

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Median Home Price Up Third Month in a Row

The median price for single-family, re-sale homes rose 5.3% month-over-month, and was up 9.6% compared to last October. This is the first time since January 2008 the median price has been higher than the year before.

Sales of single-family, re-sale homes declined 3.7% last month compared to September. Year-over-year, sales were up 17.4%. October was the sixteenth month in a row that sales were higher than the year before. Year-to-date, home sales are up 20.2%.

Condo sales were up last month, rising 10% from September, and up 36.1% year-over-year. Year-to-date, condo sales are up 20.0%.

The median price for condos rose 3.9% from the month before, but was down 6.7% year-over-year.

Inventory continues to decline with the supply of homes down 7.2% from September, and off 64.4%

Trends at a Glance (Single-family Homes)			
	Oct 09	Sep 09	Oct 08
Median Price:	\$595,000	\$565,000	\$543,100
Average Price:	\$721,930	\$686,924	\$680,504
Home Sales:	1,027	1,066	875
Inventory:	2,053	2,213	5,774
Sale/List Price Ratio:	100.8%	101.2%	98.8%
Days on Market:	53	52	52
Days of Inventory	60	62	198

year-over-year. Condo inventory dropped 9.2%, off 65.9% compared to last October.

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

Our days of inventory indicator for single-family homes shed two days, sending the indicator to 60 days. The indicator for condos fell eleven days to 50.

Pending sales, an indicator of what's going to happen in the next month or two, rose 3% from September, and were up 113.4% 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.

November/December 2009



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Extension of Federal Tax Credit passes

The U.S. House of Representatives passed a bill extending and expanding the Federal Tax Credit for First-time Home Buyers on November 5th. The bill was passed in the U.S. Senate the day before and will now go to President Obama for his signature, where it is expected to be signed this week.

The tax credit will be extended through April 30, 2010, with a 60-day extension if a binding contract is in place prior to the deadline. First-time home buyers will continue to receive a tax credit of up to \$8,000, while existing homeowners will receive a reduced credit of up

to \$6,500. Existing homeowners will be eligible for the \$6,500 if they have lived in their current residences for at least five years. The bill also will increase the qualifying income limits from \$75,000 for single tax filers and \$150,000 for joint filers, to \$125,000 and \$225,000, respectively. The purchase price of the home is capped at \$800,000.

The changes, among other things, are aimed at encouraging so-called "move-up buyers" to sell their first homes and buy a larger or more expensive place.

Under additional provisions in the bill, taxpayers can claim the credit on purchases completed in 2010 on their 2009 income tax returns. The bill maintains the provision that home buyers do not have to repay the credit provided the home remains their primary residence for 36 months after purchase, and waives this requirement for active duty military personnel who move due to a military order.

"The success of the home buyer tax credit and its positive impact on the real estate market is clear," said C.A.R. President James Liptak. "According to our research, nearly

40 percent of first-time buyers said they would not have purchased a home if the federal tax credit for first-time home buyers was not offered. This underscores the significance of the federal tax credit to the housing market's recovery in California.

Want to know what are the true tax benefits of Homeownership?
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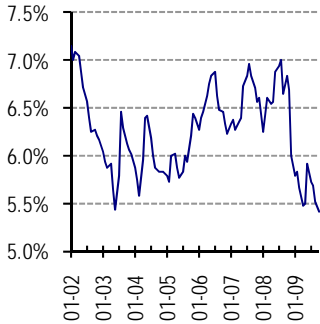
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Oct. 30, 2009 -- Mortgage rates held fairly steady again this week, as the economy showed its first tentative signals that the recession is being replaced by at least a technical recovery. The good news about the economy couldn't prevent a stock market rout on Friday, but at least that selloff did produce somewhat lower Treasury yields; that could potentially help mortgage rates ease next week.

The overall average for mortgage rates as measured by HSH's Fixed-Rate Mortgage Indicator (FRMI) ticked just three basis points higher, so the average price of all loans this week -- conforming, jumbo and agency jumbo -- rose to 5.45%. The FRMI's 5/1 Hybrid ARM companion was unchanged at a 4.69% average rate for the week. Thirty-year Jumbo FRMs put in their third week

out of the last four just below the 6% level.

At the prodding of any number of special interests, Fannie Mae and Freddie Mac will continue to be allowed to purchase mortgages up to a maximum of \$729,750 for all of 2010. The "temporary" program allowing the GSEs to do so was slated to expire at the end of 2009, and would have been replaced with a maximum limit about \$100,000 lower.

Recall that the \$729,750 limit was originally developed as part of the Housing and Economic Recovery Act of 2008 -- using late 2007 home values. Some two years later, home values have fallen appreciably in many areas of the country, including so-called "high-cost" areas, and these "expanded conforming" limits were supposed to be adjusted to reflect those changes in home

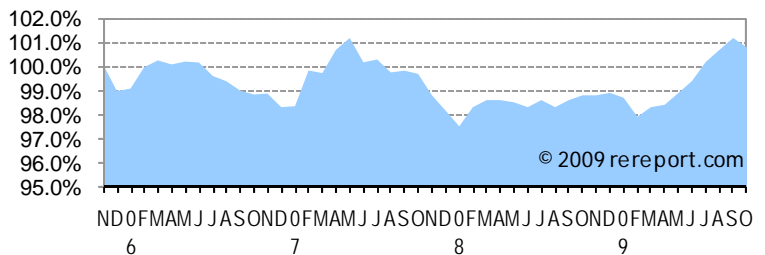
prices. With Congress setting a permanent floor under the traditional Conforming maximum loan amount of \$417,000, the new limits -- based on the median home price in a given metropolitan area times 1.15, and subject to maximum amount no more than 150% of the traditional \$417,000 limit -- would have been capped at \$625,500 for 2010. With the decline in home prices, the number of areas in which the program is available and viable would have diminished greatly, too, which is why we didn't think that it warranted being extended for another year.

October 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	\$595,000	\$721,930	1,027	2,053	53	100.8%	9.6%	6.1%	17.4%	-64.4%	5.3%	5.1%	-3.7%	-7.2%
Campbell	\$671,500	\$717,461	28	55	36	96.1%	-8.0%	-8.5%	64.7%	-47.6%	-3.7%	-5.7%	40.0%	-19.1%
Cupertino	\$1,110,000	\$1,147,760	25	68	37	99.5%	-1.9%	-2.0%	56.3%	-18.1%	5.8%	13.6%	-40.5%	-27.7%
Gilroy	\$391,500	\$435,927	68	108	61	101.6%	0.0%	-8.8%	13.3%	-74.0%	9.4%	3.8%	36.0%	18.7%
Los Altos	\$1,580,000	\$1,710,260	25	70	54	95.2%	-1.4%	-1.1%	25.0%	-27.1%	-2.6%	4.4%	-13.8%	-9.1%
Los Altos Hills	\$2,435,000	\$2,545,580	11	56	99	95.4%	41.2%	52.0%	266.7%	0.0%	6.0%	23.4%	37.5%	-12.5%
Los Gatos	\$1,110,000	\$1,182,290	25	134	52	96.2%	13.8%	-19.3%	66.7%	-33.0%	-6.5%	2.6%	13.6%	-6.3%
Milpitas	\$460,000	\$487,124	27	37	44	102.1%	-8.5%	-6.9%	-3.6%	-73.9%	2.2%	-12.6%	-20.6%	5.7%
Monte Sereno	\$1,450,000	\$1,450,000	1	23	9	104.6%	8.8%	8.8%	-100.0%	-20.7%	-13.2%	-13.2%	-75.0%	-4.2%
Morgan Hill	\$561,000	\$608,619	41	105	79	99.1%	-20.4%	-21.7%	57.7%	-66.3%	3.9%	6.8%	5.1%	-0.9%
Mountain View	\$888,500	\$951,029	30	51	62	99.8%	-1.9%	-1.4%	50.0%	-28.2%	4.2%	3.6%	0.0%	-7.3%
Palo Alto	\$1,522,500	\$1,670,700	40	86	33	100.6%	17.1%	18.5%	90.5%	-21.8%	22.8%	24.9%	11.1%	-19.6%
San Jose	\$520,000	\$560,966	584	918	53	102.0%	6.9%	2.5%	6.2%	-73.7%	11.8%	6.4%	-3.8%	-4.0%
Santa Clara	\$650,000	\$657,282	39	69	33	101.9%	8.4%	8.0%	11.4%	-69.5%	14.5%	12.8%	-32.8%	-9.2%
Saratoga	\$1,282,500	\$1,389,610	22	99	58	93.1%	-23.2%	-20.2%	22.2%	-37.7%	-8.7%	-7.7%	-24.1%	-18.2%
Sunnyvale	\$770,000	\$742,194	53	87	47	99.9%	-6.5%	-1.5%	32.5%	-48.8%	-0.4%	2.1%	6.0%	-16.3%

Sales Price/Listing Price Ratio



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The Real Estate Report

Pending Home Sales Up Eighth Month in a Row

Pending home sales rose again, marking eight consecutive monthly gains – the longest streak since measurement began in 2001, according to the National Association of Realtors®.

The Pending Home Sales Index,* a forward-looking indicator based on contracts signed in September, rose 6.1 percent to 110.1 from a reading of 103.8 in August, and is 21.2 percent higher than September 2008 when it stood at 90.9. The gain from a year ago is the largest annual increase on record, and the index is at the highest level since December 2006 when it was 112.8.

Lawrence Yun, NAR chief economist, said the momentum is understandable. “What we’re witnessing is a rush of first-time buyers trying to beat the expiration of the tax credit at the end of this month,” he said.

“Home values will stabilize sooner rather than over-correcting. That, in turn, will mean wealth stabilization for the vast number of middle-class families and lay the foundation for a durable economic recovery.”

NAR estimates approximately 3 million renters are now financially well-qualified to buy a median-priced home. “As long as buyers do not overstretch and stay well within their budget, a sizable pent-up demand can be tapped among financially qualified potential buyers,” Yun said. “Although the tax credit is greatly reviving the existing home market, new-home sales may continue to struggle as home builders hold back production to drive down inventory. In addition, there remains an ongoing credit crunch for construction loans.”

The Pending Home Sales Index in the Northeast slipped 2.0 percent to 83.6 in September but remains 16.9 percent above September 2008. In the Midwest the index rose 8.1 percent to 98.2 in September and is 17.8 percent higher than a year ago. In the South, pending home sales increased 4.9 percent to an index of 109.7 and is 22.8 percent above September 2008. In the West the index jumped 10.2 percent to 143.8 and is 23.7 percent above a year ago.

Yun added that strong near-term reports should not be overstated. “We’re clearly not out of the woods because an excess of homes remains on the market despite recent improvements,” he said. “Although current inventory is getting closer to price equilibrium, foreclosures will continue to enter the pipeline. An

extended and expanded tax credit would help absorb this incoming inventory.”

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

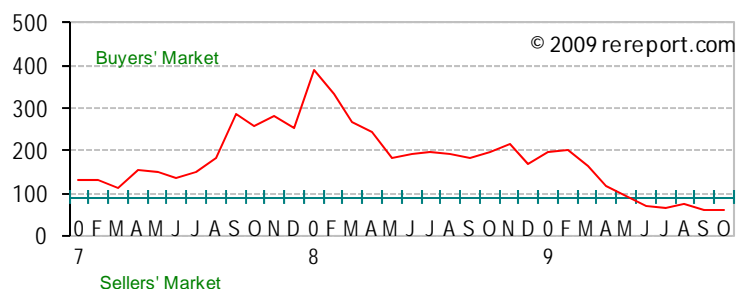
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October Sales Statistics

Condos/Townhomes

County	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	\$350,000	\$391,472	396	664	51	101.1%	-6.7%	-3.5%	36.1%	-65.9%	3.9%	5.8%	10.0%	-9.2%
Campbell	\$465,000	\$463,156	16	14	62	99.9%	-4.1%	-8.4%	6.7%	-78.5%	22.4%	33.3%	128.6%	7.7%
Cupertino	\$715,500	\$728,833	6	27	34	100.7%	10.9%	6.7%	-45.5%	3.8%	26.2%	12.8%	20.0%	-3.6%
Gilroy	\$105,000	\$158,200	5	3	64	99.0%	-91.4%	-27.1%	60.0%	-93.3%	-50.0%	0.4%	60.0%	50.0%
Los Altos	\$838,000	\$874,600	5	22	104	97.3%	-3.3%	0.9%	150.0%	100.0%	16.4%	21.5%	400.0%	10.0%
Los Gatos	\$644,000	\$652,136	11	37	99	97.1%	16.0%	9.7%	22.2%	-22.9%	-13.1%	-13.4%	83.3%	-5.1%
Milpitas	\$335,000	\$353,077	13	12	22	103.3%	11.7%	-1.6%	44.4%	-82.4%	31.4%	19.8%	0.0%	9.1%
Morgan Hill	\$272,500	\$289,333	6	7	48	101.5%	-34.9%	-33.5%	50.0%	-242.9%	-9.4%	-4.7%	0.0%	0.0%
Mountain View	\$452,500	\$513,712	33	57	50	99.0%	-27.6%	-20.4%	120.0%	-35.2%	-27.6%	-13.1%	32.0%	1.8%
Palo Alto	\$650,000	\$775,200	9	32	42	97.9%	-13.3%	-12.9%	80.0%	-22.0%	9.7%	30.7%	50.0%	-25.6%
San Jose	\$280,000	\$311,394	229	360	51	102.1%	-5.1%	-3.7%	20.5%	-71.7%	-1.8%	2.0%	0.9%	-9.8%
Santa Clara	\$392,500	\$439,965	32	37	57	99.9%	1.4%	0.9%	166.7%	-71.1%	-0.1%	7.3%	3.2%	-15.9%
Saratoga	\$679,000	\$666,625	4	14	67	96.6%	-4.7%	-12.1%	0.0%	14.3%	-8.6%	-10.6%	50.0%	-12.5%
Sunnyvale	\$495,000	\$466,374	27	42	30	99.8%	-11.4%	-20.8%	80.0%	-53.3%	-3.8%	-6.8%	-6.9%	-20.8%

Days of Inventory



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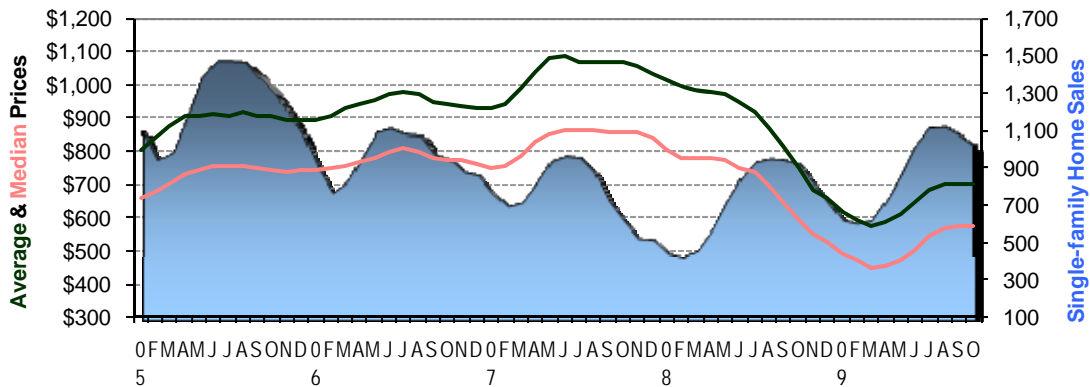
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Santa Clara County Homes: Prices and Sales
 (3-month moving average — price in 000's)



(Continued from page 3)

representing about 20 percent of transactions for existing-home sales. In developing the model for the index, it was demonstrated 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.

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