

# UCSB ECONOMIC FORECAST PROJECT

**From the trenches: the South Coast residential real estate market is actually red hot**

*by Daniel Encell*

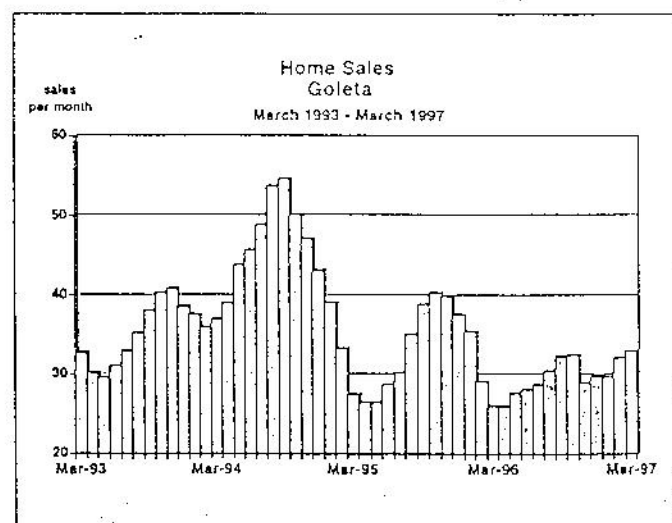
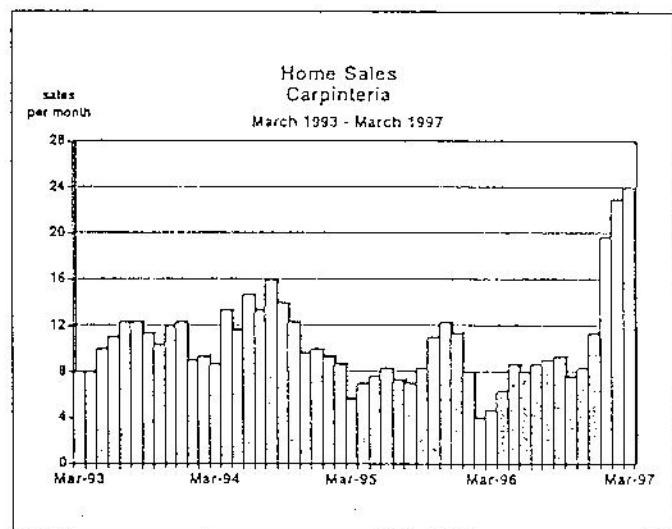
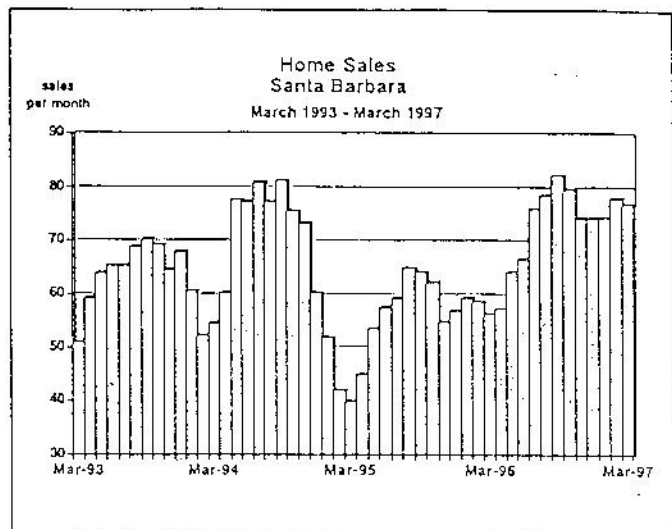
The residential real estate market in Southern Santa Barbara County is red hot—the strongest it has been in the last seven years. The current market is characterized by two extreme conditions: consumer demand is at the highest level it has been since the late 1980s; and, buyers are competing for an available housing supply which is at the lowest level in recent history. There simply are not enough homes available to satisfy the overwhelming demand for housing on the South Coast.

Unlike the frenzied market of 1988-1990, which was comprised of an unhealthy number of speculators, especially in the luxury market, the buyers now are in fact end users. We are experiencing a very reassuring trend of economic prosperity and consumer confidence in local residential real estate. For the first time in many years, large numbers of local property owners are trading up into more expensive homes. When this condition occurs each home sale can have a domino effect on the local market, creating a chain of sales.

A result of all the recent activity has been a significant decrease in the average marketing time needed to sell a properly priced home. Real estate agents have become very efficient at communicating information on properties available for sale and the needs of Buyers actively looking for housing. A significant number of properties are listed and sold before they even get placed into the Multiple Listings Service (MLS). Many sales involve multiple offers. Statistical data of sales reported through the MLS, in many cases, differs dramatically from the comprehensive figures of all recorded sales reported by Computer Oriented Real Estate Technology (CORT).

Based on the CORT database of the first three months of 1997, the number of home sales are up over 40% for all areas of the South Coast compared with the first three months of 1996 (which was a very good year for local real estate). Prices are moving up in most areas, especially entry level homes in desirable neighborhoods. The quality of school districts continues to be of importance to buyers, even if they do not in fact have school age children. Look for prices to continue to rise throughout 1997, especially in areas with reputations for exceptional elementary schools.

*The author is Estates Director with Fred Sands Estates in Montecito.*



Source for data in charts: Chicago Title & Escrow