

Inside This Issue

- > NEW STATE TAX CREDIT 1
- > MORTGAGE RATE OUTLOOK 2
- > HOME STATISTICS 2
- > AFFORDABILITY REMAINS HIGH 3
- > CONDO STATISTICS 3
- > CHART: SP/LP 4



Charlie Abellera
David Lyng Real Estate
 2170 41st Ave.
 Capitola, CA 95010
 (831) 345-5149
CharlieAbellera@sbcglobal.net
<http://www.CharlieAbellera.com>
 DRE #01354571

The Real Estate Report

local market trends

SANTA CRUZ COUNTY

Fed Tax Credit Aftermath

The aftermath of the Fed tax credit, which expired April 30th, won't be completely known until the end of June. Although the tax credit expired at the end of April, when buyers needed to be in escrow, buyers have until June 30th to close the sale.

The effect of the tax credit was complicated by the new state tax credit which started May 1st. Many buyers delayed escrow so they could take advantage of both credits, stealing sales from April, down 22.5% year-over-year, and pushing them into May, where home sales were up 14.4% year-over-year.

Pending home sales, goosed by the tax credits, continued to be near record highs at 349 units. We expect home sales to be strong in June.

The median price for single-family, re-sale homes edged upward in May by 1.5% from April. It was up 19.1% from last May. This is the ninth month in a row the median price has been higher than the year before.

Although inventory grew 13.4% from April, it was down 2.5% year-over-year. This is the twenty-

fourth month in a row inventory has been lower than the year before, putting upward pressure on prices.

The sales price to list price ratio clocked in at 98.8%, higher than any month since May 2006.

ARE WE THERE YET?

If the previous numbers don't convince you the real estate market in Santa Cruz County has bottomed out, let's look at some other statistics.

First, foreclosures levels: they dipped by 2% in April year-over-year for the San Francisco Bay Area. That's the first annual decrease in more than five years, according to report issuer RealtyTrac.

Second, investors: they're back in the market, at least on the low end. Many are buying properties being auctioned off on the courthouse steps as the banks have finally realized it's cheaper to get a haircut there, than going through foreclosure.

Third, Case-Shiller Home Price Index: often considered the gold standard for real estate statistics, the

Trends at a Glance (Single-family Homes)			
	May 10	Apr 10	May 09
Median Price:	\$ 560,000	\$ 551,500	\$ 470,000
Average Price:	\$ 590,552	\$ 590,673	\$ 508,121
Units Sold:	159	100	139
Inventory:	727	641	746
Sale/List Price Ratio:	98.8%	97.1%	98.0%
Days on Market	72	65	92
Days of Inventory	137	186	161

index for the San Francisco Bay Area was up for the eleventh month in a row, according to their latest statistics reported for March 2010. I expect when they report on April and May, we will see the index continue rising.

STATE TAX CREDIT

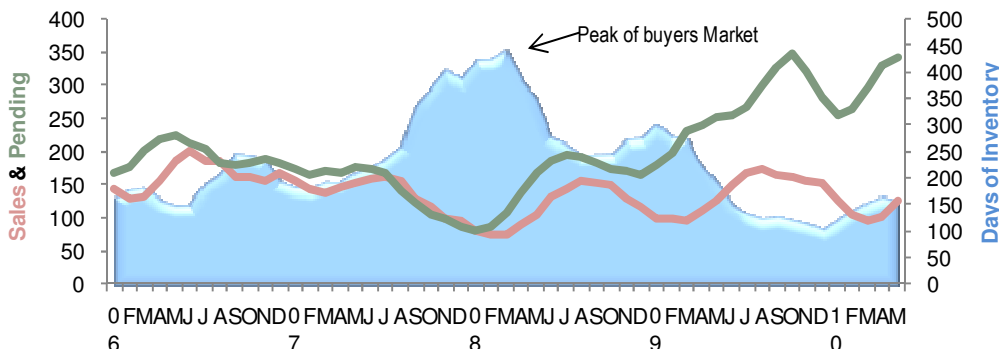
Just a reminder that the new state tax credit is not limitless, as was the Federal tax credit. The state tax credit is limited to \$200,000,000 and is first-come, first-served.

For full information, go to:

http://www.ftb.ca.gov/individuals/New_Home_Credit.shtml

Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call me.

Santa Cruz County Homes - Sales, Pending & Days of Inventory
 (3-month moving average)



HOW TO READ THE CHART

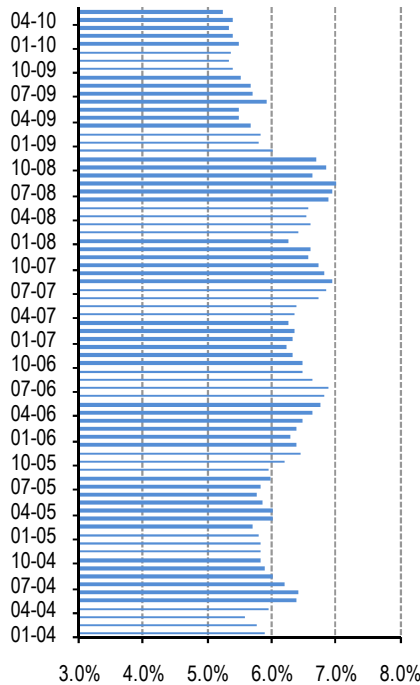
The blue area is the number of days it would take to sell all the homes for sale at the current rate of sales.

The green line shows the number of homes in escrow. Normally, this line tracks closely with the red line, which shows actual sales.

As you can see, the two lines have diverged over the past year. This is due to many homes being put into escrow as short-sales, contingent upon the banks' approval. This is being done even before the banks know about the short sale. Subsequently, many of these escrows do not close.

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Jun. 4, 2010 -- As the economy slowly drifts away from the recession, we continue to look for the kind of employment gains that will produce a self-sustaining and durable recovery. The latest employment reports signal that while we're on the right path, it's still looking somewhat rocky. Given the number of job losses in the downturn -- part of what the Fed considers "resource slack" -- we may not see mortgage rate increases generated solely from labor market improvements any time soon.

That doesn't mean that rates won't move without them, but simply that rates are more likely to stay low the longer that too many people remain out of work. A shrinking labor pool means that wages rise more easily, and that can influence prices, contributing to inflation pressures. Inflation pressures (even merely concerns about inflation pressures) can push interest rates up. A lack of them has an opposite effect, although to a lesser degree.

HSH's market-spanning Fixed-Rate Mortgage Indicator (FRMI) rose by three basis points (.03%) to finish HSH's weekly survey at 5.21%. Calculated by including rates for conforming, jumbo, and the GSE's "high-limit" conforming products, the FRMI includes covers a broad swath of the mortgage-borrowing public. The

FRMI's companion -- the overall average for a hybrid 5/1 ARM -- came in at an average interest rate of 4.28%.

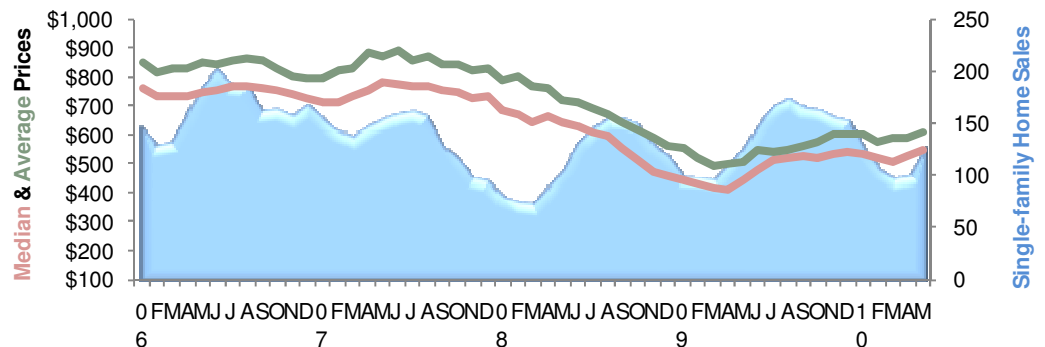
Last week's forecast of slightly higher rates came to pass (perhaps unsurprisingly, given their record lows last week). Mortgage rates are probably more likely to rise a little bit in the coming days than fall. A crisis prompts a panic response, and we've certainly had that in recent weeks, but the market eventually seems to become accustomed to whatever conditions may exist, good bad or indifferent. It's the certainty of the condition which matters most, since one can plan for improving, declining or steady conditions, as long as they can be expected to persist for at least a while.

Figure on a few basis points higher for next week.

The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by HSH.com.

Santa Cruz County Homes - Prices & Sales

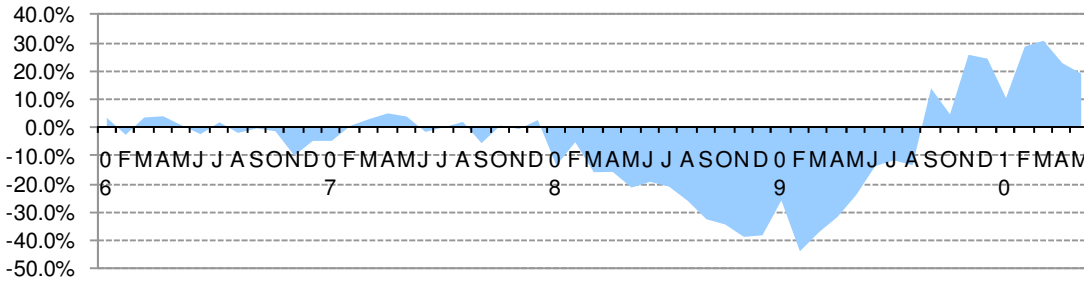
(3-month moving average—prices in \$000's)



Santa Cruz County - May 2010														
Single-Family Homes										% Change from Year Before				
Prices										Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven		
County	\$ 560,000	\$ 590,552	159	349	727	137	98.8%	19.1%	16.2%	14.4%	33.2%	-2.5%		
Aptos	\$ 504,500	\$ 504,500	2	23	51	765	99.2%	-34.7%	-40.5%	-60.0%	27.8%	15.9%		
Capitola	\$ 800,000	\$ 800,000	1	6	24	720	96.4%	37.2%	34.1%	-75.0%	0.0%	-38.5%		
Rio del Mar	\$ 705,000	\$ 646,818	11	21	77	210	96.2%	6.0%	2.4%	120.0%	250.0%	8.5%		
Seacliff	\$ 625,000	\$ 599,375	4	4	18	135	97.3%	-19.4%	-22.7%	300.0%	0.0%	50.0%		
San Lorenzo Vly	\$ 332,500	\$ 347,919	21	74	91	130	102.1%	10.5%	15.8%	0.0%	57.4%	-9.0%		
Soquel	\$ 400,000	\$ 443,667	3	19	29	290	101.5%	-29.2%	-24.5%	-66.7%	72.7%	-14.7%		
Scotts Valley	\$ 700,000	\$ 655,293	14	21	81	174	98.5%	5.3%	-3.7%	55.6%	10.5%	-6.9%		
Santa Cruz	\$ 605,000	\$ 669,783	54	63	156	87	98.0%	3.4%	-4.0%	68.8%	-8.7%	-1.3%		
East County	\$ 530,000	\$ 680,693	12	44	79	198	96.7%	72.4%	73.1%	0.0%	57.1%	-13.2%		
West County	\$ 474,000	\$ 474,000	2	3	22	330	99.1%	-4.7%	-4.7%	0.0%	200.0%	4.8%		
Watsonville	\$ 330,000	\$ 329,358	18	50	32	53	101.5%	10.2%	12.0%	-40.0%	22.0%	14.3%		

Charlie Abellera
 David Lyng Real Estate
 2170 41st Ave.
 Capitola, CA 95010
 (831) 345-5149
CharlieAbellera@sbcglobal.net
<http://www.CharlieAbellera.com>
 DRE #01354571

Santa Cruz County Homes: Year-Over-Year Median Price Change



Charlie Abellera
David Lyng Real Estate
 2170 41st Ave.
 Capitola, CA 95010
 (831) 345-5149
CharlieAbellera@sbcglobal.net
<http://www.CharlieAbellera.com>
 DRE #01354571

AFFORDABILITY THE FUNDAMENTAL STORY NOW

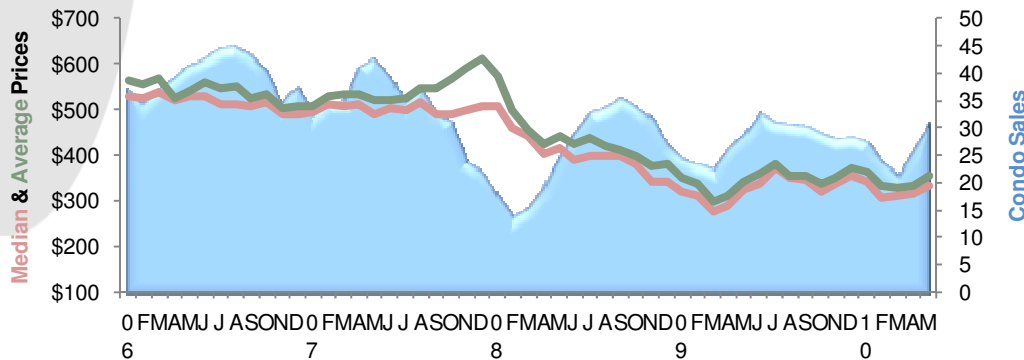
Affordability remained in record high territory in the first quarter of 2010. C.A.R.'s First-time Buyer Housing Affordability Index, which measures the share of all households that can afford the entry-level home, hit 66 percent in California. That meant that nearly two-thirds (66 percent) of California's households could afford a home at an entry-level price of \$246,270 (defined as 85 percent of the median home price). (The index is calculated based on an entry-level home price, a 10 percent downpayment, an ARM effective composite rate, and a 40 percent debt-qualifying ratio.) The Index reached a historic high in the first quarter of 2009 at 69, when home prices in much of the state hit bottom in the current cycle. The monthly payment (including taxes and insurance) on the typical entry-level home in the first quarter of this year was \$1,380, \$1,810 lower than

(Continued on page 4)



Santa Cruz County Condos - Prices & Sales

(3-month moving average—prices in \$000's)



Santa Cruz County - May 2010												
Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 300,000	\$ 341,548	29	99	156	161	99.5%	-21.5%	-13.5%	-3.3%	52.3%	-9.3%
Aptos	\$ 482,000	\$ 482,000	1	3	2	60	113.4%	0.6%	-2.1%	-80.0%	-25.0%	-81.8%
Capitola	\$ 300,500	\$ 300,500	2	12	18	270	93.5%	-53.8%	-53.8%	100.0%	33.3%	28.6%
Rio del Mar	\$ 535,000	\$ 535,000	2	2	30	450	97.2%	-9.2%	-7.4%	-33.3%	-60.0%	20.0%
Scotts Valley	\$ 356,250	\$ 356,250	2	10	8	120	97.8%	n/a	n/a	n/a	n/a	n/a
Santa Cruz	\$ 295,000	\$ 289,900	5	29	54	324	98.8%	-22.8%	-31.6%	-37.5%	61.1%	20.0%
Watsonville	\$ 226,250	\$ 210,262	8	24	8	30	103.6%	15.2%	7.3%	-20.0%	9.1%	-57.9%

Table Definitions

Median Price

The price at which 50% of prices were higher and 50% were lower.

Average Price

Add all prices and divide by the number of sales.

SP/LP

Sales price to list price ratio or the price paid for the property divided by the asking price.

DOI

Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

Pend

Property under contract to sell that hasn't closed escrow.

Inven

Number of properties actively for sale as of the last day of the month.

The Real Estate Report

Santa Cruz County



Charlie Abellera

David Lyng Real Estate

2170 41st Ave.

Capitola, CA 95010

(831) 345-5149

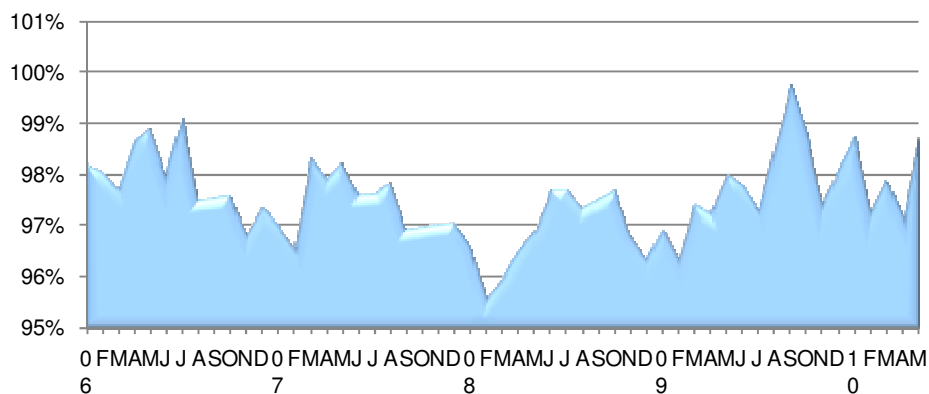
CharlieAbellera@sbcglobal.net

<http://www.CharlieAbellera.com>

Go online to see the full report
with the city by city breakdown:

<http://www.CharlieAbellera.com>

Santa Cruz County Homes: Sales Price/Listing Price Ratio



© 2010 rereport.com

(Continued from page 3)

the peak of the market when the monthly payment was \$3,190 (Q2-2007).

Results from the recently completed 2010 California Home Buyer Survey showed that the Federal Home Buyer tax credit was an influencing factor for 59 percent of all buyers and more so among first time buyers. However, this was not the only factor in the decision to buy a home. In fact, most buyers in 2010 said price declines or the ability to secure favorable pricing or financing were

the primary reasons driving their recent home purchase.

The bottom line for buyers is that the current affordability environment is very favorable, with prices that remain well below the peak levels of a few years ago and historically low mortgage rates. These home buyer fundamentals should drive continued demand for housing in California, even as the state and federal tax credits begin to unwind.

Statewide existing single-family home sales fell below the 500,000 mark in April for the first time in more than a year and a half. At a seasonally

adjusted annual rate of 483,830 homes, sales fell 6.4 percent from the prior month and were 8.1 percent below a year earlier. However, the statewide median price remained above \$300,000 for the second month in a row at \$306,230, up 1.5 percent month-to-month and 21.0 percent from the prior April median price of \$253,110. There are several factors at play in the marketplace today, but the overlap between the expiring Federal Home Buyer tax credit and the California state tax credit may have pushed a number of potential April closings into the next month, as buyers sought to qualify for both.