

Housing Market Remains Solid in Late Summer

Low prices, historically low mortgage rates, and tax credit incentives offered to first-time buyers, provided support to the California housing market to remain solid in the late summer. Despite a decline of 5.1 percent from the prior month, the seasonally adjusted annualized sales of existing single-family homes in August exceeded 500,000 for the twelfth consecutive month, and increased 9 percent year over year to 526,970 from 483,400 in the same month of last year. For the first 8 months of the year, sales statewide were 38.2 percent ahead of last year on a year-to-date basis; sales locally were 9 percent ahead of last year on a year-to-date basis.

The statewide August median price increased 2.6 percent month-to-month to \$292,960 from a revised July figure of \$285,480. Our local August median price increased 3.7 percent month-to-month to \$194,500. The statewide yearly decline, nevertheless, was the smallest in the last 20 months. In fact, the statewide median price increased for the sixth month in a row and the August median price was 19.5 percent above the recent low of \$245,170 reached earlier this year in February. The growth in price is due in part to the imbalance between supply and demand in the housing market. Although statewide sales were almost 40 percent stronger than last year on a year-to-date basis, inventory levels were 35 percent lower than a year earlier in August. The unsold inventory index was 4.3 months, a slight increase from 3.9 months a month earlier, but below the 7 month figure of a year ago. At 4.1 months, the 3-month average for the unsold inventory was well below the long run average of 7 months and has been displaying a declining trend throughout the past 19 months.

Supply was especially tight at the low-end of the market. The unsold inventory index for homes that were priced below \$500,000 was 3.4 months in August, as compared to 4.7 months for homes with price between \$500,000 and \$1 million, and 12.9 months for homes with price over \$1 million. The unsold inventory index was at 7.0 months, 6.8 months, and 11.0 months respectively for the same month last year. Tight inventory at the low-end market was largely attributed to the increase in the demand of entry-level homes by first-time buyers.

Results from the latest CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R) “Annual Housing Market Survey” suggest that nearly half of all buyers in 2009 are first-time buyers, up from 36 percent in 2008. First-time buyers are motivated to buy now because of the tax credit incentive offered by the federal government. According to the C.A.R. “2009 First-time Home Buyers Tax Credit Survey”, four out of ten (39 percent) first-time home buyers said they would not have purchased a home if the federal tax credit for first-time home buyers was not offered. Over nine of ten first-time buyers (94 percent) were aware of the tax credit before they purchased their homes, and 72 percent planned to apply for the Federal First-Time Home Buyer Tax Credit when they file their taxes.

The federal tax credit is a big factor in many first-time buyers’ decision to purchase a home: 69 percent of those surveyed said that the federal tax credit was either “very important” or “most important” in their home buying decision now. The Federal First-Time Buyer Tax Credit is scheduled to expire on November 30, 2009, but a 6-month extension is under consideration at this time. An extension, if passed by the legislation, will undoubtedly contribute to the recovery in the California housing market.

*Statewide information from California Association of REALTORS® Oscar Wei,
Senior Research Analyst.*

Beverly Scott, President
Yosemite Gateway Association of REALTORS®
www.ygaor.com – *Your Gateway to Real Estate*