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BUYING AND SELLING GUIDE TO REAL ESTATE IN SAN RAMON

As a top-producing local real estate team, we're committed to giving you excellent, personalized service. This guide offers a timely analysis of the single-family home and condo markets for San Ramon, CA, that will answer your questions and help you develop a winning buying or selling strategy.

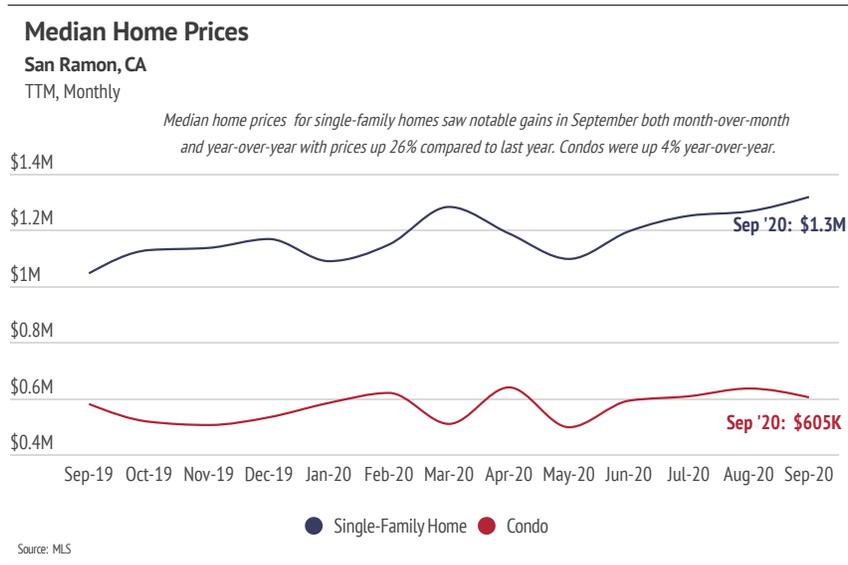
As we write this guide, we're still navigating through the COVID-19 pandemic. It impacts the real estate market in several key ways, which we'll discuss in the first section below. In addition to the effects of the pandemic, interest rates are historically low and will likely remain so for the foreseeable future. Lower interest rates are important because they encourage potential buyers to take advantage of low-interest financing, they make real estate investments a safer risk compared to other assets like stocks, they offer a higher return than government bonds, and they offset many of the pandemic's negative economic effects.

While the fundamentals of developing a winning buying and selling strategy remain the same, you should take into account the current housing market indicators in the local market, too. With that in mind, this guide will cover the following topics:

- Housing Market Behavior During the Pandemic
- San Ramon Housing Trends for Single-Family Homes and Condos
- Key Housing Market Indicators for San Ramon's 94582 Zip Code
- The Importance of Listing a Home at the Right Price

HOUSING MARKET BEHAVIOR DURING THE PANDEMIC

Overall, the housing market held up well during the pandemic. Median prices experienced a drop during the early months of the pandemic, as sales declined, but have increased through the summer months. In September, San Ramon median single-family home prices were up 26%, and condos were up 4%.

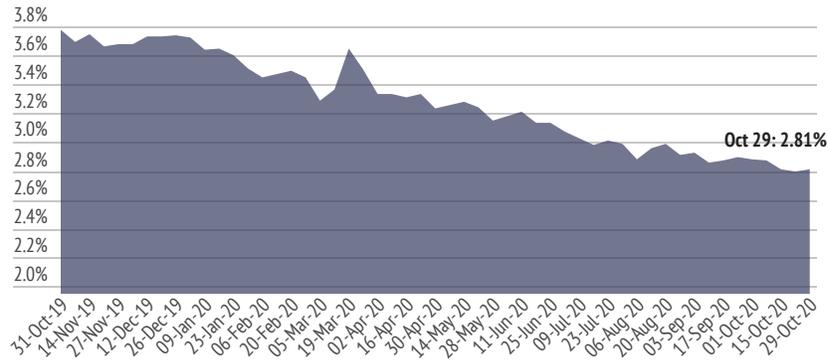


Supply and mortgage rates have largely driven prices, and national demand has stayed the same or—in some cases—even risen. The Mortgage Bankers Association, for instance, reports a 24% year-over-year increase in new home applications nationwide. Locally, San Ramon is experiencing a 43% increase in homes coming under contract year-over-year. At the same time, mortgage rates are still near record lows—under 3%—making houses potentially more affordable even when their prices are increasing.

30-Year Fixed Interest Rate

TTM, Weekly

The 30-year mortgage interest rate has dropped steadily since the stay-at-home order began.



Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States

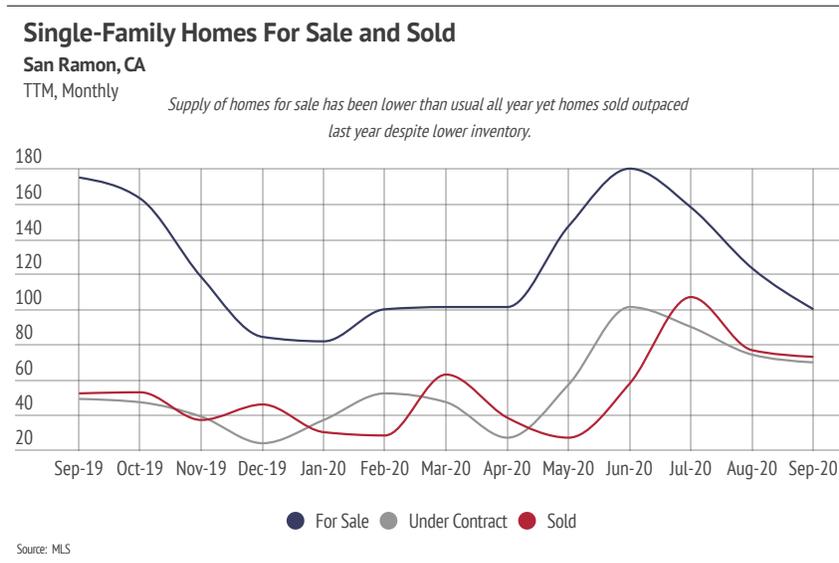
Due to the low-rate environment, homeowners are using this time to refinance. If you bought a home over the last five years, your borrowing rate was likely around 4%, so refinancing would drop your rate by around 1%. In general, homeowners benefit from refinancing if they can lower their rates by at least 1%, which, for example, would save over \$500 per month on a \$1 million 30-year mortgage. Because of the speed at which mortgage rates dropped, the number of homeowners who would benefit from refinancing has skyrocketed.

Another way refinancing saves homeowners money is by providing an opportunity to drop private mortgage insurance (PMI), which is the required insurance homeowners pay if they put less than 20% down. Homeowners currently paying for PMI might be able to eliminate the extra monthly payment as long as the value of their home has risen, and they have enough equity in the home.

As the initial uncertainties over the pandemic's effects on the housing market subside, we expect demand to increase even more. Whether you're planning to buy, sell, or stay in your home, we can guide you through the options that best fit your needs.

SAN RAMON HOUSING TRENDS FOR SINGLE-FAMILY HOMES AND CONDOS

The number of homes for sale and the number of homes under contract show a break in the spring/summer seasonal norm. Supply typically decreases in the winter months and picks back up in the spring; however, the pandemic began right at the start of the spring season, causing sellers to delay entering the market. Both buyers and sellers re-entered the market in May, and strong buyer demand eventually caused inventory to decline significantly. Currently, San Ramon, like the nation as a whole, is experiencing higher than usual demand and lower than usual supply at the same time, thereby bolstering home prices. Many more sellers could enter the market to satiate buyers' pent-up demand without significantly dropping prices. Homes are selling quickly, as we will see by the dramatic drop of Months of Supply Inventory.



Condos trended a little more like a typical year. The pandemic did cause sellers to delay entering the market, but, after the initial shock of the pandemic in March and April, inventory began to rise in a more normal seasonal fashion. Although inventory is trending up so are homes going under contract and sales. In September, inventory was up 18%, while homes under contract increased a massive 100% year-over-year.

Condos For Sale and Sold

San Ramon, CA

TTM, Monthly

Supply of homes for sale has been higher over the summer months; however, growth in sales have far outpaced the increase in inventory.



Source: MLS

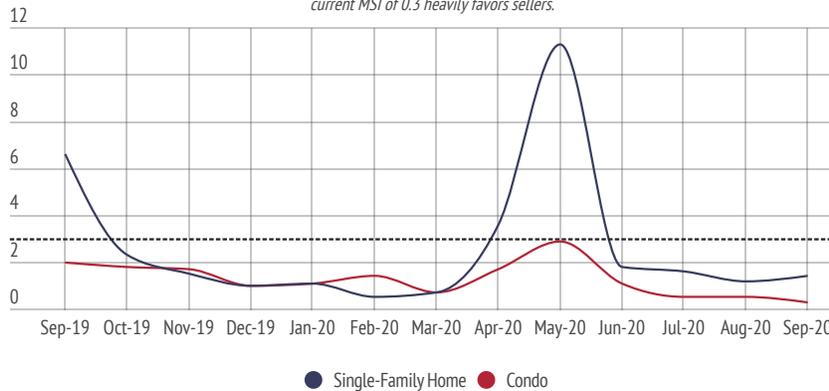
Months of Supply Inventory (MSI)—the measure of how many months it would take for all current homes for sale on the market to sell at the current rate of sales—is typically low, with a two-year average of 1.4 for single-family homes and 2.3 for condos. In California, MSI has an average of three months, which implies a balanced market that does not favor buyers or sellers. Currently, the supply of single-family homes is so low (relative to the pace of sales) that it would take 0.3 months to sell every home available. Condos are also significantly below the two-year average, with 1.4 months of supply. As a result, the current market strongly favors sellers.

Months of Supply Inventory

San Ramon, CA

TTM, Monthly

Months of Supply Inventory is often well below three for single-family homes, but the current MSI of 0.3 heavily favors sellers.



Source: MLS

KEY HOUSING MARKET INDICATORS FOR SAN RAMON'S 94582 ZIP CODE

In this section, we preview the local housing market in September 2020 across several key indicators in order to help you refine your winning buying and/or selling strategy. This guide specifically focuses on single-family homes and condos in the 94582 zip code. As the market conditions change in general, and in response to the global pandemic, we can look at this data in real time to make the best decisions.

Home Prices, Sales, and Inventory

94582 Zip Code, September 2020

	Median Sold Price	Average Sq Ft Price	Sales	Inventory
Single-Family Home	<p>\$1,407,000</p> <p>+20%</p> <p>Median Price for SFH Sold, Y-o-Y percentage change</p>	<p>\$493</p> <p>+3%</p> <p>Avg Sq Ft Price for SFH Sold, Y-o-Y percentage change</p>	<p>31</p> <p>0%</p> <p>Number of Sales of SFH, Y-o-Y percentage change</p>	<p>56</p> <p>-43%</p> <p>Inventory of SFH, Y-o-Y percentage change</p>
Condo	<p>\$805,000</p> <p>+32%</p> <p>Median Price for Condo and Townhouse Sold, Y-o-Y percentage change</p>	<p>\$446</p> <p>-19%</p> <p>Avg Sq Ft Price for Condo and Townhouse Sold, Y-o-Y percentage change</p>	<p>10</p> <p>+400%</p> <p>Number of Sales of Condo and Townhouse, Y-o-Y percentage change</p>	<p>33</p> <p>+57%</p> <p>Inventory of Condo and Townhouse, Y-o-Y percentage change</p>

Source: MLS

In September, the overall 94582 housing market saw higher prices than those just in San Ramon. The median 94582 single-family home cost \$1,407,000 versus the median San Ramon home, which cost \$1,317,400. Moreover, median 94582 home prices were up 20%, and price per square foot saw a 3% increase. Without the usual inventory, buyers have had far fewer options from which to choose, and yet, sales have still risen to the same levels as last year. The number of sales shows that there is still high demand in the area, despite the lower-than-usual inventory.

Buyer's vs Seller's Market

94582 Zip Code, September 2020

Single-Family Home	<p>Months of Supply Inventory</p> <p>0.5</p> <p>Average months of supply inventory, includes homes under contract</p>	<p>Days on Market</p> <p>15</p> <p>The amount of days spent on the market for sold listings</p>	<p>Sale-to-List Price</p> <p>105%</p> <p>Sold price compared to the original listing price</p>
	<p>Months of Supply Inventory</p> <p>1.5</p> <p>Average months of supply inventory, includes homes under contract</p>	<p>Days on Market</p> <p>29</p> <p>The amount of days spent on the market for sold listings</p>	<p>Sale-to-List Price</p> <p>99%</p> <p>Sold price compared to the original listing price</p>

Source: MLS

In September, the housing market for the 94582 zip code favored sellers.

For single-family homes, MSI is typically well below three in the 94582 zip code and has a two-year average of 1.6 months of supply. An MSI of 0.5 heavily favors sellers, and the result is that the demand for homes in the area far outpaces supply. Condos are also low at 1.5 compared to its two-year average of 2.2 months of supply. Because the environment favors sellers, we could see more inventory come to market as more potential sellers try to capitalize on the current market conditions. However, as we go into the autumn and winter months, we expect inventory and sales to slow down.

The current Days on Market (DOM) implies that sellers should expect offers to be accepted in about 15 days for single-family homes and 29 days for condos. If it takes longer to receive offers, sellers should consider reducing their prices. Buyers should proceed with caution and consult with an experienced agent before making an offer on a home that has been on the market for longer than the average DOM, because the price may be too high, or something may be wrong with the property.

Sale-to-list-price ratio—a measure of the difference between the original list price of the home and the final sale price—reflects the negotiation power of home buyers and home sellers under current market conditions. In September, the median single-family home sold for 105% of its original listing price, so buyers and sellers should expect to negotiate offers slightly above list price. Condos sold at 99% of list, so expect to negotiate slightly lower than list price.

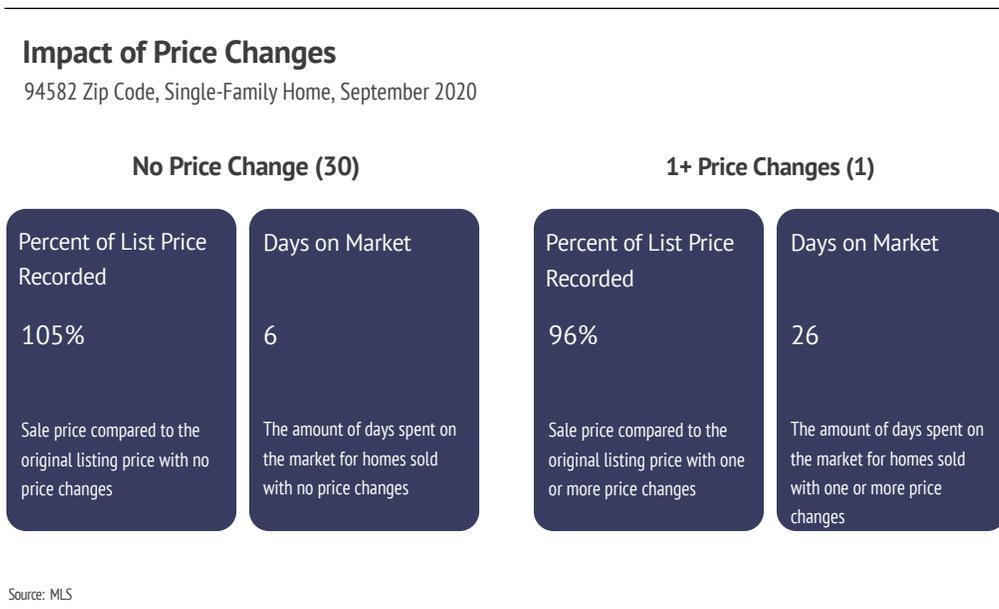
While the indicators above favor sellers, buyers can take advantage of the current low-rate environment that makes homes much more affordable.

THE IMPORTANCE OF LISTING A HOME AT THE RIGHT PRICE

We can split homes sold into two categories: homes sold without price reductions and homes sold with one or more price reductions. Price reductions may indicate problems that need to be fixed, poor marketing, and/or bad showings. More often, however, price reductions occur because the home was overpriced and misaligned with market data from the time it was first listed.

Overpricing a home can create a negative feedback loop: initial offers fail to materialize because the home is overpriced, the Days on Market surpasses the average, and new potential buyers assume there's something wrong with the property. More price reductions and low offers may follow as the home sits on the market, which causes the final selling price to come in below what the property could have garnered had it been priced correctly in the first place.

For an example of such a scenario, we can look at the single-family home market data for the 94582 zip code in September.



In the 94582 zip code, 30 homes sold without price changes, recording 105% of their original listing prices and spending only 6 days on the market. In contrast, the one home that sold with one or more price reductions recorded only 96% of its original listing price and spent over four times as long (26 days) on the market. Usually, we would consider a sample size of one home too small to draw any conclusion; however, it is in line with historical norms. Price changes tend to lower prices and cause homes to stay on the market longer. These numbers underscore the importance of a well-informed pricing strategy.

CONCLUSION

The housing market has shown its resilience through the pandemic and remains one of the safest asset classes. Whether you're buying or selling a home, it's still incredibly important to seek out the advice of real estate experts. Our team is committed to serving all your real estate needs while incorporating safety protocols to protect your loved ones during the buying and selling process. Please don't hesitate to reach out to us with any questions or concerns. We're here to support you.