



A worker puts finishing touches on the windows at Villa Mar Vista, a condominium development on Beach Hill.

Shmuel Thaler/Sentinel

CONDO-MANIA

High housing costs keep condominiums, townhouses in demand

By DAVID PACINI
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With the prices of single-family homes out of reach for many, area home buyers have opted for condominiums, keeping that segment of the local housing market absolutely red hot.

About 48 condominiums and townhouses have sold each month during the last year, according to Gary Gangnes, an agent with Real Options Realty.

But with an average of 20 to 40 active listings — units available and not in escrow — a day countywide, demand is outstripping supply and pushing prices up.

The result: a median condominium price of \$300,000. Median prices are determined by an equal number of sales higher and lower than the median. For example, if seven condominiums are listed in order by price, the median price would be represented by the fourth listing. Median prices are generally considered better indicators because average prices are often skewed by a small number of expensive units.

Yet in the past year, three condos sold for \$800,000 or more. Two of those are in Pelican Point, an oceanfront development near Pajaro Dunes in South County. The third, listed at \$875,000, is also at the ocean in a development at the corner of West Cliff Drive and Bay Street in Santa Cruz. The least expensive condo-

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minium on the market Wednesday was listed at \$305,000 and located on Capitola Road in Live Oak.

Prices like those have sent the median price up \$75,000 since last year. That translates into a rate of appreciation of \$6,250 a month. Two years ago, the median selling price weighed in at \$190,000, according to Gangnes.

Judy Brose, an agent at Century 21-Lad Realty in Aptos and a director of the Santa Cruz Association of Realtors, said Wednesday she was closing a condominium sale at \$404,000. The same unit sold less than two years ago for \$247,500.

"People want to get their foot in the door," said Jerry Spodick, broker at Unique Homes and Land in Santa Cruz. "Condos are the best vehicles to do that if you want to get into the housing market."

Despite their rising costs, condominiums are attractive to many area renters, who say owning a condominium builds equity and reaps tax advantages.

"They think if I rent something, the money's gone," he said. "If I buy, there's the potential for appreciation."

But the supply is limited.

Countywide there are 97,254 housing units, said Jerry Rioux of the county Planning Department. Of those, 61,711 are single-family homes and 7,598 are attached condominiums and townhouses.

County planners receive few applications for condominium developments because larger single-family homes are more profitable. That's partly because higher density projects like condominiums attract fewer objections from neighbors and take longer to develop.

Cities have less problem attracting condo developments, Rioux said.

That's evident in Santa Cruz, where on Thursday workers toiled to put the finishing touches on a high-end condominium development known as the Villa Mar Vista. The development on Beach Hill overlooking the ocean is designed to capture "Old World" Mediterranean charms and features unique tile and wrought-iron work throughout.

Scheduled to be completed by the end of the month, eight of the 15 three-bedroom, three-bathroom units are sold at a price ranging from \$659,000 to \$750,000. Many are bought as vaca-

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tion homes, said real-estate agents Alex and Brooke Johnson of Thunderbird Real Estate.

"When you get something like this, it's not going to be affected by recessions," said Alex Johnson.

Despite this development, "the problem is inventory," Brose said. "It's supply and demand and right now we have about a month's supply."

That supply, known as the unsold inventory index — everything available on the market — was measured at 1.4 months in November, marking a near-record low. When the index is calculated using active listings only, it is less than one month.

According to Gangnes, who compiles and interprets local statistics, a

six- to eight-month supply of houses on the market equals stable prices; a 10-month supply typically sends prices down. A one-month inventory equates to sharp price increases.

As prices skyrocket, real estate professionals are concerned about affordability and the changing face of the community, said Barbara Booth of Coldwell Banker Jackson & Mann in Santa Cruz and a director of the Santa Cruz Association of Realtors.

"Before people lived here because they liked Santa Cruz," she said. "In the last few years, people have moved here because they couldn't afford to buy over the hill."

Yet real-estate agents say home buyers have to be realistic in this market.

Ursula Ulrich, an agent with American Dream Realty, said most of the people who contact her can pay up to \$200,000.

"There just isn't anything for that price, even in less desirable areas," she said. "I suggest mobile homes, but that market is hot too. Right now there's nothing in family parks available."

More home buyers are researching the market on the Internet and realize that if they can afford to spend \$300,000, they'll likely be buying a condominium, said Peggy Gillett, a broker for Realty Executives and secretary-treasurer of Santa Cruz Association of Realtors.

"I have several condo buyers I'm trying to find places for," she said. "Buyers should get prequalified and have a loan in place ready to go prior to making an offer."

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