

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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Santa Clara County Home Sales Start Year Strong

Home sales increased, year-over-year, by 59.1% in January. This is the seventh month in a row homes sales have been up compared to the year before. The 59.1% was also the largest increase in the past seven months.

Sales continue to be concentrated in the lower-priced cities such as San Jose where year-over-year sales were up 108.2%, and Gilroy where sales were up 269.2%.

Prices, on the other hand, started the year off posting their largest month-over-month declines since we've been keeping track: January 1994. The median price for single-family, re-sale homes dropped 12.4% from December, and was off

39.6% year-over-year. The average price fell 14.8%, month-over-month, and was down 43.5% compared to January 2008.

Trends at a Glance (Single-family Homes)			
	Jan 09	Dec 08	Jan 08
Median Price:	\$450,000	\$513,950	\$745,000
Average Price:	\$561,469	\$659,085	\$995,404
Home Sales:	568	676	357
Inventory:	3,738	3,824	4,636
Sale/List Price Ratio:	98.7%	98.9%	97.5%
Days on Market:	66	58	60
Days of Inventory	197	170	390

There was some good news with inventory, which was down 19.4% year-over-year.

The sales price to list price ratio fell 0.2 of a point to 98.7%.

Condo sales were down 29.5% from December, but managed to eke out a 2.8% increase compared to last January.

The median price for condos was also down sharply last month, dropping 12.7% from December, and it was off 43.7% compared to last January. The average price fell 15.8%, month-over-month, and was down 40.7% compared to January 2008.

Condo inventory was down 14.5% 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 property, call me.

February 2009



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CBIA Pressing for Housing Stimulus Measure

Sacramento (Feb. 3) – Housing production in California in 2009 is expected to decrease from the already record-low numbers seen in 2008, the California Building Industry Association announced today, leading CBIA officials to strengthen the call to state and federal lawmakers to enact a homebuyer tax credit in hopes of reinvigorating the housing market and the economy.

The Association is forecasting just 63,400 units will be produced in 2009, a 3 percent decrease from the record-low 65,380 units produced in 2008. In comparison, the low point of the homebuilding recession in the early 1990s was 84,656 units in 1993, while the worst year during the recession of the early 1980s was 85,656 in

1982. To meet the need for new housing generated by population growth, the state estimates builders should produce about 220,000 new homes and apartments annually.

Robert Rivinius, CBIA's President and CEO, said the prospect of having another year of record-low housing production should be a wake-up call to policy makers to enact housing stimulus measures to reduce any further loss to the industry and the overall economy.

"The housing industry is an extremely productive economic generator when operating at normal levels, helping to create jobs and generate much-needed revenue for state and local governments," Rivinius said. "We will continue to ask state and federal lawmakers to

enact a tax credit for new homebuyers, which has proven in the past to be an effective means of revitalizing distressed housing markets."

Rivinius cites the temporary homebuyer tax credit enacted by Congress during the 1970s when the housing market was going through a similar downturn.

"Within months of its enactment, home sales doubled and within two years, new housing construction was back to normal levels nationwide," he said. "We continue to believe that in today's economic climate, a tax credit for new homebuyers would provide a much needed jolt to the languishing housing market, and in turn, the entire economy."

The forecast, prepared by the Construction Industry Research Board, predicts California will produce 30,000 single-family units in 2009, down 9 percent from the 33,048 constructed in 2008, and 33,400 multifamily units, up a modest 3 percent from the 32,332 permits issued in 2008.

"These numbers do not bode well for our industry, or the economy, and we could be in for a very rough year," Rivinius said. "We hope our lawmakers at the state and federal level will recognize how vital a healthy housing market is to the overall economy and enact stimulus measures immediately to help our industry and to help the overall economy from falling further into recession."

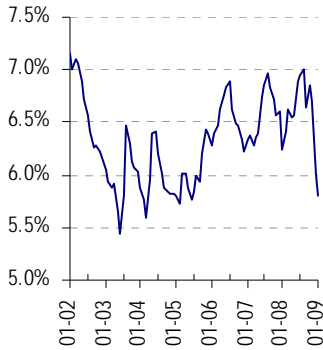
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



January 30, 2009 -- For the week, HSH's Fixed-Rate Mortgage Indicator -- inclusive of conforming, jumbo and 'expanded conforming' interest rates -- actually managed a three-basis-point decline, easing to an average 5.86%. The FRMI's 5/1 Hybrid ARM counterpart decreased by a like amount, closing the weekly survey period at 5.61%. Both conforming and Jumbo 30-year FRMs were largely stable compared with last week, but there was a slight bump higher in both series at times during the week.

Housing is starting to present a more mixed picture. Low mortgage rates are serving to help attract at least some buyers, but unlike refinancing, the decision to purchase a home isn't purely a financial one; it's also an expression of faith in one's ability to manage a sizable future commitment.

Existing Home Sales bounced higher in December, rising by 6.5% to a still-weak 4.74 million (annualized) rate of sale. Goosed by price cuts largely related to foreclosures, it was the biggest one-month increase since 2002. The lift in sales pushed the level of available homes for sale inventory down to 9.3 months, the first time it has breached double digits in some time. It is precisely the intersection of low rates and lower prices -- affordability -- which is attracting buyers into the market, and with prices still pressured downward, affordability should continue to improve, provided rates don't trend too much higher.

New Home Sales, though, suffered a different fate. The December sales pace was just 331,000, the worst annualized figure in some 45 years. This came despite price cuts and offers of cut-rate financing, and may

lend some credence to our contention in last week's Market Trends that "it just may be that it is becoming increasingly difficult to move the remaining, possibly least desirable, new homes still on the market." While the actual level of inventory of homes shrank to just 357,000 units, with sales falling even faster, the "months of available inventory" ballooned to nearly 12 months. New Homes sales are suffering from many ills, not the least of which is competition from "nearly new" foreclosures at even deeper discounts.

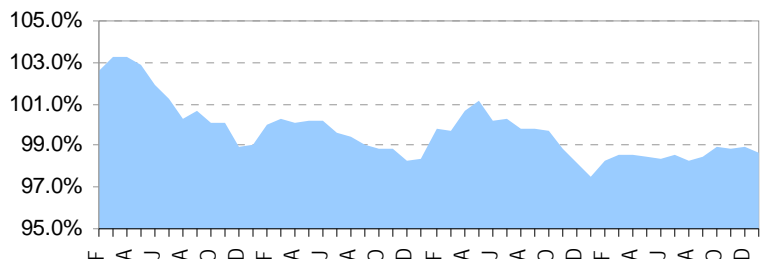
The weak and perhaps still weakening economy is arguably the greater influence on home sales. In the fourth quarter of 2008, the nation's output as measured by GDP contracted by 3.8%, the steepest decline in 27 years.

January Sales Statistics

Single-family Homes

County	Prices		Unit Sales	Listings New	Listings Total	DOM	SP/LP	Compared to Last Year				Compared to Last Month			
	Median	Average						Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$450,000	\$561,469	568	1,593	3,738	66	98.7%	-39.6%	-43.6%	59.1%	-19.4%	-12.4%	-14.8%	-16.0%	-2.2%
Campbell	\$549,950	\$611,014	14	34	75	95	97.3%	-31.2%	-30.3%	40.0%	4.2%	-18.5%	-16.3%	-6.7%	0.0%
Cupertino	\$1,291,000	\$1,203,588	9	42	79	101	96.4%	11.2%	9.8%	12.5%	51.9%	9.3%	2.0%	-10.0%	31.7%
Gilroy	\$350,000	\$407,796	48	82	352	104	97.4%	-39.1%	-28.9%	269.2%	-15.8%	-9.7%	-10.1%	11.6%	-4.6%
Los Altos	\$1,620,000	\$1,900,000	7	41	76	85	93.9%	-13.8%	-3.2%	-46.2%	145.2%	-9.3%	-1.8%	-30.0%	52.0%
Los Altos Hills	\$3,900,000	\$3,900,000	1	11	40	122	93.0%	34.5%	43.6%	-66.7%	29.0%	122.9%	122.9%	0.0%	17.6%
Los Gatos	\$1,672,500	\$1,557,388	9	62	158	95	94.3%	-2.3%	-5.8%	-43.8%	54.9%	16.3%	5.4%	-43.8%	6.8%
Milpitas	\$447,500	\$455,133	18	39	117	118	98.5%	-24.8%	-29.1%	63.6%	-20.4%	4.1%	-6.6%	-14.3%	-1.7%
Monte Sereno	*	*	1	14	28	304	0.0%	n/a	n/a	-100.0%	55.6%	n/a	n/a	-50.0%	55.6%
Morgan Hill	\$555,000	\$750,093	15	72	251	134	94.3%	-19.6%	5.7%	87.5%	-8.4%	-10.8%	14.2%	-55.9%	4.1%
Mountain View	\$873,450	\$978,316	6	33	69	67	95.4%	-13.7%	-1.3%	50.0%	81.6%	-8.1%	-18.3%	-45.5%	19.0%
Palo Alto	\$1,372,500	\$1,552,583	12	43	85	52	95.8%	-23.8%	-38.8%	-7.7%	123.7%	0.5%	8.6%	-45.5%	32.8%
San Jose	\$415,000	\$456,509	379	946	2,940	110	98.2%	-37.5%	-40.2%	108.2%	0.2%	-8.1%	-13.8%	-11.4%	0.8%
Santa Clara	\$595,000	\$566,621	19	69	191	122	98.0%	-9.8%	-21.9%	11.8%	13.0%	11.5%	-2.4%	-32.1%	10.4%
Saratoga	\$858,100	\$858,100	2	33	114	92	94.1%	-42.3%	-51.7%	-89.5%	78.1%	-46.3%	-42.5%	-77.8%	8.6%
Sunnyvale	\$589,500	\$676,263	28	53	150	68	96.9%	-23.1%	-11.6%	75.0%	20.0%	-6.7%	0.7%	21.7%	-2.6%

Sales Price/Listing Price Ratio



The Real Estate Report

What to Know When Buying a Home

Buying a home is one of the most complicated transactions you will ever do. So many people and companies are involved that it is easy for mistakes to be made. Freddie Mac offers a number of tips:

- Get pre-approved for a loan. With a pre-approved loan, you'll have more clout as the seller considers your offer.
- Make sure it's in writing. Don't settle for verbal agreements. If the seller says he'll replace the carpet or leave his washer and dryer, get it in writing.
- Get a good-faith estimate. Your mortgage lender is required to provide you with a good-faith estimate of closing costs within three days of receiving your application. They need to provide it in writing. If you don't have to pay loan application fees, you may want to compare lenders and compare closing costs.
- Don't settle for the first lender you come across. Contact at least three lenders and compare rates.
- Lock-in your rate. One of the most stressful parts of the loan process is watching rates inch up and down each day and trying to figure out when to lock in your rate. Once you do lock in, be sure to get a written statement that outlines your interest rate and length of the lock.
- Get a home inspection. A professional home inspector will examine the house's major systems and let you know if there are any problems or

defects. You can then use the information in your negotiations. Look for an inspector who is a member of the American Society of Home Inspectors. Members are required to have completed at least 250 paid professional home inspections and passed two written exams that test the inspector's knowledge. Also, ask for references.

- Shop for homeowners' insurance as soon as your offer is accepted. The National Association of Realtors recently cautioned homebuyers to not take homeowners insurance for granted. You and your spouse may have a clean claims history and a stellar credit history - something insurance companies use to determine whether they will

insure you - but it's not just you they're looking at. If the house you're eyeing has had claims, there's a chance they won't insure you, especially if it's a water-related claim.

- Read everything. When you have the closing meeting to sign the mountain of papers, make sure you read through everything carefully and don't hesitate to ask questions if there is anything you don't understand.

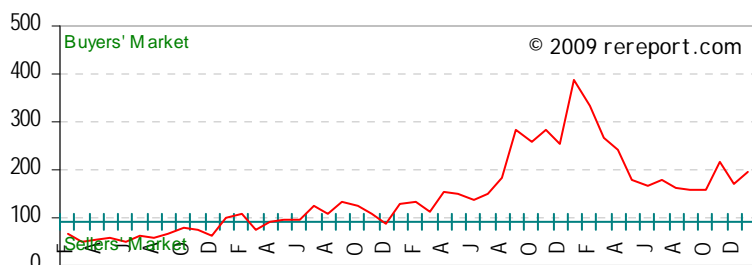
Finally, give yourself enough time between your closing and your move date, just in case there are delays in the closing process.

January Sales Statistics

Condos/Townhomes

County	Prices		Unit Sales	Listings			DOM	SP/LP	Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total	SP/LP			Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$275,000	\$311,823	146	565	1,392	68	97.4%	-43.7%	-40.7%	2.8%	-14.5%	-12.7%	-15.8%	-29.5%	-1.1%	
Campbell	\$607,500	\$607,500	2	22	47	165	99.2%	-8.3%	3.7%	-66.7%	23.7%	73.6%	24.3%	-60.0%	9.3%	
Cupertino	\$850,000	\$850,000	1	15	28	52	97.1%	21.6%	10.3%	-80.0%	75.0%	17.7%	12.2%	-66.7%	27.3%	
Gilroy	\$198,500	\$189,835	4	2	33	98	99.9%	n/a	n/a	n/a	-5.7%	-4.5%	-1.1%	0.0%	-8.3%	
Los Altos	*	*	*	14	21	*	*	n/a	n/a	n/a	40.0%	n/a	n/a	n/a	90.9%	
Los Gatos	\$370,500	\$412,833	3	23	54	199	102.3%	-56.0%	-50.9%	50.0%	92.9%	-51.0%	-45.4%	50.0%	35.0%	
Milpitas	\$339,600	\$339,600	2	27	71	118	86.9%	-22.8%	-28.5%	-33.3%	108.8%	-32.4%	-32.4%	0.0%	22.4%	
Morgan Hill	\$366,500	\$366,500	2	7	24	80	100.7%	-8.9%	-8.9%	0.0%	-41.7%	7.2%	11.1%	-150.0%	0.0%	
Mountain View	\$522,500	\$522,500	2	35	75	19	95.8%	-16.4%	-17.9%	-88.2%	4.2%	-6.7%	-13.1%	-88.2%	15.4%	
Palo Alto	\$525,000	\$757,666	3	18	32	68	93.2%	-32.1%	1.1%	-25.0%	146.2%	0.1%	40.2%	-50.0%	33.3%	
San Jose	\$227,500	\$270,733	116	326	1,123	107	97.0%	-44.5%	-40.0%	54.7%	0.6%	-9.0%	-10.3%	-19.4%	-0.1%	
Santa Clara	\$445,000	\$443,833	6	29	110	103	96.7%	2.3%	-8.6%	-53.8%	6.8%	13.7%	0.9%	-50.0%	5.8%	
Saratoga	*	*	*	4	19	*	*	n/a	n/a	n/a	0.0%	n/a	n/a	n/a	35.7%	
Sunnyvale	\$520,000	\$521,333	6	43	100	96	98.1%	-26.2%	-22.4%	-14.3%	35.1%	-15.8%	-9.8%	0.0%	22.0%	

Days of Inventory



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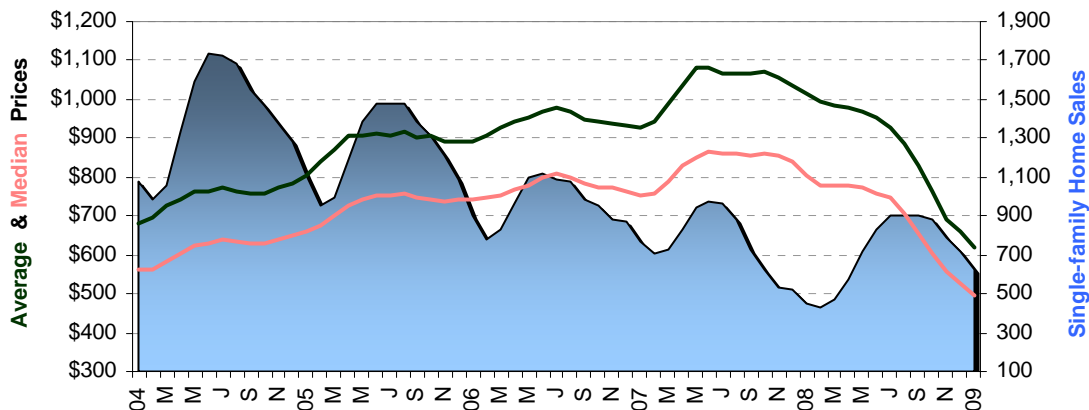
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Santa Clara County Homes: Prices and Sales
(3-month moving average — price in 000's)

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Investors Corner

Starting March 1st, [Fannie Mae issued Announcement 09-02](https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2009/0902.pdf) (see <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2009/0902.pdf>), which stated that your real estate investors may qualify to have up to 9 existing mortgages on their schedule of real estate and still obtain a conforming loan on their next investment property purchase. This is a huge increase to the previous allowance of only three investment properties financed, and this allowance will surely create even more demand on real estate.

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