

Reflections on Real Estate

A Triennial Publication from Souza Realty & Development

Fall 2009

West Park Executive Suites

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. A variety of services are also available including phone system and service, reception services including call greeting and announcing, T1 internet access, black and white and color copies, secretarial services and a concierge service.

One might ask the benefits in leasing an executive suite over traditional office space. The #1 answer is the cost. In our research we have concluded that a tenant would save over \$5000 per month leasing a suite in lieu of tradi-



Lobby

tional office space. Other benefits include ease of setup with minimal setup costs, one monthly bill 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 are leasing 26 offices in a prime location with ample parking, at the corner of 10th Street and Tracy Blvd in Tracy. At the suites you will find a professional receptionist to greet your clients and answer your business calls. Each office is fully

furnished and equipped for phone lines, fax lines, POS machines, T-1 internet access and cable TV. The kitchen is stocked with complimentary snacks, drinks, coffee and tea for tenants and their clients. There are two conference rooms available for use with television, VCR, DVD, conference phones and catering available upon request. Tenants will also have a personal mailbox, access to our administrative support staff, copy machine, and postage discounts.

West Park Executive Suites also offers Business Solutions also known as

Virtual Office.

These plans are for customers who don't necessarily need permanent office space but who require office space on an as needed basis. Virtual Office also includes business mailbox with a prestigious business



Typical office

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Tax Hikes for Commercial Property?

Two new potential ballot initiatives are in the works that could drastically change how commercial properties in California are assessed and how much they are taxed. The first one, entitled the "Protect Homeowners and Close Corporate Tax Loopholes Act", calls for a 55% increase in the current property tax rate for commercial

properties while the second, entitled the "Education and Taxpayer Fairness Act", requires commercial properties' fair market value reassessed more frequently. Currently, under Prop. 13, properties are taxed annually at 1% of their assessed value, and their assessed value may increase a maximum of 2% annually.

Attorneys from the San Leandro-based law firm Remcho, Johansen & Purcell LLP filed title and summary language for the proposed 2010 ballot initiatives earlier this month. In order to qualify as a potential constitutional amendment for the November 2010

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WPES continued

address and receptionist service to answer your business calls and have them transferred accordingly. These clients will also have access to conference rooms, kitchen services, work room and our administrative staff.

Our conference rooms are available to

Tax continued

ballot, proponents of each initiative would have to gather 700,000 signatures by the spring.

The first initiative would add 0.55 percentage points to the current tax rate of 1.0% of the assessed value upon a sale, with the extra revenue diverted to a fund for K-12 schools, community colleges and state universities. The second initiative would require that all non-commercial, non-public properties have their fair market value assessed every three years, beginning with properties that have gone the longest between appraisals. It would also exclude \$1 million in personal property tax for businesses “in order to give small business owners immediate tax relief,” double homeowners’ property tax exemption and increase the tax credit for qualified renters.

The initiative claims that the lack of more frequent fair-market-value appraisals is a “gigantic loophole” for commercial properties that places the burden of paying

the public and are a perfect place for any person or company looking for a professional location to hold a meeting, class, luncheon or conference call.

Whether it be a standard office, a Virtual Office, or a conference room on an as-needed basis, West Park Executive Suites has the solution to your business needs.

for things like police and fire services more heavily on homeowners. “Unlike single-family residences, commercial buildings produce income for their owners,” the initiative finds. “It makes sense, therefore, to tax commercial real property at a higher rate than private homes. Furthermore... it makes sense...to reassess commercial real property at current market value and use the increased revenues to restore vital services to our seniors and health care to our kids, protect funding of public safety, and also improve the funding of California’s public schools.”

The initiatives are two of three that would institute a split roll property tax system where in single-family residential properties are treated differently than non-residential properties. In mid-October, Chula Vista-based attorney Frank D. Walker filed language for an initiative that calls for all land having rental value to be taxed monthly at 75% of its assessed rental value instead of the 1% tax upon sale.



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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EXECUTIVE SUITES MANAGER

Lisa M. Cox

CONTROLLER

Pamela A. Tourtillott

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Souza Realty & Development
105 East Tenth Street
Tracy, CA 95376-4003
Tel: (209) 835-8330
Fax: (209) 832-8355
www.souzard.com

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 CO.			CONTRA COSTA CO.		
AC.	PRICE		AC.	PRICE	
Fairview Ave., Castro Valley	11.15	475,000	750 Sellers Ave., Brentwood	19.14	375,000
3300 Dyer Rd., Livermore	29.25	810,000	E. 18th St., Antioch	20.23	1,071,500
4118 Cross Rd., Livermore	29.34	1,170,000	Holland Tract Rd., Knightsen	20.51	337,000
17667 Mines Rd., Livermore	33.05	360,000	148 Bethany Ln., Byron	26.48	275,000
Arroyo Rd., Livermore	73.88	1,500,000	7101 Camino Tassajara, San Ramon	80.29	2,200,000
Reuss Rd., Livermore	400.00	2,000,000	Finley Rd., San Ramon	80.38	3,000,000
Mines Rd., Livermore	795.80	612,500	Oak Hill Ln., Clayton	165.30	975,000
CONTRA COSTA CO.			TRACY AREA		
AC.	PRICE		AC.	PRICE	
798 Rancho La Boca Rd., Briones	8.96	415,000	3031 W. Linne Rd.	9.55	490,000
750 Sellers Ave. Brentwood	10.00	250,000	6390 W. Lorimar Ln.	10.00	150,000
Oak Hill Ln., Clayton	10.02	835,000	24866 S. Banta Rd.	10.00	652,000
2 Dolores Way, Orinda	10.40	384,500	29043 S. Lehman Rd.	40.07	556,000
2300 Cumming Rd., Brentwood	10.71	436,000	32350 S. Bevis Rd.	46.44	450,000
795 Hoffman Ln., Brentwood	11.00	1,300,000	SANTA CLARA CO.		
15590 Byron Hwy, Byron	11.39	420,000	AC.	PRICE	
7700 Byron Hot Sprgs Rd., Byron	12.50	360,000	Mines Rd., Mt. Hamilton	253.00	237,160

Sales in new-home communities of 10 units or more in California declined 11 percent in September compared with a year ago, according to the monthly California Building Industry Association report. Sales of single-family homes declined 17 percent, while sales of townhomes and multiple-unit homes decreased 11 percent. Condominium sales, however, rose 12 percent compared with a year ago.

California Association of Realtors®

Williamson Act Update

The California Legislature adopted the California Land Conservation Act (“Williamson Act”) in 1965 to prevent “leapfrog” development and slow the conversion of California’s agricultural land to developed uses. Under the Williamson Act, landowners receive a property tax reduction in exchange for contractually restricting their land to agricultural and open space uses for a rolling 10-year term. Land may be removed from a Williamson Act contract in several ways, including contract cancellation and nonrenewal. While only a landowner may cancel a contract, both a landowner and county may nonrenew a contract, which results in the subject land being free of Williamson Act restrictions after nine years.

Pursuant to the Open Space Subvention Act, the state partially reimburses, or “subvenes,” local governments for property tax revenue lost due to participation in the Williamson Act. The state pays on average \$38 million in subventions to local governments each year to support the Williamson Act program. Fresno County, for example, received \$5.2 million in subvention payments for

the 2008-09 fiscal year.

In the 2009-2010 budget bill, the Legislature reduced Williamson Act subvention funding by 20%, to \$27.7 million. In July 2009, however, Governor Schwarzenegger used his line-item veto authority to virtually eliminate even the reduced Williamson Act budget proposed by the Legislature. For the 2009-2010 fiscal year, the state budgeted a token \$1,000 for subvention payments to counties.

Counties participating in the Williamson Act program have responded differently to the elimination of subvention funding.

- Contra Costa, Alameda, Santa Clara, Siskiyou, Humboldt, Calaveras, Tuolumne, Santa Barbara, Glenn, Imperial, Napa and San Luis Obispo counties will continue to honor all existing Williamson Act contracts within their jurisdiction, and continue to enter into new Williamson Act contracts.

- San Joaquin County will continue to honor all existing Williamson Act contracts, but has adopted an ordinance placing a moratorium on new contracts effective January 1, 2010.

- Yolo County has decided to

nonrenew all Williamson Act contracts within its jurisdiction.

- Merced, Lake, and Mendocino counties have placed a moratorium on new contracts. Additionally, the Merced County Board of Supervisors voted to include a 5% tax reduction for all Williamson Act contracted properties.

- Fresno County, which has had a moratorium on new contracts since December 2008, recently voted to continue the moratorium indefinitely. The Fresno County Board of Supervisors also decided that it would continue to honor all existing Williamson Act contracts.

Overall, counties have been reluctant to simply nonrenew their Williamson Act contracts, given the many benefits of preserving the state’s agricultural land, and the expectation that the state will restore subvention funding next year. If the Governor and Legislature do not restore subvention funding in the next fiscal year, however, counties may implement wide-scale nonrenewal or pursue legislation authorizing immediate cancellation.

Available Property



NET-LEASE OFFICE INVESTMENT
672 W. 11TH STREET
TRACY, CA
\$3,100,000

PROPERTY SUMMARY

BUILDING SIZE: ±8,264 Sq. Ft.

BUILDING TYPE: Two-story, wood frame construction; stucco exterior

LOT SIZE: ±23,522 Sq. Ft.

YEAR BUILT: 2007

ZONING: GHC (General Hwy Commercial)

PARKING: 35 spaces (4.24 per 1,000 sq. ft.)

TENANT: West Park Executive Suites

CAP RATE: 7.20%

- Leased through 2017 with six 5-year options
- Absolute NNN lease with annual 3% increases
- Attractive, recently constructed Class “A” building
- Extensive improvements including one and two-office executive suites, two conference rooms, two kitchenettes/breakrooms, four restrooms, and reception area
- Close proximity to Downtown Tracy
- Located on main thoroughfare near signalized intersection
- Excellent street visibility and exposure

SPECIALIZING IN

- Farms & Ranches
- Transitional Land
- Commercial
- Industrial
- Development
- Consulting
- Valuation

RETURN SERVICE REQUESTED

Interest Rates

By Rich Davidson

Short term and long term rates have continued to decline over the last several months. The 30 year fixed rate home mortgage has dropped to its lowest level since May. The CMBS market is starting to show some signs of life. The shopping center REIT, Developers Diversified Realty, recently took a low leveraged portfolio to the securitized market, aided by TALE. The offering was oversubscribed and the interest rate was just below six percent.

The only indexes above that showed an increase were the Dow Jones Industrial Average and the price of gold, which I have added for this newsletter. I took an interest in gold earlier in the year and I have been following its recent rise. Since November 2008, it is up 62 percent. I think that, with central bankers increasingly adding cash into the financial system, investors are concerned about the future prospects of inflation,

budget deficits, and political conflicts. 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.

KEY INTEREST RATES & INDICES
November 20, 2009

INDEX	CURRENT RATE	CHANGE FROM 7/23/09	NOTES
Bank Prime	3.25%	None	
1 Yr. Treasury	0.27%	-0.22%	
5 Yr. Treasury	2.20%	-0.40%	
10 Yr. Treasury	3.36%	-0.36%	
30 Yr. Treasury	4.30%	-0.28%	
LIBOR (1 Mo.)	0.24%	-0.07%	
LIBOR (6 Mo.)	0.56%	-0.55%	
LIBOR (1 Yr.)	1.20%	-0.41%	
Freddie Mac 60 day	5.15%	-0.23%	30 year fixed rate
12 Month Treasury Average	0.54%	-0.51%	T average
11th District Cost of Funds	1.27%	-0.56%	Fund Cost
Consumer Price Index	216.12 (Oct)		-0.45% from year ago
Federal Funds Rate	0.25%	None	
Dow Jones Industrial Avg.	10,318		+17.6% YTD
Consumer Confidence Index	47.7 (Oct)		Decline
Gold \$/oz	\$1,140	+\$190	

You're driving down the road and you see a "Property For Sale" sign and you would like to know more about it. That's the time you give Souza Realty a call. As your real estate agent, we form a fiduciary relationship obligating us to fully disclose to you all material facts which might influence your decision making concerning a property or real estate transaction. We represent your best interests. Even if the property doesn't have a Souza Realty sign on it, give us a call!