

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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October/November 2006

Seasonal Slowdown Begins

Sales dipped in September from August, it happens every year. Home sales were down 17.9%, month-over-month, and off 33.8% compared to last September. Condo sales fell 15.9% from August and were off 30.3% year-over-year.

The median price for single-family re-sale homes in Santa Clara County dipped 0.1% to \$769,000 from the month before. Year-over-year, the median price was up 4.9%.

The average price fell 2.3% from the month before, but was up 5.2% compared to September 2005.

The median price for condos fell 2.9% to \$495,000 from the month before, and was up 3.1% year-over-year.

Inventory of single-family homes rose 1%, and is now 28.3% higher than last year.

Condo inventory gained 5.5%, up 41.7% over last September.

The sales price to list price ratio for single-family homes continued to fall, dropping 0.4 of a

Trends at a Glance

(Single-family Homes)

	Sep 06	Aug 06	Sep 05
Sale/List Price Ratio:	99.0%	99.4%	100.7%
Days on Market:	50	42	29
Days of Inventory	133	108	69
Median Price:	\$769,000	\$770,000	\$733,000
Average Price:	\$922,195	\$944,004	\$876,703
Home Sales:	887	1,080	1,339
Inventory:	3,926	3,889	3,060

point to 99%. The ratio for condos lost 0.3 of a point to 99.4%.

Days on market rose eight days to 50 for homes, and was up three days to 44 for condos.

Our days of inventory indicator gained 25 days sending the indicator to 133 days.

My advice? For buyers, you're asking how low will the market go? A report done by Moody's economy.com thinks the market will gain 3.6% from June 2006-June 2007. Money magazine thinks prices will drop 0.2% and then rebound in Q2 2007. According to the UCLA Anderson Forecast, "In the absence of a recession, however, statewide home prices are unlikely to experience significant declines." Sounds like waiting won't do you much good.

For sellers, prices have been declining, slightly, and will continue to do so through the winter, then pick up, a little, next year. But, with the large amount of inventory, and buyer reluctance, you still need to price your home to sell in this market.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a



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ForeclosureS.com Reports Increase in 3rd Quarter Default Activity

Foreclosure filings increased in the third quarter, according to Northern California-based ForeclosureS.com.

Alexis McGee, president of ForeclosureS.com, said she is seeing a jump in default activity in certain pockets of Western states like California, Arizona and Colorado.

In Arizona, ForeclosureS.com reported that a total of 5,348 properties statewide went into some stage of foreclosure in the third quarter of 2006, up from 4,512 in the second quarter. McGee said 3,231 of those were in Maricopa County, which in-

cludes the Phoenix metro area. She added that the Phoenix area had been heavily impacted by out of state speculators with about 25% of home purchases being made by investors that had no intention of ever occupying the houses they bought.

Other western hot spots, according to ForeclosureS.com, included California with 39,896 new properties in default in the third quarter and Colorado with 16,313.

"We have a different problem in California because, in some communities like San Diego for

example, more than 50% of purchase money loans were issued with high risk mortgage products like option adjustable rate loans with extremely low 'teaser' start rates," said McGee. "Now as those loans reset to market rates, people are being squeezed out of their houses."

She added that Colorado was suffering from a slowing economy as well as a cooling housing market. She pointed out that in August, one of every 301 Colorado properties was in some stage of default.

As for the Southeast, ForeclosureS.com reported that Florida

also saw an increase in default activity in the third quarter, with almost 10,000 new foreclosures.

"The condo market there is badly overbuilt," McGee said. "There are almost 25,000 units under construction or recently completed in Florida, which is more than have sold there in nine years, and speculators are trying to sell them to each other."

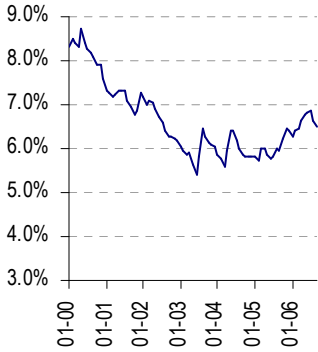
"This is a national problem," said McGee, noting that across the country foreclosures were up about 24% from July to August and up more than 50% year over year.

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The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (Oct. 6, 2006) -- Mortgage rates ticked barely higher this week, with the average 30-year FRM rising by a single basis point to 6.40%, according to the nation's leading survey of mortgage pricing. Five-one Hybrid ARMs followed suit, moving a like amount higher to close the survey period at 6.11%.

With housing slumping, it's little surprise that overall growth in Construction Spending remains dull. During August, a gain of just 0.3% was noted, but that bit of strength barely overcame the drag produced by a declining residential market. Spending for housing construction posted a net decline of 1.5%

for the month, the fifth consecutive negative reading. While speculators have largely pulled out of residential projects, the almost 24% increase in year-over-year spending on "non-residential" structures leaves us with the impression that perhaps the next market to be overzealously funded is commercial-oriented building. For that, we'll need to wait and see.

There has been some discussion in recent times about the effects of equity withdrawals on consumer spending. After all, home equity-related debt -- loans, lines and cash-out refinances have been very popular in recent years, fueling consumer spending -- and the rise in inter-

est rates has dimmed the popularity of putting it 'on the house'. With that dimming, it has been expected that some change in borrowing patterns would begin to show in the form of greater use of credit cards and installment loans. Aside from a single hard spike in May up to 15.2 billion in new borrowing, consumer debt has been settling back to softer levels, and during August just 5.0 billion in new borrowing occurred. If equity-related borrowing has begun to slow and other borrowing fails to pick up the slack we may yet see some slowness ahead, even if consumers may catch up on their bills to a degree.

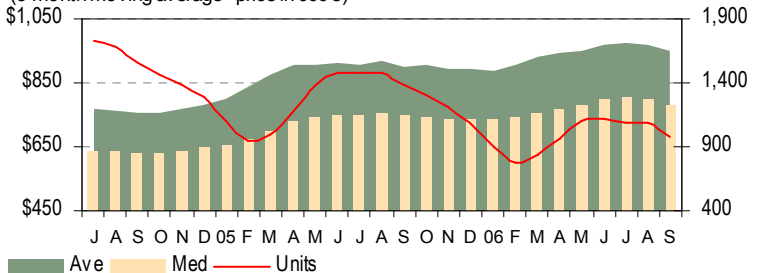
September Sales Statistics

Single-family Homes

County	Prices		Unit Sales	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$769,000	\$922,195	887	2006	3,926	50	99.0%	4.9%	5.2%	-33.8%	28.3%	-0.1%	-2.3%	-17.9%	1.0%
Campbell	\$810,000	\$859,531	16	54	95	61	99.4%	1.3%	1.2%	-15.8%	75.9%	1.2%	-7.3%	-5.9%	15.9%
Cupertino	\$1,000,000	\$1,122,551	32	57	92	44	99.2%	-5.8%	-6.2%	-22.0%	-1.1%	-9.1%	-1.4%	-17.9%	-4.2%
Gilroy	\$720,000	\$797,654	53	110	288	64	98.2%	1.0%	-2.6%	-31.2%	64.6%	4.8%	6.1%	35.9%	-1.7%
Los Altos	\$1,650,000	\$1,780,137	33	72	92	37	99.8%	10.4%	7.7%	3.1%	37.3%	0.0%	2.9%	-13.2%	24.3%
Los Altos Hills	\$2,525,000	\$2,672,500	5	23	68	51	95.2%	5.2%	6.7%	-44.4%	-9.3%	10.3%	10.8%	-37.5%	1.5%
Los Gatos	\$1,400,000	\$1,814,816	14	78	152	95	94.9%	12.0%	36.4%	-53.3%	20.6%	8.7%	30.6%	-54.8%	8.6%
Milpitas	\$710,000	\$764,509	32	56	101	54	98.8%	1.4%	6.3%	-45.8%	42.3%	4.4%	5.8%	-13.5%	-17.2%
Monte Sereno	\$1,820,000	\$2,331,000	2	6	15	46	97.3%	n/a	n/a	n/a	-46.4%	-30.0%	-4.5%	-33.3%	-25.0%
Morgan Hill	\$929,000	\$1,086,190	25	119	271	88	97.4%	15.5%	24.2%	-49.0%	64.2%	21.4%	12.5%	-39.0%	-3.2%
Mountain View	\$850,000	\$960,314	29	46	45	32	100.2%	0.0%	10.6%	3.6%	55.2%	-15.0%	-8.3%	-3.3%	-6.3%
Palo Alto	\$1,103,000	\$1,153,144	32	77	82	33	103.4%	-28.6%	-35.3%	-25.6%	2.5%	-20.4%	-24.3%	-20.0%	20.6%
San Jose	\$715,000	\$780,621	508	1063	2,152	49	99.3%	3.8%	5.0%	-33.8%	29.8%	-0.8%	-2.6%	-16.3%	0.7%
Santa Clara	\$730,000	\$749,329	41	72	116	39	99.4%	4.3%	5.1%	-36.9%	24.7%	3.5%	2.1%	-30.5%	-4.1%
Saratoga	\$1,500,000	\$1,929,524	21	62	139	66	96.0%	0.0%	17.6%	-43.2%	-1.4%	-6.3%	11.2%	-16.0%	2.2%
Sunnyvale	\$865,000	\$877,649	37	90	144	33	100.8%	11.6%	9.5%	-50.7%	20.0%	0.5%	0.6%	-38.3%	10.8%

Silicon Valley Homes: Prices & Sales

(3-month moving average - price in 000's)



The Real Estate Report

Credit Reports Determine Mortgage Rates

Your credit reports determine how much you will pay for a mortgage. There are three major companies that consolidate your credit activity and then create a credit score.

Lenders use these credit scores to determine the risk involved in lending money. The lower the score, the greater the risk, and lenders will charge more in up-front fees and in higher interest rates.

As your mortgage is the single-most expensive part of buying a home, it behooves you to have the highest score possible.

To avoid any unwelcome surprises, it's important to see

copies of your credit reports before you apply for credit such as car loans, mortgages, or credit cards. Errors in credit reports are common.

Cases of mistaken identity, out-of-date information, and outright errors can easily occur, not to mention the upsurge in identity theft.

Errors can be corrected, but it takes time, as long as 45 days. That's why it is important to review your credit report each year. Pick a date, your birthday or April 15th are both good, to order copies of your credit reports. If there are errors, get them

corrected before you apply for a mortgage.

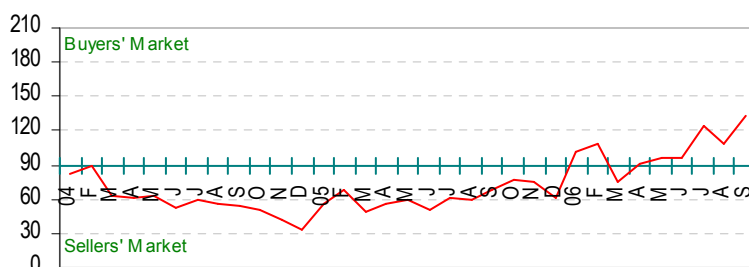
You are entitled to receive one free credit report every 12 months from each of the major consumer credit reporting companies—Equifax, Experian and TransUnion. This free credit file can be requested through www.AnnualCreditReport.com.

To process your request, you will need to provide specific information, such as your name, current and previous addresses, telephone number, social security number, and date of birth. Also, to verify your identity, other information such as a copy of

your driver's license, utility bill(s), or bank statement may be required. Keep in mind that the three large bureaus do not necessarily share information with each other. The content of your credit report can be different at each bureau, so it's a good idea to request copies from each one.

September Sales Statistics Condos/Townhomes															
	Prices		Unit Sales	Listings				Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total	DOM	SP/LP	Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$495,000	\$523,614	387	773	1,525	44	99.4%	3.1%	2.5%	-30.3%	41.7%	-2.9%	-2.4%	-15.9%	5.5%
Campbell	\$520,000	\$499,850	10	37	58	34	99.4%	-6.5%	-8.2%	-44.4%	20.8%	-6.3%	-9.0%	-37.5%	28.9%
Cupertino	\$775,000	\$755,278	9	22	40	33	97.9%	24.8%	10.2%	-25.0%	53.8%	18.3%	10.7%	-47.1%	42.9%
Gilroy	\$350,000	\$387,213	4	17	37	81	94.0%	-13.8%	-9.7%	0.0%	184.6%	-2.8%	7.0%	-42.9%	15.6%
Los Altos	\$595,000	\$797,500	2	8	14	21	100.7%	-20.9%	1.8%	-66.7%	75.0%	-12.5%	6.8%	-66.7%	7.7%
Los Gatos	\$856,500	\$757,100	5	15	41	57	99.8%	37.0%	19.1%	-64.3%	86.4%	28.8%	3.5%	-58.3%	20.6%
Milpitas	\$565,000	\$551,487	17	30	60	43	99.0%	23.6%	11.9%	-10.5%	87.5%	8.7%	4.0%	41.7%	-9.1%
Morgan Hill	\$544,950	\$538,713	4	10	31	103	100.5%	17.2%	7.2%	-42.9%	158.3%	9.2%	3.3%	-33.3%	-3.1%
Mountain View	\$550,000	\$606,082	32	50	70	36	99.3%	-6.5%	5.0%	-22.0%	9.4%	4.8%	5.9%	-20.0%	0.0%
Palo Alto	\$687,500	\$741,118	11	14	22	20	101.0%	10.0%	11.8%	0.0%	-12.0%	6.6%	-0.1%	-21.4%	69.2%
San Jose	\$458,000	\$487,738	235	455	938	46	99.5%	4.1%	3.4%	-29.4%	43.4%	-4.6%	-3.0%	-9.6%	2.4%
Santa Clara	\$435,000	\$473,829	32	65	122	38	99.2%	-2.9%	3.3%	-28.9%	24.5%	-8.4%	-7.2%	-17.9%	13.0%
Saratoga	\$550,000	\$570,000	2	4	10	48	96.8%	-26.7%	-24.1%	-84.6%	-16.7%	-15.4%	-10.0%	-60.0%	-16.7%
Sunnyvale	\$560,000	\$579,806	24	42	73	43	99.6%	-2.6%	-0.6%	-25.0%	17.7%	1.8%	9.0%	-4.0%	7.4%

Days of Inventory



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Home Buying & Selling Shouldn't Be Like Finding Your Way Through A Maze



Let Avi Urban Help you

Plan and Prepare to Sell Your Home

Home selling has become a more complex business than it used to be. New seller disclosure statements, longer and more mysterious form agreements, and a range of environmental concerns have all emerged in the past decade.

The result is that the process is not as easy for sellers as it was five or 10 years ago. Surviving in today's real estate world requires experience and training in such fields as real estate marketing, financing, negotiation and .

ARE YOU READY?

The home-selling process typically starts several months before a property is made available for sale. It's necessary to look at a home through the eyes of a prospective buyer and determine what needs to be cleaned, painted, repaired and tossed out.

Ask yourself: If you were buying this home what would you want to see? The goal is to show a home which looks good, maximizes space and attracts as many buyers - and as much demand - as possible.

While part of the "getting ready" phase relates to repairs, painting and other home improvements, this is also a good time to ask why you really want to sell.

WHEN SHOULD YOU SELL?

The marketplace tends to be more active in the summer because parents want to enroll children in classes at the beginning of the school year (usually August). The summer is also typically when most homes are likely to be available.

Generally speaking, markets tend to have some balance between buyers and sellers year-round. In a given community, for example, there

may be fewer buyers in late December, but there are also likely to be fewer homes available for purchase. So, home prices tend to rise or fall because of general demand patterns rather than the time of the year.

Owners are encouraged to sell when the property is ready for sale and there is a need or desire to sell.

HOW DO YOU IMPROVE YOUR HOME'S VALUE?

The general rule in real estate is that buyers seek the least expensive home in the best neighborhood they can afford. In terms of improvements, this means you want a home that fits in the neighborhood but is not over-improved. For example, if most homes in your neighborhood have three bedrooms, two baths and 2,500 sq. ft. of finished space, a property with five bedrooms, more baths and far more space

would likely be priced much higher and likely be more difficult to sell.

Improvements should be made so the property shows well, is consistent with the neighborhood and does not involve capital investments, the cost of which cannot be recovered from the sale. Furthermore, improvements should reflect community preferences.

Cosmetic improvements - paint, wallpaper and landscaping - help a home "show" better and often are good investments. Mechanical repairs - to ensure that all systems and appliances are in good working condition - are required to get a top price.

Ideally, you want to be sure that your property is competitive with other homes available in the community. As a professional in the real estate business looking at homes all the time, we can provide suggestions that are consistent with your particular marketplace.

For a city-by-city breakdown and to receive the report regularly, visit my website at

www.AviUrbanRealEstate.com (links on left panel)