



February 17, 2009

Santa Cruz County Home Sales Rise Seventh Month in a Row

Sales of single-family, re-sale homes were up, year-over-year, by 21.5% in January. We expect this momentum to continue as the market works its way through the glut of bank-owned properties.

The median price for reversed course, again, and fell 1.7% from December. Since September, the median price has gone up, down, up, down. This is usually a sign the market is looking for a bottom. The median price was down 27% year-over-year.

Inventory was down 21.6% from last January. This is the ninth month in a row inventory has declined year-over-year.

In spite of the decline in inventory, and because home sales were down 29.5% month-over-month, our

The sales price to list price ratio rose 0.7 of a point to 97%.

Days on market gained eleven days to 86 days.

Condo sales were down 12.5% from December, but were up 75% year-over-year.

The median price for condos lost 16.9% from the month before, and was down 41.1% compared to last January.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a particular neighborhood or property, call me at 831-246-4663.

Trends at a Glance (Single-family Homes)			
	Dec 08	Nov 08	Dec 07
Median Price:	\$452,500	\$445,000	\$732,000
Average Price:	\$531,839	\$600,125	\$827,196
Units Sold:	112	96	76
Inventory:	821	939	1,011
Sale/List Price Ratio:	96.3%	96.8%	97.0%
Days of Inventory:	213	284	412
Days on Market:	75	79	85

Days of Inventory indicator regained the 71 days it had shed in December and is now back at 284 days. In a balanced market, the supply of homes is usually around five to six months.

INSIDE THIS ISSUE:

- CBIA PRESSING FOR HOUSING STIMULUS MEAS- 1
- MORTGAGE RATE OUTLOOK 2
- CITY STATISTICS 2
- WHAT TO KNOW WHEN BUYING A HOME 3
- CONDO STATISTICS 3
- PRICE & SALES CHART 4

Summary of Stimulus Bill Signed Today

Here's the National Association of Realtors' take on the stimulus bill signed today by President Obama:

- 1) Loan limits will be raised to \$727,000 in high cost areas,
- 2) The tax credit will be raised to \$8,000 with NO payback [a true credit],
- 3) Interest rates have come down 125-150 basis points, and
- 4) The bill has over \$50 billion in it for foreclosure mitigation, with Geitner's Treasury plan signaling that the second half of TARP and TALF will be used to mitigate foreclosures through a government guarantee, drive down interest rates by buying another \$200-300 billion of mortgage paper from

the GSEs thereby freeing them up to do the same with new mortgages

Unaffected by the legislation: mortgage interest deductibility, real estate tax deductibility, and the \$250,000/\$500,000 capital gains exclusion.

What do The Acronyms Mean?

TARP= Troubled Assets Relief Program, the largest part of the U.S. government's \$700 billion financial bailout plan of 2008. It's a program of the US government to purchase assets and equity from financial institutions in order to strengthen the financial sector.

TALF=Term Asset-Backed Securities Loan Facility is a program created by the Fed last November.

The facility will support the issuance of asset-backed securities collateralized by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration (SBA).

GSEs= Government Sponsored Enterprises are a group of financial services corporations created by Congress. Their function is to enhance the flow of credit to targeted sectors of the economy and to make those segments of the capital market more efficient and transparent.

Great News for Investors

Fannie Mae last week decided to lift the cap of 4 investment properties eligible for loans and raise it to 10. This could help a lot to firm up prices in the real estate market.

Whole Foods to Open Soon!

On the lighter side, the Whole Foods Market in Santa Cruz is scheduled to open on March 18th.

The old Ralph's on 41st Avenue has been gutted and Whole Foods plans to open their Capitola store some time in the summer.

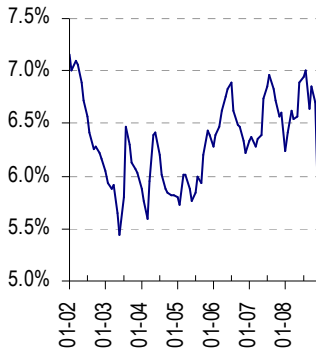


Capitola Store

The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Feb. 6, 2009 -- Mortgage rates moved a little higher amid the raging "stimulus" debate. It seems to us that more than one factor is the cause behind the mild lift in rates, not the least of which are glimmers of hope amid the economic data.

HSH's overall average for the week, our Fixed-Rate Mortgage Indicator -- inclusive of conforming, jumbo and 'expanded conforming' interest rates -- rose by eight basis points (.08%), finishing the week at 5.94%. The overall 5/1 Hybrid ARM average moved .06 upward, landing at a week-ending value of 5.67%. Conforming 30-year FRMs trudged upward by nine basis points, while Jumbo 30-year FRMs actually declined to 6.83% for the period.

One of the factors pressing interest rates higher is that the influential 10-

year Treasury continued to move higher, and finished the week stalking the 3% mark. As we've noted on a number of occasions, the Treasury has still considerable but somewhat diminished influence on FRM rates in the present environment. For example, the 10-year Treasury has now risen by 75 basis points since touching a weekly low of 2.18% on December 26, but conforming mortgage rates have only lifted by 31 basis points over that time.

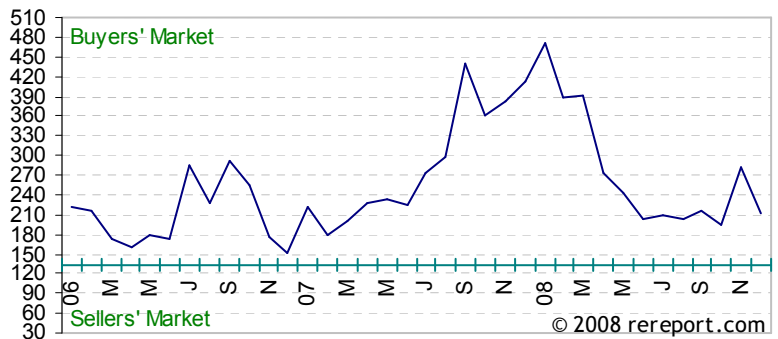
What this does mean, though, is that spreads -- the differential between the 10-yr Note and the average 30-year FRM -- are starting to narrow, an encouraging sign of sorts. Normally, the difference between those values runs between 150-170 basis points or so; in late December, amid still-considerable panic in the market, that gap stood at a whopping 313

basis points. Since then, that spread has narrowed to about 250 basis points again, a signal of calming in the credit markets. For jumbos, the gap is now the narrowest in three months. It does seem that the market is trying to inch itself back towards whatever might pass for 'normal' these days.

After existing home sales bounced up by 6.5% in December, the National Association of Realtors reported that their Pending Home Sales Index also bumped up by 6.3 points during that month, which means that January's existing home sales figures are likely to also sport a rise when they're released. Home sales figures still remain low but do seem to be finding some kind of bottom around these levels.

"IT DOES SEEM THAT THE MARKET IS TRYING TO INCH ITSELF BACK TOWARDS WHATEVER MIGHT PASS FOR 'NORMAL' THESE DAYS."

Days of Inventory: Single-Family Homes



December Sales Statistics

Single-family Homes

	Prices		Unit					Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$452,500	\$531,839	112	146	821	75	96.3%	-38.2%	-35.7%	47.4%	-18.8%	1.7%	-11.4%	16.7%	-12.6%
Aptos	\$894,500	\$838,166	6	2	40	87	92.2%	18.9%	-0.7%	0.0%	0.0%	70.4%	59.7%	200.0%	-21.6%
Capitola	\$617,500	\$617,500	2	5	28	128	95.1%	-16.5%	-16.5%	0.0%	55.6%	-18.2%	-25.5%	-33.3%	-3.4%
Los Gatos Mtns *	*	*	*	6	10	*	*	n/a	n/a	n/a	-60.0%	n/a	n/a	n/a	11.1%
Rio del Mar	\$762,000	\$819,375	12	8	58	135	95.8%	2.3%	8.0%	140.0%	-4.9%	27.7%	50.6%	200.0%	-19.4%
Seacliff	\$591,000	\$591,000	1	1	8	9	98.7%	-13.4%	-11.5%	-66.7%	-20.0%	n/a	n/a	n/a	0.0%
San Lorenzo Vly	\$344,900	\$377,220	15	24	137	121	93.7%	-16.9%	-19.9%	7.1%	-2.1%	-16.0%	-10.6%	7.1%	-13.8%
Soquel	\$525,000	\$502,333	3	6	45	52	101.2%	-43.5%	-44.9%	-25.0%	0.0%	-12.5%	-16.3%	200.0%	-8.2%
Scotts Valley	\$940,000	\$914,916	6	8	66	63	98.0%	-1.9%	-15.4%	-25.0%	0.0%	33.8%	33.6%	-25.0%	-13.2%
Santa Cruz	\$617,500	\$634,575	22	27	183	75	95.7%	-26.7%	-39.6%	10.0%	-4.7%	-8.5%	-25.8%	29.4%	-13.3%
East County	\$315,000	\$398,694	19	21	129	96	97.0%	-50.8%	-50.6%	171.4%	-8.5%	-11.2%	-36.3%	11.8%	-10.4%
West County	\$3,250,000	\$3,250,000	1	5	26	####	86.7%	217.1%	217.1%	0.0%	85.7%	138.5%	138.5%	-50.0%	0.0%
Watsonville	\$299,900	\$297,512	25	33	179	111	95.3%	-48.3%	-44.5%	733.3%	-9.1%	-20.2%	-11.7%	8.7%	-5.8%

The Real Estate Report

What to Know When Buying a Home

Buying a home is one of the most complicated transactions you will ever do. So many people and companies are involved that it is easy for mistakes to be made. Freddie Mac offers a number of tips:

- Get pre-approved for a loan. With a pre-approved loan, you'll have more clout as the seller considers your offer.
- Make sure it's in writing. Don't settle for verbal agreements. If the seller says he'll replace the carpet or leave his washer and dryer, get it in writing.
- Get a good-faith estimate. Your mortgage lender is required to provide you with a good-faith estimate of closing costs within three days of receiving your application. They need to provide it in writing. If you don't have to pay loan application fees, you may want to compare lenders and compare closing costs.
- Don't settle for the first lender you come across. Contact at least three lenders and compare rates.
- Lock-in your rate. One of the most stressful parts of the loan process is watching rates inch up and down each day and trying to figure out when to lock in your rate. Once you do lock in, be sure to get a written statement that outlines your interest rate and length of the lock.
- Get a home inspection. A professional home inspector will examine the house's major systems and let you know if there are any problems or

defects. You can then use the information in your negotiations. Look for an inspector who is a member of the American Society of Home Inspectors. Members are required to have completed at least 250 paid professional home inspections and passed two written exams that test the inspector's knowledge. Also, ask for references.

- Shop for homeowners' insurance as soon as your offer is accepted. The National Association of Realtors recently cautioned homebuyers to not take homeowners insurance for granted. You and your spouse may have a clean claims history and a stellar credit history - something insurance companies use to determine whether they will

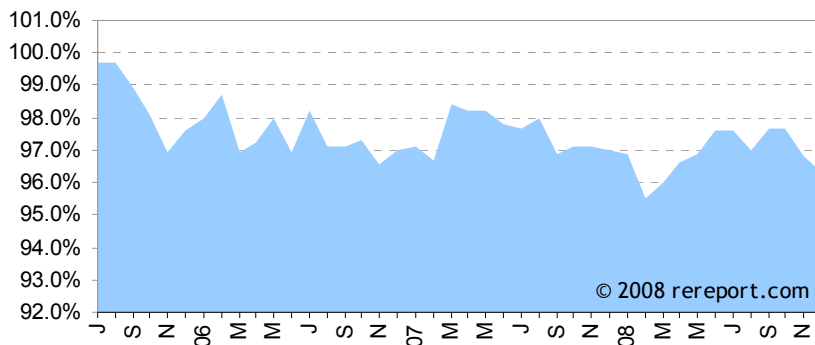
insure you - but it's not just you they're looking at. If the house you're eyeing has had claims, there's a chance they won't insure you, especially if it's a water-related claim.

- Read everything. When you have the closing meeting to sign the mountain of papers, make sure you read through everything carefully and don't hesitate to ask questions if there is anything you don't understand.

Finally, give yourself enough time between your closing and your move date, just in case there are delays in the closing process.

Santa Cruz County: Homes

Sales Price/Listing Price Ratio



Bargain of the Month

\$210,000

Residential lot off of Hacienda in Scotts Valley. 14,000 sq ft (10,000 buildable and 4,000 approach) with city-approved building plans. Call me for more information (831.246.4663).

December Sales Statistics

Condominiums/Townhomes

	Prices		Unit		Newly		Total		Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed	Sales	Listed	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$349,000	\$403,812	24	54	195	85	96.5%		-30.2%	-34.7%	41.2%	-18.4%	16.1%	18.4%	-7.7%	12.7%
Aptos	\$435,000	\$435,000	1	2	8	204	96.9%		-26.9%	-26.9%	0.0%	#####	82.8%	82.8%	0.0%	33.3%
Capitola	\$337,000	\$337,000	1	6	18	63	112.7%		-24.4%	-50.5%	-75.0%	-28.0%	11.6%	5.6%	-80.0%	20.0%
Rio del Mar	\$520,000	\$520,000	1	5	15	148	94.6%		4.0%	4.0%	0.0%	25.0%	n/a	n/a	n/a	n/a
Scotts Valley *	*	*	*	4	13	*	*	*	n/a	n/a	n/a	30.0%	n/a	n/a	n/a	8.3%
Santa Cruz	\$490,000	\$505,583	6	11	64	36	93.1%		-18.3%	-26.0%	-14.3%	-14.7%	-10.1%	-9.1%	100.0%	-3.0%
Watsonville	\$260,000	\$242,777	9	19	62	95	97.1%		n/a	n/a	n/a	0.0%	21.0%	-12.7%	79.2%	-4.6%

WALTER STAUSS

REAL ESTATE AND COMMUNITY NEWS

Lifestyles Real Estate
500 Seabright Avenue • Santa Cruz, California 95062

Go online to see the full report with the city by city breakdown: www.831.com

Postage Going up in May

On May 11th the price for a 1-ounce First-Class Mail stamp will increase to 44¢. Until the new prices go into effect, you can buy "Forever Stamps" at the current rate (42¢).

Santa Cruz Starts CFL Bulb Recycling

Santa Cruz County is starting a new program to get more people to recycle compact fluorescent light bulbs (CFLs). CFLs contain a small amount of mercury which can harm the environment if the bulbs are not properly recycled. The program will establish recycling drop-offs at 13 businesses throughout the county. For a list of drop-off sites, go to my blog, located at <http://walter-stauss.blogspot.com/>

Santa Cruz County Homes: Prices vs. Sales

(3-month moving average — \$000's)

