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Positive market signs on the horizon

Source: Pasadena Now

An increase in the statewide population over the next few years, coupled with many renters' strong desire to buy in the near future should help push housing demand to a higher level in the next few years, according to a recent report by the CALIFORNIA ASSOCIATION OF REALTORS®. A different report from the State Department of Finance's demographics unit says that after four years of population loss, California gained a tiny bit in 2023, driven by decreased mortality and a rebound in legal foreign immigration.

California gained 67,000 residents, bringing the population to 39,128,162. Across the state, 31 counties increased in population. Along with the increase in population, California also added more housing units in 2023, as 115,933 units were built, including 22,802 accessory dwelling units (ADUs).

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One out of every 5 new homes built in California last year was an ADU

Source: The Sun

In 2023, one out of every five homes built in California was an ADU, according to recent data released by the State of California Department of Finance. In total, 22,802 ADUs were built last year. Only three years ago, ADUs represented just one in every 10 new units, for a total of 8,479 ADUs.

Since 2017, the California State Legislature has passed several bills lowering barriers to building ADUs. These included 2019's AB 68 that sped up the approval process from 120 days to 60 days and prohibited local officials from imposing requirements around lot size and parking. Last year's AB 881 prevented communities from requiring the owner to live on the property, opening up the possibility for landlords to build ADUs on their rental properties. Starting in July, homeowners will be able to spin off their ADUs separately for sale as condos.

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California has 14k apartment conversions in the pipeline

Source: Connect CRE

California is converting formerly commercial office spaces to apartments at a significant rate, according to a RentCafe report. The pipeline for such conversions includes 14,000 apartments in different stages of development.

Although hotel conversions gained popularity nationwide in the past year, the state shows a strong preference for office conversions, with 4,306 office-to-apartment conversions, which is 31 percent of the total. This addresses both office vacancies and housing scarcity. Hotel spaces represent another 27 of the state's pipeline. Los Angeles leads the nation with 5,881 projected apartments from adaptive reuse projects, with Fresno boasting 1,111 units.

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California Regional MLS adding fields for "Concessions in Price"

Source: Yahoo Finance

California Regional Multiple Listing Service (CRMLS), the nation's largest and most recognized MLS, is launching a new set of system fields referring to Concessions in Price (CiP). The fields promise to encourage greater communication between listing agents, buyer agents, and homebuyers by providing up-front information regarding concessions.

In 2023, nearly 40 percent of CRMLS's closed listings included concessions, which are monetary payments that a seller agrees to contribute toward the buyer's expenses and other costs a buyer is responsible for in the transaction. Historically, concessions were only included in closed listings.

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Supreme Court allows case that could make banks pay interest on mortgage escrow

Source: Yahoo! Finance

The Supreme Court this week threw out an appeals court ruling in favor of Bank of America, which has refused to pay interest on money it collects in escrow to pay mortgage borrowers' insurance and property tax bills. New York State requires banks to pay at 2 percent interest on escrowed funds. Thirteen other states have similar laws, including California.

A federal judge initially ruled in favor of the borrowers, but the appeal court in New York granted Bank of America's request to dismiss the suits, arguing that the federal law governing banks does not permit state-by-state regulation. Supreme Court Justice Brett Kavanaugh noted that the Dodd-Frank Act, enacted after the 2008 financial crisis, made clear that not all state banking laws are pre-empted.

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Weekly mortgage demand drops as rates climb

Source: CNBC

After a brief respite during much of May, mortgage rates began rising again last week. That had an immediate impact on what had been several weeks of strengthening mortgage demand. The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less on average) increased to 7.05 percent from 7.01 percent, with points rising to 0.63 from 0.60 for loans with a 20 percent down payment. As a result, total mortgage application volume fell 5.7 percent last week compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index.

Applications to refinance a home loan, which had been in a small recovery phase, plunged 14 percent for the week but were still 12 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 10 percent lower than a year ago.

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