

Santa Barbara Association of REALTORS®

May 2009 Santa Barbara Real Estate

Market Report

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The talk on the street has changed. No longer is the real estate chatter “Let’s wait to see what happens with prices.” Now it’s, “Wow, it sure is a great time to buy in Santa Barbara, isn’t it?” Evidence that buyers are now getting off the fence: a recent offering in Goleta on Amberly Place received 19 offers the first day on the market! I’ll discuss the details of that sale later in this article, but first let’s look at the statistics to see if the tide is indeed turning in Santa Barbara.

When comparing the statistics reports from the Santa Barbara Multiple Listing Service over the last three months, one trend is immediately evident: stabilization. With just two exceptions, prices and number of sales have remained relatively stable in most of our market areas.

The median selling price for the 56 houses and PUDs (planned unit development homes) that closed escrow in May is \$875,000, and the median price of all the 266 homes that have sold and closed escrow so far this year is \$846,100. This number is up slightly from the \$827,500 year-to-date median in April and \$825,000 in March, but it shows that median price has been relatively stable for the last 3 months. To compare with sales last year through May, the median was \$1,177,500 for the 310 houses that had closed escrow by the end of May 2008. There are 14% fewer closed sales so far this year than last year. But before we all go screaming that the price of homes has fallen from nearly \$1.2M to the mid \$800,000s, let’s look deeper at that number. Last year at this time, 57% of all sales were over \$1 million, 22% were over \$2.5 million, and there were 27 sales over \$5 million (or nearly 9% of the market). However, for 2009, only 39% of our sales were over \$1 million, 11% were over \$2.5 million, and there were only 8 closed sales over \$5 million (only 3% of the market). Put another way, 61% of houses sold so far this year were priced *under* \$1 million; last year just 43% of the sales were under \$1M. And in the over-\$5M luxury market, we had three times as many sales by May 2008 than we do this year. Because median price is the number at which half the homes sold for less and half sold for more, this change in the composition of *what is selling* will indeed change that figure. Many more homes are selling at the lower end of the market than last year, and the median price reflects that fact (see **Figure 3**).

The statistics above speak of closed sales. Keep in mind that it typically takes 30 to 60 days to close escrow from the time that the price and terms of the offer to purchase are negotiated. One way to peer into the near future of real estate is to look at the number of new “pending” sales, those that went into escrow during the month. There were 86 negotiated sales for May, 89 in April, and 77 in March.

Look again at **Figure 1** in the Sales Pending column. You’ll see that Montecito has 16 total sales pending for the month just ended. This is over a 50% increase from the 9 sales pending in April and 9 in March. If all 16 of these Montecito homes close escrow in June, we should see a slight increase in our median price. Remember, median price

reflects both price *and* which price ranges are selling (composition of the market). However, what's true in the rest of our market areas is also true in Montecito: More homes are selling in the lower price ranges for Montecito (in the \$2 million to \$4 million range). Indeed, the median price of homes that have sold in Montecito has declined this year, down year-to-date in 2009 to \$2.35 million from \$3.2 million at the end of last year.

In addition to significantly more homes in Montecito beginning to sell, another trend we're seeing is a little more inventory in Goleta homes; the number of pending sales in Goleta is down slightly from earlier this year. Most of this year saw a bit of a buyer frenzy for Goleta tract homes, where there were sometimes multiple buyers vying for the same well-priced home. The inventory level for Goleta homes has gone up from about 3.5 months' inventory in April to 5 months' in May. (Inventory is a number used to measure the length of time it would take to sell all of the homes that are for sale at one time, at the current pace of new sales; in Figure 1, divide Active Listings by Sales Pending). Since about 6 months' inventory is considered a market balanced between buyers and sellers, Goleta is still tipped toward being a sellers market with 5 months' worth of homes, but not as much as at the start of the year when inventory was just 2.5 months. That said, the home for sale on Amberly Place that I mentioned earlier was listed in May at \$542,520 (a price set by the bank that owned the property due to a foreclosure). That home received purchase offers from 19 buyers – within the first few hours. This particular home was underpriced by 25% or more according to nearby comparable sales, and although we don't know the final selling price yet, it sold for significantly over asking price and near market value.

Turning to condominiums, stabilization is the word here as well for prices and activity, but the inventory numbers are improving (that is, if you're a seller!). There are 3.8 months of inventory for condos (only about 4 condos for every one buyer), and that number has declined steadily from a high of about 14 months at this time last year. (Remember, lower inventory numbers favor sellers, higher numbers favor buyers.) In this time of economic change, one of the more promising trends is housing affordability, and in Santa Barbara, that translates into condo sales. Statewide, the percentage of households that could afford to buy an entry-level home in California stood at 69 percent in the first quarter of 2009, compared with 46 percent for the same period a year ago, according to a report by the California Association of Realtors®. This is great news.

One last trend to note: In last month's column it was noted that April was the first time that the number of new escrows opened (pending sales) surpassed the average number of closings for April 2004 to 2008. In **Figure 2**, you'll see this occurred again in May, showing that the real estate market activity is definitely picking up.

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Santa Barbara South Coast

2009 MLS Market Activity

	2009 Year-to-Date		May 2009		
	Closed Escrows	Median Sales Price	Sales Pending	Active Listings	Inventory (Months)
Houses/PUDs	266	\$846,100	86	626	7.3
Carpinteria/ Summerland	17	\$632,000	11	77	7
Montecito	41	\$2,350,000	16	199	12.4
Santa Barbara	118	\$860,750	38	232	6.1
Hope Ranch	5	\$2,556,000	2	22	11
Goleta	85	\$710,000	19	95	5
Condos	85	\$ 479,000	44	168	3.8
TOTALS	351	\$ 725,000	130	794	6.1

Figure 1

Santa Barbara South Coast

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

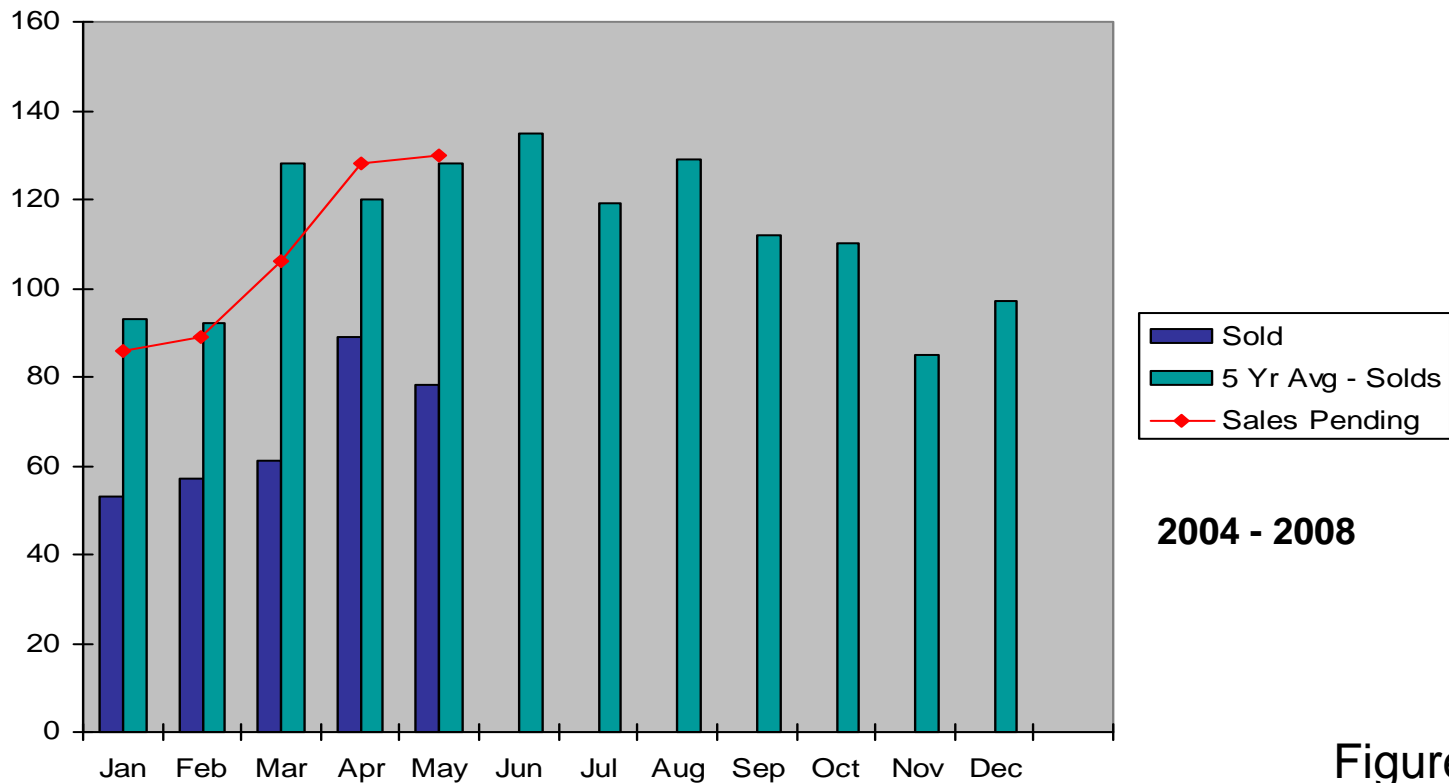


Figure 2

Santa Barbara South Coast

2009 Year-to-Date Sales by Price Houses, PUDs & Condominiums Combined

