7.2%	11.4%	12.3%	11.4%
<b>Population Growth</b>	1.4%	1.2%	1.1%	1.1%	1.2%	1.1%	1.0%	1.0%
<b>Real Disposable Income, % Change</b>	3.6%	1.3%	3.4%	1.5%	0.1%	-2.2%	0.6%	1.9%

Forecast Date: January 2011

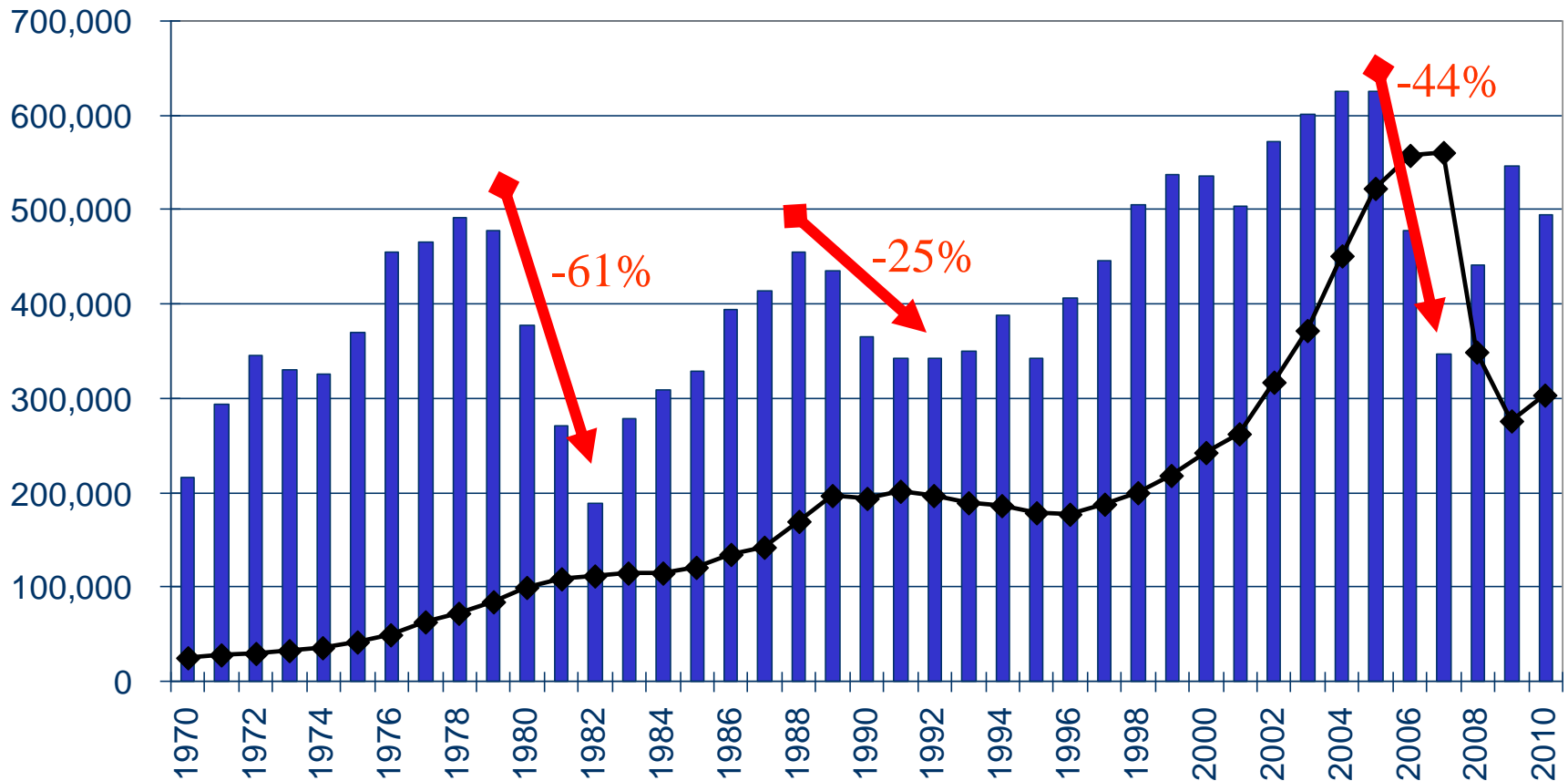
# California Housing Market

# Hitting Bottom: Sales 2007, Prices 2009

## California Sales of Existing Homes and Median Price

UNITS/MEDIAN PRICE \$

■ Sales of Existing Detached Homes ◆ Median Price

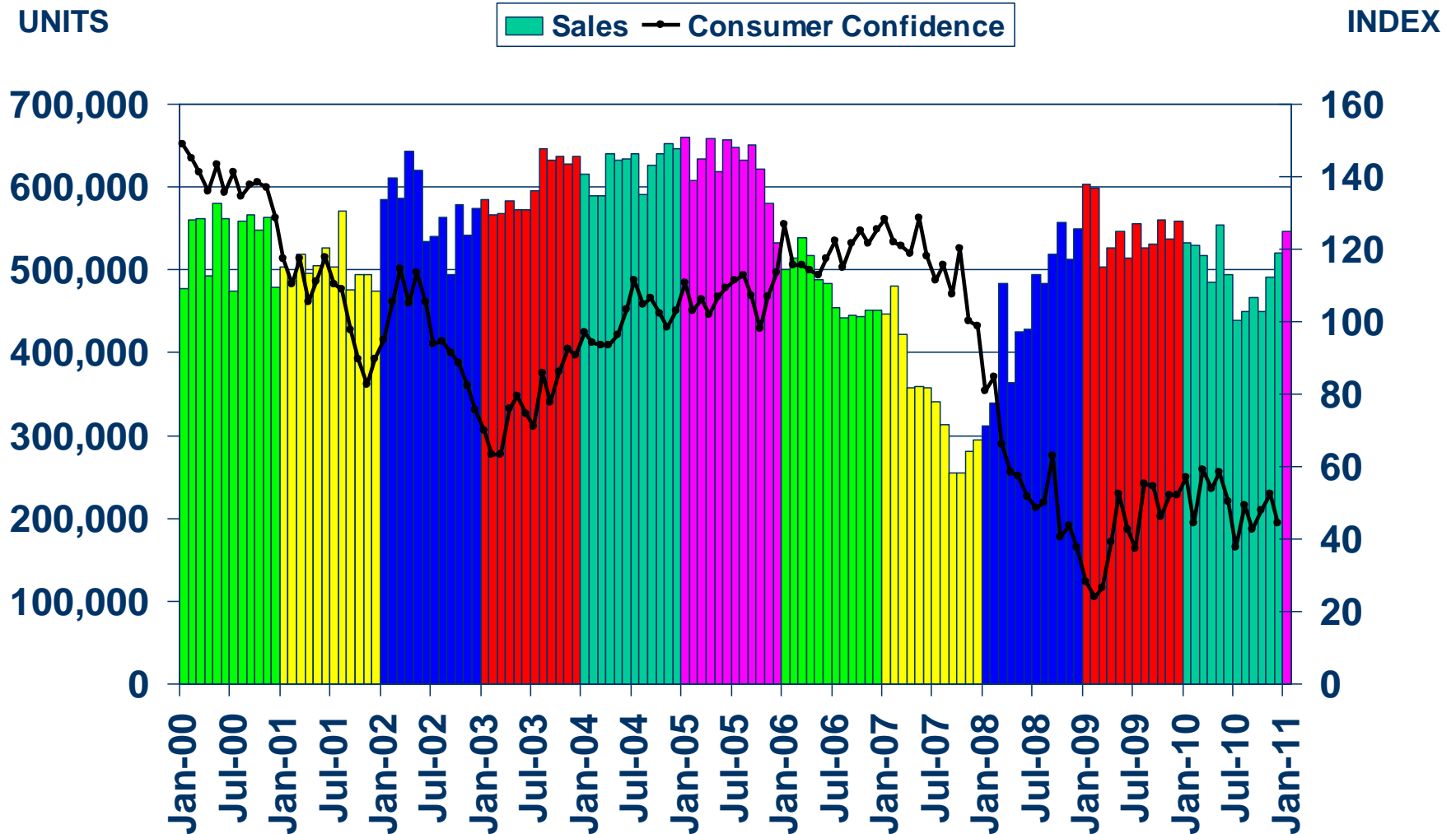


SOURCE: California Association of REALTORS®



# Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, January 2011 Sales: 546,520 Units, +5.1% MTM, +2.5% YTD



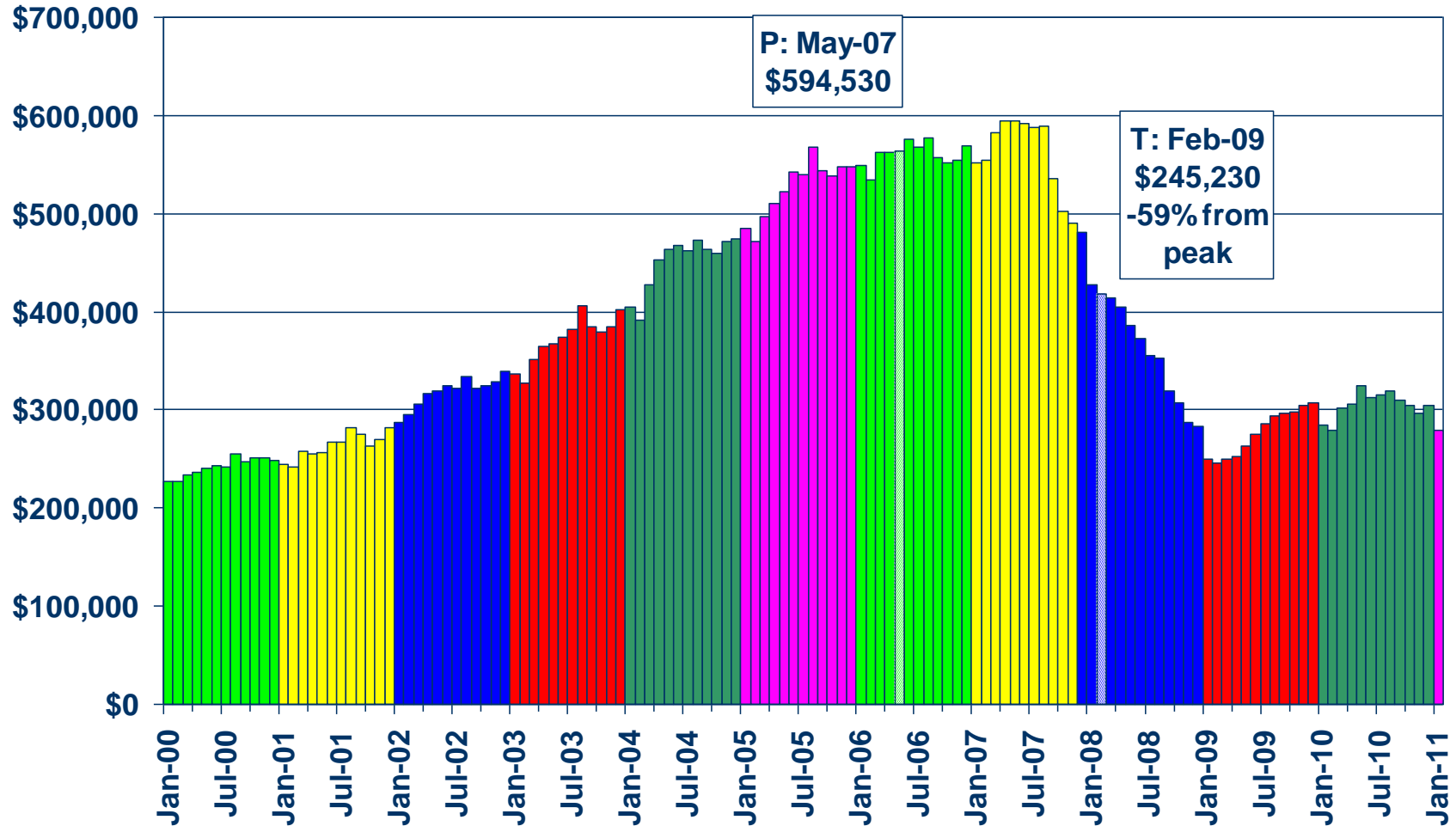
SOURCE: California Association of REALTORS®; The Conference Board

\*Sales are seasonally adjusted and annualized



# Median Price of Existing Detached Homes

California, January 2011: \$278,900, Down -2.0% YTY



SOURCE: California Association of REALTORS®



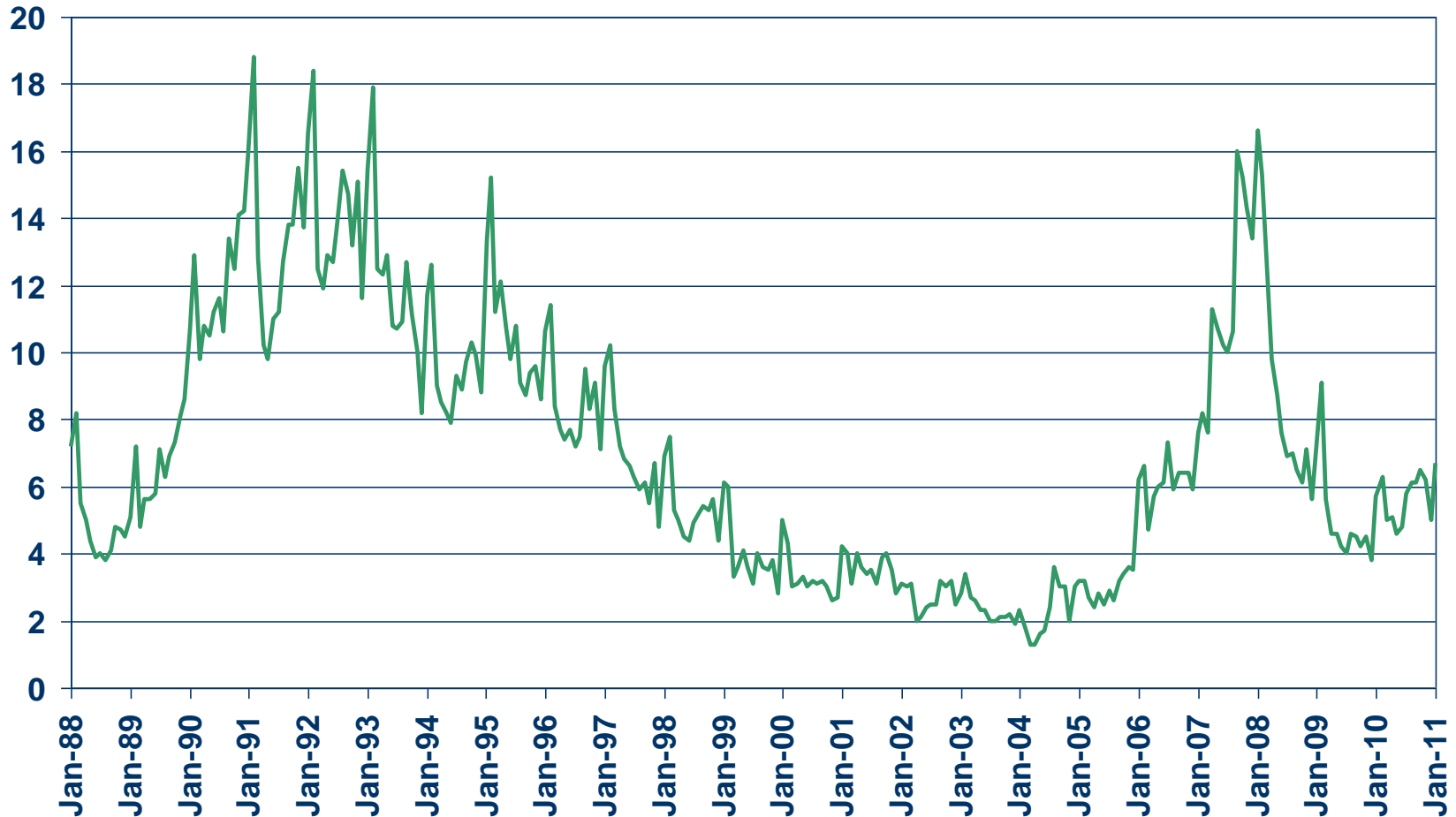
# Trough vs. Current Price – Dec 2010

Region	Trough Month	Trough Price	Dec-10 Median	% Chg From Trough
San Francisco Bay Area	Feb-09	\$399,040	\$537,520	34.7%
Monterey Region	Feb-09	\$241,130	\$319,490	32.5%
Santa Clara	Feb-09	\$445,000	\$560,000	25.8%
<b>CALIFORNIA</b>	<b>Feb-09</b>	<b>\$245,230</b>	<b>\$301,850</b>	<b>23.1%</b>
Ventura	Feb-09	\$359,630	\$441,570	22.8%
Palm Springs/Lower Desert	Apr-09	\$150,140	\$177,540	18.2%
High Desert	May-09	\$106,210	\$125,480	18.1%
Riverside/San Bernardino	Apr-09	\$156,840	\$183,540	17.0%
Los Angeles	Mar-09	\$295,100	\$340,200	15.3%
San Diego	Mar-09	\$326,830	\$375,790	15.0%
Orange County	Jan-09	\$423,100	\$458,700	8.4%
Northern Wine Country	Feb-09	\$310,950	\$335,890	8.0%
Sacramento	Apr-09	\$167,340	\$179,040	7.0%
San Luis Obispo	Apr-09	\$338,160	\$355,950	5.3%
Northern California	Dec-10	\$235,340	\$235,340	0.0%

# Unsold Inventory Index

## California, January 2011: 6.7 Months

MONTHS



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Unsold Inventory Index (Months)

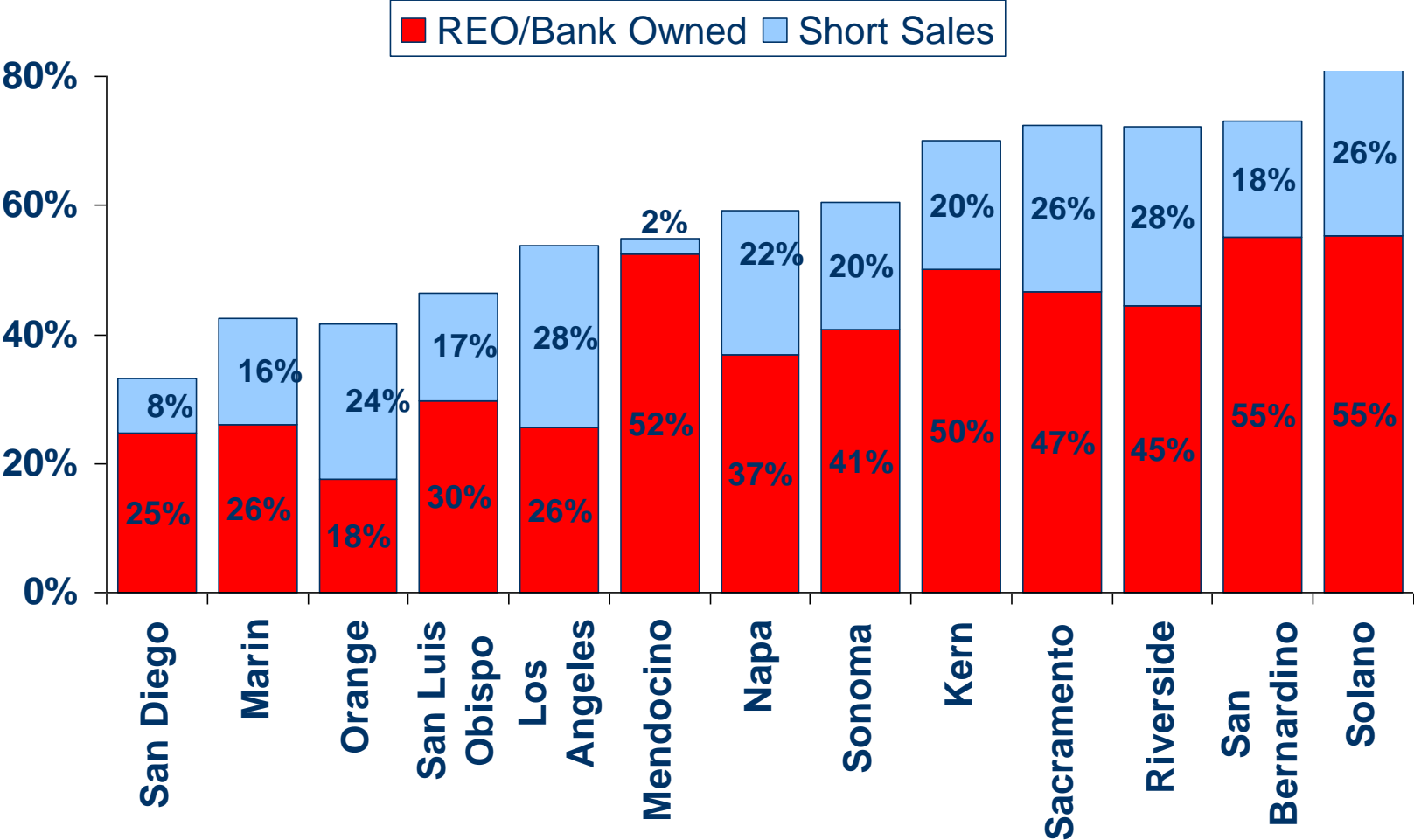
Price Range (Thousand)	Jan-11	Dec-10	Jan-10
\$1,000K+	13.8	8.2	12.5
\$750-1000K	9.0	5.7	7.0
\$500-750K	7.0	4.8	5.1
\$300-500K	6.5	4.9	4.8
\$0-300K	6.3	4.9	4.6

# Distressed Sales by County

## (Percent of Total Sales)

County/Region	Jan-10	Dec-10	Jan-11
CA	55.9%	50.1%	54.4%
San Diego	34.2%	28.4%	33.1%
Marin	36.9%	33.7%	42.5%
Orange	41.3%	38.1%	42.6%
San Luis Obispo	48.7%	45.9%	46.6%
Los Angeles	53.5%	50.1%	54.5%
Mendocino	48.7%	56.6%	54.8%
Napa	67.5%	54.0%	59.2%
Sonoma	54.2%	55.3%	60.5%
Kern	69.1%	70.6%	70.0%
Sacramento	68.0%	66.2%	72.5%
Riverside	77.9%	66.7%	72.7%
San Bernardino	75.8%	72.1%	73.8%
Solano	76.0%	74.3%	81.1%

# REO Sales & Short Sales by County (Jan 2011)



SOURCE: California Association of REALTORS®

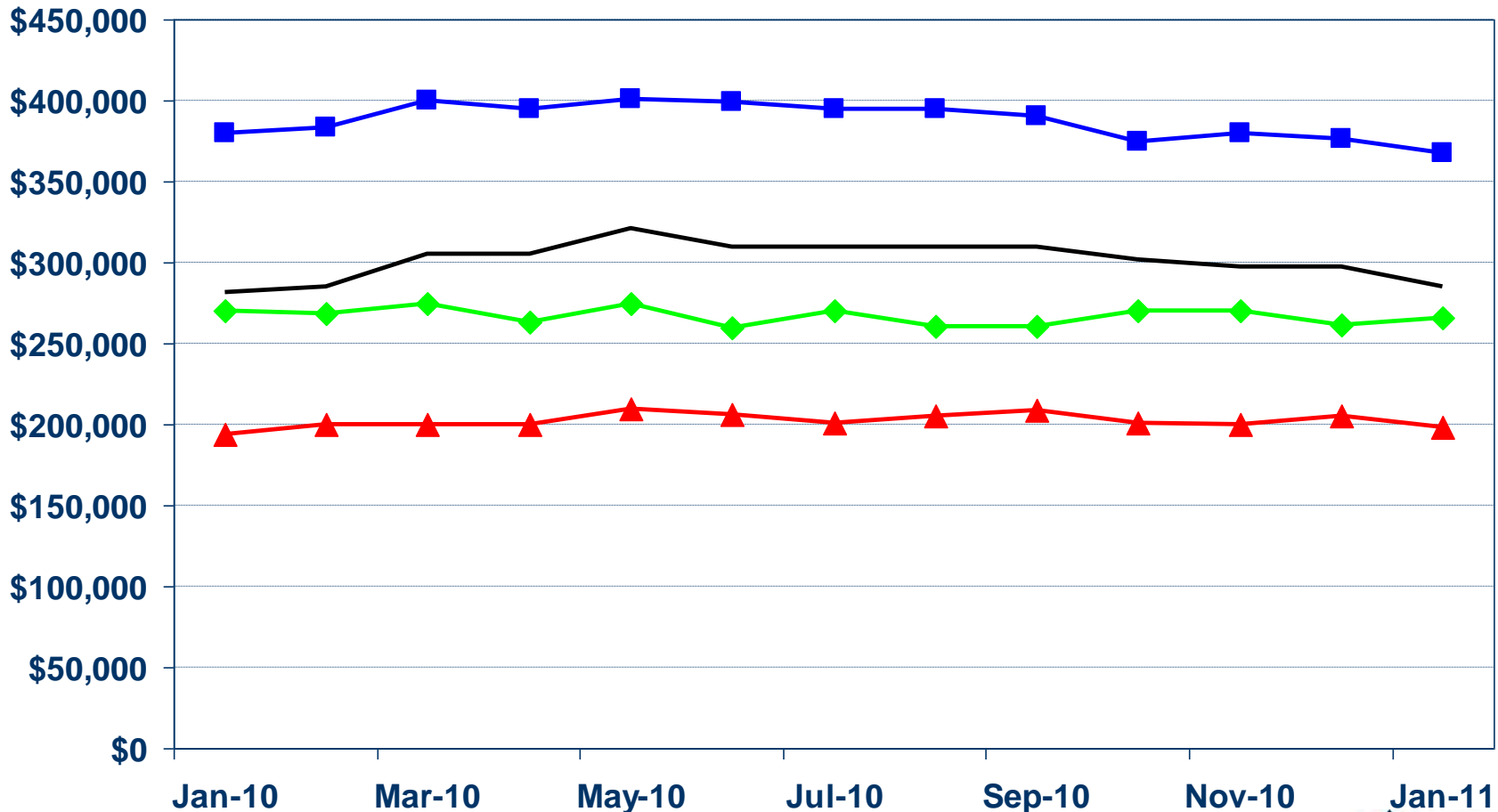


# Price Differential by Type of Sale

REO, Short-Sale, Conventional

Median Price

■ Conventional    ◆ Short Sale    ▲ Bank Owned    — All Types



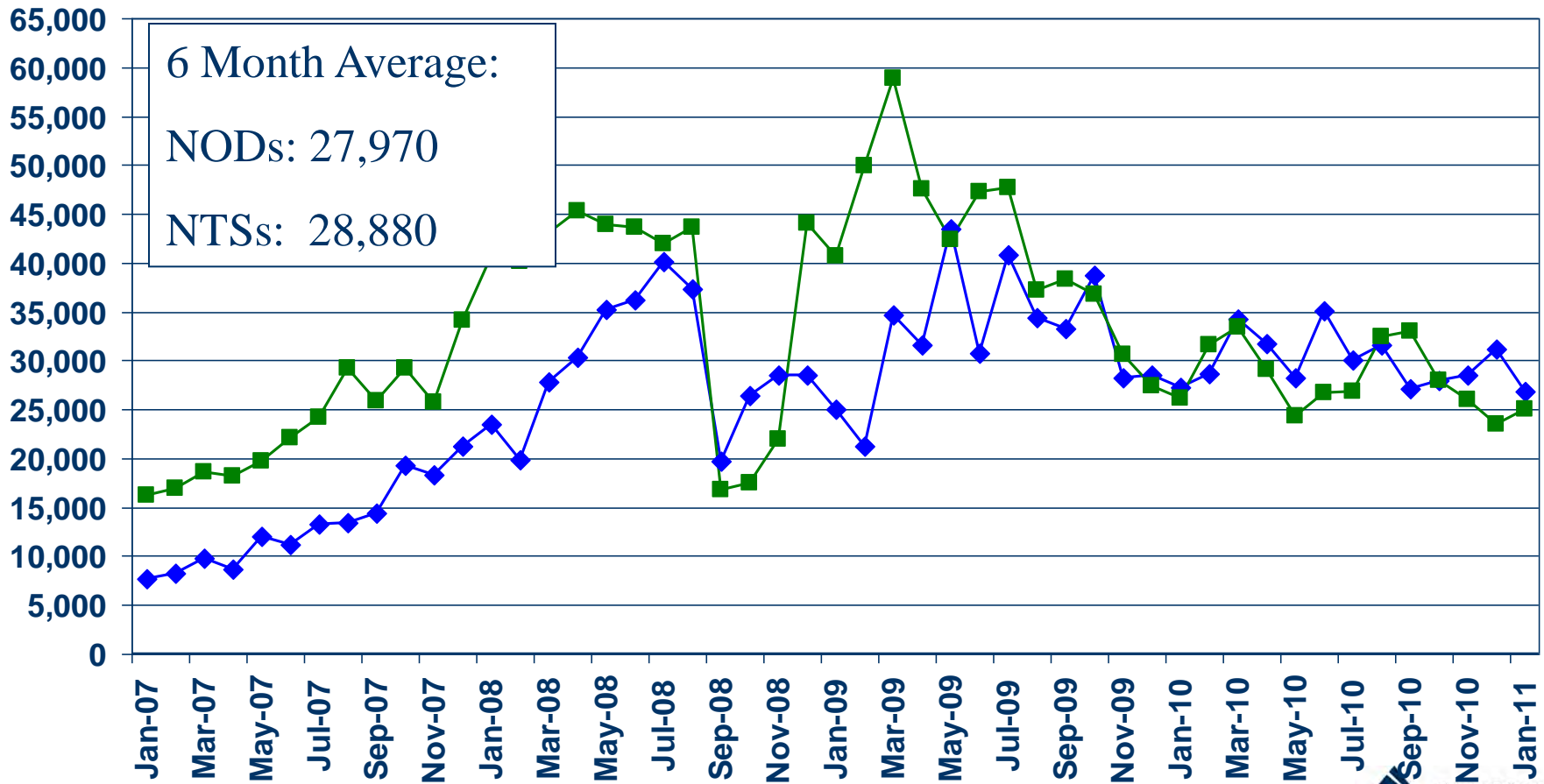
SOURCE: C.A.R.



# California Foreclosure Filings, Jan 2011

NOD: 25,045, -3.32% YTD • NTS: 26,838, -1.38% YTD

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



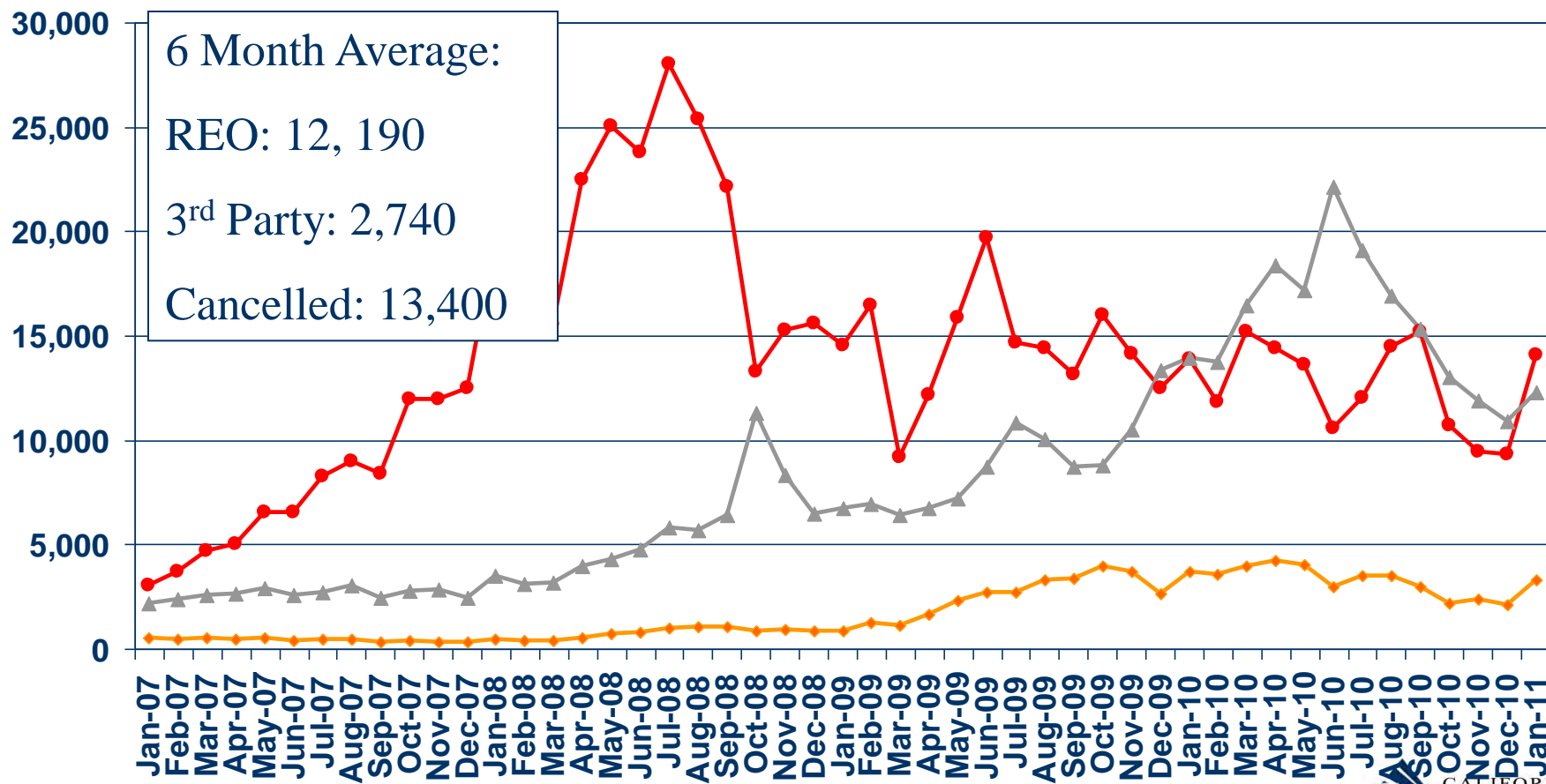
SOURCE: ForeclosureRadar.com



# California Foreclosure Outcomes, Jan 2011

REO: 1.4% YTD • 3<sup>rd</sup> Party: -10.8% YTD • Cancel: -11.4% YTD

● REOs   ● Sold to 3rd Party   ▲ Cancellations



SOURCE: ForeclosureRadar.com



# California Foreclosure Inventory, Jan. 2011

## Foreclosure Inventories - CA



### Preforeclosure

Prior Month: -3.58%  
Prior Year: -13.03%

### Scheduled for Sale

Prior Month: -1.26%  
Prior Year: -10.72%

### Bank Owned (REO)

Prior Month: 3.35%  
Prior Year: 12.40%

ForeclosureRadar.com

# Comparing CA to US

## ➤ Sales

- Low point: CA -- Sep/Oct '07, US – Jul '10
- CA at pre-peak sales levels since mid-'08

## ➤ Prices

- Low point: CA – Feb '09, US – Jan '10
- Peak-to-trough: CA -59%, US -29%
- Recent trend:
  - CA – treading water, 2 small YTY declines in a row, 23% above low
  - US – barely treading water, 3 declines in 4 months, 4.6% above low

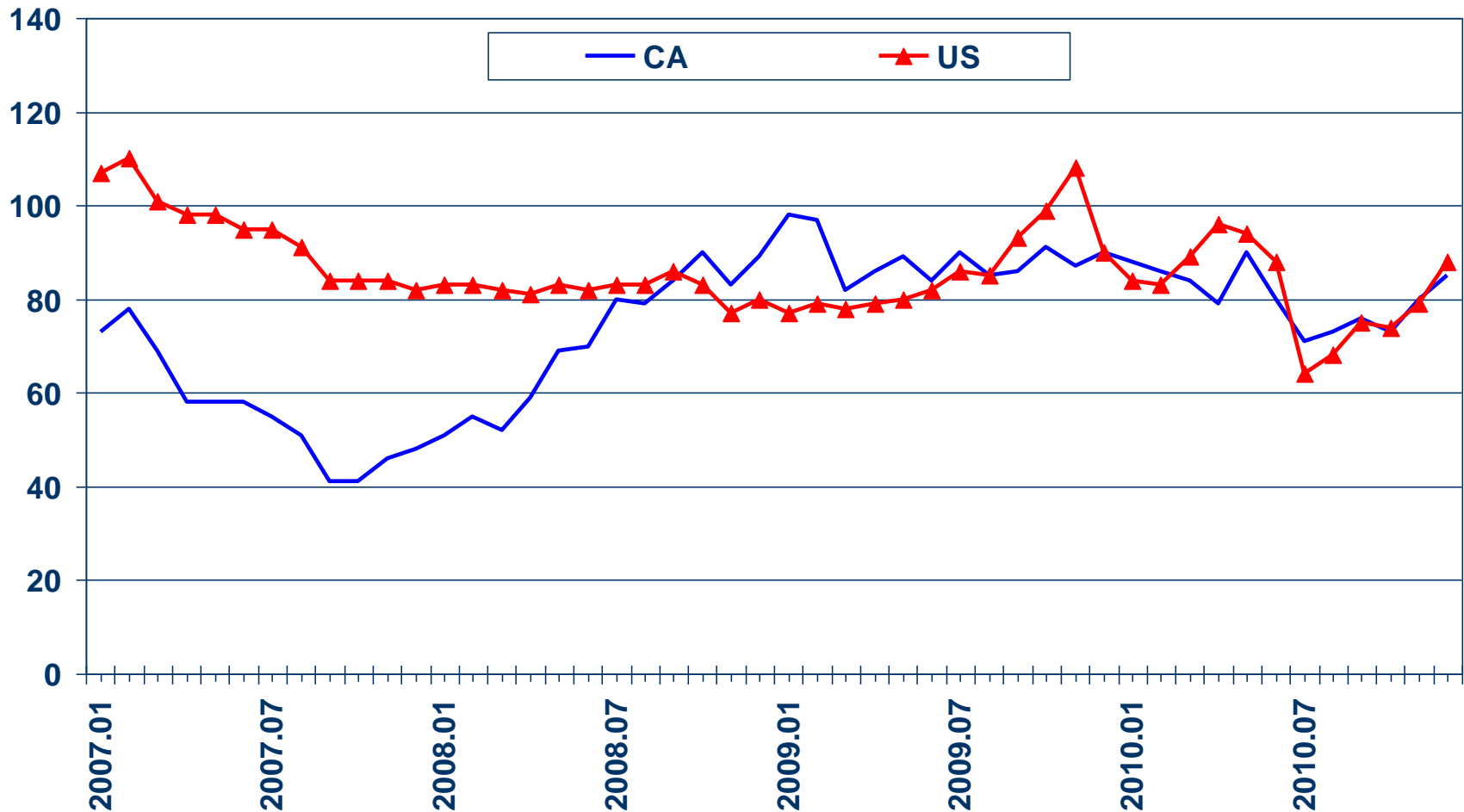
## ➤ Supply (Unsold Inventory Index)

- CA – below 7 months for 21 months in a row, 5 months in Dec '10
- US – declining since Summer '10, 7.8 months in Dec '10

# Sales of Existing Single Family Homes

## California Vs. U.S. 2007-Present

Seasonally Adjusted Sales Index (Jan 2004=100)



SOURCE: California Association of REALTORS®

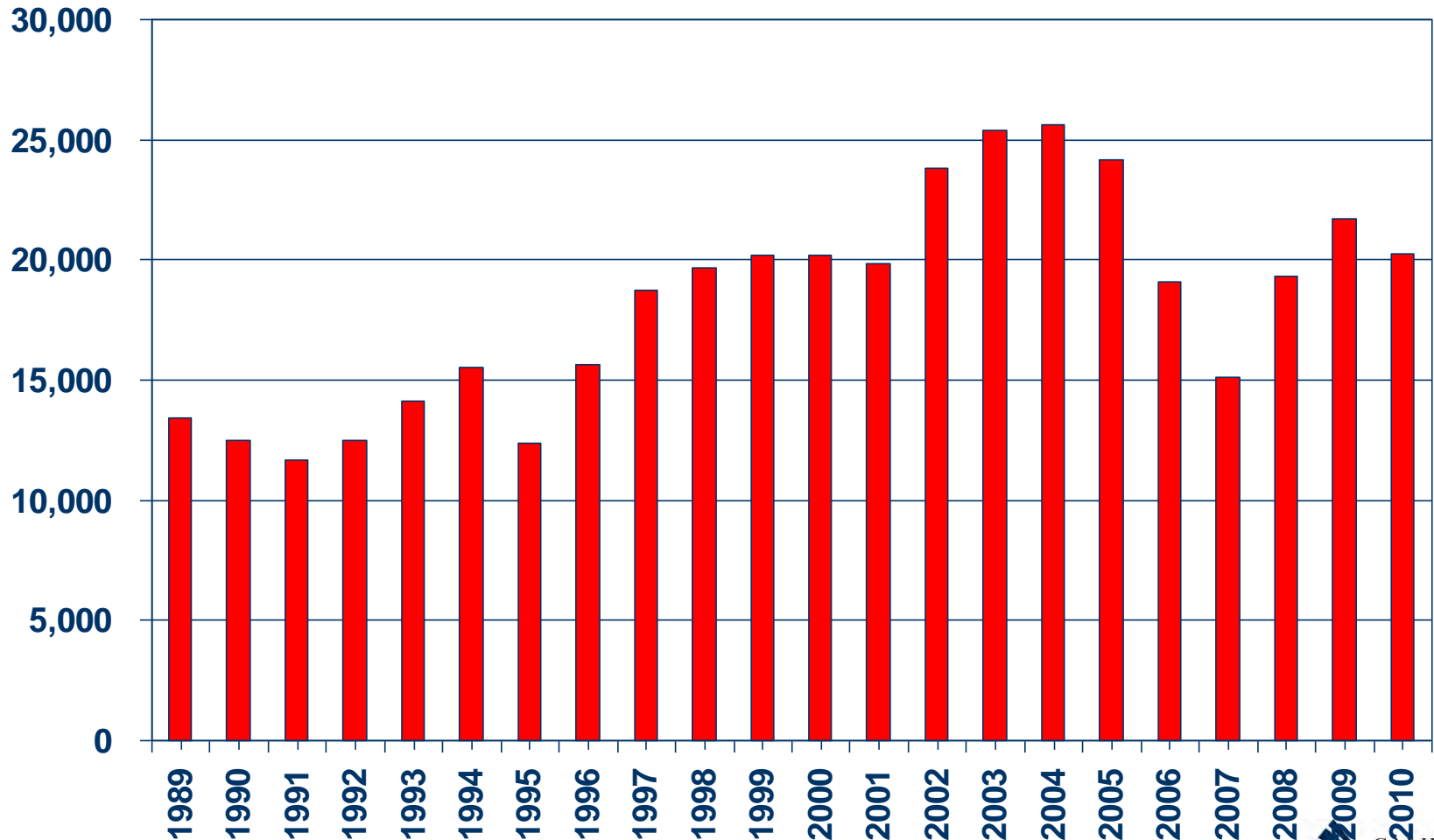


# Southern California Housing Market

# Sales of Existing Detached Homes

San Diego County, 2010: 20,257 Units, Down 6.7% YTY

UNITS

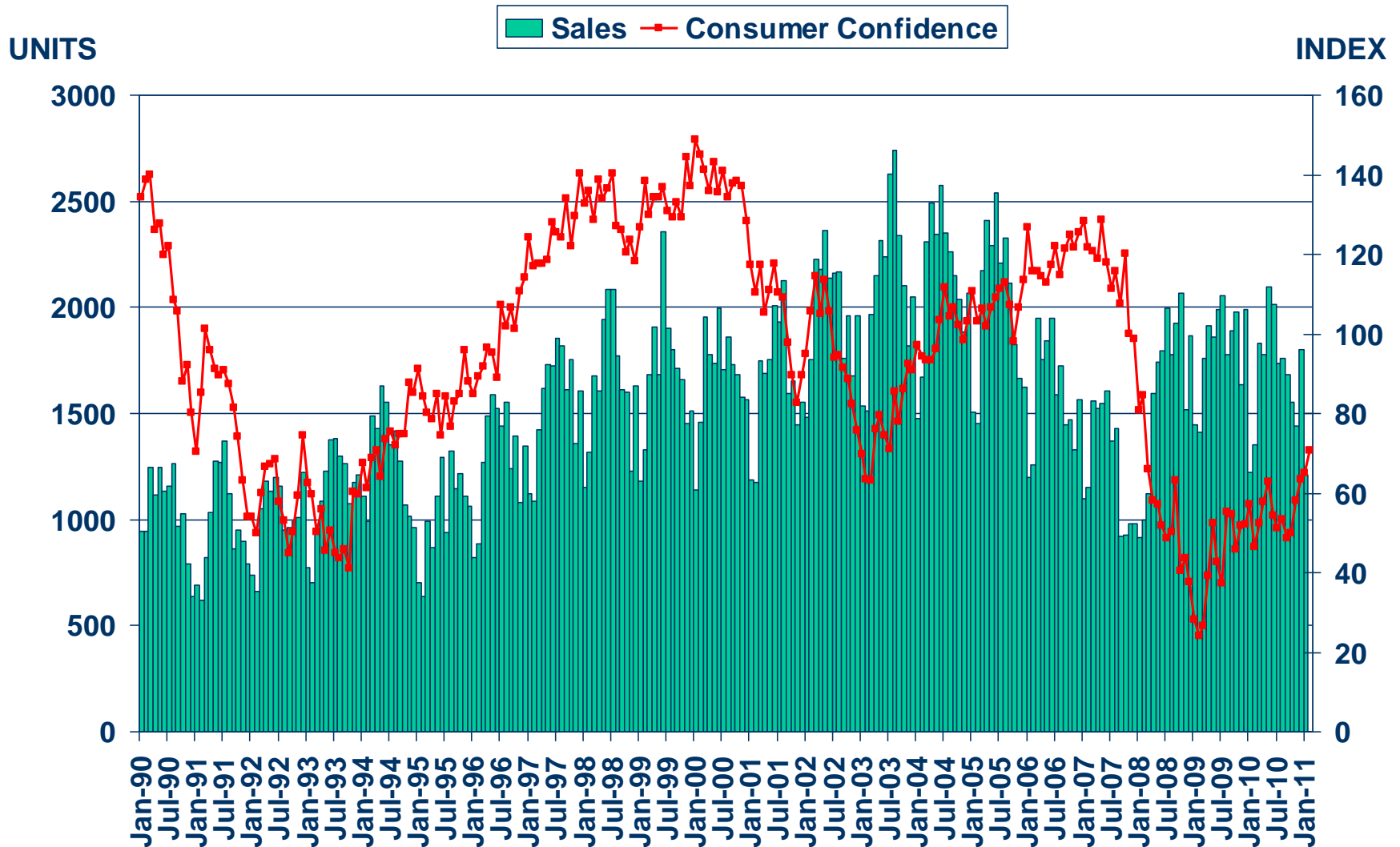


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Sales of Existing Detached Homes and Pacific West Consumer Confidence

San Diego County, Jan. 2011: 1,210 Units, Down 1.2% YTD, Down 1.2% YTY

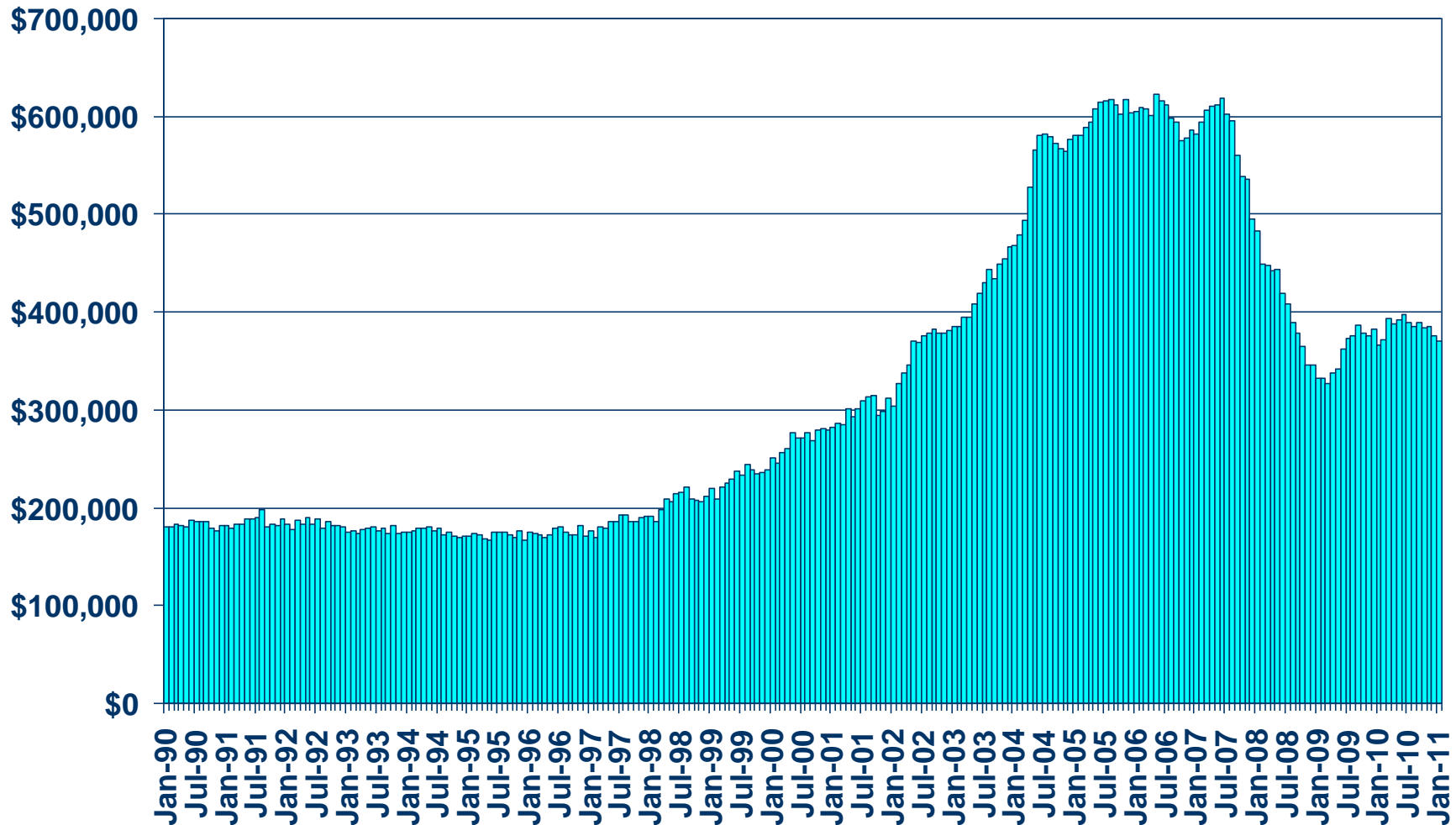


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®;  
The Conference Board



# Median Price of Existing Detached Homes

San Diego County, January 2011: \$370,100, Up 1.0% YTY



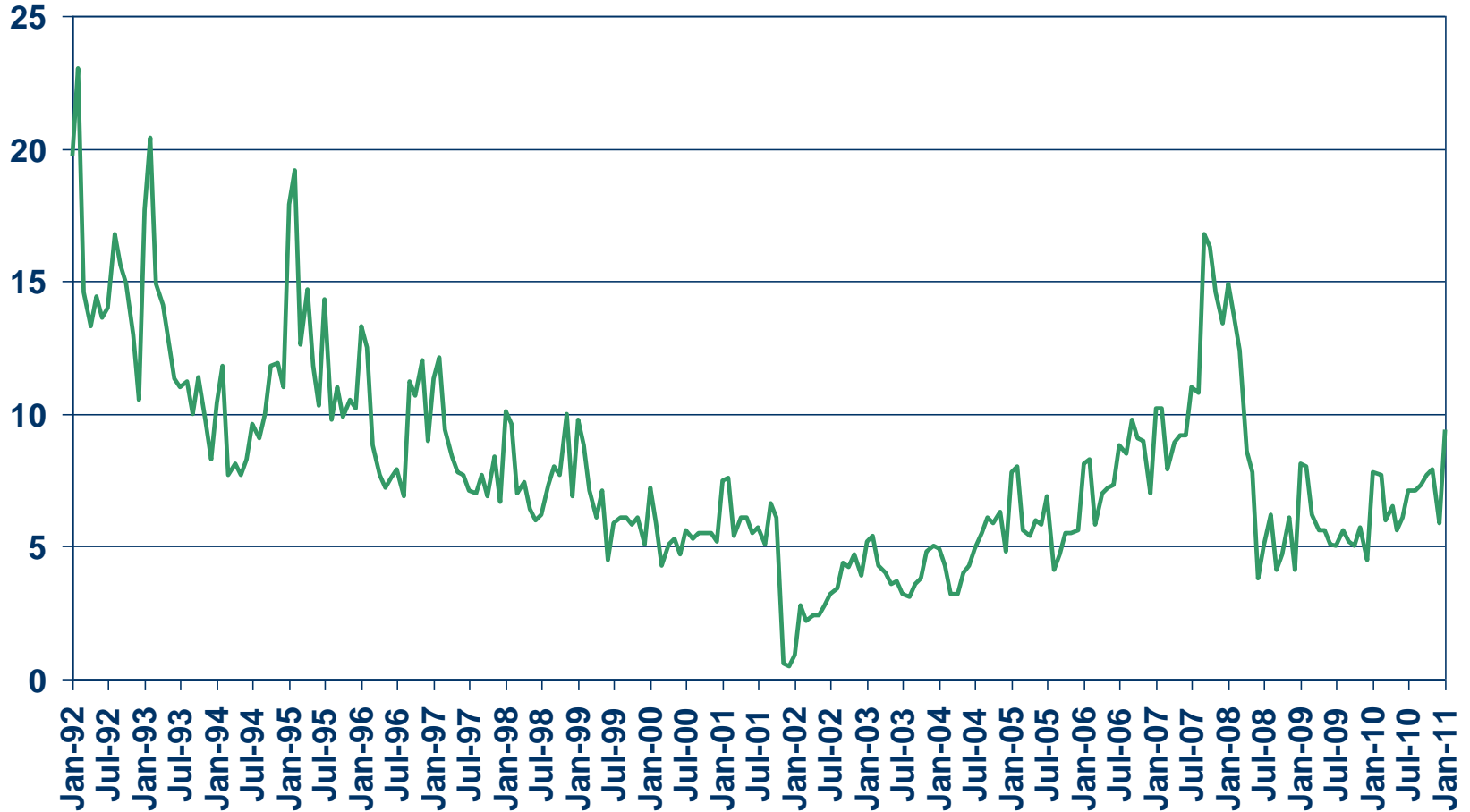
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Unsold Inventory Index

San Diego County, January 2011: 9.4 Months

MONTHS

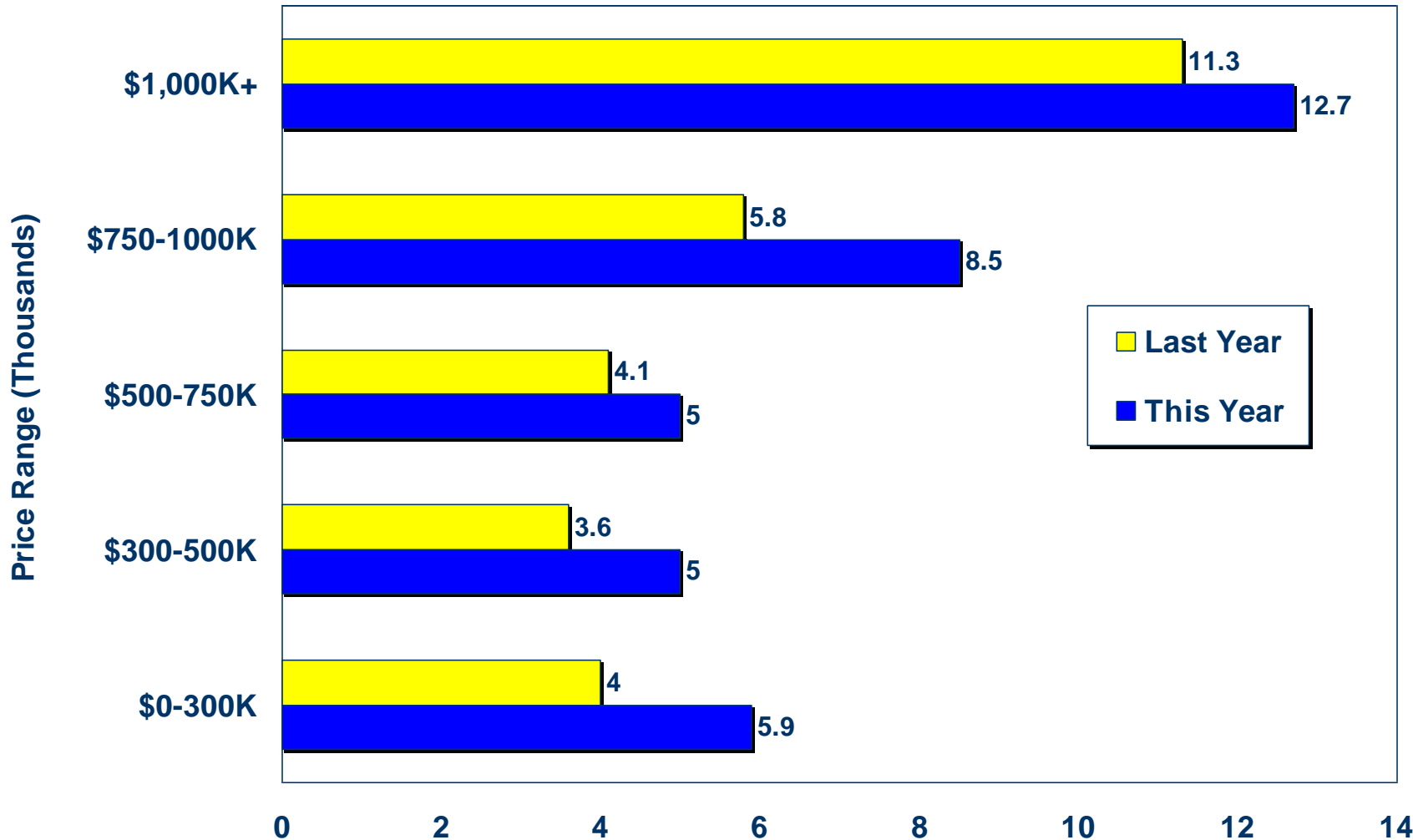


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Unsold Inventory By Price Range

San Diego County Existing Homes Dec. 2010 vs. Dec. 2009

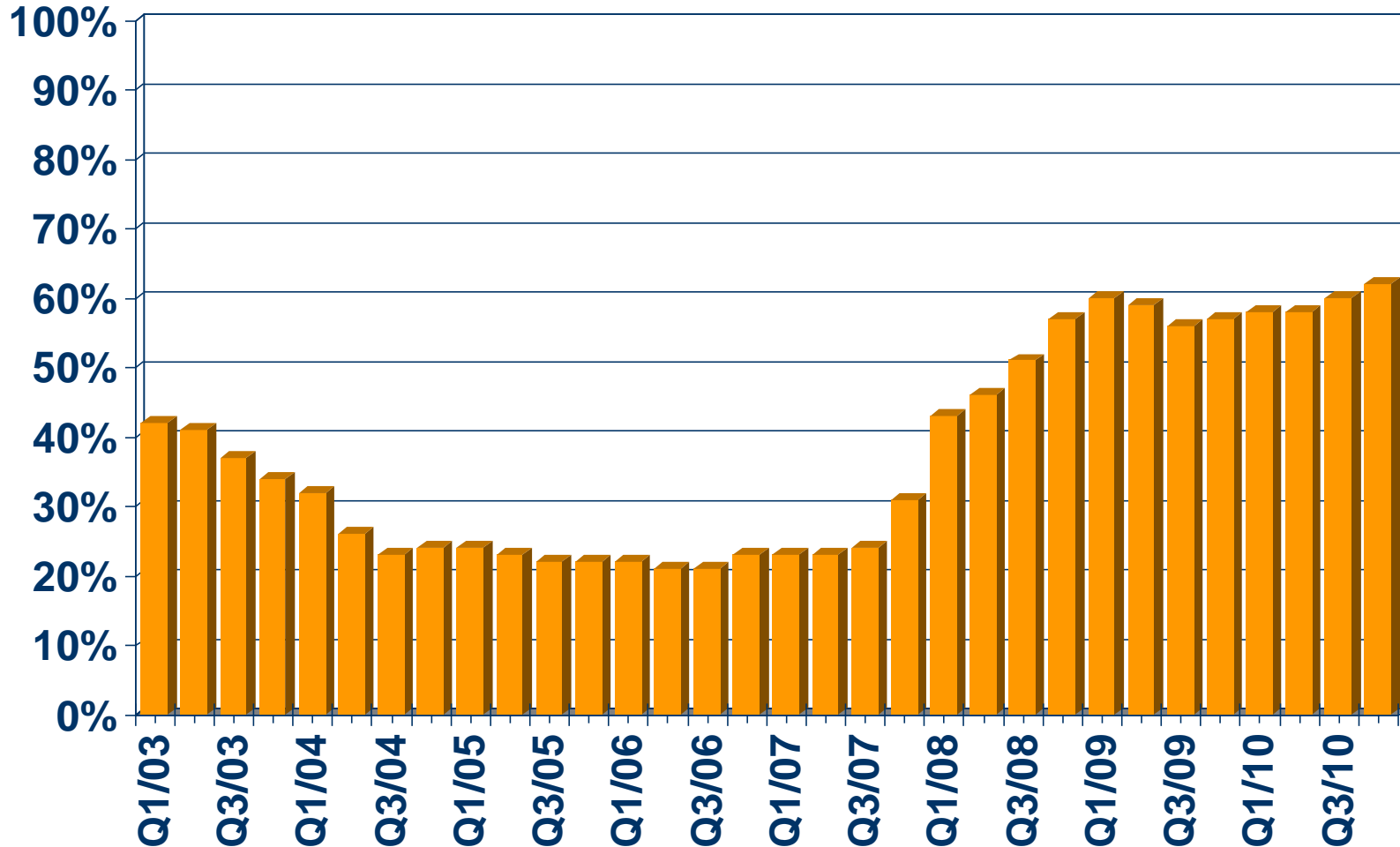


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

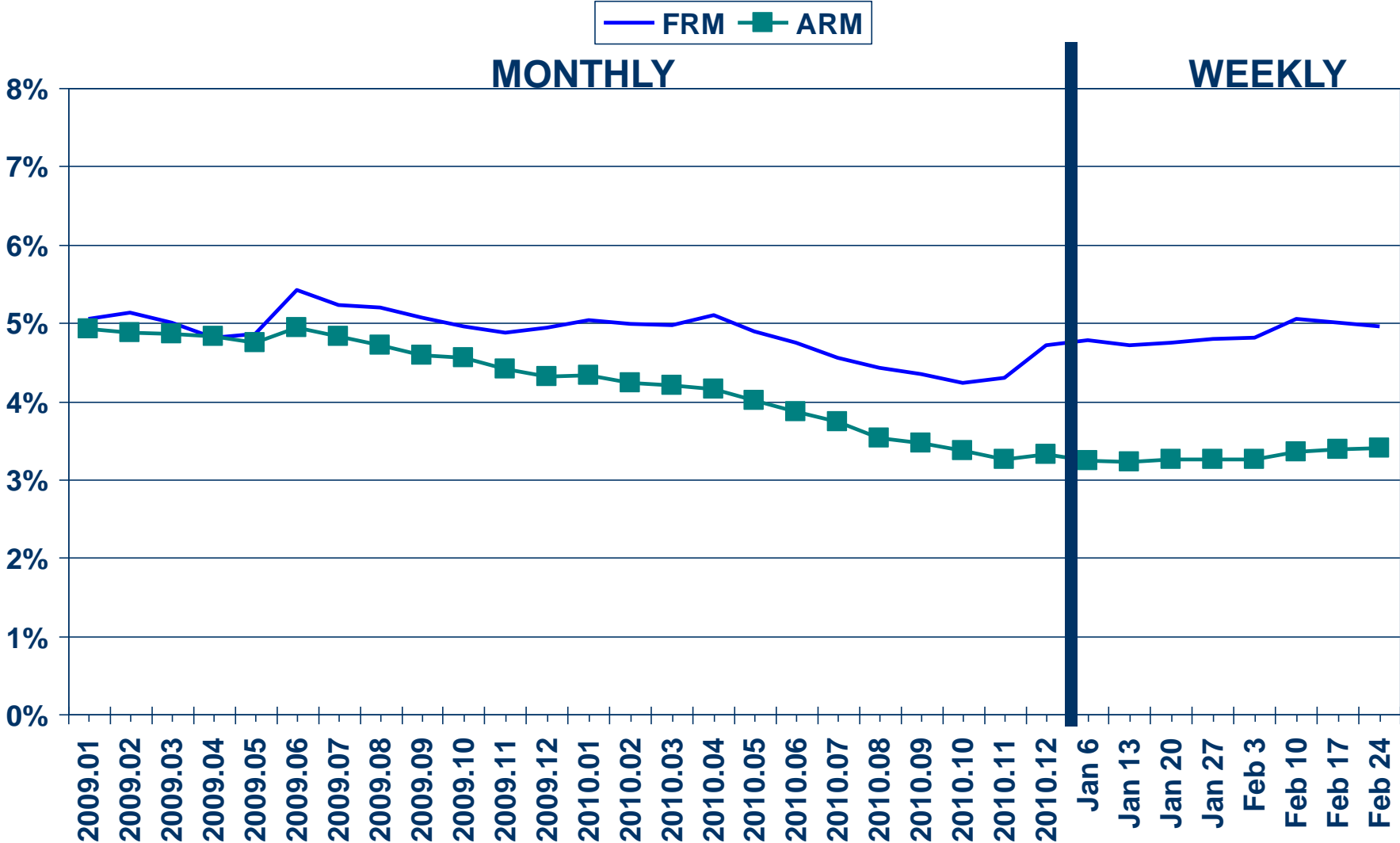


# First-time Buyer Housing Affordability Index

San Diego County, 4<sup>th</sup> Quarter 2010: 62%



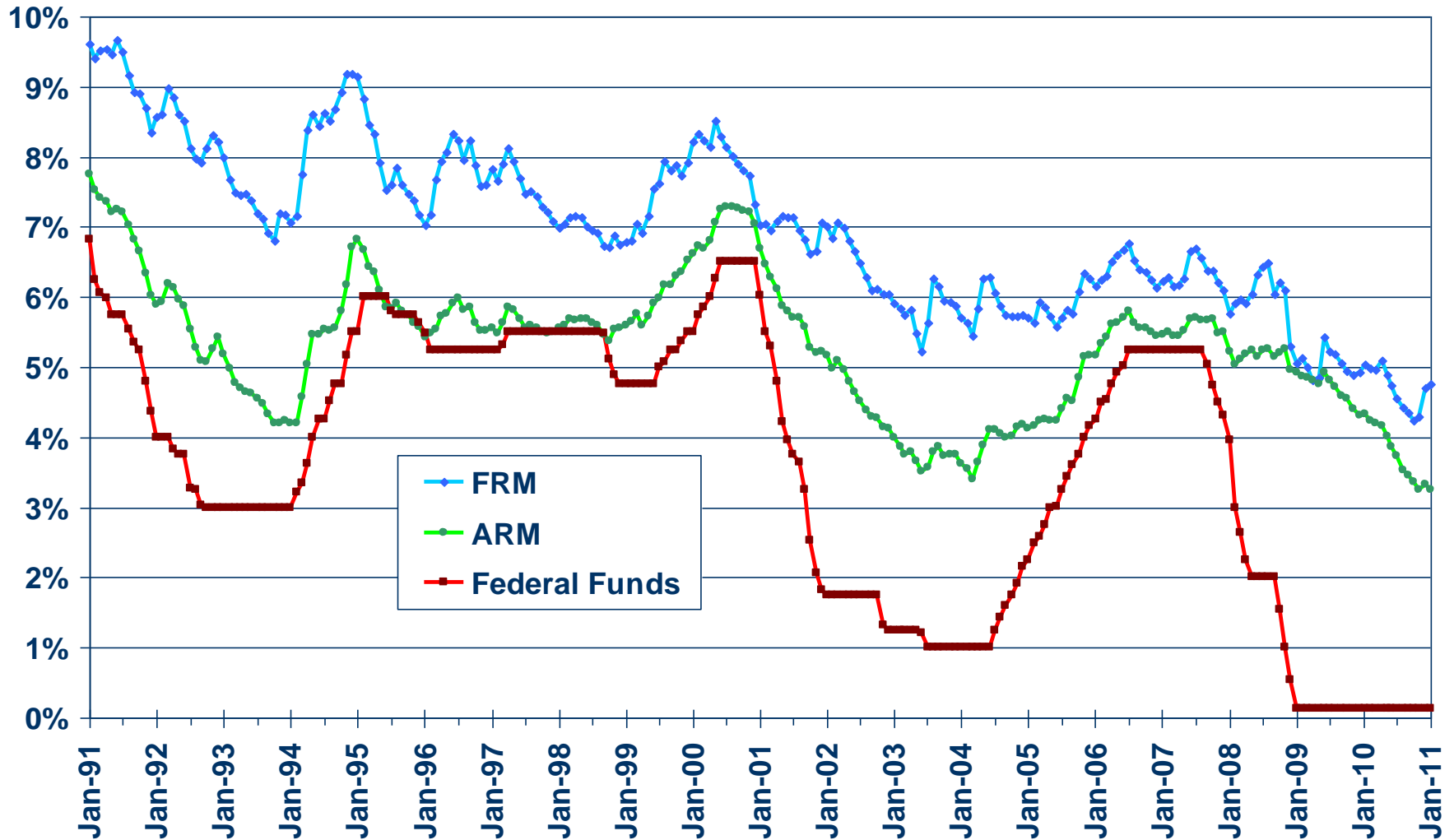
# Mortgage Rates



SOURCE: Federal Home Loan Mortgage Corporation



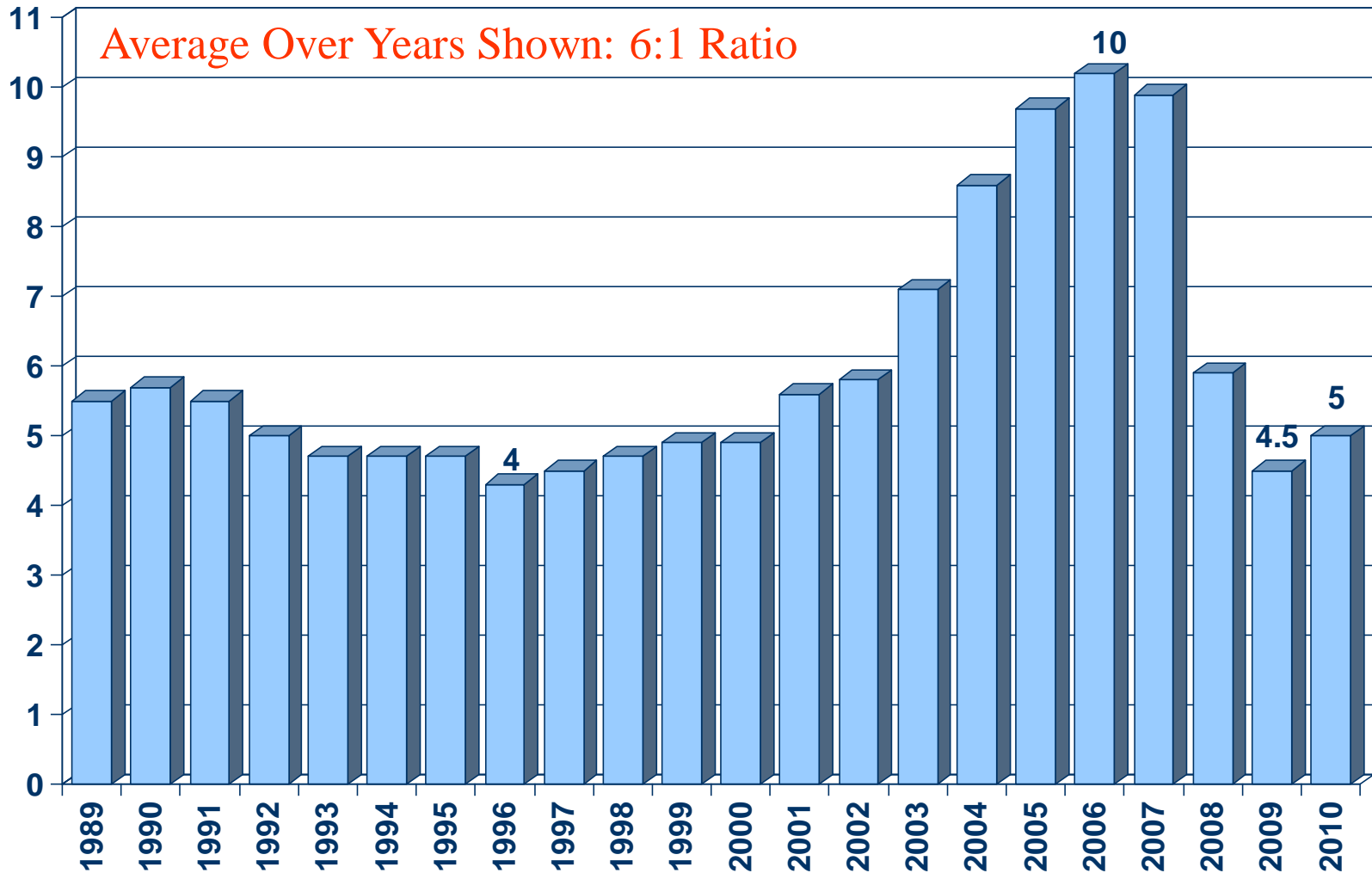
# Mortgage Rates



SOURCE: Federal Home Loan Mortgage Corporation

# Median Price to Median HH Income Ratio

## California

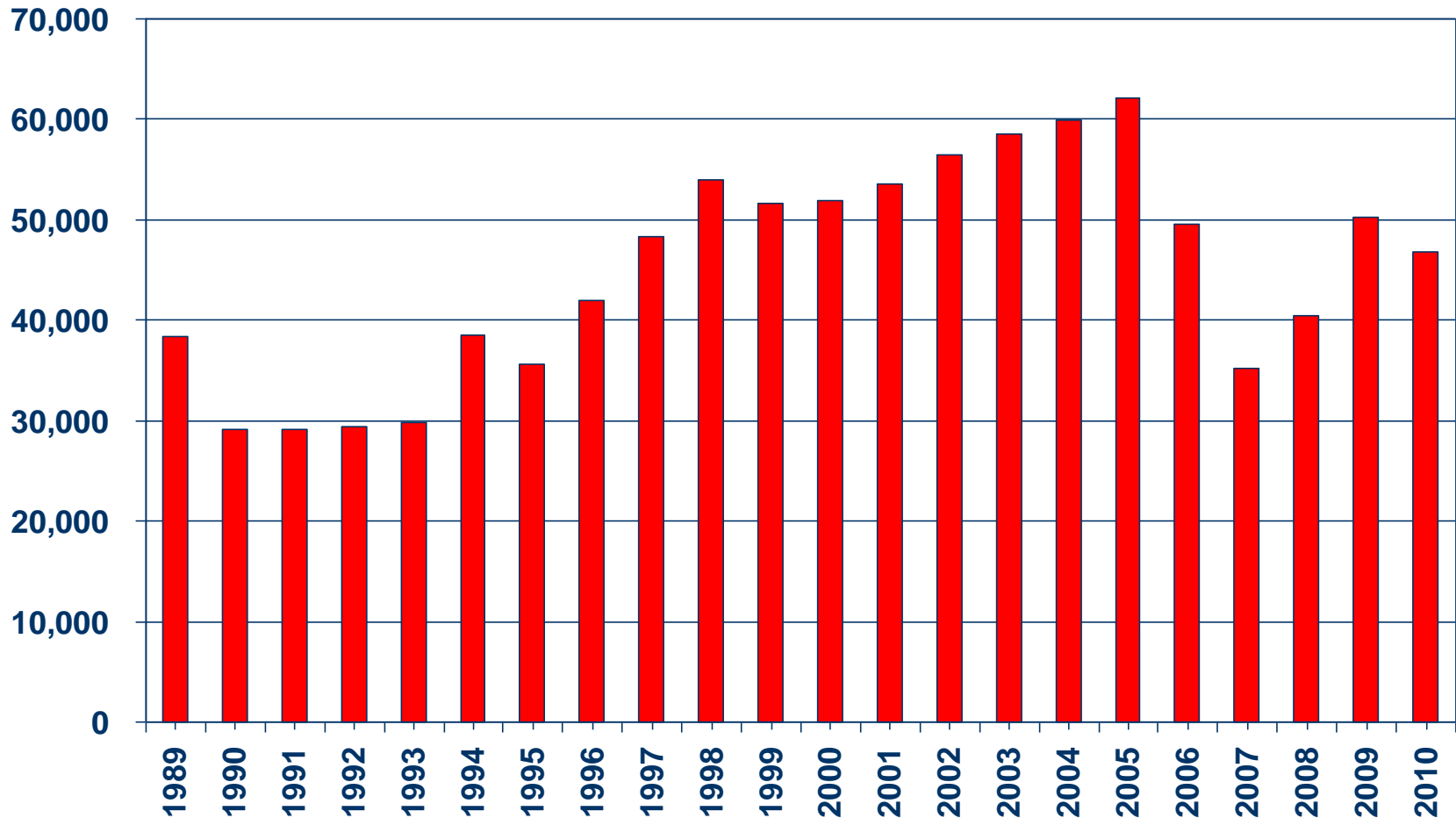


SOURCE: California Association of REALTORS®

# Sales of Existing Detached Homes

Los Angeles County, 2010: 46,817 Units, Down 6.9% YTY

UNITS

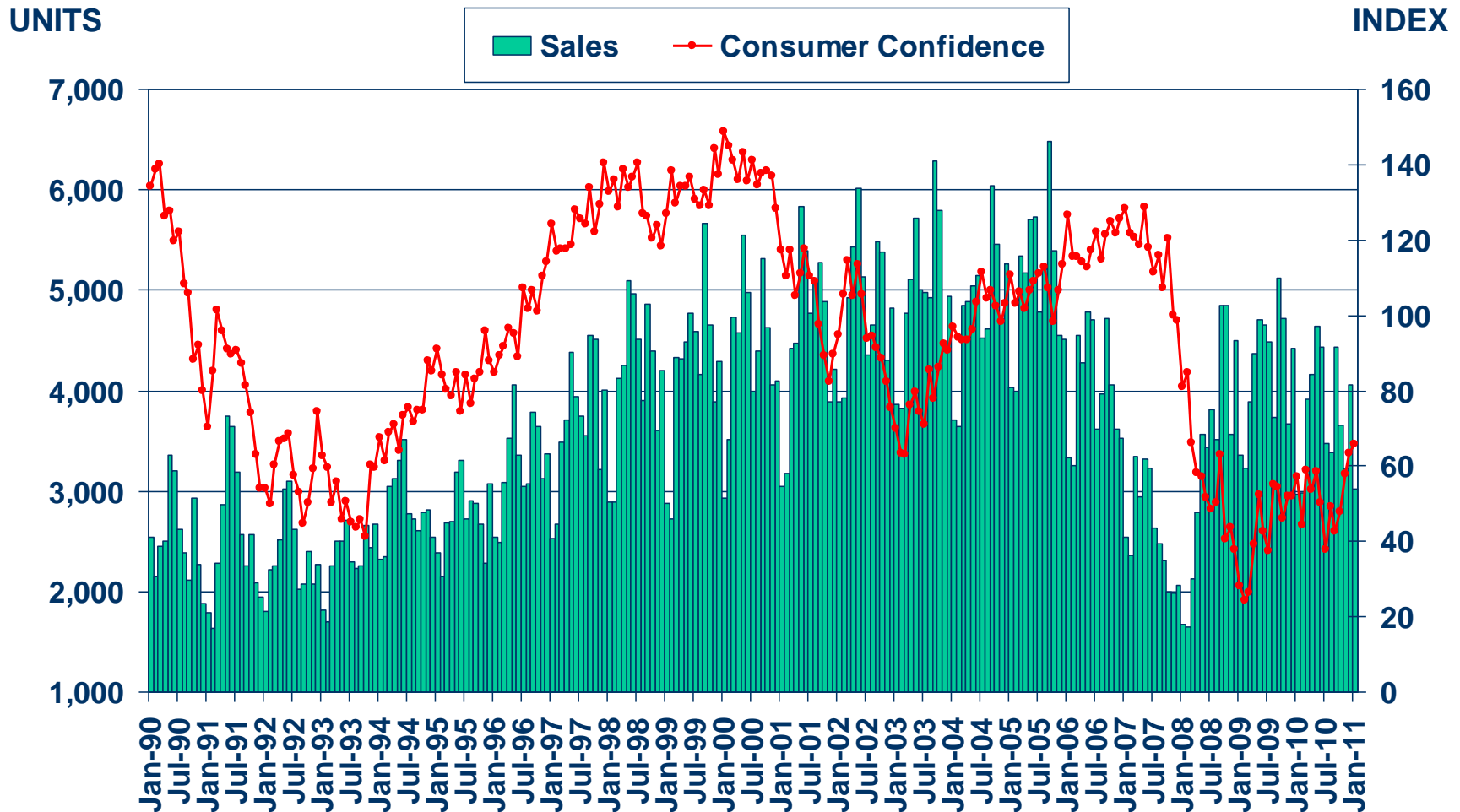


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Sales of Existing Detached Homes and Pacific West Consumer Confidence

Los Angeles County, Jan. 2011 Sales: 3,027 Units, Up 1.8% YTD, Up 1.8% YTY

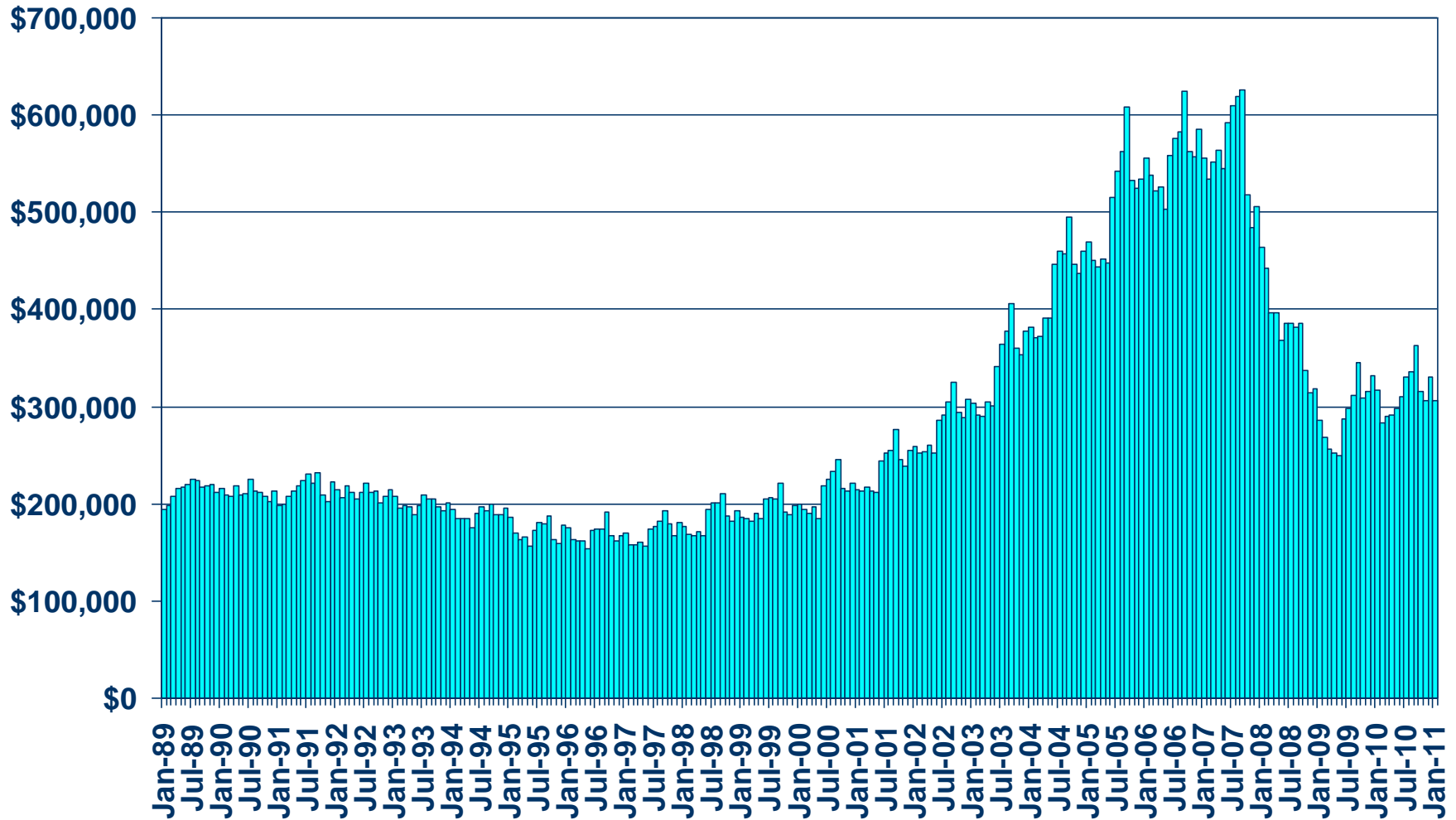


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®;  
The Conference Board



# Median Price of Existing Detached Homes

Los Angeles County, January 2011: \$305,940, Down 3.4% YTY

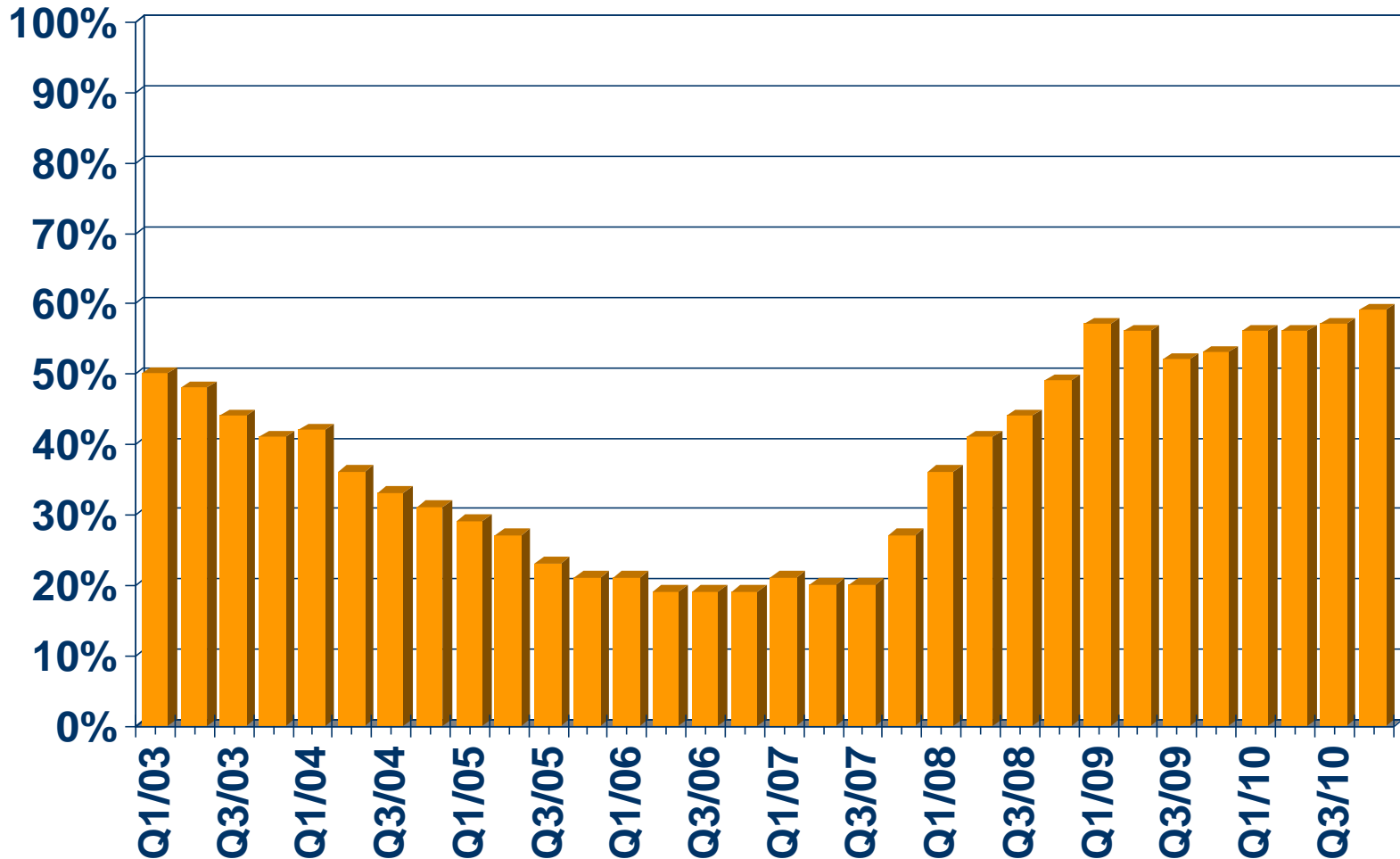


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# First-time Buyer Housing Affordability Index

Los Angeles County, 4<sup>th</sup> Quarter 2010: 59%



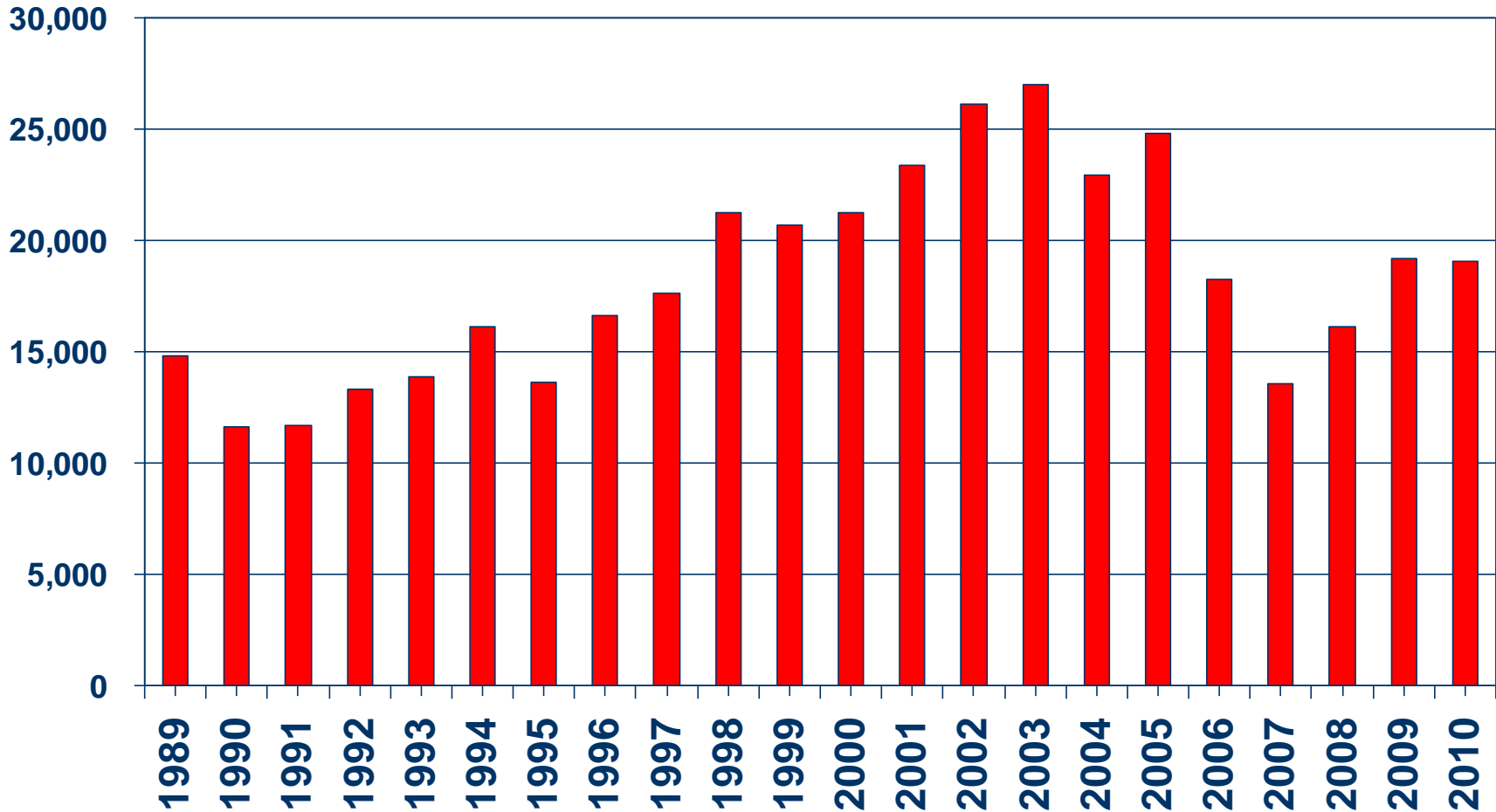
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Sales of Existing Detached Homes

Orange County, 2010: 19,057 Units, Down 0.7% YTY

UNITS

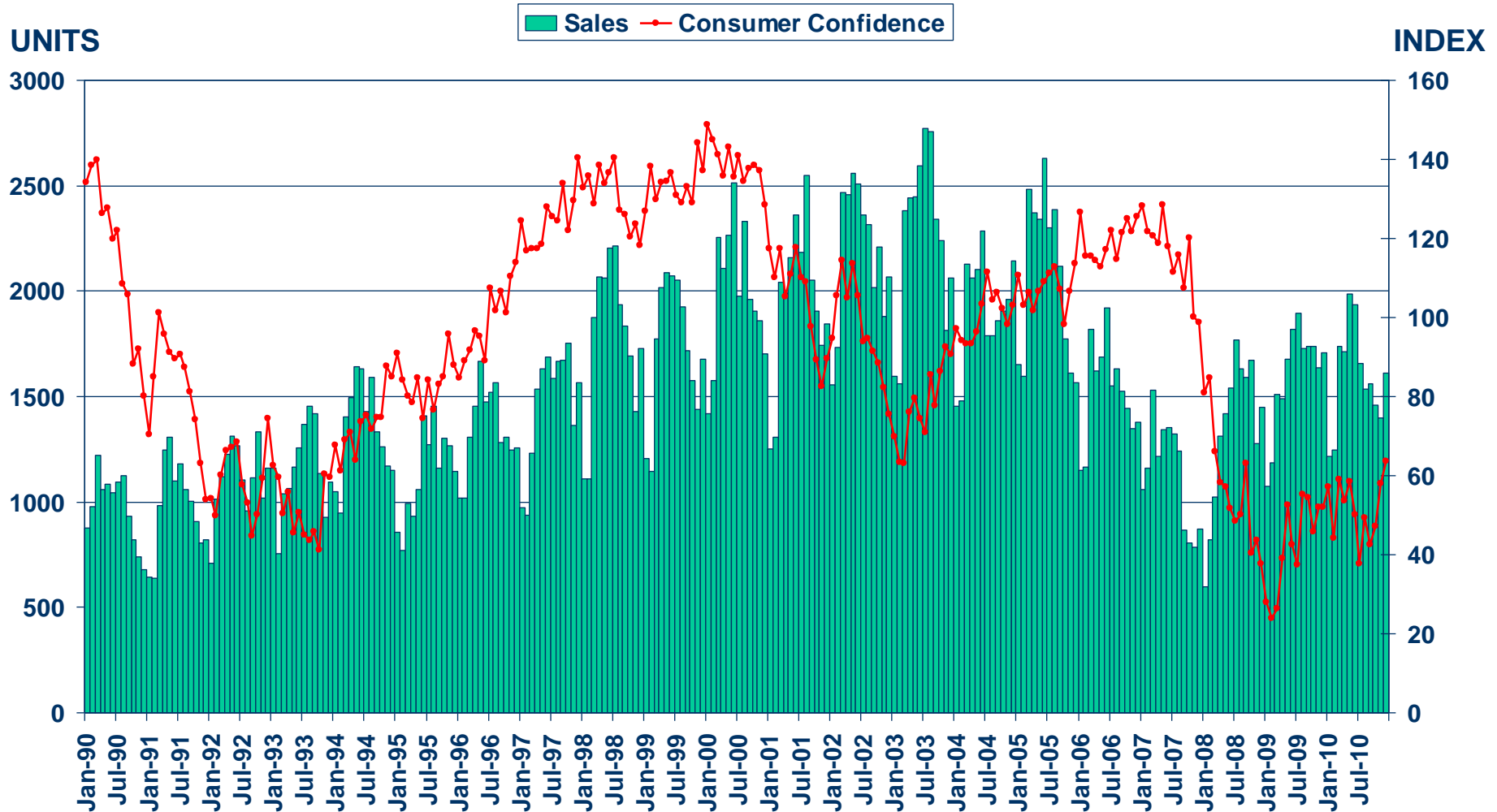


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Sales of Existing Detached Homes and Pacific West Consumer Confidence

Orange County, Dec. 2010: 1,612 Units, Down 0.7% YTD, Down 5.6% YTY

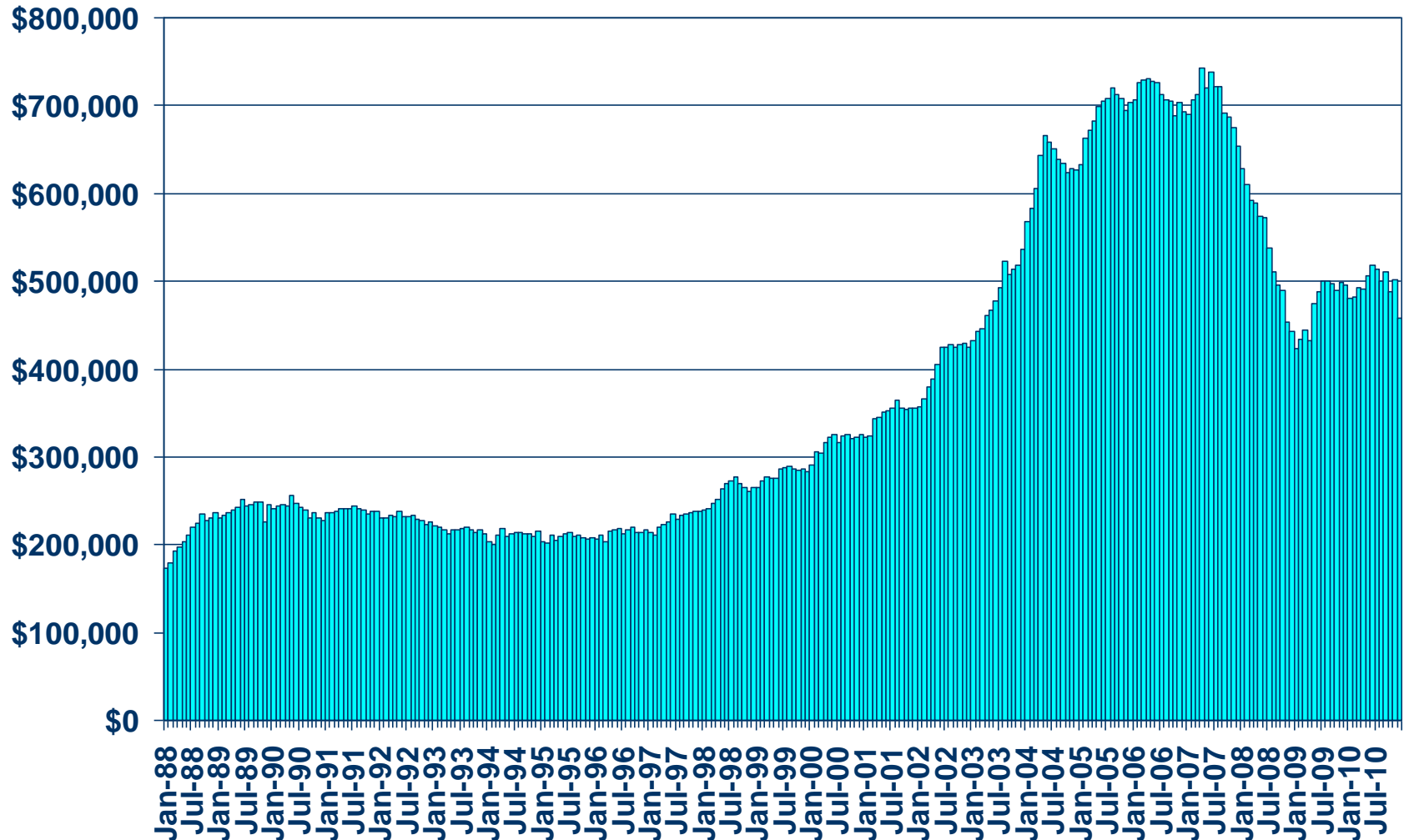


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®;  
The Conference Board



# Median Price of Existing Detached Homes

Orange County, December 2010: \$458,700, Down 7.5% YTY



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



# Unsold Inventory Index (Months)

County	Dec-10	Nov-10	Dec-09
Los Angeles	5.5	6.9	3.7
Orange	5.9	7.3	5.2
Riverside/SB	4.0	5.0	2.7
San Diego	5.9	7.9	4.5
Santa Barbara	5.3	6.3	3.9
Ventura	5.7	5.2	3.0
<b>Southern California</b>	<b>5.4</b>	<b>5.9</b>	<b>3.2</b>



**Foreclosure** **Radars**<sup>TM</sup>

# Los Angeles Foreclosure Filings, Jan. 2011

## Foreclosure Filings - LOS ANGELES COUNTY, CA



### Notice of Default

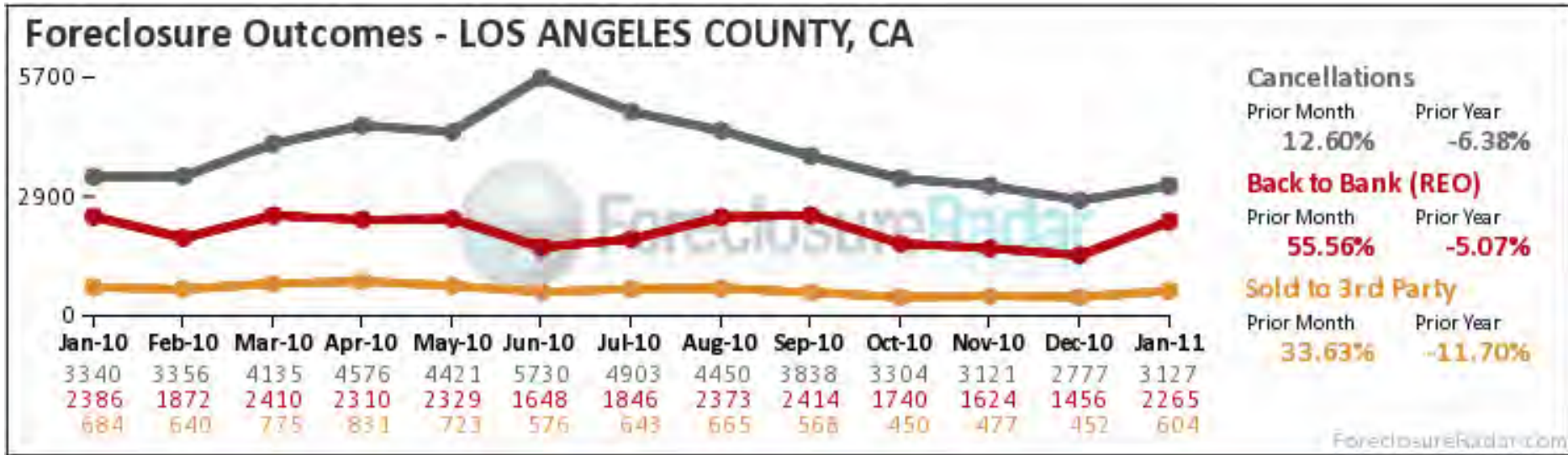
Prior Month: 6.82%  
Prior Year: 1.42%

### Notice of Sale

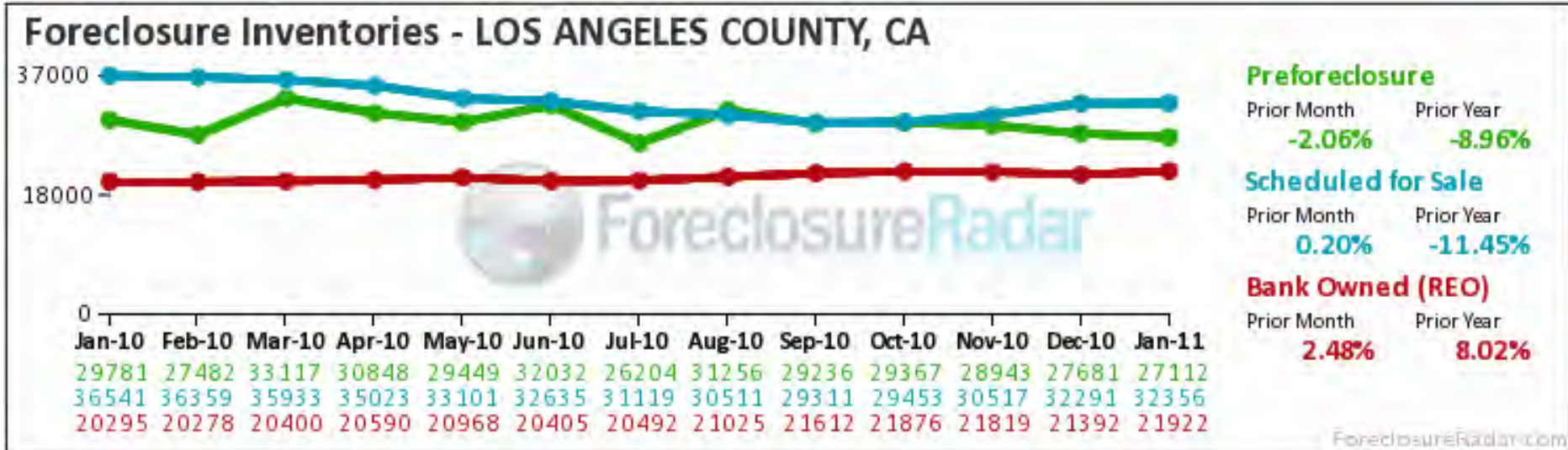
Prior Month: -13.88%  
Prior Year: 3.88%

ForeclosureRadar.com

# Los Angeles Foreclosure Outcomes, Jan. '11



# Los Angeles Foreclosure Inventory, Jan. 2011



# Long Beach

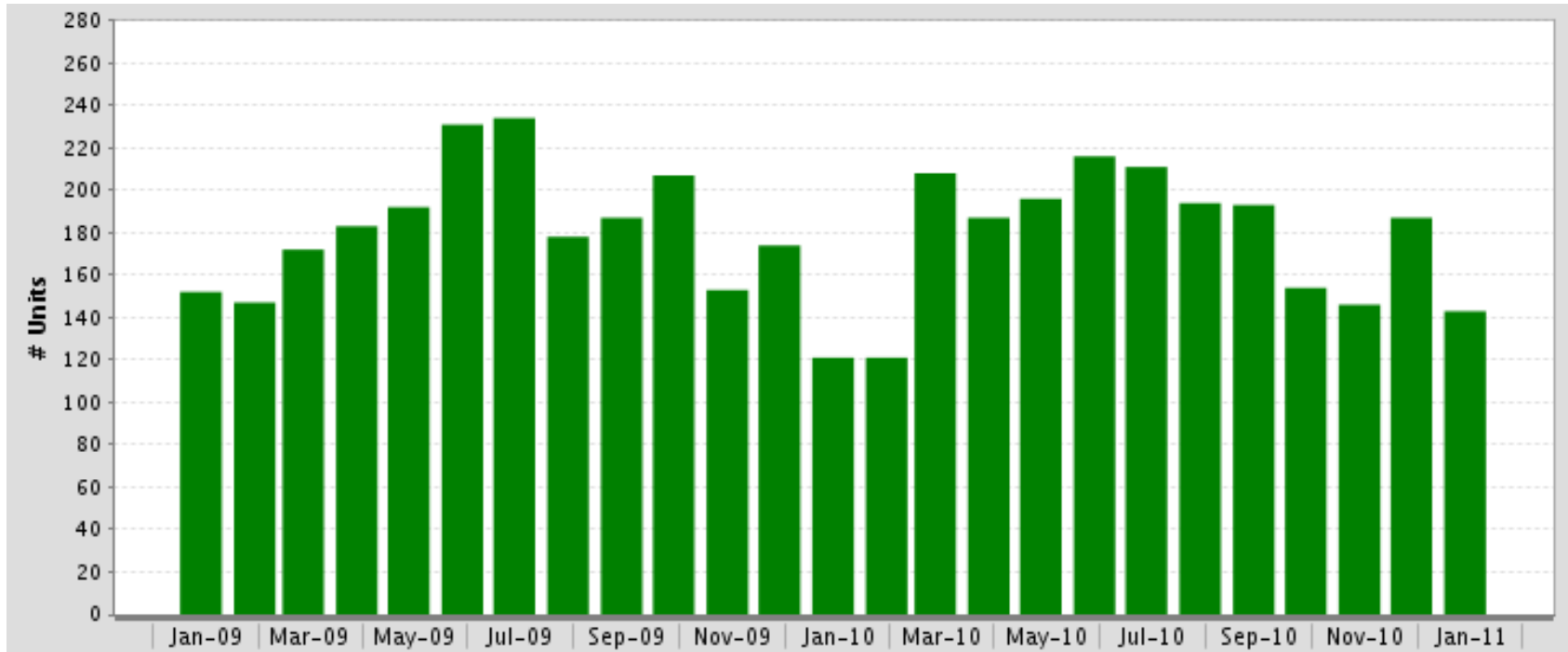
# Long Beach

Preforeclosure: 809 • Auction: 1330 • Bank Owned: 336



# Sales of Single-Family Detached Homes

Long Beach, Jan. 2011: 143 Units, Down 23.5% MTM, Up 18.2% YTY

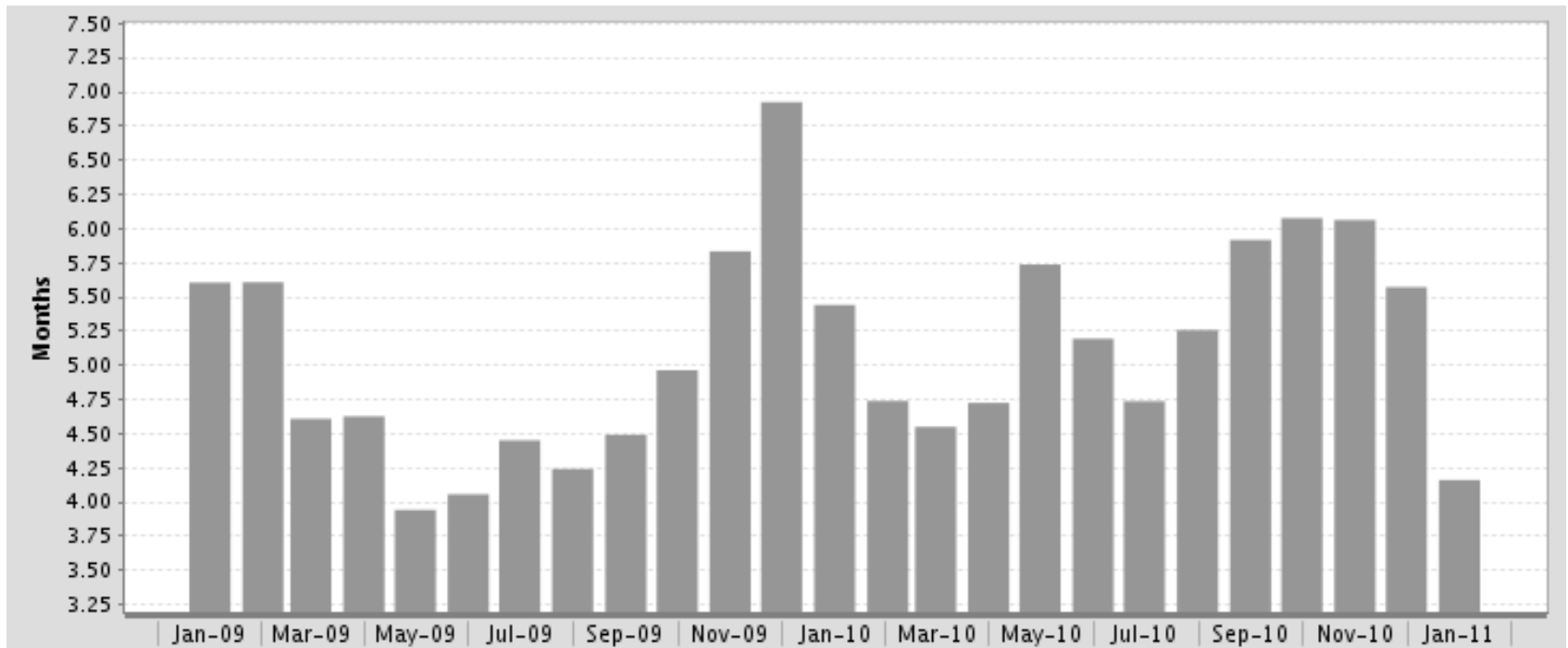


SOURCE: Clarus Market Metrics



# Months Supply of Inventory

## Long Beach, January 2011: 4.2 Months



SOURCE: Clarus Market Metrics

# Sales of Existing Detached Homes

## Southern California Regions

County	Dec-10	Nov-10	Dec-09	M-t-M	Y-t-Y	Y-t-D
High Desert	1037	916	1289	13.2%	-19.6%	-28.8%
Los Angeles	3860	3166	4221	21.9%	-8.6%	-6.8%
Orange	1612	1401	1708	15.1%	-5.6%	-0.7%
Palm Springs	797	630	787	26.5%	1.3%	-4.6%
Riverside/SB	1571	1301	1776	20.8%	-11.5%	-23.9%
San Diego	1804	1438	1993	25.5%	-9.5%	-6.7%
Santa Barbara Area	178	162	207	9.9%	-14.0%	-5.3%
Ventura	469	456	502	2.9%	-6.6%	-0.3%

# Median Price of Existing Detached Homes

## Southern California Regions

County	Dec-10	Nov-10	Dec-09	M-t-M	Y-t-Y
High Desert	\$125,482	\$124,580	\$121,011	0.7%	3.7%
Los Angeles	\$340,198	\$341,653	\$353,563	-0.4%	-3.8%
Orange	\$458,695	\$502,166	\$496,070	-8.7%	-7.5%
Palm Springs	\$177,540	\$163,273	\$172,321	8.7%	3.0%
Riverside/SB	\$183,543	\$185,648	\$181,129	-1.1%	1.3%
San Diego	\$375,792	\$385,488	\$382,226	-2.5%	-1.7%
Sta. Barbara-So. Coast	\$420,000	\$378,571	\$445,000	10.9%	-5.6%
Sta. Barbara-North Cnty.	\$778,500	\$865,000	\$845,000	-10.0%	-7.9%
Ventura	\$441,573	\$453,614	\$427,894	-2.7%	3.2%

# Sales of Existing Detached Homes

## Bay Area Counties

County	Dec-10	Nov-10	Dec-09	M-t-M	Y-t-Y	Y-t-D
Alameda	583	488	583	19.5%	0.0%	-16.4%
Contra Costa (Central County)	323	243	303	32.9%	6.6%	15.7%
Marin	151	145	173	4.1%	-12.7%	10.7%
San Francisco	282	235	272	20.0%	3.7%	-0.3%
San Mateo	379	340	369	11.5%	2.7%	7.2%
Santa Clara	936	842	988	11.2%	-5.3%	-4.4%
Santa Cruz	128	121	147	5.8%	-12.9%	-9.5%
Solano	402	376	455	6.9%	-11.6%	-18.3%
Sonoma	356	310	352	14.8%	1.1%	-8.2%

# Median Price of Existing Detached Homes

## Bay Area Counties

County	Dec-10	Nov-10	Dec-09	M-t-M	Y-t-Y
Alameda	\$ 478,735	\$ 480,434	\$ 450,000	-0.4%	6.4%
Contra Costa (Central County)	\$ 568,597	\$ 612,704	\$ 580,792	-7.2%	-2.1%
Marin	\$ 753,676	\$ 861,607	\$ 815,341	-12.5%	-7.6%
San Francisco	\$ 678,191	\$ 705,246	\$ 695,876	-3.8%	-2.5%
San Mateo	\$ 715,000	\$ 712,500	\$ 750,000	0.4%	-4.7%
Santa Clara	\$ 560,000	\$ 589,975	\$ 560,000	-5.1%	0.0%
Santa Cruz	\$ 503,250	\$ 542,000	\$ 550,000	-7.1%	-8.5%
Solano	\$ 204,286	\$ 213,257	\$ 222,074	-4.2%	-8.0%
Sonoma	\$ 344,680	\$ 349,382	\$ 386,915	-1.3%	-10.9%

# Sales of Existing Detached Homes

## Central Valley Regions

County	Dec-10	Nov-10	Dec-09	M-t-M	Y-t-Y	Y-t-D
Bakersfield	592	536	623	10.4%	-5.0%	-13.2%
Fresno	805	723	854	11.3%	-5.7%	-17.3%
Merced	166	164	153	1.2%	8.5%	-30.3%
Sacramento	1,503	1,414	1,643	6.3%	-8.5%	-20.0%

# Median Price of Existing Detached Homes

## Central Valley Regions

County	County	Dec-10	Nov-10	Dec-09	M-t-M	Y-t-Y
Bakersfield	Bakersfield	\$130,000	\$ 135,000	\$ 135,000	-3.7%	-3.7%
Fresno	Fresno	\$145,281	\$ 146,022	\$ 148,172	-0.5%	-2.0%
Merced	Merced	\$117,499	\$ 108,888	\$ 110,624	7.9%	6.2%
Sacramento	Sacramento	\$173,870	\$ 180,000	\$ 188,480	-3.4%	-7.8%

# California Housing Market Forecast

# California Housing Market Outlook

	2003	2004	2005	2006	2007	2008	2009	2010	2011f
<b>SFH Resales (000s)</b>	601.8	624.7	625.0	477.5	346.9	441.8	546.9	494.9	504.8
<b>% Change</b>	5.1%	3.8%	0.03%	-23.6%	-27.3%	27.3%	23.8%	-9.5%	2.0%
<b>Median Price (\$000s)</b>	\$371.5	\$450.8	\$522.7	\$556.4	\$560.3	\$348.5	\$275.0	\$302.9	309.0
<b>% Change</b>	17.5%	21.3%	16.0%	6.5%	0.7%	-37.8%	-21.1%	10.2%	2.0%
<b>30-Yr FRM</b>	5.8%	5.8%	5.9%	6.4%	6.3%	6.0%	5.1%	4.8%	5.1%
<b>1-Yr ARM</b>	3.8%	3.9%	4.5%	5.5%	5.6%	5.2%	4.7%	3.8%	3.8%

Forecast Date: January 2011

Source: CALIFORNIA ASSOCIATION OF REALTORS®

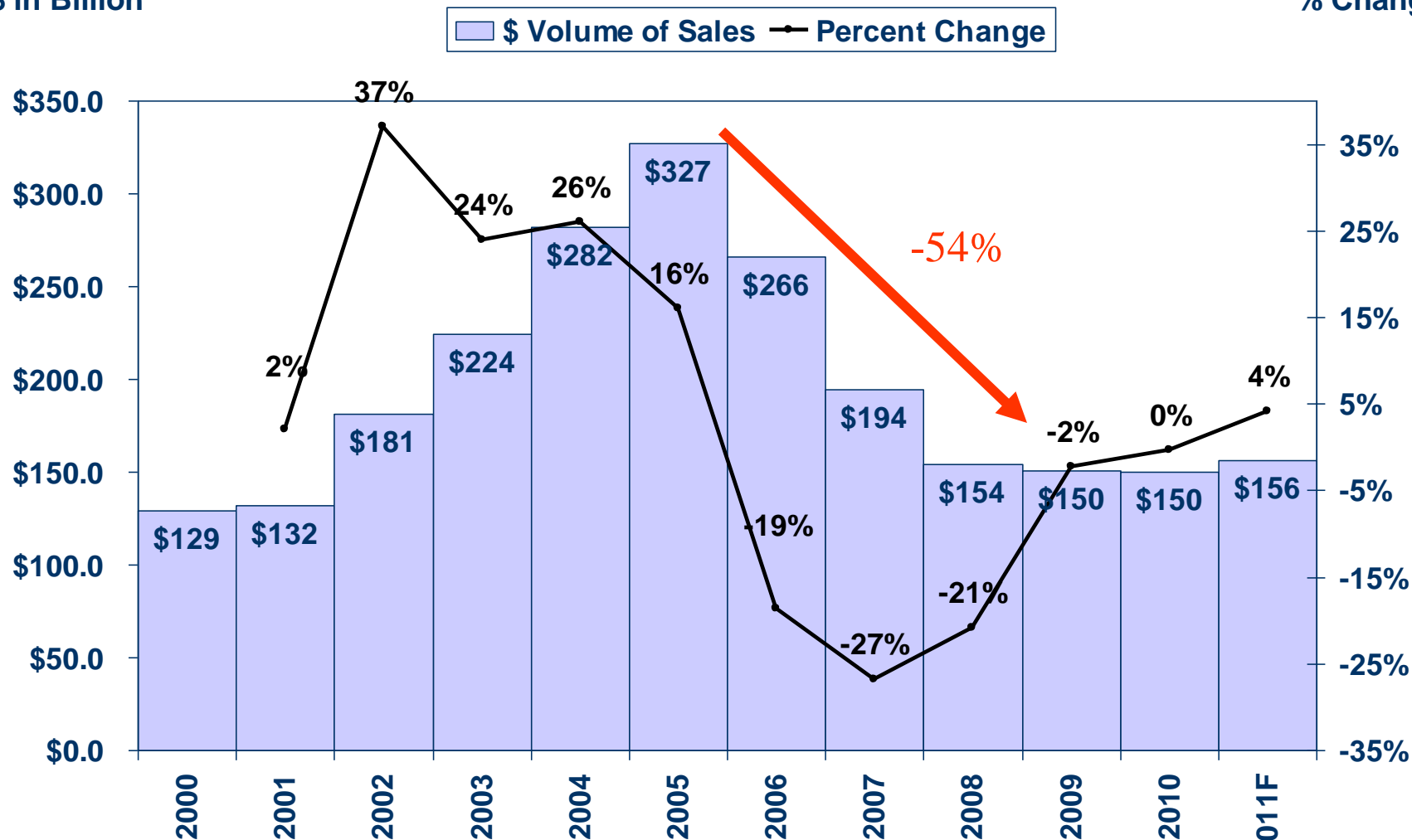


# Dollar Volume of Sales

## 2011 Projection: +4%

\$ in Billion

% Change

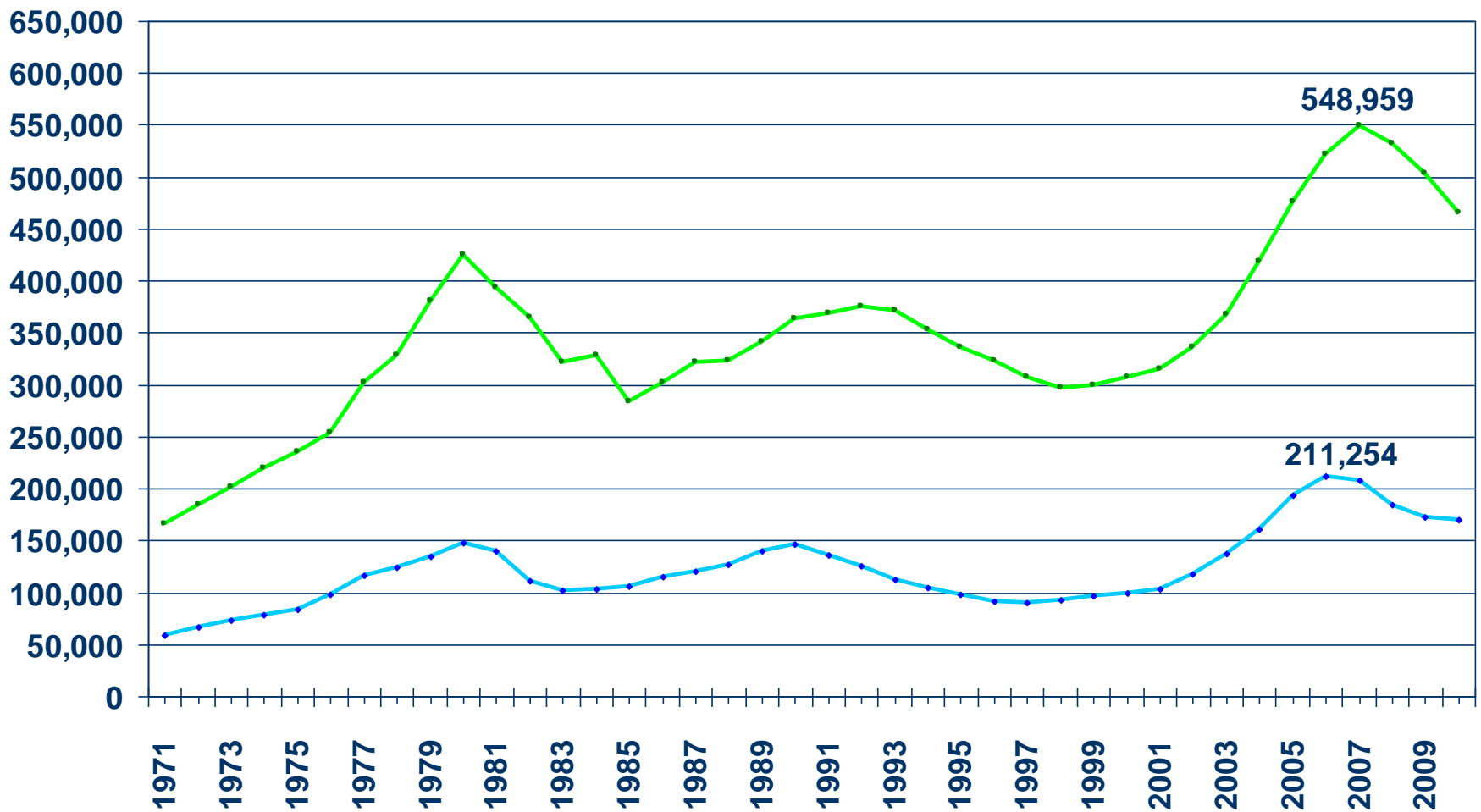


SOURCE: California Association of REALTORS®

# C.A.R. Membership Outlook

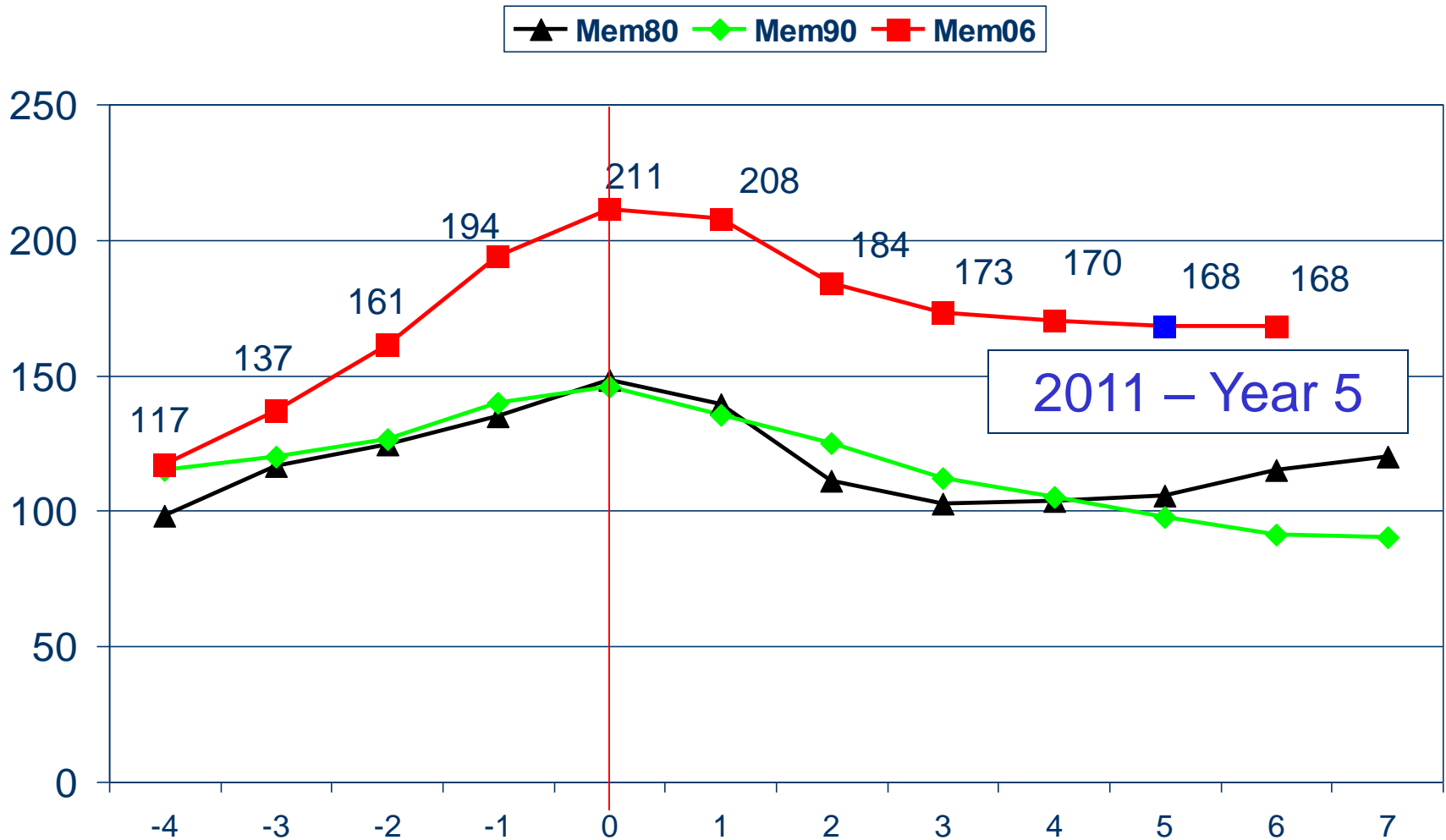
# C.A.R. Membership vs DRE Licensees 1971-Present

Membership DRE Licensees



# Total Membership Through Cycles

Before/After Membership Peak (Peak Year = 0)



SOURCE: C.A.R.

# Membership Outlook – 2011

C.A.R. Membership Counts (thousands)								
Status	2004	2005	2006	2007	2008	2009	2010	2011f
Renewals	119.5	142.6	162.8	176.7	162.0	149.5	148.9	148.0
New	41.7	51.4	48.4	31.3	21.8	23.6	21.2	20.0
<b>Total</b>	<b>161.2</b>	<b>193.9</b>	<b>211.3</b>	<b>208.0</b>	<b>183.8</b>	<b>173.1</b>	<b>170.1</b>	<b>168.0</b>
C.A.R. Membership Percentage Changes								
Status	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Renewals	15.9%	19.3%	14.2%	8.5%	-8.3%	-7.7%	-0.4%	-0.6%
New	23.2%	23.1%	-5.8%	-35.3%	-30.4%	8.3%	-10.2%	-5.6%
<b>Total</b>	<b>17.7%</b>	<b>20.3%</b>	<b>8.9%</b>	<b>-1.5%</b>	<b>-11.6%</b>	<b>-5.8%</b>	<b>-1.8%</b>	<b>-1.2%</b>
	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
<b>Retention Rate</b>	87%	88%	84%	84%	78%	81%	86%	87%

Forecast Date: February 2011

Thank You

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California home sales rise for three straight months in January; median home price declines. [MORE >](#)

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**Real Estate 411:**  
The time it takes for escrow to close, back down to pre-peak levels. [MORE >](#)

**2010 Housing Market Recap & 2011 Outlook**  
As you prepare for the year ahead, it is important to revisit what transpired in the housing market in 2010 in order to help determine what can be anticipated in the coming year. [MORE >](#)

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Market ... 64%

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