

# 2nd Quarter 2006 Report: Market Tumbles Supply Outstrips Demand

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One does not have to look past the inventory numbers for residential real estate to understand the current market.

Here are few light-shedding numbers: Last year on July 1, there were 451 houses on the market that were not in escrow. This year on the same date there were 923 properties for sale, a gain of 472 houses or 105%.

Specific towns looked like this: Marina, our absolutely hottest market for years went from an inventory of 17 houses last July 1 to 74 this year, a gain of 335%; Seaside from 55 to 132, plus 140%; Carmel 101 to 188, plus 86%; Carmel Valley 53 to 103, plus 94%; Pebble Beach 49 to 95, plus 94%; Pacific Grove 37 to 86, plus 132%.

Those are grim inventory numbers for sellers.

At the entry-level markets of Seaside and Marina the reason for the slow-down seems obvious. The increase in financing rates has been pushing up the monthly payments. Asking prices have begun to outstrip buyers' ability to pay. To move the growing inventory sellers are going to have to adjust their asking prices downward. If they don't they simply will not sell in this market.

The high end markets of Carmel, Pebble Beach, Carmel Valley and South Coast present a more subtle picture. These markets are not as sensitive to rates as the lower ones, though there may be some sensitivity in specific cases. These markets seem to be even more extreme cases of asking prices unpalatable to buyers. The buyers can afford them, but they do not want to step forward and try for houses they perceive to be too expensive. The good houses with attractive prices suffer along with the bad ones at unattractive prices because of the large inventory. In essence, the high inventory drags down the good with the bad.

Although none of these markets is totally dead, buyers are holding their money tight, as they perceive the market to be slipping.

## Market Barometer

Our Market Barometer, a measure of the percentage of listings in escrow, was very low on July 1. Only Monterey and Marina topped 20%, the minimum level for an acceptable market. All of the rest to the towns had dismal numbers ranging from a high of 14% along the Salinas/Monterey Highway to zero percent in Del Rey Oaks.

## Dollar Volume

<b>MARKET BAROMETER</b>		
Five Quarter Review		
Hottest to Coldest Market		
Second Quarter 2006		
(In Descending Order)		
	<i>In</i>	
	<i>Escrow</i>	
	<i>vs</i>	
<i>Date</i>	<i>Listings</i>	<i>Percent</i>
<b>Monterey</b>		
07/01/06	22/90	24%
04/01/06	18/67	27%
01/01/06	7/66	11%
10/01/05	21/55	38%
07/01/05	24/61	39%
<b>Marina</b>		
07/01/06	18/92	20%
04/01/06	7/74	9%
01/01/06	6/46	13%
10/01/05	15/38	39%
07/01/05	12/40	58%
<b>Salinas/Mty Highway</b>		
07/01/06	20/147	14%
04/01/06	19/113	17%
01/01/06	16/97	17%
10/01/05	35/84	42%
07/01/05	58/120	48%
<b>Seaside</b>		
07/01/06	17/149	11%
04/01/06	23/123	19%
01/01/06	20/93	22%
10/01/05	24/76	32%
07/01/05	41/96	43%
<b>Carmel Valley</b>		

We follow dollar volume closely as it shows us how much money has changed hands. You might want to call these figures the true bottom line of our local real estate market. As the inventory has been rising, the gross dollar figures have been dropping. Total dollar volume in the first quarter of 2005 was \$477,208,000. This year the quarter dropped to \$316,036,000, a decrease of \$161,172,000 dollars or 34%.

The biggest losers were Salinas/Monterey Highway down from \$81,196,000 to \$36,818,000, minus 55%; Marina \$26,083,000 to \$12,963,000, minus 50%; Del Rey Oaks \$4,377,000 to \$2,810,000, minus 36% and Carmel \$107,993,000 to \$72,838,000, minus 33%. All of the other markets were down substantially too. Curiously, our slowest market, South Coast, had the smallest drop in dollar volume, 21% down.

## Unit Sales and Prices

The total number of transactions was down from 393 in last year's second quarter to 248 this year, a drop of 37%. Carmel, for example, dropped from 57 sales last year to 42 sales this year, a decline of 26%. The biggest drop was the Salinas/Monterey Highway which went from 67 sales last year to only 32 this year, a reduction of 52%.

In spite of all the negative numbers median sales prices have not cracked. Six of the markets are down, five of them not by much, and four are actually up. Only South Coast which was sharply down losing 29%. Because of the small size of the South Coast market, however, the median selling price numbers jump around a lot so they are less of a guide than those in the other markets.

Lower asking prices coupled with easing interest rates are the combination needed to foster a wide spread rebound. Median asking prices in Carmel as of July 22, 2006 were \$1,795,000 a full \$273,000 above the second quarter median selling price. The market is slow and inventory is high. Current pricing will not get the job done.

The hot market lasted for 10 years, with one small dip in 2001. We are only a few quarters into the slow market. At this writing we don't know if we will have a quick rebound, as we did in 2002, or if we are into a prolonged slump.

<b>Carmel valley</b>		
07/01/06	13/116	11%
04/01/06	18/84	18%
01/01/06	13/87	15%
10/01/05	14/79	18%
07/01/05	29/82	35%
<b>Carmel</b>		
07/01/06	21/209	10%
04/01/06	20/162	12%
01/01/06	17/129	13%
10/01/05	19/136	14%
07/01/05	28/129	22%
<b>Pebble Beach</b>		
07/01/06	9/104	9%
04/01/06	11/91	12%
01/01/06	10/70	14%
10/01/05	15/61	25%
07/01/05	15/64	23%
<b>Pacific Grove</b>		
07/01/06	8/94	9%
04/01/06	13/79	16%
01/01/06	11/61	18%
10/01/05	22/45	49%
07/01/05	18/55	33%
<b>South Coast</b>		
07/01/06	2/42	5%
04/01/06	3/41	7%
01/01/06	3/44	7%
10/01/05	4/44	9%
07/01/05	6/41	15%
<b>Del Rey Oaks</b>		
07/01/06	0/10	0%
04/01/06	1/4	25%
01/01/06	1/4	25%
10/01/05	2/6	33%
07/01/05	3/8	38%

### Median Sales Price Comparisons

	<i>Full Year</i>	<i>2nd Qtr</i>	<i>2nd Qtr</i>
<i>Town</i>	<i>2005</i>	<i>2005</i>	<i>2006</i>
Carmel	\$ 1,575,000	\$1,600,000	\$1,522,500
Carmel Valley	\$ 1,162,000	\$1,171,500	\$1,245,000
Del Rey Oaks	\$ 725,000	\$ 732,000	\$ 707,500
Marina	\$ 675,000	\$ 670,500	\$ 675,000
Monterey	\$ 875,000	\$ 897,500	\$ 910,000
Pacific Grove	\$ 882,500	\$ 885,000	\$ 811,500
Pebble Beach	\$ 1,660,000	\$1,697,000	\$1,376,000
Salinas Hwy	\$ 1,002,000	\$ 950,000	\$ 835,000
Seaside	\$ 660,000	\$ 660,000	\$ 675,000
South Coast	\$ 2,400,000	\$2,140,000	\$1,530,000

### Monterey Peninsula Gross Dollar Volume

	<i>2nd Qtr</i>	<i>2nd Qtr</i>
<i>Town</i>	<i>2005</i>	<i>2006</i>
Carmel	\$ 107,993,000	\$ 72,838,000
Carmel Valley	\$ 55,768,000	\$ 45,423,000
Del Rey Oaks	\$ 4,377,000	\$ 2,810,000
Marina	\$ 26,083,000	\$ 12,963,000
Monterey	\$ 44,720,000	\$ 31,072,000
Pacific Grove	\$ 38,420,000	\$ 27,066,000
Pebble Beach	\$ 57,223,000	\$ 42,816,000
Salinas Hwy	\$ 81,196,000	\$ 36,818,000
Seaside	\$ 43,233,000	\$ 29,842,000
South Coast	\$ 18,195,000	\$ 14,388,000
<b>Totals</b>	<b>\$ 477,208,000</b>	<b>\$ 316,036,000</b>

**Days on Market**

2nd Qtr 2005-2006

<i>Town</i>	<i>2005</i>	<i>2006</i>
Carmel	96	91
Carmel Valley	93	134
Del Rey Oaks	106	34
Marina	36	88
Monterey	62	63
Pacific Grove	53	69
Pebble Beach	129	96
Salinas Hwy	93	83
Seaside	37	86
South Coast	67	298

**SALES BY QUARTER -- Seven Quarter Review**

<i>Town</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>	<i>Q2 2006</i>
Carmel	45	64	57	69	30	39	42
Carmel Valley	35	30	45	42	24	23	23
Del Rey Oaks	3	8	6	11	2	2	4
Marina	35	27	38	43	24	21	19
Monterey	53	38	46	39	36	28	32
Pacific Grove	40	29	37	38	40	26	25
Pebble Beach	29	33	27	26	22	19	21
Salinas Hwy	45	40	67	71	41	38	32
Seaside	59	51	63	64	43	31	43
South Coast	8	10	7	6	6	8	7
<b>Totals</b>	<b>352</b>	<b>330</b>	<b>393</b>	<b>409</b>	<b>268</b>	<b>235</b>	<b>248</b>

DISTRIBUTION OF SALES -- 2nd 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	3	12	8	8	11
Carmel Valley	1	1	5	5	5	0	6
Del Rey Oaks	2	2	0	0	0	0	0
Marina	12	7	0	0	0	0	0
Monterey	5	5	12	5	5	0	0
Pacific Grove	3	7	7	2	3	1	2
Pebble Beach	0	0	1	6	8	1	5
Salinas Hwy	2	11	7	6	1	1	1
Seaside	25	12	3	3	0	0	0
South Coast	1	0	1	1	1	0	3
<b>Totals</b>	<b>51</b>	<b>45</b>	<b>39</b>	<b>40</b>	<b>31</b>	<b>11</b>	<b>28</b>

*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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