

Tershy's Tid Bits

LOCAL MARKET TRENDS

SANTA CRUZ COUNTY

October/November 2008

Santa Cruz County Home Sales Surge in September

Sales of single-family, re-sale homes were up 58.9% in September compared to last September. This is the third month in a row homes sales have been up year-over-year.

Year-to-date, home sales are off 11.3%.

Statistical home prices continue to fall due to the large number of bank-owned properties being sold. We expect the surge in sales to, eventually, reduce the bank-owned inventory.

The median price for homes fell below \$500,000 for the first time since April 2002, reaching \$475,000, a decline of 18.88% from August and a fall of 32.4% from last September.

Inventory was down 19.9% from last September. This is the fifth month in a row inventory has declined year-over-year.

Our Days of Inventory indicator is at 215 days. In a balanced market,

The median price for condos was down 3.6% from August, and off 13.4% compared to last September.

The bank-owned property is clustered in the condo and entry-level home market. They constitute the largest percentage of sales, thereby driving down statistical prices.

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)			
	Sep 08	Aug 08	Sep 07
Median Price:	\$475,000	\$585,000	\$702,500
Average Price:	\$610,795	\$665,674	\$787,602
Units Sold:	143	153	90
Inventory:	1,058	1,065	1,321
Sale/List Price Ratio:	97.7%	97.0%	96.9%
Days of Inventory:	215	202	440
Days on Market:	74	73	76

the supply of homes is usually around five to six months.

Condo sales were up 19.4% from August, and up 68.2% year-over-year.

Bank of America Settles Suit, Will Modify Loans

An estimated 125,000 Californians who are struggling with risky mortgages from Countrywide Financial Corp. may get their loans modified and payments reduced under a program to be announced today.

The program could reduce Countrywide borrowers mortgage payments. Loans could be reworked and made more affordable. That could include switching customers to fixed-rate loans or reducing the interest or principal.

Bank of America said Countrywide mortgage-servicing employees would be trained to carry out the program by Dec. 1 and would then begin reaching out to eligible customers. The plan includes a foreclosure freeze for borrowers who are likely to qualify until Countrywide

has determined their eligibility, the bank said.

The settlement includes a program for California borrowers who are behind on their Countrywide mortgage payments or are having their homes foreclosed by the lender.

The program, to be announced today by California Atty. Gen. Jerry Brown, applies to mortgages made before this year.

The program will first identify customers who have fallen behind on their mortgages by more than 60 days or are likely to do so because of loan features such as rate or payment increases. These customers will be contacted by Countrywide starting Dec. 1.

Various options will be considered

for eligible customers, with employees handling the workouts instructed to first consider refinancing into a fixed-rate Federal Housing Administration loan.

The options on subprime mortgages also include keeping the initial rate for five or 10 years, having the borrowers pay interest only and reducing the interest rate to as low as 3.5%.

For pay-option loans, many of which now amount to more than the borrower's house is worth, the options include writing the principal down to 95% of the home's current appraised value and lowering the interest rate to 3.5%.

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Tid Bits
www.SantaCruzRE.com

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



Bill Tershy
REALTOR

888-299-SOLD (7653)

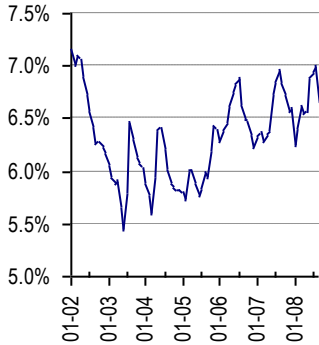
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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



“NOW THAT WE’VE GOT A “RESCUE” OR “SUPPORT” PLAN IN PLACE -- PLEASE DON’T CALL IT A “BAILOUT” -- WHERE DO WE GO FROM HERE?”

October 3, 2008 -- HSH's overall indicator of the cost of mortgage money - covering true conforming, private-market jumbo and new "expanded conforming" loans -- moved marginally higher. HSH's Fixed Rate Mortgage Indicator FRMI rose by just two basis points to 6.72%, while a companion 5/1 Hybrid ARM series mimicked that rise to finish the week at 6.58%. Conforming 30-year FRMs closed the week at an average 6.23%, up just a single tick.

Measures of consumer moods recently moved off lows, following the decline in gas prices, but the whip-sawing markets may turn them darker again. For the third straight week, the ABC News/Washington Post poll of Consumer Comfort remained at -41, still quite bleak but at least steady. During September, the Conference Board's review of Consumer Confi-

dence ticked up to a reading of 59.8, up from August's 56.9 level and exhibiting mild but steady improvement off June's lows.

If job markets continue to decline, such optimism may grow harder to find. Weekly unemployment claims rang in at a hurricane-goosed 497,000 for the week ending September 27, but regardless of the reason, new claims remain high. As well, while the loss of jobs during this downturn has been mild compared to historical patterns, it does seem to be deepening. In September, the economy shed 159,000 jobs, the ninth consecutive month of job losses, now nearly at an accumulated 750,000 since the turn of the year. The nation's unemployment rate remained at 6.1% for the month, but given the gyrations in financial circles over the past four weeks, and other markets so dependent upon

them, more layoffs seem destined to come.

Now that we've got a "rescue" or "support" plan in place -- please don't call it a "bailout" -- where do we go from here? Financial conditions should be improving, at least slightly, in the weeks ahead; inflation seems to be waning, at least for the moment, and markets have been flooded with liquidity, not that it's making it out to main street just yet. We're hopeful that it will; in these times of unprecedented government moves to kick-start markets, it's no longer too far-fetched to think that more aggressive and direct government moves into other areas of lending can't occur, if the banks remain unwilling or unable to do it. More likely, pressure will be exerted to get things moving, even if rates don't fall right away. We'll see where that goes.

Days of Inventory: Single-Family Homes



September Sales Statistics

Single-family Homes

	Prices		Unit Newly		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	\$475,000	\$610,795	143	287	1,058	74	97.7%	-32.4%	-22.4%	58.9%	-19.9%	-18.8%	-8.2%	-6.5%	-0.7%
Aptos	\$792,500	\$969,000	4	10	56	40	92.3%	-17.9%	-12.0%	33.3%	3.7%	26.3%	33.3%	-50.0%	-12.5%
Capitola	\$711,000	\$703,800	5	11	35	22	95.6%	-15.9%	-15.4%	66.7%	34.6%	4.6%	5.1%	0.0%	-5.4%
Los Gatos Mtns *	*	*	*	2	15	*	*	n/a	n/a	n/a	-69.4%	n/a	n/a	n/a	0.0%
Rio del Mar	\$716,000	\$1,067,100	10	25	94	49	90.1%	-26.7%	-11.7%	66.7%	20.5%	-34.9%	-8.2%	-9.1%	0.0%
Seacliff	\$769,000	\$769,000	1	3	7	144	96.3%	11.4%	18.4%	-80.0%	-61.1%	n/a	n/a	n/a	-22.2%
San Lorenzo Vly	\$389,500	\$383,550	18	42	211	110	98.7%	-16.1%	-17.6%	50.0%	-5.0%	-5.0%	-11.4%	-18.2%	-5.0%
Soquel	\$610,000	\$843,285	7	20	56	143	95.8%	-18.6%	12.6%	600.0%	0.0%	-15.8%	20.2%	75.0%	14.3%
Scotts Valley	\$772,500	\$799,368	8	19	95	112	97.8%	-5.2%	-2.7%	14.3%	-6.9%	-10.2%	-9.8%	-52.9%	-4.0%
Santa Cruz	\$675,000	\$804,882	29	62	232	99	95.1%	-8.7%	-6.4%	11.5%	-9.7%	-5.5%	6.3%	-9.4%	-4.1%
East County	\$400,000	\$488,100	21	32	178	91	96.2%	-41.9%	-38.8%	320.0%	10.6%	-8.0%	-23.2%	-12.5%	-0.6%
West County *	*	*	*	10	29	*	*	n/a	n/a	n/a	7.4%	n/a	n/a	n/a	31.8%
Watsonville	\$352,000	\$351,424	37	48	199	116	100.1%	-25.9%	-27.2%	640.0%	-6.1%	7.0%	0.3%	60.9%	-7.9%

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C.A.R. 2008 Survey of California Home Buyers

Declining home prices coupled with low interest rates prompted more home buyers to purchase in 2008 compared with last year, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) "2008 Survey of California Home Buyers." Sixty-nine percent of all home buyers reported that price declines encouraged them to buy a home, while 40 percent said that low interest rates enabled them to move to a better location. Seventy-seven percent of first-time home buyers said lower home prices played a role in their decision to purchase a home.

"The housing market has confronted headwinds on several fronts since early 2007," said C.A.R. President William E. Brown. "Lax underwriting standards that left some subprime borrowers unprepared for rate adjustments, the

global liquidity crunch, sluggish economic growth, and higher fuel and food prices are some of the factors that led to the downturn in the housing market.

"As the housing market dropped sharply from record sales levels set in 2004 and 2005, and prices began to soften, home buyers dramatically changed their attitudes and behaviors towards home buying and adapted to the new housing environment," he said.

The Internet continued to be an integral part of the home-buying process, with 78 percent of buyers utilizing it to search for a new home and find a real estate agent, compared with 72 percent in 2007. The share of traditional buyers -- those who did not use the Internet during the home-buying process -- decreased from 28 percent in 2007 to

22 percent in 2008.

Both Internet and traditional buyers spent considerably more time searching for a home with their agent than in previous years, a reflection of the variety of home choices available in today's market. Internet buyers spent an average of 8.3 weeks looking for a home with their agent, an increase from 5.2 weeks in 2007, and nearly quadruple the number of weeks from two years earlier when Internet buyers spent 2.2 weeks looking for a home. Traditional buyers spent 10.3 weeks looking for a home with their agent, compared with eight weeks in 2007. Traditional buyers also visited nearly twice as many homes with their agent, averaging 23.3 homes, compared with Internet buyers, who visited 12.7 homes.

"Due to the high inventory of homes on the market, and uncertainty

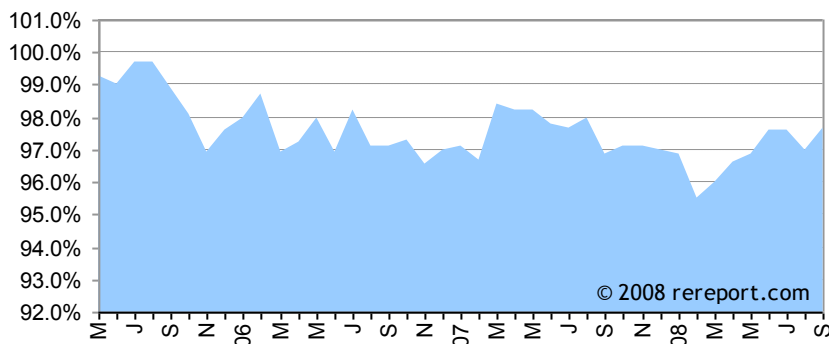
about the direction of home prices, buyers are more cautious and are moving at a slower pace during the home buying process than in previous years," Brown said. "The Internet also continues to play a vital role in this process and has solidified the relationship between REALTORS® and home buyers."

According to the survey, 72 percent of home buyers either "agreed" or "strongly agreed" that using the Internet helped them better understand the role of real estate agents, and increased their appreciation for real estate professionals and how key they are in the home-buying process. More than half of Internet buyers thought the information their real estate agent provided was more useful than the information they gathered on the Internet. None of the Internet buyers reported that the information they found on the

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Santa Cruz County: Homes

Sales Price/Listing Price Ratio



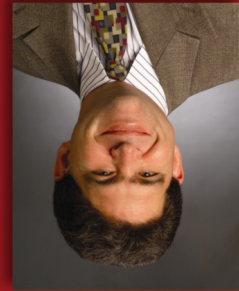
September Sales Statistics

Condominiums/Townhomes

	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	\$405,000	\$408,832	37	57	201	84	98.8%	-13.4%	-25.9%	68.2%	-25.0%	-3.6%	3.0%	19.4%	-12.2%
Aptos	\$577,000	\$559,333	3	1	12	87	98.0%	20.7%	17.0%	200.0%	71.4%	-1.3%	-4.3%	200.0%	-20.0%
Capitola	\$308,000	\$316,000	3	7	23	65	97.5%	-24.0%	-22.0%	50.0%	-23.3%	-33.0%	-31.3%	200.0%	9.5%
Rio del Mar	\$877,500	\$877,500	1	1	19	303	97.6%	79.1%	34.7%	-75.0%	46.2%	51.3%	51.3%	0.0%	-24.0%
Scotts Valley	\$506,600	\$497,350	3	4	14	22	98.2%	-12.7%	-14.3%	200.0%	7.7%	7.2%	6.1%	-25.0%	-12.5%
Santa Cruz	\$437,500	\$484,162	12	13	78	45	97.0%	-16.3%	-7.3%	9.1%	-14.3%	-3.7%	6.7%	50.0%	-10.3%
Watsonville	\$231,025	\$245,108	12	25	75	158	102.7%	-41.1%	-39.6%	-9.2%	13.6%	-5.1%	-1.6%	192.6%	7.1%

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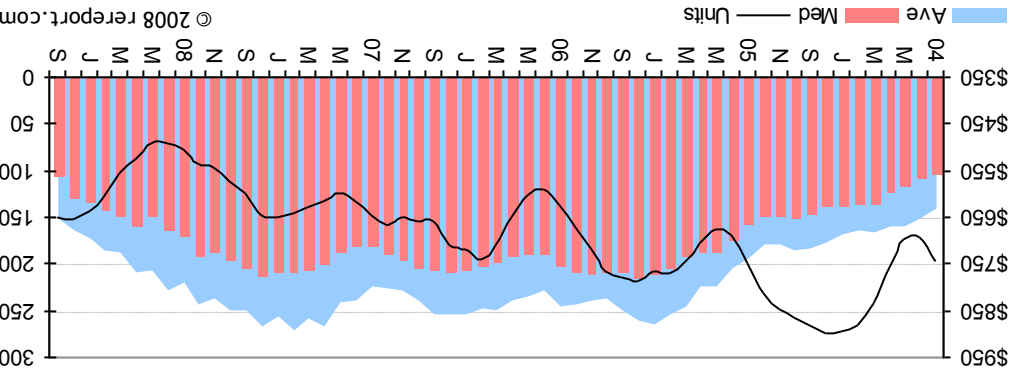
American Dream Realty
1041 41st Avenue Santa Cruz, CA 95062

www.SantaCruzRE.com

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



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(Continued from page 3)

Internet was more useful than the information provided by their real estate agent.

Other key findings from C.A.R.'s 2008 Survey of California Home Buyers include:

- Internet buyers spent significantly more time considering buying a

home before contacting an agent, averaging 8.2 weeks than did traditional buyers, who spent 3.6 weeks.

- Nineteen percent of all buyers were first-time buyers, who spent on average 9.6 weeks with their agent, compared with 5.8 weeks in 2007. Repeat buyers spent 8.5 weeks with their agent in 2008, versus seven weeks in 2007.