

- **HOME PRICES HAVE DECLINED, BUT SALES VOLUMES ARE RECOVERING.**

As of August 2008, the median price of a home sold in California dropped to \$301,000, a decline of 35.3% from \$465,000 in August 2007. The decline reflects a change in the mix of homes sold – with an increase in lower-end homes, including foreclosed homes – as well as price depreciation. The median sales price has now declined to a level not seen since 2003. In August 2008, the number of home sales was 13.6% higher than in August 2007 – but still below the historical average for August.

- **CALIFORNIANS SPEND A DISPROPORTIONATE SHARE OF THEIR INCOME ON HOUSING.**

In 2007, 53% of households in California – a higher percentage than in any other state – spent more than 30% of their income on housing costs. The 30% threshold, recommended by the U.S. Department of Housing and Urban Development, is widely used as an affordability measure. The housing cost burden was especially severe for renters, the poor, and new homeowners (those who had purchased their homes within the previous two years): 52% of renter households, 85% of households with incomes below \$35,000, and 65% of new homeowners in the state exceeded the 30% threshold in 2007.

- **AFTER RISING FOR MANY YEARS, HOMEOWNERSHIP RATES ARE NOW FALLING.**

Homeownership rates in California rose from 55% in 1996 to 60% in 2005, with rates increasing the most among young adults 25 to 34 years old. Low interest rates, creative financing, and buying in less expensive inland areas of the state were important strategies used by new homeowners earlier in this decade; but with the collapse of the housing market, homeownership rates declined in 2006 and 2007. With foreclosure activity at record levels and financing with adjustable-rate mortgages recently near an all-time low, the downward trend in homeownership rates is likely to continue.

- **HOMEOWNERSHIP IS AN ELUSIVE DREAM FOR MANY.**

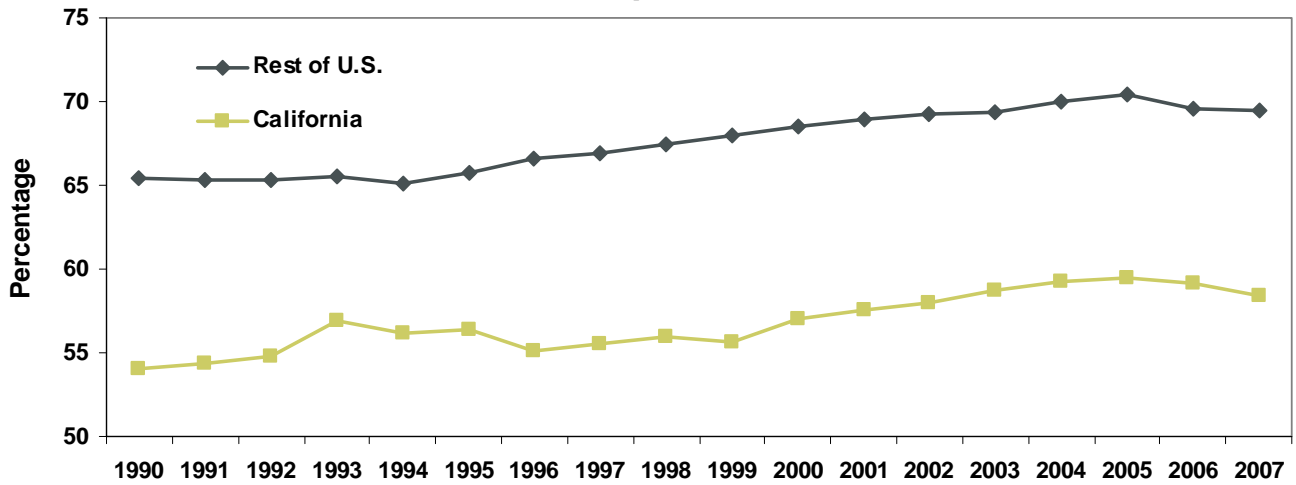
Over the past twenty years, California's homeownership rate has remained consistently about 11 percentage points lower than the nation's (for example, 58% vs. 70% in 2007), with the gap wider still among younger householders and among racial/ethnic groups. For example, homeownership rates in 2007 among African Americans and Latinos were 40% and 48%, respectively, compared to 65% among non-Hispanic whites.

- **HOUSING PRODUCTION HAS FALLEN SHARPLY.**

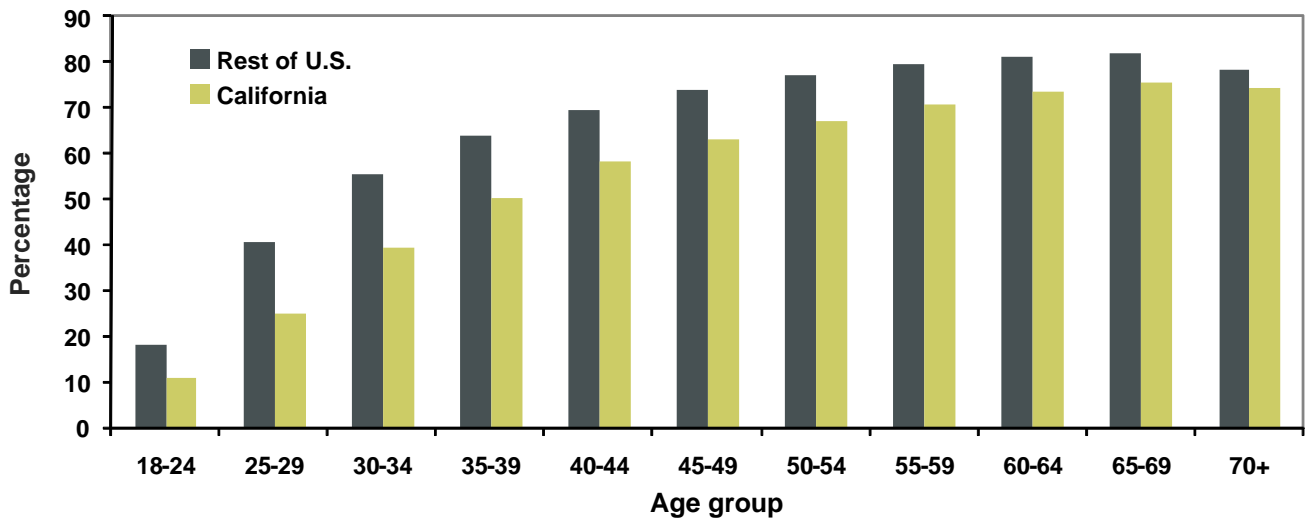
After plummeting during the recession of the early 1990s, new residential construction in California steadily increased between 1995 and 2004. However, construction rates remained relatively low during the 1990s compared to previous decades, as demographic and economic shifts translated into less demand – shifts such as lower population growth rates among the age groups most likely to form new households. The number of building permits authorized in California peaked in 2004, then dropped slightly in 2005 and, since then, has fallen precipitously. In 2007, the level of construction in the state was only half that of 2004.



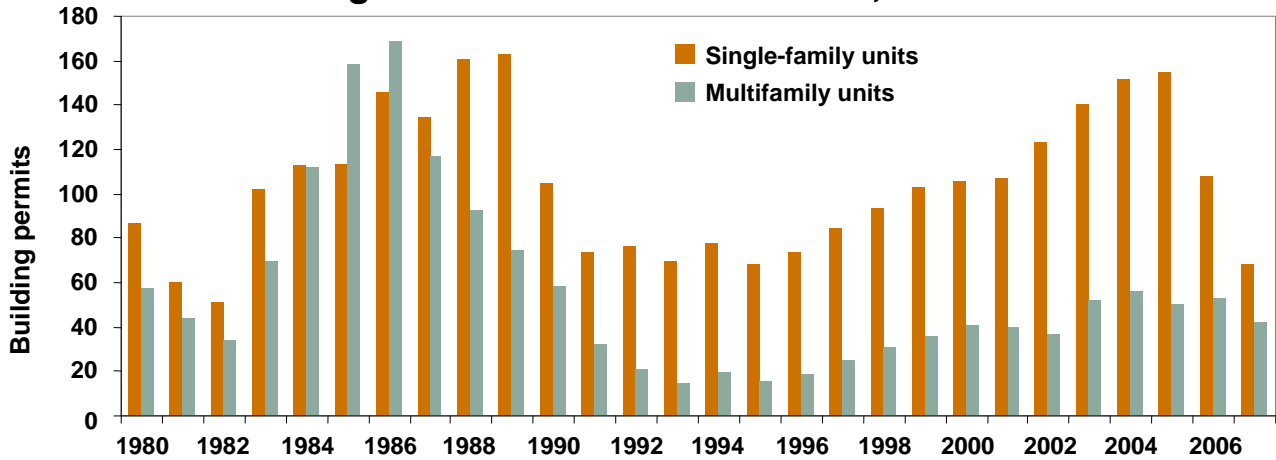
Homeownership Rates, 1990-2007



Homeownership Rates by Age



Building Permits Issued in California, 1980-2007



Sources: March Current Population Surveys. American Community Survey, 2006. U.S. Census Bureau. DataQuick.
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