

Home prices climb higher

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Home prices are at their highest point ever. Again.

The median home price was \$540,000 in July. The previous record was set in May, when the middle-priced house sold for \$532,000. Experts attribute it to record-low mortgage rates, a shortage of houses and the failing stock market. Still, even real-estate agents such as Gary Gangnes are surprised by the record high.

"Is the new low-end of the market now defined as under \$1 million?" asked Gangnes, who studies statistics for his Real Options Realty business in Santa Cruz. "That's a strange thing."

It's strange especially since the summer is almost always a time when home sales slow and level off, not jump. Gangnes said this is the busiest the market has been since mid-2000, when tech employees were spending their stock options on houses.

The difference this year, he said, is that there isn't the overbidding on homes of 2000. Now it's a steadier and more solid price increase, he said. Last year, the median home price in July was \$525,000, and after that the median hovered around \$470,000 for almost six months. But this year, fewer homes are on the market and more homes have sold. That increases demand and prices.

And that means that the median home price probably will stay this high until October, said Richard Calhoun, a real estate broker from San Jose.

"The whole county is in a bubble, a

Prices

Median sale prices, in dollars, for single-family homes for Santa Cruz County

2001

March: 499,000

April: 530,000

May: 505,000

June: 470,000

July: 525,000

August: 470,000

September: 470,000

October: 475,000

November: 490,000

December: 470,809

2002

January: 475,000

February: 480,100

March: 496,000

April: 494,000

May: 532,000

June: 522,500

July: 540,000

Source: Santa Cruz Association of Realtors

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demand bubble," he said. "It's possible that bubble could burst sooner, but it all depends on your perspective. What I see, I don't expect the prices to drop anytime soon."

Calhoun believes the "demand bubble" is based on the nesting fervor sparked by the Sept. 11 terrorist attacks. Marriages increased, as did births. So have home sales.

But Gangnes and others believe the reason people have the money to indulge their

nesting instincts and buy a home is because mortgage rates are at an all-time low of 6.25 percent. That allows people to borrow more money with less money down, essentially making homes less expensive.

Second, Gangnes and others said they have had clients come to them desperate to reinvest their money and leery of the stock market. Gangnes said two came to him with money they removed from the stock market. One inherited a considerable amount of money and didn't want to place it in the stock market.

Santa Cruz County's median home price

is now only slightly lower than Santa Clara County.

And for only the second time since 1999, the median asking price for a home in Santa Cruz County surpassed the asking price in Santa Clara County, Calhoun said. Since 1999, the gap between home prices in Santa Clara and Santa Cruz counties has been cut in half, from about 10 percent in 1999 to 5 percent now.

So it should be no surprise that Santa Cruz County was named by the National Association of Home Builders the second least-affordable place to live in the coun-

ty, behind only Salinas and Monterey. That makes the Monterey Bay region the least-affordable place to live in the country.

The association's statistics are based on the gap between how much an average person can earn working in Santa Cruz County vs. the median cost of a newly constructed house.

The result is that fewer than 9 percent of Santa Cruz County residents can afford a median-priced home.

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