

The Real Estate Report

LOCAL MARKET TRENDS



SANTA CLARA COUNTY



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March 2009

Santa Clara County Home Sales Strong, Prices Flat

Home sales increased, year-over-year, by 30.3% in February. This is the eighth month in a row homes sales have been up compared to the year before. Year-to-date, home sales are up 43.1%.

Sales continue to be concentrated in the lower-priced cities such as San Jose where year-over-year sales were up 103.1%, and Gilroy where sales were up 147.1%.

The median price for single-family, re-sale homes was flat at

\$450,000 compared to January. Year-over-year, the median price was off 42.5%. The average price gained 0.2%, month-over-month, and was down 43.1% compared to February 2008.

There was some good news with inventory, which was down 20.7% year-over-year.

The sales price to list price ratio for homes fell 0.8 of a point to 97.9%.

Trends at a Glance (Single-family Homes)			
	Feb 09	Jan 09	Feb 08
Median Price:	\$450,000	\$450,000	\$782,000
Average Price:	\$562,680	\$561,469	\$988,161
Home Sales:	581	568	446
Inventory:	3,909	3,738	4,930
Sale/List Price Ratio:	97.9%	98.7%	98.3%
Days on Market:	65	66	56
Days of Inventory	202	197	332

Condo sales rose 25.3% from January, and were up 16.6% compared to last February.

The median price for condos gained 16.4% from January, but it was off 37.3% compared to last

February. The average price was up 17.2%, month-over-month, and was down 32.3% compared to February 2008.

Condo inventory was down 18.7% year-over-year.

The sales price to list price ratio for condos was flat at 97.4%.

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.

American Recovery and Reinvestment Act Ups Loan Limits

The American Recovery and Reinvestment Act of 2009 reinstates last year's 2008 loan limits for FHA, Freddie Mac, and Fannie Mae loans.

These limits were equal to the greater of 125% of the 2008 local area median home price or \$271,050 for FHA and \$417,000 for Fannie and Freddie, with an overall maximum cap of \$729,750.

For the few areas where the 2009 limits were higher, the higher limits will apply. In addition, the bill includes language providing the HUD Secretary with the discretion, if warranted, to increase the loan limit for any "sub-area", i.e. an area smaller than a county. The Secretary's discretion is again limited by the \$729,750 cap. These 2009

limits will expire December 31, 2009.

For Santa Clara County, loan limits will be \$729,750.

The Act is intended to provide a stimulus to the U.S. economy in the wake of the economic downturn brought about by the subprime mortgage crisis and the resulting credit crunch. The Act includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector.

Some of the tax relief for individuals include:

- New payroll tax credit of \$400 per worker and \$800 per couple in 2009 and 2010. Phase-

out begins at \$75,000 for individuals and \$150,000 for joint filers.

- Alternative minimum tax: a one year increase in AMT floor to \$70,950 for joint filers for 2009.
- Expansion of child tax credit: A \$1,000 credit to more families (even those that do not make enough money to pay income taxes).
- Expanded college credit to provide a \$2,500 expanded tax credit for college tuition and related expenses for 2009 and 2010. The credit is phased out for couples making more than \$160,000.
- Homebuyer credit: \$8,000 credit for all homes bought between 1/1/2009 and

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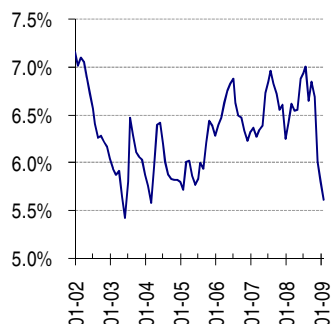
12/1/2009 and repayment provision repealed for homes purchased in 2009 and held more than three years. This only applies to first-time homebuyers.

- Home energy credit to provide an expanded credit to homeowners who make their homes more energy-efficient in 2009 and 2010. Homeowners could recoup 30 percent of the cost up to \$1,500 of numerous projects, such as installing energy-efficient windows, doors, furnaces and air conditioners.
- Deduction of sales tax from car purchases, phased out for incomes above \$250,000.

The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Feb. 27, 2009 -- Downbeat news about the health of the economy continued to rattle around the markets this week. The announcement of huge stimulus and mortgage rescue spending packages last week was backed up by a truly massive federal budget this week, and perhaps the only thing that is clear it that we'll be paying for it for many, many years to come.

Mortgage rates were pretty flat. HSH's overall average for the cost of mortgage money -- our Fixed-Rate Mortgage Indicator (includes conforming, jumbo and 'expanded conforming' interest rates) -- rose again this week by three basis points to land at 5.82%. The FRMI's 5/1 Hybrid companion slipped back by four basis points, closing the survey week at 5.51%. Although jumbo 30-year FRMs slipped back a little to 6.73%, conforming FRMs rose by seven basis points.

Sales of new and existing homes were something of a disappointment. Existing home sales slipped in January to a 4.49 million annualized rate of sale, down from a 4.74m pace in December. Despite the slowing, inventory levels only kicked 0.2 of a month higher to 9.6 months, still among the better readings of the past year, and prices firmed by 0.4% for the month.

New Home Sales fared rather worse, with only a meager 309,000 annualized rate of sale. Virtually all the decline was from the western region. With the fall in buyers, present inventory levels stand at 13.3 months available, but prices were slashed by 11.7% on a month-to-month basis as builders try to clear inventory. Actual levels of inventory are diminishing, with just 342,000 units remaining.

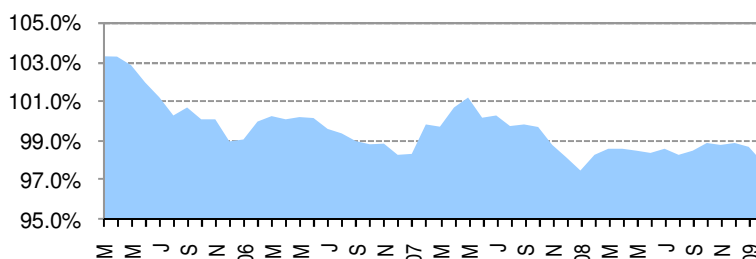
We think that at least a portion of the blame for the month's softness can be laid at the feet of the government. With so many manipulations into housing markets -- plus whispers, rumors and hearsay about plans to drive mortgage rates down to unheard-of levels, or massive new grants or tax incentives to buy homes -- there's little wonder why potential borrowers might just head back to the sideline to see what transpires. This is where even benevolent government influence serves to distort normal market behavior: if waiting might bring a 4.5% mortgage rate, or perhaps a \$15,000 tax credit or other incentive, why hurry... especially if prices -- truly a market mechanism -- will probably continue to fall, in the buyer's favor? Incautious rumors can distort, if not panic, a market, as we've seen in recent weeks.

February Sales Statistics

Single-family Homes

	Prices		Unit Sales	Listings		DOM	SP/LP	Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total			Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$450,000	\$562,680	581	1,679	3,909	65	97.9%	-42.5%	-43.1%	30.3%	-20.7%	0.0%	0.2%	2.3%	4.6%
Campbell	\$700,000	\$665,561	9	36	84	77	95.0%	-6.7%	-16.7%	-47.1%	21.7%	27.3%	8.9%	-35.7%	12.0%
Cupertino	\$930,000	\$989,163	11	53	107	44	95.4%	-21.8%	-25.2%	-45.0%	101.9%	-28.0%	-17.8%	22.2%	35.4%
Gilroy	\$353,250	\$391,046	42	91	352	112	97.0%	-32.1%	-43.4%	147.1%	-22.1%	0.9%	-4.1%	-12.5%	0.0%
Los Altos	\$1,478,125	\$1,513,125	6	30	86	54	94.9%	-20.8%	-22.1%	-64.7%	138.9%	-8.8%	-20.4%	-14.3%	13.2%
Los Altos Hills	\$3,400,000	\$3,400,000	1	9	45	276	87.7%	36.0%	7.9%	-80.0%	40.6%	-12.8%	-12.8%	0.0%	12.5%
Los Gatos	\$1,202,500	\$1,423,271	14	59	173	91	93.4%	-23.4%	-7.8%	-12.5%	45.4%	-28.1%	-8.6%	55.6%	9.5%
Milpitas	\$444,000	\$467,058	17	57	132	89	95.8%	-34.5%	-36.6%	41.7%	-9.6%	-0.8%	2.6%	-5.6%	12.8%
Monte Sereno	\$845,000	\$845,000	1	10	31	18	94.4%	-122.8%	-122.8%	-100.0%	82.4%	n/a	n/a	0.0%	10.7%
Morgan Hill	\$555,000	\$550,366	17	60	267	86	96.9%	-24.7%	-30.3%	41.7%	-14.1%	0.0%	-26.6%	13.3%	6.4%
Mountain View	\$1,022,500	\$1,001,250	4	36	88	54	93.5%	5.4%	3.3%	-63.6%	91.3%	17.1%	2.3%	-33.3%	27.5%
Palo Alto	\$1,395,000	\$1,465,684	14	77	124	64	96.7%	-15.8%	-18.9%	-17.6%	148.0%	1.6%	-5.6%	16.7%	45.9%
San Jose	\$406,500	\$463,792	388	939	2,960	105	97.5%	-39.3%	-38.4%	103.1%	-9.8%	-2.0%	1.6%	2.4%	0.7%
Santa Clara	\$530,000	\$546,812	29	76	214	77	97.5%	-24.8%	-23.9%	-19.4%	21.6%	-10.9%	-3.5%	52.6%	12.0%
Saratoga	\$1,509,000	\$1,530,058	5	60	140	86	89.7%	-16.2%	-12.8%	-73.7%	66.7%	75.9%	78.3%	150.0%	22.8%
Sunnyvale	\$546,500	\$620,104	20	75	164	83	97.6%	-34.6%	-28.1%	-31.0%	19.7%	-7.3%	-8.3%	-28.6%	9.3%

Sales Price/Listing Price Ratio



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Tips for a better refinance or purchase transaction

1. If the mortgage retailer you're interested in is unfamiliar to you, take the time to check them out. Not all states even require licensing of mortgage brokers. Check with the state banking department where your loan will be originated (and the state the retailer is headquartered in, if it's different). Call a local Better Business Bureau. See if they're members of local, state or national trade associations.

2. If it sounds too good to be true, it probably is. Be wary of deals which are way below the other offerings in your market, or promises of service quality which can't possibly be met ("we close in 24 hours!") Don't be surprised if the advertised deals don't apply to your situation; they may be available only to the absolute best, top-shelf borrowers. The law only requires that the deal listed

be available -- not that it's available to you.

3. Research, research, research. It's your job to know what is normal for your loan circumstance. Call lots of outlets. Get rates, points, fees and commitment periods for offers that are as similar as possible. Some of the lowest rates offered have no lock-in available, or can be obtained only if you close ASAP, so make sure that the quotes you get have the same terms, if possible. That way, you'll soon be able to judge a good, bad or just average deals.

4. Ask questions, get answers. People in the business will sometimes talk a blue streak and expect that you understand. If you don't get it, say so. Make them explain -- to your satisfaction -- or take your business to someone who will.

5. Get it in writing, on company letterhead, and signed. This pertains to everything you negotiate in your deal, but especially any lock-in agreement (or execution) you conduct. More misunderstandings and disputes are related to lock-ins than any other item. Under the law, verbal agreements aren't worth the paper they're not printed on.

6. Sign nothing you don't understand -- and understand everything you sign, even if you need to get outside help to do so. If legalese or contract language is difficult for you, hire a lawyer to help manage your transaction. The few hundred dollars can be very inexpensive insurance.

7. Ask how much experience they have in dealing with mortgage situations similar to yours. How long has the company been in business? How long has your

salesman/broker and loan processor been in the business? More experience can mean a smoother transaction, especially if the market gets rough -- and it can help to know your loan processor.

8. If you're coming in "blind", with no referrals from friends or relatives, ask for a few references you can contact -- and follow up on them. Of course, they'll probably be the most satisfied clients the firm has worked for, but it is a place to start.

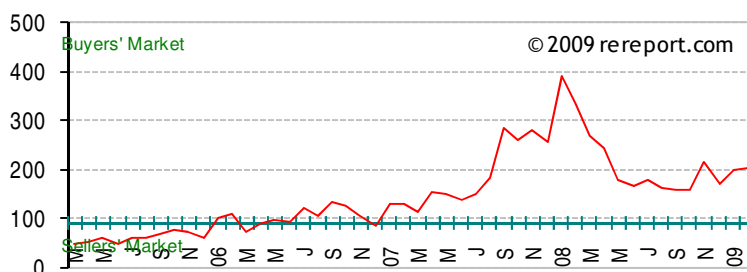
9. Make sure your "no points" loan is really "no points." You might not know that there are actually two kinds of points: Discount Points (which lower the interest rate) and percentage-based Origination Fees which cover some of the cost of getting you the mortgage, including commissions. A true no-points

February Sales Statistics

Condos/Townhomes

	Prices		Unit Sales	Listings			DOM	SP/LP	Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total				Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$320,000	\$365,413	183	507	1,390	66	97.4%	-37.3%	-32.3%	16.6%	-18.7%	16.4%	17.2%	25.3%	-0.1%	
Campbell	\$525,000	\$560,250	6	13	51	145	97.4%	3.7%	12.2%	-25.0%	-5.6%	-13.6%	-7.8%	200.0%	8.5%	
Cupertino	\$620,000	\$636,666	3	26	39	56	95.2%	-5.8%	-4.8%	-40.0%	143.8%	-27.1%	-25.1%	200.0%	39.3%	
Gilroy	\$91,000	\$158,687	8	6	21	159	100.6%	n/a	n/a	n/a	-43.2%	-118.1%	-19.6%	50.0%	-36.4%	
Los Altos	\$925,000	\$925,000	1	9	24	61	84.2%	-5.1%	-4.6%	-66.7%	84.6%	n/a	n/a	n/a	14.3%	
Los Gatos	\$765,000	\$701,500	3	21	63	199	97.7%	19.5%	4.8%	-25.0%	96.9%	106.5%	69.9%	0.0%	16.7%	
Milpitas	\$400,000	\$396,200	5	18	74	103	97.4%	-14.9%	-15.7%	400.0%	64.4%	17.8%	16.7%	150.0%	4.2%	
Morgan Hill	\$310,000	\$306,600	5	6	23	82	99.4%	-21.6%	-23.0%	60.0%	-30.4%	-18.2%	-19.5%	60.0%	-4.2%	
Mountain View	\$570,325	\$571,206	18	27	76	53	97.5%	-12.6%	-11.2%	5.9%	5.6%	9.2%	9.3%	800.0%	1.3%	
Palo Alto	\$792,500	\$853,750	4	18	42	54	98.6%	-8.8%	-2.0%	-20.0%	121.1%	51.0%	12.7%	33.3%	31.3%	
San Jose	\$239,900	\$287,994	113	305	1,132	99	97.1%	-50.0%	-38.2%	68.7%	-4.4%	5.5%	6.4%	-2.6%	0.8%	
Santa Clara	\$417,500	\$413,333	6	22	104	110	98.7%	-15.5%	-20.6%	-50.0%	-14.8%	-6.2%	-6.9%	0.0%	-5.5%	
Saratoga	*	*	*	5	21	*	*	n/a	n/a	n/a	35.7%	n/a	n/a	n/a	10.5%	
Sunnyvale	\$456,000	\$460,545	11	31	99	83	97.7%	-18.4%	-21.8%	-26.7%	10.0%	-12.3%	-11.7%	83.3%	-1.0%	

Days of Inventory



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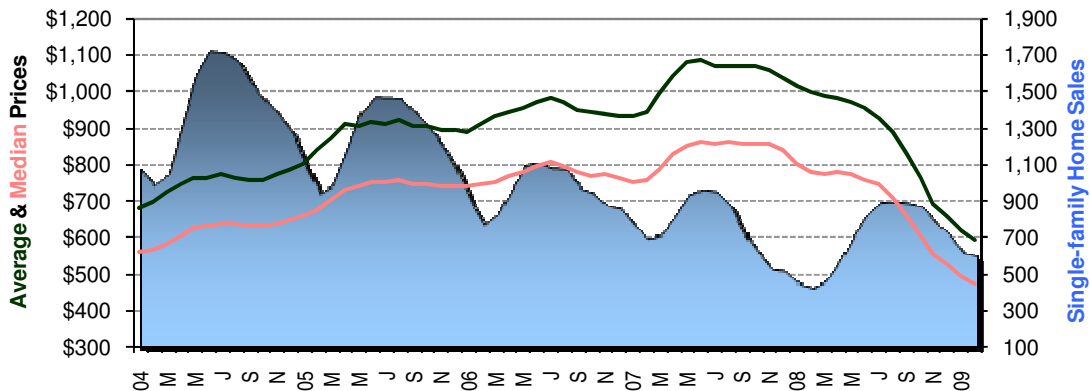
Go online to see the full report with the city by city breakdown:

<http://www.popehandy.com>

This is not intended as a solicitation if your home is currently listed.

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

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(Continued from page 3)

loan has neither -- and if your "no points" loan has a one-percent Origination Fee, it's actually a one-point loan. Compare it against other one-point loans for accuracy.

10. Ask about "Prepayment Penalties" or "Early Termination Fees." Some of the lowest rates in the market, especially for ARMs, are available only on loans which

carry hefty fees if the loan is refinanced in the early (the first three to five) years. If you don't ask whether any apply to your loan, you could find a costly 'zinger' down the road.

A few other suggestions for a better mortgage experience:

Decide what kind of mortgage shopper you are before you sign up. If you prefer a retail experience

like Macy's, with lots of in-your-face customer service, you might be put off by the arms-length website and 800-number-callcenter-for-customer-service commonplace among Internet retailers. If personal contact is important for your comfort, you'll probably want to work with live (local) humans.

While you're at it, you'll want to have an idea which is more important to you: price or service.

Big national firms with beautiful offices may offer terrific service, but someone has to pay for it. Conversely, a low-overhead operation might offer great prices, but may lack enough support people to address your needs in the manner you prefer. Price and Service aren't necessarily mutually exclusive, but finding both at the same place might be tougher than you'll expect.