

The Stricker / TenBroeck Real Estate Team's

Third Quarter 2008 Real Estate Report

Featuring Commentary, Statistics, and Sales Information for Los Altos, Los Altos Hills, Palo Alto, Mountain View, Menlo Park, Portola Valley, & Atherton

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Dear Friends and South Peninsula Residents,

Each quarter, as a service to our clients and the residents of the communities we serve, we publish analysis and sales statistics for the quarter. Hopefully, this information will provide you with a clear understanding of current real estate trends and values in your community.

Please enjoy this report with our compliments. We invite you to call or email us with your questions or if we can provide real estate assistance to you, your family, or friends.

Best regards,
Jeff Stricker and Steve TenBroeck

Current Overall Market Conditions- Southern SF Peninsula

Synopsis: The South Peninsula real estate markets continued to move from a balanced market to a buyer's market during the third quarter of 2008. We expect this trend to continue, and local markets to become softer markets for sellers in 2009, due to sagging buyer demand.

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During the second quarter, the number of homes for sale rose (in most markets) causing the months of inventory to rise and the market(s) to become more balanced. Regarding months of inventory, it is generally agreed that 0-2 months of inventory = a *seller's market*; 2-4 months = a *balanced market*; and more than 4 months of inventory = a *buyer's market*. Prices will rise in a seller's market, are generally flat in a balanced market, and will fall in a buyer's market.

We have been writing and blogging since June about our concern that buyer demand could weaken further - due to higher interest rates, local layoffs, a weakening U.S. economy, or any disruptive event - economic or otherwise (for more, go to our website: www.JeffAndSteve.com). We certainly did not expect all these concerns to come to fruition! In the Market Activity charts that follow, note that the *months of inventory* in Los Altos, Los Altos Hills, and Palo Alto are all rising (due to weaker buyer demand and rising inventory).

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Los Altos

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed – Q3	130	114	95	82	121	120	118	93	78	68
Inventory on 9/30	57	21	100	106	74	83	67	92	49	78
Mos. Of Inventory	1.7	0.9	4.0	5.3	2.0	1.8	2.1	2.8	3.3	3.7
% of List Price Rec'd	102.7	106.4	94.6	96.7	97.0	101.1	100.0	99.1	104.3	99.0
Avg. Days on Market	29	22	62	47	57	26	32	36	32	48
Median Sales Price (\$m)	.940	1.405	1.050	1.200	1.120	1.350	1.530	1.652	1.786	1.950

Los Altos Hills

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed – Q3	25	30	14	11	27	25	31	25	20	18
Inventory on 9/30	23	15	47	52	43	56	75	68	52	51
Mos. Of Inventory	2.9	2.1	15.7	26.0	4.0	8.4	8.3	13.6	13.0	12.8
% of List Price Rec'd	97.1	101.1	91.5	91.8	95.2	95.7	97.0	97.2	96.0	94.2
Avg. Days on Market	94	44	115	195	126	86	83	53	74	78
Median Sales Price (\$m)	1.950	2.735	2.350	2.350	1.925	2.388	2.600	2.300	2.448	2.425

Palo Alto

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed – Q3	157	171	94	104	156	164	146	123	113	99
Inventory on 9/30	59	71	148	159	103	77	80	83	42	80
Mos. Of Inventory	1.4	1.2	5.3	5.7	2.3	1.7	1.8	2.4	1.3	3.5
% of List Price Rec'd	102.2	105.8	95.3	99.5	97.7	102.4	101.7	102.6	103.6	101.1
Avg. Days on Market	24	25	56	31	42	34	26	29	23	32
Median Sales Price (\$m)	.740	.896	.818	.928	.918	1.105	1.400	1.270	1.638	1.700

Mountain View

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed – Q3	130	83	79	98	119	130	104	80	76	72
Inventory on 9/30	28	30	93	88	58	38	29	45	46	75
Mos. Of Inventory	0.7	1.8	3.1	2.9	1.3	1.0	1.0	1.6	2.6	4.4
% of List Price Rec'd	101.0	103.1	96.5	100.0	99.2	102.5	104.4	100.4	104.4	100.5
Avg. Days on Market	24	27	51	20	41	21	18	33	24	27
Median Sales Price (\$m)	.525	.667	.642	.695	.678	.785	.880	.924	1.139	1.065

Menlo Park

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed – Q3	114	94	77	65	111	106	89	57	62	52
Inventory on 9/30	31	25	82	101	68	39	50	63	34	66
Mos. Of Inventory	0.8	0.9	5.9	5.1	1.7	1.6	1.7	3.7	3.1	5.1
% of List Price Rec'd	101.6	106.9	94.9	98.2	100.8	103.4	101.1	100.4	101.1	99.2
Avg. Days on Market	27	26	50	31	37	22	26	33	35	38
Median Sales Price (\$m)	.914	1.344	1.184	1.123	1.152	1.326	1.567	1.653	1.700	1.700

Portola Valley

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed – Q3	23	28	17	19	27	30	30	11	20	17
Inventory on 9/30	13	0	26	31	37	33	30	38	17	26
Mos. Of Inventory	2.6	1.4	3.1	10.3	7.6	3.6	2.5	38.0	4.3	8.7
% of List Price Rec'd	101.5	105.5	96.6	97.1	95.7	97.0	93.9	96.0	98.2	98.3
Avg. Days on Market	40	23	44	24	51	66	79	132	78	80
Median Sales Price (\$m)	1.325	1.875	2.100	1.275	1.405	1.813	1.637	2.095	2.430	2.050

Atherton

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Closed – Q3	36	22	22	12	29	22	25	28	13	16
Inventory on 9/30	8	23	38	55	38	35	46	41	29	33
Mos. Of Inventory	0.7	1.9	7.6	11.0	3.8	6.0	7.7	3.7	5.8	11.0
% of List Price Rec'd	102.5	103.1	91.4	97.3	92.5	94.5	95.6	95.1	98.3	95.7
Avg. Days on Market	29	41	76	56	91	62	50	80	62	60
Median Sales Price (\$m)	2.000	3.750	2.250	2.500	2.188	2.358	3.350	2.965	4.300	3.925

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Lastly, we present a chart of current and historic Median Sales Prices. Please observe that the third quarter median sales prices for these areas are basically flat or down from the third quarter of last year. The turmoil in the financial markets is beginning to have a negative impact on local real estate prices.

	Median Sales Price 3 rd Qtr of 2008	% Increase since 3 rd Qtr of 2007	% Increase since 3 rd Qtr of 2003	% Increase since 3 rd Qtr of 2000
Los Altos	\$1,950,000	<6%>	74%	39%
Los Altos Hills	\$2,425,000	<1%>	26%	<11%>
Palo Alto	\$1,700,000	1.0%	85%	90%
Mountain View	\$1,065,000	<7%>	57%	60%
Menlo Park	\$1,700,000	0%	48%	26%
Portola Valley	\$2,050,000	<15%>	46%	9%
Atherton	\$3,925,000	<9%>	79%	5%

Statistical information provided by MLSlistings.com

The financial crisis and subsequent “fixes” will likely cause one or more of the following in 2009:

1. a national recession which includes Silicon Valley
2. higher interest rates due to a credit crunch
3. higher interest rates due to a surging economy resulting from excess liquidity currently being pumped into world financial markets

It is our belief that one of the three scenarios above will happen regardless of how the financial crisis is resolved, and that it will cause local real estate to be a *buyer's market* in 2009.

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Jeff and Steve's Advice for Buyers and Sellers

For Home Buyers: Purchase a “blue chip” home (no noise/traffic/floor plan issues) in the best area (and with the best location within that area) that you can afford. These types of homes have the most stable value. Plan to hold long term, and take advantage of today's low fixed mortgage rates, which have only been below 7% during 12 of the last 45 years!

For Home Sellers: Prices have peaked for this market cycle and will fall, due to the events listed above. If you need to sell in the near term, do so as soon as you can, regardless of the upcoming holidays. Typically it takes a minimum of 3-5 years for prices to recover after a decline.

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If you know of someone considering buying or selling a home, please have them contact us for a complimentary consultation. They'll need good information and solid advice in this challenging real estate market! 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 email distribution list, please email us at JeffAndSteve@apr.com.

Thank you and we wish you a wonderful fall and holiday season!

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