NEWSLETTER

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

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When it comes to Los Angeles & Orange County housing market, the calm follows the storm. After witnessing a highly volatile couple of years, marked by sharp declines in housing inventory, numerous bidding wars, and rising prices, by early 2023, experts think the market has entered a stagnant and neutral territory.

What does this mean for sellers? What does it mean for buyers?

Let's break down some of the latest trends and help you make an informed decision.

Real Estate Market

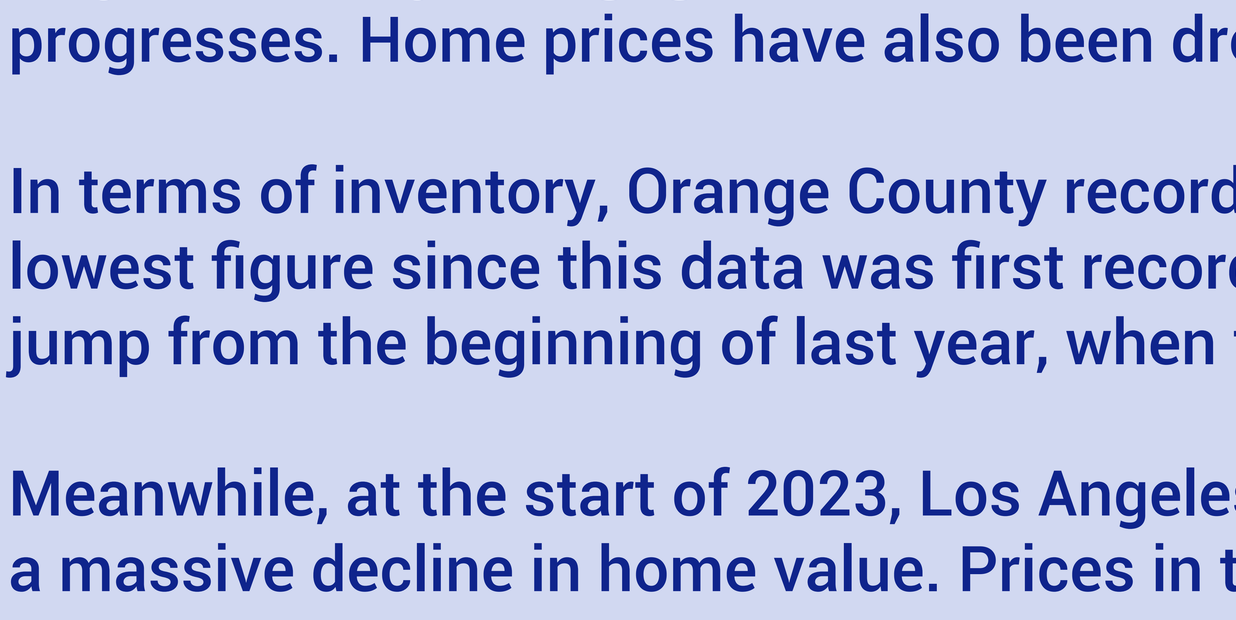
The prices and sales of houses in Southern California are moderating. However, the Los Angeles housing market remains somewhat competitive.

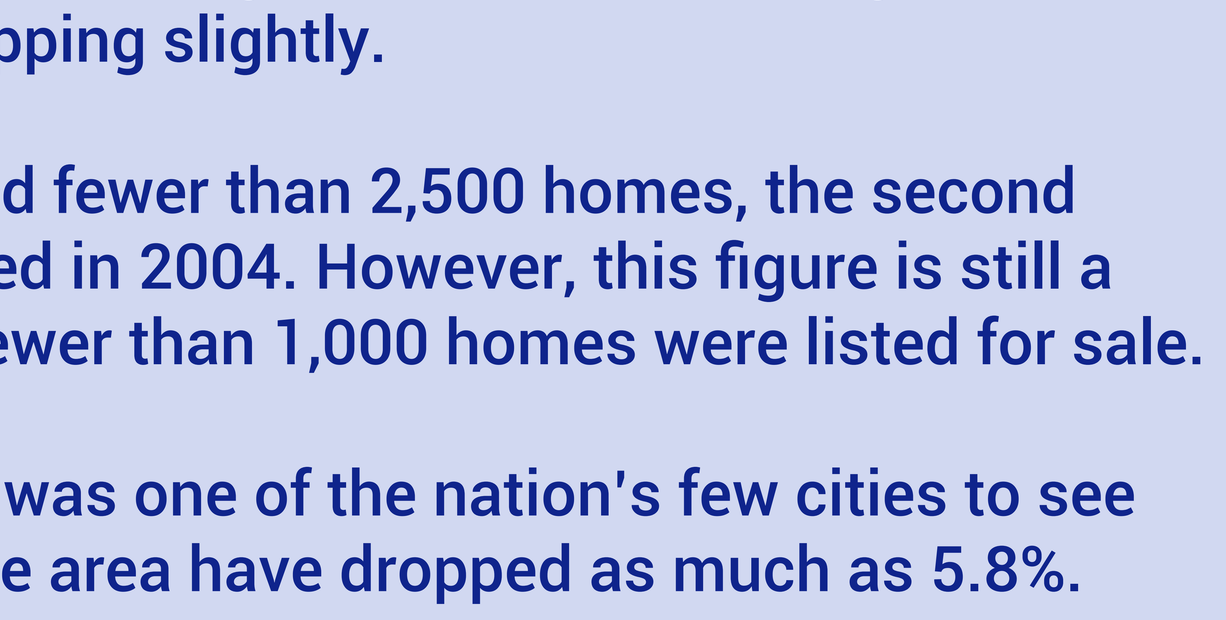
In the first few months of 2023, the average number of days a house stayed on the market was 53, with each home on sale receiving an average of three offers. This implies that buyers are now taking longer to decide before making purchases.

If experts are to be believed, these buyers would benefit from waiting a little longer, as projections say mortgage rates will drop and inventory rates will rise as the year progresses. Home prices have also been dropping slightly.

In terms of inventory, Orange County recorded fewer than 2,500 homes, the second lowest figure since this data was first recorded in 2004. However, this figure is still a jump from the beginning of last year, when fewer than 1,000 homes were listed for sale.

Meanwhile, at the start of 2023, Los Angeles was one of the nation's few cities to see a massive decline in home value. Prices in the area have dropped as much as 5.8%.





Housing Law

Mansion Tax

April brought ballot Measure ULA, more popularly known as the Mansion Tax. Passed in November 2022 to fund affordable housing and prevent homelessness, the law implements an additional 4% tax on properties that sell for $5 million or more. If the property sells for $10 million or more, the tax goes up to 5.5%.

Supporters of this tax say it will raise $900 million each year that will go to helping 28,000 homeless people in Los Angeles. The funds will go toward building subsidized housing, housing acquisition and rehabilitation, rent assistance, and homelessness-related programs.

But others argue that since the tax applies to all real estate sales within Los Angeles — including apartment complexes, retail, and industrial buildings — developers will look elsewhere to build and contribute further to the lack of housing.

How this plays out is left to be seen.

Tenant Protection

The Los Angeles City Council finalized the last of its new tenant protection provisions in February 2023, offering renters more safety from eviction. These laws will establish a minimum threshold for eviction for tenants who fail to pay rent and will require landlords to pay relocation fees in situations involving significant rent increases.

According to the “just cause” eviction rules, a landlord can no longer evict a tenant from their property, including a single-family home, unless there is unpaid rent, documented lease violations, or other specific reasons. The due rent, in this case, will have to exceed one month of fair market rent before a tenant can be evicted for nonpayment.

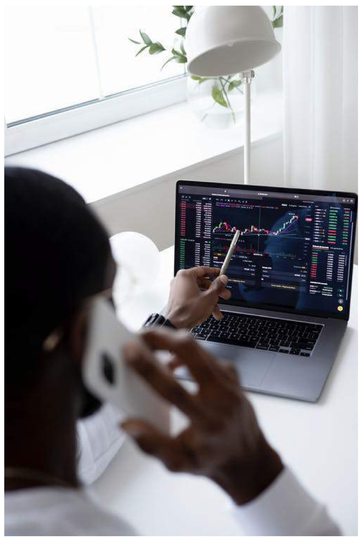
More Proposed Laws to Look Out For

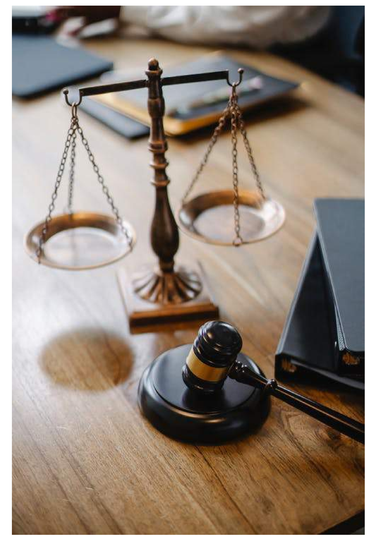
As we head into 2023, lawmakers have been finding new ways to tackle the affordable housing shortage in California by introducing new Bills into the fold.

Among the proposals is one that will allow religious organizations to build affordable homes on any extra land they may have. Another aims to lower the cap on how much landlords can raise yearly rent. A third seeks to allow homeowners to build duplexes in single-family neighborhoods without facing the barriers they face today.

These Bills aim to make homes more affordable in Los Angeles and Orange County.

But potential buyers will have to wait a while to see the impact that these Bills may have.



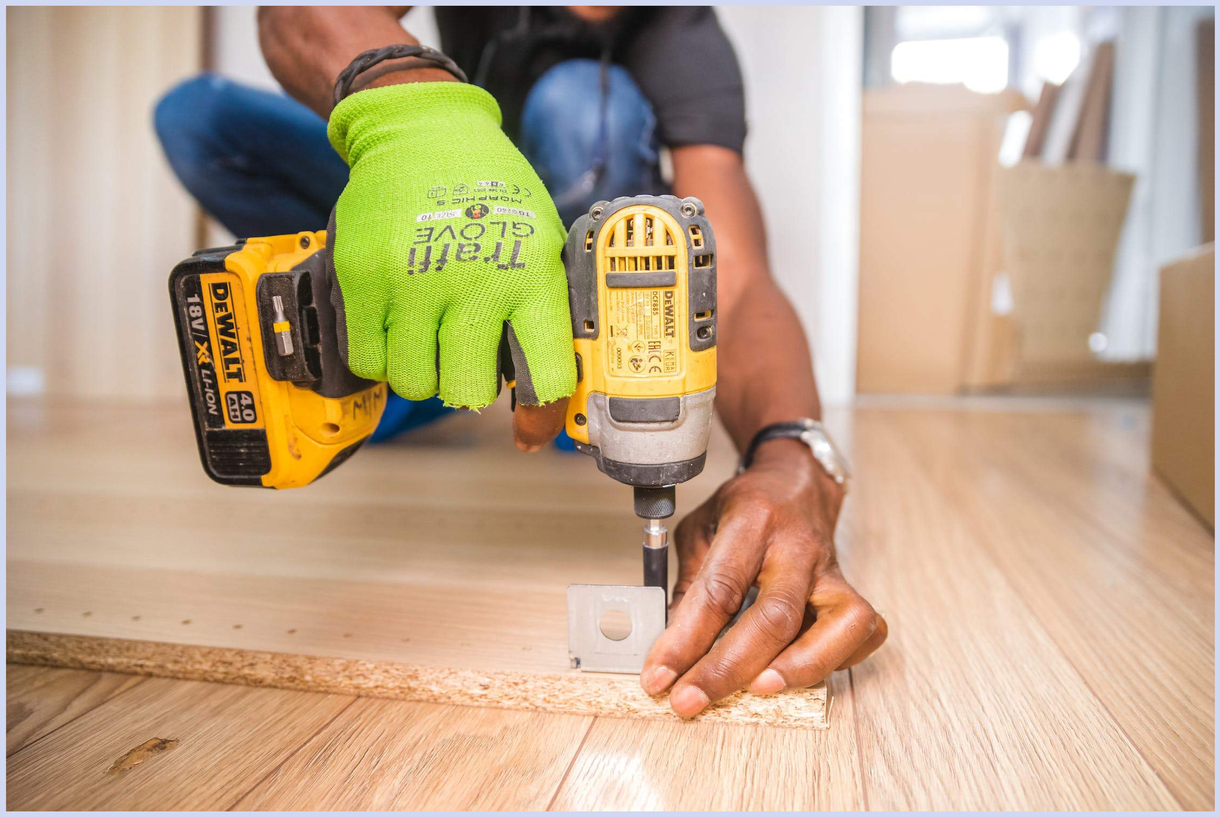


Home Repairs

A series of storms in southern California over the last couple of months have seen a sharp increase in the need for mold inspection companies and roofing contractors. In March, homeowners were struggling to deal with water damage caused by severe snow storms in the region, while the availability of roofing contractors was at an all-time low.

Following the storm, homeowners were encouraged to look for signs of discoloration or dark areas, a sign of mold. Certain kinds of mold are hazardous to humans and their pets and must be dealt with appropriately.

With roofing contractors working overtime, homeowners were also recommended to keep a tarp handy to avoid damage caused by water seepage. They were also advised to attempt patching up leaks by themselves, as it would be cheaper to fix than the eventual electrical damage it could end up causing.



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Mortgage News

High mortgage rates are another factor contributing to the low demand and sluggish housing market in the early half of 2023. However, experts believe that by mid-2023, rates will drop below 5.5%, allowing more homes to enter the market.

Mortgage rates have seen massive fluctuation over the last couple of years.

As of April 2023, the interest rates are 6.74% for a 30-year fixed mortgage and 5.98% for a 15-year mortgage. California mortgage rates hit record lows in 2021 and rose sharply in 2022. However, as with most other trends in 2023, they are plateauing, landing somewhere in the 6% range for now.

At the same time, there are several options for state residents and potential buyers looking for mortgages in California.

For instance, the California Housing Finance Agency offers residents access to mortgages and small loans designed to help with a down payment or closing costs.

First-time home buyers could also find loans from Federal Housing Administration-approved lenders in California. These loans are designed to help out low-income and moderate-income borrowers with lower credit scores.

Veterans and active service members can also access loans through lenders approved by the Department of Veterans Affairs. These mortgages typically have lower interest rates and require no down payments.

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With constantly fluctuating mortgage rates, prices drastically changing daily, and the market oscillating between favoring buyers and sellers, understanding the intricacies of Los Angeles and Orange County real estate is a challenging task for amateurs.

At the same time, understanding these trends come with massive benefits — they help you make better investments, buy when prices are low, and sell when they're up.

Whether it's questions related to new construction, foreclosures, short sales, or anything related to the Los Angeles housing market, we're here to help.

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