

Fourth Quarter & Year End Report 2016 — Prices Soar

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Prices Soar in 2016 – Luxury Market Continues to Boom — Year-End and 4th Quarter Report

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The big story at the end of 2015 was the incredible success of the luxury market during that year: 63 sales over three million dollars. 2016 was even better: 69 sales over \$3 million dollars and eight sales over \$10 million.

The big difference between the two years was price. In 2015 median sales prices did not move up but, wow, in 2016 they sure did.

Dwell on these numbers: Carmel-by-the-Sea up 13%; Carmel Area up 23%; Carmel Valley up 25%; Monterey Area up 20%; Pebble Beach and Seaside up 11% each. Only Pacific Grove had a gain of less than 10% coming in at a plus seven percent.

These kinds of gains are not sustainable but sellers can enjoy the fruits of the current boom as long as it lasts. But beware: nothing goes straight up or straight down forever. For the sake of market sanity, we can hope that a correction, when it comes, will not be drastic like in 2008-2009. Market healthiness depends on it acting within reasonable ups and downs, not drastic ones.

Looking at the ten-year numbers, we see that every market is still down with the exception of Carmel-by-the-Sea which is up a fraction. But as we pointed out at this time last year if you simply ignore the previous boom, generated by lender mal-practice, the current values and activity look really good.

Gross Dollar Volume

Gross dollar volume set a record high in 2016, an exuberant \$1.38 billion topping the previous high of \$1.35 billion registered in 2015.

Six of the surveyed eight markets were up with only Carmel Highlands and Monterey Area recording lower numbers than in 2015.

Fourth Quarter Performance

The fourth quarter was slightly weaker in 2016 than in 2015. Gross dollar volume was down 12% from \$384 million in 2015 to \$336 million last year. The big loser was Carmel-by-the-Sea gathering in \$39 million in the quarter as opposed to almost \$79 million in 2015. We do not have an infallible answer as to why but our guess is the main reason was a lack of exciting listings.

The numbers were down in five of the eight markets, but we had three winners too: Carmel Valley, Pebble Beach and Seaside (see chart).

Unit sales declined 13% in the quarter but prices (the big story) were up in seven of the eight markets.

The million-dollar plus market continued to fare well. Forty six percent of the listings sold in the fourth quarter topped one million dollars. A full 15% were over two million dollars. At the other end of the price range only five percent of the sales were under \$400,000.

Market Barometer

We will wrap up by looking at the Market Barometer to see if it has any clues for us about the immediate future. On January 1, there were three markets with strong barometer readings, Monterey Area, Pacific Gove and Seaside, two with so-so numbers, Carmel-by-the-Sea and Carmel Area and three with weak readings, Carmel Highlands, Carmel

Valley and Pebble Beach.

We can expect the markets with strong Barometer readings will have good first quarters whereas those with mediocre or low readings will probably get off to a slow start in 2017.

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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.

| Median Sales Price Comparisons | | | |
|---------------------------------------|------------------|----------------|----------------|
| | <i>Full Year</i> | <i>4th Qtr</i> | <i>4th Qtr</i> |
| <i>Town</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> |
| Carmel-by-the-Sea | \$1,595,000 | \$1,345,000 | \$1,650,000 |
| Carmel Highlands | \$1,900,000 | \$2,925,000 | \$2,465,000 |
| Carmel Area | \$1,350,000 | \$1,061,739 | \$1,522,000 |
| Carmel Valley | \$ 997,500 | \$ 856,000 | \$1,105,000 |
| Monterey Area | \$ 755,000 | \$ 649,500 | \$ 750,000 |
| Pacific Grove | \$ 832,000 | \$ 762,500 | \$ 822,500 |
| Pebble Beach | \$1,550,000 | \$1,348,750 | \$1,739,500 |
| Seaside | \$ 445,000 | \$ 405,500 | \$ 441,200 |

| SALES BY QUARTER -- Seven Quarter Review | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <i>Town</i> | <i>2015</i> | <i>2015</i> | <i>2015</i> | <i>2016</i> | <i>2016</i> | <i>2016</i> | <i>2016</i> |
| Carmel-by-the-Sea | 14 | 23 | 28 | 25 | 31 | 25 | 21 |
| Carmel Highlands | 3 | 3 | 7 | 4 | 4 | 3 | 2 |
| Carmel Area | 65 | 50 | 47 | 33 | 47 | 48 | 46 |
| Carmel Valley | 24 | 21 | 16 | 10 | 33 | 23 | 16 |
| Monterey Area | 51 | 67 | 62 | 41 | 54 | 60 | 51 |
| Pacific Grove | 51 | 45 | 34 | 28 | 51 | 39 | 30 |
| Pebble Beach | 31 | 25 | 37 | 26 | 30 | 35 | 26 |
| Seaside | 45 | 51 | 45 | 35 | 45 | 54 | 49 |
| Totals | 284 | 285 | 276 | 202 | 295 | 287 | 241 |

| | Distribution of Sales 4th Qtr 2016 | | | | | | |
|-------------------|---|-------|-------|---------|---------|---------|-------|
| | \$0 | \$400 | \$700 | \$1-M | \$1.5M | \$2M | |
| Town | \$399 | \$699 | \$999 | \$1,499 | \$1,999 | \$2,999 | \$3M+ |
| Carmel-by-the-Sea | 0 | 0 | 3 | 6 | 5 | 4 | 3 |
| Carmel Highlands | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Carmel Area | 0 | 0 | 7 | 17 | 8 | 9 | 5 |
| Carmel Valley | 0 | 2 | 5 | 4 | 4 | 1 | 0 |
| Monterey Area | 0 | 23 | 14 | 10 | 3 | 1 | 0 |
| Pacific Grove | 0 | 4 | 17 | 7 | 2 | 0 | 0 |
| Pebble Beach | 0 | 0 | 6 | 3 | 6 | 4 | 7 |
| Seaside | 12 | 34 | 3 | 0 | 0 | 0 | 0 |
| Totals | 12 | 63 | 55 | 47 | 29 | 19 | 16 |

| Average Days to Sell | | |
|-----------------------------|-------------|-------------|
| 4th Qtr 2015-2016 | | |
| Town | 2015 | 2016 |
| Carmel-by-the-Sea | 116 | 85 |
| Carmel Highlands | 230 | 129 |
| Carmel Area | 107 | 104 |
| Carmel Valley | 58 | 68 |
| Monterey Area | 69 | 56 |
| Pacific Grove | 87 | 56 |
| Pebble Beach | 130 | 126 |
| Seaside | 57 | 41 |

| Monterey Peninsula Gross Dollar Volume | | |
|---|----------------------|----------------------|
| | 4th Qtr | 4th Qtr |
| Town | 2015 | 2016 |
| Carmel-by-the-Sea | \$78,810,000 | \$39,192,357 |
| Carmel Highlands | \$20,340,000 | \$4,930,000 |
| Carmel Area | \$83,077,120 | \$81,414,350 |
| Carmel Valley | \$12,849,319 | \$20,186,184 |
| Monterey Area | \$51,237,660 | \$44,258,450 |
| Pacific Grove | \$32,264,900 | \$28,196,500 |
| Pebble Beach | \$86,450,787 | \$95,874,825 |
| Seaside | \$19,071,657 | \$22,911,476 |
| Totals | \$384,101,443 | \$336,964,142 |

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| Market Barometer | | |
|----------------------------|-----------------|----------------|
| Five Quarter Review | | |
| | In | |
| | Escrow | |
| | vs | |
| Date | Listings | Percent |
| Carmel-by-the-Sea | | |
| 01/01/17 | 13/49 | 20% |
| 10/01/16 | 13/64 | 20% |
| 07/01/16 | 14/59 | 24% |
| 04/01/16 | 16/55 | 29% |
| 01/01/16 | 22/55 | 40% |
| Carmel Highlands | | |
| 01/01/17 | 3/23 | 13% |
| 10/01/16 | 1/15 | 7% |
| 07/01/16 | 0/9 | 0% |
| 04/01/16 | 2/13 | 15% |
| 01/01/16 | 3/27 | 11% |
| Carmel Area | | |
| 01/01/17 | 23/95 | 24% |
| 10/01/16 | 27/144 | 19% |
| 07/01/16 | 28/150 | 19% |
| 04/01/16 | 25/120 | 21% |
| 01/01/16 | 17/77 | 22% |

| Carmel Valley | | |
|----------------------|--------------|------------|
| 01/01/17 | 6/45 | 13% |
| 10/01/16 | 9/57 | 16% |
| 07/01/16 | 16/59 | 27% |
| 04/01/16 | 17/61 | 28% |
| 01/01/16 | 10/46 | 22% |
| Monterey Area | | |
| 01/01/17 | 26/69 | 38% |
| 10/01/16 | 39/100 | 39% |
| 07/01/16 | 29/98 | 30% |
| 04/01/16 | 31/83 | 37% |
| 01/01/16 | 25/75 | 33% |
| Pacific Grove | | |
| 01/01/17 | 11/42 | 26% |
| 10/01/16 | 15/60 | 25% |
| 07/01/16 | 23/63 | 37% |
| 04/01/16 | 23/59 | 39% |
| 01/01/16 | 18/48 | 38% |
| Pebble Beach | | |
| 01/01/17 | 8/67 | 14% |
| 10/01/16 | 12/87 | 14% |
| 07/01/16 | 14/84 | 17% |
| 04/01/16 | 13/78 | 17% |
| 01/01/16 | 8/65 | 12% |

| Seaside | | |
|-----------------|--------------|------------|
| 01/01/17 | 21/40 | 53% |
| 10/01/16 | 32/57 | 56% |
| 07/01/16 | 34/57 | 60% |
| 04/01/16 | 33/52 | 63% |
| 01/01/16 | 19/39 | 49% |