

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Santa Clara County Home Sales Continue to Rise

Sales of single-family, re-sale homes in Santa Clara County rose, year-over-year, for the second month in a row, after 43 straight months of year-over-year declines.

Homes sales were up 14% compared to August 2007.

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

The median price for homes in the county dropped 8.7% from July and was off 24.2% year-over-year.

The average price for homes was off 4.3% month-over-month, and down 21.7% compared to July 2007.

Remember, these are statistical prices and they are being skewed downward dramatically by the large number of bank-owned properties being sold.

Trends at a Glance (Single-family Homes)			
	Aug 08	Jul 08	Aug 07
Median Price:	\$654,000	\$716,500	\$863,000
Average Price:	\$849,650	\$887,483	\$1,085,590
Home Sales:	897	894	787
Inventory:	4,893	5,297	4,795
Sale/List Price Ratio:	98.3%	98.6%	99.8%
Days on Market:	50	49	57
Days of Inventory	164	178	183

When the market was rising, statistical prices were skewed upward by the feeding frenzy that went on.

Condo sales continue to be weak. Why buy a condo when you can

buy a reduced price, bank-owned single-family home?

Condo sales were off 14.3% year-over-year. The median price was down 22.6% for the same period, while the average price fell 21.2%.

On a positive note, the California Association of REALTORS® reported that affordability in Santa Clara County went from 21% in the second quarter of 2007 to 33% in the second quarter of this year.

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.

September/October 2008



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The Donald Says it's Buying Time

On August 12th, Donald Trump was interviewed on Good Morning America about the real estate market.

"If you want to buy a house, there's probably never been a better time," he said.

Donald Trump, arguably the most successful real estate investor in the country said people looking to sell their homes should hold off if they're able to do so.

"It's a tough market. It's a horrible market," he said. But "this is the absolute time to buy. It's not the time to sell."

"The fact is that most of the country is very, very weak," Trump said,

adding that buyers should use that to their advantage.

For those who find themselves in a must-sell position, the man known as "The Donald" said sellers should "make sure the house is in great condition."

It could mean more money for you home, he said.

On Facing Foreclosure

Due to the credit crisis, sparked by the flood of irresponsible loans made over the past few years, many Americans are in danger of losing their homes.

For these people, Trump said all hope is not lost, even if the bank has filed a foreclosure notice.

Why? Banks don't want your home, because then they would have to sell it in a market already flooded with homes for sale.

"The banks want you in that house," he said. "Call your bank. Work out a deal."

He said in many cases friendly bankers are eager to work with trouble home owners to find a financial option viable for both parties and added there is a way people should approach the institutions.

"Above all else be nice. Don't go in too aggressively," Trump said.

For consumers dealing with the not-so nice bankers, "you may have a really bad banker in which case you get a really good lawyer and sue them," he said.

Below is a link to the video of the interview:

<http://abcnews.go.com/Video/playerIndex?id=5562780>

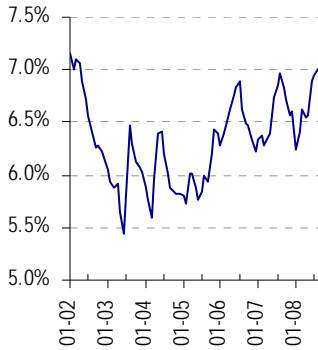
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



August 29, 2008 -- Overall fixed mortgage rates shed another four basis points (.04%) this week, with HSH's Fixed Rate Mortgage Indicator (FRMI) nudging down to 6.95%. Over the past four weeks, and since the passing of the housing bill, the FRMI has wandered aimlessly in a 10-basis-point range. Hybrid 5/1 ARMs, which have put in wide swings in rates at times this summer, have also settled into a mellow pattern, unchanged this week at 6.63%.

Some investor appetite for conforming loans was more evident, as the average 30-year conforming loan declined by six basis points to an average 6.51%. Private-market jumbos eased three basis points, but remain better than a full percentage point above conforming rates.

Home sales remain mired in the doldrums, but the pattern of continual and substantial declines is fading. Over the next couple of months, the double-digit declines in the year-ago comparisons will be replaced with smaller numbers and perhaps even a few favorable reviews.

Existing Home Sales flared 3.1% higher during July, climbing back to a 5 million annualized sales pace. The number of sales has traversed this level back and forth over the past ten months. Inventory continues to pour onto the market, and there's more than 11 months of homes available at the present rate of sale. Prices have continued to ease, with the Realtors noting a 7.1% dip in prices over those paid last July.

One side comment about existing home sales is that somewhere

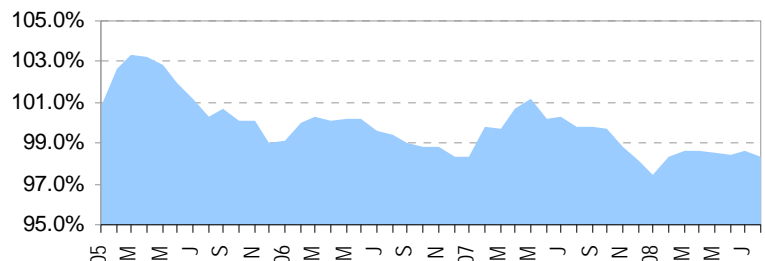
around one-third of sales are homes which had fallen into foreclosure. Commenters have noted (perhaps snidely) that absent their influence, home sales would really be in the tank. We see this situation somewhat differently. The most important factor, we'd argue, is that home sales are happening. Five million annualized remains a solid -- perhaps even remarkable -- level in light of all the challenges facing the market. We'd also argue that the foreclosure influence simply reinforces the fact that buyers will buy once they find the intersection of affordable price and financing availability.

August Sales Statistics

Single-family Homes

	Prices		Unit Sales	Listings		DOM		SP/LP		Compared to Last Year		Compared to Last Month			
	Median	Average		New	Total	Med.	Ave.	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$654,000	\$849,650	897	1,820	4,893	50	98.3%	-24.2%	-21.7%	14.0%	2.0%	-8.7%	-4.3%	0.3%	-7.6%
Campbell	\$805,000	\$773,894	19	32	113	54	96.9%	3.3%	-8.6%	-42.4%	48.7%	3.9%	-5.0%	11.8%	-4.2%
Cupertino	\$1,289,028	\$1,335,460	36	46	84	55	98.0%	2.0%	-3.9%	12.5%	29.2%	9.5%	13.6%	0.0%	1.2%
Gilroy	\$425,000	\$459,927	51	115	480	134	95.0%	-37.3%	-39.6%	70.0%	16.2%	-5.1%	-8.7%	18.6%	-4.0%
Los Altos	\$1,912,500	\$2,027,019	26	24	65	29	98.5%	7.3%	7.2%	-7.1%	66.7%	-8.9%	-7.8%	23.8%	-9.7%
Los Altos Hills	\$2,585,000	\$2,870,714	7	7	44	79	96.7%	-0.3%	3.2%	-30.0%	-4.3%	-12.7%	-5.3%	0.0%	0.0%
Los Gatos	\$1,389,975	\$1,669,851	22	53	157	72	96.2%	-20.6%	-2.8%	-24.1%	52.4%	3.2%	11.9%	-15.4%	-0.6%
Milpitas	\$546,000	\$594,264	34	41	156	86	96.3%	-19.2%	-14.6%	54.5%	0.6%	-7.5%	-2.5%	41.7%	-11.4%
Monte Sereno	\$3,807,500	\$3,807,500	2	11	28	12	97.6%	46.2%	46.8%	-50.0%	86.7%	52.0%	60.7%	-50.0%	-6.7%
Morgan Hill	\$800,000	\$766,743	30	76	322	163	95.9%	-1.2%	-19.0%	3.4%	13.4%	17.2%	4.0%	7.1%	-1.2%
Mountain View	\$916,690	\$1,010,992	24	28	65	27	100.9%	-19.5%	-12.6%	-20.0%	116.7%	-6.7%	-8.6%	-11.1%	-8.5%
Palo Alto	\$1,485,000	\$1,757,638	28	28	57	43	100.1%	-10.4%	-11.2%	-28.2%	83.9%	-15.1%	-3.7%	-37.8%	-27.8%
San Jose	\$560,000	\$641,227	491	1,147	3,807	78	97.8%	-26.8%	-22.2%	32.7%	26.1%	-6.7%	-2.7%	0.4%	-3.6%
Santa Clara	\$616,500	\$654,515	42	89	236	74	98.0%	-20.4%	-22.2%	16.7%	24.2%	-8.5%	-15.1%	0.0%	-2.9%
Saratoga	\$1,625,000	\$1,802,476	26	54	132	37	96.1%	-12.1%	-16.3%	-23.5%	34.7%	-6.6%	-14.1%	18.2%	-4.3%
Sunnyvale	\$860,000	\$832,378	52	58	156	37	99.2%	-7.5%	-13.7%	-10.3%	22.8%	-1.8%	-2.2%	-16.1%	-16.6%

Sales Price/Listing Price Ratio



The Real Estate Report

Mortgage Loan Rates - 5 Things a Home Buyer Should Know

by Brandon Cornett

Buying a home requires plenty of homework (no pun intended). There are new concepts to grasp, unfamiliar terminology to learn, and plenty of decisions to make along the way.

The mortgage loan interest rate is one of the topics that confuse a lot of home buyers, especially the first-time buyers who are new to the process. So in this article, I'll explain how an interest rate gets applied to a home loan, and how it affects you as the borrower.

5 Things a Buyer Should Know

- The rates offered by a lender will vary from one person to the next. It's largely based on a borrower's credit score. The higher your score, the better the rates you'll be offered when applying for a loan. This is why you see so much fine print on the advertisements of mortgage companies -- there's a lot of variance

involved. So when they offer a "teaser rate" in their marketing materials, it may or may not apply to you.

- The interest rate is one of four factors that will determine the size of your monthly mortgage payment. Collectively, these factors are referred to with the acronym PITI. The 'P' stands for the principal amount you borrow. The first 'I' stands for the interest you pay on the loan. The 'T' is for taxes on the home. Lastly, the final 'I' is for insurance (i.e., the homeowner's policy you are required to have before closing.)
- In order to qualify for the best rates on a mortgage loan, borrowers need a higher credit score today than they needed just a few years ago (a 750 or higher in many cases). If you've been watching the news lately, you can probably guess why. The sub-prime mortgage mess of 2007 - 2008 has led to tougher restrictions on lenders. In turn, the lending institutions have tightened up on their loan criteria for qualification, rate assignments, etc.

- Every buyer should study the key differences (and pros and cons) between adjustable and fixed-rate home loans. With an adjustable mortgage, or ARM, the interest rate will typically start out low for an introductory period. This period commonly lasts for three to five years, after which the loan will adjust or "reset" to a higher rate. In many cases, this increase can be significant and will therefore lead to a bigger mortgage payment each month.
- For buyers who plan to remain in a house longer than three to five years, the fixed-rate mortgage is usually the best option. As the name suggests, this type of loan will carry the same level of interest for the entire time you're paying it (regardless of what the economy does). This offers a level of financial certainty, which for many borrowers is all the reason they need to choose this option over the ARM.

Clearly there is much more to learn about interest rates, as they apply

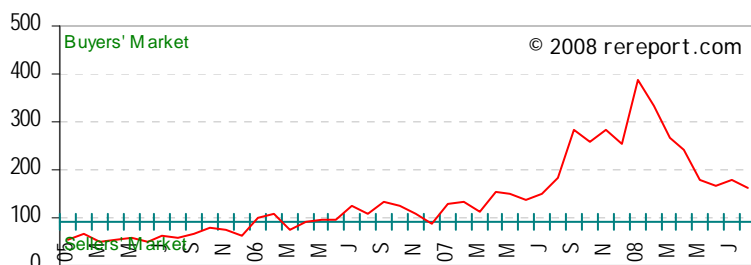
to buying a house. But I hope the points I've made above give you a better understanding of this subject. I recommend you learn more about each of the items covered above, particularly the pros and cons of adjustable versus fixed mortgages. Being an educated consumer is the first step toward success in the real estate world.

About the Author: Brandon Cornett publishes a home buying blog that has offered house buying tips and advice since 2006. To learn more about this and related topics, visit the author's blog at:

<http://www.homebuyinginstitute.com/homebuyingtips>

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	\$412,500	\$448,624	288	643	1,681	58	97.5%	-22.6%	-21.2%	-14.3%	-3.1%	-14.9%	-11.8%	0.0%	-3.6%
Campbell	\$557,500	\$529,875	8	29	74	80	95.2%	6.4%	-3.8%	-50.0%	34.5%	10.2%	5.3%	-46.7%	0.0%
Cupertino	\$683,000	\$710,494	9	19	30	20	100.2%	-11.9%	-6.0%	-40.0%	130.8%	-19.6%	-11.7%	-40.0%	30.4%
Gilroy	*	*	*	11	42	*	*	n/a	n/a	n/a	13.5%	n/a	n/a	n/a	10.5%
Los Altos	\$648,000	\$648,000	2	5	7	9	100.1%	-31.8%	-31.8%	100.0%	16.7%	-16.6%	-16.6%	0.0%	40.0%
Los Gatos	\$700,000	\$619,166	6	23	51	31	98.6%	-17.9%	-26.4%	50.0%	96.2%	4.8%	2.2%	20.0%	0.0%
Milpitas	\$500,000	\$460,208	16	18	65	63	97.4%	-9.5%	-16.6%	-11.1%	32.7%	-1.7%	-0.7%	45.5%	-12.2%
Morgan Hill	\$416,000	\$407,500	6	11	33	92	98.9%	-14.2%	-24.4%	33.3%	0.0%	45.3%	44.1%	66.7%	13.8%
Mountain View	\$525,000	\$538,099	19	33	83	89	98.8%	-20.4%	-16.6%	-32.1%	31.7%	-11.8%	-4.9%	-17.4%	3.8%
Palo Alto	\$825,750	\$786,134	8	10	24	24	100.0%	-9.3%	-15.8%	-46.7%	100.0%	-8.0%	-11.4%	-42.9%	-4.0%
San Jose	\$350,000	\$376,785	165	408	1,350	96	96.4%	-27.5%	-26.1%	-1.2%	10.9%	-6.7%	-9.1%	12.2%	-1.5%
Santa Clara	\$412,000	\$467,404	25	35	108	68	97.1%	-9.5%	-4.6%	-24.2%	-18.8%	-3.4%	-2.7%	-3.8%	-8.5%
Saratoga	\$656,500	\$686,250	6	9	21	102	96.7%	5.0%	8.3%	50.0%	50.0%	4.8%	-14.4%	16.7%	40.0%
Sunnyvale	\$482,500	\$499,500	20	32	109	67	98.2%	-19.6%	-19.3%	-31.0%	41.6%	-12.9%	-6.2%	-9.1%	-9.9%

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Investor corner

IRVINE, Calif. – August 14, 2008 – RealtyTrac® (realtytrac.com), the leading online marketplace for foreclosure properties, today released its July 2008 U.S. Foreclosure Market Report™, which shows foreclosure filings – default notices, auction sale notices and bank repossessions – were reported on 272,171 U.S. properties during the month, an 8 percent increase from the previous month and a 55 percent increase from July 2007. The report also shows one in every 464 U.S. households received a foreclosure filing during the month.

“Bank repossessions, or REOs, continued to be the fastest growing segment of foreclosure activity in July, posting a 184 percent year-over-year increase – compared to a 53 percent year-over-year increase in default notices and an 11 percent year-over-year increase in auction notices,” said James J. Saccacio, chief executive officer of RealtyTrac. “The sharp rise in REOs, combined with slow sales, has resulted in a bloated inventory of bank-owned properties for sale. RealtyTrac now has more than three quarters of a million properties in its active REO database, a number that represents approximately 17 percent of the inventory of existing homes for sale reported in June by the National Association of Realtors.”

Nevada, California, Florida post top state foreclosure rates

Nevada continued to document the nation’s highest state foreclosure rate in July, with one in every 106 households receiving a foreclosure filing during the month. Foreclosure activity in Nevada was up 15 percent from the previous month and 97 percent from July 2007, pushing the total number of properties with foreclosure filings to over 10,000. Bank repossessions in Nevada were up 384 percent on a year-over-year basis, while default notices were up 59 percent and auction notices were up 31 percent. One in every 182 California properties received a foreclosure filing in July, the nation’s second highest state foreclosure rate, while one in every 186 Florida properties received a foreclosure filing, the nation’s third highest state foreclosure rate.

Despite increasing foreclosure activity, Arizona’s foreclosure rate dropped from the nation’s third highest in June to fourth highest in July. Foreclosure filings were reported on 13,350 Arizona properties during the month, a 3 percent increase from the previous month and a 127 percent increase from July 2007. One in every 195 Arizona properties received a foreclosure filing, a rate that was more than twice the national average.

Other states with foreclosure rates ranking among the top 10 were Ohio, Georgia, Michigan, Colorado, Utah and Virginia.

Top Metro Rates in California, Florida, Nevada, Arizona

The Cape Coral-Fort Myers, Fla., metro area registered the highest foreclosure rate among the 230 metro areas tracked in the July report. One in every 64 households in the metro area received a foreclosure filing during the month – more than seven times the national average.

Three California cities followed in the metro foreclosure rate rankings: Merced was at No. 2 with one in every 73 households receiving a foreclosure filing; and Stockton and Modesto were in a virtual tie, each with one in every 82 households receiving a foreclosure filing.

With one in every 85 households receiving a foreclosure filing, the Las Vegas metro area’s foreclosure rate ranked No. 5, followed by three more California metros: Riverside-San Bernardino, Bakersfield and Vallejo-Fairfield.

Fort Lauderdale, Fla., documented the ninth highest metro foreclosure rate, and the foreclosure rate in Phoenix took the No. 10 spot.

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