



August 2009

### Santa Cruz County Median Home Price Up Again

The median price for single-family, re-sale homes gained 3.5% in July and is now at its highest since last August. Year-over-year, the median price was off 11.7%

Sales of single-family, re-sale homes were up, year-over-year, by 14.8% in July. Year-to-date, home sales are up 19.3%.

Inventory was down 42.3% from last July. This is the fifteenth month in a row inventory has declined year-over-year.

Days of Inventory rose five days to 122 days. In a balanced market, the supply of homes is usually around five to six months. For condos, the indicator surged 46 days to 186 days.

The sales price to list price ratio fell 0.5 of a point to 97.3%.

Trends at a Glance (Single-family Homes)			
	Jul 09	Jun 09	Jul 08
Median Price:	\$540,391	\$522,258	\$612,000
Average Price:	\$545,152	\$571,824	\$661,845
Units Sold:	178	183	155
Inventory:	746	741	1,294
Sale/List Price Ratio:	97.3%	97.8%	97.7%
Days of Inventory:	122	117	242
Days on Market:	71	82	78

Pending sales, a leading indicator, were up 43.3% year-over-year.

Condo sales fell 20% month-over-month, and were off 17.6% compared to last July. Year-to-date, condo sales are up 13.1%.

The median price for condos rose 41% from the month before, and was up 5.4% compared to last July. Don't read too much into this as the small number of condo sales each month exaggerates the swings.

Condo inventory was down 38.9% compared to July 2008.

Pending sales for condos was up 5.8% 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, at 831.246.4663 (or email me at walter@831.com).

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### Tax Credit Helps Boost Housing Starts in June

Total housing starts saw a significant increase in June when compared to May, which the California Building Industry Association said was additional evidence that the state new-homebuyer tax credit enacted earlier this year is helping to generate new-home sales, and in turn, jobs in home construction.

"Robert Rivinius, CBIA's President and CEO said builders are starting new projects and putting people back to work.

"Builders are reporting that the demand spurred by the tax credit has helped clear out new-home inventories and we are now seeing an increase in housing production as builders ramp up projects to meet the demand," Rivinius said. "This is great news for the tens of thousands of people who have lost

construction jobs and those dependent on residential construction."

Rivinius said that studies show homebuilding produces profound economic and fiscal benefits in California.

"Building a new home in California generates on average about \$16,000 in desperately needed tax revenues to the state treasury and creates two to three jobs," Rivinius said. "Getting an extension on the credit would be a win for the State and the entire economy."

According to statistics compiled by the Construction Industry Research Board, builders pulled permits for 3,446 total housing units in June, up 17 percent from May. Permits for single-family units totaled 2,772 units, up 20 percent from May and was the largest single-family total

since July of last year. Permits for multifamily units totaled 674, up 5 percent from the previous month.

"The Franchise Tax Board has stopped taking applications for the state tax credit for new home purchases as the allocated funds for the program have already run out in only four months," Rivinius said. "The increase in single-family construction over the past couple of months has shown that the popular program is a success and we'd like to keep it going in hopes of continuing this positive momentum which will help invigorate the overall economy and help put people back to work."

CIRB is forecasting permits will be pulled for just 40,000 total units in 2009, which would be by far the lowest total on record.

### Capitola Begonia Festival, Sept 4-7

The festival starts Friday night with a movie on the beach. Saturday features a sand sculpture contest. The 56th Annual Nautical Parade starts at 1pm on Sunday. And on Monday, there's a rowboat race on the creek.

Date: Sunday, Sept 4-7, 2009

Location: Capitola Village

More info: www.begoniafestival.com



## 10 Best Places for Condo Deals

Thanks to a huge inventory, many condominiums are bargains these days. Forbes magazine took a look at the nationwide condo market to determine where the best deals could be found. Because financing can be hard to get, prices on luxury models have fallen the most.

The magazine suggested that the best deals come from paying cash or at least putting down enough cash so the property can be purchased with a federally-backed loan. It also suggested that buyers bid low. Since these properties are moving so slowly, even a lowball offer might be accepted.

Here are the top 10 best places for condominium deals and their ZIP codes, as determined by Forbes:

1. Olympic Village, Calif.
2. Tahoe City, Calif.
3. Terra Linda, Calif.
4. Fisher Island, Fla.
5. Dallas, Tex.
6. Malibu, Calif.
7. Bal Harbour Fla.
8. Key Biscayne, Fla.
9. Lake Forest, Ill.
10. New York (Upper West Side)

Source: Forbes, Matthew Woolsey (07/29/2009)

## \$8,000 Home Buyer Tax Credit at a Glance

The information on this page pertains to the American Recovery and Reinvestment Act of 2009.

- The tax credit is for first-time home buyers only. For the tax credit program, the IRS defines a first-time home buyer as someone who has not owned a principal residence during the three-year period prior to the purchase.
- The tax credit does not have to be repaid.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.

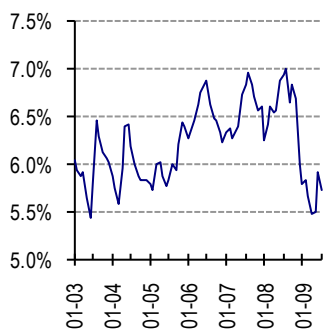
- The credit is available for homes purchased on or after January 1, 2009 and before December 1, 2009.

- Single taxpayers with incomes up to \$75,000 and married couples with incomes up to \$150,000 qualify for the full tax credit.

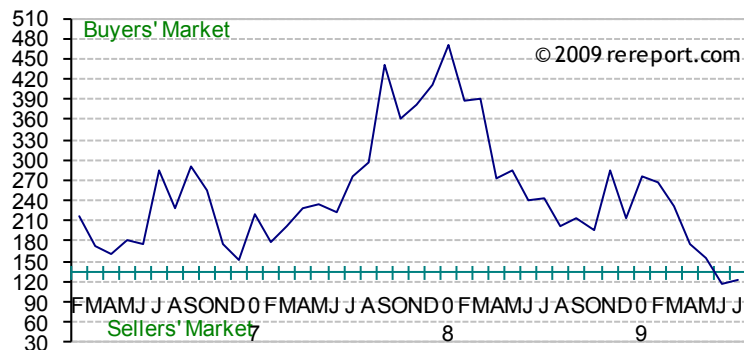
This tax credit goes away soon. The purchase must be completed (escrow must close) before December 1st.

Please contact me for more information about this opportunity.

30-Year Fixed Mortgage Rates



Days of Inventory: Single-Family Homes



## July 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	\$540,391	\$545,152	178	746	71	97.3%	-11.7%	-17.6%	14.8%	-42.3%	3.5%	-4.7%	-2.7%	0.7%
Aptos	\$645,000	\$675,082	11	45	30	98.8%	-0.8%	-11.1%	0.0%	-29.7%	3.9%	1.4%	-15.4%	-6.3%
Capitola	\$660,000	\$722,000	7	37	81	95.1%	-26.1%	-19.1%	250.0%	0.0%	15.8%	16.3%	40.0%	-2.6%
Los Gatos Mtns	\$850,000	\$763,250	5	35	57	94.1%	-19.0%	-27.3%	150.0%	-16.7%	103.1%	82.4%	150.0%	2.9%
Rio del Mar	\$749,000	\$807,545	11	72	73	98.5%	-4.6%	-9.7%	22.2%	-19.1%	-0.1%	1.3%	10.0%	2.9%
Seacliff	\$635,000	\$632,667	3	18	146	94.1%	27.0%	13.0%	0.0%	63.6%	3.3%	10.3%	0.0%	0.0%
San Lorenzo Vly	\$376,000	\$339,921	21	98	77	97.0%	-21.5%	-31.3%	-16.0%	-54.6%	3.7%	-8.8%	16.7%	0.0%
Soquel	\$661,000	\$653,125	8	31	77	97.0%	-12.9%	-19.7%	60.0%	-40.4%	4.1%	7.6%	14.3%	-6.1%
Scotts Valley	\$577,500	\$630,590	10	78	55	95.5%	-24.0%	-25.7%	-23.1%	-23.5%	-32.2%	-13.1%	11.1%	-9.3%
Santa Cruz	\$605,000	\$625,048	61	159	71	97.1%	-4.7%	-23.9%	56.4%	-36.9%	0.2%	-13.0%	-9.0%	5.3%
East County	\$250,000	\$384,000	11	84	124	90.1%	-30.6%	-20.4%	-21.4%	-52.5%	-10.7%	6.1%	-42.1%	1.2%
West County	*	*	*	21	*	*	n/a	n/a	n/a	5.0%	n/a	n/a	n/a	0.0%
Watsonville	\$250,000	\$258,848	27	31	55	100.6%	-34.2%	-31.3%	0.0%	-85.3%	0.0%	-2.1%	0.0%	6.9%

# Pending Home Sales Up Fifth Month in a Row

Pending home sales are up for the fifth consecutive month, the first time in six years for such a streak, according to the National Association of Realtors®.

The Pending Home Sales Index, a forward-looking indicator based on contracts signed in June, rose 3.6 percent to 94.6 from an upwardly revised reading of 91.3 in May, and is 6.7 percent above June 2008 when it was 88.7. The last time there were five consecutive monthly gains was in July 2003.

Lawrence Yun, NAR chief economist, said a combination of positive market factors is fueling the gains. "Historically low mortgage interest rates, affordable home prices and large selection are encouraging buyers who've been on the sidelines. Activity has been consistently much stronger for lower priced homes," he said. "Because it may take as long as two months to close on a home after signing a contract, first-time buyers must act fairly soon to take advantage of the

\$8,000 tax credit because they must close on the sale by November 30."

The Pending Home Sales Index in the Northeast rose 0.4 percent to 81.2 in June and is 5.8 percent above a year ago. In the Midwest the index increased 0.8 percent to 89.9 and is 11.6 percent above June 2008. The index in the South jumped 7.1 percent to 100.7 in June and is 8.9 percent higher than a year ago. In the West the index rose 2.9 percent to 100.4 but is 0.2 percent below June 2008.

NAR President Charles McMillan, is hopeful that a recently elevated level of contract cancellations will ease. "Last month, Freddie Mac and Fannie Mae clarified that appraisals should be done by professionals with clear local expertise," he said. "This should mitigate the situation of many valuations done by out-of-area appraisers coming in below the price negotiated between buyers and sellers. Hopefully, in the

months ahead, we'll see an even closer relationship between contract activity and closed transactions."

McMillan said NAR is continuing to press the appraisal issue. "We have asked Congress and the Federal Housing Finance Agency to immediately implement an 18-month moratorium on the new appraisal rules to further address unintended consequences of the new guidelines," he said.

NAR's Housing Affordability Index remains very favorable. The affordability index stood at 159.2 in June, down from record peaks in recent months but it remains 36.6 percentage points above a year ago. Under these conditions the typical family would devote 15.7 percent of gross income to mortgage principal and interest, well below the standard allowance of 25 percent.

The HAI is a broad measure of housing affordability using consistent values and assumptions over time, which

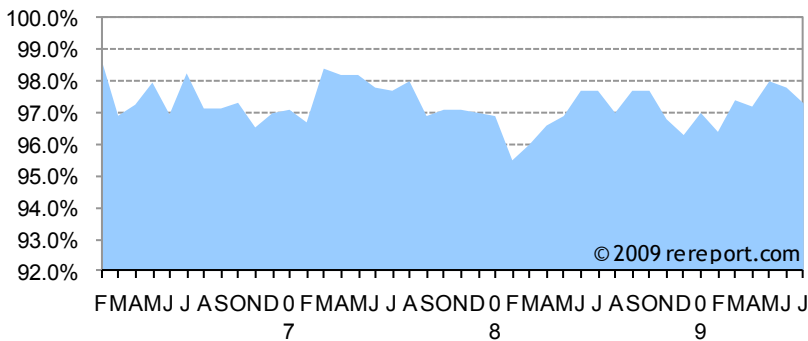
examines the relationship between home prices, mortgage interest rates and family income.

"A monthly rise in home prices and somewhat higher mortgage interest rates led to a modest decline in affordability in June, but it was still the sixth highest index on record dating back to 1970," Yun said. "Because housing is so affordable in today's market, job security and the first-time buyer tax credit are bigger factors in influencing home sales."

A median-income family, earning \$60,700, could afford a home costing \$289,100 in June with a 20 percent downpayment, assuming 25 percent of gross income is devoted to mortgage principal and interest. Affordability conditions for first-time buyers with the same income and small downpayments are roughly 80 percent of what a median-income family can afford. The affordable price was much higher than the median existing single-family home price in June, which was \$181,600.

Yun expects existing-home sales to gradually rise over the balance of the year, with conditions varying around the country. "It appears home sales are on a sounder footing and inventory is gradually being absorbed."

## Santa Cruz County: Homes Sales Price/Listing Price Ratio



## July 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	\$430,000	\$418,429	28	174	82	97.9%	5.4%	-4.0%	-17.6%	-38.9%	41.0%	27.1%	-20.0%	6.7%
Aptos	*	*	*	12	*	*	n/a	n/a	n/a	-14.3%	n/a	n/a	n/a	0.0%
Capitola	\$295,000	\$347,625	4	20	51	98.8%	-19.2%	-18.6%	-20.0%	-16.7%	-19.2%	-1.7%	-20.0%	25.0%
Rio del Mar	\$530,000	\$556,200	5	22	92	94.5%	7.1%	7.3%	66.7%	-8.3%	-5.3%	-0.6%	150.0%	-8.3%
Scotts Valley	\$410,000	\$410,000	1	6	39	96.5%	-14.4%	-14.4%	-50.0%	-66.7%	10.8%	10.8%	0.0%	-33.3%
Santa Cruz	\$469,750	\$463,350	10	52	56	95.5%	9.2%	1.8%	-9.1%	-43.5%	34.2%	21.6%	-23.1%	23.8%
Watsonville	\$183,500	\$193,500	6	16	61	106.2%	-35.6%	-31.5%	10.9%	-74.2%	22.3%	6.1%	125.9%	-11.1%

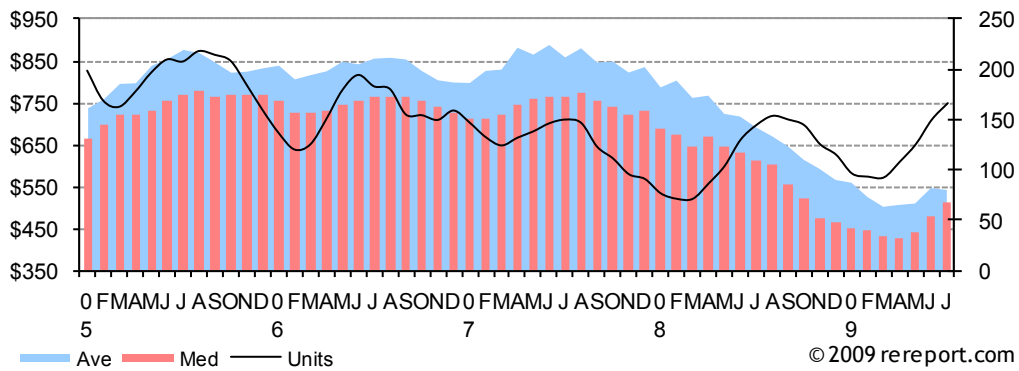
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**Santa Cruz County Homes: Prices vs. Sales**  
 (3-month moving average — \$000's)



**Green Corner**

**Can the Color of your Roof Impact Climate Change?**

White roofs might not be in vogue but apparently they can positively impact climate change. The cooling effect of white roofs is based on a simple principle of physics. The

color "white" reflects sunlight, rather than absorbing it. As such, it also reflects the sun's heat rather than trapping it. It's the reason why wearing white clothes keep you cooler in warm climates or in the summer months. If the rooftops of houses and buildings in tropical cities were painted white, then they could potentially reflect enough sunlight back to space to offset

huge amounts of carbon dioxide, perhaps more than one year's worth of global carbon emissions. Hashem Akbari of the Lawrence Berkeley National Laboratory, published a paper last year, in the journal *Climatic Change*, estimating the "remarkable global cooling potentials" of white roofs in hot cities. According to Akbari, white roofing just "one per cent of the land area

of the globe" would reflect enough sunlight to offset the "equivalent to all the world's cars." It would also improve smog and air quality (and the associated health care costs), and save \$30 billion in energy every year.