



December 2009

Median Price Jumps 25.9% Year-Over-Year

The median price for single-family, re-sale homes gained 6.2% in November from October. For the third month in a row, the median price was up year-over-year: 25.9%.

Sales of single-family, re-sale homes were down 18% from October, but were up 43.9% year-over-year. Year-to-date, home sales are up 17.6%.

Inventory of single-family, re-sale homes fell for the sixteenth month in a row in November: down 49.1% year-over-year.

Pending sales dipped from October, down 15.1%, but were up 66.3% year-over-year.

Days of Inventory rose twelve days to 114 days. In a balanced market,

the supply of homes is usually around five to six months. For condos, the indicator dropped 32 days to 171 days.

The median price for condos rose 4.3% from the month before, and was up 20.6% compared to last November. Don't read too much into this as the small number of

condo sales each month exaggerates the swings.

Condo inventory was down 34.5% year-over-year.

Pending sales for condos was down 1.3% from October, but up 68.9% 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.

Trends at a Glance (Single-family Homes)			
	Nov 09	Oct 09	Nov 08
Median Price:	\$550,000	\$518,000	\$437,000
Average Price:	\$626,278	\$572,403	\$594,765
Units Sold:	141	172	98
Inventory:	553	607	1,087
Sale/List Price Ratio:	97.4%	98.8%	96.8%
Days of Inventory:	114	102	322
Days on Market:	83	77	78

The sales price to list price ratio dropped 1.4 points to 97.4%.

Condo sales rose 8.3% month-over-month, and were even compared to last November. Year-to-date, condo sales are up 2.7%.

FHA Mortgage Insurance Program Important to Housing Market & Recovery

NAR President Vicki Cox Golder told a congressional panel that the FHA program is fiscally sound with responsible underwriting, and needs enhancements, not radical reform. She urged Congress and the administration to tread lightly before making changes to a program that has a profound impact on economic recovery and serves the nation's families.

"With the collapse of the private mortgage market, the importance of the FHA mortgage insurance program has never been more apparent. Thus far in 2009, nearly 80 percent of all FHA insured purchasers are first-time homebuyers. And if you take a closer look at the numbers, you'll see that program is doing exactly what it was designed to do—make more affordable mortgage financing available to home-

owners . . . without FHA mortgage insurance, our housing market could never start to recover," Golder said.

FHA's decline in reserves is in part a reflection of a projected change in home price values, and is not tied to excessive increases in defaults or unsound underwriting practices, she said. In citing the recent FHA audit, Golder said, "If FHA makes no changes to the way it does business today, the reserves will actually exceed 2 percent in the next several years. FHA has sufficient reserves."

FHA cash reserves and capital reserves give the agency combined assets of \$30.4 billion—enough to pay all claims over a 30-year period. Most banks are required to hold reserves sufficient to pay only one year of claims.

NAR strongly opposes H.R. 3706, the "FHA Taxpayer Protection Act of 2009," which would increase FHA's downpayment requirement. The bill would not add anything to FHA reserves but would put home-ownership out of reach for many creditworthy borrowers.

Golder also thanked Chairman Barney Frank (D-Mass.) and the committee for passing legislation to extend the higher loan limits through 2010, but urged the committee to make the higher limits permanent. "The higher limits are not just for a few states with high median prices. There are currently 245 counties in 28 states that have high cost limits—this is a national issue," she said.

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Deal of the Month

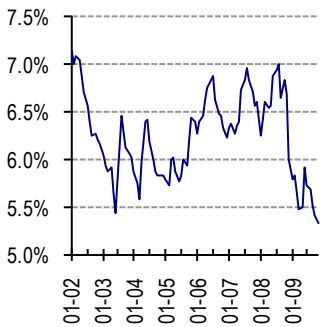
Quintessential Boulder Creek income property. Well-maintained **6 individual detached units** with backyards overlooking river. Fantastic location: walk to everything, coffee shops, stores, etc. Solid income=**cap rate of 6.99!** Asking \$689,000

For more info, call me (831.246.4663) or email me (walter@831.com).



Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Dec. 4, 2009 -- Mortgage rates have been easing a bit lately due to both softer demand for credit and, most recently, some flight-to-quality purchases of US Treasuries related to financing troubles at Dubai World, a state-backed corporation which asked to forego payments on its outstanding debts for at least six months. That is simply more fallout from the global financial crisis.

These troubles first came to light last Thursday. After initial concern, it seems Dubai World's effect on global finance markets is contained for the most part, so some of that move of cash into a safer haven has begun to unwind.

Some surprising economic news came late in the week, and if the again-influential yield on the 10-year Treasury is any indication, mortgage

rates seem certain to rise in the days ahead. The 10-year Treasury rose from a Tuesday low of 3.21% to an estimated 3.48% by Friday's market close; mortgage rates haven't yet fully reflected all of that move, but from Tuesday's low of 4.83%, the all-important 30-year Conforming interest rate had risen to 5.06% by Friday.

For the week, HSH.com's FRMI, our overall average for mortgage rates (including conforming, jumbo and agency jumbo), fell by five basis points, closing the at 5.24%. Both conforming and jumbo rates declined this week, with conforming 30-year FRMs slipping to a 4.91% average. At the same time, the overall average for 5/1 Hybrid ARMs fell five-basis points, landing at 4.56% for the week. Some aggressively-priced 5/1 ARMs can now be found in the market with rates starting as low as the mid-3% range.

Readers and visitors who regularly follow our work know that fluctuations in mortgage rates are a regular recurrence, and that rates rise much more quickly than they fall. This being the case, we always advise borrowers that when they've got a mortgage in place that makes their purchase or refinance deal work, they should lock in the interest rate, rather than trying to guess at any kind of bottom in the market.

Our educated readers also know that 30-year FRMS holding tightly to either side of a 5% threshold is a great deal, whether it's upper 4% or low 5% on the bottom line. Interest rates will kick a little higher next week, probably all the way back to (yawn) early November levels, when they were only outstanding.

West Marine founder protects 92 acres from development

Nearly 100 acres of farmland near in Watsonville has been permanently set aside for agriculture with an easement donated by West Marine founder Randy Repass and wife Sally-Christine Rodgers.

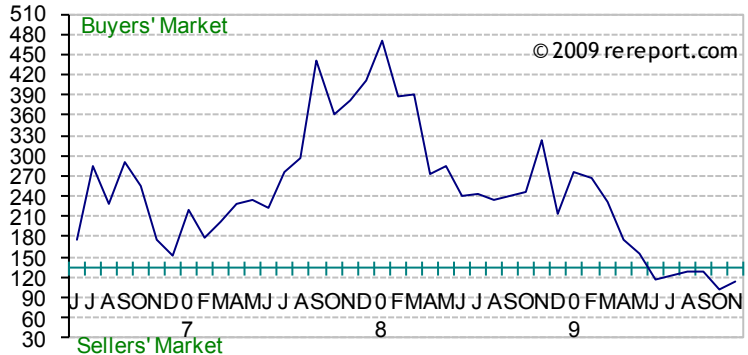
The land is the latest property to be protected through the Land Trust of Santa Cruz County, which has acquired acreage or conservation easements on more than 1,000 acres in the Pajaro Valley.

"This one in particular is right on the urban boundary," said Land Trust spokesman Stephen Slade. "It's a very important one, basically reinforcing the Measure U growth boundary." Raspberries and strawberries currently grow on the property.

Measure U, passed by Watsonville voters in 2002, spelled out where the city could grow through 2022.

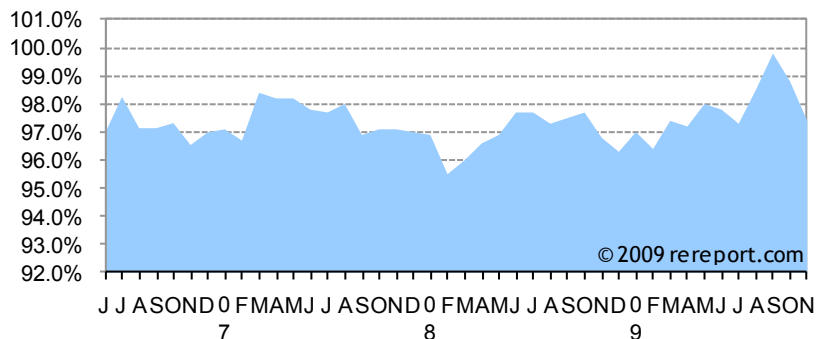
Land Trust Executive Director Terry Corwin said she hopes other property owners will follow the lead of Repass and Rodgers and donate development rights. That way the land stays in agriculture, in private hands and on the tax rolls. In return, the contributor gets a tax reduction.

Days of Inventory: Single-Family Homes



Santa Cruz County: Homes

Sales Price/Listing Price Ratio



Nine Consecutive Gains for Pending Home Sales

Pending home sales have risen for nine months in a row, a first for the series of the index since its inception in 2001, according to the National Association of Realtors®.

The Pending Home Sales Index,* a forward-looking indicator based on contracts signed in October, increased 3.7 percent to 114.1 from 110.0 in September, and is 31.8 percent above October 2008 when it was 86.6. The rise from a year ago is the biggest annual increase ever recorded for the index, which is at the highest level since March 2006 when it was 115.2.

Lawrence Yun, NAR chief economist, said home sales are experiencing a pendulum swing. "Keep in mind that housing had been underperforming over most of the past year. Based on the demographics of our growing

population, existing-home sales should be in the range of 5.5 million to 6.0 million annually, but we were well below the 5-million mark before the home buyer tax credit stimulus," he said. "This means the tax credit is helping unleash a pent-up demand from a large pool of financially qualified renters, much more than borrowing sales from the future.

The PHSI in the Northeast surged 19.9 percent to 100.2 in October and is 44.2 percent above a year ago. In the Midwest the index rose 11.6 percent to 109.6 and is 36.6 percent higher than October 2008. Pending home sales in the South increased 5.4 percent to an index of 115.4, which is 31.6 percent above a year ago. In the West the index fell 11.2 percent to 127.7 but is 21.9 percent above October 2008.

"As inventories continue to decline and balance is gradually restored between buyers and sellers, we should reach self-sustaining housing conditions and firming home prices in most areas around the middle of 2010. That would mean broad wealth stabilization for the vast number of middle-class families," Yun said.

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*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.

The index is based on a large national sample, typically representing about 20 percent of transactions for existing-home

sales. In developing the model for the index, it was demonstrated that the level of monthly sales-contract activity from 2001 through 2004 parallels the level of closed existing-home sales in the following two months. There is a closer relationship between annual index changes (from the same month a year earlier) and year-ago changes in sales performance than with month-to-month comparisons.

An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined as well as the first of five consecutive record years for existing-home sales.

Existing-home sales for November will be reported December 22 and the next Pending Home Sales Index will be on January 5; release times are 10 a.m. EST.

November 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	\$550,000	\$626,278	141	553	83	97.4%	25.9%	5.3%	43.9%	-49.1%	6.2%	9.4%	-18.0%	-8.9%
Aptos	\$675,000	\$1,075,000	3	31	104	93.2%	28.6%	104.8%	50.0%	-36.7%	3.1%	34.5%	-40.0%	-8.8%
Capitola	\$637,000	\$600,750	4	17	54	97.1%	-15.6%	-27.5%	33.3%	-50.0%	22.0%	8.3%	0.0%	-26.1%
Los Gatos Mtns	\$765,000	\$765,000	2	30	164	95.9%	-30.5%	-18.8%	-33.3%	-30.2%	0.7%	15.9%	-33.3%	7.1%
Rio del Mar	\$826,000	\$1,095,250	10	56	117	96.5%	39.3%	143.8%	100.0%	-21.1%	22.4%	24.0%	0.0%	-17.6%
Seacliff	\$534,000	\$534,000	2	22	19	94.3%	n/a	n/a	n/a	175.0%	3.2%	3.9%	-50.0%	-4.3%
San Lorenzo Vly	\$375,000	\$393,680	25	78	92	99.1%	0.0%	-4.3%	56.3%	-51.9%	10.3%	4.5%	-7.4%	9.9%
Soquel	\$685,625	\$641,875	6	28	39	98.4%	14.3%	7.0%	500.0%	-46.2%	24.1%	17.0%	50.0%	-15.2%
Scotts Valley	\$758,500	\$875,000	10	60	120	97.8%	8.0%	27.7%	25.0%	-27.7%	2.0%	13.6%	-50.0%	-7.7%
Santa Cruz	\$593,750	\$717,956	44	110	66	96.4%	-12.0%	-16.1%	158.8%	-48.8%	-4.2%	-11.9%	15.8%	-16.0%
East County	\$315,000	\$442,948	19	60	82	97.3%	-11.2%	-29.3%	11.8%	-60.3%	-8.0%	-3.0%	-13.6%	-16.7%
West County	\$1,000,000	\$1,000,000	1	17	0	85.1%	-26.6%	-26.6%	-50.0%	-37.0%	183.3%	183.3%	0.0%	0.0%
Watsonville	\$340,000	\$331,759	11	17	92	100.9%	-9.6%	-1.6%	-52.2%	-90.2%	27.3%	23.0%	-63.3%	21.4%

November 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	\$362,500	\$370,542	26	148	89	97.2%	20.6%	8.6%	0.0%	-34.5%	4.3%	2.5%	8.3%	-8.6%
Aptos	\$456,000	\$456,000	2	3	79	99.4%	91.6%	91.6%	100.0%	-75.0%	38.2%	38.2%	100.0%	-50.0%
Capitola	*	*	*	13	*	*	n/a	n/a	n/a	-13.3%	n/a	n/a	n/a	0.0%
Rio del Mar	\$462,500	\$537,500	4	20	177	91.3%	n/a	n/a	n/a	n/a	5.5%	22.6%	100.0%	0.0%
Scotts Valley	\$360,000	\$360,000	1	3	40	97.6%	-13.3%	-13.3%	-50.0%	-76.9%	-5.3%	-5.3%	0.0%	0.0%
Santa Cruz	\$374,950	\$402,580	10	56	76	96.4%	-31.2%	-27.6%	233.3%	-24.3%	-6.3%	-8.6%	11.1%	0.0%
Watsonville	\$199,650	\$209,471	7	9	72	98.3%	-7.1%	-24.7%	176.9%	-80.4%	-3.1%	6.5%	453.8%	-25.0%

Upcoming Events

Santa Cruz Fungus Fair

January 9-10, 10am-5pm

Louden Nelson Center, 301 Center St., Santa Cruz 831.420.6115 Enjoy fabulous mushroom displays, delicacies and mouth-watering cooking demonstrations. Bring mushrooms for identification. www.santacruz museums.org

Guided Elephant Seal Walks

December 15 through March 31

By reservation only. Año Nuevo State Reserve, Hwy 1, Pescadero 800.444.4445 Winter is the prime season to view thousands of elephant seals, including newborn pups, their mothers, and bulls. www.parks.ca.gov/?page_id=52

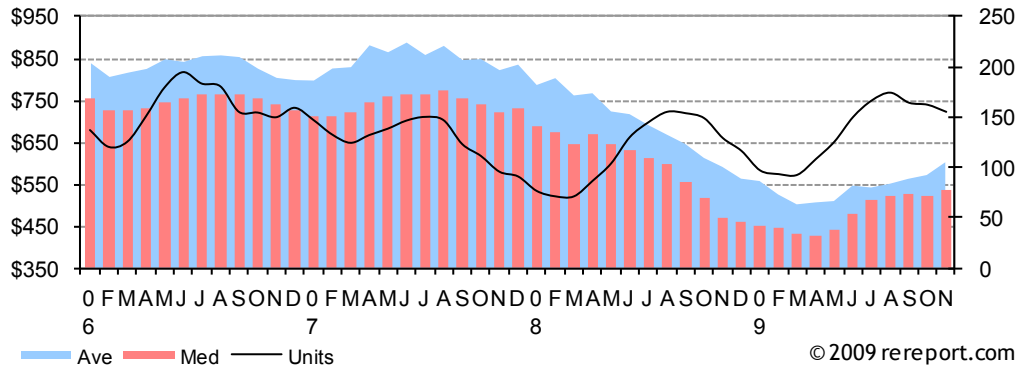
WALTER STAUSS

REAL ESTATE AND COMMUNITY NEWS

Lifestyles Real Estate

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



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Green Corner

Easy Financing for Energy-Efficient Home Projects Coming Soon?

Tuesday, the county Board of Supervisors committed to making home efficiency upgrades more affordable for local residents. The board signed on to a statewide program that would allow county

homeowners to finance such work through their property taxes.

Under the program, state funds would finance the purchase of permanent energy improvements ranging from solar panels to new heating and cooling systems to more efficient windows and insulation. Homeowners would pay the state back over a 20- to 30-year period as part of their property taxes, which stay with the house even if it sells.

The interest rate charged by the state is expected to be between 7.5 and 9.5 percent, depending on what the market yields when the financing commences, likely in June. The rates are expected to be competitive with local credit unions.

The state program, known as CaliforniaFIRST, would provide the financing for county homeowners as well as pay for local administrative costs, said county planner Erik Schapiro.

CaliforniaFIRST hinges on a final decision by the California Energy Commission to put federal stimulus funds to work for the financing. The program is intended to have no direct cost or risk to participating cities and counties. Program costs will be included in the financing package. For more information: <http://www.renewfund.com/node/63>