

California faces housing crisis: "No one is buying homes"

Story by Giulia Carbonaro • 3h • 6 min read 6-13-2025

After four consecutive months of year-over-year inventory increases, California is now solidly a buyer's market, which means the supply of homes is greater than the demand for properties in the state.

That is happening in part because, as real estate analyst Nick Gerli put it, "no one is buying homes in California." Home sales in the Golden State are hovering just below the lows of the Great Recession, according to a recent report by Realtor.com, as sky-high prices and elevated mortgage rates keep buyers on the sidelines of the market.

Why It Matters

The California housing market experienced great changes during the pandemic, when the rise of remote work allowed many homeowners to relocate from metropolises—such as San Francisco and Los Angeles—to smaller nearby towns or leave the state entirely. While the state saw a slight dip in home prices in early to mid-2020 compared to a year earlier, home prices quickly rebounded and have continued rising steadily until now.

Historically high home prices are now playing a crucial role in keeping demand low in the state, together with mortgage rates still hovering just below the 7 percent mark and growing economic uncertainty linked to the effects of President Donald Trump's tariffs.

What To Know

According to data from Realtor.com, there were 73,160 active listings in California in May, the highest number since October 2019—before the pandemic homebuying frenzy further shrunk supply in the state.

"The rate that housing inventory has been rising for the state is on par with that of the nation. At the national level, inventory of homes for sale rose more than 30 percent year over year in May, which is in line with the double-digit increase for the state of California," Oscar Wei, the deputy chief economist at the California Association of Realtors, told *Newsweek*.

"Active listings typically increase during this time of the year as the period from April to August is considered the spring homebuying season. Homes are being bought during this time frame as many buyers want to settle down before schools start. As such, active listings usually increase month over month from March to April and from April to May," he said. "The growth pace in active listings is slowing down, however, and the level of supply could reach a plateau sometime in June."

Several California cities were also among the 50 most populous metropolitan areas in the U.S. with the biggest imbalances between sellers and buyers in April, according to a recent Redfin

study. These included Riverside (61.3 percent difference), Sacramento (44.9 percent), Los Angeles (44.8 percent), Anaheim (38.7 percent) and Oakland (36.2 percent).

This should be great news for prospective homebuyers in the state who, as in the rest of the country, have been struggling with limited inventory for the past few years. But according to the data, buyers aren't showing up for these listings.

The state reported about 25,100 home sales in April—up 1.6 percent from a year earlier but "down 20 percent from the long-term average and 40 percent below the pandemic peak," according to Gerli, the CEO and founder of the real estate platform Reventure App.

"Economic uncertainty and elevated mortgage rates, which make costs of borrowing high, are primary factors that keep housing demand/home sales at low levels in recent months," Wei said, adding, "Insurance availability and affordability are also having a negative effect on home sales."

Gerli wrote on X, "This crisis in homebuyer demand is now causing home prices to drop."

Last month, according to data from Reventure App, home values in California fell by 0.42 percent from March, the fourth biggest decline in the U.S. "It was the fourth straight month where values declined," Gerli said.

"The reason prices are now dropping is because the low demand is being combined with a rise in listings," the real estate analyst added. "Inventory had been low in California for much of the last couple years, but now it's spiking."

Despite the recent downward pressure on prices in California, the cost of buying a home remains high—much more than many can afford. Home values might be dropping on a monthly basis, but they are still rising year over year. In April, the average home value of a typical California home was \$796,255, according to Realtor.com, up 1.3 percent from a year earlier.

The median sale price of a California home was \$854,700 in the same month, up 0.2 percent from a year earlier, according to Redfin. Five years earlier, in April 2020, a typical California home could still be bought for \$571,000.

The numbers of homes sold with a price cut—at 34.8 percent of all sales—are on the rise, up 10.2 from a year earlier. However, the numbers of homes sold above list price, at 40.3 percent, is decreasing and was down by 9.7 percent in April year over year.

What People Are Saying

Oscar Wei, the deputy chief economist at the California Association of Realtors, told *Newsweek*: "Buyers are waiting for the costs of homeownership to come down. That could mean lower mortgage rates or lower home prices. Mortgage rates should slowly decline and will likely moderate slightly by the end of the year."

He added: "The market may have already seen the peak price for the year and could soften in the next few months." Buyers could also be waiting for some clarity on the market direction, as consumers remain concerned about how tariffs and the ongoing trade tensions could affect the economy and their personal finances."

Hannah Jones, a senior economic research analyst at Realtor.com, said in a recent report: "Home price growth accelerated in California during the early days of the [COVID-19] pandemic, driving the state's median listing price to new heights. High home prices and rising mortgage rates put homeownership out of reach for many would-be buyers."

Real estate analyst Wolf Richter wrote in a recent report: "The problem is demand in California. It has essentially collapsed." New listings aren't that high. But because the inventory of homes for sale doesn't sell, and new listings are added to it, the total piled up."

Real estate analyst Lance Lambert wrote in a recent report: "More California housing markets are climbing out of that inventory deficit. And if the current trajectory holds, California could soon be out of its Pandemic Housing Boom era inventory hole."

Redfin Senior Economist Asad Khan said in a recent news release: "The balance of power in the U.S. housing market has shifted toward buyers, but a lot of sellers have yet to see or accept the writing on the wall. Many are still holding out hope that their home is the exception and will fetch top dollar. *

"But as sellers see their homes sit longer on the market and notice fewer buyers coming through on tour, more of them will realize that the market has adjusted and reset their expectations accordingly."

What Happens Next

Experts now expect home prices to dip slightly across the country by the end of the year, including in parts of California. Zillow expects prices to fall in 31 cities in the state, including San Francisco (projected -5.2 percent), San Jose (-3.8 percent), Sacramento (-3 percent), Los Angeles (-1.2 percent) and San Diego (-0.7 percent).

According to Wei, home prices should begin to come down from the record high set in April as we enter the second half of the year.

"Seasonality will play a role in the price moderation, and an increase in housing supply will also relieve some upward price pressure," he said. "We expect price drops across the state to be mild but the changes between months could appear volatile in some areas because of their low number of observations. In general, we still expect a mild single-digit year-over-year increase for the year as a whole for the state and most regions."

