

# The Real Estate Report

LOCAL MARKET TRENDS



SANTA CLARA COUNTY

September/October 2005

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*my success rests on your success™*

## The Google Effect

While the real estate market in the rest of the state has been slowing down for the past year, the market in Silicon Valley has surged.

Why? Google millionaires. Google went public in May 2004. At the time, Bill Coleman, senior vice president of Salary.com estimated that based on Google's share price of around \$130, about 60% of Google's 1,900 employees held stock options worth at least \$1 million. Now, of course, Google's share price is almost \$300.

If all Google millionaires purchased a home, that would account for only 10% of all homes sold in the past year. Doesn't sound like much, does it? Yet, suddenly injecting

10% greater demand into the market does have an effect all out of proportion to the numbers.

The good news is the Google

effect seems to have peaked.

The sales price to list price ratio has been declining for the past four months and is now at its lowest level since last October. At 100.3%, we're still on the sellers' side of the ledger.

The median home price has been bobbing around \$750,000 for the past five months and can't seem to get any traction to break out.

Year-over-year appreciation is still in the double-digits, but we expect that to start falling in the months ahead.

We are entering a period where the market will be balanced, for a while. Whether it turns into a buyers' market or returns to a sellers' market is something we will be keeping our eye on.

If you have any questions I can answer, do not hesitate to call me.

### Trends at a Glance

(Single-family Homes)

	Aug 05	Jul 05	Aug 04
Sale/List Price Ratio:	100.3%	101.2%	100.1%
Days on Market:	29	25	30
Days of Inventory	60	62	56
Median Price:	\$760,000	\$750,000	\$630,000
Average Price:	\$924,431	\$907,889	\$742,469
Home Sales:	1,404	1,417	1,547
Inventory:	2,816	2,931	2,912

## New Foreclosed Real Estate Drops

The number of new foreclosed residential properties nationwide fell between July and August to 24,328 units, according to Foreclosure.com, which tracks residential foreclosures and for-sale-by-owner properties.

According to data released Wednesday, a total of 93,440 foreclosed residential properties were available for sale in the U.S. during August, up 3 percent from the 90,611

foreclosed properties available for sale during July.

"Foreclosure inventory has been steadily increasing since May, representing a slowdown in the purchase of foreclosed homes," said Brad Geisen, president and CEO, Foreclosure.com. "This trend of sustained high inventory presents a strong investment opportunity for buyers, as lenders are challenged with greater holding and disposi-

tion costs the longer that they have to hold on to a property."

Texas had the highest number of foreclosed properties for sale in August with 12,920, followed by Ohio (8,192), Michigan (7,422), Georgia (6,798), and Colorado (6,528).

The states with the fewest number of foreclosed properties for sale last month were:

District of Columbia (8); Rhode Island (10); Hawaii (12); Vermont (30); and North Dakota (52).



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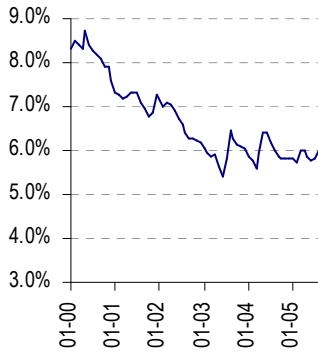
For the full Monthly Market Trends Report plus a city-by-city breakdown, visit my website at [www.aviurban1.com](http://www.aviurban1.com).

To receive the report regularly, send me an email to [avi@aviurban1.com](mailto:avi@aviurban1.com) with the subject "add me to the monthly report list"

# The Real Estate Report

## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (Sep. 2, 2005) -- Mortgage rates dipped this week, with the average 30-year fixed rate mortgage (FRM) falling by five basis points to land at 5.90%. Five-one Hybrid ARMs, a popular alternative, closed the week at an average 5.52%, down three basis points.

Hurricane Katrina caused widespread devastation and broad misery. It's not yet known the sum of the economic catastrophe or the total loss of life, but current estimates of both put Katrina easily in the "worst ever" class.

If you haven't done so already, please make a donation to the American Red Cross, Salvation Army or other relief organization of your choosing.

The economic impact of Katrina will persist for months, but the open question is whether leaping energy prices will spark inflation to a greater degree, or simply drag down economic growth -- at least until the jumpstart of rebuilding begins? Most likely some of both will occur, and in the midst of all this, the Fed is trying to run a campaign designed to moderate nascent

inflationary pressures while keeping growth moving ahead.

Bond markets believe that economic slowness will become much more of a problem this fall than will inflation. As a result, interest rates have gone down, and some steepening of the yield curve has occurred.

Mortgage rates are generally trending downward, and that will continue into next week, with at least a few more basis points a likely decline.

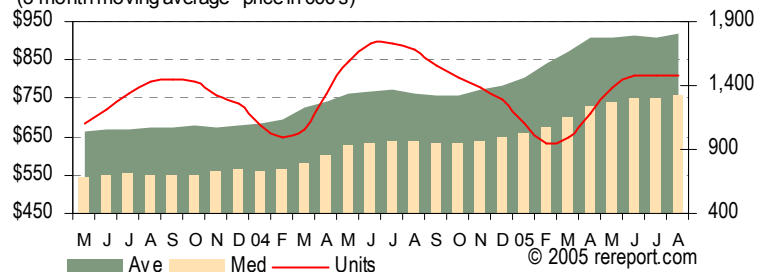
## August Sales Statistics

### Single-family Homes

County	Prices		Unit Sales	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$760,000	\$924,431	1,404	2168	2,816	29	100.3%	21.6%	24.5%	-9.2%	-3.3%	1.3%	1.8%	-0.9%	-3.9%
Campbell	\$740,000	\$832,017	37	35	45	31	101.2%	13.0%	18.9%	-15.9%	-26.2%	4.2%	14.6%	54.2%	-19.6%
Cupertino	\$1,090,000	\$1,141,767	51	70	77	30	102.0%	17.2%	21.6%	-12.1%	-13.5%	14.9%	7.0%	10.9%	-4.9%
Gilroy	\$739,000	\$805,234	68	96	165	34	99.7%	34.4%	38.1%	9.7%	15.4%	2.9%	-1.6%	23.6%	-5.7%
Los Altos	\$1,505,350	\$1,590,389	41	42	58	22	101.7%	15.8%	16.5%	2.5%	0.0%	-2.9%	-3.8%	-2.4%	-30.1%
Los Altos Hills	\$2,600,000	\$2,643,700	10	14	58	71	96.0%	22.4%	22.4%	66.7%	-10.8%	0.0%	-8.6%	-9.1%	-14.7%
Los Gatos	\$1,240,000	\$1,435,638	40	67	134	49	97.1%	21.0%	24.2%	8.1%	-28.7%	-4.2%	1.7%	17.6%	-6.3%
Milpitas	\$710,000	\$737,144	39	76	86	25	102.1%	28.4%	26.0%	-22.0%	19.4%	2.9%	0.3%	-22.0%	0.0%
Monte Sereno	\$1,562,000	\$2,439,251	7	8	24	59	92.5%	-20.9%	30.1%	-12.5%	-17.2%	-9.2%	51.8%	133.3%	14.3%
Morgan Hill	\$765,000	\$886,714	45	83	152	43	99.2%	12.2%	24.5%	-21.1%	5.6%	-1.8%	-3.3%	-22.4%	-5.6%
Mountain View	\$945,000	\$1,012,401	41	44	26	26	103.7%	20.5%	26.0%	-10.9%	-31.6%	5.0%	1.3%	24.2%	-23.5%
Palo Alto	\$1,400,500	\$1,576,673	49	44	52	27	100.3%	37.3%	24.3%	-12.5%	-13.3%	10.3%	9.7%	-3.9%	-26.8%
San Jose	\$700,000	\$768,061	779	1281	1,539	26	101.4%	21.7%	23.0%	-10.3%	2.4%	-0.7%	-1.9%	-1.5%	0.0%
Santa Clara	\$697,500	\$739,088	69	108	99	23	101.2%	18.2%	21.2%	-4.2%	-16.1%	-0.8%	3.3%	-13.8%	-4.8%
Saratoga	\$1,505,000	\$1,764,961	31	59	126	37	97.2%	3.8%	21.6%	-20.5%	-7.4%	0.3%	14.5%	-31.1%	-6.7%
Sunnyvale	\$805,000	\$849,142	86	107	100	23	102.2%	14.2%	22.4%	4.9%	-13.0%	0.6%	3.3%	7.5%	-4.8%

### Silicon Valley Homes: Prices & Sales

(3-month moving average - price in 000's)



# The Real Estate Report

## Benefits of Proper Pricing

### Faster sale

When your home sells faster, you save carrying costs, mortgage payments and other ownership costs.

### Less inconvenience

If you've moved before, you know the energy it takes to prepare for showings: keeping the home clean, making child care arrangements and altering your lifestyle. Proper pricing reduces these demands on you, by selling your home faster.

### Exposure to more prospects

At market value, you open your home up to more people

who can afford the price. Sellers who list at a high price in the hope that they'll find the one purchaser who will pay it, often do not realize that they have discouraged many potential purchasers who could have afforded the price they end up accepting at a later date.

### Increased agent response

When agents are excited about a home and its price, they make special efforts to contact all of their potential buyers. Knowing that it is priced properly for its market, they expect it to sell soon and encourage their prospects to

act quickly. Their excitement is contagious!

### Better response from advertising and sign calls

Ad calls and sign calls to Realtors turn into showings when price is not a deterrent. Most serious prospects are well educated about asking prices in the areas they are seeking, and will not waste time on a home they consider over-priced.

### Attracts higher offers

When a home is priced right, buyers fear they might lose out on a good home, so they

are less likely to make "low ball offers."

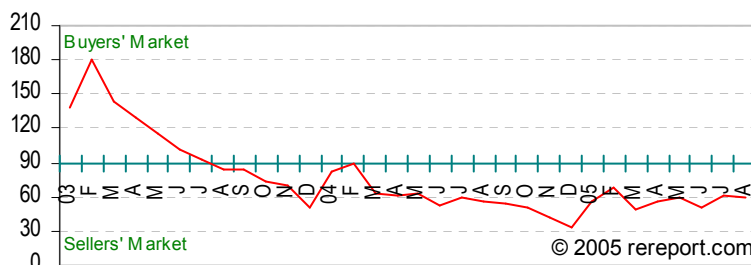
### Means more money to sellers

If a home is priced right, the excitement of the market produces higher sale prices. You net more both in terms of actual sale price and in less carrying costs.

As we turn to a buyers' market, the importance of proper pricing becomes even more important.

August Sales Statistics															
Condos/Townhomes															
	Prices		Unit Sales	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$495,000	\$519,337	594	862	894	20	102.5%	22.8%	22.6%	-1.2%	3.8%	3.1%	1.3%	2.2%	3.0%
Campbell	\$545,000	\$554,543	23	34	37	21	102.3%	25.8%	30.7%	27.8%	48.0%	10.1%	0.9%	4.5%	37.0%
Cupertino	\$627,000	\$675,492	14	20	16	30	100.9%	3.6%	12.9%	27.3%	-23.8%	1.1%	-6.9%	16.7%	-38.5%
Gilroy	\$440,000	\$457,500	4	11	11	14	102.0%	29.4%	36.4%	0.0%	120.0%	44.3%	13.0%	100.0%	120.0%
Los Altos	\$690,000	\$806,000	5	8	9	20	99.8%	-3.5%	7.1%	-37.5%	0.0%	10.4%	37.9%	66.7%	-35.7%
Los Gatos	\$650,000	\$665,185	12	27	25	23	103.3%	22.1%	5.8%	0.0%	-43.2%	-21.7%	-15.6%	9.1%	47.1%
Milpitas	\$615,000	\$554,303	19	35	32	23	103.1%	15.0%	11.0%	0.0%	3.2%	38.2%	6.9%	-13.6%	6.7%
Morgan Hill	\$500,000	\$477,173	11	11	10	17	101.7%	11.4%	11.5%	-8.3%	-41.2%	6.4%	-1.9%	0.0%	-23.1%
Mountain View	\$525,800	\$562,580	59	54	49	18	103.0%	19.5%	21.5%	-3.3%	16.7%	-9.4%	-3.1%	25.5%	-26.9%
Palo Alto	\$555,000	\$599,056	18	11	17	20	103.7%	0.9%	-3.4%	50.0%	-32.0%	-12.6%	-15.6%	12.5%	-22.7%
San Jose	\$455,000	\$479,173	338	492	527	20	102.4%	26.4%	25.4%	-3.2%	2.5%	0.0%	2.8%	-0.9%	2.7%
Santa Clara	\$525,000	\$522,971	51	80	95	18	102.8%	26.5%	20.7%	8.5%	31.9%	11.7%	6.2%	15.9%	46.2%
Saratoga	\$645,000	\$751,537	6	15	13	46	99.7%	24.0%	42.9%	-53.8%	-38.1%	-17.3%	-17.6%	-14.3%	-40.9%
Sunnyvale	\$570,000	\$574,582	34	64	53	18	102.4%	34.1%	37.6%	-2.9%	55.9%	3.6%	4.8%	-20.9%	12.8%

### Days of Inventory



## THE REAL ESTATE REPORT

### SANTA CLARA COUNTY

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For the full Monthly Market Trends Report plus a city-by-city breakdown, visit my website at:

[www.aviurban1.com/pages/frameset-market.html](http://www.aviurban1.com/pages/frameset-market.html)

To receive the report regularly, send me an email to [avi@aviurban1.com](mailto:avi@aviurban1.com) with the subject "add me to the monthly report list"



## What Goes Into Your FICO Score

The first, and most important, item to check is your FICO score. Any mistakes or incorrect entries need to be fixed and it takes time to do that. Time you may not have when in the middle of applying for a loan and your contingency period is running out.

You can request a copy from each of the three major national credit bureaus: Equifax, Experian and TransUnion.

- <http://www.equifax.com>
- <http://www.experian.com>
- <http://www.transunion.com>

### Key factors of your score

Just what goes into the score? Pretty much everything in your credit report, with different kinds of information carrying differing weights, says Fair Isaac consumer affairs manager Craig Watts. The model looks

at more than 20 factors in five categories.

#### 1. How you pay your bills (35% of the score)

The most important factor is how you've paid your bills in the past, placing the most emphasis on recent activity. Paying all your bills on time is good. Paying them late on a consistent basis is bad. Having accounts that were sent to collections is worse. Declaring bankruptcy is worst.

#### 2. Amount of money owed vs. available credit (30%)

The second most important area is your outstanding debt -- how much money you owe on credit cards, car loans, mortgages, home equity lines, etc. Also considered is the total amount of credit you have available. If you have 10 credit cards that each have \$10,000 credit limits,

that's \$100,000 of available credit. Statistically, people who have a lot of credit available tend to use it, which makes them a less attractive credit risk.

"Carrying a lot of debt doesn't necessarily mean you'll have a lower score," Watts says. "It doesn't hurt as much as carrying close to the maximum. People who consistently max out their balances are perceived as riskier. People who never use their credit don't have a track history. People with the highest scores use credit sparingly and keep their balances low."

#### 3. Length of credit history (15%)

The third factor is the length of your credit history. The longer you've had credit -- particularly if it's with the same credit issuers -- the more points you get.

#### 4. Mix of credit (10%)

The best scores will have a mix of revolving credit, such as credit cards, and installment credit, such as mortgages and car loans. "Statistically, consumers with a richer variety of experiences are better credit risks," Watts says. "They know how to handle money."

#### 5. New credit applications (10%)

The final category is your interest in new credit -- how many credit applications you're filling out. The model compensates for people who are rate shopping for the best mortgage or car loan rates. The only time shopping really hurts your score, Watts says, is when you have previous recent credit stumbles, such as late payments or bills sent to collections.