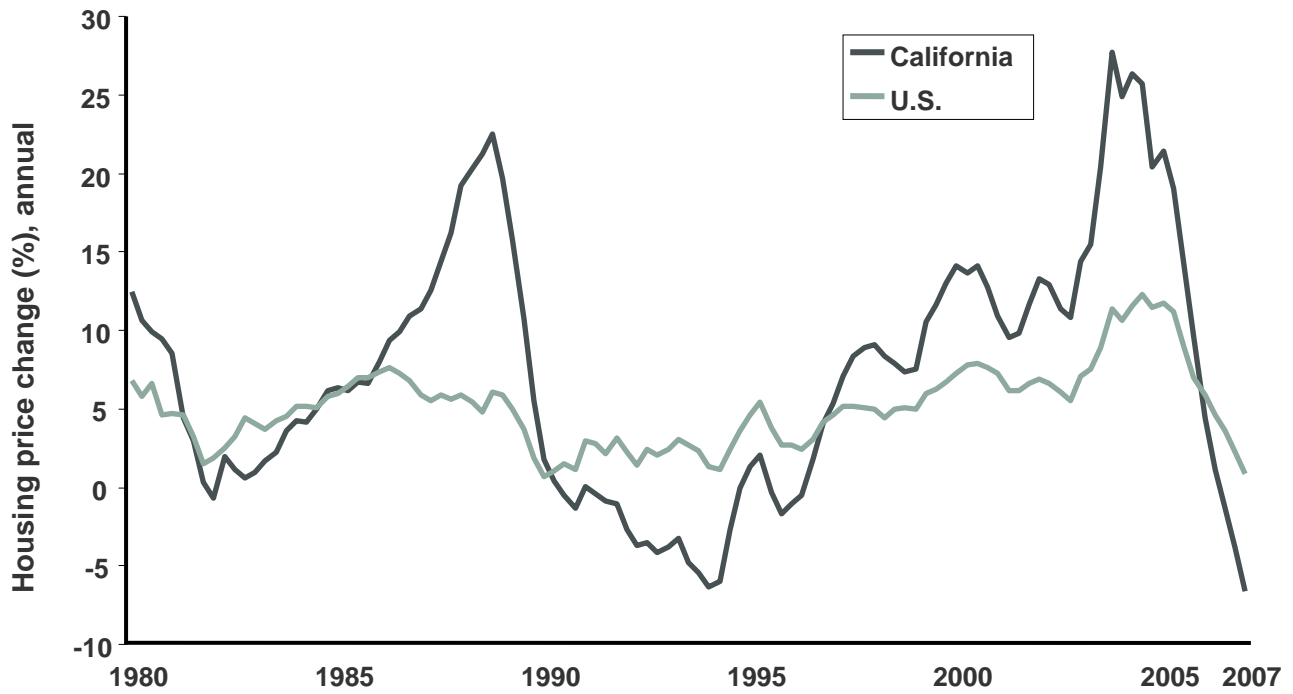


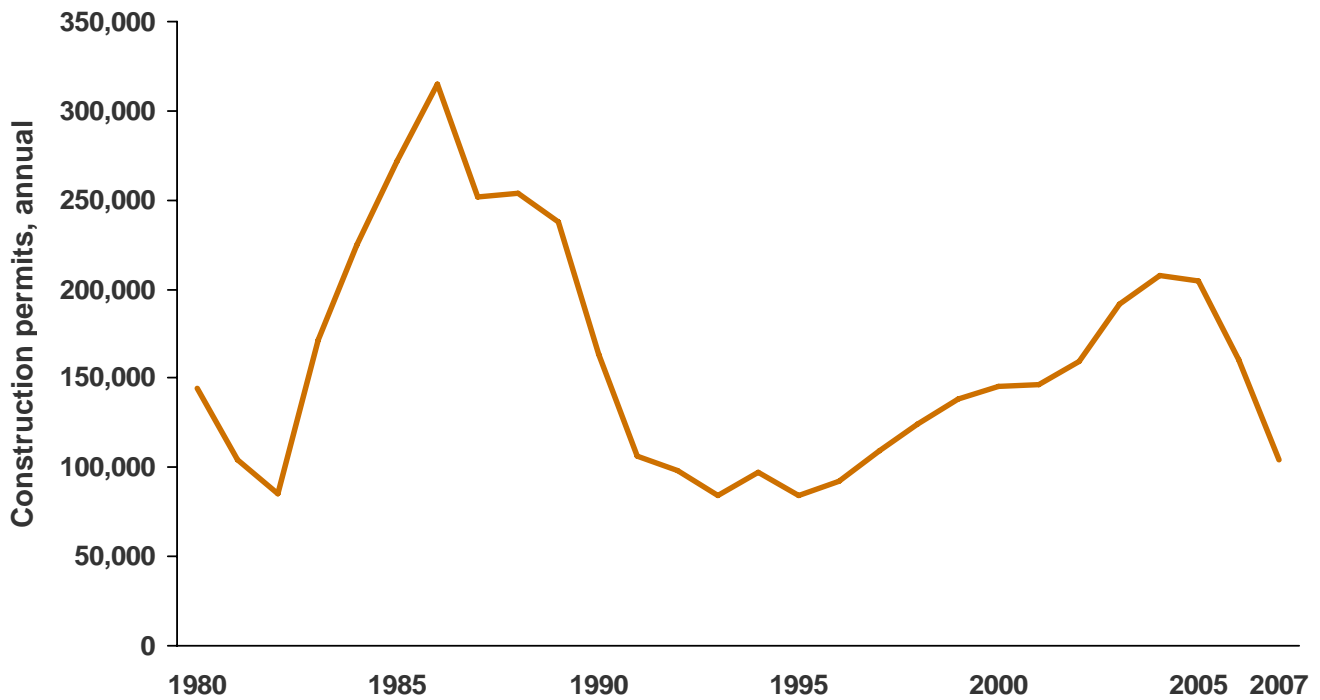
- **IN 2007, CALIFORNIA HOME PRICES SUFFERED THE FASTEST AND STEEPEST DECLINE IN 25 YEARS.**  
California home prices fell 6.6% between the fourth quarter of 2006 and the fourth quarter of 2007. (Just two years ago, home prices rose 21% in California.) Nationally, home prices rose 0.8%, well ahead of California but the slowest national growth since 1990.
- **FORECLOSURES INCREASED, CONSTRUCTION PERMITS DECLINED.**  
In 2007, 1.9% of California homes were in foreclosure, nearly twice the national average of 1%. And the number of construction permits for residential units declined 35%, relative to 2006 – falling 49% from their 2004 peak.
- **HOME PRICES IN MANY CENTRAL VALLEY AREAS FELL MORE THAN 15%.**  
Home prices barely declined in 2007 in many coastal areas, while prices tumbled in many inland areas. In the San Francisco metro area, prices fell 0.9%; and prices in Santa Cruz, San Jose, and Los Angeles fell less than 4%. But in the northern San Joaquin Valley areas of Merced, Modesto, and Stockton, prices fell more than 15% – the largest one-year decline of any California metro area in at least 30 years. The 2007 declines reversed some of the rapid gains in home prices in the Central Valley early in the decade. In areas where prices rose more slowly in 2001-2005 – San Francisco, Santa Cruz, and San Jose – prices fell the least in 2007.
- **IN REGIONS WHERE PRICES FELL MOST, CONSTRUCTION NEARLY STOPPED ....**  
From 2004 to 2007, construction permits fell 60% in Riverside-San Bernardino, 63% in Modesto, 73% in Stockton, and 76% in Merced. Permits in San Francisco in 2007 were down only 19% from their 2004 peak, and in San Jose they were down just 15% from their peak in 2005. Permits fell less in crowded coastal areas partly because there is less room for new construction during a boom. The largest increases in construction permits from 2001 to 2004 were in inland areas: 109% in Riverside-San Bernardino, 114% in Merced, and 214% in Imperial County, compared to 30% in the San Francisco metro area, 30% in Orange County, and 49% in Los Angeles.
- **... AND FORECLOSURES ROSE.**  
Foreclosures, too, varied widely across the state. In Bakersfield, Sacramento, Riverside-San Bernardino, and Stockton – all areas where house prices fell at least 7% – the foreclosure rate was at least 3% in 2007. In the larger urban areas where prices have fallen less, foreclosure rates were well below the California average (1.9%): 1.4% in Los Angeles, 1% in San Jose, and just 0.5% in San Francisco.
- **LOCAL ECONOMIC CONDITIONS AREN'T FOLLOWING LOCAL HOUSING CONDITIONS.**  
While California's previous housing crisis (southern California in the early and mid-1990s) was part of a broader economic slowdown, the relationship between housing and economic conditions today is less clear-cut. In 2007, employment in Merced and Stockton grew more than 2%, despite crashing housing prices, whereas employment grew only 0.6% in California overall and even fell in Los Angeles, Orange County, Ventura County, and Riverside-San Bernardino – where home prices are holding up better than in the Central Valley.



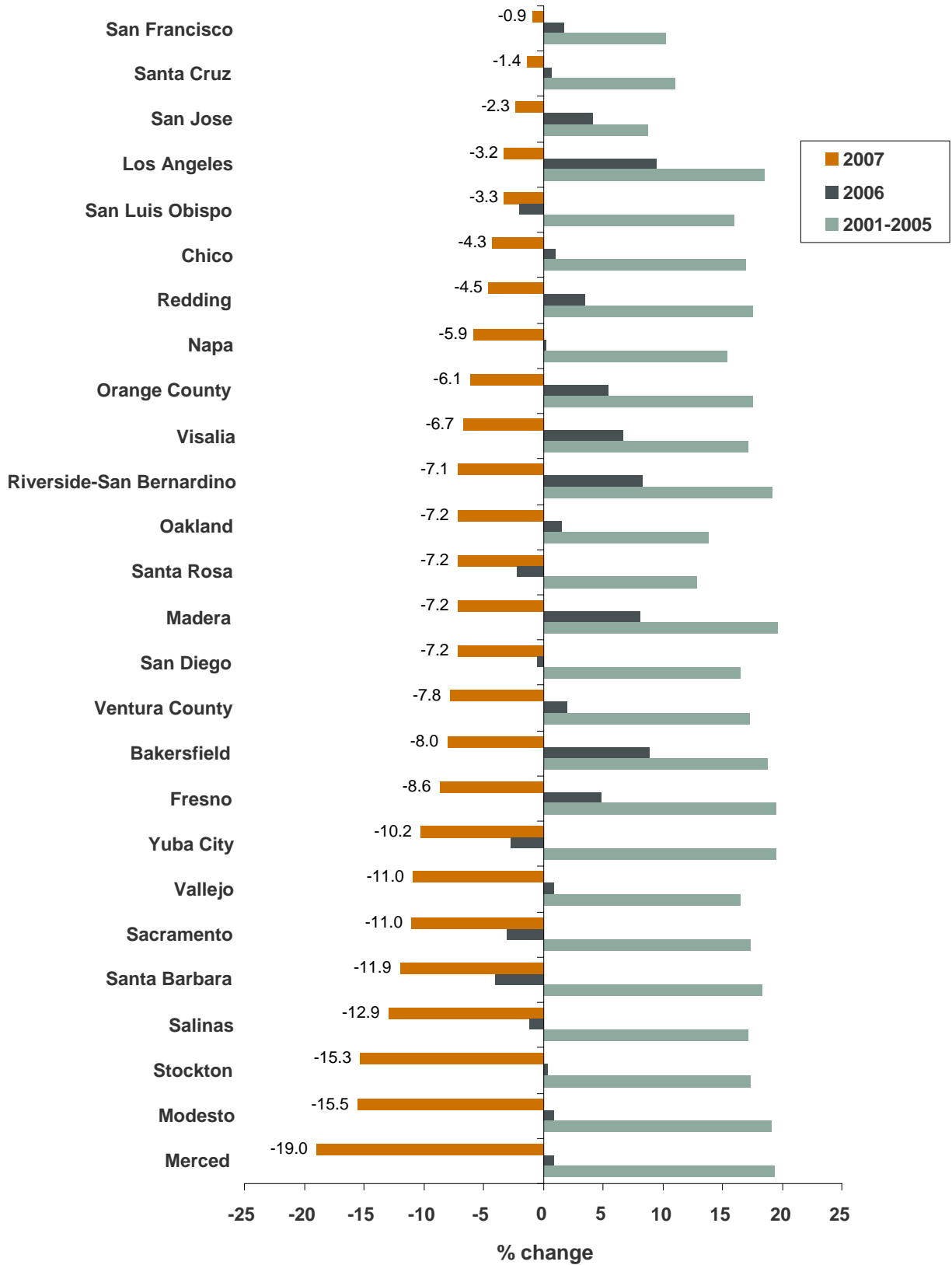
## Housing Prices



## Construction Permits in California



# Housing Price Changes in Selected Metropolitan Areas, Annualized



Sources: (1)Office of Federal Housing Enterprise Oversight. (2)Census Bureau.  
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