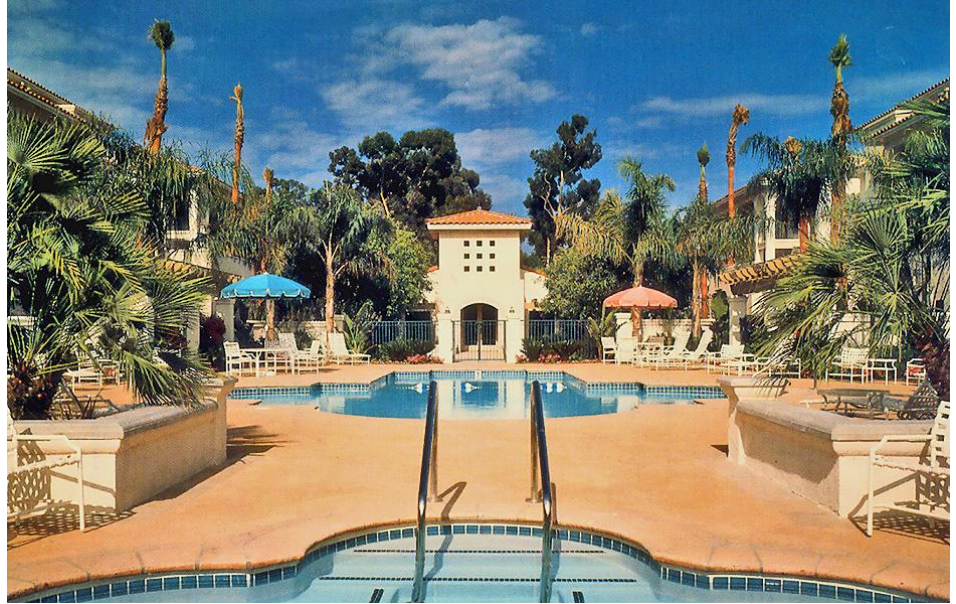


# *El Escorial Villas* at East Beach

## January 2023

# **Bob & Karin's Real Estate Newsletter**



This is the 41st publication of our newsletter, focusing on the Santa Barbara area real estate market and specifically as it relates to El Escorial. This issue presents Santa Barbara statistics for the full year of 2023. The 2023 Santa Barbara real estate market saw a significant reduction in overall sales, primarily limited by a lack of inventory. While sales totals were down, market remained fairly strong, but with a modest decline in sales prices. The Santa Barbara area median home price remains at well over two million dollars and the median condo price is over nine hundred thousand. The total El Escorial sales for 2023 was 15 units, up 1 from last year. There have been four new El Escorial sales since the last newsletter and there are currently no active listings. 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](http://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*

## *The El Escorial Experts*



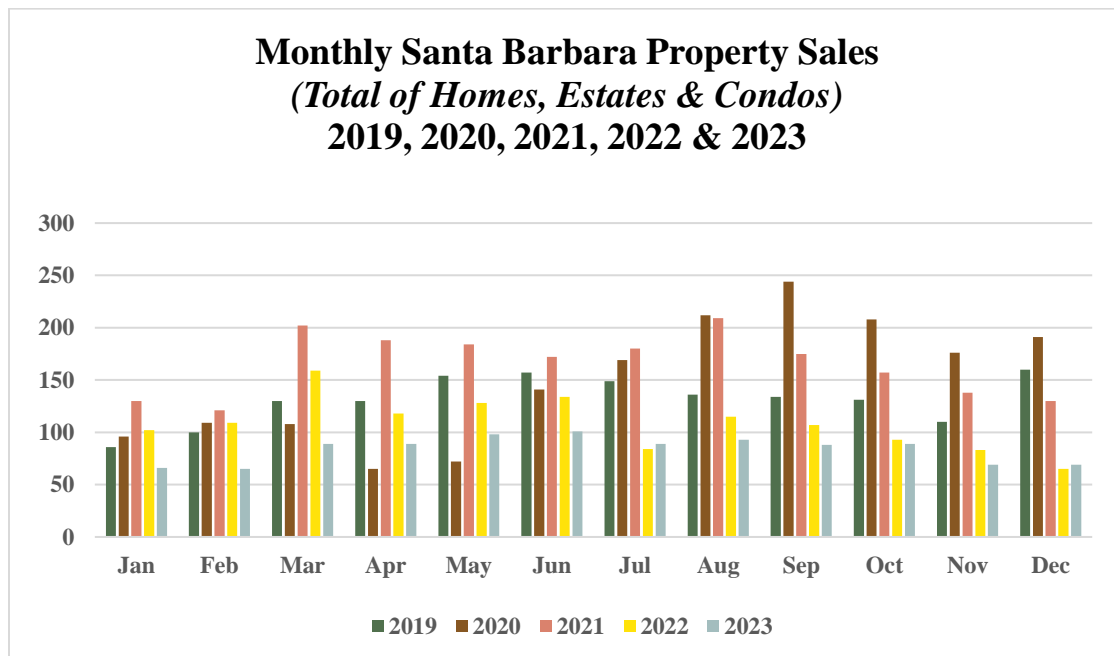
## Overall Santa Barbara Residential Real Estate Sales

The chart below provides the total Santa Barbara area residential real estate monthly sales (combined totals for condos, homes and estates) for the five-year period from 2019 through 2023.

2019 was the last year that was unaffected by the coronavirus pandemic and represents a typical year for Santa Barbara real estate sales. Historically, sales tend to be relatively slow at the beginning of the year and start to pick up in the spring and remain relatively strong through the early summer months. The market generally starts to taper off in late summer and early fall, but frequently shows a short-term uptick at the end of the year.

2020 started out as a normal year. The real estate community anticipated an exceptionally good year, given a booming national economy, low mortgage interest rates and a pent-up buyer interest. When Covid hit, the impact was almost instantaneous. California issued a “stay at home” order in mid-March. As a result, real estate offices closed, property showings were prohibited, and numerous listings were cancelled. Sales showed an immediate decline (see April and May sales). In response, the real estate community was forced to rely on virtual showings using a cadre of quickly developed internet tools. Subsequently, in May, real estate services were recognized as an “essential service” by the state of California, enabling property showings, but with very strict protocols. At that point in time, the market accelerated and quickly reached a level of intensity that was totally unforeseen. The market continued at record levels throughout the remainder of 2020.

2021 sales continued at an intense pace and produced record sales totals for the year. The early months of 2022 continued to produce strong sales through mid-year, but the latter half of 2022 showed a significant falloff of sales volume. This decline continued through the entirety of 2023, resulting in the lowest sales totals in over 24 years. A major factor affecting the market was the rapid rise in mortgage interest rates beginning in late spring of 2022, with continued increases for the next year and a half. Not only do higher interest rates result in fewer qualified Buyers but they also result in a reduction of available inventory. Many homeowners who would be considering moving up in the market are reluctant to give up the favorable mortgage rates on their current homes for the much higher rates in today’s market.

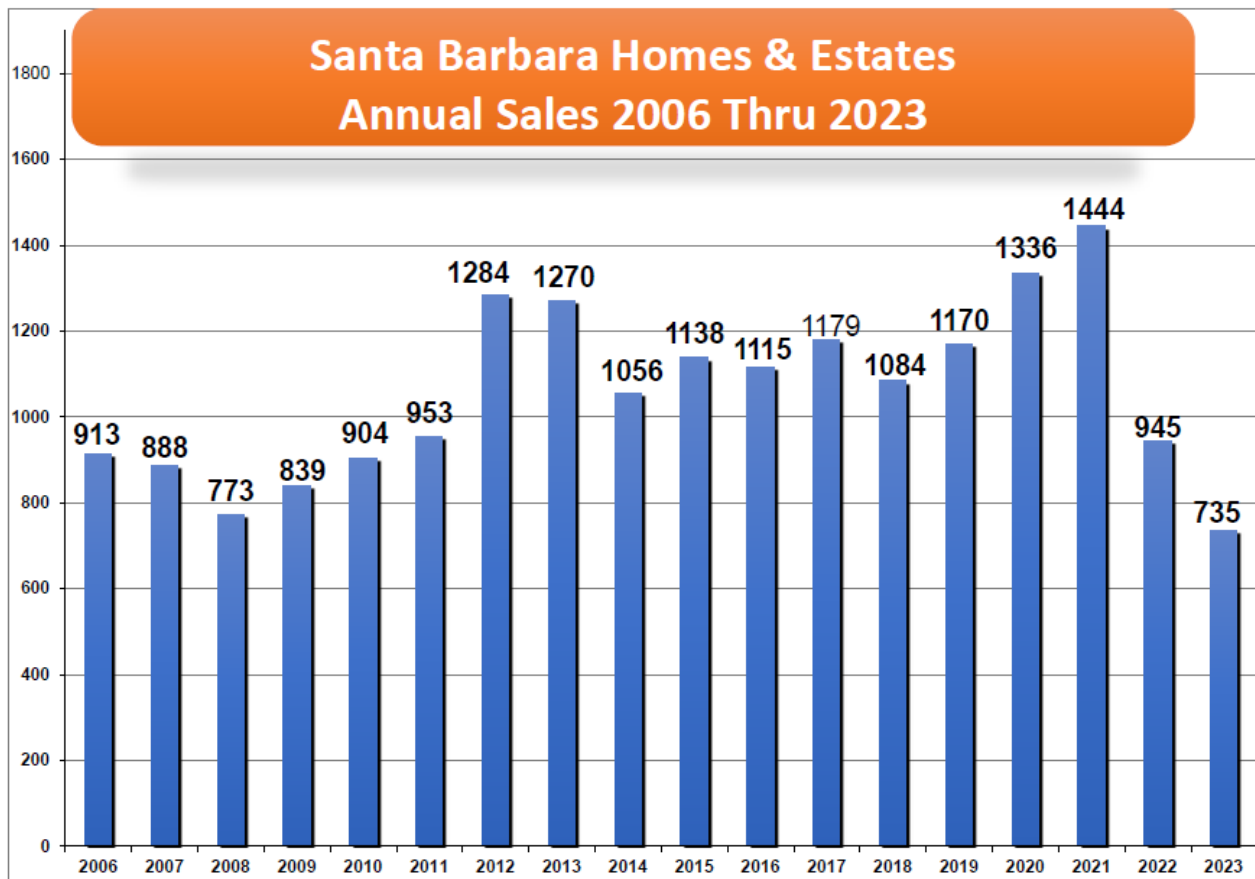


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## Santa Barbara Area Homes & Estates Sales at Historic Low

Total Homes & Estates sales in the Santa Barbara area for 2023 was the lowest volume in over 24 years. The 2023 total of 735 units represents a 22.2% reduction in sales from the 2022 total and a 49.1% reduction from the record high sales level of 2021. This reduction in sales was driven by a lack of available inventory and a softening of Buyer demand created by the “more than doubling” of mortgage interest rates. A softening in buyer demand would typically produce downward pressures on real estate prices, but these pressures were largely mitigated by the lack of available inventory. A measure of the intensity of the market is “Days-on-Market” (DOM) which measures the accumulated days from when a property is listed until it has an accepted offer. The median DOM for the 735 sales in 2023 was 13 days. By comparison, the DOM for 2019 was 28 days and for 2022 was 10 days. Based upon this metric, the current market can still be considered a “seller’s market”.

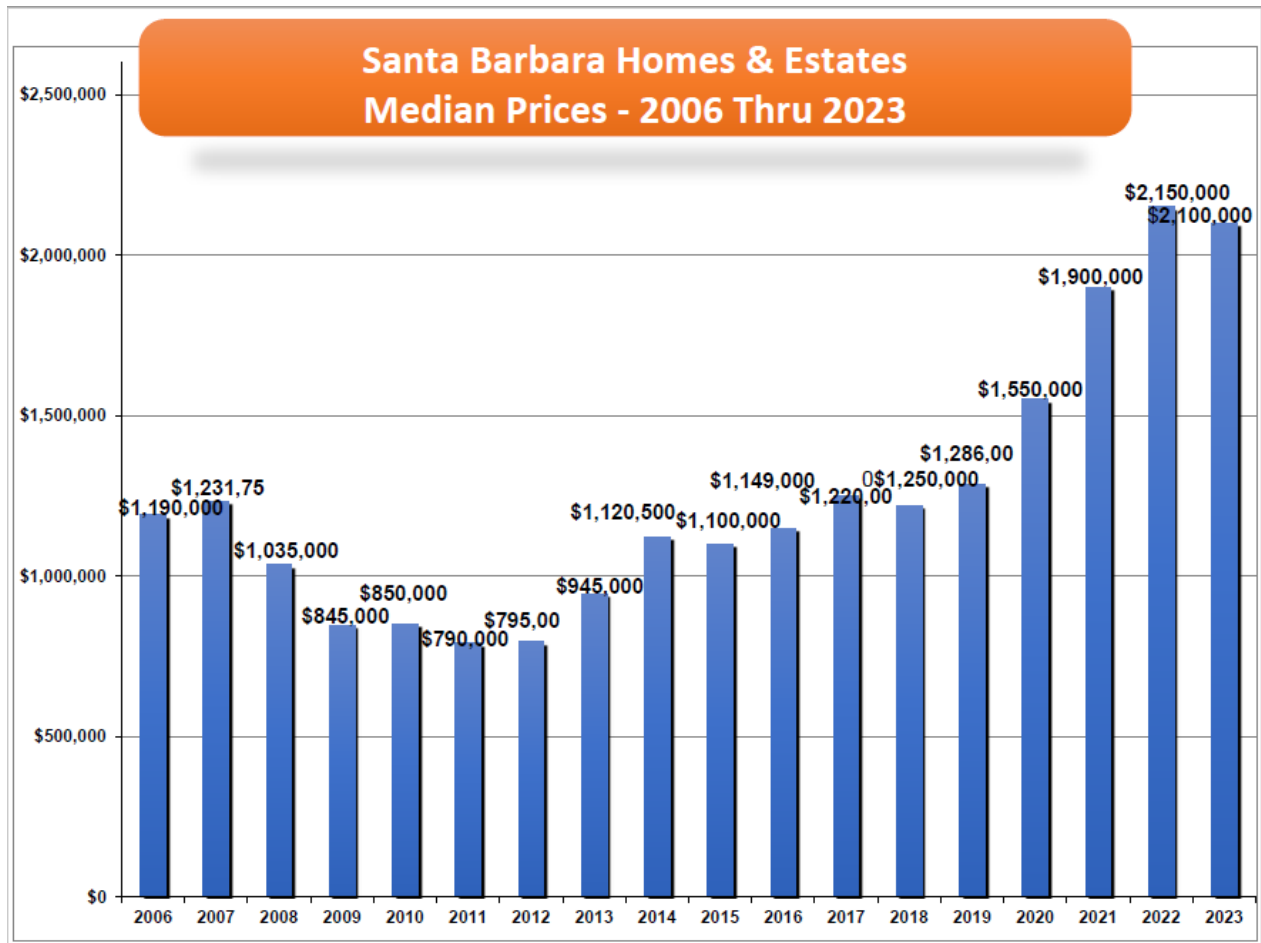


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## Santa Barbara Homes and Estates Prices Marginally Down

Homes and Estates in the Santa Barbara area (Carpinteria through Goleta) continued to sell at strong prices, but slightly below the record high prices for 2022. The median price of \$2,100,000 for 2023 represents a 2.3% reduction from the median price of \$2,150,000 of 2022. Prices have remained strong, despite the negative impact of the significantly higher interest rates which result in reducing the pool of qualified Buyers. The market demand remains strong for the greatly reduced inventory. The 2023 median price represents a 63.3% price growth over the last four years and a 165.8% growth from the bottom of the market in 2011.

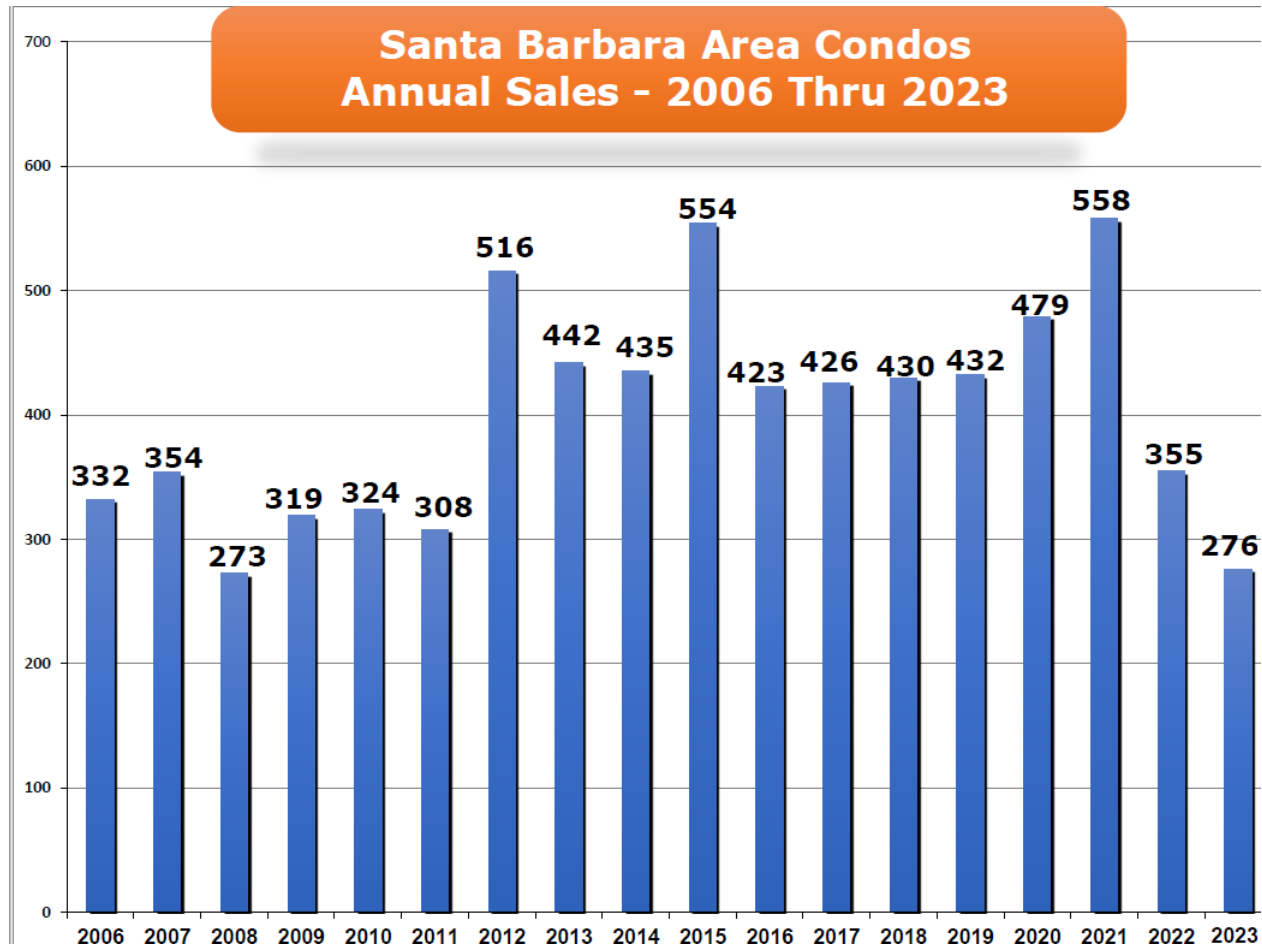


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## Santa Barbara Area Condo Sales Down, Driven By Lack Of Inventory

The Santa Barbara area condo sales for 2023, totaling 276 units, was the lowest sales volume in the last fifteen years. The reduced sales are basically due to a lack of inventory. The market remains fairly strong with the median Days-On-Market (DOM) for the 2023 sales at ten days, compared to a historical DOM of from 21 to 28 days. As of this publication there are 43 active condo listings in the Santa Barbara area which represents an approximate two-month sales inventory.

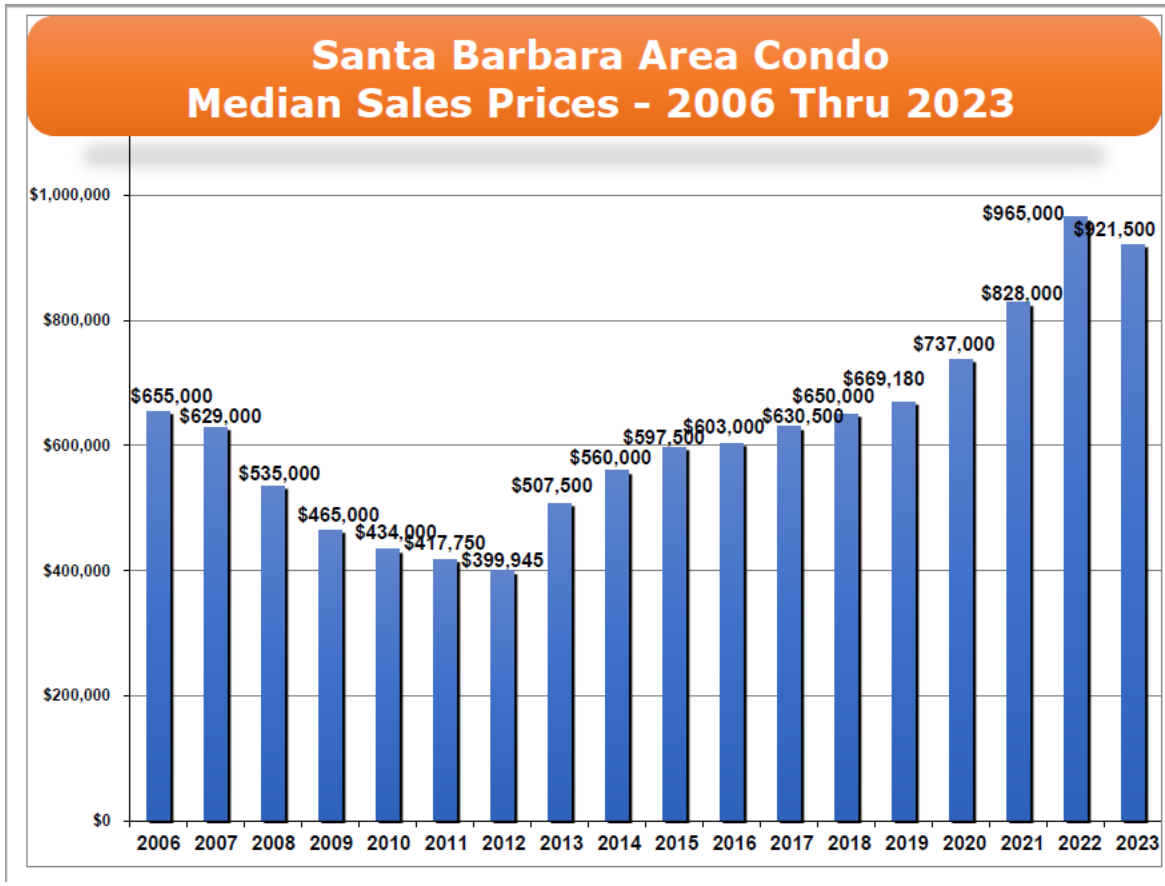


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## Santa Barbara Condo Prices Show Modest Decline

The median price for Santa Barbara area condos for 2023 saw a modest decline from the record high of 2022. The 2023 price of \$921,500 is a drop of 4.5% from last year, but still represents a gain of 11.3% over the price of two years ago and 25% gain over the last three-year period. This 2023 median price represents a strong price gain of 130.5% from the bottom of the market in 2012.



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## El Escorial Market Summary

The following table provides the status of all El Escorial current listings and a summary of sales for 2023 and current sales for 2024. There was a total of fifteen sales in 2023, which is one more than the 2022 total. The total sales for 2023 year consisted of one Rincon studio floor plan, eleven 1-bedroom Riviera floor plans, two 1-bedroom Miramar end-units and one Biltmore 2-bedroom unit. Notable new all-time high selling prices include the Rincon studio at \$643,000 (previous high was \$598,000 paid in March 2006) and the Biltmore at \$1,597,700 (previous high was \$1,100,000 paid in July of 2021).

Activity since the October newsletter includes three new listings (all have closed) and four closings. The closed sales were all Riviera floor plans, ranging in price between \$870,000 and \$878,500. There are no current active listings. There have been only two 2-bedroom unit sales in the last two years, both selling at significant record prices.

### *Comparable El Escorial Sales Activity*

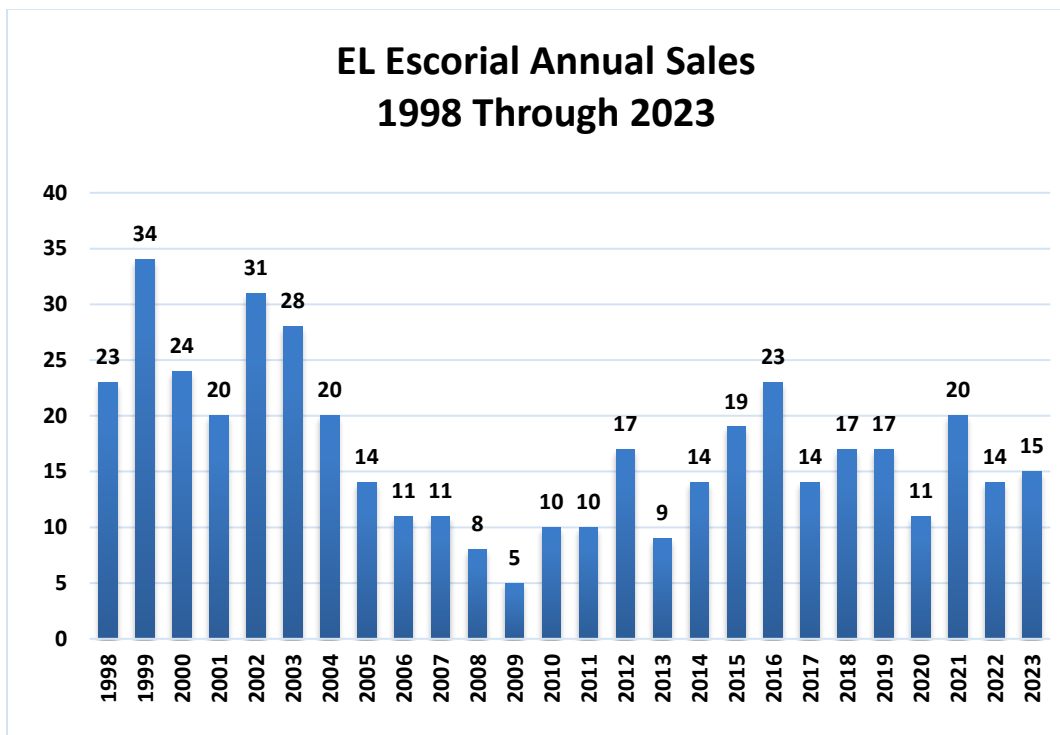
Address	Floor Plan	Bedrooms	Sq. Ft.	Price	\$'s/Sq. Ft.	Activity Date
<b>Active Listings</b>						
(None)	---	---	---	---	---	---
<b>Pending Listings</b>						
(None)	---	---	---	---	---	---
<b>Sold Listings</b>						
201 Por La Mar Circle	Riviera	1	680	\$878,500	\$1,292	1/10/2024
333 Por La Mar Circle	Riviera	1	680	\$870,000	\$1,279	1/2/2024
159 Por La Mar Circle	Riviera	1	680	\$875,000	\$1,287	12/5/2023
104 Por La Mar Circle	Riviera	1	680	\$870,000	\$1,279	12/5/2023
120 Por La Mar Circle	Rincon	0	475	\$643,000	\$1,354	10/11/2023
439 Por La Mar Circle	Riviera	1	680	\$765,000	\$1,125	10/3/2023
220 Por La Mar Circle	Biltmore	2	1100	\$1,597,700	\$1,452	9/29/2023
311 Por La Mar Circle	Riviera	1	680	\$775,000	\$1,140	8/9/2023
207 Por La Mar Circle	Miramar	1	680	\$909,000	\$1,337	7/18/2023
429 Por La Mar Circle	Miramar	1	680	\$850,000	\$1,250	7/10/2023
235 Por La Mar Circle	Riviera	1	680	\$785,000	\$1,154	6/23/2023
146 Por La Mar Circle	Riviera	1	680	\$850,000	\$1,250	5/17/2023
132 Por La Mar Circle	Riviera	1	680	\$775,000	\$1,140	5/9/2023
325 Por La Mar Circle	Riviera	1	680	\$765,000	\$1,125	5/5/2023
409 Por La Mar Circle	Riviera	1	680	\$787,000	\$1,157	2/23/2023
206 Por La Mar Circle	Riviera	1	680	\$785,000	\$1,154	1/17/2023
103 Por La Mar Circle	Riviera	1	680	\$907,000	\$1,334	1/16/2023

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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 2023. There were fifteen sales in 2023, an increase of one sale over last year. The El Escorial Villas at East Beach condo conversion project was sold out in 1997 and sales from that time forward were all resales on the open market, subject to 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 real estate prices. The lowest sales volume was in 2009 when there were only five sales for the year. Of the ten sales in 2010, seven were foreclosed sales. Sales over the last ten years have totaled 164 units, which represents a 63% change in El Escorial ownership during that period. Of the 261 total units in El Escorial, 54 units (or 20.7%) are still owned by the original owners. The reduction of sales in 2020 was a result of a lack of inventory due to Seller uncertainty as a result of the Covid pandemic. The El Escorial market for the last three-year period has been vigorous as indicated by the median Days-On-Market during that time frame of 7 days. Sales have been primarily limited by a lack of available inventory.



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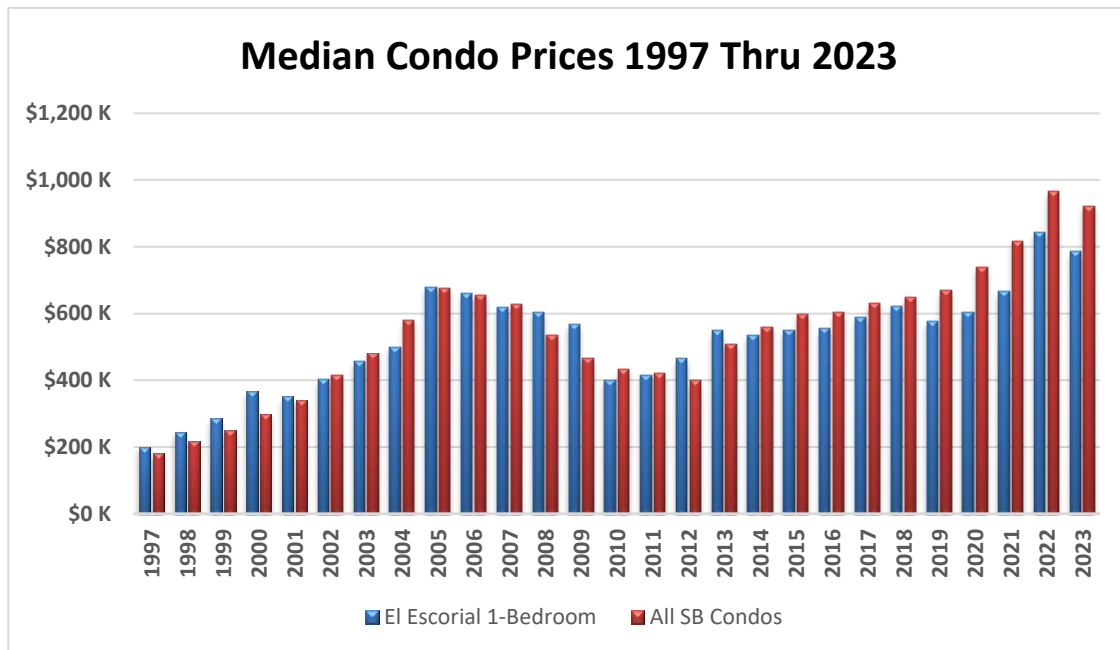




## El Escorial Price History

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 2023. 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. El Escorial prices grew dramatically from 1997 to 2005, peaking at \$680,000. This was an annual growth rate of 16.5% per year for the eight-year period. There was a significant impact on El Escorial property values beginning in 2001 when the issue of leaking drain pipes in the interior walls surfaced. From 2001 to 2007, construction defects, litigation issues, special assessments and building repairs/remediations were major factors affecting the El Escorial market values. These issues were resolved by 2007 and subsequent sales reflected normal local market pressures. El Escorial prices took a big hit in 2010 as a result of seven foreclosures (five with one owner) that resulted in a dramatic 28.5% reduction in prices. The 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.

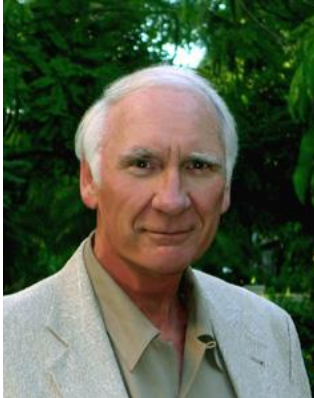
El Escorial prices lagged behind the overall condo market growth over the period 2019 through 2021. A potential factor may be a response to the Federal tax laws that went into effect four years ago that significantly impacted the economics of owning a 2<sup>nd</sup> home. That new tax law eliminated the mortgage interest deductions on new 2<sup>nd</sup> home purchases and also set limits on state and local tax deductions, making it more expensive to own a 2<sup>nd</sup> home. Historically, many of the 1-bedroom sales at El Escorial have been 2<sup>nd</sup> home purchases and sales were likely adversely affected by the new tax laws. However, El Escorial 2022 sales did show a significant growth in prices. The 2022 median price of \$845,000 represented a 26.9% increase over the 2021 median of \$666,000. In 2023, the median El Escorial price declined to \$787,000, a drop of 6.8% from 2022, but still a gain of 18.6% over the 2021 median. The four recent 1-bedroom sales have been at \$870,000 or above which bodes well for future El Escorial prices.



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