

Weekly Real Estate Statistical Update

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

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Housing starts continue upward trend

This chart illustrates the number of California residential construction starts during semi-annual six-month periods ending in August.

Single family residential (SFR) starts in the six-month period ending August were 37% higher than six months prior, and up 40% compared to one year ago. **Multi-family** construction starts were 20% higher in the six-month period ending August than six months prior and up 28% from the previous year.

By the end of 2013, expect an annual increase of about 50% in SFR starts and a strong rise of approximately 33% in the number of multi-family starts. The rise in SFR starts is being fueled by **malignant speculator interference** in the home resale market. This interference is temporarily driving up resale prices, encouraging owner-**occupant buyers** to skip the bidding wars and opt for new housing.

Buyer purchasing power shapes home prices

This chart compares the **buyer purchasing power index (BPPI)** and **home prices**. The BPPI is used to predict upward or downward movement in future home prices.

Buyer purchasing power is the single largest influence on home prices. As the BPPI trends downward, prices will dip approximately nine months later. As the BPPI trends upward, prices will rise more quickly, roughly six months later. The time difference is due to home sellers holding onto their **sticky price delusions** while home sales volume trends downward.

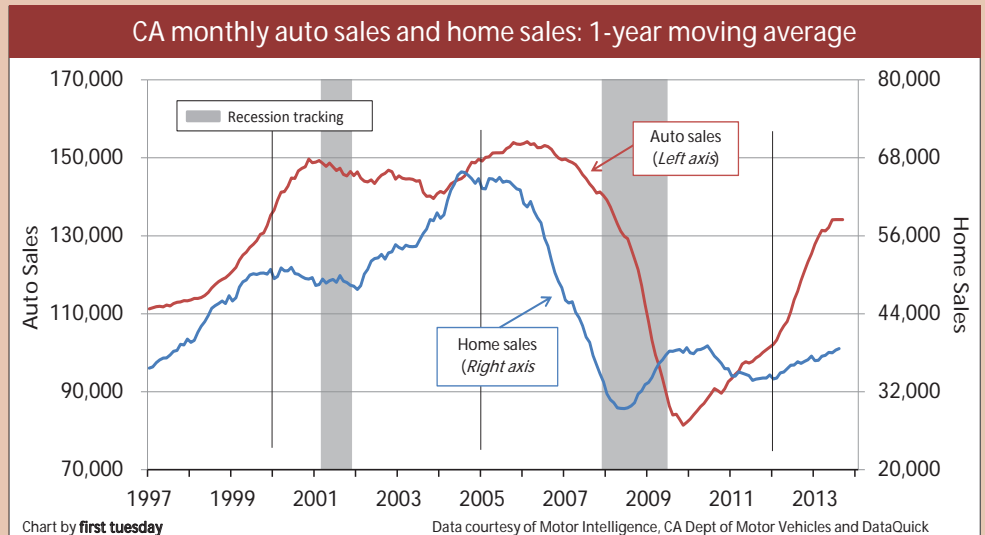
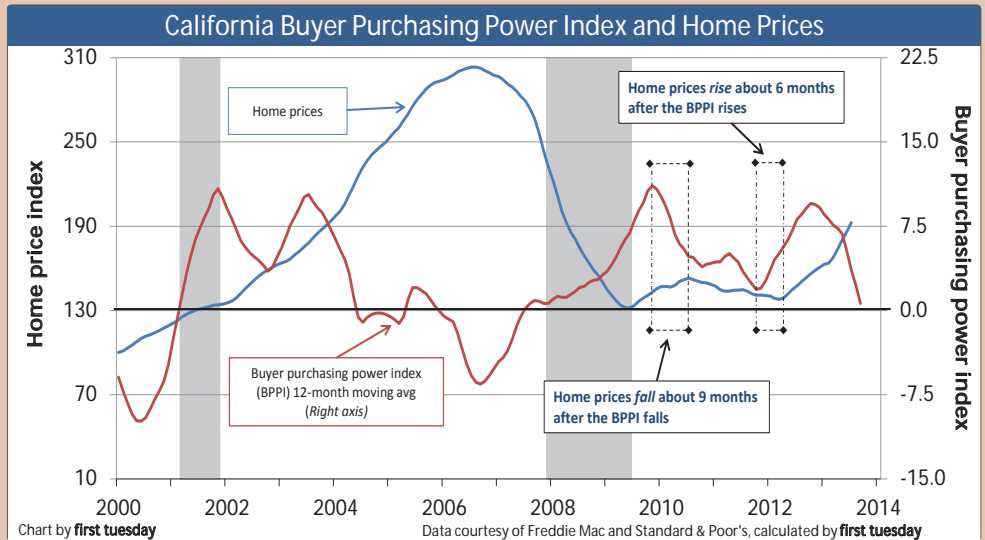
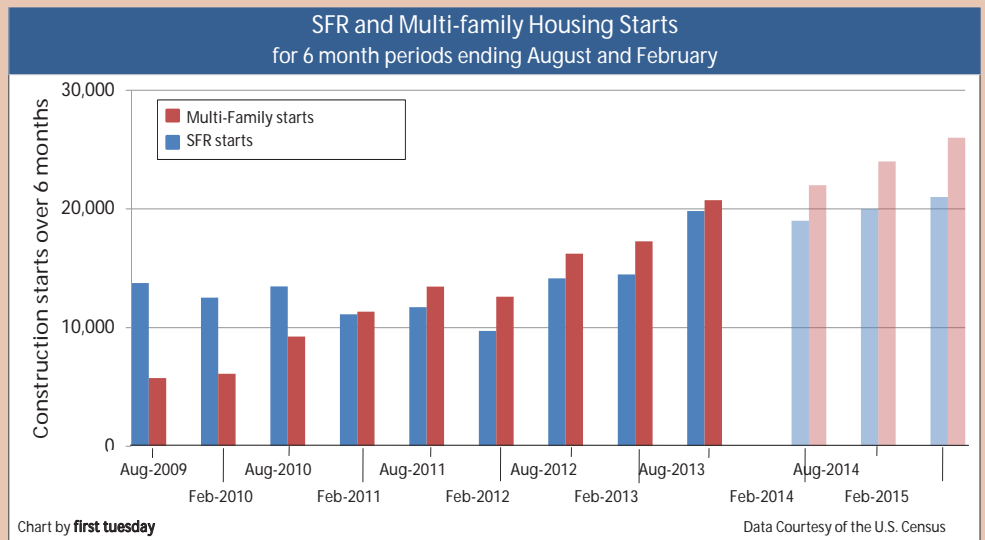
Since December 2012, the BPPI has trended downward, indicating a dip in home prices by 2014. Both the BPPI and home prices will remain stunted until **mortgage rates** fall back or **incomes** catch up.

Flattening home sales volume in tandem with drop in auto sales

This chart plots the volume of **auto sales**, including leases, and **home sales** in California. Upward movement in auto sales volume **forecasts future increases** in home sales volume 12 to 24 months hence. When the market reverses, home sales volume drops first, followed by a drop in auto sales.

In tandem with a shift from auto sales to leases, September auto transactions were down 5% from a year earlier. This decrease is in contrast to the 25% increase experienced in 2012 to replace old vehicles. **Home sales volume** in August increased a mere 3% over one year earlier, generally in keeping with the flat home sales volume experienced thus far in 2013.

Looking forward, as speculators exit the market, home sales volume will likely remain at a level state or dip going into 2014, and in turn, flatten home pricing. This is due to the enduring slowness in job creation, steeply increased mortgage rates and **diminished demand** by end-user homebuyers.



Click on any chart for more information!