



Santa Clara County

4-Plex Report

3Q 2010

4-plex Market Showing Strong Signs of Recovery

VALUES:

4-plex prices are showing positive signs of recovering from a horrendous 2009 apartment market. Average sales price in Santa Clara County have increased by 8 percent, with over a \$50,000 raise from last year. Values have been volatile in many submarkets midway through 2009. Downtown San Jose and Santa Clara both showed a substantial increase in purchase price at 24 and 19 percent, respectively. However, not all submarkets posted third quarter gains. 4-plexes in Willow Glen fell over \$87,000 in average sale price while West San Jose dropped over \$70,000 in value from the previous year. Santa Clara County also enjoyed a 24 percent gain in average price per square foot, another indicator that the worst is behind us.

SALES:

4-plex sales in Santa Clara County are forecasted in increase for the second consecutive year. There were 75 sales in 2008 and 91 transactions in 2009. So far there have been 57 sales halfway through 2010, a 25 percent gain in velocity from last year.

Short sales and REO's (real estate owned) have become quite commonplace in the current market. Sixty-one percent of 4-plex sales in 2009 were distressed properties. That number has decreased to 44 percent in 2010, a sign that the market is rebounding. Currently, there are 77 active 4-plexes in Santa Clara County.

RENTS:

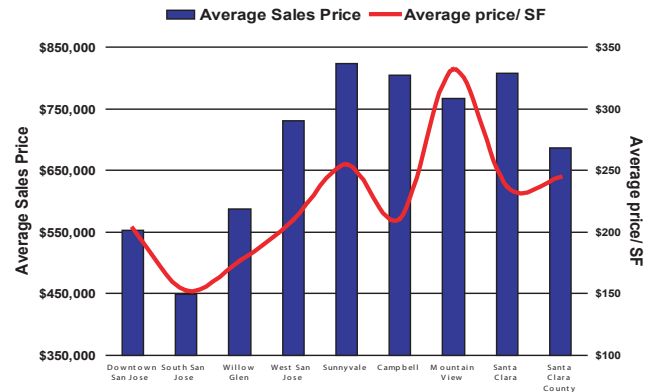
Asking rents have been on the rise since the beginning of the year. The market is trying to recoup some of the significant rental decline from 2009. This is mainly due to jobs coming back to the bay area. San Jose added over 3,000 new jobs in 2010. Another factor is that new construction for apartment units decreased significantly in 2010. Without new units to accommodate the influx of renters, they will pay a premium for rent as demand increases. Local economists predict between 7-8 percent rent growth in the next twelve months.

SUMMARY:

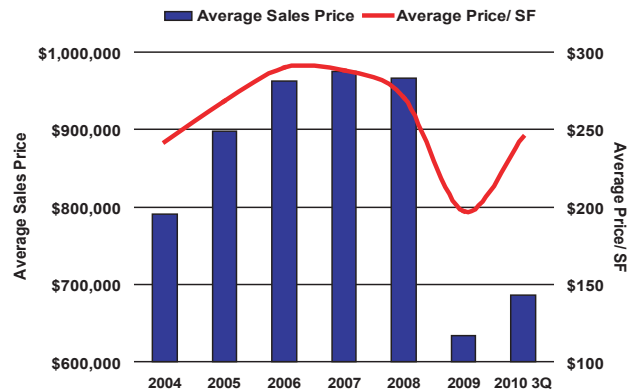
The bottom of the market has passed. Rents are gradually rising and the job market is beginning to stabilize. Sales velocity and values have both steadily increased. Sellers are optimistic the recent influx of potential renters will increase rental income and sales prices. More buyers are entering the market while interest rates are at historical lows and seller expectations have become more realistic.

If you have enough equity in your 4-plex, you may want to consider exchanging into a larger building while prices are still low. Commercial apartment values have dropped this year in Santa Clara and San Jose. There are many available properties that not only increase the number of units you own, but also significantly boost your income.

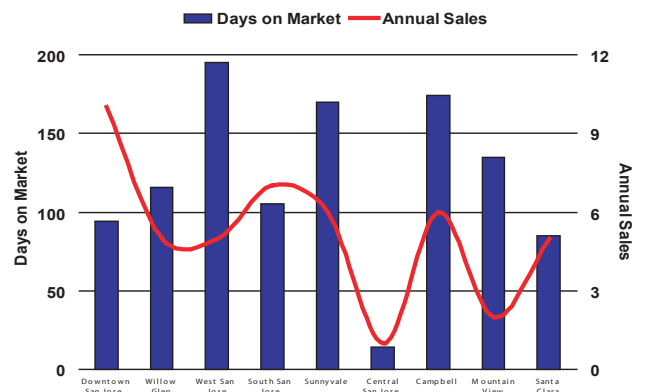
2010 Santa Clara County 4-plexes



Santa Clara County 4-Plex



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