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California housing market sees largest sales increase since 2021

Source: Times of San Diego

California's housing market recorded its largest annual increase in existing home sales since June 2021 this November, reported the CALIFORNIA ASSOCIATION OF REALTORS® on Tuesday. However, the market continues to recover slowly, with overall sales still far below pre-COVID levels. The sales of existing single-family homes climbed 1.1 percent from October's 264,870 homes to 267,770 homes in November. Compared to November 2022, sales surged 19.5 percent from a revised 224,140 homes. C.A.R. noted, though, that this significant year-over-year growth was due to the "low-base effect," as November 2022 sales dropped to their lowest point since late 2007.

The statewide median home price declined 4 percent month-over-month, from \$888,740 in October to \$852,880 in November. Despite this drop, the median price rose 3.8 percent year-over-year from November 2022's revised \$821,710. November's price drop marked the largest October-to-November decline since 2008, following a significant price increase in the prior month. C.A.R. attributed the drop primarily to a shift in the sales mix, with higher-priced home sales pulling back more sharply than lower-priced sales.

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Federal Reserve lowers interest rates but hints at fewer cuts next year

Source: NPR

The Federal Reserve lowered interest rates on Wednesday, but policy makers signaled caution about additional rate cuts next year in the face of stubborn inflation. The central bank lowered its benchmark interest rate by a quarter percentage point to a range of 4.25 percent to 4.5 percent. Rates have fallen by a full percentage point since September, making it cheaper to get a car loan, finance a business or carry a balance on your credit card.

On average, members of the Fed's rate-setting committee said they expect borrowing costs to fall by only another half percentage point in 2025. That's less than the projections three months ago, which predicted a full percentage point in rate reductions next year. While inflation has fallen sharply since hitting a four-decade high in 2022, progress on prices has slowed in recent months. The annual inflation rate in November was 2.7 percent – slightly higher than the month before. Fed officials say they're determined to bring inflation down further, while acknowledging it's been a lengthy and exhausting battle. Members of the rate-setting committee now think it will be 2027 before inflation falls to the Fed's 2 percent target.

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SoCal housing market slows for homes and rentals

Source: Los Angeles Times

The Southern California housing market is downshifting. The average home price in the six-county region fell 0.3 percent from October to \$869,288 in November, according to Zillow, marking the fourth consecutive month of declines. Price are now 1.3 percent off their all-time

high in July, but some economists say prospective home buyers and sellers shouldn't expect home values to plunge – one reason behind the shift is the market typically slows in the fall and prices are still above where they were a year ago.

Still, more homes are hitting the market and mortgage interest rates remain high, creating a situation of slightly more supply and slightly less demand. As a result, annual price growth has slowed. Last month, Southern California home prices were 4.3 percent higher than a year earlier, compared to a recent peak of 9.5 percent in April. Senior economist at Zillow Orphe Divounguy said he expects annual price growth in Southern California to slow further next year, but not to turn negative. Though more homeowners are choosing to sell their home, many others still don't want to give up their ultra-low mortgage rates they took out during the pandemic.

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New California insurance rule will increase coverage in fire-prone areas

Source: CBS News

Under a new insurance regulation that just got approved last week, California Insurance Commissioner Ricardo Lara said homeowners would have an easier time buying fire insurance. The insurance crisis has been unfolding in the state for the last couple of years, with companies leaving or dropping customers, especially those who live in wildfire-prone areas.

Commissioner Lara announced on Friday that his plan to allow companies to use catastrophe models and climate change to set higher rates got the

approval from the Office of Administrative Law. In exchange, he said companies promised to sell policies in areas with the greatest fire risks, such as Wine Country, the Santa Cruz Mountains, and the Oakland Hills. “This is the first time in California that there’s a requirement for insurance companies to write policies and we’re going to be enforcing that,” said Michael Soller, a deputy insurance commissioner at the state’s insurance department. He said the new regulation will require companies to try to cover 85 percent of homes in designated fire-prone zip codes.

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California's fourth-largest home insurer to drop all condo, rental policies

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Source: *San Francisco Chronicle*

Liberty Mutual, California’s fourth-largest home insurer, is planning to exit the condo and rental insurance markets in 2026. On the eve of a slate of reforms meant to incentivize insurance companies to write policies in California, Liberty Mutual has told state regulators it will stop offering new condo and renter policies in 2025. Existing customers will begin losing coverage in 2026, according to filings with the California State Department of Insurance.

In 2023, Liberty Mutual insured 6.75 percent of the California home insurance market, which includes homeowners, condo owners and renters insurance. Filings show Liberty Mutual currently insures just under 67,500 condos and about 102,000 rental properties under its Liberty Mutual and Safeco brands. The company hasn’t written new condo and rental policies under the Liberty Mutual brand since December 2023, according to the spokesperson. All existing customers will remain covered

until at least January 2026. The company will continue offering insurance for homeowners.

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November home sales surged more than expected

Source: CNBC

Sales of previously owned homes rose 4.8 percent in November compared with October, according to the National Association of REALTORS. That put them at a seasonally adjusted, annualized rate of 4.15 million units. Sales were 6.1 percent higher than November 2023. This is the third-highest pace of the year and the largest annual gain in three years. This count is based on closings, so contracts were likely signed in September and October.

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 \$766,650 or less increased to 6.75 percent from 6.67 percent, with points remaining unchanged at 0.66 (including the origination fee) for loans with a 20 percent down payment. Applications for a mortgage to purchase a home increased 1 percent for the week and were 6 percent higher than the same week one year ago. Refinance demand fell 3 percent for the week but was 41 percent higher than the same week one year ago.

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