

4th Quarter 2001 Report : Billion Dollar Plus 2000 Real Estate Haul Drops to Seven Hundred Fifty One Million

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The big story in the Monterey Peninsula real estate market at the end of 2000 was that dollar volume exceeded one billion dollars for the first time. That was a huge number demonstrating the tremendous popularity and high cost of Peninsula real estate during that record-breaking year.

The big story for 2001 is that dollar volume dropped by \$437 million dollars, going from one billion one hundred eighty eight million in 2000 to \$751 million in 2001. Dollar volume was also lower than the \$899 million registered in 1999, which was the best year in history prior to 2000. The year 2001 did, however, beat the dollar volume of both 1997 and 1998 that came in at \$640 million and \$734 million respectively.

The drop in 2001 from 2000 should not be a surprise. Billions of dollars of stock market value disappeared in 2001. The biggest beneficiary of the stock market boom was Northern California. It follows that we would be among the hardest hit by the disappearing green. Yet, our real estate remains relatively insulated from the realities of economic life, as you will see below.

Prices – Small Declines and Large Increases

We love the year-end report because we have enough data to make better sense of what is going on. Let's look at some numbers, starting with the median sales prices. Everyone wants to know what real estate is worth. People are constantly asking us how much prices have dropped from their highs.

"Is it 20%? 30%? 50%?" they ask.

Turns out that prices have hardly dropped at all when you look at year-to-year numbers. Carmel, Pebble Beach and South Coast slipped 6%, 6% and 15% respectively from 2000 to 2001. Monterey's median sales prices declined 3%. With the exception of the South Coast, these are meager price corrections.

The other six markets, in a weakening market, finished 2001 with higher median sales prices than in 2000. Seaside led the way with an eye-popping gain of 24%; Del Rey Oaks followed with an increase of 19%, Marina, 18%, Carmel Valley, 14%; Pacific Grove, 9%; and the Salinas/Monterey Highway, 6%.

On balance, prices did very well in a year in which dollar volume dropped substantially. These strong prices attest to the strength of the underlying fundamentals that support our local market: scarcity and desirability.

Ten Year Price Review

MARKET BAROMETER		
Five Quarter Review		
Hottest to Coldest Market		
Fourth Quarter 2001		
(In Descending Order)		
	<i>In</i>	
	<i>Escrow</i>	
	<i>vs</i>	
<i>Date</i>	<i>Listings</i>	<i>Percent</i>
Seaside		
01/01/02	30/72	42%
10/01/01	28/75	37%
07/01/01	22/77	29%
04/01/01	37/63	59%
01/01/01	24/53	45%
Del Rey Oaks		
01/01/02	2/5	40%
10/01/01	1/8	13%
07/01/01	3/9	33%
04/01/01	1/2	50%
01/01/01	2/4	50%
Marina		
01/01/02	14/44	32%
10/01/01	11/56	20%
07/01/01	10/47	21%

You may recall from our previous reports that the local real estate bull market began in the 4th quarter of 1995. The first nine months of that year were weak, and then unexpectedly the market began picking up in the last quarter. We were both working on deals on Christmas Eve wondering why our clients were choosing such a weird time to buy real estate.

Let's look at the progression of median sales prices over ten years. This will give us a good idea of how the market has behaved over a long period. We will use Carmel for our example. In 1992 the median sales price in Carmel was \$440,000. In 1993 it dipped to \$427,000, and in 1994 it made a comeback to \$450,000. In 1995 it slipped downward again to \$429,000. Basically, prices did not go anywhere from the end of the 1989-1990 run-up to 1995.

The 1996 market was excellent but prices didn't do much. At that time we commented on the surprising stability of the prices. Demand was becoming stronger and stronger so why wasn't it having a greater impact on price? The 1996 median sales price came in at \$480,000, 12% above 1995 but only 7% above 1994. This was a move up but nothing dramatic.

Subsequently, the median sales price in 1997 topped 1996 by 9%. In 1998 prices gained 9%; in 1999 15%; in 2000 by 38%. Look at those last two numbers: **53% appreciation in two years**. Those were clearly unsustainable numbers.

Carmel – Up 93% in 10 Years

Looking at quarterly numbers, which are suspect because the time frame is too short and the data too meager, Carmel hit its price peak in the second quarter of 2001 with a median sales price \$1,150,000 for the quarter. We published that figure in our 2nd Quarter Report, but we didn't draw any conclusions.

If one uses the \$1,150,000 median sales price as a benchmark number the 2001 median sales price of \$850,000 seems like a devastating drop. Some local reporting has focused on these short-term differentials and published some truly alarming numbers. Readers need to be skeptical of short-term numbers and not jump to conclusions on the hot news just off the press.

With ten years of numbers, which we just have given to you for Carmel, one can see exactly where we are. 2001 was 6% below 2000 but 31% above 1999. The gain from 1992 to 2001 was 93%. Only 29% of that gain was achieved from 1992 to 1998 and all of the rest has come since 1999. 1999 and 2000 were exceptional boom years.

04/01/01	18/31	58%
01/01/01	7/18	39%
Carmel Valley		
01/01/02	24/76	32%
10/01/01	21/106	20%
07/01/01	14/96	15%
04/01/01	8/61	13%
01/01/01	11/44	25%
Monterey		
01/01/02	22/75	29%
10/01/01	17/94	18%
07/01/01	8/77	10%
04/01/01	21/60	35%
01/01/01	13/48	27%
Pacific Grove		
01/01/02	18/65	28%
10/01/01	15/82	18%
07/01/01	18/87	21%
04/01/01	15/60	25%
01/01/01	14/42	33%
Salinas/Mty Highway		
01/01/02	25/98	26%
10/01/01	23/115	20%
07/01/01	29/111	26%
04/01/01	25/90	28%
01/01/01	19/46	41%
Carmel		
01/01/02	25/137	18%
10/01/01	16/139	12%
07/01/01	30/146	21%
04/01/01	25/121	21%
01/01/01	21/56	37%
Pebble Beach		
01/01/02	11/70	16%
10/01/01	9/85	11%
07/01/01	18/81	19%
04/01/01	5/56	9%
01/01/01	14/52	27%
South Coast		
01/01/02	4/29	14%
10/01/01	3/32	9%
07/01/01	5/37	14%
04/01/01	6/35	17%
01/01/01	5/27	19%

The Psychology of the Up Real Estate Market

Few of us are immune to the psychology of the moment. It is hard not to be bullish when multiple offers are flying around and properties are selling for more than the asking price. It is hard to recognize good deals when our fists are squeezing to death the eagles in our pockets. Sometimes it pays to be counterintuitive.

As we now know, the flow of real estate dollars into our market in 2001 dropped by \$437 million dollars. That is a lot of money. Yet, at the beginning of the year median asking prices were approaching \$500,000 above record-high median selling prices. How could anyone believe that 35% annual gains could continue?

What happens in up markets is simple. Prices go up, up and up and sellers and their agents fear under pricing their product. So they keep ratcheting prices higher and higher. It becomes a stampede that is hard to resist. When the market begins to cool, few realize it in time to catch the best possible price when they go on the market. Asking prices stay high, sales volume begins to dwindle, savvy or truly motivated sellers lower their expectations and get their places sold. Others don't get the picture and stay behind the downward curve. It is terrible, if you are a seller, to chase the downward curve. Often times sellers end up getting substantially less than they would have gotten had they had an attractive price in the beginning.

The silver lining here is that even those who have been chasing the downward price curve have only taken a beating off the peak highs. At this writing, people selling today in Carmel are only 6% off of 2000 prices and still a whopping 31% above those of 1999.

The 4th Quarter

Here are the highlights of the 4th quarter. The 10 Peninsula markets logged 243 transactions, second best of the year and remarkable, in our view, given the dramatic events that devastated many sectors of the economy. Thirty-five of the 243 transactions topped one million dollars. Seven of the ten markets had market barometers of 25% or higher, well above our classic benchmark of 20% as the indicator of a good market.

It seems to us that the market is in excellent shape going forward. We look forward to our report in April covering the 1st quarter of 2002.

If you would like historic numbers for your town, please [email us](#).

Median Sales Price Comparisons			
	<i>Full Year</i>	<i>4th Qtr</i>	<i>4th Qtr</i>
<i>Town</i>	<i>2000</i>	<i>2000</i>	<i>2001</i>
Carmel	\$900,000	\$932,000	\$709,500
Carmel Valley	\$670,000	\$819,500	\$615,000
Del Rey Oaks	\$365,000	\$360,500	\$417,500
Marina	\$290,000	\$312,500	\$335,250
Monterey	\$489,000	\$505,000	\$449,500
Pacific Grove	\$510,000	\$559,500	\$570,000
Pebble Beach	\$987,250	\$1,175,000	\$781,000
Salinas Hwy	\$510,000	\$535,000	\$565,000
Seaside	\$255,779	\$275,000	\$319,000
South Coast	\$1,292,500	\$1,185,000	\$1,500,000

Monterey Peninsula Gross Dollar Volume		
	<i>4th Qtr</i>	<i>4th Qtr</i>
<i>Town</i>	<i>2000</i>	<i>2001</i>
Carmel	\$70,228,000	\$31,778,000
Carmel Valley	\$18,307,000	\$24,166,000
Del Rey Oaks	\$721,000	\$1,620,000
Marina	\$8,429,000	\$8,323,000
Monterey	\$26,799,000	\$16,794,000
Pacific Grove	\$27,752,000	\$20,481,000
Pebble Beach	\$65,360,000	\$22,186,000
Salinas Hwy	\$23,423,000	\$31,513,000
Seaside	\$9,070,000	\$11,523,000
South Coast	\$21,299,000	\$6,426,000
Totals	\$271,388,000	\$174,810,000

Days on Market		
<i>4th Qtr 2000/2001</i>		
<i>Town</i>	<i>2000</i>	<i>2001</i>
Carmel	63	108
Carmel Valley	131	114
Del Rey Oaks	29	84
Marina	21	26
Monterey	70	64
Pacific Grove	49	45
Pebble Beach	63	139
Salinas Hwy	70	85
Seaside	44	77
South Coast	142	174

SALES BY QUARTER -- Seven Quarter Review

<i>Town</i>	Q2 2000	Q3 2000	Q4 2000	Q1 2001	Q2 2001	Q3 2001	Q4 2001
Carmel	69	48	55	38	37	45	26
Carmel Valley	44	37	20	19	21	21	31
Del Rey Oaks	1	4	2	4	1	5	4
Marina	30	27	26	24	25	20	24
Monterey	45	39	41	27	30	21	27
Pacific Grove	56	47	44	26	30	28	33
Pebble Beach	37	30	24	20	9	19	19
Salinas Hwy	52	39	39	28	34	47	40
Seaside	43	44	31	32	45	35	35
South Coast	17	13	13	5	4	6	4
Totals	394	328	295	223	236	247	243

DISTRIBUTION OF SALES -- 4th Quarter 2001

<i>Town</i>	Under \$200	\$200- \$299	\$300- \$399	\$400- \$499	\$500- \$599	\$600- \$999	One+ Mins
Carmel	0	0	0	3	4	10	9
Carmel Valley	0	0	1	7	4	13	6
Del Rey Oaks	0	0	1	3	0	0	0
Marina	0	4	17	2	1	0	0
Monterey	0	3	6	6	4	6	2
Pacific Grove	0	1	4	5	8	13	2
Pebble Beach	0	0	0	0	1	11	7
Salinas Hwy	0	2	2	11	7	12	6
Seaside	1	12	19	1	1	0	0
South Coast	0	0	0	0	0	1	3
Totals	1	22	50	38	30	66	35

Median Sales Price Comparisons - Full Year 1995 to 2001

Town	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001
Carmel	\$429,000	\$480,000	\$522,500	\$567,500	\$650,000	\$900,000	\$850,000
Carmel Valley	\$392,500	\$413,000	\$488,500	\$493,000	\$610,000	\$670,000	\$762,500
Del Rey Oaks	\$212,750	\$209,000	\$210,000	\$230,000	\$275,000	\$365,000	\$435,000
Marina	\$185,500	\$188,750	\$189,500	\$199,250	\$245,000	\$290,000	\$343,500
Monterey	\$290,000	\$282,000	\$282,125	\$300,000	\$398,000	\$489,000	\$476,100
Pacific Grove	\$265,750	\$266,000	\$295,000	\$352,500	\$398,250	\$510,000	\$555,000
Pebble Beach	\$500,625	\$530,000	\$585,000	\$750,000	\$745,000	\$987,250	\$930,000
Salinas Hwy	\$315,000	\$317,000	\$369,500	\$375,000	\$430,000	\$510,000	\$540,000
Seaside	\$146,000	\$143,800	\$145,000	\$160,000	\$185,000	\$255,779	\$317,000
South Coast	\$792,500	\$775,000	\$742,500	\$627,500	\$770,000	\$1,270,000	\$1,100,000

Monterey Peninsula Gross Dollar Volume

Town	Year 2000	Year 2001
Carmel	\$308,424,000	\$189,831,000
Carmel Valley	\$105,971,000	\$79,092,000
Del Rey Oaks	\$4,158,000	\$6,205,000
Marina	\$33,087,000	\$33,491,000
Monterey	\$92,308,000	\$66,926,000
Pacific Grove	\$111,666,000	\$72,893,000
Pebble Beach	\$269,604,000	\$110,720,000
Salinas Hwy	\$99,657,000	\$121,389,000
Seaside	\$40,332,000	\$50,703,000
South Coast	\$120,248,000	\$31,622,000
Totals	\$1,185,455,000	\$762,872,000

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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