MarketSnapshot

CALIFORNIA ASSOCIATION OF REALTORS®

Home Prices Softened as Sales Remained Solid at the Start of 2010

After 21 months of consecutive year-over-year gains, the California housing market experienced its first back-to-back sales decline since early 2008. The seasonally adjusted annualized sales of existing single-family homes decreased 12 percent year-over-year to 528,930 in February, after dropping 10 percent in January.

Increase in Distressed Sales Reversed Price Trend

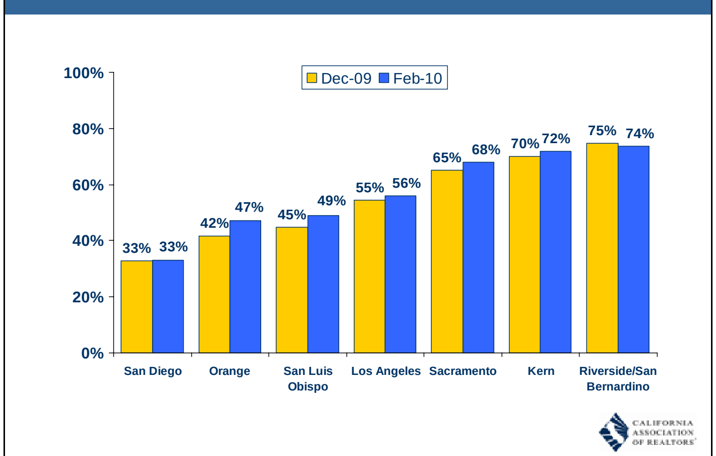
The median home price decreased 2.4 percent on a month-to-month basis to $279,840 in February from $286,600 in January. The month-to-month declines in the first two months of the year ended a 10-month long streak of monthly gains in the median price. Still, the February median price was 14.1 percent higher than the revised median of $245,230 for the same month of last year, the trough for the current cycle. The year-to-year increase was the second largest in over five years.

While the month-to-month decline in February 2010 was more significant than the 30-year historical monthly average change of zero percent, the drop of 2.4 percent from January 10 to February 10 was generally in line with the price trend the market experienced in the last several years. From 2003 to 2009, the median price on average declined 2.1 percent from January to February.

The statewide median price declined for the last two months after peaking at the end of last year partly because of the change in the mix of sales. The market segment of homes priced under $500,000, which had averaged 75 percent of the market for the second half of 2009, increased to 77.4 percent in January, and remained at 77.2 percent in February. This increase in the share of lower-end home sales was attributed in a large part to an increase in distressed sales and placed downward pressure on the median price. While statewide statistics were not available, data from selected counties suggest that the ratio of distressed sales to total sales rose slightly from the end of last year for most regions in the state. Orange County, for example, increased from 42 percent in December 2009 to 47 percent in February 2010; San Luis Obispo increased from 45 percent to 49 percent; and Sacramento increased from 65 percent to 68 percent.

Sales Declined But the Lower-Priced Market Segment Remained Strong

Distressed Sales to Total Sales Ratio



February sales dropped by 2.2 percent on a month-to-month basis when compared to January 2010. Despite the declines, home sales remained above 500,000 for the eighteenth consecutive month (since September 2008). The spur in home sales in the lower-priced market segment discussed earlier was indicative of the continued interest in the purchase of entry-level homes, as many first-time buyers were motivated by the tax credit that was extended and expanded through April of this year. With continued demand in this segment of the market from first-time buyers and investors, sales of homes under $500,000 held up better than the rest of the market. As a result, the change in the mix of sales lowered the general price level accordingly, and the median home price declined more significantly from last month than it would have otherwise.