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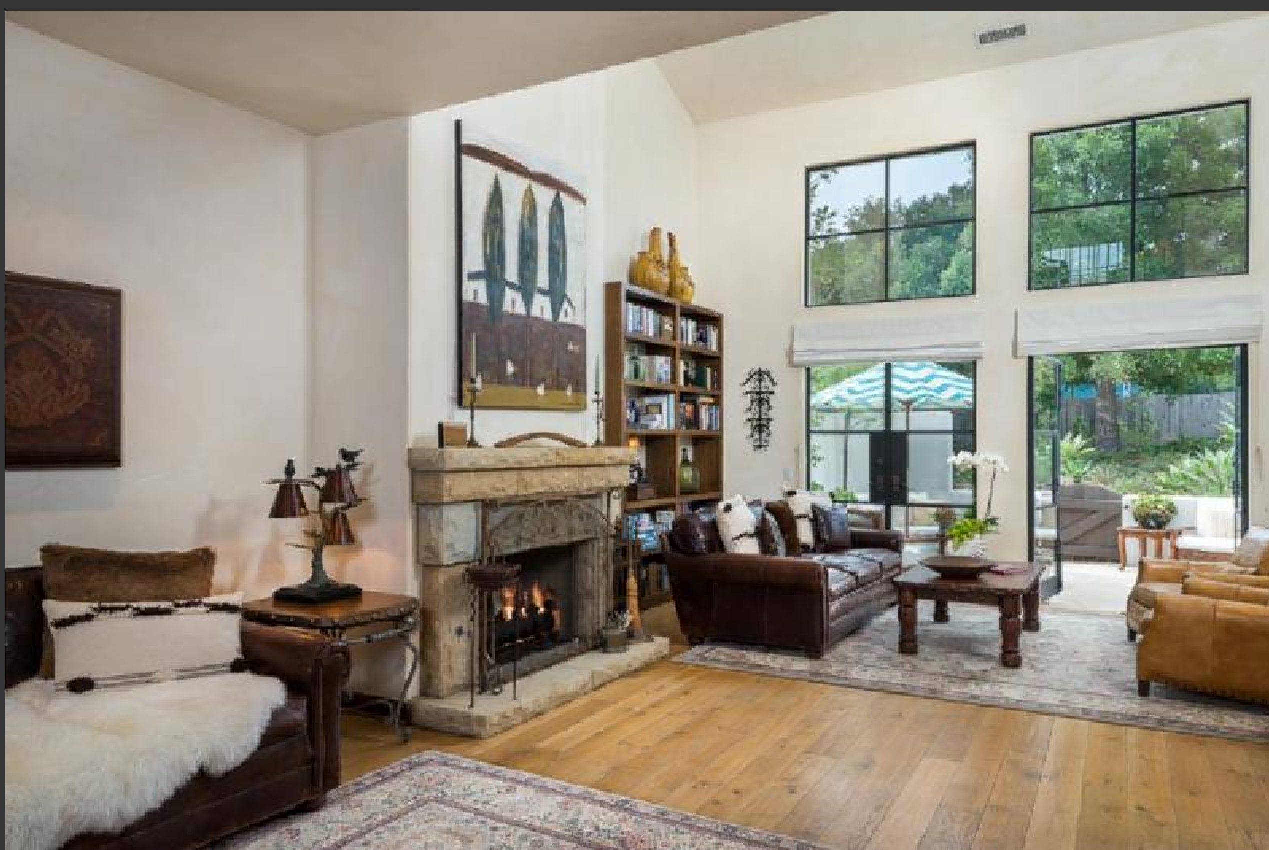
CRISTAL CLARKE

Offering the Finest Santa Barbara Area Properties

July 2014 NEWSLETTER



Dear Friends and Clients,

Will the second half of 2014 be better than the first? In my opinion this is too hard to call. Although the first half of this year has seen strong sales numbers, in general, housing markets have been somewhat sluggish compared with last year's double digit appreciation. The second half of 2014 will not be without its difficulties as we juggle between poor economic indicators and continued pent-up buyer demand. So how are we going to edge back to normality?

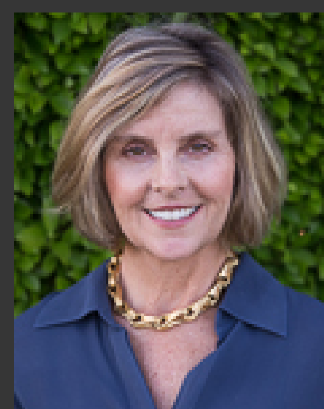
First, sales must increase. Although 2013 saw the strongest sales year since the recession, 2014 is showing strong early gains with sales volumes trending upwards as low interest rates and pent-up buyer demand is forcing home prices to hold their own and even increase in some instances. This can be price and location sensitive, however, so don't be surprised to see fluctuations from month to month as outside economic data plays into buyers' decision making processes.

Second, price growth must attain stability. The lack of double digit appreciation, as seen in 2013, means the medium and average sales price are moderating and as such making homes more affordable as we move to a more balance market.

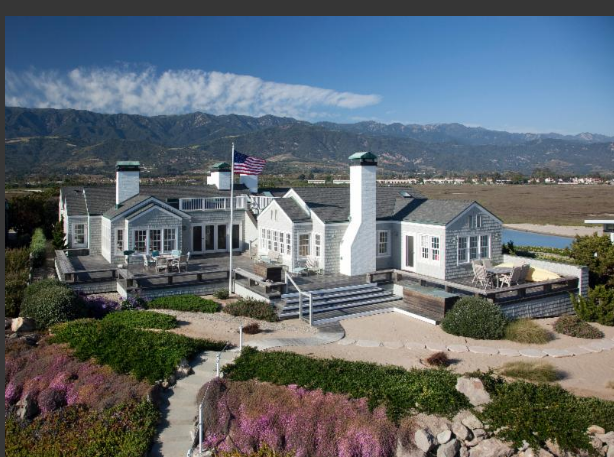
Third, inventory must increase. Housing inventories nationwide are increasing with a recent survey showing 22 of 30 markets studied show an increase in inventory levels over last year. The net result will be that the more inventory buyers have to choose from, the less upward pressure there is on prices.

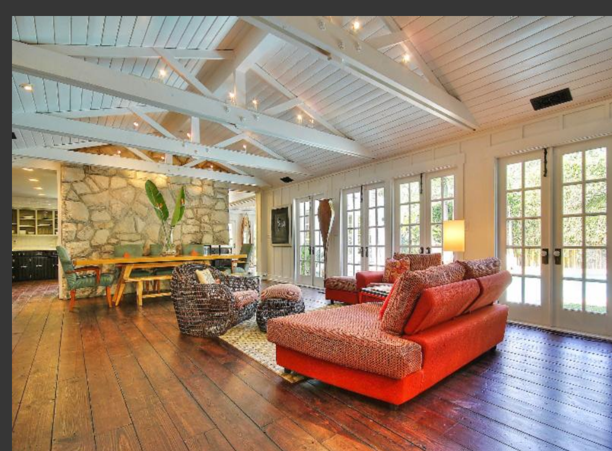
Long-term, however, market drivers such as growth in medium household income, labor force participation, bank lending and household formation (first time buyers) will drag on the housing sector, which is currently being supported by pent-up demand and low interest rates.

Recent Sales Activity and New Listings



As I mentioned above, currently, pent-up buyer demand is definitely a driving force in the market place. In my May newsletter I featured a listing of mine on School House Ln. in Montecito and in this month's newsletter I have featured a new listing of mine on Isabella in Montecito (see top of newsletter). The listing on Isabella sold the first day on the market and both properties have sold at full price. Additionally, I have negotiated a purchase for a client on Danielson and have 2 new listings coming on the market in late August on San Leandro Ln. and East Mountain Dr. (Stay tuned for more information next month.) The two properties shown below are a long-term lease concluded on Sand Point Rd. and a house sold to a client on Greenworth Pl. in Montecito. If you would like to look at these properties or any properties in the MLS you can search my website.



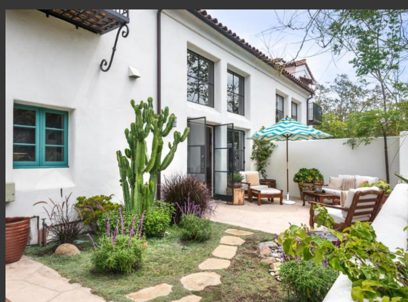


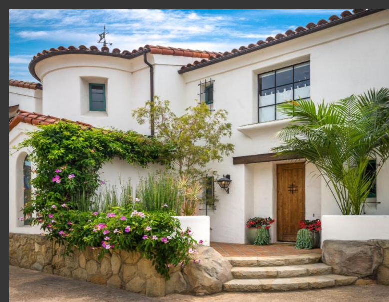
Market Activity

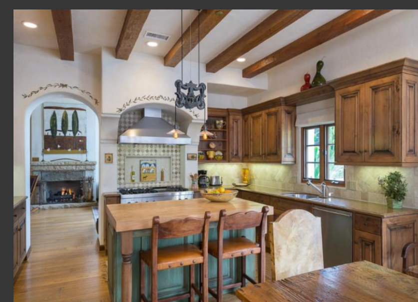
At the top of this month's newsletter, I stated that sales volumes, which were increasing in the first part of 2014, are susceptible to market conditions, and this month was no different, due to conflicting economic data. Sales volume declined 12.3% over June and was also down 22.4% year over year. Combined with this is a slight rise in inventory levels of 0.2%. Inventory levels are still at their lowest levels, however, when compared to July of 2012 and 2013. (Remember: increased inventory levels lead to price stabilization.) As inventories rise and sales volume slows we would expect the market to reflect more of a buyers' market. This is reinforced by the number of days a property is on the market, which this month rose 1.7% to 59 days. Inventory rise is also confirmed by the number of new listings that came on the market in July, which also saw a rise of 9%, but is still down by 2.5% from last year.

So what can we take from all of this? Sales are down, inventories are up. Both of these scenarios are good for price stabilization. Price stabilization brings more buyers into the marketplace and makes for a less volatile housing market, which is better for long-term sustainable growth.

Don't be surprised to see swings in the market place, however, as pent up buyer demand, combined with low interest rates, can drive certain market segments and price ranges. This was in evidence with my two recent sales -- at full price when market averages are showing properties selling at 97% of their list price. For more in-depth analysis please visit my web site and read this month's Market Action Report.







Looking forward, there are a number of factors we need to be aware of in relation to the housing market so don't become blasé living in our own piece of paradise. Those factors include"

1. 17% of all homes in the U.S. are still under water. Fortunately, California is no longer in the top 5. That honor belongs to Nevada, Florida, Illinois, Rhode Island and Michigan.

2. The home ownership rate is near a 20-year low, and for people under the age of 35 it remains historically low at 35.9%. Los Angeles and Orange County saw the lowest metro area ownership rates at just 49.1%.

3. Don't over leverage yourself and if you are buying with an adjustable rate mortgage make sure you are aware of the possible upside in interest rates that you may be liable for.

If you are thinking of wandering further afield in hopes of finding greener pastures, consider the top 10 most expensive places in the world to live:

Luanda, Angola; N'Djamena, Chad; Honk Kong, Singapore, Zurich, Geneva, Tokyo, Bern, Moscow and Shanghai.

Rethinking your decision? As always if you have any questions about real estate please feel free to contact me in strictest confidence.

Sincerely,

Crystal

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