



# THE HESITANT BUYER

ARTICLE BY: BRENNEN THOMAS  
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## WHAT'S HOLDING BUYERS BACK?

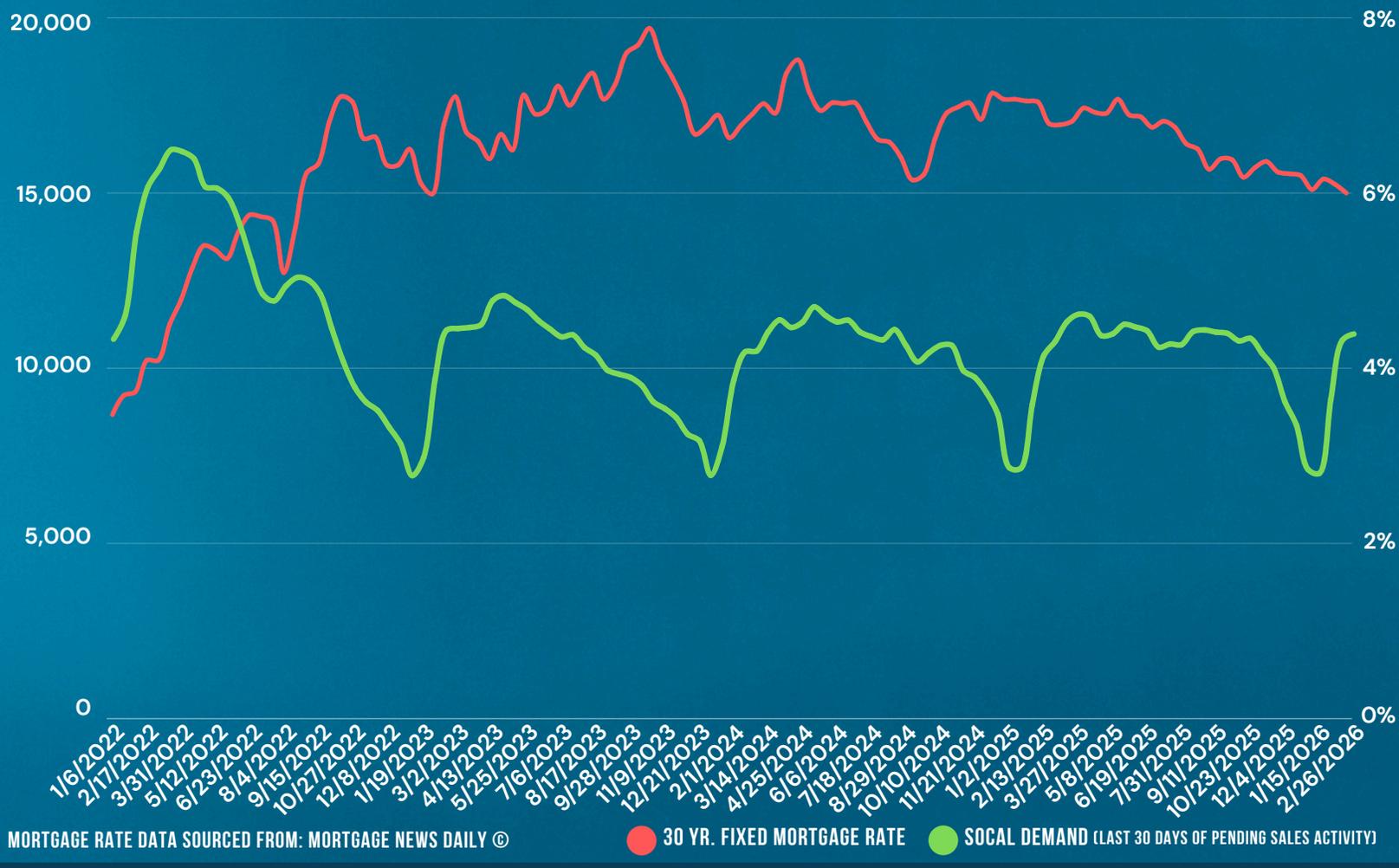
Planning a vacation can be a true hassle from the beginning. Forecasting the weather months in advance is tricky, and prices often swing from week to week. Planning is essential, and even then, timing the trip perfectly can be a challenge. If everything goes to plan for the vacation, like budget, weather, and availability, then it truly can be a memorable and successful trip.

Similarly, as a buyer, planning when to jump into the market can be challenging. Housing has been stuck in mortgage rate purgatory since 2022. Market forecasts were difficult to predict over the past few years, but, as the adage says, *time heals all things*. For the typical homebuyer in today's market, they are more prepared and knowledgeable about housing than ever before. With a quick click on a smartphone, buyers can access detailed property information or explore countless listings online. Fortunately, after years of unaffordability, the market is becoming more favorable to buyers.

One of the main facets of affordability for homebuyers is mortgage rates. According to Mortgage News Daily, the low for mortgage rates in 2023 was 5.99%, and the high was 8.03%. For 2024, the low was 6.11%, and the high was 7.52%. For 2025, the low was 6.13%, and the high was 7.26%. So far in 2026, the low for mortgage rates was 5.99%, and the high is only 6.21%. Although this year has just begun, a trend is emerging: affordability is improving. These improvements are driven by the spread between the 10-Year U.S. Treasury Bond and the 30-Year Fixed Mortgage Rate, which has slowly yet substantially improved over the past several years, offering much relief to buyers.

The other two crucial affordability factors are home values and incomes. In 2026, U.S. home values are up slightly, by 0.2% compared to 2025, a far slower pace than the 18.4% increase five years ago, according to the Zillow Home Value Index. Those gains strained affordability for years to come. Yet do not expect values to and

# SOUTHERN CALIFORNIA DEMAND VS. 30-YR. FIXED MORTGAGE RATES



plunge anytime soon, as a key ingredient is missing: a glut of homes available. In addition, very few sellers really have to sell. Incomes are rising at a beneficial pace. The median household income in the United States jumped about 24% since the start of the pandemic (U.S. Census Bureau). Buyers are gaining the advantage in the housing market. However, the question remains: where are the buyers?

Southern California is best able to exemplify the missing buyer conundrum. Mortgage rates at the end of February last year were 6.8%, and demand, a snapshot of the last 30 days of pending sales activity, was 10,715. At the end of February this year, mortgage rates were 6.0%, among the best rates since August 2022. However, demand stood firm at 10,930 pending sales, only 2% more than last year. Even with strong mortgage rates and a substantial increase in purchasing power, many buyers remain hesitant.

Buyers have been far more reluctant this year. News **headlines** and **geopolitical events can quickly** affect the housing market. In recent times, we've had both squander any large gains over the last year. Algorithms and social media often present a one-sided view, keeping consumers focused on negative narratives. Uncovering the **context** reveals that today's housing stock (all houses across the U.S.) is healthier than ever before, backed by solid mortgage lending laws and a record amount of tappable equity.

After just a couple of months in 2026, it is shaping up to be a solid year. The conditions are finally favoring buyers, making 2026 a promising year for those ready to act. Even so, today's housing market and the constant noise can make navigation tricky, so setting **proper expectations** is crucial to succeed in today's market.