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YOUR MARKET UPDATE | AT-A-GLANCE

Housing and the Economy Are Normalizing

The August Economic and Housing Market Outlook for Freddie Mac suggest that the nation is slowly heading toward a more normalized economy. The good news for buyers and sellers is that sales will once again be fueled by fundamentals.

For the past seven consecutive months, an average 230,000 new jobs were added to the labor force. Economic growth is expected to average 3.3 percent in 2015 with continuing declines in the unemployment rate.

"The economic growth and labor market gains we saw in the second quarter of this year are projected to continue," said Frank Nothaft, Freddie Mac vice president and chief economist, "strengthening household formations and the housing sector."

ADVICE FOR **SELLERS**

Demand is strong, but urgency is receding from the marketplace due to seasonal factors. That means more competition from other similar homes for sale, so distinguish yourself as a seller by offering to help buyers with closing costs, leaving the refrigerator, paying HOA fees for six months or other incentives. What you don't to chance is your home sitting unsold in a sudden slowdown in the market.

ADVICE FOR **BUYERS**

Now that the summer selling season is over and families with children are situated in the school districts they want, buyers can take advantage of greater selection in the marketplace with fewer competitors. With the average loan taking approximately 45 days, buyers can be in their homes by the holidays.

Housing formations are the foundation of housing, yet for the past year, net household formations totaled 458,000. That is less than half the long-term average of 1.17 million, according to the Census Bureau.

U.S. population growth has slowed, but it's still expanding by about three million people a year. The number of persons per household has increased by 2.6 percent since 2005, going from 2.69 to 2.76 persons per household. The result is that the number of households that would have formed normally is short by approximately 2.5 to 3 million, according to the Harvard Joint Center for Housing Studies.

Three million households mean pent-up demand, especially when it's coupled with the lowest monthly mortgage payment-to-rent ratio in more than 35 years. Even with some increase in house prices and interest rates, the ratio will remain relatively low, concludes Freddie Mac economists.

The Labor Department announced in August that the economy is picking up. From July 2013 through July 2014, the Consumer Price Index increased 2.0 percent. Rents, which account for one-third of the CPI, are up 2.9 percent year-over-year, making buying a home more attractive for some households.

The California economy is the eighth-largest in the world, according to the Center for Continuing Study of the California Economy. "California's economy benefits from diversity and job growth that has expanded beyond the tech industry in recent years," said Steve Levy, director of the center.

California housing sales rose in July while appreciation slowed to more normal levels according to the most recent report from the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.). At approximately 398,940 existing detached homes sold, the month of July marks the ninth straight month that sales were below the 400,000 level and a year that sales have declined on a year-over-year basis.

Statewide, the median price of an existing, single-family detached home was $464,75, up 7.1 percent from the previous year. The median home price has increased year over year for the previous 29 months, but is down from double-digit price increases a year ago.

According to DataQuick, Southern California home sales fell to a three-year low for the month of July. Supply is still short of demand, and the median sale price rose at the slowest pace in more than two years.

DataQuick tallies new as well as existing homes and condominiums, reporting the 20,369 units sold in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties in July. Sales volume is down 12.4 percent from 23,253 sales in July 2013.

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Sales volume is below the long-term average and 19.4 percent below the 25,269 sales a year ago. Meanwhile, the median price was $413,000, up 7.3 percent from $385,000 in July 2013. Lack of inventory, rising prices and still-tight lending standards are inhibiting sales volume, which puts a damper on double-digit price increases. This creates positive momentum toward a more normal housing market with high enough appreciation to satisfy sellers, but slow enough price gains to please buyers.