



Jaime Pera's Marin Real Estate Market Update October 31, 2016

Welcome to the home stretch of the 2016 Marin real estate market, a market that is changing for sure! What exactly is changing? First of all, buyers are moving at a more deliberate pace and homes that 5 months ago would have gone into escrow during their first week on the market are now remaining unsold for longer periods of time. What is causing this change? Prices have risen so rapidly over the past 3 years that buyers are resisting the temptation of making offers on homes they perceive to be overpriced. They are rejecting homes that have not been updated like other comparable sales in the neighborhood, homes that are clearly overpriced updated or not, and homes with unusual floor plans or structural issues. This is causing prices within the broader Marin market to start flattening which often times can signal the beginning of a pattern of rising inventory and declining values.

I can also add that the greed factor is starting to seep into seller's thinking when pricing their homes, often times in direct contradiction to what real estate agents are recommending. There has been a large uptick in price reductions this quarter which supports this observation. I am also starting to hear many stories of sellers upset that they have received offers at asking, rather than over asking, and stories of sellers that are upset and feeling disrespected because they received an offer substantially below asking! As a general rule, homes that are overpriced with inflexible sellers tend to stay on the market longer, require price reductions (sometimes multiple), and often end up selling for less than if they would have had they been priced correctly in the first place.

Further evidence of the slowing pace of the market can be found these key statistics:

	YTD September 2016	YTD September 2015	Percent Incr./ (Decr.)
Solds YTD 2016 vs 2015	1,414	1,678	-16%
Sales Volume YTD 2016 vs 2015	2,129,143,000	2,477,398,000	-14%
Average Price per Square Foot	1,505,759	1,476,399	2%
Median Price Increase YTD 2016 vs 2015	1,195,059	1,093,511	9%
New listings YTD 2016 vs 2015	1,898	2,138	-11%
# of listings below \$1,500,000	150	188	-20%
# of listings below \$1,000,000	74	109	-32%
Percentage of listings above \$2,000,000	61%	64%	-6%
Days on the Market (based on closed sales)	49	52	-6%
Month's Supply of Inventory	2.7	2.2	23%
Inventory Single Family Dwellings	357	380	-6%

Here are my thoughts regarding these statistics. First of all, the number of properties available for sale in 2016 declined 11% year over year which has fueled Marin's median price increase of 9% year over year. As a result, I expect median sales price to increase no more than 1% - 2% over the final quarter of 2016. Lower inventory levels has also resulted in 16% fewer sales of single family dwellings year over year. This pattern of declining sales started in 2015 largely because of constraints in listing inventory. What is also interesting is that as of 9/30/16 there were 32% fewer homes for sale in the under \$1,000,000 category and 20% fewer homes for sale in the under \$1,500,000 category. This clearly demonstrates a dramatic shift in the overall values of Marin homes, and further supports why buyers are not pursuing home purchases with the same energy as before as I believe that affordability is becoming a problem. The increase in month's supply of inventory from 2.2 months to 2.7 months (a 23% increase) is another indicator that the market is slowing.

Note to Sellers:

Clearly sellers have elected to stay in their homes and shelve downsizing or move up plans because there are just not enough homes for sale and they fear selling their homes and not finding a suitable replacement. Downsizers in particular generally have the strategy of taking some of the profits from the sale of their homes and adding them to their retirement funds. With prices continuing to rise and fewer homes for sale in the \$1,000,000 and under category it is becoming more complex to sell, downsize, and stay in Marin. Many are considering leaving the area, but are unsure exactly where to go as the thought of moving to the Central Valley for example is not that appealing for those of us that have lived in Marin for many years. Because of this, I have had a number of downsizers shift their attention to the Marin condo market where as of this writing there are approximately 100 condos for sale in all price ranges throughout Marin. Some of these properties are beautiful and very desirable. Making a move to a condo however requires a change in thinking! Please contact me if you would like more information on how to downsize and achieve your goals.

Finally, the Marin market obviously needs new inventory in all price ranges. It is difficult to predict how long this current real estate market will continue so if you have been thinking of selling this might be a good opportunity to review your options. The real estate market has historically run in 10-year cycles. The beginning of the last downturn began in 2006-2007. If this pattern repeats itself the next downturn will start in 2017. Keep in mind that cycles vary by market and price range.

Note to Buyers:

Buyers, this is your opportunity to make offers on homes that are overpriced and negotiate hard with sellers. There are some very nice homes on the market. You have nothing to lose by trying!

Please call me if you have questions about the Marin Real Estate Market or the value of your home. Upon request, I will be happy to prepare a high quality comparative market analysis and detail the steps you must take to list your home.

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