

1st Quarter 2009 Report: National Crisis Hits Home. Prices Cracking

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There are four big stories in the local real estate market: Story One, prices have cracked from top to bottom; Story Two, gross dollar volume has plunged; Story Three, the red hot markets in Seaside and Marina continue to lead the pack: Story Four, the distribution of sales, incredibly skewed toward the high end during the boom market, has shifted dramatically to the low end.

Let's look at these one at a time.

Story One – Prices.

Buyers will not and can not pay what they would have willingly paid during the boom. Enormous amounts of wealth have gone up in smoke and the easy financing terms are largely a thing of the past. Every market had sharp declines in median sales prices in comparison to the first quarter of 2008: Carmel, \$1,075,000 this year as compared to \$1,910,000 last year. Other examples are Carmel Valley \$723,000 this year, \$1,215,000 last year; Monterey \$510,000 and \$771,250; Pacific Grove \$559,000 and \$775,000; Pebble Beach \$1,302,000 and \$1,660,000; Seaside \$282,500 and \$369,500.

The Seaside decline has been dramatic. The median sales price there in 2007 was \$619,000. In 2008 it plunged to \$326,000 and in the first quarter all the way to \$282,500. This drastic decline has spurred a frenzy of buying which we discuss below.

Outside of Seaside and Marina where the markets buzz with activity, a large number of sellers have not come to grips with reality. Their prices are out of reach and their efforts to sell go unrewarded. You will see this illustrated in their low Market Barometer Readings.

The big question mark to us is the eventual impact of the federal government's tremendous increase in the money supply. If there is a huge increase in the amount of money in circulation without a concomitant increase in goods and services is it not reasonable to expect a good dose of inflation? If that happens, will our prices sky rocket again? It is a good question, and probably it is that logic driving investors to pick up distressed properties at what they consider to be bargain prices.

Meanwhile, however, sellers who want to get rid of their properties in the short run must realize price is king, and that for the last couple of years the trend has been inexorably down. Sellers who remain behind the curve will not sell.

Story Two – Gross Dollar Volume

Gross dollar volume fell 25% from the first quarter of last year, from \$233,949,403 to \$175,204,965. Go back one more year to the first quarter of 2007 and you have a drop of 45%, from \$312,000,676 to this year's figure. Among the higher priced markets only Pacific Grove has been more or less

MARKET BAROMETER Hottest to Coldest Market Five Quarter Review (In Descending Order)		
	<i>In</i>	
	<i>Escrow</i>	
	<i>vs</i>	
<i>Date</i>	<i>Listings</i>	<i>Percent</i>
Seaside		
04/01/09	68/121	56%
01/01/09	60/140	43%
10/01/08	70/170	41%
07/01/08	57/180	32%
04/01/08	23/167	14%
Del Rey Oaks		
04/01/09	4/9	44%
01/01/09	2/7	29%
10/01/08	6/9	67%
07/01/08	8/17	47%
04/01/08	2/12	17%
Marina		
04/01/09	29/73	40%
01/01/09	33/92	36%
10/01/08	35/104	34%
07/01/08	29/96	30%
04/01/08	20/116	17%
Monterey		
04/01/09	19/94	20%
01/01/09	6/81	7%
10/01/08	24/140	17%
07/01/08	18/116	16%
04/01/08	9/91	10%
Salinas/Mty Highway		
04/01/09	31/75	18%
01/01/09	15/155	10%
10/01/08	25/175	14%
07/01/08	24/179	13%
04/01/08	18/163	11%
Pacific Grove		
04/01/09	15/89	17%
01/01/09	13/87	15%

holding its own in gross dollar volume with these results in 2007, 2008 and 2009 respectively: \$19,768,000, \$16,438,900 and \$16,543,595. The 2009 figure was pumped up by two extraordinary sales, one at over two million dollars and the other topping three million dollars. Those two sales accounted for 32% of the total volume for the quarter.

Marina and Seaside, with their high unit volume, both had large increases in dollar volume during the first quarter.

Story Three – Red Hot Seaside and Marina

We have already alluded to the booms in Seaside and Marina. Both had amazing Barometer readings, percentage of listings in escrow, on April 1. Those reading assure the boom will continue in the second quarter. Seaside's Barometer reading reached 56% and Marina 40%. Tiny Del Rey Oaks, with only nine listings, had four of those in escrow for a reading of 44%. Unit sales and dollar volume were strongly up in both Seaside and Marina.

Story Four – Distribution of Sales

A number of years my friend, Bruce Robertson, of Monterey, suggested we publish a chart showing how sales were distributed across different price ranges. We have had to adjust this chart numerous times as the lower price ranges began disappearing and higher ones came into play.

At the peak of the boom market, the million dollars plus category began to dominate and the lower price ranges had fewer and fewer sales. Now the trend is going the other way, and we have had to revise the chart again, this time adding a column for sales under \$400,000. Eighty-five sales fell into that category in the first quarter. This is a price range that had virtually disappeared.

In the second quarter of 2007 29% of total sales were over a million dollars, almost half of those over two million. Only 20% were under \$700,000. In the first quarter of this year 12% of sales were over one million and 70% under \$700,000. This change paints a clear picture of what is happening.

One man's bad news is another's good news. Young people who felt they would never be able to buy a house have seen the market come back to them. They now have a chance as prices have declined drastically for entry-level properties and interest rates are at historic lows.

10/01/08	17/109	16%
07/01/08	16/118	14%
04/01/08	11/103	11%
Carmel Valley		
04/01/09	17/138	12%
01/01/09	9/121	7%
10/01/08	16/148	11%
07/01/08	13/123	11%
04/01/08	8/108	7%
Carmel		
04/01/09	16/178	9%
01/01/09	13/151	9%
10/01/08	24/156	15%
07/01/08	17/160	11%
04/01/08	20/147	14%
South Coast		
04/01/09	2/25	8%
01/01/09	3/31	10%
10/01/08	1/62	2%
07/01/08	2/57	4%
04/01/08	7/52	13%
Pebble Beach		
04/01/09	6/110	5%
01/01/09	9/96	9%
10/01/08	12/118	10%
07/01/08	6/107	6%
04/01/08	9/98	9%

Monterey Peninsula Gross Dollar Volume		
	1st QTR	1st QTR
<i>Town</i>	2008	2009
Carmel	\$62,958,250	\$56,932,863
Carmel Valley	\$16,355,000	\$12,942,000
Del Rey Oaks	\$725,000	\$400,000
Marina	\$8,475,500	\$14,595,400
Monterey	\$16,738,700	\$6,510,000
Pacific Grove	\$16,438,900	\$16,543,595
Pebble Beach	\$71,275,053	\$22,602,903
Salinas Hwy	\$17,212,100	\$14,646,500
Seaside	\$12,870,900	\$20,877,704
South Coast	\$10,900,000	\$9,154,000
Totals	\$233,949,403	\$175,204,965

SALES BY QUARTER -- Seven Quarter Review							
	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<i>Town</i>	2007	2007	2008	2008	2008	2008	2009
Carmel	43	41	28	42	36	27	31
Carmel Valley	28	16	9	18	16	14	14
Del Rey Oaks	3	2	1	2	9	4	1
Marina	21	20	17	32	34	53	41
Monterey	25	20	20	18	25	43	12
Pacific Grove	27	21	17	21	34	22	21
Pebble Beach	22	15	20	22	18	17	14
Salinas Hwy	35	20	14	25	27	27	23
Seaside	20	20	28	56	89	85	65
South Coast	5	4	3	9	1	1	4
Totals	229	179	157	245	289	293	226

Days on Market		
1st Qtr 2008 - 2009		
<i>Town</i>	2008	2009
Carmel	181	150
Carmel Valley	393	154
Del Rey Oaks	151	18
Marina	149	83
Monterey	149	91
Pacific Grove	95	142
Pebble Beach	282	221
Salinas Hwy	207	156
Seaside	127	87
South Coast	143	64

Median Sales Price Comparisons			
	Full Year	1st Qtr	1st Qtr
Town	2008	2008	2009
Carmel	\$1,550,250	\$1,910,000	\$ 1,075,000
Carmel Valley	\$1,182,000	\$1,215,000	\$ 723,500
Del Rey Oaks	\$ 505,000	\$ 725,000	\$ 400,000
Marina	\$ 400,000	\$ 450,000	\$ 350,000
Monterey	\$ 685,000	\$ 771,250	\$ 510,000
Pacific Grove	\$ 672,500	\$ 775,000	\$ 559,000
Pebble Beach	\$1,570,000	\$1,660,000	\$ 1,302,000
Salinas Hwy	\$ 770,000	\$1,105,000	\$ 572,000
Seaside	\$ 326,000	\$ 369,500	\$ 282,500
South Coast	\$1,600,000	\$2,850,000	\$ 1,325,000

Distribution of Sales - 1st Quarter 2009								
	\$0	\$400	\$700	\$800	\$1-M	\$1.3-M	\$1.7-M	
Town	\$399	\$699	\$799	\$999	\$1,299	\$1,699	\$1,999	\$2M +
Carmel	0	4	2	5	6	2	0	12
Carmel Valley	0	6	3	1	2	0	0	2
Del Rey Oaks	0	1	0	0	0	0	0	0
Marina	32	9	0	0	0	0	0	0
Monterey	0	10	1	1	0	0	0	0
Pacific Grove	0	15	1	3	0	0	0	2
Pebble Beach	0	0	1	2	4	3	1	3
Salinas Hwy	2	17	1	2	0	0	1	0
Seaside	50	11	2	2	0	0	0	0
South Coast	1	0	0	0	1	1	0	1
Totals	85	73	11	16	13	6	2	20

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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