

# ECONOMIC PERSPECTIVE

Summary of Recent Economic Developments  
Publication 329

Volume XV, Number 1  
February 2009

## Trends In County Home Prices

### Median Home Prices

An important characteristic associated with the current recession is the steep decline in home prices that has occurred over the past few years, particularly for California.

if a greater proportion of lower-priced homes were sold than in the previous month. Therefore, median home prices are an imperfect measure of the current value of any one individual home. Nevertheless, median home prices provide important information regarding the overall health of residential real estate markets. This article discusses changes in California

fig. 1

California Median Home Prices



One measure, median home prices, is published monthly by the California Association of Realtors (CAR). The median price of existing detached single family homes is a measure that indicates a price at which fifty percent of homes were sold at higher prices and fifty percent of homes were sold at lower prices. As defined, median home prices would decline

median home prices and county median home prices for the counties in which data are available from the CAR.<sup>1</sup>

<sup>1</sup>The California Association of Realtors publishes data for 29 of the 58 counties in California. However, data are incomplete for two counties, San Joaquin and Stanislaus.

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## Statewide Prices Decline Sharply

According to the CAR data, California median home prices for existing single family detached homes reached a peak of close to \$600,000 in May 2007 (see chart on page 1, fig. 1). Median statewide prices declined about 52 percent since then, and stood at about \$285,700 as of November 2008 (the latest data available for both counties and the state). California median home prices have not been this low since early 2002.

## Counties Peaked at Different Times

While California median home prices reached their highest point in May 2007, not every county reached its peak that month or even that year. The accompanying table (fig. 2) shows when each of the counties tracked by the CAR reached its highest median price. It took nearly three years for each of the 29 counties to reach their peak median home price. Seven counties reached their respective median home price peaks in 2005, followed by 11 more counties in 2006, and the final 11 counties in 2007. The earliest the median price reached its highest level was Siskiyou County, which had its highest median home price in January 2005. Placer and Sacramento counties also reached their highest median prices relatively early, in August 2005. The last county to reach its highest median price was San Mateo County, which had its highest median home price in October 2007.

## Wide Range in County Median Home Prices

As one might expect, the county data also show tremendous variation in both median home prices and the percentages they have declined since the state reached a peak median price in May 2007. The table on page 3 (fig. 3) shows median home prices in November 2008 by county, ranked from the highest median price to the lowest. The median home price in Marin County was \$869,318 in November 2008, about three times higher than the statewide average median home price. At the other end of the spectrum, the median price of a home in Merced County was a bargain in relative terms at \$126,315, only about 44 percent of the statewide average.

fig. 2

Year and Month of Peak Median Home Prices by County

Year	Month	Counties Peaking	Number of Counties Peaking
2005	January	Siskiyou	1
	August	Placer, Sacramento	2
	September	Stanislaus	1
	October	Merced	1
	November	Santa Cruz	1
	December	Humboldt	1
	2006	January	Sonoma
May		San Diego	1
June		Contra Costa, Fresno, Kern, Lake, Solano, San Joaquin	6
August		Napa, San Bernardino, Ventura	3
2007	February	Riverside	1
	April	Orange	1
	May	Alameda, San Francisco, Santa Barbara	3
	June	Marin, San Luis Obispo, Santa Clara	3
	August	Los Angeles, Monterey	2
	October	San Mateo	1

## Wide Range in County Price Declines

The accompanying table (fig. 4) shows changes in median home prices from the month each county reached its respective highest price to November 2008, ranked from the largest declines to the smallest. As shown in the table, decreases in median home prices ranged from 66.6 percent for Santa Barbara County to 14.0 percent for Siskiyou County over this period. San Francisco and nearby counties of San Mateo and Marin, which are among the higher-priced places to live, had drops in median home values that were much lower than the statewide average.

## Summary of Home Price Data Discussion

Median home prices are an important indicator of the California economy, and trends in them have major ramifications for assessed property values, which are one of the many important tax programs overseen by the Board of Equalization. We plan to continue to monitor trends in home prices occasionally as needed, and will report any signs of prices turning around.

fig. 3

### Median Home Prices in November 2008 (Median Home Prices by County)

Marin	\$869,318
San Francisco	\$678,333
San Mateo	\$659,500
Contra Costa	\$590,909
Santa Clara	\$515,000
Orange	\$453,056
Santa Cruz	\$437,000
Alameda	\$413,942
Napa	\$389,473
Ventura	\$382,588
Los Angeles	\$359,242
San Luis Obispo	\$344,230
Sonoma	\$336,725
San Diego	\$326,765
Placer	\$321,428
Santa Barbara	\$300,000
Humboldt	\$291,071
<b>California</b>	<b>\$285,680</b>
Monterey	\$275,000
Siskiyou	\$250,000
Solano	\$236,688
San Bernardino	\$205,607
Riverside	\$197,825
Lake	\$186,666
Sacramento	\$184,762
Fresno	\$160,298
Kern	\$150,500
Merced	\$126,315

fig. 4

### Changes in Median Home Prices From Each County's Peak to November 2008 (Ranked by County, From Low to High)

Santa Barbara	-66.6%
Monterey	-64.6%
Merced	-63.3%
Riverside	-54.1%
Sacramento	-53.2%
Solano	-52.0%
<b>California</b>	<b>-51.9%</b>
Kern	-49.8%
Fresno	-48.9%
Sonoma	-48.2%
San Diego	-47.5%
Napa	-46.6%
Lake	-46.4%
Ventura	-46.2%
San Luis Obispo	-44.9%
Santa Cruz	-44.6%
San Bernardino	-44.5%
Alameda	-42.7%
Los Angeles	-40.9%
Santa Clara	-40.5%
Placer	-39.1%
Orange	-39.0%
Contra Costa	-36.0%
San Mateo	-35.3%
San Francisco	-27.2%
Marin	-24.4%
Humboldt	-18.4%
Siskiyou	-14.0%

## Record Low Home Building in 2008

Turning to a related economic indicator, since median home prices have declined precipitously, California home building has declined as well. The California Construction Industry Research Board (CIRB) reports that building permits were issued for about 65,000 homes in California in 2008. This is by far the lowest annual number since records have been kept, eclipsing the previous low of 86,000 in 1982. Of the home building permits issued in 2008, only about 33,000 were for single family homes, again the lowest year on record, well short of the previous low of 51,000 set in 1982.

## Nonresidential Building Permit Values Decline Less Rapidly Than Residential

While statewide figures show that all building activity declined in 2008, nonresidential building activity has not declined nearly as much as residential activity. According to the CIRB, a total value of \$19.1 billion in permits for nonresidential construction projects were issued in 2008. This figure is above the \$18.3 billion nonresidential value of permits issued in 2003, the annual low reached as the state was coming out of the last recession (values stated in constant 2008 dollars). In 2008 nonresidential permit values declined 18 percent from 2007, while residential permit values dropped 38 percent.

## Contact Us

Please contact us if you would like to be added to our mailing list, need additional copies, or have questions or comments.

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To contact your Board Member, see  
[www.boe.ca.gov/submenus/boardmembers.htm](http://www.boe.ca.gov/submenus/boardmembers.htm)

## Online Resources

For more information about topics covered in this issue, please visit any of the websites listed below.

California Department of Finance  
[www.dof.ca.gov](http://www.dof.ca.gov)

California Employment Development Department (EDD), *Labor Market Conditions in California*  
[www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

Federal Reserve Bank of Philadelphia, *Survey of Professional Forecasters*  
[www.phil.frb.org/econ/spf/index.html](http://www.phil.frb.org/econ/spf/index.html)

National Association for Business Economists  
[www.nabe.com](http://www.nabe.com)

U.S. Bureau of Economic Analysis  
[www.bea.gov](http://www.bea.gov)

U.S. Bureau of Labor Statistics  
[www.bls.gov/cpi/](http://www.bls.gov/cpi/)

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