

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Home Sales Weak in August

Sales of single-family, re-sale homes fell 10.7% from July and were off 27.1% year-over-year. Year-to-date, home sales are off 15.2% and are at their lowest level since 2001.

The median price for homes rose 0.8% from the month before, and is up 12.1% compared to last August. The average price rose 4.1%, up 15% year-over-year.

The median price for condos fell 0.3% to \$533,000, good for an annual gain of 4.5%.

The average price rose 2.3% to \$569,057, up 6.1% year-over-year.

Condo sales fell 13.2% from July, and were off 27% year-over-year.

Inventory continued to grow, with single-family homes up 7.8% from July and up 23.3% year-over-year. Condo inventory was up 9.9%

month-over-month, and up 20% compared to last August.

The sales price to list price ratio for single-family homes dropped 0.5 of a point to 99.8%. The ratio for

Trends at a Glance (Single-family Homes)			
	Aug 07	Jul 07	Aug 06
Median Price:	\$863,000	\$856,500	\$770,000
Average Price:	\$1,085,590	\$1,042,711	\$944,004
Home Sales:	787	881	1,080
Inventory:	4,795	4,448	3,889
Sale/List Price Ratio:	99.8%	100.3%	99.4%
Days on Market:	57	50	42
Days of Inventory	183	151	108

condos rose 0.1 of a point to 99.9%.

Days on market rose seven days to 57 for homes. Days on market for condos fell two to 44 days.

Our days of inventory indicator for single-family homes rose 32 days sending the indicator to 183 days.

The indicator for condos gained 33 days to 155.

My advice? For buyers, having a loan in place before buying is of utmost importance in this market.

Sellers aren't going to tie up their homes with offers from buyers who don't have their loan in place.

For sellers, pristine homes in the best neighborhoods are still getting multiple offers, but that is now the exception rather than the rule. Over-priced listings are not even getting offers. If you get an offer, a rarity in this market, work it. Do not reject any offers out of hand. You may not get another.

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.

September/October 2007



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Pending Home Sales Index Falls Largely on Mortgage Tightening

Pending home sales, a forward-looking indicator, shows existing-home sales are likely to decline in coming months as mortgage disruptions work their way through the housing market, according to the National Association of Realtors®.

The Pending Home Sales Index*, based on contracts signed in July, fell 12.2 percent to a reading of 89.9 in July from the June index of 102.4, and was 16.1 percent lower than July 2006 when it stood at 107.1.

Lawrence Yun, NAR senior economist, said abnormal factors are clouding the horizon. "It's difficult to fully account for mortgage disruptions in the index, and our members

are telling us some sales contracts aren't closing because mortgage commitments have been falling through at the last moment," he said.

"These temporary problems are primarily with jumbo loans, and there are continuing issues for sub-prime borrowers, but there are no serious problems for the majority of buyers who qualify for conventional financing or FHA-insured loans. Some consumer concerns remain, but since mid-August the market has been stabilizing somewhat.

"If lenders focus on the essentials of creditworthiness and adjusted valuations based on comparable sales, and ignore speculation on

what might happen in the future, broader stabilization will come sooner rather than later," Yun said.

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 seasonal 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.

The PHSI in the South declined 6.6 percent in July to 104.0 and was 15.2 percent below a year ago. In the Northeast, the index fell 12.2 percent from June to 84.3 and is 10.0 percent lower than July 2006. The index in the Midwest dropped 13.1 percent in July to 80.4 and was 15.8 percent below a year ago. In the West, the index fell 20.8 percent in July to 82.3 and was 21.8 percent below July 2006.

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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Aug. 31, 2007 – The thorny issues of mortgage credit and liquidity continue to partially paralyze the mortgage market. Before any improvements can take place in backed-up mortgage credit streams, things need to at least stop getting worse, and the market needs to find a stable place to stand. The market is still quite edgy, but if the last week or so is any indication, we may be holding onto a platform for the moment.

Average mortgage interest rates managed a little improvement this week. The overall average for the 30-year FRM slipped by 5 basis points to close the week at 6.94%, while overall 5/1 ARMs held onto an almost-unchanged 6.85% average. The difference between prime-credit quality conforming and jumbo loans widened a little further this week.

Low-end borrowers looking to re-finance out of sub-prime mortgages may find some relief in new initiatives being proposed. They include allowing borrowers to obtain FHA-backed financing even if they are delinquent on their existing loans -- a practice currently prohibited. Some 80,000 potential homeowners could be assisted by the plans.

While the FHA helped about 100,000 re-financers over the last fiscal year, they have ambitious plans to expand that number to perhaps 240,000 over the next one. We'll have to wait to see how that goes, but opening at least one avenue for credit-starved marginal borrowers, however small, would help the market.

Markets appear to be waiting for a response from the Federal Reserve in the form of a lower Fed

Funds rate. While some feel it is a certainty a policy move will come at (or perhaps before) the next meeting, we're not convinced. Although credit markets have spasmed of late, the broad economy seems to be holding up pretty well, and no amount of Fed easing will bring back no-money-down, 100% LTV, 55% back-end debt ratio, undocumented PayOption ARMs. There's just no way to force investors to purchase investments they don't want.

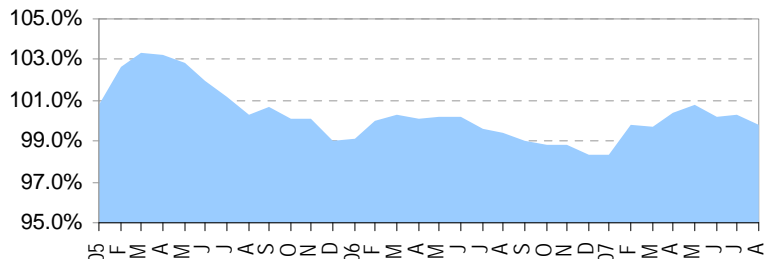
Mortgage rates eased a little this week. Based upon how Treasury markets acted this week, that could very well be the case next week, but there's more than a bit of turn-of-the-month data to re-view and digest. We think perhaps rates will be unchanged to just slightly lower by the end of next week.

August Sales Statistics

Single-family Homes

County	Prices		Unit Sales	Listings		DOM	SP/LP	Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total			Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$863,000	\$1,085,590	787	1,954	4,795	57	99.8%	12.1%	15.0%	-27.1%	23.3%	0.8%	4.1%	-10.7%	7.8%
Campbell	\$779,000	\$846,257	33	40	76	54	98.1%	-2.7%	-8.7%	94.1%	-7.3%	-10.5%	-9.7%	17.9%	1.3%
Cupertino	\$1,263,500	\$1,389,504	32	50	65	39	100.2%	14.9%	22.0%	-17.9%	-32.3%	1.1%	-1.5%	-25.6%	1.6%
Gilroy	\$678,000	\$762,058	30	106	413	119	96.4%	-1.3%	1.4%	-23.1%	41.0%	0.4%	-6.9%	-25.0%	2.0%
Los Altos	\$1,782,500	\$1,891,663	28	39	39	35	104.3%	8.0%	9.3%	-26.3%	-47.3%	-1.0%	-2.6%	-15.2%	39.3%
Los Altos Hills	\$2,592,500	\$2,781,800	10	9	46	67	97.3%	13.2%	15.3%	25.0%	-31.3%	22.0%	20.4%	66.7%	-6.1%
Los Gatos	\$1,750,000	\$1,718,724	29	45	103	37	97.6%	35.9%	23.7%	-6.5%	-26.4%	4.8%	7.2%	-6.5%	6.2%
Milpitas	\$676,000	\$696,136	22	73	155	65	98.3%	-0.6%	-3.7%	-40.5%	27.0%	-1.0%	-3.5%	-8.3%	10.7%
Monte Sereno	\$2,050,000	\$2,025,000	3	6	15	64	97.5%	-26.8%	-20.6%	0.0%	-25.0%	-27.1%	-42.1%	0.0%	-16.7%
Morgan Hill	\$810,000	\$947,032	29	75	284	148	96.8%	5.8%	-1.9%	-29.3%	1.4%	-5.7%	1.7%	-3.3%	-0.4%
Mountain View	\$1,138,750	\$1,157,033	30	36	30	21	103.9%	13.9%	10.5%	0.0%	-37.5%	7.6%	5.7%	15.4%	50.0%
Palo Alto	\$1,658,000	\$1,978,861	39	29	31	26	104.3%	19.7%	29.9%	-2.5%	-54.4%	12.4%	22.6%	-4.9%	-20.5%
San Jose	\$765,000	\$823,897	370	1,205	3,018	61	98.9%	6.1%	2.8%	-39.0%	41.3%	-0.5%	-3.2%	-10.0%	10.3%
Santa Clara	\$774,500	\$840,741	36	104	190	29	100.6%	9.9%	14.6%	-39.0%	57.0%	3.3%	7.3%	-26.5%	22.6%
Saratoga	\$1,848,500	\$2,153,767	34	36	98	86	97.3%	15.5%	24.1%	36.0%	-27.9%	22.8%	30.9%	3.0%	-14.0%
Sunnyvale	\$930,000	\$965,005	58	79	127	20	102.5%	8.0%	10.7%	-3.3%	-2.3%	0.0%	3.5%	-18.3%	5.0%

Sales Price/Listing Price Ratio



The Real Estate Report

Seller's Guide - Step 1: Plan/Prepare

Some 5 million existing homes are sold each year, and while each transaction is different every owner wants the same thing - the best possible deal with the least amount of hassle and aggravation.

Unfortunately, home selling has become a more complex business than it used to be. New seller disclosure statements, longer and more mysterious form agreements, and a range of environmental concerns have all emerged in the past decade.

More importantly, the home-selling process has changed. Buyer brokerage - where REALTORS® represent homebuyers - is now common nationwide, and good buyer-brokers want the best for their clients.

The result is that while almost 100,000 existing homes are sold each week, the process is not as easy for sellers as it was five or 10 years ago. Surviving in today's real estate world requires experience and training in such fields as real estate marketing, financing,

negotiation and closing - the very expertise available from «File As».

ARE YOU READY?

The home-selling process typically starts several months before a property is made available for sale. It's necessary to look at a home through the eyes of a prospective buyer and determine what needs to be cleaned, painted, repaired and tossed out.

Ask yourself: If you were buying this home what would you want to see?

The goal is to show a home which looks good, maximizes space and attracts as many buyers - and as much demand - as possible.

While part of the "getting ready" phase relates to repairs, painting and other home improvements, this is also a good time to ask why you really want to sell.

Selling a home is an important matter and there should be a good reason to sell - perhaps a job change to a new community or the need for more space. Your reason for selling can impact the negotiating process so it's important to

discuss your needs and wants in private with me.

WHEN SHOULD YOU SELL?

The marketplace tends to be more active in the summer because parents want to enroll children in classes at the beginning of the school year. The summer is also typically when most homes are likely to be available.

Generally speaking, markets tend to have some balance between buyers and sellers year-round. In a given community, for example, there may be fewer buyers in late December, but there are also likely to be fewer homes available for purchase. So, home prices tend to rise or fall because of general demand patterns rather than the time of the year.

HOW DO YOU IMPROVE YOUR HOME'S VALUE?

The general rule in real estate is that buyers seek the least expensive home in the best neighborhood they can afford. In terms of improvements, this means you want a home that fits in the neighborhood but is not over-improved. For example, if most homes in your

neighborhood have three bedrooms, two baths and 2,500 sq. ft. of finished space, a property with five bedrooms, more baths and far more space would likely be priced much higher and likely be more difficult to sell.

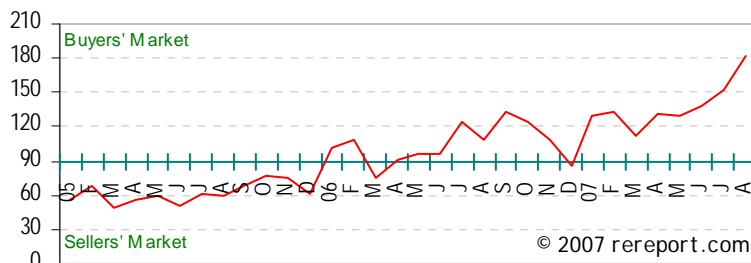
Improvements should be made so that the property shows well, is consistent with the neighborhood and does not involve capital investments, the cost of which cannot be recovered from the sale. Furthermore, improvements should reflect community preferences.

Cosmetic improvements - paint, wallpaper and landscaping - help a home "show" better and often are good investments. Mechanical repairs - to ensure that all systems and appliances are in good working condition - are required to get a top price.

Ideally, you want to be sure that your property is competitive with other homes available in the community. REALTORS®, who see numerous homes, can provide suggestions that are consistent with your marketplace.

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	\$533,000	\$569,057	336	746	1,735	44	99.9%	4.5%	6.1%	-27.0%	20.0%	-0.3%	2.3%	-13.2%	9.9%
Campbell	\$524,000	\$550,615	16	27	55	48	99.6%	-5.6%	0.2%	0.0%	22.2%	6.5%	0.8%	-33.3%	5.8%
Cupertino	\$775,000	\$755,459	15	14	13	20	103.0%	18.3%	10.7%	-11.8%	-53.6%	20.3%	9.2%	-28.6%	-27.8%
Gilroy	\$483,500	\$483,500	2	10	37	72	99.9%	25.5%	25.1%	-250.0%	15.6%	16.2%	16.2%	50.0%	5.7%
Los Altos	\$950,000	\$950,000	1	4	6	35	96.1%	39.7%	27.2%	-83.3%	-53.8%	55.7%	-2.6%	-66.7%	50.0%
Los Gatos	\$852,500	\$841,250	4	15	26	55	98.5%	28.2%	15.0%	-66.7%	-23.5%	45.7%	30.1%	-69.2%	18.2%
Milpitas	\$552,500	\$552,063	18	21	49	41	99.1%	6.3%	4.1%	50.0%	-25.8%	-6.6%	-2.3%	80.0%	-16.9%
Morgan Hill	\$475,000	\$507,000	4	11	33	50	98.5%	-4.8%	-2.8%	-33.3%	3.1%	3.5%	7.9%	0.0%	0.0%
Mountain View	\$659,750	\$645,321	28	49	63	21	101.8%	25.7%	12.7%	-30.0%	-10.0%	1.5%	1.8%	-28.2%	37.0%
Palo Alto	\$910,000	\$933,600	15	13	12	12	104.5%	41.1%	25.9%	7.1%	-7.7%	26.4%	25.2%	-11.8%	9.1%
San Jose	\$482,500	\$509,538	167	476	1,217	54	98.9%	0.5%	1.3%	-35.8%	32.9%	2.7%	2.4%	-15.2%	10.4%
Santa Clara	\$455,000	\$489,754	33	58	133	50	98.4%	-4.2%	-4.0%	-15.4%	23.1%	-12.1%	-6.7%	26.9%	12.7%
Saratoga	\$624,975	\$633,737	4	6	14	15	100.2%	-3.9%	0.0%	-20.0%	16.7%	-23.9%	-22.9%	100.0%	16.7%
Sunnyvale	\$600,000	\$619,025	29	42	77	30	99.9%	9.1%	16.4%	16.0%	13.2%	1.8%	5.5%	-3.3%	14.9%

Days of Inventory



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Investor Corner

The Great American Migration By Matt Woolsey. Forbs.com

When people followed highways out of Eisenhower-era cities to the suburbs, they simply expanded their metropolitan areas--moving from Manhattan to Long Island or from Los Angeles to Pasadena.

Today, Americans are abandoning traditional growth centers, placing us in the midst of the greatest population re-distribution since the dust bowl. What is behind this mass movement? Some argue the implications of affordability and metropolitan-growth management are playing a far bigger role in the housing market than the symptoms of subprime lending and ARM rollovers are.

Brookings Institute scholar Robert Puentes says the shift is "more significant than the migrations of the 1950s or 1970s"; University of Illinois professor of architecture and urban planning Robert Bruegmann calls it "an undeniable trend"; Demographia Research founder Wendell Cox simply calls it "radical."

What's causing the shift remains unclear. If jobs and strong local economies were the sole motivators, Los Angeles would not be hemorrhaging population at a faster rate than Detroit, and Chicago would not be losing people more quickly than Pittsburgh.

Could it be something as simple as housing affordability?

"A lot of economists are coming around to this point of view," says Bruegmann. "I'm reluctant to attribute causality based on five years of significant data, but there is something to it ... things are definitely out of the normal range."

Demographia's Cox uses a measure called "median multiple" to calculate affordability. It is the median home price divided by the median household income and represents how many years of pure untaxed, otherwise unspent salary it would take to buy a home in a given area. The lower the number, the more affordable the market.

Historically, this number has been at or below three, and despite huge influxes of population, remains below three in the three fastest growing metropolitan areas (Atlanta, Dallas-Fort Worth and Houston). Texas, which has practically no growth restrictions, not surprisingly has the most affordable housing price of regions measured.

Today, the numbers are creeping up. "Ten years ago, there was only one city above a 4.5," says Cox. "Now, for example, Los Angeles is over 11 and San Diego is over 10 in terms of monthly mortgage payments."

In these cities, though people are leaving, an artificially controlled supply, as well as regulatory costs making building more expensive, are impeding affordability.

The Brookings Institute in Washington, D.C., measures the effects of zoning and growth regulations on real estate prices. Cities with extremely exclusionary growth standards in the inner suburbs, like Boston, were the most expensive.

The surprising thing, however, is that both the systems in Texas and places such as Massachusetts encourage low-density sprawl. Robert Puentes, who authored the study, says, "If you put up prohibitive local regulations and zone for low density that is what you are going to get."

In other words, in an effort to prevent sprawl by trying to clamp down on growth, growth will spread out as buyers head farther out of the city looking for more affordable homes.

The biggest winners in this migration have been cities in the Southeast, the Southwest and Texas. People are flocking to cities like Raleigh, N.C., Phoenix, Atlanta and Houston. Of these cities, Phoenix was the only one where the median home price is above the national average.

To view America's fastest growing suburbs go to http://aviurbanrealestate.com/pages1/articles/art_63.html.

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

www.650and408homes.com