Weekly Real Estate Statistical Update

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

November 25, 2013 • Vol. 2 • Issue 45 • *Sales volume unaided by meager job growth*

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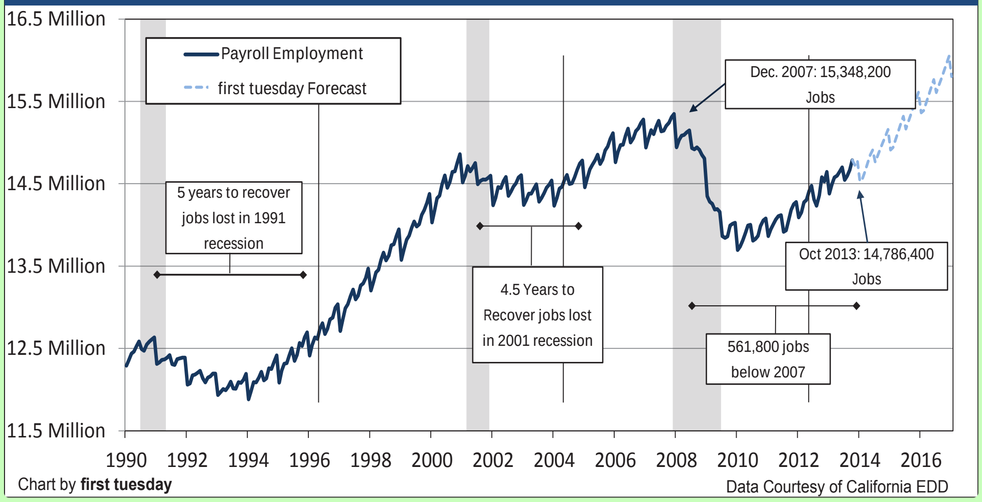
Recovery extended by slow job growth

This chart shows the monthly number of **jobs** in California. Without a job, a wage earner has no financial ability to make rent or mortgage payments for shelter.

Job numbers rose in October, adding 120,200 jobs in California over the prior month. 208,300 jobs were added between October 2012 and October 2013, a modest increase of 1.4%. While yearly employment numbers have improved, the number of jobs added reflects a **temporary seasonal bump**. To spark a full housing recovery in California, at least 350,000 new jobs need to be added year-over-year for 18-24 months.

Job growth will continue through 2016, returning by then to the 2007 peak of 15.3 million jobs. Expect the return of **buyer-occupants** by 2016, but not at the volume experienced in the 2000s.

California Payroll Employment



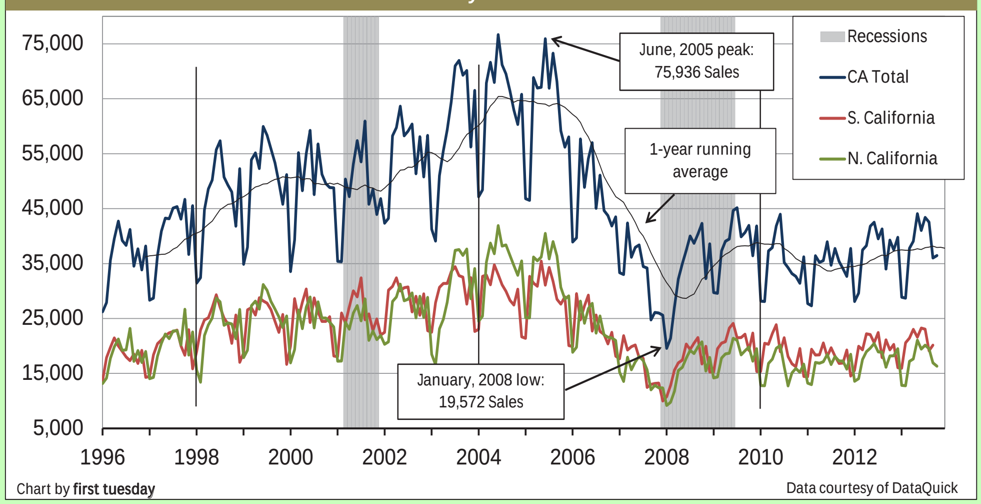
California home sales volume gone flat

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

Statewide, 36,500 **new and resale home transactions** closed in October, up 1% from the prior month, yet down 7% from one year ago. Sales volume for 2013 is on track to match 2012 figures, a very weak performance this far into the recovery. Home sales volume rose about 13% in the second half of 2012, followed by no increase in 2013.

Expect total sales volume for 2013 to be slightly less than 2012, with prices slipping during 2014. This is the result of **speculators** beginning to slowly reduce acquisitions leaving insufficient **end user demand** to support current sales volume. Expect annual sales volume to increase after 2016, supported primarily by buyer-occupants and a return of **long-term income property investors**. These end users will cautiously re-enter the market as jobs slowly return and prices slip.

California Monthly Home Sales Volume



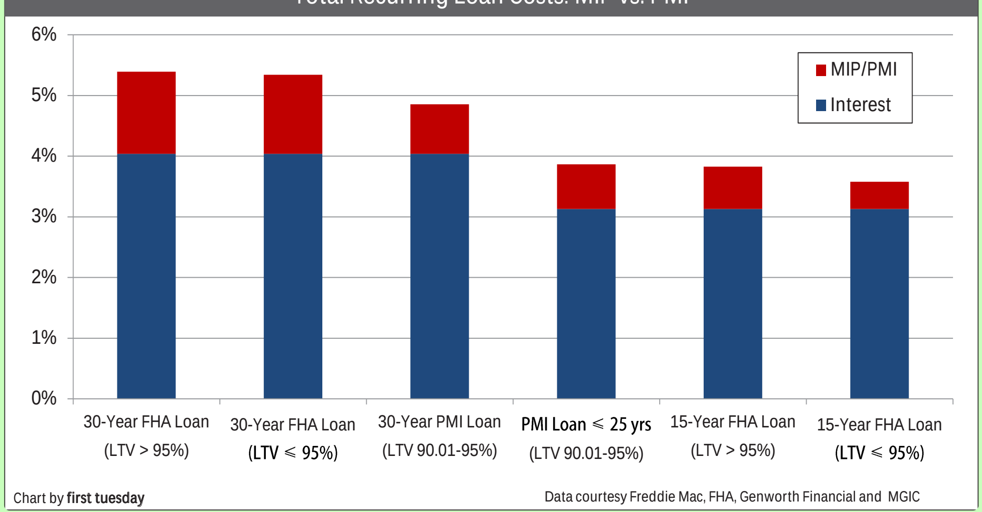
Less than 20% down: PMI annual costs beats MIP

This chart tracks the total percentage rate on 30-year and 15-year fixed rate mortgages (FRMs) for down payments less than 20%. The total percentage includes the mortgage interest rate and the premium rate for **mortgage default insurance**, to compare the FHA's **mortgage insurance premiums (MIPs)** and **private mortgage insurance (PMI)**.

PMI rates decreased slightly in Q4 of 2013. In contrast, MIP increased earlier this year. Also, MIP premiums on FHA-insured loans with an original loan-to-value (LTV) ratio greater than 90% remain for the life of the loan, no longer ending at 78% LTV. Thus, it is more expensive to take out an **FHA-insured loan** than a conventional loan with the same low down payment with PMI.

Today, mortgage rates are above last year's rates. Thus, homebuyers now qualify to borrow less principal, their purchasing power lost to increased recurring loan charges. In turn, sellers will experience lackluster **home sales volume** and see a reduction in home prices in 2014, while **job** numbers set the stage for their recovery.

Total Recurring Loan Costs: MIP vs. PMI



Click on any chart for more information!

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