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October 8, 2005

Condo market remains hot, but house prices take dive

By GWEN MICKELSON
Sentinel staff writer

SANTA CRUZ — The county's condo market remained red-hot in September, with the median price smashing the all-time high set just the previous month. But the market for both single-family homes and condos demonstrated signs of cooling that experts say may begin to show in the next few months.

"We are seeing that the number of listings is growing, when it seasonally should be declining," said price-tracker Gary Gangnes with Real Options Realty in Santa Cruz.

While the median condominium price reached a new high, the median single family home price was the lowest since last April, said Gangnes.

There are the highest number of single-family home listings — 924 — for this time of year since October 2002, said Gangnes. Also, the number of condo listings — 159 — is the highest for any month in the past two years, and also the highest for this time of year since October 1998.

"We have double the inventory we did in July, and this is October, where July should have been our high point," said Beverly Lengquist, a real estate agent with Thunderbird Real Estate in Capitola.

When listings continue to increase this time of year, "that's a change in the marketplace," said Gangnes, saying the change is "a cooling change," but only "if cooling from red-hot to hot is 'cooling.' "

In September's numbers: [Advertisement](#)

- The median single-family home price was \$749,950, the lowest since April. The record was in June, at \$785,000.
- The average price for single-family homes was \$803,843, the lowest since April. The record price of \$891,052 was set in May.
- The median condo/townhouse price was \$560,000, a new all-time record high. The previous record was \$557,000 in August.
- The average condo/townhouse price was \$585,653. The record high was in August, at \$588,222.

The median price is midway between the least and most expensive homes sold. In September, half the buyers bought homes for more than \$749,950, and half bought homes for less. It is considered a more accurate indicator than averages because one large sale can distort average numbers.

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A trend among the county's recent buyers — those looking in the \$800,000-plus price range — are buyers who own an existing home and are taking advantage of the area's rapid home-price appreciation, according to Octavio Perez, owner of Watsonville Real Estate.

"They're trading up," he said. "The property that's relinquished is typically the property designed for the first-time home buyer, a townhouse or mobile home, or a home in a neighborhood on the lower end."

The Housing Affordability Index, released Thursday by the California Association of Realtors, reported that the percentage of households in Santa Cruz County able to afford a median-priced home stood at 10 percent in August, a 4 percentage-point decrease compared with the same period a year ago, when the index was at 14 percent.

However, the market is changing.

"We have obviously more listings coming on, which is diluting the pool and giving buyers more choices," said Jon Brunelle, sales manager with Sherman & Boone Associates in Capitola. "So buyers are slowing down a little in making rash decisions, and the choices reflect room to negotiate."

That shift toward a buyer's market for homes is reflected in an increasing number of days a home is on the market. The average days on the market for houses that closed escrow in September was 36; in August, it was 32.

Condos and townhouses, which are in higher demand likely because of their greater affordability, dropped a bit in average days on the market, going from 32 days for condos that closed escrow in August to 28 days in September.

"I'm seeing things that are sitting on the market now that would never have sat for seven days, let alone 21, just six months ago," said Lengquist.

Prices could soften and drop a little bit in the coming months, but homeowners still have enormous amounts of equity in their houses, according to Brunelle, and the area retains its desirability because of the ocean, the proximity of high-paying jobs in Silicon Valley and the presence of the university.

"I can't see the trend changing much," he said. "I think we'll have just a mild adjustment."

Contact Gwen Mickelson at gmickelson@santacruzsentinel.com.

Santa Cruz County median sale prices 2004

September 645,000

October 659,000

November 629,000

December 650,000

2005

January 713,500

February 727,500

March 723,129

April 715,000

May 756,500

June 785,000

July 755,000

August 780,000

September 749,950

Numbers are for single-family homes.

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

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