

3273 Rockport Avenue

SAN JOSE, CA

OFFERING MEMORANDUM



Marcus & Millichap
Real Estate Investment Services

3273 Rockport Avenue

SAN JOSE, CA

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PRICING AND FINANCIAL ANALYSIS

3273 Rockport Avenue

SAN JOSE, CA

FINANCIAL OVERVIEW

Location

3273 Rockport Avenue
San Jose, CA 95132

Price	\$850,000
Down Payment	100% / \$850,000
Number of Units	4
Price/Unit	\$212,500
Rentable Square Feet	3,614
Price/SF	\$235.20
CAP Rate - Current	4.52%
CAP Rate- Pro Forma	5.98%
GRM - Current	14.25
GRM- Pro Forma	11.81
Year Built	1969
Lot Size	8,085 SF
Type of Ownership	Fee Simple

Annualized Operating Data

Income	Current	Pro Forma
Gross Potential Rent	\$59,640	\$72,000
Other Income	\$723	\$723
Gross Potential Income	\$60,363	\$72,723
Less: Vacancy/Deductions (GPR)	3.0% / \$1,789	3.0% / \$2,160
Effective Gross Income	\$58,574	\$70,563
Less: Expenses	\$20,148	\$19,734
Net Operating Income	\$38,426	\$50,829
Net Cash Flow Before Debt Service	\$38,426	\$50,829

Expenses

Real Estate Taxes	\$11,274	\$11,274
Special Assessments	\$270	\$270
Garbage & Recycling	\$1,752	\$1,752
PG&E Common Area	\$1,980	\$1,980
San Jose Water Company	\$1,308	\$1,308
Insurance	\$1,764	\$1,350
Repairs & Maintenance	\$1,800	\$1,800
Total Expenses	\$20,148	\$19,734
Expenses/unit	\$5,037	\$4,934
Expenses/SF	\$5.57	\$5.46
% of EGI	34.40%	27.97%

Scheduled Income

No. of Units	Unit Type	Approx. Square Feet	Current Rents	Rent/ SF	Monthly Income	Pro Forma Rents	Monthly Income
1	3 Bdr 2 Bath House	1,450	\$1,595	\$1.20	\$1,595	\$2,100	\$2,100
3	2 Bdr 1 Bath Flat	720	\$1,100 - \$1,150	\$1.47	\$3,375	\$1,300	\$3,900
4	Total/Wtd. Avg.	3,614			\$4,970		\$6,000

INCOME & EXPENSES

Total Number of Units: 4
Total Rentable Area: 3,614 SF

Income	Current	Per Unit	Pro Forma	Per Unit
GROSS POTENTIAL RENT	\$59,640	\$14,910	\$72,000	\$18,000
Other Income				
Laundry Income	\$723	\$181	\$723	\$181
Total Other Income	\$723	\$181	\$723	\$181
GROSS POTENTIAL INCOME	\$60,363	\$15,091	\$72,723	\$18,181
Vacancy/Collection Allowance (GPR)	3.0% / \$1,789	\$447	3.0% / \$2,160	\$540
EFFECTIVE GROSS INCOME	\$58,574	\$14,643	\$70,563	\$17,641
Expenses				
Real Estate Taxes (1.2322% + \$915,000)	\$11,274	\$2,819	\$11,274	\$2,819
Special Assessments	\$270	\$68	\$270	\$68
Garbage & Recycling	\$1,752	\$438	\$1,752	\$438
PG&E Common Area	\$1,980	\$495	\$1,980	\$495
San Jose Water Company	\$1,308	\$327	\$1,308	\$327
Insurance	\$1,764	\$441	\$1,350	\$338
Repairs & Maintenance	\$1,800	\$450	\$1,800	\$450
TOTAL EXPENSES	\$20,148	\$5,037	\$19,734	\$4,934
Expenses per SF	\$5.57		\$5.46	
% of EGI	34.4%		28.0%	
NET OPERATING INCOME	\$38,426	\$9,606	\$50,829	\$12,707

FINANCING

Existing Financing	
Loan Amount	\$725,565
Loan Type	Other
Interest Rate	3.125%
Amortization	30-year Jumbo Pay Option ARM
Original Term	7-Year Fixed
Current Monthly Payment	\$3,727.79
Lender Name	Bank of America

Comments

The existing is through Bank of America.

RENT ROLL

Unit Number	Unit Type			Unit SF	Current Rent	Rent/ SF	Asking Rent	Rent/ SF	Parking
1	3 Bdr	2 Bath	House	1,450	\$1,595	\$1.10	\$2,100	\$1.45	1 Carport
2	2 Bdr	1 Bath	Flat	720	\$1,100	\$1.53	\$1,300	\$1.81	1 Carport
3	2 Bdr	1 Bath	Flat	720	\$1,125	\$1.56	\$1,300	\$1.81	1 Carport
4	2 Bdr	1 Bath	Flat	720	\$1,150	\$1.60	\$1,300	\$1.81	1 Carport
		TOTAL	VACANT		\$0		\$0		
4			TOTAL	OCCUPIED	3,610	\$4,970		\$6,000	
4	TOTAL			3,610	\$4,970		\$6,000		

PROPERTY DESCRIPTION

3273 Rockport Avenue

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INVESTMENT OVERVIEW

Investment Highlights

- Four Carports
- On-site Laundry for Additional Income
- Below Market Rents!
- Located on a Quiet Suburban Street
- Great Appreciation Potential



The subject property located at 3273 Rockport 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 composition shingle roof and is individually metered for gas and electric. There are four carports in the rear of the building, as well as an on-site laundry facility for additional income.

The property is conveniently located just two miles 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, 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 SUMMARY

The Offering

Property Address	3273 Rockport Avenue San Jose, CA 95132
Assessor's Parcel Number	591-14-027
Zoning	R3H

Site Description

Number of Units	4
Number of Buildings	1
Number of Stories	2
Year Built	1969
Rentable Square Feet	3,614
Lot Size	8,085 SF
Type of Ownership	Fee Simple
Parking	Carports
Parking Ratio	1:1
Landscaping	Low Maintenance
Topography	Flat

Utilities

Water	Landlord
Phone	Tenant
Electric	Tenant
Gas	Tenant

Construction

Foundation	Concrete Perimeter
Framing	Wood
Exterior	Stucco
Roof	Composition Shingle

PROPERTY PHOTOS



PROPERTY PHOTOS



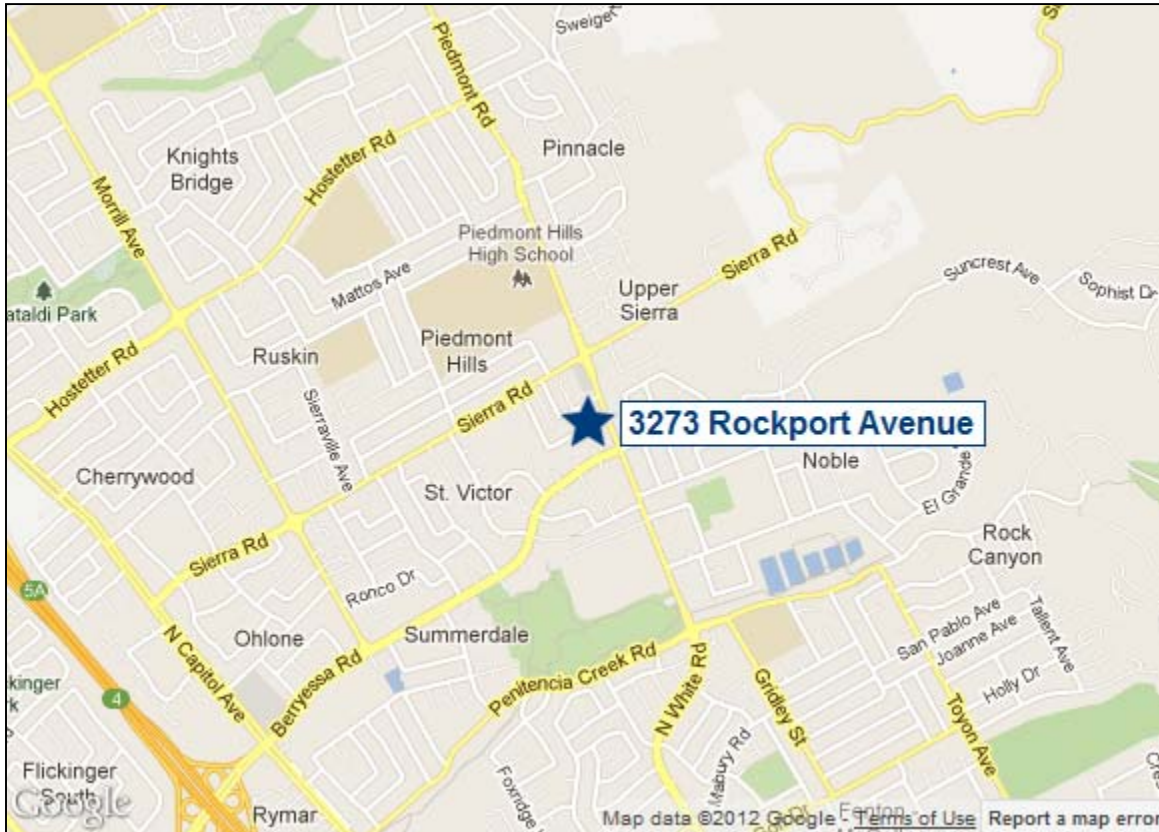
PROPERTY PHOTOS



3273 Rockport Avenue

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PROPERTY DESCRIPTION



Local Map



Regional Map



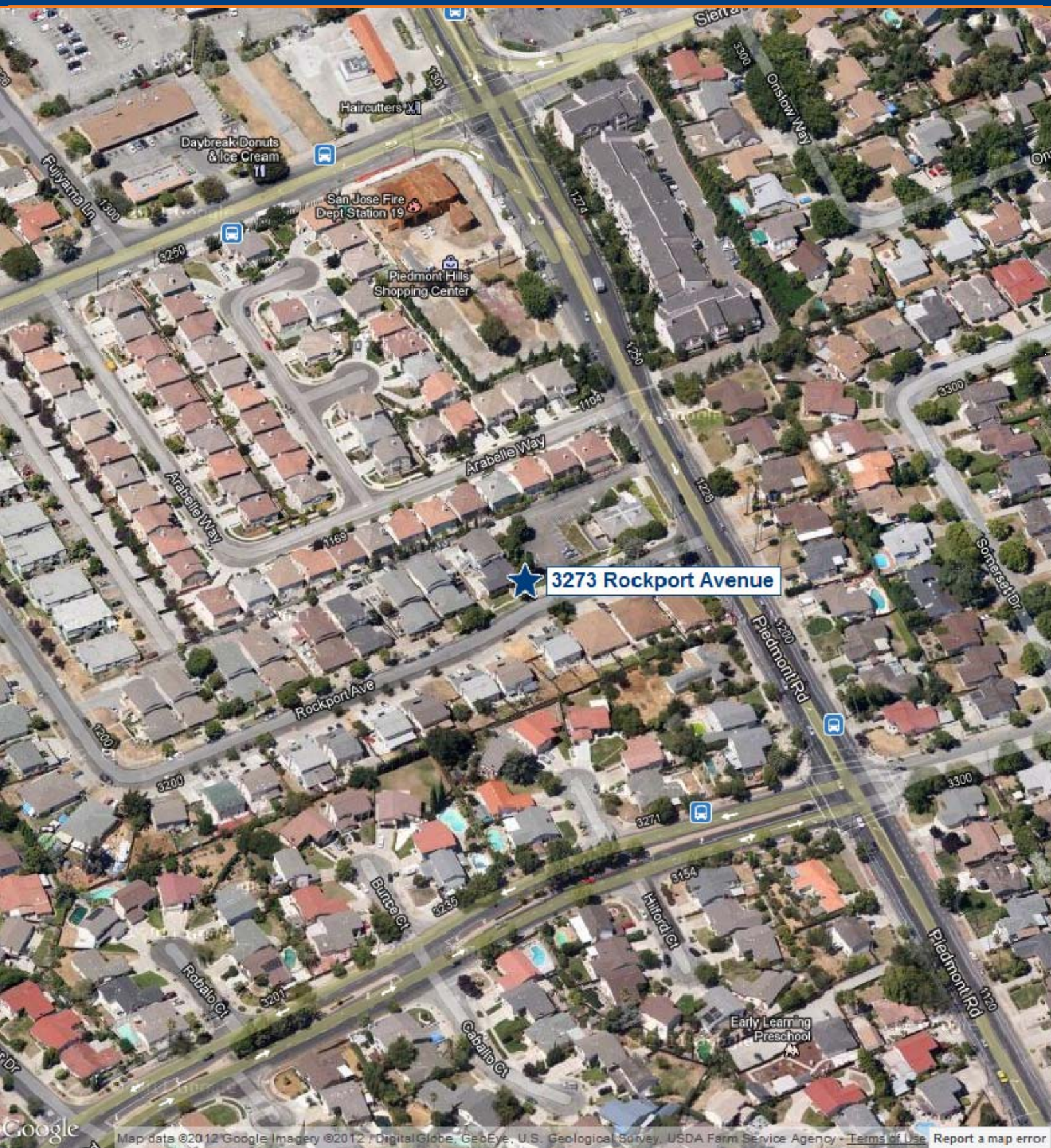
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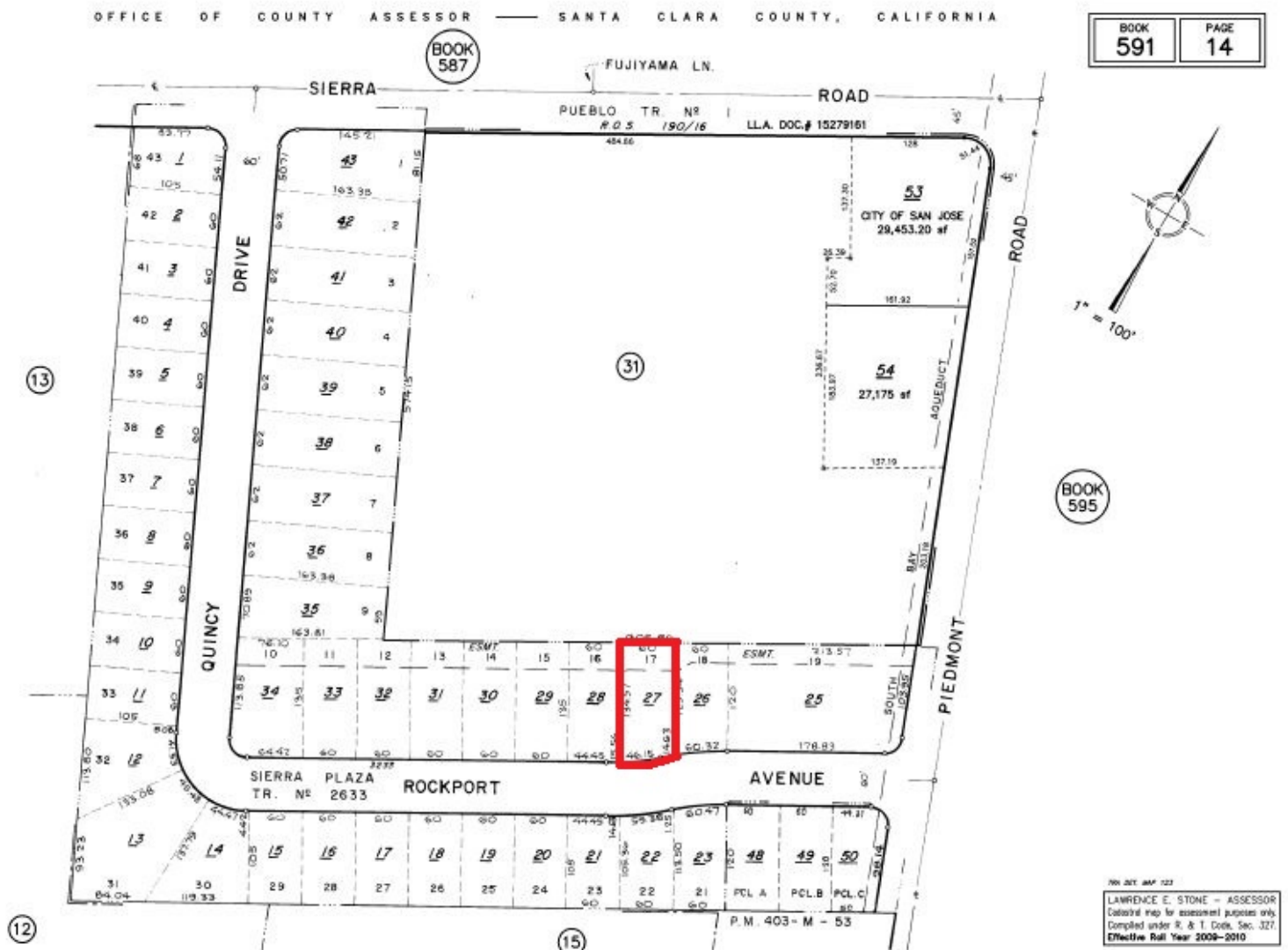
PROPERTY DESCRIPTION



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SITE PLAN



RECENT SALES

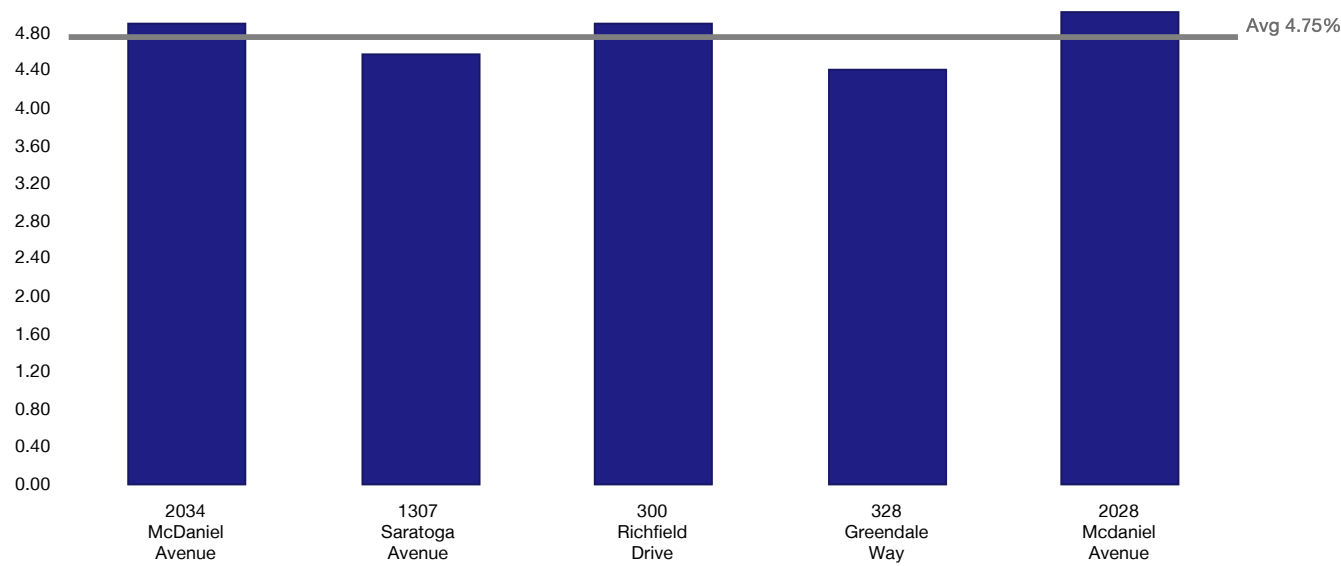
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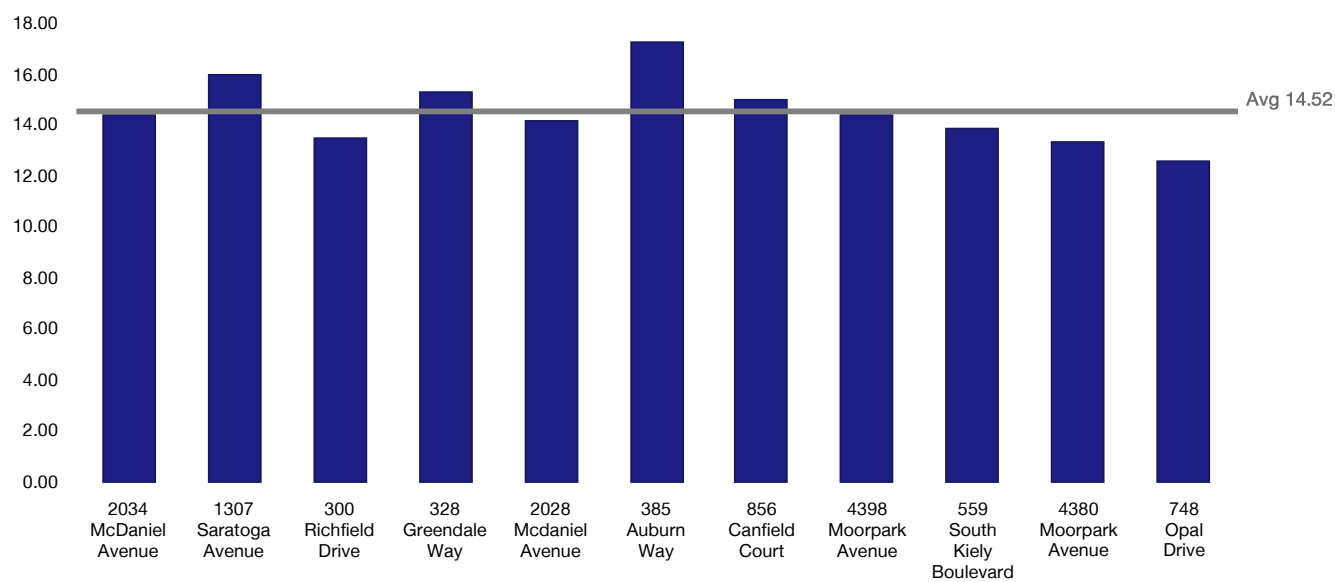
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CAP RATE AND GRM

Average Cap Rate

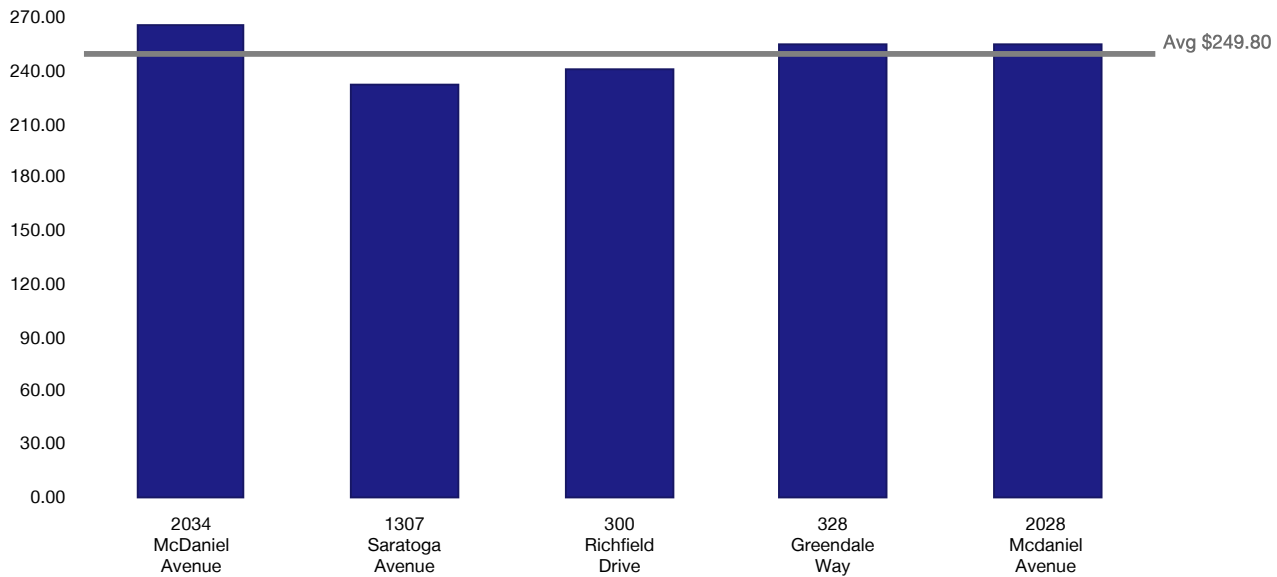


Average GRM

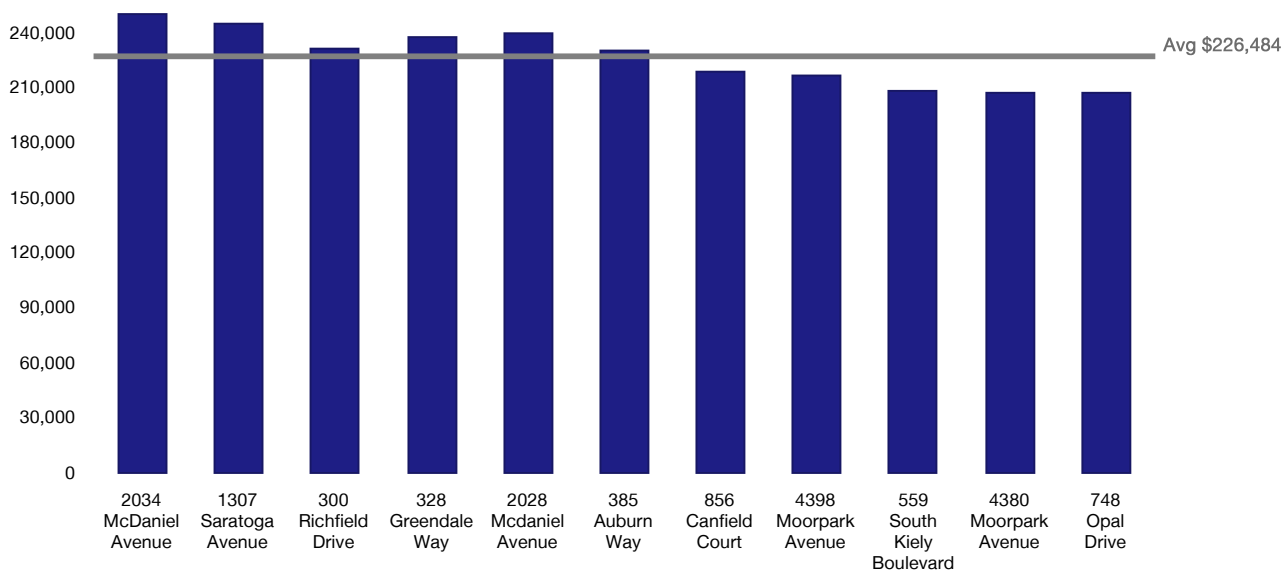


PRICE PER SF AND PRICE PER UNIT

Average Price per Square Foot



Average Price per Unit



RECENT SALES

1



Close of Escrow: 3/8/12

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

2



Close of Escrow: 4/23/12

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 4/23/12. Expected close price of around \$980,000.

3



Close of Escrow: 3/16/12

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

RECENT SALES

4



Close of Escrow: 10/25/11

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

5



Close of Escrow: 3/3/12

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

6



Close of Escrow: 12/9/11

385 Auburn Way
San Jose, CA 95129

No. of Units: 4
Year Built: 1966
Sale Price: \$920,000
Price/Unit: \$230,000
Price/SF: N/A
CAP Rate: N/A
GRM: 17.24

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

Comments

GRM is so high because the rents were way behind.

RECENT SALES

7



Close of Escrow: 2/29/12

856 Canfield Court
San Jose, CA 95136

No. of Units: 4
Year Built: 1979
Sale Price: \$875,000
Price/Unit: \$218,750
Price/SF: N/A
CAP Rate: N/A
GRM: 14.95

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

[Comments](#)

Newer building, good income and sold in 12 days at list.

8



4398 Moorpark Avenue
San Jose, CA 95129

No. of Units: 4
Year Built: 1969
Sale Price: \$865,000
Price/Unit: \$216,250
Price/SF: N/A
CAP Rate: N/A
GRM: 14.41

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

9



Close of Escrow: 8/31/11

559 South Kiely Boulevard
San Jose, CA 95117

No. of Units: 4
Year Built: 1970
Sale Price: \$831,500
Price/Unit: \$207,875
Price/SF: N/A
CAP Rate: N/A
GRM: 13.85

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

RECENT SALES

10



Close of Escrow: 9/14/11

4380 Moorpark Avenue
San Jose, CA 95129

No. of Units: 4
Year Built: 1969
Sale Price: \$830,000
Price/Unit: \$207,500
Price/SF: N/A
CAP Rate: N/A
GRM: 13.35

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

11



Close of Escrow: 4/2/12

748 Opal Drive
San Jose, CA 95117

No. of Units: 4
Year Built: 1959
Sale Price: \$830,000
Price/Unit: \$207,500
Price/SF: N/A
CAP Rate: N/A
GRM: 12.57

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

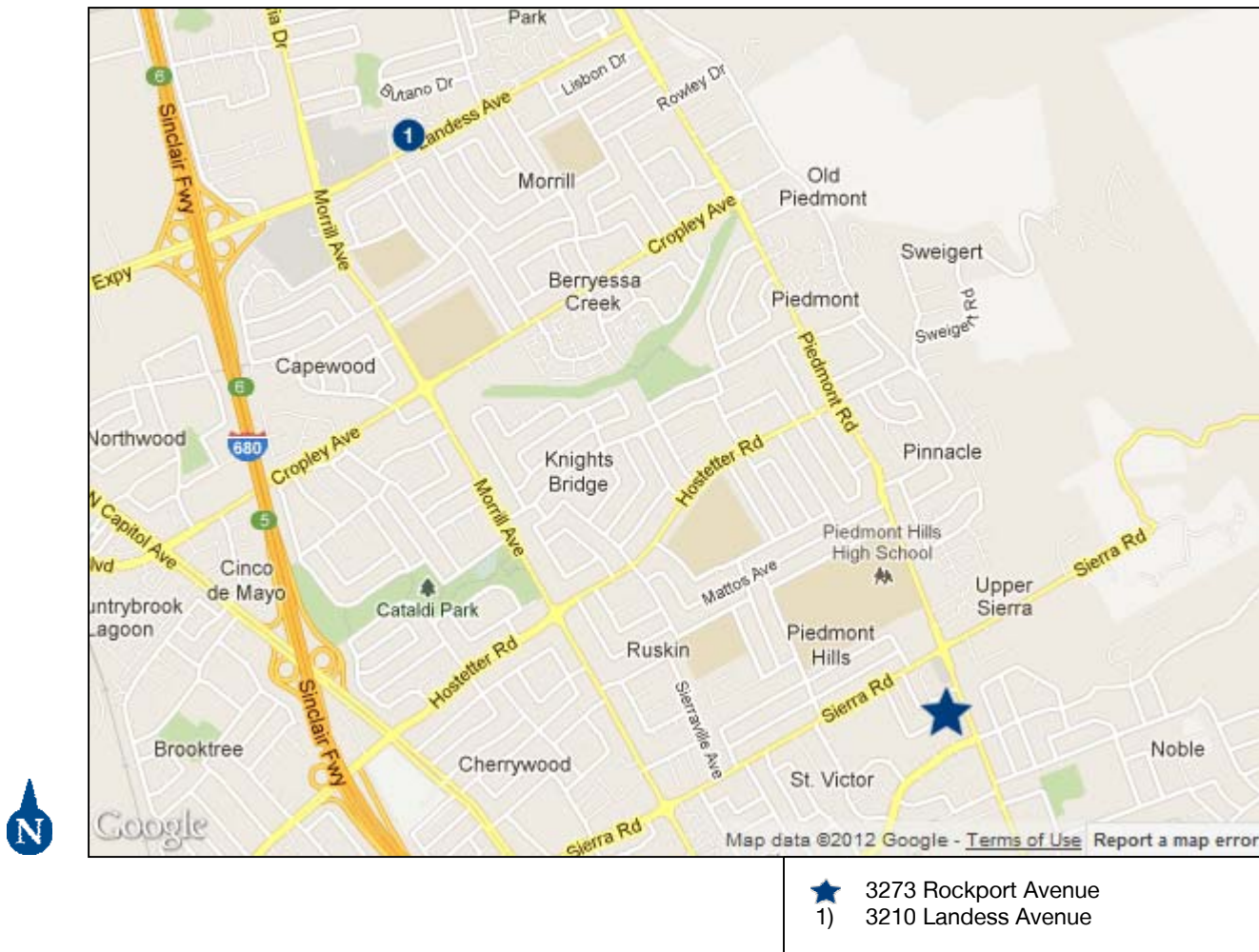
ON MARKET COMPARABLES

3273 Rockport Avenue

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ON MARKET COMPARABLES MAP



ON MARKET COMPARABLES

1



Close of Escrow: On Market

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
CAP Rate: 5.06%
GRM: 12.95

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

[Comments](#)

Listed by Marcus & Millichap

MARKET OVERVIEW

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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**

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Metro

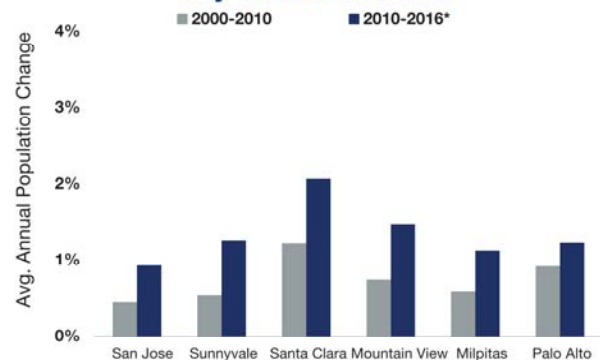
The San Jose metro contains nearly 1.9 million inhabitants in 15 cities. Almost half of the county's residents are located in San Jose. It is the MSA's largest city with 936,000 residents, followed by Sunnyvale and Santa Clara. Santa Clara is projected to post annual growth of more than 2 percent through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

City Growth Patterns



* 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

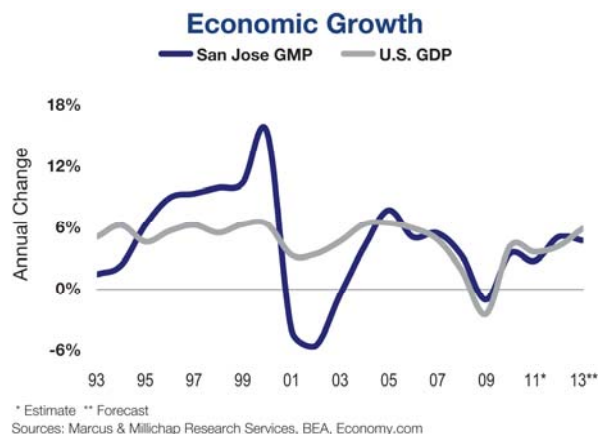
SAN JOSE

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.



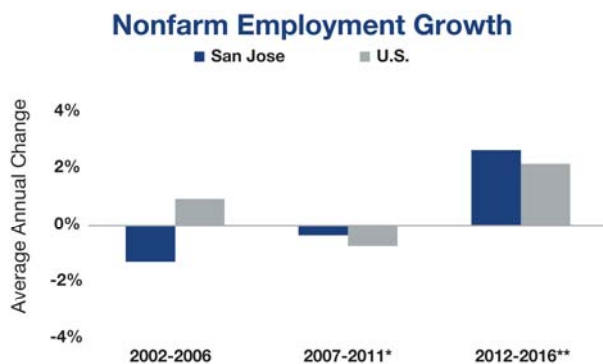
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Labor

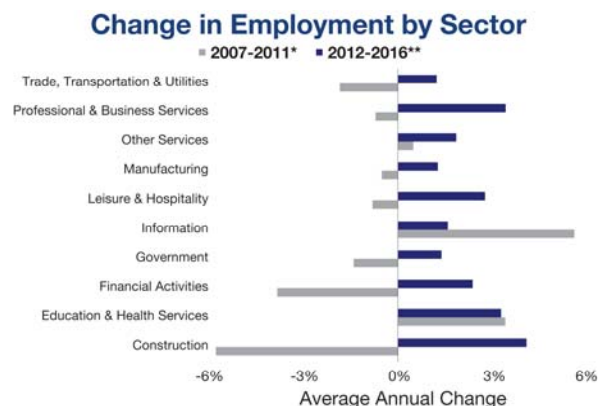
The San Jose employment base contains 866,100 workers, ranking the metro as one of the top-30 largest job markets in the nation. Employment growth is forecast to average 2.7 percent annually through 2016 with gains in all segments. The area's concentration of jobs in the information sector is more than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

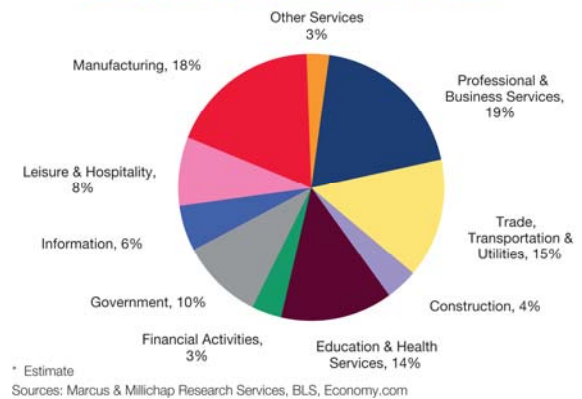
Large employers in the San Jose metro include high-tech industry giants Cisco Systems, Apple, Google and Hewlett-Packard. Although many of these companies reduced payrolls during the recession, hiring will continue through 2012 buoyed by the success of the iPad at Apple.

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*



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



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.

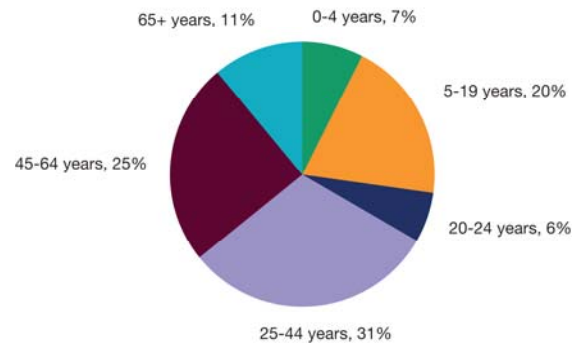
The median home price in the area, at \$583,800, is more than three times the national rate. This makes housing affordability very difficult for residents, sustaining demand for rental housing.

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

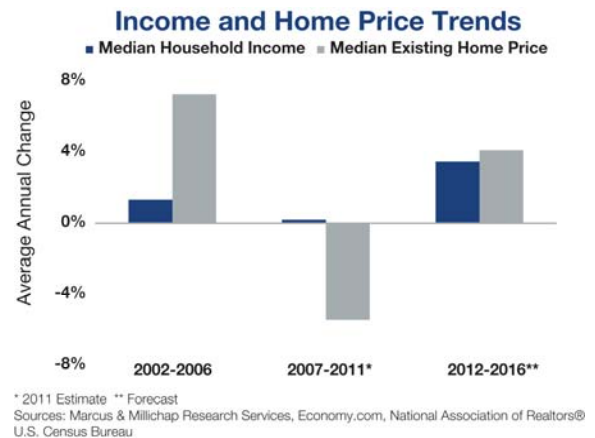
The San Jose metro has an enviable combination of major universities that produce a highly educated work force, cutting-edge firms and exceptional affluence. The metro enjoys a Mediterranean climate and a lifestyle considered fast-paced yet uniquely "California casual."

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.



SAN JOSE

Silicon Valley Culture Supports Healthy Rental Market

The accelerated expansion of the tech industry will continue to produce healthy demand for rental units in the San Jose metro. Tech giants Facebook, Apple and Google are all headquartered in the area, and are continuously adding employees to meet the growing demand for their products and services. The sporadic need for many contracted tech positions encourages the large local work force to remain flexible in terms of location. As a result, the demand for rental units in the area has outpaced supply significantly, and will intensify further as the population of young, mobile employees grows. Even with a swelling construction pipeline, operators are optimistic about the market outlook. The influx of supply could effect owners' ability to achieve significant rent growth, but the strong local economy will allow them to mitigate some of the potential increase in vacancy. Specifically, areas such as Cupertino and Mountain View, where some owners are recording double-digit rent growth, will sustain sufficient demand to overcome supply increases. The high price and limited affordability of single-family homes and a shift in preference toward renting will further support the absorption of new rentals.

Deal flow in the South Bay has ramped up considerably due to activity from REITs and institutions, though the volume of sales for local, private investors is light and could remain so for much of the year. As current property holders observe the strong rent growth in the market, and the potential cash flow increases down the road, they remain reluctant to bring assets to market. When any mid-tier properties are listed, many of the larger institutional players will consistently outbid private buyers due to their low cost of capital. Nonetheless, there are still some areas that REITs and institutions will overlook or simply avoid due to a more blue-collar residential population. For instance, many local investors are able to find lower-tier properties in the South San Jose and East San Jose submarkets. Smaller buyers will typically buy these rentals with cap rates near 6 percent, then revamp the property and raise rents to sell at a 6 percent yield. Meanwhile, first-year returns for Class A buildings hover around 4 percent.

2012 Annual Apartment Forecast

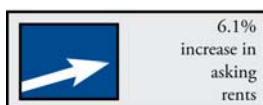
Employment: Employers in the South Bay will hire 35,500 individuals in 2012, a 4 percent increase from the prior year. The professional and business services sector will lead growth with 6,750 additional positions. In 2011, total employment in the metro expanded 3.2 percent.



Construction: Builders have reacted to San Jose's tightening rental market by ramping up plans and construction to meet demand. By year end, 3,700 units will be added to rental inventory, after just 392 apartments were added in 2011.



Vacancy: The San Jose vacancy rate will fall to 2.7 percent by the end of the year, as supply-side pressures stymie improvements in the second half. Still, the rate will be 20 basis points lower than the fourth quarter of 2011.

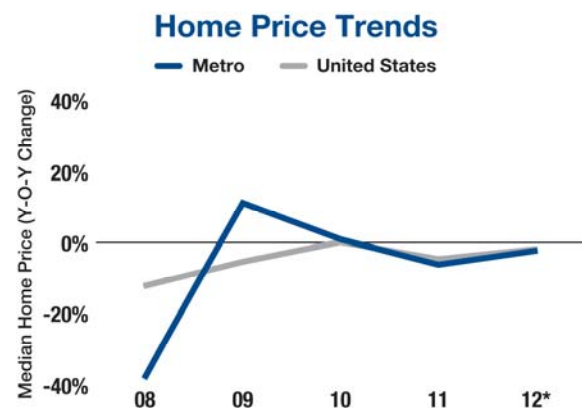
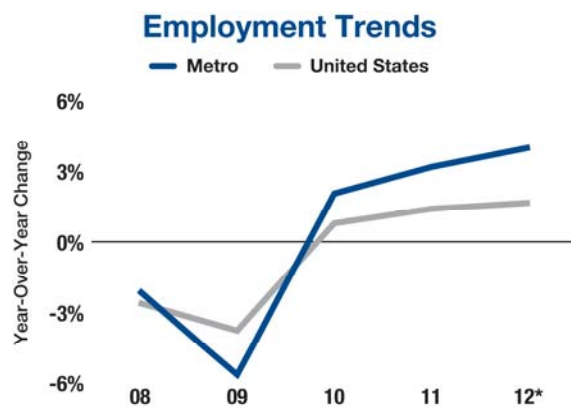


Rents: This year, asking rents will increase 6.1 percent to \$1,607 per month, while effective rents advance 7.3 percent to \$1,522 per month. In 2011, the South Bay area posted asking and effective rent gains of 4.7 percent and 5.1 percent, respectively.

SAN JOSE

Economy

- San Jose added 8,900 jobs in the first quarter of 2012, due primarily to significant private-sector growth. Employment expanded 3.1 percent year over year, with 27,200 more employed workers than in the first quarter last year.
- The local technology industry will continue to outperform in 2012, as major companies including Apple, Facebook and Google are expected to register significant revenue gains. Much of the 6,750 positions expected to be added in the professional and business services sector in 2012 can be attributed to the success of these tech organizations.
- The recent acquisition of Palm by Hewlett Packard may bring forth significant job losses as HP continues to find the new unit unprofitable. The computer hardware and software company cut 275 jobs from the Palm organization while moving to a smaller Cupertino office in the first quarter, and the 900 members of the acquired division are still susceptible to further layoffs.
- Outlook: Employers in the South Bay will hire 35,500 workers this year, marking a 4 percent year-over-year increase. In 2011, metrowide employment expanded 3 percent.



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

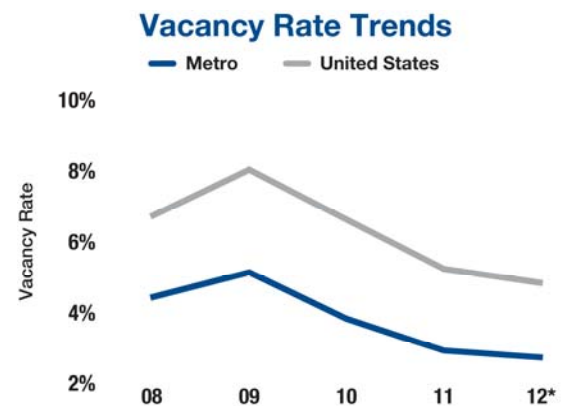
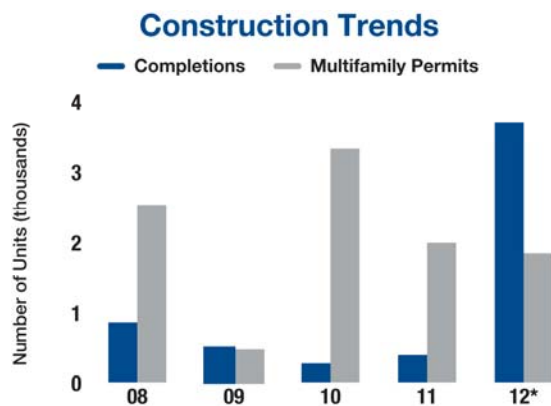
Housing and Demographics

- Issuance of single-family permits in the San Jose metro fell 8 percent in the 12 months ending in the first quarter, with 1,000 permits pulled. Multifamily issuance, on the other hand, increased nearly threefold to 2,370 permits.
- The median price of an existing single-family home fell 4 percent in the last year to \$553,750 in the first quarter, the fifth straight quarter of year-over-year declines. Meanwhile, the median household income rose 2 percent to \$89,190, which is \$42,500 below the minimum requirement for a median-priced home.
- Despite price declines in the housing market, the average Class A rent still falls well below the monthly mortgage payment for a median-priced home. In fact, the typical mortgage obligation is \$1,152 higher per month than renting.
- Outlook: Single-family homes will not likely surface as an alternative to renting in the near term due to a shift in mentality toward renting and the inability of many residents to qualify for financing after the effects of the recession.

SAN JOSE

Construction

- No new units were delivered in the first quarter. However, 392 Class A rentals were added in the Sunnyvale and West San Jose submarkets over the last 12 months, amounting to a 0.4 percent increase to inventory.
- Developers are currently building 2,360 competitive units in the metro, with more than half expected to come online this year. The total number of planned units has surpassed 7,000, though only a few projects have firm starting dates.
- The largest development under way is the Crescent Village complex in the Northeast San Jose submarket. The project will add 1,750 units to inventory, amounting to a 1.6 percent increase to inventory.
- Outlook: Builders have reacted to San Jose's tightening rental market by ramping up plans and construction to meet demand. By year end, 3,700 units will be added to rental inventory, after just 392 rentals were added in 2011.



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

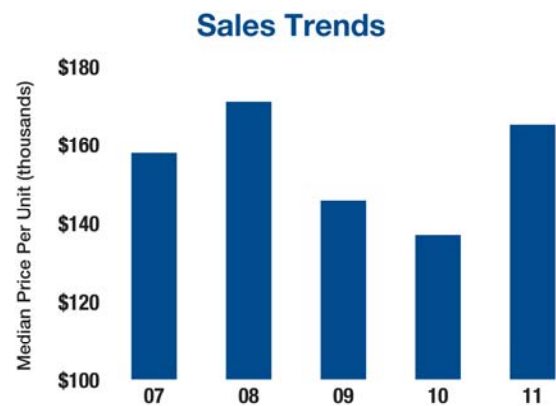
Vacancy

- Apartment vacancy improved 30 basis points in the first quarter to 2.6 percent. Year over year, the rate fell 80 basis points, and is currently 250 basis points lower than the peak level of the recession. In fact, vacancy is at its lowest point since the first quarter of 2001.
- Demand for Class A units picked up in the first quarter, contributing to a 40-basis-point drop in vacancy to 2.6 percent. The rate is 90 basis points below the first-quarter vacancy recorded in 2011.
- The Class B/C sector vacancy rate fell 20 basis points in the first quarter to 2.5 percent, with a year-over-year improvement of 80 basis points. Much of the demand gain stems from single-family housing market woes and a lack of construction since the fourth quarter of 2010.
- Outlook: The San Jose vacancy rate will decline 10 basis points further throughout the year, to finish at 2.7 percent as supply-side pressures play a role in the second half. Still, the rate will be 20 basis points lower than year-end 2011.

SAN JOSE

Rents

- Asking rents were \$1,521 per month in the first quarter, marking a 4.3 percent increase from last year. Effective rents rose 4.9 percent to \$1,425 per month, cutting average concessions one day to 23 days of free rent.
- Class A asking rents advanced 4.4 percent in the last year to \$1,735 per month as demand for quality rentals surged. Lower-tier operators pushed asking rents up 4 percent to \$1,281 per month during the same period.
- Revenues climbed 5.2 percent over the last year, based on considerable rent growth charted in the Class A sector. The first-quarter average revenue was at the highest level since the fourth quarter of 2008.
- Outlook: This year, asking rents will increase 6.1 percent to \$1,607 per month, while effective rents advance 7.3 percent to \$1,522 per month. In 2011, the Southbay area posted asking and effective rent gains of 4.7 percent and 5.1 percent, respectively.



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

Sales Trends**

- Transaction volume increased nearly threefold over the last 12 months. However, a consolidation of ownership has led private investors to seek deals in less affluent areas that still display strong renter demand.
- The median price of properties sold over the past year was \$159,600 per unit, a 5.9 percent increase from the preceding 12-month stretch. The interests of REITs and institutions supported much of the rise.
- Cap rates for deals closed in the last year hovered around the mid-4 to low-5 percent range for the market as a whole. However, properties with significant value-add opportunities can trade 100 basis higher on average.
- Outlook: Assets at the top of the spectrum will garner a significant amount of attention from international investors in addition to the typical REITs and institutions. In fact, in the last 12 months, Canadian buyers accounted for 23 percent of deals closed in the \$5 million-plus price segment.

** Data reflect a full 12-month period, calculated on a trailing 12-month basis by quarter.

SAN JOSE

Capital Markets

- The national apartment market's strong performance continued in the first three months of 2012 as the vacancy rate slipped 30 basis points to 4.9 percent, marking the eighth consecutive quarterly decline. As conditions continue to improve, refinancing and disposition options for owners will expand to some owners that were underwater two years ago.
- Despite a brief increase to approximately 2.3 percent during the period, the interest rate on the 10-year Treasury ended the first quarter at about 2 percent. Capital continues to flow into safe-haven investments such as U.S. government debt amid lingering uncertainty over the eurozone.
- Fannie Mae and Freddie Mac will have unlimited financial support from the federal government through the end of this year. However, Congress will weigh a number of proposals to sunset the GSEs over the next decade and privatize the secondary mortgage market. The entities accounted for 65 percent of apartment mortgage originations last year.
- Access to acquisition financing continues to improve. Loans from portfolio lenders are issued at LTVs ranging from 70 percent to 80 percent, while the government agencies will work at the high end of the range on the highest-quality properties. All-in rates on mortgages of \$3 million and more start in the mid-3 percent range for terms of five years, while 10-year debt varies from the low- to mid-4 percent region. Rates for smaller assets can rise up to 30 basis points to 75 basis points higher.

Submarket Overview

- The extension of the BART route to Milpitas and Berryessa, has sparked numerous development plans. One of the largest is a 134-home complex dubbed Contour in the Milpitas submarket. The influx of residential units will not likely effect apartments, with single-family homes priced in the \$700,000 range.
- The Mountain View/Los Altos and Sunnyvale submarkets charted the largest rent growth in the area, due primarily to the demand stemming from tech employees. Incidentally, these areas were also heavily targeted by large investors looking to capitalize on the sustainable, white-collar renter demographic.
- Apple will increase its footprint in San Jose after signing a lease for 156,000 square feet in a downtown Sunnyvale office building . The extension will add approximately 1,700 employees to the area, further boosting demand for rentals in the Sunnyvale submarket.

DEMOGRAPHIC ANALYSIS

3273 Rockport Avenue

SAN JOSE, CA

DEMOGRAPHIC REPORT

	1 Mile	3 Miles	5 Miles
1990 Population	18,694	133,807	305,770
2000 Population	20,401	156,627	354,161
2010 Population	20,750	159,857	361,471
2011 Population	20,942	161,870	366,590
2016 Population	21,849	170,358	386,303
1990 Households	5,570	39,602	84,314
2000 Households	5,970	43,880	93,815
2010 Households	6,026	46,411	101,521
2011 Households	6,115	46,811	103,063
2016 Households	6,364	49,181	108,739
2011 Average Household Size	3.42	3.42	3.45
2011 Daytime Population	1,855	44,244	200,602
1990 Median Housing Value	\$270,323	\$249,369	\$227,603
2000 Median Housing Value	\$381,441	\$356,343	\$338,594
2000 Owner Occupied Housing Units	81.73%	66.36%	58.79%
2000 Renter Occupied Housing Units	17.65%	32.20%	39.11%
2000 Vacant	0.60%	1.43%	2.10%
2011 Owner Occupied Housing Units	79.64%	64.34%	55.58%
2011 Renter Occupied Housing Units	18.12%	32.17%	40.16%
2011 Vacant	2.24%	3.48%	4.25%
2016 Owner Occupied Housing Units	79.64%	64.36%	55.56%
2016 Renter Occupied Housing Units	18.15%	32.20%	40.22%
2016 Vacant	2.21%	3.43%	4.21%
\$ 0 - \$14,999	8.0%	7.4%	9.5%
\$ 15,000 - \$24,999	5.4%	6.7%	7.4%
\$ 25,000 - \$34,999	7.0%	5.9%	7.2%
\$ 35,000 - \$49,999	5.2%	10.5%	11.4%
\$ 50,000 - \$74,999	16.1%	18.0%	17.1%
\$ 75,000 - \$99,999	14.1%	15.3%	15.2%
\$100,000 - \$124,999	13.8%	11.6%	10.6%
\$125,000 - \$149,999	9.4%	7.8%	7.6%
\$150,000 - \$199,999	12.4%	9.8%	8.3%
\$200,000 - \$249,999	3.7%	3.0%	2.4%
\$250,000 +	5.0%	4.1%	3.3%
2011 Median Household Income	\$89,220	\$77,177	\$70,775
2011 Per Capita Income	\$28,339	\$25,823	\$24,059
2011 Average Household Income	\$96,497	\$87,838	\$80,540

Demographic data © 2010 by Experian/Applied Geographic Solutions.

SUMMARY REPORT

Geography: 5 Miles

Population

In 2011, the population in your selected geography was 366,590 . The population has changed by 3.51% since 2000. It is estimated that the population in your area will be 386,303 five years from now, which represents a change of 5.38% from the current year. The current population is 52.6% male and 47.4% female. The median age of the population in your area is 33.5 , compare this to the U.S. average which is 36.9. The population density in your area is 4,663.41 people per square mile.

Households

There are currently 103,063 households in your selected geography. The number of households has changed by 9.86% since 2000. It is estimated that the number of households in your area will be 108,739 five years from now, which represents a change of 5.51% from the current year. The average household size in your area is 3.45 persons.

Income

In 2011, the median household income for your selected geography is \$70,775 , compare this to the U.S. average which is currently \$53,620. The median household income for your area has changed by 6.33% since 2000. It is estimated that the median household income in your area will be \$73,035 five years from now, which represents a change of 3.19% from the current year.

The current year per capita income in your area is \$24,059 , compare this to the U.S. average, which is \$28,713. The current year average household income in your area is \$80,540 , 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: 30.79% White, 2.89% African American, 0.95% Native American and 35.20% 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 40.97% 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 \$338,594 in 2000, compare this to the U.S. average of \$110,796 for the same year. In 2000, there were 56,332 owner occupied housing units in your area and there were 37,479 renter occupied housing units in your area. The median rent at the time was \$984 .

Employment

In 2011, there are 200,602 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 57.0% of employees are employed in white-collar occupations in this geography, and 43.0% are employed in blue-collar occupations. In 2011, unemployment in this area is 13.09% . In 2000, the median time traveled to work was 23.3 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



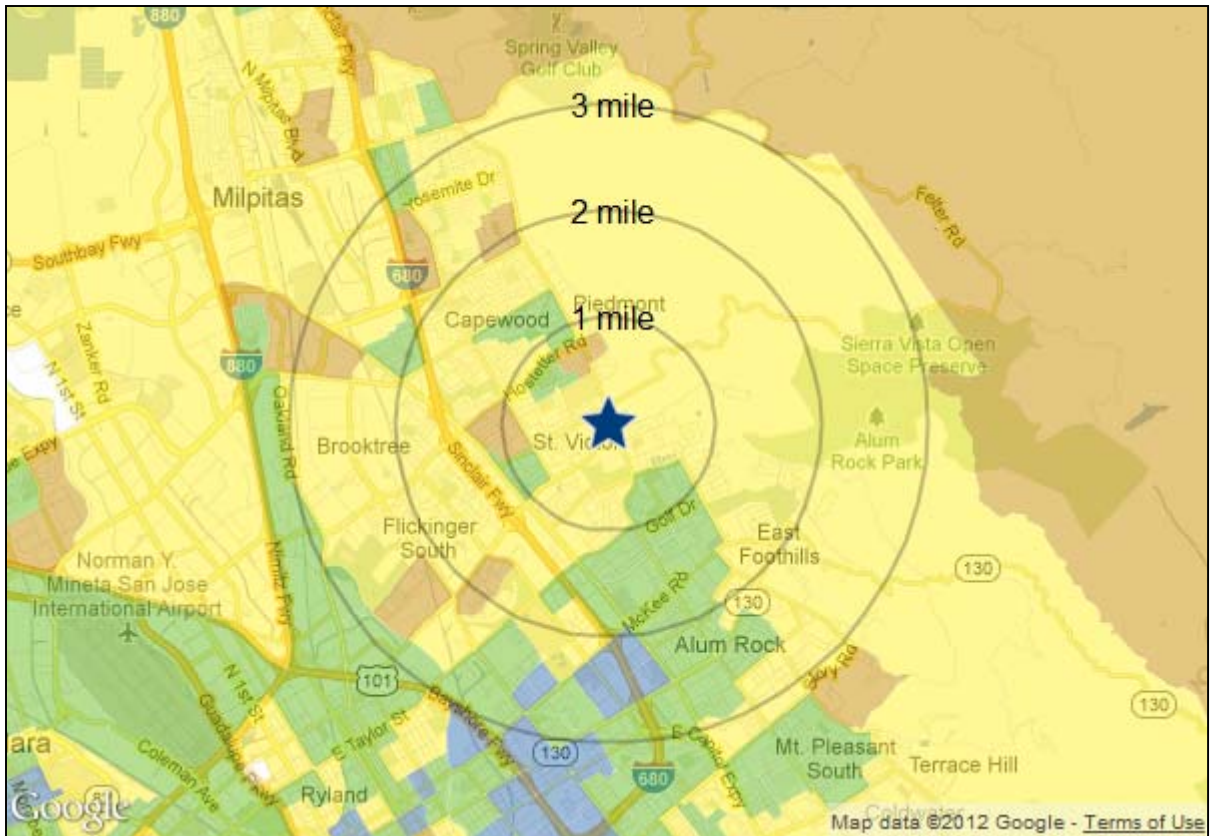
Demographic data © 2010 by Experian/Applied Geographic Solutions.

Employment Density

Theme	Low	High
Low	less than	9
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



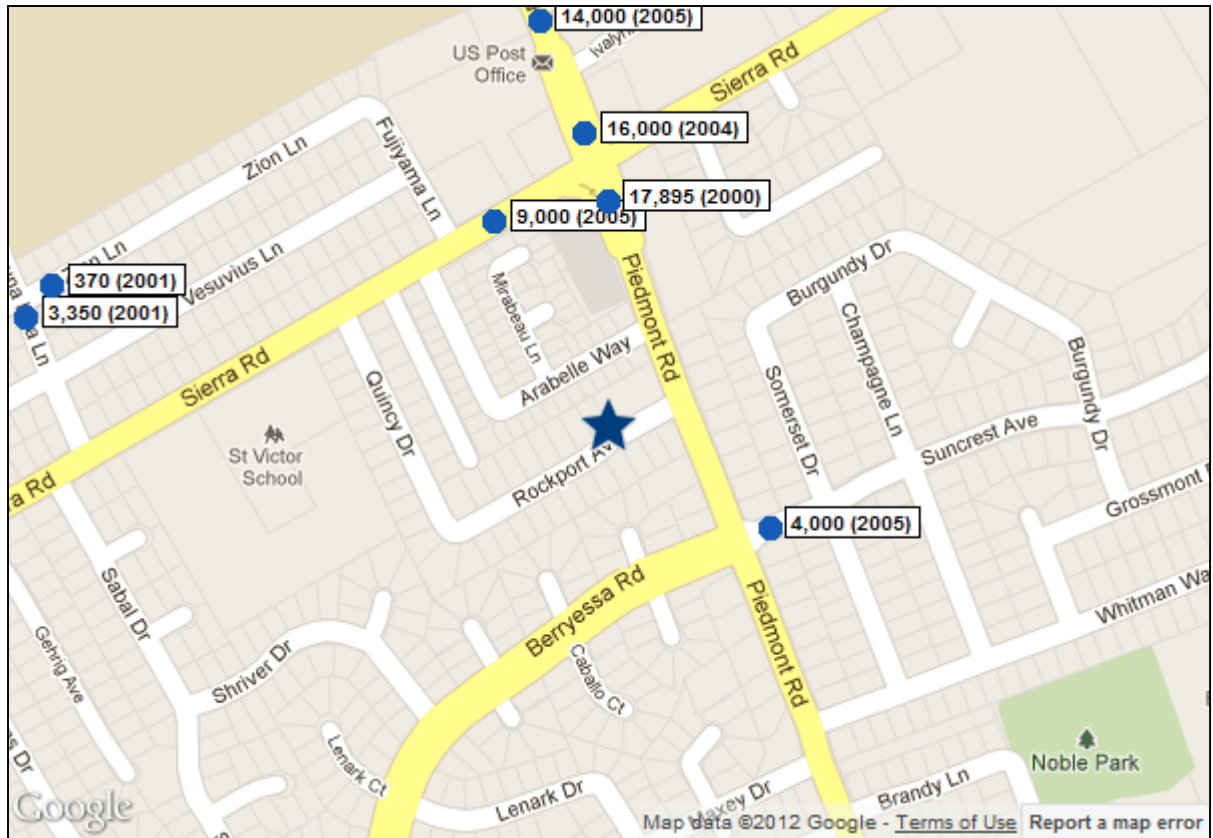
Demographic data © 2010 by Experian/Applied Geographic Solutions.

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



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Two-way, average daily traffic volumes.

3273 Rockport Avenue

SAN JOSE, CA

OFFERING MEMORANDUM

Marcus & Millichap
Real Estate Investment Services

Offices Nationwide
www.MarcusMillichap.com

Exclusively Listed By:

Nathan Gustavson
Senior Associate
Associate Member, National Multi Housing Group
San Francisco Office
License: CA: 01898316
Tel: (415)625-2176
Fax: (415)963-3010
Nathan.Gustavson@marcusmillichap.com
www.marcusmillichap.com/NathanGustavson