

# The Real Estate Report

LOCAL MARKET TRENDS



Real Estate Service With  
My Personal Guarantee

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my success rests on your success™

## Sales Surge in March

Santa Clara County property sales rebounded in March after an anemic start to the year. Home sales were up 63% over February and condo sales were up 57%. Year-over-year the story is different with home sales off 13.7% and condo sales down 11.5%. Nevertheless, the increase in sales is a welcome sign.

The median price for single-family homes dropped 0.7% from the month before to \$760,000, a year-over-year gain of 3.7%. In-

creasing sales with slightly falling prices indicates a certain rapprochement between buyers and sellers.

The median price for condos fell 4.9% in March, an annual gain of 8.9%.

Inventory continued to increase in March, up 31.3% compared to March 2004.

The sales price to list price ratio gained 0.3 of a point to 100.3%,

Trends at a Glance (Single-family Homes)			
	Mar 06	Feb 06	Mar 05
Sale/List Price Ratio:	100.3%	100.0%	103.3%
Days on Market:	42	46	26
Days of Inventory	75	109	49
Median Price:	\$760,000	\$765,000	\$750,000
Average Price:	\$942,976	\$939,605	\$903,874
Home Sales:	1,137	698	1,317
Inventory:	2,850	2,529	2,170

while days on market fell another four days to 42.

Days of inventory fell 34 to 75.

My advice? For buyers, make offers. The market is still quite active and shows few signs of

slowing. Appreciation has moderated and it seems sellers have begun realizing that fact.

For sellers, right now it is all about the pricing. Price it right and your home will sell. Also, make sure it shows well, no matter what price you list it at. Buyers are looking for fairly priced homes, if not bargains. The question is how do you make your home a bargain, or at least look like a bargain, to attract many buyers and offers.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a particular neighborhood or for an evaluation of your home's worth, call me.

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## Income Tax Time: Value of Homeownership

At this time of year, everyone is doing their tax returns or will have to do so before April 17th. It is crucial to reap all of the tax advantages available to you as homeowners. We will take a quick look at how valuable your homeownership is and how it can add to your bottom line during this tax season.

Our first look at the value of homeownership is the return on investment alone. Imagine you bought your home at the median price six years ago. That home would have cost you \$227,160 (February 2000 California single-family median home price). In just six years,

the value of your investment has skyrocketed to \$535,470 (February 2006 California single-family median home price), thus reaping a 135% gain in the value of your home. On average that is a 20% per year return, an amazing return. In fact, that is nearly 3 times the nation's return 7% per year over the same time period.

From a pure investment standpoint, if you sell your home in 2006, \$250,000 of that profit or equity is tax free if you are single and doubles to \$500,000 if you are married and file a joint tax return, as long as you have lived in the home for at least 2 years and

it is your primary residence (IRS Publication 523).

Along with home equity gains and overall appreciation, there are other huge tax advantages to owning your own home—interest & property tax deductions. If you buy a home today at the February median of \$535,470, and if property taxes are about 1% of the property value, the property tax deduction for that home would be approximately \$5,347. In the first 12 months the interest paid on that home loan would total \$25,700 (Interest calculated assuming a 20% down payment with 6% composite mortgage rate).

Therefore, if you are in the 25% tax bracket the total tax savings in the first year of owning the home would be around \$8,000 (\$31,047 interest paid & property taxes x 25% marginal tax bracket). The IRS allows you to deduct the entire amount of interest paid on your home loan as long as you complete a Schedule A on your 1040, the loan is in your name, and the mortgage must be secured by collateral.

Homeowners reap many advantages when tax season comes around. Make sure you squeeze the most out of your homeownership as you can.

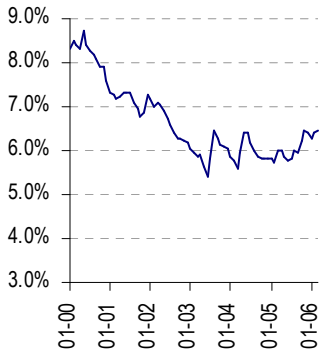
**Take Away the Veil of Uncertainty about Real Estate Investing and Secure Your Financial Future**

To learn more about investing in income producing properties send me an email to [seminar@AviUrban1.com](mailto:seminar@AviUrban1.com)

# The Real Estate Report

## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (Mar. 31, 2006) - Fixed mortgage interest rates edged higher this week, as the average 30-year FRM rose by 6 basis points (.06%). The benchmark loan closed the week at an average 6.51%, while the popular 5/1 Hybrid ARMs rose by 0.1% to 6.20%.

With economic growth holding steady to firm, and short-term interest rates rising below them, there's no place for mortgage rates to go but up. If you think of the Fed Funds rate -- an overnight lending rate, possibly the shortest term for a loan -- as a "floor" underneath all yields (interest rates), then raising that floor

will ultimately have some effect on all other loan rates, to a greater or lesser degree. The Fed has been raising that floor for two years, and while ARM prices have been affected greatly, only recently have long-term rates been affected. In essence, the flattening of the yield curve has given way to a "rising tide lifts all yield boats".

The ten-year Treasury moved from 4.7% on Monday to about 4.85% by Friday, amid rising expectations for more Fed moves in May and beyond.

We'll point out that, absent a recession looming in the foreseeable future (and caused by a Fed which has overshot in its tightening campaign), long-term rates have no room to fall; they are literally at the floor along with short-term rates. Interestingly, though, unless inflation really flares higher from these levels, or mortgage or Treasury bonds fall out of favor as a preferred investment, they have little reason to bound higher. However, they are likely to move upward as the floor moves upward, perhaps a bit more or less at times as inflation concerns wax and wane.

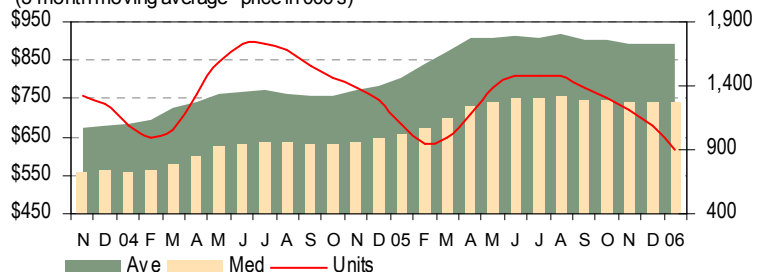
## March Sales Statistics

### 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	\$760,000	\$942,976	1,137	2075	2,850	42	100.3%	3.7%	4.3%	-13.7%	31.3%	-0.7%	0.4%	62.9%	12.7%
Campbell	\$750,000	\$788,535	31	44	62	34	100.0%	3.4%	5.1%	24.0%	31.9%	1.4%	2.0%	106.7%	29.2%
Cupertino	\$1,128,880	\$1,161,145	36	62	69	33	99.8%	7.5%	5.0%	-26.5%	40.8%	-12.5%	-15.1%	44.0%	6.2%
Gilroy	\$720,000	\$836,182	57	112	231	57	100.3%	9.1%	11.8%	-6.6%	81.9%	5.1%	17.6%	54.1%	11.1%
Los Altos	\$1,700,000	\$1,897,704	37	59	68	36	99.8%	5.9%	6.9%	-14.0%	17.2%	8.8%	5.7%	164.3%	54.5%
Los Altos Hills	\$2,750,000	\$2,893,700	10	27	65	89	96.9%	12.2%	12.4%	-28.6%	20.4%	9.1%	8.6%	42.9%	6.6%
Los Gatos	\$1,485,000	\$1,479,367	29	68	108	62	98.5%	23.8%	17.2%	-46.3%	-25.5%	32.0%	-0.2%	61.1%	12.5%
Milpitas	\$740,000	\$750,918	38	52	62	25	99.8%	13.0%	13.6%	-13.6%	10.7%	9.6%	2.6%	65.2%	19.2%
Monte Sereno	\$1,650,000	\$1,815,000	3	10	25	54	98.2%	29.4%	12.4%	-40.0%	-10.7%	21.1%	33.2%	200.0%	38.9%
Morgan Hill	\$824,600	\$973,512	34	88	172	89	98.6%	7.2%	20.0%	-35.8%	62.3%	-0.7%	13.8%	47.8%	13.2%
Mountain View	\$889,000	\$943,688	28	37	39	26	102.2%	1.0%	-0.9%	-15.2%	39.3%	2.2%	-0.6%	47.4%	11.4%
Palo Alto	\$1,400,000	\$1,539,845	46	86	78	33	102.7%	2.9%	3.4%	-9.8%	52.9%	-4.0%	-4.3%	70.4%	16.4%
San Jose	\$709,000	\$778,439	617	1136	1,446	41	100.4%	5.8%	4.5%	-12.6%	34.6%	-0.1%	1.2%	57.4%	12.5%
Santa Clara	\$750,000	\$756,172	46	91	97	30	101.7%	13.6%	10.8%	-22.0%	14.1%	2.6%	-3.2%	43.8%	36.6%
Saratoga	\$1,500,000	\$1,686,703	34	92	134	43	98.2%	-9.9%	-8.6%	-12.8%	1.5%	-14.9%	-19.9%	54.5%	12.6%
Sunnyvale	\$835,000	\$855,886	45	78	80	23	102.8%	3.7%	6.9%	-39.2%	-13.0%	-7.2%	-9.0%	28.6%	21.2%

## Silicon Valley Homes: Prices & Sales

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



# The Real Estate Report

## To Buy or Not To Buy

As the market makes the transition from sellers to buyers, many buyers are in a quandary: should we buy now, or wait to see if the market drops? What if I buy now and my home's value falls?

These are good questions and the answers depend upon why you are buying.

If you're buying for investment, then it's more important to try and time the market. Obviously, the local market isn't what it was: double-digit appreciation is gone. Yet, in the last twelve months, year-over-year appreciation has fluctuated between 2.9% to 10.7%. The question becomes

what kind of investment are you making? Are you flipping? Not a good market. Are you fixing and renting for the long term? It's a good market. Historically, real estate prices go up at the rate of inflation plus about 1.5%, according to NAR.

If you're buying to live in the home and neighborhood, can afford the payments and are willing to ride out any possible downturns, you should buy because of the cycle of your life, not the market's cycle.

The keys here are to buy right and get the proper loan.

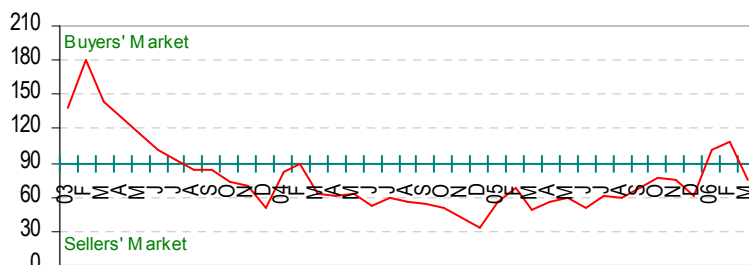
The good news: Interest rates

are still relatively low. NAR projects the average mortgage for the year will be around 6.6%. Locking a 30-year-fixed mortgage will ensure your payments stay the same as long as you live in the house.

An adjustable-rate mortgage, on the other hand, is riskier. Say you get a 5/1 ARM, which switches to a floating rate five years from now. If rates are much higher at that time and your payments increase to a level you can't support, you may be forced to sell your home, even if its value has fallen.

March 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	\$490,000	\$523,181	510	825	964	41	100.4%	8.9%	8.8%	-11.5%	64.8%	-4.9%	-1.0%	56.9%	4.6%
Campbell	\$508,500	\$550,025	20	36	37	38	100.1%	5.9%	7.8%	-16.7%	60.9%	25.6%	11.6%	233.3%	68.2%
Cupertino	\$700,000	\$715,069	13	18	23	17	100.9%	21.7%	14.9%	-18.8%	76.9%	13.8%	6.3%	-7.1%	9.5%
Gilroy	\$353,000	\$410,667	3	7	13	59	98.8%	8.6%	13.5%	-25.0%	160.0%	#####	#####	#####	18.2%
Los Altos	\$1,100,000	\$935,200	5	9	7	48	100.8%	41.8%	14.0%	25.0%	-12.5%	88.0%	25.4%	25.0%	-36.4%
Los Gatos	\$709,000	\$640,108	13	17	24	52	99.3%	1.4%	-7.5%	-18.8%	-17.2%	0.0%	-7.6%	62.5%	-22.6%
Milpitas	\$445,000	\$486,899	11	34	31	18	101.0%	-5.3%	-1.4%	-47.6%	63.2%	-14.4%	-7.5%	57.1%	0.0%
Morgan Hill	\$474,950	\$494,476	12	15	27	36	99.6%	7.9%	2.8%	20.0%	170.0%	-12.9%	-8.4%	71.4%	-3.6%
Mountain View	\$530,000	\$542,302	53	64	53	28	101.6%	2.9%	4.1%	20.5%	10.4%	2.9%	3.9%	55.9%	0.0%
Palo Alto	\$595,000	\$694,995	10	19	19	36	99.3%	-11.3%	-0.3%	-44.4%	-5.0%	-2.5%	15.6%	0.0%	0.0%
San Jose	\$455,000	\$481,067	288	509	616	44	100.3%	11.0%	9.4%	-12.5%	98.7%	-6.2%	-3.2%	52.4%	8.6%
Santa Clara	\$450,000	\$478,627	35	52	64	41	100.8%	5.9%	6.2%	-32.7%	23.1%	-1.1%	2.4%	45.8%	-5.9%
Saratoga	\$1,000,000	\$1,097,000	6	7	6	79	99.0%	52.7%	69.1%	0.0%	-57.1%	66.7%	70.7%	200.0%	-14.3%
Sunnyvale	\$530,000	\$560,342	32	34	38	41	100.4%	2.9%	9.6%	0.0%	11.8%	-16.9%	-14.7%	60.0%	8.6%

## Days of Inventory



##### means there were no sales either this month or a year ago or last month so the percentages don't compute.

## Real Estate Service With My Personal Guarantee

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### Buyer Guarantee

Within a year of close of escrow, either you are absolutely happy with your new home or **I'll sell it for FREE.** You'll be responsible for other normal closing costs, and buyer's agent commission.

### Seller Guarantee

I'll pay you if your house is not under contract **within 90 days.** You agree to cooperate with my professional recommendations. You can also cancel listing agreement if not fully satisfied with my service.



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R E A L T Y

## Pricing Your Home to Sell

Once again we visit the pricing your home to sell question.

In the last few months, two home valuation sites have come on-line: <http://zillow.com> and <http://realestateABC.com>.

We'll discuss the value, and the dangers, of using these sites.

First, let's make one thing perfectly clear: assigning a market value to your home is an art, not a science. Unlike the stock market, each home, even in a tract of similar homes, is different. The differences range from the location to the views to how well the home has been kept up to any upgrades the owners may have done.

The new on-line sites rely on mathematical formulas, called algorithms, to determine value. In an homogenous area, they can return fairly accurate

values. But, as they rely on past sales data, garnered from the county records, their valuations will be over-priced in a falling market and under-priced in a rising market.

In non-homogenous areas, say a new gated community of million dollar homes built next to an older neighborhood of \$500,000 homes, the problems multiply because the algorithm doesn't take that fully into account. The million dollar homes will be valued less, while the \$500,000 homes will be valued more.

Another thing the algorithms can not take into consideration is the extent to which the home has been updated. If the kitchen and bathrooms have been upgraded with granite and Wolf/Sub-zero appliances, that will increase

the value of the home, yet, the algorithm cannot take that into account until the home sells. Then, all of a sudden, all the other homes in the area will be valued higher than they should be.

Yet, taking these considerations into account, these sites are a good place to start in valuing your home.

A second, more accurate, method is to hire an appraiser. The appraiser will have access to the MLS, which details home improvements and any special features comparable homes may have, will, more often than not, but not all the time, be familiar with the area, and will personally look at your home.

This will produce a more accurate valuation, and cost you several hundred dollars.

The third way to value your home is to call me. As a local real estate agent, I am intimately familiar with the neighborhood, have been in most of the homes sold recently, have been in most of the homes that are currently on the market, and know which way the market is heading. I will give you a detailed Comparative Market Analysis which includes:

The current state of the market

Recent comparable sales in your neighborhood

Competition currently on the market

Oh, by the way this service is free and I'm never too busy for your referrals.

For a city-by-city breakdown, visit my website at: [www.AviUrban1.com/pages/framset-market.html](http://www.AviUrban1.com/pages/framset-market.html)

To receive the report regularly, send me an email to [trendreport@AviUrban1.com](mailto:trendreport@AviUrban1.com)