

C.A.R. 2024 California Housing Market Forecast

C.A.R. releases its 2024 California Housing Market Forecast

California housing market will rebound in 2024 as mortgage rates ebb.

- Existing, single-family home sales are forecast to total 327,100 units in 2024, an increase of 22.9 percent from 2023's projected pace of 266,200.
- California's median home price is forecast to climb **6.2** percent to \$860,300 in 2024, following a projected **1.5** percent decrease to \$810,000 in 2023 from 2022's \$822,300.
- Housing affordability* is expected to remain flat at 17 percent next year from a projected 17 percent in 2023.

LOS ANGELES (Sept. 20) – Slower economic growth and cooling inflation will bring down mortgage interest rates in 2024 and create a more favorable market environment to spur California home sales next year, according to a housing and economic forecast released today by the **CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.)**.

The baseline scenario of C.A.R.'s "2024 California Housing Market Forecast" sees an increase in existing single-family home sales of 22.9 percent next year to reach 327,100 units, up from the projected 2023 sales figure of 266,200. The 2023 figure is 22.2 percent lower compared with the pace of 342,000 homes sold in 2022.

The California median home price is forecast to rise 6.2 percent to \$860,300 in 2024, following a projected 1.5 percent dip to \$810,000 in 2023 from \$822,300 in 2022. A persistent housing shortage and a competitive housing market will continue to put upward pressure on home prices next year.

"2024 will be a better year for the California housing market for both buyers and sellers as mortgage interest rates are expected to decline next year," said C.A.R. President Jennifer Branchini, a Bay Area REALTOR®. "A more favorable market environment with lower borrowing costs, coupled with an increase in available homes for sale, will motivate buyers and sellers to reenter the market next year. First-time buyers who were squeezed out by the highly competitive market in the last couple of years will try to attain their American dream next year. Repeat buyers who have overcome the "lock-in effect" will also return to the market as mortgage rates begin to trend down."

C.A.R.'s 2024 forecast predicts the U.S. gross domestic product to edge up 0.7 percent in 2024, after a projected uptick of 1.7 percent in 2023. With California's 2024 nonfarm job growth rate at 0.5 percent, up from a projected increase of 1.4 percent in 2023, the state's unemployment rate will increase to 5.0 percent in 2024 from 2023's projected rate of 4.6 percent.

Inflation will continue its gradual decline over the next 18 months, with the CPI registering 2.6% in 2024, down from 3.9% in 2023. As such, the average 30-year, fixed mortgage interest rate will decline from 6.7 percent in 2023 but remain elevated at 6.0 percent in 2024. While next year's projected average for the 30-year fixed mortgage interest rate will still be higher than the levels observed in the few years prior to the pandemic, it will be lower than the long-run average of nearly 8% in the past 50 years.

Housing supply in 2024 will remain below the norm despite a projected increase in active listings of between 10 percent to 20 percent, as market conditions and the lending environment continue to improve.

"With the economy expected to soften in 2024, the Federal Reserve Bank will begin loosening its monetary policy next year. Mortgage rates will trend down throughout 2024, and the average 30-year fixed rate mortgage could reach the mid-5% range by the end of next year," said C.A.R. Senior Vice President and Chief Economist Jordan Levine. "Buyers will have more financial flexibility to purchase homes at higher prices, which could generate increased housing demand and result in more upward pressure on home prices."

2024 CALIFORNIA HOUSING FORECAST

	2017	2018	2019	2020	2021	2022	2023p	2024f
--	------	------	------	------	------	------	-------	-------

SFH Resales (000s)	424.9	402.6	398	411.9	444.5	342	266.2	327.1
% Change	1.7%	-5.2%	-1.2%	3.5%	7.9%	-23.1%	-22.2%	22.9%
Median Price (\$000s)	\$537.9	\$569.5	\$592.4	\$659.4	\$786.8	\$822.3	\$810.0	\$860.3
% Change	7.1%	5.9%	4.0%	11.3%	19.3%	4.5%	-1.5%	6.2%
Housing Affordability Index*	29%	28%	31%	32%	26%	19%	17%	17%
30-Yr FRM	4.0%	4.5%	3.9%	3.1%	3.0%	5.3%	6.7%	6.0%

p = projected

f = forecast

* = % of households who can afford median-priced home