

Tershy's Tid Bits

LOCAL MARKET TRENDS



SANTA CRUZ COUNTY OCEAN FRONT

April/May 2008

Home Sales Edge Up, Still Weak

Home sales in Santa Cruz County rose 2.8% in March compared to February, but were off 50% year-over-year.

March home sales were below 100 units for the fifth month in a row. Year-to-date, home sales are off 46.5%.

The median price for single-family, re-sale homes fell 5.4% month-over-month, and were down 14% compared to last March.

Please remember two things: first, the small number of home sales in Santa Cruz County produce wide statistical swings, and, second, the increasing number of bank-owned home sales is driving down statistical prices faster than actual prices are dropping.

We saw this phenomenon in reverse a few years ago when the increasing number of million dollar

home sales drove statistical prices up faster than actual prices were rising.

Inventory continued to expand, rising 6.9% from February, and up 10.6% year-over-year.

Days of inventory for homes rose sixteen to 428 days.

The sales price to list price ratio for homes rose 0.7 of a point to 95.6%. The ratio for condos rose 0.8 of a point to 96%.

Condo sales were up 91.7% from February, a drop of 47.7% compared to last March.

The median price for condos gained 13.5% month-over-month, but was down 11.2% year-over-year.

Condo inventory rose 14.3% from February, and was up 18.1% compared to last March.

Days of inventory for condos dropped 254 days to 374.

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 for an evaluation of your home's worth, call me.

Trends at a Glance (Single-family Homes)

	Mar 08	Feb 08	Mar 07
Sale/List Price Ratio:	95.6%	94.9%	98.0%
Days of Inventory:	428	412	207
Days on Market:	112	107	96
Median Price:	\$645,618	\$682,500	\$751,000
Average Price:	\$710,742	\$864,634	\$823,336
Units Sold:	74	72	148
Inventory:	1,093	1,022	988

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NAR: Existing-Home Sales to Level Off

Little change is expected in existing-home sales over the next few months, before improving notably during the second half of the year, according to the latest forecast by the NATIONAL ASSOCIATION OF REALTORS®.

Lawrence Yun, NAR chief economist, says the market will come into clearer focus this summer.

"Existing home sales could start to show a sustained increase within a few months, unless there are some additional economic problems or excessive inflationary pressure," he says. "We're looking for essentially stable sales in the near term, before higher mortgage loan limits translate into more sales in high-cost markets. The wider access to

affordable credit should increase sales activity notably this summer as pent-up demand begins to be met."

The Pending Home Sales Index, a forward-looking indicator based on contracts signed in February, slipped 1.9% to 84.6, from an upwardly revised reading of 86.2 in January. The index was 21.4% lower than the February 2007 index of 107.6.

"The slip in pending home sales implies we're not out of the woods yet, though an era of successive deep sales declines appears to be over," Yun says.

BY REGION

Here's what the index reveals across the nation with existing-home sales:

Northeast: rose 3.2% in February to 71.8 but remains 25.4% below a year ago.

Midwest: declined 3.7% to 82.7 and is 17.4% lower than February 2007.

South: fell 5.5% in February to 85 and is 30.3% below a year ago.

West: dropped 9.8% in February to 84.6 and is 17.1% below February 2007.

HOME SALES FORECAST

Existing-home sales are likely to rise from an annual pace of 4.9 million in the first quarter to 5.9

million in the fourth quarter. With relatively weak activity in the first part of the year, existing-home sales for all of 2008 is forecast at 5.39 million, increasing 6.6% to 5.74 million in 2009.

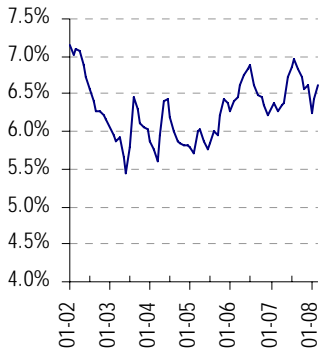
"Exceptionally weak home sales related to jumbo loans problems will depress home prices in the first half of the year, but steady liquidity improvements in the conforming jumbo-loan market will help prices recover in the second half of the year," Yun says.

The aggregate existing-home price will probably ease by 1.4% to a median of \$215,800 for all of 2008 before rising 3.7% to \$223,800 next year.

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Real Estate Information

30-Year Fixed Mortgage Rates



“MORTGAGE RATES, FOR THEIR PART, REMAINED ON A FAIRLY EVEN KEEL THIS WEEK.”

Mortgage Rate Outlook

Apr. 4, 2008 -- A compromise bill intended to help more facets of the troubled housing and mortgage markets was being hammered out in Congress as the week closed. As currently proposed, the bill -- reportedly stripped of the most controversial and expensive components -- promises tax breaks to homebuilders, permanent expansion of loan size limits for FHA-backed loans, and even thousands of dollars of tax credit for those buying foreclosed homes.

Off the table, at least for now, are "cramdown" provisions in bankruptcy proceedings, in which judges could modify the terms of a loan or even reduce the outstanding balance. These meas-

ures would theoretically help borrowers to remain in their homes. A cramdown provision would have raised concerns about trampling on long-established contract law. A perhaps more significant, if unintended, consequence would be the likelihood of higher interest rates and/or fees charged to all borrowers to help offset the newly-introduced possibility that a lender could be forced to lose money despite the mortgage contract's terms.

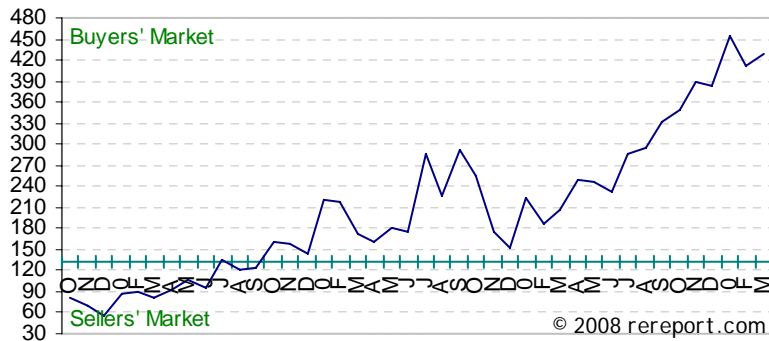
Also removed, for the moment, was a contentious revamping of the Federal Housing Administration which would authorize FHA to refinance as much as \$400 billion worth of failing or underwater mortgage loans. The complicated arrangements of swapping bad mort-

gages for new ones (which would provide some chance for lenders to recoup money should property prices appreciate down the road) is intriguing, but fraught with complexity; even if passed, implementation would probably take quite some time.

Mortgage rates, for their part, remained on a fairly even keel this week. The combined average rate seen in HSH's weekly FRM indicator was unchanged at 6.57% for the week. The combined average for 5/1 Hybrid ARMs fell by 11 basis points (0.11%) to 6.30%.

True conforming 30-year FRMs edged up just two basis points to 6.01%, while jumbo FRMs fell by one basis point. The gap between those two fell to 127 basis (1.27%)

Days of Inventory: Single-Family Homes



March Sales Statistics

Single-family Homes

	Prices		Unit New ly		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	\$645,618	\$710,742	74	299	1,093	112	95.6%	-14.0%	-13.7%	-50.0%	10.6%	-5.4%	-17.8%	2.8%	6.9%
Aptos	\$758,063	\$797,437	7	15	49	75	97.4%	44.4%	38.8%	133.3%	-3.9%	-2.5%	-12.2%	75.0%	6.5%
Capitola	\$805,000	\$890,411	3	6	28	55	99.0%	8.8%	17.4%	-50.0%	64.7%	15.0%	27.4%	0.0%	-6.7%
Los Gatos Mtns *	*	*	*	4	17	*	*	n/a	n/a	n/a	-72.6%	n/a	n/a	n/a	-5.6%
Rio del Mar	\$675,000	\$864,462	13	21	62	103	95.6%	-19.6%	1.9%	30.0%	-15.1%	-35.0%	-40.7%	44.4%	8.8%
Seacliff	\$481,875	\$481,875	2	6	18	54	99.4%	-31.6%	-30.8%	-33.3%	-5.3%	-70.8%	-70.8%	100.0%	20.0%
San Lorenzo Vly	\$457,850	\$452,800	4	51	167	195	96.6%	-12.0%	-20.9%	-81.0%	-0.6%	-9.9%	1.4%	-50.0%	16.8%
Soquel	\$754,500	\$773,500	4	16	54	85	94.2%	1.0%	-2.4%	-50.0%	45.9%	-16.2%	-20.6%	-20.0%	8.0%
Scotts Valley	\$682,500	\$1,043,500	5	23	92	153	92.8%	-23.7%	17.0%	-66.7%	15.0%	-17.8%	-3.1%	0.0%	13.6%
Santa Cruz	\$657,000	\$640,791	23	74	215	115	96.9%	-11.8%	-24.2%	-54.0%	27.2%	2.3%	-13.0%	27.8%	10.8%
East County	\$600,000	\$718,333	3	31	158	252	83.7%	-33.3%	-40.8%	-76.9%	58.0%	-34.5%	-32.0%	-66.7%	3.9%
West County	\$1,199,000	\$1,199,000	1	5	17	37	100.0%	-2.8%	-2.8%	0.0%	-26.1%	215.5%	215.5%	0.0%	21.4%
Watsonville	\$450,000	\$436,111	9	45	210	89	95.4%	-30.8%	-29.0%	80.0%	10.5%	3.5%	-3.9%	12.5%	-3.2%

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Real Estate Information

What is Your Home Worth?

All homes have a price, and sometimes more than one.

There's the price owners would like to get, the value buyers would like to offer and a point of agreement which can result in a sale.

In considering home values, several factors are important:

The value of your home relates to local sale prices. The same home, located elsewhere, would likely have a different value.

Sale prices are a product of supply and demand. If you live in a community with an expanding job base, a growing population and a limited housing supply, it's likely that prices will rise.

Alternatively, it's important to be realistic. If the local community is losing jobs and people are moving

out, then you'll likely have a buyer's market.

Owner needs can impact sale values. If owner Smith "must" sell quickly, he will have less leverage in the marketplace. Buyers may think that Smith is willing to trade a quick closing for a lower price -- and they may be right. If Smith has no incentive to sell quickly, he may have more marketplace strength.

Sale prices are not based on what owners "need." When an owner says, "I must sell for \$300,000 because I need \$100,000 in cash to buy my next home," buyers will quickly ask if \$300,000 is a reasonable price for the property. If similar homes in the same community are selling for \$250,000, the seller will not be successful.

Sale prices are NOT the whole deal. Which would you rather have: A sale price of \$200,000, or a sale price of \$205,000 but where you agree to make a "seller contribution" of \$5,000 to offset the buyer's closing costs, pay a \$2,000 allowance for roof repairs, fund two mortgage points, re-paint the entire house and leave the washer and dryer?

Because all transactions are unique there is flexibility in the marketplace. The amount of flexibility depends on local conditions.

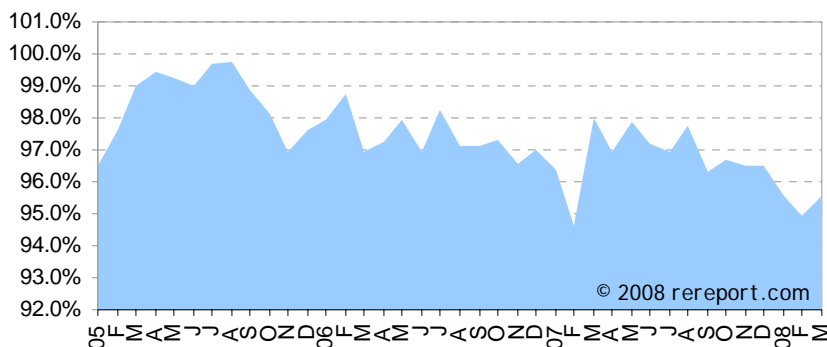
For example, suppose you're selling a townhouse. Suppose also that there have been five recent sales of the model you own and that sale values have ranged between \$200,000 and \$210,000. You now have an idea of how

your home might be priced. In a strong market perhaps you can ask for \$210,000 or a little more. If the market has slowed, \$210,000 may be a reasonable asking price, but perhaps more than the final sale price.

Here's another scenario. Imagine that you live in a community of Victorian-style homes, most of which were built in the 1920s. All the homes are different in terms of size, condition, modernization, style and features. In such a neighborhood, an average sale price is just a statistic without much practical meaning. On a single block one home may sell for \$400,000 while another is priced at more than \$1 million. The average price may be outrageously high for one home and staggeringly low for another.

Santa Cruz County: Homes

Sales Price/Listing Price Ratio



March Sales Statistics Condominiums/Townhomes

	Prices		Unit New ly		Total		SP/LP	Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed	Listed	DOM		Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$443,000	\$473,885	23	85	287	128	96.0%	-11.2%	-12.0%	-47.7%	18.1%	13.5%	19.6%	91.7%	14.3%
Aptos *	*	*	*	4	7	*	*	n/a	n/a	n/a	-50.0%	n/a	n/a	n/a	75.0%
Capitola	\$522,755	\$477,585	3	5	32	75	92.4%	23.0%	16.5%	-40.0%	39.1%	32.2%	5.6%	-40.0%	-3.0%
Rio del Mar *	*	*	*	6	21	*	*	n/a	n/a	n/a	-4.5%	n/a	n/a	n/a	40.0%
Scotts Valley	\$425,000	\$425,000	1	2	12	254	85.2%	-6.0%	-21.0%	-75.0%	-29.4%	-7.6%	-7.6%	0.0%	-7.7%
Santa Cruz	\$447,500	\$527,241	12	28	94	128	97.4%	-17.5%	-17.8%	20.0%	32.4%	135.5%	177.5%	#####	10.6%
Watsonville	\$277,000	\$310,000	3	26	82	55	101.2%	-36.3%	-33.9%	-71.8%	28.1%	-36.3%	-33.9%	-71.8%	12.3%

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

