



DOUBLE-DIP REAL ESTATE MARKETS / NONE IN CALIFORNIA

by Mark Schniepp

While some analysts speculate that the worst is over for the US housing market, recent data suggest that a few cities are not that lucky. Just as equity investors worry about a “double-dip” in US stocks, several housing markets are already beginning to resemble this troublesome up-and-down pattern.

Real estate website Zillow.com has run an analysis of month-by-month changes in home prices and has identified 12 metropolitan areas that show a new pattern of decline following a sustained period of recovery over the past year.

The recent turnaround in prices (from rising to falling again) are driven mostly by foreclosures, increasing mortgage rates and imbalances in supply and demand. There is a general consensus among economists that selling values for homes will continue their current downward trend in these areas into the summer of 2010.

The soft real estate market is clearly perpetuated by high unemployment, as well as high negative home equity.

The Zillow “Double-Dip List” of 12 cities experiencing a relapse in home prices is shown here. If the list was extended to include probable double dip cities (but not there yet) it would also include Boston, Denver, Tallahassee, and Cape Cod, among others.

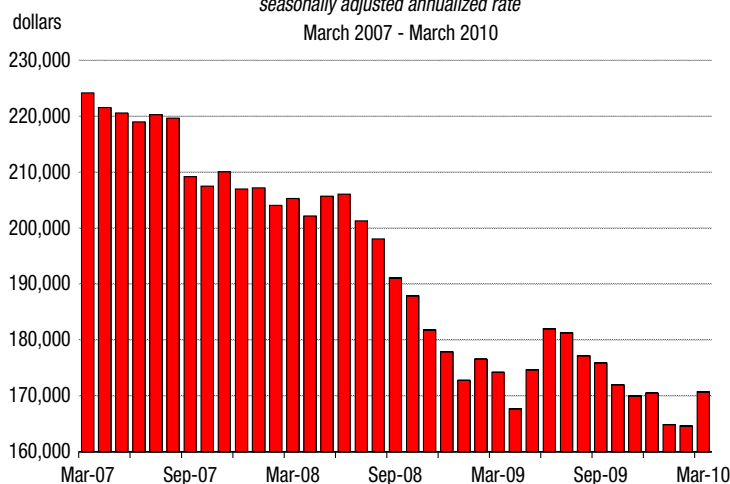
America’s Double-Dip Real Estate Markets

- Augusta, Georgia
- Greeley, Boulder, and Colorado Springs, Colorado
- Columbus, Ohio
- Harrisburg, Pennsylvania
- Providence, Rhode Island
- Little Rock, Arkansas
- Green Bay, Wisconsin
- Lancaster, Pennsylvania
- Greensboro, N.C.
- Lincoln, Neb.

The double-dip metro areas are mostly Rust-belt areas of the U.S. and old tired towns. Colorado was also on the list with 3 cities.

What is notable is the *absence of any California markets* on the list. While we have observed some plateauing of home prices in California communities over the last 6 months, bona fide evidence of a double-dip relapse in housing values is non-existent. The most recent information on home selling values in California (through March 2010) shows stable to rising prices in all major cities in the state.

Median Home Selling Price / U.S.
seasonally adjusted annualized rate
March 2007 - March 2010



State’s median home price jumps

ALEJANDRO LAZO

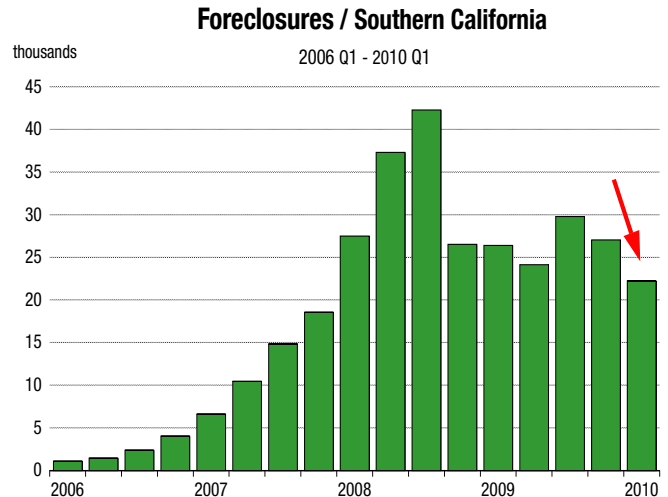
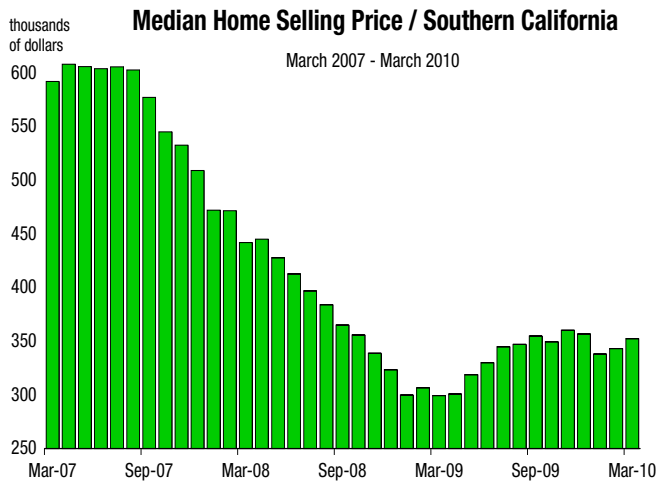
The median price paid for a California home in March jumped 14.3% compared with the same month last year, reflecting a reduction in the number of foreclosure properties on the market and the comeback of higher-priced coastal areas.

out or risen modestly, while they remain soft in others.” Statewide, the median price paid for a home in March was \$255,000, up from \$223,000 in March 2009. It was the fifth consecutive year-over-year increase after 27 months of declines. California’s median home price increased 2.4% from \$249,000 in February.

A relapse in home values is unlikely, because the economy is clearly improving and homeowner distress (in California) is moderating. The number of foreclosures during the first quarter of 2010 continues to decline.

As the labor markets expand, the demand for homes will accelerate and selling values will rise. Are you preparing to ride the roller coaster up again?

There is no double dip forecast for the general economy. The recovery is currently gaining traction and there is greater likelihood now that a full fledged expansion will occur as 2010 transitions into 2011.



Median Home Selling Price Southern California Counties		March 2010	
County	March 2010	% change from March 2009	% change from peak price
San Diego	\$393,600	+20.4	-36.8
Orange	\$493,120	+10.9	-33.7
Los Angeles	\$329,190	+11.6	-45.8
Inland Empire	\$184,930	+10.5	-54.9
Ventura	\$444,890	+21.9	-37.4
East County	\$482,808	+15.1	-31.7
West County	\$402,875	+13.6	-37.8
Santa Barbara	\$367,500	+26.2	-59.1
North County	\$242,970	+6.5	-49.4
South County	\$890,000	+11.6	-43.1
Southern California	\$352,408	+17.7	-42.0

Source: California Association of Realtors

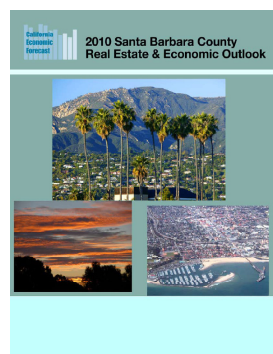
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