

The LITTLE WOODS

Santa Barbara Real Estate

By Harry Kolb

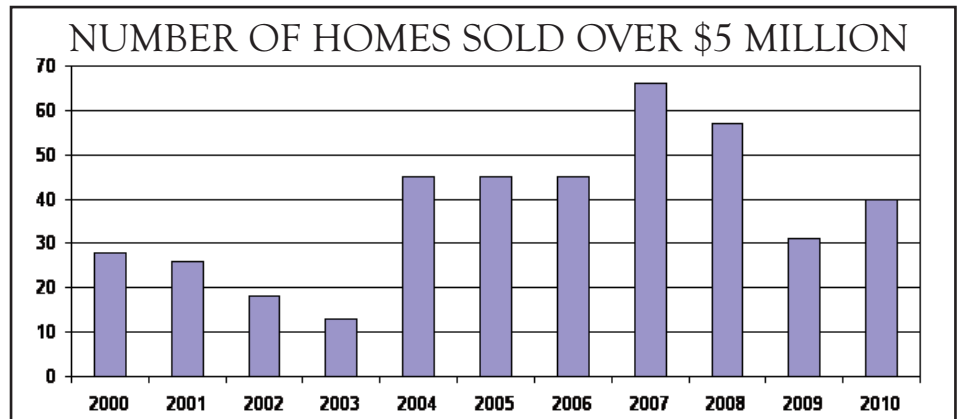
Winter 2011

Number of Estate Sales Improving

Although the number of homes sold in the Santa Barbara area for over \$5 million during this past year was up slightly from the prior year, the mood of the market had not improved significantly from the prior year. During 2010, 40 homes sold for over \$5 million compared to 31 in 2009. Most agents and buyers agree that local property values are down approximately 30% from their highs of 2007. Our offices in the New York Hamptons reported a very similar increase among homes sold for over \$5 million this last quarter over the same period last year. Buyers seem to be sharing an interest in locating motivated sellers in the country's most exclusive communities. This gives most analysts the confidence to declare the bottom of the estate market has been reached.

Geographically across our area, Montecito and Hope Ranch had the most notable improvement in homes sold for over \$5 million. In 2009, Montecito sold 21 homes compared to 27 in 2010. Hope Ranch improved their sales from 2 in 2009 to 5 in 2010. Santa Barbara sold no homes for over \$5 million in 2009 but managed to sell 2 in 2010. One segment of our market still demonstrating significant weakness is our market for major estate properties valued over \$20 million. During the past several years, Montecito would normally sell anywhere from 2 to 5 major estates for over \$20 million, but even with having approximately 30 of these major properties available, none from anywhere along our entire coastal area closed escrow last year.

As has been the case for the past several years, homes requiring the least amount of work were the most sought after by buyers. Only 5 or 6 of the 40 homes sold could be classified as requiring considerable renovation or major reconstruction. Also, the homes that required the least amount of work usually sold for a price closest to their asking price. When a buyer estimates what a property is going to need in the way of renovation cost, he will usually be very conservative and lean toward what his advisors offer as the "worst case



scenario." In our community, the difference in cost between a reasonable repair and that associated with a worst case scenario can be substantial. Perhaps one of the reasons newer homes or renovated older homes in the best condition are the most sought after is because so many of our buyers are looking in our community for a second or seasonal home and not as often for their primary residence. This was especially the case among last year's more expensive homes sold. Managing a property from long-distance encourages a buyer to strongly consider the ease of managing a property in better condition. And the two years

of administering the renovation of a property is often daunting even for a family in close proximity.

Now that we are beginning a new selling season, everyone is asking what this new year will bring in terms of values and expected sales.

To buyers - I would advise them to seriously consider buying sooner than later. Almost no one disagrees that the bottom, or at least near-bottom, has been reached in market values and financing is still very attractive. Estate sales in our area reacted first to the economic slowdown and will probably react first to the recovery. This is what appears to be occurring now. Sales are increasing, we're seeing multiple offers on homes that have significantly reduced asking prices and there are more buyers with a positive attitude about the market in general. Buyers who are still preaching doom and gloom are being passed over by the market as more realistic buyers who recognize our area for the special community that it is are taking the opportunity to buy at today's reduced values.

To sellers - I'm advising sellers who want to see a sale occur within the next few years to sell now and not to wait for a hoped for increase in sales prices. The general consensus is that although the market may improve

Estate Sales continued on page 4

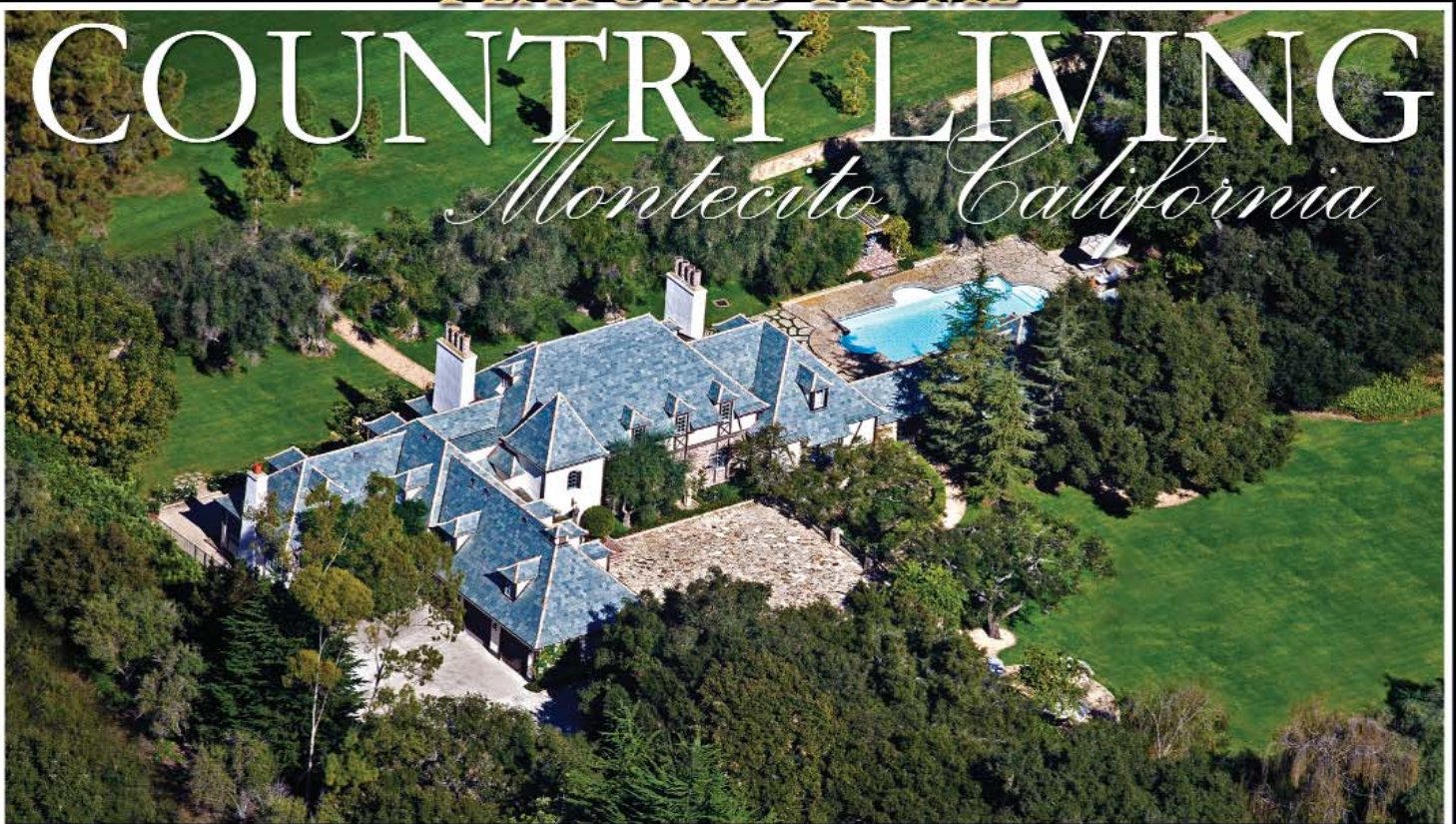


This is your quarterly report on the sale of estate properties in the Santa Barbara area. These updates are sent as a courtesy to clients and friends by Harry Kolb. For further information, Harry may be reached at (805) 452-2500 or harry@harrykolb.com.

FEATURED HOME

COUNTRY LIVING

Montecito, California



FRENCH COUNTRY-STYLE ESTATE - An enchanting French Country Estate on 2+ acres with beautifully landscaped lawns, mountain and Valley Club Golf Course views of one of Golf Digest's top 100 courses. Featuring 6 bedrooms, 10 baths, handcrafted European details, hand hewn beams, 8 fireplaces, a library, pub room, wine room, a separate 2 bedroom guest house, and a 41ft pool and spa. Offered at \$7,750,00



PROPERTIES REPRESENTED BY HARRY KOLB

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VILLA LA QUINTA - A 1920s vintage Italian villa graces 7.39± acres with panoramic ocean views. 7 bedroom, 10.5 baths, tennis court, pool and pool house. For Sale or Lease. Offered at \$29,000,000



REGINALD JOHNSON ESTATE - An historic home built in 1918 on 2 parcels totaling 5± acres with panoramic ocean views, 5 bedroom, massive beamed ceilings, timeless architectural details. Offered at \$7,950,000



G.W.SMITH FRENCH NORMANDY - Built in 1928 and recently updated with inspiring ocean and island views, 5 fireplaces, 5 bedrooms, lush gardens, pool and spa. Offered at \$3,850,000



VISTA DEL MUNDO - A 4 bedroom mid-century ranch estate with walls of windows to spectacular coastal and mountain views on 4± useable acres with a tennis court. Offered at \$7,250,000



CAPE COD-STYLE COTTAGE - Located in prestigious Hedgerow district surrounded by lush gardens, a 3-bd family wing, 4th bedroom/office, and an upstairs master suite. Offered at \$2,850,000



VILLA LA VEREDA - A spanish style garden retreat built in 1922 with beamed ceilings, mountain views, 4 bedroom and extensive landscaping and cultivated gardens. Offered at \$2,890,000

Estate Sales cont...

slightly this next 12 months, prices will remain very close to where they are now due to the large number of homes already available and the number of homes that will become available now that the market has stabilized. There are so many significant economic hurdles holding values down that it will almost certainly be several years before we see any appreciable increase in market values.

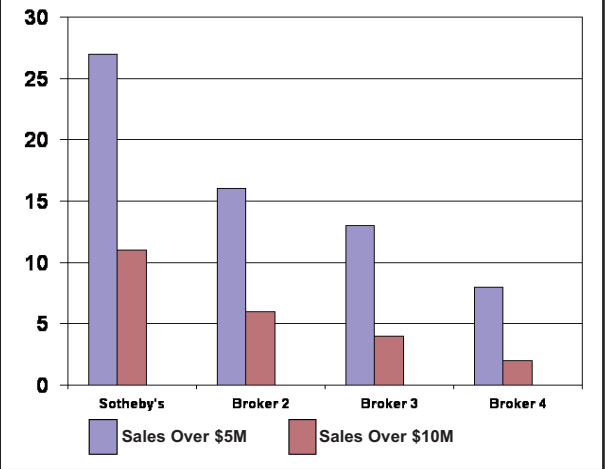
Sellers need to be aware that in today's market there are three different price ranges available to today's buyers: **First Level:** Homes that are new to the market and priced at the seller's "hoped for" price perhaps based on what price was paid a few years ago or after taking into consideration work performed or based on where the value was a few years ago. This would have been considered the "normal" market in the past, but virtually no homes are selling from this segment in today's market. **Second Level:** The adjusted price after having no success at the first level and probably about 30% below what may have been the 2007 value. This is the bulk of today's market and from where the majority of today's sales are experienced. **Third Level:** An asking price that

most sellers would consider a desperation price. Well below what would have been considered market value a few years ago. Perhaps the asking price is at the level of the debt against the property or considerably below the amount investment by the owner. These are the very motivated sellers who must sell immediately for one reason or another. These homes are beginning to vanish from our inventory and are now beginning to sell with multiple offers.

We all know that Santa Barbara is a special place and thanks to our wide and affluent audience our real estate market enjoys a certain independence from the national economy. However, in very difficult and broad reaching economic times such as these, even our rarified market is significantly influenced by the national trends - and the national trends are still not good. We should not expect the current real estate values to improve in the short-term.

Sothebys International Realty continued to dominate the sale of the more expensive homes

BROKER SHARE FOR HOMES SOLD 2010 OVER \$5 MILLION



in our area. Last year our firm represented 27 sides of the sales over \$5 million compared to our next closest competitor who represented 16. Sotheby's represented 11 sides of the homes sold for over \$10 million compared to 6 for our next closest competitor. If I can assist you with the sale or purchase of property, please don't hesitate to call. All inquiries are kept strictly confidential.

Because of our extensive marketing, I've been able to sell 7 significant Montecito homes within the last 7 months. Extensive marketing is always valuable, but in a slow market it's absolutely essential. If I can help you with any of your real estate needs don't hesitate to call for a confidential discussion of the current market.

7 HOMES SOLD in 7 MONTHS

IRON GATE, ENCHANTING GARDEN ESTATE
 MONTECITO, CALIFORNIA

G.W. SMITH SPANISH MONTEREY
 MONTECITO, CALIFORNIA

OCEAN VIEW MEDITERRANEAN
 MONTECITO, CALIFORNIA

Sotheby's International Realty