

Inside This Issue

- > LOCAL MARKET TRENDS..... 1
- > MORTGAGE RATE OUTLOOK..... 2
- > HOME STATISTICS 2
- > FORECLOSURE STATS 3
- > CONDO STATISTICS 3
- > SFR PENDING VS. SALES CHART..... 4



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DRE #00987613

The Real Estate Report

local market trends

SANTA CRUZ COUNTY

Mortgage Debt Relief Act to Expire

Once upon a time, when a homeowner did a short sale, the IRS counted the difference between what the bank took and what the homeowner owed as income. Not much incentive there.

In 2007, the federal government enacted the MDRA that allows qualified taxpayers to exclude that "income".

The law will end December 31st.

You must close the short sale by then.

Other qualifications include:

- Good for up to \$2,000,000 in forgiven debt
- Only works for principal homes
- The tax rule can be applied to debt used to refinance your home, provided the principal balance of the old mortgage, immediately before the refinancing, would have qualified.

See "The Mortgage Forgiveness Debt Relief Act and Debt Cancellation" for additional information. Use this link: <http://tinyurl.com/5pe43f>.

If you've been considering a short sale, it's time to get off the stick. Short sales are notorious for taking a long time, like six months or more.

If you are in are upside down and are having problems making your payments, it's time to do something. It's going to take a long time before and upside down property becomes positive.

MARKET STATISTICS

Sales of single-family, re-sale homes were up 2.2% year-over-year in January.

Condo sales gained 20% year-over-year.

The median price for homes was flat year-over-year.

The median price for condos dropped 30.2% year-over-year.

Home inventory continues to shrink and is now at its lowest level since January 2010: 490 homes actively listed. Please note, only active listings are included in this figure. Numbers from the local associations include properties that are also in a

Trends at a Glance (Single-family Homes)			
	Jan 12	Dec 11	Jan 11
Median Price:	\$ 450,000	\$ 485,000	\$ 450,000
Average Price:	\$ 489,040	\$ 554,335	\$ 516,371
Units Sold:	93	158	91
Pending Sales:	265	215	240
Inventory:	475	490	570
Sale/List Price Ratio:	96.2%	97.6%	96.3%
Days on Market:	69	102	81
Days of Inventory	153	93	188

pending status, meaning they have an accepted offer, but haven't been taken off the market.

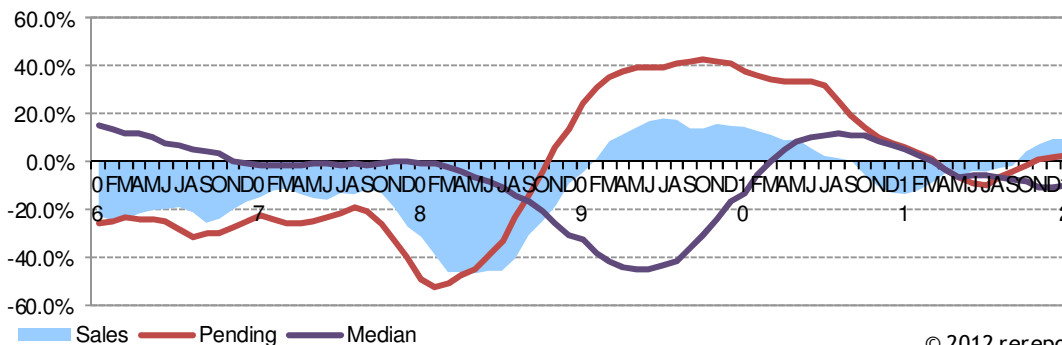
Condo inventory was down 11.5% year-over-year.

Pending sales for homes rose 10.4% from last January.

Condo pending sales were up 43.8%.

Please remember, while statistics are nice, they will not determine the price you pay or get for a property. That will come down to you and the buyer or seller.

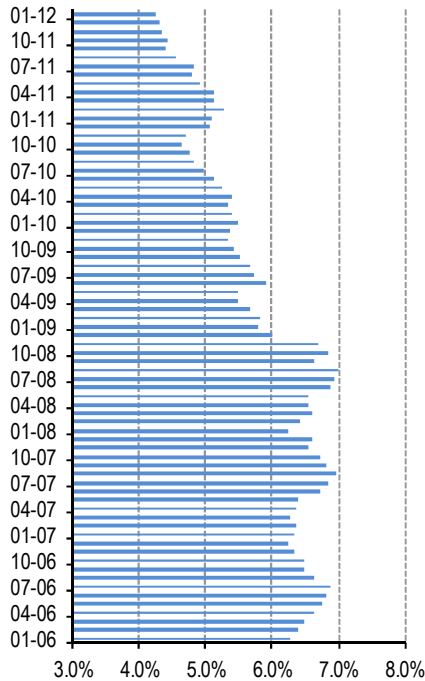
Santa Cruz County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Feb. 3, 2012 -- Expectations for a continuing period of weak economic growth continue to be confounded by stronger economic data. A flare higher in rates last week -- fostered by that warmer data -- was cut off at the knees by softer-than-expected fourth quarter GDP growth and a Federal Reserve who not only moved their expectations of increasing interest rates further down the road, but also increased expectations that more mortgage or bond-buying programs might come in 2012.

While weaker growth may yet emerge, whether from deepening troubles in the Eurozone or some yet-unseen issue, the fact is that the economy is showing signs of increasing expansion, at least for the moment. Certain of the interest rates which mortgages track moved measurably higher on Friday, with the 10-year Treasury finishing the week well above the week's low.

HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages declined by ten basis points (.10%) from last week, sliding to an average 4.18%, a new record low. The FRMI's 15-year companion shed nine basis points (.09%) to finish the weekly survey

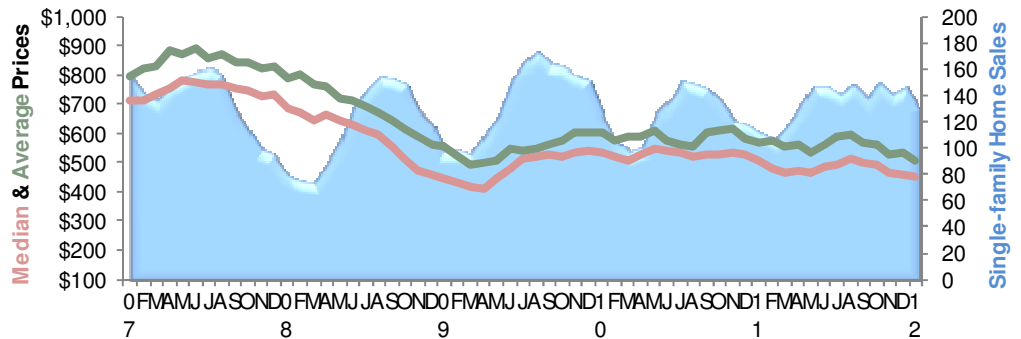
at an average 3.46%, also a new bottom. Important to homebuyers and low-equity-stake refinancers, FHA-backed 30-year mortgages declined by just three hundredths of a percentage point to 3.84%, while the overall average for 5/1 Hybrid ARMs decreased by seven basis points to crack the 3% mark and end the week at 2.99%. Conforming 30-year FRMs matched their previous low of 4.01%, but jumbo 30-year FRMs marched into new record low territory with an eleven basis point drop to 4.49%.

We expect to see mortgage rates rise a little next week. The better economic tenor this week (especially the ISM service and employment reports on Friday) pulled money out of bonds and into stocks, as safe-haven funds seek some opportunity for better gains. Figure on a rise of 4-5 basis points, perhaps.

The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by [HSH.com](http://www.HSH.com). The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

Santa Cruz County Homes - Prices & Sales

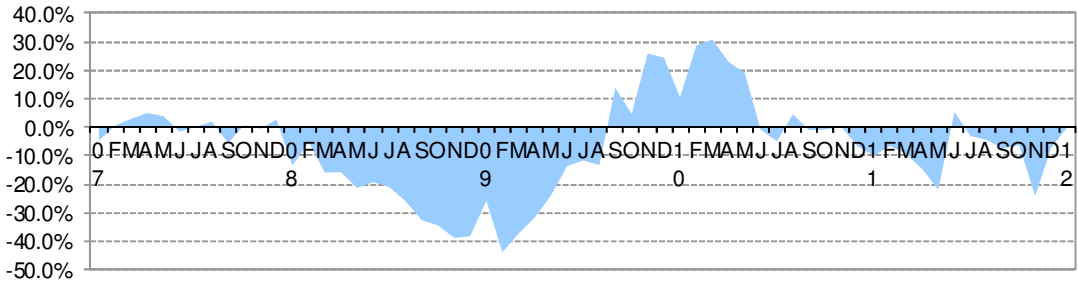
(3-month moving average—prices in \$000's)



Santa Cruz County - January 2012													
Single-Family Homes										% Change from Year Before			
Prices										Prices			
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven	
County	\$ 450,000	\$ 489,040	93	265	475	153	96.2%	0.0%	-5.3%	2.2%	10.4%	-16.7%	
Aptos	\$ 478,500	\$ 478,500	2	13	26	390	88.4%	-14.6%	-2.7%	-33.3%	44.4%	-16.1%	
Capitola	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a	
Rio del Mar	\$ 584,500	\$ 567,303	8	17	36	135	96.5%	-15.3%	-43.6%	33.3%	21.4%	-7.7%	
Seacliff	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a	
San Lorenzo Vly	\$ 260,000	\$ 306,286	19	42	61	96	99.2%	-15.6%	-9.3%	26.7%	13.5%	-25.6%	
Soquel	\$ 742,000	\$ 799,750	4	11	26	195	96.4%	25.8%	46.3%	-20.0%	-8.3%	-7.1%	
Scotts Valley	\$ 644,000	\$ 651,517	8	27	49	184	94.0%	6.9%	0.1%	-27.3%	3.8%	-15.5%	
Santa Cruz	\$ 490,000	\$ 591,122	29	53	97	100	95.9%	-9.7%	-2.1%	81.3%	17.8%	-29.2%	
East County	\$ 347,324	\$ 465,963	6	23	61	305	96.3%	3.5%	9.9%	-62.5%	-11.5%	-6.2%	
West County	\$ 441,250	\$ 453,625	4	4	10	75	93.2%	-38.6%	-36.9%	100.0%	100.0%	-33.3%	
Watsonville	\$ 320,500	\$ 283,809	11	51	40	109	97.4%	10.9%	-1.8%	10.0%	13.3%	11.1%	

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



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FORECLOSURE STATISTICS

In December, notices of default, the first step in the foreclosure process, in Santa Cruz County declined 30% from the year before. Notices were down 48.7% from November.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 28.1% year-over-year, and down 36.5% from November.

After the filing of a Notice of Trustee Sale, there are only three possible outcomes. First, the sale can be cancelled for reasons that include a successful loan modification or short sale, a filing error, or a legal requirement to re-file the notice after extended postponements. Alternatively, if the property is taken to sale, the bank will place the opening bid. If a third party, typically an investor, bids more than the bank's opening bid, the property will be sold to the third party; if not, it will go back to the bank and become part of that bank's REO inventory.

In December, cancellations were up 1.5% from November, and were up 26.9% year-over-year.

Properties going back to the bank increased 21.4% in December from November. Year-over-year, properties going back to the bank increased 41.7%.

The total number of properties that have had a notice of default filed decreased by 21.8% in December compared to December 2010. They were down 13% from November.

The total number of properties scheduled for sale decreased 9.4% from November, and, were down 22.7% year-over-year.

Unfortunately, the total number of homes owned by the banks was up 8.6% year-over-year. Banks now own approximately 530 properties in Santa Cruz County

Santa Cruz County Condos- Prices & Sales

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

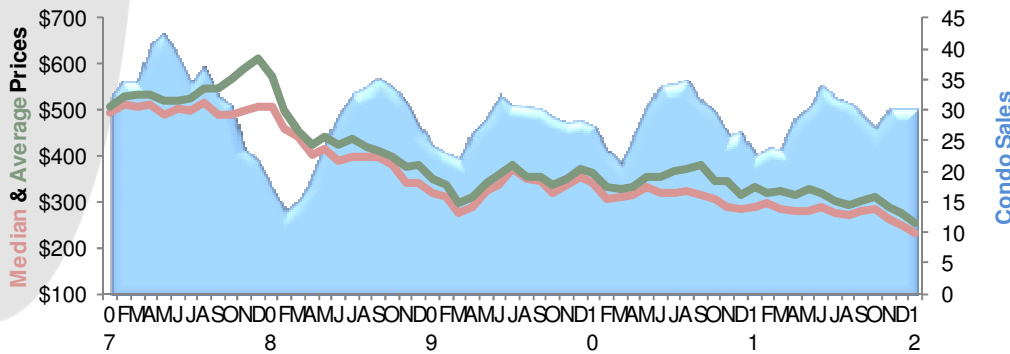


Table Definitions

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.

Santa Cruz County - January 2012

Condos/Townhomes									% Change from Year Before				
Prices									Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven	
County	\$ 212,500	\$ 233,740	24	69	170	213	99.0%	-30.2%	-31.0%	20.0%	43.8%	-11.5%	
Aptos	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a	
Capitola	\$ 274,000	\$ 274,000	1	10	11	330	101.9%	11.8%	11.8%	0.0%	233.3%	-38.9%	
Rio del Mar	\$ 415,000	\$ 415,000	2	1	27	405	97.4%	n/a	n/a	n/a	n/a	n/a	
Scotts Valley	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a	
Santa Cruz	\$ 207,000	\$ 232,333	9	26	51	170	99.3%	-10.3%	-0.4%	200.0%	52.9%	-1.9%	
Watsonville	\$ 129,750	\$ 154,375	8	12	14	53	99.2%	-33.1%	-20.4%	300.0%	33.3%	-33.3%	

THE REAL ESTATE REPORT

Santa Cruz County



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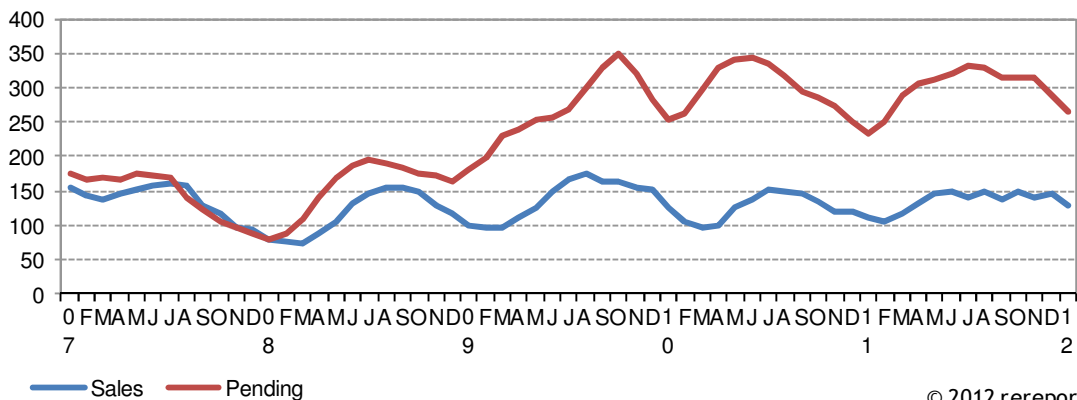
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Go online to see the full report
with the city by city breakdown:

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Santa Cruz County Homes: Pending & Existing Home Sales
(3-month moving average)



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