The South Coast Residential Market:
1998 in Retrospect and Lessons Learned for 1999

By Dan Encell

1998 taught those involved in local real estate three important lessons:

(1) Consumer attitudes toward real estate have become directly related to the wellness of the stock market,

(2) How quickly a significant drop in the stock market can affect activity in our real estate market, and

(3) Value Range Marketing doesn't work now, just like it didn't work in the early 1990s.

1998 started off strong and continued strong through late summer with rapidly escalating prices and quick sales. When the stock market began to falter, the local real estate market changed overnight, from "frenzied" to very slow. Buyers moved to the sidelines to wait and see what happened with the local, national and world economies. As a result, September through December were very quiet, with many price reductions and fewer sales. In fact, in October 1998 there were more price reductions (207) than there were sales (196) through the Multiple Listing Service.

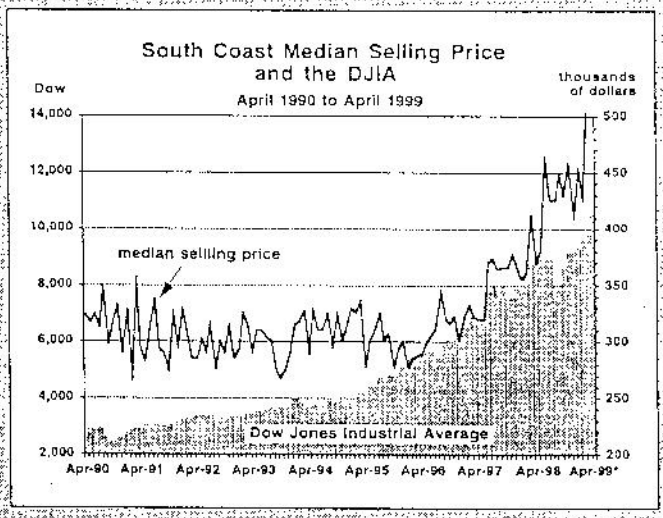
Despite the rapid change during the 4th quarter, 1998 never came close to being a Buyers market. The number of new listings remained low and both Buyers and Sellers were waiting to see how everything worked out with the economy.

Beginning in December, as the stock market regained its recently lost ground, Buyers attitudes toward local real estate began to improve again. Cautiously at first, sales increased as it became apparent that the economy was not going to continue to free-fall. As the stock market has reached new highs, so has the local real estate market. Median and average home selling prices have reached their highest levels ever on the South Coast.

Currently, we are right back where we were at this time last year – a frenzy. Look for second quarter 1999 statistics to show more robust activity. Properties are selling rapidly, often at or over the asking price, and frequently with multiple offers. First quarter 1999 statistics will be misleadingly pessimistic as they largely reflect a very slow 4th quarter of 1998 sales and stronger prices. Prices are beginning to escalate again after the slump during the last quarter of 1998. The inventory shortage continues to frustrate ready-willing-and-able buyers (and their agents). Long term fixed interest rates remain very attractive. Elementary school districts are still at the top of buyer priority lists when shopping for property. The single family home for under $250,000 has almost disappeared entirely.

My Expectations for 1999

- Rapid escalation in prices, especially entry level properties in desirable elementary school districts;
- Another year of decreasing inventory of homes offered for sale;
- The availability and attractiveness of fixed interest rates will help stabilize any future negative influences on prices and increase the average time homeowners stay in their homes;
- More owners will choose to improve their existing homes instead of "buying up"
- Significant increases in construction costs, both for new homes and remodels, (which will also drive up home prices)
- Potential buyers who are waiting for prices to drop before they buy will watch the market pass by them for yet another year.



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