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# As high-tech workers discover the Santa Cruz area, they're creating a climate of competition for housing



Real-estate agent Arnaldo Gil-Osorio sold a High Street home last week for \$116,000 more than the asking price. Photo by Bill Lovejoy/Sentinel.

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By **JENNIFER PITTMAN**  
Sentinel business editor

IN A MARKET that wows even veteran real estate agents, Santa Cruz County home sellers have never had it so good.

Bids these days are not just a few thousand dollars over asking price. These days, some buyers are offering *way over* the asking price, often tens of thousands of dollars over. And in some cases, make that hundreds of thousands of dollars over.

And that's not just for custom homes or oceanfront property.

"Those are in their own league entirely, and the sky is the limit on those," said Carol Gabriel of Heritage Homes.

Despite some slight cooling of the market in recent weeks, 52.2 vacant acres at the end of Meder Street in Santa Cruz sold last week for \$5 million — \$1.5 million over the asking price.

The land borders protected greenbelt area near UC Santa Cruz and has open meadows and steep ravines.

It is just the most dramatic example of what local real estate agents have been witnessing in recent months.

Most of the deep-pocketed buyers and now cash-laden sellers aren't interested in talking, according to their real estate agents, who, like many others in the business, preferred talking in nameless generalities to protect the privacy of their clients.

The numbers, however, speak for themselves.

Of the 232 home sales reported on the Santa Cruz County Multiple Listing Service in April, 32 percent sold for more than the asking price, 24 percent sold for asking price, while 44 percent sold for less.

According to a report by the California Association of Realtors on the statewide real estate market for the fourth quarter of 1999, multiple offers are "playing an integral part of the ongoing housing-market frenzy."

"I have not seen so many overbids in my 22 years as a Realtor," said Gary Gangnes, president of the Santa Cruz County Association of Realtors. Gangnes represented a buyer recently who offered \$70,000 more than the asking price and was still outbid.

Gangnes also said the average number of days homes stay on the market has reached an all-time low, 52, a reflection of the relatively low inventory of homes for sale.

The median price for a Santa Cruz County home passed \$400,000 for the first time in February, when it reached \$415,000. It climbed to \$438,500 in March but dropped to \$425,000 in April.

Last year in April, the median price was \$340,000. That's a 25 percent increase in a year.

When Arnaldo Gil-Osorio, a real estate agent with Century 21-Arrowhead in Santa Cruz, was counseling an all-cash client on a deal for a High Street property last month, he offered advice that was unheard of a few years ago.

"My advice to him was, 'If you really want it, you have to pay \$100,000 over the asking,'" Gil-Osorio said.

There were several other bids and Gil-Osorio's client had lost out to higher bids in other deals in the past.

So he offered \$765,000, figuring he would be way ahead of the other bidders on the 2,400-square-foot home, which was priced at \$649,500.

When the bids were opened, Gil-Osorio's client's bid was just \$15,000 more than the next bidder, who counter-offered a matching bid. Gil-Osorio's client's offer, however, already had been accepted.

The house, which offers a distant ocean view and a busy street, had sold in 1998 for \$480,000, a 59 percent appreciation in two years.

"This is not a custom house," said Gabriel, who represented the seller.

### **A new breed of buyer**

A 2,750-square-foot Almar Street home that sold for \$750,000 in 1997

closed escrow Friday at \$1.5 million.

In a market like this, the home buyer is a new breed, marching into open houses with a pre-approved loan or cash in hand and, in many cases, a determination to hang curtains whatever the cost.

"I have 28-year-olds walking around with \$10 million," said real estate agent Kevin Kanning of RE/MAX in Los Altos. "I have a lot of (Silicon Valley) buyers who are looking at \$1 and \$2 million houses, saying, 'What am I doing here?' " More and more I'm up in (the Santa Cruz Mountains). Part of it is comparing how much houses are selling for. Here (in Silicon Valley), they're selling for twice the asking price."

Last month, Kanning represented a young dot-com couple who wanted a few acres around their home. They bought a 2,500-square-foot home near the Summit for \$1.4 million — \$435,000 over the list price.

They didn't respond to an interview request.

"Realtors hate this kind of a market," said Barry Dumont, an agent with Bailey Properties in Santa Cruz. "It's very tentative, very tenuous. Everybody's fighting tooth and nail to get a house for their clients."

Dumont represented the buyer of the 52-acre Santa Cruz property that sold last week for \$1.5 million more than the asking price.

But, sometimes, houses aren't going to the highest bidder. Sellers' agents say many clients sift through offers, considering contractual conditions and the would-be buyer's circumstances.

Kathleen Burrows, an agent with Coldwell Banker Jackson & Mann, said she's recently started inviting prospective buyers in multiple-offer situations to come to bid opening.

"It enables them to make a distinction," Burrows said. "It lets the sellers choose who they want to sell to. Sometimes the buyer loves the property so much they make a connection. The sellers have real distinct opinions on who they want to sell to."

In one case, buyers cradling a baby got the home even though theirs wasn't the highest bid.

A house on Sunnyslopes Court in Santa Cruz that listed at \$735,000 sold recently for \$835,000 to a couple that turned around and sold their Palo Alto house for \$500,000 more than asking price.

The Palo Altans offered the Santa Cruz seller several months of free rent and promised to care for a 14-year-old dog that couldn't move cross-country with the seller.

"Clearly they were well-trained by the market up in Palo Alto," said Tom Breznsy, an agent with Monterey Bay Properties in Capitola, who represented the buyers. "Is it crazy to spend \$100,000 over list price here when you're getting \$500,000 over for your house in Palo Alto? Well, that's an interesting debate."

### **Some buyers simply priced out**

These are not the kind of buyers who are generally scraping the last \$1,000 from their savings accounts. Generally the over-bids are within their financial realms.

"It's just a question of it making sense and whether they can achieve their life goals," Brezsny said.

At the other end of the spectrum are the people priced out of the market.

"It affects a lot of my friends and some of my family," Dumont said. "It's a little scary."

"Santa Cruz had been an undiscovered secret," Dumont said. "I think Santa Cruz is finally getting the attention it has warranted for a long, long time. With the amount of wealth created in San Jose, there's no way for it not to affect our market. A lot of buyers out there want what we have."

Santa Cruz County doesn't have to look far to see where the market is heading.

"This is just the tip of the iceberg," Gil-Osorio said. "We follow the other markets: Los Gatos, Saratoga, Willow Glen. "If you compare our prices now, we're very low compared to them."

According to the California Association of Realtors, the 10 cities and communities with the highest median home prices in California during the first quarter of 2000 were: Atherton, \$3,175,000; Los Altos Hills, \$2,286,000; Hillsborough, \$1,782,500; Monte Sereno, \$1,487,500; Los Altos, \$1,155,500; Saratoga, \$1,100,000; Belvedere/Tiburon, \$1,050,000; Beverly Hills, \$782,500; Palos Verdes Estates, \$765,000; and Palo Alto, \$760,000.

The median price in Santa Clara hit \$488,760, a 30.6 percent increase from the first quarter last year. Also posting double-digit increases in median prices were the Bay Area, San Diego, Orange County, Monterey, the Wine Country, Riverside/San Bernardino, Ventura, Santa Barbara and San Luis Obispo.

There is perhaps some good news out there for buyers, though. Real estate agents say they have sensed a slight cooling in the market this month. They point to the recent stock market dive, higher interest rates and a slightly higher inventory of homes as possible reasons.

"The gut sense ... with the most active agents in the real estate market is that the intense heat of the market, which was so palpable you could feel it every second of the day, pounding away, seems to be gone," Brezsny said.

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