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The Real Estate Report

local market trends

SANTA CRUZ COUNTY

Recovery Continues

The rise in home prices last month continues to provide momentum to the Santa Cruz real estate market.

The median price for single-family, re-sale homes went back over $600,000, a level which it has been struggling to stay above.

We are definitely in the recovery stage of this real estate cycle.

Other signs we are in the recovery stage are:

- Declining foreclosures
- Low inventory
- Low mortgage rates
- Building is increasing.

I expect we will stay in this stage for the next few years. When the above signs start turning, we will probably be at or nearing the next peak in the market.

Some pundits are predicting the next peak in the market will happen around 2020.

One thing to keep firmly in mind, real estate is very local so what pundits say about the national real estate market may or may not correlate with what will happen in our local market.

MARCH MARKET STATISTICS

Year-Over-Year

- Median home prices increased by 13.5% year-over-year to $630,000 from $555,000.
- The average home sales price rose by 14.1% year-over-year to $659,106 from $577,844.
- Home sales fell by 33.3% year-over-year to 122 from 183.
- Active listings fell 15.8% year-over-year to 357 from 424.
- Sales price vs. list price ratio fell by 1.1% year-over-year to 99.4% from 100.5%.
- The average days on market fell by 14.9% year-over-year to 49 from 57.

Compared To Last Month

- Median home prices improved by 5.4% to $630,000 from $598,000.
- The average home sales price rose by 0.6% to $659,106 from $655,171.
- Home sales Down by 0.8% to 122 from 123.
- Active listings increased 2.3% to 357 from 349.
- Sales price vs. list price ratio increased by 1.1% to 99.4% from 98.3%.
- The average days on market dropped by 31.4% to 49 from 71.

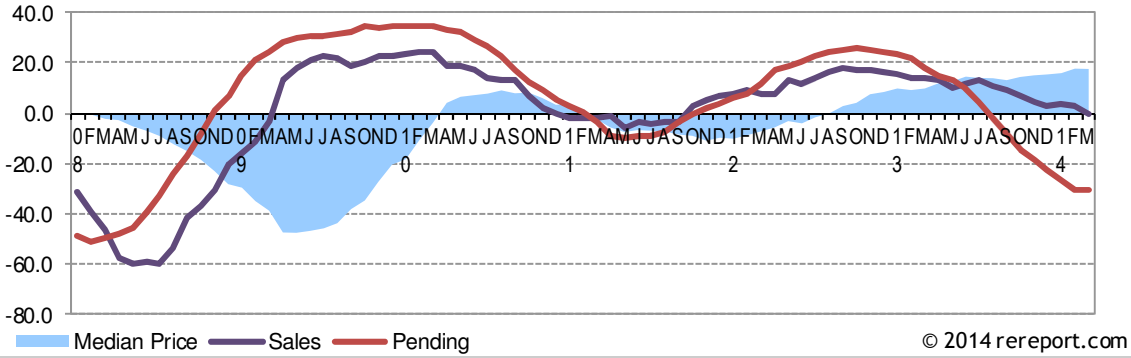
Trends at a Glance
(Single-family Homes)

	Mar 14	Feb 14	Mar 13
Median Price:	$630,000	$630,000	$614,000
Average Price:	$659,106	$659,106	$662,401
Units Sold:	122	123	183
Pending Sales:	279	204	312
Inventory:	357	331	423
Sale/List Price Ratio:	99.4%	98.3%	100.5%
Days on Market:	49	71	57
Days of Inventory:	88	73	69

Santa Cruz County Price Differences
from January 2013 & Peak & Trough

	YTD	Peak %	Trough %	Peak	Trough
Homes: detached					
3-month	23%	-21%	57%	May-07	Apr-09
12-month	36%	-19%	36%	May-06	Aug-09
Homes: attached					
3-month	24%	-33%	102%	Sep-05	Jan-12
12-month	49%	-30%	52%	May-06	Feb-12

Santa Cruz County Homes: Momentum



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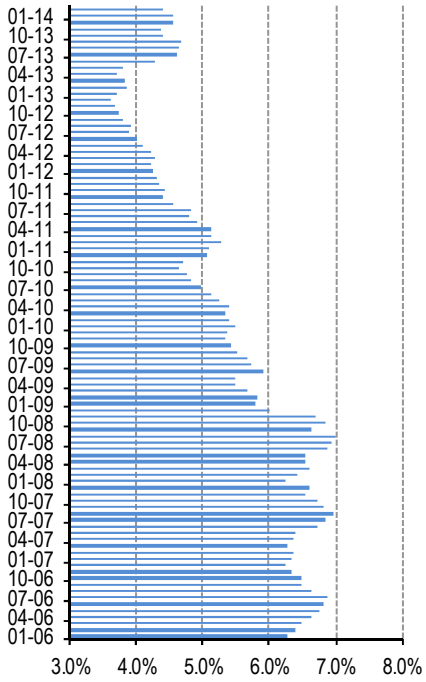
Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by HSH.com. The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

Mar 4, 2014 -- The freshest economic indicators suggest that we are starting to move away from any weather-related holdback in growth, but it looks as though it will be more of a "slipping away from" than a "shaking off" process.

Although even the first estimate for first quarter 2014 GDP growth is still weeks away, present expectations are that we are unlikely to see a reading of even the 2.6 percent rate attained in the fourth quarter of last year. However, much of the weakness seems to have occurred in the first two months of the year, with the economy in March finding a few more spots of traction amid the melting ice and snow.

Should this pattern persist, and it looks as though it may, we are likely to see growth in the second quarter move higher, but it will be summer before we know for sure. Before the "official" number comes, we should have plenty of evidence one way or the other. If this is the case, somewhat firmer mortgage rates are more likely as we go.

At the moment, though, we remain fairly rangebound at levels seen back in January, but remain below 2014 highs.

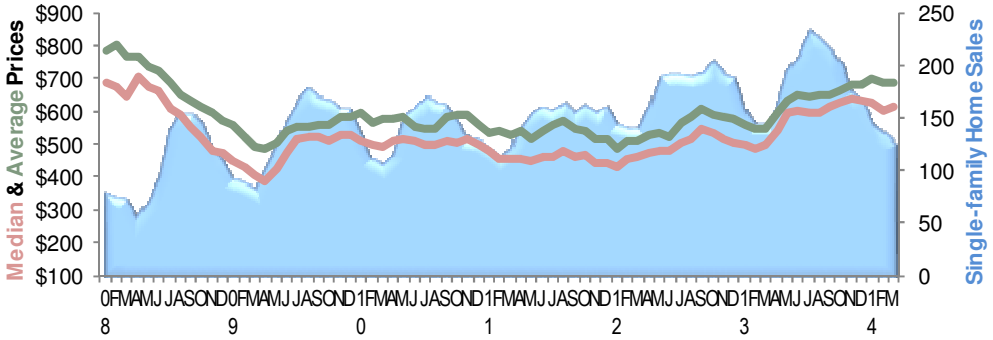
HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found the overall average rate for 30-year fixed-rate mortgages rose by a single basis points (0.01%) to land at 4.49%, its highest level since late January. The FRMI's 15-year companion also added one basis point, climbing to 3.63% for the week. Popular FHA-backed 30-year FRMs rose by just two basis points, rising to 4.16% for the period, as these fully-insured loans continue to have the lowest prices in the market by a fair margin. Finally, the overall 5/1 Hybrid ARM increased by just one one-hundredths of a percentage point (0.01%), climbing to 3.18% for the week.

Construction spending didn't add much to the economic tally in February, rising by a scant 0.1 percent. Spending on residential projects was off by 0.8 percent. To the extent that weather affected the construction numbers here, we may see a move higher when March data become available early next month.

We may see a little settling of rates next week, possibly a slight decline of a couple of basis points.

Santa Cruz County Homes - Prices & Sales

(3-month moving average—prices in $000's)



Santa Cruz County - March 2014												
Single-Family Homes								% Change from Year Before				
	Prices							Prices				
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven
County	$ 630,000	$ 659,106	122	279	357	88	99.4%	13.5%	14.1%	-33.3%	-10.6%	-15.6%
Aptos	$ 676,250	$ 688,833	6	23	18	90	99.6%	4.0%	-17.9%	-25.0%	4.5%	-10.0%
Capitola	$ 844,000	$ 866,167	6	9	16	80	100.2%	24.1%	25.7%	-25.0%	80.0%	77.8%
Rio del Mar	$ 677,500	$ 759,888	12	30	39	97	94.6%	-5.9%	-10.1%	-7.7%	50.0%	44.4%
Seacliff	$ 592,500	$ 592,500	2	6	6	90	105.1%	-1.7%	-1.7%	0.0%	0.0%	-25.0%
San Lorenzo Vly	$ 380,000	$ 410,832	19	54	41	65	99.4%	0.0%	10.7%	-42.4%	-8.5%	32.3%
Soquel	$ 705,000	$ 667,000	4	17	15	112	102.0%	-16.9%	-8.3%	33.3%	13.3%	-6.3%
Scotts Valley	$ 805,000	$ 787,800	10	20	37	111	98.9%	0.0%	-6.3%	-23.1%	-4.8%	54.2%
Santa Cruz	$ 593,000	$ 656,072	36	53	75	62	100.4%	-8.2%	-2.4%	-5.3%	-17.2%	25.0%
East County	$ 715,000	$ 773,400	10	33	48	144	98.0%	74.4%	59.6%	0.0%	-10.8%	37.1%
West County	$ 552,000	$ 552,000	1	3	10	300	99.9%	-0.5%	-4.3%	-66.7%	-40.0%	150.0%
Watsonville	$ 440,000	$ 443,857	7	21	18	77	99.7%	51.7%	45.6%	-58.8%	-32.3%	80.0%

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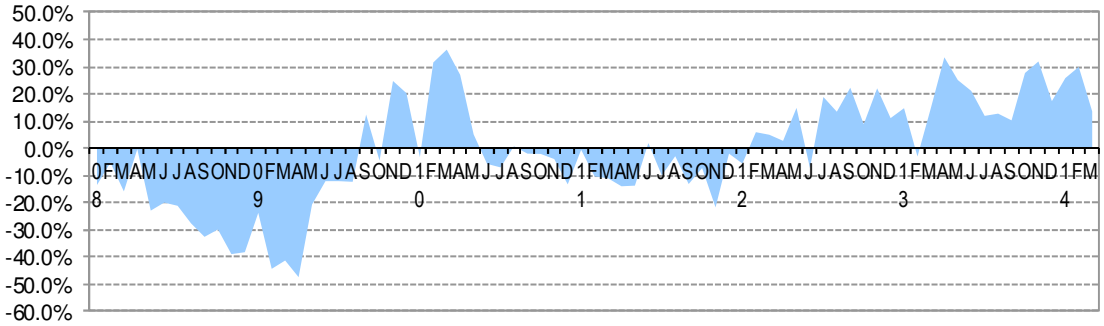
Santa Cruz County Homes: Year-Over-Year Median Price Change



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FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in Santa Cruz County dropped 40.5% in February from January. There were 22 notices in February

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 60% from January. There were 16 notices in February.

After the filing of a Notice of Trustee Sale, there are only three possible outcomes. First, the sale can be cancelled for reasons including: successful short sale or loan modification, a filing error, or a legal requirement to re-file the notice after extended postponements.

Alternatively, if the property is taken to sale, the bank will place the opening bid. If a third party, typically an investor, bids more than the bank's opening bid, the property will be sold to the third party; if not, it will go back to the bank and become part of that bank's REO inventory.

In February, cancellations were down 53.9% from January, and they were down 68.4% year-over-year.

Properties going back to the bank fell 10% in February from January, they went from 10 to 9. Year-over-year, properties going back to the bank were down 10%.

The total number of properties that have had a notice of default filed were down 51.2% year-over-year. They were up 30.6% from the month before.

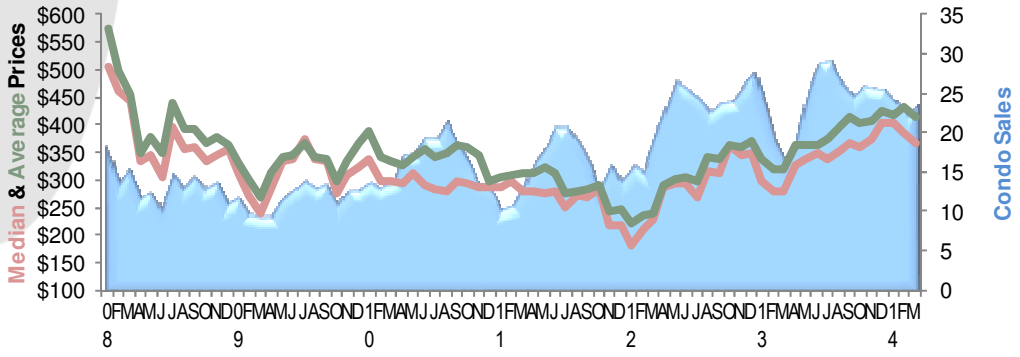
The total number of properties scheduled for sale were down 6% from January, and, they were down 58.6% year-over-year.

The total number of homes owned by the banks was down 33% year-over-year. Banks now own approximately 183 properties in Santa Cruz County. That is about six week's supply, at the current sales rate.

For further details and a city-by-city breakdown of foreclosure statistics, go to http://propertyradar.com.

Santa Cruz County Condos- Prices & Sales

(3-month moving average—prices in $000's)



Santa Cruz County - March 2014													
Condos/Townhomes									% Change from Year Before				
	Prices								Prices				
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP		Med	Ave	Sales	Pend'	Inven
County	$ 395,000	$ 427,089	27	41	59	65	99.4%		31.4%	19.7%	35.0%	0.0%	-42.7%
Aptos	$ -	$ -	0	1	2	0	0.0%		n/a	n/a	n/a	-66.7%	100.0%
Capitola	$ 334,500	$ 334,500	2	3	5	75	100.7%		11.1%	-15.4%	-33.3%	-87.0%	-44.4%
Rio del Mar	$ 425,000	$ 425,000	2	7	19	285	97.7%		54.5%	54.5%	100.0%	40.0%	-29.6%
Scotts Valley	$ 395,000	$ 417,633	3	3	0	0	106.6%		6.8%	9.2%	0.0%	-50.0%	n/a
Santa Cruz	$ 417,000	$ 457,633	15	18	21	42	99.5%		15.8%	17.0%	-11.8%	-30.8%	0.0%
Watsonville	$ 245,000	$ 245,000	1	4	2	60	94.6%		12.5%	26.9%	-75.0%	-71.4%	100.0%

Table Definitions

Median Price
The price at which 50% of prices were higher and 50% were lower.

Average Price
Add all prices and divide by the number of sales.

SP/LP
Sales price to list price ratio or the price paid for the property divided by the asking price.

DOI
Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

Pend
Property under contract to sell that hasn't closed escrow.

Inven
Number of properties actively for sale as of the last day of the month.

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Santa Cruz County

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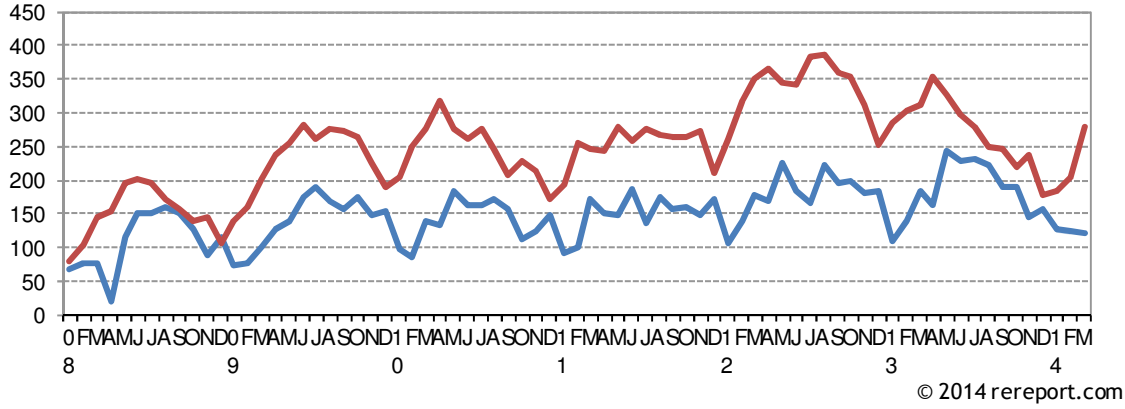
Go online to see the full report
with the city by city breakdown:

Santa Cruz County Homes: **Pending** & **Closed** Home Sales
(3-month moving average)



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