

The Real Estate Report

SILICON VALLEY MARKET TRENDS



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

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my success rests on your success™

Home Sales Rise in August as Prices Dip

The median price for single-family re-sale homes in Santa Clara County fell 4.3% in August from the month before. Year-over-year, the median price was up 1.3%. The average price fell 3.4% from the month before, but was up 3.4% compared to August 2005.

Home sales rose 11% from July, and were down 23.1% compared to last August.

Inventory fell 3.3%, and is now 38.1% higher than last year.

The median price for condos fell 0.5% to \$510,000 from the month before, and was up 3% year-over-year. Sales were up 9%.

The sales price to list price ratio for single-family homes dropped 0.2 of a point to 99.4%. The ratio for condos lost 0.3 of a point to 99.7%.

Trends at a Glance

(Single-family Homes)

	Aug 06	Jul 06	Aug 05
Sale/List Price Ratio:	99.4%	99.6%	100.3%
Days on Market:	42	40	29
Days of Inventory	108	124	60
Median Price:	\$770,000	\$805,000	\$760,000
Average Price:	\$944,004	\$977,524	\$924,431
Home Sales:	1,080	973	1,404
Inventory:	3,889	4,023	2,816

Days on market rose two days to 42 for homes, and was up four days to 41 for condos.

Our days of inventory indicator fell 16 days sending the indicator to 108 days.

My advice? The market continues to moderate. Mortgage rates have been trending down for the past six weeks, but we don't think there's much room for them to go lower. We're moving into the "off season" for home sales, which can be a very good time to buy because sellers are usually more motivated and more willing to negotiate.

For sellers, my advice is the same as last month. Pricing your home right is the key to selling. In this market, pricing depends more on your competition than on what sold before.

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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Credit Scoring and Common Misconceptions

Credit scores are becoming increasingly important in acquiring the best available financing. Yet exactly how credit bureaus come up with these scores is still a mystery to most people. It is virtually impossible to find "Credit Scoring Rules." However, through trial and error many rules have been discerned and finally there are several books on this subject. Here are a few common misconceptions about credit scoring that are counter intuitive to most of us:

This sounds good – right?

- 1) Pay off all revolving credit accounts monthly to improve my score.
- 2) If not using a credit card, just close the account.
- 3) Pay off old collection accounts.

Wrong – these could adversely affect your credit score.

1) Yes, paying off your revolving credit accounts monthly is good and will not hurt your credit score. However, this will not guarantee a better score. When your score is established, most often the amount that you charged for the month will be used and not a zero balance. What is most important in establishing your score is the amount of your outstanding balance COMPARED with the limit amount of that account. A higher score is achieved if you are using a smaller portion of the available limit. Therefore, if you regularly charge \$4,000 per month on a particular Visa account that has a limit of \$5,000, your score will be lowered, even if you are paying the total off monthly. If this is

the case, it might be prudent to ask for an increase in the limit for that account.

2) When thinking about closing an old account, think twice. Better scores are achieved by having a good portion of older established accounts rather than new ones. If you close old accounts and only keep the newer ones open, your proportion of new to old may affect your score negatively. Also better scores are achieved by using a smaller proportion of the overall available credit. If you close too many accounts you may be using more of your available credit which could affect your score negatively.

3) Paying off an old collection account will eventually look better on your credit report, but in the short term it will pull your credit score lower. When the collec-

tion account is paid off, the new date of the payoff will replace the old date due to a faulty procedure at the credit bureaus. This will then trigger a lower score since it appears to the credit bureau that this is a recent happening. If the charge off appears to be dated within the last year, even if it shows paid, it will have a stronger negative impact on your score as compared with one that is dated 5 years ago even if it is unpaid.

It is important to speak to a Mortgage Advisor as early as possible when contemplating new financing. Have a professional, who understands the nuances of credit scoring, look at your credit report to check for mistakes and possible improvements. It could make all the difference in the loan that will be acquired.

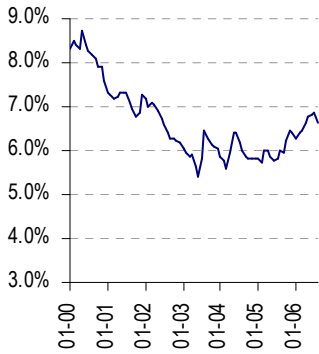
Take Away the Veil of Uncertainty about Real Estate Investing and Secure Your Financial Future

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 (Sep. 8, 2006) -- In a holiday-shortened week, the average 30-year fixed-rate mortgage (FRM) managed a minor fall, easing two basis points (.02%) to close the first week of the month at 6.53%. Five-one Hybrid ARMs lost eight basis points (.08%) for the week, ending at 6.22%.

The chief battle this fall will pit inflation pressures against market expectations. Inflation has built a lot of momentum coming into this season, but so far has met resistance in the form of hopes that slower growth will erode price pressures. At the moment, it's a pretty even match up, but will

expectations withstand the constant pounding of higher costs? It's too soon to tell.

Gasoline prices have begun to slide in recent weeks, and crude oil prices finished the week in the low \$66 per barrel range, more than 10% below recent peaks. If we can hold these levels or go lower, economic growth might pick up -- lower gas prices mean more disposable income to spread throughout the economy -- and perhaps some less upward pressure in the price of goods and services in general. Unfortunately, that's probably a bit of wishful thinking right now.

With a quiet, short week behind us, next week's calendar gets a little busier; we'll look at fresh data covering retail sales, import and export prices, industrial output and a few others, notably the Consumer Price Index.

At least some of the recent decline in rates has been a bit of a forward bet that inflation will continue to ease, and if the report derails that, rates will likely turn up a little. We think that the general tenor of the week will be uneven, and we'll probably end up about where we started.

August Sales Statistics

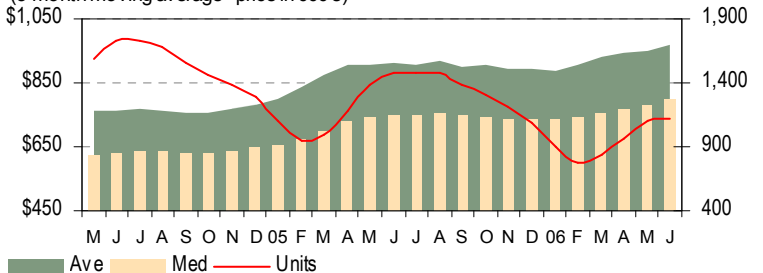
Single-family Homes

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	\$770,000	\$944,004	1,080	2114	3,889	42	99.4%	1.3%	2.1%	-23.1%	38.1%	-4.3%	-3.4%	11.0%	-3.3%
Campbell	\$800,250	\$927,309	17	49	82	50	98.5%	8.1%	11.5%	-54.1%	82.2%	-5.3%	2.9%	30.8%	3.8%
Cupertino	\$1,100,000	\$1,139,051	39	75	96	30	100.6%	0.9%	-0.2%	-23.5%	24.7%	5.8%	-1.6%	8.3%	-2.0%
Gilroy	\$687,000	\$751,786	39	118	293	68	99.0%	-7.0%	-6.6%	-42.6%	77.6%	-5.2%	-10.7%	-20.4%	-5.8%
Los Altos	\$1,650,000	\$1,730,174	38	52	74	40	99.0%	9.6%	8.8%	-7.3%	27.6%	-8.3%	-11.0%	81.0%	-19.6%
Los Altos Hills	\$2,290,000	\$2,412,188	8	15	67	42	95.8%	-11.9%	-8.8%	-20.0%	15.5%	-0.4%	-16.0%	-27.3%	-4.3%
Los Gatos	\$1,288,000	\$1,389,348	31	70	140	41	97.6%	3.9%	-3.2%	-22.5%	4.5%	-0.9%	-3.5%	72.2%	-0.7%
Milpitas	\$680,000	\$722,703	37	61	122	38	99.3%	-4.2%	-2.0%	-5.1%	41.9%	-10.5%	-14.4%	-9.8%	-9.0%
Monte Sereno	\$2,600,000	\$2,441,667	3	5	20	203	96.5%	66.5%	0.1%	-57.1%	-16.7%	37.6%	21.8%	-25.0%	-16.7%
Morgan Hill	\$765,500	\$965,628	41	120	280	77	98.3%	0.1%	8.9%	-8.9%	84.2%	-23.5%	-8.8%	13.9%	3.7%
Mountain View	\$1,000,000	\$1,047,253	30	45	48	27	101.3%	5.8%	3.4%	-26.8%	84.6%	9.9%	1.3%	36.4%	2.1%
Palo Alto	\$1,385,000	\$1,523,450	40	40	68	32	102.4%	-1.1%	-3.4%	-18.4%	30.8%	3.7%	-7.5%	-13.0%	-23.6%
San Jose	\$721,000	\$801,802	607	1202	2,136	42	99.5%	3.0%	4.4%	-22.1%	38.8%	-3.2%	-3.0%	17.0%	-2.3%
Santa Clara	\$705,000	\$733,855	59	84	121	31	100.1%	1.1%	-0.7%	-14.5%	22.2%	0.7%	-2.8%	5.4%	-9.7%
Saratoga	\$1,600,000	\$1,735,498	25	51	136	57	96.6%	6.3%	-1.7%	-19.4%	7.9%	16.0%	18.3%	-7.4%	-7.5%
Sunnyvale	\$861,000	\$872,087	60	106	130	27	100.7%	7.0%	2.7%	-30.2%	30.0%	3.7%	2.6%	-3.2%	11.1%

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

Self-directed IRAs and Real Estate

Self-directed IRA money can be invested in a wide range of investments, including stocks, bonds, mutual funds, money market funds, saving certificates, U.S. Treasury securities, promissory notes secured by mortgages or deeds of trust, limited partnerships and real estate. This includes single-family homes, timber parcels, get-a-way condos and office properties.

Self-directed IRAs are not only relatively easy to establish but they are also not subject to some of the rules that apply to employee-sponsored qualified plans that are enforced by the Department of Labor. The administrator, as account holder, has an obligation of investigating each investment to

be considered. This personal due diligence is a substitute for the rules that govern some employee-sponsored qualified plans.

To prepare for your real estate IRA, designate the amount of your retirement funds that you wish to use in the property deal and open a new IRA account with an independent administrator. The best place to start is an independent community bank. However, many banks will not service real estate IRAs (some will say "never heard of it") because it must act as owner. That means the bank must pay the taxes and collect servicing fees, which is paperwork that many lenders don't want or need.

Community banks, however, will offer this trust account service for existing customers, especially if the bank can easily see there's value in the purchase and a great potential for appreciation. Remember, because there are no limits on the number of IRA accounts a taxpayer may have, you will not be restricted to just one purchase.

For companies specializing in real estate IRAs, google Entrust Administration; Mid Ohio Securities or Oarlock Investment Services.

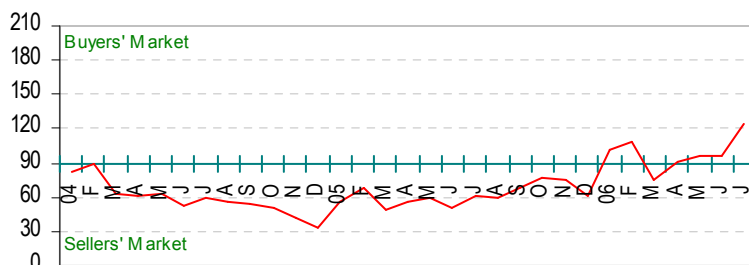
The guidelines covering real estate IRAs are stringent. If you break one of these rules, you may jeopardize the tax-free status on your account.

- The land or house must be treated like any other investment.
- All rental profits must be returned to the trustee.
- You cannot manage the property. But your trustee can hire a third party to collect rents and maintain or improve the property.
- The house or property (or proceeds from its sale) must remain in the trust until distribution at retirement. If the trustee is instructed to sell the property, funds can be transferred to another account for reinvestment.

You cannot use IRA money to buy your own residence or any other property in which you live. It has to be investment property. But when you retire, you can direct your IRA to turn it over to you as a distribution at the current market value.

August 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	\$536,258	460	884	1,446	41	99.7%	3.0%	3.3%	-22.6%	61.7%	-0.5%	0.5%	9.0%	1.0%
Campbell	\$555,000	\$549,328	16	33	45	41	99.1%	1.8%	-0.9%	-30.4%	21.6%	-0.9%	-0.6%	6.7%	18.4%
Cupertino	\$655,000	\$682,229	17	17	28	21	99.4%	4.5%	1.0%	21.4%	75.0%	-13.2%	-10.8%	88.9%	-9.7%
Gilroy	\$360,000	\$361,931	7	11	32	58	100.6%	-18.2%	-20.9%	75.0%	190.9%	16.9%	-1.3%	16.7%	14.3%
Los Altos	\$680,000	\$746,741	6	10	13	23	100.1%	-1.4%	-7.4%	20.0%	44.4%	-9.9%	-5.1%	-45.5%	18.2%
Los Gatos	\$665,000	\$731,333	12	11	34	22	100.2%	2.3%	9.9%	0.0%	36.0%	0.8%	-0.8%	50.0%	13.3%
Milpitas	\$520,000	\$530,124	12	38	66	40	98.8%	-15.4%	-4.4%	-36.8%	106.3%	-1.0%	2.8%	-40.0%	1.5%
Morgan Hill	\$499,000	\$521,667	6	9	32	66	99.2%	-0.2%	9.3%	-45.5%	220.0%	-4.6%	-0.1%	-33.3%	10.3%
Mountain View	\$524,950	\$572,472	40	57	70	34	101.1%	-0.2%	1.8%	-32.2%	42.9%	-12.5%	0.4%	11.1%	-14.6%
Palo Alto	\$645,000	\$741,500	14	10	13	38	99.6%	16.2%	23.8%	-22.2%	-23.5%	-8.3%	-5.3%	27.3%	-31.6%
San Jose	\$480,000	\$502,787	260	552	916	45	99.4%	5.5%	4.9%	-23.1%	73.8%	-2.0%	1.3%	7.9%	1.8%
Santa Clara	\$475,000	\$510,405	39	77	108	36	99.8%	-9.5%	-2.4%	-23.5%	13.7%	6.7%	3.9%	25.8%	0.9%
Saratoga	\$650,000	\$633,600	5	5	12	67	99.5%	0.8%	-15.7%	-16.7%	-7.7%	17.6%	7.8%	66.7%	0.0%
Sunnyvale	\$550,000	\$531,884	25	48	68	30	100.0%	-3.5%	-7.4%	-26.5%	28.3%	-3.2%	-5.6%	13.6%	-1.4%

Days of Inventory



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Buying in the Off-season

As we leave the prime season for real estate sales, spring and summer, and enter, what many consider to be the doldrums, remember this: many sales are made in the off-season, and for very good reasons.

- **There's less competition.** How many times did that house you had your eye on in May get bought out from under you while you and your spouse talked over making an offer?
- **Sellers are often pressured.** Motivation is critical in any real estate situation. Find out how long the house has been on the market. If it's been hanging

around awhile, there's a good chance the seller is getting antsy. Sellers frequently drop their price -- especially as Christmas draws near -- giving buyers lower down payments and closing costs. If it went on the market after the peak season ended, the seller may have a pressing reason to sell, such as a job transfer, financial problems, divorce or illness to name just a few.

- **Tax considerations.** When you buy a new home before the end of the year, you'll be able to report items such as mortgage interest, points, closing

costs, property taxes and more on your tax return.

- **Interest rates.** If you're ready to buy, waiting until next spring can spell disaster. Many experts think interest rates can't go much lower than they are now.

Buyers who shop in the winter may find sellers to be more flexible. They may be willing to haggle a bit more on the price, they may be more willing to allow concessions for paint or carpeting, and they may be more flexible on a closing date. All of these things work to the advantage of the savvy home shopper.

Most people who have houses for sale in the winter months do so out of necessity. At this time of the year, the buyer has an edge, as sellers are more likely to be looking to sell their home quickly to a much smaller pool of potential buyers.

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