

YOUR MARKET UPDATE | AT-A-GLANCE

Home Equity Rises as Economy Improves

The current administration's latest Housing Scorecard from December 2013 reveals that homeowner equity rose 55 percent in a year or \$9.7 trillion.

Edward J. Szymanoski, associate deputy assistant secretary for economic affairs, said, "These are encouraging signs that the housing market recovery is providing millions of American home owners with more economic security."

Equity is improving because home values are back to where they were in early 2005, according to the Federal Housing Finance Agency, which oversees government-sponsored entities Fannie Mae and Freddie

Mac. For others, refinancing into lower interest rates is allowing some homeowners to pay more in principal.

In Southern California, housing sales fell to a six-year low in December as buyers struggled with tight supply. Southland median prices jumped to the highest level in nearly six years,

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Among the states with the highest percentage of equity-rich residential properties is California with 26 percent, as calculated by CoreLogic. In fact, the supply of distressed homes is the lowest since 2007 in some areas of the state, which is driving home prices higher and slowing the volume of transactions.

The California Association of REALTORS® reported that closed escrow sales of existing, single-family detached homes were 361,890 units, down 18.6 percent from a year ago. Median home prices were \$438,040, 19.7 percent higher than the previous year, marking 18 months of double-digit annual gains. Home prices are up 27.5 percent for 2013, partly on the increase in sales of higher-priced properties where tight inventory was less of a factor.

calculated DataQuick. Fewer distressed homes for sale resulted in less investor interest and a greater percentage of mid-to-high priced property sales.

"Sales have fallen short of the same period a year earlier for three consecutive months now, and the pitifully low inventory is the main culprit," says John Walsh, president of DataQuick. "The jump in home values over the last year suggests we'll eventually see a lot more people interested in selling their homes, which would help ease the inventory crunch. More supply would put downward pressure on prices, as would rising mortgage rates."

As the economy continues to improve, buyer demand should accelerate, despite higher prices for 21 consecutive months. With the median price sold in Southland at \$395,000, home values remain 21.8 percent below the \$505,000 median peak in summer 2007.

It's a great time to buy or sell a home.

ADVICE FOR BUYERS

With fewer distressed homes in the supply chain, buyers will do more negotiating with homeowners than banks. Few sellers will be interested in contingencies or performing repairs, so pick your battles carefully. Make an offer attractive enough to get the home you want, but insist on a comprehensive home inspection. You can always renegotiate price during the option period.

ADVICE FOR SELLERS

If you own a mid-priced to luxury-level home, the market is about to change. Be prepared for more competition from other homes and possibly for prices to plateau. Price your home to current market fundamentals, and put your home in white-glove condition. When supplies are plentiful, homes in top condition become more important to buyers.