

REAL ESTATE REPORT

SANTA BARBARA COUNTY | FEBRUARY 2012



Housing Market - Best Improvement In 5 Years

As housing conditions slowly improve, buyers and sellers could be surprised by a different market than in recent years.

Inventories are down, prices are lower, interest rates are at record lows, and the “shadow” inventory of distressed homes is receding.

In other words, housing is stabilizing, and that counts as a vast improvement compared to the last five years. Depending on your point of view, housing could be at the beginning of a market rally, or it could continue to bump along with only modest gains in sales volume and prices.

The California Association of REALTORS® reported that the increase in home sales for November 2011 was the fifth consecutive month of year-to-year sales increases across the state. Not only were housing sales higher than the previous month, they were higher than the previous year.

Yet housing sales and prices remain below normal levels, largely due to factors outside of buyer demand. The lowering of temporary federally insured loan limits on Fannie Mae and Freddie Mac-bound loans impacted the sale of higher-end homes, particularly in high-cost areas such as Ventura, Orange County, Santa Barbara and other areas.

Fortunately, the higher loan limits have since been restored to \$729,500 in many areas, so sales figures going forward should illustrate why it's a good time to buy a home in Southern California.

In addition, many banks are facing lawsuits

and demands for restitution over fraudulent loans they sold to Fannie and Freddie. This explains the huge reluctance of banks to lend money to anyone except those with near or perfect credit and credit scores of 720 or above.

Despite such headwinds, pending sales climbed higher than a year ago, but the best news is that equity sales (homes not sold under distress of missed payments, foreclosures or short sales) rose to 55.1% of the market in November, up from 53.9% in October and 54.4% a year ago.

Another positive trend is that short sales were 21% of total sales, up from 19% a year ago. Banks are more willing to work with distressed sellers than take them through the foreclosure process.

According to Dataquick, Southern California home sales have increased for four consecutive months, less than the NAR's statewide average. It was a tale of two markets. While transaction volume rose 6.1% in November 2011 for homes priced under \$400,000, sales of \$500,000 and above fell nearly 16% from a year ago. Sales of homes \$800,000 and above fell 17.6%.

Investors – nearly 25% of Southland home buyers – and buyers are pouring into homes that can be purchased within conforming and conventional loan limits up to \$417,000, which could create a seller's market not so much by area, but by price range. The number of short sales that were purchased rose, while foreclosures declined, again a slight improvement toward shifting

inventories away from the domination of distressed homes as opposed to equity homes – those sold with no financial encumbrances by the seller.

These are the kinds of reports that are improving inventory levels, which will eventually lead to more stable prices.

So what does 2012 hold in store for buyers and sellers? At Prudential California Realty, we believe that the trends mentioned in this report will develop further in the directions they are already going:

- 1) The number of home sales will continue to rise;
- 2) Inventories will increase, mostly due to a rise in foreclosures, but they will be absorbed quickly in the affordable price ranges;
- 3) Distressed properties will make up half of all sales as more sellers sell short;
- 4) An improved short sale process will emerge to help more home owners avoid foreclosure; and
- 5) Foreign and domestic investors will buy 25% of homes.

In these market conditions, look for buyers of affordable homes to see their equity building faster in 2012, while high-end home buyers may obtain some of the best bargains in recent years.

Advice for buyers: Lenders are closely watching housing sales in every price range and may use appraisal algorithms

that adjust for the rate of declining prices. Buyers should carefully consider recent comparables when making offers for homes. That means that the home as well as the buyer must qualify for the borrower's loan. To learn more, contact your mortgage professional at HomeServices Lending.

Advice for sellers: For sellers of high-end homes, the number of people who would have purchased using a federally insured loan has dropped by about 14%. Cash buyers are kings, and may demand additional discounts. Carefully consider competing homes and prices when pricing your home for sale or negotiating

terms with a buyer. To learn more, confer with your Prudential California Realty sales professional.

SANTA BARBARA COUNTY

Following the year's peak for sales volume in July through September, prices and sales volume in traditional homes under \$1 million declined through December 2011. Prices in both detached and attached homes ended the year below year-ago levels.

**A balanced market is widely accepted as having three to no more than six months of inventory on hand, with market conditions favorable to both buyers and sellers. A buyer's market is characterized by conditions such as high inventories, falling prices, concessions by sellers, and incentives among other indicators. A seller's market has low inventories of homes for sale, escalating prices, and keen competition between buyers, including multiple offers.*

***Small sample sizes and large or low sales volume in metrics such as Hot and Cold Zip Codes can skew statistics. Contact your Prudential California Realty sales professional for more information.*

****Detached homes stand alone and share no common walls with any other neighboring home. Attached homes share at least one common wall with another home. The type of home ownership is determined by whether it is a condominium, townhome, duplex, co-operative or other.*

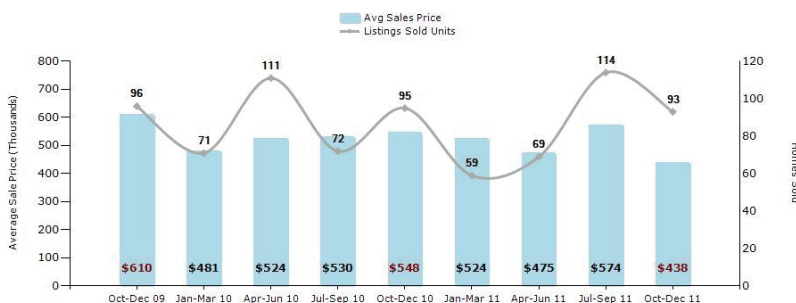
Detached Properties - Listings Sold 3 Months Ending December 31, 2011



	1-year			2-year		
	Oct - Dec 10	Oct - Dec 11	% Change	Oct - Dec 09	Oct - Dec 11	% Change
Average Sales Price	1514	976	-35.5% ▼	1373	976	-28.9% ▼
Homes Sold	268	300	11.9% ▲	299	300	0.3% ▲

Following the year's peak for sales volume in July through September, both sale prices and sales volume in detached homes eased between October and December 2011, ending the year below year-ago levels.

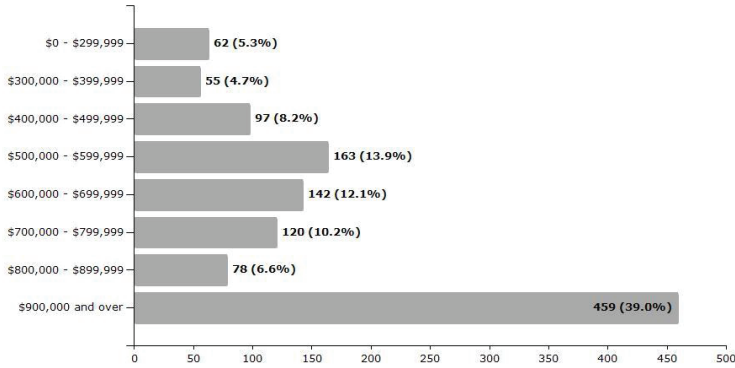
Attached Properties - Listings Sold 3 Months Ending December 31, 2011



	1-year			2-year		
	Oct - Dec 10	Oct - Dec 11	% Change	Oct - Dec 09	Oct - Dec 11	% Change
Average Sales Price	548	438	-20.1% ▼	610	438	-28.2% ▼
Homes Sold	95	93	-2.1% ▼	96	93	-3.1% ▼

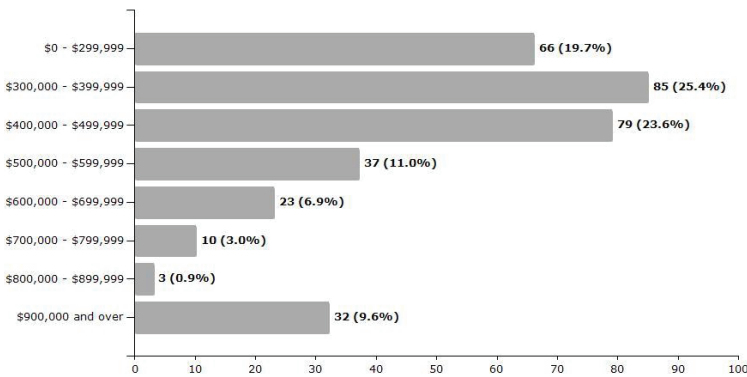
Following the year's peak for sales volume in June through September, sale prices and transaction volume for attached homes eased in the three months between October and December 2011.

Detached Properties - Listings Sold Units By Price Range



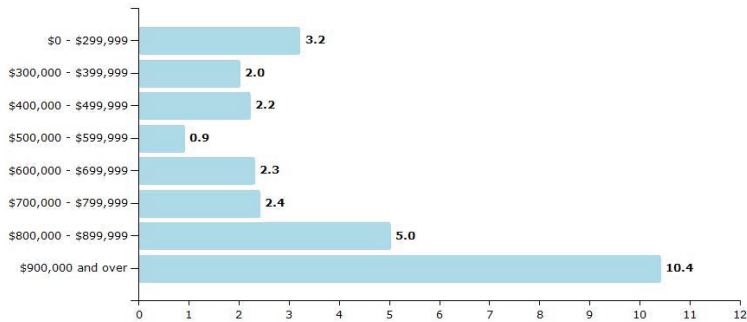
In the year ending December 31, 2011, 39% of sales volume for detached homes took place in homes \$900K and above.

Attached Properties - Listings Sold Units By Price Range



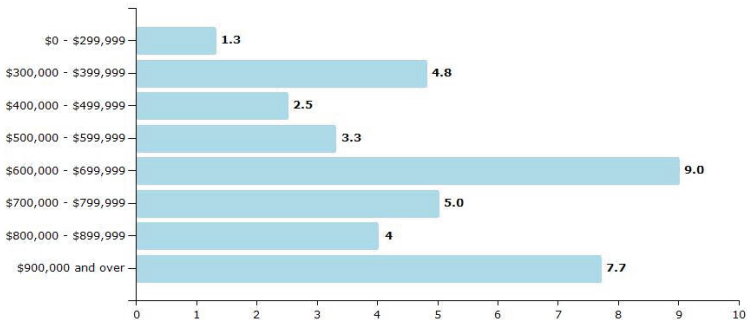
In the year ending December 31, 2011, over 45% of attached homes sold were under \$400K.

Detached Properties - Inventory in Months' Supply



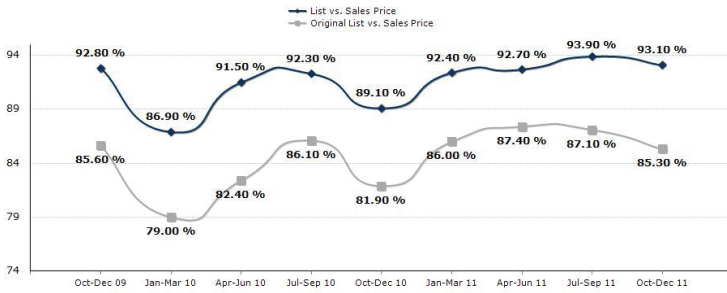
Detached homes are in a balanced market in all prices under \$900K. A balanced market has approximately three to six months of supply on hand, depending on the normal sales cycle for the area.

Attached Properties - Inventory in Months' Supply



Attached homes are in a balanced market under \$600K and between \$700K and \$900K. A balanced market has approximately three to six months of supply on hand, depending on the normal sales cycle for the area.

Detached Properties - Sales Price Ratio



Sellers of detached homes are overpricing their homes when they first put them on the market. On average, sellers are receiving 85.3% of the original list price and 93.1% of the most recent published price.

Attached Properties - Sales Price Ratio



Sellers of attached homes are overpricing their homes when they first put them on the market. On average, sellers are receiving 89.9% of the original list price and 95% of the most recent published price.

Detached Properties - Hot & Cold Zip Codes By Average Sale Price

Property Zip	Oct. 2011 - Dec. 2011 Average Sale Price	Jul. 2011 - Sep. 2011 Average Sale Price	% Average Sale Price Gain/Loss
Zip 93103 (Santa Barbara)	\$1,066,033	\$734,991	45%
Zip 93455 (Santa Maria)	\$330,000	\$272,800	21%
Zip 93067 (Summerland)	\$1,037,500	\$887,871	16.9%
Zip 93101 (Santa Barbara)	\$808,092	\$729,723	10.7%
Zip 93463 (Solvang)	\$609,727	\$564,111	8.1%
Zip 93454 (Santa Maria)	\$0	\$174,400	-100%
Zip 93458 (Santa Maria)	\$0	\$218,250	-100%
Zip 93441 (Los Olivos)	\$365,000	\$1,400,000	-73.9%
Zip 93460 (Santa Ynez)	\$511,583	\$950,050	-46.2%
Zip 93436 (Lompoc)	\$196,264	\$353,565	-44.5%

For detached homes, the three months between October and December 2011 showed price gains in five zip codes over the previous period.

Attached Properties - Hot & Cold Zip Codes By Average Sale Price

Property Zip	Oct. 2011 - Dec. 2011 Average Sale Price	Jul. 2011 - Sep. 2011 Average Sale Price	% Average Sale Price Gain/Loss
Zip 93111 (Santa Barbara)	\$534,500	\$385,666	38.6%
Zip 93108 (Montecito)	\$1,249,125	\$991,333	26%
Zip 93427 (Buellton)	\$0	\$299,000	-100%
Zip 93436 (Lompoc)	\$0	\$70,000	-100%
Zip 93013 (Carpinteria)	\$314,306	\$565,786	-44.4%
Zip 93463 (Solvang)	\$268,000	\$454,000	-41%
Zip 93101 (Santa Barbara)	\$599,634	\$792,441	-24.3%

For attached homes, the three months between October and December 2011 showed price gains in two zip codes over the previous period.

