

One of the Most Unexpected Sellers' Markets in Santa Barbara Real Estate History

BY KELLY KNIGHT

Normally at this time of year, the real estate market would be winding down for the upcoming holidays. Sellers typically withdraw their homes from the market in order to celebrate with family and friends, and only the most determined of buyers continue to house hunt. But this year's real estate market has been anything but normal. Not only has the Santa Barbara market been unexpectedly strong, it has broken several records despite a Presidential election and a global pandemic.

The First Quarter of 2020 started as expected. Normal market activity was occurring across all price points during Q1 until Americans were asked to shelter-in-place near the end of March. For the next 30-days real estate sales came to a standstill as sellers pulled their homes from the market and federal, state and local governments debated the "essential" nature of the real estate industry.

The Second Quarter of 2020 marked the beginning of a slow increase in market activity as residential real estate was deemed to be an essential service. Brokers and sales agents rushed to pivot their business models to a virtual, on-line approach. Open houses and broker caravans became events of the past as serious safety protocols were put in place for in-person, "by appointment only" showings of homes. Slowly, sellers started to list, or in some cases re-list, their homes, and homebuyers responded, driven in part by historically low interest rates and large investment returns from a strong stock market.

In June of Q2, Santa Barbara began to welcome visitors back to our community, and pending real estate sales began to soar. Inventory levels quickly became depleted as homebuyers from upscale urban areas sought larger, luxury homes in small cities like Santa Barbara and semi-rural neighborhoods like Montecito and Hope Ranch. No longer tethered to the office, these buyers placed a premium on the space, scenery and quiet surroundings offered by these wonderful areas. Large, sprawling estates started to make a comeback in the market.

In many instances, affluent buyers also brought with

them aggressive bidding tactics. Suddenly all-cash, contingency free offers became the norm. Properties across all price ranges started receiving multiple offers, sometimes before hitting the market. The pressure on inventory combined with an increased demand from sophisticated homebuyers resulted in escalating home prices throughout Q2.

This trend continued into the Third Quarter of 2020 as strong pent-up demand, record-low interest rates and a renewed interest in the value of homeownership bolstered home sales throughout the county. According to the California Association of Realtors, Santa Barbara County had the highest year-over-year price gain - 41.7 percent – of any county in the state. This is primarily due to the large share of luxury homes and ranches being sold in Montecito, Hope Ranch and the Santa Ynez Valley.

Despite consistently low inventory during the third quarter, Q3 ended strong with September posting more sales than any other month over the past several years. In fact, 57 homes sold in Montecito in September 2020, compared to only 28 in 2019. And of those home, 19 closed escrow for over \$5 million!

Low inventory and high buyer demand also continued to drive prices up in Q3. Total active listings for the first three quarters of 2020 are down almost 9% compared to the same time period in 2019 for South Santa Barbara County. In response, the year-to-date median sales price increased 15% over last year, landing at just under \$1.5 million.

Adding to this unprecedented market activity, 2020 has seen a large number of significant off-market sales. According to the Wall Street Journal, actor Rob Lowe and his wife recently sold their 10,000sq.ft. Montecito estate for around \$45.5 million to Jack McGinley, a retired health care private-equity executive.

Also of note, the former chief executive of Google, Eric Schmidt, and his wife purchased an 11-acre estate in Montecito for \$30.8 million this summer. Known as *Solana*, the estate overlooks Santa Barbara and was once home to the Center for the Study of Democratic Institutions – a think tank that brought together dignitaries like President John F. Kennedy, Martin Luther King Jr. and Henry Kissinger to



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discuss societal issues. And as most people know, Prince Harry and Meghan Markle purchased a 14,000+sq.ft. chateau in Montecito this spring for \$14.7M, in order to raise their son away from the urban limelight.

In summary, 2020 will be a year to remember for many reasons. For those of us in the real estate industry, the year will be remembered as one of the most unexpected sellers' markets in recent history. The market soared because of – not in spite of – a global pandemic that reshaped how many people view their homes and their communities.

Outdoor space, greater amenities and more room have become highly sought-after. Fortunately for us, our wonderful beachside community of Santa Barbara has it all. ■

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