

Palo Alto Rental Property Newsletter – January, 2007 ©

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Neighborhood Rental Rates

I counted over **50** single family/condominium properties advertised for rent in December, as compared to 70 in November.

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

- Of the 2 bedroom homes, the median price is \$2,495/month, with 2/3rd priced above \$2,400.
- of the 3 bedroom homes, the median rental price is \$3,200, with 2/3rd priced above \$2,950
- of 4 bedroom homes, the median rental price is \$4,700, with 2/3rd priced above \$4,000

See Page 2 for neighborhood rental rates.

Property Sales

Here's some 2006 real estate prices for different areas of Palo Alto that I hope you will find interesting:

North Palo Alto

Least Expensive: \$767,000, for a 2 bed/2 bath, 836 sq. ft. house on a 3,049 sq. ft. lot on Homer Ave.

Most Expensive: \$6,500,000 for a 4 bed/4+ bath, 5,571 sq. ft. house on a 15,000 sq. ft. lot on Coleridge Ave.

Barron Park/Green Acres

Least Expensive: \$755,000, for a 1bed/1 bath, 468 sq. ft. house on a 5,500 sq. ft. lot on Maybell Ave

Most Expensive: \$2,800,000 for a 6+bed/4+ bath, 3,875 sq. ft. house on a 16,500 sq. ft. lot on Chimalus Dr

Midtown/Palo Verde/Fairmeadow/Greenmeadow

Least Expensive: \$762,420 for a 1 bed/1bath, 696 sq. ft. house on a 4,274 sq. ft. lot on San Carlos Ct.

Most Expensive: \$3,000,000 for a 5 bed/4+ bath, 4,647 sq. ft. house on a 14,569 sq. ft. lot on Rosewood Dr

2006 was a year where sales were level from 2005. Palo Alto continues to be a desirable community that attracts buyers and renters.

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 - Correction

In my recent newsletter, I reviewed a scenario where an owner wanted to convert a rental property that was purchased using a 1031 exchange into their primary residence and then sell it to use the capital gains exclusion under IRS section 121.

I incorrectly stated the requirement that "the owner live in the property for five years"; **the actual requirement is that the owner own the property for five years, and live in the property for two of the previous five years.**

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

Security Deposits and Normal Wear & Tear

Security deposits are generally used to remedy any damages that a tenant may make to the property, and not used to cover typical wear & tear that may occur under normal use of the property.

Recently, I testified as a witness in small claims court in a case that was being litigated over this issue. During the summer of 2006, at the request of the owner, I evaluated his rental property. I noticed the yard was pretty parched, dry rot damage in one of the bathrooms, wrinkles in the carpet and one of bedrooms had a heavy buildup of soot. One of the tenants had a shrine with many candles burning for sustained periods of time, the wall texture was waxy & had black soot marks, as well as parts of the wall were peeling.

I advised getting an estimate from a professional painter. The painter estimated much more work than would typically be the case because of the soot. In addition, once the carpet was lifted, further damage was discovered to the hardwood floors. The condition of property was beyond what would be considered "normal wear & tear". The owner kept the bulk of the security deposit to cover the repairs beyond normal wear & tear.

The tenant felt otherwise and bought legal action in small claims court. The owner fortunately had documented the state of the property with pictures, had estimates from reputable licensed professionals, and my eyewitness testimony. After hearing both parties arguments, the judge ruled in favor of the owner keeping the amount of security deposit that he did.

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: \$2,920	Range: \$2800-6800 Average: \$4,000
College Terrace, Evergreen Park, Southgate	Range: \$1400-3300 Average: \$2,099	Range: \$2000-3850 Average: \$2,703	Range: \$2900-7000 Average: \$4,543
Crescent Park	Range: \$1550-6250 Average: \$2,732	Range: \$2000-8000 Average: \$4,173	Range: \$4200-8000 Average: \$6,362
Downtown North/University South	Range: \$1500-5500 Average: \$2,495	Range: \$1695-6500 Average: \$3,229	Range: \$2900-7500 Average: \$4,930
Duveneck, Triple El, Community Center	Range: \$1600-3500 Average: \$2,320	Range: \$2000-5900 Average: \$3,132	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: \$3,425
Green Meadow	Range: \$1295-2100 Average: \$1,801	Range: \$1899-3800 Average: \$2,528	Range: \$2600-3700 Average: 2,984
Midtown	Range: \$1350-2900 Average: \$2,068	Range: \$1595-4700 Average: \$2,578	Range: \$2250-5500 Average: \$3,363
Old Palo Alto, Leland Manor	Range: \$1400-3500 Average: \$2,275	Range: \$1995-8000 Average: \$3,520	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: \$4,112
Ventura, Charleston Meadows	Range: \$1500-2600 Average: \$1,963	Range: \$1600-3500 Average: \$2,420	Range: \$1995-3900 Average: \$3,122

Data Points: 1353

Sample Property Sales: Sept – Nov, 2006

Neighborhood	Street	Type	Bed	Bath	Sales Price
Barron Park/Green Acres	Cherry Oaks Pl	House	4	2.5	\$1,600,000
Barron Park/Green Acres	Chimalus	House	3	1	\$1,000,000
College	Park Blvd	Condo	2	2.5	\$620,000
College	Sheridan	Condo	2	2	\$775,000
Green Gables	Primrose Way	House	4	2.5	\$1,660,000
Green Gables	Morton Way	House	3	1	\$995,000
Greenmeadow	Greenmeadow Wy	Condo	2	2	\$674,000
Meadow Park	Corina Way	House	3	2	\$1,111,000
Midtown	Colorado	House	3	1	\$947,660
Midtown	Elbridge Way	House	3	2	\$1,180,000
Midtown	Greer Rd	House	4	2	\$1,188,000
Midtown	Colorado	Condo	2	2.5	\$765,000
Professorville	Addison	House	4	2.5	\$2,185,000
Ventura	2 nd St	House	3	1	\$956,000

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