

**3210 Landess Avenue**

SAN JOSE, CA



**OFFERING MEMORANDUM**



**Marcus & Millichap**  
Real Estate Investment Services

# 3210 Landess Avenue

SAN JOSE, CA

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# 3210 Landess Avenue

SAN JOSE, CA

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**PROPERTY DESCRIPTION**

**3210 Landess Avenue**

SAN JOSE, CA

### PROPERTY SUMMARY

#### The Offering

Property Address	3210 Landess Avenue San Jose, CA 95132
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#### Site Description

Number of Units	4
Number of Buildings	1
Number of Stories	2
Year Built	1969
Rentable Square Feet	4,188
Lot Size	8,880 SF
Type of Ownership	Fee Simple

### INVESTMENT OVERVIEW

#### Investment Highlights

- On-Site Laundry Room
- Individually Metered for Gas and Electric
- Four Garage Units and Two On-Site Rear Spaces
- Located Just One Mile from The Great Mall at Milpitas



3210 Landess Avenue is a four unit apartment building located in highly desirable San Jose, California. The property consists of one three-bedroom/two-bath house and three two-bedroom/one-bath apartment units. The wooden structure has a stucco exterior, pitched shingle roof and is individually metered for gas and electric. There are four rear single-car garages and two on-site parking spaces in the rear of the building, as well as an on-site laundry facility for additional income.

The property is conveniently located just one mile from the The Great Mall at Milpitas and Highway 680, which allows for quick and direct access to downtown San Jose and other employment centers throughout the Bay Area.

San Jose has a world-renowned quality of life, offering a wide variety of exciting cultural, recreational, educational and entertainment opportunities. In addition, the City of San José has the nation's best public safety record of any metropolitan area, a marvelous ethnic diversity and a beautiful climate.

### PROPERTY PHOTOS



### PROPERTY PHOTOS





### PROPERTY PHOTOS



### PROPERTY PHOTOS



# 3210 LANDESS AVENUE

SAN JOSE, CA

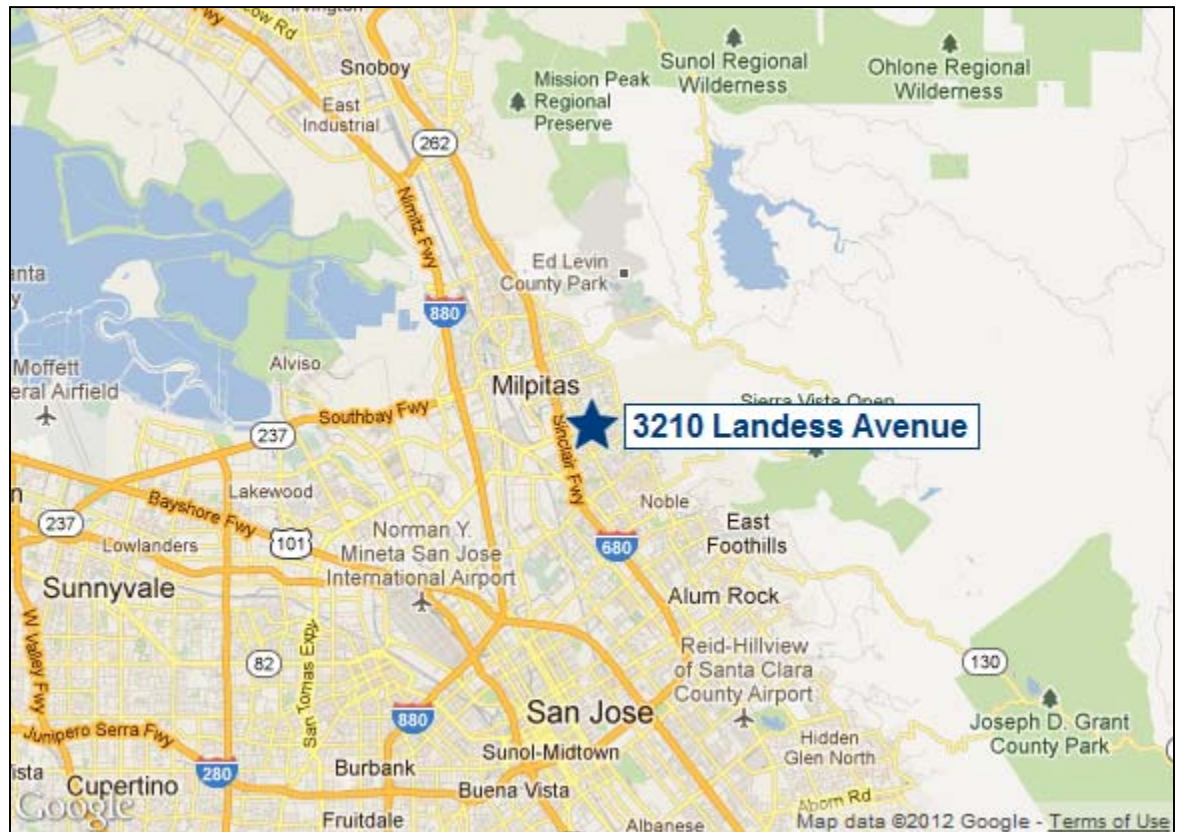
PROPERTY DESCRIPTION



Local Map



Regional Map



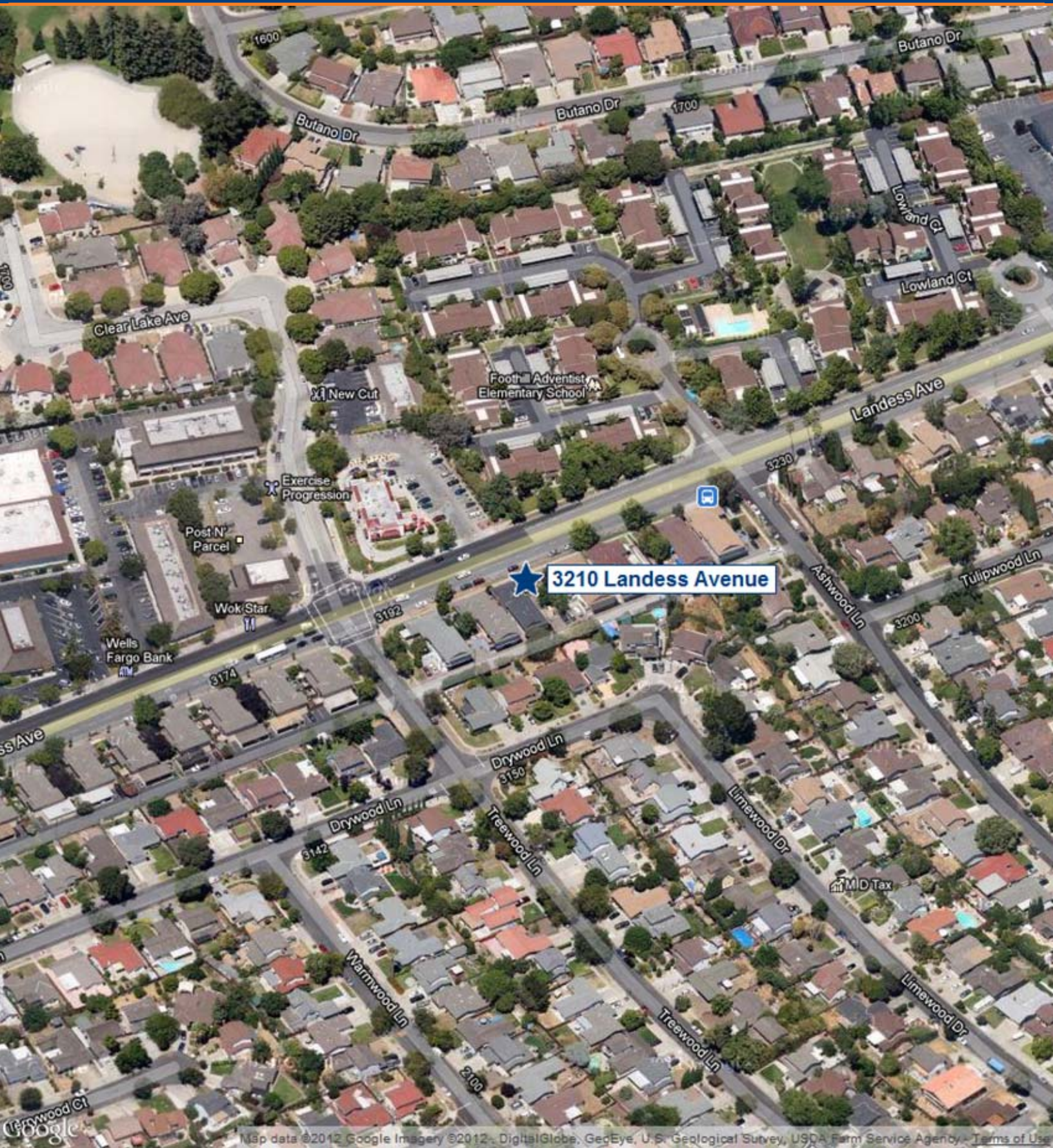
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# 3210 LANDESS AVENUE

SAN JOSE, CA

PROPERTY DESCRIPTION



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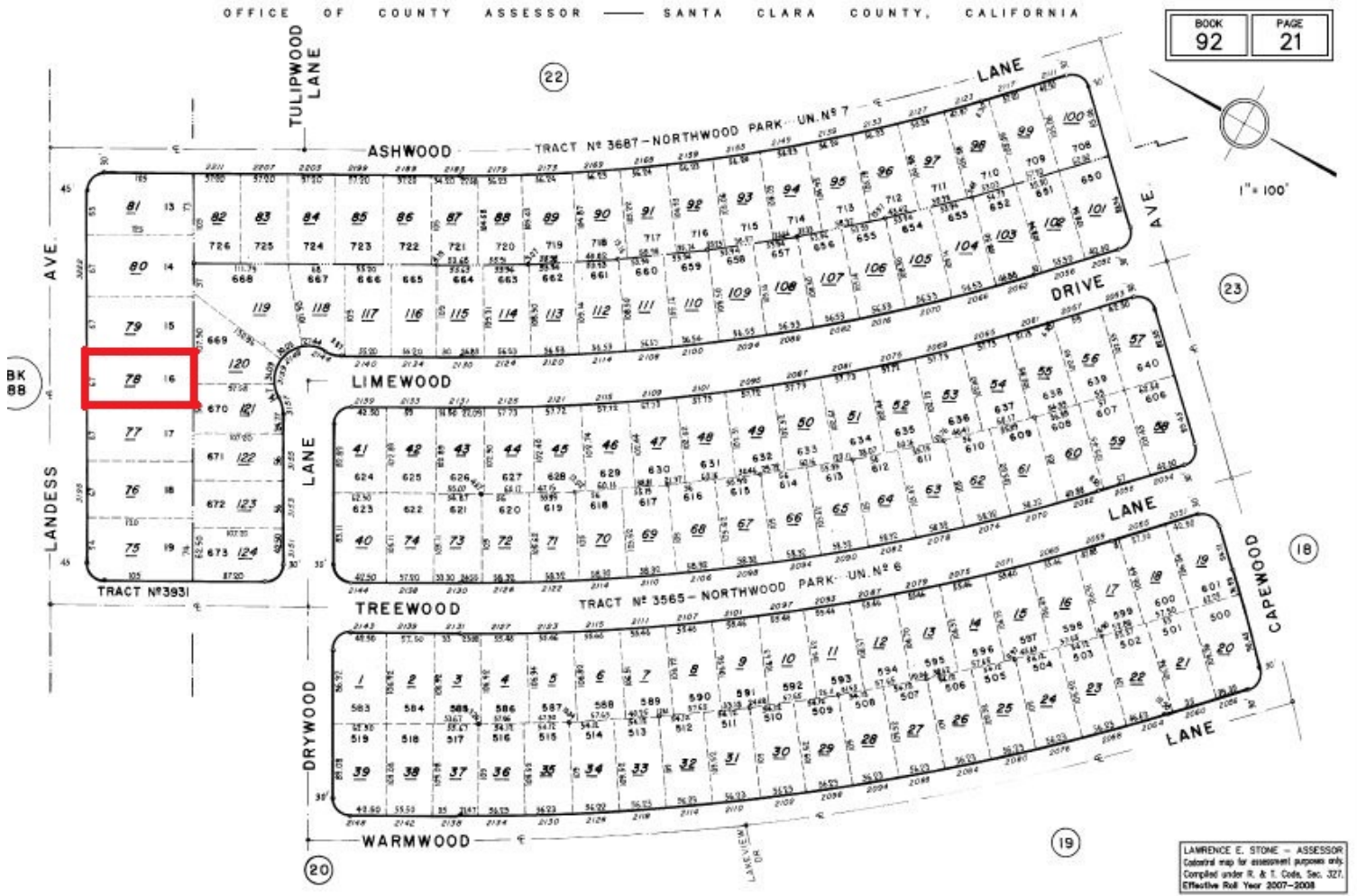
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# 3210 LANDESS AVENUE

SAN JOSE, CA

PROPERTY DESCRIPTION

## SITE PLAN



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**PRICING AND FINANCIAL ANALYSIS**

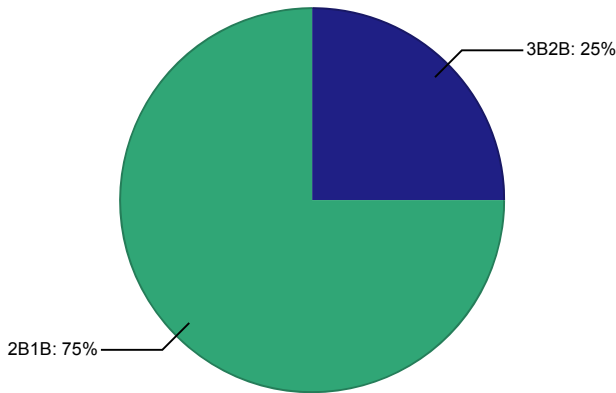
**3210 Landess Avenue**

SAN JOSE, CA

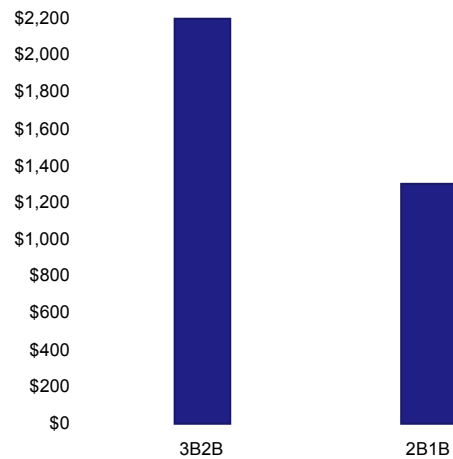
### UNIT MIX

No. of Units	Unit Type	Approx. Square Feet	Current Rents	Monthly Income	Pro Forma Rents	Rent/SF	Monthly Income
1	3 Bdr 2 Bath	1,350	\$2,200	\$2,200	\$2,200		\$2,200
3	2 Bdr 1 Bath	945	\$1,300	\$3,900	\$1,350 - \$1,400	\$1.46	\$4,200
<b>4</b>	<b>TOTAL</b>	<b>4,188</b>		<b>\$6,100</b>			<b>\$6,400</b>

Unit Mix



Unit Rent & Rent/SF



### FINANCIAL OVERVIEW

#### Location

3210 Landess Avenue  
San Jose, CA 95132

Price	948,000
Down Payment	25% / \$237,000
Number of Units	4
Price/Unit	\$237,000
Rentable Square Feet	4,188
Price/SF	\$226.36
CAP Rate - Current	5.06%
CAP Rate- Pro Forma	5.45%
GRM - Current	12.95
GRM- Pro Forma	12.34
Year Built	1969
Lot Size	8,880 SF
Type of Ownership	Fee Simple

#### Financing

##### FIRST TRUST DEED

Loan Amount	\$711,000
Loan Type	All Cash
Interest Rate	3.95%
Amortization	30 Years

Loan information is time sensitive and subject to change. Contact your local Marcus & Millichap Capital Corporation representative.

#### Annualized Operating Data

Income	Current	Pro Forma
<b>Gross Potential Rent</b>	<b>\$73,200</b>	<b>\$76,800</b>
Other Income	\$720	\$720
Gross Potential Income	\$73,920	\$77,520
Less: Vacancy/Deductions (GPR)	3.0% / \$2,196	3.0% / \$2,304
Effective Gross Income	\$71,724	\$75,216
Less: Expenses	\$23,725	\$23,581
<b>Net Operating Income</b>	<b>\$47,999</b>	<b>\$51,635</b>
Net Cash Flow Before Debt Service	\$47,999	\$51,635
Debt Service	\$40,488	\$40,488
Net Cash Flow After Debt Service	3.2% / \$7,511	4.7% / \$11,147

#### Expenses

Real Estate Taxes	\$11,705	\$11,705
Insurance	\$1,009	\$1,009
Utilities	\$5,261	\$5,261
Repairs & Maintenance	\$3,350	\$3,350
Management Fee	\$2,400	\$2,256
<b>Total Expenses</b>	<b>\$23,725</b>	<b>\$23,581</b>
<b>Expenses/unit</b>	<b>\$5,931</b>	<b>\$5,895</b>
<b>Expenses/SF</b>	<b>\$5.66</b>	<b>\$5.63</b>
<b>% of EGI</b>	<b>33.08%</b>	<b>31.35%</b>

#### Scheduled Income

No. of Units	Unit Type	Approx. Square Feet	Current Rents	Monthly Income	Pro Forma Rents	Rent/SF	Monthly Income
1	3 Bdr 2 Bath	1,350	\$2,200	\$2,200	\$2,200		\$2,200
3	2 Bdr 1 Bath	945	\$1,300	\$3,900	\$1,350 - \$1,400	\$1.46	\$4,200
<b>4</b>	<b>Total/Wtd. Avg.</b>	<b>4,188</b>		<b>\$6,100</b>			<b>\$6,400</b>



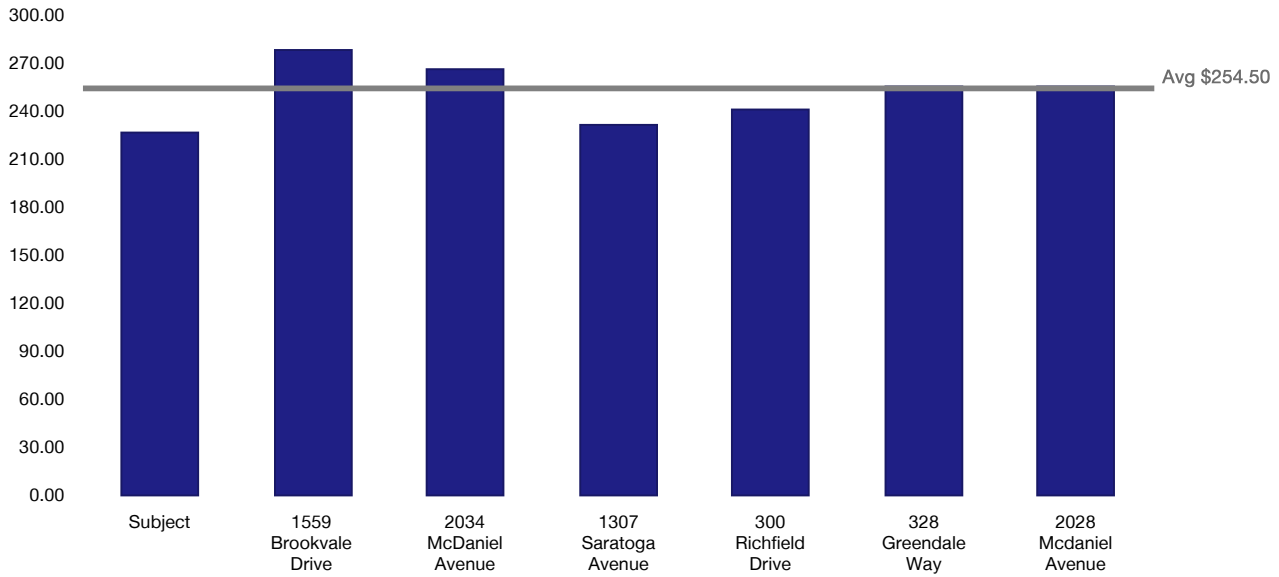
RECENT SALES

**3210 Landess Avenue**

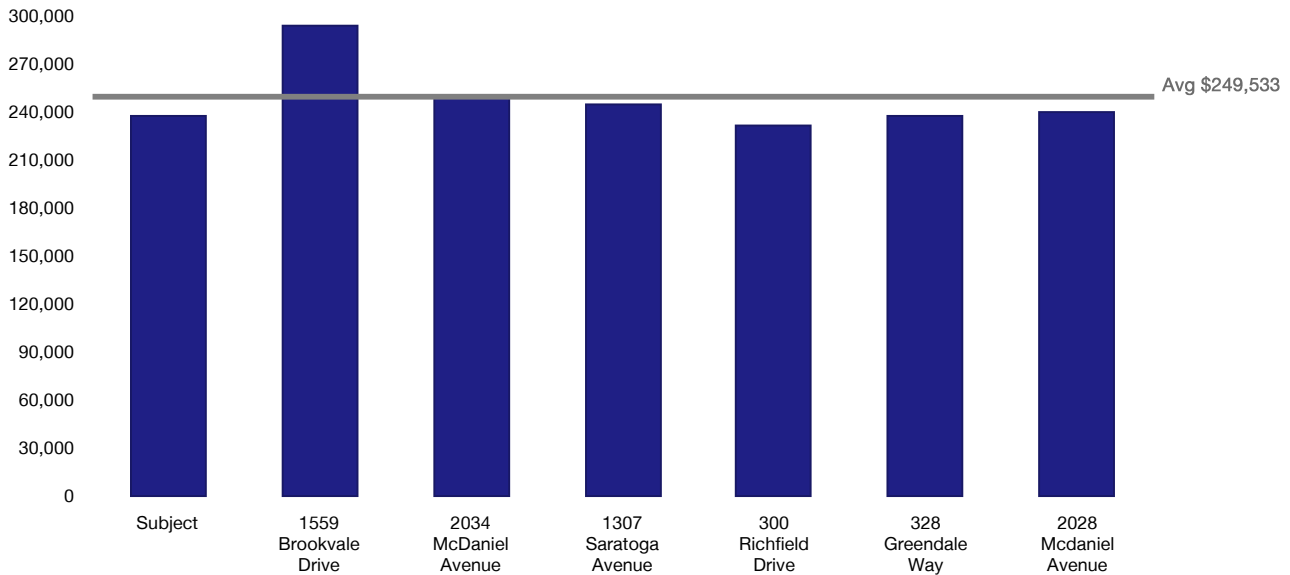
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## PRICE PER SF AND PRICE PER UNIT

### Average Price per Square Foot

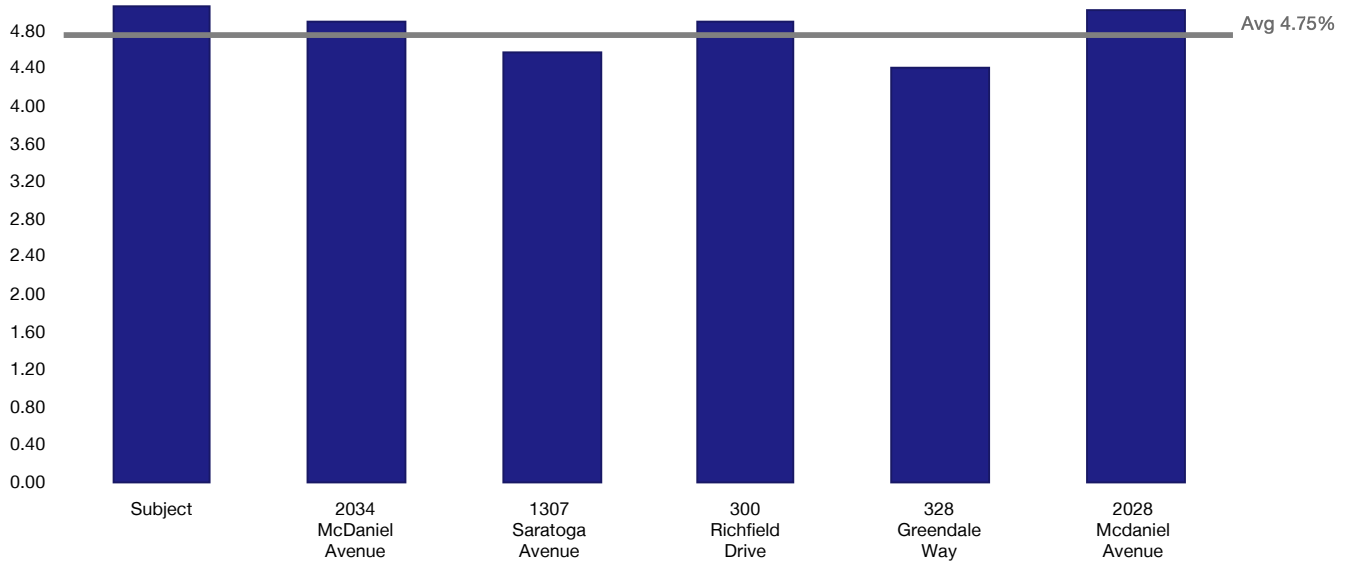


### Average Price per Unit

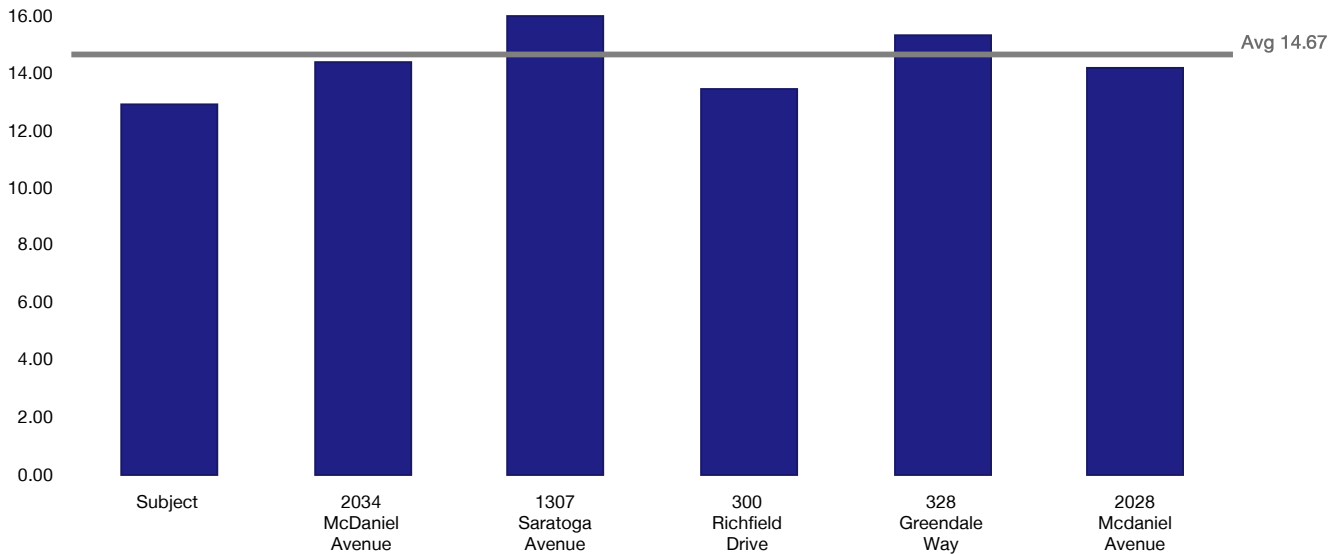


## CAP RATE AND GRM

### Average Cap Rate



### Average GRM

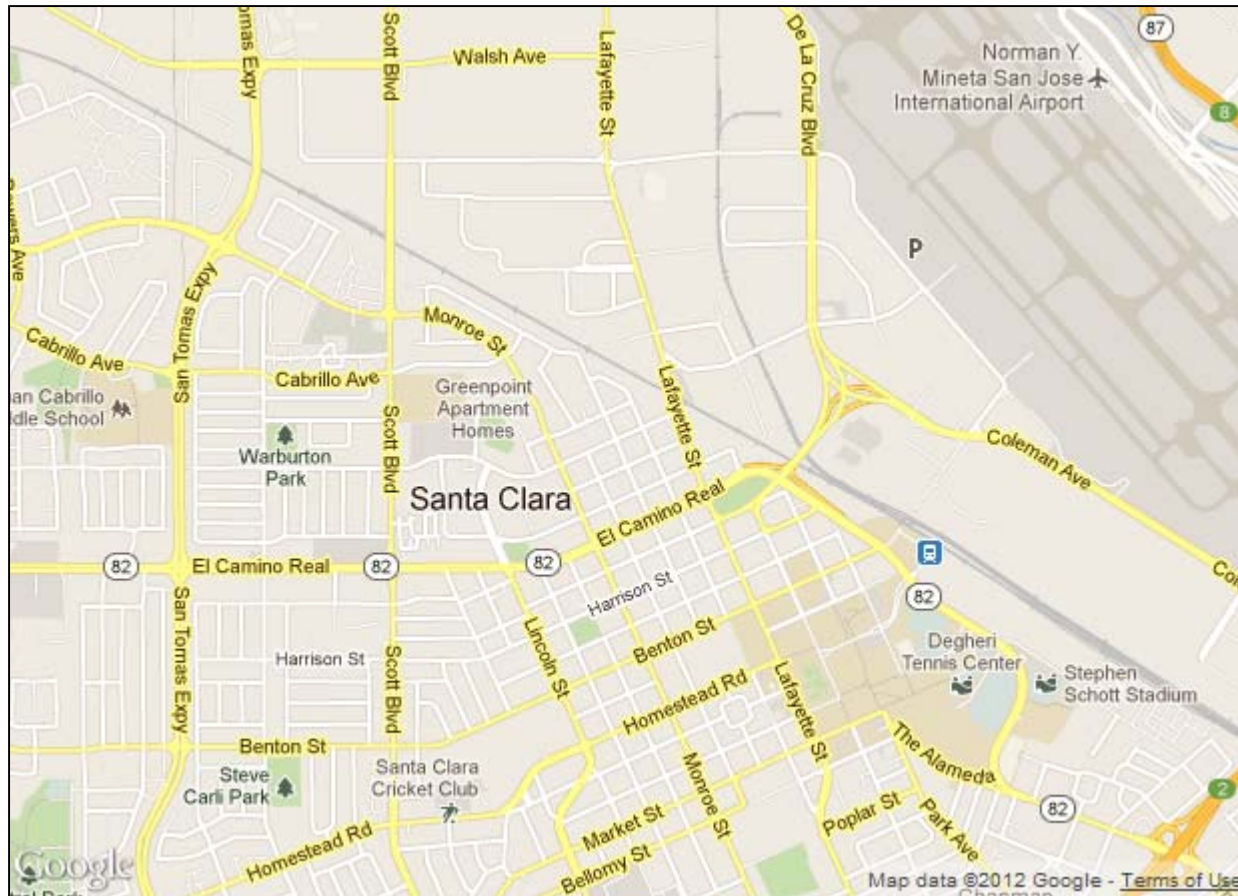


# 3210 LANDESS AVENUE

SAN JOSE, CA

RECENT SALES

## RECENT SALES MAP



- ★ 3210 Landess Avenue
- 1) 1559 Brookvale Drive
- 2) 2034 McDaniel Avenue
- 3) 1307 Saratoga Avenue
- 4) 300 Richfield Drive
- 5) 328 Greendale Way
- 6) 2028 Mcdaniel Avenue

RECENT SALES



**Subject Property**

3210 Landess Avenue  
San Jose, CA 95132

No. of Units: 4  
Year Built: 1969  
Sale Price: 948,000  
Price/Unit: \$237,000  
Price/SF: \$226.36  
CAP Rate: 5.06%  
GRM: 12.95

Units	Unit Type
1	3 Bdr 2 Bath
3	2 Bdr 1 Bath

1



Close of Escrow: 3/9/2012

1559 Brookvale Drive  
San Jose, CA 95129

No. of Units: 4  
Year Built: 1969  
Sale Price: \$1,175,000  
Price/Unit: \$293,750  
Price/SF: \$278.00  
CAP Rate:  
GRM:

Units	Unit Type
2	3 Bdr 2 Bath
1	2 Bdr 1 Bath
1	1 Bdr 1 Bath

**Comments**

No cap rate or GRM information as only two of the four units were tenanted at the time of sale.

2



Close of Escrow: 3/8/2012

2034 McDaniel Avenue  
San Jose, CA 95128

No. of Units: 4  
Year Built: 1965  
Sale Price: \$999,800  
Price/Unit: \$249,950  
Price/SF: \$266.00  
CAP Rate: 4.89%  
GRM: 14.40

Units	Unit Type
1	3 Bdr 2 Bath
2	2 Bdr 1 Bath
1	1 Bdr 1 Bath

## RECENT SALES

3



Close of Escrow: 4/23/2012

1307 Saratoga Avenue  
San Jose, CA 95129

No. of Units: 4  
Year Built: 1968  
Sale Price: \$980,000  
Price/Unit: \$245,000  
Price/SF: \$232.00  
CAP Rate: 4.57%  
GRM: 15.98

Units	Unit Type
1	3 Bdr 2 Bath
2	2 Bdr 1.5 Bath
1	1 Bdr 1 Bath

### Comments

Pending as of 4/23/2012. Expected close price of around \$980,000.

4



Close of Escrow: 3/16/2012

300 Richfield Drive  
San Jose, CA 95129

No. of Units: 4  
Year Built: 1965  
Sale Price: \$925,000  
Price/Unit: \$231,250  
Price/SF: \$241.00  
CAP Rate: 4.89%  
GRM: 13.48

Units	Unit Type
1	3 Bdr 2 Bath
3	2 Bdr 1 Bath

5



Close of Escrow: 10/25/2011

328 Greendale Way  
San Jose, CA 95129

No. of Units: 4  
Year Built: 1964  
Sale Price: \$950,000  
Price/Unit: \$237,500  
Price/SF: \$255.00  
CAP Rate: 4.40%  
GRM: 15.31

Units	Unit Type
1	3 Bdr 2 Bath
3	2 Bdr 1 Bath

## RECENT SALES

6



Close of Escrow: 3/3/2012

2028 Mcdaniel Avenue  
San Jose, CA 95128

No. of Units: 4  
Year Built: 1965  
Sale Price: \$959,000  
Price/Unit: \$239,750  
Price/SF: \$255.00  
CAP Rate: 5.02%  
GRM: 14.19

Units	Unit Type
1	3 Bdr 2 Bath
2	2 Bdr 1 Bath
1	1 Bdr 1 Bath

**DEMOGRAPHIC ANALYSIS**

**3210 Landess Avenue**

SAN JOSE, CA



## DEMOGRAPHIC REPORT

	1 Mile	3 Miles	5 Miles
1990 Population	19,022	99,576	182,136
2000 Population	22,034	112,539	210,908
2010 Population	24,742	135,261	296,891
2011 Population	25,061	135,806	299,172
2016 Population	26,377	143,612	317,222
1990 Households	5,561	28,725	53,171
2000 Households	6,192	32,343	59,966
2010 Households	7,030	39,448	90,289
2011 Households	7,124	39,800	91,073
2016 Households	7,478	42,056	96,644
2011 Average Household Size	3.51	3.35	3.23
2011 Daytime Population	2,168	61,842	207,507
1990 Median Housing Value	\$259,315	\$263,039	\$250,413
2000 Median Housing Value	\$367,063	\$373,777	\$360,986
2000 Owner Occupied Housing Units	78.57%	74.79%	66.65%
2000 Renter Occupied Housing Units	20.53%	24.11%	31.34%
2000 Vacant	0.90%	1.10%	2.01%
2011 Owner Occupied Housing Units	76.65%	68.70%	57.20%
2011 Renter Occupied Housing Units	20.85%	28.27%	38.91%
2011 Vacant	2.50%	3.03%	3.89%
2016 Owner Occupied Housing Units	77.08%	68.62%	57.26%
2016 Renter Occupied Housing Units	20.49%	28.40%	38.91%
2016 Vacant	2.42%	2.98%	3.83%
\$ 0 - \$14,999	4.9%	5.5%	7.9%
\$ 15,000 - \$24,999	3.9%	5.0%	6.4%
\$ 25,000 - \$34,999	4.6%	4.7%	5.9%
\$ 35,000 - \$49,999	7.2%	7.5%	9.3%
\$ 50,000 - \$74,999	18.0%	15.5%	15.2%
\$ 75,000 - \$99,999	13.8%	15.4%	14.5%
\$100,000 - \$124,999	11.5%	13.4%	12.0%
\$125,000 - \$149,999	9.2%	10.0%	8.9%
\$150,000 - \$199,999	15.6%	13.3%	11.5%
\$200,000 - \$249,999	4.9%	4.1%	3.6%
\$250,000 +	6.4%	5.6%	4.9%
2011 Median Household Income	\$96,165	\$94,642	\$84,651
2011 Per Capita Income	\$30,854	\$31,503	\$29,772
2011 Average Household Income	\$107,993	\$103,926	\$94,908

Demographic data © 2010 by Experian/Applied Geographic Solutions.

### SUMMARY REPORT

#### Geography: 5 Miles

#### Population

In 2011, the population in your selected geography was 299,172 . The population has changed by 41.85% since 2000. It is estimated that the population in your area will be 317,222 five years from now, which represents a change of 6.03% from the current year. The current population is 52.0% male and 48.0% female. The median age of the population in your area is 36.3 , compare this to the U.S. average which is 36.9. The population density in your area is 3,805.77 people per square mile.

#### Households

There are currently 91,073 households in your selected geography. The number of households has changed by 51.87% since 2000. It is estimated that the number of households in your area will be 96,644 five years from now, which represents a change of 6.12% from the current year. The average household size in your area is 3.23 persons.

#### Income

In 2011, the median household income for your selected geography is \$84,651 , compare this to the U.S. average which is currently \$53,620. The median household income for your area has changed by 11.55% since 2000. It is estimated that the median household income in your area will be \$89,440 five years from now, which represents a change of 5.66% from the current year.

The current year per capita income in your area is \$29,772 , compare this to the U.S. average, which is \$28,713. The current year average household income in your area is \$94,908 , compare this to the U.S. average which is \$73,458.

#### Race & Ethnicity

The current year racial makeup of your selected area is as follows: 28.02% White, 2.72% African American, 0.78% Native American and 44.86% Asian/Pacific Islander. Compare these to U.S. averages which are: 72.40% White, 12.60% African American, 0.95% Native American and 4.93% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 29.95% of the current year population in your selected area. Compare this to the U.S. average of 16.90%.

#### Housing

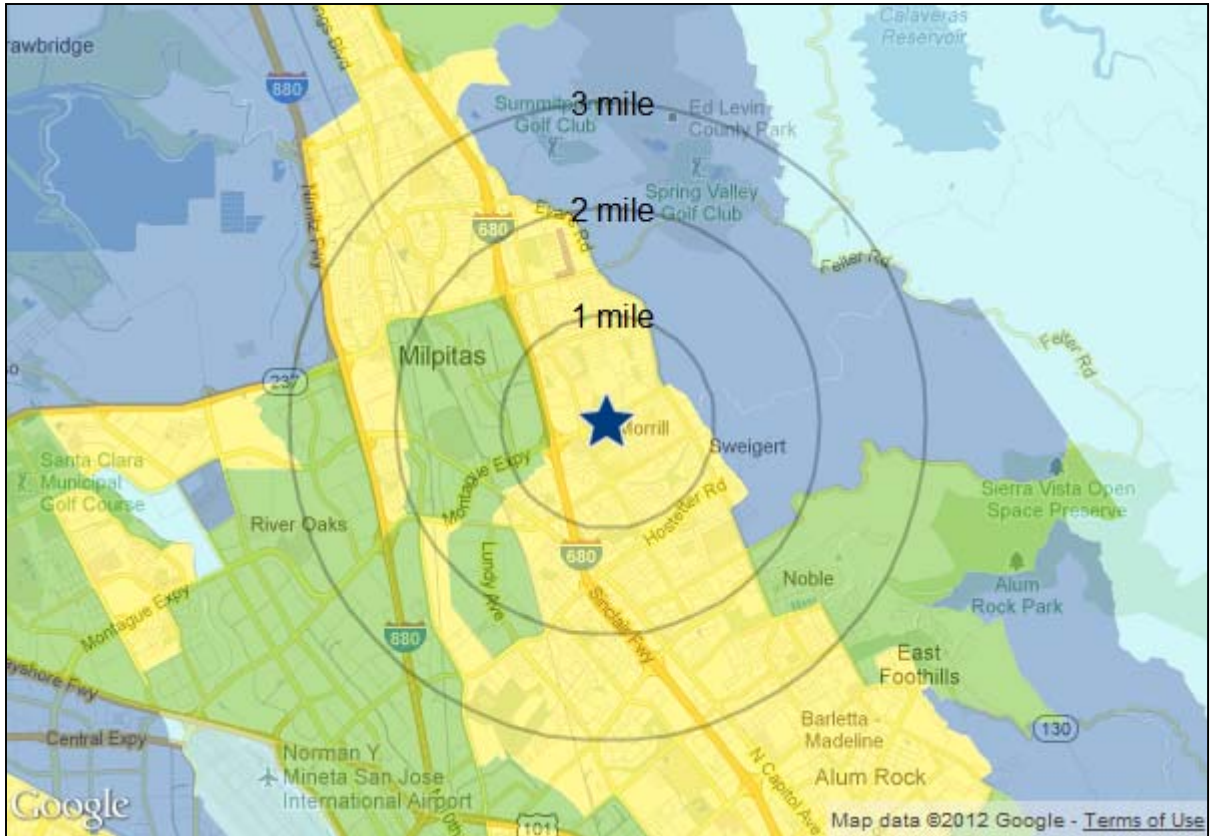
The median housing value in your area was \$360,986 in 2000, compare this to the U.S. average of \$110,796 for the same year. In 2000, there were 40,788 owner occupied housing units in your area and there were 19,178 renter occupied housing units in your area. The median rent at the time was \$1,177 .

#### Employment

In 2011, there are 207,507 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 64.3% of employees are employed in white-collar occupations in this geography, and 35.7% are employed in blue-collar occupations. In 2011, unemployment in this area is 11.46% . In 2000, the median time traveled to work was 22.7 minutes.

Demographic data © 2010 by Experian/Applied Geographic Solutions.

### POPULATION DENSITY



Demographic data © 2010 by Experian/Applied Geographic Solutions.

#### 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 © 2010 by Experian/Applied Geographic Solutions.

#### 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 © 2010 by Experian/Applied Geographic Solutions.

#### 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.

### TRAFFIC COUNTS



Traffic Count data © 2010 by TrafficMetrix. All rights reserved.

Two-way, average daily traffic volumes.

# 3210 Landess Avenue

SAN JOSE, CA

## SAN JOSE

### MARKET HIGHLIGHTS

#### Premier high-tech center

- Silicon Valley's concentration of high-tech jobs is nine times the national norm.

#### Growing economy

- Local economic gains will outpace the nation in 2012.

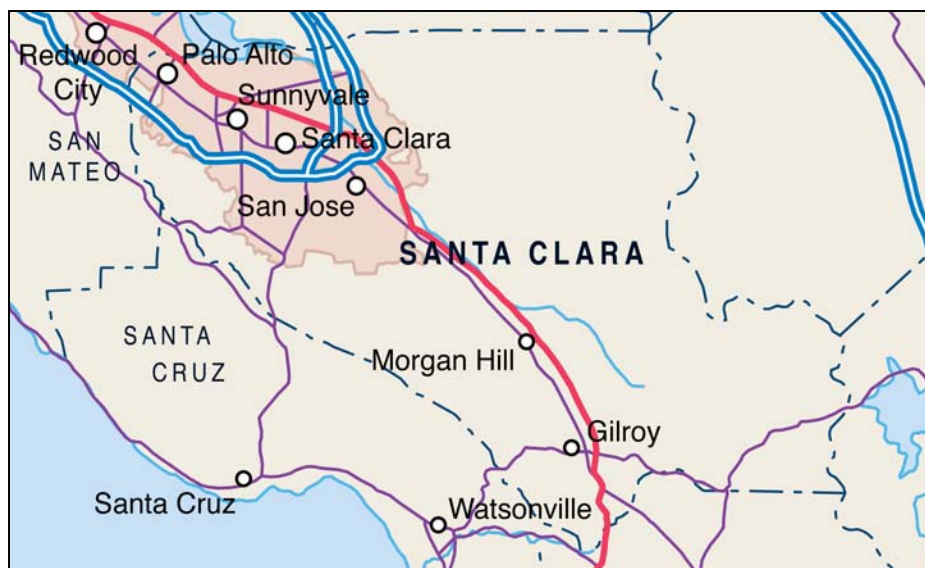
#### Highly educated work force

- Over 44 percent of residents have a bachelor's degree compared to 29 percent for the U.S.



### GEOGRAPHY

The San Jose 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 MSA



## SAN JOSE

### METRO

The San Jose metro contains nearly 1.9 million inhabitants in 15 cities. Almost half of the county's residents are located in San Jose. It is the MSA's largest city with 936,000 residents, followed by Sunnyvale and Santa Clara. Santa Clara is projected to post annual growth of more than 2 percent through 2016.

### 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.



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

### Largest Cities: San Jose MSA

San Jose	936,000
Sunnyvale	141,400
Santa Clara	119,700
Mountain View	75,500
Milpitas	67,500
Palo Alto	65,500

2011 Estimate  
Sources: Marcus & Millichap Research Services, AGS

### 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 MSA is:

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

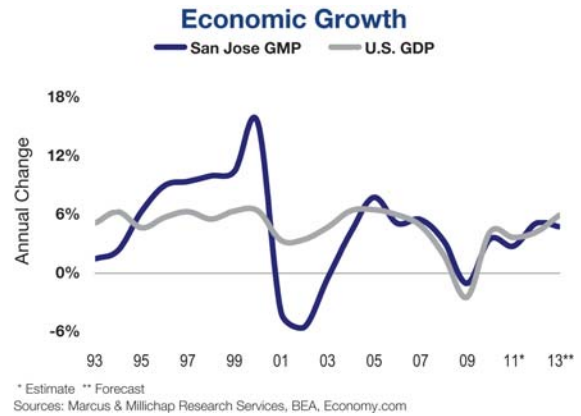
SAN JOSE

ECONOMY

The long-term outlook for the San Jose metro economy appears positive. The flow of venture capital into the region has increased since the end of the recession. This will aid the San Jose GMP growth rate to exceed that of the national GDP in 2012. Retail sales grew 7.6 percent in 2011, on par with that of the U.S.

The Silicon Valley, the world's premier high-technology hub, was fueled by venture capital funds received in the 1990s. Today, there are 13 Fortune 500 companies with headquarters in San Jose. These include Intel, Cisco Systems, Apple Inc. and Google Inc. As the economy gains strength, technology companies are beginning to hire once again. Employment growth in San Jose is will outpace U.S. growth over the next five years.

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 support these companies by graduating thousands of engineering and computer science students into the local work force every year.



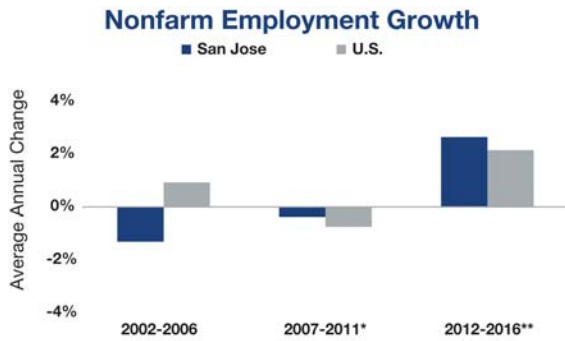
SAN JOSE

LABOR

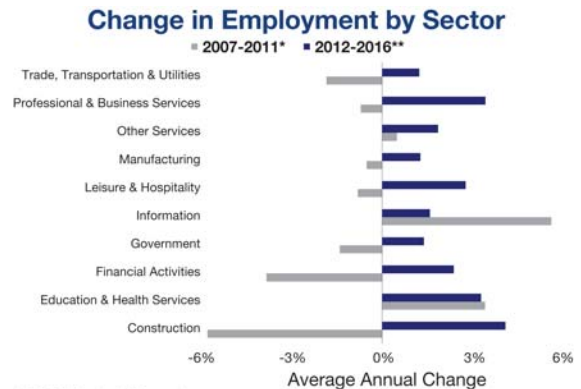
The San Jose employment base contains 866,100 workers, ranking the metro as one of the top-30 largest job markets in the nation. Employment growth is forecast to average 2.7 percent annually through 2016 with gains in all segments. The area's concentration of jobs in the information sector is more than twice the U.S. average, and more than 33,900 people work in the local computer services industry.

The Silicon Valley has evolved into a center for the design and support of high-tech systems, with the actual manufacturing processes now occurring in low-cost areas elsewhere. As a result, professional and business services has become the largest employment sector in the MSA, accounting for 19 percent of all jobs, while manufacturing accounts for 18 percent. Annual growth of 3.4 percent and 1.2 percent is expected through 2016, respectively.

The construction segment will lead employment growth over the next five years, at an annual rate of 4 percent, as many expansion projects put on hold during the recession resume. The population-driven education and health services sector is expected to increase an average of 3.2 percent yearly.



\* 2011 Estimate \*\* Forecast  
Sources: Marcus & Millichap Research Services, BLS, Economy.com



\* 2011 Estimate \*\* Forecast  
Sources: Marcus & Millichap Research Services, BLS, Economy.com

SAN JOSE

EMPLOYERS

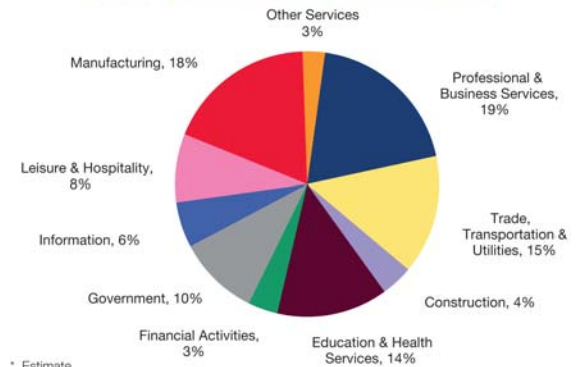
Large employers in the San Jose metro include high-tech industry giants Cisco Systems, Apple, Google and Hewlett-Packard. Although many of these companies reduced payrolls during the recession, hiring will continue through 2012 buoyed by the success of the iPad at Apple.

Not all of the area's employers are large corporations. San Jose has over 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 start-ups or businesses that provide support services to the tech industry.

Other large 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. The local education system hires more than 40,000 workers.

San Jose offers a multitude of shopping and entertainment options for residents who maintain a high level of disposable income to spend at area retailers. More than 174,800 people are employed in the local retail trade.

Share of 2011 Total Employment\*



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

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

Office-Using Employment Growth



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

## SAN JOSE

### DEMOGRAPHICS

The San Jose metro has nearly 1.9 million residents. Population growth is expected to climb through 2016 as the local economy gains steam and companies resume hiring. Average annual gains of 1.1 percent are projected through that time, above the national rate.

The residents of the MSA are highly educated, as the percentage of adults in San Jose with a bachelor's degree is more than 50 percent higher than the percentage nationwide. The percentage with a postgraduate degree is also nearly double. These figures hold positive implications for the local economy, as college-educated workers 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 28,000 new households will enter this segment over the next five years.

The median household income remains high at nearly \$88,800 annually, far above the U.S median of \$54,200 per year. The local median household income will increase nearly 12 percent by 2015.

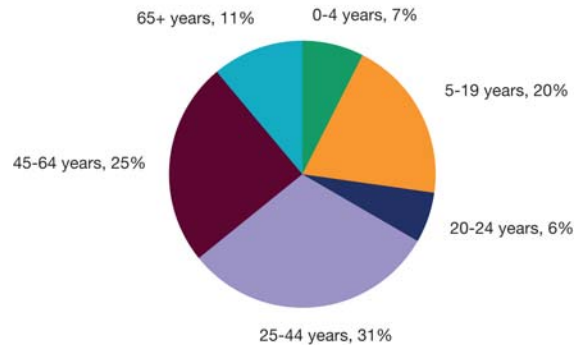
The median home price in the area, at \$583,800, is more than three times the national rate. This makes housing affordability very difficult for residents, sustaining demand for rental housing.

### Population Growth



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

### 2011 Population by Age



Sources: Marcus & Millichap Research Services, AGS

### Median Household Income



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

## SAN JOSE

### QUALITY OF LIFE

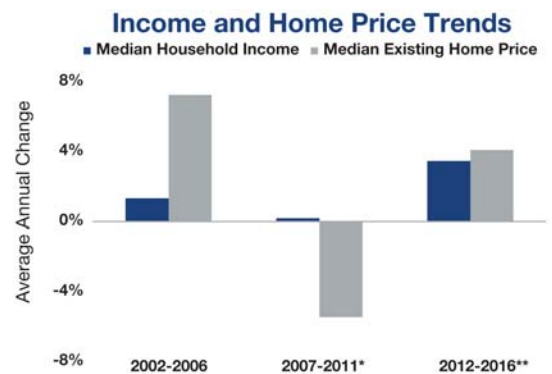
The San Jose metro has an enviable combination of major universities that produce a highly educated work force, cutting-edge firms and exceptional affluence. The metro enjoys a Mediterranean climate and a lifestyle considered fast-paced yet uniquely "California casual."

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 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 hosts the annual Cinequest Film Festival and the San Jose Jazz Festival.

The San Jose Sharks hockey team plays at the HP Pavilion. Other sports venues include the San Jose Municipal Stadium and Buck Shaw Stadium.

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.



\* 2011 Estimate \*\* Forecast  
Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors® U.S. Census Bureau

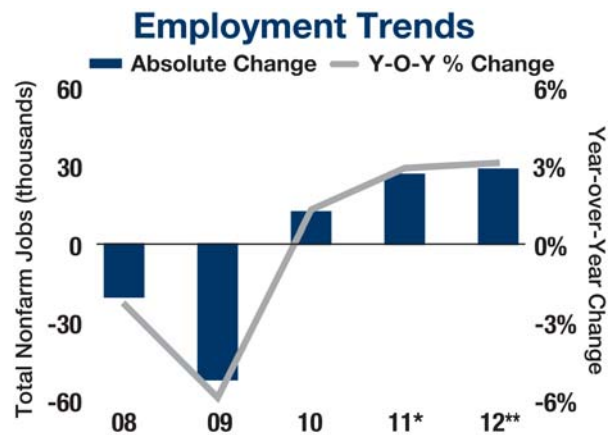


Sources: Marcus & Millichap Research Services, AGS

SAN JOSE

**Ongoing High-Tech Expansion Swells Demand for Rental Housing**

The tech industry’s robust growth will result in Silicon Valley leading California in job creation in 2012, enabling landlords to raise rents at the nation’s fastest rate. As tech-related staff counts increase and renter demand steadily builds near major employers, vacancy will fall below 3 percent for the first time since the dot-com boom. Operations in Sunnyvale, in particular, will outperform due to major tenants such as Microsoft, HP and Motorola Mobility leasing space at the Moffett Towers campus, which will intensify already strong Class A demand. As a result, Sunnyvale’s apartment vacancy will settle below 2 percent, enabling landlords to impose aggressive lease renewals in excess of 7 percent. Moreover, Google’s recent commitment to 700,000 square feet at the same office park will add to tech-related renter demand when the company’s lease commences in 2013. Meanwhile, South Bay’s elevated home prices will preclude many households from becoming homeowners, which will maintain solid absorption trends for Class B/C rental properties.



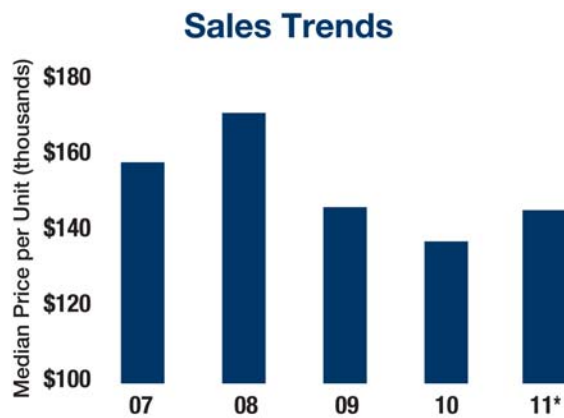
\* Estimate. \*\* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., RCA

Large syndicates, private-capital buyers and REITs will look to acquire assets in one of the nation’s strongest markets in 2012. Buyer demand turned bullish in 2011, a trend that will continue due to low lending rates and under-developed housing conditions. Meanwhile, owners contemplating securing low financing rates to leverage into larger assets may move to divest due to competitive bidding. As such, the local investment arena will record another year of strong trading, with closings to filter across the region. REITs and institutions will favor large, high-end properties, though more of these investors may descend the quality scale in pursuit of value-add plays. Transactions involving properties with fewer than 20 units, however, will still dominate closings as private buyers target cash-flow assets with more attainable price points.

## SAN JOSE

### 2012 Market Outlook

- 2012 NAI Rank: 1, Up 3 Places. San Jose moved into the top place in this year's NAI due to a booming tech industry and strong rent growth.
- Employment Forecast: Employers will expand payrolls by 3.2 percent, or 28,000 jobs, this year, following the addition of 26,000 positions in 2011.
- Construction Forecast: During 2012, deliveries will total 520 units, a modest increase from the completion of 480 units last year.
- Vacancy Forecast: Continued job growth and a low supply of rental housing will drive down vacancy 20 basis points in 2012 to 2.8 percent. Last year, vacancy dropped 80 basis points.
- Rent Forecast: In 2012, asking rents will inflate 6.1 percent to \$1,620 per month, and effective rents will climb 7.4 percent to \$1,548 per month.
- Investment Forecast: Cap rates for Class A buildings will average in the mid-4-percent range, and approximately 75 basis points higher for mid-tier assets. Cap rates for performing Class C buildings will generally average in the high-5-percent to high-6-percent range, depending on location.



\* Estimate. \*\* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., RCA



3210 Landess Avenue

SAN JOSE, CA

OFFERING MEMORANDUM

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