

2025 Economic & Housing Market Forecast

Contra Costa Association of REALTORS®

Jordan G. Levine

Senior Vice President & Chief Economist

California Association of REALTORS®

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'Member when I said elections don't impact the market...

More money in pockets!

- Tax cuts are high priority & slam dunk
- Might get some of what was lost back
- SALT and MID are the big ones for CA

Inflation likely to be stickier...

- Tax cuts + tariffs likely inflationary
- Extending 2016 tax cuts costs ~\$3T +++
- Both suggest slower decline in rates

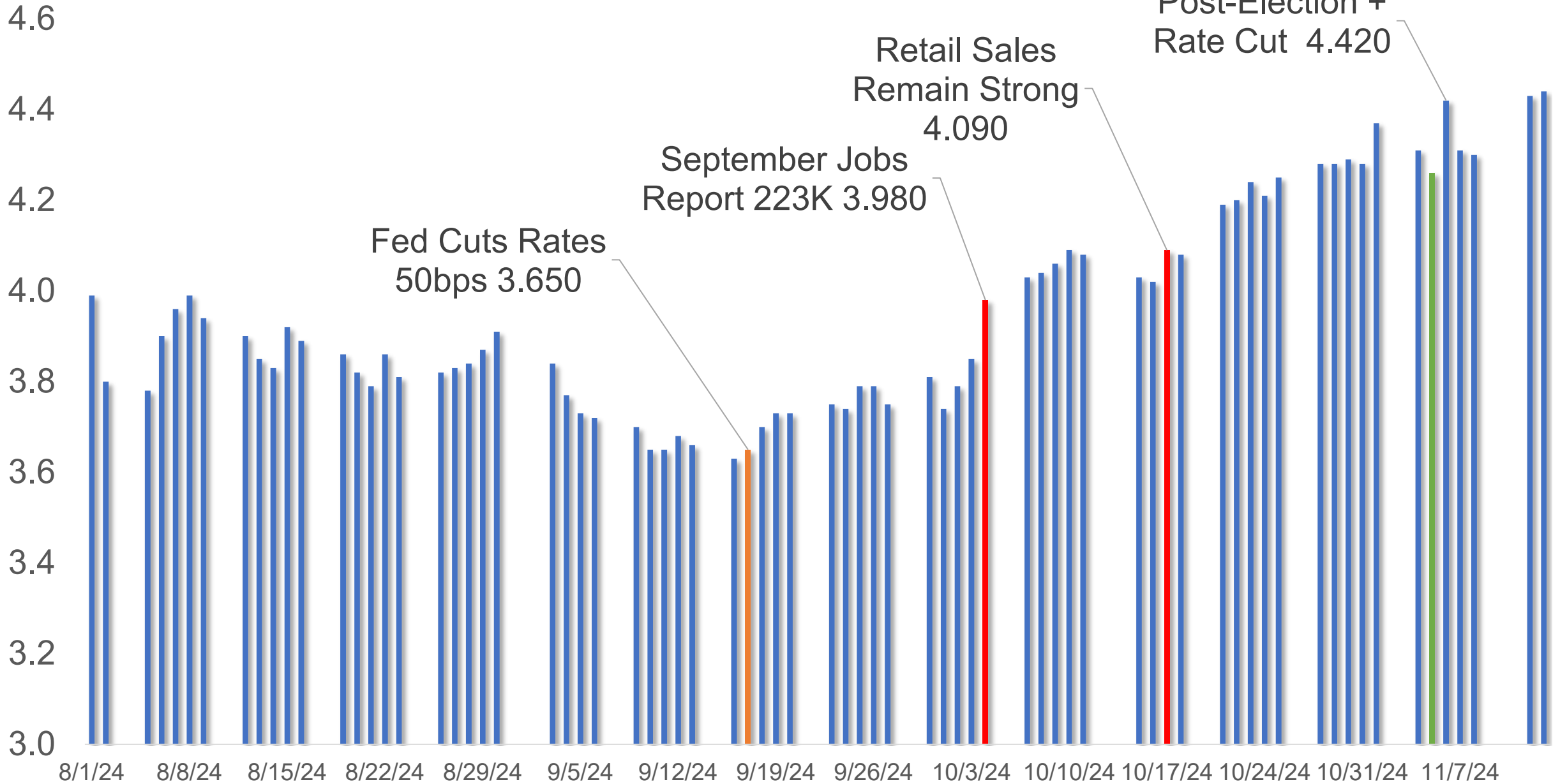
Might even get some new stuff!!

- Doubling the capital gains exemption
- First-time homebuyer credits IN ESCROW
- Pro-supply stuff: Fed lands, conversions, etc

Net effect is hard to say ㄟ(っ)ㄏ

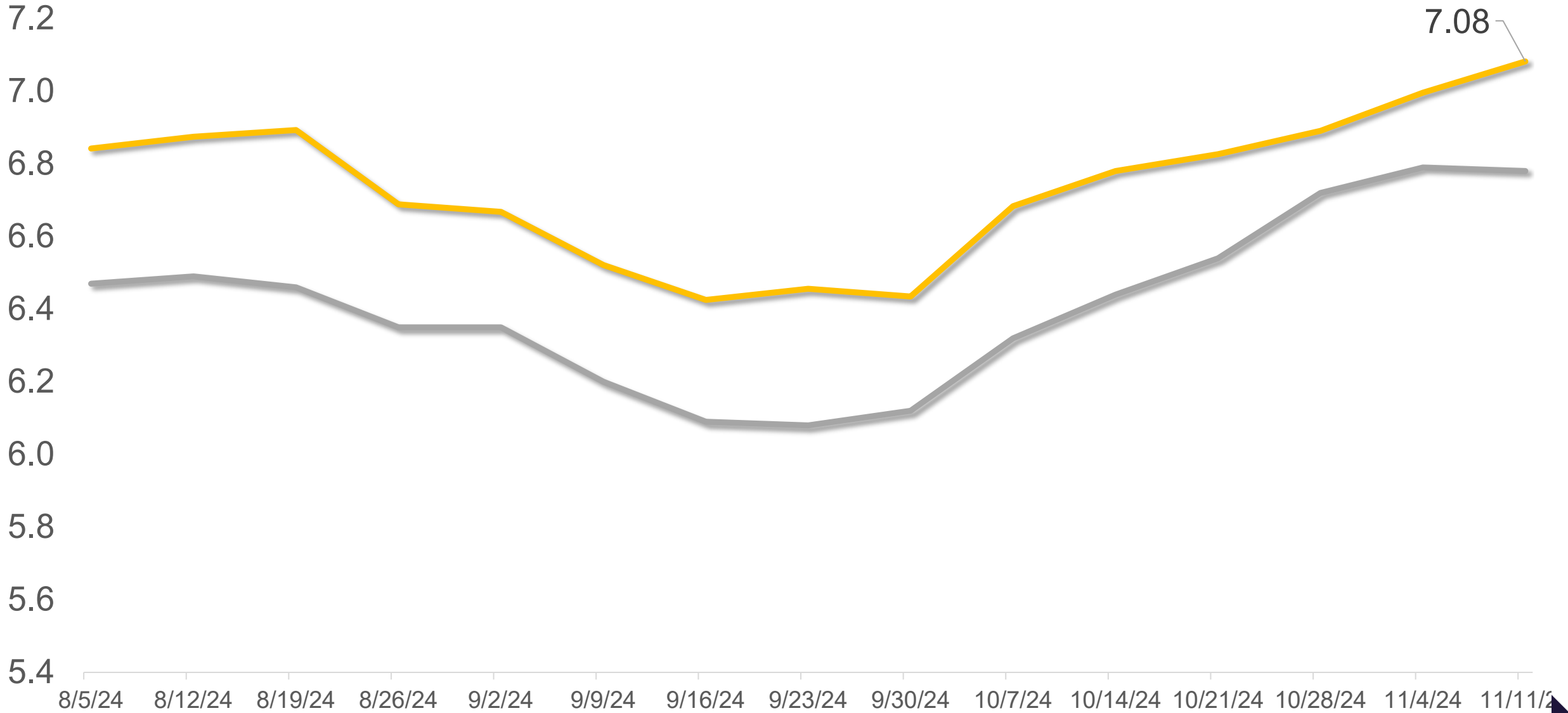
- Rates have been the major focus to now
- Nominal income likely to improve, will real?
- If stock market rallies on optimism, net positive

10-Year Treasury Rates



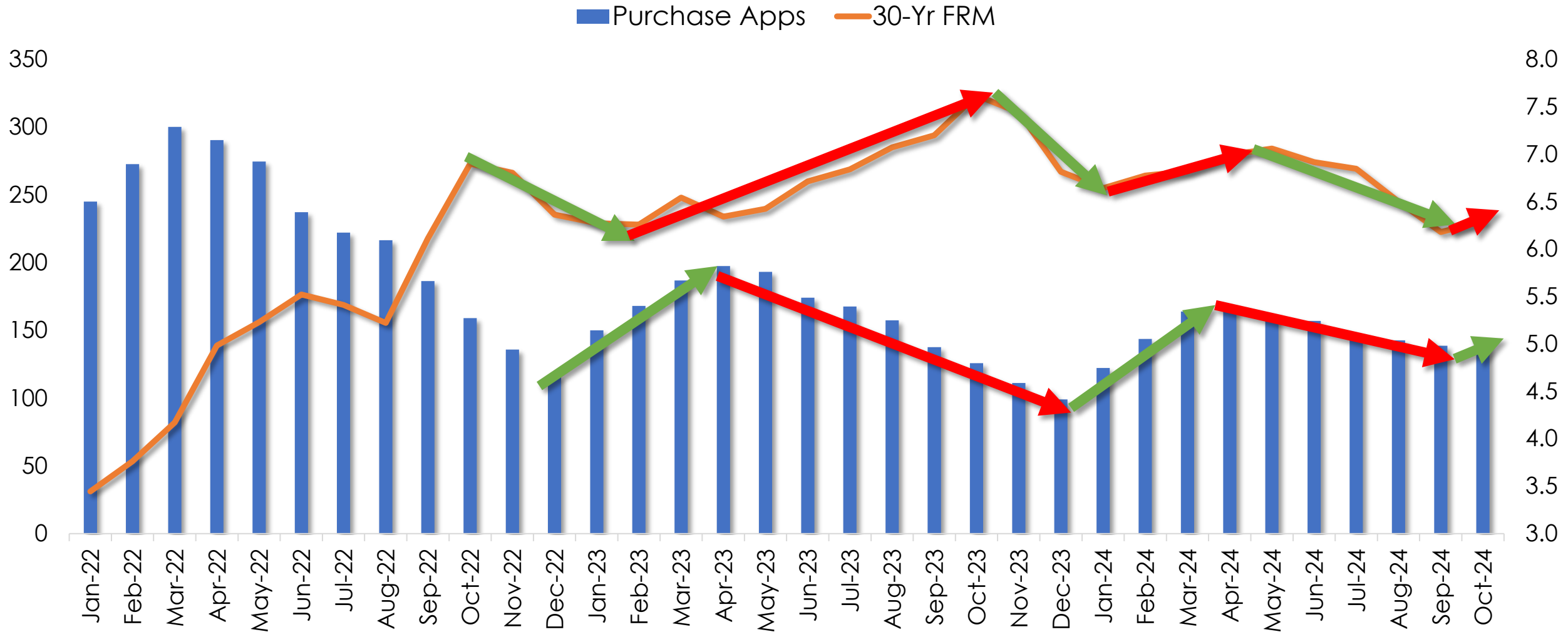
Mortgage Rates

— 30-Yr FRM — 30-Yr Jumbo



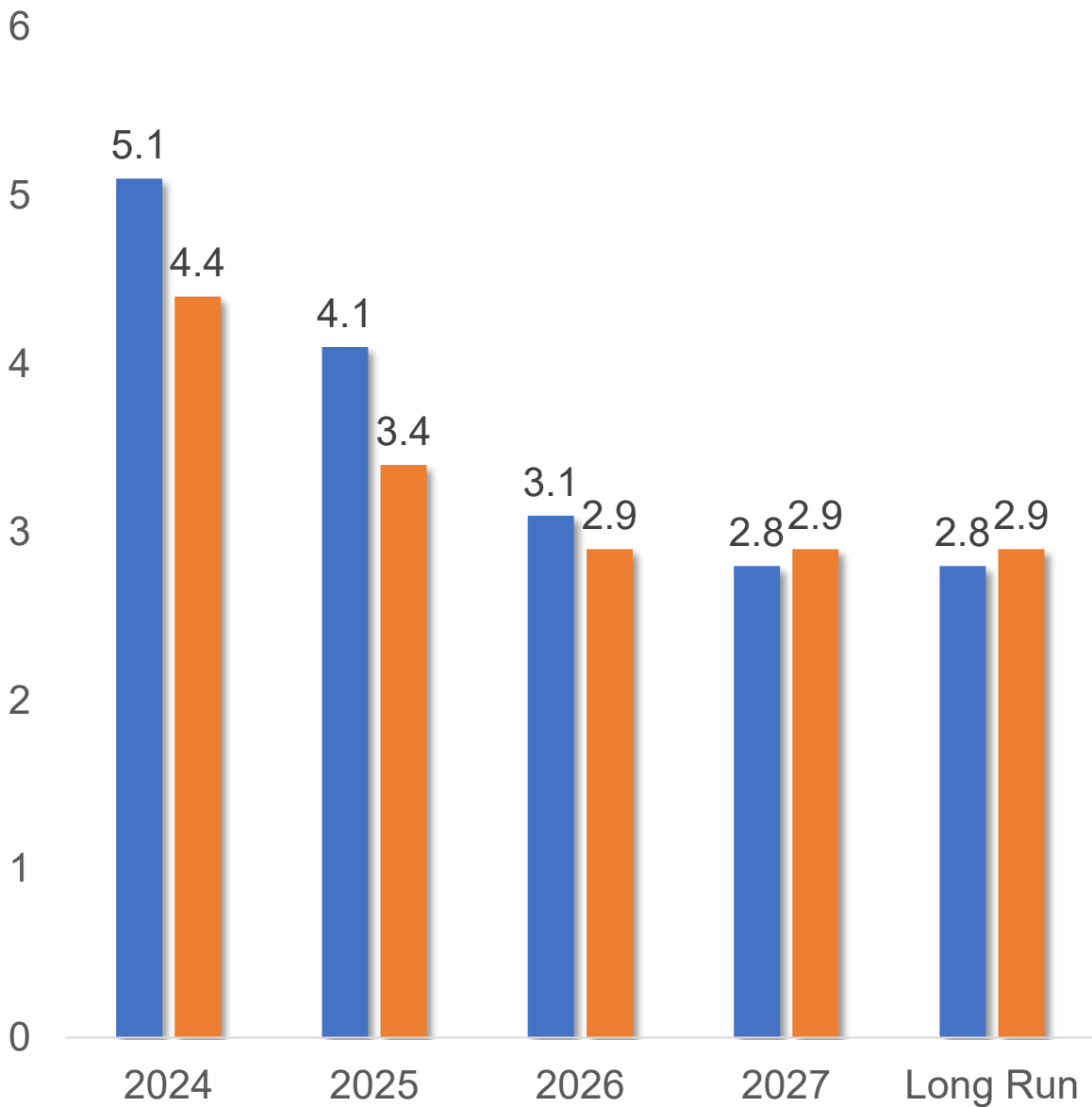
Had negative impacts on the planned recovery

Effect of Rates on Buyer Demand



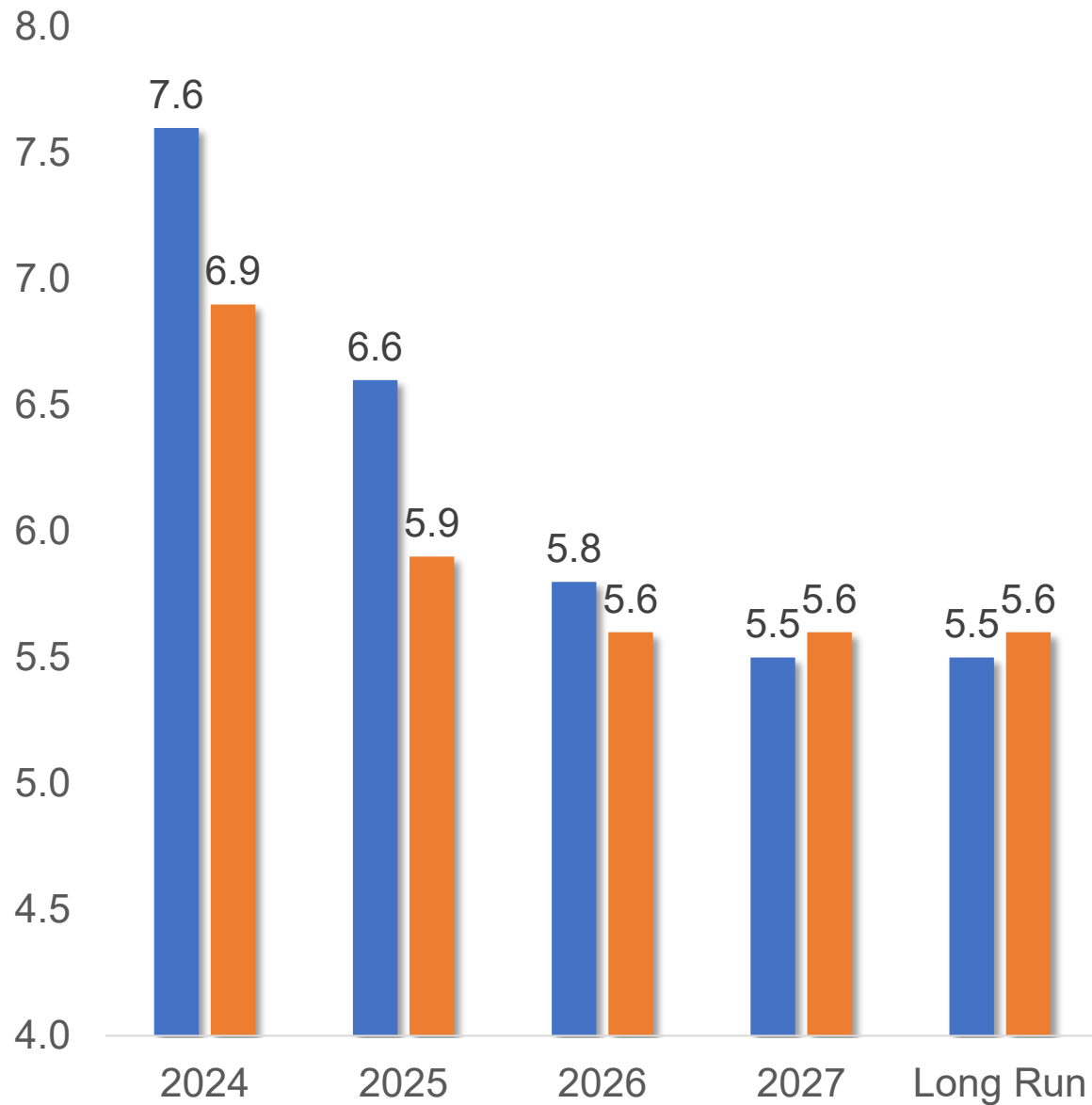
Fed Funds Rate

■ June Meeting ■ September Meeting



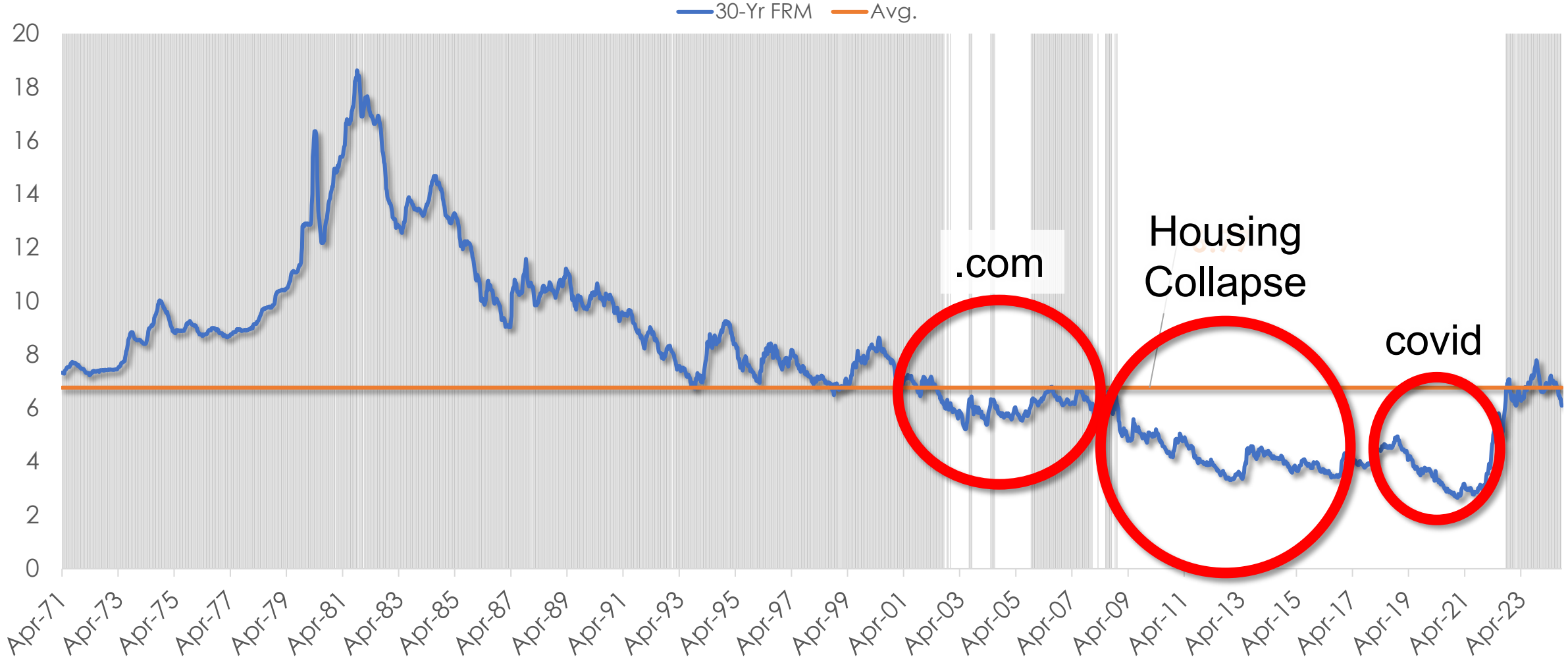
Implications for Mortgage Rates

■ June Meeting ■ September Meeting



Rates last week were actually pretty good

30-Yr Fixed-Rate Mortgage Rates

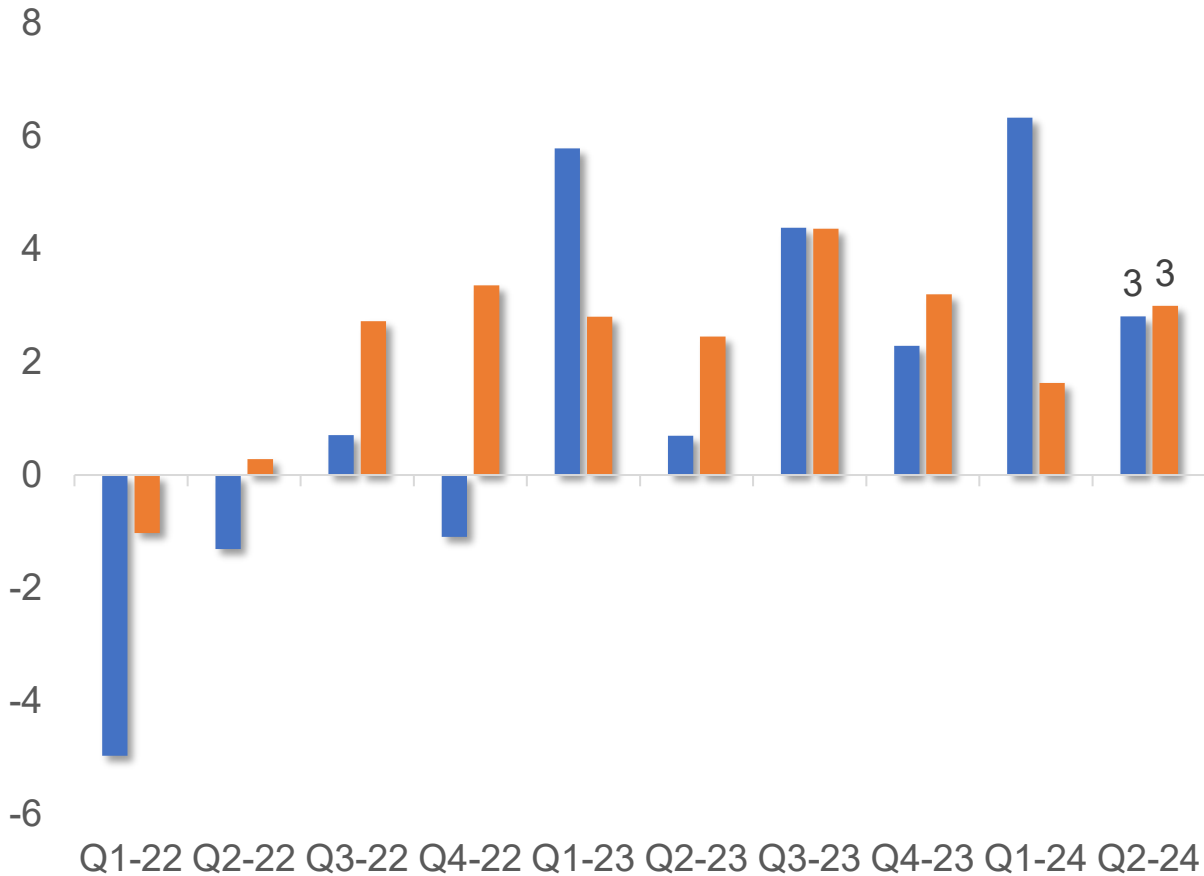


Macro headwinds despite
overperforming economy

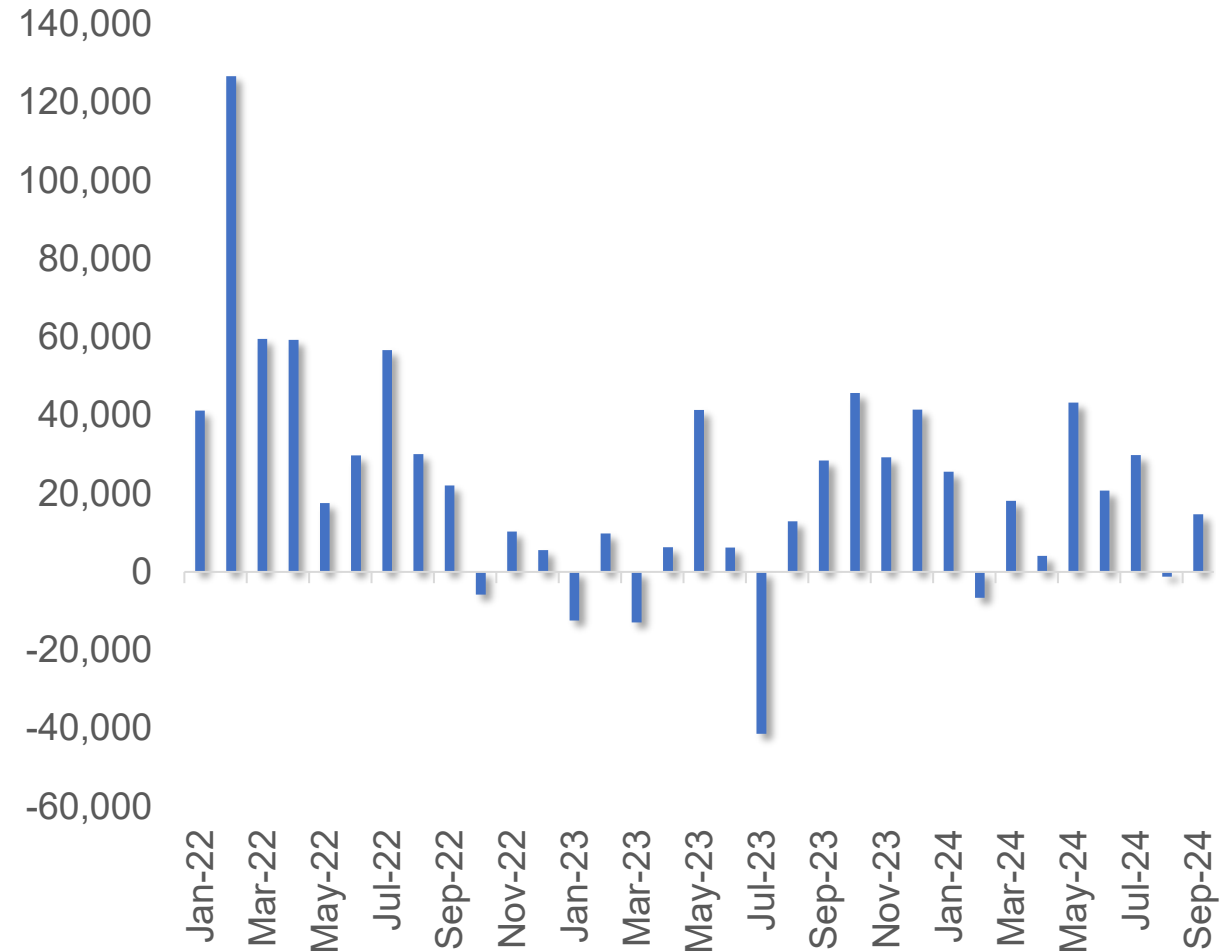
Headline numbers suggest a strong economy

Real GDP Growth

■ CA Growth ■ US Growth

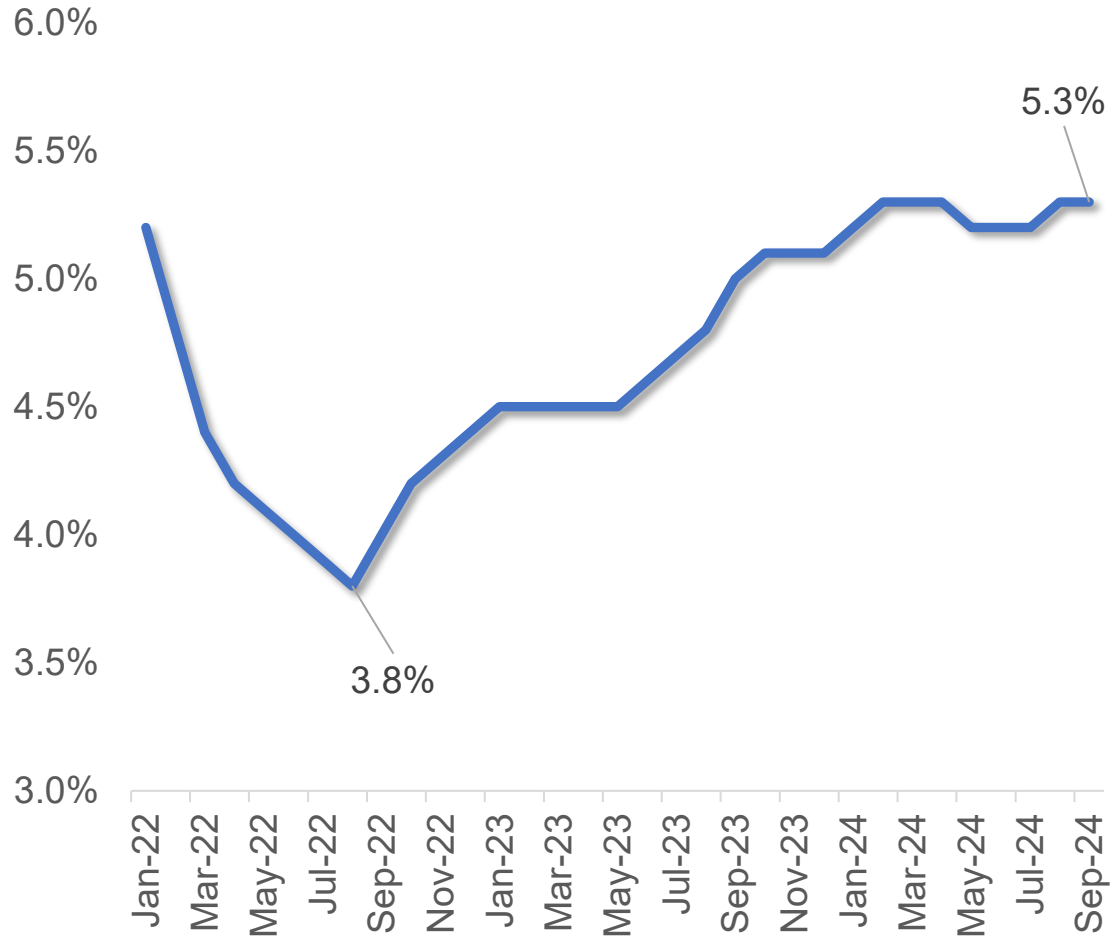


California Job Growth

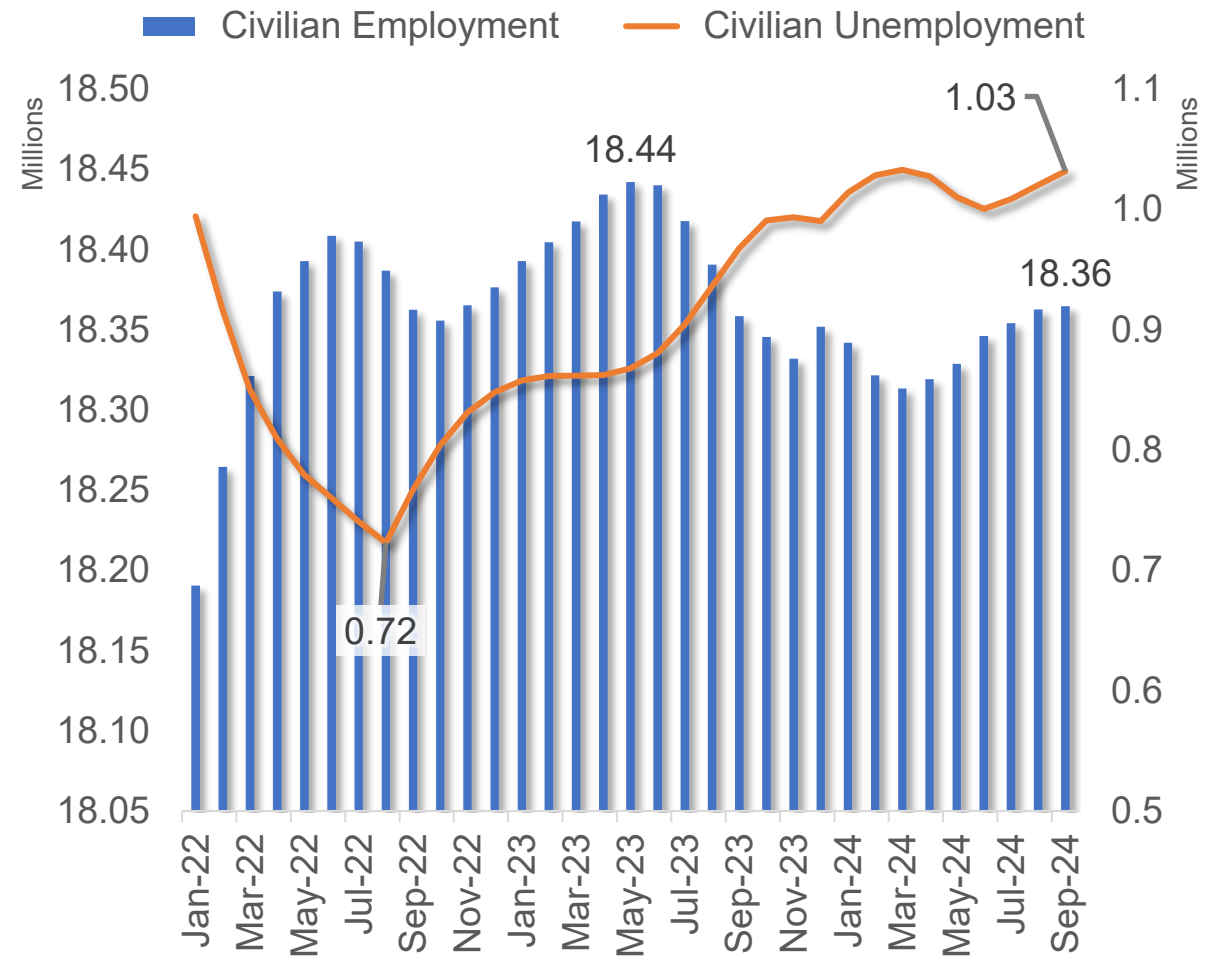


Also, a tale of two surveys happening

California Unemployment Rate

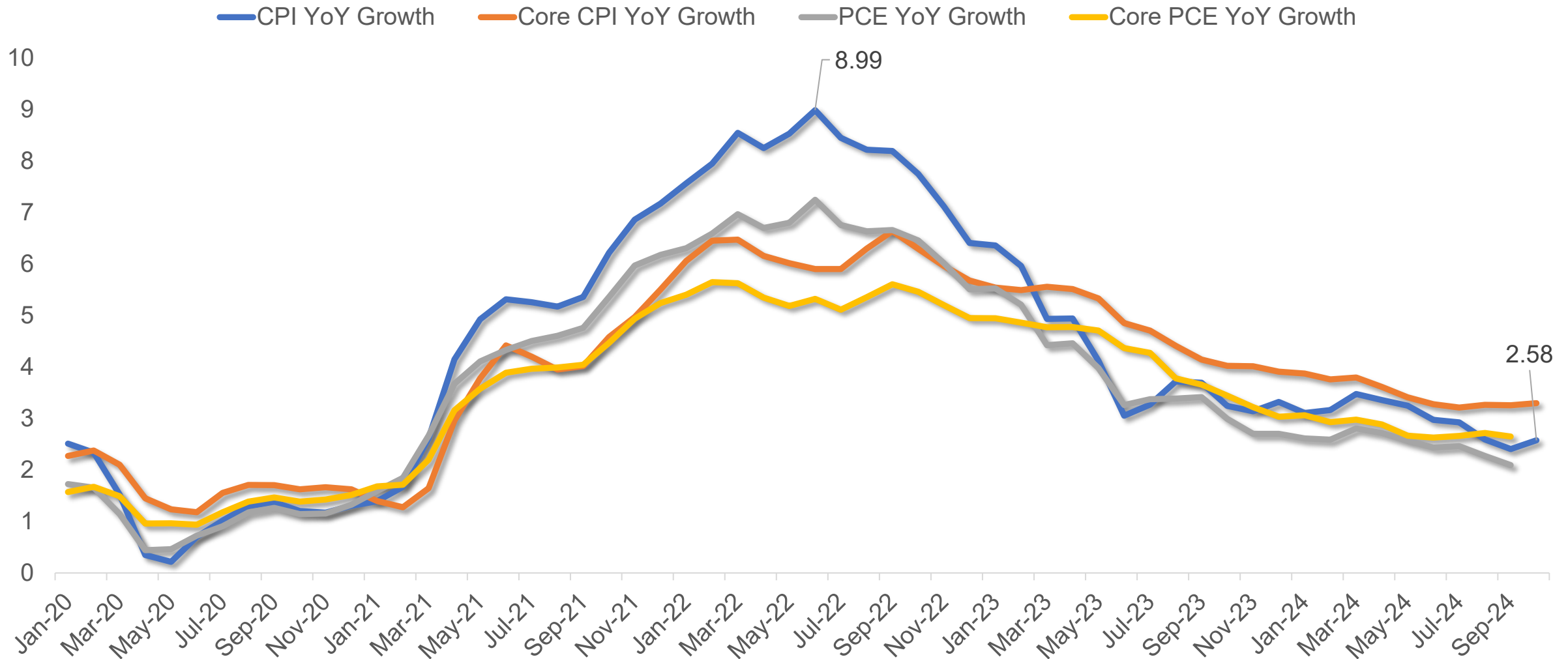


California Labor Force Data



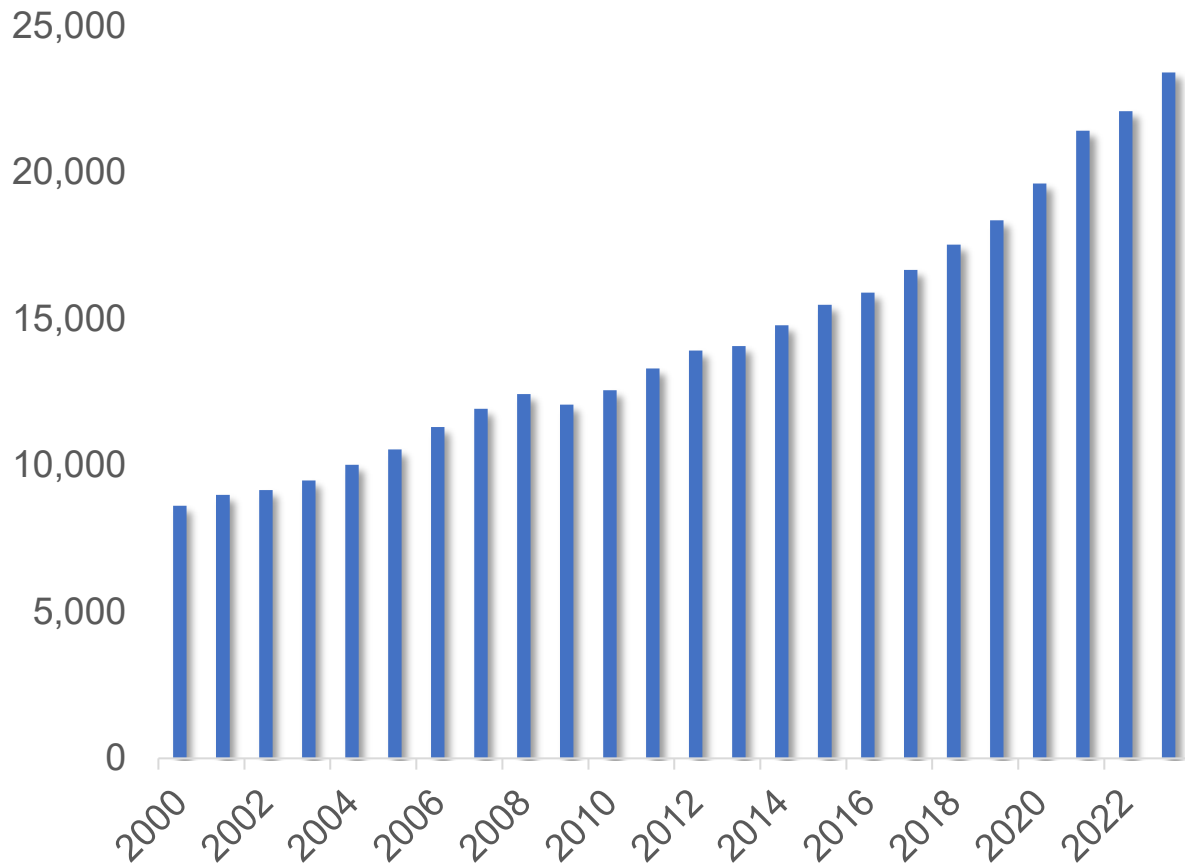
Inflation is easing, but prices not falling for folks

U.S. Consumer Price Inflation (YTY %)

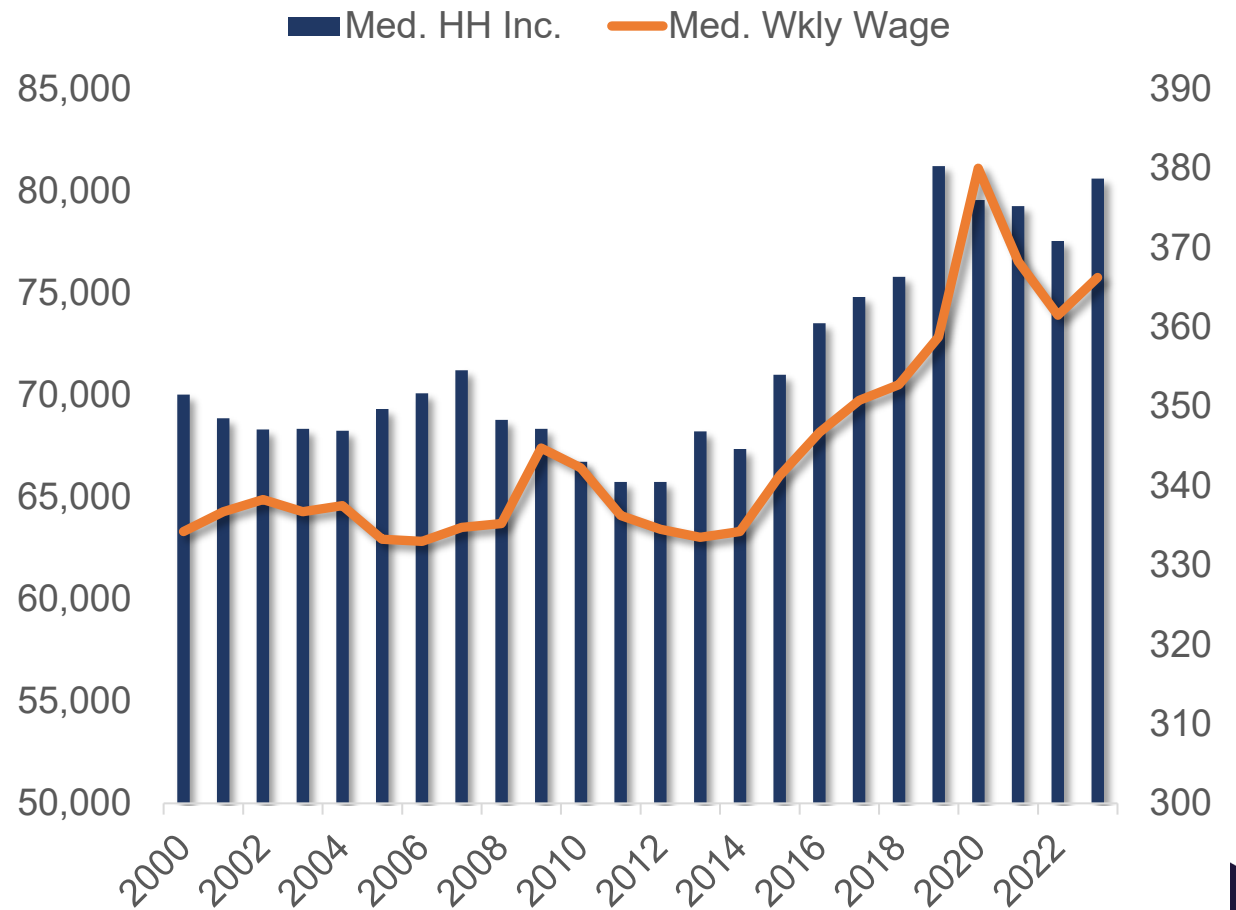


Tale of two economies, bifurcated by income

Aggregate Personal Income (\$ Billions)



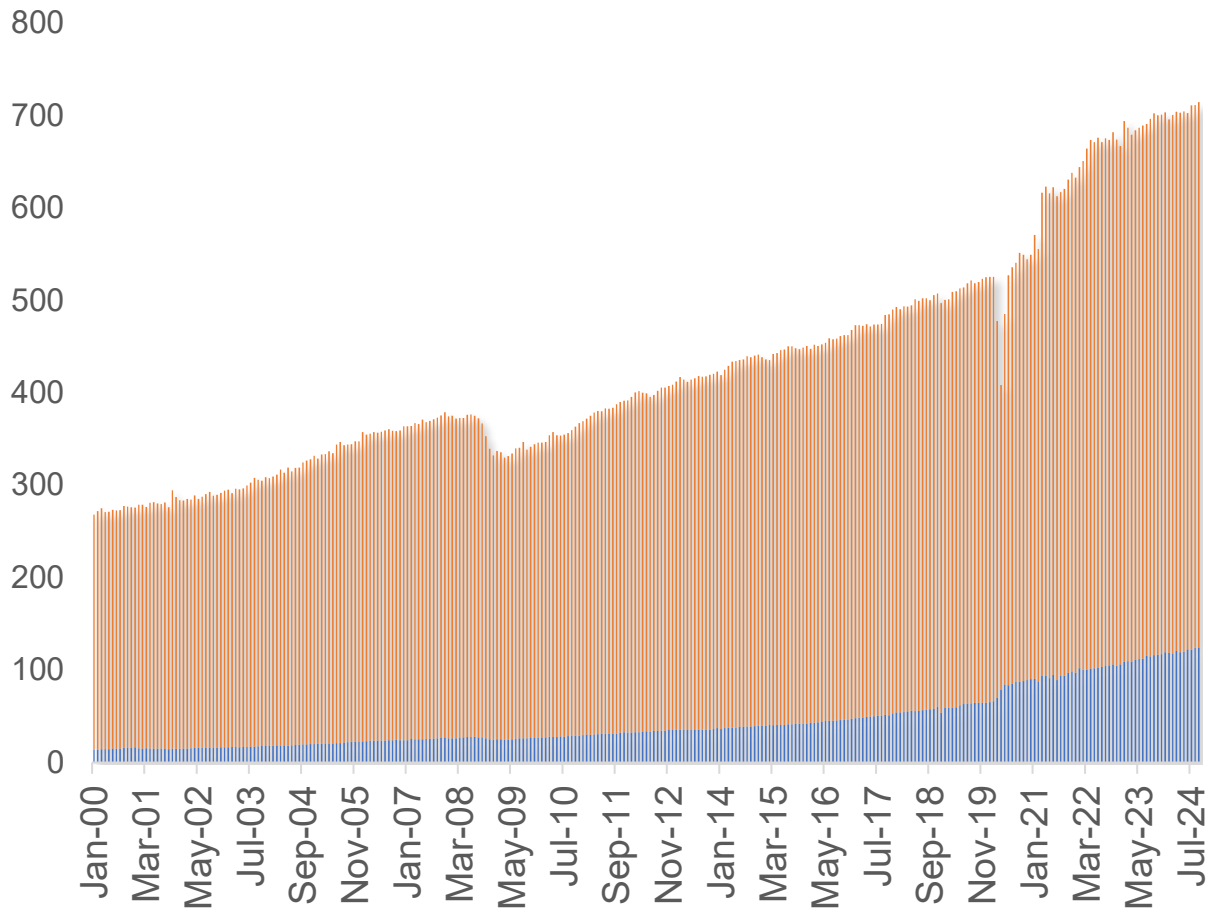
Median Earnings Data



Everything looks good (in the aggregate)

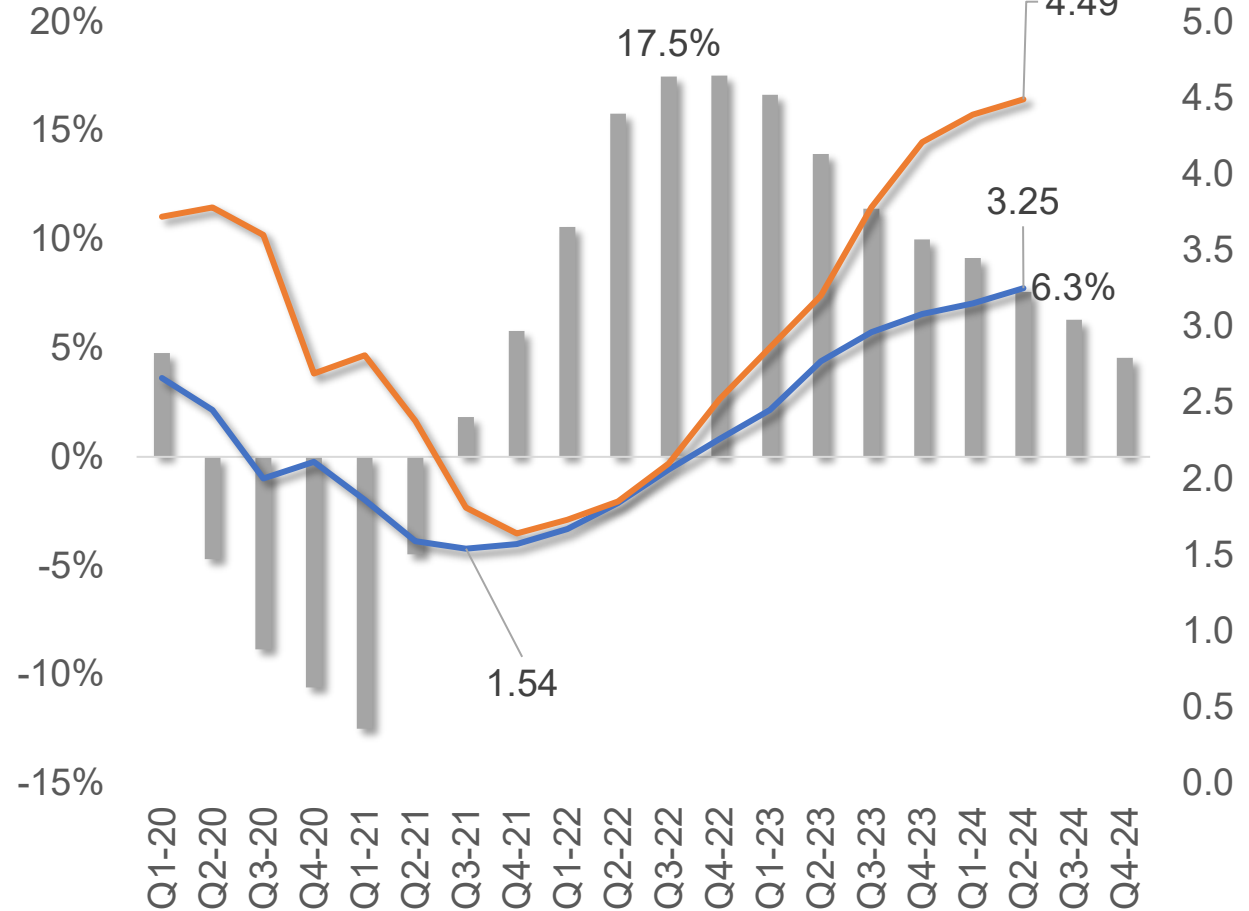
U.S. Retail Sales (\$ Billions)

■ Online ■ Brick & Mortar



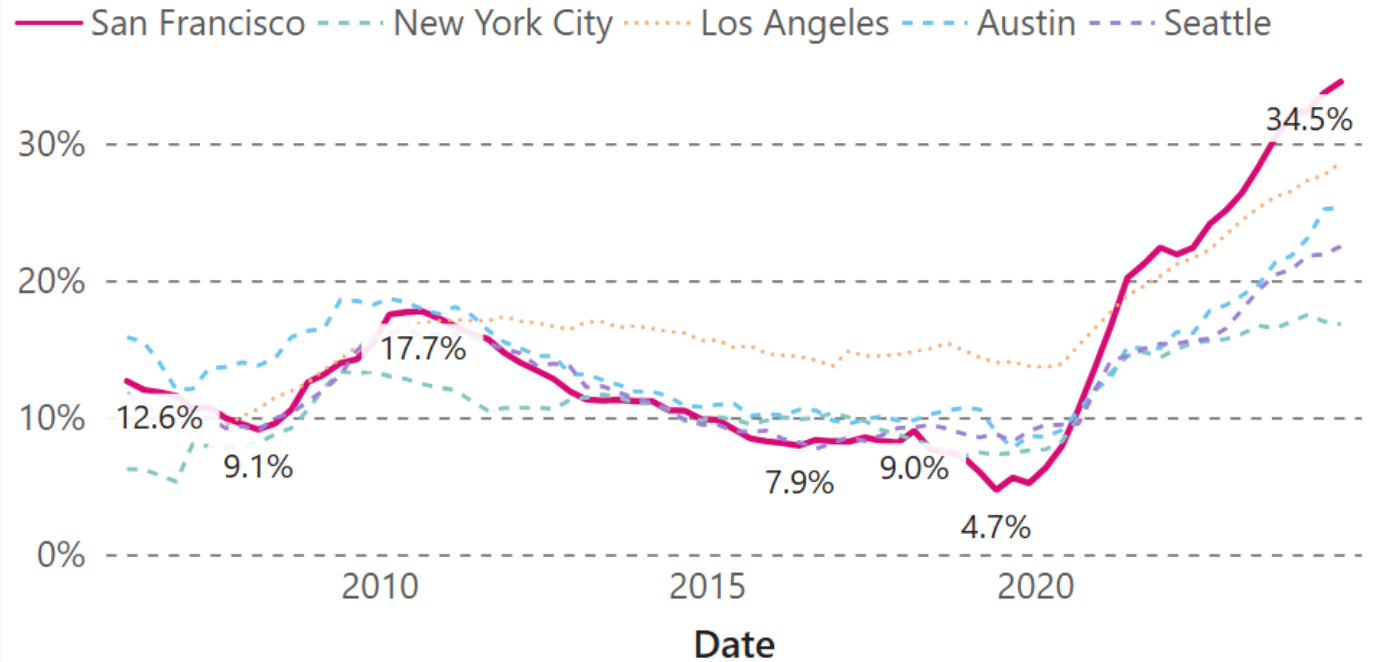
Credit Card Debt

■ CC Growth ■ Delinquency (%) ■ Charge Offs (%)



Commercial
(i.e. office)
likely the
other big risk

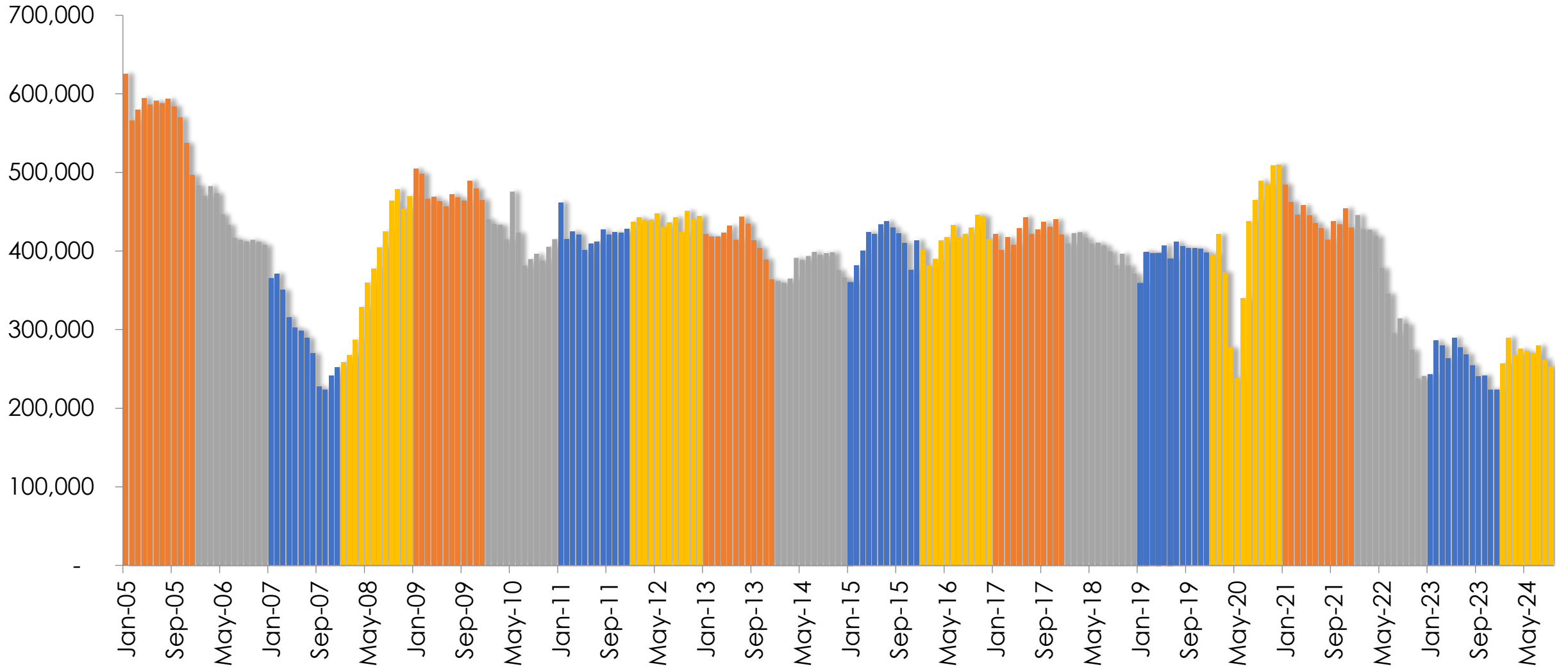
Office space vacancy rate by quarter



Bonds, Uncertainty, & 2 Tales Sabotaged Housing Recovery

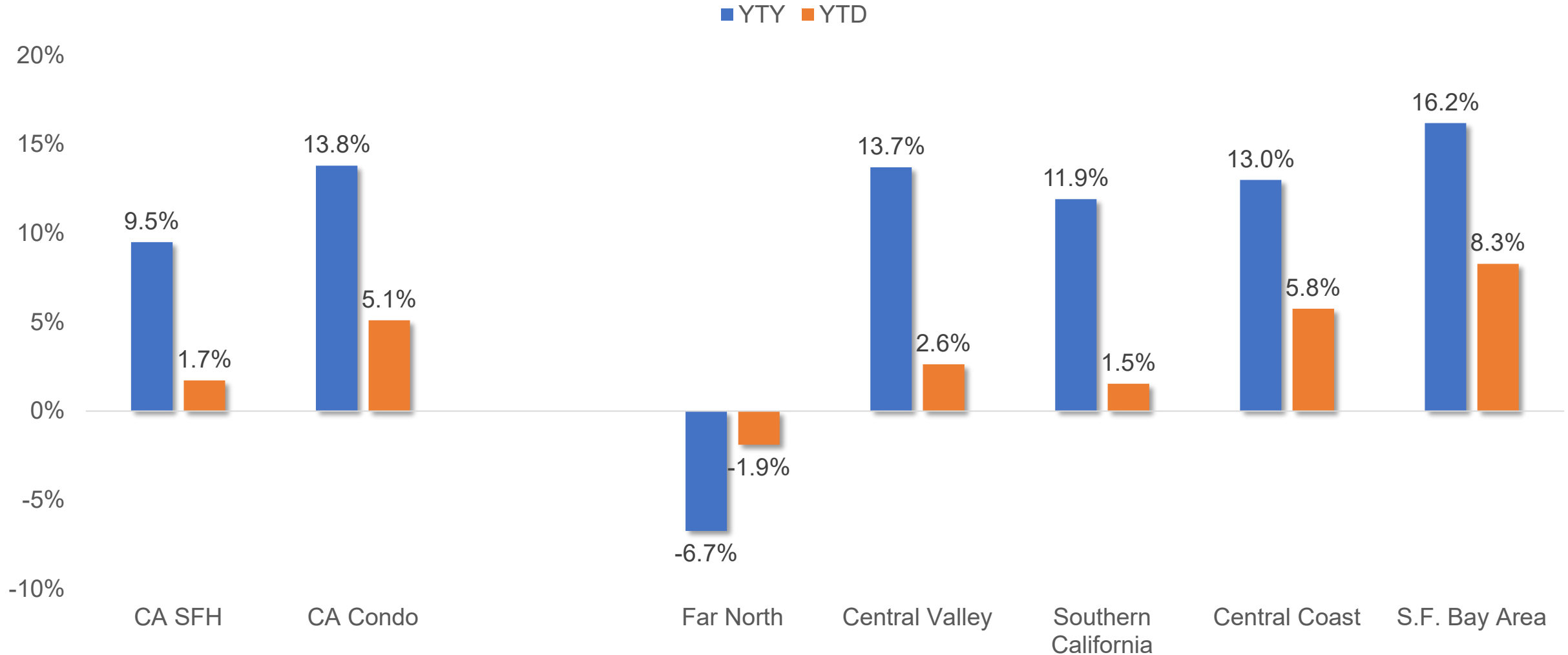
Sales show a market still waiting for rates...

California, September 2024 Sales: 253,010 Units, **+5.1% YTY**, **-3.4% MTM**



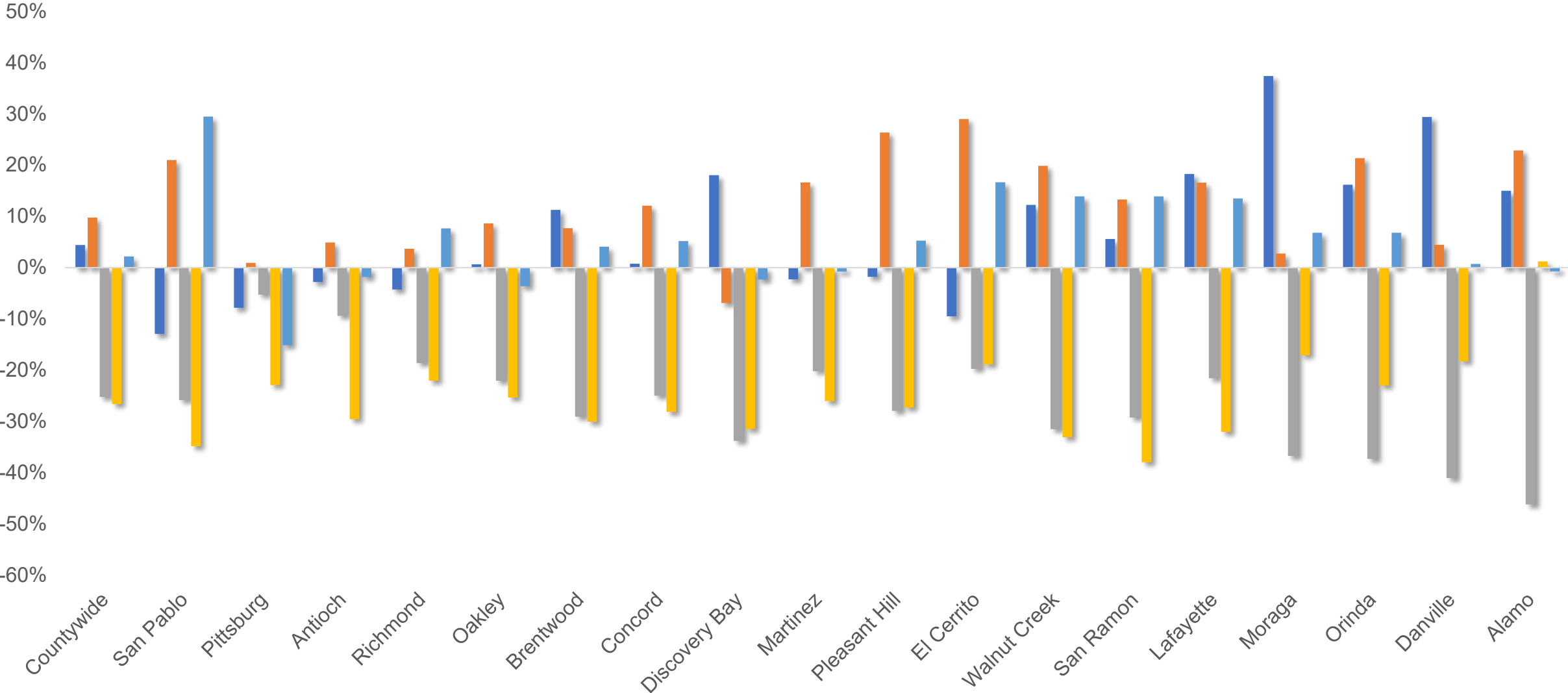
Similar trends across the state due to macro factors

California Existing SFR Sales Growth (September 2024)



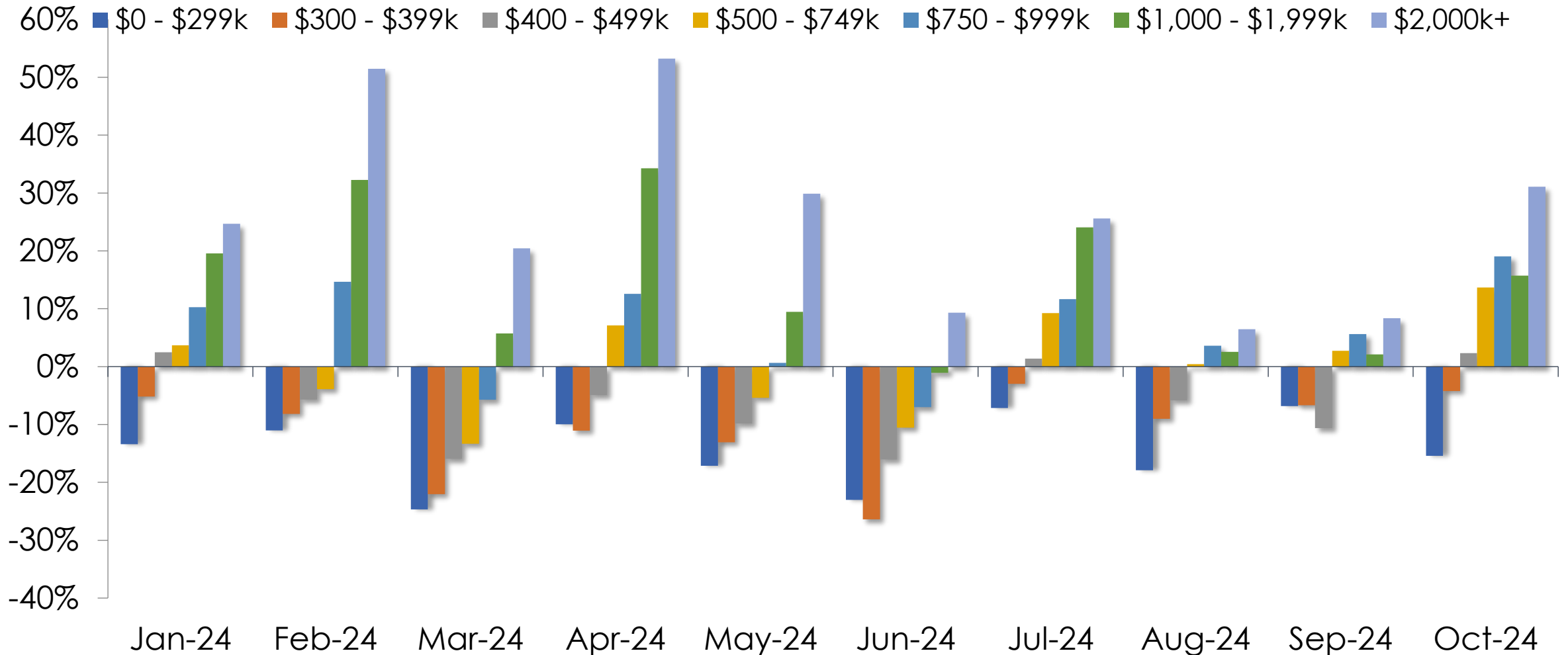
Contra Costa Existing SFR Home Sales Growth

■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024 YTD



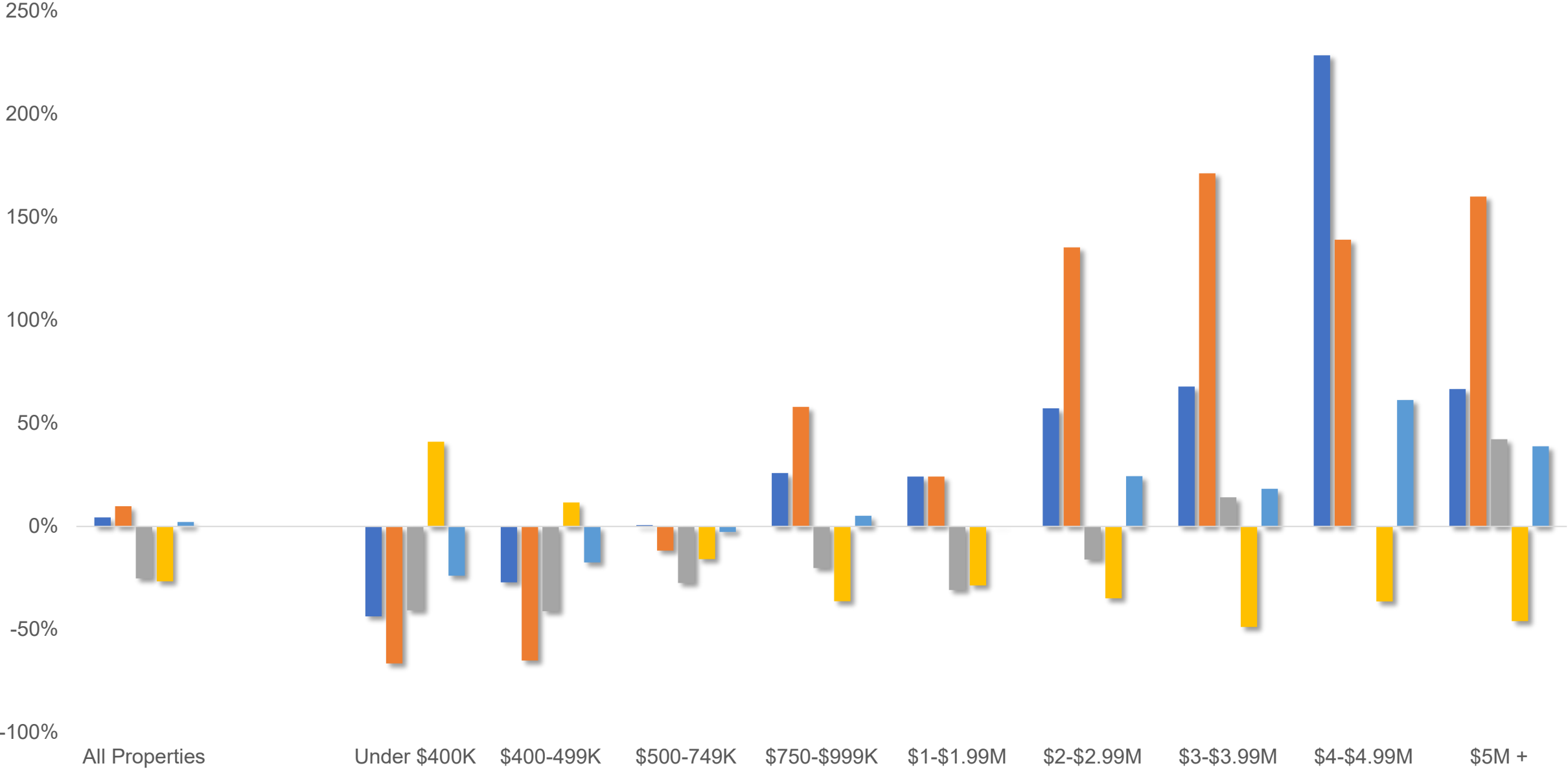
Top end of the market is THE leading indicator

California Existing SFR Home Sales (YTY %)



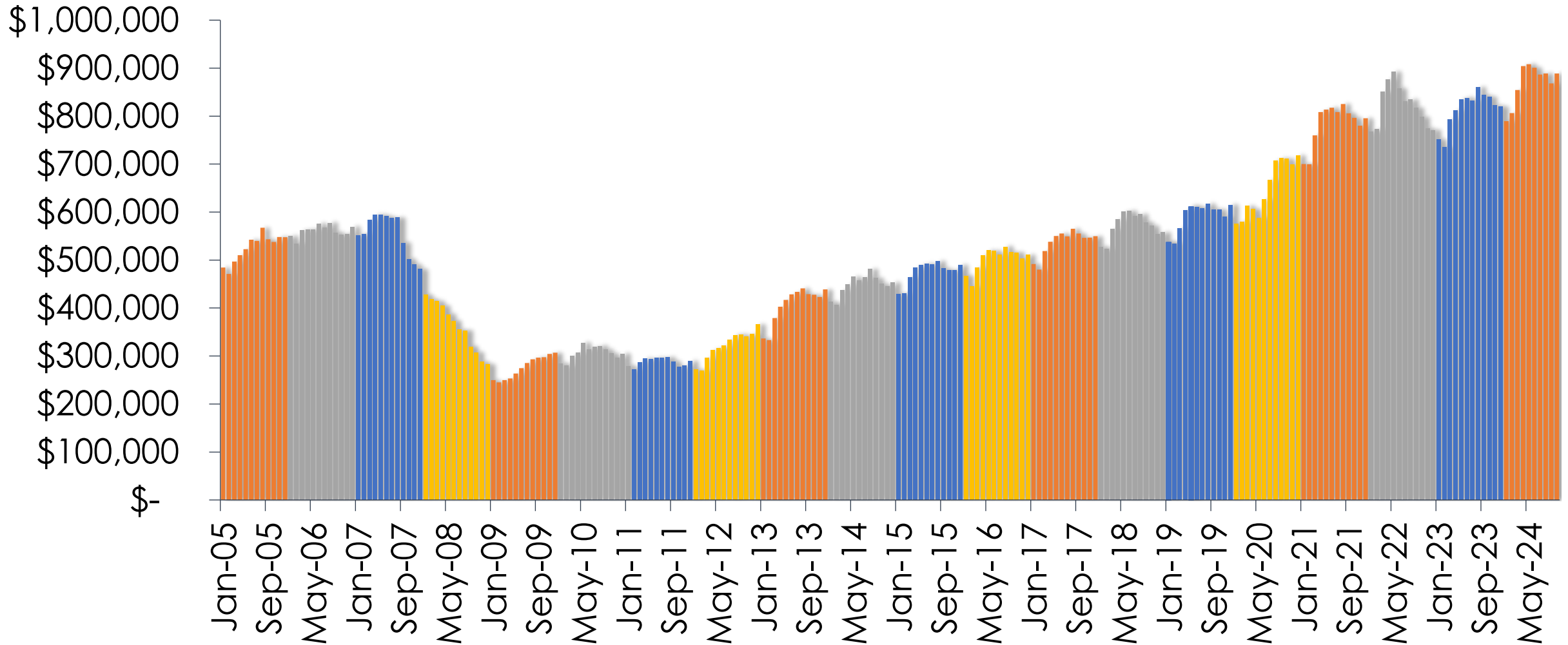
Contra Costa Existing SFR Home Sales Growth

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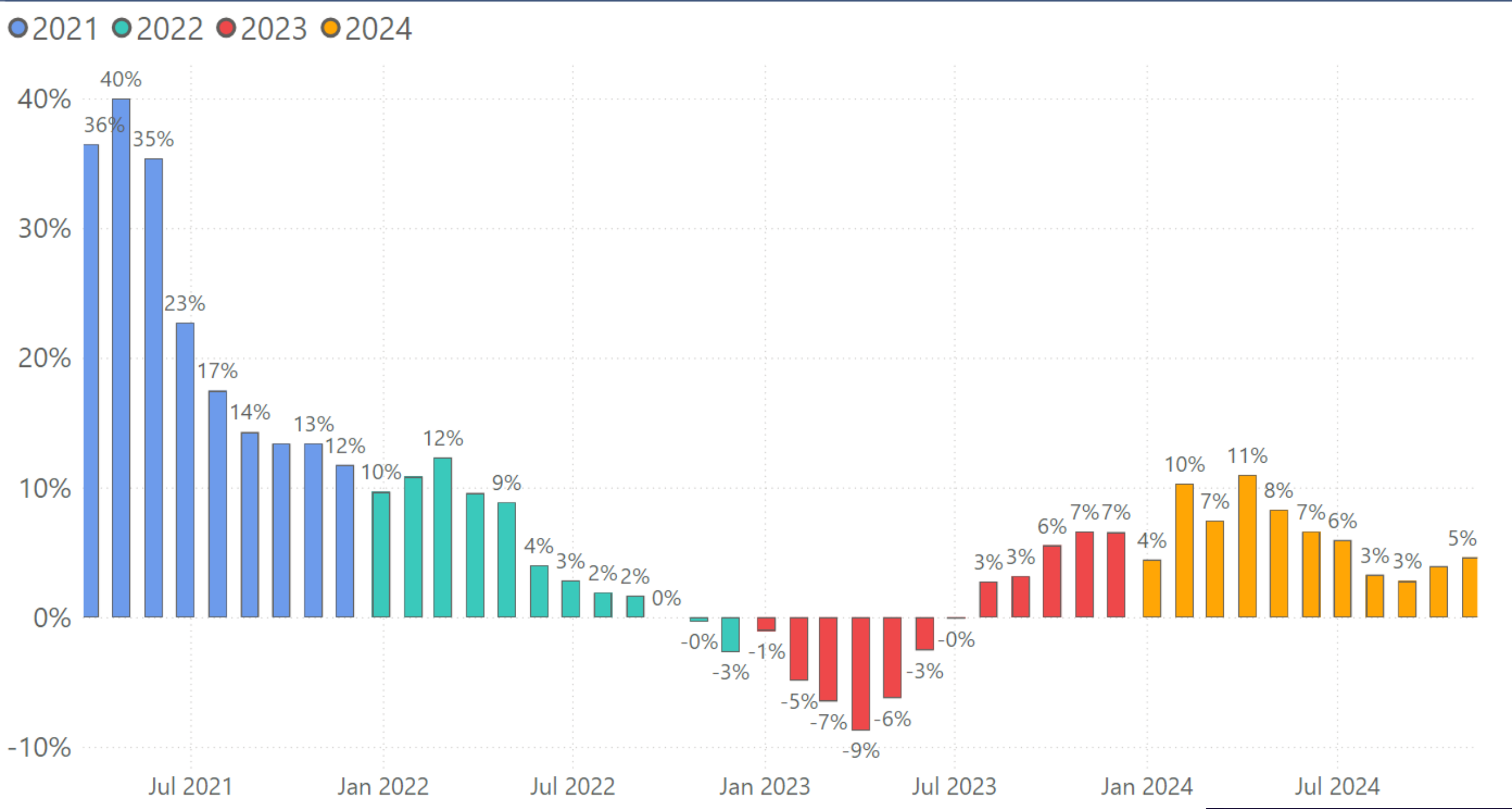


Prices have starting to accelerate again

California, October 2024: \$888,740, +2.4% MTM, +5.8% YTY



Year-Over-Year Existing SFR Median Closed Price Growth (Month-to-Date for Current Month)



Big shocks normalizing,
structural issues persist

California Residential Building Permits

2,500,000

2,151,064

2,059,113

2,000,000

1,500,000

1,424,570

1,000,000

1,095,822

851,152

500,000

458,051

0

1970s

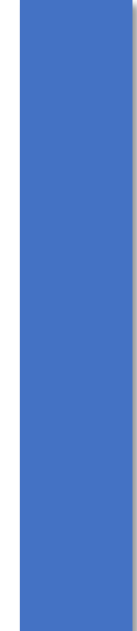
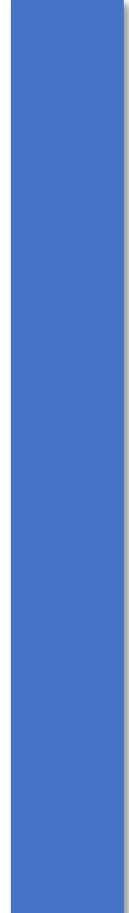
1980s

1990s

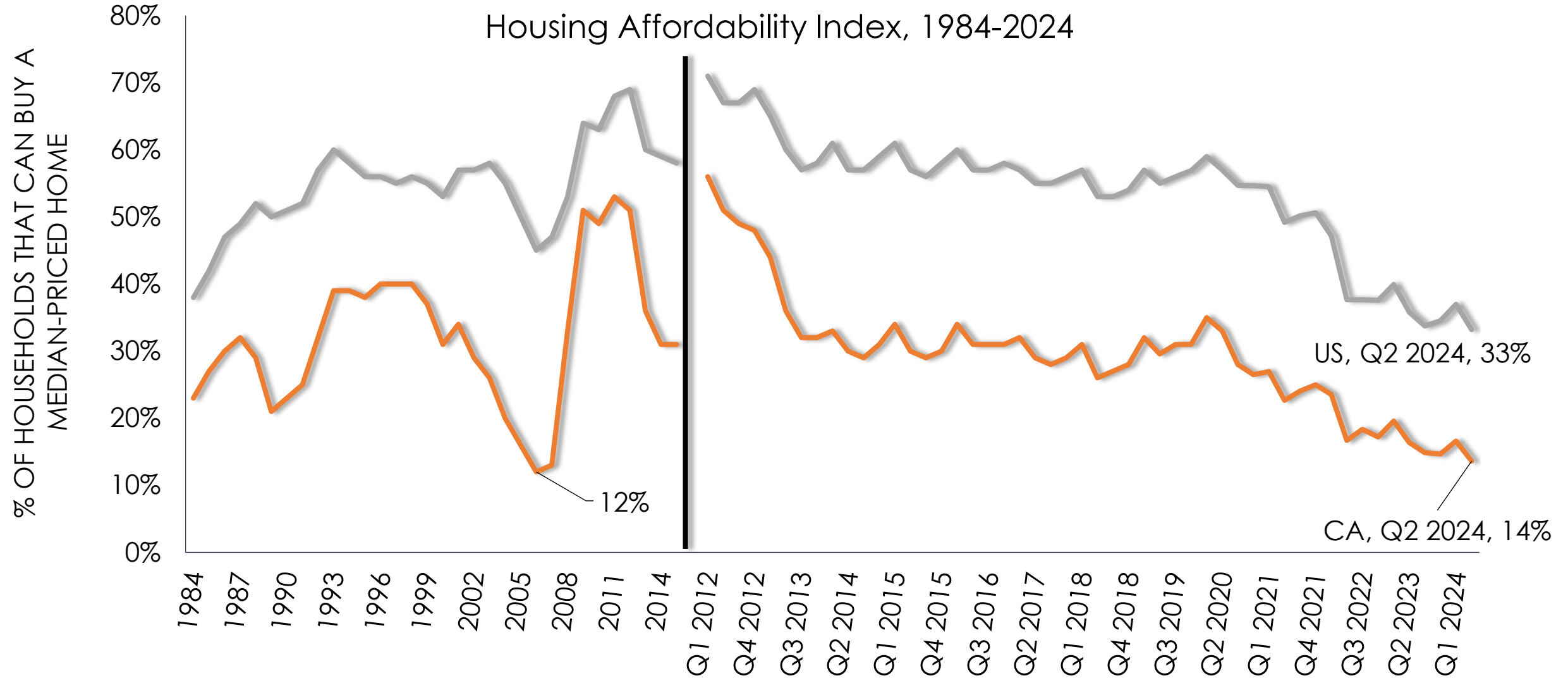
2000s

2010s

2020s*



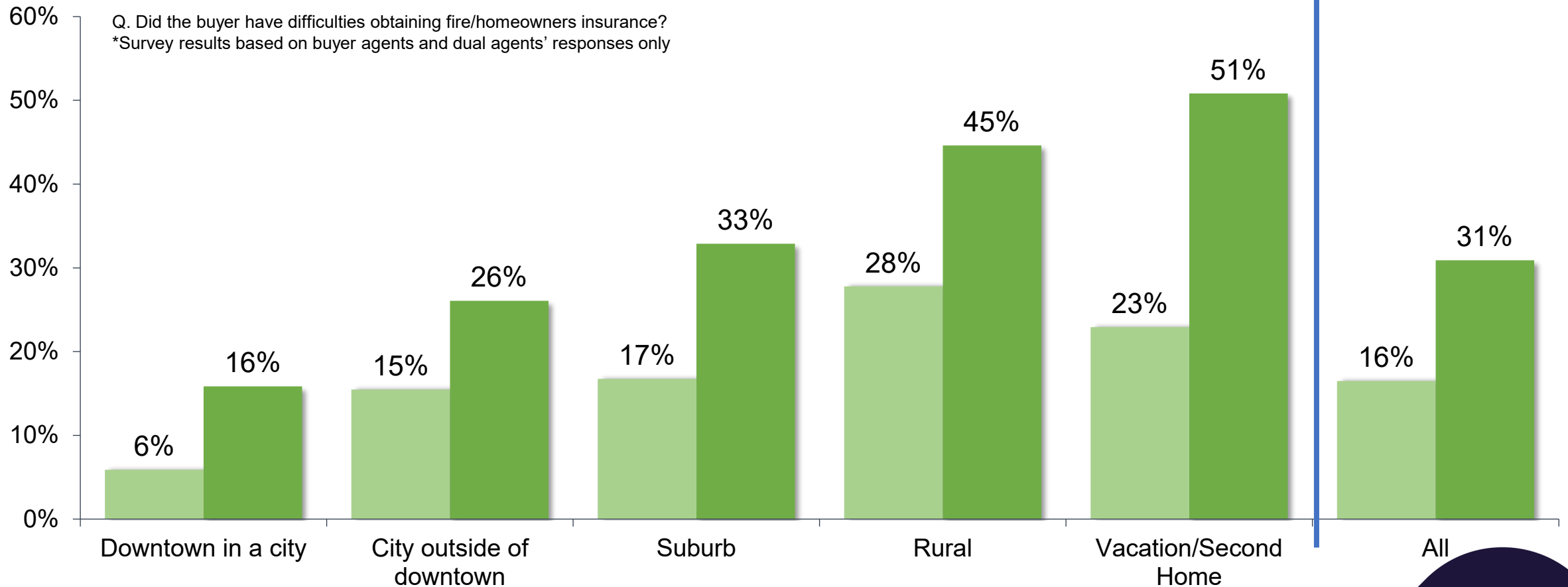
Housing affordability at lowest level since 2007



Obtaining insurance has become an even harder

% of buyers who had difficulties obtaining insurance

■ 2023 ■ 2024

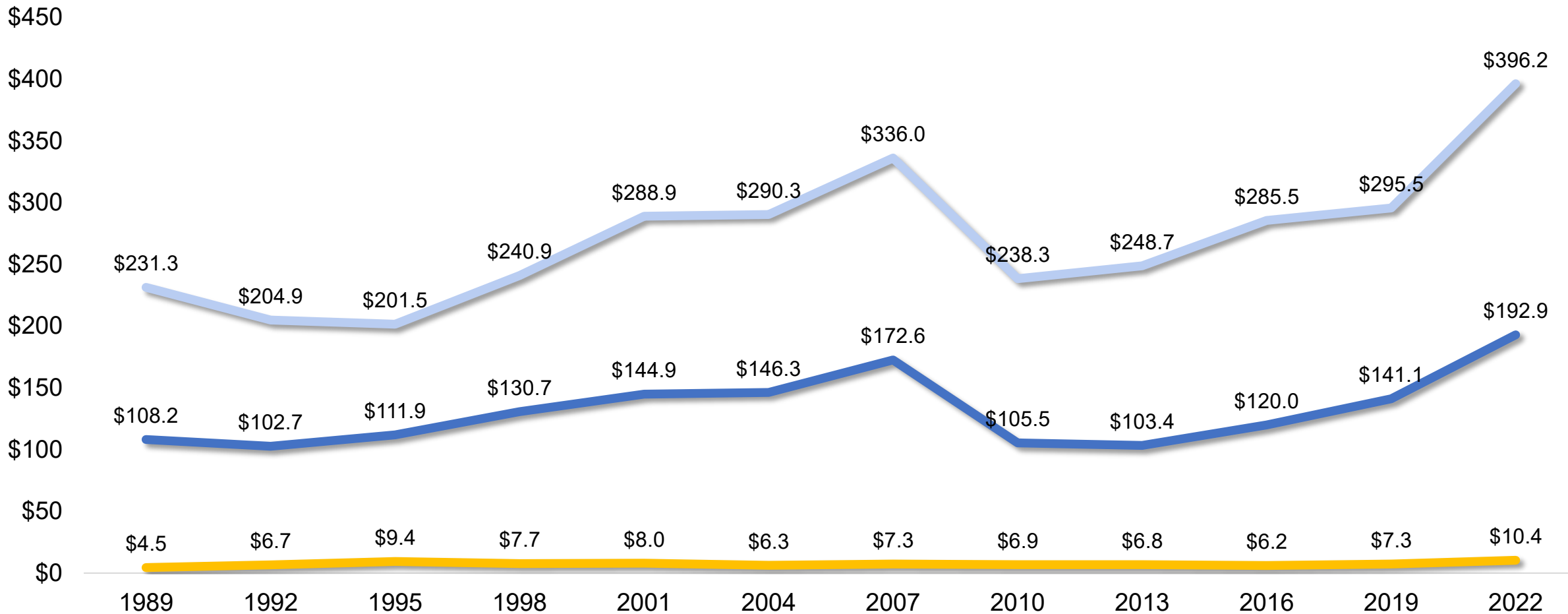


Some low hanging fruit!
And... lots of grind too...

The benefits of homeownership are well documented

Real Household Net Worth Per Capita

— All families — Owner — Renter/Other



Housing Element Implementation and APR Data Dashboard



Overview Key Figures Construction Housing Needs Implementation User Guide [Submit Feedback](#)

Timeline Income



Maps Structures



County
All

Jurisdiction
All

Structure Type
Accessory Dwelling Unit

Year
All

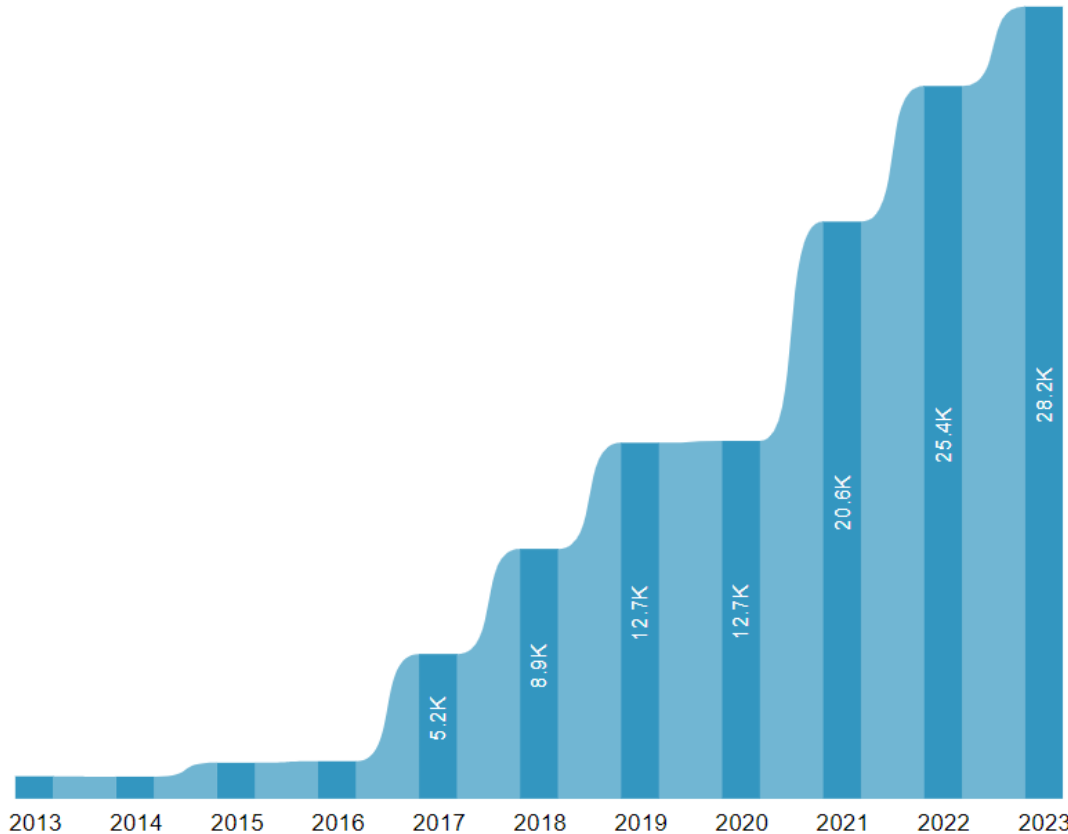
COG/Region
All

Clear Filters

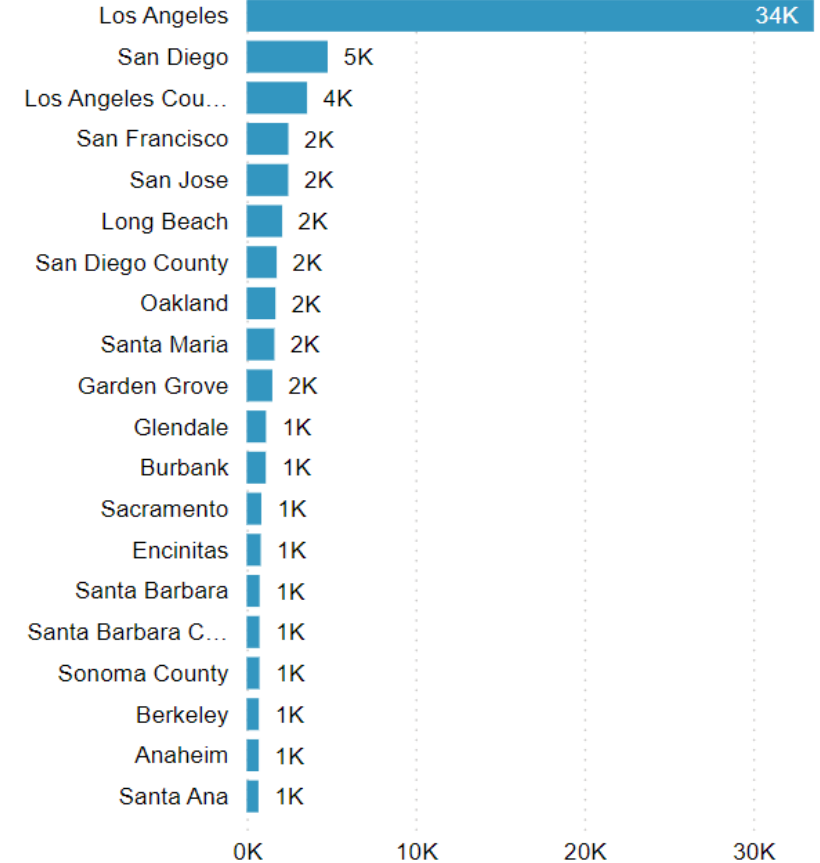
Construction: Structure Type

- 2-4 Plex Units Per Structure
- 5 or More Units
- Accessory Dwelling Unit
- Mobile Home Unit
- Single Family Attached Unit
- Single Family Detached Unit

Units Permitted by Structure Type

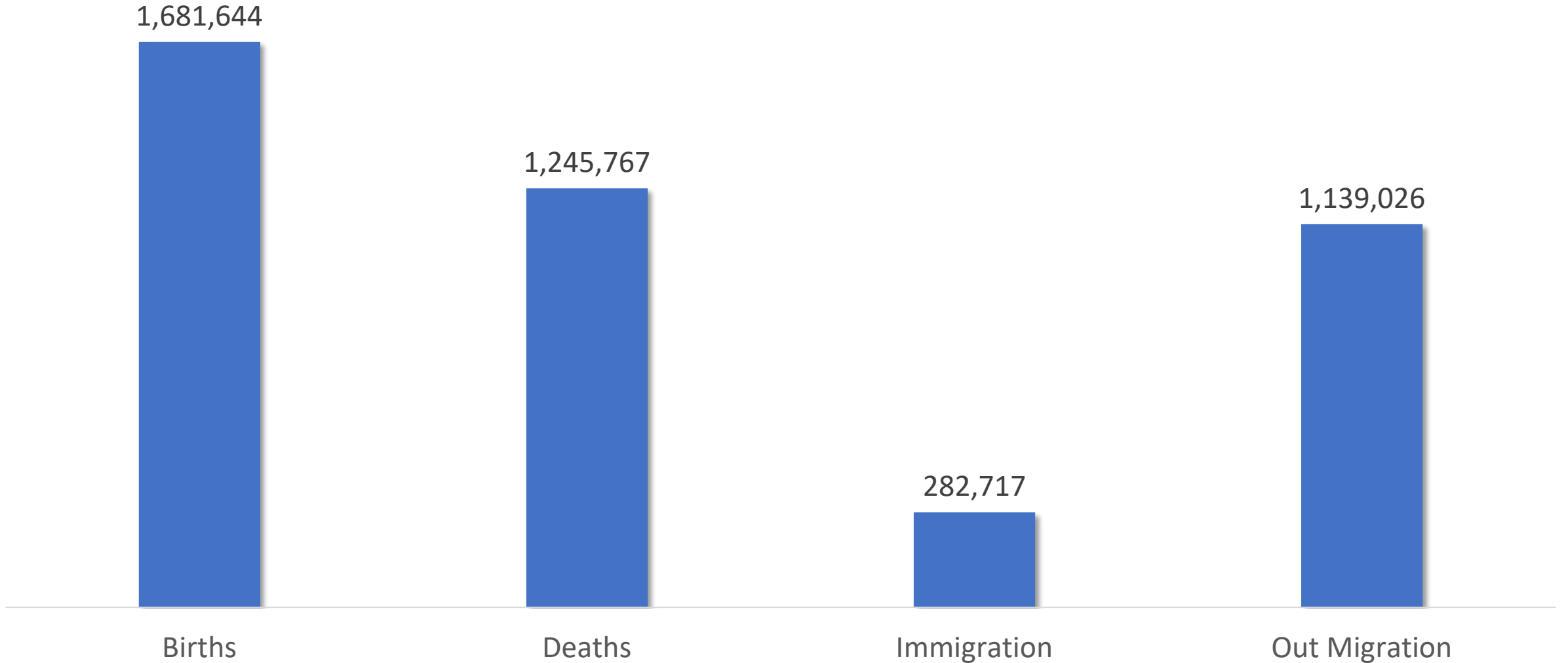


Units Permitted by Structure Type by Jurisdiction



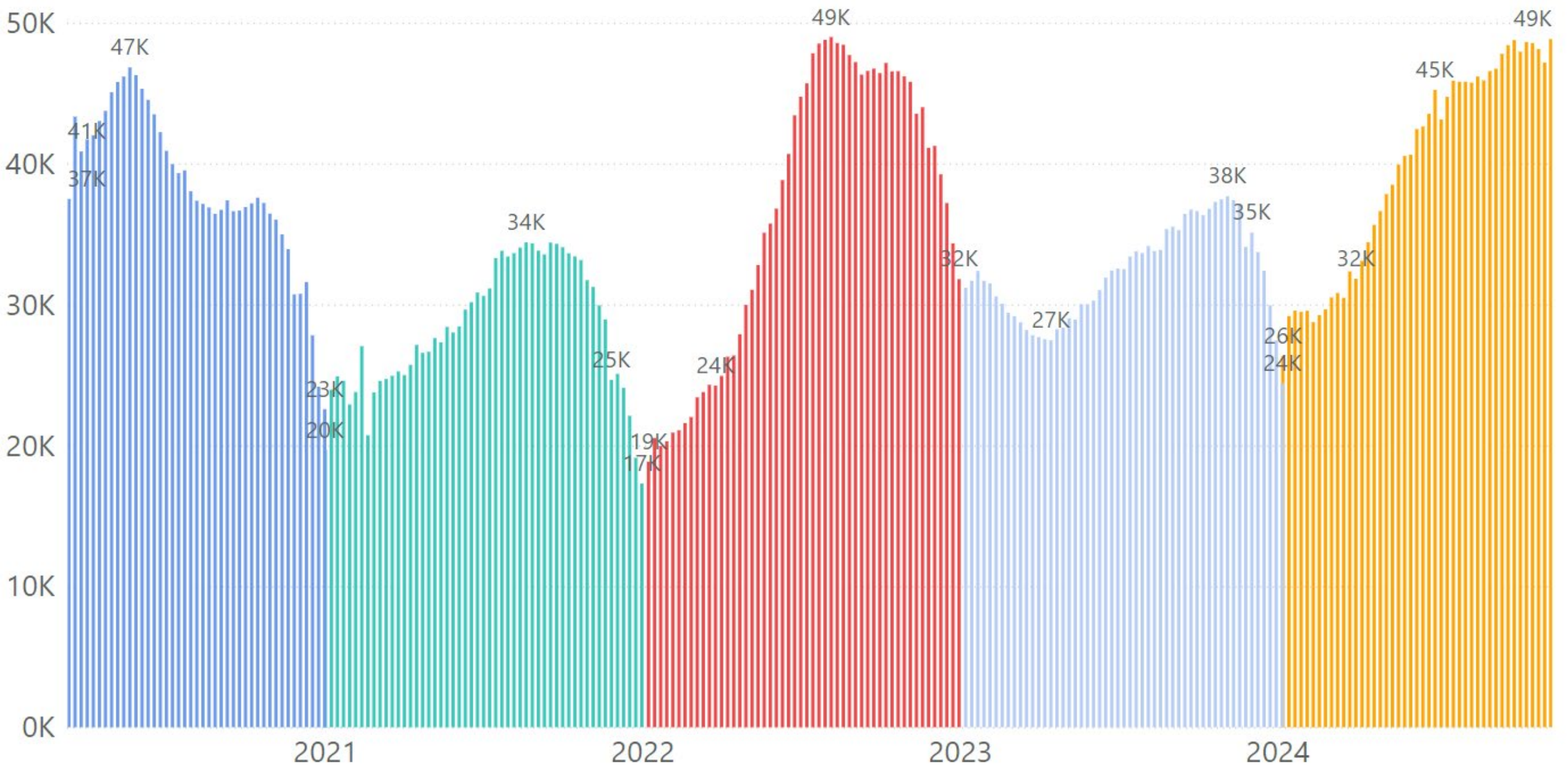
Rates are one thing, but life happens

California Sources of Population Change, 2020-2023



Existing SFR Active Listings

● 2020 ● 2021 ● 2022 ● 2023 ● 2024

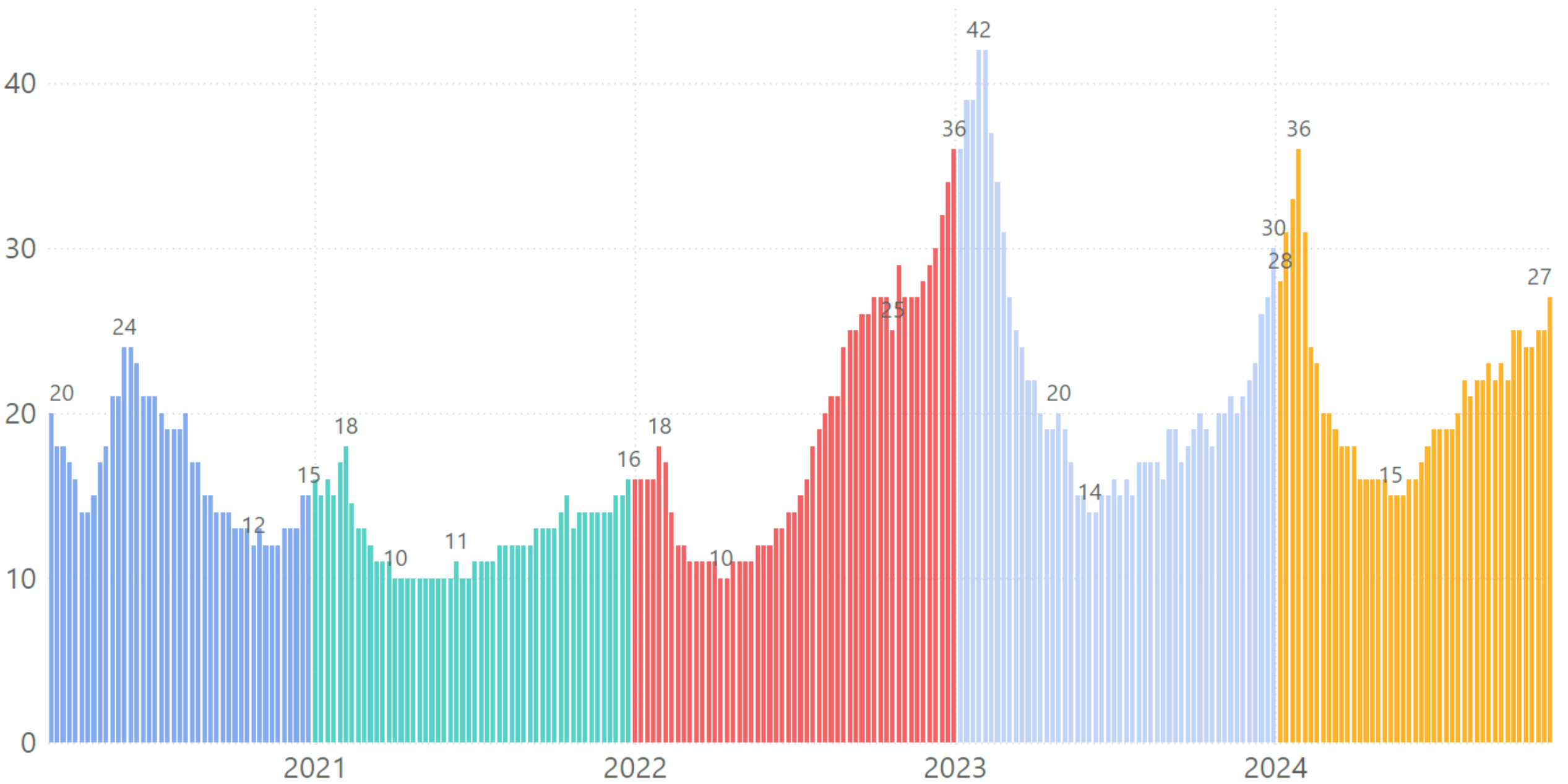


One place we could learn
from bond market traders

Buy the dip...

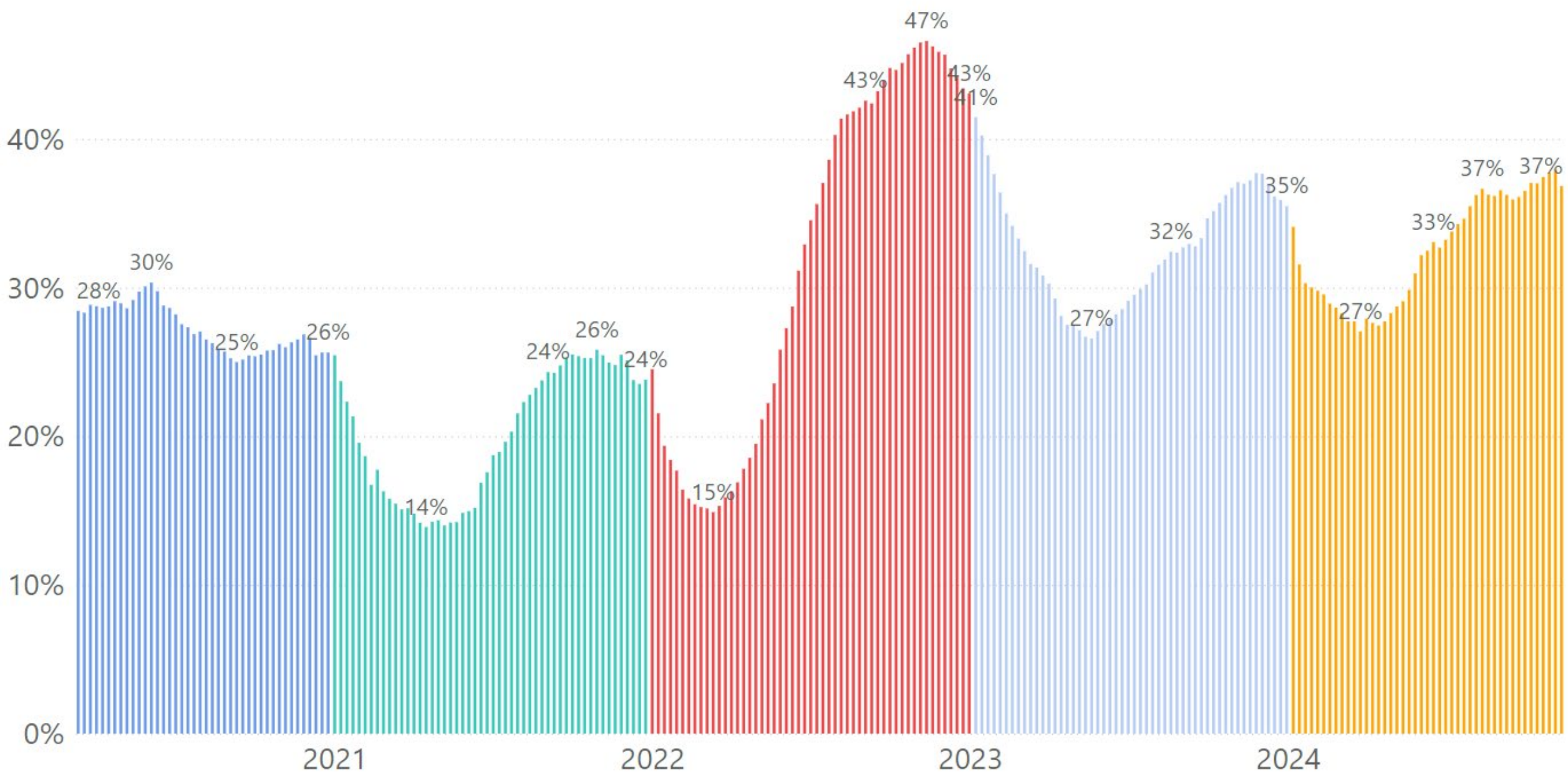
Median Days on Market for Closed Sales (Month-to-Date for Current Month)

● 2020 ● 2021 ● 2022 ● 2023 ● 2024



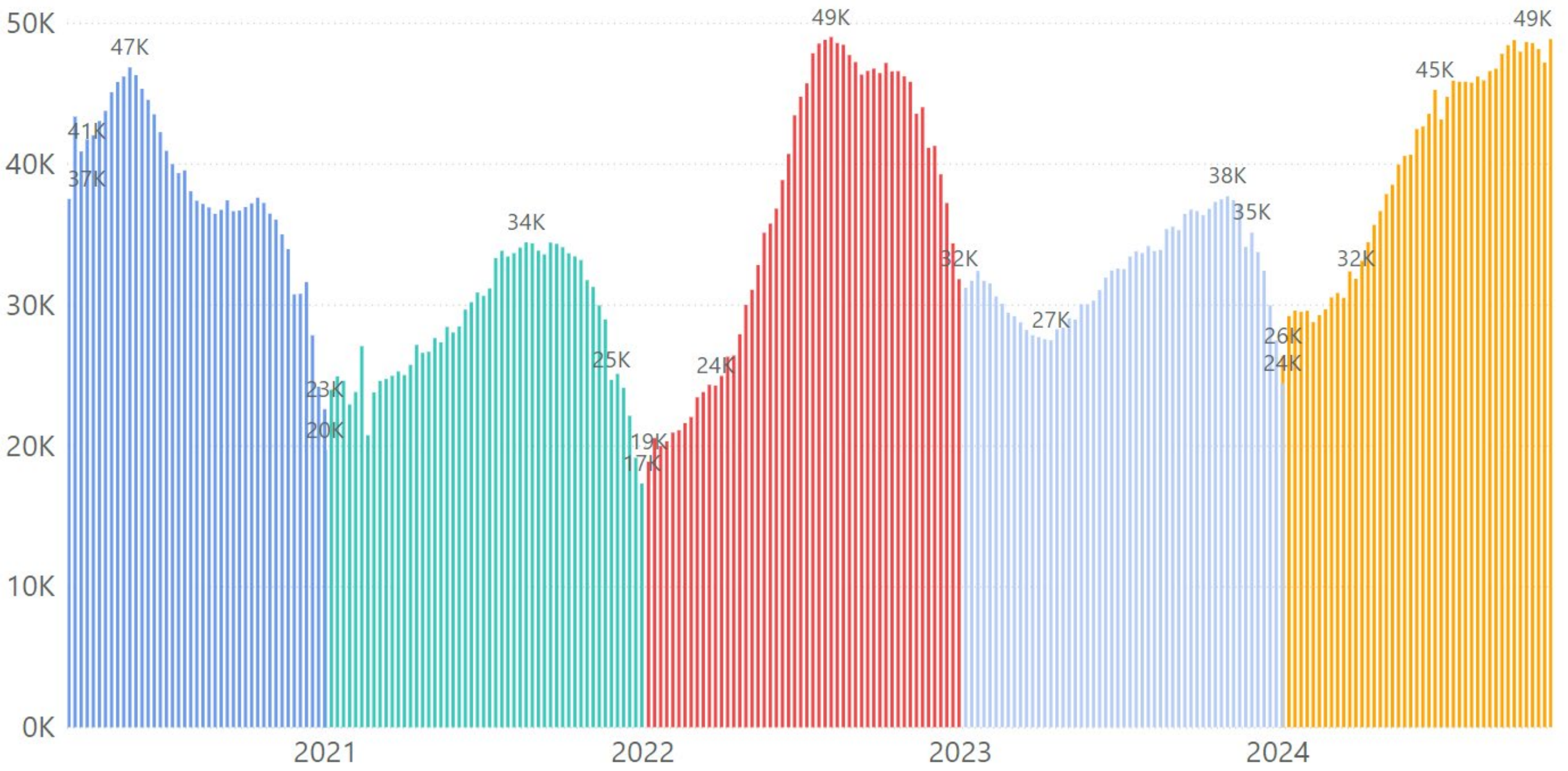
% of Active Listings w/Reduced Price

● 2020 ● 2021 ● 2022 ● 2023 ● 2024



Existing SFR Active Listings

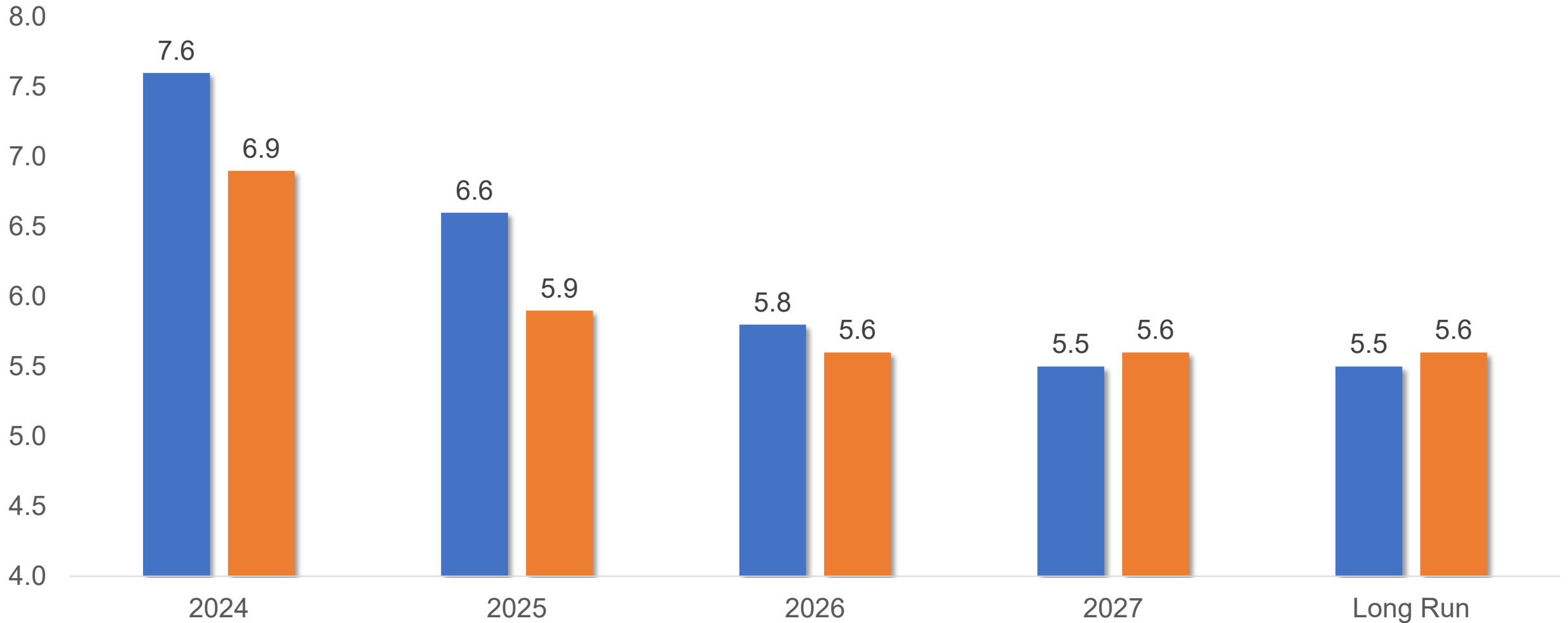
● 2020 ● 2021 ● 2022 ● 2023 ● 2024



Rates will come down, but I wouldn't wait around

Implications for Mortgage Rates

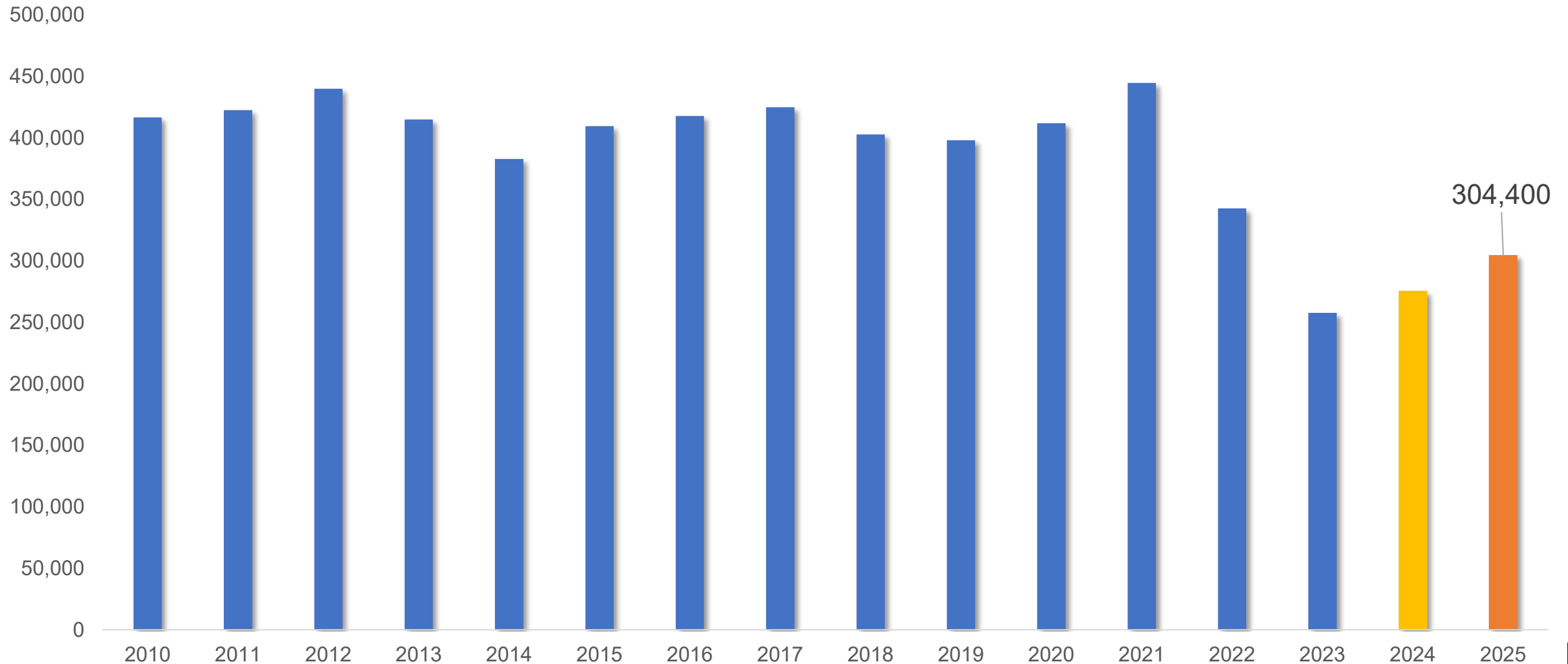
■ June Meeting ■ September Meeting



Where does that put housing?

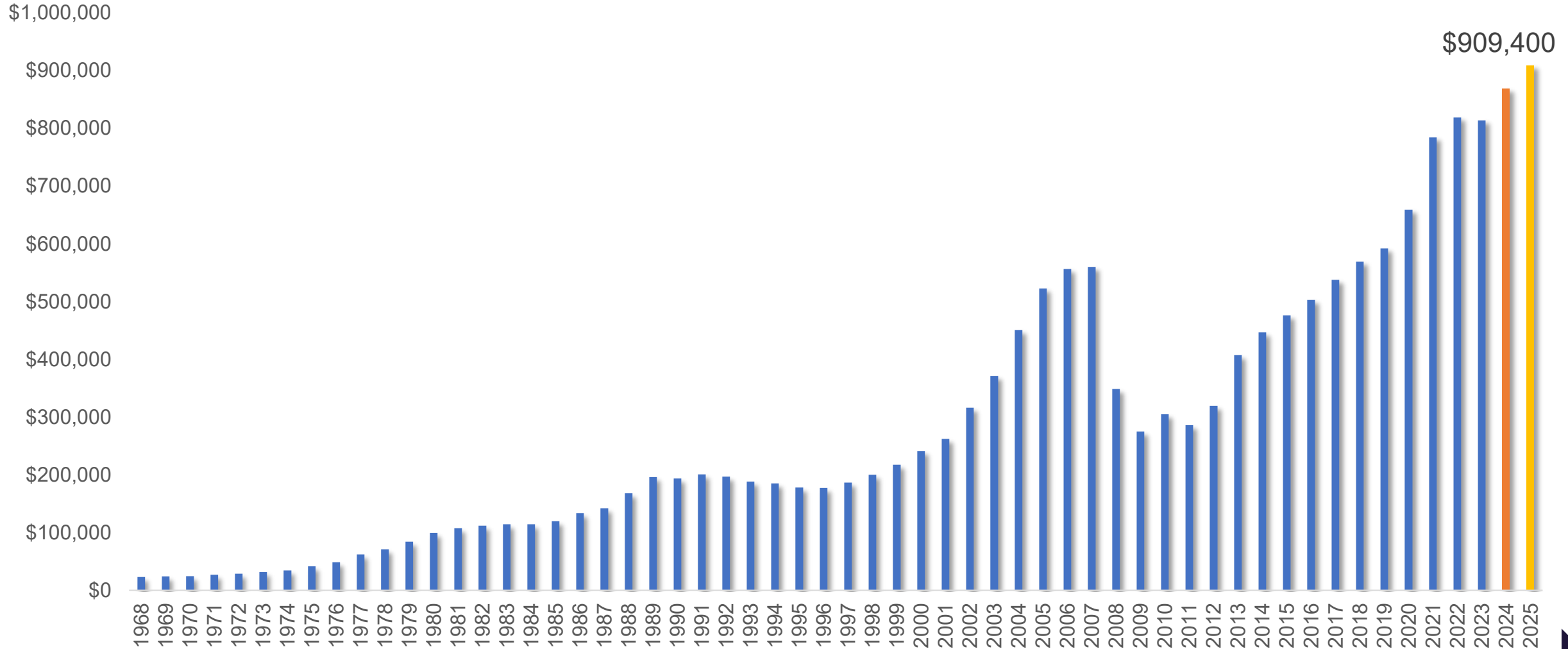
Sales are starting to bounce back, but volatile month to month

California Existing SFR Home Sales



Prices only set to rise further next year

California Existing SFR Median Price



Thank you!!

