Milpitas, CA





Offering Memorandum

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1176 EDSEL DR Milpitas, CA ACT ID Y0010003



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INVESTMENT OVERVIEW



OFFERING SUMMARY

EXECUTIVE SUMMARY

VITAL DATA						
Price	\$1,440,000		CURRENT	PRO FORMA		
Loan Type	All Cash	CAP Rate	4.43%	5.73%		
Price/Unit	\$360,000	GRM	15.38	12.77		
Price/SF	\$481.00	Net Operating Income	\$63,841	\$82,465		
Number of Units	4	Net Cash Flow After Debt Service	4.43% / \$63,841	5.73% / \$82,465		
Rentable Square Feet	2,992	Total Return	4.43% / \$63,841	5.73% / \$82,465		
Number of Buildings	1					
Number of Stories	2					
Year Built	1963					
Lot Size	0.17 acre(s)					

UNIT MIX					
NUMBER OF UNITS	UNIT TYPE	APPROX. SQUARE FEET			
4	2 Bedroom/1 Bathroom	748			

4

Total





2,992

MAJOR EMPLOYERS

EMPLOYER	# OF EMPLOYEES
Cisco Systems	14,546
Cypress Semiconductor Intl	5,000
Lockheed Martin Corporation	4,665
Rosendin Electric Inc	3,668
LSI Corporation	2,465
Ericsson Inc	2,224
Lightconnect Inc	2,000
Sunrun	2,000
HP	1,982
Smtc Manufacturing Corp Cal	1,875
Milpitas Unified School Dst	1,709
Santa Clara Valley Trnsp Auth	1,553

DEMOGRAPHICS

	1-Miles	3-Miles	5-Miles
2015 Estimate Pop	23,051	127,064	266,047
2010 Census Pop	22,001	117,805	242,616
2015 Estimate HH	6,275	37,386	83,971
2010 Census HH	6,016	34,369	75,858
Median HH Income	\$97,051	\$102,641	\$100,418
Per Capita Income	\$33,308	\$38,305	\$40,356
Average HH Income	\$122,255	\$128,638	\$126,964

INVESTMENT OVERVIEW

Marcus and Millichap is proud to present 1176 Edsel Drive to the Bay Area's investment community. This offering provides a unique opportunity to own a property located in one of the Bay Area's fastest growing sub-markets. 1176 Edsel Drive is a charming four-unit apartment building located in Milpitas, California. Milpitas, is located in the Silicon Valley with San Jose to the south and Fremont to its north. Milpitas is one of four cities that make up the Golden Triangle, which includes major employers such as Cisco, Samsung, Brocade, Ericsson and eBay, to name a few.

Built in 1963, the property consists of 2,992 square-feet of livable space situated on a 7,560 square-foot lot. The subject property consists of all twobedroom/ one-bathroom units, an on-site laundry room, and covered car-port spaces for each unit. Two out of the four units have undergone interior renovations which include granite countertops, new cabinets, as well as new tile flooring in the kitchens and bathrooms.

BART (Bay Area Rapid Transit) is set to have a major presence in Milpitas with the construction of the Milpitas Station scheduled to open in the fall of 2017. The future BART station, eventually estimated to have more than 20,000 daily passengers will offer residents the ability to commute to San Francisco in less than one hour. The Milpitas BART station is part of the \$2.3 billion BART Silicon Valley Extension Project that represents a 16-mile extension to the existing BART system connecting to San Jose by the year 2018. Conveniently, the property is also centrally located along the major transit corridors of Interstates 680 and 880, allowing for commutes north to the East Bay, south to San Jose and west along State Route 237 to Santa Clara, Sunnyvale, Mountain View and Palo Alto.

INVESTMENT HIGHLIGHTS

- Located less than 3 miles from the new BART Station and the Great Mall
- New Granite Counter Tops in Two out of the Four Units
- Brand New Kitchen Cabinets in Two out of Four Units
- Kitchen and Bathrooms have New Tile Flooring
- Historically Low Vacancy Rate
- Upside in Rents



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OFFERING SUMMARY

PROPERTY SUMMARY

	THE OFFERING		RECENT CAPI	TAL IMPROVEMENTS
Price		\$1,440,000	Loan Type	Conventional
Property Address		1176 Edsel Dr, Milpitas, CA	Louir Type	Conventional
Assessor's Parcel Number		088-02-009		
Zoning		R3S		
	SITE DESCRIPTION			
Number of Units		4		
Number of Buildings		1		
Number of Stories		2		
Year Built/Renovated		1963		
Rentable Square Feet		2,992		
Type of Ownership		Fee Simple		
Density		Medium		
Parking		Covered		
Landscaping		Low-Maintenance		
Topography		Flat		
	UTILITIES			
Water		Landlord		
Phone		Tenant		
Electric		Tenant		
Gas		Tenant		



Property Photos





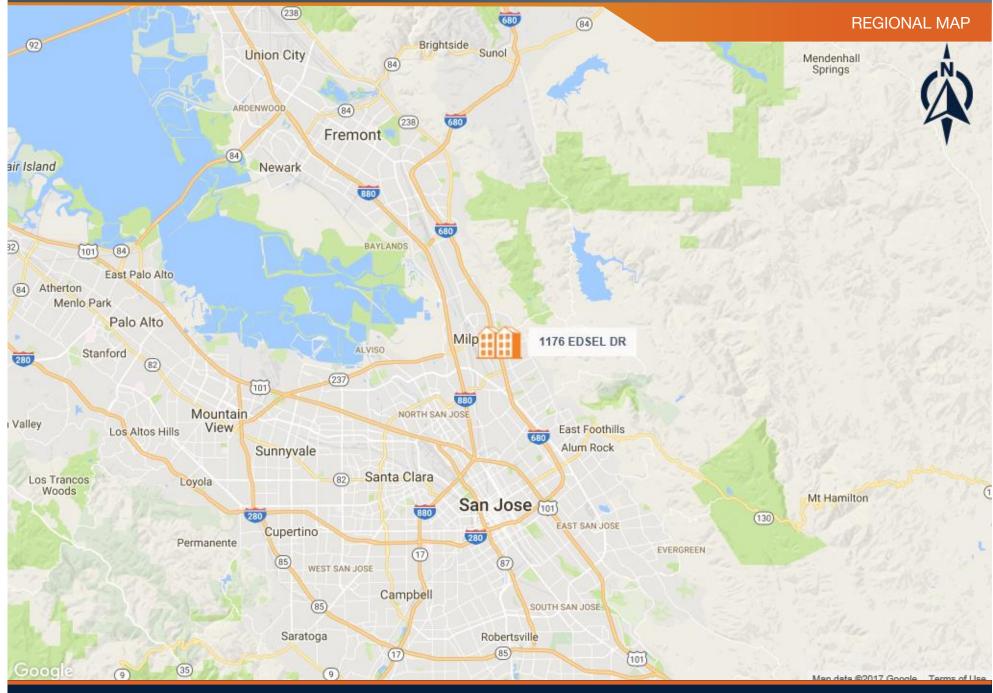


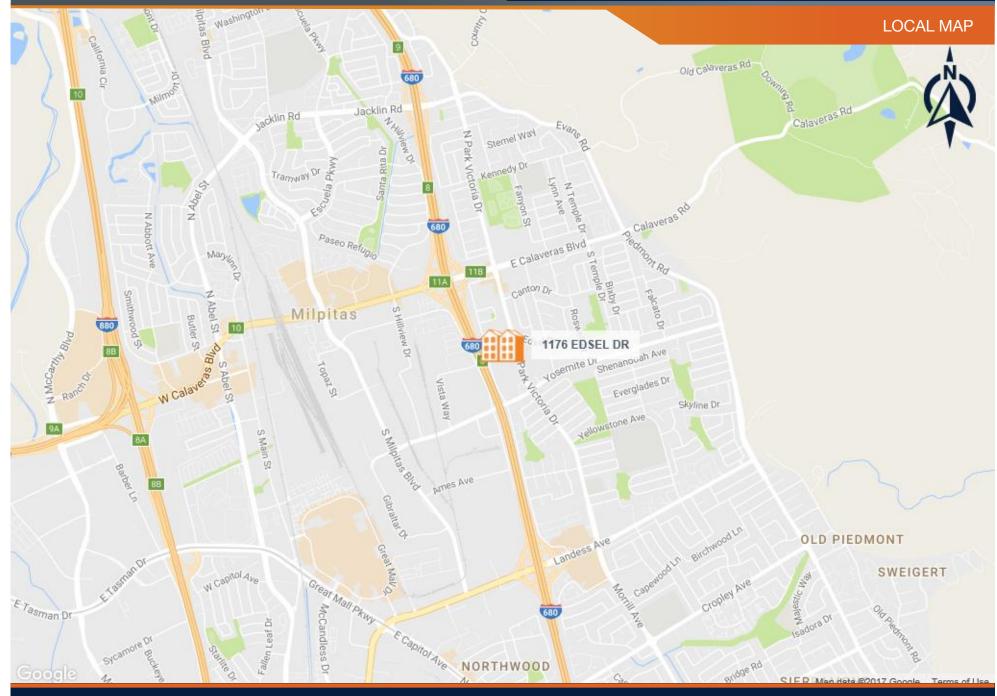
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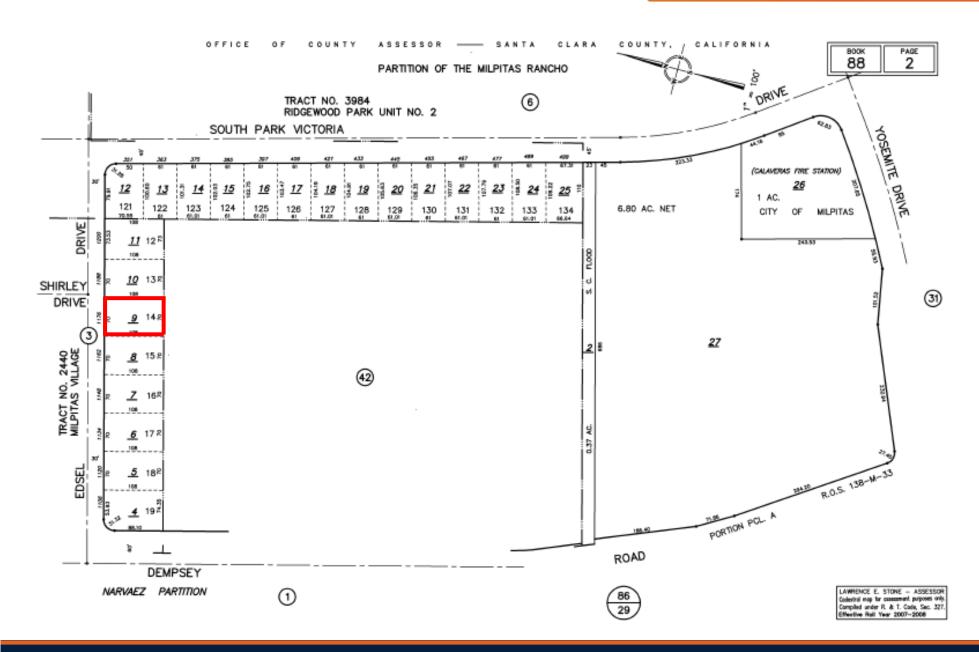








PARCEL MAP



FINANCIAL ANALYSIS



FINANCIAL ANALYSIS

RENT ROLL DETAIL

Unit	Unit Type	Square Feet	Current Rent / Month	Current Rent / SF/ Month	Scheduled Rent / Month	Scheduled Rent / SF/ Month	Potential Rent / Month	Potential Rent/ SF/ Month
1	2 Bedroom/ 1 Bathroom	748	\$2,200	\$2.94	\$2,200	\$2.94	\$2,350	\$3.14
2	2 Bedroom/ 1 Bathroom	748	\$2,100	\$2.81	\$2,100	\$2.81	\$2,350	\$3.14
3	2 Bedroom/ 1 Bathroom	748	\$1,650	\$2.21	\$1,650	\$2.21	\$2,350	\$3.14
4	2 Bedroom/ 1 Bathroom	748	\$1,850	\$2.47	\$1,850	\$2.47	\$2,350	\$3.14
Total		2,992	\$7,800	\$2.61	\$7,800	\$2.61	\$9,400	\$3.14

FINANCIAL ANALYSIS

PRICING DETAIL

Summary		
Price	\$1,440,000	
Down Payment	\$1,440,000	100%
Number of Units	4	
Price Per Unit	\$360,000	
Price Per SqFt	\$481.28	
Rentable SqFt	2,992	
Lot Size (SqFt)	7,560	
Approx. Year Built	1963	

Returns	Current	Year 1
CAP Rate	4.43%	5.73%
GRM	15.38	12.77
Cash-on-Cash	4.43%	5.73%
Debt Coverage Ratio	N/A	N/A

Financing	1st Loan	
Loan Amount	\$0	
Loan Type	Free and Clear	
Interest Rate	N/A	
Amortization	N/A	
Year Due	N/A	

Loan information is subject to change. Contact your Marcus and Millichap Capital Corporation representative.

# Of Units	Unit Type	SqFt/Unit	Current Rents	Market Rents
4	2 Bedroom/1 Bathroom	748	\$1,950	\$2,350

Operating Data

Income		Current		Year 1
Gross Scheduled Rent		\$93,600		\$112,800
Less: Vacancy/Deductions (GPR)	3.0%	\$2,808	3.0%	\$3,384
Total Effective Rental Income		\$90,792		\$109,416
Other Income		\$720		\$720
Effective Gross Income		\$91,512		\$110,136
Less: Expenses	30.2%	\$27,671	25.1%	\$27,671
Net Operating Income		\$63,841		\$82,465
Cash Flow		\$63,841		\$82,465
Debt Service		\$0		\$C
Net Cash Flow After Debt Service	4.43%	\$63,841	5.73%	\$82,465
Principal Reduction		\$0		\$0
Total Return	4.43%	\$63,841	5.73%	\$82,465

Expenses	Current	Year 1
Real Estate Taxes	\$16,751	\$16,751
Insurance	\$1,000	\$1,000
Utilities - Gas and Electric	\$900	\$900
Utilities - Water & Sewer	\$3,498	\$3,498
Trash Removal	\$2,604	\$2,604
Washer/Dryer	\$504	\$504
Special Assessments	\$314	\$314
Repairs & Maitenance	\$1,800	\$1,800
Fire Inspection	\$300	\$300
Total Expenses	\$27,671	\$27,671
Expenses/Unit	\$6,918	\$6,918
Expenses/SF	\$9.25	\$9.25

MARCUS & MILLICHAP CAPITAL CORPORATION CAPABILITIES

MMCC—our fully integrated, dedicated financing arm—is committed to providing superior capital market expertise, precisely managed execution, and unparalleled access to capital sources providing the most competitive rates and terms.

We leverage our prominent capital market relationships with commercial banks, life insurance companies, CMBS, private and public debt/equity funds, Fannie Mae, Freddie Mac and HUD to provide our clients with the greatest range of financing options.

Our dedicated, knowledgeable experts understand the challenges of financing and work tirelessly to resolve all potential issues to the benefit of our clients.



Closed 1,601 debt and equity financings in 2015



National platform operating within the firm's brokerage offices



\$4.9 billion total national volume in 2015



Access to more capital sources than any other firm in the industry

WHY MMCC?

Optimum financing solutions to enhance value

Our ability to enhance buyer pool by expanding finance options

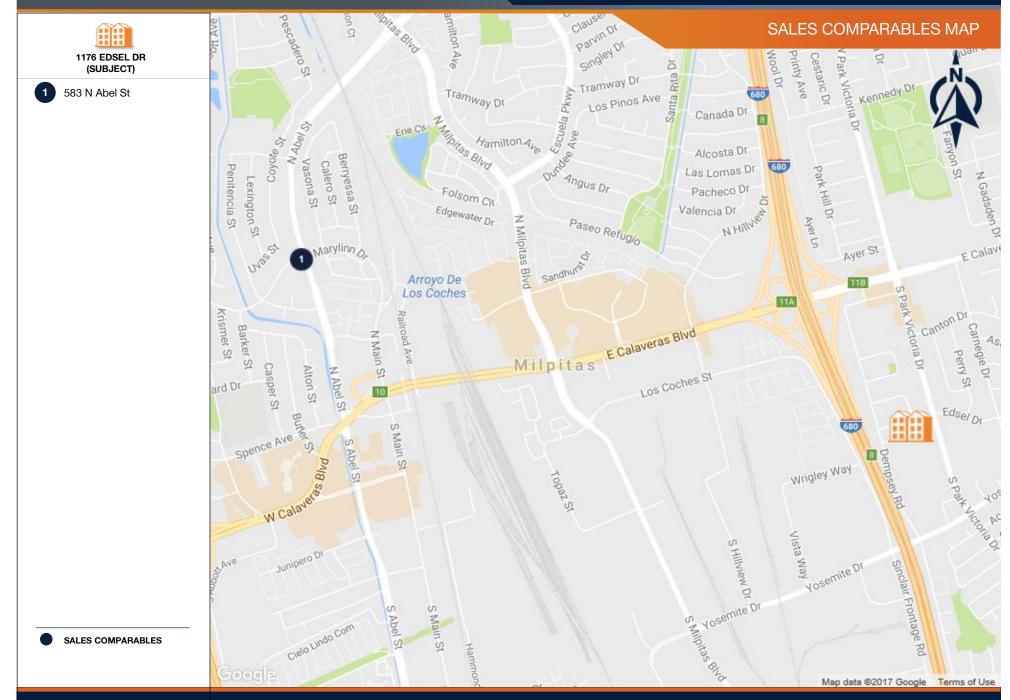
Our ability to enhance seller control

- Through buyer
 qualification support
- Our ability to manage buyers finance expectations
- Ability to monitor and manage buyer/lender progress, insuring timely, predictable closings
- By relying on a world class set of debt/equity sources and presenting a tightly underwritten credit file

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COMPARABLES



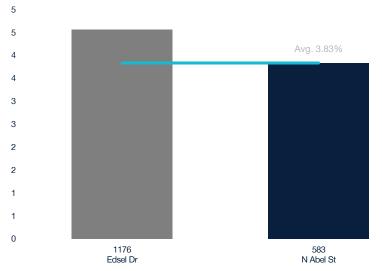


SALES COMPARABLES

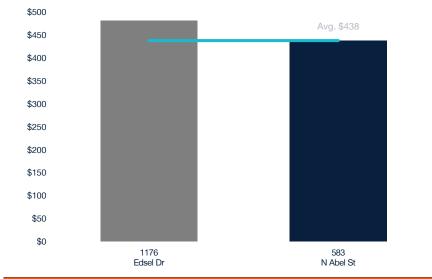
SALES COMPS AVG

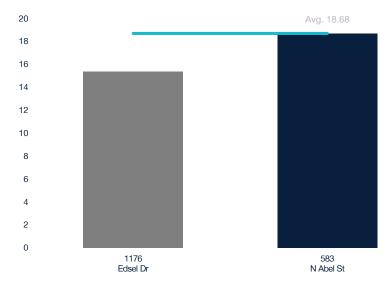
COMPARABLES





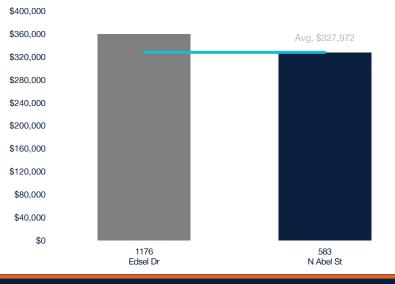
Average Price Per Square Foot







Average GRM



SALES COMPARABLES

COMPARABLES

1176 EDSEL DR 1176 EDSEL DR, MILPITAS, CA, 95035



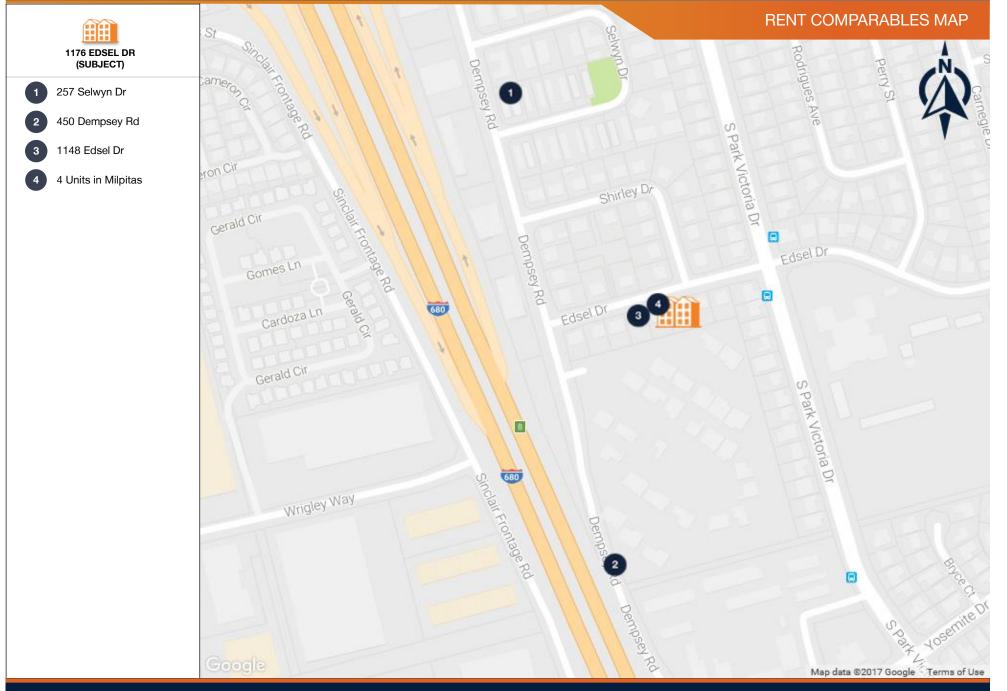
		Units	Unit Type
Offering Price:	\$1,440,000	4	2 Bdr 1 Bath
Price/Unit:	\$360,000		
Price/SF:	\$481.28		
CAP Rate:	4.56%		
GRM:	15.38		
Total No. of Units:	4		
Year Built:	1963		

Underwriting Criteria			
Income	\$91,512	Expenses	\$25,871
NOI	\$65,641	Vacancy	(\$2,808)

583 N ABEL ST, MILPITAS, CA, 95035

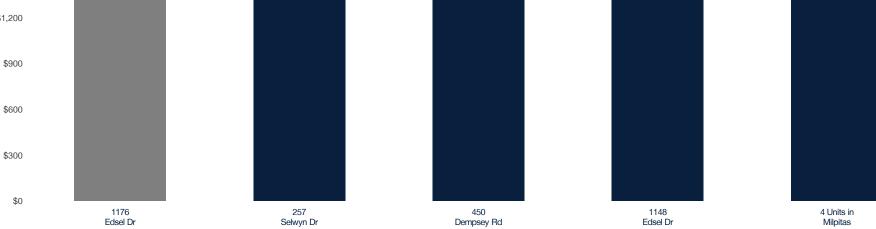


		Units	Unit Type
Close Of Escrow:	4/8/2016	4	2 Bdr 1 Bath
Sales Price:	\$1,311,888		
Price/Unit:	\$327,972		
Price/SF:	\$438.00		
Cap Rate:	3.83%		
GRM:	18.68		
Total No. of Units:	4		
Year Built:	1962		



AVERAGE RENT - MULTIFAMILY

2 Bedroon \$3,00 \$2,700 \$2,000 \$2,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000 \$1,000



COMPARABLES



Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath	4	748	\$1,950.00	\$2.61
Total/Avg.	4	748	\$1,950.00	\$2.61

YEAR BUILT: 1963

257 SELWYN DR 257 SELWYN DR, MILPITAS, CA, 95035



Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath	6	640	\$2,145	\$3.36
Total/Avg.	6	640	\$2,145.00	\$3.36

YEAR BUILT: 1962

450 DEMPSEY RD 450 DEMPSEY RD, MILPITAS, CA, 95035



Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath	1	848	\$2,200	\$2.60
Total/Avg.	1	848	\$2,200.00	\$2.60

YEAR BUILT: 2007

NOTES

Property has modern finishes and nice ammenities

1148 EDSEL DR, MILPITAS, CA, 95035



Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath	4	748	\$1,750	\$2.34
Total/Avg.	4	748	\$1,750.00	\$2.34

4 UNITS IN MILPITAS

1162 EDSEL DR, MILPITAS, CA, 95035



Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath	4	748	\$1,800-\$2,100	\$2.61
Total/Avg.	4	748	\$1,950.00	\$2.61

YEAR BUILT: 1963

NOTES

Property has plenty of deferred maintenance

YEAR BUILT: 1963

NOTES

Property Located directly next door to Subject Property

MARKET OVERVIEW





Market Highlights

Premier high-tech center

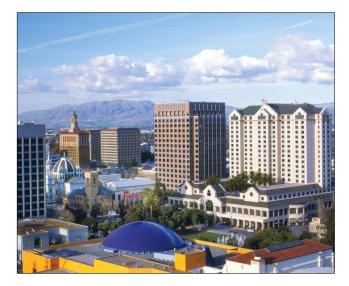
• Silicon Valley's dense concentration of high-tech jobs is world renowned.

High incomes

• San Jose's 2015 median yearly household income was nearly \$50,000 higher than the U.S. median.

Highly educated workforce

• More than 45 percent of residents have at least a bachelor's degree, well above the U.S. average.



Geography

The San Jose-Sunnyvale-Santa Clara metro is located at the southern end of the San Francisco Bay and encompasses Santa Clara County. The Santa Clara Valley runs the entire length of the county, flanked by the rolling hills of the Diablo Range on the east and the Santa Cruz Mountains on the west. Salt marshes and wetlands lie to the northwest, adjacent to the San Francisco Bay. A large portion of the county's 1,315 square miles is unincorporated ranch and farmland.



San Jose-Sunnyvale-Santa Clara Metro

SAN JOSE

Metro

The San Jose metro contains more than 1.9 million inhabitants in 15 cities. More than half of the county's residents are in the city of San Jose. It is the metro's largest city with 1,005,300 residents, followed by Sunnyvale and Santa Clara. An annual population growth rate of 0.9 percent is projected over the next five years for the county.

Infrastructure

San Jose is serviced by extensive freeway, expressway and rail systems. Amtrak and Caltrain offer passenger and commuter rail service to San Francisco and Sacramento. The Altamont Commuter Express operates commuter rail to Pleasanton and Stockton, while the Santa Clara Valley Transit Authority (VTA) runs local light rail. There are more than 50 light-rail stations through which passengers can connect to VTA bus service or Caltrain.

The area is directly served by the Norman Y. Mineta San Jose International Airport and three general aviation facilities: Reid-Hillview, Palo Alto and South County. Additional air service is available at San Francisco International and Oakland International airports, each fewer than 40 miles away.

The San Jose Metro is:

- 45 miles from San Francisco
- 120 miles from Sacramento
- 340 miles from Los Angeles
- 690 miles from Portland

Airports

- Norman Y. Mineta San Jose International
- General Aviation Reid-Hillview, Palo Alto and South County

Major Roadways

- Interstates 280, 680 and 880
- San Tomas, Montague and Capitol expressways
- State Routes 17, 82, 85, 87, 130 and 237

Rail

- Passenger Amtrak
- Commuter Caltrain and ACE
- Light rail VTA



Largest Cities in Metro by Population		
San Jose	1,005,300	
Sunnyvale	148,900	
Santa Clara	124,000	
Mountain View	79,600	
Milpitas	70,700	
Palo Alto	69,100	

* Forecast

Sources: Marcus & Millichap Research Services; U.S. Census Bureau; Experian

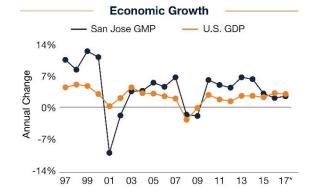


Economy

After six years of strong gains, the San Jose Gross Metro Product (GMP) is estimated to grow by approximately 2 percent this year, slightly below the national rate. Retail sales are expected to increase by nearly 3.9 percent during this period, also below the U.S. level.

Silicon Valley, the world's premier high-technology hub, was fueled by venture capital funds received in the 1990s. Today, there are 14 Fortune 500 companies headquartered in San Jose. These include Intel, Cisco Systems, Apple Inc. and Google Inc. The health of the high-tech industry remains crucial to San Jose's economic landscape. Future growth in this industry will bode well for the local economy.

The number of businesses that support the high-tech industry has increased, driving professional and business services to become the largest local employment sector. The area's many colleges and universities, including Stanford, San Jose State and Santa Clara, support these companies by graduating thousands of engineering and computer science students into the local workforce.







* Forecast

Sources: Marcus & Millichap Research Services; Bureau of Economic Analysis; Moody's Analytics; U.S. Census Bureau; Fortune

Millichap & Millichap

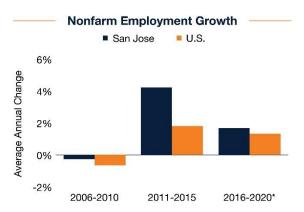
SAN JOSE

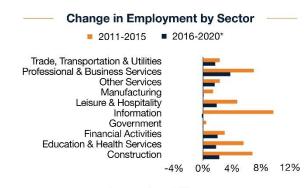
Labor

The San Jose employment base contains more than 1 million workers, ranking the metro as one of the 30 largest job markets in the nation. Employment growth is forecast to average 1.7 percent annually through the next five years amid gains in most segments. The area's concentration of jobs in the information sector is more than triple the U.S. average, comprising 7.2 percent of total metro employment.

The Silicon Valley has evolved into a center for the design and support of high-tech systems, with the actual manufacturing processes of these products now occurring in lower-cost areas elsewhere. As a result, professional and business services has become the largest employment sector in the metro, accounting for 21 percent of all jobs, while manufacturing makes up only 15 percent. After rapid growth in the professional and business services over the previous five years, the sector is now expected to expand at a more modest annual 3.8 percent through 2020.

The education and health services segment, making up 15 percent of area jobs, is forecast to increase at an average annual pace of 1.8 percent. As the San Jose population rises, demand for these services will continue to grow.





Average Annual Change

* Forecast Sources: Marcus & Millichap Research Services; BLS; Moody's Analytics



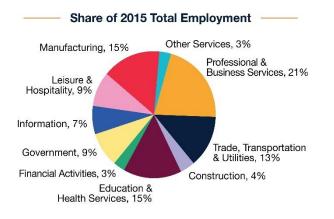
Employers

Large employers in the San Jose metro include high-tech industry giants Cisco Systems, Apple, eBay, Google and Hewlett-Packard. Many of these large-scale employers are among the top places to work.

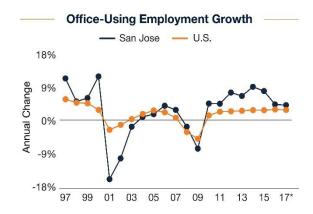
Not all of the area's job providers are large corporations. More than 60 percent of companies in San Jose have fewer than five workers. Many of these are small startups or businesses that provide support services to the growing tech industry.

With the return of venture capital flowing into the metro economy, San Jose offers some of the most exciting employment opportunities that the tech world has to offer. Some of today's startups will likely become tomorrow's key players in the industry, a trend that has fostered a lively enterprise culture.

Other major employers are the numerous institutions of higher education that are located in Santa Clara County, including San Jose State University, Stanford and Santa Clara State University. Tens of thousands of jobs are created by these academic institutions.



Major Employers		
Cisco Systems		
County of Santa Clara		
Kaiser Permanente Northern California		
Hewlett-Packard Co.		
City of San Jose		
IBM		
eBay		
Xilinx		
San Jose State University		
Apple		



* Forecast Sources: Marcus & Millichap Research Services; BLS; Moody's Analytics; Experian



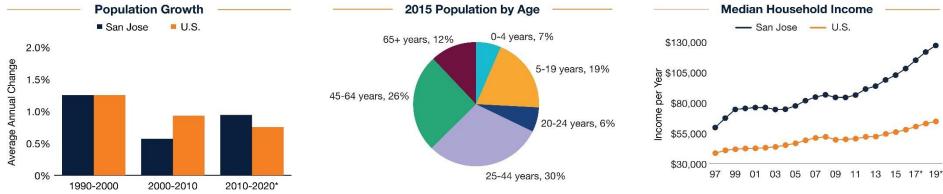
Demographics

The San Jose metro has more than 1.9 million residents. Population growth is expected to be 0.9 percent annually through the coming five years, slightly outpacing national growth projections.

The residents of the metro are highly educated, with more than 45 percent of adults 25 and older having obtained at least a bachelor's degree. This level of education attainment is drastically higher than the U.S. average of 28.8 percent. Furthermore, more than 20 percent of all residents have completed a degree at the graduate or professional level. These figures hold positive implications for the local economy, as college-educated workers typically earn more than their non-college-educated counterparts.

Growth in the share of affluent households in the metro provides striking evidence of the advantages of higher education. In 2015, 27 percent of households earned at least \$150,000; this rate will continue to expand over the next five years.

The median household income remains high at \$102,800 annually, far above the U.S. median of \$56,100 per year. The local median household income will increase at an annual pace of 5 percent through 2020. Even though incomes are above the national average, high home prices make housing affordability difficult for many residents, sustaining demand for rental housing.



* Forecast Sources: Marcus & Millichap Research Services; AGS; Experian; Moody's Analytics; U.S. Census Bureau



Quality of Life

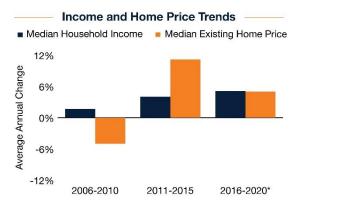
The San Jose metro has an enviable combination of major universities that produce a highly educated workforce, cutting-edge firms and exceptional affluence. The metro enjoys a Mediterranean climate and a lifestyle considered fast-paced yet "California casual."

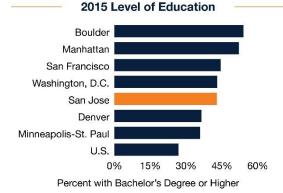
Residents can visit a plethora of museums including the San Jose Museum of Art, Children's Discovery Museum of San Jose, Rosicrucian Egyptian Museum and the Tech Museum of Innovation.

Santa Clara County is home to many performing arts companies, such as the Symphony Silicon Valley, Ballet San Jose Silicon Valley, Opera San Jose and the Children's Musical Theater of San Jose. The city also hosts the annual Cinequest Film Festival and the San Jose Jazz Festival.

The San Francisco 49ers play their home games at Levi's Stadium and the San Jose Sharks hockey team plays at the SAP Center. Other sports venues include the San Jose Municipal Stadium and Buck Shaw Stadium.

Santa Clara County has an extensive park system that includes Henry W. Coe State Park, Almaden Quicksilver County Park and Vasona Park. San Jose's ideal location is only minutes away from San Francisco and some of the world's finest wine-producing regions, notably the Napa, Sonoma and Alexander valleys.







* Forecast

Sources: Marcus & Millichap Research Services; National Association of Realtors®; Moody's Analytics; U.S. Census Bureau



SAN JOSE METRO AREA

Investors Show Long-Term Optimism as Development Rises

Expanding labor market supporting household formation; robust deliveries beginning to affect operations. San Jose is experiencing tremendous growth well in excess of the national average. A vibrant startup scene, combined with multiple large corporations, is supporting outsize growth in both payrolls and wages, creating demand for local housing. In an effort to meet this housing need, developers have ramped up the pace of construction to a multidecade high. The quick pace of supply growth has had a broad impact on operations, particularly in the Class A segment, which has seen vacancy tick up in key submarkets as tenant optionality improved. However, more affordable alternatives have remained tremendously resilient. While vacancy will continue to trend higher through 2017 as supply comes online, the longer-term supply and demand picture remains incredibly supportive. The rise in vacancy will cause a slowdown in the growth rate of rents, which will remain largely unchanged metrowide in 2016.

Supply growth not halting price appreciation; investors stay focused on quality assets near

corporate campuses. Bolstered by the low interest rate environment, investors of all sizes are deploying capital for San Jose metro assets. Although the pace of supply injections is beginning to push vacancy rates higher, the level remains extremely tight, supporting a long-term view of multifamily assets in the market. The majority of metro participants have transitioned their outlays toward Class C properties, which remain insulated from supply pressures at the higher end of the market. Cap rates remain in the mid- to high-4 percent range, with an additional 50 basis points in either direction possible based on quality and location. Offerings near corporate campuses and transportation routes will remain well sought after, while properties in need of significant improvement have seen a widening spread between buyers and sellers as operations have become less certain. The resulting environment will create opportunities for buyers wishing to purchase assets for the long term and current holders wishing to exit.

2016 Multifamily Forecast		
3.3% increase in total employment	Employment: In 2016, San Jose organizations will hire 35,000 new workers, expanding payrolls by 3.3 percent as office-using firms add to staffs. Last year, 42,500 people found work, a 4.2 percent expansion driven by education and professional services.	
5,900 units will be completed	Construction: Developers will increase the pace of completions this year, finishing 5,900 apartments with a primary emphasis on the South San Jose and North San Jose/Milpitas submarkets. Last year, construction firms placed 3,470 units in service.	
60 basis point increase in vacancy	Vacancy: The metrowide vacancy rate will rise 60 basis points this year to 4 percent as development outpaces demand for apartments. The vacancy rate dipped 10 basis points in the prior year as supply and demand were roughly in balance.	
0.2% increase in effective rents	Rents: Rent growth will slow in 2016 as development surges, prompting a 0.2 percent climb in the average asking rent to \$2,478 per month. This follows a 7.9 percent growth rate in the prior yearlong period.	

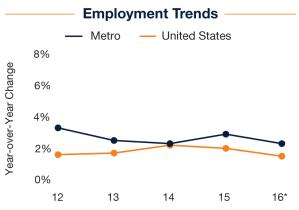


Economy

- During the first three quarters of 2016, local organizations created 35,300 positions, bringing job growth over the past year to 3.4 percent. This represents a modest slowdown from the prior year, when 39,800 workers were hired, a 3.9 percent climb.
- Although the pace of job creation is slowing, the composition of new staffers has remained excellent, with high-paying office-using companies making up the bulk of recent additions. The professional and business services sector provided 17,500 jobs over the past year, while 3,200 information sector workers were hired.
- Labor market improvement has had a substantial effect on the unemployment rate, which fell to 3.9
 percent at the end of the second quarter, down 20 basis points from the prior year.
- Outlook: A broad employment base will foster the creation of 35,000 jobs this year, a 3.3 percent rise in employment.

Housing and Demographics

- The planning pipeline is shrinking as the pace of deliveries has accelerated. Multifamily permitting is down nearly 30 percent over the past year. Meanwhile, single-family home permits rose by roughly the same amount, indicating that builders are ramping up construction.
- During the last 12 months, the median household income rose 4.5 percent to more than \$105,000 per year. Over the same period, single-family home prices surged 7.7 percent to more than \$1.03 million on average.
- After accounting for a down payment, taxes and insurance, the average mortgage payment is more than \$5,000 per month. Meanwhile, the average apartment rent is \$2,477 per month, indicating a substantial gap in affordability. The minimum qualifying income for a mortgage is above \$223,000 per year, more than double the metro average.
- Outlook: The lack of ability among most residents to purchase a single-family home will prompt significant absorption of apartments, particularly in well-located neighborhoods near corporate campuses.



* Forecast

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Economy.com



^{**} Trailing 12 months through 3Q Sources: Marcus & Millichap Research Services; Economy.com; NAR

SAN JOSE METRO AREA

Construction

- Developers have completed nearly 3,200 apartments during the first three quarters of 2016, bringing deliveries over the past year to 4,700 units. The bulk of new supply has come online in the South San Jose submarket, with more than 1,350 brought to market already this year.
- Multifamily development will remain robust in 2017, with more than 3,500 units slated for delivery targeting a wide array of submarkets. The Irvine Co.'s Monticello, a 825-unit project in Santa Clara, will highlight deliveries.
- Planned completions for the remainder of the year will target the Central San Jose and North San Jose/Milpitas submarkets, with deliveries reaching 716 units and 958 apartments, respectively.
- Outlook: Developers will complete 5,900 rentals this year, focusing primarily on neighborhoods in Santa Clara. In 2015, builders delivered 3,500 new units.



Sources: Marcus & Millichap Research Services: MPF Research

Vacancy

- Over the past year ending in September, the metro vacancy rate rose 120 basis points to 3.7 percent as deliveries far exceeded net absorption. In the prior four quarters, vacancy ticked up 20 basis points.
- Significant development in the South San Jose submarket did little to overall vacancy trends as tenants sought affordability, with vacancy advancing 30 basis points to 2.6 percent by the end of the third quarter. Central San Jose, despite receiving less than 250 new units, posted a 230-basis-point rise in vacancy to 4.7 percent.
- Limited development in East San Jose contributed to the tightest vacancy rate of any metro submarket. The area registered a 60-basis-point rise in vacancy to 1.4 percent. Class C vacancy ended the third quarter at 1.0 percent, while the highest vacancy was 3.6 percent in Class A properties.
- Outlook: One of the largest supply increases of the current cycle will trigger a 60-basis-point rise in the metro vacancy rate to 4 percent. This follows a 10-basis-point decline in the previous year.



Sources: Marcus & Millichap Research Services; MPF Research



Rents

- During the last four quarters, the average effective rent declined 1.4 percent to \$2,477 per month as the robust pace of construction overwhelmed still-strong demand for rentals. An incredible 10.7 percent surge was recorded in the prior year.
- Bucking the broader slowdown in rent growth, the Central San Jose submarket posted a 4.9 percent advancement in marketed pricing to \$2,462 per month. Class A rent increases, more than 20 percent over the past year, offset relative declines in Class B and C product.
- The South Sunnyvale/Cupertino and Mountain View/Palo Alto/Los Altos recorded the biggest drop in effective rents, which slid 3.3 percent to \$2,826 per month and 2.6 percent to \$2,916 per month. Class C apartments, however, recorded gains, as Class B and A product declined or remained unchanged.
- Outlook: The average effective rent will tread water in 2016, rising 0.2 percent to \$2,478 per month. Last year, the average effective rent soared 7.9 percent over the course of the four-quarter period.



Sources: Marcus & Millichap Research Services: MPF Research

Sales Trends

- Investors are showing little sign of slowing allocations to the metro as development rises due to the lack of available land. Trading volume was roughly in line with the prior year, while dollar volume soared past \$2 billion in closed transactions.
- The average price per unit paid over the past four quarters was in the high-\$200,000 to low-\$300,000 range. Properties in Palo Alto, Sunnyvale and Mountain View exchanged ownership well above average prices.
- The average first-year return has remained in the mid-4 percent band, extending into the low-4 percent range for institutional trades. The majority of closed sales will price in the mid- to high-4 percent return spectrum.
- Outlook: While investors will continually monitor planned completions in the metro, the dynamic labor market and lack of affordable single-family homes is likely to drive long-term apartment investors to deploy capital in the metro. Well-located properties near transportation routes remain in high demand.



^{**} Trailing 12 months through 3Q

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

SAN JOSE METRO AREA

Capital Markets

- The initial reading of third quarter GDP of 2.9 percent and consistent growth in employment are fanning expectations that the Federal Reserve will raise its benchmark short-term lending rate at its December meeting. Other economic data showing steady improvement in the housing market and the stabilization of oil prices around \$50 per barrel offer signals that the U.S. economy is growing at a sustainable pace.
- Increasing rental housing demand underpinned a decline in the U.S. apartment vacancy rate of 60 basis points to 3.5 percent year to date through the third quarter, the lowest level this cycle. Apartment builders have responded to growing demand and favorable demographic trends by ramping up construction. Completions will rise to 320,000 units this year and peak in 2017.
- Capital markets remain highly competitive, offering an assortment of fixed-rate products available through commercial banks, life-insurance companies, CMBS and agency lenders. Fannie Mae and Freddie Mac are underwriting loans of 10 years at maximum leverage of 80 percent. Rates will typically reside in the high-3 to low-4 percent range, depending on underwriting criteria. Portfolio lenders will also price in this vicinity but will typically require loan-to-value ratios in the 65 to 75 percent band. Floating-rate bridge loans and financing for asset repositioning are typically underwritten with LTVs 70 to 75 percent of stabilized value (80 to 85 percent of cost) and price 300 basis points above Libor for recourse deals and extending to 450 basis points above Libor for non-recourse transactions.

Local Highlights

- Related Cos. has received approval for a \$6.5 billion project that will be known as City Place in Santa Clara. The 9.7 million-square-foot City Place is the largest
 private construction deal ever in Silicon Valley, with plans calling for between 200 and 1,680 apartments, 5.7 million square feet of offices, 1.1 million square feet of
 retail space and 700 hotel rooms surrounding a 35-acre park.
- The Irvine Co. has acquired several buildings in the Peery Park neighborhood as it seeks to revamp the area into a mixed-use project. Filed plans would see the current industrial buildings razed to make room for roughly 2 million square feet of office space, 200,000 square feet of retail floor plates and 215 residential units.
- The Irvine Co. is also constructing the largest expected apartment completion for 2016, with River View II slated for a fourth-quarter delivery of 958 units at 250 Brandon St. in San Jose. The site will contain a clubroom, five Junior Olympic-size pools, a wine room with kitchen and dining area, and two resort-style fitness centers.

Created on January 2017

POPULATION	1 Miles	3 Miles	5 Miles
2020 Projection			
Total Population	23,406	131,145	278,634
2015 Estimate			
Total Population	23,051	127,064	266,047
2010 Census			
Total Population	22,001	117,805	242,616
2000 Census			
Total Population	21,826	111,600	216,598
Daytime Population			
2015 Estimate	14,982	177,945	436,791
HOUSEHOLDS	1 Miles	3 Miles	5 Miles
2020 Projection			
Total Households	6,387	38,762	88,929
2015 Estimate			
Total Households	6,275	37,386	83,971
Average (Mean) Household Size	3.58	3.27	3.08
2010 Census			
Total Households	6,016	34,369	75,858
2000 Census			
Total Households	5,758	31,609	63,972
Growth 2015-2020	1.78%	3.68%	5.90%
HOUSING UNITS	1 Miles	3 Miles	5 Miles
Occupied Units			
2020 Projection	6,387	38,762	88,929
2015 Estimate	6,297	37,532	84,304
Owner Occupied	4,124	24,826	48,608
Renter Occupied	2,151	12,560	35,362
Vacant	22	146	333
Persons In Units			
2015 Estimate Total Occupied Units	6,275	37,386	83,971
1 Person Units	10.66%	14.34%	17.76%
2 Person Units	21.66%	24.73%	27.11%
3 Person Units	21.82%	21.36%	20.01%
4 Person Units	20.18%	19.38%	17.57%
5 Person Units	11.70%	9.69%	8.52%
6+ Person Units	13.99%	10.49%	9.04%

Source: © 2016 Experian

Marcus & Millichap

DEMOGRAPHICS

HOUSEHOLDS BY INCOME	1 Miles	3 Miles	5 Miles
2015 Estimate			
\$200,000 or More	10.96%	12.17%	12.24%
\$150,000 - \$199,000	12.93%	13.92%	13.46%
\$100,000 - \$149,000	24.51%	25.51%	24.54%
\$75,000 - \$99,999	13.61%	13.18%	12.81%
\$50,000 - \$74,999	15.57%	13.58%	13.08%
\$35,000 - \$49,999	7.36%	6.84%	7.43%
\$25,000 - \$34,999	4.85%	4.53%	5.01%
\$15,000 - \$24,999	4.59%	4.87%	5.38%
Under \$15,000	5.62%	5.40%	6.06%
Average Household Income	\$122,255	\$128,638	\$126,964
Median Household Income	\$97,051	\$102,641	\$100,418
Per Capita Income	\$33,308	\$38,305	\$40,356
POPULATION PROFILE	1 Miles	3 Miles	5 Miles
Population By Age			
2015 Estimate Total Population	23,051	127,064	266,047
Under 20	25.94%	24.97%	25.01%
20 to 34 Years	20.37%	21.51%	22.83%
35 to 39 Years	7.39%	8.29%	8.92%
40 to 49 Years	15.39%	15.36%	14.79%
50 to 64 Years	20.74%	19.21%	18.00%
Age 65+	10.15%	10.69%	10.47%
Median Age	37.52	37.12	36.19
Population 25+ by Education Level	· · · ·		
2015 Estimate Population Age 25+	15,586	87,726	184,037
Elementary (0-8)	5.08%	4.61%	5.17%
Some High School (9-11)	8.46%	7.40%	6.61%
High School Graduate (12)	20.03%	18.08%	17.39%
Some College (13-15)	16.22%	15.83%	15.65%
Associate Degree Only	10.87%	9.10%	8.18%
Bachelors Degree Only	25.06%	26.57%	26.67%
Graduate Degree	11.27%	15.57%	17.59%
Population by Gender			
2015 Estimate Total Population	23,051	127,064	266,047
Male Population	50.11%	50.94%	50.77%
Female Population	49.89%	49.06%	49.23%



Population

In 2016, the population in your selected geography is 23,051. The population has changed by 5.61% since 2000. It is estimated that the population in your area will be 23,406.00 five years from now, which represents a change of 1.54% from the current year. The current population is 50.11% male and 49.89% female. The median age of the population in your area is 37.52, compare this to the US average which is . The population density in your area is 7,330.91 people per square mile.



Race and Ethnicity

The current year racial makeup of your selected area is as follows: 21.25% White, 2.25% Black, 0.79% Native American and 60.28% Asian/Pacific Islander. Compare these to US averages which are: White, Black, Native American and Asian/Pacific Islander. People of Hispanic origin are counted independently of race.

People of Hispanic origin make up 20.10% of the current year population in your selected area. Compare this to the US average of .



Households

There are currently 6,275 households in your selected geography. The number of households has changed by 8.98% since 2000. It is estimated that the number of households in your area will be 6,387 five years from now, which represents a change of 1.78% from the current year. The average household size in your area is 3.58 persons.



Housing

The median housing value in your area was \$553,184 in 2016, compare this to the US average of . In 2000, there were 3,885 owner occupied housing units in your area and there were 1,873 renter occupied housing units in your area. The median rent at the time was \$1,161.

Income

In 2016, the median household income for your selected geography is \$97,051, compare this to the US average which is currently . The median household income for your area has changed by 14.10% since 2000. It is estimated that the median household income in your area will be \$116,795 five years from now, which represents a change of 20.34% from the current year.

The current year per capita income in your area is 33,308, compare this to the US average, which is . The current year average household income in your area is 122,255, compare this to the US average which is .



Employment

In 2016, there are 9,099 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 63.74% of employees are employed in white-collar occupations in this geography, and 36.33% are employed in blue-collar occupations. In 2016, unemployment in this area is 5.82%. In 2000, the average time traveled to work was 24.00 minutes.

Source: © 2016 Experian

