

Price Continues to Rise, but Gross Dollar Volume Plummetts

2018 4th Quarter & Year-End Report

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WE ALL know there is no escape from business cycles, even though we occasionally are in an up or down phase so long, it begins to feel permanent. Imagine how folks felt in the 1930s when vast unemployment plagued the nation for more than a decade and New Deal remedies had only sporadic success. Stuck in the mud for more than a decade, it had to feel like a permanent state.

After our own Great Recession commenced in July 2007, we went through an extended period of falling prices, foreclosures and short sales that became so numerous, they started to bury the banks.

We remember a beleaguered short-sale expert at Bank of America telling us she had a half-dozen computer screens in her office filled with voluminous requests. So overwhelmed were people like her, it would sometimes take months to get a reply. Those depressing times continued until 2013, when a rebound began to occur. That year, the gross dollar volume of local real estate sales returned to the \$1 billion-plus level, launching a 6-year up market. Six years is long enough to give a cycle a feeling of permanence. More than a year ago, we thought the end of the upward swing was imminent, but, alas, we could not have been more wrong as there was no stopping the power of the market.

Although our bull market seems to continue, the fourth quarter of 2018 may have signaled, at best, a pause and, at worst, a decline. The significant drop in dollar volume is the signal. Volume dropped 30 percent from last year, declining \$131,562,301 in the quarter. The big losers were Carmel-by-the-Sea, Monterey and Pebble Beach, down 50 percent, 44 percent and 56 percent, respectively.

Another cause for concern is a report we received from a colleague of ours who works in the San Jose and southern Silicon Valley areas. She noted that activity in those areas has dropped significantly. In the many years we have done this column, we have seen Peninsula real estate normally trends about six months behind the San Francisco Bay area, in both up and down cycles.

What is impossible to measure is the effect of declining inventory on dollar volume and unit sales. On January 1, Carmel-by-the-Sea had seven fewer listings than a year ago, Monterey 24 fewer, and Pebble Beach 13 fewer. We think we can assume reduced inventory contributed to the declines, but not by much.

Prices

Prices keep pushing upward. In the eight Peninsula markets, six were up over last year. Only the Monterey Area and Pebble Beach had declines. As we have warned before, the databases we are working with are so small that the quarterly numbers need to be looked at as thumbnail estimates, not hard figures. The fact that six markets were up assures us, however, that the overall trend is still on an upward swing.

Carmel Highlands

Carmel Highlands continues to surprise. Gross dollar volume was up 19 percent over last year and median sales prices up 203 percent. This was achieved thanks to three blockbuster sales in the quarter, two at over \$5 million and one in excess of \$6 million. But that market is very small, which means such dramatic increases are probably not as important as they seem.

10-year review with an 11-rear twist

The highlight of our year-end report is the ten-year review.

This year, it covers the years from 2008 to 2018 and shows terrific gains from the base year of 2008, with two exceptions: Carmel Area, with a meager gain of 3 percent, and Pebble Beach, with an even more anemic 1 percent. All of the other markets have double-digit gains, but these gains are misleading, as the real estate market was crushed in 2008. There is a validity in comparing 2018 with 2008 as it shows how we have advanced since the bottom of the market, but we need to put that comparison into perspective.

To understand where we really are in relation to the past, we need to go back 11 years to 2007, the peak year prior to the crash. Doing that produces some numbers which are paint a more accurate picture. For example, measuring since 2007, median prices in Pebble Beach have declined 31 percent, and in Carmel Valley, 23 percent. In the other communities, the 11-year median numbers are better: Carmel-by-the-Sea, up 24 percent, Carmel Highlands, up 84 percent, Carmel Area, up 3 percent, Monterey, up 7 percent, and Pacific Grove, up 15 percent over the last 11 years.

When we try to look ahead in any aspect of life all we can do is estimate what might happen based on the evidence we have. With this in mind it seems based on the significant drop in dollar volume in the 4th quarter of last year 2019 may be a transition year into a slower market, but don't bet on it just yet!

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The charts are based in whole or in part on data supplied by the Monterey County Association of Realtors' Multiple Listing Service (MLS). Neither the Association nor the MLS guarantees or is responsible for their accuracy. Data maintained by the Association or its MLS may not reflect all real estate activity.

Monterey Peninsula Gross Dollar Volume		
	4th	4th Qtr
Town	2017	2018
Carmel-by-the-Sea	\$68,527,863	\$34,003,000
Carmel Highlands	\$14,670,000	\$17,475,000
Carmel Area	\$95,259,615	\$87,307,082
Carmel Valley	\$20,975,333	\$23,707,030
Monterey Area	\$80,360,045	\$45,322,000
Pacific Grove	\$35,066,100	\$35,983,350
Pebble Beach	\$92,683,065	\$40,522,900
Seaside	\$28,672,645	\$20,332,003
Totals	\$436,214,666	\$304,652,365

Median Sales Price Comparisons			
	Full Year	4th Qtr	4th Qtr
Town	2018	2017	2018
Carmel-by-the-Sea	\$ 2,195,000	\$ 1,725,000	\$ 2,040,000
Carmel Highlands	\$ 4,080,000	\$ 2,485,000	\$ 5,050,000
Carmel Area	\$ 1,597,000	\$ 1,292,500	\$ 1,595,000
Carmel Valley	\$ 1,000,000	\$ 907,500	\$ 1,000,000
Monterey Area	\$ 850,000	\$ 879,500	\$ 794,000
Pacific Grove	\$ 925,000	\$ 901,000	\$ 992,500
Pebble Beach	\$ 1,585,000	\$ 1,673,000	\$ 1,500,000
Seaside	\$ 525,000	\$ 490,000	\$ 499,602

Five Quarter Review		
	In	
	Escrow	
	vs	
Date	Listings	Percent
Carmel-by-the-Sea		
01/01/19	8/37	22%
10/01/18	7/38	18%
07/01/18	7/37	19%
04/01/18	9/41	22%
01/01/18	7/29	24%
Carmel Highlands		
01/01/19	2/18	11%
10/01/18	5/23	22%
07/01/18	1/22	5%
04/01/18	4/24	17%
01/01/18	1/27	3%
Carmel Area		
01/01/19	10/70	14%
10/01/18	26/102	25%
07/01/18	21/105	20%
04/01/18	27/106	25%
01/01/18	14/78	18%
Carmel Valley		
01/01/19	4/40	10%
10/01/18	12/64	19%
07/01/18	12/68	18%
04/01/18	11/58	19%
01/01/18	7/41	17%
Monterey Area		
01/01/19	24/105	23%
10/01/18	24/98	24%
07/01/18	34/96	35%
04/01/18	31/94	33%
01/01/18	15/72	21%
Pacific Grove		
01/01/19	16/58	28%
10/01/18	16/50	32%
07/01/18	13/41	32%
04/01/18	17/51	33%
01/01/18	12/29	41%
Pebble Beach		
01/01/19	10/82	12%
10/01/18	9/85	11%
07/01/18	19/80	24%
04/01/18	19/86	22%
01/01/18	13/72	18%
Seaside		
01/01/19	17/40	43%
10/01/18	18/46	39%
07/01/18	23/43	53%
04/01/18	21/36	58%
01/01/18	18/41	44%

SALES BY QUARTER -- Seven Quarter Review							
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Town	2017	2017	2017	2018	2018	2018	2018
Carmel-by-the-Sea	25	27	35	17	22	19	13
Carmel Highlands	6	5	4	8	7	4	5
Carmel Area	53	35	46	42	58	48	46
Carmel Valley	30	28	20	15	27	26	19
Monterey Area	64	61	63	57	69	59	49
Pacific Grove	50	41	33	33	43	37	30
Pebble Beach	33	35	35	32	42	31	21
Seaside	67	42	50	43	50	49	38
Totals	328	274	286	247	318	273	221

Distribution of Sales 4th Quarter 2018							
	\$0	\$400	\$700	\$1-M	\$1.5M	\$2M	
Town	\$399	\$699	\$999	\$1,499	\$1,999	\$2,999	\$3M+
Carmel-by-the-Sea	0	0	2	1	3	4	3
Carmel Highlands	0	0	1	1	0	0	3
Carmel Area	0	0	2	18	14	7	5
Carmel Valley	0	2	7	5	3	2	0
Monterey Area	0	13	23	10	1	1	1
Pacific Grove	0	3	13	7	4	1	2
Pebble Beach	0	0	0	10	5	5	1
Seaside	1	35	2	0	0	0	0
Totals	1	53	50	52	30	20	15

Average Days to Sell 4th Qtr 2017-2018		
Town	2017	2018
Carmel-by-the-Sea	92	49
Carmel Highlands	255	207
Carmel Area	98	64
Carmel Valley	97	87
Monterey Area	73	52
Pacific Grove	51	44
Pebble Beach	88	100
Seaside	52	27

Ten-Year Review Graphs:

Median Sales Price - Ten Year Review												1YR	10 YR
Town	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Gain (Loss)	Gain (Loss)
Carmel-by-the-Sea	\$ 1,695,000	\$ 1,375,000	\$ 1,100,000	\$ 1,287,500	\$ 1,200,000	\$ 1,325,000	\$ 1,652,000	\$ 1,416,000	\$ 1,595,000	\$ 1,691,750	\$ 2,195,000	30%	30%
Carmel Highlands	\$ 1,600,000	\$ 1,387,500	\$ 1,600,000	\$ 1,137,000	\$ 1,150,000	\$ 1,550,000	\$ 2,743,602	\$ 2,525,000	\$ 1,900,000	\$ 2,700,000	\$ 4,080,000	51%	255%
Carmel Area	\$ 1,550,250	\$ 1,240,000	\$ 1,045,000	\$ 1,082,500	\$ 1,020,000	\$ 1,205,000	\$ 1,300,000	\$ 1,100,000	\$ 1,350,000	\$ 1,300,000	\$ 1,597,000	23%	3%
Carmel Valley	\$ 1,182,000	\$ 725,000	\$ 706,000	\$ 700,000	\$ 800,000	\$ 842,250	\$ 730,000	\$ 795,000	\$ 997,500	\$ 950,000	\$ 1,000,000	5%	-18%
Monterey Area	\$ 685,000	\$ 520,000	\$ 550,000	\$ 522,079	\$ 490,000	\$ 590,224	\$ 685,000	\$ 626,750	\$ 755,000	\$ 800,000	\$ 850,000	6%	24%
Pacific Grove	\$ 672,500	\$ 603,750	\$ 630,000	\$ 537,500	\$ 558,000	\$ 682,500	\$ 739,000	\$ 780,000	\$ 832,000	\$ 915,000	\$ 925,000	1%	38%
Pebble Beach	\$ 1,570,000	\$ 1,100,000	\$ 1,100,000	\$ 1,104,000	\$ 1,130,000	\$ 1,147,500	\$ 1,440,000	\$ 1,400,000	\$ 1,550,000	\$ 1,640,000	\$ 1,585,000	-3%	1%
Seaside	\$ 326,000	\$ 270,598	\$ 279,200	\$ 299,249	\$ 296,000	\$ 327,400	\$ 358,000	\$ 399,500	\$ 445,000	\$ 495,000	\$ 525,000	6%	61%

Monterey Peninsula Gross Dollar Volume 2008 to 2018												1YR	10 YR
Town	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Gain (Loss)	Gain (Loss)
Carmel-by-the-Sea	\$147,671,325	\$113,733,363	\$90,902,250	\$139,401,100	\$133,720,013	\$127,322,777	\$183,227,419	\$215,137,364	\$219,545,482	\$219,081,696	\$178,327,965	-19%	21%
Carmel Area	\$249,057,575	\$220,497,763	\$221,469,840	\$276,650,490	\$303,606,360	\$353,095,307	\$350,787,894	\$321,678,040	\$328,456,729	\$342,395,021	\$379,788,213	11%	52%
Carmel Highlands	\$29,705,585	\$26,839,900	\$24,407,625	\$21,739,500	\$47,993,000	\$68,557,000	\$24,319,990	\$52,087,500	\$16,257,200	\$29,966,500	\$84,894,100	83%	86%
Carmel Valley	\$91,218,600	\$72,302,445	\$125,311,300	\$111,961,760	\$131,614,015	\$145,647,985	\$70,670,168	\$85,550,999	\$99,636,029	\$95,355,169	\$105,538,230	11%	16%
Monterey Area	\$75,696,710	\$61,314,500	\$72,083,450	\$78,311,945	\$93,167,009	\$119,638,782	\$167,057,326	\$205,646,718	\$184,464,093	\$232,439,516	\$235,355,750	1%	311%
Pacific Grove	\$79,207,460	\$85,882,672	\$90,716,675	\$90,818,100	\$120,959,800	\$126,936,130	\$138,110,121	\$149,925,985	\$138,224,560	\$167,277,937	\$156,973,478	-6%	98%
Pebble Beach	\$198,687,253	\$109,626,027	\$159,179,850	\$151,834,099	\$203,278,900	\$201,540,943	\$291,206,413	\$246,937,861	\$306,453,687	\$270,218,623	\$359,796,069	33%	81%
Seaside	\$94,363,390	\$86,952,963	\$71,494,628	\$71,819,802	\$57,077,970	\$63,168,288	\$70,626,332	\$74,609,715	\$88,967,284	\$101,628,245	\$102,661,542	1%	9%
Totals	\$817,936,573	\$663,416,270	\$764,663,368	\$803,135,696	\$957,697,054	\$1,078,584,435	\$1,112,778,244	\$1,351,574,182	\$1,382,005,064	\$1,458,362,707	\$1,603,335,347	10%	96%

Gross Dollar Volume Comparing 2018 with 2007			11 YR
Town	Year 2007	Year 2018	Gain (Loss)
Carmel-by-the-Sea	\$ 173,843,275	\$178,327,965	3%
Carmel Highlands	\$ 364,149,869	\$379,788,213	4%
Carmel Area	\$ 71,996,253	\$84,894,100	18%
Carmel Valley	\$ 116,897,500	\$105,538,230	-10%
Monterey Area	\$ 85,651,512	\$235,355,750	275%
Pacific Grove	\$ 90,731,999	\$156,973,478	73%
Pebble Beach	\$ 189,166,939	\$359,796,069	90%
Seaside	\$ 55,992,455	\$102,661,542	83%
	\$ 1,148,429,802	\$1,603,335,347	40%

Median Sales Price Comparing 2018 with 2007			11 YR
Town	Year 2007	Year 2018	Gain (Loss)
Carmel-by-the-Sea	\$ 1,774,000	\$2,195,000	24%
Carmel Highlands	\$ 2,215,000	\$4,080,000	84%
Carmel Area	\$ 1,550,000	\$1,597,000	3%
Carmel Valley	\$ 1,295,000	\$1,000,000	-23%
Monterey Area	\$ 795,000	\$850,000	7%
Pacific Grove	\$ 805,000	\$925,000	15%
Pebble Beach	\$ 2,312,500	\$1,585,000	-31%
Seaside	\$ 619,000	\$525,000	-15%