

Weekly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from *first tuesday*

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Name
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Jobs sputter towards recovery

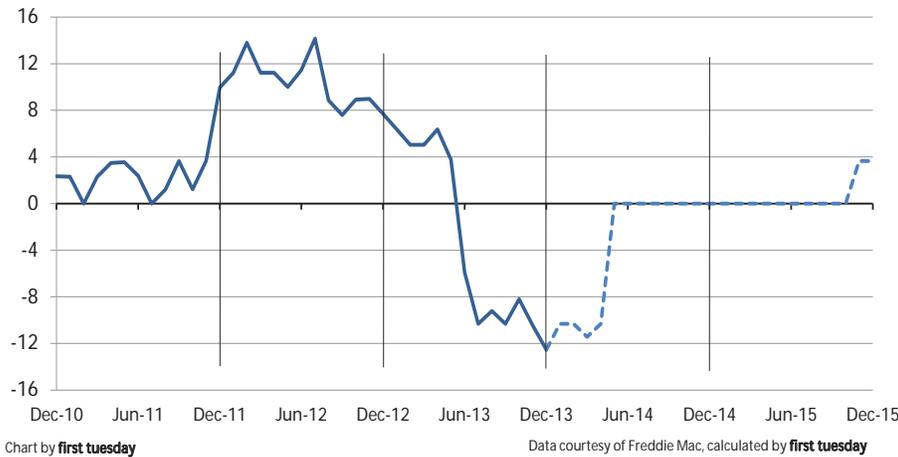
This chart shows the monthly number of **jobs** in California. Without a job, a wage earner has no financial ability to make rent or mortgage payments for shelter.

Job numbers rose in November, adding 84,300 jobs in California over the prior month. 227,200 jobs were added between November 2012 and November 2013, a modest increase of 1.6%. While yearly employment numbers have improved, the number of jobs added reflects a temporary seasonal bump. To spark a full **housing recovery** in California, at least 350,000 new jobs need to be added year-over-year for 18-24 months.

Job growth will continue through 2016, returning by then to the 2007 peak of 15.3 million jobs. Expect the return of **buyer-occupants** by 2016, but not at the volume experienced in the 2000s.



Buyer Purchasing Power Index (BPPI)



Buyer purchasing power has gone negative

This chart tracks the **buyer purchasing power index (BPPI)**. The BPPI is based on the **30-year fixed rate mortgage (FRM)** rate and California's **median income**.

The BPPI fell to negative 10.4 in November. This dip represents a year-over-year decrease of 10.4% in **mortgage funds available** to today's buyers. This is down from negative 8.2 in October and down from positive 9 one year ago, when BPPI was at its height. The drop experienced in the second half of 2013 is due to the steep rise in mortgage rates which began in June.

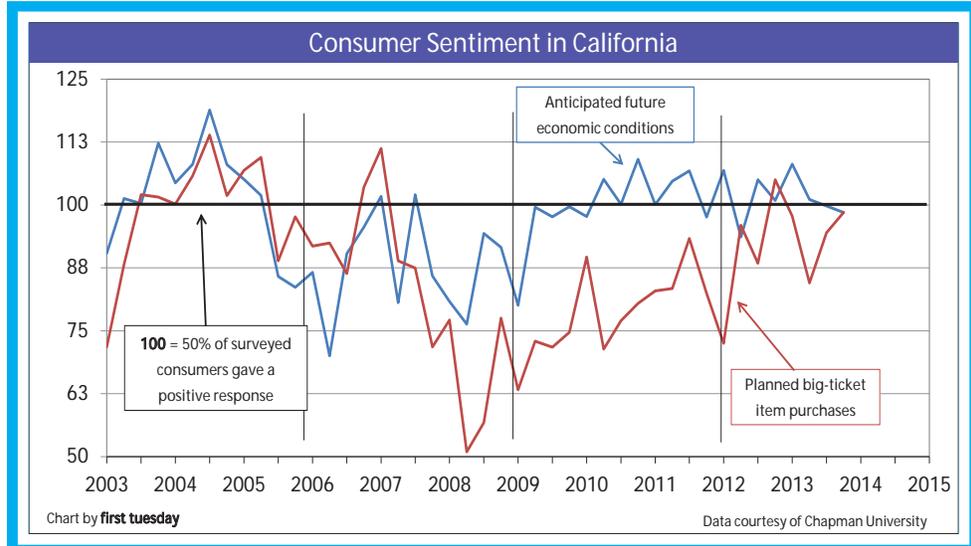
By the start of 2014, pricing will trend flat to down. This is a result of reduced purchasing power, price increases beyond the rate of consumer inflation and waning market participation by **buyer-occupants**. As **long-term rates** rise, the BPPI figures will remain negative. In turn, sellers will continue to experience downward pressure on prices. Further, buyers will be unable to borrow as much for the purchase of a home without a parallel increase in income to compensate for the rise in rates.

Consumer sentiment reflects mixed signals

This chart shows the perception people have about **future economic conditions** and their planned purchases of big-ticket items like homes. However, future expectations are unreliable as they mostly mirror recent past experience. They are just projections, not forecasts of likely consumer purchases.

Consumer sentiment in California fell during Q4 of 2013. Surveyed consumers are slightly less optimistic about future economic conditions in Q4 than in the prior quarter. However, planned spending on big-ticket purchases rose in Q4, following a rising trend in planned spending since Q2 of 2013.

2014 will reflect consumer sentiment at the beginning of 2013. Thus, as **speculators** leave the market, the recovery in home sales volume will continue its slow, dogged path, which is building towards a solid long-term recovery.



Click on any chart
for more information!