

Monthly Real Estate Statistical Update

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

June 2016 • Vol. 5 • Issue 6 • **California home sales volume slows**



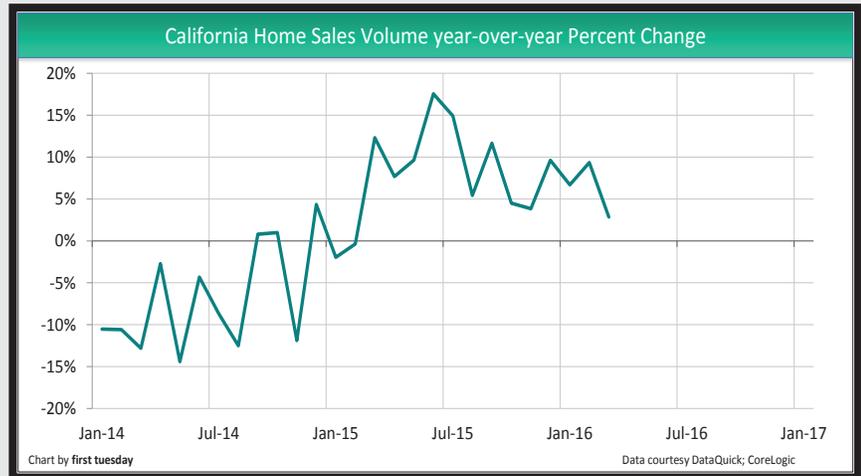
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Annual sales volume gains trend down

This chart shows the annual percent change in monthly **home sales volume** compared to the same month a year earlier.

In March 2016, the number of homes sold in **California** was 2.8% higher than in March 2015. While sales volume is still higher today than it was a year ago, the trend since mid-2015 has been a downward slope.

When the declining trend continues, expect monthly sales volume reports to become even with 2015 by mid-year. Sales volume will then dip below 2015 numbers in the second half of 2016, erasing the gains experienced earlier this year.



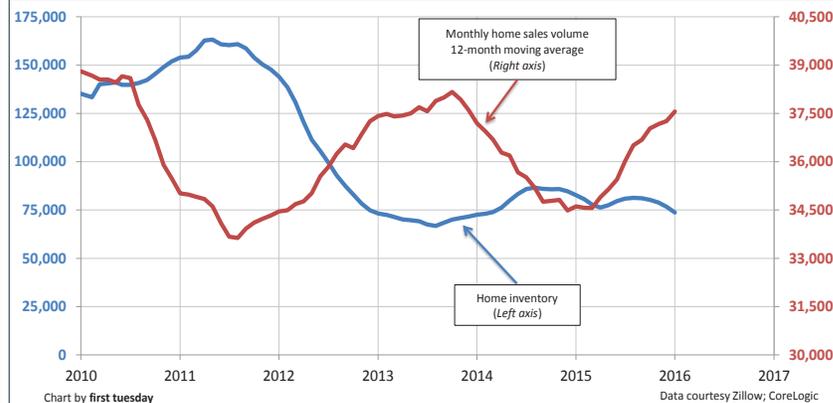
Tight inventory partly to blame for slowing sales volume

This chart displays monthly home sales volume in California (the red line; right axis) alongside the number of homes listed on the multiple listing service (the blue line; left axis), also known as **home inventory**.

A reliable trend exists between home sales volume and inventory: when sales volume increases, inventory falls. When sales volume decreases, inventory swells. Going into 2016, home sales volume was on the rise, and inventory was at its **lowest point in two years**. Eventually, the lack of inventory will pull sales volume down.

Inventory continues to decline as we make our way through 2016. **Declining inventory** is partly to blame for the leveling off in home sales volume. The other culprit is too-high home prices in relation to incomes. Sales volume will soon reverse direction, and inventory will rise. All of this will cool off home prices, bringing them closer to the reach of buyer-occupants.

Home inventory versus home sales volume in California



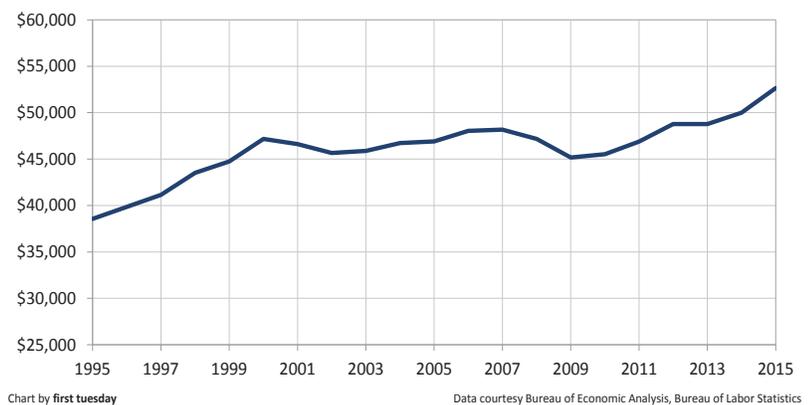
Incomes need to rise more quickly to keep pace with home prices

This chart shows the change in California **real per capita income**, adjusted for inflation, over the past two decades.

Since 2000, incomes have increased on average by 12%. At the same time, **real home prices** are 94% higher at the end of 2015 than they were in 2000. In turn, a much greater share of homebuyers' incomes is spent on housing expenses today than in prior decades.

Home prices need to cool off, and homebuyer incomes need to rise more quickly. Our economy is recovering nicely from the 2008 recession, entering a period of **economic expansion** in 2016. This has yet to translate to improved incomes for buyers, but we are heading in the right direction. Look to the end of this decade for more improvement on that front.

California Real Per Capita Income (2015 Dollars)



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