

A PERSPECTIVE ON MONTEREY PENINSULA REAL ESTATE ACTIVITY

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LOCAL MARKET REVIEW

Happy New Year! We're off to a good start for the year with strong real estate activity. There seem to be more people in the market with more serious intent. They're not yet showing in the statistics, but they will be in the coming months.

The number of homes on the market locally has fallen by 30%, down to 873 peninsula-wide, do largely to so many listings automatically expiring at the end of 2011; and pending sales are down only slightly, leaving us with a total of 277 homes in escrow.

Already many homes are ending up with multiple offers. Now that prices are finding their rightful level, buyers can see them as definite values. There are still a few holdouts with prices that are not right for the market, but more sellers are serious about marketing their home and pricing to sell!

Other signs of the peninsula market being a healthy market are the activity indicator and the inventory index. We have an activity level of 32% overall. This means for every 100 homes listed, 32 of them are in escrow! Anything over 25% is considered to be a "healthy" market. It reached 25% one year ago and has been climbing steadily (see other side).

The inventory index is another solid indicator of market stability. Most analysts tell us that 6-months worth of inventory is an expected rate of sales for a healthy market, and the Monterey Peninsula as a whole has just reached "6 months" (see other side). Six months is the length of time it would take to sell off all the present inventory at the current rate of sales.

Individual communities throughout the peninsula have their own "activity level" and "inventory index" which can be found on the other side of this newsletter.

The market is very dynamic. For a current update, contact me at lawrence@lyonhardt.net, or at (831) 596-4647.

NOTICE: If you're thinking of buying or selling, but have been waiting for the bottom of the market, now's the time to get off that fence! All indications are that conditions are where we have been waiting for them to be for these past few years. If you still think more waiting time is in order it would be prudent to keep a very close eye on the market.

IMPACT OF DISTRESSED SALES

As I have said in earlier updates, *distressed properties* include both "bank-owned properties (REOs)" and "short sales." A property becomes bank-owned at a foreclosure sale when there are no successful bidders, therefore reverting to the bank and becoming an REO.

A short sale on the other hand is a sale in which the lender(s) take less than the amount owed on the loan(s) to allow the borrower to sell the property at market value and avoid foreclosure.

The impact on the real estate market as a result of distressed properties has been considerable since they have become so prevalent in recent years. The main issue is around market value and how much the banks determine these homes should sell for.

Typically in these instances one or more very conservative bank appraisals are prepared where the resultant value is set at some percentage below what the current market is showing to allow for what they assess as a declining market. So the home is priced "under" it's true value in relation to the neighborhood.

As a result of this rather typical practice, each distressed property that sells contributes to a lower valuation of the next property to come along, and so on down the line. The number of distressed properties on the market seems to have stabilized, which might help support a more stable pricing situation (see other side for more data).

OTHER MARKET OPINIONS

"The pattern of home sales in recent months demonstrates a market in recovery," according to Lawrence Yun, chief economist for the National Association of Realtors®. "Record low mortgage interest rates, job growth, and bargain home prices are giving more consumers the confidence they need to enter the market."

Many financial institutions believe that "2012 is the year of the bottom." Not that prices will rebound anytime soon, but "we are at the bottom."

Finally, the current national "inventory index" of housing supply is now at "6.2 months," the lowest it's been in 7 years.

MONTEREY PENINSULA SALES REVIEW

PENINSULA HOME SALES ACTIVITY BY COMMUNITY

LOCAL AREA	CURRENT LISTINGS	PENDING SALES	PERCENT DISTRESSED	HOMES SOLD*	ACTIVITY INDICATOR**	AVERAGE SALES PRICE*	SALES:LIST PRICE DIFFERENTIAL	INVENTORY INDEX***
Carmel	167	29	24%	87	17%	\$1,443,951	6%	9.5 months
South Coast	62	6	33%	10	10%	\$1,009,950	10%	33.0 months
Carmel Valley	104	32	37%	47	31%	\$960,164	8%	11.0 months
Pebble Beach/MPCC	99	18	55%	47	18%	\$1,290,213	9%	10.0 months
Monterey	80	35	68%	74	44%	\$467,834	4%	3.6 months
Pacific Grove	102	21	62%	83	21%	\$648,914	5%	6.0 months
Del Rey Oaks	7	4	100%	4	57%	\$347,500	4%	2.3 months
Seaside/Sand City	87	55	65%	118	63%	\$306,965	1%	1.6 months
Marina	38	26	100%	48	43%	\$326,280	2%	1.5 months
Monterey-Salinas Hwy	124	51	68%	111	41%	\$614,194	9%	4.0 months

*July 1, 2011 – December 31, 2011 (6 months)

ACTIVITY ANALYSIS: Sales activity has been exceptionally good in all areas except Carmel, Pebble Beach and South Coast, which are lagging. Carmel can't ever seem to get over a 20% activity level, however sales there are at least steady. Marina has had such good activity it's nearly out of active inventory with only 26 listings remaining to choose from. Also, 100% of Marina's pending sales now are made up of distressed properties.

PENINSULA-WIDE RESIDENTIAL MARKET ACTIVITY TREND

DATE	ESCROWS:INVENTORY	% DISTRESSED ESCROWS	ACTIVITY INDICATOR**	INVENTORY INDEX***
January, 2011	230:973	63%	24%	7 months
March, 2011	284:1044	70%	27%	8 months
May, 2011	304:1099	64%	27%	8 months
July, 2011	324:1146	66%	28%	8 months
September, 2011	313:1133	61%	28%	7 months
November, 2011	313:1052	57%	30%	7 months
January, 2012	277:873	61%	32%	6 months

TREND ANALYSIS: The market seems to be improving all the way around. The activity indicator in the chart above has shown a steady increase over the past year, 32 properties in escrow for every 100 listings. Distressed escrows appear to be stabilized. Inventory has declined, thus making it a more vital market, and the inventory index indicates that it would now only take 6 months to sell all the inventory at the current rate of sales.

** The market Activity Indicator represents the ratio of the number of escrows open to the number of homes currently available for sale—indicating the strength of the market at one particular point in time.

*** The Inventory Index measures the number of months it would take to deplete the present supply of homes on the market at the current rate of sales.

SOURCE OF DATA: MLS LISTINGS MULTIPLE LISTING SERVICE. I BELIEVE THE ABOVE STATISTICS TO BE RELIABLE, BUT DO NOT GUARANTEE THEIR ACCURACY.

If your home is currently listed for sale, this is not intended as a solicitation.