

## YOUR MARKET UPDATE | AT-A-GLANCE

### Southern California Sales Volume Improves As Sellers Test the Market

As we launch into the summer home-buying season, homebuyers are getting the wind at their backs again. While they've been frustrated by strict lending standards since 2008, there's hope on the horizon that paying for a loan will be less expensive and loans will be slightly easier to obtain.

Long-term Treasury rates have fallen to 2.6 percent, which is causing mortgage interest rates to drop. Alongside better rates, home prices are reaching a plateau in many areas, allowing first-time and move-up buyers more opportunity.

More important, regulators that oversee the Federal Housing Administration and government-sponsored entities Fannie Mae and Freddie Mac agreed to make mortgage credit more available to homebuyers.

#### ADVICE FOR BUYERS

With credit easing and mortgage rates dropping, now is a good time to buy a home. It's clear that regulators want to make it easier to buy a home, but that could change with a booming economy. Incentives will be taken off the table. If you're an entry-level buyer, look into the HAWK program and see how much you can save in borrowing costs.

#### ADVICE FOR SELLERS

Home prices are still rising by the double digits, but the pace of gains is beginning to slow down. Buyers are experiencing sticker shock with over two years of year-over-year double-digit price increases and little inventory to choose from. In those circumstances, buyers tend to be more exacting and aloof. If you are pricing your home to sell, make sure your home's location and condition live up to its asking price.

HUD Secretary Shaun Donovan just announced a new four-year pilot program called HAWK (Homeowners Armed With Knowledge) that would reduce the fees borrowers pay to obtain FHA-guaranteed loans. In exchange for completing a credit counseling course, these borrowers will

before. Sales volume has fallen on a year-over-year basis for seven months, but April marked the smallest decrease since last October.

Dataquick analyst Andrew LePage said, "If the inventory grows more, which we consider likely, it's going to make it a lot easier for sales

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- Leslie Appleton-Young, Vice President and Chief Economist, C.A.R.

have their upfront mortgage insurance premium cut by half a percentage point and their annual premium will reduce by 10 basis points.

Mel Watt, the new director of the Federal Housing Finance Agency (FHFA), said he would not lower the maximum loan limits for Fannie Mae and Freddie Mac, currently \$417,000 in most markets. This is good news for high-cost areas such as California where conforming loan limits can reach \$625,500.

Easing mortgage restrictions could help many first-time and lower income homebuyers in California where home prices and housing sales are rising and affordability is declining. In April 2014, home prices rose 3.2 percent to \$449,360 – the highest level since December 2007.

Year-over-year, the median home price in California was 11.6 percent higher than the \$402,830 recorded in April 2013. Meanwhile, sales volume is down seven percent, largely due to still-low supplies of homes for sale.

In Southern California, housing sales rose more than usual in April over March, observed housing data aggregator Dataquick, but remained seven percent lower than the year

to reach at least an average level, which we haven't seen in more than seven years.”

Southern California housing sales volume is 17 percent below the 24,133 average number of homes sold in April, but 10 percent better than March sales volume. Median home prices in Southern California climbed to \$404,000, which is 13.2 percent higher than a year ago.

“Looking forward, it is likely that we will see a more moderate level of price increase throughout the rest of the year, and further improvements in sales in the spring home buying season,” said C.A.R. Vice President and Chief Economist Leslie Appleton-Young.

A slower, less frenetic pace in sales volume and home prices is a good thing and not necessarily a sign of a declining market. Rising inventories will give consumers more choice and the ability to make decisions without being as rushed, creating a more balanced market for buyers and sellers.