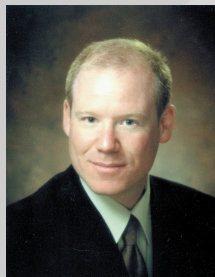


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DRE #01220031

# The Real Estate Report

## local market trends

SANTA CLARA COUNTY

### Phantom Inventory Redux

Two years talk of phantom inventory was all the rage. There are three components to phantom inventory: first, all the property the banks owned that hadn't been put on the market, second, all the property on which a notice of default had been filed but had not yet gone back to the banks, finally, there are strategic defaults. These are the property owners who are underwater, meaning they owe more on the property than it is currently worth and have decided to walk away.

Last month, JPMorgan Chase analysts determined that strategic defaults were declining. In their analysis, they found 60% of all defaults were strategic by the middle of 2009, and that this had declined to 30%.

It is important to note these are national figures.

In Santa Clara County, notices of default and notices of sales have been declining for the past year. For full details, see our article on page 3.

### COUNTY STATISTICS...

Sales of single-family, re-sale homes fell in May, an unusual occurrence, falling 3.1% from April, and down 19% year-over-year.

The median price for single-family, re-sale homes in Santa Clara County was up 3.4% from April, but down 4.5% year-over-year. This is the seventh month in a row the median price has been lower than the year before.

### PRICING MOMENTUM...

while still positive, has been trending down for the past seven months and now stands at +2, a decline of three points from the month before.

### SALES MOMENTUM...

turned down last month and dropped four points to -9.

### PENDING MOMENTUM...

a harbinger of future sales, while still positive, has also been trending downward. Last month the number was +1, a decline of four points.

### MORE STATISTICS...

Year-over-year, home inventory was down by 3.4%.

Pending inventory was down, year-over-year, for the seventh month in a row: 5.4%.

Trends at a Glance (Single-family Homes)			
	May 11	Apr 11	May 10
Median Price:	\$ 605,000	\$ 585,000	\$ 633,750
Average Price:	\$ 774,584	\$ 794,824	\$ 766,372
Home Sales:	965	996	1,192
Inventory:	2,391	2,377	2,475
Sale/List Price Ratio:	99.6%	99.4%	100.9%
Days on Market:	51	58	39
Days of Inventory:	74	69	62

The sales price to list price ratio rose 0.2 of a point to 99.6%.

### IN THE CONDO MARKET...

the median price was down 17.6% year-over-year.

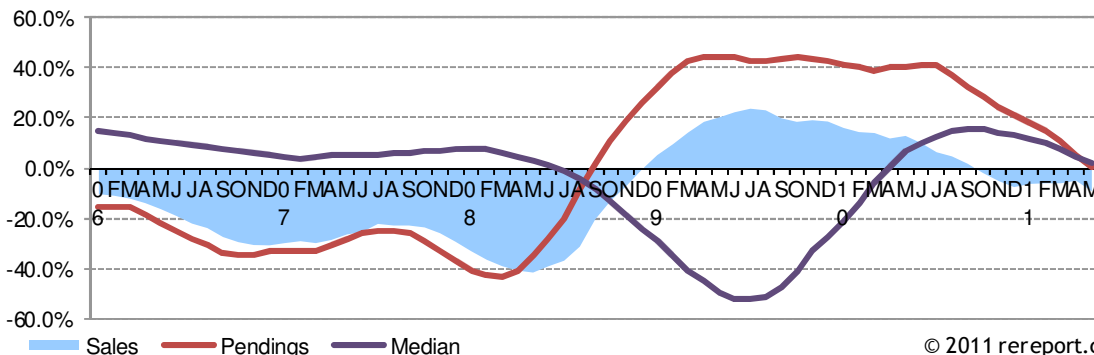
Condos sales were down 14.1% year-over-year.

Pending condo sales declined last month, falling 9.6% compared to last May.

Inventory increased for the twelfth month in a row, up 1.2% year-over-year.

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.

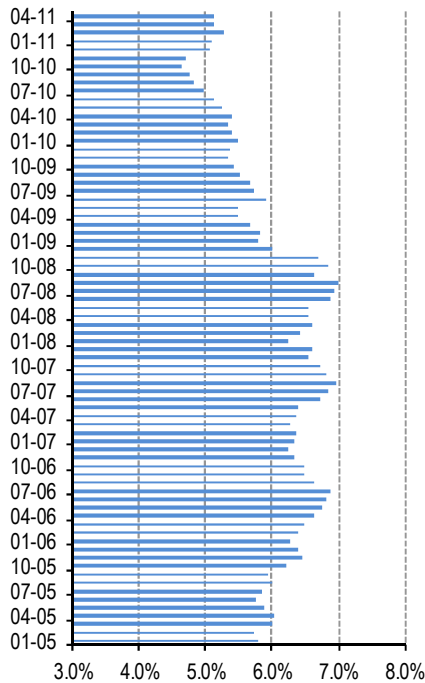
Santa Clara County Homes: Sales Momentum



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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](http://HSH.com). The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

May 27, 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 slipped back by two more basis points this week, landing at an average of 4.88%, a fresh 2011 low.

FHA-backed 30-year fixed-rate mortgages are driving sales of homes to first-time homebuyers, and also giving low-equity refinancers an option to pursue. Rates for these product also slipped back by two basis points to finish the week at 4.49%.

Given the wide differential in interest rates, at least some borrowers should be considering hybrid 5/1 ARMs; whose a five-year fixed periods now average just 3.49%, down three hundredths of a percentage point from last week. Certainly, there are savings to be had for borrowers willing to accept some future interest-rate risk.

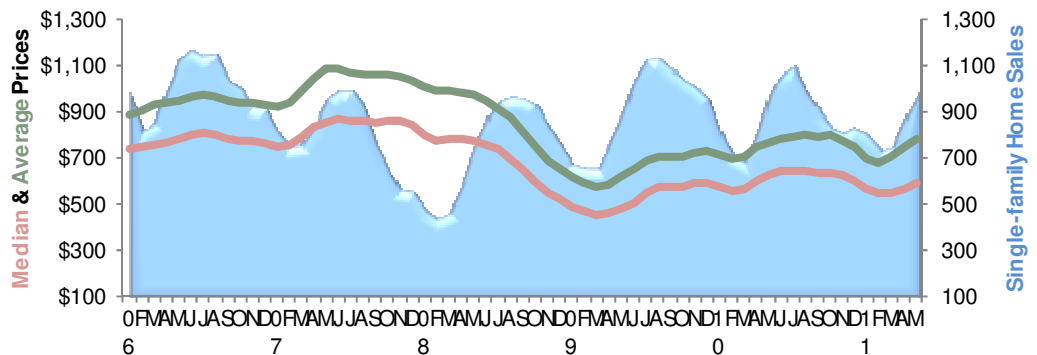
Of course, folks without jobs don't buy homes. It would appear that even folks with jobs are staying away, too. New Home Sales did bounce 7.2% higher in April when compared against March, but the 323,000 annualized rate of sale was certainly nothing to get excited about, since something on the order of triple that would be closer to normal. Inventories has

fallen to just 6.5 months available, and the 175,000 actual units on the market is the lowest figure in almost 50 years. Eventually, when demand for new homes does return, a strong spate of homebuilding is to be expected. Here's hoping it comes sooner than later, but 2012 seems to be the earliest at this point for the turn in homebuilding.

As to what happens, we'll need to wait and see. For now, mortgage rates are even more favorable than they have been at any time in 2011. If you can, it might be a good time to get your purchase or re-finance done reasonably soon. Next week, we get both end-of-the-month and first-of-the-month information, including the employment report. It's a holiday-shortened week, and there doesn't seem to be a likelihood of a big economic surprise on the horizon, so mortgage rates will probably continue to drift.

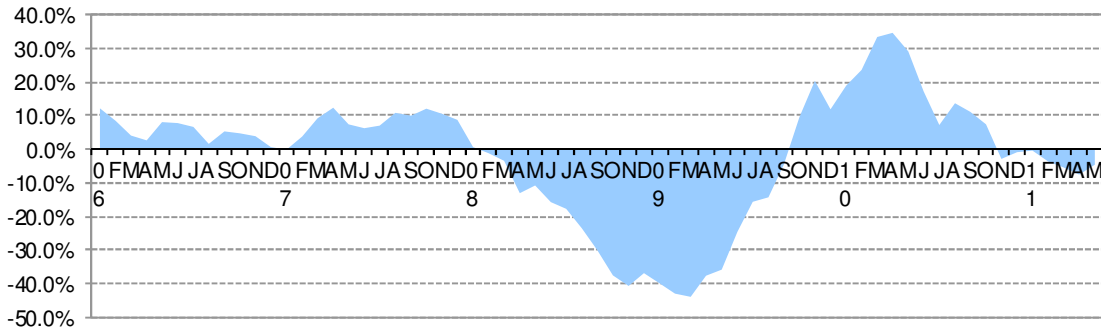
### Santa Clara County Homes - Prices & Sales

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



Santa Clara County - May 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	\$ 605,000	\$ 774,584	965	2,308	2,391	74	99.6%	-4.5%	1.1%	-19.0%	-5.4%	-3.4%	
Campbell	\$ 678,500	\$ 698,073	24	46	55	69	98.6%	3.8%	1.9%	-25.0%	7.0%	-27.6%	
Cupertino	\$ 1,045,000	\$ 1,106,030	35	45	62	53	102.8%	6.5%	6.5%	-18.6%	-22.4%	5.1%	
Gilroy	\$ 362,500	\$ 405,702	42	155	111	79	98.2%	-6.1%	-7.7%	2.4%	-3.7%	-9.0%	
Los Altos	\$ 1,759,000	\$ 1,821,940	29	43	54	56	99.8%	17.3%	11.6%	0.0%	-14.0%	-34.1%	
Los Altos Hills	\$ 2,200,000	\$ 2,185,230	11	13	58	158	95.7%	-10.2%	-25.4%	120.0%	-18.8%	-14.7%	
Los Gatos	\$ 1,125,000	\$ 1,410,040	34	49	141	124	96.2%	-8.6%	-0.5%	17.2%	-21.0%	-9.6%	
Milpitas	\$ 557,750	\$ 550,098	24	71	63	79	100.4%	23.3%	5.7%	-42.9%	-15.5%	14.5%	
Monte Sereno	\$ 1,685,000	\$ 1,657,000	4	5	11	83	96.8%	3.2%	-1.2%	-33.3%	0.0%	-68.6%	
Morgan Hill	\$ 472,000	\$ 549,101	34	100	159	140	98.7%	-3.7%	-6.3%	0.0%	-8.3%	25.2%	
Mountain View	\$ 1,086,000	\$ 1,121,610	20	39	34	51	102.4%	15.4%	10.9%	-37.5%	11.4%	-35.8%	
Palo Alto	\$ 1,420,000	\$ 1,669,820	51	56	48	28	104.9%	3.3%	2.7%	8.5%	19.1%	-42.9%	
San Jose	\$ 500,000	\$ 560,413	524	1,409	1,188	68	99.4%	-8.9%	-5.0%	-21.4%	-5.9%	-1.2%	
Santa Clara	\$ 550,000	\$ 570,434	42	97	106	76	98.9%	-12.4%	-8.7%	-30.0%	9.0%	51.4%	
Saratoga	\$ 1,461,500	\$ 1,647,080	23	53	133	173	95.9%	-10.1%	-5.2%	-34.3%	0.0%	24.3%	
Sunnyvale	\$ 752,500	\$ 750,595	60	98	90	45	100.1%	-13.0%	-8.4%	-13.0%	1.0%	-2.2%	

## 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 dropped 24.6% in April from March. Year-over-year, notices were down 29.4%.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 32.1% year-over-year, but up 2% from March.

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 up 9.4% year-over-year, and up 44.4% from March.

Properties going back to the bank declined in April by 15.4% compared to last April. They were down 13.6% from March.

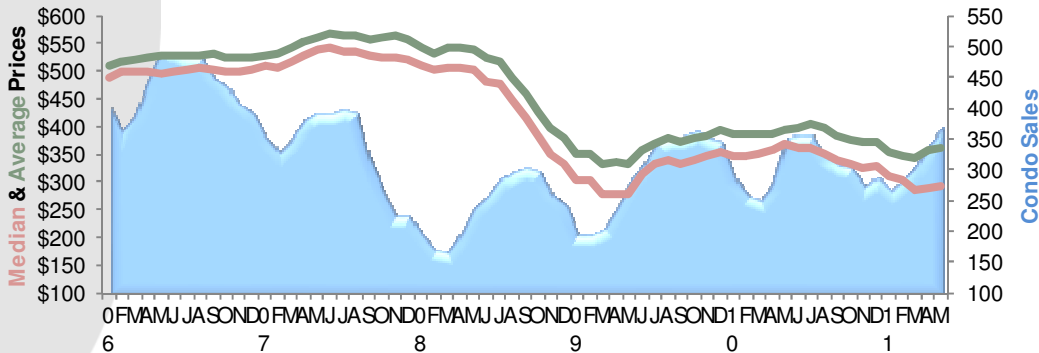
The total number of homes that have had a notice of default filed declined by 25.8% in April compared to April 2010.

The total number of homes scheduled for sale declined by 25.8%.

The total number of homes owned by the bank was up 0.4% year-over-year.

## Santa Clara County Condos- Prices & Sales

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



### Santa Clara County - May 2011

Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 316,000	\$ 366,721	373	912	938	75	99.0%	-17.6%	-8.9%	-14.1%	-9.6%	1.2%
Campbell	\$ 390,000	\$ 406,364	11	22	43	117	96.0%	-14.8%	-6.5%	-31.3%	-31.3%	59.3%
Cupertino	\$ 726,500	\$ 718,000	8	10	17	64	99.9%	23.6%	17.9%	-42.9%	-23.1%	-34.6%
Gilroy	\$ 110,000	\$ 110,000	1	5	5	150	100.0%	-35.3%	-35.3%	0.0%	-28.6%	-50.0%
Los Altos	\$ 699,000	\$ 699,800	5	5	6	36	98.6%	-15.3%	-22.8%	25.0%	25.0%	-62.5%
Los Gatos	\$ 582,500	\$ 589,833	6	17	44	220	99.3%	5.0%	7.9%	-25.0%	-5.6%	7.3%
Milpitas	\$ 350,000	\$ 364,779	19	49	24	38	97.5%	10.8%	-1.1%	26.7%	-3.9%	-27.3%
Morgan Hill	\$ 274,000	\$ 273,250	4	16	19	143	97.6%	3.4%	-5.3%	-42.9%	-44.8%	-9.5%
Mountain View	\$ 494,000	\$ 482,228	28	45	54	58	99.4%	-2.9%	-7.5%	-22.2%	2.3%	-19.4%
Palo Alto	\$ 830,500	\$ 804,179	14	11	32	69	99.3%	15.5%	14.5%	16.7%	-38.9%	-27.3%
San Jose	\$ 250,000	\$ 282,125	226	598	539	72	99.3%	-23.5%	-15.6%	-11.4%	-11.8%	9.3%
Santa Clara	\$ 422,500	\$ 439,083	24	89	74	93	99.3%	4.3%	6.4%	-4.0%	34.8%	42.3%
Saratoga	\$ 555,500	\$ 616,833	3	5	9	90	98.1%	28.7%	11.7%	-25.0%	150.0%	-57.1%
Sunnyvale	\$ 428,000	\$ 437,152	24	40	72	90	98.2%	-17.8%	-13.2%	-35.1%	-14.9%	-5.3%

### 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.

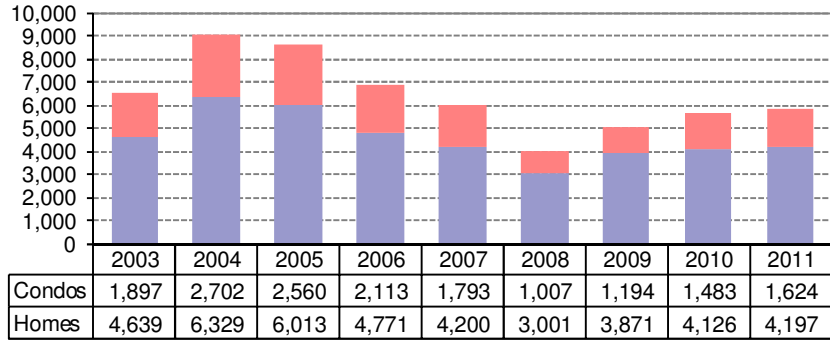
#### Pend

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 Sales Year-to-Date



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### THE REAL ESTATE REPORT Santa Clara County



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