



NEW LISTING!

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SOLD!



Carmel-by-the-Sea

SOLD!



Carmel-by-the-Sea

SOLD!



Pacific Grove

SALE PENDING!



Carmel-by-the-Sea

SOLD!



Carmel Valley

FALL NEWSLETTER 2011:

If you read the paper or watch the news it's no doubt you've heard that the real estate market is not getting any better, and may even be getting worse – from a national perspective. Growth is flat at best, we have real structural issues to our economy that can't be fixed overnight and we'll probably have another 5-7 years of slow growth. But I'd like to make the case that Northern California is the anomaly. Real Estate is more affordable now than it has been in the last decade! Interest rates are expected to remain low through 2013, although underwriting requirements are challenging. Real Estate should be viewed as an investment. Compare it to CDs at near 1%, a 10-year T Bill which can't beat inflation, the stock market's volatility and real estate stands out as the best choice. In 2000-2006 the Bay Area experienced crazy appreciation that was not sustainable. The bubble burst and now after a real correction, we have true values that over the next 5-10 years should see mild annual appreciation. The value in real estate is in the land, and that is a limited resource, especially on the Monterey Peninsula.

Luckily for us, Silicon Valley is in the midst of another "revolution:" think smart phones & apps, Facebook, Twitter, Google, Apple. 50% of every job that was hired in the US was in Silicon Valley. Companies can't hire fast enough and are attracting talent by increasing salaries and have plans on going public. This "revolution" is expected to continue for the next 5-6 years. Silicon Valley's success can be seen in Carmel-by-the-Sea where the market is strongest and demand for second homes is highest. The demand here has been largely focused on the Golden Rectangle and Carmel Point neighborhoods where we've had 37 sales in the first 8 months of the

year with an average price per square foot of \$1,078, which remains relatively unchanged from last year's numbers. I expect the demand seen in Carmel-by-the-Sea to slowly trickle through our outlying neighborhoods. The Pebble Beach market has declined since last year. Last year we had 56 sales in the first 8 months with an average price per square foot of \$650, while this year we've had 45 sales at an average of \$561/sf. In Carmel Valley good quality inventory is hard to find. We've had 64 sales since the beginning of the year, but only 12 over the \$1M mark.

I expect the high end market, especially between \$2-5M, to be the healthiest in the coming years, while the middle tier market (\$1-2M) will take longer to rebound. People in the middle tier are having difficulty selling their own home in order to move up or downsize. They are having a harder time qualifying for loans. Neighborhoods in the middle tier typically make up about 80% owner occupied and 20% tenant occupied. This could be more like 20% owner occupied and 80% tenant occupied in the near future as more families opt to rent.

Today's real estate market represents a great opportunity. Some buyers wonder if they should wait to buy. My response, buy today and wait. Our pricing has corrected, interest rates are at a 60 year LOW and inventory is high. This environment will not last forever.



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