

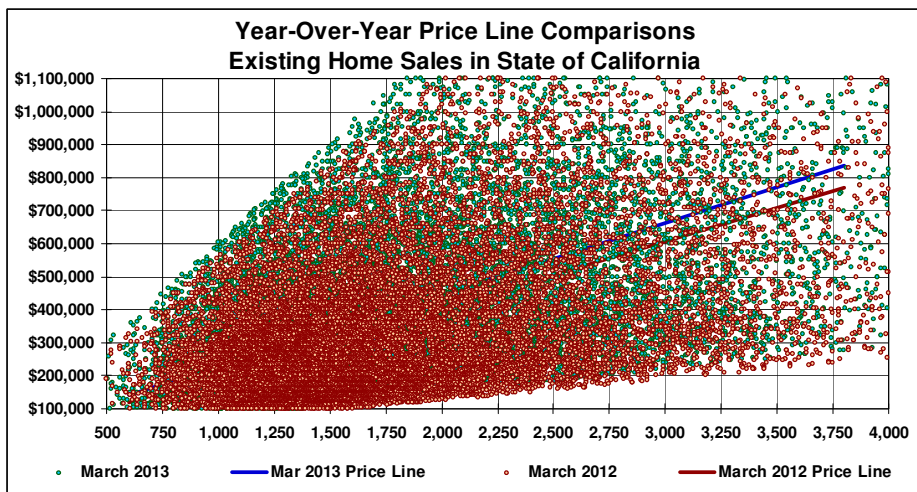
REAL ESTATE ECONOMICS

TRUE MEASURES OF PRICE APPRECIATION

STATE OF CALIFORNIA
MAY 2013

The purpose of our True Measures of Price Appreciation® report is to provide our clients and subscribers with a brief yet meaningful measure of real housing price appreciation that has occurred in a given area. This report is sold on a subscription basis at the County level, and upon request, it can also be created for any county within a given region in our 13-state coverage area. For more detail and analysis, we welcome you to explore the web-based information tools and subscription services available at www.realestateeconomics.com.

Each month, Real Estate Economics downloads every home transaction that occurs within a 13-state region. Mistakes are identified and corrected in this raw database, and then the data are run through thousands of iterations that follow specific rules which assign each record to its appropriate transaction category. Thereafter, the data are made available to our subscribers at www.realestateeconomics.com via our 'Closings Reports'. These reports present 24-month trends in transactions volume, price, home size, price per square foot, mortgage amounts, bed/bath count, lot size, year built, etc. After a deletion of 'outlier' records, we also determine the market price line for a given period, and compare this price line throughout the spectrum of home size to previous market price lines in order to determine what we feel are the most accurate measures of true price appreciation. The chart below presents these year-over-year market price line comparisons:



Source: Real Estate Economics; Dataquick; County Recorder; www.realestateeconomics.com

In order to determine the change in price throughout the spectrum of home size, a regression formula was applied to specific home sizes shown on each of the market price lines in the chart above. The table to the right presents this numeric measure of price along the spectrum of home size, then differences are measured.

As shown by the comparison, the overall measure of price appreciation in California has been 11.8% during the past 12 months. The measure is based upon the change in prices associated with the current median home size in this region. Price appreciation, however, has been skewed toward smaller homes. The year-over-year change in price has been 15.62% at a home size of 1,000 square feet, and has been 9.4% for a home size of 3,000 square feet. Though the percentage rate of appreciation has fallen as the home size has increased, the absolute dollar amount has increased. These figures, shown on the table to the right, present our most effective measures of true price appreciation for the State.

The current market price line (shown by the dashed blue line) is created from the March 2013 sampling of sales transactions throughout the State of California. Each of the thousands of light blue circles represents a home sale in terms of sold price and home size in this region. The dashed red line represents the market price line that was recorded during the corresponding period 12 months ago.

This year-over-year change in the price line is not necessarily consistent throughout the spectrum of home size. True price appreciation isn't just one number or percentage for a given market. Rather, true measures of price appreciation tend to change throughout this home size spectrum.

TRUE PRICE APPRECIATION MEASURES BY YEAR OVER YEAR PRICE LINE COMPARISONS EXISTING HOME SALES IN CALIFORNIA STATE

Home Size	March 2012	March 2013	Market Appreciation	
			\$\$\$	%

Based on Median Home Size				
1,650 sf	\$331,000	\$370,000	\$39,000	11.8%

Based on Range of Home Size				
1,000 sf	\$199,000	\$230,000	\$31,000	15.6%
1,500 sf	\$301,000	\$338,000	\$37,000	12.3%
2,000 sf	\$403,000	\$446,000	\$43,000	10.7%
2,500 sf	\$505,000	\$554,000	\$49,000	9.7%
3,000 sf	\$606,000	\$663,000	\$57,000	9.4%

Source: Real Estate Economics; Dataquick; County Recorder; www.realestateeconomics.com

To generate similar information throughout California or markets across the nation, please contact judy.dool@realestateeconomics.com or sandy.rivera@realestateeconomics.com. For more detailed site-specific pricing analyses, please contact the team at Real Estate Economics at (949) 502-5151