

Weekly Real Estate Statistical Update

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

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Presented by

Buyer Purchasing Power Index to fall

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

The BPI is currently at 6.4, down from 7.7 in December 2012. While down from the prior month, 6.4% more mortgage funds are available for today's buyer than one year ago, pushing prices up.

The BPI will fall throughout 2013 and likely remain at zero through 2014. It will then go negative as interest rates rise by mid-2015, pushing property prices down.

Metropolitan price index climbing

This chart shows average tiered price indices for Los Angeles, San Francisco and San Diego.

The three tiers generally move in tandem. They are all up for the seventh consecutive month.

Future pricing will slowly trend upward, moving with the rate of inflation. The rapid price increase seen primarily in low-tier home sales during the second half of 2012 was driven by speculation. This dynamic will continue off and on well into 2016.

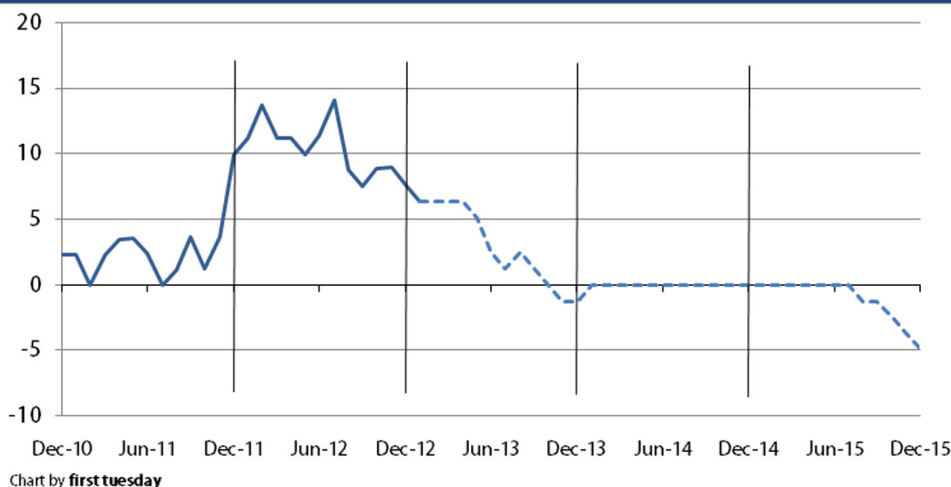
30- and 15-year FRM rates vs. 10-year Treasury Note average

This chart tracks the average 15- and 30-year FRM rates at which a lender commits to lend.

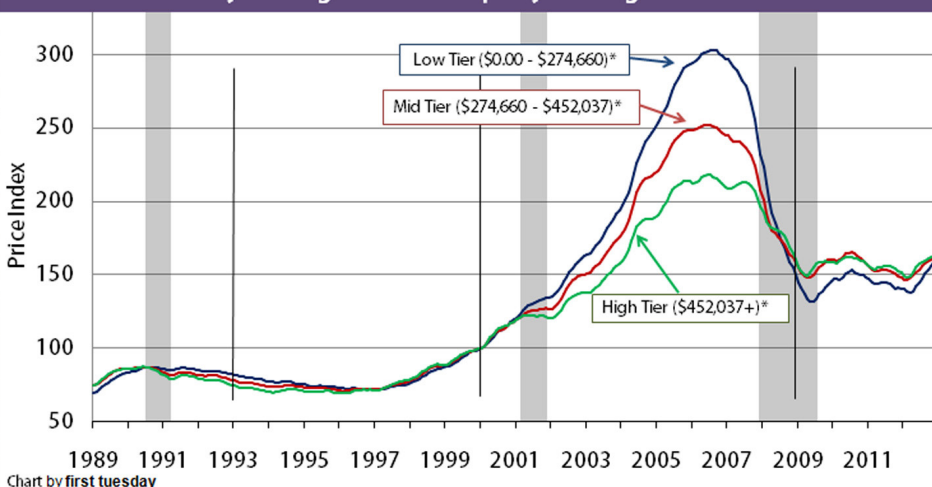
It also reflects the 10-year Treasury Note rate, a leading indicator of the direction of future FRM rates. The 10 year rate is comprised of the level of worldwide demand for the dollar and anticipated future domestic inflation, all eventually to increase.

The difference between the 30-year FRM rate and the 10-year Treasury Note rate decreased to 1.5% in January 2013, closer to the historical spread for mortgage rates over the 10 year note rate.

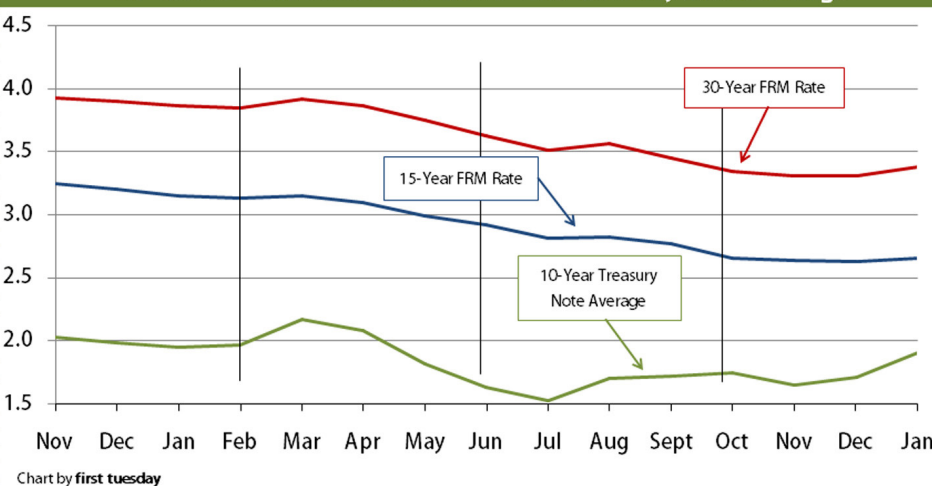
Buyer Purchasing Power Index (BPI)



Tri-City Average Tiered Property Pricing: 1989-Present



30- and 15-Year FRM Rates vs. 10-Year Treasury Note Average



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