



THE SCOOP

YOUR MONTHLY HOUSING SNAPSHOT

SOUTHERN
CALIFORNIA

MARCH 2023



MARCH RECAP



March is the start of a new season, Spring, where Southern Californians are met with rain showers, green hills, and beautifully sprouted flowers ready to shine in the sunlight. Similarly, with housing, it's a time for new activity in the market to occur, with throngs of homes sprouting For-Sale signs and eager buyers ready to find a new home. This year, however, houses have yet to spring onto the market.

This year's housing market is playing out much differently than expected. Nobody anticipated buyers bumping into each other with very few available homes to purchase, throngs of buyers cramming into weekend open houses, and bidding wars that result in multiple offers and sales prices above their asking prices. With today's high mortgage rate environment, values were expected to continue to fall throughout 2023. That is precisely what occurred in the second half of 2022 when mortgage rates continued to soar higher, buyer demand plunged, and the inventory climbed and peaked at its highest level in two years. But that all changed as the inventory plunged to crisis levels.

Inventory numbers measured in at roughly 20,000 homes at the start of March, and by month's end, had continued its downward pattern, now under 19,000 homes. The inventory typically slowly rises following the Super Bowl; however, we have yet to see that occur in 2023. Despite the Spring Market's emergence, inventory fell again this month as the housing market continued to heat up.

March demand started with about 11,000 pending sales and continued a slow but steady climb throughout the month, resulting in an end-of-March level of 11,200 pending sales. Demand will continue to tick up until reaching a peak sometime in late April or May.

From 53 days on March 1st to 51 days on the 31st, the Expected Market Time has continued to drop as demand notched upward despite the falling supply. This is only a slight change in the pace of the market, with the balance between buyers and sellers pointing towards sellers. Sellers are in control, once again, of the negotiating process.

HERE'S THE SCOOP



Here's the Scoop: today's swift housing pace is not changing anytime soon. Despite the continuation of elevated mortgage rates through the first quarter of 2023, demand has been strong, and sellers are again gaining a significant advantage in the market.

Mortgage rates predictably fall when the economy slows, especially during a recession. Investors look to park their money long-term with safe investments, government bonds, and mortgage-backed securities (bundled home loans). As more and more investors flood these long-term investments, their rate of return drops, and mortgage rates drop.

According to the average projection from Fannie Mae, the Mortgage Bankers Association, and the National Association of REALTORS, mortgage rates are anticipated to drop to 6.33% during 2023 Q2, drop further to 6.07% during 2023 Q3, and then drop below 6% to 5.79% during 2023 Q4. While forecasting mortgage rates is exceptionally challenging, one thing is certain: the Federal Reserve has attempted to slam on the economy's brakes through a series of short-term Federal Funds rate hikes. Eventually, the economy will decelerate and likely enter a recession, and 30-year mortgage rates will fall.

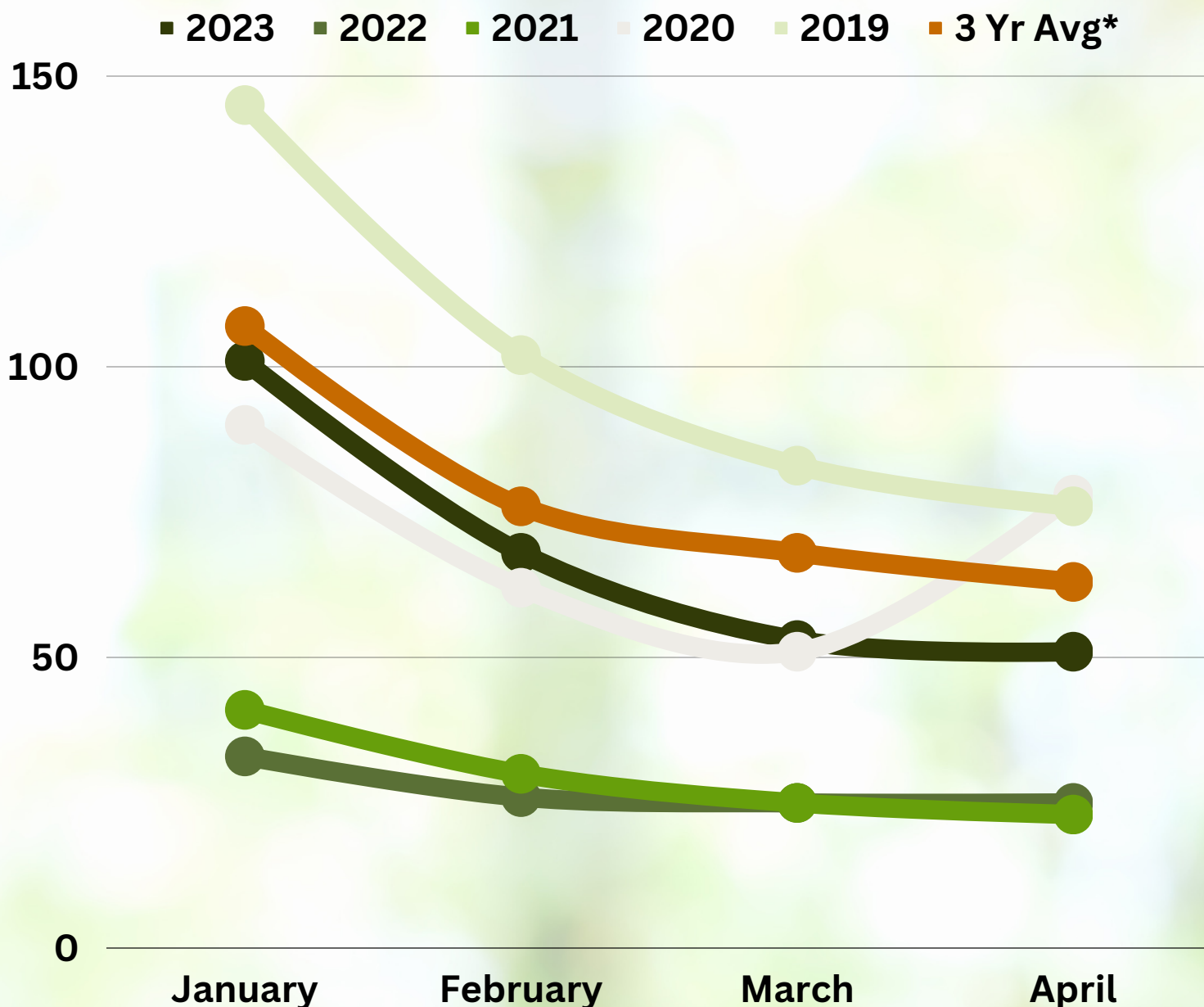
Today's 45-day Expected Market Time means that housing has once again dipped below the level where the pace is unreal. There is nothing available for buyers to purchase right now. Anything that does hit the market is inundated with showings and plenty of offers as long as the home is in reasonable shape and the seller is not stretching the asking price.

In 2013, the Expected Market Time was at 40 days, the only year before COVID that reached the white-hot level for housing. The six-year average from 2014 to 2019 for this time of year was 62 days, much different than the current insane pace. With patience, buyers could isolate a home within a reasonable amount of time and were not competing against so many buyers writing offers on nearly every home, much different than today.

The window of opportunity to purchase is right now, before rates fall further, igniting demand. While the market may be unexpectedly hot right now, even with high rates, it can grow hotter with even more competition to purchase as rates eventually ease.

EXPECTED MARKET TIME

SOUTHERN CALIFORNIA



The Expected Market Time (the number of days to sell all Southern California listings at the current buying pace) has decreased significantly since the start of the year, down from 101 days in the beginning of January to 50 Days entering the month April. 2023 market times are clearly not as hot as 2021 and 2022, but come in at a faster pace then both 2019, 2020, and the 3 Year Average from 2017 - 2019.

FALLING RATES IMPACT ON AFFORDABILITY

PURCHASE PRICE

INTEREST RATES

	\$1,250,000	\$1,000,000	\$750,000
7.0%	\$6,653	\$5,322	\$3,992
6.5%	\$6,321	\$5,057	\$3,792
6.0%	\$5,996	\$4,796	\$3,597
5.5%	\$5,678	\$4,542	\$3,407
5.0%	\$5,368	\$4,295	\$3,221
4.5%	\$5,067	\$4,053	\$3,040

For the chart above, the posted numbers represent different mortgage payments for various rates, assuming payment is principal and interest only with a 20% down payment

NEW LISTINGS: JANUARY- MARCH

■ 2023 New Listings
■ 3 Yr-Avg*

25,000

20,000

15,000

10,000

5,000

0

OC

LA

RV

SB

SD

*2017 - 2019

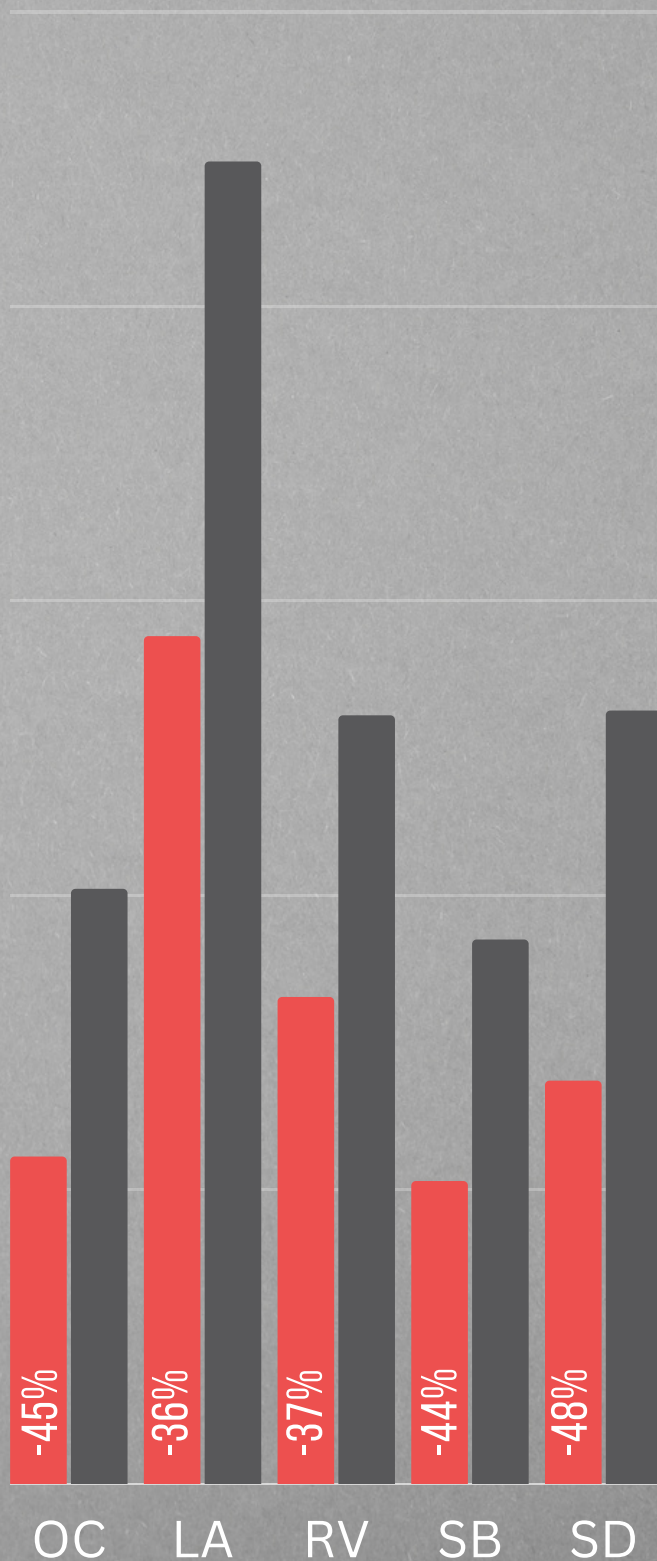
-45%

-36%

-37%

-44%

-48%





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