

LEGENDS OF REAL ESTATE

November 8, 2023

NEWS

Tax Strategies
for Real Estate
Professionals



EVENTS

Business Resiliency
Workshop



MARKET DATA

State & local housing
data + Market Minute





Jennifer Watson, SCCAR President

President Jennifer Watson and our leadership team recently attended the C.A.R. Business meetings, here is summary of the topics:

Professional Development & Education

- > 45 CE Credits every year and your Ethics course FREE. There is a 3-course package called "Realtor Resiliency Package" (if you take them individually there is a charge, so sign up for all three) FREE.
- > Every 3 years you are required to take an Ethics course. C.A.R. is adding a new requirement for a Fair Housing class every 3 years starting in 2025
- > If you don't have a Transaction Coordinator through your broker they have a TC Directory on CAR.ORG website
- > You will likely see more sexual harassment courses being offered. While it is NOT a REALTOR® requirement it is required by the state for employees

Lending

- > With rates rising and affordability low, know what tips can help and where the opportunity is. Know your clients goals, finances, assets, and jobs for special loans.
- > Meet with your favorite lender and get to know about lending programs such as, FHA 203k rehab, USDA, VA Loans AND first-time buyer programs. Take advantage of the Housing Foundation Grants for closing cost assistance and know the program so you can explain it enough to know if they qualify for it and let their lender know.
- > Before the pandemic a buyer bought a home, while others said, I'm going to wait for (rates to go down, prices to go down), in the meantime the buyer of the home from 3 years ago has \$150k equity. Who would you rather be? The right time to get into the real estate market is "when you can".

PRESIDENT'S MESSAGE

C.A.R. Fall Meetings 2023 Recap

> Another lending hack you can share with your clients, if they can buy a duplex, triplex or 4-plex- live in one and rent the others and use the rents to help qualify.

Insurance

- > Homeowners are getting 75-day notice to non-renew by insurers. Tell your clients to start the quote process ASAP and work with an insurance broker to shop around- not just the insurer who does your car. You can google the California Department of Insurance website for a shopping tool (for agents and brokers), it can tell if they have multiple lines of carriers and how far from the property they are and thus who can/will provide insurance now.
- > Another site called UPHELP.ORG has insurance shopping tips for who's offering and for a roadmap to recovery and preparedness tips. They tell you how to fire-harden and they offer grants to help with costs sometimes.
- > The California Fair Plan is the only one to "reward" you for home hardening. Also, there's something called a forced lien insurance policy by the lender. It won't cover much but can get your clients into a loan until repairs can be done or until the property qualifies for a HELOC. Additionally, Freddie Mac and Fannie Mae will allow repairs before close of escrow to get the loan.
- > There is a new add on to the NHD called FortressFire Wildfire Disclosure Report, it's for properties in high or very high fire severity zones that provides documentation of compliance with defensible space requirements



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RISK Management

- > Transaction Coordinators are filling out all of the documents and they are often unlicensed
- > Uptick in combo lockboxes and agents sharing codes with clients unaccompanied to the house.
- > Eureka area is requiring the lower lateral from the street up to the house with their sewer requirements.
- > Rental Fraud: scammers use "for sale" homes & take deposits & vanish (craigslist)
- > Scammers are putting QR Codes on your real estate signs with their information
- > Scammers are asking people to share a lost pet or person on their social media. Then they flip the photo to get more awareness for their scheme like a "fake rental", just be careful if you are sharing stuff like this.
- > The Fair Plan is 4% of all insurance policies and is increasing
- > There is legislation coming up to "handle" the eternal or 40-year listings. Agents were praying on vulnerable homeowners (like seniors and non-English speakers). They'd offer them \$1500-\$2500 cash upfront for a 40-year listing. With new legislation coming it will limit listings to have a maximum of 2 years/24 months and no automatic renewals.
- > Some agents are using the previous MLS listing photos without permission on their new listing of that same property.
- > Bogus buyers meeting agents at homes, targeting female REALTORS®
- > Escrow companies soliciting clients for free or for a deal
- > Out of area agents not knowing local disclosures (this is more common as the market tightens and a lack of inventory) agents start to spread their expertise wings to non-expertise areas.
- > We are seeing many more ethics issues with procuring cause. Example, an agent is working with a buyer, then they go to an open house and end up writing an offer with the listing agent...who's client are they?
- > Agents not knowing if the Fire Hardening disclosure is necessary and that the seller is supposed to fill it out San Mateo County is aiming for 2025 home electrification, so beware of mandates
- > The NHD may be different than what the insurance company has for fire severity

Legislative

- > AB12 will limit the amount collected for security deposit to 1 month with some exceptions.
- > SB567 deals with rent control and raising rent a max of 9.2% per year. IF signed there will be penalties coming for those that raise it more and there will be more restrictions on evictions
- > A change to the NHD Report starting in January 2024

- will help REALTORS determine if a home is in high/very high fire zone. It will be a yes or no check box (if yes is checked then you need the FHDS form).
- > A new disclosure is coming in July 2024 for House Flippers (July of 2024). If someone owns a 1-4 unit property for less than 18 months then they must disclose any major repairs OR if a contractor was used. A major repair is defined as \$500 or more.
- > The Environmental Hazards Book is supposed to be updated to include info on sea level rise and climate change, but there are no funds to update it. If you provide this booklet or link, then it satisfies general info about these topics
- > California notaries will change from in-person only to be able to do online and use out-of-state notaries.
- > Coastal Commission regarding improvements for safety (not enhancements) can do with CC approval for \$25,000 or less is going to \$125,000 or less. January 1st
- > AB505 will require the CA Fair Plan to extend to commercial properties
- > ACA13 will require any local ordinance will need the same threshold (of 50% or 2/3) vote to pass. It will not repeal Prop 13 (since it is not retroactive)

The overwhelming issues amongst ALL associations at the meetings was member involvement and education. We need both for success and a great future. Learn more about getting involved with SCCAR at <https://mysccar.org/wpress/committees>



MEET YOUR NEW DIRECTORS FOR 2024!

TREASURER 2024 CAROL LERNO MAIN STREET REALTORS



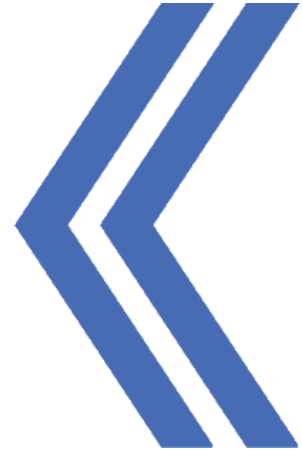
Throughout my 78 years of active living, I have developed a strong sense of common sense and a solid work ethic. Growing up in a small Central Valley town, we as kids learned from the example of our elders that working hard and helping each other get things done early meant we get to play. I lost my Husband, Albert, of nearly 40 years in 2011. He always encouraged me to be who I wanted to be and he tried to instill that "You can do it" attitude and I have tried to pass that enthusiasm on.

My professional journey has included working in various fields, such as packing sheds, five-and-dime stores, banks, and convenience stores. Since 2003, I have held a Real Estate License, with my focus shifting towards property management in 2007. I have been a broker since 2010, specializing in property management. One aspect of this role that I particularly enjoy is the challenge of ensuring that both property owners and tenants have their needs and wants met while maintaining a respectful relationship.

Recognizing the perpetual demand for housing, I have dedicated myself to supplying and maintaining high-quality properties. For the past 30 years, I have been an active member of the mobile home community, specifically in organizing the transition of resident-owned parks away from rental parks. As our county has rent control regulations for mobile homes, I prioritize staying up-to-date with the ever-evolving state laws surrounding rent control, as this knowledge allows me to navigate the industry's intricacies better.

I have always had an interest in My Community and my heritage. Being Portuguese, I followed my parents' interest in cultural activities and civic responsibilities. Since 1998, I have served as a Santa Cruz County Mobile Home Commissioner. This role has provided invaluable opportunities to learn from and collaborate with the County and the Community leadership.

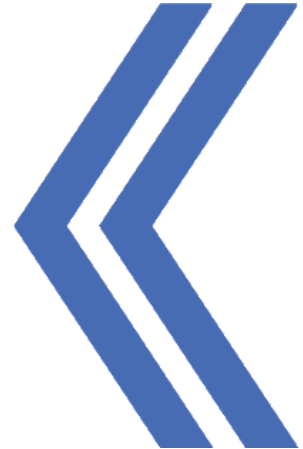
Guiding clients, family, and friends through the emotional process of transitioning their housing needs has been profoundly fulfilling and has enriched my life. I eagerly anticipate the next chapter in my professional journey while being a part of the leadership team at SCCAR.





DIRECTOR 2024
NICK BAILEY
BAILEY PROPERTIES, INC.

Nick Bailey is a third-generation real estate agent working for home sellers and buyers throughout Santa Cruz County, California, and surrounding areas. As an award-winning top producer, he provides local real estate expertise that maximizes values for home seller clients and helps home buyer clients confidently achieve their homeownership goals. Nick repeatedly exceeds client expectations through a combination of marketing, transaction management, and negotiations. By applying industry knowledge and experience, he consistently creates successful sales with a professional approach. In addition to residential sales, Nick enjoys outdoor activities and traveling. He served as the SCCAR Modern Real Estate Professionals Chair in 2022 and will be Chair of the SCCAR Local Government Relations Committee in 2024. Additionally, Nick will be Vice Chair of the Young Professionals Network for C.A.R. in 2024.



DIRECTOR 2024
MAGGIE BARR
KELLER WILLIAMS REALTY - SC

Maggie Barr is a REALTOR® at Keller Williams Santa Cruz, and has been selling residential real estate in Santa Cruz County for 10 years. She has served on the Leadership Council at Keller Williams Santa Cruz and offers training on transaction management and working with buyers. Maggie has been serving on the SCCAR Finance Committee since January 2021. She was President the Women's Council of Realtors in 2018 and graduated from the Leadership Santa Cruz training program in 2023. In her spare time, Maggie has served on the board of multiple non-profit organizations in Santa Cruz including the Valley Women's Club of the San Lorenzo Valley where she was Treasurer from 2018-2019, and Scotts Valley PEO where she was Secretary from 2019-2020. In recognition of her outstanding volunteer efforts, she was a 2018 recipient of the 'Be the Difference' award from the Volunteer Center of Santa Cruz County. Prior to her career in Real Estate Maggie served in marketing management roles at several high tech companies including Microsoft, Dell Computer, SAP, and Symantec. Maggie has a Bachelors in Business from the University of Texas at Austin and a Masters of Business Administration from the University of Washington in Seattle. Maggie lives in Boulder Creek with her husband Mike Barr and their two cats Max & Milo.



This will fill up fast!

A SCCAR & WCR Collaboration!

Business Resilience Workshop:

Thrive Through Economic Changes!

Wed., October 25, 2023
9:30 - 11:30 AM | SCCAR Office
2525 Main St., Soquel

Women's Council of REALTORS® Santa Cruz

SCCAR Santa Cruz County Association of REALTORS

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LEADERSHIP SPOTLIGHT

PATRICK BEAVER, EVENTS COMMITTEE VICE CHAIR

Patrick Beaver is a Santa Cruz County native who has been immersing himself in the local community for many years. Patrick is a Home Loan Consultant at Bay Federal Credit Union, and he just completed his fourteen-year anniversary with the organization. He has a passion for assisting Bay Federal C.U. members with all their home lending needs, and his favorite part of the job is putting borrowers in their very first home. As a father of five, he loves to make memories with his children by going to the beach, camping, and riding bikes. Volunteering on the SCCAR events committee has been a wonderful experience. Working on events such as the annual charity golf tournament and corn hole tournament has been some of the highlight of being on the board. Patrick is looking forward to the annual Summer Salsa Bash and the continuation of building a network with representatives from the board and community.



Patrick Beaver | Home Loan Consultant
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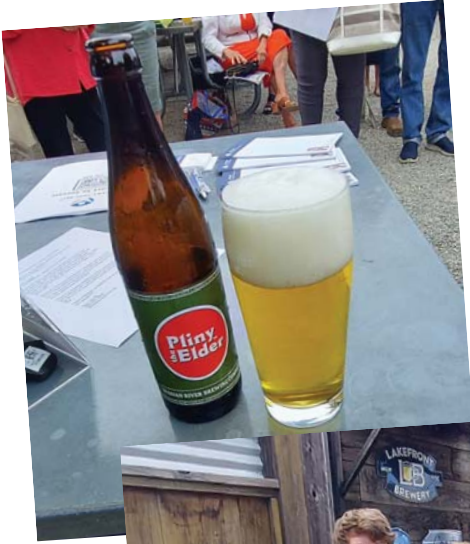
Save The Date!

November 8, 2023, 11 AM - 3 PM
Seascape Golf Club



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MREP Agent Toolbox!

UPCOMING EVENTS & EDUCATION

WATER RESOURCES

10/13

Learn about long range water availability issues, minimum requirements for water availability, sewage disposal & treatment issues that we will be facing in the future and much more.

Friday, October 13, 2023 - 9:30 - 11 AM @ SCCAR

[Register](#)



INSURANCE UPDATE

10/23

With all the recent changes in the insurance marketplace, it can be down right scary to know how to guide your clients. We've pulled together a couple of local insurance experts to help you understand what is available, what isn't and how to help you clients.

Monday, October 23, 2023 - 9:30 - 11 AM at SCCAR

[Register](#)

Tax Strategies for RE Pros

11/3

It's Time to Take Control of Your Taxes. Don't Let Your 2023 DEDUCTIONS Pass You By! After this seminar, you'll have what you need to bring to your tax accountant, so you can keep more of your income this year and beyond!

Friday, November 3, 2023 - 9:30 - 11 AM via Zoom

[Register](#)



Join Us to Help Make Santa Cruz the Cleanest County in CA!



SCCAR is excited to partner with the “Trash Talkers” and the county-wide Pitch In Initiative on reducing litter and illegal dumping in our County. The Trash Talkers is a coalition of agencies, who are for the first time, working together to **address litter and illegal dumping in Santa Cruz County.**

The goal is to make Santa Cruz the cleanest county in the state of California. **A cleaner Santa Cruz is better for our community and our business.**

What can you do? We invite you to show your support for a clean Santa Cruz County by putting their logo on your marketing flyers and consider sponsoring cleanups. You can download a logo from our website.

The Pitch In Logo is the "brand," so to speak, and key to their strategy to educate and engage all community members and visitors. They want everyone who sees it to be reminded of our collective responsibility to participate and “pitch in.”

Learn more about Pitch In on their website pitchinsantacruz.org.



MLS CORNER

MLSListings Live #29 w/Dr. Eisenberg – Recording Available

The video recording of MLSListings Live #29, where partner economist, Dr. Elliot Eisenberg, discusses how federal policies & economic factors are impacting the Bay Area real estate market, how best to advise your clients, & more is now available to view on-demand. <https://youtu.be/MXXnphqZzI4>



**MLSLISTINGS
LIVE**

**Staying Ahead of the Curve,
Fall Real Estate Look Ahead**

w/ Partner Economist,
Dr. Elliot Eisenberg



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SCCAR AFFILIATE SHOWCASE



Chris Sheehy
HarborLight Investments
chris@harborlightinvestments.com
831-291-3843



With a proven track record of success, Chris Sheehy CFP®, is dedicated to understanding your unique goals and crafting personalized strategies. From retirement planning to investment management, HarborLight Investments provides comprehensive solutions to grow and safeguard your wealth. As a trusted partner in your financial journey, we offer clarity and confidence, empowering you to make sound decisions. Discover peace of mind and unlock the potential of your finances with our top-tier certified financial planner by your side.



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7 STRATEGIES FOR REAL ESTATE AGENTS TO SLASH TAXES BEFORE YEAR-END



While tax planning is a year-round task, real estate agents can take some specific actions before the New Year to significantly cut their taxable income. Use these seven strategies to avoid overpaying taxes, save money, and better manage your business.

1. Identify business deductions

Every business has ordinary and necessary costs, such as office equipment, marketing, accounting, and insurance, that are tax-deductible. If you don't flag them throughout the year, take the time to identify them now so you'll have less work to do later.

Run reports to double-check that you've categorized costs correctly and adjust if needed. Note that tax-deductible business expenses can change from year to year. So, familiarize yourself with the list of allowable deductions in Publication 535, Business Expenses.

2. Claim the home office deduction

In addition to deductible business expenses, you can claim the home office deduction if you primarily run your business from a dedicated home office. Many entrepreneurs don't realize that even if you have a day job and run a part-time business from home, you qualify to claim the deduction whether you're a homeowner or renter.

Your home office doesn't have to be the only place you work or meet customers to qualify for the deduction. For instance, you might also work at a coffee shop, co-working space, and meet clients in their homes.

Direct expenses for your office area, such as flooring, furniture, window treatments, or an additional phone line, are 100% deductible. However, exterior improvements, such as landscaping or installing a pool, typically aren't deductible.

You may also deduct a portion of expenses for your home, such as rent, mortgage interest, property taxes, insurance, cleaning, and utilities, known as indirect office expenses. They're partially deductible based on your home office size and calculation method.

The standard method requires you to calculate the size of your office as a percentage of your home and apply it to your expenses. For example, if your office is 10% of your home, you can attribute 10% of qualifying expenses (such as your homeowners insurance and power bill) to business use.

Or, you might choose the simplified method, which allows you to claim \$5 per square foot of your office area, up to 300 square feet. It eliminates having to keep detailed records but won't give you the largest deduction if your office exceeds 300 square feet.

If you're eligible to claim the home office deduction, it's a terrific way to make certain personal expenses partially deductible. Use Form 8829, Expenses for Business Use of Your Home, to determine the allowable costs and enter them on Schedule C, Profit or Loss From Business, when you file taxes. See Publication 587, Business Use of Your Home, for more details.

3. Claim business vehicle use

Most real estate professionals use their personal vehicle for business, allowing you to deduct expenses based on mileage. That means keeping detailed records to allocate business versus personal miles driven. However, if your vehicle is used exclusively for business, you can deduct all its costs.

Your deduction depends on your chosen calculation method, using actual expenses or a standard mileage rate. Generally, the more expensive your vehicle is to operate, the higher your deduction will be using the actual cost method.

For 2023, the rate for business use is 65.5 cents per mile. For instance, if you drove 1,000 miles annually for business purposes, your vehicle deduction would be \$655 (1,000 x \$0.655). You may come out ahead for more economical cars using the standard mileage deduction.

Check out Publication 463, Travel, Entertainment, Gift, and Car Expenses, for more information on vehicle deductions.

4. Contribute to a retirement account

If you haven't opened a retirement account, such as an IRA, SEP-IRA, or solo 401(k), don't miss the opportunity to cut taxes and start building wealth before year-end. The benefit depends on how much you contribute and your account type.

For 2023, the maximum IRA contribution is \$6,500 or \$7,500 if you're over 50. If you contribute \$6,500 to a traditional IRA by your tax filing deadline (mid-April or mid-October if you file an extension), you reduce your taxable income by that amount.

Self-employed retirement accounts, such as a SEP-IRA and solo 401(k), allow contributions of up to 25% of your net business earnings up to \$66,000. That gives you a much larger potential tax deduction.

5. Max out a health savings account (HSA)

If you have a high deductible, HSA-qualified health plan purchased on your own or through your or a spouse's employer, you can open an HSA. Like a traditional IRA, HSA contributions made by your tax filing deadline are deductible for the current year. What's terrific about an HSA is that your funds can be invested for tax-free growth. Plus, when you spend it on qualified healthcare costs, your withdrawals are entirely tax-free. That significantly cuts the long list of medical expenses you'll find in Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans.

6. Buy business equipment

If you've been considering buying equipment for your business, such as a computer, machinery, or vehicle, consider doing it before the end of the year. In some cases, you may be able to deduct the entire cost this year instead of depreciating it over several years.

Review Publication 946, How to Depreciate Property, and consult with a certified tax accountant if you purchased business assets or are considering them.

7. Time your business income and expenses

Timing your income and expenses involves legitimately moving them from one year to another to pay the least in taxes. For instance, if you defer business income until January, you reduce earnings in the current year.

To reduce your taxable income, you might accelerate or prepay certain business expenses before the New Year—such as real estate continuing education, memberships, and auto insurance. If you mail payments or make credit card charges in the current year, you can deduct them.

A wise strategy for cutting taxes before the year-end is getting guidance from a certified tax professional. Their advice can pay off in the long run if it helps you get organized and reduce your taxable income for the year. It's up to you (and your tax pro) to make smart moves now to avoid potential tax mistakes and save as much money as possible.

About the article's author: Laura Adams is the author and host of the Money Girl podcast.

This content should not be considered accounting or legal advice. You should consult your local tax or legal professional in your state for appropriate strategies. This column does not necessarily reflect the opinion of RealTrends' editorial department and its owners.

To contact the author of this story:
Laura Adams at laura@lauraadams.com



Report as of

October 2023



California Latest Market Data

How the market is doing



*Daily Average
for week ending
September 30, 2023

545

Closed Sales
per day*



512

Pending Sales
per day*



577

New Listings
per day*



% change indicates change from last week



What REALTORS® are saying



-0.3%

20.6%

Closed a sale



2.3%

20.4%

Entered escrow



-2.2%

20.4%

Listed a property

% change indicates change from last month

What REALTORS® think will happen



0.5%

15.0%

Sales will be **up**

-7.0%

15.0%

Prices will be **up**

6.3%

21.0%

Listings will be **up**

% change indicates change from last month

Source: California Association of REALTORS®

Santa Cruz County Housing Statistics

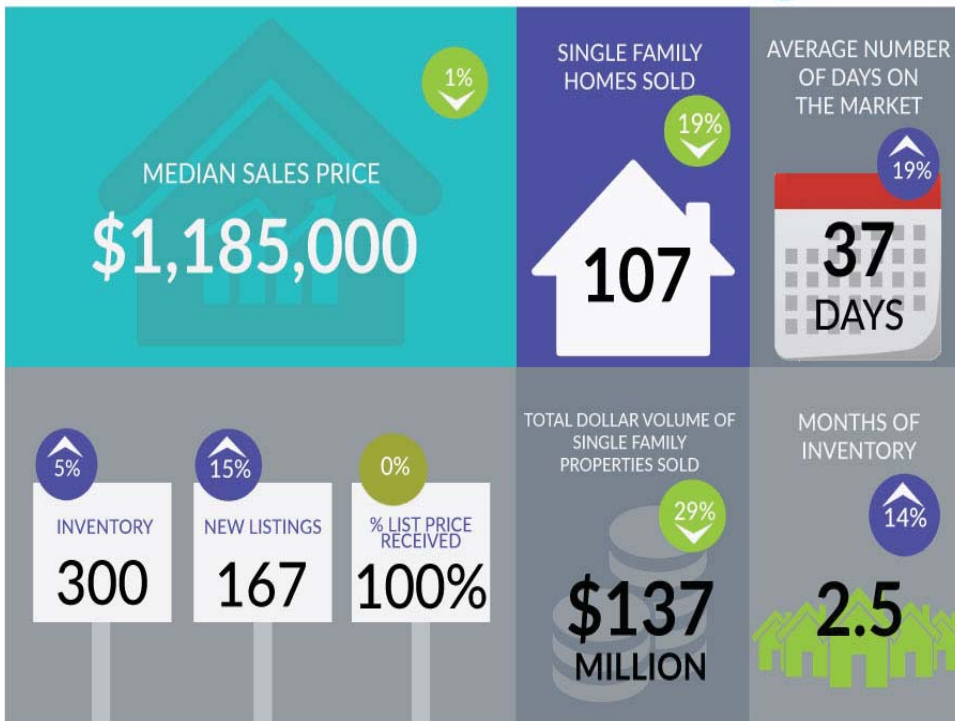
September 2023: Santa Cruz County - Single Family Residential												
City	New	Inventory	Sold	Avg. DOM	Avg. Sale Price	Median Sale Price	Median \$/Sqft	% LP Rec'd	Sale Volume	Avg. Home Sq. Ft.	Avg. Lot Sq. Ft.	Months of Inventory
Aptos	27	52	17	43	\$1,607,624	\$1,700,000	\$759	99%	\$27,329,611	2,104	22,349	2.4
Ben Lomond	7	18	2	39	\$868,500	\$868,500	\$621	88%	\$1,737,000	1,513	47,219	4.5
Boulder Creek	16	28	9	48	\$668,555	\$625,000	\$643	102%	\$6,017,000	1,055	23,532	2.5
Brookdale	1	3	3	39	\$817,941	\$880,000	\$411	98%	\$2,453,825	1,807	8,973	1.5
Capitola	3	5	3	10	\$1,810,000	\$1,625,000	\$1,325	108%	\$5,430,000	1,231	3,703	1.5
Corralitos	2	4	1	0	\$1,350,000	\$1,350,000	\$1,146	100%	\$1,350,000	1,178	304,920	4
Davenport	1	1	0									
Felton	8	26	9	47	\$833,166	\$758,000	\$665	99%	\$7,498,500	1,467	17,982	4.6
Freedom	0	0	1	2	\$935,000	\$935,000	\$678	104%	\$935,000	1,380	28,314	0
La Selva Beach	5	6	0									
Los Gatos	9	21	6	40	\$1,545,833	\$1,487,500	\$622	100%	\$9,275,000	2,468	289,463	3.5
Mount Hermon	0	0	1	33	\$765,000	\$765,000	\$664	98%	\$765,000	1,152	14,070	0
Santa Cruz	43	62	27	46	\$1,734,101	\$1,500,000	\$1,015	100%	\$46,820,750	1,804	30,209	2
Scotts Valley	13	23	5	44	\$1,515,800	\$1,764,000	\$588	99%	\$7,579,000	2,758	20,099	3.3
Soquel	6	12	3	29	\$1,438,333	\$1,500,000	\$591	99%	\$4,315,000	2,930	25,323	2.8
Watsonville	26	39	20	16	\$751,950	\$727,500	\$565	102%	\$15,039,000	1,338	17,975	2.3
Summary	167	300	107	31	\$ 1,188,700	\$1,142,500	\$654	100%	\$136,544,686	1,728	61,009	2.5

September 2023: Santa Cruz County - Common Interest Development												
City	New	Inventory	Sold	Avg. DOM	Avg. Sale Price	Median Sale Price	Median \$/Sqft	% LP Rec'd	Sale Volume	Avg. Home Sq. Ft.	Avg. Lot Sq. Ft.	Months of Inventory
Aptos	5	8	5	10	\$1,084,800	\$1,021,000	\$831.00	100%	\$5,424,000	1,287	1,590	2.2
Boulder Creek	3	4	0									
Capitola	7	9	5	10	\$698,600	\$690,000	\$708.00	101%	\$3,493,000	915	697	1.7
Freedom	1	1	0									
La Selva Beach	0	2	0									
Santa Cruz	10	20	14	12	\$798,063	\$745,000	\$670.00	102%	\$11,172,882	1,181	1,016	1.9
Scotts Valley	4	2	2	4	\$750,000	\$750,000	\$652.00	100%	\$1,500,000	1,152		1.2
Soquel	0	3	1	0	\$1,250,000	\$1,250,000	\$826.00	100%	\$1,250,000	1,514		9
Watsonville	7	18	7	23	\$981,071	\$990,000	\$836.00	99%	\$6,867,500	1,230	610	2.8
Summary	37	67	34	10	\$927,089	\$870,000	\$767	100%	\$ 29,707,382	1,213	978	3.1

Data provided by MLS Listings, Inc. and compiled by the Santa Cruz County Association of REALTORS®

MARKET MINUTE

SEPTEMBER 2023 MARKET SNAPSHOT - SINGLE FAMILY HOMES - YEAR OVER YEAR



October 02, 2023 - With consumer activity beginning to show signs of slowing in the past couple of months, a government shutdown would have put an additional drag on the economy in coming months. Fortunately, the U.S. dodged the economic hiccup as Congress approved a last-minute federal spending bill to keep the government open. Despite the relief, Americans have other concerns to worry about. High interest rates, the resumption of student loan payments, and rising gas prices are a few items that have kept consumer confidence down in the last couple of months. On the other hand, an improving inflation outlook and a still-solid labor market are some positives that should help the economy and the housing market weather the headwinds in the fourth quarter and carry them to a better 2024 once rates start coming down.



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