MARKET STUDY

no. 001

INVENTORY & POPULATION

As indicated by ***The Wall Street Journal*** this week, California ranks 49th in the country for housing inventory per capita. This should not come as a shock to many of you as you endeavor to obtain more listings and fulfill more buyers in the coastal and destination markets.

The study agglomerates all California markets into one figure — as agents it is important to understand inventory constraints in their specific markets in relation to local population. For the purposes of this analysis, we will use households instead of population to more accurately reflect inventory per household.

COASTAL COMMUNITIES

NEWPORT BEACH

293 active listings on the market

38,751 households

approximately
132.25 households per active listing

NEWPORT COAST

97 listings among

1,101 residents

totaling approximately
10.31 households per listing, the lowest in all of the coastal cities

CORONA DEL MAR

83 active listings

among its
6,885 households

totaling
82.9 households per active listing

DANA POINT

150 active listings

among its
14,182 households

totaling
94.54 households per active listing

LAGUNA BEACH

163 active listings

with
10,821 households

totaling
66.83 households per active listing

SAN CLEMENTE

178 active listings

across
23,906 households

totaling
134.4 households per active listing

HUNTINGTON BEACH

212 active listings

across
74,285 households

totaling
350.4 households per active listing

By far the tightest inventory due to a more reasonable price structure for its proximity to the Ocean.

**The higher the number expressed above, the more constrained the inventory is. The lower the number, the less constrained.*

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DESERT COMMUNITIES

There are ***4,871*** active listings throughout the nine cities of the greater Desert communities — ***346,000*** residents and ***161,147*** households, making for ***33.8*** households per active listing.

However; in both markets, the average days on market indicate that both buyers and sellers are staying put at the moment. This could be attributed to a variety of political and economic factors, ranging from administrative uncertainty to seasonal stagnancy.

Regardless of the cause, we are all experiencing a seasonably slow market, likely to be followed by a spring time rally where the "hold-off" buyers and sellers from the winter market joining spring buyers/seller.

IMPACT & INTEREST RATES

A recent article in *The Wall Street Journal* intimated that the recent drop-off in inventory is attributable to rising mortgage rates. While there is some truth to this in the aggregate, coastal residents (current and prospective) should consider how strong of an impact.

Rising rates impact median income earners and sub jumbo markets vastly differently than luxury, destination, and coastal markets. In general, a rate adjustment will impact those on the margin of affordability.

Higher rates translate into a slightly more expensive investment for buyers in luxury, destination and coastal markets, whereas the same adjustments can flat out disqualify sub jumbo and/or median income individuals in other parts of the state and counties we serve.

Another interesting parameter to analyze is how rising conventional and government loan interest rates impact the rates and loans taken on by clients in our market. The vast majority will be portfolio jumbo products that, while impacted by the same economic forces that would precipitate a global adjustment in available rates, will not follow the same behaviors as lenders who depend purely on the secondary mortgage market for recompense.

The combination of these two and likely dozens of other factors indicate a positive outlook for the coastal and destination markets, regardless of aggregate rate changes.

Primary residence sellers who are cautiously waiting for rates to stabilize because they — **1.** don't want to diminish the affordability of their next home, and/or — **2.** are uncertain of who will be able to buy their current home, should feel confident that rate fluctuations will not impact their transaction with the same magnitude as other areas.

Similarly, primary and secondary residence buyers should feel motivated by the changing landscape to act now on what is available; as the long-term gains in equity through appreciation will likely far overshadow minor changes in rate.