Weekly Real Estate Statistical Update

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

November 18, 2013 • Vol. 2 • Issue 44 • *Homeownership rate slips on low savings and weak sales*

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Personal savings rate flinches upward, remains too low

This chart shows the nationwide **personal savings** rate as a percentage of disposable income.

Personal savings declined for the past 30 years. They bottomed out in 2005 at 2.3% before bouncing to 6% in the 2008 recession. Today's downward trend to below 5% is due to prolonged joblessness and essentially zero interest paid on savings.

The real estate demand we need is driven by earnings and savings, not inventories. But today's cheap money is not creating jobs or paying savers interest. For sales, expanded savings for a down payment are needed to qualify for **Qualified Residential Mortgage (QRM)** financing. With QRM as the rule, not the Federal Housing Administration (FHA), the lack of savings will hinder home sales volume. In turn, the homeownership rate will slip and home prices will soften.

Personal Savings Nationwide by Quarter (2005-present)

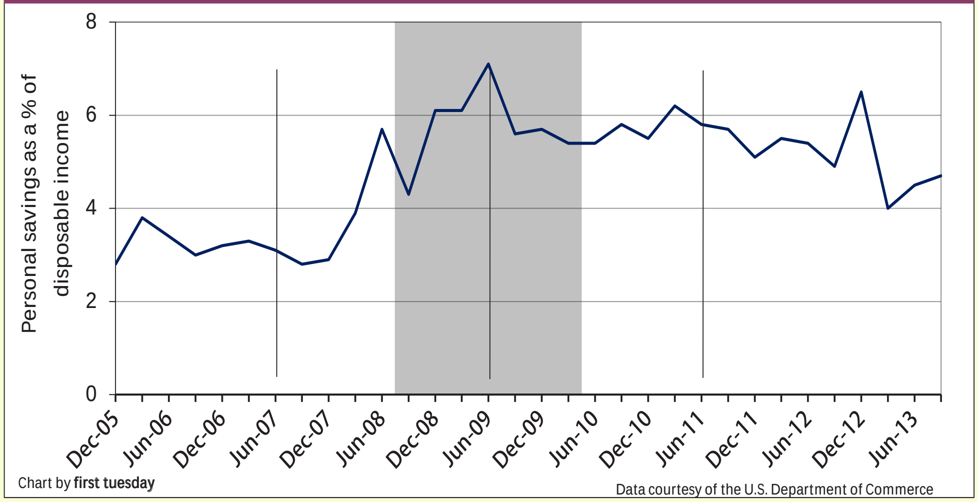

Chart by first tuesday

Data courtesy of the U.S. Department of Commerce

Auto sales blaze trail to home sales volume recovery

This chart plots the volume of new **auto sales** and leases, and **home sales** in California. Upward movement in auto sales volume **forecasts future increases** in home sales volume 12 to 24 months hence. However, when the market reverses, home sales volume drops first, followed by a delayed drop in auto sales.

California auto sales volume slipped in October 2013, down 2% from a year earlier. This decrease is in contrast to the 25% increase experienced in 2012. October **home sales volume** showed a 7% decrease from one year earlier, generally in keeping with the flat home sales volume experienced in 2013.

Auto sales volume slowed dramatically in 2013, as did home sales volume. Looking forward, home sales volume will likely remain at a level state or dip going into 2014, and in turn, flatten home pricing. This is due to slow job creation and a steep mortgage rate increase leaving **diminished demand** by end user homebuyers.

CA monthly auto sales and home sales volume: 1-year moving average

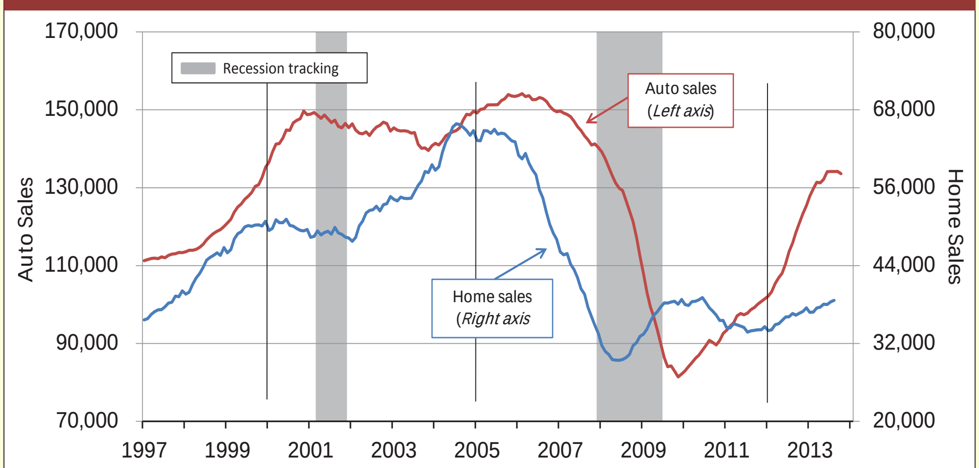

Chart by first tuesday

Data courtesy of Motor Intelligence, CA Dept of Motor Vehicles and DataQuick

Homeownership rate slide continues, with speed bumps

This chart tracks California's **homeownership rate**.

California's homeownership rate increased slightly in Q3 to 54.4%, but is trending downward from 54.9% one year earlier. While just below the **historical 55%**, it is far below the unsustainable 60.7% peak in 2006.

California's homeownership rate will likely drop to 53% by 2017. It will remain at that level for about a decade as **interest rates rise** and **personal savings** catch up with 20% down payment requirements for QRM purchase-assist financing. These conditions are the new normal until around 2018 – unless sellers, buyers and agents are reacquainted with carryback financing. It's all in the rate of interest.

California Quarterly Homeownership Rate

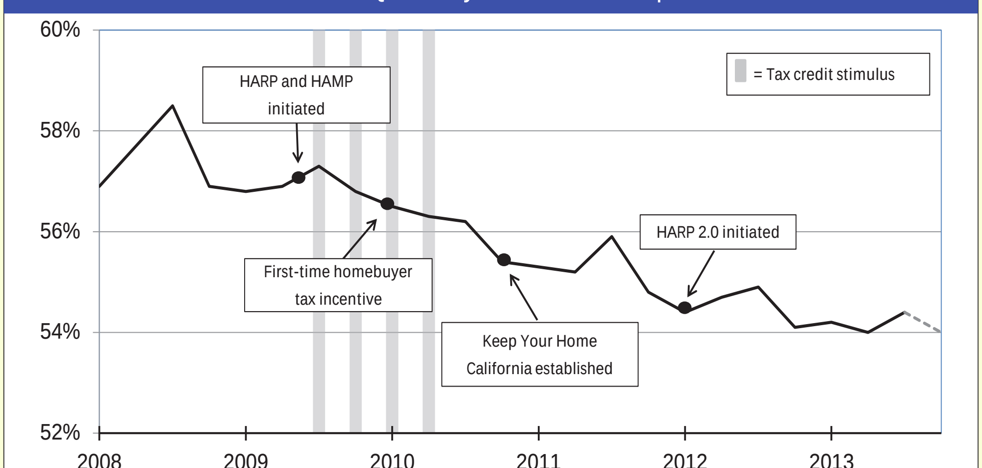

Chart by first tuesday

Data courtesy U.S. Census

Click on any chart for more information!

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