

Whose Market Is It?

It's a Seller's Market

Let's face it. For at least the last three years, Santa Cruz County has been a seller's market. Well-priced homes sell, and they sell fast. Interest rates are near historic lows, and banks are lending to qualified buyers.

Of course, selling a home in 2016 hasn't been easy. Every transaction has been a challenge. While buyers are anxious to get into a new home, they aren't willing to buy at all costs. Homes priced above where they should be linger, and once a home passes the 30-day mark, buyers begin to wonder what's wrong with it.

Here are a few tips for a quick sale. There are only three reasons a home won't sell in today's market. First and foremost, it's **price**. Your professional real estate agent can give you a good idea about where to price your home, but ultimately, your home is worth only as much as a buyer is willing to pay. Buyers are looking for value – they aren't interested in what you will net, only in what they feel comfortable spending. Second, it's **appeal**. How your home looks from the street, the impression a buyer gets when they walk in, how your home is photographed for the Internet – it will all have a big impact on the perceived desirability of your home. Finally, it's **exposure**. It is your agent's job to market your home with a bang: to get as many potential buyers as possible to view your home online; to encourage other agents to bring their clients; and to make sure your property is seen in print, online, and on social media.

Selling your home is a team effort. You've hired a professional REALTOR® for their experience and expertise. Many buyers have scoured the market before making an offer. Often, they are willing to compete and pay more after losing on previous bids. Your REALTOR's job is to give you the best possible guidance on pricing, marketing, and preparing to sell. It's your job to make your home available for showings and to accept what the market tells you about the value of your home. Working together, we'll get your home sold!

It's a Buyer's Market

Let's face it. Interest rates on 30-year fixed loans are at unbelievable lows. Credit has eased: the average qualifying FICO score for the best interest rates on a conventional loan is in the low- to mid-700s, and FHA loans are averaging 686. While cash is always king (cash sales remain between 20- and 25-percent of total sales), the banks are lending, and financing is so good that a financed purchase can be competitive. Sellers are willing to hold out for the right offer. Additionally, the traditional 20-percent down loan is no longer the most common: the average down payment is 10 percent, with first-time buyers averaging 6-percent down, and repeat home buyers averaging 14 percent.

Another great reason to buy now is that rents have been increasing both nationwide and locally. Particularly in Santa Cruz, where families are in competition with both the annual influx of students and the increasing trend towards temporary vacation rentals, the rental market is nearly as tight as the market to purchase. Given the great interest rates, coupled with tax advantages and increase in net worth associated with home ownership, it may be time to move from paying someone else's mortgage to paying your own.

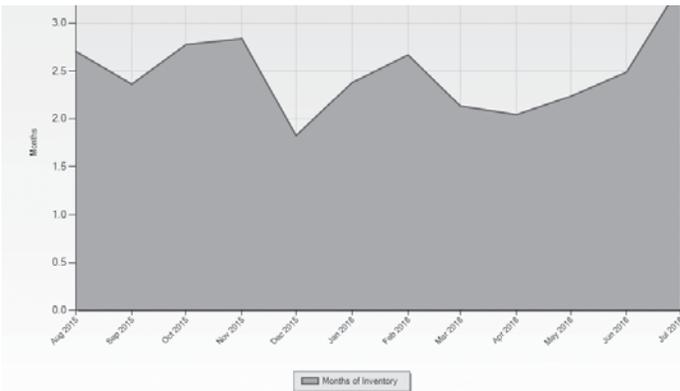
Inventory levels don't tell the whole story. Increasing rents, great interest rates and lower down payments mean it may be the best time in years to purchase your first home or move up to the home of your dreams.

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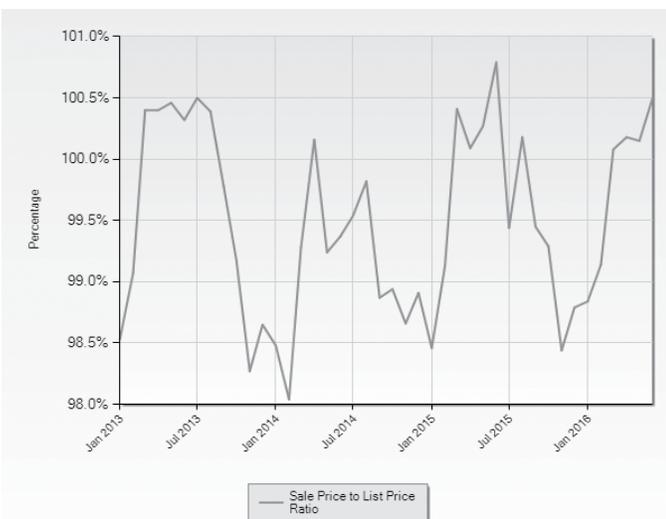
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By the Numbers

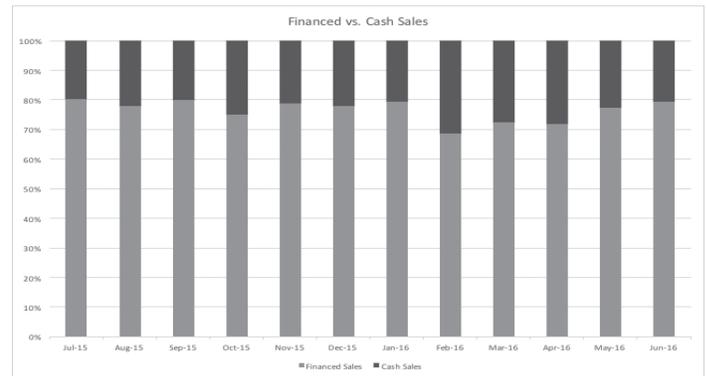
At the time of this writing, median home prices in Santa Cruz County have continued to rise year over year (although there was a slight decrease from June to July). The median price for single-family homes is up 2 percent, from \$742,000 to \$756,500, while median condo prices are up 25 percent, from \$460,000 to \$575,000.



While inventory in Santa Cruz is on the upswing, the number of homes available for sale remains low, with just less than 3.5 months of inventory available. In other words, it would take 3.5 months to sell all the homes currently on the market, if no additional homes became available for sale. The recent trend of a classic “seller’s market” continues. On the other hand, sale versus list prices have barely budged, so while median prices have increased, buyers aren’t going into the kind of frenzy usually associated with such low inventory.



Interestingly, all-cash sales have somewhat declined over the last year, from a peak above 30 percent in February 2016, to more traditional levels closer to 20 percent. This situation may reflect the low levels of inventory or may be related to a decrease in overseas capital being spent in our local market. In either case, less cash in the



game is good news for buyers, who are less likely to be beaten out on terms when it comes to multiple offers.

The other good news for buyers (and sellers, who need qualified buyers) is that interest rates remain at near-historic lows, despite some recent fluctuation. According to the latest data from Freddie Mac, the average rate on a 30-year fixed (conventional) mortgage



currently sits at 3.48 percent. Coupled with easier credit than was possible even a few months ago, the environment is great for making a home purchase, whether you’re looking to escape rising rents, want to move up to your dream home, or are thinking about downsizing.

Dear Vanguardian

Q: *I've been out looking at homes on the weekends. I like my agent, but won't I get a better deal if I make my offer directly with the listing agent?*



A: In a word, no. Here's why: the commission on the sale of a home is already built in to the price. The seller negotiated a contract (the listing agreement) with their agent that specified how much the commission would be and to whom it would be paid. While a listing agent might be happy to "double-end" (represent both sides) on the transaction, since they would then be able to keep both the buying and selling side of the commission (and might even offer the seller an incentive to do so), no part of that would go back to you, the buyer.

Q: *I rent, but I'd like to buy a home. I'm worried that my credit score isn't good enough, and I don't have 20 percent to put down. Should I even bother trying?*

A: Good news! Perfect credit and a large downpayment are NOT necessary for buying a home. As you read in our cover story, the idea that you need perfect credit and a large downpayment are myths. According to the data, most home purchasers have credit scores between 600 and 750, and more than a third of all home loans were made with downpayments of 5 percent or less. Your first step? Contact your agent and ask for a referral to a lender. Your lender will be able to tell you how much of a loan you'll qualify for, what your payments will be, and what, if anything, you'll need to do to improve your credit before making a purchase. Remember, you're paying someone's mortgage no matter what. Why not make it yours!

Q: *I'm worried about the upcoming Presidential election. What's going to happen?*

A: Like Bobby McFerrin said in the 1980s, "Don't Worry, Be Happy!" Elections come and go... but people will always need a place to call home. As of this year, real estate accounts for 18 percent of our nation's gross domestic product. That is a staggering number, and no politician, regardless of how you feel about them personally, is going to take a chance on wrecking

something so vital to our national interest. Democrat, Republican, Green, or Libertarian – it really doesn't matter all that much, at least to real estate! Relax and enjoy your home, secure in the knowledge that you have a real, tangible asset.

Q: *My agent is encouraging me to list my home for less than all my friends are telling me it's worth. What do you think I should do?*

A: Your agent is the professional with an ear to the ground. Experienced REALTORS follow the market trends and know the comparable sales in your area. The smart thing to do is to price your property *ahead* of the competition. Additionally, pricing lower will expose your property to more buyers, and more buyers mean more offers. Multiple offers are happening, but only on properties that are priced well. As the appraisers see more sales with higher price points, home values will increase. Listen to your agent, and you will be successful in selling your property in a timely manner – and at the best possible price.

Q: *My house has been on the market for more than 30 days now, and it still hasn't sold. A lot of people came through on the first open house, but now I'm not even getting called for showings. Should I ask my agent to hold more open houses? Why hasn't my home sold?*

A: As we mentioned before, there are only three reasons a house doesn't sell in today's market: exposure, appeal, or price. Let's say your agent has held your home open on broker's tour, had several open houses for the public, sent out e-mail flyers, advertised online and in the newspaper, and the offers still aren't coming. It sounds like the exposure was right... everyone knows about your property, but no one is making an offer. So maybe it is appeal... is your home clean, well-maintained, and in tip-top condition? Does it look good from the street? More than likely though, the answer is price. A well-priced home will attract attention... and offers. A home priced above the market's expectations will languish. Remember, everyone is looking for a deal!

Need answers to your real estate questions? Send your questions to the Vanguard office care of **Dear Vanguardian**, 1142 Soquel Avenue, Santa Cruz, CA 95062 or by e-mail to info@vanguardrealtors.com

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"It Was 20 Years Ago Today..."

It has been 20 years since we published the first issue of *The Vanguardian*. What is so amazing is that the more things change, the more they stay the same. We have seen cycles come and go: elections; interest-rate swings; loan qualification standards; recessions; bubbles; and recoveries. We've seen years of great increases in property values while interest rates were as high as 8 percent, and when they've been as low as 2.75 percent. Inventory has fluctuated with the market conditions. And yet through it all, buyers and sellers ask the same questions, even with the many ups and downs in the market:

- Should I sell before I buy?
- How do I find out what I can afford?
- How do I determine the list price for my home?
- How do I get the highest price for my house?
- What do I have to do to prepare to sell?
- How do I compete when there are multiple offers?

The list goes on. All of these questions and concerns can be addressed in a face-to-face meeting with your real estate professional. We have the experience and knowledge to help you decide on the best course of action.