

A Palo Alto Weekly and Almanac Publication

FALL

REAL ESTATE 2008

Local towns buck the national trends Page 6

A new era of 'vanilla' financing Page 18

Entry-level just keeps getting higher Page 28

Top of the market Page 33

Condominium Home Sales

	Median Price Jan-June 2008	Median Price Jan-June 2007	2007-2008 % Median Price Change	2006-2007 % Median Price Change	# Homes Sold Jan-June 2008	# Homes Sold Jan-June 2007
Atherton	n/a	\$524,000	n/a	n/a	0	1
East Palo Alto	\$440,000	\$458,000	-.04%	.66%	4	12
Los Altos	\$874,500	\$860,000	.02%	22.59%	22	21
Menlo Park	\$990,000	\$840,000	17.66%	18.31%	41	51
Mountain View	\$609,000	\$605,000	.01%	8.04%	145	191
Palo Alto	\$869,000	\$725,575	19.6%	10.93%	59	64
Redwood City	\$522,652	\$599,200	-12.78%	12.0%	21	34

Information provided by the Silicon Valley Association of REALTORS® from MLS Listings Inc.

(continued from previous page)

“Our clients are very well-educated, well-informed about what’s on the market, the neighborhoods, the school districts, what’s being taught in the schools, ratio of teacher to student. Agents have to be astute on all the details about what’s happening in the community itself,” he said.

Turley’s advice to both buyers and sellers: “Don’t show me stats from six months ago. It’s a different story than the broader Bay Area real estate.”

For sellers, he noted, pricing and condition are critical. “This is not a day when anything you put on the market will sell. Staging and marketing [are] critical.”

But Turley doesn’t want to discourage buyers. “There are opportunities out there, maybe homes that don’t present as well, people who need to sell,” he said.

Where agents were seeing multiple offers in the teens not that long ago, “now we see five or six.” A year or two ago, a home offered for \$1.6 million or \$1.8 million — solid, not extraordinary — would get 14 offers, he said, adding, “We don’t see that now.”

Post-Labor Day, more houses came on the market, after what Turley called the “August facelift.”

“People are hearing doom and gloom, thinking everywhere else is horrible. It’s not here.

“It’s a great time sell; there’s a lot of demand,” Simons agreed. ■

Associate Editor Carol Blitzer can be e-mailed at cblitzer@paweekly.com

READ MORE ONLINE

For more Home and Real Estate news, visit www.paloaltoonline.com/real_estate.



Marian Sadoughi

This 100-year-old home in Crescent Park at 567 Hale St. was offered at \$7,200,000 in late September, at the high end of Palo Alto’s market.

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The huge living room is accented with soaring beam ceilings, white washed walls, gleaming oak floors, and a massive granite stone fireplace. Dramatic staircase from living room leads to two charming bedrooms and one bath.

Dine in the formal dining room with a 180 degree view of the bay, where you can watch the dolphins play. The large kitchen has granite counters with beige cabinets and a garden window. A convenient pass-through to the dining room gives the chef a fantastic beach view.

A large laundry room between the kitchen and the garage can double as a sand room. Shower located on the side of the house ideal for washing off the sand after a romantic moonlight stroll on the beach.

Expansive Monterey Bay facing deck is accessible through the living room, dining room, and master bedroom. Located on the entry level you’ll find the master bedroom overlooking a beautiful water view. The second downstairs bedroom is currently being used as a den.

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Real Estate Broker
Attorney at Law

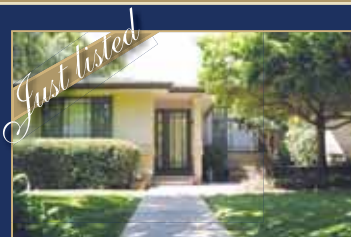
ELAINE & DEAN made selling our home and moving to our new home as easy as can be. They had our house ready to go on the market in one week, and helped with everything from shopping and installing new fixtures, meeting with contractors, and helping us pick paint colors!

As busy parents of three young children I don't think we could have managed the process without them. Six months after our move I still call Elaine and Dean when I need help with house-related questions, and they still go out of their way to help me.

We could not have been happier with Elaine and Dean's expertise and guidance.

—Flavia

A SAMPLE OF ELAINE'S 2008 ACTIVITY



185 SEMINARY DR., MENLO PARK
VINTAGE OAKS 4 BD/3BA



237 SIERRA VISTA AVE., MTN. VIEW
SPARKLING 2BD/2.5BA



1653 PECAN COURT, RWC
GREAT WOODSIDE PLAZA HOME



108 CHETWOOD DR., RWC
3BD/2.5BA AT WHISMAN STATION



1308 AMERICAN WAY, MENLO PARK
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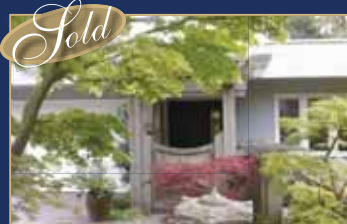
MENLO PARK
SOLD IN ONE DAY, WELL OVER LIST PRICE



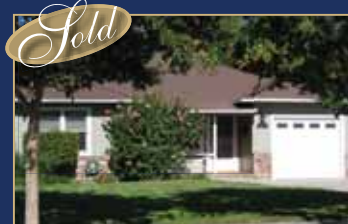
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Fall 2008 snapshot of the market

What do you get for close to the median price?

by Carol Blitzer

Here's a quick view of samples of the market in early September. Each home was offered at close to the median price for that community.



Marian Sadoughi

PALO ALTO

Address: 3874 Magnolia Drive

List price: \$1,650,000

Bedrooms: 4

Bathrooms: 3

Interior: 2,063 sq. ft.

Lot size: 5,817 sq. ft.

Date built: n/a; remodeled 2008

This Barron Park home was extensively expanded with a large one-story addition, as well as remodeling of the rest of the house. Features include granite counters, maple cabinets and stainless-steel appliances in the kitchen (which includes a breakfast bar), a fireplace in the living room, a separate family room and a two-car garage.



Marian Sadoughi

LOS ALTOS

Address: 155 W. Portola Ave.

List price: \$1,795,000

Bedrooms: 4

Bathrooms: 3

Interior: 2,627 sq. ft.

Lot size: 6,552 sq. ft.

Date built: 2001

Location, location, location — this North Los Altos home is close to schools, City Hall, the library and the Village. Just seven years old, the home offers a chef's kitchen (think six-burner stove), formal dining room with wainscoted walls and well-kept landscaping, including a rose garden and lawns. Extras include CAT 5 wiring, central air, alarm and a hot tub.

MOUNTAIN VIEW

Address: 990 San Marcos Circle
List price: \$998,000
Bedrooms: 5
Bathrooms: 2.5
Interior: 1,950 sq. ft.
Lot size: 7,100 sq. ft.
Date built: 1964

Not far from Theuerkauf Elementary School and Stevenson Park in the Rex Manor neighborhood, this is a recently remodeled home (new kitchen, bathrooms) on a corner lot. This contemporary home features a separate family room with a fireplace, master bedroom suite and double-paned windows.



Colleen Cummins

MENLO PARK

Address: 4021 Fair Oaks Ave.
List price: \$1,525,000
Bedrooms: 6
Bathrooms: 4
Interior: 2,870 sq. ft.
Lot size: 5,000 sq. ft.
Date built: 1973

With easy access to U.S. Highway 101 (via Marsh Road), this large home in the Fair Oaks neighborhood features multiple master suites, an eat-in kitchen, living-room fireplace, marble, tile, hardwood and carpeted floors and a two-car garage.



Veronica Weber

REDWOOD CITY

Address: 1618 Carleton Court
List price: \$898,850
Bedrooms: 4
Bathrooms: 2
Interior: 1,460 sq. ft.
Lot size: 6,700 sq. ft.
Date built: 1955

Not far from schools, shopping, parks and highways, this west Redwood City home was upgraded with "green" efficiency in mind, with new heating/air conditioning and double-paned windows. A large yard offers a comfortable setting for both child's play and adult entertaining.



Veronica Weber

EAST PALO ALTO

Address: 1218 Westminister Ave.
List price: \$349,999
Bedrooms: 3
Bathrooms: 2
Interior: 1,430 sq. ft.
Lot size: 5,800 sq. ft.
Date built: 1950

With easy access to U.S. Highway 101 (via Willow Road) and the Dumbarton Bridge, this one-story home is offered as a short sale. Features include an eat-in kitchen, separate family room with fireplace and a two-car garage.



Marian Sadoughi

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FALL REAL ESTATE 2008

PORTOLA VALLEY

Address: 19 Sandstone St.
List price: \$2,095,000
Bedrooms: 4
Bathrooms: 2.5
Interior: 2,500 sq. ft.
Lot size: .5 acre
Date built: 1985
In the midst of Portola Valley Ranch, not far from Corte Madera School, Interstate 280 and Stanford University, this contemporary home is set amidst rolling hills and ancient oaks. The home is sited to take advantage of the view, especially from the large deck. Storage is not a problem here — with multiple walk-in closets and pantries. This planned community also offers tennis courts, pools, a wine-producing vineyard and hiking trails.



Veronica Weber

WOODSIDE

Address: 61 Oak Haven Way
List price: \$3,199,000
Bedrooms: 4
Bathrooms: 3.5
Interior: 4,150 sq. ft.
Lot size: 1.2 acres
Date built: 2000
Surrounded by oaks, this Woodside Hills neighborhood home is close to Interstate 280, Woodside Road and the Menlo Country Club and is in the Woodside Elementary School District. Highlights include high-beamed ceilings, large windows, an open kitchen with large family room, three fireplaces, large, walk-in closets, and a three-car garage with work bench.



Veronica Weber

ATHERTON

Address: 96 Mulberry Lane
List price: \$4,495,000
Bedrooms: 4
Bathrooms: 4+
Interior: 5,800 sq. ft.
Lot size: 1.07 acres
Date built: 1958
Billed as a personal country club, this home has its own tennis court, swimming pool with spa, three-car garage and boat park on a level acre-plus. The master bedroom suite has two bathrooms, and each bedroom has a private bathroom. Other features include a library, three-room guest quarters and four fireplaces.



Veronica Weber

LOS ALTOS HILLS

Address: 26459 Taaffe Road
List price: \$2,695,000
Bedrooms: 4
Bathrooms: 3
Interior: 2,304 sq. ft.
Lot size: 1 acre
Date built: 1959
It could hardly be Los Altos Hills without amazing hill views, but this home is also not far from Foothill College and Interstate 280, as well as Los Altos schools. If the view weren't enough, there's always the hot tub, swimming pool and outdoor kitchen to draw one outside. Features include hardwood floors, chef's kitchen and a separate, skylit family room.



Marian Sadoughi

RECENT SALES by
ERIKA DEMMA

Josselyn Lane, Woodside
\$10,900,000

Woodside Way, Woodside
\$1,795,000

Walsh Road, Atherton
Not Disclosed

Walsh Road, Atherton
\$6,900,000

Goya Road, Portola Valley
\$5,695,000

Arastradero, Portola Valley
\$4,950,000

Iroquois Trail, Portola Valley
\$3,275,000

Colby Avenue, Menlo Park
\$4,295,000

Valencia Drive, Los Altos
\$2,795,000

Sevilla Drive, Los Altos
\$2,095,000

Hillsdale Way, Redwood City
\$1,195,000

Farm Hill Boulevard, Redwood City
\$1,295,000

Bayview Way, Redwood City
\$998,000

Coleman Court, San Carlos
\$1,698,000

Erika represented the buyer and/or
seller of these fine homes; list prices shown



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189 Mountain Home Road
Woodside

Approximately 2 level acres ready to build your dream home
Call for price



FOR SALE
123 Otis Avenue
Woodside

3-bedroom, 2-bath home with
access to Woodside Elementary
\$1,195,000



FOR SALE
342 Rutherford Avenue
Redwood City

3-bedroom, 1-bath Craftsman
on an oversized lot
\$779,000

FOR SALE
Fremont Street, Menlo Park

Four-plex in Menlo Park – fabulous investment opportunity
Call for price



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MAGNIFICENTLY RENOVATED ATHERTON ESTATE

Originally built in the 1920's, this magnificent 5-bedroom home has been masterfully renovated over the years. Every detail of this 2-level home is designed for comfort, functionality and luxury. Grounds of almost one acre include a pool, spa, cabana with sauna and bath, and 1-bed guest house. Menlo Park Schools. **OFFERED AT \$9,875,000**

GULLIXSON



ELEGANT AND MODERN LIVING IN ATHERTON

This fabulous home offers every amenity. Gorgeous grounds of approximately 1.15 acres surround the home. A luxurious main floor master suite opens to lovely gardens and pool. A home theatre provides family entertainment. The two-bedroom guest cottage is ideal for guests. Menlo Park Schools. **WWW.GULLIXSON.COM**



CONTEMPORARY ATHERTON ESTATE

This dramatic home offers soaring ceilings with a 2-story living room. The 6 bedroom floor plan includes a master bedroom suite with fireplace, kitchen, family room with adjacent theater. Landscaped gardens include a pool, spa and guest house. Menlo Park Schools. Co-listed with Ali Faghiri. **SHOWN BY APPOINTMENT**

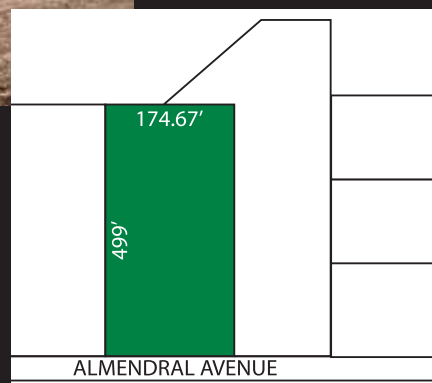
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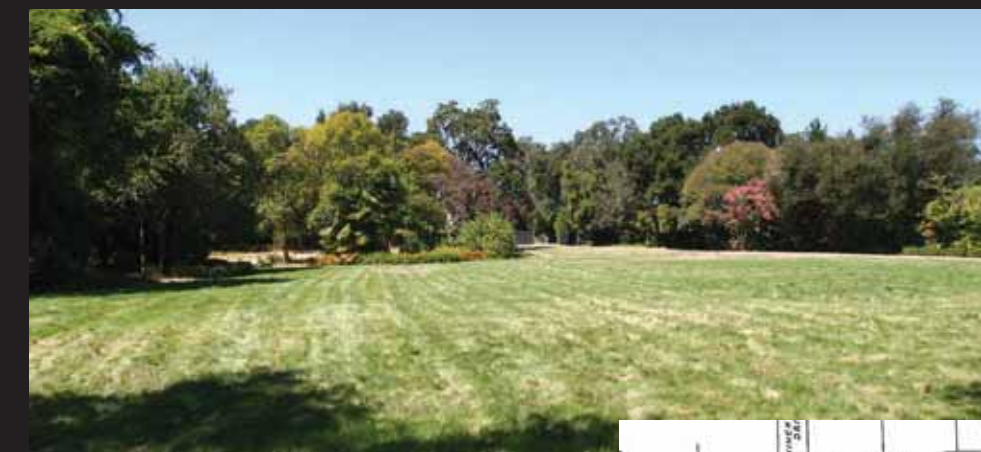
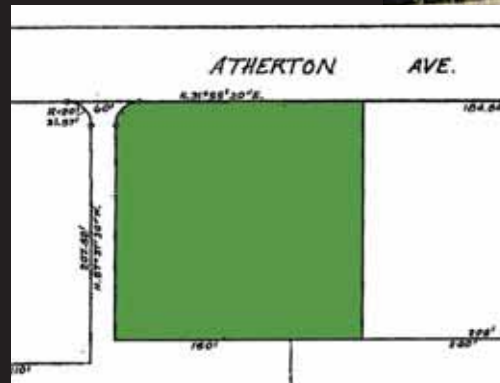
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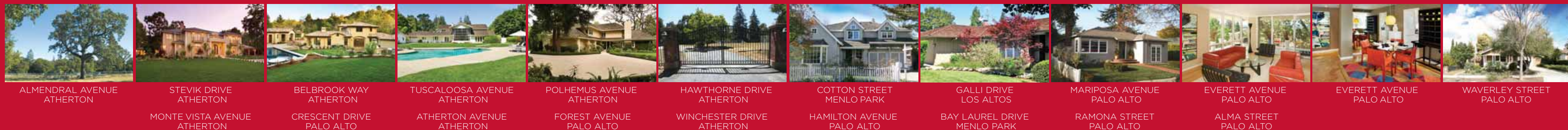
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1.98+/- ACRE LOT**

GORGEOUS VACANT LOT ON ONE OF WEST ATHERTON'S MOST SOUGHT-AFTER STREETS. MENLO PARK SCHOOLS

OFFERED AT \$8,500,000



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ATHERTON

STEVIK DRIVE
ATHERTON

BELBROOK WAY
ATHERTON

TUSCALOOSA AVENUE
ATHERTON

POLHEMUS AVENUE
ATHERTON

HAWTHORNE DRIVE
ATHERTON

COTTON STREET
MENLO PARK

GALLI DRIVE
LOS ALTOS

MARIPOSA AVENUE
PALO ALTO

EVERETT AVENUE
PALO ALTO

EVERETT AVENUE
PALO ALTO

WAVERLEY STREET
PALO ALTO

MONTE VISTA AVENUE
ATHERTON

CRESCENT DRIVE
PALO ALTO

ATHERTON AVENUE
ATHERTON

FOREST AVENUE
PALO ALTO

WINCHESTER DRIVE
ATHERTON

HAMILTON AVENUE
PALO ALTO

BAY LAUREL DRIVE
MENLO PARK

RAMONA STREET
PALO ALTO

ALMA STREET
PALO ALTO



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A new era of 'vanilla' financing

Lending gets back to basics

by Megan Rawlins

While the housing market nationwide may be in crisis, locally things are just a tad slower than usual, with fewer houses on the market selling at a steady clip.

Local Realtors and mortgage officers see a disconnect between the flashy headlines and the reality of the Palo Alto market.

Despite the strength of the local market, there are still some trickle-down effects that buyers simply can't escape, Eric Trailer, a partner at Absolute Mortgage Banking, Palo Alto, said.

"The biggest fallout of the credit crunch or whatever happens to be the term du jour," he said, "is that lending standards have tightened up dramatically."

Lending institutions are increasingly cautious about whom they lend money to, requiring more documentation, more money down and better credit scores from borrowers.

"A year ago you could buy a 1.5 mil house for no money down," Arash Bahman, mortgage loan officer for Bank of America, Palo Alto, said. "Now you need 35 percent. You also need a better credit score. For houses in Palo Alto you need a 700 credit score."

For people who fit that bill, they can get a loan, but if they don't, if they're self-employed or don't have the cash, lenders won't want to do business with them. Consequently, Bahman said, volume for lenders is down.

The disconnect can cut both ways. The recent government takeover of Fannie Mae and Freddie Mac has

seen a subsequent drop in interest rates for conforming and jumbo-conforming loans, which top out at \$729,750.

According to the Silicon Valley Association of Realtors (SILVAR), the median home in Palo Alto was selling for around \$1.6 million dollars for the first half of 2008.

"At this price," said Trailer, "for most of the buyers we see in Palo Alto and surrounding areas, even a jumbo-conforming mortgage is too small."

Loans that are eligible for purchase by the two government-secured entities are seen by Wall Street as less-risky investments, as more attractive to investors and thus easier to sell as mortgage-backed securities. All of this, with the now explicit backing of the government thrown in, makes them much cheaper than other loans, namely jumbo loans.

"The jumbo market is not benefiting from what the government is doing," Trailer said. Most buyers in this area simply don't fall under the purview of Fannie Mae and Freddie Mac.

The take-home message, according to Yulin Lee, mortgage advisor for Opes Advisors, Palo Alto, is a return to "vanilla financing," conventional and hyper-conservative.

"We're going back to the traditional ways of doing things," she said, "as opposed to the creative ways we've seen in the last few years."

As lenders become more traditional, borrowers might have to become more creative.

Banks now require firm documentation of income, a

(continued on page 20)



Colleen Cummins

Eric Trailer

'People who would have been eligible for stated-income loans are having a hard time getting loans. Many people in this area are self-employed, and they can't accurately document their true income or wealth.'

— Eric Trailer, partner at Absolute Mortgage Banking, Palo Alto



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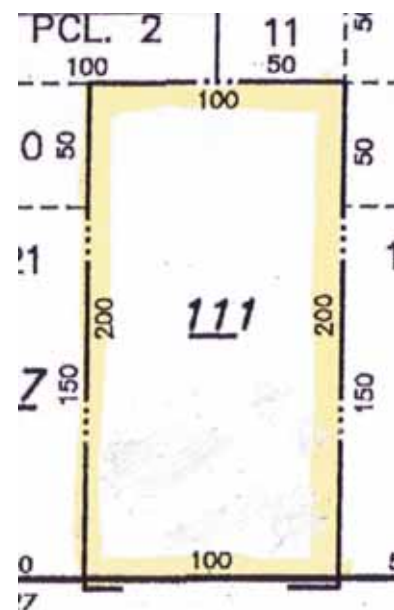
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3-

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FALL REAL ESTATE 2008



Chris Iverson

'One of the biggest obstacles is that we have a short attention span; we have come to see houses as investments rather than homes. We have to change the mentality and mindset.'

— Chris Iverson, real estate agent,
Keller Williams, Palo Alto

(continued from page 18)

development that seems completely logical when a multi-million dollar mortgage hangs in the balance. But stated-income loans were not only for people who wanted houses larger than they could afford; they were often the only way the self-employed could get loans.

"People who would have been eligible for stated-income loans are having a hard time getting loans," Trailer said. "Many people in this area are self-employed, and they can't accurately document their true income or wealth."

Others can afford mortgage payments, but don't have enough savings for the 20 to 25 percent down that is now required.

These potential buyers can afford a home, but can't get a traditional loan, so some turn

to less-conventional forms of financing like hard money loans, seller-financed transactions, even gifts from family.

Hard money loans are high-interest-rate loans based purely on the value of the property, not the equity of the borrower. The rates are generally in the 12 to 15 percent range, but sometimes reach as high as 20 percent. They are short-term, bridge loans, bridging the gap between what a bank will lend and what a borrower needs.

"Hard money loans are easier to get," Trailer said, "and if you can stomach the terms, then you might go that way."

Lee and Trailer both said they have been seeing more hard money and bridge loans, especially in situations when a client needs to purchase a home before the sale of his or her previous home has closed.

(continued on page 23)



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(continued from page 20)

"A client might use the bridge loan to buy the home until they sell their home," Lee said, "and then they'll refinance and pay off the more expensive loan."

There has also been a small uptick in down-payment gifts from relatives and seller-assisted financing, both of which require careful consideration of the specific circumstances from both parties.

Mortgage officers and brokers are taking a much more individualized and holistic approach to advising home buyers, urging them towards a more traditional, pre-housing-bubble mindset.

"One of the biggest obstacles," Palo Alto Keller Williams real estate agent Chris Iverson said, "is that we have a short attention span; we have come to see houses as investments rather than homes. We have to change the mentality and mindset. Homes are not liquid, they are not like stocks; it is a roof over your head and a neighborhood and lifestyle."

"The current market has scared people, and they are very receptive to big-picture thinking," Lee said. "How does buying this property fit into the overall financial picture of where you want to be five to 10 years down the road?"

But, Iverson said, "Even if prices do fall, you are better off buying something now. The cost of getting a mortgage is going up. The Fed is getting more concerned about inflation and will probably raise interest rates. So rates will go up, and mortgage payments will go up as well. But if you pay a little more now, and get a better rate, you will be ahead financially." ■



Colleen Cummins

Yulin Lee

'We're going back to the traditional ways of doing things as opposed to the creative ways we've seen in the last few years.'

— Yulin Lee, mortgage advisor for Opes Advisors, Palo Alto



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Rising to the challenge

SummerHill Homes builds housing on infill sites

by Sue Dremann

SummerHill Homes CEO Robert Freed remembers the first time he fell in love with home building. Freed and his grandfather put coins into the freshly poured concrete foundation of the family's home for good luck. He was 7 years old.

His parents built the Saratoga home from scratch. "The thrill for our family to move into that house was something I enjoyed. It was a gathering place of family," Freed, a Palo Alto-based builder, said.

Projects include University Park, a development on Channing Avenue; Promenade, a Park Boulevard development; Echelon, a condominium project on East Meadow Drive; and Lane Woods in Menlo Park off Middlefield Road. The company has begun building Redwood Gate, 45 condominiums on the Elks Club property on El Camino Real.

The 32-year-old company focuses on urban infill projects that often come with baggage — with political, neighborhood, contamination or other sensitive land-use issues — such as the 93-unit University Park development on Homer and Channing avenues. The builder had to contend with the historically sensitive University South neighborhood, designing its new units compatibly with the surrounding neighborhood and several restored vintage homes. Those sites cost more to develop, but are more lucrative in the end, he said. University Park homes sold in the high \$800,000s to low \$3 million range, according to a company report.

SummerHill is a subsidiary of Marcus & Millichap Real Estate Investment Company, an Encino-based, pri-

(continued on page 27)



Veronica Weber

Robert Freed, CEO of SummerHill Homes, pauses in front of the 75-unit Echelon project, which SummerHill took over in January.



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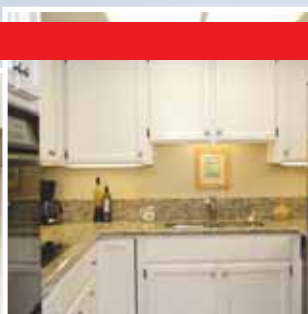
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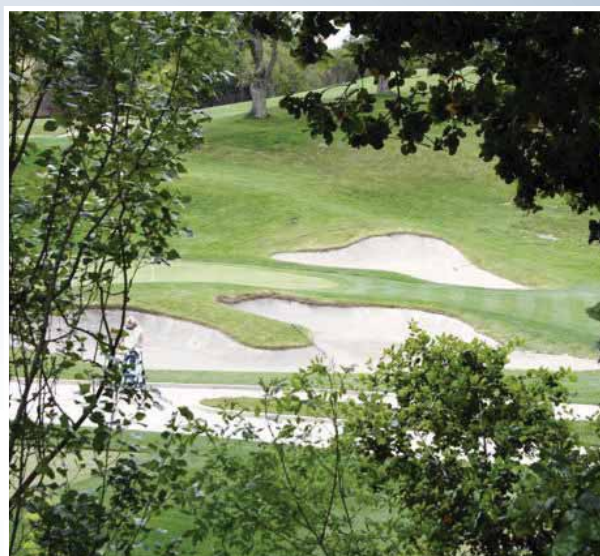
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- Master bedroom faux painting by artist/painter; walk-in closet
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- 30 - 45 min to downtown San Francisco
- 20 minutes to San Francisco and San Jose Airports

OFFERED AT \$1,230,000

(continued from page 24)

vately held company involved in commercial investment, service and development businesses. Freed won't say what SummerHill's value is, but the company has completed more than 40 developments, including projects from South San Francisco to Gilroy and in the East Bay. SummerHill doesn't try to compete in large housing markets such as Brentwood. Instead, it focuses on areas with limited new-home competition, Freed said.

Freed views the recent meltdown in the housing market as an opportunity to position the company ahead of its competitors. At a time when other firms are gutting staff and liquidating planned properties to make quick cash — as was the case with the Echelon project, which SummerHill acquired from Standard Pacific Homes in January — SummerHill is buying.

"I believe there will be great opportunities. I want to stay active and ... work through the tough time and position the business for growth. We have the capital and the talent for it," Freed said.

An industry veteran, Freed, 51, joined SummerHill in September 2007, at a time when the housing market was beginning its slide as a result of the subprime mortgage crash. Most recently he was president and regional general manager for KB Home, Northern California, and senior vice president of national investment strategy for KB Home. In the latter capacity, he ran all of the company's Northern California divisions and handled land acquisitions nationally.

SummerHill's focus on higher-density in-fill development near transit corridors will continue to attract buyers who want to live near their work or want to reduce their carbon footprint, he said. The company for years has had "a very scientific definition" of

building within a 45-minute drive from Palo Alto, he said.

Housing stocks in the Bay Area have been shifting and will continue to shift increasingly toward higher-density housing, he said. That trend will continue for years to come, with mixed-use developments and condominium densities of 40 to 50 units, he added.

Such high-density housing is based on urban-policy plans created by cities. "Most long-term plans call for very dense developments," Freed said.

It's a design that appeals to younger buyers, but not to everyone, and it is a challenge to match consumer demands with good plan-

ning, according to Freed. "I've been in the business for nearly 30 years. I've never had a planning commissioner or council member ask what the consumer is asking for. It would be a healthier process if some of that was taken into consideration beyond the policy issue," he said.

If people can't get that single-family American dream home with the white picket

fence and backyard, SummerHill is creating value-added incentives in its higher density homes, using feng shui in the home's design and environmental features. Although the company's commitment to "green" building is mostly related to Energy Star appliances, SummerHill has created a green-building task force within its organization and is working with Build It Green to attain Green Point Certification for its homes, Freed said.

A Lane Woods home was featured on the Build It Green South Bay Home Tour in late September. Construction waste recycling, tree preservation as well as use of energy-efficient features were cited as plus points.

'My guess is the housing has less traffic impact than Rickey's, but you have to take a bigger view. If 50 percent of the people can live closer to their jobs, you've done something that reduces the impact on the infrastructure, with a potential positive regional impact. My guess is that at the end of the day, this type of community has a positive impact.'

— Robert Freed, CEO, SummerHill Homes

Freed is a proponent of creating an adequate supply of housing in all price ranges, he said. He was a member of the Santa Clara County Housing Authority and built Section 8 housing. And he owns a home near Calistoga with "funky houses and funky people," which is how any healthy community should be, he said.

SummerHill has developments ranging

from the \$400,000s to more than \$4 million. A development is planned in Mountain View for 30 larger, higher-end units in traditional single-family homes at an old nursery site, but there are also plans for a development of lower-cost, high-density units on a large piece of land at Communication Hill in San Jose — more than 1,300 units of "very high-density housing," he said. In Palo Alto at Echelon, town home-style condominiums range from \$700,000 to \$1 million, and Redwood Gate condos will start well over \$1 million.

Freed said the company continues to look to do more in Palo Alto, where the market is appreciating. But "it's very demanding and challenging. You put a lot of money out there for your return," he said.

The challenge SummerHill thrives on is exemplified by the debate it had over its Elks Club property development plans. The plans were approved by the Palo Alto City Council, despite a split vote over its layout by the city's Planning and Transportation Commission. Access and parking were major issues during the adjacent D.R. Horton development at the former Rickey's Hyatt site.

Freed said there are tradeoffs with higher density housing such as the Elks and Rickey's sites.

"You have to start with what then existing land use was. My guess is the housing has less traffic impact than Rickey's, but you have to take a bigger view. If 50 percent of the people can live closer to their jobs, you've done something that reduces the impact on the infrastructure, with a potential positive regional impact. My guess is that at the end of the day, this type of community has a positive impact," he said. ■

Staff Writer Sue Dremann can be e-mailed at sdremann@paweekly.com.



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A challenge for first-time homebuyers

Entry-level just keeps getting higher

by Kris Young



Susan Bradley

Jenna and Chris Pfaff, with baby Connor, are renting in Menlo Park until they can find the right entry-level home — ideally in Menlo Park.

Chris Pfaff is stumped. He and his wife have been waiting for the right time to buy their first house, but fear the recent changes in lending terms has affected their plans. They currently rent in Menlo Park and are ready to settle down since the birth of their first child.

The deal killer: Lenders now require 20 percent down on a home to qualify. That's a big difference from a couple of years ago when some of Pfaff's friends were able to buy homes priced at 10 percent down. Lending requirements have gone up in response to the nation's housing crisis, though locally, the price appreciation of past years has stayed, he said.

Data on the first-half of 2008, from the Silicon Valley Association of REALTORS™ (SILVAR)

from MLS Listings Inc., lists the median price for single-family homes in Menlo Park, Palo Alto and Mountain View at \$1,543,000, \$1,575,000 and \$1,008,000 respectively.

This means Pfaff can expect to be looking at houses that require between \$200,000 and \$300,000 for just the down payment. He has effectively been pushed out of the local home market.

"Certainly the discussion has come up more often: Should we leave the Bay Area? If we don't have the ability to buy the house now, when?" he said.

What complicates Pfaff's decision further is that he is firmly rooted in Menlo Park. "We want to live here. The industry that I work in, pharmaceutical devices, is primarily here; [I have] lived here for 15

years, my wife, 10 years. Between the two of us we have a lot of friends here," he said.

Pfaff is also competing with families that are not first-time home buyers. Previous homeowners in the Silicon Valley are likely to have increased capital because of the home equity they gained over the years. In Menlo Park, where Pfaff is primarily looking, the median single-family home price went up from \$1,255,000 in 2005, to its current median price in the first-half of 2008 of \$1,575,000, according to SILVAR.

The current housing market makes it an opportune time for previous homeowners to "move up," but the competition is further prohibiting first-time buyers from entering the local housing market, he said.

'Should we leave the Bay Area? If we don't have the ability to buy the house now, when?'

— Chris Pfaff, first-time home seeker

FALL REAL ESTATE 2008

The desire to be in Palo Alto and the surrounding cities has created an almost recession-proof area, and what Lupita Terlau, a real estate consultant with Prudential California Realty, San Bruno, calls a "micro-market."

"There are only six houses today, single-family homes under a million, in all of Palo Alto. And it has been the case for the past three months," Terlau said, with the average time on the market less than 30 days in Palo Alto, "which is crazy."

"Palo Alto has the things people want. Quality education, Palo Alto's got it; a strong city government that is responsive to the community, Palo Alto's got it," Tommy Derrick, an independent broker in Palo Alto, said.

Top-performing schools have also had a strong influence on the value of properties as "a vast majority of families take in account the school system," Derrick said. Feras Faraj, a mortgage advisor in Foster City, said that "in regards to housing appreciation versus depreciation, you'll find [areas with] the best

schools held their prices."

Even within a city there can be dramatic price differences. Rick Stern, of Stern Mortgage Company in Palo Alto, points out the price difference between Old Palo Alto and South Palo Alto is "a little crazy as you go across Oregon. There's probably a \$100,000 to \$500,000 difference, within a block; Old Palo Alto has a panache."

Stern made a broad calculation that if you earned \$100,000 annually, you could afford a \$700,000 property, based upon a recommended 50 percent of before-tax gross income going to monthly expenses — which would include loan payments, property taxes, insurance, credit-card debit, student loans, car loans and any other fixed expenses.

"The cost is prohibitive for most people. Palo Alto has been gentrified out of affordable housing pretty much," Stern said.

Paul Saba, another potential first-time home buyer, has been looking in Palo Alto —

(continued on next page)



Kris Young

This entry-level home, at 706 Ellsworth Place, Palo Alto, was photographed during an open house in early September. It was listed at \$799,950.



Susan Bradley

Nearby cities offer better-valued homes because they have been more affected by the declining home market.

— Paul Saba, potential first-time home buyer

Paul Saba

Julia Keady's Recent Activity

1628 Hummingbird Lane, Sunnyvale

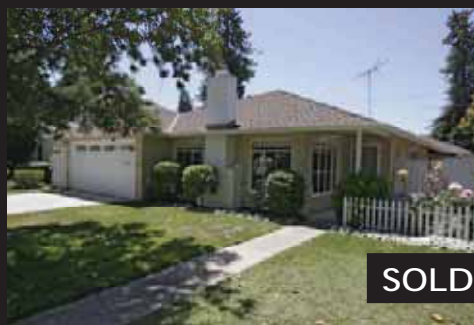


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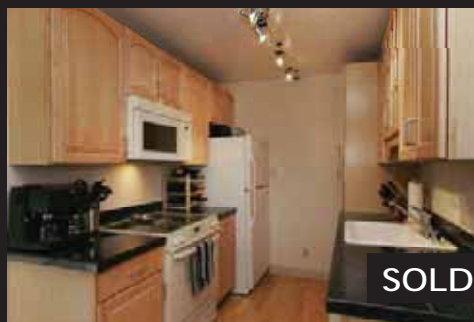
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1724 Hamilton Avenue
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468 Sierra Vista #9
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List Price \$379,000



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(continued from previous page)

where he grew up — for the last four months. He's in the insurance profession, and is a not-long-ago college graduate.

However, due to the resilient micro-market in Palo Alto, Saba said he believes nearby cities offer better-valued homes because they have been more affected by the declining home market.

Other opportunities to find a good value are short sales and foreclosures where homeowners are unable to afford their mortgage payments and have to forfeit the sale of their houses to the lender or bank.

Saba cautioned potential buyers toward these lower-cost alternatives, as they tend to present more hurdles to overcome. Homes usually require extensive repairs, have complicated financial tie-ups, and problems could arise even after making an offer, as "banks tend to run you into circles getting into verbiage," he said.

Saba has approached the home-buying process with a wary eye; his parents looked for two years before finally settling on the right house. He stressed the importance of finding the right loan officer, mortgage broker and real estate agent, through references and research.

And once he finds a house he is interested in, he recommends looking at comparables — houses with similar characteristics that sold in the area. The key is not to depend solely on the advice of others, because the purchase is in your interest not theirs, he said.

"Nobody has sufficient data to say whether the market is going up and down. There are factors that are way beyond the people that are buying a small house," Derrick said.

Despite careful planning, this insight may be the hardest realization for people looking to buy their first house. Pfaff and Saba have made offers on multiple homes but still haven't found the right house. With time they might find luck shift their way. ■

Editorial Intern Kris Young can be reached at kyoung@paweekly.com.



Kris Young

This is one of two bedrooms at 706 Ellsworth Place, Palo Alto, shown during an open house in early September.

'The cost is prohibitive for most people. Palo Alto has been gentrified out of affordable housing pretty much.'

— Rick Stern, Stern Mortgage Company, Palo Alto

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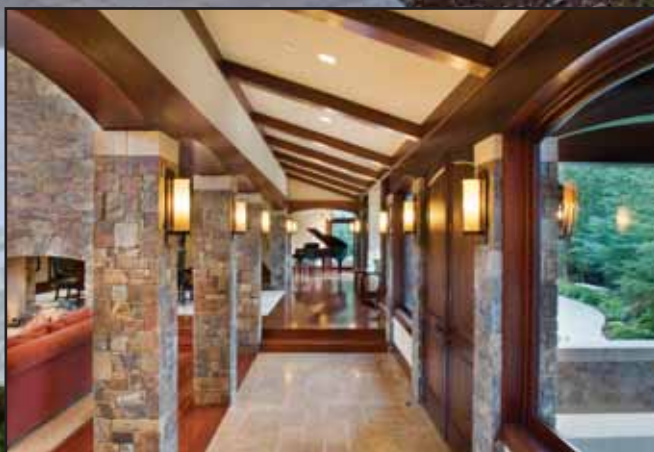
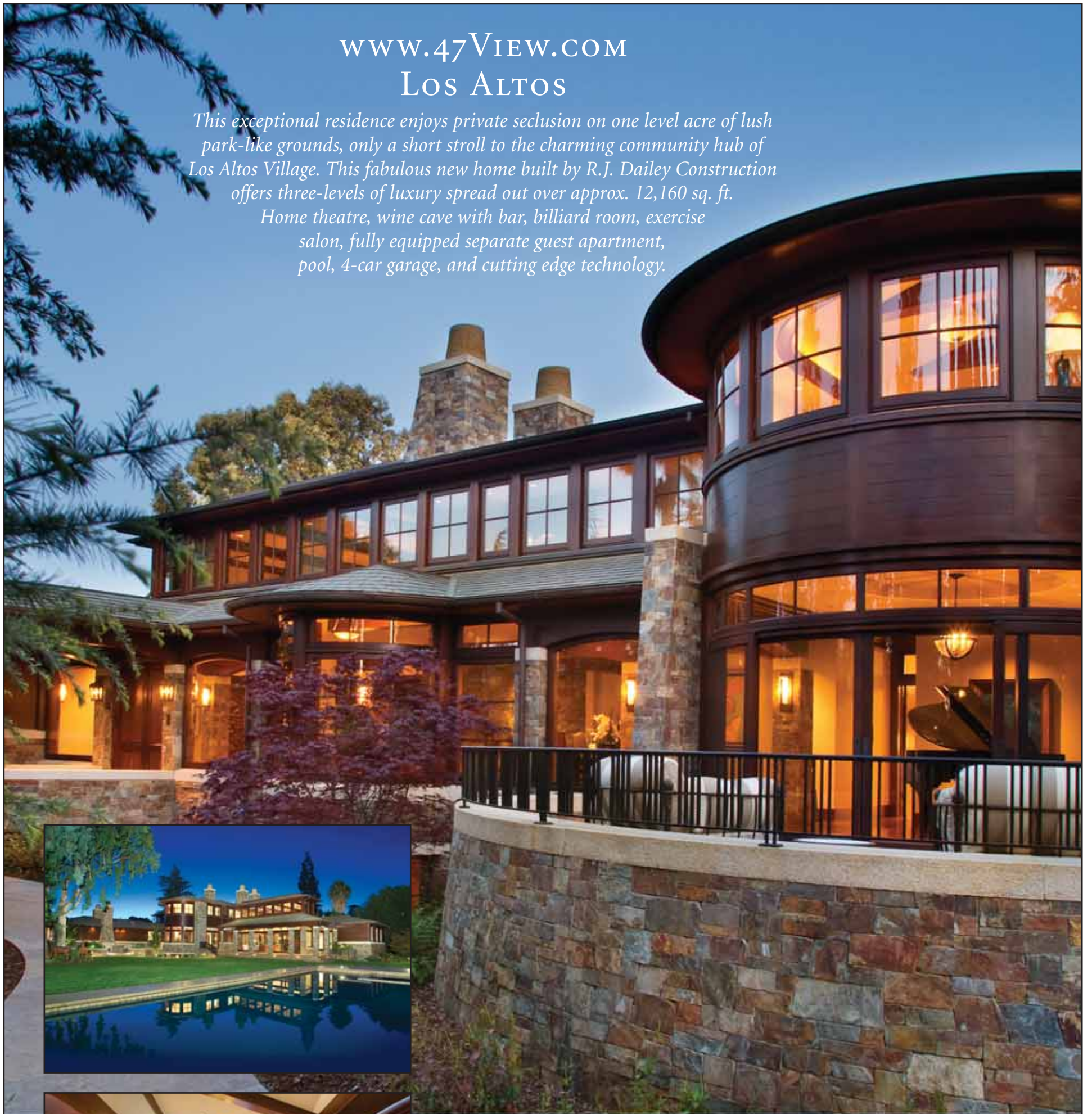
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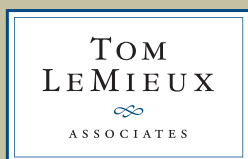
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FALL Second Section

REAL ESTATE 2008



Barbara Boissevain

The Squire House at 900 University Ave., Palo Alto, is a Neo Classical Revival style mansion, complete with Roman columns, Palladian windows and a ballroom — approached through rows of Washingtonia palms. The house is on the market for \$12.5 million.

Top of the market

Multi-million-dollar properties give new meaning to 'real' estate

by Susan Golovin

Although it sometimes seems that the entire Peninsula is “high-end real estate,” there are always properties that re-define the category.

Unusual and pricy properties appeal to a totally different — albeit smaller — group of potential buyers.

But, according to Mary Gullixson of Alain Pinel, Menlo Park, although they might stay on the market longer, they are indeed selling.

“When properties of this caliber are sold it doesn’t go

into the statistics. And, you don’t hear about the sales because most of them are confidential,” she said.

Here’s a quick sample of what’s currently available:

The Squire House at 900 University Ave., Palo Alto, was built by John and Georgiana Squire in 1904. It is distinctive not only for its architecture, but also for the more than 20 Washingtonia palms that line the driveway. When the home was first constructed

there was only one house nearby, built by the same architect, Thomas Patterson Ross.

John Adams Squire was the scion of a wealthy East Coast meatpacking family who eventually sold the business to Swift. John was Harvard-educated and came West to study classics at the then newly opened Leland Stanford Junior University.

The 6,374-square-foot house, set on about one acre (the basement adds another 2,249 square feet, and there is a

(continued on page 36)

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Bernard Andre

Sitting on five acres, 'Le Soleil' at 320 Harcross Road in Woodside is billed as a French chateau, complete with 10,000-plus-square-foot home, formal gardens, vineyards, tennis court, pool and room for nine cars. The house is on the market for \$8.395 million.



Mark Stoddard

The Knoll at Lauriston, a 7,800-square-foot Irish Georgian estate in Portola Valley, was modeled after a castle and includes a main house, guesthouse, garage and stables, arranged around a central courtyard. The house is on the market for \$16.8 million.

'When properties of this caliber are sold it doesn't go into the statistics. And, you don't hear about the sales because most of them are confidential.'

—Mary Gullixson, Alain Pinel, Menlo Park



Bernard Andre

The Beaux Arts-style home — with 15-foot ceilings on the first floor — at 60 Parkwood Drive in Atherton offers 17,000 square feet of house on 2.25 acres. The house is on the market for \$23.5 million.

(continued from page 35)

detached guest cottage and double garage as well) reflects Squire's love of classicism. The Neo Classical Revival style is distinguished by its Roman columns, impressively detailed capitals, Palladian window and ornate exterior cornice.

The home is protected by the Mills Act. Thus, the owner, in return for extremely low property taxes (currently \$7,250) must maintain and not alter the exterior. Also, the first floor, which contains the kitchen ("remodeled to look old" as described by one of the listing agents from Alain Pinel, Carol Carnevale), living room, sun room/possible office area, dining room and family room, must be open for a public function once a year.

The upstairs can be viewed via the open staircase, which zigzags to the third floor, and is a feature of the entry.

Although the three-bedroom, three-bath home has been renovated over the years, the wavy glass windows, original light switches and steam radiators have been maintained.

The Palo Alto Times in May 1904 estimated that the cost of the home was "\$10,000 or more." It is now on the market for \$12.5 million.

Le Soleil" at 320 Harcross Road in Woodside delivers on its billing as a French chateau.

The brochure description of the ballroom sets the tone: "Grand entertainment salon with gold leaf ceiling detail and gilded moldings on the walls and ceiling; six full height windows and three double French doors surround the room; oversized fireplace with solid carved marble mantelpiece and two crystal chandeliers."

The 10,010-square-foot, three-story home includes seven bedrooms, seven baths, two half baths, including three bedroom suites, one with its own kitchen.

The cul-de-sac property includes a tennis court, croquet lawn, extensive vineyards, manicured formal gardens, pool, spa and accommodation for nine cars. As Alain Pinel listing agent Mary Gullixson puts it, "You can do a lot with five flat acres."

The home was built in 1926 by Mr. and Mrs. Francis Crosby, and underwent a complete renovation in the 1990s. Crosby owned several independent California phone companies that were bought by AT&T. He was also one of the original investors in Caterpillar.

Originally set on 100 acres, it's easy to imagine the San Francisco Ballet performing in the backyard as it did when the Crosbys were in residence.

The property has been reduced from \$21 million to \$16.8 million.

It is a real "aha moment" when you arrive at The Knoll at Lauriston after traveling up a 1.9-mile twisty, winding, tree-lined roadway accessed by a private gate near the end of Alpine Road in Portola Valley.

The 7,800-square-foot Irish Georgian estate, built in 1994, was modeled after an Irish castle. The main house, plus the two-bedroom guesthouse, a four-car garage cum upstairs playroom, two stall stables and caretaker's quarters, are arranged around a central courtyard. The buildings are constructed of basalt stone and have slate roofs.

Surrounded by Windy Hill Preserve, the hourglass shaped 8.5-acre lot is next to the original stables and gate house of the historic Lauriston estate built by perfumer Herbert Law.

"I believe the house is approximately where the riding ring of the original estate used to be," said Pat Looney, the agent at Campi Properties who is listing the property at \$8,395,000.

The main house, consisting of four bedrooms and four-plus bathrooms, features a dramatic, skylight-lit, two-story, stone-floor entry, which runs the length of the house and culminates in an enclosed glass Garden Room.

"They were going to put the swimming pool where the central fountain is," Looney said. "I'm glad they didn't because this is where everyone thinks it should be," she added, pointing out a site behind the house that has a scenic view of the mountains.

One is reminded of the White House upon first seeing stately 60 Parkwood Drive in the Lindenwood section of Atherton. It was thus an appropriate setting for a reception for President Bill Clinton in 1999.

Listed at \$23,500,000 by Mary Gullixson, it is a four-bedroom, six-and-a-half-bath 17,000-square-foot home on 2.25 acres. The property is one of the "Three Sisters" E.W. Hopkins commissioned for each of his three daughters — in this case, for Georgiana upon her marriage to Frederick McNear.

The Beaux Arts-style home — with columns, balustrades, pilasters, panels of bas-relief, garlands, cartouches, dentil moldings, intricately decorated ceilings — was designed by Bliss and Faville, whose work includes the St. Francis Hotel and the Palace of Fine Arts.

It was built in 1909 and has been extensively updated and restored by Orlando Diaz Azcuy Design Associates and Ryan Associates.

All of the rooms except for a generous, wood-paneled office/den are on the first floor, allowing for approximately 15-foot ceilings on the first floor. An attached apartment provides two bedrooms, one bath and a full kitchen. There is also an eight-car subterranean garage plus a full basement.

The McNears built one of the first swimming pools in Atherton in 1923 as a birthday present for their 18-year-old son who was returning from boarding school in the East. The setting of the new pool, in the same location, is dramatically enhanced by the 16 columns supporting the rear loggia.

The 18 acres at 28030 Natoma Road is the second largest parcel in all of Los Altos Hills. "It's pretty much the same as it was 200 years ago," agent Gary Nobile of Ventura Barnett Properties said.

The property does include two relatively modest dwellings, but the features are the views of rolling hills and the seclusion. Privacy is assured not only by the acreage, but also by the fact that it's a key lot.

Owned by the Stirling family for the past 50 years, the three granddaughters of the original owner have fond memories of family retreats on site and would love to see it purchased by a single buyer. Nobile, of course, is doing his best to find one.

However, he's a realist and he's done the research.

"I'm marketing this through a multi-pronged approach, based on the people with the highest probability of buying," he said. The land can be subdivided into one-acre-minimum lots.

Nobile said his best prospects are people who already live in the area on four- to five-acre parcels, the upper echelon of Silicon Valley or their friends, private foundations that would want to preserve the land, small custom builders unique to Los Altos Hills and larger developers. He is also making a pitch to the Los Altos Historical Society.

Nobile has listed the property for about a month, at \$26,999,999. Prior, it was on the market for nine months at \$35 million.

(continued on page 43)

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Housing perks lure new hires

Peninsula employers cope with sky-high housing costs

by Alexander Papoulias

When Scott Shafer was the defensive coordinator for Stanford's football program, his family lived in a university-owned house in Menlo Park, just three miles from campus. According to Bob Bowsby, the director of Stanford's athletic department, the home was one of several owned by the university and set aside especially for its football coaching staff.

"The success of an athletic program, law firm or any other organization is largely dependant on the quality of its staff. We need to be able to compete with other markets, or we risk losing the caliber of people we're after," Bowsby said.

While the Peninsula's reputation as one of the country's most desirable places to live has not diminished, private employers, city government and local school districts are aware of the challenges facing prospective staff in finding affordable homes and rentals here. To attract and retain capable people, more and more organizations are offering help in the form of housing incentives, subsidies and stipends.

Employers are beginning to see housing incentives no longer as merely "perks" of employment, but as an increasingly necessary measure for drawing a strong workforce to this area.

Spearheaded by Bowsby, and backed

in part by billionaire Stanford booster John Arrillaga, Stanford Football's program aims to make life on the Peninsula appeal to prospective coaching staff who may be on the fence about whether to uproot their families and move to this incredibly expensive area. In the past, the area's high cost of living meant that much of Stanford's coaching staff spent long hours commuting to and from their homes outside the area, picking up the burden of commuting costs, as well as the loss of time with their families.

A four-bedroom, 2,200-square-foot home in Palo Alto costs roughly \$1.68 million on average, approximately \$300,000 more than a comparable one in the nation's next most expensive college town, Chestnut Hill, Mass., home of Boston College.

Bowsby took the position of athletic director at Stanford in 2006, in part because Stanford offered him a monthly stipend to help with the cost of housing. He immediately recognized how the football program could benefit from implementing similar programs for its coaching staff.

By November 2007, Stanford had already purchased six houses, and was aiming to own anywhere from 20 to 40 homes and apartments for the university's football coaching staff. According to Bows-

(continued from page 40)



A 44-unit apartment complex called College Vista was opened in late 2004 for faculty and staff of the San Mateo Community College District. Offering rents at roughly half market rate, the district is attempting to prevent high staff turnover.



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❖ Partridge Ave., Menlo Park	\$1,788,000
❖ University Drive, Menlo Park	\$898,000
❖ Black Mountain Rd., Los Altos Hills	\$4,275,000
❖ College Ave., Menlo Park	\$1,800,000
❖ Hawthorne Drive, Atherton	\$6,995,000
❖ Kingswood Drive Hillsborough	\$2,399,000
❖ Waterloo Ct., Belmont	\$1,550,000
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An Almanac and Palo Alto Weekly publication

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Editor: Carol Blitzer
Designer: Dana James



Veronica Weber

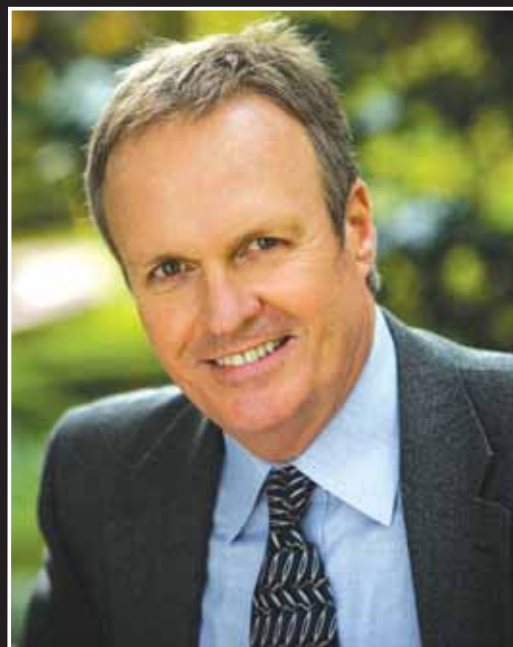
On the cover: This four-bedroom, 4,700-square-foot Sharon Heights home at 1090 Lassen Drive in Menlo Park was reduced to \$4,495,000 in September.

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(continued from page 38)

by, the university's athletics department has a number of programs for housing aid that vary according to position and terms set by negotiation. Stanford owns all homes and apartments used by coaching staff.

Housing aid at Stanford is not limited to its athletic department though. Managed by Faculty Staff Housing, a division of the office of the provost, Stanford offers several programs to aid its academic faculty with housing costs. According to Jan Thomson, the university's director of communication services, the vast majority of eligible Stanford faculty take full advantage of the F.S.H. programs, which are for tenured faculty, and apply to buying a home as well as renovating or remodeling an existing one.

Programs include a deferred-interest loan, as well as an interest-only home loan. F.S.H. also offers what is called the Housing Allowance Program, which is a taxable fringe benefit to supplement a faculty member's income when a new home is purchased or renovations are made to an existing one.

Some organizations are countering the area's high cost of living by building affordable housing for their staff.

In December 2004, the San Mateo Community College District (SMCCD) opened a 44-unit apartment complex called College Vista for full-time faculty and staff. Built on what was once a parking lot, the complex offers district employees one-, two- and three-bedroom apartments at roughly half the average market rate.

According to Sue Harrison, executive assistant to the district chancellor, SMCCD's board of trustees first envisioned College Vista in 2002. At the time the school district was having difficulty recruiting staff at all levels, and was facing a yearly staff turnover

rate of 10 to 11 percent. Prospective faculty members were opting to live and work elsewhere, due in large part to the area's impossibly high cost of living.

The school district could not afford to raise salaries, and instead began offering inexpensive second mortgages as an early measure to help its faculty afford homes. Still, most teachers were unable to meet the 3 percent down payment required for the loan. Many of the district's younger teachers were recent college graduates, still carrying the burden of student debt.

According to a 2007 report by the non-profit group Sustainable San Mateo County, San Francisco, San Mateo and Marin counties are the nation's most expensive, "based on the hourly wage required to rent a two-bedroom apartment."

Additionally, the report stated that, "a household in San Mateo County needed an annual income of \$118,159 to buy a median-priced condo for \$550,000. The income needed to buy a median-priced single-family home for \$869,000 was \$186,691." Salaries for full-time SMCCD faculty range from \$54,265 to \$65,351 annually. The disparity between the average cost of a home and the salary earned by a full-time college employee illustrates the broader problem faced by thousands who want to live and work in this area but simply cannot afford to.

The district built College Vista as a means to provide affordable homes for its staff; because profit was never a motive the district has been able to set rent prices ranging from \$840 to \$1,400 per month. In addition, the school district avoids the expense of property tax, as it owns the tax-exempt land College Vista is built on.

Permanent district staff members get a higher priority on the waiting list for Col-

lege Vista, which was 92 people strong in November of last year. Residents are allowed to live at College Vista for five years, which is the amount of time the school district estimated to be sufficient for a full-time staff member to save money for a home.

A new project on the Cañada College campus, aimed at addressing the same needs as College Vista is in the planning stages. Called Cañada Vista, the 60-unit complex is projected to open sometime in 2009 and will be constructed on what is now the college's underutilized parking lot #3.

According to Barbara Christensen, the SMCCD's director of community and government relations, the district conducted a survey of its staff last year, asking which campus they would prefer the district build a staff housing development on: Cañada or Skyline. "Cañada was the overwhelming response," Christensen said.

The Woodside-Redwood City border runs directly through the site of what will be Cañada Vista, slightly complicating the building's early planning. The Town of Woodside originally wanted to annex Redwood City's portion of the land, but lacked the multi-family zoning and existing infrastructure such as sewer and water lines necessary to accommodate the building. Christensen and District Chancellor Ron Galatolo succeeded in convincing the Woodside Town Council to agree to preliminary plans for de-annexing the property to Redwood City.

"Recently they've (Woodside Town Council) said that they want to have some input into the building's design, so we're holding some meetings with a subcommittee of the Council. It all seems to be going well, and I'm not anticipating any delays in the project," Christensen said.

Palo Alto's city government has used

housing incentives to secure a number of its department heads.

"The city is an equity partner in my Palo Alto house, since they wanted its chief executive to live in Palo Alto," said former City Manager Frank Benest. The city helped Benest purchase his home on Bryant Street when he moved here for the city manager job in 2000. The city owns 56.8 percent of the house, and Benest owns 43.2 percent.

"In some cases we offer some types of housing assistance to department directors. For instance, the city may pay points on a home loan. In the past, we have provided a home loan to a department head," Benest said.

Benest retired in August 2008, and according to his employment agreement, must sell his home no later than 2017. In December 2007, the City Council voted 9-0 in favor of an amendment to Benest's employment contract, such that he and the city will share the cost of any "improvements, upgrades or beautification efforts" to increase the home's value by the time of sale, provided that they are approved by the city's administrative services director.

"I see it as a good measure to protect our investment. The city owns 56.8 percent of the property that was originally acquired at about \$1.58 million. The appreciation of homes in Palo Alto has been significant and the city wants to ensure the investment is maintained properly for when it comes time to sell," said Lalo Perez, the city's director of administrative services.

Many private local businesses, such as Facebook are getting in on the act as well. According to a Facebook spokesperson, the company offers "a \$600 per month housing subsidy to employees who live within one mile of the office." ■

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(continued from page 36)

Across the street from the Squire House is another venerated Palo Alto home. The Colonial Revival, with Victorian and Classic Revival influences, at 860 University Ave., was built in 1906 for Elbert Peck, but sold to Dr. Carl Wilson, a Stanford surgeon active in local politics, two years later. The Wilsons lived in the home until 1975.

Architectural detailing that landed the home on the National Register of Historical Places ranges from the clapboard facade and deep porches with classical

columns and spindled balustrades to the front-facing gable.

The 4,527-square-foot, five-bedroom house (not counting the attic and basement) sits on a half acre, which also includes the original carriage house, barn, four-car garage and a pool.

Highlights of the house, which is offered by Nancy Manning, Coldwell Banker, Palo Alto, for \$8,650,000, include the largest Tiffany stained-glass window in California, operable gas sconces, rich wood details and wood shingle roof with 31 ridges with galvanized claw feet. ■



This mix of Queen Anne and Colonial Revival architecture at 860 University Ave., Palo Alto, is on the market for \$8,650,000.

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Separating themselves from the pack

From dog owners to ethnic specialists, real estate agents offer a particular expertise

by Johanna Toivio

Times are tough. Pressured by unstable market conditions Realtors are finding more and more creative ways to market themselves and their listings, targeting a specific group of people looking to either buy or sell a house.

Djuna Woods, a Coldwell Banker broker in Menlo Park, has joined the niche marketers who include divorce, seniors and eco-friendly experts. She focuses on dog owners looking to buy or sell property. A year ago she launched her website, www.PeninsulaHouseHound.com, after she realized the special needs many dog owners have when looking for a new home.

Ideally they'd be looking for "a dog-friendly neighborhood, near dog parks or trails, including off-leash areas and on a quiet street, preferably in a cul-de-sac," Woods said. "When you come home after a long day at work and you have to exercise your dog, you don't want to drive a long way to do that," she said.

Woods has a King Charles cavalier spaniel called Bucky, who has been partly behind the inspiration for her specialty. "I was looking for something to distinguish myself from other Realtors," Woods said.

For many people, their pets are like their children, and as Woods puts it, "it takes a village to take care of a dog." If homeowners have to go out of town or they are working late, they have people in the neighborhood to help take care of pets. When scouting for

(continued on page 46)



Veronica Weber

Djuna Woods, a Coldwell Banker real-estate agent, walks her dog Bucky on a trail at Streamside Open Space land adjacent to Sand Hill Road. Woods caters to homebuyers seeking homes with larger (and contained) yards, proximity to dog parks and trails and dog-friendly neighborhoods.

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a house, Woods advised taking a beloved pet along for a neighborhood stroll to see how people react to it, and to check out potential for community support.

That support could make it easier to make changes when it comes to extending park hours or finding more places to take dogs, Woods said. Some neighborhoods are simply more open to dog owners, for example Palo Alto and Menlo Park, she said.

There are also safety issues when it comes to looking for a home, such as good fencing around the house. Many dog owners prefer hardwood floors as they are easier to clean up.

She gets many of her clients through referrals, from meeting people in dog parks and networking with local pet stores, shops and groomers.

Many of Woods' clients are dog owners looking to buy a home, rather than selling. She caters to many Baby Boomers, young couples and first-time home buyers.

Another niche marketer is Grace Wu, a Realtor for Alain Pinel in Palo Alto, who specializes in helping buyers of Chinese origin. She speaks Mandarin Chinese and a Taiwanese dialect and often gets clients through referrals from previous clients and through community involvement. Half of her clients are bilingual people looking for housing in the Palo Alto area.

"In Chinese philosophy education comes first," Wu explained, and "family and community are very important."

Another priority is the ancient art of feng shui — literally wind/water — that relates to balancing space and making everything

in harmony with nature. Wu mentioned how important the floor plan is and how "bad feng shui" could be location of a stairway right after the front door, since everyone should be able to look at something beautiful as they walk in.

But a house with bad feng shui can be modified, she said. There could be a "double-door entrance and one of the doors could remain closed so that the stairway doesn't hit your eye as soon as you walk in," she said.

Landscaping is also a factor. If, for example, the house is built so that light shines brightly on it at certain times of the day, that's bad feng shui. But "there are ways to soften this. You can redo your landscaping, plant trees and bushes," Wu said.

Although her clients may be hesitant if there is something that could conflict with principles of feng shui, "the younger generation don't care that much," she said.

Another factor Chinese buyers are sometimes looking for is the so-called "mother-in-law quarters" for extended family that might stay over. So there may be "one bedroom for parents prepared but not long-term and often not necessary," Wu said. Because of these cultural differences that sometimes determine the outcome of a sale, many brokerage firms including Alain Pinel offer training on different cultures.

Chinese and Indian buyers are among the largest growing groups based on nationality looking for real estate opportunities in Palo Alto, according to Robert Gerlach, manager of the Alain Pinel Palo Alto branch. Out of the 61,200 residents of Palo Alto, approximately 9.3 percent are of Chinese origin and 2.1 percent Asian Indian, according to city data in July 2007.

Yet many Realtors don't want to focus



Veronica Weber

Part of the expertise of Grace Wu, an Alain Pinel broker, is understanding the needs of Chinese potential homebuyers, who may be seeking good feng shui, or appropriate spaces for an extended family.

on one type of clientele.

"You don't want to specialize because you don't want to limit yourself and turn down customers," Gerlach said.

But Woods and Wu are really trying to offer special service to a specific group of people.

As Woods said, "there is a real need, a special need that most Realtors don't know

how to address." Since Woods also shares that need, she's concentrating on this particular niche for personal as well as financial reasons, and "it makes the whole thing fun," she said. ■

Editorial Intern Johanna Toivio can be reached at jtoivio@pawekly.com.



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A parachute or a brick?

Think before signing forms on mediation and arbitration in real estate

by J. Robert Taylor, J.D.

Mediation and arbitration clauses are a part of all standard form real estate contracts that often are seen under the heading of "Alternative Dispute Resolution." These clauses are often taken for granted and misunderstood.



Real estate brokers encourage buyers and sellers to agree to these clauses with very little knowledge of how these agreements may later impact a future dispute between the parties. There is a strong tendency to sign anything that is on the form and in bold print because you will do anything just to "get the house." This is one area of the real estate negotiation that has become driven by the real estate forms, i.e., the real estate industry, and not by client requests for arbitration or mediation to be a part of their purchase contracts.

Arbitration clauses in real estate are regulated by the Civil Code and must be of a particular type size and/or in bold print. They also must be separately initialed by the buyer and seller to be effective. This is intended to be a warning sign to the parties, but instead it has become a standard spot where the agent/broker tells you to initial, just because it is there.

Arbitration and mediation clauses are not required to form a binding and fully enforceable real estate contract. So why do they exist?

The basics

Both mediation and arbitration are a means to resolve a dispute between a buyer and seller without resorting to filing a lawsuit in Superior Court. Mediation is an informal non-binding negotiation between the parties with the assistance of a third-party neutral. The neutral should generally be an experienced real estate attorney or a retired judge with experience in real estate.

The mediator works with the parties to resolve the dispute and avoid civil litigation or a binding arbitration. All parties to the mediation share equally in the costs of hiring the mediator. Cost of mediators can be \$200 to \$600 per hour. In addition both parties should be represented by an attorney; this is not required but it still is a process governed by laws and procedures that would overwhelm 99 percent of buyers and sellers.

Many real estate contracts will include a clause that a buyer or seller who refuses mediation will lose his/her right to collect legal fees and costs even if he/she prevails in a later litigation and courts have upheld this type of agreement.

Mediation is completely confidential. Information and statements used in mediation cannot be used as evidence in a later trial or arbitration. No record of the mediation is kept and offers to settle the dispute cannot be used in any later proceeding for any purpose by the parties.

Mediation can last for an afternoon or over many days and weeks until a settlement is reached or any party sees the ongoing discussion as pointless. A suc-

cessful mediation usually results in a new written contract containing the terms of the settlement between the parties to the dispute.

Arbitration is a somewhat more formal process, although not nearly as formal as a trial in Superior Court. Costs in arbitration are similar to mediation. The arbitrator should be a qualified real estate attorney or a retired judge with real estate experience. Arbitrations follow a similar format as trials do in that witnesses are under oath and the arbitrator can make rulings similar to a judge.

Parties may conduct pre-arbitration discovery, but the discovery process is in some arbitration clauses somewhat more limited in comparison with the process in a court trial. Obviously, when you agree to arbitration you are waiving your right to have your case decided by a jury.

Arbitration can be non-binding or binding on the litigants. Non-binding means that the decision of the arbitrator will be confidential and shall have no outcome on a future trial. All real estate contracts have clauses that, if initialed, provide for binding arbitration. When binding arbitration is elected by the parties the decision of the arbitrator is binding and final. The judgment given by the arbitrator can be enforced in the same manner as any judgment received in Superior Court.

Binding arbitration is a confidential proceeding, no transcript is made and if the parties pay the judgment then no one will know about the litigation other than

(continued on page 50)

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the parties, the witnesses and the attorneys.

A judgment received in a binding arbitration cannot be appealed absent fraud, conflict of interest or some other very extreme injustice. If the arbitrator merely applies the law incorrectly or uses some Solomonic formula to provide "justice," the losing party has no recourse to appeal the judgment the way current arbitration clauses are written in real estate contracts.

Interestingly in a recent case entitled *Cable Connection Inc. v. Direct TV* the California Supreme Court held that parties to a litigation could agree in an arbitration clause containing a provision that allowed for judicial review when an arbitrator's decision was inconsistent with California law. In other words, if the arbitration clause is drafted properly the arbitrator cannot make an arbitrary decision without a proper basis in law without the risk of his decision being overturned by a Superior Court judge.

What your agent doesn't want you to know

While the agent is telling you that everyone signs the arbitration clause and that not signing it will raise the suspicions of the seller, he/she does not tell you that he/she is not signing the clause and has no obligation to arbitrate or even mediate.

When there is a dispute between a buyer and seller there is often an agent(s) that is partially to blame. Conveniently, the brokers have left themselves out of the alternative dispute resolution loop that they have

encouraged their clients to participate in, or in the case of mediation, made it a default portion of the boilerplate.

The savvy buyer or seller might ask why brokers are not bound by the same terms. Given the choice, they have decided that it is better not to be bound to participate in disputes unless they are either compelled to by a filing in Superior Court or they elect to participate in the mediation or arbitration voluntarily.

Obviously, being able to make the choice of whether or not to participate with a knowledge of what the dispute is about is a huge, I repeat, huge advantage. Since your real estate agents are fiduciaries, don't you think they should tell you about this huge advantage that they are building into the contract to protect themselves from liability?

A party that is necessary to the dispute, or in other words, has potential liability, cannot be compelled to participate in the arbitration or the mediation process. So the buyer and seller are forced by the contract to go through mediation without having all the parties that should be there participate, thus often making it difficult to settle, if not impossible. Still the costs continue regardless of the prospects for settlement.

Even though both the buyer and seller have agreed to arbitrate, the brokers and other parties that may have liability, such as the termite inspector or home inspector, can force the litigants to forego arbitration and file their action in Superior Court.

One of the arguments for mediation and arbitration is that is a means of saving the costs of normal litigation. No savings ex-

ist if you cannot sue all of the necessary parties in arbitration and are forced to take your action to Superior Court.

I regularly speak to attorneys who are unhappy with the outcome of arbitration. Arbitrators can tend to fashion their own remedies in ways the juries and judges cannot. This is a major reason why the real estate industry has done everything they can to sidestep mediation and arbitration. It is a business decision to avoid a pitfall that they happily steer clients into without any serious discussion of the pros and cons.

In light of the *Cable Connection Inc. v. Direct TV* decision, should real estate agents be including language in the arbitration clause that allows for judicial review of decisions that do not follow the law? This

Judges are doing everything possible to avoid hearing real estate cases.

would be possible, but don't look for forms to change anytime soon as it does not serve the interest of the real estate community to do so.

There certainly are some pros to alternative dispute resolution. All litigation even if filed in Superior Court is going to be forced into some form of alternative dispute resolution in advance of trial. Judges are doing everything possible to avoid hearing real

estate cases.

There is very serious pressure applied on all parties to settle the dispute through mediation or arbitration due to the uncertainty of any trial and the costs involved. It can also save money under certain circumstances, and in other cases may actually cost more; mediators and arbitrators can be very expensive unless both sides are very efficient. This is not a characteristic of some attorneys I have dealt with.

The good news is that the vast majority of cases do settle in advance of trial and this generally saves a lot in attorneys' fees and other costs. It also allows the courts to focus on criminal and other cases that are not amenable to arbitration.

If you start asking your agent questions about arbitration or mediation they will quickly refer you to a simplified written disclosure form or opine that they cannot respond because to do so would be giving legal advice. The irony is that the real estate industry can steer buyers and sellers into taking action to limit their legal rights without giving legal advice.

In the meantime, not agreeing to waive your right to a trial is rarely a bad idea. After all the justice system is the core of what we rely on to protect us. ■

J. Robert Taylor, J. D., a real estate attorney and broker for more than 20 years, has served as an expert witness and mediator and is on the judicial arbitration panel for Santa Clara County Superior Court. Send questions to Taylor c/o Palo Alto Weekly, P.O. Box 1610, Palo Alto, CA, or via e-mail at btaylor@taylorproperties.com.

CHRIS McDONNELL & KELLY GRIGGS

TWO GENERATIONS OF REAL ESTATE EXPERTISE

We are excited to announce Chris McDonnell and her daughter, Kelly Griggs, have joined together as a residential real estate sales & marketing team at Coldwell Banker, Menlo Park. Chris has 24 successful years of experience in residential real estate on the Peninsula at Coldwell Banker. Kelly recently transitioned from corporate real estate, adding seven years of experience in real estate and financial analysis, business strategy, and sales.

You'll find this partnership to be a smart choice for you and the results will speak for themselves. In working with Chris and Kelly as a buyer or seller, you can expect:

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The rich synergy of their backgrounds in local market knowledge, marketing strategy, negotiations and market analysis will provide a powerful combination to meet all the real estate needs of both buyers and sellers.

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As a client of Chris and Kelly, you will receive expert, diligent and dedicated service, whether you're the seller of a high value property or a first time buyer. They will listen to your concerns and will chart a strategy together with you.

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Through Chris and Kelly's professional and personal exposure to these communities, they bring deep local market knowledge to every client. Chris has been a resident of Atherton since 1980 and worked with hundreds of buyers and sellers along the Peninsula. Kelly grew up in Atherton, attending local public schools. Kelly holds a B.S. in Business from the Haas School at UC Berkeley and now lives in San Mateo.

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If you or anyone you know could benefit from their services, please contact Chris or Kelly.

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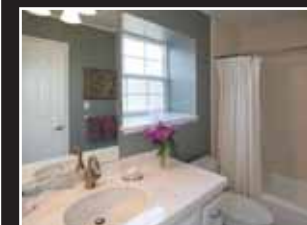
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RentWatch

In case of foreclosure, does a tenant have to move?

by Martin Eichner

Q Even though I am a renter, the “mortgage meltdown” has me concerned about my rights if the house I rent goes into foreclosure. Do I have to move if my landlord loses her property in a foreclosure sale?



Beware of paying rent to someone who has already lost the property in foreclosure or someone pretending to be the new landlord. We are seeing this scam too often. Tenants think they are paying rent when in fact the money is totally wasted.

Q In about three months I am selling the duplex I own. The real estate agent handling the sale wants my tenants to sign a waiver of no liability in case something is broken or stolen during the open houses, inspections or repair work. One tenant signed, but the other has refused. I don't want to be responsible. Is there anything I can do to force the tenant to sign?

A The tenant has no obligation to release you from any liability for lost, broken or missing personal property. In fact, for this specific reason, there probably is a clause in the listing agreement you signed with your real estate agent that states you agree to maintain homeowner's insurance on the property during the sale period. This insurance would cover this situation as well as damage to the property itself done by any open house visitors, inspectors or repair personnel.

You need to discuss this matter with your agent or contact the local board of realtors for further information. If an item is broken or stolen during an open

house or required inspection, it would be the obligation of the tenant to prove the damage or theft took place during those activities.

To avoid any unpleasant occurrence, it is to your benefit to coordinate all activities related to the sale with both of the tenants and if either one wants to be present, you should do your best to accommodate.

Q I have a severe back problem. To reduce my pain my doctor has recommended that I sleep on a waterbed, but the apartment manager says waterbeds are not allowed. I can get a letter from my doctor. I feel the manager is not being fair. What are my rights?

A You have the right to a reasonable accommodation due to your disability. Although landlords may have rules or policies that they can enforce, tenants with disabilities are entitled to exceptions to those policies where necessary for their disability. In this situation, the landlord would need to accommodate your disability by allowing a waterbed, unless they could show that the waterbed posed an undue financial burden on their business, in which case the accommodation would be unreasonable.

The landlord could also request that you obtain a note from your doctor that states your need for the accommodation. Be aware that you may be asked to increase your security deposit if you are a month-to-month tenant. Civil Code § 1940.5(h) allows for a security deposit of 2.5 times the monthly rent for unfurnished property and 3.5 times for furnished property when a tenant has a waterbed. For those on lease

es, the increased deposit can be requested when the lease is renewed.

Q I answered a “room for rent” ad on my college bulletin board that said the room had a microwave oven. Since I don't have a lot of money this feature was important and I used it a lot. Well, the oven broke, and now the landlady says she is not going to fix it because she feels I was using it too much. I need the oven fixed. What can I do?

A Your situation requires two responses. One is that since the microwave was listed in the ad, a workable microwave must be provided. This is called an “express” promise. The landlady has an obligation to repair the microwave or reduce your rent accordingly.

Secondly, in order to remove the oven after it is repaired, the landlady must serve you a 30-Day Change of Terms notice listing the action that the oven will no longer be allowed. This notice only applies if you are a month-to-month tenant; it cannot be used if you have a lease. In this case, the landlady could terminate availability of the oven only when the lease is renewed. ■

Martin Eichner edits RentWatch for Project Sentinel, an organization founded in 1974 that provides landlord tenant dispute resolution and fair housing services in Northern California and administers rental-housing mediation programs in Palo Alto, Los Altos and Mountain View. Call 650-856-4062 for dispute resolution or 650-321-6291 for fair housing or e-mail mediate4us@projsen.org.



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Veronica Weber

At the higher end of Menlo Park's market in late September, this Felton Gables home with more than 4,000 square feet at 320 Lennox Ave. was offered for \$3,950,000.

Why are these towns different from all others?

Palo Alto, Menlo Park, Mountain View buck the national trends

by Carol Blitzter

When everyone from talk-show hosts to economic pundits moans about doom and gloom in the national housing market, potential homebuyers and sellers — and their agents — just roll their eyes.

"This is more like the reality of a real-estate market that doesn't have any outside influences, either negative or positive," said Rick Turley, president, Coldwell Banker Residential Brokerage, San Francisco/Peninsula.

"If biotech plummeted down, then you'd see for-sale signs going up [on] enough homes for the people who want to live here.

"This is business as usual," he said.

Relatively low inventory and fairly constant demand have kept prices up in this micro-market, even when the number of sales is down.

The median price of a Palo Alto home rose close to 4 percent during the first half of 2008, according to the Silicon Valley Association of Realtors (from MLS Listings Inc.). In Menlo Park, prices rose 19 percent (see chart).

Median prices for condominiums soared, up close to 20 percent in Palo Alto and 18 percent in Menlo Park. While single-family home prices dropped 5 percent in Mountain View, condos held their own.

Given the concentration of high-earning people in everything from biotech to nanotech, proximity to Stanford University and Silicon Valley as employment

sources, coupled with strong-reputation schools, there appear to be more people seeking houses than selling them, Turley noted.

"In 2003 to 2005 many sellers were flush, sitting on equity, so they put their homes on the market and maybe moved to Grass Valley or Spokane. [There was] no specific reason other than a lot of equity and an opportunity to do something different with their lives. We call them spec sellers, in that they don't have a life-changing event that's making them move.

"That was contagious. We've flushed all of that. Equity was almost like burning a hole in their pocket," Turley said.

John Carman, manager of the Palo Alto Coldwell Banker office, sees listings down from 38 to 45 percent in Palo Alto this year. "That's not quite true in Menlo Park or Los Altos: They had a healthy supply of inventory that continues to move," he said.

Statistics on "days on the market" (DOM) don't offer the full picture.

Average DOM in Palo Alto is close to 60 days, which includes properties that are just sitting there because they are overpriced, he added. "Those well-priced are sold within 14 days," he said.

Even within nearby towns, there are sub-markets, almost down to the neighborhood level.

Both Todd Zebb of Campi Properties, Los Altos, and Judith Hellyer, of Windermere Silicon Valley Proper-

ties, Mountain View, have noticed a spike of listings in Mountain View this year.

"Inventory has crept back up again since April," Zebb said. Hellyer sees inventory rebounding from a dip in 2007.

"Basically the market held pretty steady unless the property has big negatives," Zebb said, contrasting it with nearby Santa Clara or Sunnyvale. "Really the one reason the market stayed steady here is that inventories are relatively low, compared to a down market. A lot of sellers are not listing their homes — they don't need to sell," he said.

Zebb pointed to many more homes on the market near U.S. Highway 101 vs. the other side of El Camino Real. "There are fewer listings there, especially in the Los Altos school district," he said, adding that for higher-end buyers (who earn more than \$150,000 annually) inventory is really low, but they're still buying.

In "any prime location there's still low inventory and relatively good demand. We're not seeing price decline there," he said.

Zebb sees Mountain View as a city similar to Milpitas. "It has a little bit of everything; high-end areas near El Camino Real, low-end near 101, Moffett. It's a good example of a two-tier market where the high end is doing well," he said.

"In Mountain View we've had so much job creation, more downtown development than any other local cit-

'This is more like the reality of a real-estate market that doesn't have any outside influences, either negative or positive.'

— Rick Turley, president, Coldwell Banker Residential Brokerage, San Francisco/Peninsula



Veronica Weber

In early September, this two-bedroom, one-bath home at 1120 Madera Ave. in Menlo Park's Belle Haven neighborhood, was offered for \$309,000.

ies. The demographic is a lot younger," he added.

And there's a lot offered at entry-level prices. Only Menlo Park could match the 48 homes offered for under \$1 million in mid-September (compared to eight in Palo Alto).

Yet not everything is selling.

"There are agents sitting on houses where there should be a price reduction, but they're not staged and prepped; they didn't take sage advice. It's not to say that every home is flying off the shelves," Turley said.

Denise Simons of Alain Pinel, Palo Alto, stresses that pricing is key.

"There are out-of-the-area agents that aren't pricing realistically," she said, and some sell-

ers who don't understand that their homes are overpriced for the location, which might include a busy street, a corner lot, backing onto a freeway or near the train tracks.

The average home buyer holds onto a house for four to seven years, Simons said.

Carman says that most buyers are from the immediate area. "Lots of people move to Palo Alto, Menlo Park because of schools, strong community, a sense of culture each one offers. We get buyers moving up from Santa Clara, Cupertino, looking for additional community programs, second or third languages, proximity to Stanford," he said.

Simons finds it hard working with people relocating from the East Coast. "What you

(continued on page 9)

Buy, lease or rent?

Competition is stiff for homes on the rental market

by Carol Blitzer

If homeowners aren't putting their houses on the market, what are they doing with them?

Some appear to be renting them out, notes Leon Leong, a Realtor with Cash-in Company, Palo Alto, who has been keeping close tabs on home rents since early 2004.

"It really varies with the economic cycle. Talking with people who've read my newsletter, it kind of peaked in 2000, and dropped 35 to 40 percent by 2004. That was about the bottom, and it's been driving up again, as the local economy recovers," Leong said.

Leong produces a newsletter where he graphs changes in rental prices each month.

In his July newsletter, Leong counted 118 single-family homes and condominiums offered, with the median rent for a two-bedroom home at \$2,700, with two-thirds above \$2,450. A three-bedroom home went for \$3,600 and a four-bedroom for \$6,500.

By his September newsletter, Leong found 132 homes available, with prices up almost across the board: \$3,000 for a two-bedroom house, \$3,800 for a three-bedroom, \$5,690 for a four-bedroom. (That compares to rents for a two-bedroom, two-bath apartment at the end of June 2008 at \$2,658 for a three-bedroom, two-bath unit for \$3,757, according to RealFacts, a Novato-based research firm that collects data on rentals and occupancy.)

Leong concluded that inventory is higher at the end of summer, particularly at the higher rental price points.

"Quite a few investors bought rental units in the new condo developments in South Palo Alto," he noted, adding that he counted 20 units in Arbor Real advertised for rent this year.

"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," he added.

Looking back to 2003-04, Leong points to "quite a few people who decided to buy versus rent, which created more vacancies as well."

He's even encountered people who've decided to rent because their child didn't get into a neighborhood school. "Rather than drive across town, they'd tend to rent closer to the school where they could enroll their child," he said, adding that he's seen that phenomenon with elementary or high-school students, rather than middle-schoolers.

Rental trends tend to be seasonal as well, he said, with higher demand (rental prices) in summer. "We're going towards when demand is less, as we approach Thanksgiving and the holidays," he said.

According to data collected during the 2000 United States Census, 57.2 percent of the 26,048 housing units in Palo Alto are owner-occupied. That leaves nearly 11,000 rental units in town.

"Housing prices are still pretty expensive, so that favors people continuing to rent. It's anyone's guess how this economy will end up locally," he said. ■

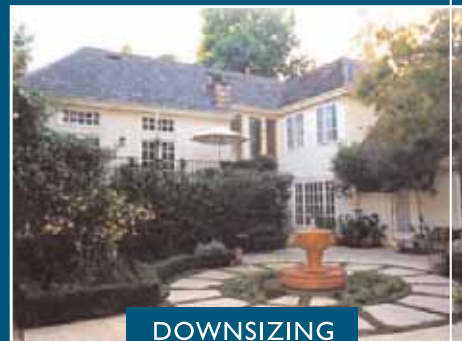
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FALL REAL ESTATE 2008

Single Family Home Sales

City	Median Price Jan-June 2008	Median Price Jan-June 2007	% Change	#Sales Jan-June 2008	# Sales Jan-June 2007	% Change
East Palo Alto	\$350,000	\$641,500	- 45%	43	54	- 20%
Los Altos	\$1,785,000	\$1,710,000	4%	144	183	- 21%
Menlo Park	\$1,543,000	\$1,295,000	19%	164	233	- 30%
Mountain View	\$1,008,000	\$1,060,000	- 5%	115	119	- 3%
Palo Alto	\$1,575,000	\$1,520,000	3.6%	189	261	- 28%
Redwood City	\$885,000	\$875,000	1%	233	279	- 16%
Atherton	\$4,150,000	\$3,400,000	22%	35	45	- 22%
Los Altos Hills	\$2,675,000	\$2,607,500	2.5%	37	64	- 42%
Portola Valley	\$2,190,000	\$1,910,000	15%	33	41	- 20%
Woodside	\$3,245,000	\$2,060,000	58%	30	44	- 32%

Information provided by the Silicon Valley Association of REALTORS® from MLS Listings Inc.

(continued from page 7)

can get there, compared to here, is hard to swallow," she said, noting that they can often afford an Eichler when what they want is a Tudor or something more similar to what they had — or land.

But if it isn't the economy that pushes people to sell their homes, why do they?

Life changes, local real-estate agents agree, pointing to marriage, divorce, birth and death as the big motivators for moving to a larger — or smaller — home.

Carman finds many feel they don't need to

sell, they're in the community they want, "unless something comes up that excites [them], or they have a second or third child," he said.

Although people see that this area is stable, they're still vulnerable to flashy headlines about a failing economy, Turley and Carman said. "Most everybody thinks the economy is poor and this isn't a good time to sell," Carman said.

But they must not be attending open houses, where 30 to 50 people appear at each home every weekend day, he said.

(continued on next page)



This starter home in Palo Alto, a two-bedroom, one-bath near downtown at 1111 Alma St., was offered for \$900,000 in late September.

Marjan Sadoughi

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 La Para Avenue, Palo Alto (S/B) Baker Avenue, Palo Alto (S/B)
 Cereza Drive, Palo Alto (S) College Avenue, Menlo Park (S)
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