

What Really Determines a Buyer's Market vs. a Seller's Market?

By BRIAN BOGULSKI
Special to the Palisadian-Post

Real estate markets can be divided into two major categories: a buyer's market and a seller's market. But how does the real estate industry delineate between the two, besides the obvious? How do the supply and demand numbers really tell the story?

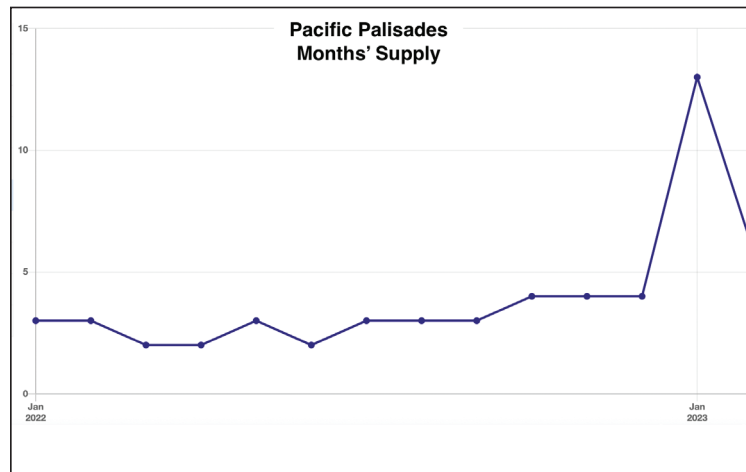
It all comes down to "inventory levels" and "months' supply." These indicators are measures of housing supply and are explained in simple terms.

"Inventory levels," per the National Association of Realtors, indicate the number of properties set as "active" on the market, as well as "pending" sales. When a seller lists a property, it becomes counted as inventory. When it goes under contract, it becomes a pending sale.

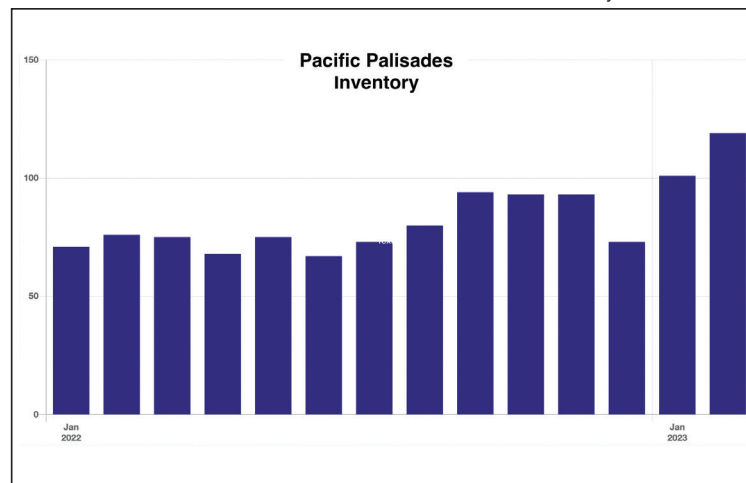
Inventory is calculated monthly by taking a count of the number of active listings and pending sales on the last day of the month. If the inventory is rising, there is less pressure for home prices to increase.

In January 2022, inventory in Pacific Palisades was at 71 active properties listed on the market. We saw that number increase by 42% to 101 in January 2023.

"Months' supply" refers to the number of months it would take for the current inventory of homes on the market to sell given the current sales pace



Courtesy of Amalfi Estates



(number of sales the previous month), without adding any new properties to the market.

Historically, five to six months of supply is associated with a "balanced market." Typically, anything under five months' supply indicates a seller's market. Conversely, anything greater than six months' supply would be a buyer's market.

In January 2022, the months'

supply in the Palisades was only three months, meaning that at the current sales pace, it would take just three months for housing inventory to be depleted, indicating a seller's market.

The months' supply for January 2023 was 13. This indicates a major buyer's market, but that number came back down to six in February 2023.

Part of the glut of inventory

can lead back to Measure ULA, the new transfer tax on properties over \$5 million that goes into effect on April 1. Given the fact that houses are sitting on the market longer, coupled with the uncertainty in mortgage rates, we expect more of a buyer's market moving forward in 2023.

Understanding the difference between these two markets is crucial when considering buying or selling a property. In a buyer's market, buyers have the advantage, and they can negotiate better prices and terms. In contrast, sellers have the upper hand in a seller's market, and they can sell their property quickly and for a higher price.

No matter what type of market it is, it is essential to work with a real estate agent who has experience in that market and can help navigate the complexities of buying or selling a property.

Brian Bogulski is a sales partner with Amalfi Estates. Amalfi has sold \$2 billion in properties and was selected by Wall Street Journal as one of the top 10 teams in the country out of two million agents and teams. They have also given \$2 million to charity, helping 50,000 families through their 10% of each commission to charity initiative. If you are thinking of buying or selling, contact Bogulski at 323-983-1177 or brian@amalfiestates.com.