



# THE GATTI REPORT: YOUR GREATER DANVILLE AREA REAL ESTATE UPDATE

By Joe Gatti

Welcome 2023! The New Year is here!

I'm hoping your Christmas/December holiday period was relaxing with family and friends. I also hope you are looking forward and ready to get started with 2023. As we enter January, there are some economic goalposts to keep an eye out for as we progress towards our local spring real estate market which begins in mid-February. We will see December's reading for the Consumer Price Index (CPI), provide an update on US inflation levels. This mid-January announcement will largely determine what the Federal Reserve decides to do at their next policy meeting on February 1<sup>st</sup>. Lower inflation levels would lead to a less aggressive Fed, sending us into a spring real estate market where we could see mortgage interest rates finally stabilize.

The next CPI reading will come out January 12<sup>th</sup>. At the last CPI announcement (December 13<sup>th</sup>), the Federal Reserve received an early Christmas present. The report showed inflation declining in November, more than expected, with a reading of 7.1%, which was down from October's 7.7% level\*. This is finally providing the Federal Reserve with a series of declining inflation reports. What does this mean for our local real estate market? The visible cooling of inflation in the US economy will lessen pressure on the Federal Reserve to continue steep interest rate increases going forward in 2023. This will allow for mortgage interest rates to stabilize, eventually plateau, and at some point in the next 12-24 months descend, again. On January 12<sup>th</sup>, if the inflation number is lower still, look for interest rates to reach an equilibrium as we head into the spring and become more predictable, allowing buyers to have more confidence as they consider placing offers on homes in the coming months.

Our local real estate market began seeing mortgage rate increases one year ago in March when it became evident to the Fed that inflation was becoming out of hand. So, the real estate and the mortgage industries have been going through a more challenging economic environment for about a year now. If inflation continues to lessen in future CPI readings, the Federal Reserve will eventually be able to pause and allow their past rate increases to fully work themselves through the entire US economy. Going forward in 2023, look for our local real estate market to re-enter our customary seasonal cycles, with the spring and fall markets being the most competitive and with the most activity.

Nationally, sales volume in real estate declined for the tenth straight month in November, which exactly parallels the rate increases that began in February/March of 2022. In the greater Danville area, single family property sales declined 37% from the prior year (November 22 to December 22), and were down 25.3% from the previous month (October 22 to November 22).\*\*

The beginning of a new year is historically the end of the winter season and therefore slower in our local area. Look for the busiest season, spring, to begin in mid-February, and watch for mortgage rates to stabilize. If they do, look for activity to gradually increase as 2023 progresses.

If you have questions on the value of your home during this period of changing interest rates, please reach out for a private consultation. Our services and full-time local experience will help price your home correctly. We look forward to seeing everyone in the coming months. Happy New Year!

*I hope you found this article helpful. I've been serving our real estate community for 11 years. Ron Gatti, my business partner and father, has been a full-time real estate professional for over 40 years, all in the greater Danville area. We both are Associate Brokers with Compass out of the 760 Camino Ramon office in Danville. If you have any real estate questions during this extraordinary time or have questions about this article, please email [GattiRealEstate@gmail.com](mailto:GattiRealEstate@gmail.com) or call Joe Gatti at 925-588-3590. Our services are here for you!*

\*CNBC "Consumer Prices Rose Less Than Expected in November, Up 7.1% From a Year Ago," by Jeff Cox, December 13, 2022 <https://www.cnn.com/2022/12/13/cpi-inflation-november-2022-.html>. \*\*Data taken from the MLS during specific dates and under the criteria mentioned within the article.



## JOE & RON GATTI

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