

Bill Lovejoy/Sentinel

Scott Cheney, a real estate agent with Bailey Properties, is listing this new home, which is under construction on one of the last vacant lots in Seascape. New homes are sprouting on vacant lots countywide to catch a piece of the booming market.

# SELLER'S PARADISE



# Eager homebuyers drive housing market to all-time high

By **DEBORAH PETTIT**  
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The boom real estate market Santa Cruz County is enjoying has become a record breaker.

The average price of homes sold in May hit an all-time high of \$360,298. That's \$57,560 more than the average price of homes sold in May 1997.

While the market gradually began improving a couple of years ago, since December, the market has been sizzling.

All winter and spring it has been commonplace for owners of desirable homes to get multiple offers at, or above, their asking price — often on the day the property is listed.

Demand has overwhelmed supply. "We're in the busiest real estate market we've had in a decade," said Robert Bailey, who co-owns Bailey Properties Inc. in Aptos with his

brother. "Everyone is moving at warp speed."

The hottest areas of the county?

Scotts Valley was the first to benefit from the overflow of buyers from Silicon Valley. More recently, the west side of Santa Cruz, where 33 homes sold in May, and the mid county areas of Live Oak/Soquel/Rio Del Mar/Seascape, where 50 homes sold in May, have benefited most.

Tom Brezsny of Monterey Bay Properties in Capitola points out that May closing figures reflect deals that probably were struck during the year's first quarter, when things were truly frenzied.

"Buyers were hovering around the marketplace. They would wait for a new listing and all rush to the house thinking, 'I've got to make a full-price offer or better,'" Brezsny said. "There was something wrong if a property didn't move in two or three days."

The single-family home market became so tight that some buyers decided to sit back for a while. During the past two months more homes have come on the market, and while it is still a boom market by anyone's standards, the pace has backed off a little.

"The buyers are still hovering but are not so fearful that it will go in the first day," Brezsny said. "We are more in a two-week market than a two- or three-day market like it was. People are starting to be a little more selective."

Real estate professionals all agree the market is still heading upward, and consumers should see home prices continue to climb for months to come.

"A true seller's market," said Gary Gangnes, owner of Real Options Realty in Santa Cruz and pres-

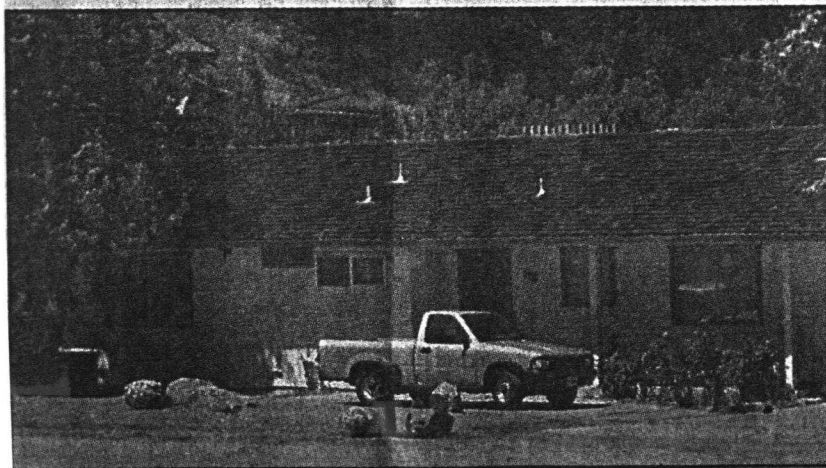
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## Home Sales Comparison

May 1 -31, 1998

Los Gatos Mountains	5	\$363,590	\$349,000
Davenport	1	\$245,000	\$245,000
Empire Grade Road	0	\$0	\$0
Brookdale	1	\$175,000	\$175,000
Felton	10	\$258,750	\$269,750
Scotts Valley - City limit	13	\$411,254	\$347,500
Scotts Valley - North	1	\$255,000	\$255,000
West Santa Cruz	33	\$351,699	\$325,000
Capitola	5	\$296,000	\$310,000
Seacliff	5	\$589,215	\$349,000
Rio Del Mar-Seascape	12	\$303,518	\$399,000
Aptos	5	\$290,100	\$299,000
LaSelva Beach Area	6	\$552,067	\$178,700
Corralitos Area	2	\$210,000	\$210,000
College Road Area	2	\$208,350	\$208,350

\*Source: Santa Cruz County Assn. of Realtors for homes on less than 1 acre



This 3-bedroom, 2-bath home in Scotts Valley sold for \$395,000 just four days after it was listed, fetching just \$4,000 less than the asking price. The house was snatched up quickly, despite its age — 25 years old — and the fact that it needs remodeling. The quick sale is typical of the county's real estate market.

Shmuel Thaler/Sentinel

In 1996 the median price was \$228,000; in 1997 it rose to \$248,375; and during the first five months of this year, the average median price has already hopped to \$293,690.

In 1990, the end of the last boom, the median price was \$289,250. The market hit its lowest point of the decade in 1994, when the median home price was \$225,000.

The pace of home sales also has stepped up. The Santa Cruz Association of Realtors reported 1,086 single-family homes sold between Jan. 1 and May 31, or 18 percent more than the 892 homes that sold during the first five months of 1997.

What factors are combining to drive this boom market?

- The county's proximity to the Silicon Valley job market.

- The relatively small number of desirable properties for sale.

- The spiraling cost of housing in neighboring Santa Clara County.

- The strong economy and low mortgage loan rates.

- The growing numbers of "repeat buyers."

- The increasing percentage of households that can afford to buy homes.

- And the continued strength of the first-time homebuyer market, driven, in part, by people tired of paying high rental rates.

Not even the foul El Niño weather dampened the market.

"It rained like hell for January and February, but I can tell you it didn't stop people from buying," Brezsny said. "It had a lot to do with consumer confidence."

The cyclical nature of the county's real estate market is directly influenced by Santa Clara County's market and usually follows it by six

months to a year, market watchers say.

At some point more people decide that getting more house for their money and other quality-of-life issues are worth the tradeoff of living farther from work and making the Highway 17 commute.

"Scotts Valley is the first to get hit," Draper said. "If you think of it as a large tidal wave, we're the first to get hit and the last to see it recede."

Right now the most homes are available from Santa Cruz south through Mid County.

But the market is not driven just by Silicon Valley commuters.

Real estate agents also are seeing a significant increase in the number of people who are "moving up," repeat homebuyers who are selling one home and buying another. This trend is repeated in city after city across California.

In fact, while first-time homebuyers represented 51 percent of the market in 1995, their share of the market represented about 40 percent last year. At the same time, 1997 marked the return of the repeat homebuyer market, according to the California Association of Realtors.

Repeat buyers made up about 60 percent of the state's homebuyers last year, the highest percentage since 1990.

So even if inventory is down and choices are limited, buyers are still looking for certain amenities and types of housing and are willing to pay a premium.

"Probably the most exciting part of the market is the new home market," Bailey said, adding that builders are busy putting up homes on vacant lots throughout the county because there is so little space for large, new developments.

Certainly the new homes built in Scotts Valley developments like Sky Park and Green Hills were snapped up.

Brezsny has developed a short list of qualities that he says will bring top dollar in the existing home market.

"In Santa Cruz County people tend to value older-period charm," he said. "Some people will pay premium for new construction. Then there is oceanview or ocean proximity, a large yard, which few homes have, a good commute location, and a rural setting that is still very close in."

"Any house that has one or two or three of those qualities together will sell for an incredible premium."

The county's median sales price is a revealing statistic, as it takes the midpoint price of all the homes sold during a given period. That way, the very high-end or low-end sales don't skew the results.

In May, the median price of all homes sold in the county was a record \$310,000, up more than \$40,000 from the median price of all homes sold in May 1997, according to the county's Association of Realtors.

Looking at average median prices of all homes sold in each of the last three years shows a distinct upward trend: