

Real Estate Service With My Personal Guarantee



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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Fed Tax Credit

The aftermath of the Fed tax credit, which expired April 30th, won't be completely known until the end of June. Although the tax credit expired at the end of April, when buyers needed to be in escrow, buyers have until June 30th to close the sale.

The effect of the tax credit was complicated by the new state tax credit which started May 1st. Many buyers delayed escrow so they could take advantage of both credits, stealing sales from April, down 1.4% year-over-year, and pushing them into May, where home sales were up 21.1% year-over-year.

Pending home sales, goosed by the tax credits, continued to be near the record high recorded in April. We expect home sales to be strong in June.

The median price for single-family, re-sale homes edged upward in May by 0.2% from April. It was up 29.1% from last May. This is the eighth month in a row the median price has been higher than the year before.

Although inventory grew 2.4% from April, it was down 19% year-over-year. This is the eighteenth

month in a row inventory has been lower than the year before, putting upward pressure on prices.

The sales price to list price ratio stayed over 100% for the eleventh month in a row: 100.9%. This signifies that well-priced homes in the best areas are receiving multiple offers.

ARE WE THERE YET?

If the previous numbers don't convince you the real estate market in Santa Clara County has bottomed out, let's look at some other statistics.

First, foreclosures levels: they dipped by 2% in April year-over-year. That's the first annual decrease in more than five years, according to report issuer RealtyTrac.

Second, shorter marketing time: in May, average days on market was 39. That's the shortest time since July 2007.

Third, Case-Shiller Home Price Index: often considered the gold standard for real estate statistics, the index for the San Francisco Bay Area was up for

Trends at a Glance (Single-family Homes)			
	May 10	Apr 10	May 09
Median Price:	\$ 633,750	\$ 632,450	\$ 491,000
Average Price:	\$ 766,372	\$ 785,948	\$ 645,832
Home Sales:	1,192	896	984
Inventory:	2,475	2,416	3,055
Sale/List Price Ratio:	100.9%	101.0%	98.9%
Days on Market	39	43	60
Days of Inventory	62	78	93

the eleventh month in a row, according to their latest statistics reported for March 2010. I expect when they report on April and May, we will see the index continue rising.

STATE TAX CREDIT

Just a reminder that the new state tax credit is not limitless, as was the Federal tax credit. The state tax credit is limited to \$200,000,000 and is first-come, first-served.

For full information, go to:

http://www.ftb.ca.gov/individuals/New_Home_Credit.shtml

Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call me.

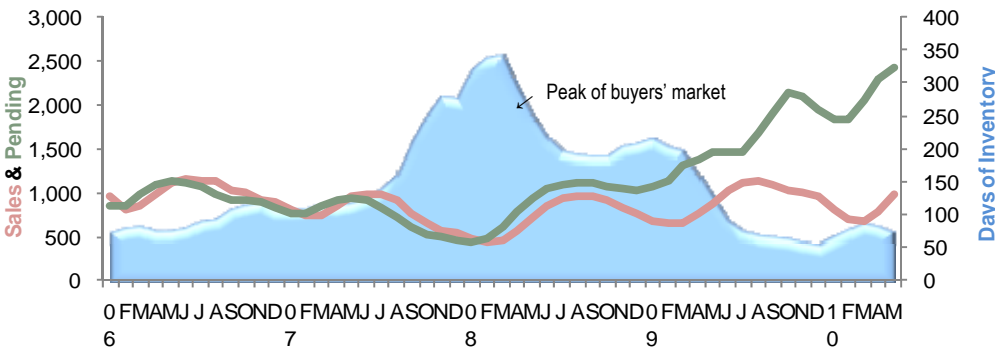
HOW TO READ THE CHART

The blue area is the number of days it would take to sell all the homes for sale at the current rate of sales.

The green line shows the number of homes in escrow. Normally, this line tracks closely with the red line, which shows actual sales.

As you can see, the two lines have diverged over the past year. This is due to many homes being put into escrow as short-sales, contingent upon the banks' approval. This is being done even before the banks know about the short sale. Subsequently, many of these escrows do not close.

Santa Clara County Homes - Sales, Pending & Days of Inventory
 (3-month moving average)

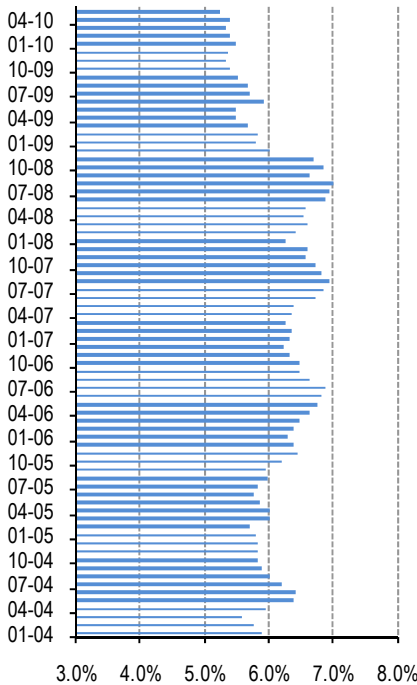


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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Jun. 4, 2010 -- As the economy slowly drifts away from the recession, we continue to look for the kind of employment gains that will produce a self-sustaining and durable recovery. The latest employment reports signal that while we're on the right path, it's still looking somewhat rocky. Given the number of job losses in the downturn -- part of what the Fed considers "resource slack" -- we may not see mortgage rate increases generated solely from labor market improvements any time soon.

That doesn't mean that rates won't move without them, but simply that rates are more likely to stay low the longer that too many people remain out of work. A shrinking labor pool means that wages rise more easily, and that can influence prices, contributing to inflation pressures. Inflation pressures (even merely concerns about inflation pressures) can push interest rates up. A lack of them has an opposite effect, although to a lesser degree.

HSH's market-spanning Fixed-Rate Mortgage Indicator (FRMI) rose by three basis points (.03%) to finish HSH's weekly survey at 5.21%. Calculated by including rates for conforming, jumbo, and the GSE's "high-limit" conforming products, the FRMI includes covers a broad swath of the mortgage-borrowing public. The

FRMI's companion -- the overall average for a hybrid 5/1 ARM -- came in at an average interest rate of 4.28%.

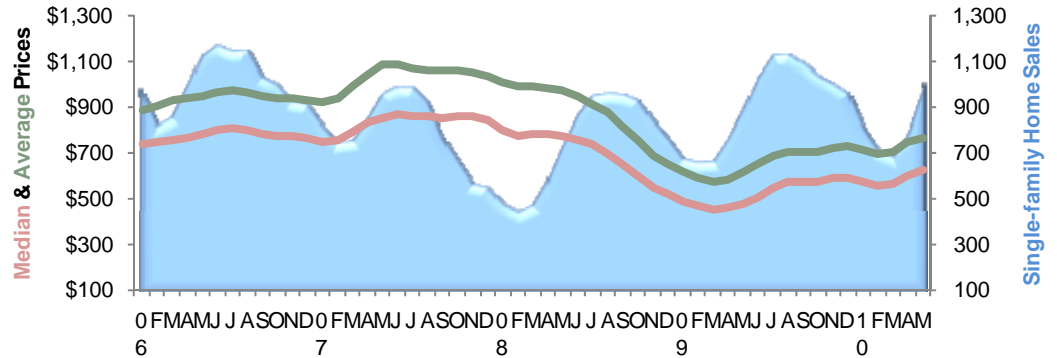
Last week's forecast of slightly higher rates came to pass (perhaps unsurprisingly, given their record lows last week). Mortgage rates are probably more likely to rise a little bit in the coming days than fall. A crisis prompts a panic response, and we've certainly had that in recent weeks, but the market eventually seems to become accustomed to whatever conditions may exist, good bad or indifferent. It's the certainty of the condition which matters most, since one can plan for improving, declining or steady conditions, as long as they can be expected to persist for at least a while.

Figure on a few basis points higher for next week.

The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by HSH.com.

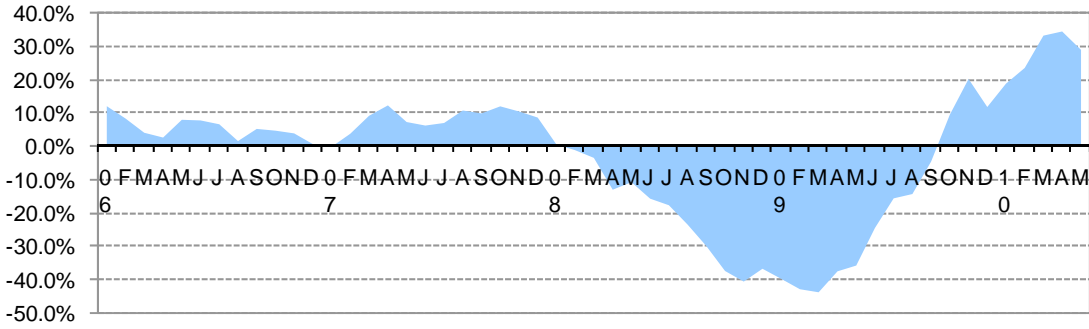
Santa Clara County Homes - Prices & Sales

(3-month moving average—prices in \$000's)



Santa Clara County - May 2010												
Single-Family Homes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 633,750	\$ 766,372	1,192	2,441	2,475	62	100.9%	29.1%	18.7%	21.1%	56.0%	-19.0%
Campbell	\$ 653,438	\$ 685,182	32	43	76	71	100.2%	-7.6%	-4.8%	23.1%	22.9%	5.6%
Cupertino	\$ 981,000	\$ 1,038,470	43	58	59	41	102.1%	-7.6%	-6.7%	38.7%	81.3%	-46.8%
Gilroy	\$ 386,000	\$ 439,437	41	161	122	89	101.0%	2.5%	6.8%	-29.3%	34.2%	4.3%
Los Altos	\$ 1,500,000	\$ 1,632,650	29	50	82	85	99.3%	0.0%	4.6%	52.6%	51.5%	-16.3%
Los Altos Hills	\$ 2,450,000	\$ 2,927,980	5	16	68	408	94.7%	-14.1%	2.7%	-16.7%	220.0%	3.0%
Los Gatos	\$ 1,231,150	\$ 1,416,700	29	62	156	161	97.5%	21.7%	27.5%	45.0%	67.6%	-2.5%
Milpitas	\$ 452,500	\$ 520,354	42	84	55	39	101.7%	2.8%	9.4%	13.5%	127.0%	-6.8%
Monte Sereno	\$ 1,632,500	\$ 1,677,500	6	5	35	175	99.3%	-36.5%	-34.7%	200.0%	66.7%	29.6%
Morgan Hill	\$ 490,000	\$ 585,785	34	109	127	112	99.4%	-2.8%	5.1%	3.0%	51.4%	-21.1%
Mountain View	\$ 941,250	\$ 1,011,820	32	35	53	50	99.8%	5.8%	8.6%	3.2%	75.0%	-24.3%
Palo Alto	\$ 1,375,000	\$ 1,626,080	47	47	84	54	102.0%	-8.4%	-1.3%	14.6%	74.1%	-35.9%
San Jose	\$ 549,000	\$ 589,704	667	1,498	1,203	54	101.4%	33.9%	24.5%	15.6%	54.1%	-19.0%
Santa Clara	\$ 627,500	\$ 624,947	60	89	70	35	100.2%	13.6%	11.4%	66.7%	27.1%	-35.8%
Saratoga	\$ 1,625,000	\$ 1,736,970	35	53	107	92	98.0%	8.5%	20.1%	94.4%	89.3%	-33.1%
Sunnyvale	\$ 865,000	\$ 819,652	69	97	92	40	101.0%	16.0%	20.3%	91.7%	76.4%	-31.3%

Santa Clara County Homes: Year-Over-Year Median Price Change



AFFORDABILITY THE FUNDAMENTAL STORY NOW

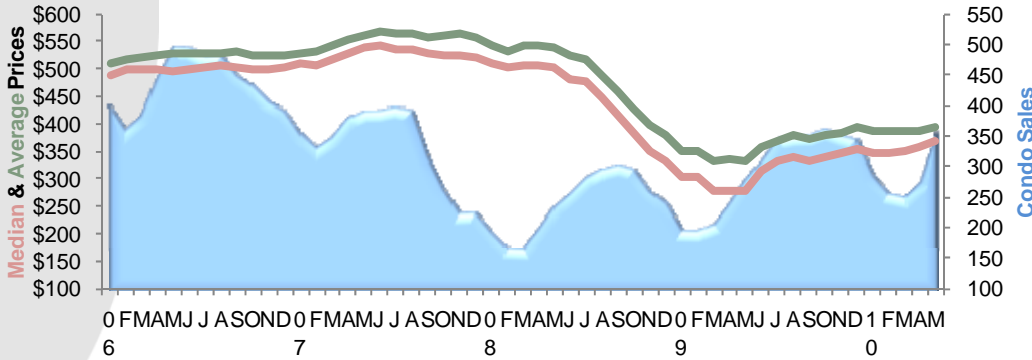
Affordability remained in record high territory in the first quarter of 2010. C.A.R.'s First-time Buyer Housing Affordability Index, which measures the share of all households that can afford the entry-level home, hit 66 percent in California. That meant that nearly two-thirds (66 percent) of California's households could afford a home at an entry-level price of \$246,270 (defined as 85 percent of the median home price). (The index is calculated based on an entry-level home price, a 10 percent downpayment, an ARM effective composite rate, and a 40 percent debt-qualifying ratio.) The Index reached a historic high in the first quarter of 2009 at 69, when home prices in much of the state hit bottom in the current cycle. The monthly payment (including taxes and insurance) on the typical entry-level home in the first quarter of this year was \$1,380, \$1,810 lower than

(Continued on page 4)



Santa Clara County Condos- Prices & Sales

(3-month moving average—prices in \$000's)



Santa Clara County - May 2010												
Condos/Townhomes							% Change from Year Before					
Prices							Prices					
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 383,500	\$ 402,766	434	1,009	927	64	99.9%	23.7%	13.2%	38.2%	91.8%	-10.6%
Campbell	\$ 457,500	\$ 434,838	16	32	27	51	97.8%	15.6%	-1.6%	33.3%	190.9%	-3.6%
Cupertino	\$ 588,000	\$ 609,071	14	13	26	56	99.6%	-3.6%	-7.7%	40.0%	62.5%	-18.8%
Gilroy	\$ 170,000	\$ 170,000	1	7	10	300	100.1%	-12.4%	-14.2%	-75.0%	0.0%	-23.1%
Los Altos	\$ 825,000	\$ 906,250	4	4	16	120	96.5%	15.7%	25.8%	-20.0%	-50.0%	-20.0%
Los Gatos	\$ 555,000	\$ 546,612	8	18	41	154	98.0%	-5.5%	-15.1%	100.0%	260.0%	-16.3%
Milpitas	\$ 316,000	\$ 368,867	15	51	33	66	99.7%	35.9%	53.6%	25.0%	121.7%	50.0%
Morgan Hill	\$ 265,000	\$ 288,429	7	29	21	90	99.8%	-1.3%	7.4%	250.0%	141.7%	133.3%
Mountain View	\$ 509,000	\$ 521,306	36	44	67	56	99.8%	-7.5%	-4.2%	16.1%	46.7%	-14.1%
Palo Alto	\$ 719,000	\$ 702,125	12	18	44	110	98.7%	14.1%	-8.8%	71.4%	80.0%	-17.0%
San Jose	\$ 327,000	\$ 334,242	255	678	493	58	100.5%	48.6%	24.0%	36.4%	98.2%	-14.4%
Santa Clara	\$ 405,000	\$ 412,800	25	66	52	62	99.8%	30.6%	7.5%	13.6%	65.0%	-26.8%
Saratoga	\$ 431,500	\$ 552,000	4	2	21	158	104.6%	-3.3%	18.9%	33.3%	-33.3%	23.5%
Sunnyvale	\$ 520,460	\$ 503,890	37	47	76	62	98.3%	15.5%	9.0%	146.7%	74.1%	10.1%

Table Definitions

Median Price
The price at which 50% of prices were higher and 50% were lower.

Average Price
Add all prices and divide by the number of sales.

SP/LP
Sales price to list price ratio or the price paid for the property divided by the asking price.

DOI
Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

Pend
Property under contract to sell that hasn't closed escrow.

Inven
Number of properties actively for sale as of the last day of the month.

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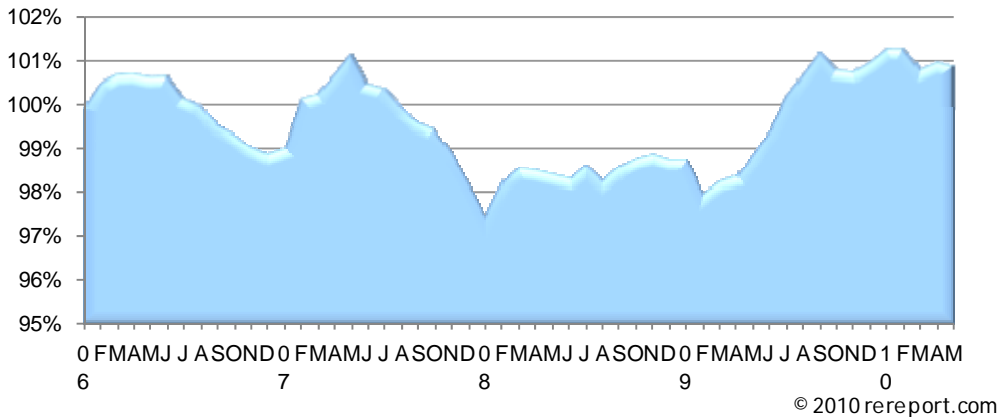
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Santa Clara County Homes: Sales Price/Listing Price Ratio



(Continued from page 3)

the peak of the market when the monthly payment was \$3,190 (Q2-2007).

Results from the recently completed 2010 California Home Buyer Survey showed that the Federal Home Buyer tax credit was an influencing factor for 59 percent of all buyers and more so among first time buyers. However, this was not the only factor in the decision to buy a home. In fact, most buyers in 2010 said price declines or the ability to secure favorable pricing or financing were the primary reasons driving their recent home purchase.

The bottom line for buyers is that the current affordability environment is very favorable, with prices that remain well below the peak levels of a few years ago and historically

low mortgage rates. These home buyer fundamentals should drive continued demand for housing in California, even as the state and federal tax credits begin to unwind.

Statewide existing single-family home sales fell below the 500,000 mark in April for the first time in more than a year and a half. At a seasonally adjusted annual rate of 483,830 homes, sales fell 6.4 percent from the prior month and were 8.1 percent below a year earlier. However, the statewide median price remained above \$300,000 for the second month in a row at \$306,230, up 1.5 percent month-to-month and 21.0 percent from the prior April median price of \$253,110. There are several factors at play in the marketplace today, but the overlap between the expiring Federal Home Buyer tax credit and the California state tax credit may have pushed a number of potential April closings into the next month, as buyers sought to qualify for both.

Want straight answers to your real estate questions?

Call 650-305-1111 or email to schedule a free and confidential one-on-one meeting.

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for a city-by-city breakdown (<http://avi.rereport.com>) and to receive the monthly report (http://www.650and408homes.com/pages/newsletter_request.html)