

# Weekly Real Estate Statistical Update

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

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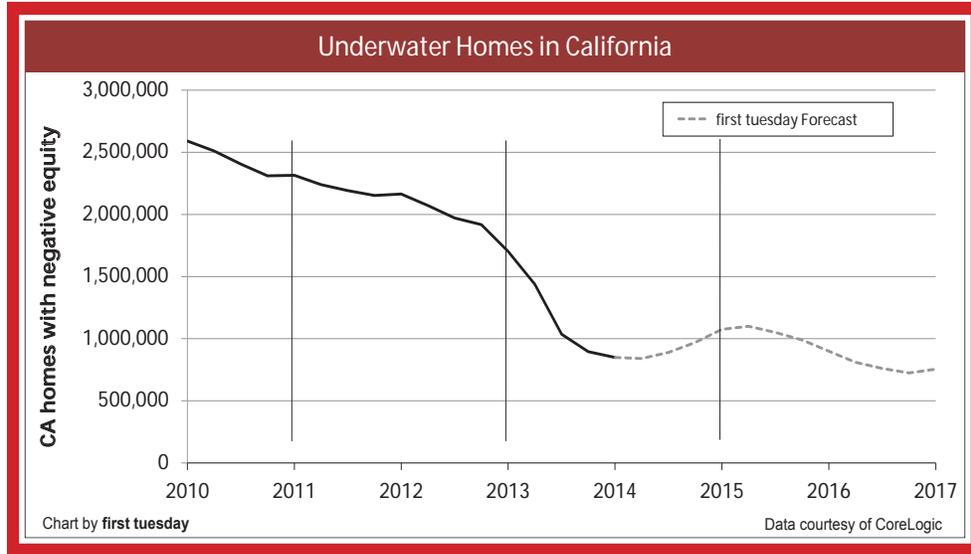
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## Multi-family construction starts out-pace SFR starts

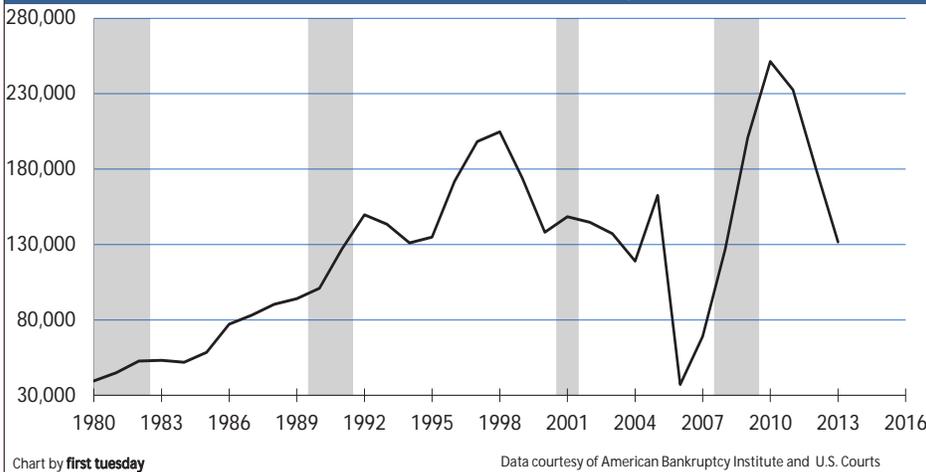
This chart displays the number of **underwater homes** in California.

The number of **negative equity homes** in California slipped 5% in Q4 2013 to 849,000, leaving just under 13% of mortgaged homes stuck in negative equity – less than half of what it was a year earlier. **Speculator-driven** home price increases catapulted many negative equity homes back above water. However, the speculator contribution subsided by the end of 2013, reflected in the leveling off of California's underwater homes in Q4.

Looking forward, the housing market's reliance on **end users** will slow the long-term pace of decline in negative equity. As prices slip in 2014, expect a rise in the number of underwater homes. The negative equity epidemic will finally cure itself around 2020. By then, **asset inflation** will match amortized home loan balances.



## California Annual Personal Bankruptcies



## Bankruptcies tied to homeownership

This chart tracks the number of **personal bankruptcies** filed annually in California since 1980. One of the benefits of bankruptcy is putting off **foreclosure**, as the bankruptcy proceedings extend the foreclosure process by several months.

Nearly 132,000 personal bankruptcies were filed in California during 2013. This is down almost 50% from the peak of 251,000 bankruptcies filed in 2010. The number of filings has decreased each year since the end of the **2008 recession**, returning to the average levels seen during the 1990s and early 2000s.

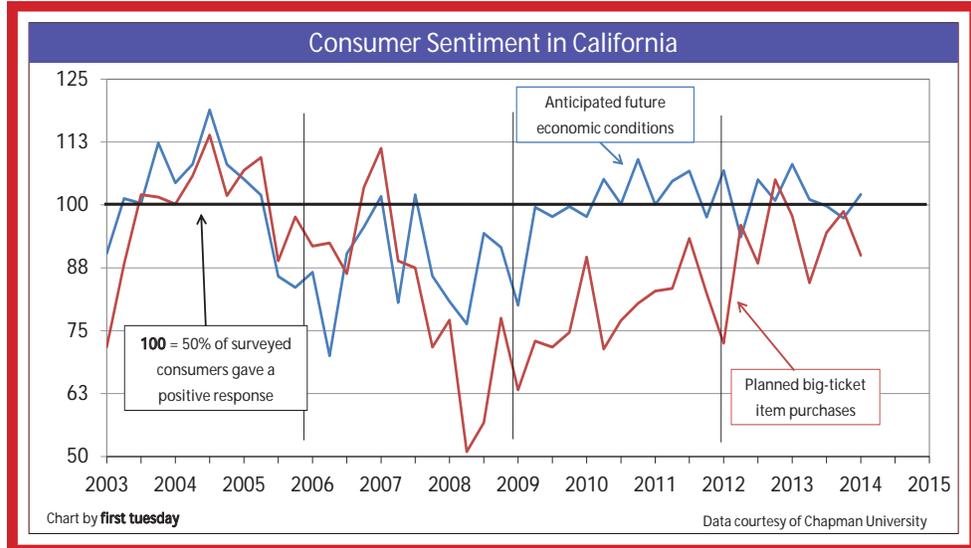
Personal bankruptcy filings are likely to remain relatively flat in 2014 due to a **stagnating economic recovery**. However, expect bankruptcies to increase in 2015, fueled by **rising mortgage rates** and **decreasing home prices**.

## Consumer sentiment falters

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 remained flat overall during Q1 of 2014. Surveyed consumers are slightly more optimistic about future economic conditions in Q1 than in the prior quarter. However, planned spending on big-ticket purchases fell in Q1, although a general rising trend in planned spending has persisted since Q2 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, likely beginning in 2018.



Click on any chart  
for more information!