

Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from RPI (Realty Publications, Inc.)

August 2023 • Vol. 13 • Issue 8 • *Seasonal dynamics power today's home price illusion — not buyer demand*



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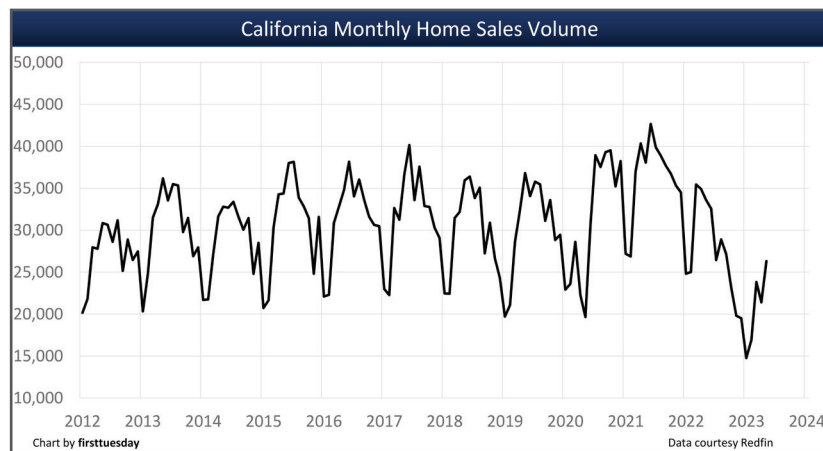
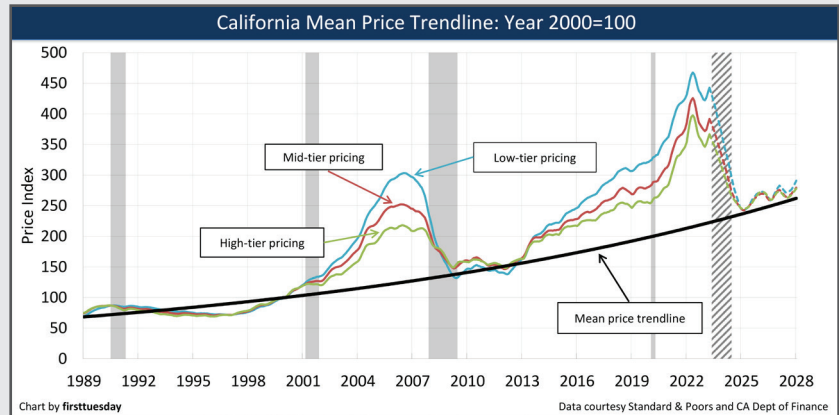
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2023 home price rebound — short term, or the real thing?

This chart shows **home price movement** across California's largest metros, including low-tier pricing (the blue line), mid-tier pricing (the red line) and high-tier pricing (the green line). The gray bars show economic recessions, and the dashed lines are forecasts.

Home prices experienced a **rebound** during the Spring 2023 buying season. This bounce comes after several months of plunging prices following the May 2022 peak. Despite the uptick, home prices range from 5% below the peak in the low tier to 8% below in the mid and high tiers, the result of seller price adjustments driven by reduced buyer purchasing power and receding sales volume.

In 2022, **mortgage interest rates** leapt from historic lows, removing monetary support for excessive prices. Thus, the recent price decline was easily anticipated — but is it fully behind us? Or is 2023's Spring uptick just a brief seasonal bounce? For a clue, look to trends in home sales volume and inventory.



California home sales volume struggles to rise

This chart shows the number of homes sold each month in **California**.

Just 26,300 new and resale home transactions closed escrow in California during May 2023. Experiencing an anemic seasonal rebound, **home sales volume** inched higher from the prior month. Still, sales volume was 22% below a year earlier in this single month alone. Worse, sales volume year-to-date is a fee-crushing 33% below a year ago.

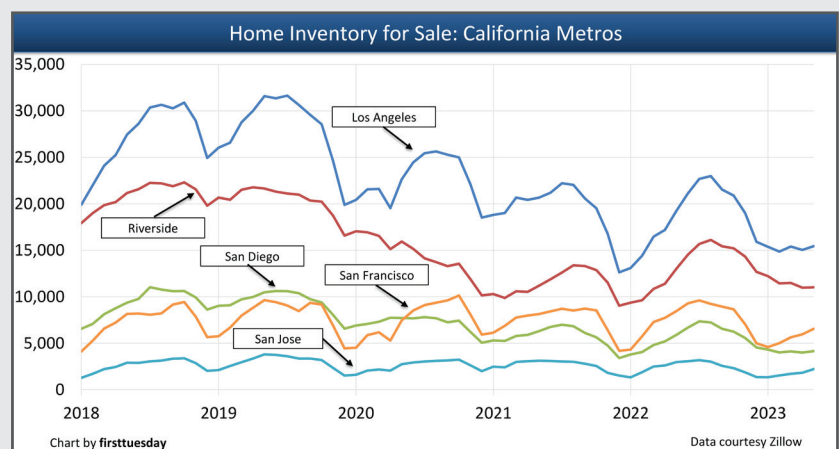
Watch for home sales volume to continue trailing in 2023. Without the support of a steady flow of home sales, **home prices** have lost all meaningful momentum, and 2023's meager spring uptick will be brief. Expect a return of real estate speculators by 2025 to provide a "dead cat" bounce and bring an end to the sales slump, with a sustainable recovery taking off with the return of end user homebuyers around 2026-2027.

Reluctant sellers — not overactive buyers — hold down inventory in 2023

This chart shows the number of homes listed for sale on the **multiple listing service (MLS)** across California's major metros.

MLS inventory remains thin following the historic lows reached at the end of 2021. After a brief bounce in 2022, **for-sale inventory** averages 21% below a year earlier as of May 2023. While inventory has tapered, this is not a reflection of rising buyer demand — rather, today's reduced inventory is a sign of sellers' reluctance to list. For evidence, the number of **new listings** is 30%-35% below a year earlier across the state.

Homebuyers are increasingly taking a wait-and-see approach to buying. Since the market will soon be firmly in the hands of buyers, **real estate agents** who wish to maintain a steady income in 2024-2025 will turn their focus to finding those buyers who are willing to buy during the downturn.



Click on any chart
for more information!