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Have New Home Sales Finished their Dive?

The sales volume decline that began in 2007 was slight compared to the havoc experienced in 2008 for the new home market. With drastic price declines, short sales and foreclosures fueling the resale market, new home sales levels finished the year down 35% to 55% for detached homes and 25% to 70% for attached homes across the Southland. Not surprising, the largest declines were posted in the Inland Empire where the region lost almost 24,000 jobs. We look to regional employment to permit ratios to see which areas are accounting for their job losses by reducing permit issuance, and which areas will continue to see drastic sales volume reductions.

- **Detached sales declines were milder in Orange and San Diego Counties, attached in Orange and Ventura Counties.** While these coastal areas seem to be holding onto their sales levels the tightest, they also have the lowest volumes overall. Orange County finished the year with the smallest decline from 2007 levels, but only recorded 1,969 sales. Predominantly a strong attached market, San Diego County saw a more mild 37% drop in detached sales, but a severe 70% decline in attached sales. Riverside and San Bernardino Counties as a group saw their new home sales cut in half by year end.
- **E/P ratios are negative across all Southern California Counties.** With job losses recorded in all counties, this is one area where size really does matter. A high negative number here reflects a county in trouble with steep job losses, but that new permit issuance has been curbed and is countering these losses. The lower level of permits approved increases the number but positions that county to better absorb existing inventory, like Orange and Ventura Counties. While a lower figure, as recorded in Los Angeles and Ventura Counties, shows the county is still approving one new housing unit for every job lost, which is counterintuitive to controlling supply. Regardless of the size of the negative E/P ratio, the counties that can generate jobs and approve fewer permits will be able to turn around faster, and experience price and sales increases sooner, than those counties that are not working to wrangle in their inventory.

2008 Southern California New Home Sales Volume

County	SFD New Home Sales			Attached New Home Sales		
	2008	2007	%	2008	2007	%
Los Angeles	1,388	2,592	-46.5%	2,167	4,247	-49.0%
Orange County	790	1,216	-35.0%	1,179	1,643	-28.2%
Riverside	5,051	9,811	-48.5%	513	964	-46.8%
San Bernardino	1,819	3,950	-53.9%	507	846	-40.1%
San Diego	1,438	2,268	-36.6%	1,204	3,967	-69.6%
Ventura	272	610	-55.4%	334	447	-25.3%

SOURCE: HWMI

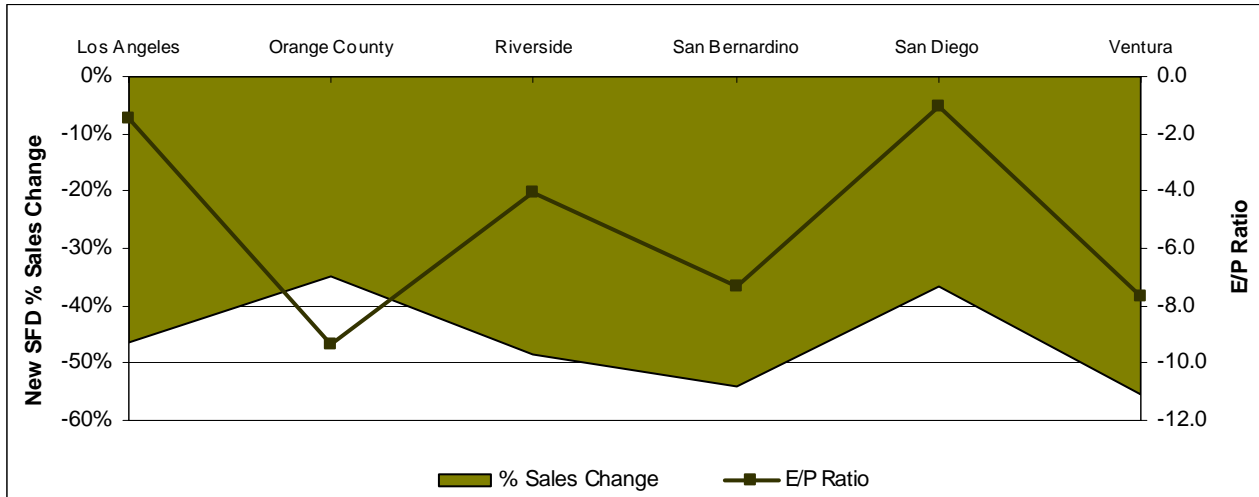
2008 Southern California Employment/Permit Ratio

County	2008 Job Growth	2008 Total Permits	E/P Ratio
Los Angeles	-19,867	13,886	-1.4
Orange County	-29,558	3,156	-9.4
Inland Empire	-23,883	9,180	-2.6
San Diego	-5,417	5,153	-1.1
Ventura	-6,500	845	-7.7

NOTE: Job data reflects the annual average job growth for seasonally adjusted non-farm figures. Riverside/San Bernardino permits and job growth combined.

SOURCE: EDD, HWMI

Historical SFD Sales Volume



SOURCE: HWMI

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