

# ZIMMERMAN/VOLK ASSOCIATES, INC.

17 East Main Street  
Clinton, New Jersey 08809

(908) 735-6336 • (908) 735-4751 *facsimile*  
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

## MARKET ANALYSIS

### Transit-Oriented Development West Evergreen Neighborhood *City of San José, Santa Clara County, California*

April 21, 2003

---

#### INTRODUCTION

---

This study establishes the optimum market position for new residential development on the Arcadia site, an 86-acre tract adjacent to the Eastridge Mall and a proposed transit stop in the West Evergreen neighborhood, City of San José, Santa Clara County, California.

The extent and characteristics of the potential market for new housing units within a transit-oriented development on the Arcadia site were identified using Zimmerman/Volk Associates' proprietary target market methodology. This methodology was developed in response to the challenges that are inherent in the application of supply/demand analysis to urban development and redevelopment. Supply/demand analysis ignores the potentially-significant impact of newly-introduced housing supply on settlement patterns, particularly when that supply is specifically targeted to match the housing preferences and economic capabilities of the draw area households

In contrast to conventional supply/demand analysis, then—which is based on supply-side dynamics and baseline demographic projections—target market analysis determines the depth and breadth of the potential market derived from the housing preferences and socio-economic characteristics of households in the defined draw area, even in locations where no close comparables exist. Because it considers not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues, the target market methodology is particularly effective in defining a realistic housing potential for urban development and redevelopment.

---

MARKET POTENTIAL

The optimum market position for new residential development within a transit-oriented development of the 86-acre Arcadia site has been derived from the housing preferences and income levels of the draw area households, identified through Zimmerman/Volk Associates' proprietary target market methodology and extensive experience with New Urbanist development and redevelopment. Based on field investigation, as well as analysis of migration and mobility data, the primary draw area for new residential construction on the waterfront site has been defined as households currently living within the local draw area (City of San José, the balance of Santa Clara County) as well as the San Francisco Bay draw area counties (Alameda, San Mateo, San Francisco, Santa Cruz and Contra Costa) and southern California draw area counties (Los Angeles, San Diego and Orange). This analysis also factors in those households moving from all other counties represented in Santa Clara County migration.

POTENTIAL MARKET

As determined by the target market methodology, which accounts for household mobility within the primary draw area as well as mobility patterns for households currently living in all other counties, in the year 2003, nearly 2,800 younger single- and two-person households, traditional and non-traditional families, and empty nesters and retirees currently living in the draw areas comprise the potential market for new residential construction on the site. The housing preferences of these draw area households—according to tenure (rental or for-sale) and broad financial capacity—can be arrayed as follows (*see also* Table 1):

Potential Market For New Housing Units  
 WEST EVERGREEN TRANSIT-ORIENTED DEVELOPMENT  
 City of San José, Santa Clara County, California

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent	980	35.3%
Multi-family for-sale	330	11.9%
Single-family attached for-sale	380	13.7%
Low-range single-family detached	490	17.6%
Mid-range single-family detached	360	12.9%
High-range single-family detached	<u>240</u>	<u>8.6%</u>
Total	2,780	100.0%

However, because the site is proposed for a future transit station which would benefit from a concentration of households, and because there is sufficient market support for higher-density housing types, the target mix for the property has been limited to multi-family and attached units. The distribution of multi-family and attached housing types, based on the tenure (renter/buyer) preferences and income levels of the draw area households that represent the potential market for the site, is therefore as follows (*see again* Table 1):

Target Residential Mix  
 For New Housing Units  
 WEST EVERGREEN TRANSIT-ORIENTED DEVELOPMENT  
 City of San José, Santa Clara County, California

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent	980	58.0%
Multi-family for-sale	330	19.5%
Single-family attached for-sale	<u>380</u>	<u>22.5%</u>
Total	1,690	100.0%

From the market and development perspectives, up to 3,000 new dwelling units could be developed on approximately 50 net residential acres of the 86-acre Arcadia site. Following the proportions of housing types as established by market preferences, and excluding single-family detached housing types, the distribution of 3,000 housing units would be as follows::

Target Residential Mix—3,000 Units  
 WEST EVERGREEN TRANSIT-ORIENTED DEVELOPMENT  
 City of San José, Santa Clara County, California

HOUSING TYPE	PERCENT OF TOTAL	NUMBER OF UNITS
Multi-family for-rent	58.0%	1,740
Multi-family for-sale	19.5%	585
Single-family attached for-sale	<u>22.5%</u>	<u>675</u>
Total	100.0%	3,000

However, the number of housing units that can be accommodated on the site is likely to change during the land planning process, and, at that time, can be increased or decreased proportionately to fit within the available acreage.

TARGET MARKET ANALYSIS

As determined by this analysis, the target groups for the site can be characterized by housing preferences as follows (*see* Table 2):

Target Markets  
 By Household and Unit Types  
 WEST EVERGREEN TRANSIT-ORIENTED DEVELOPMENT  
 City of San José, Santa Clara County, California

HOUSEHOLD TYPE	PERCENT OF TOTAL	. . . . . MULTI-FAMILY . . . . .		SINGLE-FAMILY ATTACHED
		RENTAL	FOR-SALE	
Empty-Nesters & Retirees	14%	14%	15%	13%
Traditional & Non-Traditional Families	42%	42%	33%	50%
Younger Singles & Couples	<u>44%</u>	<u>44%</u>	<u>52%</u>	<u>37%</u>
Total	100%	100%	100%	100%

- The largest general market segment is composed of younger, mostly childless households (younger singles and couples). These households typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses.

Younger singles and couples currently represent between 37 and 52 percent of the market for new housing units in a transit-oriented development of the site. This market segment could become even more significant because the “Millennials”—also known as “Generation Y,” those persons born between 1977 and 1996 and the second largest generation after the “Baby Boomers”—have shown strong preferences for urban housing. If the leading edge of this group is representative of the entire generation, the market potential from this segment is likely to increase significantly over the next decade.

- The next largest market segment is comprised of family-oriented households (traditional and non-traditional families). Non-traditional families, which during the 1990s became an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single parent with one or more children, an adult caring for younger siblings, a grandparent with grown children and grandchildren, to an unrelated, same-sex couple with children. Traditional families contain a married man and woman with an

average of two or more children. These can also include “blended” families, in which each parent was previously married to another individual and each has children from the prior marriage.

Depending on housing type, family-oriented households comprise between 33 and 50 percent of the market for housing units in a transit-oriented development of the site.

- The smallest market segment is comprised of older households (empty nesters and retirees). A significant number of these households have children who have grown up and moved away; another large percentage are retirees, with incomes from pensions, savings and investments, and social security.

Empty-nest and retiree households represent between 13 percent and 15 percent of the market for new housing units on the site, depending on housing type. However, as with the Millennial Generation, over the next several years this market segment should comprise a significantly larger proportion of the market for urban housing because increasing numbers of the “Baby Boom” generation—the huge population cohort born between 1946 and 1964—will be entering the empty-nest life stage. Baby Boomers have become a significant market for new construction in in-town neighborhoods, particularly when those new units reflect their changing lifestyles.

#### OPTIMUM MARKET POSITION

---

A significant market exists for new residential construction within a transit-oriented development on the 86-acre Arcadia site. The optimum market position has been developed based on a variety of factors, including but not limited to:

- The site’s characteristics and adjacencies, its visibility from the Capitol Expressway, and its distant mountain views;
- Development of the site following the planning principles of the New Urbanism;
- A site plan prepared by a firm experienced in the application of those principles;
- The new unit rental and purchase propensities of draw area households; and
- Current residential market dynamics in the San José market area.

DEVELOPMENT PROGRAM FOR  
 TRANSIT-ORIENTED DEVELOPMENT

Residential: 3,000 dwelling units  
 Office: 900,000 square feet  
 Retail: 105,000 square feet

RESIDENTIAL:

Based on the socio-economic and lifestyle characteristics of the target households, the supply-side context in eastern San José, and the residential mix distribution, the optimum market position for new residential development on the Arcadia property would be as follows (*see also* Table 3):

Optimum Market Position  
 WEST EVERGREEN TRANSIT-ORIENTED DEVELOPMENT  
 City of San José, Santa Clara County, California

NUMBER	NET DENSITY	HOUSING TYPE	BASE RENT/PRICE RANGE	UNIT SIZE RANGE	RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT—58.0%					
180	n/a	Apts. Over Commercial	\$700 to \$1,700	350 to 900	\$1.89 to \$2.00
600	60 du	Lofts	\$825 to \$1,850	400 to 950	\$1.95 to \$2.06
960	65 du	Apartments	\$950 to \$2,000	450 to 1,200	\$1.67 to \$2.11
MULTI-FAMILY FOR-SALE—19.5%					
235	45 du	Four-Plex	\$250,000	800	\$313
350	70 du	3-Story Townhouses {TH over Flat}	\$285,000 \$395,000	1,000 1,400	\$285 \$282
SINGLE-FAMILY ATTACHED FOR-SALE—22.5%					
169	56 du	2-Story Townhouses	\$275,000 \$350,000	900 to 1,200	\$292 to \$306
169	45 du	3-Story Shophouses	\$315,000 to \$495,000 <i>{plus 500-sf "shop" on ground floor}</i>	1,000 to 1,600	\$309 to \$315
169	35 du	3-Story Townhouses	\$575,000 to \$675,000	2,000 to 2,400	\$281 to \$288
<u>168</u>	30 du	2-Story Duplexes	\$450,000 to \$650,000	1,500 to 2,200	\$295 to \$300
3,000 dwelling units					

The above rents and prices are in year 2003 dollars and apply to the first phase only. Because of the recent volatility of the Bay Area residential marketplace, the optimum market position should be regarded as short-lived, and must be periodically re-evaluated.

The proposed rents and prices are also exclusive of options, upgrades, and view premiums. Sustainable residential values on the site will depend upon the establishment of urban character. An urban residential neighborhood succeeds when its physical characteristics consistently emphasize urbanity and the qualities of urban life; conversely, attempts to introduce suburban scale and housing types into urban areas have invariably yielded disappointing results. Therefore, appropriate urban design—which places as much emphasis on creating quality streets and public places as on creating or redeveloping quality buildings—will be essential to success.

The proposed housing types include rental apartments in mixed-use buildings, lofts and conventional apartments. Ownership housing units include shophouses (live-work units), and a variety of condominium apartments as well as townhouses and duplexes. (*See BUILDING TYPES below.*)

Net densities within the proposed development range from 30 units per acre for the duplex units up to 70 units per acre for the three-story townhouse/flat combinations. The average net density for the proposed range of housing types is 60 units per acre. On an 86-acre site, the gross density of the proposed 3,000 dwelling units would approach 35 units per acre. Transit-oriented development is supported by higher densities, and gross residential densities on land adjacent to a transit stop should not fall below 30 units per acre.

By city regulation, at least 20 percent of the total units must be affordable to households with incomes at or below 80 percent of the Area Median Family Income, or, in 2002, \$96,000 for a family of four. Although the majority of prices and rents proposed for the property do not qualify as affordable under the regulations, the gap between the proposed pricing structure and affordable prices and rents is considerably smaller than elsewhere in the San José new home marketplace. However, in order to maintain housing values within the community, it is critical that public subsidies be provided to the households requiring assistance, and not to reduction of individual unit values to affordable levels.

ABSORPTION FORECASTS

Absorption of 3,000 dwelling units within a development of the West Evergreen transit-oriented development could be achieved within 10 years from commencement of marketing, depending on phasing and construction, and barring a significant and persistent downturn in the national, regional and local economies over those 10 years. Pricing and positioning has been designed to accommodate workforce housing with the minimum public subsidy and to achieve sell-out within a reasonable absorption period in a phased development

Annual Absorption  
 WEST EVERGREEN TRANSIT-ORIENTED DEVELOPMENT  
 City of San José, Santa Clara County, California

Multi-family for-rent	204
Multi-family for-sale	60
Single-family attached for-sale	72
Total For-Sale	132
Total Including Rentals	336

At the forecast absorption of 336 units, including rental apartments, in one year, new residential development on the site would require a capture rate of 19.9 percent of the 1,690 households, identified through target market analysis, that have the potential to rent or purchase new multi-family and single-family attached housing units on the site in the year 2003—a rate that is within the target market methodology’s parameters of feasibility.

The annual absorption paces require specific capture rates of those households that, in the year 2003, represent the potential market for each housing type on the site, as follows:

Required Capture Rates  
 Based on Annual Absorption  
 WEST EVERGREEN TRANSIT-ORIENTED DEVELOPMENT  
 City of San José, Santa Clara County, California

HOUSING TYPE	ANNUAL MARKET POTENTIAL (HHS)	AVERAGE ANNUAL ABSORPTION (UNITS)	REQUIRED CAPTURE RATE
Multi-family for-rent	980	204	20.8%
Multi-family for-sale	330	60	18.2
Single-family attached for-sale	380	72	18.9

These housing type-specific capture rates are within the parameters required for feasible development. For a development of this size and scale, there is a high degree of confidence in a capture rate of up to 25 percent for rental apartments, and a capture rate of up to 20 percent for each of the for-sale housing types.

NOTE: The target market capture rates of the potential purchaser or renter pool are a unique and highly-refined measure of feasibility. Target market capture rates are not equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The target market capture rate is derived by dividing the annual forecast absorption by the number of households that have the potential to move to the site in a given year.

The penetration rate is derived by dividing the total number of dwelling units planned for a property by the total number of draw area households, sometimes qualified by income.

The traffic conversion rate is derived by dividing the total number of buyers or renters by the total number of prospects that have visited a site.

Because the prospective market for a property is more precisely defined using target market methodology, a substantially smaller number of households are qualified; as a result, target market capture rates are higher than the more grossly-derived penetration rates. The resulting higher capture rates remain within the range of feasibility.

#### OFFICE:

Given the current weak state of the office market, and the extended period of time that could be required to absorb the vacant Class A office space, the amount of office space that could be constructed on the Arcadia site and/or Eastridge land has been correlated with the number of proposed dwelling units rather than derived from conventional supply-demand analysis. Based on the assumptions that 1) there will be a balance of jobs and housing in the neighborhood, 2) the development should provide at least one job per dwelling unit, 3) an average of 300 square feet of office space is required per worker, and 4) ultimately 3,000 dwelling units will be added to the neighborhood, then up to 900,000 square feet of new office space could be developed, both in single-use and mixed-use buildings. Approximately 110,000 square feet of office could be developed in mixed-use buildings consisting of two or more floors of small office uses over a ground floor of retail uses. The remaining 790,000 square feet could be developed in individual office buildings, either as spec office space for multiple users or single owner-occupants.

#### RETAIL:

The amount of retail space has also been correlated with the number of dwelling units proposed for the site rather than derived from conventional retail void and leakage analysis. Based on an average of 325 square feet per household (not per person), and 3,000 dwelling units, up to 105,000 square feet of new retail space could be developed, both in single-use and mixed use buildings. Approximately 50,000 square feet of retail could be developed in mixed-use buildings with two floors of residential uses over a ground floor of retail uses. The remaining 55,000 square feet could be developed in mixed-use buildings with two floors of office uses over a ground floor of retail uses. No free-standing retail has been contemplated for the development.

#### THE SUPPLY-SIDE CONTEXT

---

San José, as the capitol of Silicon Valley, is continuing to struggle with the after-effects of the dot-com collapse. With unemployment still well above seven percent, employment losses of more than 30,000 jobs between 2000 and 2002, and office vacancy rates hovering between 30 and 40 percent, the prospects for new office development at this time, particularly in the Evergreen-Eastridge Study Area, are not encouraging.

The housing market has recently begun to soften—although values have not fallen sufficiently to alter asking prices, houses are remaining on the market, on average, for 120 days or more. In contrast, according to local real estate brokers, a house placed on the market just last year would typically have received 12 to 15 offers within the first 30 days on the market. Another sign of the softening market is the 34 percent increase in foreclosures in Santa Clara County this year.

However, real estate brokers are sanguine that households will continue to have compelling reasons to move, and with interest rates at historic lows, there is no expectation of a precipitous drop in housing values.

Housing affordability continues to remain a greater concern. Although the Area Median Family Income is approaching \$100,000 (\$96,000 in 2002), the average sales price of single-family detached houses currently ranges between \$370,000 (zip code 95122) and \$793,500 (zip code 95138), or approximately four to eight times median income.

Contract market-rate rents in the Evergreen neighborhood start at just under \$1,000 a month for a one-bedroom apartment and approach \$1,900 per month for a three-bedroom apartment. Citywide, in 2001, the average rent for one-bedroom apartments exceeded \$1,600 and the average rent for a three-bedroom apartment was nearly \$2,300. (See Table 4.)

Current new construction prices in the Evergreen area range between more than \$400,000 to nearly \$600,000 for attached housing, and between just under \$600,000 to well above \$1 million for detached houses. Most new properties are achieving sales paces of two or more units per month and a few have been able to sell 10 or more units per month. (See Tables 5 and 6.)

Resale home prices in the Evergreen area generally start at just under \$200,000 and can exceed \$1 million, with an average price ranging between approximately \$365,000 and just under \$800,000, depending on area.

Citywide, last year, more than 5,200 new and resale single-family detached houses were sold, at an average price of more than \$536,000 and just under 2,000 attached units were sold, at an average price of \$330,800.

#### BUILDING TYPES

---

##### –Multi-Family–

- **Courtyard Apartment Building:** An urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is four or more stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated above grade. Parking is either below grade or in an integral structure.
- **Loft Apartment Building:** A new-construction building type inspired by adaptive re-use of 19th century warehouse and manufacturing buildings. The building is usually elevator-served with double-loaded corridors. Unit interiors typically have high ceilings and commercial windows and can be minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms.

The building's loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. New construction lofts, whether for-rent or for-sale, should include work space as a permitted use. (Loft apartments can also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

- Three-Story Townhouses: Townhouses Over Flats: The building consists of a two-story, "townhouse" unit above a ground-floor flat, with each sold as a separate residential unit. This combination building is similar in urban form to a rowhouse, attached on one or both sides and including an attached garage located at the rear of the building and accessed from an alley or auto court. Unlike conventional suburban attached developments, townhouse/flat combination buildings in traditional neighborhoods conform to the pattern of streets, typically with shallow front-yard setbacks.

–Single-Family Attached–

- Townhouse/Duplex: Similar in form to a conventional suburban townhouse or duplex except that the garage—either attached or detached—is located to the rear of the unit or integrated within the unit and is accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated above grade.
- Shophouse (Live-Work): The shophouse is a building, either attached or detached, with only one principle dwelling unit that includes flexible space that can be used as office, retail, or studio space, or as an accessory dwelling unit. The shophouse also represents an opportunity for the small investor: a resident investor can lease the flex space for residential, retail or office use; a non-resident investor can lease both the main residential space or the flex space.

Regardless of the form they take, live-work units should be flexible in order to respond to economic, social and technological changes over time and to accommodate as wide as possible a range of potential uses. The unit configuration must also be flexible in order to

comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

#### METHODOLOGY

---

The technical analysis of city-wide and West Evergreen market potential included delineation of the draw area(s) and evaluation of the Arcadia site's market potential.

The delineation of the draw area(s) for housing within the City of San José and Santa Clara County was based on historic settlement patterns, migration trends for Santa Clara County, and other market dynamics.

The evaluation of market potential was derived from target market analysis of households in the draw area(s), and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

#### Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM geo-demographic system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

In geo-demographic segmentation, clusters of households (usually between 10 and 15) are grouped according to a variety of significant factors, ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes such as mobility rates, lifestyle patterns and compatibility issues. Zimmerman/Volk Associates has

refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 21 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 62 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw area(s) for specific city, location or site have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for market-rate units is then determined by the correlation of a number of factors—including, but not limited to household mobility rates; median incomes; lifestyle characteristics and housing preferences; and the competitive environment.

#### Delineation of the Draw Areas (Migration Analysis)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to Santa Clara County. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns.

#### —Migration Trends—

Analysis of Santa Clara County migration and mobility patterns from 1996 through 2000—the latest data available from the Internal Revenue Service—shows that the number of households moving into the county—and by extension, the City of Santa Clara—has increased from approximately 37,500 households in 1996 to nearly 47,000 households in 2000. (*Reference Appendix One, Table 1.*) Over the same period, the number of households moving out of the county ranged from just over 36,600 households in 1996 to nearly 60,600 households in 2000. Until 1997, Santa Clara County had gained between an average of 1,000 households a year from net in-migration. However, presumably due to extraordinarily high housing values, in 1997, the

net loss approached 2,000 households. By 2000, likely in large measure due to the collapsing dot.com economy, the net loss exceeded 13,600 households.

More than one quarter percent of the county's in-migration is from other counties in the Bay Area. An additional 10 percent of all households who move to Santa Clara County move from the southern California region.

NOTE: Although net migration provides insights into the county's historic ability to attract or retain households compared to other locations, it is those households likely to move into the county (gross in-migration) that represent the county's external market potential.

Based on the migration data, the draw areas for the West Evergreen neighborhood have been delineated as follows:

- The local (or internal) draw area, covering households currently living within the West Evergreen neighborhood, within the San José city limits, as well as those currently living in the balance of Santa Clara County.
- The Bay Area draw area, covering households with the potential to move to the West Evergreen neighborhood from five other counties in the Bay area.
- The Southern California draw area, covering households with the potential to move to the West Evergreen neighborhood from three counties in southern California.
- The national draw area, covering households with the potential to move to the West Evergreen neighborhood from all other U.S. counties.

The Bay Area draw area includes Alameda, San Mateo, San Francisco, Santa Cruz and Contra Costa counties. The Southern California draw area includes Los Angeles, San Diego and Orange counties. The national draw area includes the balance of the country taken in aggregate.

Determination of the Potential Market for the West Evergreen Neighborhood (Mobility Analysis)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move to the West Evergreen neighborhood in the year 2003. The total number from each county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

*Internal Mobility (Households Moving Within The West Evergreen Neighborhood)*

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that up to 1,000 households currently living in the West Evergreen neighborhood have the potential to move from one residence to another in the neighborhood this year. (*Reference Appendix One, Table 5.*) Approximately 70 percent of these households are likely to be traditional and non-traditional families (as characterized within three Zimmerman/Volk Associates target market groups); another 12 percent are likely to be younger singles and couples (in one group); and the remaining 10 percent are likely to be empty nesters and retirees (in one group).

*External Mobility (Households Moving To The West Evergreen Neighborhood)*

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same city and the same county. Using these data, nearly 1,600 households currently living in the balance of the City of San José have the potential to move from a residence in the city to a residence in the West Evergreen neighborhood this year. (*Reference Appendix One, Table 6.*) Approximately half of these households are likely to be traditional and non-traditional families (in three market groups); another 45 percent are likely to be younger singles and couples (in five groups); and the remaining five percent are likely to be empty nesters and retirees (in three groups).

Another 830 households currently living in the balance of the Santa Clara County have the potential to move from a residence in the county to a residence in the West Evergreen neighborhood this year. (*Reference Appendix One, Table 7.*) Approximately 64 percent of these households are likely to be younger singles and couples (in five market groups); another 31 percent are likely to be traditional and non-traditional families (in three groups); and the remaining five percent are likely to be empty nesters and retirees (in three groups).

The tables that follow determine the number of households in each target market group living in each draw area county that are likely to move to the West Evergreen neighborhood this year (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue

Service migration data). (*Reference Appendix One, Tables 9 through 11 and Appendix Two, Tables 1 through 10.*)

The total potential market for the West Evergreen neighborhood includes the local, Bay Area, Southern California, and national draw areas. (*Reference Appendix One, Table 12.*) More than 3,300 households have the potential to move within or to the West Evergreen neighborhood this year. Traditional and non-traditional families are likely to account for 48 percent of these households (in six market groups); more than 36 percent are likely to be younger singles and couples (in nine groups); and just over 23 percent are likely to be empty nester and retiree households (in seven groups).

The distribution of the draw areas as a percentage of the potential market for the West Evergreen neighborhood is as follows:

Market Potential By Draw Area  
WEST EVERGREEN NEIGHBORHOOD  
City of San José, Santa Clara County, California

City of San José/Santa Clara County (Local Draw Area):	59.5 percent
Bay Area Draw Area:	16.0 percent
Southern California Draw Area:	6.1 percent
Balance of US (National Draw Area):	18.4 percent
Total:	100.0 percent

The 3,310 draw area households that have the potential to move to the West Evergreen neighborhood this year have also been categorized by tenure propensities to determine the appropriate renter/owner ratio. Just under 46 percent of these households (or 1,510 households) comprise the potential market for rental units, of which 980 households comprise the potential market for rental units at the rent levels required to support newly-constructed market-rate housing. The remaining 54 percent (or 1,800 households) comprise the market for market-rate for-sale housing units. (*Reference Appendix One, Table 13.*)

Of these 1,800 households, 18.3 percent (or 330 households) comprise the market for multi-family for-sale units (condominium/cooperative lofts/apartments); another 21.1 percent (380 households) comprise the market for attached single-family (townhouse/duplex/shophouse) units; and the remaining 60.6 percent (1,090 households) comprise a market for all ranges of single-family detached houses. (*Reference Appendix One, Table 14.*)

—Target Markets—

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

#### Target Market Data—

Target market data are based on the Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

#### Household Classification Methodology:

Household classifications are based on the Claritas PRIZM geo-demographic segmentation system, which was established in 1974 and is the most widely-used neighborhood target marketing system in the United States. Claritas uses 15 unique clustering algorithms to define various domains of affluence and settlement density. These algorithms isolate the key factors in each density-affluence domain that accounted for the most statistical difference among neighborhoods within that group.

Over the past 15 years, Zimmerman/Volk Associates has augmented the PRIZM cluster system for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. (*See TARGET MARKET METHODOLOGY above.*) For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.



Table 1

**Potential Housing Market**

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households  
With The Potential To Move To The Site In 2003

***West Evergreen TOD***

*City of San Jose, Santa Clara County, California*

**West Evergreen\*, City of San Jose, Santa Clara County, California;  
Bay Area And Southern California Draw Areas; All Other U.S. Counties**

Total Target Market Households  
With Potential To Rent/Purchase Within  
The West Evergreen Neighborhood 2,780

**Potential Housing Market**

	<i>Multi- ..... Family .....</i>		<i>Single- ..... Family .....</i>				<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i> <u>All Ranges</u>	<i>..... Detached .....</i> <u>Low-Range</u>	<u>Mid-Range</u>	<u>High-Range</u>	
Total Households:	980	330	380	490	360	240	2,780
{Mix Distribution}:	35.3%	11.9%	13.7%	17.6%	12.9%	8.6%	100.0%

**Target Residential Mix**

	<i>Multi- ..... Family .....</i>		<i>Single- ... Family ...</i>	<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i> <u>All Ranges</u>	
Total Households:	980	330	380	1,690
{Mix Distribution}:	58.0%	19.5%	22.5%	100.0%

\* Census tracts 5063.02, 5064.01, 5064.02 and 5065.01.

NOTE: Reference Appendix One, Tables 1 through 14.

SOURCE: Claritas, Inc.;  
Zimmerman/Volk Associates, Inc.

Table 2

### Potential Housing Market By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households  
With The Potential To Move To The Site In 2003

### *West Evergreen TOD*

*City of San Jose, Santa Clara County, California*

#### Potential Housing Market

Number of Households:	Total	Multi-Family		Single-Family			
		For-Rent	For-Sale	Attached		Detached	
				All Ranges	Low-Range	Mid-Range	High-Range
	2,780	980	330	380	490	360	240
<b>Empty Nesters &amp; Retirees</b>	15%	14%	15%	13%	19%	20%	37%
<b>Traditional &amp; Non-Traditional Families</b>	49%	42%	33%	50%	67%	58%	46%
<b>Younger Singles &amp; Couples</b>	36%	44%	52%	37%	14%	22%	17%
	100%	100%	100%	100%	100%	100%	100%

#### Target Residential Mix

Number of Households:	Total	Multi-Family		Single-Family
		For-Rent	For-Sale	Attached
				All Ranges
	1,690	980	330	380
<b>Empty Nesters &amp; Retirees</b>	14%	14%	15%	13%
<b>Traditional &amp; Non-Traditional Families</b>	42%	42%	33%	50%
<b>Younger Singles &amp; Couples</b>	44%	44%	52%	37%
	100%	100%	100%	100%

SOURCE: Claritas, Inc.;  
Zimmerman/Volk Associates, Inc.

**Optimum Market Position**  
**West Evergreen Transit-Oriented Development**  
*City of San Jose, Santa Clara County, California*  
**April, 2003**

<u>Percent of Units Number</u>	<u>Net Density/ Lot Size</u>	<u>Housing Type</u>	<u>Approx. Rent/Price Range</u>	<u>Average Unit Size Range</u>	<u>Approx. Rent/Price Per Sq. Ft.</u>	<u>Annualized Average Absorption</u>
<b><u>58.0%</u></b>		<b>Multi-Family For-Rent</b>				<b><u>204</u></b>
180	na	Apartments Over Commercial	\$700 to \$1,700	350 to 900 <i>Average Unit Size:</i> 550 sf	\$1.89 to \$2.00	36
600	<b>60 du</b>	Lofts	\$825 to \$1,850	400 to 950 <i>Average Unit Size:</i> 600 sf	\$1.95 to \$2.06	72
960	<b>65 du</b>	Apartments	Studio 1br 2br 3br <i>Average Unit Size:</i>	\$950 \$1,300 \$1,700 \$2,000 740 sf	450 650 900 1,200 \$2.11 \$2.00 \$1.89 \$1.67	96
<b><u>19.5%</u></b>		<b>Multi-Family For-Sale</b>				<b><u>60</u></b>
235	<b>45 du</b>	Four-Plex	1br	\$250,000	800	\$313
350	<b>70 du</b> 1,392 sf {24 x58}	3-Story Townhouse {TH over Flat} {attached garage}	2br 3br	\$285,000 \$395,000	1,000 1,400	\$285 \$282

NOTE: Base rents/prices are in year 2003 dollars.

SOURCE: Zimmerman/Volk Associates, Inc.

**Optimum Market Position**  
**West Evergreen Transit-Oriented Development**  
*City of San Jose, Santa Clara County, California*  
**April, 2003**

Percent of Units Number	Net Density/ Lot Size	Housing Type	Approx. Rent/Price Range	Average Unit Size Range	Approx. Rent/Price Per Sq. Ft.	Annualized Average Absorption
<b>22.5%</b>	<b>Single-Family Attached For-Sale</b>					<b>72</b>
169	<b>56 du</b> 860 sf {20 x43}	2-Story Townhouse {tuck-under garage}	2br \$275,000 to 3br \$350,000	900 to 1,200	\$292 to \$306	
169	<b>45 du</b> 1,032 sf {24 x43}	3-Story Shophouse {tuck-under garage}	2br \$315,000 to 3br \$495,000 <i>{plus 500-sf "shop" on ground floor}</i>	1,000 to 1,600	\$309 to \$315	
169	<b>35 du</b> 1,392 sf {24 x58}	3-Story Townhouse {attached garage}	3br \$575,000 to 3br \$675,000	2,000 to 2,400	\$281 to \$288	
168	<b>30 du</b>	2-Story Duplex {attached garage}	3br \$450,000 to 3br \$650,000	1,500 to 2,200	\$295 to \$300	
<b>100.0%</b>						<b>336</b>
<b>3,000 Dwelling Units</b>						including rentals <b>132</b> excluding rentals
	<b>Retail:</b>	<b>105,000 sf</b>	<b>50,000 sf with 2 stories residential</b> <b>55,000 sf with 2 stories office</b>			
	<b>Office:</b>	<b>900,000 sf</b>	<b>110,000 sf (in two stories) over retail</b>			

NOTE: Base rents/prices are in year 2003 dollars.

SOURCE: Zimmerman/Volk Associates, Inc.

**Summary Of Selected Rental Properties**  
*City of San Jose, Santa Clara County, California*  
**August, 2002**

<u>Property (Opened: Rehabbed)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>	
		. . . . . Evergreen . . . . .				
<b>Valley Palms (1960: 2002)</b> 2155 Lanai Avenue	<b>354</b>				<b>100% occupancy</b>	
	1BR/1BA	\$960	700	\$1.37	Pool, tennis courts, basketball courts, clubhouse, playground.	
	2BR/1BA	\$1,150	840	\$1.37		
	2BR/1.5BA TH	\$1,175	1,040	\$1.13		
<b>Lion Villas (1978: 2000)</b> 2175 Aborn Road	<b>272</b>				<b>98% occupancy</b>	
<i>Income-Restricted</i>	Studio	\$825	410	\$2.01	Pool, Basketball and tennis courts.	
	1BR/1BA	\$990	600	\$1.65		
	2BR/1BA	\$1,211	800	\$1.51		
	2BR/2BA	\$1,222	850	\$1.44		
<i>Market-Rate</i>	Studio	\$900	410	\$2.20		
	1BR/1BA	\$1,200	600	\$2.00		
	2BR/1BA	\$1,495	800	\$1.87		
	2BR/2BA	\$1,595	850	\$1.88		
<b>Avalon San Marino (1985: 2000)</b> 2175 Aborn Road	<b>248</b>					
	1BR/1BA	\$1,100 to \$1,130	701 to 720	\$1.57 to \$1.57	Fitness center, playground, pool and spa.	
	2BR/2BA	\$1,330 to \$1,355	901 to 879	\$1.48 to \$1.54		
<b>The Carlyle (1999)</b> 2909 Nieman Boulevard	<b>132</b>				<b>92% occupancy</b>	
	1BR/1BA	\$1,295 to \$1,350	760	\$1.78 to \$1.70	Clubhouse, fitness center, pool and spa.	
	2BR/2BA	\$1,595 to \$1,650	1,028	\$1.61 to \$1.55		
	3BR/2BA	\$1,800 to \$1,858	1,232	\$1.51 to \$1.46		

**Summary Of Selected Rental Properties**  
*City of San Jose, Santa Clara County, California*  
**August, 2002**

<u>Property (Opened: Rehabbed)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . . . Japantown . . . . .					
<b>Pavona (1999)</b> 760 North Seventh Street	<b>232</b>				<b>95% occupancy</b>
	1BR/1BA	\$1,200 to \$1,400	600 to 905	\$1.55 to \$2.00	Gated entrance, parking garage, fitness center, business center, swimming pool, spa and on-site retail.
	2BR/1BA	\$1,600	918	\$1.74	
	2BR/2BA	\$1,700 to \$1,900	1,162 to 1,218	\$1.46 to \$1.56	
<b>Miraido Village (1999)</b> 566 North Sixth Street	<b>108</b>				<b>98% occupancy</b>
	Studio	\$1,395	500	\$2.79	Gated entrance, covered parking, on-site retail, fitness center, swimming pool, spa, clubhouse and complimentary breakfast on Friday mornings.
	1BR/1BA	\$1,595	750	\$2.13	
	1BR/1BA - w/ loft	\$1,495	620	\$2.41	
	2BR/2BA	\$1,695	920	\$1.84	
	2BR/2BA - w/ loft	\$1,795 to \$1,995	1,080 to 1,110	\$1.66 to \$1.80	
<b>Esplanade (2001-2002)</b> 350 East Taylor Street	<b>278</b>				<b>In Lease-up</b>
	1BR/1BA	\$1,495 to \$1,595	737 to 928	\$1.72 to \$2.03	Gated garage parking, two swimming pools, spa, sports court and fitness center.
	2BR/2BA	\$1,895 to \$2,065	1,204 to 1,297	\$1.57 to \$1.59	
	3BR/3BA	\$2,399 to \$3,700	1,495 to 2,348	\$1.58 to \$1.60	
	Historic 1BR/1BA Lofts	\$1,370 to \$2,242	635 to 1,071	\$2.09 to \$2.16	
. . . . . In and Near Downtown . . . . .					
<b>San Pedro Square (1999)</b> 1555 West Santa Clara	<b>32</b>				<b>100% occupancy</b>
	Studio	\$700 to \$850	208 to 309	\$2.75 to \$3.37	Fitness center.
	1BR/1BA	\$925 to \$1,050	305 to 588	\$1.79 to \$3.03	

SOURCE: Zimmerman/Volk Associates, Inc.

**Summary Of Selected Rental Properties**  
*City of San Jose, Santa Clara County, California*  
**August, 2002**

<u>Property (Opened: Rehabbed)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . . In and Near Downtown (continued) . . . .					
<b>Colonnade (1987)</b> 201 South Fourth Street	<b>220</b>				<b>96% occupancy</b>
	Studio	\$895	350 to 400	\$2.24 to \$2.56	Fitness center, swimming pool/sauna, gated entrance and laundry facilities.
	1BR/1BA	\$1,200	750 to 800	\$1.50 to \$1.60	
	2BR/1BA	\$1,650	950 to 1,000	\$1.65 to \$1.74	
	2BR/2BA	\$1,750	1,125 to 1,150	\$1.52 to \$1.56	
<b>101 San Fernando (2000)</b> 101 E. San Fernando Street	<b>323</b>				<b>95% occupancy</b>
	Studio	\$1,135 to \$1,400	402 to 568	\$2.46 to \$2.82	Fitness center, underground parking, spa and business center.
	1BR/1BA	\$1,395 to \$1,790	593 to 1,004	\$1.78 to \$2.35	
	2BR/2BA	\$1,995 to \$2,595	1,077 to 1,426	\$1.85	
	3BR/2BA	\$2,695	1,390 to 1,404	\$1.92 to \$1.94	
<b>Legacy at Museum Park (2002)</b> 465 West San Carlos Street	<b>117</b>				<b>In Lease-Up</b>
	1BR/1BA	\$1,399 to \$1,495	589 to 764	\$1.96 to \$2.38	Attached garages.
	1BR/1BA - w/ loft	\$1,599 to \$1,850	838 to 929	\$1.91 to \$1.99	
	1BR/1.5BA - w/ loft	\$2,370	1,180	\$2.01	
	2BR/2.5BA TH	\$1,699 to \$1,925	1,117 to 1,263	\$1.52 to \$1.52	
	3BR/2BA TH	\$2,895	1,396	\$2.07	

## Summary Of Selected Rental Properties

*City of San Jose, Santa Clara County, California*

**August, 2002**

<u>Property (Opened: Rehabbed)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>. . . . . In and Near Downtown (continued) . . . . .</i>					
<b>Villa Torino (1997)</b> <i>29 West Julian Street</i>	<b>198</b>				<b>96% occupancy</b>
	1BR/1BA	\$1,435 to \$1,510	786 to 858	\$1.76 to \$1.83	<i>Clubhouse, pool and spa.</i>
	2BR/2BA	\$1,880 to \$2,305	1,152 to 1,415	\$1.63 to \$1.63	
	3BR/2BA	\$2,275 to \$2,375	1,415	\$1.61 to \$1.68	
	3BR/2BA TH	\$2,625	1,431	\$1.83	
<b>Market Gateway (2000)</b> <i>535 South Market Street</i>	<b>54</b>				<b>92% occupancy</b>
	1BR/1BA	\$1,495	717	\$2.09	<i>Fitness center.</i>
	1BR/1BA - w/ loft	\$1,595	790	\$2.02	
	2BR/2BA	\$1,795	917	\$1.96	
	2BR/2.5BA TH	\$2,195	1,116	\$1.97	
<i>. . . . . South-Central San Jose . . . . .</i>					
<b>Valley West (1971)</b> <i>1050 Summerside Drive</i>	<b>496</b>				<b>96% occupancy</b>
	Studio	\$975	540	\$1.81	<i>Fitness center, swimming pool, tennis courts, sand volleyball courts, laundry facilities and on-site country store.</i>
	1BR/1BA	\$1,050 to \$1,100	800 to	\$1.31 to \$1.38	
	2BR/1BA	\$1,350 to \$1,450	1,050 1,100	\$1.29 to \$1.32	
<b>Greentree (1985)</b> <i>995 Tully Road</i>	<b>220</b>				<b>99% occupancy</b>
	1BR/1BA	\$1,095 to \$1,155	650	\$1.68 to \$1.78	<i>Gated entrance, swimming pool and spa.</i>
	2BR/1BA	\$1,295 to \$1,355	862	\$1.50 to \$1.57	

**Summary Of Selected Rental Properties***City of San Jose, Santa Clara County, California***August, 2002**

<u>Property (Opened: Rehabbed)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . . . South-Central San Jose (continued) . . . . .					
<b>Avalon Rosewalk (1996)</b> 3601 Copperfield Drive	<b>456</b>				<b>96% occupancy</b>
	1BR/1BA	\$1,400 to \$1,465	799 to 811	\$1.75 to \$1.81	Gated entrance, covered parking, fitness center, swimming pool, spa and business center.
	2BR/2BA	\$1,600 to \$1,770	1,056 to 1,092	\$1.52 to \$1.62	
	3BR/3BA	\$2,160 to \$2,265	1,366 to 1,404	\$1.58 to \$1.61	
. . . . . Southwest San Jose . . . . .					
<b>Avalon at Foxchase (1986: 2000)</b> 1070 Foxchase Drive	<b>396</b>				<b>92% occupancy</b>
	1BR/1BA	\$1,050 to \$1,095	701 to 711	\$1.50 to \$1.54	Fitness center and two swimming pools.
	2BR/2BA	\$1,250 to \$1,295	932 to 947	\$1.34 to \$1.37	
<b>1776 Apartments (1989)</b> 1776 Almaden Road	<b>144</b>				<b>99% occupancy</b>
	Studio	\$995 to \$1,015	432 to 447	\$2.27 to \$2.30	Gated entrance, individual garage, swimming pool and spa.
	1BR/1BA	\$1,195 to \$1,320	653 to 754	\$1.75 to \$1.83	
	2BR/2BA	\$1,425 to \$1,475	938 to 987	\$1.49 to \$1.52	
<b>Avalon at Blossom Hill (1995)</b> 401 Briar Ridge	<b>324</b>				<b>98% occupancy</b>
	1BR/1BA	\$1,325 to \$1,385	768	\$1.73 to \$1.80	Gated entrance, fitness center, olympic length swimming pool, spa, covered parking and business center.
	2BR/2BA	\$1,470 to \$1,620	1,064	\$1.38 to \$1.52	
	3BR/2BA	\$2,050 to \$2,090	1,289	\$1.59 to \$1.62	

SOURCE: Zimmerman/Volk Associates, Inc.

**Summary Of Selected Rental Properties***City of San Jose, Santa Clara County, California***August, 2002**

<u>Property (Opened: Rehabbed)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . . . Northwest San Jose . . . . .					
<b>Avalon on the Alameda (1999)</b> <i>1300 The Alameda</i>	<b>305</b>				<b>98% occupancy</b>
	1BR/1BA	\$1,445 to \$1,490	735 to 804	\$1.85 to \$1.97	<i>Gated entrance, covered parking, garage, fitness center, swimming pool, spa and retail on-site.</i>
	2BR/2BA	\$1,865 to \$2,015	1,040 to 1,114	\$1.79 to \$1.81	
	3BR/3BA	\$2,195 to \$2,425	1,293 to 1,422	\$1.70 to \$1.71	
<b>Avalon at Cahill Park (2001)</b> <i>754 The Alameda</i>	<b>248</b>				<b>In Lease-up</b>
	1BR/1BA	\$1,450 to \$1,765	793 to 913	\$1.83 to \$1.93	<i>52 units coming on line in October.</i>
	1BR/1.5BA - w/ loft	\$1,710	712	\$2.40	
	1BR/1BA - w/ loft	\$2,380	991	\$2.40	<i>Outdoor swimming pool/spa, fitness center and on-site marketplace with shops and restuarants.</i>
	2BR/2BA	\$1,905 to \$1,930	1,185	\$1.61 to \$1.63	
	2BR/2BA - w/ loft	\$2,605	1,315	\$1.98	
	2BR/2.5BA - w/ loft	\$2,695	1,504	\$1.79	
	2BR/2.5BA TH	\$2,430 to \$2,500	1,246 to 1,805	\$1.39 to \$1.95	
	3BA/3BA	\$2,450	1,297	\$1.89	
<b>Santana Row (2002)</b> <i>400 South Winchester Blvd.</i>	<b>501</b>				<b>In Lease-up</b>
Historical Building -The Esplanade					
Studio Flat		\$1,370 to \$1,740	635 to 995	\$1.75 to \$2.16	<i>Only lofts and some villas will come on-line November/December.</i>
Loft		\$1,442 to \$1,600	671 to 858	\$1.86 to \$2.15	
Live/Work Loft		\$1,505 to \$2,242	804 to 1,071	\$1.87 to \$2.09	<i>Flats and townhouses are expected end of next year.</i>

*continued on next page . . . . .*

## Summary Of Selected Rental Properties

*City of San Jose, Santa Clara County, California*

**August, 2002**

<u>Property (Opened: Rehabbed)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . . Northwest San Jose (continued). . . .					
<b>Santana Row (Continued)</b>					
<i>400 South Winchester Blvd.</i>					
	The Esplanade				
	1BR/BA	\$1,495 to \$1,595	737 to 928	\$1.72 to \$2.03	<i>The Santana Club - fitness center, mini-theater, business center and conference room, concierge, bocce ball courts and an outdoor wading pool.</i>
	2BR/2BA	\$1,895 to \$2,065	1,204 to 1,297	\$1.57 to \$1.59	
	3BR/2BA	\$2,399 to \$3,700	1,495 to 2,348	\$1.60 to \$1.58	
	LOFTS - Margo Building				
	1BR/BA	\$1,850 to \$2,450	700 to 901	\$2.72 to \$2.64	
	1BR/1BA w/ den	\$2,150 to \$2,300	1,108	\$1.94 to \$2.08	
	1BR/1.5BA w/ den	\$2,250 to \$2,400	1,154	\$1.95 to \$2.08	
	2BR/2BA	\$2,850 to \$3,050	1,185	\$2.41 to \$2.57	
	2BR/2.5BA - w/ den	\$3,750 to \$4,200	2,014 to 2,140	\$1.86 to \$1.96	
	3BR/2.5BA	\$3,150 to \$3,300	1,529	\$2.06 to \$2.16	
	3BR/3BA - w/ den	\$4,150 to \$4,300	2,133	\$1.95 to \$2.02	
	LOFTS - Deforest Building				
	1BR/1BA - w/ den	\$2,200 to \$2,550	1,109 to 1,247	\$1.98 to \$2.04	
	2BR/2.5BA - w/ den	\$3,300 to \$3,550	1,529 to 1,707	\$2.08 to \$2.16	
	2BR/3BA - w/ den	\$3,750 to \$4,150	1,885 to 2,047	\$1.99 to \$2.03	
	3BR/3BA - w/ sitting room	\$4,100 to \$4,300	2,133	\$1.92 to \$2.02	

Table 5

**Summary Of Selected For-Sale Multi-Family  
And Single-Family Attached Developments**

*City of San Jose, Santa Clara County, California*

**October, 2002**

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Unit Type</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
<b>Palomar (04/02)</b> <i>Signature Properties</i>	CO	\$415,900 to \$473,900	1,532 to 1,775	\$267 to \$271	<b>93</b>	31 (5.2)
<b>Tuscany Hills (06/02)</b> <i>KB Homes</i>	TH	\$441,680 to \$544,555	1,489 to 2,102	\$259 to \$297	<b>108</b>	103 (20.0) 700+ Planned
<b>The Classics at Evergreen Hills (08/02)</b> <i>Shapell</i>	TH	\$474,900 to \$500,900	1,365 to 1,878	\$267 to \$348	<b>211</b>	47 (2.0)
. . . . . <i>Rivermark Master-Planned Community</i> . . . . .					1,100 total units	
<b>The Park (06/02)</b> <i>Centex Homes</i>	TH	\$464,900 to \$534,900	1,422 to 1,716	\$312 to \$327	<b>125</b>	31 (7.8)
<b>The Landings (06/02)</b> <i>Shea Homes</i>	TH	\$510,000 to \$580,000	1,464 to 1,907	\$304 to \$348	<b>109</b>	21 (5.3)

**Summary Of Selected For-Sale  
Single-Family Detached Developments**  
*City of San Jose, Santa Clara County, California*  
**October, 2002**

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average Lot Size</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
<b>Bella Monte (09/02)</b> <i>Pinn Bros.</i>	2,000 to 2,400 sf	\$585,000 to \$665,000	1,820 to 2,241	\$297 to \$321	<b>72</b>	4 (4.0)
<b>The Classics at Evergreen Hills (09/00)</b> <i>Shapell</i>	5,500 to 6,000 sf	\$669,900 to \$859,900	1,875 to 2,952	\$291 to \$357	<b>129</b>	115 (4.6)
<b>The Legends (07/01)</b> <i>Citation Homes</i>	3,500 sf	\$891,350 to \$1,007,200	2,912 to 3,953	\$255 to \$306	<b>69</b>	45 (3.0)
<b>Madison (03/02)</b> <i>Brookfield Homes</i>	4,000 sf	\$895,000 to \$995,000	3,479 to 3,815	\$261 to \$257	<b>91</b>	85 (12.1)
<b>Mezzamonte (12/01)</b> <i>Pinn Bros.</i>	4,000 sf	\$944,950 to \$1,149,950	3,111 to 3,656	\$315 to \$304	<b>47</b>	18 (2.0)
<b>Kenwood Estates (04/02)</b> <i>Pulte Homes</i>	4,000 sf	\$1,006,860 to \$1,183,467	3,497 to 4,545	\$260 to \$288	<b>66</b>	25 (4.2) (Phase 4)

**Summary Of Selected For-Sale  
Single-Family Detached Developments**  
*City of San Jose, Santa Clara County, California*  
**October, 2002**

---

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average Lot Size</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
. . . . . Rivermark Master-Planned Community . . . . .					1,100 total units	
<b>The Greens (06/02)</b>					<b>63</b>	49 (12.3)
<i>Greystone Homes</i>	2,000 to 2,400 sf	\$577,930 to \$670,380	1,579 to 2,036	\$329 to \$366		
<b>The Glen (06/02)</b>					<b>58</b>	
<i>Shea Homes</i>	3,500 sf	\$759,900 to \$804,900	2,408 to 2,645	\$304 to \$316		

# ZIMMERMAN/VOLK ASSOCIATES, INC.

17 East Main Street  
Clinton, New Jersey 08809  
908-735-6336 • 908-735-4751 *facsimile*  
info@ZVA.cc • www.ZVA.cc

Research & Strategic Analysis

## ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



# ZIMMERMAN/VOLK ASSOCIATES, INC.

17 East Main Street  
Clinton, New Jersey 08809  
908-735-6336 • 908-735-4751 *facsimile*  
info@ZVA.cc • www.ZVA.cc

Research & Strategic Analysis

## COPYRIGHT OWNERSHIP—

Zimmerman/Volk Associates, Inc. retains all rights, title and interest to all aspects of this report. This report cannot be copied or distributed by any person or entity other than the client without the express written permission of Zimmerman/Volk Associates, Inc.

