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June 21, 2002

Housing costs hit new high

Number of homes sold at highest point in 3 years

By HEATHER BOERNER
Sentinel staff writer

Santa Cruz County may not be the least affordable place to live in the country anymore, but the county is still setting records for its cost of living.

The median home sale price rose again in May to \$532,000 — the highest it's ever been — for homes sold through a real-estate broker. The last record was set in April last year, when it was \$529,000. The number of homes sold was also near a record. More than 270 homes closed escrow in May, more than in any month since June 1999. And homes are being snapped up at the fastest rate since December 2000.

The median sale price in May for all homes and condominiums sold, including those sold by the owner, was \$475,000, up nearly \$50,000 from April's median, according to numbers from the La Jolla-based DataQuick Information Systems.

"The demand is definitely there," said Aldina Maciel, a real-estate agent with Century 21 Classic Properties in Watsonville. "You've still got a lot of first-time home buyers and people who are buying up looking for new places."

It's the same all over California. Santa Clara County, San Francisco County and Orange County all hit record high home sale prices in May. Experts say it's difficult to know what's prompted the price increase.

Low mortgage rates of 6.6 percent for 30-year fixed loans have contributed, said real-estate agent Gary Gangnes of Real Options Realty in Santa Cruz.

The supply of homes has dropped drastically in the last few months, as has the length of time the houses stay on the market. These factors, combined with the fact that the spring is typically a time when more people look for homes pushes prices upward.

Gangnes said, however, that it's not million-dollar homes driving the market. Rather, the greatest number of sales are for houses that cost less than \$500,000.

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In January, the National Association of Home Builders called the county the least affordable place to live in the country, based on the high cost of living and relatively low salaries. In March, the county dropped to sixth. But we're still the second least affordable region in the state, according to the California Association of Realtors.


"How's it possible that prices keep going up, with the market like it is?" asked Don Lane, a member of Affordable Housing Advocates. "We're just moving in this direction where we're not going to be a diverse community. We're becoming a place that's more of a bedroom community or a place that people with a fair amount of money to a lot of money will always be able to afford."

But there are signs that the increase won't keep with this pace. The number of days homes are staying on the market is going up, if slightly. Richard Calhoun, a market watcher from San Jose, said he expects the median home sale price for June to skew slightly lower than \$532,000 because as of Wednesday, June's median home sale price was \$525,000.

"It's already going down again," Calhoun said. "More homes are on the market, fewer sales are being made. Santa Cruz County may still be a month away from prices dropping, but not much more than that."

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