

## California Housing Market Forecast for 2010 Predicts 3.3% Rise in Median Price

I attended the California Association of REALTORS® (C.A.R.) business meeting this past week in San Jose. Prior to the business meeting, C.A.R. held a conference and expo where they released the housing market forecast for 2010.

“California’s housing market continued its strong sales rebound this year, resulting from the continued pace of distressed properties coming to market,” said C.A.R. President James Liptak. “This follows two years of double-digit sales declines in 2006 and 2007. Looking ahead, we expect sales to moderate to a more sustainable pace.”

Liptak added that after experiencing its sharpest decline in history, C.A.R. expects the median price to rise modestly next year with 2010 marking the beginning of the ‘new normal’ for California’s housing market. This ‘new normal’ likely will feature a steady stream of sales driven by distressed properties in the low end of the market, coupled with moderate home-price appreciation.

The median home price in California will rise 3.3 percent to \$280,000 in 2010 compared with a projected median of \$271,000 this year, according to the forecast. Sales for 2010 are projected to decrease 2.3 percent to 527,500 units, compared with 540,000 units (projected) in 2009.

“Housing in California has become a tale of two markets,” Liptak said. “The low end continues to attract first-time buyers and investors, with a resulting shortage in the number of homes for sale. Sellers at the high end, however, continue to be challenged by the ability of home buyers to secure financing as well as their concerns about where prices are headed. While demand from first-time buyers for low-end properties will continue throughout next year, sales could be impacted if discretionary sellers do not return to the market by the second half of 2010.”

This year marked a unique opportunity for first-time home buyers. Liptak said homes were more affordable than they have been in years, interest rates hovered near historic lows, and the federal tax credit helped more than 1 million people become homeowners nationwide. He added, “Now is the time for Congress to extend the federal tax credit and to expand it to all buyers, not just first-timers.”

“With distressed properties accounting for nearly one-third of the sales in 2010, inventory will be relatively lean, under 6 months during the off-season months, and a roughly 4-month supply during the peak season,” said C.A.R. Vice President Leslie Appleton-Young. “We expect the median price to decrease slightly through the remainder of 2009 and into next year, then rise before leveling off next summer. For the year as a whole, home prices are forecast to reach \$280,000.”

“Although it appears at this time that lenders are closely monitoring the flow of distressed properties onto the market, there could be an exertion of downward pressure on home prices should a heavier than expected wave of foreclosures come to market next year,” she said.

“The wild cards for 2010 include foreclosures, loan resets, the labor market, and the California budget crisis, as well as the actions of the federal government,” Appleton-Young said.

### 2010 Forecast Fact Sheet

	2003	2004	2005	2006	2007	2008	2009 <sub>p</sub>	2010 <sub>f</sub>
<b>SFH Resales (000s)</b>	601.8	624.7	625.0	477.5	346.9	439.8	540.0	527.5
<b>% Change</b>	5.1%	3.8%	0.03%	-23.6%	-27.3%	26.8%	22.8%	-2.3%
<b>Median Price (\$000s)</b>	\$371.5	\$450.8	\$522.7	\$556.4	\$560.3	\$346.4	\$271.0	\$280.0
<b>% Change</b>	17.5%	21.3%	16.0%	6.5%	0.7%	-38.2%	-21.8%	3.3%
<b>30-Yr FRM</b>	5.8%	5.8%	5.9%	6.4%	6.3%	6.0%	5.2%	5.6%
<b>1-Yr ARM</b>	3.8%	3.9%	4.5%	5.5%	5.6%	5.2%	4.8%	5.2%

*Information from California Association of REALTORS®.*

**Beverly Scott, President**

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