

The Real Estate Report

LOCAL MARKET TRENDS



SANTA CLARA COUNTY



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April/May 2010

Sales Price to List Price Ratio Stays over 100%

The sales price to list price ratio, a good indicator of demand, for single-family, re-sale homes in Santa Clara County was 100.8% in March.

This is the ninth month in a row the indicator has been over 100%.

The local market has split into three parts: the lower-end, under about \$600,000, where multiple offers are common; the mid-range, between \$600,000 and \$1.5MM where the market is more balanced; and the upper end where, if you can afford it, there seems to be a plethora of bargains.

Home sales bounced back last month, up 40% from February and 15.1% year-over-year.

Inventory also increased in March from February: up 11.4%, but was off 20.7% compared to March 2009.

Pending sales continues to show strength, up 55.5% year-over-year, which is a good thing as a higher proportion of escrows have been falling out due to low appraisals and problems obtaining loans.

NEW STATE TAX CREDIT

A new state tax credit goes into effect on May 1, 2010 for first-time home buyers and buyers of new, never-occupied homes. The state has allocated a total of \$200,000,000 to be split evenly between both groups.

The tax credit applies to escrows that close on or after May 1, 2010, and before January 1, 2011. Additionally, if escrow is entered prior to December 31, 2010, you have until August 1, 2011 to close escrow.

These tax credits are limited to the lesser of 5% of the purchase price or \$10,000. The tax credit must be

applied over three years in amounts beginning in the year the home was purchased.

The tax credit is not refundable, meaning if your total tax is less than \$10,000, you will not be getting a check for the difference.

In any event, please do not construe this as legal or financial advice. Please contact your lawyer or financial advisor if you intend to use the credit.

For full information, go to:

http://www.ftb.ca.gov/individuals/New_Home_Credit.shtml

P.S. If you open escrow before April 30th, you can take advantage of the state and the federal tax credits.

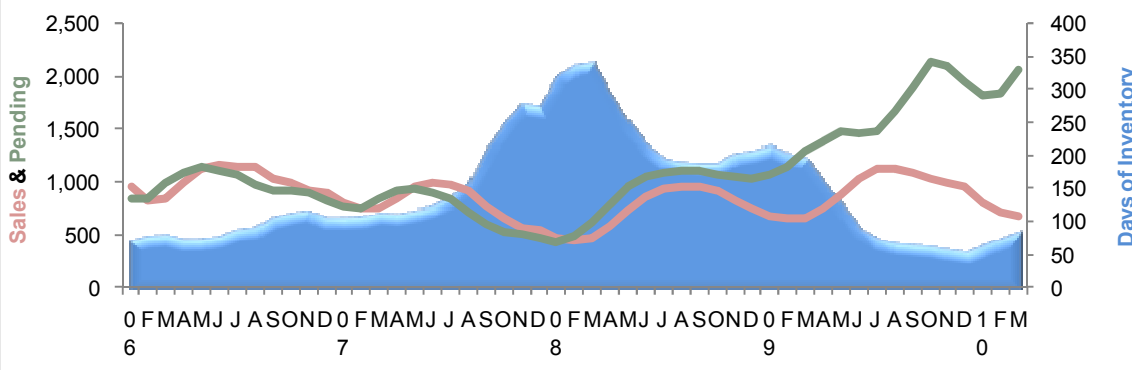
Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call me.

Trends at a Glance (Single-family Homes)			
	Mar 10	Feb 10	Mar 09
Median Price:	\$600,000	\$550,000	\$450,000
Average Price:	\$741,029	\$701,489	\$588,472
Home Sales:	861	613	748
Inventory:	4,560	4,093	5,752
Sale/List Price Ratio:	100.8%	101.3%	98.3%
Days on Market:	47	49	66
Days of Inventory	79	89	171

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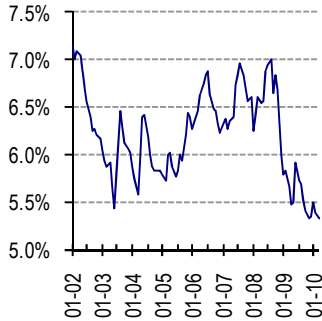
Santa Clara County Homes - Sales, Pending & Days of Inventory
 (3-month moving average)



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



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 5th of the month.

Apr. 2, 2010 -- Mortgage rates skyrocketed this week.

The 30-year fixed-rate mortgage soared 12 basis points this week, to 5.23%, according to the Bankrate.com national survey of large lenders. A year ago, the mortgage index was 5.13%; four weeks ago, it was 5.12%.

The benchmark 15-year fixed-rate mortgage rose 6 basis points, to 4.53%. The benchmark 5/1 adjustable-rate mortgage climbed 2 basis points, to 4.51%.

CREDIT MYSTERY

Where did all the home sales go?

The expansion of the federal home-buyer tax credit last fall has failed to produce the expected surge of home purchases thus far.

Instead, sales of new homes have fallen four straight months, while existing home sales have declined in each of the past three months.

But reports suggest sales activity recently has picked up in some markets. If true, the uptick is occurring just in the nick of time. Homebuyers must have a home under contract by April 30 to qualify for the tax break.

Mortgage professionals offer mixed reports of the credit's impact in their markets. Dick Lepre, loan officer at Residential Pacific Mortgage in San Francisco, says the tax credit's lure has waned since last fall.

"From what I see, the tax credit has had little effect on purchases in the past five months," Lepre says. "The effects of this program largely occurred last year."

THE FED WITHDRAWS

This week, the Federal Reserve ended a nearly 15-month-long, \$1.25 trillion campaign of buying up mortgage-backed securities. The program's goal was to reduce borrowing costs for homebuyers.

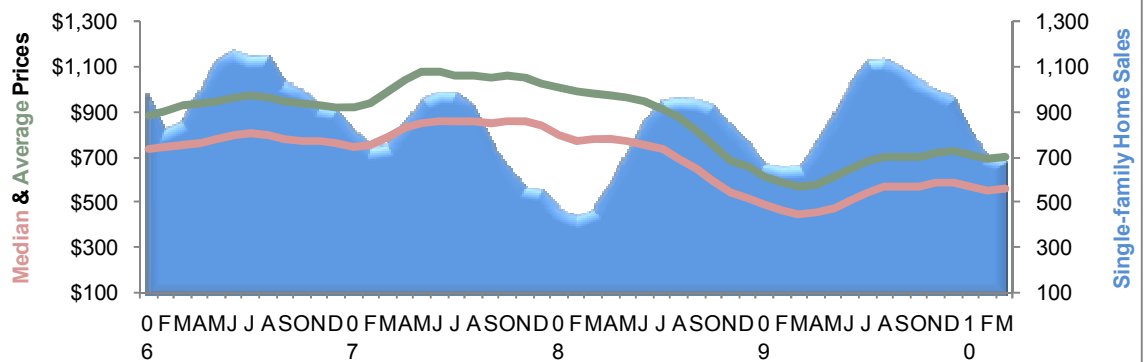
The Fed's efforts appear to have paid off. When the Fed announced its campaign in November 2008, the average 30-year fixed-rate mortgage stood at 6.33%.

Rates have fallen steadily ever since, hovering near historic lows for many months. Now that the Federal Reserve is suspending its purchases, what will happen to mortgage rates?

Lepre says his "best guess" is that rates will rise a half-percent in the wake of the Fed's absence

Santa Clara County Homes - Prices & Sales

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



Santa Clara County - March 2010

SINGLE-FAMILY HOMES										%Change from Year Before				
Prices								Prices						
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven		
County	\$ 600,000	\$ 741,029	861	2,303	4,560	79	100.8%	33.3%	25.9%	15.1%	55.5%	-20.7%		
Campbell	\$ 716,750	\$ 752,239	18	37	92	92	99.9%	7.0%	13.1%	100.0%	37.0%	-25.2%		
Cupertino	\$ 1,045,000	\$ 1,123,960	31	48	102	52	100.6%	-8.5%	-4.9%	210.0%	45.5%	-29.2%		
Gilroy	\$ 448,520	\$ 553,973	33	140	241	92	100.8%	28.1%	28.1%	-41.1%	5.3%	-29.9%		
Los Altos	\$ 1,514,000	\$ 1,779,000	28	43	113	75	97.8%	7.8%	18.6%	100.0%	290.9%	-5.8%		
Los Altos Hills	\$ 1,897,000	\$ 1,897,000	1	10	75	1,947	94.9%	-15.7%	-60.3%	-66.7%	66.7%	25.0%		
Los Gatos	\$ 942,500	\$ 1,235,480	22	45	166	165	97.4%	-0.8%	-0.2%	100.0%	55.2%	-24.5%		
Milpitas	\$ 502,500	\$ 532,304	28	79	135	60	102.8%	13.6%	10.2%	-6.7%	102.6%	0.0%		
Monte Sereno	\$ 2,100,000	\$ 2,378,330	3	4	29	250	94.8%	16.7%	32.1%	200.0%	0.0%	-17.1%		
Morgan Hill	\$ 560,000	\$ 623,202	41	96	214	86	98.4%	5.5%	-0.7%	41.4%	77.8%	-23.6%		
Mountain View	\$ 825,000	\$ 924,516	19	37	85	76	100.8%	-25.7%	-11.3%	90.0%	42.3%	-20.6%		
Palo Alto	\$ 1,460,000	\$ 1,700,650	24	42	116	92	102.2%	21.2%	22.2%	4.3%	50.0%	-31.0%		
San Jose	\$ 510,000	\$ 574,978	514	1,477	2,606	66	101.6%	24.2%	27.5%	7.5%	56.5%	-20.6%		
Santa Clara	\$ 588,500	\$ 607,320	36	82	157	62	100.4%	8.6%	3.3%	50.0%	34.4%	-29.9%		
Saratoga	\$ 1,702,580	\$ 1,888,650	20	54	140	129	97.6%	35.7%	29.7%	66.7%	217.6%	-24.7%		
Sunnyvale	\$ 740,000	\$ 734,977	35	78	170	79	99.5%	42.3%	22.3%	6.1%	50.0%	-15.8%		

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Pending Home Sales Show Healthy Gain, Hint at Spring Surge

Pending home sales rose in February, potentially signaling a second surge of home sales in response to the home buyer tax credit, according to the National Association of Realtors®.

The Pending Home Sales Index,* a forward-looking indicator based on contracts signed in February, rose 8.2% to 97.6 from a downwardly revised 90.2 in January, and remains 17.3% above February 2009 when it was 83.2. The data reflects contracts and not closings, which usually occur with a lag time of one or two months.

Lawrence Yun, NAR chief economist, said the improvement is another hopeful sign. "The rise in buyer contact activity may signal the early stages of a

second surge of home sales this spring. The healthy gain hints home prices are continuing to flatten," he said. "We need a second surge to meaningfully draw down inventory and definitively stabilize home values."

The PHSI in the Northeast rose 9.0% to 77.7 in February and is 18.9% higher than February 2009. In the Midwest the index jumped 21.8% to 97.9 and is 18.7% above a year ago. Pending home sales in the South increased 9.2% to an index of 107.0, and the index is 17.5% higher than February 2009. In the West the index fell 4.8% to 98.0 but is 14.6% above a year ago.

"Anecdotally, we're hearing about a rise of activity in recent weeks with ongoing reports of multiple

offers in more markets, so the March data could demonstrate additional improvement from buyers responding to the tax credit," Yun said.

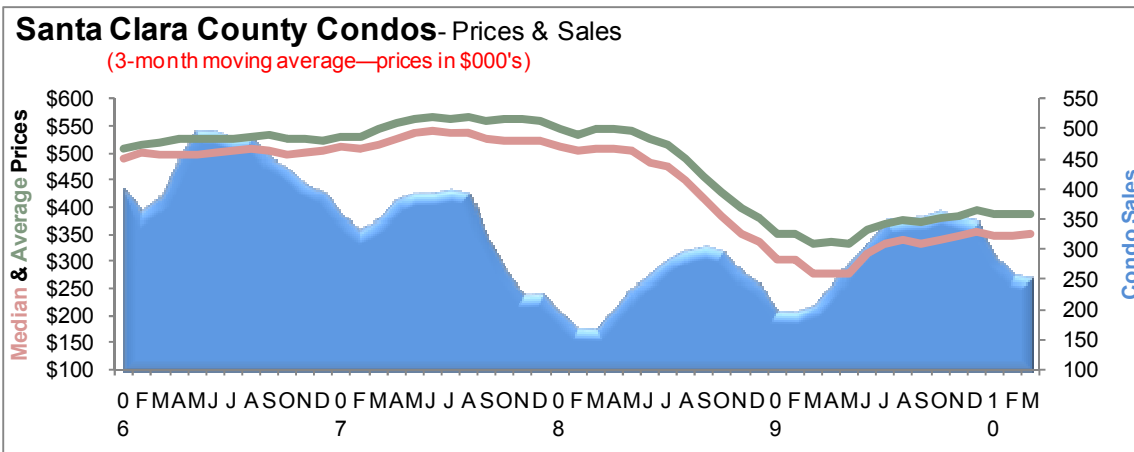
The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing 1.2 million members involved in all aspects of the residential and commercial real estate industries.

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*The Pending Home Sales Index is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing.

The index is based on a large national sample, typically representing about 20% of transactions for existing-home sales. In developing the model for the index, it was demonstrated that the level of monthly sales-contract activity parallels the level of closed existing-home sales in the following two months. There is a closer relationship between annual index changes (from the same month a year earlier) and year-ago changes in sales performance than with month-to-month comparisons.

An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined as well as the first of five consecutive record years for existing-home sales.



Santa Clara County - March 2010													
CONDOS								%Change from Year Before					
Prices								Prices					
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven	
County	\$ 375,000	\$ 401,524	321	985	1,894	85	100.6%	56.9%	29.9%	22.5%	103.5%	-2.4%	
Campbell	\$ 362,500	\$ 414,299	10	21	61	120	97.4%	-4.0%	18.4%	25.0%	90.9%	13.0%	
Cupertino	\$ 580,500	\$ 603,600	10	11	53	126	99.7%	-6.7%	-4.2%	66.7%	0.0%	12.8%	
Gilroy	\$ 225,000	\$ 202,200	5	11	14	18	101.6%	44.9%	26.6%	-16.7%	-15.4%	-46.2%	
Los Altos	\$ 675,000	\$ 673,129	5	4	17	78	92.8%	n/a	n/a	n/a	n/a	n/a	
Los Gatos	\$ 543,000	\$ 572,833	6	19	71	260	101.5%	-26.1%	-21.4%	50.0%	46.2%	6.0%	
Milpitas	\$ 375,000	\$ 354,917	14	44	69	53	104.0%	27.1%	8.4%	0.0%	120.0%	-2.8%	
Morgan Hill	\$ 314,975	\$ 314,975	2	18	34	240	101.4%	n/a	n/a	n/a	n/a	n/a	
Mountain View	\$ 577,500	\$ 541,821	28	46	110	68	99.2%	0.4%	-1.1%	115.4%	155.6%	10.0%	
Palo Alto	\$ 685,000	\$ 650,491	11	16	49	90	97.2%	-5.9%	-4.6%	266.7%	166.7%	-7.5%	
San Jose	\$ 319,000	\$ 333,727	181	685	1,170	80	101.4%	72.4%	43.4%	5.2%	108.8%	-3.4%	
Santa Clara	\$ 371,350	\$ 376,673	24	67	130	79	98.9%	-3.6%	-6.7%	33.3%	168.0%	8.3%	
Saratoga	\$ 826,000	\$ 801,600	5	3	16	78	100.2%	33.7%	29.7%	400.0%	0.0%	-27.3%	
Sunnyvale	\$ 497,500	\$ 475,930	20	40	100	90	101.2%	3.9%	-8.6%	17.6%	90.5%	-12.3%	

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

