Report as of

March 2023

CALIFORNIA ASSOCIATION OF REALTORS®

California Latest Market Data

How the market is doing

*Daily Average for week ending March 11, 2023

414
Closed Sales per day*

260
Pending Sales per day*

213
New Listings per day*

NEW

% change indicates change from last week

What REALTORS® are saying

10.2%
36.8%
Closed a sale

11.5%
41.3%
Entered escrow

10.2%
41.7%
Listed a property

% change indicates change from last month

What REALTORS® think will happen

7.8%
61.1%
Sales will be up

7.5%
19.2%
Prices will be up

2.8%
72.4%
Listings will be up

% change indicates change from last month

Source: California Association of REALTORS®

March 13, 2023 – The takeover of Silicon Valley Bank by Federal Regulators last week has ushered in new economic uncertainty to the forecast that has spooked investors and cast doubts about what the Federal Reserve will do at its upcoming meeting, with markets anticipating a less aggressive posture amidst a potentially softer economic backdrop. This uncertainty about broader exposure has fueled a rally in the bond market as investors flee to safety, which has already begun to lower yields and mortgage rates have started to follow suit after above 7% in recent weeks. Still, labor market data suggests that the economy is still running hotter than the Fed would like it to, and the upcoming inflation report will play a large role in whatever action they decide to take later this month.

Inventory shrinks as pace of new listings drops more than half: Although sales activity has slowed in recent months, the pace of homes being listed for sale continues to slow as well and the dearth of new inventory and supply continues to get tighter. In fact, the number of new listings being added to the MLS each week has been falling by double-digits this whole year and total active inventory has begun to follow suit. Even though buyer demand has softened in the face of rising rates, the market is still seeing enough homes close or enter escrow each week that the net effect relative is that available inventory is shrinking. Although this will prevent a rapid recovery in sales activity, even as the bond markets rally and rates dip back below 7% again, it will also help prevent more significant price declines, though prices are expected to slide further from last year's peak.

California mortgage delinquencies remain low: Despite a modest uptick in the 4th quarter, mortgage delinquencies remain very low in the Golden State. California finished the year with just 2.5% of mortgages behind on their payments. That was up from 2.2% in the third quarter, but remains well-below the historical average of 4.2% between 1972 and 2000. In addition, California now has the 3rd lowest delinquency rate of any state in the nation, which, taken together with homeowner equity that remains near an all-time high level and most homeowners locked into the lowest rate mortgages of all time, should prevent a flood of inventory from hitting the market and precipitating much larger price declines. In fact, recent market data shows that the recent reduction in rates during January and February helped the market to level off in terms of sales and competitiveness.

Mortgage applications inch up despite raising rates: Mortgage interest rates climbed for the 5th consecutive week as the average 30-year fixed-rate mortgage nears 7% — the highest level since November of last year. Despite this, mortgage applications inched up according to the latest weekly mortgage applications survey by the Mortgage Bankers Association (MBA). Mortgage applications increased 7.4% after two weeks of declines to very low levels, including a holiday week. However, compared to a year ago, purchase applications were still down 42 percent and refinance activity was down 76 percent. The recent increase in rates has pushed borrowers to either rush to lock in rates or wait on the sidelines for rates to come back down.

Housing sentiment returns near-survey low as concerns on current market conditions grow: After a streak of three consecutive monthly increases, the Fannie Mae Home Purchase Sentiment Index® (HPSI) decreased 3.6 points from January. The headline index at 58.0 in February, was down 17.3 points from a year ago and neared its all-time low set in October 2022. Four of the six components decreased, but most of the decline was driven by an uptick in the share of consumers reporting being a bad time to sell a home which jumped to 44%, and the share of those expressing concerns about losing their job in the next 12 months which jumped to 24%. With home-selling sentiment now lower than it was pre-pandemic – and homebuying sentiment remaining near its all-time low – consumers on both sides of the transaction are growing more cautious about the housing market.

Job growth remains solid and wage growth cools: Despite every effort by the Fed to put the brakes on economic activity, the latest labor market data shows that the economy continues its upward momentum. In February, the U.S. added 311,000 net new jobs, continuing its string of 26 consecutive monthly increases and rising to a new all-time high. The unemployment rate did rise slightly to 3.6% from a low of 3.4% in January, but that was largely the result of an increase in labor force participation by previously-discouraged workers. Wage growth has started to cool, averaging 2.9% in February, which should help with already-improving inflation, but the economy still has roughly 4.2 million more job openings than workers seeking employment, so the path toward improving prices remains gradual.