

### 4-Plex Market Rebounds Slightly in 2011

**VALUES:**

4-plex prices have remained relatively constant through the first half of 2011. While the average sales price in Santa Clara County has increased by less than two percent over last year, several submarkets are beginning to soften. West San Jose has dipped seven percent in sales price this year. Sunnyvale and Santa Clara recorded the biggest decrease in purchase price at 12 and 10 percent, respectively. The city of San Jose posted the largest increase in value with a six percent gain this year, averaging \$633,000 per building. South San Jose remains the lowest priced submarket in Santa Clara County at \$486,000 average sales price. Expect 4-plex values to increase slightly in 2011 as the economy begins to improve.

**SALES:**

Sales velocity has picked up significantly in 2011, as sales in Santa Clara County are forecasted to increase for the fourth consecutive year. The county is expecting a 42 percent growth in sales over last year, with 75 closed transactions already in 2011. Santa Clara County recorded 41 transactions in the second quarter of 2011, its largest output since 2006. The submarkets with the largest sales escalation were Campbell, central and downtown San Jose, all eclipsing last year's totals in just two quarters. San Jose is projected to close out the year with 78 sales, the city's most productive year since 2006.

Short sales and REO's (real estate owned) sales have remained constant over the last six quarters. Forty-four percent of 4-plex closings in both 2010 and 2011 were distressed properties. There is reason for optimism as only 11 of the 68 currently active 4-plexes in Santa Clara County are bank owned or require lender approval.

**RENTS:**

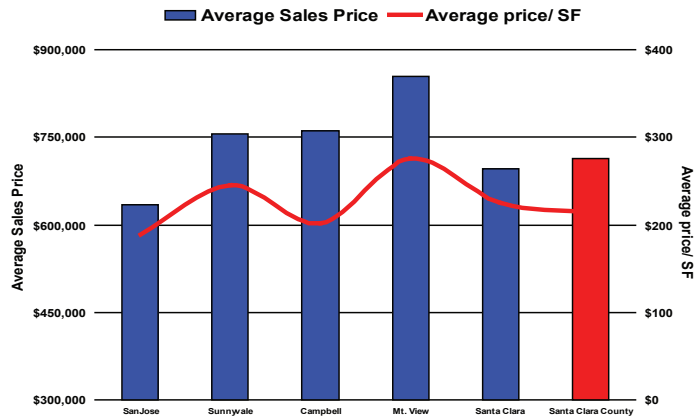
Santa Clara County is experiencing a substantial rise in asking rents since the beginning of the year. Economists predict a 9-10 percent rent growth and a vacancy rate of three percent over the next twelve months. Several factors led to the significant increase in asking rents. The bay area's economy has stabilized, with San Jose scheduled to add over 10,000 jobs this year. The tenant pool is steadily increasing from the addition of former homeowners. With high down payments and loan requirements becoming more stringent, many households will be forced to rent. Another factor is that new construction for apartment units decreased significantly in recent years. Without new units to accommodate the influx of renters, they will pay a premium for rent as demand increases.

**SUMMARY:**

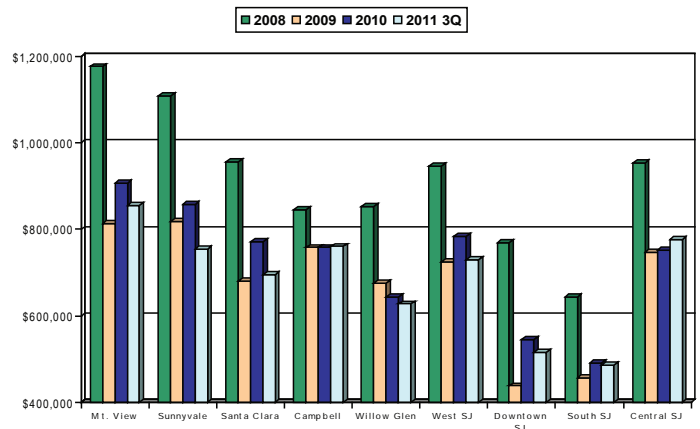
While the bottom of the market has passed, values have only increased minimally in 2011. Rents are gradually rising and vacancy rates are the lowest they've been in years. The local job market is showing signs of recovery, all positive signs that the worst is behind us. Sales velocity has increased greatly as many buyers are taking advantage of historically low interest rates and attractive prices. 4-plex owners are optimistic the recent influx of potential renters and lack of new construction will increase rental income and sales prices.

If you have enough equity in your 4-plex, you may want to consider exchanging into a larger asset while prices are still low. Commercial apartment values fell in almost all submarkets in 2010, with the average price per unit in Santa Clara County at its lowest since 2004. There are many available properties that not only increase the number of units you own, but also could significantly boost your income.

2011 3Q Santa Clara County 4-plexes



Historic Average Sale Price



Santa Clara County Quarterly Stats

