

Week Ending

July 3, 2021



California Weekly Survey Data

What REALTORS® are saying



Red and green % change indicates change from previous week



31.3% **-4.2%**

Closed a sale
last week



30.4% **-4.3%**

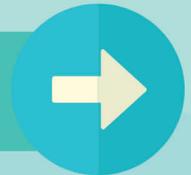
Entered escrow
last week



28.6% **-1.2%**

Listed a property
last week

What REALTORS® think will happen



29.8% **-20.3%**

Think sales
will be **up**
next week

38.7% **-15.9%**

Think prices
will be **up**
next week

37.0% **-21.9%**

Think listings
will be **up**
next week

Source: California Association of REALTORS®

The California housing market had an outstanding performance in the first half of 2021, with both sales and its median price growing by double-digits year-over-year. Looking forward to the second half of the year, housing demand should remain solid but will likely slow as foreshadowed by the decline in mortgage applications. Recent increase in supply in both new and existing homes, however, is encouraging and should help to alleviate some of the inventory and affordability challenges that homebuyers encountered. As labor market conditions strengthen further and the consumer confidence continues to rise, the outlook for the market will remain positive.

Pending Sales Suggest Strong Closed Sales in June: Pending home sales rebounded in May, increasing 8% from the prior month and 13.1% from the same month of last year. Contract signings rose in all regions in May compared to the prior month and the prior year. The index in the West increased 10.9% in May to 102.0 and up 12.5% from a year ago. In line with NAR's numbers, pending sales of existing single-family homes in May for California increased from last year by 9.8% but remained virtually unchanged from the prior month.

Mortgage Applications Reach the Lowest Point in 18 Months: While the pending sales increase in May suggests a continued sales growth in June from a year ago, the housing market may have already started slowing down as we enter the second half of the year. Mortgage applications continued to decrease on a weekly basis and dropped 6.9% from a week earlier to the lowest level in over a year. The unadjusted Purchased Index decreased 6% from the prior week and was 17% below last year's level. Purchase applications for conventional mortgages declined last week to the lowest level since last May.

More New Listings Hit Market in June: Additional supply that eases market competitiveness could help improve the demand situation. New listings increased 5.5% year-over-year and 10.9% compared with May, according to Realtor.com. New listings typically fall between May and June due to seasonality, so the increase in inventory was certainly out of the norm. The increase in new supply is welcome news for homebuyers though, as many would-be buyers were sidelined in bidding wars as supply remained tight. The picture was rosier for major metropolitan areas, with the 50 largest metropolitan areas gaining 11.7% more new listings year-over-year in June. San Jose had the biggest increase in California, with a growth of 40.7%.

Overall Construction Spending Dips but Residential Projects Remain Strong: Total construction spending fell off slightly in May by 0.3% month-over-month as the red-hot residential market cooled off while pandemic aftershocks continued to slow activities in the nonresidential sector. Despite the decline in overall construction, home building remained strong as spending on single-family projects rose 0.8%, while multifamily outlays were flat during the month. On a year-to-date basis, residential spending was up 23.8%, with single-family housing growing 33.3% and multifamily spending rising 19.5%. With material costs sliding in recent weeks, there will likely be more new home constructions in the second half of 2021.

Hiring Picks Up in June: Job growth jumped higher than expected, as employers added 855,000 jobs in June – the largest gain in 10 months. The surge in the number is an indication that hurdles to hiring are starting to clear away, as easing government restrictions on businesses and the expiration of unemployment benefits in many states are stoking the latest increase. The unemployment rate, meanwhile, rose to 5.9% from 5.8% in May, as many workers who had been sidelined reentered the job market as employment prospects brightened.

Consumer Confidence at 16-Month High: Consumer optimism improved in June as consumers felt better about the general economic conditions and their own financial well-being. The Conference Board's monthly consumer confidence index surged to a reading of 127.3 in the latest month, the highest level in 16 months. Low COVID infections, elevated savings, and an improving labor market help buoy consumers' assessment on their outlook for employment, income, and business conditions. The share of consumers planning to buy homes, automobiles, and major appliances all rose – a sign that consumer spending will continue to support economic growth in the coming months.