



2012 California Real Estate Market Forecast

**Contra Costa Association of REALTORS®
November 3, 2011**

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California Association of REALTORS®



Overview

- **US and California Economies**
- **California Housing Market**
- **Local Housing Market**
- **Market Forecast**

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- Current Research
- Market @ A Glance
- Market Snapshot
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- Market Forecast
- Real Estate 411
- Data & Statistics
- Speeches & Presentations**
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WHAT'S NEW

The Sales-to-List Price Ratio:
California home sales were weaker than expected in July as economic uncertainty continued to have a negative impact on consumer confidence. [MORE >](#)

July Pending Home Sales
California pending home sales dipped in July, as did the share of sales of distressed properties, C.A.R. reported today. [MORE >](#)

July sales and price report
California home sales decline in July, but still higher than a year ago, C.A.R. reports. [MORE >](#)

Downgrades, Debt Concerns, and the Impact on Mortgage Rates
All of the headlines, the problems with U.S. Treasuries, the debt crisis here and abroad are adding another layer of uncertainty to an already uncertain marketplace right now. [MORE >](#)

C.A.R. Q2 Housing Affordability Index
Higher home prices reduce housing affordability throughout most of California, C.A.R. reports.

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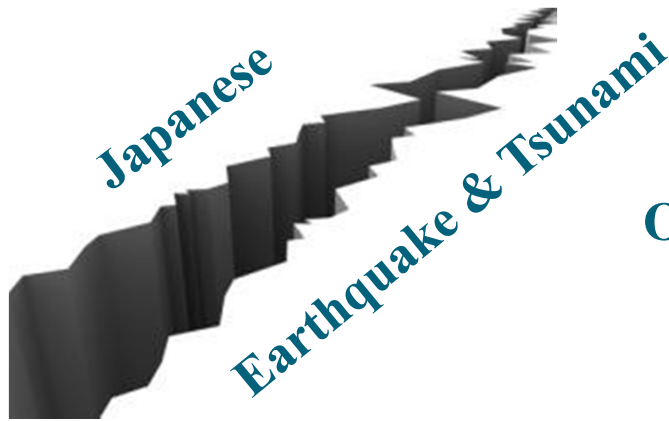
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The Big List - 145 C.A.R. member benefits! [See All >](#)

Speeches & Presentations

US and California Economic Conditions

2011: A Year of Wild Cards



Oil Price Spikes



Political
Change
on
Capitol
Hill



Arab Uprising



Sovereign
Debt
Crisis in
EuroZone



Debt Limit
Ceiling &
Downgrade
of US Debt



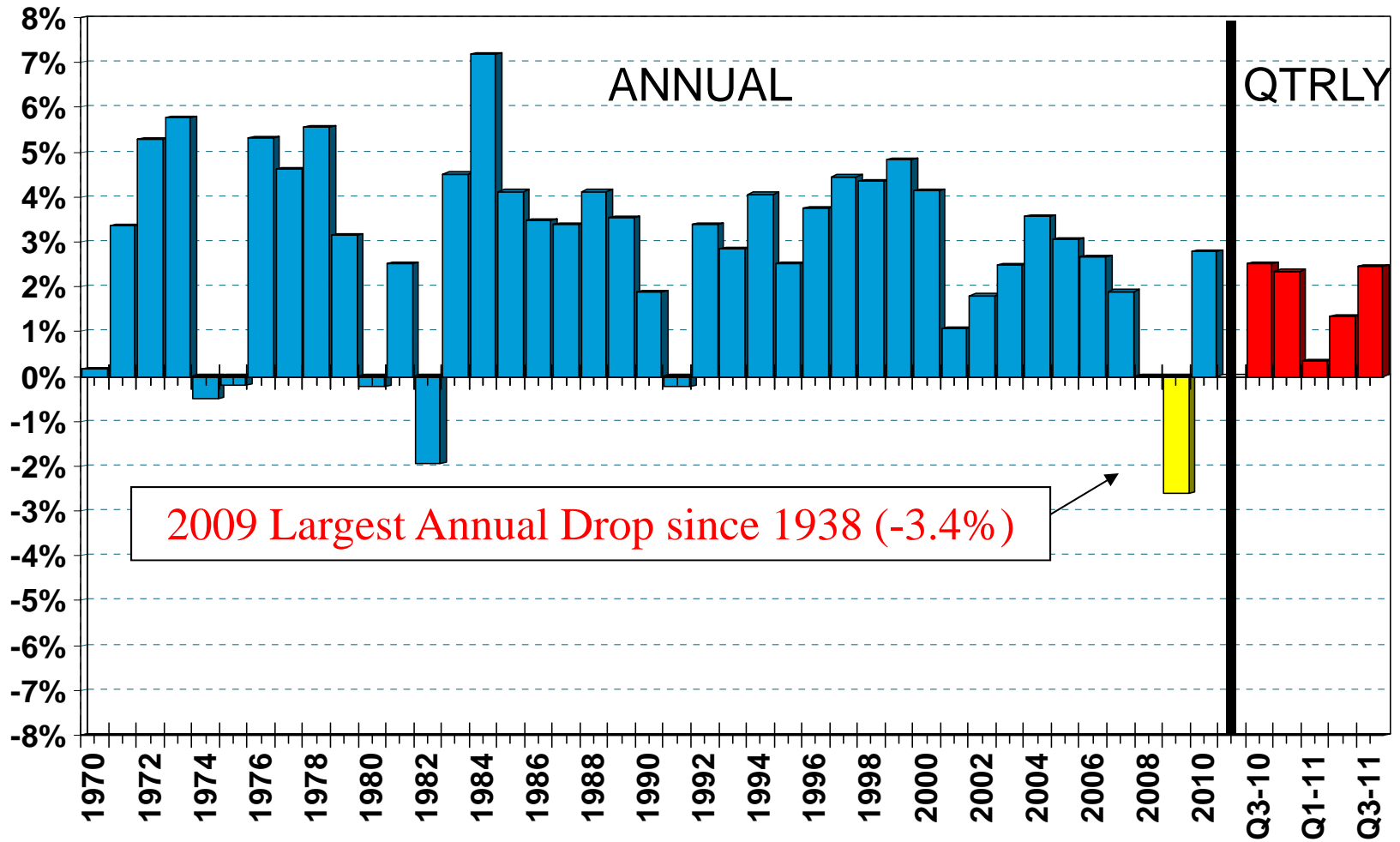
Stock
Market
Volatility



Gross Domestic Product

2010: 2.8%; 2011 Q3: 2.5%

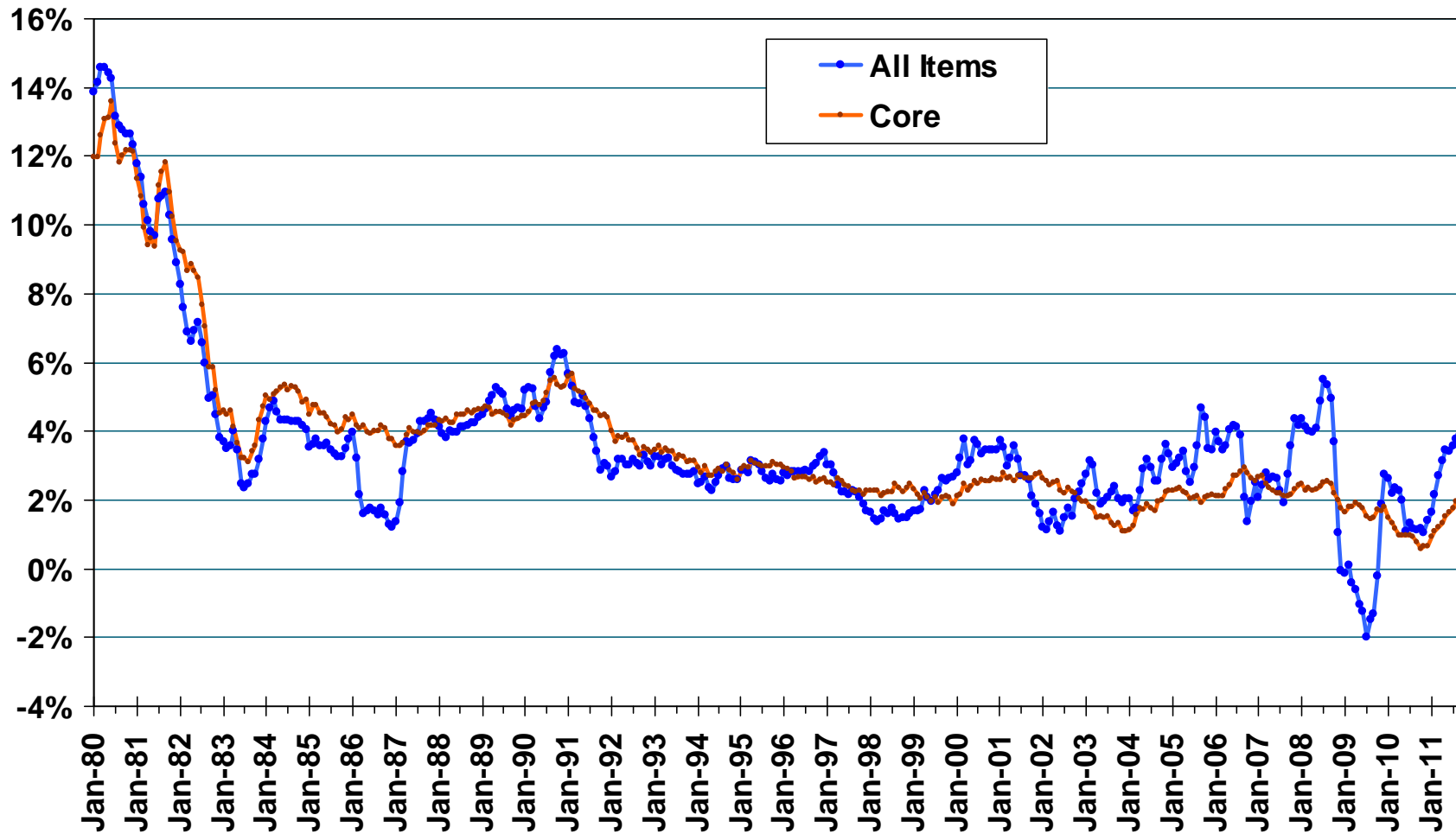
ANNUAL PERCENT CHANGE, CHAIN-TYPE (2005) \$



Consumer Price Index

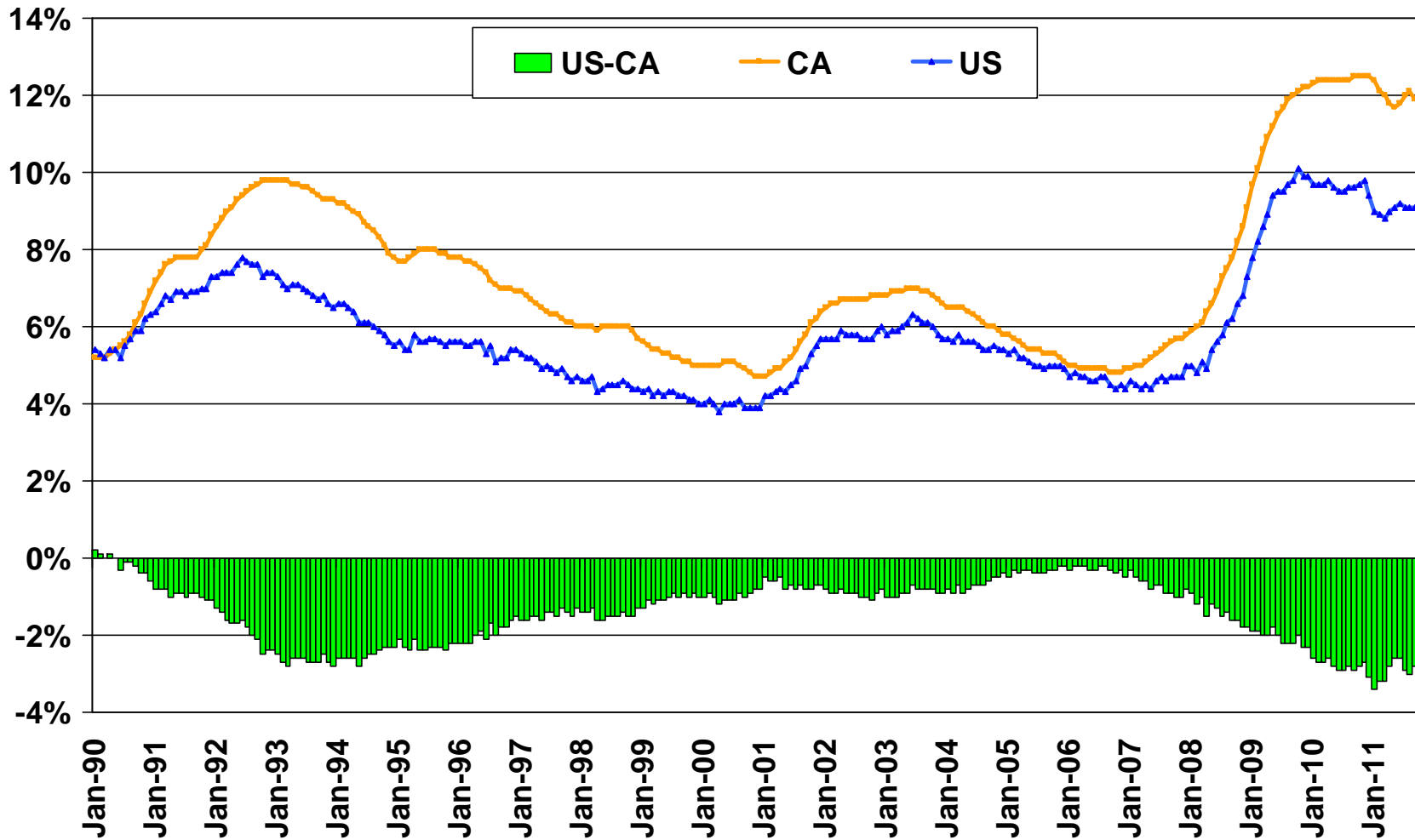
September 2011: All Items +3.9% YTY; Core +2.0% YTY

PERCENT CHANGE FROM A YEAR AGO, 100=1982-1984



Unemployment Rate

California vs. United States

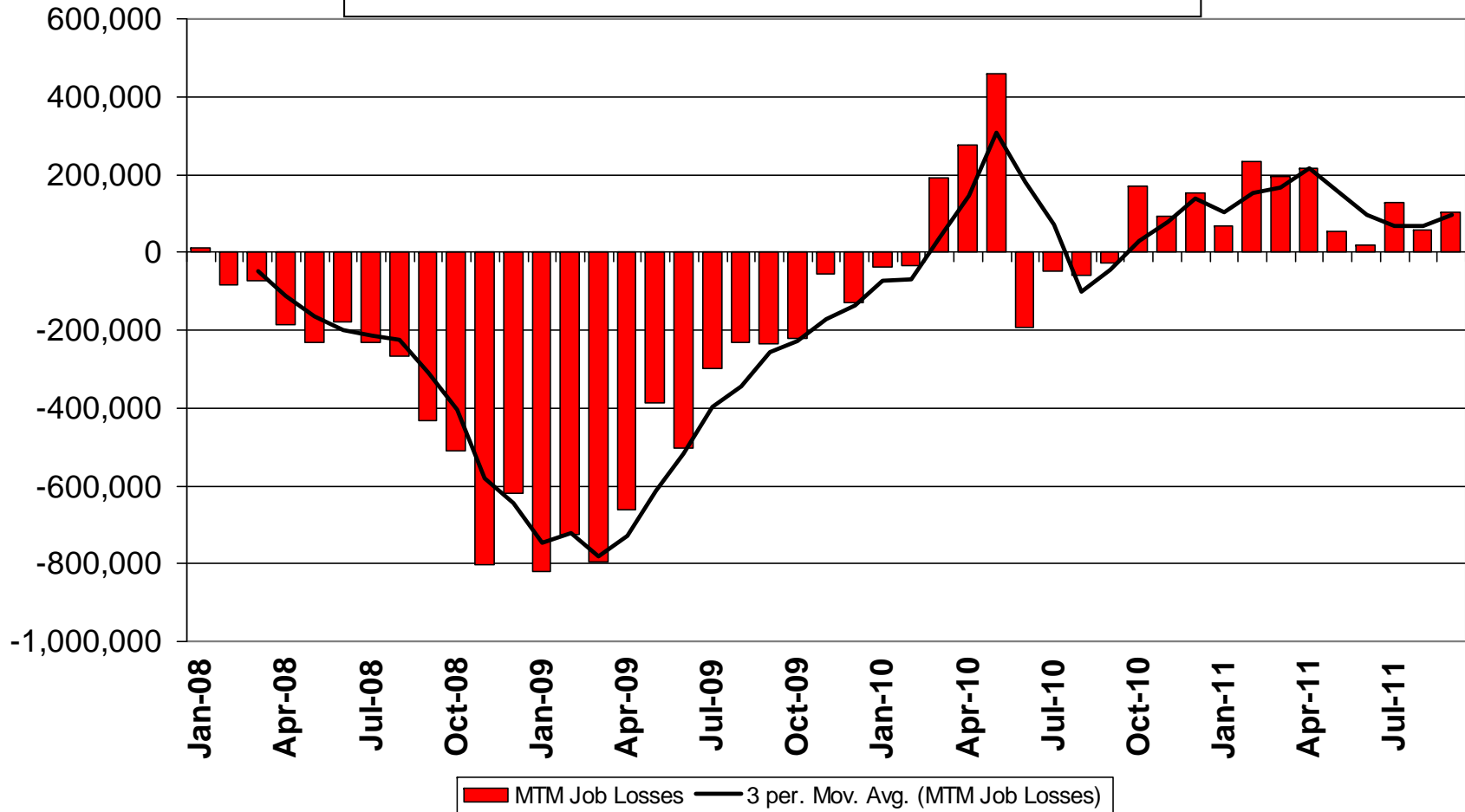


SOURCE: CA Employment Development Division

U.S. Non-farm Job Growth

Month-to-Month Changes

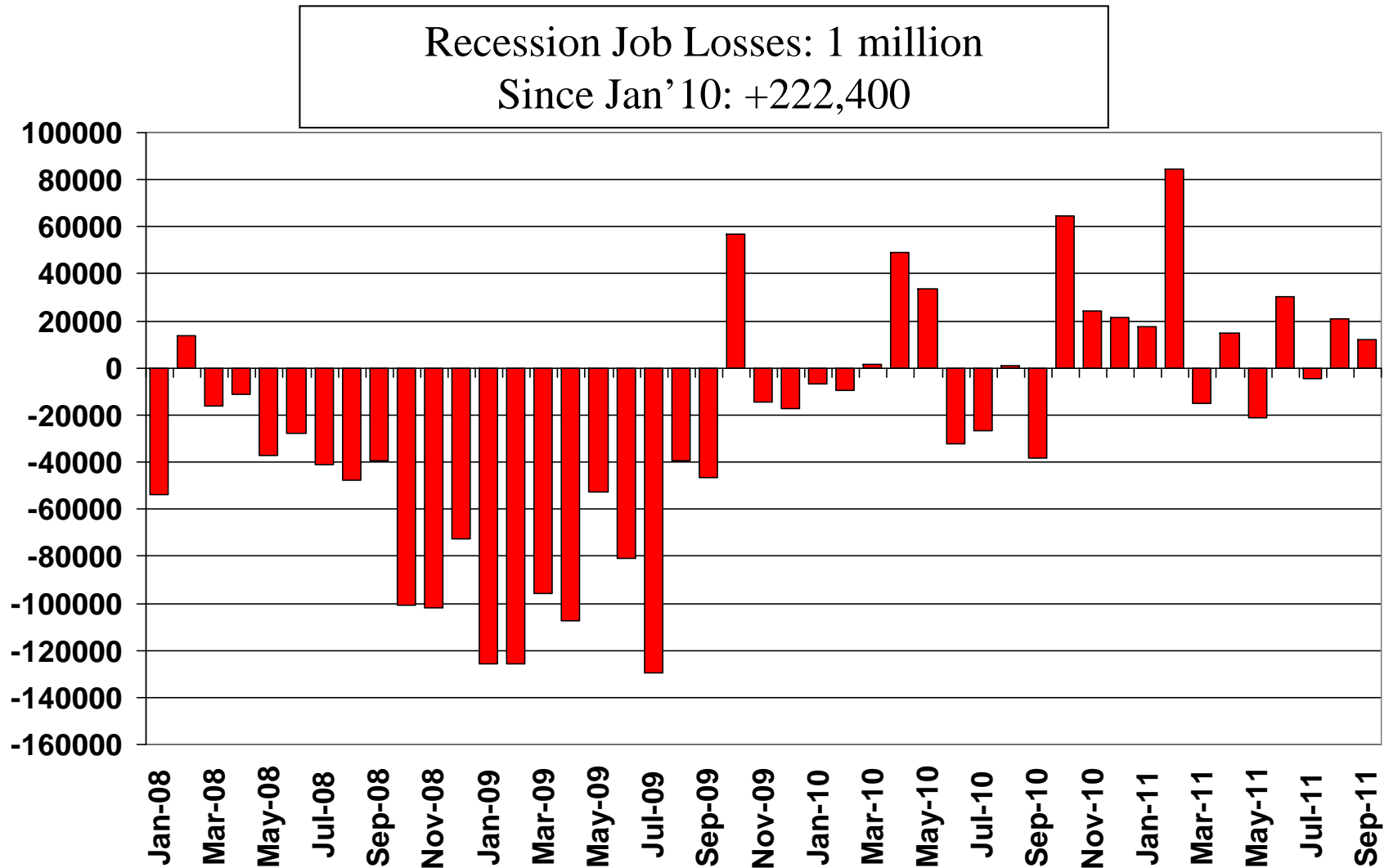
Recession Job Losses: 8.4 million
Since Jan'10: +1.14 million



SOURCE: US Dept of Labor, Bureau of Labor Statistics

California Non-farm Job Growth

Month-to-Month Changes



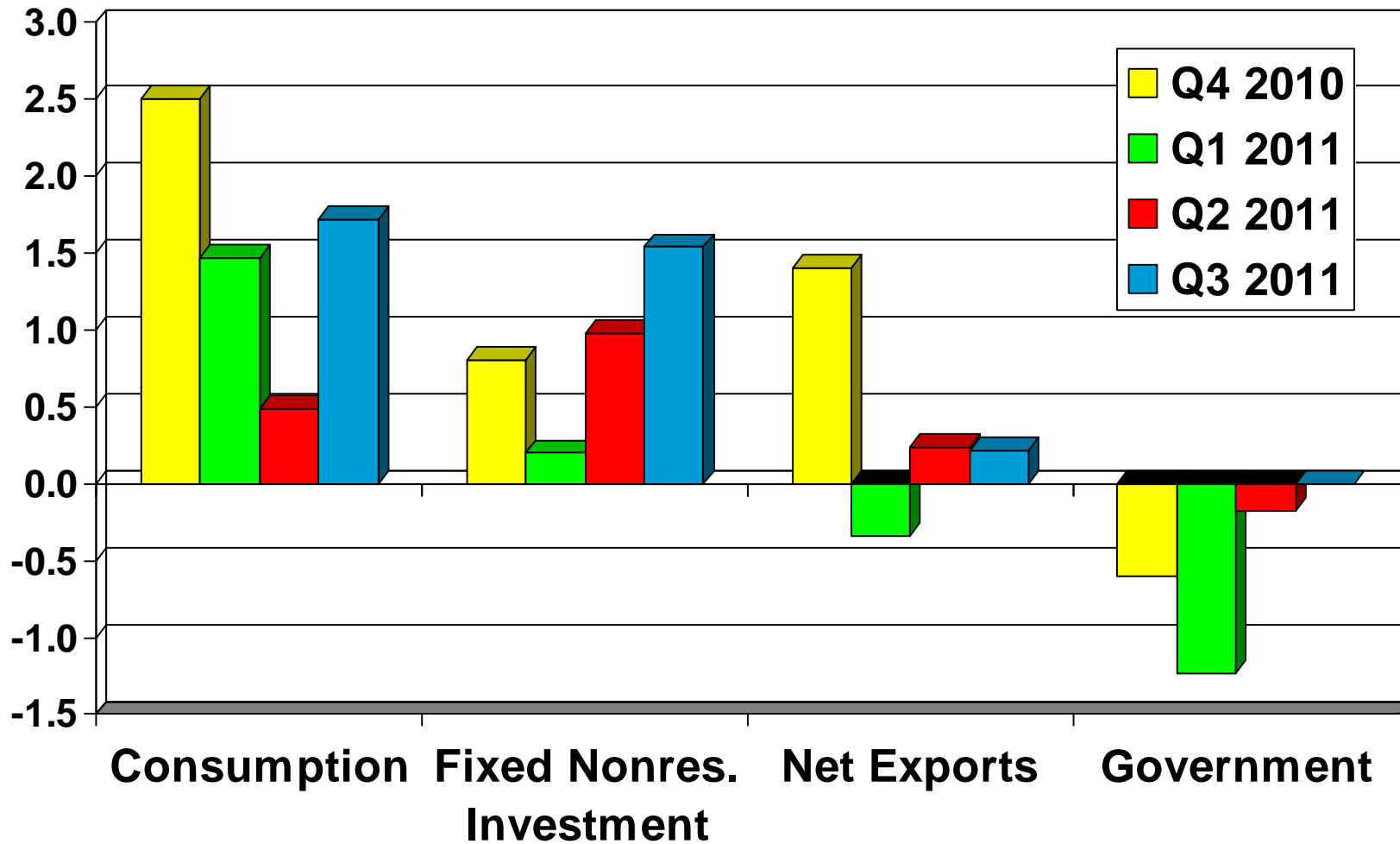
SOURCE: CA Employment Development Division

Performance Targets for National Economy

	Current Target	This Year - Projected
Unemployment	6%	9.0%
US GDP	3% or higher	1.7%
Nonfarm Job Growth	3%+ or 400K+/mo	1.0%
CPI	2.5%	3.2%

Components of GDP

Percent Change

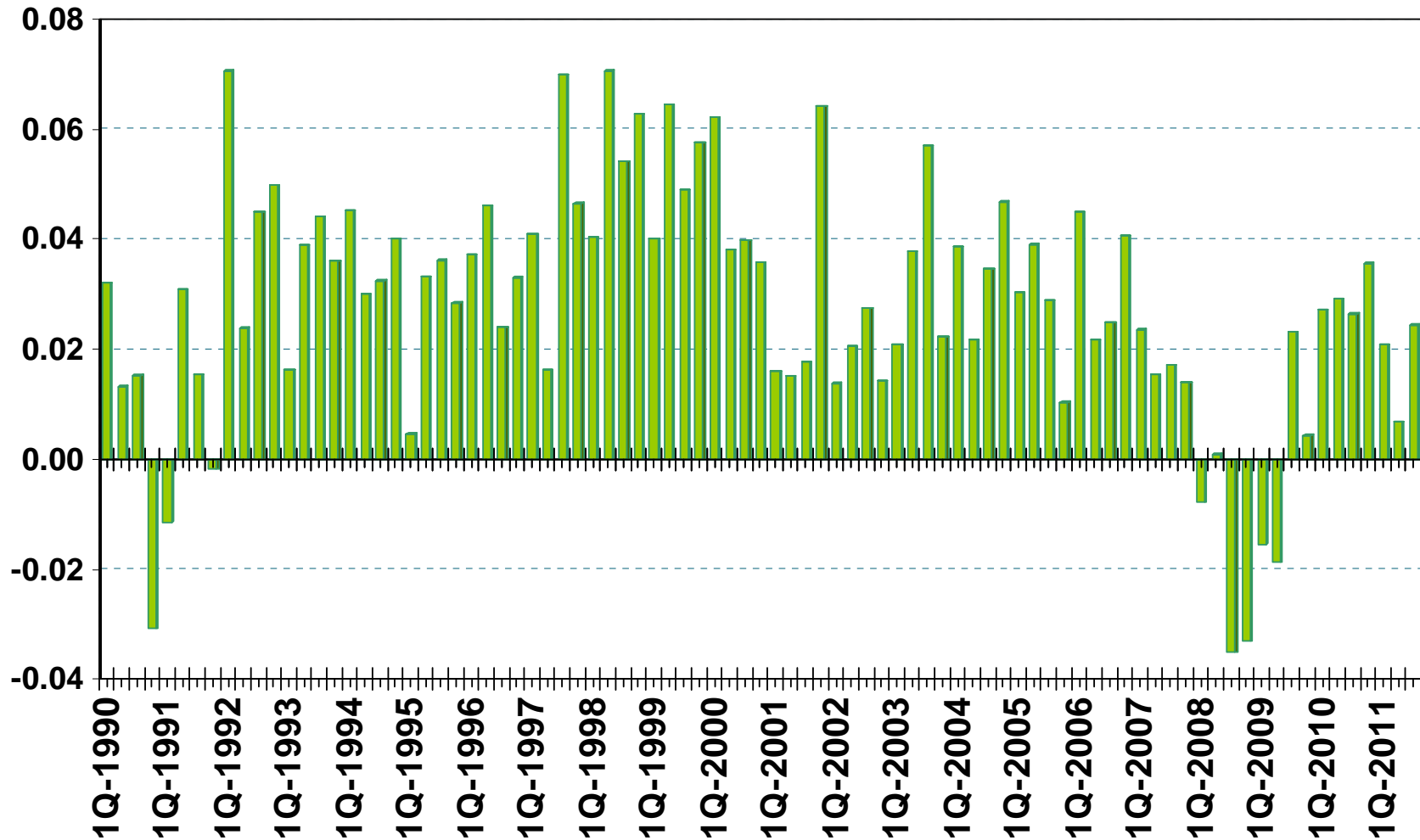


SOURCE: US Dept of Commerce,
Bureau of Economic Analysis

Personal Consumption

2011 Q3: 2.4%

QUARTERLY PERCENT CHANGE



SOURCE: US Dept of Commerce,
Bureau of Economic Analysis

U.S. Economic Outlook

	2005	2006	2007	2008	2009	2010	2011f	2012f
US GDP	3.1%	2.7%	2.0%	0.0%	-2.6%	2.9%	1.7%	2.0%
Nonfarm Job Growth	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.0%	0.9%
Unemployment	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	9.0%	8.9%
CPI	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.3%
Real Disposable Income, % Change	1.3%	4.0%	2.2%	0.5%	0.9%	1.4%	1.7%	1.5%

Forecast Date: September 2011

California Economic Outlook

	2005	2006	2007	2008	2009	2010	2011f	2012f
Nonfarm Job Growth	1.8%	1.7%	0.8%	-1.3%	-6.0%	-1.4%	1.5%	2.1%
Unemployment Rate	5.4%	4.9%	5.4%	7.2%	11.4%	12.4%	12.0%	11.2%
Population Growth	1.2%	1.1%	1.1%	1.2%	1.1%	0.9%	0.9%	0.9%
Real Disposable Income, % Change	1.3%	3.4%	1.5%	0.1%	-2.2%	1.6%	1.5%	2.0%

Forecast Date: September 2011

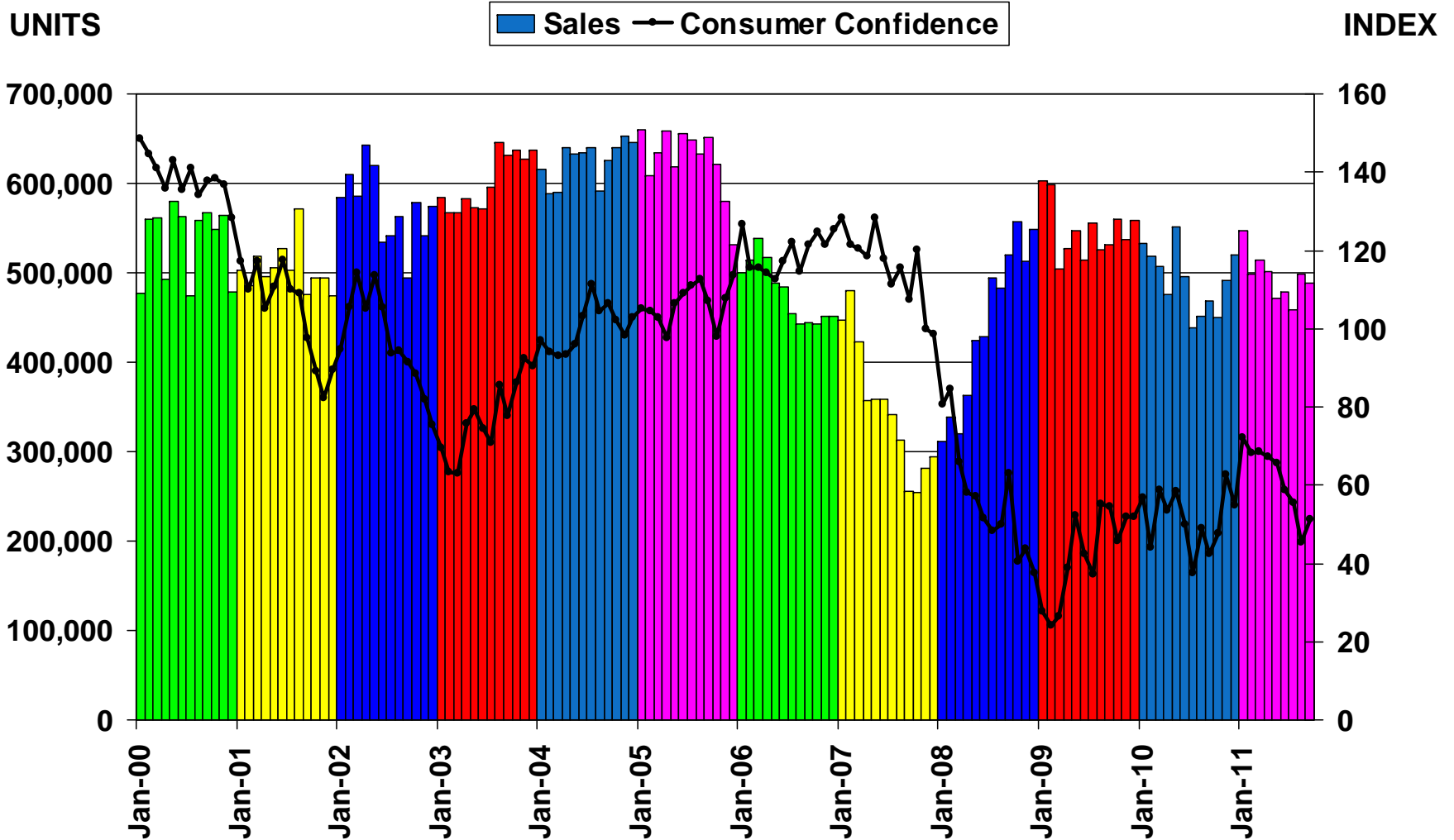
Economic Snapshot

- Recession over, slow recovery expected
- Engine of growth must come from consumers
- Labor market: mixed signals, job growth slow
- Inflation in check through 2011-12
- Monetary policy: No rate hikes until 2013
- Fiscal policy: politics = paralysis

California Housing Market

Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, September 2011 Sales: 487,940 Units, Up 0.4% YTD, Up 4.1% YTY

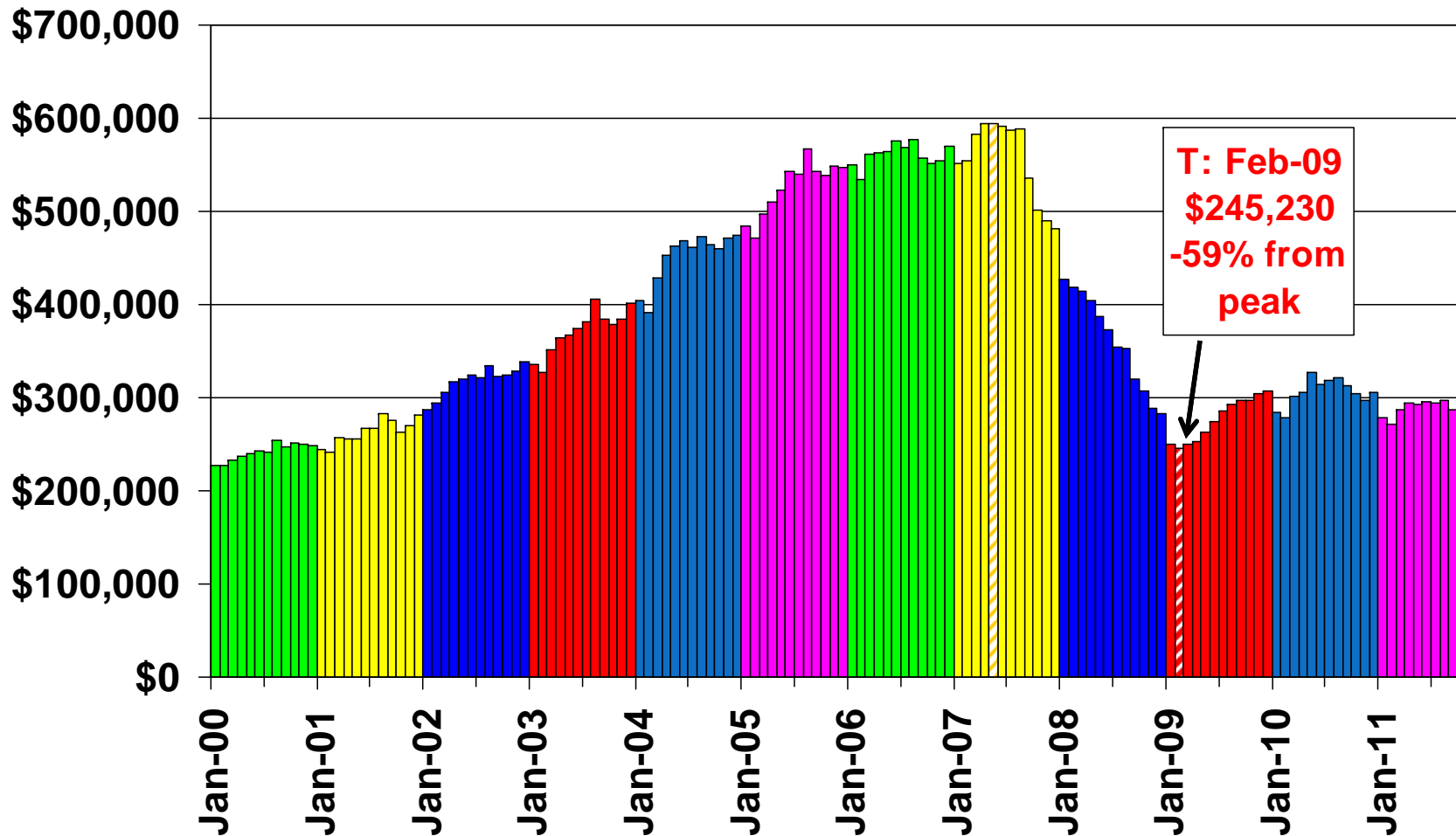


SOURCE: California Association of REALTORS®; The Conference Board

*Sales are seasonally adjusted and annualized

Median Price of Existing Detached Homes

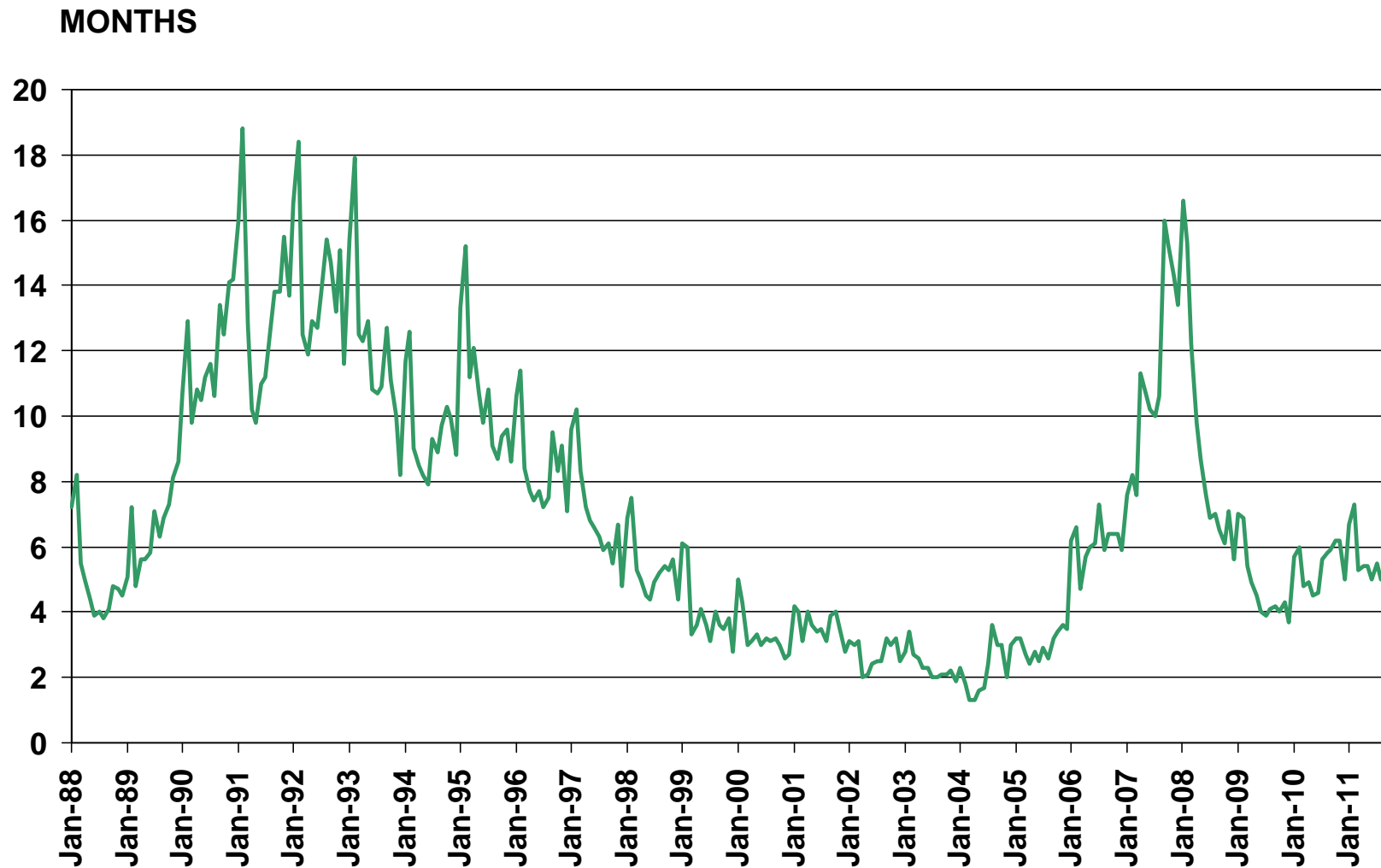
California, September 2011: \$287,440, Down 8.3% YTY



SOURCE: California Association of REALTORS®

Unsold Inventory Index

California, September 2011: 5.1 Months



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Unsold Inventory Index (Months)

Price Range (Thousand)	Sep-10	Aug-11	Sep-11
\$1,000K+	11.1	9.1	10.0
\$750-1000K	6.8	6.2	6.1
\$500-750K	6.3	5.6	6.0
\$300-500K	5.6	5.2	5.4
\$0-300K	5.1	4.6	4.7

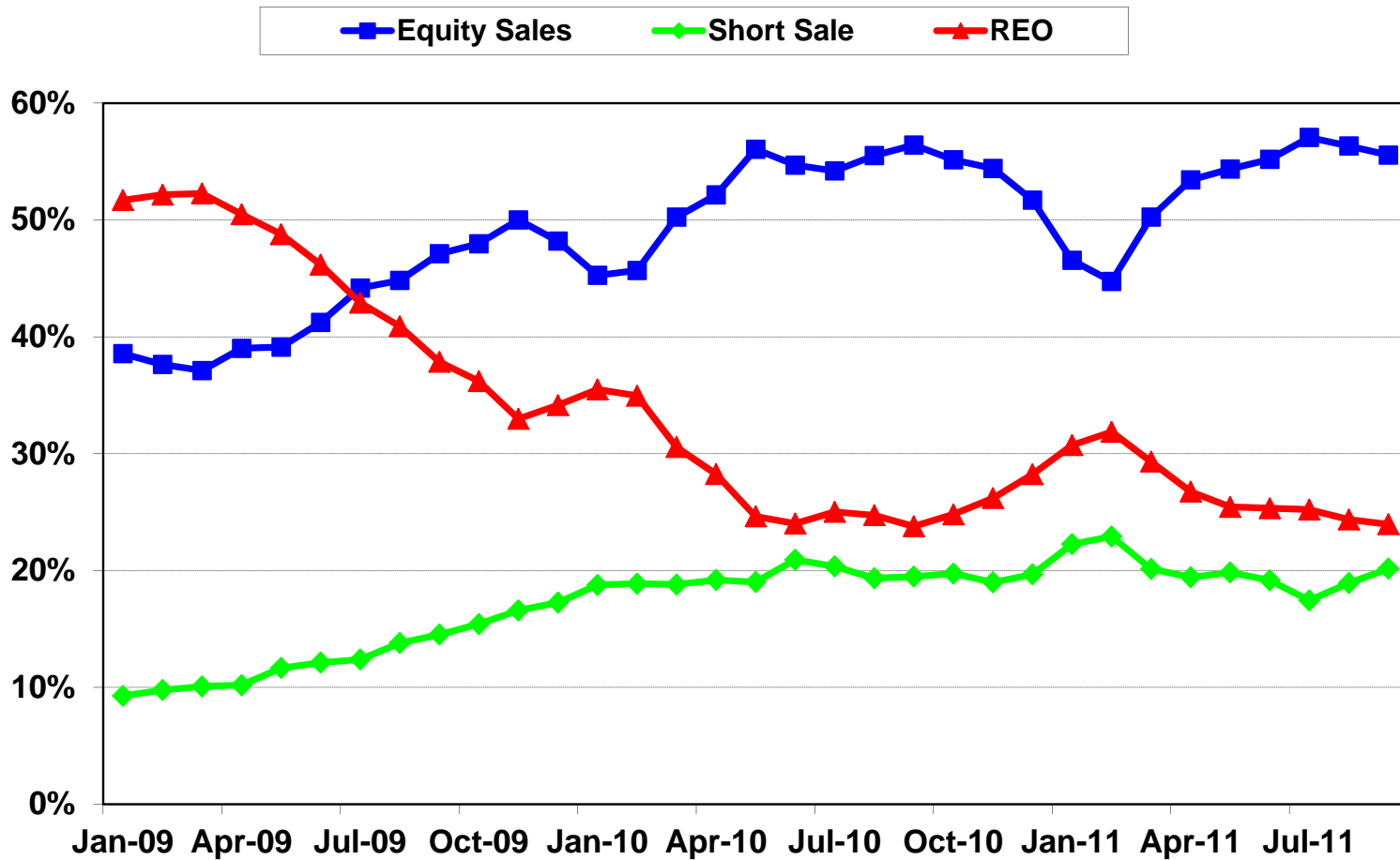
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Tight Supply of Inventory for REO Sales



SOURCE: California Association of REALTORS®

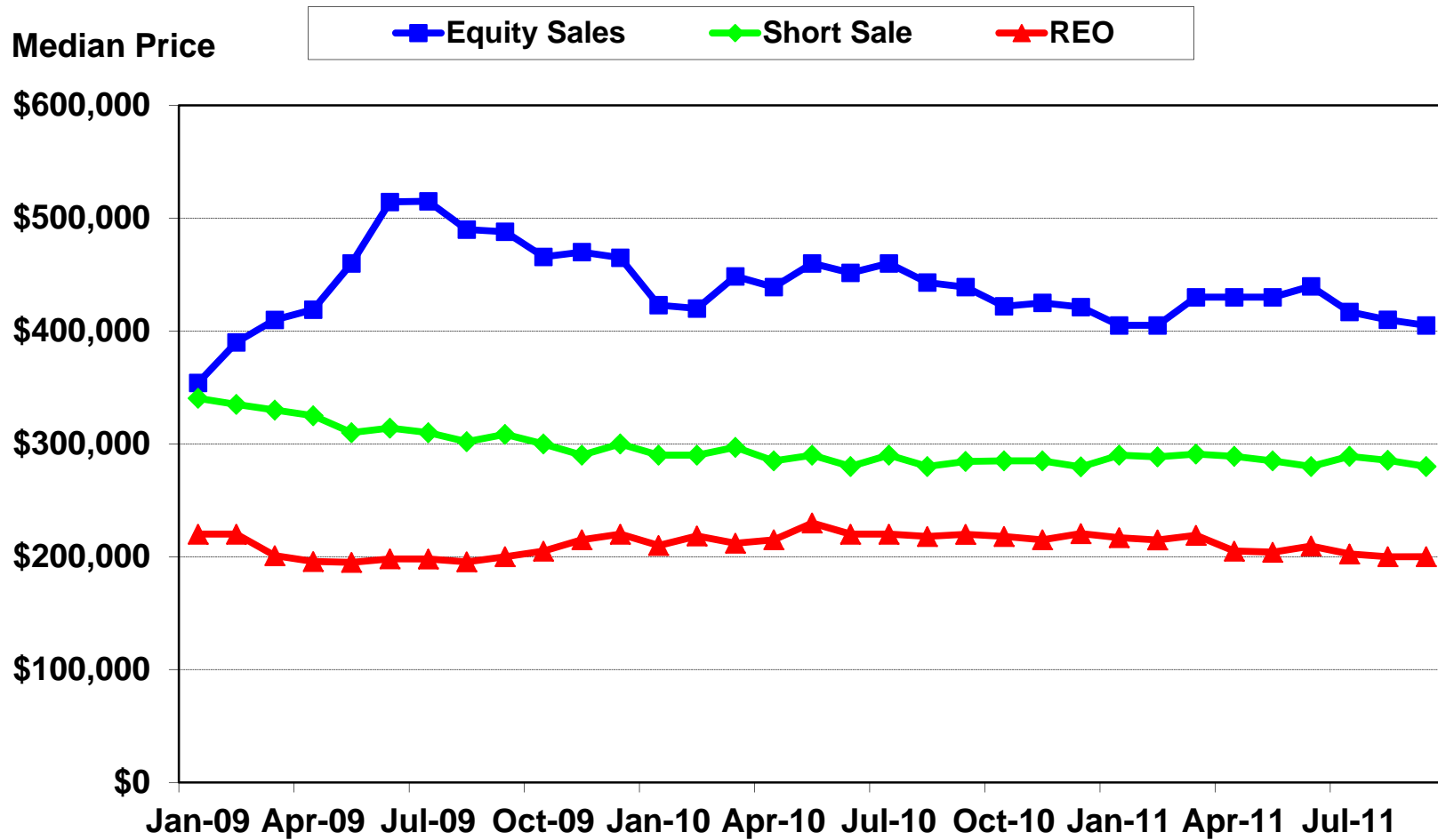
Share of Equity Sales Higher Compared to Early 2011



SOURCE: California Association of REALTORS®

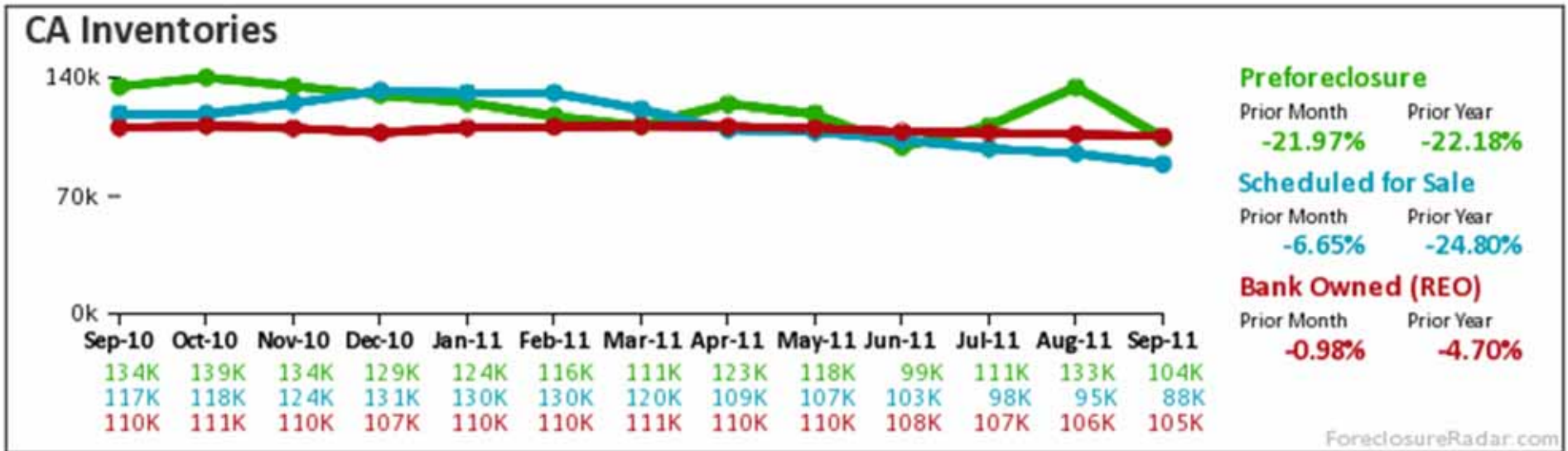
Median Price by Type of Sale

Equity Sales, REO, & Short-Sales



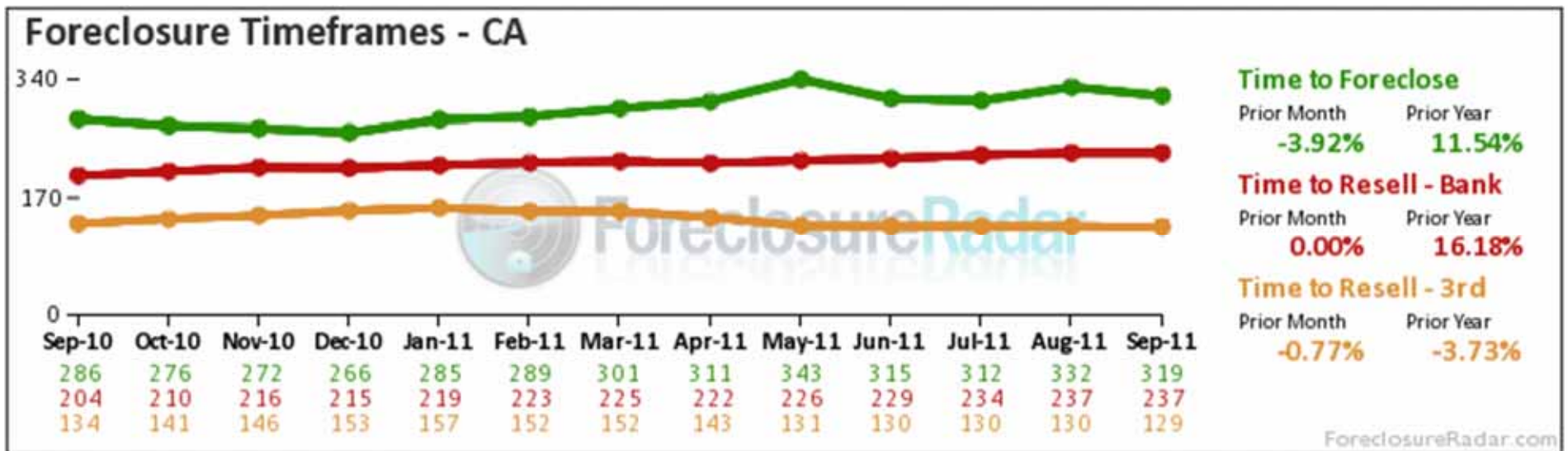
SOURCE: C.A.R.

California Foreclosure Inventory, September 2011



SOURCE: ForeclosureRadar.com

California Foreclosure Timeframes- September 2011



SOURCE: ForeclosureRadar.com

Median Price Trajectory: US and California

	California Median	U.S. Median
Peak	\$ 594,530	\$ 230,900
Trough	\$ 245,230	\$ 156,900
Now: Sep '11	\$ 287,440	\$ 165,600
Peak-Trough	-58.8%	-32.0%
Trough- Now	17.2%	5.5%

Trough Month

CA: Feb 2009

US: Feb 2011

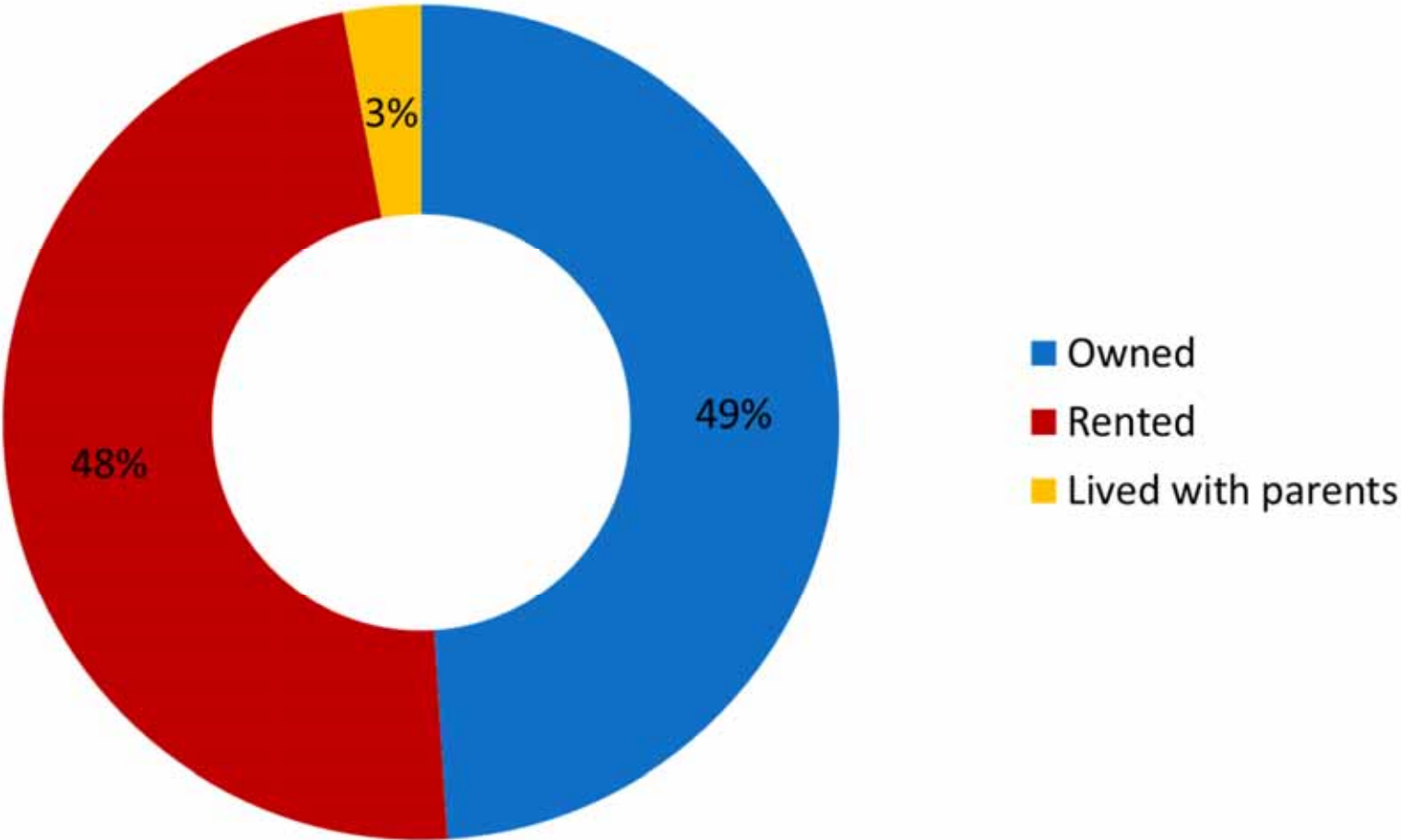
2011 California Buyer Survey

The Buying Experience

- Considered buying for over 4 months & investigated homes/neighborhoods for 2.5 months, on average, before contacting an agent
- Viewed 12 homes in 8 weeks with agent
- 76% didn't close escrow on time
- 49% owned previous home
- Motivated by price decreases & mortgage interest and property tax deductions
- 80% found home through agent

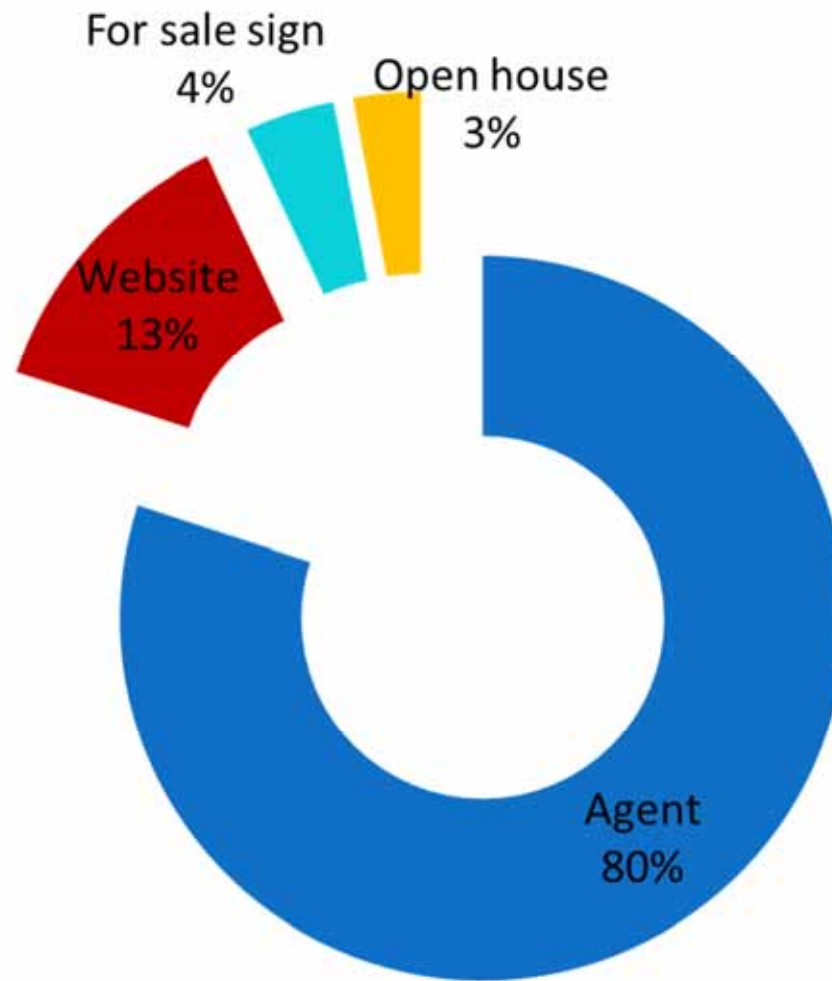


Living Arrangement Before Purchase



Q. What was your living arrangement immediately before your recent home purchase?

How Buyers Found Home - 2011 -



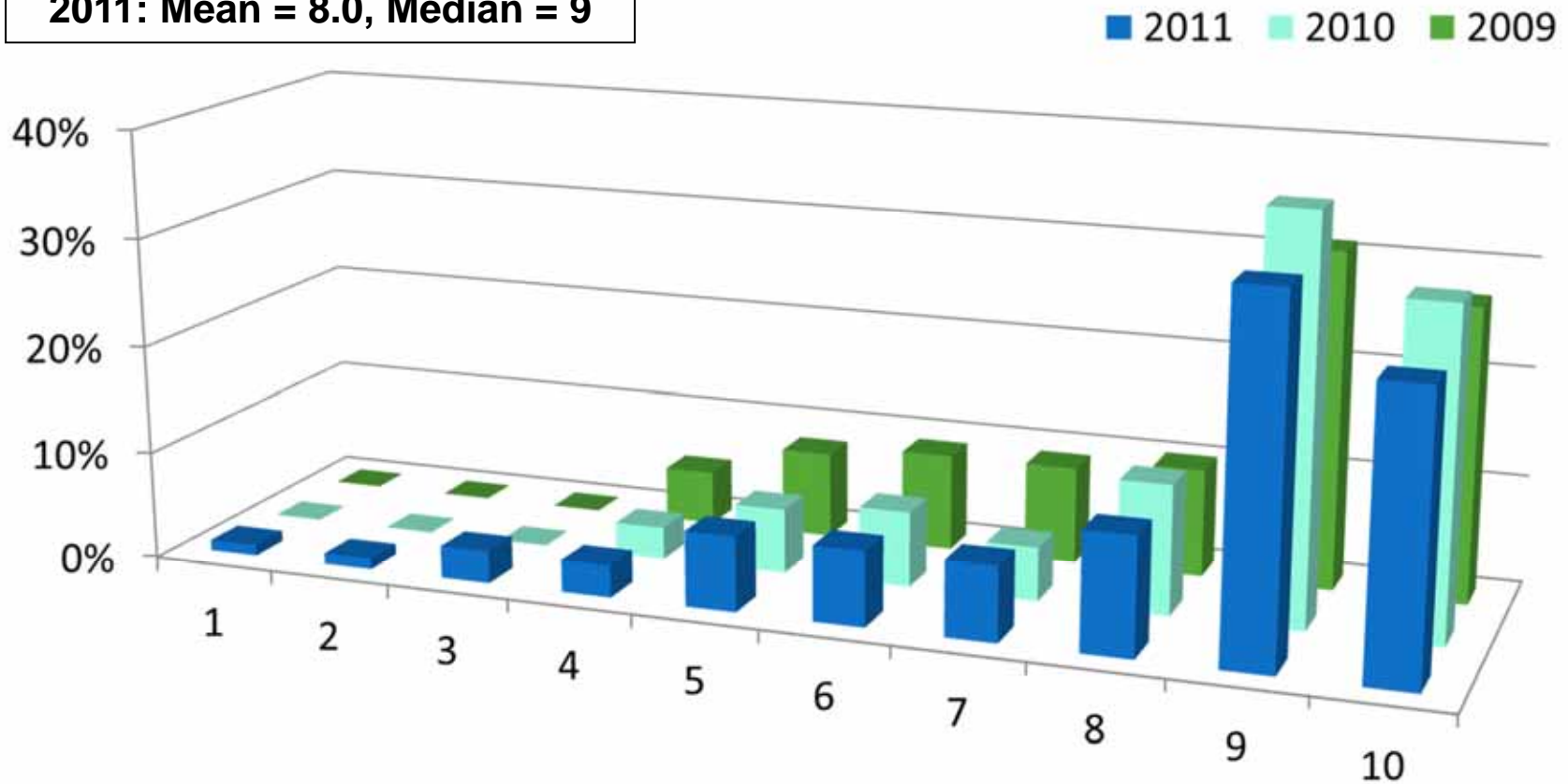
Q. How did you find the home your purchahsed?

Buyers Continue to Have Difficulties Obtaining Financing

2009: Mean = 8.1 Median = 9

2010: Mean = 8.5, Median = 9

2011: Mean = 8.0, Median = 9



Q. Please rate how easy or difficult it was to obtain financing on a scale of 1 to 10, with 1 being very easy and 10 being very difficult.

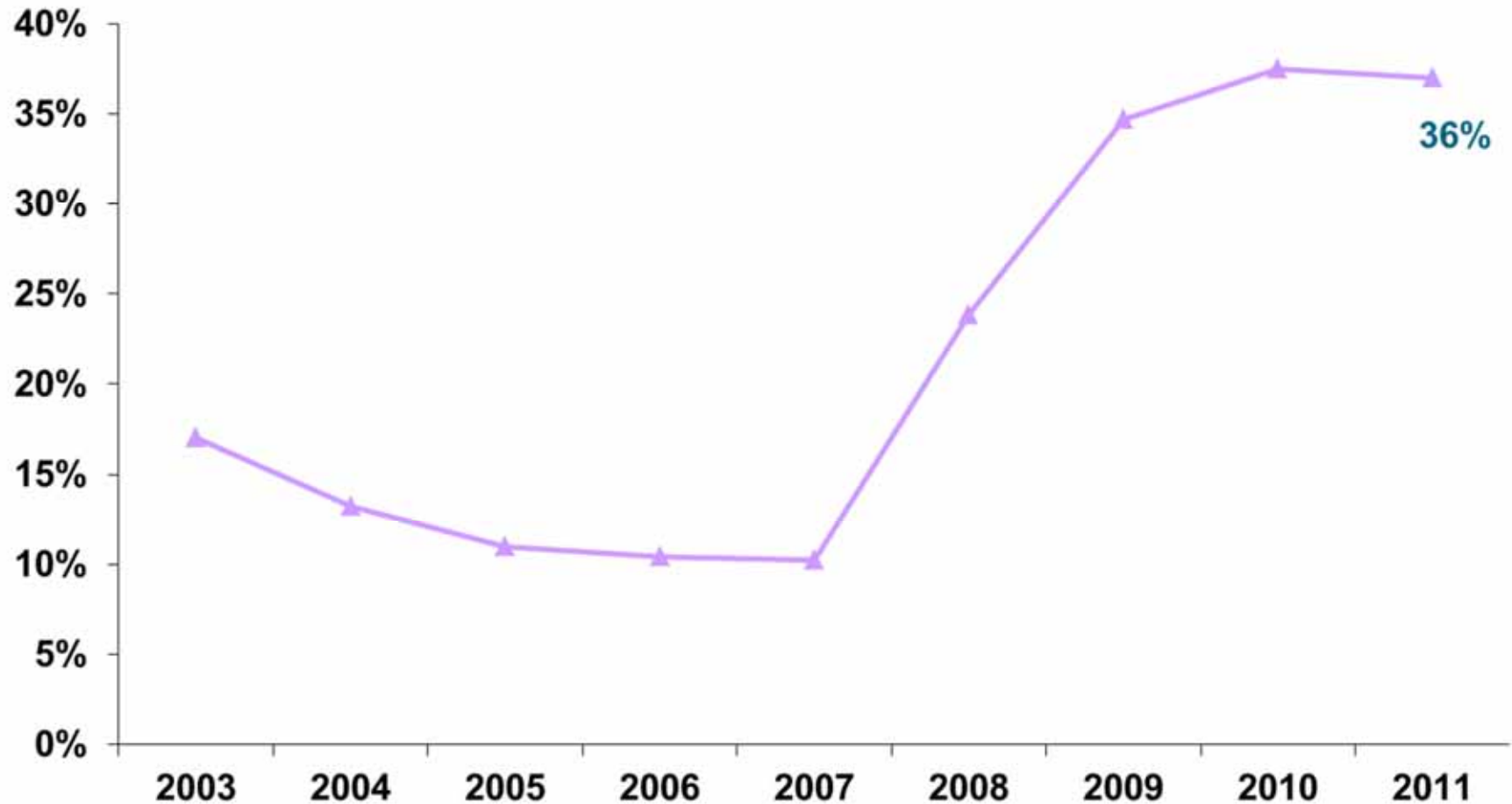
Why Buyers Chose their Agent

1. Most responsive (28%)
2. Worked with agent before (18%)
3. First to respond (17%)
4. Most aggressive (16%)
5. Most knowledgeable (6%)

Q. What was the single most important reason for selecting the agent that you used in your recent home purchase?

Over 1/3 of Buyers Expect Instant Response from Agent

- Up 50% in Recent Years -



Q. What was the typical response time you expected from your agent to return any form of communication to you?

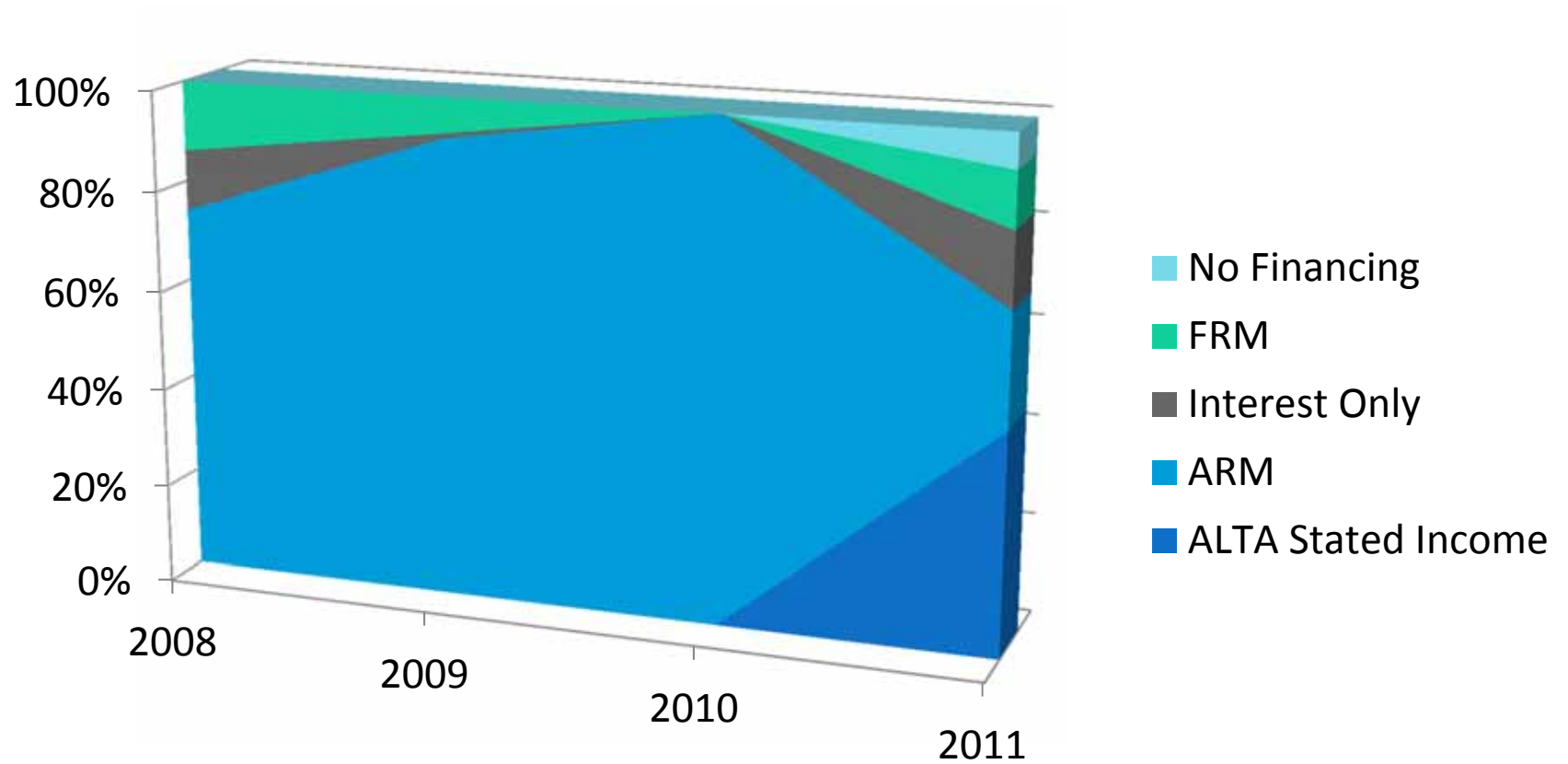
2011 California Seller Survey

Reason	Percent of Sellers
1. Could not afford mortgage	22%
2. Job/income uncertainty	13%
3. Loss of household income	12%
4. Low prices allowed upgrade	7%
5. Mortgage is too expensive	7%

Q: Why did you sell your home?

Top 5 Reasons for Selling

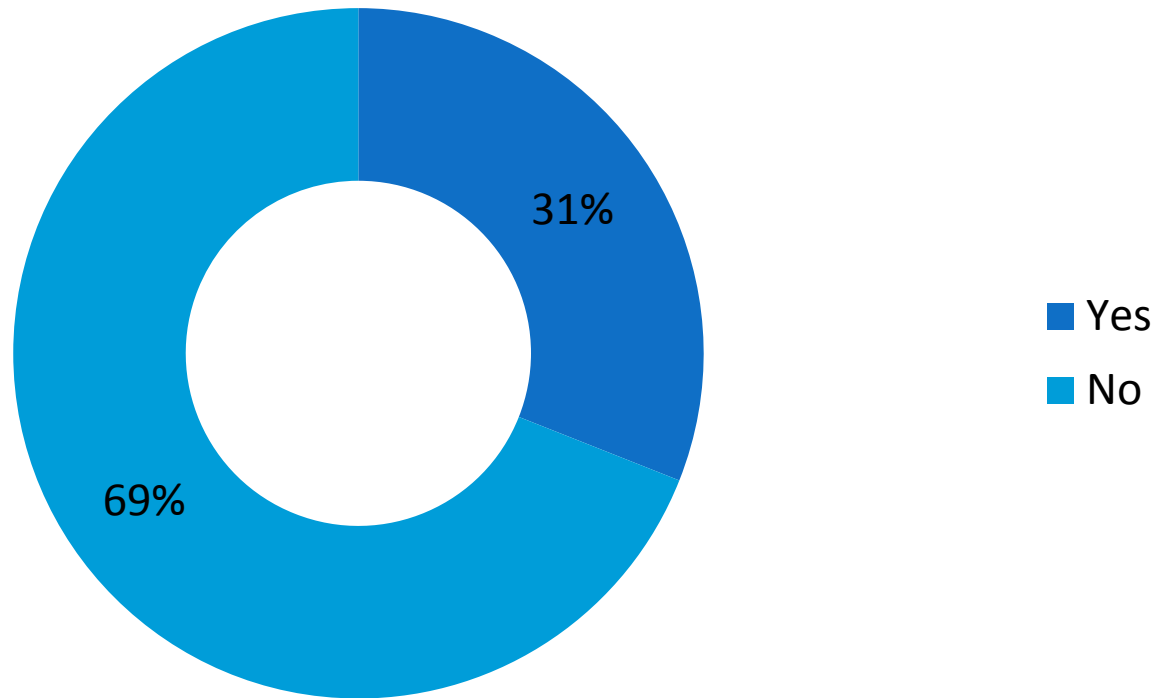
Type of Mortgage



Q: What type of mortgage did you have?

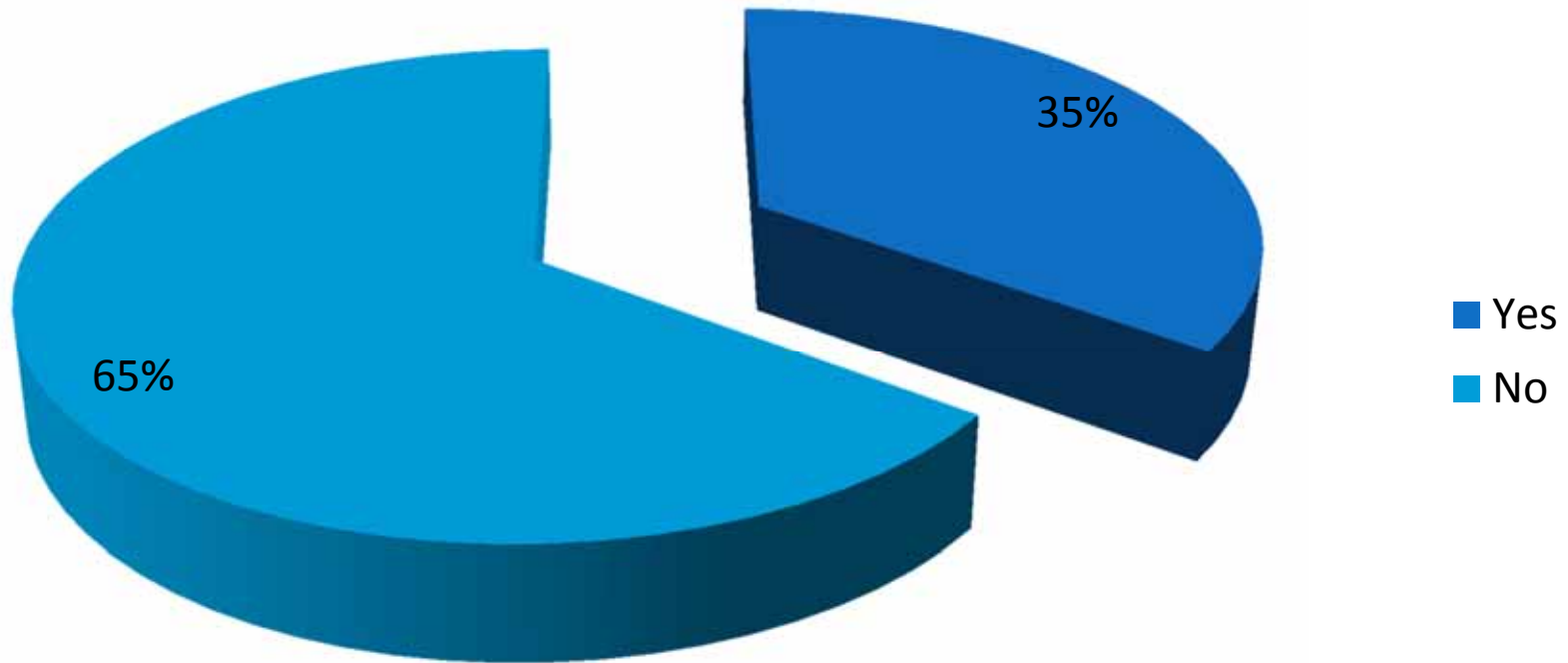
Most Sellers Had Not Tapped Into Their Equity

Cash-out Refi



Q: At the time of your home sale, was any portion of your outstanding mortgage balance due to a cash-out refinance?

Most Sellers Did Not Consider Strategic Default



Q: As you may be aware, some home owners decided to stop paying their mortgages because their home value was lower than the balance on their loan. This is known as strategic default. Did you consider a strategic default?

Reason Seller Selected Agent

Reason	Percentage of Sellers
1. First to respond	21%
2. Seemed most responsive	21%
3. Seemed most aggressive	19%
4. Worked with agent before	11%
5. Understanding of distressed properties	8%

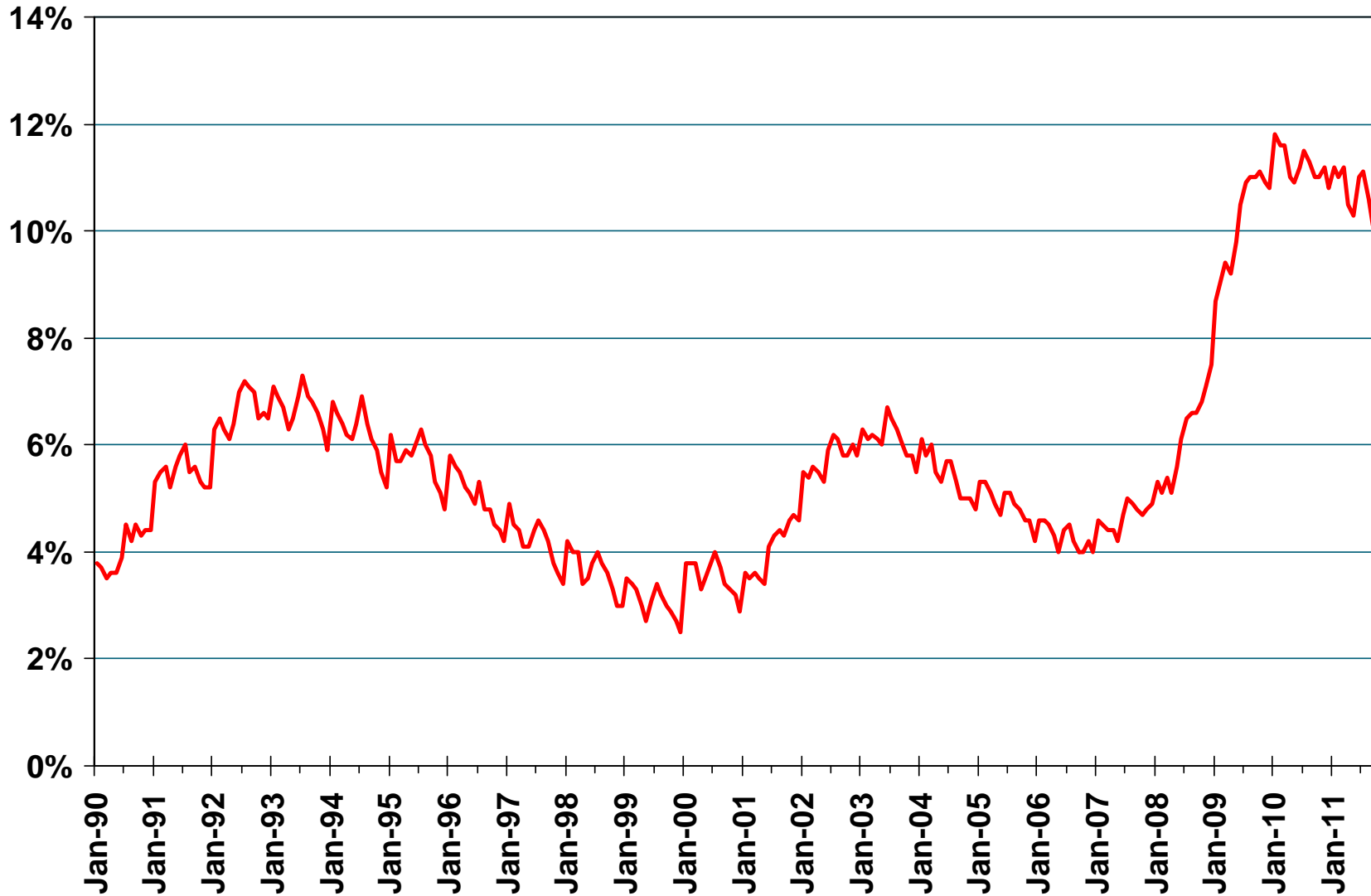
Q: What was the single most important reason for selecting the agent you used in your recent home sale?

Bay Area



Unemployment Rate

Contra Costa County, September 2011: 10.1%

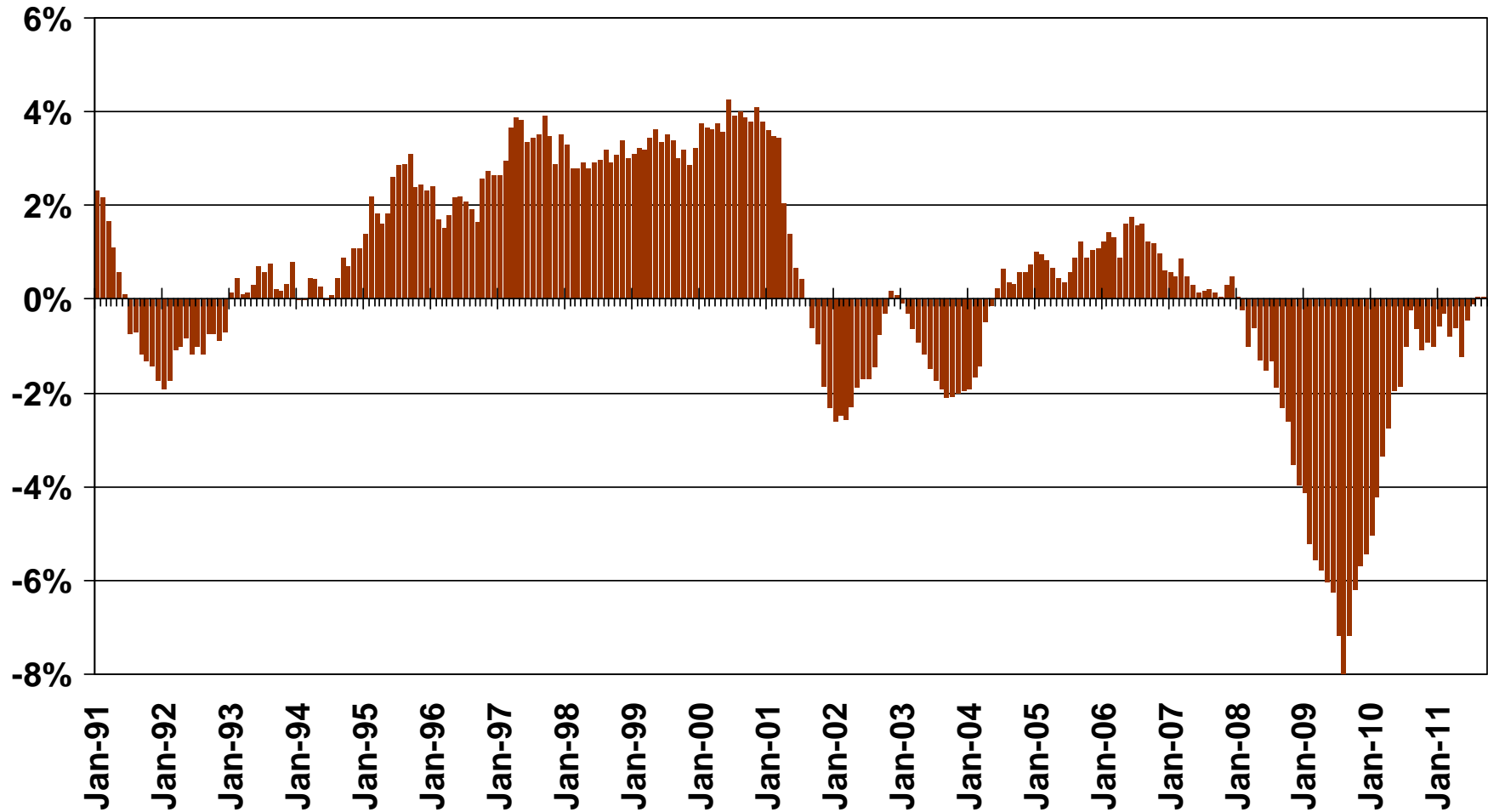


SOURCE: CA Employment Development Division

Nonfarm Employment

Oakland Metropolitan Area, September 2011: Up 0.1% YTY

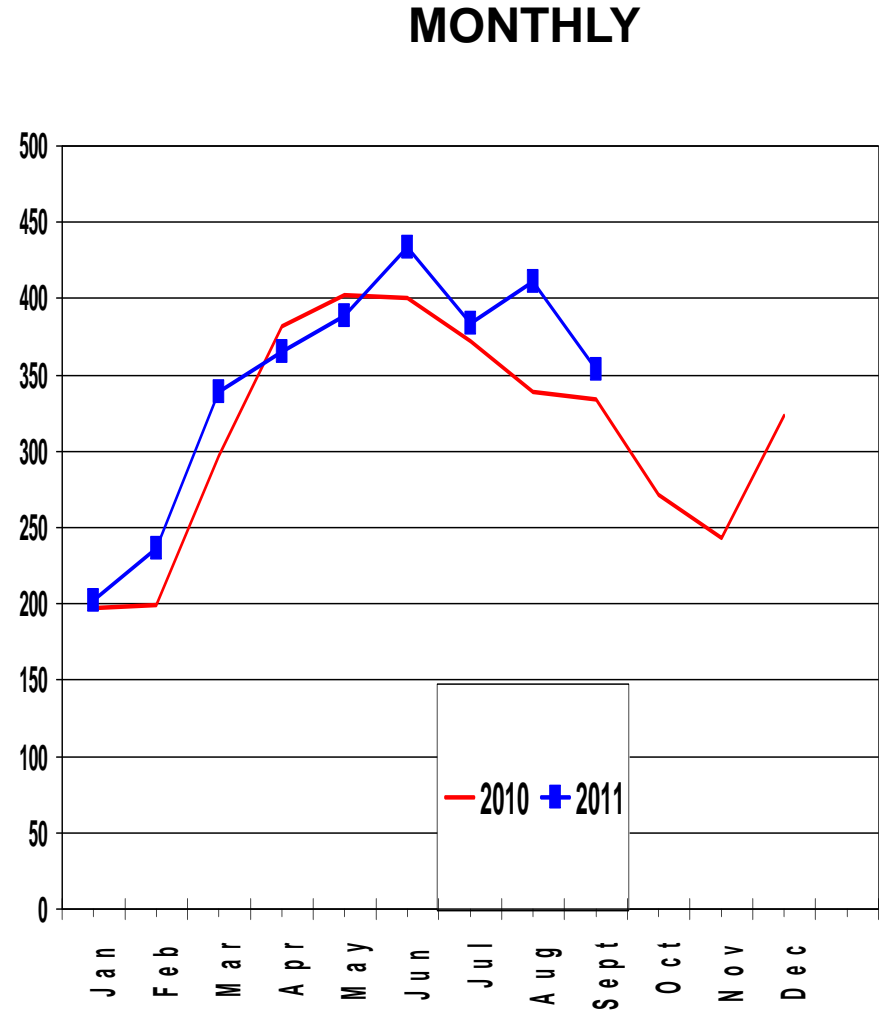
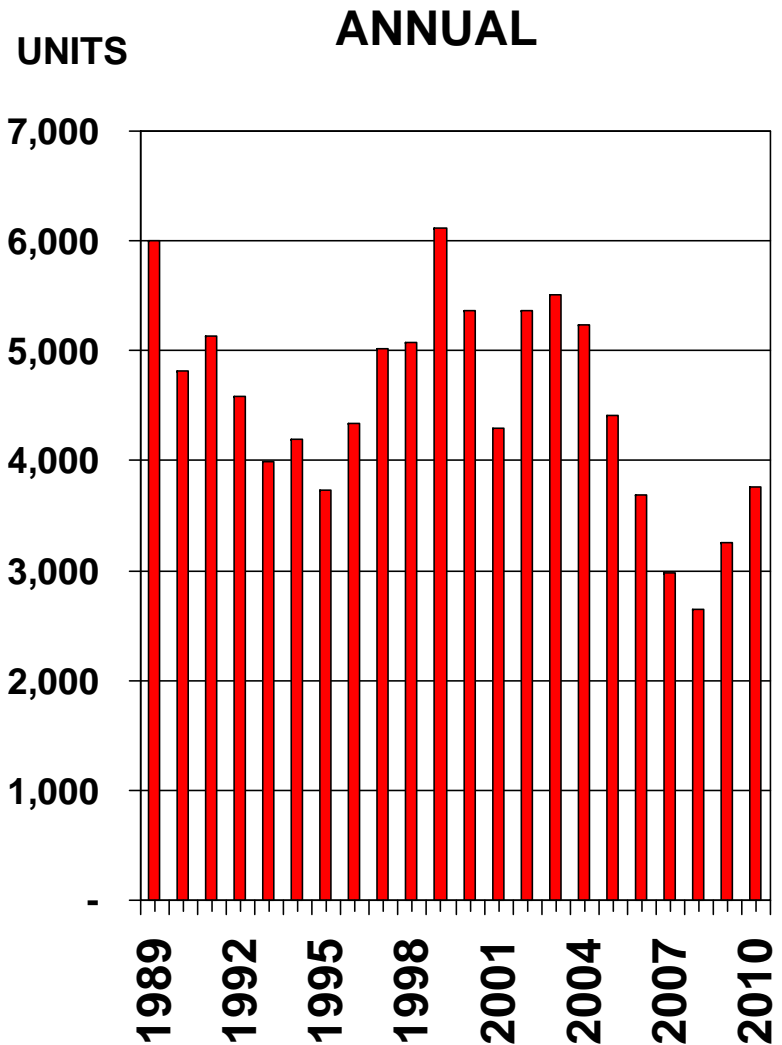
Y-T-Y PERCENT CHANGE



SOURCE: CA Employment Development Division

Sales of Existing Detached Homes

Contra Costa (Central County), 2010: 3,759 Units, Up 15.7% YTY



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Sales of Existing Detached Homes

Bay Area Counties

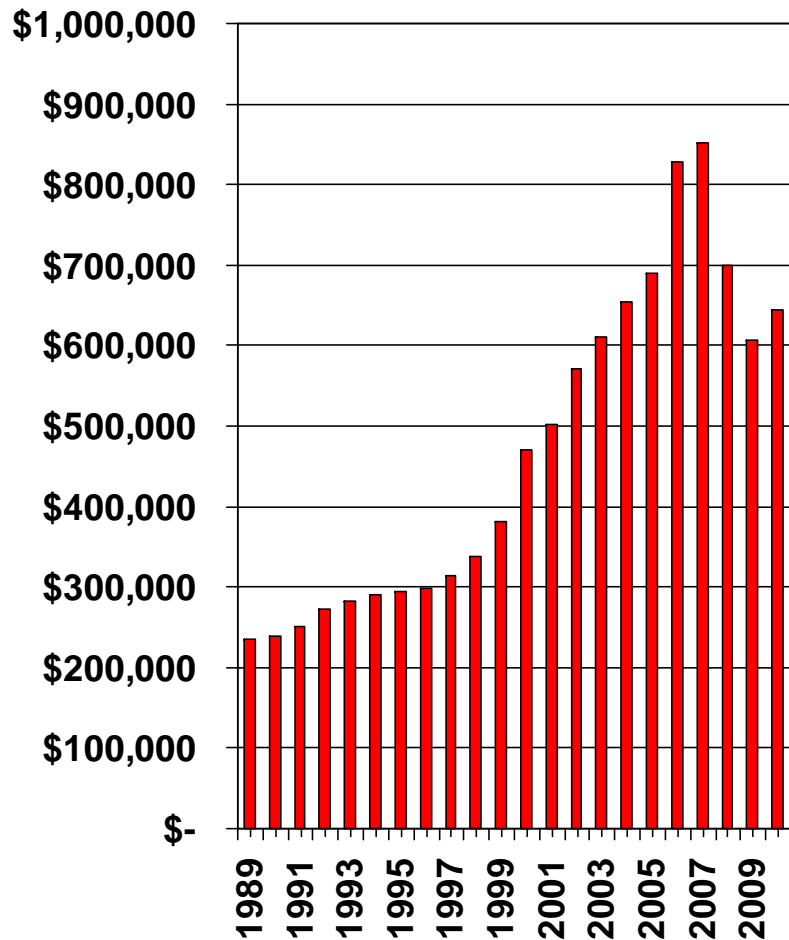
County	Sep-10	Aug-11	Sep-11	M-t-M	Y-t-Y	Y-t-D
Alameda	529	598	528	-11.7%	-0.2%	-1.1%
Contra-Costa (Central County)	334	411	354	-13.9%	6.0%	6.6%
Marin	149	175	168	-4.0%	12.8%	3.7%
Napa	102	117	104	-11.1%	2.0%	2.9%
San Francisco	239	253	239	-5.5%	0.0%	3.3%
San Mateo	358	433	413	-4.6%	15.4%	6.8%
Santa Clara	887	1017	870	-14.5%	-1.9%	-2.2%
Solano	359	439	433	-1.4%	20.6%	-0.3%
Sonoma	379	452	378	-16.4%	-0.3%	1.5%

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

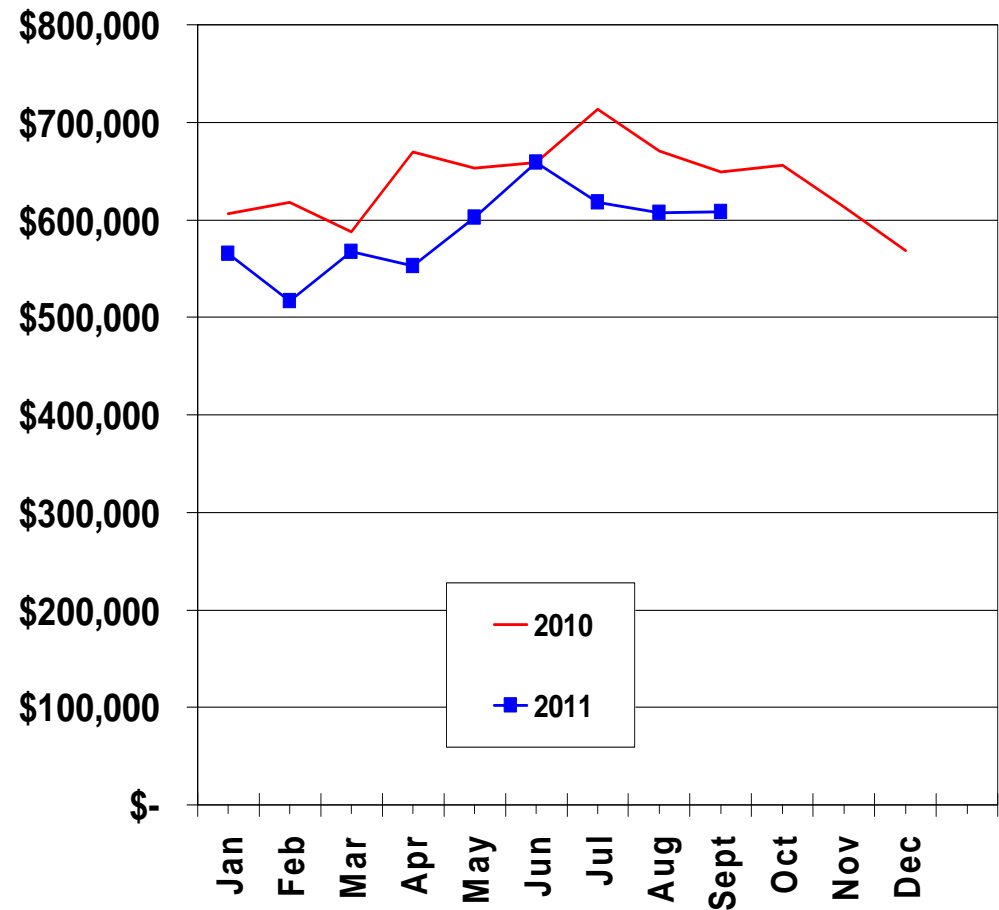
Median Price Annual Comparison

Contra Costa (Central County), 2010: \$644,100, Up 6.3% YTY

ANNUAL



MONTHLY



Median Price of Existing Detached Homes

Bay Area Counties

County	Sep-10	Aug-11	Sep-11	M-t-M	Y-t-Y
Alameda	\$ 462,500	\$ 468,900	\$ 457,320	-2.5%	-1.1%
Contra Costa (Central County)	\$ 648,730	\$ 607,310	\$ 607,840	0.1%	-6.3%
Marin	\$ 797,790	\$ 806,550	\$ 786,590	-2.5%	-1.4%
Napa	\$ 347,830	\$ 354,760	\$ 331,820	-6.5%	-4.6%
San Francisco	\$ 652,240	\$ 632,270	\$ 616,070	-2.6%	-5.5%
San Mateo	\$ 685,000	\$ 742,000	\$ 640,000	-13.7%	-6.6%
Santa Clara	\$ 608,000	\$ 595,000	\$ 569,100	-4.4%	-6.4%
Solano	\$ 199,700	\$ 197,880	\$ 188,790	-4.6%	-5.5%
Sonoma	\$ 369,660	\$ 339,200	\$ 355,670	4.9%	-3.8%

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

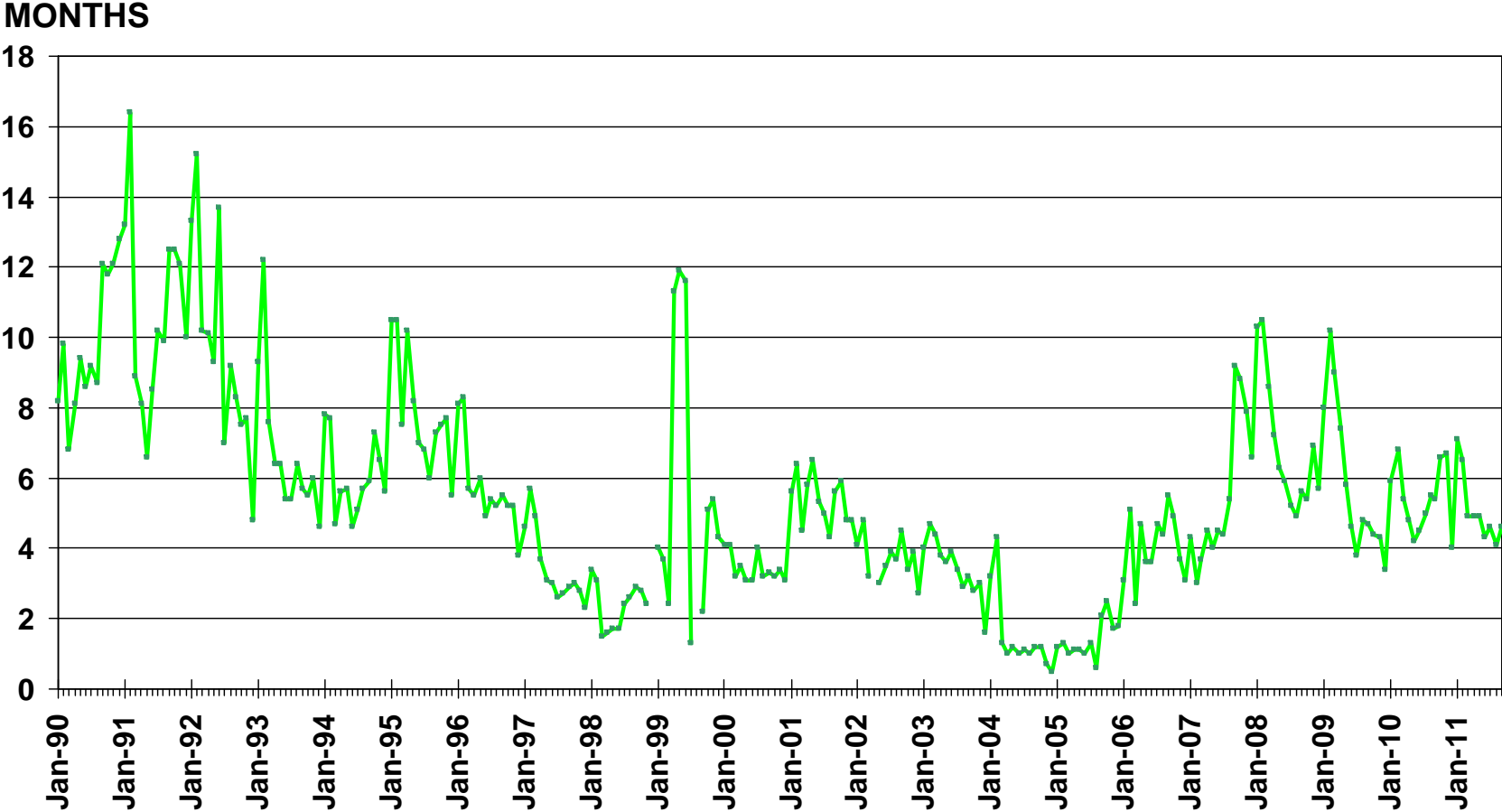
Median Price and Sales

City	Median Price					Sales		
	Q3-11	Q2-11	Q3-10	QTQ%	YTY%	QTQ%	YTY%	YTD%
Alamo	\$1,140,000	\$1,087,500	\$1,142,500	4.8%	-0.2%	41.3%	-1.5%	-10.4%
Clayton	\$490,225	\$515,000	\$606,575	-4.8%	-19.2%	-53.5%	-41.2%	-3.3%
Concord	\$295,000	\$279,500	\$315,950	5.5%	-6.6%	-6.1%	13.0%	4.1%
Danville	\$813,000	\$840,000	\$850,000	-3.2%	-4.4%	-16.6%	2.9%	-2.56%
Lafayette	\$930,000	\$975,000	\$965,000	-4.6%	-3.6%	-14.6%	4.1%	0.0%
Martinez	\$320,000	\$310,200	\$365,000	3.2%	-12.3%	27.1%	34.7%	25.0%
Moraga	\$850,000	\$877,500	\$892,500	-3.1%	-4.8%	15.0%	39.4%	35.0%
Orinda	\$905,500	\$937,310	\$990,000	-3.4%	-8.5%	4.3%	-25.0%	-0.8%
Pleasant Hill	\$450,000	\$405,000	\$492,975	11.1%	-8.7%	18.3%	100.0%	29.2%
San Ramon	\$720,000	\$725,000	\$745,000	-0.7%	-3.4%	1.0%	7.7%	2.1%
Walnut Creek	\$624,000	\$682,500	\$702,500	-8.6%	-11.2%	-13.5%	-7.5%	-1.8%

SOURCE: Clarus Market Metrics

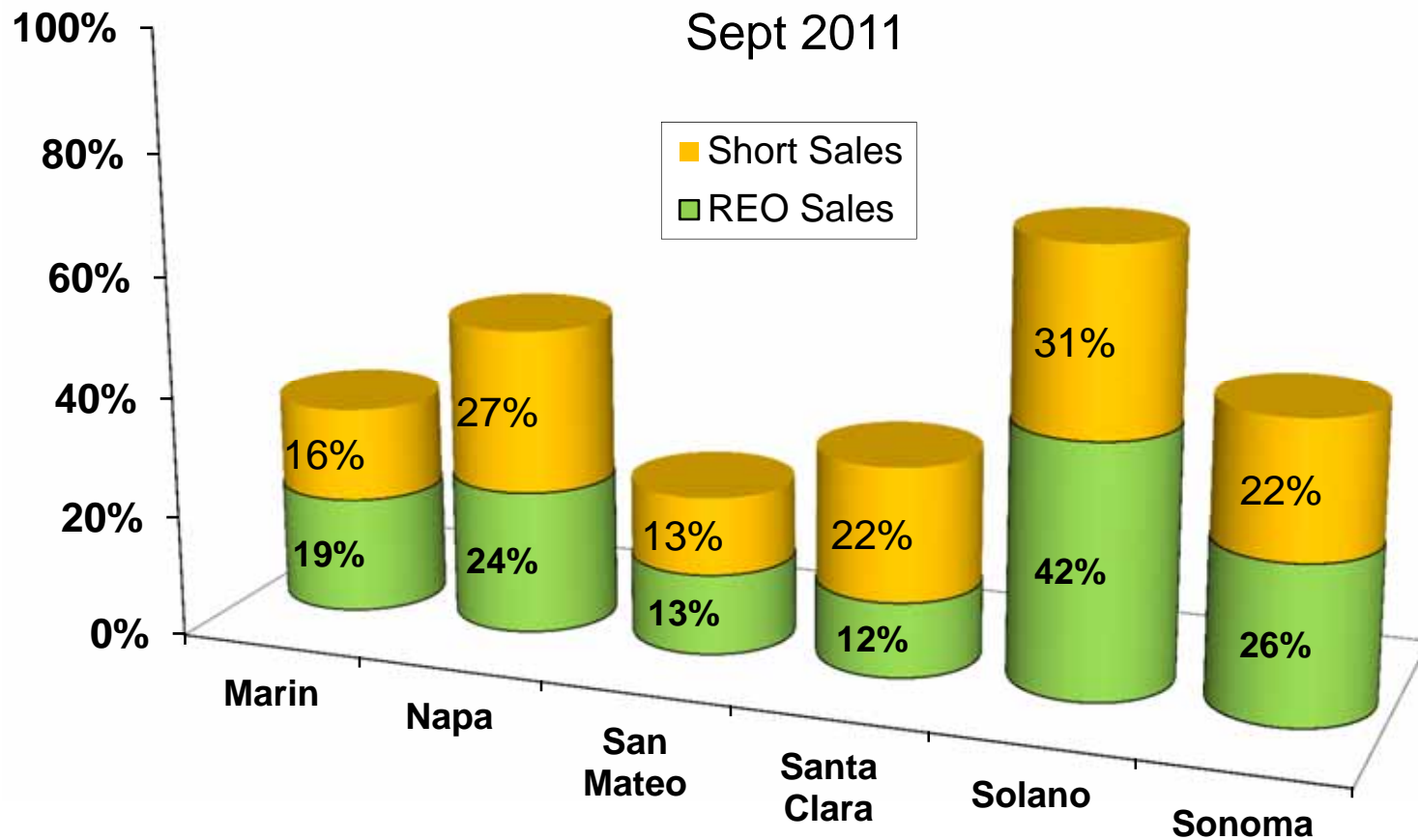
Unsold Inventory Index

Contra Costa (Central County), September 2011: 4.6 Months



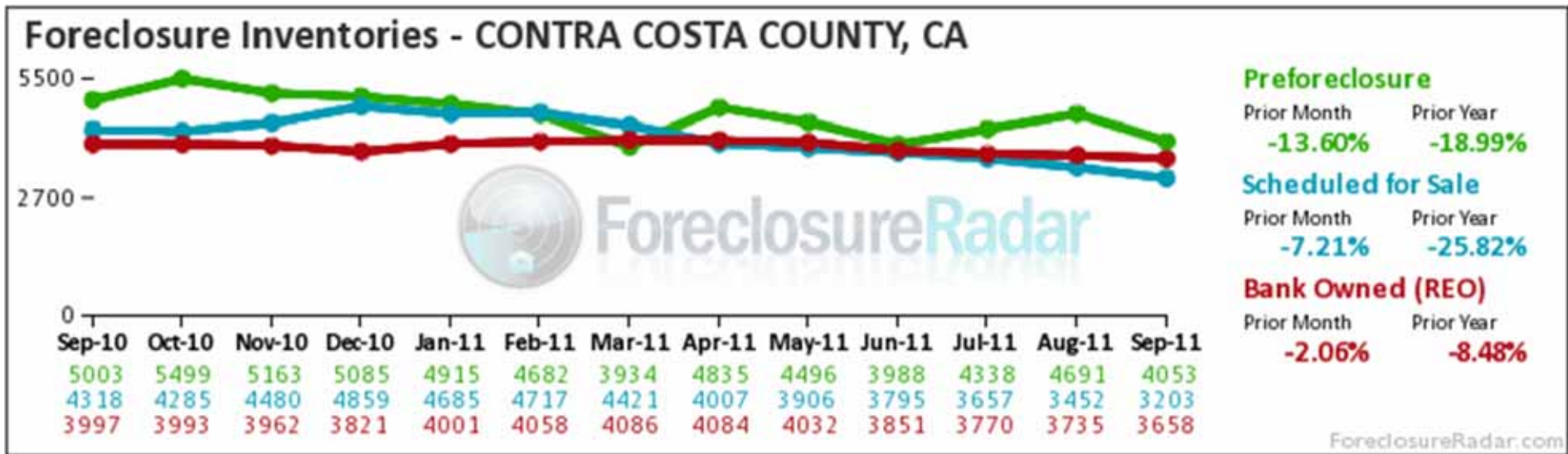
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

REO & Short Sales: Bay Area (Percent of Total Sales)



SOURCE: California Association of REALTORS®

Contra Costa County Foreclosure Inventory, Sept.'11

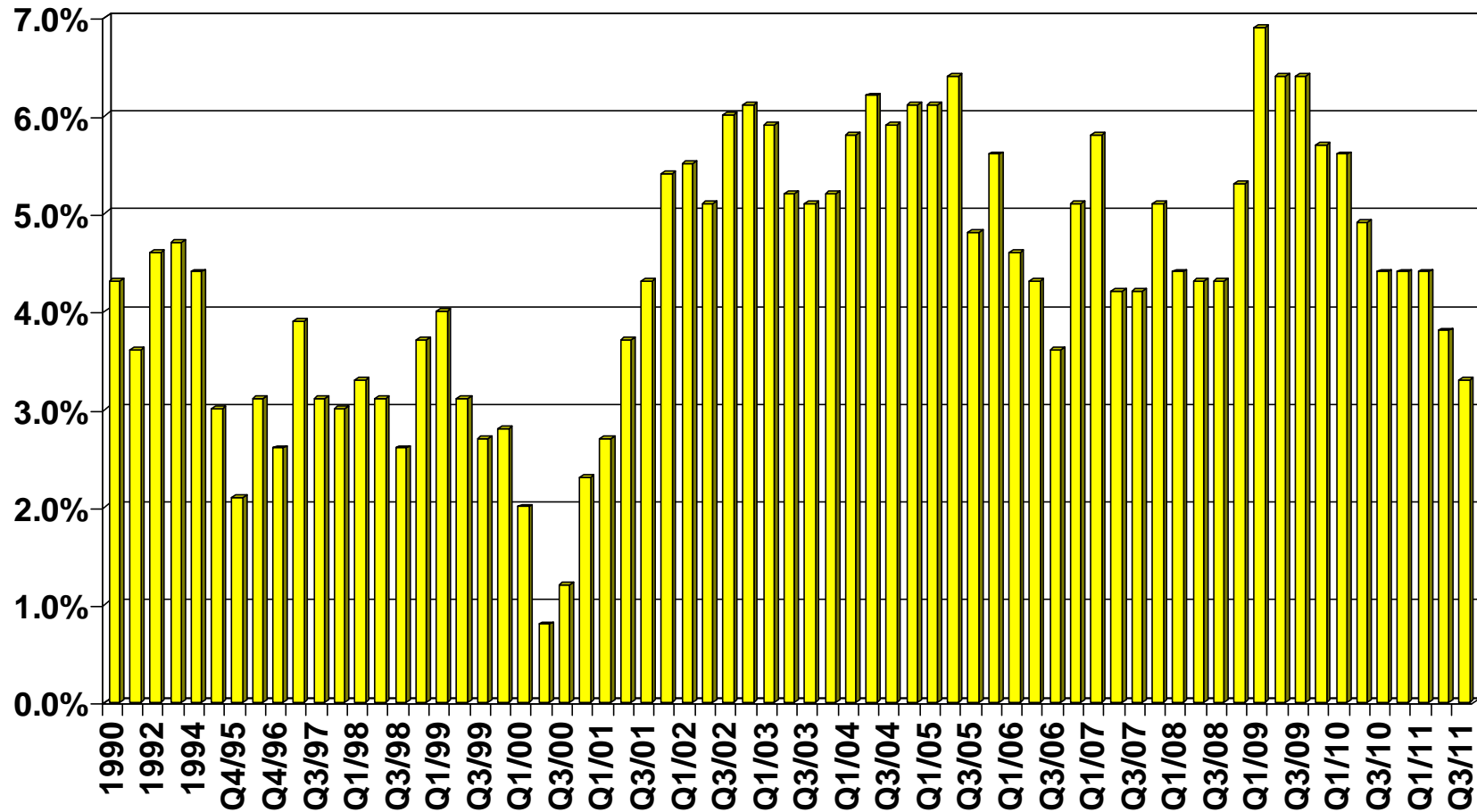


SOURCE: ForeclosureRadar.com

Vacancy Rates for Class A&B Apartments

Oakland MSA, 2011 Q3: 3.3%

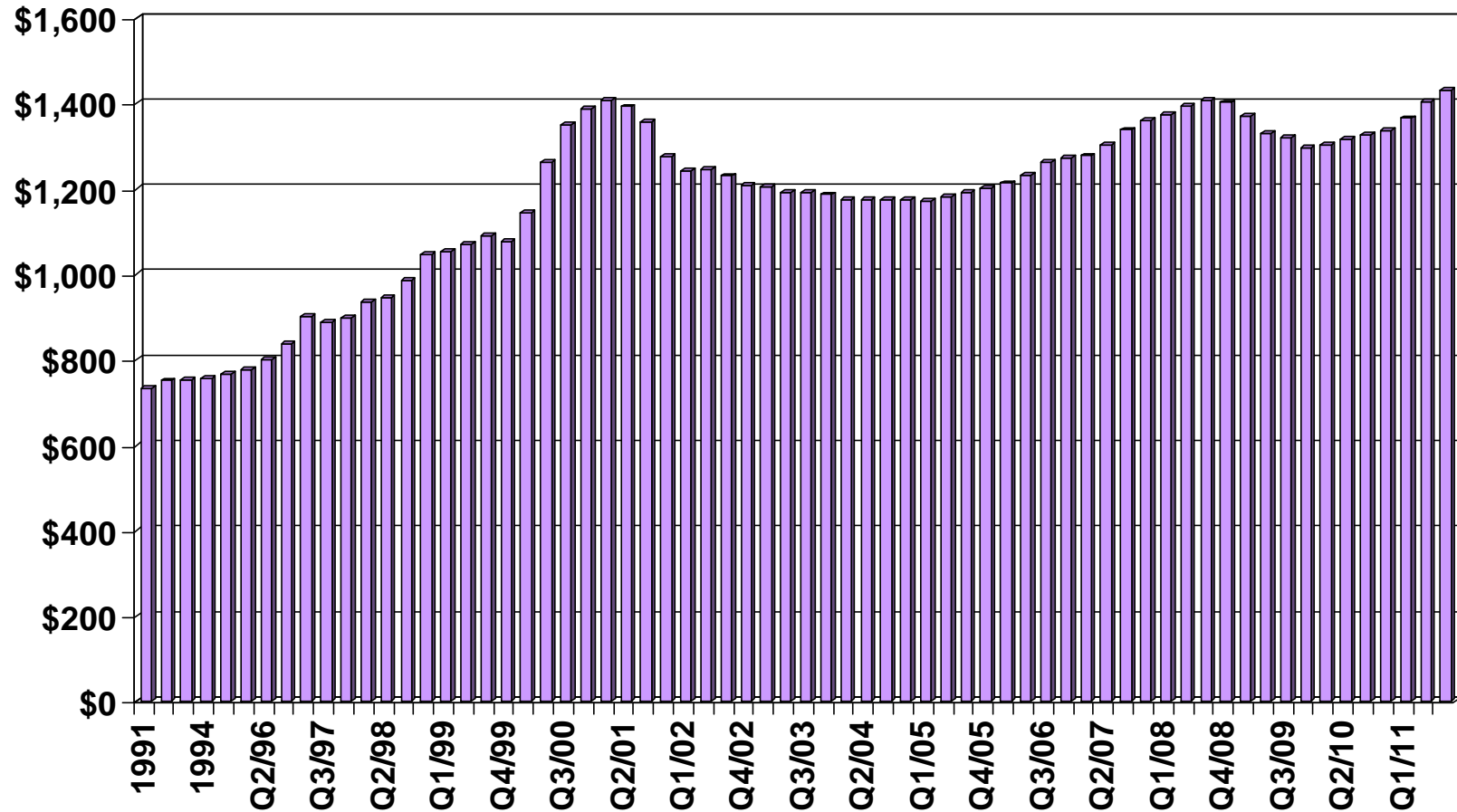
VACANCY RATE



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®; REALFACTS

Asking Rents for Class A&B Apartments

Oakland MSA, 2011 Q3: \$1,432, Up 8.0% YTY

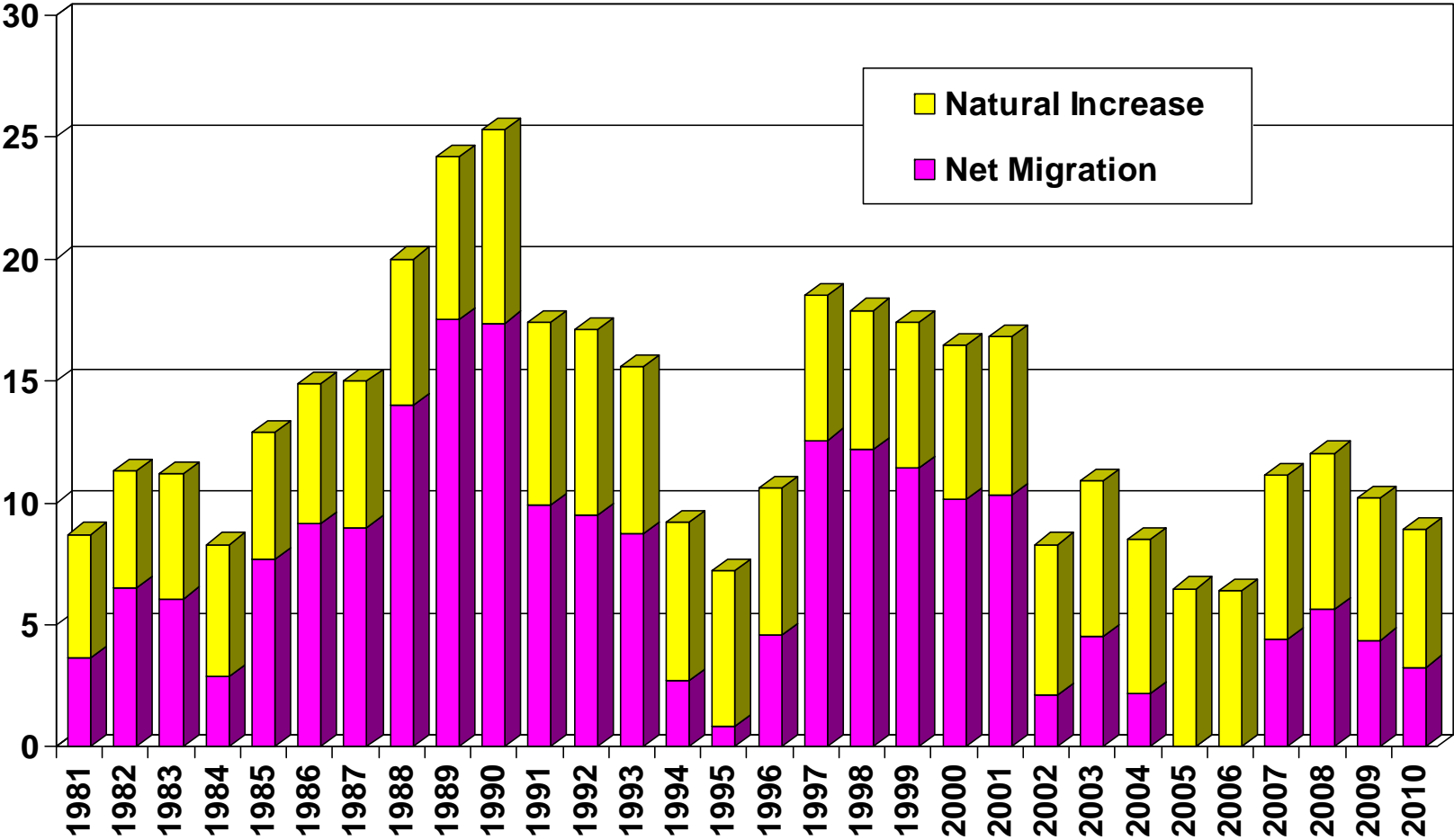


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®;
REALFACTS

Sources of Population Growth

Contra Costa County (1981-2010)

THOUSANDS



SOURCE: CA Department of Finance

California Housing Market Forecast

California Housing Market Outlook

	2005	2006	2007	2008	2009	2010	2011f	2012f
SFH Resales (000s)	625.0	477.5	346.9	441.8	546.9	491.5	491.1	496.2
% Change	0.03%	-23.6%	-27.3%	27.3%	23.8%	-10.1%	-0.1%	1.0%
Median Price (\$000s)	\$522.7	\$556.4	\$560.3	\$348.5	\$275.0	\$303.1	\$291.0	\$296.0
% Change	16.0%	6.5%	0.7%	-37.8%	-21.1%	10.2%	-4.0%	1.7%
30-Yr FRM	5.9%	6.4%	6.3%	6.0%	5.1%	4.7%	4.5%	4.7%
1-Yr ARM	4.5%	5.5%	5.6%	5.2%	4.7%	3.5%	3.0%	3.1%

Forecast Date: September 2011

Source: CALIFORNIA ASSOCIATION OF REALTORS®

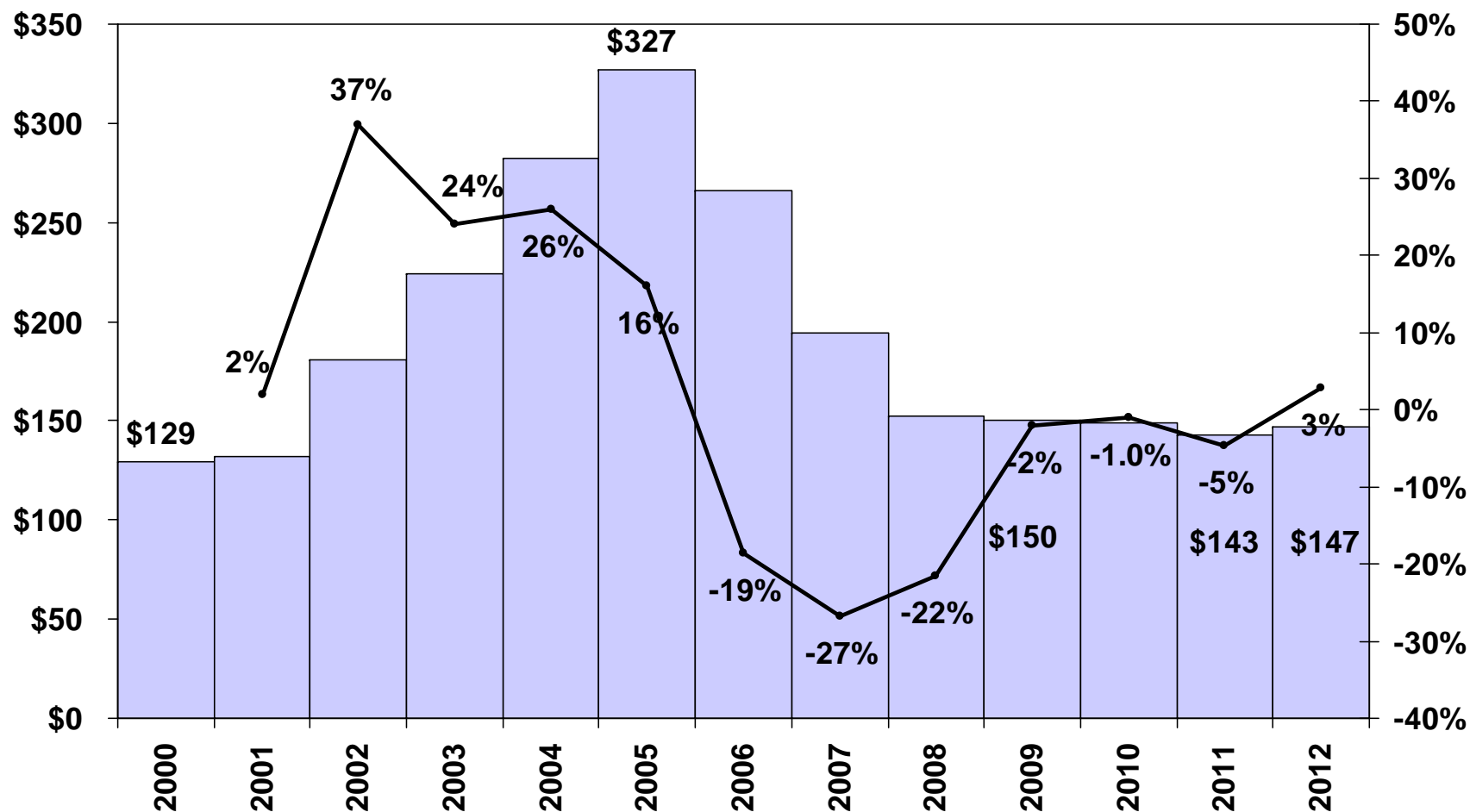
Dollar Volume of Sales

Down 5% in 2011, Up 3% in 2012

\$ in Billion

% Change

■ \$ Volume of Sales — Percent Change



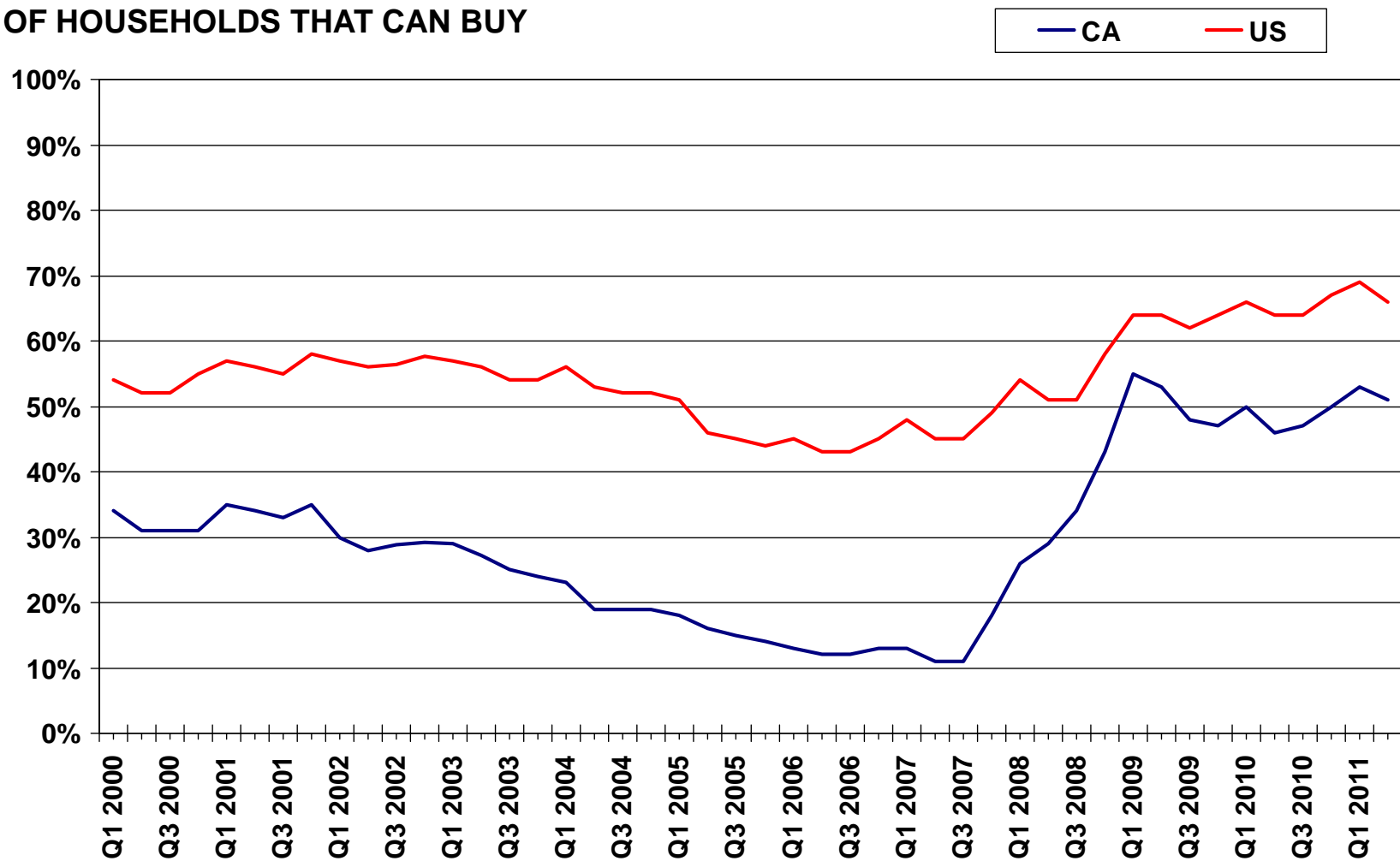
SOURCE: California Association of REALTORS®

Market Opportunities

Housing Affordability Index

California Vs. U.S.

% OF HOUSEHOLDS THAT CAN BUY

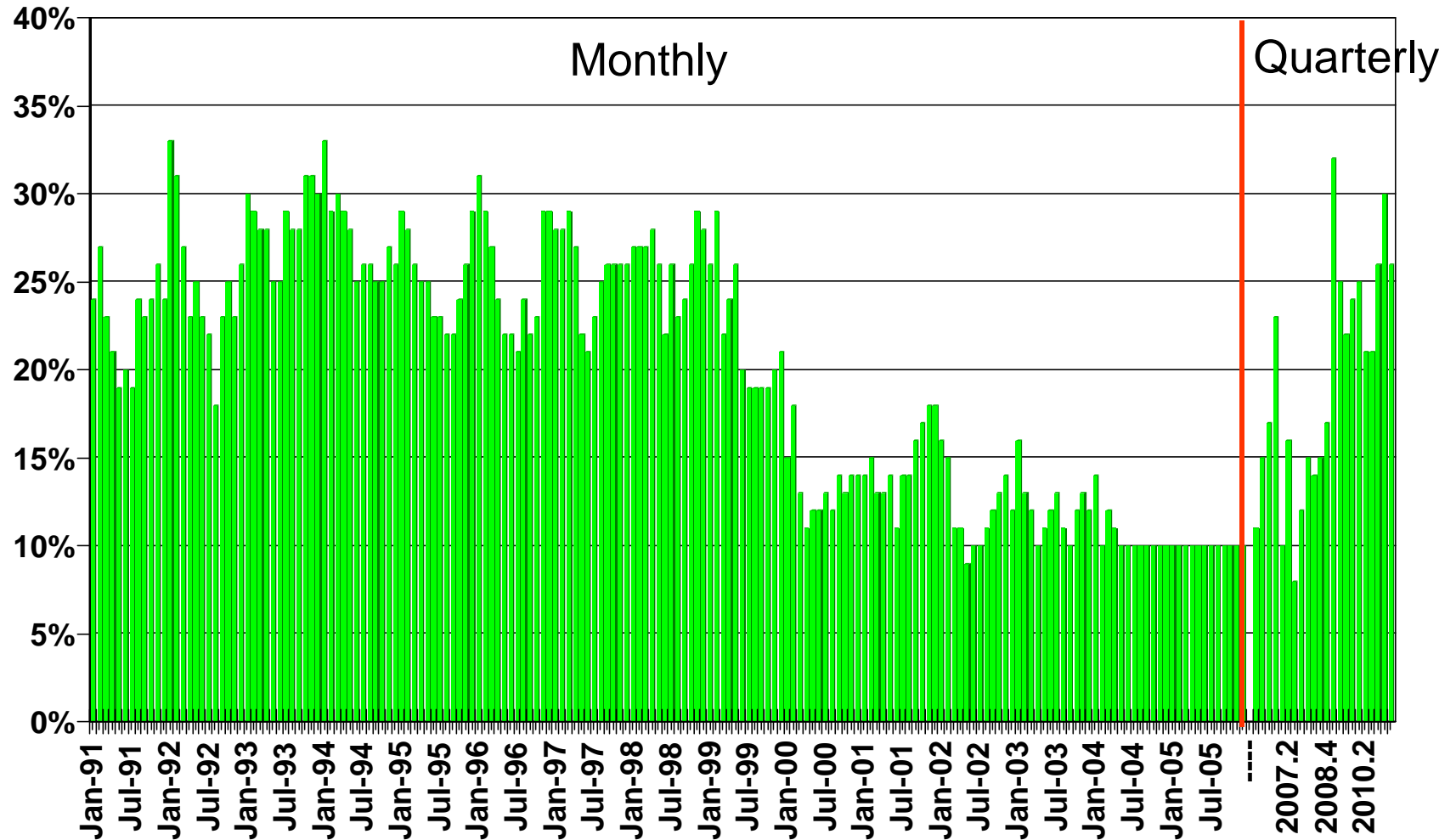


SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Housing Affordability Index

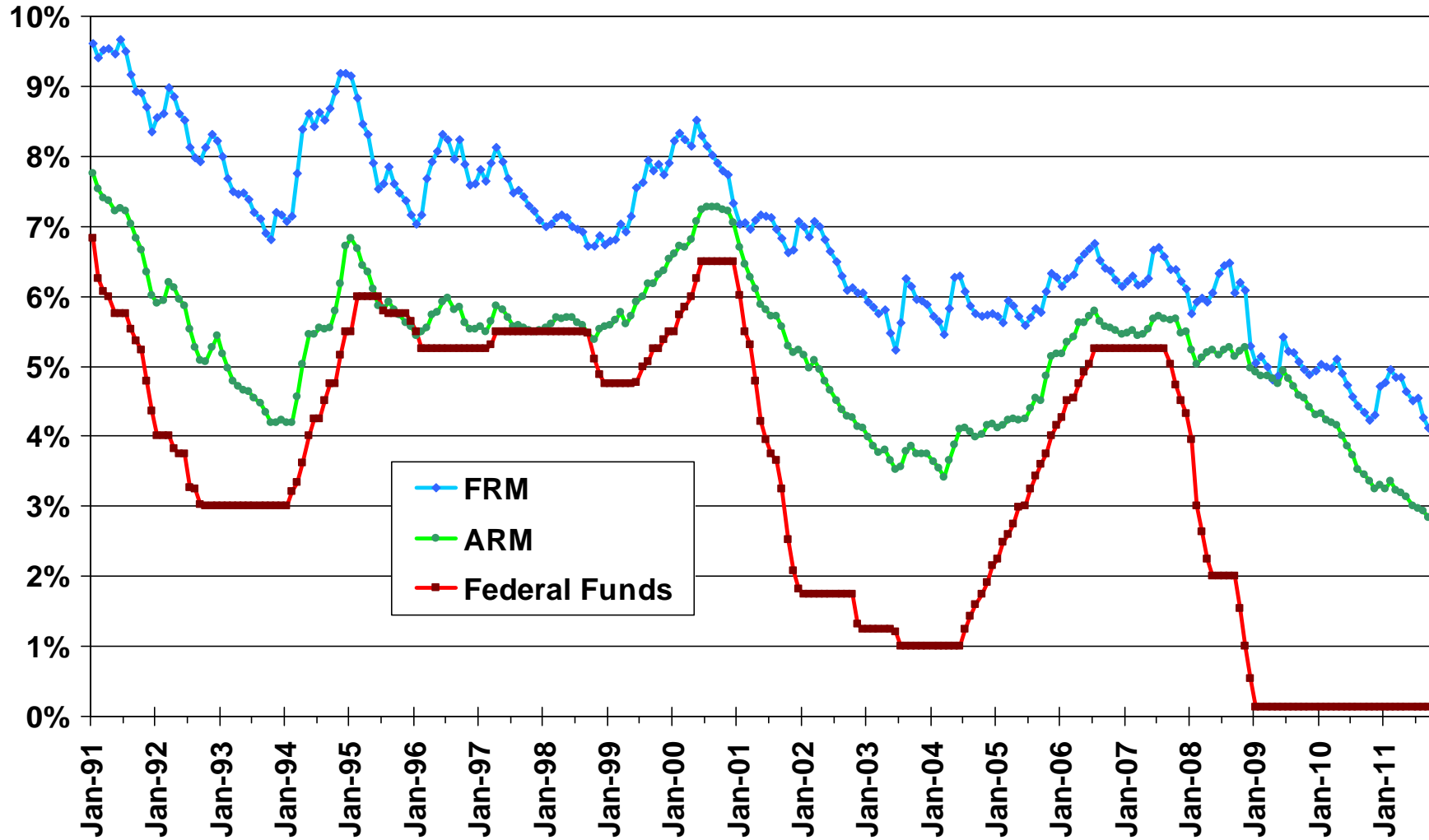
Contra Costa (Central County), 2nd Quarter 2011: 26%

% OF HOUSEHOLDS THAT CAN BUY



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

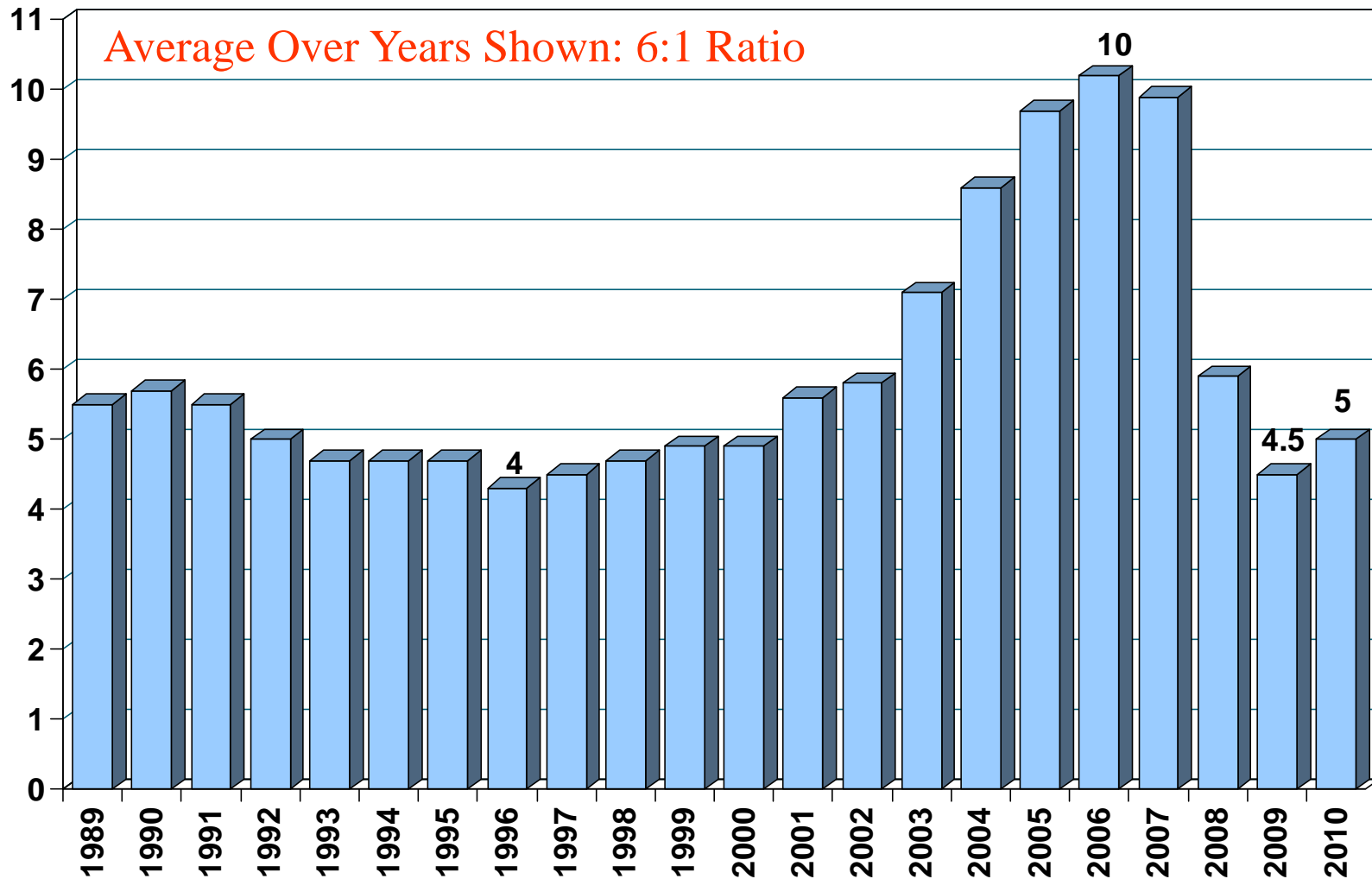
Mortgage Rates



SOURCE: Federal Home Loan Mortgage Corporation

Median Price to Median HH Income Ratio

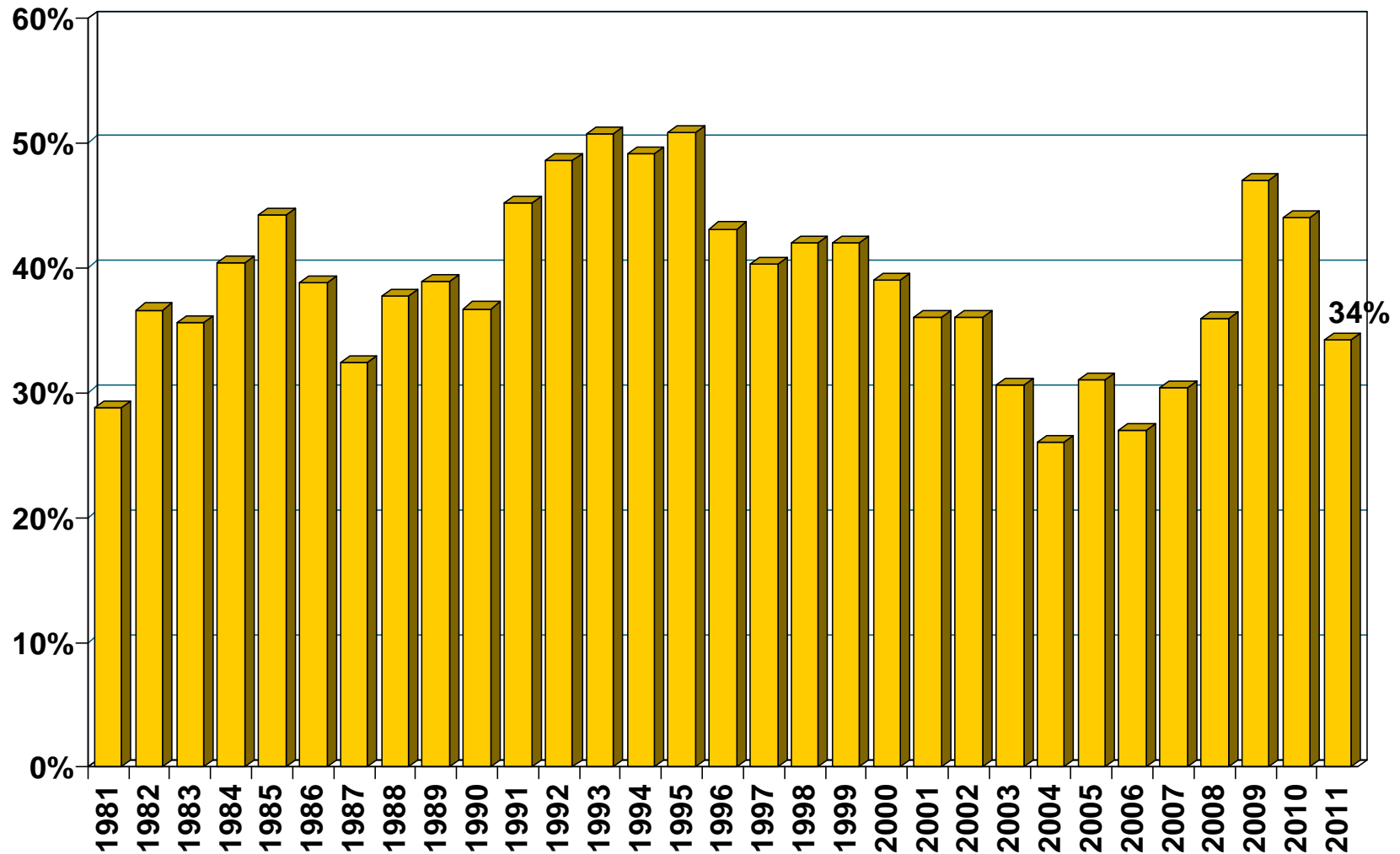
California



SOURCE: California Association of REALTORS®

Proportion of First-Time Homebuyers

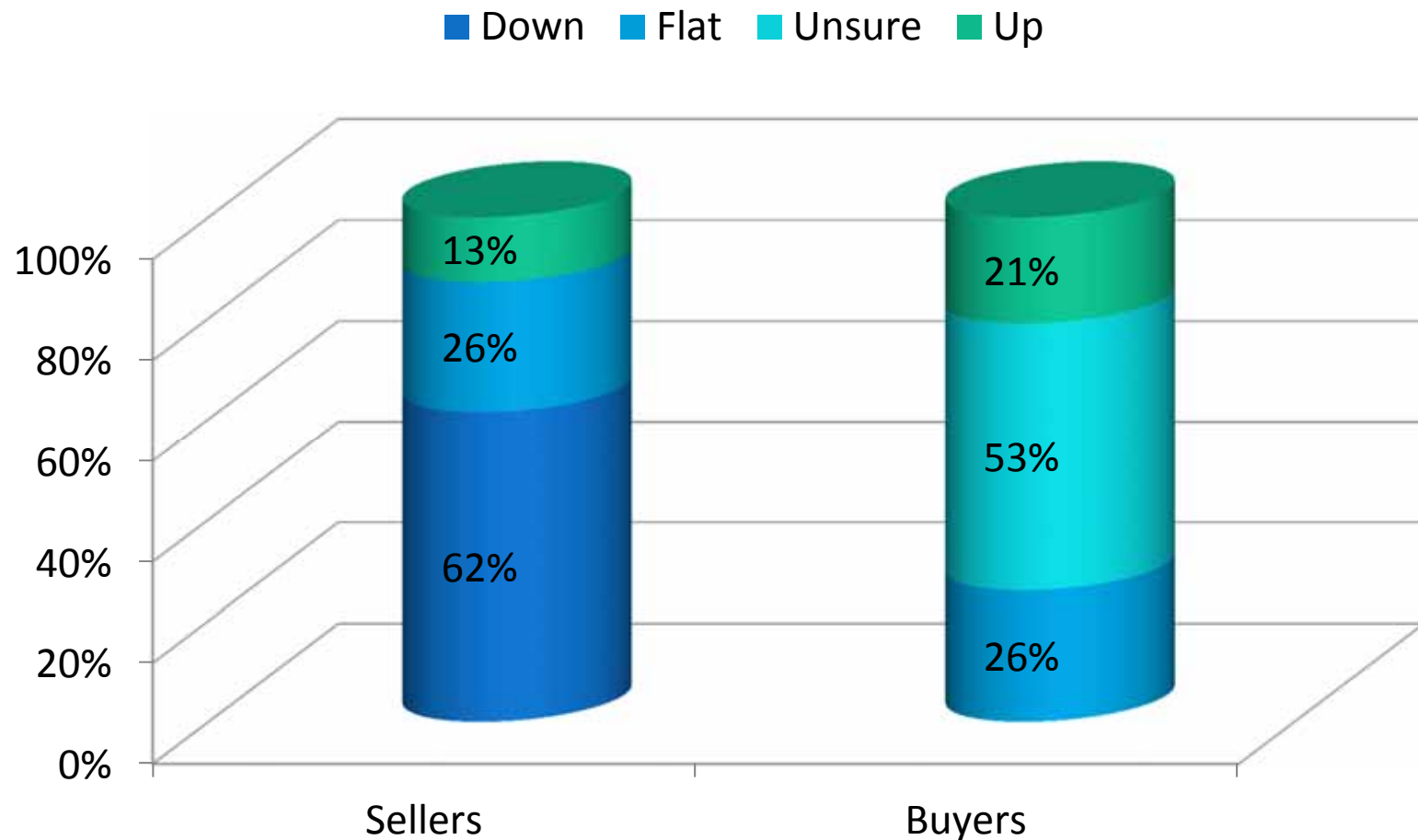
California



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Direction of Home Prices

- Sellers Skeptical, Buyers More Hopeful -

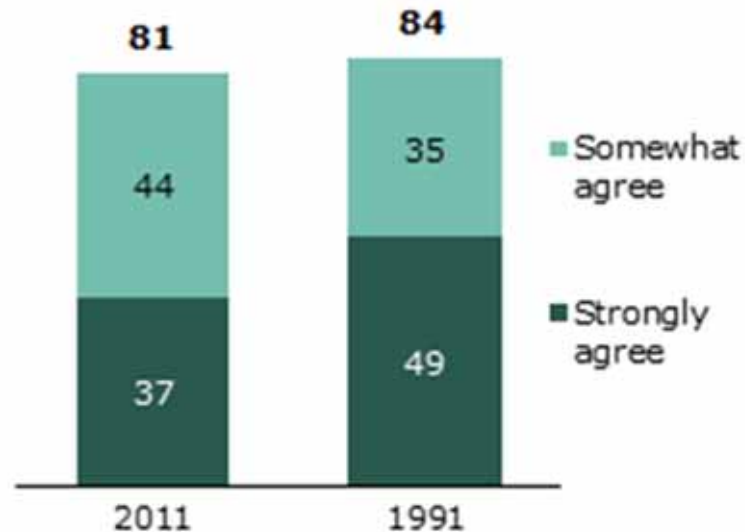


Q: Do you think home prices in your neighborhood will go up, down or stay flat in one year?

8 in 10 Americans Agree Buying a Home is the Best Investment One Can Make

Still the Best Investment

% who agree that buying a home is the best long-term investment a person can make



Note: 2011 results are from Pew Research survey conducted Mar15-29, N=2,142. 1991 results are from CBS News/New York Times, April 1991.

PEW RESEARCH CENTER Q.48

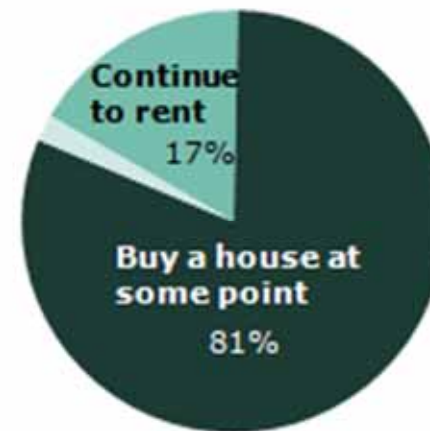
SOURCE: Pew Research Center's "Home Sweet Home. Still. Five Years After the Bubble Burst"

8 in 10 Renters Would Like to Buy in the Future

*“...renters are hardly immune to the allure of homeownership, even in the face of the five-year decline in prices. Asked if they rent out of choice or because they cannot afford to buy a home, just **24% say they rent out of choice.**”*

Rent or Buy?

What current renters would like to do in the future



Note: Based on renters, n=610. Don't know/Refused responses are shown but not labeled.

PEW RESEARCH CENTER Q.52

SOURCE: Pew Research Center's "Home Sweet Home. Still. Five Years After the Bubble Burst"

Summary

- Economy:
 - Recession over, slow recovery expected
 - Labor market: mixed signals, job growth slow
- Housing:
 - Slow improvement
 - Continued but decreasing numbers of distressed sales
 - Prices – stabilizing in 2012

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WHAT'S NEW

The Sales-to-List Price Ratio:
California home sales were weaker than expected in July as economic uncertainty continued to have a negative impact on consumer confidence. [MORE >](#)

July Pending Home Sales
California pending home sales dipped in July, as did the share of sales of distressed properties, C.A.R. reported today. [MORE >](#)

July sales and price report
California home sales decline in July, but still higher than a year ago, C.A.R. reports. [MORE >](#)

Downgrades, Debt Concerns, and the Impact on Mortgage Rates
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C.A.R. Q2
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The End - - Thank You