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The Real Estate Report

local market trends

SANTA CRUZ COUNTY

How Absorption Rate Affects Prices

Absorption rate, also known as months of inventory, is the number of months it would take to sell all the homes currently for sale in the market.

Absorption rate is calculated by dividing the number of homes currently for sale by the number of homes that were sold in the previous month.

The National Association of REALTORS® consider a six month supply of homes as a balanced market. That's for the country as a whole. As you narrow the market, down to states or cities, a balanced market will be peculiar to that market.

In Santa Cruz County, the average number of months of inventory for single-family, re-sale homes since 2003 is 5.1 months.

As you can see in the chart below, there is a direct inverse relationship between absorption rate and the median price of homes.

During the recent recession, the absorption rate spiked to 15.3 months, the blue line, while the median price, the black line, plunged to just under \$400,000.

Where are we now? Well, the absorption rate last month was at 2.3 months, up from the 2.1 of a month ago, which was a record low.

Prices? The 3-month moving average median price went back over \$700,000, while the average price was \$786,141, which is the lowest it has been since last October.

The absorption rate for Santa Cruz County has bounced off its low. What happens this spring will tell us where the market is heading.

The absorption rate is also helpful in calculating how much to list your home for when you sell. If the absorption rate is rising, then prices will soon soften. If it is falling, then prices will start to rise.

MARCH MARKET STATISTICS

Year-Over-Year

- Median home prices increased by 15.7% year-over-year to \$775,000 from \$670,000.
- The average home sales price rose by 29.4% year-over-year to \$879,227 from \$679,310.
- Home sales rose by 7.0% year-over-year to 123 from 115.
- Total inventory* fell 38.4% year-over-year to 379 from 615.
- Sales price vs. list price ratio rose by 1.0% year-over-year to 100.4% from 99.4%.

Trends at a Glance (Single-family Homes)			
	Mar 15	Feb 15	Mar 14
Median Price:	\$775,000	\$700,000	\$670,000
Average Price:	\$879,227	\$746,835	\$679,310
Units Sold:	123	97	115
Pending Sales:	124	109	219
Active Listings:	255	212	396
Sale/List Price Ratio:	100.4%	98.7%	99.4%
Days on Market:	49	63	50
Days of Inventory:	62	59	103

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

Homes: detached

	YTD	Peak %	Trough %	Peak	Trough
3-month	39%	-8%	83%	May-07	Apr-09
12-month	47%	-8%	53%	May-06	Aug-09

Homes: attached

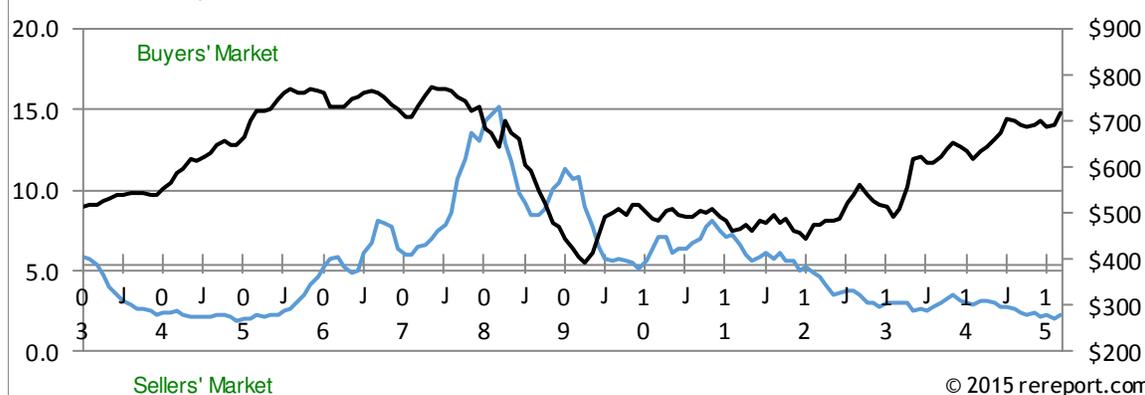
	YTD	Peak %	Trough %	Peak	Trough
3-month	31%	-22%	84%	Sep-05	Jan-12
12-month	59%	-20%	62%	May-06	Feb-12

CONDOMINIUMS

Year-Over-Year

- Median condo prices increased by 8.1% year-over-year to \$459,000 from \$424,500.
- The average condo sales price rose by 3.8% year-over-year to \$463,092 from \$446,295.
- Condo sales fell by 0.0% year-over-year to 37 from 37.
- Total inventory* rose 8.0% year-over-year to 162 from 150.
- Sales price vs. list price ratio rose by 1.1% year-over-year to 100.2% from 99.1%.

SZC SFR: Absorption Rate & Median Price - 3-month moving average, prices in \$1,000s



* Total inventory is active listings plus contingent or pending listings. Active listings do not include contingent listings.

VISIT

MORTGAGE RATE OUTLOOK

Economy Not Cooperating, Mortgage Rates To Ease

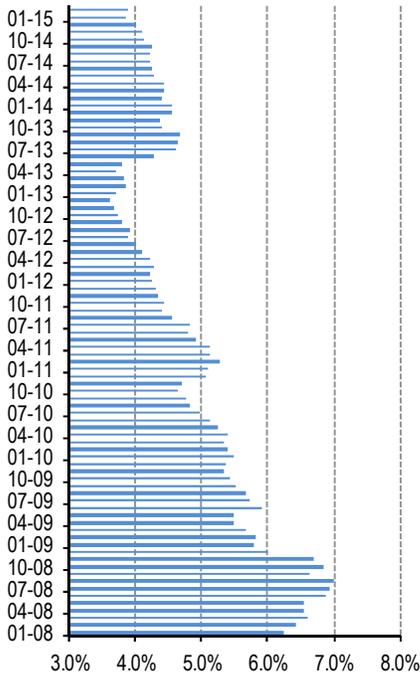
Apr 3, 2015 -- HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages remained unchanged this week, holding steady at an average 3.81%. The FRMI's 15-year companion managed the barest of declines, easing by a single basis point to an average rate of 3.15%. Rates on fully-insured FHA-backed 30-year FRMs remain well below their conforming counterparts but sported a decline of just two basis points this week, easing to an average rate of 3.63%. Finally, the overall 5/1 Hybrid ARM fell by four basis points (0.04%), slumping to 2.93% on average for the week. All these mortgage products are either at or very near 2015 lows as the traditional spring home buying season begins to kick in.

Construction spending failed to ignite in February, declining by 0.1%, so the year began with two consecutive declines in outlays. There was a 0.2% fall in spending for residential projects during the month, and an 0.8% slide in public works spending, but commercial building managed a 0.5% gain after a tough January. Total spending is modestly above last year at this time, revealing a 2.1% gain when comparing the two periods. With sales of new homes appearing to pick up in recent months, we should start to see a larger contribution from residential spending.

Despite an on-going mixed bag of economic news, consumers were a bit more confident about their situations in March, according to the Conference Board. Their index of Consumer Confidence rose by 2.5 points during the month, recapturing half of February's dip. Although assessments of current conditions were more pessimistic, optimism about the days yet to come rebounded, so there is some belief that there is more light at the end of a somewhat dimmer tunnel. Sending plans were mixed, with a gain in expectations for the purchase of a car, but a slump in those considering buying a home.

Whether June, July, September or even later, the Fed has made it as clear as it can that rates will be rising before long. Even with an indeterminate and changing expected starting point, that there will be a starting point before long is sufficient to keep mortgage rates from falling by much (absent some new economic calamity, domestically or elsewhere). There should be some softness for mortgage rates as we move into next week, when we'll get a look at the strength of service business activity, measures of consumer borrowing and import prices and a couple of other items. On balance, and even if extraordinarily strong, there's probably not enough data due out next week to cause a lift in rates, so we're more likely to shed a couple more basis points from these levels.

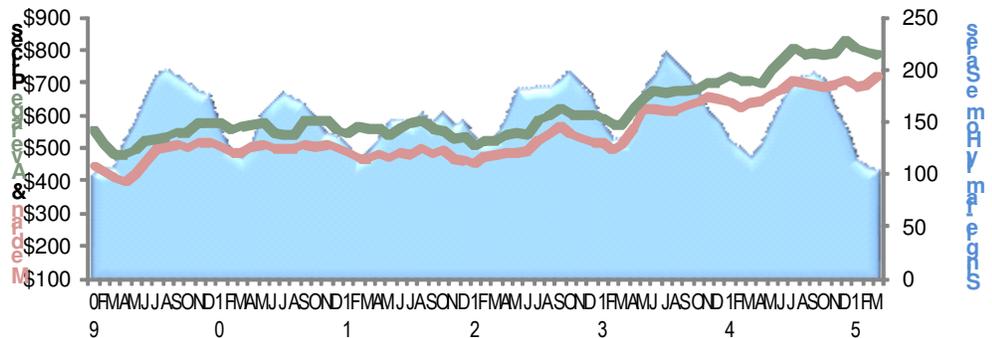
30-Year Fixed Mortgage Rates



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.

Santa Cruz County Homes - Prices & Sales

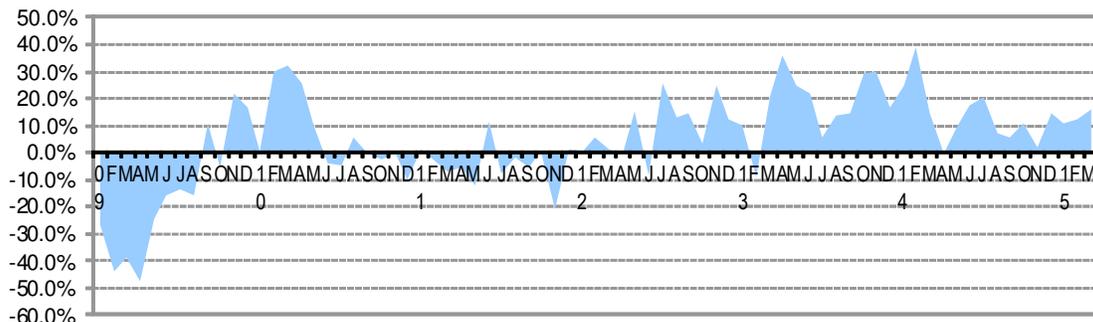
(3-month moving average—prices in \$000's)



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Santa Cruz County - March 2015												
Single-Family Homes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven
County	\$ 775,000	\$ 879,227	123	124	255	62	100.4%	15.7%	29.4%	7.0%	-43.4%	-35.6%
Aptos	\$ 855,375	\$ 968,931	18	24	41	68	100.5%	26.5%	40.7%	200.0%	33.3%	78.3%
Capitola	\$ 761,000	\$ 781,750	4	3	15	112	99.5%	-9.8%	-9.7%	-33.3%	-66.7%	7.1%
Rio del Mar	\$ 839,750	\$ 833,600	4	2	9	67	97.6%	23.9%	9.7%	-66.7%	-92.6%	-76.3%
Seacliff	\$ -	\$ -	0	2	2	0	0.0%	n/a	n/a	n/a	-66.7%	-60.0%
San Lorenzo Vly	\$ 705,000	\$ 646,400	5	5	11	66	102.9%	85.5%	57.3%	-73.7%	-88.9%	-78.4%
Soquel	\$ 930,000	\$ 905,188	8	14	13	49	97.5%	31.9%	35.7%	100.0%	-6.7%	-23.5%
Scotts Valley	\$ 1,039,000	\$ 1,058,750	8	13	21	79	101.2%	29.1%	34.4%	-20.0%	-23.5%	-43.2%
Santa Cruz	\$ 802,500	\$ 904,033	46	30	84	55	101.5%	33.5%	36.6%	24.3%	-37.5%	10.5%
East County	\$ 622,000	\$ 791,000	4	6	12	90	95.2%	-13.0%	2.3%	-60.0%	-79.3%	-76.0%
West County	\$ -	\$ -	0	1	3	0	0.0%	1100.0%	n/a	n/a	-50.0%	-66.7%
Watsonville	\$ 430,000	\$ 467,824	20	21	33	49	101.7%	-2.3%	5.4%	185.7%	31.3%	65.0%

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



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KEEPING YOUR PROPERTY TAX BASE

Under Proposition 60, California homeowners 55 and older get a one-time chance to sell their primary residence and transfer its property-tax assessment to a new one, but the market value of the new home generally must be equal to or less than the market value of the old home.

Prop. 60 was designed to help longtime California homeowners who want to downsize but don't want to give up the low property-tax assessment they enjoy in their existing home.

Under Proposition 13, homes are reassessed for property-tax purposes when there is a change in ownership or new construction. In between ownership changes, the assessed value can go up by an inflation rate not to exceed 2% a year. (Homeowners can get temporary reductions when property values go down.)

Prop. 60 lets homeowners 55 or older transfer their base-year value from an existing primary residence to a new primary residence, but there are restrictions.

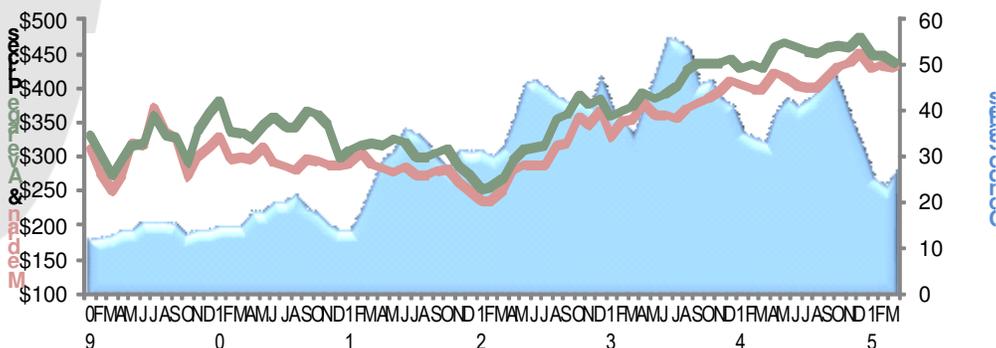
The new home must be in the same county as the old one or in one of ten counties that accept transfers of base-year value from other counties. The ten counties are: Alameda, El Dorado, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, and Ventura.

Also, the new home must be purchased or built within two years - before or after - the sale of the original property.

If the new house is purchased before the old house is sold, the market value of the new house on its purchase date cannot exceed 100% of the old home's market value on the date it is sold.

Santa Cruz County Condos- Prices & Sales

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



Santa Cruz County - March 2015

Santa Cruz County - March 2015												
Condos/Townhomes							% Change from Year Before					
Prices							Prices					
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven
County	\$ 459,000	\$ 463,092	37	35	127	103	100.2%	8.1%	3.8%	0.0%	-43.5%	44.3%
Aptos	\$ 522,500	\$ 520,333	6	4	14	70	102.0%	n/a	n/a	n/a	300.0%	600.0%
Capitola	\$ 407,250	\$ 457,125	4	3	10	75	99.8%	21.7%	36.7%	100.0%	0.0%	100.0%
Rio del Mar	\$ 550,000	\$ 540,000	3	1	4	40	97.1%	26.4%	8.0%	0.0%	-80.0%	-78.9%
Scotts Valley	\$ 484,000	\$ 466,750	4	2	5	37	98.4%	22.5%	11.8%	33.3%	-33.3%	n/a
Santa Cruz	\$ 455,000	\$ 447,377	13	9	18	41	101.1%	9.1%	-2.2%	-13.3%	-30.8%	-25.0%
Watsonville	\$ 306,750	\$ 395,625	4	10	70	524	98.9%	25.2%	61.5%	300.0%	233.3%	#####

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.

THE REAL ESTATE REPORT

Santa Cruz County



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This is not intended as a solicitation if your home is currently listed.

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

