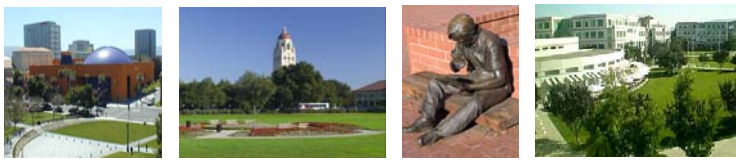


# The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Avi Urban  
650.305.1111  
[avi@650and408homes.com](mailto:avi@650and408homes.com)  
[www.650and408homes.com](http://www.650and408homes.com)  
DRE #: 01485729



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## Median Home Price Goes Over \$600,000

The median price for single-family, re-sale homes went over the \$600,000 mark in November for the first time since August 2008. It was also up, year-over-year, for the second month in a row.

The median price rose 2.1% month-over-month, and was up 20.3% compared to last November.

Sales of single-family, re-sale homes declined 12.6% last month compared to October. Year-over-year, sales were up 35.6%. November was the seventeenth month in a row that sales were higher than the year before. Year-to-date, home sales are up 21.5%.

Condo sales were down last month, dropping 24.5% from October, but were up 49.5% year-over-year. Year-to-date, condo sales are up 22.4%.

Trends at a Glance (Single-family Homes)			
	Nov 09	Oct 09	Nov 08
Median Price:	\$607,500	\$595,000	\$505,000
Average Price:	\$747,734	\$721,930	\$629,162
Home Sales:	898	1,027	662
Inventory:	1,783	2,053	5,357
Sale/List Price Ratio:	100.7%	100.8%	98.9%
Days on Market:	51	53	60
Days of Inventory	60	60	243

The median price for condos rose 1.4% from the month before, and was up 14% year-over-year.

Inventory continues to decline with the supply of homes down 13.2% from October, and off 66.7% year-

over-year. Condo inventory dropped 6.5%, off 66.5% compared to last November.

The sales price to list price ratio for homes stayed over 100% for the fifth month in a row: 100.7%.

Our days of inventory indicator for single-family homes was flat at 60 days. The indicator for condos rose twelve days to 62.

Pending sales, an indicator of what's going to happen in the next month or two, fell 6% from October, but were up 90.4% year-over-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 for an evaluation of your home's worth, call me.

December / January 2010



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## FHA Mortgage Insurance Program Important to Housing Market & Recovery

The Federal Housing Administration mortgage insurance program is a critical part of the American housing fabric and has never been more important than it is in today's market, NAR President Vicki Cox Golder told a congressional panel today.

Testifying before the House Committee on Financial Services, Golder said that the FHA program is fiscally sound with responsible underwriting, and needs enhancements not radical reform. She urged Congress and the administration to tread lightly before making changes to a program that has a profound impact on economic recovery and serves the nation's families.

"With the collapse of the private mortgage market, the importance of

the FHA mortgage insurance program has never been more apparent. Thus far in 2009, nearly 80 percent of all FHA insured purchasers are first-time homebuyers. And if you take a closer look at the numbers, you'll see that program is doing exactly what it was designed to do—make more affordable mortgage financing available to homeowners," said Golder.

"As the leading advocate for homeownership and housing issues, NAR knows that without FHA mortgage insurance, our housing market could never start to recover," Golder said.

FHA's decline in reserves is in part a reflection of a projected change in home price values, and is not tied to excessive increases in defaults

or unsound underwriting practices, she said. In citing the recent FHA audit, Golder said, "If FHA makes no changes to the way it does business today, the reserves will actually exceed 2 percent in the next several years. FHA has sufficient reserves."

FHA cash reserves and capital reserves give the agency combined assets of \$30.4 billion—enough to pay all claims over a 30-year period. Most banks are required to hold reserves sufficient to pay only one year of claims. "Realtors® strongly believe that FHA is taking the necessary steps to assure its financial solvency," Golder said.

NAR strongly opposes H.R. 3706, the "FHA Taxpayer Protection Act of 2009," which would increase

FHA's down payment requirement. The bill would not add anything to FHA reserves but would put homeownership out of reach for many creditworthy borrowers.

Golder also thanked Chairman Barney Frank (D-Mass.) and the committee for passing legislation to extend the higher loan limits through 2010, but urged the committee to make the higher limits permanent. "The higher limits are not just for a few states with high median prices. There are currently 245 counties in 28 states that have high cost limits—this is a national issue," she said.

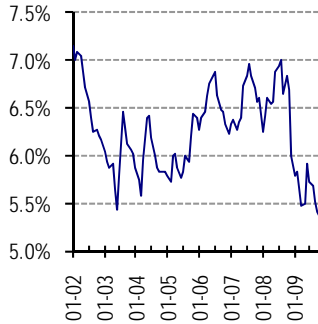
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# The Real Estate Report

## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Dec. 4, 2009 -- Mortgage rates have been easing a bit lately due to both softer demand for credit and, most recently, some flight-to-quality purchases of US Treasuries related to financing troubles at Dubai World, a state-backed corporation which asked to forego payments on its outstanding debts for at least six months. That is simply more fallout from the global financial crisis.

These troubles first came to light last Thursday. After initial concern, it seems Dubai World's effect on global finance markets is contained for the most part, so some of that move of cash into a safer haven has begun to unwind.

Some surprising economic news came late in the week, and if the again-influential yield on the 10-year Treasury is any indication, mortgage rates seem certain to rise in the days ahead. The 10-year

Treasury rose from a Tuesday low of 3.21% to an estimated 3.48% by Friday's market close; mortgage rates haven't yet fully reflected all of that move, but from Tuesday's low of 4.83%, the all-important 30-year Conforming interest rate had risen to 5.06% by Friday.

For the week, HSH.com's FRMI, our overall average for mortgage rates (including conforming, jumbo and agency jumbo), fell by five basis points, closing the at 5.24%. Both conforming and jumbo rates declined this week, with conforming 30-year FRMs slipping to a 4.91% average. At the same time, the overall average for 5/1 Hybrid ARMs fell five-basis points, landing at 4.56% for the week. Some aggressively-priced 5/1 ARMs can now be found in the market with rates starting as low as the mid-3% range.

Readers and visitors who regularly follow our work know that fluctuations in mortgage rates are a regular recurrence, and that rates rise much more quickly than they fall. This being the case, we always advise borrowers that when they've got a mortgage in place that makes their purchase or refinance deal work, they should lock in the interest rate, rather than trying to guess at any kind of bottom in the market.

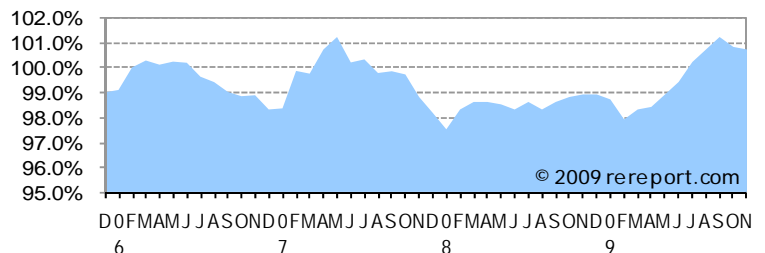
Our educated readers also know that 30-year FRMs holding tightly to either side of a 5% threshold is a great deal, whether it's upper 4% or low 5% on the bottom line. Interest rates will kick a little higher next week, probably all the way back to (yawn) early November levels, when they were only outstanding.

## November Sales Statistics

### Single-family Homes

	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	\$607,500	\$747,734	898	1,783	51	100.7%	20.3%	18.8%	35.6%	-66.7%	2.1%	3.6%	-12.6%	-13.2%
Campbell	\$652,500	\$674,444	24	50	51	99.3%	-14.1%	-14.5%	100.0%	-49.0%	-2.8%	-6.0%	-14.3%	-9.1%
Cupertino	\$1,208,400	\$1,233,800	28	45	52	98.4%	28.6%	30.8%	300.0%	-43.0%	8.9%	7.5%	12.0%	-33.8%
Gilroy	\$407,500	\$479,069	44	93	56	100.1%	5.8%	7.9%	-17.0%	-75.8%	4.1%	9.9%	-35.3%	-13.9%
Los Altos	\$1,477,000	\$1,619,600	27	44	48	96.7%	-1.5%	1.7%	285.7%	-47.0%	-6.5%	-5.3%	8.0%	-37.1%
Los Altos Hills	\$2,010,000	\$2,146,060	8	44	74	94.1%	4.7%	11.8%	300.0%	-15.4%	-17.5%	-15.7%	-27.3%	-21.4%
Los Gatos	\$1,360,000	\$1,414,730	31	118	63	96.2%	28.3%	-30.1%	244.4%	-39.5%	22.5%	19.7%	24.0%	-11.9%
Milpitas	\$435,750	\$497,275	26	44	40	103.0%	-22.2%	-10.2%	36.8%	-66.9%	-5.3%	2.1%	-3.7%	18.9%
Monte Sereno	\$1,699,000	\$1,699,000	2	15	159	95.2%	-58.9%	-58.9%	50.0%	-44.4%	14.7%	14.7%	100.0%	-34.8%
Morgan Hill	\$590,000	\$575,191	29	102	101	99.9%	2.4%	-3.8%	52.6%	-64.1%	5.2%	-5.5%	-29.3%	-2.9%
Mountain View	\$913,340	\$994,099	22	42	39	99.2%	-4.9%	-2.7%	46.7%	-46.2%	2.8%	4.5%	-26.7%	-17.6%
Palo Alto	\$1,430,000	\$1,533,730	39	62	44	100.1%	6.5%	-2.8%	77.3%	-41.0%	-6.1%	-8.2%	-2.5%	-27.9%
San Jose	\$515,000	\$557,901	513	834	48	101.9%	12.8%	8.8%	20.4%	-74.1%	-1.0%	-0.5%	-12.2%	-9.2%
Santa Clara	\$638,000	\$673,431	34	53	26	100.6%	8.1%	8.5%	3.0%	-73.5%	-1.8%	2.5%	-12.8%	-23.2%
Saratoga	\$1,497,500	\$1,790,670	18	87	63	96.7%	-22.2%	-16.6%	500.0%	-41.6%	16.8%	28.9%	-18.2%	-12.1%
Sunnyvale	\$749,000	\$742,146	43	67	37	99.9%	22.8%	7.9%	59.3%	-59.1%	-2.7%	0.0%	-18.9%	-23.0%

## Sales Price/Listing Price Ratio



# The Real Estate Report

## Nine Consecutive Gains for Pending Home Sales

Pending home sales have risen for nine months in a row, a first for the series of the index since its inception in 2001, according to the National Association of Realtors®.

The Pending Home Sales Index,\* a forward-looking indicator based on contracts signed in October, increased 3.7 percent to 114.1 from 110.0 in September, and is 31.8 percent above October 2008 when it was 86.6. The rise from a year ago is the biggest annual increase ever recorded for the index, which is at the highest level since March 2006 when it was 115.2.

Lawrence Yun, NAR chief economist, said home sales are experiencing a pendulum swing. "Keep in mind that housing had been underperforming over most of the past year. Based on the demographics of our growing population, existing-home sales

should be in the range of 5.5 million to 6.0 million annually, but we were well below the 5-million mark before the home buyer tax credit stimulus," he said. "This means the tax credit is helping unleash a pent-up demand from a large pool of financially qualified renters, much more than borrowing sales from the future.

The PHSI in the Northeast surged 19.9 percent to 100.2 in October and is 44.2 percent above a year ago. In the Midwest the index rose 11.6 percent to 109.6 and is 36.6 percent higher than October 2008. Pending home sales in the South increased 5.4 percent to an index of 115.4, which is 31.6 percent above a year ago. In the West the index fell 11.2 percent to 127.7 but is 21.9 percent above October 2008.

Yun cautioned that home sales could dip in the months ahead.

"The expanded tax credit has only been available for the past three weeks, but the time between when buyers start looking at homes until they close on a sale can take anywhere from three to five months. Given the lag time, we could see a temporary decline in closed existing-home sales from December until early spring when we get another surge, but the weak job market remains a major concern and could slow the recovery process.

"Still, as inventories continue to decline and balance is gradually restored between buyers and sellers, we should reach self-sustaining housing conditions and firming home prices in most areas around the middle of 2010. That would mean broad wealth stabilization for the vast number of middle-class families," Yun said.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing 1.2 million members involved in all aspects of the residential and commercial real estate industries.

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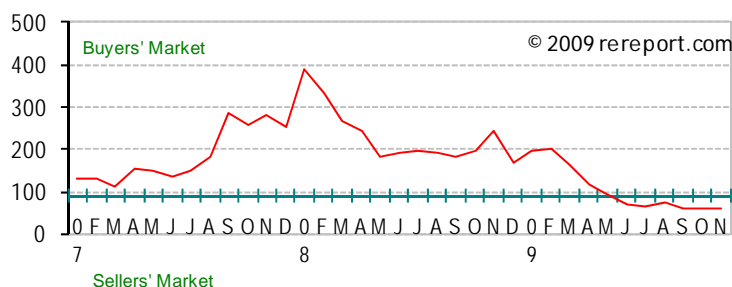
\*The Pending Home Sales Index is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing.

The index is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. In developing the model for the index, it was demonstrated

(Continued on page 4)

November 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	\$355,000	\$387,624	299	621	53	101.3%	14.0%	7.4%	49.5%	-66.5%	1.4%	-1.0%	-24.5%	-6.5%
Campbell	\$475,000	\$509,633	9	16	53	97.5%	37.3%	60.6%	200.0%	-69.8%	2.2%	10.0%	-43.8%	14.3%
Cupertino	\$700,500	\$690,583	6	28	25	99.0%	19.7%	17.1%	100.0%	40.0%	-2.1%	-5.2%	0.0%	3.7%
Gilroy	\$185,000	\$185,000	1	4	228	102.8%	1.1%	1.1%	0.0%	-90.2%	43.2%	14.5%	-400.0%	33.3%
Los Altos	\$808,000	\$752,333	3	19	37	96.6%	2.0%	-5.1%	200.0%	58.3%	-3.6%	-14.0%	-40.0%	-13.6%
Los Gatos	\$573,500	\$560,394	8	39	95	96.5%	6.9%	-1.8%	100.0%	-7.1%	-10.9%	-14.1%	-27.3%	5.4%
Milpitas	\$267,000	\$357,944	9	20	36	106.8%	-35.3%	-9.8%	28.6%	-70.6%	-20.3%	1.4%	-30.8%	66.7%
Morgan Hill	\$192,000	\$210,333	3	12	69	99.2%	-91.4%	-73.2%	-33.3%	-83.3%	-41.9%	-37.6%	-100.0%	71.4%
Mountain View	\$575,250	\$572,750	22	39	36	98.0%	12.8%	14.8%	100.0%	-47.3%	27.1%	11.5%	-33.3%	-31.6%
Palo Alto	\$727,500	\$728,500	8	28	52	96.6%	-25.0%	-45.1%	166.7%	-30.0%	11.9%	-6.0%	-11.1%	-12.5%
San Jose	\$286,000	\$313,925	185	331	54	102.3%	10.9%	3.0%	34.1%	-73.3%	2.1%	0.8%	-19.2%	-8.1%
Santa Clara	\$380,000	\$399,696	25	34	47	102.7%	16.6%	19.2%	66.7%	-70.7%	-3.2%	-9.2%	-21.9%	-8.1%
Saratoga	*	*	*	14	*	*	n/a	n/a	n/a	0.0%	n/a	n/a	n/a	0.0%
Sunnyvale	\$505,000	\$494,739	20	38	58	98.4%	-9.7%	-16.0%	33.3%	-57.8%	2.0%	6.1%	-25.9%	-9.5%

### Days of Inventory



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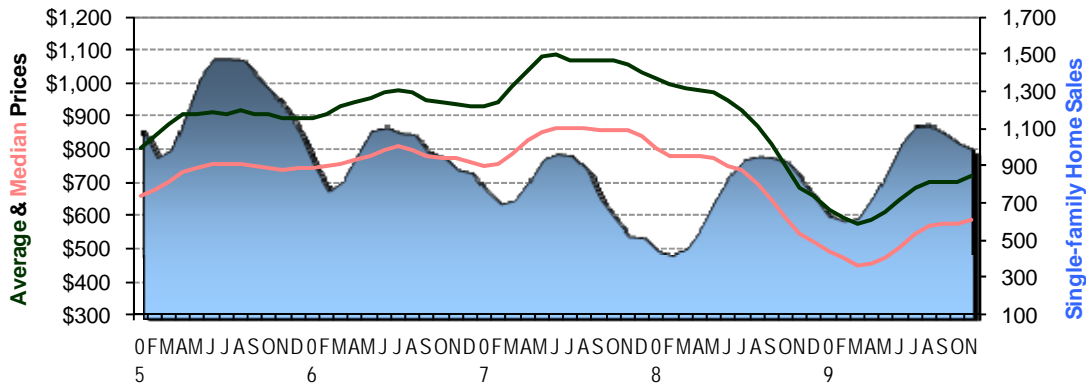
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**Santa Clara County Homes: Prices and Sales**  
 (3-month moving average — price in 000's)



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(Continued from page 3)

that the level of monthly sales-contract activity from 2001 through 2004 parallels the level of closed existing-home sales in the following two months. There is a closer relationship between annual index changes (from the same month a year earlier) and year-ago changes

in sales performance than with month-to-month comparisons.

An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined as well as the first of five consecutive record years for existing-home sales.

Existing-home sales for November will be reported December 22 and the next Pending Home Sales Index will be on January 5; release times are 10 a.m. EST.

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