

Reflections on Real Estate

A Quarterly Publication from Souza Realty & Development

Summer 2001

Recent Projects by Souza Realty & Development

BRUNO'S RESTAURANT

Bruno's Restaurant is a 3,600 square foot Italian restaurant located within the 7,200 square foot Grant Line Professional Center on Grant Line Road in Tracy (top photo). SR&D developed the building as two commercial condominium units. Construction was completed on the building shell in January 2000. Bruno's, with locations in Livermore and Pleasanton, opened for business in Tracy after extensive tenant improvements were completed in May 2001. US Bank occupies the other 3,600 square foot unit. Bruno's joins US Bank as the two tenants of the Grant Line Professional Center.



of site selection, acquisition, entitlements, and served as the owner's representative during construction. The building serves as the headquarters of the Klemm's real estate company, Preferred Real Estate Group. The Klemm One

of site selection to occupancy.

WEST PARK PROFESSIONAL CENTER

Ground was broken in May 2001 on West Park Professional Center, a 35,000 square foot professional office condominium project at the corner of 11th Street and Tracy Boulevard in Tracy. Phase I of this project will incorporate 27,000 square feet comprised of three single and multi-story office buildings clustered around a courtyard with fountains and lush landscaping. Phase I should be completed during the fourth quarter of 2001. Future occupants include Fidelity National Title,

Prudential California Realty, Eaton Optometric Group and Willson & Company, a local business services firm. Phase II is a separate 8,000 square foot, two-story building slated for completion in the 2002-2003

KLEMM ONE BUILDING

The Klemm One Building is an approximately 16,000 square foot, two-story office building on Grant Line Road in Tracy (bottom photo). SR&D provided project management services for the owners, Jack & Cecilia Klemm. SR&D was responsible for management



Building was completed in April 2001, and took 19 months from the beginning

timeframe.

Tracy Industrial Market

By Mike Glazzy

Traditionally the San Joaquin County market area has been divided into four geographic submarkets, incorporating the cities of Tracy, Manteca, Lathrop, Ripon, Stockton, and Lodi. To this day Stockton remains the hub of industrial activity in the county. According to figures from the Old River/NW Tracy Specific Plan prepared by Economic & Planning Systems, Inc., Stockton still maintains the largest inventory of industrial space with over 43 million square feet. The Tracy submarket provides 9.1 million square feet. On a percentage basis, Stockton and Tracy currently provide 66 percent and 18 percent of the existing supply of industrial space in the county, respectively.

As shown in Table 1, Tracy also lags far behind Stockton in existing industrial land that's been built out or yet to be built. The

Tracy numbers represent the three existing parks in town: the Stonebridge Industrial Park, the Patterson Pass Industrial Park, and the Eastgate Industrial Park which is the former Heinz plant site.

While Tracy accounts for only 19 percent of the builtout industrial park acreage, more than 40 percent of all available, planned, and proposed industrial space is located in Tracy and surrounding unincorporated areas. Furthermore, as shown in Table 2, Tracy and the future new town of Mountain House represent over 50 percent of the inventory of planned and proposed business parks in San Joaquin County.

Even though some of these business parks may not develop as planned or be delayed due to limitations on infrastructure, the outlook for industrial development in Tracy seems to be bright.

TABLE 1
Inventory of Existing Industrial Parks
San Joaquin County

City	Built Out Acreage	Buildable Acreage	Total Development Potential (Sq. Ft.)
Tracy	891	95	9,663,786
Lathrop	305	315	6,076,620
Lodi	200	40	2,352,240
Manteca	192	110	2,959,902
Ripon	20	330	3,430,350
Stockton	<u>2,979</u>	<u>1,944</u>	<u>48,250,323</u>
TOTAL	4,587	2,834	72,733,221

TABLE 2
Inventory of Planned Business Parks
San Joaquin County

City	Planned Development (Acres)	Estimated Development (Sq. Ft.)
Tracy	1,387	13,593,987
Manteca	1,000	9,801,000
Ripon	300	2,940,300
Stockton	487	4,773,087
Mountain House	<u>484</u>	<u>4,743,684</u>
TOTAL	3,658	35,852,058



Reflections on Real Estate is published quarterly by Souza Realty & Development. SR&D is a family-run real estate firm specializing in development, development consulting, land and commercial brokerage, and land valuation.

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In the San Joaquin Valley an average vineyard will yield seven tons of Cabernet Sauvignon grapes per acre. A ton of grapes will yield approximately sixty cases of wine. Therefore, an acre of vineyard will yield approximately 5,000 bottles of wine!

Properties for Sale

11TH STREET & TRACY BOULEVARD, TRACY



27,000 square feet of professional office condominiums; single and multistory buildings clustered around a courtyard with fountains and lush landscaping; \$200 per square foot; leasing also possible

BETHEL ISLAND ROAD, OAKLEY



334 acres of irrigated pasture contiguous to the City of Oakley; zoned A-2; inside Contra Costa County's Urban Limit Line (development potential); \$7,000 per acre

BYRON HOT SPRINGS ROAD, BYRON



359 acres of irrigated pasture adjacent to the Byron Airport; zoned A-3 Contra Costa County; future potential for airport-related industrial uses; \$15,000 per acre

VASCO ROAD, BYRON



10 acre parcel west of the Byron Airport and approximately three miles south of Camino Diablo; rolling hills; suitable for potential homesite; agricultural zoning; \$160,000

This information has been secured from sources we believe to be reliable, but we make no representation or warranties, express or implied, as to the accuracy of the information. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the property. The value of this transaction to you depends on tax and other factors which should be evaluated by your tax, financial and legal advisors. You and your advisors should conduct a careful, independent investigation of the property to determine to your satisfaction the suitability of the property for your needs.

Interest Rates

By Rich Davidson

As you can see from our interest rate table, short-term rates continued to decline as the Federal Reserve lowered rates again. Short-term rates have dropped to their lowest level in several years and may drop a bit lower before they start upward again. However, long-term rates have started already started to increase since our last newsletter, with ten-year treasuries up almost ½ percent. This may be caused by investor worries over the potential for inflation.

Gold prices have started climbing again, which happens in response to inflationary pressures. These events, along with increased energy costs, for example, may cause Mr. Greenspan to start raising short-term rates again. In any event, this is the time for developers to be securing land loans, construction financing and permanent mortgages. It would be smart to get your projects or financings underway now, while lenders still have ample funds to lend. If the economy continues to sag, or interest rates spike upward, lenders may move to the sidelines. In that event, financings will get a lot more expensive.

Mortgage delinquencies appear to be on the rise in the Commercial Mortgage-Backed Securities (CMBS) market.

According to a recent Salomon Smith Barney study, CMBS delinquencies are up to 0.98% at the end of the first quarter, versus 0.76% at the end of 2000. The cause was attributed to retail and hotel delinquencies.

If I can be of any assistance with your real estate financing needs, please do not hesitate to call me at (650) 579-3995. My email address is <rdavidson@redcofinance.com>.

RECENT LOAN CLOSINGS

1. \$2,500,000 mezzanine second trust deed construction loan on live work condominium development South of Market in San Francisco.
2. \$1,300,000 15 year fixed rate permanent loan on a mixed use building in San Francisco.
3. \$500,000 line of credit for predevelopment expenses for the acquisition of apartment projects on the West Coast.

ACTIVE REAL ESTATE CONSULTING ASSIGNMENTS

1. \$3,300,000 permanent financing on apartments in Seattle.

2. \$7,450,000 acquisition loan on industrial property in Santa Rosa.
3. \$2,900,000 permanent loan, 15 year fixed rate, fully amortizing loan on mixed-use project in San Francisco.
4. \$24,000,000 construction loan on attached for sale housing on the Peninsula.
5. \$5,000,000 equity financing/mezzanine loan for housing on the mid-Peninsula.
6. \$1,300,000 interim/mini perm loan for a nonprofit organization building in the East Bay.
7. \$2,800,000 permanent loan on recently completed self-storage facility in the Central Valley.

KEY INTEREST RATES & INDICES

June 1, 2001

INDEX	CURRENT RATE	CHANGE FROM 4/6/01
Bank Prime	7.00%	-1.00%*
1 Yr. Treasury	4.05%	+0.11%
5 Yr. Treasury	4.93%	+0.37%
10 Yr. Treasury	5.36%	+0.48%
30 Yr. Treasury	5.70%	+0.24%
LIBOR (1 mo.)	4.04%	-1.01%
LIBOR (6 mo.)	3.93%	-0.67%
LIBOR (1 Yr.)	4.17%	-0.39%

* effective 5/16/01



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