

# The Real Estate Report

LOCAL MARKET TRENDS



REAL ESTATE SERVICE WITH MY  
PERSONAL GUARANTEE

October/November 2005

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*my success rests on your success™*

## Market Continues to Moderate

The Santa Clara County real estate market continues to unwind from the surge of the past year. The median price for single-family homes fell 3.6% from the month before to \$733,000, an annual appreciation of 16.3%.

Sales also fell, year-over-year, for the tenth month in a row, while inventory surged past the 3,000 unit mark to post its first year-over-year gain since July 2003.

Although the number of days it took market homes was flat at 29, days of inventory gained another nine days to 69, the highest level since February 2004.

The median price for condos also fell, dropping 3.1% to \$480,000, a gain of 21.5% year-over-year. Condo sales

### Trends at a Glance (Single-family Homes)

	Sep 05	Aug 05	Sep 04
Sale/List Price Ratio:	100.7%	100.3%	99.6%
Days on Market:	29	29	36
Days of Inventory	69	60	55
Median Price:	\$733,000	\$760,000	\$636,000
Average Price:	\$876,703	\$924,431	\$764,073
Home Sales:	1,339	1,404	1,473
Inventory:	3,060	2,816	2,680

fell 6.6% while inventory surged 20.4% to top 1,000 units for the first time since October 2003.

My advice? For buyers, a moderating market makes the whole process of finding and buying a home less stressful. Although the sales price to list

price ratio is still over 100%, the trend is downward. Home prices are still appreciating more than 1% a month. Figure that into your calculations. If you buy a home worth \$700,000 on a 30-day escrow, by the time you close, you will have gained \$70,000.

For sellers, the market is turning and in a few more months it will be a buyers' market. That means "as is" won't cut it. You will need to spiff up your home to sell it.

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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## C.A.R. reports California's Housing Affordability Index fell four points to 14% in August; lowest on record since 1989

The percentage of households in California able to afford a median-priced home stood at 14 percent in August, a 4 percentage-point decrease compared with the same period a year ago when the Index was at 18 percent, according to a report released today by the California Association of REALTORS® (C.A.R.). The August Housing Affordability Index (HAI) declined 2 percentage points compared with July, when it stood at 16 percent.

C.A.R.'s monthly housing affordability index measures the percentage of households that can afford to purchase a median-priced home in California. C.A.R. also reports housing affordability indexes for regions and select counties within the state. The Index is the most fundamental measure of housing well-being in the state.

The minimum household income needed to purchase a median-priced home at

\$568,890 in California in August was \$133,800, based on an average effective mortgage interest rate of 5.87 percent and assuming a 20 percent down payment. The minimum household income needed to purchase a median-priced home was up from \$110,980 in August 2004, when the median price of a home was \$473,520 and the prevailing interest rate was 5.83 percent.

At 28 percent, the High Desert region was the most affordable C.A.R. region in the state, followed by the Sacramento region at 19 percent. The Santa Barbara region was the least affordable in the state at 6 percent.

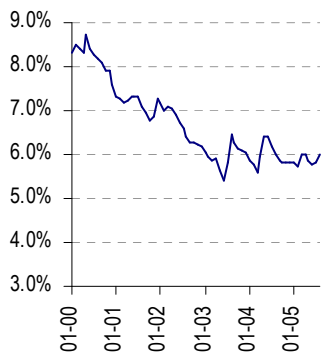
San Diego County's affordability index was 9% in August, the same as in July and down 1 point from August 2004.

For the full Monthly Market Trends Report plus a city-by-city breakdown, visit my website at [www.AviUrbanRealty.com](http://www.AviUrbanRealty.com). To receive the report regularly, send me an email to [avi@AviUrbanRealty.com](mailto:avi@AviUrbanRealty.com) with the subject "add me to the monthly report list"

# The Real Estate Report

## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (Oct. 7, 2005) - More concerns about inflation pressed mortgage rates higher this week; the average 30-year fixed rate mortgage (FRM) rose by eight basis points to finish the period at 6.13%, close to the 2005 high water mark of 6.17% seen during the week ending April 1. Five-one Hybrid ARMs moved higher this week, as well; the current 5.76% average is a 39-month high.

The Fed's campaign of lifting interest rates may have an unintended effect, as the nearly identical rates found all along the "mortgage yield curve" confound borrowers seeking payment relief from 'expensive' 30-year FRMs. Over the past

year, borrowers turned first to ARMs; later, to interest-only payment plans; and this year, to minimum payment "options" in order to lower their monthly costs (or to qualify for larger loans). The logic is easy to follow: an ARM offered a break on the rate; adding I/O payments further expanded payment relief. However, borrowers now seeking rate and payment relief are finding little help with an ARM, and some of those borrowers may be forced to turn to riskier loans or payment plans in order to reach their goals. In trying to deter borrowers by raising interest rates, the Fed may ultimately be successful, but the lure of low pay-

ments (if not interest rates) will continue to draw in borrowers. The fear is that some of them will be unprepared to manage the risks they will need to accept.

Some of the biggest lenders of these kinds of product have begun tightening qualifying standards.

This week's rise in mortgage rates was a little bit more than expected. Next week seems likely to have at least a little more upward creep.

We expect another 4-6 basis point increase.

## September Sales Statistics

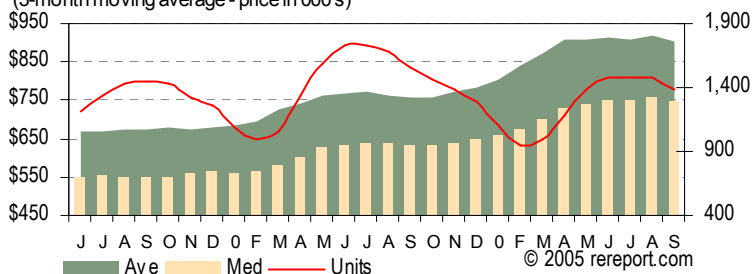
### Single-family Homes

County	Prices		Unit Sales	Listings		DOM	SP/LP	Compared to Last Year				Compared to Last Month			
	Median	Average		New	Total			Med.	Ave.	Sales	Listed	Med.	Ave.	Sales	Listed
County	\$733,000	\$876,703	1,339	2250	3,060	29	100.7%	16.3%	14.7%	-9.1%	14.2%	-3.6%	-5.2%	-4.6%	8.7%
Campbell	\$800,000	\$849,684	19	48	54	34	101.0%	25.0%	27.5%	-38.7%	-18.2%	8.1%	2.1%	-48.6%	20.0%
Cupertino	\$1,062,000	\$1,197,134	41	70	93	31	99.5%	20.7%	31.3%	-4.7%	10.7%	-2.6%	4.8%	-19.6%	20.8%
Gilroy	\$713,000	\$818,986	77	107	175	34	100.0%	26.2%	34.1%	16.7%	38.9%	-3.5%	1.7%	13.2%	6.1%
Los Altos	\$1,495,000	\$1,652,425	32	69	67	43	99.7%	14.1%	14.7%	-13.5%	3.1%	-0.7%	3.9%	-22.0%	15.5%
Los Altos Hills	\$2,400,000	\$2,505,555	9	38	75	140	96.2%	37.1%	7.5%	0.0%	-1.3%	-7.7%	-5.2%	-10.0%	29.3%
Los Gatos	\$1,250,000	\$1,330,372	30	71	126	48	98.7%	4.2%	-5.5%	-42.3%	-28.4%	0.8%	-7.3%	-25.0%	-6.0%
Milpitas	\$700,000	\$719,128	59	50	71	23	101.5%	27.3%	23.4%	13.5%	-7.8%	-1.4%	-2.4%	51.3%	-17.4%
Monte Sereno	*	*	*	12	28	*	#####	#####	#####	#####	12.0%	#####	#####	#####	16.7%
Morgan Hill	\$804,000	\$874,580	49	78	165	35	99.8%	14.4%	18.8%	0.0%	17.0%	5.1%	-1.4%	8.9%	8.6%
Mountain View	\$850,000	\$868,137	28	51	29	16	102.9%	8.3%	2.4%	-26.3%	-25.6%	-10.1%	-14.2%	-31.7%	11.5%
Palo Alto	\$1,545,000	\$1,781,616	43	82	80	35	100.9%	32.6%	34.8%	16.2%	21.2%	10.3%	13.0%	-12.2%	53.8%
San Jose	\$689,000	\$743,663	767	1266	1,658	26	101.1%	16.8%	15.8%	-8.5%	26.1%	-1.6%	-3.2%	-1.5%	7.7%
Santa Clara	\$700,000	\$713,150	65	85	93	20	102.6%	14.9%	15.9%	-27.0%	-14.7%	0.4%	-3.5%	-5.8%	-6.1%
Saratoga	\$1,500,000	\$1,640,081	37	78	141	56	99.0%	5.3%	1.6%	12.1%	2.9%	-0.3%	-7.1%	19.4%	11.9%
Sunnyvale	\$775,000	\$801,311	75	120	120	23	102.2%	12.6%	18.2%	1.4%	16.5%	-3.7%	-5.6%	-12.8%	20.0%

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

### Silicon Valley Homes: Prices & Sales

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



# The Real Estate Report

## Downsize Without Increasing Your Property Taxes

Many of us over 55 years old with large equity positions in our homes and a small tax liability would love to move to smaller homes or even condos but are reluctant to because of the increase in property taxes.

Enter Propositions 60 & 90!

These are constitutional initiatives passed by California voters. They provide property tax relief by preventing reassessment when a senior citizen sells his/her existing residence and purchases or constructs a replacement residence worth the same or less than the original.

When the senior citizen purchases or constructs a new residence, it is not reassessed,

if he/she qualifies. The Assessor transfers the factored base value of the original residence to the replacement residence. Proposition 60 originally required that the replacement and the original be located in the same county. Later, Proposition 90 enabled this to be modified by local ordinance.

Only the following counties accept factored base year value assessments from any of the other 58 counties in California: Alameda, Kern, Los Angeles, Modoc, Orange, San Diego, San Mateo, Santa Clara And Ventura.

To qualify, the seller of the original residence, or spouse who resides with the seller,

must be at least 55 years of age at the time of the sale.

The replacement property must be of "equal or lesser value" than the original home. Of course, with all things government, there are some caveats to this.

In general, "equal or lesser value" means the fair market value of the replacement property does not exceed one of the following:

100% of the market value of the original property, if the replacement property is purchased or newly constructed before the original property is sold.

105% of the market value of the original property, if the replacement property is purchased or newly constructed within the first year after the original property is sold.

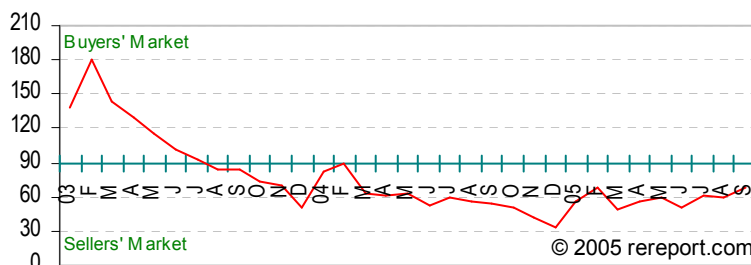
110% of the market value of the original property, if the replacement property is purchased or newly constructed within the second year after the original property is sold.

You may apply by completing and submitting the necessary application form within three years of the date you buy your replacement property.

Contact your County Assessor or download the forms at their web site.

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	\$480,000	\$510,603	555	944	1,076	25	102.1%	21.5%	21.2%	-9.3%	44.0%	-3.0%	-1.7%	-6.6%	20.4%
Campbell	\$556,000	\$544,528	18	42	48	17	101.7%	29.3%	13.8%	0.0%	108.7%	2.0%	-1.8%	-21.7%	29.7%
Cupertino	\$621,000	\$685,067	12	22	26	20	103.4%	-2.7%	9.9%	-20.0%	85.7%	-1.0%	1.4%	-14.3%	62.5%
Gilroy	\$406,000	\$429,000	4	6	13	10	103.4%	40.0%	40.7%	100.0%	225.0%	-7.7%	-6.2%	0.0%	18.2%
Los Altos	\$752,500	\$783,333	6	8	8	40	100.1%	56.1%	16.5%	50.0%	-11.1%	9.1%	-2.8%	20.0%	-11.1%
Los Gatos	\$625,000	\$635,564	14	18	22	21	103.9%	16.8%	5.8%	-6.7%	-47.6%	-3.8%	-4.5%	16.7%	-12.0%
Milpitas	\$457,000	\$492,941	19	31	32	29	101.8%	18.7%	16.7%	-17.4%	10.3%	-25.7%	-11.1%	0.0%	0.0%
Morgan Hill	\$465,000	\$502,500	7	9	12	24	101.1%	22.7%	27.0%	-30.0%	-25.0%	-7.0%	5.3%	-36.4%	20.0%
Mountain View	\$588,000	\$577,256	41	75	64	24	103.6%	30.7%	20.6%	-12.8%	39.1%	11.8%	2.6%	-30.5%	30.6%
Palo Alto	\$625,000	\$662,909	11	28	25	25	101.3%	-3.5%	2.1%	-31.3%	0.0%	12.6%	10.7%	-38.9%	47.1%
San Jose	\$440,000	\$471,862	333	555	654	26	101.9%	20.9%	22.6%	-12.6%	55.7%	-3.3%	-1.5%	-1.5%	24.1%
Santa Clara	\$448,000	\$458,636	45	76	98	21	102.4%	17.9%	14.1%	-10.0%	46.3%	-14.7%	-12.3%	-11.8%	3.2%
Saratoga	\$750,000	\$751,154	13	10	12	45	99.2%	123.2%	91.0%	333.3%	-40.0%	16.3%	-0.1%	116.7%	-7.7%
Sunnyvale	\$575,000	\$583,500	32	64	62	15	103.4%	32.2%	23.4%	14.3%	87.9%	0.9%	1.6%	-5.9%	17.0%

### Days of Inventory



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

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

## Buy First or Sell First?

Most people need to sell their current home before buying a new one because we need the equity from the first as a deposit on the second. The exceptions to this are first-time homeowners, they don't have a home to sell, or the fairly wealthy, who can afford to carry two mortgage payments.

Of course, we could make an offer contingent upon the sale of our current home. But, in a hot real estate market, sellers are reluctant to take these offers, especially when they are receiving multiple offers. As the market cools, a buyer will have better luck having these types of contingent offers accepted.

It is far easier to have an offer contingent upon the sale of your current home accepted if the sale is already in progress. Specifically, that means you

have accepted an offer and the inspection and financing contingents have been satisfied.

If you have decided to buy that next home and know you will have to sell your first, you need to be smart about how you go about it.

First, get your home ready to sell. That means fix what's broken. De-clutter the home. If the carpets are ragged, replace them. Need paint? Do it! There are a myriad of things you can do to prepare your home for sale. Call me for a free evaluation.

Second, determine your listing price and your market price. In this market, the two shouldn't be two far apart.

Third, find a good mortgage broker and get pre-approved for a loan. Pre-approval is a

formal procedure that gets you fully lender-qualified for a mortgage. The approval is contingent on you finding a home. Sellers are more receptive to offers from pre-approved buyers because there's no concern about whether the buyers will qualify. Also, this is when you will find out how much home you can afford.

Fourth, we recommend listing your home for sale with a provision that you may need a long closing or a rent back option. A rent back option entitles you to rent your home back from the buyers for a period after closing. This gives you more time to find and buy the next home without having to make a move to an interim rental.

The best time to make an offer on a new home is after you

have found a buyer for your home, and after the buyer's inspection contingency has been satisfied. Inspections often reveal defects that need to be corrected. Sometimes buyers and sellers renegotiate these repairs; sometimes sellers pay for items, like a new roof, that they hadn't figured into their budget. After the inspection contingency is removed, you know precisely how much you'll net from the sale of your home.

The Closing: When you negotiate the sale of your current home, make sure that your buyers get pre-approved within 5-10 days of acceptance. Then when you make an offer to buy your new home, you can represent that your home is sold and that the financing and inspection contingencies have been satisfied.