

AUGUST 2022

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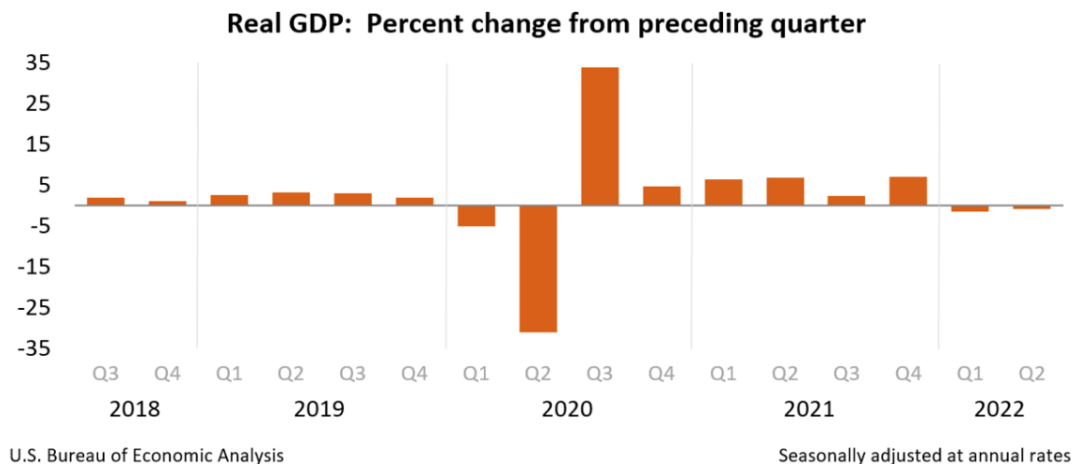
In Brief

Summary of July Market Trends
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 Current Mortgage Rates and Trends



In Brief: The Sun is Cautiously Peaking Through the Clouds

There was a lot of good economic news in the past week that will benefit the real estate market. The U.S. Inflation Rate dropped from 9.1 in June to 8.5 in July. Gas prices, nationally have dropped to under \$4.00 (though in the Bay area we're still paying around \$5.50). This means that the Federal Reserve's tactic of raising interest rates to cool off the economy is working. The Fed is walking a tightrope with inflation on one side and the threat of recession on the other. Raising rates to cool off the economy is how they lower inflation, but they know that if they go too far, it can plunge the country into another recession. Some even believe that we are already in a recession. The following chart seems to refute that claim.



The rule-of-thumb definition of a recession is two consecutive months with a negative GDP (Gross Domestic Product). As you can see, in both Q1 and Q2 of this year the GDP was slightly negative, which encouraged those who want to cry that the "sky is falling." However, most economists would not call this a recession, or if it is, it is so minimal that it is hardly noticeable. The big question is: Will the Fed ease up on their program of raising rates now that inflation is ebbing? Considering the current public fear of recession, it is certainly possible. It really depends on whether they think that inflation will continue to drop if they leave interest rates at current levels. We will have to wait and see how rates trend in the next few weeks. But for now, the economy seems to be heading in a positive direction.

MARKET TRENDS

July 2021 - July 2022

MARIN COUNTY SINGLE FAMILY DETACHED HOMES | JULY TRENDS 2021 - 2022

City	Homes Sold JULY-2021	Homes Sold JULY-2022	% Change	Ave. DOM* JULY-2021	Ave. DOM* JULY-2022	Median Price JULY-2021	Median Price JULY-2022	% Change
Belvedere	3	1	-67%	14	49	\$4,750,000	\$2,614,000	-45%
Corte Madera	9	10	11%	13	16	\$1,850,000	\$1,950,000	5%
Fairfax	7	6	-14%	18	22	\$1,105,000	\$1,288,000	17%
Greenbrae	3	1	-67%	15	17	\$1,660,000	\$3,200,000	93%
Kentfield	9	6	-33%	11	11	\$2,225,000	\$4,650,000	109%
Larkspur	11	1	-91%	22	8	\$2,275,000	\$3,750,000	65%
Mill Valley	30	26	-13%	29	20	\$2,395,000	\$1,923,000	-20%
Novato	44	34	-23%	31	19	\$1,165,000	\$1,270,000	9%
Ross	6	0	-100%	27	NA	\$4,350,000	NA	NA
San Anselmo	19	11	-42%	15	23	\$1,730,000	\$2,050,000	18%
San Rafael	49	31	-37%	25	24	\$1,626,000	\$1,505,000	-7%
Sausalito	8	3	-63%	21	14	\$2,575,000	\$3,010,000	17%
Tiburon	6	12	100%	30	10	\$3,988,000	\$3,179,000	-20%
Marin County	215	147	-32%	25	19	\$1,800,000	\$1,800,000	0%

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

MARIN COUNTY SINGLE FAMILY DETACHED HOMES | JULY TRENDS 2021 - 2022

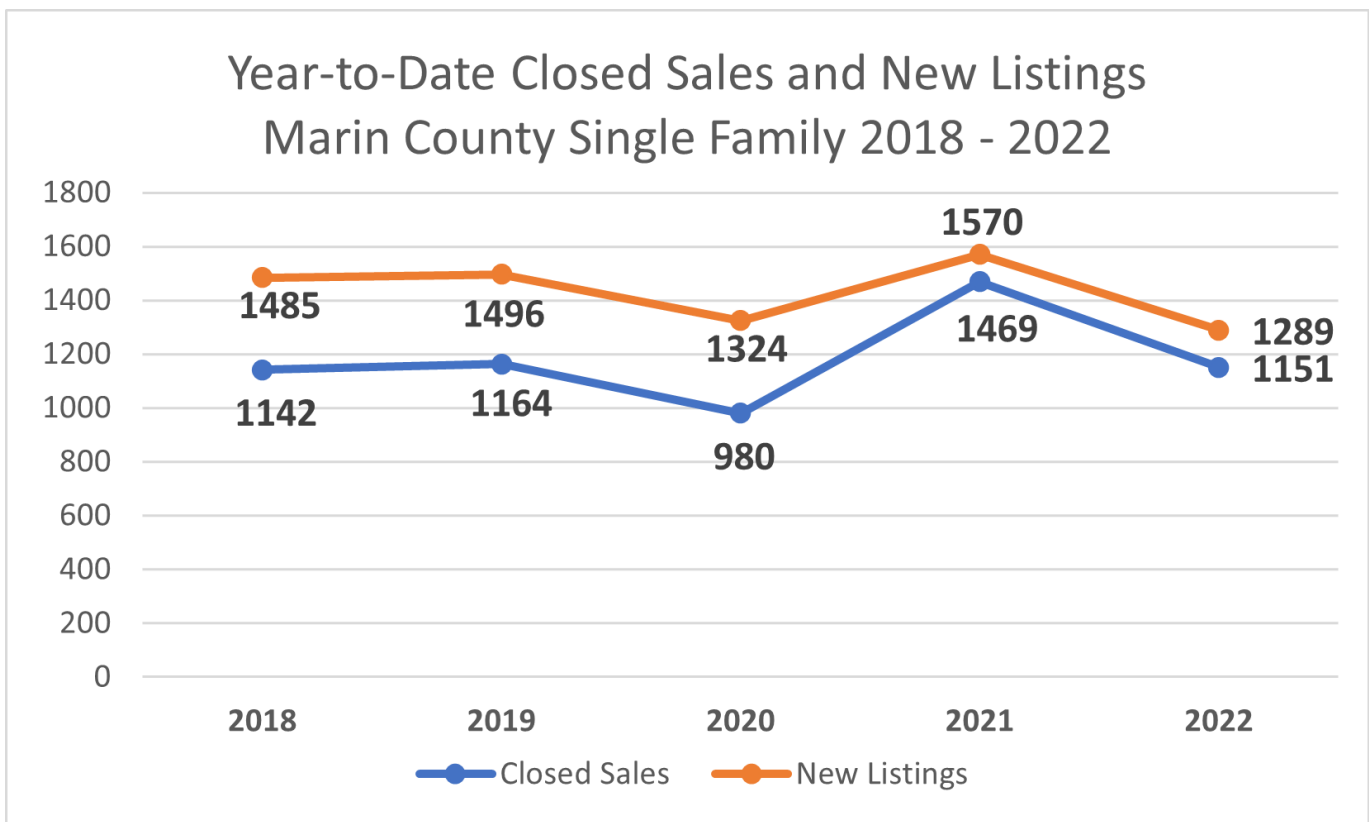
City	New Listings JULY-2021	New Listings JULY-2022	% Change	SP/LP Ratio* JULY-2021	SP/LP Ratio* JULY-2022	MSI* JULY-2021	MSI* JULY-2022	% Change
Belvedere	5	2	-60%	109%	95%	2.7	15.0	456%
Corte Madera	4	7	75%	109%	108%	0.7	0.9	29%
Fairfax	9	5	-44%	109%	101%	0.9	1.5	67%
Greenbrae	4	3	-25%	111%	107%	0.7	1.0	43%
Kentfield	6	4	-33%	118%	112%	1.2	1.2	0%
Larkspur	9	4	-56%	107%	94%	0.6	3.0	400%
Mill Valley	35	17	-51%	105%	104%	0.9	1.3	44%
Novato	52	29	-44%	104%	103%	0.7	1.1	57%
Ross	2	1	-50%	103%	NA	0.7	4.0	471%
San Anselmo	12	4	-67%	108%	108%	0.4	0.6	50%
San Rafael	40	15	-63%	107%	105%	0.5	1.4	180%
Sausalito	5	3	-40%	102%	97%	0.4	1.3	225%
Tiburon	11	9	-18%	100%	102%	3.0	1.0	-67%
Marin County	201	107	-47%	106%	104%	0.8	1.4	75%

* SP/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.

JULY 2022 SUMMARY

In July, closed sales dropped by 32% compared with July 2021 while new listings decreased by 47%. The continuing decrease in housing inventories reduced the average number of days from listing to sale (with all contingencies removed) from 25 days to 19. The median sales price of a single family home was \$1,800,000, unchanged from the previous July. The month's supply of available listings increased from 0.8 months to 1.4, indicating that we are still in an extreme seller's market but trending in the direction of a more neutral or even buyer's market.

The extreme decrease in both closed sales and new listings in July is not really indicative of where the market is today compared to pre-covid levels. To put the current numbers into perspective, see the next chart which shows the Year-to-Date closed sales and new listings for 2018 through 2022.



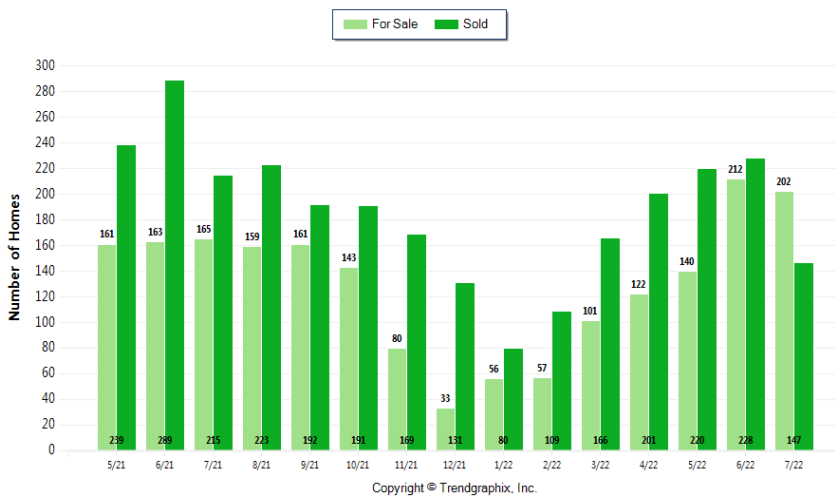
Both closed sales and new listings clearly decreased from 2021 which was a catch-up period following the artificially low "shelter in place" activity in the early days of 2020.

CLOSED ESCROWS year-to-date in 2022 were up by **0.8%** compared to 2018 and down **1.1%** compared to 2019. As dramatic as the **21.6%** drop in sales from last year to this year was, closed sales are still ahead of pre-pandemic 2018 and only slightly less than 2019.

NEW LISTINGS year-to-date in 2022 were down by **13.2%** compared to 2018 and down **13.8%** compared to 2019. New listings did not hold up as well as sales. This reflects the precipitous decrease in housing inventory that began in the second half of 2021.

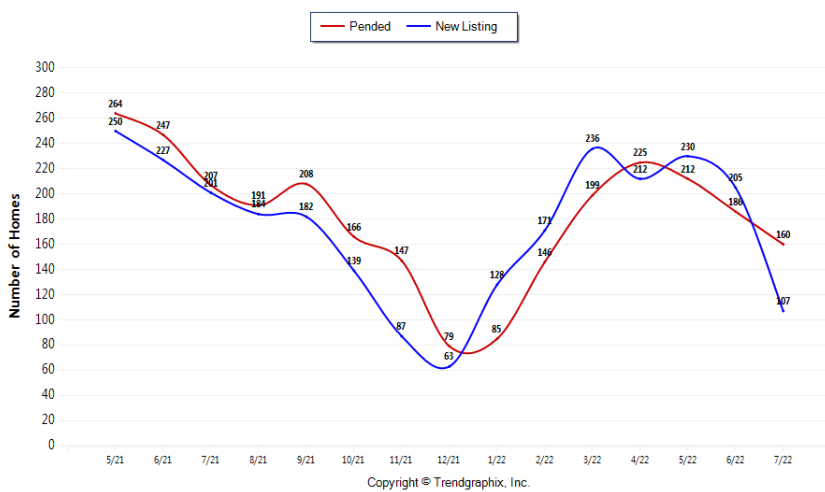


MONTHLY MARKET ACTIVITY REPORT



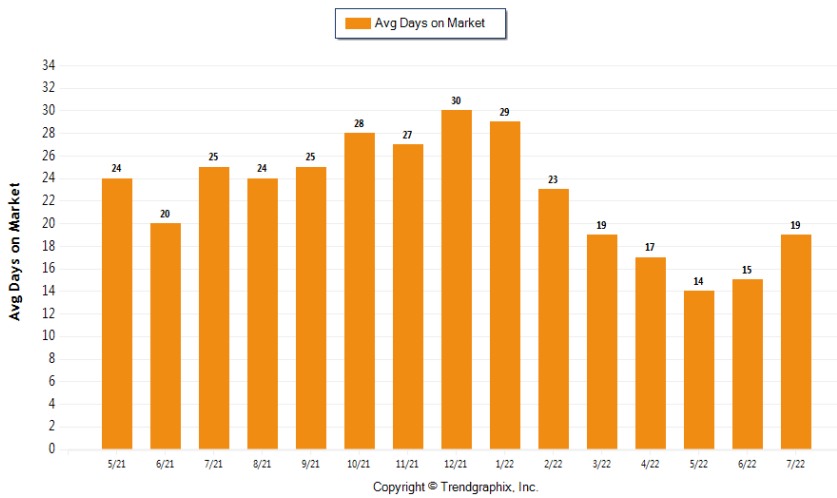
Property Sales (Sold and Closed)
 In July, there were 147 closed sales, down **31.6%** from 215 in July 2021 and **35.5%** lower than the 228 sales in June.

Current Inventory (For Sale)
 Versus last year, the total number of properties available in June was higher by **37** units or **22.4%**. The July housing inventory was down **4.7%** compared to June of this year.

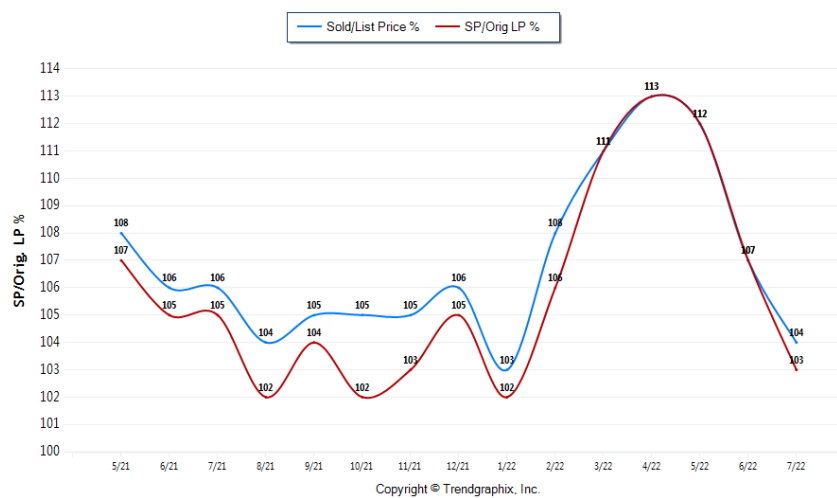


Property Under Contract (Pended)
 There was a **14%** decrease in pended properties in July, with 160 properties versus 186 in June. July pended property sales were **22.7%** lower than at this time last year.

New Listings
 New Listings decreased from 205 in June to 107 in July, down **47.8%**. July New Listings were **46.8%** lower than in July of 2021.

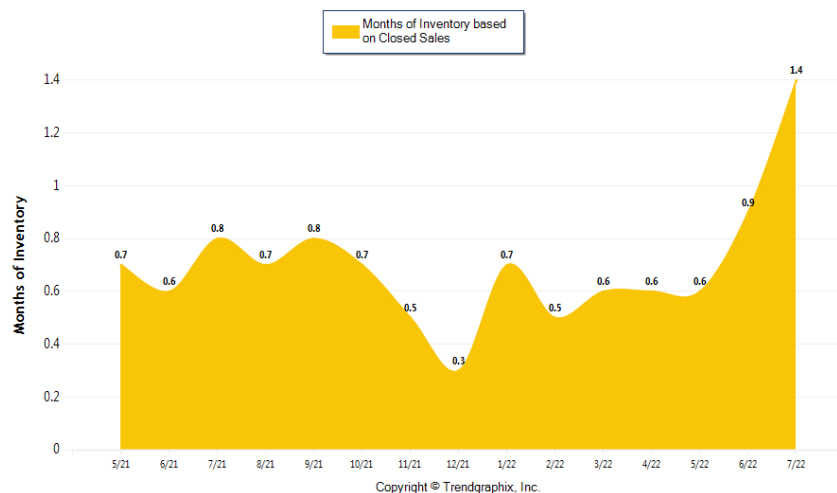


The average Days on Market (DOM) shows how many days the average property is on the market before it sells. An upward trend in DOM tends to indicate a move towards a Buyer’s market; a downward trend indicates a move towards a Seller’s market. The DOM for July 2022 was **19**, up **26.7%** from **15** days in June and down **24%** from 25 days in July 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 July, the Sold Price vs. Original List Price of **103%** was down **3.7%** from June and down **1.9%** from July of last year. The blue line represents the Sold Price vs. the list

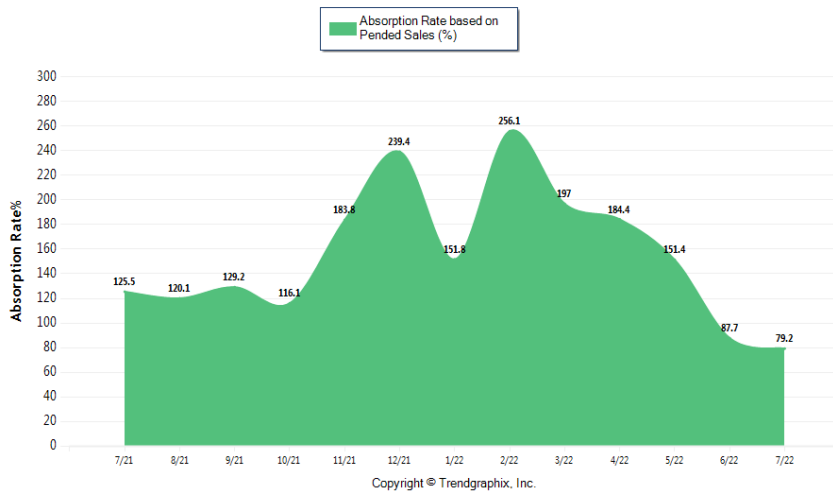
price at the time offers were accepted with all contingencies removed. In July, homes sold for **104%** of the list price at the time offers became non-contingent.



A comparatively lower Months of Inventory is more beneficial for sellers, while a higher Months of Inventory is better for buyers.
 Buyer’s market: more than 6 months of inventory
 Seller’s market: less than 3 months of inventory
 Neutral market: 3 – 6 months of inventory

Months of Inventory based on Closed Sales

The July 2022 Months of Inventory based on Closed Sales of **1.4** months was up by **78.2%** compared to last July and up **53.8%** compared to June 2022.



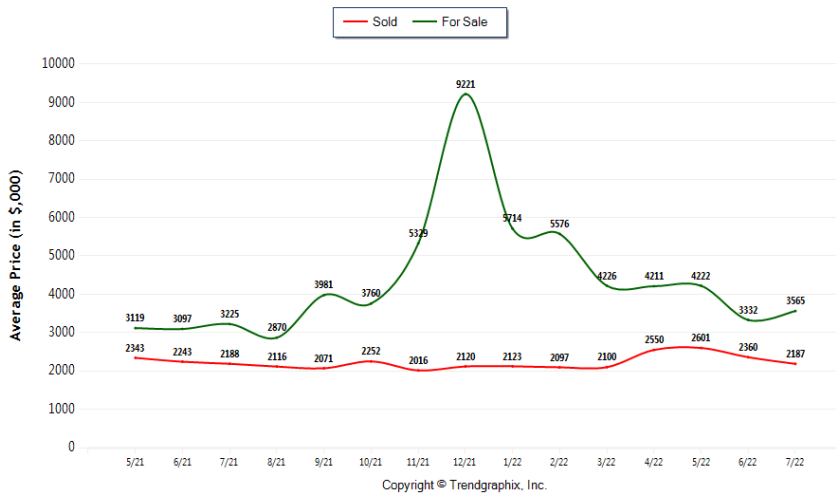
Absorption Rate measures the inverse of Months of Inventory and represents how much of the current active listings (as a percentage) are being absorbed each month.

Buyer's market: 16.67% and below
 Seller's market: 33.33% and above
 Neutral market: 16.67% - 33.33%

Absorption Rate based on Pended Sales

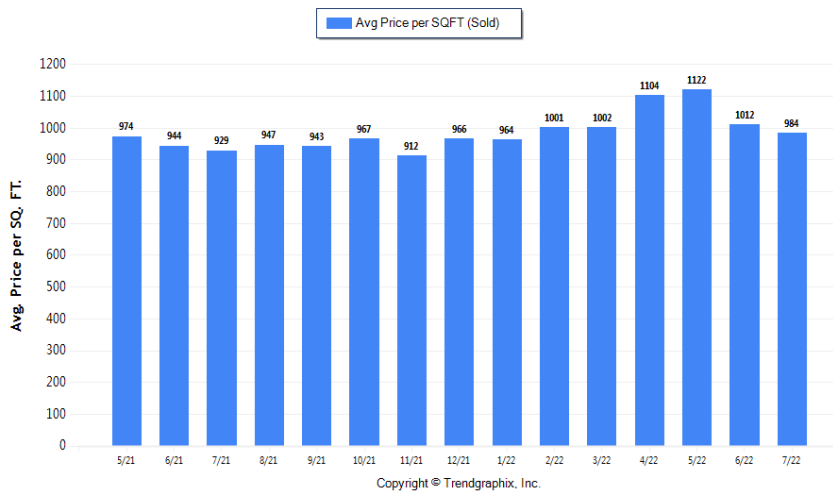
The July 2022 Absorption Rate based on Pended Sales of **79.2** was

down by **36.9%** compared to last year and down **9.7%** compared to June.



The **Average For Sale** (list) Price in July was \$3,565,000, up **9.5%** from \$3,225,000 in July of 2021 and up **7%** from \$3,332,000 in June.

The **Average Sold Price** in July was \$2,187,000, down **0.5%** from \$2,188,000 in July of 2021 and down **7.3%** from \$2,360,000 in June.




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 values trends. The July 2022 Average Sold Price per Square Foot of **\$984** was down **2.8%** from **\$1012** in June and up **5.9%** from **\$929** in July of last year.

CURRENT MORTGAGE INTEREST RATES

Current mortgage rates:

Accurate as of *08/13/22

Product	Interest rate	APR
30-year fixed-rate	5.125%	5.237%
20-year fixed-rate	4.875%	5.170%
15-year fixed-rate	4.375%	4.437%
10-year fixed-rate	4.250%	4.392%
30-year fixed-rate FHA	4.375%	4.482%
30-year fixed-rate VA	4.456%	4.568%

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Interest rates will likely drift higher until there is sustained evidence that inflation has begun to recede. However, because the 30-year fixed mortgage rate is loosely benchmarked to the 10 year Treasury note, geopolitical and economic uncertainty can put downward pressure on rates. The push-and-pull dynamic created by the opposing forces in the bond market may result in some continued week-to-week volatility for mortgage rates.

In July, the Feds increased the overnight lending rates by .75% and this rate hike may put some upward pressure on mortgage rates, but the increase will be muted because mortgage rates have already priced in some of the effects of any other upcoming Fed rate hikes. However, if the next rate hike is larger than expected, it may cause mortgage rates to rise faster.

Mortgage Rate Projections

July 2022

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2022 4Q	5.4	5.4	5.2	5.3	5.33%
2023 1Q	5.2	5.3	5.0	5.3	5.20%
2023 2Q	5.2	5.1	5.0	5.4	5.18%
2023 3Q	5.0	5.0	4.9	-	4.97%

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 5.33% in Q4 of this year and then trend down to 4.97% by Q3 of 2023.

SUMMARY

The good news is that the economy is moving in the right direction. Inflation is down, gas prices are down, as are some consumer products including groceries. It is unclear at this point if the Fed will continue to raise interest rates from their current national average of 5.46%. But based on the predictions above, these industry experts believe that mortgage rates will be heading down in the fourth quarter of this year and slowly trend down in 2023. There are so many national and global factors effecting he U.S. economy that we will have to just wait and see.

The current trend in the real estate market is pretty clear. The inventory of homes for sale is slowly increasing and sales volume is tapering off, but still ahead of pre-pandemic 2018 and only slightly less than 2019.

We are seeing more price reductions as some sellers are still expecting homes to sell as quickly as they did last year and through the first half of 2022. When no offers appear within a week or two, some are calling their agents wanting to reduce the price. A mistake many are making, however, is lowering the price by such a small amount that it does nothing to increase showing activity. When prices are softening like they are, small reductions are what we call "chasing down the market" - reducing the price so little that the agents and buyers hardly even notice. To make an impact on the market and expand the buying pool requires a reduction of 10-15%.

Because the supply of homes is lagging behind demand, we are still seeing multiple offers and sale prices over asking. But, the ratio of sales price to list price at the time offers are accepted has plunged from a high of 113% in April to 104% in July. While the red-hot market is definitely cooling off, it is still a very strong seller's market.



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