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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Home Prices and Sales Bounce Back in March

Sales of single-family, re-sale homes continued to gain ground last month, rising 52.1% from February, and up 11.8% year-over-year.

The median price for single-family, re-sale homes in Santa Clara County was up 7.1% from February, but down 5.4% year-over-year. This is the fifth month in a row the median price has been lower than the year before.

The average price was up 14% from February and posted a 3.8% year-over-year gain. The rise in the average price reflects increased activity in the luxury end of the market.

PRICING MOMENTUM...

while still positive, has been trending down for the past six months and now stands at +0.08.

SALES MOMENTUM...

stopped trending downward in January. Last month it was flat at -6%.

Our momentum stats are calculated 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.

PENDING MOMENTUM...

a harbinger of future sales, while still positive, has also been trending downward. Last month the number was +11%.

MORE STATISTICS...

Year-over-year, home inventory was down for the first time since last June: 5.6%.

Pending inventory was down, year-over-year, for the fifth month in a row: 4.2%.

The sales price to list price ratio was flat at 99%.

IN THE CONDO MARKET...

the median price was down 24% year-over-year. The average price was also down, dropping 10.5% year-over-year.

Condos sales were up for the third month in a row, gaining 23.7% year-over-year. The 397 condos sold were the most in any month since last May.

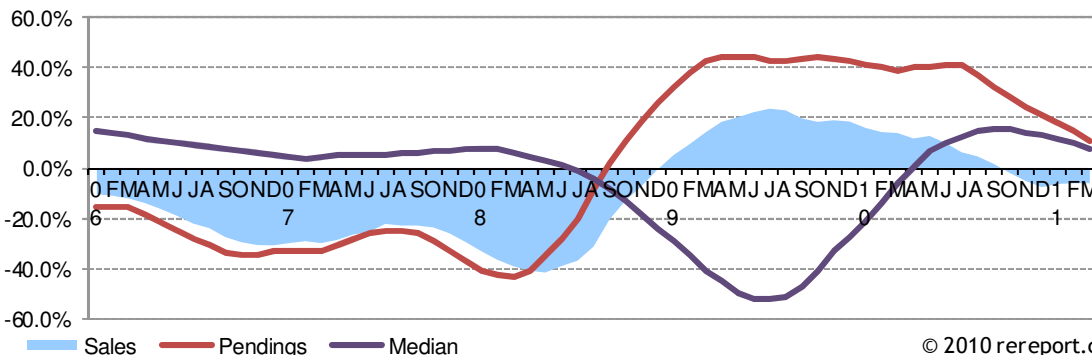
Pending condo sales declined last month, falling 8.5% compared to last March.

Inventory increased for the tenth month in a row, albeit at its slowest pace in those months: up 1.9% year-over-year.

Trends at a Glance (Single-family Homes)			
	Mar 11	Feb 11	Mar 10
Median Price:	\$ 567,500	\$ 530,000	\$ 600,000
Average Price:	\$ 767,373	\$ 672,943	\$ 741,029
Home Sales:	963	633	861
Inventory:	2,130	2,132	2,257
Sale/List Price Ratio:	99.0%	99.0%	100.8%
Days on Market:	62	68	47
Days of Inventory:	66	91	79

Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call.

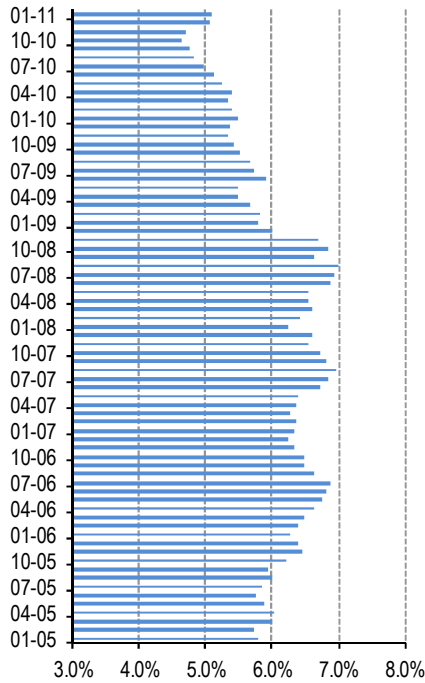
Santa Clara County Homes: Sales Momentum



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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.

May 1, 2011 -- The economy is starting to show some additional signs of an expanding recovery, and one more resilient to external shocks. That said, many challenges to overcome still remain before we get to a "full recovery", and if consumer moods are any indication, rising gasoline prices are starting to create some considerable headwinds.

HSH.com's overall mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the average rate for 30-year fixed-rate mortgages rose by six basis points (.06%) to finish the week at 5.17%. A key component of the first-time homebuyer market, FHA-backed 30-year fixed-rate mortgages increased by five basis points to land at 4.81%. ARMs are starting to regain some favor in the market, and Hybrid 5/1 ARMs, perhaps the most preferred alternative to the traditional 30-year FRM (notably for jumbo buyers) increased a full tenth-percentage point (.10%), beginning April at an average of 3.84%.

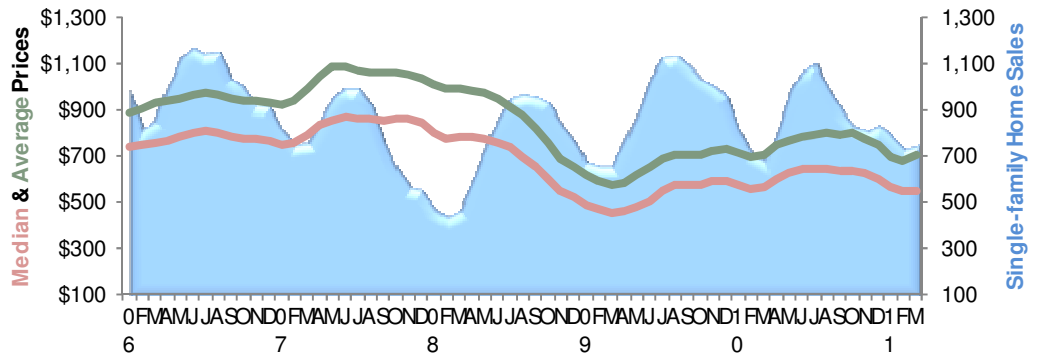
Mortgage rates are pushed higher by improving growth and especially improving inflation. A still-soft job market and weak housing markets act as a counterbalance to that upward pressure, while the events overseas do add degree of uncertainty to the outlook.

As the glass begins to seem more likely to be half full than empty, the likelihood is that interest rates will tend to be somewhat higher on balance than lower. A stock market finding its footing is one expression of that as money moved more confidently into risk and away from safety.

Concerned about risk, the Federal Reserve and other regulators released for comment and feedback a paper to address financial risk. Ultimately this will include a definition of a Qualified Residential Mortgage, expected to be a risk-free item indeed, requiring borrowers to have a deep equity position and great credit, among other risk-controlling features. Eventually, the QRM will be the only loan bundled into securities with no loss reserves held back by the issuer or originator. In theory, a narrow definition will expand the number of borrowers who fall outside the boundaries, and that audience should be large enough as to attract a response from lenders eager to lend money. However, it is by no means clear at this moment whether a more robust market for non-QRM mortgages will form, or if the market will go the other way, originating only (or mostly) QRM-level mortgages, sharply limiting the availability of credit to only the best possible borrowers.

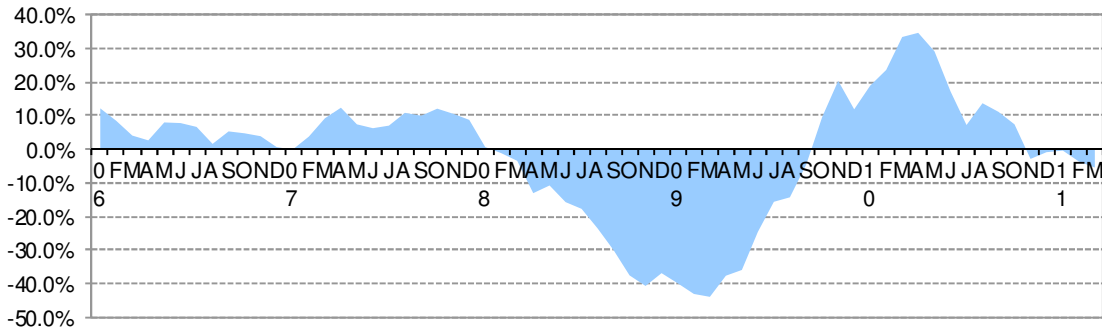
Santa Clara County Homes - Prices & Sales

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



Santa Clara County - March 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	\$ 567,500	\$ 767,373	963	2,206	2,130	66	99.0%	-5.4%	3.6%	11.8%	-4.2%	-5.6%
Campbell	\$ 705,000	\$ 781,895	21	51	54	77	98.2%	-1.6%	3.9%	16.7%	37.8%	-1.8%
Cupertino	\$ 1,180,000	\$ 1,196,930	33	34	52	47	99.5%	12.9%	6.5%	6.5%	-29.2%	-3.7%
Gilroy	\$ 430,000	\$ 476,974	48	156	107	67	98.6%	-4.1%	-13.9%	45.5%	11.4%	5.9%
Los Altos	\$ 1,597,500	\$ 1,602,170	28	24	42	45	98.2%	5.5%	-9.9%	0.0%	-44.2%	-40.0%
Los Altos Hills	\$ 2,383,330	\$ 3,147,220	12	13	47	117	92.0%	25.6%	65.9%	#####	30.0%	-27.7%
Los Gatos	\$ 1,167,500	\$ 1,214,050	38	56	117	92	96.8%	23.9%	-1.7%	72.7%	24.4%	-3.3%
Milpitas	\$ 436,000	\$ 507,480	42	64	59	42	100.0%	-13.2%	-4.7%	50.0%	-19.0%	5.4%
Monte Sereno	\$ 1,740,000	\$ 1,740,000	2	3	13	195	99.7%	-17.1%	-26.8%	-33.3%	-25.0%	-48.0%
Morgan Hill	\$ 537,500	\$ 575,695	30	110	121	121	97.8%	-4.0%	-7.6%	-26.8%	14.6%	2.5%
Mountain View	\$ 880,000	\$ 966,194	19	33	33	52	97.7%	6.7%	4.5%	0.0%	-10.8%	-31.3%
Palo Alto	\$ 1,564,000	\$ 1,955,860	44	65	51	35	102.4%	7.1%	15.0%	83.3%	54.8%	-31.1%
San Jose	\$ 480,000	\$ 551,130	519	1,376	1,091	63	99.3%	-5.9%	-4.1%	1.0%	-6.8%	-3.4%
Santa Clara	\$ 603,000	\$ 604,314	41	86	85	62	99.5%	2.5%	-0.5%	13.9%	4.9%	13.3%
Saratoga	\$ 1,425,000	\$ 1,541,650	17	37	117	206	92.0%	-16.3%	-18.4%	-15.0%	-31.5%	36.0%
Sunnyvale	\$ 722,000	\$ 727,273	45	83	86	57	99.6%	-2.4%	-1.0%	28.6%	6.4%	-6.5%

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 declined 31.6% in February from the year before. Notices were down 9.9% from January.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were up 0.6% year-over-year, and up 7% from January.

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 February, cancellations were off 13.1% year-over-year, and down 5.9% from January.

Properties going back to the bank declined significantly in February: down 27.6% year-over-year and down 31.5% from January. This is good news.

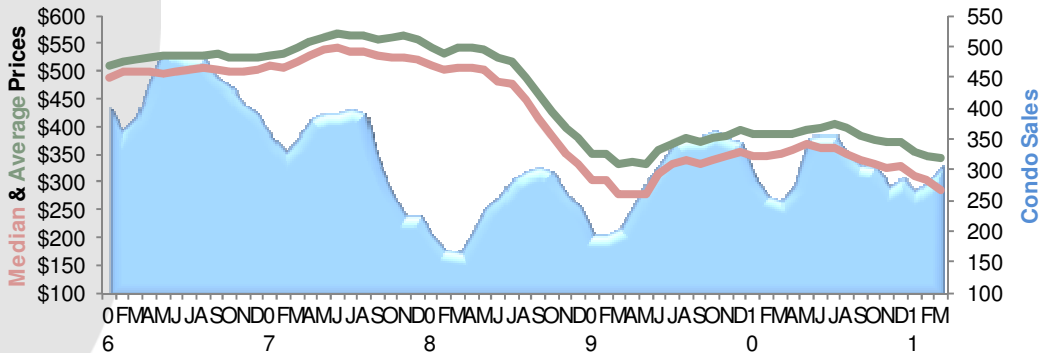
The total number of homes that have had a notice of default filed declined by 1.7% in February compared to February 2010.

The total number of homes scheduled for sale declined by 15.1%.

Unfortunately, the total number of homes owned by the bank was up 7.8% year-over-year.

Santa Clara County Condos- Prices & Sales

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



Santa Clara County - March 2011

Condos/Townhomes		% Change from Year Before										
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 285,000	\$ 359,170	397	901	926	70	98.7%	-24.0%	-10.5%	23.7%	-8.5%	1.9%
Campbell	\$ 450,000	\$ 418,750	10	27	28	84	98.7%	24.1%	1.1%	0.0%	28.6%	-30.0%
Cupertino	\$ 695,000	\$ 710,765	17	14	17	30	100.2%	19.7%	17.8%	70.0%	27.3%	-59.5%
Gilroy	\$ 205,000	\$ 191,448	9	9	1	3	98.8%	-8.9%	-5.3%	80.0%	-18.2%	-66.7%
Los Altos	\$ 800,513	\$ 741,006	4	8	8	60	100.0%	18.6%	10.1%	-20.0%	100.0%	-38.5%
Los Gatos	\$ 660,000	\$ 668,273	11	11	35	95	97.4%	21.5%	16.7%	83.3%	-42.1%	-32.7%
Milpitas	\$ 226,000	\$ 302,896	14	49	34	73	97.9%	-39.7%	-14.7%	0.0%	11.4%	36.0%
Morgan Hill	\$ 255,000	\$ 246,250	4	17	19	142	102.4%	-19.0%	-21.8%	100.0%	-5.6%	18.8%
Mountain View	\$ 460,000	\$ 458,047	32	42	58	54	97.5%	-20.3%	-15.5%	14.3%	-8.7%	-9.4%
Palo Alto	\$ 653,050	\$ 777,293	14	16	27	58	98.0%	-4.7%	19.5%	27.3%	0.0%	-18.2%
San Jose	\$ 245,000	\$ 277,509	229	597	550	72	98.9%	-23.2%	-16.8%	26.5%	-12.8%	13.4%
Santa Clara	\$ 285,000	\$ 332,413	29	66	71	73	99.1%	-23.3%	-11.8%	20.8%	-1.5%	12.7%
Saratoga	\$ 582,000	\$ 620,000	3	2	11	110	96.0%	-29.5%	-22.7%	-40.0%	-33.3%	-15.4%
Sunnyvale	\$ 345,000	\$ 403,206	21	43	67	96	97.8%	-30.7%	-15.3%	5.0%	7.5%	11.7%

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

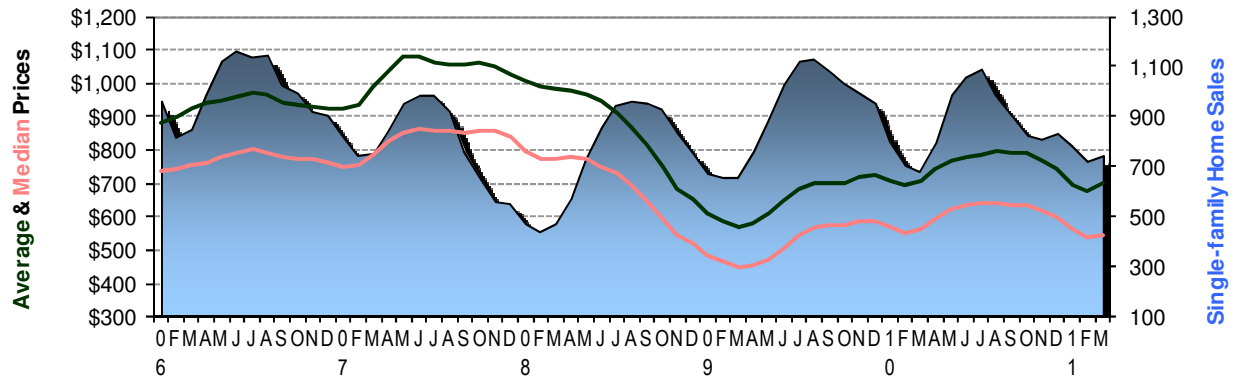
Property under contract to sell that hasn't closed escrow.

Inven

Number of properties actively for sale as of the last day of the month.

Santa Clara County Homes: Prices and Sales

(3-month moving average — price in 000's)



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THE REAL ESTATE REPORT Santa Clara County



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