



Jaime Pera's Marin Real Estate Market Update Mid-Year 2018

We are currently in the 79th month of the real estate recovery which started in January 2012. Over this period, the median price of Marin real estate has risen almost 65% and now stands at approximately \$1,400,000. An astounding reversal of events.

Real estate slowed this summer as it seems like buyers really embraced the concept of vacation! As a result, sales for single family dwellings fell by 10% year over year. Oddly enough however, the number of NEW properties for sale in June fell 36% from last year (150 vs 221) while the number of active listings at the end of June rose by 5%! So far July sales to date are running 9% lower than last year, a continuation of June's trend. Is the market changing? Will there be a large influx of new listings in the next 60 days to provide fuel for a strong fall selling season? Will buyers return from vacation and resume their feverish house hunting ways?

Anecdotally I can tell you that buyers are much more selective than in years past and seem to be having a difficult time coming to grips with how much home values have risen and how much their buying power has eroded. The over \$2M market in particular has been less active as these homes are staying on the market longer and overall demand has softened. The five cities listed in the chart below are showing signs of softening demand at current prices as inventory has risen for each over June of 2017 (cumulatively by 27%) and the percentage of properties in contract (pending) has declined from last year (cumulatively by 30%).

	Jun-18	Jun-18	%		Jun-17	Jun-17	%
City	For Sale	Pended	Pended		For Sale	Pended	Pended
Corte Madera	11	8	73%		6	10	167%
Greenbrae	11	6	55%		3	3	100%
Kentfield	21	5	24%		16	5	31%
San Rafael	66	48	73%		54	51	94%
Novato	73	49	67%		54	52	96%
Totals	182	116	64%		133	121	91%

Source: Bay Real Estate Information Services

On the national level there are indications that markets may be softening as permits for new construction have declined steadily since December 2017, housing affordability is stretched and not getting better, interest rates are rising, and several economists have recently made the case that home prices have been rising too fast and have outpaced income growth. In the Bay Area for example median income is up 20% since 2011 while median housing prices have risen more than three times that!

In Marin, where unemployment stands under 3% and household incomes are above the Bay Area median one would think that our real estate market is immune to the trends impacting the national market particularly rising interest rates. But this is not true as higher interest rates reduce affordability even in Marin! Consider that of the 1,128 single family homes that sold through the middle of YTD July, that 287 or 25% were all cash transactions which means that 75% of sales required loans. It is generally known that a 1% rise in interest rates equates to a 10% reduction in purchase power for buyers that need a mortgage to purchase a home. Translated this means that if you can afford a \$2M home today, and rates rise 1% in the next year that your buying power will be reduced to \$1.8M! If interest rates continue to rise then sellers will ultimately need lower prices in order to sell their homes.

Also noteworthy is that the current economic expansion is the second longest in US history and will become the longest if it makes it through another year. A potential threat to the current expansion is the trend forming in the bond market which has investors worried that short-term yields could rise above longer-term yields. This is known as an inverted yield curve which has correctly signaled each of the last 7 recessions, the last of which was the devastating one that began in 2007.

Finally, also of concern to Marin real estate is the potential impact of recent Federal tax law changes which went into effect in January 2018 which cap the deductible portion of interest starting in 2018 (Loans up to \$750,000 - previously \$1,000,000) and cap the deduction for state income tax and property taxes to \$10,000 annually. I expect that we will gain a better understanding of this threat when we prepare our 2018 returns.

Note to Sellers:

The fall selling season is the second-best time of year to list and sell your home! Homes that are priced correctly generally sell quickly. Wondering about your home's value? Upon request, I am happy to prepare a professional market analysis for you, discuss options, and answer any questions you have. If you are anxious about upsizing or downsizing in a market where there aren't enough homes for sale, please read my blog article on this subject: <http://www.lifeinmarincounty.com/tips-upsizing-downsizing-inventory-constrained-market/>

Note to Buyers:

This is an excellent time for buyers to search for a diamond in the rough and negotiate on a home that has been on the market for 45 days or longer. There are some beautiful homes out there AND less competition. Currently, 59% of all single-family dwellings, or 204 homes across all price ranges have been on the market for 45 days or longer!

Please call me if you have questions about the Marin Real Estate Market or the value of your home!

Jaime Pera, Senior Associate

415 505 7197

jpera@zephyrmarin.com

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