

# THE DUPONT GROUP



## *Real Estate Digest Southern Marin County*

September, 15

*Trust  
Integrity  
Piece of Mind*



# Real Estate Digest Southern Marin County

Please find enclosed a current commentary on the Southern Marin Real Estate markets. This publication was created by The DuPont Group and intended for homeowners in Southern Marin who are interested in understanding how the Sub-Prime debacle, the subsequent tightening of the credit markets, and the current national real estate downturn are effecting real estate prices in our Southern Marin towns and neighborhoods. As this issue went to print, the Federal Reserve just cut interest rates on both the overnight rate and the Discount Rate by ½ %. This is the first rate cut in four years and is good news for both the broad US economy as well as the Southern Marin Real Estate market. All enclosed real estate sales data and pricing statistics are sourced from the Bareis Multiple Listing Service.

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# Southern Marin Overview

All markets historically move in cycles, and so to does Marin Real Estate. Interestingly, if you look at Marin County as a whole there is only one period in the last 47 years (1991-1992) where County-wide prices actually retreated-- in both 1991 and 1992 average prices decreased about 1% each year (please see graph below). The same 47 years of price data for Marin towns show past downturns last about 6-7 years, with different towns feel pricing pressure in different years.

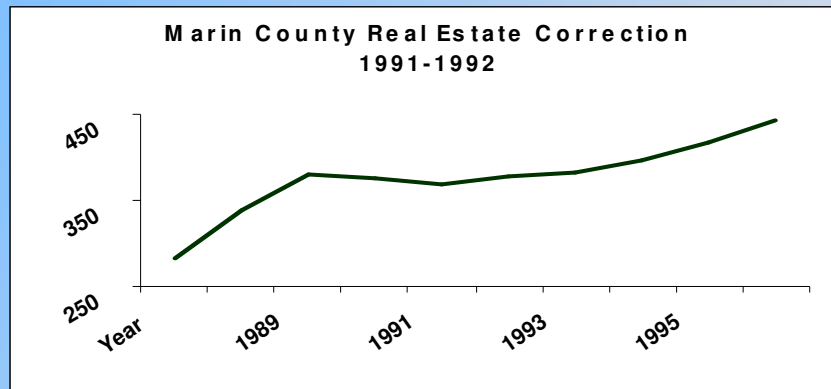
In 2001-2003, ~30% of Marin Towns saw price declines in each year. This normal and healthy process was procrastinated by a massive infusion of liquidity (including Sub-Prime lending) and delayed for 2 years. In 2006, average prices for almost half of Marin County towns were down. Through August 31<sup>st</sup> of '07, 3 other town prices decreased making a total of 9 of Marin's 13 primary towns seeing price declines in the last 18 months (only Mill Valley, Belvedere, Corte Madera and San Rafael have dodged price declines. (Source: Bareis MLS)).

## Why is This Important?

So long as the local job market stays robust, past data indicates that the current Marin real estate downturn could be over within 18-36 months from today.

## Going forward?

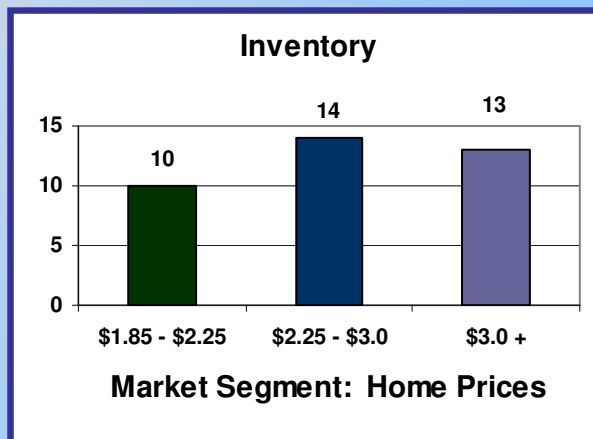
The average home price in Southern Marin increased from \$50,000 in 1970 to over \$1,500,000 in 2006 for a 26 year price annual return of near 10%. At the same rate of appreciation, in 20 years the average Southern Marin home will cost over \$10,000,000—possible-- yes; likely—no! Future price increases will most likely be smaller—but at least we get to live here in the meantime.



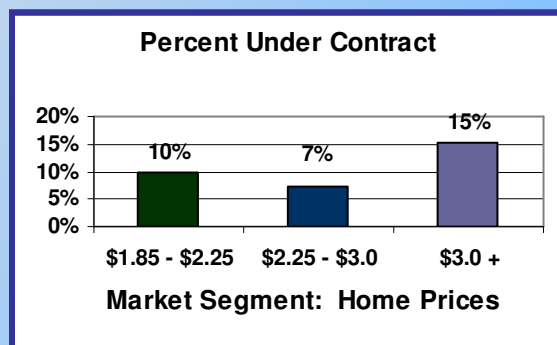
# Mill Valley Homes

## Current *On the Market* Inventory

The average Mill Valley home has increased in value by about 6% in 2007. There are currently 37 homes for sale over \$1,850,000 which is about a 5 month supply of inventory, which points to what we all know was a very slow July and August in terms of unit sales. This was due in part to a hot spring market which led some folks to get a little over-zealous in terms of pricing during the second half of the summer; and partly due to the headlining of the sub-prime fallout and subsequent buyer reluctance.



Historically, Mill Valley real estate has proved itself to be one of the most stable investments in Marin-- increasing less than other towns in hot markets and decreasing less in soft markets. The current inventory data supports a flat market over the next 12 – 18 months.



Most importantly: we are still hearing from buyers that the market is starving for "good inventory"—and this applies to Tiburon as well as Mill Valley. Of course, this is a relative concept, but generally speaking homes in good neighborhoods, that have been updated, staged well and priced right are still selling quickly and often with multiple offers.

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## Mill Valley Resales (MLS Data) 6/1/07 – 9/14/07

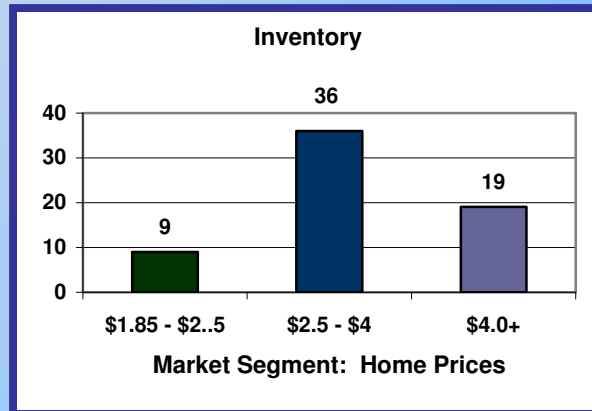
Price Range 1.85 – 2.25 Million			
Street Address	Selling Price	\$ / SqFt	
699 Forest Way	1,995,000	571	
528 Montford Avenue	1,995,000	690	
1041 Erica Road	2,050,000	621	
44 Bayview Avenue	2,100,000	1102	
27 King Street	2,100,000	587	
77 Walnut Avenue	2,125,000	1149	
100 Laverne Avenue	2,150,000	672	
601 Sequoia Valley Road	2,150,000	684	
99 Great Circle Drive	2,175,000	852	
28 Glen Drive	2,175,000	643	
45 Kipling Drive	2,197,000	525	
47 Ridge Avenue	2,200,000	472	
38 Woodbine Drive	2,250,000	999	
<b>Average \$ / SqFt</b>	<b>725</b>	<b>Average Days on Mkt</b>	<b>98</b>
Price Range 2.251 – 3.0 Million			
950 Smith Road	2,300,000	612	
245 Tamalpais Avenue	2,300,000	795	
175 Marguerite Avenue	2,340,000	900	
137 Sunnyside Avenue	2,439,100	952	
29 Buena Vista Avenue	2,460,000	802	
901 Marin Drive	2,500,000	551	
68 Del Casa Drive	2,569,050	850	
50 Kite Hill Lane	2,700,000	730	
37 Hazel Avenue	3,000,000	670	
386 Throckmorton Avenue	3,000,000	1095	
<b>Average \$ / SqFt</b>	<b>795</b>	<b>Average Days on Mkt</b>	<b>32</b>
Price Range Over 3 Million			
3 Nina Court	3,900,000	964	
175 Cascade Drive	3,895,000	953	
67 Molino Avenue	3,910,000	907	
366 Lovell Avenue	4,500,000	1139	
<b>Average \$ / SqFt</b>	<b>990</b>	<b>Average Days on Mkt</b>	<b>56</b>

# Tiburon Homes

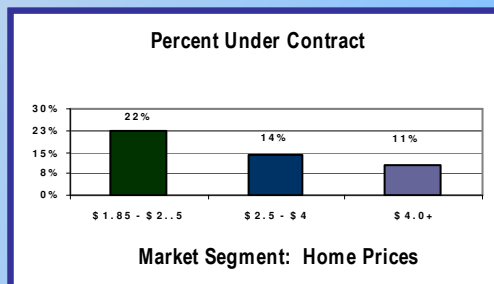
## Current *On the Market* Inventory

Since 1970, Tiburon real estate has appreciated an average of 10.4% per year. In 2007 to date, the average Tiburon home has increased in value by almost 12%.

Against this rosy backdrop, there are near 70 homes for sale in Tiburon priced over \$1,850,000. This is approximately 7.5 months of inventory. Of those 70 homes for sale, about 40 of those homes are priced between \$2.5 and \$4 million and only 5 houses (12%) are currently "in contract". There is often a backlog of inventory in this price range in Tiburon, and it typically sells in fits and starts. These



numbers are a bit higher than usual due to:



1) Aggressively priced homes during the hot spring 2007 market;

2) Buyers sitting out the Sub-Prime melt-down trying to time the market.

Buyers in this price range are typically very sophisticated and have done their homework-- when new homes hit the market in good neighborhoods, that are well priced, they often sell very quickly often with multiple offers.

## Tiburon Resales (MLS Data) 6/1/07 – 9/14/07

Price Range 1.85 – 2.25 Million		
Street Address	Selling Price	\$ / SqFt
107 Paradise Drive	1,895,000	987
298 Bella Vista Avenue	2,000,000	1160
529 Silverado Drove	2,100,000	960
2375 Spanish Trail Road	2,300,000	1305
30 Noche Vista Lane	2,500,000	888
70 Monterey Drive	2,500,000	662
<b>Average \$ / SqFt</b> 994	<b>Average Days on Mkt</b>	<b>30</b>

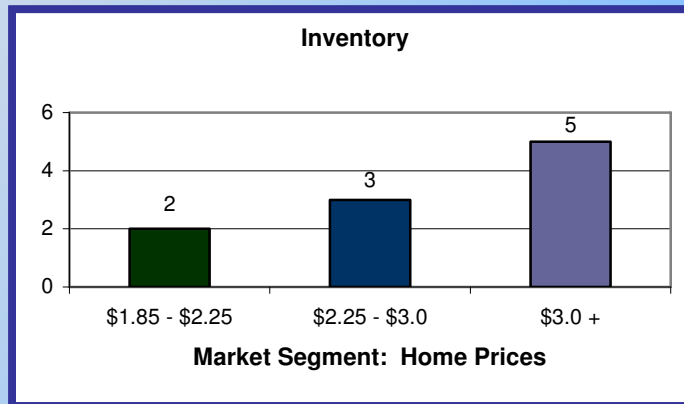
Price Range 2.251 – 3.0 Million		
208 San Rafael Avenue	2,712,500	1263
412 Greenwood Beach Rd.	2,750,000	1615
23 Cecilia Court	2,775,000	888
28 Windward Road	2,850,000	724
333 Blackfield Drive	2,850,000	1073
1 Belvedere Avenue	3,000,000	663
18 Cibrian Drive	3,025,000	608
1810 Lagoon View Drive	3,150,000	788
967 Tiburon Blvd.	3,150,000	1250
18 Tanfield Road	3,150,000	1250
2310 Paradise Drive	3,320,267	1084
2122 Centro East Street	3,450,000	1000
1818 Lagoon View Drive	3,812,823	842
103 Via Los Altos	3,900,000	846
3564 Paradise Drive	3,930,000	1186
<b>Average \$ / SqFt</b> 992	<b>Average Days on Mkt</b>	<b>82</b>

Price Range Over 3 Million		
227 Round Hill Road	4,300,000	1042
10 Venado Drive	4,495,000	774
9 Francisco Vista Court	4,950,000	1238
205 Golden Gate Avenue	6,000,000	1207
2 Bellevue Ave, Belvedere	6,000,000	1301
1805 Lagoon View Dr	7,130,000	1486
30 Crest Rd, Belvedere	8,100,000	1423
<b>Average \$ / SqFt</b> 1210	<b>Average Days on Mkt</b>	<b>48</b>

# Sausalito Homes

## Current *On the Market* Inventory

Sausalito average prices are down 3% so far this year. Average price data for Sausalito is less telling than other towns in Marin as the number of high-end sales each year is relatively small, and one large sale can skew price data for an entire year. Similarly, there are only so many homes in Sausalito that command prices over \$1,850,000 and those don't trade frequently.



There are currently 11 homes on the market (see above graph) which represents near a 5-7 months supply. The average days on the market for the 5 homes priced over \$3,000,000 is 118 and this is skewed by a \$8.8mm house that has been on the market for 312 days, and a \$3.8mm home that's been on the market for almost 170 days.

The bottom line is if you have a nice home in Sausalito with a decent floor plan and a view, it will most likely sell within 3-4 months so long as it is staged well, priced right and professionally marketed.

## Sausalito Resales (MLS Data) 1/1/07 – 9/14/07

Price Range 1.85 – 2.25 Million			
Street Address	Selling Price	\$ / SqFt	
166 San Carlos Avenue	1,995,000	836	
62 Cloudview Road	2,225,000	1016	
<b>Average \$ / SqFt</b>	<b>926</b>	<b>Average Days on Mkt</b>	<b>115</b>

Price Range 2.251 – 3.0 Million			
32 Sunshine Avenue	2,325,000	671	
121 South Street	2,400,000	600	
75 Cloudview Road	2,475,000	895	
171 Cazneau Avenue	2,500,000	716	
70 Atwood Avenue	2,775,000	1208	
<b>Average \$ / SqFt</b>	<b>818</b>	<b>Average Days on Mkt</b>	<b>115</b>

Price Range Over 3 Million			
47 Prospect Avenue	3,200,000	910	
16 Bulkley Avenue	3,300,000	1000	
1 Marion Avenue	3,450,000	1052	
75 Cloudview Trail	3,675,000	735	
18 Bulkley Avenue	3,950,000	922	
<b>Average \$ / SqFt</b>	<b>924</b>	<b>Median Days on Mkt</b>	<b>363</b>



## The Sub-Prime Lending Correction Simplified:

**In the late 1970's** a man named Lewis Ranieri at Solomon Brothers started selling a new kind of bond—one that was backed by a pool of mortgages instead of the cash flows of a company, municipality or government. Over the next 30 years, Wall Street would find more and more creative ways to pool mortgage loans together in bond offerings split into different “tranches” or slices – each slice with its own projected default risk. The riskiest loans would be grouped together in the ‘Z’ tranche and sold to investors with the highest risk tolerances. If mortgage defaults stay within projected bands, the riskier tranches return more money to investors than the less risky tranches.

**Between then and Now:** The lending process fundamentally changed in America as more sources of funds consequently flowed into the mortgage markets. Traditionally when you needed a mortgage, you visited your local bank and sat across from a man in a suit and convinced him to lend you money for 30 years at a fixed rate—this required a lot of documentation and much convincing. Frequently, the same bank that lent you the money held the loan as part of its long term portfolio. Now the same banks (as well as a slew of other mortgage companies) could originate a mortgage (making their origination fee) and then sell the same loan(s) to the highest bidders. They didn't have to live with their lending decision for more than a few weeks—far different from 30 years.

**Today:** The low-interest rate world that powered the last five or more years of home purchasing with low mortgage rates also created an environment where bond investors were frustrated. Why? Low returns to holders of debt. Investors increased their bond portfolio yields by holding riskier bonds: emerging market debt, mortgage backed securities, high yield (junk) bonds, and the like. In 2004 – 2007, the appetite for mortgage-backed bonds, and in particular the riskier tranches of those bonds, reached a frenzied level. The result was several years of bad lending practices and subsequently bad mortgages precipitated by the both the thirst for higher bond returns, and mortgage origination fees to the brokers.

(Next page)

**What happened?** As interest rates increased, more homeowners than projected defaulted on their mortgages and the investors owning the bonds that held those loans lost money. Currently, banks are currently holding a backlog of unsold mortgages that they really don't want, but can't presently sell.

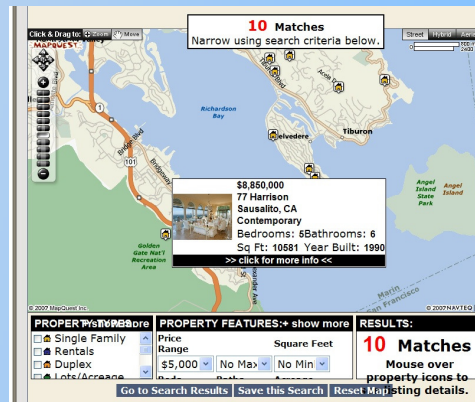
**The effect on national real estate prices is four-fold: 1)** Time is needed for these excesses to work through the banking system—and we will see tighter lending standards in the mean time; **2)** Return to normalcy in mortgage lending; **3)** Real estate buyers need larger down payments which may price some buyers out of the current market; **4)** Banks have reacted by tightening credit across a broad range of lending including mortgages, M&A, Commercial Paper, & high-yield lending.

### About the DuPont Group

The DuPont Group is comprised of four members: David duPont, Jaime duPont, Andy Gellepis and Kathy Green . Our online address is <http://www.thedupontgroup.net> – clients tell us that our site is the most comprehensive source for Marin County real estate information on the web. The DuPont Group is based in Mill Valley and is a full service real estate Team with more than 35 years experience.

#### Featured Site Tools:

- Free MLS Searches
- Neighborhood Data Engine
- Home Alert Email Service
- Town & County Information
- Current Market Data
- Historical Price Trends
- Buy & Seller Tips & Tools



Please take a few minutes to tour the site, and please call us with any question, comments, or suggestions to make the site better.

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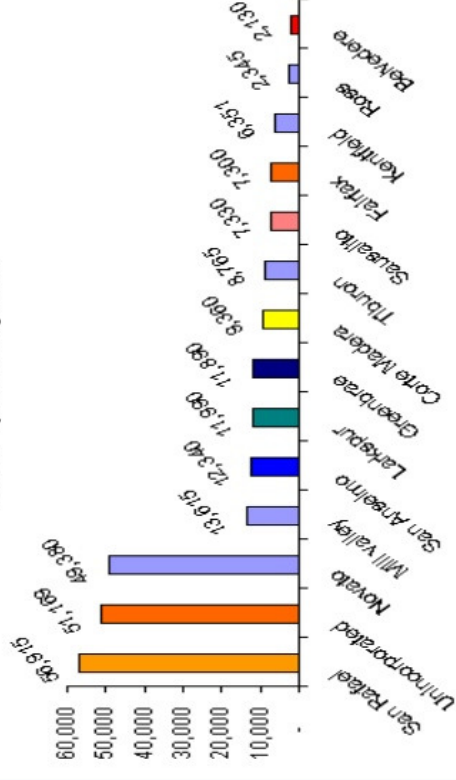


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## Marin Population by Town



PRESORTED  
STANDARD  
U.S. POSTAGE PAID  
NOVATO, CA  
PERMIT NO. 105

Let us never negotiate out of fear.  
But let us never fear to negotiate.  
*John F. Kennedy, 1961*