

# Orange County Housing Report: Season's Greetings



**November 2, 2020**

**The holidays are knocking on the door, which will result in a drop in both the inventory and buyer demand.**

## The Holiday Market

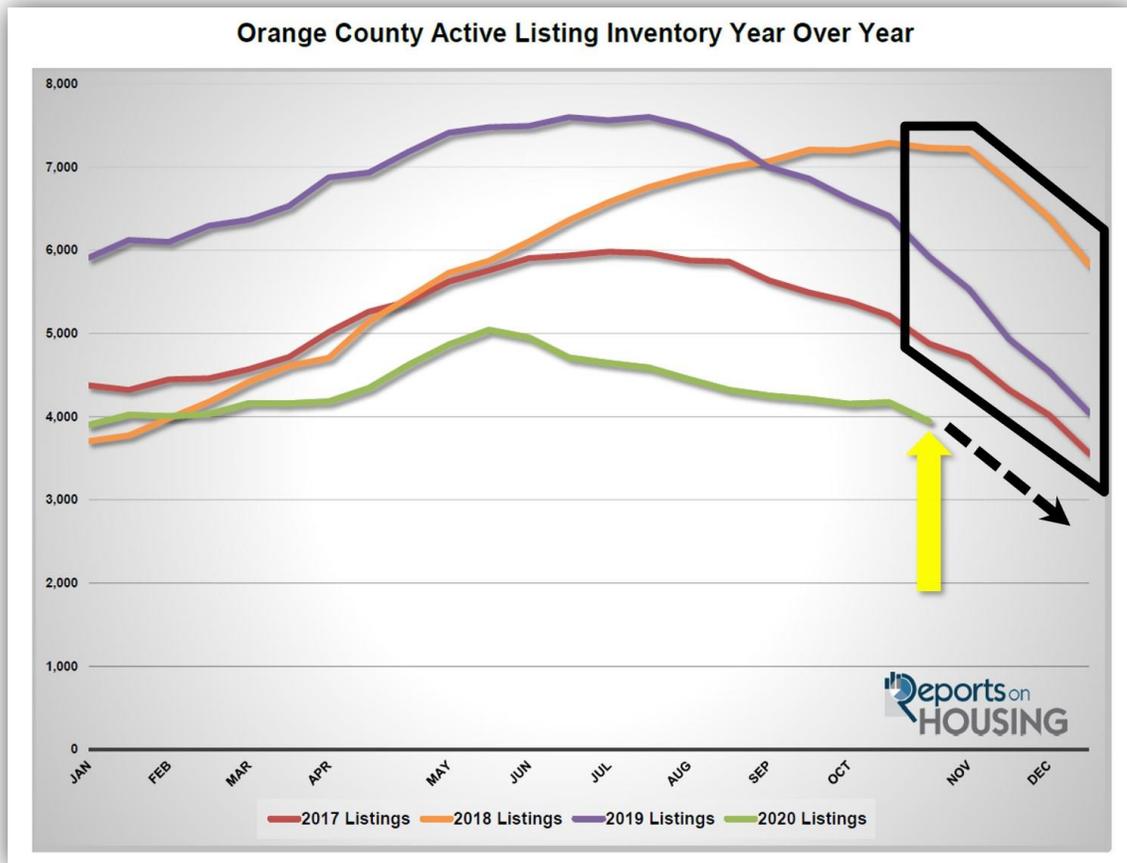
From now through the end of the year, the active inventory typically drops about 27% and demand drops by 31%.

Daylight saving time just ended. Everybody got an extra hour of sleep, but it now gets darker earlier. In adjusting the clocks in the house, it marked the beginning of a new season, a season of preparation and festivities, the holidays. With Halloween 2020 in the past, it is time to get the holiday lists in order. Many are thinking, it is just too soon. It is not “officially” the holidays until the red cups arrive at Starbucks. NEWSFLASH: they will debut this Saturday, November 7<sup>th</sup>. In the blink of an eye, 2020 will come to an end as everyone celebrates the arrival of 2021.

Similarly, this is the beginning of a new season for housing, the Holiday Market. With shorter days and all the distractions of the holidays, housing will downshift with a drop in both the supply, the active inventory of homes available to purchase, and demand, the last 30-days of new escrows. To the buyers and sellers that remain, the overall market will still feel sizzling hot, but there simply will be fewer active participants. Exhausted from politics and COVID-19, the holidays will be a welcome, positive diversion.

The inventory will steadily drop from now through the end of the year. Fewer homeowners will place their homes on the market since 2020’s end is fast approaching. Intuitively, many will simply “wait until spring.” It is a common phenomenon that repeats itself every year. There will still be homeowners lured to enter the fray due to the public knowledge that housing is by far the strongest sector of the United States economy, yet most will opt to wait until at least March of 2021.

At the same time, many homeowners who have attempted to sell for quite some time without success will opt to throw in the proverbial towel and pull their homes off of the market in order to enjoy the holiday season. They will be tired of the lengthy real estate process that did not allow them to achieve their housing goals. In fact, 33% of the current active listing inventory has been on the market for more than two months. It is hard to enjoy all the festivities while buyers continue to set appointments to tour sellers’ homes.



# THE *Orange County* HOUSING REPORT

## REPORTS ON HOUSING

As a result of fewer homeowners opting to sell and unsuccessful sellers pulling their homes off the market, the active listing inventory will drop. In the past five years, it has plunged an average of 27% from now through the end of the year. It is going to be difficult for the inventory to drop an additional 27%, as it is already at a very low level, 3,944 homes, its lowest level for a start to November since tracking began in 2004. Only 2012 came close, with 4,043 homes on the market, but it still shed 800 homes by year's end, or 20%. **The bottom line: Expect the number of homes available to purchase to consistently drop for the rest of the year.**

On the flip side, demand is going to drop as well. After writing offer after offer, only to be turned down repeatedly, buyers will divert their attention away from jumping on every home that hits the market, to pumpkin pie, eggnog, and kissing their significant other under the mistletoe. They will merely place their home buying aspirations on hold while they plug into the theme of "season's greetings." And, the number of new buyers to enter the real estate arena will drop until ushering in a New Year.

Sidelined buyers and fewer new potential purchasers will result in a significant drop in demand. In the past five years, it has fallen on average of 31% from now through the end of the year. Today's demand is at 3,019 pending sales. That means that it will fall to around 2,075 by 2020's end. That will be significantly lower than this year's peak of 3,340 pending sales achieved on September 3<sup>rd</sup>. Yet, that will be demand's highest level for a finish to a year since 2012 when it was at 2,413. For perspective, at the end of December 2019, it was at 1,590 pending sales, 23% fewer than the projected 2,075 to end 2020. **The bottom line: The Holiday Market will still be quite busy with plenty of buyer activity compared to recent years.**

