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August 7, 2009

The California Association of Realtors (CAR) recently released its June sales and price report. According to CAR, the median price for an existing, single-family home declined 26.4 percent compared to a year earlier. Home sales increased 20.1 percent from June 2008. The index for unsold inventory fell to 4.1 months. Is this good news for Californians?

Yes! In order for California's devastated housing market to recover home sales must increase. The excess inventory of homes needs to be reduced before prices can stabilize. June marks the 15th consecutive month home sales have increased in California. This is certainly welcome news.

CAR's unsold inventory index fell to 4.1 months in June. This represents a 46.1 percent decline from a year earlier. More importantly, this is a significant decline from the January 2008 peak of 16.6 months.

While home owners do not like to hear about falling home prices, the reported 26.4 percent decline in home prices is somewhat misleading. The composition of home sales has changed dramatically. Distressed properties, foreclosures and short sales, now account for a significant proportion of all homes sold. As these properties are sold at a discount they tend to reduce median home prices.

This implies that traditional, non-distressed homes have not lost as much value. To be sure, home values in California have declined. However, it is likely that the values of non-distressed homes have not declined as much as the reported decline in median home prices.