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# LOCAL NEWS

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April 22, 2001

## Middle class optimistic as housing market eases

By **DAVID PACINI**  
Sentinel staff writer

SANTA CRUZ — Some would-be home buyers see a silver lining in the black cloud over the economy. Not only are home prices leveling off, there is a growing belief among many middle-class buyers that maybe, just maybe, buying a home here is not out of reach.

"I've been driving around and seeing 'reduced' signs," said a cheered Jeff Mansfield, a Santa Cruz carpenter who has been looking for a home to buy with his wife Lisa for more than a year.

A U-turn in the fortunes of many formerly high-flying tech businesses is the apparent cause. With fewer home shoppers, there are fewer offers, and prices have begun to level off after two years of astronomical appreciation: about 23 percent over each of the past two years.

Like many couples, the Mansfields, who together earn less than \$80,000 a year, are hoping the growing supply of available single-family homes will soon translate to lower prices.

"We have been seeing prices drop, not dramatically, but a little bit," said Lisa Mansfield, a pharmacy worker at Dominican Hospital.

The Mansfields are looking for relief from a market that until recently saw multiple offers on homes in most price categories, a phenomenon that regularly drove sale prices well above asking prices.

"My brother and his wife just bought a home and spent almost a half a million dollars," Lisa Mansfield said. "It's ridiculous to me to have to pay that much for a two-bedroom, one-and-a-half-bath place. It's been a struggle. ... Hopefully, in the next few months, things will calm down a little bit."

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## Prices leveling off

A survey of a half-dozen local mortgage brokers found them all saying they expect more and more locals to soon find themselves in a position to buy homes.

"That turn is just barely beginning," said Dennis Black, a senior loan officer with PFS Mortgage Loan in Santa Cruz. "We think what we're going to be facing is like in the early '90s, with prices coming down again."

Some residents are using the softening housing market to upgrade their housing.

Santa Cruz software engineer Barbara Evett decided last month the time was right to cash in on the equity she had built up over four years in her condominium.

"I put the condo on the market a week ago Friday, had an open house Saturday and Sunday, and by Tuesday I had four offers," she said.

Evett accepted a \$425,000 offer from some first-time buyers for the two-bedroom, two-bath unit she bought for \$215,000.

"Initially, I was asking \$399,000, and I thought I was pushing it," she said.

That allowed Evett to put a down payment on a two-bedroom house on the Westside. Evett paid \$495,000, slightly less than the \$499,000 asking price. She looked at about 25 homes before discovering the Westside bungalow.

"It kind of surprised me," she said. "I really didn't think I would be able to afford that. I think I just timed it right. There's not a lot out there in that price range that's really nice."

Ed Gerety, a mortgage consultant with First Horizon Home Loans in Santa Cruz said he's noticed the mood of local buyers improve noticeably in recent weeks because of the rise in available homes and price reductions.

"It does encourage people to get back in to explore the numbers," Gerety said. "What I am hearing from some people who just started looking in the last few weeks is their mood is one of much less urgency. They feel they have more time."

## More homes for sale

According to statistics compiled by Gary Gangnes of Real Options Realty, the number of single-family homes for sale in March was about 760, up 33 percent from a year ago. That's the highest inventory the market has seen since September 1999.

Not all the news for middle-income buyers is good, though. The median price in March was \$499,000, a new high. And Gangnes said sales of homes priced under



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**\$450,000 are still strong, while sales of higher-priced houses have slowed considerably.**

That's also been the experience of Kim Allee, a real-estate agent with California Homes Realty, who is representing the sellers of a five-bedroom, three-bath home at 901 Walnut Ave. that sports a for-sale sign announcing a new "reduced" price.

The home is in a sought-after neighborhood, Allee said, but the seller has had to slash the asking price from \$825,000 to \$699,000, a difference of \$126,000, since mid-February.

"People in that price range just aren't in the market right now," Allee said.

As of Wednesday, Allee said, there were 173 homes available in the \$400,000 to \$600,000 range from La Selva Beach to Scotts Valley. By contrast, she said, the Multiple Listing Service showed only 39 homes priced at \$400,000 or lower.

"The majority of those are fixer-uppers, old Santa Cruz bungalows," she said.

Allee said she welcomes the leveling off of prices, which she said is creating a marketplace more favorable to middle-income families.

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