

JANUARY 10 2022

**Reports on  
HOUSING**  
Your Local Real Estate Snapshot

# THE ORANGE COUNTY HOUSING REPORT

# UNPRECEDENTED START

**WRITTEN BY  
STEVEN THOMAS**

EVEN WITH A RISING MORTGAGE INTEREST RATE ENVIRONMENT, IT IS THE HOTTEST START TO A YEAR SINCE TRACKING BEGAN IN 2004 BY A LANDSLIDE.



**COPYRIGHT 2021 - STEVEN THOMAS**

**REPORTS ON HOUSING - ALL RIGHTS RESERVED**

**THIS REPORT MAY NOT BE REPRODUCED IN WHOLE OR PART WITHOUT WRITTEN PERMISSION FROM THE AUTHOR**

# INSANELY HOT SELLER'S MARKET

WITH A RIDICULOUSLY RECORD LOW SUPPLY OF HOMES AVAILABLE TO PURCHASE MATCHED WITH STRONG DEMAND, THE HOUSING MARKET IS WHITE HOT.

The COVID-19 pandemic has severely disrupted the supply of goods and commodities. Initially, back in March 2020, there was a relentless run on toilet paper when people stood in long lines for hours as new shipments arrived. As the pandemic evolved, so did the impact on the supply of computer chips, which ultimately hit the automobile industry the hardest. Flash forward to today and new car lots are empty, there is a COVID premium on the sticker price, and many must wait weeks or months for delivery. It is just as challenging to obtain a used car and prices have gone through the roof. It boils down to supply and demand. Even when demand levels do not change much, yet inventories drop substantially, prices soar.

That is precisely what is occurring in the Orange County housing market today. The supply of homes available to purchase today is at a staggering, mind blowing, record low level, and it is matched with strong demand that is not much different than prior to the pandemic. As a result, the market has been white hot, insane, from day one of 2022. It is an unprecedented start to the year that is without comparison. On January 3, 2013, according to the Primary Mortgage Market Survey conducted by Freddie Mac for the past 51-years, mortgage rates were at 3.34%, slightly higher than the record low, at the time, of 3.31% achieved on November 21, 2012. On January 7, 2021, mortgage rates hit a 17th record low since the start of the pandemic, dropping to 2.65%. That rate remains the record today, a year later. On January 6, 2022, mortgage rates had risen to 3.22%, the highest level since May 2020. Even with higher, rising mortgage rates, the housing market already has exceptionally strong momentum.

As the inventory dropped, housing has grown hotter and hotter. Today, there are only 1,100 homes available to purchase, an unmatched, ultra-low supply of homes that shattered the prior record low achieved in January 2021, at 2,633 homes. Last year's start crushed the 2013 record start of 3,161 homes. The active inventory had been dropping prior to COVID, but the pandemic further disrupted housing and intensified the inventory crisis. The crisis had evolved into a catastrophe by the end of 2021 as the fewest number of homes come on the market in December and the second fewest occurs in November. That set up the unprecedented start to this year.

**Inventory, Market Time, and Mortgage Rates to Start the Year**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Active Listing Inventory	1,100	2,633	3,901	5,911	3,707	4,376	4,576	5,000	4,733	3,161
Expected Market Time	25 Days	42 Days	82 Days	152 Days	77 Days	84 Days	86 Days	101 Days	95 Days	47 Days
Mortgage Rates	3.22%	2.65%	3.72%	4.51%	3.95%	4.20%	3.97%	3.73%	4.53%	3.34%

When the inventory is this low, just about everything that is placed on the market is thrown into escrow after being exposed to the marketplace for less than a week. As a result, the Expected Market Time (the time between hammering in the FOR-SALE sign to opening escrow) started this year at 25 days, shattering last year's record 42-day start. At 42 days, Orange County housing is a Hot Seller's Market (less than 60 days).

At 25 days, it is an Insane Seller's Market (less than 40 days) where buyers trip over each other to see every home that enters the fray, sellers call the shots, multiple offers and bidding wars are the norm, and home values are skyrocketing. As the market time reaches lower and lower levels, falling further below the 40 day "insanity" mark, there are more showing, more multiple offers, and higher sales prices.

With nearly nothing on the market, home values are soaring, and today's higher mortgage rates are not deterring buyers from purchasing.

**ATTENTION BUYERS: Waiting for the market to get easier for buyers is not the answer.** Home values are on the rise and mortgage rates have been on the rise as well. Values are slated to climb between 8 to 10% in Orange County, and mortgage rates could reach or even exceed 3.5%. With rising values and higher rates, payments increase, and home affordability will slowly erode. For buyers, waiting is not an option. Instead, buyers should pursue a purchase with patience and a steadfast determination. It may take 30 offers to hit payday. But it is that kind of persistence that is ultimately rewarded with success.

**ATTENTION SELLERS: Take advantage of the hot market by pricing a home as close to the last comparable or pending sale.** Carefully pricing will allow a seller to tap into the throngs of buyers waiting for every home that hits the market. A realistic price will allow a seller to attract a ton of offers. The bidding war that follows will allow a seller to obtain a very high sales price, typically selling for a lot higher than the asking price. Sellers who stretch the asking price too much and grossly overprice will result in wasted market time and less activity as the price is adjusted down the road. In this market, it is best to take advantage of the enormous buyer pool carefully watching and waiting for every new home that matches their search. Longer market times due to overpricing could result in fewer showings and fewer offers.

ORANGE COUNTY HOUSING REPORT | Unprecedented Start

## ACTIVE LISTINGS

THE CURRENT ACTIVE INVENTORY GREW BY 3% IN THE PAST TWO WEEKS.

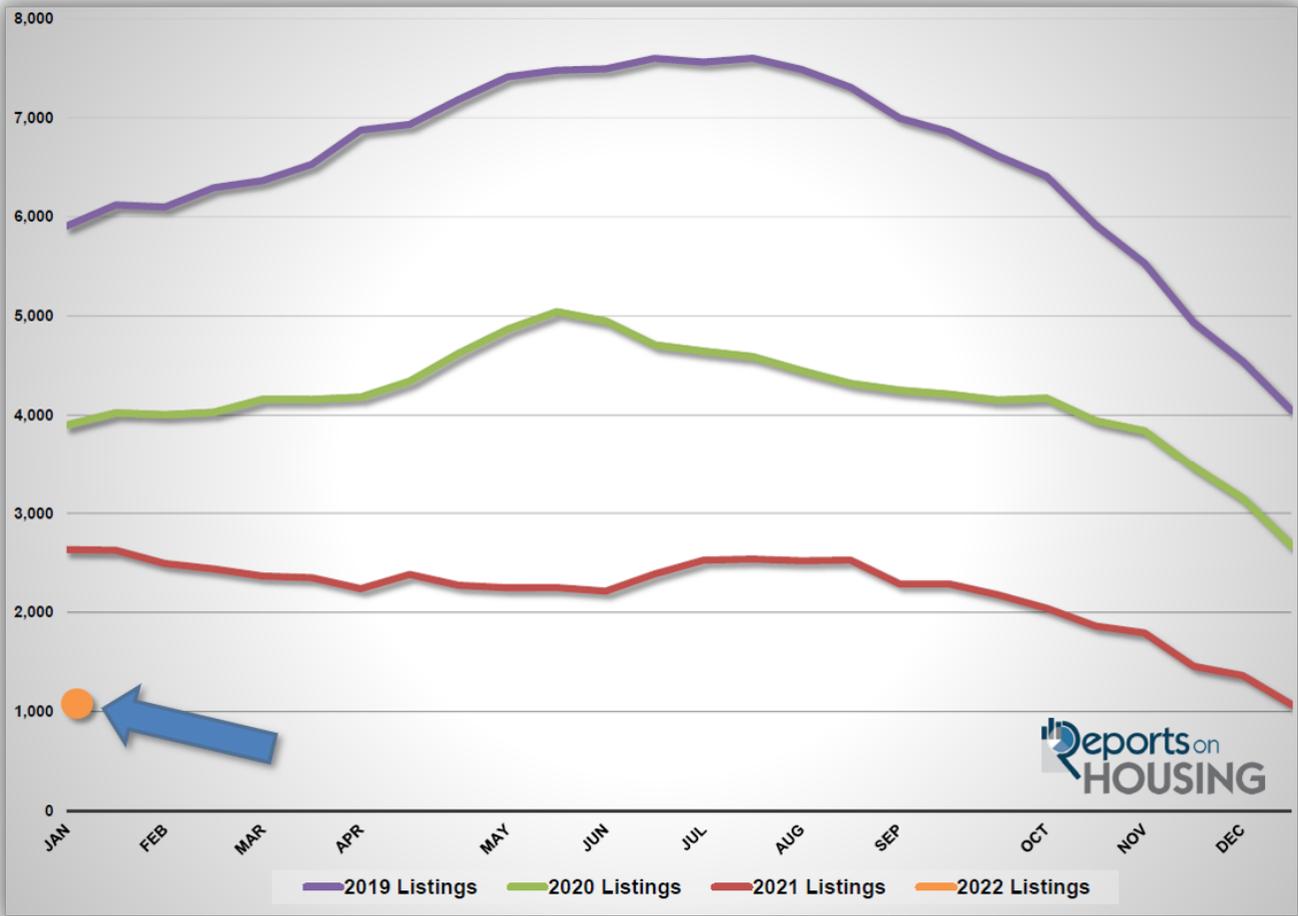
Reports on  
**HOUSING**  
Your Local Real Estate Snapshot

The active listing inventory increased by 28 homes in the past couple of weeks, up 3%, and now sits at 1,100 homes. Two weeks ago, December 23rd, the inventory had plunged to 1,072 homes. It sank further on January 1st to 954 homes, the lowest level since tracking began 18 years ago. Since New Year's Day, the inventory has risen by 15%, adding 146 homes. Typically, the inventory slowly and methodically rises from the start of the year until it peaks between July and August. But during the pandemic, housing has not been typical at all. Last year the inventory continued to drop after ringing in New Year until the first week of June, far from ordinary. The big difference this year is a rising mortgage rate environment. The further rates climb, the more the inventory will climb over the coming months. As a seller, watching the direction of rates is an important strategy to deploy.

Last year, the inventory was at 2,633, 139% more, or an additional 1,533 homes. The 3-year average prior to COVID (2017 through 2019) is 4,665, an extra 3,902 homes, or 324% more, quadruple compared to today. There were a lot more choices back then.

For December, there were 1,429 new FOR-SALE signs in Orange County, only 65 fewer than the 3-year average from 2017 to 2019, 4% less. Every single missing sign magnifies the inventory crisis.

ORANGE COUNTY ACTIVE LISTING INVENTORY  
YEAR-OVER-YEAR (2019-2022)



ORANGE COUNTY HOUSING REPORT | Unprecedented Start

**DEMAND**  
DEMAND PLUNGED BY 19% IN THE PAST COUPLE OF WEEKS.

Demand, a snapshot of the number of new escrows over the prior month, decreased from 1,591 to 1,295 in the past couple of weeks, shedding 296 pending sales, down 19%. Yet, the low demand reading is more a reflection of the acute inventory crisis where only 1,429 homes were placed on the market last month. The limited supply of available homes is eating into the potential number of escrows. True demand, the number of buyers in the marketplace, is considerably higher than tracked demand based upon escrow activity. True demand is impossible to gauge, but the throngs of showings for just about every home that hits the market combined with the sheer volume of multiple offers generated illustrates that there is a vast pool of buyers looking to secure a home. As more homes come on the market, expect demand levels based upon escrow activity to climb swiftly. At this point, rising mortgage rates are not impacting measured demand.

ORANGE COUNTY DEMAND YEAR-OVER-YEAR (2018-2021)  
PRIOR 30 DAYS PENDING SNAPSHOT