

# Reflections on Real Estate

A Quarterly Publication from Souza Realty & Development

Spring 2004

## West Park Professional Center Sells Out 1st Phase

By Mike Glazzy

March 2004 proved to be a month of great achievement for Souza Realty & Development (SR&D) when the last office condominium units closed escrow in Phase I of the West Park Professional Center.

West Park is a 35,000 square foot office project situated on approximately 2.7 acres at the corner of Eleventh Street and Tracy Boulevard near downtown Tracy. The project was developed by SR&D in two phases: Phase I is 27,000 sq. ft. of office spread over three one and two-story buildings and Phase II is a yet-to-be built 8,000 sq. ft. two-story building at the corner of Tenth Street and Tracy Boulevard.

In 2001, after months of painstaking negotiations with the property owner to secure the land, entitlements were obtained and construction commenced. By early 2002, construction was completed in time for the first occupant.

Along the way, a major delay occurred when buried gasoline tanks were

discovered during grading. Years ago, gas stations were more prevalent up and down Eleventh Street than they are today. However, there had been no indication from historical records that any gas station had been in operation at that location. To date, remediation efforts are still ongoing.

Demand for the condo units was a

related businesses: brokerage houses, title companies, mortgage brokers, etc. During this timeframe the real estate market was taking a downturn and many of these potential tenants disappeared. Ironically today's tenants at West Park are mostly medical-related: physical and massage therapists, ophthalmologists, dentists, a general practitioner, an OB/GYN, an orthopedic surgeon, a blood lab, and an open MRI center. Other non-medical users include a title company and a company that specializes in financial and income tax services.

The general feedback from occupants and visitors to the development have been

exceedingly positive. One of the intentions of SR&D when the project was first conceived was that it would be an asset and benefit to the community.

The site for the Phase II building is the current detention pond for the Phase I buildings. As soon as the City of Tracy repairs its storm water system, the planning and construction of the Phase II building can get started.



roller coaster ride through the ever present real estate market trends. Prior to construction, West Park was intensively marketed to local medical and dental practitioners due to its proximity to downtown Tracy and Sutter Tracy Hospital, and due to the general lack of medical office facilities in Tracy. However, most of the interest shortly after construction came from real estate-



# Properties For Sale



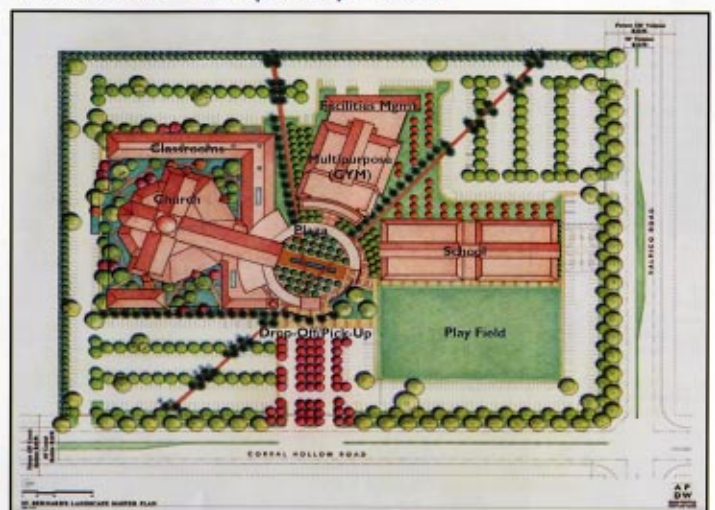
## Church continued

in Phase I.

In Phase II, a K-8 school plus a preschool, multi-purpose room (gym), and 250 additional parking spaces will be added. The specific details of the school have not yet been completed, however, this facility will have state-of-the-art classrooms and the latest technology, including a science and computer lab, media center, and library. The school's architecture will complement the mission style influence of the surrounding church and multipurpose room.

The new church in this prime location will become the "cornerstone" for all future development in the surrounding area.

Site Master Plan—At Completion of all Phases



RETURN SERVICE REQUESTED

## Interest Rates

By Rich Davidson

As you can see by the lower interest rates, both long term and short term interest rates have been trending downward during the first quarter. The Federal Reserve has decided to leave interest rates alone indicating they feel inflation is still under control and the economy is still benefiting from historically low rates.

The CPI index was only up 1.82% from one year ago. Low inflation and low rates has certainly been great news for borrowers, particularly with residential real estate values continuing to climb in the Bay Area.

However, to demonstrate the volatile nature of the longer term bond market, we need to look only to April 2, 2004, the day after the table above was tabulated. Employment growth has been one of the determining factors for the pricing on treasury issues recently.

The Labor Department released its monthly employment situation survey on April 2<sup>nd</sup>. Ten year treasuries fell dramatically, raising the interest rate by 25 basis points in that one day. This reflects stronger economic growth than Wall Street expected, which sent stocks higher and bonds lower on April 2<sup>nd</sup>.

So, in conclusion, if you are thinking of borrowing money, now continues to

be an excellent time to take advantage of low rates. It is anybody's guess as to how long they will be around, but my colleagues generally feel rates will be higher a year from now. We shall see!

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](mailto:rdavidson@redcofinance.com).

KEY INTEREST RATES & INDICES			
<i>April 1, 2004</i>			
INDEX	CURRENT RATE	CHANGE FROM 12/4/03	NOTES
Bank Prime	4.00%	0.00%	Last change: 6/27/03
1 Yr. Treasury	1.19%	-0.21%	
5 Yr. Treasury	2.84%	-0.56%	
10 Yr. Treasury	3.88%	-0.49%	
30 Yr. Treasury	4.80%	-0.36%	
LIBOR (1 Mo.)	1.09%	-0.08%	
LIBOR (6 Mo.)	1.16%	-0.12%	
LIBOR (1 Yr.)	1.34%	-0.29%	
6-Month CD	1.09%	-0.12%	
Freddie Mac 60 day	5.31%	-0.44%	30 year fixed rate
12 Month Treasury Average	1.229%	-0.03%	T average
11 <sup>th</sup> District Cost of Funds	1.841%	-0.07%	Fund Cost
Consumer Price Index	186.2 (Feb)		Up 1.7% from a year ago