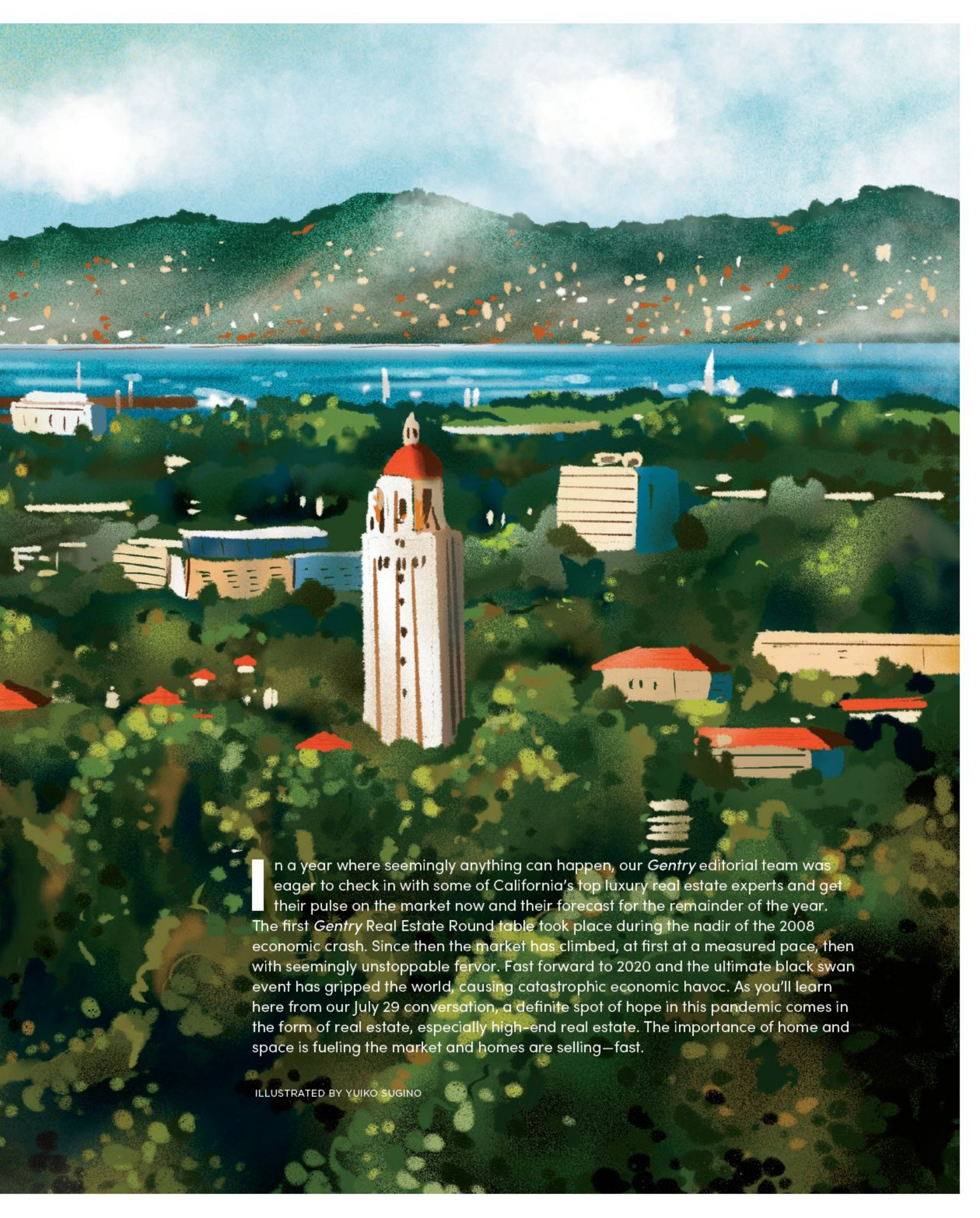


THE 12TH ANNUAL GENTRY REAL ESTATE ROUND TABLE

An aerial, painterly illustration of a coastal town. The foreground is filled with dense green foliage and several buildings with prominent red roofs. In the middle ground, a harbor is visible with numerous white sailboats and masts. The background shows a blue sea and a range of green hills under a sky with soft, white clouds. The overall style is artistic and textured, resembling a watercolor or digital painting.

THE STATE OF REAL ESTATE NOW



In a year where seemingly anything can happen, our *Gentry* editorial team was eager to check in with some of California's top luxury real estate experts and get their pulse on the market now and their forecast for the remainder of the year. The first *Gentry* Real Estate Round table took place during the nadir of the 2008 economic crash. Since then the market has climbed, at first at a measured pace, then with seemingly unstoppable fervor. Fast forward to 2020 and the ultimate black swan event has gripped the world, causing catastrophic economic havoc. As you'll learn here from our July 29 conversation, a definite spot of hope in this pandemic comes in the form of real estate, especially high-end real estate. The importance of home and space is fueling the market and homes are selling—fast.

ILLUSTRATED BY YUIKO SUGINO

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GENTRY: Over the past 12 years we've had a front-row seat witnessing one of the most robust real estate markets on the planet. Now, in 2020, when seemingly every part of our lives has changed, the strength of California luxury real estate has remained strong. We not only want to take a deep dive into our panelists' individual areas of expertise, but also look at California as a whole. To that end Mark McLaughlin, President of Compass California, is going to share what he is seeing on a statewide basis.

Mark McLaughlin: This is an overview of really what's changed in our industry, not in local markets, since March 15, 2020. The industry itself has changed; relationships between agents and brokers are more key than ever before. Clients are looking for knowledge and advice. That's not coming from a discounter. Clients want expert selling services. MLS [Multiple Listing Services] are increasingly being acquired. Open houses have changed, and forever probably, and this new tech will not be going away. Top realtors are thriving during this time. CRM [Customer Relationship Management] is the most valuable tool realtors have right now.

On the client side, there is a huge increase in the demand for space, both interior and exterior. There's also a phenomenon that if you didn't like your home on the 15th of March, you really don't like it today or have moved. And we're seeing that migration.

On the fiscal side, at the top end, consumer purchasing power is extraordinary. Student loan debt and tax burden in California are hindering first-time buyers. But it's important to remember that since 2015, one in five US patents is generated in the San Francisco Bay Area. Northern California's innovation continues. Obviously, tech is what is driving our Bay Area economy with very high paying jobs. In the San Francisco Bay Area, the average job is over \$100K. The urban average for the U.S. is around \$60K.

On March 31, we began to model what the end of the year would look like. March came in strong, April we took a dip. We didn't fall as low in May as we expected. Now we have outperformed in June, July, August, and we will raise our forecast for September soon.

Now, let's take a look at the micro picture. What are you seeing in Atherton, Menlo Park, Woodside, and Portola Valley in 2020?

Courtney Charney: I agree with Mark that agents are really being differential in this market. Great agents are rising above. A lot of us are having the best years ever. Our local market is really strong. You would assume that's because buyers are leaving the city and looking for space, but it's not. Many local families are together, so they have to time talk and they're looking around. Many are thinking, 'we need that fourth bedroom or more land or now we're ready to take on the building process.' Yes, people are moving down to the suburbs, but people are also realizing they want something they don't have, whether that's extra garage space, land, or a home office. Given the travel restrictions, my listings are mostly local buyers. We're not seeing the international buyers here like we typically do—especially during the summer. The market is dominated by local buyers.

What's selling on the Peninsula?

Courtney Charney: New homes and homes that have been redesigned well are selling quickly with multiple offers.

Michael Repka: We're seeing a definite shift toward larger homes, more land, more space. It's pretty straightforward. We've all been spending a lot more time in our homes than in the past, causing us to notice things we hadn't before. The need for space that people can enjoy has been fueling a real bounce back. Our sales were down

during Shelter in Place, but June was our second-best month ever, and July will probably be on pace. Hopefully, the news goes back in the right direction and pandemic numbers change. We have seen a little more buyer hesitation with numbers increasing.

How is the market in San Francisco?

Jeffrey Gibson: In the city, things are looking good despite the press saying that people are leaving the city in droves. It's not quite as dramatic as that. Single-family homes are at a premium over condos, tenancies in common, etc. Single-family homes out in the Avenues, in the Sunset or Richmond, are flying off the shelf and selling for over asking price. The product that is a little more challenging is the high-rise downtown—elevator condos that do not have outdoor space. It used to be walking to coffee was what every buyer wanted. Now it's outdoor space.

And the market in Napa and Sonoma?

Jonathan Soh: There is a huge influx of people from San Francisco, Silicon Valley, East Bay, and even Los Angeles interested in Wine Country right now. This area has always been attractive for second homes and retirement homes. Now, people are interested in Wine Country as their primary home—especially since so many can work virtually or have been told by their employers that they will be working virtually at least another year. It's been a time out for all of us to reevaluate how life will look after the pandemic. A lot of people are choosing lifestyle and looking at Wine Country as the place to be. Some are looking for 100 acres, others are looking for a suburban experience on a cul-de-sac where kids can play and with sidewalks to ride their bikes.

Mendocino County is another super-hot market. It's always been desirable and a pretty place to visit, but not necessarily a place that you'd live full time. Now a two-hour commute to San



Francisco is not so foreboding if you're only doing it twice a month. I don't know how long it will last, but certainly as long as we're dealing with the pandemic. We're anticipating it to be a very busy rest of the year. We're not even finished with the month of July yet and our closed volume over last July is up 27 percent. Our open volume is up 97 percent. It's pretty incredible.

Back to Silicon Valley and the East Bay—where do you see the market?

Michael Dreyfuss: I'm ready to have this over. Can we start there? It's getting old. I concur with what many have said today. Home has become everything to everybody. There is a lot of strong activity in the East Bay as people move to find affordable properties. I'm seeing some weakness that reminds me of declining markets. Non-premium locations are having trouble selling. In the last two weeks we're starting to see what's going to happen after the intense demand. I see opportunity in markets that are actually coming down in price. Just think of the two years following 9/11 in New York City—that was a time to get into the market. It's interesting when you see Portola Valley, Woodside, Los Altos Hills selling at premium prices. I'm looking at where do you play this market? Woodside was incredible to watch in March and April. The ultra-high net worth market is on fire. I show my \$20 million listings more than my \$5 million listings, which is completely backwards. Everything is on its head a little bit. How long does it stay that way? The bigger home is back. I've never had more requests for pools.

Tell us about what is happening in Marin.

Tracy McLaughlin: Marin County, with its easy access to San Francisco, has made this an easy jump for people. Myriad clients who are die-hard San Franciscans (who always said they would never leave) are coming to Marin. Even some of them with a



little yard space are reconsidering how they live in the city. I believe the homeless situation is as much of a contributor to that decision making as COVID is. There really are two forces pushing people out into Marin County. For many of our clients it's all about proximity to hiking trails, open space, and waterfront promenade walking. In Marin, we've had multiple offers even in out-of-the-way spots like Point

Reyes Station pending in one day. West Marin has always been a hard sell, but those properties are flying off the shelves.

On the other side, condition is still important. For example, in Ross, a town that traditionally has low inventory, even if there is no other supply and something comes on, if it's not fixed up, done, renovated, move-in ready, it's still a challenge. Even in this

low-supply markets, we are seeing pushback from clients saying 'I'm not in the mood for a reno project right now. I don't want to go through the permit process.' We have all this supply and demand, but if people get too greedy or don't have the product that a client wants, the clients are not going to jump on the bandwagon of a frothy market.

We're curious about destination ski towns too. Where are the high-end real estate markets in Tahoe, Utah, and Colorado?

Paul Benson: We're seeing a lot of great success stories in our ski markets first and foremost. Aspen, Vail, Park City, and Lake Tahoe are on fire. Properties that were sitting on the market for 4, 6, even 8 months, are now selling with multiple offers. Ultrawealthy buyers are snatching homes at record paces and in ways I've never seen. It almost feels like panic buying. We had one seller raise the price on a property from \$15 to \$19 million. That property had been on the market a long time and only had 2-3 showings the previous year. The buyer came into town on the weekend and wanted the home immediately—he even added an extra \$5 million (to the price) for the homeowners to move out that week. In the end the house sold for \$9 million over the original asking price. It's a fluke story, but we're seeing a lot of stories where sellers don't know where they're going to go after their house sells. The offices in Bend, Scottsdale, Napa are seeing the momentum too. In our St. Helena office, our sales are up 33 percent year over year; I never would have predicted that. Luxury homes are moving at a much greater pace than I've ever seen in my career. There is a downturn though in locations like my Beverly Hills office. Our San Francisco office is still doing well.

Overall, the next luxury people are looking for is space. The agents that can communicate what's out there the

best and use the technology at their disposal are doing extremely well. The agents that are slow to adjust and think this is temporary and are waiting for this to end before diving in, will struggle. With more people jumping on the momentum wagon—we will see people feel that they are left out for not seizing the opportunity to move or purchase property. We have a great balancing act that ultimately can be very healthy for our industry.

Please tell us about Carmel, Pebble Beach, and the Monterey Peninsula.

Dan Lynch: Like the rest of you, our markets are benefitting from underlying factors. We really believe that in these volatile times genuine professionalism wins out. Having agents who follow the right protocols and have experience, a business plan, and understand the market inside and out really hold the day. The markets are on fire in Monterey. We've always been an attractive market. We don't have a ton of inventory and are seeing more sales than we have in decades. This next month might be a record setting month in Monterey history.

We recognize it's not forever. We do believe the underlying factors of why people are looking to come down to Monterey are genuine. Somewhere between 60 to 70 percent of the current customers driving around in cars with agents are from urban areas including San Francisco/Silicon Valley and Los Angeles. They are looking for space and a finer pace of life, a beautiful place to live. Now that so many are able to work remotely, we're seeing an uptick in the sales of homes in remote area. The Preserve, one of the most beautiful residential areas, has had difficulty getting people to buy homes because it's half an hour up the hill from Carmel. We've sold more homes in The Preserve in two months than in the last four years. All that space and privacy is not a negative, but a positive now. In the market, inventory has held up. Sellers understand it's a good time to sell

and more and more are coming to the market. Even when this winds down, we believe our community will retain a healthy market going forward.

Let's talk about Los Gatos, Saratoga, and Monte Sereno.

Brian Crane: In general, we're seeing a similar picture. In Silicon Valley, we had a pretty significant decline in May, then June came back very strong. July is well over last year's sales numbers. Pendings are strong, so we expect August to be very similar. That's good news. When thinking about what's selling right now, I agree with Tracy and Courtney: the fixer-upper properties are not selling. People don't have the patience to wait, they want to make it happen right away. Anecdotally, we're also seeing many buyers decide to not sell their primary home and just purchase a vacation home now. That's playing into my colleagues here in Wine Country, Carmel, and the ski towns seeing this influx.

Google just announced yesterday that people are going to stay home until next summer. We're seeing people rent their house and buy something outside the area. And go on extended holiday and/or work from home from somewhere else. It is an interesting trend.

Specific to Santa Clara County, \$2.5 - \$4 million is essentially an entry level home, but luxury in most of the country. Days on market for homes in that price range went from 29 in March to 9 now in July, on average. Prices are holding strong and steady and we have around 100 percent sales price to list price ratio on average—and we're seeing a lot of overbids. Sales volumes are way up, as much as triple what there were in March now in July. The thing we're encouraging our team to do is to engage with their database, find folks ready to move, and try to make sure that they are agents participating in some of the exodus.

Back in the heart of the Peninsula, what are you seeing in Palo Alto?

Kelly Griggs: Every month since the March 16th announcement has been stronger for us. July has been the strongest month so far. People are willing to pay a premium for great location and great condition. Buyers are placing a premium on land. We all want to have that socially distanced BBQ in the backyard, or distance from neighbors. What had been a driving force—density—is now a negative. There's been an entire recalibration of wish lists for our clients. They are all thinking, 'where do I want to live with my family? Where do I want to quarantine?' The condo and rental markets have been hit negatively. We've been seeing strong demand at all price points. We've also had notable high-end sales throughout this whole pandemic so far.

The migration toward the fringes is happening too. Sales are super strong in our Portola Valley office. Some people have moved out of the city, and others are making decisions on existing situations, such as what they don't like about their home. We're going to see more of that with the Google announcement. Many people will now have mobility and the confidence to make longer-term decisions with that flexibility. In the past people wanted to be 15-20 minutes from work. They are now reevaluating what they really want and are asking agents, 'how far do I have to go to get my full list?' Agents are traveling farther too—they are going with clients to buy second homes since they know what they want and think they can serve them best. We are also seeing a lot of clients living in their second home. Now it's a long-term living space. This COVID lens is affecting dream locations positively—people are able to indulge in living in spots like Oregon, San Diego, Carmel, Wine Country. We are starting to see inventory come online because of that. Overall, it's been a whirlwind, a crazy market, but very strong locally here.

Please tell us more about Atherton, Woodside, and Menlo Park.

David Barca: We are happy recipients of this market. Unexpected results of something that looked pretty grim to begin with that has become robust in the middle of summer. We are experiencing our very best unit sales and volume sales in Silicon Valley ever for the month of July. That's really a little bit of a surprise for me. Michael Dreyfuss said it earlier in terms of looking at the longer term and perimeter markets—there's opportunity there. I agree that the rest of 2020 is going to be pretty robust. I think we're going to get really COVID weary beginning in the new year. Looking out from our market to some of the perimeter markets like the East Bay, we're starting to see short sales. I haven't seen short sales in years.

It's not easy to predict what's going to happen in the future. Relationships will be more important than ever. I like the emphasis on CRM. It's one of the tools we can really focus on. All the tools agents have traditionally been using—networking, open houses, industry events—have all gone away pretty much. We're limited now to digital and even print marketing. Staying in touch with our client base is absolutely going to be key. One of the reasons more expert agents are doing well right now—they have their tools in place and they know how to use them. Those who are less experienced but are learning will be equally successful in the future. It's a great market to be experienced in right now. It's been a big surprise; let's not waste it.

What's selling in Tahoe right now?

Katsi Nousianinen: We're seeing larger properties, lakefronts, that have been on for quite some time, sell. Everyone's looking for some room to roam. They want to bring their families up, go biking, hiking, and boating. They want to do the things they can't necessarily do every day in the Bay Area. We are

seeing a ton of people live in their second homes. We've never seen anything like this in the Tahoe market. Numbers as in list price, sale price, days on market are all off the charts. What we're seeing is something that's really unique and people are definitely looking—they need a bigger house or condo owners just need a house. People are looking at 4- and 5-bedroom homes. Pretty soon we're going to be out of inventory. The Tahoe market is always about 2 to 3 years behind the Bay Area market in terms of multiple offers, but not right now. We're seeing crazy multiple offers—just like the days when I was working in Menlo Park. New development up on ski hills up in Northstar, and lots of new communities are selling out. It's a very unique time but there's only one Tahoe. It's a great place to be and the little towns have handled it well.

I think for the rest of 2020, the hot market will continue. There are still so many buyers. If you have one house and five offers, there are four families still looking for a home. What 2021 will have in store, I don't know. It's always interesting when you ride these highs.

Where do you see the market going in 2020?

Brian Crane: The rest of 2020 looks really strong. The Fed is driving this with low interest rates. As long as that continues, we're going to stay this course through the end of the year. The stock market is setting records on a daily basis. Clearly, this is an upper-end kind of scenario. I don't think middle and low markets are going to participate in this like the luxury end. If the Fed stays the course and we clear COVID, 2021 is going to be solid too.

Michael Repka: I think we're going to see a little bit of softness. I put buyers in a couple of different categories. There are quite a few who have put their search on hold during

COVID. We're now seeing an increase in new listings. Some buyers—the most resilient—moved relatively quickly. I see more of a balancing factor and a little too much inventory. There has been a significant uptick over the last 18 months of people moving out of the area due to tax changes. There is definitely a move toward moving to lower tax states close to grandkids. Also, some of the appreciation in the super high end in Silicon Valley has already taken place. The result is a pretty steady flow of sales, but prices will be a bit softer. 2021 depends on a lot of things related to the election and interest rates that can have bearing on that in a lot of different ways.

Jeff Gibson: I am pretty optimistic about 2020. We're getting a little more inventory coming on. San Francisco is geographically limited and height limited. There's never an oversupply of inventory here. The city has survived the pandemic of 1918, the great earthquake of '06. The city is not going away. We may have had some air let out of overinflated tires, but optimism about the coming months in 2020 is there. August numbers are looking really strong. 2021 will be heavily dependent on the stock market and unemployment and what's going to happen as jobs level out or come back.

Paul Benson: The election is going to be a big factor I believe. Unemployment, the stock market, the election will all definitely guide the market. Our ski town markets are being driven by the affluent buyers and our areas react a little faster to stock market and political atmosphere changes.

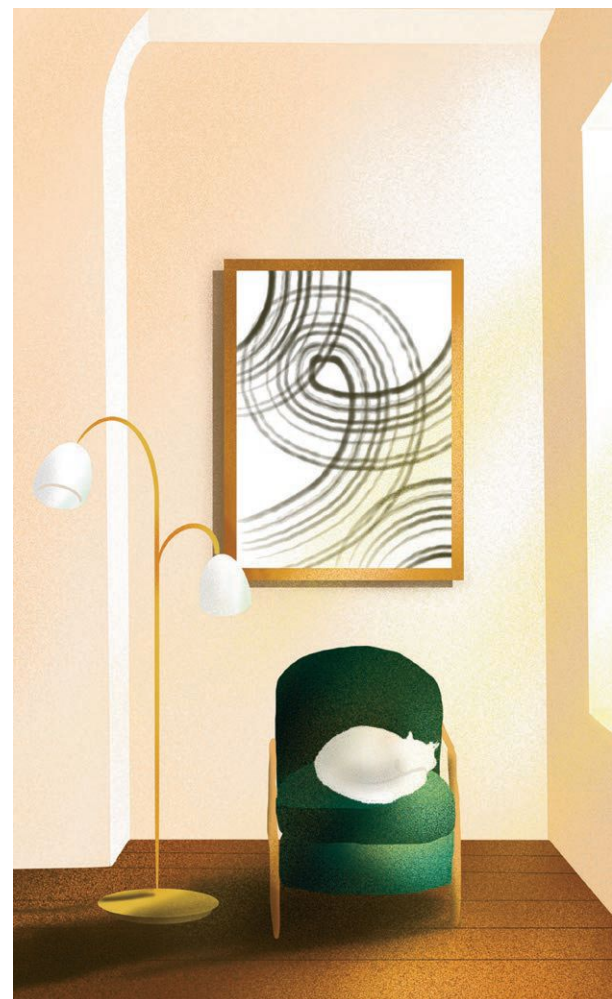
Mark McLaughlin: I would put a large helping of caution in the forecast. Congress owns this economy now through supporting unemployment. The Fed owns the monetary policy. One hiccup in either one and this thing comes crashing down. The election

can create volatility in the economy and change will occur until three months after a vaccine hits the market.

Michael Dreyfuss: I think the next big mic drop is schools and education. If schools don't struggle (like Major League Baseball just has), everything we talk about continues. If the schools struggle and numbers go up, things will change. If we get back to business, I think we'll get more of a normal market. We forget what the impact of schools are, even colleges. Having my college-aged son home is a challenge. It influences what I'm going to do with my vacation home, etc. Those trends will continue if the schools go online. If they manage to do a hybrid then we'll get more normal.

Dan Lynch: In 2020 we're waiting for the other shoe to drop with the election or a macro-economic event or any further restriction on our ability to sell. I can see a good three months out from now it's not going to slow down because demand is so high. I'm looking forward to the market getting back to a more regular market. In 2021 there are certain drivers in our market anyway, being an aspirational destination with global recognition. Los Angeles and San Francisco have been driving our growth in 2020. When the world gets back on its axis and people from around the world are able to come look at attractive destinations like Pebble Beach and Carmel, we'll benefit also from those people wanting to be there. We're going to be prudent and efficient in how we run our organization so we don't get caught empty-handed if the market goes off a cliff on us.

Tracy McLaughlin: July is the new March. This is as crazy as mid-spring selling season. We keep getting calls for new listings. I have anticipated that volume will roll out to September. The election is the big factor. I've been getting calls from a lot of longtime Marin County residents moving out of state for taxes, impeding retirement,



concern about children not going back to school. I think it will continue to be great business for myriad reasons and some exodus out of California for those reasons.

Jonathan Soh: We're all holding our breath to get through fire season. That's still pretty fresh on all of our minds, but provided we can do that, I fully anticipate this to be a very busy rest of 2020. One of the trends we saw before the pandemic was that people wanted finished, updated homes. Amazingly, the fires that burned 6,000 properties have meant that many new homes have just come online in a market that wants them. Every single home getting rebuilt is more expensive than one that burned. A very interesting turn of events. ●