

Average price: \$400,000



Kristi McNutt and her daughters check out this 2,280-square-foot, 3-bed, 3-bath home in Santa Cruz Gardens on the market for \$429,000.

Dan Coyro/Sentinel

'It's becoming increasingly difficult to live and work in Santa Cruz'

By **DONNA KIMURA**
Sentinel staff writer

SANTA CRUZ — For the first time, the average home price in Santa Cruz County has topped the \$400,000 mark.

Homebuyers spent, on average, \$405,497 for a single-family home in July. That beat the record high of \$389,166 set in June.

The news is tough for employers and homebuyers. "It's becoming increasingly difficult to live and work in Santa Cruz," said Don Iglesias, assistant superintendent for Santa Cruz City Schools.

District leaders know they are losing potential teachers and other recruits because of the cost of housing.

"We hear wonderful things about Santa Cruz and about our school district," Iglesias said. "They hear it is a good place to work, but they call us and say, 'I can't afford to live here.'"

It's the same story in the Pajaro Valley Unified School District, one of the largest employers in the county.

"We see it every day," said Superintendent John Casey, noting that teachers earn about \$25,000 to \$55,000 a year.

Prospective teachers have a better chance of buying a home in other counties, he said.

Some districts are even seeing a decline in enrollment because of area housing costs.

Typically, a young family with a lot of kids cannot afford to buy a home in the area, Iglesias said.

Renting is just as difficult, according to Beverly Sorensen, who is looking for a home to rent in Santa Cruz County.

She lived in the area about two years ago, moved to Atascadero and is now looking at returning.

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"It seems like the rents have nearly doubled," Sorensen said.

Today's average house price is hard to imagine, she said.

"Think about how long it takes to pay that off," she said. "That's a lot of money. That's probably \$3,000 to \$4,000 a month."

In simple terms, the high price is the result of supply and demand, said Gary Gangnes, broker at Real Options Realty in Santa Cruz.

"The economy seems to be doing very well in Silicon Valley and in Santa Cruz County because someone is paying for these houses," he said.

There are about 16 percent fewer homes on the market than a year ago, noted Gangnes, a computer nut who posts several housing market charts on his Website at www.ror.com

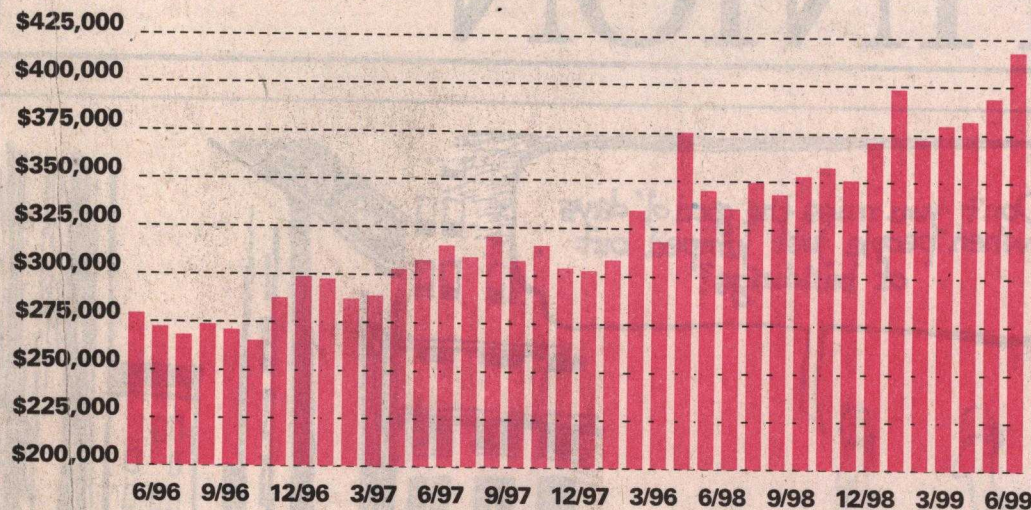
The median price — the price at which there was an equal number of sales higher and lower than that amount — is generally considered a more accurate reflection of the market.

The median single-family home price in Santa Cruz County was \$355,250 in July, slightly down from \$362,500 in June — the county's highest median price on record, Gangnes said.

Statewide, the median price was \$226,140 in June, according to the California Association of Realtors. That figure, however, includes condominiums. Including condos, the association's median home price in the county in June is \$289,000.

Average sales price Houses, Santa Cruz County

June '96 through July '99



Source: Gary Gangnes

"I think compared to Santa Clara Valley, we are still looked at as being affordable by out-of-town buyers," said Paul Bailey, co-owner of Bailey Properties Realty in Aptos. "But to local residents, it is stretching their idea of affordability."

According to industry figures, median home prices in the Santa Clara region are the highest in the state, hitting \$411,820 in June. The California Association of Realtors did not have July figures Thursday.

The local housing market is being pulled upward by the strength of the high-tech industry in nearby Santa Clara Valley, according to Bailey.

"We're a beautiful place to live, 30 minutes from one of the strongest segments of the economy in the nation," he said.

Bailey noted how eBay, Cisco Systems and other Internet companies have offices in Santa Cruz.

That is going to continue to bring Santa Clara Valley to the area and to bring prices up, he said.

"My gut feeling is we are going to be leveling off for six months to a year," Bailey said. "Unless something drastic happens in the economy, we will see the market take off again in a strong upward trend."

Leslie Appleton-Young, chief economist for the state Realtors association, agreed.

The housing market, she said, has been boosted by the strong economy, consumer optimism and wealth created by a record-breaking stock market, she said.

"I think our outlook is we will see a strong second half, but not quite as strong as the first because of the rise in interest rates," Appleton-Young said.

People are going to have to be creative.

Santa Cruz City Schools leaders have just begun to think about the possibility of offering signing bonuses. It could help with first and last month rent.

Homebuyers need to explore more flexible ways of financing, Bailey added.

"They should talk to lenders and Realtors," he said. "They shouldn't be over-picky about what they can buy. Income is not going up as fast as housing prices. You can always move on to something else."