The Real Estate Report

SILICON VALLEY MARKET TRENDS




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KELLER WILLIAMS REALTY

INSIDE THIS ISSUE:

Santa Clara County Home Sales Down 1.2% for the Year

Although sales of single-family, re-sale homes were down 1.2% for the year, there was a lot of momentum in the second half of the year.

Home sales increased, year-over-year, in the last six months of 2008. Momentum that should carry over into 2009.

Prices took a hit last year but should start bottoming out in the first half of this year.

For the month of December, sales of single-family, re-sale homes in Santa Clara County were up 38.8% compared to last year. Month-over-month, sales were up 6.8%. Sales continue to be concentrated in the lower-priced cities such as San Jose where year-over-year sales were up 80.6%, and Gilroy where sales were up 186.7%. It's interesting to note that sales in Palo Alto, a very high priced area, were up 100%.

Trends at a Glance
(Single-family Homes)

	Dec 08	Nov 08	Dec 07
Median Price:	$513,950	$515,000	$807,000
Average Price:	$659,085	$636,232	$998,778
Home Sales:	676	633	490
Inventory:	4,640	4,554	4,163
Sale/List Price Ratio:	98.9%	98.8%	98.2%
Days on Market:	58	60	76
Days of Inventory	206	216	255

Prices actually showed some improvement in December. The median price was down a paltry 0.2% from November, and off 36.3% year-over-year. The average price actually rose for the first time in fifteen months, gaining 3.6% month-over-month, down 34% compared to last December.

Inventory crept upward last month, rising 1.9% from November, and up 11.5% compared to December 2007.

The sales price to list price ratio rose 0.1 of a point to 98.9%.

Condo sales rose for the second month in a row, gaining 9.5% from November, and, surprisingly, were up 1% year-over-year.

The median price for condos was flat month-over-month, but was off 38% compared to last December.

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.

C.A.R. Releases 2008 Housing Market Report

LOS ANGELES (Dec. 16) – Rising home sales, declining home prices, stricter loan underwriting standards, and the financial market meltdown contributed to a turbulent year in California's housing market, according to the CALIFORNIA ASSOCIATION OF REALTORS®' (C.A.R.) "State of the California Housing Market 2008-2009" report released today.

Sales generally improved over last year in all parts of the state, with significant price declines leading to sharp increases in the Central Valley and Southern California. Sales of existing detached homes hit bottom in the last quarter of 2007, and have since risen in year to year comparisons. Following two years of steep declines exceeding 20 percent, annual sales in the California housing market are expected to increase 12 percent to 395,600 in 2008, with a further 12.5 percent annual increase projected for 2009. The increase in sales is largely attributed to the growth in the absorption of distressed properties with mark-downs in prices.

Consistent with the increasing trend of distressed sales, almost one of five (19.8 percent) sellers sold their property because the property was in foreclosure, short sales, or default, an increase of 6 percent from 2007.

"Many home sellers sold their properties at a loss, as price declines eliminated equity gains," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "The number of sellers who sold their home with a loss almost doubled from 11.9 percent in 2007 to a record-setting 22.2 percent in 2008, well above 1.9 percent in 2006, and almost triple the long-term average of 7.7 percent."

Homes in the mid-to-upper price range were less likely than lower-priced homes to suffer a loss from a sale. Twenty-eight percent of sellers with homes valued under $500,000 had a net cash loss in 2008, an increase from 16 percent in 2007; twenty percent with homes valued between $500,000 and $999,999 had a net cash loss in 2008, an increase from 9 percent in 2007; and million-dollar home sellers who had a net cash loss from their home sale dropped from 8 percent in 2007 to 5 percent in 2008.

The long-term value of homeownership again was demonstrated in 2008. Home sellers who owned their properties for a longer period of time, and did not refinance or cash out, were less likely to experience a loss from their home sale. While only 3 percent of sellers who owned their homes for more than five years had a net cash loss from their home sale – unchanged from 2007 --47 percent of sellers who owned their homes for less than three years had a net cash loss in 2008, an increase from 34 percent in 2007; thirty-three percent of sellers who owned their homes between three to five years had a net cash loss in 2008, a jump from 7 percent in 2007.

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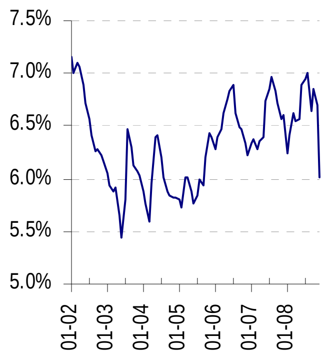
Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



January 2, 2009 -- Mortgage rates were basically unchanged this week, which included the first days of 2009. Thinly traded markets, vacations and holidays being what they are, a lack of any real direction is pretty typical.

Overall, the average 30-year fixed rate mortgage nudged a lone basis point higher. HSH's Fixed-Rate Mortgage Indicator FRMI rose to 5.89%. The overall average for the 5/1 Hybrid ARM slipped back by fourteen basis points, landing at 5.80% for the week, the lowest such average since February 2008.

Conforming mortgage rates shed three basis points, easing to 5.28%, while 30-year fixed-rate jumbo mortgages moved back to 7% to start the year.

Now that investors have closed the books on 2008, we may start to see some money shift away from low-yielding but highly secure investments, especially Treasuries. With a new administration coming in, new opportunities may present themselves as the government moves 'stimulus' off the drawing board and into the economy. However, as long as the economy remains in difficult straits, it is a fair bet that not all that much risk-taking will come anytime soon.

Consumer moods have remained quite bleak over the past few months, but the downturn in December's Consumer Confidence index was unexpectedly weak. The Conference Board reported a December value of 38.0, below expectations and a downshift from November's 44.9 level. Other surveys, such as the one from the University of Michigan, have showed some firming of attitudes. As an example, the weekly ABC News/Washington Post poll of Consumer Comfort shed a single tick during the week ending December 28, landing at -49, but has more or less been steady over the past month, albeit at weak levels. Perhaps the Conference Board's indicator leans more heavily on employment for weighting purposes, and job losses have been largely increasing of late.

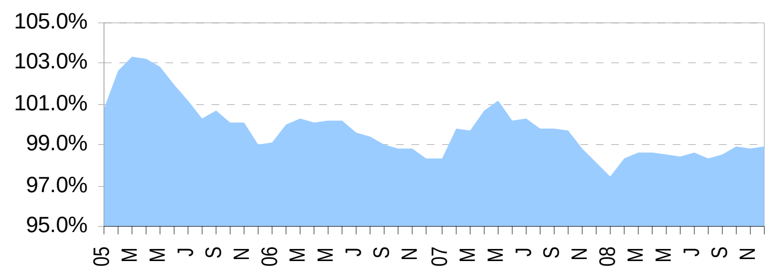
That's not quite true, though, if you can believe the latest weekly unemployment claims data. During the week ending December 27, a drop in new claims of some 94,000 happened, so the number of new applications for benefits fell to 492,000, the lowest figure in months. Rather than some new spate of hiring (or, more properly, a diminishing of firing) the figure is probably distorted by seasonal adjustment problems related to the Christmas holiday week.

December Sales Statistics

Single-family Homes

	Prices		Unit	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average	Sales	New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	$513,950	$659,085	676	1,060	4,640	58	98.9%	-36.3%	-34.0%	38.0%	11.5%	-0.2%	3.6%	6.8%	1.9%
Campbell	$675,000	$730,133	15	15	75	102	95.8%	-20.1%	-13.5%	15.4%	11.9%	-11.1%	-8.4%	50.0%	-27.2%
Cupertino	$1,181,000	$1,180,200	10	17	60	55	95.5%	3.8%	-3.9%	-54.5%	93.5%	25.6%	25.1%	42.9%	-20.0%
Gilroy	$387,500	$453,757	43	61	369	108	96.6%	-34.9%	-32.0%	186.7%	-4.2%	-0.6%	1.0%	-14.0%	-10.7%
Los Altos	$1,786,500	$1,935,200	10	12	50	53	97.4%	2.1%	-2.6%	-47.4%	138.1%	19.1%	21.5%	25.0%	-25.4%
Los Altos Hills	$1,750,000	$1,750,000	1	2	34	13	93.3%	-17.6%	-39.7%	-80.0%	-2.9%	-8.9%	-8.9%	-50.0%	-20.9%
Los Gatos	$1,437,500	$1,478,161	16	32	148	95	94.2%	-13.4%	-15.0%	-27.3%	72.1%	35.6%	-27.0%	77.8%	-19.1%
Milpitas	$430,000	$487,314	21	35	119	95	99.5%	-26.5%	-21.1%	40.0%	-19.0%	-25.9%	-15.0%	23.5%	-15.6%
Monte Sereno	$3,525,000	$3,525,000	2	4	18	41	80.3%	2.8%	2.8%	0.0%	5.9%	30.6%	30.6%	100.0%	-30.8%
Morgan Hill	$622,000	$657,083	34	47	241	121	96.5%	-23.4%	-25.0%	41.7%	2.6%	6.7%	9.2%	88.9%	-15.7%
Mountain View	$950,000	$1,196,726	11	19	58	47	97.4%	5.6%	23.8%	-47.6%	132.0%	-1.0%	17.1%	-26.7%	-14.7%
Palo Alto	$1,365,000	$1,429,363	22	20	64	37	99.1%	-35.0%	-36.9%	100.0%	220.0%	1.7%	-9.4%	-4.3%	-22.9%
San Jose	$451,750	$529,582	428	684	2,916	99	98.4%	-35.4%	-31.3%	80.6%	7.6%	-1.0%	2.8%	9.2%	-10.3%
Santa Clara	$533,750	$580,291	28	39	173	49	96.0%	-28.4%	-25.5%	0.0%	12.3%	-10.9%	-6.7%	-12.5%	-13.1%
Saratoga	$1,599,250	$1,492,811	9	19	105	82	93.6%	1.5%	-7.9%	-57.1%	52.2%	-16.9%	-30.5%	200.0%	-16.7%
Sunnyvale	$631,575	$671,803	23	42	154	78	99.2%	-28.6%	-22.2%	-23.3%	49.5%	3.5%	-2.4%	-14.8%	-8.3%

Sales Price/Listing Price Ratio



Negotiating Closing Costs

Shop around before choosing a mortgage lender, but don't stop there. When you receive your good faith estimate of closing costs, or GFE, the negotiation hasn't ended.

The lender or mortgage broker is required to give you a GFE within three working days of accepting your loan application. The GFE comes in the form of an itemized list of estimated closing costs for everything from the lender's fees to the appraisal charge to the title insurance premium to a partial month's interest payment.

The lender or broker charges some fees, and third parties charge others. The first step is to find out which are loan origination fees and which are third-party fees. Don't guess. Ask the lender or broker.

On the GFE, fees are categorized by numerical codes ranging from the 800s to the 1300s. Most of the negotiable lender-charged fees are in the 800s: application, origination, commitment, loan discount, broker, tax-related service and underwriting fees.

Keys to lower closing costs

- Ask for a justification for each lender-charged fee.
- If the lender charges an application fee, ask if it will be credited toward closing costs.
- If the lender charges an underwriting fee as well as a processing fee, ask for details of those services. Maybe you'll find a fee that can be waived or reduced.
- Recognize that some items are non-negotiable: taxes, city and county stamps, recording fees, prorated interest and reserves. On the GFE, these items are in the 1000s and the 1200s.

Third-party fees

Fees charged by third parties are trickier to negotiate. A few third-party fees pop up in the 800s section of the GFE: those for the appraisal, credit report and inspection. The lender is supposed to pass along these charges without marking them up. Theoretically, they are negotiable and you can ask the lender to seek good deals on these three items and pass along the savings. In practice, you probably won't get a break on those services because the lender has contracted for them at a set price.

You can realize some of your biggest savings by negotiating the items in the 1100s section of the GFE: title insurance, title search, title exam, attorney's fees and settlement fees. Most borrowers use a title company recommended by the real estate agent or lender. But you don't have to. You can shop for title insurance and settlement services, just as you shopped for the house and for the loan.

Be prepared for resistance. Some lenders have business affiliations with title companies, and they'll pressure you to keep the title work in-house.

Title insurance, settlement services
Where you shop for these title insurance and settlement services depends on where you live, because different places have different ways of closing real estate and mortgage transactions. In parts of the Northeast, closings are conducted in lawyers' offices. In some places, including Southern California, closings take place at escrow or mortgage companies. In much of the country, the closing takes place in the office of the agency that sells title insurance.

Government regulation can limit your negotiating room. In Texas, the state sets one overall fee for title insurance, title search and settlement services, so title agencies compete on service and not

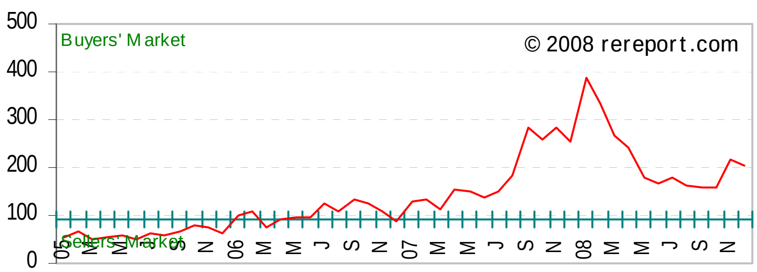
(Continued on page 4)

December Sales Statistics

Condos/Townhomes

	Prices		Unit	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average	Sales	New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	$315,000	$370,268	207	385	1,647	62	97.6%	-38.0%	-30.3%	1.0%	9.2%	0.0%	1.5%	9.5%	10.8%
Campbell	$350,000	$488,800	5	12	43	103	95.5%	-44.5%	-13.9%	25.0%	13.2%	1.2%	54.0%	66.7%	0.0%
Cupertino	$722,000	$757,333	3	13	22	13	100.7%	33.0%	25.1%	-25.0%	100.0%	23.3%	28.4%	0.0%	29.4%
Gilroy	$207,500	$191,875	4	7	36	127	92.5%	n/a	n/a	n/a	24.1%	11.8%	4.6%	75.0%	-10.0%
Los Altos	*	*	*	5	11	*	*	n/a	n/a	n/a	-15.4%	n/a	n/a	n/a	0.0%
Los Gatos	$756,500	$756,500	2	8	40	60	92.9%	-10.5%	-13.2%	-50.0%	100.0%	41.1%	32.6%	-50.0%	-11.1%
Milpitas	$502,500	$502,500	2	7	58	107	98.3%	4.4%	7.0%	-66.7%	114.8%	21.7%	26.6%	-71.4%	-14.7%
Morgan Hill	$340,000	$325,800	5	2	24	82	95.4%	-23.5%	-28.9%	80.0%	-50.0%	-8.1%	-11.8%	20.0%	-11.1%
Mountain View	$560,000	$601,030	17	16	65	70	98.5%	3.7%	1.6%	0.0%	10.2%	8.2%	16.4%	70.0%	-7.1%
Palo Alto	$524,500	$540,333	6	3	24	53	96.9%	-34.4%	-33.2%	-33.3%	100.0%	-45.9%	-59.3%	100.0%	-20.0%
San Jose	$250,000	$301,942	144	265	1,124	87	96.0%	-44.8%	-35.9%	46.9%	14.5%	-1.2%	-1.1%	14.3%	-8.1%
Santa Clara	$391,500	$439,916	12	22	104	79	95.8%	-12.0%	-7.2%	-29.4%	16.9%	20.1%	30.0%	-7.7%	-4.6%
Saratoga	$667,500	$667,500	2	2	14	56	96.7%	n/a	n/a	n/a	42.9%	5.6%	-4.8%	-50.0%	-30.0%
Sunnyvale	$617,500	$578,250	6	23	82	38	98.6%	7.8%	1.8%	-73.9%	41.4%	16.5%	21.5%	-14.3%	-6.8%

Days of Inventory



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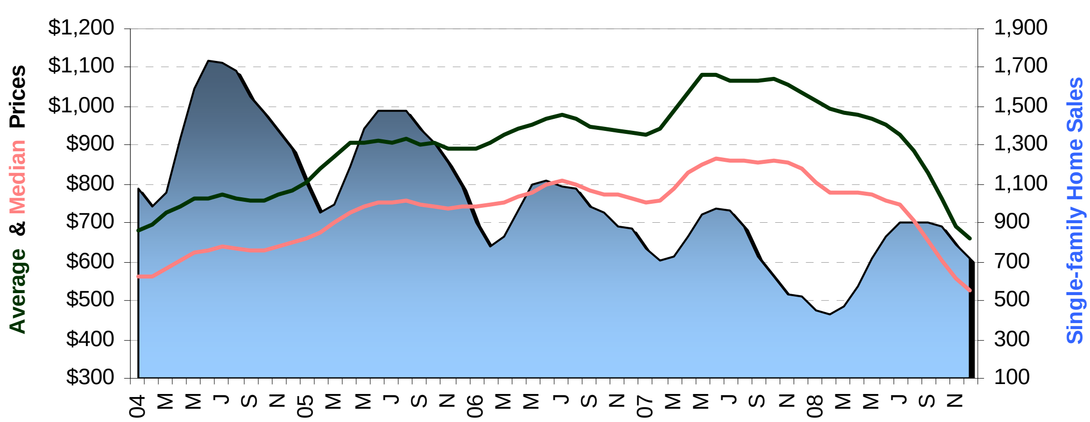
Santa Clara County Homes: Prices and Sales

(3-month moving average — price in 000's)



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price. Regulations aren't as restrictive in most other states and you could save hundreds of dollars in settlement services by shopping around.

"I think it's a matter of what the traffic will bear," says Bob Moulton, president of American Mortgage, a brokerage on Long Island, N.Y. He gives this tip: If you're refinancing your mortgage, and you've lived in the house less than 10 years, ask to get title insurance at a less-expensive "reissue rate."

And don't forget to shop for hazard insurance -- item No. 903 on the GFE. Compare offers for homeowners insurance policies, either on your own or with the help of an insurance agent. Make sure the insurance company and settlement agent communicate with each other. You're not going to get that mortgage without proof that you have a homeowner's policy. That requirement is not negotiable.

for a city-by-city breakdown and to receive the monthly report regularly, visit my website at
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