



THE SCOOP

YOUR MONTHLY HOUSING SNAPSHOT

SOUTHERN
CALIFORNIA

OCTOBER 2022



OCTOBER RECAP



The month of October is filled with playful dress-up, going door-to-door in search of something sweet, and then stuffing candies into our mouths until we are 'sugared out'. Similarly with the housing market these last two years, sellers got away with arbitrarily pricing a home where nearly everything sold instantly, with multiple offers, and closed sales prices way above their asking price. It was an auction-like atmosphere with throngs of buyers willing to stuff their faces with any home they could get their hands on.

Those days are gone. The Federal Reserve has slammed on the brakes and done everything in its power to "reset" the housing market, one of the main economic drivers of the economy. As a result, mortgage rates skyrocketed from 3.25% at the start of the year to over 7% by the end of October, according to Mortgage News Daily, more than doubling, a historic rise.

A "reset" in housing typically means a price correction between 10% to 20%. The peak for housing occurred in May and prices have been on the decline in Southern California ever since.

October inventory numbers measured around 30,450 homes on the first of the month, and by month's end had climbed to just under 30,900 homes, a 3% rise. Inventory levels typically fall during the month of October, however, muted demand has allowed the inventory to rise.

October demand started the month with roughly 11,000 pending sales, and continued to free fall by another 18% as the month finished with roughly 9,300 homes in escrow. That is still by far the lowest demand reading measured for this time of year since tracking began in 2012. The only other time that it has been lower has occurred in January, the slowest month of the year for housing.

From 83 days on October 1st to 100 days on the 31st, the Expected Market Time has increased steadily. It is now at its highest level since early-May 2020, during the original COVID shutdown.

As we approach the holidays, expect supply and demand levels to dwindle significantly, and market times to increase slightly until ringing in the New Year.

HERE'S THE SCOOP



In today's market, values are slowly declining. The longer a seller takes to find the right price for their home and become successful, the more money they end up losing.

Homes in every price range are taking much longer to sell and sellers are wondering what in the world is wrong with the housing market. Nearly 42% of all Southern California homes have been on the market for two months or longer, and 44% have lowered their asking price at least once. Setting prices just to test the market is not a wise strategy. Instead, prudent and methodical pricing is essential to taking advantage of the **"Golden Opportunity,"** the first few weeks a home is placed on the market. This time period is the most crucial when it comes to a successful sale. It is better to spend a few hours getting a very accurate price than wasting weeks or months of valuable market time.

This opportunity occurs because there are a number of buyers who have yet to secure a home and are eagerly waiting on the sidelines for something to come on the market that meets their criteria. Every time a home enters the fray, there is a rush of initial activity as potential buyers clamor to be one of the first to see it. There is more activity in the initial two weeks than at any other time during the marketing process.

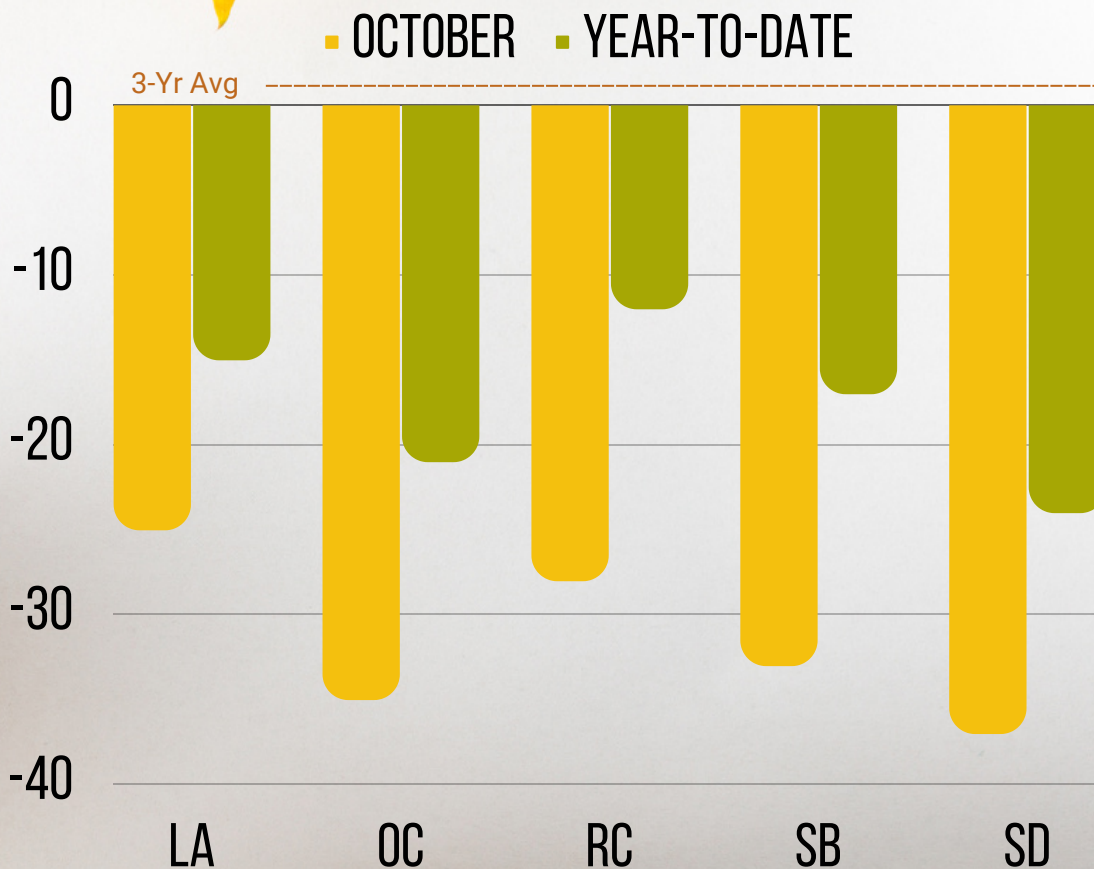
When sellers overprice their homes and do not properly take advantage of the first few weeks after coming on the market, they must eventually drop the price of their homes. Reducing the price to be more in line with a home's **Fair Market Value** is not met with nearly the same fanfare as a home new to the market. The excitement is no longer there. A home becomes a bit "shopworn" and loses some of its marketing allure the longer it sits on the market.

Due to the high-interest rate environment, the market is tilting in favor of buyers in the negotiation process. Buyers don't want to overpay. Ultimately, if you have to lower the asking price of a property to attract an offer to purchase, not only will the sale take longer, but the home will not sell for as much. On average, the net returns come back significantly less when a price reduction occurs.

A wise recommendation in arriving at the asking price is to look at it objectively, removing any added emotion or past memories of the home before placing the 'For-Sale' sign into the ground. Instead, carefully, and methodically isolate the **Fair Market Value** by carefully scouring all comparable pending and closes sales. This strategy will allow sellers to achieve the best outcome with the most amount of money.

SOUTHERN CALIFORNIA BY THE NUMBERS

Homes Coming on the Market are significantly down this year compared to the **3-Yr Avg***, further exacerbating the inventory problem.



NEW LISTING
AVERAGES FOR
OCTOBER*:

LA: 5,655

OC: 1,961

RC: 3,040

SB: 2,068

SD: 2,717

*Averages Based on 3-Yr Avg of
New Listings from 2017 - 2019



SOUTHERN CALIFORNIA PRICE REDUCTIONS

Overpricing a home risks wasting valuable market time, obtaining a smaller net proceeds check at the close of escrow, and could result in chasing a declining market.

NO REDUCTION

9 Days Median DOM

- **61%** of Sales*
- **\$725,000** Median Sales Price
- **99.1%** Sales to Last Price Ratio
- **99.1%** Sales to Original List Price Ratio

1% TO 4% REDUCTION

43 Days Median DOM

- **15%** of Sales*
- **\$679,900** Median Sales Price
- **97.4%** Sales to Last Price Ratio
- **94.6%** Sales to Original List Price Ratio

5% OR MORE

58 Days Median DOM

- **24%** of Sales*
- **\$725,000** Median Sales Price
- **96.7%** Sales to Last Price Ratio
- **87%** Sales to Original List Price Ratio

*October 2022

SOUTHERN CALIFORNIA PRICE REDUCTIONS



Price Reduction Example on
a Home Listed for \$725,000

NO REDUCTION

\$725,000	99.1% SALES TO ORIGINAL LIST PRICE RATIO	\$718,475
ORIGINAL LIST PRICE	-\$6,525	FINAL SOLD PRICE

1% TO 4% REDUCTION

\$725,000	94.6% SALES TO ORIGINAL LIST PRICE RATIO	\$685,850
ORIGINAL LIST PRICE	-\$39,150	FINAL SOLD PRICE

5% OR MORE REDUCTION

\$725,000	87% SALES TO ORIGINAL LIST PRICE RATIO	\$630,750
ORIGINAL LIST PRICE	-\$94,250	FINAL SOLD PRICE



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