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## The Real Estate Report

### Home Prices Pop, Pending Sales Surge Continues

The median sales price for single-family, re-sale homes in August jumped 17.6% compared to last year. The average sales price was up 17.1% year-over-year.

The sales price to list price ratio went from 101.7% to 102.4%.

Pending sales were up 43.7% year-over-year.

Sales of single-family, re-sale homes fell 13.3% in August compared to July. Home sales were down 0.8% compared to last August. There were 857 homes sold in Santa Clara County last month. Last August there were 864 homes sold. The average since 2000 is 987.

Year-to-date, home sales are down 14.9%.

Inventory of single-family, re-sale homes was down 37% compared to last year. That is the twelfth month in a row inventory has been lower than the year before. As of September 5th, there were 900 homes for sale in Santa Clara County. The average since January 2000 is 2,703.

Days of Inventory, or how long it would take to sell all homes listed for sale at the current rate of sales, rose five days to 32 days compared to July. The average since 2003 is 89.

It took only twenty-four days to sell a home last month. That is the time from when a home is listed for sale to when it goes into contract.

The median sales price for condos was down 1.5% from last August. The average sales price gained 1.2% year-over-year.

Condo sales were down 12.2% year-over-year. There were 288 condos sold in August.

Year-to-date, condo sales are down 15.1%.

The sales price to list price ratio stayed at 100.6%.

Condo inventory dropped 20.6% from last August.

As of September 5th, there were 594 condos for sale in Santa Clara County. The average since January 2000 is 757.

Days of inventory rose to sixty-two from forty-nine.

It took an average of twenty-eight days to sell a condo last month.

If you are planning on selling your property, call me for a free comparative market analysis.

**VISIT**

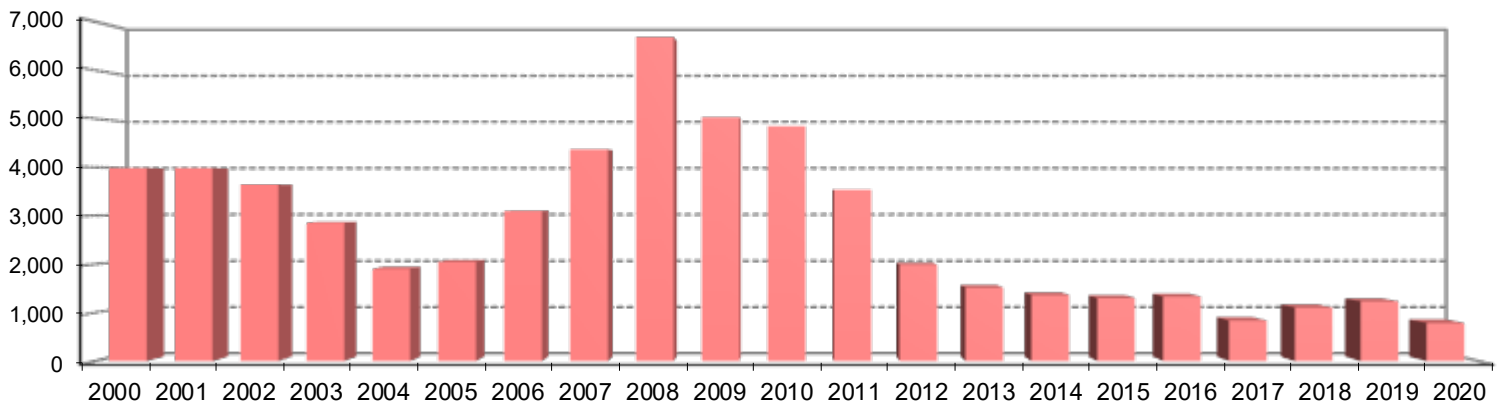
<http://obrien.rereport.com>

Search for recent sales & listings in your neighborhood, or in the neighborhood where you are considering buying.

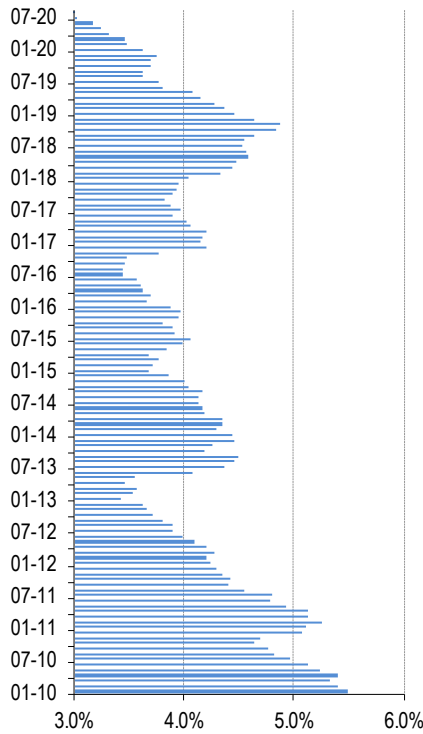
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**Santa Clara County**

Average Active Listings SFR YTD



30-Year Fixed Mortgage Rates



The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by <http://www.freddiemac.com/>.

# Fed Changes Its Stance; Refi Fees Later

August 28, 2020 -- After several years reviewing and considering how it shapes monetary policy, the Fed this week formally abandoned a rigid inflation target in favor of an average level of inflation over time. For a long stretch of years, the Fed used an implicit inflation target, and starting in 2012 an explicit inflation target, where it would not allow core Personal Consumption Expenditure (PCE) inflation to surpass the two percent mark.

The central bank's change in thinking encompasses two related components. To start, the Fed will no longer look to start raising interest rates simply because unemployment falls below some arbitrary level. For a long while, it was thought that unemployment below 5% would foster inflation... then 4.5%... then 4%... and the reality is that the Fed simply doesn't know what level might cause inflation, and so will stop preemptively raising the federal funds target rate to counter anticipated inflation, as it did back in 2015 through 2018. At the time, unemployment was about 5%; as it continued to decrease, the Fed began to accelerate its pace of rate increases, which slowed economic growth to a crawl by the end of 2018. Even then, the labor

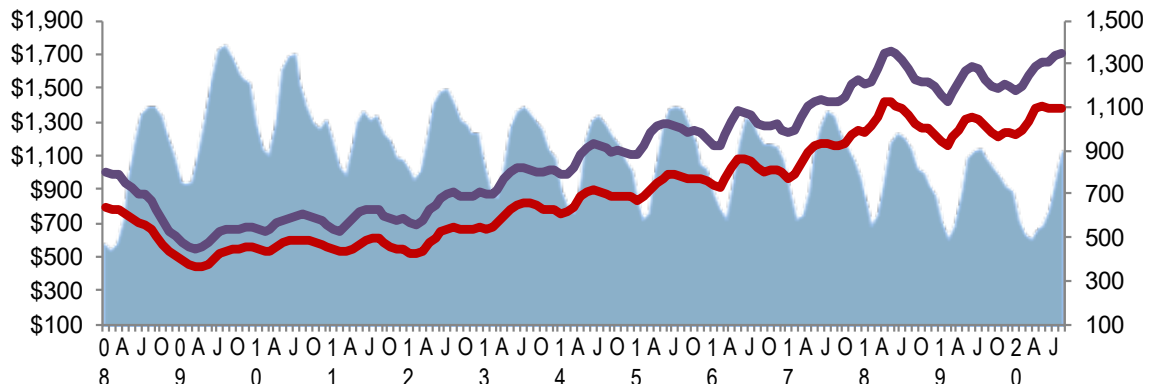
market remained very strong, and inflation still remained at bay.

So, the change in this component of policy essentially puts to bed the Phillips Curve model, and markets will no longer start to expect higher interest rates even if unemployment returns to 50 year lows or more at some point. With this in place, the Fed is less likely to tighten rates even in good economic times, and supports its mandate for "full employment".

The other component means a bit more for mortgages. The Fed will no longer target a specific inflation rate, but rather an average rate of inflation over some unknown time period. Following periods where inflation has run below its preferred 2% level, it will allow inflation to run above 2% for some length of time as a counterbalance. What's not clear yet (and may not be clear) is exactly how much higher inflation might be allowed to run, and for how long, before the Fed would feel compelled to act. For example, would three quarters of core PCE at 1.75% be allowed to be countered by three quarters at 2.25%? Alternately, is this tempered by the trajectory for inflation, with a quarter at 2.1%, then one at 2.5% a policy-triggering

(Continued on page 4)

## Santa Clara County Homes - Median & Average Prices & Sales (3-month moving average—prices in \$000's)



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Santa Clara County - August 2020												
Single-Family Homes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'
SCC	\$ 1,400,000	\$ 1,696,620	857	1,046	900	32	102.4%	17.6%	17.1%	-0.8%	43.7%	-37.0%
Campbell	\$ 1,450,000	\$ 1,605,140	21	32	17	24	102.8%	5.1%	6.8%	-27.6%	88.2%	-62.2%
Cupertino	\$ 2,300,000	\$ 2,298,680	21	20	29	41	102.5%	2.7%	-0.8%	31.3%	42.9%	16.0%
Gilroy	\$ 825,000	\$ 911,164	61	75	43	21	101.1%	2.5%	5.6%	19.6%	-1.3%	-51.7%
Los Altos	\$ 3,281,880	\$ 3,525,650	32	26	41	38	100.3%	0.4%	1.2%	33.3%	-10.3%	28.1%
Los Altos Hills	\$ 4,235,000	\$ 4,696,410	8	9	24	90	98.0%	15.2%	27.8%	300.0%	28.6%	9.1%
Los Gatos	\$ 2,190,500	\$ 2,390,960	48	61	84	53	100.9%	18.2%	15.4%	71.4%	64.9%	-21.5%
Milpitas	\$ 1,180,000	\$ 1,197,820	21	30	21	30	102.6%	7.3%	6.1%	-38.2%	87.5%	-38.2%
Monte Sereno	\$ 4,245,000	\$ 4,242,500	8	5	8	30	97.6%	41.5%	58.7%	60.0%	0.0%	-33.3%
Morgan Hill	\$ 1,190,000	\$ 1,198,270	57	64	39	21	101.9%	15.2%	7.4%	21.3%	36.2%	-52.4%
Mountain View	\$ 2,450,000	\$ 2,445,050	24	34	27	34	101.5%	21.7%	17.8%	-11.1%	54.5%	22.7%
Palo Alto	\$ 2,900,000	\$ 3,090,790	29	39	68	70	100.1%	-3.3%	-8.2%	26.1%	44.4%	17.2%
San Jose	\$ 1,250,000	\$ 1,334,330	411	524	392	29	103.0%	19.0%	15.4%	-10.5%	18.0%	-33.3%
Santa Clara	\$ 1,482,500	\$ 1,518,780	46	60	48	31	104.6%	14.0%	10.9%	7.0%	13.2%	-4.0%
Saratoga	\$ 2,675,000	\$ 2,736,470	27	26	32	36	103.2%	0.6%	-2.7%	0.0%	-7.1%	-39.6%
Sunnyvale	\$ 1,850,000	\$ 1,908,000	43	46	42	29	102.9%	2.8%	8.6%	0.0%	35.3%	0.0%

# Market Statistics

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## Trends at a Glance

(Single-family Homes)

	Aug 20	Month %	Jul 20	Year %	Aug 19
Median Price:	\$1,400,000	1.8%	\$1,375,000	17.6%	\$1,190,000
Average Price:	\$1,696,620	-1.8%	\$1,728,390	17.1%	\$1,448,830
Home Sales:	857	-13.3%	988	-0.8%	864
Pending Sales:	1,046	-1.2%	1,059	43.7%	728
Active Listings:	900	3.1%	873	-37.0%	1,428
Sale/List Price Ratio:	102.4%	0.7%	101.7%	1.9%	100.4%
Days on Market:	24	-11.7%	27	-23.1%	31
Days of Inventory:	32	18.9%	27	-36.5%	50

(Condominiums)

	Aug 20	Month %	Jul 20	Year %	Aug 19
Median Price:	\$827,500	-0.3%	\$830,000	-1.5%	\$840,000
Average Price:	\$899,047	-0.9%	\$907,388	1.2%	\$888,602
Home Sales:	288	-17.5%	349	-12.2%	328
Pending Sales:	419	16.7%	359	46.5%	286
Active Listings:	594	3.8%	572	-20.6%	748
Sale/List Price Ratio:	100.6%	0.0%	100.6%	0.7%	99.9%
Days on Market:	28	-9.8%	31	-14.8%	33
Days of Inventory:	62	25.8%	49	-9.6%	68

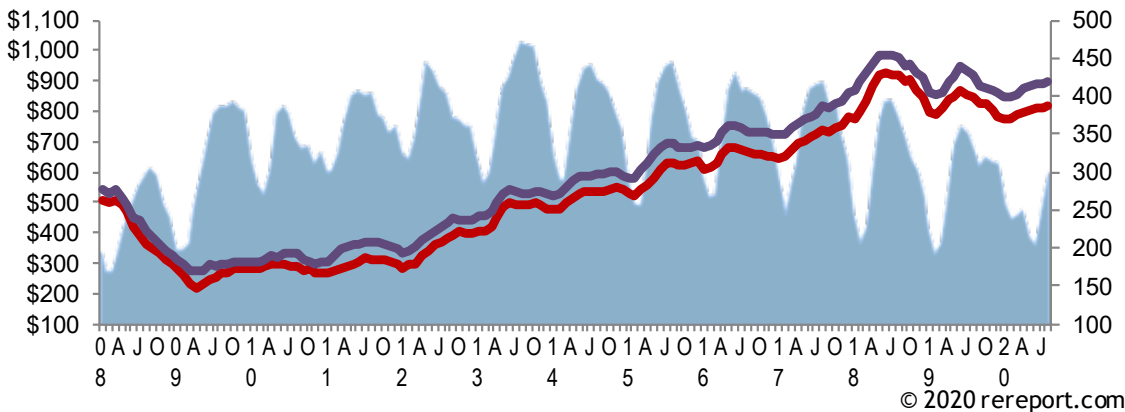
If your property is listed with a real estate broker, please disregard. It is not our intention to solicit the offerings of other real estate brokers. We are happy to work with them and cooperate fully.

Based on information from MLS Listings, Inc. Due to MLS reporting and allowable reporting policy, this data is only informational and may not be completely accurate. Therefore, we do not guarantee the data accuracy.

Data maintained by the MLS may not reflect all real estate activity in the market.

## Santa Clara County Condos - Median & Average Prices & Sales

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



### 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 - August 2020

Condominiums								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'
SCC	\$ 827,500	\$ 899,047	288	419	594	62	100.6%	-1.5%	1.2%	-12.2%	46.5%	-20.6%
Campbell	\$ 825,000	\$ 951,300	10	15	24	72	101.5%	9.8%	8.2%	-36.4%	9.1%	400.0%
Cupertino	\$ 1,293,500	\$ 1,271,620	8	6	19	71	99.8%	-6.3%	-9.0%	-50.0%	-63.6%	350.0%
Gilroy	\$ 430,000	\$ 461,250	4	4	5	38	102.9%	15.9%	-13.4%	25.0%	133.3%	100.0%
Los Altos	\$ 1,540,000	\$ 1,455,580	5	5	15	90	97.5%	-27.4%	-18.0%	300.0%	100.0%	-66.7%
Los Gatos	\$ 1,350,000	\$ 1,346,790	7	9	16	69	97.3%	19.6%	15.7%	-22.2%	0.0%	16.7%
Milpitas	\$ 781,250	\$ 804,606	16	24	23	43	101.1%	-22.3%	-5.2%	28.6%	-34.5%	291.7%
Morgan Hill	\$ 731,000	\$ 725,513	16	20	11	21	100.8%	-13.5%	1.3%	-25.0%	9.1%	500.0%
Mountain View	\$ 1,238,000	\$ 1,208,430	14	26	51	109	101.5%	-6.4%	-2.7%	-48.3%	88.0%	154.5%
Palo Alto	\$ 1,340,000	\$ 1,461,670	3	11	22	220	100.8%	-43.9%	-5.1%	-50.0%	40.0%	250.0%
San Jose	\$ 745,000	\$ 752,802	155	238	283	55	100.6%	2.8%	1.7%	-13.4%	22.1%	-20.9%
Santa Clara	\$ 1,056,000	\$ 1,061,540	24	30	75	94	101.4%	3.1%	9.5%	-34.6%	33.3%	344.4%
Saratoga	\$ 1,064,000	\$ 1,064,000	2	3	4	60	99.2%	-100.0%	-25.6%	50.0%	0.0%	100.0%
Sunnyvale	\$ 1,365,000	\$ 1,277,830	23	28	46	60	100.3%	-5.5%	22.4%	-11.1%	14.8%	211.1%



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*(Continued from page 2)*

event? The Fed has provided no guidance in this way but may have to at some point, else it may risk a sudden policy adjustment for which the markets are unprepared. Of course, this "how long above target" isn't much of a problem today; getting core PCE inflation reliably back up to 2% (let alone beyond) has proven elusive and so this is more of a tomorrow's problem than today's.

But it does have implications for mortgage rates, or at least will eventually, when the Fed is no longer involved in the mortgage market directly, buying up MBS and long-dated Treasuries. When investors again drive rates in the marketplace, both current and expected levels of future inflation factor into decisions of what investments will be purchased, and at what required level of return. In this equation, there is a big difference between 1.75% inflation and 2.25% inflation, and if inflation will be tolerated by the Fed at higher levels, the compensation (yield) to the investor must also be higher to achieve an acceptable or desired "real" rate of return. Higher required yields on mortgage bonds ultimately mean higher mortgage rates for consumers.

Also of import to mortgage borrowers this week was the FHFA's decision not to implement it's new 0.5% fee on refinancing until December 1,

three months later than announced just a couple of weeks ago. Although detailing an expected \$6 billion hit for Fannie Mae and Freddie due to CARES Act forbearance costs, the FHFA nonetheless bowed to considerable industry and political pressure to hold off. The GSE regulator also took into account the impact on low and moderate-income borrowers hoping to refinance, and exempted loans below \$125,000 from the fee altogether.

Last week, we saw that homebuilding continued a strong post-shutdown resurgence, and learned that the nation's homebuilders were ebullient. This week, we learned more about why they are so happy; sales of newly-constructed homes leapt by 13.9% in July to an annual 901,000 pace, besting forecasts by a wide margin and a returning to a sales pace last seen at the end of 2006. The surge in sales drew down supplies of homes available to buy, which declined to 4 months worth of built and ready to sell stock. At 299,000 actual units available, this is the thinnest stockpiles have been since March 2018 and will likely allow for a strong pace of homebuilding to continue, providing a key bit of support for the economy. As well, and although more expensive to start with than existing homes, prices for new homes were actually 2.7% lower in July than June; coupled with lower mortgage rates during

the month, affordability of new homes was actually improved a bit, too.

Sales of existing homes have also been strong, if tempered by surging prices and a lack of homes available to buy. The National Association of Realtors advance Pending Home Sales Index climbed another 5.9% in July, and so existing home sales should have some upward strength yet to be seen, if perhaps less so than in recent months, as gains have been 44.3% in May, 15.8% in June and now 5.9% in July, a diminishing pattern of activity as we head into the end of summer. That said, if the percentage increase for July over June translates directly into sales for August, we could see existing home sales crack the 6 million mark, something that hasn't happened in close to 15 years.