



Affordability the Fundamental Story Now

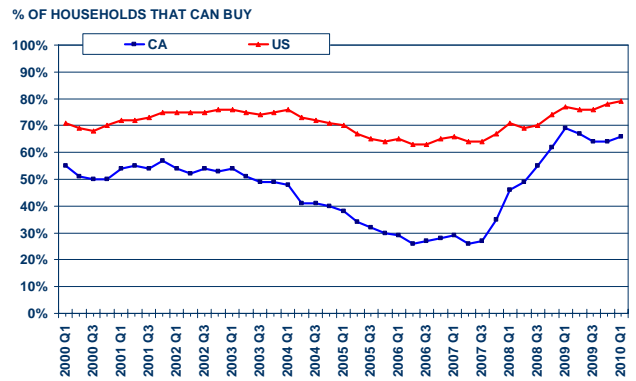
Statewide existing single-family home sales fell below the 500,000 mark in April for the first time in more than a year and a half, yet the statewide median price remained above \$300,000 for the second month in a row. There are several factors at play in the marketplace today, but the overlap between the expiring Federal Home Buyer tax credit and the California state tax credit may have pushed a number of potential April closings into the next month, as buyers sought to qualify for both.

2/3rds of California Households Can Afford To Buy...

Tax credits notwithstanding, affordability remained in record high territory in the first quarter of 2010. C.A.R.'s First-time Buyer Housing Affordability Index, which measures the share of all households that can afford the entry-level home, hit 66 percent in California. That meant that nearly two-thirds (66 percent) of California's households could afford a home at an entry-level price of \$246,270 (defined as 85 percent of the median home price). (The index is calculated based on an entry-level home price, a 10 percent downpayment, an ARM effective composite rate, and a 40 percent debt-qualifying ratio.) The Index reached a historic high in the first quarter of 2009 at 69, when home prices in much of the state hit bottom in the current cycle. The monthly payment (including taxes and insurance) on the typical entry level home in the first quarter of this year was \$1,380, \$1,810 lower than the peak of the market when the monthly payment was \$3,190 (Q2-2007).

First-time Buyer Housing Affordability Index

California Vs. U.S. 2000-2010



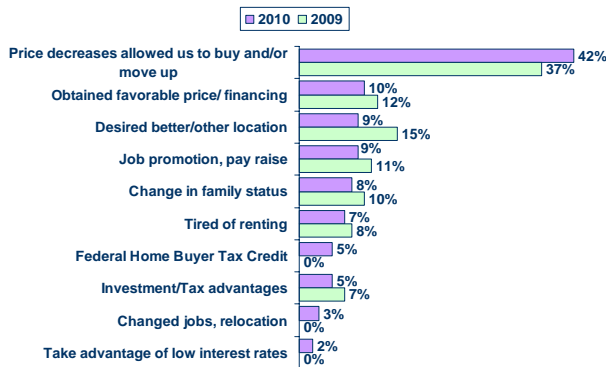
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



...But Real Choices Still Drive an Individual to Purchase a Home

Primary Reason For Buying Your Home

(All Buyers)



Q. What was the primary reason for buying your home?



Results from the recently completed 2010 California Home Buyer Survey showed that the Federal Home Buyer tax credit was an influencing factor for 59 percent of all buyers and more so among first time buyers. However, this was not the only factor in the decision to buy a home. In fact, most buyers in 2010 said price declines or the ability to secure favorable pricing or financing were the primary reasons driving their recent home purchase.

The bottom line for buyers is that the current affordability environment is very favorable, with prices that remain well below the peak levels of a few years ago and historically low mortgage rates still even as the state and federal tax credits begin to unwind.

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