A SLOWER SPRING IN STORE

REPORTS ON HOUSING
ECONOMICS EXPLAINED

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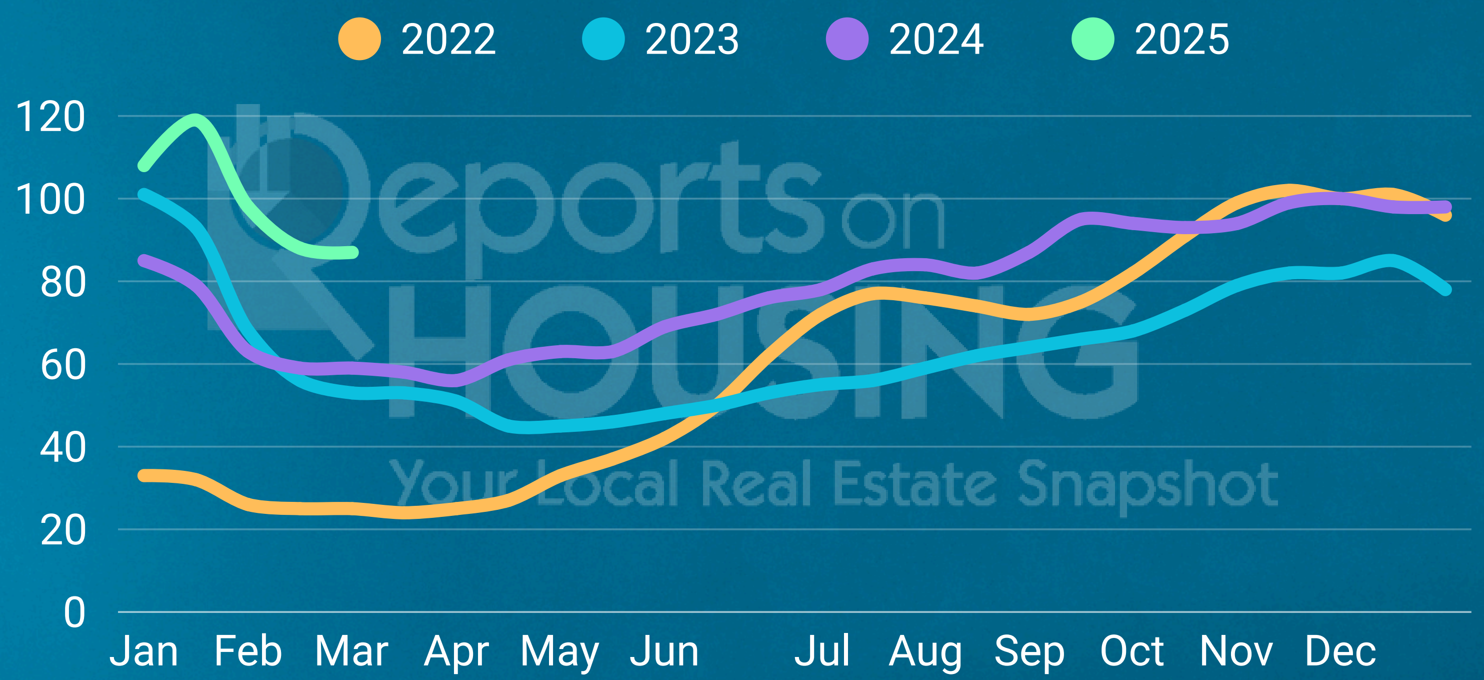
UNCERTAINTY IN THE HOUSING MARKET

The spring housing market, traditionally the busiest time of year for real estate, is struggling to gain momentum in 2025. In Southern California, market activity is at its slowest pace for early March since tracking began in 2012. The expected market time—the number of days a home typically spends on the market before selling—sits at 82 days. The most recent comparable year was 2019, when market time reached 77 days. By contrast, in 2024, homes spent an average of 58 days on the market in mid-March and 53 days in 2022, making this spring notably sluggish in comparison.

While pending home sales saw modest gains over the past several weeks, they remain just above levels seen last year, which were the lowest on record for early to mid-March since tracking began. However, new listings are starting to emerge, with January and February new listing numbers at their highest level since 2021. Sellers have been hesitant, but this increase in listings could indicate shifting sentiment. List prices increased slightly, yet sales prices have not followed suit, suggesting buyers remain cautious.

Despite some positive signals, the market still faces headwinds. Nationwide, the inventory of unsold homes is 28% higher than a year ago, giving buyers more options and reducing the sense of urgency that fueled bidding wars in previous years. In Southern California, inventory levels are up 51% year-over-year and are at their highest levels for mid-March since 2019. Additionally, withdrawal rates—listings that fail to attract offers and are taken off the market—are higher than last year, keeping overall inventory growth in check.

SOUTHERN CALIFORNIA EXPECTED MARKET TIME
YEAR OVER YEAR



One potential bright spot for buyers is mortgage rates. According to Freddie Mac's latest survey, the average 30-year mortgage rate ticked up slightly to 6.65% from 6.63% the previous week. However, rates have been hovering around their lowest levels since December, providing some relief for prospective homebuyers waiting for borrowing costs to come down. "The combination of modestly lower mortgage rates and improving inventory is a positive sign for homebuyers in this critical spring homebuying season," said Sam Khater, Freddie Mac's chief economist. While some buyers previously sidelined by high mortgage rates are re-entering the market, overall sales remain sluggish. Many potential buyers still weigh the risks of purchasing in an uncertain economic climate, with concerns about job security and a possible recession keeping demand in check.

Unless the economy weakens significantly, mortgage rates will unlikely drop substantially in the near term. The latest Consumer Price Index (CPI) report showed some easing of inflation in February but not enough to prompt the Federal Reserve to lower interest rates in its upcoming meeting. Additionally, ongoing trade policy uncertainty, including shifting tariffs, could add to inflationary pressures in the months ahead.

With rising inventory, longer market times, and steady mortgage rates, buyers may find themselves in a more favorable position this spring than in previous years. While the market is not flooded with deep discounts, the reduced competition and growing supply mean well-prepared buyers could have more negotiating power. For those considering a home purchase, this could be the moment to act before market conditions shift again. Whether mortgage rates drop further or economic uncertainty keeps buyers cautious, this year's slower spring season could present an opportunity for those ready to move.