

## The Real Estate Report

LOCAL MARKET TRENDS



SANTA CRUZ COUNTY

September/October 2008

### Home Sales Continued to Rise in August

Sales of single-family, re-sale homes in Santa Cruz County rose 11.7% year-over-year.

Prices, meanwhile, continue to be plagued by the glut of bank-owned property on the market.

The median price for homes was down 25.9% year-over-year, and it was down 5.5% from July. The average price declined 25.1% compared to August 2007.

Remember, these are statistical prices and they are being skewed downward dramatically by the large

number of bank-owned properties being sold.

When the market was rising, statistical prices were skewed upward by the feeding frenzy that went on.

The good news is that inventory continues to decline. It was down 13.3% year-over-year. That combined with the increase in sales pushed our Days of Inventory indicator down to 202 days.

Trends at a Glance (Single-family Homes)			
	Aug 08	Jul 08	Aug 07
Median Price:	\$585,000	\$619,000	\$790,000
Average Price:	\$665,674	\$667,783	\$888,895
Units Sold:	153	152	137
Inventory:	1,065	1,097	1,315
Sale/List Price Ratio:	97.0%	97.6%	98.0%
Days of Inventory:	202	209	298
Days on Market:	73	77	58

Another positive note, the California Association of REALTORS® reported that affordability in Santa Cruz County went from 18% in the second quarter of 2007 to 30% in the second quarter of this year.

We expect that once the bank-owned properties work themselves through the system, prices will start rising again.

Condo sales were up 3.3% year-over-year, but the median price was down 18.7%, while the average price was off 17%.

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.

### The Donald Says it's Buying Time

On August 12th, Donald Trump was interviewed on Good Morning America about the real estate market.

"If you want to buy a house, there's probably never been a better time," he said.

Donald Trump, arguably the most successful real estate investor in the country said people looking to sell their homes should hold off if they're able to do so.

"It's a tough market. It's a horrible market," he said. But "this is the absolute time to buy. It's not the time to sell."

"The fact is that most of the country is very, very weak," Trump said, adding that buyers should use that to their advantage.

For those who find themselves in a must-sell position, the man known as "The Donald" said sellers should "make sure the house is in great condition."

It could mean more money for you home, he said.

### On Facing Foreclosure

Due to the credit crisis, sparked by the flood of irresponsible loans made over the past few year, many Americans are in danger of losing their homes.

For these people, Trump said all hope is not lost, even if the bank has filed a foreclosure notice.

Why? Banks don't want your home, because then they would have to sell it in a market already flooded with homes for sale.

"The banks want you in that house," he said. "Call your bank. Work out a deal."

He said in many cases friendly bankers are eager to work with trouble home owners to find a financial option viable for both parties and added there is a way people should approach the institutions.

"Above all else be nice. Don't go in too aggressively," Trump said.

For consumers dealing with the not-so nice bankers, "you may have a really bad banker in which case you get a really good lawyer and sue them," he said.

Below is a link to the video of the interview:

<http://abcnews.go.com/Video/playerIndex?id=5562780>

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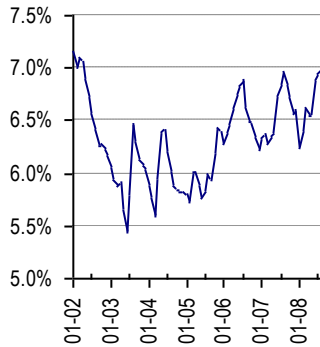
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# Tershy's Tid Bits

## The Real Estate Report

### Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



“ONE SIDE COMMENT ABOUT EXISTING HOME SALES IS THAT SOMEWHERE AROUND ONE-THIRD OF SALES ARE HOMES WHICH HAD FALLEN INTO FORECLOSURE.”

August 29, 2008 -- Overall fixed mortgage rates shed another four basis points (.04%) this week, with HSH's Fixed Rate Mortgage Indicator (FRMI) nudging down to 6.95%. Over the past four weeks, the FRMI has wandered aimlessly in a 10-basis-point range. Hybrid 5/1 ARMs, which have put in wide swings in rates at times this summer, have also settled into a mellow pattern, unchanged this week at 6.63%.

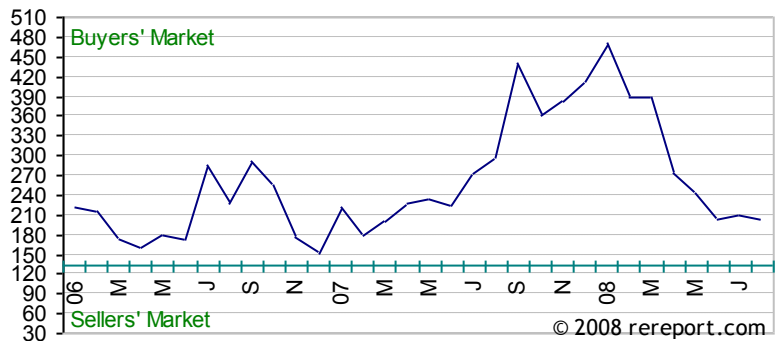
Investor appetite for conforming loans was evident, as the average 30-year conforming loan declined by six basis points to an average 6.51%. Private-market jumbos eased three basis points, but remain better than a full percentage point above conforming rates.

Home sales remain mired in the doldrums, but the pattern of continual declines is fading. Over the next couple of months, the double-digit declines in the year-ago comparisons will be replaced with smaller numbers and perhaps even a few favorable reviews.

Existing Home Sales flared 3.1% higher during July, climbing back to a 5 million annualized sales pace. The number of sales has traversed this level back and forth over the past ten months. Inventory continues to pour onto the market, and there's more than 11 months of homes available at the present rate of sale. Prices have continued to ease, with the Realtors noting a 7.1% dip in prices over those paid last July.

One side comment about existing home sales is that somewhere around one-third of sales are homes which had fallen into foreclosure. Commenters have noted (perhaps snidely) that absent their influence, home sales would really be in the tank. We see this situation somewhat differently. The most important factor, we'd argue, is that home sales are happening. Five million annualized remains a solid -- perhaps even remarkable -- level in light of all the challenges facing the market. We'd also argue that the foreclosure influence simply reinforces the fact that buyers will buy once they find the intersection of affordable price and financing availability.

Days of Inventory: Single-Family Homes



### August Sales Statistics

#### Single-family Homes

	Prices		Unit Newly		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	\$619,000	\$667,783	152	322	1,097	77	97.6%	-20.1%	-22.6%	6.3%	-13.3%	1.1%	-3.7%	0.0%	3.8%
Aptos	\$650,000	\$759,420	11	13	64	144	96.7%	-13.9%	-2.8%	266.7%	1.6%	-20.4%	-12.2%	175.0%	-4.5%
Capitola	\$892,500	\$892,500	2	8	35	22	98.4%	12.8%	10.2%	-50.0%	25.0%	19.8%	-1.7%	-80.0%	6.1%
Los Gatos Mtns	\$637,500	\$637,500	2	3	20	120	96.7%	-15.1%	-27.2%	-71.4%	-69.7%	-20.1%	-20.1%	100.0%	5.3%
Rio del Mar	\$785,000	\$894,555	9	24	90	55	93.3%	-10.7%	-15.6%	0.0%	-5.3%	13.4%	8.3%	28.6%	-1.1%
Seacliff	\$500,000	\$559,833	3	1	9	67	92.8%	-23.5%	-30.4%	0.0%	-47.1%	-28.1%	-24.4%	0.0%	-40.0%
San Lorenzo Vly	\$479,000	\$500,558	24	56	221	79	98.7%	-12.8%	-14.3%	-14.3%	-2.6%	-14.5%	-18.0%	26.3%	10.5%
Soquel	\$759,000	\$813,200	5	8	50	154	95.8%	-19.3%	-19.4%	-44.4%	-12.3%	6.2%	-4.4%	-37.5%	-15.3%
Scotts Valley	\$748,750	\$783,381	12	28	106	139	98.8%	-22.3%	-22.8%	-14.3%	1.0%	3.3%	9.5%	-7.7%	10.4%
Santa Cruz	\$637,200	\$829,962	38	64	255	79	95.0%	-21.7%	-7.7%	-24.0%	-3.0%	-4.9%	14.1%	-2.6%	2.0%
East County	\$360,000	\$482,514	14	40	178	155	98.3%	-57.6%	-54.4%	100.0%	8.5%	-30.1%	-42.8%	-12.5%	0.0%
West County	\$1,150,000	\$971,000	3	6	21	194	91.4%	68.4%	44.0%	-40.0%	-22.2%	58.6%	33.9%	200.0%	10.5%
Watsonville	\$380,000	\$377,693	26	71	228	100	99.0%	-36.1%	-35.9%	766.7%	17.5%	2.4%	-0.3%	-7.1%	7.5%

# Tershy's Tid Bits

## The Real Estate Report

### Mortgage Loan Rates - 5 Things a Home Buyer Should Know

by Brandon Cornett

Buying a home requires plenty of homework (no pun intended). There are new concepts to grasp, unfamiliar terminology to learn, and plenty of decisions to make along the way.

The mortgage loan interest rate is one of the topics that confuse a lot of home buyers, especially the first-time buyers who are new to the process. So in this article, I'll explain how an interest rate gets applied to a home loan, and how it affects you as the borrower.

#### 5 Things a Buyer Should Know

- The rates offered by a lender will vary from one person to the next. It's largely based on a borrower's credit score. The higher your score, the better the rates you'll be offered when applying for a loan. This is why you see so much fine print on the advertisements of mortgage companies -- there's a lot of variance

involved. So when they offer a "teaser rate" in their marketing materials, it may or may not apply to you.

- The interest rate is one of four factors that will determine the size of your monthly mortgage payment. Collectively, these factors are referred to with the acronym PITI. The 'P' stands for the principal amount you borrow. The first 'I' stands for the interest you pay on the loan. The 'T' is for taxes on the home. Lastly, the final 'I' is for insurance (i.e., the homeowner's policy you are required to have before closing.)
- In order to qualify for the best rates on a mortgage loan, borrowers need a higher credit score today than they needed just a few years ago (a 750 or higher in many cases). If you've been watching the news lately, you can probably guess why. The sub-prime mortgage mess of 2007 - 2008 has led to tougher restrictions on lenders. In turn, the lending institutions have tightened up on their loan criteria for qualification, rate assignments, etc.

- Every buyer should study the key differences (and pros and cons) between adjustable and fixed-rate home loans. With an adjustable mortgage, or ARM, the interest rate will typically start out low for an introductory period. This period commonly lasts for three to five years, after which the loan will adjust or "reset" to a higher rate. In many cases, this increase can be significant and will therefore lead to a bigger mortgage payment each month.
- For buyers who plan to remain in a house longer than three to five years, the fixed-rate mortgage is usually the best option. As the name suggests, this type of loan will carry the same level of interest for the entire time you're paying it (regardless of what the economy does). This offers a level of financial certainty, which for many borrowers is all the reason they need to choose this option over the ARM.

Clearly there is much more to learn about interest rates, as they apply

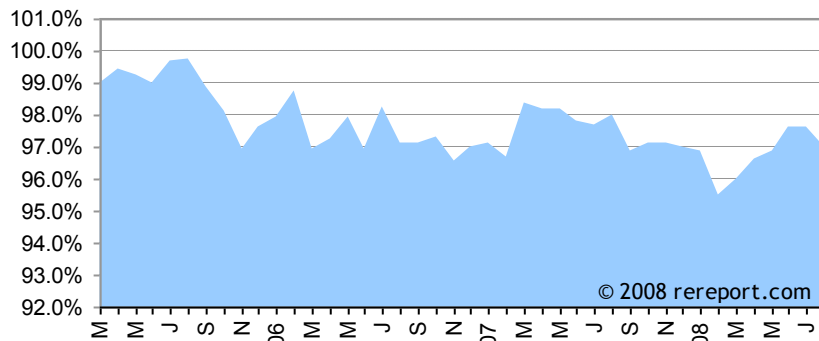
to buying a house. But I hope the points I've made above give you a better understanding of this subject. I recommend you learn more about each of the items covered above, particularly the pros and cons of adjustable versus fixed mortgages. Being an educated consumer is the first step toward success in the real estate world.

About the Author: Brandon Cornett publishes a home buying blog that has offered house buying tips and advice since 2006. To learn more about this and related topics, visit the author's blog at:

<http://www.homebuyinginstitute.com/homebuyingtips>

### Santa Cruz County: Homes

Sales Price/Listing Price Ratio



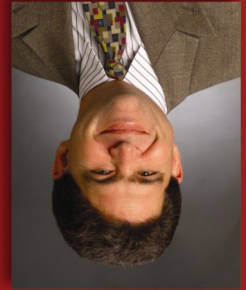
### August Sales Statistics

Condominiums/Townhomes

	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	\$406,000	\$435,348	31	71	256	83	97.6%	-18.7%	-17.0%	3.3%	-3.0%	6.3%	1.4%	-8.8%	6.2%
Aptos	\$615,000	\$615,000	1	4	12	44	94.8%	10.8%	13.2%	-66.7%	20.0%	41.4%	41.4%	0.0%	-7.7%
Capitola	\$385,500	\$451,250	4	4	21	105	98.2%	-9.3%	6.2%	300.0%	-19.2%	5.9%	13.3%	-50.0%	-8.7%
Rio del Mar	\$530,000	\$530,000	2	7	22	211	96.5%	-19.9%	-19.9%	0.0%	-18.5%	-5.6%	-18.4%	-50.0%	0.0%
Scotts Valley	\$480,000	\$480,000	1	5	20	0	101.1%	-5.3%	-5.3%	-50.0%	17.6%	-0.8%	-0.8%	0.0%	5.3%
Santa Cruz	\$430,000	\$455,118	11	28	93	184	97.2%	-13.0%	-10.1%	-21.4%	-6.1%	-6.0%	-4.1%	83.3%	6.9%
Watsonville	\$285,000	\$282,571	7	15	69	55	99.7%	-24.8%	-31.7%	-45.5%	-10.4%	-24.8%	-31.7%	-45.5%	-15.9%

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

