



## Jaime Pera's Marin Real Estate Market Update May 31, 2017

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The 2017 Marin real estate market continues to move forward at a brisk pace and remains strong even though inventory is lacking. Buyers are definitely engaged as between February 1<sup>st</sup> and May 31<sup>st</sup> single family dwellings sold on average 3% over asking. Of the 645 properties that were listed and sold through the MLS during this period a whopping 345 or 53.5% sold over asking, with the highest over asking sale being 2360 Paradise Drive in Tiburon which was listed at \$2,250,000 and sold for \$3,300,500, or 47% over asking. Additionally, there were also 66 off market sales during this period with 24 homes (36%) that selling over asking. Open house activity has been strong, property showings are up, and property viewings on the internet are up.

When you dig deeper into the numbers however the most startling statistic is that between January and May 2017 when ten fewer homes sold than the same period last year (695 vs 705) there were 109 fewer new listings that came on the market when compared to last year (1,008 vs 1,117), a 10% decrease (and 16.8% decrease when compared to same period in 2015). So in other words, the market managed to keep pace with last year with fewer listings! In May 2017 alone we had 61 fewer listings come on the market than May of last year (207 vs 268). If this trend continues I expect we will have at least 10% fewer closed sales in 2017 than 2016, and possibly more (1,870 single family dwellings sold in 2016)!

This leads me to the conversation of rising home values. Yes, they have continued to rise and given the trend of declining new listings I expect prices to continue to rise through 2017. I have calculated that prices for single family dwellings have risen 7% on average through May 2017 (1.4% per month). If this trend continues I expect home values to rise at least 10% in 2017. This means that a home with a market value \$1,000,000 on 12/31/16 will have a market value of \$1,100,000 on 12/31/17. This is great news for home owners but not so good news for home buyers.

Anecdotally, I can tell you that Marin is very coveted and I am seeing an increase in out of area buyers. As a general rule these buyers are educated, financially well off, have a plan, and are in perfect position to purchase homes in Marin. Many are coming from San Francisco and the Peninsula where prices are generally higher than Marin prices. It is this group of buyers that often times present all cash offers.

Another important development to note is the continued decline of single family dwellings that are priced under \$1,000,000. As of May 31<sup>st</sup> only 65 single family dwelling listings or 19% of total listings were priced under \$1,000,000 (75% of which were in Novato and San Rafael). Meanwhile, the percentage of listings between \$1,000,000 and \$2,000,000 increased to 37% from 33%, and percentage of listings over \$2,000,000 declined from 47% to 44%.

	YTD May 2017	YTD May 2016	Percent Incr./((Decr.))
Closed Sales	695	705	-1%
Closed Sales Volume	1,126,022,000	1,068,904,000	5%
Average Sales Price	1,620,175	1,516,176	7%
Median Price	1,269,196	1,169,189	9%
New Listings	1,008	1,117	-10%
Inventory Single Family Dwellings	335	354	-5%
# of listings below \$1,000,000	65	73	-11%
% of listings below \$1,000,000	19%	21%	
# of listings between \$1,000,000 & \$2,000,000	123	116	6%
% of listings between \$1,000,000 & \$2,000,000	37%	33%	
# of listings over \$2,000,000	147	165	-11%
Percentage of listings above \$2,000,000	44%	47%	
Days on the Market (based on closed sales)	37	36	3%
Month's Supply of Inventory	1.5	1.7	-12%

*Source: Bay Real Estate Information Services – Trend Graphics*

#### **Note to Sellers:**

There is no doubt that this is a great time to sell! If you have been considering selling either to upsize, downsize, or relocate, I wouldn't wait, I would do it now! Unemployment rates remain low (currently 3% in Marin and SF), and 30 year fixed rate loans are averaging 3.95% vs 3.64% last year. Furthermore, it is difficult to predict how long this strong 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 sometime in the next two years. Keep in mind that cycles vary by market and price range.

A big reason why inventory levels are declining is not only because buyer demand is strong but because sellers have anxiety about upsizing or downsizing in a market where there just aren't enough homes for sale, and are worried that they are going to sell their home and not find a suitable replacement. Sellers that have cash or can be approved for two mortgages control their own destiny. What I can honestly tell you is that with good planning and execution and by employing one or more of the following strategies it can be done!

- Seller in possession after close - Seller rents back from buyer for 60, 90, or even 120 days after close of escrow to allow time to locate a replacement home. Often times we successfully negotiate all or a portion of the rent back period is at zero cost to the seller. Seller can now make an all cash offer on their replacement home, an enormous advantage in today's market.
- Sale subject to seller finding a suitable replacement property – The seller makes it known when the property is listed that they will move forward with the sale of their

home on the condition that they locate, enter into contract, and remove contingencies on their replacement home.

- Sell then move into temporary living quarters – Moving twice can be stressful but with this strategy sellers maintain strong leverage with buyers, have time to locate a replacement home, and are in position to make an all cash offer on their replacement home, an enormous advantage in today's market.
- Seller locates a replacement home and enters into a contract that states that seller will move forward with the purchase of the replacement home after close of escrow. The success rate will be lower if the seller's home is not on the market when this offer is made or if there is a lot of interest (multiple offers) on the targeted replacement home. This strategy is more likely to work when the targeted replacement home has been on the market for an extended period of time and that seller is running out of time and options.
- Bridge Loans – Bridge loans are temporary loans that bridge the gap between the sales price of a new home and a home buyer's new mortgage in the event the seller's home has not yet sold. The bridge loan is secured by the buyer's existing home. Underwriting is based on "make sense" underwriting approach rather than FICO or debt to income approach. Some lenders who make conforming loans (needed to close the transaction on the target home) exclude the bridge loan payment for qualifying purposes.
- Security backed line of credit (margin loan) – This arrangement with your brokerage firm allows you to borrow from 50 to 95 percent of the value of the assets in your investment account depending on the value of your overall holdings and types of assets in the account. A margin loan may also allow you to avoid potential capital gain taxes because you don't have to liquidate securities for access to funds. Plus you might also be able to continue to receive benefits of your holdings, like dividends, interest and appreciation.
- Borrow against your 401k account – There are two types of 401 K accounts. Under an employer sponsored plan you may be able to borrow funds from your 401k account for a 5 year period at a moderate interest rate (your monthly payments are automatically deducted from your checking account and are credited back to your account). With a self-directed 401k account you can withdraw and use funds for up to 60 days and not be charged with a fund distribution or incur taxes and penalties for early the withdrawal of retirement funds as long as the money is redeposited into your account within the 60 day period.
- Home Equity Line of Credit – Useful for down payments on your target replacement home. Works best if you already have a HELOC set up before you list your home for sale since most banks will not approve a HELOC if your home is on the market.

**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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