

We are at the top of the market. If you are considering selling, now is the time!

As a commercial broker I talk to a lot of people. Interestingly enough, the conversation almost always turns to the same topic: What's going on in the market? Everyone, it seems, either wants to know or has a theory, and the more astute investors have incorporated their prediction into a strategy. While I am not pretending to be an economist, I do see real-world proof of what prominent economists and financial publications are currently stating.

“The End is Near For The Economic Boom.”

In this July 19 *Fortune Magazine* article, Geoff Colvin says: “The current economic expansion is much nearer its end than its beginning, as accumulating hints suggest—including the stagnating stock market... Already the concerns are pushing up long-term interest rates, which is bad for asset values. Uncertainty about the effects of a trade war is causing many companies to postpone action, dampening potential investment. Indeed, look past those disco balls and

you'll see economic warning signs everywhere. A significant slowdown or even recession is coming sooner or later, and it's probably coming sooner than you think. It always does.”

Economic stimulus “is going to hit the economy in a big way this year and next year, and then, in 2020. Wile E. Coyote is going to go off the cliff.”

So says Ben Bernanke, the Former Federal Reserve chairman, in the same *Fortune* story. Since he was at the helm of the Federal Reserve Bank during the last big downturn, his words carry an enormous amount of weight. Smart investors pay particular attention to his predictions.

“The U.S. Housing Market Looks Headed for Its Worst Slowdown in Years.”

Also in July, Bloomberg.com authors Prashant Gopal and Sho Chandra quoted Nobel Prize-winning economist Robert Shiller—famed for

warning of the dot-com and housing bubbles—as saying: “The U.S. housing market—particularly in cutthroat areas like Seattle, Silicon Valley and Austin, Texas—appears to be headed for the broadest slowdown in years. Buyers are getting squeezed by rising mortgage rates and by prices climbing about twice as fast as incomes... This could be the very beginning of a turning point.”

Multifamily Property Values are at an All-Time High.

If you pay any attention to the multitude of postcards flooding your mailbox or the numerous articles in the news, it's hard to overlook that property values have never been this high. Properties are selling with multiple offers, at ridiculously low cap rates and unheard of prices per unit. Whether a building is a contractor's dream or a trophy property, buyers are snapping up multifamily opportunities before they even come to market.

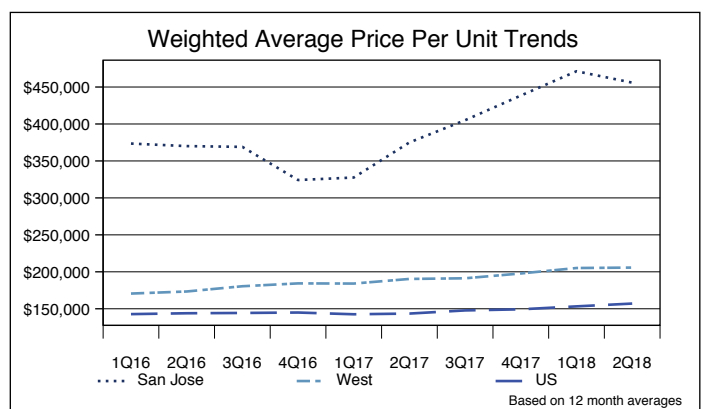
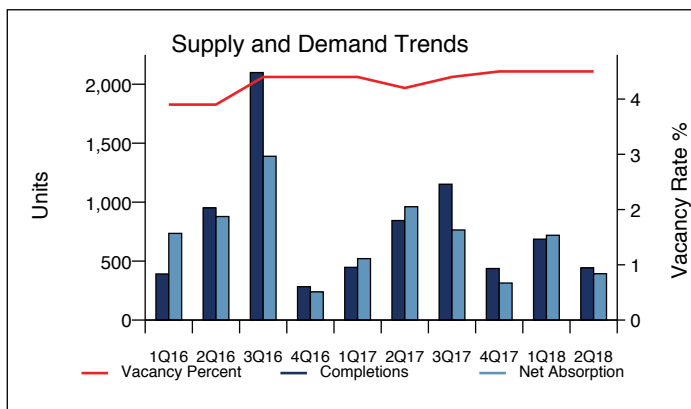
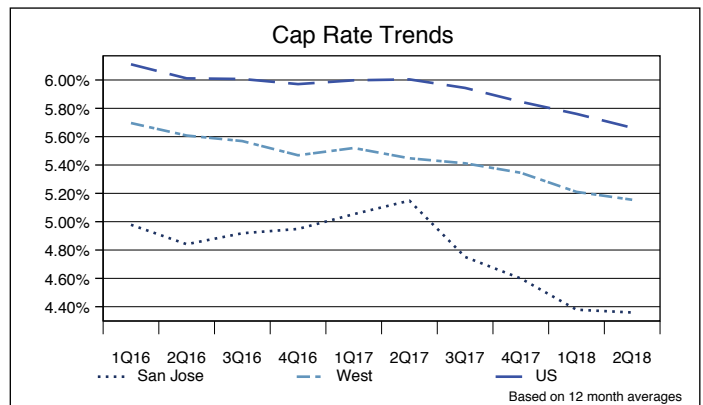
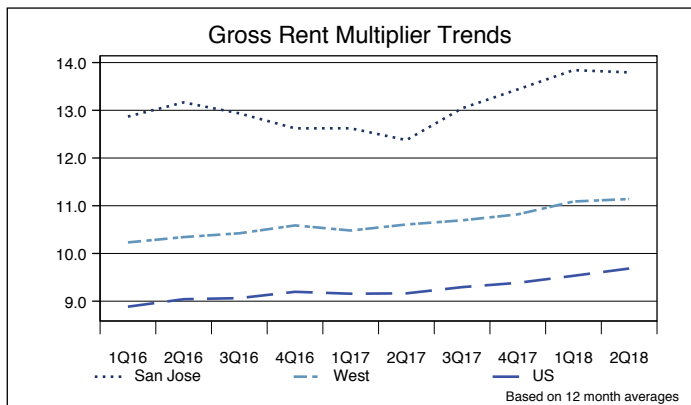
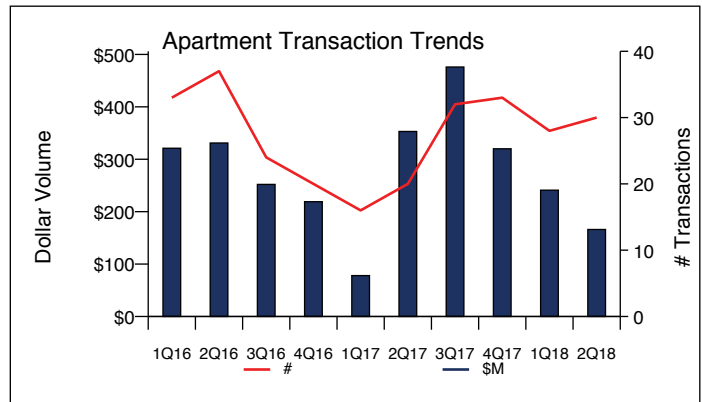
Continued on Page 4

Santa Clara Apartment Sales Trends

	2Q 2018 Metro Statistics		Metro Statistics - 12 Month Rolling			
	Mean	Median	25th Percentile	Mean	Median	75th Percentile
Cap Rate	4.2%	3.9%	3.8%	4.4%	4.1%	4.6%
Sale Price	\$5,541,150	\$2,392,000	\$2,282,500	\$9,782,302	\$3,360,000	\$6,075,000
Sale Price Per Unit	\$545,031	\$534,375	\$330,098	\$455,939	\$410,833	\$559,375
Number of Units	10	4	4	21	8	19
Number of Floors	2	2	2	2	2	2
Year Built	1940	1959	1957	1974	1960	1963

Metro Unit Mix Rent Details			
Current Metro Average Rents and Sizes			
	1Q 2018		
	Rent	Avg. SF	Avg. Rent PSF
Studio/Efficiency	\$1,909	511	\$ 3.73
One Bedroom	\$2,307	736	\$ 3.14
Two Bedroom	\$2,842	1028	\$ 2.77
Three Bedroom	\$3,614	1320	\$ 2.74

Average over period ending:



Key Submarket and Pricing Activity				
	# Transactions	# Units	Dollar Volume (M)	Price Per Units
NE San Jose	24	695	\$279	\$400,850
Campbell/Los Gatos	19	481	\$242	\$502,370
Sunnyvale	17	441	\$213	\$483,107
Mtn View/Los Altos	28	343	\$202	\$589,040
Santa Clara	14	328	\$183	\$558,195
Central San Jose	13	182	\$55	\$299,959
Cupertino/Saratoga	4	22	\$14	\$650,955

Based on 12 month averages

San Mateo Apartment Sales Trends

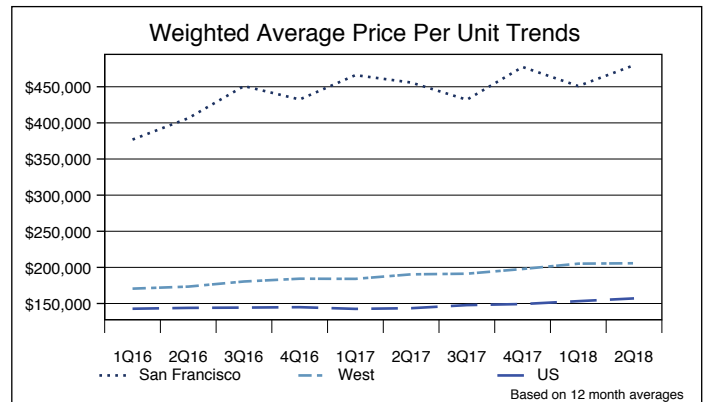
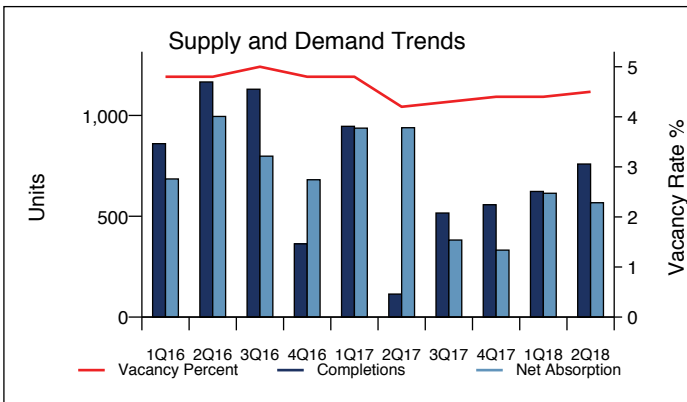
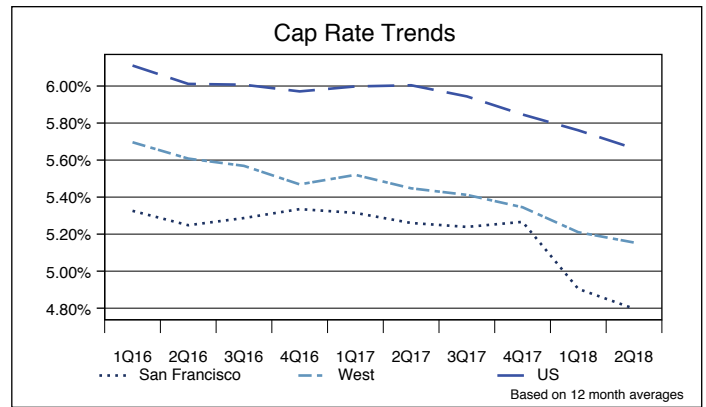
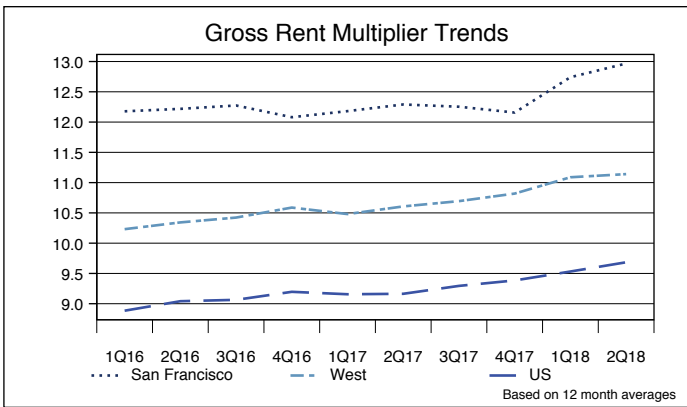
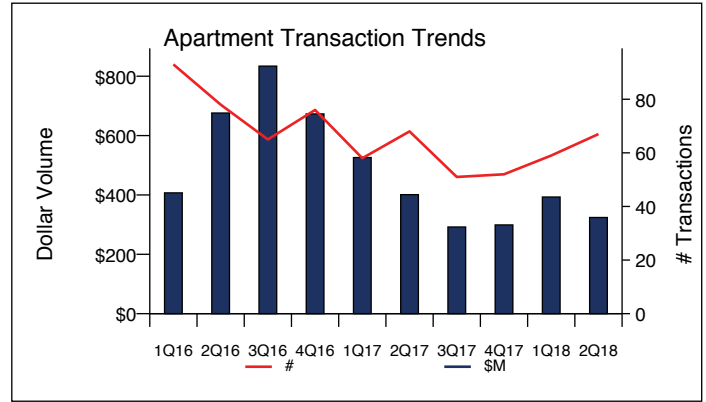
	2Q 2018 Metro Statistics			Metro Statistics - 12 Month Rolling		
	Mean	Median	25th Percentile	Mean	Median	75th Percentile
Cap Rate	4.5%	4.3%	3.6%	4.8%	4.4%	5.2%
Sale Price	\$4,837,569	\$3,625,000	\$2,721,075	\$5,865,682	\$3,575,000	\$6,000,000
Sale Price Per Unit	\$514,472	\$516,667	\$374,146	\$482,341	\$500,000	\$606,250
Number of Units	9	8	6	12	8	12
Number of Floors	3	3	2	3	3	3
Year Built	1941	1927	1910	1946	1930	1962

Metro Unit Mix Rent Details

Current Metro Average Rents and Sizes

	1Q 2018		
	Rent	Avg. SF	Avg. Rent PSF
Studio/Efficiency	\$2,219	484	\$ 4.58
One Bedroom	\$2,912	728	\$ 4.00
Two Bedroom	\$3,629	1057	\$ 3.43
Three Bedroom	\$4,388	1322	\$ 3.32

Average over period ending:



Key Submarket and Pricing Activity				
	# Transactions	# Units	Dollar Volume (M)	Price Per Units
South San Mateo	35	570	\$281	\$492,656
West San Francisco	47	401	\$195	\$486,068
Haight Ashbury	37	361	\$192	\$532,298
South of Market	18	255	\$136	\$533,451
Marina/Pacific Hts	15	232	\$135	\$583,160
North Marin	10	224	\$95	\$422,835
Central San Mateo	20	185	\$85	\$456,838

Based on 12 month averages

Bottom Line: It's an Ideal Seller's Market.

Rarely do we see such a strong sellers' market, where so many conditions exist to capture your property's increased value, such as:

- Demand from local, national and international investors is very high
- Rental rates are high, boosting income and hence, property values
- Interest rates are low

- Institutional and private money loans for all investors are widely available

If you've considered selling or "cashing-out" of your current property, performing an IRS §1031 Tax-Deferred Exchange, exchanging out of an apartment property and into a less management-intensive property type (such as a Triple Net Lease), splitting up an ownership partnership, or distributing the

earned equity to your heirs prior to your passing... **now is the time.**

If you're ready to take this step, I can provide a full valuation of your property based not only on recently sold comparable properties, but on the market outlook as well. We can discuss area rents, an overview of local conditions and other market information. I am available any time at **408-356-1900**.



Michael Shields, CCIM

Managing Director
michael@svmultifamily.com
(CA BRE 01327546)

(408) 356-1900
www.siliconvalleymultifamily.com

Michael Shields, CCIM, is the Managing Director for Silicon Valley Multifamily Group and has been an apartment/investment broker specializing in the purchase and sale of multifamily properties in Northern California since 2002. Focusing on buildings of 4-100 units in size, Mike assists owners with 1031 exchanges into larger properties, triple-net leased investments, retail and office properties, or cash-out options. He is also an apartment building owner, manager and investor, with a focus of refurbishing distressed properties.

Available Properties



30 units in Gilroy

- 30 units: (20) 2BR/1BA units & (10) 1BR/1BA units
- 4.5% Cap Rate; 14.4 GRM
- Condo conversion complete, fully approved, condo map in place
- Currently operated as rental units
- Repositioning opportunity as condos or luxury rentals
- **Call for pricing**



20 units in San Jose

- 20 units (18) 2BR/1BA units & (2) 1BR/1BA units
- 4.3% Cap Rate; 14.7 GRM
- Excellent condition: Numerous capital upgrades throughout
- No deferred maintenance
- Turnkey Investment
- Located less than one mile to Santana Row & Valley Fair Mall
- **Call for pricing**



4 Units in Mountain View

- Value add opportunity: Significant upside potential
- 4 units: (2) 2BR/1BA units & (2) 1BR/1BA units
- Some upgrades including windows, paint & water heater
- Located in an area undergoing dramatic gentrification
- Close proximity to high-tech employers & downtown Mtn View
- **Offered at \$2,150,000**



Off-Market Opportunities

- Many owners prefer NOT to list their properties on the open market
- Various building sizes available:
 - 48 units in San Jose
 - 8 units in San Jose
 - 6 units in Sunnyvale
 - Santa Cruz properties too!
 - More available
- Qualified, serious buyers ONLY
- **Call for more information**