

# 336 N. 5th Street

SAN JOSE, CA



## OFFERING MEMORANDUM



# 336 N. 5th Street

SAN JOSE, CA

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# 336 N. 5th Street

SAN JOSE, CA

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**PROPERTY DESCRIPTION**

**336 N. 5th Street**

SAN JOSE, CA

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## INVESTMENT OVERVIEW

## Investment Highlights

- Almost \$100,000 in Recent Capital Improvements
- Hard Wood Flooring & Remodeled Bathrooms in Most Units
- Considered " Very Walkable" | [www.walkscore.com](http://www.walkscore.com)
- Close to San Jose State
- \$350 Rent Increase to All Units just 6 Months Ago!
- Eligible for 8% Rent Increase in May, 2015
- "Pride of Ownership" Asset
- New Exterior Paint, Landscaping, Re-Circ Boiler & Owned W/D for Additional Income



The subject property is located at 336 North 5th Street in historic and highly desirable Downtown San Jose. This well-maintained 10-unit apartment complex has a unit mix of one (1) two-bedroom/one-bath unit, eight (8) one-bedroom/one-bath units, and one (1) large studio. The two-story multifamily structure is constructed on a concrete perimeter foundation with wood framing, stucco exterior, and a composition shingle roof which is still in great shape. The property gives way to 5,521 square feet of livable space and is situated on a 9,583 square foot lot. The tenants benefit from an on-site laundry room, new re-circulatory water heater system, and one (1) on-site parking parking space for each unit.

In addition, the majority of the units have remodeled bathrooms, real hardwood floors, and are in exceptional shape. In July, 2014 the owners renovated a recently vacated unit with a “proof of concept” to show that the pro-forma rents in the area are achievable. Almost \$100,000 went into the exterior of the property, landscaping, new subflooring, plumbing, cabinetry, countertops, full shower/bathroom/kitchen, flooring and fixtures. The unit will be left open and on lockbox for the duration of the listing period to allow buyers to see the potential for remodeled units in this incredibly fast moving rental market.

The current owners have managed the building with a local property management company for the entirety of their ownership, and have been pushing the property’s rents up as permitted with a debt-service pass-through to obtain drastically higher rents in the past few months. With the Downtown San Jose rental market continuing to rise, 336 North 5th Street offers huge upside rent potential of close to 25% based on the enclosed rent comps.

This property benefits from its prime location within one of the most desirable rental submarkets in the South Bay. All major freeways including Highway 280, 880, and 87 are nearby making it an ideal location for the everyday commuter. It is conveniently located in the heart of San Jose amongst numerous restaurants and entertainment venues including the San Jose Museum of Art and the SAP Center, which is home of the San Jose Sharks of the National Hockey League. 336 North 5th Street will provide one lucky investor with a true “Pride of Ownership” income property with huge upside potential in one of the fastest growing and most dynamic cities in the country.

### PROPERTY SUMMARY

#### The Offering

Property Address	336 N. 5th Street San Jose, CA 95112
Assessor's Parcel Number	249-48-013
Zoning	RM

#### Site Description

Number of Units	10
Number of Buildings	1
Number of Stories	2
Year Built/Renovated	1957 / 2014
Rentable Square Feet	5,515
Lot Size	0.23 AC
Type of Ownership	Fee Simple
Parking	Carpport (Most Are Covered)
Parking Ratio	1:1
Landscaping	Brand New   Low Maintenance
Topography	Flat

#### Utilities

Water	Owner Paid
Phone	Tenant Paid
Electric	Tenant Paid
Gas	Tenant Paid

#### Construction

Foundation	Concrete - Perimeter
Framing	Wood
Exterior	Stucco
Parking Surface	Asphalt

PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS

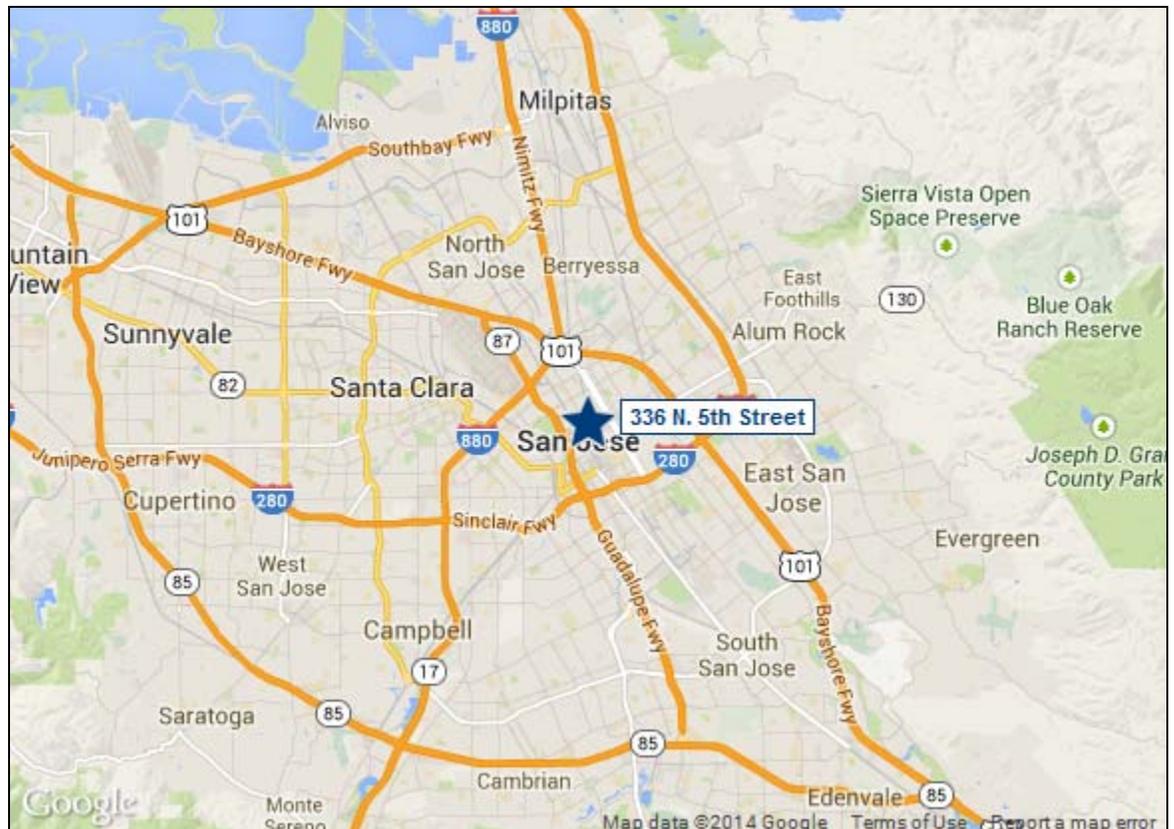




Local Map



Regional Map

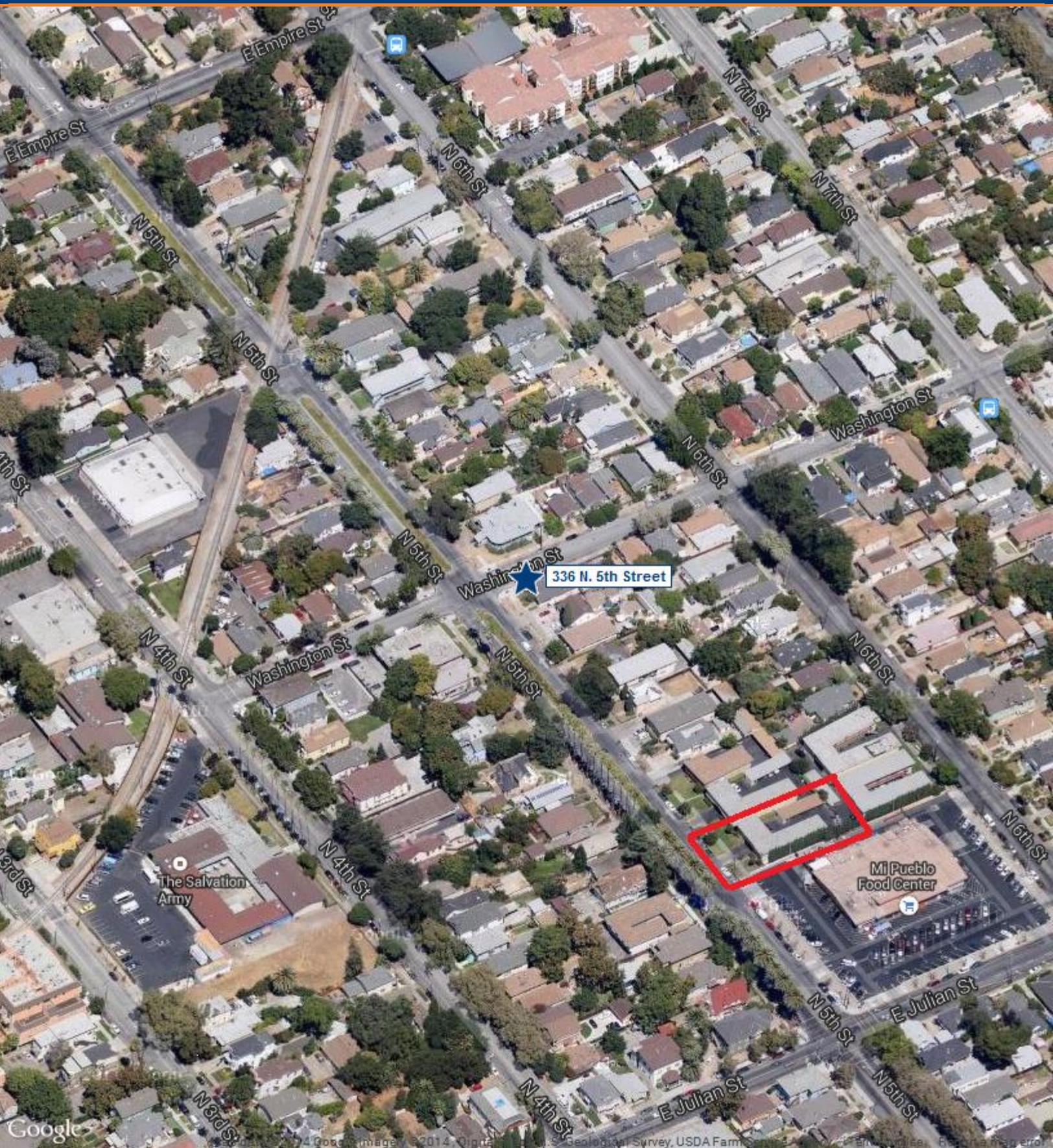


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# 336 N. 5th Street

SAN JOSE, CA

## PROPERTY DESCRIPTION



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PRICING AND FINANCIAL ANALYSIS

**336 N. 5th Street**

SAN JOSE, CA

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### OFFERING SUMMARY



#### Unit Mix

No. of Units	Unit Type	Approx. Square Feet
1	2 Bdr 1 Bath	700
8	1 Bdr 1 Bath	535
1	Studio	450
<b>10</b>	<b>Total</b>	<b>5,515</b>

#### Major Employers

Company	Local Employees
Google	20,250
Stanford University Medical Center	19,637
Microsoft	16,850
Lockheed Martin Corp	11,227
Cisco Systems	8,730
LinkedIn	5,045
Facebook	2,150
Apple	2,008
Hadco Santa Clara Inc	2,000
Lightconnect Inc	2,000
Coast Personnel Services Inc	1,895
Smtc Manufacturing Corp Cal	1,875

#### Demographics

	1-Mile	3-Miles	5-Miles
2013 Total	36,241	240,021	631,773
2018 Total	37,806	246,930	650,259
2013 Total	12,957	77,918	202,771
2018 Total	13,939	81,831	212,132
Median HH Income	\$55,857	\$61,292	\$72,073
Per Capita Income	\$31,861	\$29,796	\$32,411
Average (Mean) HH	\$85,660	\$89,425	\$99,633

Price	\$2,280,000
Down Payment	100% / \$2,280,000
Price/Unit	\$228,000
Price/SF	\$413.42
Number of Units	10
Rentable Square Feet	5,515
Number of Buildings	1
Number of Stories	2
Year Built/Renovated	1957 / 2014
Lot Size	0.23 AC

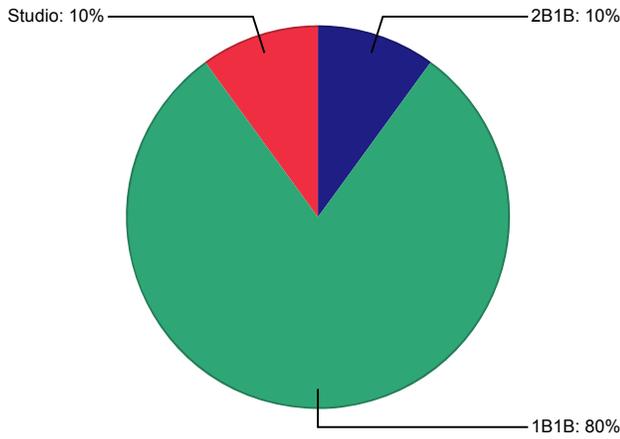
#### Vital Data

CAP Rate - Current	4.66%
GIM - Current	14.27
Net Operating Income - Current	\$106,231
CAP Rate - Pro Forma	7.11%
GIM - Pro Forma	10.47
Net Operating Income - Pro Forma	\$162,162

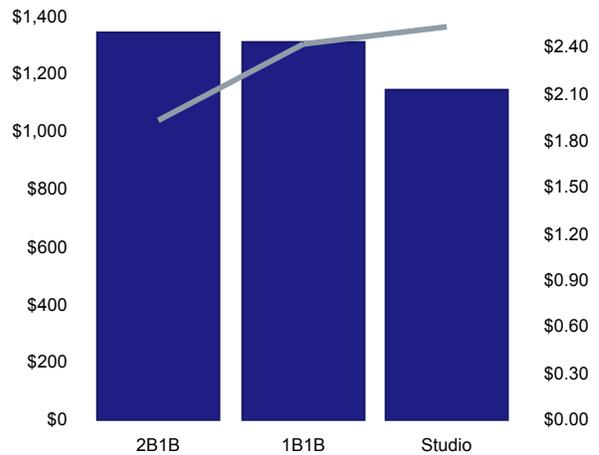
UNIT MIX

No. of Units	Unit Type	Approx. Square Feet	Current Rents	Rent/SF	Monthly Income	Pro Forma Rents	Rent/SF	Monthly Income
1	2 Bdr 1 Bath	700	\$1,350	\$1.93	\$1,350	\$1,995	\$2.85	\$1,995
8	1 Bdr 1 Bath	535	\$1,200 - \$1,395	\$2.43	\$10,525	\$1,795	\$3.17	\$14,360
1	Studio	450	\$1,145	\$2.54	\$1,145	\$1,495	\$3.32	\$1,495
<b>10</b>	<b>TOTAL</b>	<b>5,515</b>			<b>\$13,020</b>			<b>\$17,850</b>

Unit Mix



Unit Rent & Rent/SF



RENT ROLL

Unit Number	Unit Type		Current Rent	Asking Rent	Deposit	Contract Lease Date   Eligible for Rent Increase
1	Studio	1 Bath	\$1,145	\$1,495	\$700	M2M
2	1 Bdr	1 Bath	\$1,245	\$1,795	\$800	M2M
3	1 Bdr	1 Bath	\$1,200	\$1,795	\$500	M2M
4	1 Bdr	1 Bath	\$1,200	\$1,795	\$1,100	M2M
5	1 Bdr	1 Bath	\$1,245	\$1,795	\$800	M2M
6	2 Bdr	1 Bath	\$1,350	\$1,995	\$500	M2M
8	1 Bdr	1 Bath	\$1,245	\$1,795	\$1,100	M2M
9	1 Bdr	1 Bath	\$1,395	\$1,795	\$1,395	5/20/2015
10	1 Bdr	1 Bath	\$1,200	\$1,795	\$700	M2M
11**	1 Bdr	1 Bath	\$1,795	\$1,795		
TOTAL			\$0	\$0		
10	TOTAL		\$13,020	\$17,850	\$7,595	
10	TOTAL		\$13,020	\$17,850	\$7,595	

Comments

Unit #11 had the massive renovation. Proof of Concept unit. Completely renovation with new plumbing, sub-floors, cabinets, bathroom, kitchen, flooring, carpet, fixtures, etc.

INCOME & EXPENSES

Total Number of Units: 10  
Total Rentable Area: 5,515 SF

Income	Current	Per Unit	Pro Forma	Per Unit
<b>GROSS POTENTIAL RENT</b>	<b>\$156,240</b>	<b>\$15,624</b>	<b>\$214,200</b>	<b>\$21,420</b>
<b>Other Income</b>				
Laundry Income	\$3,580	\$358	\$3,580	\$358
<b>Total Other Income</b>	<b>\$3,580</b>	<b>\$358</b>	<b>\$3,580</b>	<b>\$358</b>
<b>GROSS POTENTIAL INCOME</b>	<b>\$159,820</b>	<b>\$15,982</b>	<b>\$217,780</b>	<b>\$21,778</b>
Vacancy/Collection Allowance (GPR)	3.5% / \$5,468	\$547	3.5% / \$7,497	\$750
<b>EFFECTIVE GROSS INCOME</b>	<b>\$154,352</b>	<b>\$15,435</b>	<b>\$210,283</b>	<b>\$21,028</b>
<b>Expenses</b>				
Real Estate Taxes (1.2285%)	\$28,009	\$2,801	\$28,009	\$2,801
Special Assessment & Sewer	\$3,510	\$351	\$3,510	\$351
PG & E	\$1,645	\$165	\$1,645	\$165
Water and Trash	\$4,490	\$449	\$4,490	\$449
Cleaning and Landscaping	\$1,115	\$112	\$1,115	\$112
Insurance	\$1,552	\$155	\$1,552	\$155
Repairs and Maintenance	\$7,800	\$780	\$7,800	\$780
<b>TOTAL EXPENSES</b>	<b>\$48,121</b>	<b>\$4,812</b>	<b>\$48,121</b>	<b>\$4,812</b>
Expenses per SF	\$8.73		\$8.73	
% of EGI	31.2%		22.9%	
<b>NET OPERATING INCOME</b>	<b>\$106,231</b>	<b>\$10,623</b>	<b>\$162,162</b>	<b>\$16,216</b>

FINANCIAL OVERVIEW

Location

336 N. 5th Street  
San Jose, CA 95112

Price	\$2,280,000
Down Payment	100% / \$2,280,000
Number of Units	10
Price/Unit	\$228,000
Rentable Square Feet	5,515
Price/SF	\$413.42
CAP Rate - Current	4.66%
CAP Rate- Pro Forma	7.11%
GIM - Current	14.27
GIM- Pro Forma	10.47
Year Built/Renovated	1957 / 2014
Lot Size	0.23 AC
Type of Ownership	Fee Simple

Annualized Operating Data

Income	Current	Pro Forma
<b>Gross Potential Rent</b>	<b>\$156,240</b>	<b>\$214,200</b>
Other Income	\$3,580	\$3,580
Gross Potential Income	\$159,820	\$217,780
Less: Vacancy/Deductions (GPR)	3.5% / \$5,468	3.5% / \$7,497
Effective Gross Income	\$154,352	\$210,283
Less: Expenses	\$48,121	\$48,121
<b>Net Operating Income</b>	<b>\$106,231</b>	<b>\$162,162</b>
Net Cash Flow Before Debt Service	\$106,231	\$162,162

Expenses

Real Estate Taxes	\$28,009	\$28,009
Special Assesment & Sewer	\$3,510	\$3,510
PG & E	\$1,645	\$1,645
Water and Trash	\$4,490	\$4,490
Cleaning and Landscaping	\$1,115	\$1,115
Insurance	\$1,552	\$1,552
Repairs and Maintenance	\$7,800	\$7,800
<b>Total Expenses</b>	<b>\$48,121</b>	<b>\$48,121</b>
<b>Expenses/unit</b>	<b>\$4,812</b>	<b>\$4,812</b>
<b>Expenses/SF</b>	<b>\$8.73</b>	<b>\$8.73</b>
<b>% of EGI</b>	<b>31.18%</b>	<b>22.88%</b>

Scheduled Income

No. of Units	Unit Type	Approx. Square Feet	Current Rents	Rent/ SF	Monthly Income	Pro Forma Rents	Rent/ SF	Monthly Income
1	2 Bdr 1 Bath	700	\$1,350	\$1.93	\$1,350	\$1,995	\$2.85	\$1,995
8	1 Bdr 1 Bath	535	\$1,200 - \$1,395	\$2.43	\$10,525	\$1,795	\$3.17	\$14,360
1	Studio	450	\$1,145	\$2.54	\$1,145	\$1,495	\$3.32	\$1,495
<b>10</b>	<b>Total/Wtd. Avg.</b>	<b>5,515</b>			<b>\$13,020</b>			<b>\$17,850</b>

RECENT SALES

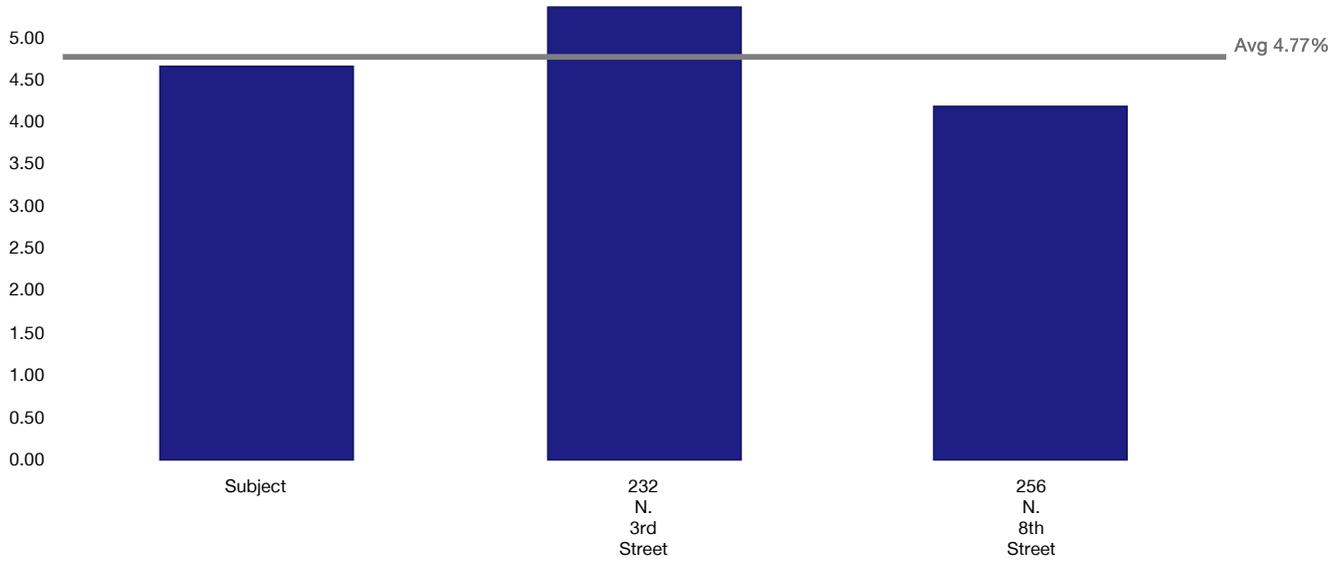
**336 N. 5th Street**

SAN JOSE, CA

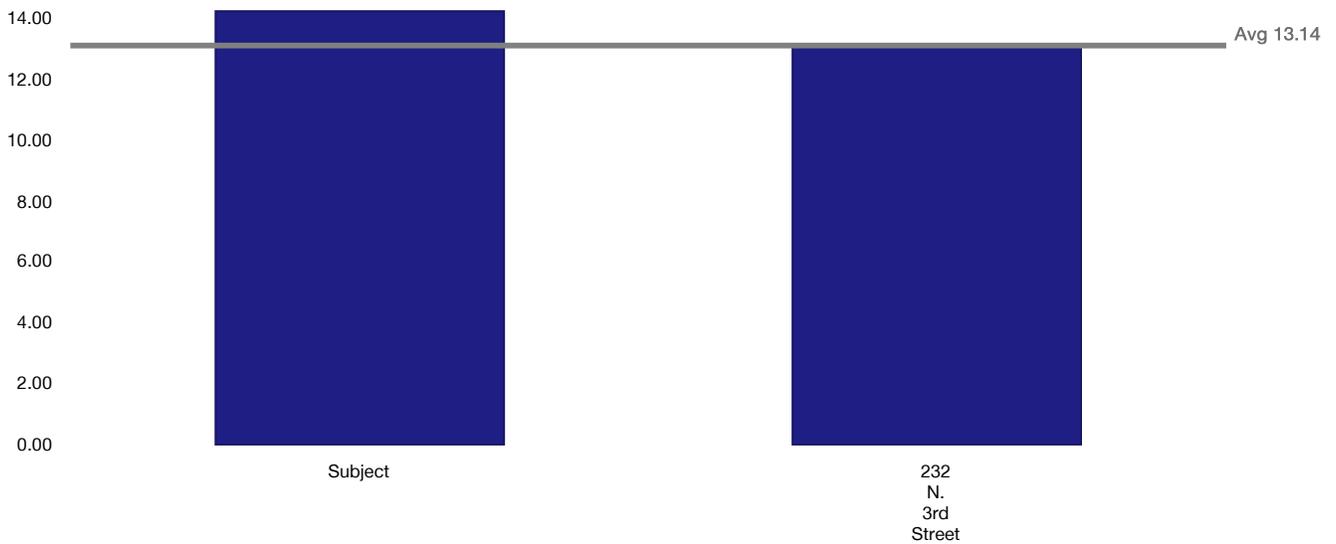
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CAP RATE AND GRM

Average Cap Rate

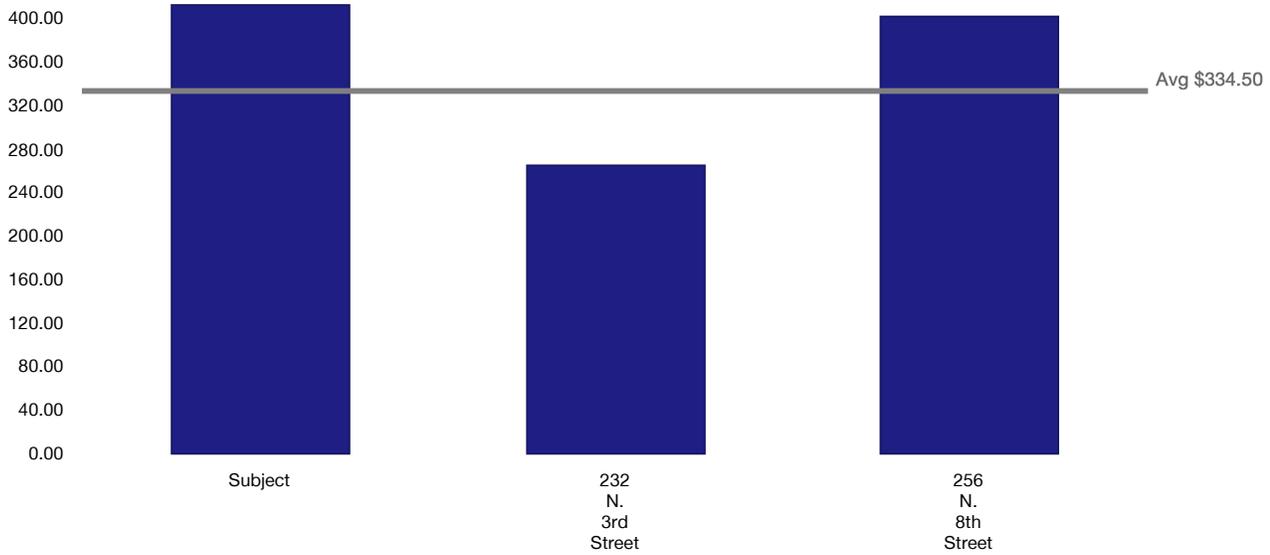


Average GRM

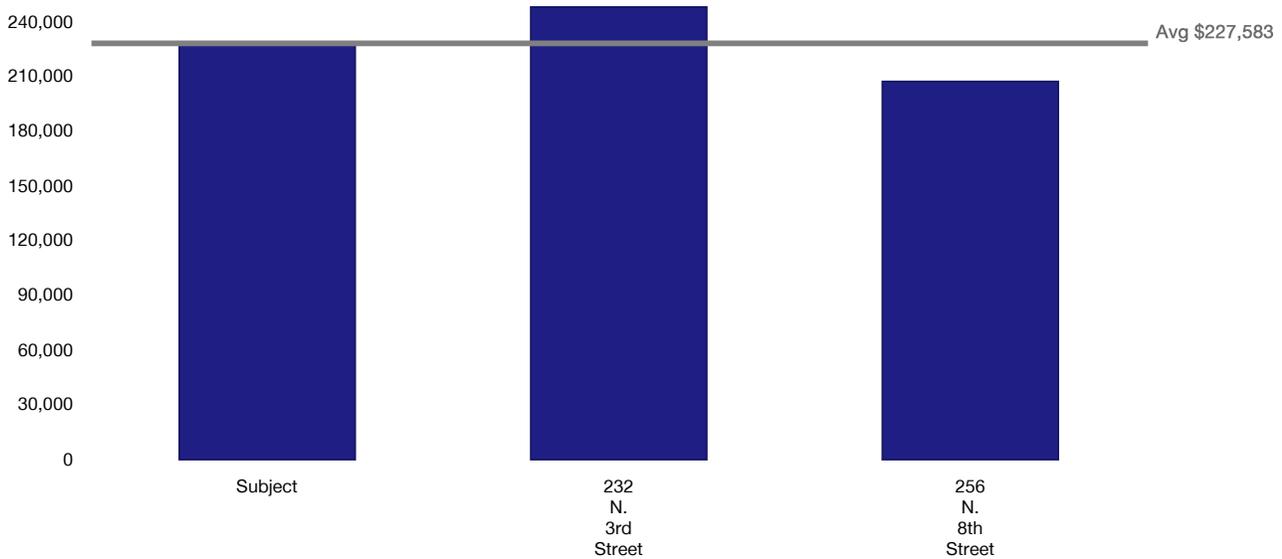


PRICE PER SF AND PRICE PER UNIT

Average Price per Square Foot



Average Price per Unit



## RECENT SALES MAP



- ★ 336 N. 5th Street
- 1) 232 N. 3rd Street
- 2) 256 N. 8th Street

## RECENT SALES



**Subject Property**

336 N. 5th Street  
San Jose, CA 95112

No. of Units: 10  
Year Built: 1957 / 2014  
Sale Price: \$2,280,000  
Price/Unit: \$228,000  
Price/SF: \$413.42  
CAP Rate: 4.66%  
GIM: 14.27

Units	Unit Type
1	2 Bdr 1 Bath
8	1 Bdr 1 Bath
1	Studio

### Comments

Subject property is in better physical condition than both comparable sales below

1



Close of Escrow: 2/21/2014

232 N. 3rd Street  
San Jose, CA 95112

No. of Units: 6  
Year Built: 1941  
Sale Price: \$1,490,000  
Price/Unit: \$248,333  
Price/SF: \$266.00  
CAP Rate: 5.35%  
GRM: 13.14

Units	Unit Type
6	1 Bdr 1 Bath

2



Close of Escrow: 5/16/2014

256 N. 8th Street  
San Jose, CA 95112

No. of Units: 12  
Year Built: 1954  
Sale Price: \$2,482,000  
Price/Unit: \$206,833  
Price/SF: \$403.00  
CAP Rate: 4.18%  
GRM:

Units	Unit Type
12	1 Bdr 1 Bath \$1,050-\$1,430

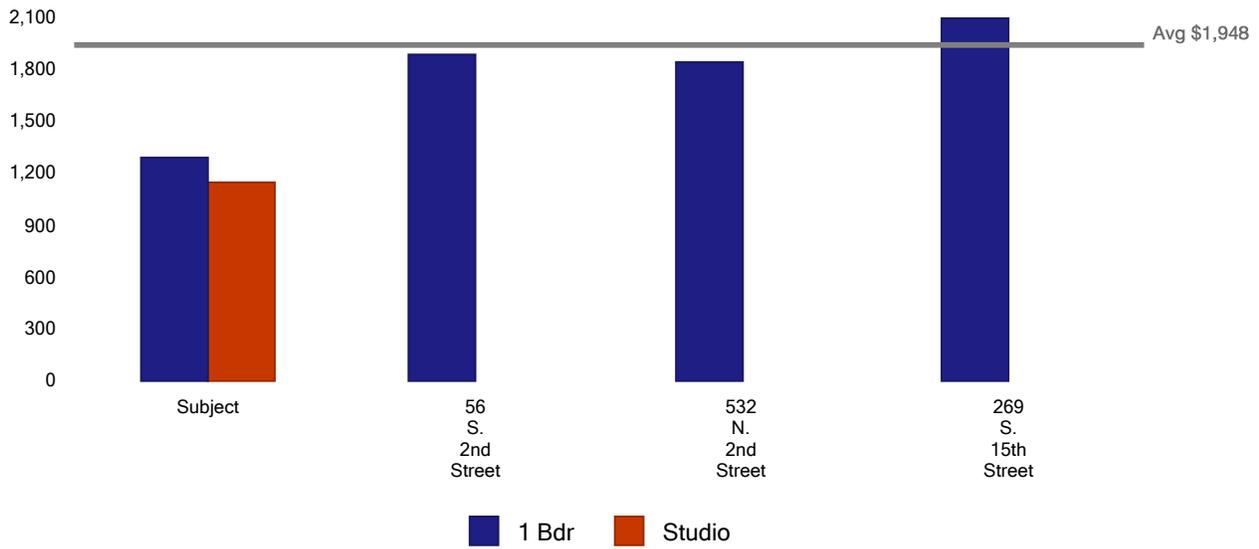
**RENT COMPARABLES**

**336 N. 5th Street**

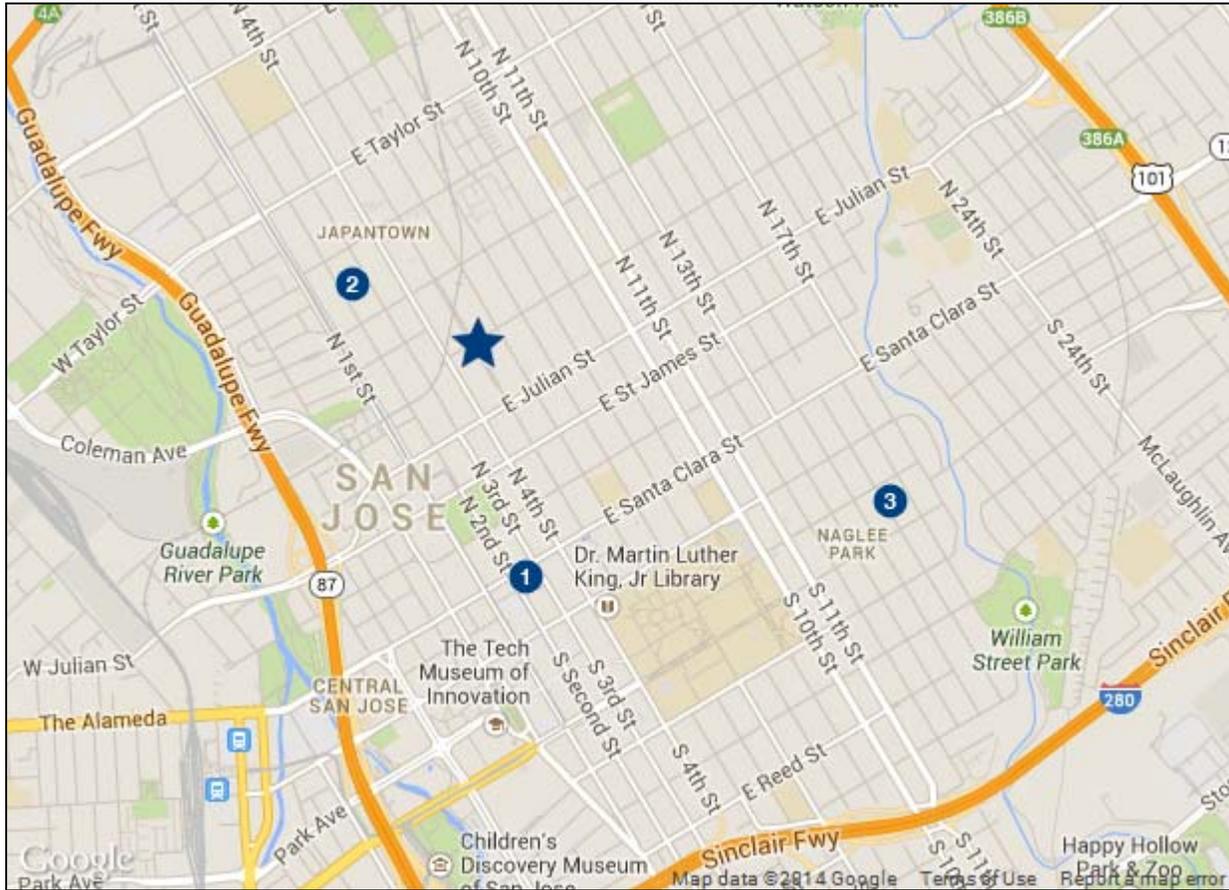
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OCCUPANCY AND AVERAGE RENTS

Average Rents - Studio and 1 Bedroom



### RENT COMPARABLES MAP



- ★ 336 N. 5th Street
- 1) 56 S. 2nd Street
- 2) 532 N. 2nd Street
- 3) 269 S. 15th Street

### RENT COMPARABLES



**Subject Property**

No. of Units: 10  
 Occupancy: 100%  
 Year Built/Renovated: 1957/2014

336 N. 5th Street  
 San Jose, CA 95112

Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath	1	700	\$1,350	\$1.93
1 Bdr 1 Bath	8	535	\$1,200 - \$1,395	\$2.43
Studio	1	450	\$1,145	\$2.54
<b>Total/Avg.</b>	<b>10</b>	<b>5,515</b>	<b>\$1,264</b>	<b>\$2.36</b>

1



No. of Units: 20  
 Occupancy:  
 Year Built: 1961

56 S. 2nd Street  
 San Jose, CA 95113

Unit Type	Units	SF	Rent	Rent/SF
1 Bdr 1 Bath		750	\$1,895	\$2.53
<b>Total/Wtd. Avg.</b>			<b>\$1,895</b>	

**Comments**

Slightly larger unit size than subject property.

2



No. of Units: 14  
 Occupancy:  
 Year Built: 1956

532 N. 2nd Street  
 San Jose, CA 95112

Unit Type	Units	SF	Rent	Rent/SF
1 Bdr 1 Bath		500	\$1,850	\$3.70
<b>Total/Wtd. Avg.</b>			<b>\$1,850</b>	

**Comments**

Smaller than unit sizes of subject property. Laminate floors, wall furnaces, white cabinets and appliances. Very "rental grade".

RENT COMPARABLES

3



269 S. 15th Street  
San Jose, CA 95112

Unit Type	Units	SF	Rent	Rent/SF
1 Bdr 1 Bath		650	\$2,099	\$3.23
<b>Total/Wtd. Avg.</b>			<b>\$2,099</b>	

No. of Units                    3  
Occupancy:  
Year Built/Renovated:       1910

**Comments**

More of a homestyle feel as this is a triplex. Unit size estimated by owner and slightly larger than subject property. Inferior location to subject.

**MARKET OVERVIEW**

**336 N. 5th Street**

SAN JOSE, CA

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SAN JOSE

**Market Highlights**

Premier high-tech center

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

High incomes

- San Jose’s 2013 median yearly household income was more than \$46,000 higher than

Highly educated work force

- More than 45 percent of residents have 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 nearly 1.9 million inhabitants in 15 cities. Approximately half of the county’s residents are located in the city of San Jose. It is the metro’s largest city with 975,600 residents, followed by Sunnyvale and Santa Clara. An annual growth rate of 0.5 percent is projected over the next five years for the county.

**Infrastructure**

San Jose is serviced by an extensive freeway and expressway infrastructure and a well-developed rail system. 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.



**Largest Cities in Metro by Population**

San Jose	975,600
Sunnyvale	144,000
Santa Clara	120,300
Mountain View	76,800
Milpitas	68,700
Palo Alto	67,200

Sources: Marcus & Millichap Research Services, Experian

**Airports**

- Norman Y. Mineta San Jose International
- General Aviation - Reid-Hillview, Palo Alto, 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, ACE
- Light rail - VTA

**The San Jose Metro is:**

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

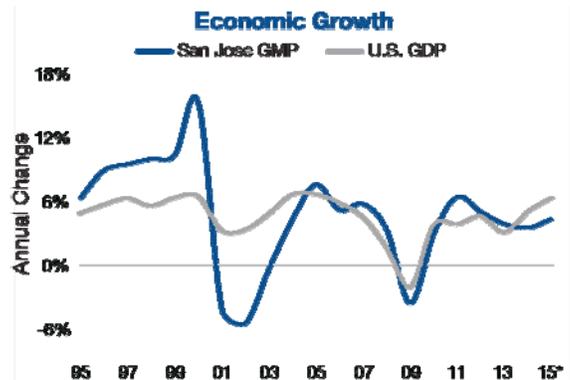
SAN JOSE

**Economy**

The long-term outlook for the San Jose metro economy remains positive. After temporarily stalling during the recession, inflows of venture capital have returned to the region. This will help the San Jose Gross Metro Product (GMP) grow at approximately 3.5 percent throughout 2014. Retail sales are expected to increase by nearly 5.0 percent during this period.

The 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.

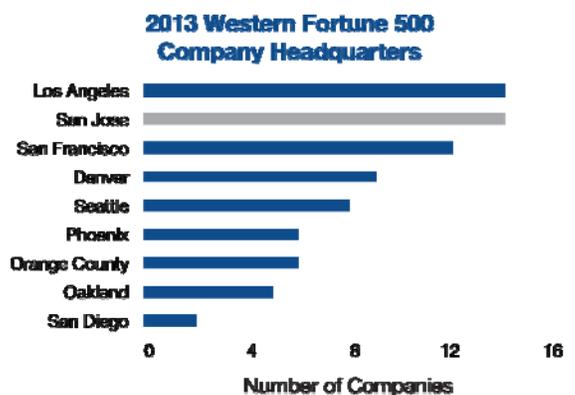
The number of businesses that support the high-tech industry has increased, driving professional and business services to become the largest local employment sector. The area’s many colleges and universities including Stanford, San Jose State, Santa Clara and UC Berkeley, support these companies by graduating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



\* Forecast  
Sources: Marcus & Millichap Research Services, BEA, Economy.com



\* Forecast  
Sources: Marcus & Millichap Research Services, Economy.com, U.S. Census Bureau



Source: Marcus & Millichap Research Services, Fortune

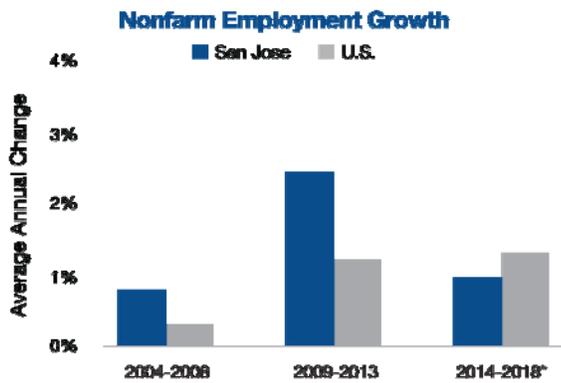
SAN JOSE

**Labor**

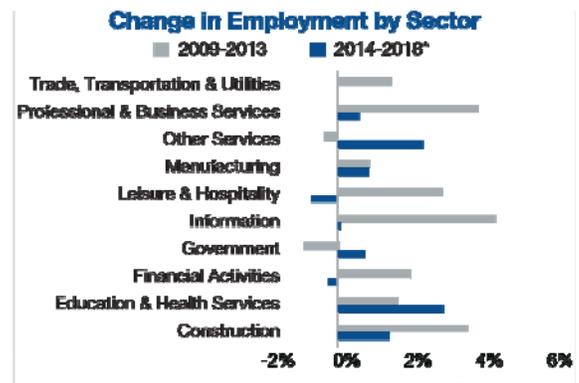
The San Jose employment base contains more than 934,400 workers, ranking the metro as one of the top-30 largest job markets in the nation. Employment growth is forecast to average 0.9 percent annually through the next five years with gains in most segments. The area’s concentration of jobs in the information sector is more than twice the U.S. average, comprising 6.0 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 low-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 17 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 0.6 percent through 2018.

The education and health services segment will post the largest gains of metro employment in the coming five years. Currently making up 13 percent of area jobs, the industry is forecast to increase at an average 3.0 percent annually. As the San Jose population rises, demand for these services will continue to grow.



\* Forecast  
Sources: Marcus & Millichap Research Services, BLS, Economy.com



\* Forecast  
Sources: Marcus & Millichap Research Services, BLS, Economy.com

SAN JOSE

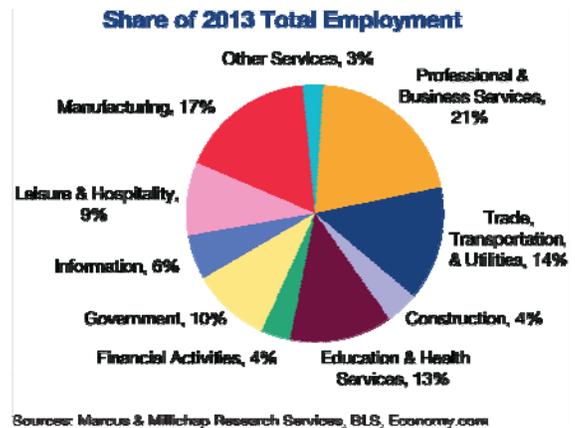
**Employers**

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. According to 2010 census data, San Jose has more than 67,100 businesses with an average of 13 employees, and more than 64 percent of companies have fewer than five workers. Many of these are small startups or businesses that provide support services to the tech industry.

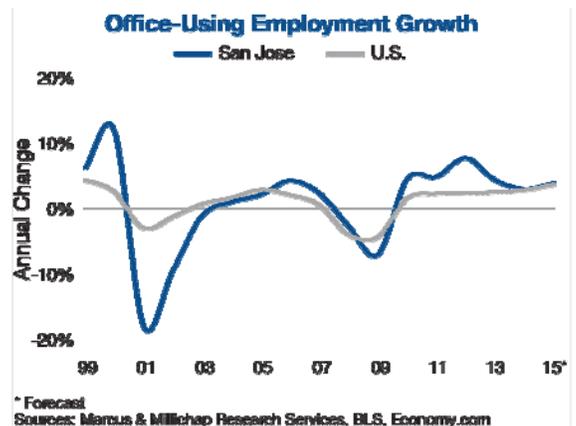
With the return of venture capital flowing into the metro economy, San Jose offers some of the most exciting employment opportunities that the tech world has to offer. Some of today’s startups will likely become tomorrow’s key players in the industry, a trend that has fostered a lively enterprise culture.

Other major employers include 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



SAN JOSE

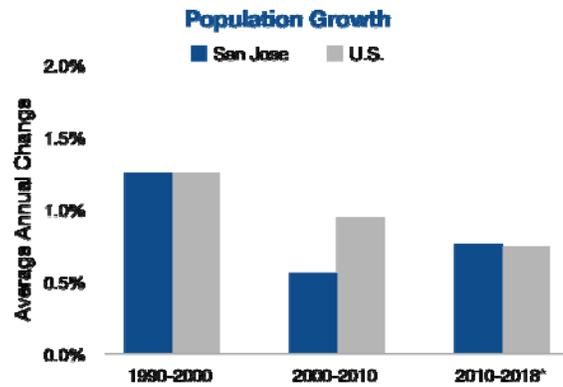
**Demographics**

The San Jose metro has nearly 1.9 million residents. Population growth is expected to increase slowly through the coming five years, averaging 0.5 percent annual gains. This lags slightly behind national growth projections of 0.8 percent annually.

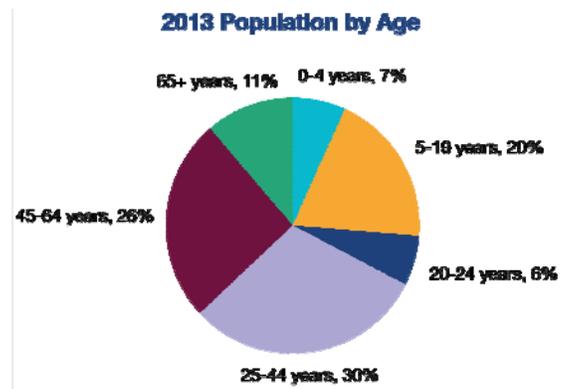
The residents of the metro are highly educated, with more than 45 percent of adults 25 years and older having obtained a bachelor's degree. This level of education attainment is drastically higher than the U.S. average of 28.3 percent. Furthermore, 19.7 of all residents have completed a degree at the graduate 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. Between 2000 and 2010, the number of households earning \$150,000 per year or more grew by 54 percent and will continue to expand by another 24 percent over the next five years.

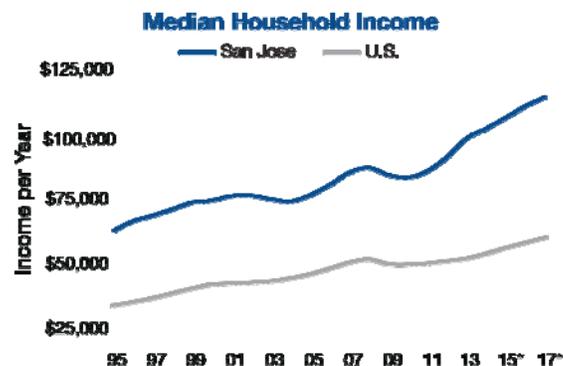
The median household income remains high at nearly \$98,900 annually, far above the U.S. median of just over \$52,400 per year. The local median household income will increase at an annual pace of 2.8 percent through 2018. Even though incomes are above the national average, high home prices make housing affordability very difficult for many residents, sustaining demand for rental housing.



\* Forecast  
Sources: Marcus & Millichap Research Services, AGS, Experian



Sources: Marcus & Millichap Research Services, Experian



\* Forecast  
Sources: Marcus & Millichap Research Services, Economy.com, U.S. Census Bureau

SAN JOSE

**Quality Of Life**

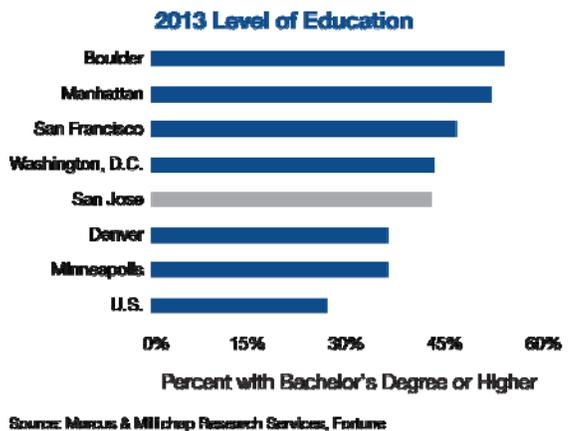
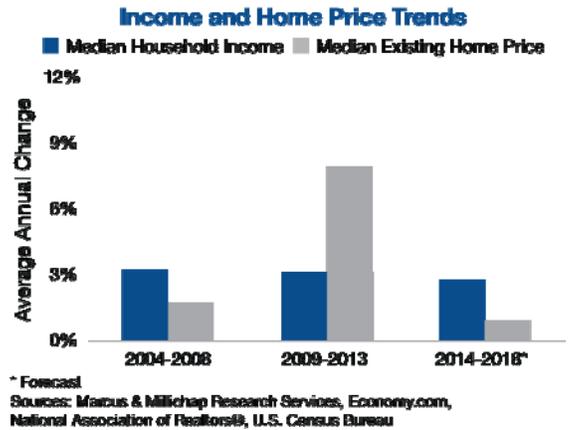
The San Jose metro has an enviable combination of major universities that produce a highly educated work force, cutting-edge firms and exceptional affluence. The metro enjoys a Mediterranean climate and a lifestyle considered fast-paced yet uniquely “California casual.”

Residents of the South Bay can visit a plethora of museums, including the San Jose Museum of Art, Children’s Discovery Museum of San Jose, Rosicrucian Egyptian Museum or 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 hosts the annual Cinequest Film Festival and the San Jose Jazz Festival.

The San Jose Sharks hockey team plays at the SAP Center. Other sports venues include the San Jose Municipal Stadium and Buck Shaw Stadium. The San Francisco 49ers will play at Levi’s Stadium starting in 2014.

For outdoor enthusiasts, 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.

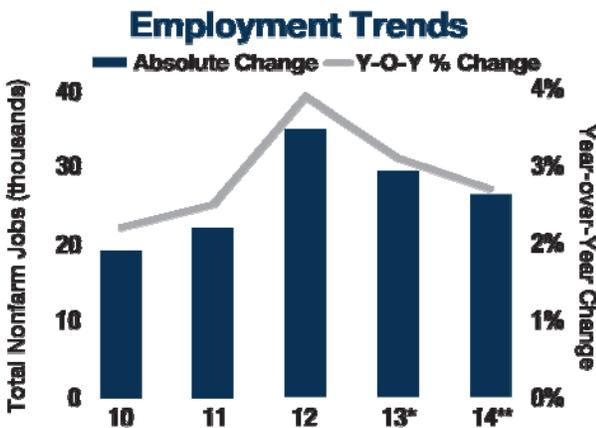


The information contained in the market overview comes from sources deemed to be reliable, however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. The most timely data available at time of production, including estimates and forecasts, were used and may be subject to revision.

SAN JOSE

**New Development Pressures Vacancies, Restrains Rent Growth in Silicon Valley**

Employment growth by technology firms will begin to level off this year, paving the way for more notable additions in other sectors. As lower-paying jobs are added and new developments provide greater options for top-end renters, the pace of rent growth will decelerate closer to the inflation rate. Some of the new jobs will be derived from development of Levi's Stadium, which will host the San Francisco 49ers during the 2014 season. Several nearby developments, including the mixed-use Santa Clara Centennial Gateway, could break ground by this summer, generating construction and subsequently retail and leisure and hospitality positions. Although more than 2,000 units are under construction in the North San Jose/Milpitas submarket, many of these new employees will be priced out of the area's Class A rental market. The disparity between housing needs and the composition of new supply will lift the vacancy rate in the coming months, encouraging operators to rein in rent hikes.



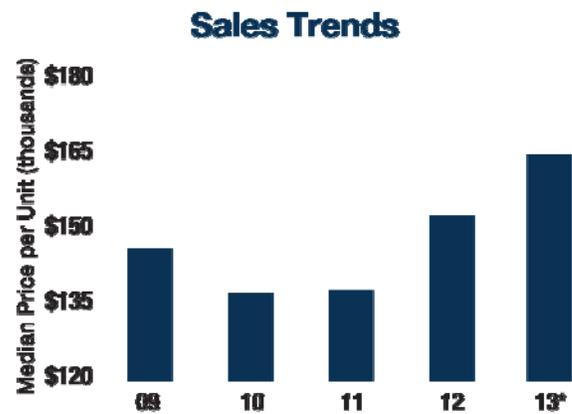
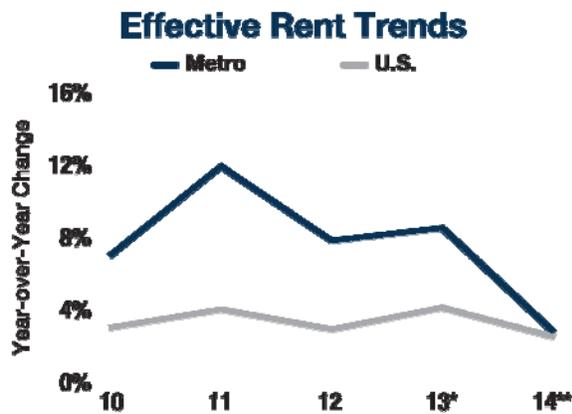
\* Estimate. \*\* Forecast. Sources: CoStar Group, Inc., RCA

Investors' outlook on the San Jose market will remain bright during the first half of the year until lifting rents becomes more challenging. In ultra-tight submarkets, including Mountain View/Palo Alto and Santa Clara, investors with long-term hold strategies will pay high prices to secure assets. Class B properties in these areas typically change hands at a 5 percent pro-forma cap rate. The potential for higher interest rates and low first-year returns will bring cash buyers to the forefront of deals. Other buyers seeking value-add plays may find opportunities in the cities between Mountain View/Palo Alto and downtown San Jose. Older assets that have not been renovated in recent years could provide new owners strong returns after an initial capital investment to upgrade the apartments. However, buyers attempting this strategy will need to be cognizant of new development.

SAN JOSE

2014 Market Outlook

- 2014 NAI Rank: 8, Down 6 Places. A wave of construction will come online this year, dragging down San Jose eight positions in the ranking.
- Employment Forecast: Employment growth will ease to 2.7 percent in 2014 as 25,700 jobs are created. Last year, 28,800 positions were added.
- Construction Forecast: Developers will complete 3,800 units this year, expanding stock by 2.5 percent.
- Vacancy Forecast: After a 60-basis point decline in 2013, vacancy will inch up 50 basis points in 2014 to 3.6 percent.
- Rent Forecast: Effective rents will advance 2.9 percent to \$2,142 per month by year-end 2014, building on last year's gain of 8.6 percent.
- Investment Forecast: Plans for Apple's Campus 2 headquarters were approved at the end of 2013. The sprawling facility in Cupertino will boost apartment demand in the area.



\* Estimate. \*\* Forecast. Sources: CoStar Group, Inc., RCA

**DEMOGRAPHIC ANALYSIS**

**336 N. 5th Street**

SAN JOSE, CA

Marcus & Millichap

DEMOGRAPHIC REPORT

	1 Mile	3 Miles	5 Miles
2000 Population	31,444	220,674	581,170
2010 Population	34,409	230,164	610,094
2013 Population	36,241	240,021	631,773
2018 Population	37,806	246,930	650,259
2000 Households	10,047	65,892	177,395
2010 Households	12,096	74,052	194,690
2013 Households	12,957	77,918	202,771
2018 Households	13,939	81,831	212,132
2013 Average Household Size	2.40	2.92	3.01
2013 Daytime Population	32,480	141,924	315,035
2000 Median Housing Value	\$0	\$359,953	\$391,397
2000 Owner Occupied Housing Units	29.30%	40.81%	51.35%
2000 Renter Occupied Housing Units	64.88%	56.18%	46.63%
2000 Vacant	4.11%	2.77%	2.26%
2013 Owner Occupied Housing Units	30.28%	39.55%	48.96%
2013 Renter Occupied Housing Units	69.72%	60.45%	51.04%
2013 Vacant	7.95%	3.53%	2.31%
2018 Owner Occupied Housing Units	30.41%	39.22%	48.38%
2018 Renter Occupied Housing Units	69.59%	60.78%	51.62%
2018 Vacant	8.88%	3.84%	2.46%
\$ 0 - \$14,999	16.2%	12.7%	9.7%
\$ 15,000 - \$24,999	11.3%	10.2%	8.1%
\$ 25,000 - \$34,999	7.6%	8.1%	7.5%
\$ 35,000 - \$49,999	11.3%	12.2%	11.1%
\$ 50,000 - \$74,999	14.1%	14.8%	15.2%
\$ 75,000 - \$99,999	11.1%	11.8%	12.9%
\$100,000 - \$124,999	8.5%	9.6%	11.6%
\$125,000 - \$149,999	7.3%	6.5%	7.6%
\$150,000 - \$199,999	6.6%	7.4%	8.5%
\$200,000 - \$249,999	2.2%	2.7%	3.2%
\$250,000 +	3.9%	4.1%	4.7%
2013 Median Household Income	\$55,857	\$61,292	\$72,073
2013 Per Capita Income	\$31,861	\$29,796	\$32,411
2013 Average Household Income	\$85,660	\$89,425	\$99,633

Demographic data © 2012 by Experian.

## SUMMARY REPORT

### Geography: 5 miles

#### Population

In 2013, the population in your selected geography was 631,773. The population has changed by 8.70% since 2000. It is estimated that the population in your area will be 650,259 five years from now, which represents a change of 2.92% from the current year. The current population is 50.9% male and 49.0% female. The median age of the population in your area is 34.1, compare this to the U.S. average which is 37. The population density in your area is 7,752.64 people per square mile.

#### Households

There are currently 202,771 households in your selected geography. The number of households has changed by 14.30% since 2000. It is estimated that the number of households in your area will be 212,132 five years from now, which represents a change of 4.61% from the current year. The average household size in your area is 3.00 persons.

#### Income

In 2013, the median household income for your selected geography is \$72,073, compare this to the U.S. average which is currently \$53,535. The median household income for your area has changed by 3.17% since 2000. It is estimated that the median household income in your area will be \$83,613 five years from now, which represents a change of 16.01% from the current year.

The current year per capita income in your area is \$32,411, compare this to the U.S. average, which is \$28,888. The current year average household income in your area is \$99,633, compare this to the U.S. average which is \$75,373.

#### Race & Ethnicity

The current year racial makeup of your selected area is as follows: 40.47% White, 3.35% African American, 1.00% Native American and 31.53% Asian/Pacific Islander. Compare these to U.S. averages which are: 72.20% White, 12.65% African American, 0.96% Native American and 5.01% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 39.78% of the current year population in your selected area. Compare this to the U.S. average of 16.55%.

#### Housing

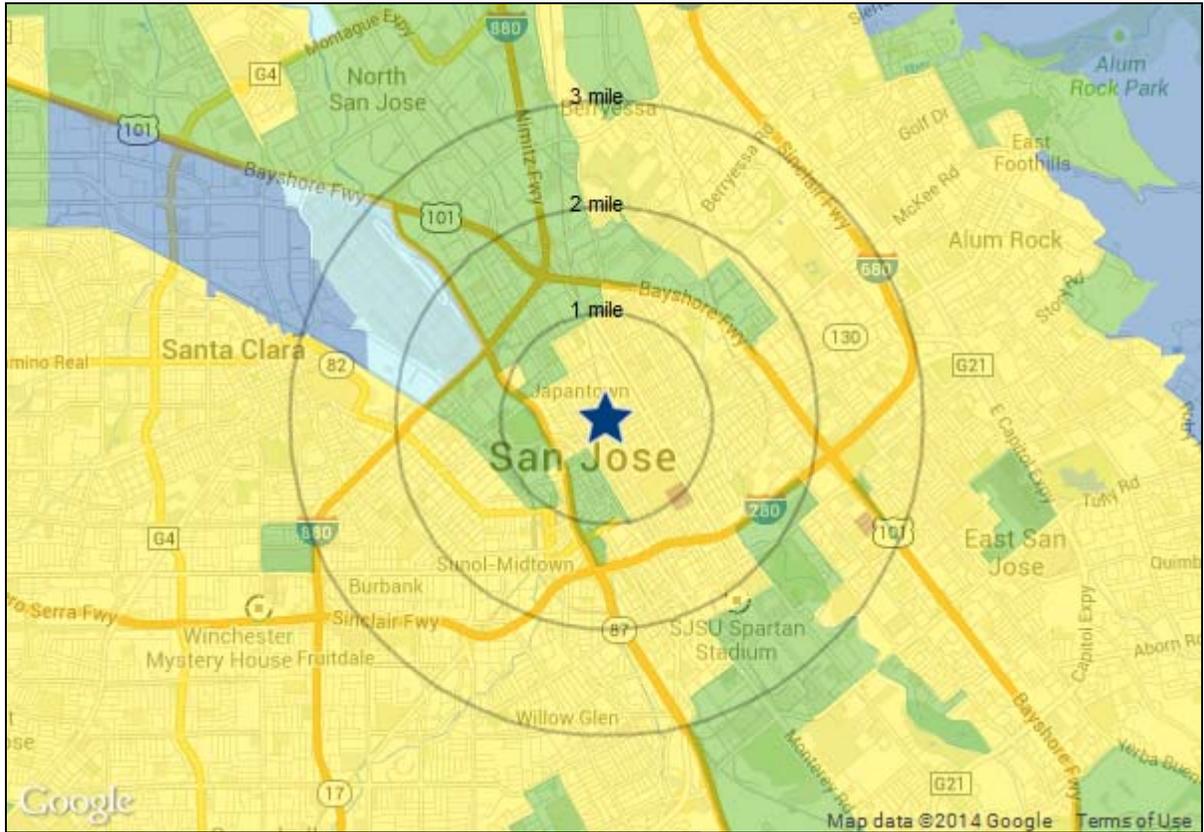
The median housing value in your area was \$391,397 in 2000, compare this to the U.S. average of \$110,781 for the same year. In 2000, there were 93,189 owner occupied housing units in your area and there were 84,620 renter occupied housing units in your area. The median rent at the time was \$1,058.

#### Employment

In 2013, there are 315,035 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 65.9% of employees are employed in white-collar occupations in this geography, and 34.0% are employed in blue-collar occupations. In 2013, unemployment in this area is 5.49%. In 2000, the median time traveled to work was 24.4 minutes.

Demographic data © 2012 by Experian.

POPULATION DENSITY



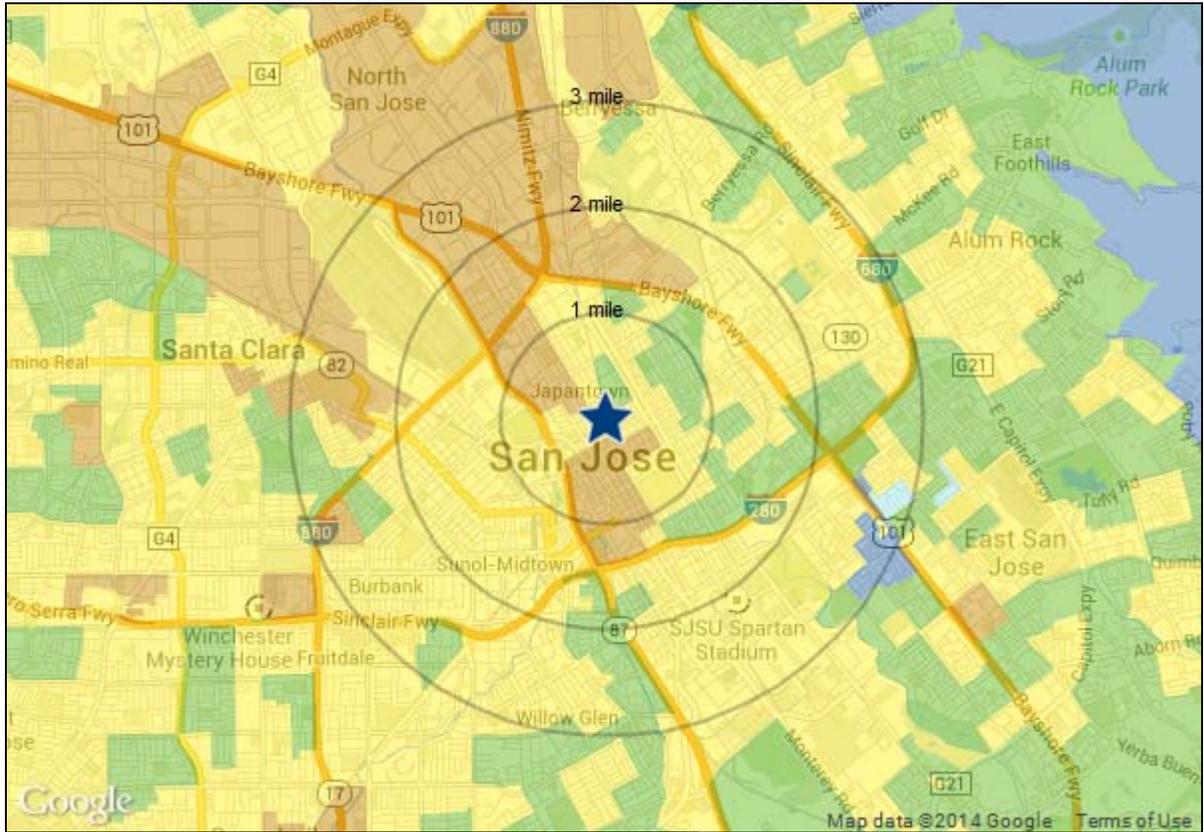
Demographic data © 2012 by Experian.

Population Density

Theme	Low	High
Low	less than	55
Below Average	55	475
Average	475	4100
Above Average	4100	35000
High	35000	or more

Number of people living in a given area per square mile.

EMPLOYMENT DENSITY



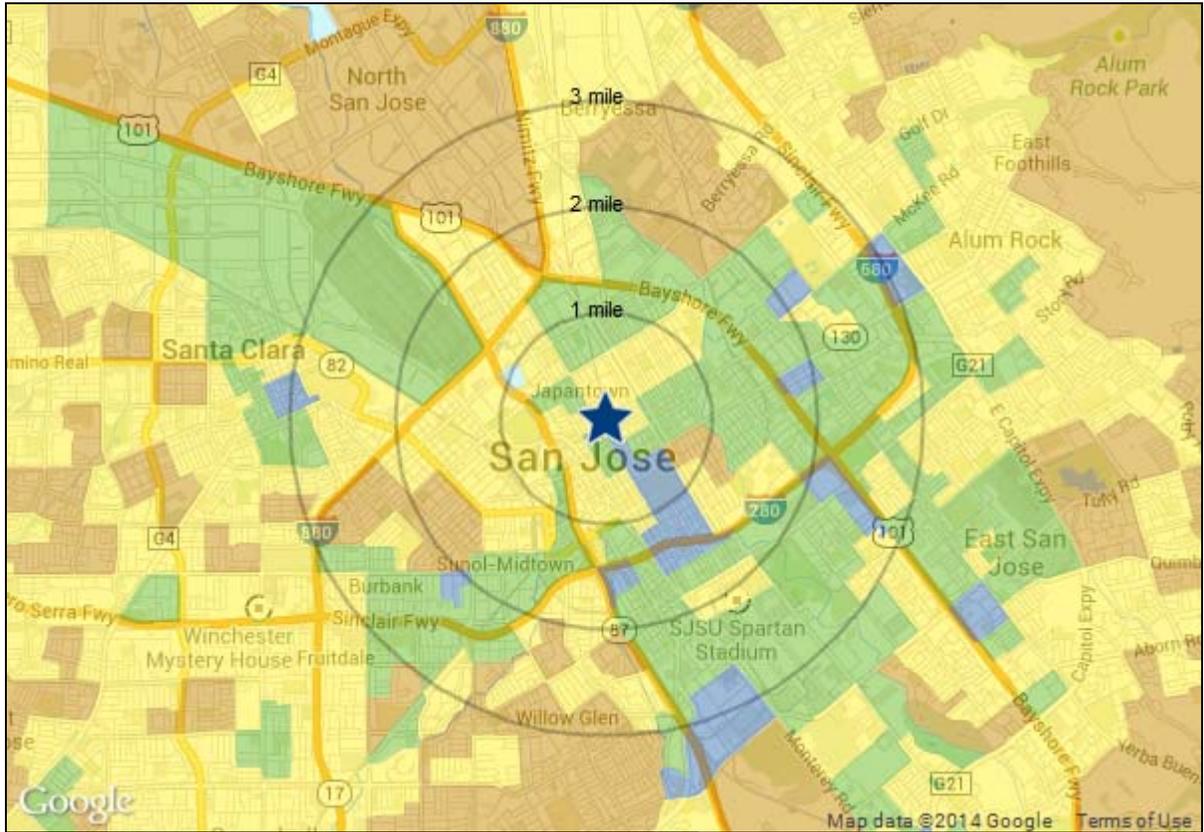
Demographic data © 2012 by Experian.

Employment Density

Theme	Low	High
Low	less than 9	9
Below Average	9	96
Average	96	1025
Above Average	1025	10875
High	10875	or more

The number of people employed in a given area per square mile.

AVERAGE HOUSEHOLD INCOME



Demographic data © 2012 by Experian.

Average Household Income

Theme	Low	High
Low	less than	\$29,500
Below Average	\$29,500	\$48,500
Average	\$48,500	\$80,000
Above Average	\$80,000	\$132,500
High	\$132,500	or more

Average income of all the people 15 years and older occupying a single housing unit.



336 N. 5th Street

SAN JOSE, CA

OFFERING MEMORANDUM