

# Weekly Real Estate Statistical Update

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

March 31, 2014 • Vol. 3 • Issue 13 • **Employment drives real estate sales – does GDP?**



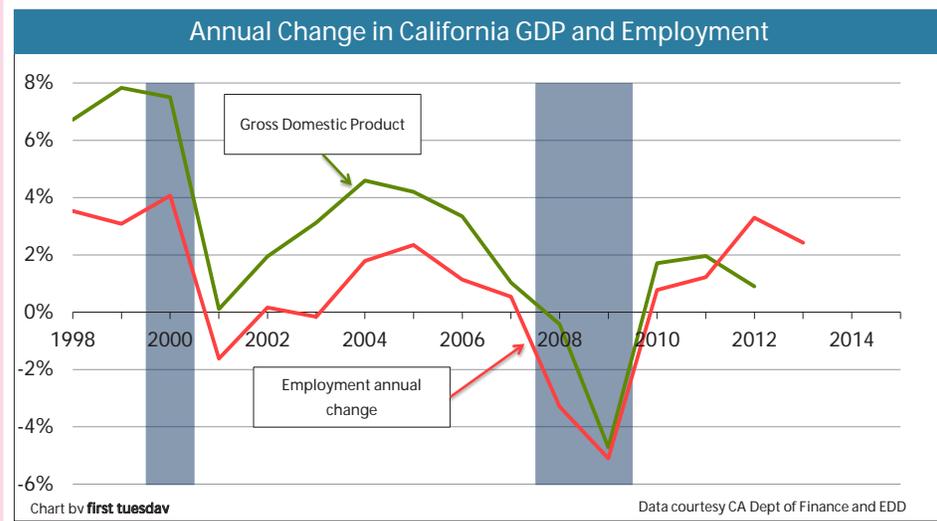
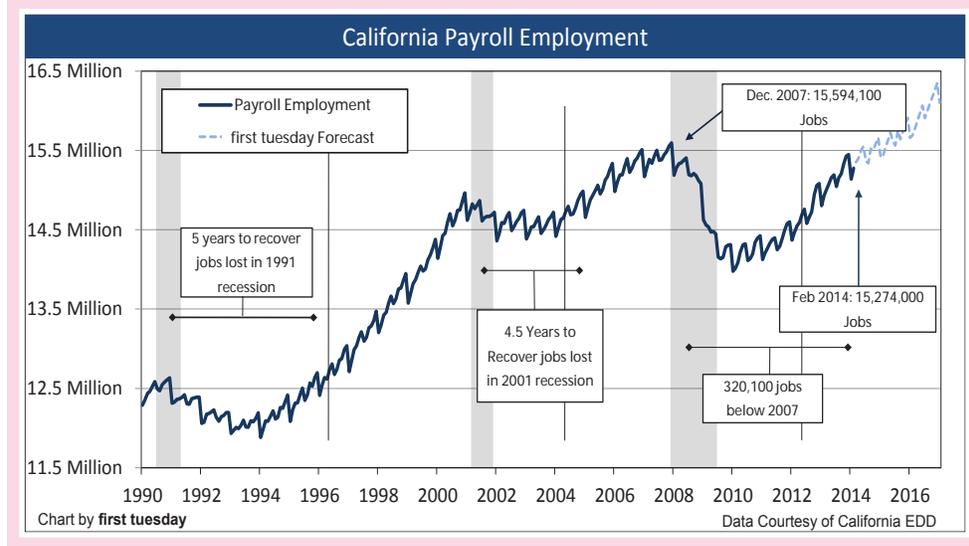
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## Jobs continue to bounce toward recovery

This chart shows the monthly number of jobs in California. Without a job, all but millionaires have no financial ability to make **rent or mortgage payments** for shelter.

Job numbers rose in February, adding 100,800 **jobs** in California over the prior month, bringing the total employment to almost 15.3 million. 366,200 jobs were added in 2013, an increase of 2.4% over 2012.

During 2015, job growth in California will exceed the 2007 peak of 15.6 million jobs. Expect the return of **buyer-occupants** in tandem with improving employment numbers. To foster a sustainable **housing recovery**, at least 350,000 additional jobs are needed annually in California for 18-24 months, a period we are halfway through.



## GDP forecasts employment growth, sort of

This chart compares the annual change in **Real Gross Domestic Product (GDP)** and employment in California, adjusted to year 2005 dollars to account for inflation. GDP is used to measure the state's economic progress and gauge the financial wealth of the state's residents.

California's GDP rose by 0.9% in 2012, down from the 2% rise experienced in 2011. **California's employment** increased by 2.4% in 2013, down from 3.3% the prior year.

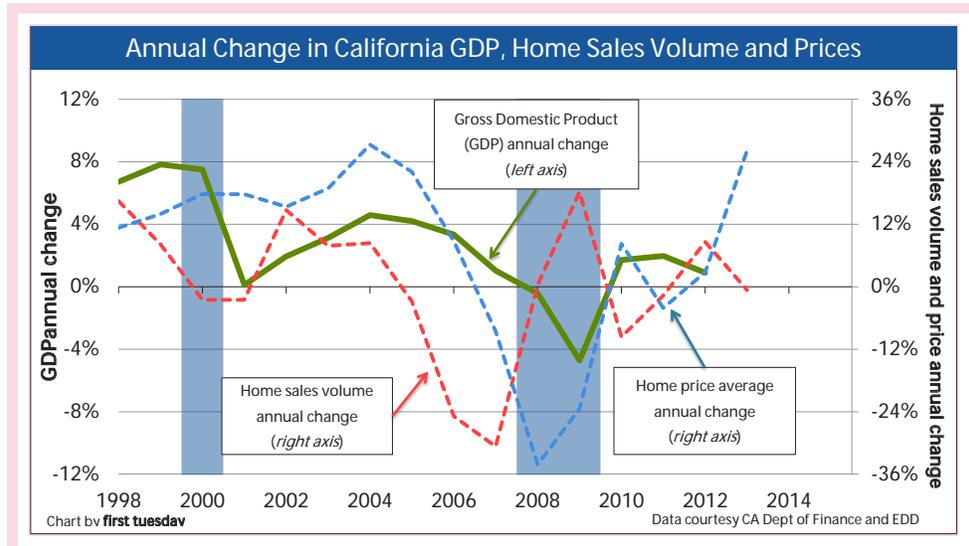
Employment growth is the most significant factor for judging the **fiscal wellbeing** of the state's population. Historically, the rate of movement in GDP is followed by employment growth within 12 months. Likewise, a decline in GDP growth is followed by a slip in employment expansion. **Real estate sales volume and rental occupancy rates** follow on the heels of movement in the level of employment.

## Feeble home sales volume weakens GDP growth

This chart compares the **annual change in GDP**, home sales volume and home pricing in California, adjusted to year 2005 dollars. Home sales volume moves approximately 9-12 months ahead of home price adjustments and 24 months ahead of GDP change.

**Home sales volume** declined by 1% in 2013 after an 8% increase in 2012. At the same time, California's average **home sales price** increased by a staggering 21% in 2013, up from a stable 3% in 2012.

**Deregulation and subsidies** since 1980 eventually caused home pricing to careen out of control during the Millennium Boom, inflating GDP. Home sales volume reversed in 2005, crashing in the 2008 conflagration of recession and financial crisis. Today's significant 10% downward trend in home sales volume forecasts a stagnant year for GDP growth in 2014, the result of real estate pricing exceeding the rate of GDP growth and the **Consumer Price Index** in 2013.



Click on any chart  
for more information!