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March 10, 2004

County home prices drop, but homes for under \$600k at a premium

Santa Cruz County median sale prices

2001

January 467,000

February 485,000

March 499,000

April 530,000

May 505,000

June 470,000

July 525,000

August 470,000

Advertisement

September 470,000

October 475,000

November 490,000

December 470,809

2002

January 475,000

February 480,100

March 496,000

April 494,000

May 532,000

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June 522,500
July 540,000
August 539,500
September 529,250
October 520,000
November 510,000
December 515,000
2003
January 515,000
February 525,000
March 522,500
April 541,000
May 535,000
June 550,000
July 543,500
August 549,000
September 550,000
October 544,000
November 541,500
December 550,000

2004

January 580,000
February 560,000

Numbers are for single-family homes

Sources: Santa Cruz Association of Realtors and [Real Options Realty](#)

By HEATHER BOERNER

Sentinel staff writer

Home prices fell \$20,000 in February, to a median price of \$560,000.

But that's no slump.

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"Home prices last month, with the exception of January, are higher than they've ever been," said Gary Gangnes, a real estate agent who crunches the numbers from Real Options Realty in Santa Cruz. "There's no question that, in the lower range, it's a seller's market."

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January's home sales set a new all-time record of \$580,000. Gangnes said the drop in median home prices represents a normal real estate market, as opposed to the \$30,000 home price spike between December and January. Before the spike, home prices had spent seven months between \$540,000 and \$550,000.

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"That huge jump wasn't sustainable," he said.

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But it seems the hot home market is. The upward pressure on the market is coming from the relatively few homes on the market. For example, the same number of homes sold last month as did a year ago, but there were a third fewer homes on the market. In the market of homes for sale below \$600,000, it's even more competitive.

Of the 397 homes that are actively for sale and not in escrow now, only 86 are priced at or under the current median.

The other factor is that interest rates dipped again. This week, interest rates dipped close to the 40-year low, with a typical 30-year, fixed-rate low hovering at a little more than 5 percent.

"If you missed the dip (in interest rates) last summer, you have a second chance now," said Peter Ogilvie of Santa Cruz's First Residential Mortgage and vice president of the California Association of Mortgage Brokers. "But you'll need to act very fast."

The combination of interest rates and low inventory means a return to the boom days of 2000, Gangnes said, with multiple offers being more of a rule than the anomaly they were just a year ago.

"In 1999-2000 you started to see so many offers, that real estate agents would state in the description of their property that they would review offers on a specific date, maybe five or seven days out," he said. "That stopped after 2000. I checked and in 2002, only 5 percent of the listings stated that. Now most of them are doing that again."

Despite the median home price dropping, the average home price reached a new high in February, at \$662,199. In January, the average was \$653,712. The increase comes from the number of high-priced homes that sold. Twelve homes sold for more than a million, with two selling for more than \$2.5 million, he said.

The average home sale price is calculated by totaling the sales prices and dividing by the number of sales. The median price is that price where an equal number of sales occurred at a higher price and a lower price than the median. It's generally considered that the median is more representative because the average sale price can be easily influenced by an unusually high-priced sale.

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