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# The Real Estate Report

## local market trends

### SANTA CLARA COUNTY

## Where are All the Foreclosures?

With all the pundits talking about phantom inventory and the huge surplus of foreclosures, one would expect a massive number of bank-owned properties to be on the market.

They are not. Enquiring minds want to know why not.

First, let's look at some numbers. According to <http://foreclosuradar.com>, the number of bank-owned properties, called REOs, in Santa Clara County have averaged about 2,200 for the past thirteen months.

Yet, in the MLS, only about 220 properties are listed as REO. Now, remember, banks are not in the real estate business so they won't be selling these properties themselves. They will be listing them with real estate brokers.

Which begs the question, why aren't the rest of the REOs on the market?

Well, it's pretty simple. The banks don't like to lose money. If they put all these properties on the market at once, prices would plummet.

The banks are being very judicious about selling their REO property.

For a more complete report on Santa Clara County foreclosures, see the page three article.

### MARKET STATISTICS

Home sales were quite strong in August. The sale of single-family, re-sale homes rose 22.6% from July and were up 14.3% year-over-year. Year-to-date, home sales are up 0.3%.

Condo sales were also strong in August, up 17.6% from July and up 17.3% year-over-year. Year-to-date, condo sales are up 11.2%. There have been more condos sold this year than any year since 2007.

Prices, on the other hand, dipped last month.

The median price for homes was down 5.3% year-over-year. This is the tenth month in a row the median price for homes has been lower than the year before.

The median price for condos was off 13.7% compared to last August. That's twelve months in a row the median price has been lower than the year before.

Inventory of both homes and condos continues to be weak. Home inventory was down 23.4%

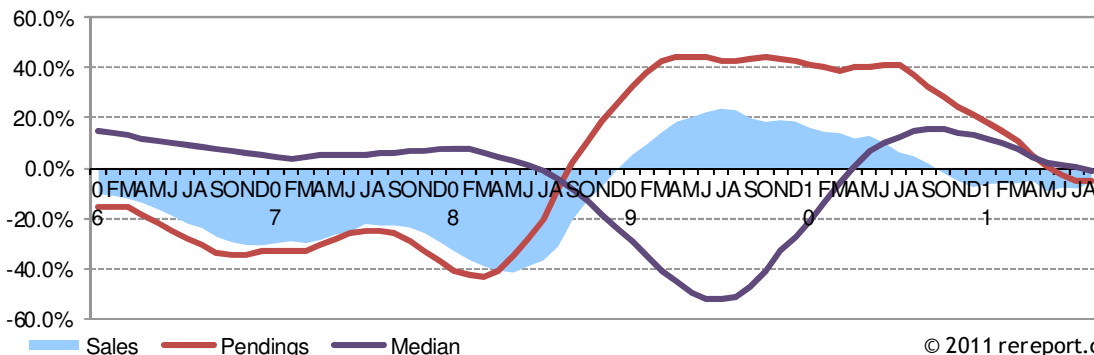
Trends at a Glance (Single-family Homes)			
	Aug 11	Jul 11	Aug 10
Median Price:	\$ 600,000	\$ 615,000	\$ 633,250
Average Price:	\$ 766,252	\$ 793,801	\$ 800,957
Home Sales:	992	809	868
Pending Sales:	1,934	2,065	2,027
Inventory:	2,222	2,405	2,900
Sale/List Price Ratio:	99.3%	99.2%	99.6%
Days on Market:	51	48	42

compared to last August: 2,222 homes actively listed. Please note, only active listings are included in this figure. Numbers from the local associations include properties that are also in a pending status, meaning they have an accepted offer, but haven't been taken off the market.

Condo inventory was down 34% 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.

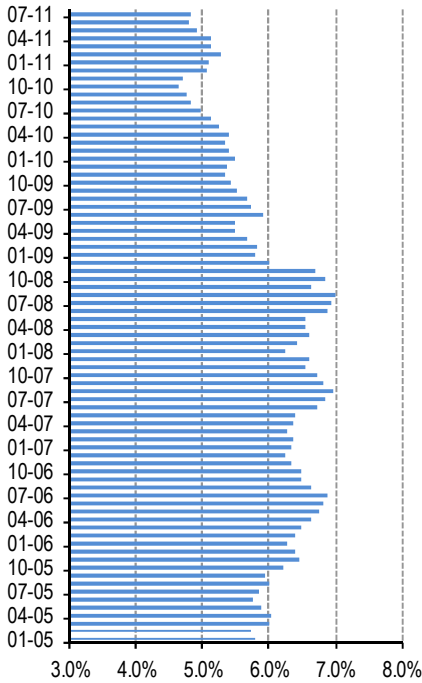
**Santa Clara County Homes: Sales Momentum**



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## Mortgage Rate Outlook

### 30-Year Fixed Mortgage Rates



Sep. 09, 2011 -- Labor Day came and went this week, and the administration has turned an eye toward one of the two most intractable problems facing the economy: joblessness. The other problem is the poor state of the housing market, and there are some rumors that a new plan may be afoot, either from the administration or perhaps in conjunction with other agencies, to promote a refinance plan for potentially millions of borrowers. The Federal Reserve is thought to be pondering a plan to foster economic growth. Meanwhile, the European debt crisis pressed interest rates down to record lows.

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 seven basis points (0.07%) from last week, moving to a new record-low average of 4.42%. FHA-backed 30-year fixed-rate mortgages, especially important to first-time homebuyers and low-equity refinancers, have shed a full tenth percentage point, closing the week at just 4.06%. Hybrid 5/1 ARMs might interest a few borrowers, with five-year fixed-rate periods slipping by another four basis points this week to average an ultra-low 3.13%.

It goes without saying that conforming 30-year FRMs are sporting a new record low, too. The eight basis point decline this week puts the average at 4.23%.

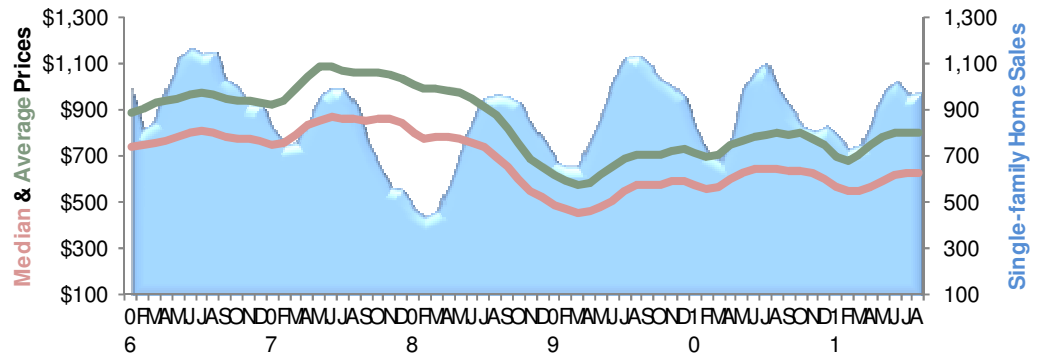
There are few signs that the economy is building the kind of momentum needed to significantly lower unemployment, and time is running short on hopes of seeing aggregate GDP growth near 3% for the year. The third quarter comes to a close in just a few weeks' time, and there has been little strength to talk about, but only perhaps less-bad-than-feared figures as growth stumbles along.

Anyone looking for a quick fix for the economic woes will need to keep looking. We are years into this mess at this point, and by some reckonings are in much better shape now, relative to both the depths of the mess and many other countries. That said, we are or have been in a near stasis for the recovery for 6-8 months, and the risk of faltering back into recession is a real one at this moment. Low interest rates -- whether at new record lows or only near them -- are likely to be with us for a long while yet as these difficult troubles slowly sort themselves out or otherwise come to resolution. Expect more of the same again next week.

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.

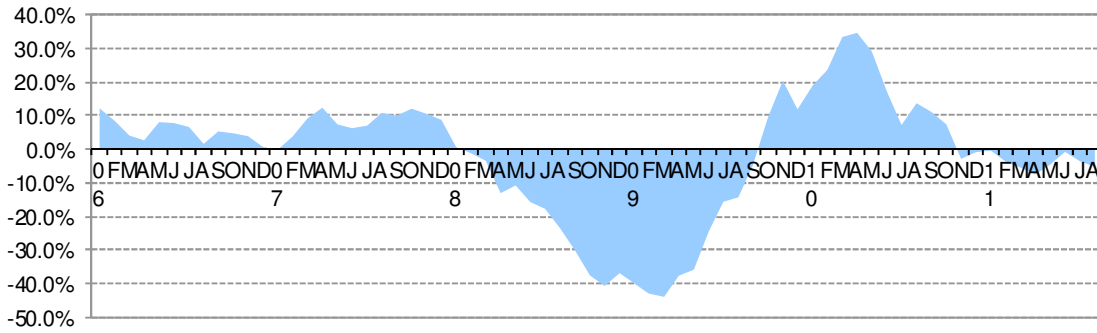
### Santa Clara County Homes - Prices & Sales

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



Santa Clara County - August 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	\$ 600,000	\$ 766,252	992	1,934	2,222	67	99.3%	-5.3%	-4.3%	14.3%	-4.6%	-23.4%
Campbell	\$ 670,000	\$ 683,075	22	39	63	86	98.8%	1.1%	-3.7%	22.2%	25.8%	-7.4%
Cupertino	\$ 1,208,000	\$ 1,293,780	23	27	79	103	100.6%	15.0%	27.9%	-23.3%	-41.3%	-8.1%
Gilroy	\$ 405,323	\$ 446,273	46	144	132	86	99.6%	-4.1%	0.7%	21.1%	16.1%	1.5%
Los Altos	\$ 1,650,000	\$ 1,726,670	27	27	47	52	98.7%	-5.4%	-6.1%	-3.6%	0.0%	-13.0%
Los Altos Hills	\$ 2,450,000	\$ 2,631,520	11	5	40	109	96.7%	6.1%	-3.6%	22.2%	-54.5%	-38.5%
Los Gatos	\$ 1,395,000	\$ 1,519,890	32	43	114	107	97.5%	7.7%	8.0%	23.1%	-25.9%	-23.5%
Milpitas	\$ 550,000	\$ 571,753	33	57	59	54	99.1%	11.1%	5.5%	26.9%	-1.7%	-23.4%
Monte Sereno	\$ 1,660,740	\$ 1,660,740	1	4	12	360	97.7%	-28.7%	-28.7%	-50.0%	-20.0%	-55.6%
Morgan Hill	\$ 525,000	\$ 608,940	51	100	133	78	98.4%	-9.9%	-4.7%	50.0%	6.4%	-16.4%
Mountain View	\$ 996,500	\$ 1,038,300	22	29	26	35	100.6%	6.0%	6.0%	-18.5%	-19.4%	-51.9%
Palo Alto	\$ 1,380,000	\$ 1,546,630	45	33	46	31	107.2%	8.2%	7.9%	28.6%	0.0%	-48.9%
San Jose	\$ 500,000	\$ 558,830	540	1,205	1,099	61	98.9%	-9.1%	-7.6%	13.2%	-4.2%	-25.7%
Santa Clara	\$ 580,000	\$ 616,503	50	99	88	53	99.7%	-5.8%	1.2%	56.3%	7.6%	-22.1%
Saratoga	\$ 1,618,000	\$ 1,652,400	29	27	123	127	98.9%	7.6%	-11.4%	0.0%	-22.9%	-3.9%
Sunnyvale	\$ 783,250	\$ 788,701	48	73	86	54	99.7%	-6.8%	3.1%	4.3%	-11.0%	-31.7%

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



## FORECLOSURE STATISTICS

All-in-all, the foreclosure statistics for July, the last month available, are trending in a positive direction.

Notices of default, the first step in the foreclosure process, in Santa Clara County dropped 19.7% in July from last July.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 22.4% 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 June, cancellations were down 32.5% year-over-year, but up 3.8% from June.

Properties going back to the bank declined in July by 10.5% compared to last July. They were up 26.7% from June, not a good sign.

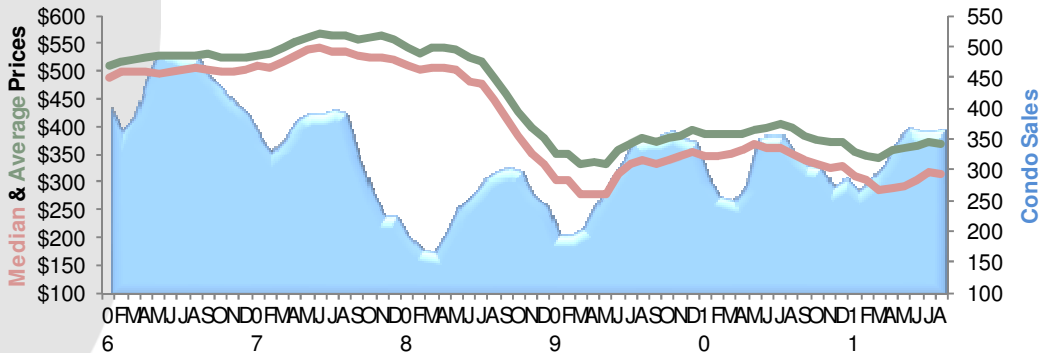
The total number of homes that have had a notice of default filed declined by 5.8% in July compared to July 2010.

The total number of homes scheduled for sale declined by 19.7% year-over-year.

The total number of homes owned by the bank was down 3.3% year-over-year.

## Santa Clara County Condos- Prices & Sales

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



### Santa Clara County - August 2011

Condos/Townhomes		% Change from Year Before										
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 300,000	\$ 364,470	387	878	734	57	98.9%	-13.7%	-2.8%	17.3%	10.4%	-34.0%
Campbell	\$ 310,000	\$ 354,091	11	23	37	101	98.1%	-17.3%	-1.5%	10.0%	-11.5%	-9.8%
Cupertino	\$ 585,000	\$ 685,643	7	10	19	81	100.7%	-12.7%	3.8%	-36.4%	-37.5%	-29.6%
Gilroy	\$ 160,000	\$ 164,000	4	9	1	8	100.7%	-11.3%	4.6%	33.3%	0.0%	0.0%
Los Altos	\$ 894,500	\$ 928,217	6	1	11	55	98.2%	75.4%	82.0%	200.0%	-80.0%	-21.4%
Los Gatos	\$ 657,000	\$ 550,984	7	20	41	176	96.9%	11.5%	2.6%	16.7%	42.9%	-14.6%
Milpitas	\$ 225,000	\$ 266,742	25	31	19	23	99.9%	-11.8%	-5.5%	108.3%	-20.5%	-59.6%
Morgan Hill	\$ 223,000	\$ 230,197	10	17	16	48	98.1%	-28.8%	-20.9%	25.0%	-43.3%	45.5%
Mountain View	\$ 580,000	\$ 523,626	31	49	45	44	98.9%	14.1%	-4.6%	29.2%	6.5%	-50.5%
Palo Alto	\$ 687,500	\$ 684,692	18	13	19	32	100.4%	-5.2%	-8.9%	350.0%	-18.8%	-50.0%
San Jose	\$ 255,000	\$ 295,770	206	578	442	64	99.0%	-15.0%	-8.7%	1.0%	12.0%	-27.9%
Santa Clara	\$ 295,000	\$ 312,431	37	64	37	30	98.1%	-10.1%	-18.7%	60.9%	42.2%	-43.1%
Saratoga	\$ 930,000	\$ 930,000	2	2	8	120	96.9%	24.0%	30.9%	-33.3%	-75.0%	-57.9%
Sunnyvale	\$ 490,000	\$ 452,066	23	61	39	51	97.7%	6.4%	-1.5%	15.0%	144.0%	-59.8%

### 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**  
Sales Year-to-Date

