

The Boom Continues in Full Force
A Market Beyond Analysis
1st Quarter Report

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Everyone knows the current real estate market is bonkers. How to explain it? We do not know exactly, so we offer up an example as illustration.

Imagine an attractive house in the Carmel area with outstanding views of Carmel Bay and Point Lobos. Imagine further that the wily agents purposely under- price it.

Why would they do that?

In a market as crazy as the current one, no one really knows what people will be willing to pay. A smart tactic is to pick a price which one knows is too low and then see what happens rather than trying to guess where the market might be willing to go.

Our example is a property that a year ago would have taken, on average, 98 days to sell. This year within a week it had 11 offers. Seven were rejected outright even though most, probably all seven, were above the asking price, and the remaining four were given a chance to compete. The eventual winner paid more than **\$300,000 over asking**.

You ask: did the buyer pay too much? Probably not. When he formulated his final bid, he spoke for the market. When the seller accepted, together they determined the current value. A real estate price is a buyer/seller agreement. Everything else is conjecture.

In the current craziness one can throw away the normal analytical tools we use to establish a likely range of value and simply open-up the process to a bidding war.

The market usually determines values anyway. Seldom do sellers sell too low, or buyers buy too high. The market dictates. The difference now is no one really knows what the top of the range should be. In upward markets asking prices keep rising until firm resistance is established. Usually, in our experience, this process is orderly: not this time. It is a fast, furious and unpredictable.

The ugly ducklings of the market and properties in marginal locations are largely exempt from the fury but still on the rise.

The accompanying charts tell the story. Here are some of the highlights:

Dollar Volume: over \$600 million in just three months, up 84% over the same period last year, an astounding figure.

Median Sales Prices: Up in seven of the eight markets with Pebble Beach leading the way with a gain of 73% from last year, a median sales price gain of more than one million dollars.

Unit Sales: 286 in the quarter up 41% from last year, and please do not forget that, at the time, the first quarter of 2020 was particularly good.

Distribution of Sales: 74% of the total sales were over \$1 million dollars. Even Seaside had two sales over \$1 million.

Market Barometer: Record highs in the percentage of listings in escrow, led by Seaside with 60% under contract.

Declining Inventory: On April 1st, there were 301 active listing as opposed to 382 last year, a decline of 21%. Add to this the high percentage of listings in escrow and you end up with an exceedingly thin market. Part of the upward price surge is being pushed by scarcity.

Looking at the current market is like watching a barnburner of an athletic contest, where the team or individual with the last possession, at bat, leap, putt, TD, etc. will win the event.

Are there winners and losers? Yes!! The frustrated unsuccessful buyers are losers, often disgruntled ones, but among the principals of the deal, no. It makes no difference if the value of the disposed asset keeps appreciating. You have received a nice gain and can put the funds to a different use.

For the buyers, at least around here, real estate investments whether for personal residences, second homes or income property, have done extremely well for decades. They have done well even when purchased at those times when prices seemed outrageous and destined never to go up – oh, but they do.

Is there a correction ahead? Probably, but who knows when or if ever.

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

| Five Quarter Review | | |
|----------------------------|-----------------|----------------|
| <i>In Escrow vs</i> | | |
| <i>Date</i> | <i>Listings</i> | <i>Percent</i> |
| Carmel-by-the-Sea | | |
| 04/01/21 | 9/20 | 45% |
| 01/01/21 | 11/27 | 41% |
| 10/01/20 | 16/33 | 48% |
| 07/01/20 | 14/38 | 37% |
| 04/01/20 | 9/34 | 26% |
| Carmel Highlands | | |
| 04/01/21 | 4/14 | 29% |
| 01/01/21 | 3/15 | 20% |
| 10/01/20 | 9/23 | 39% |
| 07/01/20 | 10/26 | 38% |
| 04/01/20 | 6/23 | 26% |
| Carmel Area | | |
| 04/01/21 | 34/69 | 49% |
| 01/01/21 | 25/61 | 41% |
| 10/01/20 | 33/93 | 35% |
| 07/01/20 | 29/101 | 29% |
| 04/01/20 | 11/73 | 15% |
| Carmel Valley | | |
| 04/01/21 | 20/43 | 47% |
| 01/01/21 | 10/49 | 20% |
| 10/01/20 | 14/47 | 30% |
| 07/01/20 | 22/56 | 39% |
| 04/01/20 | 8/51 | 16% |
| Monterey Area | | |
| 04/01/21 | 25/44 | 57% |
| 01/01/21 | 15/52 | 29% |
| 10/01/20 | 29/55 | 53% |
| 07/01/20 | 27/71 | 38% |
| 04/01/20 | 14/61 | 23% |
| Pacific Grove | | |
| 04/01/21 | 16/32 | 50% |
| 01/01/21 | 19/46 | 41% |
| 10/01/20 | 26/45 | 58% |
| 07/01/20 | 20/55 | 36% |
| 04/01/20 | 12/42 | 29% |
| Pebble Beach | | |
| 04/01/21 | 13/43 | 30% |
| 01/01/21 | 14/54 | 26% |
| 10/01/20 | 23/69 | 33% |
| 07/01/20 | 19/74 | 26% |
| 04/01/20 | 5/70 | 7% |
| Seaside | | |
| 04/01/21 | 22/36 | 61% |
| 01/01/21 | 14/24 | 58% |
| 10/01/20 | 19/32 | 59% |
| 07/01/20 | 18/30 | 60% |
| 04/01/20 | 11/28 | 39% |

| Monterey Peninsula Gross Dollar Volume | | |
|---|----------------------|----------------------|
| <i>Town</i> | <i>1st Qtr 2020</i> | <i>1st Qtr 2021</i> |
| Carmel-by-the-Sea | \$48,482,595 | \$58,908,101 |
| Carmel Highlands | \$6,800,000 | \$15,920,000 |
| Carmel Area | \$108,751,321 | \$147,532,111 |
| Carmel Valley | \$36,687,000 | \$38,255,200 |
| Monterey Area | \$46,050,695 | \$65,278,153 |
| Pacific Grove | \$29,811,175 | \$71,826,915 |
| Pebble Beach | \$28,935,000 | \$181,782,081 |
| Seaside | \$20,475,600 | \$21,032,724 |
| Total | \$325,993,386 | \$600,535,285 |

| Median Sales Price Comparisons | | | |
|---------------------------------------|-----------------------|---------------------|---------------------|
| <i>Town</i> | <i>Full Year 2020</i> | <i>1st Qtr 2020</i> | <i>1st Qtr 2021</i> |
| Carmel-by-the-Sea | \$ 2,214,000 | \$ 2,265,000 | \$ 2,505,051 |
| Carmel Highlands | \$ 2,887,500 | \$ 6,488,889 | \$ 4,225,000 |
| Carmel Area | \$ 1,855,000 | \$ 1,652,500 | \$ 1,840,000 |
| Carmel Valley | \$ 1,347,500 | \$ 1,280,000 | \$ 1,349,000 |
| Monterey Area | \$ 945,500 | \$ 877,000 | \$ 977,500 |
| Pacific Grove | \$ 1,007,500 | \$ 940,000 | \$ 1,377,250 |
| Pebble Beach | \$ 2,262,500 | \$ 1,600,000 | \$ 2,769,000 |
| Seaside | \$ 599,000 | \$ 622,500 | \$ 672,500 |

| SALES BY QUARTER -- Seven Quarter Review | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>Town</i> | <i>Q3 2019</i> | <i>Q4 2019</i> | <i>Q1 2020</i> | <i>Q2 2020</i> | <i>Q3 2020</i> | <i>Q4 2020</i> | <i>Q1 2021</i> |
| Carmel-by-the-Sea | 25 | 23 | 17 | 14 | 53 | 34 | 22 |
| Carmel Highlands | 4 | 3 | 2 | 4 | 18 | 13 | 4 |
| Carmel Area | 43 | 52 | 48 | 23 | 83 | 69 | 60 |
| Carmel Valley | 16 | 18 | 17 | 15 | 46 | 30 | 24 |
| Monterey Area | 58 | 48 | 44 | 34 | 77 | 69 | 56 |
| Pacific Grove | 46 | 42 | 27 | 29 | 69 | 60 | 48 |
| Pebble Beach | 31 | 33 | 15 | 18 | 54 | 53 | 42 |
| Seaside | 42 | 51 | 33 | 24 | 41 | 41 | 30 |
| Totals | 265 | 270 | 203 | 161 | 441 | 369 | 286 |

| Distribution of Sales 1st Quarter 2021 | | | | | | | |
|---|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | \$0 | \$400 | \$700 | \$1-M | \$1.5M | \$2M | \$3m+ |
| Town | \$399 | \$699 | \$999 | \$1,499 | \$1,999 | \$2,999 | \$3m+ |
| Carmel-by-the-Sea | 0 | 0 | 0 | 1 | 7 | 9 | 5 |
| Carmel Highlands | 0 | 0 | 0 | 1 | 0 | 0 | 3 |
| Carmel Area | 0 | 0 | 2 | 15 | 19 | 10 | 14 |
| Carmel Valley | 0 | 0 | 6 | 7 | 4 | 6 | 1 |
| Monterey Area | 0 | 4 | 25 | 15 | 7 | 4 | 1 |
| Pacific Grove | 0 | 0 | 9 | 19 | 10 | 10 | 0 |
| Pebble Beach | 0 | 0 | 0 | 4 | 11 | 10 | 17 |
| Seaside | 0 | 18 | 10 | 2 | 0 | 0 | 0 |
| Totals | 0 | 22 | 52 | 64 | 58 | 49 | 41 |

| Average Days to Sell | | |
|-----------------------------|-------------|-------------|
| 1st Qtr 2020-2021 | | |
| <i>Town</i> | <i>2020</i> | <i>2021</i> |
| Carmel-by-the-Sea | 88 | 16 |
| Carmel Highlands | 72 | 109 |
| Carmel Area | 98 | 57 |
| Carmel Valley | 133 | 55 |
| Monterey Area | 73 | 33 |
| Pacific Grove | 54 | 32 |
| Pebble Beach | 85 | 42 |
| Seaside | 35 | 42 |