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C.A.R.'s California Housing Market Forecast for 2007: Cooling home sales, modest price decrease next year

LOS ANGELES (Oct. 18) – The rate of home price appreciation will post a modest decline next year following several years of steep increases, while the sales pace will decrease as the market stabilizes throughout 2007, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) "2007 California Housing Market Forecast" released today. The forecast will be presented this afternoon during the California REALTOR® EXPO 2006 (www.realtorexpo.org), running from Oct. 17 – 19 at the Long Beach Convention Center in Long Beach, Calif. The trade show attracts more than 12,000 attendees and is the largest state real estate trade show in the nation.

The median home price in California will decline 2 percent to \$550,000 in 2007 compared with a projected median of \$561,000 this year, while sales for 2007 are projected to decrease 7 percent to 447,500 units, compared with 481,200 units (projected) in 2006.

“The housing market clearly downshifted in 2006 from the record-setting sales and robust price gains of the last few years,” said C.A.R. President Vince Malta. “The residential real estate market in 2006 was characterized by a gap between buyer and seller expectations. Sellers sensed that the peak of the market was approaching, yet still hoped to obtain the highest possible prices. Buyers’ sense of urgency waned as the number of homes on the market grew and they took longer to identify and subsequently purchase a home.

“Although the 2007 sales decline is not expected to be as steep as what we experienced this year, the psychology of the market -- matching the differing expectations of sellers and buyers -- will continue to be a factor as REALTORS® help consumers navigate their way through a changing market.

“While we’re projecting a modest decline in the median price of a home, over the long term, residential real estate in California has been and will continue to be a solid investment. Since 1968, the long-term average price appreciation is 9.1 percent,” he said.

“While we recognized that the frenetic sales pace of the past four years could not continue indefinitely, the housing market in 2006 did not fare as well as we initially expected,” said C.A.R. Vice President and Chief Economist Leslie

Appleton-Young. “The anticipated slowdown that began in October 2005 was heightened by dual natural disasters in the Gulf Coast, a significant drop in consumer confidence, rising energy and raw materials costs, and a series of Federal Reserve interest rate hikes that began in June 2004. Fixed-rate mortgages also hit and passed the psychological threshold of 6 percent, while adjustable rate mortgages passed 5 percent, ultimately causing a decline in affordability. Affordability concerns also will continue to constrain sales for many households in California throughout 2007, especially for first-time home buyers.

“Looking to 2007, we expect that some regions of the state, including the Central Valley, San Diego and Riverside/San Bernardino regions, will experience sales declines greater than the state as a whole,” she said. “That also holds true for several second-home markets, including the desert areas of Southern California and the Wine Country.”

Leading the way...® in California real estate for more than 100 years, the CALIFORNIA ASSOCIATION OF REALTORS® (www.car.org) is one of the largest state trade organizations in the United States, with more than 195,000 members dedicated to the advancement of professionalism in real estate. C.A.R. is headquartered in Los Angeles.

2007 FORECAST FACT SHEET

	2002	2003	2004	2005	2006f	2007f
SFH Resales (thousands)	572.6	601.8	624.7	625.0	481.2	447.5
% Change	13.6%	5.1%	3.8%	0.04%	-23.0%	-7.0%
Median Price (\$ thousands)	\$316.1	\$372.7	\$450.8	\$524.0	\$561.0	\$550.0
% Change	20.5%	17.9%	20.9%	16.2%	7.0%	-2.0%
30-Yr FRM	6.5%	5.8%	5.8%	5.9%	6.5%	6.7%
1-Yr ARM	4.6%	3.8%	3.9%	4.5%	5.6%	5.6%

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