Home Sales & Prices Mixed to End the Year

While home sales and prices were up year-over-year, they were down compared to November.

The median sales price for single-family, re-sale homes in December was up 4.9% compared to last year. It was down 2.4% from November.

The average sales price was up 4.1% year-over-year. It was down 0.1% compared to November.

The sales price to list price ratio dropped to 100.1% from 100.2%.

Home sales dropped 11.8% from November, but, they were up 17.5%, year-over-year. There were 644 homes sold in Santa Clara County last month. The average since 2000 is 987. For the year, home sales were down 3.5%.

Inventory was down for the fourth month in a row, after being higher than the year before fifteen months in a row. It dropped 33.6% last month.

As of January 5th, there were 453 homes for sale in Santa Clara County. The average since January 2000 is 2,778.

Days of Inventory, or how long it would take to sell all homes listed for sale at the current rate of sales, fell 9 days to 21 days compared to November. The average since 2003 is 89.

The median sales price for condos was flat compared to November, and, it was down 1.6% from last December.

The average sales price fell 1.6% from November, and, it was down 2.2% from last December.

The sales price to list price ratio dropped to 99.4% from 100.4%.

Condo sales were up 18.7% year-over-year. For the year, condo sales were down 4.4%.

Condo inventory dropped 16.2% from last December.

As of January 5th, there were 248 condos for sale in Santa Clara County. The average since January 2000 is 757.

Days of inventory fell to twenty-nine from thirty-four.

It took an average of forty-nine days to sell a condo last month.

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Closing The Books On The 2010s

Dec. 27, 2019 -- You might say a lot of things -- likely some good and some bad -- about the decade just past, but you probably wouldn't include "boring" among the adjectives to describe the period. The longest economic expansion on record spanned the entire period; despite that, we at times saw the lowest interest rates in history (in some cases), and 65-or-so year lows for mortgage rates. We achieved stock market records, saw housing sales, building and home prices recover to a great degree amid unprecedented refinancing and mortgage-modification programs.

To the question of "Will mortgage rates be higher or lower in the coming decade?" we can answer with a confident "Yes!". Despite the 10s featuring modern-record-low rates, the Fed and other central banks are beginning the new decade with little traditional ammunition to fight the next downturn. The Fed tried to stockpile some in 2018 and was forced to reverse course in '19, and so there is little space above the "zero bound" in which the Fed may work. Should a downturn hit in the next ten years (history says it likely will) the Fed will need to again use unconventional policies to spur the economy, and that argues for a good chance of even lower rates than now at some point in the next ten years. Of course, the business cycle hasn't been repealed, but it is the global business cycle that matters now rather than a more simple domestic one. As such, inflation will need to rise on a widespread basis and central banks likely act in some form of concert in order to achieve the price levels they want, but that's not a certain thing at all. A period of inflation above the Fed's (and other central banks') two percent core inflation target may come, and when it does, a good case can be made that interest rates will move higher again -- and give the very low "tops" for rates seen in this decade, moving above them wouldn't be all that difficult.

If lower and higher rates at times today are a likelihood if not a certainty, the question then becomes "When?" and therein lies the challenge -- trying to determine not what will happen but also when it will happen. In broad strokes, and given the age of the expansion, odds favor a recession at some point in the coming decade sooner than later, but much depends on how the global economy re-

Santa Clara County Homes - Median & Average Prices & Sales
(3-month moving average—prices in $000’s)
**Market Statistics**

### Trends at a Glance

<table>
<thead>
<tr>
<th></th>
<th>Dec 19 Month %</th>
<th>Nov 19</th>
<th>Year %</th>
<th>Dec 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Price</strong></td>
<td>$1,220,000</td>
<td>-2.4%</td>
<td>+4.9%</td>
<td>$1,163,000</td>
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<tr>
<td><strong>Average Price</strong></td>
<td>$1,496,730</td>
<td>-0.1%</td>
<td>+4.1%</td>
<td>$1,437,380</td>
</tr>
<tr>
<td><strong>Home Sales</strong></td>
<td>644</td>
<td>-11.8%</td>
<td>+17.5%</td>
<td>548</td>
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<tr>
<td><strong>Pending Sales</strong></td>
<td>475</td>
<td>-42.1%</td>
<td>-10.0%</td>
<td>528</td>
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<tr>
<td><strong>Active Listings</strong></td>
<td>453</td>
<td>-39.8%</td>
<td>-33.6%</td>
<td>682</td>
</tr>
<tr>
<td><strong>Sale/List Price Ratio</strong></td>
<td>100.1%</td>
<td>-0.1%</td>
<td>100.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Days on Market</strong></td>
<td>37</td>
<td>13.5%</td>
<td>9.5%</td>
<td>34</td>
</tr>
<tr>
<td><strong>Days of Inventory</strong></td>
<td>21</td>
<td>-29.5%</td>
<td>-43.5%</td>
<td>37</td>
</tr>
</tbody>
</table>

### Condominiums

<table>
<thead>
<tr>
<th></th>
<th>Dec 19 Month %</th>
<th>Nov 19</th>
<th>Year %</th>
<th>Dec 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Price</strong></td>
<td>$782,500</td>
<td>0.0%</td>
<td>-1.6%</td>
<td>$795,250</td>
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<tr>
<td><strong>Average Price</strong></td>
<td>$851,190</td>
<td>-1.6%</td>
<td>-2.2%</td>
<td>$870,564</td>
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<tr>
<td><strong>Home Sales</strong></td>
<td>254</td>
<td>-18.1%</td>
<td>18.7%</td>
<td>214</td>
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<tr>
<td><strong>Pending Sales</strong></td>
<td>249</td>
<td>-28.0%</td>
<td>20.9%</td>
<td>206</td>
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<tr>
<td><strong>Active Listings</strong></td>
<td>248</td>
<td>-32.4%</td>
<td>-16.2%</td>
<td>296</td>
</tr>
<tr>
<td><strong>Sale/List Price Ratio</strong></td>
<td>99.4%</td>
<td>-0.9%</td>
<td>100.4%</td>
<td>-0.5%</td>
</tr>
<tr>
<td><strong>Days on Market</strong></td>
<td>49</td>
<td>29.6%</td>
<td>49.2%</td>
<td>33</td>
</tr>
<tr>
<td><strong>Days of Inventory</strong></td>
<td>29</td>
<td>-14.7%</td>
<td>-29.4%</td>
<td>41</td>
</tr>
</tbody>
</table>

### Santa Clara County Condos - Median & Average Prices & Sales

(3-month moving average—prices in $000’s)

**Table Definitions**

- **Median Price**: The price at which 50% of prices were higher and 50% were lower.
- **Average Price**: Add all prices and divide by the number of sales.
- **SP/LP**: Sales price to list ratio or the price paid for the property divided by the asking price.
- **DOI**: Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.
- **Pend**: Property under contract to sell that hasn’t closed escrow.
- **Inven**: Number of properties actively for sale as of the last day of the month.

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vives from its still-ongoing soft period. A solid revival of growth in the near term lengthens the timeline before recession, but a faltering or sputtering one would likely advance the chances of a downturn. It bears noting that these peaks and valleys might come in fairly rapid fashion, as we saw in 2019. The year began with rates at a high point but declined steadily for nine months before leveling off near record lows (before firming a bit as the fourth quarter progressed). In fact, in late 2018 we were very nearly at the decade's high point for rates (5.21% on 4/18/10) then reversed course and nearly approached its low point (3.31% on 11/21/12) with the 2018-2019 fall totaling almost a percentage point and a half in less than a year's time.

Sales of new homes do inspire a bit of confidence, though, as the trend is "up and to the right", as the saying goes, if mildly. In November, and annualized 719,000 new homes were sold, a 1.3% increase over a downwardly-revised October but almost 17% above last November's pace. Low mortgage rates have certainly helped home sales, but perhaps more important is the serious lack of affordable, desirable inventory in the existing home market.

This, plus a relatively small gap between the median prices of new and existing homes means that some potential homebuyers are opting for new construction, and we think that this is likely to be the case as we move through 2020 as the inventory shortage problem for existing homes is likely to persist. Supplies of new homes are adequate, with enough stock to cover 5.4 months of sales at the current pace, with an annualized 323,000 units built and ready to be sold during the month. Unlike existing homes, where median prices are again rising well above the rate of inflation, those for new construction remain muted, with just a 1% increase in the median price compared to the same period a year ago.

The onset of the holidays means that both homeowners and potential homebuyers have no time to seek out new mortgages, so it's to be expected that the measure of weekly applications from the Mortgage Bankers Association of America would have dipped of late. In the week ending December 20, overall applications for mortgages declined by 5.3% after a 5% decline the prior week, with both applications for purchase-money mortgages (-4.8%) and those for refinancing (-5.1%) hitting the skids for the week. That will likely be the case next week, but once the year turns there is often a spike in activity as the demand that is pent up during the holiday season is expressed.

The Silicon Valley’s Real estate market is a derivative of the local economy--it prospers and withers depending on how well the local innovation-based sector performs. The San Jose Mercury News tracks the performances of the largest 150 publicly traded companies headquartered in Silicon Valley through an index called the SV150, which may be found at www.mercurynews.com. Stocks are valued based on several criteria, but one of the more important criteria is a company’s future earnings. Therefore, I see the SV150 as a leading indicator for Silicon Valley’s real estate market.