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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Sales Momentum Continues to Slow

Sales momentum for single-family, re-sale homes in Santa Clara County continued to drop in November: down 5%.

WE CALCULATE...

sales momentum by using a 12-month moving average to eliminate seasonality. By comparing this year's 12-month moving average to last year's, we get a percentage showing market momentum.

PRICING MOMENTUM...

after peaking in September at +16%, has also started to drop, and is now down to +14%.

PENDING MOMENTUM...

while still positive, has also been trending downward. This is due, in large part, to investors leaving the market because of concerns over who actually holds, and can produce, the original mortgage note.

MORE STATISTICS...

The median sales price for single-family, re-sale homes reversed course in November, after gaining 1.8% in October. The median price plummeted 7.7% from October and went below \$600,000 for the first time since February.

After thirteen months in a row of being higher than the year before, the median price was down 2.9% year-over-year.

Inventory of single-family homes continued dropping: down 12.4% from October. Year-over-year, inventory was up for the fifth month in a row: 31.8%.

The sales price to list price ratio continued slipping last month, down another 0.2 of a point to 98.8%. This is the seventh month in a row the ratio has dropped. Since January 2000, the median ratio has been 99.8%, which is incredibly high. A falling ratio also indicates that momentum is faltering.

IN THE CONDO MARKET...

The median price was off 9.9% compared to last November, while the average price was down 5.4%.

Condos sales were down 16.7% year-over-year.

Pending sales, a harbinger of future sales, were down for the fourth month in a row: 10.8%.

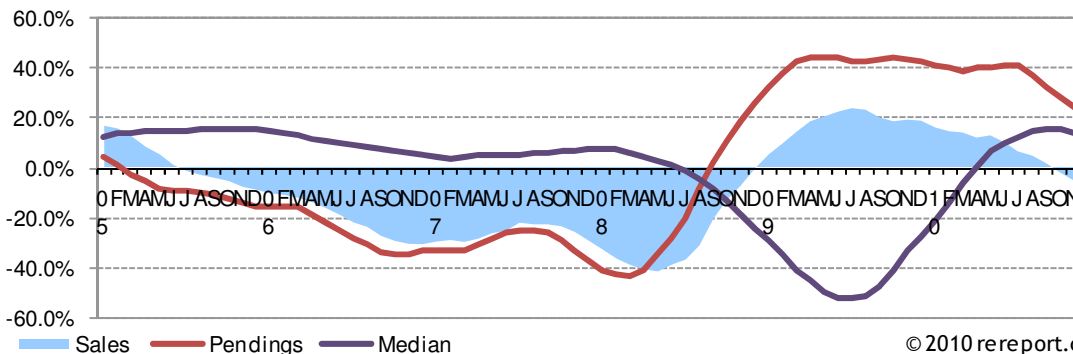
Inventory, on the other hand, increased for the sixth month in a row: up 72.1% year-over-year.

Trends at a Glance			
(Single-family Homes)			
	Nov 10	Oct 10	Nov 09
Median Price:	\$ 590,000	\$ 639,000	\$ 607,500
Average Price:	\$ 727,752	\$ 816,345	\$ 747,734
Home Sales:	809	780	898
Inventory:	2,350	2,684	1,783
Sale/List Price Ratio:	98.8%	99.0%	100.7%
Days on Market:	49	54	51
Days of Inventory:	84	103	58

The sales price to list price ratio for condos was flat at 98.8%.

Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call.

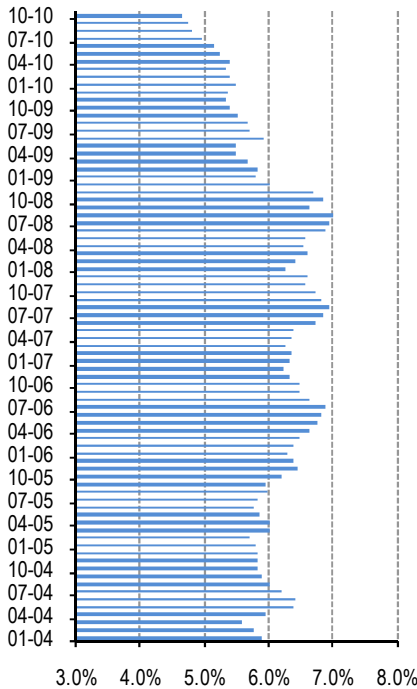
Santa Clara County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Dec. 3 2010 -- Mortgage rates rose again this week, responding to signals of an improving economy. Only a lackluster employment report for November kept them from increasing further.

The 10-year Treasury, a benchmark for fixed-rate mortgages, crested above 3% this week, and has risen nearly a half-percentage point from November's daily low. The yield is the highest since July, and mortgage rates are following right along. Some dreams of low-rate refinancing have come to an end, at least for the moment.

HSH.com's overall mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found the average rate for 30-year fixed-rate mortgages moved eight basis points higher (.08%), ending HSH.com's national survey at 4.86%, its highest value since early August. For low down payment homebuyers or refiners with only a slight equity position, FHA-backed loans are available at an average rate of 4.52%, while the overall average rate for 5/1 Hybrid ARMs rose three basis points to 3.66% for the week. HSH.com's public mortgage interest rate data series include rates for conforming, jumbo, and most recently the GSE's "high-limit" conforming products and so covers much of the mortgage-borrowing public.

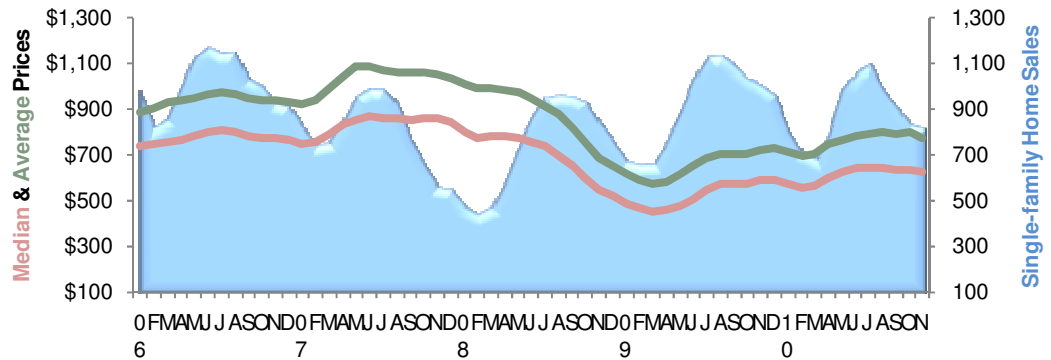
With the increase in rates, it's little surprise that applications for new mortgages have dropped sharply, particularly for refinancing. Given what seems to be the particularly strong interest rate sensitivity of this refinancing boomlet, refinancing activity will probably grind to a halt absent a new decline in rates. Despite the rise, rates remain at very attractive levels, but there simply aren't enough high-rate mortgages which can be successfully refinanced at these rates and in the context of today's tight lending standards.

Still, perspective is important. Home purchases rely far less on rock bottom interest rates and far more on economic improvement, especially income and job growth. Those who wish for lower rates are, in a way, wishing economic misfortune on others. At this stage of the recovery, we should all be cheering even mildly better economic news, even if it does engender somewhat higher rates. Yes, fewer household balance sheets will be improved by refinancing, it's true, but if that comes at the expense of more folks getting jobs, spending money and buying homes sooner rather than later, so be it.

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.

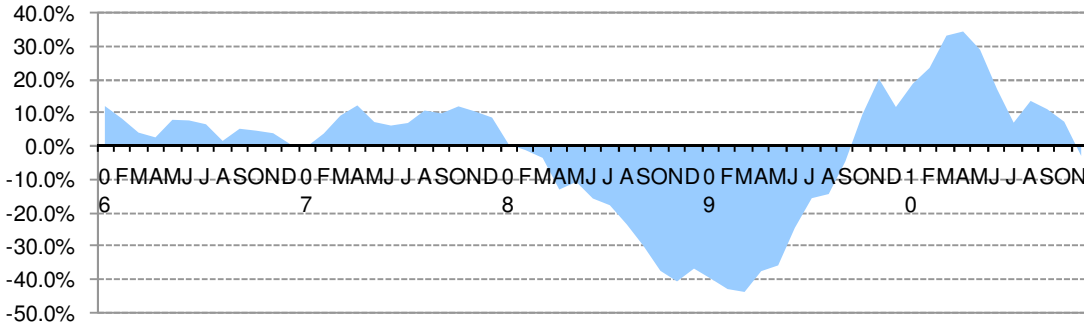
Santa Clara County Homes - Prices & Sales

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



Santa Clara County - November 2010												
Single-Family Homes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 590,000	\$ 727,752	809	1,967	2,350	84	98.8%	-2.9%	-2.7%	-9.9%	-3.2%	31.8%
Campbell	\$ 694,900	\$ 679,676	16	43	45	82	97.2%	6.5%	0.8%	-33.3%	13.2%	-10.0%
Cupertino	\$ 1,072,500	\$ 1,064,800	28	36	49	51	98.5%	-11.2%	-13.7%	0.0%	-2.7%	8.9%
Gilroy	\$ 412,500	\$ 400,388	32	130	125	113	99.8%	1.2%	-16.4%	-27.3%	-6.5%	34.4%
Los Altos	\$ 1,499,000	\$ 1,500,570	21	33	34	47	97.9%	1.5%	-7.3%	-22.2%	6.5%	-22.7%
Los Altos Hills	\$ 2,075,000	\$ 2,165,500	8	12	48	174	96.2%	3.2%	0.9%	0.0%	-14.3%	9.1%
Los Gatos	\$ 1,150,000	\$ 1,299,320	19	48	124	190	94.5%	-15.4%	-8.0%	-38.7%	-4.0%	5.1%
Milpitas	\$ 540,000	\$ 567,196	28	56	51	53	98.8%	23.9%	14.1%	7.7%	-18.8%	15.9%
Monte Sereno	\$ 3,368,750	\$ 3,368,750	2	4	13	189	94.8%	98.3%	98.3%	0.0%	100.0%	-13.3%
Morgan Hill	\$ 629,250	\$ 669,771	24	64	132	160	96.6%	6.7%	16.4%	-17.2%	-31.9%	29.4%
Mountain View	\$ 959,800	\$ 980,873	22	33	34	45	98.4%	5.1%	-1.3%	0.0%	10.0%	-19.0%
Palo Alto	\$ 1,213,750	\$ 1,265,840	48	39	58	35	101.1%	-15.1%	-17.5%	23.1%	-11.4%	-6.5%
San Jose	\$ 489,000	\$ 549,428	432	1,256	1,287	87	99.0%	-5.0%	-1.5%	-15.8%	-3.3%	54.3%
Santa Clara	\$ 596,000	\$ 625,409	47	81	91	56	98.2%	-6.6%	-7.1%	38.2%	12.5%	71.7%
Saratoga	\$ 1,349,000	\$ 1,440,160	23	24	96	121	96.9%	-9.9%	-19.6%	27.8%	20.0%	10.3%
Sunnyvale	\$ 710,500	\$ 707,968	50	71	95	55	100.0%	-5.1%	-4.6%	16.3%	2.9%	41.8%

Santa Clara County Homes: Year-Over-Year Median Price Change



STATISTICS: JOB GROWTH & MIGRATION

Last month we talked about tracking momentum to determine the best times to buy and sell real estate. The statistics used to track momentum are:

1. Existing home sales
2. New home building permits
3. Mortgage loan defaults
4. Foreclosure sales, and
5. Interest rates

DIGGING DEEPER...

into the trends that affect the local real estate market, we have two more statistics to examine.

First, job growth. Job growth is crucial for determining demand in the market. All things considered, if job growth is increasing, then demand for real estate will increase. Yet, the quality of the job growth must be taken into account. If job growth is predominately in-

creasing in the service/retail sector, then demand will increase in the first-time buyers segment of the market.

If job growth is increasing in the technical/professional sector, then demand will increase in the move-up and high-end segments of the market.

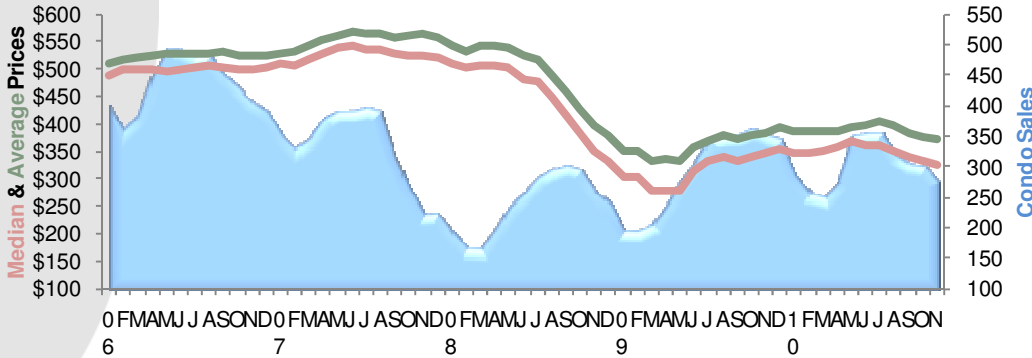
Next, migration. Similar to job growth, a positive in-migration to the local community will spur demand in the real estate market. Again, the quality of that in-migration will determine which segment of the market benefits most.

For a detailed forecast of the Santa Clara County Economy, go to:

http://rereport.com/scc/print/Santa_Clara.pdf.

Santa Clara County Condos- Prices & Sales

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



Santa Clara County - November 2010

Condos/Townhomes		% Change from Year Before										
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 320,000	\$ 366,639	249	760	1,069	125	98.8%	-9.9%	-5.4%	-16.7%	-10.8%	72.1%
Campbell	\$ 427,500	\$ 453,438	8	17	43	156	96.9%	-10.0%	-11.0%	-11.1%	13.3%	168.8%
Cupertino	\$ 750,000	\$ 691,750	8	12	21	76	98.4%	7.1%	0.2%	33.3%	50.0%	-25.0%
Gilroy	\$ 133,000	\$ 133,000	2	8	7	102	98.0%	-28.1%	-28.1%	100.0%	-38.5%	75.0%
Los Altos	\$ 599,100	\$ 596,050	4	5	12	87	95.6%	-25.9%	-20.8%	33.3%	-16.7%	-36.8%
Los Gatos	\$ 559,000	\$ 527,988	8	10	38	138	99.0%	-2.5%	-5.8%	0.0%	-16.7%	-2.6%
Milpitas	\$ 259,500	\$ 280,000	8	37	37	134	98.6%	-2.8%	-21.8%	-11.1%	12.1%	85.0%
Morgan Hill	\$ 237,500	\$ 273,341	7	17	13	54	100.4%	23.7%	30.0%	133.3%	54.5%	8.3%
Mountain View	\$ 517,750	\$ 512,991	22	35	76	100	98.8%	-10.0%	-10.4%	0.0%	-23.9%	94.9%
Palo Alto	\$ 743,000	\$ 786,833	9	15	31	100	97.4%	2.1%	8.0%	12.5%	0.0%	10.7%
San Jose	\$ 250,000	\$ 280,683	147	521	629	124	99.0%	-12.6%	-10.6%	-20.5%	-11.8%	90.0%
Santa Clara	\$ 492,500	\$ 482,250	14	54	74	154	99.2%	29.6%	20.7%	-44.0%	-10.0%	117.6%
Saratoga	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a
Sunnyvale	\$ 407,500	\$ 393,750	12	24	74	179	97.7%	-19.3%	-20.4%	-40.0%	-38.5%	94.7%

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.

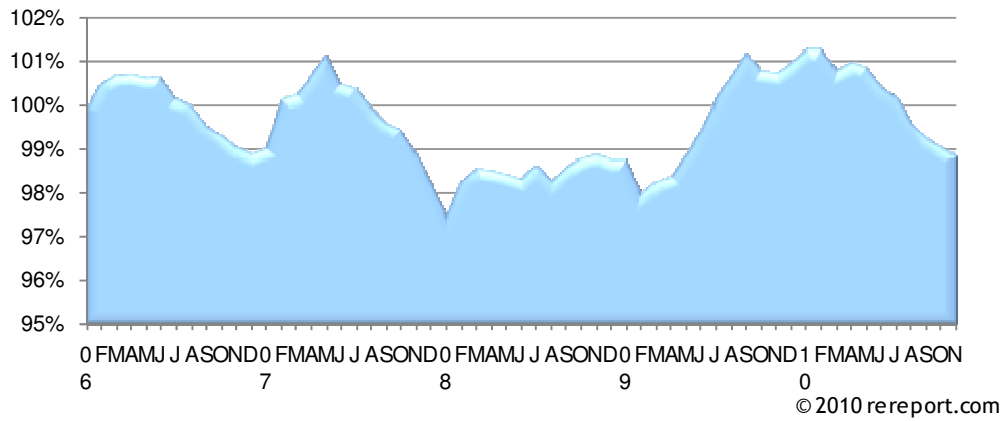
Inven

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

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Santa Clara County Homes: Sales Price/Listing Price Ratio



Santa Clara County Homes - Sales, Pending & Days of Inventory
 (3-month moving average)

