

A Dance of Rising Mortgage Rates and Low Inventory



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By DESYANA WILLIS
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The California real estate market, once a thriving landscape, is now facing the formidable challenge of skyrocketing mortgage rates coupled with a chronic shortage of housing inventory. As the golden rays of dawn illuminate the Californian skyline, this reality greets prospective homebuyers and sellers, presenting a complex puzzle to unravel.

Realtor.com reported a significant leap in mortgage rates, with Freddie Mac noting that rates for a 30-year fixed-rate mortgage jumped to an average of 6.57% for the week ending May 25, a considerable increase from the previous week's 6.39%. Mortgage News Daily's monitoring showed a more pronounced trend, pointing to an even higher average 30-year fixed rate of 7.12% on Thursday afternoon.

These escalating mortgage rates are indeed reshaping the economic landscape of California's real estate market. Historically driven by a strong demand

nurtured by record-low mortgage rates, the market now witnesses an undeniable shift as higher mortgage rates lead to increased monthly payments, forming a substantial barrier to homeownership for many.

Running parallel to this challenge is the persisting issue of low inventory in the housing market. What might superficially appear as a seller's market belies a substantial barrier to a thriving real estate sector—the limited availability of homes for sale. This scarcity fuels heightened competition, inflating prices and, for many potential buyers, the limited choices are disheartening, contributing further to the deceleration of sales.

Rocket Homes provided more detailed data for the Pacific Palisades real estate market, noting some shifts in housing inventory. In April 2023, the number of properties for sale reached 132, with a median list price of \$4,017,500 and an average listing age of 54 days.

The report indicated a 50% increase in the number of one-bedroom homes, while the

availability of two-bedroom homes rose by 11.1%. Meanwhile, the number of three-bedroom homes decreased by 5.9%, and the volume of four-bedroom and five-bedroom homes went down by 3.4% and 2.1%, respectively.

The intertwined issues of rising mortgage rates and limited housing inventory are undeniably constraining the once-buoyant California home sales. Buyers may need to adjust their expectations or extend their search, while sellers need a deep understanding of the market to price their homes competitively to attract serious buyers.

However, amid the challenges, opportunities continue to emerge. Buyers who manage to secure a home in the current market stand to enjoy long-term price appreciation. Sellers who skillfully navigate this complex market can tap into strong demand, potentially receiving multiple appealing offers.

The approach to this intricate market should be a blend of strategic planning, patience and resilience. Teaming up with

an experienced real estate professional—whether you're a first-time buyer, an experienced investor or a homeowner ready to sell—can significantly aid your journey. Their expert knowledge of market trends and invaluable advice can tilt the balance in your favor.

In conclusion, despite the daunting presence of higher mortgage rates and low housing inventory, the California home sales market remains vibrant and filled with potential. The terrain may be challenging, but with the right strategies and collaborations, opportunities are waiting to be harnessed. Indeed, in the realm of real estate, every cloud does have a silver lining.

Desyana Willis is a sales partner at Amalfi Estates, whose team has sold over \$2 billion in properties and was selected by the Wall Street Journal as one of the top 10 teams in the country out of one million agents. If you are thinking of buying a home or selling your own, contact Willis at 213-304-5375 or desyana@amalfiestates.com.