

## Real Estate Service With My Personal Guarantee



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## JUNE/JULY 2015

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KELLERWILLIAMS.

# The Real Estate Report

## Silicon Valley market trends report Home Prices Hit a Million

The median price for single-family, re-sale homes reached \$1,000,000 for the first time ever.

Sales of single-family, re-sale homes fell, year-over-year, after two months of higher sales.

Active listings continue to be anemic, down by double-digits for the twelfth month in a row. Pending sales showed single-digit losses for the fourth month in a row.

Anecdotally, we've been hearing that multiple offers are declining. Rather than eight to ten offers on a home, many homes are selling with less than three offers.

This could be a result of buyers' exhaustion, and could portend a slowing of the market.

Although, with a sales price to list price ratio of 107.7% last month, which matches the record high set the month before, demand seems to be strong.

The sales price to list price ratio has been over 100% for thirty-nine months in a row.

### MAY MARKET STATISTICS

#### Year-Over-Year

- Median home prices increased by 14.3% year-over-year to \$1,000,000 from \$875,000.
- The average home sales price rose by 11.7% year-over-year to \$1,298,990 from \$1,163,220.

- Home sales fell by 3.9% year-over-year to 1,027 from 1,069.
- Total inventory\* fell 15% year-over-year to 2,218 from 2,609.
- Sales price vs. list price ratio rose by 1.9% year-over-year to 107.7% from 105.7%.

#### Month-Over-Month

- Median home prices improved by 2.6% to \$1,000,000 from \$975,000.
- The average home sales price rose by 1.4% to \$1,298,990 from \$1,280,480.
- Home sales down by 2.1% to 1,027 from 1,049.
- Total inventory\* increased 8.9% to 2,218 from 2,037.
- Sales price vs. list price ratio increased by 0.0% to 107.7% from 107.7%.

### CONDOMINIUMS

#### Year-Over-Year

- Median condo prices increased by 14.2% year-over-year to \$620,000 from \$543,000.
- The average condo sales price rose by 15.9% year-over-year to \$679,810 from \$586,779.
- Condo sales fell by 15.6% year-over-year to 385 from 456.
- Total inventory\* fell 22.8% year-over-year to 678 from 878.
- Sales price vs. list price ratio rose by 3.6% year-over-year to 108.6% from 104.8%.

Trends at a Glance (Single-family Homes)			
	May 15	Apr 15	May 14
Median Price:	\$1,000,000	\$ 975,000	\$ 875,000
Average Price:	\$1,298,990	\$1,280,480	\$1,163,220
Home Sales:	1,027	1,049	1,069
Pending Sales:	1,056	991	1,082
Active Listings:	1,162	1,046	1,527
Sale/List Price Ratio:	107.7%	107.7%	105.7%
Days on Market:	18	20	22
Days of Inventory:	34	29	43

### Santa Clara County Price Differences

from January 2014 & Peak & Trough

#### Homes: detached

	YTD	Peak %	Trough %	Peak	Trough
<b>3-month</b>	28%	0%	121%	Jun-14	Mar-09
<b>12-month</b>	13%	5%	78%	Feb-15	Nov-09

#### Homes: attached

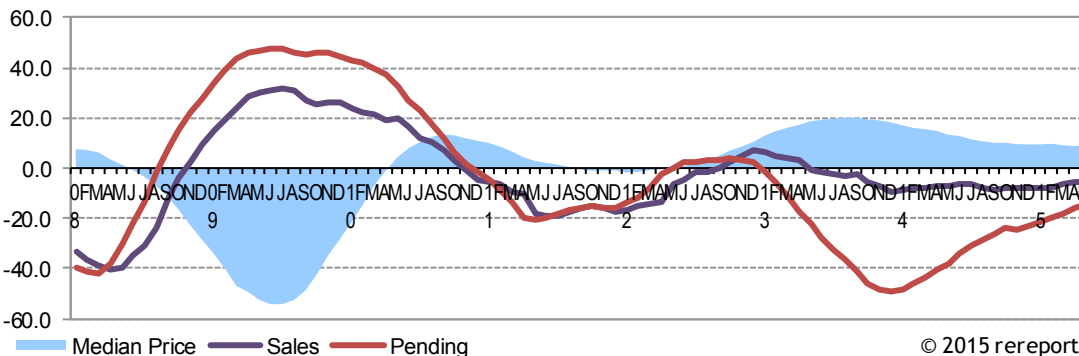
	YTD	Peak %	Trough %	Peak	Trough
<b>3-month</b>	23%	8%	167%	Nov-14	Apr-09
<b>12-month</b>	13%	2%	80%	Feb-15	Dec-11

#### Month-Over-Month

- Median condo prices improved by 9.7% to \$620,000 from \$565,000.
- The average condo sales price rose by 6.0% to \$679,810 from \$641,360.
- Condo sales up by 6.6% to 385 from 361.
- Total inventory\* increased 9.5% to 678 from 619.
- Sales price vs. list price ratio increased by 0.6% to 108.6% from 107.9%.

\* Total inventory is active listings plus contingent or pending listings. Active listings do not include contingent listings.

### Santa Clara County Homes: Momentum



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## MORTGAGE RATE OUTLOOK

### Mortgage Rates Firming: Blame the Fed

May 29, 2015 -- 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 eased by a single basis point (0.01%) this week to an average of 3.97%. The FRMI's 15-year companion moved in reverse of that, climbing by one basis point to an average interest rate of 3.27%. Rates on fully-insured FHA-backed 30-year FRMs remain considerably below their conforming counterparts but were at a standstill this week, holding at an average 3.73%. Meanwhile, the overall 5/1 Hybrid ARM added a single basis point to bump up to an average 2.98%. HSH's FRMIs include both conforming and jumbo rates, providing borrowers with a broader view of mortgage conditions.

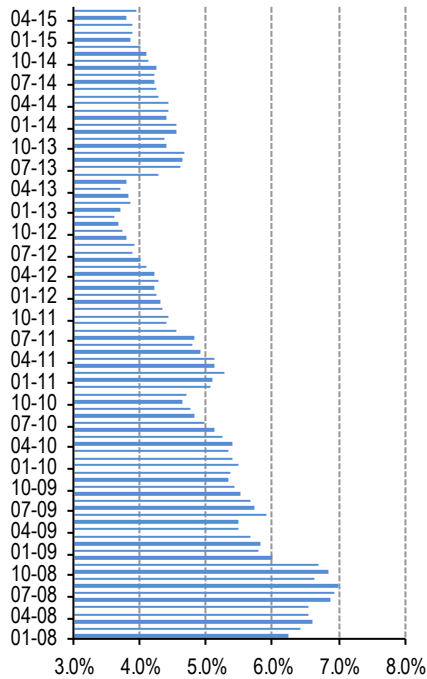
The downtrend in mortgage rates in April helped sales of new homes to improve. The Census Bureau reported sales of newly-built homes rose by 6.8% for the month, climbing to a 517,000 annualized rate of sale. Inventory levels here are somewhat more elastic; that is, more new homes can be built to meet demand. According to the report, there is about 4.8 months of built and ready-to-sell stock available; this is thinner than optimal at about 205,000 units. Builders continue to express caution about adding to stock even as the housing market

continues on an overall path of slow improvement. The 5.3% month-over-month rise in prices may see a little more enthusiasm for that, though -- it was the first increase in prices seen since last November.

Long-term interest rates (and mortgage rates) are of course forward-looking by their nature. Soft economic patches aside, interest rates have nudged higher this spring not because the current climate is much to write home about, but rather that the prospects for more widespread growth (here and abroad, especially in the Eurozone) are improving. That said, it seems as though it will be more of a slowly rising tide lifting all boats for this go-round, rather than the U.S. pulling hard to help keep afloat many other economies.

Also, no panic here and certainly less over there seems to have softened the conditions which produced recent lows for rates, which are likely to be sticky around these levels, give or take a little. If everything goes according to expectations (a process not likely, or at least not smoothly) we may be soon be at or near the start of a long and gradual upturn for rates. Before then, we will need to take the first step, probably in September, and see where we'll go from there.

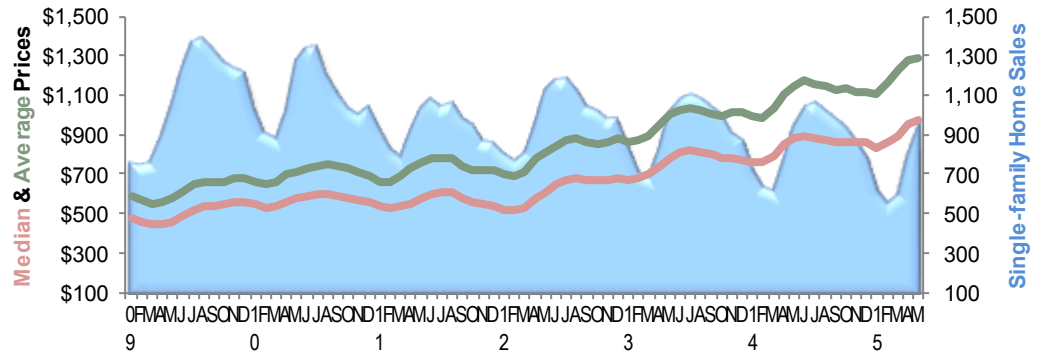
### 30-Year Fixed Mortgage Rates



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.

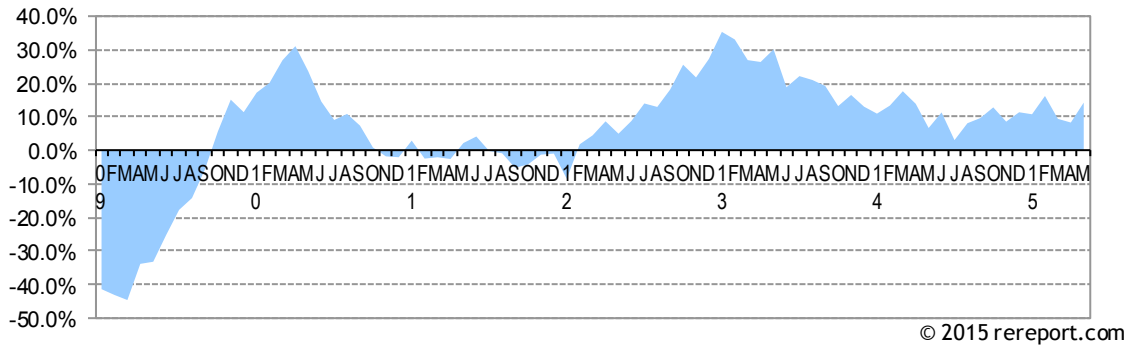
### Santa Clara County Homes - Prices & Sales

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



Santa Clara County - May 2015															
Single-Family Homes									% Change from Year Before			% Change			
Prices									Prices			Median Price			
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP		Med	Ave	Sales	Pend'	Inven'	Peak	Trough
SCC	\$ 1,000,000	\$ 1,298,990	1,027	1,056	1,162	34	107.7%		14.3%	11.7%	-3.9%	-2.4%	-23.9%	15.1%	125.3%
Campbell	\$ 1,091,250	\$ 1,203,820	22	31	20	27	108.3%		16.1%	19.1%	-33.3%	82.4%	-35.5%	5.2%	98.4%
Cupertino	\$ 1,885,000	\$ 1,909,550	29	26	23	24	111.2%		4.7%	0.9%	16.0%	-23.5%	9.5%	4.7%	102.7%
Gilroy	\$ 655,000	\$ 713,984	51	77	77	45	100.8%		12.4%	8.9%	-1.9%	30.5%	-34.7%	-19.6%	107.9%
Los Altos	\$ 2,605,000	\$ 2,779,410	37	19	25	20	111.9%		9.5%	5.8%	-2.6%	-32.1%	38.9%	4.0%	122.6%
Los Altos Hills	\$ 2,552,000	\$ 2,851,710	7	10	19	81	103.3%		-15.1%	-23.9%	-12.5%	0.0%	-29.6%	-49.6%	47.9%
Los Gatos	\$ 1,645,000	\$ 1,957,420	42	47	111	79	102.2%		-6.0%	-7.1%	27.3%	-13.0%	54.2%	-15.6%	74.5%
Milpitas	\$ 912,000	\$ 921,441	23	37	31	40	105.6%		13.6%	7.8%	-11.5%	23.3%	-13.9%	10.5%	119.8%
Monte Sereno	\$ 2,572,500	\$ 2,776,710	6	9	10	50	98.4%		-9.7%	-3.3%	-14.3%	50.0%	-33.3%	-62.3%	204.4%
Morqan Hill	\$ 792,500	\$ 842,682	44	57	80	55	102.2%		16.7%	4.8%	-8.3%	1.8%	-29.8%	-20.8%	78.7%
Mountain View	\$ 1,860,000	\$ 1,971,600	27	27	16	18	116.4%		35.3%	43.0%	50.0%	12.5%	0.0%	14.5%	152.0%
Palo Alto	\$ 2,750,000	\$ 3,118,540	36	24	34	28	110.4%		24.0%	10.1%	-20.0%	-29.4%	6.3%	-11.1%	131.1%
San Jose	\$ 850,500	\$ 952,872	536	559	567	32	106.7%		9.7%	10.9%	-6.9%	-2.4%	-30.4%	7.3%	110.0%
Santa Clara	\$ 992,500	\$ 1,049,710	50	47	31	19	115.3%		25.1%	19.6%	-16.7%	-27.7%	-32.6%	10.6%	90.9%
Saratoga	\$ 2,400,000	\$ 2,480,560	40	36	70	53	108.3%		13.7%	7.6%	37.9%	20.0%	0.0%	6.4%	179.7%
Sunnyvale	\$ 1,442,000	\$ 1,422,090	68	44	39	17	116.2%		20.2%	16.9%	30.8%	-4.3%	2.6%	12.7%	177.3%

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



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**WHAT IS YOUR HOME WORTH?**

**On-line Home Estimate are NOT Accurate**

All homes have a price, and sometimes more than one. There's the price owners would like to get, the value buyers would like to offer and a point of agreement which can result in a sale.

In considering home values, several factors are important:

The value of your home relates to local sale prices. The same home, located elsewhere, would likely have a different value.

Sale prices are a product of supply and demand. If you live in a community with an expanding job base, a growing population and a limited housing supply, it is likely prices will rise. Alternatively, it's important to be realistic. If the local community is losing jobs and peo-

ple are moving out, then you'll likely have a buyer's market.

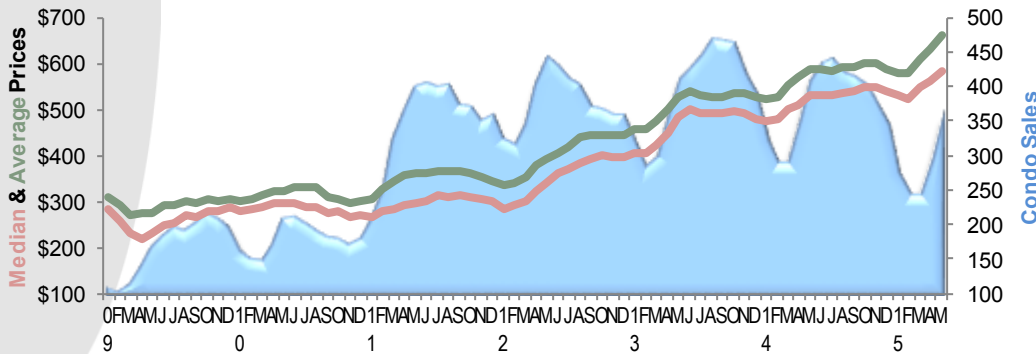
Owner needs can impact sale values. If owner Smith "must" sell quickly, he will have less leverage in the marketplace. Buyers may think that Smith is willing to trade a quick closing for a lower price -- and they may be right. If Smith has no incentive to sell quickly, he may have more marketplace strength.

Sale prices are not based on what owners "need." When an owner says, "I must sell for \$300,000 because I need \$100,000 in cash to buy my next home," buyers will quickly ask if \$300,000 is a reasonable price for the property. If similar homes in the same community are selling for \$250,000, the seller will not be successful.

(Continued on page 4)

**Santa Clara 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.

**Santa Clara County - May 2015**

Santa Clara County - May 2015													% Change	
Condos/Townhomes								% Change from Year Before					Median Price	
Prices								Prices					Peak Trough	
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'	Peak	Trough
SCC	\$ 620,000	\$ 679,810	385	405	273	21	108.6%	14.2%	15.9%	-15.6%	-0.5%	-42.0%	12.9%	194.5%
Campbell	\$ 739,500	\$ 684,199	18	20	2	3	109.4%	20.7%	11.0%	50.0%	81.8%	-66.7%	-1.4%	155.0%
Cupertino	\$ 1,180,000	\$ 1,225,000	5	11	9	54	119.3%	33.6%	40.6%	-58.3%	120.0%	125.0%	22.9%	117.4%
Gilroy	\$ 225,000	\$ 225,000	1	3	4	120	95.7%	-26.2%	-26.2%	0.0%	50.0%	-42.9%	-55.9%	#DIV/0!
Los Altos	\$ 1,080,000	\$ 1,163,200	5	2	3	18	108.0%	-37.4%	-32.6%	400.0%	-33.3%	-25.0%	-53.5%	113.3%
Los Gatos	\$ 1,025,000	\$ 1,011,820	11	12	6	16	108.6%	28.5%	20.0%	-31.3%	9.1%	100.0%	2.5%	203.3%
Milpitas	\$ 623,000	\$ 632,100	16	21	20	38	106.6%	4.6%	11.9%	-11.1%	10.5%	-35.5%	-3.6%	210.0%
Morgan Hill	\$ 534,657	\$ 528,219	6	10	2	10	101.0%	11.7%	15.0%	-33.3%	66.7%	-84.6%	-9.2%	178.5%
Mountain View	\$ 910,000	\$ 950,351	31	21	13	13	119.0%	15.9%	20.7%	-8.8%	-32.3%	-40.9%	4.6%	131.8%
Palo Alto	\$ 1,635,000	\$ 1,730,000	4	10	5	38	114.6%	54.2%	54.4%	-55.6%	42.9%	0.0%	7.4%	220.6%
San Jose	\$ 530,000	\$ 563,661	232	224	162	21	106.4%	13.9%	12.1%	-12.1%	-12.2%	-46.9%	4.7%	186.5%
Santa Clara	\$ 670,003	\$ 681,672	35	40	20	17	110.1%	26.7%	26.0%	-5.4%	25.0%	-35.5%	14.9%	151.4%
Saratoga	\$ 1,223,550	\$ 1,234,180	3	6	7	70	102.6%	94.2%	72.2%	-50.0%	200.0%	133.3%	14.9%	151.4%
Sunnyvale	\$ 910,000	\$ 893,426	27	26	18	20	113.9%	22.6%	24.7%	-20.6%	0.0%	-37.9%	14.7%	163.8%

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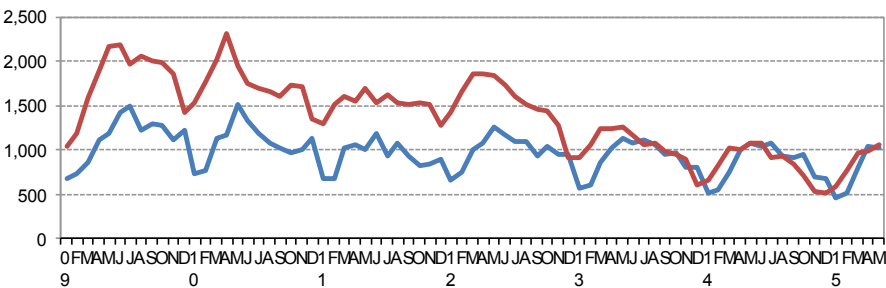
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**Santa Clara County Homes:** Pending & Existing Home Sales  
(3-month moving average)



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Sale prices are NOT the whole deal. Which would you rather have: A sale price of \$200,000, or a sale price of \$205,000 but where you agree to make a "seller contribution" of \$5,000 to offset the buyer's closing costs, pay a \$2,000 allowance for roof repairs, fund two mortgage points, re-paint the entire house and leave the washer and dryer?

Because all transactions are unique there is flexibility in the marketplace. The amount of flexibility depends on local conditions.

For example, suppose you're selling a townhouse. Suppose also that there have been five recent sales of the model you own and that sale values have ranged between \$200,000 and \$210,000. You now have an idea of how your home might be priced. In a strong market perhaps you can ask for \$210,000 or a little more. If the market has slowed, \$210,000 may be a reasonable asking price, but perhaps more than the final sale price.

Here's another scenario. Imagine that you live in a community of Victorian-style homes, most of which were built in the 1920s. All the homes are different in terms of size, condition, modernization, style and features. In such a neighborhood, an average sale price is just a statistic without much practical meaning. On a single block one home may sell for \$400,000 while another is priced at more than \$1 million. The average price may be outrageously high for one home and staggeringly low for another.

In this day and age, on-line home valuation web sites are a dime a dozen. In fact, we have one also. The thing to remember is no online algorithm alone can determine accurate pricing of your home. You need a personalized comparative market analysis done by a real estate agent who has come and seen your home.

In sum, real estate is a very local, and personal, business.

## Investors Corner

### Home Price Gains Accelerate, Led by San Francisco and Denver According to the S&P/Case-Shiller Home Price Indices

**New York, May 26, 2015** – S&P Dow Jones Indices today released the latest results for the S&P/Case-Shiller Home Price Indices, the leading measure of U.S. home prices. Data released today for March 2015 show that home prices continued their rise across the country over the last 12 months. More than 27 years of history for these data series is available...

Read more at <https://goo.gl/pN4FCr>

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