

MARIN COUNTY

Luxury Real Estate

October 2009

Managing Sellers' Expectations!

One year ago in this newsletter we used fairly simple supply and demand indicators in an effort to define a "normal" Marin County real estate market. The following quote was our perspective on the fundamentals required for a recovery, "In our view, recovery to a normal market will require stability in financial markets, a strong local employment trend, affordable interest rates and strengthening consumer confidence."

Reflecting on the past twelve months, Marin County real estate markets experienced the most difficult and unpredictable dynamics we have seen in decades. The financial markets imploded, unemployment trends accelerated and consumer confidence was shattered. We have benefited from historically low interest rates and ample access to mortgage capital; however, credit requirements, approval guidelines and loan to value ratios are as stringent as in recent memory.

The good news is over 1,100 single family homes have sold in Marin County in the first nine months of 2009. Successful sellers have rationalized the market dynamics, followed their real estate advisors recommendations and successfully made housing decisions to support their lifestyle. Buyers continue to seek opportunity and will write offers only on the homes (sellers) that have balanced the best pricing in relation to the relevant and recent neighborhood comparables.

Over 70% of the 1,100 single family homes sold in 2009 closed for under \$1 million. Approximately 50% of these 1,100 homes closed in San Rafael or Novato. The velocity of the market under \$1 million and in San Rafael and Novato may be the only growth sector in Marin County real estate. We feel this is reflective of the aggressive sell-off distressed properties, short sales and bank owned properties. The chart below illustrates summary market trends by price point.

YTD Sep '09 v YTD Sep '08

Jan 1 - Sep 30, '09	\$500K - \$1M	\$1M & Up	\$1 - \$3M	\$3 Million +
Volume	+12.15%	-50.23%	-48.05%	-56.64%
Units Sold	+12.99%	-47.18%	-46.47%	-53.62%
Average Price	-0.81%	-5.82%	-2.95%	-6.51%
Median Price	-1.89%	-2.70%	-1.06%	-21.71%
Days on Market	+25.00%	+43.66%	+49.25%	+12.00%

The average number of days on market has trended over 100 days for 2009. This trend is indicative of sellers' "hoping" to get a specific price for their home that may be based on what they paid for it or what they "need" to sell it for to maintain lifestyle choices. Unfortunately "days on the market" are not a seller's friend. Homes that sell within the first 90 days of a listing enjoy pricing within 7% of the list price. Homes that sell between 90 - 120 days on the market close at a 15% discount and those over 120 days on average are discounted 22% at closing. We pride ourselves by providing our clients with balanced advice and recommendations. **Morgan Lane's approach this year has delivered Marin County's finest average days on market results at 64 days.**

For home prices over \$1 million in Marin County, sellers need to be exceptionally realistic and sensitive to our market conditions. Volume (units and dollars) is off approximately 50% YTD v 2008 and over 60% from 2007. Buyers enjoy a fabulous selection of listings in all neighborhoods and therefore are very discerning. Our experience is buyers only act with a sense of urgency if the home is "one of a kind," where the market sees one such home every few years, or if the price is perceived to be precisely at or slightly below market. In light of the above, days on the market analysis, why would a buyer act with urgency if time on the market generally translates into a 7% to 22% discount?

We are experiencing a modest increase in activity in the high-end of the market (over \$3 million). In Q1 & Q2 '09 we closed eight and nine homes over \$3 million respectively. This activity increased to 15 closings over \$3 million in Q3 '09. There are nearly 110 listings in Marin over \$3 million and only two are in contract. Once again, a seller must be most realistic in pricing to attract the limited demand.

The most important aspect of our role as real estate advisors is to provide our clients with honest, balanced and objective advice. We strive to be clear, analytical and proactive in our approach. If our experience may assist you in your real estate analysis or decision making, please do not hesitate to call.



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Homes Sold Comparison

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

Time Period	Jan-Sept '07	Jan-Sept '08	% Change	Jan-Sept '09	% Change
Volume	\$559,167,393	\$415,321,251	-25.73%	\$465,783,695	12.15%
Homes Sold	764	562	-26.44%	635	12.99%
Avg. Days on Market	68	84	23.53%	105	25.00%
Median Price	\$790,000	\$740,000	-6.33%	\$726,000	-1.89%
Average Price	\$784,251	\$739,006	-5.77%	\$733,000	-0.81%
Max Price Sold	\$1,000,000	\$1,000,000	0.00%	\$1,000,000	0.00%

Source: BAREIS, September 2009

Marin County \$1 – \$3 million - YTD

Time Period	Jan-Sept '07	Jan-Sept '08	% Change	Jan-Sept '09	% Change
Volume	\$1,165,712,818	\$881,358,696	-24.39%	\$457,862,315	-48.05%
Homes Sold	756	553	-26.85%	296	-46.47%
Avg. Days on Market	62	67	8.06%	100	49.25%
Median Price	\$1,375,000	\$1,420,000	3.27%	\$1,405,000	-1.06%
Average Price	\$1,541,948	\$1,593,777	3.36%	\$1,546,832	-2.95%
Max Price Sold	\$3,000,000	\$3,000,000	0.00%	\$3,000,000	0.00%

Source: BAREIS, September 2009

Marin County \$3 million and higher - YTD

Time Period	Jan-Sept '07	Jan-Sept '08	% Change	Jan-Sept '09	% Change
Volume	\$472,534,373	\$323,025,852	-31.64%	\$140,076,988	-56.64%
Homes Sold	101	69	-31.68%	32	-53.62%
Avg. Days on Market	143	100	-30.07%	112	12.00%
Median Price	\$3,810,000	\$3,800,000	-0.26%	\$3,797,000	-0.08%
Average Price	\$4,678,558	\$4,681,534	0.06%	\$4,377,000	-6.51%
Max Price Sold	\$20,000,000	\$12,518,000	-37.41%	\$9,800,000	-21.71%

Source: BAREIS, September 2009



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Active Listings | Buyer Needs

133 Sugarloaf Drive | Tiburon One Of Marin's Premier Estates

The crown jewel of Mt. Tiburon. This unique 7,449 square foot home boasts some of the best lookouts in the Bay Area. At the top of the world you are surrounded by 360 degrees of views. There are walls of glass showcasing city views in the grand living area and master suite. Every room in the home has a stunning look at everything the North Bay has to offer. The home is set on a grand scale and perfect for all types of entertaining.

Leased for \$19,000 per month

Beautiful Homestead Valley Listing | Mill Valley

Peace. Sun. Tranquility. Come home to this beautifully remodeled 4 bedroom, 3 bathroom home in wonderful Homestead Valley. Large kitchen with a Wolf range opens to dining and family rooms.

Open floor plan | Beamed ceilings | Large entertaining decks | Hot tub | Custom wood and tile work in all 3 spa-like bathrooms | Private | Easy access to hiking, biking, downtown Mill Valley and San Francisco

Exclusively offered at \$1,295,000

Highly Qualified Buyer Needs

- Mill Valley | Sycamore/Tam Park, Boyle Park, Homestead Valley, or level neighborhood within walking distance to downtown | high quality with vintage charm | over 2,700 sq ft Up to \$3,000,000
- Central/Southern Marin with dramatic views Up to \$3,000,000
- Belvedere Lagoon | good lot, good upside Up to \$3,000,000
- Sausalito with views | prefer contemporary Up to \$2,000,000
- Sausalito Multi-unit at north end of city Up to \$2,000,000
- Mill Valley | prefer Strawberry Schools | pool Up to \$1,800,000
- Central/Southern Marin | contemporary Up to \$1,600,000
- Central/Southern Marin | want views Up to \$1,300,000
- Sausalito single family home Up to \$800,000
- Central/Southern Marin | large, quality lot Price depends on location

These are challenging times and I would be more than happy to further discuss with you strategies I believe would bring you success in this market.