

Inside This Issue

- > LOCAL MARKET TRENDS..... 1
- > MORTGAGE RATE OUTLOOK..... 2
- > HOME STATISTICS..... 2
- > FORECLOSURE STATS..... 3
- > CONDO STATISTICS..... 3
- > HOME SALES & PENDING CHART..... 4



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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Santa Clara County Market Favors Sellers

When you have too much money chasing too few properties, what do you get? You have the Santa Clara County real estate market. Due to a confluence of events, and perceptions, the real estate market in Santa Clara County is out of balance.

The two major events in the Silicon Valley real estate market are a surging tech industry, plus its attendant IPOs, along with a surge of Chinese taking money out of China and moving it into the United States. See this link from USA Today for a full discussion: <http://tinyurl.com/cyuom4t>.

The major perception, or mis-perception, within the local real estate market by sellers is that the recent and imminent IPOs will generate a few thousand new millionaires thereby exacerbating demand and driving prices up further.

Unfortunately for these sellers', there's a new kid on the block, it's called the secondary stock market. Many of the paper millionaires have already cashed out all or some of their stock in the secondary market and they're now on the market for homes. See this link from Business Insider for more details: <http://tinyurl.com/6m23zv8>

With inventory at its lowest level since December 2004, and at only 20% of its peak in July 2008, multiple offers are once again the norm. This is true in the best neighborhoods, i.e. those with the best school districts.

When we say multiple offers, we're not talking 3, 5, or 7 offers. No, we're talking 10, 20 and 30 offers, and, in some instances, 50 offers on the same home.

So, to all you potential sellers out there, it's time to re-think your strategy.

MARCH MARKET STATISTICS

As was to be expected, the largest price increases for single-family, re-sale homes were in Los Altos, up 19.9% year-over-year, Palo Alto, up 6.5%, Los Gatos, up 8%, and Mountain View, up 12.2%.

Average prices were up even higher, reflecting the high demand for \$1MM+ homes. The average price in Los Altos gained 26.8% year-over-year. In Los Gatos, the gain was 15.8%.

Home sales were down 5.9% year-over-year. But, as we mentioned in our opening commentary, that's more a function of low inventory than

Trends at a Glance (Single-family Homes)			
	Mar 12	Feb 12	Mar 11
Median Price:	\$ 579,950	\$ 541,000	\$ 550,225
Average Price:	\$ 794,177	\$ 741,125	\$ 751,421
Home Sales:	962	654	1,022
Pending Sales:	2,144	1,899	1,627
Inventory:	1,288	1,389	1,818
Sale/List Price Ratio:	100.3%	99.5%	99.0%
Days on Market:	55	60	63
Days of Inventory:	40	59	53

demand, which is quite high. Now if only the banks would start releasing some of their inventory onto the market. As of February, the banks owned 1,939 properties, of which only a small percentage are currently listed. Compare that with the 1,288 homes actively for sale.

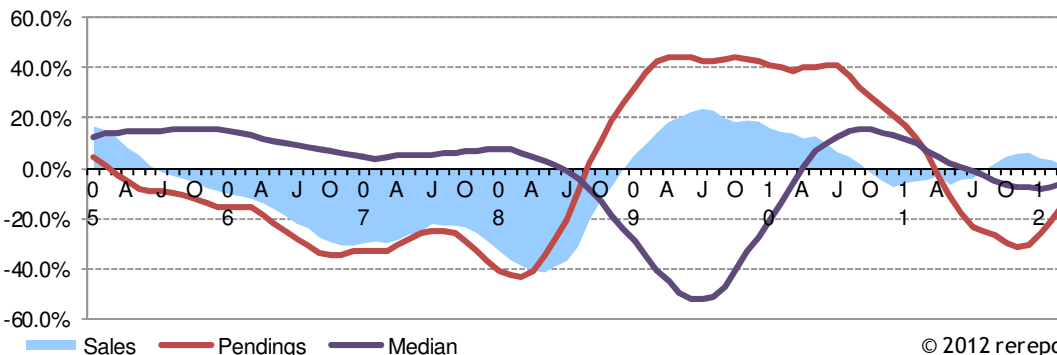
The median price for condos was up 10.3% compared to last March.

Inventory of both homes and condos continues to be weak. Home inventory was down 29.2% compared to last February. Condo inventory was down 74% year-over-year.

Pending home sales were up 31.8% year-over-year. Condo pending sales were up 10.1% year-over-year.

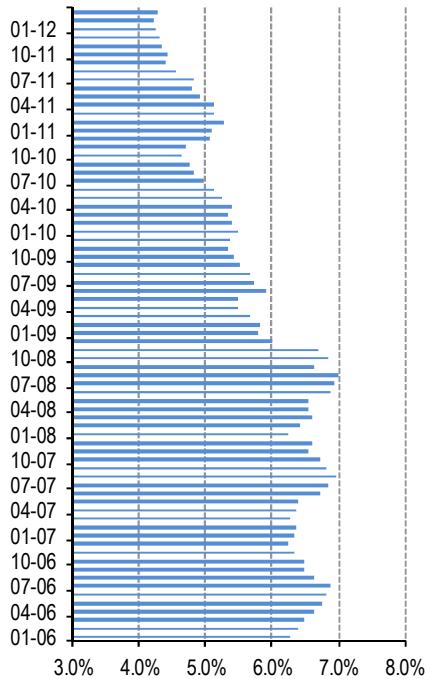
Please remember, while statistics are nice, they will not determine the price you pay or get for a property. That will come down to you and the buyer or seller.

Santa Clara County Homes: Sales Momentum



Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



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.

Mar. 30, 2012 -- As expected, mortgage rates settled back a little bit this week after an upward move totaling fifteen basis points over the last two weeks. General upward momentum in the economy fostered that rise, but at least a few doubts about the economy's forward momentum seem to have crept back in.

Although rates have bumped a little off their historic bottoms of February, the modest move should not create any additional serious turbulence for the housing market. Even in a worst-case scenario, an eighth-percentage point increase in a loan's interest rate isn't sufficient to ruin most deals, and that slight increase could be "bought down" through the payment of about a half-point fee, perhaps less. How that might change the benefits of a refinance (or even a purchase) transaction can be discovered by using our [Tri-Refi Calculator](#).

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 eased by four basis points (0.04%) for the week and now stands at an average 4.33%. The FRMI's 15-year companion slipped by just two basis points (.02%) to finish at an average 3.56%. Important to homebuyers and low-equity-stake re-

financers, FHA-backed 30-year mortgages held steady at 3.91%, while the overall average for 5/1 Hybrid ARMs retreated by five hundredths of a percentage point, falling back to 3.07% for the survey period.

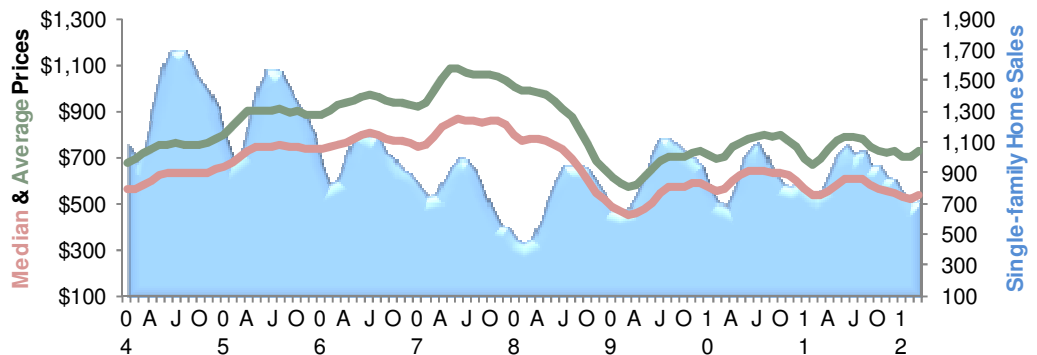
While there is no hard downshift in economic activity, the accumulation of data from February and what has become available for March does suggest a leveling off of activity, with perhaps a softer trend forming for the Spring. Reassurance about the direction of interest rates from Fed Chairman Bernanke doesn't hurt, either, in terms of trimming any upward pressure for rates.

There hasn't been enough good news to suggest any kind of immediate breakout from the modest growth pattern we enjoyed in the fourth quarter of last year. It is true that at some point, even sustained 3% GDP readings or thereabouts will see the Federal Reserve express enough confidence to start raising rates, but we will need to put together a string of quarters of such growth before that happens.

For a longer-range outlook for rates and the economy, one which will take you up until mid-April, have a look at our new [Two-Month Forecast](#).

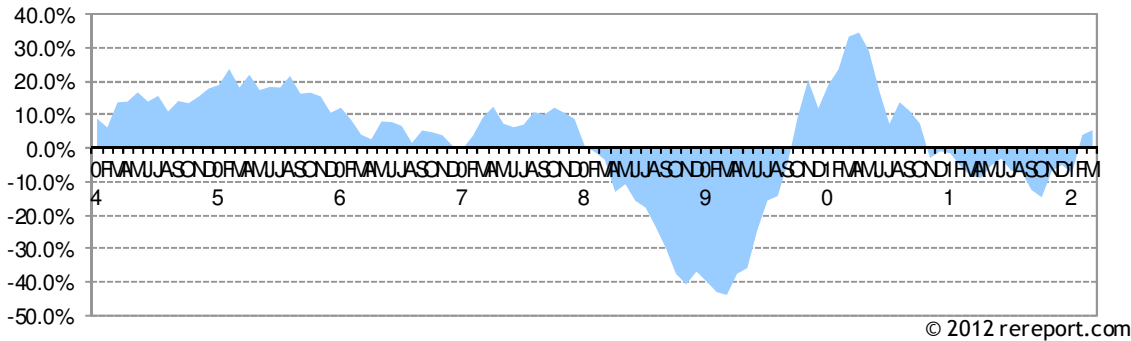
Santa Clara County Homes - Prices & Sales

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



Santa Clara County - March 2012												
Single-Family Homes							% Change from Year Before					
Prices							Prices					
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 579,950	\$ 794,177	962	2,144	1,288	40	100.3%	5.4%	5.7%	-5.9%	31.8%	-29.2%
Campbell	\$ 684,575	\$ 699,545	23	45	28	36	98.2%	-2.9%	-10.5%	9.5%	-11.8%	-48.1%
Cupertino	\$ 1,135,000	\$ 1,205,900	24	48	34	42	102.6%	-3.8%	0.7%	-27.3%	41.2%	-34.6%
Gilroy	\$ 365,100	\$ 421,267	54	146	85	47	98.9%	-15.1%	-11.7%	12.5%	-6.4%	-20.6%
Los Altos	\$ 1,915,000	\$ 2,032,080	36	40	33	27	102.7%	19.9%	26.8%	28.6%	66.7%	-21.4%
Los Altos Hills	\$ 2,550,000	\$ 2,966,120	8	15	33	124	97.9%	7.0%	-5.8%	-33.3%	15.4%	-29.8%
Los Gatos	\$ 1,260,500	\$ 1,405,640	38	52	87	69	100.1%	8.0%	15.8%	0.0%	-7.1%	-25.6%
Milpitas	\$ 460,000	\$ 531,239	32	84	36	34	98.0%	5.5%	4.7%	-23.8%	31.3%	-39.0%
Monte Sereno	\$ 918,000	\$ 918,000	1	10	8	240	92.0%	-47.2%	-47.2%	-50.0%	233.3%	-38.5%
Morgan Hill	\$ 467,500	\$ 520,012	28	110	99	106	98.1%	-13.0%	-9.7%	-6.7%	0.0%	-18.2%
Mountain View	\$ 987,500	\$ 1,045,930	26	35	14	16	103.0%	12.2%	8.3%	36.8%	6.1%	-57.6%
Palo Alto	\$ 1,665,000	\$ 1,853,610	40	36	31	23	108.8%	6.5%	-5.2%	-9.1%	-44.6%	-39.2%
San Jose	\$ 496,500	\$ 569,659	514	1,263	631	37	100.1%	3.4%	3.4%	-1.0%	-8.2%	-42.2%
Santa Clara	\$ 575,000	\$ 612,602	61	87	21	10	99.5%	-4.6%	1.4%	48.8%	1.2%	-75.3%
Saratoga	\$ 1,580,000	\$ 1,631,430	31	60	59	57	98.9%	10.9%	5.8%	82.4%	62.2%	-49.6%
Sunnyvale	\$ 690,000	\$ 690,050	35	86	28	24	100.5%	-4.4%	-5.1%	-22.2%	3.6%	-67.4%

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 5.5% in February from January, and they were down 27.9% from February 2011.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, dropped 17.8% from January, and were off 23% 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 February, cancellations were off 0.8% year-over-year, and down 4.6% from January.

Properties going back to the bank slumped 37.2% in February from January. Year-over-year, they were down 42.3%.

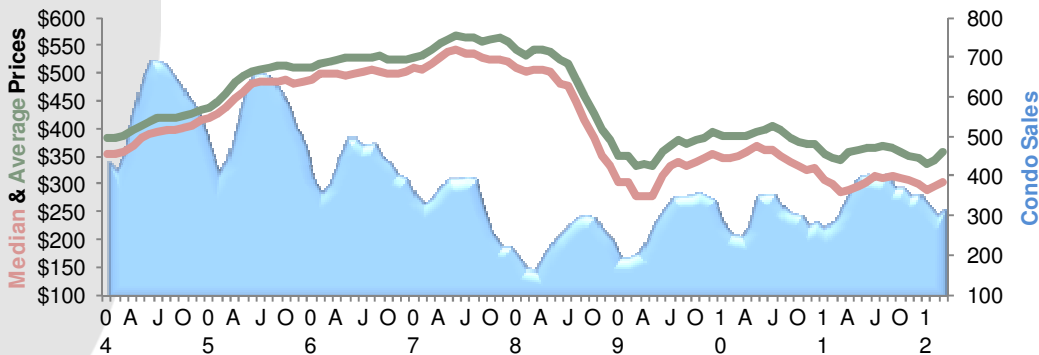
The total number of homes that have had a notice of default filed decreased by 39.4% year-over-year.

The total number of homes scheduled for sale declined by 24.7% year-over-year.

The total number of homes owned by banks was down 16.4% year-over-year.

Santa Clara County Condos- Prices & Sales

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



Santa Clara County - March 2012

Condos/Townhomes		% Change from Year Before										
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 320,000	\$ 390,263	423	903	338	24	99.9%	10.3%	7.5%	0.0%	10.1%	-74.0%
Campbell	\$ 369,000	\$ 391,589	19	29	7	11	100.9%	-18.0%	-6.5%	90.0%	7.4%	-75.0%
Cupertino	\$ 830,000	\$ 745,378	5	11	7	42	101.8%	19.4%	4.9%	-70.6%	-21.4%	-58.8%
Gilroy	\$ 131,500	\$ 131,500	2	11	2	30	99.1%	-35.9%	-31.3%	-77.8%	22.2%	100.0%
Los Altos	\$ 1,275,000	\$ 1,073,050	7	6	2	9	101.0%	59.3%	44.8%	75.0%	-25.0%	-75.0%
Los Gatos	\$ 565,000	\$ 590,294	17	14	19	33	96.8%	-14.4%	-11.7%	54.5%	27.3%	-45.7%
Milpitas	\$ 245,000	\$ 292,599	17	50	7	12	100.6%	8.4%	-3.4%	21.4%	2.0%	-79.4%
Morgan Hill	\$ 266,000	\$ 285,950	10	14	12	36	97.1%	4.3%	16.1%	150.0%	-17.6%	-36.8%
Mountain View	\$ 630,000	\$ 575,017	35	47	18	15	100.8%	37.0%	25.5%	9.4%	11.9%	-69.0%
Palo Alto	\$ 952,500	\$ 869,377	12	14	10	25	105.9%	45.9%	11.8%	-14.3%	-12.5%	-63.0%
San Jose	\$ 270,000	\$ 298,081	239	577	213	27	99.7%	10.2%	7.4%	4.4%	-3.4%	-61.3%
Santa Clara	\$ 360,000	\$ 393,715	25	65	21	25	99.8%	26.3%	18.4%	-13.8%	-1.5%	-70.4%
Saratoga	\$ 560,000	\$ 521,200	5	4	6	36	99.2%	-3.8%	-15.9%	66.7%	100.0%	-45.5%
Sunnyvale	\$ 451,821	\$ 467,433	30	61	14	14	99.0%	31.0%	15.9%	42.9%	41.9%	-79.1%

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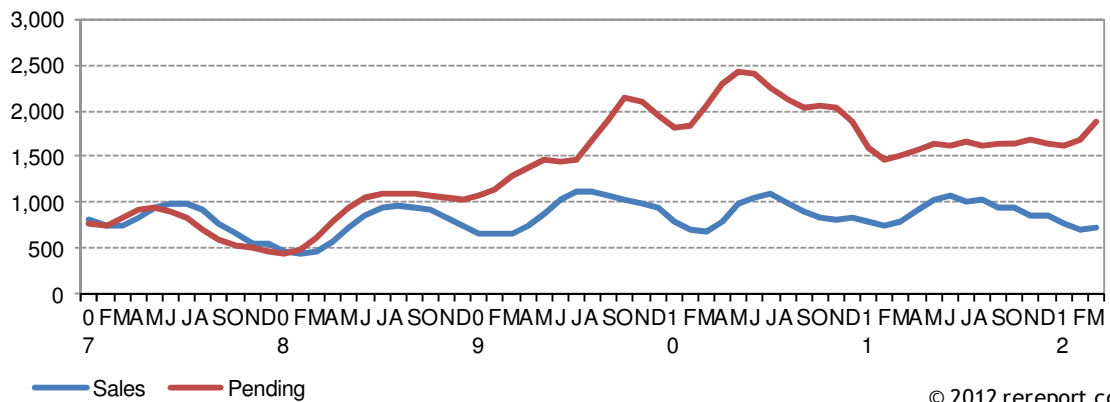
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Santa Clara County Homes: Pending & Existing Home Sales
(3-month moving average)



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