

THE LECH REPORT

2023 In the Rear View Mirror and 2024 Through the Windshield

JANUARY 16, 2024

2023 was a difficult year for many. My family had some serious health issues to deal with, the economy had to deal with runaway inflation and explosive interest rate growth, the housing market was good for homeowners (prices are up) but bad for agents (number of sales down). I have heard from many “I am glad to see 2023 come to an end”.

Let’s review 2023 and see how we should look forward to 2024.

The study of economics is interesting, particularly if, like me, you are a lover of numbers and graphs. Supply and Demand should be a two-dimensional graph, but the resulting component of Price makes it a challenge to draw. Particularly in California, we have another major factor to consider, at least as important as Supply and Demand and Price. The Government. It brings our graph into the multi-dimensional game of chess played on the Starship Enterprise. Hard to picture.

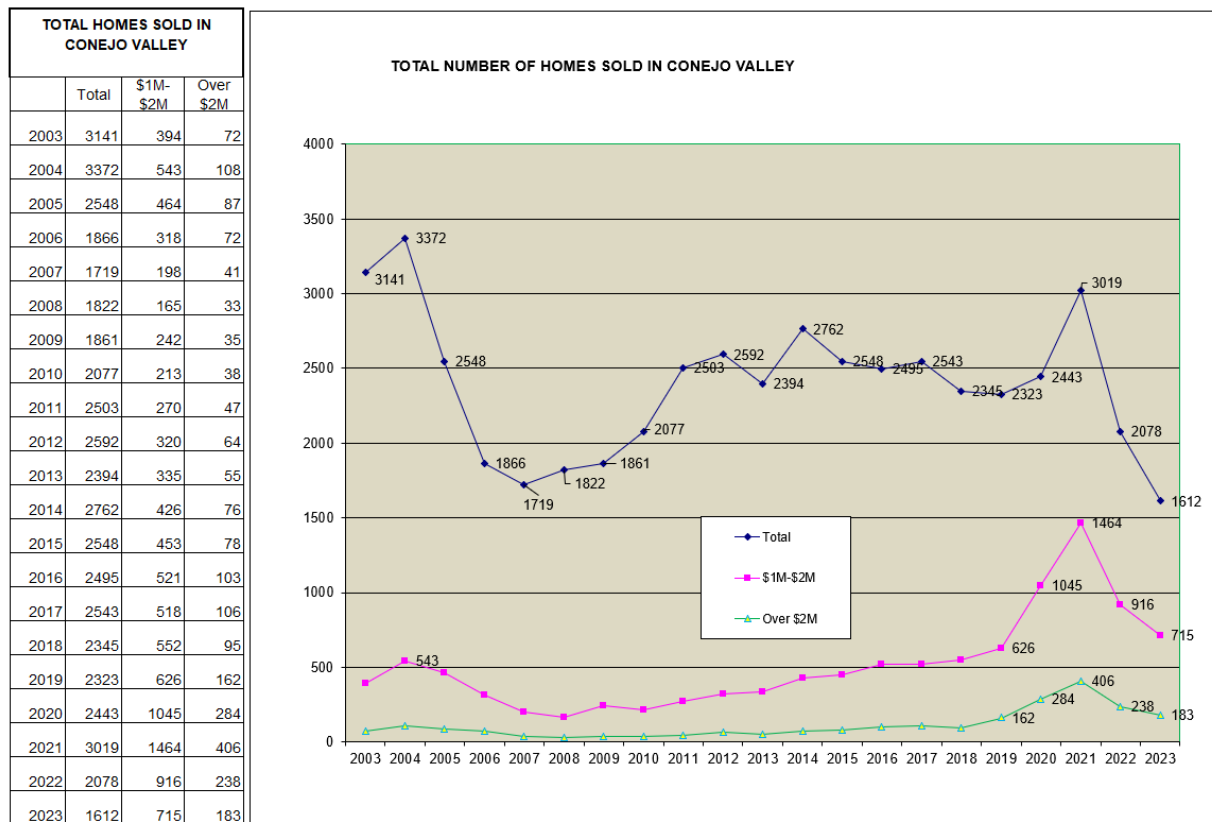
In past years, the FED bought up huge quantities of mortgage-backed securities to keep mortgage rates down. Then they started selling off those same securities while they were generally raising interest rates, regularly and constantly. California has tried to exacerbate the shortage of homes (2.5 million units) by requiring RHNA numbers of homes to be planned for, and pushed local governments to accept ADUs and even taking some cities to court. A combination of local and state requirements resulted in Impact Fees that approach six figures per unit. Yes, the government has been a major factor, both good and bad.

One of my favorite phrases is “All Real Estate Is Local”. Let’s see how our local market has done now that 2023 has ended. Let’s start with a chart of how the real estate market has performed as measured by the number of units sold. In the chart below, the top blue line represents the total number of units sold. It was a surprise, when looking back all the way to 2003 (when I started in Real Estate) that the number of units sold this year is the lowest since 2003, lower even than the 2007-2009 Great Recession. (I began keeping records in 2003)

The expected yearly average we would expect from this chart is in the neighborhood of 2400 units per year. The years 2003-2004 saw record sales due to mortgages available with stated earnings and teaser rates for the first five years. The shakeout resulted in what we now call The Great Recession. The predominant sellers became the banks, who became homeowners after foreclosures. By 2012 the banks switched to short sales, bringing the

market back towards balance. The phenomenal year of 2021, the Covid home-buying panic, was 3,019, close to a record high. Two years later, 2023 recorded only half of that number. These past few years have indeed been a roller coaster.

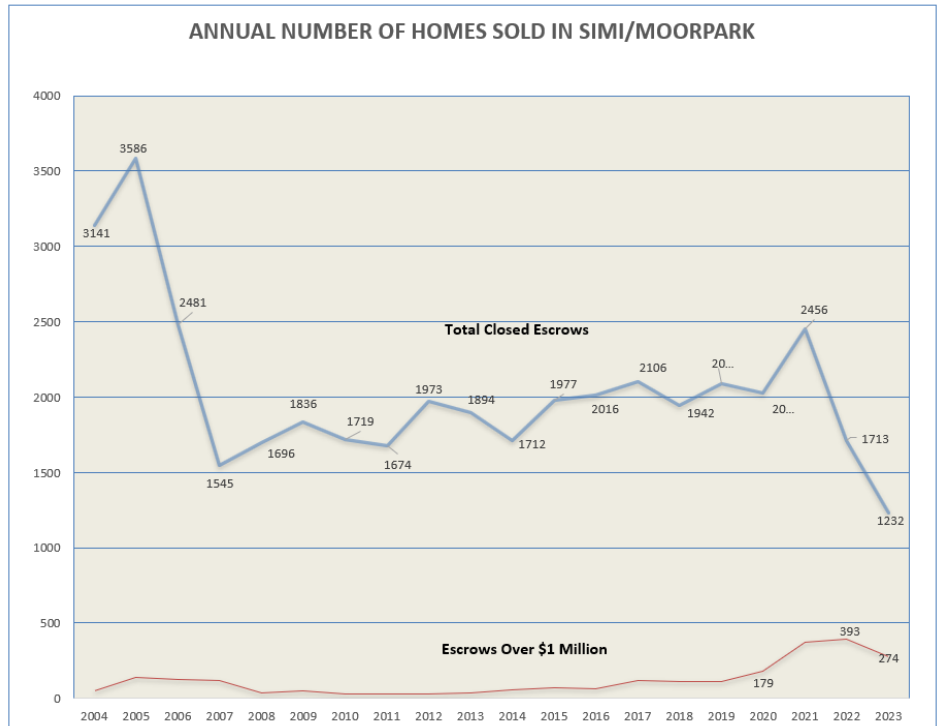
Price increases must also be taken into account. The two lines at the bottom of this chart shows the growth of homes priced between \$1-2 million and those over \$2 million. Similar to the total of homes sold, the number of homes in these tranches peaked quickly and then dipped precipitously.



Looking at Simi Valley and Moorpark, we see much the same history. The 2003-2004 surge resulted in Simi/Moorpark exceeding the number of homes sold in the Conejo, and the resulting few years saw an even steeper drop in sales. The average during the years following this big drop is in the neighborhood of 2,000 units per year. The phenomenal year of 2021, the Covid home-buying surge, was 2,456 units. This year 2023 ended at roughly half of that number, 1,232. These past few years have indeed been a roller coaster.

TOTAL HOMES SOLD IN SIMI
VALLEY/MOORPARK

	Total	Over \$1 M
2004	3141	49
2005	3586	142
2006	2481	127
2007	1545	118
2008	1696	39
2009	1836	49
2010	1719	29
2011	1674	29
2012	1973	29
2013	1894	34
2014	1712	54
2015	1977	69
2016	2016	63
2017	2106	118
2018	1942	111
2019	2091	112
2020	2030	179
2021	2456	376
2022	1713	393
2023	1232	274



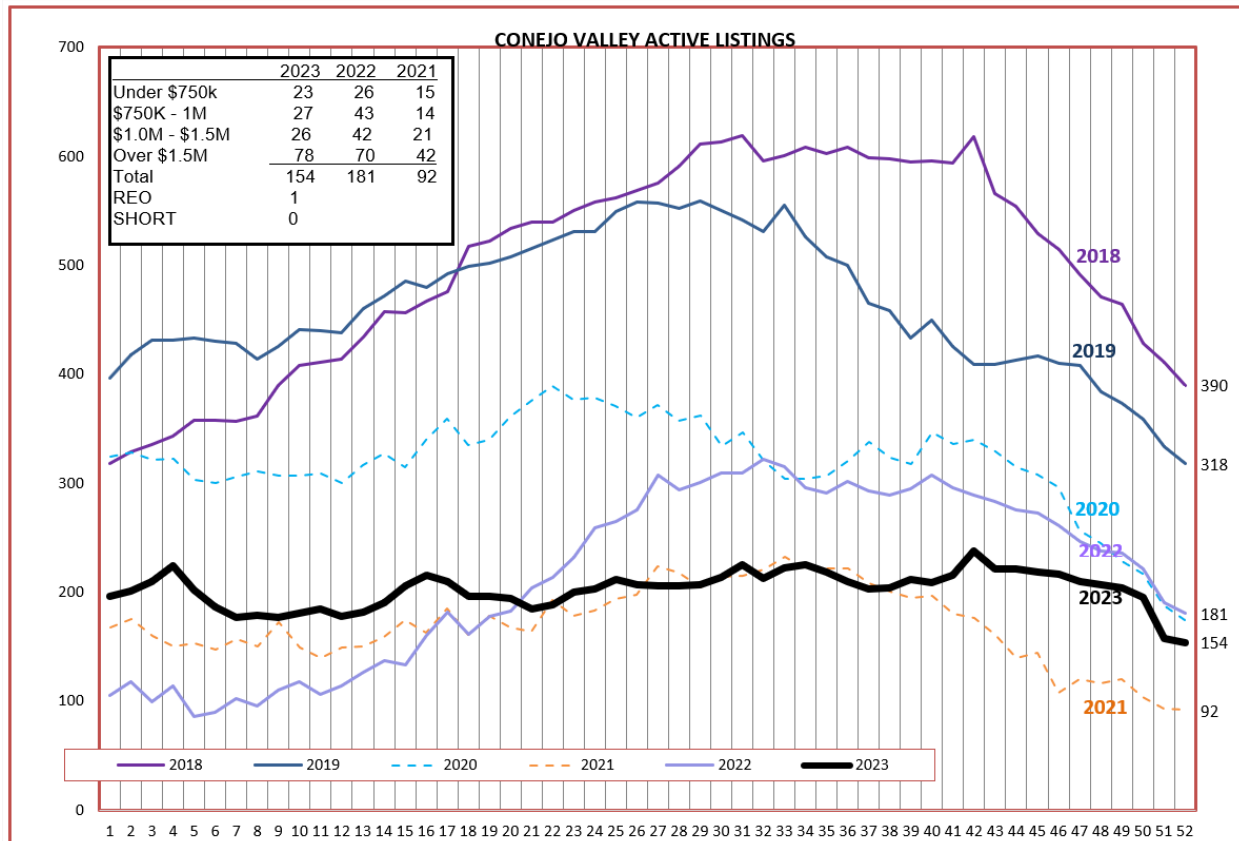
Let's next look at the statistics in a shorter time frame, the last three months compared to those same months last year. Median prices increased by 5%, but the Average price actually decreased, mainly due to the influence of the very top end of the market. We will discuss inventory at length, but note that half of our minimal inventory is currently made up of homes priced in the highest tier of prices (over \$1.5 million). The very bottom of this table indicates that higher priced homes are showing some strength, particularly since the median price in the Conejo has now exceeded \$1 million.

STATS CONEJO VALLEY	1/15/2024		
	2023	2022	
3-month Period	10/1/2023- 12/31/2023	10/1/2022- 12/31/2022	Versus Same Period Last Yr.
Total Active Residential Listings	154	181	Down 15% from last year
Median Sold Price	\$ 1,025,000	\$ 975,000	Up 5%
Average Sold Price	\$ 1,194,764	\$ 1,204,416	Down 1%
Average Days On MLS	29	39	One Month
Number of sales	357	361	SAME
Total Dollar Value of Solds	\$ 426,530,748	\$ 434,794,176	Down 2%
Months of Inventory	1.3	1.5	Only 5 weeks of total inventory
Listings under \$750,000	23		51% of inventory over \$1.5 M
Avg Monthly Sales under \$750,000	26		
Months of under \$750,000 Inventory	0.88		
Bracket Sales for Last 3-Month Period	2023	2022	
Total Number of Sales	357	361	Down 1%
Under \$750,000	75	85	Down 12%
\$750,000 - \$1,000,000	95	105	Down 10%
\$1,000,000 - \$1,500,000	124	109	Up 14%
Over \$1,500,000	63	62	Up 2%

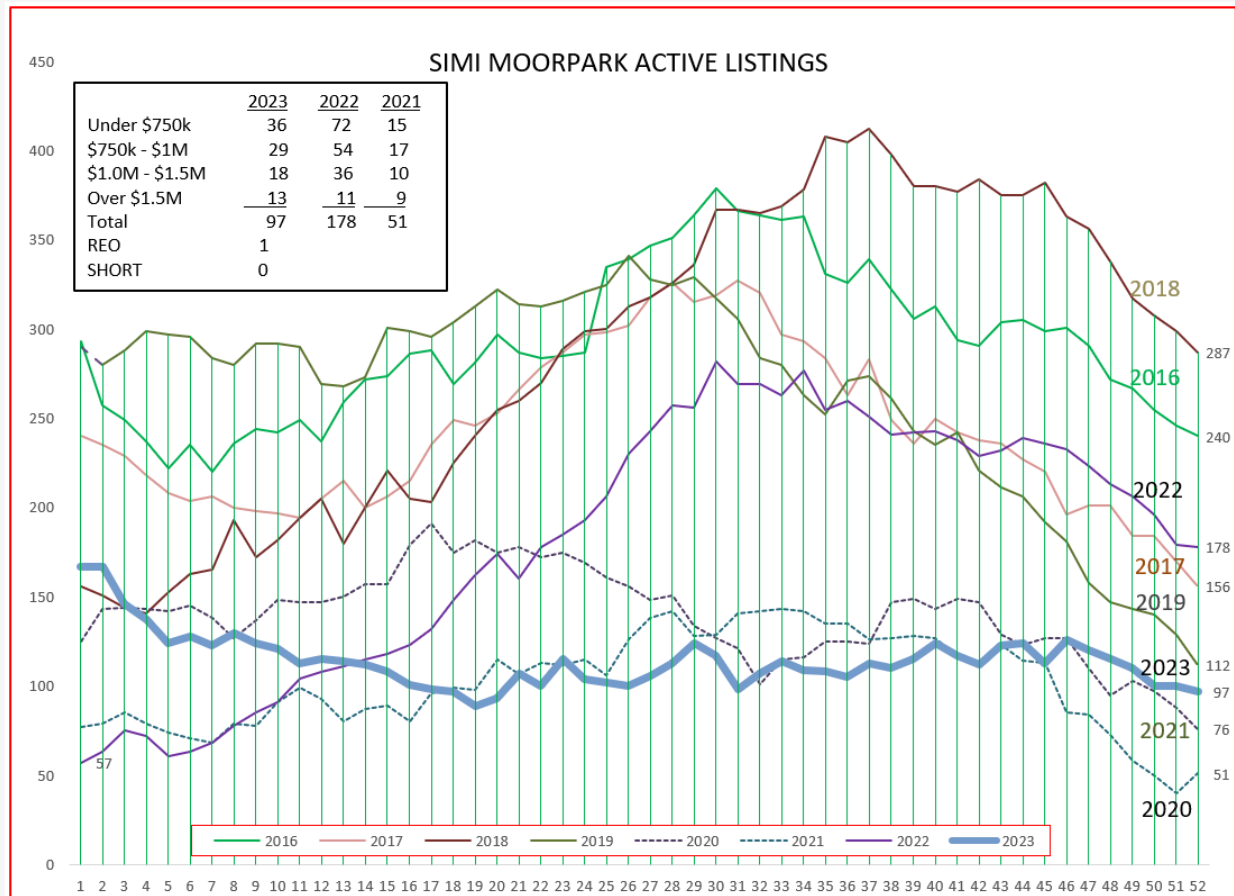
For Simi/Moorpark, there is a smaller percentage of higher priced homes. This table shows prices currently are 5-6% higher than they were a year ago. 37% of the active inventory is priced below \$750,000. Total inventory is down 46% from a year ago and in single digits as the year ends. The lack of inventory resulted in 26% fewer homes being sold during this three month comparison with last year. But that may be an improvement when you consider the annualized figures in the top two charts above. The bottom of this table shows a huge percentage jump for homes priced over \$1.5 million, but this is a very small sample and is the result of only 3 additional sales.

STATS SIMI MOORPARK	1/15/2024		
	2023	2022	Versus Same Period Last Year
	10/1/2023 - 12/31/2023	10/1/2022 - 12/31/2022	
Total Active Residential Listings	97	178	Down 46%
Median Sold Price	\$ 812,500	\$ 774,000	Up 5%
Average Sold Price	\$ 882,327	\$ 834,247	Up 6%
Average Days On MLS	25	41	Sold in 3 weeks
Number of sales	249	336	Down 26%
Total Dollar Value of Solds	\$ 219,699,423	\$ 280,306,992	Down 22%
Months of Inventory	1.2	1.6	Only 5 weeks Inventory
<div> <div>Listings under \$750,000</div> <div>36</div> <div>37% of inventory under \$750k</div> </div>			
<div> <div>Avg Monthly Sales under \$750,000</div> <div>29</div> </div>			
<div> <div>Months of under \$750,000 Inventory</div> <div>1.23</div> </div>			
Bracket Sales for Last 3-Month Period	2023	2022	
Total Number of Sales	249	336	Down 26%
Under \$750,000	85	157	Down 46%
\$750,000 - \$1,000,000	107	114	Down 6%
\$1,000,000 - \$1,500,000	44	55	Down 20%
Over \$1,500,000	13	10	Up 30%

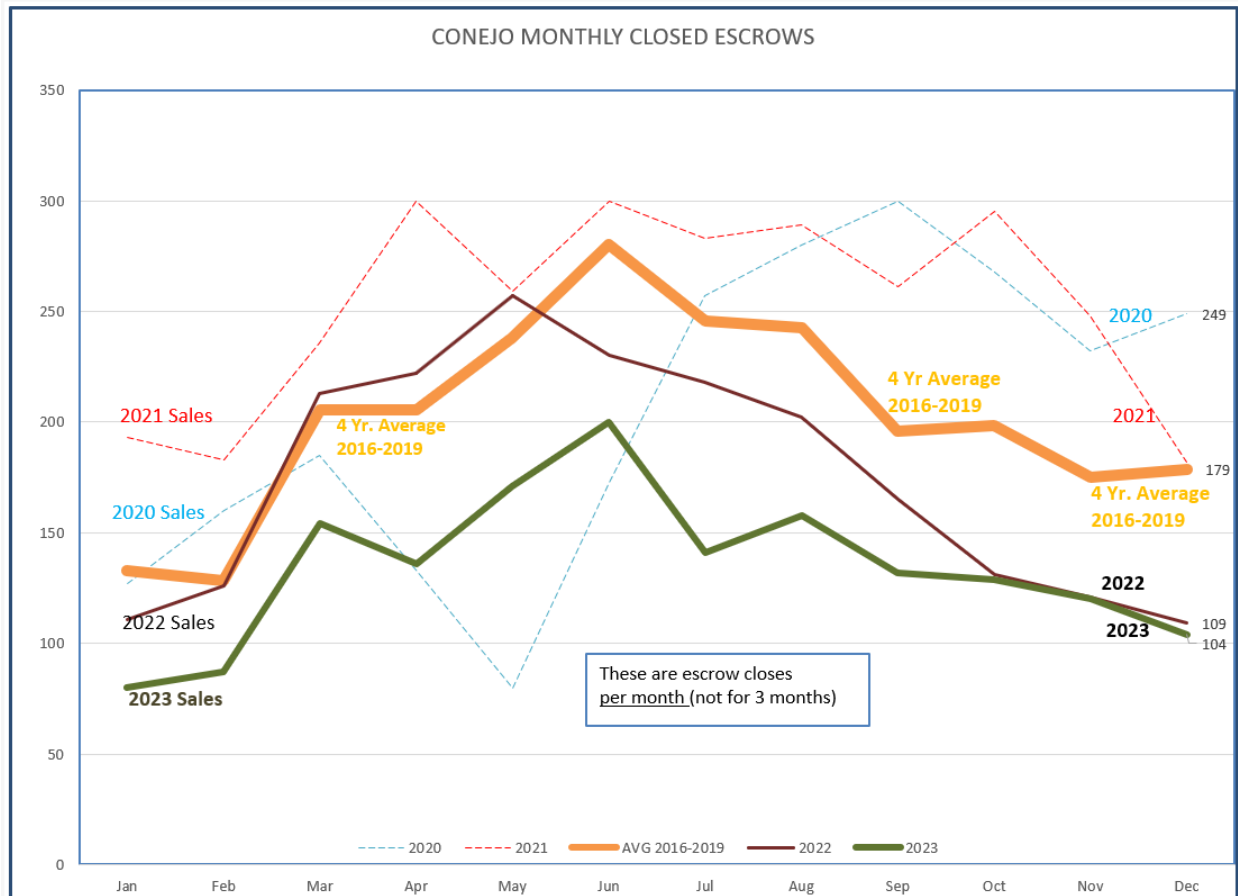
We know inventory is a major constraint facing our market. Our inventory gradually grows as the year progresses, peaking in the summer and then dipping toward year end. Obviously 2023 did not follow that usual pattern, ending up as basically a flat line as the year progressed. Any homes coming onto the market were immediately sold, resulting in this flat line. A lack of inventory generally provides upward price pressure .



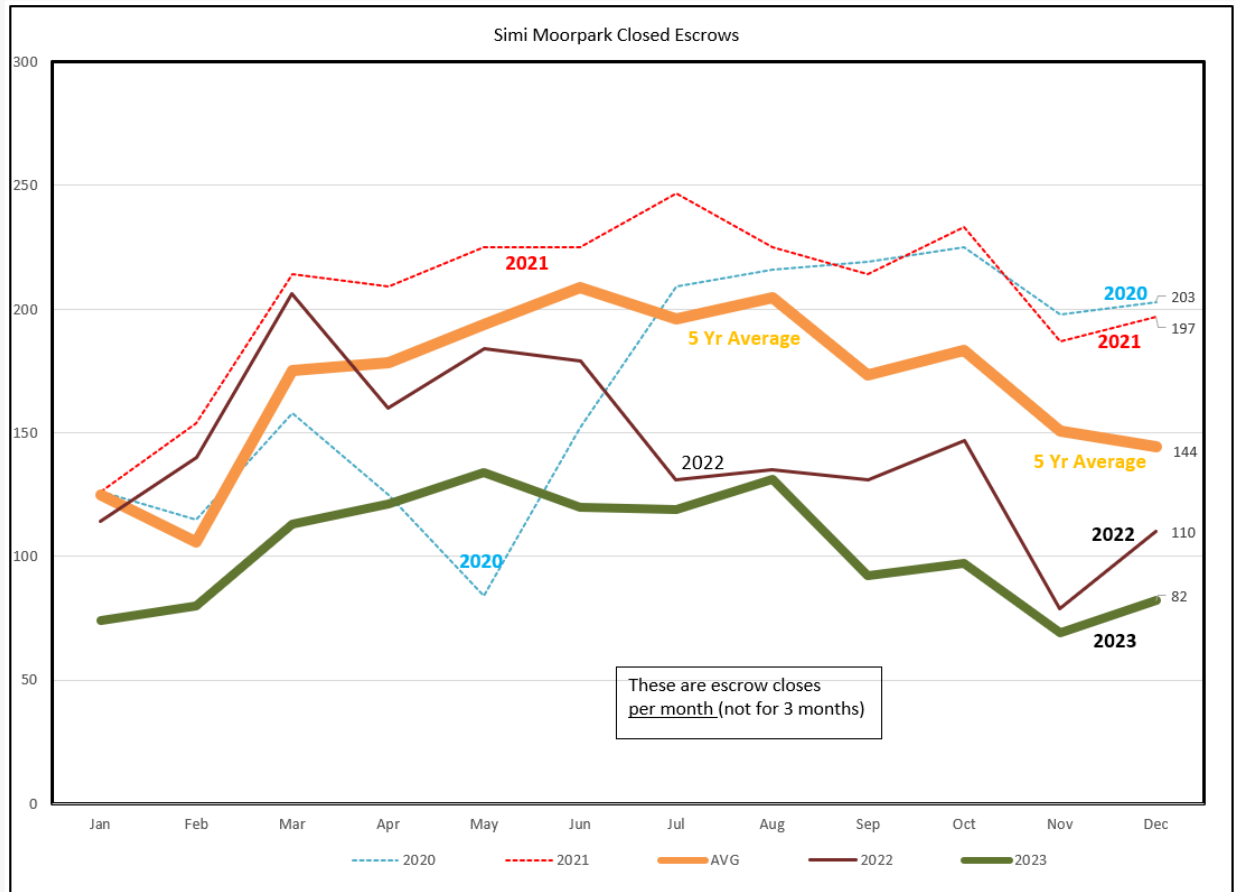
Simi/Moorpark experienced the same pressures, only worse. The years 2019 – 2023 all ended with around 100 units available, a terribly low inventory. 2020 ended with only 51 units. The dotted lines represent the anomaly Covid-years. For a non-Covid year, the 2023 flat-line means that the inventory never grew as the year progressed, indicating again that whatever hit the market sold, under rising price pressure.



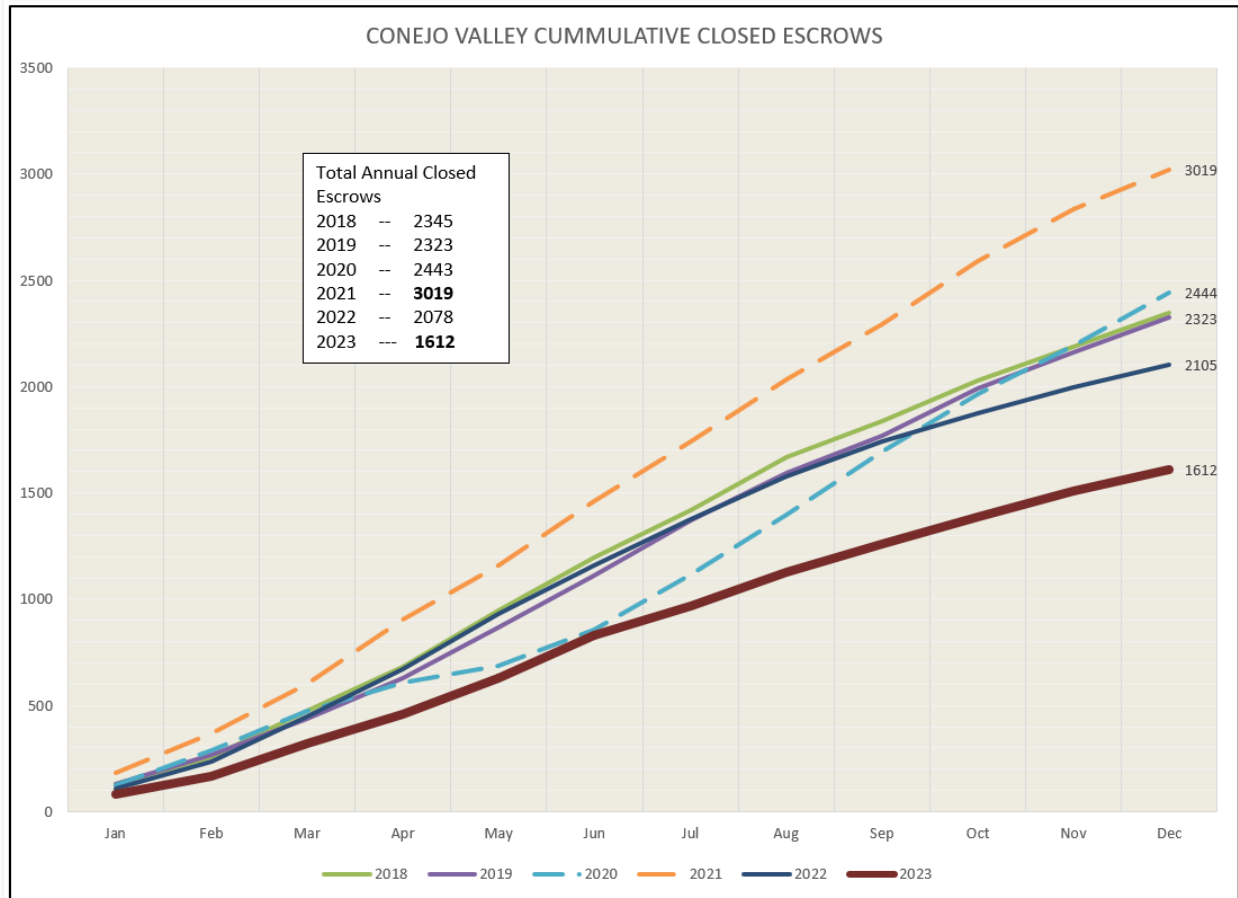
This is how sales progressed as the year progressed. 2023 showed a normal pattern of sales, rising as the year begins and dropping off as the year ended. Buyers were out buying, resulting in this normal curve, although with much lower numbers because there was not enough inventory to sell. Compare the normal average (orange line) to the 2023 (heavy green) line, and you can see the similarity.



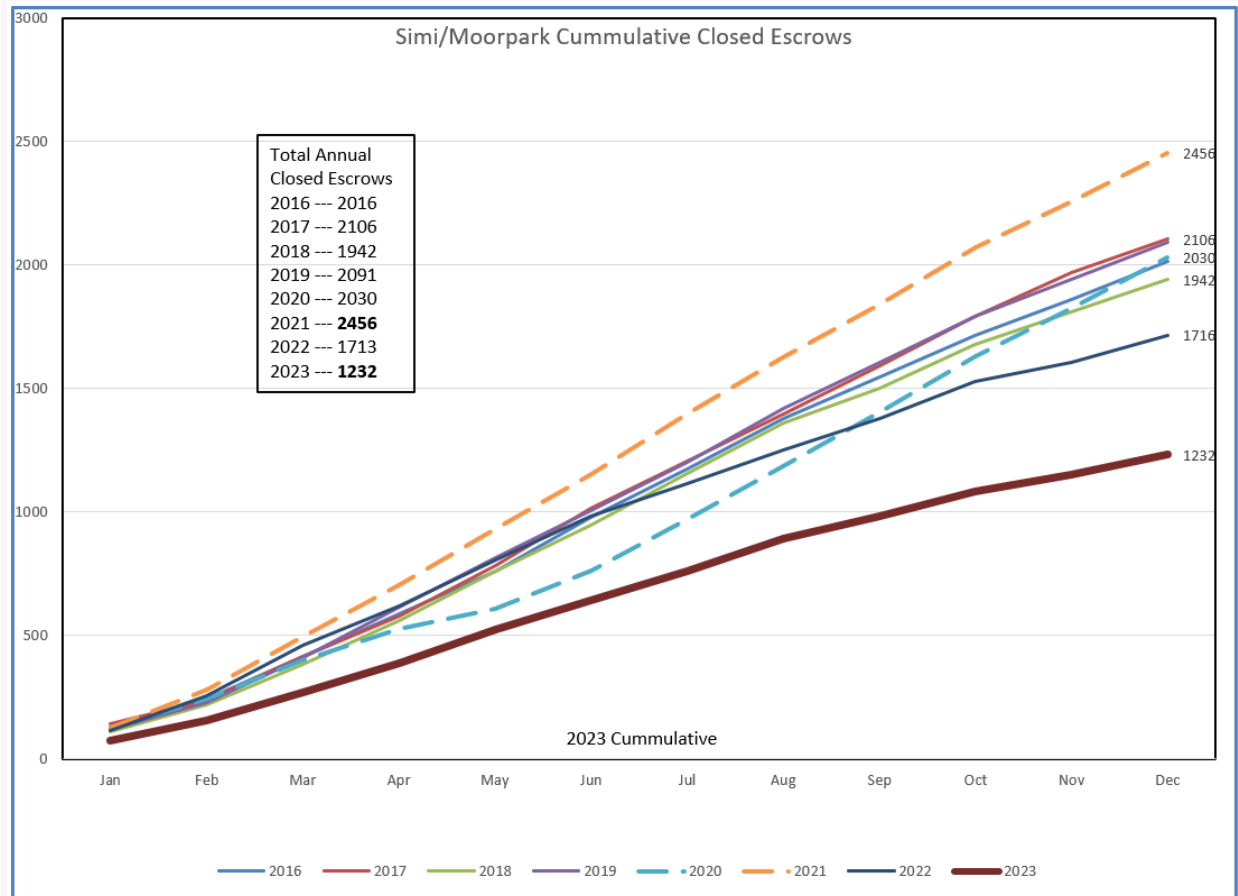
Simi/Moorpark expressed the same picture between the normal, average sales (orange line) and 2023 (heavy green line.) The green line is shaped normally but lower, again due to a lack of inventory.



That sales progressed normally as the year progressed can be seen in this chart. In this chart, each point represents the total sales as the year progresses. Notice that in the inserted box, the 2021 total homes sold was 3,019, while the 2023 total was only 1,612. We can call 2023 a correction year, due to the abnormally high total in 2021.

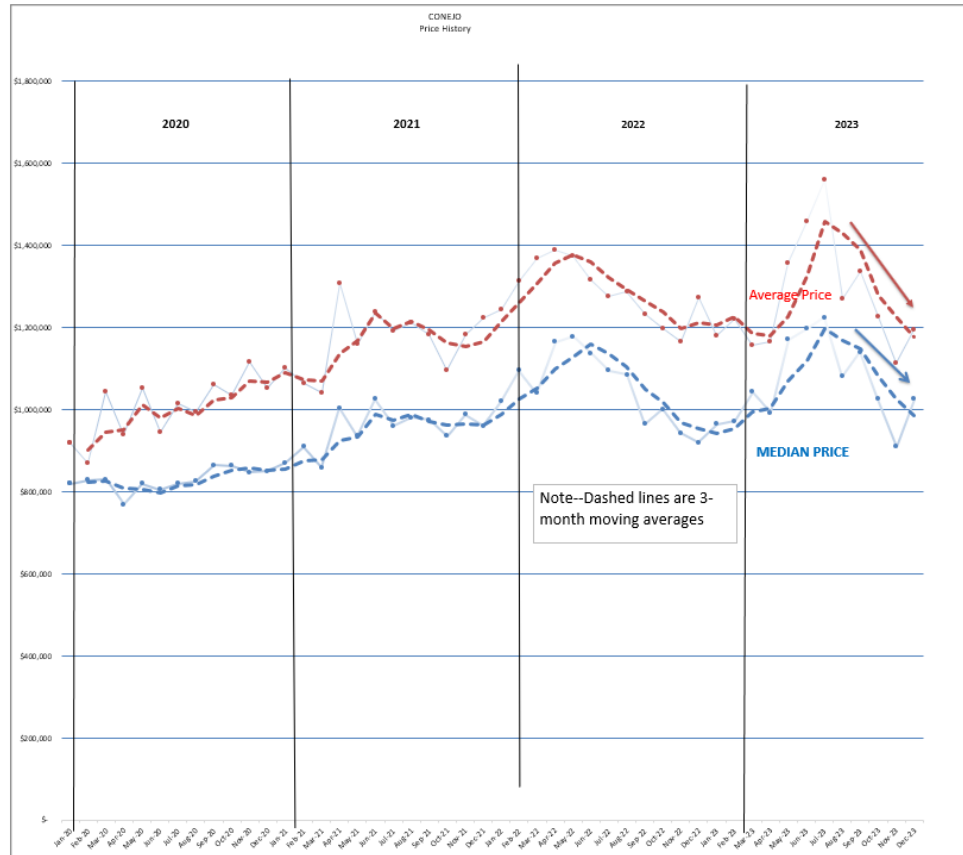


Slmi/Moorpark progressed the same way. Note in the box insert, the year 2021 was the highest in recent history, and the year 2023 ended up only half as many homes sold.



Finally, let's look at what prices have been doing. Conejo prices rocketed as the year began, and then dipped as the reality of higher mortgage rates convinced buyers to pull back. As fewer buyers were able to afford to buy, both Median and Average prices dropped.

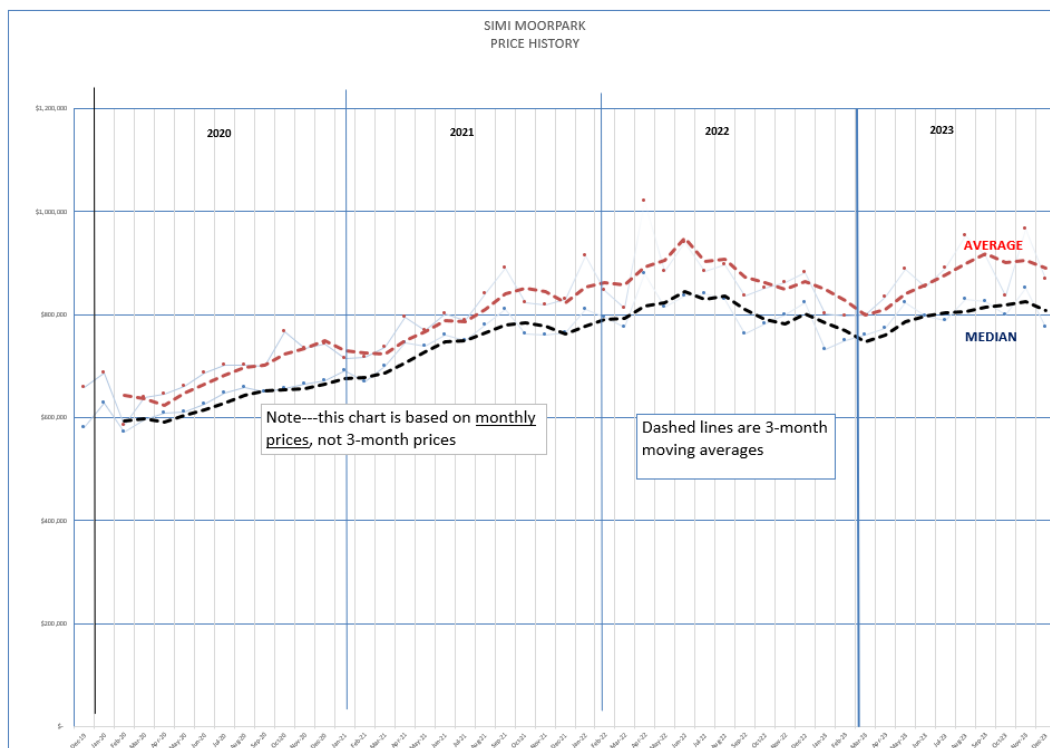
CONEJO VALLEY		
DATE	MEDIAN	AVERAGE
Jan-20	\$ 818,700	\$ 917,906
Jan-20	\$ 818,700	\$ 917,906
Feb-20	\$ 827,400	\$ 870,226
Mar-20	\$ 830,000	\$ 1,042,890
Apr-20	\$ 769,000	\$ 938,795
May-20	\$ 820,000	\$ 1,051,872
Jun-20	\$ 805,000	\$ 945,644
Jul-20	\$ 820,000	\$ 1,014,336
Aug-20	\$ 825,000	\$ 995,356
Sep-20	\$ 865,000	\$ 1,060,749
Oct-20	\$ 862,500	\$ 1,033,982
Nov-20	\$ 847,500	\$ 1,115,324
Dec-20	\$ 850,000	\$ 1,052,577
Jan-21	\$ 870,000	\$ 1,101,123
Feb-21	\$ 910,000	\$ 1,064,590
Mar-21	\$ 858,000	\$ 1,039,843
Apr-21	\$ 1,003,750	\$ 1,308,864
May-21	\$ 935,000	\$ 1,158,744
Jun-21	\$ 1,025,000	\$ 1,238,194
Jul-21	\$ 960,000	\$ 1,192,702
Aug-21	\$ 980,500	\$ 1,210,621
Sep-21	\$ 975,000	\$ 1,183,644
Oct-21	\$ 935,000	\$ 1,095,313
Nov-21	\$ 987,500	\$ 1,181,805
Dec-21	\$ 960,000	\$ 1,222,485
Jan-22	\$ 1,020,000	\$ 1,243,839
Feb-22	\$ 1,094,975	\$ 1,313,957
Mar-22	\$ 1,040,000	\$ 1,368,892
Apr-22	\$ 1,165,000	\$ 1,388,774
May-22	\$ 1,177,000	\$ 1,372,918
Jun-22	\$ 1,137,250	\$ 1,315,114
Jul-22	\$ 1,095,000	\$ 1,275,512
Aug-22	\$ 1,085,000	\$ 1,286,971
Sep-22	\$ 965,000	\$ 1,231,131
Oct-22	\$ 1,000,000	\$ 1,196,810
Nov-22	\$ 942,000	\$ 1,166,528
Dec-22	\$ 920,000	\$ 1,274,046
Jan-23	\$ 965,000	\$ 1,180,693
Feb-23	\$ 972,000	\$ 1,220,299
Mar-23	\$ 1,043,250	\$ 1,156,323
Apr-23	\$ 992,500	\$ 1,164,458
May-23	\$ 1,170,000	\$ 1,355,570
Jun-23	\$ 1,197,000	\$ 1,457,272
Jul-23	\$ 1,224,000	\$ 1,558,974
Aug-23	\$ 1,080,000	\$ 1,271,205
Sep-23	\$ 1,140,000	\$ 1,337,397
Oct-23	\$ 1,025,000	\$ 1,225,581
Nov-23	\$ 910,000	\$ 1,113,765
Dec-23	\$ 1,025,000	\$ 1,194,764



For Simi/Moorpark, the decrease was also felt, but since prices did not rise as much as Conejo, they did not fall as much as

Conejo.

SIMI MOORPARK		
	MEDIAN	AVERAGE
Dec-19	\$ 500,000	\$ 455,795
Jan-20	\$ 527,500	\$ 455,694
Feb-20	\$ 572,000	\$ 504,992
Mar-20	\$ 595,000	\$ 430,240
Apr-20	\$ 609,000	\$ 445,457
May-20	\$ 610,000	\$ 459,378
Jun-20	\$ 625,000	\$ 616,950
Jul-20	\$ 647,000	\$ 702,500
Aug-20	\$ 651,750	\$ 700,640
Sep-20	\$ 650,000	\$ 699,440
Oct-20	\$ 651,000	\$ 717,201
Nov-20	\$ 645,000	\$ 734,040
Dec-20	\$ 672,000	\$ 747,228
Jan-21	\$ 690,000	\$ 710,052
Feb-21	\$ 670,000	\$ 716,670
Mar-21	\$ 700,000	\$ 734,423
Apr-21	\$ 745,000	\$ 793,945
May-21	\$ 737,500	\$ 760,061
Jun-21	\$ 769,000	\$ 891,057
Jul-21	\$ 750,000	\$ 717,703
Aug-21	\$ 710,000	\$ 679,054
Sep-21	\$ 810,000	\$ 990,600
Oct-21	\$ 743,000	\$ 822,497
Nov-21	\$ 759,000	\$ 819,550
Dec-21	\$ 744,000	\$ 828,500
Jan-22	\$ 810,000	\$ 910,119
Feb-22	\$ 745,500	\$ 846,199
Mar-22	\$ 775,000	\$ 816,634
Apr-22	\$ 679,750	\$ 1,011,055
May-22	\$ 815,000	\$ 882,906
Jun-22	\$ 826,000	\$ 940,772
Jul-22	\$ 840,000	\$ 910,901
Aug-22	\$ 830,000	\$ 996,736
Sep-22	\$ 742,000	\$ 835,440
Oct-22	\$ 712,000	\$ 850,504
Nov-22	\$ 749,000	\$ 840,830
Dec-22	\$ 822,000	\$ 880,072
Jan-23	\$ 732,500	\$ 802,117
Feb-23	\$ 750,000	\$ 796,924
Mar-23	\$ 769,000	\$ 791,499
Apr-23	\$ 772,000	\$ 833,204
May-23	\$ 823,000	\$ 880,026
Jun-23	\$ 797,000	\$ 952,749
Jul-23	\$ 719,000	\$ 815,036
Aug-23	\$ 830,000	\$ 982,050
Sep-23	\$ 825,000	\$ 914,251
Oct-23	\$ 800,000	\$ 835,096
Nov-23	\$ 850,000	\$ 945,470
Dec-23	\$ 775,000	\$ 817,377



A final word on why I report on Simi Valley and Moorpark together. It is personal. I live in the Conejo, but our association includes both Moorpark and Simi Valley. Moorpark is the smallest in area and in number of homes, so way back in 2003 I bundled those two together, and have continued that decision until today.

What is my New Years resolution?

Maybe more interesting, what is my New Years Forecast?

This blog is a little late because I was fortunate to be able to attend the Center for California Real Estate meeting last week, featuring four of our most respected real estate economists. Their opinions are much better than I could ever opine, as is the C.A.R. forecast done by Jordan Levine and Oscar Wei. These four economists all agreed with the forecast issued by C.A.R., and with their permission I have reproduced it below. Better that you quote these highly respected economists than me.



California housing market outlook

	2016	2017	2018	2019	2020	2021	2022	2023p	2024f
SFH Resales (000s)	417.7	424.9	402.6	398.0	411.9	444.5	342.0	266.2	327.1
% Change	2.0%	1.7%	-5.2%	-1.2%	3.5%	7.9%	-23.1%	-22.2%	22.9%
Median Price (\$000s)	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$786.8	\$822.3	\$810.0	\$860.3
% Change	5.4%	7.1%	5.9%	4.0%	11.3%	19.3%	4.5%	-1.5%	6.2%
Housing Affordability Index	31%	29%	28%	31%	32%	26%	19%	17%	17%
30-Yr FRM	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	5.3%	7.0%	6.8%

CALIFORNIA ASSOCIATION OF REALTORS®

49 / 50



2024 sales units should increase 23% compared to 2023. Although that is a large percentage number, the actual number of sales remains low at 327,000 units, still below the normal average sales total of 400,000.

Median prices will continue to climb, up 6%. Why? Lack of inventory. But that will not help housing affordability, at a very low 17%.

What could change this? Mortgage rates, which in this forecast is said to be 6.8% on average for 2024. Many have been forecasting FED declines in their interest rates, but the current expression describing rates is “remaining higher for longer”.

We could use some help from Washington. If they were to change the SALT tax, reduce the long term gain on the sale of a home, and reduce mortgage interest rates, the market could change appreciably for the better. Santa, I know you are back at the North Pole, but that is what we want.

The end result is to look for the market to improve, but that may occur by the second half of this year.

Happy New Year.

Chuck

