Outlook

C.A.R. Market Matters

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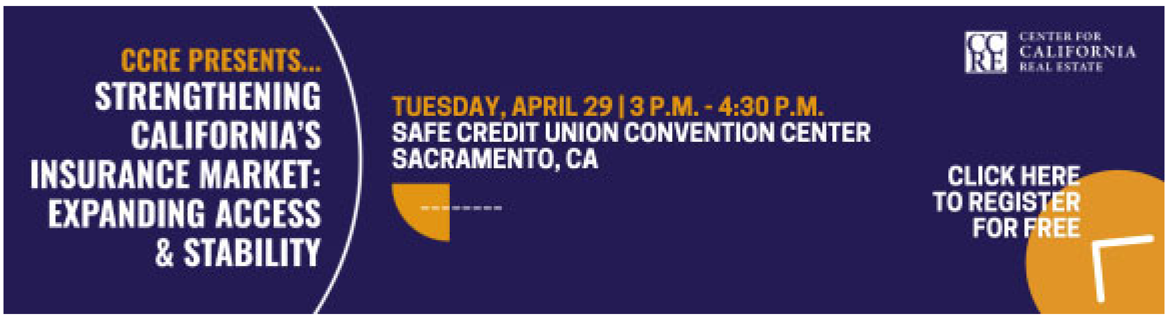

44% of sellers giving concessions to buyers

Source: Redfin

Home sellers gave concessions to buyers in 44.4 percent of U.S. home-sales transactions in the first quarter. That's up from 39.3 percent a year earlier and is just shy of the 45.1 percent record high at the start of 2023. This is based on Redfin's analysis of data from their buyers' agents across the country covering rolling three-month periods from 2019 to the present. A concession is recorded when an agent reports a seller provided something that helped reduce the buyer's total cost of purchasing a home, including money toward repairs, closing costs and/or mortgage-rate buydowns.

Sellers are increasingly handing out concessions because the housing market has tilted in favor of buyers. Homebuyer demand is sluggish due to high home prices, elevated mortgage rates and economic uncertainty. At the same time, sellers are facing more competition from each other, with listings now at a five-year high. When buyers have more options to choose from, it typically means they have more negotiating power. The cities with the highest concession rates are Seattle, Portland, Atlanta, San Diego, Denver and Los Angeles. Sacramento, Riverside, San Jose and San Francisco also made the top 25 areas giving concessions.

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March home sales drop to slowest pace since 2009

Source: MSN

Higher mortgage rates and concern over the broader economy are making for a weak start to the all-important spring housing market. Sales of previously owned homes in March fell 5.9 percent from February to 4.02 million units on a seasonally adjusted annualized basis, according to the National Association of REALTORS®. That's the slowest March sales pace since 2009.

Sales were 2.4 percent lower than in March 2024 and slumped across all regions month to month. They fell hardest in the West, the priciest region of the country, down more than 9 percent. The West, however, was the only region to see a year-over-year gain, due to strong activity in the Rocky Mountain states, where job growth is strong. The count is based on closings, therefore contracts likely signed in January and February, when the average rate on the 30-year fixed mortgage was over 7 percent. It did not fall solidly below 7 percent until Feb. 20, according to *Mortgage News Daily*.

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Aging home inventory creating a tipping point

Source: Forbes
America's housing market is graying. Baby boomers, holding the lion's share of homeownership and real estate wealth, are sitting atop an aging housing inventory that could define the future of millennial homeownership. Baby boomers own 37 percent of U.S. homes while making up just over 20 percent of the population, according to the U.S. Census Bureau. They also control 57 percent of the nation's vacation homes and 58 percent of rental properties that generate income.

Nearly half (45 percent) of millennials (those born between 1981 and 1996) do not own a home. And for many, inheriting property may be the only feasible pathway to homeownership. Economists expect a "Great Wealth Transfer" soon, which will hand off multiple trillions of dollars of assets from boomers to their heirs, which will allow millennials to become homeowners, either through inheritance or the financial flexibility to afford a down payment.

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2024 Housing affordability by ethnicity

Source: C.A.R.
Buying a home in California became less affordable for all ethnic groups last year, as interest rates remained elevated and the typical monthly mortgage payment for a median-priced detached home rose 6 percent compared to the previous year, the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) said today.

Eighteen percent of all Californians earned the minimum income needed to purchase a median-priced home in 2024, down from 19 percent in 2023. At the same time, housing affordability for White/non-Hispanic households fell from 23 percent in 2023 to 21

percent in 2024. In 2024, 10 percent of Black households and 9 percent of Hispanic/Latino households could afford a median-priced home – figures that remained unchanged from the previous year. The significant difference in housing affordability for Black and Hispanic/Latino households illustrates the homeownership gap and wealth disparity for communities of color, which could worsen as the economy slows and rates remain elevated in 2025.

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Consumer Financial Protection Bureau gutted

Source: Wired

More than 1,400 Consumer Financial Protection Bureau (CFPB) workers were terminated from their positions last Thursday amid a broader Trump administration shakeup at the independent government agency. There were around 1,700 employees in total at the CFPB. In an email sent to CFPB staff, CFPB Chief Legal Officer Mark Paoletta announced that the agency would be shifting its focus away from its supervisory roles and toward “tangible harm to consumers.” Medical debt, student loans, consumer data and digital payments have all been identified as topics the CFPB will deprioritize.

The CFPB was established by the 2010 Dodd-Frank Act, an expansive piece of legislation that imposed consequential regulatory reform in the wake of the 2008 financial crises. The agency was created to protect consumers from unfair or deceptive financial practices, and it claims to be responsible for $19.7 billion in consumer relief since its inception, as well as $5 billion in civil penalties.

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Weekly mortgage demand plunges 13%

Source: CNBC

Higher interest rates, as well as concern over where the broader economy is headed, is causing mortgage demand to drop sharply.

Last week, total mortgage application volume fell 12.7 percent compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (of $806,500 or less) increased to 6.90 percent from 6.81 percent, with points rising to 0.66 from 0.62, including the origination fee, for loans with a 20 percent down payment. The rate increase hit refinance demand hard. Those applications dropped 20 percent for the week but were 43 percent higher than the same week one year ago. The refinance share of mortgage activity decreased to 37.3 percent of total applications from 41.3 percent the previous week. Applications for a mortgage to purchase a home dropped 7 percent for the week and were 6 percent higher than the same week one year ago. Homebuyers are contending with more than just higher interest rates. Home prices continue to climb, and the recent plunge in the stock market has some unwilling to sell stocks in order to make a down payment.

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