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Home prices inch up

By JONDI GUMZ
Sentinel staff writer

The median price of a single-family home in Santa Cruz County inched up again in July to \$768,750 from \$760,000, while the number of sales plummeted to 146, the fewest in more than a decade.

That's unusual. July is typically one of the biggest home-buying months of the year.

The Unsold Inventory Index — a key indicator that measures the time it would take to sell all the homes on the market at the current rate of sales — spiked from 6 months to 9.3 months, which is "abnormally high," according to Gary Gangnes of Real Options Realty, who compiles the monthly figures.

Home prices are stable when the index ranges from 6-8 months. When the index is higher, prices can decrease.

"If the index continues to rise, then yes it will be a buyer's market," Gangnes said.

At least two veteran agents say the buyer's market has already arrived.

"Oh, yeah, it has turned," said Bernice Wong, who has 30 years of experience. "Inventory has doubled. I'm putting homes on the market, and they're staying on the market a long time with no offers."

One home initially priced at \$889,000 was reduced to \$855,000 and still hasn't sold, Wong said. But three offers were made on a home listed below what it had been appraised for, she said.

"It is a buyer's market without a doubt," concurred John Abel, an agent in Scotts Valley who sees a glut of homes for sale.

Buyers have plenty of choices with 1,355 homes listed, about 50 percent more than at this time in 2004 or 2005 when houses were snapped up in a frenzy.

Gangnes said more homes are on the market because sales have been low, creating a buildup of inventory. Some "new" listings are actually homes that haven't sold and are then "re-listed," he explained.

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While the median price has risen since February, it hasn't reached the record of \$789,250 set last year.

Three veteran sales agents who work on their own offered this advice: Sellers must be more patient.

"Instant gratification we all love, but instant gratification is not going to happen right now," said RoseMarie McNair, an agent in Capitola with 30 years of experience.

Buyers might do well to see a builder who's got several homes on the market.

"The interest is over \$1,000 a day," said Bill Brooks, the owner of Brooks Properties, who dropped prices on one development by \$75,000 per home to about \$700,000 each in response to market conditions. "I've got 18 houses on Water Street and Reed Way; five are sold and two are in escrow."

Agents might want to diversify to survive.

"Do the math: 1,500 Realtors, 146 sales. Ouch!" said Abel, who has a contractor's license and has branched out to work in Texas, Oklahoma and New Mexico.

"It's a way to survive," he said.

Rising interest rates may be another reason more homes are on the market. Even with rates near historic lows, small upward shifts can mean big changes in monthly payments.

"Some folks may have high-interest loans or variable-rate loans and need to get out of them," McNair said.

Although July was a "dry month" for McNair, she has properties in escrow and plans to sit tight.

"It's not going to last forever," she said. "I've never seen things go kerflooie."

Abel, who bought his first house at 22, predicts some real estate agents will look for other ways to make a living.

"The ranks swelled when people thought it was so easy to make \$100,000 a year," he said.

Still, he is bullish on Santa Cruz.

"I'm not worried about the short term. It's about relationships and building them," he said. "With interest rates not going up, I think activity will increase."

Brooks agreed that the slowdown will weed out part-time agents.

"It's ratcheting down a bit," he said. "That's good. It will stabilize."

The changing conditions helped him make a deal two weeks ago for a vacant parcel in Scotts Valley across the street from a townhome development he built on Blue Bonnet Lane.

The Church of Jesus Christ of Latter-day Saints, which owned the lot next to the Metro bus station, put the land on the market and sold it to the highest bidder. But the deal fell apart, according to Brooks, when the buyer realized he was paying too much.

"I called them up and asked, 'Do you want a real buyer? Take my offer,' and they did," Brooks said. "My escrow period is almost a year. They know I'll close it."

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July home statistics

SINGLE FAMILY HOMES

Number of sales: 146

Number of listings: 1,355

Unsold Inventory Index: 9.3 months

Median price: \$768,750

Average price: \$882,222

CONDOMINIUMS/ TOWNHOUSES

Number of sales: 44

Number of listings: 324

Unsold Inventory Index: 7.4 months

Median price: \$464,763

Average price: \$500,042

Source: [Real Options Realty,](#)

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