

# Median home price plunges as Watsonville sales soar



Heidi Brown is trying to sell her historic farmhouse in Live Oak.

Dan Coyro/Sentinel

*Housing 2000* COUNTY

## Buyers, sellers voice frustration

By JONDI GUMZ  
Sentinel staff writer

September's median price for a single-family home in the county plunged to \$475,000, down 32 percent from a year ago, as sales skyrocketed in Watsonville, the area hardest hit by foreclosures.

Last month, the median was \$582,000; in September 2007, it was \$702,500.

The median price hasn't been this low since January 2002.

Between August and September, sales surged 68 percent in Watsonville, reaching the highest level in four years, according to Gary Gangnes of Real Options Realty, who tracks the figures.

Sales of homes less than \$500,000 made up 53 percent of sales overall, the highest percentage in years. Sales over \$1 million sank to 10 percent, the lowest in years. Still, three oceanview homes sold for more than \$2 million.

All five of the least expensive homes sold were in Wat-

sonville. Each sold for less than \$200,000, a price point that disappeared during the housing run-up as new tract homes sold for upward of \$700,000.

The price drop is as dramatic as the growth in foreclosures in the southernmost part of the county.

One in every 150 homes in Watsonville is in foreclosure, the most in the county, according to Hotpads.com, which tracks foreclosures by ZIP code. In Santa Cruz, it's one in every 1,200 homes, the least in the county.

To Michael Hutchison, an economics professor at UC Santa Cruz, the market appears divided into two parts, with the lower end

MEDIAN HOME PRICE IN  
SANTA CRUZ COUNTY



### Single-family homes

	9/08	9/07
Median price	\$475,000	\$702,500
Listings	1,286	1,337
Sales volume	145	88
Unsold inventory index	8.8	15.2
Average price	\$602,317	\$790,742

### Condos

	9/08	9/07
Median price	\$388,000	\$465,000
Listings	271	261
Sales volume	39	21
Unsold inventory index	6.9	12.4
Average price	\$411,944	\$559,762

SOURCE: Real Options Realty, www.ror.com

See PRICES on PAGE A10

## WATSONVILLE

## Spike in foreclosures offset by bustling market

By DONNA JONES  
SENTINEL STAFF WRITER

WATSONVILLE — Ghoulish pumpkins sit on porches. Skeletons and ghosts hang from trees and rafters. But the most frightening thing to hit city neighborhoods may be a sharp spike in the number of foreclosures.

City leaders say in August and September more than 500 homes in the Watsonville area were in foreclosure, more than double the number in June and July. That's led to worry that home values, already down an average of \$200,000 from a year ago, might tumble further, not only hurting homeowners, but also city coffers that are taking an estimated \$300,000 hit in lost property tax revenue due to reassessments this year.

But real estate professionals are more optimistic about the housing market due to the fairly brisk sale of bank-owned homes at what would have been bargain basement prices not that long ago. Some homes have sold for below \$200,000, though most are priced in the \$300,000 and \$400,000 range.

"I've been around 22 years selling homes, and I've definitely seen better days," said Dana Sales of David Lyng Real Estate. "We've seen an unfortunate reduc-

See WATSONVILLE on PAGE A10

### Watsonville housing

	9/08	10/07
In foreclosure	580	146
Total defaults and foreclosures	1,002	301
Homes sold	37	6
Unsold inventory index	6.9	36.2

SOURCES: City of Watsonville, Real Options Realty



# Prices

Continued from Page A1

declining rapidly while the higher end is firmer.

"The lower end properties are those that are mainly seeing short sales and foreclosures, which in turn is creating excess supply and pulling down the market especially quickly," he said.

He expects it will take some time to correct the price bubble of the past few years, given the overall weakness of the economy and the fact it's tougher to get a loan.

"I expect the housing market to be weak for a couple of years with some further price drops," he said.

Aptos accountant Patricia Beckwith, who has been watching the market for two years hoping prices would fall, is disappointed.

"Home prices don't appear to be dropping very much in our part of the county," she said. "While my agent, Sabina Brown, e-mails me more frequently about homes being reduced to \$499,000, I still think spending half a million dollars on a small house is ridiculous."

It's possible that home prices in Santa Cruz could remain stable or even rise, according to Gangnes, pointing to the unsold inventory index, a predictor of future prices.

When there is a six- to eight-month supply of homes for sale, prices remain steady; over 10 months, prices usually fall; under four months, prices usually rise.

The countywide index is at 8.8 months and hasn't moved much. In Watsonville, it's 6.9 months after peaking at 41 months last year, then dropping for nine straight months. In Santa Cruz, it has edged down since June from 7.6 months to 5.5 months.

This is challenging for prospective buyers who have identified certain areas where they want to live.

Brown, an agent with Intero Real Estate, said prices have gone down across the board in Watsonville but not everywhere in the county.

One of Brown's clients, who is single and works for a nonprofit, has been looking in

Santa Cruz for a year.

"With a little help from her parents she can buy something right now," Brown said, but she has been frequently outbid. "If she were looking in the valley or Watsonville, I am sure we could have found something for the right price by now."

Sellers are feeling frustrated, too.

With so many homes for sale — 1,286 listings, near last year's peak — sellers are at a disadvantage.

Heidi Brown, 53, would like to sell the home she bought with her partner, a general contractor, for close to \$1 million in 2004 and downsize, now that their three grown children have moved away.

Built in 1876, the elegant homestead melding Italian and Craftsman styles on Roland Avenue once anchored a ranch property in Live Oak. With four bedrooms, a basement wine cellar and extensive landscaping and gardens, it was worth \$1.6 million at the peak of the market, according to Zillow, Brown said. The asking price is \$1.3 million; Zillow's estimate is \$1.13 million.

The mortgage on the property is the type where payments will escalate.

"We can afford to pay it, but I don't want to," said Brown, who spent 18 years as a teacher. "I want simple."

Though the market has changed, some sellers are reluctant to drop prices.

Mahesh Grossman bought 4398 Nicker Court in Soquel in 2005 for \$899,000. He tried the "for sale by owner" approach, putting it on the market for one weekend in September and asking \$749,997.

It didn't work. Now he's hired an agent and it's back on the market for \$829,000.

Many of the homes sold are either owned by a lender or a "short sale," where the owner owes more than what the home is worth and the lender agrees to a sale price that is less than the debt.

So far this year, there have been 735 foreclosure sales, nearly 300 percent more than a year ago, according to the Santa Cruz Record.

More than 1,500 default notices have been issued due to delinquent payments, putting many more homes in the foreclosure pipe-

## By the numbers

### LEAST EXPENSIVE SOLD IN THE COUNTY

**\$162,500:** 600 Bridge St. Watsonville.

**\$169,000:** 52 Hill Ave., Watsonville.

**\$170,000:** 247 Hushbeck, Watsonville.

**\$175,000:** 100 Smith Road, Watsonville.

**\$180,000:** 524 Cedar Drive, Watsonville.

### LEAST EXPENSIVE SOLD IN SANTA CRUZ

**\$393,085:** 139 Jessie St.

**\$440,000:** 121 Washburn Ave.

**\$490,000:** 251 Brookside Ave.

**\$505,000:** 427 Morrissey Blvd.

**\$511,500:** 226 Jackson St.

### MOST EXPENSIVE SOLD IN COUNTY

**\$1.76M:** 625 Quail Run Road, Aptos.

**\$1.83M:** 2410 Rodeo Gulch Road, Soquel.

**\$2M:** 4287 Opal Cliff Drive, Pleasure Point.

**\$2.08M:** 209 Hollister Ave., Capitola.

**\$3.3M:** 274 Beach Drive, Rio del Mar.

SOURCE: Real Options Realty

line.

For one week in mid-September, no default notices were issued, but Soquel attorney Pamela Simmons said that was only a temporary reprieve.

"The new law requiring lenders contacting the borrowers is now in place and the lenders were not prepared," she said. "I am still seeing many homeowners who are not able to make their house payments."

Once the lenders comply with the new statutes, she expects an avalanche of default notices.

Her prediction is at least 80 percent of those notices will turn into a short sale or a foreclosure.

"This may change if any of the government programs get off the ground," she said. "So far none have started up yet."

Contact Jondi Gumz at 706-3253 or jgumz@santacruzsentinel.com.

## Watsonville

Continued from Page A1

tion in the cost of homes. ... But people are out there buying. There's even bidding going on in some of those homes."

Other real estate agents report similar experiences. About 90 percent of the homes listed in Watsonville are bank sales, and as banks take possession, they are pricing properties aggressively, said Becky Campos of Coldwell Banker Campos Real Estate. That's enticing both first-time homebuyers and investors and moving inventory, she said.

The data bears out what local agents are seeing, said Gary Gangnes of Real Options

Realty, which tracks trends. In October 2007, just six homes sold in Watsonville, according to Real Options. Last month, 37 sold, giving Watsonville the highest percentage of Santa Cruz County sales ever.

Watsonville's unsold inventory index, the number of months it takes to market property, has dropped steadily from a high of 41.8 months in December to 6.9 percent in September. Gangnes said an unsold inventory of six to eight months indicates stability in the market.

Gangnes said 208 single-family homes and 76 condominiums are either on the market or have pending offers in Watsonville.

James Gomez of David Lyng specializes in foreclosure sales. He said people who have owned their houses for years are fearful of

foreclosures hitting their neighborhoods and driving down prices. But he said they shouldn't panic. He predicts current market conditions will last another 18 months as the bad mortgages shake out, but eventually prices will rise.

In the hot real estate market of five years ago, people hoped to live in a house for a year or two and then flip it for a profit, Gomez said.

"We tell our clients this is the place you're going to call home. Think of it as a long-term investment," he said. "The scary part was a couple of years back when prices went so high. We're getting back toward normalcy."

Contact Donna Jones at 763-4505 or djones@santacruzsentinel.com.