

Increase in Entry-Level Housing Affordability, Home Sales, Median Prices

The percentage of households that could afford to buy an entry-level home in California stood at 67 percent in the second quarter of 2009, compared with 49 percent (revised) for the same period a year ago, according to a recent report released by the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.). Another C.A.R. recent report shows home sales increased 20.1 percent in June in California compared with the same period a year ago, while the median price of an existing home declined 26.4 percent.

C.A.R.'s First-time Buyer Housing Affordability Index (FTB-HAI) measures the percentage of households that can afford to purchase an entry-level home in California. The Index is the most fundamental measure of housing well-being for first-time buyers in the state.

The minimum household income needed to purchase an entry-level home at \$224,180 in California in the second quarter of 2009 was \$39,930, based on an adjustable interest rate of 4.92 percent and assuming a 10 percent down payment. First-time buyers typically purchase a home equal to 85 percent of the prevailing median price. The monthly payment including taxes and insurance was \$1,330 for the second quarter of 2009.

At \$39,930, the minimum qualifying income was 34 percent lower than a year earlier when households needed \$60,460 to qualify for a loan on an entry-level home. Recent decreases in home prices and mortgage rates have brought affordability into better alignment with income levels of the typical California households, where the median household income is \$61,030.

The First-Time Buyer Housing Affordability Index declined 2 percentage points in the second quarter of this year compared with the first quarter of 2009, due to a 6.4 percent increase in the price of an entry-level home. At 86 percent, the High Desert region was the most affordable area in the state. The San Luis Obispo County region was the least affordable in the state at 50 percent, followed by the Orange County region at 53 percent.

"Many first-time buyers, especially those who were previously priced out of certain areas, are realizing that tax credits from both the state and federal governments, increased affordability, and low interest rates are creating a prime time to purchase a home," said C.A.R. President James Liptak. "June marked the 10th consecutive month of positive sales gains, and the fourth month of rising median home prices.

The median price of an existing, single-family detached home in California during June 2009 was \$274,740, a 26.4 percent decrease from the revised \$373,100 median for June 2008, C.A.R. reported. The June 2009 median price rose 4.2 percent compared with May's \$263,600 median price.

"Although another surge of foreclosures is expected later this year, demand remains strong, so the market may be able to absorb more distressed properties without significantly impacting the median price," said C.A.R. Chief Economist Leslie Appleton-Young.

Highlights of C.A.R.'s resale housing figures for June 2009:

- C.A.R.'s Unsold Inventory Index for existing, single-family detached homes in June 2009 was 4.1 months, compared with 7.6 months (revised) for the same period a year ago. The index indicates the number of months needed to deplete the supply of homes on the market at the current sales rate.
- Thirty-year fixed-mortgage interest rates averaged 5.42 percent during June 2009, compared with 6.32 percent in June 2008, according to Freddie Mac. Adjustable-mortgage interest rates averaged 4.93 percent in June 2009, compared with 5.15 percent in June 2008.
- The median number of days it took to sell a single-family home was 44.3 days in June 2009, compared with 49 days (revised) for the same period a year ago.

Beverly Scott, President

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