

# 2nd Quarter 2009 Report : Elite Markets Take a Hit

## Foreclosure Market Red Hot

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In the early days of the real estate decline the lower priced markets took the big hits. We all know the stories of sub-prime loans, the ratcheting up of loan payments on variable interest mortgages and the subsequent explosion of foreclosures.

The decline in values was brutal. On the Peninsula, Marina and Seaside were poster babies for the rough times. Seaside's median sale price peaked in 2006 at \$670,000, slipped a little bit in 2007 to \$619,000 and then plunged to \$326,000 in 2008. The first two quarters of this year the median sales price has been \$282,500 in the first quarter and \$266,000 in the second.

Marina suffered a similar fate peaking in 2005 with a median sales price of \$675,000, falling to \$400,000 in 2008 and to \$324,250 in the last quarter. Furious activity spurred by the abrupt and deep price decline pushed up the dollar volume figures for both towns in 2008. In the extremely rough quarter just behind us both towns were down bit as only the Salinas/Monterey Highway area posted a gain and Monterey was essentially a break even.

The stupendous Market Barometer readings (percentage of listings in escrow) for both towns on July 1st, 73% in Seaside and 56% in Marina, should result in strong dollar volume in the next quarter.

### Large Dollar Volume Declines

While the market turmoil reigned below, the local elite markets of Carmel, Carmel Valley, Pebble Beach and Carmel Highlands, though slipping, were making a relatively orderly retreat. Market tranquility and order ceased when the financial crisis hit last fall.

The huge decline has been in dollar volume. Comparing the second quarters of 2008 and 2009 Carmel was down \$53,495,000, a decline of 65%; Pebble Beach was minus \$38,637,000, off 60%, and Carmel Valley a negative \$10,912,755, a slide of 43%. Those are impressive declines.

The entire 10-town Peninsula market was off \$113,532,894 a 40% drop.

### Differences

There are interesting differences within these numbers. The median sales price in Carmel was exactly the same in the second quarter of 2009 as the same quarter last year, \$1,395,000. But the number of sales decline exactly 50%, from 42 last year to 21 this year. It has become much harder to move Carmel properties.

Pebble Beach had a different experience. The unit sales declined from 22 to 14, a 36% drop. But the median sales price dropped from \$2,147,500 to \$1,025,000. This does not mean that values across the board slipped 52%. It

<b>MARKET BAROMETER</b> 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>
<b>Seaside</b>		
07/01/09	75/104	72%
04/01/09	68/121	56%
01/01/09	60/140	43%
10/01/08	70/170	41%
07/01/08	57/180	32%
<b>Marina</b>		
07/01/09	35/62	56%
04/01/09	29/73	40%
01/01/09	33/92	36%
10/01/08	35/104	34%
07/01/08	29/96	30%
<b>Del Rey Oaks</b>		
07/01/09	3/7	43%
04/01/09	4/9	44%
01/01/09	2/7	29%
10/01/08	6/9	67%
07/01/08	8/17	47%
<b>Monterey</b>		
07/01/09	31/100	31%
04/01/09	19/94	20%
01/01/09	6/81	7%
10/01/08	24/140	17%
07/01/08	18/116	16%
<b>Pacific Grove</b>		
07/01/09	28/101	28%
04/01/09	15/89	17%
01/01/09	13/87	15%
10/01/08	17/109	16%
07/01/08	16/118	14%
<b>Salinas/Mty Highway</b>		

simply shows that within the universe of properties sold during the period that the lower end was selling, at least a little bit, and the upper end was not.

Carmel Valley is a third unique case. There the dollar volume dropped 43% while the number of sales actually increased by two, from 18 to 20. The logical result was the precipitous decline in median sales prices from \$1,550,000 last year to \$703,372 this year, a 55% drop.

## New Figures

We have added a new column to our Median Sales Price Chart. This column shows the percent of listing price received. Most sellers would like to get 95% or more of their asking price. In our view, a result of over 90% reflects reasonably sensible pricing. The top markets for getting close to asking in the second quarter were Del Rey Oaks, Marina, Salinas/Monterey Highway and Seaside. The lowest was South Coast at 77.25%. The only other market under 90% was Pebble Beach at 88.81%.

The relatively good figures in eight of the ten Peninsula markets illustrate that most successful sellers had appealing asking prices.

## Relic Prices

What are we to make all of this? Here is what we think. First, the asking prices of unsuccessful sellers are largely based on a market that no longer exists. We call them relic prices, as they are reflections of the extinct hot market. During the peak, there were lots of folks with huge discretionary buying power. Many of them were ideal prospects for our area, and they bought here in large numbers. Their demand drove prices up. The current lack of demand is driving prices down.

The setters of unsuccessful asking prices seem to assume the universe of affluent, high end buyers is the same as it was, but it isn't. That universe did not disappear (if it did, we would have no sales at all), but it has shrunk decisively.

Sellers of properties that have been on the market more than 60 days, with no success, would be wise to consider making major price adjustments if they wish to succeed in selling. Asking prices have been coming down but not enough to encourage even a small buying surge let alone the immense pick-up underway in the low-end market where perceived bargains abound.

The problem for sellers and their agents is finding the right asking price.

At this time it will probably take huge price reductions to get many properties sold. We, frankly, do not know the location of the hot price point for most properties, and we suspect no one else does either. The norm is to make incremental changes which often keep the seller behind the selling curve. That timid path is almost a sure course to failure. The question that sellers have to ask is do they really want to sell in this market? If the answer is yes, the road to success will be to take bold action on the price front.

Sellers often worry about leaving money on the table. That is unlikely to happen even if one's price is too low. If a price is perceived as an exceptionally good deal, the seller will have more than one interested party, and he should achieve market value and maybe a little bit more by fostering competition among buyers.

Although this is an extremely challenging market filled with uncertainties, the winds of change have begun to blow in

07/01/09	36/163	22%
04/01/09	31/75	18%
01/01/09	15/155	10%
10/01/08	25/175	14%
07/01/08	24/179	13%
<b>Carmel Valley</b>		
07/01/09	19/135	14%
04/01/09	17/138	12%
01/01/09	9/121	7%
10/01/08	16/148	11%
07/01/08	13/123	11%
<b>Carmel</b>		
07/01/09	26/209	12%
04/01/09	16/178	9%
01/01/09	13/151	9%
10/01/08	24/156	15%
07/01/08	17/160	11%
<b>Pebble Beach</b>		
07/01/09	12/116	10%
04/01/09	6/110	5%
01/01/09	9/96	9%
10/01/08	12/118	10%
07/01/08	6/107	6%
<b>South Coast</b>		
07/01/09	3/64	5%
04/01/09	2/25	8%
01/01/09	3/31	10%
10/01/08	1/62	2%
07/01/08	2/57	4%

the San Francisco Bay Area. Reports from there show a healthy pick up in activity. In our experience, the Monterey Peninsula's high-end markets run about six months behind the Bay Area, both on upward and downward real estate trends.

The Bay Area market is not an infallible talisman, but it provides us with at least a hint of better times to come.

Days on Market 2nd Qtr 2008 - 2009		
Town	2008	2009
Carmel	130	150
Carmel Valley	188	154
Del Rey Oaks	158	18
Marina	105	83
Monterey	176	91
Pacific Grove	134	142
Pebble Beach	279	221
Salinas Hwy	134	156
Seaside	103	87
South Coast	187	64

Distribution of Sales - 2nd 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	1	4	1	3	8	1	3
Carmel Valley	2	8	4	1	5	0	0	0
Del Rey Oaks	1	3	0	0	0	0	0	0
Marina	22	10	0	0	0	0	0	0
Monterey	3	16	2	3	0	0	0	0
Pacific Grove	2	10	2	1	5	1	0	0
Pebble Beach*	0	1	1	4	2	0	0	5
Salinas Hwy	1	24	4	10	5	2	2	0
Seaside	53	7	2	1	0	0	0	0
South Coast	0	0	1	0	1	0	0	1
Totals	84	80	20	21	21	11	3	9
* One Unreported Sale Price in Pebble Beach								

Monterey Peninsula Gross Dollar Volume		
	2nd QTR	2nd QTR
Town	2008	2009
Carmel	\$82,722,500	\$29,263,500
Carmel Valley	\$25,252,000	\$14,339,245
Del Rey Oaks	\$1,091,900	\$1,664,900
Marina	\$15,136,400	\$10,526,500
Monterey	\$13,108,400	\$13,661,900
Pacific Grove	\$18,541,900	\$15,394,500
Pebble Beach	\$64,272,500	\$25,645,000
Salinas Hwy	\$30,146,410	\$36,685,900
Seaside	\$21,688,250	\$19,581,506
South Coast	\$14,005,585	\$5,670,000
<b>Totals</b>	<b>\$285,965,845</b>	<b>\$172,432,951</b>

Median Sales Price Comparisons				
Town	Full Year	2nd Qtr	2nd Qtr	% LP
	2008	2008	2009	Received
Carmel	\$1,550,250	\$1,395,000	\$1,395,000	91.24%
Carmel Valley	\$1,182,000	\$1,550,000	\$703,372	90.60%
Del Rey Oaks	\$505,000	\$545,950	\$420,000	97.49%
Marina	\$400,000	\$455,000	\$324,250	95.86%
Monterey	\$685,000	\$700,000	\$520,000	93.57%
Pacific Grove	\$672,500	\$725,000	\$612,500	92.61%
Pebble Beach	\$1,570,000	\$2,147,500	\$1,100,000	88.81%
Salinas Hwy	\$770,000	\$725,000	\$667,500	94.76%
Seaside	\$326,000	\$344,500	\$266,000	97.93%
South Coast	\$1,600,000	\$1,400,000	\$1,025,000	77.25%

SALES BY QUARTER -- Seven Quarter Review							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Town	2007	2008	2008	2008	2008	2009	2009
Carmel	41	28	42	36	27	31	21
Carmel Valley	16	9	18	16	14	14	20
Del Rey Oaks	2	1	2	9	4	1	4
Marina	20	17	32	34	53	41	32
Monterey	20	20	18	25	43	12	24
Pacific Grove	21	17	21	34	22	21	21
Pebble Beach	15	20	22	18	17	14	14
Salinas Hwy	20	14	25	27	27	23	48
Seaside	20	28	56	89	85	65	63
South Coast	4	3	9	1	1	4	3
<b>Totals</b>	<b>179</b>	<b>157</b>	<b>245</b>	<b>289</b>	<b>293</b>	<b>226</b>	<b>250</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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