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**November inflation report fuels optimism for Fed interest rate cut**

**Source: *HousingWire***

The likelihood of a third Federal Reserve rate cut got higher with Wednesday's Consumer Price Index from the U.S. Bureau of Labor Statistics, which met expectations from economists on inflation. Headline inflation in November rose 2.7 percent year-over-year and 0.3 percent compared to October. Core inflation – which excludes volatile food and energy costs – rose by 0.3 percent month over month and 3.3 percent year over year.

Inflation on shelter costs remains high, rising 0.3 percent month over month, but that number represents a cooling from the 0.4 percent jump the month prior. Housing made up 45 percent of inflation. Taken together, the report is good news for the real estate industry that eagerly anticipates a drop in mortgage rates. Annual core inflation has cooled considerably since peaking at 6.3 percent in August 2022, as has annual shelter costs, which peaked in March 2023 at 8.2 percent.

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**Farmers Insurance says it will add more policies in California**

**Source: *NBC Bay Area***

In a surprise announcement, California's second-largest insurance

provider, Farmers Insurance, says it is going to add more policies for property owners. Starting Saturday, Farmers will start taking applications for new policies, including for condominiums, renters, umbrella, landlord, vacant and manufactured home policies.

Farmers Insurance stopped writing policies for California renters and condo owners last year, in part because of the huge losses and heightened risk from wildfires across the state. State Farm and Allstate also stopped writing policies in the state, with thousands of homeowners having to go elsewhere for coverage. Farmers says it is adding new customers because the marketplace has improved. The company credits recent changes the Department of Insurance is trying to make.

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## Housing demand still showing double-digit growth

*Source: HousingWire*

Last week, a Santa Claus rally in mortgage rates occurred alongside improved housing demand. The economy continues to create jobs, with wages growing at an annual rate of 4 percent. Pending contract data has also grown compared to 2022 and 2023. Additionally, the purchase application data delivered positive results. The weekly pending contract data from Altos Research offers insight into real-time housing demand. Weekly pending sales for last week numbered 315,566, while for the same week in 2023, it was 278,735, and for the same week in 2022, it was 282,313.

In an average year, about one-third of all homes experience price cuts, a

standard occurrence in the housing market. When mortgage rates rise, the percentage of homes that reduce their prices significantly increases. Conversely, this trend decreases when rates drop and demand rises, as we recently observed with falling rates. Last week, 38.4 percent of homes for sale had price cuts, compared to 38.7 percent in 2023 and 42 percent in 2022.

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### Homeownership linked to longer lifespan, finds Oxford study

*Source: Fast Company*

A new study has revealed a few connections through which homeownership can impact longevity. The study, led by Dr. Casey Breen, Senior Postdoctoral Research Fellow at Oxford University's Leverhulme Center for Demographic Science and Department of Sociology, examined the benefits of homeownership in the male population in the United States. It looked at 1920 and 1940 U.S. census records and Social Security mortality records to document Black-White disparities in homeownership rates and estimated the effect of homeownership on longevity using a sibling-based approach.

It found that homeownership was linked to an increased in life expectancy of 0.36 years for Black male Americans born in the early 20th century, and 0.42 years for white male Americans in the same cohort. According to the study, the connection to longevity came partly through wealth accumulation. "A home is the single largest component of nonpension wealth in the United States," the study explains. First, homeownership

likely reduces housing costs, saving owners from high rental prices and providing tax benefits such as tax deductions on mortgage interest and no capital gains tax. Second, homes will generally gain value over time. And third, monthly mortgage payments encourage savings, the study says. Another reason for longevity is that homeownership has a connection to social networks. Homeowners are more likely to feel a sense of community than renters, largely because homeowners often live in one neighborhood much longer than renters do. This helps them foster stronger ties to their communities, as well as more integration and interaction at community events. Longevity was also impacted by improved housing conditions as well as the psychological benefits of feeling a stronger sense of control and self-determinism over their lives because their environments are predictable and dependable.

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## **LA City Council votes to boost housing development and leave single-family-home zones**

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**Source: MSN**

The Los Angeles City Council on Tuesday voted to boost housing development in existing high density residential neighborhoods and along commercial corridors, while leaving single-family zones largely untouched. In a 15 to 0 vote, the council asked the city attorney to draft an ordinance to carry out that plan, which provides incentives to build both market rate and affordable units. Once the ordinance is drafted, it will come back to council for final approval.

The rezoning effort is in response to state housing mandates that seek to

alleviate the housing crisis by requiring the city to find land where an additional 255,000 homes can be built and have the plan in place by mid-February. Last month, a city council committee approved a plan that allowed for more building in existing high density residential neighborhoods and along main streets in areas with jobs and good schools. Under the plan, developers would be able to build more than they currently can in those areas if they include a certain percentage of affordable units.

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## **Mortgage rates dip today and refinance demand surges**

*Source: CNBC*

Mortgage rates had been moving higher this week in anticipation of the release of the Consumer Price Index, which would reveal whether inflation were increasing. However, when the inflation numbers were released, rent inflation had its lowest gain since April 2021. 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 of \$766,650 or less decreased to 6.75 percent from 6.78 percent, with points remaining falling to 0.66 from 0.67 (including the origination fee) for loans with a 20 percent down payment.

Mortgage applications overall surged 5.4 percent last week compared with the prior week. Applications to refinance a home loan rose 27 percent week to week and were 42 percent higher than the same week one year

**ago. Applications for a mortgage to purchase a home fell 4 percent for the week and were 4 percent higher than the same week one year ago.**

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