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Your Questions from Real Estate Buyers, Sellers, & Agents

By Patti Boe

Q: How will the Mortgage Bailout passage affect us here in Santa Cruz? Or does it?

A: That is like the question “What does the naked lady walking down Pacific Ave. last week have to do with real estate values here?” Santa Cruz is the most eclectic, artsy and hip entrepreneur incubator on Earth. This diversity along with the amazing natural beauty and great weather is why most of us live here. The diversity convergence promotes the artistic, intellectual, physical and creative fireball that we are. The plus is that many of the giant successful companies in Silicon Valley and north began in a garage here (Odwalla, Seagate, Borland, West Marine, Plantronics, etc.). Executives of these companies have returned to buy beach homes when they retired.

The convergence also creates a real estate value juxtaposition. In Watsonville, values dropped 1.4% since last year (see July 23, 2008 Santa Cruz Sentinel front page article with Santa Cruz County Assessor statistics). At the same time, Santa Cruz (95060) and Live Oak (95062) rose 4.3% and 3.9% respectively. Watsonville is certainly not as bad as Sacramento, Fresno, and the rest of a huge swath of California’s Central Valley just as Santa Cruz, Live Oak, and Capitola are not as good in appreciation as Los Gatos, Saratoga, Woodside, Palo Alto, and San Francisco.

Prashant Gopal in the July 10 Business Week said, “Unlike other California markets that have been battered by foreclosures, real estate in Silicon Valley, part of the pricey San Francisco Bay Area, has remained relatively strong and has been buoyed by technology sector job growth and some of the highest salaries in the nation. Luxury homes – properties listed for more than \$3.5M – might be holding up best because buyers who can afford these prices aren’t concerned about interest rate fluctuations in the credit crunch.” Kenneth Rosen, chairman of the Fisher Center for Real Estate and Urban Economics at UC Berkeley, says, “Median home prices in Silicon Valley are plus or minus 5% compared to a year ago.” He adds that commercial real estate is even stronger – up 5 to 10% - due to higher rents.

So it looks like Santa Cruz and Live Oak-Capitola-Rio del Mar with 4.3%, 3.9%, and 3.6% respective increases are close behind our high-priced neighbors over the hill even as the outskirts are accumulating record foreclosures. So even if you throw us all into a pile, Kurtis Alexander (Santa Cruz Sentinel July 22) says we still gained 3.3% in assessed value from July 2007 to July 2008.

We see the juxtaposition of extremes when there are buyers looking for \$6M beach homes while still others are digging out house payment coupons to check when their 3,5,7, or 10 year loan is due. Still others are facing eminent NOD (Notice of Default) or Foreclosure (the new "F" word).

To sum up the current bill that just passed: There is light at the end of the tunnel, but that light will cost all of us for a long time. It took us 12 years to get here, and we all will be paying the taxes in the future that will cost us for Fannie Mae and Freddie Mac to rise up from their recent battering. The Cato Senior Fellow Gerald P. O'Driscoll, Jr. writes in the July 14 Cato Daily Dispatch, "Nonetheless, the Treasury's proposal has the virtue of honesty and transparency. The \$5.3 trillion in outstanding debt of the two companies belongs on the government's balance sheet because it has been effectively guaranteed for years." He goes on to say these two entities need radical downsizing so they won't be a threat to our economy. My advice to buyers and sellers would be to keep close touch with your banks, lenders, and agents so you can know best when to refi or sell.

Rep. Barney Frank, D-Mass., author of the legislation, says troubled homeowners may get relief within days of Bush signing the bill because lenders have long known details and could move quickly to help borrowers refinance.

Celebrate our diversity and enjoy what many folks pay millions to find. **Please contact Patti Boe at patti@pattiboe.com or 800-738-3261** to see if I can help or else refer you to our network of lenders and banks.