

Palo Alto Rental Property Newsletter – December, 2006 ©

Leon Leong, Realtor
California DRE License #01432446
Office: 650-330-6223
E-Mail: lleong@cashin.com

Cashin Company Realtors
400 Hamilton Ave – Suite 130
Palo Alto, CA 94301
www.cashin.com



Neighborhood Rental Rates

I counted over **70** single family/condominium properties advertised for rent in October, as compared to 68 in September.

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

- Of the 2 bedroom homes, the median price is \$2,400/month, with 2/3rd priced above \$2,295.
- of the 3 bedroom homes, the median rental price is \$3,000, with 2/3rd priced above \$2,800
- of 4 bedroom homes, the median rental price is \$5,000, with 2/3rd priced above \$4,300

What a year it's been for the rental market! The rental market for Palo Alto has climbed back from the lows of that we saw in 2004, thanks to increased property appreciation, the increase in interest rates and a strong local economy.

See Page 2 for neighborhood rental rates.

Property Sales

The Palo Alto market has remained in good shape compared to other cities. A recent article in the San Francisco Chronicle (Nov 16) highlighted that some cities were seeing a 25 % drop in sales. But here in Palo Alto, we've haven't seen that all; here are some sales statistics between 2005 & 2006 (as of the time I wrote this newsletter):

	2006	2005
Single Family	495	504
Condo/Townhouse	135	163

Although there were 9 fewer houses sold, there were 35 fewer homes put on the market in 2006; a higher percentage of homes listed for sale were sold in 2006 than in 2005. Price appreciation in 2006 was flat to single digits versus the 15% that was seen in 2005.

However, the market for condos was weaker; although there were fewer existing condos listed for sale this year, the overall percentage of condos sold was less in 2006. Some of this I attribute to the new condo developments mentioned in my previous newsletters.

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

1031 Exchange & Conversion to Primary Residence

Recently, one of the readers of this newsletter called and asked me about this scenario: they currently own a rental property, but want to sell it. In order to defer the capital gains taxes the owners wanted to do a 1031 tax deferred exchange into another rental property; they would eventually want to improve the property, covert it into their primary residence, and then sell it, using the capital gains exclusion (\$250,000 for a single person/\$500,000 for a married couple) allowed for under IRS section 121.

Under normal circumstances, to qualify for the section 121 capital gains exclusion, the owner must have lived and owned their primary residence for two of the previous five years, and must have not used the exclusion in the previous two years.

In 2005, however, federal legislation was passed which affects properties that were converted to primary residence, but purchased using a 1031 exchange. This change requires that the owner live in the property for five years before being able to qualify for the capital gains exclusion provided in IRS section 121.

As always, consult with your tax professional before taking any action.

Special Wants

I have a client who is searching for a duplex/triplex property in North Palo Alto (North of Oregon Expressway). If you are interested in selling, please contact me.

HAPPY HOLIDAYS and I wish you all a wonderful 2007!

To receive this newsletter by e-mail, please send your e-mail address to 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: \$1495-2500 Average: \$2,021	Range: \$1800-5000 Average: \$2,904	Range: \$2800-6800 Average: \$3,856
College Terrace, Evergreen Park, Southgate	Range: \$1400-3300 Average: \$2,100	Range: \$2000-3850 Average: \$2,703	Range: \$2900-7000 Average: \$4,543
Crescent Park	Range: \$1550-6250 Average: \$2,727	Range: \$2000-8000 Average: \$4,173	Range: \$4200-8000 Average: \$5,762
Downtown North/University South	Range: \$1500-5500 Average: \$2,492	Range: \$1695-6500 Average: \$3,230	Range: \$2900-7500 Average: \$4,894
Duveneck, Triple El, Community Center	Range: \$1600-3500 Average: \$2,317	Range: \$2000-5900 Average: \$3,147	Range: \$2400-7900 Average: \$4,311
Fairmeadow, Meadow Park, Charleston Gardens	Range: \$1500 Average: \$1,500	Range: \$1800-5500 Average: \$2,681	Range: \$2250-4800 Average: \$3,453
Green Meadow	Range: \$1295-2100 Average: \$1,801	Range: \$1899-3800 Average: \$2,529	Range: \$2600-3700 Average: 3,009
Midtown	Range: \$1350-2900 Average: \$2,051	Range: \$1595-4700 Average: \$2,581	Range: \$2250-5500 Average: \$3,358
Old Palo Alto, Leland Manor	Range: \$1400-3500 Average: \$2,273	Range: \$1995-8000 Average: \$3,517	Range: \$2400-6950 Average: \$4,732
Palo Verde, South of Midtown	Range: \$1395-2195 Average: \$1,780	Range: \$1975-4100 Average: \$2,563	Range: \$2750-5495 Average: \$4,108
Ventura, Charleston Meadows	Range: \$1500-2600 Average: \$1,963	Range: \$1600-3500 Average: \$2,422	Range: \$1995-3900 Average: \$3,035

Data Points: 1334

Sample Property Sales: Sept – Nov, 2006

Neighborhood	Street	Type	Bed	Bath	Sales Price
Barron Park/Green Acres	Thain	Condo	3	2	\$905,000
Barron Park/Green Acres	La Para	House	4	2	\$1,580,000
Community Center	Pine	House	3	3	\$1,500,000
Downtown	Forest	Condo	2	1.5	\$660,000
Professorville	Addison	House	2	2	\$1,380,000
Fairmeadow	Roosevelt	House	4	2	\$1,398,000
Green Gables	Greer	House	4	2	\$1,400,000
Meadow Park	Corina Way	House	3	2	\$1,200,000
Midtown	Greer	House	3	1	\$925,000
Midtown	Vernon Terrace	House	3	2	\$1,286,888
Old Palo Alto	N California	House	3	2	\$2,000,000
Old Palo Alto	Ramona	House	4	2.5	\$2,370,000
Palo Verde	Kenneth	House	4	2	\$1,050,000
South Midtown	Saint Michael	House	4	2	\$1,301,000

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