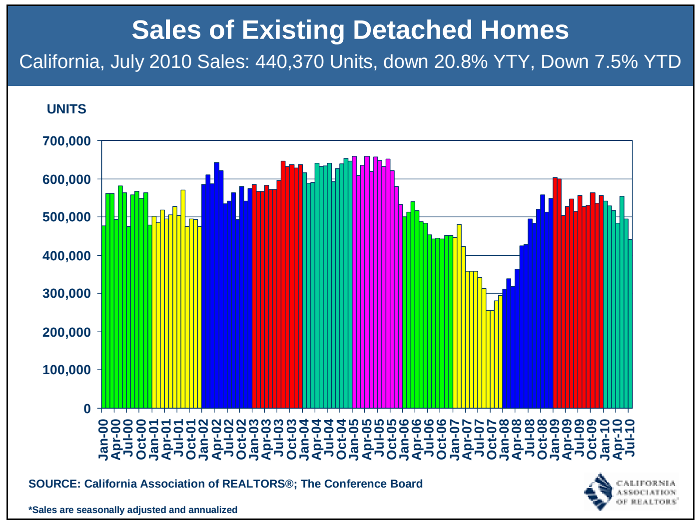
MarketSnapshot
CALIFORNIA ASSOCIATION OF REALTORS®

Home Sales Remained Stagnant after Tax Credits Expired

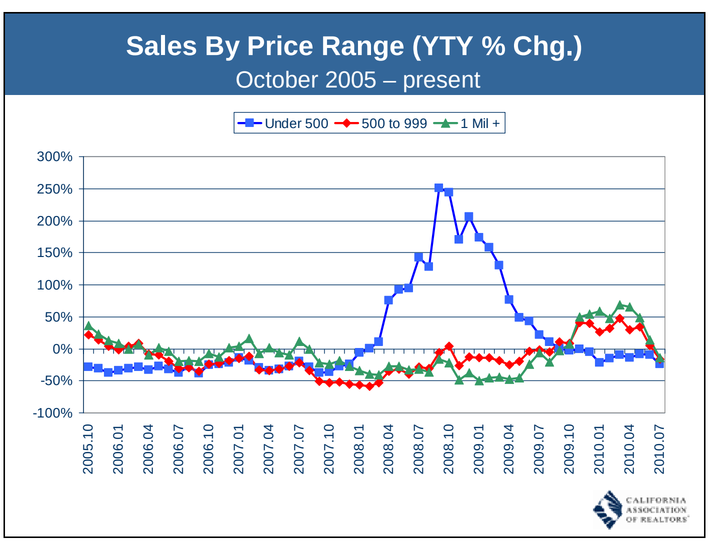
Sales of existing single-family homes in California fell by more than 10 percent in July, and hit the lowest level since June 2008 when sales were at 427,910. Existing single-family home sales registered a seasonally adjusted annualized rate of 440,370 in July, decreasing 10.9 percent from June, and dropping 20.8 percent from July 2009. Although this was the first back-to-back double-digit monthly decrease since early 2007, monthly sales remained well above the cyclical trough of 254,650 sales that occurred in October 2007.

Tax Credits Pulled Forward Sales That Would Have Closed in June or July

The decline in sales in the last two months suggests that the strength in May activity that was driven by home buyer tax credits likely pulled forward a number of sales that otherwise would have closed in June or July. Raw (not seasonally adjusted) sales in all price segments fell in July as the impact of the tax credits diminished, but the decline was more significant in the lower-priced segments. Sales under $500,000 dropped 23.8 percent on a year-to-year basis in July, while sales in the middle tier ($500,000 to $999,999) decreased 16.2 percent, and sales of $1 million and above decreased 13.6 percent. Sales in the lower-priced segment (under $500,000), in fact, have been declining since October of 2009, but the July's decline was the largest since November 2007. Meanwhile, sales in the higher-priced segments ($500,000 to $999,999 and $1 million and up) had been performing relatively well since last fall until the current month.



Sales in the Second Half of 2010 Will Likely Be Lower Than in the First Half of the Year



The increased momentum of sales in the high-end markets was due primarily to greater availability of financing, especially at the jumbo level. Despite the dip in July, sales in the middle tier and the high-end markets will likely stabilize for the remaining of the year. Sales of homes with price above $500,000 in 2010 will probably be slightly higher than their sales level in 2009. The outlook for the lower-priced segment, however, is not as encouraging, as the expiration of the tax credits affects more home sales in this tier. Sales for the below $500,000 market in the second half of 2010 will likely be lower than that in the first half of the year, and sales for the entire year will fall from the level in 2009. With sales in the lower-priced tier making up nearly three quarters of total home sales, overall sales for 2010 will decline modestly from 2009 to the low 500,000 range.