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January 12, 2006

# Housing market cools down a degree

**By Gwen Mickelson**  
Sentinel staff writer

SANTA CRUZ — Could this be the way the housing bubble ends, not with a bang but a whimper?

The median price for both single-family homes and condominiums in Santa Cruz County in December fell to its lowest level since April, after staggering up and down over the past few months, according to number-cruncher Gary Gangnes of Real Options Realty in Santa Cruz. Also, according to Gangnes, sales were down and listings were up compared with a year ago, other indicators of a gentle softening of the real estate market.

"The reference I've been hearing is rather than a pop, it's just some air being let out of the balloon," said Philip Tedesco, chief executive of the Soquel-based Santa Cruz Association of Realtors.

The median price of a single-family home in December was \$739,000, a marked decrease from the previous month's record-breaking high of \$789,250, when an unusual number of sales topped \$1.5 million. Other indicators that month showed the housing market easing.

The median is the halfway point between the least and most expensive homes sold and is considered a more accurate gauge than averages because a large sale can distort average numbers.

The previously white-hot local housing market "is absolutely cooling down a little bit," said Tedesco, though he said part of the slowdown is seasonal.

However, the fact that prices have lately shown an up-and-down pattern is healthier than a steady climb or descent, he said.

"I think it's a little bit of a Advertisement sign we're in for a soft landing," said Tedesco.

If properties are priced correctly, they're still selling well, said Stephen Pearson, broker associate with Century 21 Classic Properties in Watsonville.

"We can't have continued up if there's not a correction, but as far as I'm concerned, prices are plenty high," he said.

Pearson has had to reduce prices on properties, including one he slashed by \$45,000. But, he said, it's nice to have a buyer's market for a change.

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"Before, you couldn't really put in an underpriced offer — underpriced what the seller thinks it's worth, that is," he said. "Now I think people are glad to get an offer."

The December median price for condos and townhouses in the county was \$478,000, also the lowest it's been since April \$469,000. The record-high was \$560,000, set in September.

The December single-family home figure also show the county's market contrasting sharply with the national market, with the median home price at \$215,000 in November, the latest figure available from the National Association of Realtors.

The number of sales of single-family homes in December was down 29 percent from December 2004, and the number of listings was up 76 percent from a year ago. The number of sales of condos and townhouses was down 40 percent from a year ago, while the number of listings was up 105 percent.

The number of days on the market for single-family homes was 44, the fifth consecutive month of an increase. The number of days on the market for condos and townhouses was also 44, the longest since September 2003.

With interest rates slowly rising — 30-year fixed mortgages averaged 6.21 percent Jan. 5, according to the Freddie Mac Weekly Primary Mortgage Market Survey, up from 5.77 percent a year ago — Tedesco thinks buyers are more concerned about the size of a home purchase and are carefully watching the market rather than jumping right in.

"I think people are in wait-and-see mode," he said, "seeing what interest rates are doing and seeing the general direction of the economy before dropping half a million on a thousand square feet."

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## **Median single-family home prices**

2001

December 470,809

2002

December 515,000

2003

December 550,000

2004

December 650,000

2005

December 739,000

Source: Santa Cruz Association of Realtors and **Real Options Realty**

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