

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Market Continues to Strengthen in Santa Clara County

The Santa Clara County real estate market rebounded strongly in February with sales up 8.8% from the month before, after three straight months of declining sales. Year-over-year, sales were down 4.7%, the smallest annual decline since January 2005.

The median price for single-family homes in Santa Clara County rose 6.8%, month-over-month, while the year-over-year appreciation was 3.3%. The average price gained 1.4% from January, and was up 2.8% compared to last February.

The median price for condos lost 2.7% to \$505,000 from the month before, down 1.9% year-over-year. The average price for condos rose 0.7% from January to \$539,725, a gain of 2.1% compared to February 2006. Condo sales rose 19.8%, month-over-month, and were up 0.6% year-over-year. This is the first time condo sales have been up year-over-year since March 2005.

Inventory continued to grow in February, with single-family homes up 10.7% from January and up 15.9% year-over-year. Condo inventory was up 4.6% month-over-month, and up

Our days of inventory indicator for single-family homes rose 2 days sending the indicator to 132 days. The indicator for condos fell fourteen days to 98.

Trends at a Glance (Single-family Homes)

	Feb 07	Jan 07	Feb 06
Sale/List Price Ratio:	99.8%	98.3%	100.0%
Days on Market:	71	71	46
Days of Inventory	132	130	109
Median Price:	\$790,000	\$740,000	\$765,000
Average Price:	\$965,600	\$952,098	\$939,605
Home Sales:	665	611	698
Inventory:	2,931	2,648	2,529

16.1% compared to last February.

The sales price to list price ratio for single-family homes surged by 1.5 points to 99.8%. It looks like there were a plethora of multiple offers last month. The ratio for condos gained 0.4 of a point to 99.6%.

Days on market was flat at 71 for homes. Days on market for condos gained ten to 72 days.

My advice? Prime property is selling quickly and, in many instances, with multiple offers. Buyers need to be prepared to make an offer immediately on prime property. That means you need to have a loan in place. For more information about buying in a multiple offer situation, call me.

For sellers, while sales are increasing, they're still not at the level we saw during 2003-2005.

The market is also quite different. Back then, anything sold. Now, buyers are being very particular. They want homes in the best neighborhoods and in move-in condition.

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.

March/April 2007



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Freddie Mac to Stop Buying Some Sub-Prime Loans

Less-easy credit found a new champion in Freddie Mac this week, which announced that it would stop buying sub-prime loans with certain characteristics by September 2007. The company also announced that non-sub-prime borrowers will need to be qualified at the fully-indexed, rather than introductory, interest rate for ARMs.

Qualifying a borrower at a higher interest rate, weighed against the same income, doesn't mean that the borrower cannot get a loan, but it does have the net effect of lowering the maximum loan for which that borrower can qualify. That smaller loan amount, in turn, means that although the borrower can get a loan, it might not be

enough to afford available properties -- which would effectively shut that borrower out of the market.

This will lessen the demand for homes. As the housing market is stumbling a bit already, with just the barest signs of stability evident, that's not particularly good news.

Especially if you're a homebuilder. Sales of New Homes, which had managed to hold above 1 million annualized during the downturn, finally collapsed through that level in January, falling 17% to only a 937,000 annualized rate of sale. Inventory levels bloated back to 6.8 months of available supply, while

prices are about 2% below year-ago levels. As one would expect, Construction Spending has also faltered of late, declining by 0.8% in January, pulled down by the continued reductions in spending on residential projects.

Existing Homes fared better. After hitting a low last September, sales have generally drifted higher, though mildly. Sales of used homes rose by 3% during January, lifting to an annualized 6.46 million units sold. Inventory levels held at 6.6 months supply at the current rate of sale, while prices eased by 2.5% for the month. Excessive mortgage liquidity served

to extend and expand the housing boom, and at least some of that liquidity -- perhaps a lot of it -- is on its way out of that segment of the market. Lessening liquidity may also begin to affect the gray area of mortgage finance between prime and sub-prime, known collectively as "alt-A" lending. To what degree that may occur, we'll need to wait and see. At the moment, sub-prime lending changes are happening and those will likely continue.

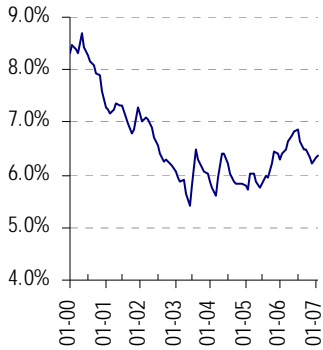
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (Feb. 2, 2007) -- A wicked week in the equity markets, sparked by China and exacerbated by mortgage credit issues, served to push interest rates downward, with the average 30-year fixed-rate mortgage (FRM) closing at 6.27%, a decline of six basis points (.06%) for the week. The average 5/1 Hybrid ARM also slipped a little, closing the survey at 6.03%.

The flight to better credit quality choices by investors bailing on stocks and riskier forms of credit has held since the big stock plummet on Tuesday. In such a situation, money runs into Treasuries and other solid bets, including

AAA-rated corporate bonds and top-flight mortgage bonds. That wash of cash pushes up the prices and down the yields of such investments, and that benefits the new borrowers who happen to come along, including new mortgage borrowers. At the moment, the rout in stocks doesn't appear to have finished just yet, with the Dow losing another 120 points on Friday. However, the underlying fundamentals which propelled stocks to these levels don't seem to have changed overnight, even if the perception of them has. Growth is moderate, inflation is moderating, and the economy seems most likely to continue to move forward, with or

without additional help from the Fed. In the grand scheme of things, this may certainly turn out to be a blip, albeit a painful one for some.

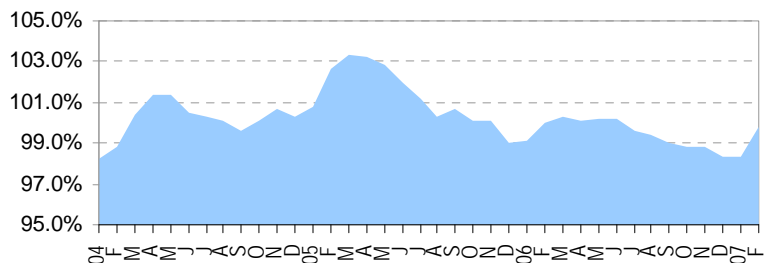
For mortgage rates, the decline in the 10-year Treasury yield to levels seen last November means that rates could trickle down a little more next week. However, we'll be a little contrarian, with the belief that enough bad news has already been priced into the market that some investors look to test the waters in equities again next week, bad news or no. We'll call for an increase in rates of a basis point or two, not more, purely on that hunch.

February Sales Statistics

Single-family Homes

	Prices		Unit Sales	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$790,000	\$965,600	665	1379	2,931	71	99.8%	3.3%	2.8%	-4.7%	15.9%	6.8%	1.4%	8.8%	10.7%
Campbell	\$730,000	\$782,378	18	34	57	107	99.1%	-1.4%	1.2%	20.0%	18.8%	-5.4%	-7.5%	-10.0%	11.8%
Cupertino	\$1,180,000	\$1,278,526	31	40	58	51	99.6%	-8.5%	-6.5%	24.0%	-10.8%	12.3%	2.2%	138.5%	5.5%
Gilroy	\$700,000	\$774,569	24	78	248	112	98.3%	2.2%	8.9%	-35.1%	19.2%	-7.9%	-4.7%	-14.3%	0.8%
Los Altos	\$1,830,000	\$1,834,583	12	35	41	69	101.7%	17.1%	2.2%	-14.3%	-6.8%	23.6%	5.2%	-20.0%	24.2%
Los Altos Hills	\$2,175,000	\$2,769,992	9	24	54	163	94.8%	-13.7%	3.9%	28.6%	-11.5%	5.8%	20.7%	80.0%	20.0%
Los Gatos	\$1,351,000	\$1,495,478	23	40	85	50	98.7%	20.1%	0.9%	27.8%	-11.5%	-12.8%	-12.6%	4.5%	6.3%
Milpitas	\$680,000	\$731,373	22	32	67	70	99.2%	0.7%	-0.1%	-4.3%	28.8%	-1.3%	1.9%	-4.3%	-10.7%
Monte Sereno	\$2,150,000	\$2,050,600	5	6	18	35	99.9%	36.6%	33.6%	80.0%	0.0%	75.5%	29.1%	66.7%	0.0%
Morgan Hill	\$769,000	\$864,935	31	65	205	86	98.6%	-7.3%	1.1%	34.8%	34.9%	-16.9%	-15.3%	6.9%	9.0%
Mountain View	\$994,000	\$1,093,810	18	15	21	32	103.9%	14.3%	15.2%	-5.3%	-40.0%	34.7%	38.1%	157.1%	10.5%
Palo Alto	\$1,450,000	\$1,486,371	31	42	52	39	105.1%	-0.5%	-7.6%	14.8%	-22.4%	9.5%	-44.2%	106.7%	13.0%
San Jose	\$715,000	\$788,879	344	781	1,686	71	99.5%	0.7%	2.5%	-12.2%	31.2%	2.6%	2.8%	0.9%	12.7%
Santa Clara	\$697,500	\$796,106	22	55	80	63	97.7%	-4.6%	1.9%	-31.3%	12.7%	-1.8%	9.4%	-37.1%	23.1%
Saratoga	\$1,379,000	\$1,747,415	20	45	95	101	98.7%	-21.8%	-17.0%	-9.1%	-20.2%	-21.6%	-16.9%	11.1%	-3.1%
Sunnyvale	\$865,000	\$885,656	42	67	83	38	103.1%	-3.9%	-5.9%	20.0%	25.8%	16.6%	13.0%	27.3%	15.3%

Sales Price/Listing Price Ratio



The Real Estate Report

The Benefits of Proper Pricing

Properly pricing your home for sale has many benefits, not least of which is more money in your pocket.

Some of the benefits of proper pricing are:

FASTER SALE

When your home sells faster, you save carrying costs, mortgage payments and other ownership costs.

LESS INCONVENIENCE

If you've moved before, you know the energy it takes to prepare for showings: keeping the home clean, making child care arrangements and altering your lifestyle. Proper pricing reduces these demands on you, by helping your home sell faster.

EXPOSURE TO MORE PROSPECTS

At market value, you open your home up to more people who can afford the price. Sellers who list at a high price in the hope that they'll find the one purchaser who will pay it, often do not realize that they have discouraged many potential purchasers who could have afforded the price they end up accepting at a later date.

INCREASED SALESPERSON RESPONSE

When salespeople are excited about a home and its price, they make special efforts to contact all of their potential buyers. Knowing that it is priced properly for its market, they expect it to sell soon and encourage their prospects to

act quickly. Their excitement is contagious!

BETTER RESPONSE FROM ADVERTISING AND SIGN CALLS

Ad calls and sign calls to Realtors turn into showings when price is not a deterrent. Most serious prospects are well educated about asking prices in the areas they are seeking, and will not waste time on a home they consider overpriced.

ATTRACTS HIGHER OFFERS

When a home is priced right, buyers fear they might lose out on a good home, so they are less likely to make "low ball offers."

MEANS MORE MONEY TO SELLERS

If a home is priced right, the excitement of the market produces higher sale prices. You net more both in terms of actual sale price and in less carrying costs.

Pricing your home properly includes:

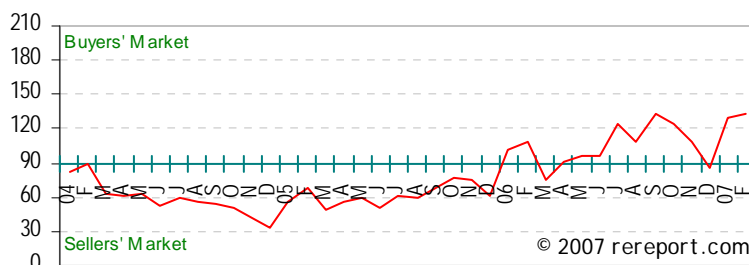
- The current state of the market
- Recent comparable sales in your neighborhood
- Competition currently on the market

We can provide you with a Comparative Market Analysis to determine your listing price and expected selling price. Call us for this free service.

February Sales Statistics Condos/Townhomes

	Prices		Unit Sales	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$505,000	\$539,725	327	522	1,070	72	99.6%	-1.9%	2.1%	0.6%	16.1%	-2.7%	0.7%	19.8%	4.6%
Campbell	\$510,000	\$509,822	21	19	37	58	99.1%	25.9%	3.4%	250.0%	68.2%	-9.7%	-15.0%	61.5%	15.6%
Cupertino	\$640,800	\$678,445	10	12	19	36	101.3%	4.2%	0.9%	-28.6%	-9.5%	-7.0%	-2.1%	-28.6%	5.6%
Gilroy	\$385,000	\$414,333	3	5	22	196	99.6%	n/a	n/a	n/a	100.0%	-16.3%	-7.7%	0.0%	15.8%
Los Altos	\$925,000	\$877,000	5	1	4	82	98.4%	58.1%	17.6%	25.0%	-63.6%	24.6%	19.4%	25.0%	-20.0%
Los Gatos	\$645,000	\$636,944	9	16	21	130	99.0%	-9.0%	-8.0%	12.5%	-32.3%	-6.5%	-7.9%	0.0%	-4.5%
Milpitas	\$499,800	\$497,670	10	17	33	101	99.3%	-3.9%	-5.4%	42.9%	6.5%	-16.7%	-13.5%	11.1%	22.2%
Morgan Hill	\$465,000	\$465,000	3	9	27	89	99.8%	-14.7%	-13.8%	-57.1%	-3.6%	3.3%	-10.1%	50.0%	17.4%
Mountain View	\$559,500	\$584,827	26	21	28	42	101.0%	8.6%	12.0%	-23.5%	-47.2%	1.9%	9.0%	18.2%	-34.9%
Palo Alto	\$871,000	\$851,250	8	9	12	15	100.3%	42.8%	41.6%	-20.0%	-36.8%	51.5%	43.2%	60.0%	0.0%
San Jose	\$472,000	\$497,676	182	351	758	79	99.5%	-2.7%	0.1%	-3.7%	33.7%	-2.7%	0.8%	20.5%	6.6%
Santa Clara	\$515,000	\$514,398	20	31	64	75	99.8%	13.2%	10.0%	-16.7%	-5.9%	15.7%	3.0%	17.6%	1.6%
Saratoga	\$640,000	\$819,571	7	5	8	53	97.6%	6.7%	27.6%	250.0%	14.3%	-7.9%	-8.7%	40.0%	0.0%
Sunnyvale	\$545,000	\$544,752	22	24	34	42	100.1%	-14.6%	-17.0%	10.0%	-2.9%	8.8%	4.3%	22.2%	-10.5%

Days of Inventory



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shouldn't be like finding your way
through a maze.



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Reports predict job growth in valley

San Jose Mercury News

February 16, 2007

A report being released predicts robust job growth in Silicon Valley and the wider Bay Area economy over the next 10 years. But finding workers who are willing to put up with the area's high housing prices will be daunting. 'We're competing not just for companies, but we're competing for having families who want to and will be able to come and live here,' said Stephen Levy, director of The Center for Continuing Study of the California Economy, which wrote the report. 'That means they can afford a house, the schools are good enough for their kids, and they can get around. Even if we can attract companies, the companies have to attract workers.'

Another report, a survey of Bay Area executives published Thursday, forecasts job growth over the next six months.

'There's no question that there's growth on the horizon,' said Jim Wunderman, chief executive of the Bay Area Council, which produces a

quarterly index of local executives' economic expectations. 'The question is: How do we support it?'

Levy's report predicts the Bay Area will add nearly 70,000 jobs a year through 2015. Of that, Silicon Valley probably will contribute 20,000 to 25,000 jobs a year.

The valley's expected job boost -- about half the number created here in 2000 -- is healthy, Levy said. And it's a long-awaited about-face to the valley's past five years of job losses.

'We have pretty good growth prospects, but it's not like the Internet boom,' Levy said. 'It's just getting back to where we were' in 2000.

The Bay Area's job growth outstripped the state's and the nation's during the late 1990s, and Levy expects the region to outshine California and the United States again over the next 10 years. He predicts that will happen because of a rebound in professional services jobs related to the technology sector and foreign trade and to the region's appeal as an international financial center and tourism hot spot.

But the headaches attached to living

here could undermine job growth. 'The housing prices are out of touch with reality,' said Darien Kusler, who moved to San Jose from Portland, Ore., in April to join Sun Microsystems' sales team. 'I rent a two-bedroom condo for \$2,500 a month, which is 60 percent greater than I paid for a mortgage on a five-bedroom home.' Kusler said the sacrifices of space and a higher cost of living will be worth the benefits of his professional experience in Silicon Valley -- but only for so long. 'I'll stay here long enough to satisfy my career goals,' said Kusler, 34. 'But when it comes to having a family, I'll definitely be moving out of the area, living somewhere where it's more cost-effective.'

Levy said cities can change this course by allowing more housing development, which should help ease home prices.

'Many residents do not recognize the potential damage to economic competitiveness posed by low housing production. They instead mainly see the problems caused by new neighbors,' his report said. Some Bay

Area residents can expect the arrival of new neighbors over the next six months. The Bay Area Council's latest survey of more than 500 executives said more Bay Area employers -- and, specifically, more Silicon Valley employers -- plan to hire workers than at any time since the dot-com boom of the late 1990s.

In the survey, conducted Jan. 17 to Feb. 5, San Mateo County stood out as the place where companies hold the brightest prospects for the next six months. None of the 47 executives surveyed who run small, medium-size or large companies in the county plans layoffs, and 58 percent expect to expand their workforces.

Across the nine-county Bay Area, eight companies plan to hire for every one that plans to pass out pink slips. The survey does not capture the magnitude of the expected workforce changes, so there are no clues whether the number of workforce additions would offset the number of reductions.

However, Wunderman said, 'psychologically, business leaders are now really getting over the bust cycle and are looking to the future.'

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