



The LITTLE WOODS

Santa Barbara Estate Sales

By Harry Kolb

Spring 2003

Two Real Estate Markets At Work

The local real estate market is showing dramatic signs of two very different markets at work at the same time.

On the one hand we have the very strong market for homes priced below \$2 million where it seems few homes remain on the market for more than a week, almost every sale is a result of multiple offers from anxious buyers who have each been losing bidders on numerous other homes - a very dramatic characterization of a Seller's Market. A good example is the frantic activity being experienced on the Mesa in Santa Barbara. Within just the past few weeks, seven homes sold for between \$800,000 and \$1,400,000 - all within their first week on the market - all with multiple offers - and several sold for more than their asking price. It seems that buyers just can't get enough and there doesn't appear to be an end to buyers who want at least one of these homes.

The other market is that of homes priced above \$5 million. Not one home priced between \$5 million and \$21 million was sold during the first three months of this year in the entire Santa Barbara area between Gaviota and Carpinteria. Not one. And

there were 102 available. Two properties sold in the \$21 million range. I sold a wonderful estate with multiple-lot development potential and another home sold, sight unseen, to a neighbor to add to his holdings. But with the exception of these two sales, the upper end of the market has been dead. Between these two price ranges, the middle market of homes priced between \$2 million and \$5 million seem to take their



This is your quarterly report on the sale of estate properties in the Santa Barbara area. These updates are sent as a courtesy to clients and friends by Harry Kolb. For further information, Harry may be reached at (805) 565-8633

influence from the extremes closest to them. The \$2 million market has been rather strong and the \$4 million market has been rather weak.

These two very different real estate markets, one red-hot and the other ice cold, are examples of how our community is driven by two very different economic engines. The market for less expensive homes is being driven by historically low interest rates - now near 35-year lows. The upper market is being driven, or in this case abandoned, by equally historic low consumer confidence levels - now near -23, off its 17-year low of -50 of last February. Our current market is a classroom example of what happens, not only when these two powerful engines don't coincide, but when they are at opposite ends of their respective extremes.

Just as recently as January 2000, consumer confidence was at its historically high value of +38. The average for each of the past three years was +29 in 2000 (the best full year in history), +4 in 2001, and -11 in 2002. These measures of buyer's confidence coincide directly with the number of sales we experienced in the local upper-

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Birnam Wood View \$4,995,000



Mountain Estate Parcel \$3,900,000



Montecito Redo Prospect \$3,590,000



Jack Warner Design \$3,495,000



Five-Acre Ocean View \$2,950,000



Spanish Contemporary \$2,950,000



Birnam Wood Redo \$2,900,000



Birnam Wood Home \$2,700,000

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priced real estate market. During 2000 we sold 30 homes for over \$5 million (the most ever sold in one year), 26 in 2001 and last year we sold only 18.

I guess for most of us the real question is, where is the market going from here. Interest rates are beginning to rise, but only slightly. Remember just a few years ago when they dipped below 10% and we all thought it was a good deal? It looks like the only thing that may cool the lesser-priced market may be a lack of inventory. Consumer confidence has been rising since February 2002. With a satisfactory conclusion to the war in Iraq and a quelling of the fears of terrorism, consumer confidence is apt to follow the stock market – some say much higher, others say just higher. In any case, we can expect the upper market to improve as soon as out of town buyers begin flying again and consumer confidence rises. Because we've lost the entire first quarter of this year to an empty slate, the balance of this year will probably be slightly below the figures for last year.

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