

Napa County

Quarterly Real Estate Report

Q2 2014



Jimmy Wanninger
Luxury Property Specialist

Properties for Sale | Neighborhood Data | Pacific Union Blog

Napa County: Q2 Results

After a slow first quarter, real estate activity in Pacific Union's Napa County region picked up noticeably in April, performed even better in May, and shot off the charts in June. The second quarter of 2014 saw a large increase in the supply of available homes, and buyers were waiting; as soon as a well-priced property came on the market, it sold.

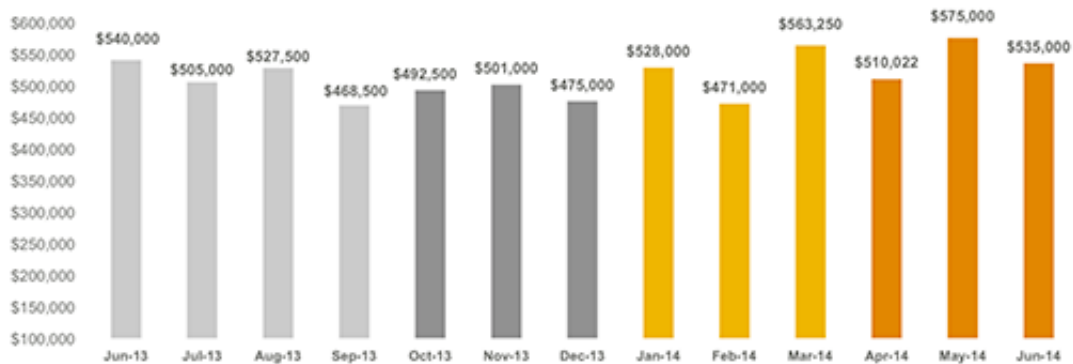
All price points saw strong sales activity across the county, with exceptional demand for winery properties and vacant land suitable for development. Distressed properties – short sales and bank-owned homes – have virtually disappeared from the marketplace after accounting for half of all sales just a few years ago. Home prices have stabilized, and multiple offers, a staple of nearly all sales last year, have waned. In short, Napa County's real estate markets have largely returned to normalcy after a tumultuous seven years of boom, bust, and recovery.

Looking Forward: The third quarter looks to be an active time for homebuying and selling, even though sales typically slow a bit after schools let out for the summer and families pursue vacations. Plenty of buyers will be watching – and bidding – in the months ahead.

Defining Napa County: Our real estate markets in Napa County include the cities of American Canyon, Angwin, Calistoga, Napa, Oakville, Rutherford, St. Helena, and Yountville. Sales data in the charts below includes all single-family homes in Napa County.

Median Sales Price

The median sales price represents the midpoint in the range of all prices paid. It indicates that half the prices paid were higher than this number, and half were lower. It is not the same measure as "average" sales price.



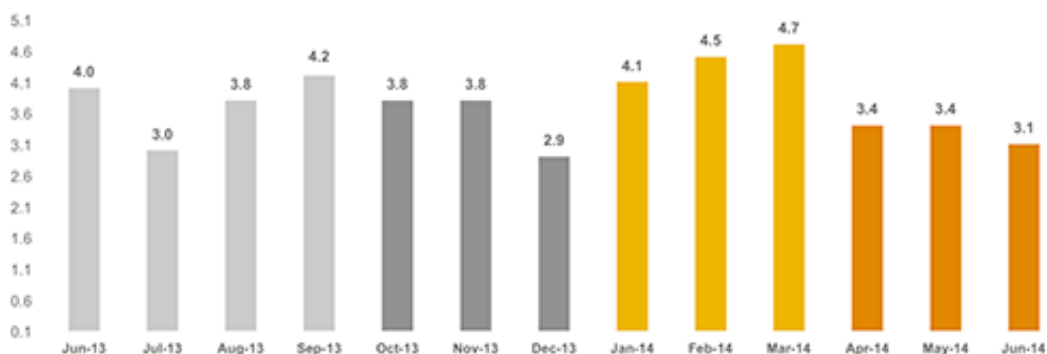
Source: Teradata, July 7, 2014. Median sales price for single-family homes in Napa County.

[Click to view larger chart](#)

Months' Supply of Inventory

The months' supply of inventory is a measure of how quickly the current supply of homes would be sold at the current sales rate, assuming no more homes came on the market. In general, an MSI below 4 is considered a

seller's market; between 4 and 6 is a balanced market; and above 6 is a buyer's market.

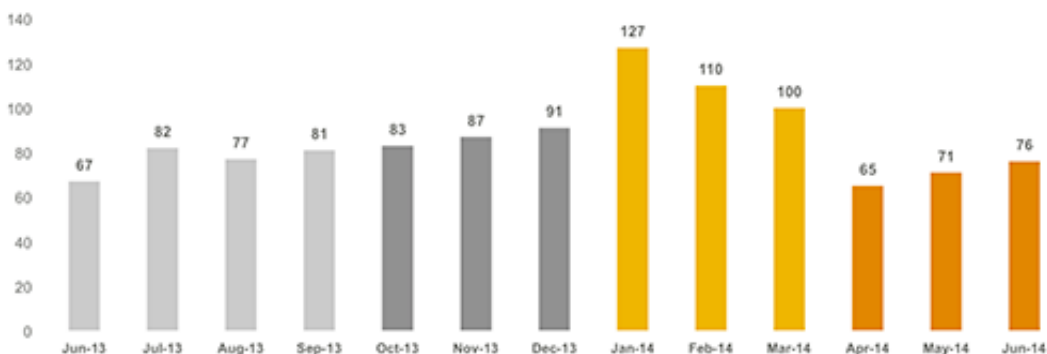


Source: Terradatum, July 7, 2014. Months' supply of inventory for single-family homes in Napa County.

[Click to view larger chart](#)

Average Days on the Market

Average days on the market is a measure that indicates the pace of sales activity. It tracks, on average, the number of days a listing is active until it reaches "pending" status, meaning all contingencies have been removed and both parties are just waiting to close.

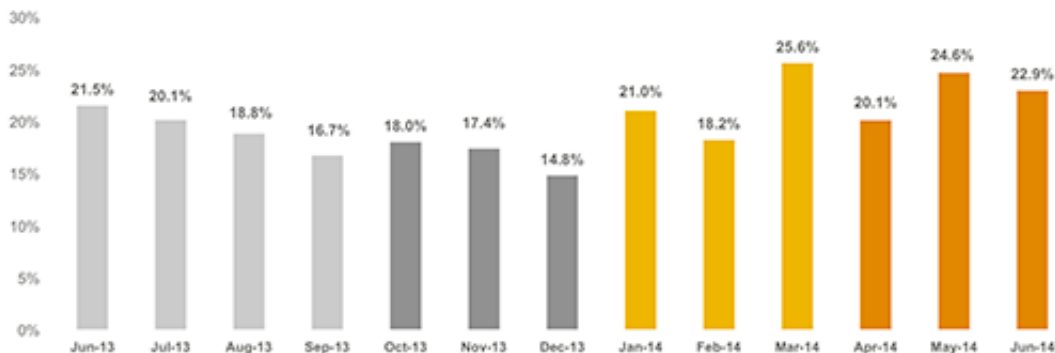


Source: Terradatum, July 7, 2014. Average days on market for single-family homes sold in Napa County.

[Click to view larger chart](#)

Percentage of Properties Under Contract

Percentage of properties under contract is a forward-looking indicator of sales activity. It tracks expected home sales before the paperwork is completed and the sale actually closes.

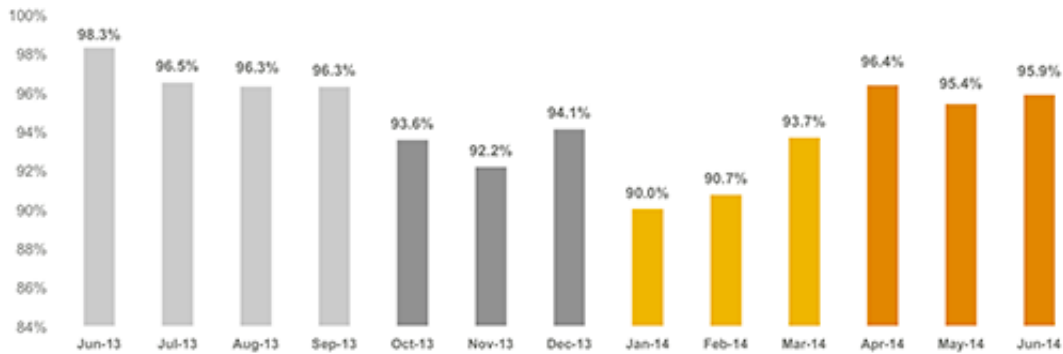


Source: Terradatum, July 7, 2014. Percentage of single-family homes under contract in Napa County.

[Click to view larger chart](#)

Sales Price as a Percentage of Original Price

Measuring the sales price as a percentage of the final list price, which may include price reductions from the original list price, determines the success of a seller in receiving the hoped-for sales amount. It also indicates the level of sales activity in a region.



Source: Teradata, July 7, 2014. Sales price as % of original price (including adjustments) for single-family homes under contract in Napa County.

[Click to view larger chart](#)

A Closer Look at Napa County

Napa County Snapshot: Q2 2014 vs. Q2 2013												
	Sales Volume			Homes Sold			Avg. Days on Market			Median Price		
	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change
American Canyon	\$ 21,731,900	\$ 17,195,400	-21%	60	43	-28%	71	43	-39%	\$ 353,500	\$ 403,000	14%
Angwin	\$ 3,773,500	\$ 2,780,000	-26%	7	3	-57%	89	78	-12%	\$ 450,000	\$ 395,000	-12%
Calistoga	\$ 23,499,000	\$ 17,876,000	-24%	21	16	-24%	87	124	43%	\$ 655,000	\$ 672,500	3%
Napa	\$ 138,987,350	\$ 169,367,620	22%	243	246	1%	80	67	-16%	\$ 469,000	\$ 532,000	13%
St. Helena	\$ 37,869,668	\$ 61,038,408	61%	31	34	10%	97	124	28%	\$ 960,000	\$ 1,095,579	14%
Yountville	\$ 7,375,800	\$ 8,090,000	10%	9	8	-11%	67	24	-64%	\$ 765,000	\$ 1,032,500	35%

Source: Teradata, July 7, 2014. Data is for single-family homes in selected Napa County cities.

[Click to view larger chart](#)

Napa County Price Range Snapshot: Q2 2014 vs. Q2 2013												
	Sales Volume			Homes Sold			Avg. Days on Market			Median Price		
	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change	Q2 '13	Q2 '14	% change
Under \$500,000	\$ 73,678,850	\$ 57,855,485	-21%	206	151	-27%	67	64	-4%	\$ 365,000	\$ 395,000	8%
\$500,000 - \$999,999	\$ 83,119,868	\$ 97,244,260	17%	122	143	17%	101	74	-27%	\$ 650,000	\$ 650,000	0%
\$1 million - \$3 million	\$ 63,155,728	\$ 71,765,683	14%	43	47	9%	99	72	-27%	\$ 1,250,000	\$ 1,340,000	7%
Over \$3 million	\$ 24,600,000	\$ 49,032,000	99%	3	9	200%	69	121	75%	\$ 5,900,000	\$ 5,025,000	-15%

Source: Teradata, July 7, 2014. Data is for single-family homes in Napa County.

[Click to view larger chart](#)

Three Reasons Why This Housing Cycle Is Not a Bubble

Bay Area real estate values, fundamentals, and “noise” continue to be hot topics at social gatherings and client meetings. Does this cycle resemble the dot-com era bubble? Can the pace and valuations we are seeing continue?

While supply and demand are very basic and scalable market dynamics, I do believe it is important to separate the pace of sales from valuations. In terms of sales volume, the market’s current pace still displays somewhat of

a “slingshot” effect from constrained demand as a result of the 2008 equities-market meltdown. Buyers sought safety on the sidelines for three or four years, but in the last 24 months, demand has been ferocious.

Although we anticipate Bay Area sales volume will experience year-over-year growth of less than 5 percent by 2016 and 2017, slowing demand will not relax pricing.

The following three fundamentals are currently driving Bay Area real estate markets:

1. **Supply constraints:** Our region has limited land available for new housing development.
2. **Exceptional job growth:** Northern California enjoys the hottest employment market in the U.S., with intellectually challenging, highly sought-after, and lucrative jobs. (See our feature story below for more on our region’s economic outlook.)
3. **Population growth:** The chart below illustrates that population growth across our nine-county region has exceeded new housing supply by an average of nearly 200 percent in four years.

County	Population Growth: 2010-2014	Housing Growth: 2010-2014	Type
Alameda	4.2%	1.3%	Undersupply
Contra Costa	3.6%	1.4%	Undersupply
Marin	1.4%	0.4%	Undersupply
Napa	2.0%	0.7%	Undersupply
San Francisco	3.9%	1.3%	Undersupply
San Mateo	3.7%	0.9%	Undersupply
Santa Clara	4.9%	2.0%	Undersupply
Solano	2.6%	1.3%	Undersupply
Sonoma	1.4%	1.0%	Balanced

Source: California Department of Finance

[Click to view larger chart](#)

Each of the market dynamics listed above generally has very positive impacts on residential real estate. I doubt there is another major U.S. market that is experiencing and enjoying the combination of all three of these factors.

On a global stage, the Bay Area trails New York City, London, Hong Kong, and Beijing on a dollar-per-square-foot valuation perspective. Over the next five years, look for our region’s real estate prices to meet the aforementioned international markets.

A few years ago I attended a Bay Area real estate conference where Leslie Appleton-Young, vice president and chief economist of the California Association of Realtors, spoke. When asked about the best time to invest in California real estate, Leslie replied, “I’ve been answering that question for 30 years, and my answer has always been ;five years ago.”

If I am not mistaken, Warren Buffet said, “Buy all the real estate you can,” in a 2009 television interview. I suspect we will all feel the same way in 2019 when we look back at today’s market.

Sincerely,



Mark A. McLaughlin, CEO, Pacific Union

Bay Area Job, Population Growth Will Continue to Fuel Housing Demand

The Bay Area’s tech-industry-driven economy continues to add extremely desirable and high-paying jobs, attracting talented workers from around the nation and globe. But even though our region’s phenomenal economic growth likely will begin to slow over the next couple of years, intense demand for housing is almost certainly here to stay thanks to a pronounced lack of available homes.

"We're getting closer to full employment," says Stephen Levy, director and senior economist of Palo Alto-based Center for Continuing Study of the California Economy. "And what that means is that as we near full employment, that's going to bring in people, which will add to the housing demand."

Technology
companies
continue to fuel
Bay Area job
growth.

[May statistics](#) from the California Employment Development Department show that each one of our Bay Area counties boasts an unemployment rate lower than the statewide average of 7.6 percent. Job growth remains particularly strong in Marin, Napa, San Francisco, and San Mateo counties, all of which have unemployment rates of less than 5 percent.

Levy believes that the Bay Area's unemployment rate will never return to dot-com-era lows, when it hovered in the 2 to 3 percent range in San Francisco and Silicon Valley. However, he forecasts that even though job growth will level off over the next two years, the Bay Area will continue to outperform the rest of the country.

Population Growth Outpacing New Housing in Key Markets

Since the U.S. began to emerge from the Great Recession in 2010, the Bay Area's population rate has jumped sizably, according to California Department of Finance data. Over the past four years, the number of residents in San Francisco and San Mateo counties has grown by nearly 4 percent while increasing by almost 5 percent in Santa Clara County.

But none of those counties has built enough new housing units to keep up with the expanding populace. Since 2010, new housing has grown by just 2 percent in Santa Clara County, 1.3 percent in San Francisco, and 0.9 percent in San Mateo County.

"Peninsula prices and rents will continue to outpace the state and national average unless we see a dramatic increase in supply, and even then it would be snapped up pretty quickly," Levy says.

Economic Climate Much More Stable Than in Dot-Com Days

As was the case in the dot-com boom and subsequent bust, the tech industry remains the primary driver of Bay Area employment growth. However, Levy believes that our current economy is far less frenetic than it was 15 years ago.

"I think it's quite different," he says. "These are real companies, and they have customers, profits, and burgeoning sales. The dot-com era was more about business plans."

Still, technology companies aren't the only businesses fueling Bay Area job growth. Other industries, including hospitality, health care, and construction, are seeing employment upticks, Levy says. However, he cautions that tremendous growth in the Internet sector could eventually slow expansion in other industries, including brick-and-mortar retail and financial services.

While the Bay Area's economic outlook appears solid for the foreseeable future, the housing shortage may eventually impede growth, as workers could become wary of relocating to an area where finding a home is so difficult. Therefore, new construction remains a crucial factor in keeping our region's economy moving upward and onward.

"I think [our economy] will always grow, but absolutely, housing poses a constraint to our growth over the long term," Levy says. "The lack of housing could take some of the bloom off of the rose and limit some of the growth that might otherwise be there."

Bay Area 10-Year Overview

Here's a look at home sales in the Bay Area's real estate markets in the second quarter of 2014, with a glance back at the 10 preceding second quarters.

Bay Area: 10-Year Overview of Q2 Homes Sold											
REGION	Q2 '04	Q2 '05	Q2 '06	Q2 '07	Q2 '08	Q2 '09	Q2 '10	Q2 '11	Q2 '12	Q2 '13	Q2 '14
CONTRA COSTA COUNTY	3,702	3,475	2,779	2,026	2,542	3,518	3,273	3,141	3,403	2,977	2,799
EAST BAY	881	892	814	749	613	556	681	676	810	823	781
MARIN COUNTY	912	799	665	684	494	440	574	555	680	786	764
NAPA COUNTY	476	434	317	279	247	307	336	356	419	374	350
SAN FRANCISCO (SFH)	817	785	746	600	655	557	674	685	726	746	609
SAN FRANCISCO (CONDOS)	747	720	589	645	533	370	565	578	737	760	738
SILICON VALLEY	1,046	869	806	793	621	533	617	738	781	770	724
SONOMA COUNTY	1,893	1,791	1,245	1,001	1,143	1,282	1,249	1,175	1,484	1,458	1,268
SONOMA VALLEY	199	197	125	113	97	123	136	121	176	174	160
TAHOE/TRUCKEE (SFH)	336	272	215	183	160	151	200	210	268	291	268
TAHOE/TRUCKEE (CONDOS)	104	116	73	82	35	28	62	82	88	71	75

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[Click here to see specific 10-year data on key cities in the Bay Area.](#)



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