

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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

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my success rests on your success™

Home Sales and Prices Slip in July

The median price for single-family homes in Santa Clara County dipped 1.8% from the record set in June. The annual appreciation was 7.7%. The average price fell 1.2% from the month before, but was up 7.3% year-over-year.

Home sales dropped 18.4% from June, and were down 31.3% compared to last July.

Inventory grew by 6.1% and is now 37.3% higher than last year.

The median price for condos rose 0.5% to \$512,500. Sales fell 11.9%.

The sales price to list price ratio for single-family homes dropped below 100% to

99.6%. The ratio for condos lost 0.5 of a point to 100%.

Days on market rose five

Trends at a Glance (Single-family Homes)			
	Jul 06	Jun 06	Jul 05
Sale/List Price Ratio:	99.6%	100.2%	101.2%
Days on Market:	40	35	25
Days of Inventory	124	95	62
Median Price:	\$805,000	\$819,950	\$760,000
Average Price:	\$977,524	\$989,891	\$907,889
Home Sales:	973	1,192	1,417
Inventory:	4,023	3,793	2,931

days to 40.

Our days of inventory indicator rose sharply, tacking on 29 days sending the indicator to 124 days.

My advice? It's the same as last month: if you want the best home in the best location that's priced right, be pre-

pared for multiple offers and to pay over list price. Otherwise, look at homes that have been on the market for awhile and make offers. It's probably a good time to look at fixer-uppers, but only at the right price.

For sellers, it is getting dicey out there. Comparative sales don't mean much in this market. What's important, if you really want to sell your home, is your competition. What are they priced at? If you want

to sell, you need to price your home below theirs, otherwise all you'll be doing is selling their house for them. It also helps to have your home in perfect condition.

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



August/September 2006 INSIDE THIS ISSUE:

NATIONAL FORECLOSURES DECREASE 5% IN JUNE	1
MORTGAGE RATE OUTLOOK	2
CITY STATISTICS	2
STRATEGIES FOR SELLING IN A BUYER'S MARKET	3
CONDO STATISTICS	3
STRATEGIES FOR RISING MORTGAGE RATES	4

Benefits of Proper Pricing

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 selling your home 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 AGENT RESPONSE

When agents 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.

In a buyers' market, proper pricing becomes paramount.

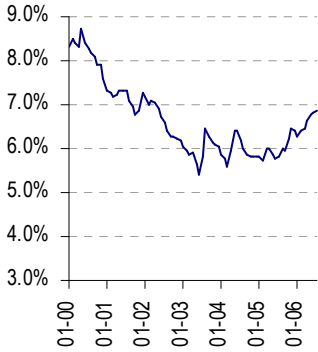
Take Away the Veil of Uncertainty about Real Estate Investing and Secure Your Financial Future

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

The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



POMPTON PLAINS, NJ (Aug. 4, 2006) -- A slowing economy is bleeding off some pressure for the Fed to raise rates. Mortgage interest rates slipped back this week, with the average 30-year fixed rate mortgage (FRM) falling by nine basis points (.09%) to 6.71%.

Five-one Hybrid ARMs retreated by seven basis points, finishing the week at an average 6.41%. Both figures represent five-week lows.

The Fed meets next Tuesday to discuss whether or not short-term rates should be raised an 18th consecutive time. The market's position is that there is already enough monetary drag

in place to preclude the need for yet another quarter-point increase in the Fed Funds rate at this meeting. We have maintained that the Fed would pause since shortly after the last meeting, needing only soft data to provide the reason for inaction. We have the soft data in hand, but the inflation numbers since the last meeting in June will probably make this a closer call than we expected. We think the net result is no move by the Fed, but that they will likely be back in the fall with an 'insurance' move.

Bond yields and mortgage rates dipped on the news of sluggish employment growth, with all yields on the curve be-

low the overnight Fed Funds rate in a pronounced fashion. This is a signal that the market thinks slower times are still ahead. It seems to us there's been a little bit of over-enthusiastic response to the slower growth, as inflation hasn't yet gone away. Mortgage rates will probably ride the late-week dip down a little bit as we head into next week, but they to appear ripe for a bit of a reversal soon.

P.S. The Fed did not raise rates at their meeting on August 8th.

July Sales Statistics

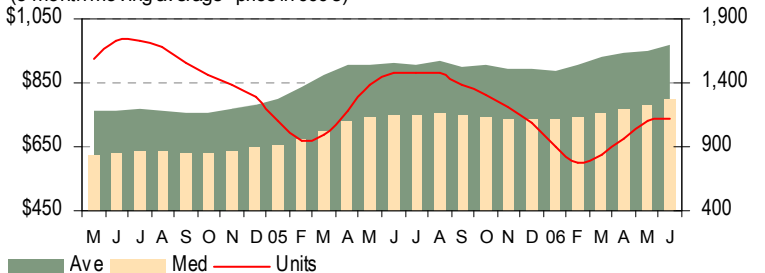
Single-family Homes

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	\$805,000	\$977,524	973	2222	4,023	40	99.6%	7.3%	7.7%	-31.3%	37.3%	-1.8%	-1.2%	-18.4%	6.1%
Campbell	\$845,000	\$900,808	13	45	79	36	99.6%	19.0%	24.1%	-45.8%	41.1%	5.6%	4.9%	-53.6%	12.9%
Cupertino	\$1,040,000	\$1,157,639	36	58	98	20	100.3%	9.6%	8.5%	-21.7%	21.0%	-5.5%	1.5%	-18.2%	1.0%
Gilroy	\$725,000	\$841,856	49	116	311	58	99.0%	1.0%	2.9%	-10.9%	77.7%	-12.7%	-12.8%	0.0%	2.0%
Los Altos	\$1,800,000	\$1,943,871	21	50	92	32	98.3%	16.1%	17.6%	-50.0%	10.8%	12.5%	15.1%	-51.2%	16.5%
Los Altos Hills	\$2,300,000	\$2,873,182	11	20	70	68	99.0%	-11.5%	-0.6%	0.0%	2.9%	10.6%	21.5%	37.5%	2.9%
Los Gatos	\$1,300,000	\$1,440,365	18	59	141	49	99.0%	0.4%	2.0%	-47.1%	-1.4%	-4.3%	3.0%	-41.9%	2.2%
Milpitas	\$760,000	\$844,312	41	93	134	33	99.7%	10.1%	14.9%	-18.0%	55.8%	7.8%	8.8%	2.5%	13.6%
Monte Sereno	\$1,890,000	\$2,005,000	4	8	24	37	99.1%	9.9%	24.8%	33.3%	14.3%	1.6%	2.5%	-50.0%	-14.3%
Morgan Hill	\$1,000,000	\$1,058,437	36	123	270	83	96.5%	28.4%	15.5%	-37.9%	67.7%	15.7%	23.4%	-2.7%	9.8%
Mountain View	\$910,000	\$1,034,000	22	33	47	46	99.3%	1.1%	3.5%	-33.3%	38.2%	-12.5%	-6.5%	-37.1%	-4.1%
Palo Alto	\$1,335,000	\$1,646,708	46	69	89	21	102.2%	5.1%	14.5%	-9.8%	25.4%	-6.0%	5.1%	-30.3%	36.9%
San Jose	\$745,000	\$826,243	519	1267	2,187	39	99.7%	5.7%	5.6%	-34.4%	42.1%	0.7%	1.8%	-16.7%	7.4%
Santa Clara	\$700,000	\$755,000	56	87	134	28	100.6%	-0.4%	5.6%	-30.0%	28.8%	-6.7%	-2.8%	7.7%	3.9%
Saratoga	\$1,379,000	\$1,466,768	27	58	147	41	98.6%	-8.1%	-4.9%	-40.0%	8.9%	-12.7%	-12.7%	-34.1%	-6.4%
Sunnyvale	\$830,000	\$850,249	62	107	117	25	101.0%	3.8%	3.5%	-22.5%	11.4%	2.0%	-4.3%	-8.8%	-4.9%

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

Strategies for Selling in a Buyer's Market

The market has changed and, if you are a seller, you must change too. Forget about what your neighbor's home sold for. In fact, forget about what anything sold for recently. It doesn't matter anymore. The only thing that matters right now is your competition: what's for sale that's comparable with your home.

Right now, buyers are in charge, and they are being very picky. The question you, as a seller, have to ask is, what is it going to take to sell my home? Here are some answers.

First, and foremost, price it right. You can price your home high and all you will end up doing is selling your competitors homes for them. Price it at or a

little below your competition. It's a good idea to go visit your competition.

Second, make sure your home shows better than your competition. That means spiff it up, clean it up, fix all the little nagging things you've been willing to live with. Walk through the house as if you were a buyer.

Third, think about staging your home. Hire someone who specializes in putting on a show. The only homes that are selling right now with multiple offers are those that are in tip-top condition and priced to invite offers.

Fourth, remember, the two components of a home sale are price AND terms. You can keep

the sales price up by working with the terms. Some terms to think about are:

Seller financing. If rising financing costs get in the way of a sale, consider taking back a note secured by the house. If the buyer lacks the 10 to 15 percent of the price you're asking to qualify for a conventional mortgage, consider taking back a second mortgage or deed of trust that will fill the gap. Alternatively, you could take back a first mortgage at a concessionary rate. An entire industry exists in the financial markets that will purchase your properly drafted note for cash. A competent local real estate attorney can help.

Closing costs and other concessions. Some sellers can set their house apart from the pack by offering to pay portions of what would normally be their buyer's settlement fees. Home builders in tough markets may pay all closing costs, plus throw in some upgrades, to move the property.

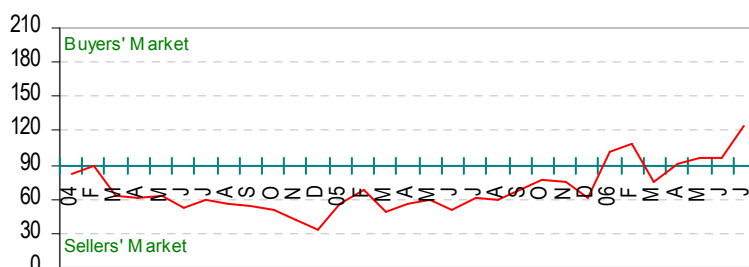
Home warranty. Offer a home warranty. This will ease the buyer's mind about the high cost of repairing or replacing unforeseen breakdowns of a home's mechanical systems and appliances.

The bottom line: Be resourceful. Bring to the table whatever is necessary to get the deal done.

July 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	\$512,500	\$533,441	422	841	1,431	37	100.0%	6.8%	4.0%	-27.4%	64.9%	0.5%	2.0%	-11.9%	10.8%
Campbell	\$560,000	\$552,859	15	19	38	29	100.7%	13.1%	0.6%	-31.8%	40.7%	9.8%	12.6%	-28.6%	-15.6%
Cupertino	\$755,000	\$765,222	9	23	31	15	102.4%	21.8%	5.5%	-25.0%	19.2%	20.1%	18.6%	-40.0%	14.8%
Gilroy	\$308,000	\$366,667	6	13	28	26	99.5%	1.0%	-9.5%	200.0%	460.0%	-39.6%	-28.1%	500.0%	-6.7%
Los Altos	\$755,000	\$786,955	11	7	11	14	101.2%	20.8%	34.6%	266.7%	-21.4%	7.6%	0.8%	57.1%	22.2%
Los Gatos	\$660,000	\$736,977	8	20	30	42	99.1%	-20.5%	-6.5%	-27.3%	76.5%	1.5%	7.7%	-20.0%	30.4%
Milpitas	\$525,000	\$515,674	20	44	65	33	100.7%	18.0%	-0.6%	-9.1%	116.7%	12.9%	2.1%	33.3%	27.5%
Morgan Hill	\$523,000	\$522,433	9	11	29	44	99.5%	11.3%	7.4%	-18.2%	123.1%	11.3%	4.0%	12.5%	-14.7%
Mountain View	\$599,950	\$570,151	36	56	82	35	100.1%	3.4%	-1.8%	-23.4%	22.4%	3.4%	-4.7%	-14.3%	10.8%
Palo Alto	\$703,000	\$783,100	11	12	19	21	99.8%	10.7%	10.3%	-31.3%	-13.6%	10.7%	12.5%	-38.9%	-36.7%
San Jose	\$490,000	\$496,378	241	513	900	42	99.8%	7.7%	6.5%	-29.3%	75.4%	6.5%	3.6%	-10.7%	13.5%
Santa Clara	\$445,000	\$491,402	31	71	107	36	99.6%	-5.3%	-0.2%	-29.5%	64.6%	-1.0%	-2.7%	-16.2%	5.9%
Saratoga	\$552,900	\$587,633	3	7	12	26	98.5%	-29.1%	-35.6%	-57.1%	-45.5%	-14.9%	-12.9%	-57.1%	-7.7%
Sunnyvale	\$568,000	\$563,697	22	38	69	26	100.2%	3.3%	2.8%	-48.8%	46.8%	8.2%	3.1%	-15.4%	23.2%

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Investors' Corner National Foreclosures Decrease 5% in June

RealtyTrac™ released its June 2006 U.S. Foreclosure Market Report showing 88,195 properties nationwide entering some stage of foreclosure during the month, a decrease of 5% from the previous month, but still a 17% increase from June 2005.

"New U.S. foreclosures dropped to their lowest level of the year in June," said James J. Saccacio, chief executive officer of RealtyTrac.

COLORADO AND NEVADA POST TOP FORECLOSURE RATES

Despite posting the nation's highest foreclosure rate for the

fourth month in a row, Colorado foreclosure activity declined in June. The state reported 3,695 properties entering some stage of foreclosure, a 12% decrease from the previous month but still a 61% year-over-year increase from June 2005. With one new foreclosure filing for every 495 households, the state's foreclosure rate was 2.7 times the national average.

Nevada's foreclosure rate jumped from 7th highest to 2nd highest in the nation thanks to a 13% increase in foreclosures from the previous month. The state reported 1,244 properties

entering some stage of foreclosure, more than twice the number reported in June 2005 and a foreclosure rate of one new foreclosure filing for every 697 households — 1.9 times the national average.

TEXAS AND CALIFORNIA REPORT MOST FORECLOSURES

Texas foreclosure activity decreased 22% from the previous month, but the state still reported more new foreclosure filings than any other state for the seventh month in a row. A total of 11,355 Texas properties entered some stage of foreclosure in June, a foreclosure

rate of one new foreclosure filing for every 709 households — the nation's fourth highest rate and more than 1.8 times the national average.

With 10,031 properties entering some stage of foreclosure, a 15% increase from the previous month, California leapfrogged past Florida to document the second most foreclosure filings of any state in June. California's foreclosure rate of one new foreclosure filing for every 1,218 households inched above the national average for the first time in three months.

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

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