

## California Housing Market Likely to Post Positive Numbers in 2026

By David R. Walker

California's housing market in 2026 is expected to post higher sales, higher prices, and even a slight improvement in the housing affordability index, despite a list of issues that could impact and slow the growth of the state and national economies.

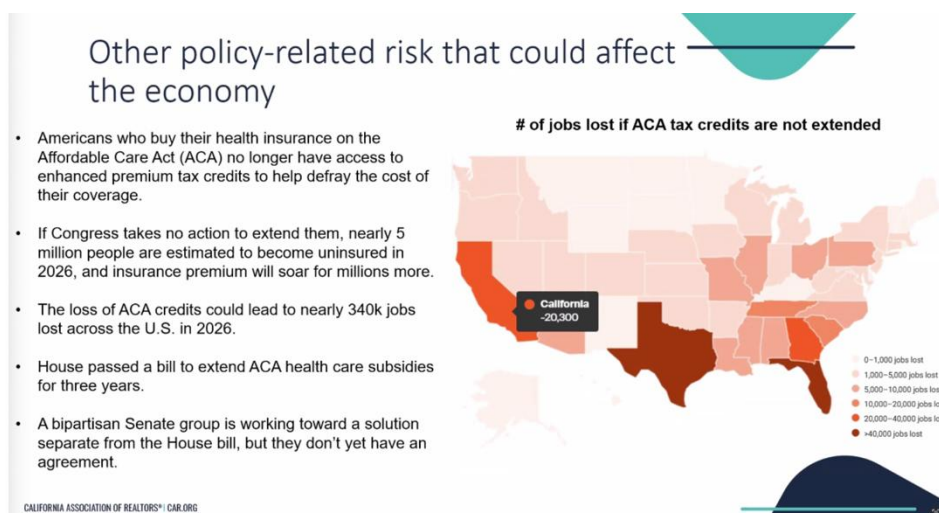
That was the general conclusion of a detailed market forecast presented recently to more than 53 Southland Regional Association of local REALTORS® brokers, owners and office managers by Oscar Wei, Deputy Chief Economist at the California Association of REALTORS®.



Leading the way in that relatively upbeat forecast was the likelihood of two cuts in interest rates that could see 30-year fixed rate mortgages plunge to a three-year low of 6.0%, down from the 6.7% of 2024 and 6.6% in 2025.

“My speculation is the Fed will likely cut rates in March and again in July,” Wei said.

And that could trigger a 1% improvement in C.A.R.'s housing affordability index, just enough to keep forward momentum going in the local housing resale market. After dipping to 16% in 2024, the affordability index rose to 17% in 2025 and 18% is projected for 2026.



Concerns about the impact of tariffs are pushing inflation up even as the U.S. economy expanded at the fastest pace in two years.

Wei said it's a “K-shaped economy,” with some parts of the economy recovering and some parts

stagnating or sinking. California consumers, he said, have been “fairly resilient,” with the economy growing 4.3% in the 3<sup>rd</sup> Quarter and 2025 holiday sales that could surpass \$1 trillion, leading to a 4<sup>th</sup> Quarter expectations of between 3.7% and 4.2%.

State job gains were the smallest since 2020 and “things are probably going to slow down a little bit in 2026,” Wei said.

Part of that slowdown may be due to the clouds hanging over various sectors of the economy.

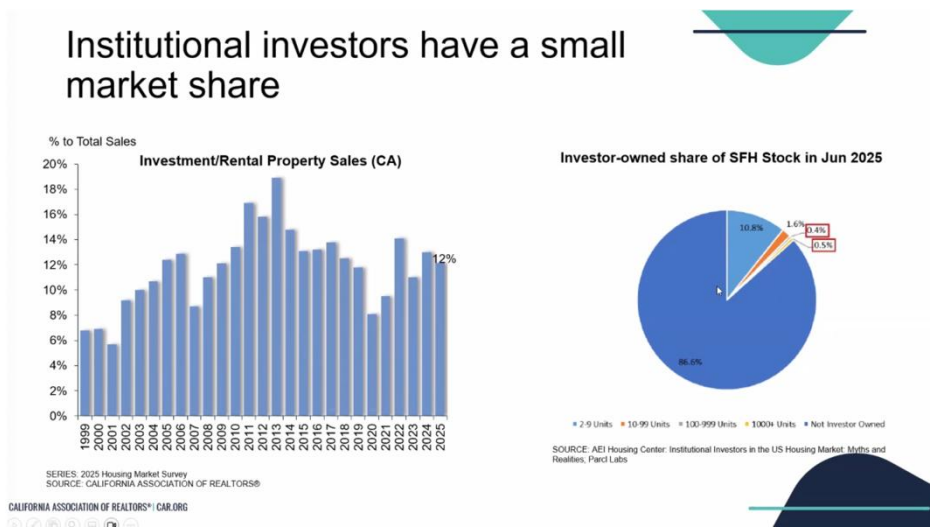
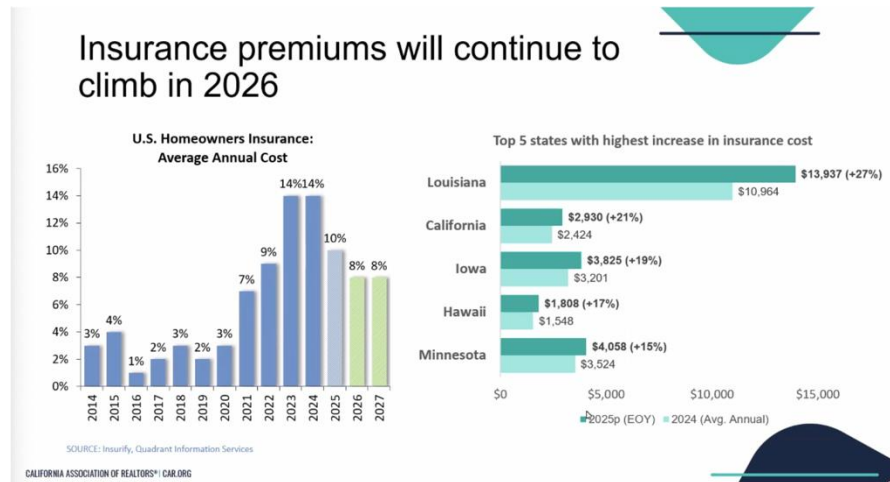
For example, the non-renewal of the Affordable Care Act tax credits could see nearly 5 million people become uninsured in 2026. Insurance premiums will soar for millions more.

That could translate into 20,000 jobs lost in California and nearly 340,000 job cuts across the nation, he said.

Tariffs will lower economic growth in the short run and the long run, he said.

Plus, home insurance premiums will continue to climb – up 21% in California – with more increases coming. “Most likely we’ll see a double-digit increase in California homeowner’s insurance again,” Wei said.

Tariffs overall will increase housing costs by about 5%.



Purchases of single-family homes nationwide by institutional investors has raised alarms, but Wei said the issue is not as pronounced in California as in other states, where there is a strong push to have

homes sold only to owner occupants.

Last year nationwide about “12% of homes sold for investment purposes,” he said. “About 10% of those were purchased by institutional buyers.”

“The impact of buying by institutional investors is actually very small, maybe 1% to 2% of California sales,” Wei said.

## California housing market outlook

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025p	2026f
SFH Resales (000s)	417.7	424.9	402.6	398.0	411.9	444.5	343.0	257.9	269.2	269.0	274.4
% Change	2.0%	1.7%	-5.2%	-1.2%	3.5%	7.9%	-22.8%	-24.8%	4.4%	-0.1%	2.0%
Median Price (\$000s)	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$784.8	\$819.4	\$814.3	\$865.4	\$873.9	\$905.0
% Change	5.4%	7.1%	5.9%	4.0%	11.3%	19.0%	4.4%	-0.6%	6.3%	1.0%	3.6%
Housing Affordability Index	31%	29%	28%	31%	32%	26%	19%	17%	16%	17%	18%
30-Yr FRM	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	5.3%	6.8%	6.7%	6.6%	6.0%

Finally, Wei said the supply of homes is projected to climb about 10% in the new year, tariffs will increase housing costs by about 5%, more first-time buyers are

expected to enter the market, and the clouds on the horizon may discourage international buyers, especially as policy uncertainties remain.

## Final thoughts



- Economy will post a gain in 2026 but will be soft in first half.
- Fed will cut rates twice: March and July?
- Rates will continue to trend down but don't expect a sharp decline.
- Homeowner insurance premiums are expected to rise by 7% - 10%.
- Housing affordability will improve slightly as prices continue to climb.
- Lock-in effect eases further with supply projected to climb near 10%.
- More first-time buyers entering the market in the next 12 months.
- May see a pullback in international buyers as policy uncertainty remains

