
Executive Summary

After back-to-back years of sharp declines in sales, the California housing market bounced back in 2008 with a 27 percent increase in sales. The increase was due in large part to the growth in the absorption of distressed properties, which comprised over half of the sales. With deeply discounted distressed sales flooding the market, prices have dropped significantly since early 2008. The accumulation of foreclosures, REOs, and short sales will continue to put downward pressure on home prices, until mortgage problems begin to subside in the second half of 2009. Despite their negative impact on home owners' equity, the decline in home prices, combined with historically low mortgage rates, have dramatically improved housing affordability and have created opportunities for home buyers.

This report is the 10th annual CALIFORNIA ASSOCIATION of REALTORS® (C.A.R.) buyer survey that details how home buyers have changed their behaviors in recent years to adapt to the new housing market environment and to the increased use of the Internet in the real estate business. Some of the key findings include:

- **Distressed sales made up more than half of sales in California.** According to results from the survey, 49 percent of all buyers bought a home through a regular market sale, 38 percent bought an REO/bank-owned property, and 13 percent bought a short-sale property.
 - **Home buyers, in general, were optimistic about the future direction of home prices in their neighborhood.** While fewer than one in ten believed prices would go up over the next year, one-third believed prices would go up in the next 5 years, and 60 percent thought prices would go up in 10 years.
 - **Home buyers continued to experience considerable difficulty in obtaining financing for the homes they bought.** On a scale of “1” to “10”, with “1” being “very easy” to obtain financing and “10” being “very difficult”, home buyers reported a high average level of difficulty in obtaining finance of 8.1.
 - **A recent study by the CALIFORNIA ASSOCIATION OF REALTORS® suggests that the financial benefits of owning a home outweigh that of renting for first-time buyers.** For a first-time buyer household that purchases an entry-level home between Jan. 1 and Nov. 30, 2009, the overall tax liability savings in the first five years of homeownership is well over \$11,000 when compared to renters.
 - **When asked why they were satisfied with their agent, home buyers continued to cite “always quick to respond” (73 percent) and “negotiated good deal on their behalf” (61 percent) as the top two reasons.**
 - **Home buyers needed the most help with price negotiation (36 percent), determining prices for comparable homes (24 percent), finding the right home to purchase (21 percent), negotiating the purchase of distressed property with banks (18 percent), and negotiating the terms of sale (2 percent).**
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- **Home buyers offered some suggestions to agents on how to improve their services.** Home buyers would like their agents to improve the speed of communications (33 percent); provide references for lenders who will perform (32 percent), become more knowledgeable on how to deal with banks on REOs, short sales, and other distressed properties (32 percent), demonstrate the ability to negotiate aggressively for buyers (31 percent), and provide references for lenders who will recommend the best product for the buyer (28 percent).
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