



March 2009

Santa Cruz County Home Sales Rise Eighth Month in a Row

Sales of single-family, re-sale homes were up, year-over-year, by 17.6% in February. We expect this momentum to continue as the market works its way through the glut of bank-owned properties.

The median price for homes fell 5.7% from January. The median price was down 37.1% year-over-year.

Inventory was down 18.8% from last February. This is the tenth month in a row inventory has declined year-over-year.

Our Days of Inventory indicator lost eight days and is now at 268 days. In a balanced market, the supply of homes is usually around five to six

months. For condos, the indicator was flat at 299 days.

Trends at a Glance (Single-family Homes)			
	Feb 09	Jan 09	Feb 08
Median Price:	\$429,000	\$455,000	\$682,500
Average Price:	\$498,314	\$544,765	\$858,694
Units Sold:	87	82	74
Inventory:	803	781	989
Sale/List Price Ratio:	96.4%	97.0%	95.5%
Days of Inventory:	268	276	388
Days on Market:	92	84	98

The sales price to list price ratio dropped 0.6 of a point to 96.4%.

Days on market gained eight days to 92 days.

Condo sales were down 4.8% from January, but were up 66.7% year-over-year.

The median price for condos lost 12.2% from the month before, and was down 34.8% compared to last January.

Condo inventory shed 4.8% month-over-month, and was down 18.1% compared to February 2008.

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.

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American Recovery and Reinvestment Act Ups Loan Limits

The American Recovery and Reinvestment Act of 2009 reinstates last year's 2008 loan limits for FHA, Freddie Mac, and Fannie Mae loans.

These limits were equal to the greater of 125% of the 2008 local area median home price or \$271,050 for FHA and \$417,000 for Fannie and Freddie, with an overall maximum cap of \$729,750.

For the few areas where the 2009 limits were higher, the higher limits will apply. In addition, the bill includes language providing the HUD Secretary with the discretion, if warranted, to increase the loan limit for any "sub-area", i.e. an area smaller than a county. The Secretary's discretion is again limited by the \$729,750 cap. These 2009

limits will expire December 31, 2009.

For Santa Clara County, loan limits will be \$729,750.

The Act is intended to provide a stimulus to the U.S. economy in the wake of the economic downturn brought about by the subprime mortgage crisis and the resulting credit crunch. The Act includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector.

Some of the tax relief for individuals include:

- New payroll tax credit of \$400 per worker and \$800 per couple in 2009 and 2010. Phase-

out begins at \$75,000 for individuals and \$150,000 for joint filers.

- Alternative minimum tax: a one year increase in AMT floor to \$70,950 for joint filers for 2009.
- Expansion of child tax credit: A \$1,000 credit to more families (even those that do not make enough money to pay income taxes).
- Expanded college credit to provide a \$2,500 expanded tax credit for college tuition and related expenses for 2009 and 2010. The credit is phased out for couples making more than \$160,000.
- Homebuyer credit: \$8,000 credit for all homes bought between 1/1/2009 and

12/1/2009 and repayment provision repealed for homes purchased in 2009 and held more than three years. This only applies to first-time homebuyers.

- Home energy credit to provide an expanded credit to homeowners who make their homes more energy-efficient in 2009 and 2010. Homeowners could recoup 30 percent of the cost up to \$1,500 of numerous projects, such as installing energy-efficient windows, doors, furnaces and air conditioners.
- Deduction of sales tax from car purchases, phased out for incomes above \$250,000.

ZIP Codes Where Housing Sales Are Increasing

Housing sales are improving significantly in key ZIP codes around the country where prices have moderated, according to information compiled for BusinessWeek.com by First American CoreLogic.

ZIP codes in California, Florida, Arizona and Nevada dominated the list.

Inventories are shrinking and prices are stabilizing in several markets, according to the survey. Here are the top 10 ZIP codes with improved home sales:

1. 94533, Fairfield, Calif. (Fresno)
2. 92376, Rialto, Calif. (Riverside-San Bernardino-Ontario)

3. 91342, Slymar, Calif. (Los Angeles-Long Beach-Santa Ana)
4. 92126, San Diego, Calif.
5. 33914, Cape Coral, Fla.
6. 93065, Simi Valley, Calif. (Oxnard-Thousand Oaks-Ventura)
7. 95123, San Jose, Calif.
8. 85379, Surprise, Ariz. (Phoenix-Mesa-Scottsdale)
9. 93722, Fresno, Calif. (Madera)
10. 95624, Elks Grove, Calif. (Sacramento-Arden-Arcade-Roseville)

6 Tips for Home Owners Who Turn into Landlords

Home owners who decide to rent out their properties have to stop thinking of themselves as home owners and instead consider themselves as running a small business, experts say.

Thinking like a businessperson means focusing on the monthly cost of maintenance, mortgage and taxes, as well as being aware of landlord-tenant regulations and avoiding liabilities.

Here are key issues to consider:

Set a fair rent. Setting the right price will make it more likely that a landlord will be able to keep the place rented.

Understand landlord-tenant rules. Running afoul of landlord-tenant

regulations and rules regarding security deposits can be costly.

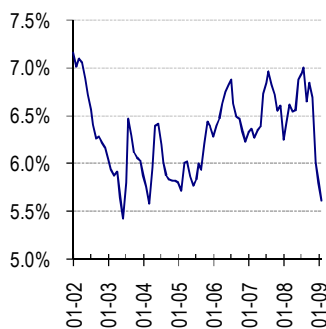
Screen applicants. Eliminating potential tenants who can't pay or who won't take care of the property is very important.

Lay out the rules in a lease. Widely available sample leases can help. If you have questions, ask an attorney.

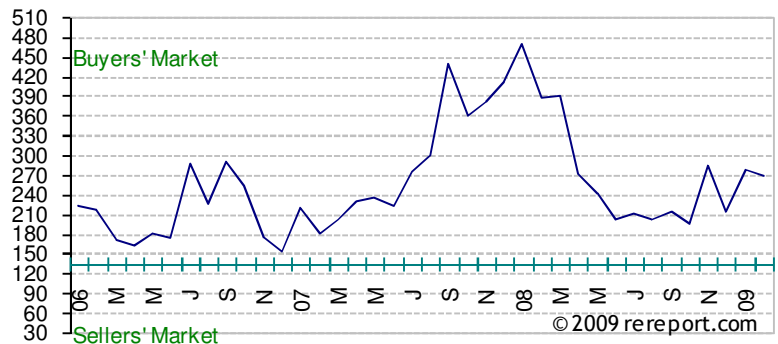
Consider a property manager. Despite the expense, turning the job over to experts can help a landlord come out ahead.

Talk to the condo association. If the property is a condominium, be prepared to deal with a host of regulations.

30-Year Fixed Mortgage Rates



Days of Inventory: Single-Family Homes



February Sales Statistics

Single-family Homes

	Prices		Unit		Change from Last Year				Change from Last Month						
	Median	Average	Sales	Listed	Total Listed	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$429,000	\$498,314	87	225	803	92	96.4%	-37.1%	-42.0%	17.6%	-18.8%	-5.7%	-8.5%	6.1%	2.8%
Aptos	\$1,390,000	\$1,390,000	1	15	46	192	84.5%	78.8%	53.0%	-75.0%	0.0%	149.6%	147.0%	-66.7%	21.1%
Capitola	\$730,000	\$693,000	3	8	37	191	96.3%	4.3%	-0.9%	0.0%	23.3%	32.7%	-48.9%	0.0%	19.4%
Los Gatos Mtns	\$580,000	\$936,666	3	5	25	409	84.0%	-50.2%	-19.6%	200.0%	38.9%	34.2%	116.7%	200.0%	4.2%
Rio del Mar	\$765,000	\$921,000	5	7	57	205	95.8%	-26.4%	-36.8%	-44.4%	0.0%	33.4%	60.7%	150.0%	-9.5%
Seacliff	\$583,000	\$583,000	1	9	18	105	92.7%	-64.7%	-64.7%	0.0%	20.0%	11.0%	11.0%	-50.0%	63.6%
San Lorenzo Vly	\$257,500	\$259,465	10	30	137	127	96.8%	-49.3%	-41.9%	25.0%	-4.2%	-31.8%	-39.7%	0.0%	1.5%
Soquel	\$564,000	\$564,000	1	6	46	131	90.3%	-37.3%	-42.1%	-80.0%	-8.0%	0.3%	-12.2%	-83.3%	4.5%
Scotts Valley	\$662,000	\$662,000	2	17	83	45	96.4%	-20.2%	-38.5%	-60.0%	2.5%	35.2%	35.2%	0.0%	10.7%
Santa Cruz	\$558,000	\$637,159	22	55	200	56	97.2%	-13.2%	-13.5%	22.2%	3.1%	-3.0%	-8.0%	46.7%	4.7%
East County	\$265,000	\$272,750	9	25	129	75	98.6%	-71.1%	-74.2%	0.0%	-15.1%	-19.7%	-41.0%	-35.7%	-0.8%
West County	\$732,500	\$732,500	1	5	26	176	94.5%	92.8%	92.8%	0.0%	85.7%	-23.0%	-23.0%	-50.0%	8.3%
Watsonville	\$320,000	\$307,476	25	42	178	77	99.1%	-26.4%	-32.2%	212.5%	-18.0%	7.6%	5.0%	38.9%	2.9%

Tips for a better refinance or purchase transaction

1. If the mortgage retailer you're interested in is unfamiliar to you, take the time to check them out. Or better yet, rely on advice from a friend or your Realtor (me).

2. If it sounds too good to be true, it probably is. Be wary of deals that are way below the other offerings in your market, or promises of service quality which can't possibly be met ("we close in 24 hours!") Don't be surprised if the advertised deals don't apply to your situation; they may be available only to the absolute best, top-shelf borrowers. The law only requires that the deal listed be available -- not that it's available to you.

3. Research, research, research. It's your job to know what is normal for your loan circumstance. Call lots of outlets. Get rates, points, fees and commitment periods for offers that are as similar as possible. Some of the lowest rates offered have

no lock-in available, or can be obtained only if you close ASAP, so make sure that the quotes you get have the same terms, if possible. That way, you'll soon be able to judge a good, bad or just average deal.

4. Ask questions, get answers. People in the business will sometimes talk a blue streak and expect that you understand. If you don't get it, say so. Make them explain -- to your satisfaction -- or take your business to someone who will.

5. Get it in writing, on company letterhead, and signed. This pertains to everything you negotiate in your deal, but especially any lock-in agreement (or execution) you conduct. More misunderstandings and disputes are related to lock-ins than any other item. Under the law, verbal agreements aren't worth the paper they're not printed on.

6. Sign nothing you don't understand -- and understand everything you sign, even if you need to get outside help to do so. If legalese or contract language is difficult for you, hire a lawyer to help manage your transaction. The few hundred dollars can be very inexpensive insurance.

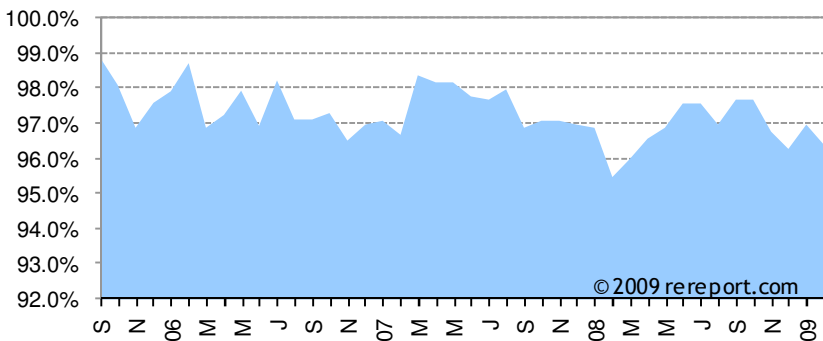
7. Ask how much experience they have in dealing with mortgage situations similar to yours. How long has the company been in business? How long have your broker and loan processor been in the business? More experience can mean a smoother transaction, especially if the market gets rough -- and it can help to know your loan processor.

8. If you're coming in "blind", with no referrals from friends or relatives, ask for a few references you can contact -- and follow up on them. Of course, they'll probably be the most satisfied clients the firm has worked for, but it is a place to start.

9. Make sure your "no points" loan is really "no points." You might not know that there are actually two kinds of points: Discount Points (which lower the interest rate) and percentage-based Origination Fees which cover some of the cost of getting you the mortgage, including commissions. A true no-points loan has neither -- and if your "no points" loan has a one-percent Origination Fee, it's actually a one-point loan. Compare it against other one-point loans for accuracy.

10. Ask about "Prepayment Penalties" or "Early Termination Fees." Some of the lowest rates in the market, especially for ARMs, are available only on loans which carry hefty fees if the loan is refinanced in the early (the first three to five) years. If you don't ask whether any apply to your loan, you could find a costly "zinger" down the road.

Santa Cruz County: Homes Sales Price/Listing Price Ratio



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- See more stats
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February Sales Statistics Condominiums/Townhomes

	Prices		Unit		Newly		Total		Change from Last Year				Change from Last Month			
	Median	Average	Sales	Listed	Listed	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed	
County	\$254,500	\$290,775	20	44	199	96	93.8%	-34.8%	-26.6%	66.7%	-18.1%	-12.2%	-5.3%	-4.8%	-4.8%	
Aptos *	*	*	*	1	10	*	*	n/a	n/a	n/a	#####	n/a	n/a	n/a	11.1%	
Capitola *	*	*	*	5	18	*	*	n/a	n/a	n/a	-45.5%	n/a	n/a	n/a	0.0%	
Rio del Mar	\$666,700	\$666,700	1	7	23	320	98.2%	31.4%	31.4%	-50.0%	53.3%	33.3%	33.3%	0.0%	35.3%	
Scotts Valley	\$312,500	\$312,500	2	1	9	177	90.7%	-32.1%	-32.1%	100.0%	-30.8%	-10.3%	-18.6%	-50.0%	-10.0%	
Santa Cruz	\$375,000	\$360,000	4	12	91	110	98.7%	97.4%	89.5%	300.0%	7.1%	-34.8%	-37.4%	100.0%	0.0%	
Watsonville	\$205,000	\$196,709	11	13	60	104	92.4%	-6.8%	-10.6%	285.2%	-17.8%	-4.3%	-4.8%	-25.7%	-9.1%	

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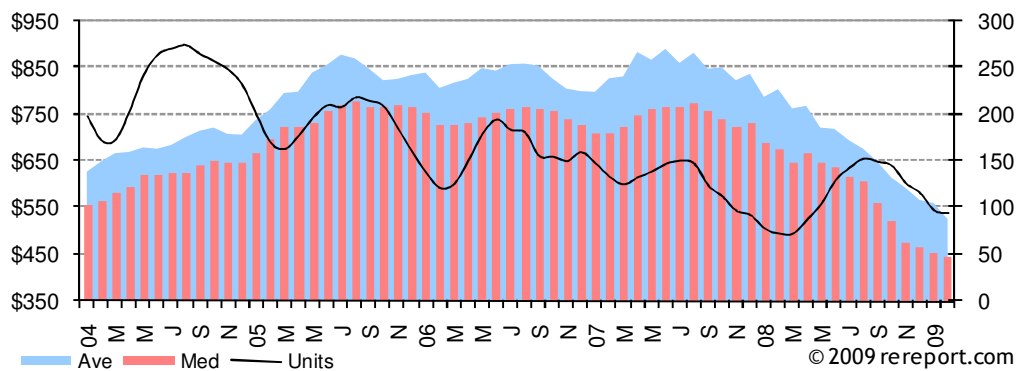
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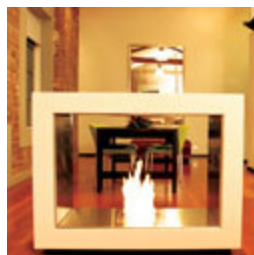
Santa Cruz County Homes: Prices vs. Sales
(3-month moving average — \$000's)



Green Corner

This month's Green Corner features an alternative to both the wood-burning fireplace and the gas-log fireplace.

Stylish and eco-friendly, the **EcoSmart Fire** system gives you the pleasure of a fireplace without the pollutants. The self-contained unit is fueled by clean-burning denatured ethanol, a renew-



EcoSmart Fire

able resource. Because they don't require a utility connection or a chimney, these portable fire boxes can be placed anywhere inside or outside a home. To make this green product even greener, the company will plant two trees on the buyer's behalf for every unit purchased.

And it gets even better: EcoSmart Fire's qualify for federal tax credits.

You can receive up to 30% or \$1,500 in tax credits for the purchase of any EcoSmart Fire. For more information, go to <http://www.ecosmartfire.com/USA/EN/tax-credits>.

Cost: Models range from \$2,100 to \$11,500. www.ecosmartfire.com