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California housing affordability improved in Q3 2025

Source: C.A.R.

Slower home price growth and more favorable interest rates in third-quarter 2025 buoyed California's housing affordability from both the previous quarter and a year ago, according to the CALIFORNIA ASSOCIATION OF REALTORS®' Traditional Housing Affordability Index (HAI). Sixteen percent of the state's homebuyers could afford to purchase a median-priced, existing single-family home in California in third-quarter 2025, up from 14 percent in the second quarter of 2025 and 15 percent in the third quarter of 2024.

Interest rates started the third quarter on a downward trend but have climbed since bottoming out in early September. With the dwindling chance of another sizable Fed rate cut in 2025 due to a stronger-than-expected economy, mortgage rates shot back up above 7 percent in recent weeks, reaching their highest levels since early July. Rates could still come down before the end of the year, but the odds of a meaningful decline in the next couple months have reduced sharply from where they were three months ago.

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SF homes selling at fastest rate among large U.S. cities

Source: *San Francisco Chronicle*

San Francisco homes are selling faster than they have in years – faster, in fact, than almost any of the 25-most-populous cities in the U.S. The median home sold in September found a buyer after just three weeks (or 21 days) on the market. That's more than a month faster than the national figure of 51 days.

San Francisco and San Jose (both with just 21 days on market on average) stand out sharply from other large U.S. cities, where prospective buyers appear reluctant to place bids amid a struggling job market and high mortgage rates. But the rise of artificial intelligence companies in San Francisco has brought a wave of workers flush with cash. The AI boom has already caused rentals to fly off the market, while home sellers now have even less reason to soften their expectations. Homes in San Diego typically take 35 days to sell, while homes in Los Angeles typically spent 61 days on market as of September.

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Mortgage rates jump 20 basis points following Fed cut

Source: *CNBC*

While the Federal Reserve cut its benchmark interest rate last week, mortgage rates responded by doing just the opposite. The average rate on the 30-year fixed mortgage jumped 20 basis points after Fed Chairman Jerome Powell announced the cut. This happened the last time the Fed

lowered its rate as well, and the reason is simple: the bond market had already priced in a cut but didn't like the commentary from Powell.

According to *Mortgage News Daily* COO Matthew Graham, the market was 100 percent certain of another rate cut in December. The Fed was not as certain, and Powell made a point to say so during questions at a press conference. The result was a mild re-set in yields back to levels that are more consistent with a December cut being a solid possibility but not a certainty.

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U.S. economy added 42,000 private-sector jobs in October

Source: CNN

Private-sector job creation bounced back in October, according to a snapshot of the labor market that has become more closely watched in the absence of official federal jobs data. Payroll processing company ADP on Wednesday estimated that private-sector businesses added an estimated 42,000 jobs last month, a swing into positive territory after back-to-back months of job losses.

While October marked a return to job growth, ADP's chief economist cautioned that the pace of hiring is running far slower than earlier this year and far more concentrated in a few sectors. The largest job gains were spread across industries such as trade, transportation and utilities (+47,000 jobs); education and health services (+26,000 jobs); and financial activities (+11,000), ADP reported. Those posting the biggest job losses

were information (17,000 jobs lost), professional and business services (15,000 jobs lost), and leisure and hospitality (6,000 jobs lost).

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First-time homebuyer share falls to historic low of 21%

Source: NAR

The share of first-time homebuyers dropped to a record low of 21 percent across the United States, according to the NATIONAL ASSOCIATION OF REALTORS®' 2025 Profile of Home Buyers and Sellers.

According to NAR Deputy Chief Economist and VP of Research Jessica Lautz, the historically low share of first-time buyers underscores the real-world consequences of a housing market starved for affordable inventory. The share of first-time buyers in the market has contracted by 50 percent since 2007 – right before the Great Recession. Buyers with significant housing equity are making larger down payments and all-cash offers, while first-time buyers continue to struggle to enter the market. First-time buyers' median age rose to 40 years old, and they typically paid a down payment of 10 percent, using personal savings (59 percent), financial assets such as 401(k)s, stocks or cryptocurrency (26 percent), and gifts and/or loans from family and friends (22 percent). The median age of repeat buyers was 62 years old, paying a 23 percent down payment.

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In a volatile week for interest rates, mortgage demand pulled back

Source: *CNBC*

Last week saw a big swing in mortgage interest rates, and that took a toll on demand. Total mortgage application volume fell 1.9 percent compared with the previous week, 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, \$806,500 or less, increased to 6.31 percent from 6.30 percent, for loans with a 20 percent down payment. That was the weekly average, but rates actually fell to the lowest level in over a year last Tuesday and then shot up sharply Wednesday afternoon, following the announcement on interest rates from the Federal Reserve and comments from Chairman Jerome Powell. As a result, applications to refinance a home loan, which are most sensitive to daily moves in interest rates, fell 3 percent for the week, though they were still 151 percent higher than the same week one year ago. Applications for a mortgage to purchase a home fell 1 percent for the week and were 26 percent higher than the same week one year ago.

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