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2012 Final Assessment Roll Forecast

May 15, 2012

The role of the Office of the Assessor is to determine the fair market value of taxable property in the county as of January 1st each year. The 2012 Assessment Roll Forecast is the department's estimate of the assessment roll as of January 1st and the corresponding change from the prior year.

Each year the Assessor's office releases two voluntary forecasts and one statutory forecast. The Preliminary Forecast was released on December 15, 2011 and a Revised (Interim) Forecast was released on April 4, 2012. In compliance with Section 27421 of the California Government Code, the Final Assessment Roll Forecast is the last estimation of the 2012 Assessment Roll prior to completion on July 1, 2012.

Decline-in-value Reviews

California's Proposition 8 (Prop. 8) is a constitutional amendment passed in 1978 that allows for a temporary reduction in assessed value when a property suffers a "Decline-in-value." Decline-in-Value adjustments are temporary value reductions for properties when the total assessed value is greater than the current market value as of January 1st. Under state law the assessor must enroll either a property's adjusted base year value (Proposition 13 value) or its current market value, whichever is less. In April the Office of the Assessor was reviewing nearly 500,000 "Decline-in-value" properties with an estimated value of over \$220 billion. Decline-in-value properties represent a substantial portion the assessment roll and, as a result, fluctuations in this segment can have a significant impact. The Office of the Assessor's review of Decline-in-value properties is now nearly complete. As of May 15th, approximately 25,000 properties remain to be analyzed.

Real Estate Market Volatility

Due to broader economic conditions, property values of single-family residences and condominiums in the county continue to fluctuate. Prices county-wide dropped approximately 5% in the 4th Quarter of 2011. These fluctuations have not been uniform and reflect the characteristics of each submarket. While some areas have seen values stabilize or even increase, other areas have seen significant declines-in-value.

Forecast Increase in the Assessment Roll

Following declines in the real estate market in 2007 and 2008, with corresponding reductions in the 2009 and 2010 Assessment Rolls, the 2011 Assessment Roll experienced a modest 1.49% increase. Based on a variety of indicators, the Office of the Assessor estimates that the 2012 Assessment Roll will increase by 1.14% or \$12.002 billion.



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May 15, 2012

| Components of Change | Change in Billions | Percent of Roll Change |
|--|---------------------------|-------------------------------|
| CPI (2.00%) | \$15.953 | 1.44% |
| Transfers | \$11.281 | 1.02% |
| Construction | \$2.905 | 0.26% |
| Personal Property & Fixtures | -\$1.747 | -0.16% |
| *X-Reference and Other | -\$1.094 | -0.10% |
| **Current Year Decline-in-Value | -\$8.713 | -0.79% |
| ***AABs/Decline-in-Value (Prior Years) | <u>-\$4.232</u> | <u>-0.38%</u> |
| TOTAL LOCAL ROLL | \$14.353 | 1.30% |
| Exemptions | <u>-\$2.468</u> | |
| TOTAL LOCAL ROLL (After Exemptions) | \$11.885 | 1.12% |
| Homeowners' Exemptions | <u>\$0.117</u> | |
| NET LOCAL ROLL | \$12.002 | 1.14% |

Source: Office of the Assessor, County of Los Angeles, 2012

*X-Reference and Other is comprised of properties of various use such as mining rights, water rights, water distribution, possessory interest, mobile homes, farms, recreational and institutional properties.

**Current year Decline-in-value is primarily based on actual results and an estimate provided by RSG for the remaining unworked single family residential properties.

***AABs/Decline-in-value is primarily based on the results of Assessment Appeals Board cases.

For more information please visit:

- Office of the Assessor – <http://assessor.lacounty.gov>
- Decline-in-value - <http://assessor.lacounty.gov/extranet/list/newslst.aspx?newsid=78>
- Assessment Appeals Board - <http://bos.co.la.ca.us/Services/AssessmentAppeals.aspx>

"To Enrich Lives Through Effective And Caring Service"



2012 Final Assessment Roll Forecast

Local Roll

(Value in Billions)

| SECURED VALUATION | 2011 Actual Roll | 2012 Roll Forecast | Percent Change |
|---|--------------------|--------------------|----------------|
| Land | \$554.345 | \$562.614 | |
| Improvements | \$494.030 | \$501.331 | |
| Personal Property | \$9.153 | \$9.490 | |
| TOTAL SECURED (GROSS) | \$1,057.528 | \$1,073.435 | |
| <u>Less: Exemptions</u> | <u>-\$37.035</u> | <u>-\$39.257</u> | |
| TOTAL SECURED VALUATION | \$1,020.493 | \$1,034.178 | 1.34% |
| UNSECURED VALUATION | | | |
| Land | \$0 | \$0.000 | |
| Improvements | \$14.981 | \$14.240 | |
| Personal Property | \$33.233 | \$32.420 | |
| TOTAL UNSECURED (GROSS) | \$48.214 | \$46.660 | |
| <u>Less: Exemptions</u> | <u>-\$4.097</u> | <u>\$4.343</u> | |
| TOTAL UNSECURED VALUATION | \$44.117 | \$42.317 | -4.08% |
| TOTAL VALUATION | | | |
| Total Secured & Unsecured (Gross) | \$1,105.742 | \$1,120.095 | 1.30% |
| <u>Less: Secured & Unsecured Exemptions</u> | <u>-\$41.132</u> | <u>-\$43.600</u> | |
| TOTAL LOCAL ROLL | \$1,064.610 | \$1,076.495 | 1.12% |
| <u>Homeowners' Exemptions</u> | <u>-\$8.117</u> | <u>-\$8.000</u> | |
| NET LOCAL ROLL | \$1,056.493 | \$1,068.495 | 1.14% |

Source: Office of the Assessor, County of Los Angeles, 2012



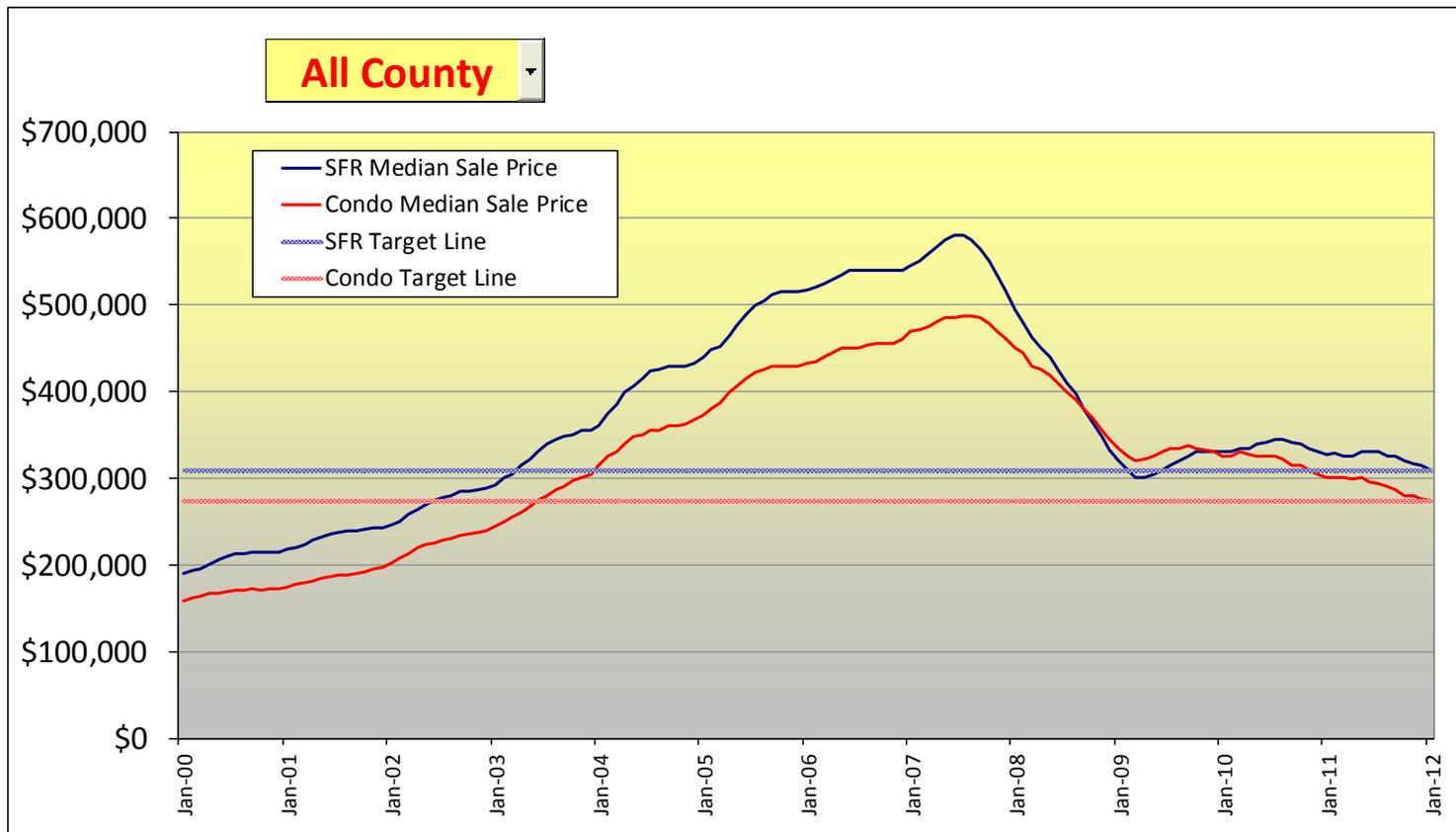
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Median Sale Price*
Los Angeles County

| SFR Median Sale Price | | | Condo Median Sale Price | | |
|-----------------------|-----------|-----------|-------------------------|-----------|-----------|
| Peak | \$580,000 | 6/1/2007+ | Peak | \$487,004 | 8/1/2007 |
| Bottom | \$300,000 | 3/1/2009+ | Bottom | \$275,000 | 2/1/2012+ |
| Leading | \$312,500 | 2/1/2012 | Leading | \$275,000 | 2/1/2012 |

+ The referent median sale price occurs on more than one median date.



* Calculated by using the rolling average of 6-month periods spanning 90 days prior to and 90 days after the first day of each target month (through Mar 2012).
 Sales source: ExACT (3/29/2012)



Decline in Value by Cluster Jan 2011 to Jan 2012

