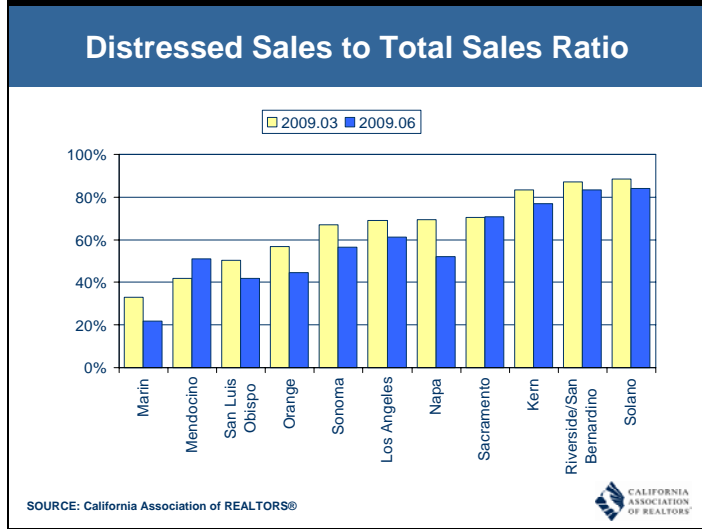


# Are We Out of the Woods Yet?

The California housing market showed more signs of emerging from the worst of the market downturn in June as the median price rose for the fourth straight month and sales registered significant year-to-year and year-to-date gains.

## Inventory Levels & Distressed Sales Levels Both Falling...



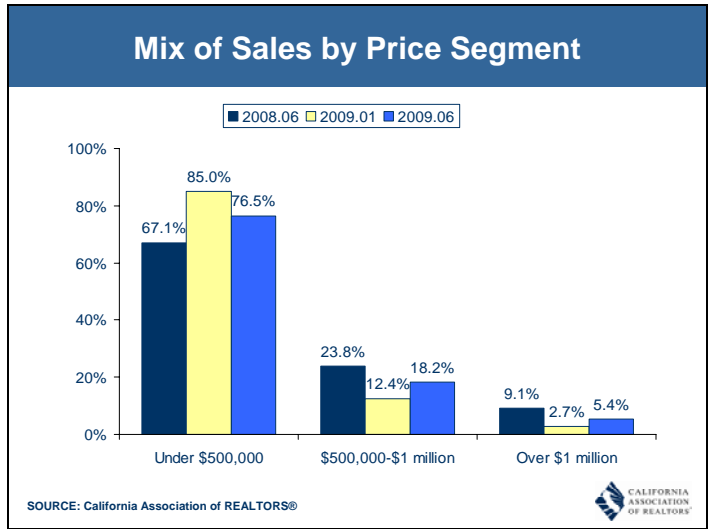
With an unsold inventory index in June at 4.1 months, the supply of homes has decreased steadily since the start of the year when the index stood at 6.6 months. The index is now below the long-run average of about 7 months and well below the peak of 16.6 months in early 2008. In fact, low inventories may constrain sales and contribute to upward pressure on home prices through the rest of the busy season.

The market continues to cope with a large number of distressed sales in many parts of the state, especially inland areas where 2/3 or more of the market consists of distressed properties. Still, the market share of distressed properties has declined in many parts of the state from March to June of this year, contributing to the median price gains across the state.

## ...Still Too Early To Call a Bottom in Prices

Meanwhile, the mix of homes sold in the state has changed dramatically since the beginning of the year. In January 2009, the price segment under \$500,000 accounted for 85.0 percent of the total market, the segment between \$500,000 and \$1 million made up 12.4 percent of the total, and the segment above \$1 million made up 2.7 percent of the total. By June, the segment under \$500,000 fell to 76.5 percent, middle segment rose to 18.2 percent, and the upper segment doubled to 5.4 percent of the total market.

At \$274,740 in June, the median price rose to its highest level so far this year and stood 4.2 percent higher than May, but still 26.4 lower than a year ago. The share of distressed properties dropped in several regions, helping to shore up prices in many lower-end markets. An increase in foreclosures is expected later this year, but if demand remains strong the market will absorb the distressed properties without significantly impacting the median price.



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