Weekly Real Estate Statistical Update

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

Feb. 3, 2014 • Vol. 3 • Issue 5 • ***Job growth languishes, savings follow suit***

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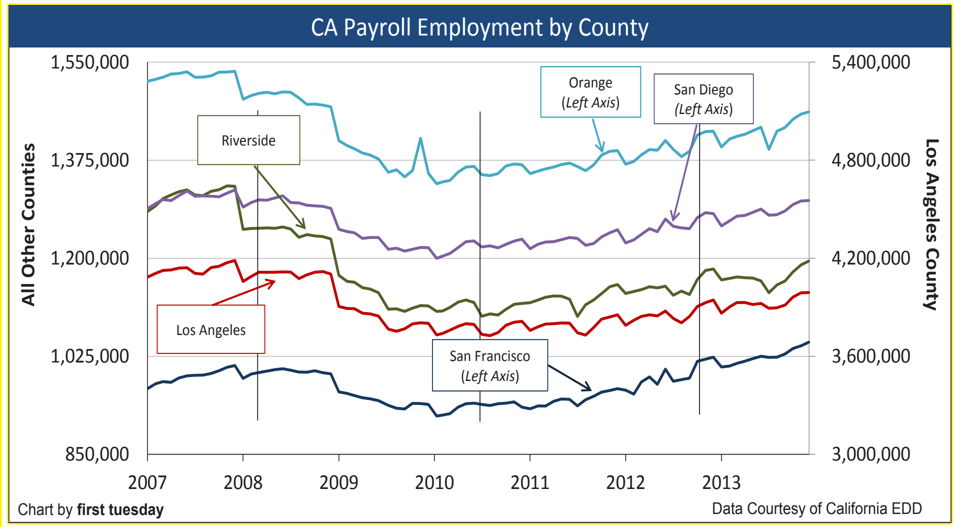
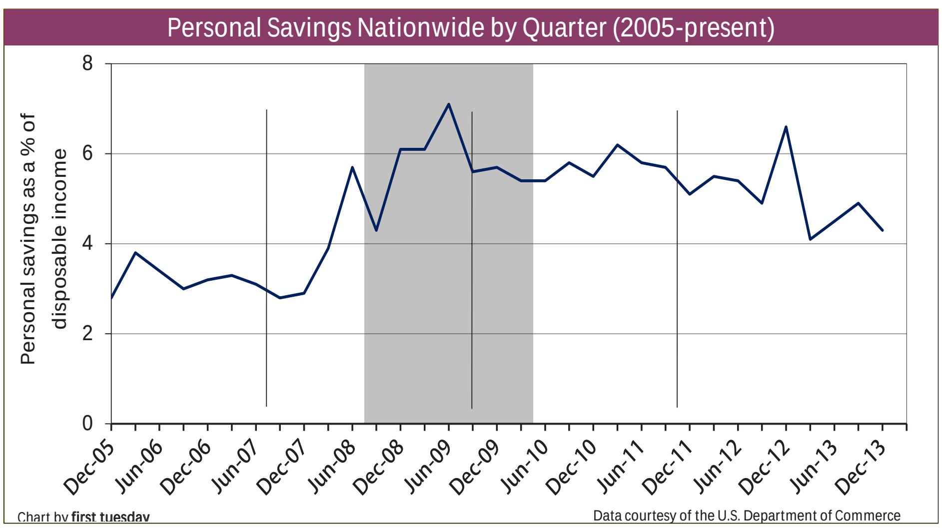
Job growth decelerates

This chart shows **employment levels** in California's five largest counties. The quantity of jobs in California directly impacts statewide homeownership.

Job numbers barely rose in December 2013, adding just 14,700 jobs over the prior month. California added a total of 236,900 jobs in 2013, a modest increase of 1.6% over 2012.

Without an income from employment, individuals cannot rent an apartment or buy a house, unless they are **subsidized** by the government or possess substantial **independent wealth**. At least 350,000 additional jobs are needed annually for 18-24 months to spark a **true housing recovery**, likely by 2017.





Savings rate on a four year trend – down

This chart shows the nationwide **personal savings rate** as a percentage of after-tax disposable income.

Personal savings are trending lower as the rate fell again in Q4 of 2013 to 4.3%, down from 4.9% the prior quarter. Savings have declined for the past 30 years, pacing the decline in interest rates and credit standards, bottoming out in 2005 at 2.3%.

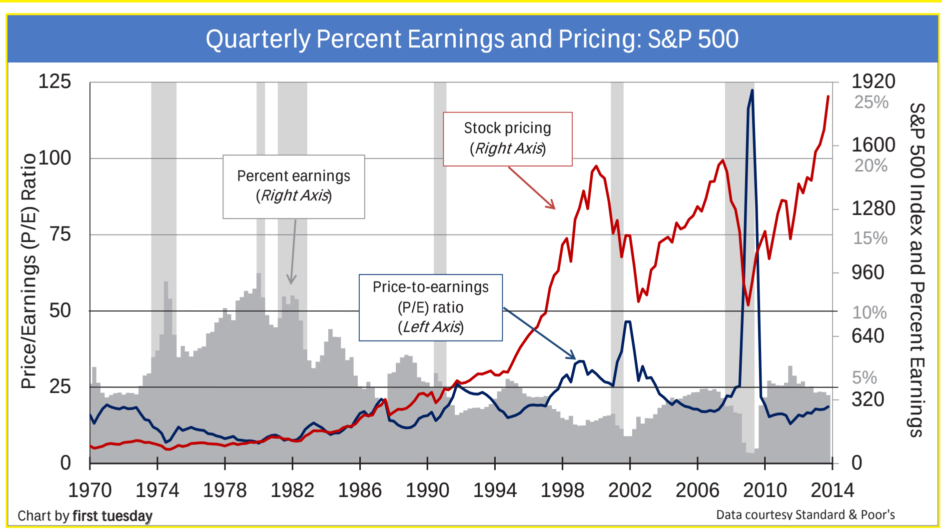
The downward trend in savings since the 2008 **recession and financial crisis** has been the result of a prolonged jobless recovery. Without expanded savings, the coming increase in minimum down payment for conventional **purchase-assist financing** will hinder home sales volume, mostly in mid-tier housing.

S&P 500 improvement supplements wealth

This chart tracks **stock pricing** listed in the Standard and Poor's (S&P) 500 index, the **price-to-earnings (P/E) ratio** for those S&P 500 companies, and their **earnings as a percent** of stock prices.

Stock prices increased significantly in Q4 of 2013. This cash-heavy condition results in today's P/E ratio of 18.6, up from 17.8 the prior quarter and the historical 15.5. The P/E ratio of 18.6 equals a **capitalization rate** of 5.4%, not good as corporate expenditures are at an all-time low and margins rather large.

Brokers and agents marketing property for sale need to turn attention to stock-heavy **Baby Boomers**. Boomers understand stock market crashes and that the present market P/E of 18.6 is frothy. Innovative licensees encourage Boomers to consider **shifting wealth to real estate ownership** before the stock market drops and the 2019 surge in property demand hits.



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