

Palo Alto Rental Property Newsletter – January, 2006 ©

Leon Leong, Realtor
Office: 650-330-6223
E-Mail: lleong@cashin.com
Website: www.leonleonghomes.com

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



Neighborhood Rental Rates

I counted over 73 properties advertised for rent in December, versus 83 in November. The rapid appreciation of property value and rise in interest rates has helped rental rates.

For example, in the Spring 2004, a 3 bedroom/2 bathroom, 1500+ sq ft Midtown Ranch style home sold for \$920,000. Based on an 80% loan @ 5.875%, the payments for principal, interest & property taxes would be around \$5,200/month (\$3,000 after tax).

A similar property, in the Spring 2005, sold for \$1,205,000. Based on an 80% loan @ 6.375%, the payments for principal, interest & property taxes would be around \$7,100/month (\$4,100 after tax).

The housing alternatives are either renting, or locating in another community with highly regarded schools, but with lower property prices, such as Cupertino.

See Page 2 for neighborhood Rental rates.

Property Sales

The inventory of residential properties dipped to 46 in December, from 65 in November. However, there are another 21 properties that were withdrawn from the market; often times, a property will be withdrawn from the market during the holiday season and brought back as a "fresh" listing in January, when the buying activity picks up.

Further price appreciation in 2006 will depend on salary growth and equity appreciation for those working at start-ups (e.g. Google IPO). Rising interest rates & scrutiny of interest only loans will make it more difficult for prices to increase at the rate we saw in 2004 & 2005.

If you are considering buying or selling a property, give me a call to set up a free consultation.

Security Deposits

Security Deposits are frequently an item of contention between the landlord & tenant, with tenants often times having different expectations than the landlord. I will be reviewing some of the statutes in the California Civil Code over the next few months. All the following are concerning residential rentals (the Civil Code can differ for commercial leases), and are from the California Association of Realtor's (C.A.R.) website:

Q 1. What is a "security deposit"?

A *security deposit* is any payment, fee, deposit or charge, including those imposed as an advance payment of rent. It includes any charges imposed at the beginning of the tenancy to reimburse the landlord for costs associated with processing a new tenant, other than "application screening fees." (Cal. Civ. Code §1950.5(b).) See Question 3 below for a discussion of "application screening fees."

Q 2. What is the maximum amount of "security" a landlord may require a tenant to pay?

Residential landlords may collect a security deposit not to exceed the monetary equivalent of 2 months rent for unfurnished units, and 3 months rent for furnished units. For example, for an unfurnished residential property at \$800 per month, the maximum amount that the landlord can collect up front is \$2,400: This consists of \$800 rent for the first month, plus \$1,600 as a security deposit. If the landlord charges any other general processing fee or pet deposit or cleaning deposit, that amount is considered part of the \$1,600 security deposit. (Cal. Civ. Code §1950.5(b).)

The landlord may not collect or demand any additional amount of money at the beginning of the tenancy, except as follows:

- A landlord is permitted to increase the deposit by one-half of one month's rent when a landlord is accepting a tenant with a waterbed or water-filled furniture. (In that situation, the landlord is also permitted to charge a reasonable fee for administrative costs, and can require the tenant to provide waterbed or water-filled furniture insurance.) (Cal. Civ. Code §§1950.5(c), 1940.5(g).)
- In addition to the security deposit, a landlord may collect the first month's rent in advance. Other than the first month's rent, advance rent payment may be required only if the amount prepaid is at least six month's rent. (Cal. Civ. Code §1950.5(c).)
- A landlord may charge a nonrefundable application screening fee for actual, out-of-pocket costs for obtaining information about a rental application, such as credit reports and reference checks (Cal. Civ. Code § 1950.6(j)). See Question 3 below for additional details.
- A landlord may include additional charges if there is a separate mutual fee agreement between the landlord and tenant for structural, decorative, furnishing, or other similar alterations, but not for cleaning or repairs (Cal. Civ. Code § 1950.5(c)).

Q 3. To be continued in the next issue...

To receive this newsletter by e-mail, please send your e-mail address to lleong@cashin.com

Palo Alto Rental Property Newsletter – January, 2006 ©

Leon Leong, Realtor
 Office: 650-330-6223
 E-Mail: lleong@cashin.com
 Website: www.leonleonghomes.com

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



Rental Rates by Neighborhood © - Single Family Homes/Condos

Neighborhood	2 Bedroom	3 Bedroom	4+ Bedroom
Barron Park, Green Acres	Range: \$1495-2450 Average: \$1910	Range: \$1800-5000 Average: \$2776	Range: \$2800-6800 Average: \$3774
College Terrace, Evergreen Park, Southgate	Range: \$1400-3300 Average: \$2064	Range: \$2000-3600 Average: \$2647	Range: \$2900-5400 Average: \$4105
Crescent Park	Range: \$1550-7000 Average: \$2767	Range: \$2000-7500 Average: \$3859	Range: \$4200-8000 Average: \$5800
Downtown North/University South	Range: \$1645-3300 Average: \$2299	Range: \$1695-6500 Average: \$3159	Range: \$2900-6900 Average: \$5156
Duveneck, Triple El, Community Center	Range: \$1600-3200 Average: \$2238	Range: \$2000-5900 Average: \$3013	Range: \$2400-7000 Average: \$4193
Fairmeadow, Meadow Park, Charleston Gardens	Range: \$1500 Average: \$1500	Range: \$1800-3100 Average: \$2470	Range: \$2250-4500 Average: \$3274
Green Meadow	Range: \$1295-2100 Average: \$1728	Range: \$1899-3500 Average: \$2486	Range: \$1950-3675 Average: 2725
Midtown	Range: \$1350-2750 Average: \$1982	Range: \$1595-3800 Average: \$2462	Range: \$2250-5500 Average: \$3270
Old Palo Alto, Leland Manor	Range: \$1400-3000 Average: \$2128	Range: \$1995-8000 Average: \$3460	Range: \$2400-6900 Average: \$4568
Palo Verde, South of Midtown	Range: \$1395-2000 Average: \$1755	Range: \$2000-3600 Average: \$2427	Range: \$2750-5495 Average: \$3852
Ventura, Charleston Meadows	Range: \$1595-2600 Average: \$1894	Range: \$1600-2950 Average: \$2320	Range: \$1995-3100 Average: \$2538

Data Points: 985

Sample Property Sales: Oct-Dec, 2005

Neighborhood	Street	Property Type	Bed	Bath	Sales Price
Barron Park	Thain Way	Condo	2	2	\$735,000
Barron Park	San Jude Ave	House	3	2	\$1,258,000
College Terrace	College Ave	Condo	3	2	\$700,000
Duveneck	Newell Rd	House	4	2	\$1,250,000
Duveneck	Wildwood Ln	House	4	2	\$1,180,000
Duveneck	Carmel Dr	House	3	1.5	\$850,000
Downtown	Forest Ave	Condo	3	2	\$965,000
Greenmeadow	Ponce Dr	Condo	3	2	\$850,000
Midtown	Waverley St	House	3	2.5	\$1,180,000
Old Palo Alto	Bryant St	House	2	1	\$1,288,000
Palo Verde	Ames Ave	House	3	2	\$969,500
South Midtown	Ashton Ave	House	2	1	\$805,000
South Midtown	Cowper Ct	House	3	2	\$1,062,000
Ventura	Wilkie Way	House	3	2	\$875,000

To receive this newsletter by e-mail, please send your e-mail address to lleong@cashin.com