

Sales of existing homes surge

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SENTINEL STAFF AND WIRE REPORT

COUNTY — The median home sale price for Santa Cruz County didn't change much from December to January, but the number of sales shot up.

Economists say what's happening in Santa Cruz is true nationwide, and that it may herald an end to the recession.

Sales of existing homes rocketed to a seasonally adjusted annual rate of 6.04 million last month, representing a 16.2 percent jump from December's level, according to a report released Monday from the National Association of Realtors. The California Association of Realtors also released a report Monday, saying sales of previously owned homes in Santa Cruz County shot up 7.2 percent from the same time last year.

Robert Bailey, co-owner of Santa Cruz's Bailey Properties and president

of the state association, said the number of homes sold in January indicates something more than an end to the recession. In a county recently called the least affordable place to live in the country, he said it indicates home sale prices are poised to ratchet up again.

"Along with the recent surge in consumer confidence, there's every indication that California is headed into a strong home-selling season this spring," Bailey said. "There was a lot of pent-up demand for housing in the wake of Sept. 11, coupled with concerns about the direction of the California economy. But home buyers who sat on the sidelines were back in the game last month."

The median home price statewide is \$285,000. The median for the Monterey Bay Area is \$426,430; Santa Cruz County's median is even higher at \$475,000,

where it's been for several months.

Economists were heartened by the report, saying it bodes well for continued spending by consumers in the coming months.

"This tells us something very fundamental about the consumer psyche: They are not shaken. They are willing to commit, and they will be there to support a recovery," said Ken Mayland, founder of ClearView Economics.

"All those homes will be needing some new furnishings and appliances to spruce them up," he said.

On Wall Street, the national housing report, along with an upbeat outlook from General Motors and a ratings upgrade of Sun Microsystems, propelled stock prices sharply higher Monday. The Dow Jones Industrial Average gained 177.56 points to close at 10,145.71.

The continued strength of consumer spending, which accounts for two-thirds of all economic activity in the United States, has helped keep the economy from sinking deeper into recession.

Treasury Secretary Paul O'Neill, appearing Monday on CNBC, said he believes the economy is rebounding, and he is bullish about its prospects going forward.

In addition to improved consumer confidence, economists cited other factors motivating home buyers: low mortgage rates, mild house-hunting weather and solid appreciation in housing values, which makes buying a home a good investment, especially when the stock market is unstable.

The seasonally adjusted annual rate of homes sold in January surpassed the previous record of 5.49 million, set in

August 2001. The 16.2 percent record jump in sales exceeded the previous all-time monthly gain, set in May 1995.

The rise in existing-home sales lifted home prices. The median sales price — meaning half sold for more and half for less — was \$151,100 in January, a 10.2 percent increase from the same month a year ago.

Although existing-home sales dipped by 1 percent in December, sales set a record of 5.3 million for all of 2001 according to revised figures released Monday.

The housing market has managed to remain solid throughout the economic slump, in large part because of low mortgage rates, which hit a low of 6.45 percent in early November, the lowest point since Freddie Mac began conducting its nationwide survey in 1971.