

Monthly Real Estate Statistical Update

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

October 2022 • Vol. 12 • Issue 10 • **Climbing mortgage rates pushed sales volume down — and now property prices**



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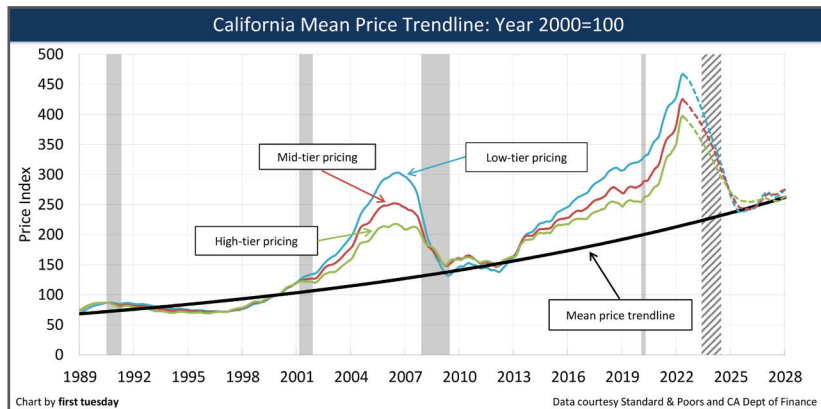
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Home sales volume deflates on buyer exhaustion

This chart shows the number of home sales completed **year-to-date (YTD)** in California.

YTD home sales volume continues to fall back, at 16% below a year earlier in July 2022, and falling. Compared to 2019 — the last “normal” year for housing before the **Pandemic Economy** interfered — home sales volume in 2022 is 6% higher. But this YTD spread is narrowing with each passing month. Expect sales to fall below 2019 volume by year’s end.

2022’s **undeclared recession** has chilled buyer attitudes, forcing sellers to pivot and compete for buyers. Property sales volume will continue to deteriorate into 2024, to rebound as end-user buyers gradually return and stage the next recovery. Most property buyers, whether speculators or users, won’t return until they sense prices have fully bottomed.



The cyclical home price decay has begun

This chart shows home price movement averaged across California’s major metros. The gray bars are periods of recession. The blue, red and green lines represent price tiers and the solid black line is the **mean price trendline**, the historical equilibrium to which home prices cyclically return. Dashed lines are **RPI’s** forecast.

California home prices fell back in *all tiers* during June 2022, the result of plunging **purchasing power** and new-found buyer caution. While decelerating, June average home prices are still 15% higher than a year earlier for low-tier prices, 18% higher for mid-tier prices and 21% higher for high-tier prices. This year-over-year spread is narrowing with each passing month, likely to turn negative by mid-2023.

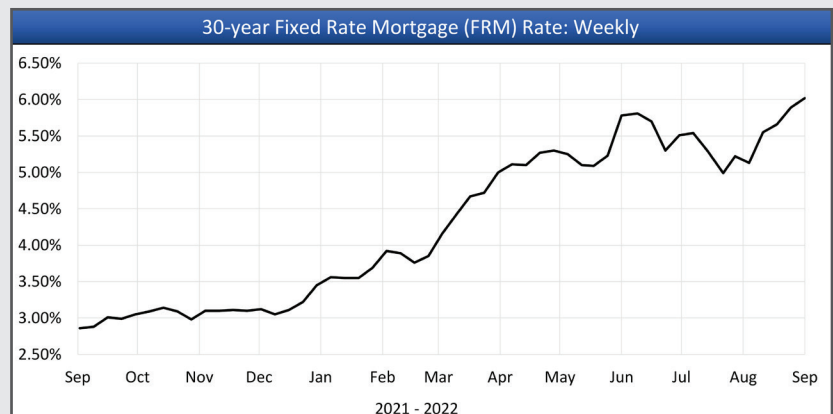
While home prices exploded in 2020-2021, they will also rapidly implode, eventually finding a bottom in 2024-2025. Watch for a return of **real estate speculators** in 2024 to provide a short-lived “dead cat” bounce in sales volume. A sustainable sales recovery will take off with the return of end-user homebuyers around 2026-2027.

Mortgage rates resume their upward march

This chart shows the average interest rate on a 30-year **fixed rate mortgage (FRM)**.

Mortgage interest rates swung higher in September 2022, with the 30-year FRM rate exceeding 6.0%. The current upward trend in mortgage rates began in 2013, pivoting from the prior 30 years of declining interest rates, reflective of a **historical rates cycle**.

At the outset of the 2020 pandemic, the average 30-year FRM rate had risen to almost 4.0%. Today’s post-pandemic rise in the FRM to 6.02% inflicts a further cut on buyer purchasing power — which controls property pricing. Watch for highly leveraged home purchases closed during the Pandemic Economy period to slip **underwater** in 2023, submerged by the grip of rising mortgage interest rates and ballast of the mean price trendline.



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