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## California Market Watch, December 4, 2008

# Bargain shoppers drive resale market

After reaching a peak in January 2005, California existing home sales trended downward to hit an all-time low one year ago reaching an annualized pace of 265,030 sales. Since then, the resale market has staged a remarkable comeback almost doubling its annualized volume to 502,190 in September 2008. Buyers that were previously shut of the housing market are now motivated by plummeting home prices. According to the latest figures released by Dataquick, Southern California's existing home market has seen a similar trend with resale volume increasing 67% for the month of October.

- **Distressed properties account for 51% of existing home sales throughout the Southland.** By comparison, foreclosures represented only 5% to 15% of existing home sales during the heyday. The region's more affordable markets have realized the most foreclosures, along with the sharpest price declines. Roughly two-thirds of Inland Empire resales are fueled by foreclosures, still attracting commuter bargain hunters looking for a more affordable housing option from the higher priced coastal counties. On the other hand, Orange County's traditional sellers market is still prevalent with sales of foreclosed homes accounting for just 40% of existing home sales. With fewer foreclosures on the market, Orange County appears to be holding onto its median price a little tighter.
- **Median resale prices still finding bottom.** In October, Southern California homeowners lost nearly one-third of their home values over the past year. Foreclosures and distressed sales tend to be "under-priced", as lenders under-cut the market in order to quickly move homes off their books. However, when these homes make up 40% to 68% of the resale market, it tends to negatively affect the median home price. Homeowners must now compete with distressed sale pricing, putting them in a bind when they want to refinance or sell.
- **More Hope for Homeowners?** With the passage of the Hope for Homeowners program earlier this year, the government is acutely aware of the mortgage crisis, and yet we have seen no concrete plan to stem the tide of foreclosures. Most government aid for homeowners is targeted toward those already behind on their mortgages. There are a number of potential ideas being tossed around by government officials and financial industry lobbyists alike, although most are aimed toward coaxing more buyers into the marketplace rather than helping existing homeowners stay in their homes. Lobbyists have asked the Treasury to consider lowering rates to 4.5% for purchases under the FHA cap, in effect offering the lowest possible rate since the 1960s. Alternatively, a housing coalition is encouraging another plan that would offer homebuyers a \$22,000 tax credit.

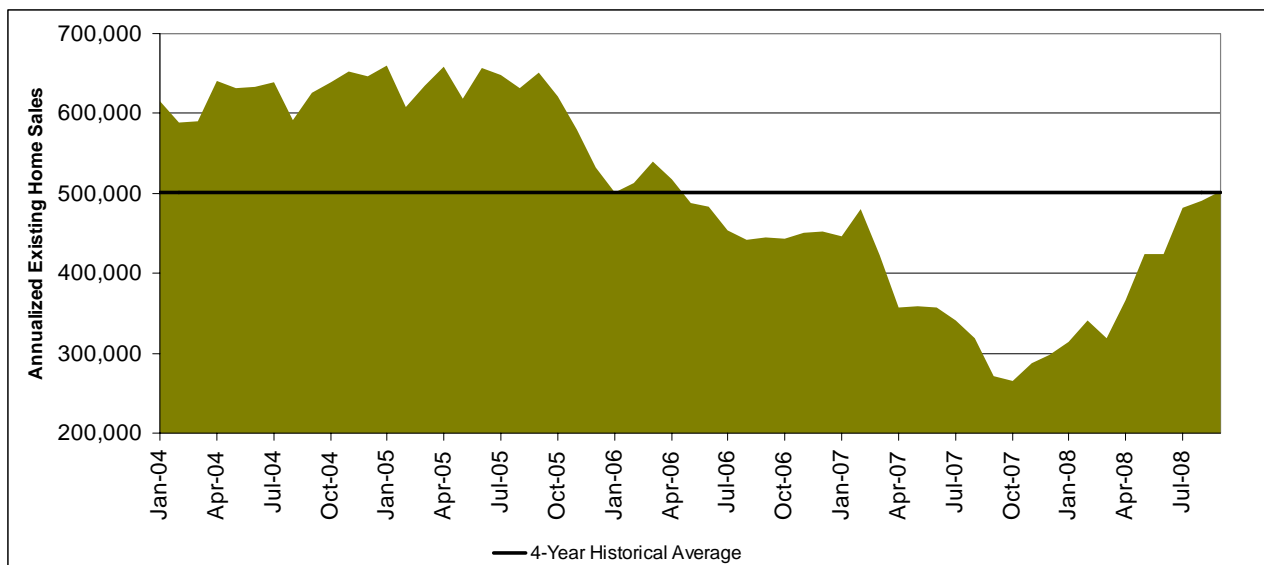
## Southern California Existing Home Sales

County	Sales Volume			Foreclosure Resales	Median Resale Price		
	Oct. 2007	Oct. 2008	%		Oct. 2007	Oct. 2008	%
Los Angeles County	4,368	6,824	56.2%	40.3%	\$500,000	\$355,000	-29.0%
Orange County	1,700	2,833	66.6%	39.2%	\$573,750	\$420,000	-26.8%
Riverside County	2,377	4,619	94.3%	67.7%	\$356,300	\$230,000	-35.4%
San Bernardino County	1,603	2,856	78.2%	65.2%	\$330,000	\$200,000	-39.4%
San Diego County	2,327	3,598	54.6%	46.8%	\$460,000	\$323,500	-29.7%
Ventura County	538	802	49.1%	47.0%	\$535,000	\$375,000	-29.9%
<b>Southern California</b>	<b>12,913</b>	<b>21,532</b>	<b>66.7%</b>	<b>50.7%</b>	<b>\$445,000</b>	<b>\$300,000</b>	<b>-32.6%</b>

SOURCE: DataQuick Information Systems; Meyers Builder Advisors

NOTE: Foreclosure resales reflect sales of homes that foreclosed upon in the last year.

## California Annualized Existing Home Sales January 2004 – September 2008



SOURCE: California Association of Realtors; Meyers Builder Advisors

## About Meyers Builder Advisors

[Meyers Builder Advisors](#) brings together a talented pool of consultants with a strong understanding of the homebuilding industry and the market dynamics that drive it. Combined, the team boasts over 100 years of market experience, with a wide range of services including site specific analysis, product development, strategic planning and land acquisition services. The group has advised on a wide range of residential product types throughout the United States and has successfully assisted a long list of builders, developers, and financial institutions.

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