

South Valley

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Home sales continue to boom. But will inventory keep up? P2



Supply vs. Demand

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Housing imbalance

Low interest rates drive continued growth in housing market

BY ERIK CHALHOUB

The booming real estate market during the pandemic is creating an issue as the fall season gets underway: low inventory.

Lawrence Yun, chief economist for the National Association of Realtors, said scarce inventory has been problematic for the past few years, but has worsened in the past month due to the dramatic surge in lumber prices and the dearth of lumber resulting from California wildfires.

“Over recent months, we have seen lumber prices surge dramatically,” Yun said. “This has already led to an increase in the cost of multifamily housing and an even higher increase for single-family homes.”

Yun said the need for housing will grow even further, especially in areas that are attractive to those who can work from home. As highlighted in NAR’s August study, the 2020 Work From Home Counties report, remote work opportunities are likely to become a growing part of the nation’s work-force culture.

“Housing demand is robust but supply is not, and this imbalance will inevitably harm affordability and hinder ownership opportunities,” he said. “To assure broad gains in homeownership, more new homes need to be constructed.”



According to the Santa Clara County Association of Realtors, 946 single-family residences sold in August. While that was a nearly six-percent dip from July, it represented an increase of eight percent compared to August 2019.

In Gilroy, 66 single-family homes sold, compared to 62 in July, according to SCCAOR data. Inventory dropped from 81 in July to 73 in August.

A total of 63 homes sold in Morgan Hill in August, dropping the current inventory to 66. San Martin has a scarce inventory of three single-family homes for sale as of August, according to SCCAOR.

The inventory issue has extended to San Benito County as well. According to Intero Real Estate Services’ Market Snapshot for August, which gathers data



File photo

HOT MARKET

The Allendale home project in Hollister is one of the larger developments in the region. Real estate officials say the housing inventory is struggling to keep up with demand.

from MLS Listings, there were 66 active listings in San Benito County, a 56 percent decrease from August 2019. Seventy-three homes sold in August, a slight dip from July's number of 79.

In Hollister, the 51 active listings in August represented a 58 percent decrease over the previous year, according to Intero Real Estate Services.

The lowest mortgage rates in five decades have enticed buyers. According to Freddie Mac's Primary Mortgage Market Survey released Sept. 10, 30-year fixed-rate mortgages averaged 2.86 percent, the lowest rate in the survey's history which dates back to 1971.

"Mortgage rates have hit another record low due to a late summer slowdown in the economic recovery,"

said Sam Khater, Freddie Mac's chief economist. "These low rates have ignited robust purchase demand activity, which is up 25 percent from a year ago and has been growing at double digit rates for four consecutive months. However, heading into the fall it will be difficult to sustain the growth momentum in purchases because the lack of supply is already exhibiting a constraint on sales activity."

Sandy Jamison, president of the SCCAOR, said the summer months saw a rebound in real estate activity after things slowed in spring during the beginning of the pandemic.

"We are seeing a steady flow of motivated buyers along with a surge of first-time homebuyers entering the market due to extremely low interest rates," she said.

"The low rates combined with our steady job market are continuing to give households the confidence to begin their homebuying process."

The market is "hot" right now for homes that are in move-in condition and priced right, Jamison said. But with buyers grabbing them quickly, a cooldown could be on the horizon.

"Buyers want updated homes that are move-in ready," she said. "With the aging homes across San Jose and the constantly low inventory levels, we need to continue to focus on building more housing. With the regulatory hurdles to building new homes, we don't expect supply to come in-line with demand anytime soon."