APPRAISAL REPORT

VALUATION OF

The Average per Acre Land Value of High-Density Residential, Medium-Density Residential, Low and Very Low-Density Residential, Commercial/Retail, and Industrial Properties Located in the Three Existing Zip Codes (95050, 95051, and 95054)
City of Santa Clara, California
Santa Clara County

PREPARED FOR

Mr. James Teixeira, Director of Parks and Recreation
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

PREPARED BY

Frank E. Schmidt, MAI, SRA

The Schmidt-Prescott Group, Inc.

EFFECTIVE DATE OF VALUE OPINION

December 31, 2015

THE SCHMIDT - PRESCOTT GROUP, INC.
Real Estate Appraisers — Property Valuation Specialists

Frank E. Schmidt, MAI, SRA | *Matthew D. Watson* | *Wayne F. Prescott, MAI, CCIM*
Christine Pham
Carmen Yepez

July 1, 2016

Mr. James Teixeira, Director of Parks and Recreation
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Re: Appraisal Report
Average Value of Three Hypothetical 1-Acre Lots,
One for Each Zip Code Comprising 95050, 95051, and 95054
Santa Clara, California,
Santa Clara County

Dear Mr. Teixeira:

In June 2016 the City of Santa Clara City Council approved Supplemental Instructions for the Appraisal of the Fair Market Value of land used in the Parkland Dedication In-Lieu Fee. These supplemental instructions and guidelines for the Appraisal are displayed in the Addenda. One of the supplemental instructions was that the valuation date occurs each year on December 31. Since the date of my opinion of value, December 31, 2015 precedes the date I wrote and transmitted this appraisal by about 6 months, this is considered a retrospective appraisal as defined by the Uniform Standards of Professional Appraisal Practice. Since the date of value is retrospective it is important to note that we only considered data that was available and/or public as of that date.

Our firm appraised the subject in 2014 and as recently as August 2015. This current appraisal differs from the previous appraisals because the supplemental instructions to conduct the appraisal were recently revised. The most significant changes were the inclusion of low and very low density residential sales, and estimating the weighted average based on the land area associated with the different property types. In our previous appraisals low and very low density residential land sales were excluded from our opinion of value and the weighted average was estimated based on the number of sales transactions in the City. As will be shown in the following appraisal, including very low and low-density land sales and using a weighted average based on acreage instead of the number of sales of each property type reduced the average value per acre land value.

2010 North First Street, Suite 390, San Jose, CA 95131 (408) 255-6840 FAX (408) 255-1788 email: fschmidt@ValuationConsultant.net

To facilitate this appraisal, we conducted an investigation, gathered data, and made the analyses necessary to enable us to fulfill the purpose of our assignment, which was to estimate the fair market value of a hypothetical 1-acre lot comprising components of high-density residential, medium-density residential, low and very low-density residential, commercial and industrial, to form and report the average value per acre of land in the three existing Zip Codes in the City of Santa Clara consisting of 95050, 95051, and 95054. The average value was established using the weighted average of these different property types, based on the percentage of total land area associated with the different property types that sold in the City of Santa Clara in the 12 months prior to the date of value. We understand that this report is intended for use by the Client, City of Santa Clara, to assist the City in determining park impact fees.

Hypothetical Conditions, Extraordinary Assumptions, and Contingencies

Hypothetical Condition is defined as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis."[1] We supposed the following hypothetical condition:

- The fair market value was estimated based on different land value components applied to a hypothetical lot. It was a hypothetical condition of this appraisal that the subject lot was a finished lot and rated average in all other physical, locational, and legal aspects.

- Since the hypothetical lot will be comprised of different land value components and it is unlikely the City's land use ordinances would allow the different property types on the same lot, it was necessary to apply a hypothetical condition that each of the following uses would be permitted on the subject lot: high-density residential, medium-density residential, low and very low-density residential, commercial, and industrial.

Extraordinary Assumption is defined as "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions."[2]

In this appraisal, we used the land areas provided by Old Republic Title Company to estimate the weighted average of all the sale transactions that occurred in the City of Santa Clara in 2015. It was an extraordinary assumption of this appraisal that these land areas provided by Old Republic were accurate.

The use of these hypothetical conditions and extraordinary assumption might have affected the assignment results. We did not apply any contingencies.

There are general assumptions and limiting conditions set forth in this report.

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[1] *Uniform Standards of Professional Appraisal Practice* (USA, The Appraisal Foundation, 2012)
[2] *Ibid*

Based on our site visit and the investigation and analyses undertaken, we formed the opinion that the average value per acre on December 31, 2015, the effective date of opinion, for each zip code was:

Zip Code	Average Value per Acre
95050	$3,620,000
95051	$3,800,000
95054	$3,685,000

Sincerely,

Frank E. Schmidt, MAI, SRA
California Certified General Real Estate Appraiser No. AG005421

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EXECUTIVE SUMMARY

CLIENT : City of Santa Clara

LOCATION : City of Santa Clara, California

PROPERTY TYPES : High Density Residential, Medium Density Residential, Low and Very Density Residential, Commercial, and Industrial land

SITE AREA : Three Hypothetical One-Acre Lots

PRINCIPAL IMPROVEMENTS : None

FLOOD HAZARD STATUS : Zone X; the hypothetical lots are outside any flood zones

EARTHQUAKE FAULT ZONE : The hypothetical lots are not located in an Earthquake Fault Zone as designated under the Alquist-Priolo Earthquake Fault Zoning Act.

GENERAL PLAN, &

HIGHEST AND BEST USE :

Use of Hypothetical Lot	General Plan	Highest & Best Use
Very Low Density Residential	Very Low Density Residential	Very Low Density Residential
Low Density Residential	Low Density Residential	Low Density Residential
High Density Residential	High Density Residential	High Density Residential
Medium Density Residential	Medium Density Residential	Medium Density Residential
Commercial	Regional Commercial	Commercial Building
Industrial	Light Industrial	Light Industrial Building

EFFECTIVE DATE OF VALUE : December 31, 2015

PROPERTY RIGHTS APPRAISED : Fee Simple Estate

AVERAGE VALUE CONCLUSIONS :

Zip Code	Average Value per Acre
95050	$3,620,000
95051	$3,800,000
95054	$3,685,000

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal and report were made applying these general assumptions:

1. No responsibility was assumed for the legal description or for matters including legal or title considerations. Title to the property was assumed to be good and marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically addressed in the appraisal and discussed in the report;

2. The property was appraised or evaluated free and clear of any or all liens and encumbrances unless otherwise stated;

3. Responsible ownership and competent property management were assumed;

4. The information furnished by the Client and others was believed to be reliable. However, no warranty is given for its accuracy;

5. All engineering was assumed to be correct. Plot plans or any other illustrative material in this report were included only to assist the reader in visualizing the property;

6. It was assumed that there are no hidden or unapparent conditions in the land or structures that render it more or less marketable or valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them. We recommend that trained professionals be engaged to ascertain compliance with ADA, and to identify any physical or environmental conditions that could affect market value. The results of these investigations should be revealed to us so we can consider them in our valuation;

7. Unless otherwise stated in this report, the existence of hazardous material, toxic waste, and/or other environmental impairments which may or may not be present on or in the property, was not investigated by this consultant. The Client should identify any known or suspected environmental impairments;

   As real estate consultants, we are not qualified to properly investigate this property for any discharge, spillage, uncontrolled loss, seepage, filtration or storage of hazardous substances which may adversely affect the value of this property. Neither are we qualified to detect the presence of substances such as asbestos, urea-formaldehyde foam insulation, nor other materials that could create an environmental impairment to the subject property or to other property caused by conditions present at the subject property. Our opinion(s) were predicated on the assumption that there is no such material on or in the property that would affect market value. No responsibility was assumed for any such conditions or for any expertise or engineering knowledge required to discover and/or correct them;

8. It was assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the report;

9. It was assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal and reported in the report;

10. It was assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate or other opinion contained in this report are based;

11. It was assumed that the utilization of the land and improvements are within the boundaries or property lines of the property appraised and that there is no encroachment or trespass unless noted in the report;

12. We will not appear or give testimony in court in connection with this appraisal unless prior arrangements have been made.

This report has been made with the following **limiting conditions**:

1. Any allocation of value between land and improvements was made at the request of, and to assist the Client, and does not constitute a separate market value for either land or improvements;

2. Possession of the report, or a copy thereof, does not carry with it the right of publication or use. It may not be used for any purpose by any person other than the Client(s), for the Intended Use specified in the engagement agreement and/or report;

3. The consultant is not required to give further consultation, testimony, or attend court for matters involving the subject property unless arrangements have been previously made;

4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the Consultant, or the firm with which the Consultant is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the Consultant.

Reader Note:

There may be other appropriate and more specific limitations on our opinions or conclusions identified in the cover letter or report as *Hypothetical Conditions, Extraordinary Assumptions, or Contingencies*.

CERTIFICATION

Version.AI.14.06

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. I previously appraised the subject of this report for the same Client in 2014.

5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP).

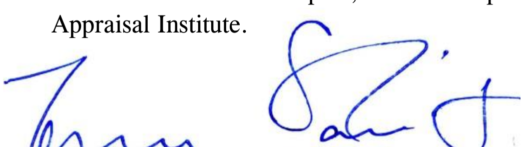
9. I have not made a personal inspection of the property that is the subject of this report since the subject lot is hypothetical.

10. No one provided significant real property appraisal assistance to the person signing this certification. Christine Pham and Carmen Yepez verified some of the comparable data and assisted me in preparing exhibits in the appraisal report. .

11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Frank E. Schmidt, MAI, SRA — June 30, 2016 (Date)

California Certified General Real Estate Appraiser, No. AG005421

SCOPE OF THE ASSIGNMENT

Information Provided to the Appraisers

At the time of the previous appraisals, the Client provided an Inter-office Memorandum which included excerpts from a statistical analysis completed by a local Realtor of all property sales in 2013. Additionally, excerpts from the Parks and Recreation Facilities Fee Study completed by Willdan Financial Services were provided. The wording of the new Park Impact Fee Ordinance (No. 1928) was also provided.

In this appraisal the Client provided sales statistics of land areas compiled by Old Republic Title Company to assist me in estimating the weighted average of all the sale transactions that occurred in the City of Santa Clara in 2015. Lastly, we were provided the Supplemental Instructions approved by Santa Clara City Council on June 7, 2016, which are displayed in the Addenda.

Extent of Research into Physical Factors

We drove several major streets throughout Santa Clara in the months of August and September 2014, July and August 2015, and June 2016 noting both changes that are occurring or have occurred, particularly with regard to new development. We gathered data about land use ordinances for each hypothetical lot and comparables from the websites of the appropriate municipalities.

Extent of Research Into Economic Factors

We gathered, analyzed, and applied macro-economic information gleaned from many sources, including:

- The Wall Street Journal
- 12th District Beige Book
- GlobeSt.com
- DataQuick
- The Kiplinger Letter
- CoreLogic

We gathered, analyzed, and applied data about market conditions and other micro-economic information from:

- Web Sites of Commercial Brokerage Houses
- Commercial and/or residential multiple listing services
- Silicon Valley Business Journal
- San Jose Mercury News
- Discussions with agents active in the subject market

We talked to the buyers, sellers, and agents whose names we discovered on signage in the neighborhood. We learned about additional market data from these people.

Extent of Comparable Data Research

We used a variety of subscription and Web-based services to gather comparable data, including:

- Schmidt-Prescott Group Verified Data Files
- CoStar Group
- First American Real Estate Solutions (RealQuest.com)
- Loopnet.com
- MLSlistings.com
- The Registry
- Various Commercial Real Estate Brokerage Web sites

Verification

The most appropriate data that we discovered was verified with a party to the transaction. When that was not possible, we discussed the extent of verification, using public record data, in the Analysis section.

Among the comparables selected we studied copies of the assessor's parcel maps, public record summary, aerial maps, and other data such as structural, geological, or environmental reports, subdivision maps, title reports, etc.

Type and Extent of Analysis Applied

The data is summarized on spreadsheets displayed in the Analysis sections following. The analysis was comparative, iterative, qualitative, and quantitative.

Compliance

It was the intent of this appraisal to comply with the requirements of:

- The Uniform Standards of Professional Appraisal Practice (USPAP) including the Ethics and Competency Provisions as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

- The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

DEFINITIONS

According to the California Code of Civil Procedure, Section 1263.320 defines **Fair Market Value** as:

> "(a) the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.
>
> (b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable."

Revised federal definitions in the Uniform Act identify the definitions of "market value" and "fair market value" as one and the same. These terms are used interchangeably in this report.

Central Tendency means "the central point, or representative value, around which items cluster in a frequency distribution. Measures of central tendency (called *averages*) are the mean, the median, and the mode." [1]

Weighted Average means an average resulting from the multiplication of each component by a factor reflecting its importance or contribution.

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[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed., (Chicago: Appraisal Institute, 2010)

Average Value means a value that is calculated by adding values together and then dividing the total by the number of values.

Fee Simple Estate means "a freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease)."[2]

REAL PROPERTY, REAL ESTATE, AND PERSONAL PROPERTY APPRAISED

Real Property is defined as all of the interests, benefits, and rights in the ownership of the physical real estate, that is, the bundle of rights with which the ownership of the real estate is endowed. Real estate is defined as physical land and appurtenances attached to the land.

Real Property Rights Appraised

The subject properties are hypothetical unimproved lots and the fee simple estate was appraised.

Real Estate Appraised

It was an assumption of this appraisal that the subject's hypothetical finished lot is graded and level, all utilities and services are stubbed to the site, is ready for building improvement, and defined as follows:

Area	:	One acre
Shape & Frontage	:	Shape is rectangular with typical frontage along one street.
Topography	:	Level, at street grade
Drainage	:	Adequate
Utilities & Services	:	The municipality provides water, electrical and sewer service. A private contractor provides garbage service. Local utility companies provide telephone and cable. All utilities are piped and wired onto the hypothetical lots.

[2] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed., (Chicago: Appraisal Institute, 2010)

Easements	:	Typical public utility easements along frontage presumed.
Soil Conditions	:	It was a general assumption of this appraisal that the hypothetical site is suitable for any legally permissible and physically possible use.
Environmental Impairment Issues	:	It was a general assumption of this appraisal that there are no environmental issues that affect market value. If such were known to have been present on the effective date of opinion, our value opinions would probably have been less.
Off-Site Improvements	:	Street is fully improved and maintained by the City; it is asphalt paved with streetlights, curbs, gutters, and sidewalks.
Street Access	:	Rated average in comparison to competing properties.
Exposure/Visibility	:	Rated average in comparison to competing properties for each hypothetical use.
Flood Hazard Status	:	Each hypothetical lot is presumed to be within Zone X, which denotes areas of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.
Earthquake Fault Zone	:	The hypothetical lots are not located in an Earthquake Fault Zone as designated under the Alquist-Priolo Earthquake Fault Zoning Act.
Improvements	:	None

Personal Property Appraised

We did not appraise any personal property.

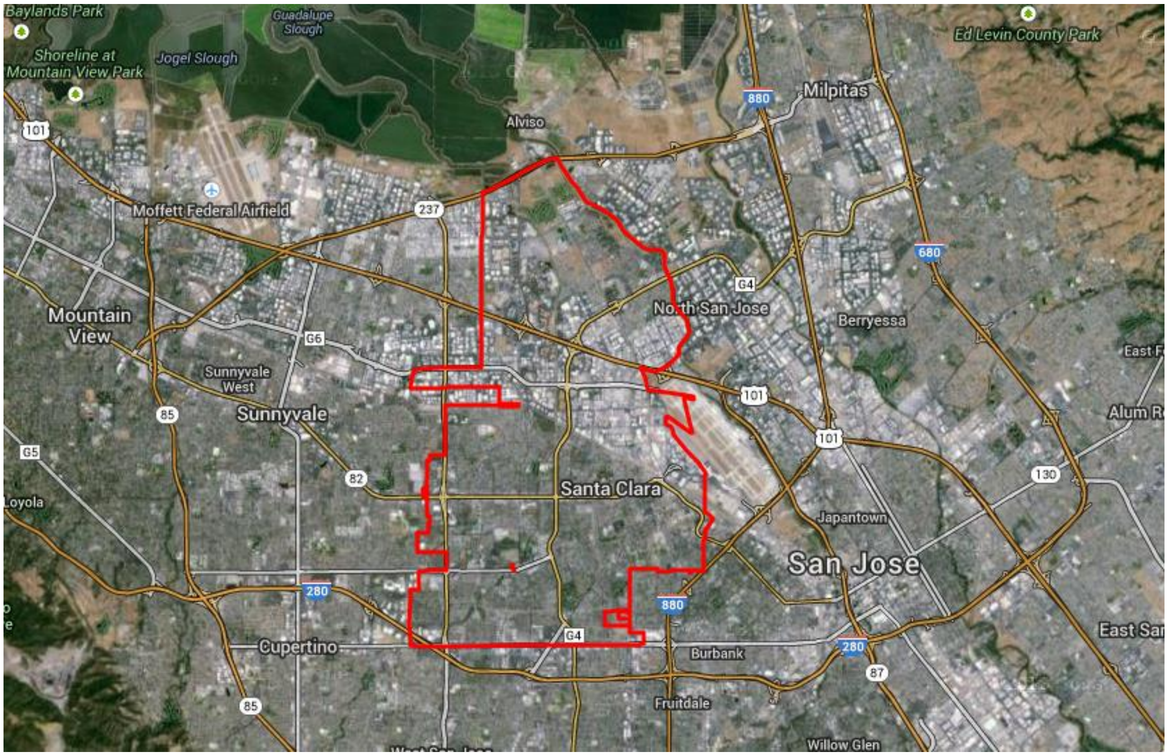
PREVIOUS APPRAISALS

Our firm previously appraised the subject(s) of this report for the City of Santa Clara on two occasions in an Appraisal Report transmitted November 17, 2014 with an effective date of opinion of September 15, 2014, and an Appraisal Report transmitted September 14, 2015 with a date of opinion of August 20, 2015.

REGION & CITY DESCRIPTION

The County of Santa Clara is located at the southern end of San Francisco Bay. It encompasses 449 square miles of land with 15 incorporated cities and towns, and is among the 20th most affluent counties in the United States. According to California Department of Finance (CDF), on January 1, 2015, the county had a population of 1,889,638. Based on figures from the state's Employment Development Department (EDD), the county had a labor force of about 1,033,200 and an unemployment rate of 4.0% in June 2015, down from 5.2% reported a year prior. Santa Clara County, which makes up the bulk of Silicon Valley, is highly dependent on technology employment. The two largest employers in the City of Santa Clara are Applied Materials and Intel, which combined represented 13% of all employment in the City in 2013. Other high-tech companies, such as Nvidia, Palo Alto Networks, GlobalFoundries, Agilent Technologies, and its recent spin-off Keysight Technologies, have headquarters in the City.

City Aerial and Surrounding Areas



The City of Santa Clara covers about 19.3 square miles and is surrounded by San Jose on the north, east, and south, and adjacent to Sunnyvale and Cupertino on the west. The City of Santa Clara's population estimate was 120,973 in January 2015, according to the CDF.

Levi's Stadium, the home of the San Francisco 49ers, opened over the summer of 2014 in the northern portion of the city, adjacent to Great America Theme Park and the existing 49ers practice facility. The stadium was built at an estimated cost of $1.3 billion with a current seating capacity of 68,500. It is scheduled to host Super Bowl 50 on February 1, 2016.

The opening of the stadium has spurred an increase in demand for nearby properties. There are several proposals in progress that could add thousands of square feet of new retail, office and residential. The largest proposal, from Related California, as reported in the San Jose Mercury news, calls for a massive $1.5 billion "city center" project combining retail, entertainment, residential, hotel and office. It would be located on 215 acres of city-owned land across from the street from Levi Stadium that is now the site of the Santa Clara Golf & Tennis Club and a bicycle-motocross track. The project would include a cinema, market, restaurant and 886,000 SF of retail. The total project would include 1.4 million SF of retail and entertainment, 2.2 million SF of office space, 200 hotel rooms and 530 residential units. Related recently acquired about 5.5 acres in the vicinity of the stadium.

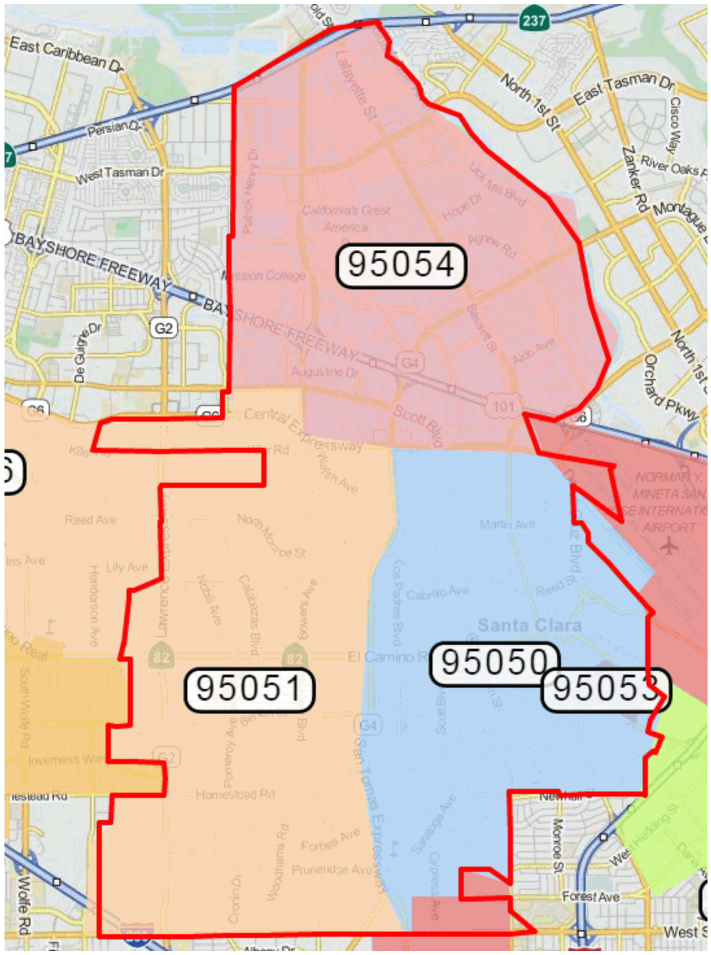
The City's median household income from 2009-2013 was estimated by the U.S. Census to be $91,583. The 2013 United States Census indicated the following demographics in Santa Clara:

Owner-Occupied Housing Units	19,079
Renter-Occupied Housing Units	23,264
Total Households	**42,343**
Total Housing Units	44,632
Median Age	34.4 Years
Average Household Size	2.63
Average Family Size	3.18

The City of Santa Clara and Santa Clara County benefit from a number of freeways, arterials, and expressways that provide access to most areas of the region, including three interstate highways, I-280, I-880, and I-680 in addition to several federal and state highways, US-101, CA-85, CA-87, CA-17, and CA-237. CalTrain, Amtrak, and ACE rail transportation, light rail, and VTA bus services provide mass transit for the city, connecting Santa Clara to the greater Bay Area. Located adjacent the City's eastern border is the Norman Y. Mineta San Jose International Airport.

The City of Santa Clara is the supplier for the City's water and electric power, which it claims can save small industries almost 50% on their utility costs.

There are three primary zip codes within the city, which are shown on the following map as the color coded areas within the red-outlined city limit boundaries. Note that the 95053 zip code applies to Santa Clara University, which is located within the Santa Clara city limits, but was not included as part of this appraisal.



Source: city-data.com

Conclusion

All locations within Santa Clara are proximate to nearby job centers, retail, housing, and linkages, contributing to the long-term demand for sites within the city.

MARKET CONDITIONS

The latest *Allen Matkins UCLA Anderson Forecast Commercial Real Estate Survey* indicated that Silicon Valley developers remain optimistic for office, industrial and multifamily. The Survey uses a sentiment index rating from 1-100, with an index rating above 50 suggesting an optimistic market and vice versa. The office-market sentiment index rating was about 70. For industrial it was 68.75 and for multifamily the sentiment index was 64.53. The above average job opportunities and low unemployment have helped sustain increases in retail and housing prices over the last few years.

Following we present some statistics and comments regarding the market conditions for each land use we are appraising. Land market conditions for each of these uses are not typically tracked by any firms that we are aware of; it has been our experience and historically as reported by market participants that the land market for these uses typically shadow the improved markets, oftentimes leading. Following we report on the sale, rental, and construction trends of the respective markets, in estimating the appropriate market conditions adjustments used in our following analysis.

Commercial Market Conditions

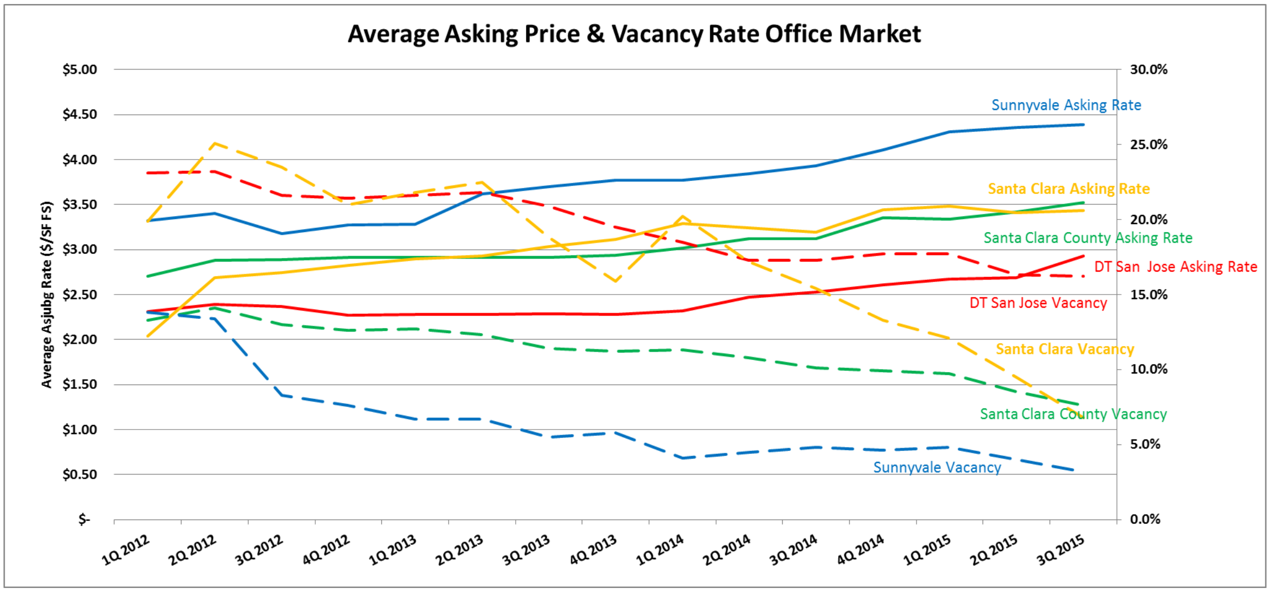
Commercial properties typically include office and retail uses. We discovered that office properties are being built with less frequency along retail corridors, but in greater numbers in light industrial locations. Research and development (R&D) properties have historically been a subcategory of industrial. However, in recent years, it has become its own category, and can rival office in terms of finishes and quality. We elected to include the R&D submarket as part of the commercial market and have provided some statistics on this segment of the market. Many of the traditional retail corridors in this region, El Camino Real in particular, have land use ordinances that now allow for residential mixed-uses.

In this market, the brokerage houses track office and retail statistics by city or submarket; they are not broken out by zip code. Following we present the relevant statistics pertaining to the Santa Clara market and provide comments from market participants regarding the perceived differences in each of the Santa Clara zip codes that the three hypothetical lots being appraised are located.

Office Market

The Silicon Valley office market from the beginning of 2012 through 3Q-2015 was characterized by decreasing vacancy, positive net absorption, and overall increasing average asking rental rates. The next table displays data from the Cushman & Wakefield's 3Q-2015 Silicon Valley Marketbeat Office Snapshot and predecessor reports and includes statistics from the overall Santa Clara County market, the subject's submarket (Santa Clara), and the adjacent submarkets of Sunnyvale and downtown San Jose.

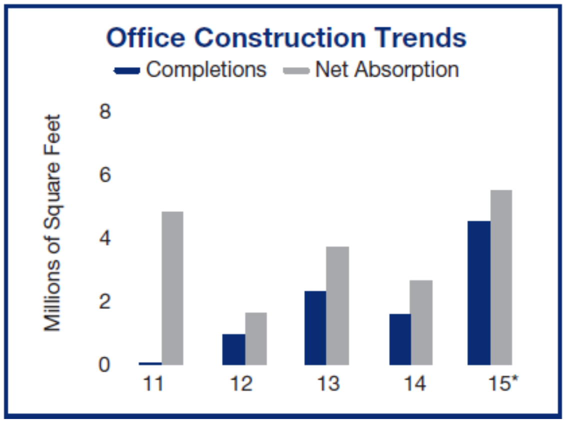
OFFICE STATISTICS

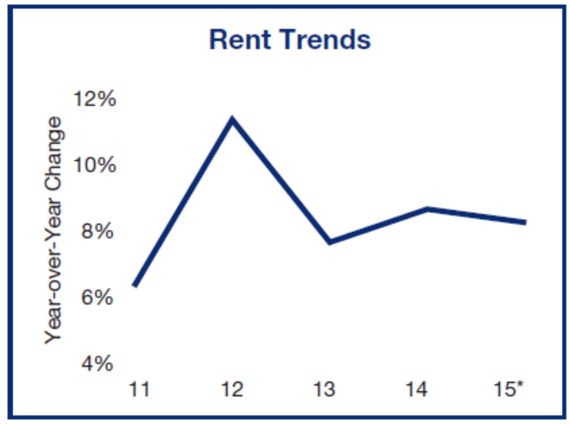


Source: Cushman & Wakefield 3Q-2015 Marketbeat Office Snapshot

The data indicates that vacancy rates were stable from 2012 to about 2Q-2013 and have trended downward since 1Q-2014. Cushman & Wakefield reports that the office market expanded by 1.9 million square feet in 3Q-2015, which is forecasted to surpass 2012, 2013, and 2014 absorption levels combined. The vacancy rate decreased in the City of Santa Clara from 23.5% in 3Q-2012 to 6.8% in 3Q-2015. The average asking rent in 3Q-2015 for Santa Clara County was $3.52/SF/Month on a Full Service expense basis, whereby taxes, insurance, maintenance, utilities, and janitorial expenses are bundled into the base rent. This is an increase of 1.07%/month from one year ago. Asking rents increased from $3.19/SF/month to $3.43/SF/month over the past 12 months in Santa Clara, an increase of about 0.63%/month.

Marcus & Millichap's Second Quarter 2015 Office Market Overview predicts that employment will increase 4.2% and office vacancy will decrease 1.3% to 9.7%. Asking rents are forecast to increase 8.3% to $3.23/SF/Month, full service. They report and project the following trends in the next table. Please note that the asterisk in 2015 denotes a forecast for the entire year.





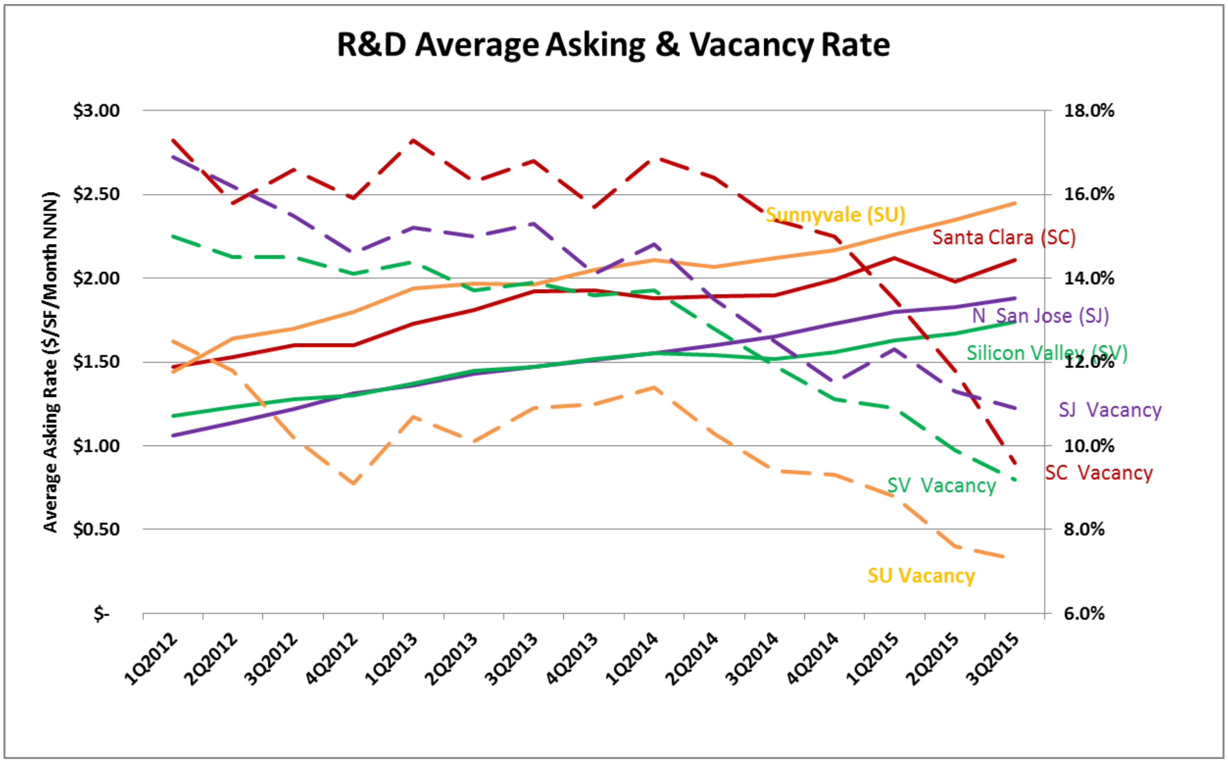
Marcus & Millichap's report also states that more than 4.5 million square feet of space will be on the market in 2015, with an additional 4.8 million square feet slated for delivery in 2016.

There are several office developments under construction in Silicon Valley and Santa Clara. Menlo Equities recently commenced construction on a 6-story building in the 3300 block of Scott Blvd in Santa Clara.

Research and Development (R&D) Market

The table below displays data from the DTZ 3Q-2015 Silicon Valley R&D Market Snapshot and its predecessor reports. It suggests that Silicon Valley's R&D market experienced an overall decreasing vacancy rate from 1Q-2012 to 3Q-2015, while asking rents have increased from $1.52/SF/month to $1.74/SF/month since 3Q-2014, an increase of about 1.2%/month on a NNN expense basis. A NNN expense basis in this market means the landlord is only paying for management of the account and reserves for replacement, while the tenant pays all other operating expenses. Over the past 12 months the average asking rate in Santa Clara increased 11.1% to $2.11/SF/month NNN. Investor demand for R&D and office product is high, especially for well-located, modern buildings with long-term tenants in place. Key transactions for 3Q-2015 include a the sale of 295,426 SF by Bixby Land Company at Airport Technology Park in Santa Clara, and the purchase of 2101 Tasman Drive totaling 128,000 SF of space by Related California for $50.1 million.

R&D STATISTICS



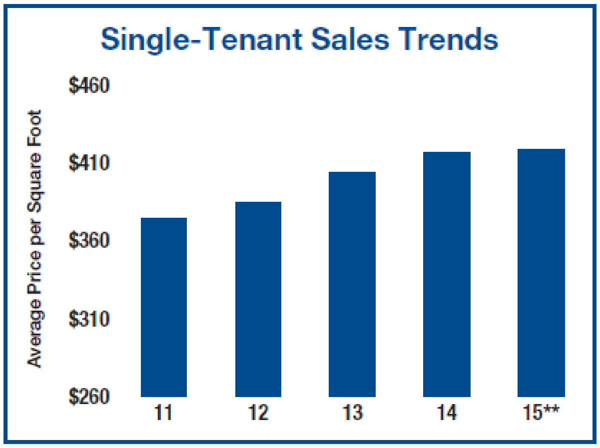
Source: DTZ 3Q-2015 R&D Market Snapshot

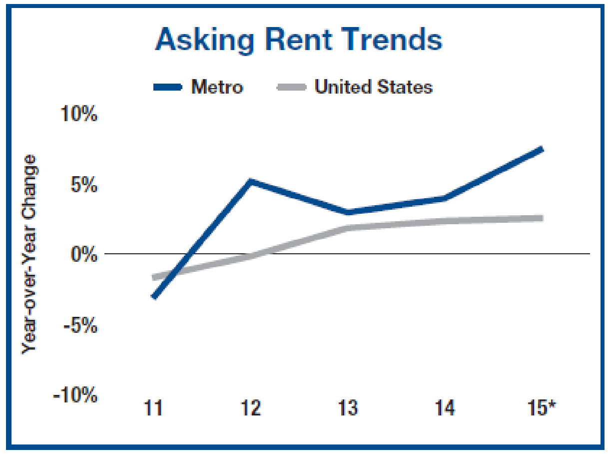
Colliers International reported in their *2015 Q3 Silicon Valley Research and Forecast Report* a net occupancy gain of 423,497 SF of R&D space in 3Q-2015 within Silicon Valley. The availability rate was reported to be at 9.8%, the lowest rate since 1Q-2001. The total availability rate in Santa Clara stands at 9.7%. The Silicon Valley asking rate averaged $1.73/SF NNN in 3Q-2015, 22.7% higher than 3Q-2014. The City of Santa Clara experienced rent growth of 16.5% year over year, and an occupancy gain of 885,662 SF.

Retail Market

In their 2Q 2015 *Retail Research Report* for the San Jose Metro area, Marcus & Millichap forecast an increase of 4.1% in total employment along with a decline in retail vacancy of 50 basis points to 3.5% by the end of 2015. They forecast that asking rents will increase by 7.4% to an average of $2.69/SF/Mo NNN.

The Marcus & Millichap charts shown below demonstrates an upward trend in selling prices for retail properties in the San Jose Metro area from 2011 to present for single and multitenant properties and an upward trend in asking rents from 2013 to present.

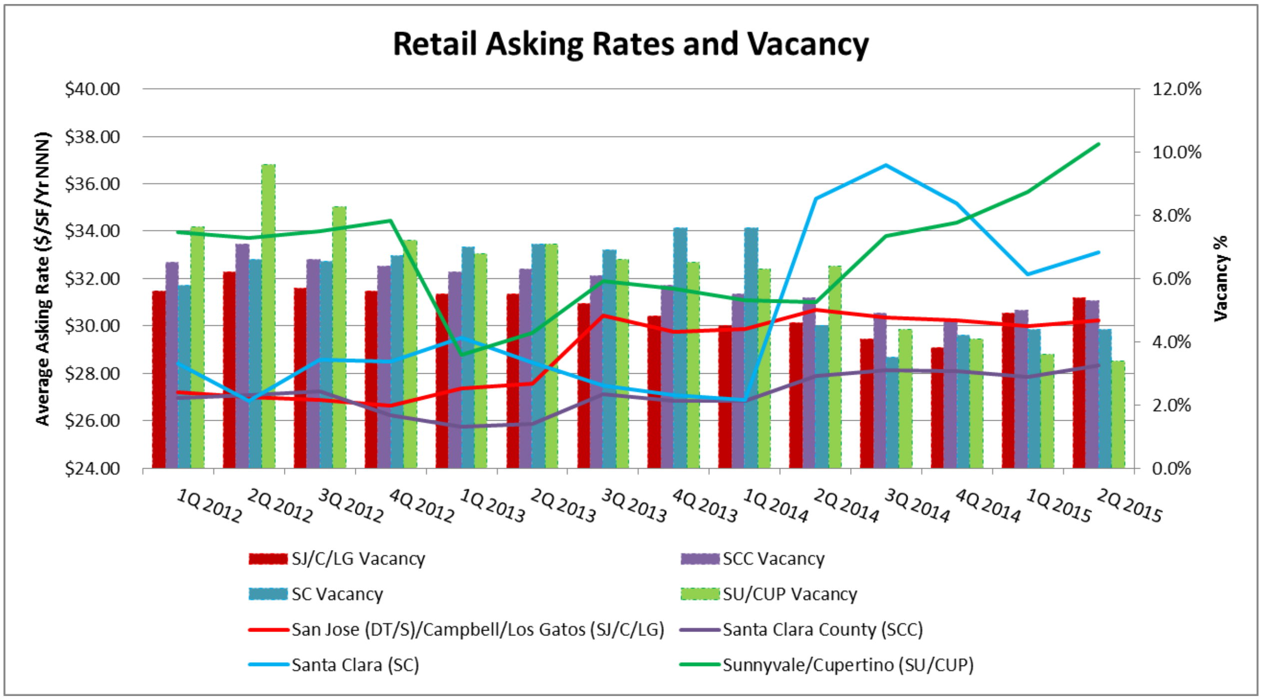




Please note that a double asterisk in 2015 denotes an average of the trailing 12 months, while a single asterisk denotes a forecast for the entire year. Marcus & Millichap forecast that single-tenant asset supply will remain low because of limited construction activity. Demand for multitenant properties is forecasted to increase further as investors look towards East San Jose for more affordable options, allowing more capital for improvements.

Terranomics is a brokerage firm that publishes quarterly reports for the retail shopping center market in the Santa Clara County metro area. They reported in their Q2-2015 *Shopping Centers Report* that 171,000 SF of shopping center space was added to the metro, increasing vacancy from 5.0% in 1Q-2015 to 5.3% in 2Q-2015. This is down from 5.5% a year ago. Total net absorption for 2Q-2015 was 59,000 SF, a reflection of the lack of quality supply rather than demand, according to the report. The Santa Clara County market had an average asking rent of $2.36/SF/Mo NNN in 2Q-2015, an increase of 1.3% from one year ago. Asking rents averaged $2.76/SF/Mo NNN in the subject's Santa Clara submarket, while vacancy rates in Santa Clara were reported to be 4.4%. An estimated 502,000 SF of new retail product is in the development pipeline. Class B and C product account for most of the product on the market, and was reported to command rents upwards of $4.00/SF/Month. Class A space in new centers was reported to command rents upwards of $5.83/SF/Month.

The chart below displays the average asking rental rate and vacancy for the Santa Clara submarket, Sunnyvale/Cupertino submarket, and Santa Clara County taken from Terranomics shopping center reports from 1Q-2012 onwards:



Vacancy rates in the subject's submarket decreased from 5.8% in 1Q2012 to 4.4% in 2Q-2015, while asking rental rates increased 16.5% to $3.13/SF/Mo NNN over that same period. The rental rate increase was even more pronounced after a huge spike in asking rents in the 2nd and 3rd quarters of 2014, but then the City of Santa Clara experienced a 6.4% decline in asking rates over the past year. Santa Clara County asking rates were generally stable over the past 4 quarters, increasing just 1.5%.

Few retail vacancies were discovered in the Santa Clara neighborhoods. Based on our observations and discussions with market participants, we estimated current retail vacancy rates to be below 5%. The supply of competing retail investment properties for purchase is undersupplied with less properties on the market and newer properties staying on the market for a short period of time.

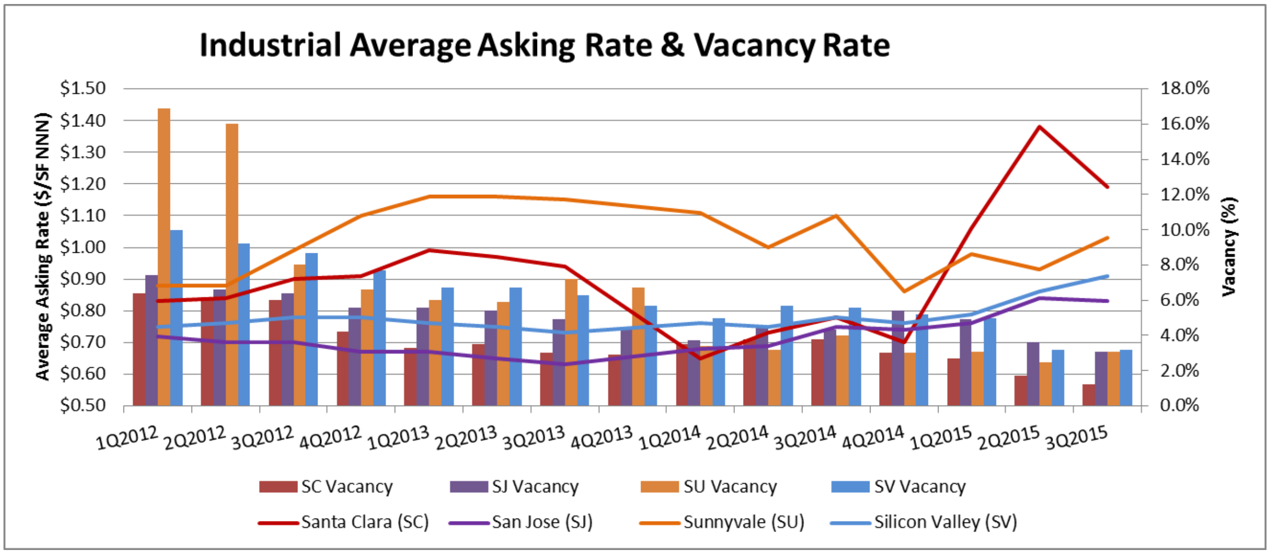
According to Marcus & Millichap, the hotel sector posted record occupancy rates in July 2015 of 75.3% nationally, which was 170 bp more than one year ago. RevPAR increased 8.3% year-over-year nationally. There were 129,200 rooms under construction, nationally, in July 2015, up 19% from a year ago. Most new construction was for select-service tiers. The hotel industry is now in its 5th year of a boom, and annual occupancy is forecast to rise to its highest level in 28 years of record-keeping. Several new hotels are proposed and/or under construction in the local market and most of these sites were considered in our selection of land sale comparables following.

Industrial Market Conditions

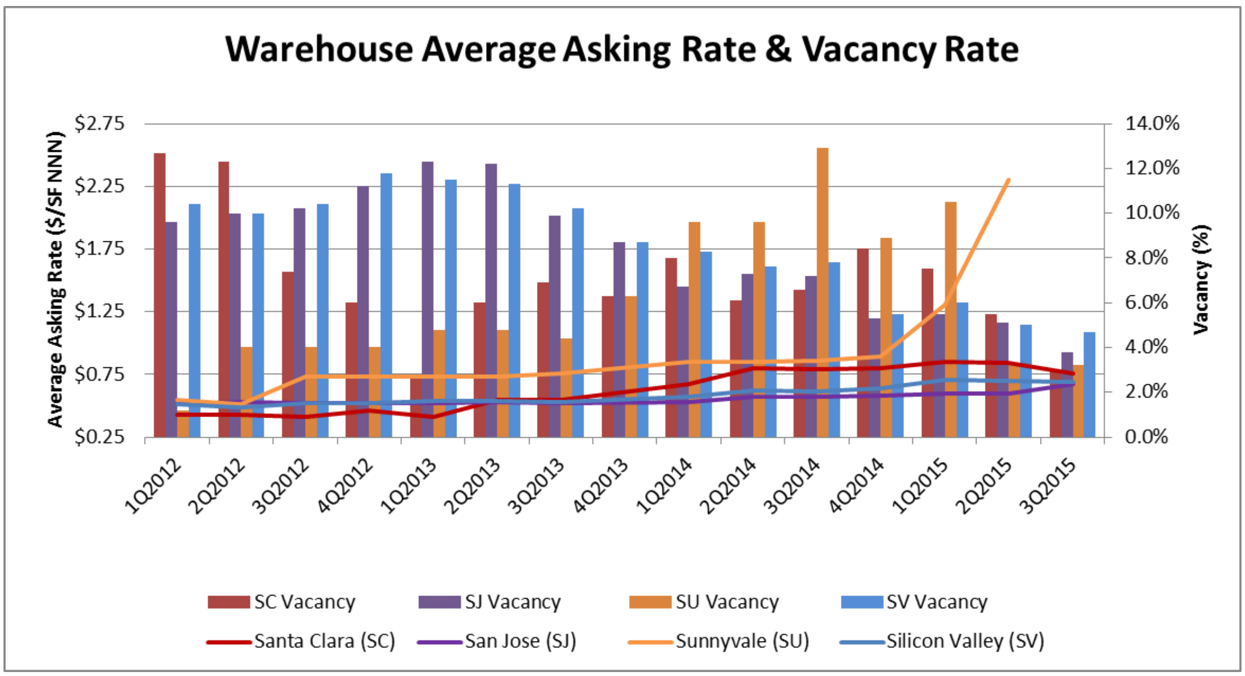
We referenced industrial (manufacturing) and warehouse market data from brokerages Cushman & Wakefield and Colliers International; we also interviewed local market participants for this report. Cushman & Wakefield reported in its *Marketbeat Industrial Snapshot, Silicon Valley, Third Quarter 2015*, that vacancy for manufacturing and warehouse product decreased in 3Q-2015 to 3.7% from 4.2% in 1Q-2015, and 5.5% in 3Q-2014. The Central Silicon Valley submarket, which includes Santa Clara, San Jose, and Sunnyvale, had a vacancy of 3.5% and an average asking rate of $0.77/SF/Month at the end of 3Q-2015. The average asking rental rate in the subject's Santa Clara submarket increased from $0.70/SF/Month to $0.94/SF/Month NNN over the same period, an increase of 2.86%/month. According to Cushman & Wakefield, Santa Clara County has a total of 112,053,944 square feet of industrial manufacturing and warehouse space, with the City of Santa Clara reporting just over 15.5 million square feet or 13.9% of the county's total space.

Collier's International reported in their *Third Quarter 2015 Silicon Valley Research & Forecast Report* for manufacturing properties that net absorption for 3Q-2015 measured 703,738 SF. Year to date, occupancy gain measured nine times the amount absorbed during all of 2014. Average effective rent rates were reported to have increased 19.1% for all industrial space in the past 12 months, with a quarter-over-quarter increase to $0.81/SF/Month NNN. Property owners and investors are anticipating larger demand for space and have increased the average asking rental rate to $0.91/SF/Month NNN from $0.78/SF/month NNN one year ago, an increase of 1.39%/month. Santa Clara had a vacancy rate of 1.2% for 3Q-2015, a decrease from 1.7% from the previous quarter and a year-over-year decrease from 3.8%.

As shown in the next chart, within the subject's Santa Clara submarket the average asking rent increased sharply before slightly declining in the third quarter to $1.19/SF/Month NNN, about 1.5 times the asking rate of $0.78/SF/Month NNN from a year ago. Colliers quarterly reports did not give any reasons for the spike in Santa Clara's asking rates. As the chart shows, the overall market and competing submarkets demonstrated less of spike in asking rents during the past 12 months:



Warehouse data collected from Colliers International's *Silicon Valley Research & Forecast Report Q3 2015* and its predecessor reports are displayed in the next chart:



Manufacturing and warehouse vacancy rates in Silicon Valley have been declining since 2Q-2013. Vacancy rates for warehouse in the Sunnyvale and Santa Clara submarkets have been fluctuating since 2Q-2014 but the overall trend has been fewer vacancies. Asking warehouse rental rates in Santa Clara, San Jose, and Silicon Valley have been increasing slowly since 1Q-2014. In Silicon Valley the asking rent has increased from $0.61/SF/month NNN in 3Q-2014 to $0.69/SF/month in 3Q-2015, an increase of 1.1%/month.

Data centers are one of the largest industrial occupancy groups in Santa Clara, due mostly to Silicon Valley Power, which has lower rates than elsewhere in the Bay Area. We discovered several expansion plans and construction occurring on existing sites, notably from CoreSite Realty Corp., Vantage Data Centers, and Colovore, but no land sales associated with data center users. Cushman & Wakefield's Winter 2015 Data Center Snapshot indicated that data centers are trending toward undersupply nationally but that wholesale rental rates remain flat. They forecast increasing prices and demand will increase in Northern California.

Market participants stated that the industrial corridor near the new Avaya stadium in the 95050 zip code is transitioning into retail. One market participant opined that industrial land prices have had the largest increase in value in the past six to twelve months. Another market participant opined that industrial land in 95050 is worth more than 95054 because heavier uses are allowed, however industrial land in 95051 is more valuable than 95050.

Residential Market Conditions

The *Housing Market Index*, based on a survey by the National Association of Home Builders, reported a 3 point month-over-month decrease in builder sentiment to 62 in November 2015, but remained in the 60s for six straight months. Any reading above 50 signals expansion and that home builders feel very confident about the housing market. The reading for October 2015 was reported to be unusually high, and that sentiment in November was more in line with the modest growth trend exhibited throughout the year.

In November 2015 homebuilders in the U.S. began work on single-family houses at the fastest pace since late 2007, according to the Commerce Department. Total housing starts have now risen 10.8% year-to-date. Total starts for apartment buildings have climbed 12.9% this year.

Regional Housing Market

According to the *Jobs-Housing Connection Strategy*, *May 16, 2012*, report released by the Association of Bay Area Governments (ABAG)[3] and the Metropolitan Transportation Commission[4], employment in the SF Bay Area is expected to increase by 1,119,920 jobs, 33%, between 2010 and 2040, with the majority of the employment growth occurring in Santa Clara, San Francisco, San Mateo and Alameda Counties.

[3] The Association of Bay Area Governments is the official comprehensive planning agency for the San Francisco Bay Area region.

[4] The Metropolitan Transportation Commission (MTC) is the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area.

The report forecasts that over the next 30 years, due to an aging population and changes in market preferences in housing types, demand for townhouses, multifamily dwellings, condos and apartments will increase and those housing types will make up 30% of new homes in the region over the next 30 years. Demand for detached single family houses is expected to decline, although single family residences will continue to make up 56% of the region's housing inventory. The average household size is forecast to increase from 2.69 people per household in 2010, to 2.75 people per household in 2040. Larger household sizes will necessitate new residential development at higher densities, supported by rising land costs, and fewer detached single-family dwellings.

The following table, taken from the report, shows the supply of multifamily, attached/townhouse, and detached single family houses in 2010 in the region and the projected demand in 2040.

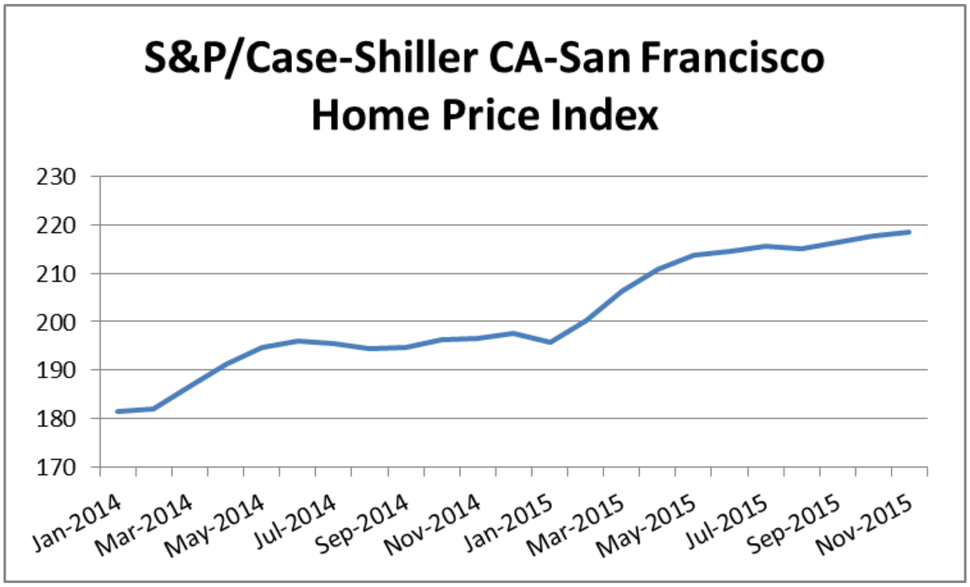
Net Housing Supply and Demand 2010-2040

Building Type	Supply 2010		Demand 2040		Housing Demand 2010-2040	Net Housing Demand 2010-2040
Multifamily	717,000	26%	1,206,100	35%	489,100	393,900
Attached / Townhouse	508,000	18%	888,000	26%	380,000	306,100
Detached / Single Family	1,535,000	56%	1,365,900	39%	-169,100	0
Total	*2,760,000*		*3,460,000*		*700,000*	*700,000*

Source: ABAG, adapted from Arthur C. Nelson

The report projects an oversupply of detached single family houses over the next 30 years with the greatest demand expected from the multifamily segment. The oversupply will increase the affordability of detached single family houses. According to the report's projections, the region will continue to grow, adding almost 700,000 households and 1.119 million jobs in the next 30 years, leading to increased demand for housing of all types.

The Standard & Poor/Case-Shiller Home Price Index measures the average change in value of residential real estate in the United States given a constant level of quality and reflects single-family housing. It is sometimes referred to as a repeat sale index. The chart below indicates that the index for the subject's San Francisco Metropolitan Area was 11.1% higher year-over-year in November 2015, and about 0.29% higher than one month ago:

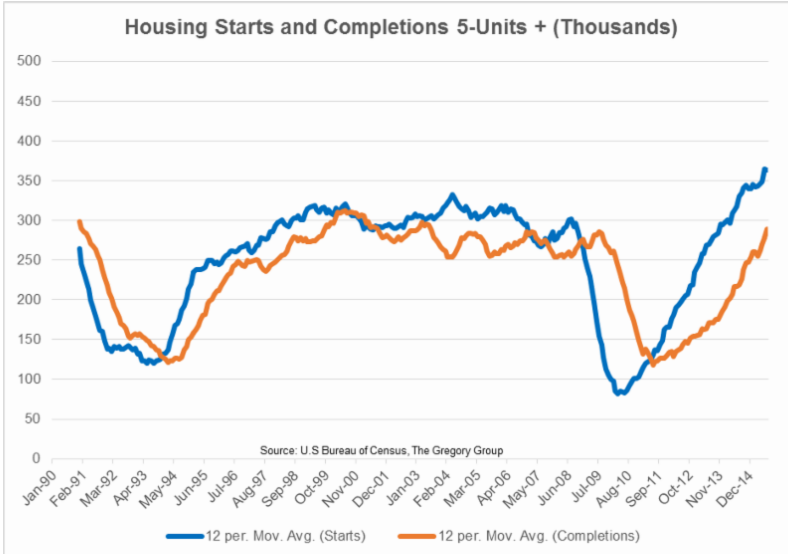


Source: S&P Dow Jones Indices LLC

According to Data Quick News (DQ News), a national real estate reference source, the rate of Bay Area home sales in November 2015 increased 6.3% from 12 months ago. The median selling price in the Bay Area for new and resale single family houses, townhouses and condominiums was $649,000, an increase of 6.0% from November 2014, and an increase of 2.2% from one month prior. The number of sales in the Bay Area was reported to be almost as high as the number observed in 1988. Within Santa Clara County, the median sale price increased in November 2015 to $794,750, which is 10.2% higher than November 2014.

According to DTZ's *Apartment Market Report, South Bay, 3Q 2015,* 1,600 new units were added to the Santa Clara County inventory in 3Q-2015 and an additional 6,200 units are in the pipeline with completion dates through 2017. Vacancy for 3Q-2015 was reported to be at 5.3%, an increase from 4.3% from the previous quarter and from 4.2% one year ago. Rents for this quarter increased 10.7% over the past year to an average asking rent of $2,623/Mo. Rents have increased more than 46.3% over the last 4 years. The region is reported to be in a housing shortage and affordable housing crisis. Rents are expected to temporarily flatten by next year due to new construction although demand will remain high, according to the report.

The Gregory Group, a housing market tracking firm, reported in August 2015 that housing starts for multifamily buildings having 5 or more units have been on an upward pace since 2010 and are reaching record high levels. Fortunately demand has kept up, but they caution that perhaps too much Class-A product is being developed. The chart below tracks the starts and completions for housing of 5 or more units:



The Gregory Group opined that the sharp increase in new housing starts of late was due to the lack of construction during the recession and a demographic change, with more Millennials being able to own rather than rent. They report that apartment vacancies remain low since Millennials are renting longer, both due to preference and for financial reasons. As of late, rent growth has been greater in Class B and Class C apartment buildings compared to Class A; is currently in the 5% to 6% per year range.

The housing starts noted above account for 95% of what is being built, much higher than the long term average of 75%. We discovered in our searches that far more higher-density and multifamily land sales are transacting compared to lower density single-family land transactions.

Local Housing Market

According to the City of Santa Clara General Plan, an estimated 16,875 new jobs will be created and the population will grow by 32,135 people in the City between 2010 and 2015. The General Plan forecasts that 13,222 new housing units will be needed in that five year period, based on an estimated household size of 2.5 people. The General Plan also states that household growth in the City has been much slower than the rest of Santa Clara County due to the lack of vacant residential land. Therefore, in order to meet future housing needs, construction of new housing will primarily occur through the redevelopment of existing sites.

DQ News, now part of CoreLogic, reported the median home price for all homes (single-family, condo, and townhouse) in the City's three ZIP code areas for all of 2014:

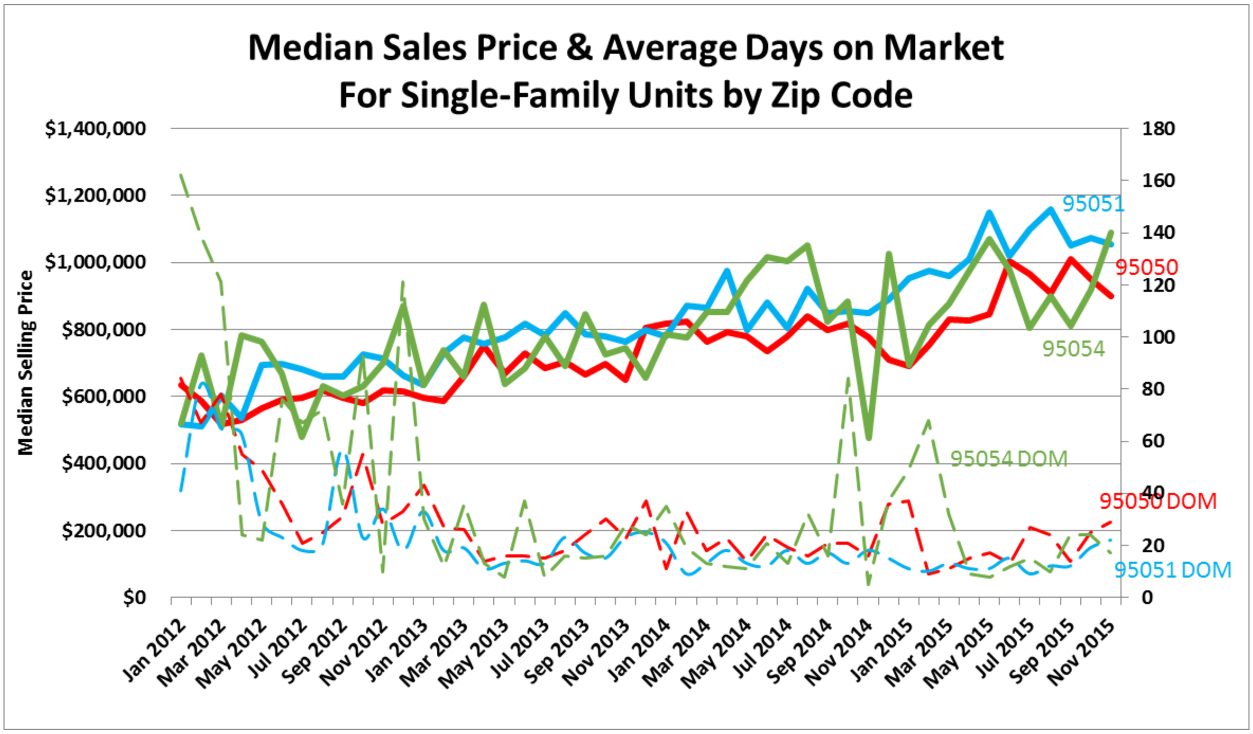
2014 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
95050	375	-14.80%	$743,000	14.70%	$1,800,000	$559	11.80%
95051	499	-9.30%	$741,750	17.70%	$1,662,500	$625	15.90%
95054	233	-1.30%	$750,000	17.20%	$1,700,000	$534	19.00%

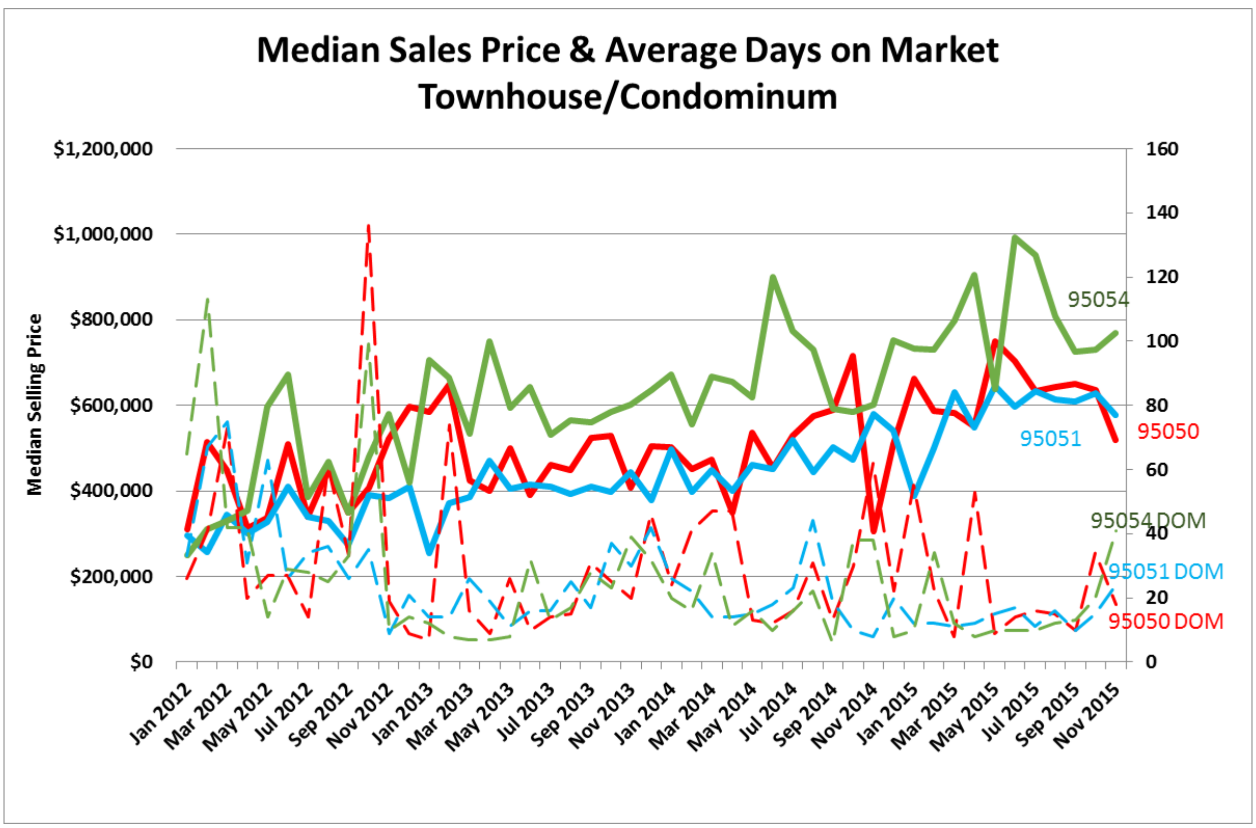
The tables indicate that year end median pricing was within about 1% across each zip code, and increased between 1.23%/month and 1.48%/month between 2013 and 2014. The change in selling price per square foot increased between 0.98%/month and 1.58%/month based on the data. DQ News reported the median home price for all homes in July 2015 as the following for the subject zip codes:

July 2015 Summary of Sales					
Zip	Sales	% Chg	Median Price	% Chg	$/SqFt
95050	38	-7.30%	$820,000	8.60%	$548
95051	67	36.70%	$942,000	34.60%	$645
95054	24	-7.70%	$805,000	-4.20%	$567

The July 2015 numbers indicated that 95050 and 95054 have similar medians while the median in 95051, which jumped 34.6%, was much higher. The 95051 zip code experienced a 36.7% increase in sales in July 2015, whereas 95050 and 95054 had a decrease in sales. The spike in the median price appears to be the result of several closings of new homes at D.R. Horton's The Homes at Central Park, which have starting prices at $952,000.

The following tables depict the median price trend by zip code over the past 46 months for single family homes and common interest developments (townhouse/condos) in the City of Santa Clara using closed sale data obtained by MLSlistings.com.





As depicted in the preceding tables, on a month to month basis median prices fluctuate, while over the longer term the data clearly shows prices have been trending upward. The following rate of change was measured for each subject zip code and housing type since the start of 2012:

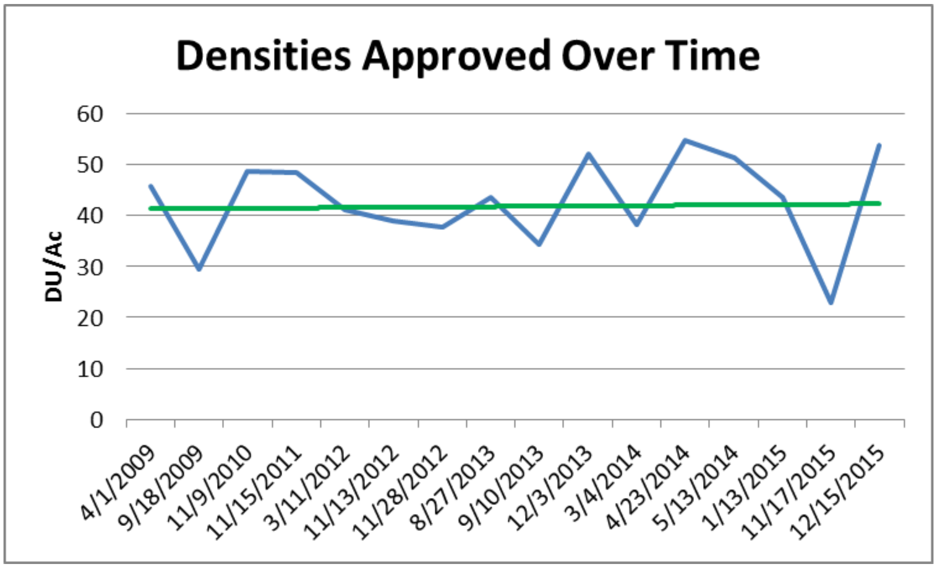
Housing Type	Zip Code	January-12	November-15	% Change	% Change per Month
SFR	95050	$635,000	$900,900	42%	0.91%
	95051	$515,850	$1,055,000	105%	2.27%
	59054	$520,000	$1,090,000	110%	2.38%
Condo & TH	95050	$310,000	$518,500	67%	1.46%
	95051	$295,000	$578,000	96%	2.09%
	95054	$250,000	$770,000	208%	4.52%

The change per month for the Condominiums and Townhouses in the 95054 zip code is skewed high due to limited sales data from which to draw conclusions. Because of the fewer number of sales (samples in data set), the 95054 Condo & TH monthly sales data was less reliable.

Marcus & Millichap reports in their *Third Quarter 2015 Apartment Research Market Report, San Jose Metro Area* that a decline in permit issuance may lead to a potential slowdown in new residential construction. 4,200 units are forecast to be completed by year-end 2015, with an average monthly effective rent of $2,499, an increase of 9.1%. The vacancy rate for properties built after 2000 was reported to be at 3.2% in the first half of 2015. Vacancy levels for properties built during the 1990s were at 2.4%, and properties built in the 1980s or before were reported to have vacancy rates closer to 2%. The average capitalization rate for Class A properties fell within the mid-4 percent range, a decrease of 0.5% from a year ago. Class C properties in desirable locations were reported to trade within a 5% cap rate range.

Santa Clara Development Approval Trend

The following chart displays the density units per acre of approved residential development projects in the City of Santa Clara since the second quarter of 2009. There have been very few proposals over the last 18 units. As the green trend line indicates, approved project densities have been stable over time.



Conclusions

Due to increased employment throughout the City and region, the demand for new housing, retail, office, and industrial space is greater than the supply. Office vacancy rates have improved tremendously over the past couple of years but remain high due to an oversupply of Class B and C space. The construction of newer Class-A office buildings is occurring in every major submarket throughout Silicon Valley. R&D vacancies remain at the record low level and no new construction is occurring in this market.

Commercial (retail and office) properties are exhibiting increasing asking rates and declining vacancy rates. New retail construction is occurring, with some of it being built on a speculative basis. Office construction is also occurring, but it is mostly located in the Bayside portions of the county where larger blocks of land can be found. Based on the market conditions and the sales data we analyzed, we applied a market conditions rate of change to the commercial land sale comparables used following of:

- negative 0.50% per month from the date of sale through 4Q-2011 (coming out of recession)
- a "zero" rate of change from 1Q-2012 through 3Q-2012 (as the market stabilized)
- a positive 1.0% per month from the beginning of 4Q-2012 through December 2015 as the market continued to improve with vacancies typically < 5% while rental rates continued to increase. Historically, a 5% vacancy rate is considered stabilized and rates below 5% are typically an indication that demand exceeds supply, putting upward pressure on prices.

Industrial market statistics indicated that rental rates have been trending upwards, while occupancy rates are decreasing and less than 5% at this time after being in equilibrium for the better part of 2013 and 2014. Market participants opined that selling prices are also increasing, especially in 2015. Based on increasing rents and prices, while vacancies have continued to decline to less than 5% in the market, we concluded that competing industrial land prices were increasing at the rate of about 0.25% per month from the beginning of 1Q-2012 through 2Q-2014, and increasing at a greater rate of 0.50%/month from the start of 3Q-2014 through December 2015 as vacancies trended below 5%.

Demand for housing is expected to increase into the foreseeable future, with an increased demand for higher density and multifamily housing, supported by the fact that developers in Santa Clara are gradually gaining approvals for increasingly higher density projects, due in part to the scarcity of developable land and increasing prices, and the City's desire for more vertical, higher-density residential.

Residential land prices were reported to have increased for properties closer to the Apple Campus 2 near the southwest corner of Santa Clara (95051 zip code). One market participant opined that residential land values increased 20-25% in the past 12 months in Santa Clara. Based on the market reports cited above, sales data analyzed and market participant interviews, we applied a rate of change for market conditions of negative 0.50% per month from the date of sale through 1Q-2011, before the economy started improving, a "zero" rate of change for market conditions from 2Q-2011 through 4Q-2011, as economic conditions reached equilibrium, and a positive rate of change of 1.25% per month from the beginning of 1Q 2012 through September 2015 as the market improved and prices increased. The data was inconclusive to warrant any adjustment beyond September.

LAND USE ORDINANCES

Since we are analyzing hypothetical lots, we supposed that each use would be based on its appropriate General Plan designation. The appropriate zoning category for each hypothetical use was not a critical factor as the General Plan is the long term planning tool used by the City. Furthermore, comparable land sale transactions typically sell based on their intended use, which is supported by the General Plan in almost all cases. The City's Phase II Land Use map is now in effect and is intended to guide land uses for the years 2015-2025. It expanded the areas within the city where mixed-uses and higher-density residential is allowed. We supposed the following General Plan designations for each hypothetical use:

Use of Hypothetical Lot	General Plan
Very Low Density Residential	Very Low Density Residential
Low Density Residential	Low Density Residential
High Density Residential	High Density Residential
Medium Density Residential	Medium Density Residential
Commercial	Regional Commercial
Industrial	Light Industrial

HIGHEST AND BEST USE

We examined the legally permissible, physically possible, financially feasible, and maximally productive uses of each hypothetical lot. We considered prevailing market conditions and recent development trends. As indicated in the market conditions section, each product type is experiencing increasing prices, decreasing vacancies, low supply, and increasing construction. These are indications that the highest and best use is to construct the legally permissible product for each respective property type. We concluded to the following components of property uses for the highest and best use of the hypothetical lot based on the instruction of the Client:

Use of Hypothetical Lot	Highest & Best Use
Very Low Density Residential	Very Low Density Residential
Low Density Residential	Low Density Residential
High Density Residential	High Density Residential
Medium Density Residential	Medium Density Residential
Commercial	Commercial Building
Industrial	Light Industrial Building

We applied a hypothetical condition that each of these uses was allowed on the hypothetical subject lot.

For the purpose of this analysis and based on the market and the City's General Plan, we concluded the most reasonable density to support the residential uses was: up to 10 dwelling units per acre (DU/AC) for Very Low Density Residential, about the midpoint of the allowed density ranges or 13.5 DU/AC for Low Density Residential, 28 DU/AC for Medium Density Residential, and 44 DU/AC for High Density Residential.

APPRAISAL PROCESS

The appraisal profession has generally relied upon three traditional approaches in estimating the market value of real property. These are the *Income Capitalization Approach*, the *Sales Comparison Approach*, and the *Cost Approach*. While all three approaches are always considered in a valuation assignment, all three are not always applied. The quantity and quality of available data and the applicability of each approach relative to the value being sought are important factors in reconciling to an opinion of value.

Market value was estimated using the sales comparison approach. The income capitalization approach is seldom used when valuing land. The cost approach did not offer substantial insight into this estimate of market value since there are no building improvements. Sellers, buyers, and our peers in this market rarely rely on the cost and income capitalization approaches when offering, purchasing, or valuing properties similar to the subject lots. Therefore, we did not undertake a cost or income approach.

Following we estimated the value of a hypothetical one-acre lot under each use scenario described above, as if located within the 95050 zip code, since the most data was discovered in this zip code. Next, we applied the weighted average based on the percentage of total land area associated with the different property types (as described above) that sold in the City of Santa Clara in the 12 months prior to the date of value. Lastly, we applied any necessary locational differences from the 95050 zip code conclusion to arrive at the appropriate average lot value in the 95051 and 95054 zip codes.

AVERAGE VALUE ESTIMATE IN 95050 ZIP CODE

High Density Land Value

The writers examined data that was discovered by: talking to brokers, agents, property owners, and market participants from within the subject market, reviewing RealQuest.com, Loopnet.com, MLSlistings.com, and CoStar.com databases for recent sales, and searching Loopnet.com and broker data bases for current listings. We also reviewed development reports provided by the planning departments of Santa Clara and other nearby cities.

As stated above, for the high-density value component, we assumed a density of 44 dwelling units per acre, about the midpoint of the allowed range under the High Density General Plan designation, which allows 37-50 dwelling units per acre. We searched for competing sales and listings of properties throughout Santa Clara and nearby cities which were intended for development with residential densities greater than 20 dwelling units per acre and that closed escrow over the last four years. Those we found most comparable are displayed on the following adjustment grid. An adjustment grid serves two purposes. First, it presents data, analysis, and conclusions about the subject and comparables in a way that facilitates comparison. Second, it presents the data in a format whereby the reader can follow the writers' adjustment process.

Location maps for each of the comparable sales are displayed in the Addenda. Selling prices were verified using our summary of the public transcript and conversations with selling and listing brokers/agents, sellers, and buyers as noted. We were unable to confirm the details of Comparable 3 with a party to the transaction. Also, the buyer of Comparable 2 indicated that the transaction details for this sale were confidential. We relied on published data, subscription service data, and information available from a summary transcript of the public record for transaction details regarding these comparables. A map showing the location of these comparables is displayed in the Addenda.

The following additional sales are described briefly but were not selected as comparables for the reasons cited below:

- Related Companies (affiliated with Related California) recently purchased a group of properties that had been assembled by Fairfield Residential. The total site area was about 3.9 acres and the reported purchase price was $22,325,000, which equates to about $131/SF on the land. The sale closed in January 2015 and is anticipated to be some type of mixed use project. An additional 1.6-acre site at 5102 Calle Del Sol was acquired in October 2014 from Fairfield Residential for a reported $9.454 million, which is about $135/SF on the land. The total assembled site is about 5.5 acres and lies within walking distance of light rail, heavy rail, and the new Levi's Stadium. It is across the street from Related's 230-acre Related Santa Clara project being proposed. The large size, mixed-use nature, and motivation on the part of the buyer suggested that this would not be an appropriate sale for comparison purposes.

- Related Companies also purchased a 6.64-acre industrial parcel at 2101 Tasman Drive in late August 2015, which fronts light rail and is expected to be a future housing site. The reported acquisition price of $50.1 million works out to about $173/SF on the land, and appears to show motivation on the part of the buyer since they own several other parcels in the neighborhood. The General Plan currently supports 50 dwelling units per acre here, but planners have expressed interest in increasing the allowed density in this neighborhood. The same reasons as above are cited for preclusion as a comparable.

- The Irvine Company acquired additional acreage in mid-2014 for its Main Street mixed-use project at Hwy 101 and Bowers Ave. This sale was improved and leased to an above average-quality tenant. The Irvine Company now controls about 100 acres in this area and is constructing about 2,000 residential units, 125,000 SF of retail and 1.8 million SF of office. The recent sale here was not for immediate development; therefore, since the buyer intended to continue the improved use in the short-term, this sale was not selected as a comparable.

- D.R. Horton purchased a 9.94 acre site in April 2015 at 701-709 E Evelyn in neighboring Sunnyvale. The reported purchase price was $53.2 million, which works out to about $123/SF, and the buyer intended to construct a 204-unit townhome project. The large size, lower-density, and different jurisdiction were sufficient reasons to not include this sale as a comparable.

- The City of Santa Clara is presently reviewing development proposals for a 6-acre site along N. Winchester Blvd, which must include 165 affordable senior units at a minimum. We are not aware of any contract so no comparable is present.

HIGH DENSITY COMPARABLE LAND SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6	COMPARABLE 7
ADDRESS	Average Street Santa Clara	3175 El Camino Real Santa Clara	2611 El Camino Real Santa Clara	2585 El Camino Real Santa Clara	555 Saratoga Ave Santa Clara	166 Saratoga Ave Santa Clara	1525 Alviso St Santa Clara	3305 Kifer Rd Santa Clara
APN		220-01-056	216-01-036	216-01-008	269-39-101	294-38-001	224-29- (034, 032, & 012)	216-33- (001 & 030)
SELLER		Car Town Santa Clara LLC	William O Geoffroy	Nobel Group Inc	Donette & John J Popylisen	David Bayto (TE)/Marlene A Mattoon (TE)	Robin L Kay	Moutafian Family LP
BUYER		Tuscany Calabazas LLC	SHAC ECR Apartments LLC	Siliconsage Builders LLC	Silicon Valley Builders	The New Home Company		Kifer Road Properties LLC
DOCUMENT NUMBER		22116412	22546037	22409670	22173090	22961157		22936646
VERIFICATION SOURCE		Buyer Broker	Subscription Svcs, Pub Record	Buyer	Buyer Broker	Listing Broker	Listing Broker	Listing Broker
SALE / *LISTING* PRICE		**$11,000,000**	**$2,100,000**	**$6,100,000**	**$1,075,000**	**$7,325,000**	***$8,000,000***	**$7,500,000**
SALE / OFFERING PRICE PER SF		**$74.16**	**$79.21**	**$101.48**	**$65.08**	**$96.98**	**$88.89**	**$90.36**
TRANSACTIONAL ADJUSTMENTS								
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		All Cash	All Cash	Private/50% Down	Conventional	All Cash	TBD	Private/Seller No Affect
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's Length	Assemblage	Arm's-Length	Arm's Length	Arm's-Length/S.P. Change	Buyer/Seller Negotiations	Arm's-Length
ADJUSTMENT		0.00%	-5.00%	0.00%	0.00%	2.27%	-5.00%	0.00%
EXPENDITURES AFTER SALE		Demolition ($60,000)	None	None Reported	None Significant	None Reported	None Reported	Demo Offset by Income
ADJUSTMENT		0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CLOSE OF ESCROW		March 1, 2013	March 18, 2014	October 8, 2013	April 15, 2013	May 21, 2015	Est October 2015	May 1, 2015
TIME OF SALE / MARKET CONDITION	December 2015	September 2011	Est. March 2013	July 2012	May 2012	May 2013, May 2014	July 2014	September 2014
MOS SINCE END 4Q 2009 THROUGH 1Q 2011		0	0	0	0	0	0	0
ADJUSTMENT @ % PER MONTH	-0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MOS SINCE END 4Q 2011 THROUGH SEPT 2015		45	30	38	40	16	14	12
ADJUSTMENT @ % PER MONTH	1.25%	56.25%	37.50%	47.50%	50.00%	20.00%	17.50%	15.00%
ADJ PRICE AFTER TRANSACTIONAL ADJS		**$116.51**	**$103.47**	**$149.68**	**$97.62**	**$119.01**	**$99.22**	**$103.92**
LOCATIONAL ADJUSTMENTS								
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Similar	Adjacent to Creek	Adjacent to Creek	Similar	Similar	Inferior/Adjacent RR	Inferior/Ind./Lawrence Expy
ZIP CODE	95050	95051	95051	95051	95050	95050	95050	95051
OVERALL LOCATIONAL RATING		Sl Superior	Sl Superior	Sl Superior	Sl Inferior	Sl Superior	Sl Inferior	Sl Inferior
PHYSICAL ADJUSTMENTS								
SITE SIZE (ACRES)	1.00	3.405	0.609	1.38	0.38	1.73	2.07	1.91
SITE SIZE (SF)	43,560	148,322	26,511	60,113	16,518	75,533	90,000	83,000
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Superior/2 Frontages	Inferior/Easement	Similar	Sup/ Frontage on 2 Streets	Sl Inf/R/W Esmnt	Inferior/Irregular	Similar
USE/ZONING ADJUSTMENTS								
ZONING		CT	CT	CT	CN	R1-6L	ML	ML
GENERAL PLAN	High Density Residential	Community Mixed Use	Community Mixed Use	Community Mixed Use	Community Mixed Use	Community Mixed Use	Community Mixed Use	Medium Density Residential
ALLOWED DENSITY (dwelling units per acre)	37-50	19-36	19-36	19-36	19-36	19-36	19-36	19-36
NUMBER OF UNITS	44	133	32	60	13	33	40	48
ESTIMATED / PROPOSED DU/ACRE	*44.0*	39.1	52.6	43.5	34.2	19.0	19.4	25.2
INTENDED USE	Residential	Apartments	Apartments	Condominiums	Condominiums	Townhouses	Townhouses	Townhouses
AFFORDABLE HOUSING COMPONENT	No	No	No	Yes (10%)	Yes / 1 BMR	Yes / 3 BMR's	No	No
ENTITLEMENT STATUS	Has Zoning & GP	Had GP/Subject to T-Map	Had GP	Subject to T-Map, GP Chg	Had GP	Had Tentative Map	Subject to T-Map/Zone Chg	Has GP
OVERALL PHYSICAL & USE/ZONING RATING		Sl Superior	Inferior	Sl Superior	Sl Inferior	Inferior	Inferior	Slighlty Inferior
OVERALL RATING		**DOWN**	**UP SLIGHTLY**	**DOWN**	**UP**	**SIMILAR**	**UP**	**UP**

The following additional sales are described briefly but were not selected as comparables for the reasons cited below:

- Related Companies (affiliated with Related California) recently purchased a group of properties that had been assembled by Fairfield Residential. The total site area was about 3.9 acres and the reported purchase price was $22,325,000, which equates to about $131/SF on the land. The sale closed in January 2015 and is anticipated to be some type of mixed use project. An additional 1.6-acre site at 5102 Calle Del Sol was acquired in October 2014 from Fairfield Residential for a reported $9.454 million, which is about $135/SF on the land. The total assembled site is about 5.5 acres and lies within walking distance of light rail, heavy rail, and the new Levi's Stadium. It is across the street from Related's 230-acre Related Santa Clara project being proposed. The mixed-use nature and motivation on the part of the buyer suggested that this would not be an appropriate sale for comparison purposes, since we had adequate comparables that more closely bracketed the subject's 1-acre lot.

- Related Companies also purchased a 6.64-acre industrial parcel at 2101 Tasman Drive in late August 2015, which fronts light rail and is expected to be a future housing site. The reported acquisition price of $50.1 million works out to about $173/SF on the land, and appears to show motivation on the part of the buyer since they own several other parcels in the neighborhood. The General Plan currently supports 50 dwelling units per acre here, but planners have expressed interest in increasing the allowed density in this neighborhood. The same reasons as above are cited for preclusion as a comparable.

- The Irvine Company acquired additional acreage in mid-2014 for its Main Street mixed-use project at Hwy 101 and Bowers Ave. This sale was improved and leased to an above average-quality tenant. The Irvine Company now controls about 100 acres in this area and is constructing about 2,000 residential units, 125,000 SF of retail and 1.8 million SF of office. The recent sale here was not for immediate development; therefore, since the buyer intended to continue the improved use in the short-term, this sale was not selected as a comparable.

- D.R. Horton purchased a 9.94 acre site in April 2015 at 701-709 E Evelyn in neighboring Sunnyvale. The reported purchase price was $53.2 million, which works out to about $123/SF, and the buyer intended to construct a 204-unit townhome project. The large size precluded it from being used as a comparable, since we had adequate comparables that were more similar in size to the subject's hypothetical 1-acre lot.

- The City of Santa Clara is presently reviewing development proposals for a 6-acre site along N. Winchester Blvd, which must include 165 affordable senior units at a minimum. We are not aware of any contract so no comparable is present.

Adjustment Process

Transactional adjustments were made sequentially for property rights conveyed, financing terms, conditions of sale/motivation of participants, expenditures incurred by the buyer after the sale, i.e. demolition costs, and market conditions since the sale date.

Comparable 2 was assembled sales with adjacent land, and warranted a downward adjustment for buyer motivation. The buyer of Comparable 5 completed several extensions, which increased the selling price by $166,000; this amount is shown as an upward adjustment on the Conditions of Sale line.

Comparable 6 is in contract and is expected to close in 2016. The long escrow is due to ongoing dialog with the City over the type of product the buyer desires to improve on the site; the City wants to see apartments, while the buyer desires to build new townhomes. The listing broker opined that the selling price was within 10% of the listing price; we concluded to a 5% downward adjustment for typical buyer and seller negotiations which was a good fit for the data.

Comparable 1 warranted an upward adjustment for the cost of demolition. The amount of this adjustment was estimated by the writers based on our observation and using Marshall Valuation Services (MVS), a national cost reference, and other data.

The comparable sales closed escrow from 7 to 34 months prior to the date of value, and 1 transaction was in escrow. The lack of more recent sales in Santa Clara was due to a lack of developable vacant land and the time necessary to gain building approvals. We did discover more recent sales located outside Santa Clara, but due to greater differences in development impact fees, in particular the park impact fee, and differences in target market, these other sales were not utilized. Market conditions adjustments were applied from the date of the meeting of minds using the rate(s) of adjustment discussed previously in the Market Conditions section of this report.

Locational adjustments were broken into elements that reflect the property's identity to potential tenants or buyers (exposure, visibility), access (to freeways and amenities), and overall desirability of the location based on neighborhood factors such as age and condition of nearby properties, proximity to enhancing or detrimental factors, or an identifiable valuation element relating to address (locational appeal, zip code). Locational adjustments were warranted for the elements of comparison summarized on the grid. Two of the comparables (2 and 3) were adjacent to the same creek, which requires increased development setbacks; this negative consideration was offset by the aesthetic nature of the creek and associated habitats, which future residents will benefit from. Comparable 6 is adjacent to the Caltrain tracks, rating inferior appeal and warranting an upward adjustment. As will be discussed in the following material, residential land values in the 95051 zip code rated superior to the 95050 zip code and thus the 95051-located comparables were adjusted downward. The overall appeal adjustment to Comparable 7's 95051 zip code was upward since it was located in an industrial neighborhood, which rated inferior appeal.

Physical and Use/Zoning adjustments were broken into elements that reflect property size, utility/topography, allowed land uses and density, intended use/development density, affordable housing component, and entitlement status. The proposed building densities bracket the subject. The comparables that will provide affordable housing were adjusted upward. The comparables with entitlements in place or subject to entitlement approval rated superior to the subject's unentitled status and were adjusted downward. Physical and use/zoning adjustments were warranted as summarized on the grid.

Conclusion

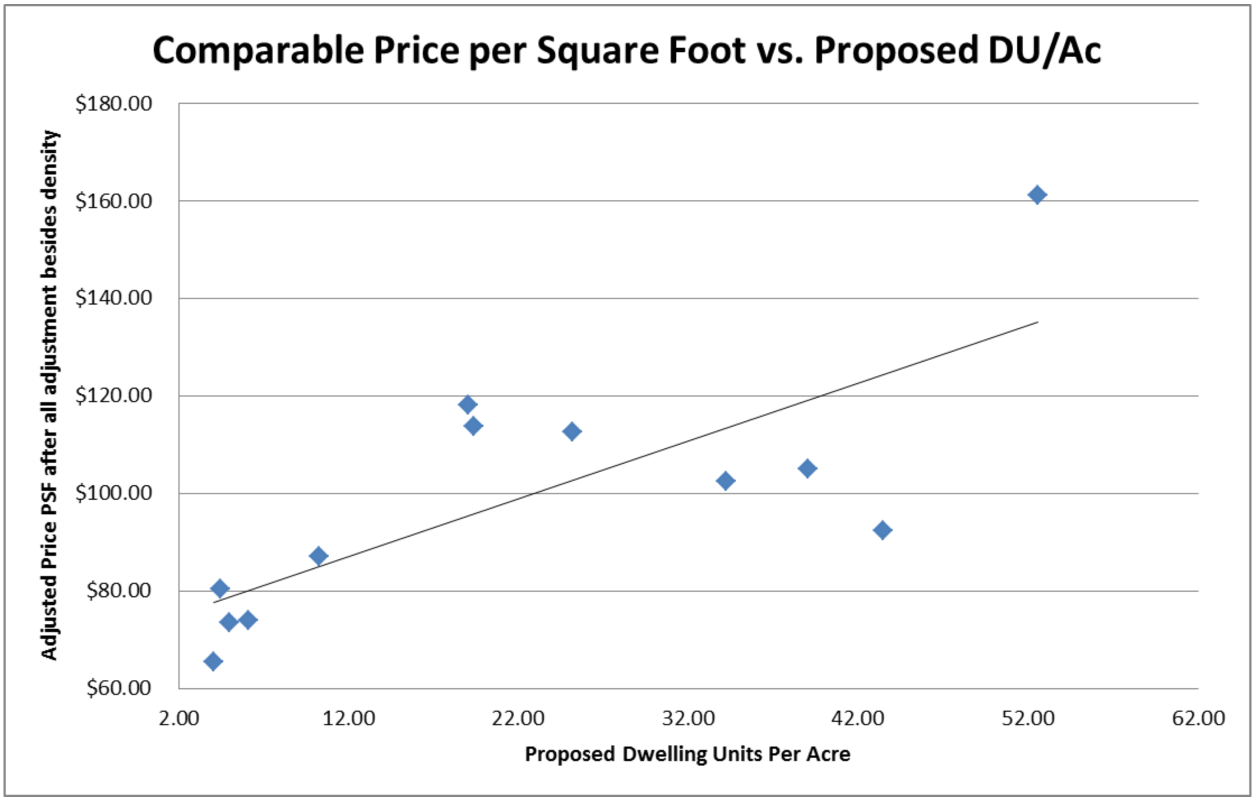
Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the grid. The range was more consistent on a price per SF basis rather than a price per unit basis, which was utilized as the primary comparison value. Bracketed by the comparable ratings, we concluded to the following unit value of unentitled high-density residential land in the 95050 zip code:

Unit $/SF	x	Land Area (SF)	=	Indicated Value
$120	x	43,560	=	$5,227,200

Estimated Market Value of a 1-Acre
High-Density Residential Lot in 95050 Zip Code: $5,227,200

Medium Density Land Value

For the medium-density value component, we assumed a density of 28 dwelling units per acre, about the midpoint of the allowed range under the Medium Density General Plan designation, which allows 19-36 dwelling units per acre. In the market, the primary difference between the medium-density land value and high-density land value relates to density. The density adjustment was estimated based on the relationship between price per SF and density, as evidenced by the comparables. In the chart below, we plotted the preceding high-density comparables and the very-low density comparables used in the following low-density value scenario, we graphed the change in land value per square foot vs. the change in density. We did not include the preceding Comparable 3 since its actual density would have been much less if it was not part of an assemblage.



As shown in the chart above, the price per square foot of land increases with increasing density. This is congruent with our observations in the market that as density increases, price per SF typically increases. The difference in pricing for changing densities is clear when comparing the lowest to the higher densities. And the price/SF difference is less when comparing the median to higher densities. In fact, one market participant opined that densities above about 37 dwelling units per acre have to be built with podiums, which increases costs and actually is a negative in terms of overall density achievable. In this regard the difference in value between medium and high density residential densities in this market is minimal. Based on the chart above and market participant feedback, with a density of 28 dwelling units per acre for the medium-density land use, we concluded to **$115/SF**.

Conclusion

We concluded to the following medium-density value in the 95050 zip code for 1-acre of land:

Unit $/SF	x	Land Area (SF)	=	Indicated Value
$115	x	43,560	=	$5,009,400

Estimated Market Value of a 1-Acre
Medium-Density Residential Lot in 95050 Zip Code: $5,009,400

<u>Very Low Density Land Value</u>

Similar to the preceding high density land search, we searched data sources for very low and low density residential land transactions and examined data that was discovered by talking to brokers, agents, property owners, and market participants from within the subject market. We searched for recent sales and listings of competing residential properties throughout Santa Clara and the competing market in the nearby cities. Those we found most comparable are displayed on the next grid. A map showing the location of these comparables is displayed in the Addenda.

VERY LOW DENSITY COMPARABLE LAND SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
ADDRESS	Average Street Santa Clara	3023 Homestead Rd. Santa Clara	297 Bel Ayre Santa Clara	1323 Elam Ave Campbell	12360 Redmond Ave San Jose	4170 Jarvis Ave. San Jose
APN		290-25-097	303-21-040	403-09-046	577-13-065	451-24-116
SELLER		Chad L & Tran B Kendrick	Greg N. & Mary C Paulson	James M. Alford	Ulla M & Niloufer F Fasahat	Joan Stapleton (TE)
BUYER		SCIH LLC	John & Margret Faylor	Yanhua Zhu	Redmondt Investment LLC	Terry & Zuan Tran
DOCUMENT NUMBER		23194807	225801582	22985690	23041142	22822725
VERIFICATION SOURCE		Listing Broker	Public Records	Buyer Broker	Buyer Broker	Listing Broker
SALE / *LISTING* PRICE		**$1,850,000**	**$855,000**	**$1,600,000**	**$2,400,000**	**$1,375,000**
SALE / OFFERING PRICE PER SF		**$108.19**	**$49.07**	**$49.64**	**$61.22**	**$64.02**
TRANSACTIONAL ADJUSTMENTS						
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		All Cash		All Cash	All Cash	Conv./55% down pmnt.
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Motivated Seller	Arm's Length	Arm's Length	Arm's Length
ADJUSTMENT		0.00%	10.00%	0.00%	0.00%	0.00%
EXPENDITURES AFTER SALE		Home to remain	None	Demolition	Demolition	Demolition ($10,000)
ADJUSTMENT		-8.11%	0.00%	0.50%	0.50%	0.73%
CLOSE OF ESCROW		January 12, 2016	April 30, 2014	June 12, 2015	August 3, 2015	January 8, 2015
TIME OF SALE / MARKET CONDITION	December 31, 2015	1-Nov-15	19-Feb-14	May 27, 2015	1-Jun-14	1-Jul-14
MOS SINCE END 4Q 2009 THROUGH 1Q 2011		0	0	0	0	0
ADJUSTMENT @ % PER MONTH	-0.50%	0.00%	0.00%	0.00%	0.00%	0.00%
MOS SINCE END 4Q 2011 THROUGH SEPT. 2015		0	19	4	15	14
ADJUSTMENT @ % PER MONTH	1.25%	0.00%	23.75%	5.00%	18.75%	17.50%
ADJ PRICE AFTER TRANSACTIONAL ADJS		**$99.41**	**$66.80**	**$52.38**	**$73.06**	**$75.78**
LOCATIONAL ADJUSTMENTS						
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Superior	Inferior/backs commercial	Similar	Inferior	Similar
ZIP CODE	95050	95051	95050	95008	95120	95118
OVERALL LOCATIONAL RATING						
PHYSICAL ADJUSTMENTS						
SITE SIZE (ACRES)	1.00	0.39	0.400	0.74	0.90	0.49
SITE SIZE (SF)	43,560	17,100	17,424	32,234	39,204	21,476
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Similar	Wedge/1 frontage	Deep lot/Inferior	Similar	Similar
USE/ZONING ADJUSTMENTS						
ZONING		R1	R1	RMS	R1-5	R1-8
GENERAL PLAN	Very Low Density Res	Very Low Den Res.	Very Low Den Res.	Low/Med	Neigh Community/Comm	Res. Neighborhood
ALLOWED DENSITY (dwelling units per acre)	Up to 10	Up to 10	10	6-13		up to 8
NUMBER OF UNITS	10	4	2	3	4	3
ESTIMATED / PROPOSED DU/ACRE	*10.0*	10.3	5.0	4.1	4.4	6.1
INTENDED USE	Residential	Residential	SFD'S	Residential	Residential	Resiidential
AFFORDABLE HOUSING COMPONENT	No	No	No	No	No	No
ENTITLEMENT STATUS	Has Zoning & GP	Had Zoning & GP		Had Zoning & GP	Had Zoning/Needed GP	Had Zoning & GP
OVERALL PHYSICAL & USE/ZONING RATING		Superior	Inferior	Inferior		
OVERALL RATING-SUBJECT SHOULD SELL FOR		**Less**	**More**	**More**	**Slightly More**	**Slightly More**

The following additional sales were considered but were not included as comparables for the reasons stated.

We discovered a sale at 967 Warburton Avenue in Santa Clara that sold October 2015 and subsequently closed escrow February 5, 2016. The property sold at about $63/SF and it included a historic home. The new buyer intends to keep the historical property as a rental and we could not determine its contributory value. Therefore, we concluded this was not a land sale and did not use it as a comparable.

Another transaction at 1098 Lily Avenue, Sunnyvale was advertised as two potential lots, but upon confirmation we determined it included a 2,200 SF house in good condition. As a result, this was not a land sale and we concluded it was not an appropriate comparable.

We are aware of a portfolio of properties located at 2220 Calle De Luna and 2101, 2111 and 2121 Tasman Dr, Santa Clara that sold in September 2015 for greater than $100/SF of land area. This was an assemblage of 5 properties and we could not reasonably determine the market value of each property. Due to these factors we concluded it was not an appropriate comparable.

Adjustment Process

Transactional adjustments were made sequentially for property rights conveyed, financing terms, conditions of sale/motivation of participants, expenditures incurred by the buyer after the sale, i.e. demolition costs, and market conditions since the sale date.

Comparable 1 was marketed as a residential development site for up to 4 lots, but it included a historical home that must remain. The broker opined the homes contributory value at about $150,000, which we concluded was reasonable based on our observation. We deducted this amount from the sale price to get to the land value. This is shown as expenditure after sale on the adjustment grid.

Comparable 2 could not be confirmed with a party to the transaction but it was advertised as a motivated buyer and it was only on the market for 6 days before it went under contract. Supported by the data, we concluded an upward adjustment was warranted for this element of comparison. The comparable was marketed as a lot that could not be subdivided, but City records show the lot was approved for subdivision, and it was subsequently subdivided into two buildable lots.

Comparables 3, 4, and 5 sold with structures that required demolition before their buyers could realize their intended use, new residential. These adjustments were either reported by a party to the transaction or they were based on our observation and utilizing Marshall Valuation Service, a national cost provider used by appraisers.

Market conditions adjustments were applied from the date of the meeting of minds using the rate(s) of adjustment discussed previously in the Market Conditions section of this report.

Locational adjustments were broken into elements that reflect the property's identity to potential tenants or buyers (exposure, visibility), access (to freeways and amenities), and overall desirability of the location based on neighborhood factors such as age and condition of nearby properties, proximity to enhancing or detrimental factors, or an identifiable valuation element relating to address (locational appeal, zip code). Locational adjustments were warranted for the elements of comparison summarized on the grid.

Comparable 1, although it is located in Santa Clara, it is in a different zip code and is perceived by the market as a superior location, warranting a downward adjustment. Comparable 2 backs to and overlooks retail along Stevens Creek Blvd., rating an inferior location, warranting an upward adjustment. Comparable 4 rated an overall inferior location, supported by market perception and lower historical median home prices.

Physical and Use/Zoning adjustments were broken into elements that reflect property size, utility/topography, allowed land uses and density, intended use/development density, affordable housing component, and entitlement status. The proposed building densities bracket the subject. All of the comparables were unentitled, low density residential transactions that bracket the subject.

Conclusion

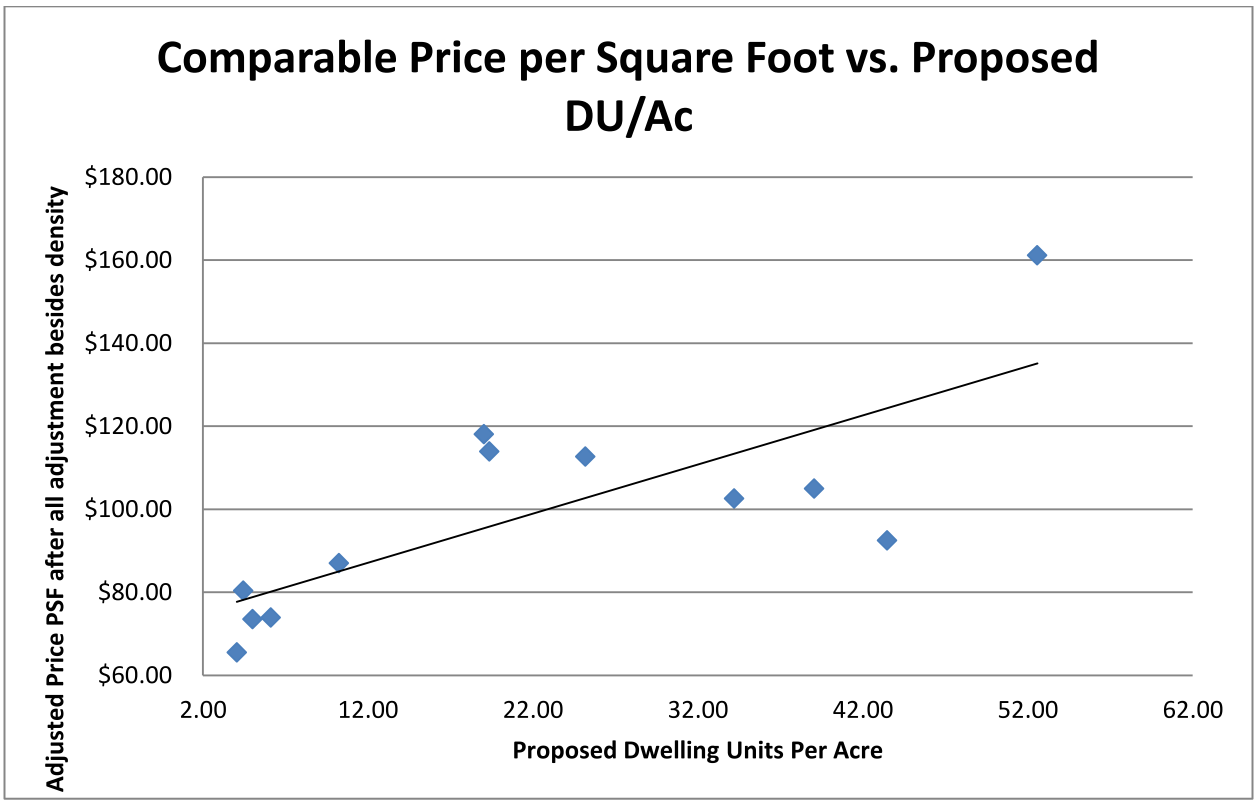
Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the grid. Bracketed by the comparable ratings, but giving most weight to the Santa Clara comparables, we concluded to the following unit value of unentitled very low-density residential land in the 95050 zip code:

Unit $/SF	x	Land Area (SF	=	Indicated Value
$ 80.00	x	43,560	=	$ 3,484,800

Estimated Market Value of a 1-Acre
Very Low-Density Residential Lot in 95050 Zip Code: $3,484,800

Low Density Land Value

For the low-density value component, the City's land use classification cites a low density range of 8-19 dwelling units/acre (DU/Ac), which is greater than the maximum 10 DU/AC allowed in the very low-density classification. We assumed a density of 13 DU/Ac, about the mid-point of the density range. In the market, the primary difference between very low and low-density land value land value relates to density. The density adjustment was estimated based on the relationship between price per SF and density, as evidenced by the comparables. In the next chart we graphed the change in land value per square foot vs. the change in density, using the previous high and very low-density comparable sales.



As shown in the chart above, the price per square foot of land increases with increasing density. This is congruent with our observations in the market that as building density increases, price per SF typically increases. We concluded there is a difference in value/SF between the preceding very low density and low-density residential which has a higher density. Based on the chart above and market participant feedback, at a density of 13 dwelling units per acre for the low-density land use, we concluded to $90/SF.

Conclusion

We concluded to the following Low-density value in the 95050 zip code for 1-acre of land:

Unit $/SF	x	Land Area (SF	=	Indicated Value
$ 90.00	x	43,560	=	$ 3,920,400

Estimated Market Value of a 1-Acre Low-Density Residential Lot in 95050 Zip Code: $3,920,400

Commercial Land Value

We searched similar data sources as for the residential land and examined data that was discovered by talking to brokers, agents, property owners, and market participants from within the subject market. We searched for recent sales and listings of competing retail and office properties throughout Santa Clara and nearby cities. Those we found most comparable are displayed on the grid on a following page. A map showing the location of these comparables is displayed in the Addenda.

In addition to the comparables depicted on the next grid, we are aware of two transactions of 3935 Freedom Circle in Santa Clara but did not select either of them as a comparable. The first sale included about 3.27 acres of land improved with a restaurant building and sold for a reported $3.2 million to Legacy Partners Commercial in December 2014. Then in March 2015, Terra Hospitality Inc. purchased this property for a reported $10,100,000, which equates to about $71/SF on the land. The listing broker reported that the second purchase was by the tenant and that the sale price was probably pretty close to the market value of the land. However, he indicated that the tenant was going to remain in the building; Santa Clara's Smart Permit Center shows that there are no proposals for the property. Because the intended use is to continue utilizing the improvement, and we could not reconcile the difference in the two selling prices, neither of this property's two sales were utilized as a comparable.

A parcel adjacent to 3935 Freedom Circle on the east is presently in escrow to Greystar Real Estate Partners, who are working on entitlements for a 275,000 SF office building and 950 residential units on a 13.3-acre site. The selling price is unknown, and the large size was not appropriate for use as a commercial comparable, since we had adequate comparables that were more similar in size.

In July 2015 Apple bought a 43 acre unentitled site at 2347 N. 1st Street in San Jose for a reported $138,172,000, which is about $74/SF on the land. New office buildings are anticipated. The large size precluded inclusion as a comparable, since we had adequate comparables that were more similar in size..

We discovered a commercial sale at 3595 Benton Street in Santa Clara that closed escrow in October 2015. We determined however that the transaction included an operating gas station. Since an operating gas station (may include business and/or goodwill value) was included in the price, this was not a land sale and we did not consider it an appropriate comparable.

COMMERCIAL LAND COMPARABLE SALES							
ELEMENT OF ADJUSTMENT	**SUBJECT**	**Comparable 1**	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**	**Comparable 6**
ADDRESS	Average Street	4935 Stevens Creek Blvd	999 El Camino Real	1031 El Camino Real	861 E El Camino Real	1812 Hillsdale Ave	7265-85 Bark Ln
	Santa Clara	Santa Clara	Santa Clara	Santa Clara	Sunnyvale	San Jose	San Jose
APN		296-20-004	224-28-067	224-28-035	211-16-021	419-05-059	372-24-033
SELLER		LJS LLC	Baggott Family Trust	Heidi Weidmann	Pisa Trust, et al	T Antraccoli RL & RL 1990 Trust	Bark Deanza LLC
BUYER		Nevada Deanza Family LP	Jose L Valencia	City of Santa Clara	Baton Rouge Hospitality LLC	Thao Bui & Mai T Thai	Sierra Bridge LLC
DOCUMENT NUMBER		22879286	22145185	22712081	22539072	22893779	22782043
SALE PRICE		$3,700,000	$250,000	$1,700,000	$5,050,000	$1,700,000	$2,050,000
PARCEL SIZE (Acres)	1.00	1.02	0.13	0.6	1.56	0.69	0.52
PARCEL SIZE (SF)	43,560	44,475	5,662	26,136	67,954	29,977	22,602
SALES PRICE/SQUARE FOOT		**$83.19**	**$44.15**	**$65.04**	**$74.32**	**$56.71**	**$90.70**
TRANSACTIONAL ADJUSTMENTS							
REAL PROP. RIGHTS CONVEYED		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
FINANCING TERMS $		Conventional	Conventional	All Cash	All Cash	All Cash	All Cash
CONDITIONS OF SALE		Arm's-Length	Tenant Purchase/Below Market	Arm's Length	Arm's-Length	Arm's-Length	Arm's-Length
ADJUSTMENT		0.0%	20.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURES AFTER PURCHASE		Demo Offset by Income	None	Demolition	Demo Offset by Income	None Significant	Sewer System Upgrade Credit
ADJUSTMENT		0.0%	0.0%	3.8%	0.0%	0.0%	-3.9%
CONTRACT DATE / MKT CONDITIONS	**December 2015**	January 2015	February 2013	August 2014	December 2013	November 2014	October 2014
RECORDING DATE		March 11, 2015	March 26, 2013	September 22, 2014	March 7, 2014	March 25, 2015	November 25, 2014
MONTHS SINCE SALE THROUGH 4Q-2011		0	0	0	0	0	0
Adjustment rate per month	-0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MONTHS FROM END OF 3Q-2012 THROUGH	DEC 2015	11	34	16	24	13	14
Adjustment rate per month	1.00%	11.00%	34.00%	16.00%	24.00%	13.00%	14.00%
ADJ. PRICE/SF WITH TRANS. ADJ.		**$92.34**	**$71.00**	**$78.32**	**$92.15**	**$64.08**	**$99.36**
LOCATIONAL ADJUSTMENTS							
EXPOSURE	Average	Similar	Sl Superior/Corner	Similar	Sl Superior/Traffic	Similar	Inferior/Traffic
APPEAL/SITE INFLUENCES/ACCESS	Average	Superior/Access & Neigh	Similar	Similar	Superior/Rents	Inferior/Rents/Synergies	Superior/Access & Neigh
ZIP CODE	95050	95051	95050	95050	94087	95124	95129
LOCATIONAL COMPARISON		Superior	Slightly Superior	Similar	Superior	Inferior	Superior
PHYSICAL & USE/ZONING ADJUSTMENTS							
PARCEL SIZE (Acres)	1.00	1.02	0.13	0.60	1.56	0.69	0.52
UTILITY	Average	Similar	Similar	Similar	Superior/2 Street Frontages	Similar	Sl Inferior/Irregular Shape
OFF-SITE IMPROVEMENTS	Finished Lot	Similar	Similar	Similar	Similar	Similar	Similar
ZONING/GENERAL PLAN	CT / Regional Commercial	CT/ Regional Commercial	CN / Neighb Community Comm	CT/Community Mixed Use	C-2 ECR / General Business	CN/Neigh Community Comm	CP/Neigh Community Comm
PROPOSED USE(S)	Retail	Hold/Car Wash Interim	Camper Shell Sales		Hotel	Retail	2-Story Office
PHYSICAL & USE/ZONING COMPARISON		Similar	Inferior	Similar	Slightly Superior	Similar	Slightly Inferior
OVERALL RATING		**DOWN**	**UP**	**Similar**	**DOWN**	**UP**	**DOWN**

Adjustment Process

The adjustment methodology was similar as above.

Transactional adjustments were warranted. Comparable 2 was purchased by the tenant and, "given a good deal," according to the listing broker and supported by the data; the broker reported it should have sold for $300,000, about 20% more. This comparable was adjusted upward by this amount for this element of comparison which fit the data well. The seller of Comparable 1 opined that this transaction represents the land only; the building(s) and car wash business sold separately. Comparables 1 and 4 had operating retail tenants at the time of sale, offsetting the need for any demolition costs, while the buyers worked on entitlements for a new use. Conversely, Comparable 3 had an existing motel improvement that was demolished subsequent to the sale, warranting a downward adjustment for demolition cost, as depicted on the sales grid. The comparable was purchased by the City of Santa Clara based on an appraisal, which stated the motel improvement was in fair condition and it didn't contribute to the overall value of the property. This was congruent with our observations and the fact that the hotel improvement has been removed from the property which is now a vacant lot. The confirming party for Comparable 6 indicated that a new sewer line was needed and that the buyer and seller agreed to split the cost, which was about $160,000. A downward adjustment of $80,000 is shown on the grid, as this was an additional credit to the buyer.

Market conditions adjustments were applied from the date of the meeting of minds using the amount(s) of adjustment discussed previously in the Market Conditions section.

Locational adjustments were broken into elements that reflect the property's identity to potential tenants or buyers (exposure, visibility), access (to freeways and amenities), and overall desirability of the location based on neighborhood factors such as age and condition of nearby properties, proximity to enhancing or detrimental factors, or an identifiable valuation element relating to address (locational appeal). Locational adjustments were warranted as summarized on the grid.

Physical adjustments were considered for size, utility, and off-site improvements. Physical adjustments were warranted as summarized on the grid. Comparable 2's lot size was smaller than typical in this market and would allow for limited development options in order to comply with setbacks and parking. Therefore, an upward adjustment was warranted for this comparables inferior size. Comparable 4 rated inferior due to its larger lot size; larger lots command lower selling prices per SF in this market due to the law of diminishing returns.

Conclusion

Bracketed by the comparables, we concluded to the following unit value for commercial land in the 95050 zip code:

Unit $/SF	x	Land Area (SF)	=	Indicated Value
$80		43,560		$3,484,800

Estimated Market Value of a 1-Acre Commercial Lot in Zip Code 95050: $3,484,800

__Industrial Land Value__

We searched the same databases listed above and reviewed other data discovered by talking to brokers, agents, property owners, and market participants from within the industrial market. We searched for recent sales and listings of competing industrial properties throughout Santa Clara and nearby cities. We also searched for recent improved sales with improvements that were nearing the end of their economic lives. Those we found most comparable are displayed on the following grid. A map showing the location of these comparables is displayed in the Addenda.

We are aware of some additional sales in this market described briefly below but were not selected as comparables:

- A ground lease transaction at 2750 De La Cruz Blvd in Santa Clara closed escrow in September 2014. The buyer purchased a car rental lot of 8.34 acres for $20,000,000, which equates to about $55/SF of land. The fact that this property was leased rendered it not an appropriate comparable.

- The City of Santa Clara purchased 8.75 acres of land in August 2014 along Grant Street. The selling price was about $22/SF on the land. Due to the fact that there were previous environmental issues, this sale was not an appropriate comparable.

- A sale in August 2014 at 800 Laurelwood Rd of a 0.74 acre property improved with an old Quonset-hut building that sold at $40/SF on the land. We were unable to determine if the improvements were given any value, or what the intent of the buyer was; the building has not been demolished. For these reasons and because we couldn't determine the contributory vale of the building improvements, it was not included as a comparable.

- Hunter Storm purchased land along Coleman Ave just south of Brokaw Rd and the City of Santa Clara border for a project titled Coleman Highline. Approximately 23 acres were purchased from the City of San Jose for a reported $41/SF so that a massive office and hotel project could be built. Hunter/Storm has an option to purchase an additional 19 acres adjacent to this project which must be exercised by the conclusion of 2017. Since we had adequate sales that were closer in size to the subject, the large size of these properties and the mixed-use nature would not make either sale appropriate for use as an industrial land comparable.

We were unable to confirm the details of Comparable 1 with a party to the transaction. We relied on listing fliers, subscription service data, and information available from a summary transcript of the public record for transaction details regarding this comparable.

INDUSTRIAL LAND COMPARABLE SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
ADDRESS	Average Street Santa Clara	914 Stockton Ave San Jose	2680-2700 Scott Blvd Santa Clara	1505 Nicora Ave San Jose	2365 Lafayette Santa Clara	430 Aldo Ave Santa Clara
APN		230-40-071	224-10-109, -110, -111	101-13-001	220-40-010	101-15-006
SELLER		Bobby Darrell & Cleoma Charlene Wilson	A. Stalder 1987 Trust	Rolston & Jacquelyn Johnson	Gangi Brokers Packing Company, Inc	Allen G Trust & Marta MT Dinsmore
BUYER		Jose Antonio & Amarantina Marie Medeiros	Bothman Family Trust	DRL Properties LLC	Bowles Eckstrom & Associates, LLC	Logadia Holdings, LLC
SALE PRICE		$610,000	$3,750,000	$1,100,000	$4,135,000	$1,896,500
DOCUMENT NUMBER		22538233	22024553	22876483	22872800	22837169
BONDS ASSUMED / SF		$0.00	$0.00	$0.00	$0.00	$0.00
TOTAL COST TO BUYER / SF		**$43.57**	**$29.75**	**$27.75**	**$36.51**	**$53.75**
TRANSACTIONAL ADJUSTMENTS						
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple/S Term Lease	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS / DOWNPAYMENT		Seller / 40%	All Cash	Conventional/35%	All Cash	Conv/Constr. Loan
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Arm's-Length	Arm's-Length	Arm's-Length	Arm's-Length
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
ADDITIONAL COSTS TO BUYER		None	Demo Offset by Temp. Use	None	None	None
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONTRIBUTORY VALUE OF IMPROVEMENTS		None	None	None Significant	None Significant	Metal Building / $325k
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	-17.14%
CLOSE OF ESCROW		3/7/2014	12/28/2012	3/9/2015	3/20/2015	1/27/2015
TIME OF SALE / MARKET CONDITION	December 2015	Est. January 2014	December 2012	January 2015	January 2015	November 2014
MO'S FROM START OF 1Q-2012 THROUGH 2Q-2014		5	18	0	0	0
ADJUSTMENT @ % PER MONTH	0.25%	1.25%	4.50%	0.00%	0.00%	0.00%
MO'S FROM START OF 3Q-2014 THROUGH DEC 2015		18	18	11	11	13
ADJUSTMENT @ % PER MONTH	0.50%	9.00%	9.00%	5.50%	5.50%	6.50%
ADJUSTED PRICE / SF		**$48.09**	**$33.88**	**$29.28**	**$38.52**	**$47.43**
LOCATIONAL ADJUSTMENTS						
EXPOSURE/VISIBILITY	Average	Similar	Similar	Similar	Sl Sup/Traffic Retail Syn	Similar
ACCESS	Average	Similar	Similar	Inf/cul-de-sac & Fwy	Similar	Similar
NEIGHBORHOOD APPEAL	Average	Similar	Similar	Inferior/Rents	Similar	Superior/Rents
ZIP CODE	95050	95110	95050	95133	95050	95054
OVERALL LOCATIONAL RATING		Similar	Similar	Far Inferior	Sl Superior	Superior
PHYSICAL & USE/ZONING ADJUSTMENTS						
PARCEL SIZE (ACRES)	1.00	0.32	2.89	0.91	2.60	0.81
PARCEL SIZE (SF)	43,560	14,000	126,067	39,640	113,256	35,284
UTILITY	Average	Superior/Paved	Similar	Inf/Irregular Sup/Paved	Easements / Paved	Superior/Paved
OFF-SITES	Finished Lot	Similar	Similar	Similar	Similar	Similar
INTENDED USE		Contractor Storage Yard	Contruction Co HQ	Storage Yard	Industrial	Industrial
ZONING	Heavy Industrial	Light Industrial	Heavy Industrial	Light Industrial	Heavy Industrial	Light Industrial
GENERAL PLAN	Light Industrial	Light Industrial	Heavy Industrial	Light Industrial	Heavy Industrial	Light Industrial
OVERALL PHYSICAL & USE/ZONING RATING		Superior	Inferior	Slightly Inferior	Slightly Inferior	Similar
OVERALL RATING		**DOWN**	**UP**	**UP**	**SIMILAR**	**DOWN**

Adjustment Process

Adjustments were considered for and applied in a similar manner as above for the commercial sales. Comparable 5 was improved with a metal building which contributed value to the sale. The listing broker couldn't remember if there was a building on the property and thus was unsure of its contributory value. We estimated the contributory value of this 10,250 SF building based on our observation and using MVS.

Market conditions adjustments were applied at the rates concluded to in the Market Conditions section.

Similar to the commercial grid, locational adjustments were considered for exposure, visibility, access (to freeways and amenities), and overall desirability of the location, including zip code. Locational adjustments were warranted as summarized on the grid.

Physical adjustments were considered for size, utility, intended use, zoning, general plan designation, and off-site improvements. Physical adjustments were warranted as summarized on the grid.

Conclusion

Following transactional adjustments and considering the overall rating comparison for each comparable, the unit values of the comparables suggested a range in the high-$30's per square foot.

We concluded to the following unit value for industrial land in the 95050 zip code:

Unit $/SF	x	Land Area (SF)	=	Indicated Value
$38		43,560		$1,655,280

Estimated Market Value of a 1-Acre Industrial Lot in Zip Code 95050: $1,655,280

Average Value Estimate in 95050 Zip Code

The average value was estimated by applying a weighted average based on the land area of the total sales in Santa Clara in 2015 by property type. The city provided us this information through a 3rd party, Old Republic Title. *It was an extraordinary assumption of this appraisal that the land areas provided by Old Republic were accurate.*

Old Republic reported a total of 931 transactions in Santa Clara in 2015. There were 26 2-4 sales, 11 commercial sales, 332 townhome/condominium sales, 556 single family sales, and 6 vacant land sales. Residential transactions included single family, townhomes and condominiums, and they comprised the vast majority of the sales. Of the total residential sales, single family comprised the most acreage as shown in the next table. We point out to the reader that in our previous appraisals we utilized the number of sales of the different property types to estimate the weighted average as opposed to the acreage associated with each property type. Although the number of townhome/condo and single family sales in 2015 was about 35% and 60% respectively of the total sales, using acreage the single family transactions represented about 76% of the total acreage sold in 2015 and townhome/condos represented only 9% of the total. Therefore, these different methodologies produce significantly different results. Using acreage instead of the number of sales produced a lower average value.

The total number of acreage sales (broken out by property type) is reflected in the table below:

2015 Santa Clara Sales		
Sale Type	**Acres**	**Total %**
Commercial	777,298	15.88%
Very Low to Low Density Residential	3,699,104	75.60%
Medium to High Density Residential	417,045	8.52%
Total	**4,893,447**	**100.00%**

Since the Old Republic data didn't segregate very low and low-density, medium and high-density residential, or retail, office and industrial, we grouped them together as shown in the preceding table. The 2-4 and single family sales were grouped into very low and low-density, the townhome and condominium data was grouped into the medium and high-density, and retail, office and industrial were grouped into commercial. About 76% of all acreage transactions in Santa Clara in 2015 were very low to low-density residential, followed by 16% commercial acreage, and 9% medium to high-density residential.

Conclusion

The % of total in the previous table was applied to the appropriate categories. The residential component was split evenly between the very low and low-density residential values, or about 37.80% each [75.60% / 2], the medium density and high-density residential values, or about 4.26% each [8.52% / 2], since each of the categories reported by Old Republic included every type of residential sale with these density ranges. For the commercial category, based on the total acreage of commercial and industrial transactions reported in 2015, industrial represented about 58% of the acreage and other commercial represented about 42%. Therefore, I concluded to 6.67% (15.88% x 42%) for commercial and 9.21% (15.88% x 58%) for industrial. The appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95050 zip code:

95050 ZIP CODE SUMMARY						
Land Use	**Price per SF**	**Price per Acre**	**x**	**Weighted Average**	**=**	**Weighted Value**
Very Low Density Residential	$80.00	$3,484,800	x	37.80%	=	$1,317,254
Low Density Residential	$90.00	$3,920,400	x	37.80%	=	$1,481,911
High Density Residential	$120.00	$5,227,200	x	4.26%	=	$222,679
Medium Density Residential	$115.00	$5,009,400	x	4.26%	=	$213,400
Commercial	$80.00	$3,484,800	x	6.67%	=	$232,436
Industrial	$38.00	$1,655,280	x	9.21%	=	$152,451
				TOTAL AVERAGE VALUE		**$3,620,132**

Average Value of a Hypothetical 1-Acre Lot in the 95050 Zip Code: $3,620,000 (Rounded)

AVERAGE VALUE ESTIMATE IN 95051 ZIP CODE

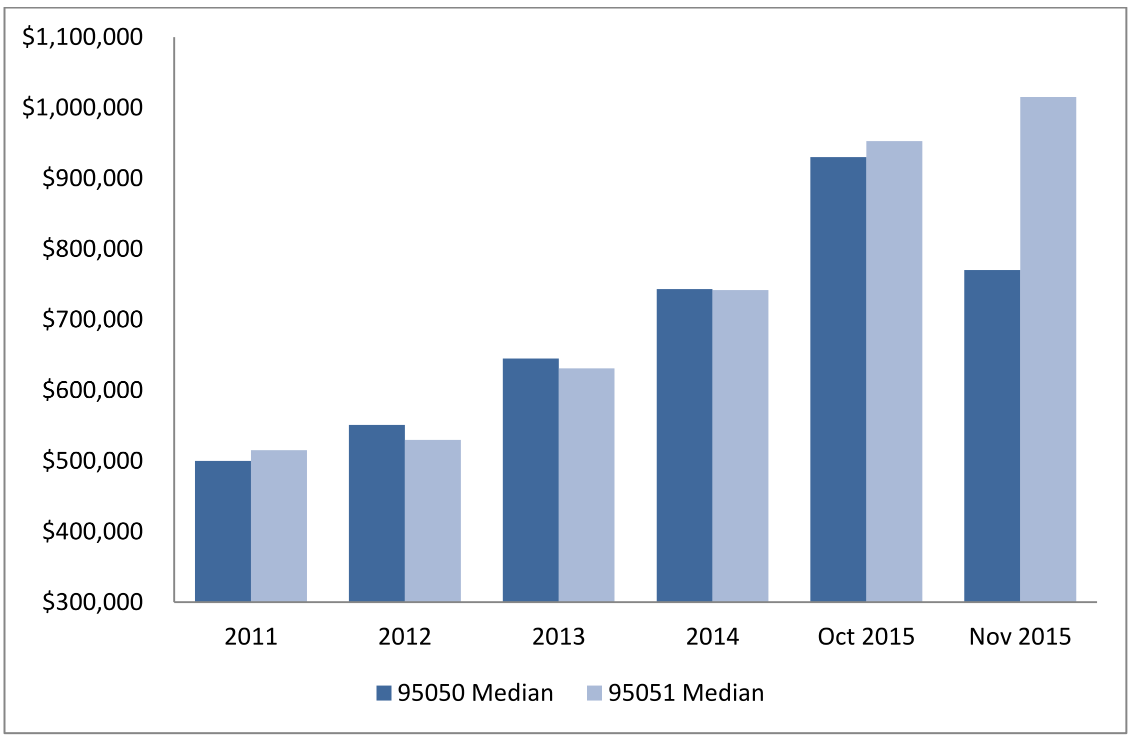
We estimated the value of 1 acre of land for zip code 95050 above. Following we apply any differences in value between the 95051 and 95050 zip codes.

Estimating Differences Between Zip Codes

Differences between the 95050 and 95051 zip code for the various uses was based primarily upon market feedback, anecdotal information, a comparison of values/rents for the commercial and industrial uses, and a comparison of median selling prices for the residential uses.

Residential Difference

Market participants and median selling prices provided support that residential prices in the 95051 zip code are generally similar compared to the 95050 zip code. Some brokers believed that the 95050 area was slightly better due to Santa Clara University and a larger upper-middle class. Others pointed to the fact that the 95051 zip code includes an area of the city within the Cupertino Union School District, a higher rated school district, which commands residential price premiums. One felt that the new Apple campus construction near the southwest corner of the City has or will increase values in the 95051 zip code. Several brokers reported that some of the nicest neighborhoods in the City are in and around San Tomas Expressway, which bisects 95050 and 95051. One market participant believed all areas of the city balanced out since they offered different price points based on different amenities, whether it was Walk Scores, schools, etc. Recent yearly-summary median prices and October and November 2015 median prices between the 95050 and 95051 zip codes, as reported by DataQuick News, indicated the following:



The chart above indicates that the median selling prices were generally similar by the end of each year, with each being higher in October and November. Statistics obtained from MLSListings indicated that between 3Q-2014 and 2Q-2015, the median selling prices of SFR's were 15.6% higher in 95051, but the median price of townhouses and condos were 13.9% lower in 95051. Among sales transacting in the first half of 2015, as reported by MLSListings, the median price in 95051 was 13.3% higher than in 95050. Among the sales transacting between 3Q-2014 and 2Q-2015, the median selling prices of SFR's were 9.0% higher in 95051. The November 2015 statistics show a significantly higher price in the 95051 area code, but compared to the other periods this is out of pattern. Based on market data, we concluded that residential land prices were 5% superior in the 95051 zip code.

Commercial Difference

We discovered that commercial land values are generally similar among commercial uses located along El Camino Real and Stevens Creek Blvd. within the 95050 and 95051 zip codes, which are the primary commercial corridors in Santa Clara. A comparison of the 5-year average asking rental rate, as compiled by CoStar, revealed that the average asking rents between these zip codes were nearly identical, $1.81/SF/Month NNN in 95050 vs. $1.84/SF/Month in 95051. Market participants reported that they don't see too much difference between the two areas. We concluded no adjustment between the 95050 and 95051 zip codes was warranted for the commercial land values.

Industrial Difference

Among industrial properties, much of the product in the 95051 zip code is built as, or allows for, R&D and higher intensity office uses, and greater floor area ratios, rating superior to 95050. Furthermore, some of the industrial lands in the 95051 zip code, particularly around Kifer Rd and Lawrence Expy, are converting to residential uses, reducing the supply of industrial properties, and pushing increasing demand and value for them at the same time. A comparison of the 5-year average asking rental rate per SF, as compiled by CoStar, showed that asking rents averaged $1.11/SF/Month NNN in the 95050 zip code vs. $1.19/SF/Month NNN in the 95051 zip code, a 7.2% premium. Market participant input was somewhat inconclusive; some believed there was no real difference in industrial land values between 95050 and 95051, whereas others estimated that the 95051 zip code garnered a premium on the order of 10-15%. After consideration for differences in asking rents and the opinions of the market, we concluded to a 10% premium for industrial land within the 95051 zip code.

Conclusion of Value in 95051 Zip Code

Based on the conclusions above the adjusted price per acre for each land use in the 95051 zip code was adjusted and the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95051 zip code:

95051 ZIP CODE LAND USE VALUES & AVERAGE VALUE PER ACRE					
Land Use	95050 Average Price/Acre Weighted	x	Adjustment Factor	=	95051 Average Price per Acre
Very Low Density Residential	$1,317,254	x	105.00%	=	$1,383,117
Low Density Residential	$1,481,911	x	105.00%	=	$1,556,007
High Density Residential	$222,679	x	105.00%	=	$233,813
Medium Density Residential	$213,400	x	105.00%	=	$224,070
Commercial	$232,436	x	100.00%	=	$232,436
Industrial	$152,451	x	110.00%	=	$167,696
	TOTAL AVERAGE VALUE PER ACRE				**$3,797,138**

Average Value of Hypothetical 1-Acre Lot in the 95051 Zip Code: $3,800,000 (Rounded)

AVERAGE VALUE ESTIMATE IN 95054 ZIP CODE

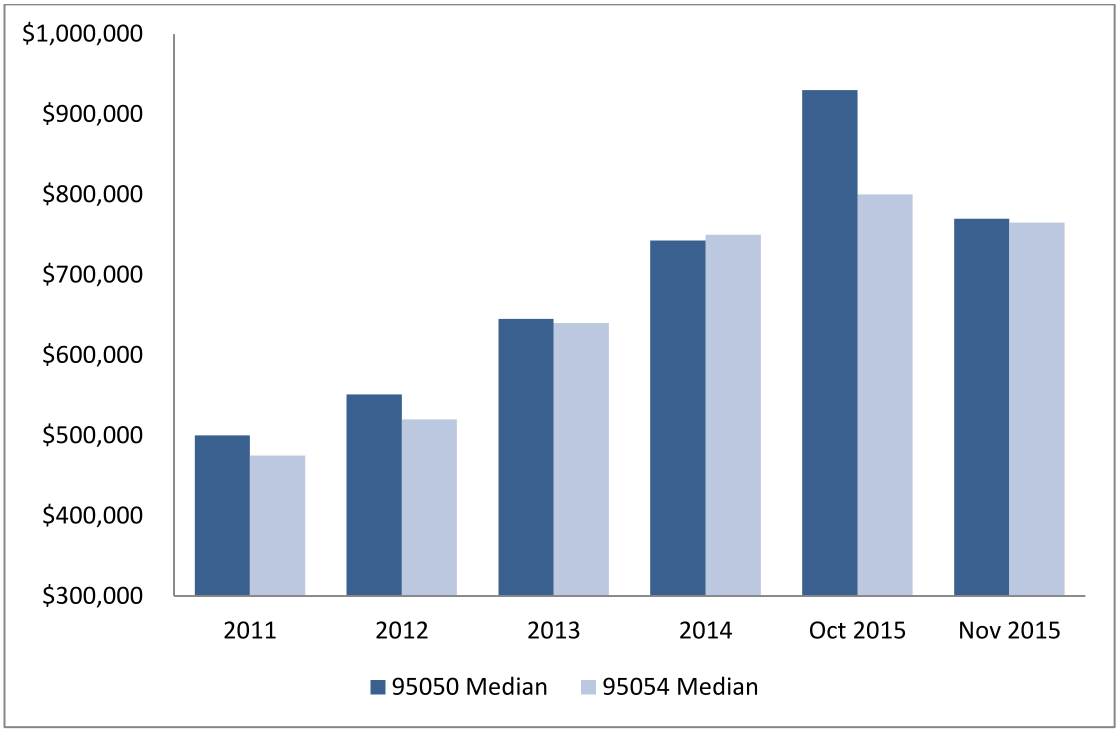
We utilize the same 1 acre of weighted land values from zip code 95050 and apply any differences in value between the 95054 and 95050 zip codes. We then apply the appropriate weighted average number of acres to each 95054 land use value.

Estimating Differences Between Zip Codes

We applied the same methodology we used above to estimate the value differences between the 95050 and 95051 zip codes.

Residential Difference

Median selling prices provided support that the residential prices in the 95054 zip code were generally similar compared to the 95050 zip code. With the exception of October 2015, the gap had narrowed in recent years and now appears to be absent. Brokers active in the market reported a range of opinions, supporting the perception that neither was more superior today. Recent yearly-summary median prices and October and November 2015 median prices between the 95050 and 95054 zip codes, as reported by DataQuick, indicated the following:



As shown in the chart above, median selling prices were higher in the 95050 zip code compared to the 95054 zip code until 2014. With the exception of October 2015 which is out of pattern when compared to the other periods, the recent data seems to indicate that the median prices within these two zip codes are similar. Statistics obtained from MLSListings indicated that between 3Q-2014 and 2Q-2015, the median selling prices of SFR's were 13.7% higher in 95054, and the median price of townhouses and condos were 18.9% higher in 95054. Among single family and condominium/townhouse sales transacting in the first half of 2015, as reported by MLSListings, the median price in 95054 was 5.2% higher than in 95050, lending support that the gap, if any, has been eliminated. The median prices in 95054 are partly skewed higher due to the fact that there are a greater proportion of newer (and larger) residences in this zip code, particularly the Rivermark area, which command higher selling prices. Based on MLS, Dataquick statistics, and the general market, we concluded that residential land prices were similar in the 95054 zip code compared to 95050.

Commercial Difference

Market participants reported that there has been a greater push for commercial north of U.S. 101 and in the 95054 zip code. This is partly influenced by the new developments along the Great America Pkwy corridor and the opening of Levi's Stadium. This area of Silicon Valley includes the Golden Triangle and has historically supported higher intensity uses and properties offering freeway visibility (U.S. 101 and CA-237). The greatest concentration of Class A office is located within this zip code and more is presently under construction. A comparison of the 5-year average asking rent per SF, as compiled by CoStar, revealed that the average rents between these zip codes was higher in 95054, $2.01/SF/Month NNN vs. $1.81/SF/Month in 95050, a difference of about 11%. CoStar's current survey rates indicated a 13.7% premium in asking rates in the 95054 zip code. At the time of our previous appraisal, one broker estimated that pricing would be about $500,000/acre higher in 95054, which was about 16.4% higher than our commercial value conclusion in the 95050 zip code. We concluded that an upward adjustment of 15% was warranted for the 95054 zip code for higher commercial land value, supported by higher rental rates and the opinions of market participants.

Industrial Difference

Among industrial properties, much of the product in the 95054 zip code is built as, or allows for, R&D and higher intensity office uses, rating superior to 95050. This also allows for greater floor area ratios in 95054. Most market participants reported higher prices in 95054 due primarily to superior freeway access and fewer heavy-industrial uses. One market participant believed the heavy-industrial zoned areas would be worth more. A comparison of the 5-year average asking rent per SF, as compiled by CoStar, showed that asking rents averaged $1.11/SF/Month NNN in the 95050 zip code vs. $1.33/SF/Month NNN in the 95054 zip code, a 19.8% premium. CoStar's current survey rates indicated a 32% premium in 95054. A local broker estimated that there was a 15-25% premium in the 95054 zip code area compared to 95050. We concluded to a 20% premium for industrial land within the 95054 zip code.

Conclusion of Value in 95054 Zip Code

Based on the conclusions above, the adjusted price per acre for each land use in the 95054 zip code was adjusted and the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95054 zip code:

95054 ZIP CODE LAND USE VALUES & AVERAGE VALUE PER ACRE					
Land Use	95050 Average Price/Acre Weighted	x	Adjustment Factor	=	95051 Average Price per Acre
Very Low Density Residential	$1,317,254	x	100.00%	=	$1,317,254
Low Density Residential	$1,481,911	x	100.00%	=	$1,481,911
High Density Residential	$222,679	x	100.00%	=	$222,679
Medium Density Residential	$213,400	x	100.00%	=	$213,400
Commercial	$232,436	x	115.00%	=	$267,301
Industrial	$152,451	x	120.00%	=	$182,941
	TOTAL AVERAGE VALUE PER ACRE				**$3,685,487**

Average Value of a Hypothetical 1-Acre
Lot in the 95054 Zip Code: $3,685,000 (Rounded)

RECONCILIATION AND OPINION OF AVERAGE VALUES

The sales comparison approach was the appropriate value approach for each land use. Total sales statistics revealed that about 75% of all Santa Clara sales by acreage in 2015 were very low and low-density residential, while medium and high density comprised only about 9% of the total sales by acreage. For this reason, the average value in each zip code was heavily weighted to very low and low-density residential. We concluded to the following average values for each zip code on the effective date of value opinion:

Opinion of Average Value of a 1-Acre
Lot in the 95050 Zip Code: $3,620,000

(Three Million Six Hundred Twenty Thousand Dollars)

Opinion of Average Value of a 1-Acre
Lot in the 95051 Zip Code: $3,800,000

(Three Million Eight Hundred Thousand Dollars)

Opinion of Average Value of a 1-Acre
Lot in the 95054 Zip Code: $3,685,000

(Three Million Six Hundred Eighty-Five Thousand Dollars)

ADDENDA

- Old Republic Title Company 2015 Sales data in City of Santa Clara (on file)
- City of Santa Clara Supplemental Instructions for the Appraisal of the Fair Market Value of Land
- Maps of the Sale Comparables
- Brokerage Reports (excerpts)
- Qualifications of Appraiser(s)

Attachment A
Supplemental Instructions
for the Appraisal of the Fair Market Value of Land

The following information and instructions will be used by the City when setting the land value used in the formula for determining the impact fees due in lieu of park and recreational land dedication pursuant to Santa Clara City Code 17.35. *(Approved by Santa Clara City Council—June 7, 2016)*

Background.
On July 15, 2014, Council added Chapter 17.35 "Park and Recreational Land" to the Santa Clara City Code to ensure that new residential development provides adequate community and neighborhood park land for active recreational uses and/or pays a fee in-lieu of parkland dedication to mitigate the impacts of the new growth pursuant to the California Quimby Act and/or Mitigation Fee Act.

17.35.040 Formula for calculation of fee in lieu of land dedication.

(a) When a fee is required to be paid in lieu of parkland dedication, the maximum amount of such fee shall be determined by the fair market value of the amount of land that would otherwise be required to be dedicated pursuant to SCCC 17.35.030, as set forth below. The date of valuation of the property for in-lieu fee purposes shall be the date that the City determines that the developer's application for a parcel map or tentative subdivision map, or application for projects not involving a subdivision, is complete.

(b) Fair Market Value.

(1) The City shall determine the fair market value of the property by using the average per acre land value for property in the City of Santa Clara, based upon a survey of land values and sale records in the City. The City Council shall set a minimum of three such average values, one for each of the three existing Zip Codes in the City (95050, 95051, 95054). The City Council may, at its discretion, set average values for additional subregions of the City. The City Council shall review the fair market values not less than annually and set the values in a Council resolution.

(2) If the developer objects to this determination of fair market value, the developer may elect to have the value established by appraisal. If the developer chooses this option, the developer shall deposit with the City an amount sufficient to cover the cost of an appraisal, which the City shall conduct. The appraisal shall be completed prior to approval of the tentative or parcel map or, for developments not involving a subdivision, prior to the issuance of a building permit.

(c) Based on the determination of fair market value set forth in subsection (b)(1) of this section, for each of the dwelling unit categories, the City Council shall set the amount of fees to be paid in lieu of parkland dedication in a Council resolution, which the Council shall review annually. (Ord. 1928 § 3, 7-15-14).

Guidelines for Appraiser:

a. *Appraiser is to provide a "Fair Market Value" for an average acre of land (hypothetical, rectangular, useable site) for property in each of the three existing City of Santa Clara Zip Codes 95050, 95051, 95054. The opinion will conform to Uniform Standards of Professional Appraisal Practice.*

b. **Valuation Date:** *December 31 of each year.*

c. **Location & Property Sales Data Set Boundaries**: *Data set will begin with sales data from within Santa Clara City limits.*

d. **Data Set Date Range:** *Use data from January 1st to December 31st of each year. Example: January 1, 2015 to December 31, 2015 for "December 31, 2015 Valuation Date." See contingencies below.*

e. **Property Types:** *Use all of the following property types: Single Family (low and very low density), High Density Residential, Medium Density Residential, Commercial, Industrial, Lots and Land.*

f. **Contingencies for Limited Data Set of each Property Type**: *If there are insufficient, credible data points or sales of a particular property type, then appraiser will explore and use comparable sales from the local competitive market area, adjacent to City of Santa Clara. A fixed distance from City of Santa Clara city limit is not given, however a compelling, rational basis for the selection of the competitive market area must be given by the appraiser in the report. Preference is for closer, more recent, and comparable; discretion is given to the appraiser.*

g. **Sales Transactions Data not to be used:** *Do not use transactions if they are not an arms-length transaction, have encumbered/clouded title, are environmentally impaired site, or are more than three (3) years old.*

h. **Inflation factors for Comparable between 1 and 3 years:** *An inflation factor will be computed and applied to comparable sales over one year based on reasonable and rational considerations such as sales and rental trends or other appropriate methods.*

i. **Sales Transactions Data that may be included:** *May use real estate sales transactions by the City of Santa Clara for additional neighborhood or community parkland.*

j. **Data Values excluded:** *No values or set of values at the high or low end of the data set are to be excluded from consideration in the average values on the sole basis of being relatively high or low; however, a check for consistency among comparable values will be done, and a rational basis should be provided for credible comparable transactions if not used.*

k. **Research Factors to be considered for Comparable sales:** *The factors to be used to compare property values include, but are not limited to physical factors, economic factors, market conditions verification to parcel maps, public records, CoStar data bank. Additional factors may be used provided there is a rational basis for doing so.*

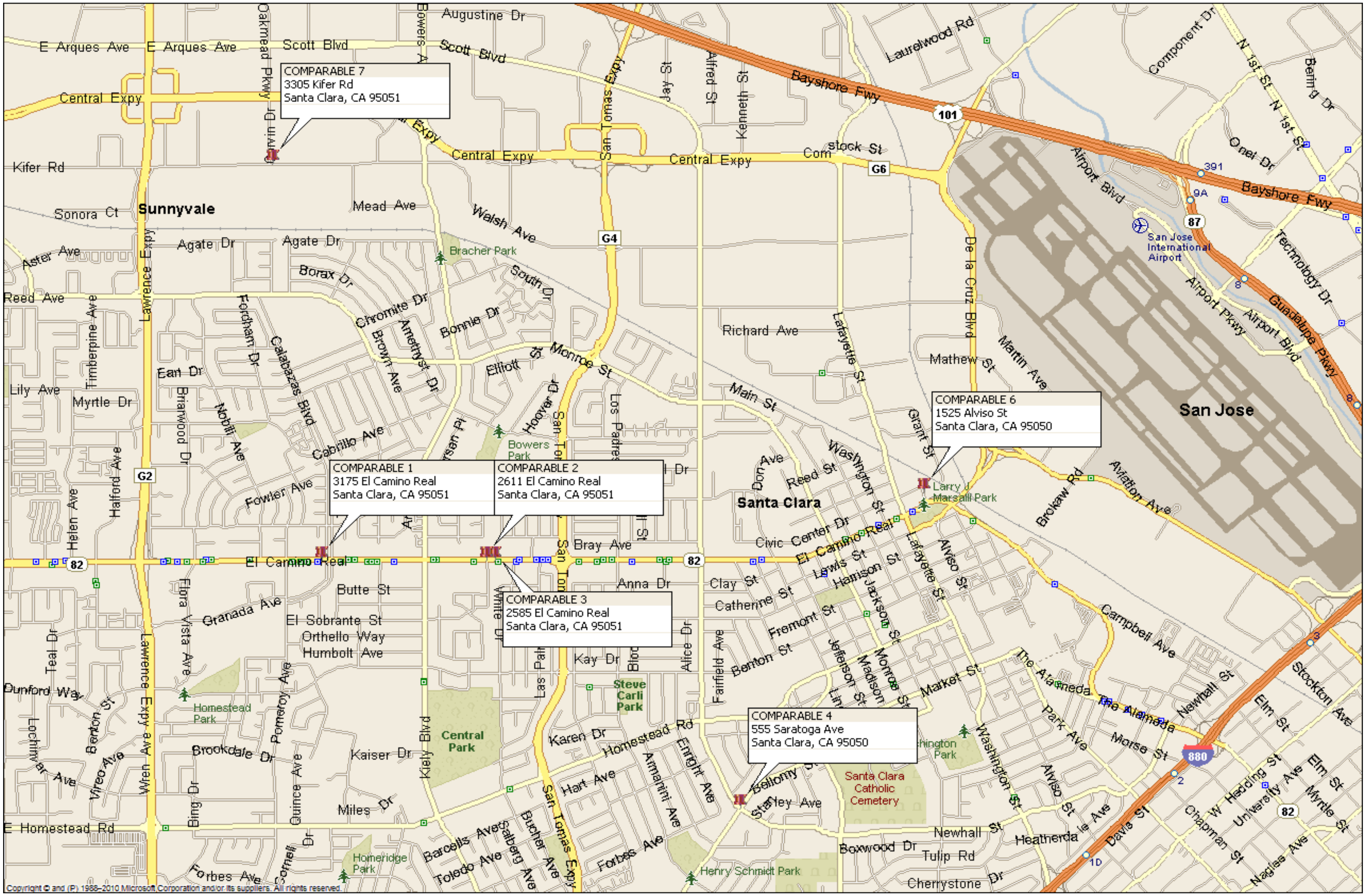
l. **Reconciliation of value differences**: *The approach will be comparative, iterative, qualitative and quantitative, and will be made at the appraiser's discretion.*

m. **Weight to be applied to Property Types:** *The weighted average of each property type will be based on the percentage of land area in the sales transactions, for example, if 25% of total acreage is high density residential, then the relative weight of that property type will be 25%. (The weight will not be done by the quantity of sales of each type or the percent of value of sales of each type).*

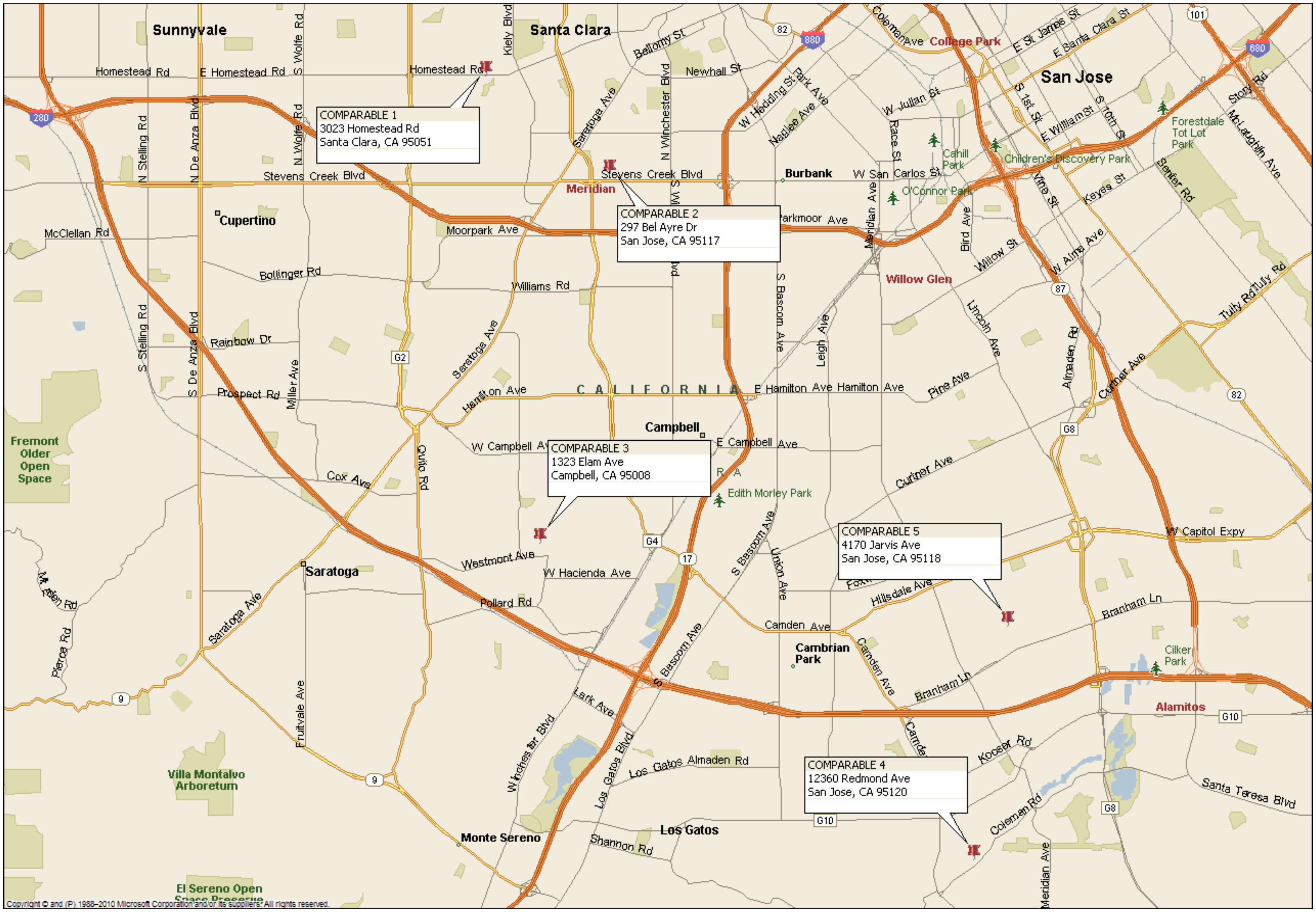
n. **Reporting:** *A draft valuation report will be generated by March 15. City will provide for a two week circulation and comment period. The valuations included the final valuation report will be used in the calculation formula for fees prepared by staff to be reviewed by Council as part of the annual City budget process and Municipal Fee Schedule adoption by June 30. Fees will be implemented on or after July 1 depending upon Quimby Act or Mitigation Fee Act provisions of the Council resolution.*

Attachment A-Supplemental Instructions for Parkland Dedication In Lieu Fee Process and Schedule 2016

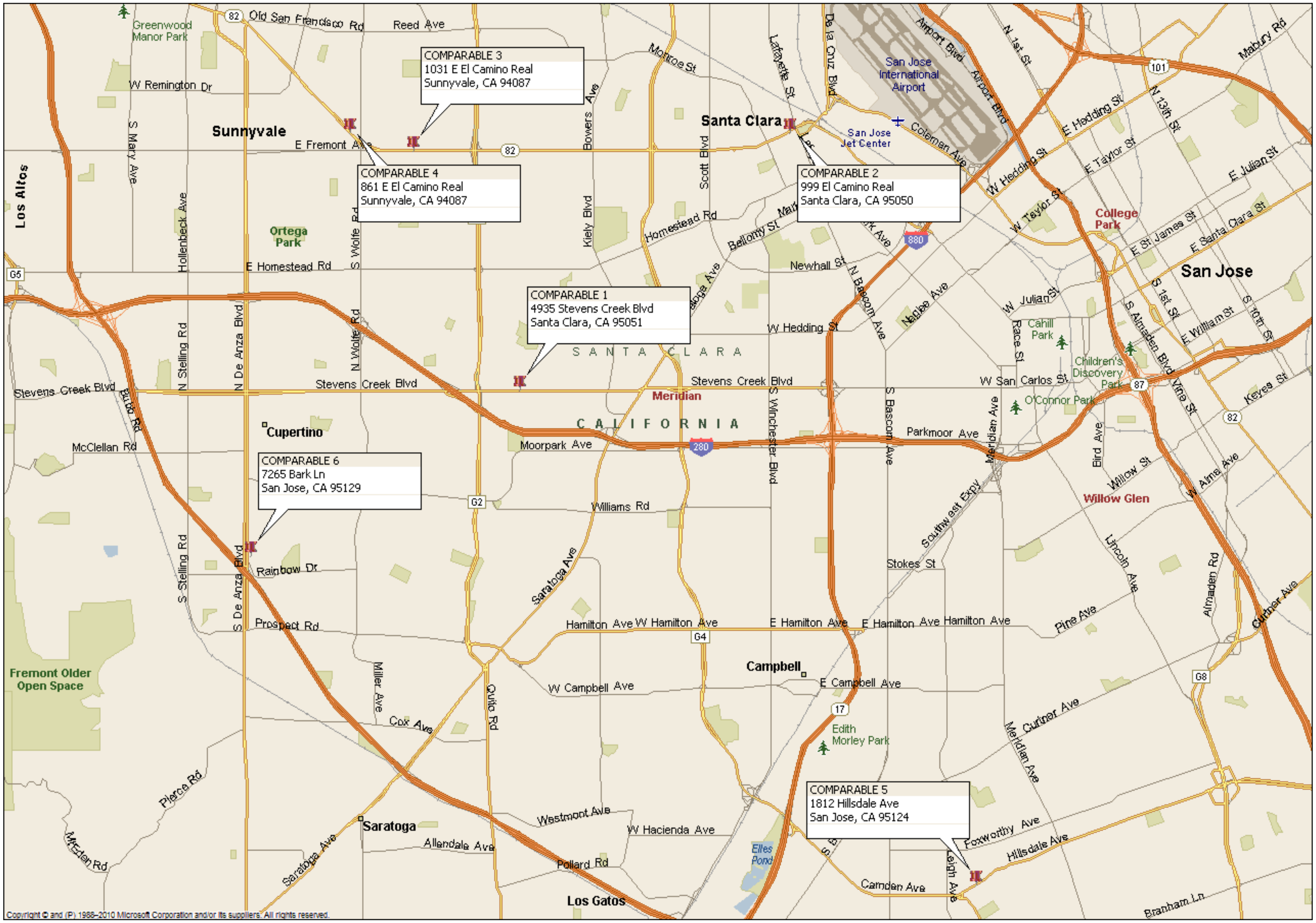
HIGH DENSITY SALES COMPARABLE LOCATION MAP



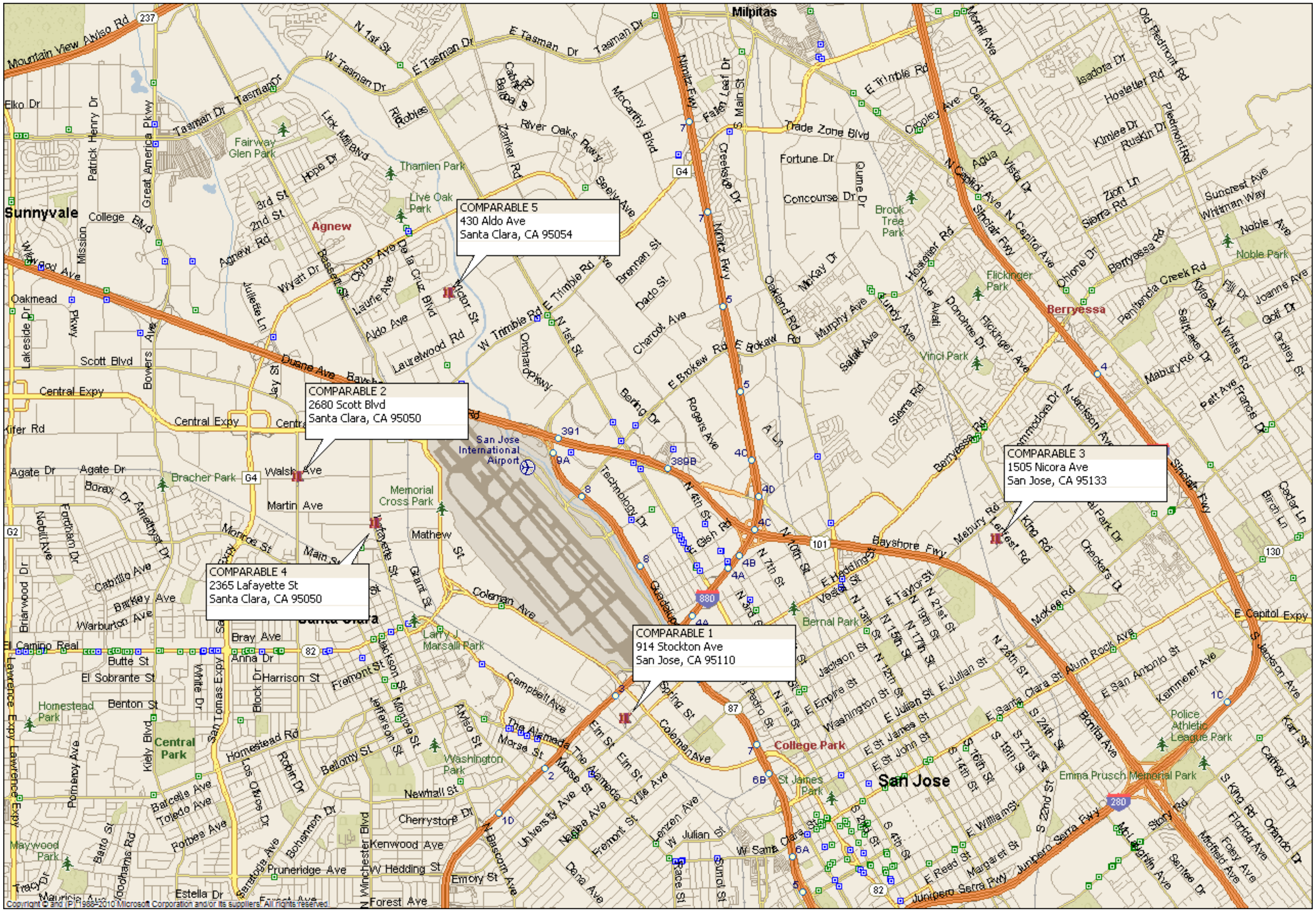
LOW DENSITY SALES COMPARABLE LOCATION MAP



COMMERCIAL SALES COMPARABLE LOCATION MAP



INDUSTRIAL SALES COMPARABLE LOCATION MAP



RetailResearch

MARKET OVERVIEW

Marcus & Millichap

San Jose Metro Area ***Second Quarter 2015***

Retail Rents Set to Recapture Previous High Watermark

The San Jose market is under-retailed, which will enable retail owners to join the bull commercial real estate market in a more meaningful way this year. Although conditions have been tightening since early 2010, rents have been difficult to push higher. In fact, some of the occupancy increases at the beginning of the recovery came at the expense of lower rents. Asking rates continued to decrease for 18 months after space demand began outpacing supply additions, creating a sizable disparity between equilibrium occupancy and revenues. As five-year leases roll over and retailers queue up to target the market's well-paid technology workers, owners with dark space in desirable locations should be able to command much higher rents. By year end, asking rents are projected to eclipse pre-recession highs and should continue to climb for several more quarters. A lack of new supply is supporting revenue growth projections as most underway projects are minor, and significant redevelopments remain distant. The largest rumored project could be a redevelopment of Vallco Mall, which could lose the rest of its anchors by year end.

The imbalance between supply and demand has been noted by investors, particularly developers that can breathe new life into old centers. The growing affluent population in the Silicon Valley is eager to spend their high salaries and is faced with limited options. New, trendy centers will likely capture an eclectic blend of high-end retailers seeking to expand in the metro. As a result, most of the upside potential rests in neglected centers positioned near the thousands of new apartments or major office districts. Although many of the local city councils have historically been an impediment to new construction, competition to land major employers is loosening up the permitting process. Evidence of this trend is already prevalent in the office and multifamily sectors, and should spill into the retail segment in the coming quarters. Investors willing to commit capital following an acquisition could quickly fill the pipeline with Class A offerings, though build-out could take years.

2015 Annual Retail Forecast

4.1% increase in total employment

Employment: The pace of job growth in Silicon Valley will remain robust as employers add 42,000 positions this year, lifting staffing levels 4.1 percent. Last year, 49,100 spots were generated.

500,000 square feet will be completed

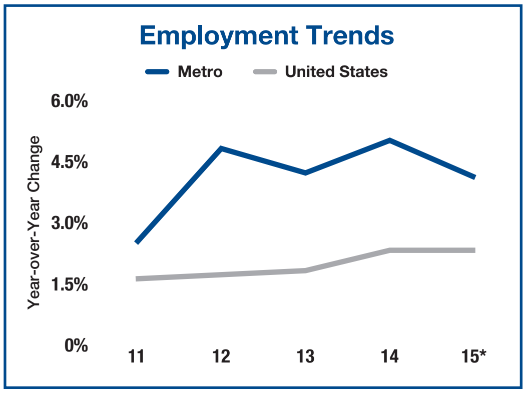
Construction: Construction will be constrained again this year, limiting competition for existing properties. In 2015, approximately 500,000 square feet of retail space will be completed, following 720,000 square feet last year.

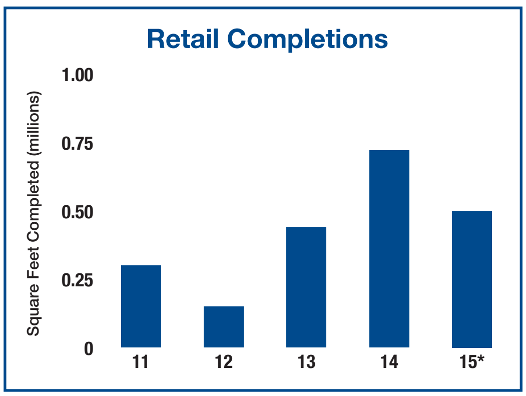
50 basis point decrease in vacancy

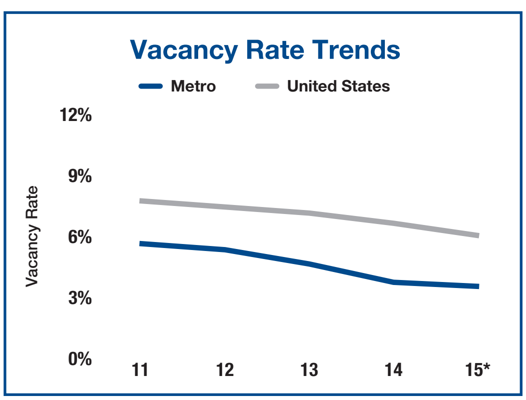
Vacancy: Although vacancy softened during the first quarter, the rate will fall through the rest of the year to 3.5 percent in the fourth quarter, an annual improvement of 50 basis points. Last year, vacancy retreated 90 basis points.

7.4% increase in asking rents

Rents: Retail operators will aggressively raise rates as the sector joins office and apartment properties in enjoying the current tech boom. After a 3.9 percent rise in 2014, asking rents will jump 7.4 percent to $32.30 per square foot in 2015.







* Forecast

Economy

- Technology firms are charging ahead with expansions in the Silicon Valley, supporting a 5.3 percent jump in payrolls during the past 12 months. Employers added 53,000 jobs during that time, up from 43,200 spots during the previous year.
- The professional and business services sector continues to lead job growth, adding 18,900 positions over the past 12 months, representing an 9.5 percent rise in payrolls. While technology firms account for a significant share of hiring, every sector posted positive growth year over year.
- Over the past 12 months, retail sales climbed 4.5 percent as new entrants to the market purchased big-ticket items. In the prior year-long stretch, retail sales gains measured just 1.7 percent.
- **Outlook:** The pace of job growth in Silicon Valley will remain robust as employers add 42,000 positions this year, lifting staffing levels 4.1 percent. Last year, 49,100 spots were generated.

Construction

- In the past year, a handful of projects amounting to 580,000 square feet of space came online in the metro, lifting retail stock 0.8 percent. In the previous year, builders completed a similar amount of space.
- Developers have just 380,000 square feet of space underway in the market as construction remains focused on other property types. Roughly one-third of the space under construction is pre-leased. An additional 1.3 million square feet is on the drawing board, down modestly from one year ago.
- The largest project underway is the Sun Garden retail center at 1600 Monterey Road. A Wal-Mart Neighborhood Market is already on the site, while construction wraps up on the remaining space. A total of 210,000 square feet will be developed, including pad sites.
- **Outlook:** Construction will be constrained again this year, limiting competition for existing properties. In 2015, approximately 500,000 square feet of retail space will be completed, following 720,000 square feet last year.

Vacancy

- In the first quarter, vacancy ticked up 30 basis points to 4.0 percent as anchor stores shuttered in South San Jose. Despite the uptick, vacancy remains 50 basis points below the year-ago rate.
- At neighborhood/community and strip centers, vacancy was 5.2 percent in this year's opening period, down 90 basis points from the first quarter of 2014. The rate is 270 basis points below the 2010 peak.
- Most malls in Silicon Valley have almost no available space, while power centers have room for improvement. In the first quarter, mall vacancy was 1.6 percent and power center vacancy was 5.4 percent after respective gains of 20 basis points and 60 basis points over the past year.
- **Outlook:** Although vacancy softened during the first quarter, the rate will fall through the rest of the year to 3.5 percent in the fourth quarter, an annual improvement of 50 basis points. Last year, vacancy retreated 90 basis points.

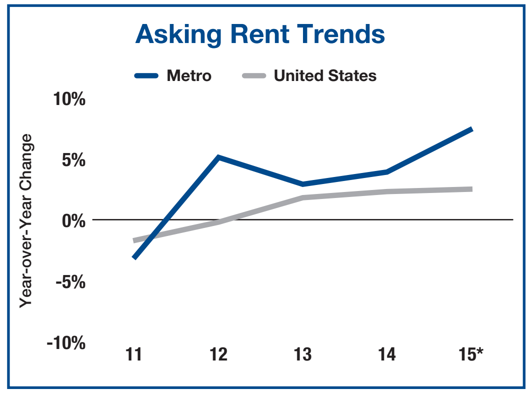
Rents

- Operators are leveraging tight conditions to restore asking rents. Over the past year, rents for available space have soared 6.6 percent to $31.21 per square foot, following a 2.2 percent rise in the prior year-long period.

- Rents at smaller open-air centers were $27.82 per square foot in 2015's opening period, up 3.4 percent year over year. Although momentum is forming in this segment, asking rents remain 12 percent below the 2006 level.

- In Palo Alto, where vacancy is below 1 percent due to intense demand from retailers hoping to gain a foothold at the heart of Silicon Valley, asking rents soared 11.2 percent in the past year. The Morgan Hill/Gilroy and Santa Clara submarkets also posted double-digit gains in the past year.

- **Outlook:** Retail operators will aggressively raise rates as the sector joins office and apartment properties in enjoying the current tech boom. After a 3.9 percent rise in 2014, asking rents will jump 7.4 percent to $32.30 per square foot in 2015.



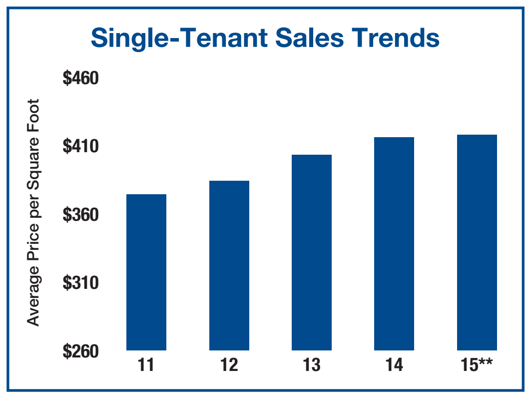
Single-Tenant Sales Trends**

- Limited construction activity has hampered single-tenant sales velocity in Silicon Valley over the past year. A significant decline in restaurant sales was recorded, along with storefronts. However, a greater number of fast-food establishments changed hands.

- Fast-food properties traded at an average price of more than $1,000 per square foot for the second consecutive year, while restaurants sold for more than $400 per square foot.

- Average cap rates are among the lowest in the country due to insatiable investor demand for local single-tenant properties. Drugstores and fast-food properties can change hands at first-year returns well below 5 percent.

- **Outlook:** Another year of lackluster development will limit new opportunities for investors seeking prime single-tenant properties with new leases. Creative buyers will target properties with near-term lease expirations to reposition and lift rents with a new tenant.



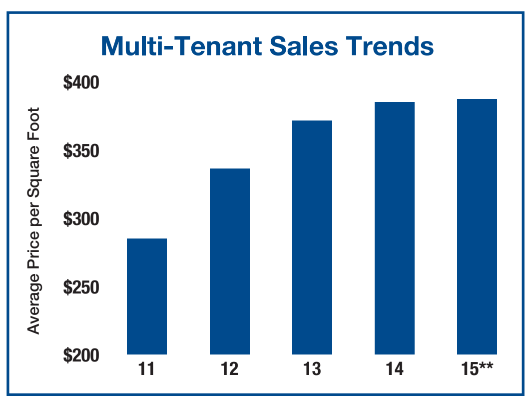
Multi-Tenant Sales Trends**

- During the most recent 12-month period, deal flow surged by more than 50 percent in the multi-tenant sector as buyers eager to acquire single-tenant properties widened their parameters.

- Investors paid an average of $387 per square foot during the past year, up 3 percent from the prior year. Buyers purchased larger assets during the period, masking some of the price appreciation in the market.

- Average cap rates for multi-tenant assets tightened 40 basis points during the most recent 12-month period to the low-5 percent range. First-year returns are 300 basis points below the 2010 peak.

- **Outlook:** Intense demand for multi-tenant properties will persist this year as buyers await an opportunity to acquire real estate in the metro. Investors will explore repositioning plays in East San Jose, where entry price points are lower, affording more capital for improvements.



* Forecast
** Trailing 12 months through first quarter
Sources: CoStar Group, Inc.; Real Capital Analytics

Marcus & Millichap
NATIONAL RETAIL GROUP

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Capital Markets

By WILLIAM E. HUGHES, Senior Vice President, Marcus & Millichap Capital Corporation

- The Fed recently indicated that it may raise its short-term lending benchmark as early as June, though September is the most likely target as the central bank awaits further tightening in the labor market and stronger wage growth. Against the prospect of an inevitable rise in interest rates, investors remain highly motivated to purchase retail assets and debt providers continue to compete for market share while also maintaining underwriting discipline.

- Loan-to-value ratios generally range from 60 percent to 75 percent, depending on asset age and quality, location, tenant mix, and tenant credit rating. Multi-tenant assets with strong anchors and a stable mix of national in-line tenants remain preferred. Debt-service ratios range from 1.25x to 1.35x and debt yields of 8 to 9 percent. Financing for bridge loans for stabilized assets typically carry a 65 to 70 percent LTV and spreads range 250 basis points to 425 basis points over LIBOR. Repositioned assets are underwritten at 80 percent of cost with a spread between 300 basis points to 475 basis points over LIBOR.

- Lending rates remain low for performing assets in primary markets. All-in rates for five-year retail loans typically start in the mid- to high-3 percent range, while seven- and 10-year loans price between 3.7 percent and 4.4 percent. Loans up to 20 years range from 4.8 percent to 5.85 percent.

- CMBS lenders participated in slightly more than 50 percent of loans in the tertiary markets, and national banks funded 25 percent. Banks, both national and regional/local, have increased their market share in all markets.

Local Highlights

- Macy's recently opted out of its lease in the Vallco Mall, and the other two anchors, Sears and J.C. Penney, have leases that may expire this year. After a recent acquisition of the mall, the new owner appears to be making plans to raze and redevelop a mixed-use project on the site if Cupertino approves.

- Once bankrupt, Bennigan's has announced plans to open 100 restaurants in California, including several in the Bay Area. The first store recently opened in Santa Clara and another location is underway in San Jose. The chain will open both Bennigan's and Steak and Ale locations.

- Developer Jay Paul has acquired a piece of Lockheed's campus in Sunnyvale and is expected to purchase another portion by year end. Anticipated plans call for an office campus with more than 1.6 million square feet of space. The increase in local workers will benefit nearby retailers.

- BAE Systems recently inked a deal for more than 150,000 square feet of office space in South San Jose. The firm will move hundreds of workers from their Santa Clara site, which will be demolished and redeveloped into a large office campus in the coming years.

Marcus & Millichap

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OfficeResearch

MARKET OVERVIEW

Marcus & Millichap

San Jose Metro Area *Second Quarter 2015*

Silicon Valley's Pool of Investors Widens

Tenant expansions are taking up space in new buildings and backfilling suitable layouts in existing properties in Silicon Valley, keeping the market on course for sharply lower vacancy and much higher rents this year. Vacant space does not stay empty for long as large tech companies are actively securing blocks of space in anticipation of further growth. Even Apple, despite its massive 2.8 million-square-foot headquarters under construction, has been an active leaser for additional space thus far in 2015. Previously, Google had purchased several buildings throughout Silicon Valley to house its growing workforce. Surging demand from the tech sector and lower-profile industries has also prompted the most substantial cycle of office building in the market in several years. In addition to the projects slated for completion this year, another 11 million square feet is planned, though the pipeline may not be sufficient to fulfill the space requirements of growing tenants. Finding development sites near large residential areas remains a challenge in the market, where time-consuming commutes are the norm.

Developers, in fact, are major players in the Silicon Valley investment market, focusing on older office properties that can be assembled into development sites. The developers are just one contingent in an expansive pool of prospective investors that recently has come to include Asian capital. Institutions with geographically diversified portfolios also make opportunistic buys to establish a position in the area, but small private investors are the most active segment in the investment market. In general, office property prices in the market are rising, logging an increase of more than 30 percent over the past four years behind the steady drop in vacancy and, more recently, vigorous rent growth. A shortage of listings remains in the market, but the persistence of low interest rates may encourage many property owners to refinance to liberate accumulated equity for purchases in secondary submarkets or outside of the metro. Property owners contemplating selling assets, however, will find intense bidding and an enhanced opportunity to realize price objectives.

2015 Annual Office Forecast

4.2% increase in total employment

Employment: Following a strong pace of hiring in the first quarter, employers in Silicon Valley will add 43,500 jobs in 2015, including 16,300 office-using posts. More than 49,000 new hires were made last year.

4.5 million square feet will be completed

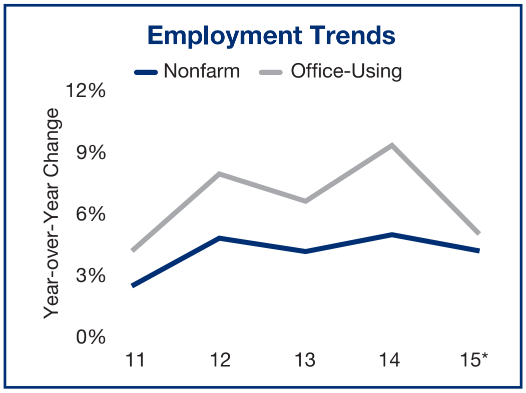
Construction: Developers will complete 4.5 million square feet in 2015, almost entirely in competitive buildings and build-to-suits. Roughly 1.6 million square feet was delivered last year.

100 basis point decrease in vacancy

Vacancy: New space will not prevent an additional drop in vacancy. Considerable pre-leasing of new buildings and growing space demand in existing properties will underpin a 100-basis-point decline in vacancy to 9.7 percent in 2015. A decrease of 130 basis points occurred last year.

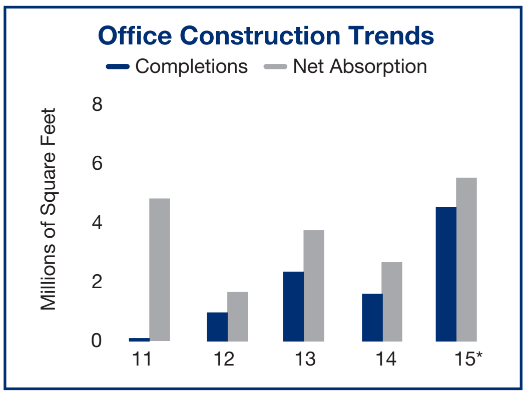
8.3% increase in asking rents

Rents: The average rent will grow a robust 8.3 percent in 2015 to $38.77 per square foot. Over the preceding three years, the average rent in the market jumped 30 percent, including an 8.7 percent gain in 2014.



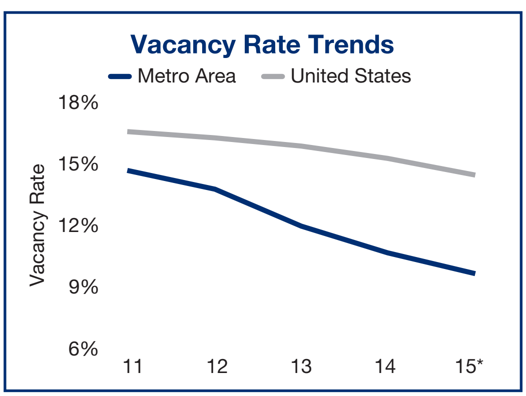
Economy

- Nearly 17,000 jobs were added in the first quarter this year, raising the total over the past 12 months to 53,800 positions. Hiring remained strong early in the second quarter, with 6,900 positions created in April.
- Each employment sector added workers in the first three months of the year, including the government. Among private-sector employers, 1,800 retail positions were filled, while ongoing apartment construction underpinned a gain of 1,500 construction jobs.
- Principal office-using sectors also expanded in the first quarter, led by a gain of 3,900 professional and business services positions. Since the first quarter last year, 18,500 jobs were created, an increase from roughly 11,000 new hires in the preceding 12 months. Information employment, which includes digital media, also grew by 2,100 workers in the first three months of 2015.
- **Outlook:** Employers will create 43,500 positions in 2015, a 4.2 percent acceleration that is nearly two times the projected rate of growth nationally.



Construction

- Supply-side pressures remain elevated. Approximately 1.9 million square feet was delivered over the past 12 months, a nominal decline from the completions recorded in the preceding 12 months.
- More than 770,000 square feet was placed in service in the first three months of 2015. Projects completed include the 386,000-square-foot Cypress Business Park in Mountain View. An additional 169,000 square feet at 1255 Pear Ave. in Mountain View was also completed early in the second quarter.
- Several other large properties underway in the market are slated to become operational in the second half. These include 946,000 square feet in the three-building, fully pre-leased Moffett Place in Sunnyvale, and the 260,000-square-foot Main Street Cupertino.
- **Outlook:** Approximately 4.5 million square feet will be delivered in 2015. An additional 4.8 million square feet is under construction and penciled in for delivery next year.



*Forecast
Source: CoStar Group, Inc.

Vacancy

- Tenant move-ins and expansions trimmed the vacancy rate to 10.4 percent in the first quarter, 30 basis points less than the year-end reading. In the past year, an additional 3.8 million square feet was occupied, slashing the vacancy rate 220 basis points.
- All of the new space delivered in the first quarter was pre-leased, though some vacancy lingers in the 301,000-square-foot Santa Clara Gateway that was completed last year. Overall, space built since the start of 2014 was 12.9 percent vacant at the end of the first quarter.
- Vacancy in space built before 2014 was 10.4 percent in the first quarter, marking a drop of 160 basis points since the start of last year. Nearly 1.6 million square feet of space in the older properties was absorbed during that span.
- **Outlook:** Tenants will occupy an additional 5 million square feet of space in 2015 to drive down vacancy 100 basis points to 9.7 percent.

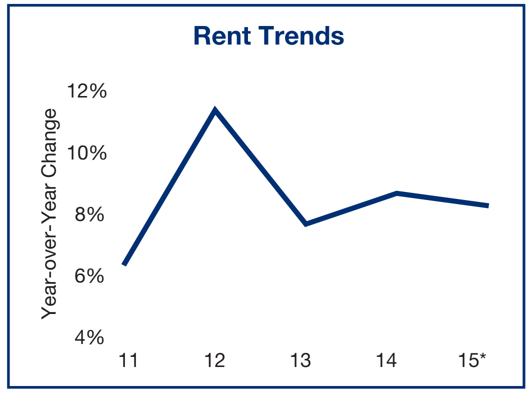
Rents

- Property owners are exercising considerable pricing power as available space shrinks. In the first three months of this year, the average rent leaped 5.5 percent to $37.77 per square foot. On a year-over-year basis, the average rent climbed by double digits.

- Class A space in the Downtown San Jose submarket was leasing for $33.64 per square foot in the first quarter, marking a 1.1 percent gain from the year-end level. A 360-basis-point tumble in the top-tier vacancy rate since the first quarter last year ignited a 9.4 percent jump in the average Class A rent over that time.

- Reflecting the rapidly tightening availability of space, leasing velocity declined approximately 15 percent over the past year. Most of the deals were for higher-priced direct space, as sublease layouts account for only a minor portion of availability in the market.

- **Outlook:** The average rent will rise to $38.77 per square foot in 2015, or 8.3 percent more than the average at the end of 2014.



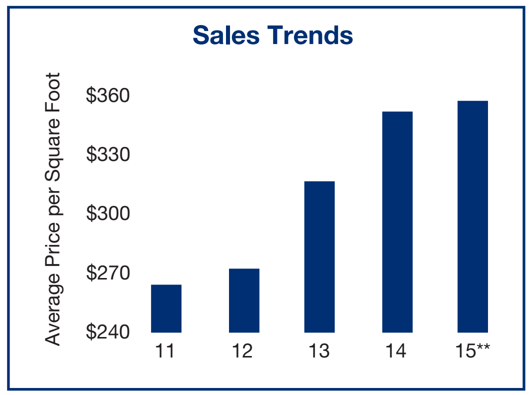
Sales Trends**

- A shortage of listings contributed to a slight drop in transaction velocity over the past 12 months, though the absolute number of deals remains elevated. Sales of properties pricing for less than $20 million continue to dominate, accounting for three-fourths of all transactions.

- Properties sold over the past year carried an average price of $357 per square foot, a 10 percent climb from the prior 12 months. Fewer transactions, however, contributed to a minor decline in dollar volume.

- Cap rates vary widely depending on buyer objective but typically reside within the low-6 to mid-7 percent range.

- **Outlook:** The vigorous performance of local properties will sustain a high level of investor interest and stimulate intense bidding for properties throughout Silicon Valley.



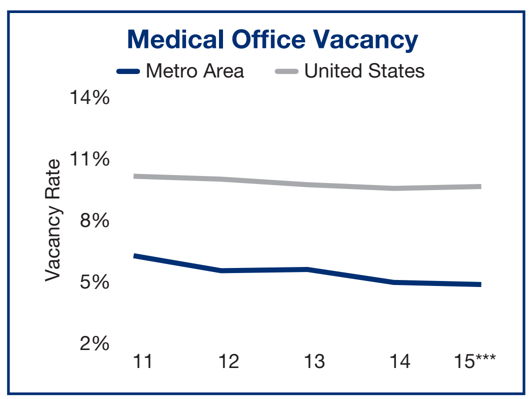
Medical Office

- No medical office properties were delivered in the first quarter and during the past 12 months. A 95,600-square-foot property in Palo Alto will be placed in service in the second half; it will be delivered entirely pre-leased.

- With no competition from new space, medical practices continue to fill existing properties. Vacancy in the first quarter of 4.9 percent was 10 basis points less than the year-end 2014 reading and 60 basis points below the level of one year ago.

- Medical office space marketed for lease was offered at an average $31.91 per square foot during the first quarter, up from the high-$20 per square foot range at the end of 2014.

- Sales of medical office properties rose modestly over the past 12 months, based on a limited number of transactions. Smaller investment and owner-user assets dominated, and prices generally ranged from $350 per square foot to $450 per square foot.



* Forecast ** Trailing 12-month period through first quarter *** 1Q15
Sources: CoStar Group, Inc.; Real Capital Analytics

Marcus & Millichap

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Capital Markets

By WILLIAM E. HUGHES, Senior Vice President, Marcus & Millichap Capital Corporation

- Although volatility and speculation about the first rate hike since 2006 have ramped up considerably in recent weeks, the yield on the 10-year U.S. Treasury has traded near 2.4 percent, mostly due to recent issues in the eurozone involving Greece. Economic data is improving since the weak print in first quarter GDP, proving the Federal Reserve's thesis of seasonal factors and transitory conditions as the culprits behind soft GDP. Market participants are now positioning for the September meeting as the most likely starting point for an interest rate hike, while the latest comments from Federal Reserve Chairwoman Janet Yellen indicate that the exact moment is still data-dependent.
- The Federal Open Market Committee has committed to a policy of "lower for longer" as it assuages fears that the first interest rate increase will disrupt the recovery that is underway. The first policy rate change is expected to be just 25 basis points, with measures remaining accommodative for some time as the Federal Reserve seeks to move past crisis-era policies nearly six years into the current cycle.
- Interest rate volatility has moved over to the commercial loan markets and 10-year fixed-rates are now pricing between 4 and 4.6 percent with LTVs from 55 to 75 percent for office properties, depending on location, as underwriters have become more competitive in an effort to do business. Floating bridge loans for stabilized assets will require LTVs of 65 percent and price with a spread between 250 and 400 basis points over LIBOR, while re-positionings will be underwritten at 80 percent LTV with a 300- to 475-basis-point spread.
- Total CMBS issuance is expected to top 2014 levels this year as $100 billion to $125 billion is underwritten, driven largely by growth in office property originations. A wave of pre-crisis loans will start to come due over the next few years, prompting refinancing as current owners renegotiate the capital structure of their assets. Through April, $35.8 billion in CMBS has been originated, underscoring the availability of credit as credit unions, insurance companies and alternative asset managers expand their offerings. Meanwhile, traditional commercial banks have backed off due to higher capital reserve requirements and intensifying regulation.

Local Highlights

- More new space will be placed in service this year than in any year since before the recession. New buildings are concentrated in seven different communities, led by nearly 1.3 million square feet in Sunnyvale and 925,000 square feet in Mountain View.
- A 50,000-square-foot building in Palo Alto was delivered fully pre-leased in the first quarter this year and an additional 220,000 square feet will open over the remainder of 2015. Vacancy in the submarket remains exceptionally tight, ending the first quarter at 4.8 percent, or 60 basis points less than one year ago.
- The education and health services employment sector, a primary driver of medical office space demand, added several hundred workers in the first quarter and more than 4,000 workers over the past 12 months. The recruiting of new workers from outside of the area by tech companies will place more strain on medical services, prompting additional medical office construction to accommodate larger practices.

Marcus & Millichap

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SANTA CLARA COUNTY
Retail Market Snapshot
Second Quarter • 2015

SANTA CLARA COUNTY RETAIL

Economic Indicators

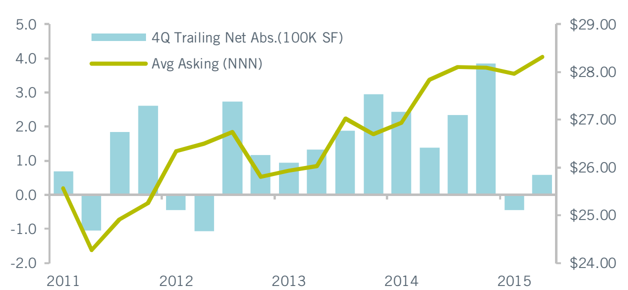
	Q2 14	Q2 15	12-Month Forecast
Santa Clara Co. Employment	880K	988K	▲
Santa Clara Co. Unemployment	5.4%	4.0%	▼
U.S. Unemployment	6.1%	5.5%	▼

Market Indicators

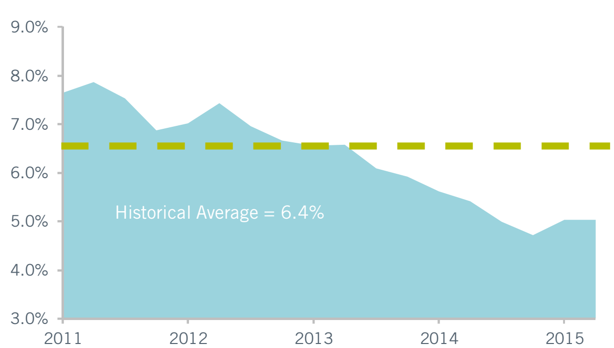
	Q2 14	Q2 15	12-Month Forecast
Overall Vacancy	5.5%	5.3%	▼
Net Absorption SF	139K	58K	▲
Under Construction SF	599K	501K	▲
Average Asking Rent (NNN)	$27.96	$28.32	▲

Net Absorption/Asking Rent (NNN)

NET ABSORPTION 1Q TRAILING AVERAGE



Overall Vacancy



High Demand for Quality Product

At the close of Q2 2015, shopping center vacancy in Santa Clara County stood at 5.3%, down from the 5.5% rate of a year ago but a slight increase from the 5.0% rate posted three months ago. The lion's share of this increase comes from the San Jose (Downtown/South/Campbell/Los Gatos) submarket, where vacancy ticked up from 4.8% to 5.4% in Q2. We divide the marketplace into six distinct trade areas; this was the only one to see a significant uptick in vacancy. In this case, the San Jose market added 171,000 square feet (SF) of new product but recorded only 51,000 SF of actual occupancy growth. Most of this quarter's deliveries were expansions or additional pad buildings at existing centers and leasing activity is already brisk on what was delivered to the marketplace empty so this should actually translate into a surge of occupancy growth and falling vacancy numbers for this trade area come Q3.

San Jose aside, this was a relatively flat quarter for shopping center activity in Silicon Valley. Two of the region's submarkets (Milpitas and Morgan Hill) saw no movement in vacancy. Vacancy currently stands at a tight 5.4% in Milpitas (compared to 5.5% a year ago). It has stood at 7.9% for the past six months in the Morgan Hill/Gilroy area (compared to 8.4% a year ago). As the core markets of Silicon Valley have grown tighter we have seen more retailer interest in this outlying submarket, however, until we see residential development ramping up here we don't anticipate this market to see the same robust levels of demand that are in place in virtually every other Silicon Valley trade area.

All told, the market recorded just 59,000 SF of occupancy growth in Q2, bringing year-to-date tallies back into the black to the tune of 15,000 SF. The already tight Sunnyvale market saw its vacancy rate plummet further (from 3.6% to just 3.4%) as it experienced 14,000 SF of occupancy growth. But it was the San Jose marketplace that was the big winner with 51,000 SF of expansion. Meanwhile, Santa Clara lost approximately -1,000 SF of occupancy as its vacancy rate ticked up from 4.3% to 4.4% and Palo Alto experienced the same trend. It recorded -9,000 SF of negative net absorption as its vacancy level inched up from 3.3% to 3.6%. These weak occupancy growth totals are not a reflection of demand, but supply. The lack of quality available

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space in the region continues to hinder growth. This quarter's growth was almost exclusively limited to new product being delivered. There is just over 39.0 million square feet (MSF) of total shopping center inventory in the region and just under 2.1 MSF of currently available product. The problem is that roughly 1.8 MSF of that total is space in local Class B or Class C centers, when retailer demand is overwhelmingly focused on high quality space with tenants willing to pay the difference.

> With new product siphoning most of the local occupancy gains, the marketplace for Class B-/C space will remain extremely competitive...

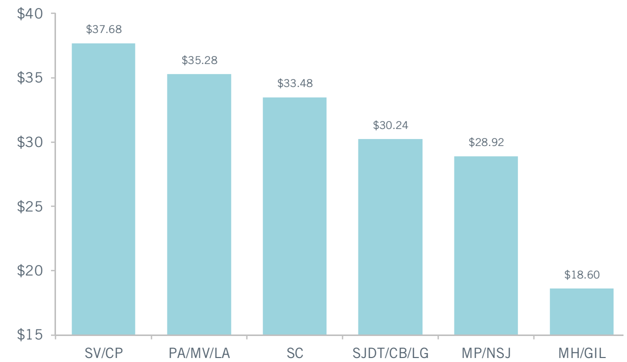
The current average asking rent for the region is $28.32 per square foot (PSF) on an annual triple net basis. This statistic has increased from the $27.96 asking price posted only a year earlier but it is important that we note that this statistic only takes into account what is currently on the market regardless of class or size. With Class B and C centers accounting for most of what is currently available; this number is far from the $48.00 PSF or more that we are regularly seeing for small shop space. In fact, we are regularly seeing premium shop space in brand new centers lease at $70.00 PSF of more. This divide in rents won't end anytime soon. We are tracking 502,000 SF of space in the development pipeline. These new projects will continue to command most of the growth and activity in the region, as well as the top rents. Meanwhile, with new product siphoning off most of the local occupancy gains, the marketplace for Class B-/C space will remain extremely competitive.

Outlook

- We are tracking 502,000 SF of new product in the development pipeline currently; 363,000 SF of this is in the San Jose market while Sunnyvale accounts for 139,000 SF.
- The San Jose market accounted for the lion's share of growth in Q2; Shopping center occupancy increased by 51,000 SF. But the addition of 171,000 SF of new product meant vacancy increased from 4.8% to 5.4%
- Sunnyvale remains the region's tightest marketplace with a vacancy rate of just 3.4%.

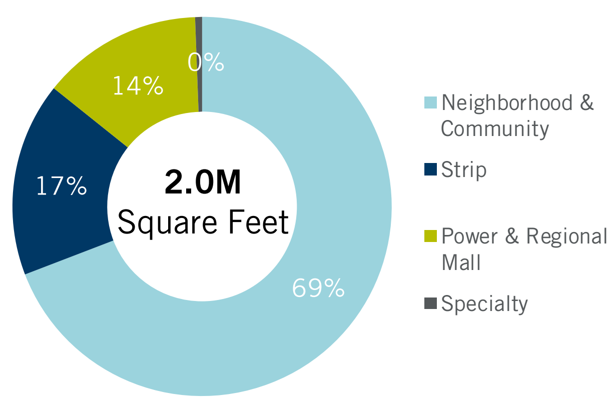
Average Asking Rate by Market (NNN)

SANTA CLARA COUNTY RETAIL RENTS INFLUENCED BY TECH BOOM



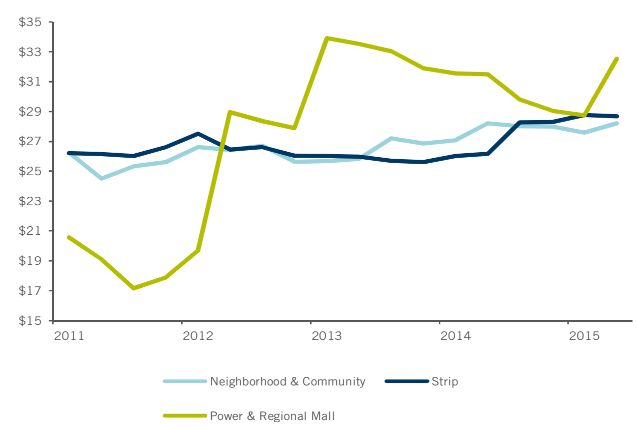
Availabilities by Center Type

SPACE PREDOMINANTLY IN NEIGHBORHOOD & COMMUNITY CENTERS



Average Asking Rate by Type (NNN)

STRIP CENTERS SEE RISE IN RENTS FOR Q1



SANTA CLARA COUNTY

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	INVENTORY	SUBLEASE AVAILABLE SPACE	DIRECT AVAILABLE SPACE	TOTAL AVAILABLE SPACE	VACANCY RATE	Q1-15 NET ABSORPTION	YTD NET ABSORPTION	AVERAGE ASKING RENT NNN
Submarket								
San Jose (DT/South)/Campbell/Los Gatos	18,640,577	964,011	49,091	1,013,102	5.4%	50,790	80,219	$30.24
Sunnyvale/Cupertino	4,622,497	151,049	6,246	157,295	3.4%	14,023	93,524	$37.68
Santa Clara	2,550,252	78,386	33,350	111,736	4.4%	(836)	154,851	$33.12
Palo Alto/Mountain View/Los Altos	2,705,823	98,590	0	98,590	3.6%	(9,335)	42,730	$35.28
Milpitas/North San Jose	4,876,107	265,715	0	265,715	5.4%	(2,124)	1,830	$28.92
Morgan Hill/Gilroy	4,718,147	372,791	0	372,791	7.9%	1,075	24,610	$18.60
Shopping Centers by Type								
Neighborhood & Community	26,270,884	1,400,992	64,396	1,465,388	5.6%	42,170	44,507	$28.20
Strip	5,882,113	308,772	6,246	315,018	5.4%	16,656	7,908	$28.68
Power & Regional	5,166,201	249,857	18,045	267,902	5.2%	55	(33,217)	$32.52
Specialty	1,690,438	11,305	0	11,305	0.7%	0	(3,900)	-
TOTAL	**39,009,636**	**1,970,926**	**88,687**	**2,059,613**	**5.3%**	**58,881**	**399,071**	**$28.32**

Key Lease Transactions Q2 15

PROPERTY	SF	TENANT	TRANSACTION TYPE	CITY
1035 Capitol Expy	14,000	Laser Quest	New Lease	San Jose
1513 Parkmoor Ave	11,000	Cycle Cear	New Lease	San Jose
15991 Los Gatos Blvd	8,688	Adobe Animal	New Lease	Los Gatos
15965 Los Gatos Blvd	7,560	Adobe Veterinary Marketplace	New Lease	Los Gatos

Key Investment Sale Transactions Q2 15

PROPERTY	SF	BUYER	SALE PRICE	MARKET
20745 Stevens Creek Blvd	126,247	Paragon Commercial Properties	$49,500,000	Cupertino
7900 Arroyo Cir	125,957	Randy Scianna & Kim-Anh Nguyen	$6,000,000	Gilroy
Evergreen Commons	61,250	Safeway	$4,958,000	San Jose

SANTA CLARA COUNTY
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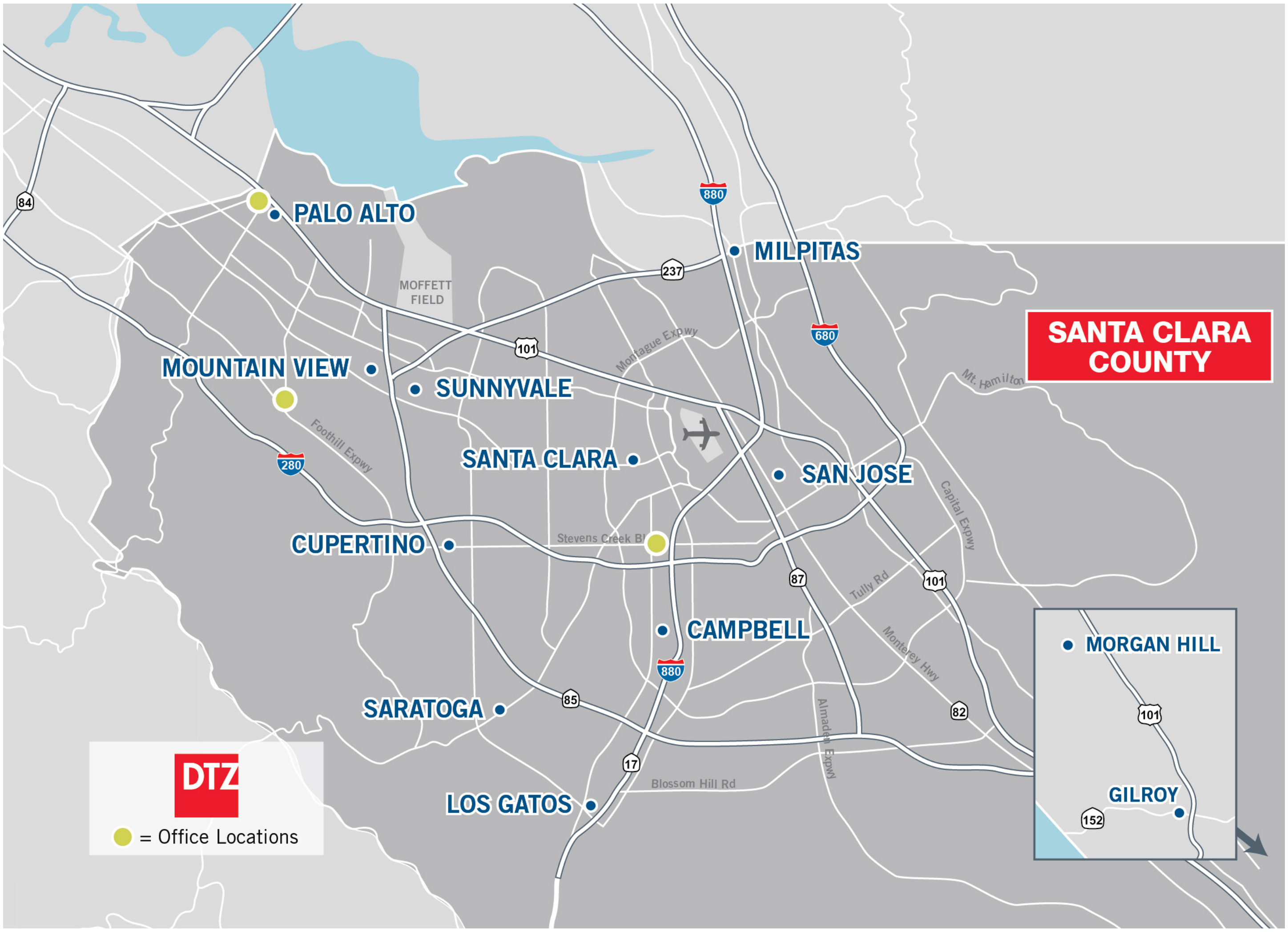
Retail Submarkets
Santa Clara County



About DTZ
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MARKETBEAT

Multi-Family Snapshot Q3 2015

Bay Area

CUSHMAN & WAKEFIELD

BAY AREA MULTI-FAMILY

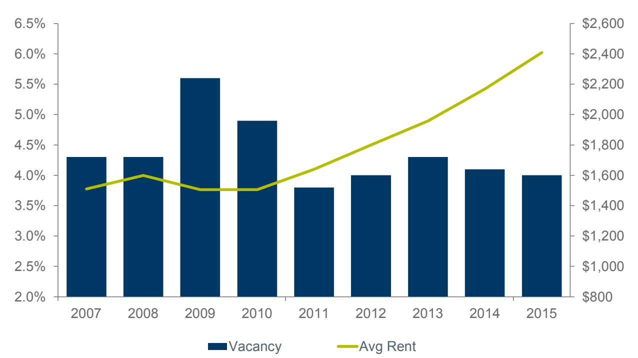
Economics Indicators

	Q3 14	Q3 15	12-Month Forecast
Bay Area Employment	3.704M	3.823M	▲
Bay Area Unemployment	5.1%	4.9%	▼
U.S. Unemployment	5.9%	5.1%	▼

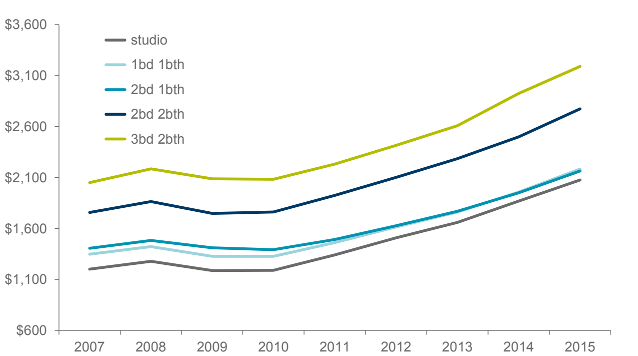
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	3.8%	4.2%	▼
Average Asking Rent	$2,158	$2,482	▲
Total Sales Volume	$1,836M	$1,829M	—
Average Cap Rate	5.2%	4.4%	—

Vacancy & Average Asking Rate*



Average Asking Rent by Unit Mix*



*Annual Average

Development Surges, Inching up Vacancy

As of the close of Q3 2015, vacancy in the Bay Area stood at just 4.2%. This reflects a slight increase from the 4.1% rate in place three months ago. The recent rise in vacancy is a result of the growing number of new developments, currently at the highest levels that Cushman & Wakefield has ever tracked. Over the course of 2014, more than 7,400 new multi-family units were delivered to the Bay Area marketplace with 2013 at an even higher figure of 8,800 units. So far this year, nearly 7,900 units were completed, already surpassing the total from 2014. Meanwhile, we there are approximately 22,200 units under construction, the highest volume in the pipeline in over 10 years.

Though vacancy is up thanks to the robust development numbers, rents have increased as well. The average asking rent in the Bay Area now stands at $2,482 per month, up 11% over the $2,234 reading posted exactly one year ago. The primary reason for the rising rent is that even with currently aggressive levels of new development there is a housing shortage (and an affordable housing crisis) in the Bay Area. From 2010 to 2014, the region's population grew by roughly 350,000 people; Alameda County alone has seen an increase of over 100,000 people and ranks as the fastest growing county in California. But during this same time frame, it is estimated that the region's housing inventory (multi and single family) grew by just 40,000 units. That breaks down to just one new housing unit for every 8.5 new residents. Between the recently delivered units and those in the construction pipeline, some relief is on the way but it still won't be enough to match the expected Bay Area population growth.

The region's average asking rent has increased by over 60% in the past five years. We anticipate the annual rental rate growth will fall below double-digit levels in the coming year, but that will largely be a reflection of slowing rental rate growth in the most heavily impacted development markets (San Francisco and Santa Clara counties) and the fact that most of the projects currently in the development pipeline are geared towards the higher-end market. Rents for that sector of the market in San Francisco (more than 8,000 units currently under construction) and Santa Clara counties (just over 6,000 units underway) will flatten in the months ahead. But that trend may be short-lived and it will not change the underlying fact that it will take roughly five years of development at the current pace before we expect the region's housing shortage to be tempered. In the meantime, rents for Class B and C properties will continue to falter due to the competition and preference placed towards newly built communities. Lastly, the gap in rents between the Highway 101 Corridor markets (San Francisco, San Mateo and

Multi-Family Snapshot Q3 2015

Bay Area

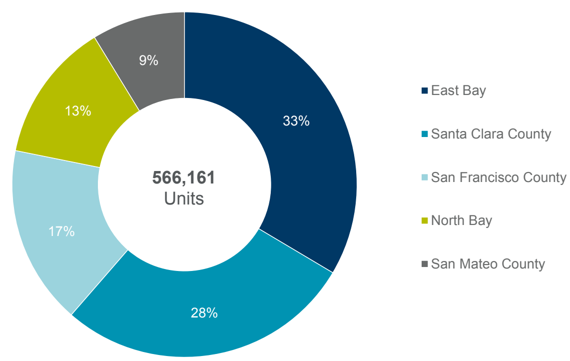
Santa Clara counties) and the East Bay (Alameda and Contra Costa counties) will continue to drive large levels of in-migration to the sunny side of the Bay. The East Bay (3.0% vacancy) already is the tightest market in the region; rental rate growth is accelerating rapidly there and this trend will only continue even as developers rush to bring new product to the market specifically in the Alameda County markets of Downtown Oakland and Jack London Square. The East Bay has actually outpaced the rest of the Bay Area markets in terms of rent appreciation, growing its average rate nearly 25% from two years ago. Oakland is currently

The East Bay (3.0% vacancy) already is one of the tightest markets in the region; rental rate growth is accelerating rapidly there...

undergoing a a similar metamorphosis that took place in Brooklyn, New York starting in the mid-1990s; the trends that drove the the Manhattan to Brooklyn movement are similar in some respects to what is currently happening between San Francisco and Oakland In both cases, a longer term housing shortage combined with five or more years of double-digit rental rate increases resulted in priced out residents radically transforming a neighboring market. Sales activity in the Bay Area remained strong as investors from all over the globe hedged on the existing fundamentals of this region which boasts some of the strongest demographic metrics in the US. As such, the Bay Area multi-family market recorded 303 transactions in Q3 2015 totaling $1.8 billion in total volume. Cap rates experienced further compression, moving from an average of 5.1% to 4.4% for the entire region.

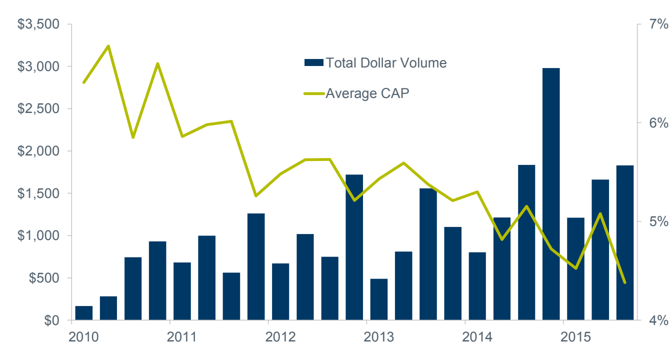
Total Existing Units by Region

EAST BAY & SANTA CLARA 61% OF THE BAY AREA REGION



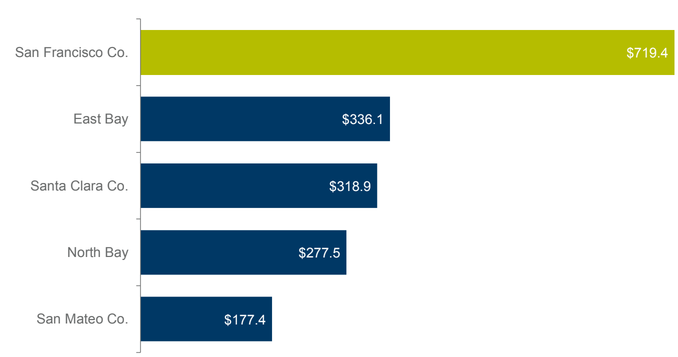
Historical Investment Dollar Volume & Cap Rate

CAP RATE COMPRESSION RESUMES



Investment by County Q3 15 (Millions)

INVESTORS EYE SAN FRANCISCO OFFERINGS



Outlook

- Cap rates move lower impacted by a stronger concentration of deals in both San Francisco and Santa Clara Counties
- The East Bay rent growth is fueled by tenants fleeing from higher priced San Francisco, Peninsula and South Bay markets in search of cheaper rents
- Strong job growth and inbound migration have shifted the paradigm of apartment development, leasing and sales
- San Francisco is the most expensive market in the region with an average rent of $3,623
- The region closed nearly $170 million more in transaction volume during from the previous quarter with $1.8 billion

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Multi-Family Snapshot Q3 2015

Bay Area

RENTAL STATISTICS BY MARKET	TOTAL PROPERTIES	TOTAL UNITS	UNITS U/C	AVERAGE VACANCY	AVERAGE RENT	STUDIO	1BR / 1BA	2BR / 1BA	2BR / 2BA	3BR / 2BA
East Bay	2,906	189,827	3,582	3.0%	$2,105	$1,655	$1,907	$2,032	$2,433	$2,670
San Francisco County	1,581	94,916	8,094	4.1%	$3,623	$2,976	$3,392	$3,525	$4,738	$4,271
San Mateo County	660	49,470	3,268	4.6%	$2,871	$2,025	$2,575	$2,867	$3,472	$4,384
Santa Clara County	1,592	157,779	6,178	5.3%	$2,623	$1,914	$2,381	$2,519	$2,975	$3,549
North Bay	1,048	74,169	1,131	3.8%	$1,818	$1,292	$1,635	$1,658	$2,072	$2,657
TOTAL	**7,787**	**566,161**	**22,253**	**4.2%**	**$2,482**	**$2,173**	**$2,250**	**$2,226**	**$2,855**	**$3,262**

Property statistics for communities 16 units and greater, rental statistics for communities 50 units and greater

INVESTMENT STATISTICS BY MARKET	TOTAL PROPERTIES	SALES VOLUME	TOTAL UNITS	PRICE/ UNIT	PRICE/ SQ. FT.	CAP RATE	GRM
East Bay	113	$336,146,948	2,594	$129,586	$189.25	5.2%	12.12
San Francisco County	60	$719,357,632	971	$740,841	$706.29	4.0%	16.96
San Mateo County	35	$177,395,264	679	$261,259	$282.30	4.1%	18.85
Santa Clara County	63	$318,877,843	1,094	$291,479	$437.11	3.7%	15.34
North Bay	32	$277,471,136	1,328	$208,938	$234.68	5.4%	11.03
TOTAL	**303**	**$1,829,248,823**	**6,666**	**$274,414**	**$342.88**	**4.4%**	**13.72**

Property sales for communities 5 units and greater

Key Multi-Family Sale Transactions Q3 2015

PROPERTY	UNITS	BUYER	SELLER	SALE PRICE	Market
One Rincon Hill Tower 2	299	Rockpoint Group LLC	Principal Real Estate Investors LLC	$410,000,000	San Francisco
Hawthorn Village	244	Jackson Square Properties	Sentinel Real Estate Corporation	$70,500,000	North Bay
Maribelle Apartments	287	TruAmerica Multifamily	Fairfield Residential	$59,000,000	North Bay
Park Crossing Apartments	200	Tilden Properties	Abacus Capital Group LLC	$47,000,000	North Bay
The Steinhart Apartments	57	Mosser Companies	Angelo, Gordon & Co.	$31,000,000	San Francisco
Mira Vista Hills	280	Reliant-mira Vista Lp	Runaway Bay LLC	$28,495,000	East Bay
TowneCentre Commons	137	The ConAm Group of Companies	Ridge Capital Investors, LLC	$26,400,000	East Bay
Terrace Capri Apartments	174	Spieker Companies, Inc.	Levie Properites	$25,750,000	Peninsula
three21 @ belmont	65	Michael & Barbara Ruder	Tilden Properties	$23,650,000	Peninsula
The Cottages at Seaside Apartments	90	The Carlyle Group	InSite Realty Advisors	$22,250,000	Peninsula

MARKETBEAT

Multi-Family Snapshot Q3 2015

East Bay

CUSHMAN & WAKEFIELD

EAST BAY MULTI-FAMILY

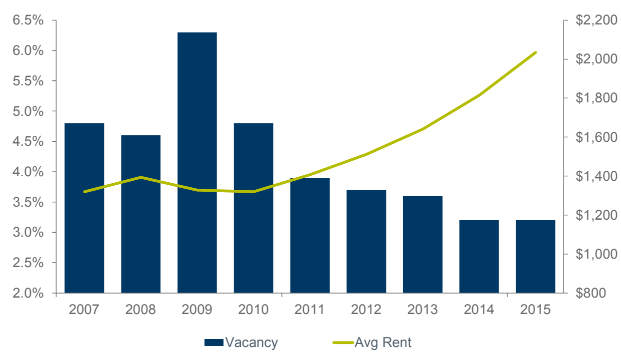
Economics Indicators

	Q3 14	Q3 15	12-Month Forecast
East Bay Employment	1.257M	1.284M	▲
East Bay Unemployment	5.7%	5.5%	▼
U.S. Unemployment	5.9%	5.1%	▼

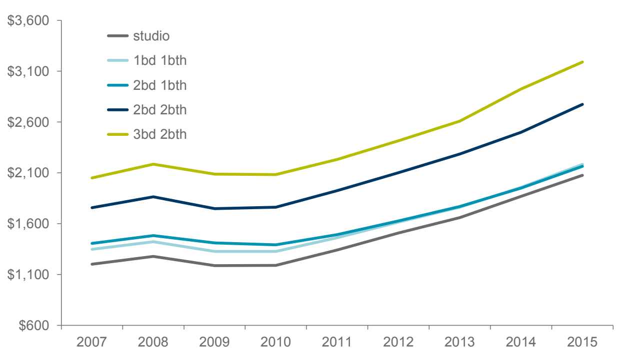
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	2.9%	3.0%	▼
Average Asking Rent	$1,866	$2,105	▲
Total Sales Volume	$621.2M	$336.1M	▲
Average Cap Rate	5.7%	5.2%	▼

Vacancy & Average Asking Rate*



Average Asking Rent by Unit Mix*



*Annual Average

Rents Continue to Climb in the East Bay

As of the close of Q3 2015, multi-family vacancy in the East Bay stood at 3.0%, down considerably from Q2's reading of 3.4%. Vacancy has not been above the 4.0% mark for three years now and actually set a record low of just 2.9% in Q3 of last year. Alameda County is the largest contributor in terms of total size (and number of sales) in the East Bay and has influenced the overall vacancy to an extremely tight figure of 2.8% (down from 3.2% last quarter). It was actually the lowest reporting county in the entire Bay Area region in Q3 2015. Contra Costa County wasn't too far behind at 3.4% (down from 3.6% in Q2).

Demand is being driven not just by a rebounding economy but by skyrocketing pricing, particularly on the west and south sides of the Bay. The current average asking rent for multi-family space in the East Bay (across all classes and product mixes) surpassed the $2,000 mark in Q2 2015 and presently resides at $2,105 per month. This number has risen by 12.8% over the past year and the pace of this growth is accelerating. Alameda County's average asking rate is $2,257 per month (up 13.2% annually) while Contra Costa County's current average monthly rent is $1,861 (up 12.2% in the last year). The average East Bay rent of $2,105 per month is just 58.1% of the current $3,623 rent of San Francisco; 73.3% of the $2,871 commanded in San Mateo County and 80.3% of the $2,623 per month in place in Santa Clara County. Although rental rate growth appears to be slowing due to aggressive new development in all three of those markets, we don't see significant declines ahead in any of those trade areas due to the amount of (higher priced) new product coming online and pushing rents even higher. As a result, this gap in pricing on the west and south sides of the Bay is going to continue to drive renters eastward to the "sunny side" of the Bay.

The East Bay's development pipeline continues to ramp up; last year developers brought nearly 1,600 new multi-family units to market (Alameda County accounted for approximately 900 of these units). The delivery pace remains steady as nearly 800 units came on-line through the first three quarters of 2015. Meanwhile, we are tracking about 3,600 units under construction in the region, with a strong concentration in Downtown Oakland and Jack London Square. There are another 14,000 units in various stages of proposal (nearly 11,000 of which are in Alameda County). Since 2010, Alameda County alone has seen its population boom by more than 100,000 new residents. As such, both East Bay counties continue to attract renters priced out of the Highway 101 Corridor markets (San Francisco, San Mateo and Santa Clara Counties). With vacancy in the 3.0% range, the most recent surge of deliveries

MARKETBEAT

Multi-Family Snapshot Q3 2015

East Bay

RENTAL STATISTICS BY COUNTY	TOTAL PROPERTIES	TOTAL UNITS	UNITS U/C	AVERAGE VACANCY	AVERAGE RENT	STUDIO	1BR / 1BA	2BR / 1BA	2BR / 2BA	3BR / 2BA
Alameda County	2,178	129,028	3,114	2.8%	$2,257	$1,774	$2,034	$2,198	$2,642	$2,957
Contra Costa County	728	60,799	468	3.4%	$1,861	$1,471	$1,698	$1,724	$2,180	$2,069
East Bay	**2,906**	**189,827**	**3,582**	**3.0%**	**$2,105**	**$1,655**	**$1,907**	**$2,032**	**$2,433**	**$2,670**

Property statistics for communities 16 units and greater, rental statistics for communities 50 units and greater

INVESTMENT STATISTICS BY COUNTY	TOTAL PROPERTIES	SALES VOLUME	TOTAL UNITS	PRICE/ UNIT	PRICE/ SQ. FT.	CAP RATE	GRM
Alameda County	91	$233,037,638	1,741	$133,853	$187.21	5.7%	12.54
Contra Costa County	22	$103,109,309	853	$120,878	$194.02	4.7%	11.72
East Bay	**113**	**$336,146,948**	**2,594**	**$129,586**	**$189.25**	**5.2%**	**12.12**

Property sales for communities 5 units and greater

had no real impact on rental rate growth. This won't be the case by late 2016 when completions will triple current levels which could dent the record level of annual rent increases. However, we don't anticipate that growing levels of new development will come anything close to catching up with current levels of demand for at least another year, if not longer.

On the investment front, Cushman & Wakefield tracked 113 sale transactions worth $336.1 million that closed in Q3 2015. This was on par with last quarter's 115 deals worth $366.5 million that closed. Total East Bay multi-family deal volume in 2014 was just under $1.4 billion, far exceeding the $936 million recorded in 2013 and is the second largest amount that we have ever tracked (2005's $1.7 billion). Demand has not dropped from last year's levels; if anything it has accelerated. But a lack of available product has tamped down activity in the East Bay. The revitalization of Oakland and other areas of the East Bay may shift this trend with many owners in these areas holding properties off the market awaiting further price appreciation –that time may have arrived The average cap rate on closed deals in Q3 was 5.2%, down from the 5.6% rate that was in place a year ago. The GRM rounded out the quarter at a strong 12.1, which was well above the five-year average of 9.6.

Key Multi-Family Sale Transactions Q3 2015

PROPERTY	UNITS	BUYER	SELLER	SALE PRICE	CITY
Mira Vista Hills	280	Reliant-mira Vista Lp	Runaway Bay LLC	$28,495,000	Antioch
TowneCentre Commons	137	The ConAm Group of Companies	Ridge Capital Investors, LLC	$26,400,000	Brentwood
Vista Del Sol Apartments	74	Windy Hill Property Ventures, Inc.	Marshall Perry Incorporated	$17,750,000	Pleasanton
The Terraces	72	Abacus Capital Group LLC	Terraces Condominiums	$16,000,000	El Sobrante
Marina Vista	60	Brahm A. Levin & Deborah S. Levin	Undisclosed	$11,888,000	Alameda

MARKETBEAT

Multi-Family Snapshot Q3 2015

San Francisco

CUSHMAN & WAKEFIELD

SAN FRANCISCO MULTI-FAMILY

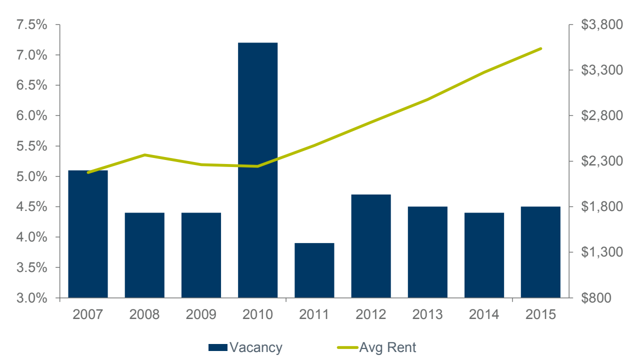
Economics Indicators

	Q3 14	Q3 15	12-Month Forecast
San Francisco Employment	478K	517K	▲
San Francisco Unemployment	4.4%	4.1%	▼
U.S. Unemployment	5.9%	5.1%	▼

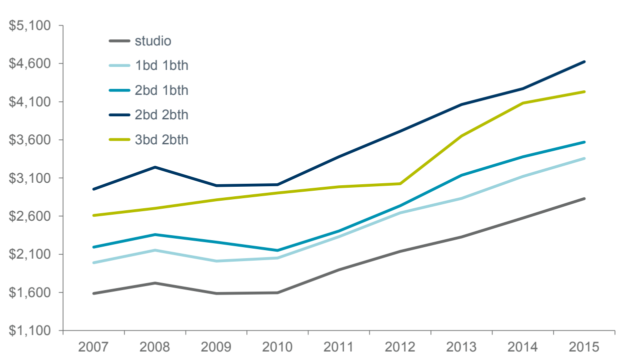
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	4.9%	4.1%	▲
Average Asking Rent	$3,400	$3,623	▬
Total Sales Volume	$387.9M	$719.4M	▲
Average Cap Rate	4.3%	4.0%	▬

Vacancy & Average Asking Rate*



Average Asking Rent by Unit Mix*



*Annual Average

Vacancy Declines as Deliveries Slow

As of the close of Q3 2015, multi-family vacancy in San Francisco stood at 4.1%. This reflects a notable decrease from the 4.9% rate that was in place three months ago. This drop in vacancy can be attributed to a decline in units coming to market during the quarter versus the previous quarter. Vacancy has, in fact, experienced recent volatility due to the ongoing ebb & flow of apartment deliveries. Over the past three years, roughly 7,500 units were delivered in San Francisco and over 8,000 units are currently under development. The appetite for apartments remains high in the City though some tenants are beginning to explore less expensive neighboring markets to the East and South. As a result, Cushman & Wakefield anticipates vacancy to grow slightly over the next year with tightening to follow thanks to fewer units being delivered.

San Francisco added over 3,200 new multi-family units in 2013. That number dipped to just over 2,300 total units in 2014, however, the pace of deliveries over the first nine months of 2015 looks to surpass the previous year's total but remains below the total from 2013. Developers completed 1,847 new units through Q3, but the pace of new development is rising. We are currently tracking over 8,100 additional units under construction throughout the City with delivery dates slated through 2017. Meanwhile, there are an additional 14,900 units in the proposal stage ranging from long-term, large scale mega-developments (Treasure Island) to smaller infill redevelopment projects likely to go forward in the next few months. This wave of new development has already radically transformed neighborhoods like SoMa, China Basin, the Mission, Dog Patch and Potrero Hill and is now impacting some of the City's most historical neighborhoods like Mid-Market and the Tenderloin that are in the early phases of gentrification. San Francisco's skyline is currently dotted with more than 25 cranes erecting high-rise apartment projects, and that number will only be climbing in 2016. Vacancy levels are likely to increase, at least temporarily, as deliveries rapidly grow in 2016. Over the past 22 quarters, San Francisco's average asking rent has declined only four times and none of those were either substantial or sustained. The region's current average asking rent of $3,623 per month is up 6.6% from where it stood one year ago and reflects a jump of 43% over the past four years. San Francisco continues to competes with Manhattan for boasting the nation's highest rents. But with development at record levels and rental rate growth having far exceeded income growth for five years now, a slowdown could be near. What is not likely without a sharp economic downturn is a decline in rents. Even at current levels of development there is a severe housing shortage and when it comes to the issue of affordable housing the market is dealing with a crisis.

MARKETBEAT

Multi-Family Snapshot Q3 2015

San Francisco

RENTAL STATISTICS	TOTAL PROPERTIES	TOTAL UNITS	UNITS U/C	AVERAGE VACANCY	AVERAGE RENT	STUDIO	1BR / 1BA	2BR / 1BA	2BR / 2BA	3BR / 2BA
San Francisco County	1,581	94,916	8,094	4.1%	$3,623	$2,976	$3,392	$3,525	$4,738	$4,271

Property statistics for communities 16 units and greater, rental statistics for communities 50 units and greater

INVESTMENT STATISTICS	TOTAL PROPERTIES	SALES VOLUME	TOTAL UNITS	PRICE/ UNIT	PRICE/ SQ. FT.	CAP RATE	GRM
San Francisco County	60	$719,357,632	971	$740,841	$706.29	4.0%	16.96

Property sales for communities 5 units and greater

Cushman & Wakefield tracked 60 sale transactions worth $719.4 million that closed in Q3 2015 though that was skewed by one very large transaction (One Rincon Hill Tower 2). This compares to Q2's total of 58 transactions that equated to roughly $583.2 million in total deals. The average price we tracked on closed deals in Q3 2015 was a staggering $741,000 per unit, compared to the five year average of $270,000 (again, reflected by the previously mentioned transaction that was priced as a condo conversion opportunity). The balance of transactions that occurred during the quarter were of the smaller unit mix category, yielding slightly higher cap rates than institutional grade communities. Taken together though, the cap rate did dip slightly below the 4% mark in Q3 to 3.99%. The GRM rounded out the quarter at a strong 17.0, which was well above the five-year average of 13.9. Investor demand remains extremely robust and is increasingly driven by foreign investors in search of safe haven (more so than yield) as both the European and Asian economies continue to face economic headwinds.

Key Multi-Family Sale Transactions Q3 2015

PROPERTY	UNITS	BUYER	SELLER	SALE PRICE	CITY
One Rincon Hill Tower 2	299	Rockpoint Group LLC	Principal Real Estate Investors	$410,000,000	San Francisco
The Steinhart Apartments	57	Mosser Companies	Angelo, Gordon & Co.	$31,000,000	San Francisco
Alamo Square Apartments	35	Veritas Investments, Inc.	Pacific Coast Capital Partners	$14,800,000	San Francisco
2530 Fillmore St	12	Undisclosed	Catherine Oyster	$8,650,000	San Francisco
1433 Clay St	16	1433 Clay Street LLC	Patrick Dare	$7,800,000	San Francisco

MARKETBEAT

Multi-Family Snapshot Q3 2015

Peninsula

CUSHMAN & WAKEFIELD

PENINSULA MULTI-FAMILY

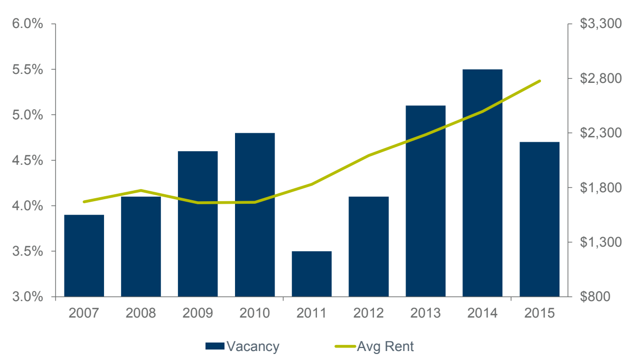
Economics Indicators

	Q3 14	Q3 15	12-Month Forecast
San Mateo Co. Employment	397K	419K	▲
San Mateo Co. Unemployment	4.1%	3.8%	▼
U.S. Unemployment	5.9%	5.1%	▼

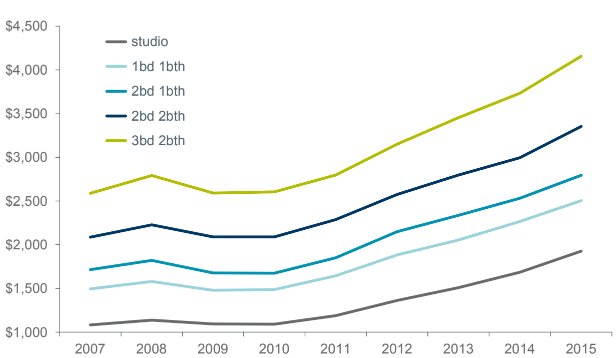
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	5.7%	4.6%	▼
Average Asking Rent	$2,580	$2,871	▲
Total Sales Volume	$105.3M	$177.4M	▲
Average Cap Rate	4.0%	4.1%	▬

Vacancy & Average Asking Rate*



Average Asking Rent by Unit Mix*



*Annual Average

Investments on Record Pace

Multi-family vacancy in San Mateo County closed Q3 2015 at 4.6%, its fourth straight quarterly decline. New construction added over 500 rental units in 2013 and an additional 1,300 units in 2014. For the first three quarters of 2015, nearly 900 units have been delivered and Cushman & Wakefield is tracking 3,300 additional multi-family units in the construction pipeline with delivery dates through the end of 2017. Beyond that, there are nearly 3,000 more units in various stages of planning that will also likely begin construction in the months ahead.

The current average asking rent in San Mateo County is $2,871 per month. This number has increased 11.3% over the past year and 23.2% from its mark two years ago. But double digit annual rent growth is not sustainable forever, particularly when it far outpaces local income growth (which has been about 15% over the past five years). However, with new development thus far less extensive in San Mateo County than in either San Francisco or Santa Clara counties, local landlords have had control over pricing. San Mateo County does face strong competition to its north and south regarding (increased) product as well as a challenge from the East Bay in regards to (less expensive) pricing. None of these factors should be enough to send rents backwards, but we do expect slowing rent growth ahead.

Over the course of Q3 2015, Cushman & Wakefield tracked 35 sales transactions worth $177.4 million. Deal velocity was lower than Q2's pace of 52 deals but total volume was on par at $182.0 million. All told, the market has recorded $631.9 million in trades through the third quarter of 2015. In over 15 years of tracking this market, 2006 had the highest transaction volume on record at $712 million. This year is already on pace to exceed this metric given the already strong activity.

The average price for all Q3 deals was $261,000 per unit compared to $338,000 in Q2 and just below the three-year average of $283,000 This metric was hampered by the greater amount of Class B & C communities traded during the quarter.. The average cap rate on deals closed this quarter was just 4.1%, down slightly from the 4.2% rate in Q2. Cap rates for this market have remained incredibly steady in the low to mid 4% range over the past six quarters. The GRM in San Mateo County has been one of the highest in the Bay Area in this current real estate investment boom. Nestled between San Francisco and Silicon Valley, this market provides convenience to both thriving job markets in addition to the local mid-Peninsula market. The GRM in Q3 was 18.9 compared to 16.6 in Q2. This was near the mark set one year ago at 19.0 and well above the three-year average of 15.4.

MARKETBEAT

Multi-Family Snapshot Q3 2015

Peninsula

CUSHMAN & WAKEFIELD

RENTAL STATISTICS	TOTAL PROPERTIES	TOTAL UNITS	UNITS U/C	AVERAGE VACANCY	AVERAGE RENT	STUDIO	1BR / 1BA	2BR / 1BA	2BR / 2BA	3BR / 2BA
San Mateo County	660	49,470	3,268	4.6%	$2,871	$2,025	$2,575	$2,867	$3,472	$4,384

Property statistics for communities 16 units and greater, rental statistics for communities 50 units and greater

INVESTMENT STATISTICS	TOTAL PROPERTIES	SALES VOLUME	TOTAL UNITS	PRICE/ UNIT	PRICE/ SQ. FT.	CAP RATE	GRM
San Mateo County	35	$177,395,264	679	$261,259	$282.30	4.1%	18.85

Property sales for communities 5 units and greater

Investor demand for multi-family product remains extremely robust throughout the Bay Area. This isn't being driven just by REITs, institutional investors or foreign investors but increasingly by local, private money all looking for a safe haven to park their funds. Thanks to the fact that the Peninsula multi-family market sits at the confluence of a very healthy regional economy, its investment metrics will continue to outperform most of the other US multi-family markets.

Key Multi-Family Sale Transactions Q3 2015

PROPERTY	UNITS	BUYER	SELLER	SALE PRICE	CITY
Terrace Capri Apartments	174	Spieker Companies, Inc.	Levie Properites	$25,750,000	Redwood City
Three21 @ Belmont	65	Michael & Barbara Ruder	Tilden Properties	$23,650,000	Belmont
The Cottages at Seaside Apartments	90	The Carlyle Group	InSite Realty Advisors	$22,250,000	Pacifica
Skyline Vista	44	Tajirian Investments LLC	Sack Properties	$16,800,000	Pacifica
Donna Ngai Apartments	18	Logos Property Investment G Ll	Ngai Donna S T Trust	$6,500,000	Millbrae

MARKETBEAT

Multi-Family Snapshot Q3 2015

South Bay

CUSHMAN & WAKEFIELD

SOUTH BAY MULTI-FAMILY

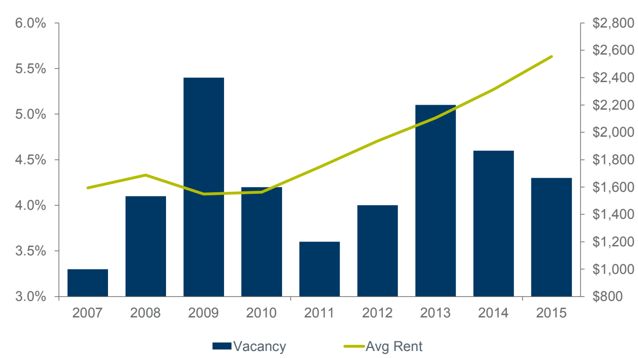
Economics Indicators

	Q3 14	Q3 15	12-Month Forecast
Santa Clara Co. Employment	896K	965K	▲
Santa Clara Co. Unemployment	5.2%	4.0%	▼
U.S. Unemployment	5.9%	4.7%	▼

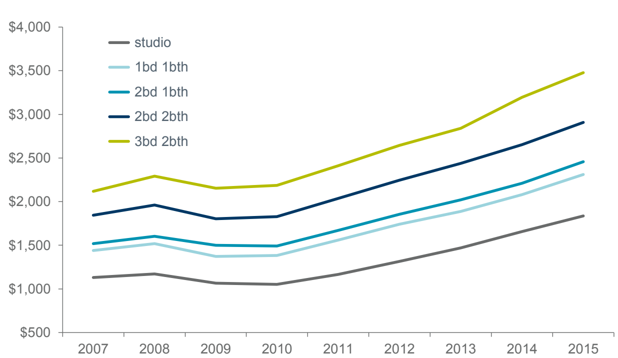
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	4.2%	5.3%	—
Average Asking Rent	$2,369	$2,623	▲
Total Sales Volume	$646.2M	$318.9M	—
Average Cap Rate	5.1%	3.7%	▲

Vacancy & Average Asking Rate*



Average Asking Rent by Unit Mix*



*Annual Average

Vacancy Increases in Response to Development

As of the close of Q3 2015, multi-family vacancy in Santa Clara County stood at 5.3%. This reflects a substantial increase from the 4.3% rate in place three months ago. The rise in vacancy can be attributed to the 1,600 units delivered during the quarter and nearly 4,000 additional units year to date. A year ago, vacancy stood at 4.2% and then began to inch up during the following two quarters to 4.3% before pulling back to 3.3% in the beginning of 2015. What happened next describes the dynamic forces at hand in Santa Clara County as the market has grown its vacancy by 200 basis points (bps). Both the demand and development appetite for multi-family in Santa Clara County has been insatiable with development having won out at least at this point in the cycle.

We tracked nearly 3,000 new rental units that were completed in 2014 (rental and condominium deliveries added more than 5,100 total units but we only track rentals in this report). This compares to nearly 3,400 rental units constructed in 2013 and just over 3,800 in 2012. Deliveries in 2015 are already at record levels. In just the first nine months of this year alone, developers added nearly 4,000 new multi-family units to the local inventory (Q3 accounted for 1,600 units). We are tracking another 6,200 units that are under construction with delivery dates scheduled through 2017. On top of that, there are nearly 10,000 units in various stages of proposal; we expect most of these projects to eventually move forward. Though we expect this space to be absorbed by the marketplace, vacancy levels will climb and at stabilize in the 5.0% range through early 2016. However, this vacancy spike may be short-lived. As aggressive as new development levels currently are, the region remains in the midst of a housing shortage and an affordable housing crisis.

The current average asking rent of $2,623 per month is up 10.7% from where it stood one year ago. Over the past four years this metric has increased by 46.3%. Rent growth has actually been slowing lately from annual increases in the teens; we expect the annual rate of growth to fall into the single digits in the months ahead if not flatten as new deliveries surge and create a more competitive environment, at least temporarily.

We continue to see local multi-family product commanding top pricing. Over the course of Q3 2015, we tracked 63 sales transactions worth over $318.9 million. This closely mirrors Q2 in which 66 deals closed worth $339.3 million. For 2014, we tracked total deal volume in excess of $1.7 billion, a record year in multi-family investment activity for Santa Clara County. i This far surpassed the $1.2 billion of deals that closed in 2013 and broke the previous record set in 2012 when Santa Clara County recorded

Multi-Family Snapshot Q3 2015

South Bay

RENTAL STATISTICS	TOTAL PROPERTIES	TOTAL UNITS	UNITS U/C	AVERAGE VACANCY	AVERAGE RENT	STUDIO	1BR / 1BA	2BR / 1BA	2BR / 2BA	3BR / 2BA
Santa Clara County	1,592	157,779	6,178	5.3%	$2,623	$1,914	$2,381	$2,519	$2,975	$3,549

Property statistics for communities 16 units and greater, rental statistics for communities 50 units and greater

INVESTMENT STATISTICS	TOTAL PROPERTIES	SALES VOLUME	TOTAL UNITS	PRICE/ UNIT	PRICE/ SQ. FT.	CAP RATE	GRM
Santa Clara County	63	$318,877,843	1,094	$291,479	$437.11	3.7%	15.34

Property sales for communities 5 units and greater

more than $1.6 billion in multi-family deals. Demand remains robust and, if product were available, the market would likely rival 2014's record amount. But we are not seeing much in the way of Class A or large community sale offerings as owners are still hedging on strong rent growth rather than cashing out of their investment.

The average price on deals we tracked in Q3 inched higher to $263,000 per unit compared to the $247,000 per unit in the previous quarter. Given the lack of core, institutional sales that have occurred over recent quarters, pricing has been greatly compressed by a disproportionate amount of Class B & C community transactions. This event has also impacted cap rates in Santa Clara County as the average figure closed the quarter at 4.6%. Core multi-family assets in the region, however, are trading at cap rates in the 3.0% range. We will expecting more core offerings in the near future in Santa Clara County as owners look to cash-in on very favorable market conditions.

Key Multi-Family Sale Transactions Q3 2015

PROPERTY	UNITS	BUYER	SELLER	SALE PRICE	COUNTY
Nazareth Gardens	32	Michael & Barbara Ruder	Nazareth Enterprises	$19,000,000	Mountain View
Village Park	67	Saratoga Capital, Inc.	Richard L. Williams	$16,250,000	San Jose
444 Ventura Ave	17	Salvatore & Stella Giovannotto	Bruce H. and Karen S. Wiener	$8,650,000	Palo Alto
Balboa Apartments	18	Gino F Massoud	Wayne Y & Mary M Gong	$7,750,000	Sunnyvale
Polaris Apartments	28	Lisa Paterson	Kai Family 1998 Trust	$6,700,000	San Jose

MARKETBEAT

Multi-Family Snapshot Q3 2015

North Bay

CUSHMAN & WAKEFIELD

NORTH BAY MULTI-FAMILY

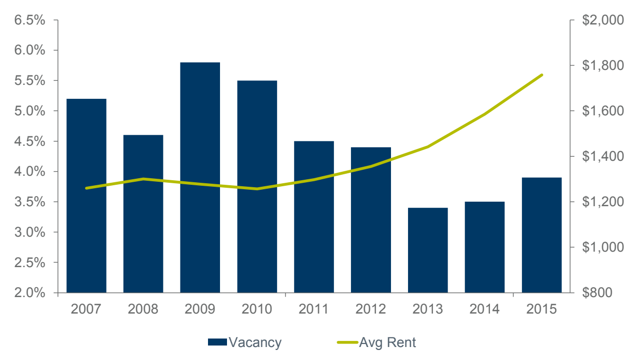
Economics Indicators

	Q3 14	Q3 15	12-Month Forecast
North Bay Employment	676K	638K	▲
North Bay Unemployment	5.1%	5.5%	▼
U.S. Unemployment	5.9%	5.1%	▼

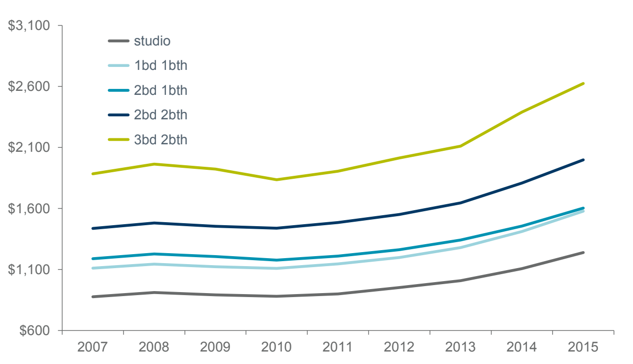
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	3.7%	3.8%	▬
Average Asking Rent	$1,624	$1,818	▲
Total Sales Volume	$75.1M	$277.5M	▲
Average Cap Rate	6.5%	5.4%	▼

Vacancy & Average Asking Rate*



Average Asking Rent by Unit Mix*



*Annual Average

Record Investments Through 3/4 of Year

As of the close of Q3 2015, multi-family vacancy in the North Bay dropped to 3.8% from 4.2% in the previous quarter. This movement was wholly attributed to the west side of the market (Marin & Sonoma Counties) experiencing healthy reductions to their respective vacancies. Solano and Napa Counties held the lowest vacancy rates in the market (even with quarterly increases), ending the quarter at 3.1% and 3.7%, respectively. Sonoma County had the highest vacancy in the market at 4.5% while Marin followed closely behind at 4.1%. What helped the overall region was the lack of new deliveries during the quarter, paving the way for strong occupancy growth. Currently in the development pipeline, we are tracking 1,100 units under construction with another 1,400 units in various stages of proposal; we expect most of these projects to eventually go forward.

The North Bay market could be best described as incredibly tight. While all of the Bay Area's markets have been posting low vacancy rates and aggressive rent increases for the past few years, the North Bay was late to game in experiencing these trends. This is largely because of its geographic expanse and isolation from the rest of the marketplace. But while the North Bay is now benefitting from those same trends, it is not yet seeing the trend to the same degree that is defining activity elsewhere in the region; new development. We tracked only a handful of new projects in 2013 that added 172 new rental units to the local inventory. These numbers climbed in 2014 to 243 units and 2015 has already surpassed last year's total of 298. We are now tracking roughly 1,100 units under development in the North Bay with delivery dates through 2016, and 1,400 additional units in various stages of proposal that will likely go forward—but they will not be enough to keep up with demand.

The current average asking rent in the North Bay is $1,818 per month (up 11.9% annually). The average rate in Marin County is now $2,593 per month per month (up 10.9% annually). The further outlying Napa and Sonoma marketplaces experienced greater rate of change to their respective average rents. The current average asking rate in Napa is $1,880 (up 16.0% annually), while it stands at $1,488 per month in Solano County (up 15.5%). Just north of Marin lies Sonoma County and it is currently averaging $1,719 per month. Rents here have increased 8.9% from last year.

We tracked 32 sale transactions that closed equating to a total deal volume of $277.5 million in Q3 2015. This compares to 33 deals but worth $189.4 million in Q2. The market recorded $455.0 million of total deal volume in 2014; this compares to $504.0 million in 2013. The record for the region now stands at $631.9 million, as 2015 (with one quarter remaining) has already surpassed the $537.1

MARKETBEAT

Multi-Family Snapshot Q3 2015

North Bay

RENTAL STATISTICS BY COUNTY	TOTAL PROPERTIES	TOTAL UNITS	UNITS U/C	AVERAGE VACANCY	AVERAGE RENT	STUDIO	1BR / 1BA	2BR / 1BA	2BR / 2BA	3BR / 2BA
Marin County	253	14,513	180	4.1%	$2,583	$1,675	$2,233	$2,349	$3,050	$4,044
Sonoma County	420	27,086	910	4.5%	$1,719	$1,066	$1,522	$1,683	$2,003	$2,332
Napa County	99	7,269	41	3.7%	$1,880	$925	$1,703	$1,789	$2,119	$2,387
Solano County	276	25,301	0	3.1%	$1,488	$1,145	$1,392	$1,344	$1,705	$1,711
TOTAL	**1,048**	**74,169**	**1,131**	**3.8%**	**$1,818**	**$1,292**	**$1,635**	**$1,658**	**$2,072**	**$2,657**

Property statistics for communities 16 units and greater, rental statistics for communities 50 units and greater

INVESTMENT STATISTICS BY COUNTY	TOTAL PROPERTIES	SALES VOLUME	TOTAL UNITS	PRICE/ UNIT	PRICE/ SQ. FT.	CAP RATE	GRM
Marin County	8	$39,515,684	132	$299,359	$312.78	4.3%	N/A
Sonoma County	13	$96,257,609	517	$186,185	$247.91	6.1%	14.04
Napa County	3	$77,750,277	281	$276,690	$279.81	5.0%	N/A
Solano County	8	$63,947,567	398	$160,672	$164.03	5.3%	8.99
TOTAL	**32**	**$277,471,136**	**1,328**	**$208,938**	**$234.68**	**5.4%**	**11.03**

Property sales for communities 5 units and greater

million mark set in 2004. In addition, as core offerings in the Bay Area become scarce, investors will likely flee to surrounding markets to the north and eastbound, further supporting this projection. The North Bay remains a significant bedroom community to the core Bay Area marketplace further supports the growing interest of multi-family investors to this market.

The average price on deals in Q3 was $209,000 per unit, up from the $150,000 per unit reading in the previous quarter. However, these metrics don't fully reflect the full degree of the increases we are tracking. This is because few investment grade properties have been available and Class B or C product and value-add projects accounted for the lion's share of trades in Q3. Institutional quality Class A projects are now typically commanding top pricing and cap rates in the 4.0% range or less are not uncommon in the region. The average cap rate on closed deals was 5.4%; down from the 6.5% a year ago.

Key Multi-Family Sale Transactions Q3 2015

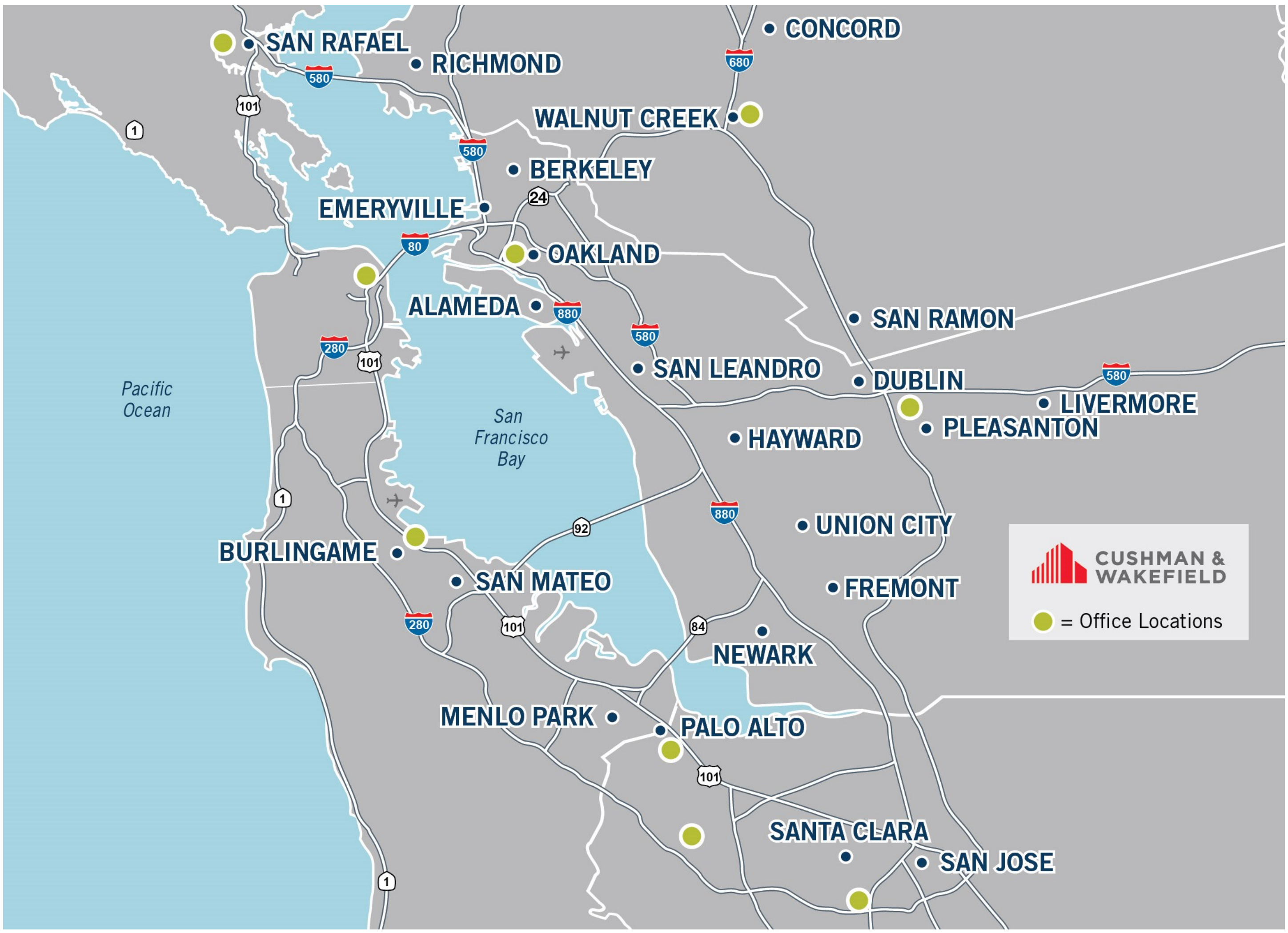
PROPERTY	UNITS	BUYER	SELLER	SALE PRICE	CITY
Hawthorn Village	244	Jackson Square Properties	Sentinel Real Estate Corporation	$70,500,000	Napa
Maribelle Apartments	287	TruAmerica Multifamily	Fairfield Residential	$59,000,000	Santa Rosa
Park Crossing Apartments	200	Tilden Properties	Abacus Capital Group LLC	$47,000,000	Fairfield
Marin Gardens	46	Interstate Equities Corporation	Sares-Regis Group	$12,700,000	San Rafael
Cortebella	32	Presidio Residential Captial	Sack Properties	$10,650,000	Corte Madera

MARKETBEAT

Multi-Family Snapshot Q3 2015

North Bay

Multi-Family Submarkets
Bay Area



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MARKET REPORT

Marcus & Millichap

San Jose Metro Area — *Third Quarter 2015*

Vacancy Hits Ultra-Low Level in Silicon Valley

A vigorous pace of job creation and undiminishing demand for rental housing is counteracting the hundreds of new units being delivered in Silicon Valley, keeping the market on target for tighter vacancy this year. The vacancy rate has already tumbled over the first six months of 2015 behind a soaring local economy, and the average rent has also grown quite vigorously to enable owners to further augment property revenue. Most of the new complexes slated for completion this year are on tap for delivery in the second half and will accordingly place upward pressure on vacancy, and additional units are in the pipeline for 2016. However, a recent decline in permits portends a potential slowdown in building and illustrates the constant challenges developers face to keep up with rental housing demand. Competition for development sites is fierce, especially as the local office market hits full stride and generates new space needs, and compiling multiple sites for a single multifamily parcel takes time.

The exceptional performance of the apartment sector is encouraging investors and allowing a broad variety of properties in many submarkets to trade. Few areas with undervalued or unnoticed opportunities exist following several years of intense trading, however, and sourcing deals will likely become more challenging. Nonetheless, bidding for the assets that are listed remains pitched. Some property owners are also instead electing to solicit offers from select qualified parties to simplify the sales process and ensure execution. Acquisition financing is readily available, but low leverage loans are common due to the market's low average cap rate, which currently sits in the mid-4 percent range. Private capital remains the dominant player in the market, focusing on the many small properties here, while REITs have been net buyers over the past two years despite a lull in purchases so far in 2015. The steady and notable climb in property values evident in the lower cap rates is also likely to motivate additional owners to consider refinancing in the coming months.

2015 Annual Apartment Forecast

4.9% increase in total employment

Employment: Payrolls will expand 4.9 percent, or by 50,000 workers, in Silicon Valley in 2015. Fueled by growth in professional and business services, and information sector employment, more than 49,000 new hires were made last year.

4,200 units will be completed

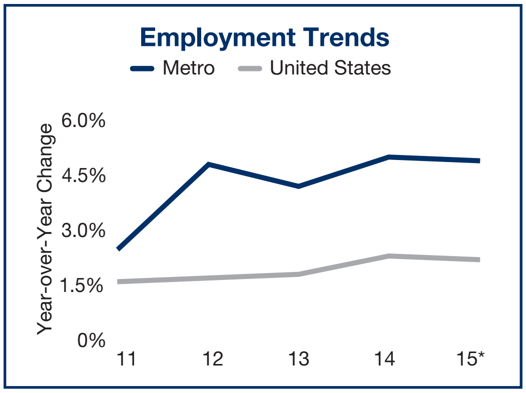
Construction: Developers will modestly step up the pace of building; 4,200 units will be completed, an uptick from 4,100 rentals last year. This year's production will include 153 income-restricted apartments in two projects.

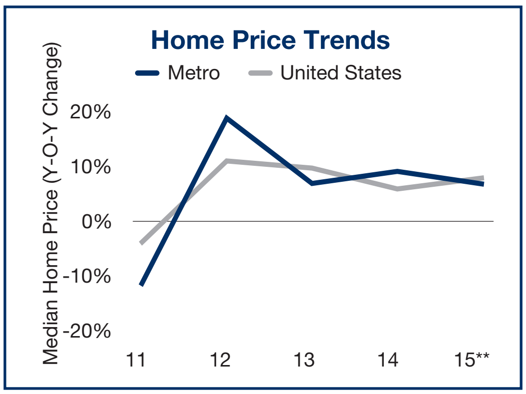
20 basis point decrease in vacancy

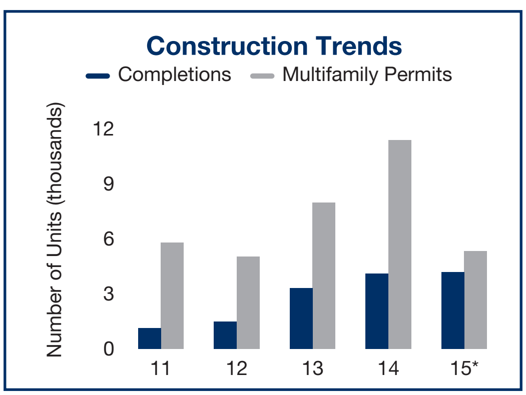
Vacancy: Growing demand for rental housing will slightly outpace higher completions, yielding a 20-basis-point drop in vacancy in 2015 to 3.3 percent. A rise of 10 basis points was recorded in the prior year.

9.1% increase in effective rents

Rents: The market is firmly entrenched in a period where demand growth will support robust rent increases. This year, the average monthly effective rent will surge 9.1 percent to $2,499 per month after a jump of more than 11 percent was posted in 2014.







** Forecast*
*** Trailing 12-month period through 1Q*

Economy

- Payrolls are growing significantly. Approximately 28,000 jobs were created in the first six months of 2015, expanding headcounts 2.7 percent. Positions were added in each month over the past year, yielding a gain of 56,100 workers over that time.
- Professional and business services, which encompasses a number of tech fields, added 8,100 employees so far this year to augment demand for high-end rentals. A sizable log of building projects also supported the creation of 4,700 construction jobs in the first half. The total also accounts for most of the new positions in the sector over the past 12 months.
- The government sector lost jobs in the first half this year. Overall, widespread job gains triggered an expansion of health care practices, resulting in the addition of 6,200 education and health services posts year to date.
- **Outlook:** After a robust first half, employers in Silicon Valley are on target to hire 50,000 workers this year.

Housing and Demographics

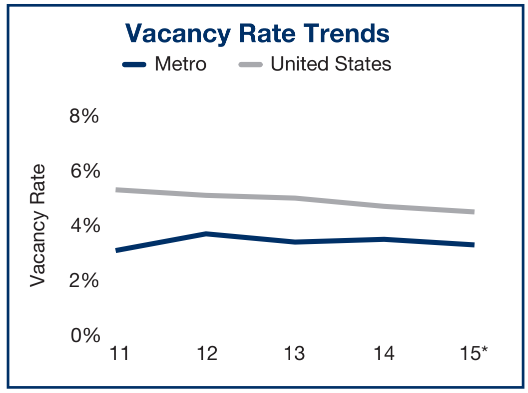
- The strong pace of hiring slashed the unemployment rate 100 basis points thus far in 2015, to 4 percent. A 140-basis-point plunge occurred over the past 12 months, a period when the average wage and salary in the metro also increased 4.4 percent.
- Job opportunities continue to sustain a modest flow of new residents to the metro. Since the second quarter last year, roughly 1,400 residents have moved into the area.
- The homeownership rate remains in the mid-50 percent range and has declined since the economic recovery began. The median price of an existing single-family residence jumped to nearly $762,000 during the past 12 months, a level that is affordable to households with a minimum income of $171,500 annually.
- **Outlook:** Rentals remain the most affordable housing option for a majority of households in the metro, but developers continue to face challenges building fast enough to keep pace with demand.

Construction

- Rental stock continues to grow in an effort to meet unfulfilled housing demand. Since the second quarter last year, approximately 4,000 rentals have been delivered, outpacing the 3,400 new apartments placed in service in the preceding 12 months.
- Approximately 1,700 rentals were completed in the first six months of this year. Large properties delivered include the 289-unit Hearth I in Santa Clara and a 438-unit complex, River View, in San Jose. An additional 2,800 rentals are under construction in the market and slated for delivery in the second half of 2015.
- In addition to this year's deliveries, work is progressing on 4,400 apartments that will be placed in service next year. Permitting trends, meanwhile, are signaling a slowdown; only 4,100 units were authorized over the past 12 months, a decline of 40 percent from the prior year.
- **Outlook:** Builders will deliver complexes containing 4,200 apartments in 2015 to expand rental stock 2.7 percent.

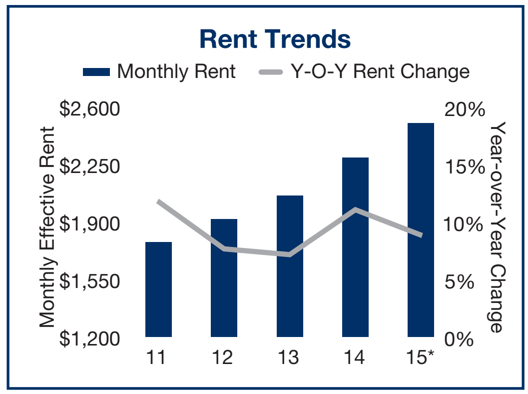
Vacancy

- The apartment market tightened further in the second quarter. The vacancy rate tumbled 40 basis points from April to June to 2.5 percent. Year to date, the vacancy rate plunged 100 basis points behind elevated net absorption of 3,100 units.
- Newly built complexes are leasing up well. The vacancy rate at properties built since 2000 was 3.2 percent at midyear, a level that is virtually unchanged over the past 12 months despite the significant increase in completions.
- Acute needs for affordable rentals are sustaining extremely tight vacancy in older properties, where rents are typically lower than in newer stock. Assets built during the 1990s, for example, were 2.4 percent vacant at midyear, while the market's oldest complexes recorded vacancy closer to 2 percent.
- **Outlook:** Strong demand for all vintages of rentals will persist, trimming the vacancy rate 20 basis points this year to 3.3 percent.



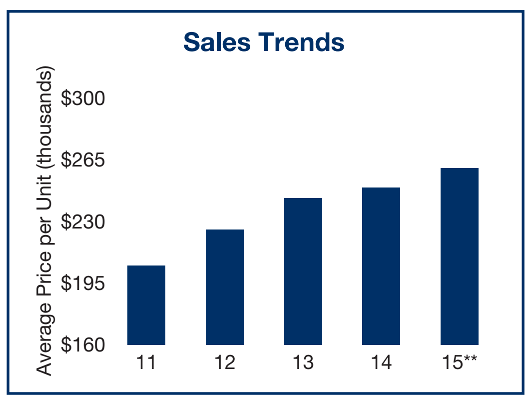
Rents

- The average effective rent at midyear was $2,449 per month and is 11.6 percent more than the level recorded one year ago. In the second quarter alone, the average effective rent advanced 5.3 percent.
- Properties built since 2000 have expanded to comprise about 17 percent of rental stock in the market following the past two years of substantial and steady completions. Concessions are used sparingly in new units, and recent-vintage apartments overall were renting for $2,694 per month at midyear, nearly 12 percent more than one year ago. The marketwide average breaks down to $2.81 per square foot but ranges up to $4.24 per square foot in Mountain View/Palo Alto/Los Altos.
- The average rent in properties open at least one year climbed 10 percent since the second quarter 2014, led by substantial rent growth in properties built in the 1990s and 1970s.
- **Outlook:** This year, the average effective rent in the market will advance 9.1 percent to $2,499 per month. With the gain, the average effective rent will have climbed more than 20 percent since the end of 2013.



Sales Trends

- Transaction velocity was virtually unchanged over the past year, based on heavy volume. Trades across most price tranches were either flat or down slightly; only the more than $50 million tranche registered an increase.
- Intense bidding continues to lift pricing, raising dollar volume nearly 30 percent over the past year. Properties sold over the past 12 months carried an average price of $260,300 per unit, 4 percent more than the average price in the previous year. The price of properties selling for $1 million to $10 million also rose to $263,000 per unit as small private buyers remained active.
- The average cap rate in recent deals sat in the mid-4 percent range, or roughly 50 basis points less than the level in the prior year. Even well-located Class C properties are trading in the 5 percent range.
- **Outlook:** Owners who bring properties to market will continue to benefit from a motivated pool of investors and will enjoy great prospects for realizing price objectives. Other owners may simply elect to harvest equity through refinancing ahead of a likely rise in interest rates.



** Forecast*
*** Trailing 12 months through 2Q*
Sources: CoStar Group, Inc.; Real Capital Analytics

Marcus & Millichap

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Capital Markets

By WILLIAM E. HUGHES, Senior Vice President, Marcus & Millichap Capital Corporation

- Despite volatility surrounding economic growth in China and Greece's status in the eurozone, the yield on the 10-year U.S. Treasury is trading near 2.25 percent. Economic data is showing improvement following weak first quarter GDP, with market participants now positioning for the December meeting as the most likely starting point for an interest rate hike. The latest comments from Federal Reserve Chairwoman Janet Yellen, however, indicate that the exact moment is still data-dependent.
- The Federal Open Market Committee has committed to a policy of "lower for longer" as it assuages fears that the first interest rate increase will disrupt the recovery. The first policy rate change is expected to be just 25 basis points, and measures will remain accommodative for some time.
- Agency lenders are underwriting 10-year multifamily loans ranging between 4.3 and 4.7 percent with average LTVs from 55 to 75 percent. Portfolio lenders are offering similar loan-to-value ratios with interest rates between 3.85 and 4.50 percent as underwriters have become more competitive in an effort to do business. Floating bridge loans for stabilized assets will require LTVs of 70 percent and price with a spread between 250 and 425 basis points over LIBOR, while value-add transactions will be underwritten at 80 percent LTV (60 to 65 percent of cost) with a 300- to 475-basis-point spread.
- Total CMBS issuance is expected to top 2014 levels this year as $100 billion to $125 billion is underwritten. A wave of pre-crisis loans will start to come due over the next few years, prompting refinancing as current owners renegotiate the capital structure of their assets. Through April, $35.8 billion in CMBS had been originated, underscoring the availability of credit as credit unions, insurance companies and alternative asset managers expanded their offerings.

Local Highlights

- Marketwide, the vacancy rate in one-bedroom apartments rose 80 basis points in the first six months of the year to 2.6 percent. The vacancy rate in two-bedroom units, a common option for renters doubling up, also tightened year to date to a scant 2.4 percent to support a 7 percent jump in the average rent.
- Apartment complexes underway and scheduled for delivery next year are spread over nearly every submarket. Roughly 500 rentals are on tap in the Mountain View/Palo Alto/Los Altos submarket. The scheduled completion of 935 apartments in North San Jose/Milpitas will expand stock there more than 6 percent. Approximately 3,900 rentals were added over the past two years, but surging demand drove down vacancy to 2.4 percent in the second quarter.
- The West San Jose/Campbell submarket has largely avoided the current construction cycle. Less than 200 rentals were completed over the past year, compressing the vacancy rate to a meager 1.8 percent at the end of the second quarter this year.

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MARKETBEAT

Industrial Snapshot Q3 2015

Silicon Valley

SILICON VALLEY INDUSTRIAL

Economics Indicators

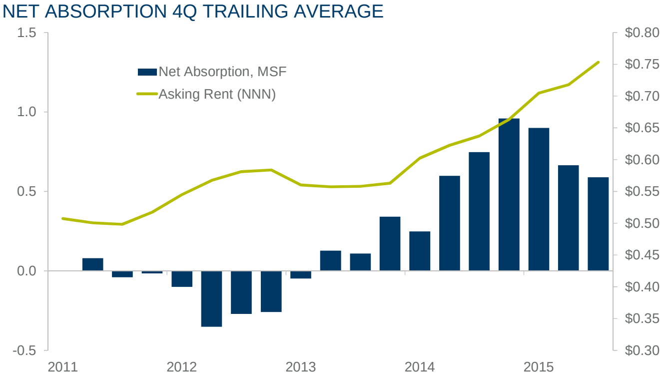
	Q3 14	Q3 15	12-Month Forecast
Santa Clara Co. Employment	896K	965K	▲
Santa Clara Co. Unemployment	5.2%	4.7%	▼
U.S. Unemployment	5.9%	5.1%	▼

Market Indicators

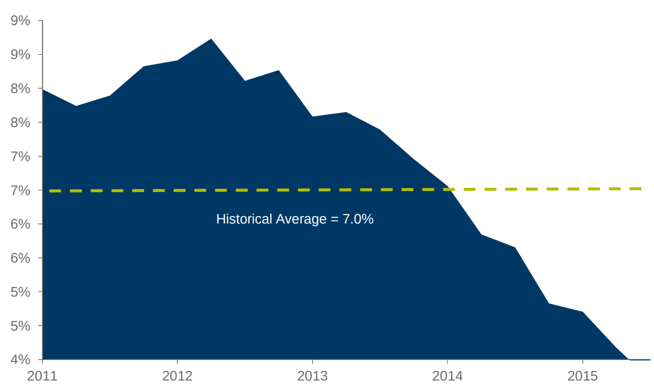
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	5.7%	3.7%	▼
Net Absorption SF	817K	517K	▲
Under Construction SF	575K	623K	▲
Average Asking Rent (NNN)	$0.64	$0.75	▲

Net Absorption / Asking Rent (NNN)

NET ABSORPTION 4Q TRAILING AVERAGE



Overall Vacancy



Industrial Vacancy Drops in Q3

At the close of Q3 2015, Santa Clara County finds itself among the strongest markets in the United States. Employment in the region has increased substantially since the beginning of the current cycle; the region has added over 182,000 jobs since Q1 2011. Total regional employment now stands at 965,000, while unemployment is down to just 4.7%. Thanks to a strong trend of in-migration, the Bay Area now has the highest labor force on record.

Industrial vacancy in Silicon Valley decreased slightly in Q3 2015. It currently stands at 3.7% down from 4.2% three months ago. Exactly one year ago local vacancy stood at 5.7%. Manufacturing product closed Q3 with vacancy of just 3.0% whereas warehouse product was 4.9%. One year ago, this metric stood at 6.0% for warehouse and 5.4% for the manufacturing sector.

The Silicon Valley industrial market recorded occupancy growth of 517,000 square feet (sf) in Q3. This compares to 386,000 sf in Q2. Although net absorption seems to have rebounded this quarter it still pales in comparison to the annual number of 3.8 msf recorded in 2014. Occupancy growth has plummeted because there is little left in the way of available quality product. Though the current 3.7% vacancy rate translates into nearly 4.2 msf of available space, more than 75% of this product is 25 years or older and much of it suffers from varying degrees of functional obsolescence. This is impacting growth levels as well as deal activity.

We tracked a mere 2.0 msf of deal activity in Q3. This compared to 3.2 msf of gross absorption last quarter. The largest transaction was Ceva Logistics in Newark, a 268,000 sf warehouse building that had been on the market for just two months. Another significant warehouse deal was Teknion’s lease of a building before coming to the market (91,000 sf in San Jose). Other notable warehouse deals included 2XL (90,000 sf in Milpitas), National Auto Parts (79,000 sf in San Jose) and Gaatu (65,000 sf in Milpitas). Key manufacturing transactions for Q3 included VM Services (75,000 sf in Newark) and Bestronics (73,000 sf in San Jose).

Overton Moore is scheduled to start construction on a 143,000 sf manufacturing building in Newark in the next few weeks. This follows Prologis breaking ground on two warehouse buildings totaling 623,000 sf in Fremont last quarter. Already, all of the spec projects that began construction last year have been quickly leased before completion. Meanwhile, tenant demand has only been on

MARKETBEAT
Industrial Snapshot Q3 2015
Silicon Valley

the increase. In Silicon Valley we are seeing a perfect storm of spiking demand from both local and regional users as well as national and global e-commerce players. The market added over 1.7 msf of new product in 2014 (the highest level we've tracked since 1997) and yet this was nowhere near enough. Today's tenants are willing to pay for modern class A warehouse facilities with higher clear heights, good power and truck staging. The problem is that these properties are simply not available. Occupancy growth will be driven by speculative development in 2015. Activity will pick up as more projects enter the construction pipeline.

The average asking rent for industrial space in Silicon Valley is now $0.75 per square foot (psf) on a triple net basis. This metric has increased 13% over the past year from $0.64 psf. The

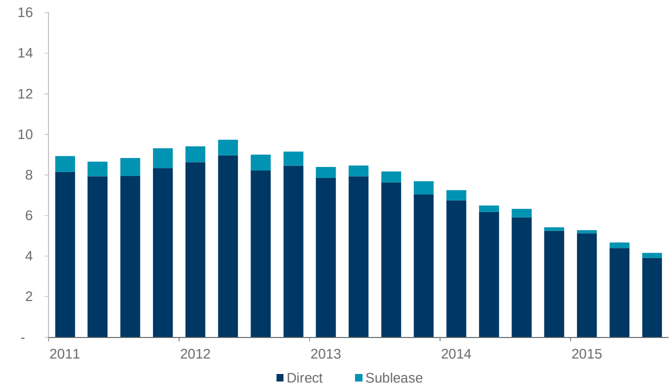
WITH VACANCY AT THE 3.7% MARK, THE LIMITED AVAILABILITY OF MODERN SPACE HAS BEEN A FACTOR INHIBITING GROWTH.

average asking rent for warehouse space is now $0.60 psf, up from $0.54 psf one year ago. As aggressive as this growth has been, declining vacancy, increasing demand levels and new, high quality speculative construction will only accelerate the pace of rental rate growth in the year ahead. But deal activity and net absorption tallies are likely to be paltry until the development pipeline begins to provide some much needed supply.

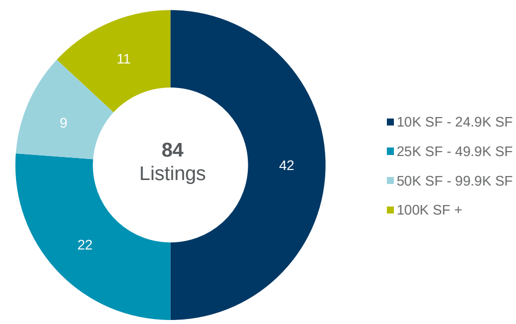
Outlook

- Vacancy dropped this quarter. It now stands at 3.7% down from 4.2% in Q2.
- The market posted an occupancy gain of 517,000 sf in Q3, an increase from the 385,000 sf recorded in Q2. Contributing to the increased absorption is the Ceva Logistics deal on 268,000 sf in Newark.
- The current average asking rate of $0.75 psf has increased nearly 15% over the past year.

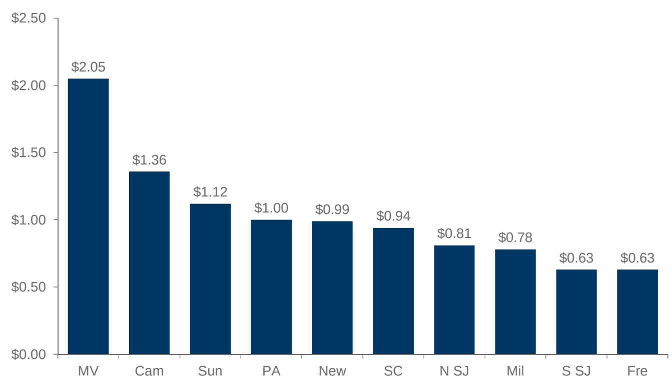
Direct & Sublease Available Space
DIRECT SPACE STAYS FLAT



Availabilities by Size Segment
LARGE CONTIGUOUS SPACE A SCARCITY



Average Asking Rate by Submarket (NNN)
STEADY RENT GROWTH ACROS THE 880 CORRIDOR



MARKETBEAT

Industrial Snapshot Q3 2015

Silicon Valley

MARKET	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONST	AVG ASKING (NNN0
Palo Alto	612,577	0	0	0.0%	6,000	6,000	0	$1.00
Mountain View	2,625,908	0	36,090	1.4%	(30,600)	(79,520)	0	$2.05
101 Technology	3,238,485	0	36,090	1.1%	(24,600)	(73,520)	0	$2.05
Campbell	1,567,921	0	84,161	5.4%	(26,414)	(79,621)	0	$1.36
Sunnyvale	5,784,651	20,000	120,224	2.4%	37,450	195,724	0	$1.12
Santa Clara	15,514,559	4,070	340,746	2.2%	96,541	253,663	0	$0.94
North San Jose	18,941,532	6,096	436,780	2.3%	106,148	248,823	0	$0.81
South San Jose	23,552,505	120,000	1,135,045	5.3%	80,581	(102,942)	0	$0.63
Central Silicon Valley	65,361,168	150,166	2,116,956	3.5%	294,306	515,647	0	$0.77
Morgan Hill/Gilroy	7,103,134	6,681	377,303	5.4%	15,210	27,135	0	$0.46
Milpitas	8,206,806	4,806	712,314	8.7%	82,908	5,747	0	$0.78
Fremont	19,665,209	40,000	460,662	2.5%	(66,130)	589,437	623,920	$0.63
Newark	8,479,142	45,158	206,959	3.0%	215,383	(22,925)	0	$0.99
South I-880 Corridor	36,351,157	89,964	1,379,935	4.0%	232,161	572,259	0	$0.77
TOTAL	112,053,944	246,811	3,910,284	3.7%	517,077	1,041,521	623,920	$0.75

*Industrial asking rates converted to NNN

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
6753 Mowry Ave	268,800	Ceva Logistics	Global Logistic Properties	Relocation	Newark
520 Brennan St	91,202	Teknion	Prologis	Relocation	North San Jose
218 Railroad Ave	90,740	2XL, Inc.	GLP	Relocation	Milpitas
615 King Rd, N.	79,861	National Auto Parts	Field Storage Corp.	Renewal	North San Jose
6701 Mowry	75,997	VM Services	Global Logistic Properties	Renewal	Newark
2243 Lundy Ave	73,000	Bestronics	LD Odyssey LLC	Relocation	North San Jose

Key Investment Sale Transactions Q3 2015

PROPERTY	SF	BUYER	SELLER	SALE PRICE	SUBMARKET
The Crossing @ 880	690,796	BlackRock Realty Advisors	Overton Moore Properties	$135,000,000	Fremont
Moffett Business Park	457,760	CBRE Global Investors	Prologis	$133,436,000	Sunnyvale

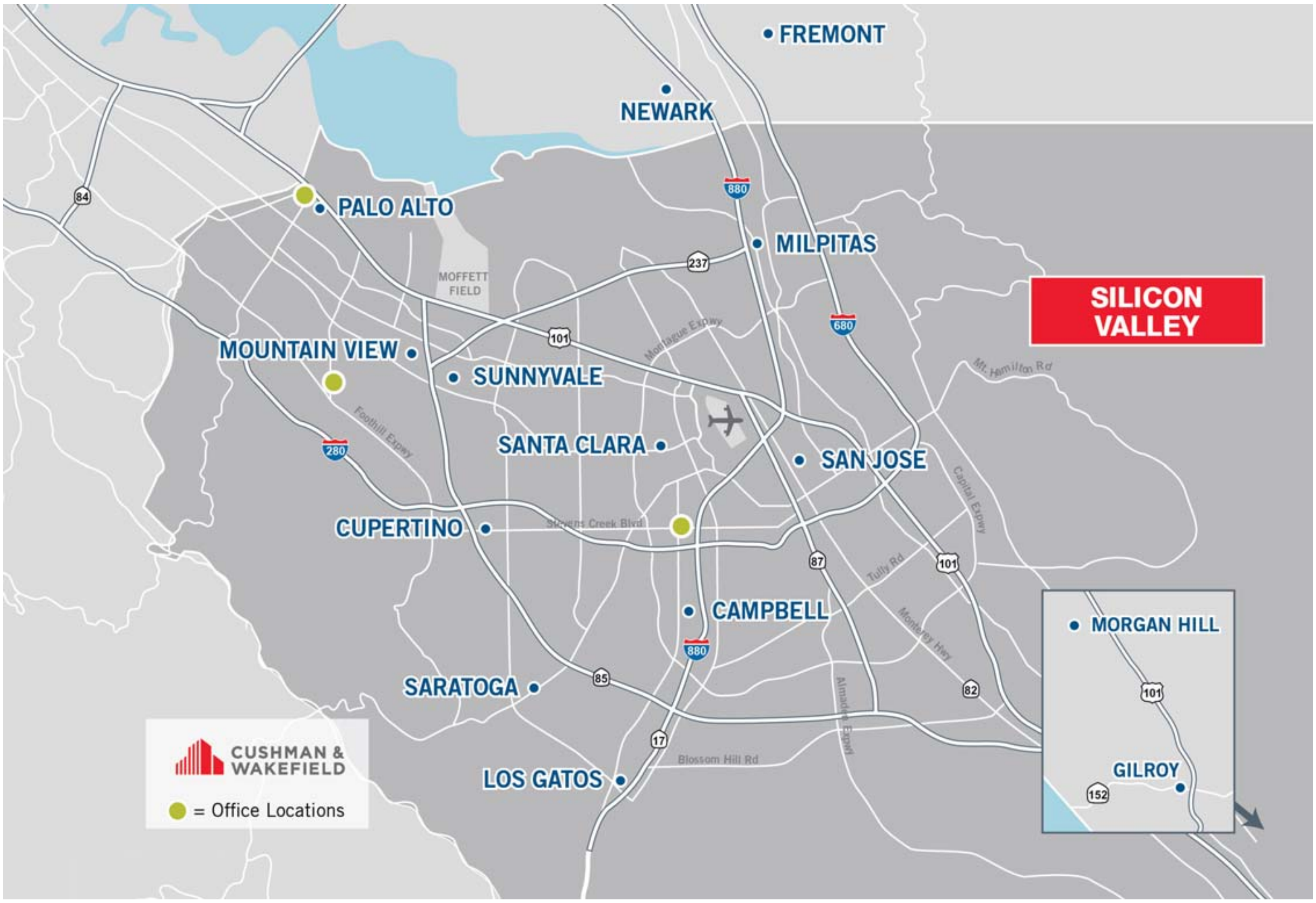
MARKETBEAT

Industrial Snapshot Q3 2015

Silicon Valley

Industrial Submarkets

Silicon Valley



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MARKETBEAT

Office Snapshot Q3 2015

Silicon Valley

SILICON VALLEY OFFICE

Economics Indicators

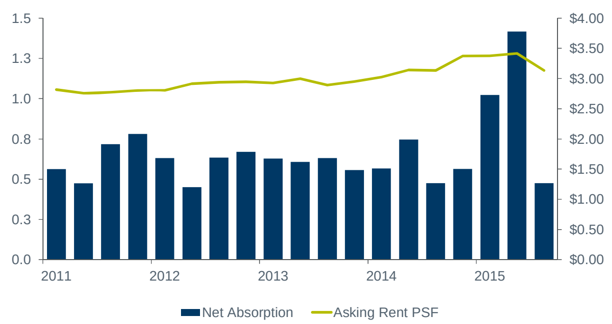
	Q3 14	Q3 15	12-Month Forecast
Santa Clara Co. Employment	896K	965K	▲
Santa Clara Co. Unemployment	5.2%	4.7%	▼
U.S. Unemployment	5.9%	5.1%	▼

Market Indicators

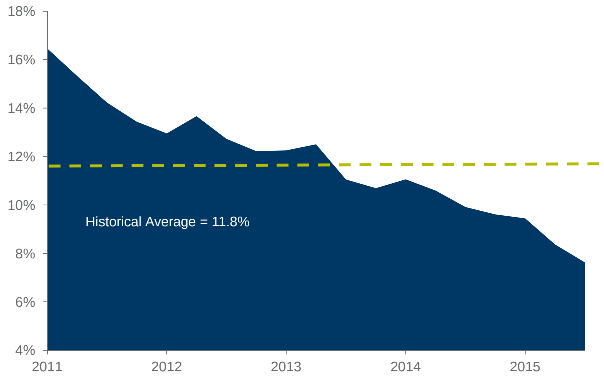
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	9.9%	7.6%	▼
Net Absorption SF	510K	1.9M	▲
Under Construction SF	7.6M	4.7M	▬
Average Asking Rent (FS)	$3.13	$3.52	▲

Net Absorption / Asking Rent (FS)

NET ABSORPTION 4Q TRAILING AVERAGE



Overall Vacancy



No Signs Of A Slow Down

At the close of Q3 2015, Santa Clara County finds itself among the strongest markets in the United States. Employment in the region has increased substantially since the beginning of the current cycle; the region has added over 182,000 jobs since Q1 2011. Total regional employment now stands at 965,000, while unemployment is down to just 4.7%. Thanks to a strong trend of in-migration, the Bay Area now has the highest labor force on record.

The office market in the Silicon Valley ended Q3 2015 with a vacancy rate of 7.6%. This is down from the 8.4% rate recorded in Q2 and substantially lower than the 9.9% reading of one year ago. The 7.6% vacancy translates to 5.7 million square feet (msf) of availabilities down from 6.8 msf from one year ago. Even with more than 5.9 msf of new office space added over the last 12 months, local vacancy levels continue to decrease as most of this new development is either in the form of build-to-suits (bts) or speculative projects that are being leased up prior to delivery.

The market recorded 1.9 msf of occupancy growth in Q3 down slightly from Q2's record number of 2.4 msf. This brings the year-to-date occupancy growth to 6.3 msf. At this level, the annual net absorption is on course to surpass the 2012, 2013 and 2014 levels combined (7.1 msf total). Deal activity is also at its highest level ever; Silicon Valley matched the record level from Q2 with another 3.5 msf of gross absorption in Q3. This brings annual totals to 10.3 msf. At its current pace, the market is on track to record 13.9 msf of deal activity in 2015; the previous record of 11.7 msf was set in 2000. In Q2, the largest deal was Palo Alto Networks' (PAN) 751,000 square feet (sf) lease from Menlo Equities. In Q3, PAN exercised its option and took another 300,000 sf in Santa Clara. After occupying their first two buildings this quarter, Netflix is already expanding, taking Phase II, another 263,000 sf, at its Los Gatos campus. Samsung finished construction this quarter on two new buildings on its land in North San Jose and occupied 650,000 sf. Other noteworthy deals included Splunk taking a 234,000 sf building at Santana Row that is currently under construction and Roku (160,000 sf) subleasing Netflix' existing space.

The average asking rate for office space increased in Q3 to $3.52 per square foot (psf) on a monthly full service basis. This number stood at $3.13 psf one year ago. The 101 Tech Corridor cities command the highest rents (currently averaging $6.72 psf). The West Valley submarkets are averaging $3.40 psf while the Central Silicon Valley trade areas are averaging $3.00 psf. The average deal rate for the region now stands at $4.82 psf. The 101 Tech Corridor submarkets continue to record the highest deal rates in the

MARKETBEAT

Office Snapshot Q3 2015

Silicon Valley

region; this metric now stands at $7.71 psf. The Central Silicon Valley submarkets presently average $3.64 psf while the average rate for the West Valley now stands at $4.45 psf.

Investor demand for Silicon Valley product remains robust, particularly for well-located, modern buildings with long-term tenancy in place. Top transactions in Q3 included the sale of Netflix' existing two buildings in Los Gatos to CBRE Global Investors. KBS also closed this quarter on the Almaden Financial Plaza in Downtown San Jose. There were a couple of noteworthy investments sales in Menlo Park and Palo Alto. Both 4085 Campbell (Menlo Park) and 530 Lytton (Palo Alto) sold at over $1,000 psf. These transactions come as vacancy rates in the 101 Tech Corridor have reached low single digits and average asking rents head north into uncharted territory, a byproduct of the district's increasing popularity with VC firms, established tech companies and startups.

OCCUPANCY IS AT RECORD LEVELS—Q3 NET ABSORPTION CAME IN AT 1.9 MSF BRINGING THE YEAR-TO-DATE TOTAL TO 6.3 MSF.

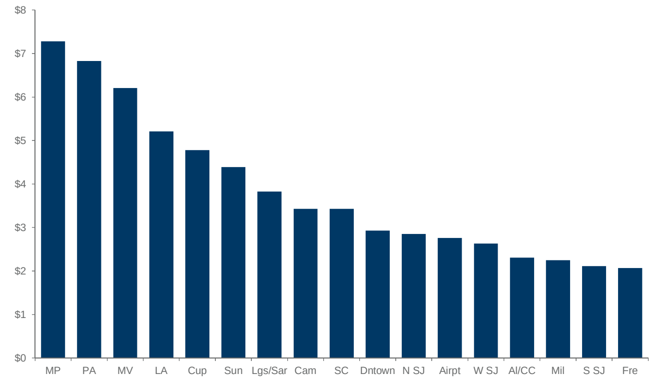
Construction across the region stands at 4.7 msf. This breaks down to 2.8 msf of BTS product and 1.9 msf of speculative product. Vacancy may tick up slightly this year as speculative projects are completed. However, demand remains extremely strong for class A product and there are several large tenants in the market looking for space. The Silicon Valley shows no signs of slowing. We expect new space at speculative developments to be leased up at a fairly brisk pace. Meanwhile, look for rents to continue to climb during the final quarter of 2015.

Outlook

- Occupancy growth in Q3 was 1.9 msf, bringing year-to-date totals to a whopping 6.3 msf. This compares to 4.4 msf in all of 2013 and 2014 combined.
- The current average asking rent of $3.52 psf (full service) is up 11% from one year ago and 21% from the Q2 2011 post-recession low-water mark of $2.77 psf.
- We are tracking 4.7 msf of new office product under development, of which just 1.9 msf is speculative. BTS campus projects will continue to drive strong occupancy growth numbers heading into 2016.

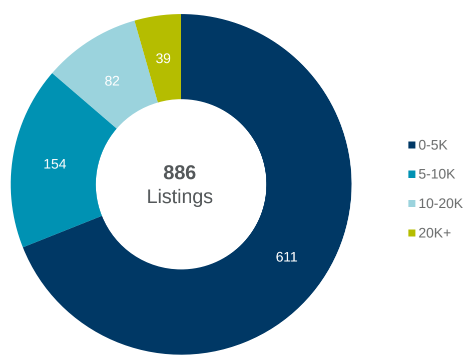
Average Asking Rate by Submarket (FS)

NORTHERN CITIES COMMANDING HIGHEST RENTS



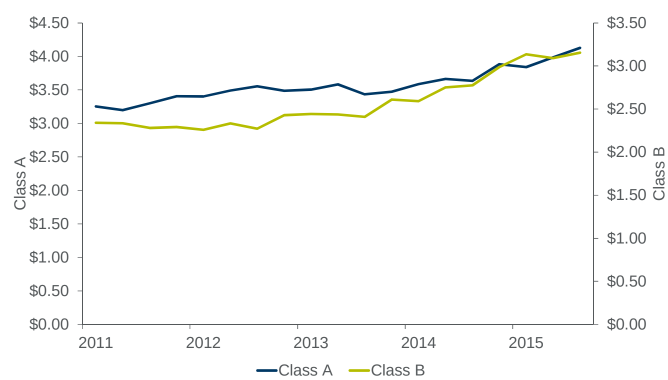
Availabilities by Size Segment

LACK OF SUPPLY FOR QUALITY LARGE BLOCK SPACE



Average Asking Rate by Class (Full Service)

CBD CLASS A RENTS INCREASED 22% SINCE 2010



MARKETBEAT

Office Snapshot Q3 2015

Silicon Valley

MARKET	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORP	YTD NET ABSORPTION	UNDER CONST	AVERAGE ASKING RENT (ALL Classes)	AVERAGE ASKING RENT (CLASS A)
Menlo Park	4,327,892	47,510	208,171	5.9%	(80,781)	491,072	0	$7.28	$8.86
Palo Alto	9,347,967	106,953	221,593	3.5%	72,710	230,970	123,424	$6.83	$7.84
Los Altos	1,096,613	6,251	63,542	6.4%	(13,484)	5,778	0	$5.21	$5.70
Mountain View	4,859,259	36,075	97,519	2.7%	(32,997)	1,214,073	0	$6.21	$7.99
Cupertino	4,395,559	4,154	89,590	2.1%	33,600	245,421	2,820,000	$4.78	$5.15
Campbell	2,357,564	17,268	186,337	8.6%	8,608	12,863	0	$3.43	$4.06
Los Gatos/Saratoga	2,269,669	37,645	79,371	5.2%	242,630	253,037	0	$3.83	$4.25
West San Jose	4,011,102	14,394	226,187	6.0%	258,384	153,588	0	$2.63	$3.94
Sunnyvale	8,784,613	14,871	265,189	3.2%	59,517	1,283,170	597,812	$4.39	$4.67
Santa Clara	8,426,642	99,047	476,654	6.8%	501,927	1,329,194	409,062	$3.43	$3.97
San Jose Airport	4,123,870	92,708	378,111	11.4%	57,961	53,905	0	$2.76	$3.06
North San Jose	4,494,041	89,116	817,451	20.2%	721,588	778,366	741,457	$2.85	$3.27
Alameda/Civic Center	2,249,215	0	142,399	6.3%	(11,431)	20,173	0	$2.31	$0.00
South San Jose	1,603,680	7,199	222,611	14.3%	8,212	87,793	0	$2.11	$2.28
Downtown San Jose	8,447,193	105,301	1,263,969	16.2%	37,238	103,415	0	$2.93	$3.34
Milpitas	955,137	4,936	78,182	8.7%	(185)	(22,367)	0	$2.25	$1.93
Fremont	2,504,718	6,018	159,649	6.6%	33,297	65,466	10,931	$2.07	$2.26
CLASS BREAKDOWN									
Class A	40,596,431	472,774	2,312,899	6.9%	0	0	4,702,686	$4.13	
Class B	19,456,856	170,899	1,675,148	9.5%	0	0	N/A	$3.16	
TOTAL	**74,254,734**	**689,446**	**4,976,525**	**7.6%**	**1,896,794**	**6,305,917**	**4,702,686**	**$3.52**	**$4.13**

Asking rates converted to FS

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
3535 Garrett Dr	300,000	Palo Alto Networks	Menlo Equities	Expansion	Santa Clara
Albright Way—Phase II	263,000	Netflix	Sand Hill Properties	Expansion	Los Gatos
500 Santana Row	234,622	Splunk	Federal Realty	Relocation	West San Jose
100 & 150 Winchester Circle	160,000	Roku	Netflix	Sublease	Los Gatos
2550 Great America Pky	82,603	Cepheid	Irvine Company	Expansion	Santa Clara

Key Investment Sale Transactions Q3 2015

PROPERTY	SF	BUYER	SELLER	SALE PRICE	SUBMARKET
121 & 131 Albright Way—Phase I	263,000	CBRE Global Investors	Sand Hill Properties	$193,100,500	Los Gatos
Almaden Financial Plaza	416,127	KBS REIT	Embarcadero Capital	$150,000,000	Downtown San Jose
4085 Campbell Ave	58,963	Union Investment Real Estate	Goldman Sachs Group	$62,000,000	Menlo Park
530 Lytton Ave	57,400	Blox Ventures / Law & Assoc.	Closs Partnership	$60,650,000	Palo Alto

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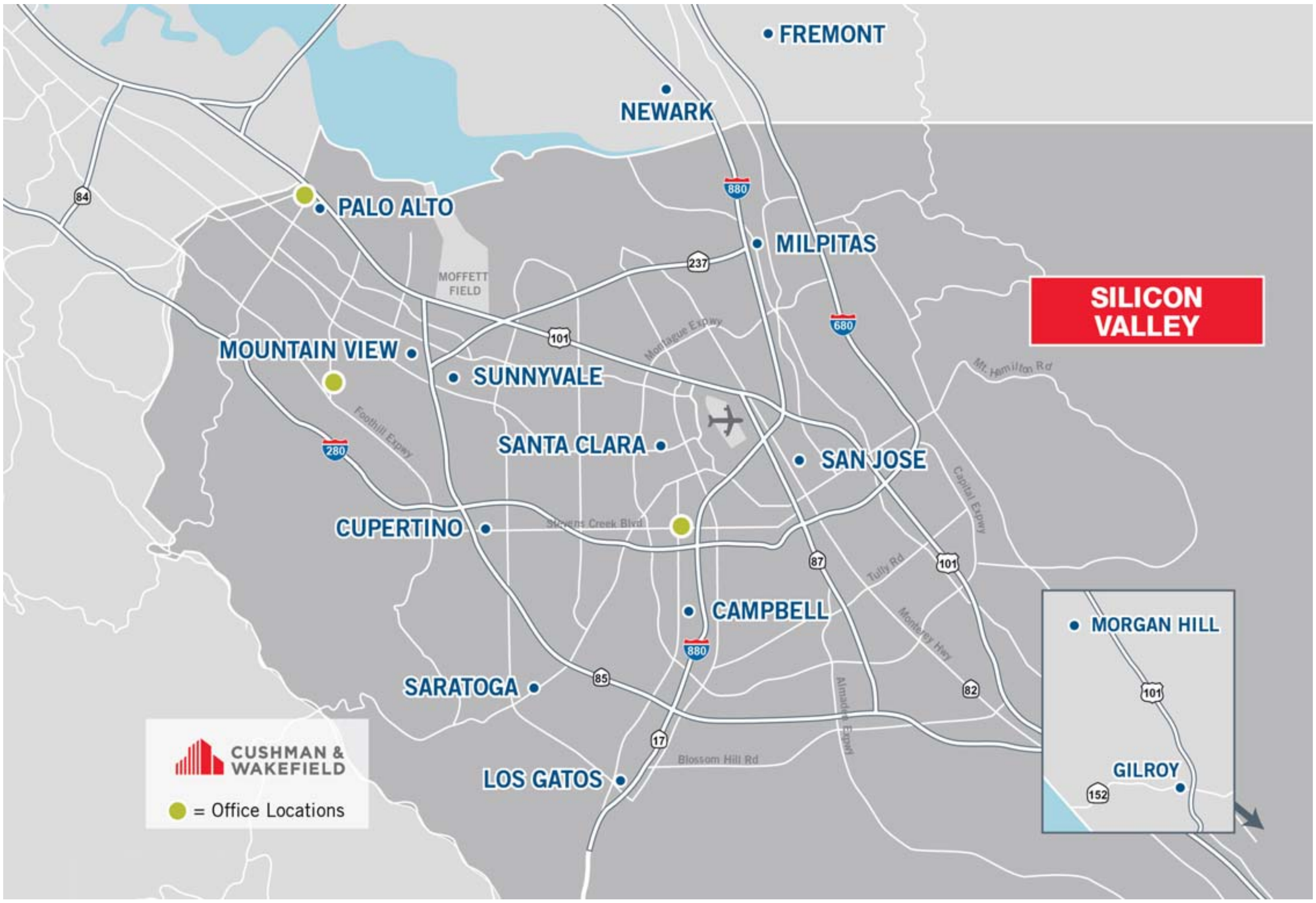
Office Snapshot Q3 2015

Silicon Valley

Office Submarkets
Silicon Valley



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R&D Snapshot Q3 2015

Silicon Valley

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SILICON VALLEY R&D

Economics Indicators

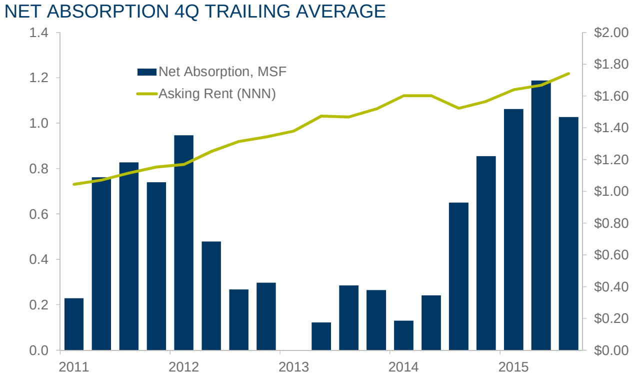
	Q3 14	Q3 15	12-Month Forecast
Santa Clara Co. Employment	896K	965K	▲
Santa Clara Co. Unemployment	5.2%	4.7%	▼
U.S. Unemployment	5.9%	5.1%	▼

Market Indicators

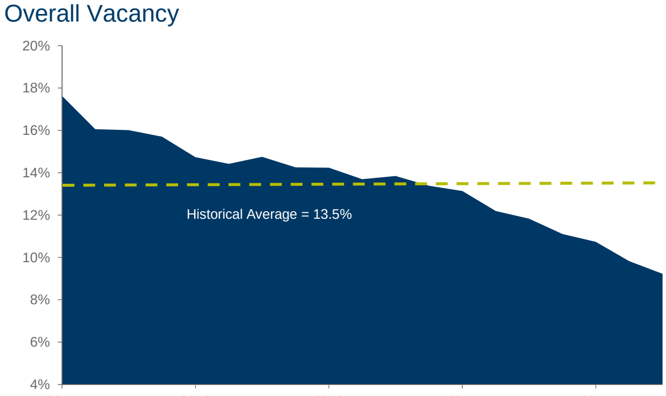
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	11.9%	9.2%	▼
Net Absorption SF	1.0M	631K	▼
Under Construction SF	317K	463K	▲
Average Asking Rent (NNN)	$1.52	$1.74	▲

Net Absorption / Asking Rent (NNN)

NET ABSORPTION 4Q TRAILING AVERAGE



Overall Vacancy



R&D Vacancy Continues to Decline in Q3

At the close of Q3 2015, Santa Clara County finds itself among the strongest markets in the United States. Employment in the region has increased substantially since the beginning of the current cycle; the region has added over 182,000 jobs since Q1 2011. Total regional employment now stands at 965,000, while unemployment is down to just 4.7%. Thanks to a strong trend of in-migration, the Bay Area now has the highest labor force on record.

Vacancy for R&D product in the Silicon Valley stood at 9.2% at the end of Q3 2015. This is down from the 9.8% rate that was in place three months ago and reflects a significant drop from the 11.8% reading of a year ago. Vacancy has fallen for eight consecutive quarters and has declined in 18 of the past 20 quarters. The last time local R&D vacancy fell below the 10.0% threshold was Q2 2001.

R&D occupancy in the region grew by 631,000 square feet (sf) in Q3. This was down considerably from the 1.8 million square feet (msf) recorded in Q2. The removal of old and tired R&D space to make way for new office development affected the growth this quarter with 740,000 sf demolished, mostly in Santa Clara and North San Jose. Nvidia is preparing for construction on Phase I (500,000 sf) of their new campus in Santa Clara and has torn down several buildings on the site. Samsung occupied their new 650,000 sf office campus in North San Jose this quarter. They had demolished 188,000 sf of older R&D buildings. Meanwhile, deal activity pulled back slightly in Q3. We tracked 4.2 msf of closed deals in Q3, compared to 4.8 msf in Q2. Speculative R&D construction has returned to the valley. There are several projects totaling more than 462,000 sf currently under construction with completions scheduled for late 2015 and early 2016. At current levels of demand, we don't expect these to remain vacant for long. We are currently tracking 12.3 msf of active R&D/office tenant requirements in the Valley that could potentially land as signed deals over the next 18 to 24 months.

The average asking rent for R&D space in Silicon Valley currently stands at $1.74 per square foot (psf) on a monthly triple net basis. This is up 12% from the $1.52 psf posted a year ago. Palo Alto and Mountain View lead the valley's asking rents at $4.01 psf and $2.89 psf, respectively. The average asking rent in Palo Alto climbed 14% in Q3 to $4.01 psf. The current average effective deal rate for R&D space in Silicon Valley is $2.40 psf up from the $1.65 psf recorded

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R&D Snapshot Q3 2015

Silicon Valley

in Q2. Average quarterly deal rents can be volatile depending on where the most transactions are being done – northern cities vs. central cities. The increase this quarter is due to several larger deals in Palo Alto. We find that the annual deal rents are more typical of the market range. The annual average deal rent through the third quarter was $1.81 psf. This compares with the 2014 average rate $1.70 psf.

In the top deal of the quarter, a confidential tenant leased the 286,000 sf former Atmel building in North San Jose. They later purchased the building plus 12 acres of adjacent expansion land. Other top deals include the same confidential tenant taking 213,000 sf in Sunnyvale and 189,000 sf in Santa Clara. Pacific Biosciences completed their deal in Menlo Park on 180,000 sf in what is a warehouse building which will be rehabbed into R&D

R&D VACANCY IN THE REGION DROPS TO 9.2% DOWN FROM 11.8% JUST ONE YEAR AGO.

space. Other notable deals include the renewals of Boston Scientific (148,000 sf in North San Jose) and Netgear (142,000 sf) also in North San Jose.

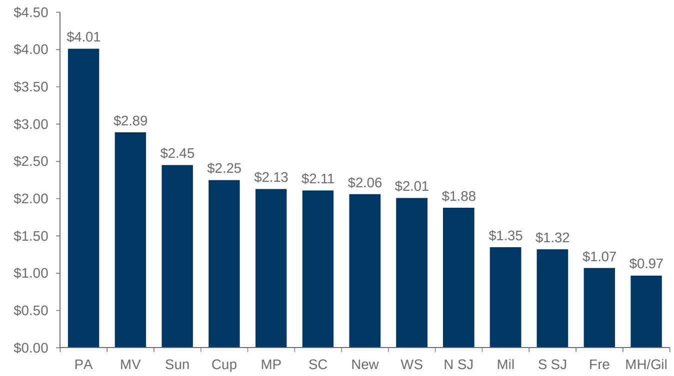
Investor demand for Silicon Valley product remains robust, particularly for well-located, modern buildings with long-term tenancy in place. Top transactions in Q3 include the sale of Cupertino Gateway to Prudential (220,000 sf in Cupertino), the Airport Technology Park to Swift Real Estate (295,000 sf in Santa Clara) and Moffett Business Park to CBREI (194,000 sf in Sunnyvale).

Outlook

- R&D vacancy now stands at 9.2% down from 11.8% just one year ago.
- The current average asking rent for R&D space in Silicon Valley is $1.74 per square foot (on a monthly triple net basis).
- Investor demand for Silicon Valley R&D (and office) product remains robust, particularly for well-located, modern buildings with long-term tenancy from tech users in place.

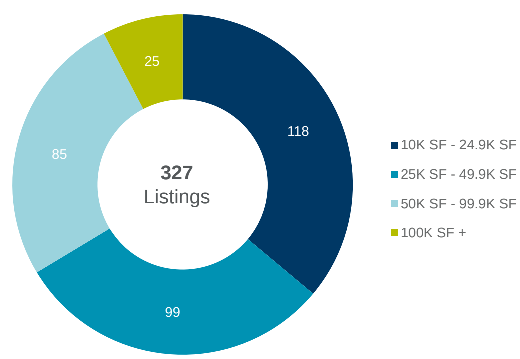
Average Asking Rate by Submarket (NNN)

NORTHERN CITIES COMMANDING HIGHEST RENTS



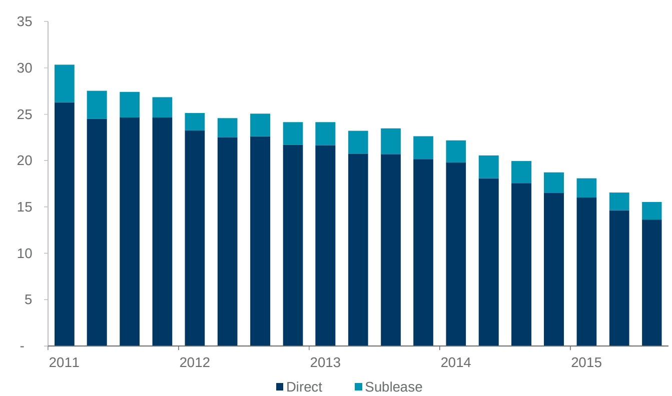
Availabilities by Size Segment

LACK OF SUPPLY FOR QUALITY LARGE BLOCK SPACE



Direct & Sublease Available Space

DIRECT SPACE STAYS FAIRLY CONSISTENT



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R&D Snapshot Q3 2015

Silicon Valley

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MARKET	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTR	AVERAGE ASKING RATE
Menlo Park	4,142,171	19,192	201,134	5.3%	5,171	(26,101)	0	$2.13
Palo Alto	10,030,967	64,846	76,352	1.4%	168,879	144,760	0	$4.01
Mountain View	14,156,232	127,232	288,360	2.9%	(45,758)	(99,673)	336,632	$2.89
Cupertino	4,710,676	0	0	0.0%	0	0	0	$2.25
Westside	2,286,126	39,130	84,330	5.4%	3,659	24,133	0	$2.01
Sunnyvale	23,089,531	218,781	1,464,090	7.3%	205,974	580,098	42,536	$2.45
Santa Clara	21,902,582	241,087	1,863,499	9.6%	69,382	811,228	83,590	$2.11
North San Jose	36,331,881	719,270	3,244,540	10.9%	(109,793)	27,294	0	$1.88
South San Jose	10,675,710	13,572	1,897,792	17.9%	144,289	253,453	0	$1.32
Milpitas	13,238,976	236,201	1,182,560	10.7%	(47,040)	(97,018)	0	$1.35
Fremont	21,088,268	200,126	2,787,670	14.2%	144,454	885,745	0	$1.07
Newark	3,092,521	0	288,258	9.3%	94,961	348,606	0	$2.06
Morgan Hill/Gilroy	3,544,528	5,040	262,302	7.5%	(2,974)	28,067	0	$0.97
TOTAL	**168,290,169**	**1,884,477**	**13,640,887**	**9.2%**	**631,204**	**2,880,592**	**462,758**	**$1.74**

Asking rents converted to NNN.

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
2325 Orchard Pky	286,000	Confidential	Ellis Partners	Expansion	North San Jose
433 & 435 Mathilda Ave, N.	213,117	Confidential	Christensen Holdings	Expansion	Sunnyvale
5440 Patrick Henry Dr	189,181	Confidential	Foster Enterprises	Expansion	Santa Clara
1315 O'Brien Dr	180,000	Pacific Biosciences	Tarlton Properties	Relocation	Menlo Park
150 & 160 Baytech Dr	148,000	Boston Scientific	MWest	Renewal	North San Jose
350 Plumeria Dr, E.	142,700	Netgear	KBS Realty Advisors	Renewal	North San Jose

Key Investment Sale Transactions Q3 2015

PROPERTY	SF	BUYER	SELLER	SALE PRICE	SUBMARKET
Cupertino Gateway	220,762	Prudential Insurance Co.	Downtown Properties Holdings	$165,000,000	Cupertino
Airport Technology Park	295,426	Swift Real Estate	Bixby Land Company	Confidential	Santa Clara
Moffett Business Park	194,762	CBRE Global Investors	Mozart Development Co.	$58,500,000	Sunnyvale
888-894 Ross Dr	139,482	LBA Realty	CBRE Global Investors	Confidential	Sunnyvale
2101 Tasman Dr	128,000	Related California	RREEF Funds	$50,100,000	Santa Clara
601 McCarthy Dr	187,134	Embarcadero Capital	RREEF Funds	$39,300,000	Milpitas

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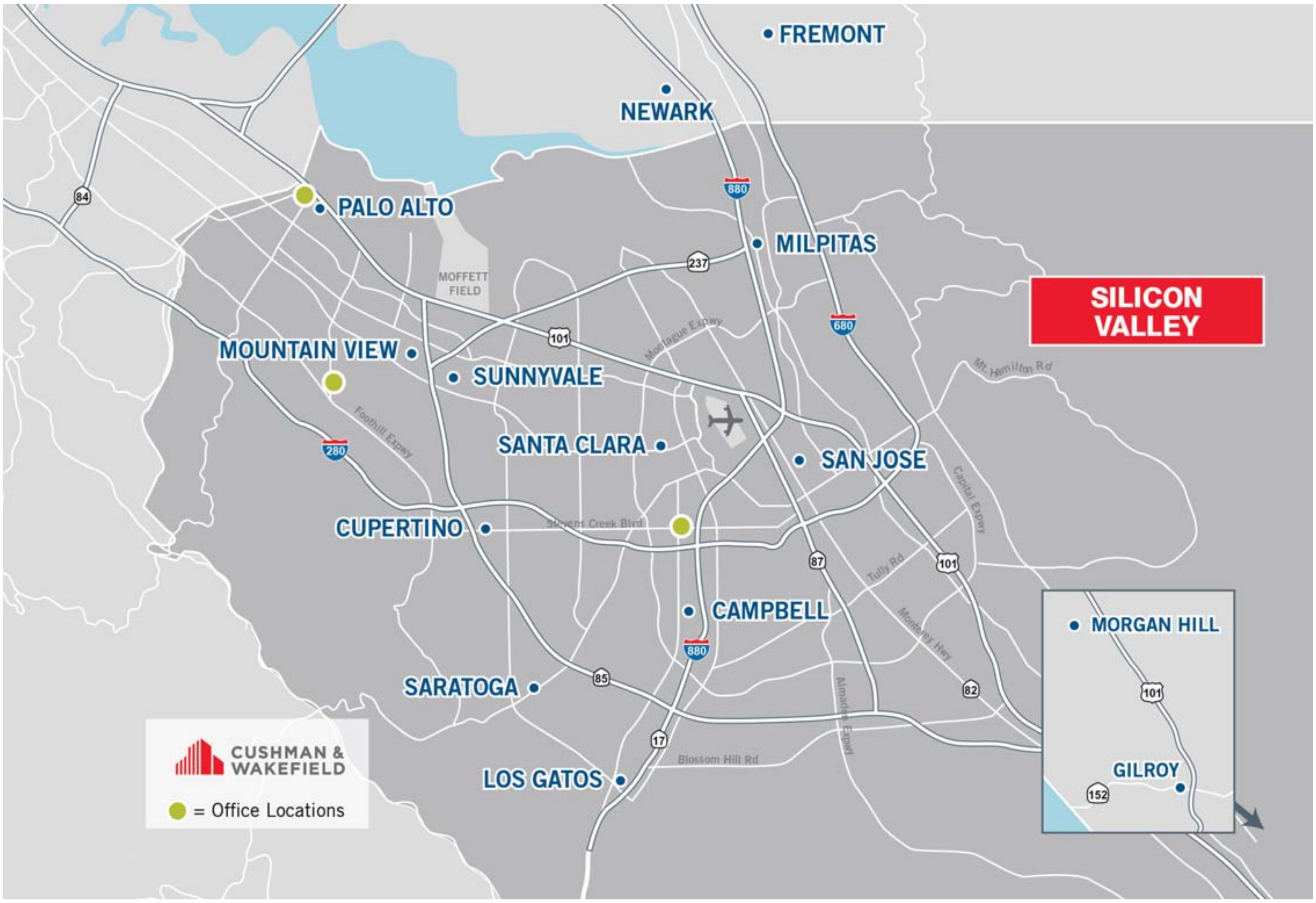
R&D Snapshot Q3 2015

Silicon Valley

R&D Submarkets
Silicon Valley



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Research & Forecast Report

SAN JOSE | SILICON VALLEY
Q3 2015

Accelerating success.

Setting New Records

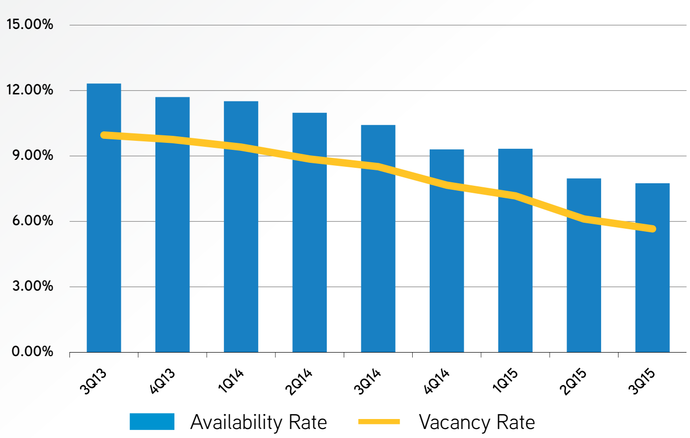
- Leasing activity topped out at 7.3 million square feet during the third quarter of 2015
- Total available space dipped 2.1% in the third quarter
- Net absorption stands at 7.8 million square feet year to date

Silicon Valley's economy continued to move forward during the third quarter of 2015. Bay Area companies took claim to 27.1% of the total global venture capital dollars invested during the third quarter with more than $9.1 billion invested in 350 deals. Silicon Valley remains the nation's strongest job market. According to data released by the U.S. Bureau of Labor Statistics, total payroll employment in Santa Clara County expanded by 5.5 percent during the twelve month period ending in August. That was the best job growth among the 51 metro areas in the nation with at least 1 million residents or more, making Santa Clara County the strongest job market in the nation, fueled by a technology boom that is not letting up.

During the third quarter of 2015 a total of 7.3 million square feet of new deals transacted across all product types. This amount of demand translated into an occupancy gain of 2.4 million square feet. Total available space in the Silicon Valley now measures 25.6 million square feet, translating into an overall availability rate of 7.7% for all product types throughout the Valley. Available space continues to decline in the Valley and is at its lowest level since the first quarter of 2001, when the availability rate was just 6.5%.

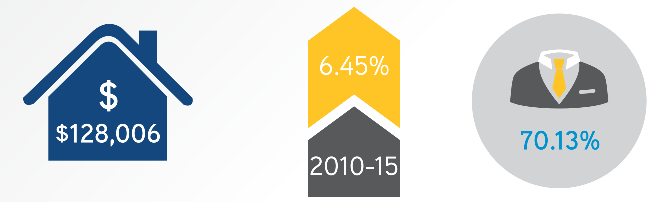
Vacancy Vs. Availability Rates

Silicon Valley | All Products



Overall availability dipped 22 basis points to 7.7% during the third quarter, while vacancy fell 45 basis points to 5.6%

Market Indicators - Santa Clara County



Market Trends

Relative to prior quarter	Q3 2015	Q4 2015*
Vacancy	↓	↓
Net Absorption	↓	↑
Construction	↓	↑
Rental Rate	↑	↑

*Projected

Summary Statistics

Q3 2015 Silicon Valley All Products	Previous Quarter	Current Quarter
Overall Vacancy Rate	6.11%	5.66%
Net Absorption	3,041,367	2,420,423
Construction Completed	432,375	1,651,064
Under Construction	9,248,791	8,315,589
Office Asking Rents*	$3.68 FS	$3.75 FS
R&D Asking Rents*	$1.69 NNN	$1.73 NNN
Industrial Asking Rents*	$0.86 NNN	$0.91 NNN
Warehouse Asking Rents*	$0.70 NNN	$0.69 NNN

**Asking Rents Reported Monthly*

Economic Indicators

	Previous Quarter	Current Quarter
Total VC Funding	$9.8 Billion	$9.1 Billion
Total Number of Deals	412	350
Unemployment Rate	4.1%	4.1%

Office

- Leasing activity measured 3.2 million square feet during the third quarter of 2015
- Net absorption stands at 3.7 million square feet year to date, and is nearly twice the total occupancy gain measured in all four quarters combined of 2014
- Total available space fell 15.3%, to an overall availability rate of 8.9%

During the third quarter of 2015 tenant demand for office space was robust throughout the Silicon Valley. New user activity topped out at 3.2 million square feet of gross absorption. This level of activity is 31.5% higher than 2.4 million square feet measured during the second quarter and brings the year to date total to 8.4 million square feet, only 6% less than the total amount of gross absorption recorded in all four quarters of 2014.

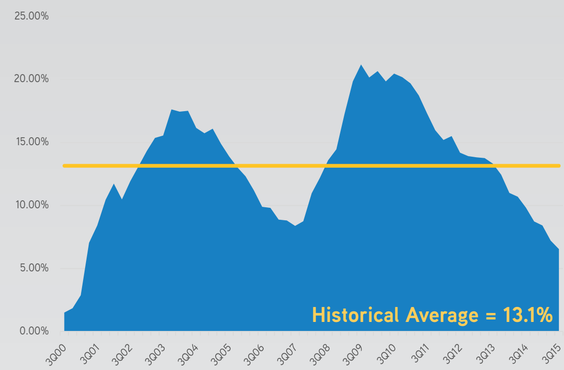
During the third quarter tenants only gave back 1.5 million square feet of office space to the market. With the combination of solid demand and a low level of "roll-over" space, the Silicon Valley office market recorded another occupancy gain during the period, measuring 1.7 million square feet. This is the thirteenth straight quarter that the office market has recorded positive net absorption, and the 1.7 million square foot occupancy gain is the highest on record since Colliers began tracking stats in 1988. The office market has absorbed more than 3.7 million square feet year to date, and is nearly twice the total occupancy gain measured in all four quarters of 2014 combined.

While occupancy gains hit record highs, available space in the Silicon Valley office market continues to thin. The overall office availability rate sits at 8.9%, the lowest it has been since the first quarter of 2001. Currently, Colliers is tracking 33 tenant requirements that are seeking more than 100,000 square feet. According to Colliers' available inventory, these 33 tenants have only 16 options for contiguous office spaces 100,000 square feet or greater to choose from. Of the 16 spaces, only eight are existing, seven are under construction, and one is undergoing renovation.

Developers and investors are doing what they can to meet the growing demand for office space in the Silicon Valley. Currently more than 6 million square feet of office space is under construction, with total potential development reaching more than an astounding 47 million square feet in the form of proposed developments. New completions recorded during the third quarter include Samsung's North San Jose 680,000 square foot build-to-suit project on North First Street, and two buildings preleased by Netflix in Los Gatos totaling 242,500 square feet; which the developer, Sandhill Properties sold to CBRE Global Investors during the quarter for a reported $179 million.

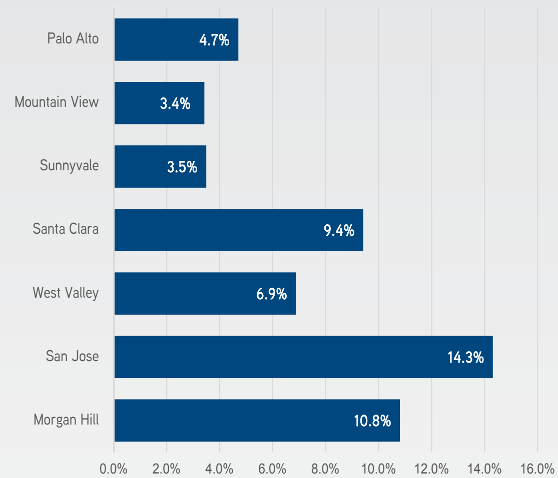
As a result of the heightened demand and tight availability, the office market measured an uptick in starting rates during the third quarter of 2015. Average starting rates for office space in the Silicon Valley have climbed 18.3% over the twelve months, closing the quarter at $3.88 per square foot, full service. Average asking rents in the office sector followed a similar trend line and office space in the Silicon Valley is now being marketed at an average rental rate of $3.75 per square-foot, full service.

Historical Office Vacancy



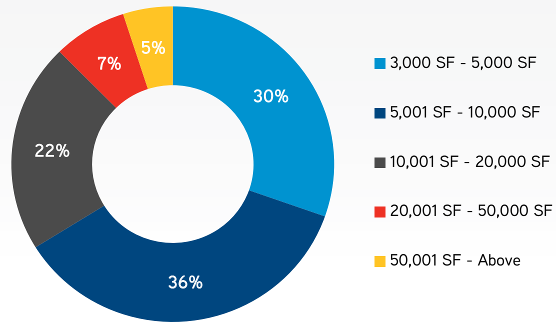
Source: Colliers International Research

Office Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

Office Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions Office Lease Activity

Soft Machines, Inc
3920 Freedom Circle, Santa Clara
Direct Lease
45,504 SF

NetBase Solutions Inc.
3960 Freedom Circle, Santa Clara
Direct Lease
23,334 SF

eASIC Corporation
3940 Freedom Circle, Santa Clara
Direct Lease
22,500 SF

Amkor Technology
25 Metro Drive, San Jose
Direct Lease
21,942 SF

Trend Micro
560 Winchester Blvd, San Jose
Direct Lease
17,132 SF

Select Colliers' Transactions - Office Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
5285 Hellyer Avenue, San Jose	57,325	TODA Development, Inc.	Power Integrations Inc.
1710 Zanker Road, San Jose	11,688	Triple Z Properties LLC	Chanh Huynh
2 North Santa Cruz Avenue, Los Gatos	6,452	Thomas Stepovich, Marcia Stepovich, Dennis Burry, William Mason Jr. and Kay Mason Duff	Sridhar Equities, Inc.
333 West Maude Avenue, Sunnyvale	2,929	The van Cleemput Trust	Standav Corp

R&D

- Year to date leasing activity totals 7.7 million square feet
- The R&D availability rate sits at 9.8%, the lowest it has been since the first quarter of 2001
- The Silicon Valley R&D sector has measured four straight quarters of positive net absorption

The Silicon Valley R&D sector maintained strong momentum during the third quarter. Leasing and user-sale activity measured 2.5 million square feet, a 5.8% decrease from the amount of activity measured during the second quarter, yet a 5.6% increase from the first quarter of 2015. The Silicon Valley R&D sector recorded an occupancy gain during the period, totaling 423,497 square feet. Year to date, the Silicon Valley R&D market has measured 2.3 million square feet of positive net absorption.

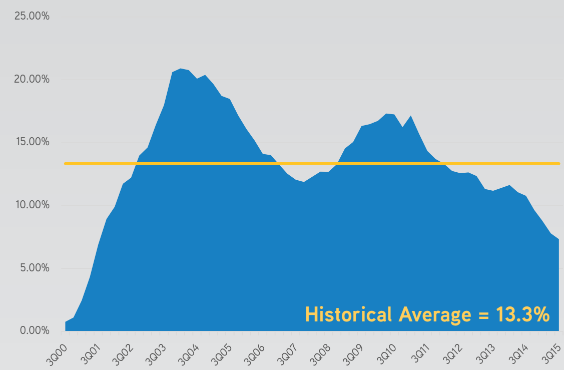
On the supply side, the pipeline of pre-improved R&D space that came on the market during the third quarter increased 36.0% from totals measured during the second quarter, to 2.1 million square feet. This is the first time in five quarters that the R&D market has seen more than 2.0 million square feet of space find its way back to the market. Despite this increase, the R&D market still managed an occupancy gain during the period, demonstrating the heightened demand for R&D space in the Silicon Valley.

Total available R&D space in the Silicon Valley sits at 14.8 million square feet, which translates to an overall availability rate of 9.8%, the lowest it has been since the first quarter of 2001 when the R&D availability rate hit 6.6%. The R&D vacancy rate in the Silicon Valley fell 47 basis points during the third quarter to 7.3%.

The largest new deals signed for R&D space during the second quarter were both completed by Apple, and more notably in cities outside of their home-base territory, Cupertino. Apple signed its largest lease in the quarter at 2325 Orchard Parkway in North San Jose for a total of 286,000 square feet. This is the former Atmel campus that had stood vacant for nearly four years after Atmel sold the site to Ellis Partners in 2011. Shortly after signing the new lease, Apple reportedly purchased the building and an additional 12 acres of land that is approved for 650,000 square feet of additional space. The total purchase price was $165.8 million. The second largest new deal came when Apple committed to 189,181 square feet at 5440 Patrick Henry Drive in Santa Clara, one of many new leases the tech giant has signed in Santa Clara this year. This trend is significant as it demonstrates continued demand for space from the tech giants of the Silicon Valley. These leases also bring a significantly positive economic impact for both San Jose and Santa Clara by bringing thousands of new jobs to each of the cities.

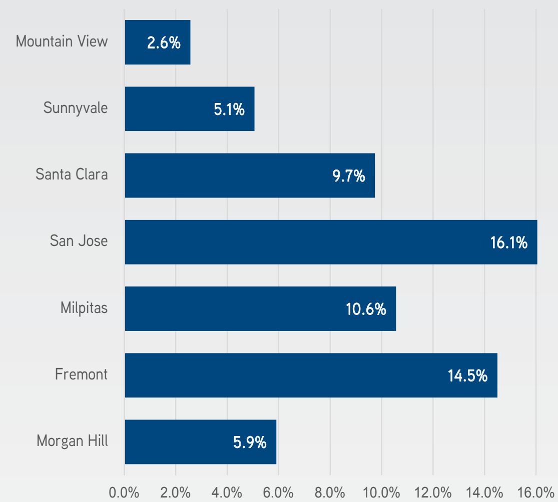
Average starting rates for R&D space in the Silicon Valley have climbed 23.3% since the beginning of the year, closing the books on the third quarter at $1.69 per square foot, NNN. The weighted-average asking rent for R&D space is now $1.73 per square foot NNN, up 22.8% from the same period one year earlier.

Historical R&D Vacancy



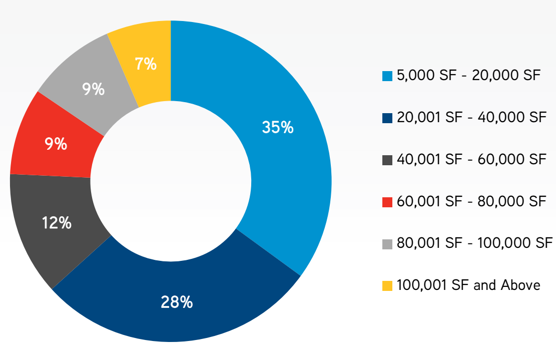
Source: Colliers International Research

R&D Availability Rates Select Silicon Valley Cities



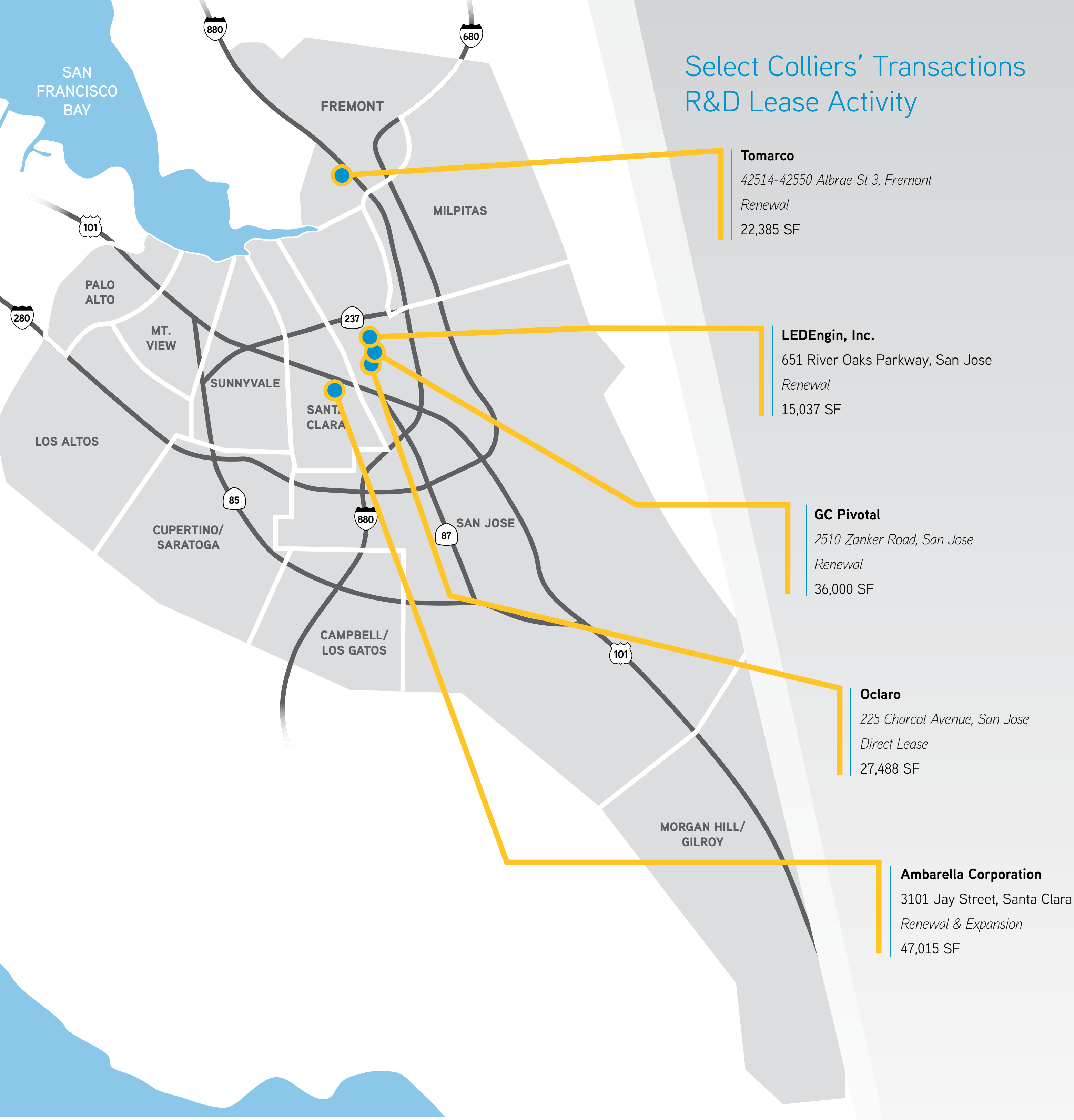
Source: Colliers International Research

R&D Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions R&D Lease Activity



Select Colliers' Transactions - R&D Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
4209-4245 Technology Drive, Fremont	167,785	Inland American	Cabot Institutional Fund IV
3535 Garrett Drive, Santa Clara	118,800	McCarthy Cook	Santa Clara Campus Partners
48761 Kato Road, Fremont	91,272	WGI 48761 Kato RD LLC	ZDAG LLC
47071 Bayside Parkway 42, Fremont	87,549	TMG Partners	Verseon Corp
1235 Bordeaux Drive, Sunnyvale	42,000	Supertax, LLC	KI DEV, LLC

Industrial

- Leasing activity measured 703,738 square feet
- Net absorption was negative 104,365 square feet
- Average asking rates are up 19.7% year-to-date
- 623,920 square feet of industrial space currently is under construction in the Silicon Valley

During the third quarter, Silicon Valley's industrial sector measured 703,738 square feet of gross absorption, down from the 1.4 million square feet recorded the prior quarter. As a result of the decreased level of activity, the industrial sector closed the third quarter with a modest occupancy loss of 104,365 square feet. Despite the minor occupancy loss during the period, year to date, the industrial sector has measured an occupancy gain totaling 670,677 square feet. This is nearly nine times the occupancy gain measure during all four quarters of 2014. This is in a large part due to the 506,490 square foot lease signed by Tesla during the second quarter of this year. The electric vehicle company inked a deal at 901 Page Avenue in Fremont, the long vacant former Solyndra facility.

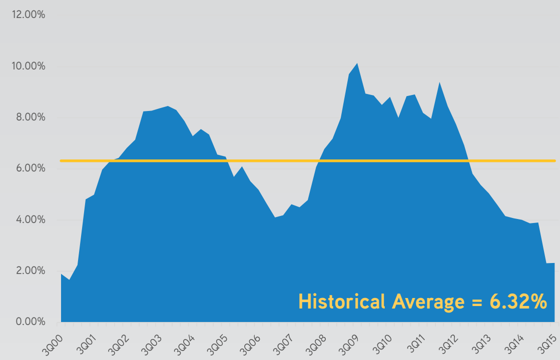
The overall availability rate for industrial space in the Silicon Valley sits at only 3.17%. This is the lowest availability rate in the Silicon Valley industrial market since the first quarter of 1998. With minimal availability and relatively very little development within the borders of the Silicon Valley, tenants continue to struggle to find space as the supply and demand ratio are thrown off balance.

No new deals over 50,000 square feet were signed during the third quarter, not due to lack of demand, but simply to a lack of space. According to Colliers' available inventory at the end of the third quarter, there are only eight available industrial spaces greater than 50,000 square feet, and only two are over 100,000 square feet. The largest new deal recorded during the period was on 10th Street in San Jose, where 4 Wholesale Online signed on for 50,000 square feet of industrial space. Abbott Medical Optics also inked a new deal during the third quarter, committing to 43,947 square feet of space on Sycamore Drive in Milpitas.

All nine cities included in Colliers' Silicon Valley statistics sit with an industrial availability rates lower than 10% overall. The city claiming the highest availability rate is Milpitas, with an overall availability of 9.6%. On the opposite side of the spectrum, Santa Clara takes claim to the lowest industrial availability rate, with only 1.2% of the total inventory available for lease. Furthermore, only two of the nine cities have an availability rate greater than 6% for industrial space.

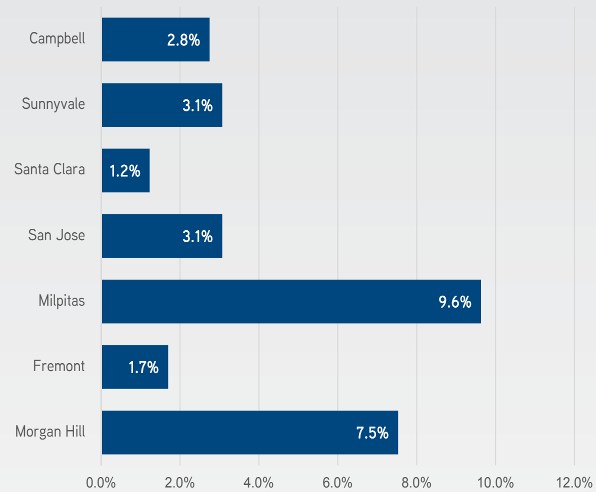
When comparing average starting rates for industrial deals completed during the period, the Valley measured an uptick quarter-over-quarter to $0.81 per square foot, NNN. Over the most recent twelve month period, starting rates have climbed 19.1% for industrial space. Weighted average asking rates also measured an uptick and surpassed the $0.90 mark for the first time since 2002, for an overall weighted average of $0.91 per square foot, NNN. At the close of the quarter, average asking rates were 16.8% higher than those recorded during the same period of 2014.

Historical Industrial Vacancy



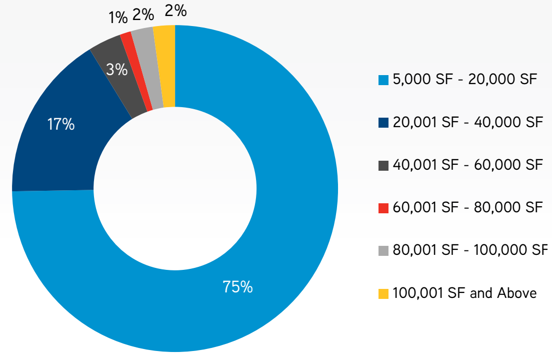
Source: Colliers International Research

Industrial Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

Industrial Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions Industrial Lease Activity

Omron Scientific Technologies
6550 Dumbarton Circle, Fremont
Renewal
99,000 SF

OnFullfillment
4811 Hannover Place, Fremont
Direct Lease
19,600 SF

West Coast Office
1554 Montague Expressway, San Jose
Direct Lease
27,000 SF

Sunnyvale Windustrial Co.
2900 Mead Avenue, Santa Clara
Direct Lease
26,255 SF

Zume Pizza, Inc.
250 Polaris Avenue, Mountain View
Direct Lease
8,000 SF

Select Colliers' Transactions - Industrial Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
1813 S 10th Street, San Jose	50,000	Keith Walker Trust	4 Wholesale Online
315 Digital Drive, Morgan Hill	35,500	Laisure Family Trust	Terrasat Communications, Inc.
1000 Yosemite Drive, Milpitas	28,000	Christie Mack LLC	Mark Hoffman
6700 Brem Lane, Gilroy	27,549	Marina Barreras	Martin Baccaglio
246-248 Gish Road, San Jose	18,462	Mehdi Zaferani	Coral Reef Investors

Warehouse

- Leasing activity measured a 36.4% increase quarter-over-quarter
- The warehouse availability rate is the lowest it has been since 2000, at 4.7% throughout the Silicon Valley
- Year-to-date net absorption stands at 1.1 million square feet

Activity in the Silicon Valley warehouse sector was stable during the third quarter of the year, recording 731,909 square feet of gross absorption. This is a 36.4% increase in activity quarter-over-quarter, and brings the year-to-date tally to 2.6 million square feet.

As a result of the increased demand during the quarter, the warehouse sector measured an occupancy gain totaling 381,995 square feet. This brings the year to date tally to 1.1 million square feet, which is 58.1% more than that total occupancy gain measured during all four quarters of 2014.

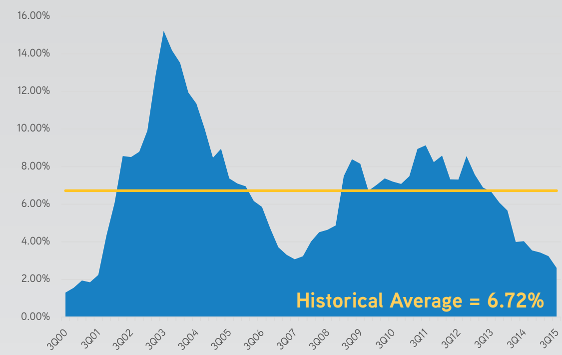
This is now the fourth quarter in a row that the warehouse market has measured lower levels of pre-improved space coming onto the market. Down 39.6% from the second quarter, warehouse tenants in the Silicon Valley only kicked back 349,914 square feet of vacant space to the market. This is further constricting this already tight product type throughout Silicon Valley.

After three consecutive quarters of positive net absorption, available space continues to decline. Total available warehouse space in the Silicon Valley now measures only 1.8 million square feet, down 6.5% from the previous quarter. This amount of space translates to an overall availability rate of 4.7%, the lowest it has been since the fourth quarter of 2000. When measuring only vacant space within the warehouse market, the true vacancy rate stands at only 2.6% throughout the Silicon Valley.

There were fourteen new deals inked for warehouse space during the third quarter of the year, with an average deal size of 39,900 square feet. This is up from the twelve deals inked during the second quarter, which had an average deal size of 44,704 square feet. With only 31 available options at the close of the third quarter, tenants are limited in their search for new space and may begin looking in neighboring regions such as the East Bay and Central Valley for viable space. The largest new deal signed during the quarter was 2XL, Inc.'s lease of 90,740 square feet on Railroad Avenue in Milpitas, followed by Public Storage, who committed to 74,487 square feet on King Road in San Jose.

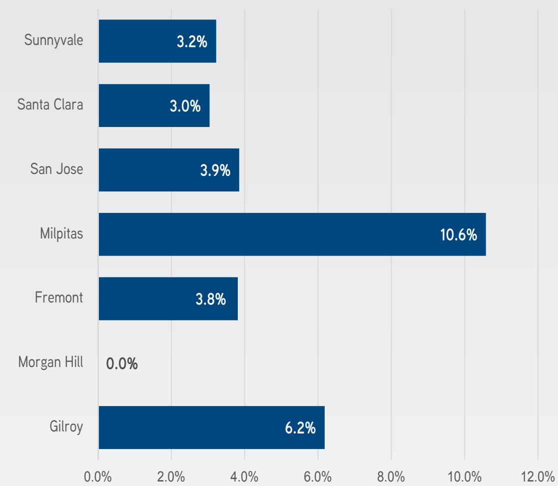
The third quarter marked the completion of 173,296 square feet of new warehouse space on Milmont Drive in Fremont. The facility was preleased by JFC International during the summer of 2014. Colliers is tracking 752,400 square feet of warehouse construction that is currently underway. Tenant demand is high for warehouse space throughout the Silicon Valley as all new construction is spoken for by tenants such as Tesla Motors and United Natural Foods. New projects are expected to break ground early next year to meet demand, and it is unlikely that any new warehouse project would reach completion without getting scooped up by a prospective tenant.

Historical Warehouse Vacancy



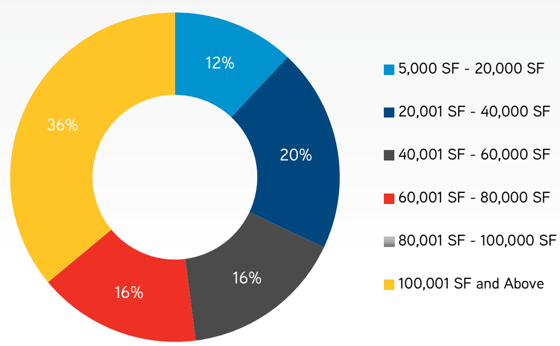
Source: Colliers International Research

Warehouse Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

Warehouse Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions Warehouse Lease Activity

DHL International
47682 Kato Road, Fremont
Renewal
42,636 SF

Actiontec Electronics, Inc.
48541 Warm Springs Boulevard, Fremont
Direct Lease
24,626 SF

2XL, Inc.
206-214 Railroad Avenue, Milpitas
Direct Lease
90,740 SF

Rat Pack
881 Wrigley Way, Milpitas
Direct Lease
48,058 SF

Milbar
18145 Peet Road, Morgan Hill
Direct Lease
29,140 SF

Select Colliers' Transactions - Warehouse Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
725 & 825 Mathew Street, Santa Clara	97,307	Diana Fruit Company	Habib Zakerani

Market Comparisons – Silicon Valley

OFFICE MARKET

CLASS	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	DIRECT OCCUPIED SF	SUBLEASE OCCUPIED SF	TOTAL AVAILABLE SF	AVAILABILITY RATE Q3-2015	AVAILABILITY RATE Q2-2015	NET ABSORPTION Q3-2015	NET ABSORPTION YTD	COMPLETED Q3-2015	UNDER CONST. SF	FS WTD AVG ASKING
CAMPBELL / LOS GATOS													
A	1,483,712	55,719	3,685	31,949	2,457	93,810	6.3%	9.5%	272,292	265,081	242,500	6,813	$3.98
B	2,178,889	74,241	-	8,722	-	82,963	3.8%	4.6%	10,929	(2,581)	-	-	$2.71
C	227,312	9,009	-	-	2,984	11,993	5.3%	4.8%	(1,000)	(2,406)	-	-	$3.55
Total	3,889,913	138,969	3,685	40,671	5,441	188,766	4.9%	6.5%	282,221	260,094	242,500	6,813	$3.51
CUPERTINO / SARATOGA													
A	901,524	1,551	4,154	24,421	-	30,126	3.3%	1.2%	(4,154)	(5,705)	-	3,096,246	$5.01
B	2,782,863	24,620	4,066	60,035	88,539	177,260	6.4%	3.4%	5,655	5,031	-	-	$4.12
C	156,752	1,697	-	-	-	1,697	1.1%	1.3%	(766)	(766)	-	-	$3.13
Total	3,841,139	27,868	8,220	84,456	88,539	209,083	5.4%	2.8%	735	(1,440)	-	3,096,246	$4.22
FREMONT / MILPITAS													
A	863,229	161,662	-	5,213	2,599	169,474	19.6%	20.2%	(1,227)	(5,449)	-	9,656	$2.03
B	1,666,819	198,782	-	7,901	2,337	209,020	12.5%	15.4%	12,645	30,029	-	-	$2.31
C	579,071	14,025	-	4,048	-	18,073	3.1%	2.1%	(2,067)	(2,067)	-	-	$1.83
Total	3,109,119	374,469	-	17,162	4,936	396,567	12.8%	14.3%	9,351	22,513	-	9,656	$2.17
GILROY / MORGAN HILL													
A	418,491	16,904	-	25,000	-	41,904	10.0%	23.3%	259	2,768	-	-	$2.23
B	213,939	24,637	-	2,477	-	27,114	12.7%	12.4%	(6,400)	(6,400)	-	-	$1.86
C	315,907	35,009	-	3,385	-	38,394	12.2%	10.5%	(2,977)	(2,977)	-	-	$2.16
Total	948,337	76,550	-	30,862	-	107,412	11.3%	17.7%	(9,118)	(6,609)	-	-	$2.13
LOS ALTOS													
A	277,215	2,918	-	-	-	2,918	1.1%	2.9%	3,646	28,490	-	18,300	$5.18
B	500,812	11,730	-	16,349	7,451	35,530	7.1%	6.4%	18,674	13,778	-	-	$4.83
C	375,197	8,687	-	17,600	-	26,287	7.0%	4.9%	(7,988)	(7,229)	-	-	$6.97
Total	1,153,224	23,335	-	33,949	7,451	64,735	5.6%	5.1%	14,332	35,039	-	18,300	$5.37
MOUNTAIN VIEW													
A	3,555,994	5,374	-	51,257	21,796	78,427	2.2%	2.0%	(5,374)	931,651	-	185,400	$8.46
B	1,277,162	33,408	-	35,920	7,673	77,001	6.0%	5.0%	(5,634)	(63)	-	-	$5.45
C	485,593	26,457	-	-	-	26,457	5.4%	3.7%	(8,907)	(11,222)	-	-	$5.35
Total	5,318,749	65,239	-	87,177	29,469	181,885	3.4%	2.9%	(19,915)	920,366	-	185,400	$6.69
PALO ALTO													
A	4,740,717	70,871	4,410	180,769	25,487	281,537	5.9%	4.8%	103,964	137,570	129,644	90,772	$8.48
B	4,363,202	100,783	10,921	25,901	41,367	178,972	4.1%	7.1%	128,883	90,042	-	-	$6.32
C	1,244,875	18,691	4,029	6,849	3,088	32,657	2.6%	3.2%	(8,488)	(11,689)	-	-	$5.88
Total	10,348,794	190,345	19,360	213,519	69,942	493,166	4.8%	5.6%	224,359	215,923	129,644	90,772	$7.61
SAN JOSE													
A	13,487,609	1,690,489	177,699	468,960	163,075	2,500,223	18.5%	18.5%	785,871	842,645	680,000	1,162,357	$3.44
B	9,426,749	791,288	57,814	87,137	27,523	963,762	10.2%	11.5%	(13,958)	(127,064)	-	-	$2.60
C	4,003,461	300,016	2,066	84,619	-	386,701	9.7%	10.4%	23,764	41,222	-	-	$2.15
Total	26,917,819	2,781,793	237,579	640,716	190,598	3,850,686	14.3%	14.6%	795,677	756,803	680,000	1,162,357	$3.16
SANTA CLARA													
A	6,907,530	434,891	54,635	15,460	171,157	676,143	9.8%	12.9%	430,737	814,746	425,624	663,062	$4.02
B	4,194,244	321,262	-	49,252	4,194	374,708	8.9%	10.6%	(40,352)	(127,552)	-	-	$2.80
C	625,674	53,028	-	1,200	-	54,228	8.7%	10.8%	(10,590)	(2,629)	-	-	$1.84
Total	11,727,448	809,181	54,635	65,912	175,351	1,105,079	9.4%	11.9%	379,795	684,565	425,624	663,062	$3.74
SUNNYVALE													
A	9,015,675	93,081	40,651	16,160	40,709	190,601	2.1%	2.6%	45,437	808,131	-	1,508,746	$4.85
B	1,407,060	59,038	3,098	24,780	-	86,916	6.2%	6.2%	(2,858)	18,813	-	-	$3.84
C	490,595	103,510	-	-	-	103,510	21.1%	21.0%	(720)	6,650	-	-	$3.83
Total	10,913,330	255,629	43,749	40,940	40,709	381,027	3.5%	3.9%	41,859	833,594	-	1,508,746	$4.58
SILICON VALLEY TOTALS													
A	41,651,696	2,533,460	285,234	819,189	427,280	4,065,163	9.8%	10.3%	1,631,451	3,819,928	1,477,768	6,741,352	$4.03
B	28,011,739	1,639,789	75,899	318,474	179,084	2,213,246	7.9%	9.0%	107,584	(105,967)	-	-	$3.25
C	8,504,437	570,129	6,095	117,701	6,072	699,997	8.2%	8.5%	(19,739)	6,887	-	-	$2.83
Total	78,167,872	4,743,378	367,228	1,255,364	612,436	6,978,406	8.9%	9.6%	1,719,296	3,720,848	1,477,768	6,741,352	$3.75
QUARTERLY COMPARISON AND TOTALS													
3Q-15	78,167,872	4,743,378	367,228	1,255,364	612,436	6,978,406	8.9%	9.6%	1,719,296	3,720,848	1,477,768	6,741,352	$3.75
2Q-15	77,229,806	5,162,372	416,263	1,388,288	449,708	7,416,631	9.6%	11.3%	972,289	2,001,552	432,375	7,770,638	$3.68
1Q-15	76,705,120	5,926,588	532,015	1,731,090	505,245	8,694,938	11.3%	11.1%	1,029,263	1,029,263	1,228,557	8,090,151	$3.63
4Q-14	75,136,480	6,014,559	554,237	1,164,914	576,782	8,310,492	11.1%	12.2%	878,251	2,021,065	581,837	8,086,492	$3.52
3Q-14	72,659,597	6,589,439	547,995	1,146,398	600,304	8,884,136	12.2%	13.3%	483,501	1,142,814	70,802	8,258,649	$3.47

Market Comparisons – Silicon Valley

R&D, INDUSTRIAL & WAREHOUSE MARKETS

TYPE	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	DIRECT OCCUPIED SF	SUBLEASE OCCUPIED SF	TOTAL AVAILABLE SF	AVAILABILITY RATE Q3-2015	AVAILABILITY RATE Q2-2015	NET ABSORPTION Q3-2015	NET ABSORPTION YTD	COMPLETED Q3-2015	UNDER CONSTR. SF	NNN WTD AVG ASKING
CAMPBELL													
R&D	1,371,053	72,397	24,660	67,823	-	164,880	12.0%	11.8%	(24,660)	21,848	-	-	$1.78
IND	953,089	20,950	-	-	5,290	26,240	2.8%	4.3%	2,270	(17,950)	-	-	$1.69
TOTAL	2,324,142	93,347	24,660	67,823	5,290	191,120	8.2%	8.7%	(22,390)	3,898	-	-	$1.77
CUPERTINO													
R&D	2,856,433	-	-	13,220	-	13,220	0.5%	0.0%	-	-	-	-	$2.65
TOTAL	2,856,433	-	-	13,220	-	13,220	0.5%	0.0%	-	-	-	-	$2.65
FREMONT													
R&D	19,880,521	2,053,207	103,662	545,119	180,066	2,882,054	14.5%	13.6%	51,657	778,459	-	-	$1.15
IND	9,740,551	123,690	-	42,214	-	165,904	1.7%	1.7%	27,458	569,197	-	623,920	$0.74
WSE	7,495,909	-	-	285,888	-	285,888	3.8%	1.1%	197,922	945,940	173,296	302,400	$0.68
TOTAL	37,116,981	2,176,897	103,662	873,221	180,066	3,333,846	9.0%	8.0%	277,037	2,293,596	173,296	926,320	$1.08
GILROY													
R&D	372,104	31,938	-	-	-	31,938	8.6%	29.0%	76,000	44,062	-	-	$0.75
IND	1,581,961	78,691	8,806	-	-	87,497	5.5%	6.2%	11,241	(16,327)	-	-	$0.66
WSE	3,356,561	207,470	-	-	-	207,470	6.2%	6.1%	-	48,190	-	450,000	$0.50
TOTAL	5,310,626	318,099	8,806	-	-	326,905	6.2%	7.8%	87,241	75,925	-	450,000	$0.59
LOS GATOS													
R&D	337,324	15,870	-	-	-	15,870	4.7%	7.2%	(1,400)	(15,870)	-	-	$2.32
TOTAL	337,324	15,870	-	-	-	15,870	4.7%	7.2%	(1,400)	(15,870)	-	-	$2.32
MILPITAS													
R&D	13,572,759	895,668	176,464	258,454	103,283	1,433,869	10.6%	9.2%	(83,990)	132,697	-	-	$1.44
IND	3,051,976	129,699	2,424	161,735	-	293,858	9.6%	6.7%	28,705	88,745	-	-	$0.83
WSE	4,705,691	225,552	-	267,550	4,806	497,908	10.6%	11.4%	(62,433)	(225,784)	-	-	$0.72
TOTAL	21,330,426	1,250,919	178,888	687,739	108,089	2,225,635	10.4%	9.3%	(117,718)	(4,342)	-	-	$1.22
MORGAN HILL													
R&D	2,839,794	150,376	5,625	11,854	-	167,855	5.9%	3.9%	(6,625)	(56,473)	-	-	$0.90
IND	2,339,921	163,006	13,200	-	-	176,206	7.5%	6.0%	(88,373)	(105,593)	-	-	$1.02
WSE	482,538	-	-	-	-	-	0.0%	4.3%	-	-	-	-	$ -
TOTAL	5,662,253	313,382	18,825	11,854	-	344,061	6.1%	4.8%	(94,998)	(162,066)	-	-	$0.95
MOUNTAIN VIEW													
R&D	13,714,616	137,531	33,431	76,399	104,704	352,065	2.6%	2.4%	(20,292)	(22,588)	-	-	$3.05
IND	1,742,798	11,090	-	31,500	-	42,590	2.4%	0.1%	(9,090)	(1,310)	-	-	$2.07
TOTAL	15,457,414	148,621	33,431	107,899	104,704	394,655	2.6%	2.1%	(29,382)	(23,898)	-	-	$2.97
PALO ALTO													
R&D	13,369,975	6,000	57,666	8,544	3,609	75,819	0.6%	0.8%	16,494	(24,284)	-	47,917	$3.42
TOTAL	13,369,975	6,000	57,666	8,544	3,609	75,819	0.6%	0.8%	16,494	(24,284)	-	47,917	$3.42
SAN JOSE													
R&D	41,593,435	4,562,624	549,881	1,222,234	339,507	6,674,246	16.0%	15.9%	85,629	443,284	-	150,000	$1.70
IND	23,237,665	443,596	41,200	229,217	-	714,013	3.1%	3.6%	(38,390)	95,760	-	-	$0.83
WSE	16,978,844	390,347	120,000	142,989	-	653,336	3.8%	5.1%	173,311	153,615	-	-	$0.67
TOTAL	81,809,944	5,396,567	711,081	1,594,440	339,507	8,041,595	9.8%	10.2%	220,550	692,659	-	150,000	$1.55
SANTA CLARA													
R&D	19,553,293	1,465,055	70,270	268,210	101,017	1,904,552	9.7%	11.3%	282,990	618,726	-	-	$1.98
IND	11,483,225	102,513	-	38,292	-	140,805	1.2%	1.7%	(3,261)	86,744	-	-	$1.19
WSE	3,290,473	5,061	-	94,916	-	99,977	3.0%	5.5%	73,195	103,831	-	-	$0.76
TOTAL	34,326,991	1,572,629	70,270	401,418	101,017	2,145,334	6.2%	7.6%	352,924	809,301	-	-	$1.90
SUNNYVALE													
R&D	22,920,349	686,477	58,169	263,441	152,535	1,160,622	5.1%	5.8%	47,694	425,428	-	-	$2.52
IND	6,079,982	176,352	-	10,000	-	186,352	3.1%	2.5%	(40,925)	(52,289)	-	-	$1.03
WSE	1,763,134	56,773	-	-	-	56,773	3.2%	3.2%	-	99,480	-	-	$ -
TOTAL	30,763,465	919,602	58,169	273,441	152,535	1,403,747	4.6%	5.0%	6,769	472,619	-	-	$2.41
SILICON VALLEY TOTALS													
R&D	152,381,656	10,077,143	1,079,828	2,735,298	984,721	14,876,990	9.8%	9.8%	423,497	2,345,289	-	197,917	$1.73
IND	61,439,293	1,361,249	65,630	512,958	5,290	1,945,127	3.2%	3.2%	(104,365)	670,677	-	623,920	$0.91
WSE	38,503,469	885,203	120,000	791,343	4,806	1,801,352	4.7%	5.0%	381,995	1,125,272	173,296	752,400	$0.69
TOTAL	252,324,418	12,323,595	1,265,458	4,039,599	994,817	18,623,469	7.4%	7.5%	701,127	4,141,238	173,296	1,574,237	$1.58
QUARTERLY COMPARISON AND TOTALS													
3Q-15	252,324,418	12,323,595	1,265,458	4,039,599	994,817	18,623,469	7.4%	7.5%	701,127	4,141,238	173,296	1,574,237	$1.58
2Q-15	250,919,908	13,388,504	1,082,487	3,299,384	969,556	18,739,931	7.5%	8.7%	2,069,078	3,440,111	-	1,478,153	$1.53
1Q-15	249,910,294	15,875,910	1,084,472	3,349,747	1,452,806	21,762,935	8.7%	8.8%	1,371,033	1,371,033	691,218	221,213	$1.42
4Q-14	248,937,322	16,903,856	1,351,619	2,554,630	1,003,083	21,813,188	8.8%	9.9%	1,106,844	1,974,384	111,100	912,009	$1.32
3Q-14	248,562,811	18,773,662	1,421,121	3,483,689	920,725	24,599,197	9.9%	10.3%	192,582	867,540	275,000	1,023,109	$1.25

Understanding Absorption

Colliers uses several measurements to track market conditions and deal flow. While related, the formulas to arrive at these measurements differ. Using the results of the most recent quarter, here is how Colliers measures change in availability, net absorption and effective net absorption.

Change in Availability: This measurement is simply the difference between the amounts of space available at the end of one period to the next. The table below shows that total available space decreased by 524,389 square feet in the year's second quarter. Note that "change in availability" includes adjustments for space that is "taken off the market". Space "taken off the market" is not a factor in net absorption measurements.

Total Available end of 2Q15	28,649,825
Plus: Vacant & Occupied Space that came available in 3Q15	4,448,470
Plus: New Shell added in 3Q15	1,651,064
2Q15 Available + Newly Available in 3Q15	34,749,359
Less: 3Q15 Gross Absorption	-7,265,565
Less: 3Q15 Adjustments/Taken off Market	641,642
Total Available end of 3Q15	28,125,436

Net Absorption: Net absorption measures the change in *occupied* space from one period to the next. In this measurement, it is important to distinguish that a building may be "available", but not vacant (often the case in a sublease situation, for example). Therefore, occupancy is not reduced (negative net absorption) until the space is vacated, and sometimes that does not happen until the space is leased, creating a net absorption "wash" for the deal and for that particular period.

New Vacant Space that came available 3Q15	-868,473
Previously Available Space that was vacated in 3Q15	-3,976,669
3Q15 Total Vacant added (Occupancy Loss)	-4,845,142
3Q15 Gross Absorption (occupancy gain)	7,265,565
3Q15 Net Absorption (change in Occupancy)	2,420,423

Effective Net Absorption: In 2003, Colliers created a measurement of "effective net absorption". Effective net absorption uses the same formula as the net absorption formula, except that it treats any space that comes available as if it is vacant, whether it is or it is not. The purpose of the measurement is to get a better "real time" gauge of occupancy flow in and out of the market, acknowledging that space that is available for lease is likely to be vacated shortly and underutilized presently.

New Vacant Space that came available 3Q15	-868,473
Occupied Space that came available 3Q15	-3,579,997
2Q15 Total Available added	-4,448,470
3Q15 Gross Absorption	7,265,565
3Q15 Effective Net Absorption	2,817,095

502 offices in **67** countries on **6** continents

United States: **140**
Canada: **31**
Latin America: **24**
Asia Pacific: **199**
EMEA: **108**

$2.3 billion in annual revenue

1.7 billion square feet under management

16,300 professionals and staff

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