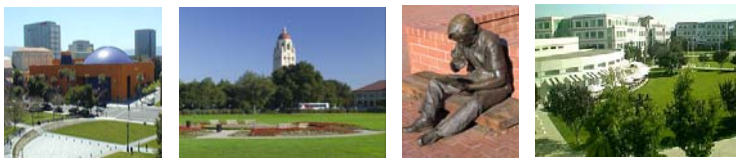


The Real Estate Report

SILICON VALLEY MARKET TRENDS



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September Home Sales & Prices Rise

Sales of single-family, re-sale homes rose 6.7% last month compared to August. Year-over-year, sales were up 10.7%. Year-to-date, home sales are up 20.6%.

The median price for homes rose 1.4% month-over-month, but was off 4.6% compared to last September.

Condo sales were also up last month, rising 9.4% from August, and up 25% year-over-year. Year-to-date, condo sales are up 18%.

The median price for condos rose 2.0% from the month before, but was down 6.1% year-over-year.

Inventory continues to decline with the supply of homes down 9.6%

from August, and off 62.6% year-over-year. Condo inventory dropped 7.4%, off 63% compared to last September.

The sales price to list price ratio rose 0.5 of a point to 101.2% for

Trends at a Glance (Single-family Homes)			
	Sep 09	Aug 09	Sep 08
Median Price:	\$565,000	\$557,000	\$592,000
Average Price:	\$686,924	\$693,956	\$738,650
Home Sales:	1,066	999	963
Inventory:	2,213	2,449	5,915
Sale/List Price Ratio:	101.2%	100.7%	98.6%
Days on Market:	52	55	54
Days of Inventory	62	74	184

homes. The ratio for condos also gained 0.5 of a point to 101.2%.

Days on market fell three days to 52 for homes. Days on market for

condos dropped three days to 55 days.

Our days of inventory indicator for single-family homes continued downward on the increase in sales, shedding twelve days, sending the indicator to 62 days. The indicator for condos fell eleven days to 61.

Pending sales, an indicator of what's going to happen in the next month or two, fell 3.6% from August, but were up 95.7% 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.

October/November 2009



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C.A.R. survey on impact of federal tax credit

LOS ANGELES (Sept. 18) – Nearly 40 percent of first-time home buyers said they would not have purchased a home if the federal tax credit for first-time home buyers was not offered, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) "2009 First-time Home Buyers Tax Credit Survey." Understanding the significance of the federal tax credit to the housing market's recovery, C.A.R. surveyed 200 California first-time home buyers to gauge the impact it had on their purchase decisions.

"It is clear that the federal tax credit for first-time home buyers is working, as evidenced by the spike in home sales in recent months," said C.A.R. President James Liptak.

"This tax credit is arguably the most successful strategy employed by the government's efforts to stimulate the housing market.

"Because the tax credit has helped so many first-time buyers become homeowners, it is critical that Congress extends the credit beyond the Dec. 1 deadline, and includes all buyers, not just first-timers," he said.

Nearly 70 percent of those surveyed said that the federal tax credit was either "very important" or "most important" in their decision to purchase a home. When ranking the importance of the tax credit, those who planned to use the tax credit gave it a 4.5 on a scale of

one to five, with five being "most important." That rank was tied with low home prices.

In California home prices have declined 59 percent from the peak to the current low in this cycle—contrasting with the national picture where the prices have declined by 28 percent.

"While affordability has improved in California over the past two years, it is still lower than affordability nationally. As a result, the tax credit is an even bigger factor in California compared with elsewhere in the country," added Liptak. "Going forward, the credit will be even more important to the housing recovery."

Income levels played a role in the decision of first-time buyers to apply for the federal tax credit. Ninety-four percent of respondents who earn an annual income of less than \$100,000 planned to apply for the credit, while only 51 percent of first-timers earning \$100,000 or more planned to apply for it.

Other key findings from C.A.R.'s "2009 First-time Home Buyers Tax Credit Survey" include:

- Ninety-four percent were aware of the federal first-time buyer tax credit.
- Eighty-two percent listed the ability to obtain financing as "very important" or "most important."
- Ninety-one percent reported low home prices as "very important" or "most important."

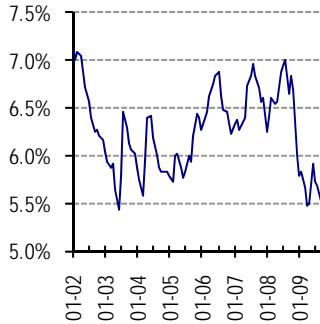
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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Oct. 2, 2009 -- With September now behind us, stock markets started October in a fashion similar to other Octobers: they sold off to some degree. After a pretty good third quarter's profits were booked, at least some of those gains from equity sales have been stashed back into Treasuries, driving yields down. This in turn is pressuring mortgage rates down to the lows of earlier this year.

The overall average for 30-year FRMs declined by almost a tenth-percent this week, and HSH's FRMI closed Friday with five-day average of 5.40%. Five-one hybrid ARMs also eased back, shedding eight basis points to close the national survey at 4.74%. At 5.07%, conforming 30-year FRMs sported their lowest average rate since the late March to late May period gave us

some degree, it may be a long time until most underwater homeowners will be able to take advantage of those low rates to recast their balance sheets.

nine consecutive weeks just over (and under) the 5% mark. A bright spot was Construction Spending rose by 0.8%, its second positive reading of the year. More impressive was the 4.7% rise in spending for residential projects, which was more than enough to offset drags from the troubled commercial sector (-0.1%) and the 1.1% drop in the public sector. Stimulus money isn't making it out to lower-level projects all that quickly, and cash-strapped states and counties are simply putting projects on indefinite hold.

Low mortgage rates continue to provide support for housing markets, and the gains in residential construction spending could be one of the keys to getting a firmer recovery underway. However, credit conditions remain tight, and while home prices have begun to firm to

some degree, it may be a long time until most underwater homeowners will be able to take advantage of those low rates to recast their balance sheets.

Does October continue to live up to its reputation as a wicked month for stocks? To the degree that it does, mortgage rates should benefit. Spring lows ignited a fair bit of refi activity, but building lasting refi waves requires low (if not continually declining) interest rates for a period of weeks, even months. We'll continue to have low rates, but significant declines are unlikely. If you're considering refinancing, don't hesitate too long or a fickle October market may catch you napping.

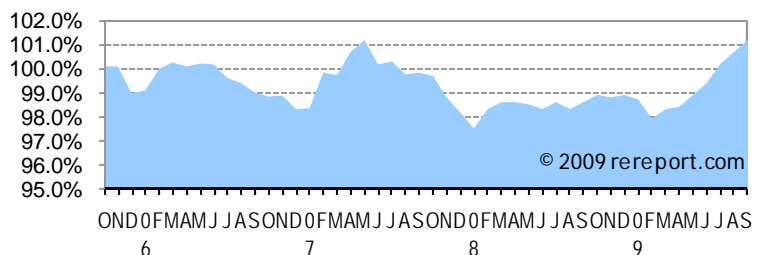
Treasury yields dipped at week's end, so mortgage rates should start next week on a softer note.

September 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	\$565,000	\$686,924	1,066	2,213	52	101.2%	-4.6%	-7.0%	10.7%	-62.6%	1.4%	-1.0%	6.7%	-9.6%
Campbell	\$697,500	\$760,850	20	68	42	98.6%	-9.4%	-0.9%	5.3%	-35.8%	9.0%	-1.8%	81.8%	-8.1%
Cupertino	\$1,049,500	\$1,010,200	42	94	39	97.9%	-5.7%	-11.1%	90.9%	13.3%	-4.6%	-10.3%	27.3%	-9.6%
Gilroy	\$358,000	\$419,976	50	91	34	105.3%	-7.0%	-3.5%	-15.3%	-79.6%	-5.8%	3.2%	4.2%	-17.3%
Los Altos	\$1,622,500	\$1,638,960	29	77	56	97.8%	-9.6%	-9.9%	45.0%	-3.8%	-2.7%	-11.7%	26.1%	2.7%
Los Altos Hills	\$2,297,500	\$2,062,500	8	64	75	94.4%	6.9%	-1.3%	100.0%	16.4%	3.3%	-4.4%	60.0%	-5.9%
Los Gatos	\$1,187,500	\$1,152,560	22	143	43	97.4%	-1.2%	-27.1%	-21.4%	-23.5%	12.7%	-6.0%	-12.0%	-11.7%
Milpitas	\$450,000	\$557,242	34	35	57	102.4%	-25.0%	-8.7%	36.0%	-77.6%	-10.0%	0.8%	25.9%	-23.9%
Monte Sereno	\$1,641,000	\$1,689,750	4	24	77	97.3%	-53.8%	-49.4%	50.0%	-20.0%	-3.0%	-3.0%	-20.0%	-4.0%
Morgan Hill	\$540,000	\$569,604	39	106	59	100.2%	-15.5%	-24.1%	25.8%	-66.8%	0.6%	7.5%	11.4%	-17.8%
Mountain View	\$852,500	\$918,157	30	55	35	97.3%	-19.6%	-17.3%	76.5%	-32.1%	0.0%	0.8%	66.7%	-5.2%
Palo Alto	\$1,240,000	\$1,337,490	36	107	51	98.9%	-15.5%	-23.6%	50.0%	15.1%	-4.5%	-10.5%	33.3%	11.5%
San Jose	\$465,000	\$527,389	607	956	54	102.2%	-5.4%	-5.3%	5.6%	-73.6%	-3.1%	-1.1%	4.1%	-12.1%
Santa Clara	\$567,500	\$582,642	58	76	50	101.7%	-14.3%	-14.1%	20.8%	-67.7%	-6.2%	-3.9%	18.4%	8.6%
Saratoga	\$1,404,000	\$1,505,170	29	121	63	95.9%	-16.9%	-23.1%	26.1%	-17.7%	3.8%	-5.3%	-6.5%	-12.9%
Sunnyvale	\$773,250	\$726,771	50	104	44	100.8%	-9.0%	-11.8%	-18.0%	-35.8%	2.4%	3.0%	-20.6%	-3.7%

Sales Price/Listing Price Ratio



The Real Estate Report

Record Streak Continues for Pending Home Sales

Pending home sales have increased for seven straight months, the longest in the series of the index which began in 2001, according to the National Association of Realtors®.

The Pending Home Sales Index*, a forward-looking indicator based on contracts signed in August, rose 6.4 percent to 103.8 from a reading of 97.6 in July, and is 12.4 percent above August 2008 when it was 92.4. The index is at the highest level since March 2007 when it was 104.5.

Lawrence Yun, NAR chief economist, said not all contracts are turning into closed sales within an expected timeframe. "The rise in pending home sales shows buyers are returning to the market and signing contracts, but deals are not necessarily closing because of long delays related to short sales, and issues regarding

complex new appraisal rules," he said. "No doubt many first-time buyers are rushing to beat the deadline for the \$8,000 tax credit, which expires at the end of next month."

The Pending Home Sales Index in the Northeast jumped 8.2 percent to 85.3 in August and is 12.0 percent higher than August 2008. In the Midwest the index rose 3.1 percent to 90.8 in August and is 7.6 percent above a year ago. In the South, pending home sales increased 0.8 percent to an index of 104.6 and is 8.2 percent above August 2008. In the West the index surged 16.0 percent to 130.5 and is 22.3 percent above a year ago.

"There is likely to be some double counting over a span of several months because some buyers whose contracts were cancelled have found another home and

signed a new contract to buy," Yun explained. "Perhaps the real question is how many transactions are being delayed in the pipeline, and how many are being cancelled? Without historic precedents, it's challenging to assess."

Yun also noted that the data sample coverage for pending sales is smaller than the measurement for closed existing-home sales, so the two series will never match one for one.

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said first-time buyers need to act now. "Potential first-time buyers must make a contract offer very soon to have a reasonable chance of qualifying for the tax credit," he said. "Congress needs to extend and expand this program because it's

stimulating the economy and reducing inventory close to price stabilization points."

McMillan said a sizable number of homebuyers already in the pipeline could be let down because of the tight deadline. "We know there is a pent-up demand because sales are below normal levels for the size of our population. The faster we absorb excess inventory, the sooner we'll turn the corner on home prices, prevent additional families from becoming upside-down in their mortgages, and give Wall Street the confidence to extend credit to other sectors," he said. "Each home sale pumps an additional \$63,000 into the economy through related goods and services, so the benefits of extending and expanding the tax credit far outweigh the costs."

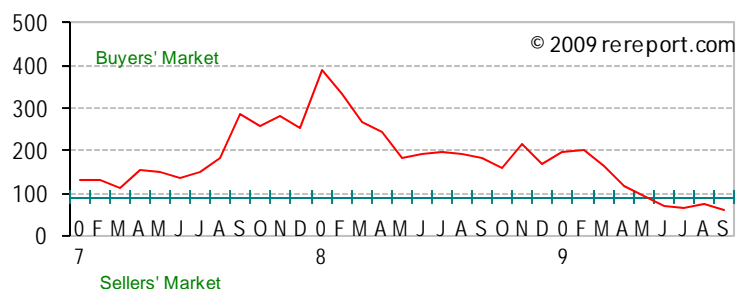
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September Sales Statistics

Condos/Townhomes

	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	\$337,000	\$369,933	360	731	55	101.2%	-6.1%	-12.4%	25.0%	-63.0%	2.1%	-3.0%	9.4%	-7.4%
Campbell	\$380,000	\$347,429	7	13	85	101.5%	-20.8%	-31.7%	-22.2%	-81.4%	-18.3%	-20.7%	-36.4%	-48.0%
Cupertino	\$567,000	\$646,400	5	28	36	97.5%	-16.5%	-5.9%	-16.7%	-3.4%	-19.3%	-10.1%	-50.0%	-9.7%
Gilroy	\$157,500	\$157,500	2	2	45	96.4%	-85.7%	-85.7%	0.0%	-95.6%	-11.1%	-22.7%	-150.0%	-66.7%
Los Altos	\$720,000	\$720,000	1	20	34	97.3%	-26.9%	-26.9%	0.0%	81.8%	9.8%	22.8%	-75.0%	0.0%
Los Gatos	\$741,500	\$752,833	6	39	46	99.5%	-5.2%	-0.1%	-40.0%	-17.0%	6.2%	17.5%	-40.0%	-9.3%
Milpitas	\$255,000	\$294,688	13	11	81	107.3%	-34.2%	-25.9%	225.0%	-83.8%	-31.5%	-22.0%	44.4%	-42.1%
Morgan Hill	\$298,000	\$303,000	6	7	85	107.8%	9.8%	7.7%	0.0%	-271.4%	n/a	n/a	n/a	40.0%
Mountain View	\$625,000	\$590,946	25	56	54	98.9%	5.3%	0.7%	4.2%	-37.8%	0.6%	1.2%	8.7%	-11.1%
Palo Alto	\$592,500	\$593,167	6	43	97	97.1%	-21.9%	-34.6%	20.0%	22.9%	-22.5%	-34.6%	20.0%	13.2%
San Jose	\$285,000	\$305,195	227	399	52	101.5%	-10.8%	-9.3%	27.5%	-69.4%	7.5%	2.7%	11.8%	-4.5%
Santa Clara	\$393,000	\$409,942	31	44	63	100.3%	-22.6%	-16.8%	121.4%	-62.7%	-17.3%	-9.8%	34.8%	-17.0%
Saratoga	\$737,500	\$737,500	2	16	99	99.9%	16.6%	18.0%	-50.0%	7.1%	23.4%	23.4%	0.0%	6.7%
Sunnyvale	\$514,514	\$500,540	29	53	43	100.2%	-8.0%	-15.0%	93.3%	-41.1%	27.0%	14.7%	20.8%	1.9%

Days of Inventory



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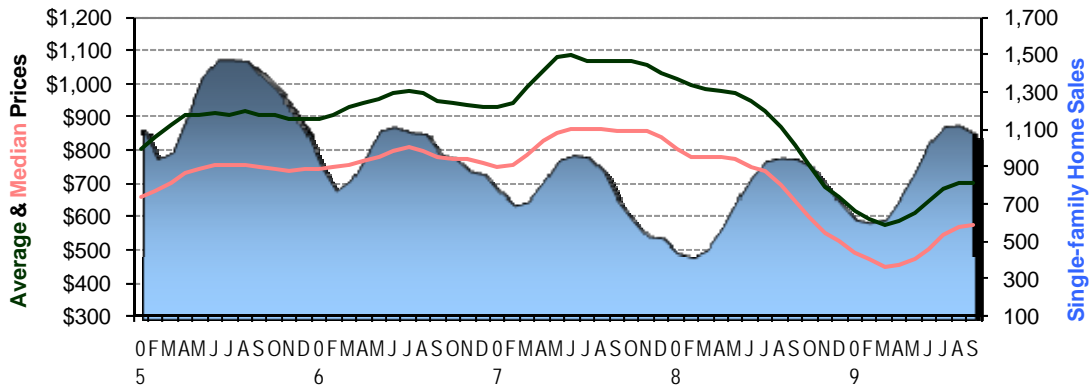
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Santa Clara County Homes: Prices and Sales
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(Continued from page 3)

Yun said the forecast for home sales and prices depends very much on whether a tax credit is extended. "All we can say for certain is sales will decline when the tax credit expires because we are not yet on a self-sustaining recovery path. It also raises a risk

of a double-dip recession," he said. "Extending and expanding the tax credit is the best tool in our arsenal to encourage financially qualified buyers to stimulate the economy and help reduce the budget deficit."

* 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.

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