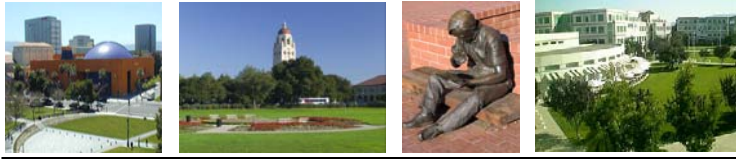


The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Congress Raises Conforming Loan Limit

Congress passed the economic stimulus package which temporarily raises the conforming loan limit to \$729,750 from \$417,000.

This should loosen up credit and give a boost to the real estate market, especially in high-priced areas like the San Francisco Bay Area.

Sales of single-family, re-sale homes fell 31.2% from the month before, and were down 44.8% year-over-year.

This is the 38th month in a row homes sales have fallen compared to the year before. The 337 homes sold in January marked the lowest number of sales since we've been keeping track: January 1994.

The good news? This could mean we're at, or near, the bottom of the market.

Prices also fell with the median price dropping 8.3% from December. The median price was flat year-over-year. The average price rose 0.6%, a yearly gain of 5.6%.

Remember, these prices are being kept high because the number of million dollar plus sales are an increasing part of total sales.

Trends at a Glance (Single-family Homes)			
	Jan 08	Dec 07	Jan 07
Median Price:	\$740,000	\$807,000	\$740,000
Average Price:	\$1,005,253	\$998,778	\$952,098
Home Sales:	337	490	611
Inventory:	4,563	4,163	2,648
Sale/List Price Ratio:	97.6%	98.2%	98.3%
Days on Market:	87	76	71
Days of Inventory	406	255	130

The median price for condos fell 7.6% to \$477,000, down 8.1% over last January. The average price lost 1.8% to \$523,566, an annual loss of 2.3%.

Condo sales were down 26.6% from December, and were off 49.5% year-over-year.

Inventory turned around in January, with single-family homes up 9.6% from December, and up 72.3% year-over-year. Condo inventory was up 15% month-over-month,

and was up 55.5% compared to last January.

The sales price to list price ratio for single-family homes fell 0.6 of a point to 97.6%. The ratio for condos rose 0.3 of a point to 98.1%.

Days on market rose eleven days to 87 for homes. Days on market for condos gained four to 85 days.

Our days of inventory indicator for single-family homes shot upward on the decline in sales and the increase in inventory, gaining 151 days, sending the indicator to 406 days. The indicator for condos tacked on 125 days to 346.

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.

February 2008



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December pending home sales fell 1.5 percent

WASHINGTON (Reuters) - Pending sales of previously owned homes fell a steeper-than-expected 1.5 percent in December, pointing to more dreary conditions for the beleaguered housing market, a real estate trade group report on Thursday showed.

The National Association of Realtors Pending Home Sales Index, based on contracts signed in December, dropped to 85.9 from 87.2. Economists were expecting pending home sales -- which are a key

gauge of future home sales activity -- to fall 1.0 percent.

NAR chief economist Lawrence Yun predicted home sales activity will remain soft through the first half of the year despite a generational low in mortgage interest rates.

Compared to December a year ago, pending home sales were down 24.2 percent.

For all of 2007, the index stood at 96.3, the lowest on record since the

Realtor group began tracking this data.

But after a poor year, economists expect the housing market to hit bottom in the first half of this year, particularly as mortgage rates continue to fall and if plans to expand federally insured loan limits are implemented.

"Things aren't strong by any means," said Mark Vitner, economist with Wachovia Securities in Charlotte. "It's possible that we will see some improvement in the hous-

ing sector and we think that the first quarter will mark the bottom in home sales."

U.S. government bond prices turned lower on Thursday as stocks mustered a modest recovery, shrugging off the pending home sales data.

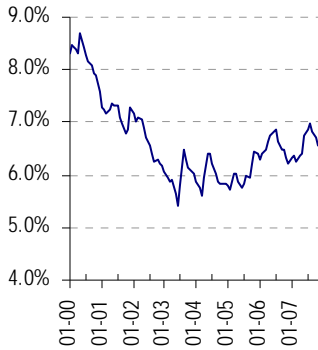
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Feb. 1, 2008 – Mortgage interest rates moved higher this week, as a still-aggressive Fed trimmed interest rates for the second time in just eight days.

Conforming 30-year FRMs averaged 5.76% this week, up 15 basis points (0.15%). Conforming and jumbo 30-year FRMs moved up an identical amount this week, keeping the difference between them at the extraordinarily wide level of 97 basis points. Conforming Hybrid 5/1 ARMs averaged 5.37%.

Late Friday, the Fed announced another round of funding via the Term Auction Facility, where an additional \$60 billion in liquidity will hit the auction block this month. Short-term interest rates will likely continue to decline. Following the Fed Funds target, the Prime Rate shed another half-percent by Thursday. Rates for deposits are also on

the downswing, much to the chagrin of those saving money. Longer-dated products (like fixed-rate mortgages) better reflect the potential for growth and inflation in the broad economy, and if lower short-term rates spur growth (not to mention inflation), those longer rates will move higher.

New Home Sales declined by another 4.7% in December, when only 604,000 (annualized) units were moved, and the price of the homes which did sell was 12% lower than those sold in November. For all of 2007, just 773,000 new homes were sold, a 26% decline from 2006; at the present sales pace, there are now 9.6 months of new homes available for sale. December was a terrible month for home sales, but lower interest rates may serve to revive sales somewhat for January. We think this will be the case.

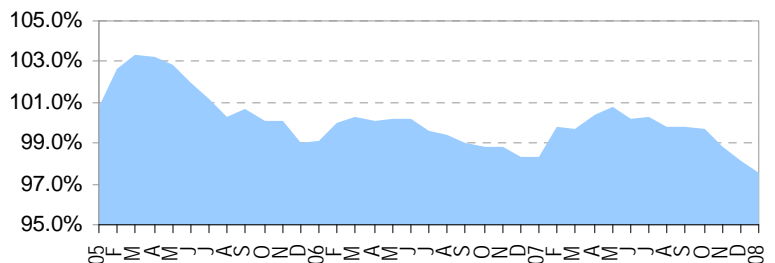
Mortgage rates are favorable, and refinancing activity is solid. With underlying short-term interest rates on the downtrend, the ARM rate reset problem is lessened. Rate freeze and loan modification proposals for some subprime borrowers should be making headway, and an economic stimulus package is in the works. Lower short-term interest rates should spark some additional growth not far down the road. When housing finally comes to a stabilization point, hopefully in the near future, the stage may be set for a pretty good economic rebound.

January 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	\$740,000	\$1,005,253	337	1,629	4,563	87	97.6%	0.0%	5.6%	-44.8%	72.3%	-8.3%	0.6%	-31.2%	9.6%
Campbell	\$799,900	\$876,180	10	25	72	69	97.3%	3.6%	3.6%	-50.0%	41.2%	-5.3%	3.8%	-23.1%	7.5%
Cupertino	\$1,161,444	\$1,095,736	8	37	52	121	100.7%	10.5%	-12.4%	-38.5%	-5.5%	2.1%	-10.8%	-63.6%	67.7%
Gilroy	\$575,000	\$573,802	13	122	418	121	93.7%	-24.3%	-29.4%	-53.6%	69.9%	-3.4%	-14.0%	-13.3%	8.6%
Los Altos	\$1,880,000	\$1,963,346	13	28	31	30	100.1%	27.0%	12.6%	-13.3%	-6.1%	7.4%	-1.2%	-31.6%	47.6%
Los Altos Hills	\$2,900,000	\$2,716,666	3	4	31	90	93.3%	41.1%	18.4%	-40.0%	-31.1%	36.5%	-6.5%	-40.0%	-11.4%
Los Gatos	\$1,712,500	\$1,653,437	16	48	102	72	98.8%	10.5%	-3.4%	-27.3%	27.5%	3.2%	-4.9%	-27.3%	18.6%
Milpitas	\$595,000	\$641,909	11	40	147	129	96.0%	-13.6%	-10.5%	-52.2%	96.0%	1.7%	3.9%	-26.7%	0.0%
Monte Sereno	\$2,120,000	\$2,120,000	2	4	18	150	96.9%	42.2%	25.1%	-50.0%	0.0%	-38.1%	-38.1%	0.0%	5.9%
Morgan Hill	\$689,975	\$709,368	8	78	274	137	94.8%	-25.4%	-30.5%	-72.4%	45.7%	-15.0%	-19.1%	-66.7%	16.6%
Mountain View	\$1,012,500	\$991,250	4	31	38	35	98.0%	37.2%	25.2%	-42.9%	100.0%	12.5%	2.6%	-81.0%	52.0%
Palo Alto	\$1,800,000	\$2,536,461	13	36	38	15	100.5%	36.0%	-4.9%	-13.3%	-17.4%	-14.3%	12.0%	18.2%	90.0%
San Jose	\$664,444	\$763,045	182	1,001	2,933	91	97.3%	-4.7%	-0.6%	-46.6%	96.1%	-4.9%	-1.0%	-23.2%	8.2%
Santa Clara	\$660,000	\$725,694	17	66	169	59	99.2%	-7.0%	-0.3%	-51.4%	160.0%	-11.4%	-6.8%	-39.3%	9.7%
Saratoga	\$1,486,500	\$1,776,921	19	29	64	89	96.1%	-15.5%	-15.5%	5.6%	-34.7%	-5.6%	9.7%	-9.5%	-7.2%
Sunnyvale	\$766,500	\$765,300	16	74	125	70	98.1%	3.3%	-2.3%	-51.5%	73.6%	-13.4%	-11.4%	-46.7%	21.4%

Sales Price/Listing Price Ratio



The Real Estate Report

Seller's Guide - Step 6: Closing

It might seem as though once a sale agreement has been signed that the selling process is complete. Not only is it not over yet, but some of the most complex aspects of a real estate transaction now begin.

A sale agreement sets not only a purchase price for the home, but also a series of terms and conditions. For instance:

- Contracts routinely depend on the ability of a buyer to obtain financing, which is why most sellers prefer buyers with preapproval letters from lenders.
- A growing percentage of transactions involve a home inspection, or a physical review of the home by a trained and independent observer.
- Lenders will establish numerous conditions before granting a loan. They will want

a title exam, title insurance to protect against title errors, termite inspections, surveys and an appraisal to assure that the home has sufficient value to secure the loan.

WHEN SHOULD YOU CLOSE?

With automation now available, closings can occur within a week in some areas -- at least in theory. In practice, it takes time to arrange financing, conduct inspections, obtain appraisals, locate replacement housing, contact movers, pack and actually move.

While instant closings are not practical, neither are closings too far in the future. The problem with closings much past 60 days is that loan rates are difficult to lock in. If mortgage rates go up, it's possible that the buyer will no longer be able to afford the home and thus the deal may fall through.

The result of these considerations is that most homes close 30 to 45

days after a sale agreement has been signed.

WHAT HAPPENS?

Closing -- or "settlement" or "escrow" as it is known in some areas -- is essentially a meeting where the closing agent (the party who conducts settlement) takes in money from the buyers, pays out money to the owner and makes sure that the purchaser's title is properly recorded in local records along with any mortgage liens.

The closing agent reviews the sale agreement to determine what payments and credits the owner should receive and what amounts are due from the buyer. The closing agent also assures that certain transaction costs are paid (taxes and title searches).

Closing is also the time when "adjustments" will be made. For instance, suppose you've pre-paid taxes four months in advance. In this case, the closing agent will

compensate you for the prepayment at closing by having the buyer pay you additional money.

It could also work in reverse. If you are behind on property taxes, the closing agent will reduce the money due to you at settlement by the amount of the unpaid taxes.

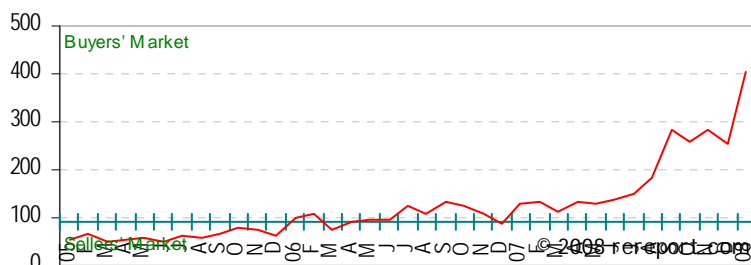
HOW DO YOU PREPARE TO SELL?

It's important to look at the sale agreement and review your obligations. For instance, if you have agreed to paint a room or replace the dishwasher, such work must be completed before closing. We will discuss your agreement and the steps which must be taken to complete the transaction.

The closing agent will handle both the settlement papers and related documents.

January 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	\$477,000	\$523,566	138	599	1,591	85	98.1%	-8.1%	-2.3%	-49.5%	55.5%	-7.6%	-1.8%	-26.6%	15.0%
Campbell	\$662,500	\$585,666	6	14	38	110	98.1%	17.3%	-2.4%	-53.8%	18.8%	5.0%	3.1%	50.0%	0.0%
Cupertino	\$698,800	\$770,360	5	10	16	44	100.8%	1.4%	11.2%	-64.3%	-11.1%	28.7%	27.2%	25.0%	45.5%
Gilroy	*	*	*	13	35	*	*	n/a	n/a	n/a	84.2%	n/a	n/a	n/a	20.7%
Los Altos	\$672,000	\$672,000	2	6	15	30	99.3%	-9.5%	-8.5%	-50.0%	200.0%	-21.8%	-19.2%	-60.0%	15.4%
Los Gatos	\$841,250	\$841,250	2	14	28	45	100.0%	21.9%	21.7%	-77.8%	27.3%	-0.4%	-3.4%	-50.0%	40.0%
Milpitas	\$440,000	\$475,000	3	16	34	208	97.8%	-26.7%	-17.4%	-66.7%	25.9%	-8.6%	1.1%	-50.0%	25.9%
Morgan Hill	\$399,000	\$399,000	2	5	34	169	96.3%	-12.8%	-29.7%	0.0%	32.4%	-5.3%	-5.3%	50.0%	-5.6%
Mountain View	\$625,000	\$636,260	17	41	72	43	98.2%	13.8%	18.6%	-22.7%	67.4%	15.7%	7.5%	0.0%	22.0%
Palo Alto	\$773,500	\$749,250	4	12	13	33	102.4%	34.5%	26.1%	-20.0%	8.3%	-3.3%	-7.3%	-55.6%	8.3%
San Jose	\$410,000	\$451,354	75	381	1,116	102	97.5%	-15.5%	-8.6%	-50.3%	57.0%	-9.4%	-4.2%	-23.5%	13.6%
Santa Clara	\$435,000	\$485,461	13	47	103	68	97.3%	-2.2%	-2.8%	-23.5%	63.5%	-2.2%	2.4%	-23.5%	15.7%
Saratoga	\$480,500	\$480,500	2	5	13	43	93.6%	-30.9%	-46.5%	-60.0%	-100.0%	n/a	n/a	n/a	30.0%
Sunnyvale	\$705,000	\$671,396	7	35	74	44	98.5%	40.8%	28.5%	-61.1%	94.7%	23.0%	18.2%	-69.6%	27.6%

Days of Inventory



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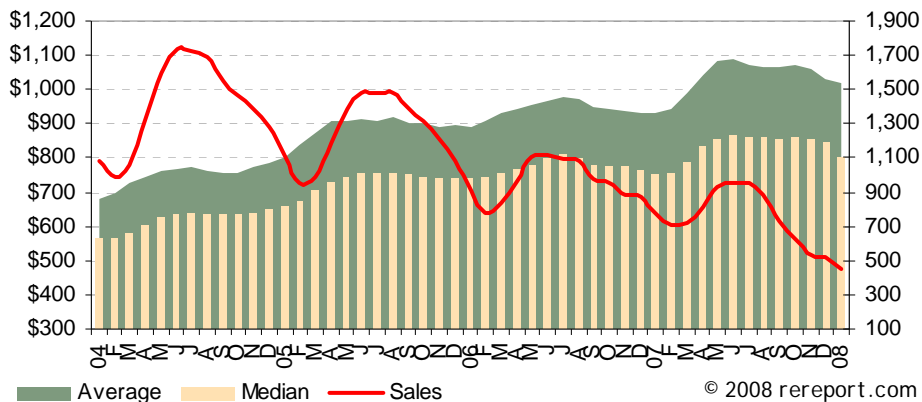
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Silicon Valley Homes: Prices and Sales

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