

Weekly Real Estate Statistical Update

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

September 23, 2013 • Vol. 2 • Issue 36 • Sales volume stable, negative equity plummets

Presented by

Name _____
 BRE License # _____
 Phone _____
 Email _____

Underwater homes buoy to the surface

This chart displays the number of **underwater homes** in California.

The number of **negative equity homes** plunged to 1,036,000 in Q2 of 2013, leaving just over 15% of mortgaged homes still stuck in negative equity. This is down from 29% one year earlier. The recent price jump in low-tier homes pulled significant volumes of homes into positive equity.

With positive equities, these **liberated homeowners** can now sell and move into better housing. Expect increased listings by mid-2014 as these positive equity owners retain brokers to sell and relocate. However, the housing market's forward reliance on **end users** – not speculators – will slow the pace of decline in negative equity. Thus, expect the decrease to level off over the next few quarters concurrent with a slowing of home price increases.

Consumer sentiment rises – slightly

This chart shows the perception people have about **future economic conditions** and their planned purchases of big-ticket items like homes. However, future expectations are unreliable as they mostly mirror recent past experience. They are just projections, not exact forecasts of likely consumer purchases.

Consumer sentiment in California rose during Q3 of 2013. Surveyed consumers are slightly more optimistic about future economic conditions in Q3, but about the same as one year earlier. Planned spending on big-ticket purchases bounced back a bit after a steep fall over the last three quarters.

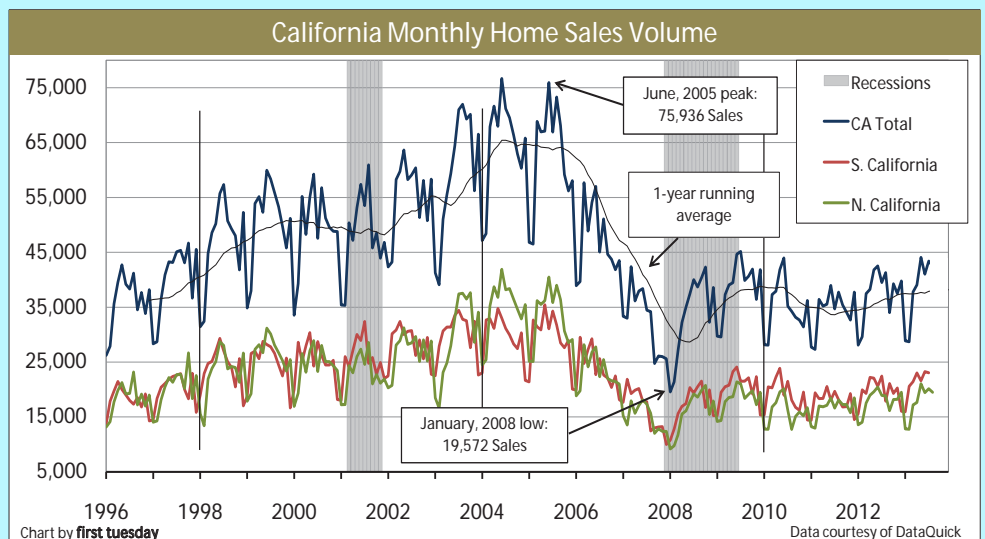
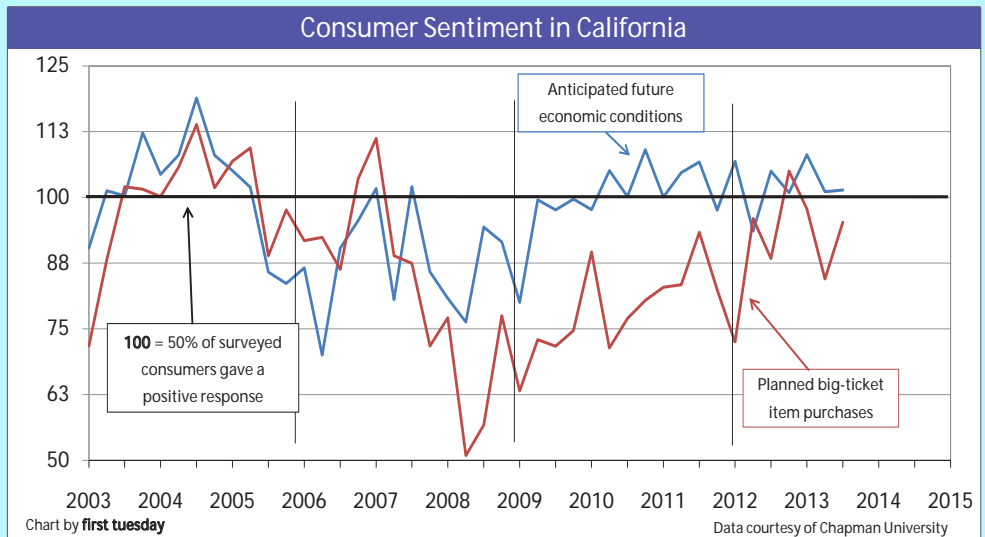
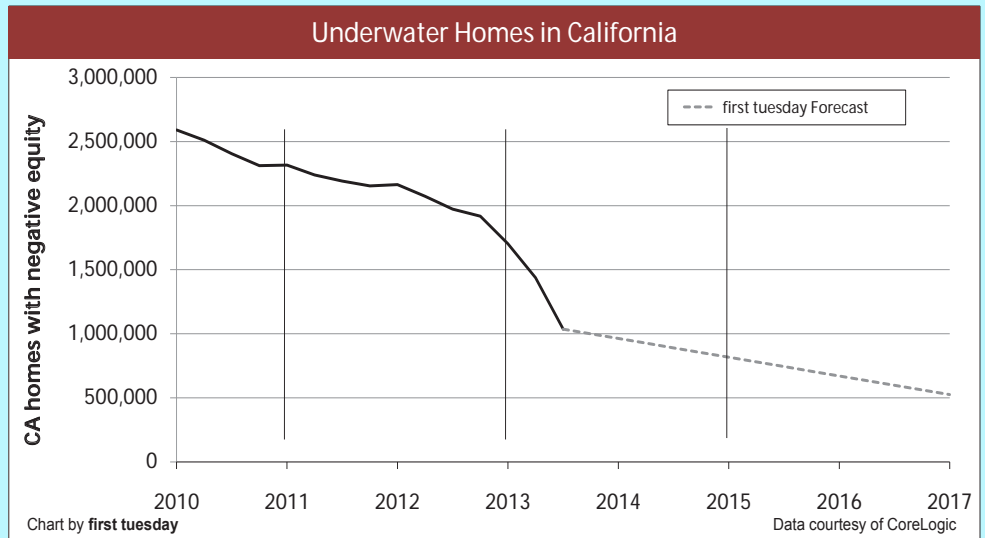
The remainder of 2013 will reflect consumer sentiment at the close of 2012. Thus, as speculators leave the market, the recovery in home sales volume will continue its slow ascent out of our **bumpy plateau recovery**.

California home sales volume remains relatively level

This chart tracks California's monthly **home sales volume**, excluding trustee's sales.

Statewide, 42,500 **new and resale home transactions** closed in August, up 3% from one year ago. Monthly sales volume this year has been relatively level with 2012 figures, weak at best. Home sales volume rose about 13% in the second half of 2012, a sales volume which will not be matched in 2013.

Sales volume continues to slow as we enter Q4 of 2013. This is a symptom of speculators beginning to exit the market, as sales volume is not yet supported by **end user demand**. Speculator influence on sales volume will wane by the beginning of 2014. Thus, sales volume will not significantly increase until after 2016, once the remaining underwater end users shift into positive equity.



Click on any chart
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