

The Dog Ate My Homework!

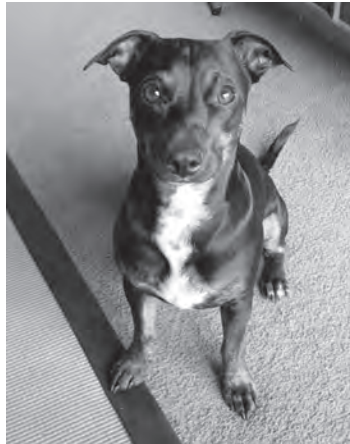
We all know the excuse uttered by teenagers everywhere. The teachers assign too much homework in every class. They have no time for “fun and relaxation.” Sometimes our kids have an epiphany: they actually finish their homework and turn it in, and when they take their tests, they get most of the answers right!

Now the debate whether homework is unnecessary and is asking too much of kids has to be settled by educators and parents, but it brings to mind an analogy that applies to real-estate transactions, either a sale or a purchase.

If you are selling your home, it is wise to do your homework. Find a REALTOR® who is experienced and works in your area. Find someone you can relate to and trust to represent your best interests. Be sure that REALTOR goes over all the documents involved with listing your property. Your agent will provide you with a comparative marketing analysis (CMA) and give you suggestions for preparing your home. She or he may suggest ways to stage your home and eliminate distractions (e.g., clear away personal items). By the time you list your home, you will be prepared and ready to receive offers that will match your expectations. Your home should be easily accessible for potential buyers and you should try to be absent when they come through. Your agent will host open houses, and buyer’s agents will accompany their clients on viewings. Your REALTOR should be an excellent negotiator to represent you and help you select the best buyer for your home, one who will complete the transaction smoothly.

If you are a buyer, your homework should include meeting with an experienced REALTOR in the

area you are considering. Your agent should prepare you by reviewing the purchase contract so that you understand its nuances before you are excited about the property of your dreams. Your agent will assist you in finding a lender or mortgage broker who can determine exactly what



you can afford and get you pre-approved. In this market, with so little inventory, the competition can be fierce. Keep an open mind when previewing properties. Try not to be distracted by the seller’s design sense. Focus on the “bones” of the property. Part of your homework should be previewing homes on the Internet as soon as they are listed. Your REALTOR should have a program that links you to the MLS for searches and updates. Work

with someone who has a good reputation and relationship with other real-estate professionals in the area. This can make the difference in who “wins” in a competitive situation. Your agent should be a great negotiator on your behalf—that, too, comes with practice. It’s important that you are represented in the best possible light to a seller.

Whether you are a seller or a buyer, doing your homework reaps benefits and rewards.

VANGUARD
Realtors

1142 Soquel Avenue
Santa Cruz, CA 95062
www.VanguardRealtors.com
(831) 462-3110

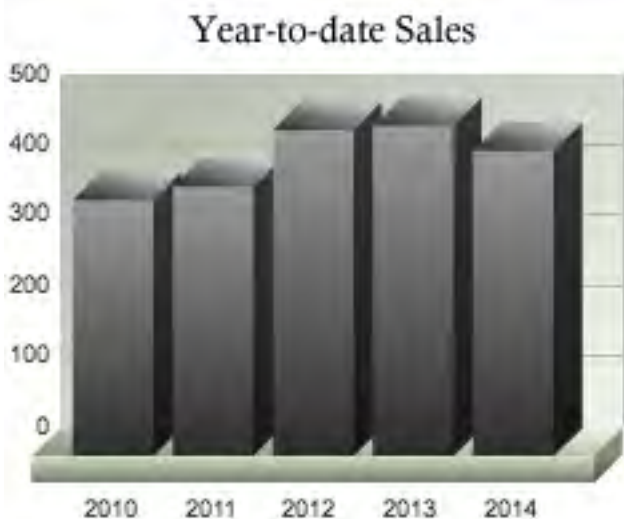
The Inventory Story

The story of our local market in Santa Cruz is a story of scarcity. There's very little out there to buy. On average from the years 2000 to 2013, there were 843 homes (both single-family residential and condos) on the market at any given time.

Today, there are a total of just 327 properties for sale in all of Santa Cruz county.

Because well-priced homes are so scarce, median and average prices are up, both month by month and year over year. While inventory is extremely tight and there are plenty of buyers looking for a new home, overall sales have declined slightly over the last few months. What accounts for this seeming contradiction?

When homes are priced well, and buyers perceive a good value, we are in a market that sees multiple offers, competition and bidding wars. This is particularly true in the more affordable, median range (from \$600,000 - \$800,000 or so).



On the other hand, when the price of a home is perceived as too high, that home will languish on the market. As the days on the MLS increase, potential buyers become skittish and begin to wonder what's wrong with the property that it didn't sell within the first 30 to 45 days.

The moral of this story is that pricing correctly is absolutely essential. Price right and your property will sell right away. Price too high, and you'll be stuck without offers.

Interest Rates: More than A Lower Monthly Payment

There's more to lower interest rates than just lower monthly payments. As of this writing, interest rates on a conforming 30-year fixed loan sit right around 3.8%. At these rates, if you were to purchase a home with a conforming loan of \$417,000, your monthly payment, excluding taxes and insurance, would be \$1,943. Assuming an interest rate increase of just 1%, your payment goes up to \$2,188. That doesn't seem like much of a difference, does it?

Consider what happens over the course of your loan, though. In the 30-year life of your mortgage, at 3.8%, you are paying \$282,495 in interest. At just a point more, 4.8%, you'll pay \$370,628. That's \$88,133 in additional interest paid. Not only that, but at the lower rate, you'll be paying a greater percentage of your payment to equity in your home, rather than interest. Lower interest means more equity, and with a home being one of the biggest investments you'll ever make, that's more wealth in your hands.

It seems like just yesterday that I sent a newsletter your way. In truth, it's been a year and one half since I last put one together.

A lot has changed in the real estate market here in Santa Cruz. We seem to have hit the "sweet spot" where it isn't a buyers' or a sellers' market exclusively. This is in part due to the low inventory. Buyers and sellers are on a more level playing field.

One thing is certain with the scarcity of listings prices continue to recover from the lows of the recession. Now they are closer to 2007 pre-downturn levels.

This gives homeowners a respite from having little or no equity.

Most of my recent sales were fiercely competitive for my buyers. My relationship with the listing agents played a major role in a successful outcome. Experience and negotiating continue to be among my greatest assets.

On the home front our neighborhood keeps evolving. When Jerry's Sports vacated as our neighbor it was hard to imagine who might replace them. To our delight, the US Post Office took the space adjacent to us and reconfigured the space with dispatch. They opened with little fanfare. Their entrance is on the parking lot side of our building. We are delighted to have them next door.

Another group rented the warehouse space directly behind us and have opened a CrossFit gym. We wish them success in growing their business.

We are hoping that the final space on the corner of Soquel and Seabright will have a great tenant soon.

In the meantime we feel lucky to be in the heart of Seabright with wonderful restaurants, clothing stores, dance studios and the lively Rio Theater nearby.

I'm happy to report that our location continues to get attention. The rotating art shows (every 8 weeks) make our workspace like an art gallery.

Many people stop in just to admire the beautiful art. We have a curator who selects the artists for these amazing shows.

On the arts front, my participation on the Arts Council board for the past 6 years has been fulfilling and a joy. I've met many wonderful folks who participate in and support the arts here in Santa Cruz. Though my term ends this year, I feel lucky to celebrate the organization and its fine work in the community.

I continue to enjoy working with the incredible agents who hang their licenses with Vanguard. It is a privilege to work with them.

I love that both my "boys" are in the "family business" as well. Christopher as a broker and our property manager, Bill as a broker with his own company, Gimme Shelter in Oakland and San Francisco.

I am also grateful to my many past clients who stay in touch and refer their friends to me. Some of them are repeat clients. It is always a pleasure to work with them.

You are getting this newsletter because we have crossed paths in some way over the years. This marks my 20th year in Santa Cruz practicing real estate and my 42nd year in the business. If your home is one that closed in the past few years you might want to get a comparative market analysis done to see how much equity you have in today's market. I'd be delighted to provide you with an updated opinion of value for your home anytime.

I am enclosing two cards, one for you to keep and one for you to pass on to a friend who may need real estate advice.



Linda Charman
Broker/Owner
Vanguard Realtors



Dear Vanguardian

Q: I want to look at houses in the \$600K range but my agent says that before she will take me out looking I should get pre-approved. I just want to see what's out there. Why is she asking me to get pre-approved first?



A: I understand her position. With easy access to the Internet and open houses every weekend in your price range to see, you can do some reconnaissance on your own. Your agent doesn't want to show you properties before you are pre-approved because with inventory so low, the competition is fierce. I assume your agent doesn't want to get your hopes up if you don't know your exact price range. A pre-approval letter is essential for any successful offer.

Q: A couple of years ago, we had no equity in our home. I've heard that the prices are back to the levels prior to the recession. Is that true, and would this be a good time to sell our home?

A: You are fortunate to have weathered the worst housing market we've had in years. The prices are increasing and are close to the best of times. However, this is driven partially by the scarcity of inventory and partially by location. Some areas are moving up rapidly, others are not. Listing a home now will more than likely generate multiple offers and a higher price than during the downturn, but it depends on your area. Consult your agent for an informed opinion of value for your individual home.

Q: I'm getting ready to list my home. My REALTOR suggests that I stage it and have reports such as a home inspection and pest inspection before I list it. Is this really necessary when there is so little inventory?

A: This is great advice. The more you do to prepare to sell your home the better chance you have of getting top dollar for it. Listen to your REALTOR. We in the business have many resources to help with the preparation before selling. Many buyers are unable to see the potential in a home that doesn't show well, or are afraid that not having available reports means the home may have costly, hidden defects.

Q: As a buyer, how do I compete in this market when there is so little inventory?

A: Just like the scouts, "be prepared" is my motto. The first step is to work with REALTOR who knows the area where you want to live. Have an orientation with that person to learn what to expect in a transaction from start to finish, including understanding the contract. The other important piece is to know how you are going to pay for your new home and what your price range is. Before you try to make an offer, meet with a lender/mortgage broker to get pre-approved. Your agent can provide you with several names of reputable professionals. When your financial situation is in order, scour the Internet. Your agent can provide you with updates from the MLS daily (or even hourly). If you see a likely listing, to do a drive-by and then arrange with your agent for a viewing. Working with an experienced REALTOR you trust works to your advantage. In a multiple-offer situation, the relationship your agent has with other real-estate professionals in the community can make the difference between a new home and going home empty handed.

Q: Interest rates are so low, but I wonder if they're going to go lower, or if they will start moving up again. Should I lock in a rate for my purchase now, or should I wait?

A: If you've been into my office, you've probably seen the crystal ball I keep on my desk. Unfortunately, it doesn't do much predicting. Interest rates are, indeed, historically low. On the other hand, the latest job numbers are looking very good. Our friends in the lending industry say that lower unemployment numbers mean that the Federal Reserve may decide that the economy is doing well enough and it may be time to start gradually increasing interest rates. Granted, the current rates in the low-3% range are phenomenal, and an increase of even a quarter or half point would still be pretty great. On the other hand, the lower your rate, the more of each monthly payment you make goes towards your equity, rather than the bank's profit. If you can buy at today's rates, by all means, you should!

*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*

Vanguard Realtors

Successful... Vanguard is recognized as a professional, ethical, established, preeminent Santa Cruz area real-estate office. **Knowledgeable:** The Vanguard team of experienced, full-time REALTORS® is committed to remaining expert in all aspects of residential real estate. **Locally Based:** Our 12 REALTORS live here and know our communities. We know our resources and the benefits of living in Santa Cruz County. **Responsive:** Because Vanguard is local and independent, we can respond immediately to market changes. Our advertising and marketing programs are creative and flexible. **Committed:** Our excellent reputation reflects the strength of our commitment to our clients. A high percentage of our sales result from repeat and referral business. **Far Reaching:** Vanguard listings are on the MLS Infolink Service throughout the South Bay, Santa Cruz and Monterey Bay area to South San Francisco and on the Internet!

Office & Staff Information

Hours: Monday – Friday 10:00 AM – 6:00 PM
Weekends 10:00 AM – 4:00 PM

Voice: (831) 462-3110
E-mail: info@vanguardrealtors.com
Web: www.vanguardrealtors.com

REALTORS® / Brokers:

Linda Bailey	linda@lindabailey.com	818-1944
Linda Charman	lpcharm@pacbell.net	465-7700
Chris Charman	chris@vanguardrealtors.com	272-4747
Ben Dunn	bendunn@vanguardrealtors.com	465-7705
Loren Goodman	loren@loregoodman.com	465-7708
Rick Miritz	rick@rickmiritz.com	588-4528
Anne M. Murphy	amurphy@vanguardrealtors.com	465-7703
John O'Donnell	johnodonnell91@yahoo.com	345-6583
Edward Olsen	mredolsen@yahoo.com	588-0902
Barbara Samson	barbarasamson@hotmail.com	465-7706
Barbara Schatan	bschatan@sbcglobal.net	818-5724
Woutje Swets	woutje.swets@gmail.com	278-2447

Property Management:

Chris Charman	chris@santacruzhomesforrent.com	465-7718
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Printed on recycled paper 

CalBRE# 00695795

Volume 15-2

www.vanguardrealtors.com

Santa Cruz, CA 95062

1142 Soquel Avenue

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