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**For** release:

Wednesday, Oct. 6, 2004

## **C.A.R.'s California Housing Market Forecast for 2005: Double-digit increases in median price to continue as sales moderate to second best year on record**

Housing Market Forecast PowerPoint

slides: <http://www.car.org/upload/economics/archives/2005ForecastEXPO/index.htm>

SANTA CLARA (Oct. 6) – The median price of a single-family home in California will again increase by double-digits next year, reaching \$522,930, while sales will decrease slightly from this year's pace to the second best year on record in 2005, according to the California Association of REALTORS® "2005 Housing Market Forecast" released today.

The median home price in California will increase 15 percent to \$522,930 in 2005 compared with a projected median of \$454,720 this year, while sales for 2005 are projected to reach 603,700 units, falling 2.5 percent compared with 2004. The double-digit gain in the median price of a home, which California has experienced for most of the past four years, will again be fueled by the continuing shortage of housing across much of the state, according to C.A.R. economists. California typically gains nearly 250,000 new households, yet only will build about 200,000 new housing units this year, creating a shortfall of about 50,000 units.

"Homebuyers next year will face slightly higher mortgage interest rates, approaching 7 percent by year's end, which will make it more difficult for many families in California to be able to afford a home," said C.A.R. President Ann Pettijohn. "Coupled with rising home prices, affordability in California will fall to an all-time annual low of 16 percent next year."

"We expect the economy in 2005 to generate modest growth in jobs both nationally and here in California, while productivity gains and competition will likely keep inflation in check next year," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "While the increase in interest rates will be enough to moderate the pace of home sales in 2005, population and household growth will continue to put pressure on home prices, resulting in greater price appreciation in California compared with the nation."

Home sales for California in 2004 are expected to reach a record 619,300 units, surpassing the prior sales record of 601,770 set in 2003, according to C.A.R. economists.

"Regionally, the areas with the greatest potential for home sales growth are the inland regions of the state -- the Central Valley and the Inland Empire region in Southern California, which have experienced significant population gains in recent years as well as robust new home-building activity," said Appleton-Young.

"The Southern California housing market in 2005 is likely to slow from the torrid pace of sales and rapid price appreciation that we experienced throughout most of this year," she said. "The San Francisco Bay Area housing market, which advanced at a more measured pace than other regions in the state this year, is likely to see less slowing in 2005 compared with other areas of the state."

Appleton-Young will deliver her highly anticipated forecast today during C.A.R.'s California REALTOR® EXPO 2004 in Santa Clara, Calif. The convention and trade show attracts more than 7,500 attendees.

The California Association of REALTORS® (<http://www.car.org>) is one of the largest state trade organizations in the United States, with more than 150,000 members dedicated to the advancement of professionalism in real estate. C.A.R. is headquartered in Los Angeles.

#### 2005 FORECAST FACT SHEET

	2003	2004	2005
<b>CALIFORNIA ECONOMY</b>			
Unemployment rate	6.7%	6.2%	6.1%
Job Growth	0.4%	1.0%	1.9%
Population Change	1.5%	1.5%	1.5%
Single-Family Resales	601,770	619,300	603,700
% Change	5.1%	2.9%	-2.5%
Single Family Median Price	\$372,720	\$454,720	\$522,930
% Change	17.9%	22.0%	15.0%

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