

The Thorpe House

SAN JOSE, CA



OFFERING MEMORANDUM



Marcus & Millichap
Real Estate Investment Services

The Thorpe House

SAN JOSE, CA

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PROPERTY DESCRIPTION

The Thorpe House

SAN JOSE, CA

INVESTMENT OVERVIEW

Investment Highlights

- Complete Property Renovation (Completed January 2013)
- Brand New Stainless Steel Appliances in Every Unit and Granite Countertops
- High-Ceilings, Sheet Vinyl Flooring and Old-Style Interior
- Brand New On-Site Laundry Facility
- Seven Large On-Site Storage Units
- On-Site Parking for Seven Automobiles, Five Bicycles and Two Motorcycles
- Brand New Roof, Gutters and Downspouts
- 95 Percent High Efficiency Lighting, Toilets, Water Heater, Heating and A/C System



The Thorpe House is one of San Jose's true historic buildings. Originally constructed in 1892, the existing structure provided an opportunity for new ownership to completely renovate and restore this seven-unit apartment building. The subject property is located at 272 Washington Street just minutes from vibrant downtown San Jose, and has had a full structural & building rehabilitation using all top of the line product.

The unit mix consists of one two-bedroom/one-bath unit, five one-bedroom/one-bath units and one studio, all with unique floor plan layouts. Over 1,175 square feet of additional livable space have been added to the original 2,712 square foot structure for a total living space of over 3,887 square feet. Common area amenities include a brand new coin-op laundry room, seven large private storage spaces in the basement, and seven on-site parking spaces. The units all have eleven foot high ceilings and contain all new 95% efficiency heating and A/C units, microwaves, stainless steel refrigerators, high quality sheet-vinyl flooring, and quad-burner gas stoves with overhead ventilation. Additionally, each unit has a brand new bathroom, carpet, paint and will be complete with high efficiency lighting and toilets.

Located roughly four blocks from San Jose State University, the subject property has a history of low vacancy and long term tenancy. Highway 280 is less than two blocks away allowing access to employment centers throughout the Bay Area. This property is truly the definition of a "pride of ownership" turn-key property located in highly desirable San Jose, California.

PROPERTY SUMMARY

The Offering

Property	The Thorpe House
Property Address	272 Washington Street San Jose, CA 95112
Assessor's Parcel Number	249-48-026
Zoning	R-M (Multiple Residence District)

Site Description

Number of Units	7
Number of Buildings	1
Number of Stories	2
Year Built	1898
Rentable Square Feet	3,887
Lot Size	7,627 SF
Type of Ownership	Fee Simple
Parking	7 On-Site parking spaces
Parking Ratio	1 to 1
Landscaping	Low Maintenance
Topography	Flat

Utilities

Water	Landlord
Phone	Tenant
Electric	Tenant
Gas	Tenant

Construction

Foundation	Concrete Perimeter
Framing	Wood
Exterior	Wood
Parking Surface	Brand New Asphalt
Roof	Brand New Comp Shingle

Mechanical

HVAC	Brand New 95 Percent Efficiency HVAC All Units
Wiring	All New

AMENITIES

Common Area Amenities

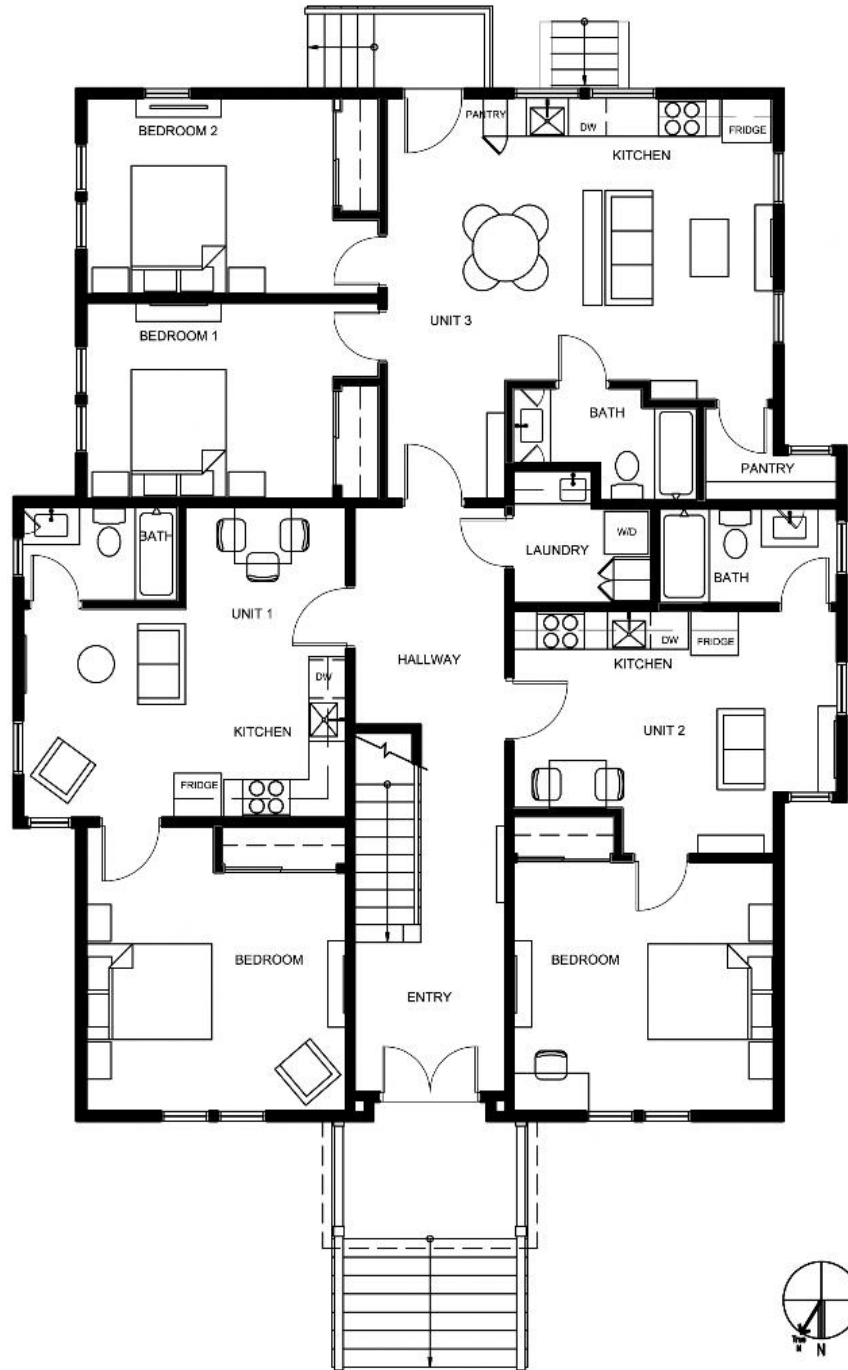
- On-site Laundry Room with New Coin-Op Washer/Dryer
- Seven Large Storage Units in Basement Approximately 80 Square Feet
- Seven On-Site Parking Spots in the Rear of the Building
- New High Efficiency Common Area Lighting
- Brand New Roof



Unit Amenities

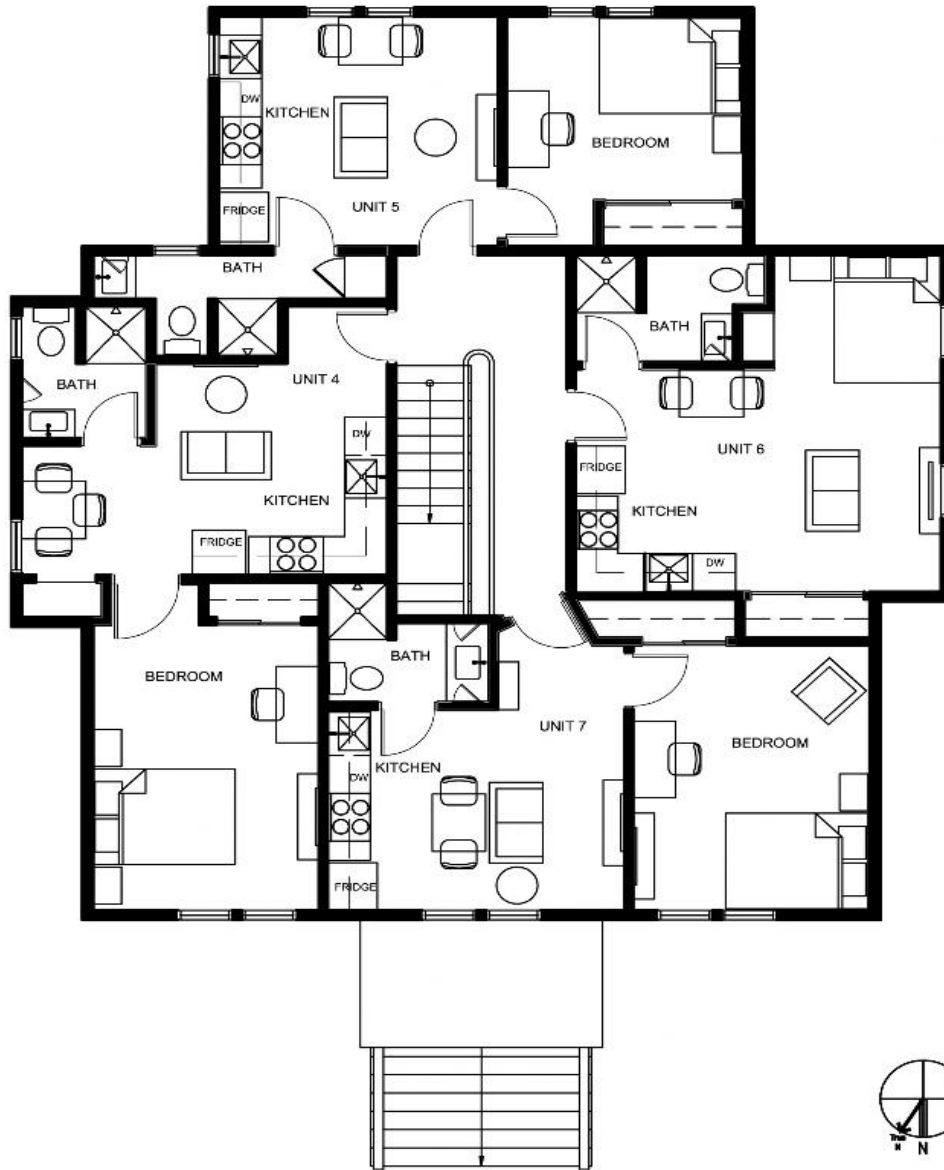
- New High-Efficiency Dishwashers
- New High-Efficiency Four-Burner Gas Stoves
- New High-Efficiency Lighting in All Units
- Sheet Vinyl Flooring (15 Year Life)
- Brand New Appliances in All Units

FLOOR PLAN | 1ST FLOOR



272 WASHINGTON FIRST FLOOR PLAN

FLOOR PLAN | 2ND FLOOR



272 WASHINGTON SECOND FLOOR PLAN

The Thorpe House

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PROPERTY DESCRIPTION

PROPERTY PHOTOS



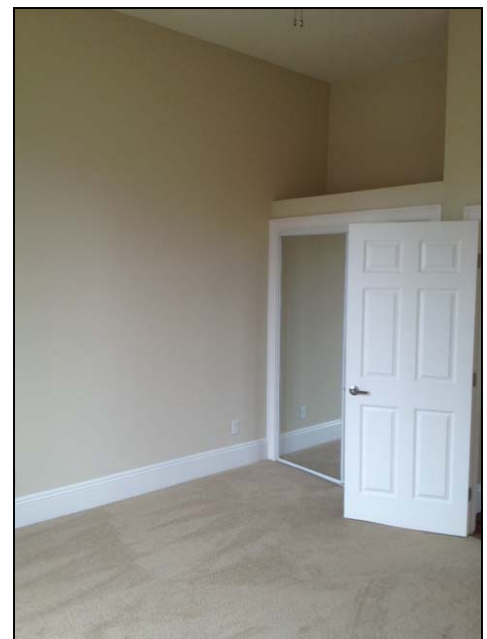
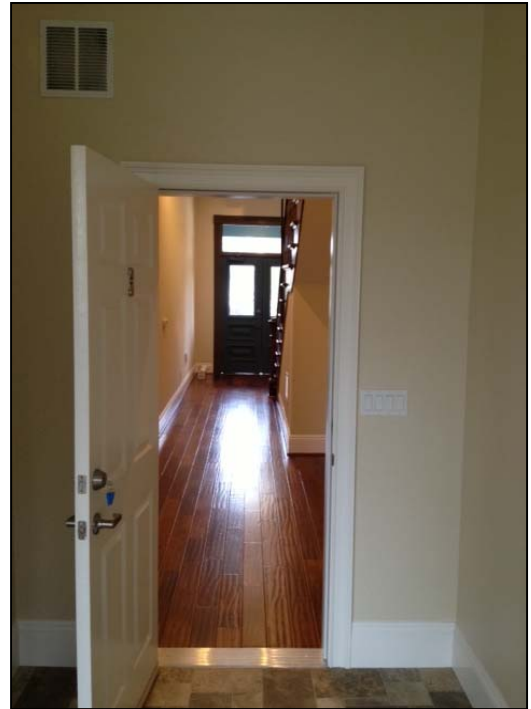
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PROPERTY PHOTOS



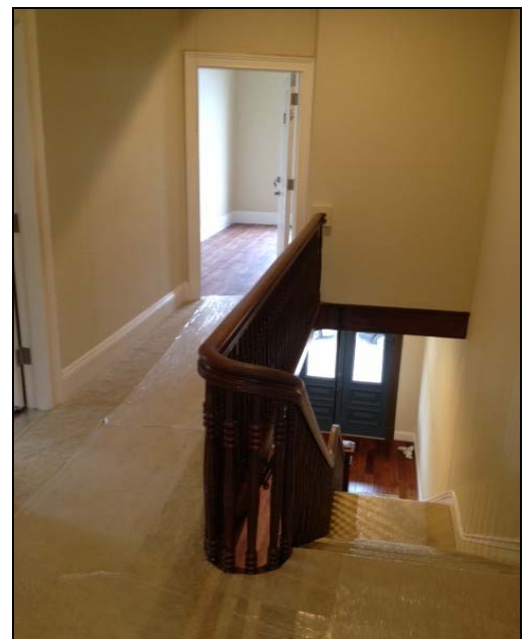
PROPERTY PHOTOS



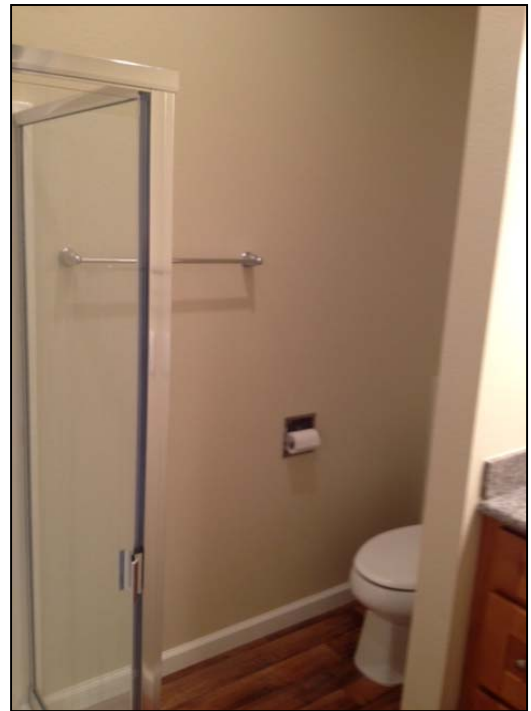
PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



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PROPERTY DESCRIPTION



Local Map



Regional Map



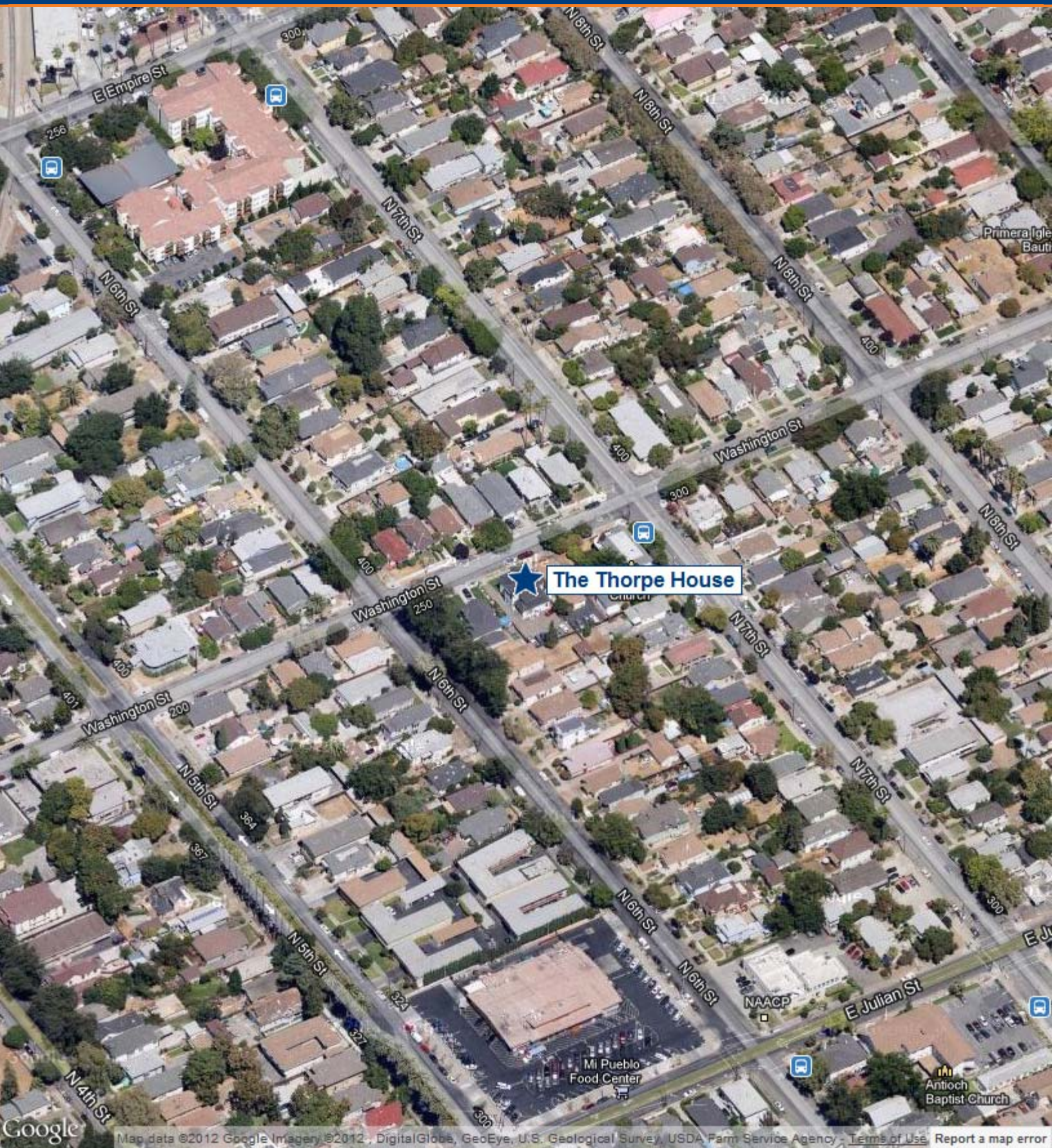
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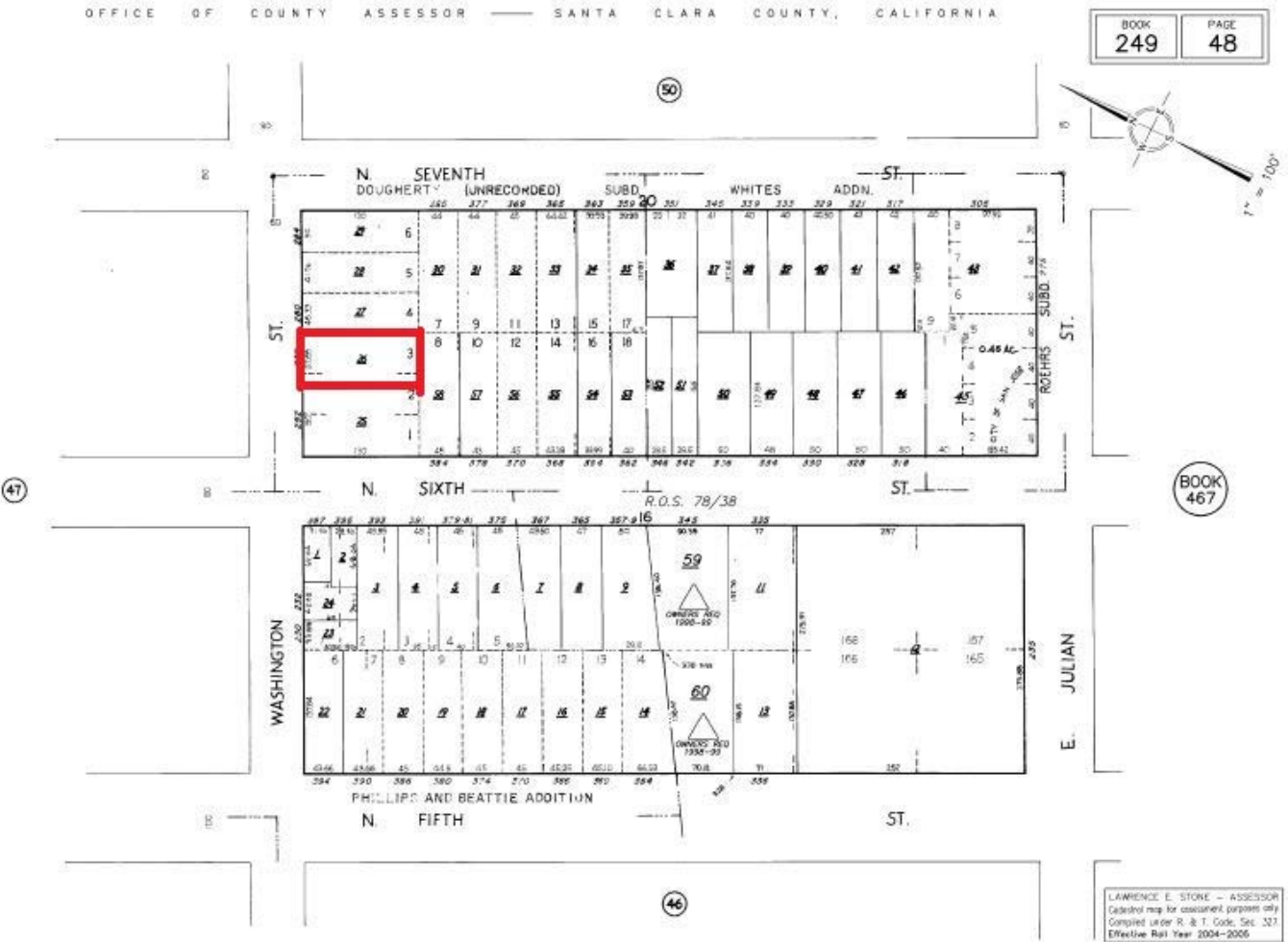
PROPERTY DESCRIPTION



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SITE PLAN



PRODUCT SPECIFICATIONS

The Thorpe House

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PRODUCT SPECIFICATIONS

CASEWORK

CABINETS

Classic Maple



CABINET HARDWARE

Liberty Knob



PRODUCT SPECIFICATIONS

COUNTERTOPS

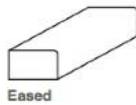
GRANITE

Misty Brown



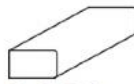
Edge Profiles

Basic Edge

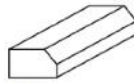


Eased

Premium Edge



Double Radius



Bevel

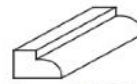


Half Bullnose

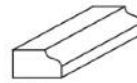


Bullnose

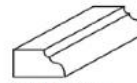
Custom Edge



Stepped Half Bullnose



Ogee



Double Ogee



Bevel Bullnose



Triple Pencil

PRODUCT SPECIFICATIONS

FINISH CARPENTRY

BASEBOARD

MDF Base Moulding



CASING

MDF Colonial Moulding



PRODUCT SPECIFICATIONS

DOORS

Masonite - 4 Panel



TM Cobb - Solid Core Caiman



HARDWARE

**Kwikset 690 Balboa Nickel Entry
Lever & Single Cylinder Deadbolt**



PRODUCT SPECIFICATIONS

SPECIALTIES

BEDROOM

**Aluminum White Mirror
Bypass Door**



Bali Aluminum Mini Blinds



BATHROOM

**Framed Tub Door,
Bright Clear Rain Glass**



Austin Beveled Mirror



Medicine Cabinet



Double Robe Hook



Greenwich Bath Accessories



PRODUCT SPECIFICATIONS

INTERIOR WALL FINISH

DRYWALL

Orange Peel Texture



Kelly Moore - Paint

TOP COLOR PICKS TO ENLIVEN CLASSIC NEUTRALS

CURRENT TREND COLORS



CLASSIC NEUTRALS



PRODUCT SPECIFICATIONS

FLOOR COVERING

LAMINATE FLOORING

Pergo XP Highland Hickory



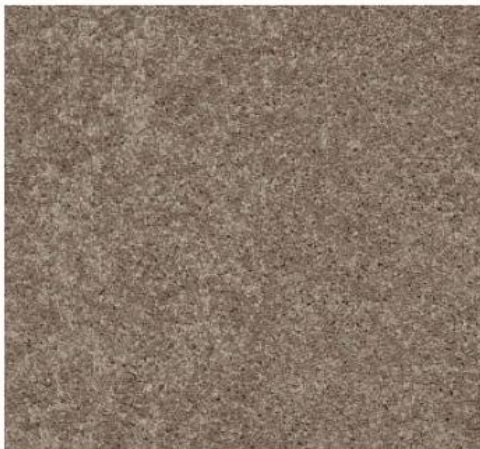
SHEET VINYL FLOORING

Armstrong Bayside Slate Neutral



CARPET

Shaw Clearwater I - Color Canyon



SHEET VINYL FLOORING

**Step Ahead 8lb Density
Carpet Cushion**



PRODUCT SPECIFICATIONS

GLAZING

Jeldwen Premium Wood Windows



ROOFING

Certainteed 30 Yr. Composition Roof



PRODUCT SPECIFICATIONS

APPLIANCES

Whirlpool

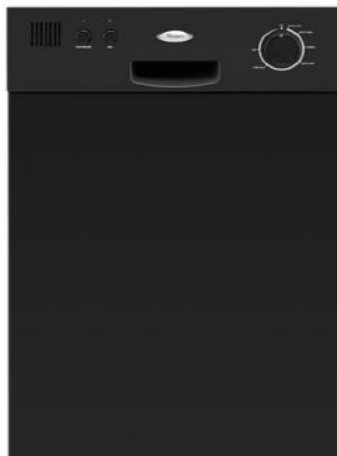
**Electric Range
RF114PXS**



**Refrigerator
W8TXNMMWB**



**Dishwasher
DU018DWTB**



**Microwave
MT40785SPB**



PRODUCT SPECIFICATIONS

APPLIANCES

**Speed Queen Horizon
Coin Operated Washer & Dryer**



PRODUCT SPECIFICATIONS

HEATING, VENTILATION & AIR CONDITIONING

**Bryant Furnace: 95% Efficiency,
2 Stage Variable Speed, 4 Ton**



**Bryant Legacy Series
Central Air Conditioner**



**NuTone Heavy Duty 80CFM
Bathroom Exhaust Fan**



Honeywell 5-1-1 Thermostat



**TruAire 2 Way Wall / Ceiling
Register**



PRODUCT SPECIFICATIONS

ELECTRICAL

**GFI Duplex Outlet
Decora 5325**



**Single Switch
Decora 5325**



**Duplex Outlets
Decora 5325**



**Smoke Detector
Kiddie i12020**



PRODUCT SPECIFICATIONS

LIGHT FIXTURES

INTERIOR

**Access
Vanity Light**



**Access
Pendant Light**



**Crescent
Undercabinet Light**



**Quorum
Ceiling Fan**



**Quorum
Ceiling Fan Light Kit**



**Sunset
Closet Light**



EXTERIOR

**Minka - Lavery
Wall Sconce**



PRODUCT SPECIFICATIONS

PLUMBING

BATHROOM

Glacier Bay High Efficiency Toilet



Decolav Carlyn Sink



American Standard Builder Line Faucet



Vikrell Bath & Shower



Moen Adler Tub & Shower Faucet



KITCHEN

Glacier Bay Sink



Kohler Forte Faucet & Spray



InSinkErator Badger Disposal



PRODUCT SPECIFICATIONS

WATER HEATER

**AO Smith FCG 75 Gallon
Water Heater**



PRICING AND FINANCIAL ANALYSIS

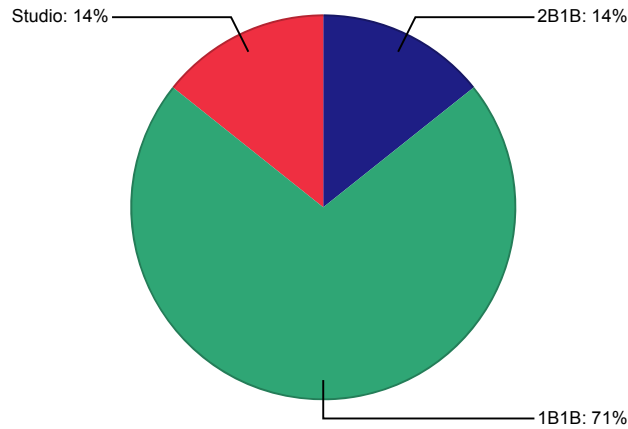
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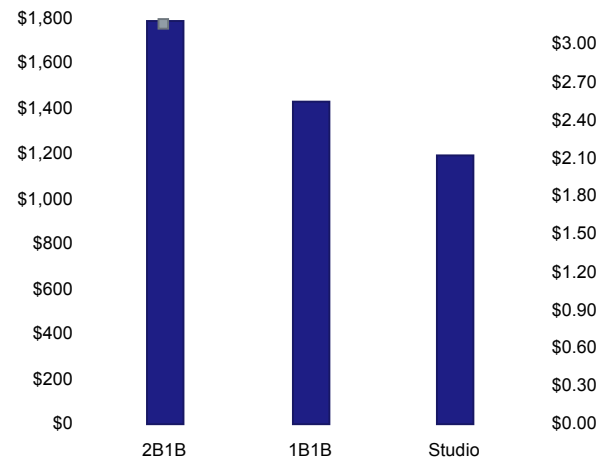
UNIT MIX

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	744			\$1,795	\$1,795	\$2.41	\$1,795
5	1 Bdr 1 Bath	385 - 531	\$1,295 - \$1,598	\$3.16	\$7,178	\$1,295 - \$1,598	\$3.16	\$7,178
1	Studio	306			\$1,195	\$1,195	\$3.91	\$1,195
7	TOTAL	3,887			\$10,168			\$10,168

Unit Mix



Unit Rent & Rent/SF



RENT ROLL

Unit Number	Unit Type	Asking Rent	Parking	Storage
1	1 Bdr 1 Bath	\$1,598	On-site	80 Sq. ft Storage Space Available \$45/month
2	1 Bdr 1 Bath	\$1,495	On-site	80 Sq. ft Storage Space Available \$45/month
3	2 Bdr 1 Bath	\$1,795	On-site	80 Sq. ft Storage Space Available \$45/month
4	1 Bdr 1 Bath	\$1,395	On-site	80 Sq. ft Storage Space Available \$45/month
5	1 Bdr 1 Bath	\$1,295	On-site	80 Sq. ft Storage Space Available \$45/month
6	Studio 1 Bath	\$1,195	On-site	80 Sq. ft Storage Space Available \$45/month
7	1 Bdr 1 Bath	\$1,395	On-site	80 Sq. ft Storage Space Available \$45/month
TOTAL		\$0		
7	TOTAL	\$10,168		
7	TOTAL	\$10,168		

Comments

Common area square footage is 299 square feet on level one and 198 square feet on level two.

INCOME & EXPENSES

Total Number of Units: **7**
Total Rentable Area: **3,887 SF**

Income	Current	Per Unit	Pro Forma	Per Unit
GROSS POTENTIAL RENT	\$122,016	\$17,431	\$122,016	\$17,431
Other Income				
Laundry Income	\$1,260	\$180	\$1,260	\$180
Storage Units	\$1,620	\$231	\$1,620	\$231
Total Other Income	\$2,880	\$411	\$2,880	\$411
GROSS POTENTIAL INCOME	\$124,896	\$17,842	\$124,896	\$17,842
Vacancy/Collection Allowance (GPR)	4.0% / \$4,881	\$697	4.0% / \$4,881	\$697
EFFECTIVE GROSS INCOME	\$120,015	\$17,145	\$120,015	\$17,145
Expenses				
Real Estate Taxes (1.2193% + \$1,595,000)	\$19,447	\$2,778	\$19,447	\$2,778
Special Assessments	\$2,296	\$328	\$2,296	\$328
Water/Trash/PG&E (c/a)	\$7,750	\$1,107	\$7,750	\$1,107
Landscaping	\$1,200	\$171	\$1,200	\$171
Repairs & Maintenance	\$700	\$100	\$700	\$100
Insurance	\$2,260	\$323	\$2,260	\$323
Management Fee	4.0% / \$4,801	\$686	4.0% / \$4,801	\$686
Reserves & Replacements	\$1,400	\$200	\$1,400	\$200
TOTAL EXPENSES	\$39,854	\$5,693	\$39,854	\$5,693
Expenses per SF	\$10.25		\$10.25	
% of EGI	33.2%		33.2%	
NET OPERATING INCOME	\$80,162	\$11,452	\$80,162	\$11,452

FINANCIAL OVERVIEW

Location

272 Washington Street
San Jose, CA 95112

Price	\$1,595,000
Down Payment	30% / \$478,500
Number of Units	7
Price/Unit	\$227,857
Rentable Square Feet	3,887
Price/SF	\$410.34
CAP Rate - Current	5.03%
CAP Rate- Pro Forma	5.03%
GIM - Current	12.77
GIM- Pro Forma	12.77
Year Built	1898
Lot Size	7,627 SF
Type of Ownership	Fee Simple

Financing

FIRST TRUST DEED

Loan Amount	\$1,116,500
Loan Type	All Cash
Interest Rate	3.5%
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
Gross Potential Rent	\$122,016	\$122,016
Other Income	\$2,880	\$2,880
Gross Potential Income	\$124,896	\$124,896
Less: Vacancy/Deductions (GPR)	4.0% / \$4,881	4.0% / \$4,881
Effective Gross Income	\$120,015	\$120,015
Less: Expenses	\$39,854	\$39,854
Net Operating Income	\$80,162	\$80,162
Net Cash Flow Before Debt Service	\$80,162	\$80,162
Debt Service	\$60,163	\$60,163
Debt Coverage Ratio	1.33	1.33
Net Cash Flow After Debt Service	4.2% / \$19,999	4.2% / \$19,999
Principal Reduction	\$21,427	\$21,427
Total Return	8.7% / \$41,426	8.7% / \$41,426

Expenses

Real Estate Taxes	\$19,447	\$19,447
Special Assessments	\$2,296	\$2,296
Water/Trash/PG&E (c/a)	\$7,750	\$7,750
Landscaping	\$1,200	\$1,200
Repairs & Maintenance	\$700	\$700
Insurance	\$2,260	\$2,260
Management Fee	\$4,801	\$4,801
Reserves & Replacements	\$1,400	\$1,400
Total Expenses	\$39,854	\$39,854
Expenses/unit	\$5,693	\$5,693
Expenses/SF	\$10.25	\$10.25
% of EGI	33.21%	33.21%

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	744			\$1,795	\$1,795	\$2.41	\$1,795
5	1 Bdr 1 Bath	385 - 531	\$1,295 - \$1,598	\$3.16	\$7,178	\$1,295 - \$1,598	\$3.16	\$7,178
1	Studio	306			\$1,195	\$1,195	\$3.91	\$1,195
7	Total/Wtd. Avg.	3,887			\$10,168			\$10,168

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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.

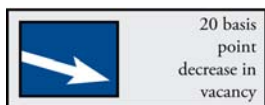
2012 Annual Apartment Forecast



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.

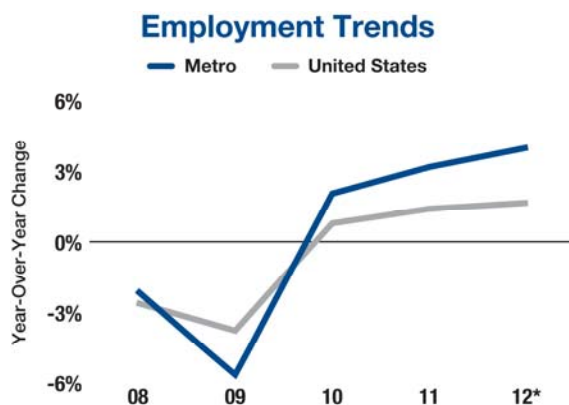


Rents: This year, asking rents will increase 6.1 percent to \$1,607 per month, while effective rents advance 7.3 percent to \$1,522 per month. In 2011, the South Bay area posted asking and effective rent gains of 4.7 percent and 5.1 percent, respectively.

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 Rsearch Services, CoStar Group, Inc., RCA

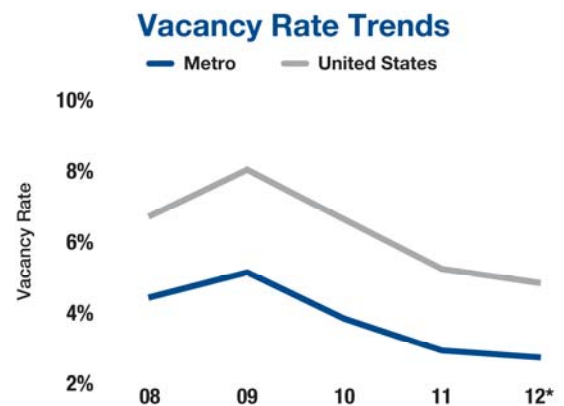
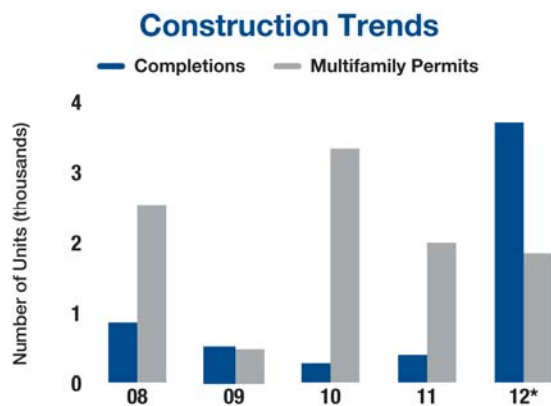
Housing and Demographics

- 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.
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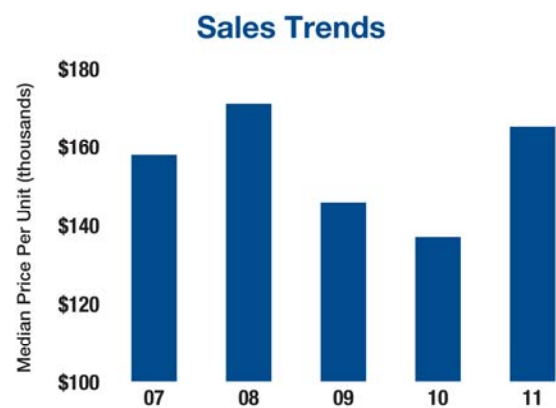
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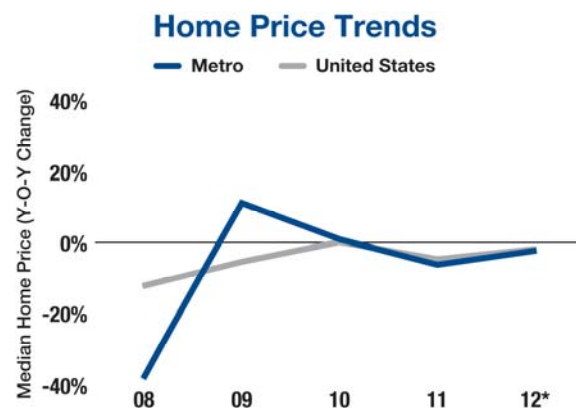
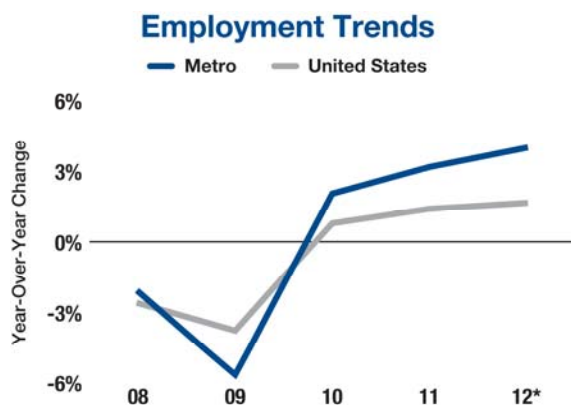


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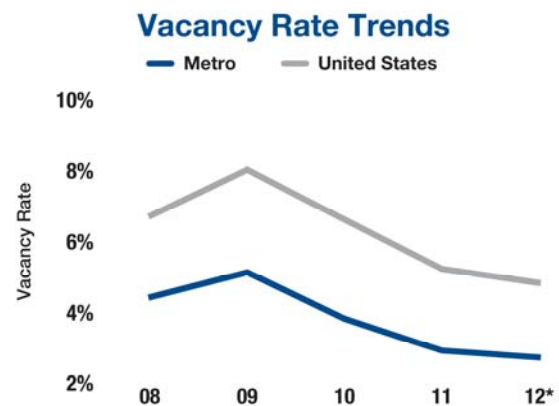
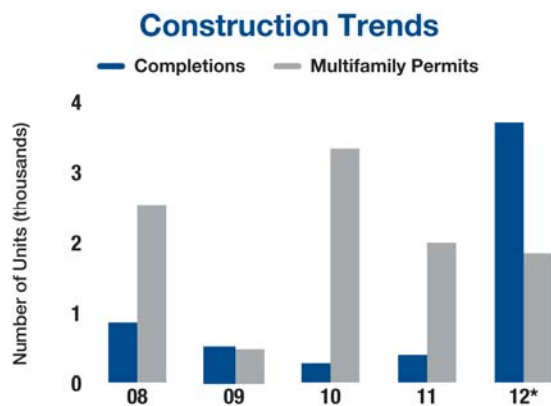
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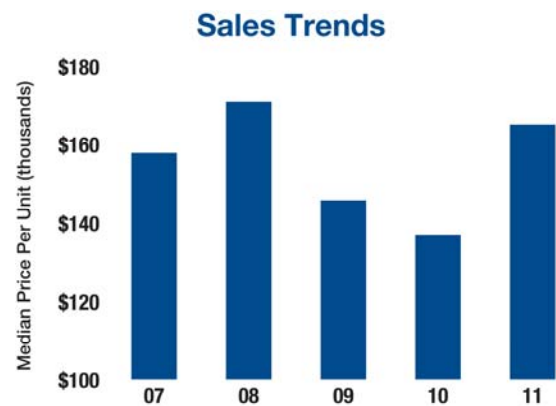
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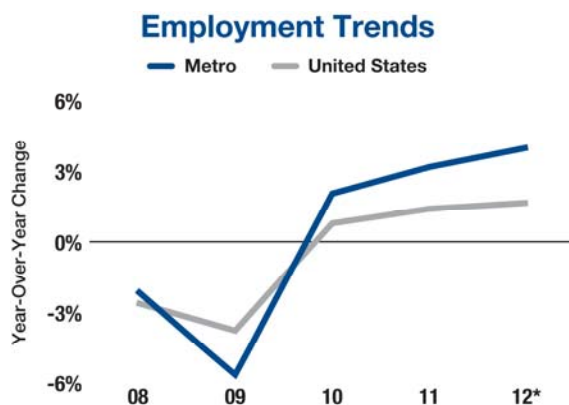


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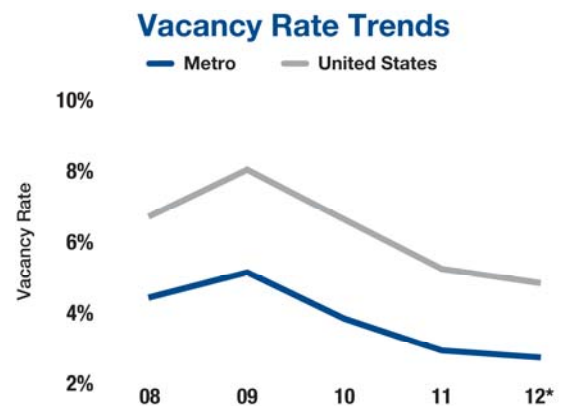
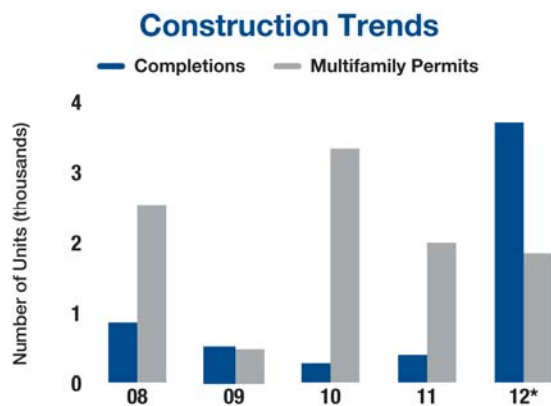
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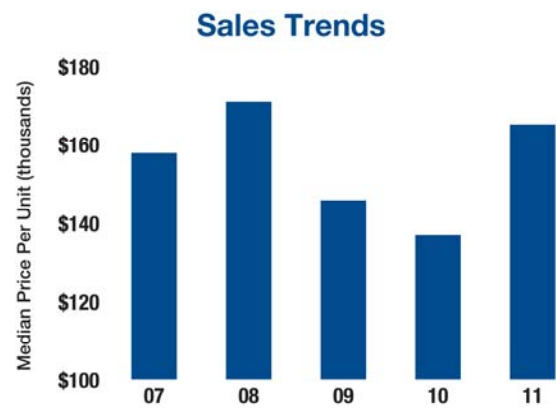
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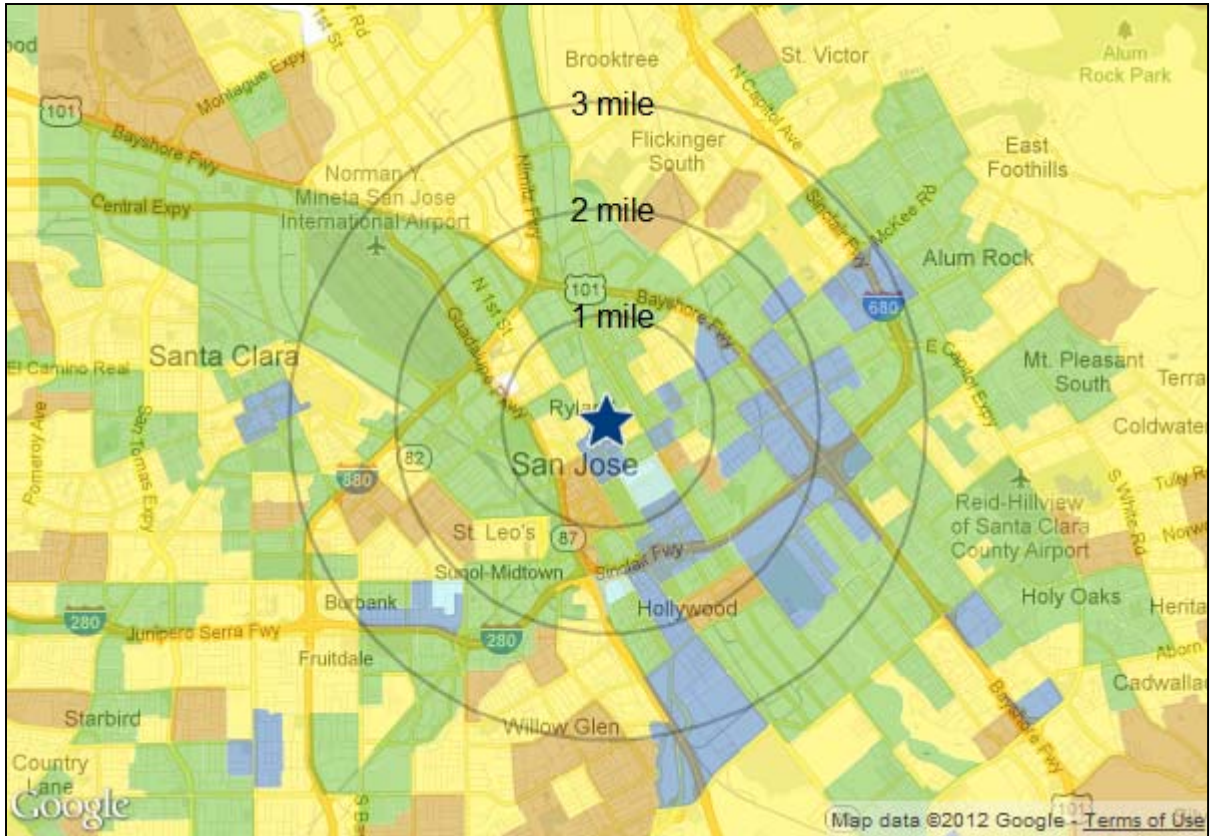
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DEMOGRAPHIC ANALYSIS

The Thorpe House

SAN JOSE, CA

AVERAGE HOUSEHOLD INCOME



Demographic data © 2010 by Experian/Applied Geographic Solutions.

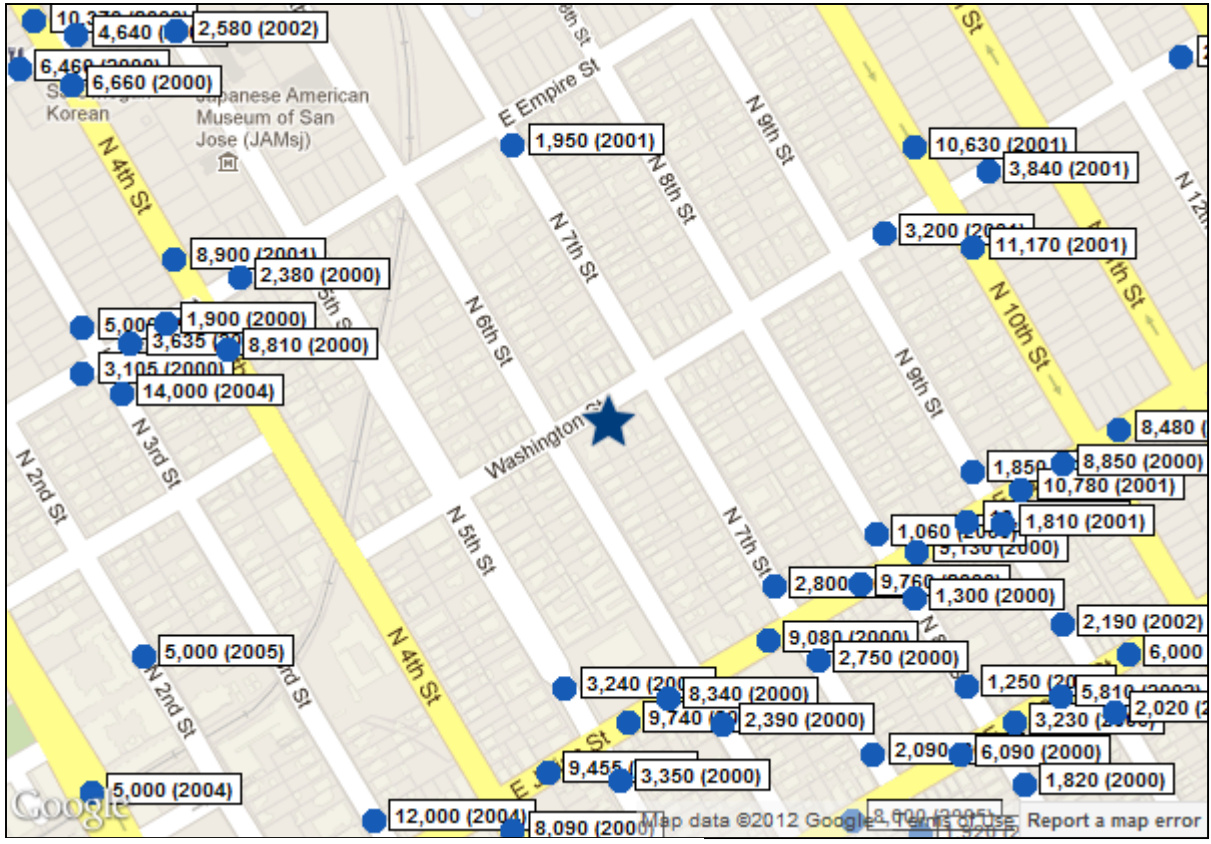
Average Household Income

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

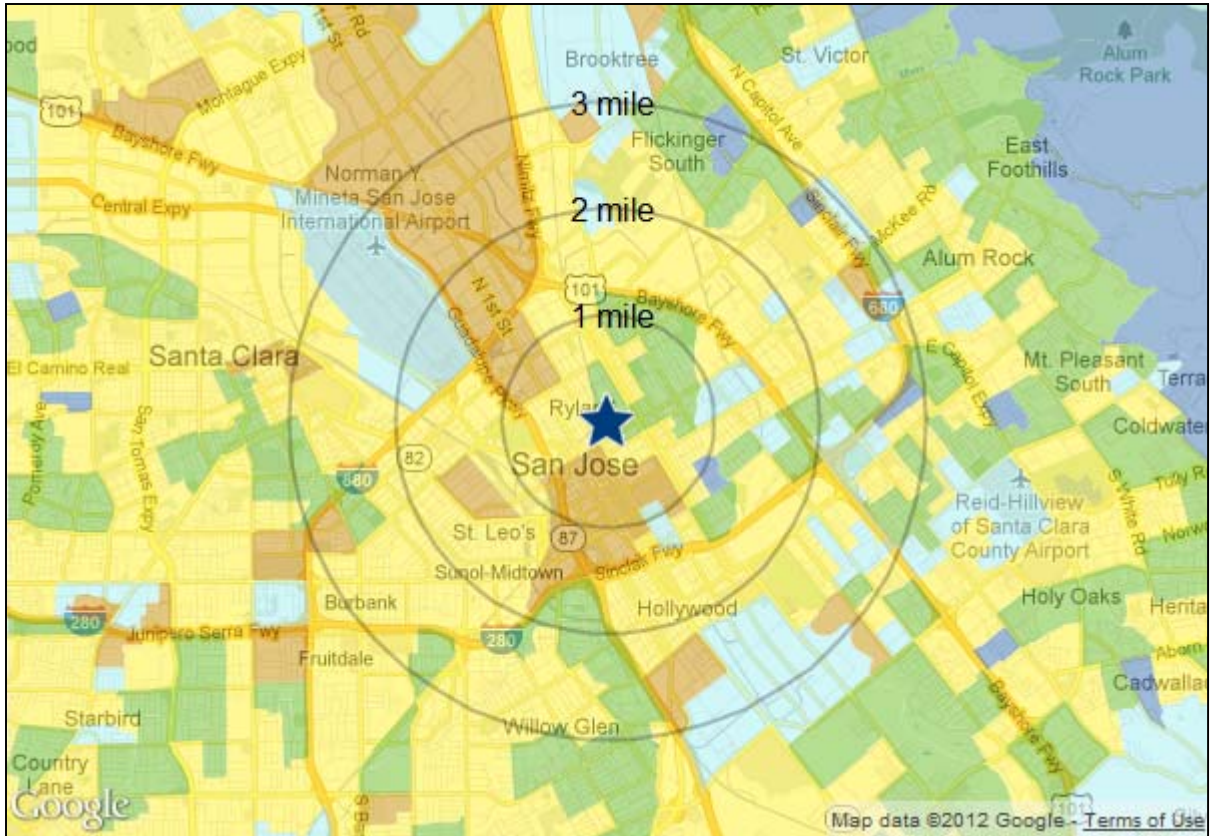


Traffic Count data © 2010 by TrafficMetrix. All rights reserved.

Two-way, average daily traffic volumes.



EMPLOYMENT DENSITY



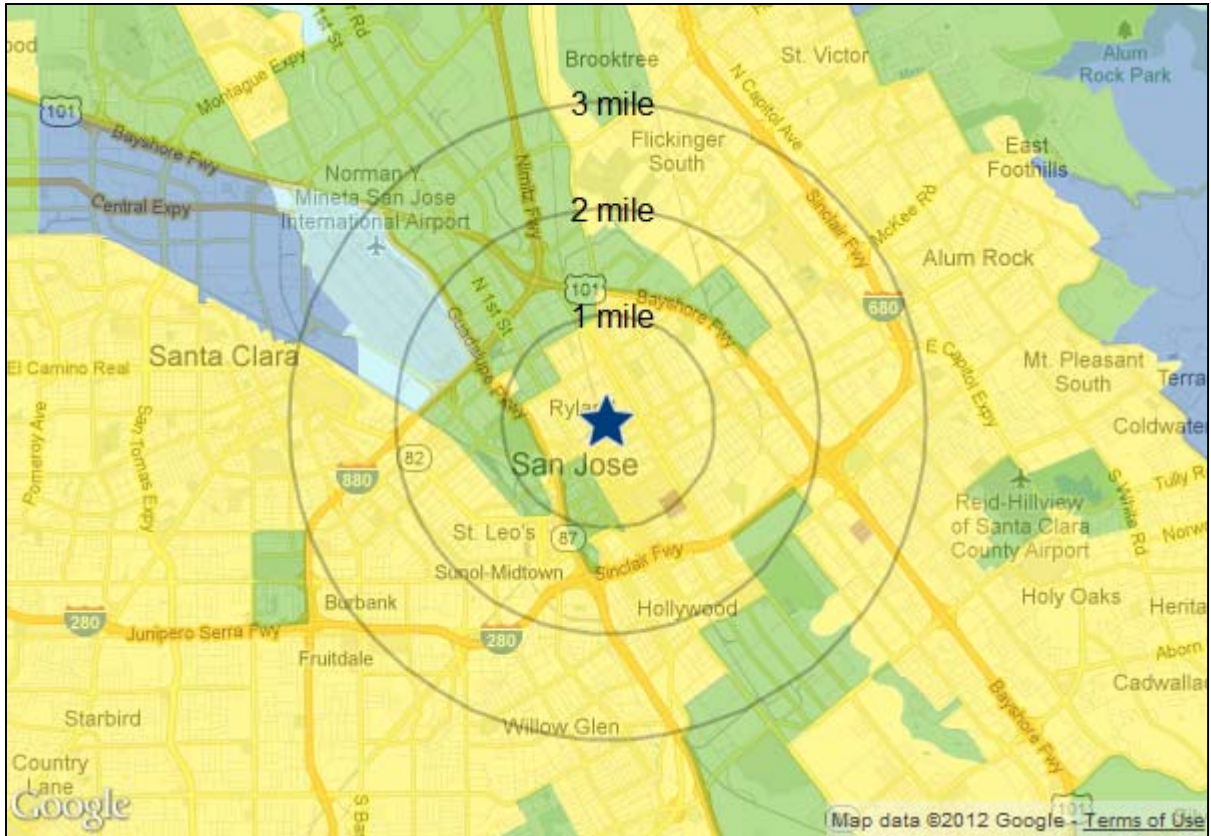
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Employment Density

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.

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.

SUMMARY REPORT

Geography: 5 Miles

Population

In 2011, the population in your selected geography was 618,141 . The population has changed by 6.67% since 2000. It is estimated that the population in your area will be 656,874 five years from now, which represents a change of 6.27% from the current year. The current population is 51.9% male and 48.1% female. The median age of the population in your area is 33.8 , compare this to the U.S. average which is 36.9. The population density in your area is 7,863.49 people per square mile.

Households

There are currently 196,352 households in your selected geography. The number of households has changed by 11.61% since 2000. It is estimated that the number of households in your area will be 208,776 five years from now, which represents a change of 6.33% from the current year. The average household size in your area is 3.07 persons.

Income

In 2011, the median household income for your selected geography is \$66,083 , compare this to the U.S. average which is currently \$53,620. The median household income for your area has changed by 7.37% since 2000. It is estimated that the median household income in your area will be \$67,972 five years from now, which represents a change of 2.86% from the current year.

The current year per capita income in your area is \$26,823 , compare this to the U.S. average, which is \$28,713. The current year average household income in your area is \$80,810 , 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: 40.72% White, 3.20% African American, 0.98% Native American and 27.03% 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 39.89% 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 \$359,911 in 2000, compare this to the U.S. average of \$110,796 for the same year. In 2000, there were 93,571 owner occupied housing units in your area and there were 82,353 renter occupied housing units in your area. The median rent at the time was \$989 .

Employment

In 2011, there are 347,423 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 59.6% of employees are employed in white-collar occupations in this geography, and 40.4% are employed in blue-collar occupations. In 2011, unemployment in this area is 12.83% . In 2000, the median time traveled to work was 23.0 minutes.

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The Thorpe House

SAN JOSE, CA

OFFERING MEMORANDUM

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