

August 2009 Santa Barbara Real Estate
Market Update
By Jackie Walters, Village Properties

Are Sellers Finally Finding a Foothold...?

Yes, the market has “improved”, but what does that mean for today’s and tomorrow’s sellers? Historically local real estate cycles last approximately ten years – from peak to peak or between low points. At approximately five years into this current cycle, one might suggest an upturn is within sight and certainly the statistics that follow support that view.

This summer’s increased activity continues to be in properties priced under one million dollars, particularly under \$800,000, where buyers are competing daily in multiple offer situations. That market clearly has found price traction, forming a foundation of value – in the \$500,000-\$600,000 range, for a fixer tract home in Goleta and \$600,000-\$700,000 for a smallish fixer in Santa Barbara. In this small market segment we have entered Sellers’ Market territory, where the strong number of pending sales is giving buyers increasingly fewer homes from which to choose. What is significant over the past several months, has been an increase in sales over \$1 million and even into the higher price ranges. This includes a \$25 million closing in the Rivenrock community in Montecito and the famed Val Verde estate on Sycamore Canyon which sold for a little over \$15 million.

The fact is the bulk of our market remains a Buyers’ Market, or, at best, a Balanced Market, and selling under these market conditions just doesn’t feel very good. I encourage my clients to think very hard about their reasons for selling and their 3-5-7 year plan for their family. What are the benefits for your family if you accept that “lower” offer today? As a seller, whether you have plenty of equity, or you are embroiled in the short pay process, and you are facing selling your home for say 25% below what it may have been once worth, is there any kind of silver lining for you?

Here are a couple of real life scenarios where the decision to sell, and be flexible, in today’s market, ended on a very positive note.

A local couple wanted to downsize, from their larger, higher maintenance property. They priced their home very competitively and after 60 days on the market they accepted an offer that was close to list price. However, following the home inspection, the buyers submitted a request that the sellers perform a very extensive list of repairs; virtually everything in the report. The couple was in escrow on their replacement property and that sale was contingent upon them selling their current home. The sellers agreed to do almost all of the items on the list to close the escrow. (According to the standard real estate purchase contract, a buyer has the right to cancel the escrow if a seller does not agree to

their request for repairs). These sellers were able to move on to their new smaller home that they got a great deal on and are very satisfied with the outcome.

Another seller priced her rental property at close to the current market value. She received a somewhat lower offer after one month on the market. The offer involved a request for seller-financing that the seller preferred not to do. The next offer was a low verbal cash offer. She thought about it for another month, went away on a trip, and came back and decided she would take either of the two offers... she was so ready to sell. In the meantime, both buyers had found other properties. Within a few days, the seller decided to adjust the list price down to the level of the lowest of the two offers. By the end of the week she had three new offers and took the best one for terms and price, which was also over the asking price. She ended up feeling like a winner, is no longer burdened with the property, and walked away with a nice amount of cash.

These two examples illustrate how embracing the current market conditions can allow a seller to accomplish their goal. Indeed, the good news is that there are many more buyers eager to buy today, many with cash, as compared to one and two years ago. Buyers do seem to be over their "waiting" period and feel there are great values to be had.

Sellers can only base their decisions on what the market is showing us today. As recent years have reminded us, the future will always be unpredictable. If it fits with an overall financial plan to sell a property at less than you would have wanted and thereby free up cash that can be placed or used elsewhere to benefit your family, then don't hesitate to sell at that "lower number".

Sellers looking to "trade up" in this market have a distinct financial advantage for the following reason: If the entire market is down on average approximately 25%, (more for some segments, less for others), selling a property for \$1 million today will net you approximately \$333,000 less than you may have gotten at the height of the market. However, that property you may have your eye on priced at \$2 million is "on sale" today for an attractive \$666,000 discount!

Referring to the charts, Figure 1 gives us the all important Months of Inventory statistic. This is an important tool for sellers who want to price a home competitively. For homes and PUDs on the South Coast, there is currently 6.5 months of inventory. Also referred to as Market Velocity, this shows that given the current pace of sales, a seller can expect their property to sell anywhere between 1 and almost 200 days. Another way of expressing it is that there are 6 to 7 homes for every one buyer. Looking at the various districts, you will see Goleta, with its predominantly lower priced homes, has only 3.4 months of inventory, whereas, in spite of an uptick in higher-end sales, Montecito still has 11.4 months' supply of homes.

Figure 2 compares 2009 activity to the monthly average of the 5 year period 2004-2008. You can see how from January 2009 to July 2009 closed escrow numbers have crept closer to the 5 year average. August closings dipped slightly, but the sales pending, (the most accurate snapshot of what is happening today, last week and the week before), has climbed above the 5 year closed average for the month of August.

Figure 3 illustrates the concentration of the market activity under the \$800,000 level and graphically illustrates the dichotomy of the Sellers' Market vs. the Buyers' Market in this transitioning phase of the current real estate market cycle.

The bottom line is, historically, Santa Barbara property values have at least doubled every ten years since the 1960s; indeed, values tripled between 1995 and 2005. Across the various cycles, the successive "peaks", as well as the low points, have been significantly higher than the previous, making investing in Santa Barbara area real estate always a sound long term investment.

Santa Barbara South Coast

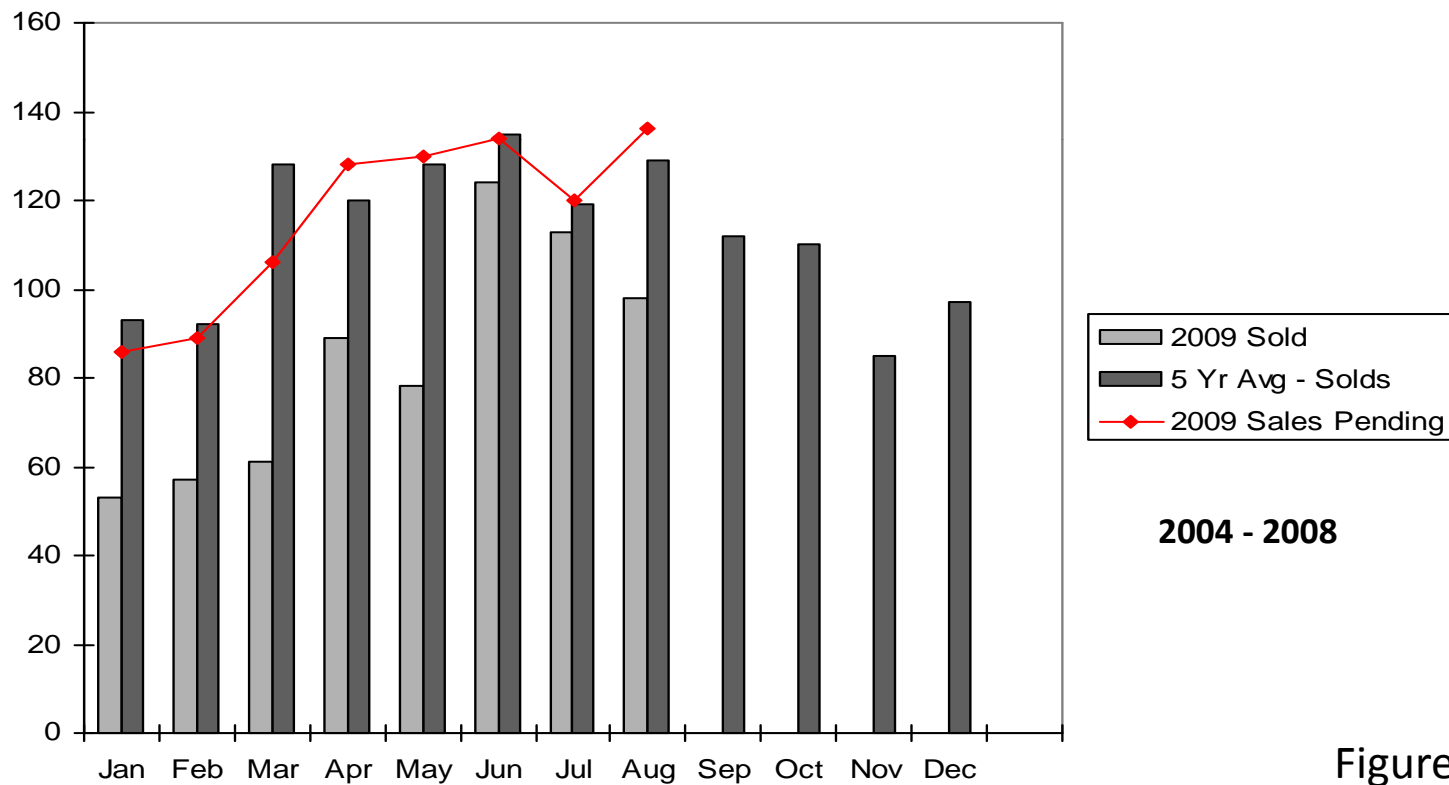
2009 MLS Market Activity

	2009 Year-to-Date		August 2009		
	Closed Escrows	Median Sales Price	Sales Pending	Active Listings	Months of Inventory
Houses/PUDs	505	\$850,000	93	609	6.5
Carpinteria/Summerland	31	\$689,500	8	71	8.9
Montecito	65	\$2,250,000	18	205	11.4
Santa Barbara	192	\$845,000	39	219	5.6
Hope Ranch	9	\$2,350,000	1	22	22
Goleta	138	\$707,500	27	92	3.4
Condos	192	\$463,000	43	145	3.4
Totals	697	\$719,000	136	754	5.5

Figure 1

Santa Barbara South Coast

Number of Sales & Sales Pending – 2009 vs. 5-Year Average
Houses, PUDs & Condominiums Combined



2004 - 2008

Figure 2

Santa Barbara South Coast

2009 Year-to-Date Sales by Price

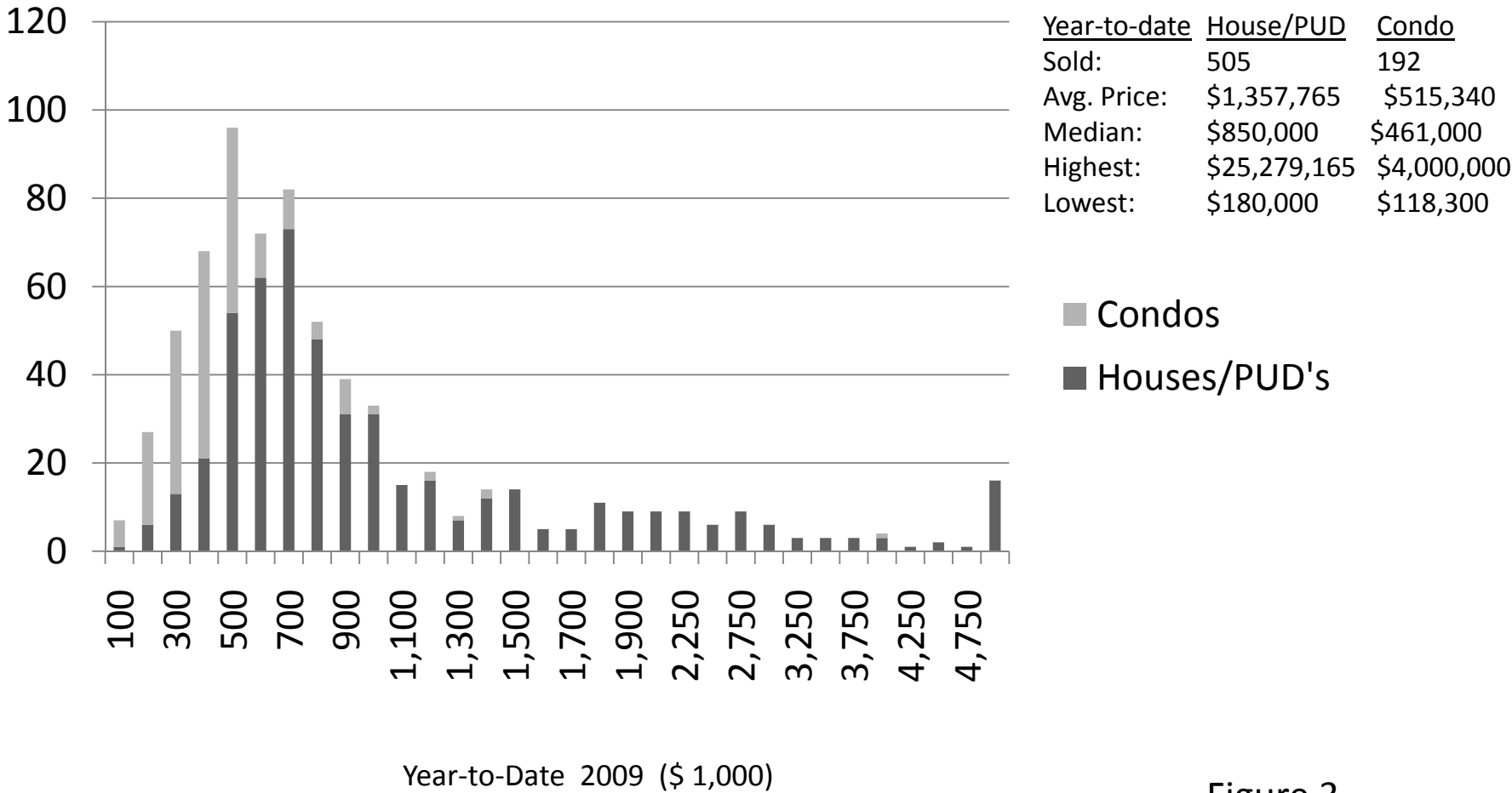


Figure 3