Monthly Real Estate Statistical Update

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

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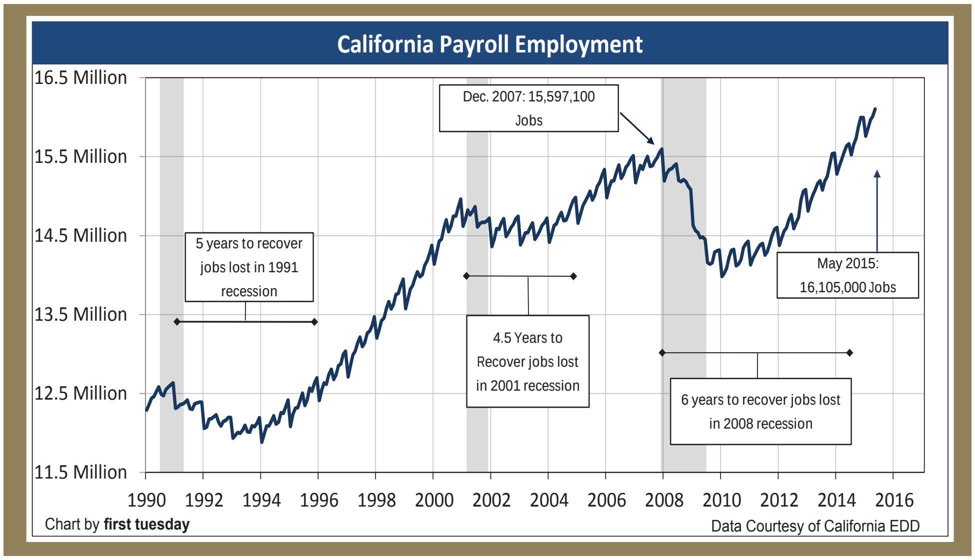
Presented by
Name
CalBRE License #
Phone
Email

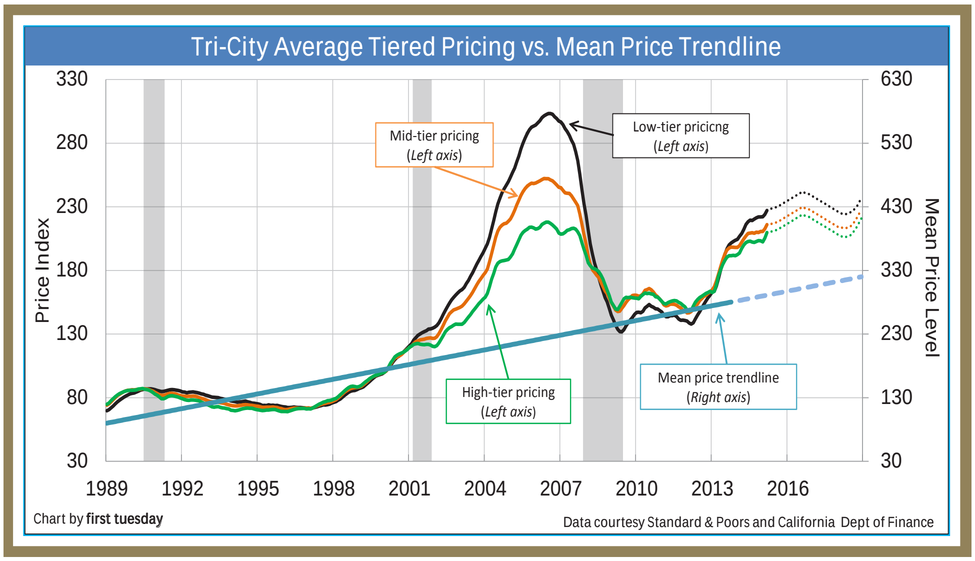
Annual California job growth continues to surge

This chart tracks **monthly California job figures**.

California employment growth has surpassed the **pre-Great Recession** peak of 15.6 million jobs reaching 16.1 million jobs as of May 2015. The year-over-year numbers show an increase of 469,100 jobs. In terms of employment, we are entering a strong period of **economic expansion**.

This improved demand for employees will soon lead to **higher wages** as the supply of available labor decreases. However, as wages lag behind employment growth, employment is not likely to truly recover until 2019. Expect a small wave of **buyer-occupants** and a slight increase in home pricing until the Federal Reserve (the Fed) raises interest rates, likely by the end of 2015.





Home sales prices approach new peak

This chart shows **average tiered prices** for Los Angeles, San Francisco and San Diego. Included is the **historical mean price trendline** to which prices inevitably return.

California home prices rose gradually in the Q1 of 2015. Home prices remain 9% higher than a year earlier in the low-tier, with mid- and high-tier prices remaining 4% and 6% higher, respectively.

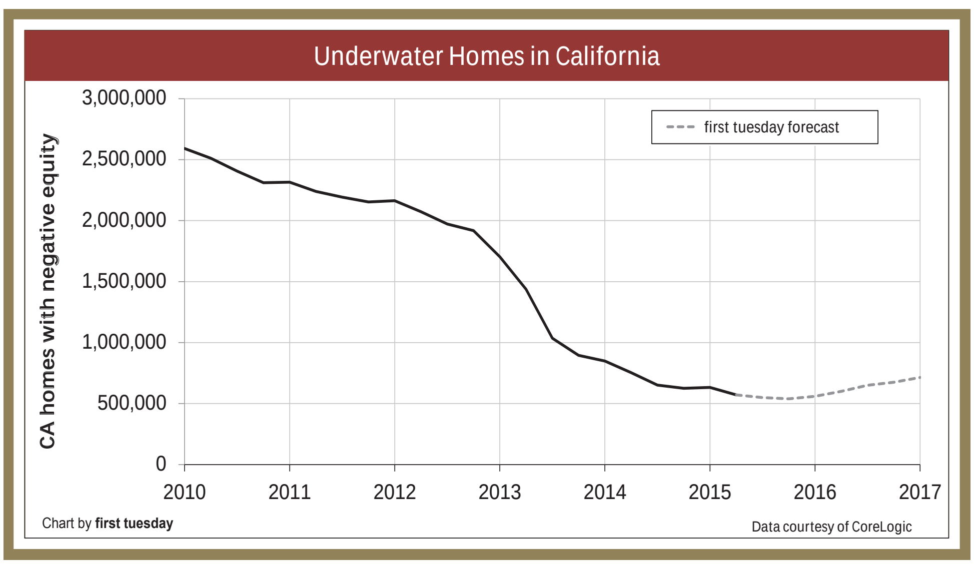
As mortgage rates begin their **sustained rise**, home prices will decline 9-12 months later. Thus, the rise in prices will lose momentum in the tail-end of 2016 and reverse direction soon after. The next price peak will occur around 2018-2020 in a delayed response to rising **employment** and **home sales volume**.

Underwater homes tread water

This chart displays the number of California mortgaged homes in a **negative equity position**, or "underwater."

The number of **underwater homes** in California declined to 571,000 in Q1 2015. The share of mortgaged homes stuck in negative equity remains just over 8%, down from about 11% a year earlier. The **disappearance of speculators** and the price lift they wrought from the single family market in 2014 contributed to the recent end of sharp declines in negative equity.

Until wage and income growth matches the furious pace of California employment growth, **end users** for homes will remain scarce. Expect to see a rise in the number of underwater homeowners as home prices begin to slip in late 2016. The negative equity epidemic will finally cure itself around 2020 when **asset inflation** once again matches **amortized mortgage balances**.



Click on any chart for more information!

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