

## **Increased Momentum in 2019 and Full Speed Ahead in 2020**

By Sue Irwin, Realtor

Looking back 12 months at our year-end review of 2018, we predicted a stable real estate market in 2019, with slight increases in the median price. How did those predictions hold up? Pretty good—and in fact, the 2019 market surpassed our expectations!

### **2019 vs 2018 Median Price and Number of Sales**

Using sales data from the Santa Barbara Multiple Listing Service (MLS) for the South Coast (Goleta through Carpinteria), there were 1,170 closed home sales in 2019, which was 7.9% more homes sold than in 2018. The median price of South Coast homes rose 5.4% overall in 2019, which is slightly higher than the average annual gain that real estate has returned over decades.

The first chart gives a quick look at 2019 vs 2018, and the details for each market sector are explained below. The second chart provides breakouts for all market sectors for 2019 and shows data for just the month of December on the right.

#### **Carpinteria / Summerland**

Real estate seems to have recovered well in this sector since the Thomas Fire of December 2017. The median sales price of homes in Carpinteria/Summerland was \$1,130,000 last year, which is 2.7% higher than 2018 and 8.6% higher than in 2017. There were 95 sales in Carpinteria/Summerland in 2019, which is 14.4% more than 2018 and equal to 2017's number of sales.

#### **Montecito**

The biggest upswing in values and number of sales in 2019 was in Montecito, where the median price rose 10% from \$2,775,000 to \$3,056,296. The number of Montecito homes sales recorded in the MLS last year was 188, a whopping 48% more sales than in 2018. Clearly, the Montecito real estate market is rebounding after the shattering January 2018 debris flow event, although certain areas of Montecito that were hardest hit are still affected in numerous ways, including real estate values. A revised Debris Flow Risk Map was renamed the "Storm Impact Consideration Map" and published in December 2019, and it greatly reduced the number of Montecito properties that are designated as Storm Impact Parcels.

It is noteworthy and heartening to compare Montecito's 2019 sales data to 2017, the year before the debris flow. In this comparison, the 2019 median price was 3.6% higher than in 2017, and 6% more homes sold in Montecito in 2019 than in 2017.

#### **Santa Barbara**

The 2019 median price of homes sold in Santa Barbara in 2019—\$1,273,000—reflects a modest gain of 1.2% compared to 2018. The number of houses that sold was actually a tad lower than in 2018, down 2.4%. Affordability is becoming more and more of an issue for Santa Barbara, and Goleta has seen some big gains in prices and activity, so it's possible that some buyers shifted their focus to the more affordable homes in Goleta last year. Santa Barbara continues to be in demand, however, with many buyers looking for homes that are walkable to downtown and beach areas, or homes with iconic ocean, island, and city views.

## **Hope Ranch**

The smallest segment of our market, Hope Ranch experienced a big jump in home prices two years ago after the Montecito debris flow, with a 35% gain in the median price in 2018. In 2019, however, it lost a good portion of that gain, with the median home price dropping 20% to \$2,974,000. Given these dramatic swings, it's well worth noting that 2019's median price was 8.4% higher than in 2017, showing a net upward trend for Hope Ranch over a 3-year period.

Because Hope Ranch is a small market sector with only about 3 dozen home sales a year, statistical data isn't always a reliable measurement. Sellers setting their list price or buyers deciding on an offer price would do well to put most of their analytical emphasis on comparable sales in Hope Ranch and not focus too heavily on the movement of the median price from year to year.

## **Goleta**

This was one of our hottest market sectors in 2019. The Goleta median price of \$980,000 was 5.5% higher than 2018's median of \$928,844, and the 312 total number of sales was 9% higher. Goleta's appeal has been growing in the last few years: The Good Land is offering the good life, augmenting its fabulous beaches and fresh breezes with new stores, busy pubs and popular eateries. Currently, the number of available homes in Goleta is very low, and demand is high, so prices are probably still on the rise.

## **A Very Busy December and January!**

Real estate activity is often sluggish in November and December each year, but the end of 2019 was surprisingly busy. For instance, 123 closed transactions were reported in the Santa Barbara MLS for December 2019, compared to 95 closings in December 2018, 88 closings in 2017 and 86 in 2016. Much of the increase in the number of homes sold was in Santa Barbara itself, along with Hope Ranch and Montecito. Consumer confidence? Low interest rates or fear of interest rates rising? Wanting to buy before prices go any higher? It's hard to pinpoint reasons for this elevated sales activity, but it is a noticeable difference. The number of pending sales at the end of December (83) was 28% higher than in December 2018 (65), so January closings are poised to be higher than a year ago, and there is strong momentum in the market moving forward.

## **Low Months of Inventory — Is It a Hot Seller's Market Again?**

Months of Inventory (MOI) is a way to measure market velocity and shows if a market is hot or cool — and if it is a seller's market, buyer's market, or balanced market favoring neither buyers or sellers. It is the theoretical number of months it would take, at the current pace of sales, to sell all the homes on the market in a given area, assuming no new listings.

During the Recession, it was a buyer's market; the South Coast MOI in December 2008 was around 8 months. By December 2014 the South Coast's MOI was down to 3.0—a hot seller's market. Then the market started cooling very slowly, and by December 2018 the MOI had crept up to 5.1—out of seller's market territory to a more balanced situation and leaning toward a buyer's market.

Who would have predicted that by the end of 2019 we would be back at low MOI values and a hot market? In December 2019, the South Coast MOI stood at 3.0 again, indicative of a strong seller's market. The tightest sectors were Santa Barbara and Goleta, with MOI values of 2.0 and 1.9 respectively — low, low, low! There have been multiple offer battles on some homes in the \$1,000,000 range, and in fact one Santa Barbara listing had 21 offers in December!

Are we back to a hot seller's market? It looks like it right now, but even though MOI values are super low in many local areas, the environment is quite different now than in 2014. With current prices what they are, fewer buyers are willing to stretch beyond their comfort zone compared to 5 or 6 years ago. Homes that are overpriced are lingering on the market a long time, and there's less margin for error on initial list prices. It may be a seller's market, but overprice your home and you could easily lose control of negotiations by creating buyer's market conditions for your property.

## **Trends and Topics, Real Estate 2020**

Dozens of factors influence the real estate market and the economy in general. Here are a few items to note and follow for 2020's real estate market:

- Interest Rates — many economists predict rates will remain at 4% or less for 30-year fixed loans this year. Low mortgage rates will help keep the real estate market vibrant.
- Flipping homes is becoming less lucrative due to higher home prices and higher construction costs.
- The importance of pricing a home realistically will continue to grow as prices remain high and buyers become even more savvy and cautious.
- Homes that are turnkey and remodeled to contemporary tastes sell faster and for more money than other styles; non-turnkey homes must be priced to reflect the cost of updates and repairs.
- Home insurance will continue to be a challenge for areas of high fire danger.
- More tech companies in Santa Barbara: Will an influx of high wage earners increase the demand for homes and help keep home prices high, or will incoming tech employees prefer to rent?
- California ADU regulations are now more lenient, and it will become easier to build additional units on almost all types of properties, including apartments and commercial property.
- There are new regulations for tenants' rights; landlords need to be aware of these new laws.
- National and international politics, election year — these can have a bearing on the national economy and all types of markets, including local real estate.

## **Looking Ahead**

At the moment, the Santa Barbara South Coast real estate market is vibrant and booming, especially for January. With loan rates low and a relative lack of homes on the market to satisfy buyer demand in many areas, home prices are currently poised for continued growth on the South Coast. The recession fears that made headlines last year are no longer top stories, and the economy seems strong. Real estate markets are naturally cyclical with prices always in a state of flux, but there doesn't seem to be any major trend that would cause prices to dip significantly in the very near future.

The California Association of Realtors has forecast a 2.5% increase in the median price of homes in California for 2020. The South Coast, with its gorgeous coastal location and great communities, may outperform California as a whole.

Local Realtors keep up-to-date on the many trends that influence the real estate market. Whether you are buying, selling, or biding your time, your Realtor is a valuable source of information. With experience gained by being out in the field on a daily basis, your Realtor can help you understand the ins and outs of the market and be an invaluable asset for your next transaction.

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DISTRICT	MEDIAN PRICE			NUMBER OF SALES		
	2018	2019	% change	2018	2019	% change
<b>All Houses &amp; PUDs</b>	\$1,220,000	\$1,286,000	<b>5.4</b> ↑	1,084	1,170	<b>7.9</b> ↑
<b>Carpinteria/Summerland</b>	\$1,100,000	\$1,130,000	<b>2.7</b> ↑	83	95	<b>14.5</b> ↑
<b>Montecito</b>	\$2,775,000	\$3,056,296	<b>10.1</b> ↑	127	188	<b>48.0</b> ↑
<b>Santa Barbara</b>	\$1,257,500	\$1,273,000	<b>1.2</b> ↑	552	539	<b>-2.4</b> ↓
<b>Hope Ranch</b>	\$3,722,500	\$2,974,000	<b>-20.0</b> ↓	36	36	<b>—</b> —
<b>Goleta</b>	\$928,844	\$980,000	<b>5.5</b> ↑	286	312	<b>9.0</b> ↑
<b>All Condos</b>	\$650,000	\$669,180	<b>3.0</b> ↑	430	432	<b>—</b> —

# Santa Barbara South Coast

## 2019 MLS Market Activity

### 2019 Year-End Summary

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### December 2019

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	Closed Escrows	Median Sales Price	Sales Pending	Active Listings	Months of Inventory	Closed Escrows	Median Sales Price
<b>Houses/PUDs</b>	<b>1,170</b>	<b>\$1,286,000</b>	<b>83</b>	<b>264</b>	<b>3.2</b>	<b>123</b>	<b>\$1,275,000</b>
Carp/Summerland	95	\$1,130,000	7	23	3.3	11	\$1,050,000
Montecito	188	\$3,056,296	14	104	7.4	22	\$3,375,000
Santa Barbara	539	\$1,273,000	42	82	2.0	58	\$1,217,500
Hope Ranch	36	\$2,974,000	2	20	10.0	4	\$2,722,500
Goleta	312	\$980,000	18	35	1.9	28	\$1,084,000
<b>Condos</b>	<b>432</b>	<b>\$669,180</b>	<b>24</b>	<b>72</b>	<b>3.0</b>	<b>37</b>	<b>\$725,000</b>
<b>Totals</b>	<b>1,602</b>	<b>\$1,100,000</b>	<b>107</b>	<b>336</b>	<b>3.1</b>	<b>160</b>	<b>\$1,120,000</b>