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Steve Jobs
R.I.P.
Thank you.



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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Mortgage Rates Reach Record Lows

Thirty year fixed mortgage rates are down in the low, very low, 4% area.

Which is great for those who have the down payment, minimum 3.5% for FHA-backed

loans and 5% for bank loans, and can qualify. Those few, those lucky few. (With all credit to Shakespeare's St. Crispin's day speech.)

Then there are the people who would love to re-finance, but are underwater. So sorry!

Then again, this is Silicon Valley!!! Where many of the rules that apply to normal people don't exist. Dot.com and IPO millionaires are pushing prices up in select cities, where multiple offers rule. Of course, these buyers are usually taking out jumbo loans which are about one percent higher.

Record low interest rates are having NO affect on the market.

In other news, foreclosure starts surged in August, with Bank of America leading the way by nearly doubling their initial notices of foreclosure, according to <http://foreclosureradar.com>.

In Santa Clara County, according to <http://foreclosureradar.com>, the number of bank-owned properties, called REOs, has averaged about 2,200 for the past thirteen months.

In the MLS, there are 255 properties listed for sale as REO. We are only counting active listings, not pending-continue to show, which the MLS counts as active.

There are 302 REO properties pending.

That totals 557 REO properties either for sale or in escrow. That's only 25% of all bank-owned properties in play.

MARKET STATISTICS

Sale of single-family, re-sale homes fell 15.3% in September from August, but were up 0.4% year-over-year. Year-to-date, home sales are up 0.3%.

Condo sales followed a similar, down 19.4% from August and up 8.3% year-over-year. Year-to-date, condo sales are up 10.9%. There have been more condos sold this year than any year since 2007.

The median price for homes was down 9.2% year-over-year. This is the eleventh month in a row the

Trends at a Glance (Single-family Homes)			
	Sep 11	Aug 11	Sep 10
Median Price:	\$ 570,000	\$ 600,000	\$ 628,000
Average Price:	\$ 718,707	\$ 766,252	\$ 762,435
Home Sales:	840	992	837
Pending Sales:	1,829	1,934	1,987
Inventory:	2,154	2,222	2,931
Sale/List Price Ratio:	99.0%	99.3%	99.2%
Days on Market:	52	51	49

median price for homes has been lower than the year before.

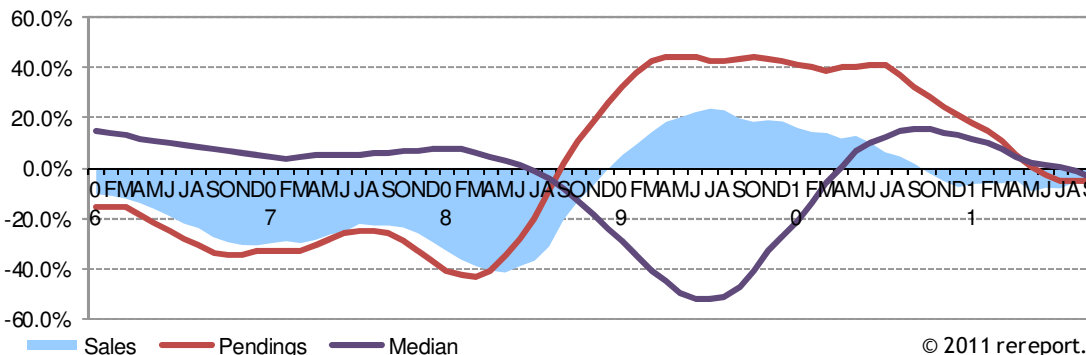
The median price for condos was up 0.5% compared to last September, breaking a string of twelve months in a row where the median price had been lower than the year before.

Inventory of both homes and condos continues to be weak. Home inventory was down 26.5% compared to last September: 2,154 homes actively listed. Please note, only active listings are included in this figure. Numbers from the local associations include properties that are also in a pending status, meaning they have an accepted offer, but haven't been taken off the market.

Condo inventory was down 41.7% year-over-year.

Please remember, while statistics are nice, they will not determine the price you pay or get for a property. That will come down to you and the buyer or seller.

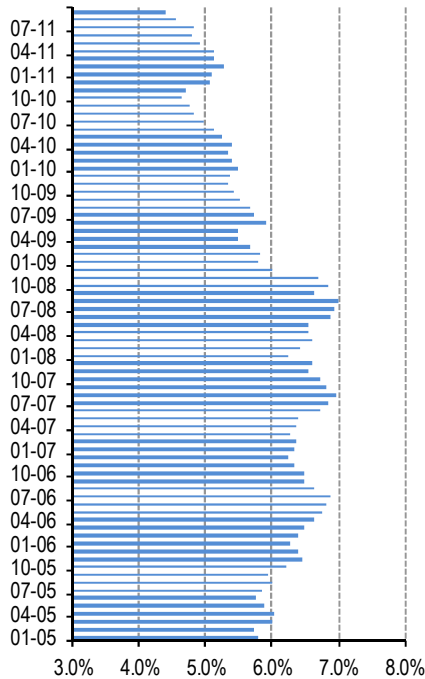
Santa Clara County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Sept. 30, 2011 -- 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 increased by two basis points (0.02%) from last week, moving just off new record lows to end the week at an average of 4.36%. FHA-backed 30-year fixed-rate mortgages, especially important to first-time homebuyers and low-equity refiners held steady at an average interest rate of 3.99%.

Although it's hard to recommend ARMs at a time of such low interest rates, a case can still be made for them for some borrowers. Hybrid 5/1 ARMs, the most popular kind among adjustable rate products, saw their five-year fixed-rate periods post a three-basis-point rise to finish HSH's survey at a still-incredible 3.09%.

Even with record low mortgage rates, sales of new homes remain weak. The annualized 295,000 homes sold by builders in August was a step down of 7,000 from July but not all that far from the range of the last six months, all which hung around the 300,000 mark. At this sales pace, there is a 6.6 month supply of homes ready for sale, which translates into about 162,000 actual units completed and ready for occu-

pants. The 162,000 units available is a record low and a continuation of a slow dwindle in the stockpile. At some point, builders will need to begin to replenish inventories, but that seems to be well off in the future at the moment.

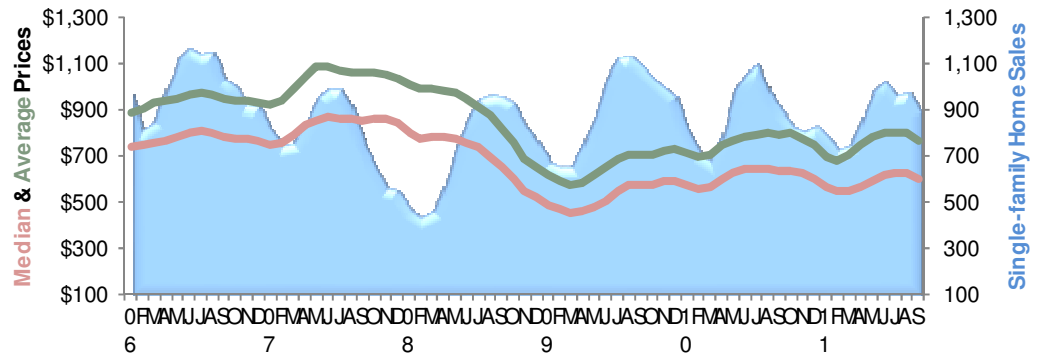
The sooner we get some hiring, the faster that day will come. While the nation's September employment report isn't due until next Friday, perhaps the best news on the labor front in a while came out Thursday, when initial filings for new unemployment benefits soundly broke below the 400,000 mark for the first time since July. The 391,000 new applications for benefits was the lowest figure since the Spring, and a welcome sign, but the large downshift from last week (a decline of 37,000) seems a little suspect and likely to be revised. Still, any move downward is welcome, and perhaps the employment report next week may beat market forecasts which expect a only very slight increase in hiring.

Hiring would bring more wages; more wages would bring more spending, and more spending would bring stronger economic growth.

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

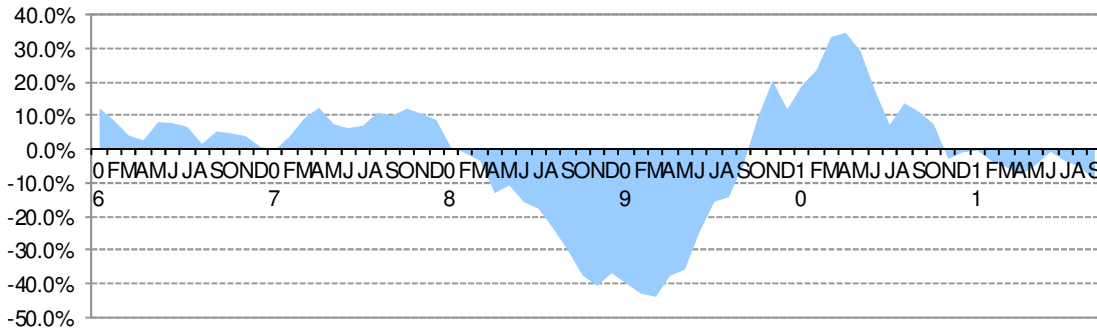
Santa Clara County Homes - Prices & Sales

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



Santa Clara County - September 2011												
Single-Family Homes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 570,000	\$ 718,707	840	1,829	2,154	74	99.0%	-9.2%	-5.7%	0.4%	-8.0%	-26.5%
Campbell	\$ 644,000	\$ 685,014	20	42	53	77	97.2%	3.4%	1.9%	33.3%	16.7%	-20.9%
Cupertino	\$ 1,065,500	\$ 1,088,940	20	37	67	97	100.6%	-3.1%	-1.6%	-39.4%	-17.8%	-18.3%
Gilroy	\$ 387,000	\$ 458,182	46	133	134	84	99.9%	-6.7%	6.3%	70.4%	-0.7%	6.3%
Los Altos	\$ 1,502,480	\$ 1,755,560	27	24	59	63	98.8%	1.8%	4.3%	42.1%	-33.3%	-11.9%
Los Altos Hills	\$ 2,060,000	\$ 2,115,140	5	6	48	278	96.1%	-18.9%	-20.8%	-28.6%	-50.0%	-20.0%
Los Gatos	\$ 1,262,500	\$ 1,234,730	22	43	107	141	97.3%	11.4%	-5.3%	-31.3%	-12.2%	-26.7%
Milpitas	\$ 440,000	\$ 507,949	22	47	63	83	96.1%	-15.4%	-11.0%	-12.0%	-32.9%	-1.6%
Monte Sereno	\$ 1,600,000	\$ 1,694,330	3	3	9	87	89.9%	3.2%	9.3%	200.0%	-66.7%	-59.1%
Morgan Hill	\$ 487,500	\$ 550,470	34	84	134	114	97.2%	-33.3%	-25.8%	-5.6%	-3.4%	-8.8%
Mountain View	\$ 970,000	\$ 980,486	22	23	32	42	102.2%	10.7%	2.8%	-4.3%	-28.1%	-46.7%
Palo Alto	\$ 1,362,500	\$ 1,600,030	32	29	54	49	103.4%	-1.5%	11.6%	-5.9%	-38.3%	-46.0%
San Jose	\$ 481,500	\$ 544,756	468	1,150	1,044	65	98.8%	-5.6%	-5.1%	3.8%	-5.3%	-30.5%
Santa Clara	\$ 547,000	\$ 605,555	48	87	77	47	98.4%	-4.9%	2.3%	4.3%	11.5%	-35.8%
Saratoga	\$ 1,547,500	\$ 1,581,640	20	29	120	174	99.2%	-7.3%	-7.2%	-13.0%	-12.1%	-11.1%
Sunnyvale	\$ 898,500	\$ 800,997	42	70	78	54	101.6%	11.6%	4.6%	-20.8%	-5.4%	-40.9%

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 surged 55.6% in August from July, and they were 11.3% from last August.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, rose 5.5% from July, but were down 18.2% year-over-year.

After the filing of a Notice of Trustee Sale, there are only 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 and become part of that bank's REO inventory.

In August, cancellations were down 25.9% year-over-year, and down 8.3% from July.

Properties going back to the bank declined in August by 27.5% compared to last August. They were down 3.6% from July.

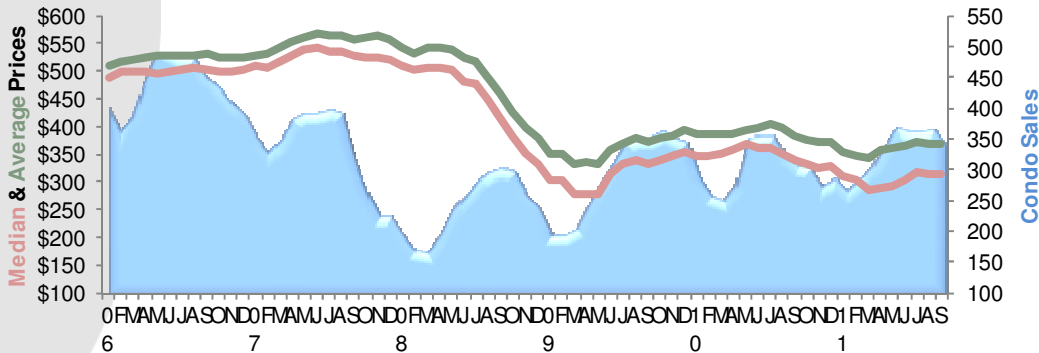
The total number of homes that have had a notice of default filed increased by 4.8% year-over-year.

The total number of homes scheduled for sale declined by 5.4% year-over-year.

The total number of homes owned by the bank was down 3.9% year-over-year.

Santa Clara County Condos- Prices & Sales

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



Santa Clara County - September 2011

Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 321,500	\$ 363,375	312	810	669	62	99.0%	0.5%	-1.2%	8.3%	4.7%	-41.7%
Campbell	\$ 349,000	\$ 360,950	10	22	29	84	99.1%	-14.9%	-8.5%	-33.3%	4.8%	-17.1%
Cupertino	\$ 612,000	\$ 683,857	7	9	16	66	100.3%	7.4%	18.4%	-50.0%	28.6%	-46.7%
Gilroy	\$ 125,950	\$ 125,950	2	3	3	44	97.6%	-31.9%	-32.2%	-33.3%	-62.5%	-40.0%
Los Altos	\$ 575,000	\$ 575,000	1	4	6	174	95.8%	-47.7%	-47.7%	0.0%	-20.0%	-71.4%
Los Gatos	\$ 535,000	\$ 539,875	8	19	38	138	99.8%	-22.9%	-19.7%	0.0%	90.0%	-15.6%
Milpitas	\$ 358,000	\$ 324,818	11	40	19	50	97.7%	34.8%	11.2%	10.0%	-7.0%	-53.7%
Morgan Hill	\$ 219,000	\$ 209,167	3	18	12	116	97.6%	-30.5%	-32.7%	-78.6%	-18.2%	0.0%
Mountain View	\$ 515,000	\$ 549,670	19	38	37	56	98.5%	-15.6%	-6.2%	0.0%	-17.4%	-63.7%
Palo Alto	\$ 799,000	\$ 829,622	11	13	18	47	97.7%	4.9%	12.5%	83.3%	-35.0%	-53.8%
San Jose	\$ 265,000	\$ 293,923	183	536	406	64	99.4%	-1.9%	-0.5%	6.4%	5.3%	-36.8%
Santa Clara	\$ 288,500	\$ 345,941	30	59	29	28	98.9%	-3.8%	0.6%	100.0%	22.9%	-59.7%
Saratoga	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a
Sunnyvale	\$ 448,888	\$ 440,531	27	44	48	52	97.6%	-19.1%	-10.9%	200.0%	51.7%	-45.5%

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.

THE REAL ESTATE REPORT

Santa Clara County

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Santa Clara County Sales Year-to-Date

