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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Underwater Mortgage Holders Get Help

The Home Affordable Refinance Program, or HARP, is being revamped.

It was originally aimed at a housing market that had an estimated 5 million struggling homeowners. Unfortunately, HARP's original terms and limits were so restrictive that the program, to date, has reached fewer than 900,000 mortgage holders. The major restriction eliminated any homeowner whose existing mortgage represented more than 125% of the loan-to-value of their home.

The revamping of HARP will let borrowers whose mortgages are backed by Fannie Mae and Freddie Mac refinance those underwater mortgages, presumably no matter how far their home's value has fallen. In fact, current loan-to-value ratio on the existing mortgage must be greater than 80 percent.

And, mortgage holders can't double-dip; that is, if they already have an earlier HARP loan, they can't get another at the even better rate of 4%. The new terms also eliminate the need for yet another property appraisal in calculating LTV, and the program's end date has been extended.

The plan, announced last week still has certain eligibility limits. For example, your mortgage has to

be a Fannie Mae or Freddie Mac instrument, owned or guaranteed by one agency or the other, and you must not have missed any payments in the last six months (since April 24, at present), or have more than one missed payment over the last year.

The FHFA, or Federal Housing Finance Agency, which currently controls Fannie, Freddie, and 12 other Federal Home Loan Banks – located in Atlanta, Boston, Chicago, Cincinnati, Dallas, Des Moines, Indianapolis, New York, Pittsburgh, San Francisco, Seattle and Topeka - is expected to announce the final program parameters by November 15.

This is a much needed expansion of the program. Unfortunately, there are over ten million homeowners underwater and this new HARP will only be available to 10% of them.

MARKET STATISTICS

Sale of single-family, re-sale homes fell 4.9% in October from September, but were up 2.4% year-over-year. Year-to-date, home sales are up 0.5%.

Trends at a Glance (Single-family Homes)			
	Oct 11	Sep 11	Oct 10
Median Price:	\$ 550,000	\$ 570,000	\$ 639,000
Average Price:	\$ 715,689	\$ 718,707	\$ 816,345
Home Sales:	799	840	780
Pending Sales:	2,054	1,829	2,163
Inventory:	2,014	2,154	2,684
Sale/List Price Ratio:	99.3%	99.0%	99.0%
Days on Market:	59	52	54

Condo sales were up 3.8% from September and up 12.5% year-over-year. Year-to-date, condo sales are up 11.1%.

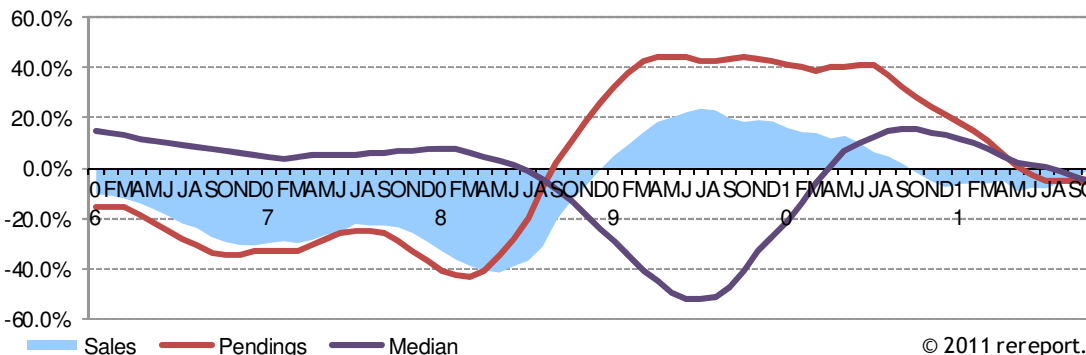
The median price for homes was down 13.9% year-over-year. This is the twelfth month in a row the median price for homes has been lower than the year before.

The median price for condos was off 4.1% compared to last October.

Inventory of both homes and condos continues to be weak. Home inventory was down 25% compared to last October: 2,014 homes actively listed. Condo inventory was down 44.2% 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.

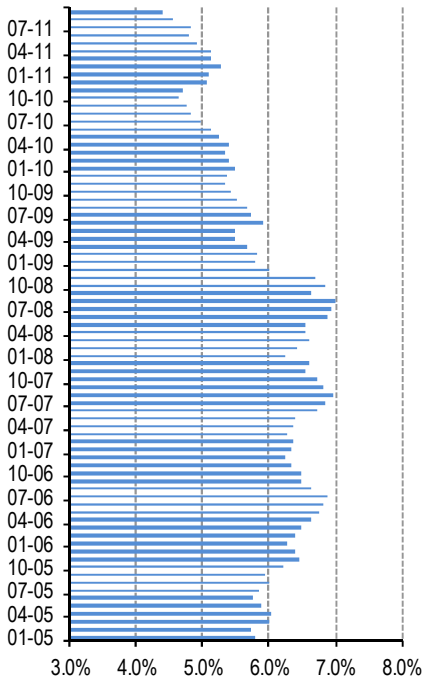
Santa Clara County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Nov. 4, 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 eased by nine basis points (0.09%) from last week, slipping up to an average 4.36%, the lowest reading in a month's time. The FRMI's 15-year companion closed the week with an eight basis point decline to 3.66%. Important to homebuyers and low-equity-stake refinancers, 30-year FHA-backed mortgages shed seven hundredths of a percentage point to land a 3.93%, a new record low, while the overall average for 5/1 Hybrid ARMs dropped by five basis points to 3.11%.

While news about the economy continues to suggest we will avoid falling into a new recession, there's not much to suggest that a strong breakout of growth is imminent, either, and the slow economic slog continues, if at perhaps a better pace. No one knows this better than the Federal Reserve, which noted in the release which signaled the close of their two-day meeting this week that "economic growth strengthened somewhat in the third quarter" but "recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated."

The Fed also released its latest set of economic projections, and marked down the paths for GDP growth and unemployment while increasing their projections for inflation for 2012 and beyond. None of this was particularly good news, but did underscore the Fed's recent decision to hold short-term interest rates at low levels at least through mid-2013 as it would appear the economy may need the additional support should the Fed's expectations turn into reality.

Of course, there's nothing that says these forecasts will come true. Previous ones predicting a more rosy economy by now never materialized, and just as the old ones were wrong to the upside, perhaps these new ones will be wrong to the downside, too.

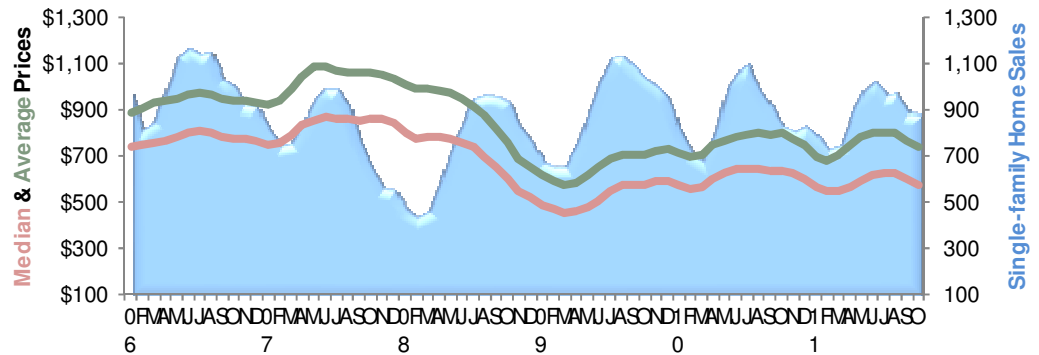
Opportunities to finance or refinance remain strong, and if you are so inclined, you might do well to get your loan in process before month's end, when at least a minor crush of refinancing is to be expected due to the expansion of the HARP program.

The slight slip in rates this week will probably hold for next week, unless a spate of optimism for a Greek deal comes to market. Figure on a couple basis point move upward at most.

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.

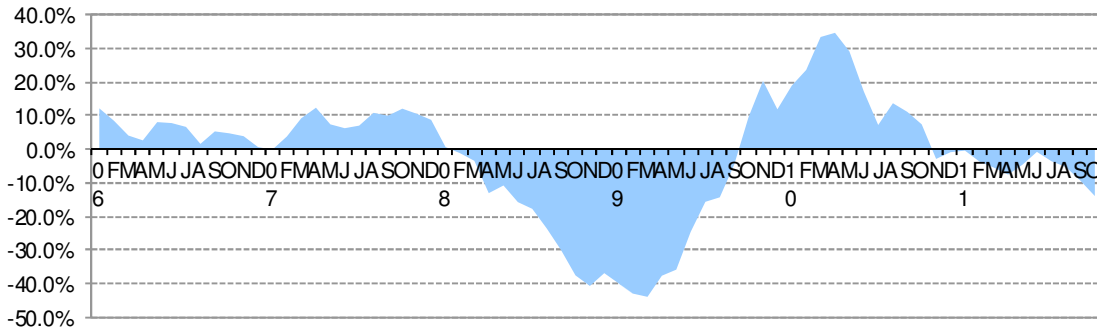
Santa Clara County Homes - Prices & Sales

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



Santa Clara County - October 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	\$ 550,000	\$ 715,689	799	2,054	2,014	76	99.3%	-13.9%	-12.3%	2.4%	-5.0%	-25.0%
Campbell	\$ 676,100	\$ 693,848	22	37	44	60	98.3%	-7.7%	-8.2%	120.0%	-14.0%	-20.0%
Cupertino	\$ 1,057,500	\$ 1,065,400	26	36	51	59	100.0%	-8.8%	-12.0%	-16.1%	-14.3%	-17.7%
Gilroy	\$ 393,500	\$ 406,177	45	151	124	83	98.3%	-0.6%	-4.1%	28.6%	15.3%	-5.3%
Los Altos	\$ 1,753,500	\$ 1,797,770	26	35	49	57	100.3%	0.9%	-7.3%	-23.5%	0.0%	-12.5%
Los Altos Hills	\$ 1,950,000	\$ 2,934,200	5	9	47	282	97.6%	-9.3%	-2.6%	-37.5%	-30.8%	-16.1%
Los Gatos	\$ 1,160,000	\$ 1,458,140	23	55	95	124	96.5%	7.4%	11.7%	-28.1%	22.2%	-32.6%
Milpitas	\$ 455,500	\$ 467,997	20	70	62	93	100.1%	-11.0%	-14.5%	-25.9%	6.1%	10.7%
Monte Sereno	\$ 1,723,000	\$ 1,723,000	2	2	9	135	99.6%	-9.2%	-9.7%	-66.7%	-50.0%	-55.0%
Morgan Hill	\$ 480,000	\$ 545,924	26	100	130	150	97.1%	-10.4%	-4.9%	-3.7%	25.0%	1.6%
Mountain View	\$ 1,007,500	\$ 1,013,240	14	27	41	88	103.1%	10.8%	1.2%	-46.2%	-15.6%	-19.6%
Palo Alto	\$ 1,400,000	\$ 1,455,640	23	33	47	61	101.8%	-5.4%	-4.9%	-45.2%	-36.5%	-37.3%
San Jose	\$ 485,000	\$ 563,842	453	1,297	995	66	99.6%	-6.3%	-1.4%	11.0%	-5.2%	-30.1%
Santa Clara	\$ 532,500	\$ 576,497	49	77	75	46	98.1%	-10.1%	-4.1%	36.1%	-9.4%	-34.8%
Saratoga	\$ 1,376,250	\$ 1,430,280	16	31	111	208	97.2%	18.3%	-1.9%	-30.4%	-6.1%	-9.8%
Sunnyvale	\$ 710,000	\$ 701,353	43	72	60	42	99.6%	-5.1%	0.2%	53.6%	-26.5%	-43.9%

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 7.4% in September from August, and they were down 3.7% from last September.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, fell 25.5% from August, and were down 28.7% year-over-year.

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 August, cancellations were down 10.3% year-over-year, but up 2.2% from August.

Properties going back to the bank declined in September by 49% compared to last September. They were down 24.9% from August.

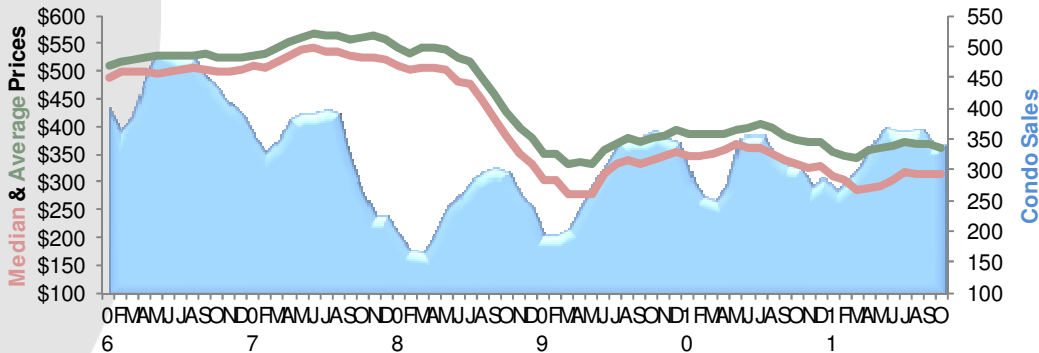
The total number of homes that have had a notice of default filed decreased by 8.1% year-over-year.

The total number of homes scheduled for sale declined by 20.2% year-over-year.

The total number of homes owned by the bank was down 12.5% year-over-year.

Santa Clara County Condos- Prices & Sales

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



Santa Clara County - October 2011

Condos/Townhomes		% Change from Year Before										
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 316,500	\$ 354,069	324	881	632	59	98.7%	-4.1%	-7.6%	12.5%	12.4%	-44.2%
Campbell	\$ 400,000	\$ 407,600	10	30	29	87	97.3%	-18.7%	-16.4%	0.0%	66.7%	-19.4%
Cupertino	\$ 810,000	\$ 722,000	5	11	12	72	99.9%	28.2%	10.4%	66.7%	-31.3%	-36.8%
Gilroy	\$ 272,000	\$ 272,000	1	5	6	180	97.5%	49.0%	60.3%	-75.0%	-50.0%	50.0%
Los Altos	\$ 793,000	\$ 776,000	4	5	5	38	99.1%	-1.5%	-14.4%	0.0%	66.7%	-76.2%
Los Gatos	\$ 617,500	\$ 659,150	10	12	42	126	98.1%	17.5%	23.2%	66.7%	100.0%	-4.5%
Milpitas	\$ 315,000	\$ 272,556	9	44	20	67	98.0%	-7.4%	-20.2%	-30.8%	10.0%	-54.5%
Morgan Hill	\$ 220,000	\$ 233,543	9	22	6	20	99.1%	-34.2%	-27.0%	-25.0%	15.8%	-45.5%
Mountain View	\$ 420,000	\$ 442,918	18	45	42	70	98.2%	-23.6%	-15.1%	-21.7%	7.1%	-52.3%
Palo Alto	\$ 691,500	\$ 651,750	12	8	21	53	98.4%	6.6%	-5.8%	-14.3%	-46.7%	-44.7%
San Jose	\$ 260,000	\$ 281,690	201	588	375	56	98.8%	0.0%	-7.7%	21.8%	10.9%	-42.3%
Santa Clara	\$ 367,500	\$ 397,270	22	52	26	35	97.7%	-6.4%	-3.6%	37.5%	-8.8%	-65.3%
Saratoga	\$ 876,000	\$ 953,667	3	5	8	80	98.1%	65.9%	80.6%	50.0%	150.0%	-46.7%
Sunnyvale	\$ 393,944	\$ 424,787	20	54	40	60	99.6%	-30.0%	-15.7%	25.0%	107.7%	-54.0%

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

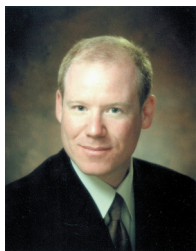
Property under contract to sell that hasn't closed escrow.

Inven

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

THE REAL ESTATE REPORT

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Santa Clara County Sales Year-to-Date

