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March 10, 2005

Low interest rates keep housing market cooking

Median home price hits \$727,500

By **GENEVIEVE BOOKWALTER**
SENTINEL STAFF WRITER

County housing prices broke another record this month, and agents say low interest rates and easier financing are driving the demand.

"There have been times in the market where the interest rate was so high that you had to be so creative in order to sell a home," said Wanda Hernandez, 30-year owner of ERA Ponderosa Realty in Watsonville. "Now it's a total opposite. You just have to find a home, and they will buy it."

The median price of a single-family home in Santa Cruz County rose to \$727,500 in February, beating January's record of \$713,500, said Gary Gangnes of Real Options Realty in Santa Cruz. Median price of condos and townhouses also hit a new high at \$463,750.

The median price is midway between the least and most expensive homes sold in an area during a given time. In that period, half the buyers bought homes that cost more than the median price and half bought homes for less.

Median prices are considered a better trend indicator than average prices because a few high- or low-priced sales won't change the numbers as much.

The average price of condos and townhouses also broke a record at \$500,270. The average cost for a single-family residence was \$765,650, down from \$798,500 last month.

"The biggest reason why all these buyers are wanting to buy right now is these interest rates," Gangnes said.

The mortgage rate Advertisement stands at 5.75 percent.

That has also changed the demographic of who's buying.

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Wealthy baby boomers with \$3 million homes in the San Francisco Bay Area don't think twice about paying \$1.2 million in Santa Cruz County, said Tom Breznsy, real estate agent with Monterey Bay Properties in Capitola.

A number of first-time home buyers are taking on more debt just to grab a spot in the housing market, Breznsy said.

Some are turning to 100 percent financing on interest-only or 3 percent down loans, selling the property after a few years and using its appreciation as the down payment for a new home, Breznsy said.

"One of the lenses that you have to look at real estate through is, how much debt can people access and how much debt do people feel comfortable accessing?" Breznsy said.

Hernandez agreed.

"If you buy a condo today, two years from now you're going to have your foot in the door and you're going to be able to buy a home," Hernandez said. "If you wait and try to save money, you won't make it. There's no way you could afford (a house) two years from now."

But real estate agent Caren Spencer, also with Monterey Bay Properties, said she worries about young firefighters and teachers who are raising families and looking for their first home.

"Firefighters making \$75,000 a year still require a dual income situation, and this is definitely a dual income county," Spence said. "If you don't have the blessing of a parent or a relative or somebody to put down that down payment, then you are required to have more than one income to even have a shot."

Contact Genevieve Bookwalter at gbookwalter@santacruzsentinel.com.

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

September 470,000

October 475,000

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November 490,000

December 470,809

2002

January 475,000

February 480,100

March 496,000

April 494,000

May 532,000

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

March 603,125

April 619,000

May 637,000

June 599,250

July 635,000

August 639,000

September 645,000

October 659,000

November 629,000

December 650,000

January 713,500

February 727,500

Numbers are for single-family homes

Sources: Santa Cruz Association of Realtors and Real Options Realty

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kcooper@santacruzsentinel.com