Weekly Real Estate Statistical Update

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

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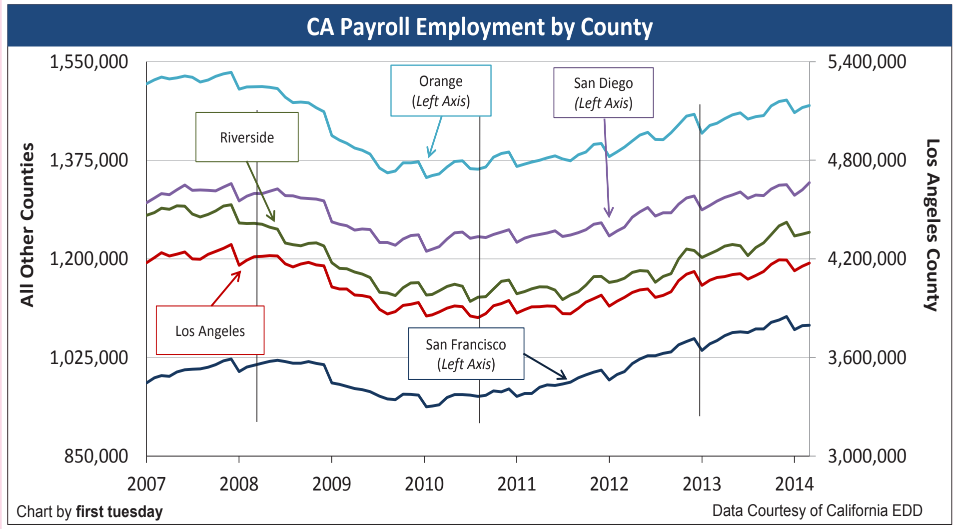
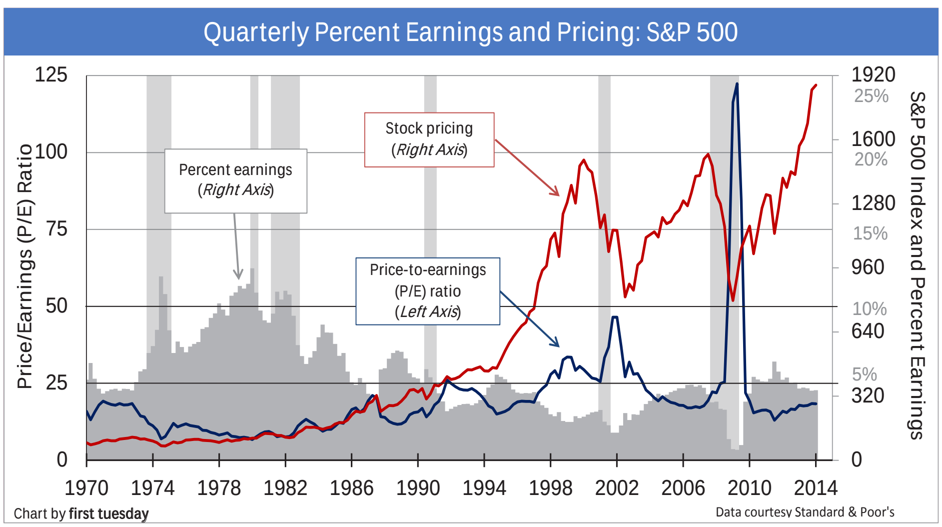
Job growth slowly regains momentum

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

348,200 jobs were added between March 2013 and March 2014. Although these numbers are strong, they are 5% lower than 2013's total of 366,100 added jobs, which were 2.4% higher than 2012. At least 350,000 additional jobs are needed annually for 18-24 months to spark a solid **home-buying recovery**, now likely in 2015.

Without an income from employment, individuals cannot rent an apartment or buy a home, unless they are **subsidized** by the government or possess substantial **independent wealth**. Expect the return of buyer-occupants with these improved employment numbers.





S&P 500 remains frothy

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 price growth slowed, but remained unsustainably high in Q1 of 2014. The P/E ratio decreased slightly to 18.3 from 18.5 in the prior quarter, yet remains considerably higher than the historical 15.5. The P/E ratio of 18.3 equals a **capitalization rate** of 5.4% – not good as corporate expenditures are at an all-time low and margins rather large.

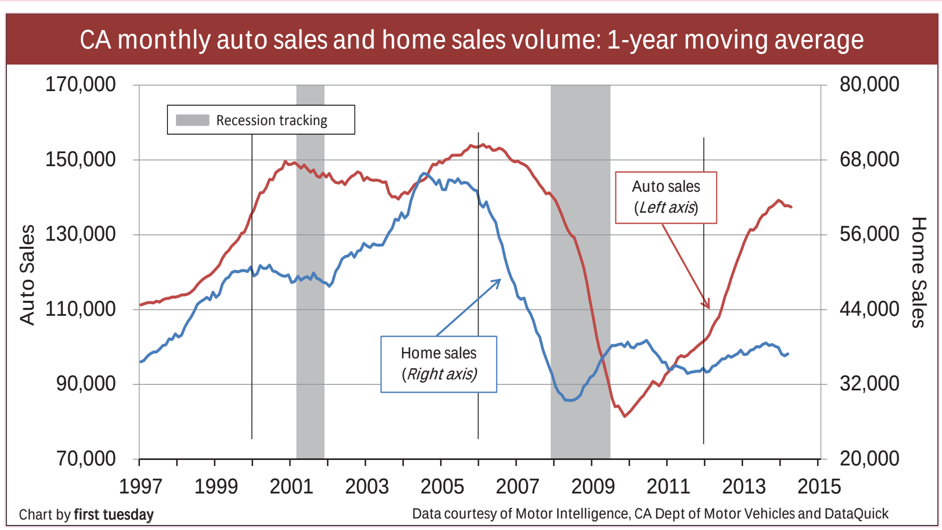
Expect **hot money** to continue to roll into real estate in 2014, and then suddenly leave when interest rates rise, likely in 2015. Innovative licensees encourage Boomers to consider **shifting wealth to real estate ownership** before the stock market drops and the 2019 surge in property demand hits.

Auto sales pave the road to a real estate recovery

This chart plots the California volume of new **auto sales** and leases contrasted with **home sales**. 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 fell approximately 2% in April 2014 from the prior month, but was up a weak 3% from one year earlier. California's home sales volume was up 15% in April from the prior month, but down 3% from a year earlier. Year-to-date home sales volume is currently 9% below the same period in 2013. The recent dampening of sales volume is due to **rapid price increases** and **rising mortgage rates** in 2013.

Looking forward, home sales volume is expected to stabilize by late 2014. Home sales volume will pick up once prices cool down enough to lure **qualified end users** back to the home-buying market and jobs return to 2007 peak employment numbers, likely in 2015.



Click on any chart for more information!

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