

# FCR

FIRST CALIFORNIA REALTY, INC.

## *In This Issue* *July 2020*

*Home Sales EXPLODE in*

*June! June Marin Market*

*Activity Home Price*

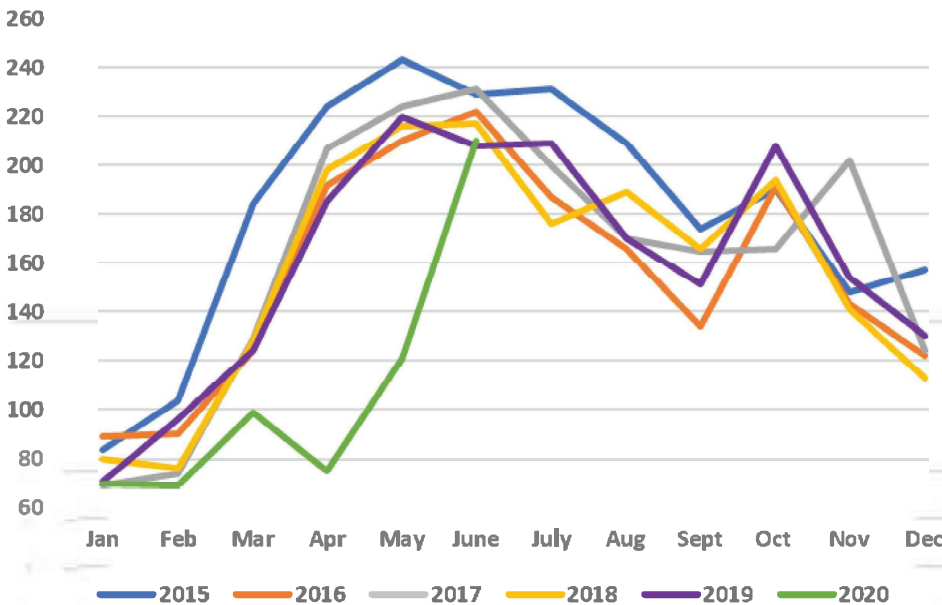
*Appreciation Interest Rate*

*Projections Homeownership*

*Rate Rising*



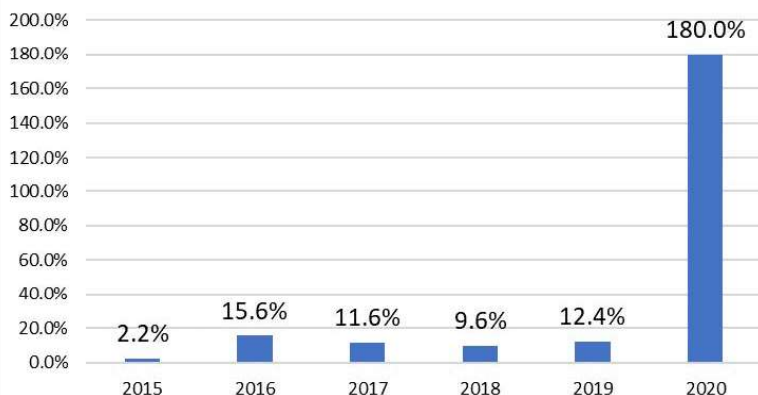
## 6 Years of Sales Trends 2015-2020 Marin County Residential Single Family Homes



**6 Years of Sales  
Closed sales in June shot up to overtake June 2019!**

In March, the shock of living in a world-wide pandemic sent real estate sales into a tailspin. The real estate industry, however, adapted quickly and effectively to the new paradigm - adapting social distancing protocols like virtual property tours and drive-by appraisals, making it possible for sellers and buyers to conduct their real estate business in relative safety.

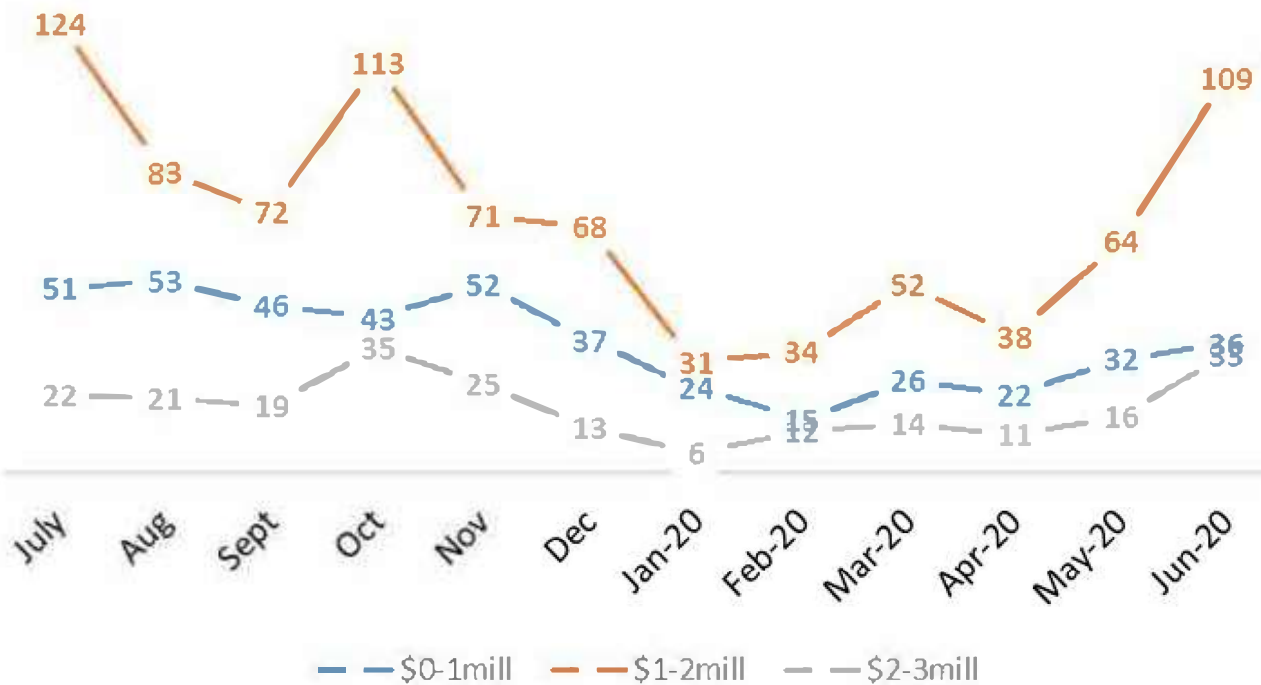
**% Increase in Sales from April to June, 2015-2020**



To demonstrate the magnitude of this recovery, I've calculated the percentage increase in closed sales from April through June, 2015-2020.

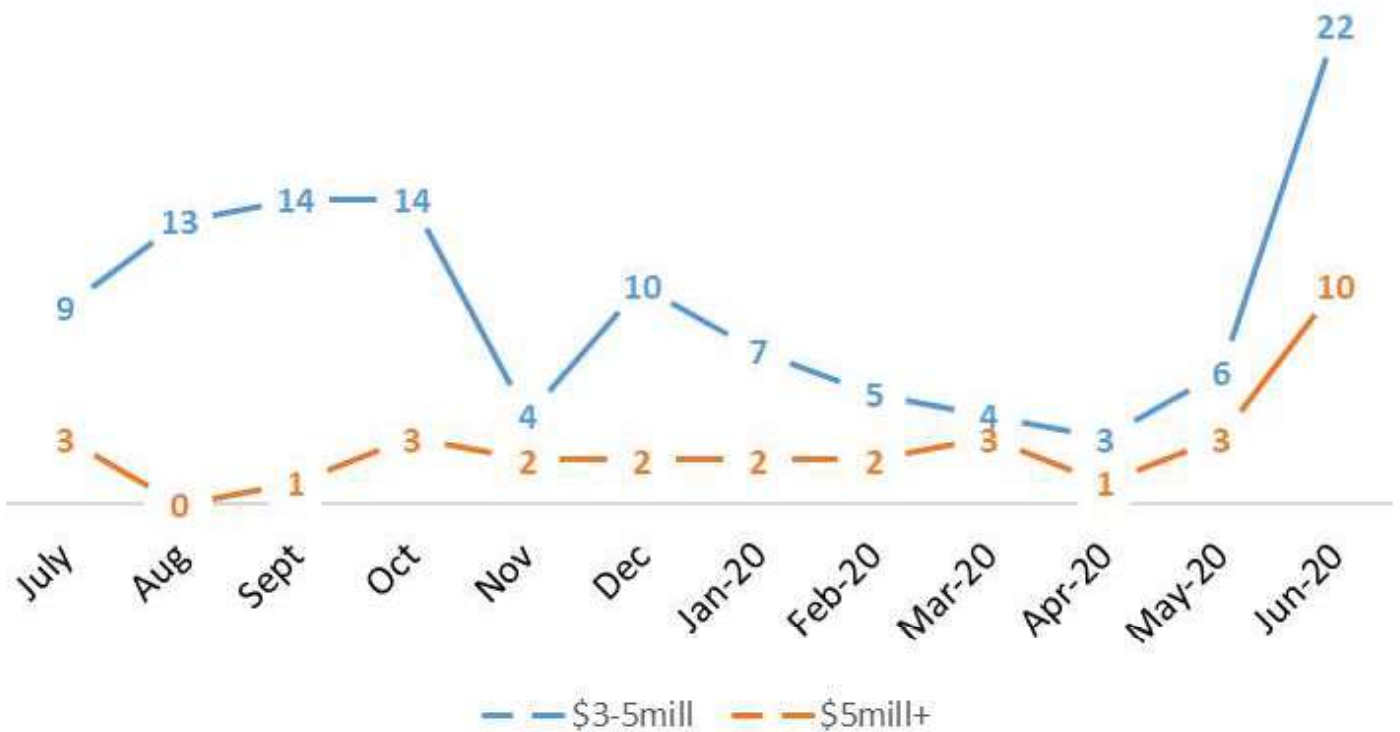
Closed sales shot up from 75 in April to 121 in May to 210 in June. That's a 180% increase in just 2 months!

## TWELVE MONTHS OF SALES BY PRICE RANGE LOW TO MID-RANGE HOMES



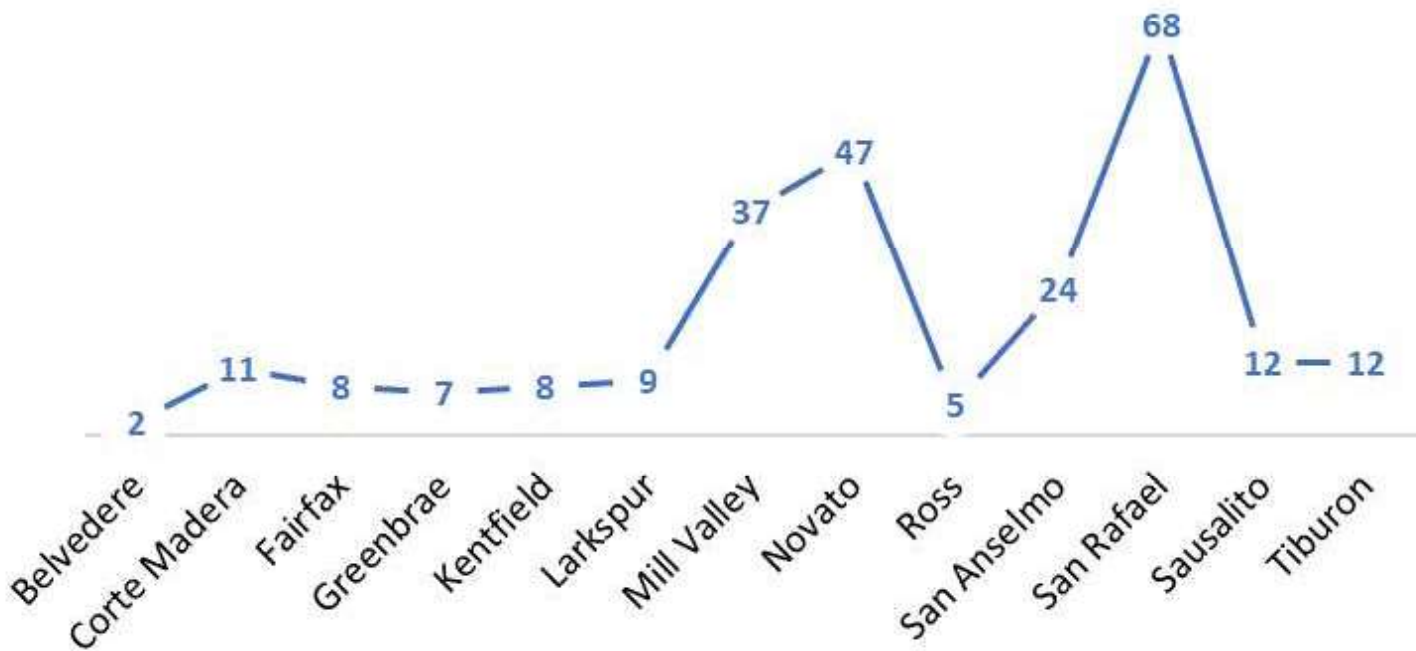
Sales activity in Marin varies dramatically by price range and area. Saying that Marin home sales exploded to 210 is like saying it is 80 degrees in Marin when it is 65 in Mill Valley and 85 in San Anselmo. This chart and the next one break down monthly sales activity by price range. The strongest demand is for home prices from \$1-2million - where June, sales increased by 70.3% over May. The second most popular range, \$0-1million, posted a minor gain with 36 sales compared with 34 in May. Homes in the \$2-3million range fared better, with 33 sales - up from 16 in May.

## TWELVE MONTHS OF SALES BY PRICE RANGE LUXURY HOMES



Luxury home sales increased dramatically in June. Sales of homes priced from \$3-5million jumped from 6 in May to 22 in June. Sales of homes priced at \$5million and above more than tripled from 3 in May to 10 in June.

## JUNE 2020 SALES BY CITY/TOWN



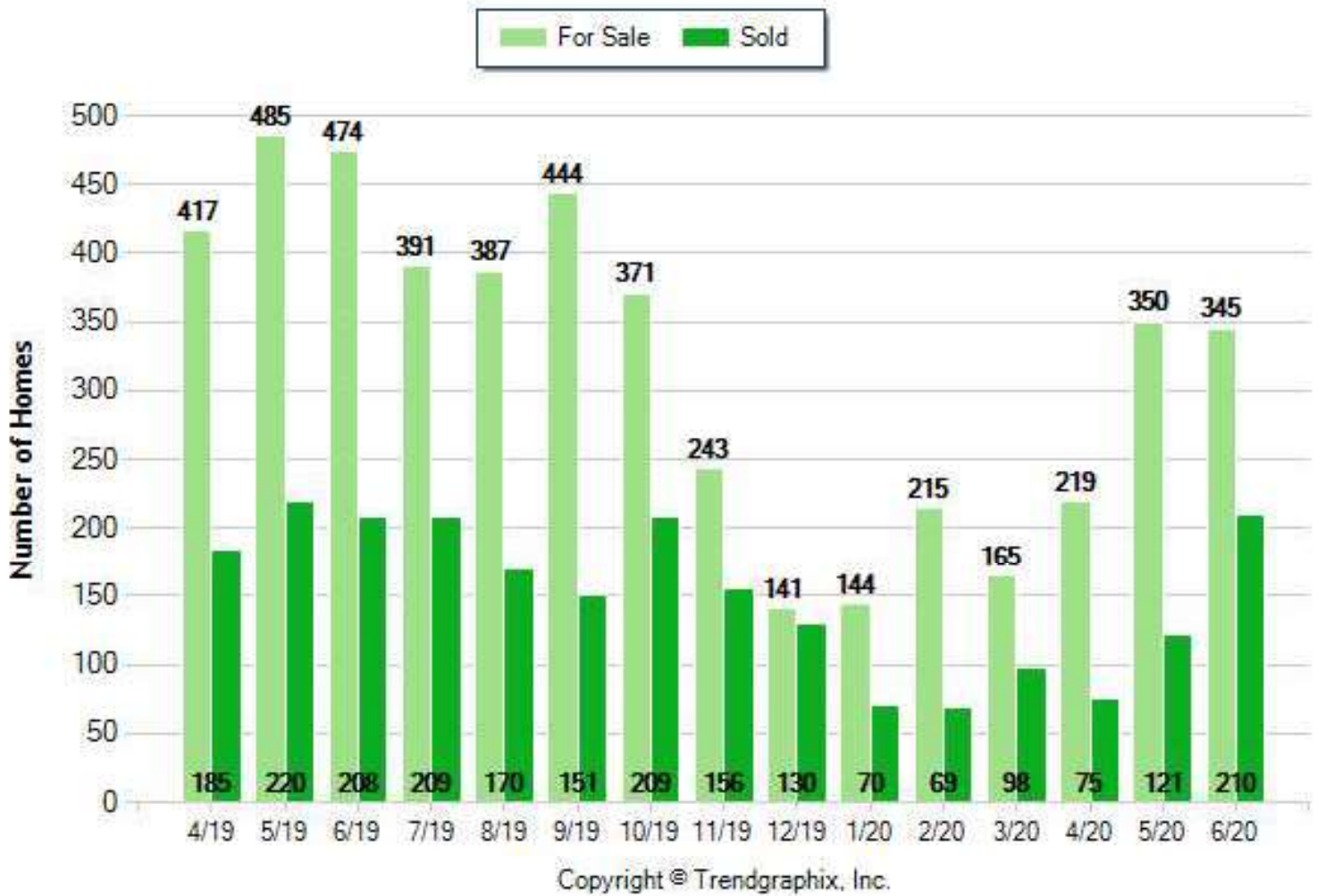
Comparing June sales by city, the number of sales varied from 2 in Belvedere to 68 in San Rafael.

# KEY MARIN METRICS AT-A-GLANCE

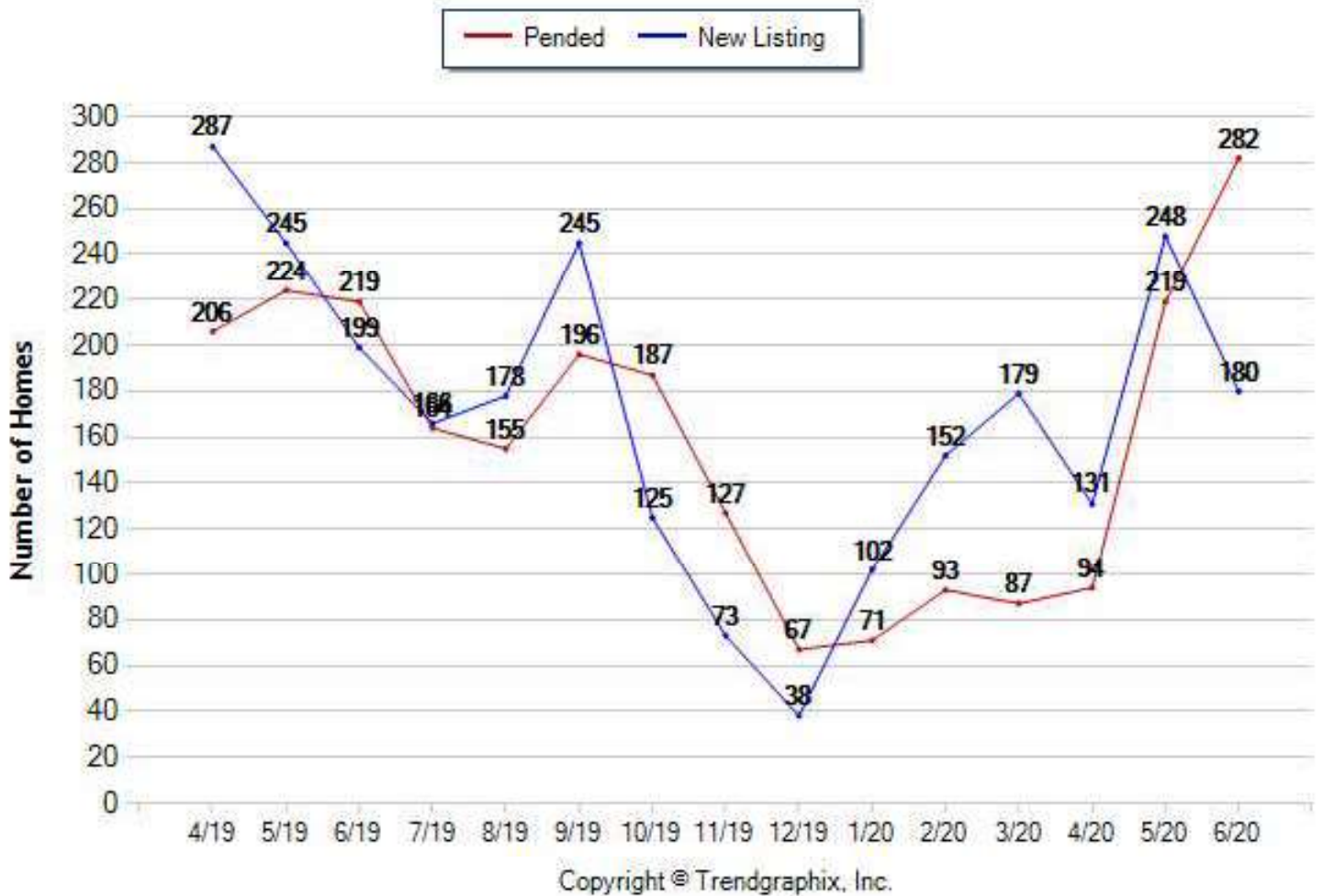
month-over-month changes

<b>New (Pending) Sales</b> <b>UP 31.2%</b>	<b>Closed Sales</b> <b>UP 73.6%</b>
<b>Month's Supply of Inventory</b> <b>DOWN 45%</b>	<b>Average Sold Price</b> <b>UP 14%</b>
<b>Average Price-Per-Sq.-Foot</b>	<b>Days of the Market</b>

## DETAILED JUNE MARKET ACTIVITY



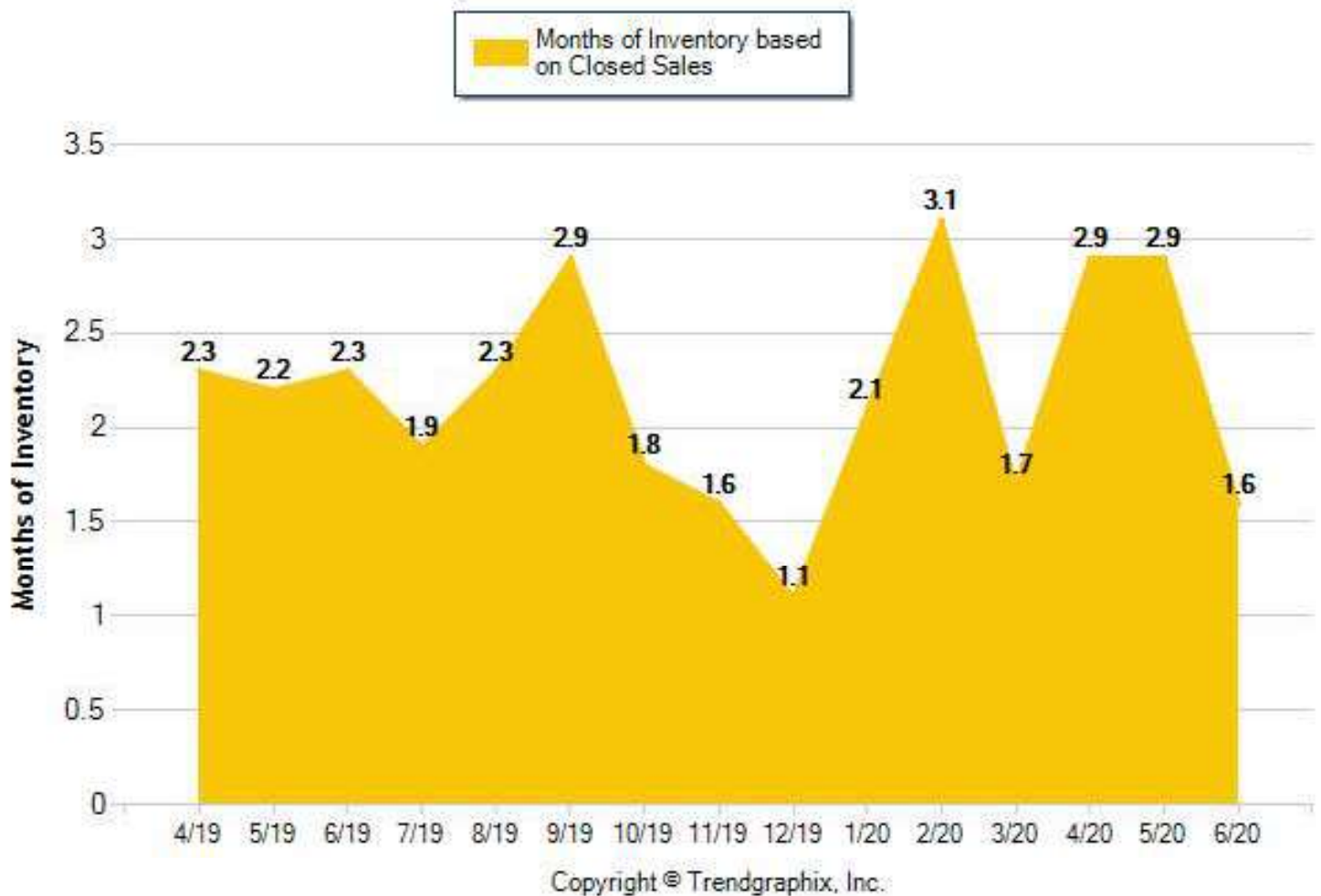
In June, closed sales increased by 73.6% month-to-month and jumped to 180% of April closed sales. Active listings, which increased by 59.8% from April to May, dropped 1.4% from May to June.



A review of New Listings and Pending Sales reveals an imbalance that will drive down the inventory of homes for sale (see the next chart).

In June, while Pending Sales increased 31.2% over May, New Listings were off by 27.4%. If this trend continues, it will strengthen the sellers-market, weaken buyers' leverage at the negotiating table, and drive up home prices.



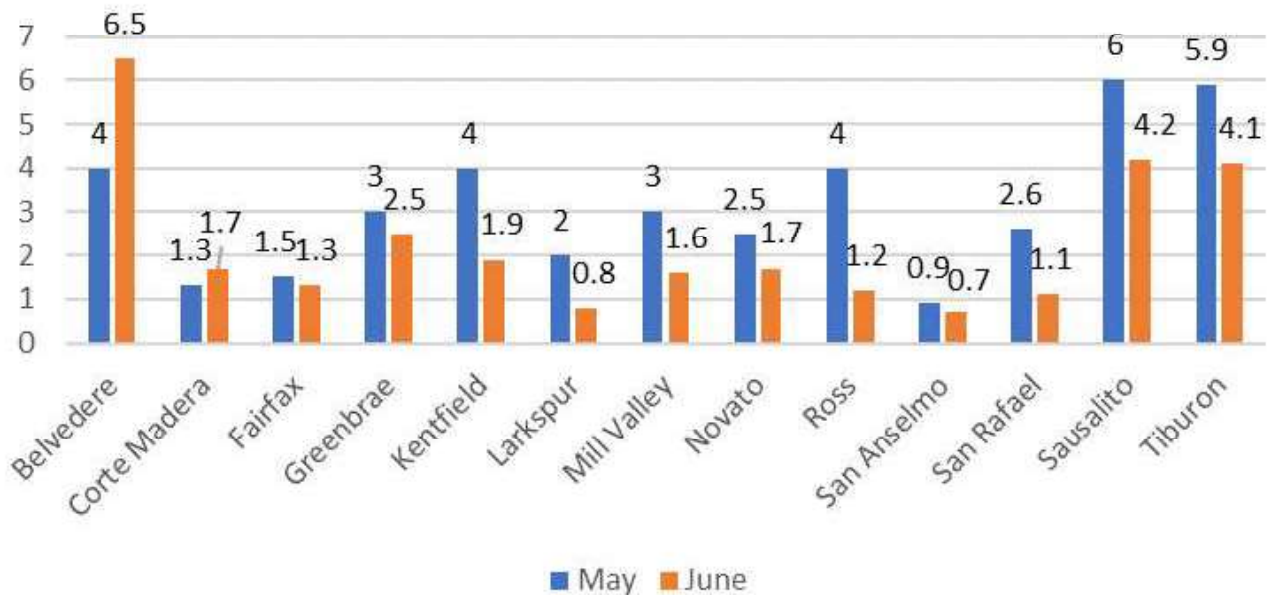


The surge in sales plus lagging listing activity has resulted in a precipitous drop in the supply of homes for sale.

In April and May we maintained a relatively healthy supply, with 2.9 months of inventory (it would take 2.9 months to sell all currently active listings given the current rate of sale.)

Then, the increase in sales combined with a decrease in new listings lowered the Marin inventory to 1.6 months in June – that’s a 45% drop in just one month.

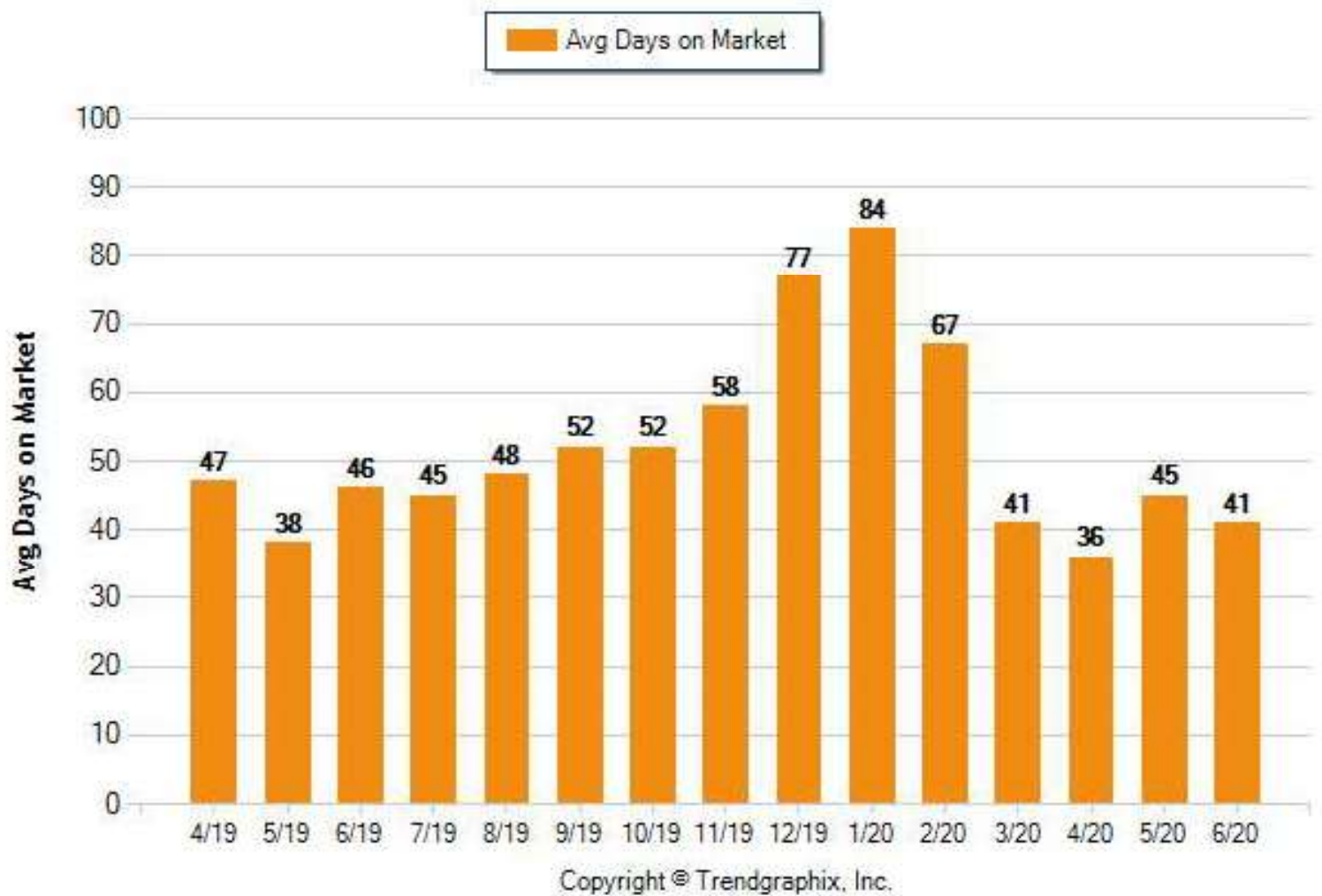
## Months Supply of Inventory by City/Town May and June 2020



The price and speed at which homes sell is primarily a factor of supply and demand. Assuming consistent, moderate demand, how does supply affect price? If there is more than enough supply to satisfy all potential buyers, prices tend to be soft - sellers are forced to lower prices and accede to buyer demands. When there is too little supply to fulfill current buyer demand, prices rise and sellers can be less accommodating. If you use supply/demand as part of your decision-making process when buying or selling, don't use the Marin month's supply number of 1.6 months. It's fine if you live in Mill Valley, which happens to have a 1.6 months supply. But if you live in San Anselmo, where there is less than a one month supply of homes for sale, or Tiburon where there is a 4.1 months supply, you should use your specific inventory figure. This chart breaks the supply figure down to cities/towns. Also remember that supply/demand as it relates to your home can change dramatically from month-to-month. When you have a decision to make, you can always call me for the most current statistics for your area.



An indication of the supply/demand relationship is the sales price to list price ratio. When supply outstrips demand, homes tend to sell for less than list price. When supply runs low, relative to demand, we see homes selling above list price as this charts shows for April and May 2019. On average, homes that closed escrow in June sold for 98% of the original list price and 100% of the list price at the time sellers accepted offers.



The average number of days from listing to pending sale with all contingencies removed dropped from 45 days in May to 41 days in June. This is to be expected given the strong buyer demand for housing.



Home Prices



In June, the average list price of a Marin County single family home was \$3,130,000, up from \$3,011,000 in May. The average sales price was \$1,921,000, up from \$1,684,000 in May.

	May	June	Average	Rank
<b>Belvedere</b>	\$1,021	\$1,177	\$1,099	2
<b>Corte Madera</b>	\$793	\$864	\$829	8
<b>Fairfax</b>	\$573	\$645	\$609	11
<b>Greenbrae</b>	\$843	\$828	\$836	6
<b>Kentfield</b>	\$945	\$990	\$968	4
<b>Larkspur</b>	\$788	\$876	\$832	7
<b>Mill Valley</b>	\$648	\$1,010	\$829	8
<b>Novato</b>	\$481	\$498	\$490	12
<b>Ross</b>	\$1,247	\$1,353	\$1,300	1
<b>San Anselmo</b>	\$736	\$739	\$738	9
<b>San Rafael</b>	\$586	\$644	\$615	10
<b>Sausalito</b>	\$813	\$1,053	\$933	5
<b>Tiburon</b>	\$1,075	\$949	\$1,012	3

Price-Per-Square-Foot is a popular way for sellers to compare their homes to the competition when determining a competitive list price. Buyers also use this metric for comparing areas and individual homes. This graph charts the square foot price for May, June and the average of the two. In June, the highest price-per-square-foot was in Ross at \$1,300 followed by Belvedere at \$1,099. The most affordable area in Marin was Novato at \$490 followed by Fairfax at \$609.

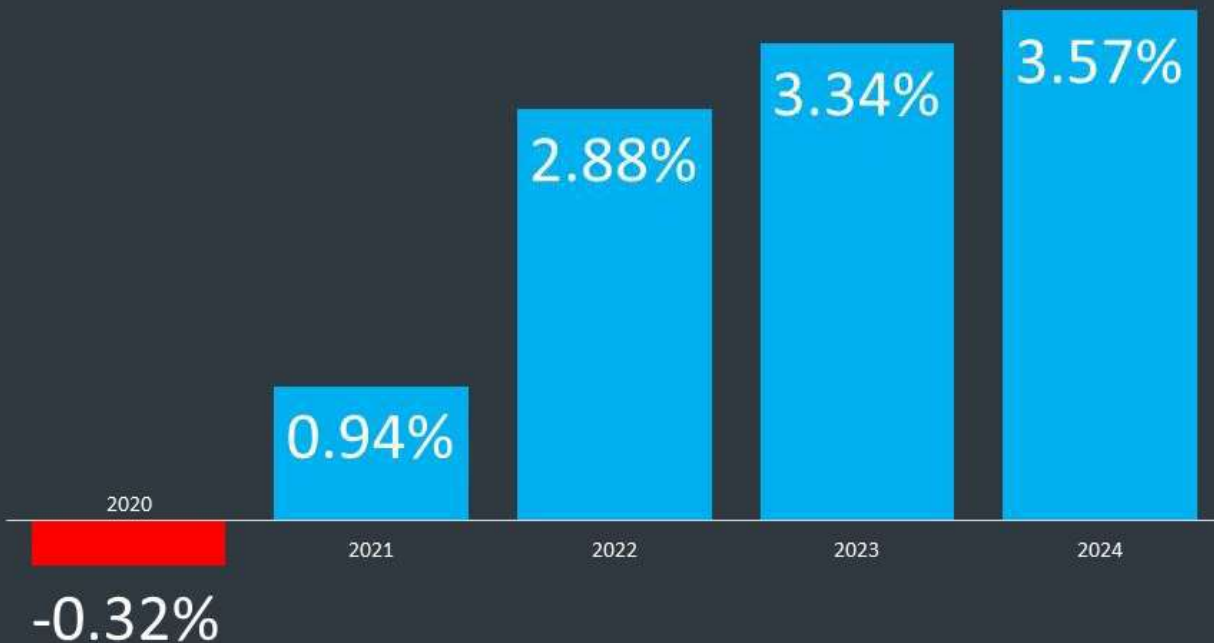
## Home Prices Projected to Continue to Appreciate

Source	2020	2021	2022
Home Price Expectation Survey	-0.32	+0.94	+2.88
Mortgage Bankers Association	+4.3	+3.2	+2.4
Zelman & Assoc.	+3.0	+4.2	+4.6
Fannie Mae	+0.4	+2.1	N/A
National Association of Realtors	+3.8	+2.1	N/A
Freddie Mac	+0.4	+0.7	N/A

Real estate industry experts vary considerably in their opinions of where national home appreciation rates are headed. 2020 predictions range from .32% to 4.3%. All but two of the respondents believe that the rate of appreciation will increase in 2021 and two out of three predict increasing appreciation in 2022.



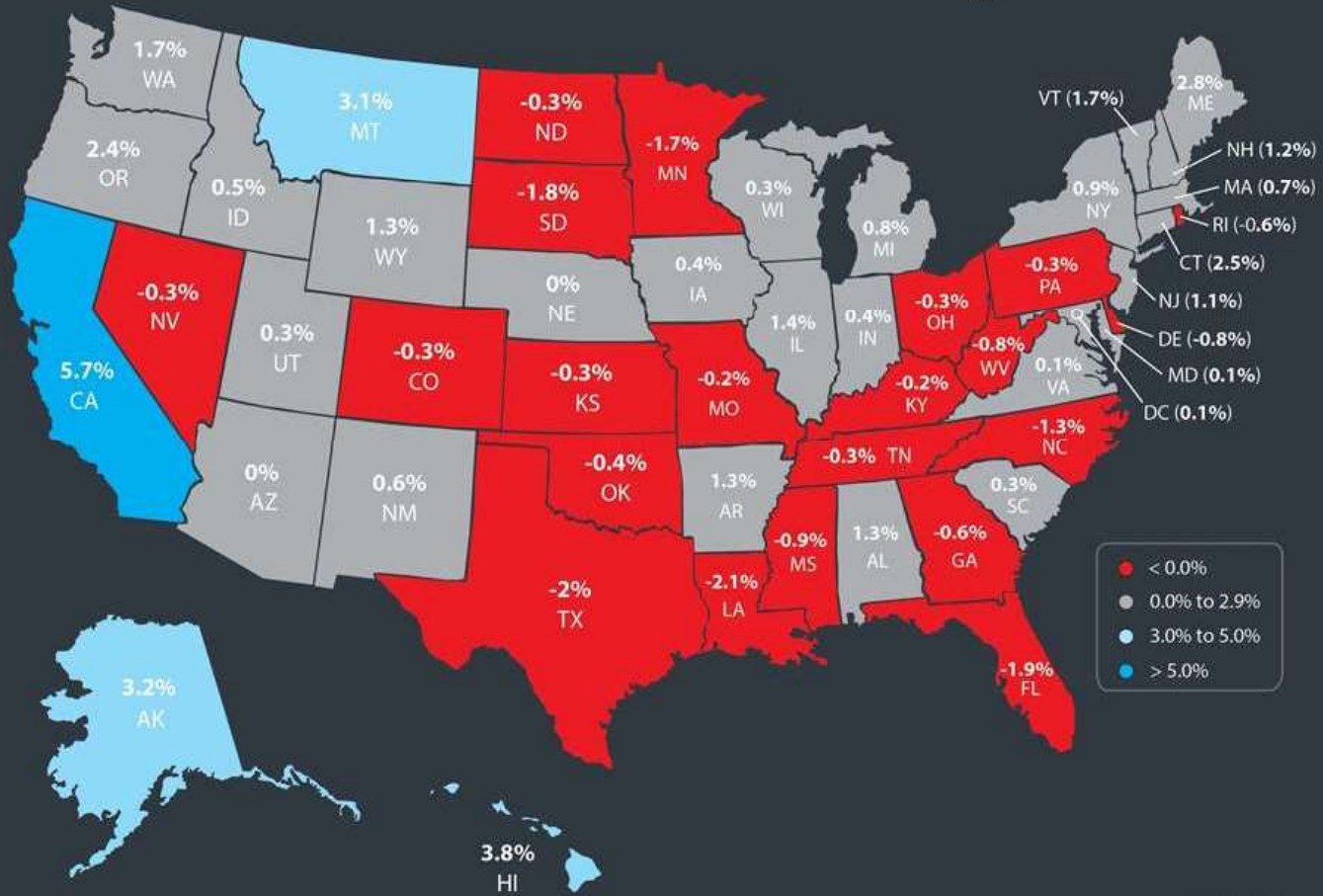
Projected Mean Percentage Appreciation will drop initially and then grow for the next few years



Home Price Expectation Survey 2020 1Q

The National Home Price Expectation Survey asks more than 100 leading economists, real estate experts and investment and market strategists to predict the path of home price growth over the next five years. As of Q1 2020, the survey projects that the mean home price appreciation will go negative in 2020 with a .32% loss in the mean (or average) price. The rate of price appreciation, they predict, will increase each year thereafter reaching 3.57% in 2024.

## Forecasted Year-Over-Year % Change in Price



CoreLogic

National statistics are interesting when researching long-term trends, but not very relevant to our world when it comes time to make a real estate decision. The good news is that CoreLogic picks California as the home appreciation winner for the coming year - the only state predicted to have a greater than 5% gain. Note the number of red states where losses are expected.

## MORTGAGE INTEREST RATES



"Mortgage demand from home buyers shows an unexpectedly strong and quick recovery...which has surprised most forecasters." Diana Olick, CNBC

# 30-Year Fixed

Rate Mortgages  
from Freddie Mac

3.97

3.26%

1/7/16 2/4 3/3 4/7 5/5 6/2 7/7 8/4 9/1 10/6 11/3 12/1 1/5/2017 2/2 3/2 3/30 4/27 5/25 6/22 7/20 8/17 9/14 10/12 11/9 12/7 1/4/2018 2/1 3/1 4/5 5/4 6/7 7/5 8/2 9/6 10/4 11/1 12/6 1/3/2019 1/31 3/7 4/4 5/2 6/6 7/3 8/1 9/5 10/3 11/7 12/5 1/2/2020 2/6 3/5 4/2 5/7 4-Jun

Freddie Mac

This chart shows the dramatic changes in 30-year fixed rate loans since the beginning of 2016 culminating in a 3.26% rate on June 4th. As of this writing, rates can be found under 3% for purchases.

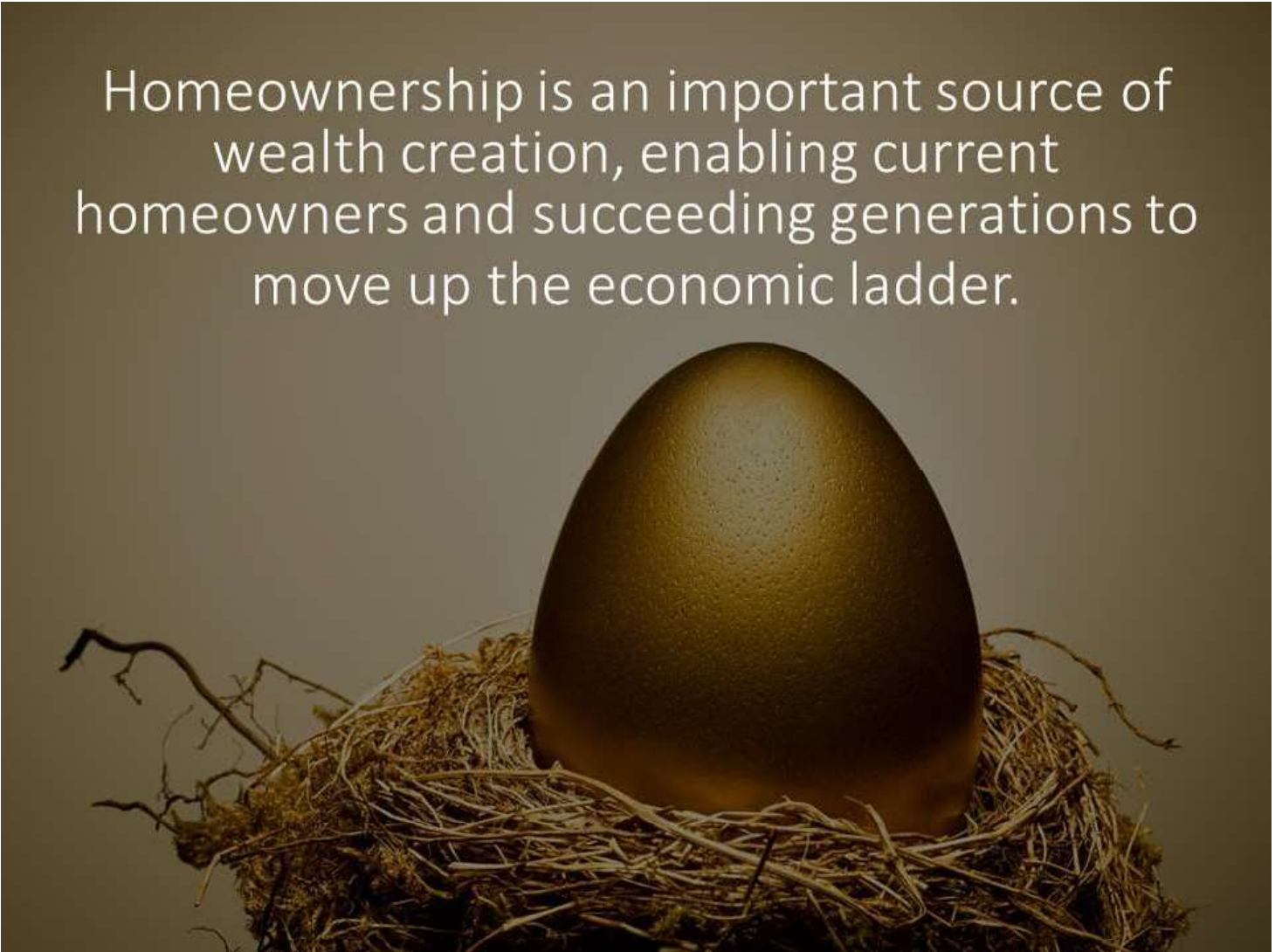
# Mortgage Rate Projections

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2020 2Q	3.3	3.3	3.4	3.1	3.27%
2020 3Q	3.2	3.1	3.4	3.0	3.17%
2020 4Q	3.2	3.0	3.4	3.0	3.15%
2021 1Q	3.1	2.9	3.3	3.0	3.07%

Here are predictions for rates over the next 3 quarters by Freddie Mac, Fannie Mae, the Mortgage Bankers Association and the National Association of Realtors. On average, this group predicts that rates will continue to drop at least through Q1 2021.

## Homeownership Rate Rising

Homeownership is an important source of wealth creation, enabling current homeowners and succeeding generations to move up the economic ladder.



According to Gallup, real estate remains the most favored investment to Americans, as has been the case since 2013, when the housing market was on the rebound. More than a third of Americans have named real estate as the top investment since 2016.

# U.S. Homeownership % Rates

*Quarterly Results*

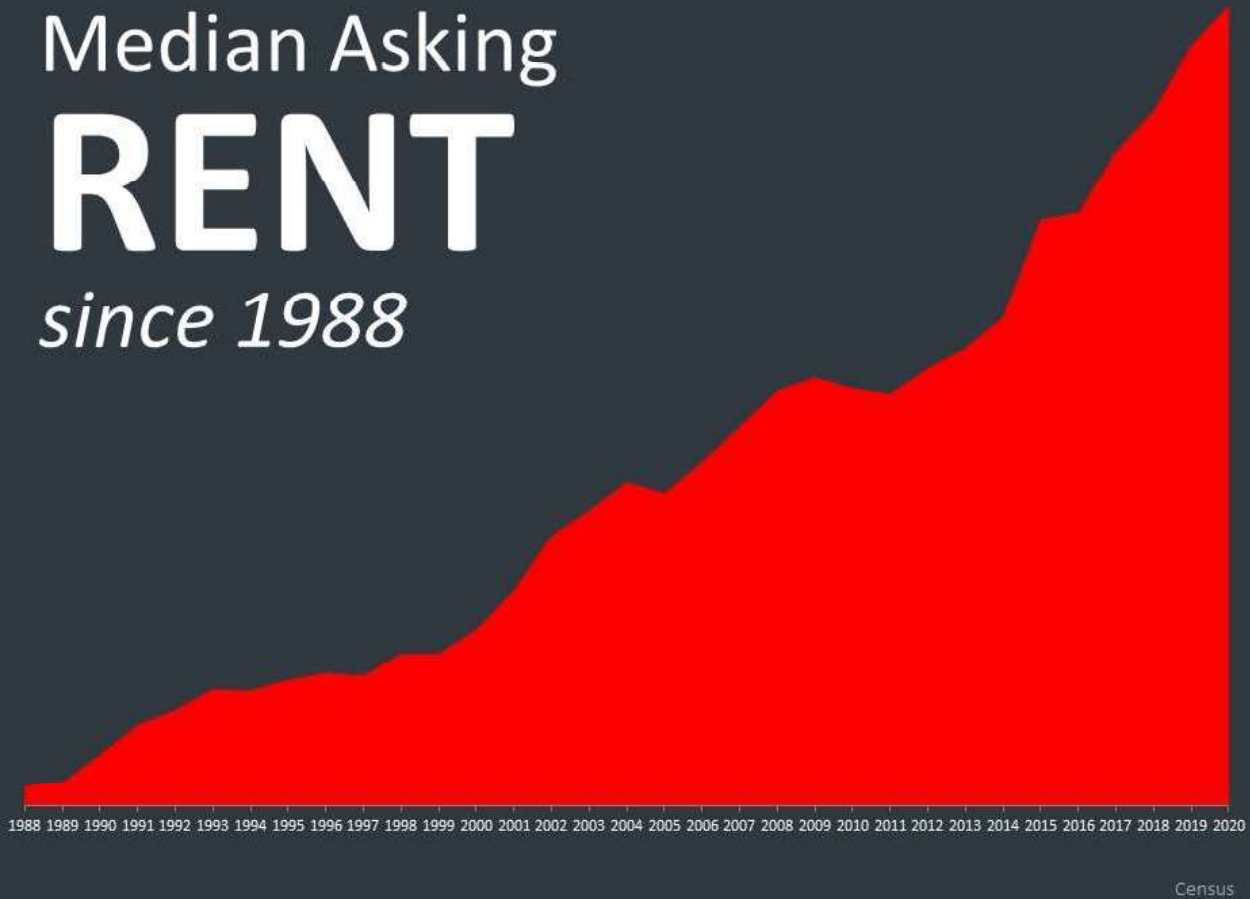


*The national homeownership rate has risen or remained the same year-over-year each of the last 9 quarters after starting its climb in 2016!*

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

Census

# Median Asking RENT *since 1988*



One reason that ownership is so attractive is the skyrocketing growth in rents. With historically low interest rates plus access to down-payments due to the build-up in home equities since the recovery began, it is more likely than ever that buying will result in less financial stress than renting. Homeownership also provides a relatively reliable path to financial freedom and the ability to manage and alter your home without permission of a landlord.

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I believe that the first chart in this update is the key message this month. While much of our lives have been put on hold - going to restaurants with friends, sitting in a stadium with a beer and hotdog watching our bay area sports teams, or working out at our favorite gym, the business of selling and buying real



estate is alive and well. As my opening chart shows, after a month of going through the stages of confusion, denial, acceptance and, finally, action, we have modified how we service clients so that you can conduct your business when it benefits you and your family, and do so with a high degree of safety. I will continue to adapt my practices to the changing environment. If you have any questions or would like to discuss a personal plan of action, call, text, or email me at any time. In the meantime, enjoy the warm weather, stay safe - be happy.



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