Report as of

January 2024

California Latest Market Data

CALIFORNIA ASSOCIATION OF REALTORS®

How the market is doing

*Daily Average for week ending January 27, 2024

309 Closed Sales per day*

493 Pending Sales per day*

515 New Listings per day*

% change indicates change from last week

What REALTORS® are saying

-8.8%
11.5% Closed a sale

-3.0%
12.5% Entered escrow

-0.3%
13.9% Listed a property

% change indicates change from last month

What REALTORS® think will happen

28.4%
36.8% Sales will be up

9.7%
19.4% Prices will be up

32.5%
44.0% Listings will be up

% change indicates change from last month

Source: California Association of REALTORS®

January 29, 2024 – The economic data from last week demonstrates that the U.S. has consistently out-performed the more gloomy outlooks that called for slower growth in 2023. And although a stronger economy has, thus far, meant upward pressure on mortgage rates, the average 30-year fixed-rate mortgage remains below 7% where it has been since early December. This has helped to thaw the housing market, which has seen pending sales rise for the first time since rates hit bottom in early 2021. However, as the rebound in housing demand has yet to be accompanied by and equal (or greater) supply response, the market in California is quickly becoming competitive once again as fewer sellers are reducing price and the median price continues its upward trend that began last summer.

Mortgage Rates Are Still Below 7%: Despite a relatively upbeat GDP report last week that had the economy expanding at a 3.3% rate to close out 2023, mortgage rates remained below 7%--continuing the rally that began in December following the Federal Reserve's latest meeting. Inflation continues to trend down and that has bolstered hopes that the Fed is through raising interest rates and will begin to make cuts to the Fed Funds Rate later this year. This should help to bolster home sales during the spring and summer months as gradually declining rates help to slowly alleviate the "lock-in" effect that many homeowners currently feel as a result of their historically low rate on their existing mortgage. Although many homeowners are below 3%, the ones with 5% rates or higher will begin to see the financial disincentive for moving dissipate as rates slowly creep downward.

Pending Sales Rising Year-to-Year in January: Although December marked a new low for existing single-family transactions for California, pending sales through the weekend ending January 28th show pending home sales rising on a year-to-year basis for the first time since the spring of 2021. The recent reprieve on 30-year fixed-rate mortgages from over 8% to consistently below 7% over the past month has helped to bring buyers back off of the sidelines. However, new listings remain relatively depressed and the market is becoming more competitive as demand outpaces the supply response to lower rates. The percentage of active listings that have reduced prices fell for the 8th week in a row last week and prices look to be on track for their 7th increase in a row when the January numbers become finalized next week.

Fewer Sellers Locked-In Below 5%: According to data from the National Mortgage Database, the percentage of Californians with an interest rate below 4% has shrunk for the 6th consecutive quarter after peaking during early 2022. As of the third quarter of 2023, there were 67.9% of the mortgages outstanding at or below 4%--down from nearly 72% 18 months prior. At the same time, the percentage of mortgages at a 5% interest rate or higher has climbed for the 6th quarter in a row. Despite the relatively low level of transactions, the sales closed during the past two years have helped to put a growing number homeowners in rates that are closer to current market rates and that should begin to help with housing inventory as we enter the spring homebuying season.

Economy Remains Solid Despite Consumer Balance Sheets: Since the economy reopened a few years ago, consumers have been the sole engine of growth driving the recovery to, and then past, pre-pandemic levels. And despite the fact that savings rates have dwindled to very low levels while credit card debt has risen to new all-time highs, consumers continue to propel the economy forward. Of the 3.3% increase across every segment of the economy last quarter, most of that still came from growth in consumer spending. The economy did benefit from a modest improvement in the trade balance as well as an increase in government spending—mostly at the state and local, rather than federal, levels. However, the rising credit card debt does suggest that growth in consumer spending could slow in coming quarters, particularly given that a rising share of that debt is falling delinquent. Paradoxically, this could help to slow economic growth and provide cover for Federal Reserve officials to begin lowering rates, which would benefit housing supply and demand.

New Home Sales Back Up: After dropping by 9% during November, new home sales bounced back and almost erased the previous month's decline—rising by 8%. As existing housing stock remains very tight, home builders are taking advantage of the recent reduction in mortgage rates that has brought more buyers back to the market following a quiet holiday homebuying season. Unfortunately, new home sales in California are unlikely to be leading the charge as new single-family construction has been very depressed in recent years, but it is a hopeful sign that demand for housing persists, which will help to motivate more builders to take on new projects and add much-needed supply to housing stocks across the nation.