

November 24, 2025 – California's housing market continues to improve, with home prices stabilizing near record highs and sales reaching their strongest level since February. Despite ongoing challenges such as elevated mortgage rates and affordability concerns, recent data reveals encouraging signs of steady demand and improving market activity. Job growth has also surprised on the upside, supporting broader economic stability even as the unemployment rate edges higher. Meanwhile, new initiatives in the insurance sector promise expanded coverage for homeowners, though rising premiums will likely strain affordability. Together, these developments suggest that while California's real estate landscape is poised for more gradual improvements, obstacles remain.

California home prices stabilize and remain near record highs: California's median home price dipped year-over-year in October for the first time in three months, but inched up month to month to \$886,960, and remained near the record-high reached six months ago. The statewide median rose 0.4% from September, better than the long-run average change of -1.4% between September and October observed in years going back to 1968. Compared to a year ago, the median price in the California housing market was 0.2% lower than October 2024, a pullback from the annual gain posted in the prior month. Despite prices stabilizing in recent months, mortgage rate volatility and heightened economic uncertainty could continue to keep prospective buyers on the sidelines and may delay a broader market recovery in the near term.

Home sales in California reach the highest level since February: California home sales improved again in October, rising from September and the same month of last year, reaching their highest level since February. Although the year-over-year growth pace in existing single-family home sales slowed from the prior month, October sales still improved 4.1% from a revised 271,370 recorded a year earlier. Total home sales through the first 10 months of 2025 also moved further above last year's level for the same period. Nevertheless, October marked the 37th consecutive month in which statewide sales remained below the 300,000-unit benchmark. Statewide pending sales in October edged up 0.8% year-over-year but slipped 1.2% from September due primarily to seasonal factors. At the county level, pending sales improved from last year in 26 counties but dipped year-over-year in 24 counties. With the market entering its seasonal slowdown and mortgage rates not likely to decline sharply in the next few weeks, housing demand will remain subdued with the statewide sales ending 2025 with a modest gain over 2024.

Job growth surprises on the upside but unemployment rate ticks up: After a seven-week delay due to the government shutdown, the September jobs report was released last week with a better-than-expected increase in employment growth. The nonfarm payrolls in the U.S. rose 119k from August to September, surpassing economists' forecast of 50k. The increase was also a bounce back from the 4k jobs lost in August following a downward revision. The improvement in hirings pushed the three-month average pace of payroll growth to 62k, up from 18k in August, but still sharply below the 168k monthly average recorded in 2024. Most of the job gains remained in healthcare & social assistance (57K) and leisure & hospitality (47k), but a rebound in government payrolls also contributed to the overall job growth. The bounce back in the government sector was due to increases at the state and local level, as federal payrolls dropped another 3k in September. Despite a solid increase in jobs in the latest report, the unemployment rate climbed again for the third straight month to 4.4% and reached the highest level since October 2021. With the September report giving mixed signals that the labor market is not collapsing but is clearly slowing, the Fed's decision to cut rate in the upcoming FOMC meeting has become even more complicated.



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Real estate firms see affordability as the biggest challenge but expect profitability to improve: With interest rates remaining elevated and not likely to decline sharply next year, the housing market will continue to face challenges in 2026. In the *2025 Profile of Real Estate Firms* released by the National Association of REALTORS® (NAR) last week, real estate firms acknowledged some of these hurdles that they will encounter in the next two years but many still expected profitability to increase in 2025. Results from the survey study indicate that housing affordability (56%) remains the number one challenge for real estate firms in the next two years, followed by rising costs of the industry (36%), local economic conditions (35%), and keeping up with technology (34%). To help agents survive in the industry, continuous education remains a priority for many real estate firms. Nearly three in four (71%) firms encourage their agents to pursue certifications and designations, while three out of five (61%) encourage agents to take additional training classes. Despite the anticipated challenges, 38% of firms expect their profitability to increase this year, up from 30% recorded in 2023 when the survey was last conducted. The share of firms actively recruiting sales agents has declined though from 40% in 2023 to 35% in 2025.

California second largest homeowner insurance provider seeks rate hike:

Farmers Insurance, the state's second-largest home insurer, has filed a request to the California Department of Insurance for an approval of a 6.99% average statewide rate increase on homeowners policies. At the same time, the company is removing its cap – 9,500 per month – on new policies it would write. The move was made in anticipation of an improved homeowners insurance market under the adoption of the state's Sustainable Insurance Strategy, which encourages insurers to expand coverage in wildfire-prone and distressed areas. Farmers plans to market directly to about 300k consumers in these regions starting in early 2026. While the expansion is an encouraging sign that should improve coverage access, rising premiums will likely strain affordability for homeowners who are already facing high costs.

Note: *This summary report gets updated every Monday by 6:00 pm PST. Feel free to email us at research@car.org if you have any questions and/or feedback.*