



Market Trends

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The California housing market in March continued to deal with problems in the real estate finance arena, rising numbers of defaults and foreclosures, and concerns about the economy. Sales of detached existing homes fell 24.5 percent from 422,300 homes in March 2007 to 318,830 homes in March 2008. Sales bucked a 4-month trend of increasing monthly sales, falling 6.4 percent compared to the February sales figure of 340,580 homes.

The median price also continued its decline against prior month and prior year figures. The March median was \$413,980, down a record-setting 29.0 percent from the median of \$582,930 a year earlier. The median fell 1.3 percent against the revised February median of \$419,640. By comparison, the median price has averaged a 3.4 percent increase from February to March over the past 25 years, reflecting the typical seasonal behavior of the median price.

Anecdotal reports have suggested that market activity around the state has picked up compared to recent months. One way to verify these observations is to examine raw sales activity at the county and regional level. C.A.R. reports a seasonally adjusted, annualized sales number for the entire state, but it also tracks raw – not seasonally adjusted – sales across the state's counties and regions. Over the past 25 years, raw sales across the state have increased an average of 41 percent from February to March. With this as the benchmark, one can determine whether or not sales across the state have shrugged off the mortgage turmoil of recent months.

Of the 16 regions generally tracked by C.A.R. over the years, only two registered month-to-month gains in excess of 41 percent: the Riverside/San Bernardino region (45.5 percent) and the San Luis Obispo region (44.4 percent). The improvement in sales was a welcome development for the Inland Empire, which has seen a spate of bad news on the housing market over the past couple of years, although it should be noted a large share of activity in this market consists of distressed sales. Sales also rose in other regions of the state, but by margins ranging between a 6.1 percent increase in the Monterey Region and a 39.6 percent improvement in the Northern Wine Country.

In brief, while recent reports of a surge in sales are true, they reflect a seasonal increase in activity that has generally been tempered by ongoing problems in the mortgage finance arena. This is also true of home prices, where the decrease in the statewide median price contrasts with the increases that typically characterize the move from February to March, as the market ramps up for peak season in the middle of the year.

Looking ahead through the rest of the year, sales should register smaller year-to-year decreases over the next several months, as sales slipped below 400,000 from April 2007 forward. The direction of price is harder to gauge, but is apt to stay in its current range over the foreseeable future.