

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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

Avi Urban

650.305.1111

avi@AviUrbanRealEstate.com

www.AviUrbanRealEstate.com



my success rests on your success™

Prices Continue to Set New Records

The median price for single-family homes in Santa Clara County set another new record in June, rising 2.5% from the month before to \$819,950. The annual appreciation was 7%. That's six months in a row annual appreciation has been in single-digits.

The average price for homes also set a new record at \$989,891, a gain of 2.5% from the month before and 7.9% year-over-year.

Home sales were up 8.6% over May, a decline of 25.7% compared to June 2005.

Inventory grew by 7.1% and is now 39.4% higher than last year.

The median price for condos rose

2% to \$510,000. Sales were up 4.1%.

The sales price to list price ratio for single-family homes stayed at 100.2% and the ratio for condos

Trends at a Glance

(Single-family Homes)

| | Jun 06 | May 06 | Jun 05 |
|------------------------|-----------|-----------|-----------|
| Sale/List Price Ratio: | 100.2% | 100.2% | 102.0% |
| Days on Market: | 35 | 37 | 22 |
| Days of Inventory | 95 | 97 | 51 |
| Median Price: | \$819,950 | \$800,000 | \$750,000 |
| Average Price: | \$989,891 | \$965,495 | \$924,833 |
| Home Sales: | 1,192 | 1,098 | 1,604 |
| Inventory: | 3,793 | 3,542 | 2,721 |

stayed even at 100.5%. There are still many multiple offers, mostly on well-priced homes that are in tip-top condition.

Days on market declined two days to 35.

Our days of inventory indicator fell two to 95 days.

My advice? It's the same as last month: if you want the best home in the best location, be prepared for multiple offer situations and to pay over list. Otherwise, look at homes that have been on the market for awhile and make offers.

For sellers, it pays to put your home in tip-top condition.

Buyers are paying a premium for these homes, especially in the best school districts.

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 at 650.305.1111



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Fix Your Credit Score, Quick!

When buying real estate, good credit is crucial.

The first, and most important, item to check is your FICO score. Any mistakes and incorrect entries will need to be fixed and it takes time to do that. Time you may not have when you are applying for a loan and your contingency period is running out.

Most lenders have carved-in-stone rules about handing out the best terms, and those rules almost always place a major emphasis on your credit score. If their best rates are offered to borrowers with a score of 700 or higher and yours is a 698, those two points could cost you thousands of dollars.

If you have a low FICO score, there are ways to increase it. Again, they take time and it is never too early to start.

Pay your bills on time. Delinquent payments and collections have a major negative impact on your score.

If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your score. But also be aware even if you pay off a collection account, it will stay on your report for seven years.

Keep your balances low on credit cards and other "revolving credit." High out-

standing debt can affect a score.

Pay off debt rather than moving it around. The most effective way to improve your score is by paying down your revolving credit.

The fastest route to a better score is paying down balances on credit cards, says Watts and David Herpers, chief marketing officer for Atlanta-based Amerisave Mortgage Corp.

"There's really no silver bullet, but I would think that over 60 days, it's possible to increase your score 20 points by paying down your credit lines," Herpers says.

Don't close unused credit cards as a short-term strategy to raise your score. Closing unused accounts without paying down your debt changes your utilization ratio, which is the amount of your total debt divided by your total available credit.

If you do close credit card accounts, though, leave the oldest one open. The length of your credit history is another factor in your score. If you close the account of the credit card you got when you were a freshman in college and leave open the ones you just got within the last couple years, it makes you look like a much newer borrower.

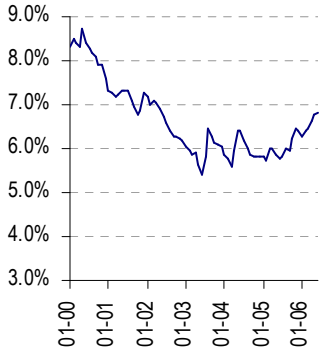
Take Away the Veil of Uncertainty about Real Estate Investing and Secure Your Financial Future

To learn more about investing in income producing properties send me an email to seminar@650and408HOMES.com

The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (July 7, 2006) - The average 30-year fixed rate mortgage (FRM), which threatened to top 7% last week, eased back by four basis points to close the first week of July at 6.94%. Five-one Hybrid ARMs, a popular alternative to the benchmark fixed rate loan, finished the survey period at an average 6.60%.

The stock market sold off Friday on concerns that the economy is slowing. If we are to put the brakes on price pressures, the economy will need to slow, and perhaps even run at sub-par levels for a while. If the second quarter grew at perhaps 3% as measured by Gross Domestic Product, that would probably

be enough to help keep inflation holding at these levels; however, these levels are on the high side of acceptable to the Federal Reserve, and only a continued slackening of demand -- perhaps a few quarters of growth nearer to 2% than 3% - will be enough to ease price pressures. That said, the slowdown has to start somewhere, and it does seem to be getting underway, and the kinds of reports above are just the first inkling that a mellower growth pace is forming.

Our latest poll of visitors to HSH.com revealed some interesting things about consumers' use of their home's equity. About 7% used up all their

equity in the form of a piggy-back loan when they bought their home. A whopping 48% haven't used their equity at all (which should reassure those who fear the "highly-leveraged" homeowner). A full 16% of respondents opened a HELOC as an kind of cheap insurance policy against unforeseen circumstances, and another 21% used their home savings to purchase big-ticket items like cars or swimming pools. If there's any area of concern, though, it just might be the 7% who told us that they are using their home equity to manage day-to-day expenses.

June Sales Statistics

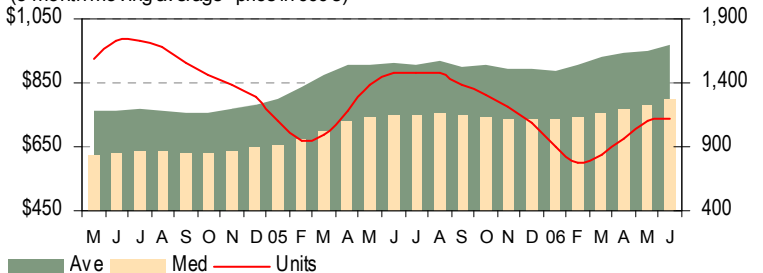
Single-family Homes

| 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 | \$819,950 | \$989,891 | 1,192 | 2491 | 3,793 | 35 | 100.2% | 7.9% | 7.0% | -25.7% | 39.4% | 2.5% | 2.5% | 8.6% | 7.1% |
| Campbell | \$800,000 | \$858,589 | 28 | 45 | 70 | 27 | 99.1% | 3.9% | 9.1% | -30.0% | 27.3% | 0.0% | 2.9% | -3.4% | 4.5% |
| Cupertino | \$1,100,000 | \$1,140,086 | 44 | 76 | 97 | 22 | 102.4% | 4.8% | 1.6% | -10.2% | 11.5% | -12.0% | -6.8% | 4.8% | 6.6% |
| Gilroy | \$830,000 | \$965,025 | 49 | 136 | 305 | 71 | 98.5% | 14.5% | 16.7% | -35.5% | 122.6% | 10.7% | 19.6% | 11.4% | 10.5% |
| Los Altos | \$1,600,000 | \$1,689,123 | 43 | 48 | 79 | 27 | 100.4% | 6.7% | -4.2% | -4.4% | -6.0% | 2.9% | -8.7% | 87.0% | -8.1% |
| Los Altos Hills | \$2,080,000 | \$2,364,619 | 8 | 18 | 68 | 80 | 94.3% | -19.5% | -19.1% | -52.9% | 17.2% | -15.1% | -9.0% | 14.3% | -10.5% |
| Los Gatos | \$1,359,000 | \$1,398,301 | 31 | 74 | 138 | 45 | 98.1% | 4.5% | -7.0% | -18.4% | -6.8% | 0.7% | -11.0% | -8.8% | 7.8% |
| Milpitas | \$705,000 | \$775,838 | 40 | 90 | 118 | 24 | 101.2% | 6.8% | 12.5% | -28.6% | 90.3% | -5.4% | -1.9% | 14.3% | 8.3% |
| Monte Sereno | \$1,860,000 | \$1,955,938 | 8 | 9 | 28 | 48 | 100.4% | -21.5% | -15.9% | 100.0% | 16.7% | ##### | ##### | ##### | 12.0% |
| Morgan Hill | \$864,000 | \$857,939 | 37 | 133 | 246 | 56 | 99.1% | 1.6% | -4.5% | -40.3% | 73.2% | -7.1% | -12.0% | 27.6% | 10.8% |
| Mountain View | \$1,040,000 | \$1,105,371 | 35 | 45 | 49 | 20 | 102.6% | 15.6% | 14.0% | -23.9% | 53.1% | 19.5% | 15.5% | 0.0% | -3.9% |
| Palo Alto | \$1,420,000 | \$1,566,134 | 66 | 64 | 65 | 32 | 101.3% | 9.2% | -0.9% | 3.1% | -8.5% | 9.2% | 8.3% | 1.5% | -21.7% |
| San Jose | \$740,000 | \$811,654 | 623 | 1401 | 2,036 | 32 | 100.3% | 4.6% | 4.8% | -26.8% | 45.9% | 1.4% | -0.6% | 6.7% | 11.7% |
| Santa Clara | \$750,000 | \$776,629 | 52 | 111 | 129 | 19 | 101.3% | 6.4% | 7.1% | -42.2% | 30.3% | 4.2% | 3.7% | -14.8% | 4.0% |
| Saratoga | \$1,580,000 | \$1,680,345 | 41 | 98 | 157 | 75 | 98.4% | 4.5% | 3.3% | -6.8% | 8.3% | 2.3% | 3.2% | 13.9% | -4.8% |
| Sunnyvale | \$814,000 | \$888,821 | 68 | 112 | 123 | 27 | 102.4% | 2.8% | 7.5% | -37.0% | 8.8% | -7.0% | -0.5% | 15.3% | 5.1% |

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

Getting Your Home Ready to Sell

A clean, well-kept home will sell for more money than one that is run down.

If you are getting ready to sell your home, we have some tips for you.

First, make sure people will be enticed into your home when they first look at it from their car. This is called curb appeal. The next time you drive up to your home, look at it as if you were thinking of buying it. What could you do to make it more appealing from the curb? Is the yard neat? The grass green? The bushes trimmed? The kid's toys put away? Is the front door clean? The garage door? A little paint and elbow grease here ensures more people will visit your home.

Next, you know all those little niggling things you've been meaning to fix? The squeaky door. The door knob that doesn't work properly. The closet door that slides roughly. Fix them!

Go for the spacious look. You are going to be moving, that's why the house is on the market. Start packing. Pack everything but the essentials, then put them in storage. This goes for the kitchen as well. Take all those appliances and containers off the counter tops and pack them away.

Spruce up your back yard. The back yard has evolved into one of the most important rooms of the house, especially in warmer climates. Buyers will be

attracted to back areas that have a nice deck or patio area with plenty of space for dining, grilling, and entertaining. And if you have a section of your yard that is child-friendly -- perhaps with a swing set, sandbox or play area -- play it up as much as possible.

Make your windows sparkle. Make sure your windows are nice and clean, especially if you live in a sunny region that doesn't get much summer rain.

Keep your walls light. If you're thinking about touching up the paint on your walls before you put your home on the market, keep the colors neutral and light. A light yellow or beige will make the room feel cooler

than darker hues, like brick red or dark taupe.

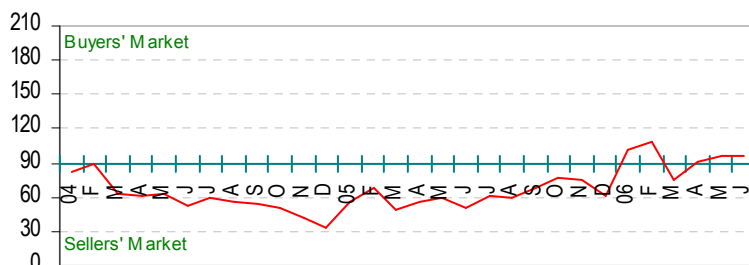
Let the light in. Open blinds and curtains so plenty of light illuminates the home's interior.

Keep the pool clean. If you have a pool or spa, make sure it's clean. If you have a fence, make sure locks and latches are working properly.

All this may seem like a lot of work, and it is, but it means a quicker sale with less hassle and more money in your pocket. Not to mention the pleasure you and your family will receive from living in a well-kept home.

| June 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 | \$510,000 | \$522,932 | 479 | 953 | 1,291 | 34 | 100.5% | 4.3% | 3.3% | -27.8% | 64.9% | 2.0% | -1.5% | 4.1% | 8.8% |
| Campbell | \$510,000 | \$490,831 | 21 | 33 | 45 | 31 | 99.8% | -6.4% | -6.5% | -8.7% | 36.4% | 3.0% | -12.6% | 31.3% | 15.4% |
| Cupertino | \$628,650 | \$645,210 | 15 | 21 | 27 | 34 | 102.0% | 1.7% | -3.4% | -21.1% | 35.0% | -13.8% | -10.5% | -11.8% | 0.0% |
| Gilroy | \$510,000 | \$510,000 | 1 | 22 | 30 | 21 | 99.0% | 41.7% | 32.5% | -85.7% | 500.0% | 7.4% | 10.3% | -87.5% | 100.0% |
| Los Altos | \$701,500 | \$780,357 | 7 | 15 | 9 | 62 | 99.2% | 8.1% | 10.9% | 0.0% | 50.0% | -14.5% | -6.0% | 40.0% | 50.0% |
| Los Gatos | \$650,000 | \$684,295 | 10 | 16 | 23 | 27 | 97.6% | 1.6% | 4.1% | -50.0% | 9.5% | 4.8% | 16.2% | 42.9% | -8.0% |
| Milpitas | \$465,000 | \$504,959 | 15 | 40 | 51 | 19 | 100.4% | 6.9% | 6.2% | -44.4% | 82.1% | -9.5% | -5.3% | 7.1% | 13.3% |
| Morgan Hill | \$470,000 | \$502,236 | 8 | 14 | 34 | 59 | 98.9% | -9.6% | 0.8% | -46.7% | 142.9% | -1.9% | 5.4% | 0.0% | 3.0% |
| Mountain View | \$580,000 | \$598,210 | 42 | 66 | 74 | 32 | 101.1% | 11.2% | 9.9% | -27.6% | 68.2% | 9.4% | 8.8% | 7.7% | 4.2% |
| Palo Alto | \$635,000 | \$696,174 | 18 | 28 | 30 | 31 | 101.5% | -11.6% | -3.9% | 12.5% | 50.0% | -23.0% | -15.3% | 38.5% | -3.2% |
| San Jose | \$460,000 | \$479,181 | 270 | 555 | 793 | 35 | 100.7% | 2.2% | 3.0% | -25.2% | 63.2% | -2.1% | -2.7% | -0.4% | 5.6% |
| Santa Clara | \$449,500 | \$504,977 | 37 | 76 | 101 | 35 | 100.0% | -4.8% | 6.5% | -30.2% | 62.9% | -6.0% | -1.2% | 42.3% | 29.5% |
| Saratoga | \$650,000 | \$674,714 | 7 | 7 | 13 | 26 | 99.4% | -17.9% | -16.7% | 40.0% | -18.8% | 0.8% | -0.3% | 40.0% | -7.1% |
| Sunnyvale | \$525,000 | \$546,966 | 26 | 55 | 56 | 24 | 100.1% | -7.1% | -3.6% | -50.0% | 100.0% | -2.6% | -2.9% | -13.3% | 19.1% |

Days of Inventory



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Strategies for Rising Mortgage Rates

First: Don't panic. While it's true that interest rates rise much more quickly than they fall, even a sharp jump in one day or week can be erased over the next week or two. The current 30-year fixed rate mortgage, now just under 7% (as we write this), still ranks among the low points of the past several years.

Consider another loan product. Today's mortgage market features a wide array of products, from long-term fixed rate (FRM) to short term adjustable rate (ARM). If a 7% 30-year FRM might bust your budget, a 5/1 'Hybrid' ARM will fit the bill. These have a fixed interest rate for the first five years at more than a full percent below the 30-year fixed. That way, you get in at a rate you can

afford -- but after that, your rate (and payments) will change annually, so keep an eye on rates and watch for chances to refinance into a real FRM. Or, possibly, into another hybrid ARM; they're also available in 3/1, 7/1, and 10/1 flavors. The longer the fixed period, however, the lesser the interest rate savings.

What about a '2-1' buydown? Buydowns are among the oldest loan gimmicks around. You start with an interest rate that is about two percentage points below the market rate for the first year. After that, the rate steps up by 1% in the second year, then rises again by 1% a final time for the 3-30-years. The catch: The final interest rate usually ends up about one-half percent above today's rates. So, rather than

getting 7% today, you get 5.5% in the first year, 6.5% in year two, then 7.5% for the remainder of the loan. Of course, you could refi before that happens if rates go your way.

Pay more points to lower the rate. You can pay additional discount points to lower the interest rate. Each point will cost you 1% of the loan amount, so it's not a cheap option -- but each point you pay should lower your interest rate between 1/8% and 1/4%, depending upon the product. For example: you pay two points (\$2,000 on a \$100K loan) to lower that 7% rate to 6.5%. You'll reduce your payment by \$32 per month, but your break-even point will be about 5 years.

Take a shorter commitment period. One of the lesser-known facets of mortgage pricing (rates) is that lenders offer a wide variety of commitment periods, ranging from 30 to 60 days and even longer. The commitment period is simply the time expected to close the loan, and mortgage lenders often quote an "average" one, like 45 days. If your paperwork is in order and your credit is good, you might be able to close your loan in 30 days. As a reward, your rate will be slightly less. This may be worth asking about as lenders get less busy.

Offset the rise in rates with a bigger down payment. You can keep your monthly costs down if you can afford more upfront.

For a city-by-city breakdown, visit my website at: www.aviurbanrealestate.com/pages1/fi_monthly.html

To receive the report regularly, send me an email to trendreport@www.aviurbanrealestate.com