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The Real Estate Report local market trends Trends at a Glance (Single family Home)

SANTA CLARA COUNTY

Low Inventory Besets Real Estate Market

Low inventory is taking a toll on buyers' patience. With the limited number of properties for sale in Santa Clara County, multiple offers are becoming common. The problem is only one party can buy a property.

On the last day of May, there were 1,663 homes and condos for sale in the county. That was up a smidge from 1,552 in April, but way down from the 3,167 properties for sale in May 2011. That's a 48% decline.

Last month there were 1,690 properties sold. That equates to a one month supply on the market. In a balanced market, we would have a 5-6 months supply of inventory.

As we mentioned last month, the phantom inventory that was the rage last year just evaporated. Banks own a total of 1,252 properties in Santa Clara County. With about 110 of them actively for sale, and another 300 or so in escrow, dumping them all on the market would only add two weeks of supply.

There is no easy fix for the inventory problem. While this is tough on buyers, sellers are very happy.

MAY MARKET STATISTICS

Sales of single-family, re-sale homes surged 25.7% year-over-year in May.

The median price for homes rose 7.5% year-over-year. This pushed the sales price to list price ratio to 101.8%.

Pending home sales, another good indicator of market movement, were up 11.7% year-over-year.

The market right now is all about momentum.

SALES MOMENTUM...

for homes jumped 4 points to +3.3.

PRICING MOMENTUM...

Which had been on the up-swing the past six months, continued moving upward in May, gaining 4.3 point to –3.2.

WE CALCULATE...

momentum by using a 12-month moving average to eliminate seasonality. By comparing this year's 12-month moving average to last year's, we get a percentage showing market momentum.

Trends at a Glance												
(Single-family Homes)												
		May 12	Apr 12	May 11								
Median Price:	\$	645,000	\$	645,000	\$	600,000						
Av erage Price:	\$	828,157	\$	844,804	\$	766,704						
Home Sales:		1,262		1,023		1,004						
Pending Sales:		1,942		2,086		1,738						
Inventory:		1,341		1,221		1,875						
Sale/List Price Ratio:		101.8%		100.6%		99.6%						
Days on Market:		44		45		52						
Days of Inventory:		32		35		56						

CONDO STATISTICS...

Condo sales were up 5.4% year-over-year.

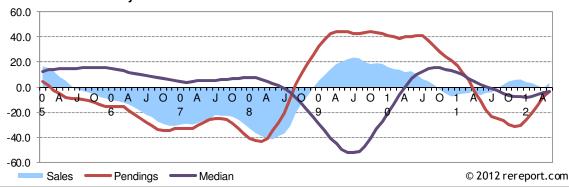
The median price for condos gained 16.8% yearover-year. This is the third month in a row of double-digit price increases.

Much of these price increases are due to the incredibly low inventory for condos. Condo inventory was off 75.1% compared to last May. This is the fourth month in a row condo inventory has been down by over 70%.

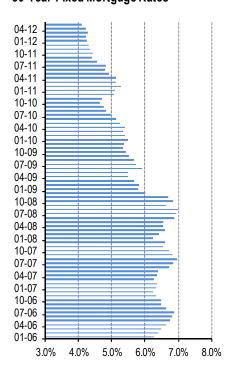
The 322 condos for sale is the lowest number of condos for sale we have ever seen.

This is an extraordinarily tough market for buyers. It's important to be calm and realistic. If you don't know what to do or where to begin, give me a call and let's discuss your situation and your options.

Santa Clara County Homes: Sales Momentum



30-Year Fixed Mortgage Rates



The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by <u>HSH.com</u>. The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

Mortgage Rate Outlook

Jun 8, 2012 -- Mortgage rates continue to set new record lows, as the Federal Reserve reported that economic activity expanded at a moderate pace.

HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages fell by four basis points (0.04%) for the week to 3.99%, a new record low. The FRMI's 15-year companion shed two basis points (0.02%), landing at 3.27%. Important to homebuyers and low-equity-stake refinancers, already-low FHA-backed 30-year mortgages moved deeper into record lows, decreasing by another four basis points to 3.64%, while the overall average rate for 5/1 Hybrid ARMs finished at 2.90%, another record low for the survey period.

Low rates are great, but their benefit is limited to those who want or need to borrow. That want or need is narrowed down to those who actually can borrow, which is controlled by underwriting standards. Those who are well-aligned with today's more rigorous standards are certainly enjoying the benefits of financing or refinancing debt at fantastic rates. That said, there remains a sizable group of would-be borrowers who cannot successfully overcome the hur-

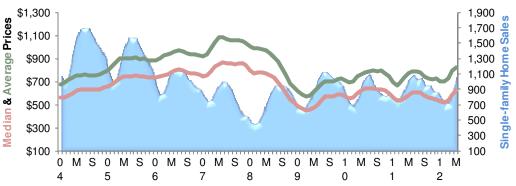
dles to get access to today's great rates, and so their beneficial economic effect becomes muted.

More borrowing and more spending will come when the job market improves. That being the case, conditions haven't been improving this spring, where initial claims for new unemployment benefits have been firm at a rather elevated level. For the week ending June 2, some 377,000 new applications were filed for assistance, down from 383,000 the week prior. In late spring, claims were routinely moving downward and even cracked below the 360K mark for a short time before bouncing higher again. We will need to see claims descending in a regular basis again before we can say that the job market is on the mend at last.

Given all the issues at hand, there is little reason to expect mortgage interest rates to move very much. There's also little reason to expect them to continually set new lows day after day, week after week. That said, a little bit of optimism being expressed in stock markets this week should prove enough to keep them from falling to any great degree, too. Absent new headlines of a collapsing European economy or two, we think that mortgage rates might just move upward a couple of basis points.

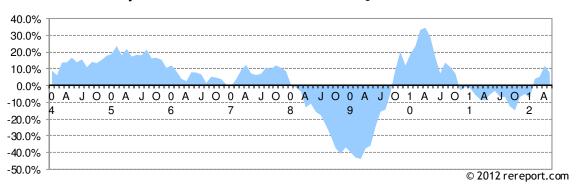
Santa Clara County Homes - Prices & Sales

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



Santa Clara County - May 2012												
Single-Famil	% Change from Year Before											
	Prid	Prices										
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 645,000	\$ 828,157	1,262	1,942	1,341	32	101.8%	7.5%	8.0%	25.7%	11.7%	-28.5%
Campbell	\$ 675,000	\$ 696,134	31	38	27	26	100.3%	-0.5%	-0.3%	29.2%	-17.4%	-50.9%
Cupertino	\$1,167,500	\$1,187,620	44	35	32	22	104.4%	11.7%	7.4%	25.7%	-22.2%	-48.4%
Gilroy	\$ 385,000	\$ 470,560	65	127	70	32	100.9%	6.2%	16.0%	54.8%	-18.1%	-36.9%
Los Altos	\$1,833,000	\$1,866,990	40	38	45	34	103.7%	4.2%	2.5%	37.9%	-11.6%	-16.7%
Los Altos Hills	\$2,357,500	\$2,598,000	8	24	50	188	98.6%	7.2%	18.9%	-27.3%	84.6%	-13.8%
Los Gatos	\$1,250,000	\$1,506,100	39	61	97	75	98.7%	11.1%	6.8%	14.7%	24.5%	-31.2%
Milpitas	\$ 525,000	\$ 595,015	41	64	30	22	100.1%	-5.9%	8.2%	70.8%	-9.9%	-52.4%
Monte Sereno	\$2,495,000	\$2,374,330	3	6	10	100	100.0%	48.1%	43.3%	-25.0%	20.0%	-9.1%
Morgan Hill	\$ 592,000	\$ 669,128	49	98	101	62	98.0%	25.4%	21.9%	44.1%	-2.0%	-36.5%
Mountain View	\$1,126,500	\$1,121,670	34	30	22	19	106.4%	3.7%	0.0%	70.0%	-23.1%	-35.3%
Palo Alto	\$1,696,000	\$1,961,060	50	41	64	38	110.3%	19.4%	17.4%	-2.0%	-26.8%	33.3%
San Jose	\$ 539,900	\$ 608,656	665	1,155	569	26	101.2%	8.0%	8.6%	26.9%	-18.0%	-52.1%
Santa Clara	\$ 670,000	\$ 700,413	57	76	32	17	103.0%	21.8%	22.8%	35.7%	-21.6%	-69.8%
Saratoga	\$1,675,000	\$1,825,410	35	44	83	71	101.0%	14.6%	10.8%	52.2%	-17.0%	-37.6%
Sunny v ale	\$ 834,500	\$ 798,122	75	76	44	18	105.0%	10.9%	6.3%	25.0%	-22.4%	-51.1%

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



FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in Santa Clara County fell 9.7% in April from March, and they were down 24.7% from April 2011.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 5% compared to March, and were off 38% year-over-year.

After the filing of a Notice of Trustee Sale, there are three possible outcomes. First, the sale can be cancelled for reasons that include a successful loan modification or short sale, a filing error, or a legal requirement to re-file the notice after extended postponements.

Alternatively, if the property is taken to sale, the bank will place the opening bid. If a third party, typically an investor, bids more than the bank's opening bid, the

property will be sold to the third party; if not, it will go back to the bank.

In April, cancellations were off 48.6% year-over-year, and flat compared to March.

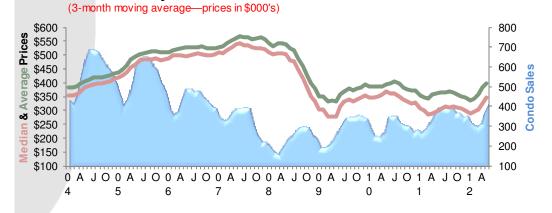
Properties going back to the bank dropped 25.7% in April from March. Year-over-year, they were down 73.9%.

The total number of properties that have had a notice of default filed decreased by 30.2% year-over-year.

The total number of properties scheduled for sale declined by 17.5% year-over-year.

The total number of properties owned by banks was down 28.8% year-over-year to about 1,444.

Santa Clara County Condos- Prices & Sales



Santa Clara County - May 2012															
Condos/Townhomes										% Change from Year Before					
Prices										Prices					
Cities		Median	1	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven	
County	\$	368,500	\$	408,021	428	810	322	23	101.4%	16.8%	12.6%	5.4%	-6.3%	-75.1%	
Campbell	\$	450,500	\$	477,625	16	20	8	15	100.4%	15.5%	17.5%	45.5%	-9.1%	-81.4%	
Cupertino	\$	588,950	\$	621,992	12	12	6	15	101.7%	-18.9%	-13.4%	50.0%	20.0%	-64.7%	
Gilroy	\$	220,000	\$	203,400	3	7	5	50	96.5%	100.0%	84.9%	200.0%	40.0%	0.0%	
Los Altos	\$	922,500	\$	956,000	4	4	3	23	100.9%	32.0%	36.6%	-20.0%	-20.0%	-50.0%	
Los Gatos	\$	659,000	\$	658,441	17	18	10	18	98.8%	13.1%	11.6%	183.3%	5.9%	-77.3%	
Milpitas	\$	317,500	\$	303,821	14	44	11	24	105.5%	-9.3%	-16.7%	-26.3%	-10.2%	-54.2%	
Morgan Hill	\$	235,500	\$	264,333	6	15	12	60	99.3%	-14.1%	-3.3%	50.0%	-6.3%	-36.8%	
Mountain View	\$	608,000	\$	597,706	38	47	13	10	102.6%	23.1%	23.9%	35.7%	4.4%	-75.9%	
Palo Alto	\$	750,000	\$	921,182	11	13	11	30	104.6%	-9.7%	14.5%	-21.4%	18.2%	-65.6%	
San Jose	\$	285,500	\$	320,050	254	525	195	23	101.1%	14.2%	13.4%	12.4%	-12.2%	-63.8%	
Santa Clara	\$	384,568	\$	396,435	24	59	24	30	101.8%	-9.0%	-9.7%	0.0%	-33.7%	-67.6%	
Saratoga	\$	568,000	\$	615,550	5	7	3	18	100.3%	2.3%	-0.2%	66.7%	40.0%	-66.7%	
Sunny v ale	\$	510,500	\$	472,046	24	39	21	26	102.2%	19.3%	8.0%	0.0%	-2.5%	-70.8%	

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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THE REAL ESTATE REPORT

Santa Clara County



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Santa Clara County Homes: Pending & Existing Home Sales (3-month moving average)

