



C.A.R. releases its 2025 California housing market forecast

FOR RELEASE

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C.A.R. releases its 2025 California Housing Market Forecast

California home sales and price are projected to increase as buyers and sellers return to the market, enticed by lower interest rates and better housing supply conditions.

- Existing, single-family home sales are forecast to total 304,400 units in 2025, an increase of 10.5 percent from 2024's projected pace of 275,400.
- California's median home price is forecast to climb 4.6 percent to \$909,400 in 2025, following a projected 6.8 percent increase to \$869,500 in 2024 from 2023's \$814,000.
- Housing affordability* is expected to remain stable at 16 percent next year after slipping to a projected 16 percent in 2024 from 17 percent in 2023.

LOS ANGELES (Sept. 25) – A more favorable interest rate environment that will loosen up the "lock-in" effect and improve housing inventory will encourage buyers and sellers to return to the market to boost both home sales and prices 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 "2025 California Housing Market Forecast" sees an increase in existing single-family home sales of 10.5 percent next year to reach 304,400 units, up from the projected 2024 sales figure of 275,400. The projected 2024 figure is 6.8 percent higher compared with the pace of 257,900 homes sold in 2023.

The California median home price is forecast to rise 4.6 percent to \$909,400 in 2025, following a projected 6.8 percent increase to \$869,500 in 2024 from \$814,000 in 2023. **A** persistent housing shortage and a competitive housing market will continue to put upward pressure on home prices next year.

"An increase in homes for sale, along with lower borrowing costs, is expected to entice more buyers and sellers to enter the market in 2025," said C.A.R. President Melanie Barker, a Yosemite REALTOR®. "Demand will grow as we start the year with the lowest interest rates in more than two years, particularly for first-time buyers. Meanwhile, would-be home sellers, held back by the "lock-in effect," will have more flexibility to pursue a home that better suits their needs as mortgage rates continue to decline."

C.A.R.'s 2025 forecast predicts the U.S. gross domestic product to slip to 1.1% in 2025, after a projected increase of 1.9% in 2024. With California's 2025 nonfarm job growth rate at 1.1%, down from a projected 1.5% in 2024, the state's unemployment rate will inch up to 5.6% in 2025 from 2024's projected rate of 5.4%.

Inflation will moderate further over the next 12 months, with the CPI registering an annual average of 2.0% in 2025, down from 2.9% in 2024. As such, the average 30-year, fixed mortgage interest rate will decline from 6.6% in 2024 to 5.9% in 2025. While next year's projected average for the 30-year fixed mortgage interest rate will be higher than the levels observed in the few years prior to the pandemic, it will still be lower than the long-run average of nearly 8% in the past 50 years.

Housing supply conditions will continue to improve next year, but a moderate increase rather than a surge in active listings should be expected in 2025. In the next 18 months, interest rates will decline, the lock-in effect will loosen up further, and more properties will be released onto the market. Homeowners who have delayed moving and investors who have been waiting for a market bounce-back will put their properties up on the market as they see the rising trend in home prices as an opportunity to sell. While supply in 2025 will remain below the norm by historical standards, active listings will increase slightly above 10% as market conditions and lending environment continue to improve.

"Although inventory is expected to loosen as rates ease, demand will also increase with lower mortgage rates and limited housing supply, which will push home prices higher next year," said C.A.R. Senior Vice President and Chief Economist Jordan Levine. "Price growth is expected to be slower, but the housing shortage will keep the market competitive outside of big economic shocks, so prices will still rise. Assuming a healthy economy in 2025 that slows but doesn't shrink, home prices should rise modestly across California, with the state's median price climbing 4.6 percent to reach \$909,400 in 2025."

2025 CALIFORNIA HOUSING FORECAST

	2018	2019	2020	2021	2022	2023	2024p	2025f
SFH Resales (000s)	402.6	398	411.9	444.5	343	257.9	275.4	304.4
% Change	-5.2%	-1.2%	3.5%	7.9%	-22.9%	-24.8%	6.8%	10.5%
Median Price (\$000s)	\$569.5	\$592.4	\$659.4	\$784.3	\$822.3	\$814.0	\$869.5	\$909.4
% Change	5.9%	4%	11.3%	18.9%	4.5%	-1%	6.8%	4.6%
Housing Affordability Index	28%	31%	32%	26%	19%	17%	16%	16%

30-Yr FRM	4.50%	3.90%	3.10%	3.00%	5.30%	6.80%	6.60%	5.90%
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p = projected

f = forecast

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

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