

## The Real Estate Report

LOCAL MARKET TRENDS



SANTA CRUZ COUNTY

March 2008

### Congress Raises Conforming Loan Limit

Congress passed the economic stimulus package which temporarily raises the conforming loan limit to \$729,750 from \$417,000.

This should loosen up credit and give a boost to the real estate market, especially in high-priced areas like the San Francisco Bay Area.

Home sales dropped for the seventh month in a row and set a new record low with only 66 units sold. Year-over-year, home sales were off 41.6% in January.

The median price for re-sale homes lost 16.7% from December, a drop of 14.7% year-over-year. The average price for homes fell 12% from December, down 8.3% compared to last January. With home sales being so low, these numbers really have little statistical value. What a home is worth will be determined by the local neighborhood and what ready, willing and able buyers and sellers agree upon.

The median price for condos rose last month, gaining 0.3% from December, and up 0.5% year-over-year. There is really nothing to read into this number as condo sales are so few that this number will, and does, fluctuate wildly from month-to-month. There were 12 condos sold in the county in January, a loss of 20% month-over-month, down 50% compared to last January.

Inventory turned around in January, with single-family homes up 1.3% from December, and up 18.7% year-over-year. Condo inventory rose 9.6% month-over-month, and was up 10.1% compared to last January.

The sales price to list price ratio for homes lost 0.9 of a point to 95.6%. The ratio for condos dropped 0.4 of a point to 96.8%.

Days on market rose 31 days to 137 for homes, and was down 63 days to 78 for condos.

Our days of inventory indicator rose 68 to 439 days for homes. It rose 155 days to 573 for condos.

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)			
	Jan 08	Dec 07	Jan 07
Sale/List Price Ratio:	95.6%	96.5%	96.4%
Days of Inventory:	439	371	216
Days on Market:	137	106	119
Median Price:	\$610,000	\$732,000	\$715,000
Average Price:	\$729,145	\$828,206	\$795,108
Units Sold:	66	77	113
Inventory:	965	953	813

### December pending home sales fell 1.5 percent

WASHINGTON (Reuters) - Pending sales of previously owned homes fell a steeper-than-expected 1.5 percent in December, pointing to more dreary conditions for the beleaguered housing market, a real estate trade group report on Thursday showed.

The National Association of Realtors Pending Home Sales Index, based on contracts signed in December, dropped to 85.9 from 87.2. Economists were expecting pending home sales -- which are a key gauge of future home sales activity -- to fall 1.0 percent.

NAR chief economist Lawrence Yun predicted home sales activity will remain soft through the first half of the year despite a generational low in mortgage interest rates.

Compared to December a year ago, pending home sales were down 24.2 percent.

For all of 2007, the index stood at 96.3, the lowest on record since the Realtor group began tracking this data.

But after a poor year, economists expect the housing market to hit bottom in the first half of this year, particularly as mortgage rates con-

tinue to fall and if plans to expand federally insured loan limits are implemented.

"Things aren't strong by any means," said Mark Vitner, economist with Wachovia Securities in Charlotte. "It's possible that we will see some improvement in the housing sector and we think that the first quarter will mark the bottom in home sales."

U.S. government bond prices turned lower on Thursday as stocks mustered a modest recovery, shrugging off the pending home sales data.

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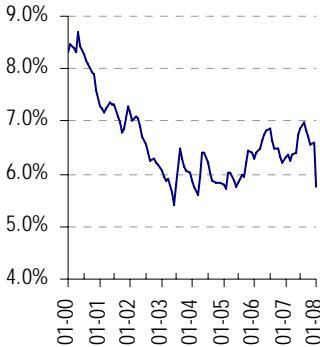
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# Tershy's Tid Bits

## The Real Estate Report

30-Year Fixed Mortgage Rates



### Mortgage Rate Outlook

Feb. 1, 2008 -- Mortgage interest rates moved higher this week, as a still-aggressive Fed trimmed interest rates for the second time in eight days.

Conforming 30-year FRMs averaged 5.76% this week, up 15 basis points (0.15%). Conforming and jumbo 30-year FRMs moved up an identical amount this week, keeping the difference between them at the extraordinarily wide level of 97 basis points. Conforming Hybrid 5/1 ARMs averaged 5.37%.

Late Friday, the Fed announced another round of funding via the Term Auction Facility, where an additional \$60 billion in liquidity will hit the auction block this month. Short-term interest rates will likely continue to decline. Following the

Fed Funds target, the Prime Rate shed another half-percent by Thursday. Rates for deposits are also on the downswing, much to the chagrin of those saving money. Longer-dated products (like fixed-rate mortgages) better reflect the potential for growth and inflation in the broad economy, and if lower short-term rates spur growth (not to mention inflation), those longer rates will move higher.

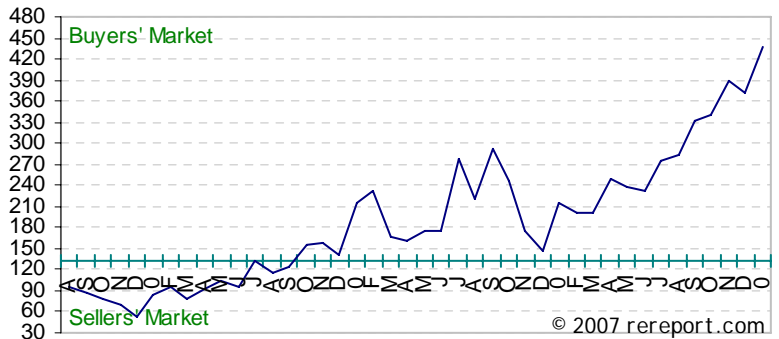
New Home Sales declined by 4.7% in December, when only 604,000 (annualized) units were moved, and the price of the homes which did sell was 12% lower than those sold in November. For all of 2007, just 773,000 new homes were sold, a 26% decline from 2006; at the present sales pace, there are now 9.6 months of new homes available for

sale. December was a terrible month for home sales, but lower interest rates may serve to revive sales somewhat for January. We think this will be the case.

Mortgage rates are favorable, and refinancing activity is solid. With underlying short-term interest rates on the downtrend, the ARM rate reset problem is lessened. Rate freeze and loan modification proposals for some subprime borrowers should be making headway, and an economic stimulus package is in the works. Lower short-term interest rates should spark some additional growth not far down the road. When housing finally comes to a stabilization point, hopefully in the near future, the stage may be set for a pretty good economic

**“NEW HOME SALES DECLINED BY ANOTHER 4.7% IN DECEMBER.”**

Days of Inventory: Single-Family Homes



### January Sales Statistics

#### Single-family Homes

	Prices		Unit New		Total Listed	DOM	SP/LP	Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed				Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$610,000	\$729,145	66	235	965	137	95.6%	-14.7%	-8.3%	-41.6%	18.7%	-16.7%	-12.0%	-14.3%	1.3%
Aptos	\$700,200	\$700,200	1	9	39	15	97.3%	-27.9%	-20.4%	-80.0%	8.3%	-7.0%	-17.1%	-83.3%	-2.5%
Capitola	\$1,117,500	\$1,117,500	2	9	27	103	99.4%	62.0%	42.1%	-33.3%	42.1%	51.2%	51.2%	0.0%	50.0%
Los Gatos Mtns	\$1,261,250	\$1,261,250	2	2	19	401	82.2%	80.2%	59.4%	-66.7%	-67.8%	55.2%	55.2%	-50.0%	-24.0%
Rio del Mar	\$956,985	\$1,022,242	4	5	56	140	97.4%	23.2%	23.1%	-55.6%	-13.8%	28.5%	34.8%	-20.0%	-8.2%
Seacliff	*	*	*	1	7	*	*	n/a	n/a	n/a	-61.1%	n/a	n/a	n/a	-30.0%
San Lorenzo Vly	\$462,200	\$475,421	14	26	125	170	95.9%	-7.4%	-7.4%	-22.2%	-2.3%	11.4%	0.9%	0.0%	-10.7%
Soquel	\$599,000	\$599,000	1	12	46	193	100.0%	-27.4%	-33.9%	-80.0%	17.9%	-35.6%	-34.3%	-75.0%	2.2%
Scotts Valley	\$728,500	\$869,083	6	16	70	172	96.8%	0.5%	-2.5%	-57.1%	6.1%	-24.0%	-19.6%	-25.0%	6.1%
Santa Cruz	\$705,000	\$867,255	22	57	199	87	95.9%	-7.2%	1.6%	-24.1%	32.7%	-16.3%	-17.5%	10.0%	3.6%
East County	\$782,500	\$818,750	4	33	151	177	97.8%	-2.8%	-21.0%	-66.7%	88.8%	22.3%	1.4%	-42.9%	7.1%
West County	\$573,000	\$573,000	1	4	15	59	100.5%	-37.8%	-37.8%	0.0%	-16.7%	-44.1%	-44.1%	0.0%	7.1%
Watsonville	\$356,000	\$388,557	7	59	207	162	95.6%	-42.1%	-39.1%	-22.2%	41.8%	-38.6%	-27.5%	133.3%	5.1%

# Tershy's Tid Bits

## The Real Estate Report

### Seller's Guide - Step 6: Closing

It might seem as though once a sale agreement has been signed that the selling process is complete. Not only is it not over yet, but some of the most complex aspects of a real estate transaction now begin.

A sale agreement sets not only a purchase price for the home, but also a series of terms and conditions. For instance:

- Contracts routinely depend on the ability of a buyer to obtain financing, which is why most sellers prefer buyers with preapproval letters from lenders.
- A growing percentage of transactions involve a home inspection, or a physical review of the home by a trained and independent observer.
- Lenders will establish numerous conditions before granting a loan. They will want a title exam, title insurance to protect against title errors, termite

inspections, surveys and an appraisal to assure that the home has sufficient value to secure the loan.

#### WHEN SHOULD YOU CLOSE?

With automation now available, closings can occur within a week in some areas -- at least in theory. In practice, it takes time to arrange financing, conduct inspections, obtain appraisals, locate replacement housing, contact movers, pack and actually move.

While instant closings are not practical, neither are closings too far in the future. The problem with closings much past 60 days is that loan rates are difficult to lock in. If mortgage rates go up, it's possible that the buyer will no longer be able to afford the home and thus the deal may fall through.

The result of these considerations is that most homes close 30 to 45

days after a sale agreement has been signed.

#### WHAT HAPPENS?

Closing -- or "settlement" or "escrow" as it is known in some areas -- is essentially a meeting where the closing agent (the party who conducts settlement) takes in money from the buyers, pays out money to the owner and makes sure that the purchaser's title is properly recorded in local records along with any mortgage liens.

The closing agent reviews the sale agreement to determine what payments and credits the owner should receive and what amounts are due from the buyer. The closing agent also assures that certain transaction costs are paid (taxes and title searches).

Closing is also the time when "adjustments" will be made. For instance, suppose you've pre-paid

taxes four months in advance. In this case, the closing agent will compensate you for the prepayment at closing by having the buyer pay you additional money.

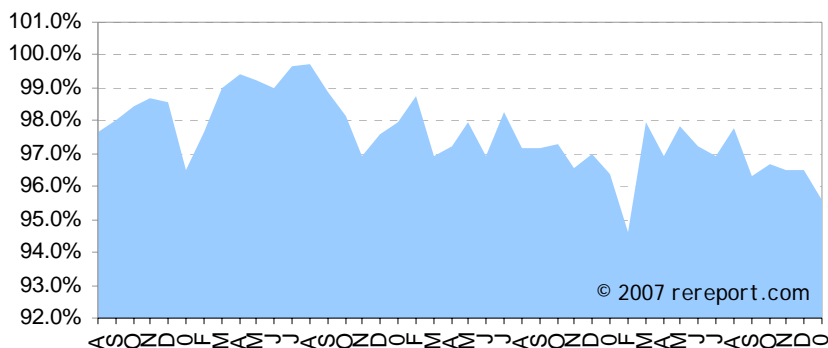
It could also work in reverse. If you are behind on property taxes, the closing agent will reduce the money due to you at settlement by the amount of the unpaid taxes.

#### HOW DO YOU PREPARE TO SELL?

It's important to look at the sale agreement and review your obligations. For instance, if you have agreed to paint a room or replace the dishwasher, such work must be completed before closing. We will discuss your agreement and the steps which must be taken to complete the transaction.

### Santa Cruz County: Homes

Sales Price/Listing Price Ratio



### January Sales Statistics

Condominiums/Townhomes

	Prices		Unit Newly		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	\$492,500	\$476,825	12	60	229	78	96.8%	0.5%	-5.7%	-50.0%	10.1%	0.3%	-26.1%	-20.0%	9.6%
Aptos*	*	*	*	1	3	*	*	n/a	n/a	n/a	-84.2%	n/a	n/a	n/a	0.0%
Capitola	\$319,000	\$319,000	1	9	32	110	100.0%	-30.2%	-33.3%	-75.0%	68.4%	-28.5%	-53.1%	-75.0%	28.0%
Rio del Mar	\$815,000	\$815,000	1	3	12	103	95.3%	30.4%	30.4%	0.0%	-29.4%	63.0%	63.0%	0.0%	0.0%
Scotts Valley	\$475,000	\$475,000	1	4	11	62	96.9%	-4.8%	-4.8%	0.0%	-8.3%	-11.6%	-11.6%	-50.0%	10.0%
Santa Cruz	\$553,500	\$550,000	6	20	78	84	97.2%	30.4%	21.4%	-40.0%	30.0%	-7.8%	-19.5%	-14.3%	4.0%
Watsonville	\$265,000	\$265,000	1	13	69	48	91.4%	-12.0%	-12.0%	-69.2%	50.0%	-12.0%	-12.0%	-69.2%	11.3%

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

