



THE GATTI REPORT: YOUR GREATER DANVILLE AREA REAL ESTATE UPDATE

By Joe Gatti

As this newspaper hits mailboxes, we are at the cusp of our local spring real estate market, which historically begins in mid-February. What have we learned in the first month of 2023? We learned rain storms can still pummel California! Regarding local real estate, we learned that this past December and January resembled slower winter cycles, with lower buyer activity due to the holidays, higher interest rates, and three continuous weeks of winter rain storms. On Thursday January 12th we did receive good news, the Consumer Price Index for December was released showing inflation had done what many had hoped. It went down! As a result, the National Media in the coming months will shift their stories from inflation to US companies and their employment levels. The news stories will likely be gloomy but watch for our local real estate market to show clear signs of heading in the right direction.

Buyer activity in December and January resembled pre-pandemic levels, which historically have always been the slowest months in our market. Between December 18th and January 18th, Alamo, Blackhawk, Danville, Diablo, and San Ramon only had 39 detached properties close escrow. For perspective, 74 detached properties sold during the same time-frame last year. This was a 47% inventory decline.* One year ago, the median sold price was \$2,200,000, while last month it was \$1,710,000! This was a 22% decline that was largely due to buyers postponing their home searches for the holidays after experiencing months of mortgage interest rate volatility in the summer and fall. What we can currently say is that the outlook for buyers and sellers is changing for the better, because of interest rates!

Why the upbeat outlook on mortgage interest rates? The December inflation reading came in at 6.5% on January 12th, down from 7.1% in November, and down further from its highest point of 9.1% in June of 2022. With inflation receding predictably month after month, markets are anticipating that the Federal Reserve will make smaller and fewer rate increases as we go forward. The current consensus is that the Fed will raise .25 basis points at their next meeting on February 1st. If inflation readings continue to come in lower, interest rates will then stabilize downward. The average 30 year fixed interest rate decreased in mid-January to 6.23%, the lowest since September 2022. Buyer mortgage applications, as a result, went up 28% that week.** Once interest rate stability becomes established, buyers will become more confident and our local market's activity will increase.

With inflation finally cooling, the national news media shifted their attention to how large companies like Amazon, Google, Microsoft, and Goldman Sachs have recently announced layoffs due to lower end-of-year profits. We will see more of this in other industries as the year continues because interest rate increases have finally become detrimental for most corporations. The real estate industry, however, was the first to see these changes in May and June of last year, with the most visible changes for our local housing market occurring in the summer and fall. We will now get to a place of more secure footing as we go forward into 2023. If you have questions on the value of your home as we enter the spring market, please reach out for a private consultation. Our services and full time local experience will help you price your home correctly. We look forward to seeing you in the coming months!

I hope you found this article helpful. I've been serving our real estate community for 11 years. Ron Gatti, my business partner and father, has been a full-time real estate professional for over 40 years, all in the greater Danville area. We both are Associate Brokers with Compass out of the 760 Camino Ramon (Suite 200) office in Danville. If you have any real estate questions during this extraordinary time or have questions about this article, please email GattiRealEstate@gmail.com or call Joe Gatti at 925-588-3590. Our services are here for you!

*Data taken from the MLS during specific dates and under the criteria mentioned within the article. **CNBC "Mortgage demand jumps nearly 28% in one week, as interest rates drop to lowest point in months," By Diana Olick, January 18, 2023, www.cnn.com/2023/01/18/mortgage-demand-jumps-interest-rates-drop.html.



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