

What's In Your Wallet?



By Jeff Schween,
 Pacific Union
 Christie's International
 Real Estate

The catchy phrase and the wildly conceived commercials conjure up a bevy of thoughts and dreams. As our markets have recovered - in some cases surpassed their old highs - we are seeing expansive growth in the frequency of sales for homes priced above a million dollars. But what does it really take to gain entry into this segment of the marketplace?

Today's million dollar homes, at least in California, are not filled with movie stars and wall street millionaires, nor are they adorned with gold plated chandeliers or flanked by tennis courts and Bentley filled garages. They are occupied by hardworking people trying to enjoy life before it escapes their grasp. The price range of homes that fit this description are properties valued in excess of one million dollars though less than three million.

Sonoma County, the largest in the North Bay by population, saw January close with 37 percent greater inventory of homes in this market segment than the prior year while the sub-million dollar range experienced further compression of nearly five percent.

According to BAREIS MLS, Sonoma County finished the month with 129 homes in the affordable luxury segment available for sale. During this same month, buyers negotiated to purchase 34 new estates while only 27 new mansions were debuted in the market - 18 percent less than a year ago. Sellers were able to wrap up another 32 sales during the same period thereby giving rise to an absorption rate of 25 percent. The affordable-luxury segment of the market has seen this rate fluctuate between 14-30 percent over the prior three years - meaning the markets have technically been favoring sellers though being tempted into balance occasionally. Unlike the sub-million dollar market where the pace of sales, exhibited by an absorption rate of 60 - 90 percent, has struggled to present bountiful new offerings for those seeking their new place.

The absorption rate is calculated by dividing the total number of homes sold in a month by the total number of homes available for sale at the end of the same month. A high absorption rate - 20 percent and above - indicates that the supply of available homes will shrink rapidly, thereby increasing the odds that an owner will sell a property in a shorter period of time. Conversely, an absorption rate below 15 percent is indicative of a buyer's market, meaning homes are selling more slowly.

This segment of the market typically sees a higher price paid per square foot of home than the sub-million dollar market as the properties tend to be more embellished with features like designer pools, larger manicured yards - many with several acres or more - views and uniformly more desirable, custom finishes while being located in the most preferred regions and enclaves of Sonoma County. As January's data came in, the average price per square foot to obtain affordable-luxury was \$563 versus the entire county reporting at \$340 per square foot - that's an 84 percent premium buyers are paying to gain the accoutrements found in this echelon of the markets. Affordable-Luxury homes compiled a median sales price over the preceding twelve months of \$1,291,000 while the average residence in this niche' transferred ownership at a price of \$1,445,250.

This niche' can be appreciated by all but it does take a discerning eye to truly understand the value of some of the feature you come across in this arena of real estate. Having that awareness or "eye for detail" is the difference in over paying for something a truly finding a gem of a property.

