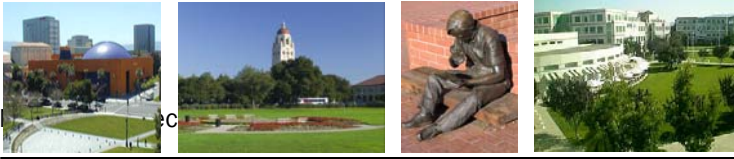


The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Santa Clara County Home Sales Up Fourth Month in a Row

Sales of single-family, re-sale homes in Santa Clara County were up 44.7% in October compared to last year. Month-over-month, sales fell 8%. Sales continue to be concentrated in the lower-priced cities such as San Jose where year-over-year sales were up 99.6%, and Gilroy where sales were up 372.7%.

Home prices continue to be affected by the bank-owned property that has flooded the market.

The median price continued to slide, down 7.8% from September, and off 35.8% year-over-year.

Inventory continues to decline, falling 8.1% from September, and down 12.1% compared to October 2007.

Condo sales tumbled 10.7% from

over-month, but was off 28% compared to last October.

If you are in escrow with one of the new higher-limit, conforming loans, or you expect to buy a home before the end of the year, remember, the new, higher conforming loan limit of \$729,750 expires at the end of the year. You must have your loan funded by then. Starting January 1st, the conforming loan limit will be \$625,000.

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 property, call me.

Trends at a Glance (Single-family Homes)			
	Oct 08	Sep 08	Oct 07
Median Price:	\$553,000	\$600,000	\$861,000
Average Price:	\$689,762	\$750,913	\$1,053,483
Home Sales:	832	904	575
Inventory:	4,358	4,744	4,957
Sale/List Price Ratio:	98.9%	98.5%	99.7%
Days on Market:	79	55	55
Days of Inventory	157	157	259

September, and were down 19% year-over-year.

The median price for condos, on the other hand, rose 5.3% month-

C.A.R.'s "2009 California Housing Market Forecast"

LOS ANGELES (Oct. 15) – Home prices throughout most areas of California will post declines next year, while sales of existing homes will continue the rise in 2009, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) "2009 California Housing Market Forecast".

"The current uncertainty about the financial system and economy is likely to persist over the next several weeks, and could extend into next year," said C.A.R. President William E. Brown. "Our forecast assumes that the financial system will begin to show signs of stabilization late in 2008 and into early 2009.

"We expect that the economy will be at its weakest period over the

next three quarters through the second quarter of 2009, with recessionary economic conditions throughout that time period, before we begin to see a turnaround in the second half of next year," he said. "Going forward, a great deal depends on the state of the financial system in general and the real estate finance situation in particular, as well as the flow of distressed sales through the market. We expect sales of distressed properties to peak in early 2009 – a critical factor in the housing market that directly impacts the timeframe for stabilization in the median price.

"Looking ahead, home prices and favorable interest rates in 2009 will contribute to gains in affordability," Brown said. "However, we need to

move through the current financial crisis and restore the flow of credit so that qualified buyers are able to take advantage of improved affordability and successfully purchase homes."

The median home price in California will decline 6 percent to \$358,000 in 2009 compared with a projected median of \$381,000 this year, according to the forecast. Sales for 2009 are projected to increase 12.5 percent to 445,000 units, compared with 395,600 units (projected) in 2008.

"Sales in 2008 will be ahead of last year by 12 percent, with a further increase of 12.5 percent expected in 2009," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "However, the next

November/December 2008



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couple of quarters in late 2008 and early 2009 will be marked by seasonal decreases in activity, with a pickup expected by the second quarter of next year. At 445,000 units sales projected in 2009, the sales environment will be well above the low point of 265,000 units in late 2007.

"The median price will be influenced through the balance of 2008 by the typical seasonal decrease in home prices as well as ongoing downward pressure from distressed sales," she said. "For all of 2008, the median price is expected to fall by 31.7 percent from \$558,100 to \$381,000. Next year, we're projecting that the median price will show a 6 percent decline to \$358,000."

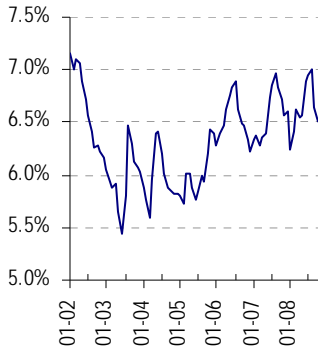
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



October 31, 2008 -- The overall cost of mortgage money, as gauged by HSH's Fixed-Rate Mortgage Indicator (FRMI), spiked 34 basis points (.34%) higher, making it the third consecutive week of at least a 30-basis-point movement in rates. However, the swings from week to week are becoming somewhat smaller; they've moved 40 basis points up, then 37 down, and now 34 up again. Five-one Hybrid ARMs jumped 11 BP, leaving the most popular alternative to the traditional 30-year fixed rate at 6.80%.

The price of a conforming 30-year fixed-rate mortgage nudged 33 basis points higher, while private-market 30-year Jumbo fixed rates finished the week at 7.90%.

There's plenty of negativity to go around these days, and October will finish as one of the most difficult months ever for financial markets.

That said, the sheer volume of new programs put in place by regulators, as well as the attempts to re-liquify the financial markets by the Treasury and Federal Reserve, means that we may just be enduring the worst period at the moment, with better things to come. If nothing else, the passing of the election cycle, with its unending repetitions of negative messages, should produce a level of quiet not enjoyed for many, many months.

That's not to say there's all that much to cheer about, given all the troubles which face the economy. Still, there are encouraging signs here and there which get pushed out of the headlines, downplayed, or outright ignored. Take home sales, for example: last week, Existing Home Sales popped much higher than expected, only to have detractors claim that they would have fallen if not for discounted

prices for foreclosures. That's equivalent of saying "That store would have closed except for that big half-off sale!" The point here is that even good news -- in this case, that home sales are rising -- is too often treated with scorn.

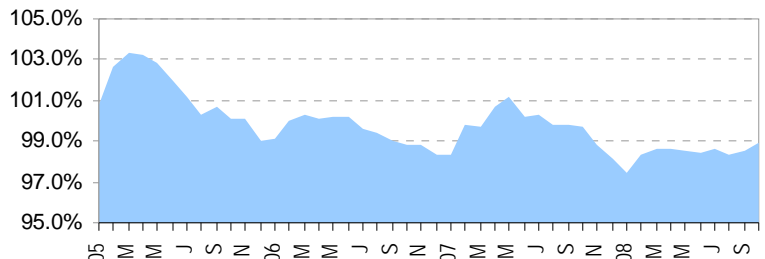
Such was the case this week for sales of New Homes. The unexpected lift in sales to an annualized 464,000 in September was, in part, explained away by the 9% year-over-year decline in the cost of a new house. We prefer to focus on the fact that despite challenging financing conditions and a troubled economy, homes are being sold. Better yet, inventory levels are now well below the present rate of sale, and this in turn suggests that at least some life in the building trades may be coming before long.

October Sales Statistics

Single-family Homes

	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	\$553,000	\$689,762	832	1,871	4,358	51	98.9%	-35.8%	-34.5%	44.7%	-12.1%	-7.8%	-8.1%	-8.0%	-8.1%
Campbell	\$758,000	\$805,133	15	41	119	85	96.1%	2.1%	0.6%	-6.3%	43.4%	-1.6%	4.8%	-21.1%	10.2%
Cupertino	\$1,120,500	\$1,133,012	15	39	77	75	99.4%	-1.5%	-3.5%	-53.1%	32.8%	0.7%	-0.3%	-31.8%	0.0%
Gilroy	\$389,000	\$479,925	52	108	435	114	97.1%	-37.7%	-32.6%	372.7%	9.0%	1.1%	11.6%	-8.8%	-2.5%
Los Altos	\$1,602,650	\$1,737,794	18	39	83	38	98.8%	-9.7%	-12.0%	-14.3%	53.7%	-10.7%	-4.2%	-14.3%	6.4%
Los Altos Hills	\$1,725,000	\$1,675,000	3	12	51	65	93.1%	-11.6%	-14.2%	50.0%	10.9%	-19.8%	-19.9%	-25.0%	0.0%
Los Gatos	\$1,087,500	\$1,515,508	14	75	193	36	95.7%	-29.4%	-15.1%	7.7%	70.8%	-9.6%	-4.3%	-50.0%	8.4%
Milpitas	\$501,000	\$525,436	25	46	153	73	100.8%	-30.6%	-32.9%	13.6%	0.0%	-11.3%	-14.4%	13.6%	0.7%
Monte Sereno	\$1,322,500	\$1,322,500	2	12	30	134	96.3%	-35.9%	-47.9%	-100.0%	66.7%	-47.6%	-47.6%	0.0%	0.0%
Morgan Hill	\$700,000	\$780,040	25	65	325	108	94.1%	-20.9%	-18.0%	47.1%	8.7%	8.6%	3.0%	-16.7%	2.5%
Mountain View	\$944,250	\$976,683	18	25	66	37	97.6%	-7.9%	-6.4%	-30.8%	24.5%	-10.9%	-12.1%	5.9%	-12.0%
Palo Alto	\$1,300,000	\$1,410,428	22	51	99	33	100.4%	-18.1%	-22.6%	-56.0%	200.0%	-14.8%	-20.9%	-4.3%	23.8%
San Jose	\$490,100	\$552,354	515	1,126	3,537	84	98.2%	-33.5%	-31.7%	99.6%	13.0%	-1.0%	-1.3%	-2.1%	-1.7%
Santa Clara	\$610,000	\$619,503	33	78	228	66	98.1%	-20.3%	-21.6%	-15.4%	16.3%	-7.9%	-9.1%	-28.3%	0.9%
Saratoga	\$1,669,000	\$1,740,428	18	64	147	70	95.6%	7.9%	-7.7%	-5.3%	37.4%	-1.2%	-11.1%	-21.7%	8.9%
Sunnyvale	\$820,000	\$743,739	39	78	178	35	99.1%	-8.9%	-19.0%	-2.5%	33.8%	-4.1%	-9.8%	-35.0%	8.5%

Sales Price/Listing Price Ratio



The Real Estate Report

Where's the Money?

With credit tight and standards even tighter, finding the money to buy a home in today's market can be a challenge.

In today's market, the best place to find a mortgage might just be your local credit union.

Credit unions never got involved with sub-prime mortgages, and are, therefore, very solvent and have the money to loan.

Of course, their lending is more along the lines of Jimmy Stewart's "It's a Wonderful Life", which means you'll have to document everything.

The interesting thing about credit unions is they are non-profit. That means loans are not only competitive with banks that sell their loans on Wall Street, but are usually lower than bank mortgages.

Credit unions use their own money to lend and then keep the loans in house and return the "profit", the interest payments, to their members. Credit unions serve their members who pool their money together with the expectation they'll get a return on their investment.

According to the National Credit Union Administration, credit unions, through September, saw an increase of 15.1% in the number of fix-rate mortgages outstanding compared to the same period in 2007. Adjustable rate mortgages were up 11.8%.

Membership Eligibility. By current federal statute, credit unions cannot serve the general public. People qualify for a credit union membership through their employer, organizational affiliations like churches or social groups, or a community-chartered credit union.

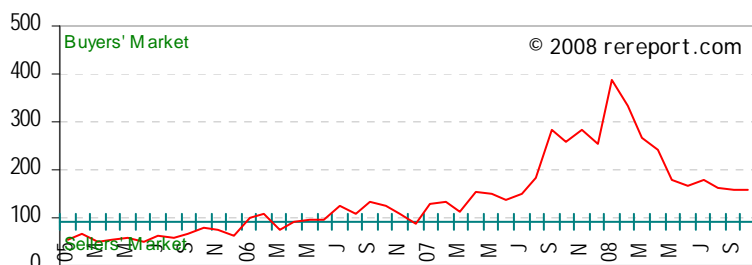
To find a credit union, go here: <http://www.findacreditunion.com/>

Another place to find a mortgage is a local bank. As with credit unions, local banks will look long and hard at your application. You will need to have a down payment. Local banks are not going to give a loan to someone who can't afford it.

Even if you're not in the market for a home right now, it will pay off in the future to gain membership in a credit union and/or open a bank account at a small local bank.

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
	Condos/Townhomes														
County	\$380,000	\$412,327	175	573	1,445	57	98.6%	-28.0%	-27.8%	-22.9%	-19.0%	5.3%	-3.1%	-34.2%	-10.7%
Campbell	\$485,000	\$505,860	15	16	60	71	98.1%	-28.8%	-15.2%	114.3%	11.1%	-9.7%	-2.0%	87.5%	1.7%
Cupertino	\$655,000	\$688,850	10	8	20	40	98.8%	-5.1%	-1.7%	25.0%	11.1%	-3.5%	0.3%	66.7%	-16.7%
Gilroy	\$201,000	\$201,000	2	17	41	145	98.1%	-99.0%	-110.6%	-50.0%	36.7%	-45.5%	-45.5%	0.0%	0.0%
Los Altos	\$866,500	\$866,500	2	11	11	11	99.1%	-4.8%	-6.1%	-85.7%	-8.3%	-12.0%	-12.0%	100.0%	22.2%
Los Gatos	\$555,000	\$594,222	9	17	45	92	98.0%	-16.5%	-20.1%	-25.0%	55.2%	-34.7%	-22.6%	12.5%	-11.8%
Milpitas	\$300,000	\$358,777	9	20	67	100	98.8%	-44.7%	-35.9%	12.5%	21.8%	-22.6%	-9.7%	125.0%	0.0%
Morgan Hill	\$367,500	\$386,166	3	7	27	96	97.9%	-8.8%	-3.6%	66.7%	-29.6%	26.9%	27.6%	-100.0%	-6.9%
Mountain View	\$620,000	\$646,803	14	28	77	45	97.8%	7.4%	13.2%	-36.4%	-12.5%	5.1%	10.6%	-39.1%	-11.5%
Palo Alto	\$750,000	\$889,800	5	15	35	58	95.0%	-18.6%	-12.6%	0.0%	105.9%	-1.2%	-1.9%	0.0%	0.0%
San Jose	\$315,000	\$330,920	175	354	1,296	95	98.8%	-31.5%	-33.0%	71.6%	4.8%	-3.1%	-2.7%	6.7%	-1.5%
Santa Clara	\$364,000	\$410,727	11	44	118	39	98.7%	-19.1%	-12.7%	-52.2%	-3.3%	-28.3%	-16.7%	-21.4%	12.4%
Saratoga	\$712,500	\$758,000	4	10	21	204	96.9%	7.0%	13.8%	33.3%	35.7%	11.2%	17.5%	0.0%	10.5%
Sunnyvale	\$500,000	\$524,447	13	26	103	82	97.3%	-15.3%	-10.7%	-31.6%	45.1%	1.8%	1.8%	-38.1%	-2.8%

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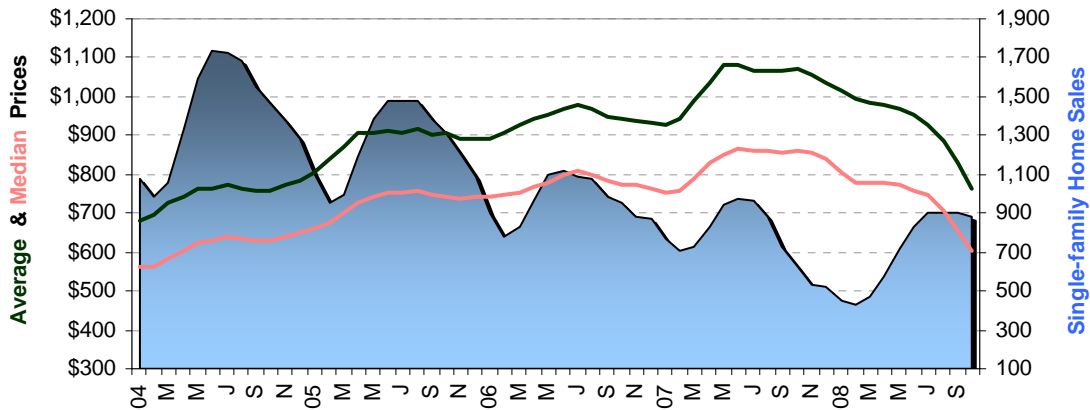
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