FCR
FIRST CALIFORNIA REALTY, INC.
commercial & residential

FEBUARY 2023

<u>IN THIS ISSUE</u>

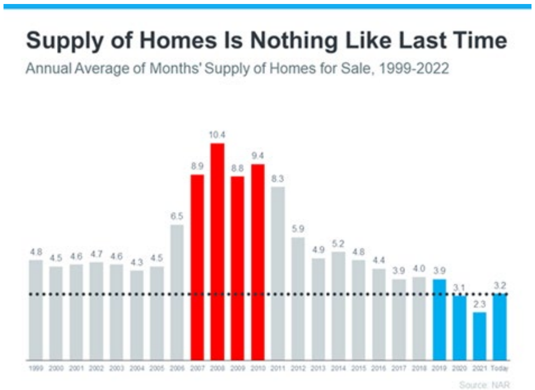
STATE OF THE MARKET

3 GRAPHS SHOWING WHY WE ARE <u>NOT</u> HEADING FOR ANOTHER HOUSING CRISIS

With all the headlines and talk in the media about the shift in the housing market, you might be thinking this is a housing bubble - and bubbles can burst. It's only natural for those thoughts to creep in, fearing that it could be a repeat of what took place in 2008. The good news is there is concrete data to show why this is nothing like last time.

1. There's Still a Shortage of Homes on the Market Today, Not a Surplus

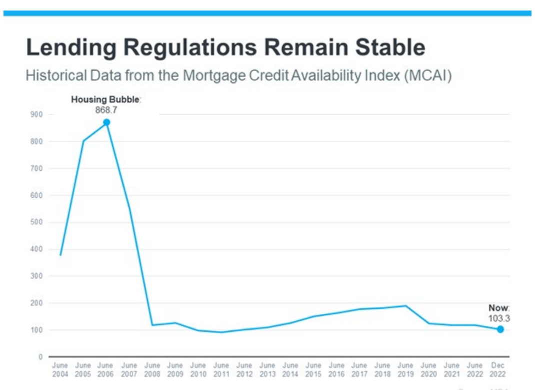
For historical context, there were too many homes for sale during the housing crisis (many of which were short sales and foreclosures), and that caused prices to fall dramatically. Supply has increased since the start of this year, but there's still a shortage of inventory overall, primarily due to almost 15 years of under-building homes.



This graph uses data from the *National Association of Realtors* (NAR) to show how the months' supply of homes available today compares to 2006-2011. Today, unsold inventory sits at just a 2.2-months' supply at the current sales pace, which is significantly lower than during the crash. There simply isn't enough inventory on the market for home prices to come crashing down like they did in 2008.

2. Mortgage Standards Were Much More Relaxed Back Then

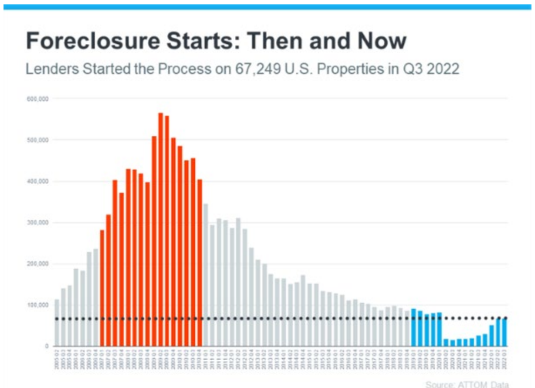
During the run-up to the housing crisis, it was much easier to get a home loan than it is today. Banks were creating artificial demand by lowering lending standards, making it easy for just about anyone to qualify for a home loan or to refinance their current home.Back then, lending institutions took on much greater risks in both the person and the mortgage products offered. That led to mass defaults, foreclosures, and falling prices. Today, things are different, and purchasers face much higher standards from mortgage companies.



This graph uses Mortgage Credit Availability Index (MCAI) data from the Mortgage Bankers Association (MBA) to help tell this story. In this index, the higher the number, the easier it is to get a mortgage. The lower the number, the harder it is. In the latest report, the index fell by 5.4%, indicating standards are tightening.

3. The Foreclosure Volume Is Nothing Like It Was During the Crash

Another difference is the number of homeowners that were facing foreclosure when the housing bubble burst. Foreclosure activity has been much lower since the crash, largely because buyers today are more qualified and less likely to default on their loans. The graph below uses data from ATTOM Data Solutions to help paint the picture of how different things are this time:



The red bars represent foreclosures from 2007-2010. Today, homeowners have options they just didn't have in the housing crisis when so many people owed more on their mortgages than their homes were worth. Today, many homeowners are equity rich. That equity comes, in large part, from the way home prices have appreciated over time.

According to CoreLogic:
"The total average equity per borrower has now reached almost $300,000, the highest in the data series."

Bottom Line

If you're concerned that the market is making the same mistakes that led to the housing crash, the graphs above should help alleviate your fears. Concrete data and expert insights clearly show why this is nothing like the last time.

Source: Keeping Current Matters. The information contained, and the opinions expressed, in this article are not intended to be construed as investment advice. Keeping Current Matters, Inc. does not guarantee or warrant the accuracy or completeness of the information or opinions contained herein.

MARKET TRENDS
JANUARY 2022 - JANUARY 2023

MARIN COUNTY SINGLE FAMILY DETACHED HOMES | JANURARY TRENDS 2022 - 2023								
City	Homes Sold JAN-2022	Homes Sold JAN-2023	% Change	Ave. DOM* JAN-2022	Ave. DOM* JAN-2023	Median Price JAN-2022	Median Price JAN-2023	% Change
Belvedere	2	2	0%	30	109	$4,875,000	$8,700,000	78%
Corte Madera	4	1	-75%	6	76	$2,303,000	$2,260,000	-2%
Fairfax	2	4	100%	3	46	$1,330,000	$808,000	-39%
Greenbrae	2	1	-50%	42	59	$1,480,000	$1,395,000	-6%
Kentfield	2	2	0%	47	46	$4,021,000	$5,398,000	34%
Larkspur	2	1	-50%	13	1	$1,865,000	$2,600,000	39%
Mill Valley	7	2	-71%	19	32	$1,300,000	$2,225,000	71%
Novato	21	14	-33%	28	59	$1,200,000	$1,093,000	-9%
Ross	2	0	NA	54	0	$7,325,000	$0	NA
San Anselmo	4	2	-50%	10	25	$3,025,000	$2,100,000	-31%
San Rafael	16	7	-56%	28	55	$1,450,000	$1,201,000	-17%
Sausalito	5	1	-80%	51	175	$2,400,000	$2,450,000	2%
Tiburon	5	3	-40%	19	40	$3,600,000	$2,250,000	-38%
Marin County	82	43	-48%	28	57	$1,588,000	$1,249,000	-21%

* DOM = Days on Market, or the number of days from listing to contract with all contingencies removed.

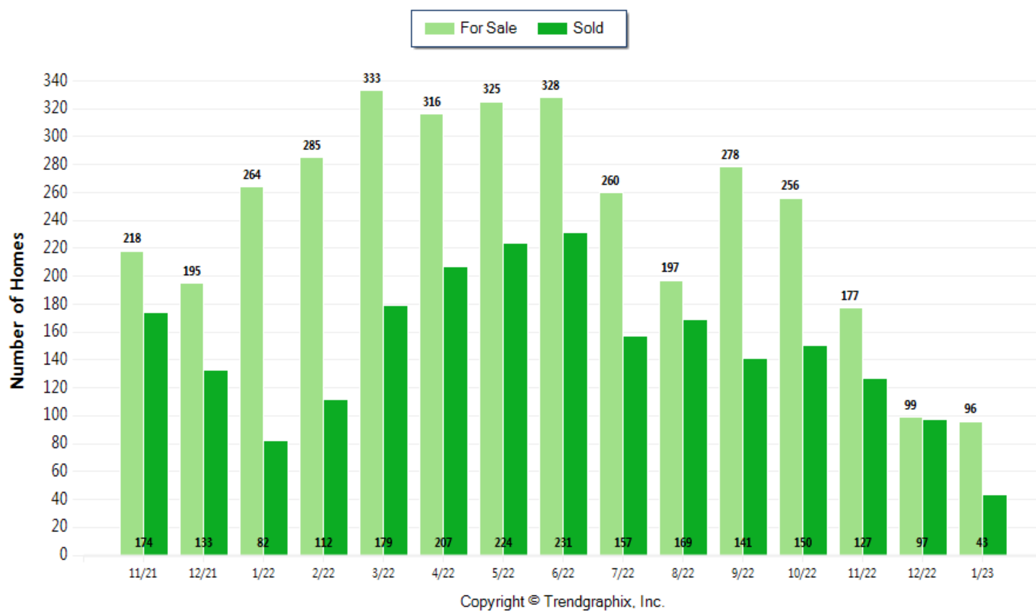
MARIN COUNTY SINGLE FAMILY DETACHED HOMES | JANURARY TRENDS 2022 - 2023								
City	New Listings JAN-2022	New Listings JAN-2023	% Change	SP/LP Ratio * JAN-2022	SP/LP Ratio * JAN-2023	MSI * JAN-2022	MSI * JAN-2023	% Change
Belvedere	2	1	-50%	98%	75%	4.0	4.0	0%
Corte Madera	7	3	-57%	6%	76%	1.5	3.0	100%
Fairfax	13	2	-85%	122%	99%	8.5	0.8	-91%
Greenbrae	2	0	NA	104%	96%	2.0	2.0	0%
Kentfield	4	0	NA	101%	99%	4.0	1.5	-63%
Larkspur	5	2	-60%	117%	104%	3.0	3.0	0%
Mill Valley	20	10	-50%	108%	97%	5.6	7.0	25%
Novato	39	15	-62%	104%	98%	2.2	1.7	-23%
Ross	0	1	NA	97%	0%	1.5	1.0	-33%
San Anselmo	8	2	-75%	103%	93%	4.5	2.0	-56%
San Rafael	33	9	-73%	107%	97%	3.2	2.4	-25%
Sausalito	8	1	-88%	98%	94%	2.8	3.0	7%
Tiburon	17	2	-88%	103%	94%	4.2	2.3	-45%
Marin County	165	48	-71%	103%	91%	3.2	2.2	-31%

* SP/LP Ratio = Sales Price to List Price Ratio \| MSI = Months Supply of Inventory, or how many months it would take to sell all available listings given the current rate of sale.

Q4 2022 SUMMARY

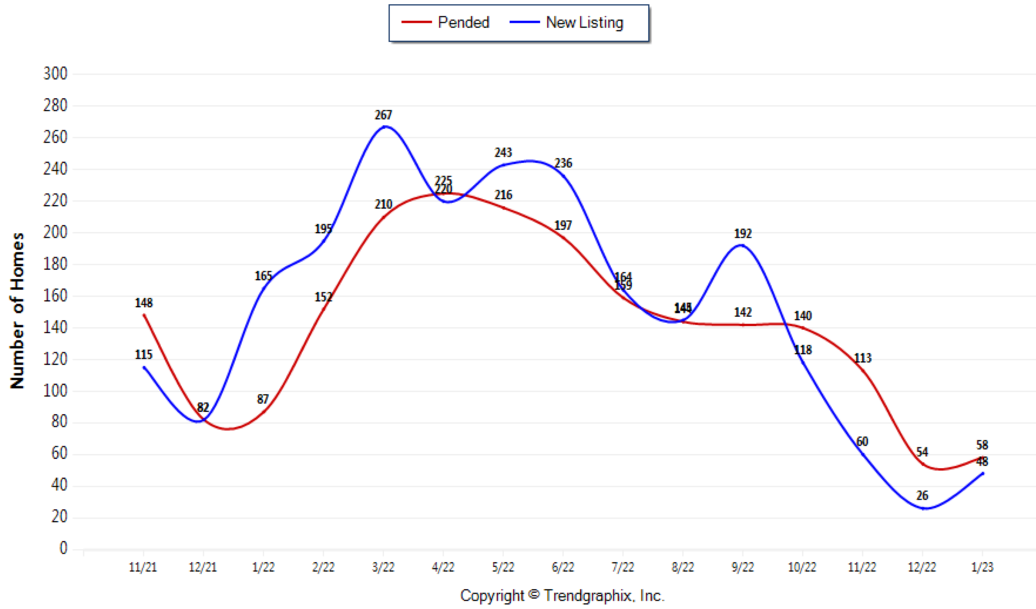
Year-over-Year comparisons for January show significant decreases in both sale and listing activity. Closed sales dropped **48%** while new listings dropped **71%**. The county statistics in the second table show that the month's supply of inventory decreased from **3.2** months to **2.2**. In January 2022, the average sales price was **103%** of list price. By January 2023 it had decreased to **91%**. The number of days it takes from listing to escrow with all contingencies removed increased from **28** to **57** days. The median sales price for single family homes decreased by **21%,** year-over-year. Despite the reduction in the supply of inventory, the fact that the Days on Market has doubled, combined with the drop in the sales price to list price ratio, and the decrease in the median sales price all point to a shift in negotiating power from sellers to buyers.

MARKET ACTIVITY REPORT



Property Sales (Sold and Closed)
In January, there were **43** closed sales, down **47.6%** from **82** in January 2022, and **55.7%** lower than the **97** sales in December.

Current Inventory (For Sale)
In January, there were **96** active listings. Versus last year, the total number of properties available in January was lower by **168** units, representing a **63.6%** decrease. The January housing inventory was down **3%** compared to December when we had **99** active listings.

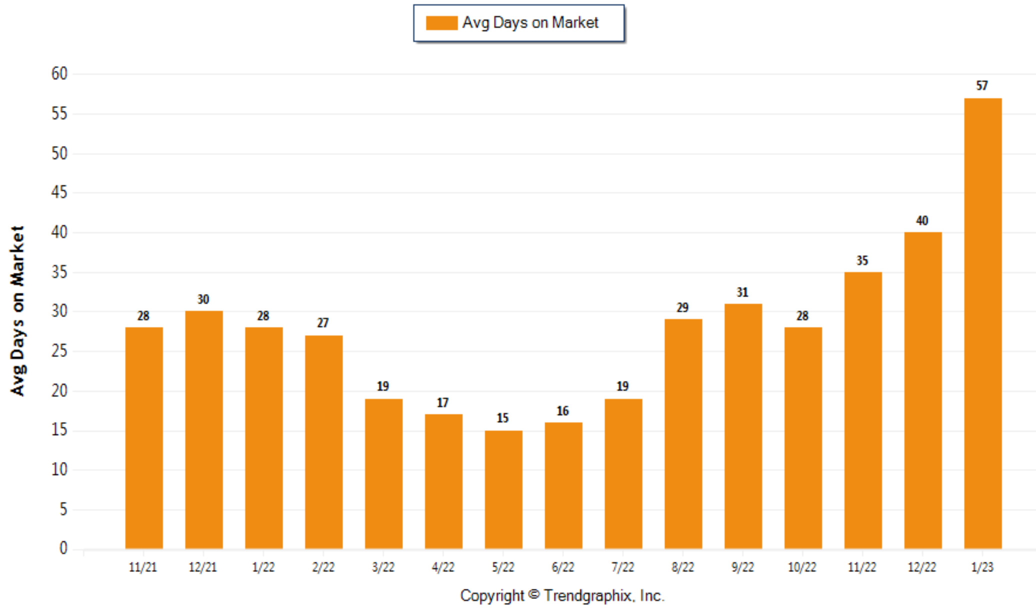


Properties Under Contract (Pended)

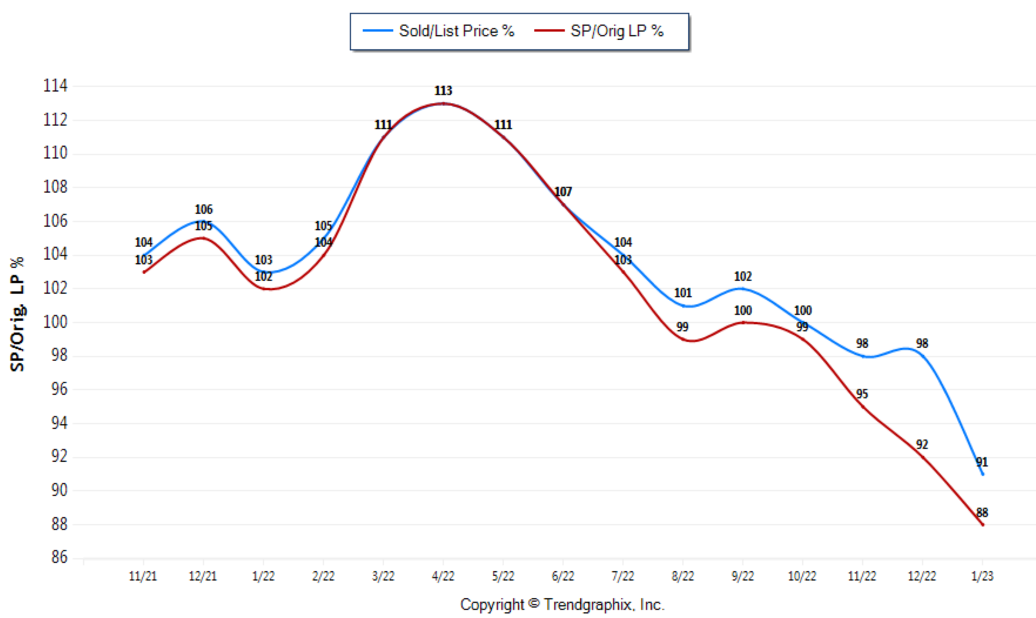
There was a **7.4%** increase in pended properties in January, with **58** versus **54** in December. January pended property sales were **33.3%** lower than at this time last year when we pended **87** properties.

New Listings

New Listings increased from **26** in December to **48** in January, up **84.6%**. January New Listings were **70.9%** lower than in January of 2022 when we listed **165** properties.



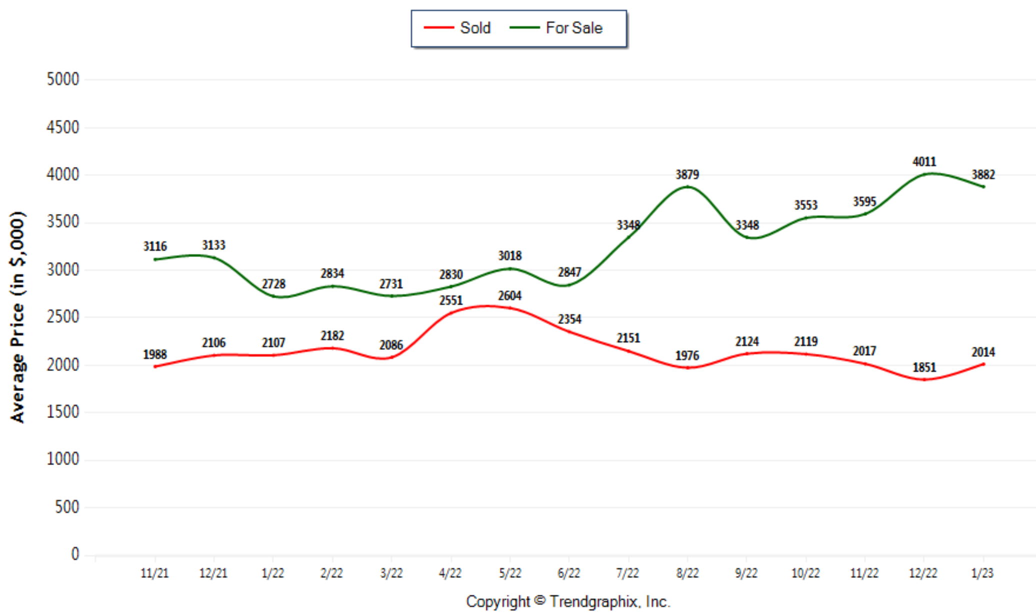
The average Days on Market (DOM) shows how many days the average property is on the market before it sells. An upward trend in DOM tends to indicate a move towards a Buyer's market, a downward trend indicates a move towards a Seller's market. The DOM for January 2023 was **57**, up **42.5%** from **40** days in December and up **103.6%** from **28** days in January of last year.



The Sold Price vs. Original List Price reveals the average amount that sellers are agreeing to come down from their original list price. The lower the ratio is below 100% the more of a Buyer's market exists. A ratio at or above 100% indicates more of a Seller's market. In January, the Sold Price vs. Original List Price of **88%** was down **4.3%** from December, and down **13.7%** compared with January of last year.

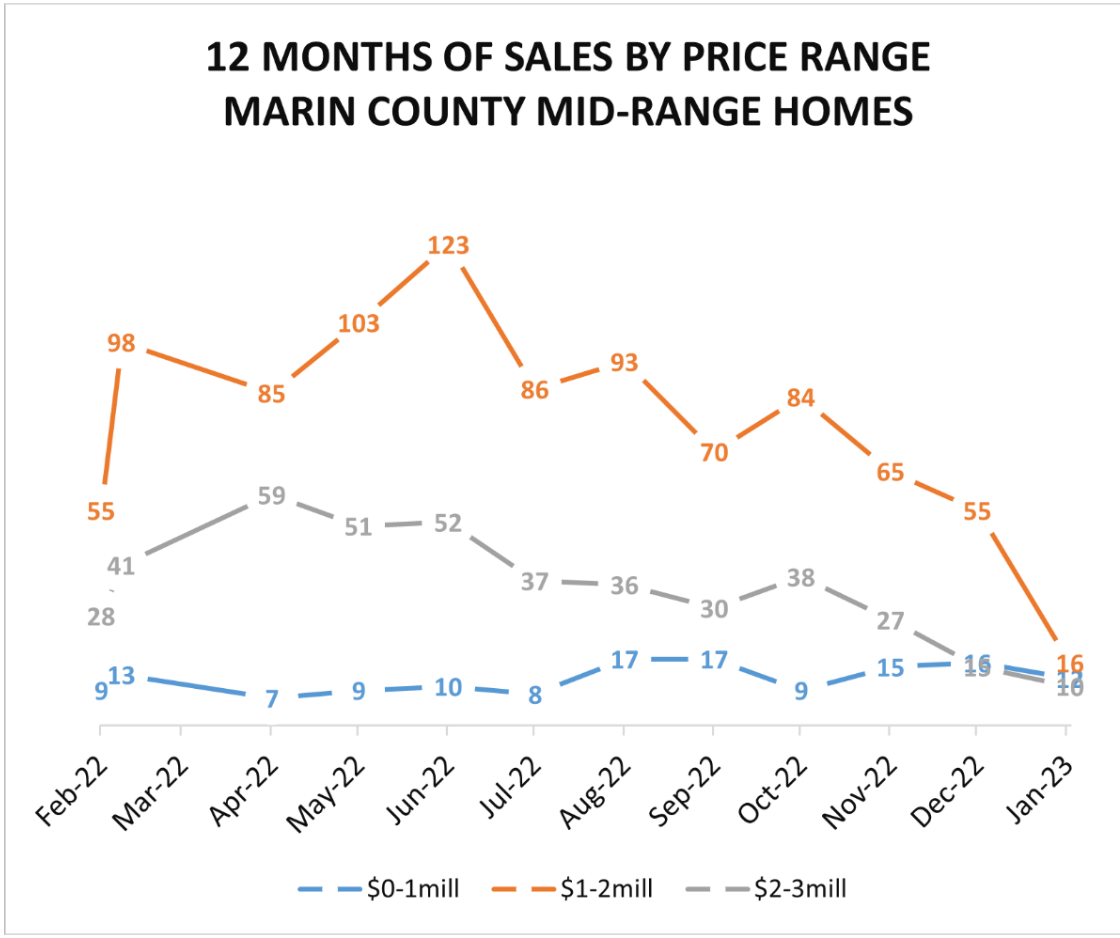
The Sold Price vs. List Price at the time offers are accepted was down **7.1%** compared to December, and and lower by **11.6%** compared with January of last year.

The three point spread between the Sold Price vs. Original List Price Ratio and the Sold Price vs. List Price at the time offers were accepted indicates that, on average, it took a **3%** price reduction to attract acceptable offers. A year ago homes were selling so fast that price reductions were rarely necessary. It is still a strong seller's market but trending towards a more balanced market.

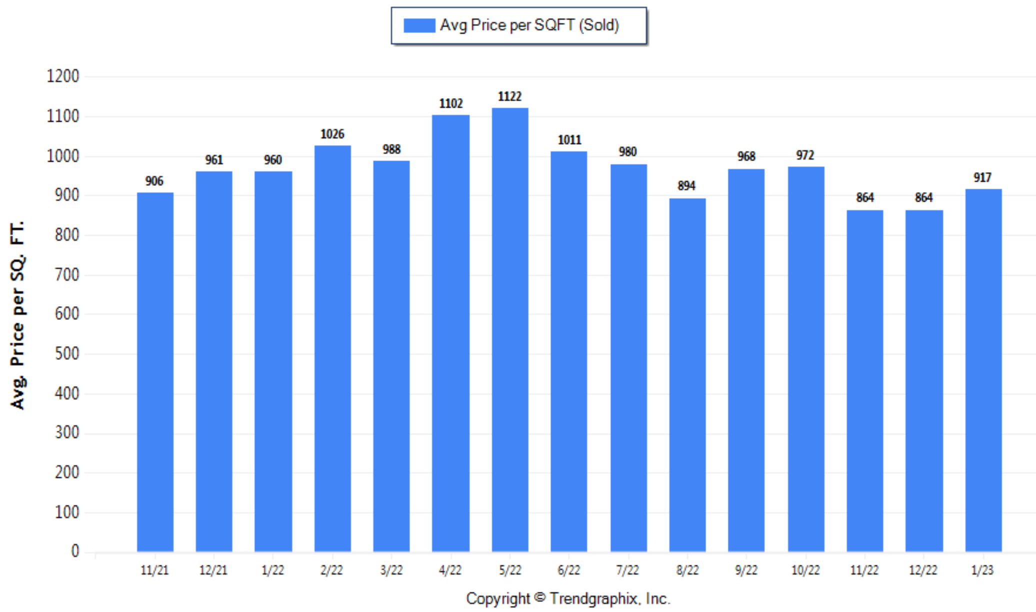


The Average For Sale (List) Price in January was $3,882,000, down from $4,011,000 in December and up from $2,728,000 in January of 2022.

The Average Sold Price in January was $2,014,000, up from $1,851,000 in December and down from $2,107,000 in January of 2022. That represents a **4.4%** drop in Average Sales Price year-over-year.



Luxury homes in the $3-5million range have fallen off a cliff since they peaked at **42** sales in April. In January, we only closed **2** homes in this price range, a decrease of **95.2%**. The ultra-luxury market of $5million+ homes peaked in May with **21** closed sales then dropped to **3** sales in January, down by **75%**.



The Average Sold Price per Square Foot is a great indicator for the direction of property values. Since Median Sold Price and Average Sold Price can be impacted by the 'mix' of high or low end properties in the market, the Average Sold Price per Square Foot is a more normalized indicator of the direction property values are trending. The January 2023 Average Sold Price per Square Foot of **$917** was up by **6.1%** from **$864** in December and down **4.5%** from **$960** in January of last year.

CURRENT MORTGAGE INTEREST RATES

CURRENT FIXED MORTGAGE INTEREST RATES
Accurate as of 2/13/23

Product	Interest rate	APR
30-year fixed-rate	5.829%	5.973%
20-year fixed-rate	5.672 %	5.735%
15-year fixed-rate	4.870%	4.988%
10-year fixed-rate	4.835%	4.973%
30-year fixed-rate FHA	5.066%	5.109%

30-year fixed-rate VA	5.103%	5.109%

*Cost of 1 Point

NEWSLETTER:

The average rate on the 30-year fixed rate mortgage has fallen to 5.99%, according to Mortgage Daily News. The housing market has not seen the rate in the 5’s since a brief blip in early September. Before that, it was in early August.

At the end of January, the rates started at 6.21% and fell sharply after Federal Reserve Chairman Jerome Powell said inflation has “eased somewhat,” which was a shift from previous language.

“Measured steps can continue if the economic and inflation data is there to support them. This means rates can make progress down into the 5′s but are unlikely to stampede quickly into the 4′s,” said Matthew Graham, at Mortgage News Daily.

Mortgage rates peaked in October with the 30-year fixed at 7.37% and have been sliding since then. For potential homebuyers that means savings. For a consumer purchasing a $400,000 home today with a 20% down payment, the monthly payment is $293 less than it would have been in October.

Lower rates already appear to be juicing buyer interest.

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WRAP-UP

While the housing market has clearly slowed, there is much optimism among industry experts. Inflation has dropped from 9.1 in June 2022 to 6.5 as of December, causing the Federal Reserve to ease up on raising interest rates. According to Greg McBride, Chief Financial Analyst at Bankrate, "mortgage rates could pull back meaningfully if inflation pressures ease." Housing inventory has increased since the start of the year, foreclosures are at historically low levels, and the average homeowner's equity is the highest since the availability of the data. And many economists who believed in the inevitability of a 2023 recession now predict that, if it does occur, it will be short and mild; and some even predict that it will not occur at all.

As always, I will keep you up-to-date on market trends and predictions in my monthly updates. In the meantime, if you have any questions regarding your real estate positions, don't hesitate to contact me. And remember, I am never too busy for your referrals.