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### Mixed Reviews

The Santa Barbara Film Festival has returned and brought with it the anticipated buzz and excitement. Our local real estate market also continues to bring us excitement as well. Santa Barbara South Coast posted the most home sales in for the month of January with 60 homes sold, since January of 2006. However our median sales price (the sale price where half of all sales were above and half were below) for January 2010 was \$760,000 which is lower than January 2009's median sales price and less than the 2009 annual median of \$849,000. Meanwhile, the number of new listings brought on in January 2010 is the lowest number of new listings in any month since January 2005 and the number of currently active listings is at nearly a 36 month low with only 472 active listings. However the number of pending sales for January 2010 is the highest it's been for the month of January since January 2007.

Condos are showing similar divergent statistics. January 2010 had the most condo sales for the month since January 2007, while the monthly median sales price for condos dropped to \$375,000 which is the lowest median sales price in eight years. The median sales price in January of 2002 was \$372,000. Our inventory of condos is the lowest it's been since 2005, while the condo sales for January was at a three year high. In both home and condo markets we are seeing steady number of sales and pending listings, but with a dramatic decrease in inventory and a volatile median sales price. This is an unusual trend and cannot keep up for too long as we will quickly approach the critical point where demand out-paces the supply and prices begin to push upward.

Although these low January median sales prices may seem concerning, keep in mind that they are just one month's numbers and that our median sales price has been very volatile over the last 9 months with monthly swings over \$150,000 from one month to the next. Our market area is small as are the total number of sales that we track therefore the difference of a few sales closing a week or two early or late can affect our median sales price by pushing more or less sales from one month the next. The real test is a sustained median sales price. Another common inference made when tracking the median price is to draw the conclusion that if the median sold price has decreased by 17.9% (which was the drop from 2008's to 2009's annual median sales price) then the value of a specific property has also decreased by

17.9%, but that is not necessarily the case. The sheer lack of sales above \$1,000,000 has done more to change the median sales price than has actual devaluation of property. The prices of homes at the low end have stabilized over the past year while the higher priced homes have been experiencing a larger portion of price depreciation. The best way to find the real value of your home is to ask your Realtor® to create a Comparable Market Analysis where similar homes that have sold in your neighborhood and nearby areas will be compared to yours. This analysis will give you the most accurate determination of your home's current value.

Let's look at the market within these markets. Of the 60 homes that sold in January, half of the sales were above \$760,000 and half were below which is what gives us a median sales price of \$760,000. Of these sales only 15 were above \$1,000,000, of which 4 were between \$2,500,000 and \$5,000,000 and only 2 above \$5,000,000. Conversely there were 21 sales just between \$500,000 and \$700,000. Chart 3 shows the distribution of these sales which are heavily concentrated in the lower price points. Similarly for condos, of 21 sales there was only one sale above \$1,000,000 and 18 below \$500,000. On Chart 3, almost all of the condo sales are shown in the first three bars of the graph showing the tight clustering of January's sales.

We saw the fourth quarter of 2009 end with a flurry of sales. Many industry analysts attributed that to a pent up demand from a slow 2008 and sluggish start of 2009, combined with a desire to take advantage of the First Time Home Buyer tax credit that was previously set to expire on November 30, 2009 (but has now been extended to April 30, 2010 and expanded to include repeat home buyers now as well). There is also credence to the notion that many lenders wanted or needed to get these large quantities of short sales and REO properties off their books before the end of the year and thus closed them out by completing those sales. All of this contributed to an unseasonably active November and December and pulled many listings off the market as we moved into January leaving us a very low inventory at the start of 2010.

So what can we expect for 2010? We continue to see short sales and REO listings coming on the market, but at a much lower rate than we did in the third quarter of 2009. This will be an important trend to watch as it continues to have an effect on our median sales price as well as comparable home prices in your neighborhood. Some people in the industry are pointing to the increase in defaults on recently modified loans as well as the next wave of Adjustable Rate Mortgages adjusting to further fuel that trend. Additionally we are hearing of possible tightening to the FHA lending guidelines due to running out of funds to lend and some of their recent loans already going into default. But the counter points to this is that the Federal Government is mandating more loan work outs and loan modification, incentivizing lenders to find alternatives to foreclosures, and encouraging short sales as an option to keep foreclosure properties out of the lenders' portfolios. Buyers and sellers are also getting more creative on finding ways to sell property. We are seeing a return of installment sales, lease options, seller financing and purchasing partnerships where more than one person or couple buys a property with other in order to pool their resources and qualifications. There have been several news stories on these concepts in the media recently, but they should not be done imprudently. Make sure you have a qualified professional guiding you through these transactions and make sure the agreements you enter into are well documented. Another recent trend we have seen over the past few weeks have been an

increase in offers contingent upon the sale of the buyer's property. Although not the most desirable offer, it does create new opportunities for both buyers and sellers.

There is a mix of data for the real estate industry at the onset of 2010, but, smart buyers and sellers are actively involved in this market and making some great deals. There is a lot of opportunity if you know how to find it. Go to the Santa Barbara Association of Realtors website, [www.SBAOR.com](http://www.SBAOR.com) to search our current listings and for the most up to date list of open houses. Contact your local Realtor® to guide you with your search and through your transaction in this changing market.

# Santa Barbara South Coast

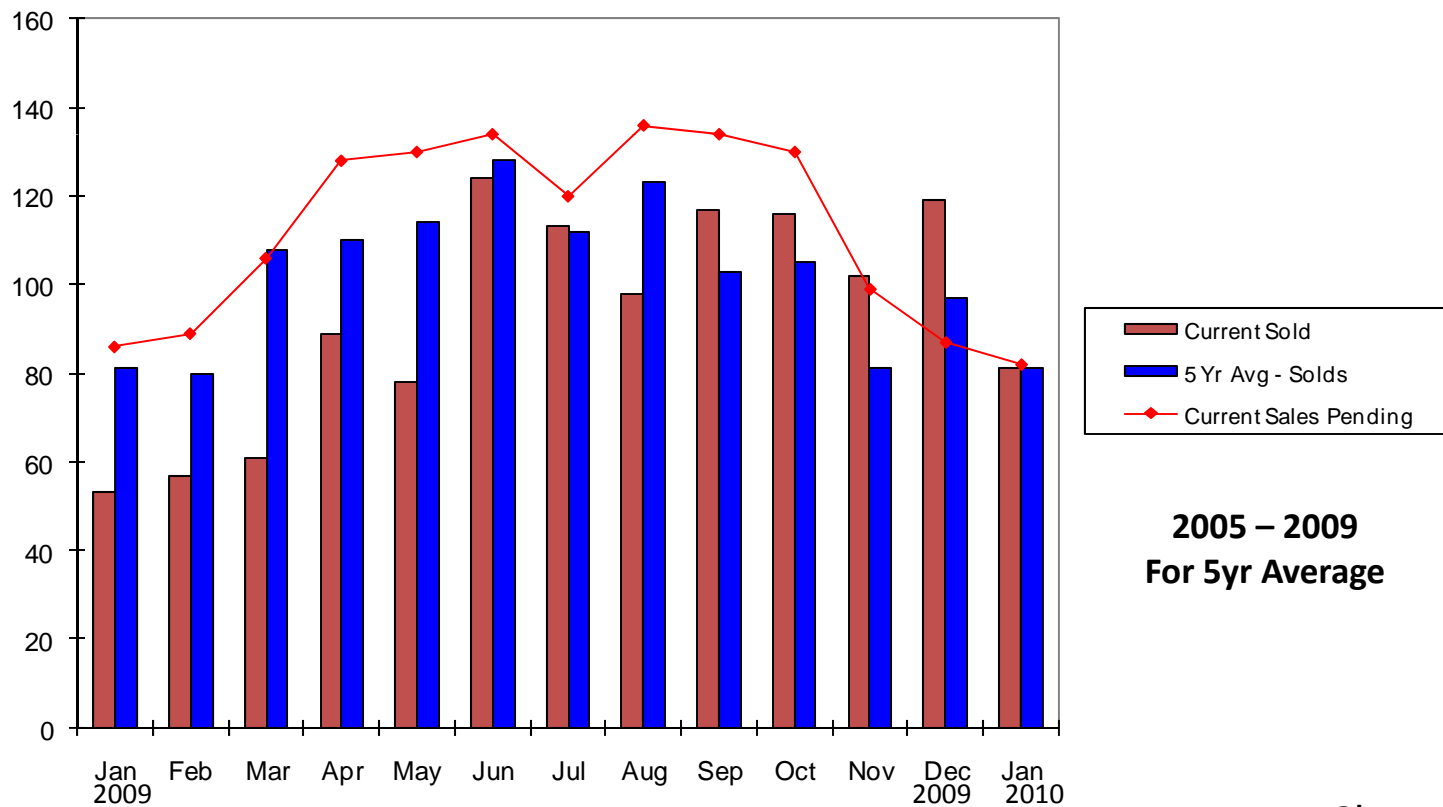
## 2010 MLS Market Activity

	January 2010		January 2010		
	Closed Escrows	Median Sales Price	Sales Pending	Active Listings	Months of Inventory
<b>Houses/PUDs</b>	<b>59</b>	<b>\$760,000</b>	<b>56</b>	<b>472</b>	<b>8.4</b>
Carpinteria/Summerland	8	\$675,000	5	66	13.2
Montecito	5	\$3,300,000	9	161	17.9
Santa Barbara	27	\$825,000	28	146	5.2
Hope Ranch	2	\$3,582,125	1	16	16
Goleta	17	\$600,000	13	83	6.4
<b>Condos</b>	<b>21</b>	<b>\$375,000</b>	<b>26</b>	<b>121</b>	<b>4.7</b>
<b>Totals</b>	<b>80</b>	<b>\$675,000</b>	<b>82</b>	<b>593</b>	<b>7.2</b>

Chart 1

# Santa Barbara South Coast

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

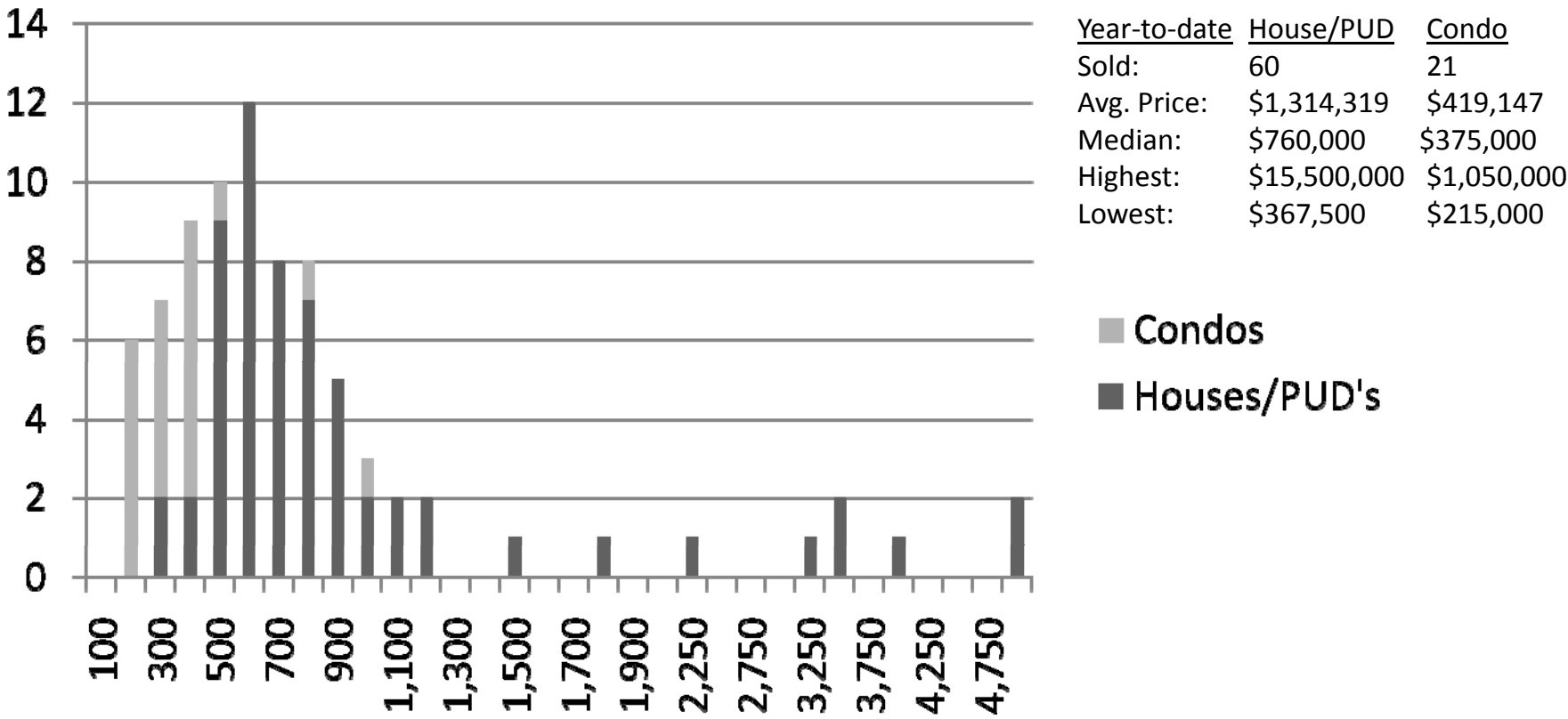


**2005 – 2009  
For 5yr Average**

Chart 2

# Santa Barbara South Coast

## 2010 Sales by Price



Year-to-date	House/PUD	Condo
Sold:	60	21
Avg. Price:	\$1,314,319	\$419,147
Median:	\$760,000	\$375,000
Highest:	\$15,500,000	\$1,050,000
Lowest:	\$367,500	\$215,000

■ Condos  
■ Houses/PUD's

Year-to-Date 2010 (\$ 1,000)

Chart 3