

# The Real Estate Report

LOCAL MARKET TRENDS



Real Estate Service With  
My Personal Guarantee

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my success rests on your success™

## The Frenzy is Over

The Santa Clara real estate market is in transition. Buyers are being particular. In fact, recently, they've been cherry picking. Sellers beware, if your property isn't a cherry, it won't be picked.

What's a cherry? It's a home that's in perfect condition and priced right at the market or a little below. Do that, and you will get multiple offers. No, you won't get the ten to twelve multiple offers of last year resulting in ten to twenty percent over your over-the-market asking price. Instead, you'll get two to four offers, and they'll be maybe two to five percent over your at-the-market, or a little below, asking price.

Most sellers are in denial right now, which is normal when a market is in transition. They don't understand that buyers have stopped paying any price for any property.

Right now, there are only three types of property selling:

- very high-end property, because pricing of those homes is so wacky anyway and the people buying them are unaffected by the economy;
- excellent properties that are priced right at, or even a tad below, the market; and,
- the homes of people who have to sell now.

Yet, as we've mentioned repeatedly, like every month at the end of this report, the real estate market is very hard to generalize. It is a

### Trends at a Glance

(Single-family Homes)

	Feb 06	Jan 06	Feb 05
Sale/List Price Ratio:	100.0%	99.1%	102.6%
Days on Market:	46	48	34
Days of Inventory	109	101	68
Median Price:	\$765,000	\$740,000	\$733,000
Average Price:	\$939,605	\$903,022	\$893,863
Home Sales:	698	661	824
Inventory:	2,529	2,229	1,865

market made up of many micro markets, both geographically and in price range. This is never more true than in today's market. A market in transition is one where shifts happen rapidly and often.

Now, on to the numbers. The median price for homes gained 3.4% from the month before to reach \$765,000, a new record high. But wait, there's more. This was done on a sales volume of only 698 homes, down 15.3% from last February. This means more higher priced homes sold than lower priced homes. Also, the year-over-year gain was only 8.5%, the first time the annual gain has been in single-digits since February 2004.

Inventory continues to increase, yet it is still little more than half of normal for this time of year.

The sales price to list price ratio jumped 0.9 of a point to 100%, while days on market fell two days to 46.

Days of inventory rose eight to 109.

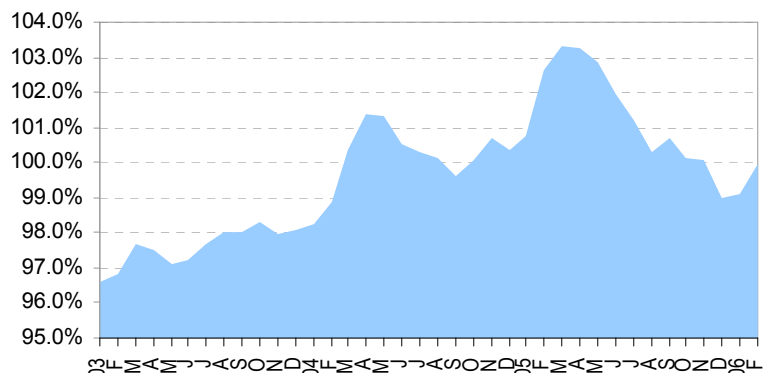
Like I said, it's a mixed market.

My advice? For buyers, make offers. Decide what you can afford, and then go out and make offers. What you are looking for is a seller who wants to sell and understands the dynamics of today's market.

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 the 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.

### Silicon Valley Homes

Sales Price/Listing Price Ratio



### Inside this issue:

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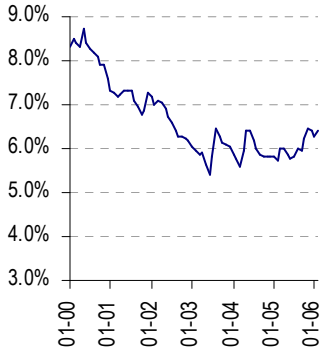
Take Away the Veil of Uncertainty about Real Estate Investing and Secure Your Financial Future

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

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## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (Mar. 3, 2006) - Fixed mortgage rates ticked just a little lower this week, as the average 30-year fixed-rate mortgage (FRM) fell by 1 basis point (.01%). For five-one Hybrid ARMs, rates increased by four basis points, ending the week at 6.12%.

There now seem to be two forces at opposing ends of the economy: housing and... everything else. Soaring prices and tighter financing conditions have crimped affordability and created a slowing in the housing and housing-related sectors of the economy, particularly the building and financing industries.

Hopefully, we're in a healthy (if painful) transition to more sustainable levels for buying, selling and pricing for homes.

Both new and existing home sales reports came out this week, and both pretty much told the same tale of slowing sales, rising inventories and cooling price increases.

For existing homes, January saw an annualized sales pace of 6.56 million, down 2.8%, with a 5.3 month supply of homes for sale at the current pace.

For new homes, the drop of 5% for January to an annualized 1.233 million units was

not only larger than expected but left 5.2 months of supply available -- a ten year high for inventories.

Interest rates seem poised to move a little higher. If spreads are any indication, lenders have been trying to keep from passing along the increase in underlying credit costs to the extent possible. For fixed rate mortgages, the difference between the 10-year Treasury and the average 30-year FRM was 1.97% on January 6; this week, that markup has shrunk to 1.78%, the narrowest since November.

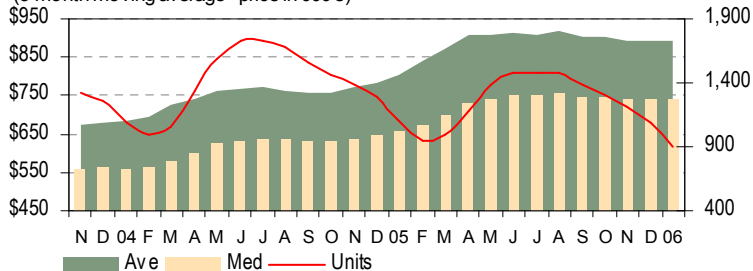
## February Sales Statistics

### 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	\$765,000	\$939,605	698	1664	2,529	46	100.0%	8.5%	5.1%	-15.3%	35.6%	3.4%	4.1%	5.6%	13.5%
Campbell	\$740,000	\$772,767	15	38	48	21	99.7%	-8.6%	-9.8%	-28.6%	14.3%	-9.2%	-6.8%	-34.8%	26.3%
Cupertino	\$1,290,000	\$1,367,136	25	44	65	58	98.9%	27.7%	17.3%	-24.2%	38.3%	33.1%	28.2%	38.9%	-4.4%
Gilroy	\$685,000	\$711,058	37	104	208	52	100.1%	14.2%	4.4%	2.8%	141.9%	-16.0%	-12.4%	146.7%	4.5%
Los Altos	\$1,563,000	\$1,794,647	14	44	44	42	102.9%	-5.9%	0.9%	-30.0%	25.7%	4.2%	11.2%	-39.1%	25.7%
Los Altos Hills	\$2,520,000	\$2,665,714	7	30	61	89	98.2%	2.9%	-9.5%	-30.0%	7.0%	-9.1%	-18.6%	75.0%	32.6%
Los Gatos	\$1,125,000	\$1,482,324	18	57	96	56	100.4%	-2.1%	13.3%	-18.2%	-27.8%	-18.2%	3.5%	38.5%	28.0%
Milpitas	\$675,000	\$732,148	23	53	52	32	100.5%	15.4%	16.8%	4.5%	13.0%	-2.9%	-4.2%	-8.0%	15.6%
Monte Sereno	\$1,362,500	\$1,362,500	1	10	18	43	97.4%	-22.0%	-22.6%	-50.0%	-25.0%	-31.9%	-39.6%	-85.7%	38.5%
Morgan Hill	\$830,000	\$855,352	23	65	152	66	98.7%	12.2%	2.1%	-37.8%	56.7%	-3.3%	-8.8%	0.0%	5.6%
Mountain View	\$869,500	\$949,499	19	38	35	43	101.0%	3.8%	1.7%	-36.7%	40.0%	10.8%	5.5%	18.8%	25.0%
Palo Alto	\$1,458,000	\$1,609,426	27	54	67	37	104.0%	6.0%	-15.4%	-25.0%	0.0%	27.0%	8.8%	22.7%	28.8%
San Jose	\$710,000	\$769,458	392	836	1,285	46	99.8%	10.9%	9.7%	-10.9%	36.3%	4.0%	1.7%	1.8%	9.0%
Santa Clara	\$731,000	\$780,936	32	54	71	24	101.1%	16.0%	16.9%	-27.3%	26.8%	3.0%	3.3%	14.3%	2.9%
Saratoga	\$1,762,500	\$2,105,432	22	53	119	65	95.7%	5.9%	15.5%	29.4%	-2.5%	29.1%	26.2%	57.1%	8.2%
Sunnyvale	\$900,000	\$941,049	35	56	66	26	102.8%	17.6%	15.7%	-28.6%	46.7%	12.5%	18.2%	0.0%	0.0%

### Silicon Valley Homes: Prices & Sales

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



# The Real Estate Report

## Making An Offer

After finding the house you want to make a home, and after being pre-approved for a loan, comes the negotiating.

The offer is the first step in the negotiation process. A basic offer includes the price, financial terms, and contingencies, such as specifying what will happen if negative findings come up during the inspection.

Most agents in California use the purchase contract provided by the California Association of REALTORS®. It would be wise to get a copy and study it.

In the book "Home Buying for Dummies (Hungry Minds Inc.,

2001)," authors Eric Tyson and Ray Brown say there are three key elements to a good offer.

Begin with a realistic offering price. Your agent will help you with this, but you want to come up with a price based on similar houses sold in the neighborhood in the past six months. You'll also want to keep the local conditions in mind. In other words, if houses are selling quickly and many houses are receiving multiple offers, you'll need to bid competitively.

On the other hand, if the market is slowing and offers are

few and far between, you have more leeway. Just remember, making really low offers may anger the seller, and if you really want that house, he may decide not to sell it to you.

The second element to include in your offer is realistic financing terms. If you're pre-approved for a loan, be sure to include that in the offer so the seller knows you're serious. It will also give you an edge over any other offers that don't have a pre-approved loan.

And finally, include a property inspection clause. What if

it's determined the roof needs to be replaced, or the heating and cooling system is faulty and it will take \$3,000 to fix?

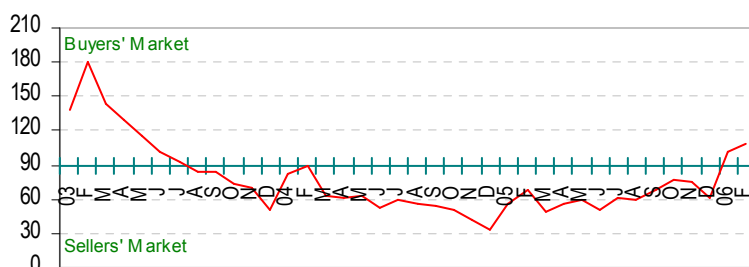
"It's smart to use property inspection clauses that enable you to re-open negotiations regarding any necessary corrective work after you've received the inspection reports," the home buying Dummies book says.

## February 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	\$515,000	\$528,375	325	636	922	43	100.4%	14.2%	10.3%	-8.5%	77.6%	3.0%	3.2%	14.8%	11.8%
Campbell	\$405,000	\$493,000	6	16	22	55	100.5%	-10.0%	-2.0%	-57.1%	10.0%	-20.6%	-9.2%	-64.7%	-21.4%
Cupertino	\$615,000	\$672,543	14	21	21	47	100.9%	8.6%	14.3%	75.0%	61.5%	-8.9%	-1.5%	16.7%	5.0%
Gilroy	*	*	*	6	11	*	*	#####	#####	#####	120.0%	#####	#####	#####	83.3%
Los Altos	\$585,000	\$745,500	4	7	11	49	100.6%	-25.9%	-3.9%	0.0%	83.3%	#####	#####	#####	120.0%
Los Gatos	\$709,000	\$692,500	8	13	31	67	99.4%	-0.8%	-1.9%	-20.0%	10.7%	11.7%	6.1%	-20.0%	0.0%
Milpitas	\$520,000	\$526,211	7	14	31	45	99.2%	-1.0%	1.4%	-12.5%	138.5%	-11.1%	-9.4%	-12.5%	14.8%
Morgan Hill	\$545,000	\$539,645	7	17	28	38	100.6%	13.5%	13.1%	75.0%	211.1%	-7.5%	-0.6%	133.3%	33.3%
Mountain View	\$515,000	\$522,132	34	50	53	40	102.1%	-16.3%	-12.4%	47.8%	76.7%	-3.7%	-4.2%	61.9%	15.2%
Palo Alto	\$610,000	\$601,089	10	15	19	60	100.7%	-17.2%	-29.9%	66.7%	35.7%	7.9%	-17.5%	150.0%	18.8%
San Jose	\$485,000	\$497,180	189	382	567	43	100.2%	19.8%	16.7%	-10.4%	89.0%	7.8%	6.9%	23.5%	11.2%
Santa Clara	\$455,000	\$467,458	24	42	68	44	100.3%	-13.3%	-5.6%	-31.4%	41.7%	8.2%	-1.2%	9.1%	6.3%
Saratoga	\$600,000	\$642,500	2	2	7	12	100.2%	-21.6%	-7.9%	-33.3%	-12.5%	7.1%	-16.6%	-33.3%	40.0%
Sunnyvale	\$638,000	\$656,543	20	29	35	33	100.1%	35.7%	35.9%	-31.0%	40.0%	7.6%	15.2%	-25.9%	-20.5%

## 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.



**KELLER WILLIAMS®**

R E A L T Y

## Pricing Your Home to Sell

The first benefit of pricing your home properly is that you will sell it. No mean feat in today's market.

Nevertheless, let's look at some of the underlying benefits that pricing your home properly brings.

Oh, by pricing your home properly, in today's market, we mean your home has to look like a bargain.

### FASTER SALE

When your home sells faster, you save carrying costs, mortgage payments and other ownership costs.

### LESS INCONVENIENCE

If you've moved before, you know the energy it takes to prepare for showings: keeping the home clean, making child care arrangements and altering your lifestyle. Proper

pricing reduces these demands on you, by helping your home sell faster.

### EXPOSURE TO MORE PROSPECTS

At market value, you open your home up to more people who can afford the price. Sellers who list at a high price in the hope that they'll find the one purchaser who will pay it, often do not realize that they have discouraged many potential purchasers who could have afforded the price they end up accepting at a later date.

### INCREASED SALESPERSON RESPONSE

When salespeople are excited about a home and its price, they make special efforts to contact all of their potential buyers. Knowing that it is priced properly for its market, they expect it to sell soon and encourage their prospects to

act quickly. Their excitement is contagious!

### BETTER RESPONSE FROM ADVERTISING AND SIGN CALLS

Ad calls and sign calls to Realtors turn into showings when price is not a deterrent. Most serious prospects are well educated about asking prices in the areas they are seeking, and will not waste time on a home they consider overpriced.

### ATTRACTS HIGHER OFFERS

When a home is priced right, buyers fear they might lose out on a good home, so they are less likely to make "low ball offers."

### MEANS MORE MONEY TO SELLERS

If a home is priced right, the excitement of the market produces higher sale prices. You net more both in terms of

actual sale price and in less carrying costs.

Pricing your home properly includes:

- The current state of the market
- Recent comparable sales in your neighborhood
- Competition currently on the market

We can provide you with a Comparative Market Analysis to determine your listing price and expected selling price. Call us for this free service.

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)