



THE SCOOP

YOUR MONTHLY HOUSING SNAPSHOT

SOUTHERN
CALIFORNIA

JULY 2023



JULY RECAP



July's housing market was booming despite the higher mortgage rate environment. Yet, the actual number of buyers in the marketplace was far fewer than many realized, and it had everything to do with the lack of sellers in the marketplace. Typically, the inventory peaks towards the end of July or early August, but with the Summer Market winding down, this year's "peak" may be much lower than expected.

Buyers and sellers transact year-round, but families prefer to find a home during the spring or summer and close before the school year starts. Back to school means fewer buyers are yearning to make an immediate move. Buyers with children factor in the inconvenience and strain on their family in moving while the kids are in school. With many school starting dates occurring in late-August, capitalizing on the July market was crucial for today's sellers.

Many buyers that did not find a home may wait until the following spring to start the process all over again in isolating a home for their family.

Inventory numbers measured in at roughly 19,600 homes at the start of July, and continued to climb throughout the month, finishing with 20,500 homes to end the month. Look for the inventory to peak sometime in August, and from there expect a steady decline until the Holiday season, where it will plunge leading to the new year.

July demand started with about 11,000 pending sales and had fallen by roughly 5% throughout the month, resulting in an end-of-July level of 10,500 pending sales. Demand will follow a similar trajectory as supply for the remainder of the year.

From 54 days on July 1st to 58 days on the 31st, the Expected Market Time has been steadily increasing from early-May. July's market time pace is only slightly slower than June's housing pace. Sellers are still in control of the negotiating process, with home values seeing modest appreciation. The Expected Market Time will steadily climb until 2023 concludes.

HERE'S THE SCOOP



Many sellers who enter the housing fray this late into the Summer Market do not understand that they must be on the money in terms of price or risk losing valuable market time during a season when they are running out of time. They are down to weeks, not months. For sellers who arrive late to the 2023 housing party, they must come out of the gates priced right on the money. Starting at an unrealistic price means they must adjust their asking price to sell.

For sellers who enter the market now or in the upcoming weeks, there's a limited window to capitalize on the active summer real estate season and secure a contract before the market's pace slows down as it shifts towards autumn.

Adapting swiftly to the market and accurately pricing a home based on its fair market value is of utmost importance for successful sales. This necessitates a thorough evaluation of recent sales data, including both pending and completed transactions. Homes priced below \$1.5 million continue to attract significant interest, resulting in multiple viewings and offers that often meet or surpass the asking price. This mirrors the trend observed during the COVID-impacted years of 2020 through the first half of 2022.

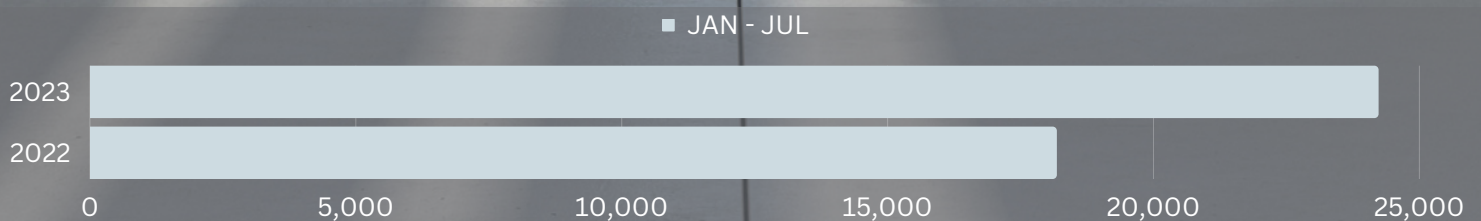
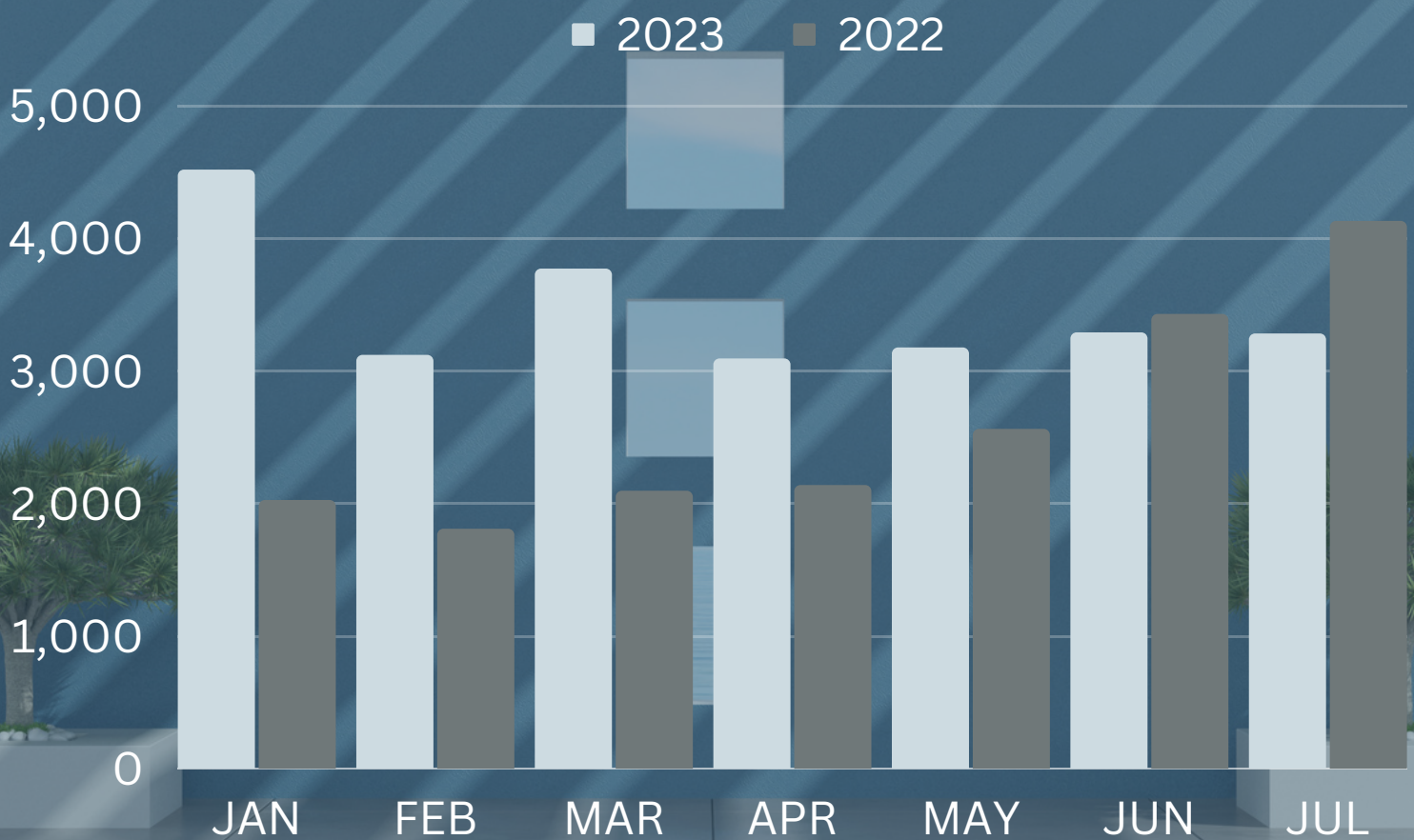
However, in the current environment characterized by higher mortgage rates, buyers are displaying less enthusiasm to view or make offers on homes where sellers have pushed the asking price beyond reasonable limits. While some sellers managed to overprice their properties during the COVID years, the current conditions are less forgiving. Sellers who opt for even slight overpricing can anticipate a prolonged period on the market with reduced activity and a lack of offers.

If mortgage rates were to fall below 6%, more homeowners would likely decide to sell. This would lead to a surge in demand and subsequently, higher numbers of closed sales. However, it's important to note that the process of increasing the inventory will take time. As rates decline and demand surges, newly listed homes would swiftly find buyers, posing a challenge for the supply to catch up.

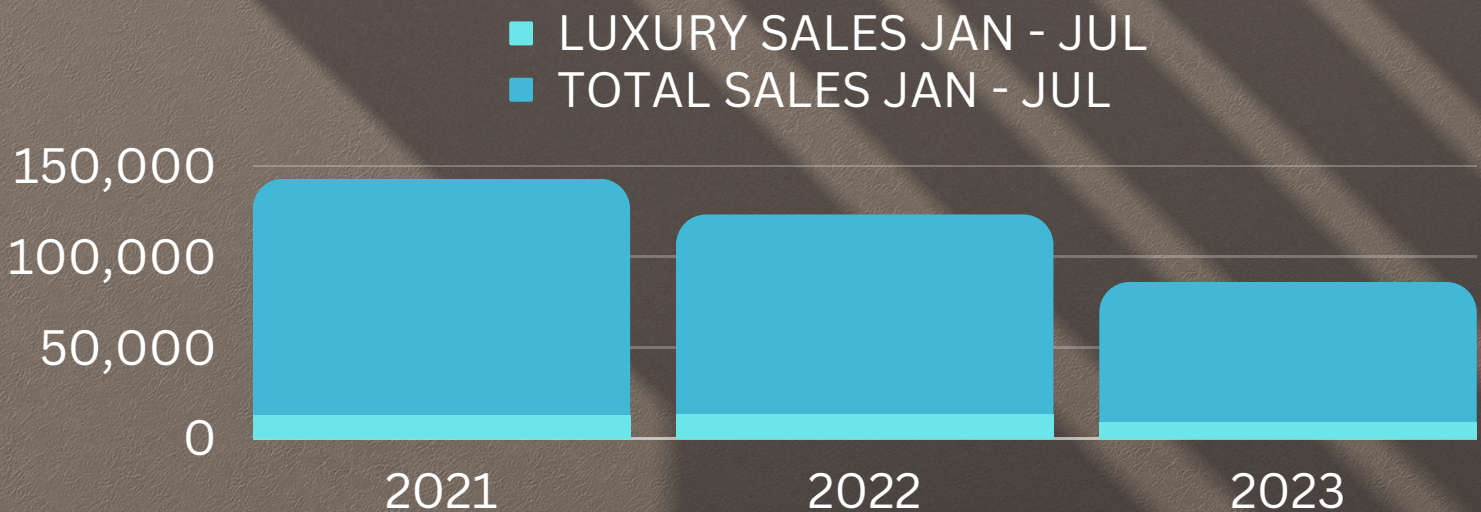
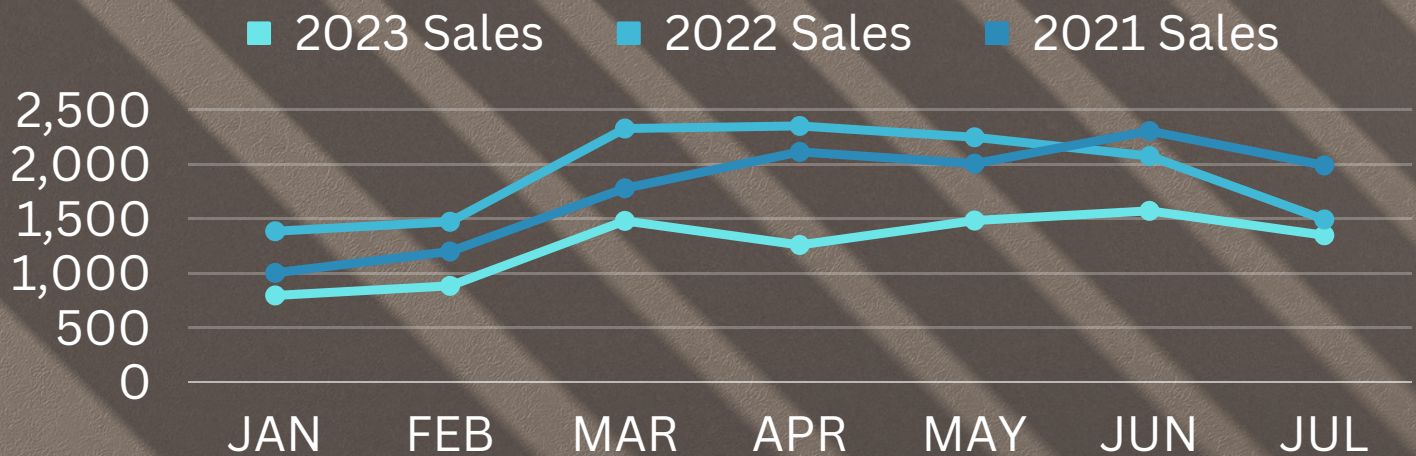
With sustained lower rates, one would expect the downturn in housing market activity to gradually diminish as a growing number of both buyers and sellers participate in the market.

SOUTHERN CALIFORNIA OFF-MARKET HOMES

OFF-MARKET HOMES IN SOUTHERN CALIFORNIA REPRESENT ALL EXPIRED, CANCELED, AND WITHDRAWN LISTINGS. LISTINGS THAT MEET THIS CRITERIA IN 2023 ARE UP 33% YEAR-OVER-YEAR.



SOUTHERN CALIFORNIA LUXURY UPDATE



THE LUXURY MARKET IN SOUTHERN CALIFORNIA IS COMPRISED OF THE TOP 10% OF THE MARKET - WHICH FOR SOUTHERN CALIFORNIA IS \$1.5 MILLION+. LUXURY SALES IN 2023 ARE DOWN 30% YEAR-OVER-YEAR. LUXURY SALES HAVE MADE UP 11% OF ALL SALES THUS FAR IN 2023.



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