

1st Quarter 2006 Report : Market Slowdown Continues

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The long running hot real estate market ran out of breath during the fourth quarter of last year and is still panting. The year-end numbers pointed to a struggling first quarter, but no one foresaw the rain. Who knows what the wet weather did to the market, but whatever it was, it wasn't good.

Overall, the ten markets registered a \$97,000,000 decrease from last year with more than half of the decline happening in Carmel. Total dollar volume last year was \$426,148,000 whereas this year came in at \$328,471,000, a decrease of 23%. Carmel was especially weak during the quarter in relation to last year. Dollar volume was down over \$50,000,000 and prices dropped 12%.

Even with the drop, Carmel was certainly not dead. There were 39 closed transactions during the quarter, more than \$77,000,000 changed hands and the median sales price was \$1,390,000. The percentage declines may be as much a factor of the stupendous first quarter the town had last year as of this year's results.

Pacific Grove and South Coast actually posted small dollar volume gains during the quarter. As usual, our market directional arrows were not 100% in agreement.

Unit sales, as one would expect, were also down substantially. Last year 330 single family homes sold in the first quarter and this year only 235, a decline of 29%.

In summary, the numbers to remember are that dollar volume fell 23% and unit sales 29%.

Prices

Economic principles tell us that when supply exceeds demand, prices will decline. In eight of 10 local markets, during the first quarter, demand was lower, but not enough to cause prices to fall. Carmel and Monterey were the only markets to suffer selling-price declines.

Distribution of Sales

The distribution of sales prices is illuminating. The over one million dollar market is beginning to dominate. Fourteen percent of sales were over two million dollars, and 30% of the sales between one and two million dollars. That adds up to 44% of the transactions during the quarter exceeding the million dollar mark. The tremendous inflation in home prices over the past few years belies the notion that we are living in an economy with a low inflation rate. Cheap and easy-to-get money has fueled the price boom.

Market Barometer

MARKET BAROMETER		
Five Quarter Review		
Hottest to Coldest Market		
First Quarter 2006		
(In Descending Order)		
	<i>In</i>	
	<i>Escrow</i>	
	<i>vs</i>	
<i>Date</i>	<i>Listings</i>	<i>Percent</i>
Monterey		
04/01/06	18/67	27%
01/01/06	7/66	11%
10/01/05	21/55	38%
07/01/05	24/61	39%
04/01/05	21/54	39%
Del Rey Oaks		
04/01/06	1/4	25%
01/01/06	1/4	25%
10/01/05	2/6	33%
07/01/05	3/8	38%
04/01/05	5/8	63%
Seaside		
04/01/06	23/123	19%
01/01/06	20/93	22%
10/01/05	24/76	32%
07/01/05	41/96	43%
04/01/05	33/71	46%
Carmel Valley		
04/01/06	18/84	18%
01/01/06	13/87	15%
10/01/05	14/79	18%
07/01/05	20/82	25%

The Market Barometer, which measures the percentage of listings in escrow, is our best forward looking tool. Robust Barometer readings tell us that for at least the next quarter sales will be strong and weak readings the opposite.

On January 1, the Barometer was weak. Only two markets had readings above 20% and only 104 properties were in escrow. On April 1, the Barometer continued weak. There were still only two readings above 20%, Monterey and Del Rey Oaks. The number of listings in escrow moved up a bit to 133.

The readings in comparison to April 1, 2005, though, were steeply down. The biggest decline was Marina where the April to April readings went from 44% to 9%. Asking prices in Marina have apparently outrun the ability of buyers to pay. The other popularly priced Peninsula market, Seaside, suffered a similar but not so drastic fate. Seaside's April to April readings went from 46% to 19%.

Other April to April readings of note were Carmel 38% to 12%, Pebble Beach 32% to 12% and Carmel Valley 30% to 18%. In all of these cases the number of properties on the market increased substantially from April 1, 2005 to April 1, 2006. Examples are Carmel 98 to 162; Pebble Beach 57 to 91; Pacific Grove 44 to 79.

One would think that the slowing of the market would shift the power from sellers to buyers and that prices would fall back a bit. The tenacity of sellers and the generosity of lenders, however, have combined to maintain prices so far.

Although the market has stalled we don't think we can bury the strong market yet. We need a few more quarters to either establish a flat or downward trend or to enjoy another rebound.

01/01/05	23/02	33/0
04/01/05	22/73	30%
Salinas/Mty Highway		
04/01/06	19/113	17%
01/01/06	16/97	17%
10/01/05	35/84	42%
07/01/05	58/120	48%
04/01/05	44/116	38%
Pacific Grove		
04/01/06	13/79	16%
01/01/06	11/61	18%
10/01/05	22/45	49%
07/01/05	18/55	33%
04/01/05	15/44	34%
Pebble Beach		
04/01/06	11/91	12%
01/01/06	10/70	14%
10/01/05	15/61	25%
07/01/05	15/64	23%
04/01/05	18/57	32%
Carmel		
04/01/06	20/162	12%
01/01/06	17/129	13%
10/01/05	19/136	14%
07/01/05	28/129	22%
04/01/05	37/98	38%
Marina		
04/01/06	7/74	9%
01/01/06	6/46	13%
10/01/05	15/38	39%
07/01/05	12/40	58%
04/01/05	19/43	44%
South Coast		
04/01/06	3/41	7%
01/01/06	3/44	7%
10/01/05	4/44	9%
07/01/05	6/41	15%
04/01/05	5/33	15%

Median Sales Price Comparisons

	<i>Full Year</i>	<i>1st Qtr</i>	<i>1st Qtr</i>
<i>Town</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
Carmel	\$ 1,575,000	\$1,577,500	\$1,390,000
Carmel Valley	\$ 1,162,000	\$1,089,000	\$1,191,000
Del Rey Oaks	\$ 725,000	\$ 705,000	\$ 782,000
Marina	\$ 675,000	\$ 635,000	\$ 687,000
Monterey	\$ 875,000	\$ 856,500	\$ 762,500
Pacific Grove	\$ 882,500	\$ 750,000	\$ 942,500
Pebble Beach	\$ 1,660,000	\$1,600,000	\$2,150,000
Salinas Hwy	\$ 1,002,000	\$ 880,000	\$ 925,000
Seaside	\$ 660,000	\$ 634,720	\$ 690,000
South Coast	\$ 2,400,000	\$2,350,000	\$3,072,500

Monterey Peninsula Gross Dollar Volume

	<i>1st Qtr</i>	<i>1st Qtr</i>
<i>Town</i>	<i>2005</i>	<i>2006</i>
Carmel	\$ 127,479,000	\$ 77,131,000
Carmel Valley	\$ 36,887,000	\$ 29,500,000
Del Rey Oaks	\$ 5,802,000	\$ 1,564,000
Marina	\$ 17,116,000	\$ 14,836,000
Monterey	\$ 32,877,000	\$ 23,495,000
Pacific Grove	\$ 24,208,000	\$ 25,630,000
Pebble Beach	\$ 71,787,000	\$ 66,504,000
Salinas Hwy	\$ 53,173,000	\$ 41,705,000
Seaside	\$ 32,226,000	\$ 22,851,000
South Coast	\$ 24,593,000	\$ 25,255,000
Totals	\$ 426,148,000	\$ 328,471,000

Days on Market
1st Qtr 2005-2006

<i>Town</i>	<i>2005</i>	<i>2006</i>
Carmel	156	104
Carmel Valley	101	78
Del Rey Oaks	47	104
Marina	28	78
Monterey	74	81
Pacific Grove	54	73
Pebble Beach	149	102
Salinas Hwy	109	101
Seaside	45	110
South Coast	180	269

SALES BY QUARTER -- Seven Quarter Review

<i>Town</i>	<i>Q3 2004</i>	<i>Q4 2004</i>	<i>Q1 2005</i>	<i>Q2 2005</i>	<i>Q3 2005</i>	<i>Q4 2005</i>	<i>Q1 2006</i>
Carmel	77	45	64	57	69	30	39
Carmel Valley	33	35	30	45	42	24	23
Del Rey Oaks	5	3	8	6	11	2	2
Marina	45	35	27	38	43	24	21
Monterey	46	53	38	46	39	36	28
Pacific Grove	47	40	29	37	38	40	26
Pebble Beach	20	29	33	27	26	22	19
Salinas Hwy	65	45	40	67	71	41	38
Seaside	58	59	51	63	64	43	31
South Coast	9	8	10	7	6	6	8
Totals	405	352	330	393	409	268	235

DISTRIBUTION OF SALES -- 1st Quarter 2006							
<i>Town</i>	\$0- \$699	\$700- 799	\$800- 999	\$1M- \$1.299	\$1.3M- \$1.699	\$1.7M- \$1.999	\$Two Mil +
Carmel	0	0	9	9	5	5	11
Carmel Valley	0	4	5	7	3	1	3
Del Rey Oaks	0	1	1	0	0	0	0
Marina	11	7	3	0	0	0	0
Monterey	6	13	4	2	3	0	0
Pacific Grove	4	3	11	5	2	0	1
Pebble Beach	0	0	0	4	4	0	11
Salinas Hwy	7	10	4	8	2	6	1
Seaside	17	7	5	2	0	0	0
South Coast	0	0	0	1	0	1	6
Totals	45	45	42	38	19	13	33

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 in the market.

Please Call Us

We have lived on the Monterey Peninsula since 1978 and in the heart of Carmel since 1986. We know the market and have deep experience assisting both buyers and sellers.

We Help Buyers

Many of our buyers are from out of town and before they act they need to gain an understanding of our local market. If you are an out-of-town buyer, you are extremely dependent on your agent for guidance. We are skilled at assisting you up the learning curve so that you can make sound decisions. The way we prosper is by putting our buyers into good, solid situations.

We Help Sellers

We know the market and would be happy to evaluate the value of your house at no charge. We know how to help you get ready for market to get the best price for your property. Selling a property is a cooperative effort between the seller and his or her agent. We will guide you on the team approach to success.

Please [contact us via email](#), call us at 831-622-4642, or write us at PO Box 350, Carmel, CA 93921.

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