NEWSLETTER

THINGS TO KNOW ABOUT ORANGE COUNTY AND LOS ANGELES REAL ESTATE FOR 2023

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It's 2023! And the real estate picture for LA and Orange Counties is starting to come into focus. There are some positive developments, and some are cautiously optimistic about what this year will bring in terms of real estate sales and interest rates. Let's break down some of the trends, so you're in the best position to make an informed decision as the new year begins.

Real Estate Market

2022 provided an answer to whether the Fed would finally raise interest rates. With inflation increasing, the answer was “yes.” The impact on home and apartment sales in California was fairly dramatic. In October of last year, the number of sales was down nearly 43% over the same time one year previously.

Home sales are at their lowest point since the Spring of 2020. It's important to remember that these trends always fluctuate, and sales are at about the same level they were in 2019.

Single-Family Home Sales

Days on the market have increased as buyers are taking longer to decide. The good news, however, is that the trend line has fluctuated over the last five years, and at 49 median days on the market, it's in line with several other peaks we've seen.

If there's a bright spot, it's those sales prices are staying fairly steady. Orange County and LA are both slightly above where they were on 2021, though they are down slightly from their peak earlier this year.

Apartment Sales

Rising rates and concerns over inflation have taken their toll on apartment rents. While rents are still growing, the rate at which they are is taking a marked decline. In late 2021 and early 2022, rent rate growth was double-digit. As we are into early 2023, these rates are headed sharply toward zero growth and potentially negative territory.

The good news: many analysts are optimistic about 2023. The labor shortage means plenty of people will still have work. Any job losses due to a recession will likely be mild as companies still need workers.

The apartment market remains strong, though there are some trends that are important to keep an eye out for. Occupancy has been falling, though it remains high at around 96%. Turnover and loss to lease rates are important as well, edging slightly upward in late 2022.

Another trend to watch is the overall apartment transaction market. Right now, it's at a fairly dramatic standstill. In some areas of the country, there are no listings. Investors and property owners appear to be watching and waiting to see what borrowing rates do in the coming year.

Housing Law

There are a few important developments in housing law coming your way in 2023. Remember that these laws will often take a fairly long time to demonstrate their effect on the market, so they are never a good reason for making rash decisions.
Think long-term.

The first housing bill that's going to take effect this year is AB 2097. This makes it more difficult for local agencies to impose parking requirements within a half-mile of public transit. Laws like these are aimed at increasing housing density in transit corridors.

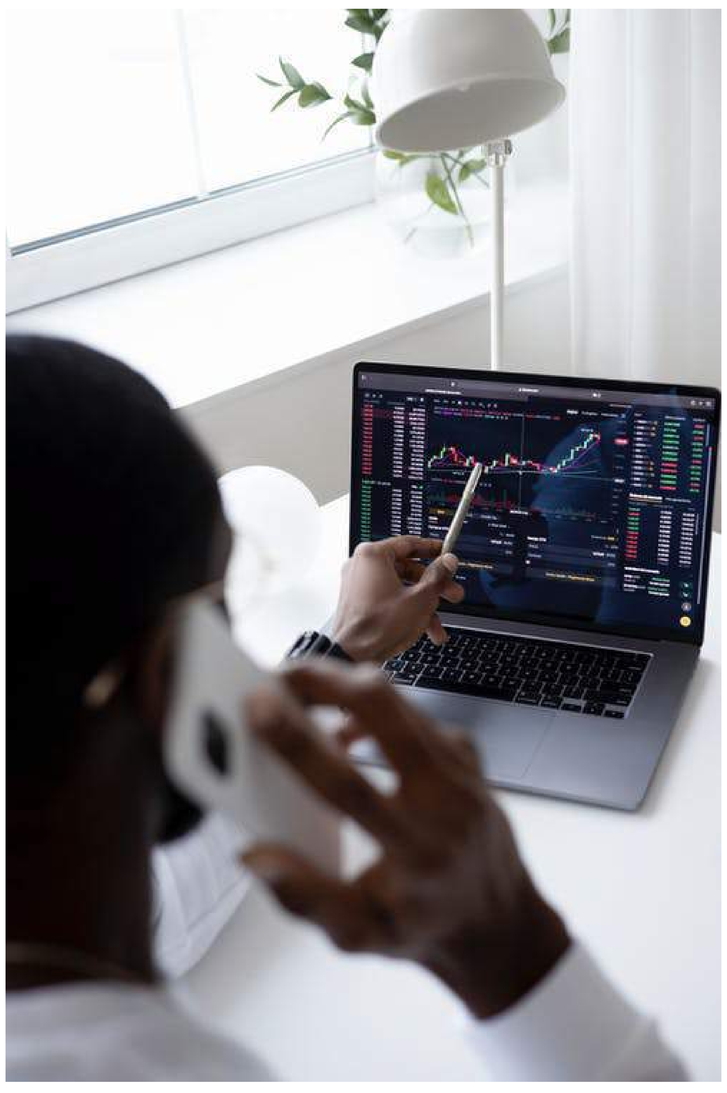
Under the more traditional regime, developers were often required to provide a certain amount of parking to reduce the number of cars that were parked on the street.
For instance, a multi-family townhouse complex might be required to have two spaces for each unit. This means that fewer units will be built on the property since much of the area is being dedicated to parking spaces.

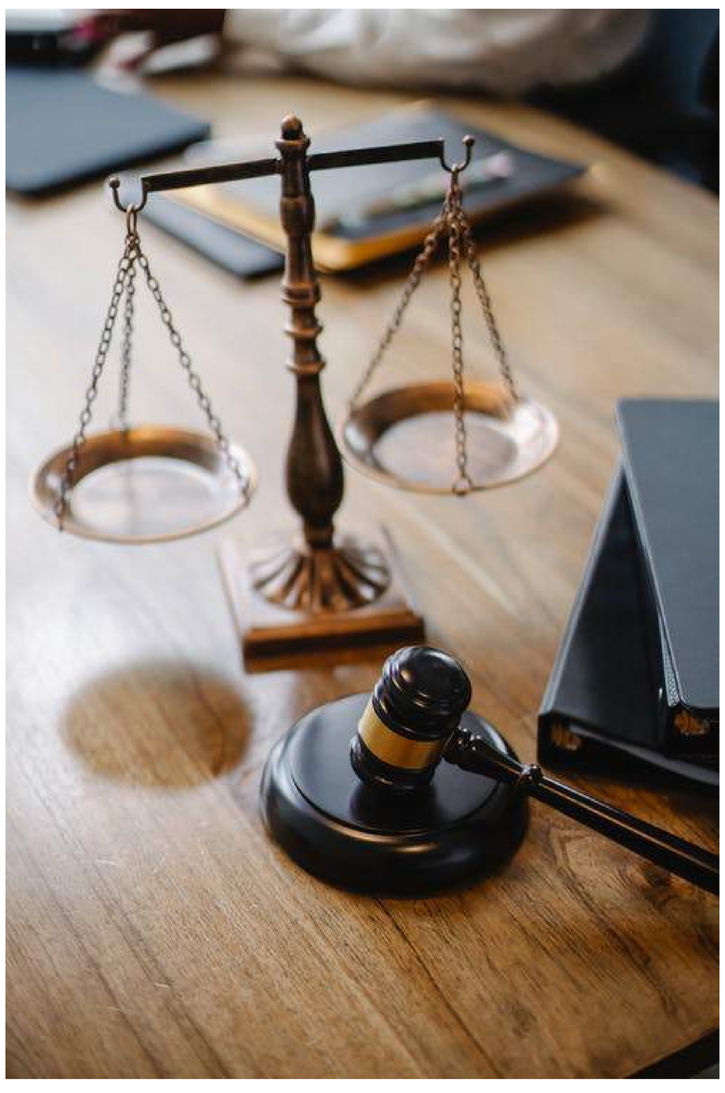
By removing these requirements, the number of available units that a developer can construct goes upwards. The thinking is that in a transit corridor, where people can walk to a bus or train station, not as many people will own cars.

What does this mean? More opportunities for developers, and buyers, especially those looking for investment properties. Now might be a great time to invest in a unit near a transportation hub.

Another big development coming our way this year is AB 2011. This makes a change to the extremely complex and often onerous CEQA requirements (California Environmental Quality Act). This provides a pathway for project approval that is exempt from the CEQA requirements as long as the development is meeting affordable housing targets.

Again, this law results in higher density and more properties available for investors. Keep an eye on new projects in your area that might present a great opportunity.

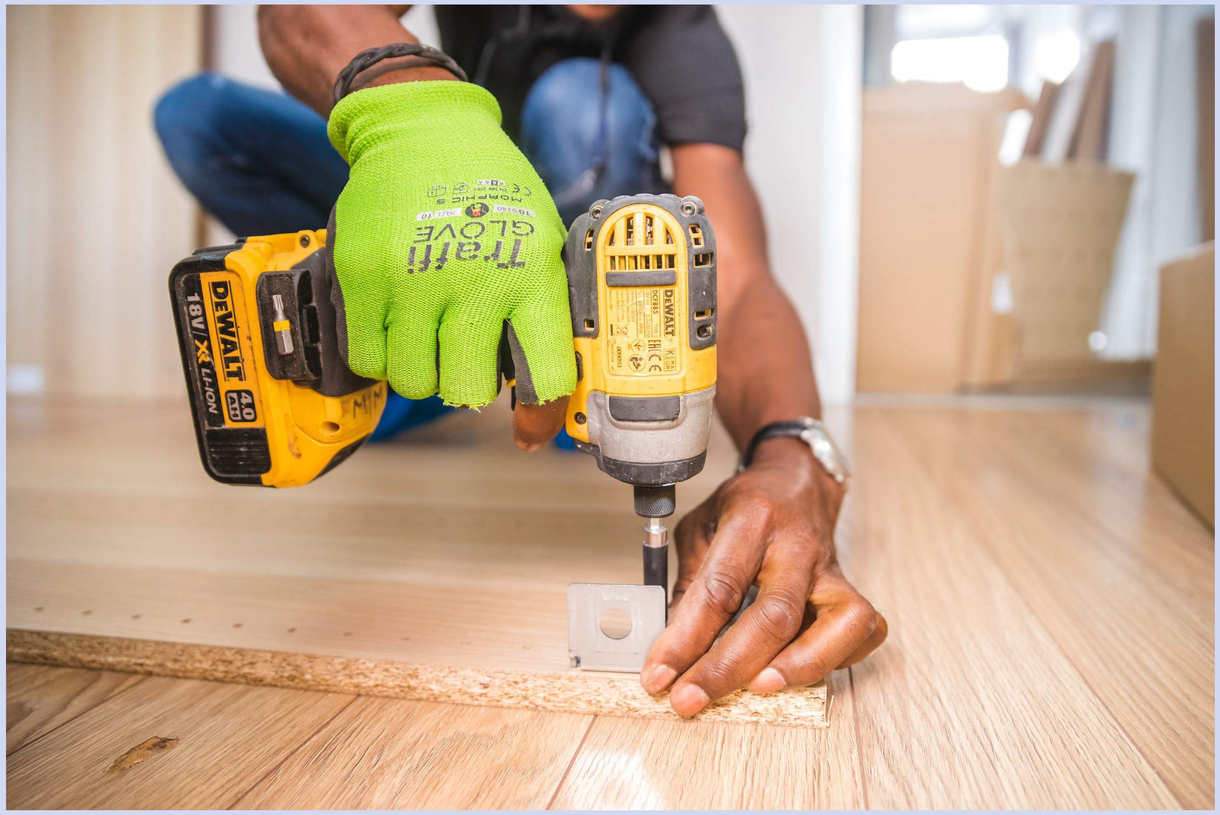




Home Repairs

As we've discussed in previous newsletters, the major issues with home repairs continue to be a shortage of labor and difficulty obtaining materials. The great news is that both of these issues are improving. While the threat of a major rail strike was looming, it appears that the Biden administration is all-in on preventing this from happening.

Home repairs are the most economical when they aren't deferred to the point that small issues become big ones. At the same time, not all issues need to be addressed immediately. The best play right now is to assume that inflation will continue to be an issue, so things you put off may end up costing more later in the year.



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Mortgage News

Rates have been climbing. The one positive of this development is that we know the Fed is committed to fighting inflation with rate increases. Recent reports suggest that they are likely to continue to raise rates, but may do so with smaller increases.

The effect that rate hikes have on the overall economy is something we'll see in 2023. One thing seems certain: rate decreases are not likely in the coming months. The rate of increase may not be as dramatic, but the rates aren't going to be coming down.

This means that if you are seeking financing for a real estate transaction, doing so sooner is much better than waiting. It could be a very long time until rates return to the near-zero level they were previously.

None of this means you should ever leap into any real estate transaction.
Take your time, but be decisive. See how any real estate transaction fits into your long-term goals. Remember that the only certainty that exists is what's actually going on today. With those conditions still being historically pretty good and stable, it's still a great time to buy or sell real estate.

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Stay Informed & Stay Ready!

With today's economy, it's important to be aware of new developments in the housing market. Whether it's inflation, real estate value, or the job market, these are all key indicators that can help you tell if your time to buy or sell is getting better or worse.

Every day people in Los Angeles and Orange Counties buy or sell a house.
Understanding trends in real estate can help you make smart investments.
Buy low, when prices are down and sell high when they're up.

It takes a lot of work to stay aware of changes in Los Angeles and Orange County real estate. Between mortgage rates, new construction, foreclosures, and short sales, you'll find dozens of reasons why now is a better time to buy or sell than ever before.
We're here to help answer any questions you have along the way!

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