

The Real Estate Report

LOCAL MARKET TRENDS



SANTA CRUZ COUNTY

October/November 2009



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Median Price at Highest Level Since August 2008

The median price for single-family, re-sale homes gained 8.2% in September from August. Year-over-year, the median price was up 13.9%. This is the first month since December 2007 the median price has been higher than the year before.

Inventory of single-family, re-sale homes fell for the fourteenth month in a row in September: down 45.7% year-over-year.

Pending sales, meanwhile, were up 93.2% year-over-year.

Sales of single-family, re-sale homes were up, year-over-year, by 2%. Year-to-date, home sales are up 14.5%.

Days of Inventory fell one day to 128 days. In a balanced market, the supply of homes is usually around five to six months. For condos, the indicator dropped 26 days to 150 days.

Trends at a Glance (Single-family Homes)			
	Sep 09	Aug 09	Sep 08
Median Price:	\$541,000	\$500,000	\$475,000
Average Price:	\$607,568	\$534,600	\$616,163
Units Sold:	153	162	150
Inventory:	677	723	1,247
Sale/List Price Ratio:	99.8%	98.5%	97.5%
Days of Inventory:	128	129	241
Days on Market:	62	85	74

The sales price to list price ratio rose 1.3 points to 99.8%.

Condo sales rose 17.2% month-over-month, but were off 15% com-

pared to last September. Year-to-date, condo sales are up 5.4%.

The median price for condos fell 1.6% from the month before, and was down 17.6% compared to last September. Don't read too much

into this as the small number of condo sales each month exaggerates the swings.

Condo inventory was down 33.1% year-over-year.

Pending sales for condos was up 32.7% year-over-year.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a particular neighborhood or property, call me.

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C.A.R. survey on impact of federal tax credit

LOS ANGELES (Sept. 18) – Nearly 40 percent of first-time home buyers said they would not have purchased a home if the federal tax credit for first-time home buyers was not offered, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) "2009 First-time Home Buyers Tax Credit Survey." Understanding the significance of the federal tax credit to the housing market's recovery, C.A.R. surveyed 200 California first-time home buyers to gauge the impact it had on their purchase decisions.

"It is clear that the federal tax credit for first-time home buyers is working, as evidenced by the spike in home sales in recent months," said C.A.R. President James Liptak.

"This tax credit is arguably the most successful strategy employed by

the government's efforts to stimulate the housing market.

"Because the tax credit has helped so many first-time buyers become homeowners, it is critical that Congress extends the credit beyond the Dec. 1 deadline, and includes all buyers, not just first-timers," he said.

Nearly 70 percent of those surveyed said that the federal tax credit was either "very important" or "most important" in their decision to purchase a home. When ranking the importance of the tax credit, those who planned to use the tax credit gave it a 4.5 on a scale of one to five, with five being "most important." That rank was tied with low home prices.

In California home prices have declined 59 percent from the peak to the current low in this cycle—contrasting with the national picture where the prices have declined by 28 percent.

"While affordability has improved in California over the past two years, it is still lower than affordability nationally. As a result, the tax credit is an even bigger factor in California compared with elsewhere in the country," added Liptak. "Going forward, the credit will be even more important to the housing recovery."

Income levels played a role in the decision of first-time buyers to apply for the federal tax credit. Ninety-four percent of respondents who earn an annual income of less than \$100,000 planned to apply for the

credit, while only 51 percent of first-timers earning \$100,000 or more planned to apply for it.

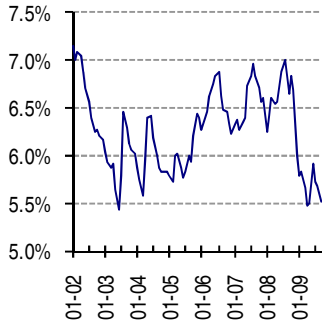
Other key findings from C.A.R.'s "2009 First-time Home Buyers Tax Credit Survey" include:

- Ninety-four percent were aware of the federal first-time buyer tax credit.
- Eighty-two percent listed the ability to obtain financing as "very important" or "most important."
- Ninety-one percent reported low home prices as "very important" or "most important."

The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



“IF YOU'RE
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Oct. 2, 2009 -- With September now behind us, stock markets started October in a fashion similar to other Octobers: they sold off to some degree. After a pretty good third quarter's profits were booked, at least some of those gains from equity sales have been stashed back into Treasuries, driving yields down. This in turn is pressuring mortgage rates down to the lows of earlier this year.

The overall average for 30-year FRMs declined by almost a tenth-percent this week, and HSH's FRMI closed Friday with five-day average of 5.40%. Five-one hybrid ARMs also eased back, shedding eight basis points to close the national survey at 4.74%. At 5.07%, conforming 30-year FRMs sported their lowest average rate since the late

March to late May period gave us nine consecutive weeks just over (and under) the 5% mark.

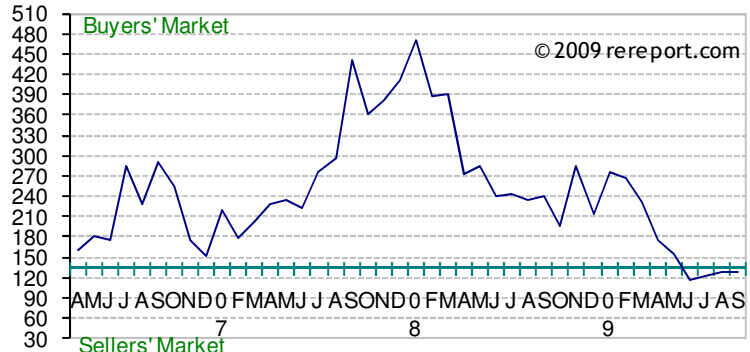
A bright spot was Construction Spending, it rose by 0.8%, its second positive reading of the year. More impressive was the 4.7% rise in spending for residential projects, which was more than enough to offset drags from the troubled commercial sector (-0.1%) and the 1.1% drop in the public sector. Stimulus money isn't making it out to lower-level projects all that quickly, and cash-strapped states are simply putting projects on indefinite hold.

Low mortgage rates continue to provide support for housing markets, and the gains in residential construction spending could be one of the keys to getting a firmer re-

covery underway. However, credit conditions remain tight, and while home prices have begun to firm to some degree, it may be a long time until most underwater homeowners will be able to take advantage of those low rates to recast their balance sheets.

Does October continue to live up to its reputation as a wicked month for stocks? To the degree that it does, mortgage rates should benefit. Spring lows ignited a fair bit of refi activity, but building lasting refi waves requires low (if not continually declining) interest rates for a period of weeks, even months. We'll continue to have low rates, but significant declines are unlikely. If you're considering refinancing, don't hesitate too long or a fickle October market may catch you napping.

Days of Inventory: Single-Family Homes



September Sales Statistics

Single-family Homes

	Prices		Unit		Total		Change from Last Year				Change from Last Month			
	Median	Average	Sales	Active	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$541,000	\$607,568	153	677	62	99.8%	13.9%	-1.4%	2.0%	-45.7%	8.2%	13.6%	-5.6%	-6.4%
Aptos	\$575,000	\$755,778	9	40	92	99.1%	-27.4%	-22.0%	125.0%	-32.2%	-15.5%	-1.8%	0.0%	2.6%
Capitola	\$825,750	\$715,250	3	26	41	97.0%	9.3%	-23.4%	-50.0%	-35.0%	58.8%	20.1%	-57.1%	-18.8%
Los Gatos Mtns	\$832,500	\$832,500	2	32	73	95.9%	2.5%	-7.9%	-33.3%	-25.6%	26.1%	26.1%	0.0%	-5.9%
Rio del Mar	\$699,000	\$726,022	9	79	111	96.5%	-2.4%	-32.0%	-10.0%	-19.4%	30.0%	21.9%	50.0%	0.0%
Seacliff	\$425,000	\$425,000	1	22	124	96.8%	-44.7%	-44.7%	0.0%	100.0%	-79.6%	-76.5%	-66.7%	-15.4%
San Lorenzo Vly	\$341,875	\$352,889	32	75	64	102.3%	-12.2%	-8.0%	77.8%	-65.1%	-10.3%	-7.6%	6.7%	-14.8%
Soquel	\$553,000	\$556,500	4	38	20	104.3%	-22.1%	-33.7%	-50.0%	-29.6%	-0.4%	-12.8%	-63.6%	22.6%
Scotts Valley	\$787,500	\$930,428	14	68	70	96.7%	-1.6%	13.2%	55.6%	-27.7%	37.4%	57.0%	0.0%	-8.1%
Santa Cruz	\$660,500	\$722,810	44	153	54	98.2%	-2.1%	-10.2%	51.7%	-34.3%	16.0%	20.2%	10.0%	-6.1%
East County	\$402,500	\$468,786	14	75	61	102.3%	0.6%	-3.6%	-33.3%	-56.6%	10.3%	11.9%	7.7%	-8.5%
West County	\$605,000	\$740,000	4	21	108	96.6%	n/a	n/a	n/a	-27.6%	n/a	n/a	n/a	0.0%
Watsonville	\$313,000	\$310,350	14	18	32	103.7%	-11.1%	-10.6%	-65.9%	-89.9%	16.1%	16.3%	-30.0%	-18.2%

The Real Estate Report

Record Streak Continues for Pending Home Sales

Pending home sales have increased for seven straight months, the longest in the series of the index which began in 2001, according to the National Association of Realtors®.

The Pending Home Sales Index*, a forward-looking indicator based on contracts signed in August, rose 6.4 percent to 103.8 from a reading of 97.6 in July, and is 12.4 percent above August 2008 when it was 92.4. The index is at the highest level since March 2007 when it was 104.5.

Lawrence Yun, NAR chief economist, said not all contracts are turning into closed sales within an expected timeframe. "The rise in pending home sales shows buyers are returning to the market and signing contracts, but deals are not necessarily closing because of long delays related to

short sales, and issues regarding complex new appraisal rules," he said. "No doubt many first-time buyers are rushing to beat the deadline for the \$8,000 tax credit, which expires at the end of next month."

The Pending Home Sales Index in the Northeast jumped 8.2 percent to 85.3 in August and is 12.0 percent higher than August 2008. In the Midwest the index rose 3.1 percent to 90.8 in August and is 7.6 percent above a year ago. In the South, pending home sales increased 0.8 percent to an index of 104.6 and is 8.2 percent above August 2008. In the West the index surged 16.0 percent to 130.5 and is 22.3 percent above a year ago.

"There is likely to be some double counting over a span of several months because some buyers

whose contracts were cancelled have found another home and signed a new contract to buy," Yun explained. "Perhaps the real question is how many transactions are being delayed in the pipeline, and how many are being cancelled? Without historic precedents, it's challenging to assess."

Yun also noted that the data sample coverage for pending sales is smaller than the measurement for closed existing-home sales, so the two series will never match one for one.

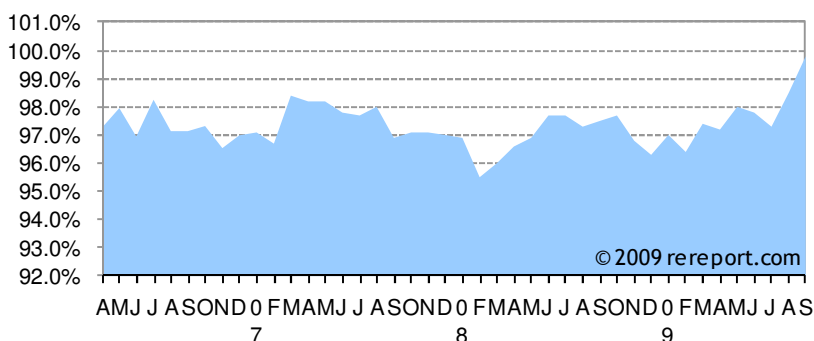
NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said first-time buyers need to act now. "Potential first-time buyers must make a contract offer very soon to have a reasonable chance of qualifying

for the tax credit," he said. "Congress needs to extend and expand this program because it's stimulating the economy and reducing inventory close to price stabilization points."

McMillan said a sizable number of homebuyers already in the pipeline could be let down because of the tight deadline. "We know there is a pent-up demand because sales are below normal levels for the size of our population. The faster we absorb excess inventory, the sooner we'll turn the corner on home prices, prevent additional families from becoming upside-down in their mortgages, and give Wall Street the confidence to extend credit to other sectors," he said. "Each home sale pumps an additional \$63,000 into the economy through

(Continued on page 4)

Santa Cruz County: Homes Sales Price/Listing Price Ratio



September Sales Statistics

Condominiums/Townhomes

	Prices		Unit		Total		Change from Last Year				Change from Last Month			
	Median	Average	Sales	Active	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$304,000	\$322,415	34	170	59	99.9%	-17.6%	-18.1%	-15.0%	-33.1%	-1.6%	0.4%	17.2%	0.0%
Aptos	\$395,000	\$395,000	2	11	29	97.2%	-31.5%	-29.4%	-33.3%	-15.4%	-28.8%	-28.8%	0.0%	0.0%
Capitola	\$281,000	\$309,250	4	15	23	99.3%	-13.3%	-4.0%	0.0%	-31.8%	-9.4%	-4.8%	-20.0%	-21.1%
Rio del Mar	\$632,500	\$632,500	2	21	133	93.2%	-27.9%	-27.9%	100.0%	-8.7%	n/a	n/a	n/a	-4.5%
Scotts Valley	\$310,000	\$349,000	3	3	66	98.3%	-38.8%	-29.8%	0.0%	-78.6%	-13.9%	-15.9%	0.0%	-50.0%
Santa Cruz	\$377,000	\$391,089	9	58	53	98.1%	-12.3%	-15.8%	-18.2%	-25.6%	22.0%	29.2%	28.6%	11.5%
Watsonville	\$167,125	\$171,330	10	12	72	105.5%	-25.6%	-25.7%	-1.4%	-80.6%	-27.3%	-22.6%	46.9%	0.0%

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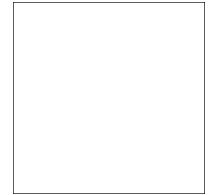
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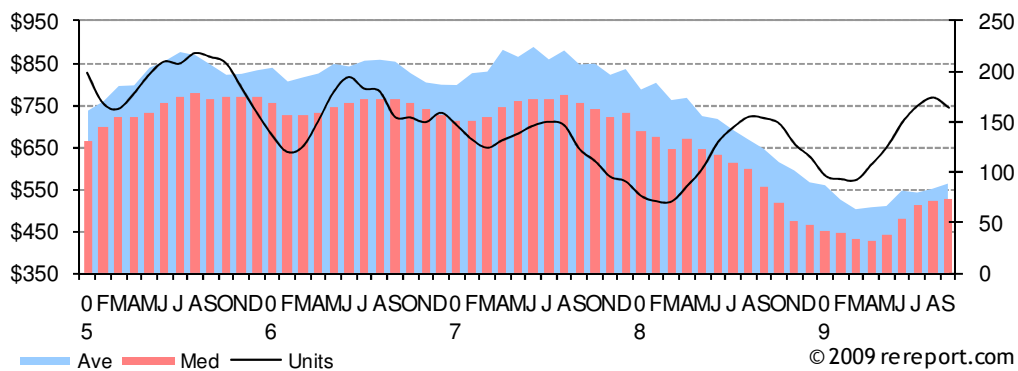
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Go online to see the full report
with the city by city breakdown:

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Santa Cruz County Homes: Prices vs. Sales
(3-month moving average — \$000's)



(Continued from page 3)

related goods and services, so the benefits of extending and expanding the tax credit far outweigh the costs."

Yun said the forecast for home sales and prices depends very much on whether a tax credit is extended. "All we can say for certain is sales will decline when

the tax credit expires because we are not yet on a self-sustaining recovery path. It also raises a risk of a double-dip recession," he said. "Extending and expanding the tax credit is the best tool in our arsenal to encourage financially qualified buyers to stimulate the economy and help reduce the budget deficit."

* The Pending Home Sales Index is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing.