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January 2015

WE MADE IT!!!

Hooray !!, Hooray!! Hooray!!

The 4 long years of the “SLUMP”appear to be over.

We may actually be.....finally....in the “Recovery” stage of the business cycle.

This is very good news...news we have wanted to say for a very long time.

The years have been frustrating.....the patience has been stretched....

The Economy had been stuck.... for 4 long years.... in the “SLUMP” stage of the business cycle

We are now...hopefully.... for real....in the “Recovery” stage....

And....of course.... there are still some problems

BUT....WE MADE IT !!!!.....

The “SLUMP” is over Hooray !!, Hooray!! Hooray!!

PERSPECTIVE

Historically....the average slump and recovery period is 18 months.

So....even though we have been recovering from the Great Recession..... nevertheless.... the

National Economy has been recovering at the slowest pace in U.S. history.....

even slower than the recovery from the Depression years of the 1930’s!!

but.....it is Recovering!! (especially in the Bay Area ...Hooray !!)

A walk through recent history

YOU WERE THERE....remember? *****





2007 ... DECEMBER.... 'THE GREAT RECESSION' BEGINS.

2008 ... (-2.8 %) SERIOUS CONTRACTION OF THE ECONOMY.
STOCK MARKET CRASHED FROM 14,164 to 6547 (54% DROP!!).
HOUSING MARKET ...FORECLOSURES REACH HISTORIC AMOUNTS.
PRICE OF OIL WAS AT AN ALL TIME HIGH OF \$99 PER BARREL.
PRESIDENT BUSH BAILS OUT THE BANKING INDUSTRY.
UNEMPLOYMENT RISES TO 10%.

2009 ... PRESIDENT OBAMA SIGNS THE \$831 BILLION STIMULUS BILL. A RECOVERY HAD BEGUN.
3.9% GROWTH RATE FOR THE YEAR.....NOT BAD.

2010 ... 2.7% GROWTH RATE ... THE ECONOMY WAS SLOWING.
A VERY SLOW RECOVERY WAS IN PROCESS.

2011 ... 1.6% GROWTH RATE
WE WERE IN THE 'GREAT STALLED RECOVERY'.

2012 ... 2.3% GROWTH RATE
WE HAD ENTERED THE "SLUMP"

2013 ... 2.2 % GROWTH RATETHE "SLUMP" CONTINUES. BUT...
AT LEAST...WE WERE SLOWLY SLUMPING UP!

FOR COMPARISON: The average growth rate for the U.S. economy is 3.6%.

And for 2014 ... the forecast was

A.....The Economy should noticeably improve this year...

particularly in Marin County you may actually feel and see the improvement. Even with the difficult employment situation and the abnormally slow growth, there is enough momentum in the Economy to keep it improving.

B.....So...hold your breath.... let us trust the momentum will continue and



we have a more exciting financial year and start to grow faster.
 In other words, we don't slip back into the "Slump". We actually start to have a sustainable "Recovery".

C.....We are currently in a period of mild stagflation.... slow growth... incomes not going up.... but prices are edging up.... slowly.... but up.

AND... SO.....HOW DID IT GO?? WHAT HAPPENED IN 2014??

A.....Hooray!! Marin County did have a noticeably improving local Economy.
 And....we did see an improvement in most areas of the National Economy and the "Recovery" did begin again.....and....

B..... we did not slip back into the "Slump"and

C.....inflation stayed low in most areas of the Economy.....
but..... incomes still not going up.... hmmm

What Americans thought of 2014:

35%.....2014 was better than 2013

15%.....2014 was worse than 2013

50%.....No difference 2013 to 2014

AND THE 2014 GOOD NEWS ABOUT JOBS

- For the last year job creation has been averaging above 200,000 new jobs per month..... 321,000 new jobs in November
- And... the unemployment rate has steadily dropped from 6.6% in January to 5.8 % by December.

AND....THE BAD NEWS ABOUT JOBS.....Unfortunately





- The labor participation rate remained at the historical low point of 62.8 % ... less people working in America.....and
- Average hourly wage increases remained at historically low rates: November 2011, the average monthly wage was \$23.18 per hour. November 2014, the average monthly wage was \$24.66 per hour. This is a total increase of \$1.48 per hour over three years.

This amounts to an average of \$.49 per hour....2.1% per year.

This amounts to not much ...

THIS IS REALLY BAD!!! THE PAYCHECK IS WHAT COUNTS.... AND.... IT IS REALLY BAD WHEN THE PAYCHECK IS NOT INCREASING MUCH...!!!

During this past 3-year period ...AMERICA... has seen a slower growth in wages than increases in the U.S. Federal minimum wage for the last 30 years!!!

Perspective:

In 1984 the U.S. Federal minimum wage was \$3.35 per hour. In 2014 the U.S. Federal minimum wage was \$7.25 per hour. This is \$3.90 per hour increase in a 30-year period (Inflation adjusted)

\$.13 per hour.... whoopee on average..... 3.8% per year ...BUT...

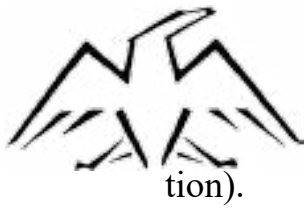
THE LAST 3 YEARS HAVE BEEN WORSE !!.....2.1% per year
AAAAAAhhhh

And. not surprising...in 2012....57% of Americans thought their income was trailing the cost of living (inflation going up faster than paycheck) Well....funny thing about that.... but they are right

In the 3 years 2012 to 2014.....the per year average wage increase was 2.1% and the per year average inflation rate was 1.8%.....
a .003 % spread (2.1% minus 1.8 %).... pretty tight

On an average hourly wage of \$24. 66....you are ahead \$.07 per hour.... big wup

A total of \$145.60 per year for a full-time worker (not much left for a vaca-



tion).

Not exactly the fast track to riches and prosperity

BUT HOW ABOUT CONSUMER CONFIDENCE ...?

Consumer Confidence is up to 89.

Americans are feeling a lot better these days.... certainly a lot better than in 2008!

Perspective:

Beginning of Recession November 2007.....76

Low point of Recession.....November 2008.....55 (Highest number since 1978... February 2000.....111)

We are definitely greatly improved since the 55 rating in 2008.....but..... we are still a long way from the 1978 high of 111.

And.....good news.....50% of Americans predict 2015 will be better than 2014.

Are you feeling better okay...better.... but not great maybe next year...

AND SEVERAL OTHER POSITIVES COMING OUT OF 2014

- A low subdued inflation rate of 1.8 %... good news for the general Economy.
- Interest rates remained low.
- Housing markets and the stock markets remained stable with slowly increasing values.

SO.....compared to the years 2008 to 2013





2014 was not a bad year.... mostly positive

SO.....HOW ABOUT THAT GROWTH RATE GOING INTO 2015!!

The 2014 first quarter growth rate began with a foreboding rate of (-2.1 %)

but... in the second quarter.... the growth significantly improved to..... 4.6%

Then....the third quarteron to an unbelievable growth rate of..... 5.0%

And....the fourth quarter.... the growth rate slowed to a disappointing. .2.6%

So our average growth rate for the year 2014 was 2.5%.

Compared to our historical annual growth rate of roughly 3.6%.....

the 2014 year ...as a whole.... was not a particularly good year...but....

the average growth rate for the last three quarters was 4%.... which is good. Hopefully the National Economy is gaining some better momentum into 2015

WHERE DO WE GO FROM HERE??

There are some very positive trends going forward which should continue to build momentum for a solid economic recovery.

POSITIVE TRENDS

- The improvement in the job market trends indicates more employers willing to hire and expand businesses.
- The decline in oil prices, and thus gasoline prices, will put roughly \$ 500 to \$1,000 per household into consumer pockets. Every penny that gas prices decline puts about a billion dollars into American’s pockets. This could be a \$62 Billion stimulus injection into the economy. Wow!





- The average household debt-to-income ratio is the lowest since 2002. More money in the pocket and more money for consumers to spend.
- Interest rates should stay low as inflation remains subdued with the Economy still not very strong. Additionally, the dollar is getting stronger, making imports cheaper and pressures U.S. producers to keep prices under control.
- Mortgage lenders Fannie Mae and Freddie Mac released new guidelines to make it easier for Americans to qualify for residential mortgages. (For example: 3% down payment instead of the historical 20%)
- The “tax extenders” will be extended again to 2014. These are a number of tax breaks for private business projecting to save the private sector \$81 Billion.
- There may be a new emphasis on pro-growth fiscal policies in Washington. Possible tax reform, completed trade policies, more favorable labor laws and emphasis on middle class jobs could dramatically help the Economy going forward.
- IPO’s (Initial Public Offerings) increased 23% from 2013....this is huge.... During 2014 273 companies raised \$85 Billion in proceeds.....
- 2015 is also looking like another good year as a large number of biotech companies are selling stock to the public for the first time.



And there are some not so positive trends.

NEGATIVE TRENDS

New business startups

....in decline.... everywhere....in every locale....in every industry ...

- The number of annual startups has fallen nearly 28% from 1977 to 2011.
- If you measure by the size of the working age population....
the startups have fallen by 50%!!!
- In 1996....people aged 20 to 34 created 35% of new companies.
In 2013... people aged 20 to 34 created 23% of new companies.

That is an alarming 34% drop!!

House construction

..... still far below recent numbers.

- In 2005 1.36 million houses were under construction.
- In 2010.....411,000 houses were under construction.
- In 2013.....689,000 houses were under construction.
- In other words, And math...
.....from 2005 to 2010 house construction dropped 70%!!

But....from 2010 to 2013 we have recovered only 20% of the drop.





- In other words, and math ...we are still short 50% of the household construction rate of 2005 that is a lot of jobs we still do not have.
- (BUT....good for the rental market....)

Federal Debt

- The U.S. debt continues to increase.... currently at \$18 Trillion and climbing.
- Debt per citizen.....\$ 56,387
- Debt per taxpayer.... \$153,726

Perspective:

The U.S. Annual gross domestic production is \$17.2 trillion. That is the value of all goods and services we produce in one year.

All of our earnings for ONE YEAR is now less than our debt of \$18 Trillion.

The World Economy

- Currently the economies of Europe, Russia, India and other countries of the world are declining, with many countries in Europe currently in recession or in stagnant slow growth. Also... Japan is in a recession.... not good for us.
- France11% unemployment.....1-2% growth.
Spain.....25% unemployment.....1-2% growth.
Italy.....12% unemployment.....Less than 1% growth



- If exports and trade declines with our main trading partners around the World.....very bad for our Economy.

American's confidence

- And... how do Americans feel??
 - 60% of Americans report their own household financial situation as not improving.
 - 75% of Americans say they are concerned about not having enough money for retirement.
 - Only 64% of Americans still believe in the American dream.
- These people are definitely not feeling good.....
 - 44 million still in poverty
 - Homeless children nationwide2.5 million in 2013 1 in every 30 childrenvery sad....
 - Child homelessness increased 8 % nationally from 2012 to 2013.

AND ON THE NATIONAL LEVEL

What do the “crystal ball indicators “indicate??

Included at the end of this of this newsletter is a chart of 20 common indicators used to measure the Economy ...EXHIBIT A

In the last six months of 2014 ... the indicators indicated:

ROUGHLY POSITIVE.....12.....60 %

ROUGHLY NEGATIVE.....2.....10 %

BASICALLY NO CHANGE.....6.....30 %

TOTAL INDICATORS 20 100%





Happily, the indicators for the second half of 2014 continue to show improvement. During the four-year period.....from 2011 to 2014 the improvement has been steady and substantial.

were only 3 positive indicators.....15%.

In June 2011 there

To-

day...2014..... there are 12 positive indicators60%. Much, much better!

The following chart shows the indicators for the past four years:

	POS	NEG	NO CHANGE
JUNE 2011	3.....	6.....	11
JUNE 2012.....	6.....	4.....	10
JUNE 2013.....	12.....	2.....	6
JUNE 2014.....	10.....	3.....	7
DECEMBER 2014.....	12.....	2.....	6

YOU WILL BE THERE.....

FORECAST: first half of 2015 ...

NATIONAL

- We have entered a new phase to the Economy...
many indicators are doing better
- Continued slowly improving Economy....but picking up speed.....
nothing exciting.... but solid improvement....
- Continued uncertainty.... less uncertainty...but still some uncertainty
- Pressure on wages to increase...good for employees...bad for inflation.



- Higher inflation in the future? not yet.....but getting closer.
(For example: PG&E bills will increase an average of 6% in 2015
ouch)
- Concerns exist as regards foreign markets.....
- Concerns exist as regards Washington D.C.....hurt or help??

BAY AREA

BUT ...inside “the bubble” of the Bay Area and Marin.... growth is robust and the local Economy is expanding in a very strong and positive manner in all areas. This should continue into the foreseeable future.

PROFESSIONAL INVESTORS

GOOD NEWS IN 2014

The Company had a good year with rents going up an average of 7.2% and a low vacancy rate of 2%.

In the second half of the year, we continued to increase the rent roll with the purchase of 3, well located, small multi-residential properties.

These Properties presented good opportunities for the Company as these buildings were under-managed and rents significantly under-market. This is allowing the Company to capitalize on improving the property and achieving higher rents in a rising market. All very good for future property values.

In addition, we are combining the on-site management with other larger properties for better operating costs:

- 8 apartment homes, purchased for \$2,158,000, in Pacheco Valle in the Ignacio Area of Novato has been combined with the 96 unit Gardens Apartments, also located in the Ignacio Area.
- 11 apartment homes, purchased for \$2,450,000, in the popular Gerstle Park area of downtown San Rafael, has been combined with the 35-unit Oak Hill Apartments, also located in Gerstle Park.



- 16 apartment homes, purchased for \$2,838,000, well located on Broadway near the Sonoma square in the town of Sonoma. This is co-managed with the 43 unit Sonoma Mission Apartments, also located in Sonoma.

In Marin, the market for larger multi-residential properties, 10 or more units, is extremely tight to nonexistent. In our experience, we have not seen this slow a market in 40 years.

Some of the factors contributing to this slow transaction market:

- Increasing rents with Property values going up. (why sell?)
- High taxes on the sale of a Property. (37% or more!)
- More complicated government regulations (Federal, State and Local).
- The difficulty, for the seller, in finding a replacement property.

Bottom line....at this time ...it is very difficult to find multi-residential buildings to buy in Marin. Nobody wants to sell!

In fact, in 2014, for buildings of 5 or more units, there were 8 transactions, the largest of which was the 11 unit building that we purchased in Gerstle Park. An exceptionally slow year for purchases.

The total purchase price of all buildings was approximately \$15 million. Compare 2014 to 2007 when the Marin market saw purchases of \$XXXX.

But, we are continuing to look for more multi-residential properties in Marin. It is one of the best real estate investing markets in the world, both for its profit potential and its stability. Thus, we stay in the Marin market, as difficult as it is to buy good property.

IN SUMMARY FOR 2014

- Excellent year for the rental markets, both multi-residential and commercial.
- Major roof replacement projects; driveway and parking lot projects; and numerous exterior improvement projects were completed timely with no



problems.

- Purchase of 2,700 square feet of additional office space and the successful addition of a new field supervisor managing the building maintenance and improvement projects.

- Total Company purchased Properties

Multi-residential.....45 units.....\$ 8,746,000

Office.....1 unit.....625,000

Industrial.....14 units.....8,000,000

Total.....\$17,371,000

- Limited Liability Company purchased Properties.

Multi-residential

Professional Investors 21..... 30 units.....\$7,100,000

Professional Investors 22.... 45 units.....7,900,000

Total.....\$15,000,000

Total Properties Purchased....135 units.....\$32,371,000

GOOD NEWS GOING FORWARD TO 2015

It was a busy and successful 2014and.... 2015 is looking even better.

The rental markets, both residential and commercial, are continuing to increase as vacancies decline and stay low.

RESIDENTIAL RENTS

1...The employment in the biotechnology, financial, medical and technology sectors have pushed the unemployment rate to a low 3.4%, the lowest in





California. This good employment trend in Marin is changing the quality of the tenant base with higher income renters applying for apartments and allowing for additional pressure for higher rents.

2...There continues to be almost no construction of multi-residential housing in the foreseeable future. This guarantees future pressure on rents.

COMMERCIAL RENTS

1...The improving Economy and strong employment trends will continue the absorption of office space, pushing vacancy rates lower and increasing pressure on per square foot rental increases.

2...There is little to no current construction of office buildings. This shortage of new office construction is expected to continue well into the future.

3...Proximity to the robust and expanding San Francisco economy continues to benefit the Marin office market as professional service tenants are being priced out of the very expensive San Francisco market.

We believe this is a very opportune time to buy as much Marin County property as possible, both residential and commercial. Rents are going up ...vacancies are low. prices are good more companies are moving into Marin County, with more employees, to continue the rental pressure on the entire market.

The Company expansion into the commercial market has been very successful in the last year. The commercial market is full of opportunity with fully leased properties with very low vacancies and good cash flow. In addition, there is virtually no construction of competing property. Because the Company specializes in Marin County property it is an obvious expansion area for our business.

THE BAYWOOD BUILDING

We are currently in escrow for \$7,500,000, to purchase for the Company, a 35,000 square foot Class A office building in downtown Novato. The building is very attractive, in excellent condition in a good location. It is fully leased with excellent tenants and a good stable rental history.



PROFESSIONAL INVESTORS 23 – CITY CENTER BUILDING

One of the most attractive office buildings in the City of Novato, is currently in escrow for \$9,325 ,000. This three (3) story, 35,836 square foot, Class A building is a very well maintained, full service building, well located in the central part of Novato.

The tenant base is excellent with professional, medical, real estate and technology tenants. Because of the location and quality of the building, the vacancy rate has been very low and very stable for many years.

The downtown location puts the building in close proximity to restaurants, stores, transportation and essential services.

The capitalization for this Limited Liability Company is \$4,100,000 and the closing date for the Property purchase is March 30, 2015.

PROPERTY MANAGEMENT

The Company is continuing to develop a property management division for third party clients. In January, we began the management of the 48 unit Creekside Apartments in Fairfax.

We are currently building the website, developing the staff and creating the forms and systems necessary for fee management. We expect significant progress for this business in the next nine months.

WEB SITE UPDATE

KenCasey.com....a new website for the newsletters written by the Company. It will contain the current newsletter and prior newsletters beginning in 2009. In addition, new articles of financial and business topics will be regularly included. It





will be available by the next newsletter.

Investpfi.com designed for our Investors it will contain pictures, power points and extensive information on each building in our portfolio. In addition, it will provide a history of the Company and staff along with the results of our prior investments. Pic-

tures are being taken and information being gathered. We expect to have this website opened in the next several months.

MARIN APARTMENT HOMES.COM....currently shows pictures of a number of the buildings.... the site is being rebuilt to update our old website xxxxxxxx This site is intended for tenants and will be continuously updated.

PROPERTY MANAGEMENT This website is currently under construction. It is intended to be used by potential and existing property management clients.

We, at Professional Investors, trust the enclosed information will be useful to you in your personal and business financial planning.

It is meant to provide factual data to aid in decision making, both short and long term. It is also meant to provide a wider scope....and sometimes fun.... viewpoint on the financial and economic world we live in.

Enjoy the winter.

KEN CASEY

LEWIS WALLACH





MARVELOUS MARIN

And on the Economic Front

Marin is looking good.

- Unemployment rate is down to 3.4%.
- Foreclosures are down almost 90% since 2011.
- Personal income is projected to grow at a rate of 2.2% by 2016.
- Payroll employment shows continued growth.
- Taxable retail sales per capita are the third highest in California.
- Commercial vacancy rates are falling throughout the County.
- The BAY AREA has probably the best Economy in the world today.

And on the Retail Front

- The retail market has substantially improved since the low point of 2009.
- With very low unemployment and a median household income of \$90,839 consumer demand has returned to pre-recession levels.
- Sales figures for retail stores, particularly the Malls, has increased steadily for four straight yearsand
- Marin maintains its reputation as one of the top retail markets in America...yeah!
- As a result, the demand for retail shopping space has increased with expected pressure on rents and space.
- The current vacancy rate for retail space is a low 4.6% compared to the Bay Area rate of 5.3% (Industry standard is 7%).





- The average Marin retail rent is \$2.05 per square foot per month compared to the rest of the Bay Area at \$1.58 per foot.

And on the Rental Market Front

Rental Property is looking good.... any rental property... residential or commercial.

- Multi-residential rents are still strongly increasing – no end in sight!
- Office rents are increasing as low vacancy in small office space is beginning to put pressure on rents.
- High commercial rents in San Francisco and the South Bay are encouraging more businesses to move into Marin.
- In the multi-residential or commercial world there is still little to no construction of anything in Marin.

And on the Land Front

- Paradise Valley Ranch in Bolinas - one of California’s oldest certified organic farms, the 239 - acre, is being purchased by the Marin Agricultural Land Trust. The property will continue into perpetuity to be free from development and secure for organic farming and endangered species habitat.

And on the Bio Marin Front

- The Company is completing \$ 840 Million negotiations focused on buying Dutch bio-tech company Proses Holding N.V., which specializes in drugs for treating muscular dystrophy. This will expand the Marin-based Company repertoire of drugs that fight rare diseases.
- The Company, which employs about 1000 people in Marin County, is headquartered in San Rafael, and has manufacturing and laboratory facilities in Novato. It is also currently building an 85,000 square - foot labora-





tory building in downtown San Rafael, next to the Corporate Center.

And on the Social Front

- SAN RAFAEL was ranked as # 10 of the most caring small cities in the country. (Movoto.com) and ranked #1 in community services provided to the needy. (homeless shelters, soup kitchens etc.).
- About 4,500 people were estimated to be homeless in Marin at some point in 2014, with 1,600 homeless at any time.

And on the Hospital front

- A national hospital rating agency has given Marin’s three hospitals...
 -Marin General
 -Novato Community Hospital
 -Kaiser Permanente
 AN.....“A” RATING.....CONGRATULATIONS!!!
- Marin General.....ranked in top 100 hospitals in America for...
 - ... cardiac care and treatment of stroke
- Kaiser Permanente... ranked in top 100 hospitals in America for...
 - ... critical care; treatment of stroke and prostate surgery

[So....if you are planning on a heart attack....do it in Marin]

And on the Government Front

- SAN RAFAEL – 2003 Pension unfunded liability was in the black for \$3 Million.
- Today....11 years later.... the deficit is minus (- \$161 Million).
- This is approximately \$ 3,220 per resident of San Rafael (pop. 50,000). that YOU owe.
- So if you live in San Rafael....I hope you are putting some money





away for the retirement of your local government employees.... (you know... the ones who give you parking tickets and keep you waiting at the counter).

And on the Medical Front

- The Buck Institute for Research on Aging in Novato has launched its first clinical trial since research began at the Institute in 1999 – testing the effectiveness of a drug to treat a type of cognitive impairment that often precedes Alzheimer’s disease.
- The Alzheimer’s Association has projected that there will be 5.861 Marin residents age 65 and older with Alzheimer’s disease by 2015 and will double to 10,361 by 2030.
- According to the California Department of Public Health the death rate for Alzheimer’s disease in Marin county in 2012 was 34 per 100,000 population compared with the statewide rate of 31 per 100,000.

And on the Commuter front

- Auto transportation in Marin accounts for 35% of greenhouse gas emissions.
- Transit ridership (bus/ferry) is only 8.5% of commuting traffic. AND...
- Average daily bus ridership has been falling!

32,000 people in 2000.....22,000 riders today.....Whoa... that is not a little drop.... that’s a big drop!!!

- Ferry ridership is about 7,500 a day.....Hmmm..... not exactly overwhelming.... compared to....
- 39 Million auto trips over the Bridge each year. (108,000 per day)
- In August, the Board of Supervisors released the Marin’s Climate Action Plan Update which calls for removal of 200,000 cars from the road each





yearBETS ANYONE??

RENTS AND HOUSING IN MARIN

Question: So what is the future of apartment rents in Marin?

Answer: They are going to steadily increase into the foreseeable future.

Low unemployment; continued job creation; still a great place to live; a current very low 2-3% vacancy rate (in other words.... a full house)AND.....

little to NO construction of additional multi-family housing.....amazing.

Question: Why does no one build and will the lack of construction continue?

Answer: The cost of building a multi-family apartment unit in Marin is far in excess of what the rental market can, or will pay. Hence, no private developer can afford to build in Central or Northern Marin . And, it is only getting worse.

DON'T THINK SO? LET ME SHOW YOU THE MATH.....

(i.e. REALITY CHECK)

If you just arrived here from the garden spot of Winnemucca, Nevada, starting your new job working for BioMarin, and went looking for an apartment..... a two-bedroom apartment....

You would look on Craigslist to see what you could get....and here is what you would find....

2014 Average monthly rent in Marin County

One bedroom.....\$1,230

Two bedroom.....1,520

Three bedroom.....2,080 [U.S. Department of Housing and Urban Development]





Soif you want to rent a two-bedroom apartment in Marin County ... which will cost \$18,240 per year, (\$1,520 @ 12 months) ... you would need to qualify.... at a 33% ratio of rent to income \$54,720 annual income.

So.....we hope you have a good job at Bio Marin....

PERSPECTIVE

Now....speaking of JOBS

If you had one of the following jobs in Marin

Could you qualify for a 2-bedroom apartment? How would you do?

Median Income	QUALIFY TO RENT
Dixie School District teacher.....\$ 60,790	YES
County of Marin senior accountant.... 71,318	YES
Secretary.....47,372	NO
Assistant Planner.....58,890	YES
College of Marin police officer.....55,410	YES... (Just Barely) Me-
chanic.....52,085	NO

Uh oh....._____

MORE PERSPECTIVE

In Marin you are.... LOW INCOME..... if you are a

----Family of three making \$79,750, or less

----Family of four making \$88,600, or less

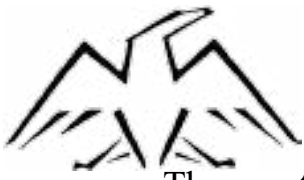
So... currently ...what is considered low income in Marin can still afford the current average rents in Marin....BUT... the big but is thereis a limit... wage earners can only afford so much rent.

Per Capita income in Marin.....\$80,670 (2015 forecast to rise 2.2% to \$83,500).

You want to build a 30-unit multi-family residential building.

The units will be two bedroom / two bath at an average size of 900 square feet.





The construction will be of average quality with normal amenities.... such as... laundry room; pool; better appliances et cetera.

	PER UNIT	TOTAL
Well....let's see how it goes.....		
You buy the land for	\$80,000.....	\$2,400,000
You pay the permit fees, building fees etc.....	50,000.....	1,500,000
You pay the builder (\$ 300 / sq. ft.)	270,000.....	8,100,000
The average cost of building.....	\$400,000....	\$12,000,000

Okay....you spent \$12 Million to build the place.....
and now you have to rent the place.

	PER UNIT	TOTAL
Well...at an average rent of \$ 1,520 for 12 months.....	\$18,240.....	\$547,200
Less: Operating Expenses (40%)....	7,296.....	218,880
Operating Income.....	10,944.....	328,320
Annual Percentage Gain on Investment.....	2.7%.....	2.7%

YOU HAVE GOT TO BE KIDDING!!!! After all the work, stress, liability and RISK.....making a paltry 2.7% was hardly worth the effort.

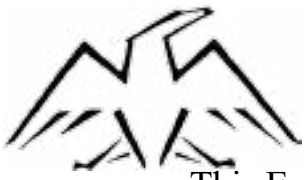
For you to make a 6% return.... which is not great.... the rent for that two-bedroom apartment would have to be \$ 3,325 per month!!! Let's see.... rent needs to be \$ 3,325 per month.... but...but...the rental market is only \$1,520.... uh oh.... you only need a 119% rent increase to make your 6%.

WHAT! why bother.... there are many investments that can make the same 6% without the liability and riskand hassle So....big bad developer..... are you going to build this multi-family building in Marin??? I don't think so.

Now you know why private developers do not build here. Have you noticed that almost no multi-residential construction has occurred in the last 25 years or so?

AS PER EXHIBIT B





This Exhibit is intended to provide an guideline to understand the relationship :

- between the rental marketwhat people can pay
- the cost of building in Marin....unfortunately very high
- and...the most important
- the return on investment.....
- how much money are you going to make on the money you invested.

So...the bad news is

If you look at the land cost, permits and building costs for

\$300,000.... relatively cheap construction limited amenities....

- provides a 3.6% annual return in the first year.
- to achieve a modest 6% return you would need rents to increase to \$2,500 ... (64%) ...

\$400,000.... average construction...normal amenities

- provides a 2.7% annual return in the first year.
- to achieve a modest 6% return you would need rents to increase to \$3,325 ... (119%)

\$500,000.... good construction.... or...having unforeseen cost overruns...oops

- provides a 2.2% annual return in the first year.
- to achieve a modest 6% return you would need rents to increase to \$4,200 ... (176%).

Here is a current realistic ...probable scenario good case scenario.

Well...at an average rent of \$ 2,100 for 12 months.... \$25,200.....\$756,000

Less: Operating Expenses (40%).... 10,080.....302,400

Operating Income.....\$15,120.....\$453,600

Cost of building..... \$400,000..... \$12,000,000

Annual Percentage Gain on Investment.....3.8% 3.8%

Sorry....but it just doesn't cut it. A 3.8% return is just not enough to justify the risk





of taking on a building project...with all the potential unknowns.... etc...

However, you slice and dice the numbers or make some more optimistic or rosier projections.... the fact is

- The rental markets are not supporting the high cost of building in Marin.
- In Southern Marin...the ability to achieve higher rents above \$3,500 per month.... allows for the possibility of building a profitable building.
- In Northern Marin...a private developer ...unless there is no land cost cannot build a building with the expectation of a reasonable return on investment.
- Unless there is a significant reduction in building costs.... or a huge increase in rents...it will be many years for the rental market to increase enough to make construction economically viable.
- There is a huge disconnect between what it costs to build in Marin and what the rental markets can and will afford to pay.

But....what if you just sold the building? Well.....you are not going to like this.... but.... here is how it goes....

Gross Rental Income.....\$630,000
 Less: Operating Expenses..... (252,000)
 Net Income.....\$378,000

To buy the building and get a modest 5% annual return
a Buyer could only afford to pay \$ 9Millionnot \$12Million!!!

In some very nasty words.... if you built for \$400,000 a unit....

YOU JUST LOST \$3MILLION!!!!!!!!!!

And ...even if you built for a cheap cost of \$300,000 a unit....and achieved high rents.... you would just break - even i.e. make no money.... a lot of work for nothing.... not a great deal.... ugh





CONCLUSION

Building a small multi-residential building in Northern Marin, at this time, is a dangerous and lousy investment.

YIKES!!!! WHY IS THIS HAPPENING????

First... the income stagnation for low and moderate - income people over the last 35 years.

Second....incomes have not kept up with increases in construction costs.

Third...building costs have been intentionally raised through public policy decisions.

- Zoning and land use restrictions (increasing land costs)
- Government impact fees; permit and building fees
- Excessive local building regulations and time delays
- Environmental mitigation costs
- Earthquake safety costs
- Green building costs

And to make matters worse....

New multifamily projects in Marin County must earn 60 points in the Green Point Rated rating system for multifamily homes and be 15% more efficient than the State code.

Admirable goals and hoped for good results but expensive.

FINALLY.....Marin County supervisors have approved a 7-year plan to allow the construction of 378 housing units.... most of them affordable.

BUT

Silly question: Exactly who is going to build this housing?

Who is going





to take the risk of losing money for a small return?

PEOPLE.....

Where would you like to live when you are in your senior years?

Well....here are a few tips....

- Norway ranks as number 1 in the world for taking care of its seniors.
- Worst country in the world to grow old Afghanistan.
(life expectancy is 50)
- The United States was ranked number 8 in quality of life for the aging.
(Those over 60 are 20% of the population of the U.S.)

LIFE FOR A MARRIED COUPLE WITH 2 CHILDREN

IN THE LAST 12 YEARS....FROM 2000 TO 2012.... (Adjusted for Inflation)

- Cost of child care, housing, health care and saving for college and retirement jumped 32%.
- Average health care and college costs have increased 80%.
- And the people in the middle.....well the net worth of the middle 20%.... went down 17%.
- Tuition and fees at four-year public colleges soared 86 percent.
(52% increase over the preceding 12 years.)
- Child care costs for a family of four have soared 37 % in the past 12 years. (In many areas of the country child care costs exceed the typical cost of rent).

So why would these costs rise so fast compared to other expenses of life?

Well....manufactured goods, (clothes, furniture, computers, cosmetics etc.) have



become less expensive as factories have become more efficient and manufacturers have used cheaper overseas labor. BUT... services like education, health and child care require labor and personal services that can't be outsourced and are subject to domestic increases in costs.

MERRY CHRISTMAS

Looking for a present for that couple who has everything??

Well....how about

- a balloon trip for two over Mount Everest for \$5.2 million.

- Or...a romantic dinner for two.....on an iceberg?

Or....the big one.... "THE TWELVE DAYS OF CHRISTMAS"

For a cool \$ 27,673 you can purchase for your friends of course

- o The cost of eight maids-a - milking has remained unchanged (no increase in the federal minimum wage of \$7.25 per hour.)
- o Swans remained pricey at \$1000 apiece but...
- o the cost of dancing ladies, leaping lords. pipers and drummers remained flat.
- o The price of gold rings also remained constant from last year although a partridge in a pear tree was up 3.8% due to an increase in the price of fresh fruit.
- o But...one price surprise.... the cost of six geese-a-laying spiked 71 %!!

On the Black Friday four- day Thanksgiving weekend, 133.7 million people shopped online and at America's stores 5.2 % less than last year.



Total spending fell 11% to \$51 Billion.

Shoppers are expected to spend \$381 over the four days down from \$407 last year Second year in a row spending was down.

COULD IT BE.....

‘BLACK FRIDAY FATIGUE’a condition where a person becomes unusually mentally tired of schlepping to the shopping center; shopping for the elusive best discount; pushing through crowded stores; and, finding parking within walking distance Oh...and the long lines....

