

AI Gage Report



October 2023

Are we in for a Scary Halloween?

All 22 of my grandchildren are special to me (23 if you count the great grandson on the way). I tell you how many I have to motivate you to list with me out of sheer sympathy for the Christmas pajamas bill ALONE! They are all wonderful, and each one is special. But I do have one little granddaughter who is now 4, soon to be 5, who is just a bit extra special to me, and I don't think that is a secret to all the rest. She is a typical red head with a fierce independent streak, which I am sure she got from her grandmother.



Last year around this time, we really had a problem with her when she visited, because our neighbor had a Halloween decoration of a ghost that just frightened her to death. She would mention it constantly, even when she was in our house watching videos. When she would walk to the car to go home, she would avert her eyes and

cup her hands around them to avoid even the slightest peep of the ghost. Occasionally, however, she would sneak the slightest glimpse, much like Perseus looking at the reflection of Medusa in his polished shield. She didn't really want to face the ghost, but she needed to assure herself that it was still there, and that it was still scary. In her then three-year-old-voice, she referred to it as "The Scary Halloween." It got to the point that any mention of Halloween costumes, witches,



goblins or ghosts triggered a bit of a panic attack. So you can imagine what that was like when we took her to any kind of retail or grocery store during the season!

Now this year, having matured for just one year, she cannot wait for Halloween. She dresses up like ghosts and witches; she has six (6!) Halloween Costumes (almost all scary except every little girl has an Elsa costume), and she is absolutely excited about Halloween!



I can attribute this to a couple of different factors. The first is she has just become accustomed to this thing called Halloween. She knows it is not actually real, and it's not going to hurt her. The second is that she has overcome her fear of the unknown, which, of course, appears to be scary. Most importantly, she has figured out that it is not going to go away.

This is what needs to happen for the average homebuyer and seller out there. The high interest rates and high prices eventually may adjust, but neither is going to happen very soon, unless the market crashes, which would be even scarier!

You may ask how we got here, to this combination of high interest rates and high prices, and that is worth some historical analysis. When I first started selling real estate in 1985, interest rates (in order to combat inflation) were around 12.5%, which at the time looked attractive compared to the 16-18% it had been the three years before. Interest rates of 12.5% seemed great to buyers when compared to the "Scary Halloween" that they had experienced the years before. I can clearly remember the refinance market being on fire when interest

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rates dropped below 10% in 1990. The major reason that this didn't really crash the market with those high rates was because the price of homes was very low. It was usually under \$60,000 in those days.

Those interest rates trended down for the next 40 years naturally and without too much pressure from the Federal Government. Once the politicians figured out that they could win or influence elections based on the economy, they decided to try to win them by artificially manipulating the interest rates. This led to rates in the 1990's that were around 6.5% (which is about where they are now).



Then the housing bubble burst in 2008 which, contrary to what you may have heard,

was precipitated more by speculation from buyers and bad mortgages than appraisers and agents driving up prices. The bottom-line supply, albeit artificial, grossly exceeded demand and so home prices were driven to historically high levels until they became unsustainable. At this point, the market crashed, partially because the banks refused to believe that they could take a loss, and a plethora of other reasons that almost entirely do not apply to our current situation.



The Government then felt like it had to do something to stimulate the

economy. This spawned the outbreak of quantitative easing which is, in essence, manufacturing money out of thin air. This drove interest rates under 5%, and that trend continued until 2022 when rates bottomed out in the high 2 percents.



The last five years of artificially low interest rates have overstimulated

the buying power and appreciation in the real estate market. This is why the current market prices are so high. For almost five years, appreciation of home values has exceeded inflation.

This combination of high prices along with high interest rates cannot be sustained in the long run, but is not going to change much in the short run. The interest rates are not likely to change significantly, and the housing prices, even if they do come down, often take 3-5 years to do so.

At some point, the public is going to have to adapt or overcome the "Scary Halloween" effect and become accustomed to the higher prices and higher interest rates. America is, and always has been, a mobile country. We

move from town to town and state to state. If everyone would simply stay in place, (that would mean no more job promotions, no more retirement homes, no more second homes, and no more moving closer to family) the housing market might head back to lower prices. But I just don't believe the American people can live that way long term.

On my wish list is a slight reprieve from the feds for interest rates, perhaps back into the mid 5 percents, which is what it has been for 35 of the last 40 years. This, combined with a slight downward price trend for a year or so, would at least soften the possible bubble, should one occur. But sadly, my hot line to the Fed is broken, and there is no guarantee of that reprieve.

If you are considering selling your home, the sooner the better, because I cannot foresee another upward trend in the market for quite some time. Don't let the "Scary Halloween" prevent you from making a move that is right for you!



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Terri's Corner Candy Fun Facts



The Snickers bar has always been associated with providing energy for athletes because of its high calorie count (215 calories per 1.56 oz bar). The key idea of Snickers satisfying a person's hunger is reflected in both the the 1980s slogan, "Packed with peanuts, Snickers really satisfies" and the 2014 one "You're not you when you're hungry. Snickers satisfies".



Candy corn was initially called "chicken feed", since corn was used as chicken feed. The candy had no association with Halloween, but it was a seasonal candy available

between March and November. After WWII, candy corn began being advertised as a Halloween candy. Love it or hate it, Halloween just isn't the same without candy corn.



Butterfinger commercials were actually the first time many people saw the characters that would soon become the Simpsons. The show first started in 1987 as a series of shorts on the comedy variety series The Tracey Ullman Show. In 1988, Bart, Homer and the rest of the family starred in Butterfinger commercials, a year before they debuted in their own show.



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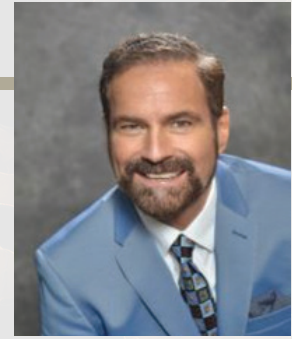
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Subdivisions	Home Levels	2021 Sales #s	2021 Price/SF	2021 Days on Market	2022 Sales #s	2022 Price/SF	2022 Days on Market	% Change In Price per SF	Sept 2023 Sales #s	Sept 2023 Price/SF	Sept 2023 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	66	211.0	21	31	257.0	26	21.80%	3	224.6	36
Cortes Sierra/Sage Creek/Las Palmeras	Multi	49	174.7	24	29	214.9	35	23.01%	2	188.6	50
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	84	212.7	16	53	258.6	32	21.58%	4	258.8	48
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	34	180.1	22	25	215.3	36	19.54%	0	0	0
Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2	1	37	221.6	20	21	251.6	27	13.53%	2	240.3	156
Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2	Multi	15	162.4	30	7	203.1	29	25.06%	0	0	0
Rancho Santa Fe	1	85	213.9	17	71	257.7	24	20.48%	3	235.2	25
Rancho Santa Fe	Multi	39	184.5	25	16	218.1	23	18.21%	0	0	0
Westwind and Glenarm Farms	1	17	218.3	15	12	271.3	23	24.28%	1	282.4	12
Westwind and Glenarm Farms	Multi	12	198.1	27	14	216.4	31	9.23%	0	0	0
Wigwam Creek South and Bel Fleur	1	52	215.9	21	45	252.4	28	16.91%	2	240.8	28
Wigwam Creek South and Bel Fleur	Multi	29	148.6	21	28	178.3	47	19.99%	0	0	0