



WBC's Market Summary

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California Market Report

<i>April, 2011</i>	Current Period	Last Period	Last Year	Month-to-Month Change	Year-to-Year Change
Existing Home Sales	497,600	547,080	518,390	-9.0%	-4.0%
Median Home Price	\$271,320	\$279,140	\$278,190	-2.8%	-2.5%
Unsold Inventory Index	7.3 months	6.7 months	6.0 months	9.0%	21.7%
Median Days On Market	64.4	61.8	39.2	4.2%	64.3%
30-Year Fixed Mortgage	4.95%	4.76%	4.99%	0.19%	-0.04%

Source for statistics: California Association of Realtors

California Market Analysis



Since the real estate market has suffered a 30% to 40% decline in prices over the last five years, many are questioning whether owning a home is still part of the American Dream. Let's unpack the benefits of owning vs. renting. There is no question that renting generally allows greater flexibility if you decide to relocate. But with home ownership, you decide if you want to relocate, not the landlord. In recent years, renters have been surprised to see that rental prices have increased significantly and the supply of rental properties has diminished. This is due to the increase in demand from homeowners who have lost their homes. Other advantages of home ownership include the tax advantages, pride of ownership, and long-term appreciation. Some are questioning the validity of the long-term value of real estate. The U.S. Census Bureau has been recording home prices in the US since 1963. Here are some of the recorded median prices: 1963=\$18,000, 1970=\$23,400, 1980=\$64,600, 1990=\$122,900, 2000=\$169,000, and 2010=\$221,000. Most things cost more today than they did in 2010; however, home prices stack up well against other investments. Long-term value is even better when you consider the leverage factor. Suppose you buy a home for \$300,000 and put 20% down (\$60,000). If your home appreciates 5% in a year to \$315,000, the increase in your initial \$60,000 investment is \$15,000 or 25%. When you take into account long-term appreciation, the tax benefits, and the leverage factor, you can see that the American Dream of home ownership still lives on!

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