

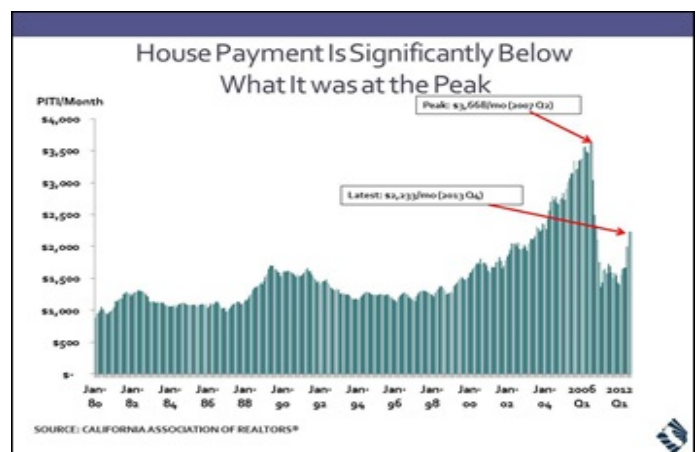
### Discouraged traditional home buyer?

We are at the doorsteps of the busiest time of the home-buying season. Yet, what is going on with the housing market? Sales of existing detached homes in California leveled off in February after a significant slowdown during the winter. Sales are in fact at the lowest level since the market started recovering in 2008. For a long time, we contributed the slow inventory to a lack of sales activity, but while low inventory of homes available for sale restrained sales for most of the last year, raw inventory appears to be gaining some traction. Raw inventory increased 5.5 percent from January 2014 and 12 percent from a year ago. Nevertheless, inventory is still very limited in the lower price segment of the market, falling seven percent from the previous year, while the inventory of homes priced at \$1 million and higher increased 13.1 percent from last year.

What else is at play? A drop in investor demand, for one. Following rapid home price appreciation, tightening inventory of distressed properties and increased mortgage interest rates, the volume of investor purchases has slowed down by about a third from last year. Investors coupled with international buyers created a very competitive market for traditional buyers. Both investors and international buyers, often times, are able to purchase properties with cash, thus are not subject to the stricter mortgage lending environment. C.A.R.'s 2013 International Client Survey shows that international home buyers who worked with a REALTOR® purchased a property with all cash in almost 80 percent of transactions. They also generally had a much higher income, with the median at \$260,000, compared to a median annual income of approximately \$100,000 for traditional buyers.

Most of the international buyers in California come from Asian countries, primarily. While investor demand is waning, demand from international buyers is still relatively strong in some parts of California.

Unfortunately and for the reasons just mentioned, the biggest missing component in the current market is the traditional buyer, and especially the first-time buyer--many of whom are still living at home with their parents. California, in fact, has the highest share of young people still living with their parents. The share of young adults living with their parents in California is slightly under 40 percent. This is up from the historical average of about 30 percent. Nevertheless, an improving job market will give some much needed support to traditional home buyers. California's employment numbers showed solid growth for February, in addition to the upward revisions to last year's numbers. And while job gains were fairly broad based in February, three industries clearly stood out: construction; professional, scientific and technical services; and wholesale trade. The recovering job market, along with increased personal income are critical for the traditional buyers who are dealing with rising home prices, high competition and tight inventory. However, it is important to keep in mind that house payments are still significantly below what they were at the peak. A monthly payment for a median priced home at the peak was \$3,668, while a median priced home today requires a payment of \$2,233. That's almost a 40 percent lower monthly payment than at the peak of the housing market in 2007.

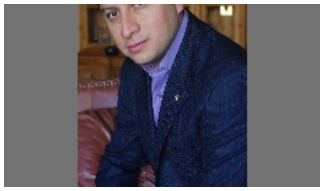


Brought to you by:



Hugo Torres

Office: 626-445-5500



**REALTOR®**  
**Coldwell Banker Arcadia**  
**15 E Foothill Blvd**  
**Arcadia, CA 91006**

*Cellular:* 626-415-8559  
*Email:* [hugo@hugotorres.com](mailto:hugo@hugotorres.com)  
*Website:* <http://www.hugotorres.com>  
*BRE License:* 01457023