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September 9, 2002

Home prices 'virtually unchanged'

By **HEATHER BOERNER**
Sentinel staff writer

Interest rates are still low, desire to live in Santa Cruz is still high. So the cost of a middle-priced home is still near record levels.

August's median home price was \$539,500, said real-estate agent Gary Gangnes, who runs Real Options Realty in Santa Cruz and compiles monthly county market statistics. That's only \$500 less than the all-time high of \$540,000, reported in July.

"It's virtually unchanged," he said. "There were slightly fewer sales, the number of houses listed for sale is slightly up. And the sales price is slightly down, which is normal for this time of year. Usually it peaks in the summer then starts to decline."

This time last year, the price of the county's middle-priced home was \$470,000, and it stayed about that until October. But real estate agent Richard Calhoun, who puts out a monthly real estate business newsletter in San Jose, doesn't expect home prices to stay high.

Instead, he expects them to drop several thousand dollars during the next few months, mirroring Santa Clara County's sharp drop in home prices in the last three months. Santa Cruz County generally lags behind Santa Clara County's housing trends. Santa Clara County had a record low in July, when it dipped near Santa Cruz County's median.

"The trend is down," he said. "Home prices will be down next month, but the question is how much? We can't know that."

He guessed it would be close to \$515,000, based on homes in escrow now.

Calhoun believes the "demand bubble" is based on the nesting fervor sparked by the Sept. 11 terrorist attacks.

But Gangnes and others believe the reason people have the money to indulge their nesting instincts and buy a home is because mortgage rates are at a 30-year low of 6.25 percent. That allows people to borrow more money with less money down, essentially making homes less expensive.

\$50

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Second, Gangnes and others said they have had clients come to them desperate to reinvest their money, but leery of the stock market. Gangnes said two came to him with money they removed from the stock market. One inherited a considerable amount of money and wanted an investment other than stocks.

So it should be no surprise that Santa Cruz County was named by the National Association of Home Builders the second-least-affordable place to live in the county, behind the Salinas and Monterey metropolitan area. That makes the Monterey Bay region the least-affordable place to live in the country.

The association's statistics are based on the gap between how much an average person can earn working in Santa Cruz County vs. the median cost of a newly constructed house. The result is that fewer than 9 percent of Santa Cruz County residents can afford a median-priced home.

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