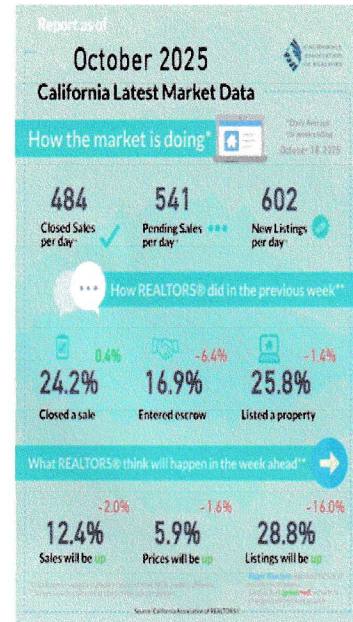


October 20, 2025 – News in the past few days offer some cautious optimism for the months ahead. California's housing market showed modest improvement in September, with sales rebounding and the statewide median price rising for the second consecutive month. Builder confidence increased despite ongoing challenges, while small business optimism dipped amid economic uncertainty. Meanwhile, mortgage rates hit the lowest level in nearly three years due to trade tensions and government shutdown concerns. Low rates, however, could help motivate buyers to reenter the market if they can maintain at the same level or decline further.

California home sales improve modestly in September: California home sales rebounded in September, increasing modestly from both the previous month and the same month of last year, according to the latest C.A.R. sales and price report. After declining for five consecutive months on a year-over-year basis, sales of existing single-family homes jumped 6.6% from a revised 260,340 unit sales pace in September 2024. Total homes sold for the first nine months inched up above last year's level for the same period, with year-to-date sales level back to positive territory. It was also the 36th straight month that the statewide figure stayed under the 300,000 benchmark. Pending sales in September suggest that we could see another small year-over-year gain in October, as open-escrow sales at the state level edged higher by 0.1% from the same month last year. Although mortgage rates perked up from their 12-month low in mid-September, rates remain near the lowest level in nearly three years. While home sales in Q4 may continue to inch up from the same time frame last year, statewide sales for the year will likely stay flat when compared to 2024.

Statewide median price rises again for the second straight month: California's median home price recorded its second consecutive annual gain in September, despite slipping month-to-month to \$883,640 and reaching the lowest level in seven months. The median dipped 1.7% from August, a decline that was consistent with the long-run average decrease of 1.8% between August and September. The statewide median price was 1.8% higher than a year earlier, a slight improvement from the annual gain recorded in the month prior. Price growth in the upper price segments appears to be stronger than the more affordable price range, which may have provided some upward support to the overall median price growth at the state level. At the county level, 27 of California's 53 counties posted year-over-year gains in median home prices, while 24 counties dropped in price from 12 months ago. With prices stabilizing in recent months and mortgage rates settling in the low 6 percent range, homebuyers from the sideline may decide to reenter the market once the economic uncertainty begins to clear up.

Builder confidence jumps amid market challenges: Builder confidence surged five points in October and reached the highest level since April, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) released last week. The latest reading jumped to 37 and posted a solid gain from September, as mortgage rates remained near recent low and home sales began to rebound. Sales expectation in the next six months jumped nine points to 54, reaching the highest level since January. The survey's index on traffic of prospective buyers also improved with a four-point gain to 25, the highest in the last six months. Despite the encouraging bounce back in October, challenges remain in the market as the supply-side cost factors continue to be an issue, and the ongoing government shutdown creates new economic uncertainties. The latest HMI survey revealed that more than a third (38%) of builders cut prices in October in the hopes of pushing up demand, and the average price reduction rose to 6% this month after averaging 5% for the past few months. The gain in HMI in October, nevertheless, is a positive sign that builders' confidence could improve further in coming months, especially since the Fed is expected to cut rates at least a couple more times in the next six months.



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Small business optimism dips after two months' gains: The NFIB Small Business Optimism Index dropped below the 100-benchmark in September, after staying above the level for two straight months. The level of optimism for small business owners fell to 98.8 last month but continued to stay higher than the 52-year average of 98. The decline in September might have been weighed down by the impending federal government shutdown as the survey was conducted and closed before October 1st. Indeed, the uncertainty index surged seven points from August to 100 and reached the fourth highest level in over 51 years. Fewer small business owners expected real sales to be higher in the next three months as the net percent of owners expecting an increase in sales volumes fell 4 points to a net 8%. Supply chain and inflation issues remained a key problem, with a net 31% of respondents planning to increase prices over the next three months, a jump of five points from August. The economic outlook also dimmed last month as the share of firms expecting the economy to improve over the next six months dropped to 23% from 34% in August.

Mortgage rates near 3-year low: With the federal government remaining shutdown and the releases of a few crucial economic reports being put on hold, mortgage rates had been moving mostly sideways in early October but began trending down lately as trade tensions between the U.S. and China flared up. The average 30 year fixed-rate mortgage (FRM) dropped from 6.37% on October 1st to 6.22% by October 20, according to Mortgage News Daily. The new tariff drama has brought rates back closer to near 3-year lows as investors ran for safe haven assets, but upcoming negotiations between the largest two countries in the world will likely ease trade tensions and put upward pressure on rates. September's consumer price index, which is scheduled to be released this coming Friday, could also give rates a jolt one way or the other depending on the details.

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.*