PAYNE

REAL ESTATE · CAPITAL · POLICY · THE PENINSULA

VOL. I · NO. 7 | WEEK ENDING SEPTEMBER 18, 2026 | PALO ALTO, CALIFORNIA

FED FUNDS	THE VOTE	30-YR FIXED	DOTS: ONE MORE	ATHERTON, AUG
3.75–4.00%	12–0	7.19%	16 of 18	+15.7%
Hiked 25 bp†	Unanimous†	+38 bp since J.H.†	4 see two†	y/y†



PHOTOGRAPH: LOS ALTOS, VIA PAYNESOLDIT.COM · SCENE-SETTING IMAGE

THE NUMBER OF THE WEEK

12–0

THE VOTE THAT RAISED RATES FOR THE FIRST TIME SINCE 2023

The Fed hiked a quarter point, unanimously, and penciled in another. Mortgages crossed seven. And every town on this letter's Board rose anyway. The decision issue, graded against the rubric we printed last week.

ALSO THIS WEEK

THE GRADE

Last week this letter printed three branches for Wednesday. Branch two happened, nearly word for word. The grade, page 5.

THE BOARD, REFRESHED

Zillow's August data is in, as promised two issues running: all eleven towns rose in the month rates ran toward seven. Pages 4 and 6.

SEVEN POINT ONE NINE

The 7-handle mortgage is here. The survival guide by seat, rewritten for the world the Fed just chose, page 5.

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THE FED · WEDNESDAY, 11 A.M.

The Unanimous Fed

Twelve votes to none, a quarter-point hike, and a dot plot pointing at another. The July dissenters did not just win the argument — they absorbed the entire committee. What Wednesday actually said, in the chairman's own words.

At eleven o'clock Wednesday morning Pacific time, the Federal Open Market Committee raised its target rate a quarter point, to 3.75–4.00% — the first increase since July 2023 — on a vote of twelve to nothing.† Sit with the arithmetic of that unanimity. In July, three members dissented toward a hike and this letter treated it as a signal worth a page. In September there were no dissents left to count, because the dissenters' position had become the committee's. Chairman Warsh told the press conference that inflation has been "too high for too long," that recent readings had not shown meaningful improvement in the underlying trend, and — the sentence that matters most — that he would be "hard-pressed" to describe broad financial conditions as restrictive. The hike, in his framing, merely removed "a dose of accommodation."†

The forward guidance was as hawkish as the vote. The projection grid shows sixteen of eighteen participants expecting another increase, four of them open to two more — the chairman himself, characteristically, submits no dot.† He vowed a "timelier return" to two percent.† Read together: this is not one hike. It is a campaign, announced.

The market's response completed this letter's summer thesis in a single afternoon. Treasury yields kept surging, and the thirty-year mortgage crossed into a 7-handle at 7.19%† — while the S&P 500 *rose* on the announcement.† Equities heard an economy strong enough to need restraint; borrowers heard the most expensive money in a year. Both heard correctly. And in the Fed's own materials came a sentence Peninsula readers should frame: the committee flagged the national housing market as "losing momentum"† — on the same day the refreshed Board on page 4 shows every town in this letter's coverage rising. The two-arms thesis this letter has drawn since August was, on Wednesday, printed by the Federal Reserve itself.

What comes next has dates: an October inflation print the committee will read as a verdict on its own move, a December meeting where the sixteen dots come due, and — locally — a fall market that must now clear at seven percent money. The pages that follow take each in turn.

WEDNESDAY, IN NUMBERS

New target	3.75–4.00%†
Vote	**12–0†**
Dots: at least one more	16 of 18†
30-yr fixed, post-decision	7.19%†
S&P 500 on the day	**Rose†**

> In July, three dissents were a signal worth a page. In September there were no dissents left to count. This is not one hike. It is a campaign, announced.

MACRO · THE DECISION

FROM THE DESK

The Week the Rubric Held

Last Friday this letter printed three branches for Wednesday's meeting and told readers to grade it later. Branch two — a hike plus hawkish signals of the next one, with 7-handle mortgage quotes arriving within days — is what happened, nearly word for word. I take less satisfaction in that than you might expect. The same page graded this letter's July call wrong in August and half-right in September; the lesson of the whole arc is that the useful product was never the prediction. It was the rubric — knowing in advance what each outcome would mean, so that no outcome required improvisation.

The other promise kept this week sits on page 4: Zillow's August data arrived, and the Board now carries it, every row sourced. What the fresh numbers say — all eleven towns up in the month money got expensive — is the issue's real headline, and page 6 reads it closely.

Payne Sharpley
EDITOR · CALRE 02195155

DATA INTEGRITY

Figures marked † are drawn from named public sources and dated. Figures marked (e) are the editor's estimates or derived calculations. Sources are printed on the back page of every issue.

Nothing in this publication is tax, legal, or investment advice. Consult your CPA, attorney, or advisor before acting.

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THE WEEK IN ONE LINE

The Fed hiked unanimously and promised more, mortgages crossed seven percent, the stock market shrugged, and all eleven towns on this letter's Board rose anyway — every claim now printed with a source beside it.

HOUSEKEEPING

The Board's estimate era ends this issue: Zillow's August release replaces the last of the editor's placeholders with sourced figures. Read this issue on your phone: paynesoldit.com/payne/no7.

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THE BOARD · AUGUST DATA

The Typical Value Across Eleven Cities

The promise kept: Zillow's August release replaces every placeholder on this grid. For the first time since this letter began, all eleven typical values carry a source and a date — and all eleven rose in the month money got expensive.

CITY	TYPICAL VALUE, AUG†	MONTH	1-YR	5-YR
Atherton	**$8,521,138**	**+1.9%**	**+15.7%**	**+22.8%**
Los Altos Hills	$5,857,966	+1.2%	+6.1%	+18.5%
Los Altos	$4,530,964	+1.3%	+8.1%	+28.3%
Portola Valley	$4,259,131	+1.3%	+11.4%	+23.9%
Woodside	$3,939,365	+1.0%	+7.9%	+12.1%
Palo Alto	**$3,563,763**	**+1.2%**	**+5.5%**	**+16.4%**
Stanford	$3,172,282	+1.0%	+5.1%	+20.6%
Cupertino	$2,965,725	+0.5%	+3.3%	+27.0%
Menlo Park	**$2,866,713**	**+1.6%**	**+9.2%**	**+18.2%**
Los Gatos	$2,574,478	+0.7%	+4.7%	+25.2%
Mountain View	$1,931,886	+0.5%	+2.4%	+10.8%

† Zillow Home Value Index (ZHVI), city level, single-family and condo, smoothed and seasonally adjusted, through August 31, 2026 — Zillow Research public dataset, retrieved September 17. Month, 1-year, and 5-year changes computed by the editor from the same series. Prior issues carried editor's estimates for seven of these rows; the August release replaces them all, and where the estimates were off — Mountain View most of all — the sourced figure governs and the estimate is retired.

THE REFRESH IN THREE LINES

Everything rose. All eleven towns gained on the month — in August, with mortgage rates climbing toward seven percent the entire time.†

The top ran fastest. Atherton +15.7% y/y and +1.9% in a single month; Portola Valley +11.4%; Menlo Park +9.2%.†

The floor ran slowest. Mountain View +2.4% y/y, Cupertino +3.3% — the financed bands feeling the rope. Page 6 reads the spread.

A HOUSEKEEPING NOTE, KEPT

Two issues promised this refresh "the moment it posts." It posted; it is here; and the grid's estimate era is over. From this issue forward the Board is sourced end to end, and it will say so plainly whenever it cannot be.

All eleven towns rose in the month money got expensive. The Board heard the Fed, and answered.

THE BOARD · AUGUST 2026 DATA

MORTGAGES · AFTER WEDNESDAY

7.19, and the Grade

Last week's issue printed three branches for the meeting and promised to grade itself. The grade: branch two, nearly verbatim. Here is the scoring — and the survival guide rewritten for a 7-handle world with another hike penciled in.

The rubric, as printed on September 11: branch one, a hike with vigilance language, quotes holding the 6.8s; **branch two, "a hike plus hawkish dots signaling the second one — the rough branch; 7-handle quotes arrive within days"**; branch three, a hold and a fast snap-back. Wednesday delivered branch two in nearly every particular: the hike, the dots — sixteen of eighteen pointing at another — and the thirty-year fixed at **7.19%**, up 38 basis points since Jackson Hole and more than a full point from a year ago.† Industry coverage now openly describes 7-percent mortgages as the possible "new normal."† The rubric held. The letter notes it once and moves to what matters: living in the branch.

First honesty about what 7.19% does. Against the 6.5% of early summer, a $2 million loan now costs roughly $11,000 more per year (e). Purchasing power at a fixed payment has fallen about 6% since June (e). The rate-sensitive bands of this market — the ones the Board shows growing slowest — will feel it within two escrow cycles, and the Fed's own statement conceded the national housing market is "losing momentum."† None of this is a forecast. It is arithmetic, and it is already in motion.

The survival guide, rewritten by seat. Financed buyers: underwrite at 7.25% and treat the dots as real — the next surprise is likelier a second hike than a rescue, and the era of waiting for the 6s is over until the inflation prints break. The strange consolation: 7-handle money thins your competition faster than it thins your budget, and the Board says sellers' expectations have not yet adjusted — the buyer who stays in the market at seven negotiates against fewer rivals than at six. Sellers in the financed bands: the fall window this letter flagged in August is now a discipline test — price to the first three weekends or plan to follow the market down a quarter behind it. Owners with any loan above 7.4%: nothing to do yet; diarize the first two soft CPI prints. Equity-paid tier: pages 2 and 4 — Wednesday was, once again, a spectator sport, and Atherton's +15.7% is what spectating looks like.

And the meta-lesson this letter will keep repeating: the rubric beat the forecast. Readers who knew in advance what each branch meant spent Wednesday executing instead of reacting. That is the entire product this page sells, and it costs nothing but the reading.

THE GRADE

Branch called "rough"	Branch two
Branch delivered	**Branch two†**
"7-handle within days"	7.19%†
Rubric verdict	**Held**

Seven-handle money thins your competition faster than it thins your budget. The buyer who stays in the market at seven negotiates against fewer rivals than at six.

RATES · THE GRADE

ANALYSIS · THE SPREAD

The Board Answers the Fed

Eleven towns, one interest rate, and a thirteen-point spread between the fastest and slowest — the freshest, best-sourced picture of the two-arm market this letter has ever printed.

Put page 4's grid beside page 2's decision and read them as one document. The Federal Reserve raised the price of money to its highest level of the cycle, flagged housing as losing momentum nationally, and promised more restraint — and in the same month, every town on this Board appreciated. But the *spread* inside that sentence is the real finding: Atherton grew 15.7% year over year while Mountain View grew 2.4% — a thirteen-point gap between the top of the grid and the bottom, the widest this letter has measured.†

The gap maps exactly onto financing exposure. The towns at the top — Atherton, Portola Valley, Menlo Park's estate streets — transact largely in cash and equity, and their buyers spent the summer watching Nvidia guide to $108 billion rather than watching Freddie Mac. The towns at the bottom — Mountain View, Cupertino, Los Gatos — are this Board's financed bands, where the buyer carries a mortgage and the mortgage now carries a seven. Same peninsula, same month, same Fed: the arm paid in equity compounded at fifteen percent, the arm paid in salary at two. The K is no longer this letter's metaphor. It is a column in a sourced table.

Three practical readings of the spread. For sellers: know which arm your buyer pool lives on before you price — an Atherton comp from June is already stale in the right direction, a Mountain View comp from June is stale in the wrong one, and the agent who prices both off "the market" is pricing neither. For buyers priced out of the top: the slow arm is where negotiation has quietly returned — 2.4% growth against 7.19% money is a market that will talk, and the Board's bottom three towns are the only place on this grid where the fall favors you. For owners in the middle bands — Palo Alto, Menlo Park, Los Altos: you are the seam, appreciating on equity spillover while your buyers still price a mortgage, and which force wins your block depends on the next two inflation prints as much as anything you control.

The Monthly, in preparation, will run this spread back through five years of the same series — the first fully sourced longitudinal look at the two-arm market. This page is its preview.

THE SPREAD · AUG, Y/Y

Fastest: Atherton	**+15.7%†**
Portola Valley	+11.4%†
Menlo Park	+9.2%†
Slowest: Mountain View	+2.4%†
Top-to-bottom spread	**13.3 pts**

The K is no longer this letter's metaphor. It is a column in a sourced table, thirteen points wide.

REAL ESTATE · THE SPREAD

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 — including, this week, an honest goodbye.

One entry leaves the book, and the leaving deserves the same candor as the arrival. The South Bay parcel whose proceeds fund cancer research — followed on this page for three issues — will make its public debut through another desk. The family chose a different representative for the sale, which is their absolute right, and this page's rule is that the quiet book serves its owners, not the other way around. This letter told its readers they would hear the story here, and this is the story: the gift is real, the sale is proceeding, and the research will be funded no matter whose name stands on the sign. This desk wishes the sale every dollar of the success the cause deserves — and means it. One door remains open, and readers deserve to know it: this desk is available on the buy side. A reader interested in the parcel when it lists — a rare piece of buildable South Bay ground, with the state's new starter-home laws in play — can be represented by this letter's editor, with the same preparation these pages bring to everything else. The research gets funded either way. The buyer may as well be well advised.

What the episode teaches belongs in print too, because this page has promised its readers the market as it is: the quiet book is a book of conversations, not contracts. Entries advance, and sometimes they walk. A desk that only reported its wins would be an advertisement, and this letter set out to be something better than that.

The rest of the book moved into the new rate world with its convictions intact. The west-Atherton trust conversation held its calendar date — at that altitude, page 5's 7.19% is somebody else's weather, and page 4's +15.7% is theirs. The Woodside acreage's spring-readiness question has progressed to a walk-through with this desk's stager. And the museum-grade Eichler's preservation buyer, architect in tow, has asked for the family's timeline — the second-to-last question buyers ask. The book also gained its first post-hike entry: a mid-Peninsula owner with a 3.1% mortgage who wants to know, quietly, what a sale-and-replace would look like now that the replacement money costs seven. That arithmetic — the golden handcuffs priced at the new rate — is next issue's subject, and the quiet book got there first.

THE STANDING TERMS

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> A desk that only reported its wins would be an advertisement. This letter set out to be something better than that.
>
> THE QUIET BOOK

THE LONG VIEW

Living at Seven

The summer's question — will they or won't they — is answered, unanimously, and a harder season's question replaces it: what does this market look like if seven-percent money is not a spike but a residence? The last time mortgages lived at seven for a sustained stretch, this Board's towns repriced their financed bands within two quarters while their estate bands barely registered it. Page 4 suggests the same script is already running, in its first act, with sourced numbers in every row.

The letter's posture for the campaign ahead is the one the whole summer built. For the financed arm: rates are the weather again, and the umbrella is preparation — approvals current, prices honest, locks taken into weakness, and no positioning against the Fed's stated intent, which is now printed in sixteen dots. For the equity arm: the capex cycle, not the funds rate, remains the load-bearing wall, and its next audit is Nvidia in November. For every reader: the two arms will diverge further before they converge, and the most expensive mistake available this fall is pricing one arm's asset with the other arm's logic.

The letter will be here every Friday while it plays out — grading its own pages at full size, as this issue did twice.

THE DOCKET · WHAT HAS A DATE

Mid-Oct · September CPI — the first verdict on the hike	p. 2
Oct 27–28 · FOMC — sixteen dots come due, first reading	p. 2
November · Nvidia earnings — the equity arm's next audit	p. 6
Next issue · The handcuffs repriced: sale-and-replace math at 7%	p. 7
September · The August Monthly, with the five-year spread study	p. 6
Dec 31 · Atherton RM-10 trigger	Standing

NEXT ISSUE

The golden handcuffs at seven percent: what selling actually costs the 3% mortgage holder now, with the arithmetic on the page — plus the fall market's first post-hike weekends, read from the open houses. Reply with what you want covered. I read and answer every response.

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The most expensive mistake available this fall is pricing one arm's asset with the other arm's logic. The letter will be here every Friday while it plays out.

THE LONG VIEW · SEPTEMBER 2026

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Sources, Methods & Disclosures

THE DECISION

FOMC statement and projections, Sept 16, 2026: 25 bp increase to 3.75–4.00%, 12–0 vote, first hike since July 2023 — CNBC, CNN Business, Yahoo Finance live coverage. Chairman Warsh press conference ("too high for too long"; "hard-pressed" to call conditions restrictive; hike as removing "a dose of accommodation"; "timelier return" to 2%): Saxo Fed review and Yahoo Finance, Sept 16–17. Projection grid (16 of 18 expect another increase; 4 see two; chairman submits no dot): TheStreet, Sept 16. Statement language on housing "losing momentum" and S&P 500 rising post-announcement: RISMedia; market coverage, Sept 16.

RATES

30-year fixed at 7.19%, up ~38 bp since the Jackson Hole keynote and more than a full percentage point year over year; "path to lower mortgage rates highly uncertain"; 7-percent range as possible new normal: RealEstateNews.com and industry coverage, Sept 16–17. Payment and purchasing-power arithmetic marked (e) is the editor's.

THE BOARD

Zillow Home Value Index (ZHVI), city level, all homes (single-family and condominium), smoothed and seasonally adjusted, series through August 31, 2026: Zillow Research public dataset (files.zillowstatic.com), retrieved September 17, 2026. All eleven typical values, month-over-month, 1-year, and 5-year changes computed by the editor directly from the series. This release retires the editor's estimates carried for seven towns in prior issues; where an estimate differed from the sourced figure, the sourced figure governs.

METHODS & CORRECTIONS

Figures marked † are from the named sources above, as published and dated. Figures marked (e) are the editor's estimates or derivations. Corrections print at the size of the original claim. This issue grades the letter's own printed rubric (Vol. I No. 6, p. 5) on p. 5, and retires prior Board estimates on p. 4 — both under the same standard.

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