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The Real Estate Report

local market trends

SANTA CRUZ COUNTY

Mortgage Rates Hit Record Lows

Thirty year fixed mortgage rates are down in the low, very low, 4% area.

Which is great for those who have the down payment, minimum 3.5% for FHA-backed loans and 5% for bank loans, and can qualify. Those few, those lucky few. (With all credit to Shakespeare's St. Crispin's day speech.)

Then there are the people who would love to re-finance, but are underwater.

Record low interest rates are having NO affect on the market.

In other news, foreclosure starts surged in August, with Bank of America leading the way by nearly doubling their initial notices of foreclosure, according to <http://foreclosureradar.com>.

In Santa Cruz County, according to <http://foreclosureradar.com>, the number of bank-owned properties, called REOs, was 519 in August.

In the MLS, there are 143 properties listed for sale as REO. We are only counting active listings, not

pending-continue to show, which the MLS counts as active.

There are 15 REO properties pending.

That totals 158 REO properties either for sale or in escrow. That's 30.4% of all bank-owned properties are in play.

MARKET STATISTICS

The sale of single-family, re-sale homes were up 0.7% year-over-year. Year-to-date, home sales are up 7%.

Condo sales were up 14.0% year-over-year.

The median price for homes was down 0.9% from August, and down 4.4% year-over-year.

The median price for condos rose 15.1% compared to July, but was down 7.5% year-over-year.

Home inventory was down 19.5% compared to last September: 661 homes actively listed. Please note, only active listings are included in this figure.

Numbers from the local associations include properties that are also in a pending status,

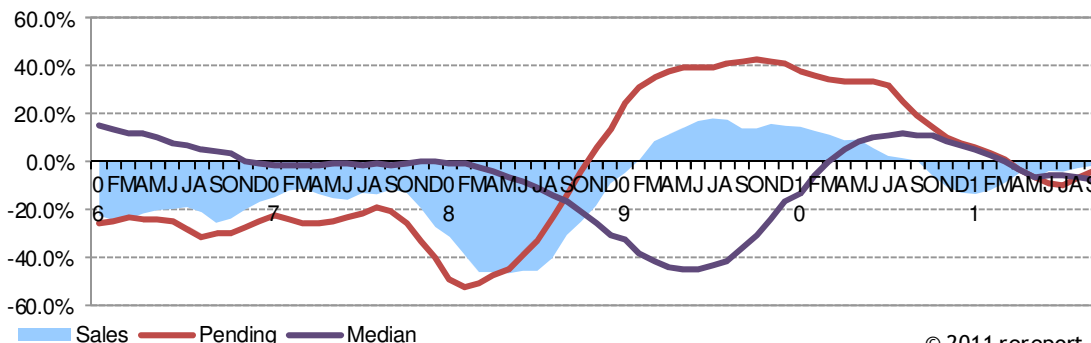
Trends at a Glance (Single-family Homes)			
	Sep 11	Aug 11	Sep 10
Median Price:	\$ 495,000	\$ 499,500	\$ 535,000
Average Price:	\$ 542,903	\$ 568,743	\$ 680,397
Units Sold:	140	164	139
Pending Sales:	295	312	270
Inventory:	661	700	821
Sale/List Price Ratio:	96.6%	96.7%	97.3%
Days on Market:	85	76	84

meaning they have an accepted offer, but haven't been taken off the market.

Condo inventory was up 4.3% year-over-year.

Please remember, while statistics are nice, they will not determine the price you pay or get for a property. That will come down to you and the buyer or seller.

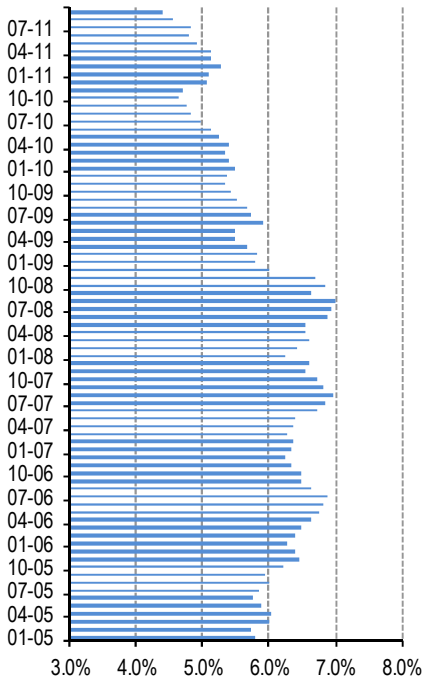
Santa Cruz County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Sept. 30, 2011 -- HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages increased by two basis points (0.02%) from last week, moving just off new record lows to end the week at an average of 4.36%. FHA-backed 30-year fixed-rate mortgages, especially important to first-time homebuyers and low-equity refiners held steady at an average interest rate of 3.99%.

Although it's hard to recommend ARMs at a time of such low interest rates, a case can still be made for them for some borrowers. Hybrid 5/1 ARMs, the most popular kind among adjustable rate products, saw their five-year fixed-rate periods post a three-basis-point rise to finish HSH's survey at a still-incredible 3.09%.

Even with record low mortgage rates, sales of new homes remain weak. The annualized 295,000 homes sold by builders in August was a step down of 7,000 from July but not all that far from the range of the last six months, all which hung around the 300,000 mark. At this sales pace, there is a 6.6 month supply of homes ready for sale, which translates into about 162,000 actual units completed and ready for occu-

pants. The 162,000 units available is a record low and a continuation of a slow dwindle in the stockpile. At some point, builders will need to begin to replenish inventories, but that seems to be well off in the future at the moment.

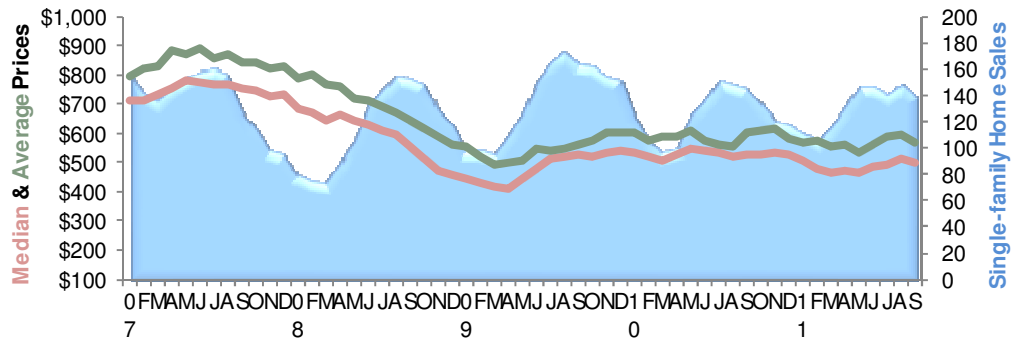
The sooner we get some hiring, the faster that day will come. While the nation's September employment report isn't due until next Friday, perhaps the best news on the labor front in a while came out Thursday, when initial filings for new unemployment benefits soundly broke below the 400,000 mark for the first time since July. The 391,000 new applications for benefits was the lowest figure since the Spring, and a welcome sign, but the large downshift from last week (a decline of 37,000) seems a little suspect and likely to be revised. Still, any move downward is welcome, and perhaps the employment report next week may beat market forecasts which expect a only very slight increase in hiring.

Hiring would bring more wages; more wages would bring more spending, and more spending would bring stronger economic growth.

The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by [HSH.com](http://www.HSH.com). The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

Santa Cruz County Homes - Prices & Sales

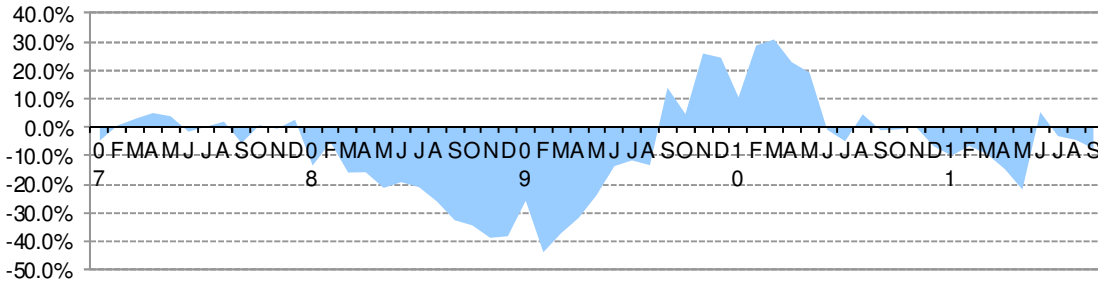
(3-month moving average—prices in \$000's)



Santa Cruz County - September 2011												
Single-Family Homes										% Change from Year Before		
Prices										Prices		
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 495,000	\$ 542,903	140	295	661	137	96.6%	-7.5%	-20.2%	0.7%	9.3%	-19.5%
Aptos	\$ 527,500	\$ 570,400	10	16	29	84	96.2%	-23.4%	-41.6%	-9.1%	6.7%	-35.6%
Capitola	\$ 929,763	\$ 983,006	4	5	28	203	92.6%	4.2%	-3.5%	-33.3%	0.0%	7.7%
Rio del Mar	\$ 627,500	\$ 693,750	12	21	50	121	96.1%	4.6%	10.5%	300.0%	16.7%	-33.3%
Seacliff	\$ 802,500	\$ 742,529	4	3	14	102	96.7%	17.2%	8.4%	300.0%	0.0%	7.7%
San Lorenzo Vly	\$ 260,000	\$ 294,410	20	46	93	135	96.2%	-20.0%	-18.4%	-23.1%	-14.8%	-13.1%
Soquel	\$ 503,184	\$ 534,354	9	17	36	116	93.0%	-33.0%	-26.3%	125.0%	-10.5%	-5.3%
Scotts Valley	\$ 545,000	\$ 591,133	15	18	66	128	99.7%	-32.1%	-34.0%	25.0%	-41.9%	-27.5%
Santa Cruz	\$ 605,000	\$ 674,551	28	76	156	162	97.2%	4.9%	-12.2%	-6.7%	52.0%	-17.5%
East County	\$ 460,000	\$ 522,692	13	33	83	185	96.6%	3.4%	-41.7%	-23.5%	73.7%	-4.6%
West County	\$ 745,000	\$ 745,000	1	4	18	522	93.2%	-10.5%	-17.5%	-66.7%	-20.0%	-35.7%
Watsonville	\$ 325,000	\$ 298,154	17	46	33	56	99.5%	19.3%	2.7%	-5.6%	27.8%	-19.5%

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Santa Cruz County Homes: Year-Over-Year Median Price Change



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FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in Santa Cruz County increased 24.3% in August from the year before. Notices were up 38% from July.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 11.4% year-over-year, but jumped 23.4% from July.

After the filing of a Notice of Trustee Sale, there are only three possible outcomes. First, the sale can be cancelled for reasons that include a successful loan modification or short sale, a filing error, or a legal requirement to re-file the notice after extended postponements. Alternatively, if the property is taken to sale, the bank will place the opening bid. If a third party, typically an investor, bids more than the bank's opening bid, the property will be sold to the third party; if not, it will go back to the bank and become part of that bank's REO inventory.

In August, cancellations were down 16.7% from July, and were down 31% year-over-year.

Properties going back to the bank declined 42.5% in August from July. Year-over-year, properties going back to the bank decreased 28.8%.

The total number of properties that have had a notice of default filed increased by 22.9% in August compared to August 2010. They were up 10.9% from July.

The total number of properties scheduled for sale increased by 5.5% from July, but, were down 13.4% year-over-year.

Unfortunately, the total number of homes owned by the banks was up 17.4% year-over-year. Banks now own approximately 520 properties in Santa Cruz County

Santa Cruz County Condos- Prices & Sales

(3-month moving average—prices in \$000's)

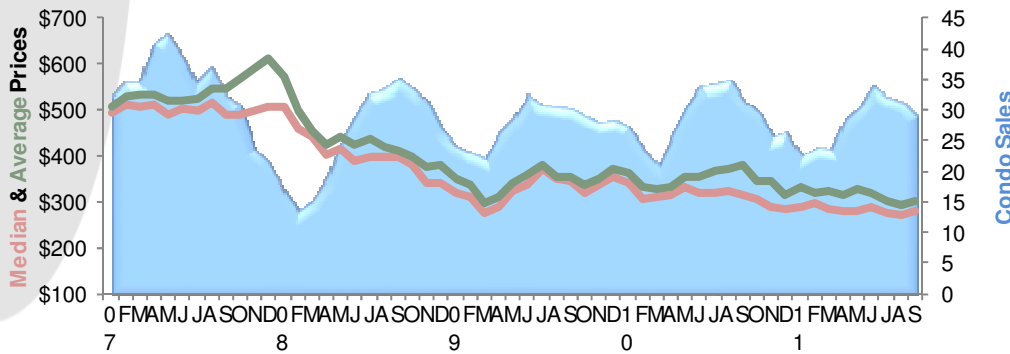


Table Definitions

Median Price
 The price at which 50% of prices were higher and 50% were lower.

Average Price
 Add all prices and divide by the number of sales.

SP/LP
 Sales price to list price ratio or the price paid for the property divided by the asking price.

DOI
 Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

Pend
 Property under contract to sell that hasn't closed escrow.

Inven
 Number of properties actively for sale as of the last day of the month.

Santa Cruz County - September 2011

Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 291,750	\$ 309,216	32	71	196	178	97.6%	-4.0%	-21.1%	14.3%	22.4%	4.3%
Aptos	\$ 298,500	\$ 298,500	1	2	4	116	99.6%	n/a	n/a	n/a	n/a	n/a
Capitola	\$ 339,500	\$ 367,225	4	13	13	94	98.8%	-77.7%	-75.9%	300.0%	225.0%	-18.8%
Rio del Mar	\$ 515,000	\$ 515,000	1	3	45	###	96.3%	-11.5%	-8.4%	-75.0%	-25.0%	15.4%
Scotts Valley	\$ 230,000	\$ 230,000	2	7	5	73	99.0%	-23.1%	-24.1%	-33.3%	133.3%	-44.4%
Santa Cruz	\$ 285,000	\$ 316,417	15	18	43	83	97.0%	-20.8%	-15.8%	200.0%	5.9%	-30.6%
Watsonville	\$ 117,250	\$ 134,875	4	19	18	131	96.5%	-45.5%	-38.0%	-55.6%	18.8%	20.0%

THE REAL ESTATE REPORT
Santa Cruz County

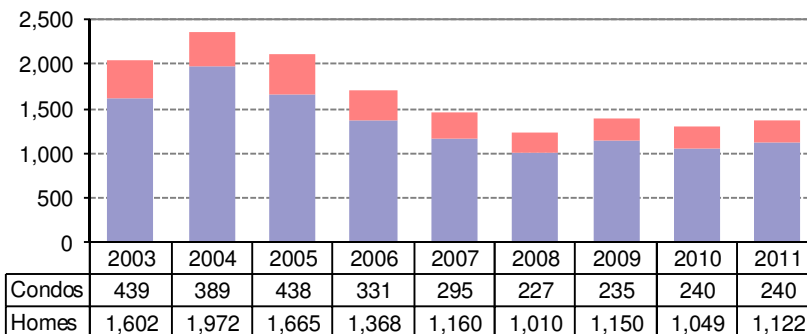


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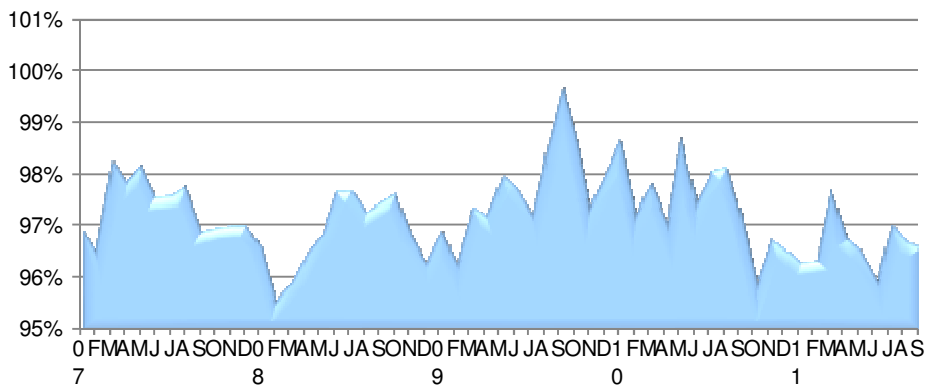
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with the city by city breakdown:

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Santa Cruz County
Sales Year-to-Date



Santa Cruz County Homes: Sales Price/Listing Price Ratio



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