

Real Estate Market Update
Santa Barbara South Coast
September 2018
By
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Market Overview

As a testament to the enduring desirability of the Santa Barbara South Coast lifestyle, the real estate market has shown resounding resiliency following the calamitous events that marked the end of 2017 and the early days of 2018. Closed sales for the entire market, including residential, commercial and raw land, were, understandably, at their lowest for the month of January 2018, as compared to the previous five years. By August, the number of closings had reached the *highest* for that calendar month over the same number of years.

Residential Market

The charts show South Coast market data for the month of September 2018, 2018 year-to-date, as well as an historical look back to 2003 for the median price and the number of homes sold. The charts include all price ranges, from Carpinteria to Goleta and reflect market activity reported through the Multiple Listing Service. As you can see, market-wide for houses and "PUDs", (not including condos), we are seeing a low 4.4 months of inventory. (A PUD is a unit within a planned unit development that is governed by a homeowners' association.) For condominiums, the data shows an even more robust 3.3 months of inventory. These strong market indicators are down slightly from September 2017, where we saw 3.7 months of inventory for houses and PUDs and 2.2 for condominiums. (Remember, an *increase* in the number of months of inventory is indicative of reduction in market activity.)

Months of inventory, often referred to as "market velocity", is a way of illustrating the current *pace* of sales, by dividing the number of active listings by the number of properties in escrow, but not yet closed. This statistic is particularly useful in assessing buyer confidence *today* -- whereas analyzing "sold" data reflects sales activity 45 to 60 days earlier. As a general rule of thumb, under three months of inventory is indicative of a strong sellers' market; three to six months of inventory is a more balanced market, six to nine months is a buyers' market and over nine months could be viewed as a weak market.

The "Santa Barbara South Coast 2018 MLS Market Activity" chart breaks down market activity by area. You can see the Santa Barbara and Goleta markets both remain sellers' markets. The community of Hope Ranch often has too few sales to give a reliable picture of market activity. We can however, compare this year's number of sales to last year's and we see 31 closings for 2018 year-to-date compared to 20 for 2017, an increase of 55%. Some of this year's sales occurred as a number of Montecito buyers purchased a home in Hope Ranch instead.

Median price

The median price is defined as the midpoint in a grouping of sales, meaning half the sales in the group sold for more and half sold for less. For real estate statistics, the median is more often used, as the *average* price will be skewed if there is an uptick in very high-end closings for that period of time.

You will see that at the end of the third quarter of 2018, the median ended at \$1,249,000 for houses and PUDs. The same period for 2017 showed a median of \$1,250,000. These levels are on par with levels seen at the previous market height, 2005 through 2007, and are a full 57% higher than the 2012 market low of \$795,000.

The 2018 September year-to-date median price for condominiums was \$650,000, which is 62.5% higher than the low of \$400,000 in 2012. However, the current median for condominiums is below the high point of \$672,000 for 2005/06.

As one looks at the median price fluctuations over the past 15 years, one clearly sees the sharp appreciation of the early 2000s as well as the "down market" years of 2009 through 2012, which followed the so-called "financial meltdown" that spurred several years of short sales and foreclosures. Since 2013 the median price has climbed at a steady, and arguably more sustainable, pace. However, not yet a trend, the year-to-date median has plateaued for the last two years, which will be something to watch into 2019. Inventory numbers are up 8.7% year-over-year, which is good news for buyers in this active market, who in certain market segments have been forced to navigate stressful multiple offer situations.

As a side note on distressed sales, (short sales and foreclosure/bank-owned closings), according to Leslie Appleton Young, Chief Economist for the California Association of Realtors, statewide, in 2009, 70% of closings were distressed sales, compared to 1.2% for 2018.

Number of Sales

A total of 817 houses and PUDs closed escrow for September 2018 year-to-date, which is 8.4% down for the same period last year. The number for 2018 was, of course, impacted by the reduced sales activity for the first two months of the year. This year's 817 sales year-to-date is up 38% over the same period for 2009 where we saw a low of 590 sales. Condominium sales year-to-date increased 5.8% over 2017. A large percentage of condominium sales are spurred by demand from first time buyers; increasing interest rates will affect the ability of some buyers to secure financing, so look for sales number to potentially drop into 2019. However, another variable is the large number of new developments that came online this year, with more slated for 2019. These developments have been selling briskly, offering buyers sparkling new homes with many sought after amenities.

Looking back at market activity over the past 15 years, you can see how the year-over-year cycles closely, but not exactly, mirror those for the median price. One interesting aspect is the spike in number of sales for 2012 and 2013. This is where buyers, who had remained timid for several years, amid cascading distress sales, finally decided that prices were enticing enough to

act. You can see how the increased sales for 2012 and 2013 resulted in a 25.9% rebound in the median price the following year.

Montecito Update

Beginning in the third month of the year, sales activity in Montecito has been remarkably steady. There is currently 6.9 months of inventory, which is indicative of a balanced/trending buyer's market. By comparison, for September 2017, months of inventory were at a much weaker 12.2. Given that over one third of the 134 homes for sale in Montecito, (listed in the MLS), are over \$5 million -- 22 of which are over \$10 million -- the impact of January's debris flow on the Montecito real estate market appears to be negligible at this point in time. Also, it was only five percent of the homes in the community that were directly impacted in January. We have started to see debris impacted homes and lots coming on the market and some have already closed escrow, a few have sold privately, not through the MLS. More will be listed, but there seems to be many interested developers and investors ready to buy.

Real estate is a long term investment and, across all markets, buying a home on the Santa Barbara South Coast will be a wonderful future investment. Call your Realtor for information on opportunities for buyers and sellers in today's market.

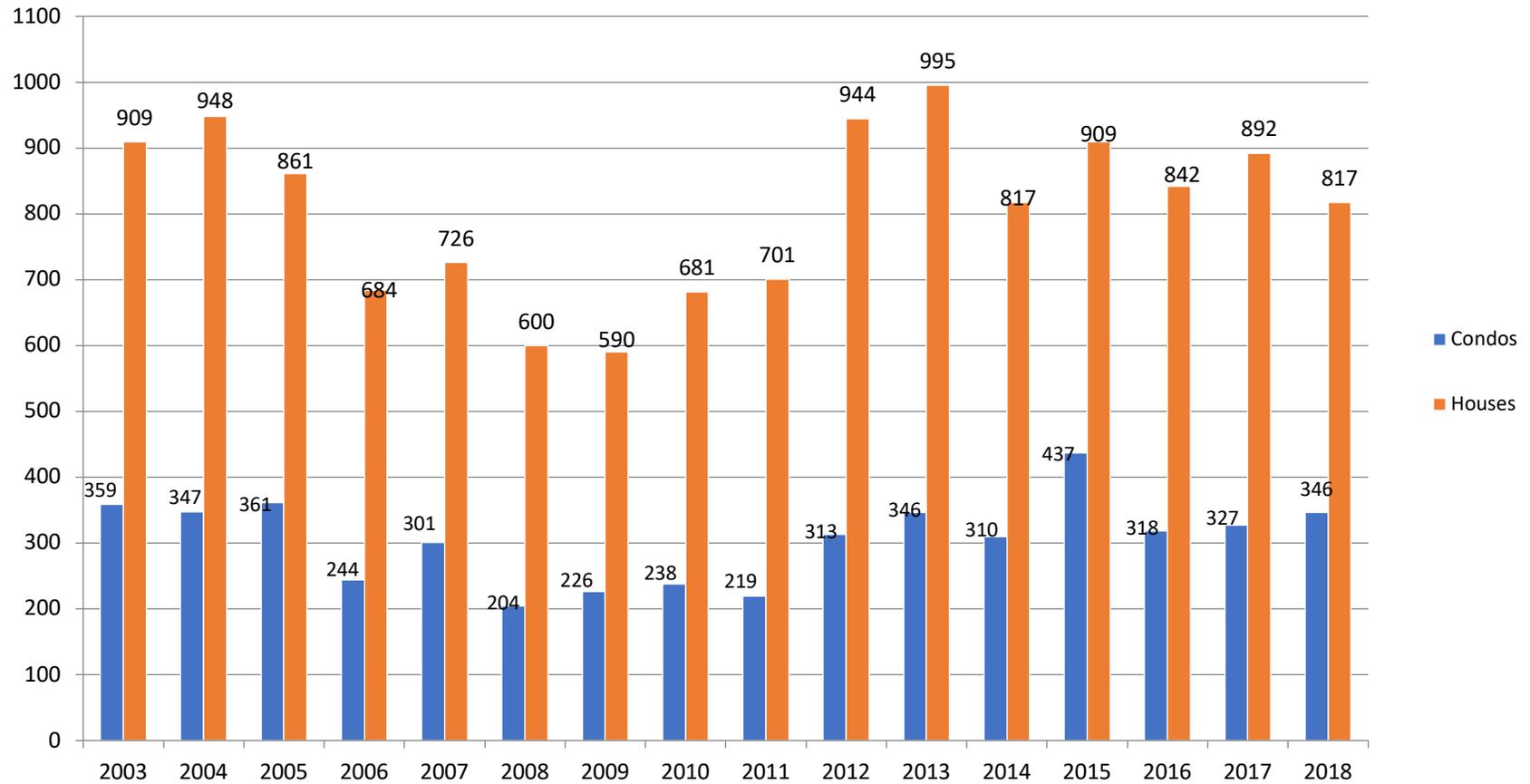
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Santa Barbara South Coast

2018 MLS Market Activity

	2018 Year-to-Date		September 2018				
	Closed Escrows	Median Sales Price	Sales Pending	Active Listings	Months of Inventory	Closed Escrows	Median Sales Price
Houses/PUDs	817	\$1,249,000	97	422	4.4	83	\$1,200,000
Carp/Summerland	59	\$1,069,000	10	49	4.9	8	\$1,218,000
Montecito	92	\$2,837,500	18	125	6.9	9	\$3,500,000
Santa Barbara	422	\$1,277,500	46	155	3.4	38	\$1,297,000
Hope Ranch	31	\$3,645,000	2	24	12.0	3	\$2,885,000
Goleta	213	\$925,000	21	69	3.3	25	\$870,000
Condos	346	\$650,000	37	122	3.3	39	\$640,000
Totals	1,163	\$1,023,000	134	544	4.1	122	\$997,500

Number of Sold Listings January thru September



Median Price Sold Listings January thru September (in 1,000s)

