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Southern California is a highly sought after destination that's popular because of its beautiful weather and proximity to the Santa Monica Mountains and the sprawling Pacific coastline. If you're a first-time buyer who's searching for the perfect place to call home in Southern California, there are many places to look. Before you begin, you need to know how interest rates will impact your decision and what questions you should ask when thinking about a purchase.

How Current Interest Rates Impact Your Purchase

Whenever the Federal Reserve decides to increase the federal funds rate, interest rates across the country will increase as well. As a first-time buyer, you'll need to take the interest rate into account when calculating your monthly budget. The national average for a fixed-rate mortgage that lasts for 30 years is 6.75%. Interest rates have remained relatively flat over the past few months.

Even though the federal funds rate and mortgage rates aren't directly correlated, it's common for them to go in the same direction. In this scenario, interest rates likely won't drop until the Federal Reserve either stops increasing the fed funds rate or begins to decrease it. If you're tasked with taking out a mortgage loan that has a higher interest rate, there are several effects to consider.

A higher interest rate means that you'll qualify for a somewhat lower loan amount. Your preapproval amount from lenders depends on the monthly payments you're able to afford and your down payment. Since your monthly payment will be higher, the loan amount that you can afford will be lower. When you're buying a home for the first time, you likely don't have the funds from the sale of another home to offset the higher costs.

Depending on the amount you can afford, you might find it difficult to locate homes in your price range. When rates increase, sellers usually keep prices manageable to make sure that their properties are appealing to potential buyers.

When homes are priced too high, sellers may not receive offers for weeks or months. Over time, sellers may choose to reduce their asking price, which could help you purchase a home that you had previously believed to be out of your price range.

At the moment, there isn't enough inventory available on the market to meet demand, which is why home prices might not drop by a large amount in the foreseeable future. As mentioned previously, a higher interest rate means that you'll have a higher mortgage payment. Keep in mind, however, that you can obtain a lower interest rate if you have a great credit score, a low DTI ratio, and a high down payment.

Make sure that you carefully weigh the pros and cons of buying vs. renting.

While the cost of renting can increase at a quicker rate when compared to mortgage payments during periods of high interest rates, every market differs.



Areas to Search for Homes in Different Price Ranges

One of the best reasons to consider buying a home in Southern California is because of the wide range of locations that you can move to. Different areas have different price ranges, which means that you should be able to find a home that fits within your estimated budget.

If your budget is high and you can afford an upscale property, the highest valued homes tend to be located in Orange County. In January, the median home price in Orange County was just under \$1.2 million, which was unchanged from December 2022.

In the event that you can't afford a home that has a price tag of \$1 million or higher, Los Angeles County, San Diego County, and Ventura County are three destinations for you to consider. The median sale price for a home in these counties is \$778,000, \$825,000, and \$815,000 respectively.

Even though Southern California is a popular destination for first-time buyers, it's possible to find areas in the region where median home values are less than \$600,000. If you're in this price range, the median price for a home in Riverside County is right around \$585,000. As for San Bernardino County, the median price is just under \$447,000.







Questions to Ask When Considering a Purchase

Once you've made the decision to buy your first home, there are still many questions that you should ask yourself. Some of these questions include:

- What is my total budget?
- Why is the homeowner leaving?
- How old are the major appliances and roof?
- Were any additions or renovations made?
- What amenities are included in the sale?
- Is the home located in a flood zone?
- How long has the home been available on the market?
- Are there any known safety hazards?
- How much are other homes in the market selling for?
- How safe is the surrounding neighborhood?
- Are there any issues with the property?
- How much closing costs will I end up paying?

The question about your budget is among the most important ones for you to answer. The amount you can afford when buying a home should dictate all of your future decisions in this regard. Lenders will sometimes provide loans to buyers even when they're unable to afford the monthly payments.

Even if you can afford a home now, you might not want to purchase a home at the higher end of your budget because of the possibility that your circumstances will change in the future. If you have a kid or need to make a major renovation to the home after moving in, you may no longer be able to afford the same amount as before.

If you can answer all of these questions, your first time buying a home should be a resounding success. Even though interest rates are currently high, first-time buyers who are searching for a home in Southern California have many great options to choose from.



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!



Looking to refinance or finance a new purchase?

Call HCM PM first! We are licensed Real Estate Brokers and Mortgage Originators. As a client you will get some of THE BEST RATES AND TERMS AVAILABLE TODAY!

