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January 13, 2004

County home prices expected to continue upward trend

By **HEATHER BOERNER**
Sentinel staff writer

The housing market ended the year healthier than it began — and that's saying something.

December's median home price tied the county's all-time high of \$550,000, set in June and again in September. It also marked the ninth month in which the average cost of a home surpassed the \$600,000 mark.

And that all points to a new year of even higher home prices, said real estate agent Gary Gangnes, who compiles real estate statistics from his office at Real Options Realty in Capitola.

"It points to a market that is much more likely to go up than down," said Gangnes. "For example, the only time the market slows down around here is usually after Thanksgiving and as we head toward Christmas. This year, there was no slowdown at all. It just never stopped."

Beside the cost of homes, there are other indicators that hint at higher home prices to come. For instance, the index that charts how quickly homes sell versus how many are on the market, the so-called unsold inventory index, is at its lowest point since the NASDAQ was at its peak in March 2000.

That means there are fewer homes for sale and that they are selling quickly.

As usual, the most activity is in the \$450,000 to \$600,000 range — that is, the low end of the market, Gangnes said.

"That means that people are looking carefully, and when a decent home in that price range comes on the market, people act fast and make high offers to see that theirs gets accepted," he said. "But it's still also interest rates."

Interest rates, which are hovering around 6 percent for a 30-year, fixed-rate mortgage, are higher than they were at their 40-year low

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last year, but Gangnes said the fear that they'll climb higher probably is motivating many people to jump into the market now.

"But the people who predict these things — and you never really can predict them — say that they'll probably stay about the same," he said. "They expect interest rates to end the year at about 6.25 percent. But still, some buyers wonder."

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