



Palo Alto Rental Property Newsletter – September, 2008 ©

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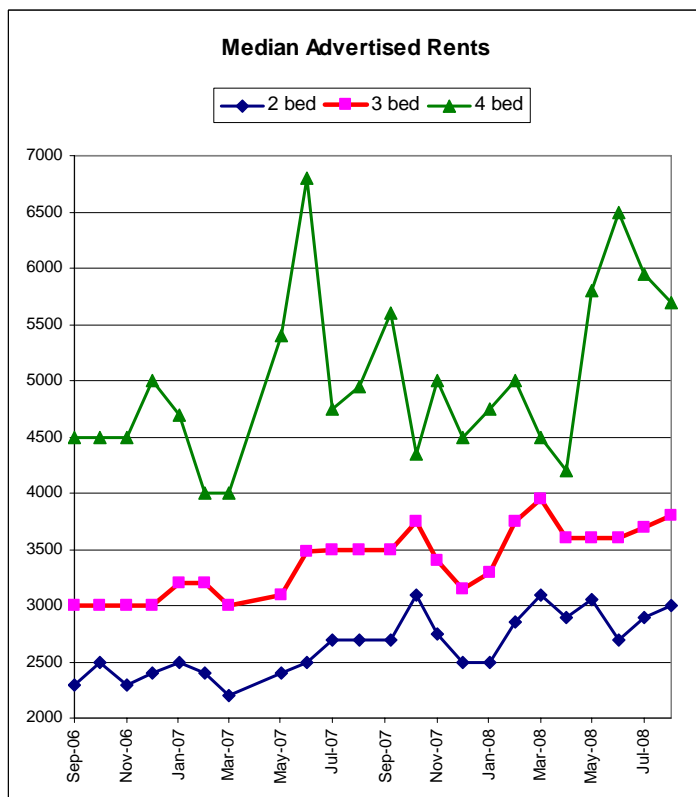
Neighborhood Rental Rates

I counted over 132 single family & condominium rentals this last month, versus the 138 advertised the month before. The median advertised prices:

- Of the 2 bedroom homes, the median price is \$3,000/month, with 2/3rd priced above \$2,750.
- Of the 3 bedroom homes, the median rental price is \$3,800, with 2/3rd priced above \$3,200.
- Of 4 bedroom homes, the median rental price is \$5,690 with 2/3rd priced above \$4,900.

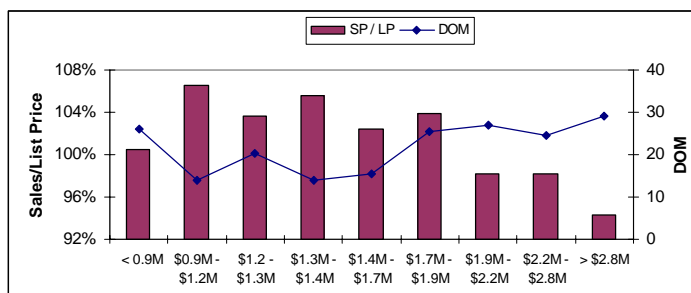
Compared to previous years, the inventory is higher than previous years, especially at the higher rental price points. Some contributing factors to this are:

- Quite a few investors bought rental units in the new condo developments in South Palo Alto (I counted over 20 units advertised this year at the new Arbor Real complex).
- Some homes that were for sale were overpriced, and didn't sell; the owners took them off the market and put them up for rent waiting for the market to appreciate more.



Sales Update

This chart compares single family homes sales price versus list price, and the Days on Market (DOM) by list price range



Homes listed under \$1.9 million, on average are selling 3% - 6% over list price, and sell in 2 – 3 weeks. Homes listed over \$1.9 million, on average, are selling for 2% - 6% less than list price, and take 4 – 5 weeks to sell.

What's not shown on the chart is that buyers are much more selective, and homes on busy streets need to be discounted at a much higher rate to sell, and take longer to sell.

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

Read the fine print – changes in Tax Law

The "American Housing Rescue and Foreclosure Prevention Act of 2008" (H.R. 3221) was passed by Congress and signed into law on July 30, 2008. Many parts of the country are having a severe downturn in their real estate market; this law, of over 700 pages, intends to stimulate housing demand & delay foreclosures. Slipped into the fine print are changes to the tax code that may affect you, if your property was once used as a rental.

Under previous law, you are eligible for a capital gains exclusion of \$250,000 (\$500,000 if you are married), when you sell your primary residence (**and you meet certain restrictions**). Some owners of rental property will convert their rental into their primary residence to take advantage of this exclusion.

Under the new law, a rental property that has been converted to a primary residence after Jan 1, 2009 will lose part of that capital gains exclusion. The amount that is lost is based on the percentage of time it was a rental after Jan 1, 2009 compared to the time the property was owned.

Consult your tax advisor, if you are planning on converting your rental into your primary residence.

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 I/II	Range: \$1600-4500 Average: \$2,346	Range: \$1800-5950 Average: \$3,302	Range: \$2800-8000 Average: \$4,758
College Terrace, Evergreen Park, Southgate	Range: \$1400-3900 Average: \$2,322	Range: \$2000-4200 Average: 3,011	Range: \$2900-8000 Average: \$5,345
Crescent Park	Range: \$1550-6250 Average: \$3,174	Range: \$2000-8000 Average: \$4,403	Range: \$4400-15000 Average: \$7,171
Downtown North/University South	Range: \$1645-7200 Average: \$2,771	Range: \$1695-6500 Average: \$3,576	Range: \$2900-8900 Average: \$5,220
Duveneck, Green Gables, Community Center, Triple El	Range: \$1600-3500 Average: \$2,443	Range: \$2000-6000 Average: \$3,462	Range: \$2400-8000 Average: \$4,892
Fairmeadow, Meadow Park, Charleston Gardens	Range: \$1900-3500 Average: \$2,500	Range: \$1800-4500 Average: \$2,986	Range: \$2250-11,500 Average: \$3,688
Green Meadow, Walnut Grove Grendell, Greenhouse	Range: \$1295-3000 Average: \$1,967	Range: \$1899-4500 Average: \$2,778	Range: \$2600-5000 Average: 3,567
Midtown	Range: \$1350-3600 Average: \$2,227	Range: \$1595-5500 Average: \$2,821	Range: \$2250-9500 Average: \$3,956
Old Palo Alto, Leland Manor	Range: \$1400-5000 Average: \$2,485	Range: \$1995-8000 Average: \$3,643	Range: \$2400-15000 Average: \$6,239
Palo Verde, South of Midtown	Range: \$1395-3200 Average: \$2,285	Range: \$1975-6750 Average: \$2,926	Range: \$2375-7000 Average: \$4,331
Ventura, Charleston Meadows	Range: \$1500-3500 Average: \$2,216	Range: \$1600-5800 Average: \$3,200	Range: \$2500-7500 Average: \$4,155

Data Points: 1829 (Jan, 2004 – Present)

Sample Property Sales: June – August, 2008

Neighborhood	Street	Type	Bed	Bath	Sales Price
Barron Park	Driscoll Pl	Townhouse	3	2.5	\$915,000
Barron Park	Barron Ave	House	4	3	\$2,050,000
Charleston Meadows	Tennessee Ln	House	3	1	\$1,020,000
College	Park Blvd	Condo	2	2.5	\$688,000
Downtown North	Cowper St	Townhouse	3	2	\$1,120,000
Duveneck	Tulip Ln	House	3	2	\$1,380,000
Duveneck	Iris Way	House	3	1	\$1,250,000
Duveneck	Santa Ana	House	3	1	\$1,290,000
Green Gables	Dana Ave	House	3	2	\$1,849,000
Evergreen	Oxford Ave	House	2	1	\$1,380,000
Midtown	Flowers Ln	House	4	3	\$1,515,000
Midtown	Maddux Dr	House	3	2.5	\$1,158,888
South Midtown	Murdoch Dr	House	3	2	\$1,250,000

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