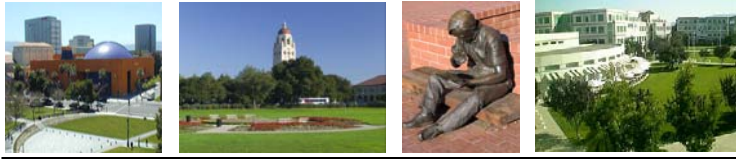


The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Sales Continue to Rise in March

Sales of single-family, re-sale homes rose 37.5% last month compared to February. Year-over-year, sales were off 35.2%. Year-to-date, home sales are off 38.2%.

The median price for homes rose for the second month in a row, gaining 4.4% month-over-month, but was off 2.1% compared to last March.

Condo sales were also up substantially last month, rising 39% from February, but off 52.9% year-over-year.

The median price for condos dropped 2.6% from the month before, and was down 0.9% compared to last March.

Inventory continues to increase with the supply of homes up 9% from February, and up 63.8% year-over-year. Condo inventory gained 4.5%, up 50.4% compared to last March.

Trends at a Glance (Single-family Homes)			
	Mar 08	Feb 08	Mar 07
Median Price:	\$812,500	\$778,000	\$830,000
Average Price:	\$984,325	\$988,772	\$1,055,192
Home Sales:	583	424	899
Inventory:	5,522	5,068	3,372
Sale/List Price Ratio:	98.9%	98.2%	99.7%
Days on Market:	76	81	57
Days of Inventory	284	359	113

The sales price to list price ratio rose 0.7 of a point to 98.9% for homes. The ratio for condos gained 0.5 of a point to 98.4%.

Days on market fell five days to 76 for homes. Days on market for condos dropped thirteen to 72 days.

Our days of inventory indicator for single-family homes turned downward on the increase in sales, shedding 75 days, sending the indicator to 284 days. The indicator for condos fell 91 days to 277.

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.

April-May 2008



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NAR: Existing-Home Sales to Level Off

Little change is expected in existing-home sales over the next few months, before improving notably during the second half of the year, according to the latest forecast by the NATIONAL ASSOCIATION OF REALTORS®.

Lawrence Yun, NAR chief economist, says the market will come into clearer focus this summer.

"Existing home sales could start to show a sustained increase within a few months, unless there are some additional economic problems or excessive inflationary pressure," he says. "We're looking for essentially stable sales in the near term, be-

fore higher mortgage loan limits translate into more sales in high-cost markets. The wider access to affordable credit should increase sales activity notably this summer as pent-up demand begins to be met."

The Pending Home Sales Index, a forward-looking indicator based on contracts signed in February, slipped 1.9% to 84.6, from an upwardly revised reading of 86.2 in January. The index was 21.4% lower than the February 2007 index of 107.6.

"The slip in pending home sales implies we're not out of the woods

yet, though an era of successive deep sales declines appears to be over," Yun says.

BY REGION

Here's what the index reveals across the nation with existing-home sales:

Northeast: rose 3.2% in February to 71.8 but remains 25.4% below a year ago.

Midwest: declined 3.7% to 82.7 and is 17.4% lower than February 2007.

South: fell 5.5% in February to 85 and is 30.3% below a year ago.

West: dropped 9.8% in February to 84.6 and is 17.1% below February 2007.

HOME SALES FORECAST

Existing-home sales are likely to rise from an annual pace of 4.9 million in the first quarter to 5.9 million in the fourth quarter. With relatively weak activity in the first part of the year, existing-home sales for all of 2008 is forecast at 5.39 million, increasing 6.6% to 5.74 million in 2009.

"Exceptionally weak home sales related to jumbo loans problems will depress home prices in the first half of the year, but steady liquidity improvements in the conforming

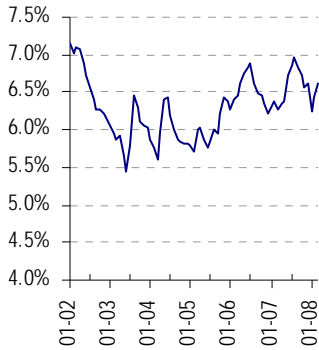
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Apr. 4, 2008 -- A compromise bill intended to help more facets of the troubled housing and mortgage markets was being hammered out in Congress as the week closed. As currently proposed, the bill -- reportedly stripped of the most controversial and expensive components -- promises tax breaks to homebuilders, permanent expansion of loan size limits for FHA-backed loans, and even thousands of dollars of tax credit for those buying fore-closed homes.

Off the table, at least for now, are "cramdown" provisions in bankruptcy proceedings, in which judges could modify the terms of a loan or even reduce the outstanding balance. These measures would theoretically help borrowers to remain in their homes. A cramdown provision would have raised concerns about trampling on long-established contract law. A perhaps more signifi-

cant, if unintended, consequence would be the likelihood of higher interest rates and/or fees charged to all borrowers to help offset the newly-introduced possibility that a lender could be forced to lose money despite the mortgage contract's terms.

Also removed, for the moment, was a contentious revamping of the Federal Housing Administration which would authorize FHA to refinance as much as \$400 billion worth of failing or underwater mortgage loans. The complicated arrangements of swapping bad mortgages for new ones (which would provide some chance for lenders to recoup money should property prices appreciate down the road) is intriguing, but fraught with complexity; even if passed, implementation would probably take quite some time.

Mortgage rates, for their part, remained on a fairly even keel this week. The combined average rate seen in HSH's weekly FRM indicator was unchanged at 6.57% for the week. The combined average for 5/1 Hybrid ARMs fell by 11 basis points (0.11%) to 6.30%.

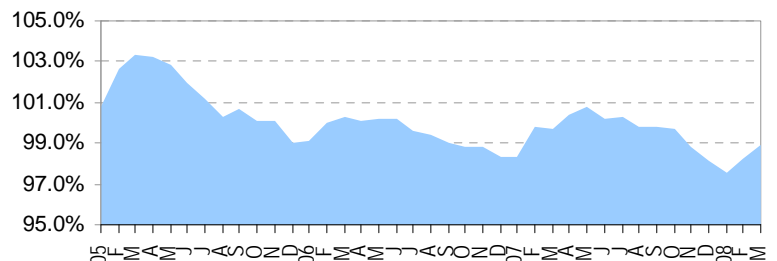
True conforming 30-year FRMs edged up just two basis points to 6.01%, while jumbo FRMs fell by one basis point. The gap between those two fell to 127 basis (1.27%) points this week.

March Sales Statistics

Single-family Homes

County	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	\$812,500	\$984,325	583	2,051	5,522	76	98.9%	-2.1%	-6.7%	-35.2%	63.8%	4.4%	-0.4%	37.5%	9.0%
Campbell	\$812,000	\$881,882	17	32	71	74	98.3%	3.3%	-0.4%	-41.4%	6.0%	8.3%	10.4%	0.0%	2.9%
Cupertino	\$1,185,000	\$1,311,979	23	53	65	33	99.7%	3.9%	4.3%	-43.9%	0.0%	-0.4%	-0.8%	15.0%	22.6%
Gilroy	\$538,000	\$634,066	21	127	493	131	94.8%	-31.0%	-19.3%	-4.5%	56.0%	3.5%	-8.3%	23.5%	9.1%
Los Altos	\$1,911,000	\$2,056,566	15	54	54	27	100.4%	16.3%	21.7%	-53.1%	17.4%	2.4%	5.9%	-11.8%	50.0%
Los Altos Hills	\$2,928,000	\$2,757,666	3	17	43	203	103.6%	22.0%	-28.0%	-76.9%	-21.8%	17.1%	-12.5%	-40.0%	34.4%
Los Gatos	\$1,400,000	\$1,741,868	19	74	151	52	97.1%	-1.1%	15.3%	-26.9%	48.0%	-10.8%	12.9%	18.8%	26.9%
Milpitas	\$561,625	\$560,135	10	50	159	84	97.6%	-19.8%	-26.1%	-60.0%	93.9%	-17.1%	-24.0%	-16.7%	8.9%
Monte Sereno	\$1,820,000	\$2,090,000	3	9	20	131	97.1%	4.8%	13.8%	0.0%	25.0%	-3.3%	11.0%	50.0%	17.6%
Morgan Hill	\$660,000	\$758,633	15	76	327	219	95.7%	-22.3%	-18.2%	-57.1%	52.8%	-10.4%	-3.9%	25.0%	5.1%
Mountain View	\$1,095,000	\$1,125,714	29	37	50	28	101.6%	14.9%	8.9%	70.6%	127.3%	12.9%	16.2%	163.6%	8.7%
Palo Alto	\$1,617,500	\$1,918,777	31	56	54	20	100.2%	-2.0%	-6.2%	-38.0%	17.4%	-2.4%	6.2%	82.4%	8.0%
San Jose	\$662,500	\$758,547	298	1,212	3,523	87	97.9%	-9.9%	-8.1%	-33.9%	78.9%	-1.1%	0.8%	56.0%	7.3%
Santa Clara	\$700,500	\$710,236	26	92	202	80	97.4%	-3.4%	-8.8%	-36.6%	117.2%	-0.6%	-1.2%	-27.8%	14.8%
Saratoga	\$1,595,000	\$1,546,738	22	47	92	41	104.5%	-8.8%	-14.9%	-42.1%	-23.3%	-11.4%	-11.9%	15.8%	9.5%
Sunnyvale	\$940,500	\$953,963	47	103	168	42	99.7%	15.4%	13.9%	-11.3%	121.1%	12.5%	10.7%	62.1%	22.6%

Sales Price/Listing Price Ratio



The Real Estate Report

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?

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.

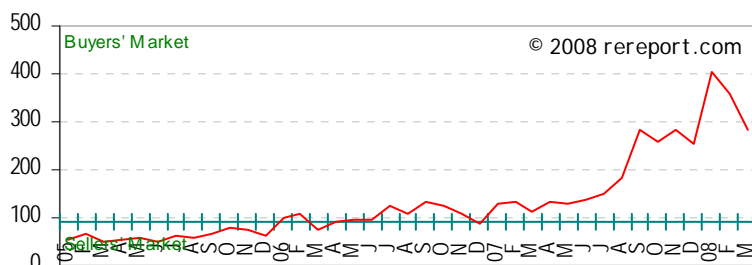
You now have an idea of how your home might be priced. In a strong market perhaps you can ask for \$210,000 or a little more. If the market has slowed,

\$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.

March 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	\$569,869	196	625	1,808	72	98.4%	-0.9%	1.8%	-52.9%	50.4%	-2.6%	3.0%	39.0%	4.5%
Campbell	\$532,500	\$550,717	10	12	53	97	98.0%	-14.9%	-10.8%	-41.2%	29.3%	5.1%	10.3%	25.0%	-1.9%
Cupertino	\$667,500	\$774,845	6	20	18	41	99.5%	2.7%	7.9%	-57.1%	-21.7%	1.4%	15.8%	20.0%	12.5%
Gilroy	\$408,000	\$408,000	1	9	32	62	99.5%	5.6%	0.7%	-200.0%	100.0%	n/a	n/a	n/a	-13.5%
Los Altos	\$916,000	\$929,250	4	2	7	10	100.0%	8.4%	10.0%	300.0%	250.0%	-6.1%	-4.2%	33.3%	-46.2%
Los Gatos	\$810,000	\$831,857	7	7	30	34	101.6%	14.3%	15.0%	-50.0%	42.9%	26.6%	24.3%	75.0%	-6.3%
Milpitas	\$414,093	\$435,697	3	22	52	69	95.8%	-17.2%	-16.9%	-78.6%	73.3%	-11.9%	-7.3%	200.0%	15.6%
Morgan Hill	\$416,000	\$416,000	2	6	27	95	99.2%	-25.0%	-17.8%	-250.0%	-7.4%	9.4%	9.4%	0.0%	-10.0%
Mountain View	\$645,000	\$666,204	19	48	85	40	99.4%	15.2%	16.8%	-36.7%	136.1%	-1.1%	3.5%	11.8%	18.1%
Palo Alto	\$962,500	\$1,036,500	12	16	20	20	102.4%	26.6%	24.4%	-7.7%	42.9%	10.8%	18.9%	140.0%	5.3%
San Jose	\$465,000	\$451,007	94	387	1,238	93	96.9%	-8.8%	-13.7%	-60.2%	44.5%	-3.1%	-3.3%	40.3%	4.6%
Santa Clara	\$499,000	\$522,081	19	47	131	75	96.8%	5.1%	1.9%	-34.5%	70.1%	1.0%	0.3%	58.3%	7.4%
Saratoga	\$737,500	\$778,750	4	6	15	27	98.3%	22.9%	14.7%	0.0%	-100.0%	-50.5%	-42.5%	50.0%	-6.3%
Sunnyvale	\$605,000	\$595,066	15	43	100	56	97.6%	2.4%	1.1%	-53.1%	127.3%	8.2%	1.0%	0.0%	11.1%

Days of Inventory



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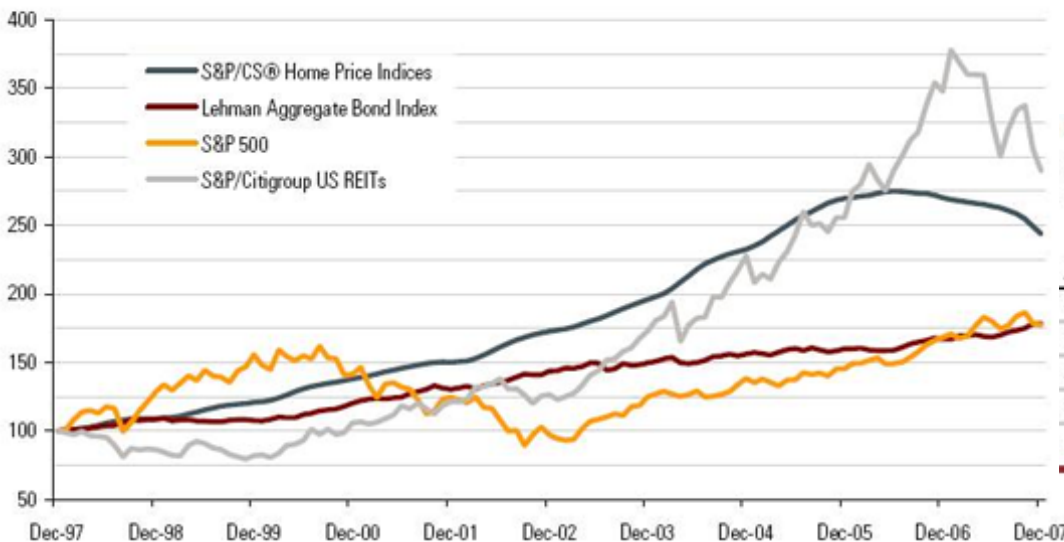
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Historical returns and volatility of different asset classes

Growth of Investment

The graph shows the growth of US\$ 100 invested in the four asset classes from December 1997 to December 2007.



Performance of Asset Classes

Each asset class is represented by the corresponding investment vehicle.

Asset	Annualized Returns	Volatility
Housing	9.31%	2.77%
Bonds	5.97%	3.47%
Stocks	5.91%	14.72%
REITs	11.22%	15.22%

Data from January 1998 to December 2007

The S&P/Case-Shiller Home Price Indices

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

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