

Real Estate Views

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Santa Clara County Region

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Mortgage Rates*

30-year Fixed (Zero Points, \$417,000, 3.800 APR)	3.75%
15-year Fixed (Zero Points, \$417,000, 3.105 APR)	3.00%

* As of June 4, 2016. For reference only.

Santa Clara County Market Snapshot* May 2016

# of Listings (Single Family Homes)	1,290
Average selling price	\$1,419,890
% of asking price	104.4%
Avg. number of days on market	19
Number of Homes Sold	962

* MLSListings.com

Buyers Continue Tepid Offerings

The county's real estate sales data for May was a mixed bag, confirming my belief that the market is clearly in a state of flux. On the one hand, the average price was up 5.7 since last month and 9.79% year-over-year. This was the first month of this calendar year that the year-over-year increase was almost 10%.

The spike in home prices may have been the result of a drop in inventory. For the first month since January, inventory was down from the previous year leading to a 7.9% drop in sales from a year ago.

Continuing to get most of my attention is the price-to-list ratio. This is the time of year when it normally trends up. With inventory lower than a year ago, logic dictates it should have been up.

However, in May it continued its current trend by being marginally down from last month and significantly down from a year ago. So, despite the accommodating climate favoring aggressive bids, buyers are staying close to the list price.

Last month I expressed suspicion that affordability was a key factor in affecting this buying trend. This month, I'm wondering if demand also has subsided. Even though inventory may be low, perhaps not as many people are in the market to purchase homes.

In talking with colleagues in my office, few believe this is the case. Many of those agents represent serious buyers and agents hosting open houses report brisk traffic and high interest.

The general feeling amongst the agents with whom I've spoken is that buyers, to some extent, have become tired of getting their offers rejected. According to one agent, his client "is tired of the emotional roller coaster" of stretching the wallet and offering \$50k over list price and still having the offer rejected. They'd rather just make a fair offer and if they get it, they get it. If they don't, they don't.

This insight to the current psychology of the buyer can be very helpful to sellers in terms of what to expect if they list their homes. It is critical that home prices are consistent with the market and sellers may have to adjust their expectations to the way buyers are making offers.

It's still a good seller's market, but expectations need to be different.

Sellers Have To Settle For Sales Closer To List Price

List Price	Last Year (7.7%)		This Year (4.4%)	
	Sales Price	+/-	Sales Price	+/-
\$500,000	\$538,500	\$38,500	\$522,000	\$22,000
\$750,000	\$807,750	\$57,750	\$783,000	\$33,000
\$1,000,000	\$1,077,000	\$77,000	\$1,044,000	\$44,000
\$1,250,000	\$1,346,250	\$96,250	\$1,305,000	\$55,000

Last year at this time, the average home sold for 7.7% above original list price. This year, that number is down to 4.4%. The chart above shows the difference in sales price for the various price points. The numbers in green reflect the amount paid over the list price for the respective years.