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**November/December 2016**

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**Santa Clara County**

**The Real Estate Market Trends Report**

**Granny Flat Restrictions Eased**

Lawmakers in Sacramento have reduced the regulations on adding “granny flats”.

Granny flats, so-called because they were originally intended to house elderly parents, were beset by many local regulations that increased their cost.

The new legislation, which goes into effect in January, reduces and/or eliminates many of the restrictions put in place by local governments.

The intent of the law is to add more units to the housing stock.

The legislation says that as long as the granny flat meets current zoning guidelines, the homeowners can avoid having to get a conditional use permit.

Local agencies would be blocked from charging connection fees for the granny flats for water and sewer service. Other

requirements, such as adding fire sprinklers for small accessory dwelling units even if the primary residence doesn't need them, are eliminated under the legislation.

Anthony Andaya, president of the Pacific Southwest Association of Realtors, said granny flats allow for extra rent cash to offset the rising price of homes.

“This allows homeowners to get a little more income out of their properties, which is nice for owners to counteract some of their larger costs right now,” he said.

Lack of inventory and new home building has contributed to the recent run-up in home prices.

This is a step in the right direction, but as Steve Russell, executive director of the San Diego Housing Federations

**Trends at a Glance**  
(Single-family Homes)

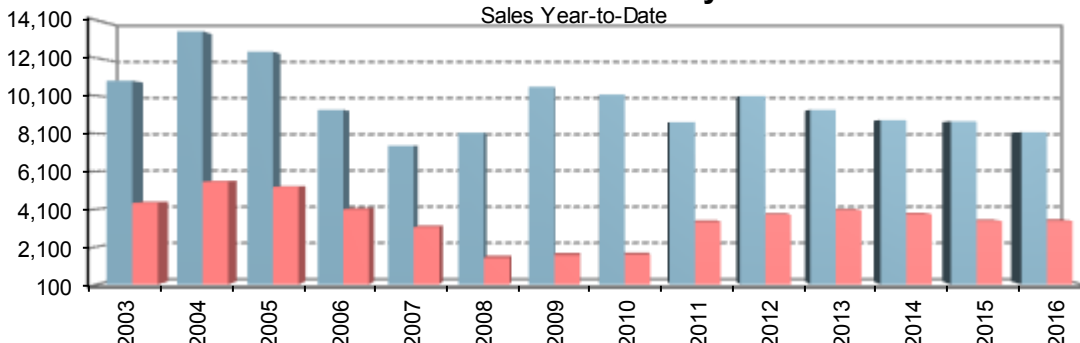
	Oct 16	Sep 16	Oct 15
Median Price:	\$1,050,000	\$1,000,000	\$960,000
Average Price:	\$1,283,920	\$1,296,820	\$1,241,810
Home Sales:	906	885	846
Pending Sales:	817	835	777
Active Listings:	1,174	1,406	1,164
Sale/List Price Ratio:	101.8%	101.7%	103.0%
Days on Market:	31	28	26
Days of Inventory:	39	46	41

	Oct 16	Sep 16	Oct 15
Median Price:	\$650,000	\$650,000	\$635,000
Average Price:	\$719,413	\$745,147	\$686,114
Home Sales:	347	381	349
Pending Sales:	323	308	266
Active Listings:	365	451	274
Sale/List Price Ratio:	102.0%	102.2%	104.2%
Days on Market:	25	21	20
Days of Inventory:	32	34	24

said, “It’s a modest step. Anything that contributes to housing supply is part of the solution . . . it’s a big drop in the bucket but it’s still just a drop in the bucket.”

**Santa Clara County**

Sales Year-to-Date



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Homes	10,898	13,522	12,445	9,357	7,460	8,143	10,585	10,167	8,705	10,093	9,360	8,816	8,748	8,171
Condos	4,424	5,554	5,277	4,084	3,128	1,499	1,650	1,664	3,414	3,801	4,032	3,832	3,462	3,468

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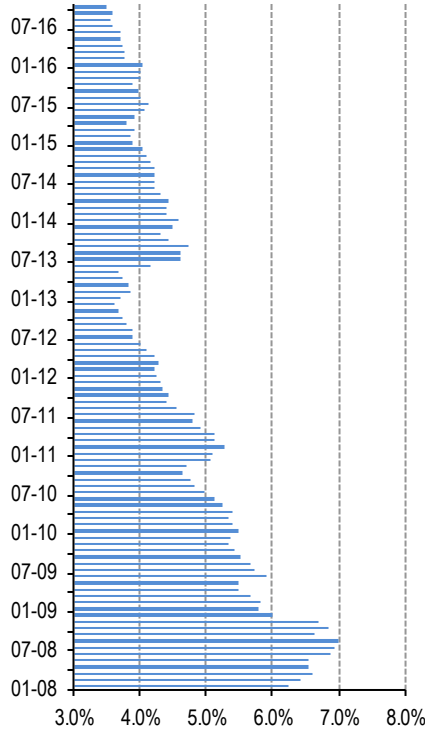
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# C.A.R.'s 2017 California Housing Market Forecast

## 30-Year Fixed Mortgage Rates



The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by HSH.com. The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

*Home sales expected to edge up slightly in 2017, while prices post slowest gain in six years*

Following a dip in home sales in 2016, California's housing market will post a nominal increase in 2017, as supply shortages and affordability constraints hamper market activity, according to the "2017 California Housing Market Forecast," released today by the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.).

The C.A.R. forecast sees a modest increase in existing home sales of 1.4 percent next year to reach 413,000 units, up slightly from the projected 2016 sales figure of 407,300 homes sold. Sales in 2016 also will be virtually flat at 407,300 existing, single-family home sales, compared with the 408,800 pace of homes sold in 2015.

"Next year, California's housing market will be driven by tight housing supplies and the lowest housing affordability in six years," said C.A.R. President Pat "Ziggy" Zicarelli. "The market will experience regional differences, with more afford-

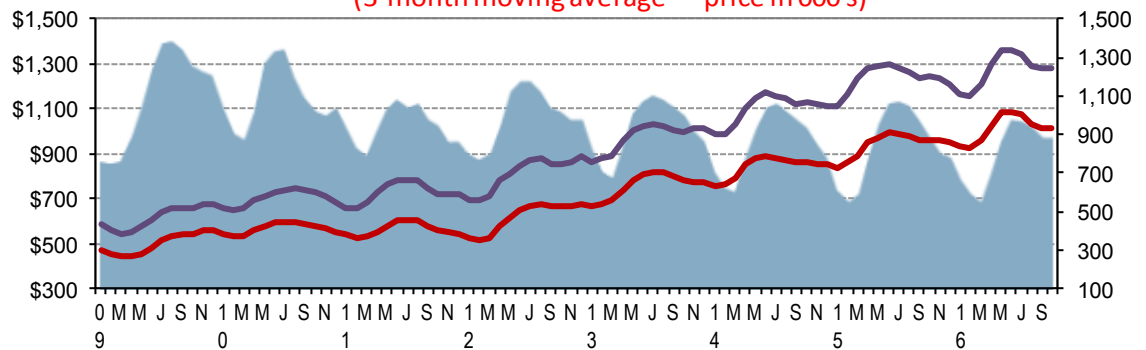
able areas, such as the Inland Empire and Central Valley, outperforming the urban coastal centers, where high home prices and a limited availability of homes on the market will hamper sales. As a result, the Southern California and Central Valley regions will see moderate sales increases, while the San Francisco Bay Area will experience a decline as home buyers migrate to peripheral cities with more affordable options."

C.A.R.'s forecast projects growth in the U.S. Gross Domestic Product of 2.2 percent in 2017, after a projected gain of 1.5 percent in 2016. With California's nonfarm job growth at 1.6 percent, down from a projected 2.3 percent in 2016, the state's unemployment rate will reach 5.3 percent in 2017, compared with 5.5 percent in 2016 and 6.2 percent in 2015.

The average for 30-year, fixed mortgage interest rates will rise only slightly to 4.0 percent in 2017, up from 3.6 percent in 2016, but will still remain at historically low levels.

(Continued on page 4)

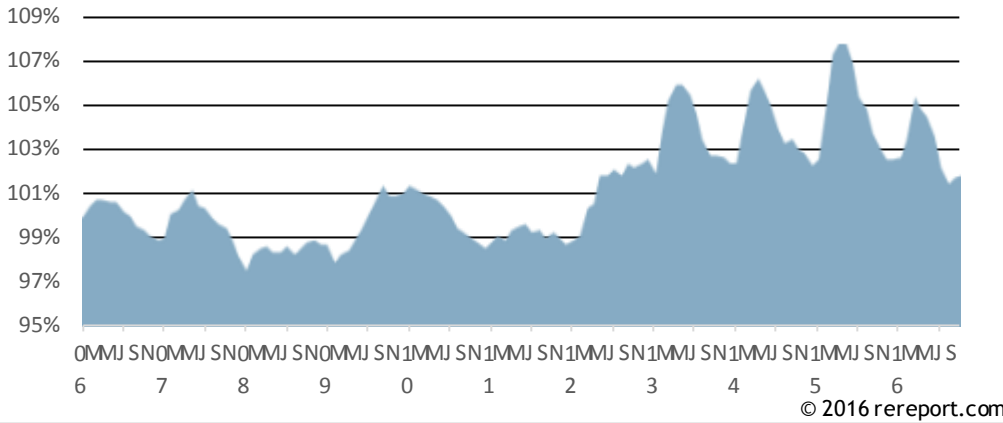
## Santa Clara County Homes: Median & Average Prices and Sales (3-month moving average — price in 000's)



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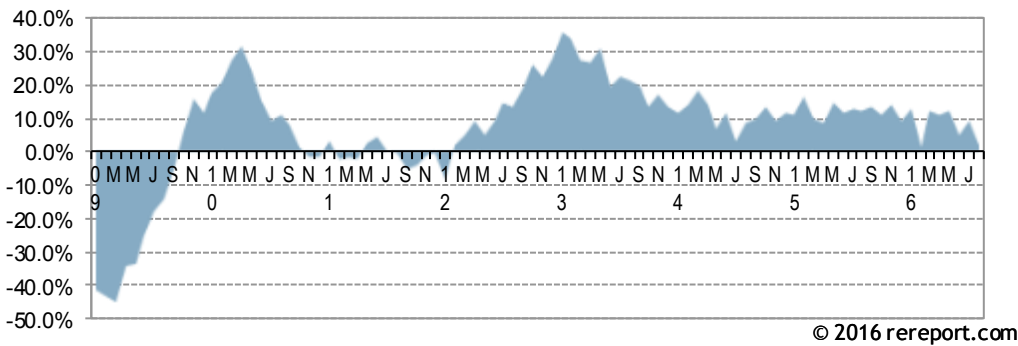
Santa Clara County - October 2016															
Single-Family Homes									% Change from Year Before					% Change	
Prices									Prices					Median Price	
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP		Med	Ave	Sales	Pend'	Inven'	Peak	Trough
SCC	\$ 1,050,000	\$ 1,283,920	906	817	1,174	39	101.8%		9.4%	3.4%	7.1%	5.1%	0.9%	20.9%	136.6%
Campbell	\$ 1,125,000	\$ 1,187,070	33	22	33	30	102.2%		7.9%	11.5%	83.3%	10.0%	17.9%	8.4%	104.6%
Cupertino	\$ 1,730,000	\$ 1,919,320	20	22	16	24	101.8%		1.5%	3.1%	17.6%	0.0%	-11.1%	-3.9%	86.0%
Gilroy	\$ 674,500	\$ 711,299	54	48	104	58	99.7%		7.1%	-6.9%	10.2%	20.0%	-8.8%	-17.2%	114.1%
Los Altos	\$ 2,610,000	\$ 2,785,790	21	22	24	34	104.0%		-10.0%	-3.0%	-8.7%	4.8%	33.3%	4.2%	123.1%
Los Altos Hills	\$ 3,111,500	\$ 3,268,250	4	4	30	225	94.4%		-26.8%	-13.8%	-20.0%	-50.0%	-28.6%	-38.5%	80.4%
Los Gatos	\$ 1,530,000	\$ 1,776,540	41	21	112	82	98.4%		-8.9%	-6.5%	-2.4%	-19.2%	16.7%	-21.5%	62.3%
Milpitas	\$ 818,003	\$ 926,326	36	29	26	22	103.6%		-5.0%	-0.2%	24.1%	-6.5%	-13.3%	-0.8%	97.1%
Monte Sereno	\$ 2,878,500	\$ 2,882,830	6	1	11	55	103.1%		-0.7%	-0.6%	200.0%	-85.7%	37.5%	-57.9%	240.7%
Morgan Hill	\$ 880,000	\$ 1,060,760	43	48	83	58	99.2%		11.0%	14.9%	7.5%	23.1%	15.3%	-12.0%	98.4%
Mountain View	\$ 1,625,000	\$ 1,827,660	28	21	27	29	106.5%		-10.7%	-4.9%	40.0%	5.0%	58.8%	0.0%	120.2%
Palo Alto	\$ 2,587,500	\$ 2,811,590	44	34	35	24	103.0%		-3.5%	-4.5%	29.4%	100.0%	2.9%	-16.4%	117.4%
San Jose	\$ 901,365	\$ 996,347	458	426	556	36	101.5%		6.0%	8.4%	4.6%	3.4%	-3.5%	13.7%	122.6%
Santa Clara	\$ 1,150,000	\$ 1,140,480	49	44	37	23	103.0%		14.8%	6.0%	-19.7%	0.0%	-17.8%	28.1%	121.2%
Saratoga	\$ 2,500,000	\$ 2,744,710	17	35	47	83	101.6%		10.5%	7.2%	-29.2%	40.0%	9.3%	10.9%	191.3%
Sunnyvale	\$ 1,422,500	\$ 1,400,800	52	40	33	19	105.5%		3.8%	3.5%	18.2%	-20.0%	13.8%	11.1%	173.6%

**Santa Clara County Homes: Sales Price/Listing Price Ratio**

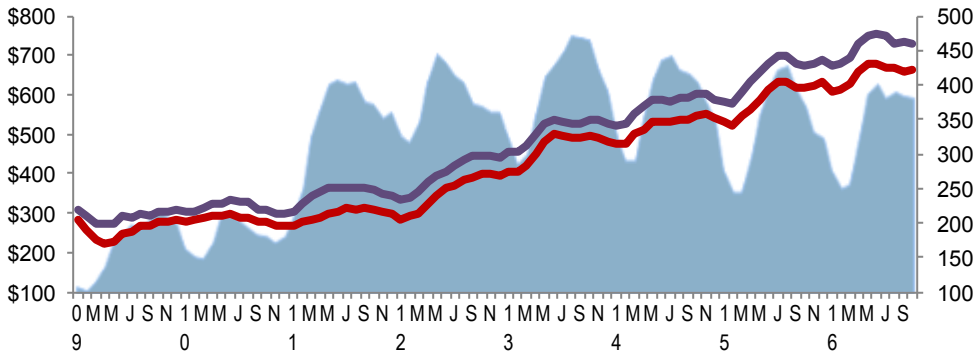


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**Santa Clara County Homes: Year-Over-Year Median Price Change**



**Santa Clara County Condos - Median & Average Prices & Sales**  
 (3-month moving average—prices in \$000's)



**Table Definitions**

- Median Price**  
The price at which 50% of prices were higher and 50% were lower.
- Average Price**  
Add all prices and divide by the number of sales.
- SP/LP**  
Sales price to list price ratio or the price paid for the property divided by the asking price.
- DOI**  
Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.
- Pend**  
Property under contract to sell that hasn't closed escrow.
- Inven**  
Number of properties actively for sale as of the last day of the month.

Santa Clara County - October 2016												
Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'
SCC	\$ 650,000	\$ 719,413	347	323	365	32	102.0%	2.4%	4.9%	-0.6%	21.4%	33.2%
Campbell	\$ 610,000	\$ 659,529	17	6	17	30	100.9%	-15.8%	-8.0%	13.3%	0.0%	240.0%
Cupertino	\$ 942,500	\$ 955,000	8	6	4	15	103.0%	-0.8%	-7.0%	-27.3%	20.0%	-55.6%
Gilroy	\$ 510,000	\$ 510,000	1	4	2	60	99.0%	58.1%	49.6%	-83.3%	33.3%	-33.3%
Los Altos	\$ 1,503,500	\$ 1,560,500	4	5	4	30	101.8%	3.0%	11.1%	0.0%	25.0%	33.3%
Los Gatos	\$ 792,500	\$ 804,666	6	12	5	25	99.4%	0.3%	2.0%	-14.3%	140.0%	66.7%
Milpitas	\$ 695,500	\$ 663,489	18	19	9	15	101.6%	-0.6%	4.4%	5.9%	18.8%	-35.7%
Morgan Hill	\$ 471,000	\$ 483,000	4	5	13	98	98.3%	-2.5%	-3.0%	-33.3%	-16.7%	550.0%
Mountain View	\$ 1,145,000	\$ 1,082,280	32	29	14	13	107.4%	8.8%	7.1%	-3.2%	57.1%	107.7%
Palo Alto	\$ 1,425,000	\$ 1,575,710	7	8	13	56	103.0%	-1.9%	4.2%	16.7%	14.3%	30.0%
San Jose	\$ 575,000	\$ 592,828	195	183	236	36	101.1%	15.1%	10.4%	-10.3%	-17.4%	43.2%
Santa Clara	\$ 685,000	\$ 699,134	29	14	26	27	102.5%	10.1%	15.0%	-2.9%	-25.0%	5.0%
Saratoga	\$ 1,140,000	\$ 1,060,000	3	7	3	30	99.3%	9.9%	9.0%	-33.3%	-66.7%	28.6%
Sunnyvale	\$ 885,000	\$ 896,102	23	25	19	25	103.1%	0.0%	-2.2%	29.6%	-11.5%	33.3%

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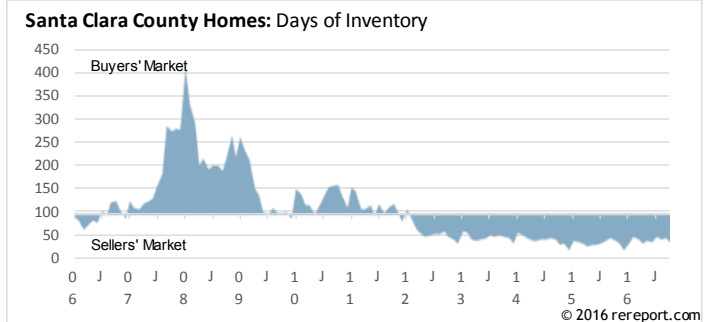
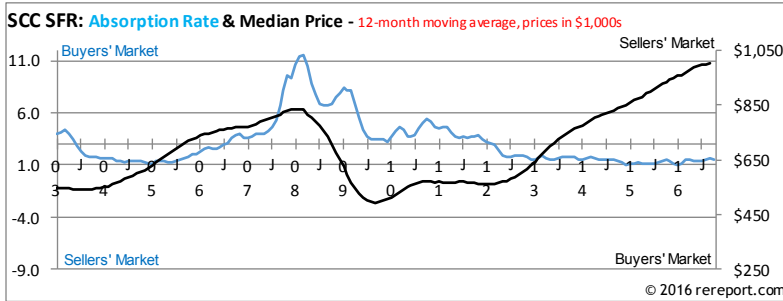


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The California median home price is forecast to increase 4.3 percent to \$525,600 in 2017, following a projected 6.2 percent increase in 2016 to \$503,900, representing the slowest rate of price appreciation in six years.

"With the California economy continuing to outperform the nation, the demand for housing will remain robust even with supply and affordability constraints still very much in evidence. The net result will be California's housing market posting a modest increase in 2017," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "The underlying fundamentals continue to support overall home sales growth, but headwinds, such as global economic uncertainty and deteriorating housing affordability, will temper stronger sales activity."

The Silicon Valley's Real estate market is a derivative of the local economy, it prospers and withers depending on how well the local knowledge-based sector performs. The San Jose Mercury News tracks the largest 150 publicly traded companies headquartered in Silicon Valley via an index called the SV150, which you can lookup at [www.mercurynews.com](http://www.mercurynews.com). Stocks are valued based on many criteria, but the most important criterion is a company's future earnings. Therefore, I view the SV150 as a leading indicator for the Silicon Valley's real estate



## Investors Corner

### Home Prices Continue to Increase in November According to the S&P/Case Shiller Home Price Indices

**NEW YORK, January 26, 2016** S&P Dow Jones Indices today released the latest results for the S&P/Case Shiller Home Price Indices, the leading measure of U.S. home prices. Data released today for November 2015 show that home prices continued their rise across the country over the last 12 months. More data available at [goo.gl/1Cuxdd](http://goo.gl/1Cuxdd)

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