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# The Real Estate Report

## local market trends

### SANTA CLARA COUNTY

## Santa Clara County Market in a Frenzy

Low inventory and high demand are pushing the local real estate market to the extreme with buyers waiving contingencies, property inspections and even appraisals.

The last few months of multiple offers has forced the sales price to list price ratio for single-family, re-sale homes up to 100.6%, a level we haven't seen since May 2010.

Prices have followed with the average home price now at it's highest level since July 2008.

The high end of the market, however that is defined in a particular city, is on fire. The low end of the market is being driven by investors with cash and is also totally out of whack. The middle market, the move-up market is soft because the entry-level homeowners are still underwater.

What's next?

That's hard to tell because inventory is incredibly low. Home inventory is at its lowest point since December 2004. We don't see that changing much in the near future for several reasons.

First, there is not a lot of new home building going on, which is necessary to relieve the pressure.

Second, many existing homeowners aren't going anywhere. If they have good jobs here, where would they go?

Lastly, forget about phantom inventory. As of March, the banks owned 1,757 properties in the county. That number includes homes AND condos. There are currently 1,552 homes AND condos actively listed for sale.

Even if the banks put all their inventory on the market, it's only five weeks worth!

We're stuck with this market for at least the next year.

### APRIL MARKET STATISTICS

As was to be expected, the largest price increases for single-family, re-sale homes were in Los Altos, up 19.7% year-over-year, Palo Alto, up 22.8%, Morgan Hill, up 17.2%, and Mountain View, up 10.6%. These are the median prices.

Even more telling is the sales price to list price ratios. Palo Alto weighs in at 108.6%. Mountain View and Cupertino were at 104%. Los Altos was 103.4%. The county as a whole was at 100.3%. Even San Jose was at 100%.

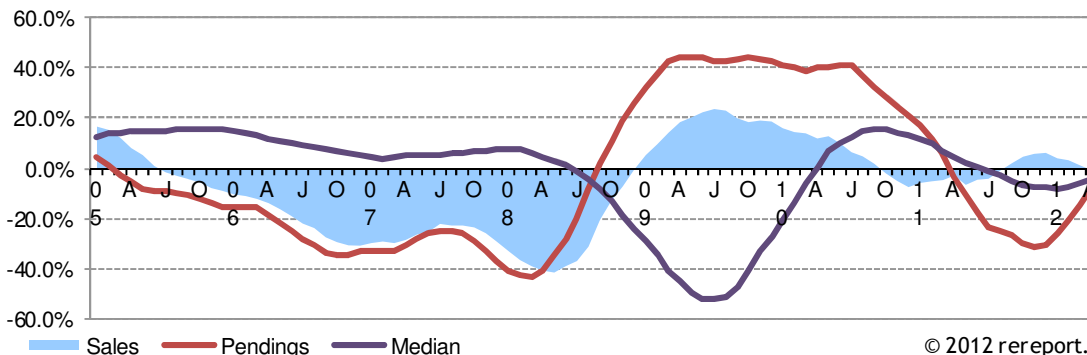
Trends at a Glance (Single-family Homes)			
	Apr 12	Mar 12	Apr 11
Median Price:	\$ 645,000	\$ 579,950	\$ 576,500
Average Price:	\$ 844,804	\$ 794,177	\$ 780,372
Home Sales:	1,023	962	1,064
Pending Sales:	2,086	2,144	1,582
Inventory:	1,221	1,288	1,921
Sale/List Price Ratio:	100.6%	100.3%	99.3%
Days on Market:	45	55	60
Days of Inventory:	35	40	52

Home sales were down 3.9% year-over-year, and that's not a function of low demand! Home sales have been lower than the year before for the past five months.

The condo side of things isn't much different. Inventory is at its lowest level since January 2005. The median price for condos was up 22.6% compared to last April. The sales price to list price ratio was 100.9%.

This is an extraordinarily tough market for buyers. It's important to be calm and realistic. If you don't know what to do or where to begin, give me a call and let's discuss your situation and your options.

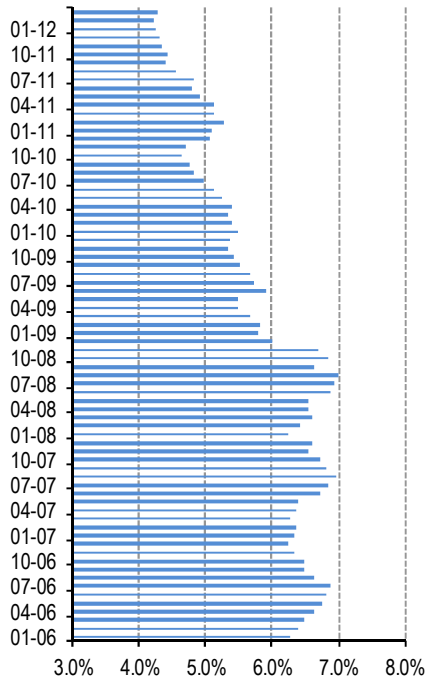
**Santa Clara County Homes: Sales Momentum**



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## Mortgage Rate Outlook

### 30-Year Fixed Mortgage Rates



May 4, 2012 -- Mortgage rates eased downward this week to again land at new record lows. After a hopeful late winter and early spring, the economic data began to point to a lower trajectory for growth, and that's where we find ourselves at the moment. Troubles in overseas economies continues to show, while inflation has leveled for the moment. These ingredients are the recipe for lower interest rates in general, as investors look for places to park cash away from uncertain stock markets. Once you mix in a Federal Reserve still accumulating long-term Treasuries and mortgages, you've got everything you need for rock-bottom mortgage rates.

It would be better if more borrowers could take advantage of them, though.

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 two basis points (0.02%) for the week, and at 4.15%, now stands at a new record low, the third record-setting week of 2012. The FRMI's 15-year companion also shed two basis points (.02%), slipping to a new record low of 3.39%. Important to homebuyers and low-equity-stake refinancees, already-low FHA-backed 30-year mortgages dropped by another single basis point to 3.79%, a fresh low-water mark, while the overall average for 5/1 Hybrid ARMs was unchanged, holding at an average 2.97% for the survey period, its lowest level ever.

In a special question, the Fed asked lenders to compare their willingness to make a mortgage to borrowers in 2006 and 2012 using similar FICO and LTV standards. It what has been painfully obvious to even a casual observer of the mortgage market, lenders are much less willing to lend now compared to then. The reasons are widespread, but include trouble getting mortgage insurance for borrowers, the GSEs requiring buybacks on failed loans, unclear regulations, weak home prices and more. To a degree, all of these issues rely on the other to be solved, and given the thorny issues involved, it may be some time before that happens.

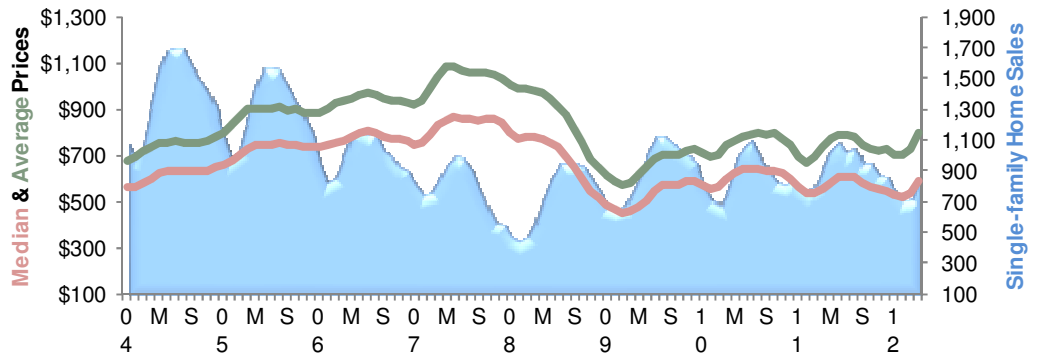
That's a shame, since making it somewhat easier to get a mortgage loan would tend to foster demand, firming home prices. If prices start to rise, losses on failed loans would slow, which might allow some leeway on buybacks. Fewer failing loans would see mortgage insurers in better fiscal straits, allowing them to ease rigid rules. If the market starts to function better all around, regulators might be less tempted to make drastic changes, and new regulations might come sooner rather than later, easing the anxiety of over-regulation which has hung over the market for several years now.

It goes without saying that a functioning housing market would revive the economy in a number of ways. Presently, it's not the only facet of the economy which isn't firing on all cylinders, but it is a sizable one.

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.

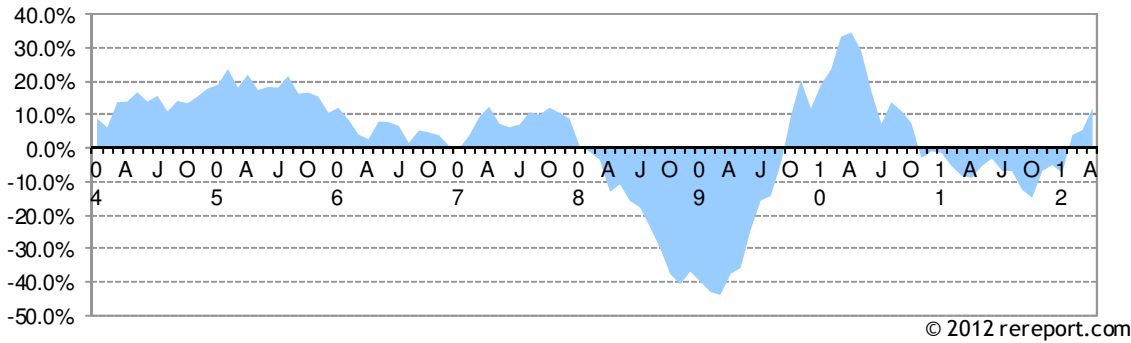
### Santa Clara County Homes - Prices & Sales

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



Santa Clara County - April 2012												
Single-Family Homes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 645,000	\$ 844,804	1,023	2,086	1,221	35	100.6%	11.9%	8.3%	-3.9%	31.9%	-36.4%
Campbell	\$ 700,000	\$ 702,166	31	42	28	26	99.9%	11.1%	-0.1%	29.2%	5.0%	-52.5%
Cupertino	\$ 1,225,000	\$ 1,267,610	39	48	32	24	104.0%	0.4%	0.4%	5.4%	23.1%	-45.8%
Gilroy	\$ 363,500	\$ 410,790	62	125	81	38	99.8%	-3.1%	-11.3%	12.7%	-15.5%	-33.6%
Los Altos	\$ 1,950,000	\$ 2,109,900	31	36	42	39	103.4%	19.7%	15.7%	72.2%	28.6%	-33.3%
Los Altos Hills	\$ 3,400,000	\$ 3,181,860	7	11	45	186	97.8%	40.2%	3.5%	-36.4%	10.0%	-16.7%
Los Gatos	\$ 1,350,000	\$ 1,431,940	39	54	78	58	99.6%	0.4%	-3.2%	30.0%	3.8%	-34.5%
Milpitas	\$ 496,000	\$ 546,403	24	75	34	41	101.4%	-6.4%	-5.1%	0.0%	0.0%	-33.3%
Monte Sereno	\$ 1,415,000	\$ 2,039,000	5	1	9	52	95.0%	n/a	n/a	n/a	n/a	n/a
Morgan Hill	\$ 565,500	\$ 570,375	40	100	86	62	98.6%	17.2%	-1.5%	0.0%	2.0%	-36.3%
Mountain View	\$ 1,051,000	\$ 1,085,750	29	29	18	18	104.0%	10.6%	12.2%	-12.1%	7.4%	-53.8%
Palo Alto	\$ 2,025,500	\$ 2,096,390	36	43	48	39	108.6%	22.8%	16.0%	-39.0%	-20.4%	-14.3%
San Jose	\$ 535,000	\$ 600,399	523	1,287	526	29	100.0%	10.3%	10.5%	-2.4%	-2.4%	-56.2%
Santa Clara	\$ 550,000	\$ 573,731	51	75	32	18	100.6%	-7.7%	-3.6%	37.8%	8.7%	-72.4%
Saratoga	\$ 1,750,000	\$ 1,800,900	43	44	67	45	98.1%	21.2%	8.7%	34.4%	18.9%	-44.6%
Sunnyvale	\$ 840,000	\$ 793,305	54	76	38	20	101.9%	-5.6%	-5.4%	-1.8%	-9.5%	-63.1%

## 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 rose 13% in March from February, but they were down 37.6% from March 2011.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, dropped 30.2% from February, and were off 33.5% year-over-year.

After the filing of a Notice of Trustee Sale, there are 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.

In March, cancellations were off 25.9% year-over-year, and down 14.1% from February.

Properties going back to the bank slumped 38.3% in March from February. Year-over-year, they were down 69.6%.

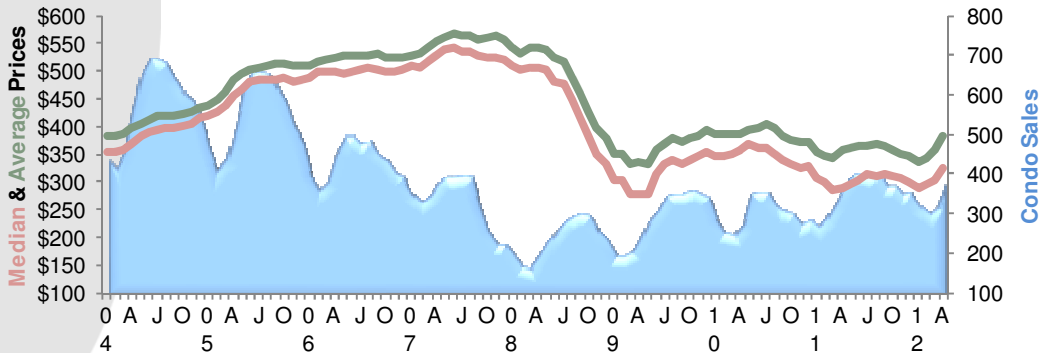
The total number of properties that have had a notice of default filed decreased by 25% year-over-year.

The total number of properties scheduled for sale declined by 22.7% year-over-year.

The total number of properties owned by banks was down 21.3% year-over-year to about 1,757.

## Santa Clara County Condos- Prices & Sales

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



### Santa Clara County - April 2012

Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 347,500	\$ 395,751	389	802	331	25	100.9%	22.6%	9.9%	4.6%	-7.1%	-74.4%
Campbell	\$ 342,000	\$ 343,423	13	26	7	16	98.3%	-18.4%	-18.1%	62.5%	13.0%	-80.0%
Cupertino	\$ 564,000	\$ 628,500	8	14	7	25	100.5%	-2.5%	3.4%	-20.0%	40.0%	-63.2%
Gilroy	\$ 227,500	\$ 203,500	4	8	1	7	100.8%	-6.0%	-15.9%	100.0%	14.3%	-75.0%
Los Altos	\$ 690,500	\$ 707,167	6	2	4	19	102.0%	-15.4%	-21.9%	-33.3%	0.0%	-50.0%
Los Gatos	\$ 616,000	\$ 596,557	11	21	11	29	98.1%	-13.8%	-22.4%	120.0%	40.0%	-66.7%
Milpitas	\$ 315,000	\$ 310,974	19	35	11	17	99.9%	8.6%	0.9%	26.7%	-20.5%	-67.6%
Morgan Hill	\$ 312,500	\$ 318,983	6	16	12	58	98.7%	10.4%	11.9%	50.0%	-15.8%	-20.0%
Mountain View	\$ 654,000	\$ 602,638	30	46	15	15	104.1%	32.1%	26.3%	57.9%	-4.2%	-71.7%
Palo Alto	\$ 898,000	\$ 938,857	14	8	13	27	101.4%	11.8%	19.7%	-6.7%	-52.9%	-55.2%
San Jose	\$ 280,000	\$ 312,633	217	521	209	28	100.6%	16.7%	13.5%	1.9%	-10.9%	-62.1%
Santa Clara	\$ 322,000	\$ 324,469	29	62	19	19	102.3%	20.4%	15.1%	81.3%	-22.5%	-76.5%
Saratoga	\$ 755,360	\$ 675,430	4	5	6	44	102.5%	n/a	n/a	n/a	n/a	n/a
Sunnyvale	\$ 498,500	\$ 494,197	28	38	16	17	101.1%	-2.3%	0.4%	40.0%	-11.6%	-75.0%

### 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

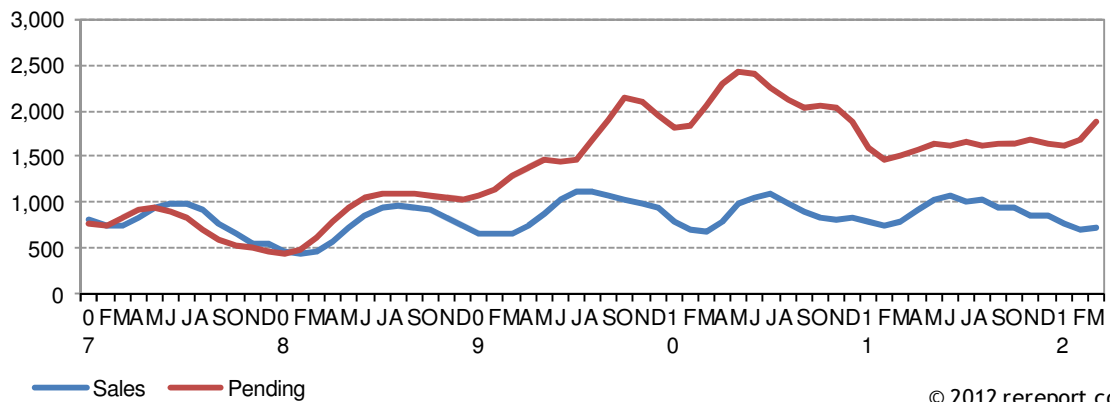
Santa Clara County



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**Santa Clara County Homes:** Pending & Existing Home Sales  
(3-month moving average)



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