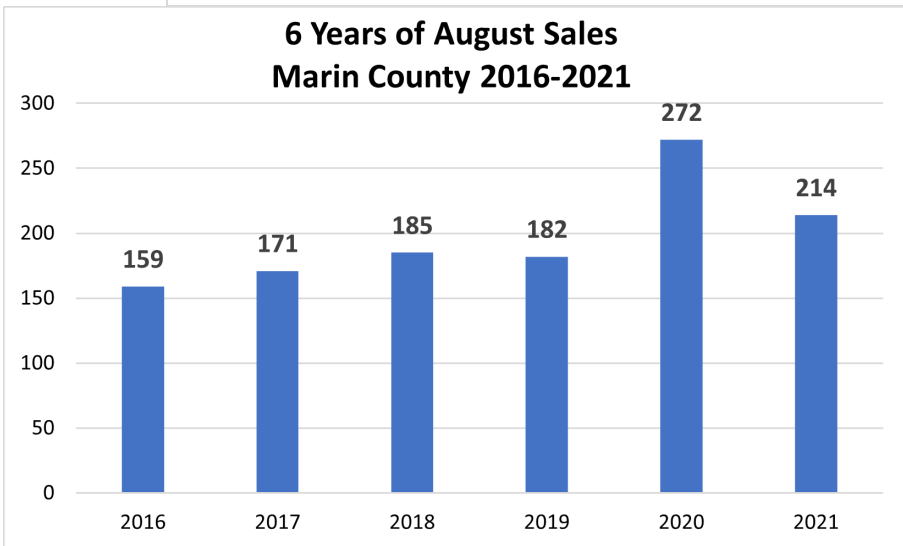
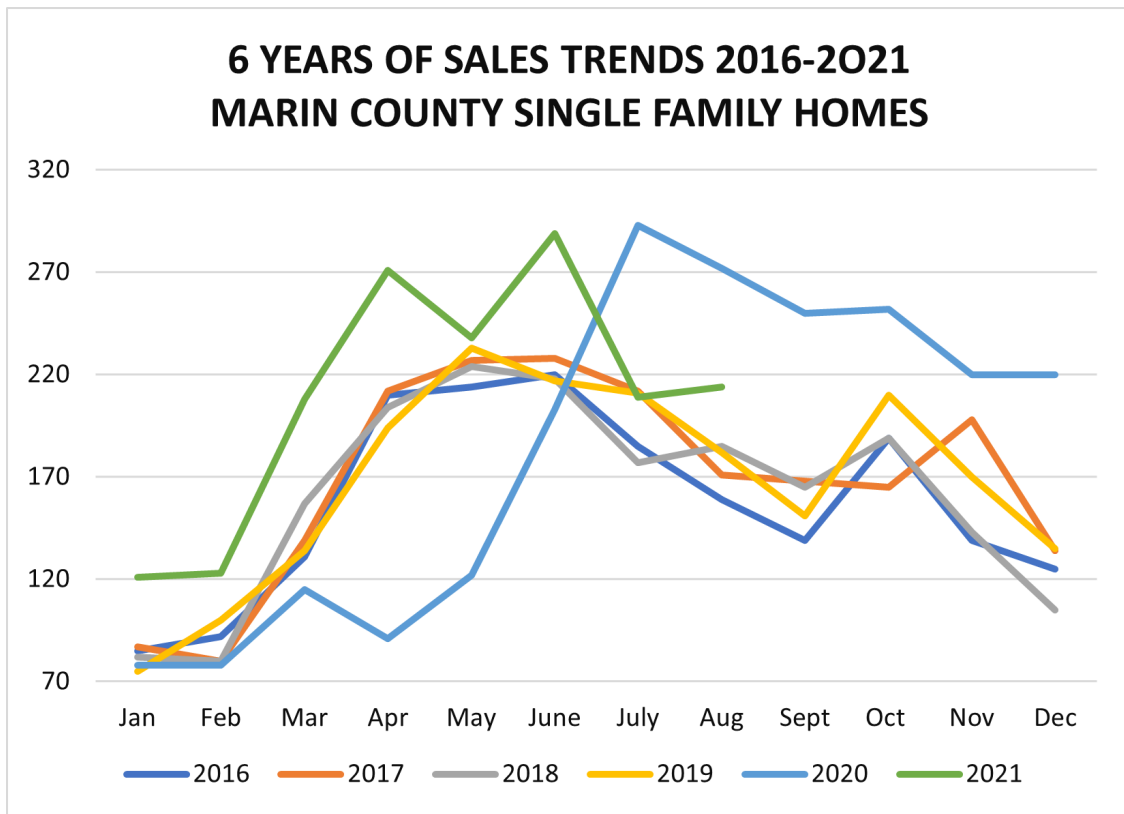


# SEPTEMBER 2021

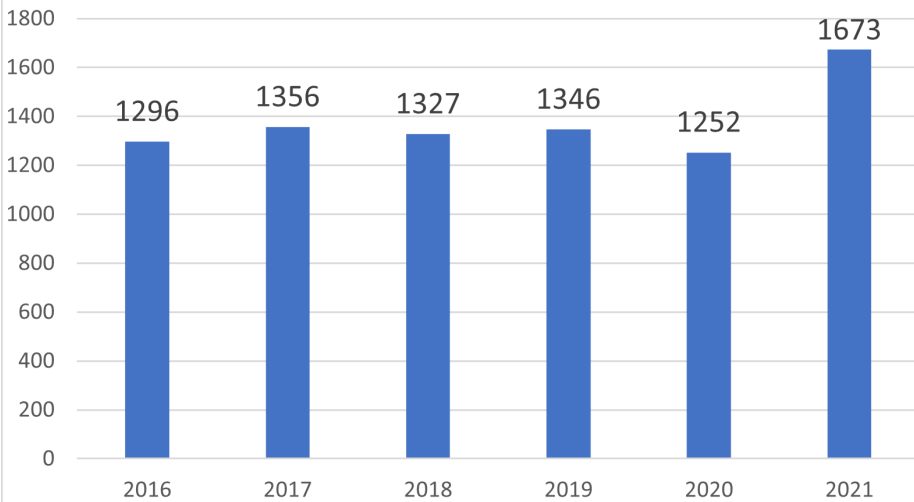
## FOCUS ON HOME PRICE APPRECIATION

### August Market Activity Wrap-up



It was a good August for Marin County closed sales. The only year in which sales were greater than August 2021 was August 2020. In the previous 5 years, August sales only beat July production in 2018 and 2021. The blue bar chart compares August closed sales volume for 2016 through 2021.

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



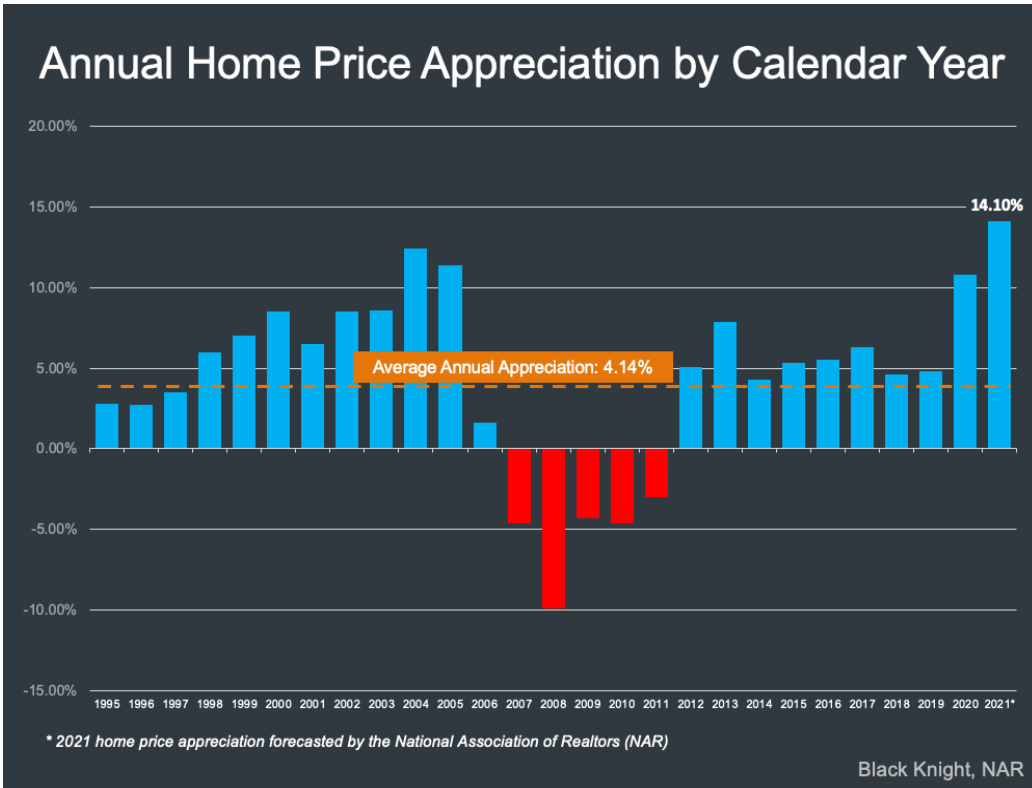
Year-to-Date closed sales in 2021 outpaced each of the previous 5 years. In the first 8 months of 2021 we closed 421 more sales than during the same time-period in 2020 - that's an increase of 33.6%.

Marin County Year-to-Year August Statistics plus the Percentage Change

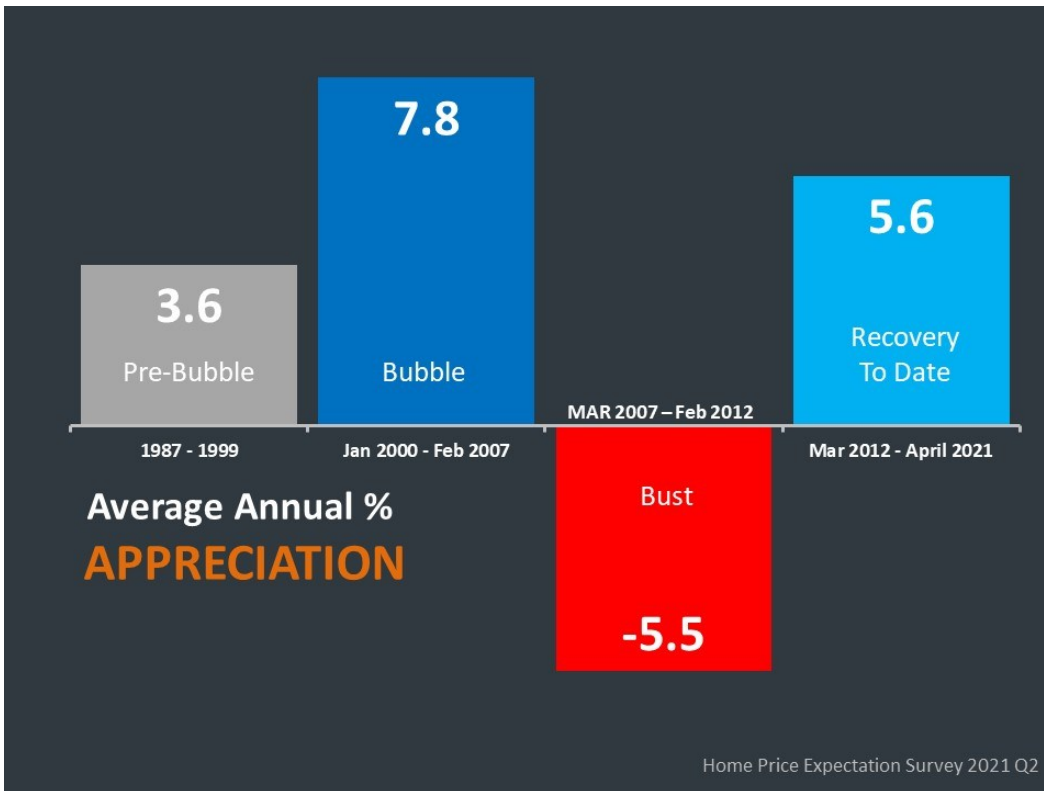
	August 2020	August 2021	% Change
Closed Sales	272	214	-21.3%
Active Listings	238	159	-33.2%
Pending Sales	245	183	-25.3%
New Listing	277	123	-55.6%
Month's Supply of Inventory	0.9	0.7	-22.2%
Days on Market	43	24	-44.2%
Sales Price/List Price	100%	104%	+4.0%
Average Sales Price	\$1,972,000	\$2,126,000	+7.8%

This table compares August 2021 to August 2020 for some of the most informative statistics. While closed sales and pending (new) sales were both down, they fared better than active listings and new, monthly listings. This continuing supply/demand imbalance resulted in a 22.2% decrease in our month's supply of inventory. Homes sold more quickly in 2021, 24 days from listing to an accepted contract with all contingencies removed, compared with 43 days in 2020. We also saw an improvement in the sales price to list price ratio. On average homes sold for 104% of the list price last month. And, finally, home prices continued to climb - up 7.8% over last August.

# NATIONAL HOME PRICE APPRECIATION



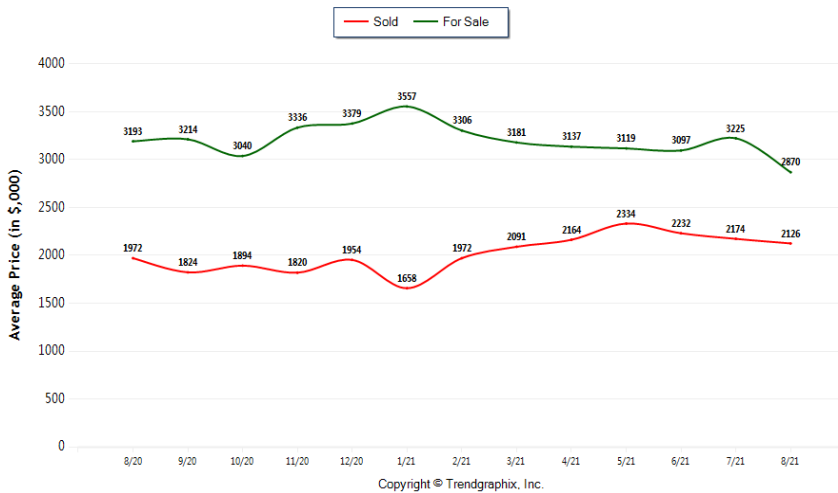
From 1995 to 2021 the average annual home appreciation has been 4.14%. The National Association of Realtors forecasts that the National average appreciation will hit 14.10% in 2021.



From 1987 to 1999, the average appreciation rate was 3.6% according to the Home Price Expectation Survey. Then in 2000, lenders began loosening their requirements for would-be homeowner financing. They lowered their required credit ratings, offered loans with very low initial rates that could and did increase dramatically over time, and made it easy to obtain loans with little money down. The buying frenzy caused by these tactics drove prices up at an alarming rate into 2007. During this period, the average appreciation rate more than doubled from 3.6% to 7.8%. As many predicted at the time, the bubble burst and prices tumbled - averaging an annual rate of

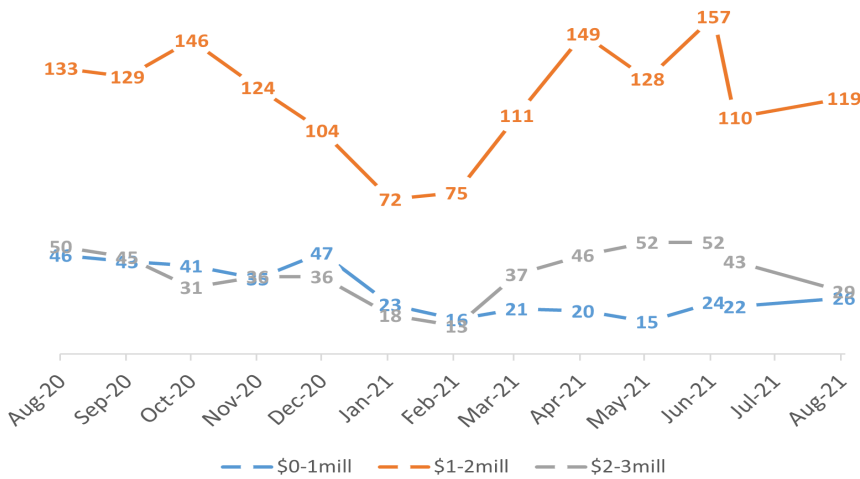
negative 5.5% through 2012. Then began the economic recovery which is still on-going. From March 2012 to April 2021 the average appreciation rate has been a positive 5.6%.

# MARIN COUNTY HOME PRICE APPRECIATION



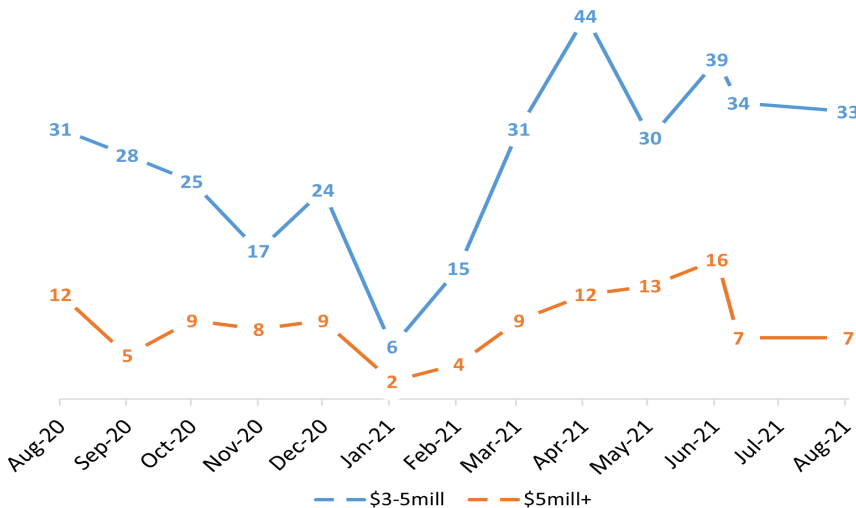
We began 2021 with an average sales price of \$1,658,000 for all January closed sales. We peaked in May with an average price of \$2,334,000, representing an increase of 40.8%. If we maintained that rate we would end the year with nearly a 100% increase. However, the average price turned down in June and has continued to slide through August. From May through August the average price dropped by \$208,000, a decline of 8.9%.

## 13 MONTHS OF SALES BY PRICE RANGE MARIN COUNTY LOW TO MID-RANGE HOMES



The most desirable homes in Marin are priced from \$1-2million. August sales increased in this price category from 110 in July to 119 in August. The lowest priced homes, \$0-1million, increased from 22 sales in July to 26 in August. And homes priced from \$2-3million dropped from 43 sales in July to 29 in August.

## 13 MONTHS OF SALES BY PRICE RANGE MARIN COUNTY LUXURY HOMES



Looking at the luxury market, sales of homes priced from \$3-5million were down from 34 in July to 33, and homes priced at \$5million and above remained the same at 7.

# PRIMARY FACTORS INFLUENCING HOME PRICE APPRECIATION

The three primary drivers of home price appreciation are:

Interest Rates

Inventory of Homes for Sale

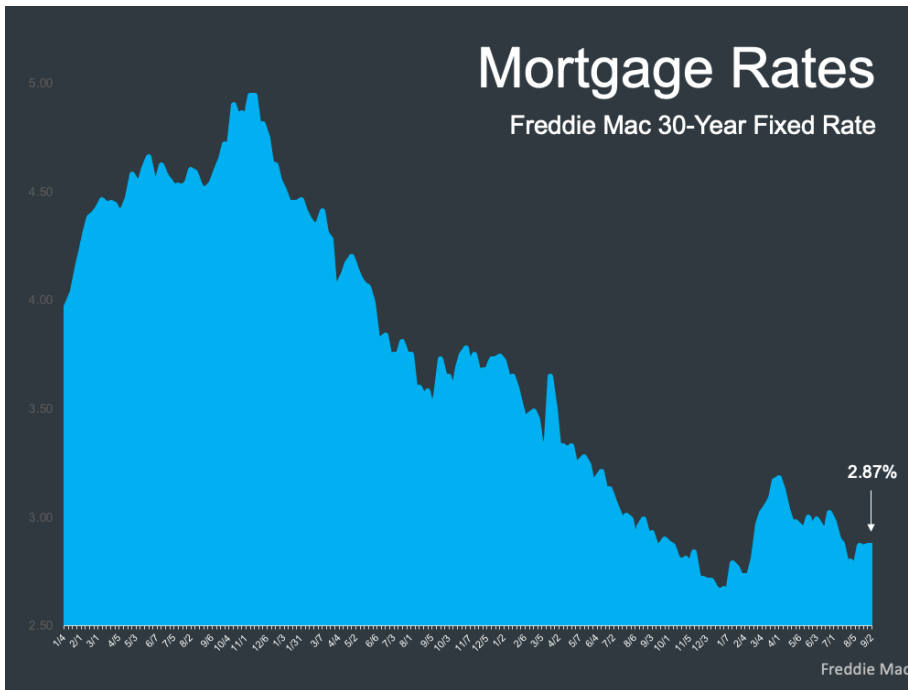
Consumer Confidence

## MORTGAGE INTEREST RATES



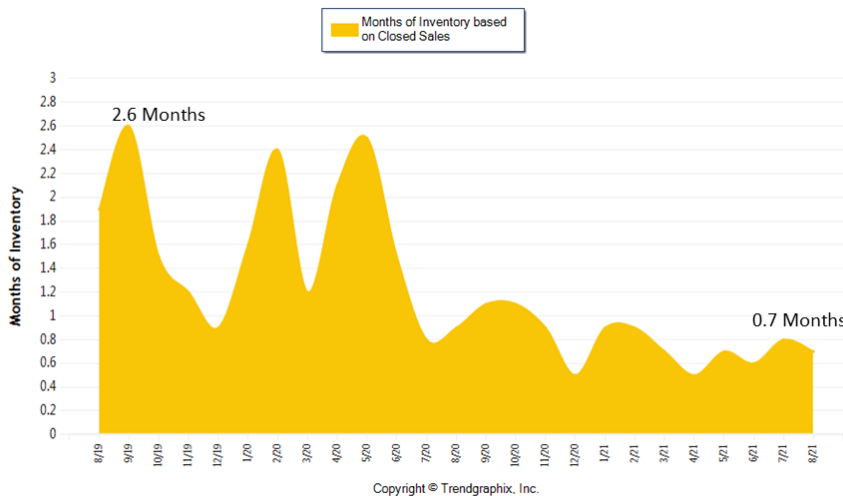
Mortgage Rates as of September 11, 2021

Product	Interest Rate	APR
<a href="#">30-Year Fixed Rate</a>	3.010%	3.220%
<a href="#">20-Year Fixed Rate</a>	2.820%	3.010%
<a href="#">15-Year Fixed Rate</a>	2.310%	2.600%
<a href="#">7/1 ARM</a>	3.030%	3.750%
<a href="#">5/1 ARM</a>	2.780%	3.920%
<a href="#">10/1 ARM</a>	3.260%	3.930%
<a href="#">30-Year Fixed-Rate FHA</a>	2.760%	3.640%
<a href="#">30-Year Fixed-Rate VA</a>	2.660%	2.850%
<a href="#">30-Year Fixed-Rate Jumbo</a>	3.020%	3.130%
<a href="#">15-Year Fixed-Rate Jumbo</a>	2.310%	2.380%
<a href="#">7/1 ARM Jumbo</a>	3.330%	3.560%
<a href="#">5/1 ARM Jumbo</a>	2.920%	3.610%

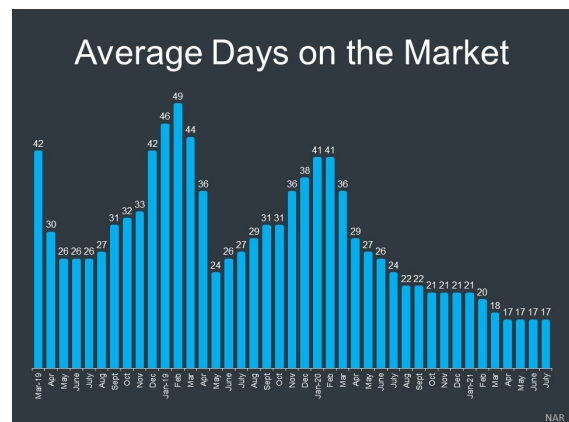
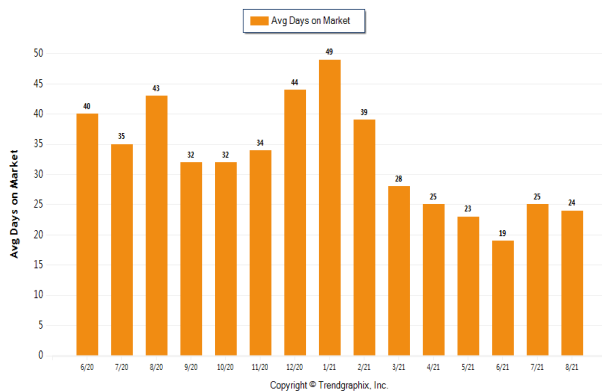


Although rates crept up a bit in March and April, they began trending back down in May, and for the past couple of months seem to have settled in just below 3%. There has been wide speculation that the Federal Reserve Bank will take steps to raise rates due to dramatic and rapidly increasing inflation - from 1.4 in January to 5.4 in June - a new 13-year high. For now, the Fed has decided to extend the economic recovery by keeping rates low. Low rates mean relatively low mortgage payments, off-setting the effect that rising housing costs have on affordability.

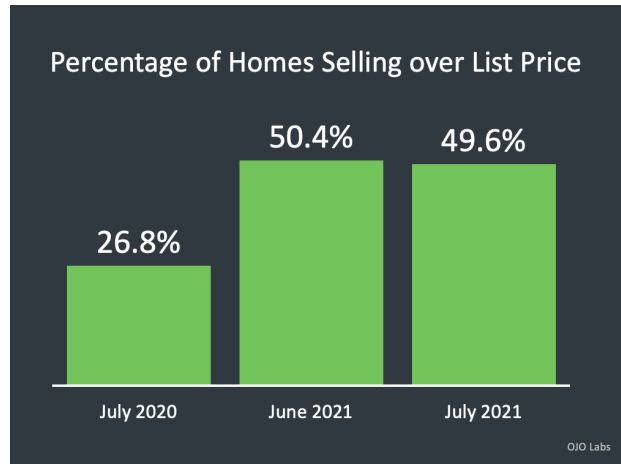
## INVENTORY OF HOMES FOR SALE



This graph charts the Month's Supply of listing Inventory from August 2019 through August 2021. We hit a high of 2.6 months in September 2019. The inventory plunged in June and July of 2020 and as of the end of August was 0.7 months. The lack of homes for sale combined with low mortgage rates means that there are not enough homes to satisfy the demand. This has resulted in a high percentage of multiple offers - two or more buyers competing for the same home, often bidding sales prices well above asking.



Another indication of the supply/demand imbalance is the number of days it takes to sell a home. The graph on the left shows that, in Marin County, Days on Market (DOM) dropped from 49 days in January to 19 in June, and last month was 24 days. The chart on the right shows that Marin is following the same general trend as the national average. Nationwide, the DOM was 41 days in January, dropping to 17 in June. The overheated market will continue to drive up home prices until interest rates increase enough to force some of the more casual buyers out of the market.

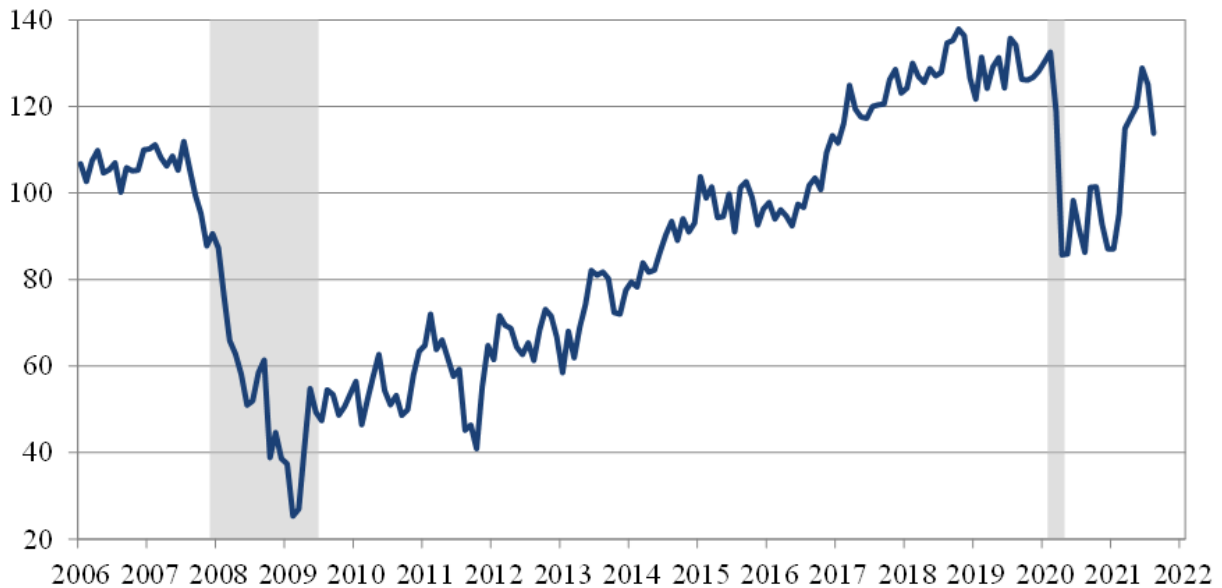


National statistics show that in July the average number of offers per closed sale was 4.5. For well-priced, staged homes that number can soar well into double digits. The result can be seen in the graph on the right. From July 2020 to June 2021, the percentage of homes selling over the list price nearly doubled, from 26.8% to 50.4% - that is an 88% increase.

## CONSUMER CONFIDENCE

### Consumer Confidence Index®

Index, 1985 = 100



\*Shaded areas represent periods of recession.  
Sources: The Conference Board; NBER  
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Real estate sales volume has always followed a similar curve to the Consumer Confidence Index. People are more likely to make large purchases when they feel confident about the economy. "Consumer confidence retreated in August to its lowest level since February 2021 (95.2)," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "Concerns about the Delta variant—and, to a lesser degree, rising gas and food prices—resulted in a less favorable view of current economic conditions and short-term growth prospects. Spending intentions for homes, autos, and major appliances all cooled somewhat; however, the percentage of consumers intending to take a vacation in the next six months continued to climb. While the resurgence of COVID-19 and inflation concerns have dampened confidence, it is too soon to conclude that this decline will result in consumers significantly curtailing their spending in the months ahead."



# HOME PRICE APPRECIATION PREDICTIONS

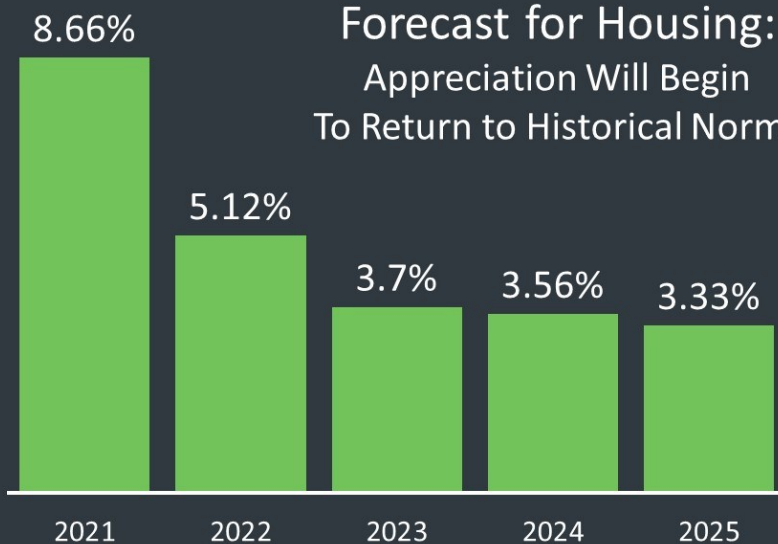


Figure 1: HPI and HPI Forecast Percentage Change Year over Year



In July of this year, the average year-over-year home price increase was 18% according to CoreLogic. By July 2022 they predict that such growth will slow to around 2.7% as the number of new listings once again goes up.

## Forecast for Housing: Appreciation Will Begin To Return to Historical Norms



The Home Price Expectations Survey gathers predictions from 100 economists and industry experts. The average opinion is that the rate of home appreciation will begin to decline next year, settling into more historic levels by 2023.



# Mortgage Rate Projections

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2021 3Q	3.3	3.1	3.3	3.2	3.22%
2021 4Q	3.4	3.2	3.5	3.4	3.37%
2022 1Q	3.5	3.3	3.7	3.5	3.50%
2022 2Q	3.6	3.3	4.0	3.5	3.60%

The decrease in Home Price Appreciation will primarily be fueled by increasing interest rates. The average of these predictions by industry experts has rates climbing to 3.60% by the second quarter of next year.

Interest rates are still historically low but are expected to begin inching up. Housing prices have spiked during the last six-to-nine months but, according to the J.P.Morgan Insights Report are not expected to fall soon, and they believe they are more likely to keep rising. They warn that, "If you are looking to purchase a new home, conditions now may be better than 12 months hence." According to Odeta Kushi, Deputy Chief Economist for First American, "We are seeing some signs of softening in the housing market, but context is important here. We're very much in a sellers' market, but we are seeing some early signs of softening." Even though we are seeing some signs of decreasing sales volumes, listing inventory continues to decrease at a more rapid rate. As long as this trend continues, the growing number of motivated buyers per listing will keep driving up prices .

There are definitely signs that a shift in the market is in its infancy and will eventually grow into a full-blown buyers' market. Indications are that this transformation will be gradual but could become evident by the second half of next year. When we do achieve a more balanced market, we can expect home price appreciation to return to historic levels. California had the second highest appreciation of housing prices in the nation over the last almost 40 years (second only to D.C.). The average rate of appreciation in California came in at 6.77% annually over the 39 year time frame. That is not as impressive as the current Nationwide rate of 14.10%. But consider that the average sales price of a single family home in Marin was \$2,126,000 in August. A 6.77% annual appreciation rate would be \$143,930. That's pretty good, especially when a home is the only investment you also get to live in.

September 22nd is the official last day of summer. Enjoy the warm weather before it's time to put your paddle boards and kayaks in storage. Next comes October with it's promise of cooler temperatures and much needed RAIN - and, of course, Halloween!



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