C.A.R. MARKET MATTERS®

LEADING THE WAY...® IN REAL ESTATE MARKET NEWS

CALIFORNIA ASSOCIATION OF REALTORS®

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Dear Californians,

If you've been reading about real estate lately, you've no doubt heard about antitrust lawsuits and settlements by real estate brokerages and the National Association of REALTORS®. You've also heard about the settlements resulting in certain changes in how agents will be compensated for their work. Recent coverage by media entities, industry insiders and anyone with an opinion and a smartphone have offered up a mix of fact and fiction. All this noise has caused confusion, fear and, in some instances, panic about the process of buying and selling a home.

We thought it time to speak directly to you. We're California REALTORS®, and we know a thing or two about real estate. In fact, it's precisely because of our knowledge about the complexities of what is arguably the most important purchase people make in their lives that we want to say this first: It'll be okay. Yes, some real estate practices will change as a result of these settlements, but California REALTORS® know how to adapt to changing market realities. We always have.

California REALTORS® place open letter in newspapers to address confusion

Source: CAR

In light of the preliminary court approval of a settlement by real estate brokerages and the National Association of REALTORS® for antitrust lawsuits, the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) placed an open letter in nearly 40 California newspapers to mitigate confusion about the process of buying and selling a home once new business practices become effective this summer.

The letter outlines the two major changes resulting from the litigation settlement. 1) Properties listed in databases known as the multiple listing service (MLS) will no longer include an offer of compensation to buyer's agents, and 2) Homebuyers who want to work with an agent will need to sign a written agreement with that agent prior to touring a home. Before consumers start their home search, they'll need to discuss and agree with their agent what the agent will do on their behalf, as well as how much and how to pay that agent. C.A.R. introduced its first buyer representation agreement in 1999.

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Homes in multiple California cities see price reductions

Source: Newsweek

According to recent data from Zillow, 15 percent of properties in major California cities showed price reductions aimed at attracting hesitant buyers. Of the 83,093 properties for sale in California on Zillow as of last week, 13,430 had a price reduction. In Los Angeles, of 6,039 properties listed for sale on Zillow, 971 or 16 percent had a price reduction. San Francisco also had a price reduction in about 16 percent of homes listed. Oakland saw 18 percent of listings with prices reduced, and San Diego, 19 percent. Sacramento showed 21 percent of homes listed for sale on Zillow had a price reduction.

At the state level, prices are increasing, however. This is mainly due to a historic shortage of homes. According to Redfin, the median sale price in California was $816,800 in March, up 1.01 percent from a year earlier.

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NAR clarifies when homebuyers and agents need agreements

Source: Inman

In response to questions about the recent settlement agreement for antitrust commission cases that would require brokers and agents to

sign contracts with buyers they are working with before a buyer tours a home, the National Association of REALTORS®' Chief Legal Officer Katie Johnson answered questions on Monday. Under the proposed settlement, walking into an open house does not necessarily require a homebuyer to sign an agreement with the listing agent, because the listing agent is representing the seller of the home and not the buyer.

If, however, the agent provides services such as identifying potential homes, arranging a showing, negotiating for the buyer, presenting the buyer's offers or performing other services for the buyer, the agent is then "working with" the buyer and a buyer agreement should be created. NAR does not dictate the type of relationship between an agent or broker and potential buyer (agency, non-agency, etc.), nor the term of the agreement (one day, one month, one house, one ZIP code, for example), nor the services to be provided or compensation charged.

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Judge rules California's lot-splitting law unconstitutional

Source: KQED

When Senate Bill 9 passed in 2021 and went into effect in 2022, it allowed property owners in California to split their lots and build up to two new homes, with some guidelines about the size of the original and resulting lots. The law was hailed as a way to open single-family neighborhoods to build more desperately needed housing. Two years

later, a Los Angeles Superior Court judge ruled the law unconstitutional.

The ruling applies to five Southern California charter cities that were parties to the case: Redondo Beach, Whittier, Carson, Del Mar and Torrance. However, if the case is appealed, the appellate court's ruling will apply to charter cities statewide, including San Francisco, Oakland and San Jose. Charter cities have special privileges under the state Constitution, including the right to enact their own laws. When the state Legislature wants its laws to apply to those charter cities, lawmakers have to demonstrate the law addresses a statewide concern. In his decision, Judge Curtis Kin said that the Legislature didn't do that in this case. SB 9 says its purpose is to "ensure access to affordable housing." The lawsuit asserted that "affordable housing" means specifically below-market-rate, deed-restricted housing. Since the law doesn't require property owners to develop that kind of housing, Kin ruled that the law is unconstitutional. The Attorney General's office has said that they are reviewing the case and would "consider all options in defense of SB 9."

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Does your 3% mortgage make you richer in CA?

Source: San Francisco Chronicle

The ultra-low mortgage rates of 2020 and 2021 set off a homebuying frenzy in California, and many also took the opportunity to refinance.

Just 77 percent of existing mortgages in the state are below 4.2 percent, according to new research from the Federal Housing Finance Agency. Meanwhile, the average mortgage rate recently climbed to 7.17 percent.

For those with low rates in a world where rates are rising, a mortgage turns from a liability to an asset. Low rates enable many homeowners to save more for their goals, adding to the personal balance sheet of many California homeowners. However, some with low mortgage rates are choosing to stay in their homes instead of selling them, perhaps buying a larger or smaller home, and acquiring a higher mortgage rate. Regarding paying down a 3 percent mortgage early, experts suggest that making early payments is similar to making an investment with a 3 percent return. If you believe you can get a higher return than 3 percent, Holden Lewis at Nerdwallet suggests investing that money elsewhere, such as with the S&P 500 that historically returns 10 percent, or even a high-yield savings account that now pay more than 4 percent.

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Demand rises for adjustable rate mortgages due to rising rates

*Source: CNBC*When mortgage rates rise, consumers look for ways to lower their monthly payments, and that often leads them to adjustable-rate mortgages (ARMs). These loans offer lower interest rates than fixed-rate mortgages but are considered riskier. While they can be fixed for up to 10-years, they eventually adjust to an unknown future market rate. The share of ARM applications rose to 7.8 percent of mortgage demand last week, according to the Mortgage Bankers Association's seasonally adjusted index. That is the highest level of the year. When mortgage rates his record lows in 2021, the ARM share of applications was in the 3 percent range.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($766,550 or less on average) increased to 7.29 percent from 7.24 percent, with points decreasing to 0.65 from 0.66 for loans with a 20 percent down payment. Average contract interest rates for ARMs fell to 6.60 percent from 6.64 percent. Applications to refinance a home loan fell 3 percent for the week and were 1 percent lower than the same week one year ago. Applications for a mortgage to purchase a home fell 2 percent for the week and were 14 percent lower than a year ago.

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