

3rd Quarter 2007 Report : Bright Sun Penetrates the Gloom

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Chicken Little is running wild around the world of real estate, but contrary to his predictions the sky is not falling in our market. Our scene is not one of bright sunshine, for sure, but within the gloom there are some shining surprises.

One of the fun, and perplexing, things about trying to analyze numbers is they often do not fulfill expectations. They offer surprises, contain shades of nuance and sometimes baffle rather than clarify as they give us conflicting information.

Knowing this we still try to make some sense out of what we find. Upon looking at the third quarter numbers we expected them to unveil a universally bleak picture. The first numbers we looked at were the Market Barometer figures, i.e., the percentage of listings in escrow.

The Gloom

The Barometer confirmed our impression that our local market is terrible: the October 1st numbers are the worst we have seen since beginning these reports in 1989. They are so ugly not even a mother could love them. Our benchmark reading for a reasonably healthy market is 20% of the listings in escrow. During the ten-year hot market Barometer readings often topped 30% or 40% and sometimes even 50%.

The highest reading on October 1 was Carmel at 11%. Imagine that! No other market even reached 10%. They were all 9% or less. There were scads of properties available – 190 in Carmel, 178 in Seaside, 173 on the Salinas Monterey Highway, 126 in Marina, 113 in Pebble Beach and a whopping 49 in the tiny South Coast market – with almost nothing in escrow. If you are looking for a buyers' market, here it is in spades. Dig up the stash in the backyard and go buy a house or two.

In addition to the pathetically low Barometer reading, another negative note has been market times. In seven of the ten markets it took longer this year than last to get properties sold. The Days on Market statistic is a tricky one as it measures only the successes. The properties that do not get sold are not calculated. If they were, market times would be much longer.

The total number of properties sold also declined, 229 this year as opposed to 235 a year ago, The 229 sales beat both the first and second quarters of this year and, given the low number of properties in escrow, will probably top the current 4th quarter.

We say this with some trepidation as we remember well what happened in 1995, the last really weak year. The first three quarters of '95 were slow. Out of the blue and surprising to

MARKET BAROMETER

Five Quarter Review
Hottest to Coldest Market
Third Quarter 2007
(In Descending Order)

	<i>In</i>	
	<i>Escrow</i>	
	<i>vs</i>	
<i>Date</i>	<i>Listings</i>	<i>Percent</i>
Carmel		
10/01/07	21/190	11%
07/01/07	26/172	15%
04/01/07	20/176	11%
01/01/07	12/153	8%
10/01/06	22/198	11%
Del Rey Oaks		
10/01/07	1/11	9%
07/01/07	2/7	29%
04/01/07	1/12	8%
01/01/07	0/3	0%
10/01/06	3/12	25%
Monterey		
10/01/07	10/111	9%
07/01/07	17/101	17%
04/01/07	15/109	14%
01/01/07	19/78	24%
10/01/06	24/107	22%
Pebble Beach		
10/01/07	10/113	9%
07/01/07	8/99	8%
04/01/07	11/114	10%
01/01/07	14/77	18%
10/01/06	13/109	12%

everyone at the time, the market mysteriously picked up in the 4th quarter and initiated what ended up being a ten-year boom.

The Sunshine

So, where is the good news? The first news that counters the gloom is total dollar volume for the ten Peninsula markets increased by six percent over last year, going from \$307,411,300 to \$326,946,172, a nice gain.

Where these numbers pale is in comparison to the red hot market of 2005 when the third quarter dollar volume hit an amazing \$519,318,000. That strong number reflected not only good high-end markets but also excellent results at the entry level markets of Seaside and Marina.

For example, this year Seaside properties rang up only \$12 million dollars of sales in the third quarter whereas in 2005 Seaside sales topped \$45 million. We now know that unscrupulous lending practices contributed to those great results. Marina's experience is similar to that of Seaside. Marina sold \$30 million in the third quarter of 2005 and only \$12 million this year.

Carmel bested last years numbers by only one percent while Pebble Beach registered a 29% gain and South Coast had a gaudy 148 percent increase. Pebble Beach's numbers were almost identical this year as in the hot 2005 market. Pebble's sales in the third quarter of 2005 were \$62 million and this year \$60 million.

The other partially sunny area is median sales prices. Although asking prices have cracked, their drop is more of a reality check than a decline. Many sellers had been too ambitious. They were working on old, out-dated information regarding value. It is hard for sellers to adapt to declining values whereas they are quick to understand increasing prices. Those who adapt to today's reality have a good chance of success, at least in the high end markets.

The low end has an affordability crisis that previously was papered over by clever lending schemes. Many people who would like to buy those houses do not have the wherewithal to qualify under today's stricter lending guidelines. That market is probably in for painful declines in value from the top numbers achieved a couple of years ago.

Looking at the third quarter comparisons, Carmel, Carmel Valley and South Coast had higher median sales prices this year than last. If we look at the third quarter in comparison to the median sales price for all of 2006 we find that Pacific Grove and Salinas Monterey Highway are added to the plus column, making five of the markets posting higher median sales prices and five lower.

This is not a glowing report on prices, but it illustrates the fact the high-end is a lot healthier than the entry level

Marina		
10/01/07	10/126	8%
07/01/07	10/99	10%
04/01/07	13/120	11%
01/01/07	11/88	13%
10/01/06	8/86	9%
Pacific Grove		
10/01/07	9/107	8%
07/01/07	17/83	20%
04/01/07	9/110	8%
01/01/07	7/63	11%
10/01/06	11/80	14%
South Coast		
10/01/07	4/49	8%
07/01/07	5/44	11%
04/01/07	2/45	4%
01/01/07	4/44	9%
10/01/06	3/51	6%
Carmel Valley		
10/01/07	9/123	7%
07/01/07	13/114	11%
04/01/07	16/129	12%
01/01/07	10/87	11%
10/01/06	11/114	10%
Salinas/Mty Highway		
10/01/07	10/173	6%
07/01/07	17/101	17%
04/01/07	15/109	14%
01/01/07	19/78	24%
10/01/06	24/107	22%
Seaside		
10/01/07	11/178	6%
07/01/07	13/119	11%
04/01/07	10/187	5%
01/01/07	13/93	14%
10/01/06	22/127	17%

market.

We were at a statewide Coldwell Banker meeting at the Monterey Plaza Hotel in August. About 200 top Coldwell Banker agents attended that conference. There were three agents at the conference, all from Southern California, who had closed sales this year in excess of \$20 million. One of them did a deal of \$35 million.

There is a lot of money at the top. Here is a communication we recently received from a fellow agent in San Francisco:

"In San Francisco," she reported, "the level of activity has been quite different from what the media would have the public believe. Properties that are accurately priced are selling quickly, most with multiple offers. There is little inventory in each of the City's micro markets and therefore number of sales is down from last year. However, prices have increased, particularly in the luxury market. In the last two weeks, there are four pending sales over ten million dollars. There has been a slowdown in the South Beach and South of Market areas where SF's only development of large condominium projects has been going on since the mid 1990s."

The main point of this report is that the market is relatively good at the top and ice-cold at the bottom. A spot check of escrows on October 27 revealed that on the Monterey Peninsula there were 13 escrows of properties listed over \$3 million including one at \$8,990,000, another at \$15,500,000 and the topper at \$22,000,000. The latter three are in Pebble Beach.

The immediate future looks like tough sledding at the low-end and a decent, though not hot, market at the high-end for realistically priced properties.

Median Sales Price Comparisons			
	<i>Full Year</i>	<i>3rd Qtr</i>	<i>3rd Qtr</i>
<i>Town</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
Carmel	\$ 1,525,000	\$1,500,000	\$1,675,000
Carmel Valley	\$ 1,198,500	\$1,235,000	\$1,410,000
Del Rey Oaks	\$ 715,000	\$ 777,500	\$ 689,000
Marina	\$ 669,000	\$ 660,000	\$ 540,000
Monterey	\$ 835,000	\$ 928,500	\$ 750,000
Pacific Grove	\$ 865,000	\$ 895,000	\$ 870,000
Pebble Beach	\$ 1,657,500	\$2,413,000	\$2,225,000
Salinas Hwy	\$ 925,000	\$1,010,000	\$ 950,000
Seaside	\$ 670,000	\$ 642,000	\$ 566,000
South Coast	\$ 2,450,000	\$2,275,000	\$2,700,000

Monterey Peninsula Gross Dollar Volume		
	3rd Qtr	3rd Qtr
Town	2006	2007
Carmel	\$ 84,579,300	\$ 86,962,243
Carmel Valley	\$ 25,973,000	\$ 43,416,500
Del Rey Oaks	\$ 1,555,000	\$ 2,044,640
Marina	\$ 17,926,500	\$ 12,073,400
Monterey	\$ 26,543,500	\$ 18,965,500
Pacific Grove	\$ 30,458,000	\$ 26,466,000
Pebble Beach	\$ 46,983,000	\$ 60,510,189
Salinas Hwy	\$ 45,980,000	\$ 41,435,200
Seaside	\$ 18,613,000	\$ 12,212,500
South Coast	\$ 8,800,000	\$ 21,860,000
Totals	\$ 307,411,300	\$ 325,946,172

Days on Market		
3rd Qtr 2006 - 2007		
Town	2006	2007
Carmel	103	108
Carmel Valley	133	119
Del Rey Oaks	55	136
Marina	98	137
Monterey	86	147
Pacific Grove	77	96
Pebble Beach	152	260
Salinas Hwy	141	108
Seaside	93	147
South Coast	249	174

SALES BY QUARTER -- Seven Quarter Review							
Town	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007
Carmel	39	42	50	42	49	57	43
Carmel Valley	23	23	20	21	19	16	28
Del Rey Oaks	2	4	2	4	2	2	3
Marina	21	19	27	16	20	19	21
Monterey	28	32	28	36	20	29	25
Pacific Grove	26	25	31	28	23	26	27
Pebble Beach	19	21	15	20	22	10	22
Salinas Hwy	38	32	36	31	29	33	35
Seaside	31	43	30	35	27	20	20
South Coast	8	7	4	7	5	5	5
Totals	235	248	243	240	216	217	229

DISTRIBUTION OF SALES -- 3rd Quarter 2007							
Town	\$0- \$699	\$700- 799	\$800- 999	\$1M- \$1.299	\$1.3M- \$1.699	\$1.7M- \$1.999	\$Two Mil +
Carmel	1	2	2	5	12	9	12
Carmel Valley	2	1	6	4	8	2	5
Del Rey Oaks	3	0	0	0	0	0	0
Marina	19	2	0	0	0	0	0
Monterey	8	6	7	0	2	2	0
Pacific Grove	5	3	11	3	3	1	1
Pebble Beach	0	0	1	1	4	2	14
Salinas Hwy	8	6	5	8	2	2	4
Seaside	14	1	4	1	0	0	0
South Coast	0	0	0	1	0	0	4
Totals	60	21	36	23	31	18	40

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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