Research

Boom, Bust, and Beyond. A Look at Housing Market Data in California

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Executive Summary

- Following characteristically different boom and busts, the state of housing recoveries in California are equally varied from housing market to housing market.
- High unemployment around the state remains a significant barrier to uniform house price increases.
- Well-intentioned measures like the Homeowners Bill of Rights and recent proposals to use eminent domain to seize mortgages may have the unintended consequences of delaying the recovery, and in the case of eminent domain, jeopardizes investor backing of mortgage finance in those areas.

The past couple months have been marked by noted improvements in housing markets across the United States. Many markets, despite fragility in the national economic recovery, seem as if they are beginning to improve now more than five years after the housing price bubble and collapse began. The housing crisis resulted in a nearly unprecedented loss of household wealth that, while widespread, hit a handful of states particularly hard. In California, prices statewide fell 44.5 percent from the peak of the market in February 2006 to the trough in November 2011, according to Zillow. As a large, diverse state with over 37 million people, the pace of the recovery has varied among its many metropolitan areas. For example, prices in the San Francisco area have increased by 9.1 percent since hitting a low in September 2011. Using the same methodology, the market in Sacramento hit a new low in June 2012, with prices increasing only 1.3 percent in the months since then. For sustained improvement across the state, California must continue to quickly clear the inventory of distressed properties, i.e. foreclosed homes, and pursue stronger job and income growth.

Read the full study here