

The 3 Oceans Market Report

market update

PALO ALTO

Current prices for homes on the market
Trends in pricing
Current levels of supply and demand
Value metrics

Report for the week of
2008-12-19

Presented by Kevin Boer
650.387.2860

3 Oceans Real Estate, Inc.

<http://3OceansRealEstate.com> | kevin@3OceansRealEstate.com



City Overview

Real-Time Market Profile		Trend
Median List Price	\$ 1,650,000	← →
Average List Price	\$ 2,069,384	
Least Expensive Listing	\$ 259,900	
Most Expensive Listing	\$ 8,190,000	
Asking Price per Square Foot	\$ 871	↑ ↑
Average Days on Market	64	↑ ↑
Total Inventory	85	↑ ↑
Absorbed This Week*	11	
Percent of Properties with Price Decrease	42 %	
Percent Relisted (reset DOM)	4 %	
Percent Flip (price increased)	2 %	
Median House Size (sq ft)	2,125	
Median Lot Size	6,501 - 8,000 sq ft	
Median Number of Bedrooms	4.0	
Median Number of Bathrooms	2.1	
Median Age	58	

Altos Research Value Statistics	
Market Action Index	Cold! Buyer's 19 ← →

Altos Research calculates the Market Action Index which measures available supply relative to the current level of demand. Index value above 30 indicates conditions favor the seller. See the section below for full details.

Trend Key

Last Month's Trend
 Last Quarter's
 No Clear Monthly/Quarterly

*Metric "Absorbed this Week" covers properties sold and those taken off the market for other reasons. Since sales sometimes take months to close, it is impossible to discern in real-time exactly which properties sold.

Characteristics per Quartile

Quart	Median Price	Med. Sqft.	Med. Lot Size	Bed	Bath	Med. Age	Inven.	New	Ab-sorbed	Avg. DoM
1	\$ 3,399,000	3,550	6,501 - 8,000 sq ft	5.0	4.0	67	21	0	1	102
2	\$ 1,993,000	2,325	4,501 - 6500 sq ft	4.0	3.0	58	21	0	5	48
3	\$ 1,399,000	1,771	6,501 - 8,000 sq ft	4.0	2.0	57	21	1	4	62
4	\$ 1,037,000	1,307	4,501 - 6500 sq ft	3.0	2.0	58	22	2	1	48

PALO ALTO

THIS WEEK

The median single family home price in PALO ALTO this week is \$1,650,000. The 85 homes have been on the market for an average of 64 days.

Inventory and days-on-market are climbing, while the Market Action Index has been flat recently. The trends point to a weakening market.

QUARTILES

To get a tightly targeted understanding of homes in the market, we break each locale into quartiles. Each quartile is 25% of the homes listed.

Most expensive 25% of homes

Upper-middle 25% of homes

Lower-middle 25% of homes

Least expensive 25% of homes

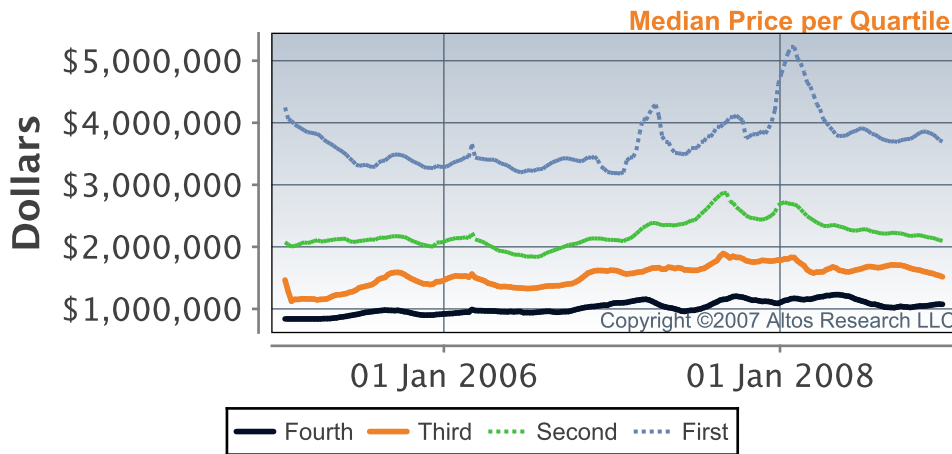
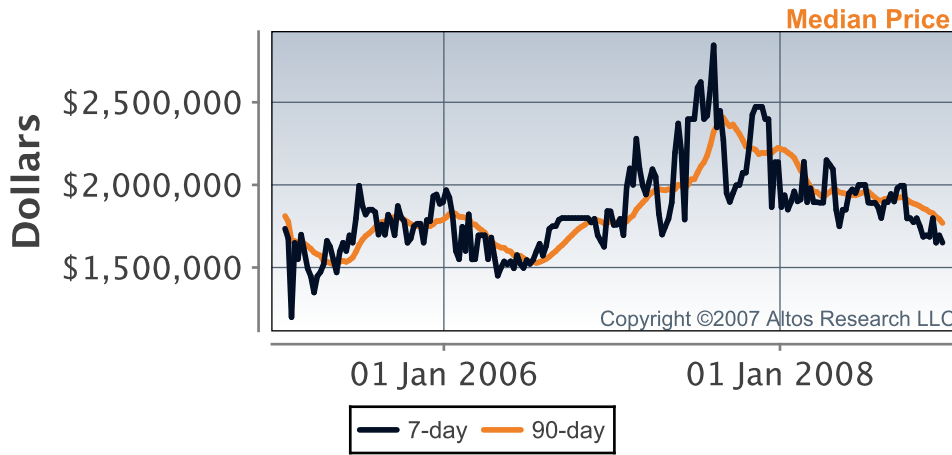
We'll refer to the quartiles in the trend graphs below.

PRICE

Despite this week's down tic, the market seems to have paused around this plateau. The Market Action Index is a good leading indicator for the durability of this shift.

QUARTILE PRICES

Often, we find insights by watching pricing trends within the quartile segments. Most of the market segments are showing price weakness lately. Notice however, that Quartile 4 at the low-end of the market is still on an up-trend. Often this condition happens in markets where demand has fallen (for example, due to micro-location variables) but supply is still relatively short. Buyers are focusing on the lowest price homes in the area.

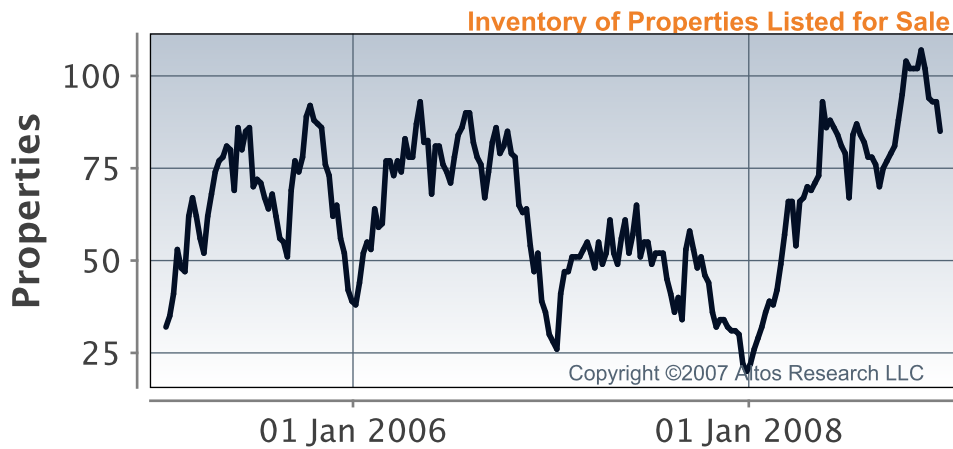
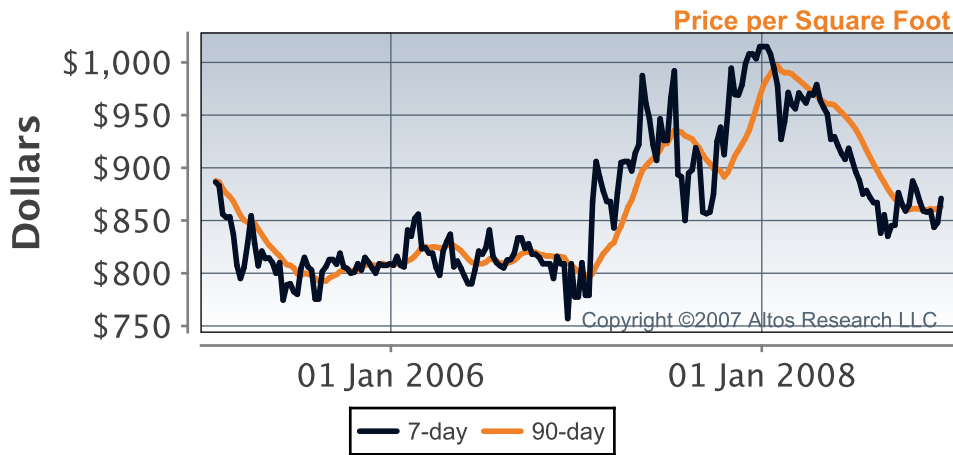


PRICE AND VALUE

We're seeing fairly unusual market conditions as prices have been in a downward trend but price per square foot is actually increasing. (Buyers are paying less and getting less home for their money.) Anomalies like these can be attributed to micro-location variables.

INVENTORY

Inventory has been climbing lately. Note that rising inventory alone does not signal a weakening market. Look to the Market Action Index and Days on Market trends to gauge whether buyer interest is keeping up with available supply.



Residential house prices are a function of supply and demand, and market conditions can be characterized by analyzing those factors. Watch this index for sustained changes: if the index falls into the Buyer's Market zone for a long period, prices are likely in for a downward correction.



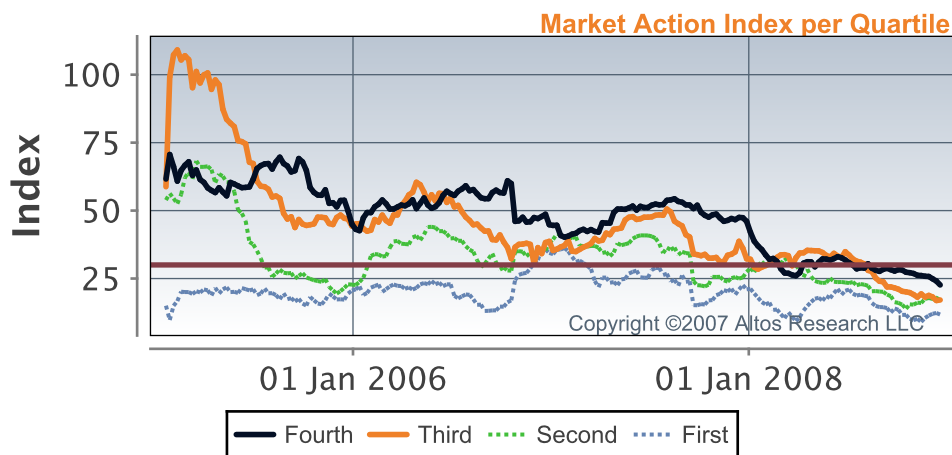
The Market Action Index (MAI) illustrates the balance between supply and demand using a statistical function of the current rate of sale versus current inventory.

An MAI value greater than 30 typically indicates a "Seller's Market" (a.k.a. "Hot Market") because demand is high enough to quickly gobble up available supply. A hot market will typically cause prices to rise. MAI values below 30 indicate a "Buyer's Market" (a.k.a. "Cold Market") where the inventory of already-listed homes is sufficient to last several months at the current rate of sales. A cold market will typically cause prices to fall.

MARKET ACTION INDEX

The PALO ALTO market is currently quite strongly in the Buyer's Market zone (below 30). The 90-day Market Action Index stands at 19. With several months of inventory available at the current sales rate, buyers should find ample choice.

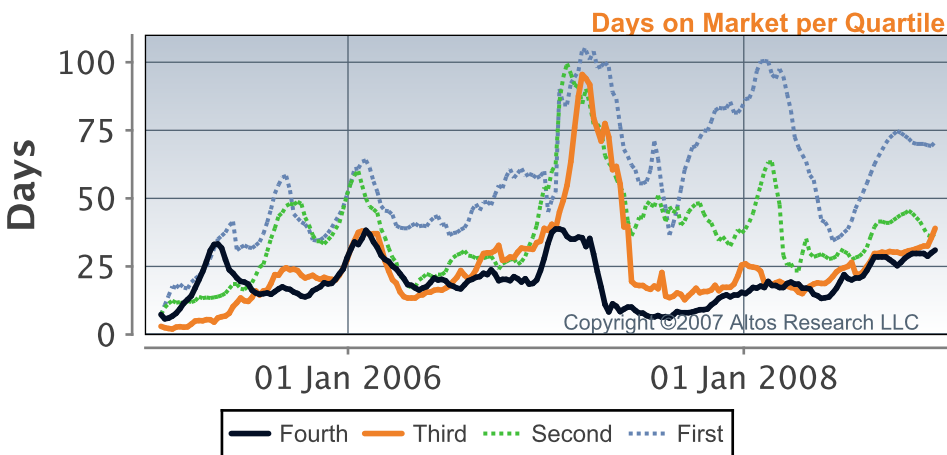
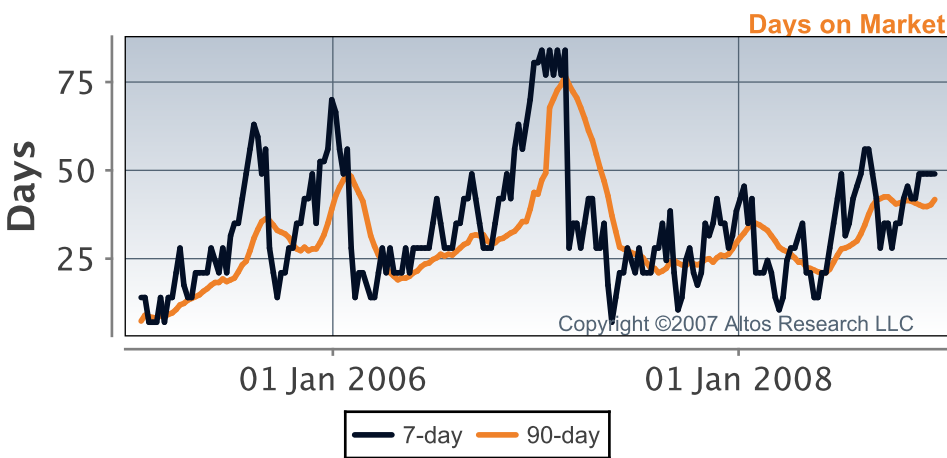
The market has settled in at a relative stasis in inventory and sales conditions. It's a Buyer's market that has seen prices trend lower. Expect that consistent up trends in demand will be required before price trends change significantly.



The quartiles can help you answer the question, "How hot is the market for homes in my price range?"

MARKET ACTION

Not surprisingly given the overall Market Action Index, all quartiles are in the Buyer's Market zone with several months of inventory given the current rate of demand for homes in the quartile. Watch the quartile for changes before the overall market shifts. Often one end of the market (e.g. the low end) will improve and signal a strengthening market before the whole group changes.



DAYS ON MARKET (DOM)

The properties have been on the market for an average of 64 days. Half of the listings have come newly on the market in the past 49 or so days.

DOM PER QUARTILE

It is not uncommon for the higher priced homes in an area to take longer to sell than those in the lower quartiles.

About Altos Research Corporation

Altos Research Corp. reports real-time analysis of the residential real estate market in local markets across the country. All information contained herein is based on properties currently listed for sale and available publicly. When evaluating a particular property, make sure you use comparable sales data in addition to the market trend information available in this report. The data presented in this report is accurate to the best of our knowledge, but cannot be guaranteed as such. Use this report as one input in the real estate decision making process, but do not rely on it for accuracy. Nothing in this report or any other Altos Research publication is a recommendation to buy or to sell real estate. We recommend you work with a licensed real estate agent or broker.