

Tershy's Tid Bits

LOCAL MARKET TRENDS

SantaCruzRE.com



SANTA CRUZ COUNTY

January 2009

Santa Cruz County Home Sales Gain Momentum in 2nd Half

Sales of single-family, re-sale homes were up, year-over-year, in each of the last six months of 2008.

For the year, home sales were off 2% compared to 2007.

For the year, the median price for homes was \$585,000, a drop of 22%.

Home sales ended the year in December with a gain of 16.7% from November and a gain of 47.4% year-over-year.

The median price for homes rose 1.7% from November, but was down 38.2% year-over-year.

Inventory was down 18.8% from last November. This is the eighth

month in a row inventory has declined year-over-year.

Trends at a Glance (Single-family Homes)			
	Dec 08	Nov 08	Dec 07
Median Price:	\$452,500	\$445,000	\$732,000
Average Price:	\$531,839	\$600,125	\$827,196
Units Sold:	112	96	76
Inventory:	821	939	1,011
Sale/List Price Ratio:	96.3%	96.8%	97.0%
Days of Inventory:	213	284	412
Days on Market:	75	79	85

Our Days of Inventory indicator shed 71 days and is now at 213 days. In a balanced market, the supply of homes is usually around five to six months.

The sales price to list price ratio dropped 0.5 of a point to 96.3%.

Days on market fell four days to 75 days.

Condo sales were down 7.7% from November, but were up 41.2% year-over-year.

The median price for condos gained 16.1% from the month before, but was down 30.2% compared to last December.

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.

Tershy's
Tid Bits
www.SantaCruzRE.com

American Dream Realty
1041 41st Avenue Santa Cruz, CA 95062



Bill Tershy
REALTOR

888-299-SOLD (7653)

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C.A.R. Releases 2008 Housing Market Report

LOS ANGELES (Dec. 16) – Rising home sales, declining home prices, stricter loan underwriting standards, and the financial market meltdown contributed to a turbulent year in California's housing market, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) "State of the California Housing Market 2008-2009" report released today.

Sales generally improved over last year in all parts of the state, with significant price declines leading to sharp increases in the Central Valley and Southern California. Sales of existing detached homes hit bottom in the last quarter of 2007, and have since risen in year to year comparisons. Following two years of steep declines exceeding 20 percent, annual sales in the Califor-

nia housing market are expected to increase 12 percent to 395,600 in 2008, with a further 12.5 percent annual increase projected for 2009. The increase in sales is largely attributed to the growth in the absorption of distressed properties with mark-downs in prices.

Consistent with the increasing trend of distressed sales, almost one of five (19.8 percent) sellers sold their property because the property was in foreclosure, short sales, or default, an increase of 6 percent from 2007.

"Many home sellers sold their properties at a loss, as price declines eliminated equity gains," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "The number of sellers who sold their home with a loss almost dou-

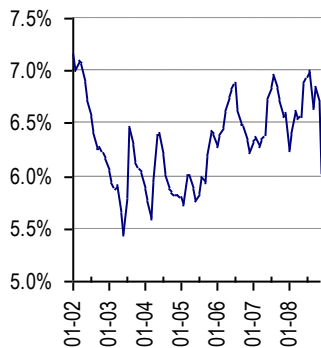
bled from 11.9 percent in 2007 to a record-setting 22.2 percent in 2008, well above 1.9 percent in 2006, and almost triple the long-term average of 7.7 percent."

Homes in the mid-to-upper price range were less likely than lower-priced homes to suffer a loss from a sale. Twenty-eight percent of sellers with homes valued under \$500,000 had a net cash loss in 2008, an increase from 16 percent in 2007; twenty percent with homes valued between \$500,000 and \$999,999 had a net cash loss in 2008, an increase from 9 percent in 2007; and million-dollar home sellers who had a net cash loss from their home sale dropped from 8 percent in 2007 to 5 percent in 2008.

The long-term value of homeownership again was demonstrated in 2008. Home sellers who owned their properties for a longer period of time, and did not refinance or cash out, were less likely to experience a loss from their home sale. While only 3 percent of sellers who owned their homes for more than five years had a net cash loss from their home sale – unchanged from 2007 --47 percent of sellers who owned their homes for less than three years had a net cash loss in 2008, an increase from 34 percent in 2007; thirty-three percent of sellers who owned their homes between three to five years had a net cash loss in 2008, a jump from 7 percent in 2007.

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



January 2, 2009 -- Mortgage rates were unchanged this week, which included the first days of 2009. Thinly traded markets, vacations and holidays being what they are, a lack of any real direction is pretty typical.

Overall, the average 30-year fixed rate mortgage rose a lone basis point higher. HSH's Fixed-Rate Mortgage Indicator FRMI rose to 5.89%. The overall average for the 5/1 Hybrid ARM slipped back by fourteen basis points, landing at 5.80% for the week, the lowest such average since February 2008.

Conforming mortgage rates shed three basis points, easing to 5.28%, while 30-year fixed-rate jumbo mortgages moved back to 7%.

We may start to see some money shift away from low-yielding invest-

ments, especially Treasuries. With a new administration coming in, new opportunities may present themselves as the government moves 'stimulus' off the drawing board and into the economy. However, as long as the economy remains in difficult straits, it is a fair bet that not all that much risk-taking will happen.

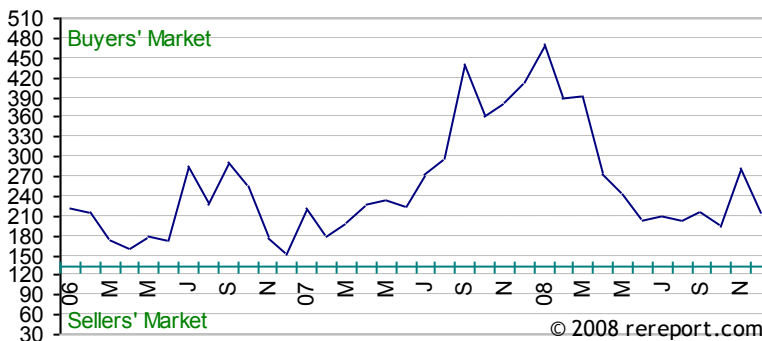
Consumer moods have remained bleak over the past few months, but the downturn in December's Consumer Confidence index was unexpectedly weak. The Conference Board reported a December value of 38.0, a downshift from November's 44.9 level. Other surveys, such as the one from the University of Michigan, have showed some firming of attitudes. As an example, the weekly ABC News/Washington Post poll of Consumer Comfort shed a single

tick during the week ending December 28, landing at -49, but has more or less been steady over the past month. Perhaps the Conference Board's indicator leans more heavily on employment for weighting purposes, and job losses have been largely increasing of late.

Next week is the first full one of the new year. If previous years are any indications we should see a flare higher in mortgage-related activity, a resumption of more-volatile markets, and probably, slightly higher interest rates as investors begin to reposition for the period just ahead. If the 10-year Treasury is any indication, rates may tick a little higher early next week.

"WE MAY START TO SEE SOME MONEY SHIFT AWAY FROM LOW-YIELDING INVESTMENTS, ESPECIALLY TREASURIES."

Days of Inventory: Single-Family Homes



December Sales Statistics

Single-family Homes

	Prices		Unit		Total			Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed	Listed	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$452,500	\$531,839	112	146	821	75	96.3%	-38.2%	-35.7%	47.4%	-18.8%	1.7%	-11.4%	16.7%	-12.6%
Aptos	\$894,500	\$838,166	6	2	40	87	92.2%	18.9%	-0.7%	0.0%	0.0%	70.4%	59.7%	200.0%	-21.6%
Capitola	\$617,500	\$617,500	2	5	28	128	95.1%	-16.5%	-16.5%	0.0%	55.6%	-18.2%	-25.5%	-33.3%	-3.4%
Los Gatos Mtns *	*	*	*	6	10	*	*	n/a	n/a	n/a	-60.0%	n/a	n/a	n/a	11.1%
Rio del Mar	\$762,000	\$819,375	12	8	58	135	95.8%	2.3%	8.0%	140.0%	-4.9%	27.7%	50.6%	200.0%	-19.4%
Seacliff	\$591,000	\$591,000	1	1	8	9	98.7%	-13.4%	-11.5%	-66.7%	-20.0%	n/a	n/a	n/a	0.0%
San Lorenzo Vly	\$344,900	\$377,220	15	24	137	121	93.7%	-16.9%	-19.9%	7.1%	-2.1%	-16.0%	-10.6%	7.1%	-13.8%
Soquel	\$525,000	\$502,333	3	6	45	52	101.2%	-43.5%	-44.9%	-25.0%	0.0%	-12.5%	-16.3%	200.0%	-8.2%
Scotts Valley	\$940,000	\$914,916	6	8	66	63	98.0%	-1.9%	-15.4%	-25.0%	0.0%	33.8%	33.6%	-25.0%	-13.2%
Santa Cruz	\$617,500	\$634,575	22	27	183	75	95.7%	-26.7%	-39.6%	10.0%	-4.7%	-8.5%	-25.8%	29.4%	-13.3%
East County	\$315,000	\$398,694	19	21	129	96	97.0%	-50.8%	-50.6%	171.4%	-8.5%	-11.2%	-36.3%	11.8%	-10.4%
West County	\$3,250,000	\$3,250,000	1	5	26	####	86.7%	217.1%	217.1%	0.0%	85.7%	138.5%	138.5%	-50.0%	0.0%
Watsonville	\$299,900	\$297,512	25	33	179	111	95.3%	-48.3%	-44.5%	733.3%	-9.1%	-20.2%	-11.7%	8.7%	-5.8%

Negotiating Closing Costs

Shop around before choosing a mortgage lender, but don't stop there. When you receive your good faith estimate of closing costs, or GFE, the negotiation hasn't ended.

The lender or mortgage broker is required to give you a GFE within three working days of accepting your loan application. The GFE comes in the form of an itemized list of estimated closing costs for everything from the lender's fees to the appraisal charge to the title insurance premium to a partial month's interest payment.

The lender or broker charges some fees, and third parties charge others. The first step is to find out which are loan origination fees and which are third-party fees. Don't guess. Ask the lender or broker.

On the GFE, fees are categorized by numerical codes ranging from the 800s to the 1300s. Most of the

negotiable lender-charged fees are in the 800s: application, origination, commitment, loan discount, broker, tax-related service and underwriting fees.

KEYS TO LOWER CLOSING COSTS

- Ask for a justification for each lender-charged fee.
- If the lender charges an application fee, ask if it will be credited toward closing costs.
- If the lender charges an underwriting fee as well as a processing fee, ask for details of those services. Maybe you'll find a fee that can be waived or reduced.
- Recognize that some items are non-negotiable: taxes, city and county stamps, recording fees, prorated interest and reserves. On the GFE, these items are in the 1000s and the 1200s.

THIRD-PARTY FEES

Fees charged by third parties are trickier to negotiate. A few third-

party fees pop up in the 800s section of the GFE: those for the appraisal, credit report and inspection. The lender is supposed to pass along these charges without marking them up. Theoretically, they are negotiable and you can ask the lender to seek good deals on these three items and pass along the savings. In practice, you probably won't get a break on those services because the lender has contracted for them at a set price.

You can realize some of your biggest savings by negotiating the items in the 1100s section of the GFE: title insurance, title search, title exam, attorney's fees and settlement fees. Most borrowers use a title company recommended by the real estate agent or lender. But you don't have to. You can shop for title insurance and settlement services, just as you shopped for the house and for the loan.

Be prepared for resistance. Some lenders have business affiliations with title companies, and they'll pressure you to keep the title work in-house.

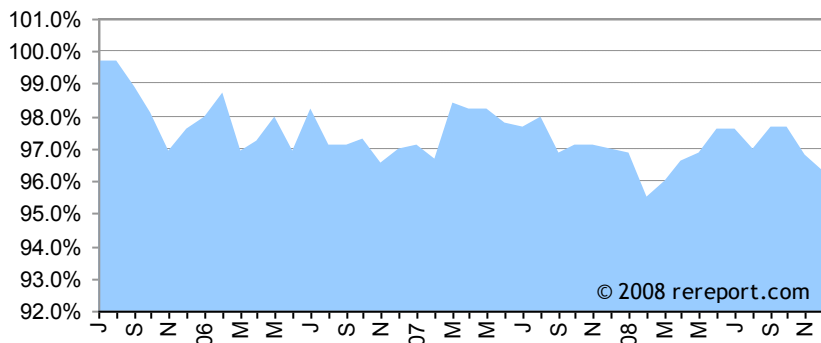
Title insurance, settlement services Where you shop for these title insurance and settlement services depends on where you live, because different places have different ways of closing real estate and mortgage transactions. In parts of the Northeast, closings are conducted in lawyers' offices. In some places, including Southern California, closings take place at escrow or mortgage companies. In much of the country, the closing takes place in the office of the agency that sells title insurance.

Government regulation can limit your negotiating room. In Texas, the state sets one overall fee for title insurance, title search and

(Continued on page 4)

Santa Cruz County: Homes

Sales Price/Listing Price Ratio



December Sales Statistics

Condominiums/Townhomes

	Prices		Unit		Total	DOM	SP/LP	Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed				Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$349,000	\$403,812	24	54	195	85	96.5%	-30.2%	-34.7%	41.2%	-18.4%	16.1%	18.4%	-7.7%	12.7%
Aptos	\$435,000	\$435,000	1	2	8	204	96.9%	-26.9%	-26.9%	0.0%	#####	82.8%	82.8%	0.0%	33.3%
Capitola	\$337,000	\$337,000	1	6	18	63	112.7%	-24.4%	-50.5%	-75.0%	-28.0%	11.6%	5.6%	-80.0%	20.0%
Rio del Mar	\$520,000	\$520,000	1	5	15	148	94.6%	4.0%	4.0%	0.0%	25.0%	n/a	n/a	n/a	n/a
Scotts Valley *	*	*	*	4	13	*	*	n/a	n/a	n/a	30.0%	n/a	n/a	n/a	8.3%
Santa Cruz	\$490,000	\$505,583	6	11	64	36	93.1%	-18.3%	-26.0%	-14.3%	-14.7%	-10.1%	-9.1%	100.0%	-3.0%
Watsonville	\$260,000	\$242,777	9	19	62	95	97.1%	n/a	n/a	n/a	0.0%	21.0%	-12.7%	79.2%	-4.6%

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Address	City	Debt Amount	Amount Paid	Beds	Baths	SQFT.	Lot Size	SQFT.	Year Built
10768 Lake Bl.	Felton	\$735,522	\$432,000	4	2	2575	1.085 Acres		1955
106 Toscano Loop	Freedom	\$503,600	\$236,800	3	2.5	1644	2395		
23650 Skyview Ter.	Los Gatos	\$1,018,367	\$1,018,367	5	3	5386	1.685 acres		
355 Woodland Dr.	Los Gatos	\$562,931	\$379,000	3	2	1316	39552.5		1978
1756 Esperanza Ct.	Santa Cruz	\$674,429	\$394,827	2	2.5	1579	871.2		1988

Santa Cruz County Bank Owned Properties:

VISIT SantaCruzRE.com FOR COPMLETE LIST OR CALL 888-299-7653

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American Dream Realty
1041 41st Avenue Santa Cruz, CA 95062

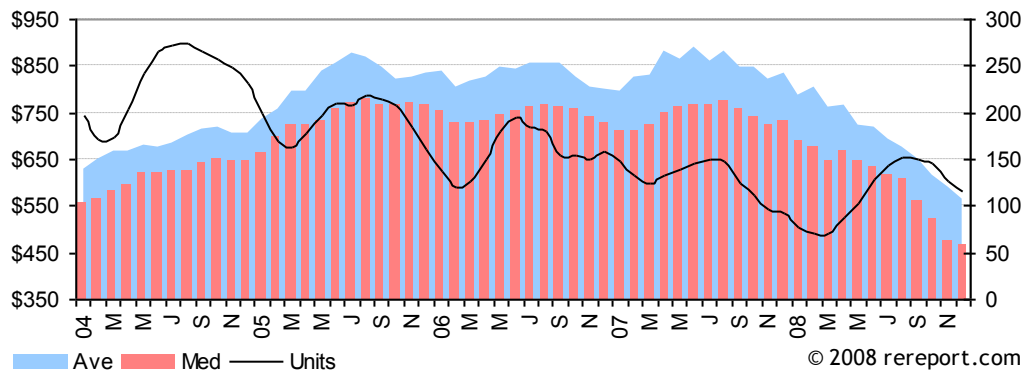


Bill Tershy
REALTOR

888-299-SOLD (7653)

Santa Cruz County Homes: Prices vs. Sales

(3-month moving average — \$000's)



(Continued from page 3)

settlement services, so title agencies compete on service and not price. Regulations aren't as restrictive in most other states and you could save hundreds of dollars in settlement services by shopping around.

"I think it's a matter of what the traffic will bear," says Bob Moulton,

president of American Mortgage, a brokerage on Long Island, N.Y. He gives this tip: If you're refinancing your mortgage, and you've lived in the house less than 10 years, ask to get title insurance at a less-expensive "reissue rate."

And don't forget to shop for hazard insurance -- item No. 903 on the GFE. Compare offers for homeowners insurance policies, either on

your own or with the help of an insurance agent. Make sure the insurance company and settlement agent communicate with each other. You're not going to get that mortgage without proof that you have a homeowner's policy. That requirement is not negotiable.