

# Southern California Housing Market Forecast 2022 & 2023

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Home prices & sales are moderating across the **Southern California housing market**. In Southern California, the median home price is not rising by double-digits anymore. That trend is over. After a two-year housing boom, the housing market in Southern California is finally moderating. In June, the median house price in Southern California declined 1.8% from May. Still, the median was 8.4 percent more than it was a year ago.

This is a substantial rise, although somewhat less than the 11.9 percent observed in April. This year, mortgage rates have risen from the low 3 percent area to the middle 5 percent range. This has significantly increased the monthly cost of a property and diminished the loan amounts available to borrowers. As fewer individuals are house hunting, houses are remaining on the market for longer, offering the remaining buyers greater alternatives.

According to the latest C.A.R. report, the sales of single-family homes in the **Southern California housing market** posted a decline of 27.1% from last year and 4.4% from the previous month. The median price was \$830,000. Last year at this time the median price in Southern California was \$766,000.

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The **housing market in the United States**, and notably in Southern California, has been impacted as a direct result of rising mortgage rates. As a result of falling sales and rising inventory, a growing number of potential buyers and sellers are pondering whether or not home prices will fall in 2022 or 2023. According to some experts, both national and Southern California prices will fall next year, owing in part to the increasingly expected recession.

As the recession comes closer, some industry analysts feel the scenario is becoming more realistic, and some of them have even modified their predictions to call for price cuts in 2023. These forecasts are a divergence

from those made earlier this year when the vast majority of industry professionals were of the opinion that increased mortgage rates would only postpone price appreciation. That is, home prices would proceed to go up, but at a more gradual pace compared to those seen in the preceding two years in Southern California.

A significant number of industry professionals maintain the view that a scenario involving slower development is the one that is most likely to occur. There are very few well-known analysts who anticipate price declines on par with those that were seen during the Great Recession if any at all. However, the rapidity with which the housing market is transforming is shown by the fact that a number of prominent analysts have already predicted that prices will fall in the Southern California real estate market, which is something that has not occurred for more than a decade.

Home prices are going to fall in California, according to Jordan Levine, chief economist for the California Association of Realtors. In response to falling demand, an increasing number of home sellers have reduced the prices at which their houses are placed for sale. If overall sales prices are to fall in the future, this is the first step that must be taken. Levine anticipates the California median sales price to rise 9.7% year on year in 2022, a substantial decrease from the over 20% growth projected in 2021.

Then in 2023, he expects the Federal Reserve's actions to fight inflation will cause a mild recession, and the combination of job losses and higher rates will cause the statewide median price to fall 7.1% compared with this year, with similar declines in Southern California housing market specifically. Southern California home prices will either decline or should be largely flat over the next few years.

The job recovery trend is good, and the prospect of resuming all jobs lost due to the pandemic is becoming more tangible. Despite greater inventory levels and rising borrowing costs, the Southern California housing market is nevertheless operating strongly. However, the frenzied rate of activity during the last 18 months or so will reduce, but not to an alarming degree. The market remains favorable to house sellers, and they remain in control.

## Southern California Housing Market Trends (YoY)

Here's how individual counties of Southern California are setting or matching price records as compared to last June (Data released by C.A.R.).

In **Los Angeles** County, the median price rose **8.1% to \$860,230** in June, while sales **decreased** by 20.6%.

- In Orange County, the median price rose **11.2% to \$1,265,000**, while sales **decreased** by 36.1%.
- Orange County also had the highest decline in sales among all the six counties.
- In Riverside County, the median price rose **12.2% to \$645,000**, while sales **decreased** by 27.4%.
- In San Bernardino County, the median price rose **12.6% to \$490,000**, while sales **decreased** by 27.5%.
- In **San Diego County**, the median price rose **9.8% to \$950,000**, while sales **decreased** by 30.5%.
- In Ventura County, the median price rose **10.7% to \$930,000**, while sales **decreased** by 22.6%.

### Southern California Home Sales

- In the second quarter, 47,596 homes were sold, a 19% decrease from the previous year but a 13.1% increase over the first quarter.
- Pending house sales, which are a predictor of future closings, were slightly lower in the second quarter than in the first.
- Orange County reported the greatest loss in sales, while other areas suffered substantial drops.
- Nonetheless, the spring market was in effect in San Diego, Los Angeles, and Orange counties, which saw double-digit percentage gains in sales over the previous quarter.
- Listing activity has increased across the region, providing buyers with additional options.
- That may explain, to some extent, why pending sales have slowed; purchasers are not feeling as pressed as they were when inventories were extremely low.

## **Southern California Home Prices**

- Home prices in the second quarter rose 10.9% compared to a year ago and were 5.4% higher than in the first quarter of 2022.
- There was double-digit price growth in every county other than Los Angeles.
- Riverside County led the way with prices rising by 16.7%.
- The rest of the region also saw very impressive sales price growth.
- Compared to the first quarter, median list prices are still up an average of 8.7%, suggesting that sellers remained rather bullish.

## **Southern California Days on Market**

- The average time it took to sell a property in Southern California in the second quarter of 2022 was 16 days.
- It was 2 days less than a year before and 5 days less than in the first quarter of the year.
- San Diego County homes continue to sell quicker than in other markets in the region.
- Except for San Bernardino, where properties took one day longer to sell than a year before, other counties witnessed a decrease in market time.