

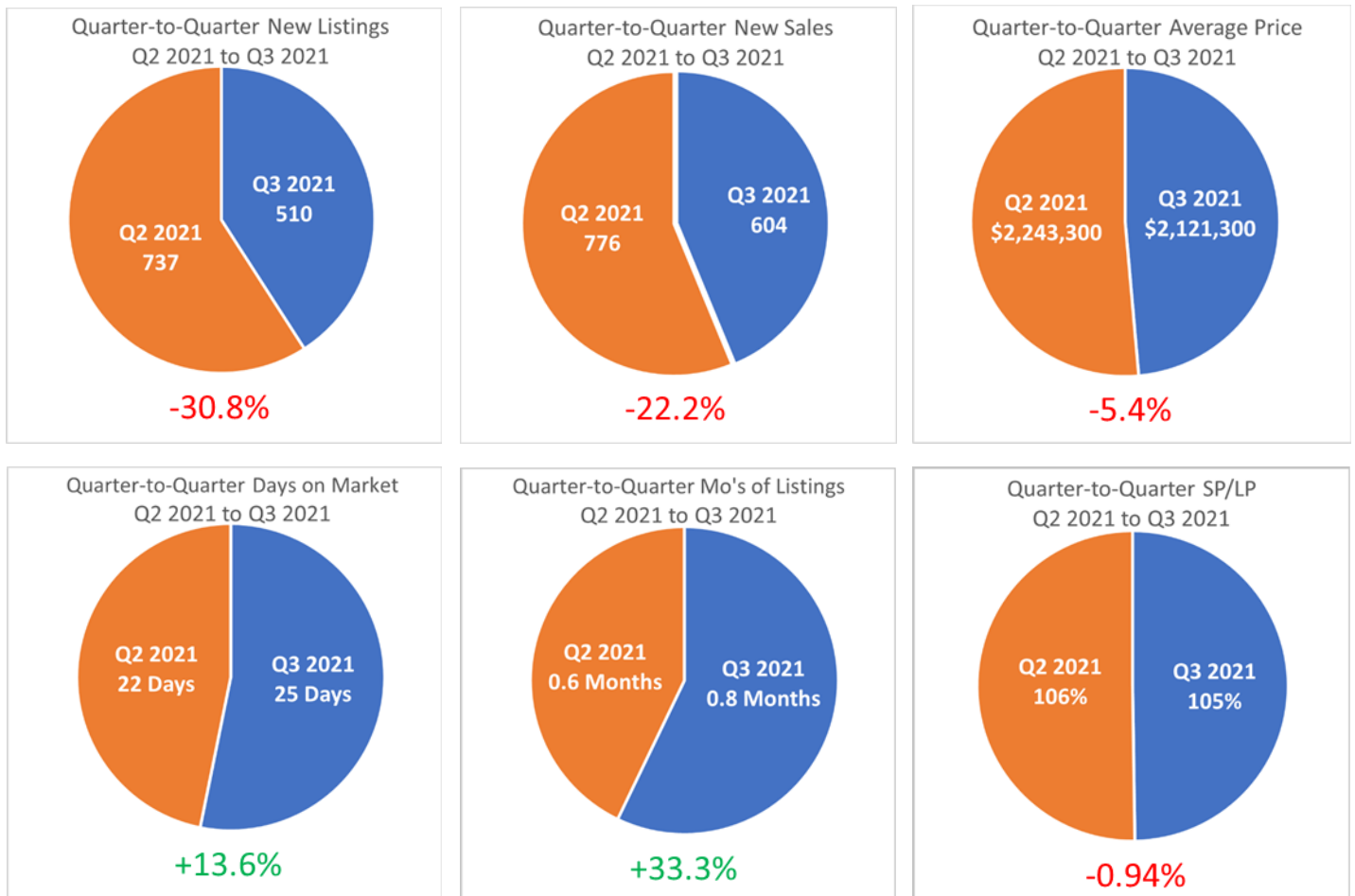
Q3

THIRD QUARTER 2021

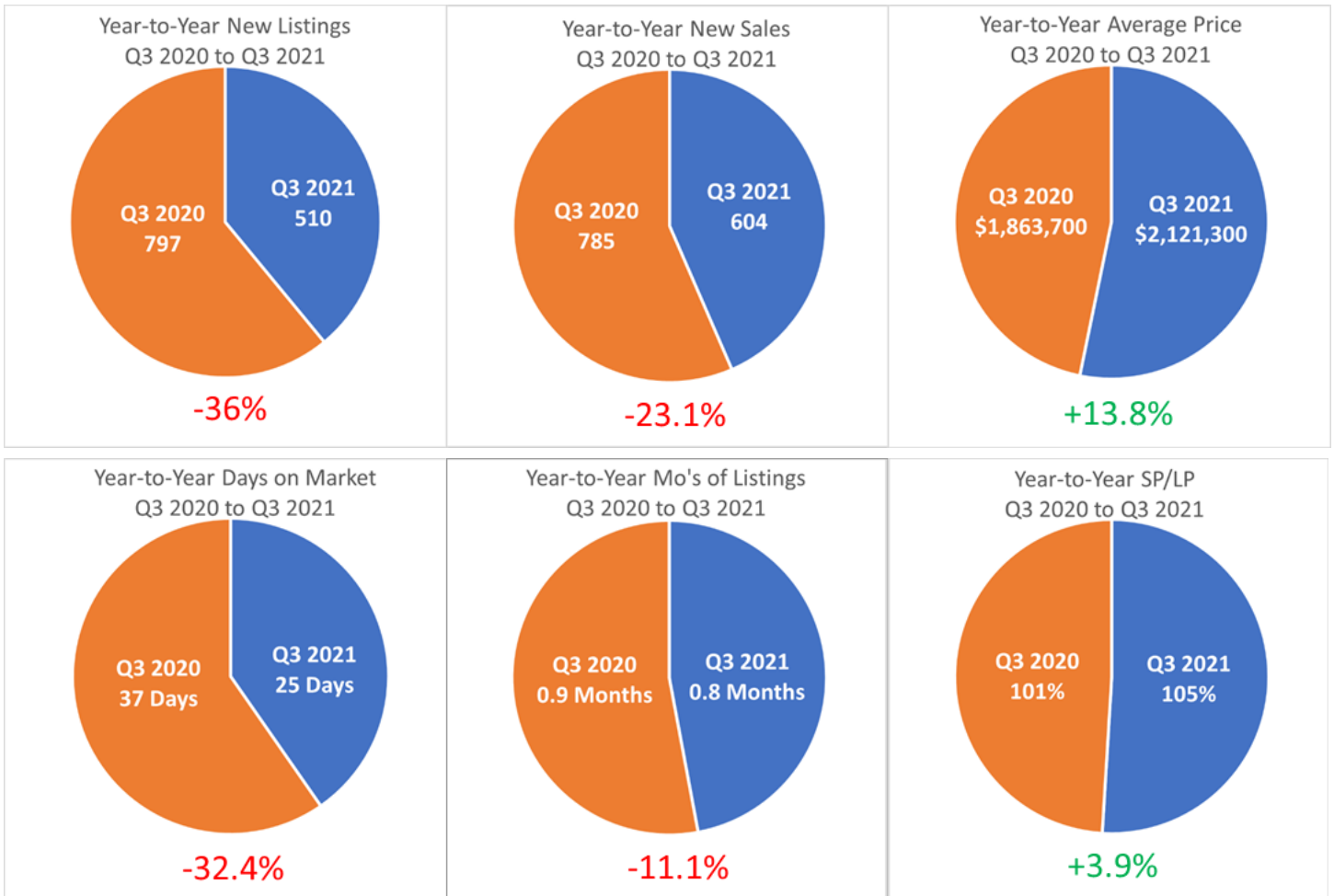
Quarter-to-Quarter

Note: "SP/LP" is the Sales Price to List Price Ratio.

"Mo's of Listings" is the Month's Supply of Unsold Inventory



Year-to-Year



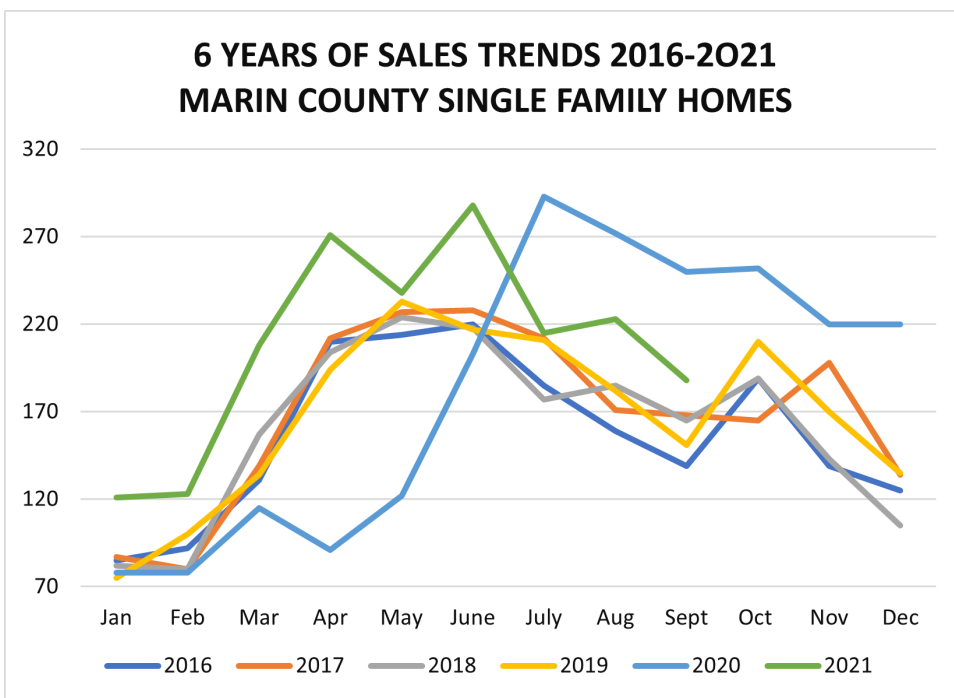
Year-to-Year Summary

In the second year of a Global Pandemic

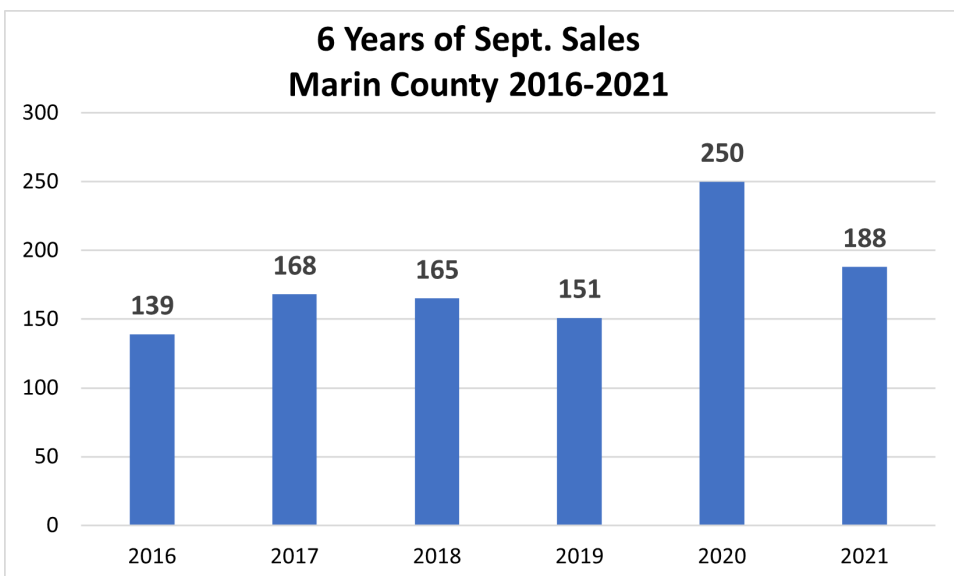
Metric	Q3 2020	Q3 2021	Percent Change
New Listings	707	510	-36%
New Sales	785	604	-23.1%
Average Price	\$1,863,700	\$2,121,300	+13.8%
Days on Market	37	25	-32.4%
Months Supply of Listings	0.9	0.8	-11.1%
Sales Price to List Price Ratio	101	105	+3.9%

Scrolling down through the year-to-year statistics reveals a recent shift in the real estate market. The most significant change in trends is Sales Volume, which had been trending up through last year. From Q3 2019 to Q3 2020 sales increased by **40.8%**. From Q3 2020 to Q3 2021 sales volume decreased by **23.1%**. At the same time, New Listings decreased by **36%**. The dramatic supply/demand imbalance over the past few years kept us firmly locked into an extreme seller's market. This downward trend in sales volume is moving us toward a more balanced market that will eventually morph into a buyer's market. The speed of this transition will largely be determined by the rate of increase in mortgage interest rates. Given the growing rate of inflation, it is certain that the Federal Reserve will be taking steps to cool down the economy - and raising interest rates is their primary weapon in the war against inflation.

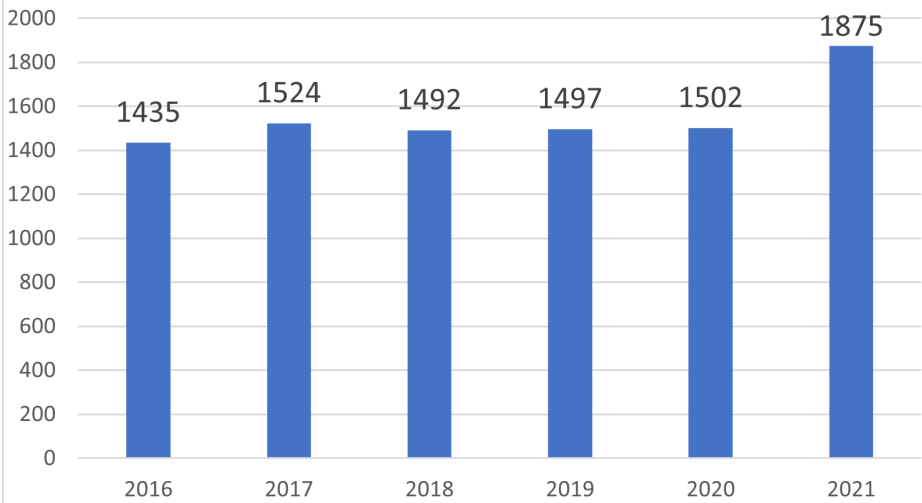
SEPTEMBER ACTIVITY REPORT



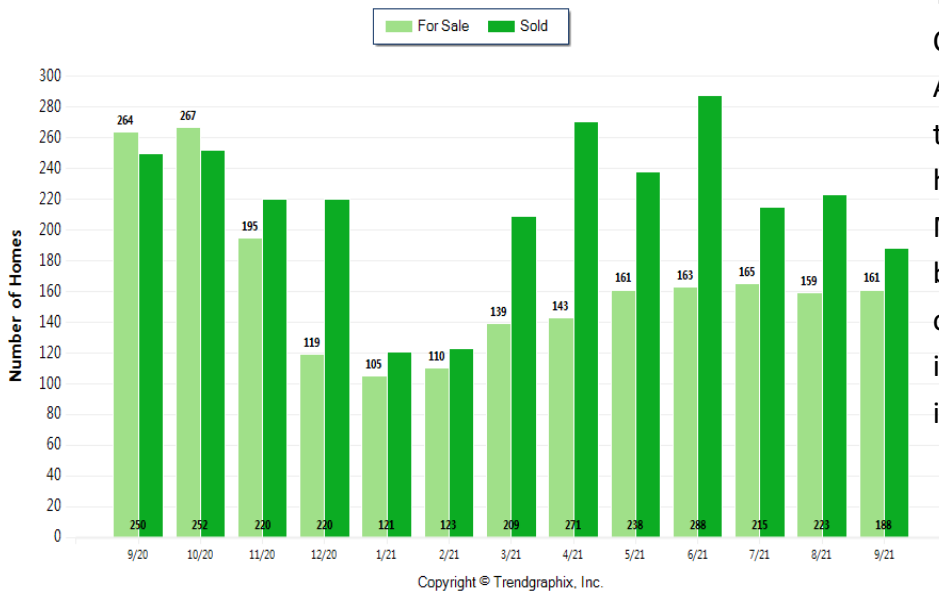
This graph charts the monthly closed sales for 2016 through 2021. September sales turned downward but are still higher than each of the previous 5 months with the exception of 2020. The next chart gives you the number of September sales for all 6 years.



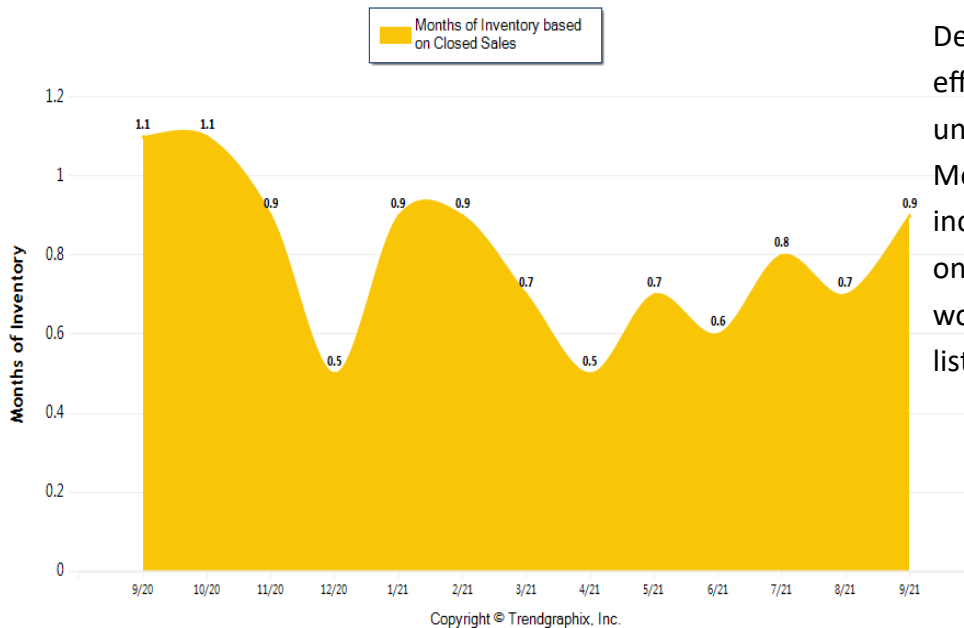
Marin County Jan.-Sept. Closed Sales, 2016-2021



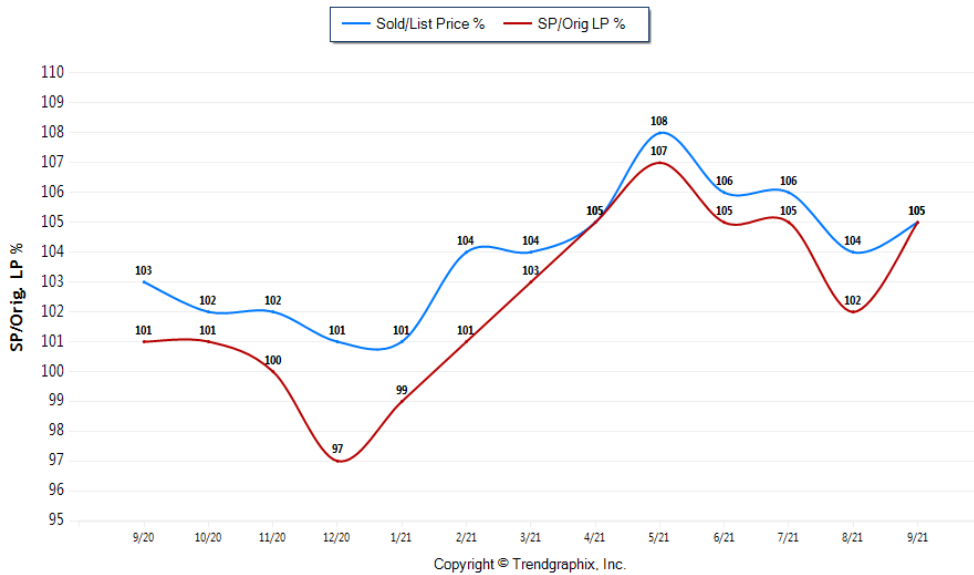
Year-to-Date 2021 is still well above the previous 5 months - up by **24.8%** over 2020.



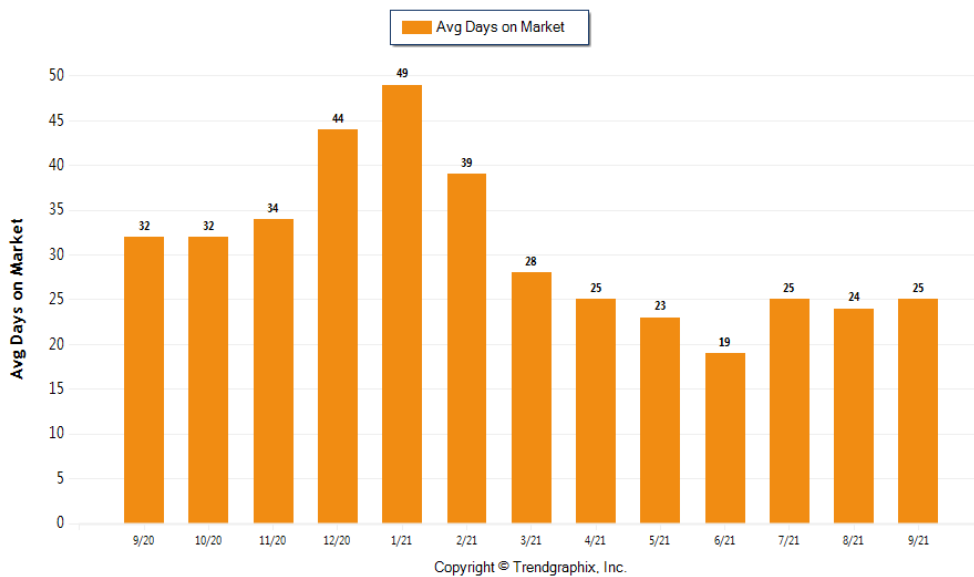
This graph charts 15 months of Closed Sales and the number of Active Listings on the last day of the month. Listings (light green) have been holding steady since May. Closed Sales, however, have been trending down since the end of June. Northbay sales are mirroring the National trend of decreasing sales volume.



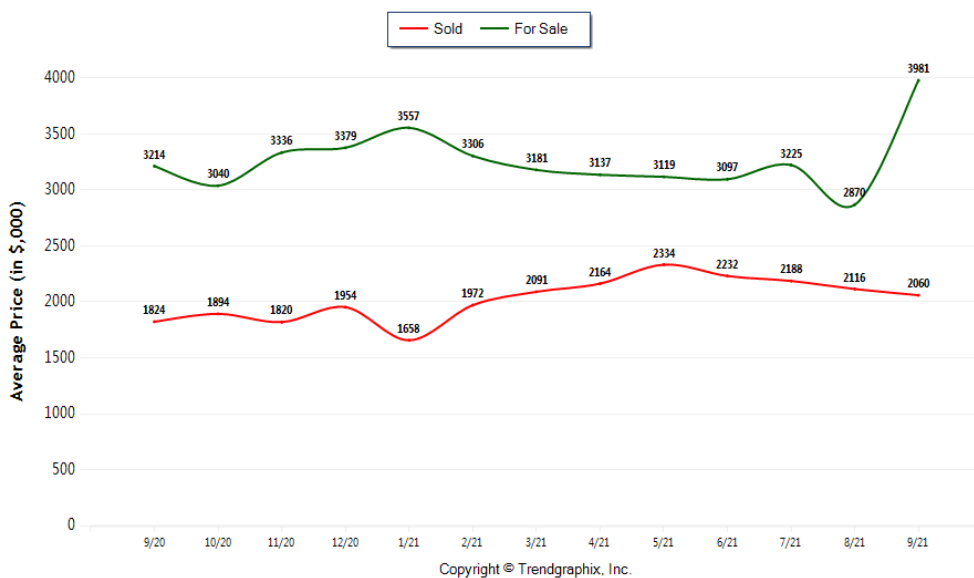
Decreasing sales have had the effect of increasing the number of unsold listings. In September the Month's Supply of Inventory increased from 0.7 to 0.9. Based on the current rate of sale, we would sell all of the existing listings in a little under one month.



In September the average sales price was 105% of both the Original List Price and the List Price at the time offers were accepted.



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The average list price shot up from \$2,870,000 in August to \$3,981,000 in September - due to increased activity in the luxury market. Sales prices have been decreasing steadily since May, dropping from \$2,334,000 to \$2,060,000 in September - that is a decrease of 11.7%.

MORTGAGE INTEREST RATES

Product	Interest Rate	APR
30-Year Fixed Rate	3.150%	3.330%
20-Year Fixed Rate	2.990%	3.160%
15-Year Fixed Rate	2.410%	2.670%
7/1 ARM	3.090%	3.760%
5/1 ARM	2.800%	3.910%
10/1 ARM	3.360%	3.990%
30-Year Fixed-Rate FHA	2.750%	3.620%
30-Year Fixed-Rate VA	2.830%	3.010%
30-Year Fixed-Rate Jumbo	3.160%	3.260%
15-Year Fixed-Rate Jumbo	2.420%	2.490%
7/1 ARM Jumbo	3.390%	3.600%
5/1 ARM Jumbo	2.950%	3.600%

Mortgage Rates as of October 10, 2021

Mortgage Rate Projections

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2021 4Q	3.4	2.9	3.1	3.3	3.18%
2022 1Q	3.5	3.0	3.4	3.4	3.33%
2022 2Q	3.6	3.1	3.6	3.5	3.45%
2022 3Q	3.7	3.1	3.8	3.6	3.55%

With the looming fear of inflation, it is no surprise that these industry experts are predicting that mortgage rates will continue to rise and could hit 3.55% by the third quarter of 2022.

Studying the year-over-year changes in third-quarter activity from 2020 to 2021, the big takeaway is a growing certainty that the market is shifting. We have been in the grip of a strong seller's market since the beginning of the current economic recovery. This was an intentional policy shift agreed upon by the white house and the Federal Reserve, who decided to fuel the recovery by stimulating the housing market. And nothing stimulates real estate sales like low interest rates. It worked beautifully. The steps the Fed took also lowered short-term rates like car loans and any consumer products purchased with credit cards. The increase in purchasing power, plus an increase in manufacturing costs due to Covid-19, caused prices to soar.

Predictably, inflation began to rise, climbing from 1.4 to 5.4 by the end of August. Initially, the Fed and the white house agreed that the recovery needed more time, so they continued to keep rates at historic lows. Now the news is filled with concerns that inflation is getting out of hand. In the last few weeks, the fed has eased up on the policies that caused rates to fall, and we have seen the 30-year fixed mortgage increase from well below 3% to nearly 3.5%. There will be day-to-day fluctuations up and down but the long-term prognosis is for a slow increase in rates, at least until the rate of inflation comes down. Many economists advocate for a middle-ground of low to moderate inflation, of **around 2% per year.**

I will, of course, continue to track market trends and report back to you next month. In the meantime, if you are considering a real estate move, I would be happy to provide an analysis of your specific situation and help you to develop a plan. Enjoy the cooler weather and get ready for trick-or-treaters. Pumpkin patches were crowded yesterday (Oct.10) so it looks like Halloween may be in full swing this year.



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