



THE Q2 2021 | SOUTHERN CALIFORNIA
GARDNER
REPORT

presented by



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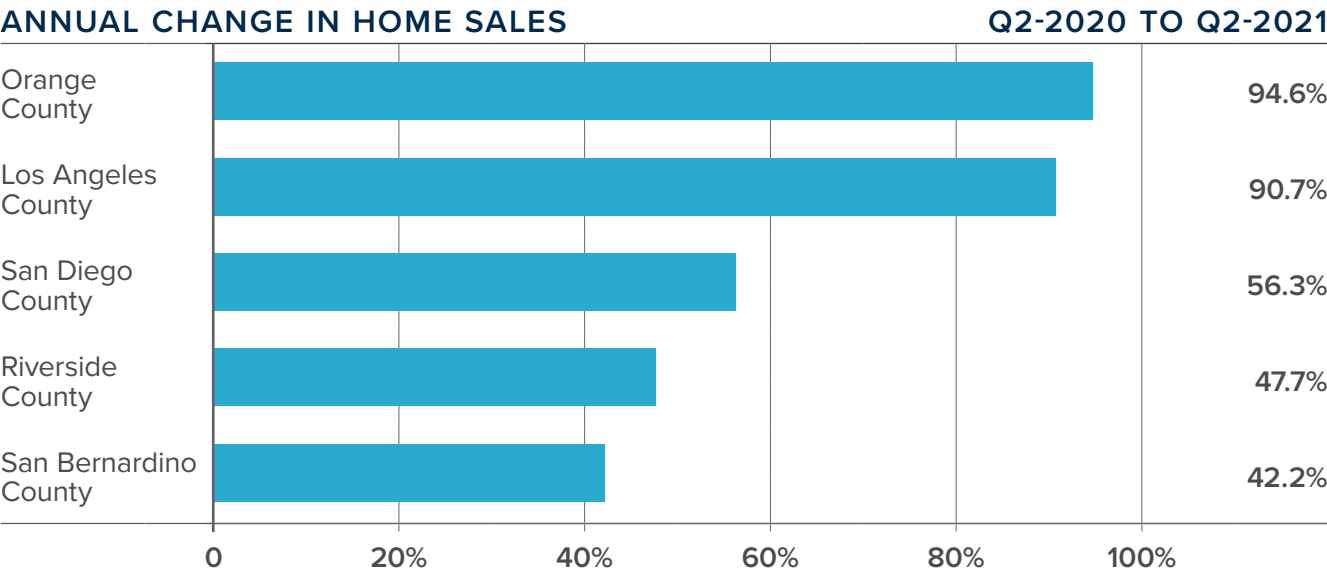
The following analysis of the Southern California real estate market is provided by Windermere Real Estate Chief Economist Matthew Gardner. We hope that this information may assist you with making better-informed real estate decisions. For further information about the housing market in your area, please don't hesitate to contact me.

REGIONAL ECONOMY

Despite a decrease in employment levels last winter, Southern California saw a decent job recovery between May 2020 and February 2021. However, it appears we lost some momentum as COVID-19 cases started to rise again, specifically in Los Angeles County. Although the region has recovered 1.28 million of the 2.02 million jobs that were shed during the pandemic, the region is still more than 720,000 jobs shy of the pre-COVID peak. That said, the region's unemployment rate in June was 8.8%, down significantly from 15.5% a year ago. Data at the end of the second quarter showed the lowest jobless rates were in Orange (6.4%) and San Diego (7%) counties. The highest rate was, unsurprisingly, in Los Angeles County, where it was 10.5%.

HOME SALES

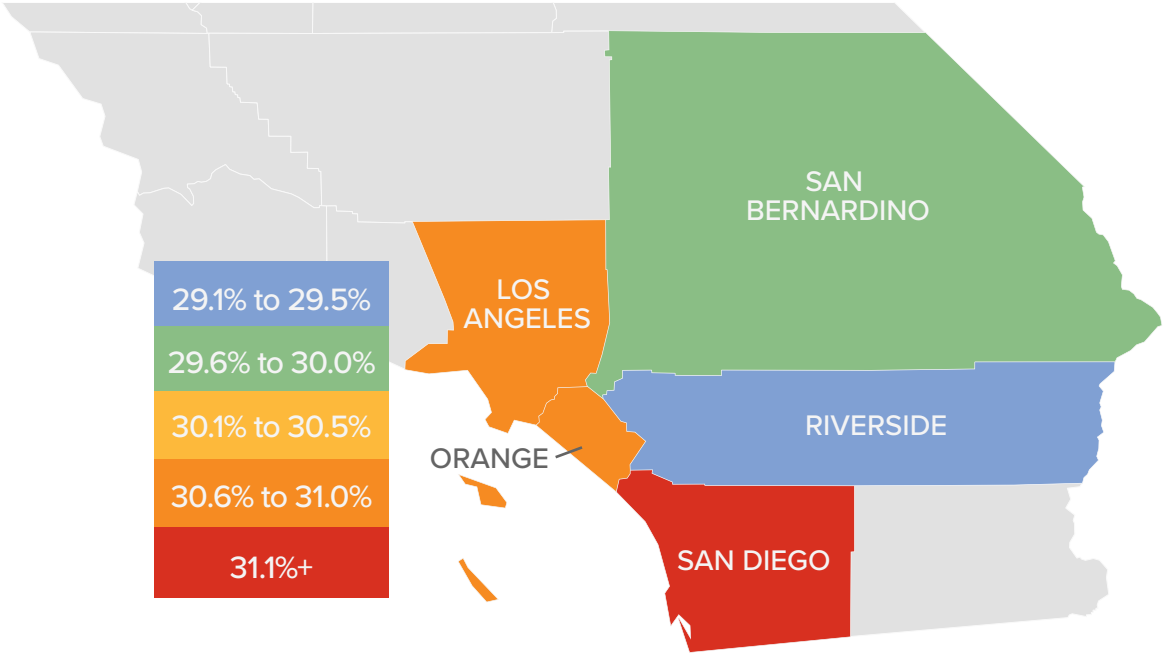
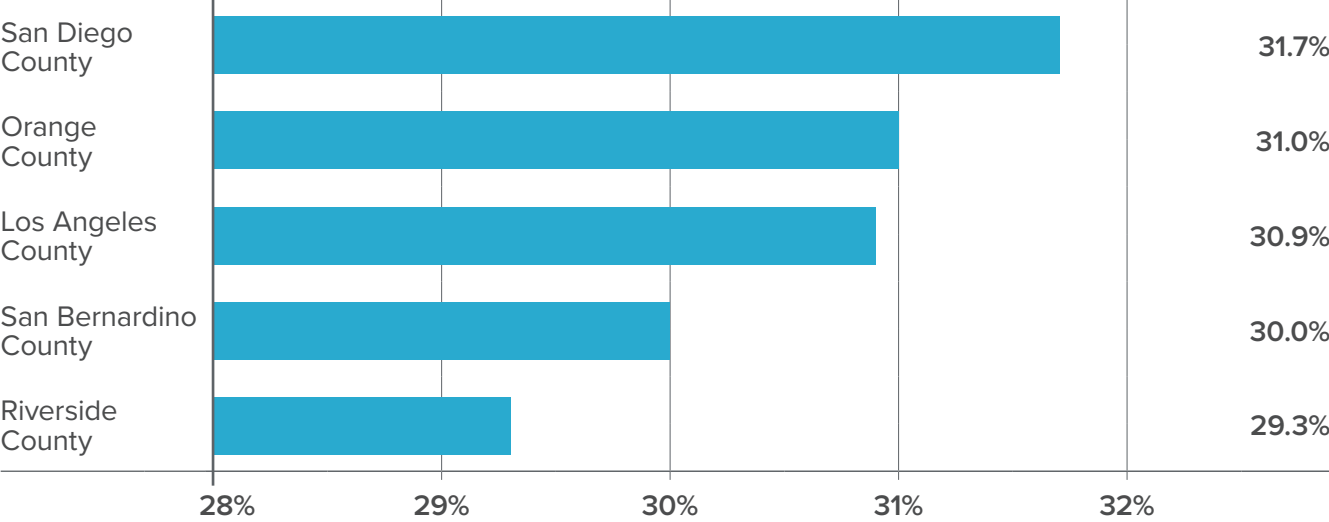
- ▶ The housing market continued its upward swing, with 52,792 home sales closing in the second quarter, which was a year-over-year increase of 70.5%. However, I would caution not to read too much into this growth rate as COVID-19 heavily impacted sales in the second quarter of last year.
- ▶ Pending home sales, which are an indicator of future closings, were 10.9% higher than in the first quarter of this year, suggesting that closings in the third quarter will be positive.
- ▶ Home sales increased across the board, with closings rising in all markets by more than 40%. Sales in Orange and Los Angeles counties nearly doubled.
- ▶ Listing activity continues to lag, with an average of only 14,747 homes for sale in the quarter. This is 41.8% lower than a year ago, and 6.2% higher than in the first quarter of 2021.



HOME PRICES

- › The average home sale price in the region was \$984,959. This was 35.7% higher than a year ago and 13.2% higher than in the first quarter of this year.
- › Mortgage rates rose modestly in the first quarter, which likely got some would-be buyers off the fence. This additional demand, in concert with persistently low supply levels, resulted in significant price appreciation.
- › The region saw double-digit price growth across all counties contained in this report. Annual prices were up more than 30% in all counties except Riverside—but they only just missed out. On average, prices were up more than \$100,000 from the prior quarter.
- › I still anticipate mortgage rates to rise as we move through the year, but the increase will be very modest. Although prices are expected to rise further, affordability constraints continue to grow, which at some point will slow the remarkable gains we have seen.

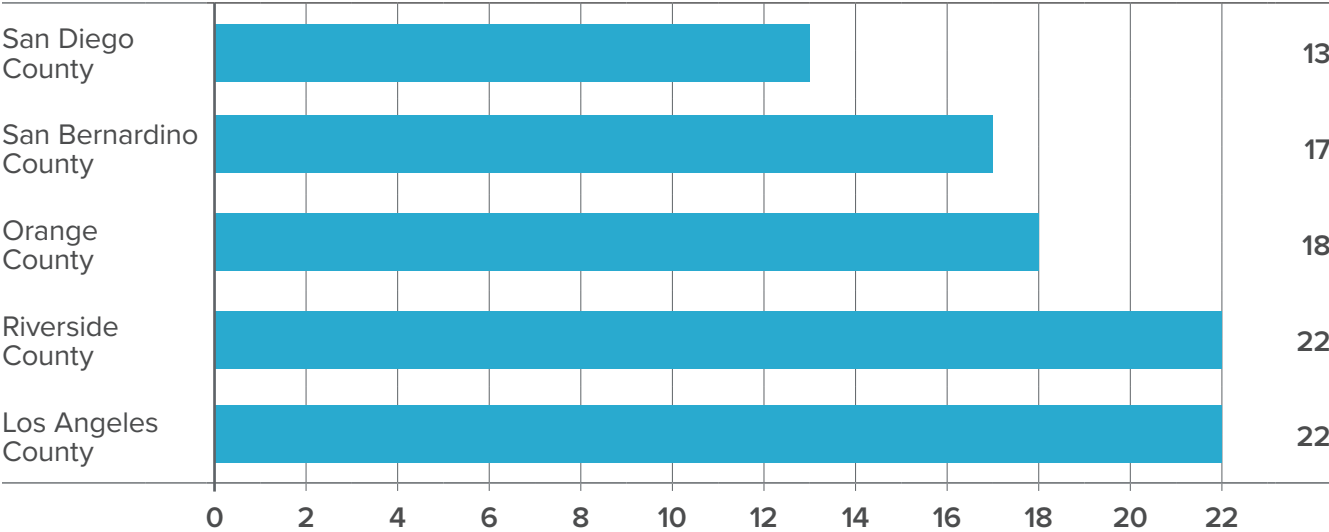
ANNUAL CHANGE IN HOME SALE PRICES Q2-2020 TO Q2-2021



DAYS ON MARKET

- › In the second quarter of the year, the average time it took to sell a home in the region was only 19 days, which is 20 fewer days than a year ago and 9 fewer days than in the first quarter of 2021.
- › All markets contained in this report saw the time it took to sell a house drop compared to both the second quarter of 2020 and the first quarter of this year.
- › Homes in San Diego County continue to sell at a faster rate than other markets in the region. In the second quarter, it took an average of only 13 days to sell a home there. This is 9 fewer days than it took a year ago.
- › Comparing days on market to a year ago is not that informative given that the pandemic was in full force then. What is of greater interest is that market time dropped from the first quarter of this year, indicating that conditions are very tight.

AVERAGE DAYS ON MARKET

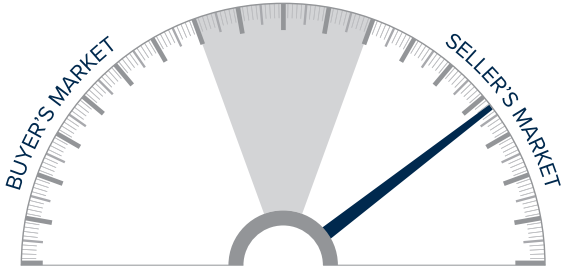


ABOUT MATTHEW GARDNER

As Chief Economist for Windermere Real Estate, Matthew Gardner is responsible for analyzing and interpreting economic data and its impact on the real estate market on both a local and national level. Matthew has over 30 years of professional experience both in the U.S. and U.K.

In addition to his day-to-day responsibilities, Matthew sits on the Washington State Governors Council of Economic Advisors; chairs the Board of Trustees at the Washington Center for Real Estate Research at the University of Washington; and is an Advisory Board Member at the Runstad Center for Real Estate Studies at the University of Washington where he also lectures in real estate economics.

CONCLUSIONS



This speedometer reflects the state of the region's real estate market using housing inventory, price gains, home sales, interest rates, and larger economic factors.

Home sales and prices were all higher than in the first quarter of 2021, while the number of homes available to buy remained significantly lower. With solid demand in place, it is staunchly a seller's market. However, with mortgage rates likely to rise in the coming year, and affordability constraints starting to tighten all markets except perhaps San Bernadino, the pace of price growth must slow at some point.

Even with the headwinds mentioned above, I have still chosen to move the needle a little more in favor of home sellers.