



THE SCOOP

YOUR MONTHLY HOUSING SNAPSHOT

SOUTHERN
CALIFORNIA

NOVEMBER 2022



NOVEMBER RECAP



November ushered in the official start to the Holiday Season, a period which marks the slowest time of the year for housing, primarily due to all the distractions that come with the season.

The Holiday Market is when the inventory plunges, demand plunges, and the Expected Market Time increases slightly. Regardless of the economic situation, without fail, the cyclical slowdown prevails. Last year the number of available homes was already at historically low levels all year. After peaking in August, a record low peak, it was hard to imagine the inventory could plunge at the end of the year. Yet, from mid-November to the start of the New Year, it sank by over 30%. Demand followed suit, also dropping by over 30% in the same period of time.

The inventory seasonally drops because not many homeowners come on the market at the end of the year, and many opt to pull their homes off the market with hopes of trying again in the New Year. The fewest number of sellers enter the fray in December, 58% less than in May, the peak month with the greatest number of new sellers.

November inventory numbers measured in at roughly 30,900 homes on the first of the month, and by month's end had plunged to just above 28,000 homes, a 10% dip. While the inventory has nearly doubled what it was at this time last year, it is still 24% below the 3-Yr Avg from 2017 - 2019.

November demand started the month with roughly 9,300 pending sales and continued to free fall by another 9% as the month finished with roughly 8,300 homes in escrow. That is by far the lowest demand reading measured for this time of year since tracking began in 2012. The next lowest level occurred in 2018 when demand levels measured 11,814 at the end of November.

From 100 days on November 1st to 101 days on the 31st, the Expected Market Time has plateaued, as both supply and demand continue to fall at similar rates.

Overall supply and demand levels will continue to dwindle until the New Year, at which point the market will start to see a slight uptick in both measurables.



HERE'S THE SCOOP

With the recent housing slowdown and a potential recession on the horizon, many are now worried that home values will plummet just like they did during the Great Recession.

According to a survey done by LendingTree, 41% of Americans think that the housing market will crash in the next 12 months. Even more revealing is that 74% of those who believe there will be a crash think it will be as bad or worse than the “2008 housing market collapse.” But what does the housing data have to say? According to all the economic data, current trends, lending standards, and the health and strength of homeowners across the United States, there is no crash in sight, not now, not in the next 6-months, and not in the foreseeable future.

The number one reason why a crash will not occur is a lack of available homes to purchase. When the inventory builds, it takes a lot longer to sell. When the unsold inventory rises above 300 days, negotiations lean heavily in favor of buyers and home values fall rapidly. The unsold inventory in Southern California, according to the California Association of REALTORS®, reached a peak for 2022 in July at 99 days. In comparing today's unsold inventory to the two years leading up to the Great Recession, 2006 and 2007, the difference is stunning. The unsold inventory peak in 2006 was 219 days, and it was 456 in 2007.

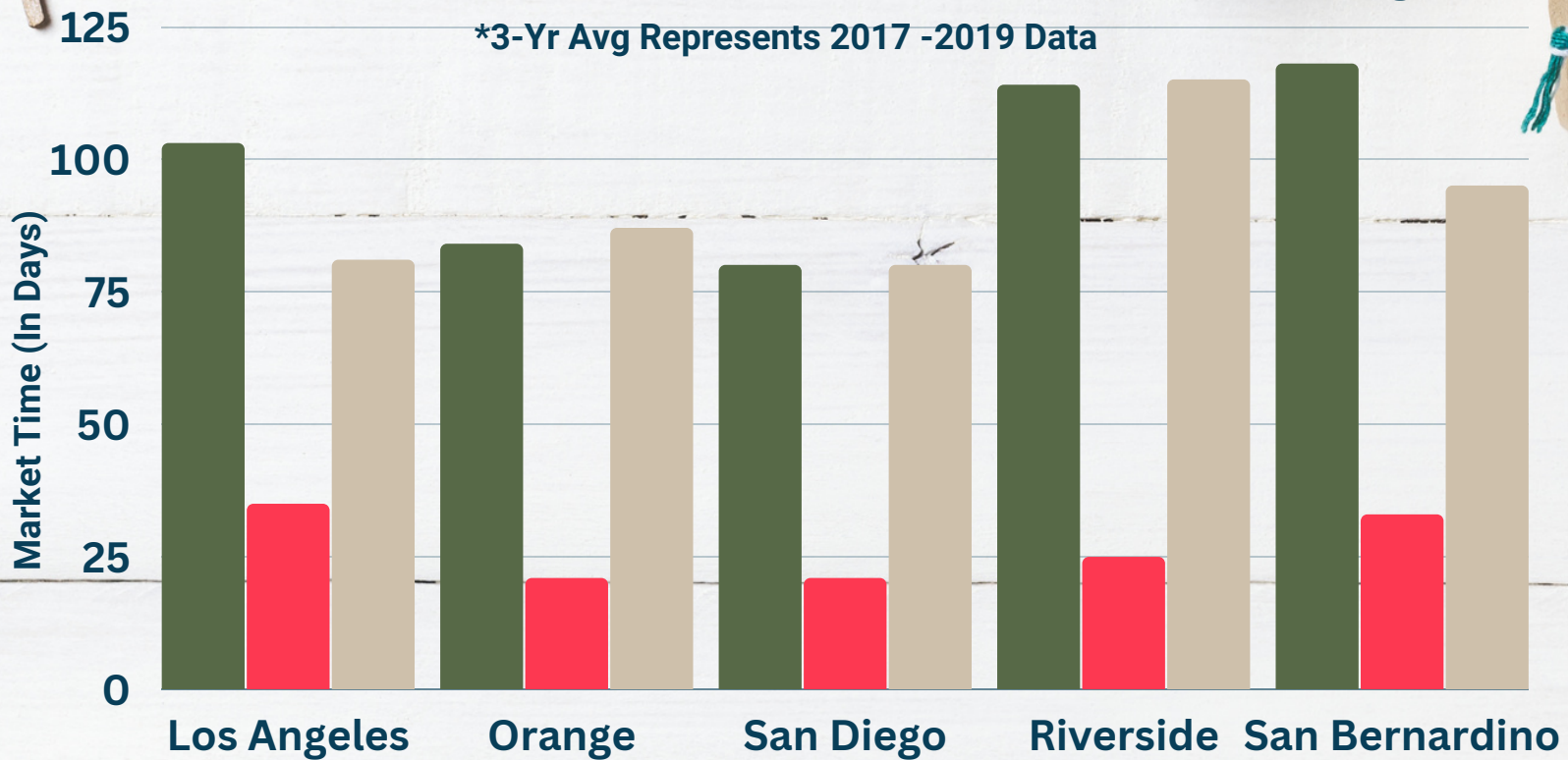
Despite a lower unsold inventory, home values are still dropping today due to mortgage rates doubling from the start of the year. Yet, they are not tumbling at the accelerated pace of 2007 and 2008 when home values sank by nearly 40%. That will not happen today because of the limited number of homes available to purchase where homeowners are simply choosing not to list their homes. So far this year, through November, there have been 47,772 fewer sellers compared to the 3-year average prior to the pandemic, 18% less. There is no panic selling. There is also an extreme lack of forced selling, homeowners that “have to sell.” During the Great Recession, over 10% of all outstanding mortgages were delinquent. Today's national delinquency rate is at its lowest level in decades.

Even with sky-high mortgage rates and home values on the decline, housing is insulated from a housing crash. Today's housing stock is built on an extremely strong foundation with years of tight lending standards due to financing laws enacted after the Great Recession, strong credit scores, large down payments, fixed rate mortgages, plenty of nested equity, and limited cash-out refinances. There is no crash in sight because of the strength of the homeowner coupled with a very limited inventory of available homes to purchase today.

SOUTHERN CALIFORNIA HOLIDAY MARKET TIMES

■ December 2022 ■ December 2021 ■ December 3-Yr Avg*

*3-Yr Avg Represents 2017 - 2019 Data



While today's market times have increased exponentially compared to last year's insanely hot Holiday Market, they are much more in line with the normal pace of housing from 2017 - 2019.

SOUTHERN CALIFORNIA NEW LISTINGS BY MONTH

The Southern Californian housing market has already experienced a drop in new listings each month this year when compared to the 3-Yr Avg from 2017 - 2019. Expect December to be the slowest month of the year in terms of new listings.

Month	2022	3-Yr AVG (2017-2019)	Avg. Month Ranking
January	17,238	22,077	#9
February	18,300	20,699	#10
March	22,173	25,195	#4
April	22,129	26,119	#2
May	23,351	27,212	#1
June	23,872	25,924	#3
July	20,953	25,089	#5
August	18,879	24,847	#6
September	16,981	22,200	#7
October	15,348	22,195	#8
November	11,925	17,402	#11
December	-	11,391	#12

SOUTHERN CALIFORNIA MEDIAN AND RATES

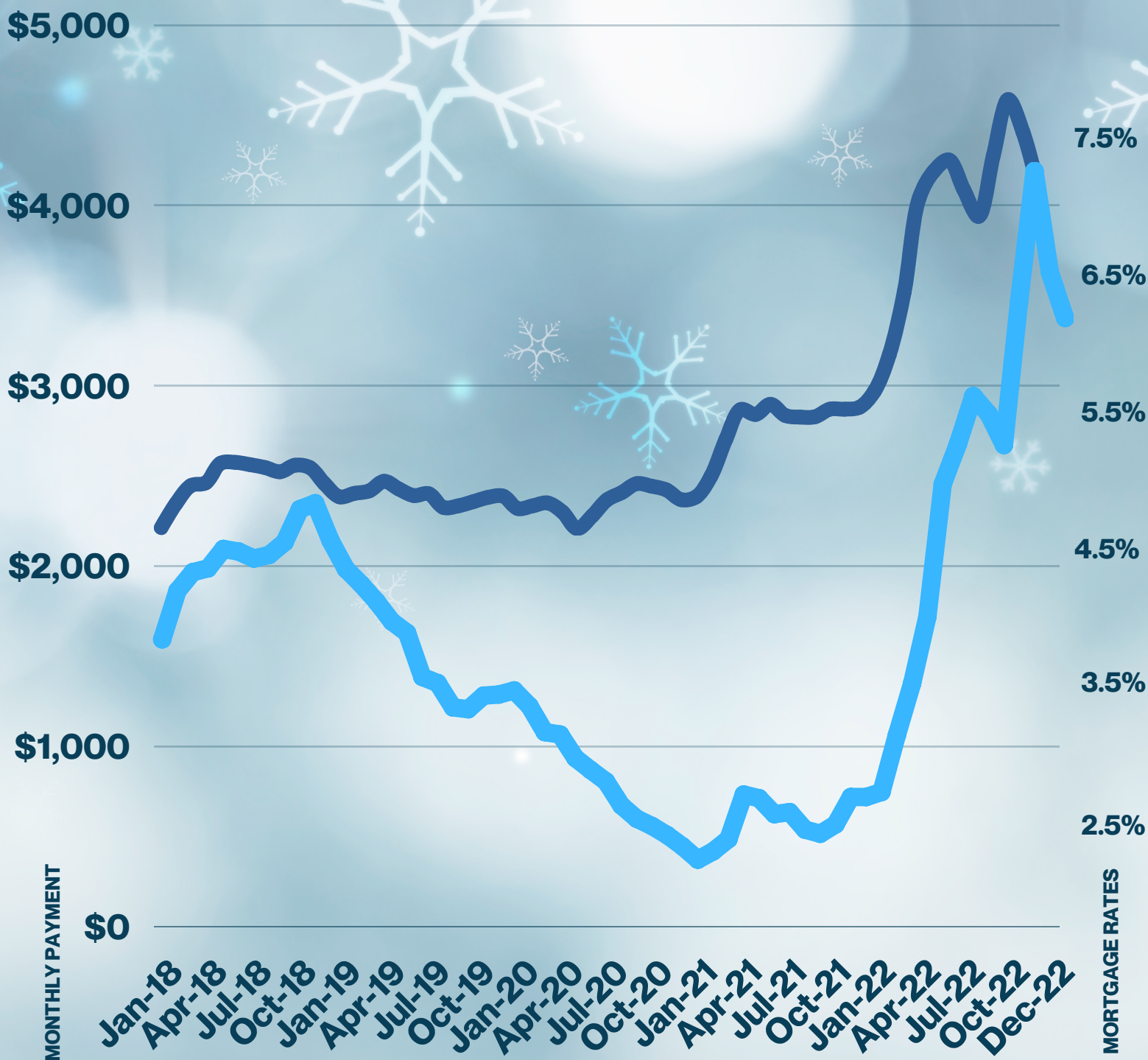
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MONTHLY PAYMENT



MORTGAGE RATES





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