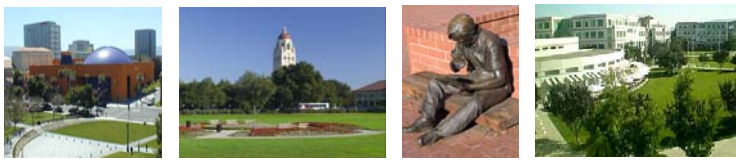


The Real Estate Report

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Median Price for Homes Up Fourth Month in a Row

The median price for single-family, re-sale homes rose 8.1% in July compared to June, and it is now at its highest level since last September. Year-over-year, the median price was off 15.6%. The average price gained 4.1%, month-over-month. It has risen eight months in a row. Year-over-year, the average price was off 18%.

Home sales increased, year-over-year, by 25% in July. This is the thirteenth month in a row homes sales have been

up compared to the year before. Year-to-date, home sales are up 25.3%.

Inventory continued falling in July, and it is now off 57.8% year-over-year.

Pending sales, which is a leading indicator, was up 30.2% compared to last July.

The sales price to list price ratio for homes rose 0.8 of a point to 100.2%. This is the first time the

Trends at a Glance (Single-family Homes)			
	Jul 09	Jun 09	Jul 08
Median Price:	\$595,000	\$550,250	\$705,000
Average Price:	\$716,163	\$687,832	\$873,427
Home Sales:	1,190	1,192	952
Inventory:	2,645	2,746	6,262
Sale/List Price Ratio:	100.2%	99.4%	98.6%
Days on Market:	58	61	49
Days of Inventory	67	69	197

ratio has been over 100% since July 2007.

Days of inventory dropped two to 67 days for homes. It was down eight for condos to 67 days.

Condo sales rose 3.1% from June, and were up 16.9% year-over-year.

The median price for condos fell 4.4% from June, and it was off 29.3% compared to last July. The average price fell 3.5%, month-over-month, and was down 26.2% compared to July 2008.

Condo inventory was down 59.1% year-over-year, while pending sales were up 42.9%.

The sales price to list price ratio for condos rose 1.1 points to 99.9%.

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.



August/September 2009

INSIDE THIS ISSUE:

TAX CREDIT HELPS BOOST HOUSING STARTS IN JUNE	1
MORTGAGE RATE OUTLOOK	2
CITY STATISTICS	2
PENDING HOME SALES UP FIFTH MONTH IN A ROW	3
CONDO STATISTICS	3
PRICE & SALES CHART	4

Tax Credit Helps Boost Housing Starts in June

Total housing starts saw a significant increase in June when compared to May, which the California Building Industry Association said was additional evidence that the state new-homebuyer tax credit enacted earlier this year is helping to generate new-home sales, and in turn, job-generating home construction.

"This is welcome news," said Robert Rivinius, CBIA's President and CEO. Rivinius said builders are responding to the increased traffic that the tax credit has generated and are starting new projects and putting people back to work.

"Builders are reporting that the demand spurred by the tax credit

has helped clear out new-home inventories and we are now seeing an increase in housing production as builders ramp up projects to meet the demand," Rivinius said. "This is great news for the tens of thousands of people who have lost construction jobs and those dependent on residential construction. Yesterday, they were unemployed, today many of them are going back to work."

Rivinius said that studies show homebuilding produces profound economic and fiscal benefits in California.

"Building a new home in California generates on average about \$16,000 in desperately needed tax

revenues to the state treasury and creates anywhere from two to three jobs," Rivinius said. "Getting an extension on the credit would be a win for the State and the entire economy."

According to statistics compiled by the Construction Industry Research Board, builders pulled permits for 3,446 total housing units in June, up 17 percent from May. Permits for single-family units totaled 2,772 units, up 20 percent from May and was the largest single-family total since July of last year. Permits for multifamily units totaled 674, up 5 percent from the previous month.

"The Franchise Tax Board has stopped taking applications for the

state tax credit for new home purchases as the allocated funds for the program have already run out in only four months," Rivinius said. "The increase in single-family construction over the past couple of months has shown that the popular program is a success and we'd like to keep it going in hopes of continuing this positive momentum which will help invigorate the overall economy and help put people back to work."

CIARB is forecasting permits will be pulled for just 40,000 total units in 2009, which would be by far the lowest total on record.

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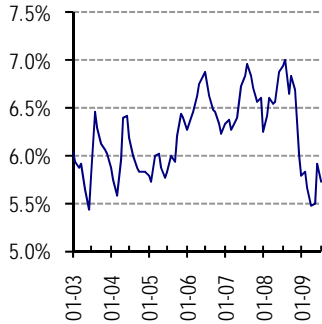
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



July 31, 2009 -- Subtle signs of economic improvement are gaining in number and frequency, but it's all too easy to confuse a move back toward flatline growth as actual recovery, or to conclude that a rising trend is wholly sustainable. While we're encouraged by the momentum away from emergency panic levels, risks to any nascent economic recovery remain, and real improvement is still in our future.

Hopes for fast improvement and concerns about inflation drove mortgage rates from low levels in late spring to highs which proved unsustainable, given the continuing recession.

Mortgage rates have been flat now for about a month, with a modest upward bent. The overall average for 30-year fixed-rate mortgages, measured by HSH's Fixed-Rate Mortgage Indicator (FRMI), rose by

three basis points (.03%) this week, landing at 5.73%. The FRMI's counterpart for hybrid 5/1 ARMs notched a two-basis-point increase, ending the survey week at 5.14%. The average conforming 30-year FRM moved four basis points higher, still squarely in the middle of the high/low range seen during the April-mid June period.

Low interest rates and tax credits are starting to foster some new home sales. After the report on existing home sales showed some life last week, the report covering New Home Sales in June backed that up, rising by 11% from May. The 384,000 annualized units sold was well above forecasts, and caused a substantial drop in inventory levels, which declined to 8.8 months, the best in some time. The actual number of completed-and-for-sale units eased to 281,000,

down another 8,000 in June, the same as in May. Prices dipped by more than 5% on a month-to-month basis and are about 12% below year-ago levels overall. The improvements here are encouraging, but for perspective should be contrasted against the better than 1.3 million annualized levels at the height of the boom. Even though that was abnormal, "normal" remains about 200,000 annualized sales north of where we are today.

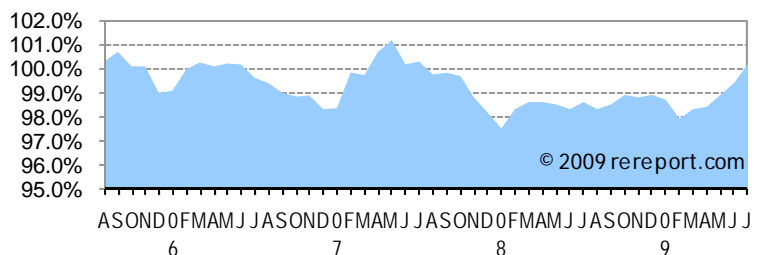
Mortgage rates have firmed slightly over the past few weeks, but of late are in more of a backing-and-filling pattern than not. After another huge round of debt sales to push the market around this week, markets calmed somewhat and yields pulled back. That should serve to help mortgage rates start next week on a lower note.

July Sales Statistics

Single-family Homes

	Prices		Unit		DOM	SP/LP	Compared to Last Year				Compared to Last Month			
	Median	Average	Sales	Active			Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$595,000	\$716,163	1,190	2,645	58	100.2%	-15.6%	-18.0%	25.0%	-57.8%	8.1%	4.1%	-0.2%	-3.7%
Campbell	\$675,000	\$641,626	23	69	42	99.4%	-12.9%	-21.3%	27.8%	-41.0%	7.1%	-11.4%	-25.8%	6.2%
Cupertino	\$1,022,500	\$1,101,230	38	113	38	96.1%	-13.0%	-5.3%	2.7%	36.1%	-8.0%	-4.1%	2.7%	1.8%
Gilroy	\$371,225	\$414,118	68	119	81	102.1%	-16.4%	-18.5%	41.7%	-75.8%	-1.0%	4.6%	23.6%	2.6%
Los Altos	\$1,536,500	\$1,753,820	30	92	50	96.8%	-26.8%	-20.3%	42.9%	19.5%	3.6%	7.1%	-25.0%	-3.2%
Los Altos Hills	\$2,755,000	\$2,502,680	6	69	50	91.1%	-7.0%	-17.4%	0.0%	46.8%	0.2%	-22.8%	0.0%	-5.5%
Los Gatos	\$1,185,000	\$1,333,290	28	168	62	96.0%	-12.1%	-10.7%	7.7%	2.4%	9.7%	23.2%	3.7%	7.0%
Milpitas	\$560,500	\$602,935	28	58	31	102.1%	-5.8%	-1.0%	3.7%	-66.5%	14.8%	17.4%	-6.7%	11.5%
Monte Sereno	\$3,295,000	\$3,295,000	2	28	68	92.2%	24.0%	28.1%	-100.0%	-15.2%	54.2%	54.2%	100.0%	-9.7%
Morgan Hill	\$558,000	\$605,614	43	133	95	99.0%	-19.7%	-19.1%	53.6%	-58.8%	2.4%	-1.4%	-14.0%	-11.3%
Mountain View	\$897,500	\$1,009,280	32	65	51	98.6%	-6.5%	-7.0%	6.7%	-12.2%	5.8%	9.1%	28.0%	22.6%
Palo Alto	\$1,355,010	\$1,494,670	42	117	53	96.9%	-21.6%	-17.8%	-12.5%	41.0%	-3.1%	-1.9%	-2.3%	0.0%
San Jose	\$500,000	\$555,029	696	1,149	59	101.2%	-13.8%	-14.5%	32.8%	-70.8%	11.1%	10.2%	-27.9%	-9.0%
Santa Clara	\$557,500	\$590,633	54	93	56	101.0%	-16.9%	-22.7%	25.6%	-60.3%	-6.3%	-4.0%	5.9%	-1.1%
Saratoga	\$1,558,200	\$1,668,930	25	154	69	95.5%	-9.9%	-19.5%	8.7%	6.2%	12.1%	10.5%	-19.4%	4.8%
Sunnyvale	\$791,400	\$782,754	66	121	29	98.7%	-9.6%	-7.8%	3.1%	-29.2%	4.8%	3.0%	11.9%	-4.7%

Sales Price/Listing Price Ratio



The Real Estate Report

Pending Home Sales Up Fifth Month in a Row

Pending home sales are up for the fifth consecutive month, the first time in six years for such a streak, according to the National Association of Realtors®.

The Pending Home Sales Index, a forward-looking indicator based on contracts signed in June, rose 3.6 percent to 94.6 from an upwardly revised reading of 91.3 in May, and is 6.7 percent above June 2008 when it was 88.7. The last time there were five consecutive monthly gains was in July 2003.

Lawrence Yun, NAR chief economist, said a combination of positive market factors is fueling the gains. "Historically low mortgage interest rates, affordable home prices and large selection are encouraging buyers who've been on the sidelines. Activity has been consistently much stronger for lower priced homes," he said. "Because it may take as

long as two months to close on a home after signing a contract, first-time buyers must act fairly soon to take advantage of the \$8,000 tax credit because they must close on the sale by November 30."

The Pending Home Sales Index in the Northeast rose 0.4 percent to 81.2 in June and is 5.8 percent above a year ago. In the Midwest the index increased 0.8 percent to 89.9 and is 11.6 percent above June 2008. The index in the South jumped 7.1 percent to 100.7 in June and is 8.9 percent higher than a year ago. In the West the index rose 2.9 percent to 100.4 but is 0.2 percent below June 2008.

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, is hopeful that a recently elevated level of contract

cancellations will ease. "Last month, Freddie Mac and Fannie Mae clarified that appraisals should be done by professionals with clear local expertise," he said. "This should mitigate the situation of many valuations done by out-of-area appraisers coming in below the price negotiated between buyers and sellers.

Hopefully, in the months ahead, we'll see an even closer relationship between contract activity and closed transactions."

McMillan said NAR is continuing to press the appraisal issue. "We have asked Congress and the Federal Housing Finance Agency to immediately implement an 18-month moratorium on the new appraisal rules to further address unintended consequences of the new guidelines," he said.

NAR's Housing Affordability Index remains very favorable. The

affordability index stood at 159.2 in June, down from record peaks in recent months but it remains 36.6 percentage points above a year ago. Under these conditions the typical family would devote 15.7 percent of gross income to mortgage principal and interest, well below the standard allowance of 25 percent.

The HAI is a broad measure of housing affordability using consistent values and assumptions over time, which examines the relationship between home prices, mortgage interest rates and family income.

"A monthly rise in home prices and somewhat higher mortgage interest rates led to a modest decline in affordability in June, but it was still the sixth highest index on record dating back to 1970,"

Yun said. "Because housing is so

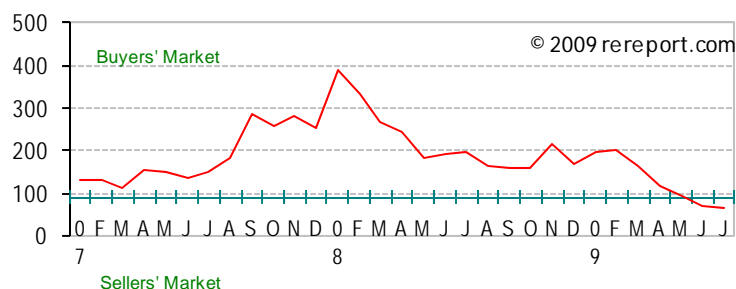
(Continued on page 4)

July Sales Statistics

Condos/Townhomes

	Prices		Unit		Compared to Last Year						Compared to Last Month			
	Median	Average	Sales	Active	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$334,000	\$368,779	367	825	54	99.9%	-29.3%	-26.2%	16.9%	-59.1%	-4.4%	-3.5%	3.1%	-7.8%
Campbell	\$505,000	\$519,571	7	30	52	99.0%	0.0%	8.3%	-58.8%	-58.3%	32.1%	30.6%	0.0%	11.1%
Cupertino	\$640,000	\$653,111	9	23	43	95.3%	-24.2%	-18.0%	-43.8%	-20.7%	1.6%	-0.4%	0.0%	-23.3%
Gilroy	\$111,000	\$161,500	7	4	20	95.5%	-208.6%	-112.1%	71.4%	-89.2%	-39.4%	-21.7%	42.9%	-20.0%
Los Altos	\$960,000	\$960,000	1	16	81	96.1%	14.6%	18.9%	-75.0%	166.7%	25.5%	17.3%	-85.7%	-20.0%
Los Gatos	\$518,000	\$534,806	8	45	86	99.2%	-22.5%	-11.7%	60.0%	-16.7%	-18.4%	-13.0%	14.3%	-13.5%
Milpitas	\$270,000	\$305,364	11	16	59	98.5%	-46.9%	-34.1%	0.0%	-76.1%	-20.4%	-15.6%	-26.7%	23.1%
Morgan Hill	\$310,000	\$315,000	6	5	106	98.6%	-29.4%	-27.3%	66.7%	-400.0%	3.9%	8.9%	0.0%	-28.6%
Mountain View	\$461,125	\$499,758	32	61	52	96.9%	-15.2%	-7.9%	23.1%	-28.2%	-19.8%	-10.0%	28.0%	-6.2%
Palo Alto	\$1,015,000	\$1,158,120	4	51	42	96.8%	27.0%	35.2%	-76.5%	75.9%	23.0%	45.9%	-73.3%	-1.9%
San Jose	\$269,900	\$293,701	223	459	52	101.3%	-27.1%	-28.9%	41.1%	-66.3%	12.5%	3.0%	8.3%	-7.1%
Santa Clara	\$340,000	\$412,248	25	49	53	99.3%	-18.3%	-12.1%	-10.7%	-56.3%	-5.3%	10.3%	-7.4%	-10.9%
Saratoga	\$433,000	\$433,000	2	15	95	96.1%	-30.7%	-44.8%	-60.0%	7.1%	-132.1%	-132.1%	50.0%	0.0%
Sunnyvale	\$554,000	\$528,641	32	51	59	97.4%	-0.9%	-10.2%	113.3%	-43.3%	10.6%	3.4%	18.5%	-15.0%

Days of Inventory



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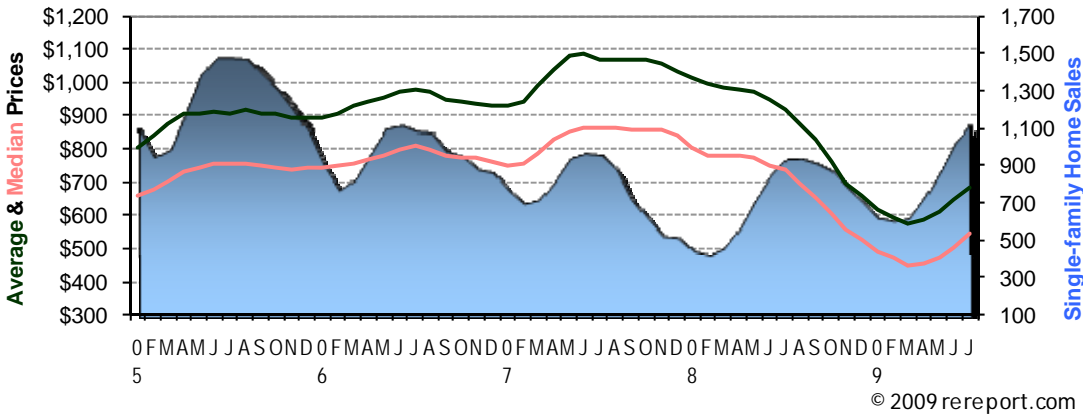
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Santa Clara County Homes: Prices and Sales (3-month moving average — price in 000's)



(Continued from page 3)

affordable in today's market, job security and the first-time buyer tax credit are bigger factors in influencing home sales."

A median-income family, earning \$60,700, could afford a home costing \$289,100 in June with a 20 percent downpayment, assuming 25 percent of gross income is devoted to mortgage principal and interest.

Affordability conditions for first-time buyers with the same income and small downpayments are roughly 80 percent of what a median-income family can afford. The affordable price was much higher than the median existing single-family home price in June, which was \$181,600.

Yun expects existing-home sales to gradually rise over the balance of the year, with conditions varying around the country. "It appears

home sales are on a sounder footing and inventory is gradually being absorbed."

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