



FIRST CALIFORNIA REALTY, INC.



# MAY 2021

## April Activity Report

APRIL ACTIVITY COMPARED WITH LAST MONTH & LAST APRIL



### Closed Sales

**April 2021 264**

Last Month	Last April
208	91
	
27%	190%



### Listings Taken

**April 2021 168**

Last Month	Last April
220	126
	
24%	33%



### Average Sales Price

**April 2021 \$2,173,000.**

Last Month	Last April
\$2,094,000	\$1,533,000
	
0.4%	42%



### Days on Market

**April 2021 25**

Last Month	Last April
28	33
	
14%	12%



### Mo's Supply of Listings

**April 2021 0.5**

Last Month	Last April
0.7	2.1
	
29%	79%

### S.P./L.P. Ratio

**April 2021 106**

Last Month	Last April
104	98
	
2%	8.2%

Here are the Year-to-Year trends we need to focus on:

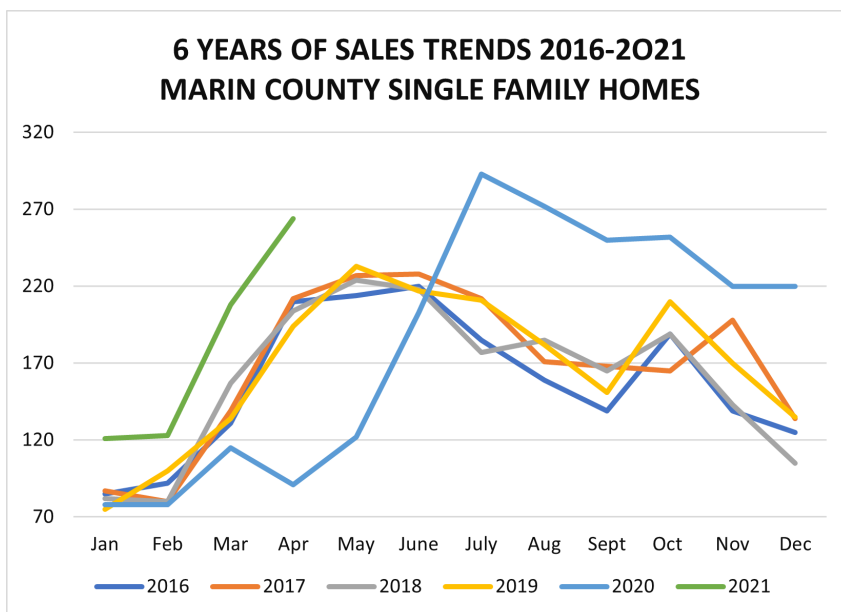
Closed Sales were up 190%  
New Listings were only up 33%

We are clearly not replacing sold homes with new homes to sell. The result was a 79% drop in our Month's Supply of Inventory, from 2.1 months in April 2020 to 0.5 months in April 2021. That means that, at our current rate of sale, we would sell every existing listing in Marin County within about 2 weeks. In the meantime we will, of course, add some new listings.

This supply/demand imbalance has resulted in an extreme seller's market, the characteristics of which are:

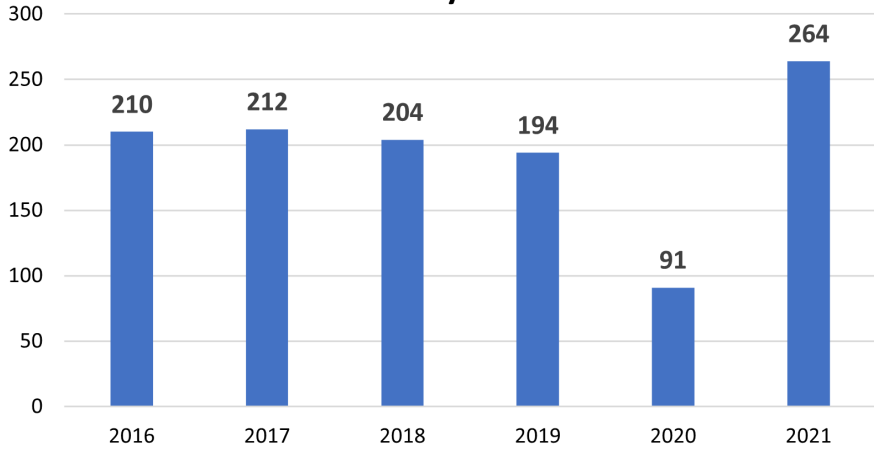
1. Homes selling quickly. Last month it only took an average of 25 days for a new listing to enter into contract and have all contingencies removed.
2. An increase in the number of homes selling with multiple offers, and an increase in the average number of buyer offers per listing.
3. Sales prices that are bid up above list price. In April, the average home sold for 106% of the list price at the time offers were accepted. The records show that some homes recently sold for nearly twice the asking price.
4. All cash buyers having a clear advantage over buyers requiring financing.
5. Buyers often waiving their rights like the right to have properties thoroughly inspected, or waiving the protection of loan and appraisal contingencies.

But, despite the obvious disadvantage, buyers continue to race to grab a piece of the American Dream, and for good reason. Even with prices soaring, available mortgage rates below 3% dramatically increase the affordability factor. If you purchase a \$1,000,000 home with 20% down, your monthly mortgage payment at 2.8% would be \$4,011. Annually, that would amount to \$48,132 **before tax benefits**. In 2020 the national appreciation rate was 9.2%. At that rate our \$1,000,000 home would have appreciated \$92,000 last year. Of course there is no guarantee that homes prices will continue to grow at that pace. But even at 5%, the \$50,000 appreciation would be greater than twelve monthly payments.

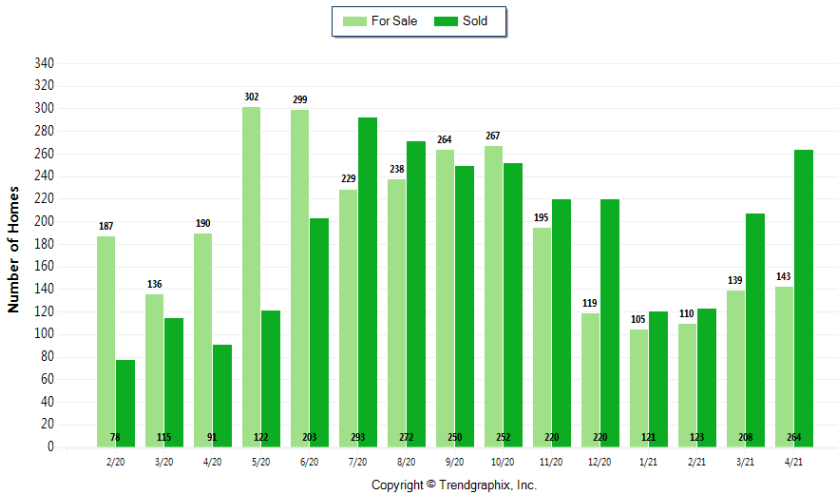


How is 2021 shaping up in relation to the previous five years? Sales in the first four months of 2021, represented by the green line, have clearly outpaced the field.

### 6 Years of April Sales Marin County 2016-2020

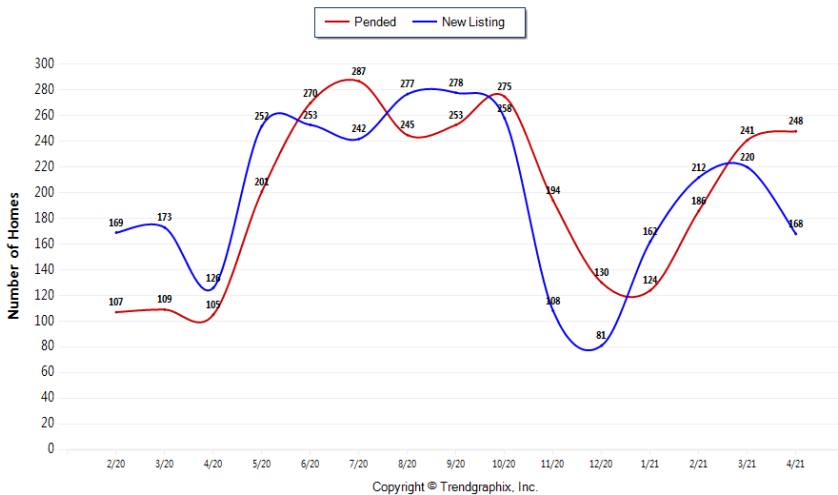


In April, we closed **264** sales, up by **190%** from the **91** sales we closed in April 2020 and up **82%** from the average of the previous 5 years.



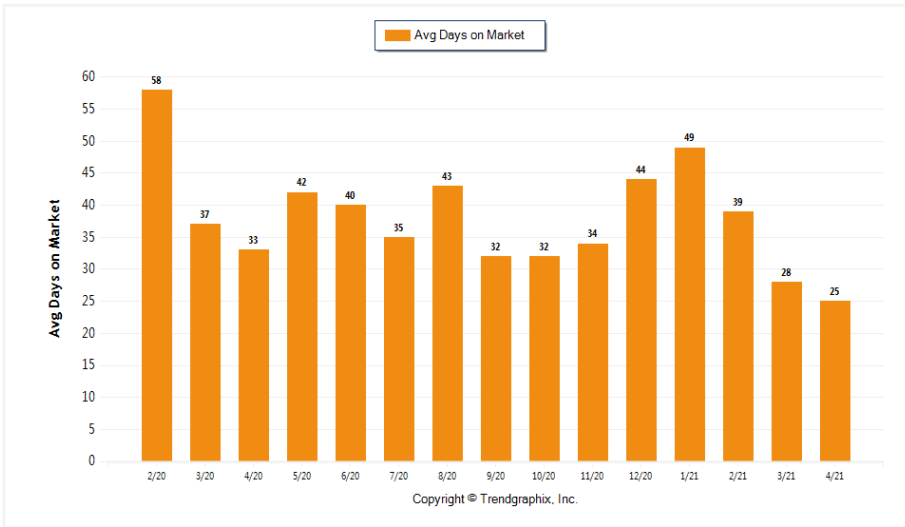
Homes For Sale in April 2021: **143** units  
Up by **2.9%** compared with March  
Down by **24.7%** compared with April 2020

Homes Closed in April 2021: **264** units  
Up **27%** compared with March  
Up **190%** compared with April 2020

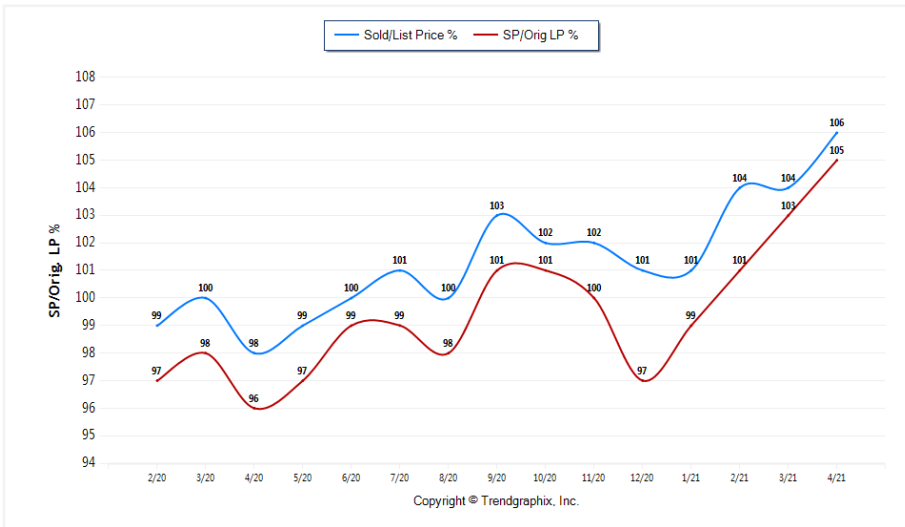


New Listings in April 2021: **168** units  
Down by **23.6%** compared with March  
Up by **33.3%** compared with April 2020

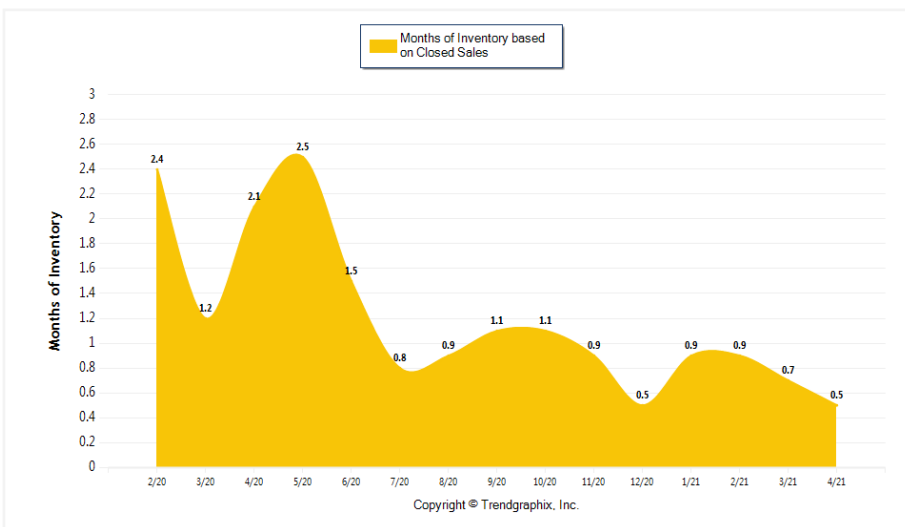
Pending (New) Sales in April 2021: **248** units  
Up by **3%** compared with March  
Up by **136%** compared with April 2020



In April the average number of days from listing a home to an accepted contract with all contingencies removed was down from 28 in March to 25 days in April.

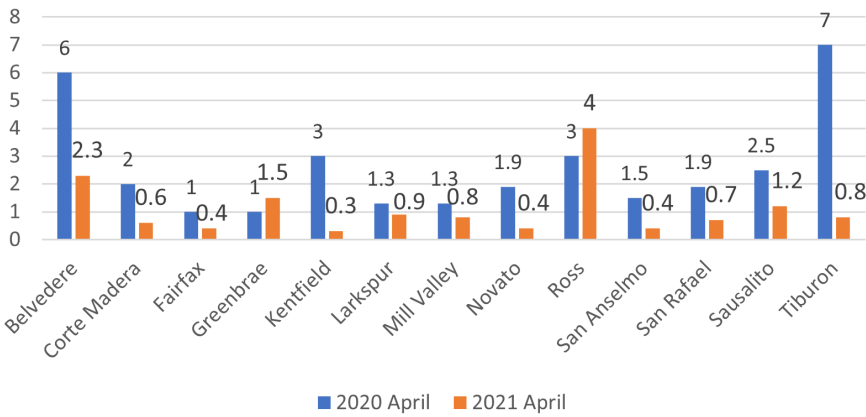


This chart is a graphic example of the effects of our high demand, low inventory environment. One year ago the average Marin home sold for an average of 96% of the original list price and 98% of the list price at the time offers were accepted. Last month the average home sold for 105% of the original list price and 106% of the list price at the time offers were accepted.



This graph charts the Month's Supply of Inventory. Last month, we had 0.5 months of unsold inventory, down from 0.7 in March and down from 2.1 in April 2020. A healthy inventory, which we haven't seen in years, would be between 4 and 6 months

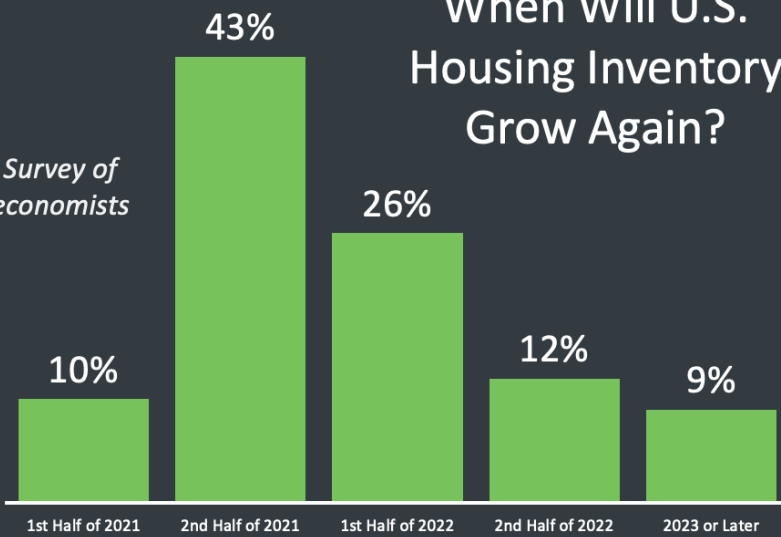
**Months Supply of Inventory by City/Town  
Marin County - April 2020 & April 2021**



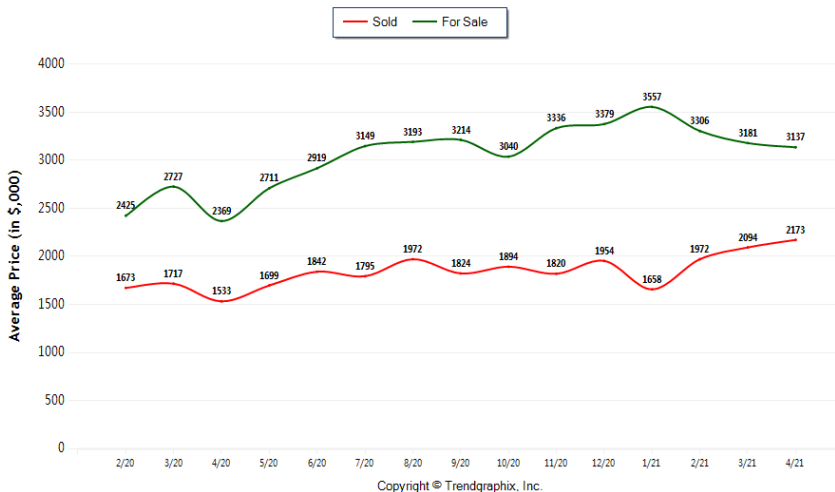
The average MSI (Month's Supply of Inventory) in Marin is 0.5, but that may not be at all the case in your City. For example, Ross has 4 months of unsold listings while Fairfax, Kentfield, Novato and San Anselmo are all under 0.5 months. I also gave you the MSI for each city/town for April of 2020 so that you can get an idea of the trend year-over-year. This April, 11 cities/towns had less inventory that this time last year, some dramatically so. Only 2 showed increases April to April.

## When Will U.S. Housing Inventory Grow Again?

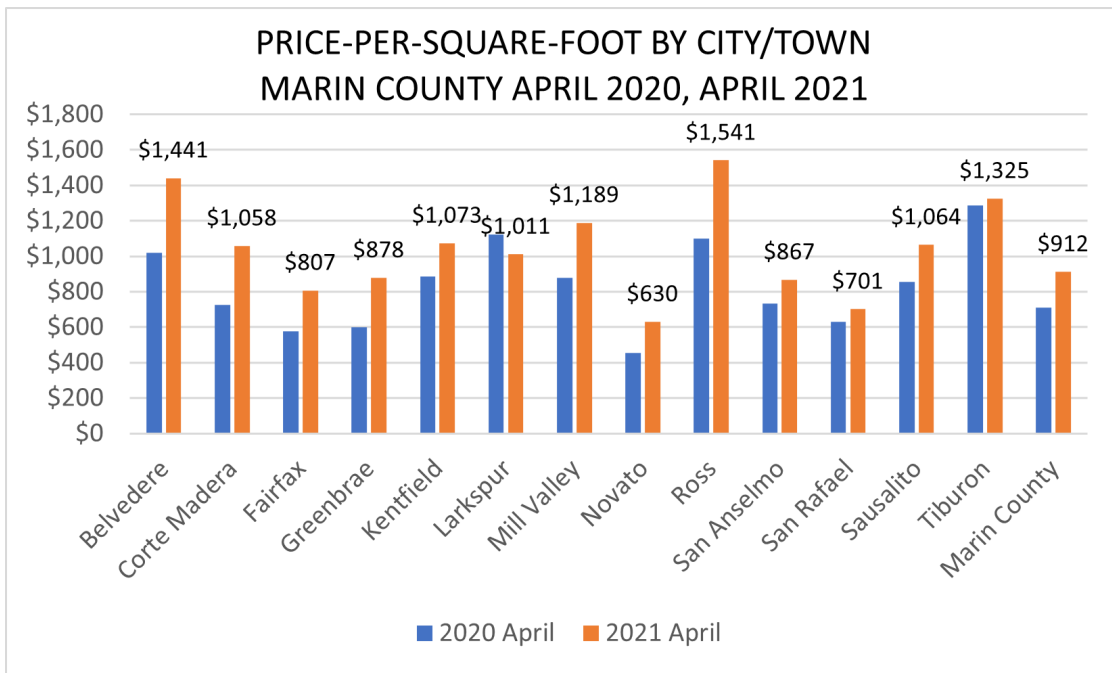
Survey of economists



We may be on the brink of a turnaround in the shrinking inventory trend. In a survey of 100 economists and industry leaders, 10% responded that housing inventories will begin growing again in the 1st half of this year. 43% believe this reversal will begin in the second half of this year. 21% think that we will have to wait until the second half of 2022 or later.

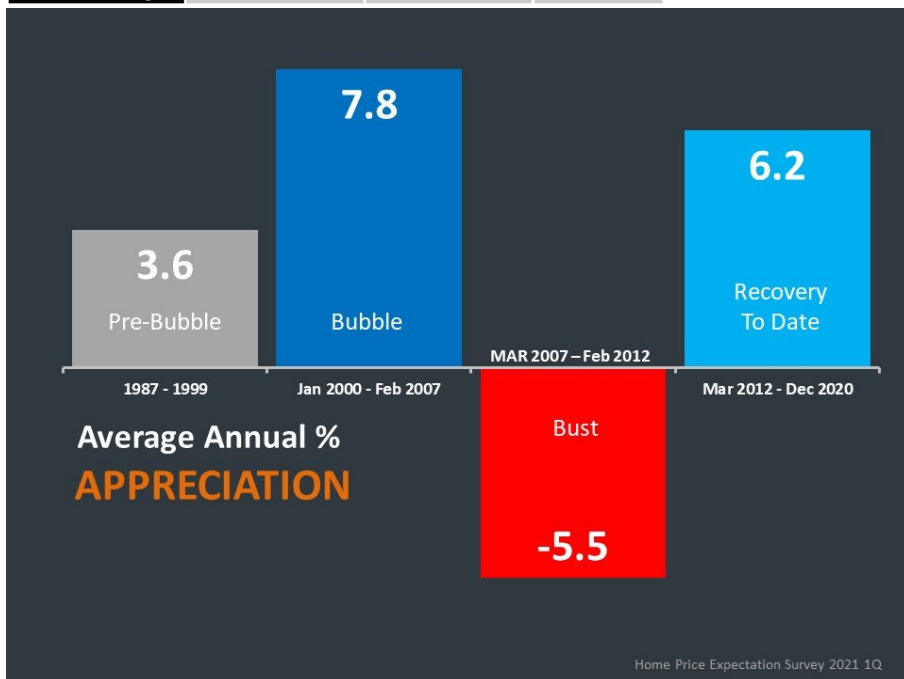


In April, the average list price of a Marin County single family home was \$3,137,000, down from \$3,181,000 in March. The average sales price was \$2,173,000, up from \$2,094,000.



	2020 April	2021 April	Ranking
Belvedere	\$1,021	\$1,441	2
Corte Madera	\$725	\$1,058	7
Fairfax	\$578	\$807	11
Greenbrae	\$600	\$878	9
Kentfield	\$886	\$1,073	5
Larkspur	\$1,123	\$1,011	8
Mill Valley	\$878	\$1,189	4
Novato	\$454	\$630	13
Ross	\$1,099	\$1,541	1
San Anselmo	\$734	\$867	10
San Rafael	\$631	\$701	12
Sausalito	\$857	\$1,064	6
Tiburon	\$1,285	\$1,325	3
Marin County	\$712	\$912	

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 charts the PPSF for April 2020 and April 2021 in the 13 core Marin cities/towns. The year-over-year comparison allows you to know how the PPSF has trended over the past year. The table lists all of the numbers used to create the graph plus rankings from highest PPSF to lowest.

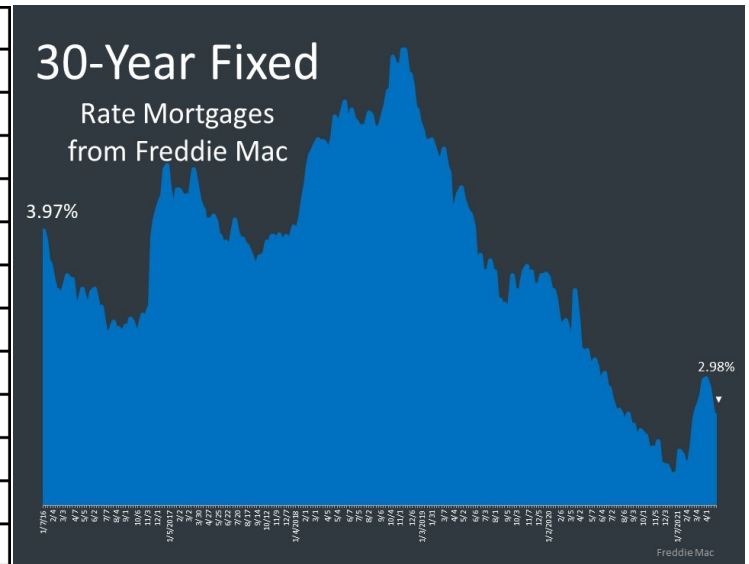


This chart gives some historical perspective of home appreciation on a national scale. The average annual appreciation during the financial bubble from 2000 to 2007 was 7.8%. Then the bubble burst in 2007. During the "great recession," 2007 to 2012, the average annual home price dropped 5.5%. During the "immaculate recover" from 2012 to 2020, the average annual appreciation has been 6.2%.

# MORTGAGE INTEREST RATES

The table below shows mortgage interest rates as of May 10th, 2021.

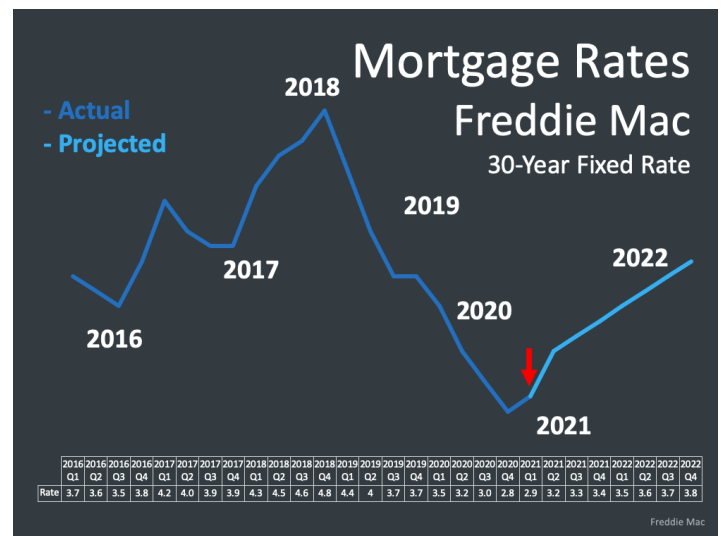
Product	Interest Rate	APR
<a href="#">30-Year Fixed Rate</a>	3.060%	3.280%
<a href="#">30-Year Fixed-Rate VA</a>	2.680%	2.860%
<a href="#">20-Year Fixed Rate</a>	2.950%	3.140%
<a href="#">15-Year Fixed Rate</a>	2.340%	2.640%
<a href="#">7/1 ARM</a>	3.200%	3.900%
<a href="#">5/1 ARM</a>	3.160%	4.000%
<a href="#">10/1 ARM</a>	3.460%	4.120%
<a href="#">30-Year Fixed-Rate FHA</a>	2.860%	3.720%
<a href="#">30-Year Fixed-Rate Jumbo</a>	3.070%	3.180%
<a href="#">15-Year Fixed-Rate Jumbo</a>	2.330%	2.400%
<a href="#">7/1 ARM Jumbo</a>	3.390%	3.880%
<a href="#">5/1 ARM Jumbo</a>	3.220%	3.900%



The graph on the right charts 30-year fixed mortgage rates from January 2016 through the end of April 2021. Rates hit 2.8% in the 4th quarter of 2020, the lowest rate in recorded history, and since then rose to 3.18% as of 4/11/2021 and ended April at 2.98.

### Mortgage Rate Projections

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2021 3Q	3.3	3.3	3.6	3.2	3.35%
2021 4Q	3.4	3.4	3.7	3.4	3.47%
2022 1Q	3.5	3.5	3.9	3.5	3.6%
2022 2Q	3.6	3.5	4.1	3.5	3.67%



Here are the current projections from Freddie Mac, Fannie Mae, the Mortgage Bankers Association and the National Association of Realtors. The average opinion of these four industry leaders shows rates slowly increasing from 3.35% in Q3 2021 to 3.67% in Q2 2022.

The chart on the right shows actual interest rates from 2016 through the first quarter 2021. The light blue line to the right of the red arrow is a prediction from Freddie Mac showing a 3.8% rate by the 4th quarter of 2022. The quote on the right explains why rising rates may not dampen demand. Rising rates are a sign of a strong economy. And people tend to make large purchases when the economy is booming.

The nature of the market continues to benefit both buyers and sellers. Buyers can afford to buy more expensive homes than they would have previously qualified for because of the historically low interest rates. This means that they are enjoying appreciation on a more expensive asset which builds greater family wealth for the future. Sellers benefit from the number of buyers scrambling to take advantage of this "window of opportunity" before rates go up. Multiple simultaneous offers are driving up sales prices, often well above seller's expectations.

This heated market will begin to cool-off as interest rates and inventories begin to increase. There are signs, nationally, that we are on the brink of both of these key factors moving up. Some form of a stimulus plan will be passed by congress in the coming weeks. Economists expect that one consequence will be strong economic growth. Growth is good, as Mark Fleming says in the above quote, but it can also create fears of inflation which could cause the federal reserve to increase short-term interest rates. This often results in an increase in the yields of government bonds. And, since mortgage-backed securities compete with long-term bonds, mortgage rates would also rise. When this begins to happen, the short-term effect will probably be increased home sales as buyers scramble to lock in rates before they rise too much. Then eventually, as rates continue up, the affordability factor will drop and many buyers will opt out of the market, or be forced to purchase less expensive properties than they would like.

There are a lot of ifs here. I will stay on top of trends and report to you with this monthly update. And, of course, I am always happy to provide you with a personalized analysis of your buying or selling plans. In the meantime, enjoy this incredible weather. With the CDC lifting mask-wearing expectations outdoors, it's a great time to hit the hiking trails or beaches. Maybe I'll see you out there!



## **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](mailto:Sherrie@FirstCaliforniaRealty.com)