

## What to expect in 2016

By Andi Peterson Brown

The 2015 Lamorinda housing market remained incredibly strong as the Bay Area economy continued to thrive, bringing us a steady stream of well-capitalized buyers. As compared to 2014, Orinda's average sales price increased 8% to \$1.49M, Lafayette's increased 14% to \$1.53M, and Moraga's increased 7% to \$1.29M. Despite the stock market's shaky 2016 start, industry experts still anticipate the national housing market to have a positive performance this year. Here in Lamorinda, we can expect to see:

- **Inventory to gradually pick up as we head into February.** There is historically very little inventory in January, and this month was no exception. We anticipate a more significant rise in inventory after the Super Bowl, the unofficial yet official start of the spring market.
- **Buyer competition for homes to ease as the year progresses.** Sellers will still have the advantage, but the advantage will be reduced.
  - **A more gradual increase in sales as prices moderate.** Many industry experts believe we're heading towards a more balanced market.
- **Rates to remain steady, with a possible rise toward year's end.** Mortgage rates have actually improved in January due to global economic uncertainty. Industry experts expect them to increase towards the latter half of the year.

In addition, I'm happy to talk in more detail about the market if you have further questions.



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Amo said one client bought a bank-owned lot for a song then used an architect unfamiliar with local planning commissions. The client spent twice as much as was necessary to complete the work before house plans were approved. In the end that buyer purchased an existing home.

Terry Murphy has 30 years in real estate, 25 years as a licensed California general contractor and 16 years experience as developer and project manager. Murphy, who mentored Amo, says most first-time land buyers are "blissfully unaware of reality" and Murphy warns the process itself could be "onerous."

"People are unaware of what it takes in terms of time and money to build their dream," he says. Even realtors need to understand this. Clients must determine if their building plans are within personal property rights and will not adversely impact the neighborhood. It may take several months before the engineer and architect can work on the project. The design review aspect of land acquisition is a fairly recent component, with its pros and cons, Murphy says.

The state Permit Streamlining Act ([www.ca-ilg/ounce-of-prevention](http://www.ca-ilg/ounce-of-prevention)) now requires agencies like design review boards to make more timely decisions to facilitate the process.

Buying land with the intention to build "usually takes longer than people think," says Ron Carter of DirtBrokers. Carter began his real estate career in the early 1970s; by 1979



One alternative to building on a lot is a complete remodel, as shown at this Lafayette location. Photos Cathy Dausman

he was focused solely on lot and land brokerage. Carter estimates approximately one-third of real estate expenses incurred are in the lot cost, including improvements. Simply pricing the lot is a challenge when there may be no readily available comparable lots.

So why buy to build at all? "There are so many answers," Carter says. The buyer may be an empty nester ready for something new and flat; the buyer may not like what the market has to offer or the buyer could be a spec builder. Still, whether buying raw land or a finished lot (Carter defines the latter as a buildable lot which has all the necessary improvements, including utilities, driveway access, curbs, gutters, sidewalks, etc.) the experience is "a different animal" from purchasing an existing home.

"It often takes longer to build start to finish than people think," says Carter, citing time spent in the design process, and if needed, design review. Seasonal conditions as well may affect a work schedule. You may even have to wait for that idyllic piece of land to first become available, because most landowners are in position to wait out unfavorable market conditions before they even place their lot on the market, Carter says, adding that some people buy lots and never build because of problems.

Still, Carter says, "it is a lot of fun to find a lot and watch it develop. I encourage it."