

SANTA BARBARA NEWS-PRESS

SOUTH COUNTY REAL ESTATE MARKET ON STRONG REBOUND

STEVE SINOVIC, NEWS-PRESS STAFF WRITER

July 9, 2010 5:44 AM

South Santa Barbara County's residential real estate market has managed to tread the troubled waters of the economic downturn and is now making a double-digit rebound.

That was the message delivered Thursday by economist Mark Schniepp, who gave a decidedly more upbeat mid-year economic update to 200 members of the Santa Barbara Association of Realtors at the Cabrillo Arts Center. He said home sales are up 22 percent from the same six-month period (January-June) of a year ago: 428 transactions. The median price, less Hope Ranch and Montecito, was \$855,000, up 17 percent from last year's rock-bottom median of \$730,000.

Like many other regions in California, "We're doing better than we did last year at this time," said Mr. Schniepp, principal of the California Economic Forecast. "Last year was completely different because many people were concerned about their day-to-day business operations and wondering if they would have a job."

Consumer confidence was very low and people were scared to make large purchases.

According to a survey conducted by Mr. Schniepp's office, about 30 percent of the home and condo sales in the first six months on the South Coast were to investors. "Certainly, some of these are people of means who are coming in to purchase second homes or rentals," observed Mr. Schniepp. "But we've also seen a lot of first-time home buyers taking advantage of lower prices, interest rates and tax credits -- especially for condos in the 400s."

Of the 400-plus transactions, Mr. Schniepp said 38 percent were over \$1 million; approximately 42 percent were under \$800,000. "We haven't had that many (in this price point territory) since 2002," said Mr. Schniepp.

That's where the market's hot right now.

Statewide, California median home prices are up 32 percent from the trough.

For those who can afford to purchase homes in south Santa Barbara County, Mr. Schniepp calculates about 25 percent of the transactions are cash sales. Those who need to acquire mortgages are finding tighter lending requirements where jobs, good credit scores, down payments and co-signers are part of the equation, even at the lower end.

Mr. Schniepp said potential home buyers now can secure a 4.57 percent interest rate on a 30-year mortgage. "That's a historical low compared to what it was 10 or 20 years ago," he said.

But all the news he presented wasn't good.



Economist Mark Schniepp points to a chart highlighting a rebound in home prices and sales activity in south Santa Barbara County. Below, about 200 real estate agents attended his mid-year economic update.

STEVE MALONE/NEWS-PRESS PHOTOS



A house for sale on upper De la Vina.

While some may be ready to take the home buying plunge, South Coast residents, including many of the real estate agents present, aren't convinced the recession is entirely over, thanks largely to chronically high unemployment.

"It's not surprising you feel that way, but the recession ended a year ago," declared Mr. Schniepp, who displayed a dozen charts showing growth in key areas of the economy. "Unlike previous recessions, there are just so many fits and starts, especially on the jobs front," said Mr. Schniepp, who said the economy has managed to register three consecutive quarters of growth to its gross domestic product.

"We're seeing consumers spend again, but not in the numbers following earlier downturns. They are just tiptoeing back into stores.

"The stock market is up 70 percent over the low, but we've seen some weaknesses and corrections lately, thanks in part to the dubious news about the European debt phenomenon that is weighing on (some) investors."

Will that contagion affect us? Mr. Schniepp believes, barring an unforeseen event, that it won't derail the U.S. economic recovery and push us into a double-dip recession.

The dearth of significant job creation is causing all the gloom, especially concerns of how the private sector will absorb 8.3 million Americans who lost their jobs in a brutal two-year period back into the economy. Complicating the recovery are 70 million Gen Yers, the cohort born after 1990, and looking to enter the job market.

"We haven't had this demographic phenomenon" in past downturns, said Mr. Schniepp, adding Santa Barbara labor markets are weak, and he doesn't predict any significant uptick until the end of the year and into 2011.

"The current year is a bumpy one, a transitional one," said Mr. Schniepp, echoing a sentiment from previous presentations. Signs of "a more exuberant expansion" will be felt in 2011 and 2012, when higher employment figures, continuing home sales and increased construction will be significant contributors to economic growth, said Mr. Schniepp.

For more information about Thursday's presentation, contact mark@californiaforecast.com.

e-mail: ssinovic@newspress.com