

Duplex Market Rises Steadily in 2011

VALUES:

Duplex prices in Santa Clara County have been slightly increasing for the last three years. The County's average sales price has increased by three percent each year. However, several submarkets are beginning to soften. Sunnyvale and Campbell recorded the biggest decrease in purchase price at 12 and 18 percent, respectively. While values in the city of San Jose have been relevantly constant, certain submarkets are showing considerable losses. Central San Jose and south San Jose have each dipped 18 percent since last year. Santa Clara posted the largest increase in value with a seven percent gain this year, averaging a \$561,000 sales price. Downtown San Jose's remains the lowest priced submarket in Santa Clara County at \$165,000 per unit. Expect duplex values to gradually rise in 2011 as the economy begins to improve.

SALES:

Sales velocity has been somewhat steady since 2009. The county is expecting a modest nine percent growth in sales over last year, with 134 closed transactions already in 2011. San Jose has posted with most sales this year, with 89, followed by Sunnyvale (9), Santa Clara (8) and Mountain View (7). Forty- six percent of San Jose's sales were located near the downtown area, where the sales velocity is the highest and values are lowest.

Short sales and REO's (real estate owned) sales have flooded the duplex market in recent years. A staggering seventy-three percent of duplex closings in 2009 and 50 percent in 2010 were distressed properties. There is reason for optimism as only 26 of the 82 currently active duplexes in Santa Clara County are either bank owned or require lender approval.

RENTS:

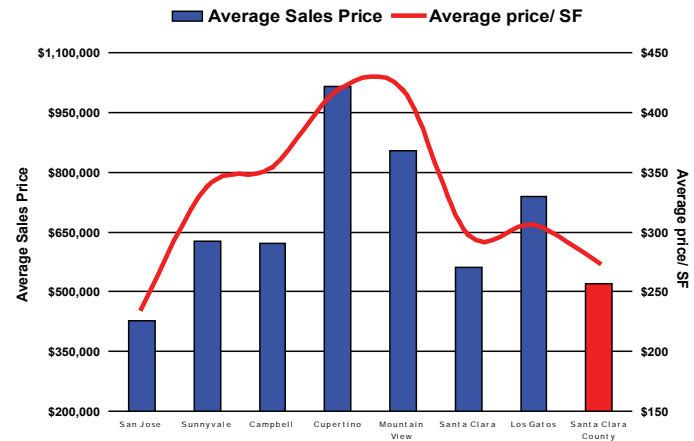
Santa Clara County is experiencing a substantial rise in asking rents since the beginning of the year. Economists predict a 9-10 percent rent growth and a vacancy rate of three percent over the next twelve months. Several factors led to the significant increase in asking rents. The bay area's economy has stabilized, with San Jose scheduled to add over 10,000 jobs this year. The tenant pool is steadily increasing from the addition of former homeowners. With high down payments and loan requirements becoming more stringent, many households will be forced to rent. Another factor is that new construction for apartment units decreased significantly in recent years. Without new units to accommodate the influx of renters, they will pay a premium for rent as demand increases.

SUMMARY:

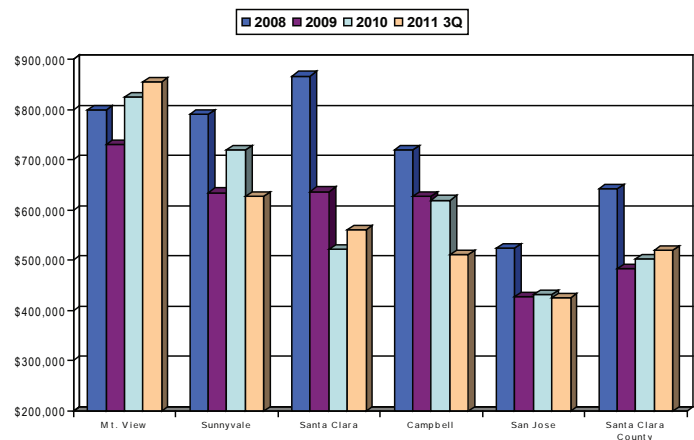
While the bottom of the market has passed, several submarkets dropped considerably in value in 2011. Rents are gradually rising and vacancy rates are the lowest they've been in years. The local job market is showing signs of recovery, all positive signs that the worst is behind us. Sales velocity has increased slightly as many buyers are taking advantage of historically low interest rates and attractive prices. Duplex owners are optimistic the recent influx of potential renters and lack of new construction will increase rental income and sales prices.

If you have enough equity in your duplex, you may want to consider exchanging into a larger asset while prices are still low. Commercial apartment values fell in almost all submarkets in 2010, with the average price per unit in Santa Clara County at its lowest since 2004. There are many available properties that not only increase the number of units you own, but also could significantly boost your income.

2011 3Q Santa Clara County Duplexes



Historic Average Sale Price



Santa Clara County Quarterly Stats

