

# Monthly Real Estate Statistical Update

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

September 2023 • Vol. 13 • Issue 9 • **2023's Real estate market trends influence all participants**



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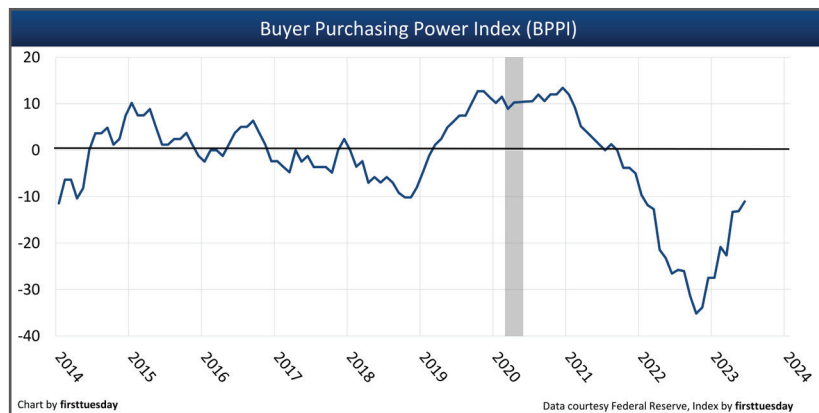
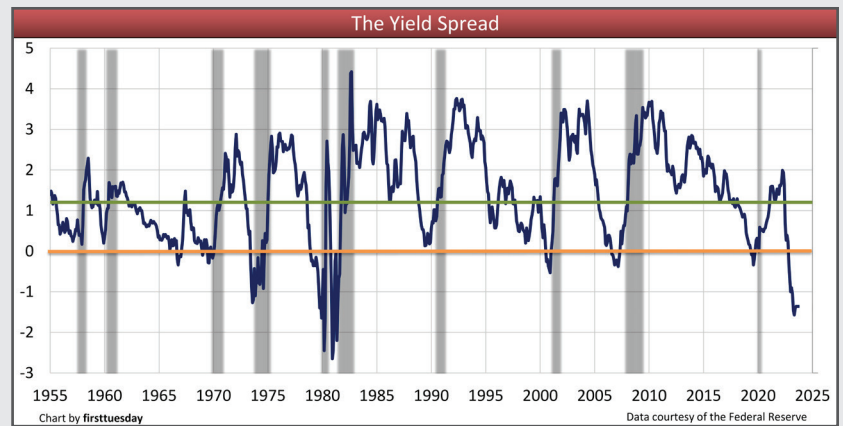
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## 2023's downturn still undeclared

This chart displays the **yield spread**, which indicates the likelihood of a slowdown or upturn in activity one year forward. The gray bars show economic recessions.

The yield spread has remained in **negative territory** since November 2022, averaging -1.36 as of July 2023. Today's yield spread is near its lowest level since 1981, when the Fed waged its last acute battle against inflation and economic activity slowed considerably.

While an undeclared recession has already begun to settle over the economy — weighing initially on the property markets, with sales volume and prices beginning a downturn in 2022 — the timing of the rate inversion has the official recession arriving in late-2023. Real estate agents planning to weather the slowdown are taking steps to refocus their practice to the buyer's side.



## Despite year-over improvement, buyer purchasing power remains low

This chart shows the **California Buyer Purchasing Power Index (BPPI)**, calculated by **firsttuesday**. This figure tells us how much mortgage principal at present rates a homebuyer can borrow today compared to a year earlier.

The BPPI figure remains deeply negative, at -11.0 in Q2 2023. For agent perception, a homebuyer with the same income is able to borrow 11% less purchase-assist mortgage money than a year ago. Since homebuyers qualify for purchase-assist mortgage funding based on their incomes, any rise in **mortgage rates** instantly lowers the price sellers can expect for their home.

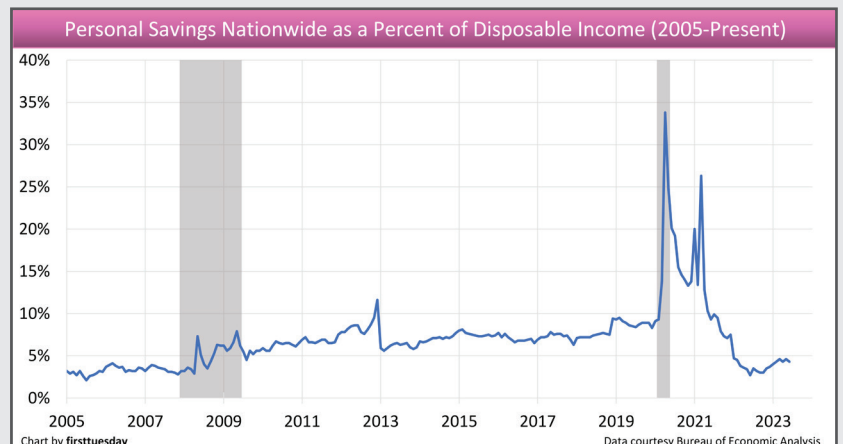
Agents have seen this math in action, as **home prices** in mid-2022 began a monthly decline, stalling for a meek Spring 2023 seasonal price bounce. Sellers who are serious about selling will agree to price their properties right the first time — with this reality in mind.

## Saving rates creep higher as consumers rein in spending

This chart shows the **personal savings rate** nationwide. The gray bars represent economic recessions.

The national personal savings rate is inching higher from 2022's decade's low, at 4.3% as of June 2023. The savings rate hit a record high in 2020 with the delivery of stimulus payments. Then, the savings rate plummeted as households spent to cope with pandemic-generated **consumer price inflation**. All these struggles are fleeting, with no long-term bearing on the housing market.

Looking ahead to 2024, savings rates will continue to rise slowly to build up funds for **down payments** on homes when home values complete their decline and construction starts take off. Sellers who are earnest about selling in the next year or two need to be advised to list at *today's prices* rather than wait several years for prices to return.



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