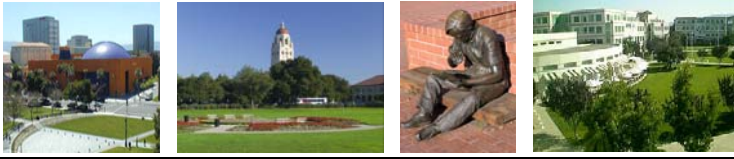


The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Home Sales Fall in September

As expected, the credit crunch had a big impact on sales last month. Sales of single-family, re-sale homes fell 34.7% from the month before, and were off 42.1% year-over-year. We expect sales to be slow this month, then start to recover at the end of the quarter as the credit crunch is alleviated.

Home sales were at their lowest level since February 1995. Year-to-date, home sales are down 17.9%.

Prices also slipped slightly in September with the median price falling 1.4% from August and the average price down 1.5%. Year-over-year, prices are up by double-digits: median price up 10.7% and average price up 16%.

The median price for condos fell 1.5% to \$525,000, up 6.1% over

last September. The average price dropped 2.4% to \$555,276, an annual gain of 6%.

Trends at a Glance (Single-family Homes)			
	Sep 07	Aug 07	Sep 06
Median Price:	\$851,250	\$863,000	\$769,000
Average Price:	\$1,069,346	\$1,085,590	\$922,195
Home Sales:	514	787	887
Inventory:	4,875	4,795	3,926
Sale/List Price Ratio:	99.8%	99.8%	99.0%
Days on Market:	49	57	50
Days of Inventory	285	183	133

Condo sales fell 42.3% from August, and were off 49.9% year-over-year.

Inventory continued to grow, with single-family homes up 1.7% from August, and up 24.2% year-over-year. Condo inventory was up 1% month-over-month, and up 14.9% compared to last September.

The sales price to list price ratio for single-family homes was flat at 99.8%. The ratio for condos fell 0.5 of a point to 99.4%.

Days on market fell eight days to 49 for homes. Days on market for condos rose six to 50 days.

Our days of inventory indicator for single-family homes was sent soaring by the severe drop in sales. It rose 102 days sending the indicator to 285 days. The indicator for condos gained 116 days to 271.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a particular neighborhood or for an evaluation of your home's worth, call me.

October/November 2007



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Mortgage Problems Continue to Hamper Pending Home Sales

Pending sales of existing-homes activity will be dampened near-term as mortgage disruptions continue to impact the housing market, according to the National Association of Realtors®.

The Pending Home Sales Index*, a forward-looking indicator, fell 6.5 percent to a reading of 85.5 from an upwardly revised 91.4 in July, based on contracts signed in August. It was 21.5 percent below the August 2006 index of 108.9.

Lawrence Yun, NAR senior economist, said the mortgage market impact is quantifiable. "Fewer contracts were being written because of mortgage availability issues, and a separate internal survey of our

members shows more than 10 percent of sales contracts fell through at the last moment in August, primarily the result of canceled loan commitments," he said. "The volume of activity we're seeing today is below sustainable market fundamentals because some credit-worthy people are trying to buy homes but can't because of the credit crunch.

"The impact was greater in high-cost markets that are more dependent on jumbo mortgages. In some areas, as much as 30 percent of signed contracts were falling through in August when the credit crunch problem peaked," Yun said. "The problem has since become

less severe, though jumbo loan rates are still higher than they would be under normal conditions. Therefore, sales activity in late fall will better reflect market fundamentals."

The index is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing.

Annual changes in the index are more closely related to actual market performance than are month-to-month comparisons. As the relatively new index matures and sea-

sonal adjustment factors are refined, the month-to-month comparisons will become more meaningful.

An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined as well as the first of five consecutive record years for existing-home sales.

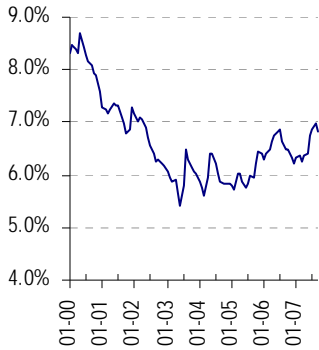
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Oct. 5, 2007 -- Home mortgage rates saw a minor decline this week, as the nation's leading survey of mortgage prices reported that the overall average for a 30-year fixed-rate mortgage (FRM) slipped by four basis points to 6.78%. Hybrid 5/1 ARMs managed a five-basis point (.05%) decline.

Mortgage rates have largely stabilized in the wake of the summer credit-market meltdown, albeit at what are still wide spreads in relation to benchmark 10-year Treasuries. As well, the spread between conforming and jumbo fixed rates continues to remain abnormally wide; this will likely continue to be the case for some time yet.

When the Fed trimmed interest rates two weeks ago, two messages were apparent: first, that the Fed would serve to at least calm the financial markets since their spasm could have near- and longer-term economic consequences; and second, that the Fed was already seeing those consequences -- or expecting them to arrive shortly. One of the linchpins of the theory that the spreading malaise of sub-prime was beginning to overwhelm the economy was the decline in payroll em-

ployment in August, which was accompanied by two downwardly-revised employment reports for June and July. With that in mind, markets have been nervously awaiting either confirmation or denial that hiring had come to a standstill, perhaps fostering a downward spiral for growth.

Friday's employment report largely settled that argument. According to the Labor Department, some 110,000 new hires occurred in September, a rebound to about pre-crisis levels. Perhaps as important was the sizeable upward revisions to both August payroll additions (now an increase of 89,000 hires, a far cry from the loss of 4,000 as first reported) and July, which was revised upwards to 93,000 new employees. Seasonal adjustment troubles with government employment (mostly school-related) turned out to be the culprit for the bad payroll numbers in August. Taken together, new hiring has been muted for several months, but there was no outright decline which might point to an oncoming recession.

Along with that fairly solid employment report came fading hopes that the Federal Reserve would soon return to lower short-term interest rates. Treasuries sold off --

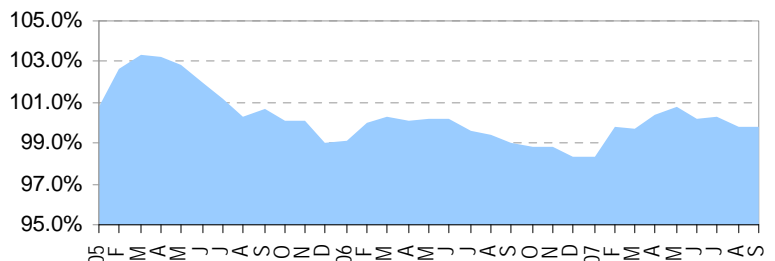
the benchmark 10-year Treasury rose an eighth percent on Friday -- while futures markets narrowed the odds on a Fed move at its next meeting. The Fed's Vice Chairman spoke on Friday morning after the report and left the distinct impression that there was slim likelihood that another cut was coming soon, and if the broad economy isn't faltering, the Fed won't feel compelled to act.

With the August panic in the credit markets fading, and the economy not showing too many ill effects (at least not so far), it's to be expected that interest rates driven lower by flight-to-quality concerns would at least stabilize. They have for the most part, and with fat spreads to absorb some of the blow, underlying interest rates may rise from those emergency levels without a lock-step increase in mortgage rates. However, it's a fair bet that at least some of any sizeable increase will be passed along, and some of Friday's 12-basis-point lift in Treasuries -- if it holds into early next week -- should make it into average mortgage rates by week's end. If you're thinking about getting a loan, and have been waiting for rates to improve significantly, you may be disappointed.

September Sales Statistics Single-family Homes

	Prices		Unit Sales		Listings		DOM		SP/LP		Compared to Last Year		Compared to Last Month		
	Median	Average	Sales	New	Total	SP	LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$851,250	\$1,069,346	514	1,730	4,875	49	99.8%	10.7%	16.0%	-42.1%	24.2%	-1.4%	-1.5%	-34.7%	1.7%
Campbell	\$910,000	\$942,809	11	37	84	53	98.7%	12.3%	9.7%	-31.3%	-11.6%	16.8%	11.4%	-66.7%	10.5%
Cupertino	\$1,304,000	\$1,382,741	28	51	73	20	100.6%	30.4%	23.2%	-12.5%	-20.7%	3.2%	-0.5%	-12.5%	12.3%
Gilroy	\$780,750	\$774,360	14	90	402	68	98.3%	8.4%	-2.9%	-73.6%	39.6%	15.2%	1.6%	-53.3%	-2.7%
Los Altos	\$1,795,000	\$1,910,333	15	37	49	13	105.0%	8.8%	7.3%	-54.5%	-46.7%	0.7%	1.0%	-46.4%	25.6%
Los Altos Hills	\$3,575,000	\$3,430,375	4	18	52	112	94.3%	41.6%	28.4%	-20.0%	-23.5%	37.9%	23.3%	-60.0%	13.0%
Los Gatos	\$1,287,500	\$1,363,182	16	36	93	60	97.8%	-8.0%	-24.9%	14.3%	-38.8%	-26.4%	-20.7%	-44.8%	-9.7%
Milpitas	\$667,500	\$702,164	23	50	153	42	99.0%	-6.0%	-8.2%	-28.1%	51.5%	-1.3%	0.9%	4.5%	-1.3%
Monte Sereno	\$1,900,000	\$1,853,333	3	6	17	58	96.5%	4.2%	-25.8%	33.3%	13.3%	-7.3%	-8.5%	0.0%	13.3%
Morgan Hill	\$759,281	\$794,631	17	79	277	117	96.9%	-18.3%	-26.8%	-32.0%	2.2%	-6.3%	-16.1%	-41.4%	-2.5%
Mountain View	\$1,203,000	\$1,230,244	17	42	46	28	105.9%	41.5%	28.1%	-41.4%	2.2%	5.6%	6.3%	-43.3%	53.3%
Palo Alto	\$1,720,000	\$2,270,709	31	59	42	27	102.4%	55.9%	96.9%	-3.1%	-48.8%	3.7%	14.7%	-20.5%	35.5%
San Jose	\$740,000	\$832,403	230	1,031	3,097	56	98.3%	3.5%	6.6%	-54.7%	43.9%	-3.3%	1.0%	-37.8%	2.6%
Santa Clara	\$741,250	\$766,778	42	72	185	56	99.2%	1.5%	2.3%	2.4%	59.5%	-4.3%	-8.8%	16.7%	-2.6%
Saratoga	\$1,675,000	\$1,898,231	17	47	106	48	99.5%	11.7%	-1.6%	-19.0%	-23.7%	-9.4%	-11.9%	-50.0%	8.2%
Sunnyvale	\$975,000	\$1,017,332	39	60	114	20	102.7%	12.7%	15.9%	5.4%	-20.8%	4.8%	5.4%	-32.8%	-10.2%

Sales Price/Listing Price Ratio



The Real Estate Report

Seller's Guide - Step 3: Set the Price

Every reasonable owner wants the best possible price and terms for his or her home. Several factors, including market conditions and interest rates, will determine how much you can get for your home. The idea is to get the maximum price and the best terms during the window of time when your home is being marketed.

In other words, home selling is part science, part marketing, part negotiation and part art. Unlike math where 2 + 2 always equals 4, in real estate there is no certain conclusion. All transactions are different, and because of this, you should do as much as possible to prepare your home for sale.

WHAT IS YOUR HOME WORTH?

All homes have a price, and sometimes more than one. There's the price owners would like to get, the value buyers would like to offer and a point of agreement which can result in a sale.

In considering home values, several factors are important:

- The value of your home relates to

local sale prices. The same home, located elsewhere, would likely have a different value.

- Sale prices are a product of supply and demand. If you live in a community with an expanding job base, a growing population and a limited housing supply, it's likely that prices will rise. Alternatively, it's important to be realistic. If the local community is losing jobs and people are moving out, then you'll likely have a buyer's market.
- Owner needs can impact sale values. If owner Smith "must" sell quickly, he will have less leverage in the marketplace. Buyers may think that Smith is willing to trade a quick closing for a lower price -- and they may be right. If Smith has no incentive to sell quickly, he may have more marketplace strength.
- Sale prices are not based on what owners "need." When an owner says, "I must sell for \$300,000 because I need

\$100,000 in cash to buy my next home," buyers will quickly ask if \$300,000 is a reasonable price for the property. If similar homes in the same community are selling for \$250,000, the seller will not be successful.

- Sale prices are NOT the whole deal. Which would you rather have: A sale price of \$200,000, or a sale price of \$205,000 but where you agree to make a "seller contribution" of \$5,000 to offset the buyer's closing costs, pay a \$2,000 allowance for roof repairs, fund two mortgage points, re-paint the entire house and leave the washer and dryer?

HOW MUCH IS TOO MUCH?

Because all transactions are unique there is flexibility in the marketplace. The amount of flexibility depends on local conditions.

For example, suppose you're selling a townhouse. Suppose also that there have been five recent sales of the model you own and that sale values have ranged between \$200,000 and

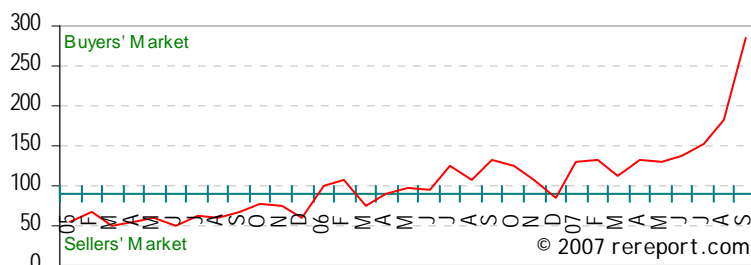
\$210,000. You now have an idea of how your home might be priced. In a strong market perhaps you can ask for \$210,000 or a little more. If the market has slowed, \$210,000 may be a reasonable asking price, but perhaps more than the final sale price.

Here's another scenario. Imagine that you live in a community of Victorian-style homes, most of which were built in the 1920s. All the homes are different in terms of size, condition, modernization, style and features. In such a neighborhood, an average sale price is just a statistic without much practical meaning. On a single block one home may sell for \$400,000 while another is priced at more than \$1 million. The average price may be outrageously high for one home and staggeringly low for another.

To help you price your home to sell, call me.

September 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	\$525,000	\$555,276	194	598	1,752	50	99.4%	6.1%	6.0%	-49.9%	14.9%	-1.5%	-2.4%	-42.3%	1.0%
Campbell	\$532,000	\$555,666	6	20	54	39	98.5%	2.3%	11.2%	-40.0%	-6.9%	1.5%	0.9%	-62.5%	-1.8%
Cupertino	\$722,000	\$766,333	9	16	17	29	100.8%	-6.8%	1.5%	0.0%	-57.5%	-6.8%	1.4%	-40.0%	30.8%
Gilroy	\$410,000	\$410,000	1	4	33	126	100.0%	14.6%	5.6%	-300.0%	-10.8%	-17.9%	-17.9%	-100.0%	-10.8%
Los Altos	\$775,500	\$775,500	2	13	14	95	102.8%	30.3%	-2.8%	0.0%	0.0%	-18.4%	-18.4%	100.0%	133.3%
Los Gatos	\$790,000	\$747,500	7	16	26	40	99.4%	-7.8%	-1.3%	40.0%	-36.6%	-7.3%	-11.1%	75.0%	0.0%
Milpitas	\$554,975	\$566,473	6	19	51	30	100.4%	-1.8%	2.7%	-64.7%	-15.0%	0.4%	2.6%	-66.7%	4.1%
Morgan Hill	\$431,000	\$488,333	3	8	30	100	98.1%	-20.9%	-9.4%	-25.0%	-3.2%	-9.3%	-3.7%	-25.0%	-9.1%
Mountain View	\$510,000	\$547,760	23	49	80	22	100.2%	-7.3%	-9.6%	-28.1%	14.3%	-22.7%	-15.1%	-17.9%	27.0%
Palo Alto	\$841,500	\$814,500	3	9	13	21	100.9%	22.4%	9.9%	-72.7%	-40.9%	-7.5%	-12.8%	-80.0%	8.3%
San Jose	\$482,000	\$505,941	87	361	1,221	62	98.7%	5.2%	3.7%	-63.0%	30.2%	-0.1%	-0.7%	-47.9%	0.3%
Santa Clara	\$445,000	\$484,893	18	41	125	57	98.9%	2.3%	2.3%	-43.8%	2.5%	-2.2%	-1.0%	-45.5%	-6.0%
Saratoga	\$605,000	\$776,333	3	4	14	31	99.4%	10.0%	36.2%	50.0%	40.0%	-3.2%	22.5%	-25.0%	0.0%
Sunnyvale	\$613,888	\$590,250	21	38	74	41	99.7%	9.6%	1.8%	-12.5%	1.4%	2.3%	-4.6%	-27.6%	-3.9%

Days of Inventory



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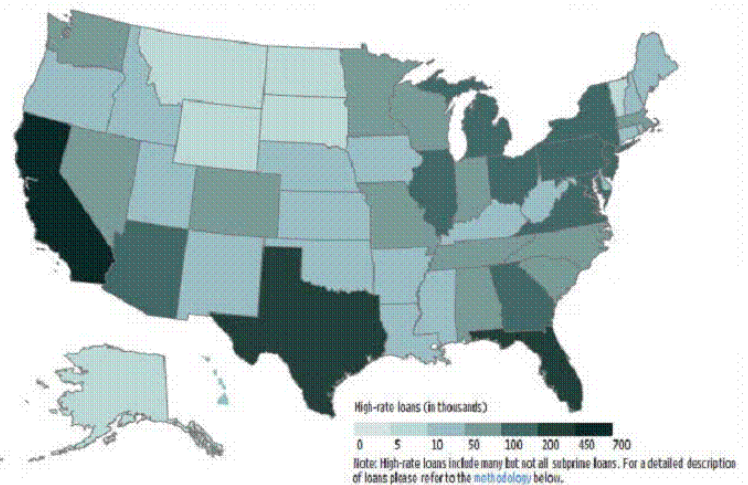
Ten Cities Ready to Bounce Back

The horror show of America's residential real estate market just keeps getting scarier, what with the sub-prime mortgage crisis threatening to slash demand for homes while the inventory of unsold properties continues to pile up. It's enough to send any prudent investor fleeing to the relative sanity of, say, the stock market. Don't. Instead, get ready for the bounce-back. The oldest rule of investing dictates that you buy low and sell high. Real-estate buyers aren't at the gate, however, because most local markets have yet to hit bottom. In fact, most cities won't do so for another year. But Business 2.0, working with Moody's Economy.com, has unearthed 10 major metropolitan areas that are bucking the national housing trend. By the beginning of next year, these markets should be coming back to life -- and in our exclusive rankings, we've projected the house-price appreciation these cities will enjoy during 2008 and 2009. The gains may seem modest -- they range from about 4 to 7 percent -- but remember, in the midst of the current housing meltdown, any gain at all constitutes a minor miracle.

http://promo.realestate.yahoo.com/ten_cities_ready_to_bounce_back.html

This is not intended as a solicitation if your home is currently listed.

Concentration of sub-prime loans across the US



Source: Wall St. Journal 10/07

for a [city-by-city breakdown](#) and to receive the [monthly report regularly](#), visit my website at
www.650and408homes.com