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The Real Estate Report

local market trends

SANTA CLARA COUNTY

Home Prices Fall, Condo Prices Rise

Prices for single-family, re-sales homes in Santa Clara County fell for the second month in a row in December.

The median price was off 0.9% year-over-year, while the average price dropped 1.8%. This is after thirteen straight months of price appreciation.

For the year, the median price was up 14.1%.

HOME SALES...

rose for the second month in a row. The 900 homes sold represent an 11.2% increase from November. Year-over-year, home sales were down 4.4%. This is the seventh month in a row home sales have been lower than the year before.

Much of this can be attributed to the foreclosure mess. Although foreclosures are predominately clustered in the entry-level market, the sharp decline in prices has made many homeowners underwater. The effect of this is they can't sell their homes and move-up. So, the move-up market is also suffering.

For the year, home sales were down 7.5%.

SALES MOMENTUM...

continued to fall last month and is now at -8%.

Our momentum stats are calculated 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.

PENDING MOMENTUM...

a harbinger of future sales, while still positive, has also been trending downward. Last month the number was +21%.

IN THE CONDO MARKET...

the median price was up from November, but off 5.9% compared to last December. The average price was also up from November, but down 7.8% year-over-year. For the year, the median price gained 7.8%.

Condos sales increased sharply from November, but were down 3.3% year-over-year. For the year, condo sales were off 1.9%.

Pending sales were down for the fifth month in a row: 11.1%.

Trends at a Glance			
(Single-family Homes)			
	Dec 10	Nov 10	Dec 09
Median Price:	\$ 560,000	\$ 590,000	\$ 565,000
Average Price:	\$ 693,064	\$ 727,752	\$ 705,719
Home Sales:	900	809	941
Inventory:	1,978	2,350	1,556
Sale/List Price Ratio:	98.5%	98.8%	101.0%
Days on Market:	61	49	51
Days of Inventory:	66	84	50

Inventory, on the other hand, increased for the seventh month in a row: up 75.5% year-over-year.

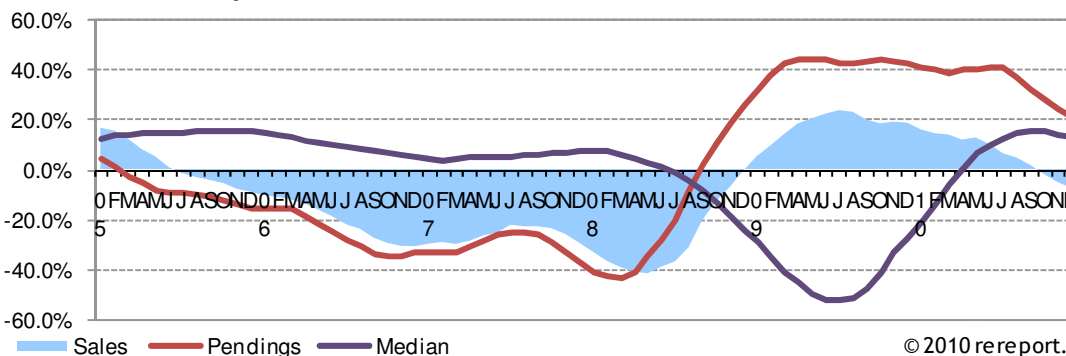
MORE STATISTICS...

Year-over-year, home inventory was up for the sixth month in a row: 27.1%.

The sales price to list price ratio continued slipping last month, down 0.3 of a point to 98.5%. This is the eighth 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.

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.

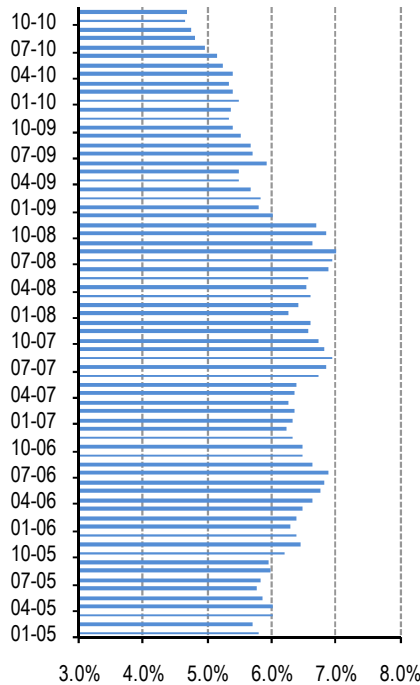
Santa Clara County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Dec. 30 2010 -- HSH.com's overall mortgage tracker found that the overall average rate for 30-year fixed-rate mortgages rose by four basis points, (.04%) to end 5.19%. FHA-backed offers, so crucial to first-time homebuyers and low-equity refinancers, increased by the same amount to finish the last week of 2010 at 4.82%, while the overall average rate for 5/1 Hybrid ARMs remained below the 4% threshold with an average initial five-year rate of 3.95%. HSH.com's FRMI and other public data series includes rates for conforming, jumbo, and most recently the GSE's "high-limit" conforming products and so cover much of the mortgage-borrowing public.

By all accounts, 2010 was a year to remember, with mortgage rates slowly falling to multi-generational lows at one point, only to reverse course as we closed the year. As is typical, mortgage rates again rose much more quickly than they fell, causing at least a few refinances to crash. Despite the increase, rates remain quite favorable, but refinancing activity will probably be considerably more subdued in 2011 than it was in 2010.

Although it will be uneven at best, we think that there is a good chance that the economy will improve further in the first month of the first quarter of 2011. If

growth is rising, interest rates will, too. There's little likelihood of a huge or sustained spike in rates, but there may be a rising trend as positive incremental news accumulates. However, it won't take much to slow beneficial activity in the housing market; even small increases in mortgage rates are sufficient to quell refinancing activity. With homebuying already soft, small rises won't do much additional damage, save possibly to home prices, but certainly aren't a welcome occurrence in a market struggling to recover.

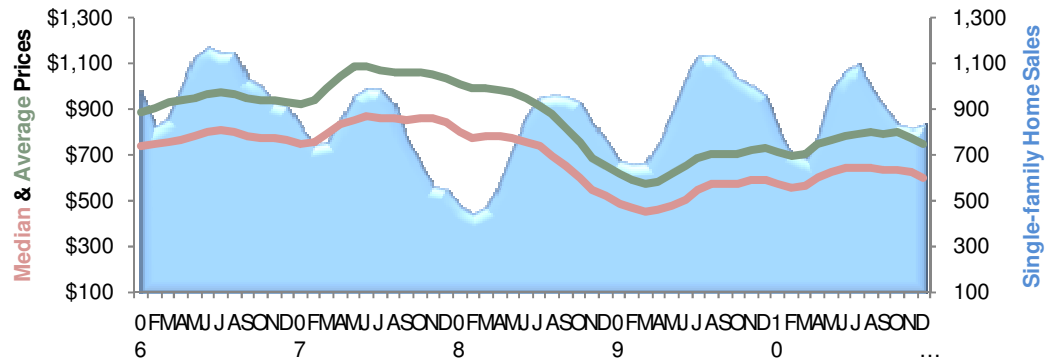
We'll begin 2011 with mortgage rates considerably below where we began 2010. It's true that interest rates are less favorable now, but are at pretty low levels despite the end-of-2010 run up. Next week, HSH.com will release its 2010 Outlook for the mortgage and housing markets. We review the eight factors we think are they key items facing homeowners and homebuyers for the year, including mortgage rates. Watch for it.

Here's wishing all of you a happy, healthy and prosperous 2011.

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.

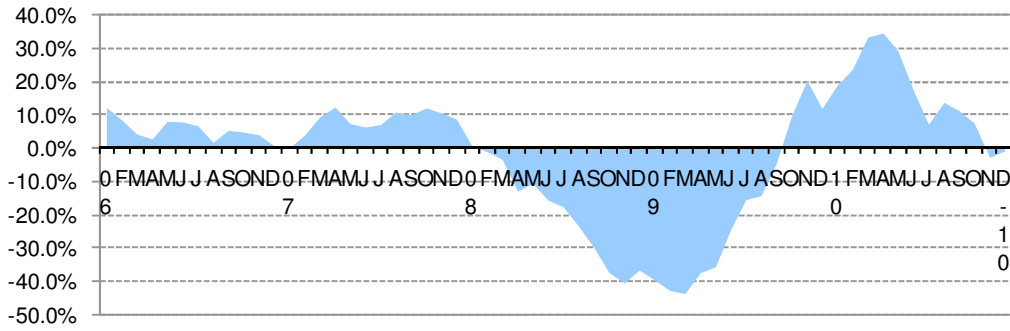
Santa Clara County Homes - Prices & Sales

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



Santa Clara County - December 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	\$ 560,000	\$ 693,064	900	1,513	1,978	66	98.5%	-0.9%	-1.8%	-4.4%	-7.7%	27.1%
Campbell	\$ 672,500	\$ 769,182	22	25	37	50	97.4%	-3.9%	-2.7%	22.2%	-35.9%	5.7%
Cupertino	\$ 1,082,500	\$ 1,092,580	26	21	37	43	97.5%	5.1%	-10.1%	-3.7%	5.0%	8.8%
Gilroy	\$ 413,500	\$ 463,239	56	113	124	66	97.5%	10.3%	7.2%	16.7%	9.7%	22.8%
Los Altos	\$ 1,545,000	\$ 1,629,090	26	16	24	28	96.6%	-2.9%	-1.9%	8.3%	-15.8%	-38.5%
Los Altos Hills	\$ 2,355,000	\$ 2,301,250	8	6	39	146	94.3%	-3.2%	-8.0%	33.3%	-14.3%	11.4%
Los Gatos	\$ 1,000,000	\$ 1,203,520	31	39	87	84	96.5%	-16.7%	-13.0%	24.0%	30.0%	0.0%
Milpitas	\$ 505,000	\$ 575,063	28	48	48	51	100.2%	-9.8%	-2.8%	3.7%	-23.8%	17.1%
Monte Sereno	\$ 1,400,000	\$ 1,400,000	1	3	11	330	105.7%	-29.2%	-29.2%	-50.0%	50.0%	-21.4%
Morgan Hill	\$ 536,500	\$ 558,562	32	47	131	123	98.6%	-9.1%	-18.7%	-25.6%	-11.3%	33.7%
Mountain View	\$ 887,000	\$ 889,666	27	15	29	32	98.1%	-8.1%	-7.7%	35.0%	-46.4%	7.4%
Palo Alto	\$ 1,390,000	\$ 1,473,140	32	20	41	38	101.7%	12.0%	2.8%	23.1%	-31.0%	-14.6%
San Jose	\$ 480,000	\$ 538,005	505	1,016	1,087	65	98.9%	-2.0%	-1.9%	-11.1%	-6.9%	48.5%
Santa Clara	\$ 626,000	\$ 629,875	44	53	86	59	98.1%	1.3%	-7.1%	0.0%	-22.1%	91.1%
Saratoga	\$ 1,299,950	\$ 1,281,490	10	20	64	192	98.3%	-7.1%	-20.8%	-23.1%	33.3%	-19.0%
Sunnyvale	\$ 750,000	\$ 684,706	40	47	78	59	98.6%	-5.1%	-10.2%	0.0%	-11.3%	32.2%

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



> C.A.R.'s 2011 FORECAST

The California Association of REALTORS® expects the median home price to increase 2% in 2011. They forecast sales to increase by 2% also.

“California’s housing market will see small increases in both home sales and the median price in 2011 as the housing market and general economy struggle to find their sea legs,” said C.A.R. President Steve Goddard. “The minor improvement in the housing market next year will be driven by the slow pace of recovery in the economy and modest job growth. Distressed properties will figure prominently in the market next year, but we also expect to see discretionary sellers play a larger role,” he said.

“As the U.S. economy continues its tepid recovery, we’ll see some improvement in California’s economy,” said C.A.R. Vice President and Chief Economist Leslie Ap-

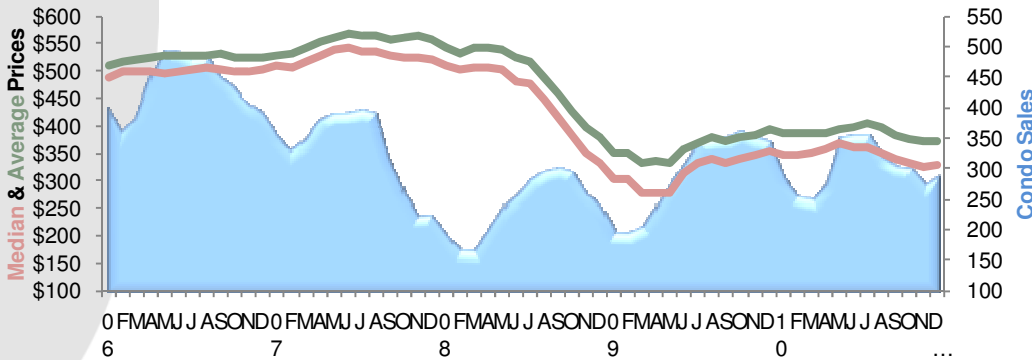
pleton-Young. “We expect a net jobs increase of approximately 1.4 million jobs in California for the year to come and an improvement in unemployment figures,” she said.

“The situation in the California housing market continues to be a tale of two housing markets,” said Goddard. The segment of the market under \$500,000 has been driven by distressed sales, while higher-priced areas of the state have been constrained by restricted financing options, and increasingly have experienced an increase in the number of distressed properties. Sales in the low end have been constrained by a lack of inventory, putting upward pressure on prices. Multiple offers on lower-end homes have been very common, according to Goddard.

(Continued on page 4)

Santa Clara County Condos- Prices & Sales

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



Santa Clara County - December 2010

Condos/Townhomes		% Change from Year Before										
Prices							Prices					
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 335,000	\$ 370,489	327	601	951	87	97.9%	-5.9%	-7.8%	-3.3%	-11.1%	75.5%
Campbell	\$ 405,000	\$ 418,033	9	12	39	130	99.4%	-10.0%	-1.7%	-18.2%	33.3%	105.3%
Cupertino	\$ 656,500	\$ 645,991	12	9	9	23	99.5%	-10.4%	-10.2%	0.0%	125.0%	-59.1%
Gilroy	\$ 199,000	\$ 171,333	3	8	9	90	96.4%	-7.6%	-12.4%	-25.0%	-20.0%	800.0%
Los Altos	\$ 830,000	\$ 873,000	5	2	10	60	96.4%	6.6%	18.3%	-16.7%	-71.4%	-16.7%
Los Gatos	\$ 520,000	\$ 493,267	9	5	34	113	95.2%	-7.4%	-16.5%	12.5%	-58.3%	-5.6%
Milpitas	\$ 347,250	\$ 324,361	18	26	38	63	97.1%	36.2%	10.8%	157.1%	-29.7%	111.1%
Morgan Hill	\$ 300,000	\$ 299,460	5	14	12	72	97.8%	-18.9%	-10.0%	66.7%	0.0%	50.0%
Mountain View	\$ 530,500	\$ 520,812	24	19	53	66	98.1%	2.6%	-1.8%	-25.0%	-32.1%	96.3%
Palo Alto	\$ 761,500	\$ 754,433	10	9	24	72	100.2%	13.2%	12.0%	0.0%	-35.7%	41.2%
San Jose	\$ 265,000	\$ 292,404	188	419	582	93	97.8%	-8.1%	-9.3%	-4.1%	-10.5%	89.0%
Santa Clara	\$ 325,000	\$ 340,217	23	41	71	93	97.6%	-23.7%	-21.0%	-14.8%	-2.4%	129.0%
Saratoga	\$ 621,000	\$ 609,500	5	2	10	60	105.3%	95.7%	92.0%	150.0%	-33.3%	42.9%
Sunnyvale	\$ 439,000	\$ 443,316	16	35	60	113	96.0%	-20.6%	-14.2%	-20.0%	25.0%	66.7%

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.

(Continued from page 3)

"A lean supply of available homes for sale will drive prices up at the low end, but larger inventories and limited, less attractive financing will cause continued softness at the high end," said Appleton-Young. "There's some indication that lenders will accelerate the number of foreclosures coming on market, further adding to the housing supply, but we do not anticipate that lenders will flood the market with distressed properties," she said.

"The wild cards for 2011 include federal housing policies, actions of underwater homeowners, and the strength of the economic recovery," said Appleton-Young. "What is certain is that favorable home prices and historically low interest rates will continue to make owning a home in California attractive for those who are in a position to buy," she said.

Santa Clara County										
SINGLE-FAMILY HOMES								% Change from Year Before		
Area	Year	Sales	Prices		SP/LP	DOI	Sales	Prices		
			Median	Average				Med	Ave	
SCC	2003	14,033	\$ 549,500	\$ 659,536	98.4%	44				
SCC	2004	16,901	\$ 625,000	\$ 753,501	101.0%	25	20.4%	13.7%	14.2%	
SCC	2005	15,498	\$ 737,750	\$ 891,171	102.2%	47	-8.3%	18.0%	18.3%	
SCC	2006	11,848	\$ 773,000	\$ 940,864	100.1%	82	-23.6%	4.8%	5.6%	
SCC	2007	9,164	\$ 838,000	\$ 1,044,140	100.0%	187	-22.7%	8.4%	11.0%	
SCC	2008	9,117	\$ 660,000	\$ 837,178	98.5%	194	-0.5%	-21.2%	-19.8%	
SCC	2009	11,859	\$ 526,000	\$ 660,752	99.9%	74	30.1%	-20.3%	-21.1%	
SCC	2010	10,968	\$ 600,000	\$ 750,466	100.1%	66	-7.5%	14.1%	13.6%	

Santa Clara County										
CONDOS								% Change from Year Before		
Area	Year	Sales	Prices		SP/LP	DOI	Sales	Prices		
			Median	Average				Med	Ave	
SCC	2003	5,647	\$ 350,000	\$ 374,065	98.8%	38				
SCC	2004	6,996	\$ 390,000	\$ 414,592	101.3%	12	23.9%	11.4%	10.8%	
SCC	2005	6,538	\$ 475,000	\$ 499,658	103.3%	37	-6.5%	21.8%	20.5%	
SCC	2006	5,151	\$ 500,000	\$ 525,380	100.1%	68	-21.2%	5.3%	5.1%	
SCC	2007	3,845	\$ 530,000	\$ 557,242	99.6%	144	-25.4%	6.0%	6.1%	
SCC	2008	2,910	\$ 435,000	\$ 471,859	97.9%	216	-24.3%	-17.9%	-15.3%	
SCC	2009	3,927	\$ 320,000	\$ 363,866	99.5%	85	34.9%	-26.4%	-22.9%	
SCC	2010	3,854	\$ 345,000	\$ 383,656	99.8%	90	-1.9%	7.8%	5.4%	

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