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2021 REAL ESTATE MARKET: YEAR IN REVIEW

by Mike Harper & Peter Hazdovac



Where does the time go?

It's been nearly four years since writing our first column for *San Pedro Today*, and we would like to

express our gratitude to a great community that has supported our efforts. Our goal was very straightforward with this column: provide relevant real estate information while relating it to our local communities. We are grateful for the opportunity and just want to thank our readers.

Another year has elapsed, and boy, what a whirlwind year it was in our local real estate markets. The year began strong and ended even stronger, as we continued to emerge post-pandemic with “limited housing inventory and historically low mortgage rates” continuing to be the primary drivers. This was a year in which multiple offer scenarios became the norm, vaulting housing prices to record highs that had never been seen before in our nearly 20 years in the business.

To give a little perspective, let's look back to 2020 vs. 2019 and how the local real estate markets performed during the pandemic, which hit in March of 2020. According to local MLS statistics (2020 vs. 2019), there were 355 single-family residences sold in San Pedro (+13%) with an average sales price of \$781,000 (+9%) and average days on market (DOM) of 32 days (-12%). In neighboring Rancho Palos Verdes, there were 399 SFRs sold (+8%) with an average sales price of \$1,664MM (+11%) and average DOM of 38 days (-21%). Overall, there were 3,964 SFRs sold (-4%) in the Greater South Bay with an average sales price of \$1,339MM (+13%) and average DOM of 31 days (-18%). The overall trend across the Greater South Bay was a slight decrease in sales volume, higher prices, and fewer days on market.

As reported last year, the 2021 Housing Market Forecast published by the California Association of Realtors® projected that SFR home sales volume would increase by 3.3%, with the me-

dian home price in California up 1.5%. The average 30-year, fixed mortgage interest rates were projected to decrease slightly to 3.1%.

How did this forecast play out in the Greater South Bay during 2021? Through mid-December of 2021, there were 379 SFR homes sold in San Pedro. This was up 13% from the 332 homes sold during the same period in 2020. The average sales price of \$934,000 was up a whopping 18%, and the average DOM for homes sold went from 33 days down to 21 days (-44%). In Rancho Palos Verdes, 458 SFR homes sold (+21%) with an average sales price of \$1,983MM (+17%) and average DOM of 21 days (-58%). In the Greater South Bay as a whole, there were 4,585 SFR homes sold (+22%) with an average sales price of \$1,560MM (+15%) and average DOM of 21 days (-38%). We clearly exceeded the projections in sales volume and price for California in our area, with the average 30-year fixed mortgage interest rate being in line with projections at 3.2%.

So what's the outlook for 2022? The California Association of Realtors® projects that supply constraints and higher home prices will bring California home sales down slightly in 2022, but transactions will still post their second-highest level in the past five years. The California median home price is forecast to rise 5.2% to \$834,400 in 2022, following a projected 20.3% increase to \$793,100 in 2021 from \$659,400 in 2020. An imbalance in demand and supply will continue to put upward pressure on prices, but higher interest rates and partial normalization of the mix of sales will likely curb median price growth. Additionally, a shift in housing demand to more affordable areas, as the trend of remote working continues, will also keep prices in check and prevent the statewide median price from rising too fast in 2022.

We look forward to a great 2022 and all that the New Year may bring. **spt**

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