Weekly Real Estate Statistical Update

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

December 16, 2013 • Vol. 2 • Issue 48 • *Delinquencies down, yet recovery lags*

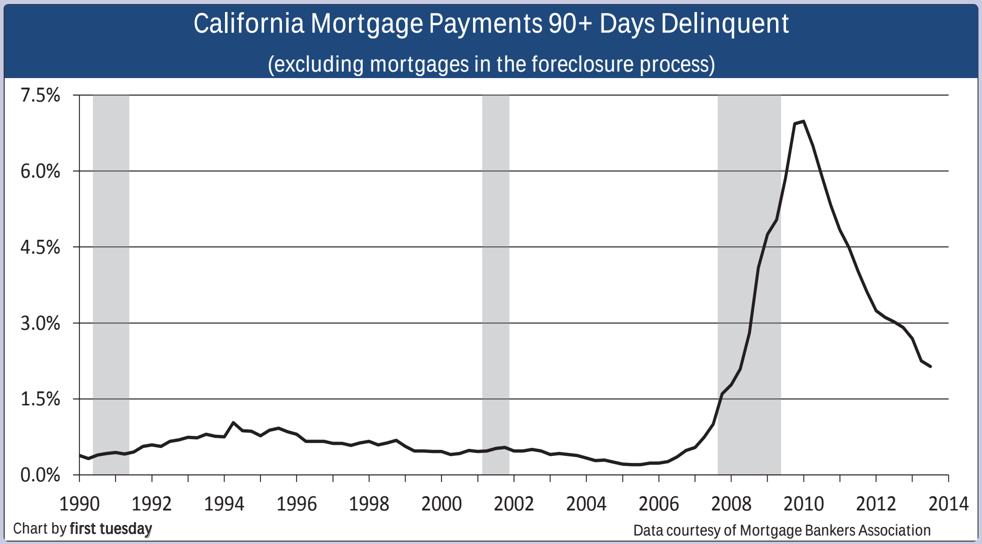
Presented by
Name
BRE License #
Phone
Email

90-day delinquency rate continues to wane

This chart depicts the percentage of California home mortgages 90 days or more delinquent in the pre-foreclosure phase. The 90-day delinquency rate on home mortgages is a leading indicator setting the trend in **short sales, foreclosures** and **REOs** in California.

The percent of California's mortgages 90 days or more delinquent in pre-foreclosure decreased to 2.1% in Q3 of 2013, down from 3% one year earlier. The normal 90-day **delinquency rate** is around 0.5% of all mortgages.

Today, the peak in serious delinquencies has passed. Yet, delinquency levels won't return to their normal 0.5% level until at least 2017. By then, California will have recovered all **jobs lost** in the Great Recession. Further, homebuyer confidence will have also returned to lift **home sales volume** to the extent needed to support modest price increases. In turn, **home equity** will grow and bring down the delinquency rate.

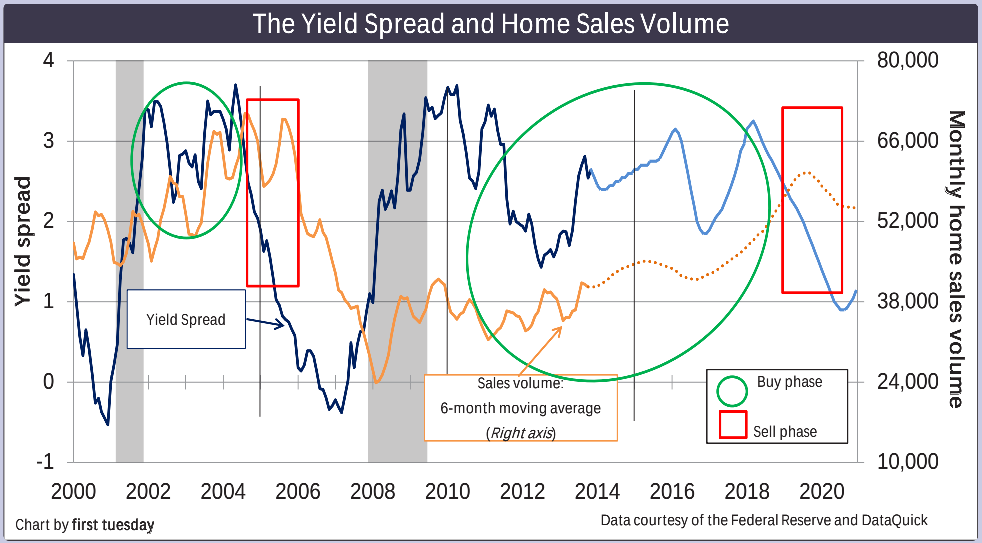


Yield spread and home sales volume ride the washboard recovery

This chart examines the **yield spread** as your guide to anticipate the best time to **buy, sell or hold** real estate. The yield spread is the difference between the 10-year Treasury Note and the 3-Month Treasury Bill rates. The movement of the yield spread forecasts home sales volume 12 months forward, then home price movement within another 12 months.

The yield spread jumped to 2.6 in November, up from 1.6 the previous year. While today's yield spread is up since 2011, it is still relatively low when considering **future prosperity**.

This recovery has been and will continue to be weak. At times in 2014, the recovery will appear even imperceptible as **sales volume and prices slip** below 2013 levels.

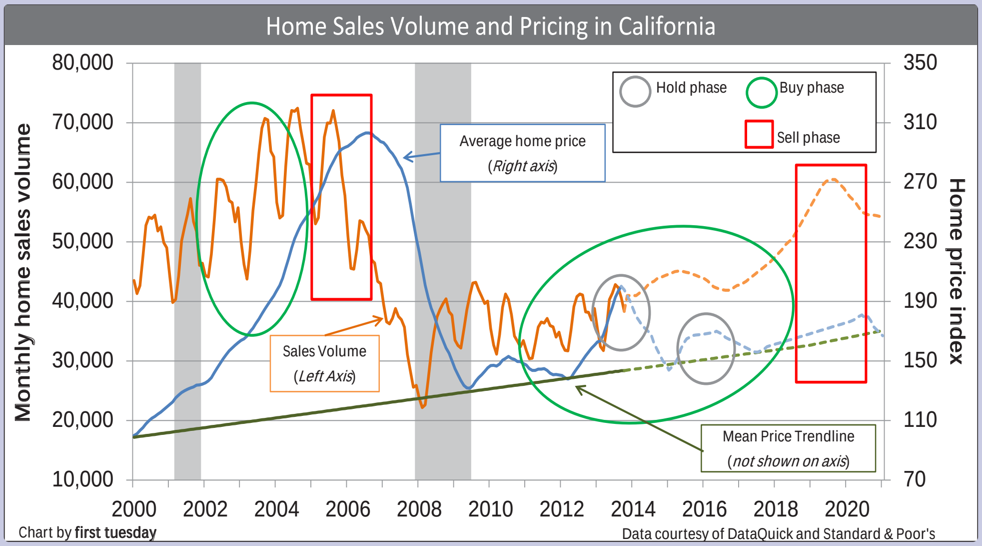


Home sales volume and pricing to time the market

This chart helps you further anticipate the best time to **buy, sell or hold** real estate by examining **home sales volume** and **pricing**.

Current home sales volume and pricing indicate we are now in a **mini-hold phase** within a greater buy phase. Home sales volume has experienced little annual change since 2009. Despite a lackluster increase in sales volume, 2013 saw home prices jump for their highest year-over-year percent increase since 2006, due to **speculator activity**. These factors strongly suggest the present price bounce is near its end, weakening prices in 2014. This price bounce will again repeat itself in 2016-2017 as another rise in sales volume and prices is shut off by rising mortgage interest rates.

In the long run, home price increases always return to the annual rate of **consumer inflation** and **wage increases**. Wage inflation is generally 2.5% - 3.0% for California. Thus, prices will likely slip back toward the mean price trendline in 2014 and in 2017, then rise to peak around 2020.



Click on any chart for more information!

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