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April 8, 2005

## \$822,000 -- County home prices push to new records

By **GWEN MICKELSON**  
Sentinel staff writer

SANTA CRUZ — The news sounds like a broken record, but housing prices in Santa Cruz County are causing many kinds of broken records — the sort that leave local home buyers, mortgage brokers and real estate agents gasping for breath.

March housing prices set records in three of four price categories tracked by Gary Gangnes of Real Options Realty in Santa Cruz. Here are the numbers:

- The average price for a single-family home was \$821,695, topping \$800,000 for the first time. The previous record average price was set in January at \$798,524.
- The median price for condominiums and townhouses was \$543,000, pushing over \$500,000 for the first time and breaking the previous record of \$463,500 set in February.

"Again, this \$80,000 monthly leap from \$463,500 to \$543,000 is unrealistic and unsustainable, so we don't expect another huge increase next month," Gangnes said.

- The average price for condominiums and townhouses was \$573,742, breaking the previous record of \$500,270 set in February.
- The median price of a single-family home in March was \$723,129, holding fairly steady from February's record-breaking figure of \$727,500.

"The median price for single-family homes that leapt from \$650,000 in December to the low 700s in January has basically stayed the same in February in March," Gangnes said.

High demand, low supply, favorable interest rates and new mortgage products continue to fuel the sky-high prices, industry experts say.

The percentage of households in California able to afford a median-priced home stood at 19 percent in February, a 6 percent decrease

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compared with the same period a year ago, according to a report released Thursday by the California Association of Realtors in Los Angeles.

In Santa Cruz County, the percentage of households able to afford a median-price home was 12 percent in February, down from 17 percent a year earlier.

Spring is bringing more housing to the market, according to Karen Cogswell, owner of Karen Cogswell's Network Mortgage Inc. of Santa Cruz.

"The only bastion of not insanely high pricing is the San Lorenzo Valley," Cogswell said, adding, however, that those days are fading.

"Last year you could actually get something in the low fours that was a decent home," Cogswell said. "I would be shocked to see that again this year."

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 record-breaking median prices for townhouses and condominiums mean their market is the same as that of single-family homes in Santa Cruz — "the demand is just as high," said Gangnes.

"You can't find anything with two or three bedrooms in a single-family home anywhere within the core of Santa Cruz County for under \$600,000," Cogswell said. "When (townhouses and condominiums) were in the fours, they were the only thing that was affordable, and it put that demand through the roof."

For Lisa Warren of Santa Cruz, funding manager at Karen Cogswell's Network Mortgage and a recent home buyer, the answer was the city of Santa Cruz's Measure O initiative. The measure requires developers of residential projects with five or more units to make a percentage affordable.

Eight years ago she bought a house in Santa Cruz for \$224,000. She's selling it for \$640,000 to downsize into the new Westside condo, which she purchased through Measure O for \$312,000.

"I was in a special position having a house and selling it," Warren said. "I have friends who are looking for houses and think they're never going to get in there."









For some buyers, the high prices have meant taking on more and riskier debt, said Cogswell.

"What they're betting on is that they get enough appreciation, or they'll be making more money later, or their situation will somehow be changed," said Cogswell. "Appreciation has covered up a lot of bad decisions. You didn't have to be smart, you didn't have to pick the right location, you just had to own something, and you made more

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money than God. Even if it just levels out, people are going to feel like it's gone down. A home used to be a dwelling — now it's become an investment vehicle."

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