



July 2009

### Santa Cruz County Median Home Price Back Over \$500,000

The median price for single-family, re-sale homes went over \$500,000 in June for the first time since last October. The median price gained 11.1% from May, but was off 13.7% year-over-year. The average price rose 12.5% month-over-month, but was down 16.3% compared to last June.

Sales of single-family, re-sale homes were up, year-over-year, by 18.8% in June. Year-to-date, home sales are up 20.5%.

Inventory was down 41.7% from last June. This is the fourteenth month in a row inventory has declined year-over-year.

The drop in inventory and the rise in sales combined to push our Days of Inventory indicator down 39 days

to 117 days. In a balanced market, the supply of homes is usually around five to six months. For con-

Trends at a Glance (Single-family Homes)			
	Jun 09	May 09	Jun 08
Median Price:	\$522,258	\$470,000	\$605,000
Average Price:	\$571,824	\$508,121	\$683,464
Units Sold:	183	139	154
Inventory:	741	746	1,271
Sale/List Price Ratio:	97.8%	98.0%	97.7%
Days of Inventory:	117	156	239
Days on Market:	82	92	90

dos, the indicator declined 32 days to 140 days.

The sales price to list price ratio fell 0.2 of a point to 97.8%.

Pending sales, a leading indicator, were up 33.2% year-over-year.

Condo sales were up 16.7% month-over-month. Year-to-date, condo sales are up 20.9%.

The median price for condos fell 20.2% from the month before, and was down 17.3% compared to last June.

Condo inventory was down 40.9% compared to June 2008.

Pending sales for condos is up 12.7% 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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### CBIA says state new-home tax credit is generating demand for new homes

May single-family home starts held their own compared to April, offering additional evidence that the state new-home tax credit is generating demand for new homes and leading to a resumption of job-generating construction, the California Building Industry Association reported today.

"This is very good news," said Robert Rivinius, CBIA's President and CEO. Rivinius said builders are responding to the increased traffic and corresponding demand that the tax credit has been producing statewide since it was enacted in March of this year.

"When they enacted the \$10,000 tax credit back in February, the Governor and the Legislature were-

n't sure it would work," Rivinius noted. "But as this continued strength in new-home construction shows, the credit is indeed working, and working very well."

In fact, the Franchise Tax Board – the state agency charged with administering the program – just reported that nearly all of the \$100 million that was allocated to the program is gone. Rivinius said the homebuilding industry, in an effort to keep the positive economic momentum going, is working with the Governor and the Legislature to extend the tax credit so that it is able to work the full year for which it was authorized.

"After only four months, the program is nearly out of money, but

the tax credit was designed to remain an active economic stimulus until March of next year. We still have eight critical months to go," he said.

Rivinius said the tax credit is popular among legislators on both sides of the aisle not only because it generates jobs and other economic activity but because it produces critically needed state tax revenues.

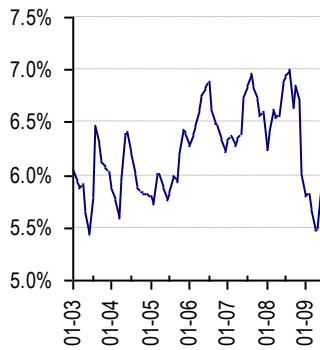
"Studies show that building a new home in California generates an average of \$16,000 in desperately needed tax revenues to the state treasury," Rivinius said. "Lawmakers know that and now it's a matter of determining how to finance the remainder of the program."

Statistics compiled by the Construction Industry Research Board found that builders pulled permits for 2,203 single-family homes in May, down just 7 percent from April but 40 percent lower than in May 2008. On a seasonally adjusted basis, CIRB reported that May's figures were down just 1.6 percent compared to April.

Based on the strength in the single-family market, CIRB for the first time this year has adjusted its annual forecast upward this month. The Board now expects single-family housing starts to total 24,900 and total housing starts to be 40,200 for the year.

# Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



July 6, 2009 -- A few weeks ago, mortgage rates flared higher, climbing from still-economic-emergency levels. The rise came amid what was interpreted to be signals of an improving economic outlook, the potential for inflation, pondering over what the Federal Reserve and Treasury would do and rampant government spending, among other factors.

Over the past couple of weeks, those fears and concerns have run straight into a fairly stark reality: The economy remains weak, if less so than earlier this year; the Federal Reserve and Treasury have provided no indication that the announced programs to support the economy will change in one way or the other and inflation remains largely a down-the-road concern.

As a result, mortgage interest rates have settled back in their typical slow, wary fashion from highs reached in mid-June.

The overall average for 30-year fixed-rate mortgages of all stripes -- measured by HSH's Fixed-Rate Mortgage Indicator -- declined by nine basis points (.09%) this week, closing at 5.81%. The holiday-shortened week saw the average rate for the FRMI's 5/1 Hybrid ARM counterpart also ease back by nine basis points, closing at 5.22%. Conforming 30-year FRMs declined by eleven basis points, stopping at their lowest average since the week ending June 5.

Although there is little doubt that we have bounced off the bottom economically, those looking for some

sort of quickly accelerating improvement will need to keep looking.

Rates have eased back because the economy has done so. The fact is, if you want substantially lower mortgage rates you'll need to wish for an even slower growth pattern, and that's probably not among the best thing to want at this point.

It's very possible that, after that late spring low-to-high flare that we've got to our focal point for the Summer, and rates may hang around these levels more or less until after Labor day. It's too soon to call "summer doldrums" just yet, but not that early. Rates probably take a little vacation of their own next week, with little movement expected. Happy Independence Day.

Days of Inventory: Single-Family Homes



## June 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	\$522,258	\$571,824	183	741	82	97.8%	-13.7%	-16.3%	18.8%	-41.7%	11.1%	12.5%	31.7%	-0.7%
Aptos	\$621,000	\$665,962	13	48	102	99.3%	-3.6%	-15.8%	160.0%	-29.4%	-19.6%	-21.5%	160.0%	9.1%
Capitola	\$570,000	\$621,000	5	38	120	99.3%	-23.5%	-31.6%	-50.0%	8.6%	-2.2%	4.1%	25.0%	-2.6%
Los Gatos Mtns	\$418,500	\$418,500	2	34	129	90.6%	-57.6%	-47.5%	-50.0%	-12.8%	-44.9%	-44.7%	-50.0%	-5.6%
Rio del Mar	\$750,000	\$797,090	10	70	69	95.3%	8.4%	-3.5%	42.9%	-16.7%	12.8%	26.3%	100.0%	-1.4%
Seacliff	\$615,000	\$573,333	3	18	57	93.1%	-11.5%	-22.6%	0.0%	50.0%	-20.6%	-26.0%	200.0%	50.0%
San Lorenzo Vly	\$362,500	\$372,856	18	98	53	98.8%	-33.1%	-35.3%	0.0%	-51.0%	20.4%	24.1%	-14.3%	-2.0%
Soquel	\$635,000	\$607,129	7	33	83	98.2%	-11.2%	-28.6%	-12.5%	-45.9%	12.4%	3.3%	-22.2%	-2.9%
Scotts Valley	\$852,200	\$725,800	9	86	37	100.5%	17.5%	1.4%	-30.8%	-12.2%	28.2%	6.7%	0.0%	-1.1%
Santa Cruz	\$603,605	\$718,406	67	151	65	97.8%	-10.6%	-3.8%	76.3%	-38.9%	3.2%	2.9%	109.4%	-4.4%
East County	\$280,000	\$361,805	19	83	97	95.6%	-45.6%	-57.1%	18.8%	-54.1%	-8.9%	-8.0%	58.3%	-8.8%
West County	*	*	*	21	*	*	n/a	n/a	n/a	10.5%	n/a	n/a	n/a	0.0%
Watsonville	\$250,000	\$264,532	27	29	115	99.6%	-30.6%	-28.8%	-10.0%	-86.3%	-16.5%	-10.0%	-10.0%	3.6%

## Pending Home Sales Up Fourth Month in a Row

Pending home sales show a sustained uptrend, rising for four consecutive months with very favorable housing affordability and a first-time buyer tax credit boosting activity, according to the National Association of Realtors®.

The Pending Home Sales Index, a forward-looking indicator based on contracts signed in May, increased 0.1 percent to 90.7 from an upwardly revised reading of 90.6 in April, and is 6.7 percent higher than May 2008 when it was 85.0. The last time there were four consecutive monthly gains was in October 2004.

Lawrence Yun, NAR chief economist, cautions that there could be delays in the number of contracts that go to closing. "Closed existing-home sales have improved but are coming in lower than expected because some contracts are delayed or falling through from the application of new appraisal rules for many transactions," he said. "Rises in contract activity show buyers are becoming more

active even as they face much more stringent loan underwriting standards. Speedy clarification of the appraisal rules could smooth a housing market recovery and support the overall economy."

The Pending Home Sales Index in the Northeast rose 3.1 percent to 80.9 in May and is 6.8 percent above a year ago. In the Midwest the index slipped 1.3 percent to 89.2 but is 11.4 percent above May 2008. The index in the South declined 1.7 percent to 92.6 in May but is 7.9 percent higher than a year ago. In the West the index rose 2.2 percent to 96.9 and is 0.7 percent above May 2008.

NAR President Charles McMillan said the appraisal issue is complicated. "We see that distressed homes often are selling for 20 percent less than normal homes in the same area, but some appraisals don't distinguish between traditional homes and distressed property," he said. "In many cases appraisers from outside the area are being used, but as everyone

knows real estate is local and appraisals should be done by an expert with local expertise."

McMillan said sellers shouldn't hesitate to speak with an appraiser about their home. "Sellers should feel free to tell an appraiser about improvements and renovations to their home, and how it compares with other homes in the neighborhood," he said.

"Also, if recent sales in the neighborhood were discounted, but not similar to your home in terms of quality or condition, that should be pointed out. It wouldn't hurt to put all this in writing, especially if an appraiser is not familiar with your area. A Realtor® could offer guidance and information to help you with this process."

NAR's Housing Affordability Index remains at historic highs. The affordability index fell to 171.6 in May from an upwardly revised 178.8 in April, which was the highest on record dating back to 1970. "Under these conditions the

typical family would devote only 14.6 percent of gross income to mortgage principal and interest, which is one of the lowest percentages on record," Yun said.

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.

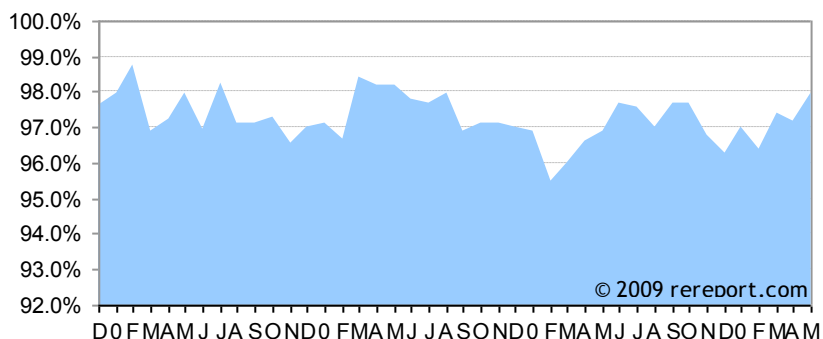
A median-income family, earning \$60,800, could afford a home costing \$296,700 in May with a 20 percent down payment, assuming 25 percent of gross income is devoted to mortgage principal and interest. Affordability conditions for first-time buyers with the same income and small down payments are roughly 80 percent of what a median-income family can afford. The affordable price was significantly higher than the median existing single-family home price in May, which was \$172,900.

The first-time buyer tax credit also is benefiting the market. "Strong activity by entry level buyers is helping to absorb inventory and allow some existing owners to make a trade," Yun said.

Existing-home sales should trend up through the end of the year, with normal local market differences. "The big question is how much the appraisal issue will impact the ability of contracts to go to closing," Yun said. "We are currently conducting a study to assess the degree to which new appraisal rules are impacting home sales."

### Santa Cruz County: Homes

Sales Price/Listing Price Ratio



### June 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	\$305,000	\$329,182	35	163	73	98.8%	-17.3%	-22.8%	0.0%	-40.9%	-20.2%	-16.6%	16.7%	-5.2%
Aptos	\$485,455	\$485,455	2	12	55	99.7%	11.6%	11.6%	100.0%	0.0%	1.3%	-1.4%	-60.0%	9.1%
Capitola	\$365,000	\$353,800	5	16	65	97.6%	0.3%	-11.2%	-37.5%	-33.3%	-43.8%	-45.6%	400.0%	14.3%
Rio del Mar	\$559,500	\$559,500	2	24	213	98.0%	-0.3%	-13.8%	-50.0%	9.1%	-5.0%	-3.2%	-33.3%	-4.0%
Scotts Valley	\$370,000	\$370,000	1	9	20	100.0%	-23.6%	-23.6%	0.0%	-50.0%	n/a	n/a	n/a	-10.0%
Santa Cruz	\$350,000	\$381,004	13	42	71	99.5%	-23.5%	-19.7%	116.7%	-48.8%	-8.4%	-10.1%	62.5%	-6.7%
Watsonville	\$150,000	\$182,425	8	18	27	100.2%	-51.2%	-39.6%	-66.7%	-72.3%	-23.6%	-6.9%	-55.7%	-5.3%

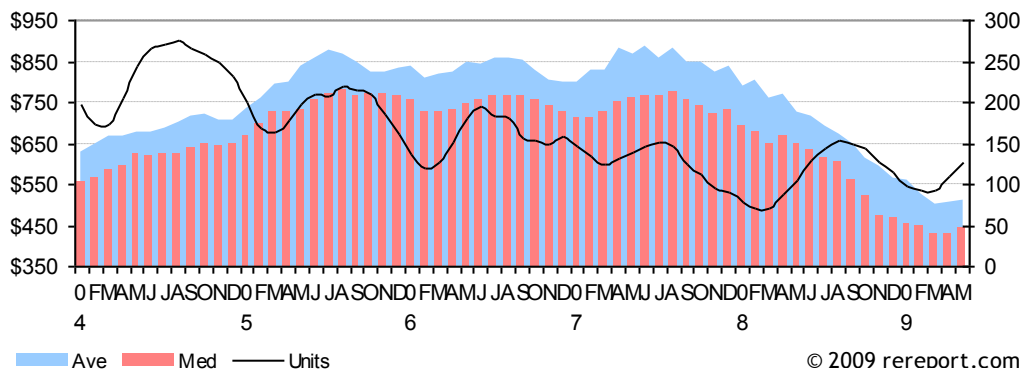
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Go online to see the latest market stats and listings: [www.831.com](http://www.831.com)

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



## Green Corner

### Mark Your October Calendar for . . .

. . . **West Coast Green**, the largest conference on green innovation for the built environment.

On October 1st-3rd at Fort Mason Center in San Francisco 14,000 thought leaders and forward thinkers will convene to engage in dynamic, big-picture, systems-

thinking to reinvent business, laugh, make connections, affect policy, and create meaningful and lasting positive change.

The West Coast Green experience is a feast of innovations, ideas and opportunities designed to expand your business, widen your vision, and stimulate your thinking with the latest best practices and key players in building, business and design.

Each year the conference has grown to meet the needs of industry leaders, practitioners and homeowners; this year the conversation will deepen to include a focus on the intersection of the built environment and technology. And, we're also including emerging products within the Cleantech sector that have the greatest ability to reduce global warming such as solar, wind and waste reduction.

West Coast Green will feature over 300 exhibitors showcasing the latest in resource-efficiency, and an array of green and healthy building products. Over 100 experts and visionary leaders will be presenting their latest developments, insights, and inspiration at the expanding frontiers of the field. And over 14,000 attendees including the entire chain of professionals and decision-makers rarely reached by other conferences are expected.