

Newsletter — the Current State of Real Estate in Orange County and Los Angeles For 2023

Are you looking for great tips for buying or selling properties this summer? You're in the right place! Our insights into the real estate market in LA and Orange Counties include a series of developments, including some that you should be cautiously optimistic about, so you can be in the best position to make informed real estate decisions. Let's jump in!



Real Estate Market

The Los Angeles- Orange County region comprises 88 cities in Los Angeles, 34 more in Orange County, and a series of unincorporated communities spread throughout the region, all contributing to a 13-million population. So, it is unsurprising that the real estate market is a cycle of dynamic inventory, bidding wars, and fluctuating prices.

From February through June, the U.S. News Housing Market Index anticipates 3,800 single-home permits alongside 6,968 multi-family home permits approved. The permits are expected to decline gradually throughout the forecast period.

Despite this, the population decline resulting from high housing costs does not deter the two-county region from attracting new people through job opportunities. Traffic gridlock, low public transit usage, and the almost constant deficit in affordable housing aren't stopping the dynamic movements in the real estate market anytime soon.

The median sales price for homes in Los Angeles and Orange County remains notably higher than the national median of \$383,000. It was \$799,000 in January and had leveled at \$795,000 by the next month. The market is hopeful that the median sales will continue to level out, considering May 2022's peak was an eyebrow-raising \$900,000.

Currently, the market is doing fine for luxury-adjacent houses under \$2 million. But the mansion tax imposes a 4.0% to 5.5% additional transfer tax to homes and multifamily properties priced at \$5 million or more, including foreclosed properties.

Housing Law

California's State Assembly and Senate proposed a series of bills for the 2023-24 Legislative Session that are bound to affect housing developments in the future. These proposed housing laws include the following:

- **SB 423 — Amendments to SB 35**

SB 423 removes the sunset provision for SB 35 and expands it to include when local jurisdictions fail to adopt HCD-specified housing elements. It will remove restrictions on coastal zone developments, wetland, and protected species habitat developments. It also excludes the California Building Code and other technical specifications-related codes from objective planning standards.

- **AB 1287 — Amendments to the State Density Bonus Law**

AB 1287 aims to incentivize house unit construction for low-income households and the "missing middle" through density bonuses and related concessions. On a related note, AB 440 seeks to amend provisions to the State Density Bonus Law's maximum allowable residential density calculation.

- **AB 1532 — "By Right" Approval of Office to Residential Project Conversions**

AB 1532 addresses the housing crisis in California by providing by-right approval of office-to residential conversion projects as long as the project meets the state's definition of an office conversion project, allocates at least 10% of residential units to low and moderate-income residents, and uses a trained workforce.

On a related note, AB 529 would require the HCD and the California Building Standards Commission to work together in revising state adaptive reuse codes. This way, it would be easier to facilitate office conversion projects.

- **AB 1700 — CEQA and Population Growth and Noise Impacts**

AB 1700 aims to clarify that population growth due to housing projects, along with the noise impacts of said housing projects, do not affect the environment.

- **AB 1633 — Expansion of HAA Protections**

AB 1633 is a response to a procedural loophole in the HAA. It aims to clarify the standards for HAA violations and establish streamlined procedures that would allow local governments to rectify failures without triggering HAA litigation. Note that these bills are still subject to the legislative process. So, expect further amendments to the proposed housing laws. We'll keep you updated!

Home Repairs

The Orange County and Los Angeles real estate market is seeing slightly more housing supply at moderate prices. Along with this trend comes careful homebuyers who are looking for already-renovated homes rather than fixer-uppers. That said, builder confidence has been fluctuating this year, with 29 points in January and 36 points in March. We've seen a slight improvement in recent months. Nevertheless, it still falls behind the national index level, which is at 44 points on a scale of 0 to 100. The region's builder confidence implies that there are still various challenges that local builders face when it comes to home builds, repairs, and renovations.



Mortgage News

Agents and buyers are noticeably moving from the west side of Los Angeles up north into Hollywood Hills and down to the southern San Fernando Valley. It's not a matter of going for cheaper homes. Rather, buyers are focused on getting more for their money. Additionally, buyers have been looking for sellers willing to credit them for 2-1 mortgage rate buydowns so they can spend more on upgrades and furnishings. Interestingly, while the average mortgage rate slightly decreased from 6.90% in October 2022 to 6.27% in January 2023, the average rate for 30-year fixed-rate loans bounced up to 6.42% in March 2023. Expect to see more of these changes as we move forward this year. The rebounding mortgage rates are likely to be attributed to annual inflation. On a related note, the Mortgage Bankers Association's Purchase Index noted that home purchase applications rose for the fourth consecutive week of March 24, 2023. Looking at the bigger picture, however, the applications are still 35% down based on a year-on-year analysis. It's safe to assume that home buyers and sellers remain extra cautious on the sidelines, observing and understanding market trends before diving in.

Stay Informed to Stay Ready

Today's extremely dynamic economy is keeping everyone on their toes. Don't fall behind the latest news and developments in the housing market. From real estate value and inflation updates to the current state of the job market, you want to stay informed about these key indicators to know whether it's the best time to buy or sell.

Somebody buys or sells a house daily in Orange County and Los Angeles. Make smart investments in the local market by understanding current real estate trends. Learn how to buy low when prices are down and sell high when they're up.

In a sea of fluctuating mortgage rates, foreclosures, short sales, and mortgage rates, it takes a lot of focus to stay aware of changes in Orange County and Los Angeles real estate. Here, you'll find various sensible reasons for buying or selling when you should.

Let us answer all questions you may have along the way!

Make a Move on the Market

Are you refinancing your mortgage or financing a new purchase?

Either way, call HCM PM to gain access to some of the best mortgage rates and terms available on the market. Let our licensed Real Estate Brokers and Mortgage Originators help you make the best market moves!



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