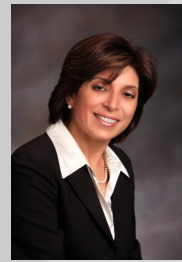


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The Real Estate Report

local market trends

SAN MATEO COUNTY

Should I Buy a Home Now?

It's funny, back in 2006 and 2007 almost no one was asking that question. Instead, they were asking, "How much home can I buy?"

Wrong question at the wrong time.

Fast forward to today and buyers should be asking "how much home can I buy" and not "should I buy a home now."

Yes, I know, a real estate agent will always say yes when asked if it's a good time to buy a home.

But, today's market offers an unprecedented opportunity. Let me explain.

First, take mortgage rates, back during the peak of the bubble in 2007 30-year mortgage rates were in the low to mid 6% range. Today? Rates are in the low to mid 4% range, a drop of 33%.

Next, the median price for single-family, re-sale homes in San Mateo County peaked at \$1,020,000 in October 2007. It bottomed out at \$550,000 in February 2009. Yes, you missed the bottom!

The median price has averaged in the low \$700,000's since the beginning of the year.

O.K., so you're afraid to buy because you don't know where home prices are going. Well, no one has a crystal ball, and, as Wall Street is fond of saying, the past is no predictor of future results.

But, as Baron Rothschild is credited with saying, "Buy when there's blood in the streets, even if the blood is your own."

Now for the caveats, yes, there are caveats!

As always, the best homes, pristine move-in condition, in the best neighborhoods, i.e. schools, are selling first for the most money with multiple offers.

If the best neighborhood is your primary criterion, and the best homes are beyond your means, consider fixer homes or condos and townhomes.

If the best neighborhood is not a consideration, but a pristine home is, you will find less competition in other areas.

Also, inventory is down because the people who are underwater on their mortgages can't sell.

You will absolutely, positively need an in-depth neighborhood market analysis to buy or sell in this market.

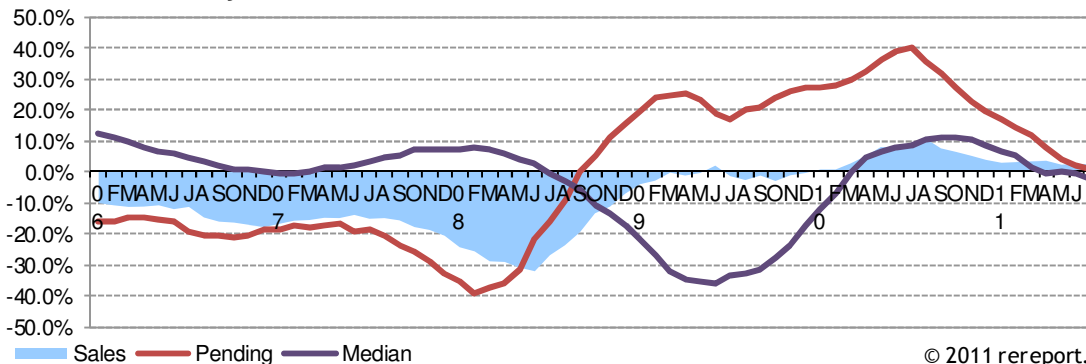
Trends at a Glance (Single-family Homes)			
	Jul 11	Jun 11	Jul 10
Median Price:	\$ 728,400	\$ 759,000	\$ 820,000
Average Price:	\$ 947,452	\$ 1,041,390	\$ 1,023,140
Home Sales:	376	457	385
Inventory:	1,202	1,207	1,469
Sale/List Price Ratio:	98.6%	99.1%	99.3%
Days on Market:	55	52	41
Days of Inventory:	96	77	114

DO NOT DEPEND UPON ZILLOW FOR THIS!!!

If I could get what Zillow says my home is worth, I'd sell it in a minute. According to my calculations, Zillow has over-valued my home by 36%, and that's before selling costs!

P.S. The conforming loan limits are dropping from \$729,750 to \$625,000 for closing after September 30th. Some lenders have already stopped processing loans up to the \$729,750 limit, and all lenders will likely stop on or around September 1 for new applications.

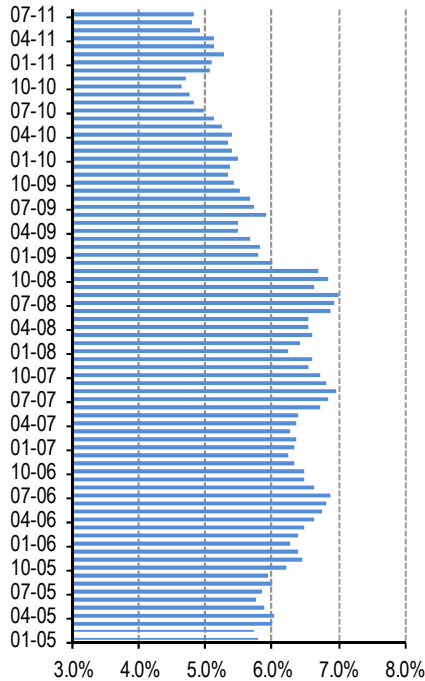
San Mateo County Homes: Sales Momentum



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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.

Aug. 5, 2011 -- 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 decreased by fifteen basis points (0.15), moving to an average of 4.65%, a 2011 low. FHA-backed 30-year fixed-rate mortgages, especially important to first-time homebuyers and low-equity refinancers, saw a sixteen-basis-point (0.16) decline to close the week at 4.31%. Given the wide differential in interest rates, at least some borrowers should be considering hybrid 5/1 ARMs. The five-year fixed-rate periods of these loans declined by seven hundredths of a percent to close the week at an average of just 3.29%. A borrower with a \$300,000 loan willing to accept the risk of higher future payments would save about \$20,000 over the next five years.

After a tremendous political fight, in exchange for being able to borrow more money at the moment, the debt ceiling agreement signed on Tuesday calls for spending cuts over the next ten years. This suggests that there won't be much in the way of additional spending to push economic growth forward anytime soon, and this in turn might exacerbate a slower recovery with a lower potential for inflation. Entities on both sides of the aisle expressed unhappiness about the terms of the deal. As far as revenues go, a

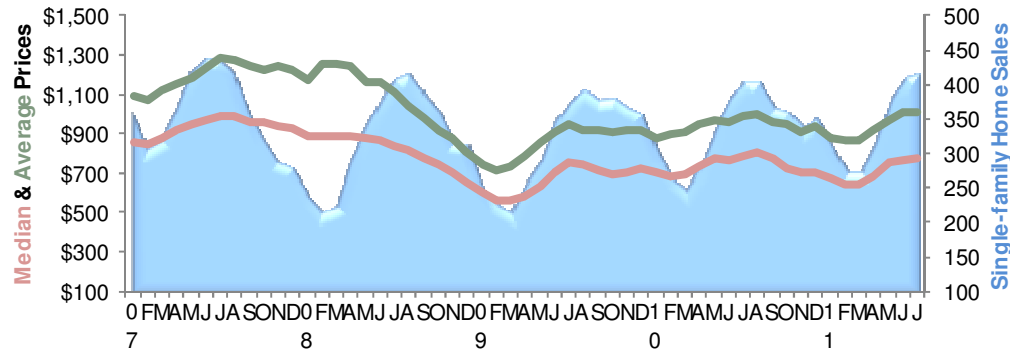
growing economy will produce far more in the way of this then would any changes to marginal tax rates for some or even closing tax "loopholes". Perhaps the Congress might consider ways to foster confidence by businesses, so that they will start to hire again and boost the economy.

Next week, mortgage rates will begin the week still trending downward. On Tuesday, there is a Federal Reserve Open Market Committee meeting; after this week, it's a reasonable assumption that they will be quite concerned about the fragile market psyche. We expect that the release which will accompany the meeting's close will nod toward modest growth, leveling inflation trends and troubles overseas. The Fed will of course say it is watching carefully and will employ necessary means to support the economy if it believes that it needs to do so, but will not tip their hand as to the form or timing of any such support, at least not yet. Other than that, a pretty light data calendar is on tap and we expect that mortgage rates will end the week perhaps unchanged from this week's figures.

San Mateo County - July 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	\$ 728,400	\$ 947,452	376	716	1,202	96	98.6%		-11.2%	-7.4%	-2.3%	13.3%	-18.2%
Atherton	\$ 3,200,000	\$ 3,747,600	5	6	32	192	96.7%		-14.0%	-9.4%	25.0%	-33.3%	-44.8%
Belmont	\$ 915,000	\$ 936,385	13	19	39	90	99.9%		3.4%	2.2%	-31.6%	5.6%	-25.0%
Burlingame	\$ 1,267,750	\$ 1,281,680	22	20	48	65	102.3%		5.6%	5.7%	-12.0%	-4.8%	-21.3%
Daly City	\$ 465,500	\$ 469,768	41	93	129	94	98.9%		-10.9%	-6.4%	28.1%	47.6%	15.2%
El Granada	\$ 525,000	\$ 502,500	4	4	23	173	93.8%		-27.6%	-30.7%	33.3%	-42.9%	-17.9%
East Palo Alto	\$ 251,950	\$ 249,217	18	48	15	25	100.8%		-27.2%	-26.5%	63.6%	17.1%	-50.0%
Foster City	\$ 849,944	\$ 935,611	8	16	33	124	98.8%		-13.3%	-9.4%	-33.3%	14.3%	32.0%
Hillsborough	\$ 2,127,440	\$ 2,464,520	16	15	65	122	95.4%		-15.4%	-9.2%	0.0%	-28.6%	-25.3%
Half Moon Bay	\$ 696,000	\$ 720,000	5	10	70	420	98.1%		-19.5%	-24.8%	-44.4%	-41.2%	-5.4%
Millbrae	\$ 939,000	\$ 1,013,900	9	23	24	80	99.2%		3.3%	14.6%	-18.2%	21.1%	-46.7%
Menlo Park	\$ 1,170,170	\$ 1,230,620	40	43	47	35	99.9%		-6.4%	-18.3%	2.6%	-18.9%	-46.0%
Montara	\$ 697,000	\$ 697,000	1	4	12	360	100.0%		-29.1%	-29.1%	-50.0%	-20.0%	-36.8%
Moss Beach	\$ 599,000	\$ 599,000	1	4	9	270	100.0%		13.2%	13.2%	0.0%	300.0%	-60.9%
Pacifica	\$ 448,750	\$ 491,050	20	43	77	116	97.1%		-12.9%	-6.2%	-13.0%	2.4%	-6.1%
Portola Valley	\$ 1,850,000	\$ 2,521,000	5	7	27	162	95.4%		-7.5%	29.9%	0.0%	0.0%	-20.6%
Redwood City	\$ 685,000	\$ 784,222	53	80	108	61	98.0%		-24.1%	-14.1%	32.5%	21.2%	-31.2%
Redwood Shores	\$ 975,000	\$ 1,075,080	5	5	17	102	99.0%		-15.2%	1.0%	0.0%	-28.6%	41.7%
San Bruno	\$ 525,000	\$ 507,618	14	47	51	109	98.2%		5.0%	-3.5%	-6.7%	17.5%	-35.4%
San Carlos	\$ 850,000	\$ 891,978	25	31	55	66	99.6%		-14.1%	-13.1%	-7.4%	10.7%	-11.3%
San Mateo	\$ 792,500	\$ 881,800	46	109	128	83	98.8%		-0.9%	-5.9%	-13.2%	38.0%	-20.0%
S. San Francisco	\$ 502,524	\$ 515,708	14	65	90	193	97.4%		6.0%	4.3%	-36.4%	10.2%	16.9%
Woodside	\$ 1,974,500	\$ 2,053,000	6	14	53	265	91.7%		8.8%	24.3%	0.0%	250.0%	-13.1%

San Mateo County Homes - Prices & Sales

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



FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in San Mateo County rose 6.8% in June from May. This is the second month in a row notices have been higher than the month before. Year-over-year, notices were down 11.8%.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 23.8% year-over-year, and down 6.8% from May.

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.

In May, cancellations were down 44.6% year-over-year, and down 11.4% from May.

Properties going back to the bank were down in June from May by 19.3%. Year-over-year, properties going back to the bank decreased 9%.

The total number of homes that have had a notice of default filed decreased by 37% in June compared to June 2010.

The total number of homes scheduled for sale declined by 8.9% year-over-year

Unfortunately, the total number of homes owned by the bank was up 27.6% year-over-year. The banks now own 1,161 properties in San Mateo County.

San Mateo County Condos- Prices & Sales

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

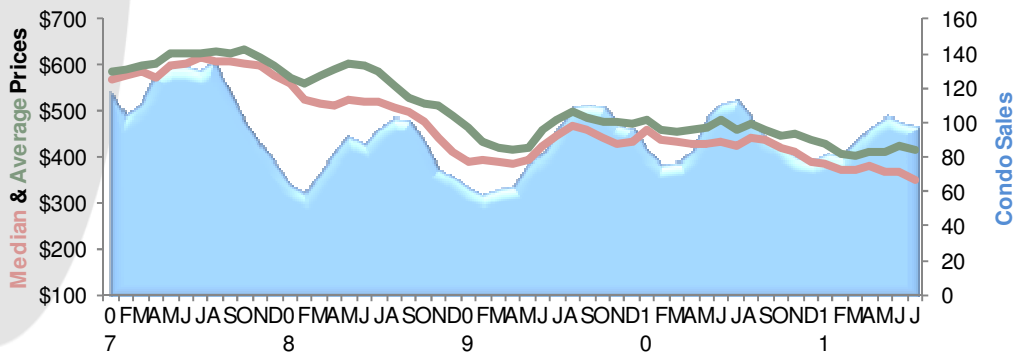


Table Definitions

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.

San Mateo County - July 2011												
Condos/Townhomes									% Change from Year Before			
Prices									Prices			
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 328,550	\$ 403,118	100	209	380	114	98.3%	-24.5%	-8.4%	14.9%	2.0%	-7.5%
Burlingame	\$ 600,000	\$ 642,400	5	3	10	60	102.9%	42.3%	52.4%	150.0%	-62.5%	-65.5%
Daly City	\$ 198,500	\$ 248,317	6	20	38	190	99.6%	-46.4%	-26.9%	20.0%	-13.0%	100.0%
Foster City	\$ 550,000	\$ 529,769	13	21	35	81	96.5%	-15.4%	-15.7%	44.4%	90.9%	-5.4%
Menlo Park	\$ 870,000	\$ 947,750	8	10	12	45	97.2%	55.4%	94.0%	166.7%	11.1%	-61.3%
Redwood City	\$ 310,450	\$ 310,450	2	5	15	225	99.6%	23.2%	23.2%	0.0%	-44.4%	0.0%
Redwood Shores	\$ 428,000	\$ 425,414	7	14	17	73	98.2%	-25.3%	-22.1%	-30.0%	-30.0%	-59.5%
San Bruno	\$ 165,000	\$ 175,082	11	20	17	46	101.7%	-16.6%	-22.0%	-8.3%	5.3%	-48.5%
San Carlos	\$ 595,500	\$ 639,694	4	13	24	180	98.3%	9.3%	17.4%	-42.9%	0.0%	-14.3%
San Mateo	\$ 262,000	\$ 293,298	28	54	119	128	96.9%	-30.0%	-33.6%	75.0%	35.0%	9.2%
S. San Francisco	\$ 313,550	\$ 306,388	8	23	29	109	96.4%	-34.0%	-29.0%	14.3%	-17.9%	38.1%

THE REAL ESTATE REPORT

San Mateo County



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This is not intended as a solicitation if your home is currently listed.

San Mateo County Homes: Year-Over-Year Median Price Change

