



Amber Grewer

Amber Grewer Real Estate
115 Averitt St.

Santa Cruz, CA 95060

(831) 566-0021

amgrewer@gmail.com

<http://ambergrewer.rereport.com>

[HTTP://www.santacruzhomes.biz](http://www.santacruzhomes.biz)

Cal BRE #01346361



The Real Estate Report

Home Prices Continue to Decline

Although prices of single-family, re-sale homes have declined since reaching a new high in May, year-over-year prices continue to rise.

The median price for homes gained 7.4% while the average price was up 6.4% in July.

Nevertheless, inventory continues to drop and remains at less than the average for the past fourteen years.

Plus, demand remains strong, as evidenced by the sales price to list price ratio which was 100.2% last month.

Days of inventory, at seventy-four, is also about half the average.

Is the Demise of 1% Loans a Good Thing?

The end is near for an increasingly popular program in which lenders help borrowers obtain a "Home Possible" 3 percent down payment loan from Freddie Mac by putting up 2 percent of the purchase price, leaving the borrower to come up with only the remaining 1 percent.

Starting in November, lenders will no longer be able to put up 2 percent, according to a directive Freddie Mac released last week. Instead, borrowers either have to come up with the 3 percent themselves or get help from other sources, such as an employer-assisted housing grant, gift funds from family, or a grant or second loan from a nonprofit or public agency. Lenders can still provide help with the down payment, but not for the 3 percent down program; the borrower has to put up at least 3 percent and the lender can contribute an amount on top of that. "The originating lender will be permitted [to contribute] only after a contribution of at least 3 percent of value," Freddie Mac says in its July 26 directive.

Analysts with the National Association of REALTORS® say the program is well-intentioned, but some lenders were charging higher rates to finance the 2 percent gift. "From a public policy standpoint, this wasn't a true gift, because borrowers were paying higher interest rates," the NAR analysts say. "You don't want to be Freddie Mac, promoting this

program when, in reality, borrowers are paying more."

Fannie Mae has a similar program, but it prohibits lenders from charging higher interest rates to pay for the grant. Both Freddie Mac and Fannie Mae launched their 3 percent down programs in 2014. The programs were intended to help make homeownership more affordable for moderate-income households who can afford monthly mortgage payments but have trouble coming up with a down payment.

—Robert Freedman, REALTOR® Magazine

VISIT

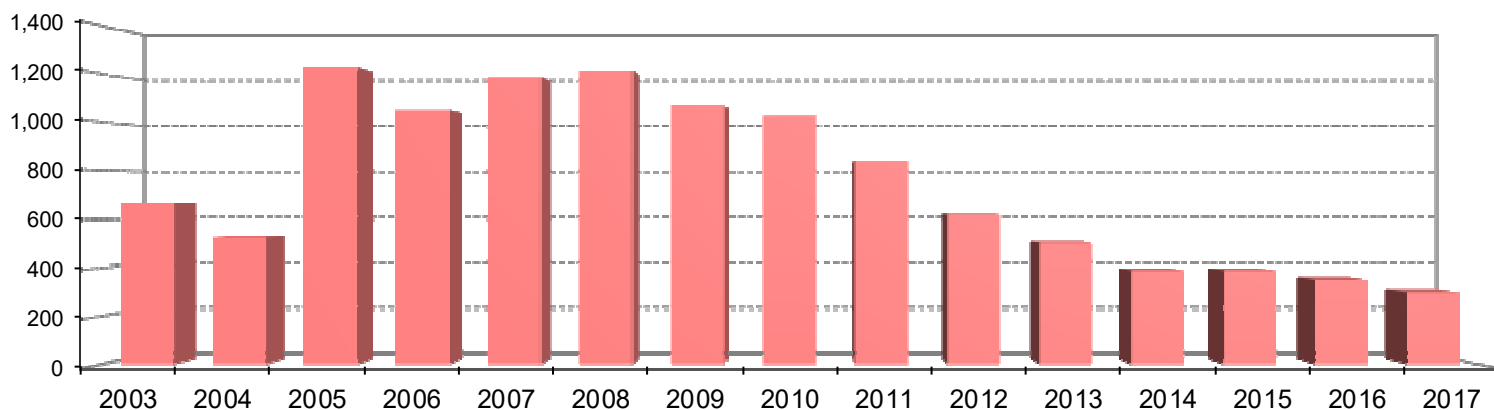
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Search for recent sales & listings in your neighborhood, or in the neighborhood where you are considering buying.

Santa Cruz County

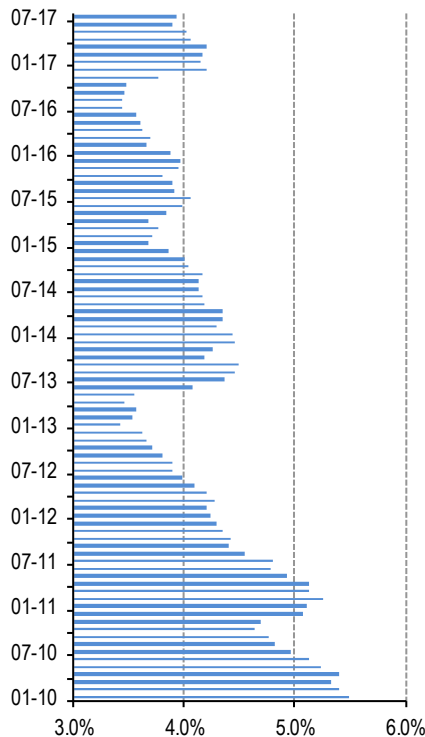
Average Monthly Active Listings SFR

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Rates Drift Lower Again

30-Year Fixed Mortgage Rates



The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by <http://>

Jul. 28, 2017 -- As we expected, mortgage rates drifted a little lower this week, edging a touch closer to 2017 lows. In reality, mortgage rates have been wandering about for several months, with the average conforming 30-year fixed rate ebbing and flowing in a range of just 17 basis points since late April.

The middle of the summer usually sees little movement in rates, unless there is some highly unusual event that jars the market. This kind of calm doesn't usually last forever, and odds favor a quickening of financial market activity that usually begins after Labor Day. Until then, only small moves seem likely.

The economic news continues to be fair, but hardly the stuff on which sizable moves in interest rates are based. The Federal Reserve conducted a two-day meeting this week which ended with no change to the federal funds rate, but the Fed did acknowledge the recent fade in price pressures and tweaked the language used to describe inflation in June from a characterization of "running somewhat below 2%" to July's more explicit "prices... are running below 2%."

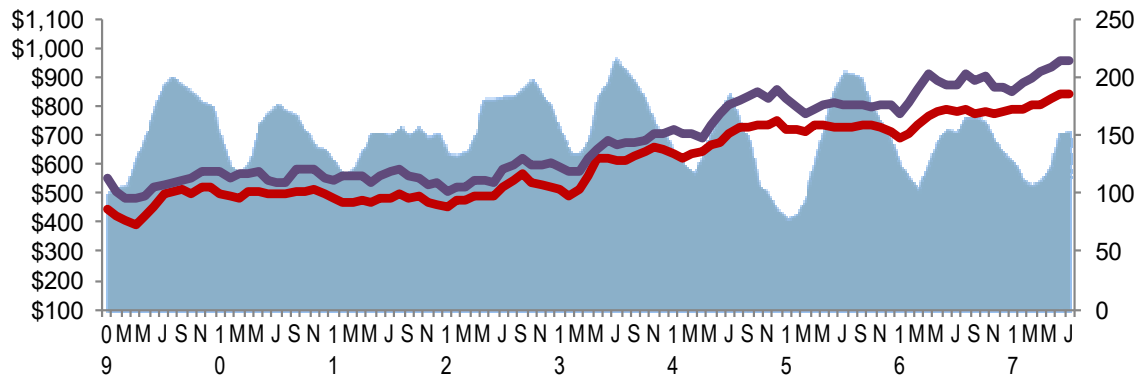
Low mortgage rates have done their part to drive demand for housing this spring. That said, sales of existing homes have been largely curtailed by a lack of affordable and desirable supply, and this continues to

be the case. Sales of existing homes declined by 1.8% in June when compared to May, easing to a 5.52 million (annualized) rate of sale. Homes that sold carried a median price tag 6.5% above the same measure a year ago, and affordability continues to be crimped as we go along. Inventories of unsold homes have edged up in the last three months and now stand a 4.3 months of supply, the highest since last October, but still remaining well below the 6 months which is considered healthy. The National Association of Realtors noted "June's inventory figures are down 0.5% from last month to 1.96 million homes for sale. Inventories are down 7.1% from a year ago which is 25 months of year over year declines".

The economy continues to rumble along, and now sports a fair 1.8% run rate for the first six months of the year. Home sales are encouraged by low mortgage rates and a continued solid job market, but are throttled by a lack of homes to buy. Homeowners and stock investors continue to see solid gains in their holdings, and in theory this should help to continue to power the economy along. Inflation remains more of a hoped-for situation than a reality, much less a problem. Overall, things seem OK, and the protracted process of filling in all the holes created in the Great Recession seems to be proceeding apace.

Santa Cruz County Homes - Median, Average & Sales

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



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Santa Cruz County - July 2017												
Single-Family Homes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven
SZC	\$ 809,000	\$ 917,217	137	210	340	74	100.2%	7.4%	6.4%	-2.1%	-2.3%	-21.8%
Aptos	\$ 886,750	\$ 980,271	24	32	74	93	98.8%	-9.1%	-30.1%	26.3%	10.3%	-20.4%
Ben Lomond	\$ 905,000	\$ 911,000	5	4	20	120	103.2%	16.2%	21.8%	-16.7%	-50.0%	122.2%
Boulder Creek	\$ 582,500	\$ 571,875	12	21	32	80	99.2%	-6.0%	-5.3%	-29.4%	10.5%	-8.6%
Capitola	\$ 837,500	\$ 1,206,250	4	5	12	90	94.7%	6.3%	47.4%	0.0%	-28.6%	-25.0%
Felton	\$ 557,000	\$ 728,400	10	13	14	42	103.4%	-64.1%	-55.1%	-37.5%	-7.1%	55.6%
Soquel	\$ 900,000	\$ 1,174,730	13	4	19	44	99.6%	0.0%	34.9%	333.3%	-63.6%	0.0%
Scotts Valley	\$ 990,000	\$ 943,750	4	24	24	180	99.3%	34.2%	12.2%	-50.0%	50.0%	-33.3%
Santa Cruz	\$ 942,000	\$ 1,122,310	39	57	82	63	102.1%	-3.6%	6.8%	-2.5%	-14.9%	-24.8%
Watsonville	\$ 539,000	\$ 565,290	19	39	40	63	98.6%	9.4%	16.9%	-20.8%	39.3%	-43.7%

Trends at a Glance

(Single-family Homes)

	Jul 17	Month %	Jun 17	Year %	Jul 16
Median Price:	\$809,000	-4.9%	\$850,500	7.4%	\$753,000
Average Price:	\$917,217	-5.2%	\$967,355	6.4%	\$862,037
Units Sold:	137	-30.1%	196	-2.1%	140
Pending Sales:	210	19.3%	176	-2.3%	215
Active Listings:	340	-7.6%	368	-21.8%	435
Sale/List Price Ratio:	100.2%	0.5%	99.7%	0.9%	99.3%
Days on Market	35	-0.8%	35	-3.0%	36
Days of Inventory:	74	36.7%	54	-20.1%	93

(Townhomes/Condos)

	Jul 17	Month %	Jun 17	Year %	Jul 16
Median Price:	\$539,000	4.0%	\$518,500	-6.3%	\$575,000
Average Price:	\$559,348	4.9%	\$533,092	3.6%	\$539,973
Home Sales:	35	-14.6%	41	-20.5%	44
Pending Sales:	64	64.1%	39	25.5%	51
Active Listings:	66	-33.3%	99	-20.5%	83
SP/LP Ratio	99.9%	-0.2%	100.0%	-1.0%	100.8%
Days on Market	39	56.8%	25	49.2%	26
Days of Inventory:	57	-19.2%	70	0.0%	57

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Santa Cruz County Condos - Median, Average & Sales

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

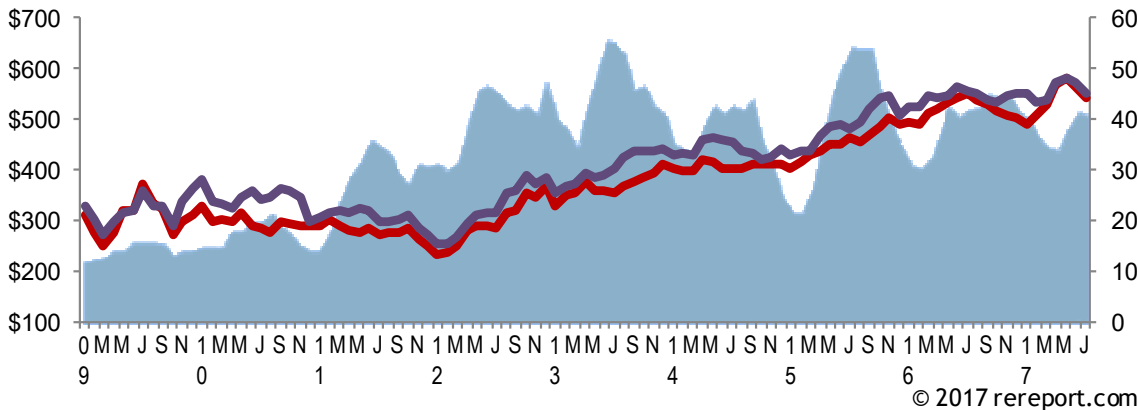


Table Definitions

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.

Santa Cruz County - July 2017

Condos/Townhomes									% Change from Year Before				
Prices									Prices				
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP		Med	Ave	Sales	Pend'	Inven
SZC	\$ 539,000	\$ 559,348	35	64	66	57	99.9%		-6.3%	3.6%	-20.5%	25.5%	-20.5%
Aptos	\$ 590,000	\$ 680,024	7	7	20	86	100.9%		-1.7%	16.1%	-30.0%	16.7%	-20.0%
Boulder Creek	\$ 410,000	\$ 410,000	1	4	1	30	95.6%		20.6%	20.6%	0.0%	33.3%	0.0%
Capitola	\$ 441,500	\$ 491,214	7	7	4	17	98.2%		-1.9%	-8.5%	-22.2%	40.0%	-42.9%
Scotts Valley	\$ 595,000	\$ 573,000	3	6	3	30	99.8%		6.6%	-2.2%	-50.0%	50.0%	0.0%
Santa Cruz	\$ 615,000	\$ 559,000	11	27	19	52	100.2%		-1.3%	-9.0%	-8.3%	22.7%	-36.7%
Watsonville	\$ 349,000	\$ 360,300	5	10	11	66	101.0%		0.3%	5.2%	0.0%	0.0%	-21.4%



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

