

Weekly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from *first tuesday*
 Jan. 13, 2014 • Vol. 3 • Issue 2 • **Home prices to wane, end user demand to wax**

Presented by

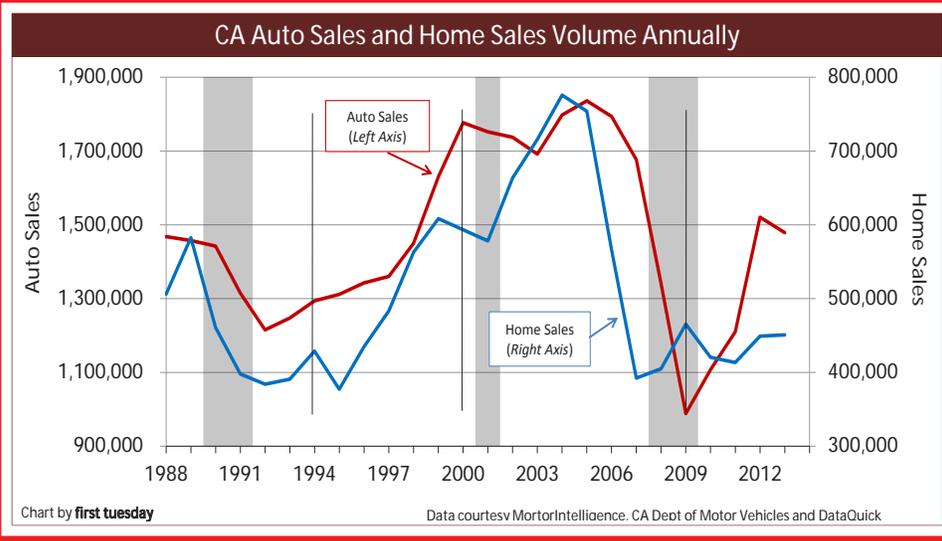
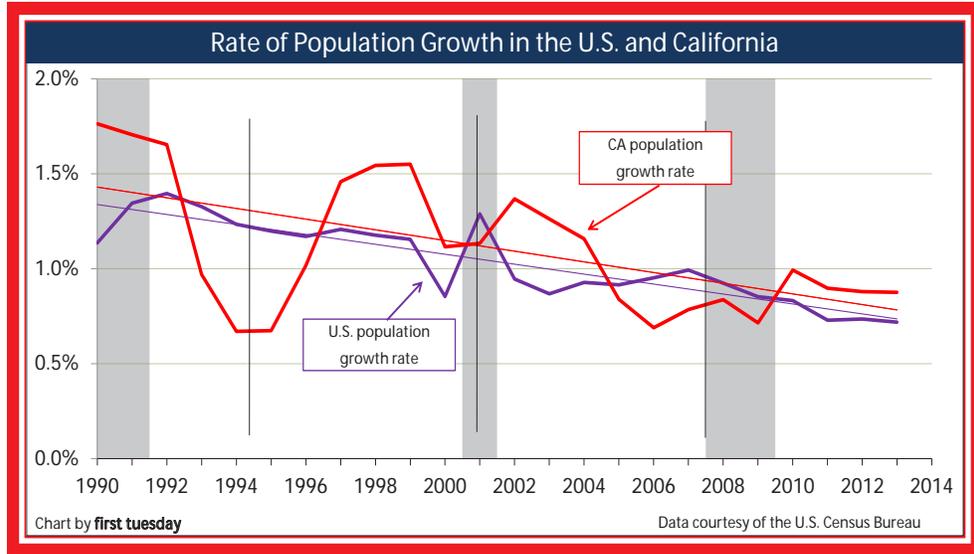
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California's population growth remains constant

This chart portrays the annual percent change in **population** for California and the nation from 1990 to 2013.

The rate of population growth remained roughly level in 2013 in both California and the nation. In California, the population grew at a rate of 0.9% in 2013, level with the prior two years.

California's population growth was due mostly to **births** and in small part to an increase in **migrant population** arriving from outside the U.S. More births and higher immigration rates translates to an increase in household formations. Thus, expect an increase in end user demand by 2015 as prices cool and the demand for housing expands requiring new construction.



Auto sales foretells 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.

Auto sales volume in California was down 3% in 2013, after rising a healthy 25% in 2012. However, the rise in auto sales during 2012 did not foster a rise in home sales volume during 2013. The headwind stalling sales was **rapidly rising prices**, due to speculator over-activity, and **increasing mortgage rates** in the second half of 2013.

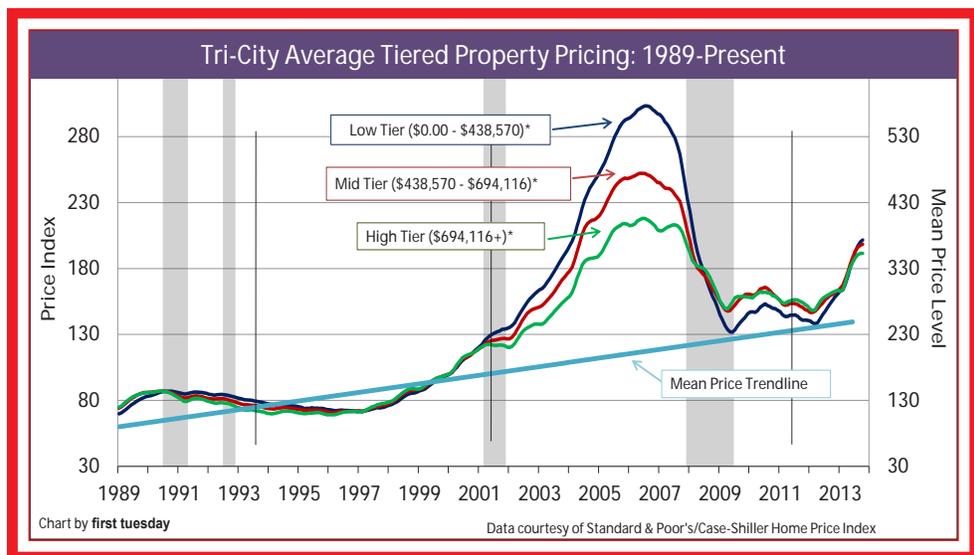
Looking forward, home sales volume will likely remain level in 2014, picking up once prices slip and **end users** feel confident to re-enter the housing market.

Sales pricing mini-bubble to burst

This chart indexes sales **price fluctuations** by price tiers of single family residences (SFRs) for Los Angeles, San Francisco and San Diego.

Home prices in all three tiers continue their ascent in California's three largest cities, though the increase is leveling off. The largest increase took place in low-tier property sales, which were a **suicidal** 32% higher than one year earlier. Mid-tier home prices increased by 24% and high-tier prices rose 19%.

Today's pricing is part of a **mini-bubble**, much like 2009, induced by short-lived speculator interference. Further, the 2013 price rise is under great pressure from insufficient personal income, rising mortgage rates and new construction. Prices will likely slip in 2014, pulling back toward the **mean price trendline**. The cooling of **speculative fever**, and the continued rise in **mortgage rates**, will dampen an already flat sales volume trend, and in turn prices.



Click on any chart for more information!