A POST-PANDEMIC HIGH

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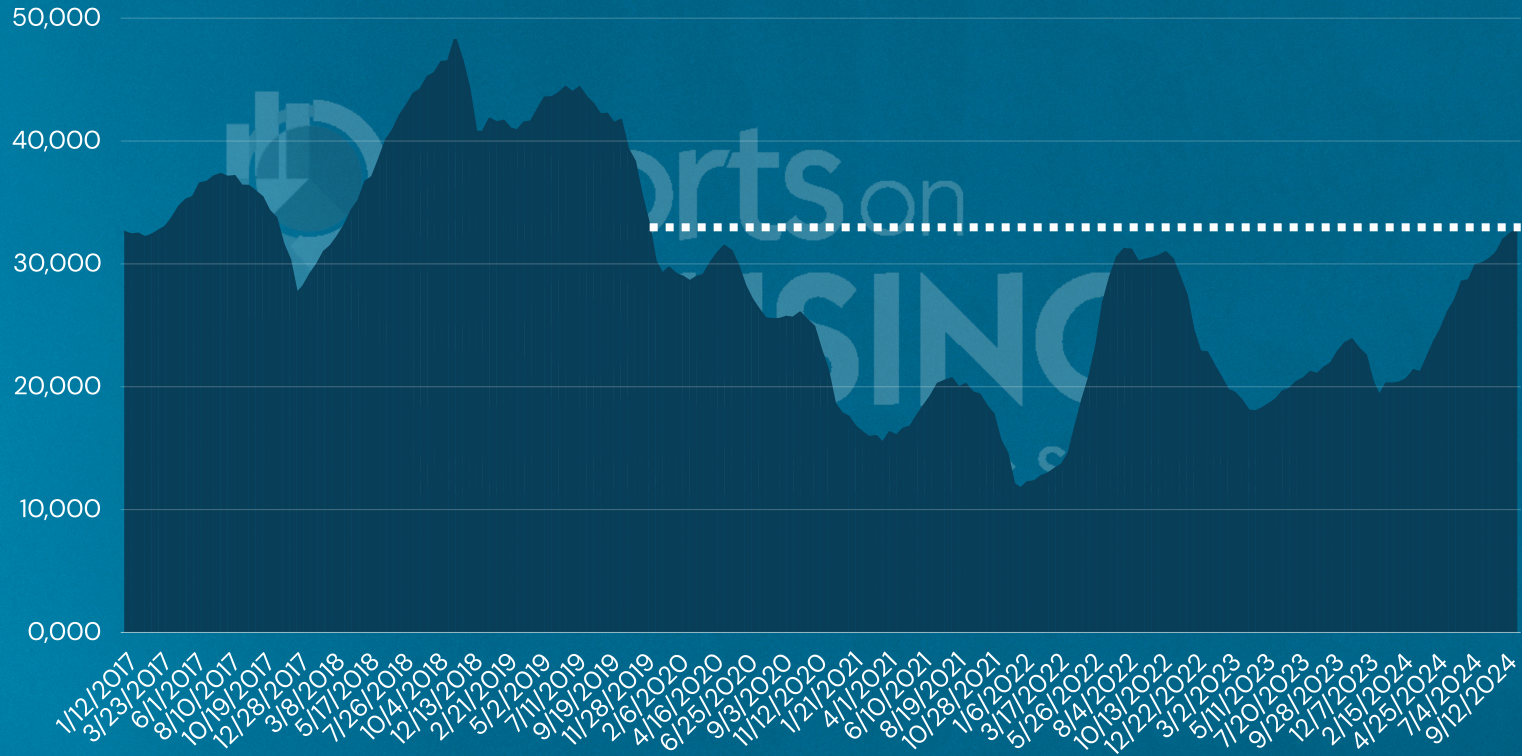
A RETURN TO “NORMAL” MARKETS

The U.S. housing market has seen unsold home inventory rise steadily for the past two years, coinciding with climbing mortgage rates. Typically, as borrowing costs increase, demand cools, leading to a buildup of available homes. According to Altos Research, unsold inventory at the end of August 2024 was 40% higher than the same time last year, translating to just over 700,000 single-family homes on the market. While around 10% of these homes go under contract each week and 75,000 new listings emerge, the market still has 300,000 fewer homes for sale than in August 2019. Although inventory is growing, it remains relatively constrained.

Every state in the U.S. is experiencing more unsold homes compared to last year, but it's important to remember that 2023 was not a typical year, as the housing market was still adjusting after the pandemic’s disruption. To gauge a more "normal" market, 2019 is a better reference point. Encouragingly, eight states have returned to 2019 inventory levels, signaling a move towards pre-pandemic normalcy. While California is not quite there yet, it is on the right track, particularly in Southern California, where the number of homes on the market has risen 44% year-over-year. The region is approaching 33,000 homes for sale, a level not seen since December 2019. This is a welcome development for buyers who have faced limited choices in recent years.

Historically, housing inventory tends to dip during the holiday season from Thanksgiving through the New Year, but comparing current inventory to mid-October 2019 provides useful context. At that time, Southern California had 41,690 homes on the market—27% more than today. However, the upward trend in new listings offers further positive signs. Through the first nine months of 2024, 156,350 homes were listed for sale in the region, marking an 18% increase compared to last year, though still 29% below the pre-pandemic average from 2017 to 2019.



SOUTHERN CALIFORNIA ACTIVE LISTINGS 2017 -2024

CURRENT INVENTORY:	DECEMBER 12TH 2019:	OCTOBER 17TH 2019:
32,809	33,339	41,690

While the housing market may not return to full "normalcy" until sometime in 2025, the shift is already underway. After years of a seller-dominated market, buyers are beginning to see changes driven by falling mortgage rates and improving affordability. Though home prices continue to set new records, price growth is slowing due to loosening inventory and weaker demand. Since October 2022, demand has been relatively flat, but as mortgage rates improve, more buyers are likely to re-enter the market. In September, mortgage rates flirted with the 5% range for the first time since August 2022, but they reversed course in October. For the remainder of the year, incoming economic data is crucial to the path of mortgage rates.

Experts advise potential buyers not to delay their purchases in hopes of lower rates, as future drops could spur a wave of demand, potentially reigniting price growth and making homeownership more difficult to attain.

While it’s too early to predict how 2025 will play out, with variables such as mortgage rates and home prices still in flux, the fact that housing inventory is nearing late-2019 levels is an encouraging sign. Buyers can look forward to more options and a more balanced market on the horizon.