



MCM Home Market Report

## Calm in a real estate storm

As buyer frenzy tapers off, a sellers' market bolstered by strong values takes over

Story: Adam Martin

IF 2008 WAS THE YEAR the bottom dropped out of the housing market, then 2013 was the year it finally got screwed back on. Tightly.

And after several years of sluggish prices, the sharp upward swing caused some amount of whiplash for buyers, even as it brought greater peace of mind for sellers.

After months of steep increases, home prices appear to be leveling out around the Bay Area. For Eichler and other mid-century modern owners, who appear to have lost less equity overall than the average homeowner, that means a return to a moderate-paced sellers' market with home values holding strong.

While the first few months of 2013 saw a market scrambling to catch up with itself, the last quarter of the year is looking much calmer.

### The frenzy that was

An informal survey of realtors in March, chronicled in the Eichler Network's 'The CA-Modernist' blog, revealed a frenzy of buyers scrambling to take advantage of historically low interest rates as prices shot upward. Houses around the Bay Area listed well below their final selling prices, which were driven up by scads of offers, often ten or more on the same property.

"To me, market forces say jobs are good, there are more people moving into the area than out, we're hiring—Apple's adding 7,000 new people with their new campus. So if you believe those things are solid, then house prices are not going to decline," says Peninsula realtor Mark Easterday, of Eichler Homes Realty.

In the second half of the year, in markets around the region, homes are listing higher than they were last year or even earlier this year, and they're receiving fewer offers. But they're selling steadily. Part of that has to do with a second-quarter uptick in interest rates. Part of it is the market recognizing the value of Eichler homes as workers flock to the Bay Area's strong economy.

The Case-Shiller Home Price Index showed national home prices up 12.1 percent year-over-year as of the end of August. But in the Bay Area, the research firm DataQuick found home prices had jumped 33.5 percent throughout the nine counties. For mid-century modern owners, whose homes often sell at a premium, that is very good news.

But each market within the region still has its quirks, so we spoke with realtors from around the Bay Area to learn what's happening on the ground, and what to expect in coming months.

### South Bay and Peninsula hot

The hottest markets are in the South Bay and Peninsula, where



Apple, Google, and other huge tech companies are on a hiring binge. Workers moving to the area have heard about Eichlers and are searching for them specifically, says Kevin Swartz, of Coldwell Banker's Erdal Team. For those young, moneyed professionals, the more original the home, the better.

"We're seeing buyers in that profile pay more and be more aggressive about writing offers for Eichlers that are better preserved, such as ones with original mahogany paneling, that haven't made any changes to the design, still within the original aesthetic," Swartz says. But those original homes are not listing en masse. "Overall this year there have been 40 Eichlers in the South Bay that closed escrow. Last year we had 69."

The tech boom drawing workers to Silicon Valley has priced many potential buyers out of Sunnyvale, so they're flooding into neighborhoods such as San Jose's Willow Glen, where prices are creeping past \$1 million from the \$900,000 mark.

On average, a four-bedroom, two-bath Eichler in Sunnyvale listed for \$1,090,500 in June 2012, and sold for \$1,124,500 after 15 days on the market, according to MSL statistics Swartz analyzes. In June 2013 that house listed for an average of \$1,157,000, and sold for \$1,443,750 after just seven days on the market.

But in the second half of 2013 that kind of skyrocketing price has

anything in Palo Alto for less than 1.5. So where do you go? You go to San Mateo."

But in San Mateo the market is always squeezed. As Coldwell Banker's Glenn Sennett points out, "We don't live in an area where they're building homes. You're going to live in a home that was built 40 or 50 years ago. There's always a lack of inventory in this area."

The average sale price in the San Mateo Highlands was \$1.1 million in 2012, but it increased to \$1.23 million in 2013, Easterday's data showed. Easterday called prices of \$1.25 to \$1.4 million the "new normal" in San Mateo. But he said the frenzy of bids that had accompanied the uptick in prices had slowed, thanks in part to the Federal Reserve's recent interest rate increase.

"The effect that's had is to tap the brakes a little bit," Easterday says. "So there's a combination of prices going up very quickly year over year, and interest rates very quickly hitting a yearlong peak, that has buyers backing out of the market. So instead of seeing ten or 15 offers

two, in most cases. Most properties in the last four weeks or so have seen that instead of, say, eight or 12 offers," Munson said in late August.

As in the South Bay and the Peninsula, Munson predicted prices would level out. But she said a shortage of inventory will keep prices high, as long as the economy stayed strong enough for buyers to write offers.

"I think we'll continue to have reluctant sellers. They don't want to leave Marin. It's a lovely place to live," Munson says.

"My crystal ball says—and it should definitely be prefaced that way, since this is not a science—that we will continue this relatively calm, strong market. It's strong but it's not hysterical."

### Market correction vs. hype

The buying frenzy earlier this year reached the East Bay as well. But there, Thomas Westfall of Alain Pinel Realtors downplays the turmoil that led to the current leveling off of sale prices.

"I think a lot of people have been fabricating hype," he says. "I think the media perpetuates a lot of the excitement. I think the media has scared people, has scared buyers. 'Oh, you can't compete with all this international cash,' [the hype says.] My response is: sure you can."

Westfall said sales earlier in 2013 had surpassed those in recent weeks, but he attributed that to the normal sales cycle, in which activity slows in the late summer and fall. Families with children, who make up a large segment of buyers in Walnut Creek, Concord, and Castro Valley, want to buy in the spring so they can get acclimated before the school year.

But even if Westfall isn't buying into the hype, he says the price increase was no myth. "A property that I would have priced at 600,000 last year, I will price at 700 this year," he says.

Parts of Alameda and Contra Costa counties hit hard by the market crash have seen price increases of up to 42 percent this year, Westfall says.

"But if you look at the Eichler market, an Eichler in Castro Valley that was 600 grand will be 700. One priced at 600 in Oakland will go for

715—a touch higher because that's where people are moving from the city. And Concord, too—homes that were going for high 300 to 400 grand are now closer to 450 to 475.

"Even during the recession, Eichlers were still popular. They held their value better than the typical home. That's why you don't see 40 percent growth."

### Normalcy back in Sacramento

The fire sale that pushed down prices for the last five years is over, clearly. Even in the hardest-hit parts of the region, around Sacramento, the market is returning to normal after a dramatic rise earlier this year.

"The market has gone through a change the last month or two, and it's become much more normal," says mid-century modern specialist Steve Streng, of Streng Realty. "Where we had multiple offers on properties, four or five within the first week or two, now you're getting one or two offers across over maybe three or four weeks. That's probably a good thing. Prices went up really fast over the past year. In fact it's been about a 34.9 percent increase."

But beyond the simple price increase, Streng pointed to the types of sales as a true sign the market was rebounding for real. "A year ago the majority of what we were selling were bank sales or short sales, and now the majority are normal. Just six percent are bank sales now, including Freddie Mac and Fannie Mae homes. A year ago it was close to 35 percent."

Where recently buyers were simply trying to get Sacramento inventory at deep discounts, and then flip houses following banal upgrades, now they're truly shopping for mid-century moderns, and respecting the style as adding value, and doing improvements that adhere to that style, Streng says.

In fact, throughout the Bay Area and Sacramento, buyers appear to want more original-looking Eichlers and Strengs. For sellers, that means leaving the aesthetics of the house alone and improving hidden systems, such as electrical and heat, in order to add value. ■

• For regular real estate reports on mid-century modern homes in your neighborhood, sign up for Adam Martin's 'The CA-Modernist' blog on EichlerNetwork.com.

Photography: David Toerge



PEACE OF MIND. A bright future is forecast for the MCM home market. Above: Eichler real estate specialists from around the Bay (L-R): Kevin Swartz (South Bay), Catherine Munson (Marin), Thomas Westfall (East Bay).

slowed. "They [new buyers] are realizing they would be vastly overpaying, and within a matter of six months their property will be less than what they paid for it," Swartz says.

### Buyers driven to San Mateo

Similarly, in San Mateo County, neighborhoods such as the Highlands are seeing an influx of buyers who have been priced out of Palo Alto.

"We saw in the early part of the year, it just took off," Easterday says. "You thought you could get something at \$1.3 [million], and then it goes up to \$1.7. So now you can't get

on a property, we see five."

### Marin pace down—but not prices

That tapering off was evident in Marin, as well, says Catherine Munson, of LVP Marin Realtors, who's been selling Eichlers there since Joe Eichler hired her himself. After a frenzied start to the year, with inventory limited and buyers in hot competition, the pace has eased, but not the price.

"We, too, have seen a slowing of the fever, which I frankly think is a healthy thing. We are approaching a normal market, where we have one offer, maybe