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February 10, 2007

## House-hunters hope prices will keep dropping

**By Jondi Gumz**  
Sentinel staff writer

Patricia Beckwith has finally started house-hunting.

A certified public accountant in Aptos, she couldn't help whooping with joy when she heard the median price of single-family homes in Santa Cruz County dropped again.

The median price in January was \$702,250, the lowest for any month since December 2004 and down from a peak of \$775,000 in July. The median is the midpoint where half the sales were above and half below.

"I'm taking my little \$500,000 offer and looking at some properties," Beckwith said.

A month ago, she felt frustrated, knowing her household income was above the median for the county but still not enough to buy a house. She saw a "dinky" home near the Polo Grounds reduced from \$575,000 to \$535,000 and thought it would be ridiculous to pay \$3,000 a month for a mortgage on such a small house.

Her best chance, she figured, would be to find a home that went into foreclosure when the owners couldn't make the payments.

Beckwith has been saving up since 1999.

She went back to college in her late 20s to change careers. She had started a house-cleaning business and noticed clients who worked in accounting had beautiful homes. After completing her degree, she began saving. As her nest egg grew, home prices began to soar. By 2004, the median price reached the \$600,000 range, and it kept going up until July.

Sellers no longer have the advantage they had a year or two ago. But Gary Gangnes of Real Options Realty, who compiles monthly housing statistics, contends it's still not a buyers' market.

A sharp drop in prices doesn't seem likely, according to the Unsold Inventory Index, a predictor of changes in value. The index jumped from 5 months to 7.7 months, but it's still within the normal range of six to eight months, Gangnes said. The index is based on the number of listings divided by number of sales, and sales are down while inventory remains high.

For those ready to sell, they face a lot of competition.

The number of homes on the market is the highest in 10 years for this time of year — 842 listings, 5 percent more than a year ago, and 97 percent more than two years ago.

Sales are near a 10-year low for January, which is typically slow for sales — with 110 sold. Compare that to 154 in January 2005 and 162 in January 2004, when the market was hot.

Trends are harder to detect for condos and townhouses because so few of them are sold.

The median price for condos was \$489,444, a two-year low for the month of January. That's based on 24 sales. This is a month when sales are usually down, and the numbers are down from 37 a year ago and 42 two years ago.

Listings remain high, with 211 condos for sale, the most in 10 years for the month of January. That's 15 percent more than a year ago and 189 percent more than two years ago.

For Beckwith, who hopes to make the leap from renter to owner, the good news is that more homes are being listed for less than the median price.

The Multiple Listings Service lists six single-family homes in Aptos priced at under \$500,000, and two of those are under contract.

Beckwith said she plans to look at listings priced over \$500,000 and see if

sellers will take her offer.

Contact Jondi Gumz at [jgumz@santacruzsentinel.com](mailto:jgumz@santacruzsentinel.com).

## On the Net

- [www.ror.com](http://www.ror.com)

## Advice for home buyers

As the housing market softens, many renters are considering buying their first home or condo. Here are some tips from the American Institute of Certified Public Accountants.

- Make sure you have a budget. Owning your own place comes with a slew of new expenses. If you don't have a household budget now, start one. You need to know exactly how much you can afford to spend.
- Draw up a mock budget, starting with your mortgage payment. Then, factor in higher utility bills, homeowner's insurance, property taxes, homeowner association fees and maintenance and upkeep costs, as well as higher commuting costs if you're considering a neighborhood further from work. If you can't afford the increased expenses that come with a house, it's never a good time to buy.
- Traditionally, to get your foot in the door, you need a down payment worth 20 percent of the home price. That means for a \$250,000 home, you'll need \$50,000 upfront. You can get zero- or low-down loans, but you may have to pay for private mortgage insurance or take out a piggyback loan with a much higher interest rate. Don't forget about closing costs [usually 3 percent to 6 percent of the purchase price] property taxes, initial repairs, moving expenses and decorating costs.
- Make sure you have a reliable source of income to cover monthly payments and set aside money for an emergency. Three to six months of your living expenses is recommended.
- Get your debts under control. Lenders want to make sure your monthly housing costs — including principal, interest, taxes and insurance — will consume no more than 33 percent of your monthly gross income; and that your total debt payments, including your mortgage, credit cards, student loans and auto loans, will remain below 38 percent of your total pay. If you have large outstanding debts, try to pay them down before applying for a mortgage. Postpone buying a new car or charging an expensive vacation.
- Order a copy of your credit report. A decent credit history can help you get a lower interest rate on your mortgage and a lower monthly payment. The government allows you to check your credit history free once a year from each of the three main credit bureaus at: [www.annualcreditreport.com](http://www.annualcreditreport.com).
- For more finance tips, check out 'Dollars & Sense' at [www.calcpa.org](http://www.calcpa.org).

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