

Reflections on Real Estate

A Quarterly Publication from Souza Realty & Development

Summer 2007

West Park Executive Suites to Open in Tracy

By Lisa Cox

What is an Executive Suite? Executive suites, also known as business centers, are individual office rentals with shared common space and services. A normal services package includes one or more fully furnished, approximately 100 square foot offices through a common lobby with access to conference rooms, copy facilities, and a break room. Executive suites may also offer a variety of services including phone system and service, reception services including call greeting and announcing, T-1 internet access, black and white and color copying services, secretarial services and a concierge service.

One might ask the benefits in leasing an executive suite over traditional office space. The number one answer is the cost. In our research we have concluded that a tenant would

save over \$5,000 per month leasing a suite in lieu of traditional office space. Other benefits over traditional office space include ease of office setup with minimal setup costs, one monthly bill



Newly constructed West Park Executive Suites

for all services including rent, utilities, janitorial, phone equipment, and other selected services, and reception and administrative support whenever it is needed, but charged only on an as-needed basis.

At West Park Executive Suites we will be leasing a minimum of 26 offices in a prime location with ample parking, at the corner of 10th Street and Tracy Boulevard in Tracy. At the suites you will find a professional receptionist to greet your clients and answer your business calls. Each office will be fully furnished and equipped for phone lines, fax lines, POS (Point of Sale) machines, T-1 internet access and cable TV. The kitchen will be stocked with complimentary snacks, drinks, coffee and tea for tenants and their clients. There will be two conference rooms available for use with television, VCR, DVD, projector, conference phones and catering available upon request. Tenants will also have a personal mailbox, access to our

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Forces that Affect the Value of Real Estate

By Mike Souza

The appraisal of real estate basically involves the valuation of a particular property. An appraiser must be aware of the four main *forces* that affect this value.

The most obvious of these forces is *physical/environmental*. Physical characteristics of a piece of property play a major role in how the property may be utilized. How the property is utilized defines the benefits that

accrue to the owner. These benefits equal the property's value to the owner or a prospective buyer. Some of these physical characteristics are location, size, shape, area, frontage, topsoil, drainage, topography, vegetation, accessibility, utilities, climate, and view. The value of improvements is determined by quality of construction, design, harmony with the surroundings and adaptability.

Economic forces are reflective of how a property interacts within the economy of the region or the neighborhood. Property values are influenced in this regard by such things as labor supply, tax rates, price levels, availability of like properties, terms of available mortgage credit, and community income.

see Value page 2

Value continued

Social forces affecting property values are more subjective in nature so they are a bit more difficult for an appraiser to interpret. These forces include attitudes towards household formation (i.e., living alone versus having children), population trends, neighborhood character and architectural design.

Public policy, or governmental forces, include the results of federal, state, and local government decisions. Zoning and building codes, real property taxation, public housing, and police protection would all fall into this category.

At this point, it's important to define the term "value". Value is the power of a good or service to command other goods or services in the marketplace. In a simple barter economy, a farmer would realize the value of his crop of alfalfa by the goods or services offered in exchange.

Executive Suites continued

administrative support staff, copy machine, and postage discounts.

West Park Executive Suites will also offer business solutions for non-tenants. These plans are for customers who don't necessarily need monthly office space but who want to present a more professional image. For these customers we will offer a business mailbox with a prestigious business address and receptionist service to answer your business calls and have them transferred accordingly. These

In today's economy, it's necessary to break this definition down. In terms of a capital asset, value is usually referred to as *the present worth of the future cash flows*. Since not all real estate generates periodic cash flows, and since some benefits are non-financial, a more inclusive definition of value might be *the present worth of all future benefits*.

In summary, *value* can be distinguished from *cost* as well as from *price*. As outlined above, *value* has to do with an intelligent estimate (an appraisal) based on an analysis of the four main forces; *cost* represents a measure of past, present, or future expenditures in money, labor and/or material in acquiring or producing a commodity; and *price* is what one pays for a commodity regardless of influence, motives or intelligence of the buyer or seller. Appraisers must carefully distinguish between value, cost and price in determining their conclusions.

clients will also have access to our day offices and administrative staff.

Our conference rooms, available to the public, will be a perfect place for any person or company looking for a professional location to hold a meeting, class, luncheon or conference call.

We are currently on schedule to open our doors on September 1, 2007 so reserve your office now!! Our address is 672 West 11th Street Tracy, CA 95376. For more information on the suites and pricing please feel free to contact suites manager Lisa Cox at 209-608-0100.

Recent Land & Ranch Sales

Below are a sampling of land sales that have occurred since our last newsletter. Note that this information has been extracted from the Multiple Listing Service and public records and has not been verified for accuracy. If you have any questions regarding these sales, please contact our office.

ALAMEDA COUNTY	ACRES	PRICE	CONTRA COSTA COUNTY	ACRES	PRICE
12366 Tesla Rd., Livermore	310.43	2,800,000	5900 Alhambra Valley Rd., Martinez	192.00	2,200,000
Cross Rd., Livermore	100.00	850,000	Armstrong Rd., Byron	80.00	980,000
Mines Rd., Livermore	40.00	149,000	1792 Chestnut St., Brentwood	10.12	690,000
12457 Mines Rd., Livermore	5.00	400,000	2415 Diablo Lakes Ln., Diablo	5.04	1,550,000
			Oak Hill Ln., Clayton	40.00	1,250,000
TRACY AREA	ACRES	PRICE	STANISLAUS COUNTY	ACRES	PRICE
Banta Rd.	10.00	560,000	San Antonio Valley Rd.	592.60	750,000
26026 Kasson Rd.	258.76	2,328,840			
25595 Mountain House Pkwy	25.58	511,600			
33601 S. Koster Rd.	30.99	700,000			



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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The California Association of Realtors' midyear forecast projects a 14 percent drop in single-family existing home sales for 2007, though the median sales price statewide is expected to increase by 1.8 percent. The Central Valley's median sales price in April stood at \$335,090, down 4.5 percent year-to-year from \$350,760, while sales were down 36.1 percent for the period.

California Association of Realtors®

Available Properties

±1,368 ACRES
SUNOL RIDGE
ALAMEDA COUNTY
\$9,300,000



±103 Acres
10625 MORGAN TERRITORY ROAD
CONTRA COSTA COUNTY
\$1,695,000



PROFESSIONAL OFFICE SPACE
±2,743 SF
632 WEST 11TH ST. SUITE 119
TRACY, CA
\$2.10/SF NNN OR \$895,000



MEDICAL/OFFICE SPACE
±2,235 SF
652 W. 11TH ST. SUITE 125
TRACY, CA
\$2.10/SF OR \$825,000



PROFESSIONAL OFFICE SPACE
±2,360 SF
421 WEST 11TH STREET
TRACY, CA
\$2.25/SF NNN



PROFESSIONAL OFFICE SPACE
±1,200 SF
1203 ADAM STREET
TRACY, CA
\$2,600/MO.

For information on these properties and our other listings, please visit our website at souzard.com

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RETURN SERVICE REQUESTED

Interest Rates

By Rich Davidson

What is causing the recent bond rate increases? Since the end of May, the yield on ten year treasuries has gone up 50 basis points. Inflation remains relatively mild, but GDP growth seems to be picking up in the second quarter, causing concern that the Fed may not be inclined to lower interest rates later this year. Also, it is possible that part of our interest rate increase is due to some of the foreign central banks raising their interest rates. Any increase in foreign yields makes it more difficult for the US Federal Reserve to lower rates, as we need foreign investors to buy our treasury securities.

Bill Gross, the bond guru at

PIMCO, now expects ten year US Treasuries rates to yield 4-6.5% over the next five years, compared to his previous prediction last year of 4-5.5%. He is predicting increased inflation both in the US and foreign markets.

2. \$3,000,000 Interim equity for company working capital
3. \$780,000 First Trust Deed on retail condominium shells in Oakland, CA

KEY INTEREST RATES & INDICES			
June 13, 2007			
INDEX	CURRENT RATE	CHANGE FROM 3/20/07	NOTES
Bank Prime	8.25%	unchanged	
1 Yr. Treasury	4.98%	+0.09%	
5 Yr. Treasury	5.13%	+0.70%	
10 Yr. Treasury	5.20%	+0.70%	
30 Yr. Treasury	5.28%	+0.58%	
LIBOR (1 Mo.)	5.32%	unchanged	
LIBOR (6 Mo.)	5.40%	+0.06%	
LIBOR (1 Yr.)	5.48%	+0.24%	
Freddie Mac 60 day	6.59%	+0.64%	30 year fixed rate
12 Month Treasury Average	5.022%	+0.08%	T average
11 th District Cost of Funds	4.224%	-0.168%	Fund Cost
Consumer Price Index	206.7 (Apr.)		Up 2.6% from year ago
Federal Funds Rate	5.25%	unchanged	
Dow Jones Industrial Avg.	13,482		+8.2% YTD
Consumer Confidence Index	108.0 (May)		+1.7 from April

ACTIVE REAL ESTATE CONSULTING ASSIGNMENTS

1. \$15,073,000 First and Second Trust Deed Apartment/Condominium Refinance in San Francisco
2. \$1,320,000 First Trust Deed acquisition loan in North Bay
3. \$2,000,000 Corporate Unsecured Line of Credit Borrowing

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. \$3,250,000 Bridge loan for high rise site in downtown San Jose