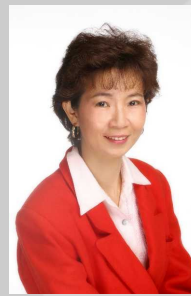


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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Sales Up, Prices Down in 2011

Single-family, re-sales home sales were up 0.5% last year.

Unfortunately, after a nice gain in 2010, prices were down. The median price for homes dropped 5.3% and the average price was off 1%.

Condo sales in the county were up 12.2% over 2010.

The median price for condos dropped 13%.

THE CALIFORNIA ASSOCIATION OF REALTORS® expects the median home price to increase 1.7% in 2012. They forecast sales to increase by 1%.

“2012 will be another transition year for the California housing market, as the continued uncertainty about the U.S. financial system, job growth, and the stability of the overall economy remain in the forefront for all market participants,” said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. “An improvement in job growth, consumer spending, and corresponding gains in housing are essential to a broader recovery in the economy, but would-be buyers will remain cautious as they weigh these myriad uncertainties against the clear opportunities

presented by today’s very affordable housing market.

“The most likely scenario is for the modest recovery to continue, and this should push sales up slightly next year by 1 percent and maintain levels that are significantly higher than those recorded during the depths of the housing downturn.

“The wild cards for 2012 are many, including federal, fiscal, monetary, and housing policies; the contentious political climate during an election year; and the strength of the U.S. economic recovery,” said Appleton-Young.

DECEMBER MARKET STATISTICS

Sale of single-family, re-sale homes ended the year on a high note, up 8% in December from November. Year-over-year, home sales were off 3.6%.

Condo sales were up 10.5% from November, and were up 12.5% year-over-year.

The median price for homes was down 4.5% year-over-year. This is the fourteenth month in a row the median price for homes has been lower than the year before.

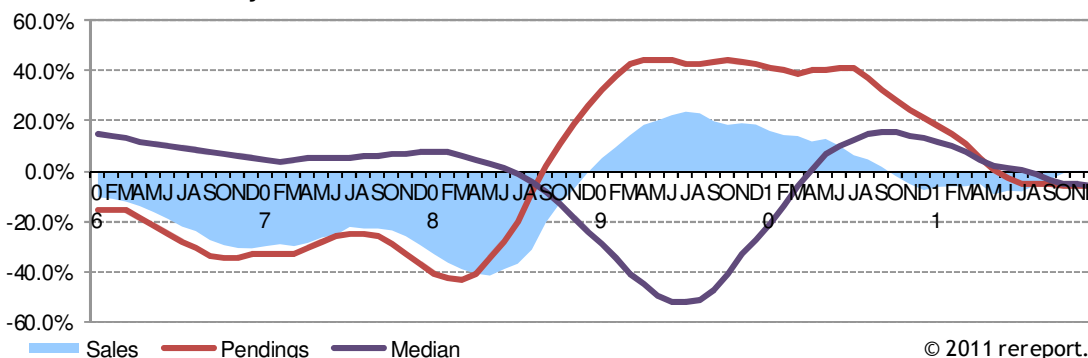
Trends at a Glance (Single-family Homes)			
	Dec 11	Nov 11	Dec 10
Median Price:	\$ 535,000	\$ 559,500	\$ 560,000
Average Price:	\$ 722,631	\$ 753,848	\$ 693,064
Home Sales:	868	804	900
Pending Sales:	1,452	1,898	1,513
Inventory:	1,415	1,789	1,978
Sale/List Price Ratio:	98.7%	99.0%	98.5%
Days on Market:	63	59	61
Days of Inventory:	49	65	66

The median price for condos was off 11.3% compared to last December.

Inventory of both homes and condos continues to be weak, which should be good for prices. Home inventory was down 28.5% compared to last December: 1,452 homes actively listed. Condo inventory was down 48.2% 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



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.

Jan. 6, 2012 -- Out with the old year, in with the new. After several months of improving economic reports, optimism appears to be growing for the moment that the new year will bring steadily improving economic growth. There will no doubt be challenges both expected and unexpected as 2012 progresses, and probably, some beneficial surprises as well.

Will the housing market be one of them? Could be. Sales of existing homes are nudging higher, builders are building again (at least multifamily stock) and mortgage rates, well, mortgage rates really don't get any lower than they are at the moment and are starting 2012 at approximately 60-year lows. That said, better economic news, should it persist, will tend to bump rates higher as we go.

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 slid by three basis points (.03%) from last week, easing to an average 4.26%, while the FRMI's 15-year companion lost four basis points (.05%) to finish the weekly survey at an average 3.56%. Important to homebuyers and low-equity-stake refiners, FHA-backed 30-year mortgages retreated by four hundredths of a percentage point to

3.89%, while the overall average for 5/1 Hybrid ARMs erased three basis points to end at 3.07%. All the averages are within a basis point or so of record lows.

Mortgage rates are at favorable levels, and it would take monumental economic change for better or worse to move them in either direction very much. At the moment, the warmer economic climate here is providing some much-needed distraction from the troubles in Europe, but those issues continue to influence the markets.

Will the good news continue? More clarity should come next week with the release of Retail Sales data for December, consumer borrowing, initial January consumer sentiment readings and a few other indicators. Look for little change in mortgage rates next week, perhaps a couple of basis point upward movement at most.

Santa Clara County Homes - Prices & Sales

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



Santa Clara County - December 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	\$ 535,000	\$ 722,631	868	1,452	1,415	49	98.7%		-4.5%	4.3%	-3.6%	-4.0%	-28.5%
Campbell	\$ 620,000	\$ 639,421	19	32	40	63	99.1%		-7.8%	-16.9%	-13.6%	28.0%	8.1%
Cupertino	\$ 982,500	\$ 1,085,210	24	12	23	29	96.4%		-9.2%	-0.7%	-7.7%	-42.9%	-37.8%
Gilroy	\$ 347,000	\$ 399,254	55	113	92	50	99.6%		-16.1%	-13.8%	-1.8%	0.0%	-25.8%
Los Altos	\$ 1,800,000	\$ 1,911,080	27	11	28	31	98.2%		16.5%	17.3%	3.8%	-31.3%	16.7%
Los Altos Hills	\$ 2,175,000	\$ 2,447,220	9	5	27	90	92.5%		-7.6%	6.3%	12.5%	-16.7%	-30.8%
Los Gatos	\$ 1,130,000	\$ 1,418,560	25	32	71	85	95.6%		13.0%	17.9%	-19.4%	-17.9%	-18.4%
Milpitas	\$ 452,500	\$ 546,860	30	68	44	44	98.7%		-10.4%	-4.9%	7.1%	41.7%	-8.3%
Monte Sereno	\$ 1,962,500	\$ 1,962,500	2	4	6	90	97.3%		40.2%	40.2%	100.0%	33.3%	-45.5%
Morgan Hill	\$ 536,638	\$ 629,949	38	58	101	80	97.7%		0.0%	12.8%	18.8%	23.4%	-22.9%
Mountain View	\$ 977,500	\$ 975,654	26	18	22	25	100.4%		10.2%	9.7%	-3.7%	20.0%	-24.1%
Palo Alto	\$ 1,480,000	\$ 1,936,250	19	21	19	30	102.6%		6.5%	31.4%	-40.6%	5.0%	-53.7%
San Jose	\$ 475,000	\$ 526,780	492	914	718	44	99.2%		-1.0%	-2.1%	-2.6%	-10.0%	-33.9%
Santa Clara	\$ 613,000	\$ 625,158	32	66	59	55	97.3%		-2.1%	-0.7%	-27.3%	24.5%	-31.4%
Saratoga	\$ 1,593,000	\$ 1,653,850	22	28	68	93	96.5%		22.5%	29.1%	120.0%	40.0%	6.3%
Sunnyvale	\$ 773,000	\$ 767,767	38	54	40	32	98.4%		3.1%	12.1%	-5.0%	14.9%	-48.7%

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 18.6% in November from October, and they were down 13.3% from last November.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, jumped 17.5% from October, but were down 14% 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 November, cancellations were down 7.5% year-over-year, but up 1.7% from October.

Properties going back to the bank fell 31.4% in November from October. Year-over-year, they were down 35.7%.

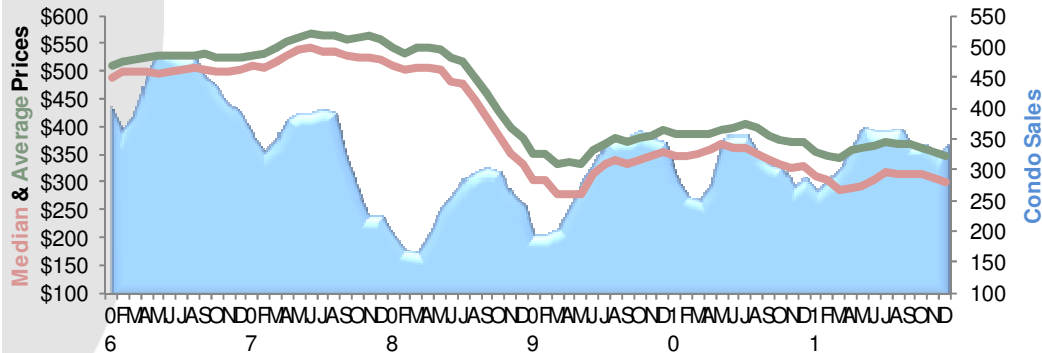
The total number of homes that have had a notice of default filed decreased by 18.7% year-over-year.

The total number of homes scheduled for sale declined by 22.5% year-over-year.

The total number of homes owned by banks was down 15.5% year-over-year.

Santa Clara County Condos- Prices & Sales

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



Santa Clara County - December 2011

Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 297,000	\$ 345,224	368	674	493	40	99.4%	-11.3%	-6.8%	12.5%	12.1%	-48.2%
Campbell	\$ 335,000	\$ 364,633	15	19	24	48	98.4%	-17.3%	-12.8%	66.7%	58.3%	-38.5%
Cupertino	\$ 595,000	\$ 634,333	9	5	7	23	100.4%	-9.4%	-1.8%	-25.0%	-44.4%	-22.2%
Gilroy	\$ 150,000	\$ 150,000	2	7	6	90	98.5%	-24.6%	-12.5%	-33.3%	-12.5%	-33.3%
Los Altos	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a
Los Gatos	\$ 520,000	\$ 560,944	9	16	28	93	97.4%	0.0%	13.7%	0.0%	220.0%	-17.6%
Milpitas	\$ 207,500	\$ 267,594	16	36	14	26	98.5%	-40.2%	-17.5%	-11.1%	38.5%	-63.2%
Morgan Hill	\$ 230,000	\$ 215,143	7	11	10	43	97.6%	-23.3%	-28.2%	40.0%	-21.4%	-16.7%
Mountain View	\$ 460,000	\$ 504,091	19	28	36	57	98.6%	-13.3%	-3.2%	-20.8%	47.4%	-32.1%
Palo Alto	\$ 825,000	\$ 855,577	13	5	7	16	99.4%	8.3%	13.4%	30.0%	-44.4%	-70.8%
San Jose	\$ 253,000	\$ 282,298	242	460	284	35	99.6%	-4.5%	-3.5%	28.7%	9.8%	-51.2%
Santa Clara	\$ 320,000	\$ 355,176	19	42	31	49	100.0%	-1.5%	4.4%	-17.4%	2.4%	-56.3%
Saratoga	\$ 632,500	\$ 669,500	4	4	5	38	97.6%	1.9%	9.8%	-20.0%	100.0%	-50.0%
Sunnyvale	\$ 450,000	\$ 483,471	13	37	36	83	99.9%	2.5%	9.1%	-18.8%	5.7%	-40.0%

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 Sales Year-to-Date

