Report as of

November 2023

CALIFORNIA ASSOCIATION OF REALTORS®

California Latest Market Data

How the market is doing

*Daily Average for week ending November 4, 2023

490 Closed Sales per day*

434 Pending Sales per day*

558 New Listings per day*

NEW

% change indicates change from last week

What REALTORS® are saying

-1.0% **19.6%** Closed a sale

-2.3% **18.0%** Entered escrow

-0.5% **19.9%** Listed a property

% change indicates change from last month

What REALTORS® think will happen

-4.3% **10.7%** Sales will be up

-1.8% **13.3%** Prices will be up

-2.7% **18.4%** Listings will be up

% change indicates change from last month

Source: California Association of REALTORS®

November 6, 2023 – The housing market needed a break, and the Federal Reserve delivered it last week at their latest FOMC meeting. The central bank's decision to hold its fed funds rate steady brought mortgage rates down to the lowest level since late September. With job growth slowing and consumers feeling less confident, rates may see more improvement in the coming weeks. The market could see a boost in sales at the end of the year if a declining trend in rates is materialized.

The Fed decides to pause on rate hike for the second time in a row: After the close of the November FOMC meeting, the Federal Reserve announced that they will keep the target range of the fed funds rate at 5.25% to 5.50%. The Fed chair, Jerome Powell, suggested that the central bank was very close to ending the campaign of rate hikes. He also noted that the elevated longer-term rates in recent months could help contain inflation without necessarily requiring further rates hikes from the Fed. Despite signs of persistence in inflationary pressure shown in the most recent monthly data, the Fed Chair expressed confidence that overall price growth is heading lower even as the economy continued to grow. Powell made it clear though that if inflation pressure should accelerate in the months ahead, further rate hikes would be considered. Mortgage rates went down after the announcement and declined again the following day as the latest job data offered more evidence that the labor market is cooling.

U.S. employers pull back on hiring in October: Nonfarm job growth slowed last month, with U.S. employers adding "only" 150k jobs in October, a sharp decline from the gain of 297k in September. The lower-than expected headline gain in jobs in October reflects the loss of 33k jobs in motor vehicle and parts manufacturing due to the recent United Auto Workers strikes (UAW). Job growth also narrowed outside of the auto manufacturing sector. Retail unemployment, for example, was only up 1k last month, while transportation and warehousing employment fell 2k. The softening in the labor market can also be observed in the wage data, as average hourly earnings increased only 0.2% for the month - the slowest pace of the year. With the economy expected to slow in the Q4 and consumers feeling less positive about the short-term labor market outlook, the job market will likely continue to slow in the coming months.

ARM demand jumps to highest level in a year: With the average 30-year fixed-rate mortgage remaining above 7.5% early last week, an increasing number of homebuyers opted to use adjustable-rate mortgages (ARMs) to finance their home loans, according to the latest weekly survey released by Mortgage Bankers Association. ARMs are generally considered riskier loans as their rates are fixed for shorter terms. They also offer more savings, however, to borrowers as their rates are typically lower than rates for fixed-rate mortgages. ARM loan applications increased almost 10% last week and have been gaining popularity as higher rates continue to impact affordability and purchasing power. Their share has grown to 10.7% of all applications and has reached the highest level in nearly a year. With rates dipping in three of the last four days, the ARM demand could see some leveling off in the immediate term but could rise again if rates start trending back up.

Consumers remain downbeat in October: Consumer confidence fell for the third consecutive month in October, as a series of unfortunate events weighed on consumer moods. Geopolitical tension in the Middle East, higher interest rates, rising oil prices, and weeks of uncertainty resulted from the house speaker saga all might have contributed to the decline in the index last month. Despite a strong economy in the third quarter, consumers' assessment of the business conditions was less positive at the start of the fourth quarter. Less than one-fifth (19.1%) of the consumers said business conditions were good, a dip from 21% in September. Consumers, in general, were also more pessimistic about the short-term business conditions outlook, as 20.2% expected business conditions to get worse, an increase from 18.7% in September. Inflation remained a concern for consumers last month, with the Conference Board's index of short-term inflation expectation surging to the highest level in five months. With the overall price growth expected to slow at a gradual pace in the next few months, consumers will likely remain preoccupied with rising prices in the near term.

Construction spending climbs again in September: Construction spending improved for the ninth consecutive month in September, with total outlays rising 0.4% from the prior month in September. Total residential spending was up 0.6% in September and registered the fourth monthly gain in the last five months. On a year-over-year basis, residential outlays were down 2.1% from the same month last year, but the decline was much smaller than the recent low of -14.4% recorded in April. Single-family construction was the primary driver of residential spending, as builders continued to find success by offering incentives such as price discounts and rate buydowns. Spending in private single-family housing units, in fact, jumped 1.3% in September, while private multifamily spending dipped 0.1% from August. Homebuilders' construction growth, however, could slow in the short term if rates remain near their two-decades high for the rest of the year.