Home sales sluggish in California

Home sales in Southern California is dropping fast, according to the latest data from property analytics provider CoreLogic.

In January, 12,665 houses and condos were sold in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties — down 19.8 percent from January and 17.1 percent year-over-year. Among newly-built homes, sales fell 57.8 percent below average January figures.

“January marked the second consecutive month in which Southern California home sales were the lowest for that month in 11 years, since the early days of the last housing bust,” said Andrew LePage, a CoreLogic analyst, in a prepared statement. “Many of the deals recorded last month reflect purchasing decisions made during the holidays, from Thanksgiving 2018 through early in the new year. ”

Such low numbers have not been seen since January 2008, when the country was entering a housing and financial crisis. The steep drop is the result of a number of factors both unique to Southern California and present nationwide. While sales are always low after the holidays, high mortgage rates, peaking home values and an overvalued market all contributed to the current situation, according to CoreLogic.

In particular, incomes are not keeping up with the high growth in home values. Sales of homes below $200,000 fell by 26.5 percent while sales of homes worth less than $300,000 dropped by 23.4 percent. As a result, competition for affordable houses keeps rising while the number of investors and vacation home buyers makes up a larger percentage of the total buyers (23.9 percent, up from 22.8 percent in December.)

“Buyer enthusiasm during this period was dampened by a variety of forces including affordability constraints, stock market volatility, concerns home prices might have peaked and uncertainty triggered by the partial federal government shutdown that began on Dec. 22, 2018,” LePage said. “However, this January’s slowdown was likely tempered by a significant drop in mortgage rates that began in December, improving affordability at a time when inventory was up year-over-year.”

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Email Veronika Bondarenko

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