

SEPTEMBER 2022

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Summary of year-over-year August Market Trends

The market is contracting, but not as sharply as it may seem.

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Current Mortgage Rates and Trends



The U.S. August inflation rate was announced this morning. It came down from 8.5 in July to 8.3. It is moving in the right direction but not quickly enough to encourage the Fed, or the stock market.

Forbes: "Many important parts of the the CPI index rose in August and there is concern that when any swings in energy costs role off, underlying inflation will remain higher than the Fed wants to see. Food, shelter, cars, medical costs and furniture all saw material price increases for the month. This matters because today's report may not give the Fed sufficient comfort that their work is done, hence further rate hikes could be coming. The Fed wants to see a broad range of prices signal that the wave of inflation is past, that's not a conclusion that's easy to draw from this CPI report."

As a result of this smaller than expected drop in the inflation rate, we can anticipate that the Fed will get even more aggressive with their programs to raise interest rates. This would be a good time for buyers to secure a property and lock in a loan - ASAP. And, with the lowest affordability index since the early 90s and falling, sellers need to take steps to facilitate a quick sale - adjust the price significantly if you are not currently attracting offers, and make sure that your home shows better than the competition. For those sellers who are thinking of waiting to list until spring, or until the market improves, my advice is that the best time to list is today!

MARKET TRENDS

August 2021 - August 2022

MARIN COUNTY SINGLE FAMILY DETACHED HOMES AUGUST TRENDS 2021 - 2022								
City	Homes Sold AUG-2021	Homes Sold AUG-2022	% Change	Ave. DOM* AUG-2021	Ave. DOM* AUG-2022	Median Price AUG-2021	Median Price AUG-2022	% Change
Belvedere	6	2	-67%	96	35	\$3,675,000	\$3,153,000	-14%
Corte Madera	5	5	0%	10	30	\$1,900,000	\$1,803,000	-5%
Fairfax	12	4	-67%	15	33	\$1,415,000	\$1,500,000	6%
Greenbrae	4	5	25%	21	30	\$2,078,000	\$2,000,000	-4%
Kentfield	12	5	-58%	25	21	\$2,854,000	\$2,330,000	-18%
Larkspur	11	5	-55%	18	29	\$2,015,000	\$2,995,000	49%
Mill Valley	31	20	-35%	15	25	\$2,200,000	\$2,067,000	-6%
Novato	53	39	-26%	22	30	\$1,125,000	\$1,200,000	7%
Ross	3	1	-67%	5	18	\$5,500,000	\$3,795,000	-31%
San Anselmo	14	7	-50%	14	38	\$1,795,000	\$1,425,000	-21%
San Rafael	56	40	-29%	20	34	\$1,525,000	\$1,530,000	0%
Sausalito	5	2	-60%	42	19	\$3,250,000	\$3,548,000	9%
Tiburon	13	9	-31%	48	18	\$3,350,000	\$3,225,000	-4%
Marin County	231	155	-33%	24	31	\$1,650,000	\$1,626,000	-1%

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

MARIN COUNTY SINGLE FAMILY DETACHED HOMES AUGUST TRENDS 2021 - 2022								
City	New Listings AUG-2021	New Listings AUG-2022	% Change	SP/LP Ratio * AUG-2021	SP/LP Ratio * AUG-2022	MSI * AUG-2021	MSI * AUG-2022	% Change
Belvedere	5	3	-40%	94%	98%	1.8	7.5	317%
Corte Madera	7	3	-57%	113%	101%	2.4	1.6	-33%
Fairfax	10	3	-70%	112%	100%	1.3	1.0	-23%
Greenbrae	5	1	-80%	106%	102%	1.8	0.2	-89%
Kentfield	3	2	-33%	105%	102%	0.9	1.0	11%
Larkspur	4	2	-50%	106%	101%	0.6	0.8	33%
Mill Valley	31	9	-71%	107%	104%	1.5	1.6	7%
Novato	45	21	-53%	105%	100%	1.3	0.9	-31%
Ross	2	1	-50%	106%	100%	1.3	4.0	208%
San Anselmo	17	3	-82%	106%	100%	1.6	1.3	-19%
San Rafael	46	27	-41%	106%	103%	1.0	1.2	20%
Sausalito	5	2	-60%	97%	113%	2.4	2.0	-17%
Tiburon	10	3	-70%	101%	98%	1.6	1.0	-38%
Marin County	201	89	-56%	104%	102%	1.4	1.3	-7%

P/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.

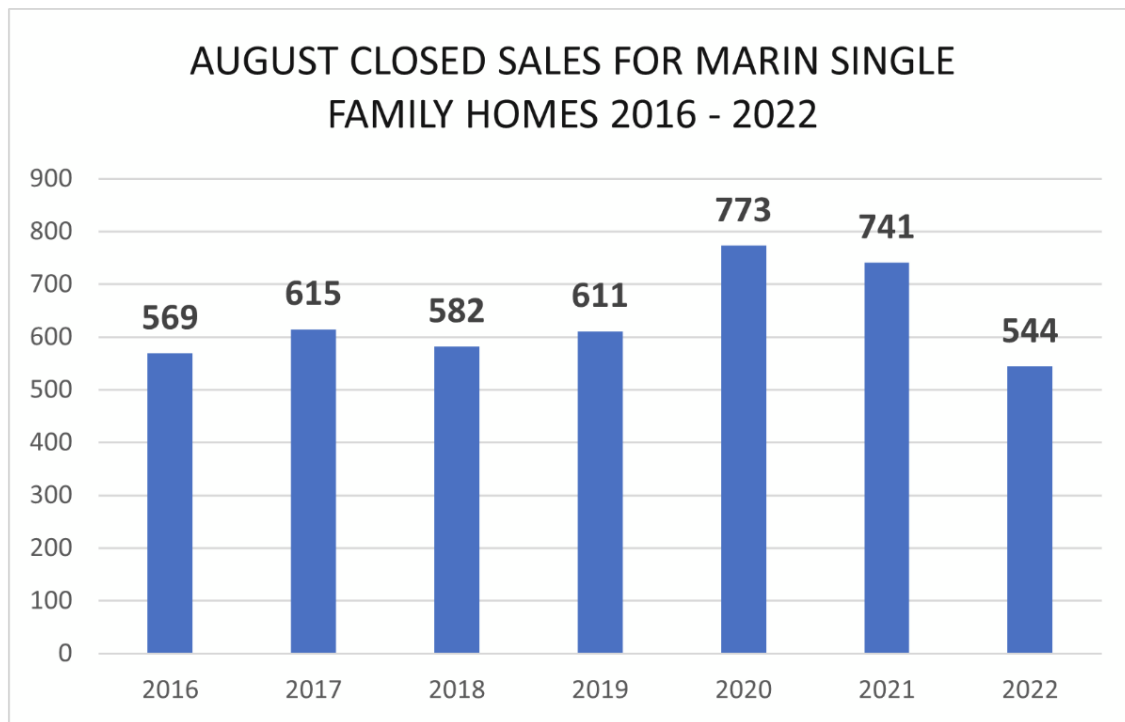
In August, the Median Sales Price decreased **1%**, from **\$1,650,000** to **\$1,626,000**. Closed sales dropped by **33%** compared with August 2021, while new listings decreased by **56%**. The average number of days from listing to sale (with all contingencies removed) increased from **24** to **31** days. The Sales Price to List Price Ratio decreased from **104%** to **102%**. And, the Month's Supply of Unsold Inventory went down **7%**, from **1.4** to **1.3** months.

These trends indicate that the inventory of homes for sale has dropped significantly since August 2021, as have closed sales although not as dramatically - homes are taking longer to sell, and buyers are not paying the premium prices they were last year.

Yes, the market is contracting but not as sharply as it may seem.

Like market updates from other brokerages, I do report the year-over-year statistics in the tables above, comparing some of the most instructive August 2022 stats to August 2021. However, it occurred to me that comparing this year to 2021 is like comparing today's weather to the same day last year if we had had a freak hurricane. The real estate market, starting mid-year 2020 through 2021, was an anomaly, the "hottest" market in recorded history. It was a time in which the market was recovering from a near shutdown in the first part of 2020 when the country went into shock over the news of the Covid19 pandemic. Real estate sales in any year compared with 2021 would look anemic.

In order to gain some perspective, I compared this August to the four years prior to the pandemic, 2016-2019. As expected, the results were quite different.



This graph charts the closed sales from July 2019 through July 2021. The deep valley of green bars on the left represents sales in January through May, 2020. During that time, the real estate industry was scrambling to discover how we could continue to serve our clients' real estate needs without risking their health.

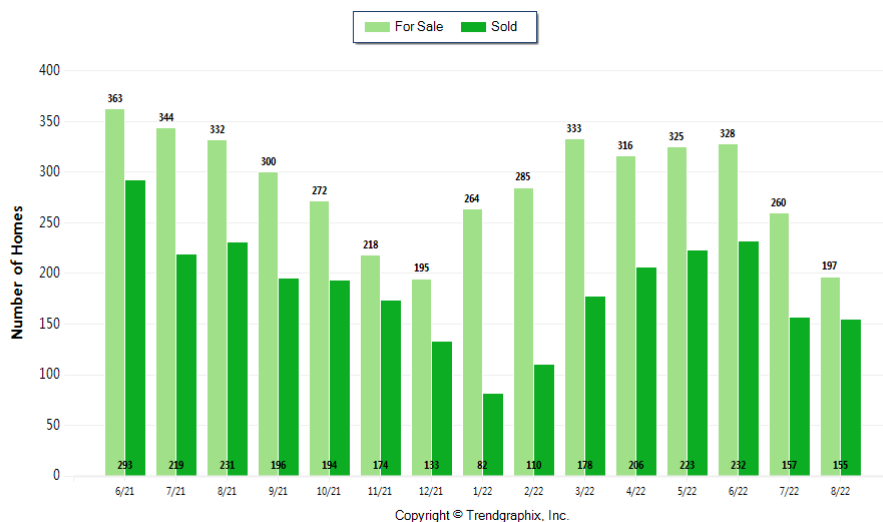
Once we developed the methodology that allowed us to perform our tasks in relative safety, sales shot up in June 2020, peaking in July. Of course another factor in this dramatic recovery was the Federal Reserve's strategy to jump-start the economy by lowering interest rates. By the end of 2021 the pent-up demand was satisfied but the high inflation, caused by historically low interest rates, resulted in the Fed reversing course, taking actions to raise interest rates.

So it is no wonder that August 2022 closed sales were down 33% compared with August 2021. But, what if the pandemic had not occurred? If we remove the anomalous period from January 2020 through 2021, how is the 2022 market doing compared with the prior years of 2016 through 2019? To make these statistics more significant than a single month, I compared the average sales volume for June - August for 2016 to 2019 with June - August 2022.

	Aug-21	Aug-22	change	Aug 16-19	Aug-22	change
Closed Sales	529	279	47.3%	1201	998	16.9%

The year-over-year comparison shows a **47.3%** drop in closed sales volume from 2021 to 2022. But, compared to the average volume of closed sales 2016-2019, sales were only off **16.9%**. The conclusion I draw from this study is that yes, the sales market is contracting but not as rapidly or as dramatically as the 2021 comparison would lead us to believe.

AUGUST MARKET ACTIVITY REPORT

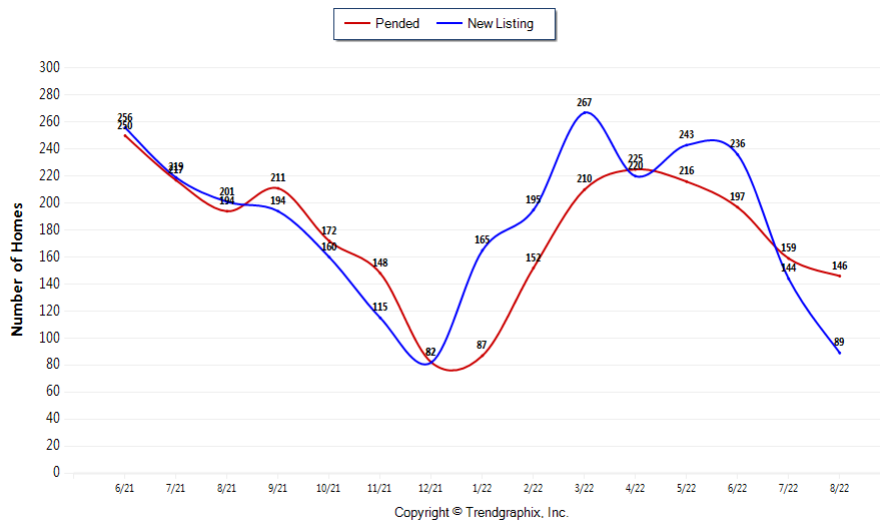


Property Sales (Sold and Closed)

In August, there were **155** closed sales, down **32.9%** from **231** in August 2021 and **1.3%** lower than the **157** sales in July.

Current Inventory (For Sale)

Versus last year, the total number of properties available in August was lower by **135** units or **40.7%**. The August housing inventory was down **24.2%** compared to July of this year.

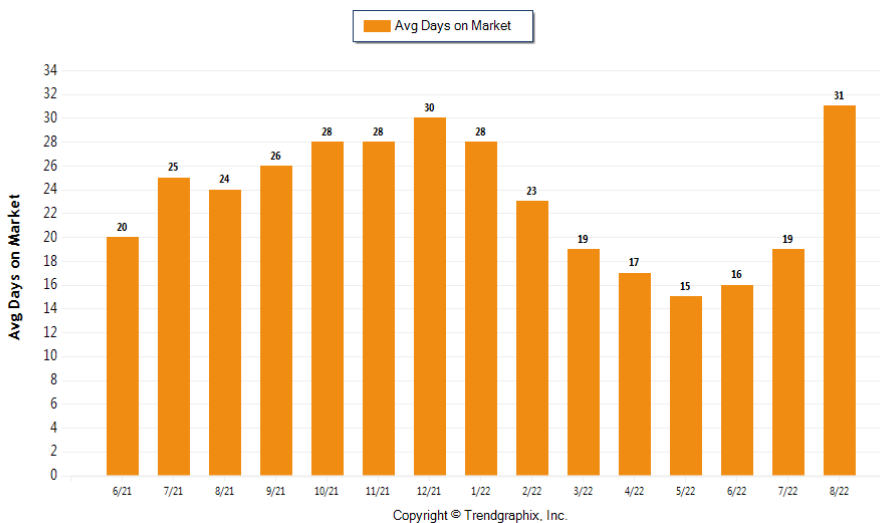


Properties Under Contract (Pended)

There was an **8.2%** decrease in pended properties in August, with **146** versus **159** in July. August pended property sales were **24.7%** lower than at this time last year.

New Listings

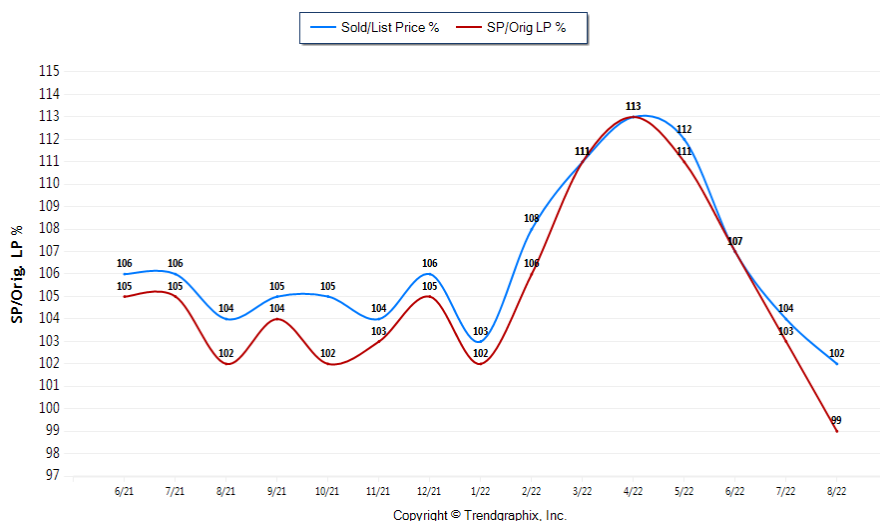
New Listings decreased from **144** in July to **89** in August, down **38.2%**. August New Listings were **55.7%** lower than in August of 2021.



The average Days on Market (DOM)

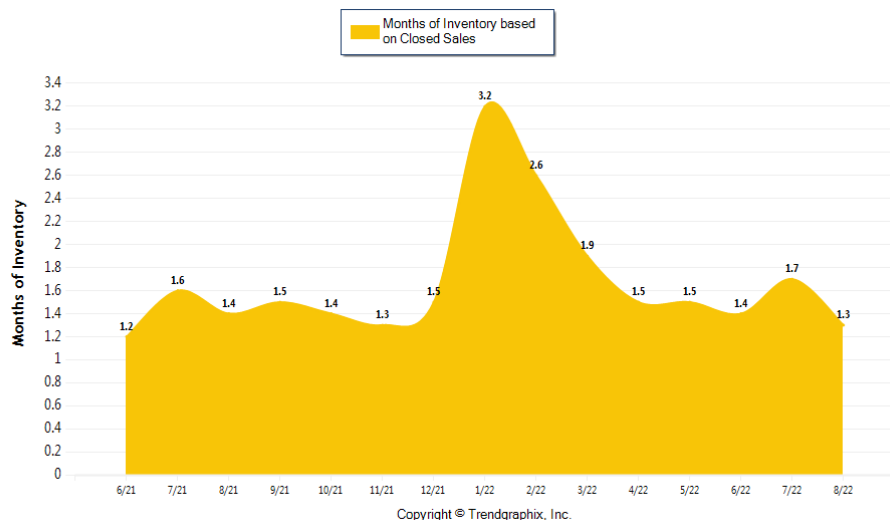
shows how many days the average property is on the market before it sells. An upward trend in DOM trends to indicate a move towards a Buyer's market, a downward trend indicates a move towards a Seller's market.

The DOM for August 2022 was **31**, up **63.2%** from **19** days in July, and up **29.2%** from **24** days in August of last year.



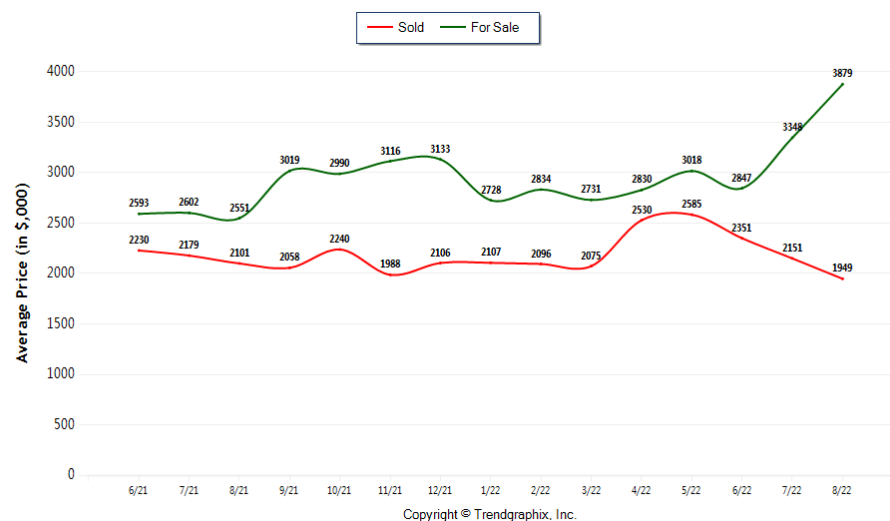
The Sold Price vs. Original List Price

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 August, the Sold Price vs. Original List Price of **99%** was down **3.9%** from July and down **3.0%** from August of last year. The blue line represents the Sold Price vs. the List Price at the time offers were accepted with all contingencies removed. In August, homes sold for **102%** of the list price at the time offers became non-contingent.



The Months of Inventory based on Closed Sales

The August 2022 Months of Inventory based on Closed Sales of **1.3** decreased by **7.1%** compared to last August, and was down **23.5%** compared to July. August 2022 was a Seller's market.



The Average For Sale (list) Price in August was \$3,879,000, up **52.1%** from \$2,551,000 in August of 2021 and up **15.9%** from \$3,348,000 in July.

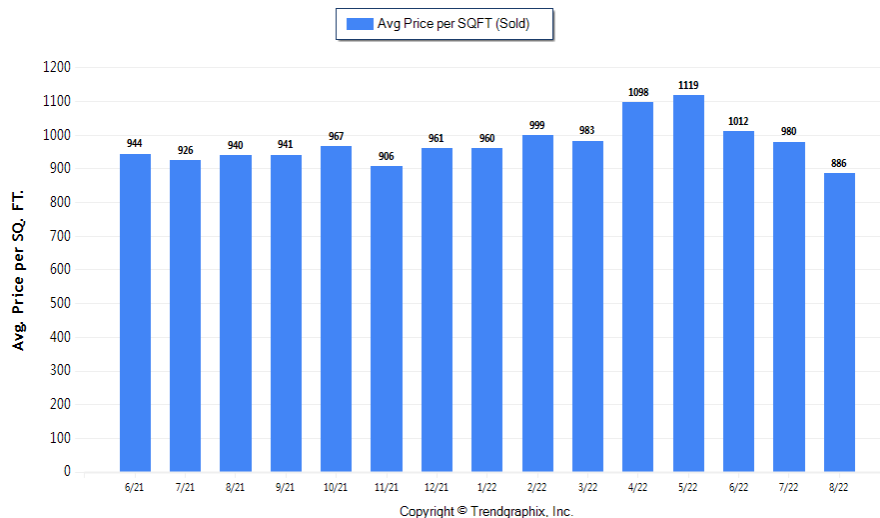
The Average Sold Price in August was \$1,949,000, down **7.2%** from \$2,101,000 in August of 2021 and down **9.4%** from \$2,151,000 in July.

Many Experts Raise Home Price Forecasts

January Forecasts for 2022 Home Price Appreciation Compared to the Latest Forecasts

Source	January 2022 Appreciation Forecast	Latest 2022 Appreciation Forecast
Fannie Mae	7.6%	16.0%
Freddie Mac	6.2%	12.8%
NAR	5.1%	11.5%
Zelman	3.0%	10.0%
MBA	5.1%	9.9%
HPES	6.3%	9.3%

These predictions for home price appreciation, on a national level, show you how fluid the market is. The first column of predictions were given in January. The last (green) column are the revised forecasts.



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 property value trends. The August 2022 Average Sold Price per Square Foot of **\$886** was down **9.6%** from **\$980** in July, and down **5.7%** from **\$940** in August of last year.

CURRENT MORTGAGE INTEREST RATES

Current mortgage rates:

Accurate as of *09/12/2022

Product	Interest rate	APR
30-year fixed-rate	5.99%	6.25%
20-year fixed-rate	5.75 %	5.90%
15-year fixed-rate	5.064%	5.25%
10-year fixed-rate	5.50%	5.50%
30-year fixed-rate FHA	5.411%	5.625%
30-year fixed-rate VA	5.501%	5.625%

Mortgage Rate Projections

August 2022

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2022 Q4	5.4	4.8	5.2	6.0	5.4%
2023 Q1	5.2	4.7	5.1	6.0	5.3%
2023 Q2	5.2	4.5	5.0	6.0	5.2%
2023 Q3	5.0	4.4	4.9	-	4.8%

Here are the most current rate predictions from Freddie Mac, Fannie Mae, the Mortgage Banker's Association and the National Association of Realtors. On average their predictions are for rates to peak at 5.4% in Q4 of this year and then trend down to 4.8% by Q3 of 2023. Assuming that the Federal Reserve continues their strategies for raising interest rates this year, I would guess that at least the first 2 projections, 2022 Q4 and 2023 Q1 are low.

SUMMARY

We are clearly in the midst of a market contraction as we continue the transition from a prolonged, extreme seller's market to a neutral market, likely followed by a buyer's market. How long before we achieve a buyer's market is anyone's guess. There are too many global socioeconomic factors to make an accurate guess. Nationally, home prices are decelerating, still going up but at a much slower pace than we've experienced since the 2012 recovery from the "Great Recession." There could be some pockets of depreciating properties but nothing dramatic, certainly nothing like the bubble burst we experienced in 2007-2008.

The future of interest rates is a moving target. Right now, many experts predict that the Federal Reserve will continue taking steps to reduce inflation. Those same steps have the consequence of raising mortgage rates. How aggressive the Fed will be depends on how successful they are at bringing down inflation.

For now, we continue to be in a strong seller's market which, however, is showing signs of weakening: On average, Marin County homes are selling in 31 days, one week longer than at this time last year. Last August homes were selling for 104% of the list price at the time offers were received. This August that number dropped to 102%. Another sign of this trend is the number of price reductions we are seeing, significantly more than just a few months ago. Buyers are beginning to gain some ground at the negotiating table, in part due to a diminishing number of buyers in the marketplace. With interest rates and home prices both still on the rise, the National Association of Realtor's Housing Affordability Index is the lowest it has been since the early 90s.

As always, I will continue to track these market trends and report back to you next month. Enjoy the last few days of summer. And please remember that I am never too busy for your referrals!



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