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San Francisco Bay Area Luxury Home Market

March 2022 Report

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Driven by both pandemic-related issues, and surging household wealth among the affluent, Bay Area luxury home sales rose dramatically in the second half of 2020, and then skyrocketed in 2021. This report focuses on sales and values by county, broad Bay Area trends in supply and demand, the effects of seasonality on activity, and a few macroeconomic snapshots. Spring is typically the biggest selling season – or spring/summer in counties with large second-home markets (Napa, Sonoma, Monterey, Santa Cruz). Currently, the usual, early-spring acceleration is well under way in new listings coming on market and the number of homes going into contract.

So far, the luxury market appears largely unfazed by the economic and political volatility that has characterized the beginning of 2022. Though some buyers and sellers have paused their plans, awaiting more clarity in recent developments, the prevailing dynamic remains one of high demand and historically low supply – which doesn't mean that every home, no matter the price, sells quickly. (The luxury market, characterized by stunning homes and spectacular estates, is often more susceptible to overpricing than less expensive segments.) As a general rule, affluent buyers are less concerned with interest rate changes and more sensitive to financial markets, though the 2 are often interrelated. Spring sales data will soon provide more substantial indications of market direction.

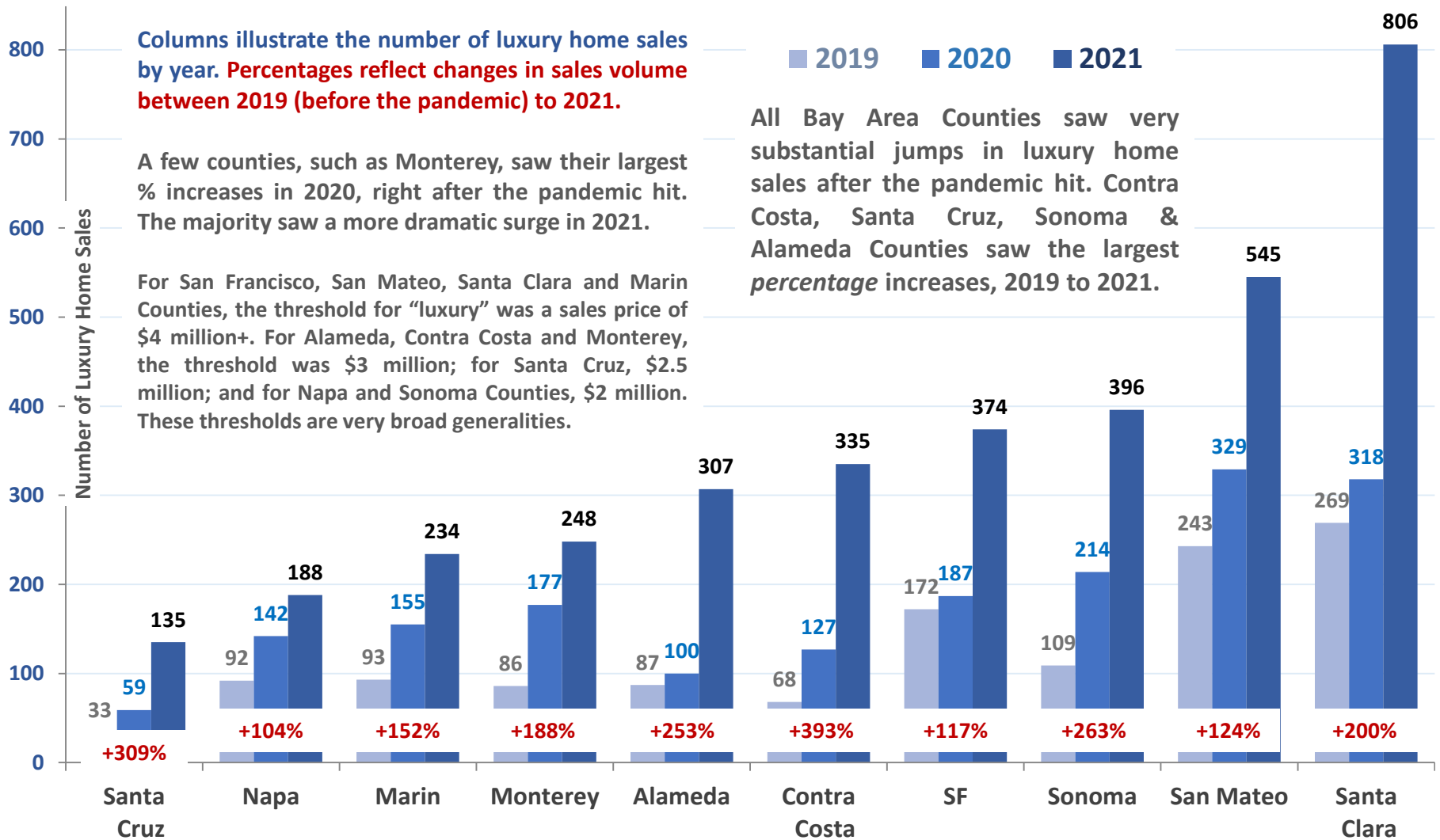
In this report, considering differences in county values, the luxury segment is defined as including homes of \$4 million+ in San Francisco, Marin, San Mateo & Santa Clara Counties; \$3 million+ in Alameda, Contra Costa & Monterey; \$2.5 million+ in Santa Cruz; and \$2 million+ in Napa & Sonoma Counties. These price thresholds are very broad generalities, and what one gets for however many millions of dollars in any specific city, town or neighborhood varies enormously: In home and lot size (or acreage/vineyards); architecture and condition; home technology; views; privacy; decks, pools, tennis courts and landscaping; wine cellars, media rooms, security and 3+ car garages; access to open space, beaches, golf courses, good schools and shopping; and many other circumstances and amenities. In real estate, and especially the luxury home market, the devil is always in the details.

Per listings and sales posted to NorCal MLS Alliance – not all listings/sales are posted. Report was created in good faith using data from sources deemed reliable, but may contain errors and subject to revision. Statistics are generalities and all numbers are approximate. Data may change due to late-reported sales.

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Bay Area Luxury Home Sales

by Bay Area County, 2019-2020-2021



House, condo, co-op, townhouse, TIC sales reported to NorCal MLS Alliance, per Infosparks. Not all luxury home sales are reported to MLS. Numbers may change slightly with late reported sales. Data from source deemed reliable, but may contain errors and subject to revision. All numbers are approximate.



Buying a Luxury Home in the Bay Area

Houses of 5+ Bedrooms, 3+ Baths, 3500+ Square Feet*

Values and statistics vary widely within cities, towns, neighborhoods

| County | Median Sales Price | Median Square Footage | Median \$/Sq.Ft. | Median Lot in Acres | Average Days on Market |
|---------------|--------------------|-----------------------|------------------|---------------------|------------------------|
| San Mateo | \$6,287,500 | 4900 sq.ft. | \$1326/sq.ft. | .8 acre | 41 days |
| San Francisco | \$5,625,000 | 4260 sq.ft. | \$1306/sq.ft. | .08 acre | 40 days |
| Marin | \$5,300,000 | 5150 sq.ft. | \$1059/sq.ft. | .8 acre | 67 days |
| Santa Clara | \$5,200,000 | 4510 sq.ft. | \$1154/sq.ft. | .5 acre | 37 days |
| Monterey | \$4,550,000 | 5700 sq.ft. | \$754/sq.ft. | 2.4 acres | 100 days |
| Napa | \$3,862,500 | 4590 sq.ft. | \$711/sq.ft. | 1.5 acres | 106 days |
| Santa Cruz | \$3,147,500 | 4740 sq.ft. | \$669/sq.ft. | .85 acre | 59 days |
| Alameda | \$3,062,500 | 4300 sq.ft. | \$689/sq.ft. | .3 acre | 23 days |
| Contra Costa | \$3,000,000 | 4300 sq.ft. | \$660/sq.ft. | .5 acre | 21 days |
| Sonoma | \$2,525,000 | 4500 sq.ft. | \$549/sq.ft. | 1.2 acres | 83 days |

Square footage and \$/sq.ft. are based on interior living space and does not include garages, rooms built without permit, storage, decks, patios or lot size. Lot size in particular complicates the \$/sq.ft. value calculation in luxury home/estate sales.

*Closed sales reported to NorCal MLS Alliance in the 6 months through 3/10/22. Sorted by a minimum price threshold appropriate to each county luxury market. Not all luxury sales are posted/reported to MLS. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate.

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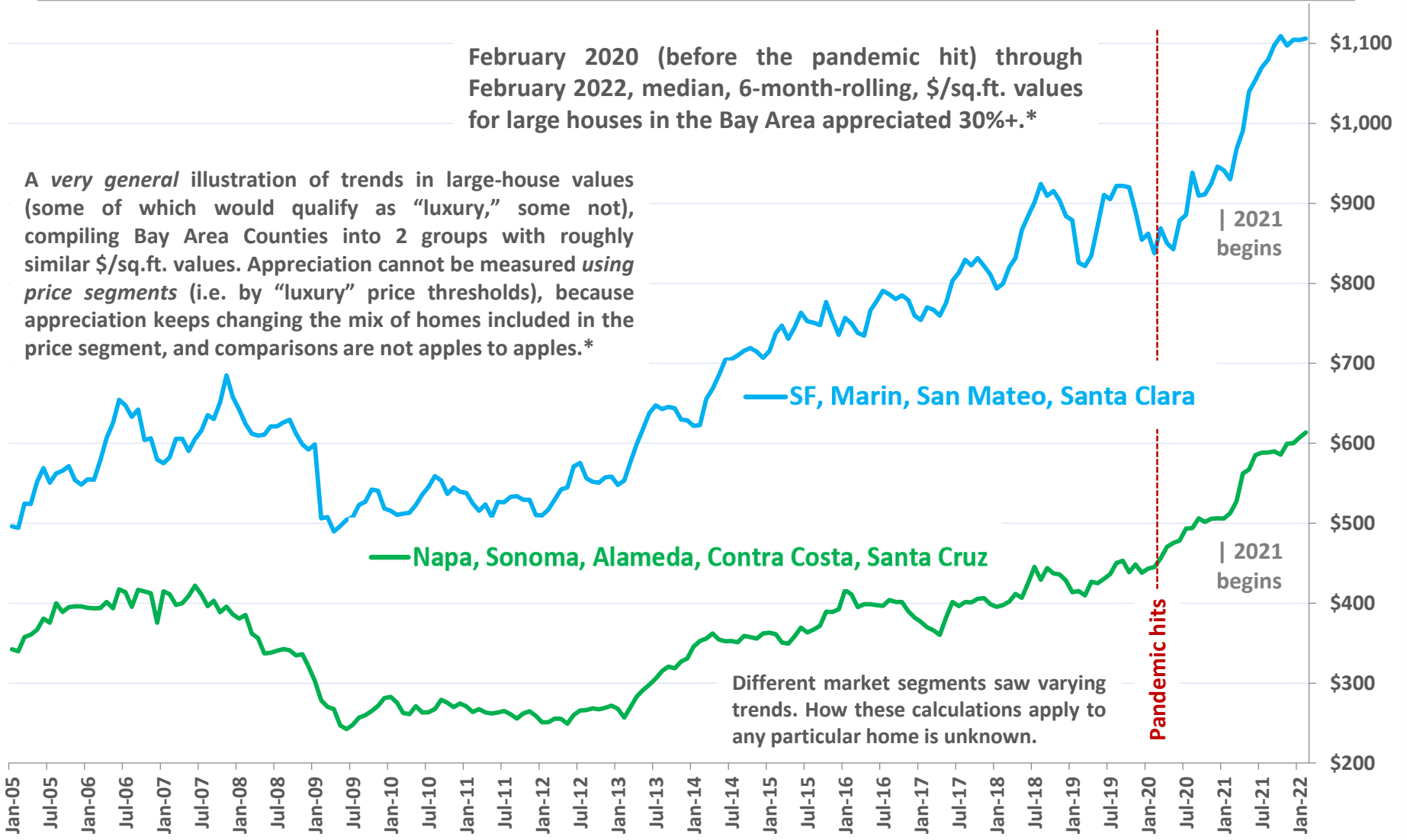
Bay Area, Large House Values since 2005

Median Dollar per Square Foot Values, 6-Month Rolling Sales*

Updated through Feb. 2022

February 2020 (before the pandemic hit) through February 2022, median, 6-month-rolling, \$/sq.ft. values for large houses in the Bay Area appreciated 30%+.*

A very general illustration of trends in large-house values (some of which would qualify as "luxury," some not), compiling Bay Area Counties into 2 groups with roughly similar \$/sq.ft. values. Appreciation cannot be measured using price segments (i.e. by "luxury" price thresholds), because appreciation keeps changing the mix of homes included in the price segment, and comparisons are not apples to apples.*



Different market segments saw varying trends. How these calculations apply to any particular home is unknown.

*Chart reflects averaged, median county values of 6 months of house sales of 4+ bedrooms and 3500+ square feet, as reported to NorCal MLS Alliance, per Infosparks. Analysis may contain errors and subject to revision. All calculations are approximate. Longer-term trends are more meaningful than short-term fluctuations.



Highest Priced Home Listings on Market – Early March 2022

Highest Price Home Sales – 2022 YTD

Houses except as noted.
As posted/reported to MLS*

| County | Highest Priced LISTING on Market | Location | | Highest Price SALE YTD | Location |
|---------------|----------------------------------|--|--|------------------------|----------------|
| San Mateo | \$100,000,000 | Atherton | | \$25,000,000 | Portola Valley |
| Marin | \$60,000,000 | Belvedere | | \$8,600,000 | Ross |
| San Francisco | \$45,000,000 | Pacific Heights Co-op | | \$8,950,000 | Jordan Park |
| Monterey | \$29,600,000 | Carmel | | \$36,300,000 | Pebble Beach |
| Napa | \$28,000,000 | Rutherford | | \$5,750,000 | Angwin |
| Santa Clara | \$25,000,000 | Los Altos Hills | | \$16,000,000 | Monte Sereno |
| Sonoma | \$24,500,000 | Calistoga address in Sonoma County | | \$8,400,000 | Santa Rosa |
| Alameda | \$17,900,000 | Piedmont | | \$8,650,000 | Berkeley |
| Santa Cruz | \$14,900,000 | Pescadero address in Santa Cruz County | | \$7,125,000 | Aptos |
| Contra Costa | \$11,950,000 | Lafayette | | \$12,000,000 | Lafayette |

New listings and new sales occur every day, especially going into the active spring selling season.

* Active/Coming Soon/Under Contract listings posted to MLS on March 10, 2022. Closed sales reported to MLS in the first 10 weeks of 2022. Not all luxury listings/sales are posted/reported to MLS. Off-MLS listings/sales may exist with higher prices. Data from sources deemed reliable, but may contain errors and subject to revision.

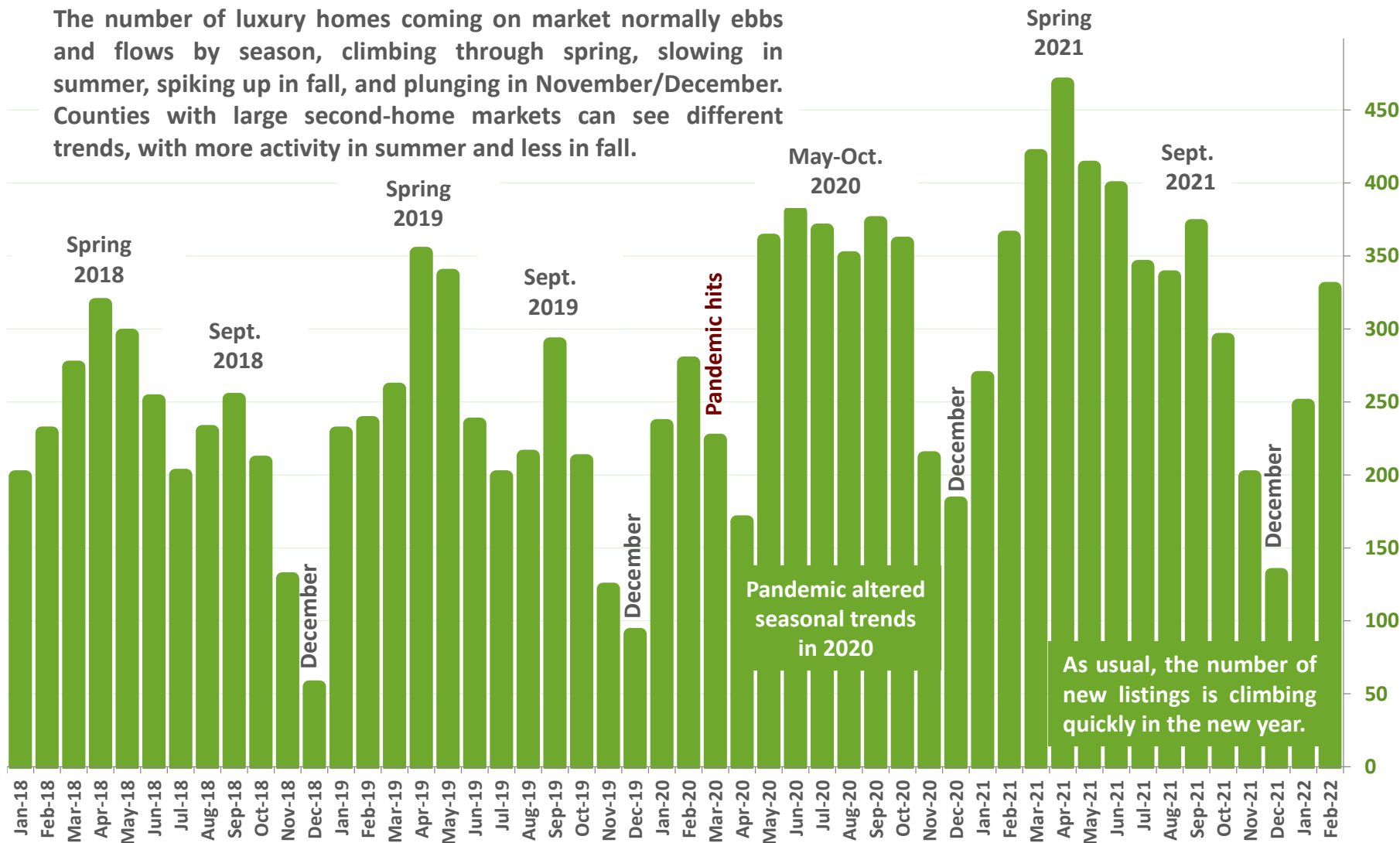
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Luxury Homes: New Listings Coming on Market

Bay Area Market Dynamics & Seasonality

From Napa and Sonoma in the north, to Monterey County in the south

The number of luxury homes coming on market normally ebbs and flows by season, climbing through spring, slowing in summer, spiking up in fall, and plunging in November/December. Counties with large second-home markets can see different trends, with more activity in summer and less in fall.



Activity reported to NorCal MLS Alliance, per Infosparks – not all activity is reported to MLS. “Luxury” price thresholds adjusted by county. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate. Data may change with late-reported activity.



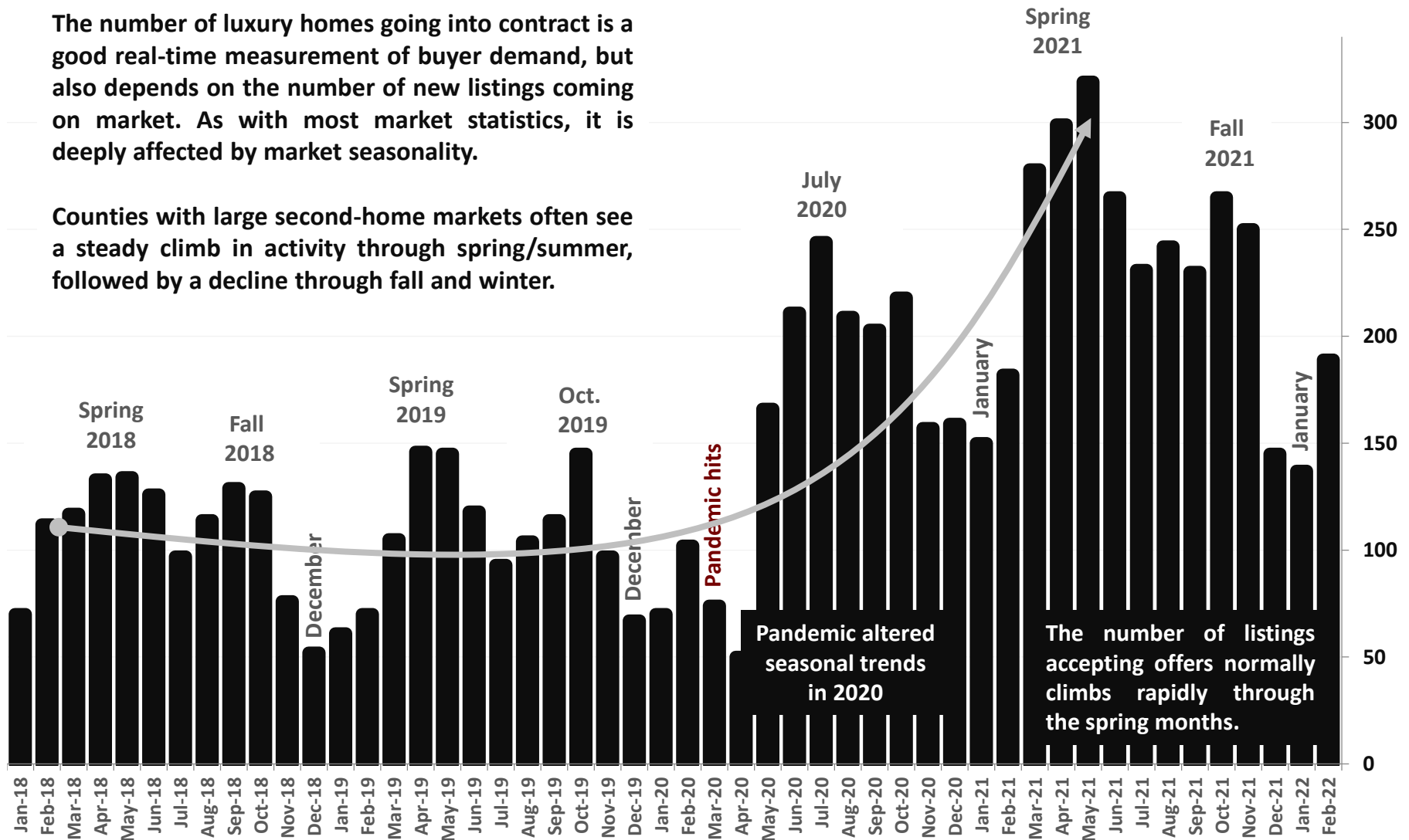
Luxury Homes Accepting Offers (Going into Contract)

Bay Area Market Dynamics & Seasonality

From Napa and Sonoma in the north, to Monterey County in the south

The number of luxury homes going into contract is a good real-time measurement of buyer demand, but also depends on the number of new listings coming on market. As with most market statistics, it is deeply affected by market seasonality.

Counties with large second-home markets often see a steady climb in activity through spring/summer, followed by a decline through fall and winter.



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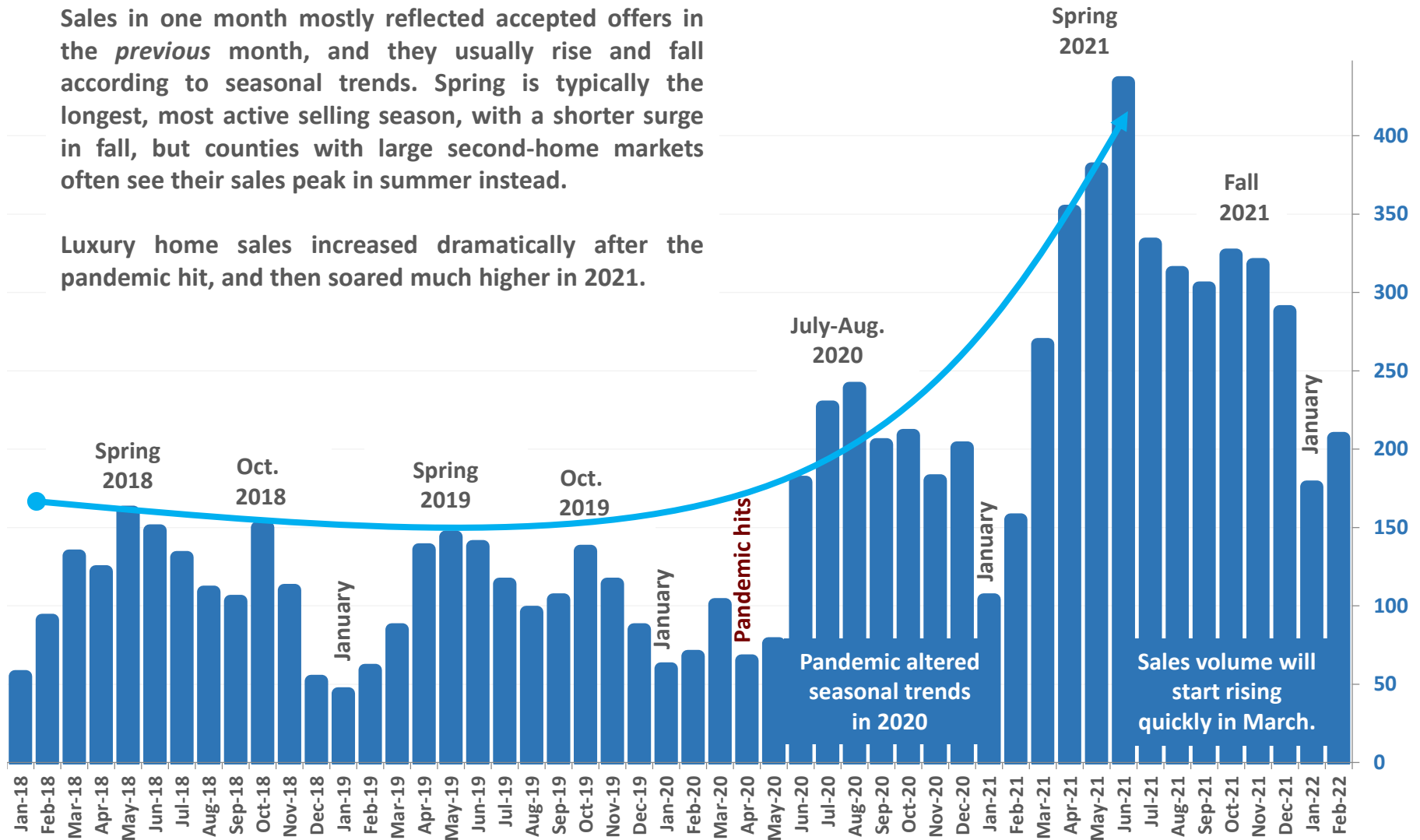
Luxury Home Sales

Bay Area Market Dynamics & Seasonality

From Napa and Sonoma in the north, to Monterey County in the south

Sales in one month mostly reflected accepted offers in the *previous* month, and they usually rise and fall according to seasonal trends. Spring is typically the longest, most active selling season, with a shorter surge in fall, but counties with large second-home markets often see their sales peak in summer instead.

Luxury home sales increased dramatically after the pandemic hit, and then soared much higher in 2021.



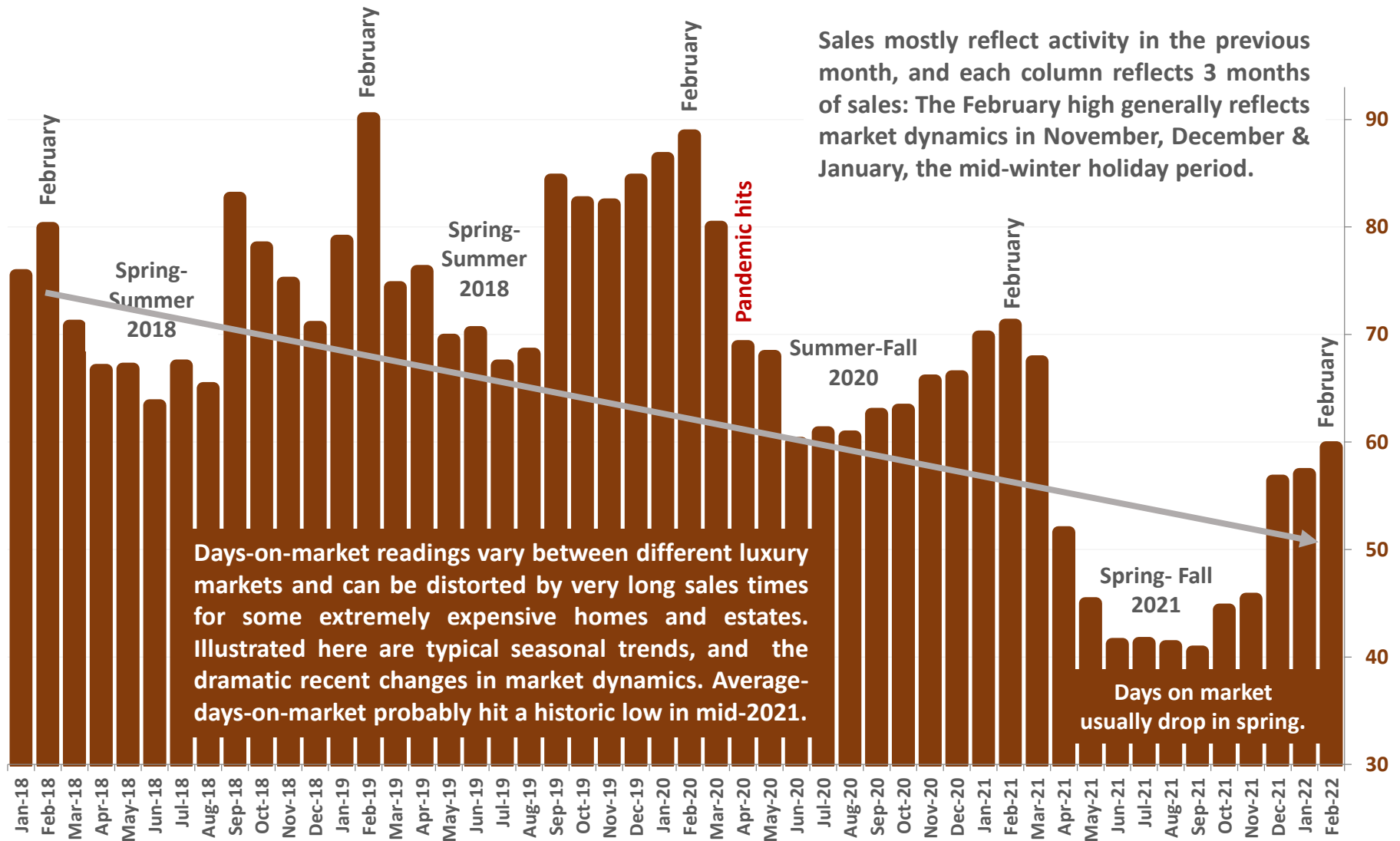
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Luxury Homes: Average Days on Market

Bay Area Luxury Market – How Fast Homes Sold*

From Napa and Sonoma in the north, to Monterey County in the south



Sales mostly reflect activity in the previous month, and each column reflects 3 months of sales: The February high generally reflects market dynamics in November, December & January, the mid-winter holiday period.

Days-on-market readings vary between different luxury markets and can be distorted by very long sales times for some extremely expensive homes and estates. Illustrated here are typical seasonal trends, and the dramatic recent changes in market dynamics. Average-days-on-market probably hit a historic low in mid-2021.

Spring- Fall 2021
Days on market usually drop in spring.

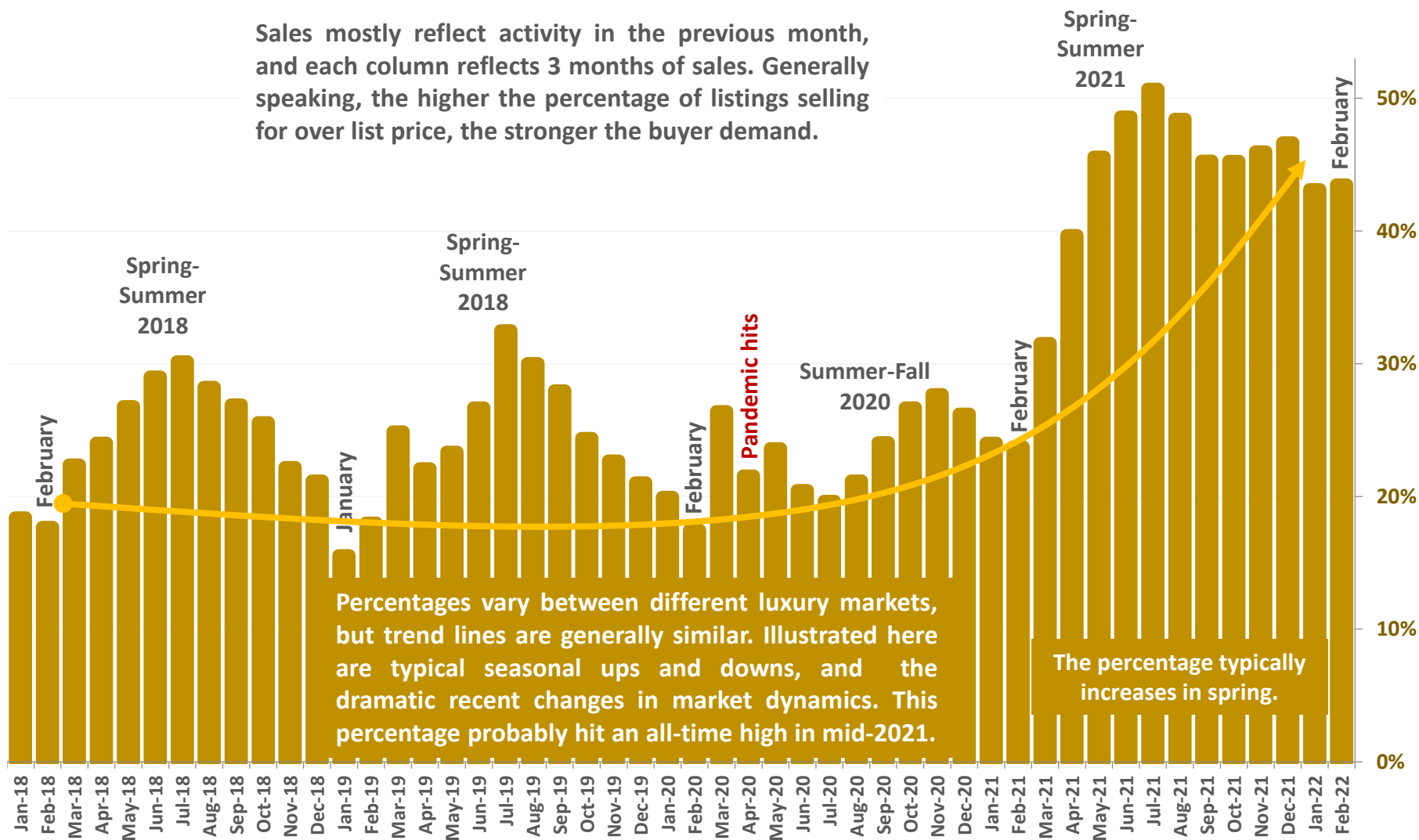
* 3-month rolling sales reported to NorCal MLS Alliance, per Infosparks. "Luxury" price thresholds adjusted to county values. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate, with outlier data adjusted for when identified. Data may change with late-reported activity.

Luxury Homes: Percentage of Sales over List Price

Bay Area Luxury Market Overbidding*

From Napa and Sonoma in the north, to Monterey County in the south

Sales mostly reflect activity in the previous month, and each column reflects 3 months of sales. Generally speaking, the higher the percentage of listings selling for over list price, the stronger the buyer demand.



Percentages vary between different luxury markets, but trend lines are generally similar. Illustrated here are typical seasonal ups and downs, and the dramatic recent changes in market dynamics. This percentage probably hit an all-time high in mid-2021.

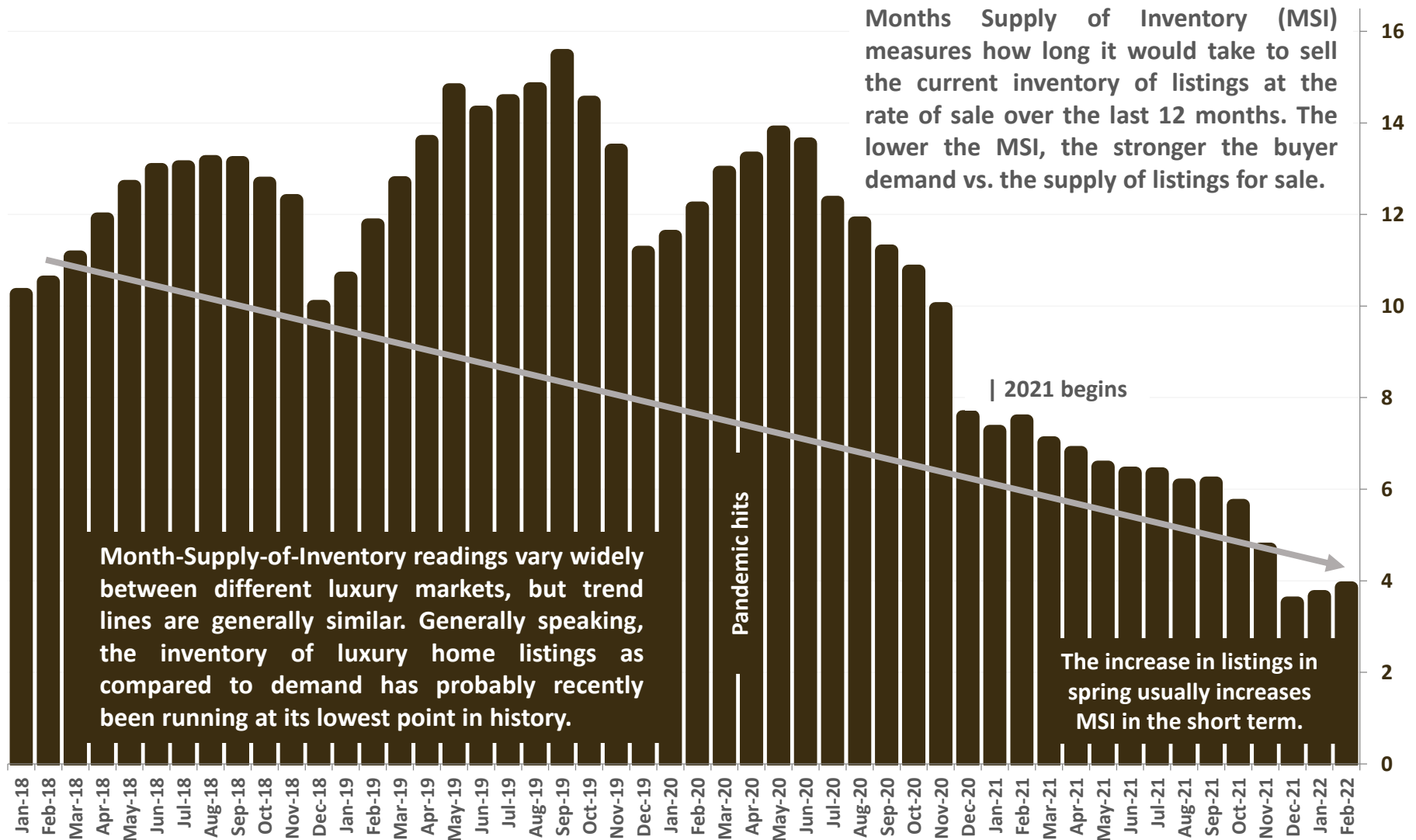
The percentage typically increases in spring.

* 3-month rolling sales reported to NorCal MLS Alliance, per Infosparks. "Luxury" price thresholds adjusted to county values. Data from sources deemed reliable, but may contain errors and subject to revision. All numbers are approximate, with outlier data adjusted for when identified. Data may change with late-reported activity.

Luxury Home Listings: Months Supply of Inventory

Bay Area Luxury Market – Supply & Demand

From Napa and Sonoma in the north,
to Monterey County in the south



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Factors in Bay Area Real Estate Markets

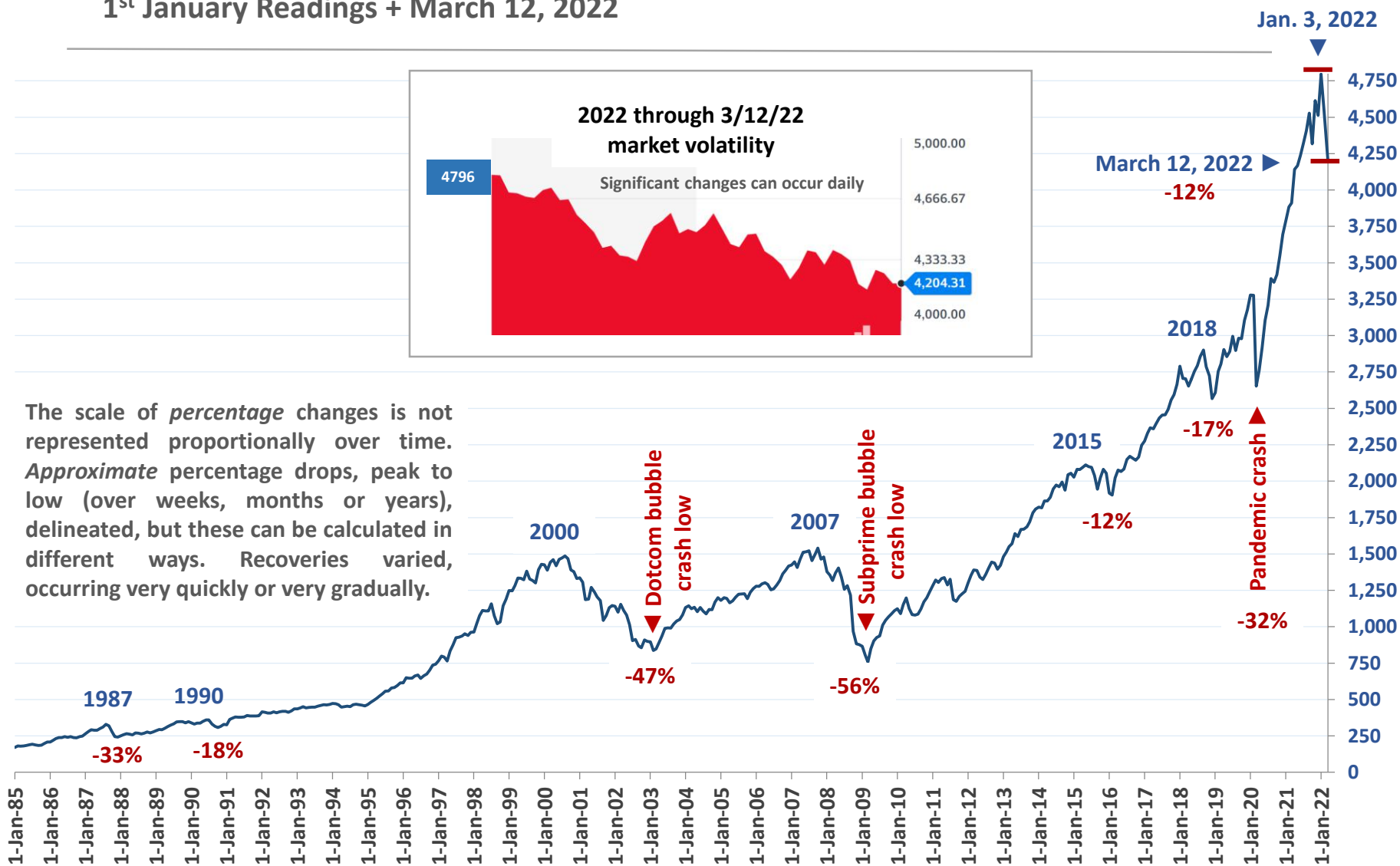
Many of these factors' effects can swing both positive and negative, and effects can also be counter-intuitive (e.g. a pandemic causing a fierce housing boom). Economic, political, social and ecological dynamics constantly arise, change and interact in difficult-to-predict ways. Developments can percolate gradually or occur unexpectedly, be short or long term, and have widely varying impacts (or no impact whatsoever) on different market segments.

| | | | |
|--|---|---|-------------------------------------|
| Local economic conditions: High-tech booms, IPOs, employment, housing affordability & development, VC/foreign investment, work from home, pro/anti-business sentiment | | | |
| Interest rates | Stock markets | Inflation | Consumer confidence |
| Household wealth; personal, corporate, govt. debt levels | Massive, governmental economic interventions (including by the Fed): post 9/11/2001, post 9/2008, post 2/2020 | | |
| Natural disasters: COVID, 1989 earthquake, 2017-21 fires, drought, sea level rise | | | |
| Domestic & foreign migration; federal immigration policy; demographic changes | | | |
| Tax law e.g. real estate tax benefits & credits, 2017 SALT-deduction limitation | | Investors & rental market dynamics | State income tax disparities |
| International economic/political events, e.g. large oil price swings, military or economic conflict, foreign economic crises, terrorist attacks | | | |
| Local, state & national politics; elections | Social and quality of life issues: Crime, homelessness, cost of living, poverty, commute, schools, public services | | |
| Financial industry manipulation, fraud, engineering, recklessness: junk bonds, S&L collapse, predatory lending, abandonment of risk mgmt. & underwriting standards, CDOs & rating-agency deceit, insider trading, over-leveraged investing; irrational exuberance | | | |

Each factor in itself constitutes a complex topic.

S&P 500 Stock Index, 1985 – 2022

1st January Readings + March 12, 2022



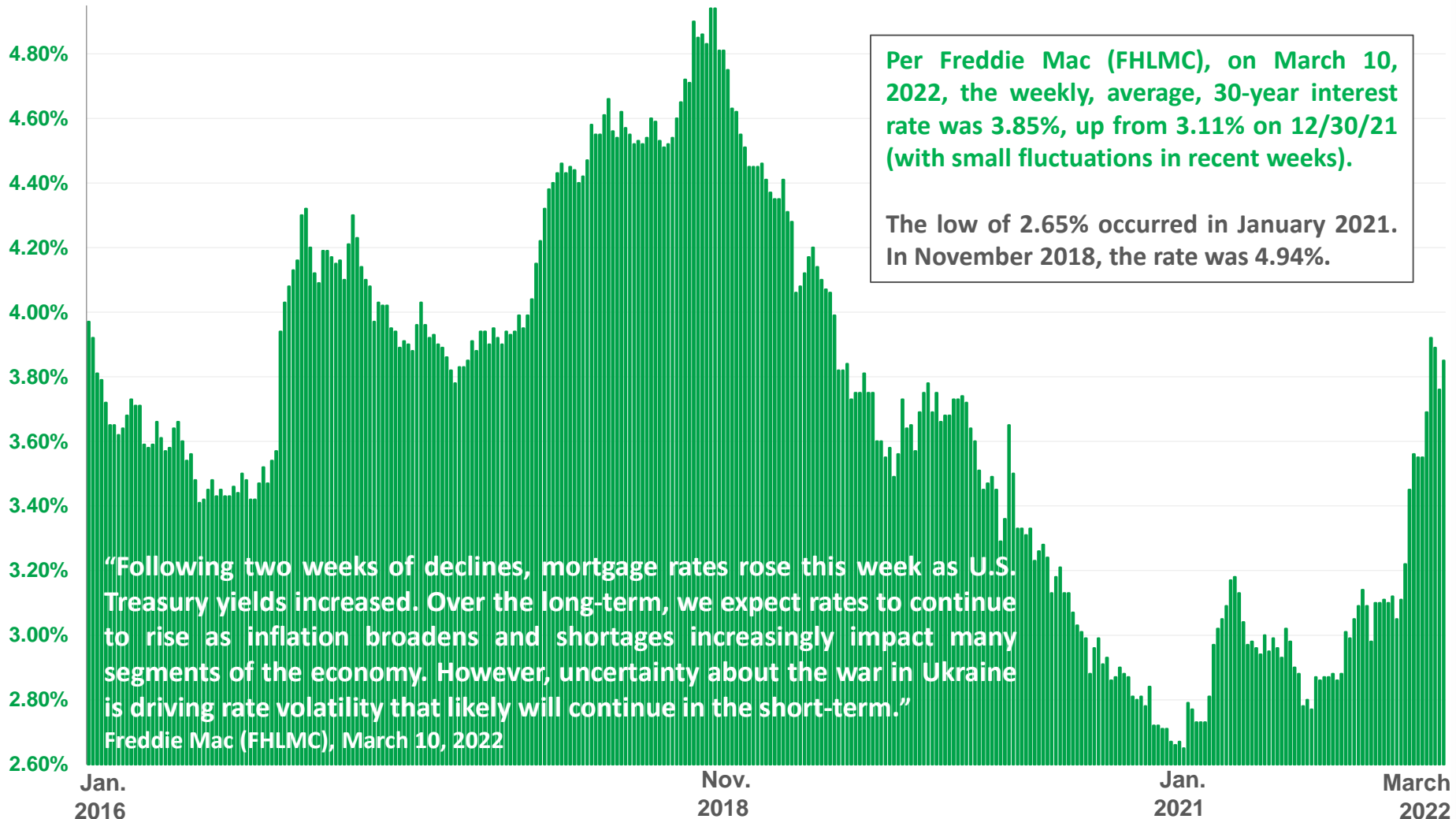
The scale of *percentage* changes is not represented proportionally over time. *Approximate* percentage drops, peak to low (over weeks, months or years), delineated, but these can be calculated in different ways. Recoveries varied, occurring very quickly or very gradually.

Data from multpl.com and Yahoo! Finance. An approximate, good-faith illustration. Data from sources deemed reliable, but may contain errors and subject to revision. Financial markets can be prone to significant volatility even on a very short-term basis. Not to be relied upon for decision-making: For general informational purposes only.

Mortgage Interest Rate Trends, 2016 – Present

30-Year Conforming Fixed-Rate Loans, Weekly Average Readings

Rates published by the FHLMC,

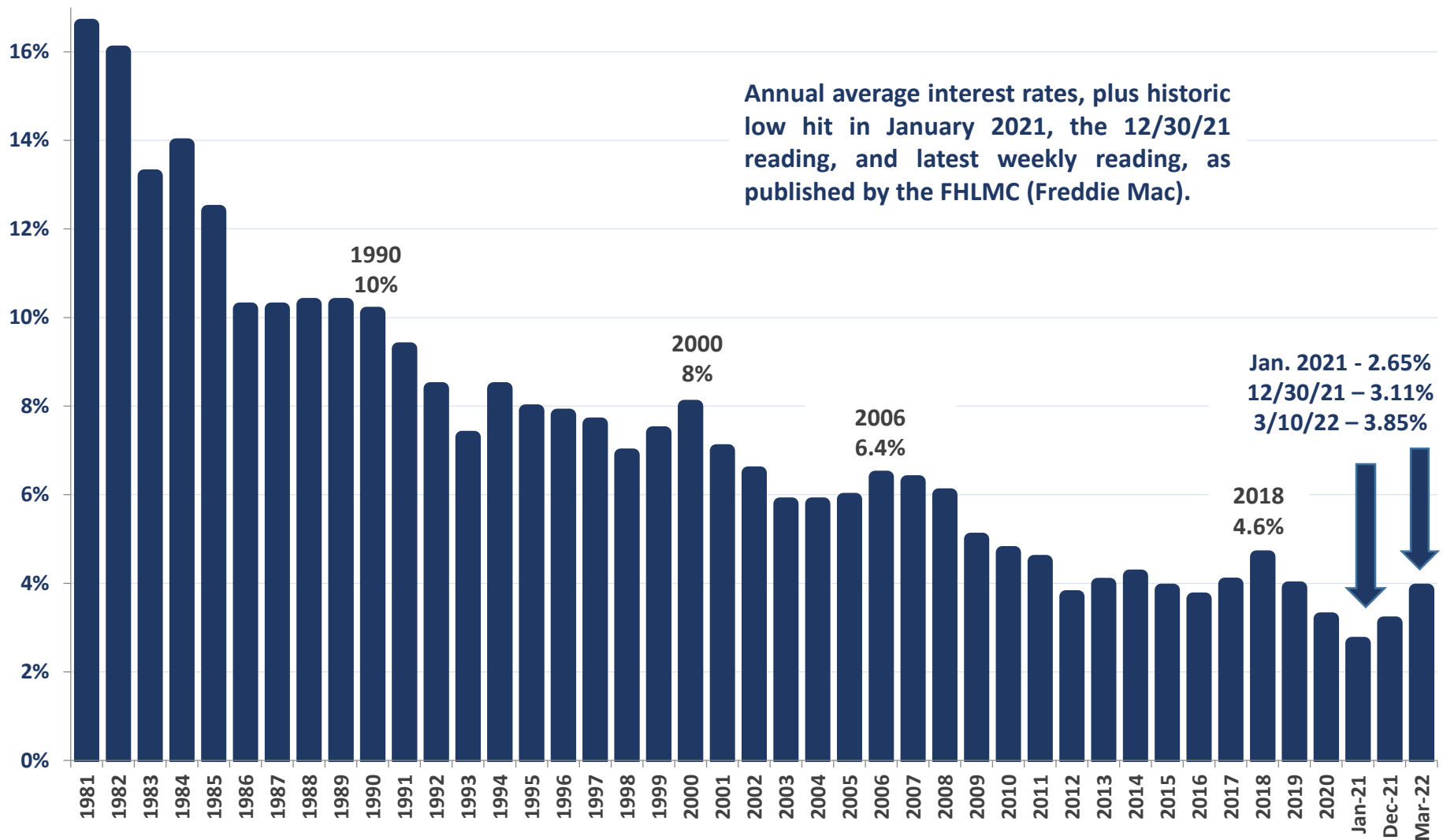


Interest rates may fluctuate suddenly and dramatically, and it is very difficult to predict rate changes. Data from sources deemed reliable but not guaranteed. Anyone interested in residential home loans should consult with a qualified mortgage professional and their accountant.

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Average Annual Interest Rates since 1981

30-Year Conforming Fixed-Rate Loans, by Year, plus Latest Weekly Reading



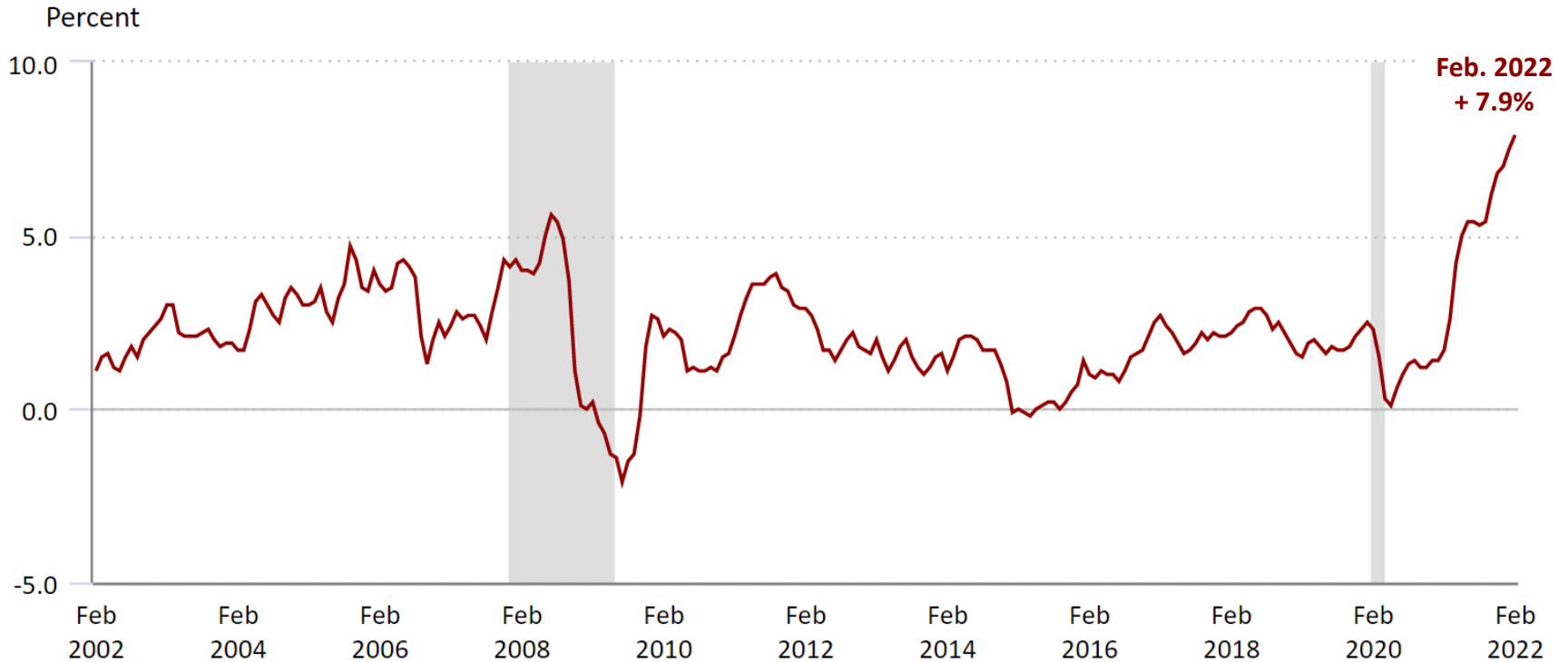
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Consumer Price Index

12-Month Percentage Change, Past 20 Years

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

- All items
- Food at home
- Energy
- Electricity
- All items less food and energy
- Apparel
- Medical care commodities
- Shelter
- Education and communication
- Food
- Food away from home
- Gasoline (all types)
- Natural gas (piped)
- Commodities less food and energy com...
- New vehicles
- Services less energy services
- Medical care services



In February 2022, the Consumer Price Index, a measurement of year-over-year inflation, hit 7.9%, its highest point in 40 years. Historically, one of the standard remedies for soaring inflation is to raise interest rates, and the Federal Reserve Bank has indicated plans to start doing so soon.

Chart from U.S. Bureau of Labor Statistics, published early March 2022:

<https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm>

Data from sources deemed reliable, but may contain errors and subject to revision.

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Median Sales Price is that price at which half the properties sold for more and half for less. It may be affected by economic events, by changes in inventory and buying trends – especially in the new construction and luxury home segments – as well as by changes in fair market value. The median sales price for an area will often conceal an enormous variety of sales prices in the underlying individual sales.

Dollar per Square Foot is based upon the home's interior living space and does not include garages, unfinished attics and basements, rooms built without permit, patios, decks or yards (though all those can add value to a home). These figures are usually derived from appraisals or tax records, but can be measured in different ways, are sometimes unreliable (especially for older homes) or unreported altogether. The calculation can only be made on those home sales that reported square footage. Generally speaking, all things being equal, a larger home will sell at a lower dollar per square foot value.

Average Days on Market measures the average time between a listing coming on market and accepting an offer (going into contract). In the luxury market in particular, this statistic can be distorted by a few homes that took a very long time to sell.

Typically, the fewer the sales, the less reliable the statistic. This is especially true of areas with sales across a very wide range of individual sales prices, such as is often the case in the most expensive market segments. Longer term trends are more meaningful than short term fluctuations. Data from activity reported to MLS. It may contain errors and is subject to revision. All numbers in this analysis are to be considered approximate. **How these statistics apply to any particular home is impossible to know without a specific comparative market analysis.**

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