

Weekly Real Estate Statistical Update



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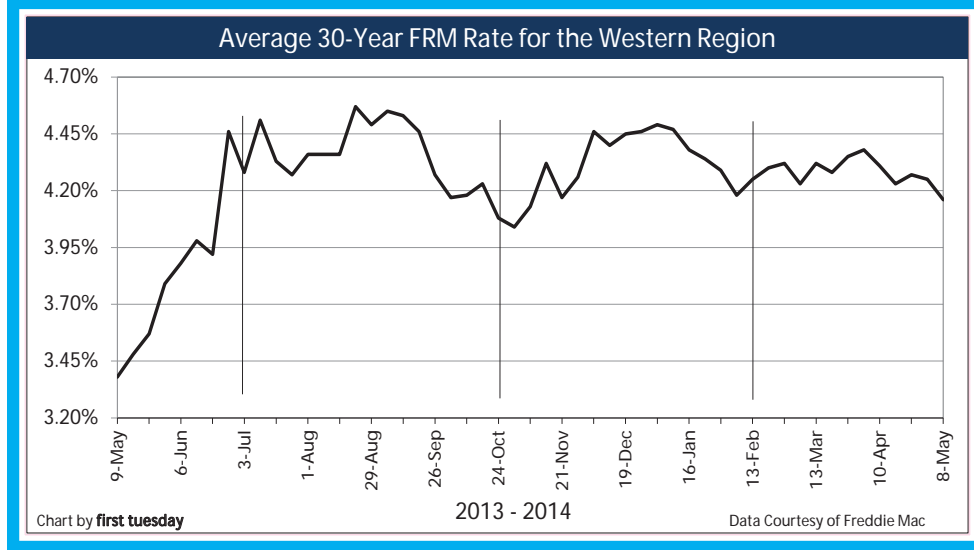
Up-to-date data on crucial California real estate trends from *first tuesday*
May 12, 2014 • Vol. 3 • Issue 19 • **Mortgage rates and savings dim homeownership**

Mortgage rate conditions remain stable, for now

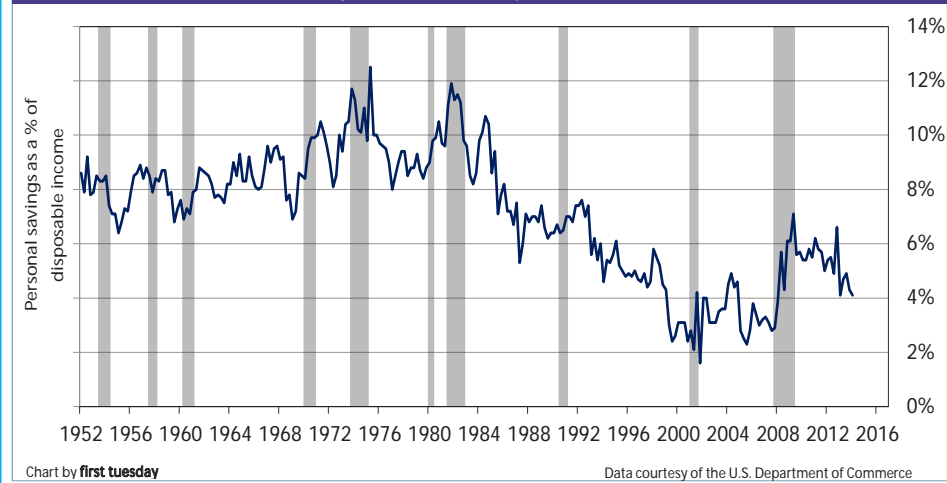
This chart tracks the **30-year fixed rate mortgage (FRM)** rate in California.

The average 30-year FRM rate decreased to 4.16% during the week ending May 9th. This is up from 3.38% one year ago, but still below the **two-year high** experienced in August, 2013.

Looking forward, FRM rates are expected to remain around their current level for several months. Then they will increase with bond rates in anticipation of rising short-term interest rates engineered by the **Federal Reserve**, likely in 2015. 2013 ushered in a 30-year cycle of gradually rising interest rates. As a result, completion of the already **lengthy housing recovery** will be pushed further down the road.



Personal Savings Nationwide by Quarter (1952-present)



Savings rate again on a downward trend

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

Personal savings are trending lower, falling again in Q1 2014 to 4.1%, down from 4.3% the prior quarter. They were at an all-time low when homebuyer confidence was highest during the **Millennium Boom**. Personal savings jumped a bit during the 2008 recession and have since slowly fallen. Today, they remain well below the peak seen in the 1970s at the height of all interest rates.

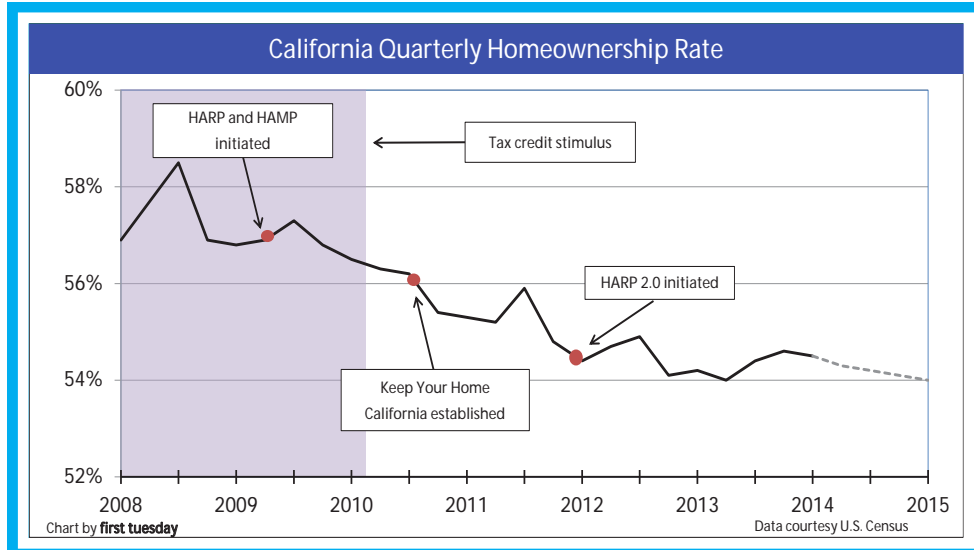
The downward trend in savings since the 2008 **recession and financial crisis** has been the result of a **prolonged jobless recovery**. The long, slow recovery of jobs and wages continues to chip away at the modest savings accumulated during the last few years. In turn, prospective homebuyers seem to be saving less and less, casting doubt on their ability to muster a 20% down payment.

Homeownership rate loses stamina

This chart tracks California's **homeownership rate**.

California's homeownership rate decreased slightly in Q1 2014 to 54.5%. This is down from 54.6% the prior quarter but up from 54.2% one year earlier. The homeownership rate plummeted from its 60.7% peak in 2006 to its present level. Despite the recent bump in the **downward trend**, the homeownership rate will slip further, languishing below California's **historical rate** of 55%.

By 2015, the **30-year FRM rate** will rise again causing the homeownership rate to lose strength before it fully stabilizes. Thus, California homeownership will likely drop to 53% by 2017 and hover there for about a decade.



Click on any chart
for more information!