

The Stricker / TenBroeck Real Estate Team's 2008 First Half Real Estate Review

Featuring listing and sales information for: Los Altos, Los Altos Hills, Palo Alto, Mountain View, Menlo Park, Portola Valley, & Atherton

Dear Friends and Neighbors,

Each year, as a service to our clients and the residents of the communities we serve, we publish sales statistics and analysis for the half and full year. We hope this information will eliminate some of the confusion caused by the news media and help you to better understand current real estate trends and home values in your neighborhood.

Please enjoy this review with our compliments. We invite you to call or email us with your questions or if we can be of service to you or your family and friends.

Best regards,

Jeff and Steve

Current Overall Market Conditions - Southern SF Peninsula

Despite the mortgage debacle, plummeting consumer confidence, the worst stock market performance since the early 70's, plus an election year, the local real estate market has held up nicely in 2008! Why? Simply put: Low supply + High demand. As of this writing, our diverse Bay Area economy is still creating jobs, unlike the rest of the nation (we can all be thankful we don't live in Detroit!). Mortgage interest rates remain below historical averages. As a result, **local buyer demand has remained solid.**

The supply of homes for sale on the South Peninsula (Los Altos through Atherton) during the first half of 2008 was well below buyer demand. Foreclosures are almost non-existent in these communities since homes rarely (if ever) sell with little or no down payment (unlike San Jose and the East Bay). Also, further limiting supply is the trend to "age in place", as the elderly increasingly wish to stay in their homes as long as possible. As long as these supply/demand conditions continue, our local real estate market will remain strong. What could cause a weakening of the market and home prices to fall? Factors that could reduce buyer demand include higher mortgage interest rates, local layoffs due to a weakening U.S. economy, or any disruptive economic event. Significant layoffs would also increase the supply of homes for sale.

A factor called "**months of inventory**" is shown in the tables below. This term refers to the number of months it would take to sell the current inventory of homes for sale, at the current sales rate. Most commentators believe, and in our experience it is true, that:

0 - 2 months = seller's market; 2 - 4 months = balanced market; 4 or more months = buyer's market.

Current Overall Conditions (continued)

The local market favored sellers during the first quarter of 2008. The year began with a very low inventory of homes for sale which resulted in fewer closed sales. However, the lower numbers of homes for sale caused competition among buyers, resulting in frequent multiple offers with over-the-asking-price sale prices, on average. During the second quarter, the number of homes for sale rose causing the months of inventory to rise and the market became more balanced. Multiple offers were less frequent, and sales prices below the asking price became more common.

First Half Sales Statistics by Community

Los Altos

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed	231	216	119	195	185	208	197	170	183	144
Inventory on 6/30	60	39	106	79	100	61	84	79	44	64
Mos. Of Inventory	1.2	0.9	3.4	3.8	2.4	1.3	1.8	1.8	1.0	1.9
% of List Price Rec'd	100.8	120.6	98.5	99.0	96.8	103.1	104.1	100.3	101.9	99.7
Avg. Days on Market	40	33	38	47	69	26	28	31	43	27
Median Sales Price (\$m)	.86	1.40	1.24	1.19	1.16	1.38	1.64	1.60	1.71	1.79

Los Altos Hills

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed	91	71	20	32	30	51	77	50	64	37
Inventory on 6/30	35	18	42	44	56	59	58	68	48	42
Mos. Of Inventory	1.5	1.2	8.4	14.7	9.3	5.4	3.4	7.6	4.4	6.0
% of List Price Rec'd	100.3	115.0	93.4	92.7	91.8	96.8	98.7	94.5	96.7	95.5
Avg. Days on Market	62	73	68	91	86	82	90	100	114	137
Median Sales Price (\$m)	1.46	3.00	3.24	2.16	1.90	2.05	2.43	2.52	2.60	2.68

Palo Alto

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed	272	267	190	273	237	304	271	281	261	189
Inventory on 6/30	73	72	120	97	116	95	71	65	47	67
Mos. Of Inventory	1.2	1.1	2.2	2.0	2.2	1.2	1.0	1.0	0.8	1.3
% of List Price Rec'd	105.7	118.4	98.7	101.5	97.3	104.4	107.8	102.3	103.7	100.9
Avg. Days on Market	26	34	36	47	49	25	21	31	33	27
Median Sales Price (\$m)	.69	.99	.99	.96	.91	1.15	1.35	1.40	1.52	1.58

First Half Sales Statistics by Community (continued)

Mountain View

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed	189	151	162	208	172	207	205	164	119	115
Inventory on 6/30	55	46	95	69	76	62	33	49	33	63
Mos. Of Inventory	1.0	1.2	2.3	2.2	1.8	1.1	0.7	1.2	1.7	2.9
% of List Price Rec'd	102.2	109.2	100.8	101.7	98.6	104.3	106.6	102.0	104.4	100.8
Avg. Days on Market	32	22	30	45	42	18	17	30	19	31
Median Sales Price (\$m)	.51	.65	.72	.70	.66	.76	.88	.91	1.06	1.01

Menlo Park

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed	175	129	100	178	158	161	183	153	165	125
Inventory on 6/30	44	30	82	63	61	55	46	39	33	47
Mos. Of Inventory	0.9	0.8	3.0	1.8	1.3	1.5	1.2	1.1	0.9	1.5
% of List Price Rec'd	102.1	119.0	98.8	102.5	98.3	100.9	105.2	101.7	102.0	100.6
Avg. Days on Market	28	35	36	34	46	40	28	37	34	35
Median Sales Price (\$m)	.91	1.40	1.32	1.20	1.08	1.41	1.67	1.75	1.73	2.05

Portola Valley

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed	46	50	18	29	29	38	44	33	41	33
Inventory on 6/30	1	7	28	27	32	30	41	28	24	25
Mos. Of Inventory	1.0	0.6	7.0	9.0	8.0	3.0	2.9	3.5	2.7	4.2
% of List Price Rec'd	99.6	112.3	100.2	96.3	98.6	97.5	99.7	98.9	99.7	100.0
Avg. Days on Market	68	64	45	84	83	82	76	75	71	65
Median Sales Price (\$m)	1.18	1.46	1.77	1.60	1.51	1.70	1.93	1.83	1.91	2.19

Atherton

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed	61	52	37	39	37	50	60	52	45	35
Inventory on 6/30	17	26	37	39	57	30	40	48	36	33
Mos. Of Inventory	1.4	2.9	3.4	5.6	4.4	2.5	4.3	3.4	3.3	8.3
% of List Price Rec'd	98.2	113.2	90.4	98.7	95.9	97.2	98.0	97.6	94.2	96.3
Avg. Days on Market	63	66	63	57	81	78	46	73	67	73
Median Sales Price (\$m)	1.70	3.80	2.94	2.60	2.10	3.05	3.01	3.55	3.40	4.15

We would like to point out that most communities are comprised of smaller sub-markets which can perform quite differently during the same time period. For instance, sub-areas of a community served by better schools may be appreciating while home values in other areas of the same community are flat or going down in value. If you would like to understand the nuances of your specific neighborhood, please give us a call or send an email with your request to JeffAndSteve@apr.com.

Regarding Home Prices

While reports have been published recently citing a 20% decline in values in the Bay Area, that is certainly not the case in our area (see charts below). As you will see, Palo Alto, Atherton, and Menlo Park are leading in median sales price appreciation since 2003. Interestingly, Los Altos Hills is the only one of these communities which has not surpassed its 2000 Median sales price (\$3.24m in 2000 vs. \$2.68m in 2008). We believe this is because Los Altos Hills had the greatest increase in home prices during the 1998 to 2000 "Dot Com" bubble.

	Median Sales Price 1 st Half of 2008	% Increase since 1 st Half of 2007	% Increase since 1 st Half of 2003	% Increase since 1 st Half of 2000
Los Altos	\$1.79m	5%	54%	28%
Los Altos Hills	\$2.68m	3%	42%	<11%>
Palo Alto	\$1.58m	4%	74%	60%
Mountain View	\$1.01m	<5%>	53%	55%
Menlo Park	\$2.05m	18%	90%	46%
Portola Valley	\$2.19m	15%	45%	50%
Atherton	\$4.15m	22%	98%	9%

Statistical information provided by MLSListings.com

Jeff and Steve's Advice for Real Estate Buyers and Sellers

For home sellers, we believe prices are at a peak for this market cycle. If you are contemplating a move in the near term, **we recommend selling sooner rather than later**. We remain worried about a potential increase in interest rates due to inflation which could slow the market and cause prices to fall. Typically it takes 3-5 years for prices to recover, locally, after a decline.

For home buyers, **we recommend purchasing a home in the best area** (and with the best location within that area) that you can afford. Well-located homes decline the least in value if a downturn happens, and buying now allows you to take advantage of historically low interest rates on your home loan.

If you know of someone considering buying or selling a home, please have them contact us for a complimentary consultation. They need to have all of the facts in this challenging market environment!

Also, please be sure to visit our website: www.JeffAndSteve.com for the latest info on *Market Trends* and to follow market updates on our [Real Estate Blog](#).

Would you like to receive our quarterly reports via email? To be added to our e-newsletter distribution list, please email us at JeffAndSteve@apr.com.

Thank you and we wish you a great 2nd half of 2008!

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