

# YOUR MARKET UPDATE | AT-A-GLANCE

## Rising Home Prices Reflect A Positive Trend

In February 2014, sales volume was down 7.1 percent from February 2013, according to the National Association of REALTORS®. The steady increase in home prices is shutting some buyers out of the market.

But are higher home prices a bad thing? If you look at the mix of homes that sold in February, home prices could be rising for a very positive reason – fewer distressed homes.

Distressed homes, which include foreclosures and short sales, have been a big factor in housing sales for the last few years. They typically sell at a steep discount, bringing the price of neighboring homes down with them.

In February, distressed homes were 16 percent of national housing sales, compared with 25

percent only a year ago. This means fewer homeowners are underwater. They are able to sell their homes and get into more affordable

comparison, foreclosure resales in February 2009 were 58.8 percent of the market mix.

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homes. This translates into a more stable local economy which in and of itself puts a "floor," or firm foundation, under the housing market.

California foreclosed homes were down to 8.2 percent of the sales mix, from 17.9 percent a year ago. Short sales were 9.6 percent of the market, down from 22.4 percent the year before.

Like the nation, California sales prices were higher in February despite relatively low sales volume constrained by low supplies. The median home price as tracked by Dataquick was \$355,000, up 22.8 percent from a year ago.

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California sales volume was down 10.6 percent in February compared to the previous year. February's sales of approximately 25,680 new and resale homes were 18.9 percent below the average of 31,660 sales for all the months of February since 1988.

For perspective, median California sale prices peaked in 2007 at \$484,000 and sank to their lowest in April 2009 at \$221,000. By

Southern California home prices are nearly 20 percent higher than they were a year earlier, with a median price of \$383,000. Sales volume was nearly 20 percent lower – the lowest in six years.

While the median sale price has risen with double-digit gains for 23 consecutive months on a year-over-year basis, it remains 24.2 percent below the 2007 spring/summer housing peak, when the median price was \$505,000.

According to the California Association of REALTORS®, homebuyers are still struggling against tight supplies of homes for sale as well as higher prices. Distressed home supply in the lowest price points is depleted, but equity listing supply is beginning to improve. In the mid-priced range of \$300,000-\$750,000, inventory is up 27 percent, while \$1 million homes and above are up 13 percent from a year ago, just in time for the spring housing market.

Unsold supplies of existing, single-family detached homes for sale rose to 4.7 months on hand in February, up from 3.6 months the year before. Greater selection should provide buyers with some leverage against rising prices.

### ADVICE FOR BUYERS

Southern California home prices are about 25 percent from their peak, yet lenders may be exceedingly cautious. Support your offer price with at least three to five comparables that sold within the past quarter. Move-up buyers will have a better selection of homes this spring but they should act quickly. It's still very much a seller's market.

### ADVICE FOR SELLERS

Any signs of a slowing market are well worth noting. As home prices in Southern California continue to rise, some buyers will drop out of the market. Expect buyers to be pickier about price, condition and location, especially if comparable homes are better marketed. Mid-range homes should do well this spring as inventory constraints have inhibited sales volume until now.