

Reflections on Real Estate

A Publication from Souza Realty & Development

Summer 2011

SR&D Works to Gain Project Approval

It is no secret that entitling land for higher and better uses in California is a process that requires perseverance and patience. We are happy to report that on behalf of our clients, Jim Gwerder, Souza Realty & Development's Vice President of Consulting, has been working for several years on two projects which recently gained significant approvals:

WEST LANDING PROJECT, CITY OF CERES IN STANISLAUS COUNTY

In June of this year, the Ceres City Council approved a plan with the potential to add thousands of new residents as well as jobs in a variety of future residential, commercial, office and industrial space.

The City of Ceres has a policy that annexations will only be considered when the city has approved an area-wide master plan that looks at land use, circulation, housing, infrastructure and public facilities and services.

The West Landing Project was initiated by three sponsoring property owners and planned in cooperation with Ceres City staff with the goal of annexing 960 acres on the west side to Ceres City Limits. The area is bounded by Whitmore Avenue to the north, Service Road to the south, the Union Pacific Railroad tracks to the east and Ustick Road on the west. In addition to orchard ground and open land, the area currently includes a substantial amount of existing development including a rural neighborhood with large lots, the former Proctor & Gamble plant (now home to G3 Enterprises), as well as the Stanislaus County government complex.

In addition, part of the West Landing Project area was in the Modesto City Schools District and part in the Ceres Unified School District. Even though school district boundaries and city boundaries aren't necessarily coterminous, the planning team worked

with the two school districts to reach an agreement for all of the West Landing Project area to be included within the Ceres Unified School District, providing a greater sense of cohesive community for the future residents of the West Landing Project.

The West Landing Project includes:

- A housing mix of 293 acres, or 1,310 multi-family units and 2,325 single-family houses;
- 34 acres of regional commercial acres;
- 884,200 square feet of retail space;
- 383,910 square feet of office uses;
- 802,100 square feet of light industrial;
- 174 acres of county facilities that already exist at the corner of Crows Landing and Service roads;

see Approval page 2

Rising Apartment Rent

National Association of REALTORS®

Adownside to the home buying market has brought an upside to the rental market. Occupied rental units have risen from 2005 when people were getting priced out of the bubble prices and then accelerated in light of rising foreclosures and the weak economy.

Naturally, higher renter demand means an opportunity to raise rents. Initially, rents did not rise much, because of the need to first absorb many vacant units.

But as rental demand continued to move up, along with quite low levels of new construction of multifamily units (mostly apartments) in recent years, it was inevitable that rents would rise.

The effective apartment rent rose 2.3 percent in 2010 according to REIS, a private data collecting firm focusing on commercial properties. As of the first quarter of 2011, rents were higher by 2.5 percent from one year ago. All indications are for further increases in

rents for the remainder of the year and probably into 2012. The above private company measure, interestingly, tends to move with wider swings and are now notably higher than what is implied in the government consumer price index data on renter's rent, which rose 0.2 percent in 2010 and by 1.1 in the first quarter of 2011. The difference could be attributed mostly to large metro

see Rent page 2

Approval continued

- 47 acres of parkland; and
- 16 acres for schools.

The next step required for final annexation to the City of Ceres is approval by LAFCO, the Local Agency Formation Commission.

MARIPOSA ENERGY PROJECT, ALAMEDA COUNTY

In July of this year, the California Energy Commission (CEC) approved a 200-megawatt natural gas power plant in far northeastern Alameda County, near the confluence of Alameda, Contra Costa and San Joaquin Counties. The Mariposa Energy Project (MEP) will facilitate the integration of renewable power (solar and wind in the area) into the electric grid by

providing fast ramp-up power to keep the voltage constant in the powerlines when the sun goes down or the wind stops blowing. When a larger power plant in the area comes on line to take up the slack, the MEP will shut down. This procedure is necessary to keep the electrical system stable and avoid brownouts and blackouts. Besides doing its part in this choreographed dance of electrons, the “peaker” plant will also be used when necessary in times of peak demand, or in emergency situations.

Jim worked as part of a multidisciplinary team to achieve the siting and licensing of MEP. Due to its unique location near three counties and the Byron Airport, an extraordinary amount of outreach and inter-jurisdictional coordination was required.

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Rent continued

market coverage by REIS while the government tries to cover both urban and rural areas of all sizes. It could also be a current understatement in government data, which means inevitable further strong gains in rent in upcoming consumer price index releases.

Independent of the rent measurement issues, one thing that is clear is the rising rent trend. Furthermore, an increasing number of financially capable renters will pull out a calculator and start to analyze whether or not it now makes more sense to buy. In many markets, it is indeed likely that buying makes more sense than renting for comparable living space.

Recent Land & Ranch Sales

ALAMEDA CO.			CONTRA COSTA CO.		
AC.	PRICE		AC.	PRICE	
21806 Eden Cyn Rd., Castro Vly	9.09	400,000	2165 Tule Ln., Knightsen	9.71	540,000
10330 Crow Cyn Rd., Castro Vly	10.10	720,000	296 Payne Ave., Brentwood	9.93	575,000
6458 Sunnyslope Ave., Castro Vly	11.76	700,000	8090 Balfour Rd., Brentwood	10.01	450,000
2060 S. Livermore Ave., Livermore	14.04	1,690,000	3725 Willow Way, Byron	10.60	465,000
32075 Palomares Rd., Castro Vly	18.37	470,000	4701 Briones Vly Rd., Brentwood	10.81	260,000
105 Castlewood Dr., Pleasanton	22.80	1,310,000	3790 Armstrong Rd., Byron	11.67	489,500
Mines Rd., Livermore	40.00	200,000	Danville Blvd., Alamo	12.39	1,650,000
21812 Eden Cyn Rd., Castro Vly	67.12	135,000	Marsh Creek Rd., Brentwood	20.91	457,500
21806 Eden Cyn Rd., Castro Vly	76.00	535,000	10511 Byron Hwy, Brentwood	41.08	725,000
Mines Rd., Livermore	160.00	185,000	470 Hoffman Ln., Brentwood	42.19	700,000
18208 Cull Cyn Rd., Castro Vly	170.61	1,000,000	5950 Bruce Dr., Danville	45.65	1,630,000
Manning Rd., Livermore	533.43	6,000,000	6301 Chadbourne Rd., Brentwood	80.00	385,000
CONTRA COSTA CO.			STANISLAUS CO.		
AC.	PRICE		AC.	PRICE	
406 Legacy Dr., Alamo	3.15	568,850	Del Puerto Cyn Rd., Patterson	39.00	140,000
400 Starview Dr., Danville	4.61	1,700,000	Del Puerto Cyn Rd., Patterson	151.51	537,500
241 Orchard Rd., Orinda	4.67	99,000	TRACY AREA		
Morgan Terr. Rd., Livermore	5.00	626,000	AC.	PRICE	
4255 Morgan Terr. Rd., Clayton	5.00	770,000	14100 W. Middle Rd.	5.02	350,000
Sherburne Hills Rd., Danville	5.05	360,000	32932 S. MacArthur Dr.	6.98	100,000
2411 Diablo Lakes Ln., Diablo	5.18	2,100,000	23001 S. Banta Rd.	9.13	112,000
6001 Alhambra Vly Rd., Martinez	6.81	308,000	20669 Naglee Rd.	34.16	465,000
2103 Marsh Creek Rd., Clayton	7.37	125,000	29373 S. Chrisman Rd.	41.68	1,300,000
251 Eureka Ave., Brentwood	9.09	685,000	1055 Vernalis Rd.	65.03	1,000,000
			State Route 132	639.85	6,720,000



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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First-time home buyers have declined in terms of numbers and percentages in recent months. Normally, first-time buyers are approximately 40% of the Existing Home Sales market; they have recently declined to the low thirties. The change in market participation by first-time buyers seems to be reflective of the current unrealistic level of credit requirements by lending institutions. Many REALTORS® note that banks just aren't lending to many credit-worthy clients. There is an unrealistic level of risk aversion on the part of many financial institutions.

National Association of Realtors®

Available Properties



2,520 - 7,600 SF LIGHT INDUSTRIAL SUITES
MACARTHUR DRIVE, TRACY
\$0.60-0.70/SQ. FT. NNN
SUITABLE FOR AUTOMOTIVE, DISTRIBUTION, INDOOR RECREATION & MORE



±68.20 ACRES OF IRRIGATED FARMLAND FOR SALE
DELTA AVENUE, TRACY
\$700,000
CURRENTLY PLANTED IN ALFALFA; IN THE WILLIAMSON ACT



±41.23 ACRES OF IRRIGATED FARMLAND + TWO HOMES FOR SALE
2221 W. CANAL BOULEVARD, TRACY
\$1,400,000
GOOD SOILS; IN THE WILLIAMSON ACT



±645.95 ACRES OF IRRIGATED FARMLAND + HOME FOR SALE
BYRON HIGHWAY, BRENTWOOD
\$6,140,000
RIPARIAN RIGHTS; LONG TERM DEVELOPMENT POTENTIAL

Approval continued

Utilizing the cleanest commercially available technology, MEP was designed to minimize impacts on agriculture, water usage, and the environment. Mitigation agreements with both the Bay Area Air Quality Management District and the San Joaquin Valley Air Pollution Control District were negotiated and enacted, ensuring that the air in the region will be even cleaner. Other mitigation required of MEP includes protecting endangered habitat and species and lining irrigation district canals such that the

project's water use will net to zero.

Construction has already begun on the project, and the plant is scheduled to be operational by the middle of 2012. During construction, local spending is estimated at approximately \$12 million, with an additional construction payroll of \$16.3 million, of which approximately \$14.7 million of that construction payroll is expected to be spent in the local area. There will be an average of 89 highly skilled jobs during the construction period, with a peak of 177 construction jobs and these jobs as well as the monies spent in

the community will go towards creating another estimated 229 indirect and induced jobs.

During operations, local spending will be about \$2.5 million annually on payroll, materials, and supplies, and MEP will be contributing another \$2.5 million annually in property taxes. 8 new highly skilled jobs will be created for operation, and the local spending during operations is anticipated to create another 12 indirect and induced jobs.

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Interest Rates

By Rich Davidson

Both short and long term rates have continued to go lower from their already historically low positions as investors continue to move into treasury assets during this economic uncertainty. One interesting statistic, according to the Wall Street Journal, is that the yield curve between shorter term debt and 30 year bonds is historically high. The gap between the 5 year yield and the 30 year yield is near its historical high of 260 bp. The gap between the two and 30 year yield is 332 bp, compared with an average of 158 bp over the last 20 years. Economic growth is typically expected when this yield curve is steepening, meaning that longer term treasury yields are rising faster than short term rates.

Consumer confidence, which had improved in July, plummeted in August. It is now at its lowest level in more than two years (April 2009, 40.8). This may

relate to the debt ceiling discussions and the S&P downgrade.

Inflation, as measured by the CPI index is up 3.6% during the last year. During that same period, despite all of the recent volatility in the stock market, the Dow Jones Industrial Average has risen 15% from one year ago. Gold prices continue to increase even faster, and are now 46% higher than they were

one year ago. This increase may relate to the fact that investors believe that further monetary easing is on the way.

Please take this opportunity to look at our new website: www.slatt.com

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KEY INTEREST RATES & INDICES
August 30, 2011

INDEX	CURRENT RATE	CHANGE FROM 4/8/11	NOTES
Bank Prime	3.25%	None	
1 Yr. Treasury	0.09%	-0.18%	
5 Yr. Treasury	0.94%	-1.37%	
10 Yr. Treasury	2.19%	-1.40%	
30 Yr. Treasury	3.53%	-1.10%	
LIBOR (1 Mo.)	0.19%	-0.05%	
LIBOR (6 Mo.)	0.43%	-0.03%	
LIBOR (1 Yr.)	0.76%	-0.02%	
Freddie Mac 60 day	4.49%	-0.52%	30 year fixed rate
12 Month Treasury Average	0.24%	-0.06%	T average
11th District Cost of Funds	1.34%	-0.13%	Fund Cost
Consumer Price Index	225.92 (Jul)	221.31 (Feb)	+3.6% from year ago
Federal Funds Rate	0.25%	None	
Dow Jones Industrial Avg.	11,560	12,380	+15% YTD Change
Consumer Confidence Index	44.5 (Aug)	63.4 (Mar)	Decline