

Yes, home prices really have gone up that much

By LANE WALLACE
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Real estate agents in Santa Cruz County are starting to see something they haven't seen for more than a year: an easing of the inflation that's pushed home prices up 25 percent in the last 12 months.

Prices are still going up, but the rate of increase is apparently slowing down.

"We're seeing a tapering off," said Mary Lee Johnson of Century 21 Johnson-Roach Realty in Watsonville. Other agents expressed similar views.

"I'd love to see it (the pace of inflation) stay like it is," said Wanda Hernandez of Ponderosa Realty in Watsonville. "We all want to see it (real estate) appreciate. We don't want to see it go berserk."

The market was going berserk six months ago, she said, with frequent multiple offers on homes and sales higher than the asking price.

But the slower inflation rate is no real consolation to those shopping for a house or condominium.

A home that was \$250,000 a year ago will go for \$300,000 to \$350,000 now, said Robert Bailey, of Bailey Properties in Aptos.

"The increases may have tapered off," he said, "but they're still dramatic."

Agents said there are still multiple offers and prices selling for more than the original asking price.

"The frenzy seems to be going on. It makes me uneasy," said Ed Choate of Choate Realty in Santa Cruz.

The median asking price of a three-bedroom home in south

county is \$198,500, according to the Watsonville Board of Realtors. In the rest of the county (from Aptos north) the median price is \$280,000, according to the Santa Cruz Board of Realtors. "Median price" means half the prices were above that figure and half were below.

A year ago, homes were generally selling for about \$160,000 in south county and \$220,000 in the north.

Despite the rising prices, sales in 1989 are up over 1988 in Watsonville and Santa Cruz. Watsonville Board of Realtors members reported 218 sales (of all types of property), up from 190 at this time last year. In Santa Cruz, sales are up from 1,065 a year ago to 1,224 this year.

People continue buying because "they realize these prices aren't going to get any better," said Gary Birlem, of Daw-Birlem Real Estate in Watsonville.

Agents surveyed said there's been a slight increase in the number of homes being sold to people who are themselves selling another home. Those people have enough money for the down payment on their new home, thanks in part to the rapid inflation.

But for the first-time buyer, getting the money together to buy now — before prices go up any more — isn't always easy. It's nothing new to see some potential buyers cut out of the market — it happens whenever prices go up appreciably. But the sharp price increases over the last year has hit particularly hard at the people looking for their first home, agents said.

Bailey said he knows people in their mid-30s making good salaries who are finding it "increasingly difficult" to buy a home.

"These are working professionals," Bailey said.

Bill Meidl, president of Watsonville Federal Savings, said first-timers "are almost always getting some help from their families for the down payment."

Somebody who wants to buy a \$200,000 home will need \$40,000 for the 20 percent down payment, Meidl said. The monthly payments, on a fixed-rate loan at 10 percent, would be \$1,508 a month, plus \$200 to \$225 a month for taxes and insurance.

As for the inflation rate on homes, Meidl said, "I don't think it can continue to go up," in South County because people in that area don't have the incomes to support much higher prices.

Elizabeth Thompson, president of the Watsonville Board of Realtors, said, "I'd like to see it slow down. If people can't afford

homes, it's just bad for the community."

A factor that will help the potential home buyer is a recent drop in interest rates.

Ron Lyons, president of Redwood Coast Mortgage Co. in Aptos, said more people were looking into fixed-rate loans in the last few weeks, as those rates have dropped around half a percent; they're now in the mid-to-high 10 percent range.

One thing that hasn't changed in the local real estate market is the lack of supply, which means buyers still can't be too choosy.

"The amount of available housing (is so scarce) that people are looking at whatever they can find," said Choate.

With prices higher in the Santa Cruz area than in Watsonville, many buyers are looking south, said Jean Scollard of Century 21 Co-op Realtors in Watsonville. But the demand for housing is strong throughout the county.

"There is such a small amount of property" available, Scollard said.

The shortage, coupled with the rising prices, has also boosted the demand for condominiums in Watsonville.

In the early 1980s, condos "weren't a popular item" in Watsonville, Birlem, of Daw-Birlem Real Estate, said. Now, they don't stay on the market long.

"Watsonville still has a housing shortage," Birlem said.

The sharpest increase has been in the 152-unit Apple Hill complex at Main Street and Green Valley Road, where condos that sold in the low \$90,000 range when built three years ago are now going for more than \$160,000.

While prices are high in Santa Cruz County, they're still lower than in Santa Clara County.

"I've relocated quite a few people from San Jose," said Grace Dunn, an agent with ERA Bayside Properties in Aptos.

Dunn said that while the rate of increase has slowed, she expects it will pick back up again.

Predicting how the market will go is difficult, agents said.

"The market has been so unusual. I can't predict anything," Johnson said.

REFERENCE