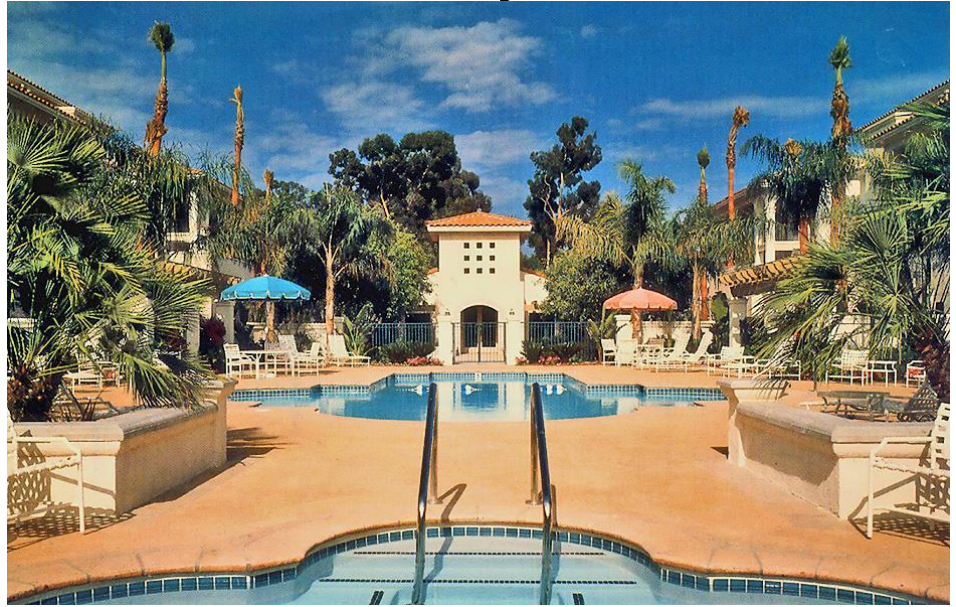


El Escorial Villas at East Beach

February 2020

Bob & Karin's Real Estate Newsletter



This is the 28th publication of our newsletter, focusing on the Santa Barbara area real estate condo market and specifically as it relates to El Escorial. This issue presents Santa Barbara real estate statistics providing a market summary for the full year of 2019. Total Santa Barbara area condo sales were fairly flat and prices increased slightly. El Escorial sales were flat from last year, but prices for 1-bedroom units declined. We continue to welcome your feedback and any suggestions of topics that we could focus on in our future publications. We also invite you to view our website at www.SBBeachHome.com. We would be pleased to expand our distribution to include any friends, family or acquaintances who you think would enjoy receiving this newsletter. Just let us know and we will be happy to add their names to our address book.

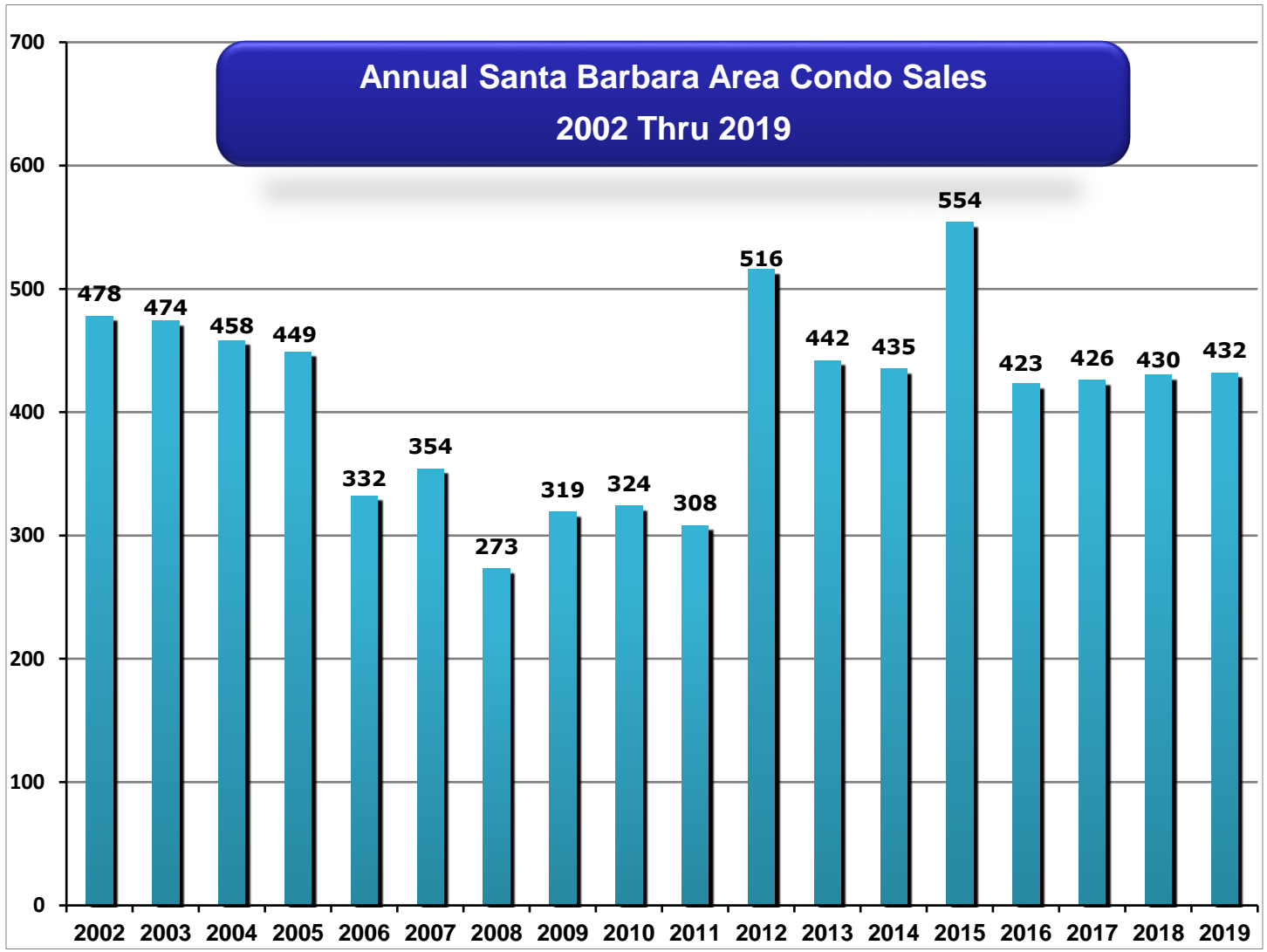
Bob Oliver & Karin Holloway

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Santa Barbara Area Condo Sales Hold Steady

The Santa Barbara area total condo sales (from Carpinteria through Goleta) for 2019 were slightly ahead of the 2018 total, but well below the peak sales of 2015. The 2015 sales were the highest total since 1999, mostly driven by three luxury condominium projects which subsequently sold out. This year's total of 432 sales represents a reasonably healthy market, consistent with six of the last seven years.

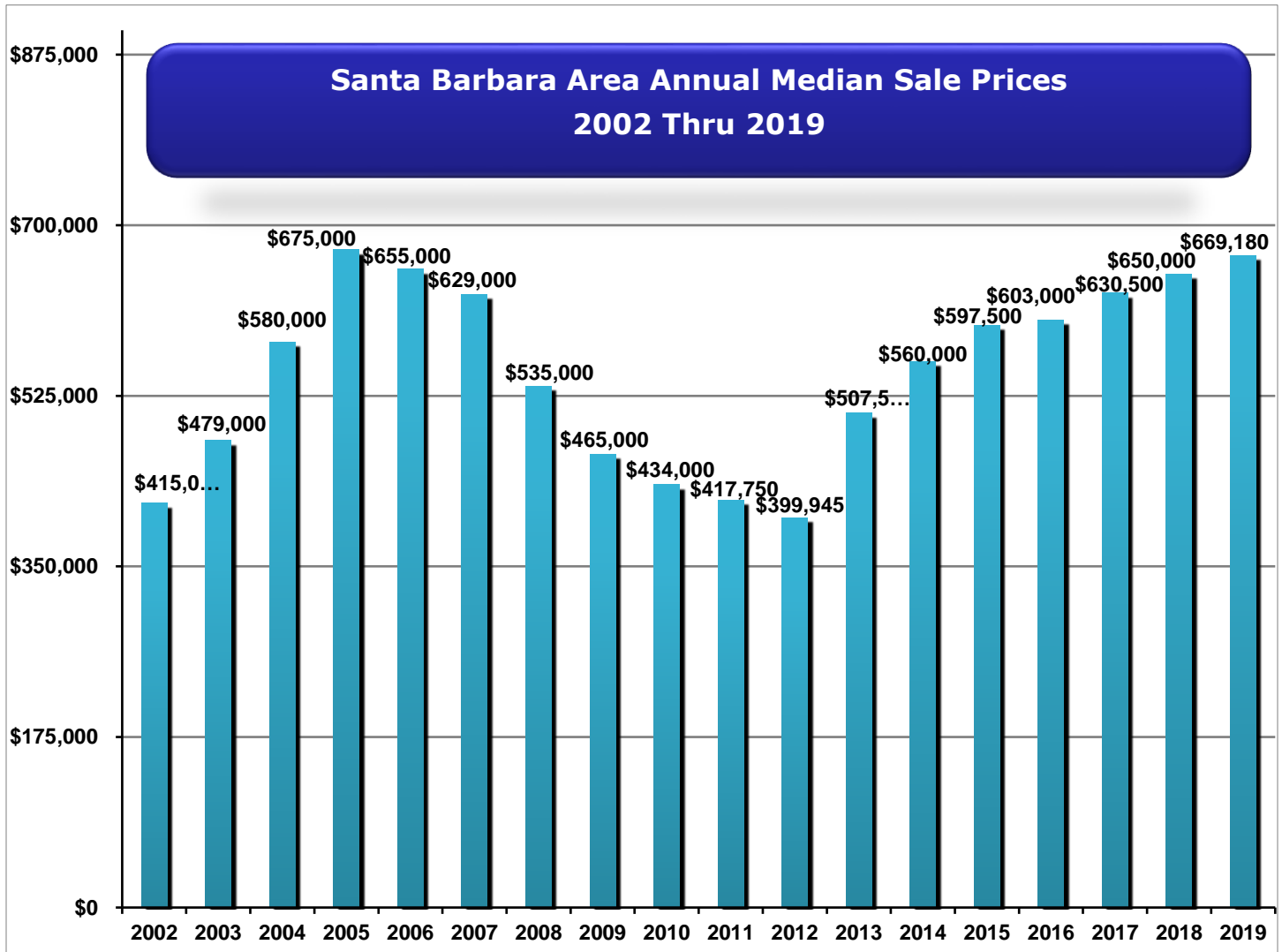


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Santa Barbara Condo Prices Continue Modest Growth

The prices of condos in the Santa Barbara area (Carpinteria through Goleta) for 2019 continued to show an upward movement from the bottom of the market in 2012, with a modest rise of 3% over last year's median price. The median sale price for all of 2019 was \$669,180 compared to the median price of \$650,000 for 2018. From the median price of \$399,945 at the bottom of the market in 2012, the 2019 median represents a recovery of 67.3% for the seven-year period. This year's prices are still below the \$675,000 median for the peak year of 2005.



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El Escorial 1-Bedroom Prices Decline

2019 showed a decline in El Escorial 1-bedroom prices after a steady improvement over the previous four years. There were seven 1-bedroom sales in 2019, ranging in prices from \$540,000 to \$617,000 with a median price of \$576,000. This represents a decline of 7.6% from the 2018 median of \$622,000. It is difficult to provide a logical explanation for this reduction. The market for the first half of 2019 was extremely slow. While there were several 1-bedroom active listings during that period, there were no closed sales. There were three 1-bedroom listings cancelled during the first half of 2019 due to lack of showings and the units that remained on the market experienced significant price reductions in order to attract Buyers. The first 1-bedroom closing in 2019 was not until mid-July. In early September, a second floor, south facing unit in the 200 Building (in original condition) closed at \$540,000 which is the lowest price for a 1-bedroom unit since June, 2016. The Sellers of this unit were involved in a 1031 Exchange into another property and were running up against the deadline to complete the exchange, so they kept reducing the price until they found a Buyer. This seemed to set the stage for subsequent sales and there was nothing that sold above \$600,000 for the remainder of the year.

Historically, many of the 1-bedroom sales at El Escorial have been 2nd home purchases. One consideration as to why the market regressed was the possible result of the new Federal tax laws that went into effect last year that impact the benefits of owning a 2nd home. The new tax law eliminated the mortgage interest deductions on new 2nd home purchases and also set limits on state and local tax deductions (limit of \$10,000 on the combination state income and local property taxes). As a result, it is more expensive to own a 2nd home.

While the El Escorial 1-bedroom prices declined in 2019, the market for 2-bedroom units remained strong. There were five 2-bedroom units and a 3-bedroom unit that sold during the first half of 2019, all closing at favorable prices. During the year, four 2-bedroom San Miguel floor plans sold at prices ranging between \$854,900 and \$870,000, which are the highest prices paid for that floor plan since January, 2006. There was also the sale of a 2-bedroom San Ysidro floor plan that sold for \$1,390,000 which is the highest price ever paid for this floor plan.

There are two imminent El Escorial projects (the pavement project and the hallway/lobby upgrade) that are very important in providing a much-needed facelift to the property, and when completed, should enhance our property values and stem any further decline in prices.

The following charts provide a summary of the current listings and sales over the last year, a summary of El Escorial annual sales starting in 1998 and a history of El Escorial prices from 1997.

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El Escorial Market Summary

The following table provides the status of all El Escorial current listings and a summary of sale to date through all of 2019. The total of seventeen units for 2019 was equal to the number of sales in 2018. There have been two sales to date in 2020. The 2019 sales consisted of one studio floor plan, six 1-bedroom Riviera floor plans, one 1-bedroom Miramar (end-units), four 2-bedroom San Miguel plans, one 2-bedroom Biltmore plan, three 2-bedroom San Ysidro plans and one 3-bedroom Montecito floor plan. Changes since the last newsletter include six new listings and ten new closings. The ten new closings were a 1-bedroom Miramar floor plan selling for \$595,000, six 1-bedroom Riviera's selling between \$540,000 and \$617,500, two 2-bedroom San Miguel's selling for \$870,000 and a San Ysidro that sold for \$1,110,000. There are currently three active El Escorial listings.

Comparable El Escorial Sales Activity

Address	Floor Plan	Bedrooms	Sq. Ft.	Price	\$'s/Sq. Ft.	Activity Date
<i>Active Listings</i>						
412 Por La Mar Circle	Riviera	1	680	\$599,000	\$881	2/19/2020
110 Por La Mar Circle	Riviera	1	680	\$599,000	\$881	10/17/2019
432 Por La Mar Circle	Riviera	1	680	\$615,000	\$904	7/23/2019
<i>Pending Listings</i>						
<i>Sold Listings</i>						
303 Por La Mar Circle	Riviera	1	680	\$560,000	\$824	2/19/2020
205 Por La Mar Circle	Riviera	1	680	\$617,500	\$908	1/31/2020
463 Por La Mar Circle	San Miguel	2	950	\$870,000	\$916	12/10/2019
423 Por La Mar Circle	San Ysidro	2	1360	\$1,110,000	\$816	11/13/2019
258 Por La Mar Circle	Riviera	1	680	\$576,000	\$847	11/6/2019
155 Por La Mar Circle	Riviera	1	680	\$570,000	\$838	10/30/2019
113 Por La Mar Circle	Riviera	1	680	\$550,000	\$809	10/9/2019
231 Por La Mar Circle	Miramar	1	680	\$595,000	\$875	9/30/2019
226 Por La Mar Circle	Riviera	1	680	\$540,000	\$794	9/3/2019
268 Por La Mar Circle	San Miguel	2	950	\$870,000	\$916	8/7/2019
421 Por La Mar Circle	Rincon	0	475	\$498,000	\$1,048	7/25/2019
109 Por La Mar Circle	Riviera	1	680	\$617,000	\$907	7/22/2019
211 Por La Mar Circle	Riviera	1	680	\$609,000	\$896	7/16/2019
436 Por La Mar Circle	Montecito	3	1575	\$1,275,000	\$810	6/5/2019
268 Por La Mar Circle	San Miguel	2	950	\$859,400	\$905	4/26/2019
101 Por La Mar Circle	San Ysidro	2	1360	\$1,390,000	\$1,022	4/12/2019
440 Por La Mar Circle	Biltmore	2	1100	\$845,000	\$768	3/25/2019
137 Por La Mar Circle	San Ysidro	2	1360	\$1,112,500	\$818	3/20/2019
363 Por La Mar Circle	San Miguel	2	950	\$854,900	\$900	3/19/2019

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El Escorial Annual Sales Totals

The chart below displays the total annual sales volume of El Escorial condos for the period from 1998 through 2019. There were 17 sales in 2019. The project was sold out in 1997, and subsequent sales from that time forward were resales on the open market, subject to the normal real estate market supply and demand pressures. From 1998 through 2004, the sales activity was vigorous as many initial buyers were taking profits resulting from the rapidly increasing prices. The low point in the sales was in 2009 when there were only five sales all year. Sales over the last six years totaled 104 units, which represents a 40% change in El Escorial ownership. Of the 261 total units in El Escorial, 66 units (or 25%) are still owned by the original owners. There are three units that have been resold six times over the duration of the project. There have been two closings to date in 2020 and there are currently three active listings.

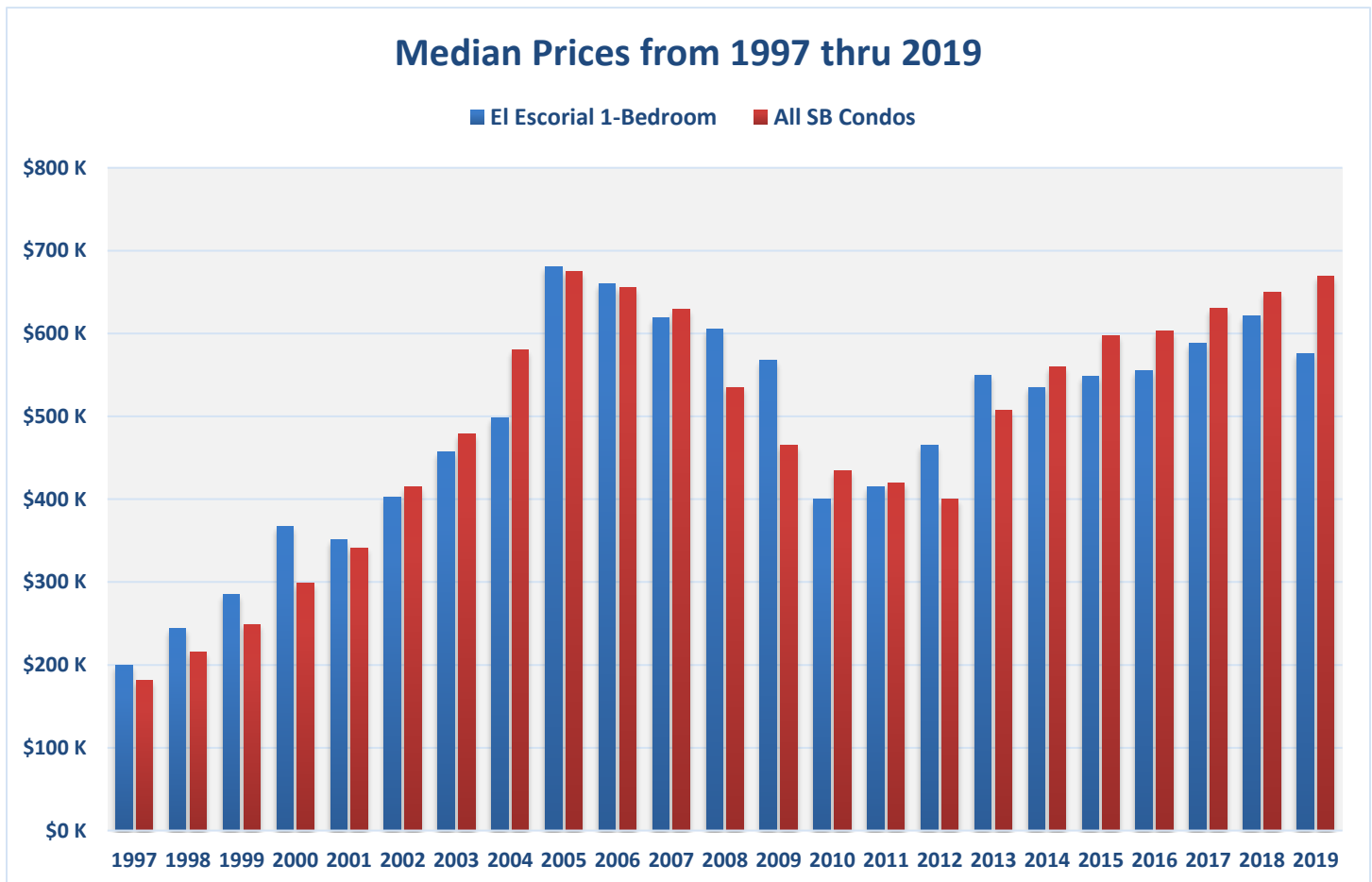


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El Escorial Historical Prices

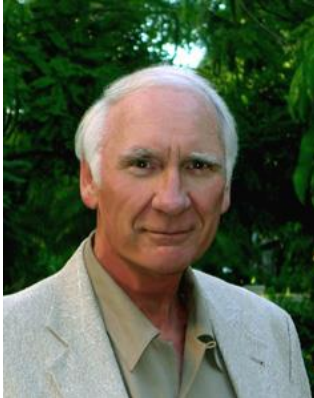
The chart below provides a comparison of El Escorial condo prices (blue bars) with the overall Santa Barbara area condo market (red bars) for the period from 1997 through 2019. The El Escorial median prices are for 1-bedroom floor plans (67% of El Escorial condos are 1-bedroom units). 1997 was the final year of sales in Phase 4 (Building 300), during which, the sale prices were fixed by the developer. The 1997 median price for 1-bedroom floor plan was \$200,000. Sales after 1997 are all resales, with prices dictated by the normal real estate market pressures as well as events within the El Escorial project. Sale prices for El Escorial condos grew dramatically from 1997 to 2005, peaking at \$680,000. This represents an annual growth rate of 16.5% per year for the eight-year period. However, during that period, there was a significant impact on El Escorial property values beginning in 2001 when the issue of leaking drain pipes in the walls became known. From 2001 to 2007, construction defects, litigation issues, special assessments and building repairs/remediations were major factors affecting the El Escorial market values. All of these issues were resolved by 2007 and subsequent sales reflect the normal local market pressures. Prices took a big hit in 2010 because of seven El Escorial foreclosures (five with one owner) that resulted in a dramatic 28.5% reduction in prices. The overall Santa Barbara condo market continued to decline through 2012, but El Escorial prices began to recover from the market bottom price of \$400,000 in 2010 to the 2018 median price of \$622,000, representing a 56% increase for that eight-year period. The 2019 median price of \$576,000 represents a 7.4% decline from the 2018 median.



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