



# Spotlight: California

By Will McDermott

## The Golden State is beginning to shine anew.

According to a Beacon Economics report, California's economy is estimated to exceed \$2.1 trillion in 2014, a sum that represents more than 13 percent of the U.S. economy. The California Legislative Analyst's Office reported a \$2.2 trillion mark for 2013. That report also states California companies get the lion's share of the nation's venture capital, often securing more funding than all other states combined, so it seems safe to say that the Californian economy will continue to hum in 2015.

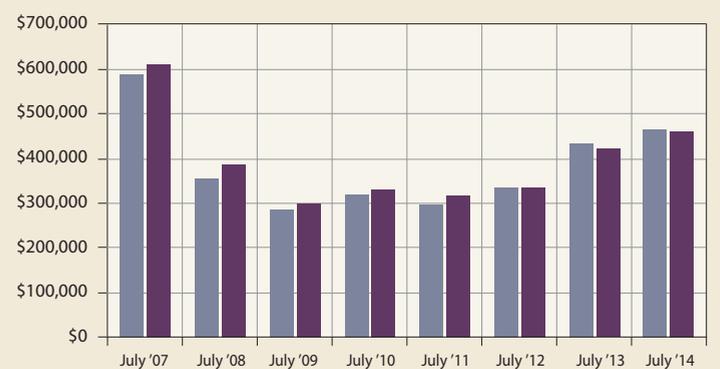
According to a JPMorgan Chase & Co. report, the state's economy is driven primarily by real estate, professional and tech services, and information and manufacturing industries. With a population in excess of 38 million people, health services are also a driving factor in the state's economy, especially in the "Inland Empire" — Riverside and San Bernardino Counties east of Los Angeles — which has more than 4.3 million people, or around 11 percent of the state's population. This region has posted 3.1 percent annual growth for the last 40 years.

Although existing home sales have declined in the last two years across the state, total dollar volume has increased in the past four years as median home prices skyrocketed again in the San Francisco Bay Area and along the Pacific coast. Five of the six most expensive county markets surround the Bay, while the top 16 counties ranked by median home sales price are all coastal or Bay Area counties, with Marin County topping the list this past September with a median sales price of \$1.15 million.

This price explosion has hurt California's middle-class, however. According to Trulia, six of the seven least affordable markets for middle-class households in America are in California. The worst of these markets is San Francisco, where middle-class homebuyers can afford only 15 percent of homes on the market. Some experts believe that this number could drop as low as 10 percent in 2015.

Unemployment in California has been declining steadily in the past four years after hitting 12.4 percent at the height of the recession. The state's unemployment rate stood at 7.3 percent this past October. California has posted positive job growth in each of the past four years, however, hitting a high of 3 percent growth in 2013. According to a recent report from the state's Employment Development Department, California has added almost 1.5 million nonfarm jobs since 2010, including almost 320,000 in the past year alone. The forecast for 2015 looks promising as well, projecting another 2.4 percent job growth.

## California and Los Angeles County Home Prices



■ Statewide median home price  
■ Los Angeles County median home price

Source: California Association of Realtors



## Home sales and prices

The California housing market took a huge hit during the financial crisis. According to the California Association of Realtors (CAR), state median home sales prices dropped from \$594,530 at their height in May 2007 to \$245,230 at their lowest in February 2009 — a whopping 58.8 percent drop in values in only 20 months.

Since February 2009, the state's median prices rose slowly, with a large jump between 2012 and 2013. As of this past September, however, the state's median home price of \$460,940 was still 22.5 percent lower than it was at the height of the housing bubble.

Interestingly, Los Angeles County home prices have almost exactly mirrored the state's numbers for the past seven years. Median prices in the City of Angels peaked at \$610,196 in July 2007, hit a low of \$248,851 in May 2009 and recovered to only \$486,030 by this past September, according to CAR data.

## What the locals say

"Last year we were talking a lot about bifurcation of markets by geography. Today we're talking more about bifurcation by income. Higher-priced homes in highly desirable areas have demand because of the tech industries. Lower-priced segments simply don't have the inventory to meet the demand of those looking for affordable homes."



**Selma Hepp**  
Chief economist  
California Association of Realtors



## 3 Areas to Watch

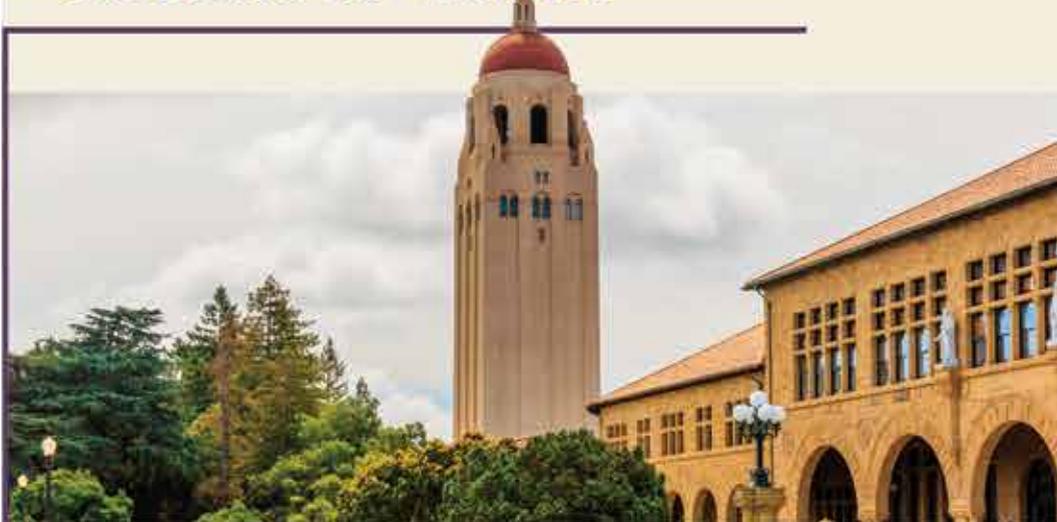


Photo: Png Studio Photography / Shutterstock.com

### PALO ALTO

Situated on the southwestern shore of San Francisco Bay, Palo Alto surrounds Stanford University. This high-tech city's 31-mile dark fiber ring helps power the creation of companies like Google, PayPal, E-Trade and Tesla Motors, all of which were founded in the city. This success has brought 2.7 percent unemployment to the birthplace of Silicon Valley, but also a median home sales price above \$2 million.

### ROSEVILLE

About 16 miles north of Sacramento, Roseville is more than a just a bedroom community. Voted one of California's top 10 cities for young families, Roseville provides 4,000 acres of parks, 31 miles of trails, and free concerts and movies in a renovated town square. Unemployment and home prices below state averages and wages above the state average make Roseville an affordable community in the California sunshine.

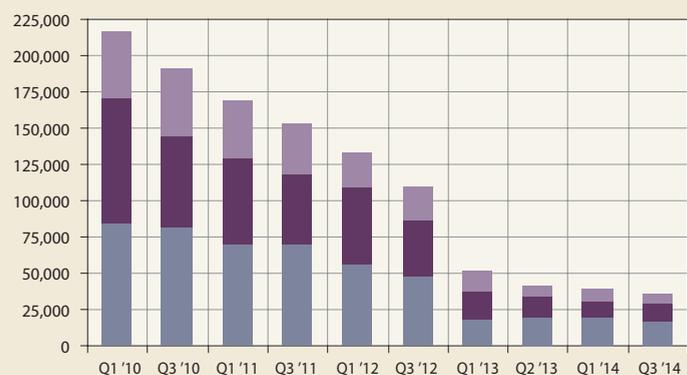


Photo: Ivan\_Sabo / Shutterstock.com

### CARLSBAD

Located on the north Pacific coast of San Diego County, Carlsbad is more than just the home of LEGOLAND. Named the 2013 eCity digital capital of California by Google, Carlsbad boasts a 3.8 percent unemployment rate, median average home prices above \$660,000, a well-educated population, and a diverse economy that includes action sports equipment, life sciences, technology and clean tech.

### California Foreclosure Filings



■ Default ■ Auction ■ REO

Source: RealtyTrac



### Delinquencies and foreclosures

California's total foreclosure filings have dropped steadily and significantly since 2010, from over 200,000 in first-quarter 2010 to just over 30,000 this past third quarter, according to RealtyTrac.

Although those numbers sound high compared to other states, California has almost 5.25 million home loans, almost twice as many as the second and third most-mortgaged states, Texas and Florida, with about 2.9 million loans each, according to the Mortgage Bankers Association (MBA).

Recent delinquency data from the MBA shows that California is doing well in this regard. Only 4.23 percent of California's loans were past due in third-quarter 2014, compared to 6.71 percent in Texas and 6.51 percent in Florida. Only 1.05 percent of Californian loans were in foreclosure, well below the national average of 4.65 percent.

### Unemployment

California's unemployment rates more than doubled during the recession, climbing from 5.6 percent in September 2007 to 12 percent in September 2009. That rate continued to climb to 12.4 percent by February 2010 and did not dip below 12 percent until March 2011. The rate didn't fall below double digits until the end of 2012.

The state's unemployment rate stood at 7.3 percent this past October, 1.5 percent higher than the 5.8 percent national average. Much of that elevated rate seems to come from Los Angeles, however, which remained at 8.7 percent in October.

Other Californian cities and metropolitan areas were close to — or below — the national average. San Diego and the Oakland-Fremont-Hayward metropolitan area basically matched the national unemployment rate, while the Sacramento-Arden-Arcade-Roseville metropolitan area stood a point higher at 6.6 percent. San Francisco's unemployment rate was 4.3 percent in October.

Sources: Business Insider, California Association of Realtors, California Employment Development Department, City of Carlsbad Economic Development Division, CityofPaloAlto.org, Mortgage Bankers Association, nerdwallet.com, RealtyTrac, Trulia, U.S. Census, U.S. Department of Labor, Zillow

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