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June 8, 2005

Demand pushes up home prices

By **GWEN MICKELSON**

Sentinel staff writer

When Brian Voerge of Santa Cruz goes house-hunting these days, he describes the experience as "almost a frenzy."

"I just looked at a couple listings a week-and-a-half ago, and when I asked to see them, they were already in escrow," said Voerge, 31, a software engineer who works in San Jose and is looking to buy his first home.

A record low number of listings for May — 706 — combined with a record 46 million-dollar-plus sales were two firsts for the market. The previous record for million-dollar sales was 41, set in April, said price-tracker Gary Gangnes of Real Options Realty in Santa Cruz.

Gangnes called the million-dollar sales a trend, not a spike.

That tight housing inventory, in addition to sustained low interest rates and increasing attraction to real estate investing, propelled the county's real estate market to ever more surreal heights in May. The market broke several more records and pushed the median price for houses past the \$750,000 mark for the first time.

The average single-family home price topped \$800,000 for the third month in a row, almost hitting \$900,000, and the condominium median price topped \$500,000 for the second time (the first was in March). Here are the numbers:

- The median price for single-family homes in May was a record \$756,500. April's median was \$715,000; March's was \$723,129.
- The average price of Advertisement a single-family home last month was a record \$891,052, and only the third time it's topped \$800,000; the average in April was \$803,238; in March it was \$821,695, the first time it went over \$800,000.
- The median price for condominiums and townhouses in May was \$515,000, behind March's record of \$540,000 (the first time over \$500,000), but a jump from April's median of \$469,000.
- The average price for condos and townhouses was \$549,374 in May,

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below the record of \$568,316 in March. April's average was \$482,508.

- Of the 46 houses sold for more than \$1 million, four were between \$2 million and \$3 million, two were between \$3 million and \$4 million, and one sale rang in at more than \$4 million.

The median price is midway between the least and most expensive homes sold. 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.

Houses are flying on and off the market at record speed. The median days on the market for houses that closed escrow in May was 14. Condos and townhouses stayed on the market a median of 11 days, according to Gangnes, who called that time "remarkably short."

"I just had a listing for a newer house in Watsonville, and it went in 10 days for well over asking price," said Leilani Barnett, real estate broker and owner of Bridge Real Estate, which has offices in Soquel and Watsonville. "We probably had about 90 people come through and look at it."

In addition to supply and demand and sustained low interest rates driving up housing prices, a volume of wealth is now passing from one generation to the next, according to real estate agent Beverly Lengquist of Thunderbird Real Estate in Capitola.

"The baby boomers are maturing, and they want to secure their wealth," she said. "We all saw what happened with the stock market, so they're investing in something real, which is real estate."

Though rates are "certainly higher than they were about a year-and-a-half ago when the (refinancing) frenzy was going on," according to Chris Morgan, branch manager of Countrywide Home Loans in Santa Cruz, they are "at about an eight-week low."

Morgan quoted rates from Countrywide at 5.75 percent on a 30-year fixed conforming loan, and 6 percent on a 30-year fixed jumbo loan.

Lengquist said one of the trends she sees is investors using equity on property elsewhere and investing it in real estate locally, betting that the future growth of UC Santa Cruz will help keep the housing market hot.

Also, said Lengquist, "we have so much money from over the hill, and people who want to retire tend to gravitate toward the water."

Housing inventory is beginning to rise, as it historically does in summer, according to Bill Frediani, a broker associate for Cheshire-Rio Property Management and Realty in Rio del Mar.


"In the last month it's gotten larger," said Frediani. "I think people who are seeing the prices go up think it's time to sell, and as inventory rises, prices may ease a little bit."


House-hunter Voerge, who's looking for a two-bedroom townhouse or condo in the upper-\$400,000 to lower-\$500,000 range, is confident

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he'll find a place, but grants that buying a residence now will mean making certain sacrifices.

"I definitely would say roommates are a must to help bring down the prices," said Voerge. "I see myself as making a lot of sacrifices as far as lifestyle — not having as much leisure time and entertainment, not being able to make as many trips or do as much traveling, having to make some hard budget choices."

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Santa Cruz County median sale prices 2001 January \$467,000 December 470,809 2002 January 475,000 December 515,000 2003 January 515,000 December 550,000 2004 January 580,000 December 650,000 2005 January 713,500 February 727,500 March 723,129 April 715,000 May 756,500 Numbers are for single-family homes. Sources: Santa Cruz Association of Realtors and [Real Options Realty](#)

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