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# The Real Estate Report

## local market trends

SANTA CLARA COUNTY

### Facebook IPO to Goose Market

The Facebook IPO is expected to mint about 1,000 new millionaires, most of whom live in apartments or small houses in Silicon Valley.

Shares are expected to start trading sometime this spring. SEC rules prohibit employees to sell shares until six months after the shares start trading.

So, expect home buying to pick up in the fall.

If you are a seller, you may want to wait until then.

If you are a buyer, you may want to buy before then.

ABC News spoke of rumors that speculators were buying property near Facebook's headquarters, hoping to flip it later.

While Facebook is the elephant in the room, LinkedIn went public last May and vested employees were able to sell their stock at the end of November.

Zynga is another local company that went public last year, December. Their employees can start selling stock the end of May.

### JANUARY MARKET STATISTICS

Sale of single-family, re-sale homes started the year in a slump. The 556 sales were the lowest monthly total since February 2008. Home sales were down 35.9% from December. Year-over-year, home sales were off 13.1%.

Condo sales were off 38.3% from December, but were up 1.8% year-over-year.

The median price for homes was down 8.5% year-over-year. This is the fifteenth month in a row the median price for homes has been lower than the year before.

The median price for condos was up 1.8% compared to last January.

Inventory of both homes and condos continues to be weak. Home inventory was down 31.1% compared to last January: 1,382 homes actively listed. Condo inventory was down 46.2% year-over-year.

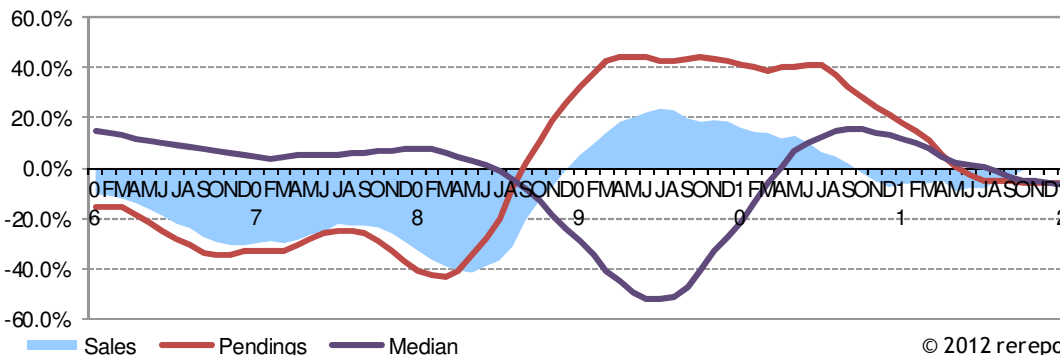
Pending sales of homes rose slightly from December, but were off 6.8% year-over-year.

| Trends at a Glance<br>(Single-family Homes) |            |            |            |
|---|------------|------------|------------|
|   | Jan 12     | Dec 11     | Jan 11     |
| Median Price:                               | \$ 485,000 | \$ 535,000 | \$ 530,000 |
| Average Price:                              | \$ 652,127 | \$ 722,631 | \$ 660,977 |
| Home Sales:                                 | 556        | 868        | 640        |
| Pending Sales:                              | 1,597      | 1,452      | 1,713      |
| Inventory:                                  | 1,382      | 1,415      | 2,007      |
| Sale/List Price Ratio:                      | 99.0%      | 98.7%      | 98.8%      |
| Days on Market:                             | 65         | 63         | 66         |
| Days of Inventory:                          | 75         | 49         | 94         |

Condo pending sales were up 1.8% 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.

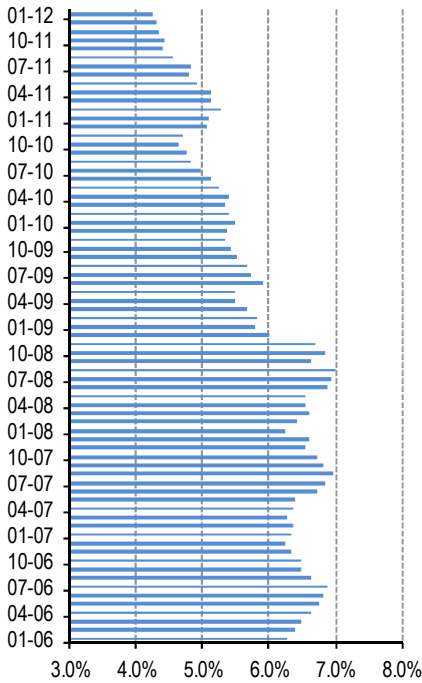
**Santa Clara County Homes: Sales Momentum**



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## Mortgage Rate Outlook

### 30-Year Fixed Mortgage Rates



Feb. 3, 2012 -- Expectations for a continuing period of weak economic growth continue to be confounded by stronger economic data. A flare higher in rates last week -- fostered by that warmer data -- was cut off at the knees by softer-than-expected fourth quarter GDP growth and a Federal Reserve who not only moved their expectations of increasing interest rates further down the road, but also increased expectations that more mortgage or bond-buying programs might come in 2012.

While weaker growth may yet emerge, whether from deepening troubles in the Eurozone or some yet-unseen issue, the fact is that the economy is showing signs of increasing expansion, at least for the moment. Certain of the interest rates which mortgages track moved measurably higher on Friday, with the 10-year Treasury finishing the week well above the week's low.

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 declined by ten basis points (.10%) from last week, sliding to an average 4.18%, a new record low. The FRMI's 15-year companion shed nine basis points (.09%) to finish the weekly survey

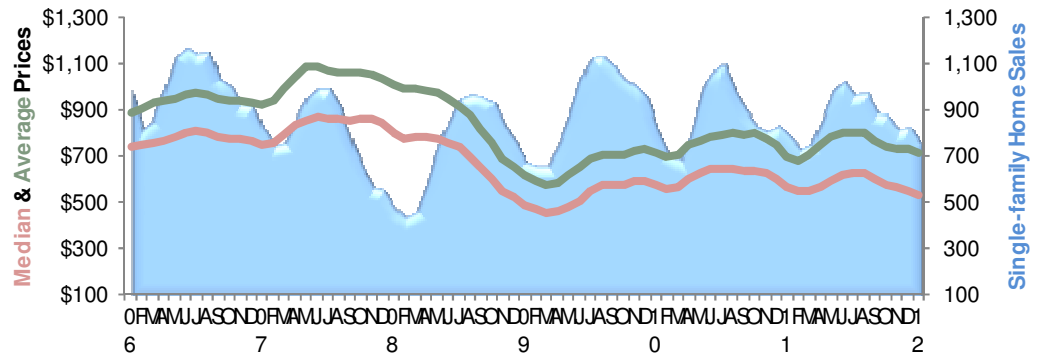
at an average 3.46%, also a new bottom. Important to homebuyers and low-equity-stake refinancers, FHA-backed 30-year mortgages declined by just three hundredths of a percentage point to 3.84%, while the overall average for 5/1 Hybrid ARMs decreased by seven basis points to crack the 3% mark and end the week at 2.99%. Conforming 30-year FRMs matched their previous low of 4.01%, but jumbo 30-year FRMs marched into new record low territory with an eleven basis point drop to 4.49%.

We expect to see mortgage rates rise a little next week. The better economic tenor this week (especially the ISM service and employment reports on Friday) pulled money out of bonds and into stocks, as safe-haven funds seek some opportunity for better gains. Figure on a rise of 4-5 basis points, perhaps.

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.

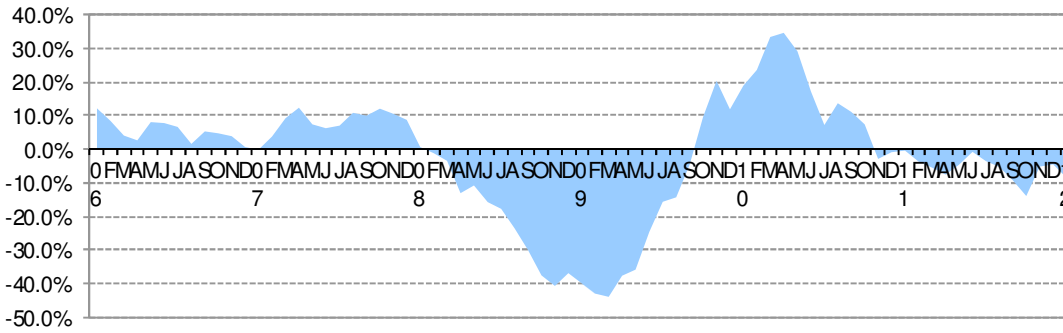
### Santa Clara County Homes - Prices & Sales

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



| Santa Clara County - January 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                            | \$ 485,000   | \$ 652,127   | 556   | 1,597 | 1,382 | 75  | 99.0%  | -8.5%                     | -1.3%  | -13.1% | -6.8%  | -31.1% |
| Campbell                          | \$ 691,000   | \$ 715,676   | 17    | 35    | 29    | 51  | 98.2%  | 3.3%                      | -6.5%  | 0.0%   | 25.0%  | -38.3% |
| Cupertino                         | \$ 1,179,000 | \$ 1,187,060 | 7     | 20    | 16    | 69  | 94.6%  | 6.3%                      | 9.8%   | -41.7% | -31.0% | -51.5% |
| Gilroy                            | \$ 362,500   | \$ 431,214   | 42    | 123   | 78    | 56  | 100.3% | -13.0%                    | -3.4%  | 23.5%  | 12.8%  | -41.4% |
| Los Altos                         | \$ 1,170,000 | \$ 1,984,290 | 7     | 15    | 32    | 137 | 97.4%  | -19.3%                    | 35.5%  | -22.2% | -16.7% | -15.8% |
| Los Altos Hills                   | \$ 1,950,000 | \$ 1,950,000 | 1     | 8     | 24    | 720 | 88.8%  | -29.7%                    | -44.6% | -75.0% | 33.3%  | -41.5% |
| Los Gatos                         | \$ 1,129,500 | \$ 1,188,830 | 12    | 24    | 64    | 160 | 95.7%  | 5.3%                      | 1.3%   | -60.0% | -31.4% | -40.2% |
| Milpitas                          | \$ 570,000   | \$ 558,759   | 15    | 79    | 31    | 62  | 96.9%  | 30.4%                     | 18.0%  | -16.7% | 49.1%  | -35.4% |
| Monte Sereno                      | \$ 1,650,000 | \$ 1,798,330 | 3     | 1     | 6     | 60  | 99.4%  | 20.0%                     | 30.8%  | 200.0% | -83.3% | -45.5% |
| Morgan Hill                       | \$ 445,000   | \$ 507,063   | 19    | 74    | 94    | 148 | 97.2%  | 4.7%                      | 0.1%   | 0.0%   | 10.4%  | -28.8% |
| Mountain View                     | \$ 853,750   | \$ 954,812   | 8     | 29    | 27    | 101 | 95.5%  | -4.9%                     | -7.5%  | -27.3% | 61.1%  | -15.6% |
| Palo Alto                         | \$ 1,515,000 | \$ 1,705,410 | 18    | 22    | 28    | 47  | 106.4% | 24.2%                     | 30.3%  | 12.5%  | -21.4% | -30.0% |
| San Jose                          | \$ 437,000   | \$ 509,371   | 343   | 998   | 732   | 64  | 99.3%  | -5.4%                     | -2.3%  | -11.8% | -12.6% | -30.9% |
| Santa Clara                       | \$ 520,000   | \$ 583,858   | 24    | 59    | 60    | 75  | 98.7%  | -5.5%                     | 2.9%   | -11.1% | -3.3%  | -34.8% |
| Saratoga                          | \$ 1,280,000 | \$ 1,808,450 | 14    | 34    | 57    | 122 | 97.6%  | -14.7%                    | 7.8%   | 7.7%   | 30.8%  | -16.2% |
| Sunnyvale                         | \$ 704,750   | \$ 711,051   | 22    | 53    | 49    | 67  | 98.6%  | -9.6%                     | -1.6%  | -31.3% | -10.2% | -31.0% |

## 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 35.5% in December from November, and they were down 38% from December 2010.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, jumped 21.4% from November, but were down 15.3% 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 December, cancellations were up 6.8% year-over-year, but down 2.4% from November.

Properties going back to the bank fell 19.1% in December from November. Year-over-year, they were down 34.9%.

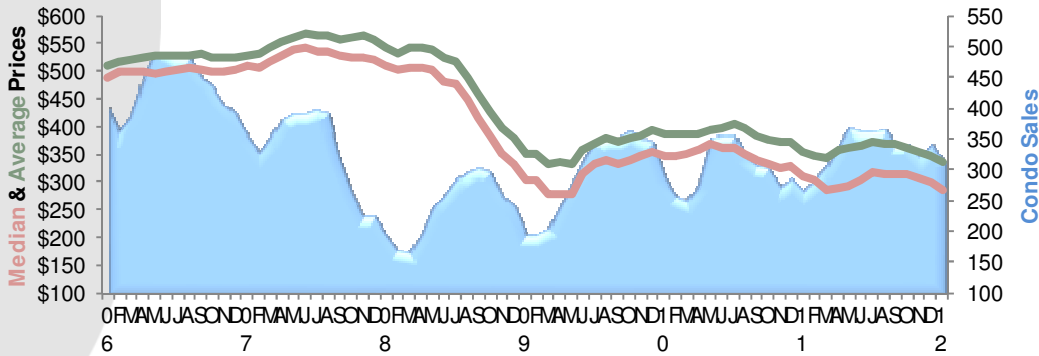
The total number of homes that have had a notice of default filed decreased by 21.6% year-over-year.

The total number of homes scheduled for sale declined by 24.2% year-over-year.

The total number of homes owned by banks was down 14.7% year-over-year.

## Santa Clara County Condos- Prices & Sales

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



### Santa Clara County - January 2012

| Condos/Townhomes |            |            |       |      |       |     |        |        | % Change from Year Before |        |        |        |  |
|------------------|------------|------------|-------|------|-------|-----|--------|--------|---------------------------|--------|--------|--------|--|
| Prices           |            |            |       |      |       |     |        | Prices |                           |        |        |        |  |
| Cities           | Median     | Average    | Sales | Pend | Inven | DOI | SP/LP  | Med    | Ave                       | Sales  | Pend2  | Inven  |  |
| County           | \$ 279,900 | \$ 323,757 | 227   | 800  | 514   | 68  | 99.4%  | 1.8%   | -0.7%                     | 1.8%   | 1.9%   | -46.2% |  |
| Campbell         | \$ 290,000 | \$ 310,267 | 9     | 21   | 21    | 70  | 99.4%  | -49.7% | -39.6%                    | 200.0% | 31.3%  | -48.8% |  |
| Cupertino        | \$ 563,000 | \$ 547,750 | 4     | 6    | 8     | 60  | 98.2%  | -25.7% | -24.0%                    | 33.3%  | -68.4% | -52.9% |  |
| Gilroy           | \$ 230,000 | \$ 224,967 | 3     | 7    | 9     | 90  | 106.3% | 27.5%  | 24.7%                     | 50.0%  | -12.5% | 28.6%  |  |
| Los Altos        | \$ 772,500 | \$ 839,167 | 3     | 4    | 7     | 70  | 98.0%  | -6.4%  | 1.7%                      | 50.0%  | 33.3%  | -12.5% |  |
| Los Gatos        | \$ 338,000 | \$ 358,800 | 5     | 14   | 21    | 126 | 99.0%  | -34.4% | -38.9%                    | 66.7%  | 27.3%  | -40.0% |  |
| Milpitas         | \$ 205,000 | \$ 267,145 | 11    | 39   | 20    | 55  | 98.1%  | -11.6% | 8.2%                      | 37.5%  | -17.0% | -51.2% |  |
| Morgan Hill      | \$ 236,500 | \$ 242,472 | 4     | 12   | 9     | 68  | 99.3%  | 4.2%   | 3.3%                      | -33.3% | -14.3% | -30.8% |  |
| Mountain View    | \$ 405,000 | \$ 442,308 | 13    | 46   | 25    | 58  | 98.3%  | -15.4% | -7.9%                     | 44.4%  | 64.3%  | -56.9% |  |
| Palo Alto        | \$ 785,800 | \$ 795,400 | 4     | 6    | 15    | 113 | 98.0%  | 38.3%  | 25.4%                     | -20.0% | -60.0% | -25.0% |  |
| San Jose         | \$ 250,000 | \$ 269,172 | 134   | 540  | 302   | 68  | 99.4%  | 13.6%  | 1.2%                      | -8.8%  | 1.3%   | -46.4% |  |
| Santa Clara      | \$ 295,000 | \$ 323,026 | 19    | 55   | 36    | 57  | 100.5% | 14.3%  | 8.3%                      | 280.0% | 5.8%   | -56.6% |  |
| Saratoga         | \$ 520,800 | \$ 463,267 | 3     | 2    | 6     | 60  | 97.3%  | 9.8%   | -2.4%                     | 50.0%  | 0.0%   | 0.0%   |  |
| Sunnyvale        | \$ 514,351 | \$ 472,443 | 15    | 48   | 35    | 70  | 100.1% | 7.0%   | 3.5%                      | -46.4% | 29.7%  | -44.4% |  |

### 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

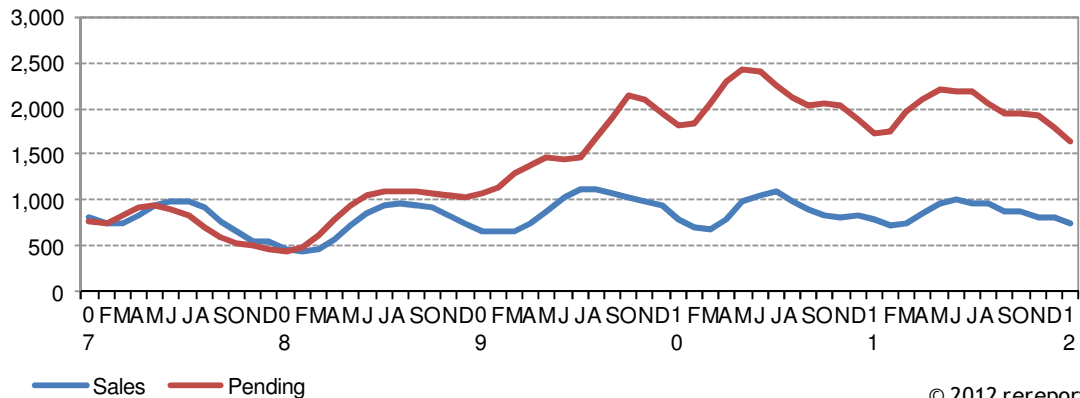
Number of properties actively for sale as of the last day of the month.

# 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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