PAYNE

REAL ESTATE · CAPITAL · POLICY · THE PENINSULA

VOL. I · NO. 10 | WEEK ENDING OCTOBER 9, 2026 | PALO ALTO, CALIFORNIA

30-YR FIXED	SINCE NOV 2023	THE ELECTION	GENERIC BALLOT	PALO ALTO PIPELINE
7.40%	Highest	25 days	D +8	213
7th straight week up†	3 wks above 7†	Nov 3	50--42†	new homes in motion (e)

THE SEVENTH WEEK

7.40%

THE MORTGAGE CLIMBED A SEVENTH STRAIGHT WEEK. THE HIGHEST SINCE NOVEMBER 2023.



ILLUSTRATION SUPPLIED BY THE EDITOR

A war, a bond market in retreat, and a payment that will not stop climbing. This issue traces the rate to its sources, checks the election arithmetic 25 days out, and brings two new instruments to the Peninsula: a neighborhood-by-neighborhood price-per-square-foot grid, and the first complete ledger of every new home Palo Alto is trying to build.

ALSO THIS WEEK

THE HONEST RULER

Dollars per square foot, neighborhood by neighborhood, this year against last. The crown moved, and it did not move where you think. Page 3.

THE BUILDING LEDGER

213 new homes in motion in Palo Alto: who is building them, which laws they use, and where the pipeline jams. First of a series. Page 7.

THE MIDTERMS, CHECKED

Last issue printed three scenarios and promised to grade them. Twenty-five days out, the polls moved -- and one tail got fatter. Page 5.

MORTGAGES · THE CLIMB

Seven Weeks, Straight Up

Two issues ago this letter called seven-percent money a residence. The honest grade this week: the residence is getting more expensive to live in. The 30-year hit 7.40%, the highest since November 2023, and it has not had a down week since mid-August.

The tape: the 30-year fixed averaged **7.40%** this week, up from 7.28% the week before -- the seventh consecutive weekly increase and the first stretch of three straight weeks above seven since the spring of 2024.† The 15-year moved to 6.73%.† Since this letter's "Living at Seven" essay printed in mid-September, the quote a financed buyer actually receives has climbed roughly a fifth of a point -- about $4,400 a year on a $2 million loan (e).

Grading our own pages, because that is the deal: the thesis that seven was a residence held -- no snap-back came. What the letter did not forecast was the second climb inside the residence. The September easing to 7.04 that page 5 of No. 9 called "a wrinkle in buyers' favor" reversed within days. The wrinkle is graded wrong, at full size, here: rates did not drift down into the October data; they surged on a war. Page 4 explains the machinery.

The survival guide, re-marked to market. Financed buyers: the underwriting discipline moves from 7.25 to **7.5%**, and the thin-competition consolation is now the whole argument -- page 6's standoff shows who is left at the table. Sellers in financed bands: every week of climb steals a little more of the fall window; the first-three-weekends rule is no longer advice, it is arithmetic. Owners above 7.4%: for the first time since this letter began, NEW money costs what your money costs -- refinancing is dead until the CPI prints say otherwise, and the first one arrives around October 15. Equity tier: unchanged, and increasingly alone -- pages 3 and 7 are where your market lives now.

THE SCOREBOARD

30-yr: **7.40%**, +12 bp on the week, 7th weekly rise.† 15-yr: **6.73%**.† 10-yr Treasury: at or near multi-decade highs amid a global bond selloff.† Next verdicts: September CPI ~Oct 15, FOMC Oct 27--28.

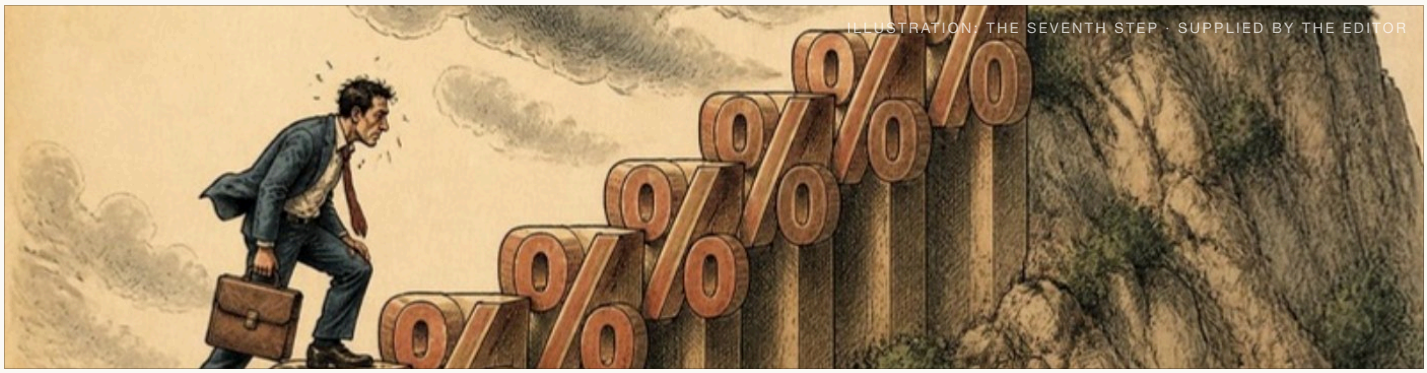


ILLUSTRATION: THE SEVENTH STEP · SUPPLIED BY THE EDITOR

For the first time since this letter began, new money costs what your money costs. The refinance conversation is dead until the inflation prints revive it.

RATES · OCTOBER 2026

NEW INSTRUMENT · THE NEIGHBORHOOD GRID

The Honest Ruler: What a Square Foot Costs, Street by Street

City medians hide more than they show. This page measures the Peninsula the way appraisers do -- dollars per square foot of house, neighborhood by neighborhood, the last twelve months against the twelve before. Top two and bottom two in each city. The crown moved.

NEIGHBORHOOD	$/SQ FT, TTM†	PRIOR YR	CHANGE
PALO ALTO			
Crescent Park	**$2,471**	**$2,047**	**+20.7%**
Community Center	$2,439	$2,125	+14.8%
Green Acres	$1,977	$1,811	+9.2%
Palo Verde	$1,868	$1,967	–5.0%
ATHERTON			
West Atherton	$2,438	$2,284	+6.7%
Lindenwood	**$2,373**	**$1,899**	**+25.0%**
Lloyden Park*	$1,907	$1,517	+25.7%
LOS ALTOS			
North Los Altos	$2,158	$2,006	+7.6%
South Los Altos	$1,877	$1,837	+2.2%
MENLO PARK			
Allied Arts	$1,968	$1,928	+2.1%
West Menlo	$1,941	$2,039	–4.8%
Linfield Oaks*	$1,540	$1,616	–4.7%
Belle Haven	**$1,096**	**$1,142**	**–4.0%**

† Median sale price ÷ living square feet, single-family closings, trailing 12 months vs the 12 months prior, computed by the editor from MLS-fed public sales records retrieved October 9. Samples of 9--88 sales per neighborhood; * marks thin samples (under 10) -- read direction, not decimals.

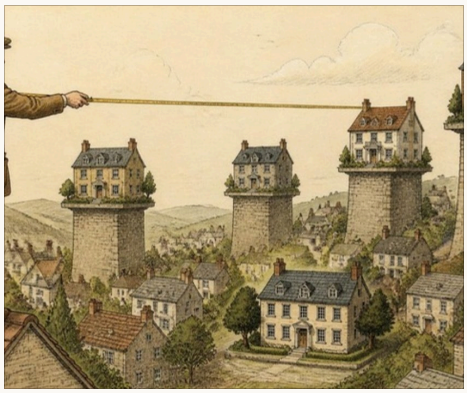


ILLUSTRATION SUPPLIED BY THE EDITOR

WHAT THE RULER CAUGHT

The crown moved. Old Palo Alto -- the name that anchors the city's mythology -- ran $2,195 per foot, DOWN 1.5% on the year, while Crescent Park (+20.7%) and College Terrace (+32.8%, off 11 sales) sprinted past it.

Atherton's quiet corner woke up. Lindenwood +25% -- the biggest estate-band move on the grid.

One city, two markets. Inside Menlo Park alone, West Menlo buys at 1.8× Belle Haven per foot -- and both softened this year while Allied Arts held. The ruler strips the lot, the brand, and the story. What is left is what the market actually pays for house.

Old Palo Alto fell while Crescent Park sprinted past it. The name is not the price. The foot is the price.

THE HONEST RULER · OCTOBER 2026

THE MECHANISM

The War in Your Mortgage

Why does a conflict on the other side of the world raise the payment on a house in Los Altos? Because the mortgage is not priced by the Fed. It is priced by the bond market, and the bond market is having a very bad month. The chain, link by link.



ILLUSTRATION: THE SEESAW · SUPPLIED BY THE EDITOR

Link one: oil. The war with Iran keeps a floor under energy prices, and energy is the raw material of every other price. Investors read expensive oil as inflation that has not happened yet.† **Link two: the bond seller's logic.** If inflation is coming, a bond paying a fixed coupon for ten years is worth less -- so investors sell, worldwide, and the selloff this month pushed Treasury yields to historically high levels.† **Link three: the mortgage.** The 30-year loan is priced off that ten-year yield plus a spread. The Fed has not moved since September; your mortgage moved seven weeks straight. That gap -- the Fed on hold while mortgages climb -- is the whole lesson. The Fed sets the overnight rate. The world sets yours.

What breaks the chain, in order of plausibility (e): a soft September CPI print around October 15, which would let bonds argue the inflation fear is overdone; any credible de-escalation headline, which would do the same through oil; or the Fed's October 27--28 meeting delivering less hawkishness than its sixteen dots promised. What does NOT break the chain is waiting -- a reader who postponed a purchase in August hoping for relief has paid for that hope at roughly $370 a month on a $2 million loan (e).

THE CHAIN, IN ONE BREATH

War holds oil up → oil holds inflation expectations up → expectations push bond yields up → yields set the 30-year → the 30-year sets who can afford your street. Five links, none of them controlled from Washington, all of them ending at a Peninsula front door.

The Fed sets the overnight rate. The world sets yours.

THE MECHANISM · OCTOBER 2026

THE MIDTERMS · 25 DAYS OUT

One Tail Got Fatter

Last issue printed three election scenarios and promised a public grading. The final grade comes after November 3, but the letter checks its work mid-flight, because the polls moved.

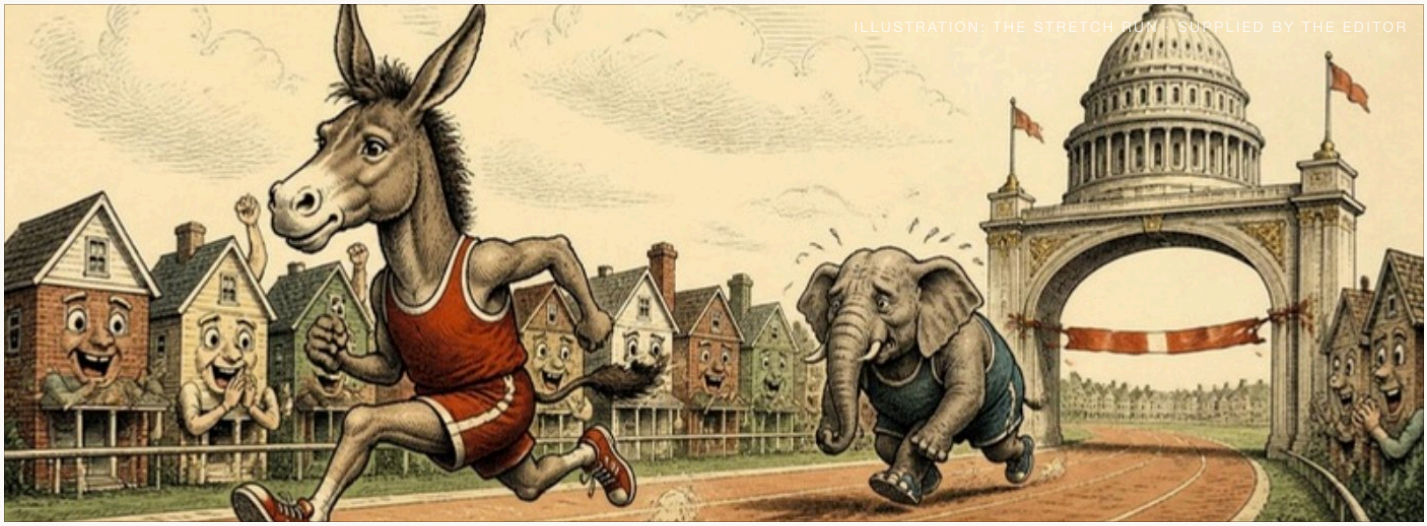


ILLUSTRATION: THE STRETCH RUN | SUPPLIED BY THE EDITOR

The week's numbers: an NBC News poll put the President's approval at 43% against 55% disapproval, with voters preferring Democratic control of Congress 50 to 42.† Fox News polling found Democratic Senate candidates two points ahead among likely voters in Michigan, Iowa -- and Texas.† Poll roundups this week read the same direction: the news keeps being good for one side.†

Against our printed table: the **split decision** (D House, R Senate) remains the modal case -- the Senate map still protects the incumbent party. But the **blue sweep** tail this letter called "live" has fattened: when Texas polls within the margin, the map argument weakens. And the **red hold** tail has thinned toward improbability. No grade is final 25 days out. The direction of revision is not ambiguous either.

What a fattening blue tail means for this market, extending page 4's chain (e): a sweep raises the odds of demand-side housing programs -- first-time-buyer support of the kind California's Prop 37 previews at state scale -- which is bullish for entry-band prices and watched warily by the bond market that sets page 2's rate. It also raises the odds of SI-economy taxation becoming a 2027 legislative project, which is the equity arm's variable to price. The hedged read stands: the Peninsula's two arms will feel any outcome differently, and the only wrong posture is pricing one arm with the other's politics.

STILL ON THE BALLOT FOR HOUSING

California's Prop 1 ($11.25B housing bond), Prop 37 ($25B middle-income buyer bond), and Prop 45 (CEQA streamlining) -- profiled in No. 9, graded with everything else after November 3. Page 7's building ledger shows exactly how much a faster CEQA would matter: the jam is real and it is measurable.

When Texas polls within the margin, the map argument weakens. No grade is final 25 days out. The direction of revision is not ambiguous either.

THE MIDTERMS · MID-FLIGHT CHECK

THE FALL MARKET

The Standoff Deepens

Last issue mapped the equilibrium: record prices on eleven-year-low volume, because nobody holding 3-percent money sells into 7-percent money. At 7.40%, every term of that equation got stricter.



ILLUSTRATION: THE TWO KINGS · SUPPLIED BY THE EDITOR

The arithmetic update. At 7.04%, the handcuffs cost a 3-percent owner roughly $585,000 over a replacement loan's life -- the number No. 8 put on the cover of this letter. At 7.40%, the same calculation runs past $630,000 (e). Each week of the climb welds the cuffs a little tighter, which means less inventory behind the fall market, not more. The standoff is not resolving. It is calcifying -- and the spring market is quietly inheriting it.

And yet the doors keep opening for the prepared. The buyers still active at 7.40 are the most serious cohort this desk has seen since 2023: pre-approved, patient, and nearly unopposed. The open-house traffic math from page 7 of No. 9 held through another two weekends: fewer bodies, better questions.

For sellers, the discipline compounds. A listing priced to August's rate sheet is now 36 basis points stale -- call it 4% of buyer purchasing power that silently left the room (e). The homes clearing in days in this market (page 3 shows which neighborhoods) share one trait: they were priced to the weekend they launched, not the weekend they were dreamed up. The ones sitting share the opposite trait, and at seven-and-a-half the market's patience for drift is the shortest this letter has measured.

THE MONTH-TWO NUMBERS

Handcuffs at 7.40: **$630,000+** (e, $2M loan, 3% vs 7.4%). Purchasing power at a fixed payment vs June: **−9%** (e). Competition: page 3's per-neighborhood sales counts -- most of the Peninsula is transacting at half its normal tempo. The standoff's only exits remain time, rates, or policy; page 5 handles the third.

> Each week of the climb welds the cuffs a little tighter. The standoff is not resolving. It is calcifying.
>
> THE STANDOFF · MONTH TWO

NEW SERIES · WHO IS ACTUALLY BUILDING

The Building Ledger: Palo Alto's 213 New Homes

A city's future inventory is sitting in its permit files, in public, mostly unread. This desk read Palo Alto's. First in a series -- Atherton and Menlo Park next issue, the way the Rancho study read Los Altos.

The census (e, from the city's own permit records, pulled and classified by this desk in early October): **141 new single-family homes hold issued permits** -- including 21 lots where the old house is already gone and nothing has replaced it yet -- and **72 more applications are in the approval pipeline**, for a working total of 213 projects in motion in a city that closes only a few hundred sales a year. Of the 72 in process: 48 sit in Pending Resubmittal, 12 in plan check, 11 marked incomplete. Median time in process is about six months; **17 projects have been stuck more than a year**, the longest for nearly four. And 63 of the 72 have already filed to demolish the existing house -- committed owners, stalled at the counter.

Who is building: on the pipeline cohort, roughly **56% are homeowners** building for themselves, **38% carry investor markers** (recent purchase then a teardown filing, entities on title, multi-parcel owners), and 6% are outright developer projects (e). The owner-builder, not the spec builder, is Palo Alto's construction industry.

Which laws they use: the workhorse is the humble ADU -- backyard cottages and junior units appear in **96 permit descriptions** (73 ADU, 23 JADU), the legacy of the state's AB 68-era reforms. Basements appear in 17 -- the square footage that doesn't count against the city's floor-area cap, as readers of this letter's development coverage know. And the law everyone argued about? **SB 9 appears exactly 4 times.** The lot-split revolution, in Palo Alto, is four filings old. If Prop 45's CEQA streamlining passes next month (p. 5), the 48 applications idling in resubmittal are the queue it would move.

WHY IT MATTERS TO A SELLER

213 projects is future competition -- every one eventually becomes either a new listing or a family that leaves the buyer pool. And 21 cleared, unbuilt lots plus 17 year-stuck applications are something else: owners whose project stalled, who hold land worth more than their patience. Some of the Peninsula's best quiet-book conversations start exactly there.

Next issue: the same ledger for Atherton and Menlo Park -- where the files are harder to read, which is usually where the better stories live.



ILLUSTRATION: THE QUEUE AT THE COUNTER · SUPPLIED BY THE EDITOR

OFF-MARKET

What I Am Watching Off-Market

The standing page. No addresses, ever; subscribers called first, in subscription order. The book as of this week -- in which the ledger on page 7 and this page turn out to be the same story told at different volumes.

The book gained an entry from exactly the cohort page 7 counted. A **Los Altos owner whose new construction has just reached completion** -- one of the handful of owner-built homes finishing this season on the big lots north of El Camino -- is weighing a quiet winter sale against a public spring debut. The house is new, the landscaping is newer, and the question on the table is the one this letter has been teaching all fall: whether the prepared, uncrowded quiet market at 7.40% beats a spring that every stalled project on page 7 is also waiting for. The arithmetic lean is quiet-now; the family is deciding.

The handcuffs entry -- the mid-Peninsula owner at 3.1% -- asked for the sale-and-replace arithmetic re-run at this week's rate. The answer came back roughly $45,000 a year worse than when the question was first asked in September (e). The entry remains in the book, leaning toward renting the house out instead of selling it, which is what the handcuffs do to supply, one decision at a time.

Elsewhere: the west-Atherton trust conversation has produced, at last, a date for the family council -- after the election, which this desk has learned not to argue with. The Woodside acreage finished its punch list; spring-readiness is now a fact rather than a plan, and Lindenwood's +25% on page 3 was noticed by owners well beyond Lindenwood. The museum-grade Eichler's preservation buyer has gone quiet in the way serious buyers go quiet -- between the timeline question and the offer, there is usually a lender.

THE STANDING TERMS

No addresses in print. Subscribers called first, in subscription order. Vetting both ways. Conversations confidential without exception.

Payne Sharpley · 650.384.3546 · payne@paynesoldit.com

TO JOIN THE CALL LIST

Reply to this email with the word CALLS and the kind of property you watch for. Replies reach this desk directly, and the book's first-call order is strictly first-come.

The ledger and the quiet book are the same story at different volumes: projects stall in public, and decisions get made in private.

THE QUIET BOOK

THE LONG VIEW

The Ruler and the Ledger

This issue added two instruments to the letter's kit, and they share a premise: that the market's stories are checkable. "Old Palo Alto is the crown" was a story -- the ruler on page 3 checked it and found the crown moved two neighborhoods north. "SB 9 will remake the Peninsula" was a story -- the ledger on page 7 counted four filings. "Nobody can build in Palo Alto" was a story too -- and 213 projects in motion say the truth is stranger: everybody is trying to build, and the pipeline, not the will, is the constraint.

The same discipline is why page 2 printed a failed forecast at full size. A letter that measures neighborhoods owes its own pages the same tape measure. The September easing this letter read as a wrinkle in buyers' favor lasted eleven days; the war's bond selloff erased it; the grade is an honest miss, and the lesson -- the Fed sets the overnight rate, the world sets yours -- is now a page-4 diagram instead of an assumption.

Twenty-five days to the election. Two instruments sharper. The letter will be here every Friday, measuring.

THE DOCKET · WHAT HAS A DATE

~Oct 15 · September CPI -- the chain-breaker candidate	p. 2, 4
Mid-Oct · Zillow September data -- the Board refreshes on arrival (not yet posted as of Oct 9)	Standing
Oct 27--28 · FOMC -- sixteen dots come due	p. 2
Nov 3 · The midterms -- scenarios graded in print	**p. 5**
Next issue · The Building Ledger II: Atherton & Menlo Park	p. 7
November · Nvidia earnings -- the equity arm's audit	Standing
Dec 11 · Federal funding expires -- round two	Standing
Dec 31 · Atherton RM-10 trigger	Standing

NEXT ISSUE

The September CPI read, the Board refreshed if Zillow posts, and the Building Ledger goes to Atherton and Menlo Park. Reply with what you want covered. I read and answer every response.

Payne Sharpley

EDITOR · CALRE 02195155 · INTERO REAL ESTATE SERVICES

Everybody is trying to build, and the pipeline, not the will, is the constraint.

THE LONG VIEW · OCTOBER 2026

THE BACK PAGE

Sources, Methods & Disclosures

RATES & THE MECHANISM

30-year fixed 7.40% (from 7.28%), seventh consecutive weekly increase, highest since November 2023, three straight weeks above 7%; 15-year 6.73%: Freddie Mac weekly survey via Reuters, The Hill, Forbes Advisor and Mortgage Daily, Oct 8. Treasury yields at historically high levels amid a global bond selloff tied to the Iran conflict, elevated oil and inflation concerns: Yahoo Finance rate coverage, Oct 8. Loan-payment and purchasing-power arithmetic marked (e) is the editor's ($2M loan, 30-yr amortization).

THE MIDTERMS

NBC News poll (43% approve / 55% disapprove; 50--42 Democratic preference for Congress): NBC via Yahoo News, this week. Fox News/Beacon & Shaw polls (Democratic Senate candidates +2 in Michigan, Iowa, Texas): Fox News polling coverage, early Oct. Poll-roundup direction: press summaries, Oct 2. Scenario readings marked (e) are the editor's, to be graded after Nov 3 as promised in No. 9.

THE HONEST RULER (P. 3)

Median $/sq ft = sale price ÷ listed living area, single-family closings only, computed by the editor per neighborhood from MLS-fed public sales records retrieved October 9, 2026. Windows: trailing 12 months vs the 12 months prior. Sample sizes 9--88 per neighborhood; thin samples starred on the page. Neighborhood boundaries follow the data provider's definitions. This is a measurement of closed sales, not an appraisal of any property.

THE BUILDING LEDGER (P. 7)

Counts compiled and classified by the editor from the City of Palo Alto's public building-permit records (issued and in-process files, retrieved early October 2026): 141 issued new single-family permits incl. 21 with completed demolition; 72 in-process applications by record status; keyword counts (ADU 73, JADU 23, SB 9 filings 4, basements 17) from permit descriptions. Owner-vs-investor classification (e) uses entity-on-title, recent-purchase-then-teardown, applicant identity and multi-parcel ownership signals; family trusts are treated as homeowners. Counts are point-in-time and move as the city's files move. All figures marked (e) are the editor's derivations from these public records.

METHODS & CORRECTIONS

Figures marked † are from the named sources above, as published and dated. Figures marked (e) are the editor's estimates, derivations, or classifications. Corrections print at the size of the original claim -- this issue grades No. 9's "wrinkle in buyers' favor" as a miss, at full size, on p. 2.

Disclosures. PAYNE is written and published by Payne Sharpley, CalRE #02195155, Intero Real Estate Services, a Berkshire Hathaway affiliate · Payne Sharpley Group · member, Forbes Global Properties. Office: 10275 N. De Anza Blvd, Cupertino, CA 95014 · 650.384.3546 · payne@paynesoldit.com. PAYNE is informational only; nothing in it is tax, legal, investment, or insurance advice. Nothing herein is a solicitation of property already exclusively listed with another broker. Election and policy commentary is analysis, not advocacy. Equal Housing Opportunity.

© 2026 Payne Sharpley. Subscribe free: paynesoldit.com/payne · One email a week, the Monthly when it's ready, one-click unsubscribe always. Mobile edition of this issue: paynesoldit.com/payne/no10.