

Sacramento Area Market Update

This is a report and analysis of the current real estate market in the Sacramento region.

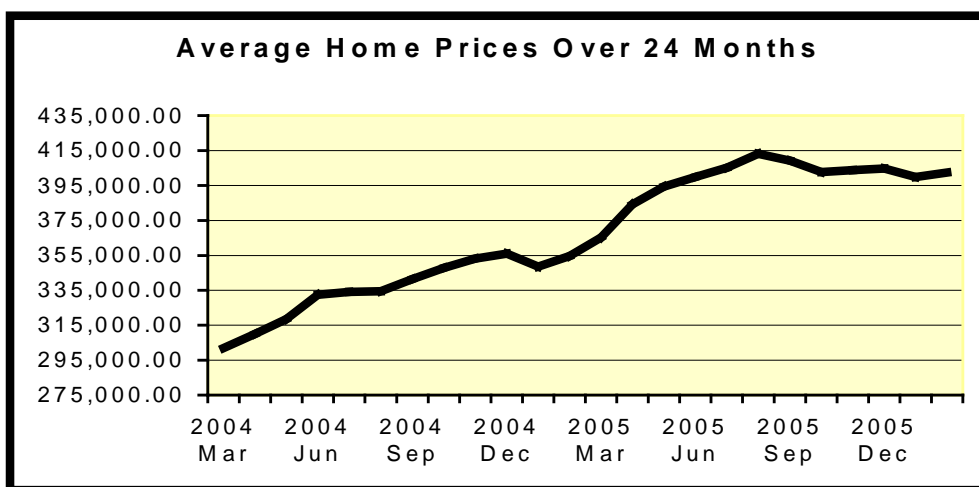
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Some have had concerns that the real estate 'bubble' is bursting, however current statistics seem to bear out a different story. I've collected statistics over the last two years from the *Metrolist® Multiple Listing Service* that seem to show where the market is moving and that we are now coming into a traditional balanced market where sellers outnumber buyers three to one. The outcome of this change is seen in pricing restraint, as one would expect based on the classic supply and demand curve.

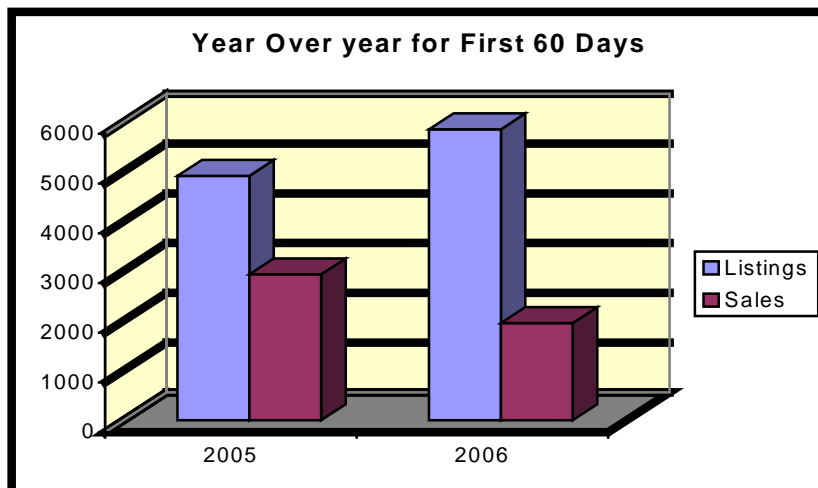
Month-Over-Month Price Changes:

Throughout the past 12 months the market has been changing, but in the last two months we see the most dramatic statistical adjustment which demonstrates why we see a bit of a damper on month-over-month price increases. Below, see the chart "Average Home Prices Over 24 Months". This shows a curve decidedly "droopy" of late indicating sellers may have to adjust their expectations:



Year-Over-Year Comparisons:

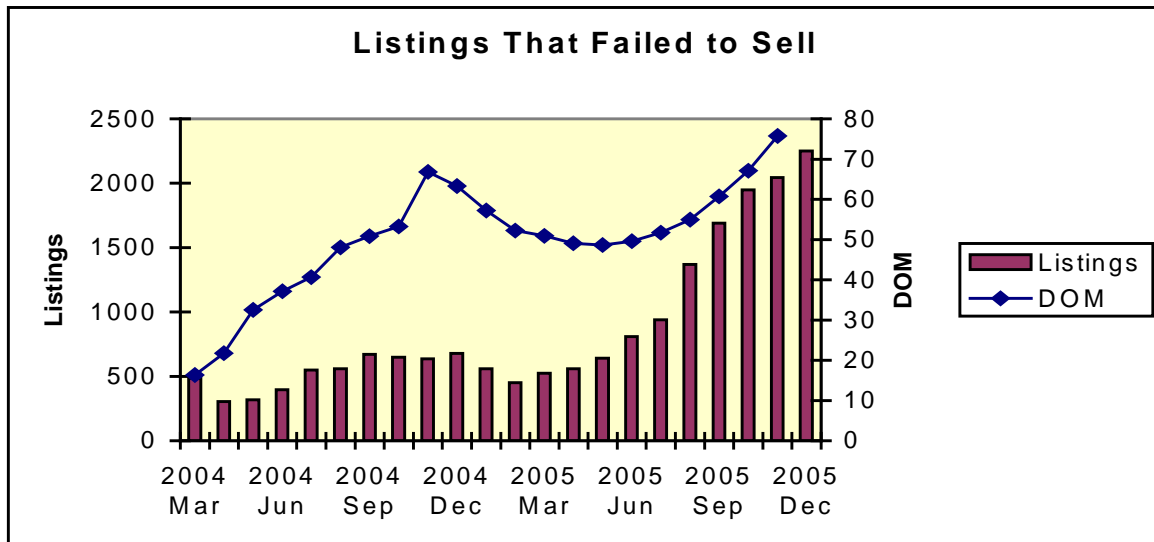
The number of new listings in January '05 was 2,499 and the January '06 number was 2,724. The February numbers were more dramatic at 2,411 for '05 and 3,125 for '06. However, the more significant data regarding the market are the year-over-year sales comparing 2005 and 2006. In January we had 1,444 and 987, respectively. The February numbers are very similar: 1,491 for '05 and 966 for '06. That is a drop of **33%**. The chart below compares these numbers showing a dramatic decline of sales combined with a 19% increase in listings:



Certainly, another statistic has to move to accommodate this adjustment. That statistic is the amount of time it takes to sell a home known as Days On Market or **DOM**. The DOM has risen from an average of about 31 days for the first two months of 2005 to 51 days for the corresponding months in 2006, or a 65% increase in time to sell. The long term average in the Sacramento area over the years has been as much as 60 day, so we are not in unusual territory for days on market.

Why the Agent Really Does Matter:

Possibly because of these statistics (increased time to sell and fewer overall sales), sellers are getting discouraged. As a real estate agent, I see this as my job to make sure the seller understands what to expect out of today’s market and help determine the true motivation of selling, the likelihood of success and at what price. The level of discouragement can be seen in this next chart. This chart shows the number of listings that did not sell from March 2004 through December 2005. Now, some of these were expired or withdrawn and may have sold at a later time, but here again, the trend is clear:



Notice the typical slowdown during the November to January season in increased days on market in 2004 that rebounded into the Spring and Summer. Remember that last Summer we did begin to see that the market had not come back as resiliently as we had seen in the past. Now this data demonstrates that we did see what we thought we saw: a down-turn in the market.

In Conclusion:

Finally, what we see here is a return to a balanced market where the size of the inventory in listings is about three times the number of sales. The excessive listing ‘failures’ in the last chart shows a fairly typical reaction to the change in balance where sellers and their agents don’t recognize just how the market has changed. What we should expect over the next three to six months is that prices should hold fairly steady with seasonal fluctuations, and the time it will take to sell a home will return to the typical average of about 60 days. Not a bubble burst, just a more balanced market.



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