FIRST CALIFORNIA REALTY, INC.

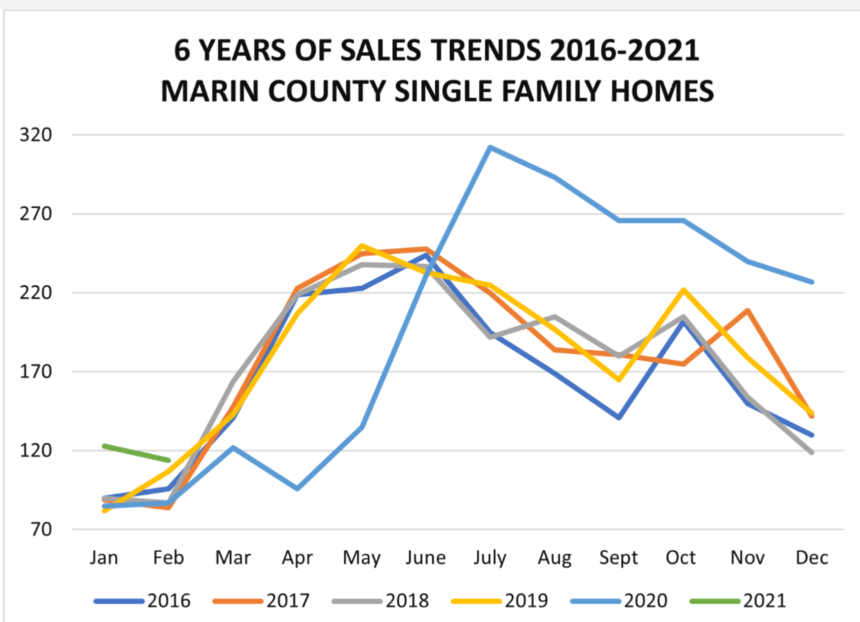
MARCH 2021

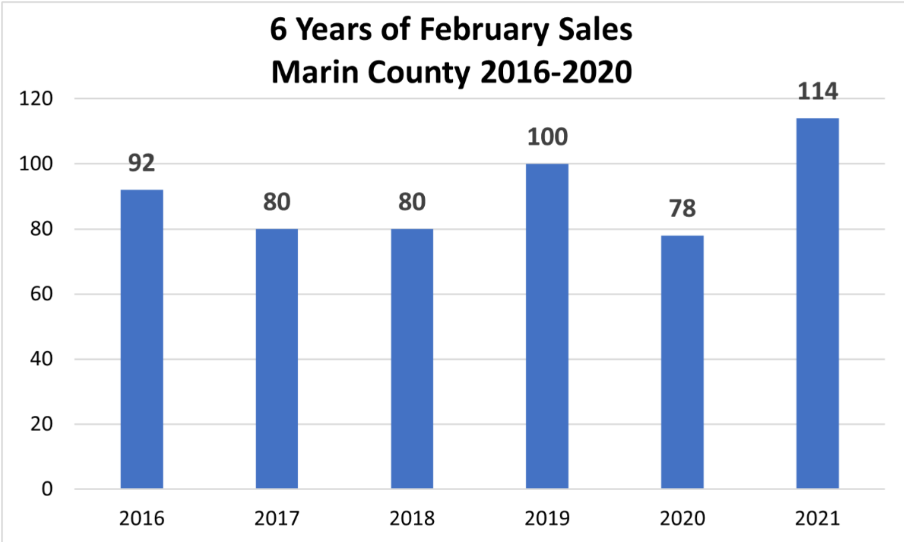
MARKET ACTIVITY REPORT

THE MARKET IS SETTLING AFTER THE MID-YEAR PANDEMIC CATCH-UP BUT SETTLING INTO A SMOKING HOT PACE!

The first half of 2020 was a disaster for real estate sales. The realization of what we were facing with the pandemic literally froze the market, especially when we were asked to stay home in March. The real estate industry acted quickly, creating protocols which allowed sellers and buyers to move forward with a high degree of safety.

As you can see in the following graph, the resultant pent-up demand hit the market like a tsunami and sales skyrocketed, setting monthly records through the second half of the year. In Marin, 2021 sales got off to a strong start in January (green line) but turned down in February - still ahead of sales in the previous 5 years but closing the gap. With the Covid-19 factor exercising less influence on sales, the market is now reacting to pre-Covid factors: primarily low interest rates and decreasing inventories. Buyers who see the predictions of rising mortgage rates in the near future are scrambling to buy. Unfortunately, housing inventories continue to fall off making it difficult for buyers to find a suitable home. And, even when they do, they have to compete for the purchase with multiple buyers. This supply/demand imbalance is resulting in shorter marketing times, multiple offers, often well above list price, and rising home prices.





In February, we closed 114 sales, down from 122 in January. February closings increased by 46.2% over the 78 sales in February 2020, and 32.6% ahead of the average of the previous 5 years. The fact that January sales were 49.9% ahead of the average sales for the previous five years strengthens the belief that the pent-up demand due to the onset of Covid-19 is just about absorbed by the market.

FEBRUARY MARKET TRENDS

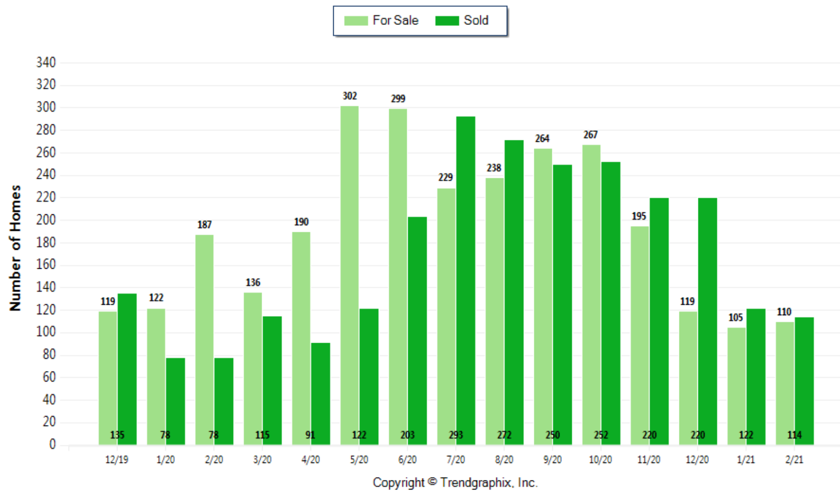
W REAL ESTATE

MARIN COUNTY SUMMARY OF KEY METRICS

SINGLE FAMILY HOMES—FEBRUARY 2021

	Year-Over-Year			Month-Over-Month		
Metrics	**Feb. 2020**	**Feb. 2021**	**% Change**	**Jan. 2021**	**Feb. 2021**	**% Change**
Closed Sales	78	114	46.2%	122	114	-6.6%
Listings Taken	169	122	-27.8%	135	122	-9.6%
Days on Market	58	41	-29.3%	48	41	-14.6%
SP/LP Ratio	99%	104%	5.1%	101%	104%	3.0%
SP/Original LP	97%	101%	4.1%	99%	101%	2.0%
Average Sales Price	$1,673,000	$1,960,000	17.2%	$1,660,000	$1,960,000	18.1%
Price-Per-Square-Foot	$684	$798	16.7%	$744	$798	7.3%
Median Sales Price	$1,275,000	$1,550,000	21.6%	$1,428,000	$1,550,000	8.5%
Mo. Supply of Listings	2.4	1	-58.3%	0.9	1	11.1%

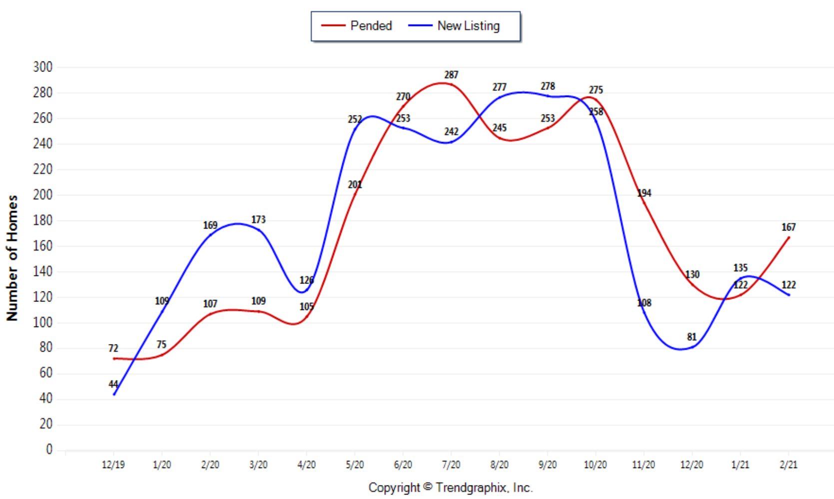
This table charts trends in some of the most important metrics for sellers and buyers. Closed sales and new listings were down in February compared with January. The long-term trend is revealed when comparing this February to February 2020. Year-over-Year, sales were up by 46.2%, while new listings were down by 27.8%. This supply/demand imbalance resulted in a one month supply of inventory to start this year. The average sales price increased by 17.2% year-over-year, and the median price by 21.6%. The increase in the sales price to list price ratio and decrease in days on market emphasize the strength of buyer demand as we get underway in 2021.



Homes For Sale in February 2021: 110 units. Up by 4.8% compared with January. Down by 41.2% compared with February 2020.

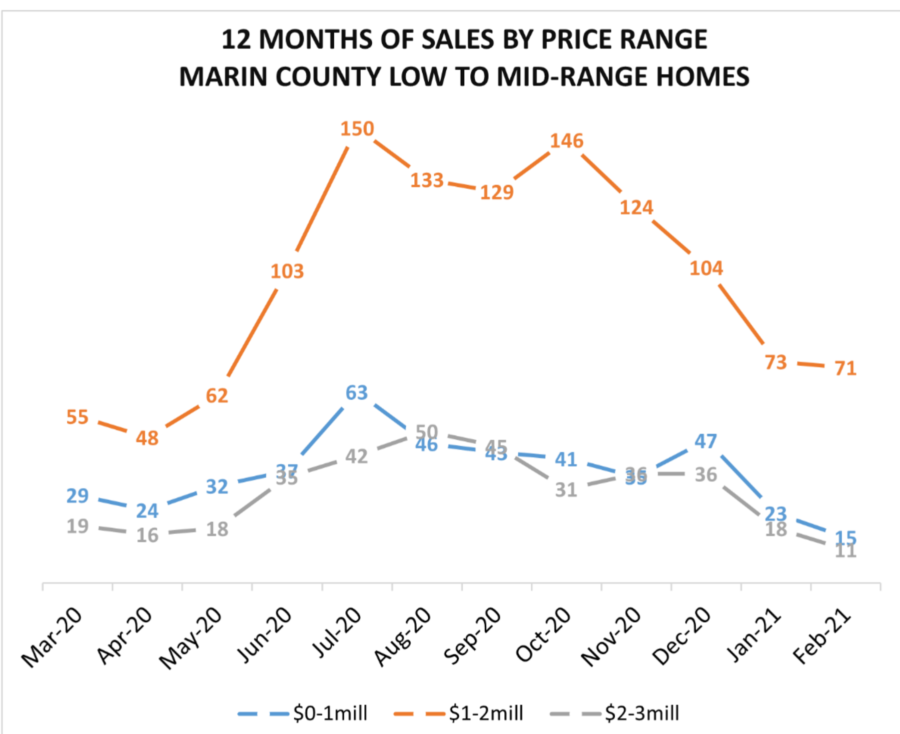
Homes Closed in February 2021: 114 units. Down by 6.5% compared with January. Up by 46.2% compared with February 2020

While the green chart above reports numbers for Closed Sales and Total Active Listings, this graph charts actual activity during the month - New (Pending) Sales and New Listings.

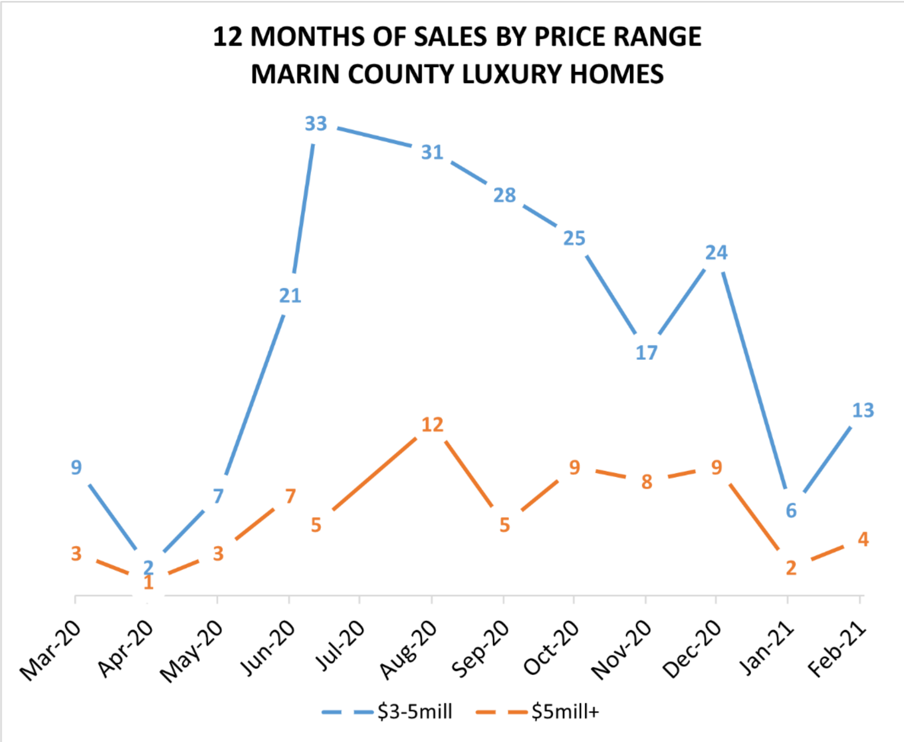


New Listings in February 2021: 122 units. Down by 9.6% compared with January. Down by 27.8% compared with February 2020.

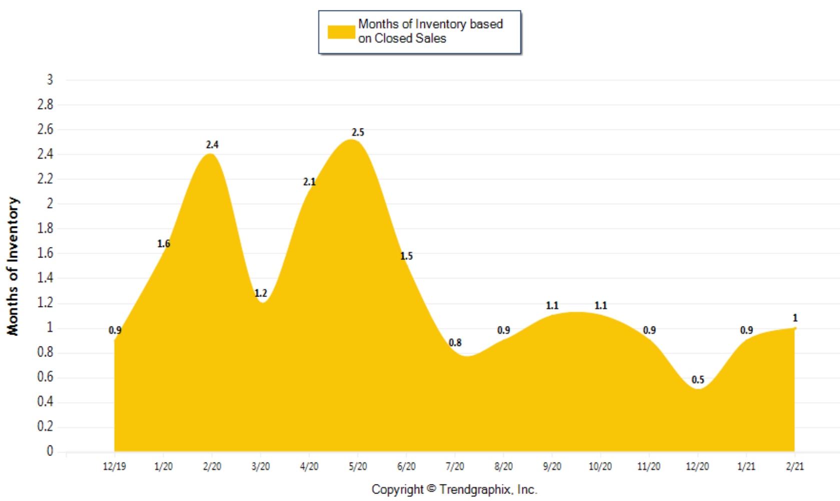
Pending (New) Sales in February 2021: 167 units. Up by 36.9% compared with January. Up by 56.1% compared with February 2020



This graph tracks monthly sales in low to mid-range priced homes. In the most popular price range, $1mill to $2mill, sales decreased from 73 in January to 71 in February. In the $0 to $1mill range, sales dropped from 23 to 15. The sale of homes priced from $2mill to $3mill decreased from 18 to 11.

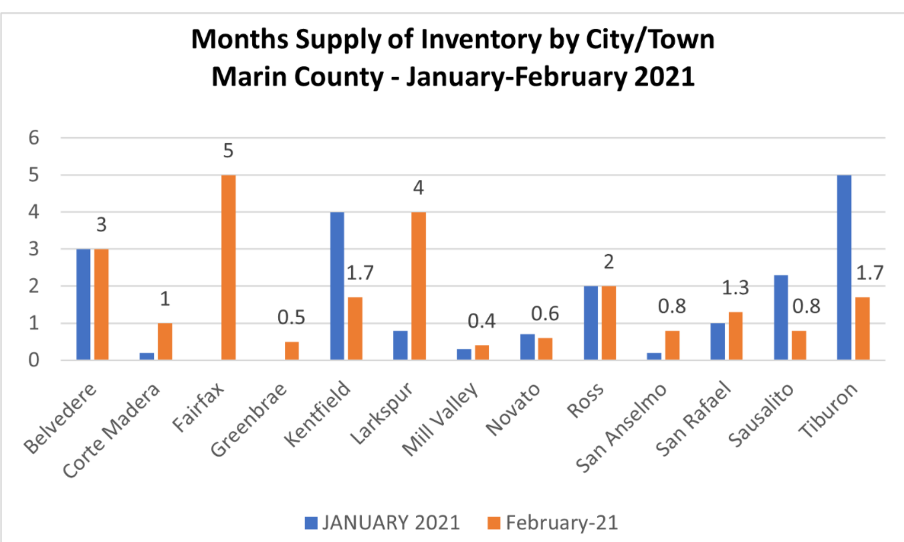


Sales in the $3,000,000 to $5,000,000 price range rose from 6 in January to 13 in February. Homes priced at $5,000,000 and above increased from 2 in January to 4 in February.

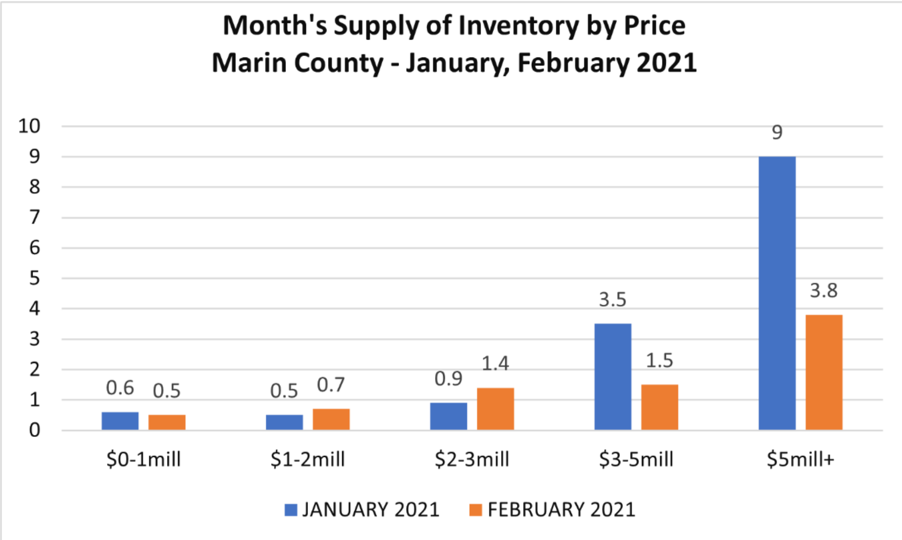


The Month's Supply of Inventory is defined as the number of months it would take to sell and close escrow on all currently active listings, given the current rate of sale. A comparatively low inventory is more beneficial to sellers while a higher inventory is better for buyers.

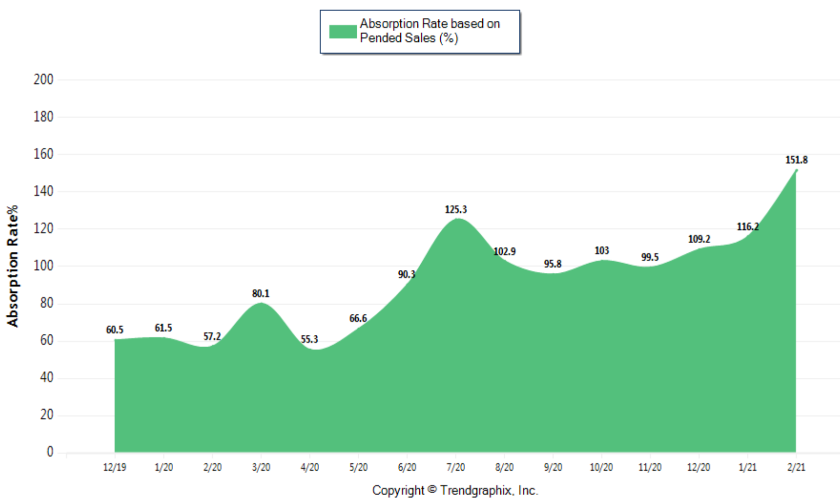
The inventory of homes for sale increased slightly from 0.9 months



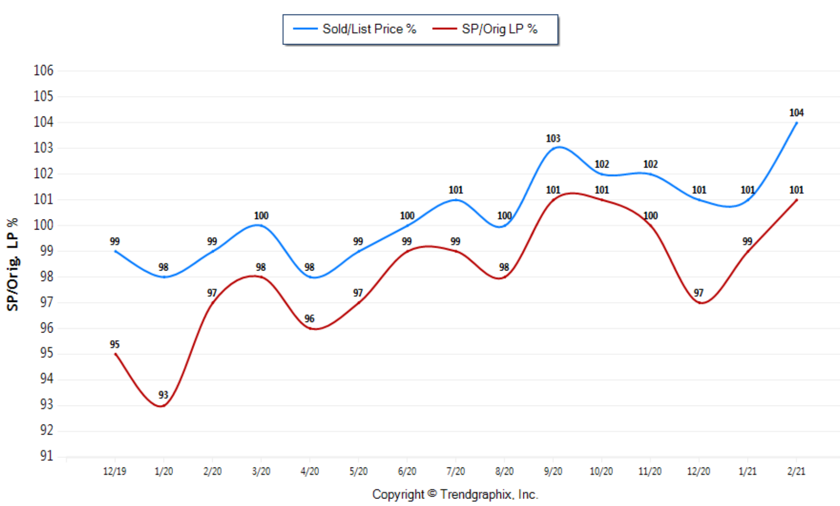
Knowing that we have **1** month's worth of housing inventory is not that relevant to the inventory in your city/town. In February, the housing supply varied from **0.4** months in Mill Valley to **5** months in Fairfax. Last month, inventories were down in **4** cities/towns, up in **7** and remained the same in **2**.



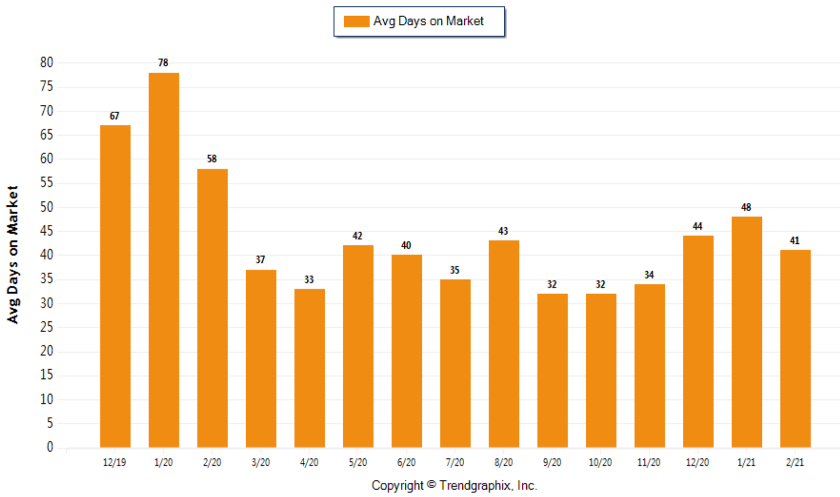
Viewing the supply of homes for sale by price range, February inventories varied from 0.5 months in the $0-1,000,000 range to 3.8 in the luxury market of homes priced at $5,000,000 and above.



The Absorption Rate is the percentage of listings that sell each month. In February, 151.8% of the active listings were placed into escrow. That was up from 116.2% in January and up from 57.2% in February 2020, again the result of shrinking inventories and growing demand.

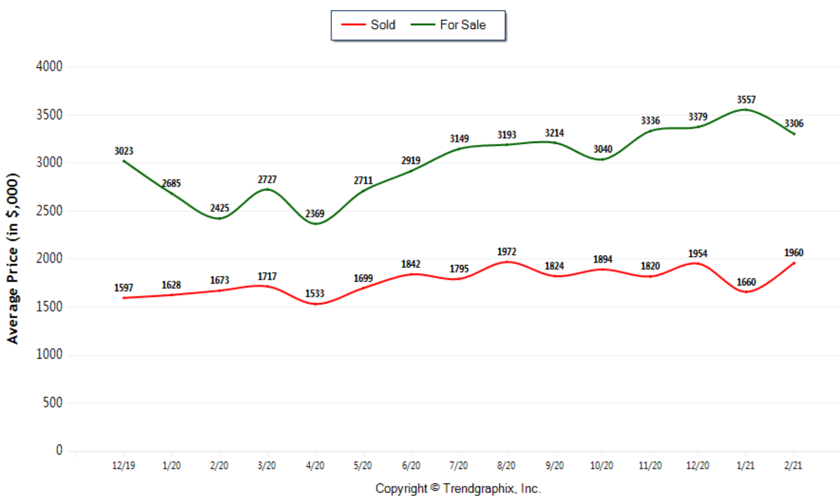


In February, Marin County single-family homes sold on average for 104% of the list price at the time offers were accepted, and 101% of the original list price indicating that, on average, it required a 3% price reduction to obtain acceptable offers. It also indicated that with an increase in multiple presentations, buyers are offering more to obtain a property.

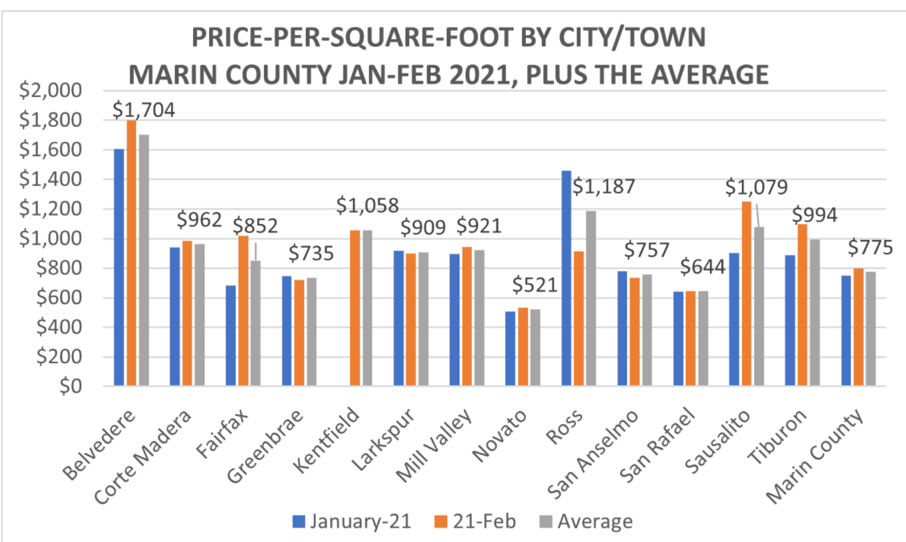


Last month, the number of days from listing date to sale date, with all contingencies removed, decreased from 48 days in January to 41 days in February. The long-term trend is found by comparing this February's 41 days with last February's 58 days. That is a decrease of 29.3% year-over-year.

HOME PRICE APPRECIATION RATE



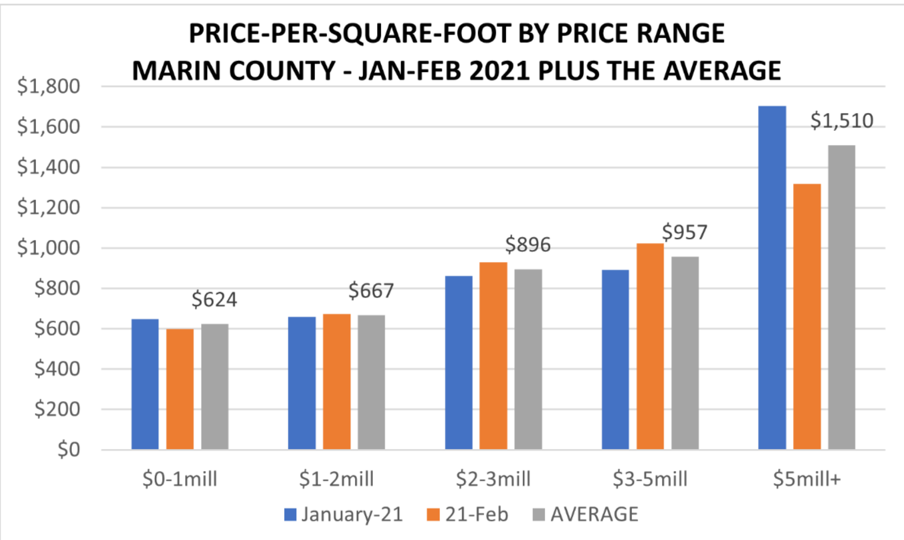
In February, the average list price of a Marin County single-family home was $3,306,000, up from $3,557,000 in January. The average sales price was $1,960,000, up from $1,660,000.



Sellers often use the price-per-square-foot (PPSF) of comparable properties to arrive at a competitive list price for their homes. Buyers use the PPSF to compare the affordability of alternative areas or homes. This graph plots the PPSF for January and February 2021, and the average of the two in the 13 core Marin cities/towns, and the county. Averaging the two months, the highest PPSF, and so the least affordable area was Belvedere at $1,704. The most affordable area was Novato at $521. The table on the next page lists all of the numbers used to create the graph plus rankings from highest PPSF to lowest.

	January-21	February-21	Average	Ranking
Belvedere	$1,606	$1,801	$1,704	1
Corte Madera	$940	$984	$962	6
Fairfax	$684	$1,020	$852	9
Greenbrae	$748	$721	$735	11
Kentfield	$0	$1,058	$1,058	4
Larkspur	$917	$900	$909	8
Mill Valley	$897	$944	$921	7
Novato	$507	$535	$521	13
Ross	$1,458	$916	$1,187	2
San Anselmo	$779	$735	$757	10
San Rafael	$642	$646	$644	12
Sausalito	$905	$1,252	$1,079	3
Tiburon	$890	$1,097	$994	5
Marin County	$751	$798	$775	

This table lists all of the numbers used to create the graph plus rankings from highest PPSF to lowest.



The price-per-square-foot by price range went from $624 in the $0-1,000,000 range to $1,510 in the $5,000,000 market.

MORTGAGE INTEREST RATES

Product	Interest Rate	APR
30-Year Fixed Rate	3.240%	3.430%
20-Year Fixed Rate	3.050%	3.270%
15-Year Fixed Rate	2.510%	2.780%
10/1 ARM Rate	3.080%	3.900%
7/1 ARM Rate	3.000%	3.830%
5/1 ARM Rate	2.980%	3.980%
30-Year VA Rate	3.010%	3.290%
30-Year FHA Rate	3.010%	3.850%
30-Year Fixed Jumbo Rate	3.280%	3.360%
15-Year Fixed Jumbo Rate	2.530%	2.590%
7/1 ARM Jumbo Rate	3.090%	3.780%
5/1 ARM Jumbo Rate	2.960%	3.880%

Mortgage Rate Projections

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2021 2Q	2.9	2.8	3.1	3.0	2.95%
2021 3Q	3.0	2.9	3.3	3.0	3.05%
2021 4Q	3.0	2.9	3.4	3.1	3.10%
2022 1Q	3.1	3.0	3.6	3.2	3.22%

The average predictions of these four industry leaders show rates slowly increasing from 2.95% in Q2 2021 to 3.22% in Q1 2022.

In lieu of any unforeseen events, the roller coaster ride we experienced in 2020 should be behind us. The pent-up demand from the first half of 2020 seems to have been absorbed and we are settling into a more traditional seasonality. Yes, the market is HOT - thanks to continued low mortgage interest rates and shrinking inventories. The only restraint on even greater sales is the lack of inventory. According to Lawrence Yun, Chief Economist at NAR, "Sales easily could have been even 20% higher in 2020 if there had been more inventory and more choices." So, why are so many sellers sitting on the fence during this extreme seller's market? Some are concerned that if they sell now it will be difficult to find a replacement property (Catch 22?). Some may just want to avoid making a major change in the midst of so much economic, political and health safety turmoil. What will it take to attract more sellers into the market? According to David Berson, Chief Economist for Nationwide Mutual, "As the Covid-19 vaccine becomes more available and the economy improves, more homeowners, realizing the equity gain in their homes, will list their existing homes, and that could help alleviate housing shortages." Of course, as interest rates increase, some sellers will fear "missing the boat" and list their homes. The flaw in that thinking is that they don't act when demand is very high and the inventory of available homes is low - then list when demand weakens and more homes are flooding the market.

To would-be purchasers, concerned that buying now will cause them to overpay for a home, Mark Fleming, Chief Economist at First American, suggests that "House buying power continues to exceed the median sales price - that implies housing is <u>not</u> overpriced today." Buying power remains strong as low-low rates mitigate the cost of rising prices.

The last year has been one of, if not, the most challenging time we have lived through. The good news is that the vaccines are flowing, schools are opening or will be soon, and people are getting back to work, improving the state of our economy. We're not there yet, but we are definitely on a path to recovery.

Sherrie M. Faber
Co-Founder/CEO
First California Realty, Inc.
2001 Bridgeway
Sausalito, CA 94965
CALBRE No. 01272361
D/415.339.9200 O/415.331.6100
Sherrie@FirstCaliforniaRealty.com