



THE SCOOP

YOUR MONTHLY HOUSING SNAPSHOT

SOUTHERN
CALIFORNIA

AUGUST 2022

HOME
SWEET
HOME



AUGUST RECAP

The market settled into a normal pace, but after a pandemic market with increased expectations, what is the new 'norm'? It is when buyers and sellers must negotiate a contract prior to opening escrow. Sellers do not call all the shots. For the most part, homes are not selling over their asking prices. The froth of the past two years is gone. The market is lining up slightly in favor of sellers.

From July of 2020 to May of this year, the market was an INSANE Hot Seller's Market with an Expected Market Time below 40 days. That is nearly two years of insanity! At those levels, buyers lined up around the block just to see a home. There were very few open houses because homes were simply not on the market long enough to require one. "Multiple Offers" was quite the understatement; instead, homes were procuring 20, 30, or even more offers to purchase. Appraisal contingencies were dropped. Many buyers opted to waive their inspection rights and would not even ask for repairs. Homes sold way over their asking prices and home values were rocketing higher. Sellers ultimately had complete control over that two-year period.

Those days are gone. Today's Slight Seller's Market requires much more patience than a Hot Seller's Market. Homes that are nicely appointed, in excellent condition, have that model home feel, and are priced according to their Fair Market Value, will still obtain a lot of attention, pull in multiple offers, and, in many cases, sell a bit above the asking price. For everyone else, the further a home is away from being turnkey, in great condition, or in a great location, the longer the home is going to take to sell. The market is no longer instant, and as a result, more and more homes are sitting on the market.

August inventory numbers measured in around 31,000 homes on the first of the month, and by month's end had dipped to just over 30,000 homes. August marks the first month of the year in which the inventory is less at end of the month than it was at the beginning. Inventory levels are still 34% higher compared to last year.

August demand started the month with roughly 12,000 pending sales and surprisingly saw an uptick of 500 pending sales as the month finished with roughly 12,500 homes in escrow. Yet, that is by far the lowest demand reading measured for this time of year since tracking began in 2012.



HERE'S THE SCOOP

The typical housing peak occurs between July and August in a normal market. With muted demand all summer long, the Southern California housing market was poised to see a much later peak due to reduced demand. Instead, the inventory peaked at the beginning of August. In fact, demand has reached a cruising altitude and stabilized after slowly dropping since the end of March. More importantly, fewer homeowners have been willing to sell.

Fewer sellers impact the ability for homes to accumulate on the market, which would allow the inventory to grow faster. From January to August of this year there have been 15% fewer FOR-SALE signs compared to the 3-year average prior to COVID (2017 to 2019), a shocking 30,450 missing signs. This is a new trend that started in January as mortgage rates were rising.

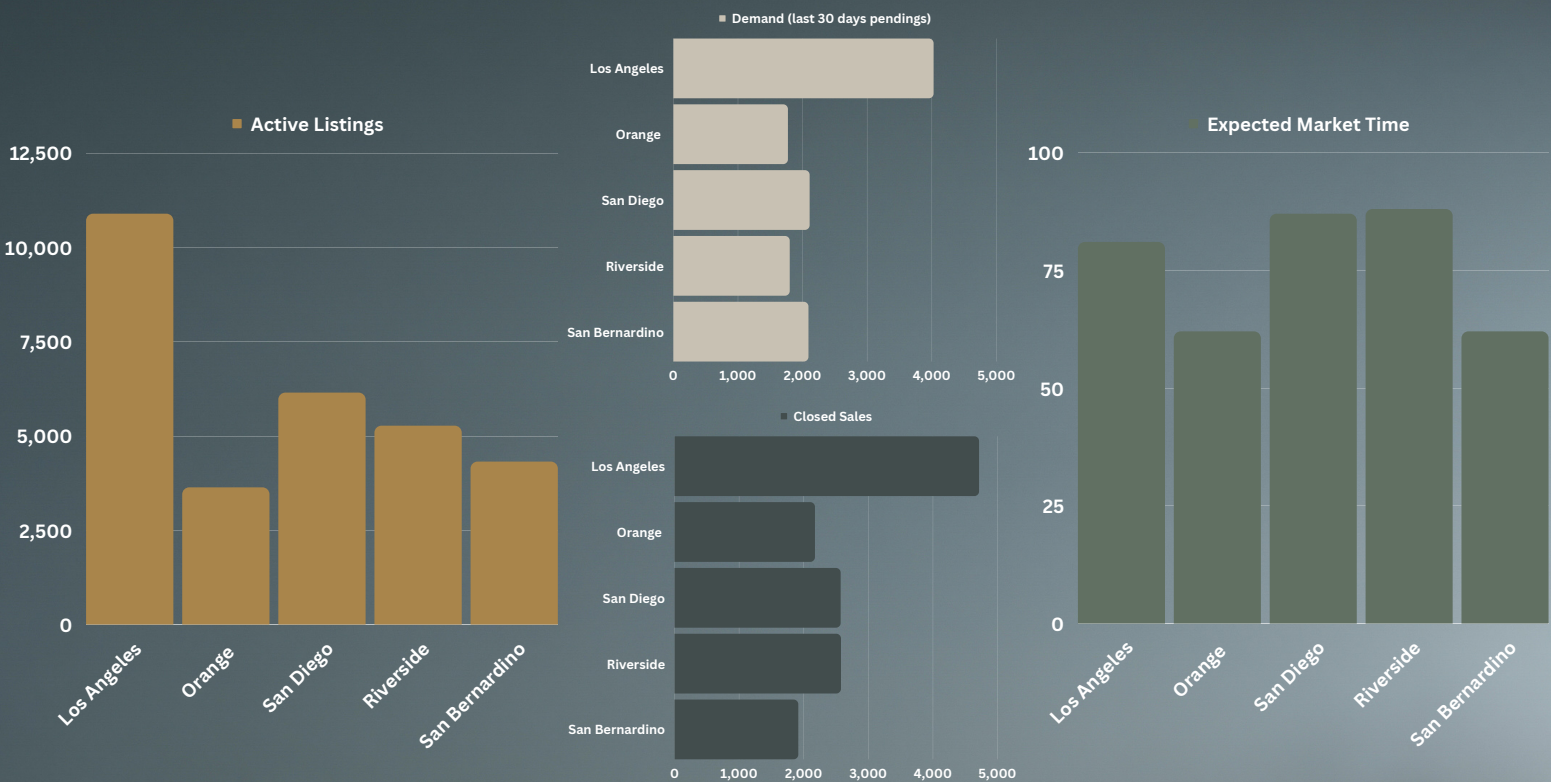
Homeowners are not moving because they simply do not want to sell as they are locked into an incredibly low fixed mortgage rate. 72% of all homeowners have a mortgage rate of 4% or lower. 55% have a rate of 3.5% or lower. 34% have a rate of 3% or lower. If a homeowner sells and opts to purchase a replacement property, they are going to be paying a much higher rate and, most likely, much higher property taxes. Thus, homeowners are staying put. They may not be in love with their home, but they certainly are in love with their loan.

Another factor that has contributed to the diminished supply is that many sellers who have been unable to sell have decided to pull their homes off the market. For the month of August, the number of homes that have come off the market without success has more than doubled compared to the same time last year.

The giant drop in demand is being matched up against an extremely anemic supply of available homes. There are fewer buyers participating today, just as there are fewer homeowners participating. This will continue until mortgage rates shift either higher or lower. Until then, the battle between supply and demand continues.

It is important for those interested in buying a home to understand that the market is still not lining up in their favor, despite the elevated rates, and it most likely will not for the remainder of the year and into 2023. The Southern California housing market is settling down into what we call a 'Slight Seller's Market'. The feeding frenzy has died down. Yet, the market is still hot enough that they are not going to get a "deal" or buy a home at a "bargain" price. Values are not plunging. Compared to the last couple of years in a pandemic environment, this is finally a much more normal pace for the housing market.

SOUTHERN CALIFORNIA BY THE NUMBERS



NUMBERS UPDATED AS OF SEPT. 15TH



SOUTHERN
CALIFORNIA

MARKET TIME

INSANE SELLER'S MARKET: 0 DAYS - 40 DAYS

BALANCED MARKET: 90 DAYS - 120 DAYS

HOT SELLER'S MARKET: 40 DAYS - 60 DAYS

SLIGHT BUYER'S MARKET: 120 DAYS - 150 DAYS

SLIGHT SELLER'S MARKET: 60 DAYS - 90 DAYS

DEEP BUYER'S MARKET: 150 DAYS+

The Expected Market Time is the speed of the market, the lower the number, the faster homes are being placed into escrow. Anything between 60-days and 90-days is considered a Slight Seller's Market where sellers are still in control of the market place, however multiple offer situations is no longer the norm, and pricing according to Fair Market Value is crucial to a successful sale. The Southern California market remained in the Slight Seller's Market Range, and may remain there for the remainder of the year.



1ST

31ST

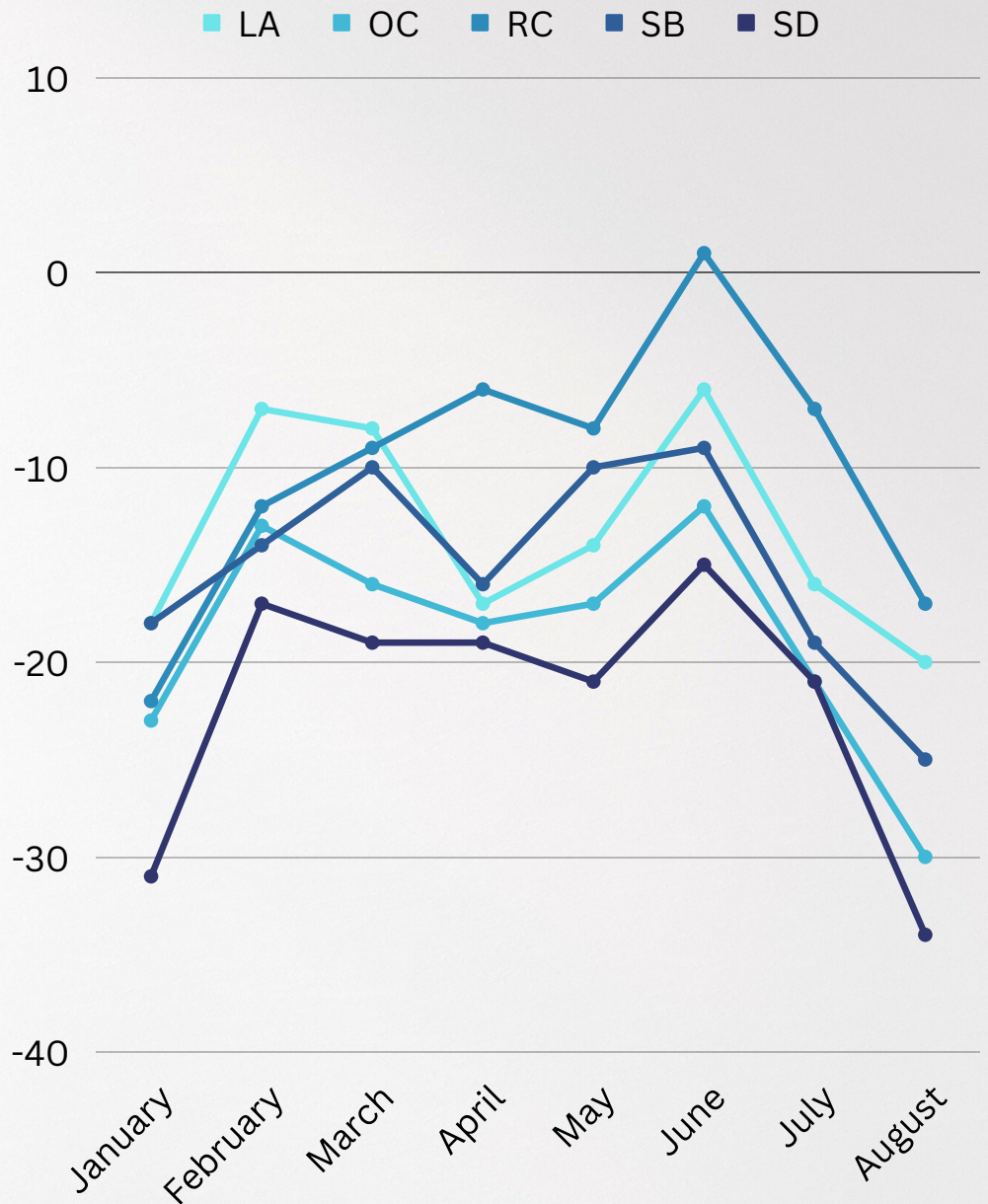
76 DAYS

72 DAYS

SLIGHT SELLER'S MARKET

SOUTHERN CALIFORNIA HOMES COMING ON THE MARKET

COMPARED TO THE 3 YR AVG PRIOR TO COVID (2017 - 2019)
'0' REPRESENTS THE AVERAGE AMOUNT OF HOMES FOR THAT GIVEN MONTH



NEW LISTINGS IN AUGUST
ARE DOWN **6,031**
COMPARED TO THE 3 YR
AVG PRIOR TO COVID, A
24% DECREASE

NEW LISTINGS SO FAR
THIS YEAR ARE DOWN
30,450 COMPARED TO
THE 3 YR AVG PRIOR TO
COVID, A **15% DECREASE**



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