Weekly Real Estate Statistical Update

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

September 30, 2013 • Vol. 2 • Issue 37 • *Pricing, home sales volume and jobs stage the market*

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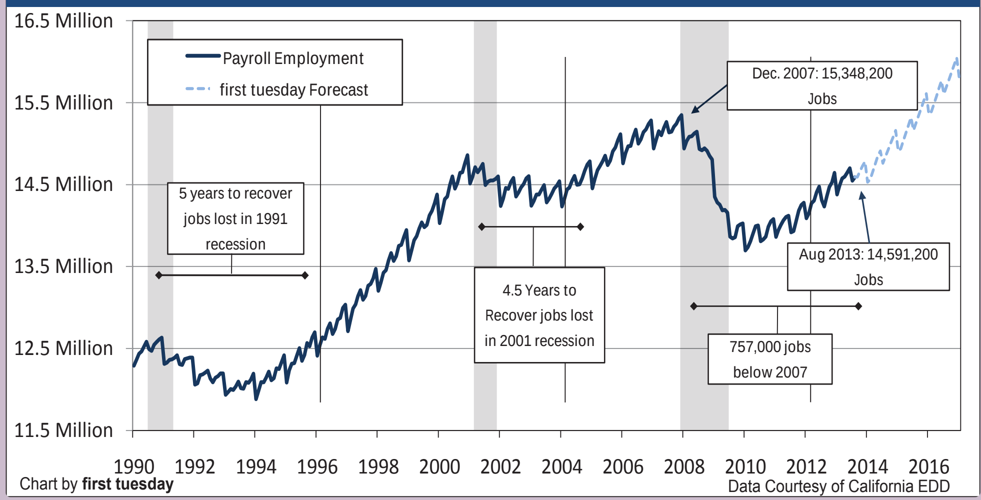
Jobs dictate future prosperity

This chart shows the number of **jobs** in California. Without jobs, wage earners have no financial ability to make rent or mortgage payments.

Job numbers rose in August, adding 55,200 jobs in California. 203,300 jobs were added between August 2012 and August 2013, a modest increase of 1.4%. While yearly employment numbers have improved, the number of jobs added has decelerated recently. To spark a full **housing recovery**, at least 350,000 new jobs need to be added year-over-year in California for 18-24 months.

Slow job growth will likely continue through 2016. By then, the number of jobs will have recovered to the 2007 peak of 15.3 million. In the interim, jobs will increase modestly, eventually bringing on the return of **buyer-occupants**, without a spike in home sales activity.

California Payroll Employment



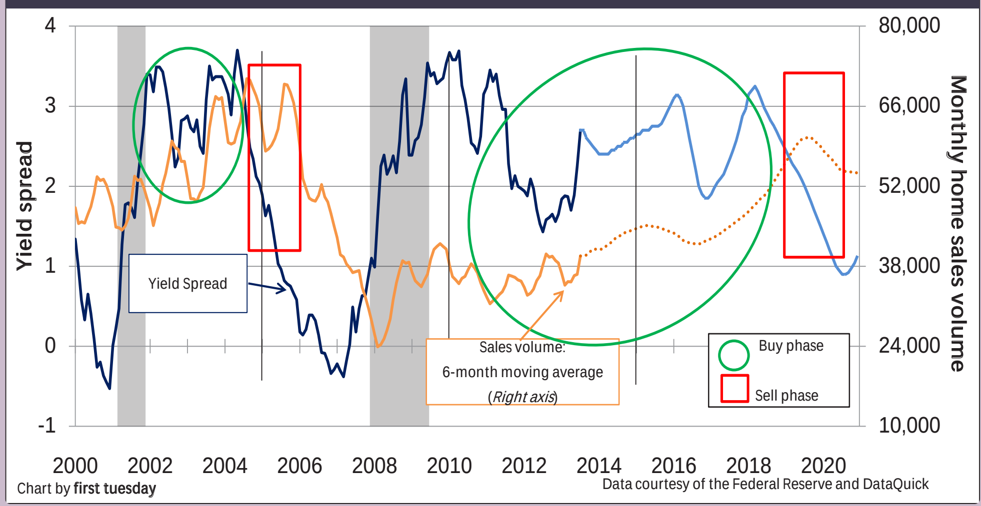
Yield spread and home sales volume ride the bumpy plateau

This chart helps you anticipate the best time to **buy, sell or hold** real estate by examining the **yield spread**, the difference between the 10-year Treasury Note and the 3-Month Treasury Bill rates. The yield spread movement forecasts home sales volume 12 months forward, followed by home pricing one year after that.

The yield spread jumped to 2.7 in August, up from 1.6 the previous year. This bodes well for the economy in the coming months if the rise continues. However, **home sales volume** was only 3% higher in August than one year earlier, not exactly a stellar recovery. This continues the trend of a relatively flat year for sales volume, all part of the **bumpy plateau recovery**.

While today's yield spread is higher than it has been since 2011, it is still relatively low when considering **future prosperity**. Yet this suggests a more vigorous general economic recovery in the next 12 months than in the past 12 months, contingent on improving job numbers.

The Yield Spread and Home Sales Volume



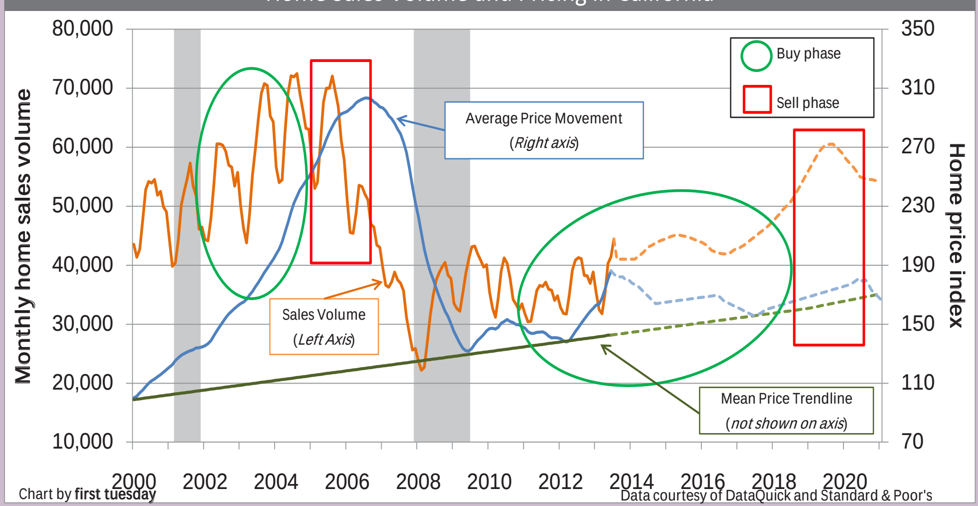
Home sales volume and pricing anticipate the market

This chart helps you anticipate the best time to **buy, sell or hold** real estate by examining **home sales volume** and **pricing**.

Current home sales volume and pricing indicate we are now in a **hold phase**. Home sales volume changed dramatically from quarter to quarter, but experienced little long-term change since 2009. Still, home prices have jumped in 2013 to their highest year-over-year percentage change since before the 2008 recession, due to a high level of **speculator activity**.

These factors strongly suggest that the present price bounce is near its end, indicating prices need to fall, or more likely, remain level for several years. In the long run, home price movement always returns to the annual rate of **consumer inflation** and **wage increases**, 2% - 3%, adjusted by changes in mortgage rates. Prices will likely slip to touch the trendline in 2017, then rise to peak around 2020.

Home Sales Volume and Pricing in California



Click on any chart for more information!

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