

# MARIN COUNTY

## Luxury Real Estate

Fourth Quarter/Year End 2009

### When Will Marin County Real Estate Markets Return To Normal?

We are approached daily by our clients with requests to predict what will happen in our local real estate markets in the near future. To shape our perspective, Morgan Lane researched Marin County single family home (SFH) sales and indexed them (on a units-sold basis) to multiple benchmarks including: interest rates (10 Year T-bill), unemployment (SF Bay Area) and an affordability index (income vs. cost of ownership). We continue to struggle to find direct correlation between Marin County real estate and these available indices.

We have found a relationship worth noting between the total number of Marin County SFH (supply), the total reported sales (demand) and the annual rate of appreciation (%). The chart below illustrates the following: **Supply**, since 1999, increased an average of only .38% per year; **Demand** (closed sales) averages 2,352 units, or 3.62% of total supply; **Appreciation** averaged 6.50% over the past eleven years but has decreased -.35% over the past five years.

#### Marin County SFH Market Data 1999-2009

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.
SFH-units*	63,686	64,009	64,343	64,553	64,859	65,274	65,508	65,675	65,785	65,829	66,079*	65,055
% Increase	0.48%	0.51%	0.52%	0.33%	0.47%	0.64%	0.36%	0.25%	0.17%	0.07%	0.38%*	0.38%
SFH Sold	3,051	2,526	2,106	2,615	2,724	2,837	2,594	2,204	1,997	1,570	1,650	2,352
% Sold	4.79%	3.95%	3.27%	4.05%	4.20%	4.35%	3.96%	3.36%	3.04%	2.38%	2.50%	3.62%
Avg Price	\$664,080	\$813,783	\$853,629	\$889,274	\$926,862	\$1,062,756	\$1,228,380	\$1,229,922	\$1,364,940	\$1,269,386	\$997,093	\$1,027,282
% change	22.73%	22.54%	4.90%	4.18%	4.23%	14.66%	15.58%	0.13%	10.98%	-7.00%	-21.45%	6.50%

\*ESTIMATED

Source: BAREIS and CA Dept of Finance

The rate of demand is a key variable for Marin County real estate. In four of the six years where demand has exceeded the average (3.62%), we have experienced double-digit appreciation. In 2002 and 2003, the demand exceeded the eleven-year average, but we did not realize double-digit appreciation. Demand for SFH in Marin County has fallen 52% since the peak in 1999. Our SFH sales in 2009 are 1,650 units or 70% of the eleven-year average making 2009 the 2nd slowest year in the past eleven.

In our view, recovery to a normal market (demand of 2,352 units or 3.62% of supply) will require substantive shifts in the overall financial landscape including, but not limited to, stability in financial markets, a strong local employment trend, affordable interest rates and strengthening consumer confidence. It is difficult to predict the future and "normal" may return with a somewhat new definition. As for our outlook, we are prepared to do business in current market conditions throughout 2010.

Year-to-date, Marin County continues to see substantial decreases in demand (units sold) vs. 2008. To our benefit we see only pockets (both price ranges and geography) of average or median price erosion (see chart below). We are encouraged to see Marin County QTD volume up in all segments. By contrast, California markets with significant excess inventory (supply) are experiencing prices and units sold down by well over 40% year-over-year.

#### Marin County SFH YTD Dec '09 v YTD Dec '08

Jan 1 – Dec 31, '09	\$500K - \$1M	\$1M & Up	\$1M - \$3M	\$3 Million +
Volume	27.69%	-38.38%	-36.33%	-41.71%
Units Sold	29.47%	-35.15%	-34.76%	-34.62%
Average Price	-1.37%	-4.98%	-2.42%	-10.85%
Median Price	-2.84%	-1.67%	-1.06%	-1.94%
Days on Market	11.49%	33.78%	37.14%	15.38%

Source: BAREIS

Pricing a home in this market is clearly our most important role and a significant challenge. We rely on rigorous methods of analysis and proven results to demonstrate our success. How all of these dynamics relate to you, your desired neighborhood or specific home requires a focused analysis similar to the one above. If you have questions or concerns, please do not hesitate to call on me.

I look forward to continuing our relationship and successfully assisting you in your real estate investment decisions.



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# Homes Sold Comparison

## Marin County \$500k – \$1 million - YTD

Time Period	31-Dec-07	31-Dec-08	'07 - '08 % Change	31-Dec-09	'08 - '09 % Change
Volume	\$738,097,418	\$527,112,910	-28.58%	673,087,912	27.69%
Homes Sold	984	716	-27.24%	927	29.47%
Avg. Days on Market	71	87	22.54%	97	11.49%
Median Price	\$783,500	\$738,500	-5.74%	\$717,500	-2.84%
Average Price	\$778,584	\$736,191	-5.44%	\$726,093	-1.37%
Max Price Sold	\$1,000,000	\$1,000,000	0.00%	\$1,000,000	0.00%

Source: BAREIS

# Homes Sold Comparison

## Marin County \$1 – \$3 million - YTD

Time Period	31-Dec-07	31-Dec-08	'07 - '08 % Change	31-Dec-09	'08 - '09 % Change
Volume	\$1,416,982,702	\$1,038,291,000	-26.73%	\$661,051,928	-36.33%
Homes Sold	920	656	-28.70%	428	-34.76%
Avg. Days on Market	62	70	12.90%	96	37.14%
Median Price	\$1,375,000	\$1,410,000	2.55%	\$1,395,000	-1.06%
Average Price	\$1,540,199	\$1,582,761	2.76%	\$1,544,514	-2.42%
Max Price Sold	\$3,000,000	\$3,000,000	0.00%	\$3,000,000	0.00%

Source: BAREIS

# Homes Sold Comparison

## Marin County \$1 million and higher - YTD

Time Period	31-Dec-07	31-Dec-08	'07 - '08 % Change	31-Dec-09	'08 - '09 % Change
Volume	\$1,988,154,860	\$1,416,031,976	-28.78%	\$872,593,916	-38.38%
Homes Sold	1042	734	-29.56%	476	-35.15%
Avg. Days on Market	71	74	4.23%	99	33.78%
Median Price	\$1,450,000	\$1,500,000	3.45%	\$1,475,000	-1.67%
Average Price	\$1,908,018	\$1,929,199	1.11%	\$1,833,180	-4.98%
Max Price Sold	\$20,000,000	\$19,000,000	-5.00%	\$9,800,000	-48.42%

Source: BAREIS

# Homes Sold Comparison

## Marin County \$3 million and higher - YTD

Time Period	31-Dec-07	31-Dec-08	'07 - '08 % Change	31-Dec-09	'08 - '09 % Change
Volume	\$589,172,158	\$378,365,852	-35.78%	\$220,541,988	-41.71%
Homes Sold	128	78	-39.06%	51	-34.62%
Avg. Days on Market	136	104	-23.53%	120	15.38%
Median Price	\$3,763,893	\$3,870,000	2.82%	\$3,795,000	-1.94%
Average Price	\$4,602,907	\$4,850,844	5.39%	\$4,324,353	-10.85%
Max Price Sold	\$20,000,000	\$19,000,000	-5.00%	\$9,800,000	-48.42%

Source: BAREIS