



THE SCOOP

YOUR MONTHLY HOUSING SNAPSHOT

SOUTHERN
CALIFORNIA

JANUARY 2023





JANUARY RECAP

A fresh start in the dead of Winter. A New Year has arrived. Mid-January is the start of the Winter Market, which runs through mid-March. The Winter Market is when the market ramps up from the slowest time of the year, the holidays. The pace of the start to the Winter Market is like waking up on a cold Winter morning, eager to get a couple more minutes under the warmth of the covers before facing the crisp morning air. From there, the market heats up, and demand starts to surge while the inventory does not change much and can even drop. The spike in buyer activity occurs regardless of the market.

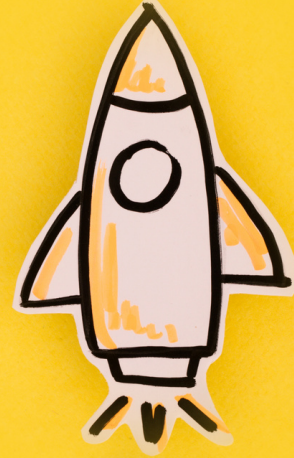
Yet, it is hard to compare the Winter Market of 2023 to last year's unbelievably hot, unprecedented housing market where there was nearly nothing available, multiple offers were the norm, homes were selling instantly, buyers were paying tens of thousands of dollars above the asking price, and home values were climbing at an unhealthy pace. This year's market is operating much closer to the pre-COVID years from 2017 - 2019, at a much more normal pace.

January inventory numbers measured in at roughly 22,900 homes on the first of the year, and by month's end, had dipped to 22,000 homes, a 5% drop. The inventory problem persists into 2023, as the 3-year average from 2017 through 2019 is still significantly higher at close to 30,000 homes at the end of January. Expect the inventory levels to remain flat and eventually pick up as housing transitions into the Spring Market in March.

January demand started with about 6,700 pending sales, a very low demand reading. Yet it surged from there and climbed to nearly 9,600 pending sales. That is by far the largest demand increase since the beginning of 2020. Demand will continue to heat up as we head toward the peak season for housing, spring.

From 100 days on January 1st to 70 days on the 31st, the Expected Market Time has plummeted as demand rocketed upward despite the limited supply. This is a significant change in the pace of the market, with buyers now losing some of the momentum they had gained in recent months. Expected Market Times will continue to fall until peaking sometime in March.

HERE'S THE SCOOP



It is essential to remember that demand is still muted compared to years past for this time of year. It is 27% lower than the 3-year average before the pandemic (2017 to 2019) and 28% lower than in the middle of February last year. The high mortgage rate environment still prevents many prospective buyers from purchasing a property due to affordability restrictions. If rates fell to the mid-5s, demand would increase significantly.

Demand is rising quickly in this limited marketplace, a trend that is slowly reversing. Market times are subsequently falling. The Expected Market Time, which measures the time between listing a home to changing to pending status, fell to its lowest point since June last year. The shift is apparent to buyers on the front lines. Homes are selling much more quickly all of a sudden. Buyers are losing some of the momentum they had built up over the previous six months as market times decline. It does not imply, however, that buyers will go above and above the asking price. The housing market has not yet returned to the insane, instantaneous pace during the pandemic years of 2020 through the first half of last year. It does imply that the impact on declining property values will be diminished by increasing competition.

From now until mid-March, demand will significantly rise. Even if demand numbers are exceptionally low, they will continue to increase sharply from this point. More activity is forthcoming. More people will readily buy, especially if interest rates eventually fall. Many buyers who put their home hunt on hold over the holidays will be prepared to begin their search again.

CAUTION TO SELLERS: At the moment, home values are NOT rising. In this market, overpricing a home will hinder its sale and eat up important market time. Home values will increase once rates drop significantly from here to at least the mid-5s.

CAUTION TO BUYERS: Making lowball offers to buy and searching for a "bargain" are both fruitless endeavors. Due to the high mortgage rate environment, the market has favored purchasers. With the sharp decline in market times, that advantage is disappearing. Sellers are not in a rush to sell; there is no panic in today's market. Instead, a successful method for isolating a home is carefully arriving at a purchase offer based on the home's Fair Market Value.

HOMES COMING ON THE MARKET

SOUTHERN CALIFORNIA

■ 2023 ■ 2022
■ 3 Yr-Avg

7,500

5,000

2,500

0

LA OC RC SB SD

JANUARY 2023

Reports on
HOUSING
Your Local Real Estate Snapshot

JANUARY 2023

COMPARED TO 3-YR AVG.

LA: - 34%

OC: - 45%

RC: - 38%

SB: - 45%

SD: - 49%

SOUTHERN CALIFORNIA MARKET TIMES



In the past month alone, the Expected Market Time, the time between coming on the market and opening escrow, has dropped by almost 40 days. This is a significant change to the pace of housing, and a trend that will continue into the Spring Market



56 DAYS
MARKET TIME MID-FEB 2023



93 DAYS
MARKET TIME MID-JAN 2023

CURRENT MARKET TIME PER COUNTY



 LA- 61 DAYS	 OC- 45 DAYS	 RC- 59 DAYS	 SB- 65 DAYS	 SD- 38 DAYS
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DEMAND IS CLIMBING

TODAY'S DEMAND

11,041

LAST 30 DAYS PENDING SALES

**Reports on
HOUSING**
Your Local Real Estate Snapshot

LAST YEAR

15,200 -27% Y-O-Y

START OF 2023

6,800 +62% SINCE

3-YR* AVERAGE RISE TO SPRING

2,373 +15% FROM MID-FEBRUARY
TO MID-MARCH

While the number of Pending Sales sits 27% below demand levels from last year, it has risen significantly since the start of the year, up 62%, and is poised to continue to rise heading into the Spring Market.

*2017 - 2019



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