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Pierre Buljan
Cashin Company
 1412 Chapin Avenue
 Burlingame, CA 94010
 (650) 403-1288
 (650) 400-1188
pierre@cashin.com
<http://www.PierreBuljan.com>
 DRE #00697572

The Real Estate Report

local market trends

SAN MATEO COUNTY

Statistics: The Good, The Bad, and The Ugly

Knowing how the market is trending is important in making astute decisions whether one is a buyer or a seller. For instance, if prices are trending upward, a buyer may decide to accelerate the purchase, while a potential seller may decide to delay.

With the proliferation of real estate statistics on the Internet, the “noise” level is increasing making it more difficult to know which statistics are important and which are irrelevant.

In this month’s report, we are going to start a primer on real estate statistics to help you separate the wheat from the chaff.

The first two principles of real estate statistics are:

1. Know the source of the raw data used, and
2. Understand the methodology used to crunch the raw data.

There are only two accurate sources of raw data, each of which has its pluses and minuses. The first is data from the county assessors’ offices. The main plus of this data, used by companies such as

DataQuick and often cited by local newspapers, is that every transfer of real property is required by law to be recorded with the county assessor. This is the most accurate data available.

The minuses of county assessor data begins with the ability of buyers to ask the assessor not to reveal the sales price. This is usually done only with high-priced, or high-profile transactions and only affects a minute number of sales.

The other major minus of county assessors’ data is it ONLY contains sold properties.

The second most accurate data comes from the local Multiple Listing Services (MLS).

The drawback of this data is it contains only those sales in which a real estate agent is involved. Normally, this would account for 85-90% of all sales. In this market, with the high number of foreclosure auctions, which are not reported to local MLSs, the number of sales drops into the 70-80% range.

The real benefits of MLS data come in the type of data collected. The MLSs report on inventory, prop-

Trends at a Glance (Single-family Homes)			
	Sep 10	Aug 10	Sep 09
Median Price:	\$ 713,500	\$ 790,000	\$ 698,500
Average Price:	\$ 859,623	\$ 1,007,260	\$ 950,475
Home Sales:	324	392	379
Inventory:	1,524	1,417	1,149
Sale/List Price Ratio:	98.0%	98.6%	99.8%
Days on Market:	56	51	54
Days of Inventory:	136	108	88

erties under contract to be sold, length of time it takes to sell, and the sales price to list price ratio.

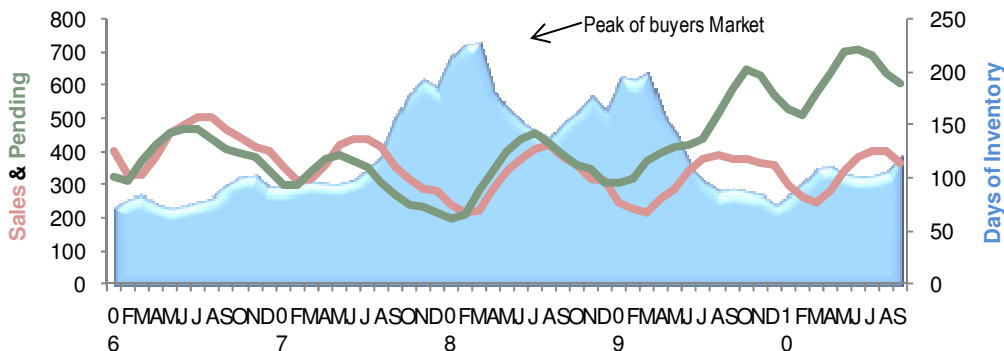
This type of data is important for determining the direction of the market.

Bad, or inaccurate data, is rife on the Internet. Take Altos Research for instance. They scrape the Internet for properties for sale and build their reports around that. Nowhere on their site do they say their pricing graphs only reflect listing prices NOT sold prices. Here’s a quote from their FAQ: “Our system analyzes properties listed on the market for sale.”

Another major source of inaccurate data is Zillow. While they do have assessors’ data for sold properties, they also scrape the Internet for properties that are for sale and use an algorithm to determine market value. They have consistently over-valued my home by 25%.

(Continued on page 3)

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



HOW TO READ THE CHART

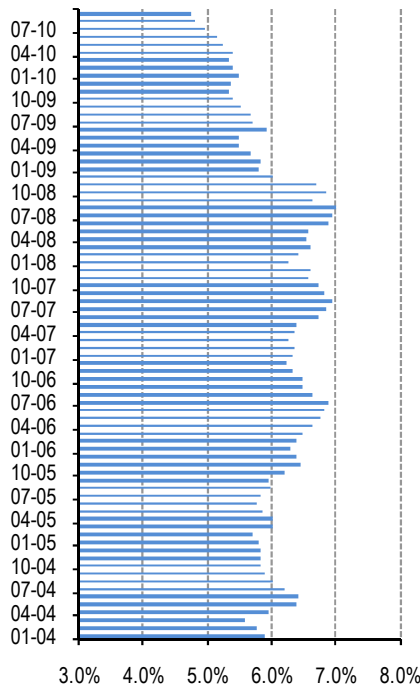
The blue area is the number of days it would take to sell all the homes for sale at the current rate of sales.

The green line shows the number of homes in escrow. Normally, this line tracks closely with the red line, which shows actual sales.

As you can see, the two lines have diverged over the past year. This is due to many homes being put into escrow as short-sales, contingent upon the banks’ approval. This is being done even before the banks know about the short sale. Subsequently, many of these escrows do not close.

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Oct. 1, 2010 -- After near stasis for the past six weeks, mortgage rates again managed a bit of a decline amid mixed economic messages. Increasing speculation that the Fed will initiate substantial purchases of Treasury bonds (so-called "quantitative easing") to kick-start the economy from its bare expansion helped to drive interest rates a bit lower.

HSH's overall mortgage monitor -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- saw the average rate for 30-year fixed-rate mortgages shed five basis points to begin October at 4.70%. Important to first-time homebuyers and low-equity refinancers alike, 30-year FHA-backed mortgages sported an average of 4.40% for the week. The overall average for Hybrid 5/1 ARMs declined by six basis points (.06%), finishing our national survey at 3.61%. HSH.com's FRMIs include rates for conforming, jumbo, and most recently the GSE's "high-limit" conforming products and so covers much of the mortgage-borrowing public.

We mention above that the economic news seems more mixed to us. It wouldn't be hard to improve upon second quarter GDP, which came in at a final reckoning of 1.7%, but there does seem to be a mild overall uptick (or at least greater stability) in the news for September, the final month of the third quarter.

There can be no doubt that 3Q10 will be a weak one overall, but to us, much of the weakness seemed to be concentrated in July and August.

The big employment report doesn't come until next week, and it's the big gorilla in a fairly empty room. Stock and bond markets enjoyed unexpectedly favorable conditions in September, which is not noted to be a historically great period for equities. October's been known to be a difficult period, too, but if September's any indicator, perhaps the markets are simply becoming accustomed to being in active crisis, and can find reasons to celebrate when we're not. Here's hoping that the rally's got more substance behind it than that, but there's nothing wrong with a little optimism showing somewhere.

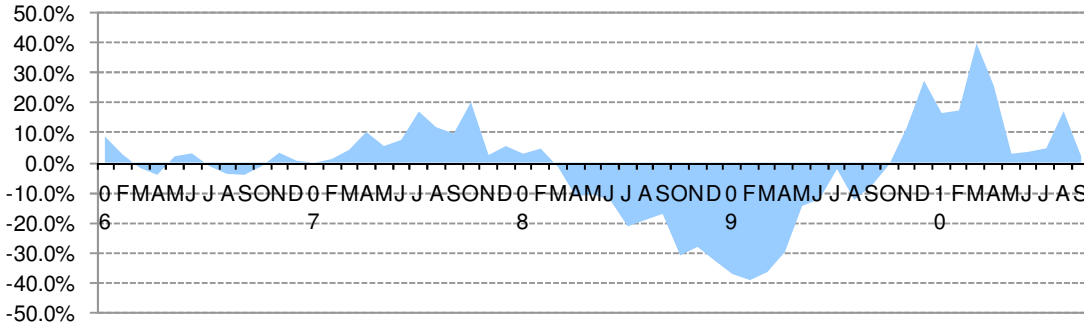
P.S. If you missed it over the last few weeks, you should have a look at our plan to help responsible homeowners who are underwater. Unlike the "FHA Short Refi" idea, the concept doesn't penalize homeowners or investors... and there might even be no cost to taxpayers, either. Curious? Read HSH.com's Value Gap Refinance idea:

<http://www.hsh.com/ValueGapRefi.html>

The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by [HSH.com](http://www.hsh.com). The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

San Mateo County - September 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	\$ 713,500	\$ 859,623	324	578	1,524	136	98.0%	2.1%	-9.6%	-14.5%	-9.5%	32.6%
Atherton	\$ 3,382,500	\$ 2,997,500	4	11	51	370	90.5%	35.3%	-19.5%	-63.6%	-15.4%	45.7%
Belmont	\$ 865,000	\$ 853,708	12	22	58	140	96.7%	8.8%	5.8%	-33.3%	15.8%	-1.7%
Burlingame	\$ 1,092,500	\$ 1,128,620	16	22	57	103	96.5%	-19.1%	-21.8%	-27.3%	0.0%	-13.6%
Daly City	\$ 520,000	\$ 516,959	27	77	142	153	98.9%	-4.1%	-4.8%	-30.8%	10.0%	136.7%
El Granada	\$ 691,250	\$ 691,250	2	8	34	493	100.3%	10.1%	10.8%	-71.4%	166.7%	25.9%
East Palo Alto	\$ 306,000	\$ 288,444	9	45	29	93	101.1%	22.4%	3.3%	-52.6%	21.6%	-9.4%
Foster City	\$ 960,000	\$ 1,026,890	9	12	27	87	97.6%	0.3%	8.0%	-10.0%	20.0%	50.0%
Hillsborough	\$ 2,185,000	\$ 2,207,000	9	10	87	280	93.9%	-9.9%	-21.6%	-30.8%	-37.5%	16.0%
Half Moon Bay	\$ 575,000	\$ 537,056	9	11	85	274	96.0%	-22.3%	-22.7%	28.6%	-31.3%	23.2%
Millbrae	\$ 801,000	\$ 847,338	13	21	31	69	98.2%	-17.4%	-12.3%	-13.3%	31.3%	6.9%
Menlo Park	\$ 1,103,500	\$ 1,254,680	34	34	94	80	99.3%	-0.6%	2.6%	47.8%	-27.7%	-1.1%
Montara	\$ 200,000	\$ 200,000	1	4	15	435	74.1%	-74.5%	-74.2%	-75.0%	-20.0%	-21.1%
Moss Beach	\$ 440,000	\$ 465,000	3	4	18	180	102.4%	n/a	n/a	n/a	n/a	n/a
Pacifica	\$ 518,750	\$ 576,646	26	34	78	87	99.1%	-2.6%	-7.2%	44.4%	-15.0%	69.6%
Portola Valley	\$ 1,572,500	\$ 1,736,250	4	1	36	261	95.3%	-13.1%	-17.6%	-42.9%	-83.3%	16.1%
Redwood City	\$ 772,500	\$ 810,381	42	68	172	119	97.3%	8.3%	18.7%	5.0%	-20.0%	36.5%
Redwood Shores	\$ 1,228,000	\$ 1,207,670	3	6	23	222	95.6%	18.1%	18.2%	-25.0%	-33.3%	53.3%
San Bruno	\$ 583,000	\$ 600,100	20	36	70	102	100.0%	11.6%	13.8%	25.0%	9.1%	150.0%
San Carlos	\$ 977,500	\$ 940,687	16	30	59	107	98.3%	13.0%	3.3%	6.7%	20.0%	0.0%
San Mateo	\$ 720,000	\$ 781,464	35	77	152	126	98.4%	3.2%	5.4%	-37.5%	-12.5%	26.7%
S. San Francisco	\$ 509,000	\$ 547,385	26	33	89	99	99.0%	-0.7%	4.1%	-7.1%	-38.9%	134.2%
Woodside	\$ 828,000	\$ 828,000	1	6	71	####	100.0%	-85.3%	-85.3%	0.0%	0.0%	31.5%

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



STATISTICS: CONTINUED

Then there is Yahoo Real Estate where they don't bother with an algorithm to determine market value, they just quote Zillow and eppraisal.com, which over-values my home by 60%.

In short, beware of the statistics you use. If the purveyor of statistics won't say where they get their data, run for the hills! Focus on those statistics that come from reputable sources.

2. The spread, or the difference between the asking price and the sales price, and,
3. Time on the market.

We will discuss these and several more important statistics in the next installment.

So, subscribe to this report to make sure you are notified when the next portion is available.

NEXT MONTH

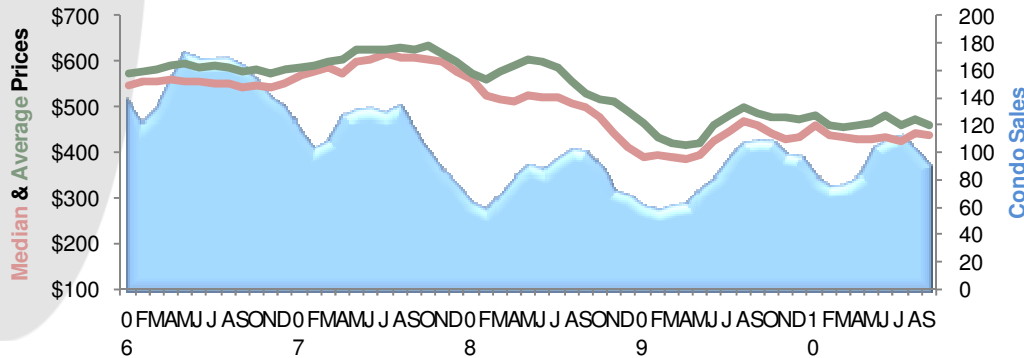
This primer will continue with determining which statistics are useful for determining market trends and which are useless.

The three most fundamental statistics to track are:

1. Inventory on the market,

San Mateo County Condos- Prices & Sales

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



San Mateo County - September 2010

San Mateo County - September 2010												
Condos/Townhomes									% Change from Year Before			
Prices									Prices			
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 435,000	\$ 470,214	87	153	459	153	97.1%	-1.1%	-0.5%	-15.5%	-29.8%	39.9%
Burlingame	\$ 479,250	\$ 479,250	2	6	23	334	96.4%	-24.8%	-24.8%	0.0%	20.0%	15.0%
Daly City	\$ 210,000	\$ 229,857	7	21	29	120	95.0%	-21.9%	-17.0%	-12.5%	-27.6%	61.1%
Foster City	\$ 611,000	\$ 574,750	8	15	48	174	97.8%	-0.7%	-1.1%	-55.6%	-37.5%	118.2%
Menlo Park	\$ 925,000	\$ 851,000	7	6	28	116	97.1%	-12.6%	-10.6%	16.7%	-25.0%	-3.4%
Redwood City	\$ 456,000	\$ 420,875	4	6	15	109	93.3%	-11.0%	-17.9%	300.0%	-57.1%	150.0%
Redwood Shores	\$ 535,000	\$ 512,200	10	10	35	102	96.1%	1.4%	-15.6%	42.9%	-9.1%	40.0%
San Bruno	\$ 199,000	\$ 201,750	4	17	38	276	95.5%	2.1%	-1.3%	-50.0%	-19.0%	192.3%
San Carlos	\$ 536,500	\$ 536,500	2	8	39	566	94.8%	10.6%	4.8%	-71.4%	14.3%	69.6%
San Mateo	\$ 440,000	\$ 494,481	20	24	125	181	97.3%	7.3%	5.6%	-4.8%	-27.3%	19.0%
S. San Francisco	\$ 337,500	\$ 335,500	10	20	26	75	99.9%	14.6%	1.9%	-16.7%	-47.4%	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.

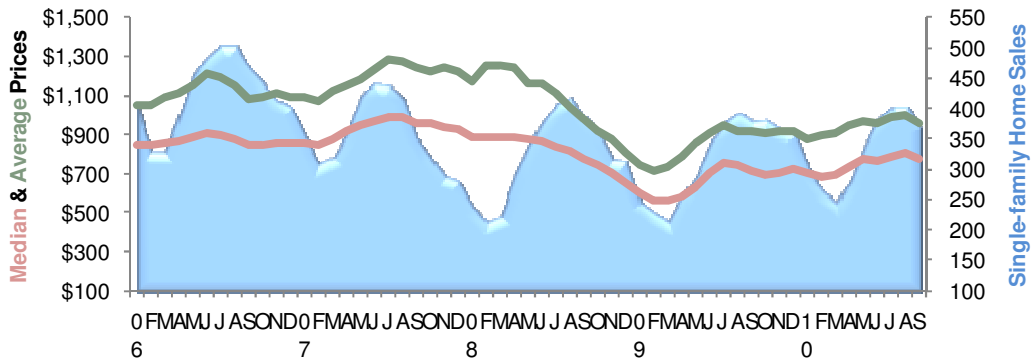
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San Mateo County



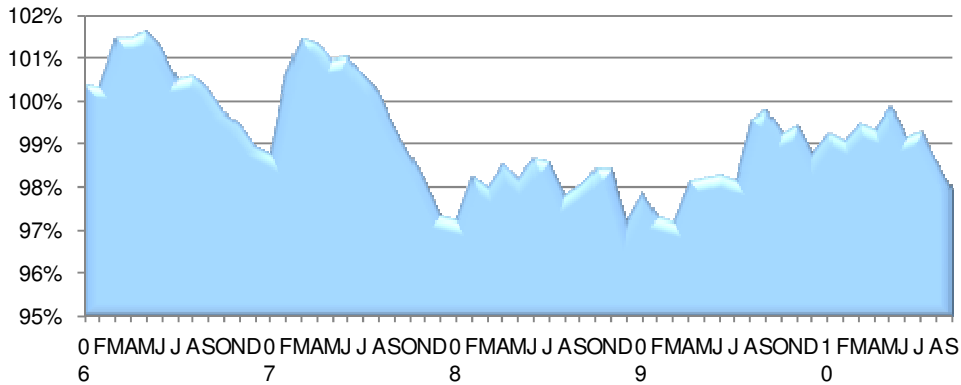
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This is not intended as a solicitation if your home is currently listed.

San Mateo County Homes - Prices & Sales
(3-month moving average—prices in \$000's)



San Mateo County Homes: Sales Price/Listing Price Ratio



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