

## Palo Alto Rental Property Newsletter – August, 2006 ©

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### Neighborhood Rental Rates

I counted over **87** single family/condominium properties advertised for rent in May, as compared to 116 in June. The drop in the number of advertised rentals month over month is attributable to the active rental market that we have in Palo Alto.

From the advertisements that I've seen this previous month:

- Of the 2 bedroom homes, 2/3<sup>rd</sup> were priced above \$2,000/month,
- of the 3 bedroom homes, half are advertised at \$3,000/month or more,
- of 4 bedroom homes, over 90% were advertised over \$3,000/month.

**See Page 2 for neighborhood rental rates.**

### Property Sales

As I write this newsletter, inventory there were 101 single family homes & condominiums for sale. This is a level that is higher than springtime.

Many potential buyers who need to sell a home outside of Palo Alto before purchasing in Palo Alto are becoming more conservative – many are wanting to wait until their current home sells before making an offer, primarily because the real estate market that they are moving from may have become soft. Cumulatively this is reducing demand, primarily for those Palo Alto homes that might have issues with traffic noise. For those properties that are on good size lots, on quiet streets, etc., demand is still sufficient to keep the price points at or above last year.

In 2006, only 15% of all single family homes are selling for less than \$1,000,000. For 2005, it was 20%. As many homes have sold in 2006 as in 2005 to the same date.

**If you know of anyone who would like help in buying or selling real estate, have them give me a call.**

### Pricing your Rental Property

One of the most important tasks of owning a residential investment property is the rental rate that you ask for. Too high, and it will sit on the market – and each day your rental is vacant is rent that you can never get back. To low, and you are subsidizing your tenant's living expenses.

There are several factors that determine your rental price: **property location, local economy, season (time of year), property condition, & competition.**

**Property location** is a factor that you control only when you decided to purchase your property. Palo Alto has over twenty different tracts or neighborhoods. Location also includes factors such as traffic, noise, proximity to specific schools, ease of access to shopping & transportation.

The **local economic conditions** are a large factor in determining rental prices. I can remember talking to one rental property owner, and during the dot-com era of 1999 - 2000, he advertised his 1000 sq ft, 3 bedroom, 1 bath Barron park house for \$3500, and he would get multiple applicants. The same home in 2004, he advertised for rent at \$2100. Our Silicon Valley economy has recovered quite a bit, and with the rise in property values & interest rates making home ownership more difficult, the same house would probably rent around \$2500. You don't have any control over this factor.

**Season (time of year)** that your rental is available can affect the rental rate that you will receive. There is much less demand from November to the following February (many people have the holidays as their priority). Highest demand is from April through June, as more people plan their moves for early summer. You can try to control this factor by setting the term of lease.

Your **property's condition** includes the maintaining & updates of the floors, kitchen, bathrooms, paint, and landscaping. The expense of doing this, especially after a tenant who has rented for multiple years can be surprising. The most frequent items that need to be addressed are the floors, paint & landscaping.

**Competition** ... (to be continued in next month's issue)

**To receive this newsletter by e-mail, please send your e-mail address to [lleong@cashin.com](mailto:lleong@cashin.com)**

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### Rental Rates by Neighborhood © - Single Family Homes/Condos

Neighborhood	2 Bedroom	3 Bedroom	4+ Bedroom
Barron Park, Green Acres	Range: \$1495-2450 Average: \$1988	Range: \$1800-5000 Average: \$2915	Range: \$2500-6800 Average: \$3885
College Terrace, Evergreen Park, Southgate	Range: \$1400-3300 Average: \$2095	Range: \$2000-3850 Average: \$2724	Range: \$2900-5400 Average: \$4546
Crescent Park	Range: \$1550-6250 Average: \$2705	Range: \$2000-7500 Average: \$4,098	Range: \$4200-9000 Average: \$6,225
Downtown North/University South	Range: \$1645-5000 Average: \$2436	Range: \$1695-6500 Average: \$3244	Range: \$2900-6900 Average: \$5035
Duveneck, Triple El, Community Center	Range: \$1600-3200 Average: \$2241	Range: \$2000-5900 Average: \$3094	Range: \$2400-7500 Average: \$4322
Fairmeadow, Meadow Park, Charleston Gardens	Range: \$1500 Average: \$1500	Range: \$1800-3000 Average: \$2499	Range: \$2250-4800 Average: \$3441
Green Meadow	Range: \$1295-2100 Average: \$1789	Range: \$1899-3500 Average: \$2512	Range: \$1950-3675 Average: 2761
Midtown	Range: \$1350-2750 Average: \$1997	Range: \$1595-4800 Average: \$2561	Range: \$2250-5500 Average: \$3356
Old Palo Alto, Leland Manor	Range: \$1400-3200 Average: \$2254	Range: \$1995-8000 Average: \$3495	Range: \$2400-6900 Average: \$4665
Palo Verde, South of Midtown	Range: \$1395-2195 Average: \$1780	Range: \$1975-3600 Average: \$2804	Range: \$2750-5495 Average: \$3876
Ventura, Charleston Meadows	Range: \$1500-2600 Average: \$1940	Range: \$1600-3000 Average: \$2363	Range: \$1995-3100 Average: \$2938

Data Points: 1216

### Sample Property Sales: May - July, 2006

Neighborhood	Street	Property Type	Bed	Bath	Sales Price
Barron Park	Encina Grande	House	2	1	\$1,258,000
Community Center	Harker Ave	House	3	2	\$1,700,000
Community Center	Guinda St	House	3	1	\$1,335,000
South Ct	Fairmeadow	House	4	2	\$1,100,000
Bryant St	Fairmeadow	House	3	2	\$950,800
Elsinore Dr	Green Gables	House	4	2	\$1,420,000
Iris Way	Green Gables	House	4	2	\$1,375,000
Greer Rd	Green Gables	House	3	2	\$1,485,000
Walter Hays Dr	Green Gables	House	3	2	\$1,445,000
Dake Ave	Greenmeadow	House	4	2	\$1,400,000
Bibbits Dr	Meadow Park	House	3	2	\$1,015,000
Ramona St	Midtown	House	4	2	\$1,245,000
South Ct	Midtown	House	3	2	\$1,235,000
Maddux Dr	Midtown	House	3	2	\$1,225,000
Ross Ct	Midtown	House	3	2	\$1,123,260

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