

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, 2016

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 Yopez

March 1, 2017

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, 2016 precedes the date I wrote and transmitted this appraisal by about 2 months, this is considered a retrospective appraisal as defined by the Uniform Standards of Professional Appraisal Practice. Since this is a retrospective value, it is important to note that we only considered data that was available and/or public as of that date. The exception to this was the 2016 land area data provided by Old Republic Title Company which was not available until February 2017.

Our firm appraised the subject in 2014, August 2015, and December 31, 2015. The December 2015 and this current appraisal differ from the previous appraisals because the Supplemental Instructions to conduct the appraisal were 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 sale area associated with the different property types. In our earlier 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 sale transactions in the City, rather than the land area associated with each property type.

As was shown in the December 2015 appraisal, including very low and low-density land sales using a weighted average based on acreage instead of the number of sales of each property type reduced the average value per acre of land value.

In this appraisal, as shown in the following analysis, using the weighted average based on land use acreage sold in 2016 further reduced the average value per acre. This is because a significantly larger percentage of the 2016 sale transactions were industrial and commercial uses; these uses have a lower land value/acre compared to residential land. In 2015 commercial and industrial transactions accounted for only about 16% of the land area for all the transactions sold in Santa Clara, while the remaining 84% of the transactions were residential related. Conversely, in 2016 by land area, industrial increased to about 35% of all transactions, commercial increased to 15% and residential reduced to about 50% so, industrial and commercial transactions made up a much larger percentage, about 50%, by land area in 2016 compared to only 16% in 2015.

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, the 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 2016. 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.

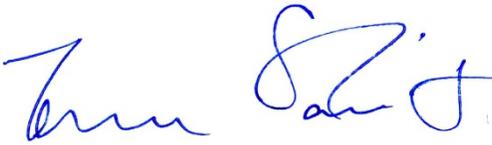
¹ *Uniform Standards of Professional Appraisal Practice* (USA, The Appraisal Foundation, 2012)

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, 2016, the effective date of opinion, for each zip code was:

Zip Code	Average Value per Acre
95050	\$3,315,000
95051	\$3,583,000
95054	\$3,669,000

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, 2016

PROPERTY RIGHTS APPRAISED : Fee Simple Estate

AVERAGE VALUE CONCLUSIONS :

Zip Code	Average Value per Acre
95050	\$3,315,000
95051	\$3,583,000
95054	\$3,669,000

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:

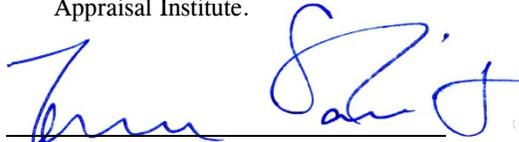
There may be other appropriate and more specific limitations on our opinions or conclusions identified in the cover letter or report as *Hypothetical Conditions, Extraordinary Assumptions, or Contingencies*.

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. Ms. Christine Pham and Ms. Carmen Yopez, employees of Schmidt-Preccott Group, 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

March 1, 2017

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 Old Republic Title Company provided 2016 Santa Clara sales statistics of land areas to assist me in estimating the weighted average of all the sale transactions that occurred in the City of Santa Clara in 2016. 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, various times in 2016, and January and February 2017 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.

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.

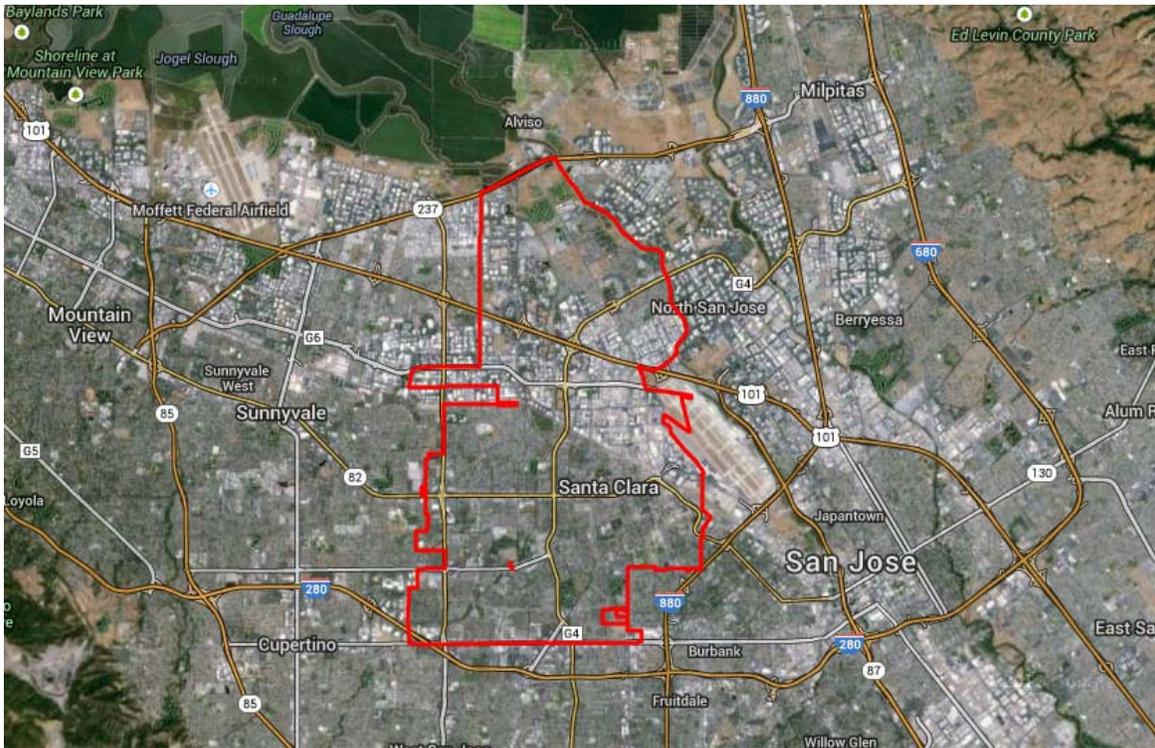
PREVIOUS APPRAISALS

Our firm previously appraised the subject(s) of this report for the City of Santa Clara on previous occasions in an Appraisal Report transmitted November 17, 2014 with an effective date of opinion of September 15, 2014, an Appraisal Report transmitted September 14, 2015 with a date of opinion of August 20, 2015, and an Appraisal Report transmitted July 1, 2016 with a date of opinion of December 31, 2015. The intended use of all the appraisals was the same, to assist the City in determining park impact fees.

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 July 1, 2016, the county had a population of 1,930,215. Based on figures from the state's Employment Development Department (EDD), the county had a labor force of about 1,058,800 and an unemployment rate of 3.5% in Nov 2016, down from 4.0% reported a year prior. Santa Clara County, which makes up the bulk of Silicon Valley, is highly dependent on technology employment, including Apple, Applied Materials, Cisco, E-Bay, Google, HP, Intel, Microsoft, and Paypal. Two of the largest employers in the City of Santa Clara are Intel and Applied Materials. 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 123,752 in January 2016, 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. In February 2016 Levi hosted Super Bowl 50.

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.

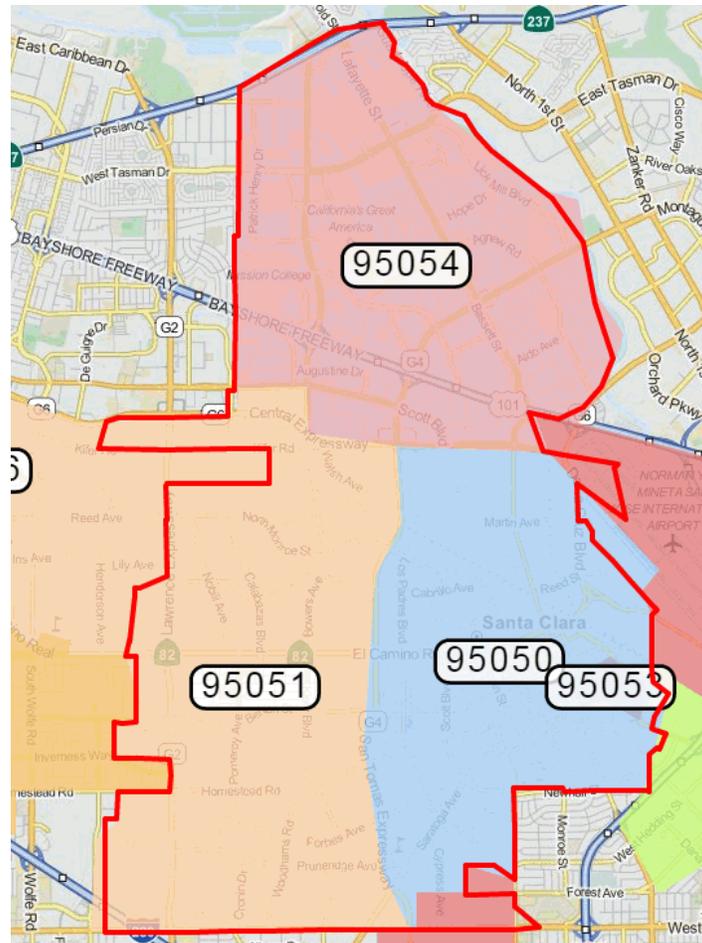
The City's median household income in 2015 was about \$98,914 and the per capita income was about \$42,967. The 2013 United States Census indicated the following demographics in Santa Clara:

Owner-Occupied Housing Units	19,079
Renter-Occupied Housing Units	<u>23,264</u>
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 41.67, although rental rates have remained above a 50 index rating. For industrial it was 59.33 and for multifamily the sentiment index was 56.11. 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. Next 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

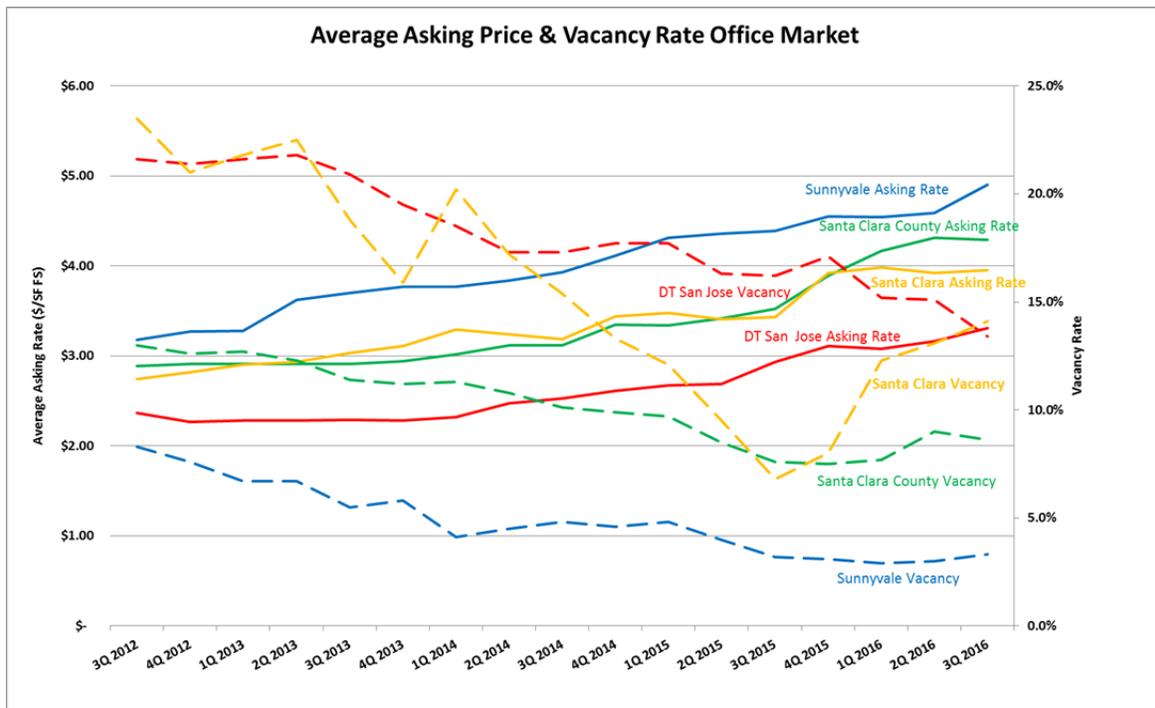
Commercial properties typically include office and retail uses. We discovered that office properties are being built with less frequency along retail corridors, but in greater numbers in light industrial locations. Research and development (R&D) properties have historically been a subcategory of industrial. 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 2012 through 3Q-2016 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-2016 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

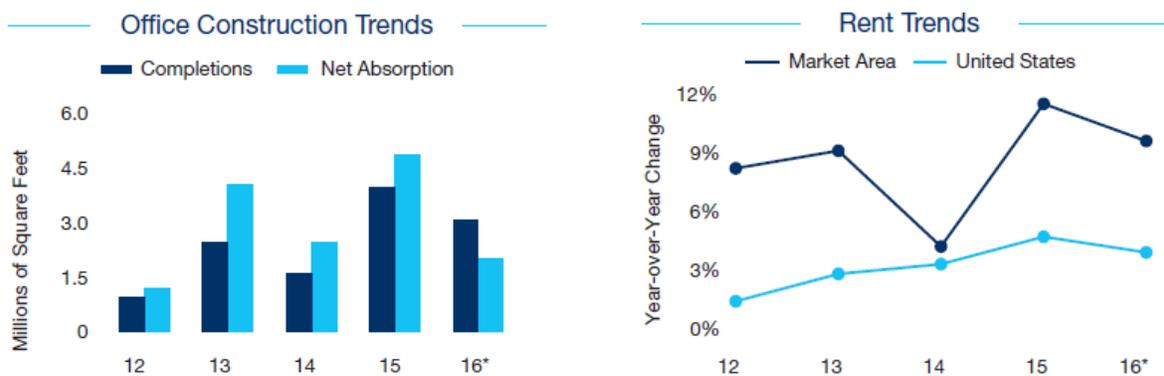


Source: Cushman & Wakefield 3Q-2016 Marketbeat Office Snapshot

The data indicates that vacancy rates in Santa Clara steadily declined from 2014 to 3Q2015 then started increasing and began stabilizing in 1Q2016 in the 12.5 to 15% range fueled in part by new construction that wasn't absorbed yet. The county has been overall more stable in the 7.5% range, while neighboring Sunnyvale has been consistently below 5% vacancy since 2Q2015, due in part to Google's presence in that market. Cushman & Wakefield reports that although the area experienced a 152,000 occupancy loss in the second quarter of 2016, the region came back with an occupancy gain of 654,000 sf in 3Q-2016. The city of Santa Clara's leasing activity was buoyed in the third quarter by AMD which leased 220,000 SF at Santa Clara Square.

The average asking rent in 3Q-2016 for the City of Santa Clara County was \$3.95/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 1.25%/month from one year ago, and about 0.8%/month since 4Q2013.

Marcus & Millichap's Second Half 2016 Office Market Report predicts that employment will increase 3.8% and office vacancy will increase by 80 basis points to 10.6% in San Jose Metro. Asking rents are forecast to increase 9.6% to \$3.67/SF/Month, full service. They report and project the following trends in the next table. Please note that the asterisk in 2016 denotes a forecast for the entire year.



Marcus & Millichap’s report also states that more than 3.1 million square feet of space will be on the market in 2016 with Sunnyvale/Cupertino and Santa Clara submarkets receiving the bulk of the new supply.

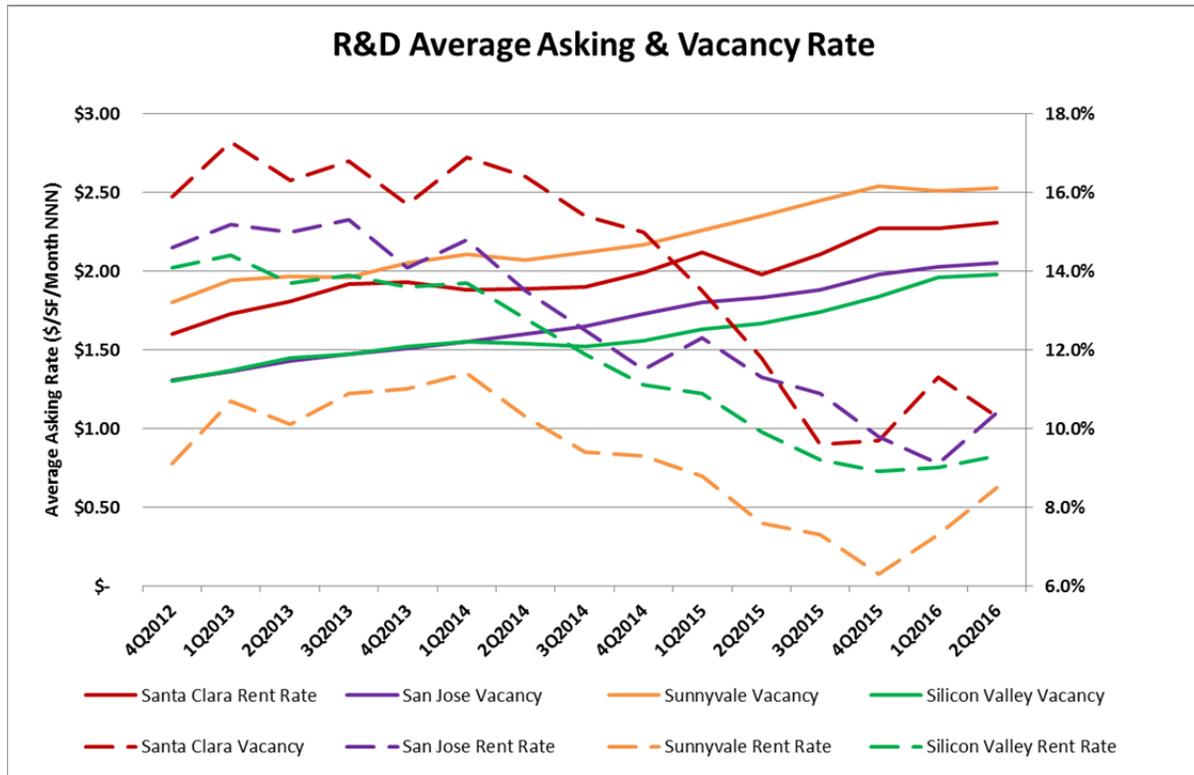
There are several office developments under construction in Silicon Valley and Santa Clara. Notable developments in the City of Santa Clara include Nvidia’s new campus, which will include more than 480,000 square feet of space, and cybersecurity firm Palo Alto Networks’ 630,000 square feet at 3335 Scott Boulevard. 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 Cushman & Wakefield 2Q-2016 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 2Q-2016, while asking rents have increased from \$1.67/SF/month to \$1.98/SF/month since 3Q-2015, an increase of about 1.5%/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 since 2Q-2016 the average asking rate in Santa Clara increased 16.6% to \$2.31/SF/month NNN. Since 4Q-2013 the rental rate has increased about 0.7%/month. Investor demand for R&D and office product remains strong, especially for well-located, modern buildings with long-term tenants in place. Key transactions for 2Q-2016 include a Boston Properties’ purchase (218,000 SF) and Crown Realty & Development’s purchase (117,000), both in Santa Clara.

R&D STATISTICS



Source: DTZ/Cushman & Wakefield 2Q-2016 R&D Market Snapshot

Colliers International reported in their 2016 Q3 *Silicon Valley Research and Forecast Report* a net occupancy loss of 433,456 SF of R&D space in 3Q-2016 within Silicon Valley. The Silicon Valley asking rate averaged \$1.93/SF NNN in 3Q-2016, 11.5% higher than 3Q-2015. The City of Santa Clara experienced rent growth of 16.5% year over year, and an occupancy gain of 885,662 SF. PE 4Q2013 the rental rate was \$1.93/SF/Month increasing to \$2.31/SF PE 2Q-2016, an increase of about 0.7%/Month. Over the preceding 12 months, rents increased an average of about 1.4%/SF/Month.

Retail Market

In their 3Q 2016 *Retail Research Report* for the San Jose Metro area, Marcus & Millichap forecast an increase of 4.1% in total employment along with an increase in retail vacancy of 140 basis points to 5.8%. They forecast that asking rents will increase by 4.1% to an average of \$2.83/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 a downward trend in asking rents from 2015 to present.

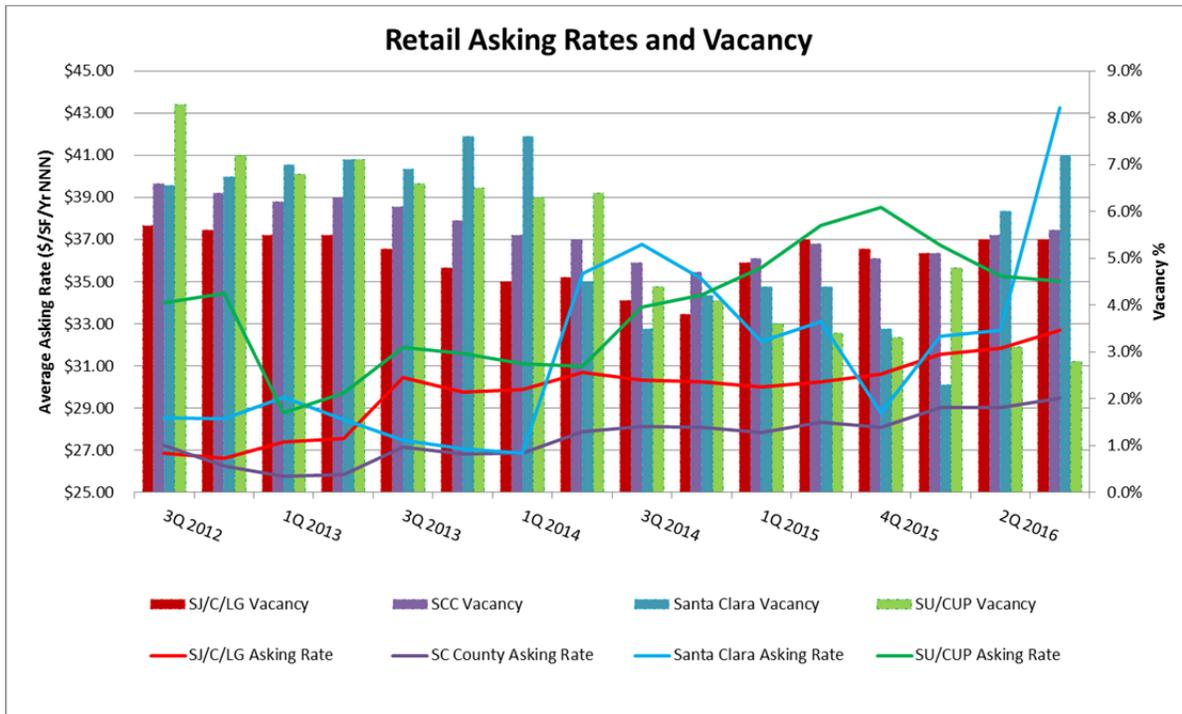


Please note that a double asterisk in 2016 denotes an average of the trailing 12 months, while a single asterisk denotes a forecast for the entire year. Marcus & Millichap forecast that exchange motivated buyers will remain the most active participants for single-tenant assets, creating competition for well-located assets. And for multi-tenant assets investors will be motivated by high yields for their capital

Cushman Wakefield is a brokerage firm that publishes quarterly reports for the retail shopping center market in the San Jose metro area. They reported in their Q3-2016 *Shopping Centers Snapshot* that 188,100 SF of shopping center space was added to the metro, increasing vacancy from 4.9% in 3Q-2015 to 5.6% in 3Q-2016. Total net absorption for 3Q-2016 was 189,000 SF, mainly due to newly completed projects, according to the report. The Santa Clara County market had an average asking rent of \$2.45/SF/Mo NNN in 3Q-2016, an increase of 6.1% from one year ago.

In 3Q-2016 asking rents averaged \$3.60/SF/Mo NNN in the subject's Santa Clara submarket up from \$2.26/SF/Mo in 4Q2013, an increase of about 1.8%/Mo. In 3Q-2016 vacancy rates in Santa Clara were reported to be 7.2%. An estimated 613,000 SF of new retail product is currently under construction. Class B and C product account for most of the product on the market. Class A space in new centers was reported to command rents upwards of \$5.00/SF/Month with some projects exceeding \$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 Cushman Wakefield and its predecessor shopping center reports from 3Q-2012 onwards:



Vacancy rates in the subject’s submarket declined from 7.6% in 4Q2013 to 7.2% in 3Q-2016, while asking rental rates increased 59% from \$2.26/SF/Mo NNN to \$3.60/SF/Mo NNN over that same period, an increase of about 1.8%/Mo.

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 about 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 statewide occupancy rates in the Second Half of 2016 of 75.2%, which was 100 bp more than one year ago. RevPAR increased 8.5% year-over-year statewide. Nationally, there were 100,000 rooms under construction in the second half of 2016. Most new construction was for select-service tiers.

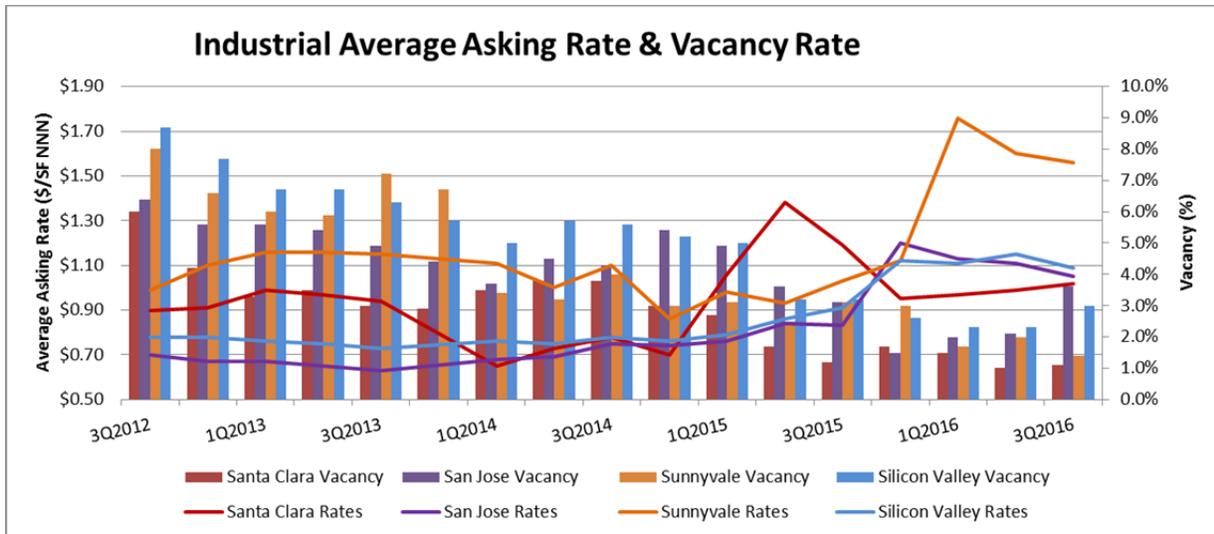
Record room revenue and occupied rooms pushed occupancy higher in California during the first half of the year. Additional growth in business and leisure travel in the second half will raise annual occupancy to a tick under 76 percent in 2016, the highest level this century.

Industrial Market Conditions

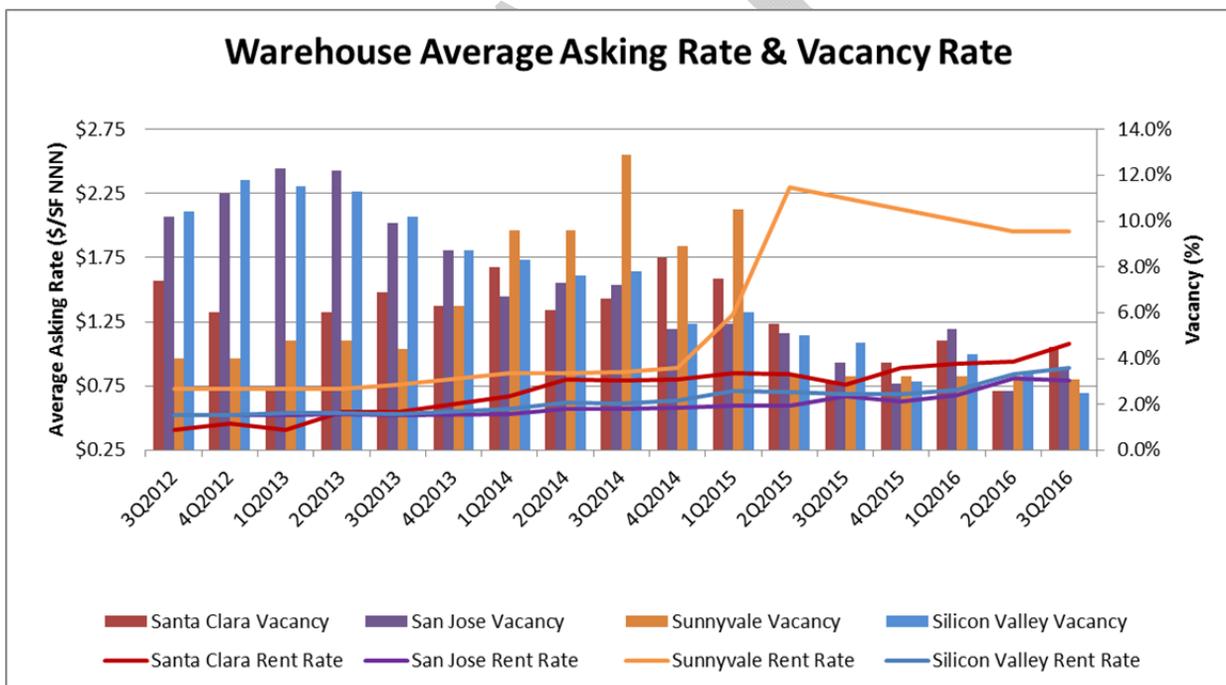
We referenced industrial (manufacturing) and warehouse market data from brokerages Cushman & Wakefield and Colliers International; we also interviewed local market participants for this report. Cushman & Wakefield reported in its *Marketbeat Industrial Snapshot, Silicon Valley, Third Quarter 2016*, that vacancy for warehouse product decreased in 3Q-2016 to 2.6% from 4.7% in 3Q-2015, while manufacturing product decreased to 2.4% from 2.9% in 3Q 2015. The Central Silicon Valley industrial submarket, which includes Santa Clara, San Jose, and Sunnyvale, had a vacancy of 2.7% and an average asking rate of \$1.00/SF/Month at the end of 3Q-2016. The average asking rental rate in the subject's Santa Clara submarket decreased from \$1.19/SF/MO to \$1.02/SF/Month NNN over the same period. However, rent increases overall had an upward trend since 1Q-2014 to 3Q-2016 of about 1.7%/SF/Mo. According to Cushman & Wakefield, Santa Clara County has a total of 112,773,926 square feet of industrial manufacturing and warehouse space, with the City of Santa Clara reporting just over 15.3 million square feet or 13.6% of the county's total space.

Collier's International reported in their *Third Quarter 2016 Silicon Valley Research & Forecast Report* for manufacturing properties that net absorption for 3Q-2016 measured 418,179 SF. Year to date, occupancy gain measured 1.9 million square feet which is down from 3 million square feet during the same period in 2015 and 2.5 million square feet measured in 2014. Despite a 3Q 2016 decrease in average asking rate to \$1.09/SF/Mo, the average effective rent rates were reported to have increased 19.5% for all industrial space in the past 12 months. Property owners and investors are anticipating larger demand for space and have increased the average asking rental rate to \$1.09/SF/Month NNN from \$0.91/SF/month NNN one year ago, an increase of 1.65%/month. Santa Clara had a vacancy rate of 1.1% for 3Q-2016, an increase from 1.0%.

The next chart shows industrial rental rate and vacancy trends since 2012. The chart shows decreasing vacancies and increasing rental rates over the long term.



Warehouse data collected from Colliers International’s *Silicon Valley Research & Forecast Report Q3 2016* 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 have been increasing since 1Q-2014 from \$0.67/SF/month NNN to \$1.08/SF/month in 3Q-2016, an increase of 1.8%/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 DuPont Fabros Technology, CoreSite Realty Corp., and Vantage Data Centers. There was one land sale associated with a proposed data center project submitted by Spieker Properties LP located at 2895 Northwestern Pkwy within the City of Santa Clara. *CBRE's Data Center Market Update 2Q 2016* report 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.

Data Center Perspectives

Primary Market – Silicon Valley

MARKET FUNDAMENTALS								
Market	Vacancy (%)	Vacancy Change	Absorption (MW)	Demand Outlook	Under Construction (MW)	Construction Pipeline	Wholesale Rental Rates (kW/mo)	Pricing Outlook
Silicon Valley	7.3%	▼	6.5	▲	43	▲	\$145 - \$165	▲

Source: CBRE Data Center Solutions, Q2 2016.

*Arrows indicate change from Q4 2015.

Residential Market Conditions

The *Housing Market Index*, based on a survey by the National Association of Home Builders, reported a builder sentiment of 63 in November 2016, but remained above 50 for six straight months. Any reading above 50 signals expansion and that home builders feel very confident about the housing market.

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 Commission⁴, employment in the SF Bay Area is expected to increase by 1,119,920 jobs,

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.

33%, between 2010 and 2040, with the majority of the employment growth occurring in Santa Clara, San Francisco, San Mateo and Alameda Counties.

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.

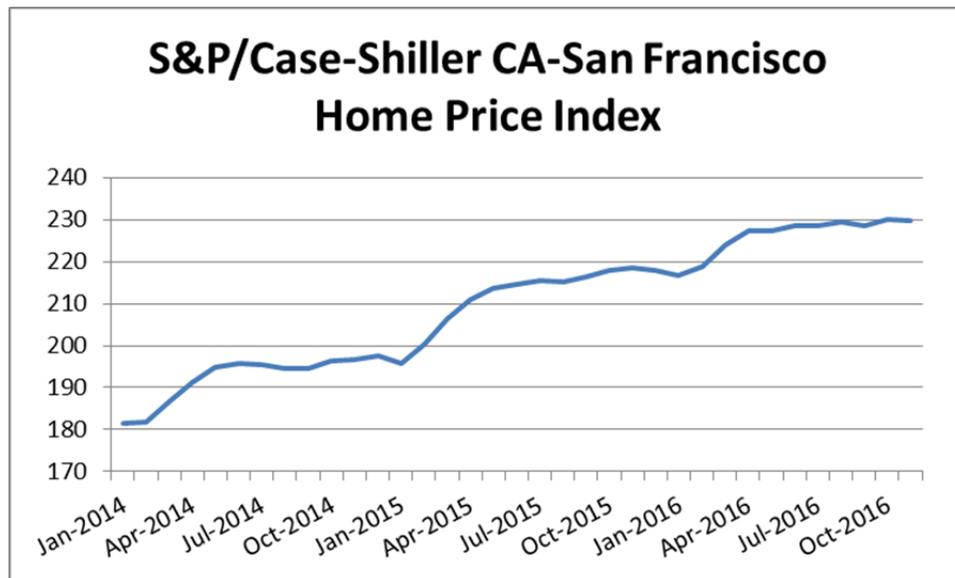
Net Housing Supply and Demand 2010-2040

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
<i>Total</i>	<i>2,760,000</i>	<i>3,460,000</i>	<i>700,000</i>	<i>700,000</i>

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 next chart indicates that the index for the subject's San Francisco Metropolitan Area was 5% higher year-over-year in November 2016. Since Jan-2014 the index increased from about 180 to 230 in Oct-2016, an increase of 0.8%/Mo.



Source: S&P Dow Jones Indices LLC

According to CoreLogic, a national real estate reference source, their Data Brief for November 2016 reported the rate of Bay Area home sales increased 19.4% from 12 months ago. The median selling price in the Bay Area for new and resale single family houses, townhouses and condominiums was \$695,000, an increase of 6.9% from November 2015, and an increase of .7% from one month prior. Within Santa Clara County, the median sale price increased in November 2016 to \$828,000, which is 4% higher than November 2015.

According to Cushman & Wakefield's *Multi-Family Marketbeat, Bay Area, 3Q 2016*, 1,617 new units were added to the Santa Clara County inventory in 3Q-2016 and an additional 7,400 units are in the pipeline. Vacancy for 3Q-2016 was reported to be at 4.6%, a decrease from 4.7% from the previous quarter and from 5.3% one year ago. Rents for this quarter increased 1.2% over the past year to an average asking rent of \$2,623/Mo. Rents have increased more than 60% over the last 5 years. The region is reported to be in a housing shortage and affordable housing crisis. Rent rate growth is expected to fall to below double digits next year due to slowing rental rate in the most impacted development markets of Santa Clara and San Francisco Counties. Another factor is that most projects currently in the pipeline are geared towards the higher-end market.

Local Housing Market

According to the City of Santa Clara General Plan, an estimated 28,500 new jobs will be created and the population will grow by 32,135 people in the City between 2010 and 2025. The General Plan forecasts that 13,222 new housing units will be needed during that same

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 through 2015:

2014 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	\$/SqFt	% Chg
95050	375	-15.50%	\$743,000	15.20%	\$1,800,000	\$559	10.70%
95051	499	-10.00%	\$741,750	17.50%	\$1,662,500	\$625	15.10%
95054	233	-1.00%	\$750,000	17.20%	\$1,700,000	\$534	19.20%

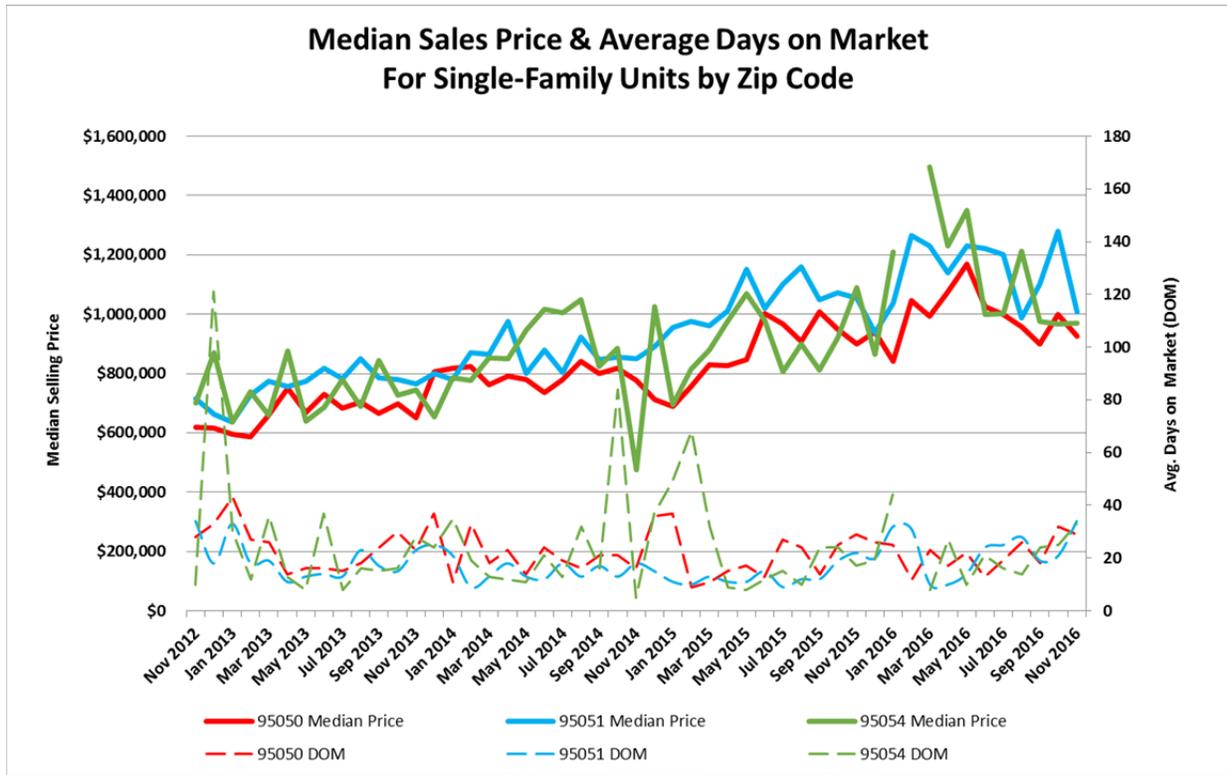
2015 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	\$/SqFt	% Chg
95050	380	1.3%	\$804,000	8.2%	\$1,650,000	\$674	20.6%
95051	711	42.4%	\$930,000	25.4%	\$7,325,000	\$722	15.2%
95054	238	2.1%	\$800,000	6.7%	\$1,825,000	\$594	11.2%

The tables indicate that the 2015 year end median pricing was within about 16% across the 3 zip codes. Prices/SF increased between 0.9%/Mo to 1.7%/month from 2014 to 2015. In the next table DQ News reported the median home price for all homes in November 2016 for the 3 zip codes.

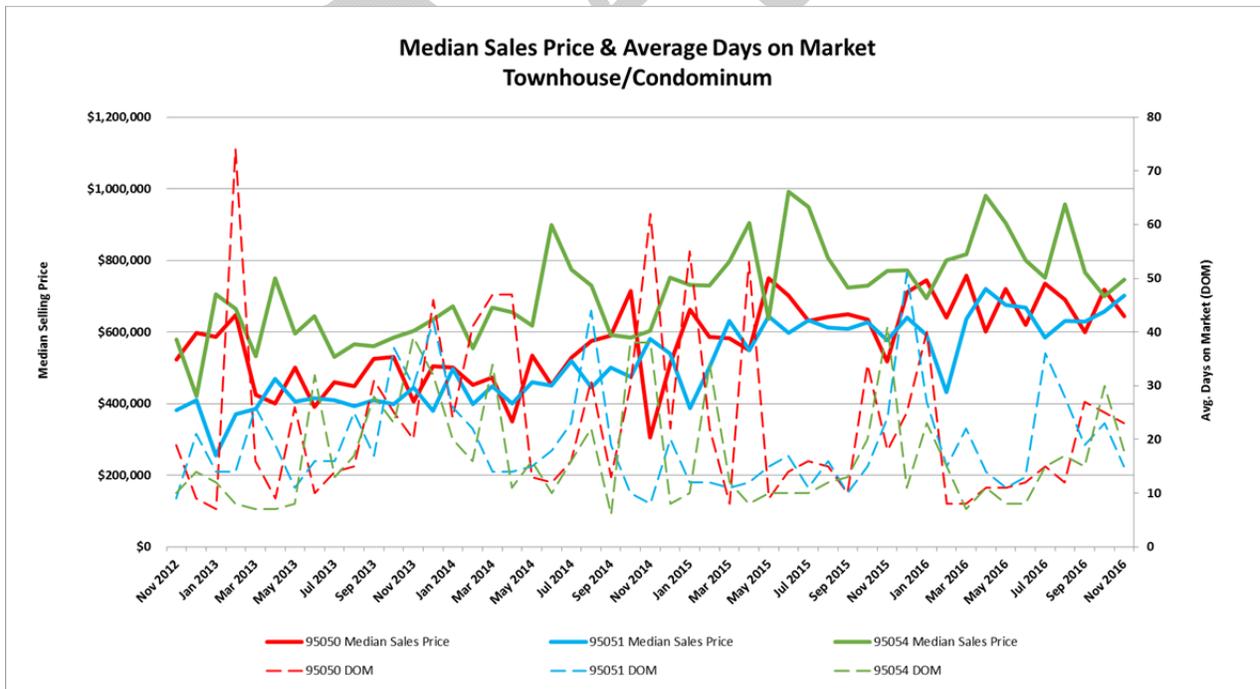
November 2016 Summary of Sales							
Zip	Sales	% Chg	Median Price	% Chg	\$/SqFt	\$/SqFt	% Chg
95050	287	-32.4%	\$875,000	8.8%	\$3,875,000	\$656	-2.7%
95051	564	-26.0%	\$976,000	4.9%	\$1,927,000	\$664	-8.7%
95054	206	-15.5%	\$920,000	15.0%	\$3,000,100	\$634	6.7%

The YTD November 2016 numbers indicated that median price/SF across the three zip codes was within 3.5%. The YTD prices appear to have slowed from 2015. The difference in price/SF in 95051 is likely due in part to recent closings of new homes at D.R. Horton's The Homes at Central Park, which had starting prices at \$952,000 and is now sold out.

The following tables depict the median price trend by zip code over the past 36 months for single family homes and common interest developments (townhouse/condos) in the three zip codes of the City of Santa Clara using closed sale data obtained by MLSlistings.com.



*The gap in the chart is due to insufficient sales data in the 95054 zip code for the month of February 2016.

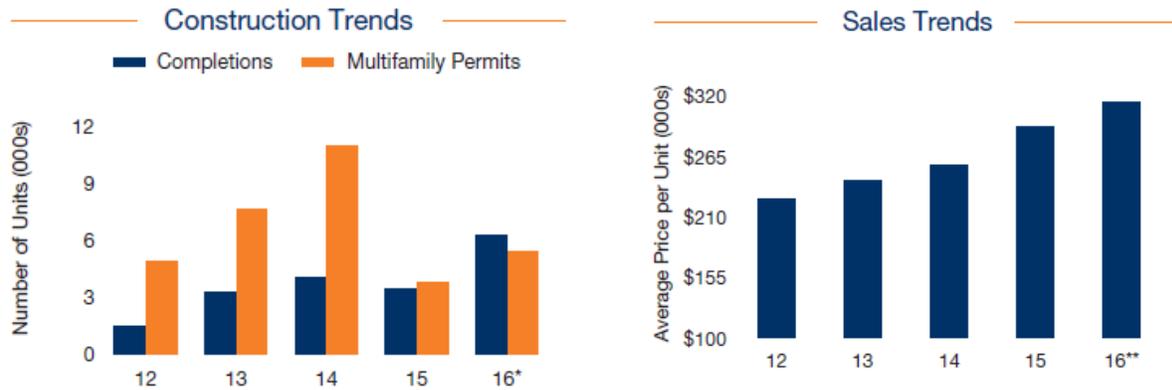


As depicted in the preceding graphs, on a month to month basis median prices fluctuate, while over the longer term the data clearly shows prices have been trending upward but appear to have softened around 3Q-2016. The following rate of change was measured for each subject zip code and housing type since November of 2012:

Housing Type	Zip Code	November-12	November-16	% Change	% Change per Month
SFR	95050	\$620,000	\$925,000	49%	1.07%
	95051	\$714,500	\$1,008,000	41%	0.89%
	59054	\$702,000	\$970,000	38%	0.83%
Condo & TH	95050	\$522,500	\$605,000	16%	0.34%
	95051	\$382,500	\$701,000	83%	1.81%
	95054	\$579,944	\$746,000	29%	0.62%

Marcus & Millichap reports in their *Third Quarter 2016 Apartment Research Market Report, San Jose Metro Area* that Multifamily permitting has increased almost 30% in response to a the areas housing shortage. Single family permits pulled increased year-over-year by 8%. The report states that builders will complete 5,900 units by the end of 2016, exceeding the 3,500 units created over the past year. The average monthly effective rent has increased 3.2% to \$2,528/month. The vacancy rate increased 60 basis points to 3.1% year-over year for Class A and B properties – anything less than 5% vacancy is considered stabilized. Class C properties have shown resiliency with vacancy tightening by 20 basis points to 1.1 percent year-over-year. The average capitalization rate for typical market product will trade near 4.6%, with premier assets extending into the high-3 percent range.

Marcus and Millichap report and project the following multifamily trends in the following graphs. Please note the asterisk in 2016 denotes a forecast for the entire year.



* Forecast
** Trailing 12 months through 2Q

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

Conclusions

Due to increased employment throughout the City and region, the demand for new housing, retail, office, and industrial space is generally greater than the supply. Office vacancy rates have improved but remain above the 5% to 10% range due primarily to recent new construction that hasn't been absorbed yet. 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 minimal 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:

- plus 1.0% per month from 1Q-2014 through 3Q-2016. The data was inconclusive to warrant adjustment beyond 3Q-2016.
- vacancies rates have been stable to declining and rental rates continued to increase from 2014 through 3Q-2016. 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.

Over the past couple of years, industrial market statistics indicated that rental rates have been trending upwards, while occupancy rates are decreasing to 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 and 2016. 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 1.25% per month from 1Q-2014 through 3Q-2016. The data was inclusive to warrant adjustment beyond this period.

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 a 12-month period in 2014/2015 in Santa Clara. However, the rise in residential prices appear to have slowed in mid-2016.

Based on the market reports cited above, sales data analyzed and market participant interviews, we applied a rate of change for market conditions of 1.0% per month from 1Q-2014 through 3Q-2016. The data was inclusive to warrant adjustment beyond the 3rd quarter of 2016.

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.

HIGH DENSITY COMPARABLE LAND SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
ADDRESS	Average Street Santa Clara	2780 El Camino Real Santa Clara 290-16-018	2611 El Camino Real Santa Clara 216-01-036	166 Saratoga Ave Santa Clara 294-38-001	1525 Alviso St Santa Clara 224-29- (034, 032, & 012)	3305 Kifer Rd Santa Clara 216-33- (001 & 030)
APN		Istar Bowling Centers LP 2780 El Camino LP 23504636	William O Geoffroy SHAC ECR Apartments LLC 22546037	David Bayto (TE)/Marlene A Mattoon (TE) The New Home Company 22961157	Robin L Kay	Moutafian Family LP Kifer Road Properties LLC 22936646
SELLER		Subscription Svcs, Pub Record	Subscription Svcs, Pub Record	Listing Broker/Seller	Listing Broker	Listing Broker
BUYER		\$17,500,000	\$2,100,000	\$7,325,000	\$8,325,000	\$7,500,000
DOCUMENT NUMBER						
VERIFICATION SOURCE						
SALE / LISTING PRICE						
SALE / OFFERING PRICE PER SF		\$139.49	\$79.21	\$96.98	\$91.44	\$90.36
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	TBD	Private/Seller No Affect
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's Length	Assemblage	Arm's-Length/S.P. Change	Arms-Length	Arm's-Length
ADJUSTMENT		0.00%	-10.00%	2.27%	0.00%	0.00%
EXPENDITURES AFTER SALE		Demo Offset by Income	None	None Reported	None Reported	Demo Offset by Income
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CLOSE OF ESCROW		November 21, 2016	March 18, 2014	May 21, 2015	August 2, 2016	May 1, 2015
TIME OF SALE / MARKET CONDITION	December 2016	Estimated July 2016	Est. March 2013	May 2014	July 2014	September 2014
MOS SINCE END 1Q 2013 THROUGH 3Q 2016		2	42	28	26	24
ADJUSTMENT @ % PER MONTH	1.00%	2.00%	42.00%	28.00%	26.00%	24.00%
ADJ PRICE AFTER TRANSACTIONAL ADJS		\$142.28	\$101.23	\$126.94	\$115.22	\$112.05
LOCATIONAL ADJUSTMENTS						
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Similar	Adjacent to Creek	Similar	Inferior/Adjacent RR	Inferior/Ind./Lawrence Expy
ZIP CODE	95050	95051	95051	95051	95050	95051
OVERALL LOCATIONAL RATING		SI Superior	Similar	SI Superior	SI Inferior	SI Inferior
PHYSICAL ADJUSTMENTS						
SITE SIZE (ACRES)	1.00	2.880	0.609	1.734	2.09	1.91
SITE SIZE (SF)	43,560	125,453	26,511	75,533	91,040	83,000
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Similar	Inferior/Easement	SI Inf/R/W Esmnt	Inferior/Irregular	Similar
USE/ZONING ADJUSTMENTS						
ZONING		PD	CT	R1-6L	PD	ML
GENERAL PLAN	High Density Residential	High Density Residential	Regional Mixed Use	Community Mixed Use	Community Mixed Use	Medium Density Residential
ALLOWED DENSITY (dwelling units per acre)	37-50	PD	19-36	19-36	19-36	19-36
NUMBER OF UNITS	44	158	32	33	40	48
ESTIMATED / PROPOSED DU/ACRE	44.0	54.9	52.1	19.0	19.1	25.2
INTENDED USE	Residential	Apartments	Apartments	Townhouses	Townhouses	Townhouses
AFFORDABLE HOUSING COMPONENT	No	No	No	Yes / 3 BMR's	No	No
ENTITLEMENT STATUS	Has Zoning & GP	Approved Map	Had GP	Had Tentative Map	Subject to T-Map/Zone Chg	Has GP
OVERALL PHYSICAL & USE/ZONING RATING		SI Superior	Inferior	SI Superior	Inferior	Slightly Inferior
OVERALL RATING		DOWN	UP	DOWN SLIGHTLY	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.

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 with adjacent land, and warranted a downward adjustment for buyer motivation. The buyer of Comparable 3 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 4 is a recently closed transaction. The long escrow was due to ongoing dialog with the City over the type of product the buyer desired to improve on the site; the City felt apartment improvements were appropriate for the site, while the buyer desired to build new townhomes.

Comparables 1 and 4 required demolition expense to remove the existing improvements before their new, intended use could be realized. We concluded this expense was offset by the interim income from the improvements. So, no additional adjustment was warranted for this element of comparison.

The comparable sales closed escrow over the preceding 3 years. 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. We only applied this adjustment through 3Q 2016 because the data was inconclusive to trend it beyond that time.

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 2 was adjacent to a creek, which requires increased development setbacks; this negative consideration was offset somewhat by the aesthetic nature of the creek and associated habitats, which future

residents will benefit from. Comparable 4 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. Comparable 5's overall appeal however, with a 95051 zip code, rated inferior because it was located in an industrial neighborhood, warranting an upward adjustment.

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/acre bracket the subject. The comparables that will provide affordable housing were adjusted upward. The comparables with approved entitlement maps 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 of value was more consistent on a price/SF basis rather than a price/density unit basis, so we gave more weight to the price/SF which was utilized as the primary comparison of 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
\$124	x	43,560	=	\$5,401,440

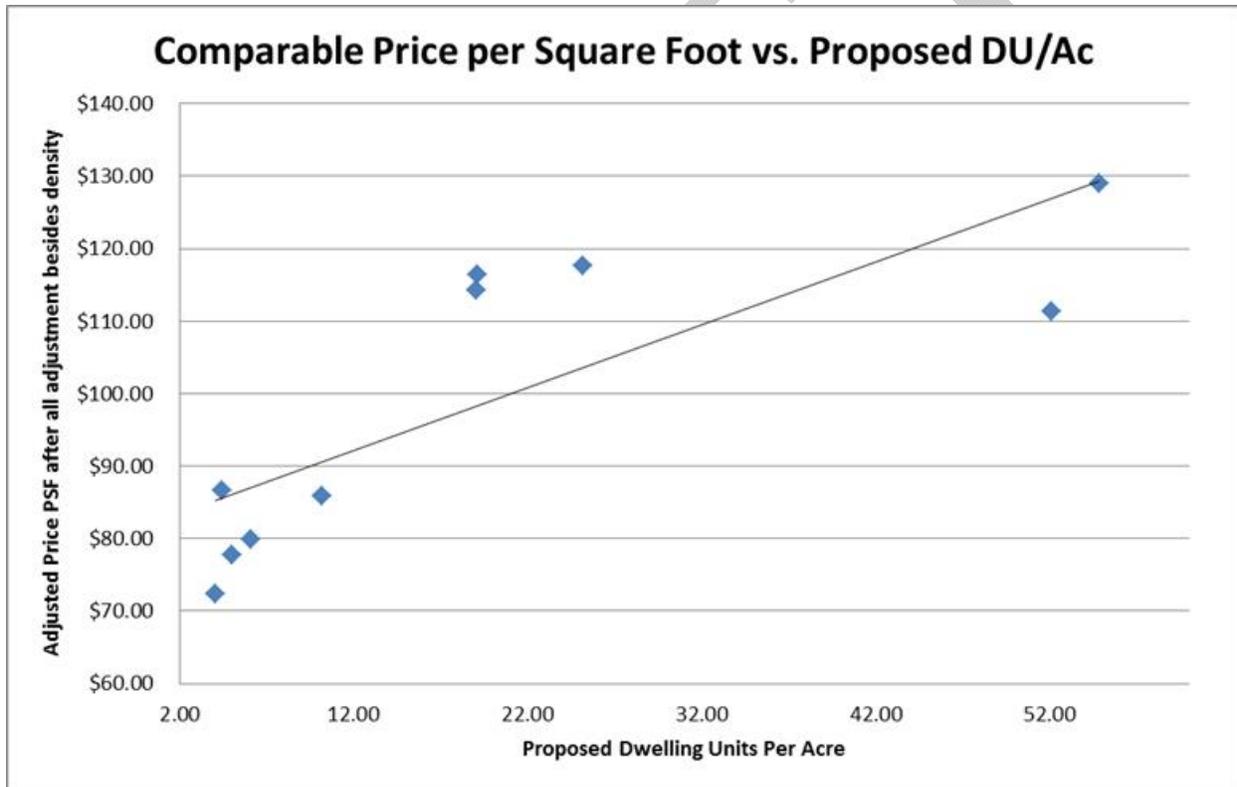
Estimated Market Value of a 1-Acre

High-Density Residential Lot in 95050 Zip Code:

\$5,401,440

Medium Density Land Value

For the medium-density value component, we assumed a density of 28 to 32 dwelling units per acre, slightly above the midpoint of the allowed range under the Medium Density General Plan designation, which allows 19-36 dwelling units per acre, because buyers typically build to the higher end of allowed density. 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 versus the change in density.



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 in terms of maximizing density. In this regard the difference in value between medium and high density residential densities in this market is minimal. Based on the preceding comparables,

giving greater weight to those with the most similar density, the chart above, and market participant feedback, with a density of 28 to 32 dwelling units per acre for the medium-density land use, we concluded to **\$119/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
\$119	x	43,560	=	\$5,183,640

**Estimated Market Value of a 1-Acre
Medium-Density Residential Lot in 95050 Zip Code: \$5,184,640**

Very Low Density Land Value

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	Redmond 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	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		-17.50%	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, 2016	1-Nov-15	19-Feb-14	May 27, 2015	1-Jun-14	1-Jul-14
MOS SINCE 1Q 2014 THROUGH 3Q2016		10	31	16	28	27
ADJUSTMENT @ % PER MONTH	1.00%	10.00%	31.00%	16.00%	28.00%	27.00%
ADJ PRICE AFTER TRANSACTIONAL ADJS		\$98.18	\$70.71	\$57.87	\$78.75	\$81.91
LOCATIONAL ADJUSTMENTS						
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Inferior	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Superior	Inferior/back commercial	Similar	Similar	Similar
ZIP CODE	95050	95051	95050	95008	95120	95118
OVERALL LOCATIONAL RATING		Sl. Superior	Inferior	Inferior	Similar	Similar
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	Sl. Inferior
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	Residential
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		Similar	Inferior	Inferior	Inferior	Inferior
OVERALL RATING-SUBJECT SHOULD SELL FOR		Slightly Less	More	More	Slightly More	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, since we couldn't determine the historical value component, we 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, and based on the data and our observation, we concluded to the historical value component as shown. We deducted this amount from the sale price to get to the residual land value, and it is shown as an 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 seller 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.

As discussed in the preceding material, market conditions adjustments were applied from the date of the meeting of minds through 3Q 2016 because the data was inconclusive to trend it beyond that time.

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. All of the comparables were unentitled, low density residential transactions that bracket the subject in terms of proposed density.

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, giving most weight to the Santa Clara comparables and the most recent sales, we concluded to the following unit value of unentitled very low-density residential land in the 95050 zip code:

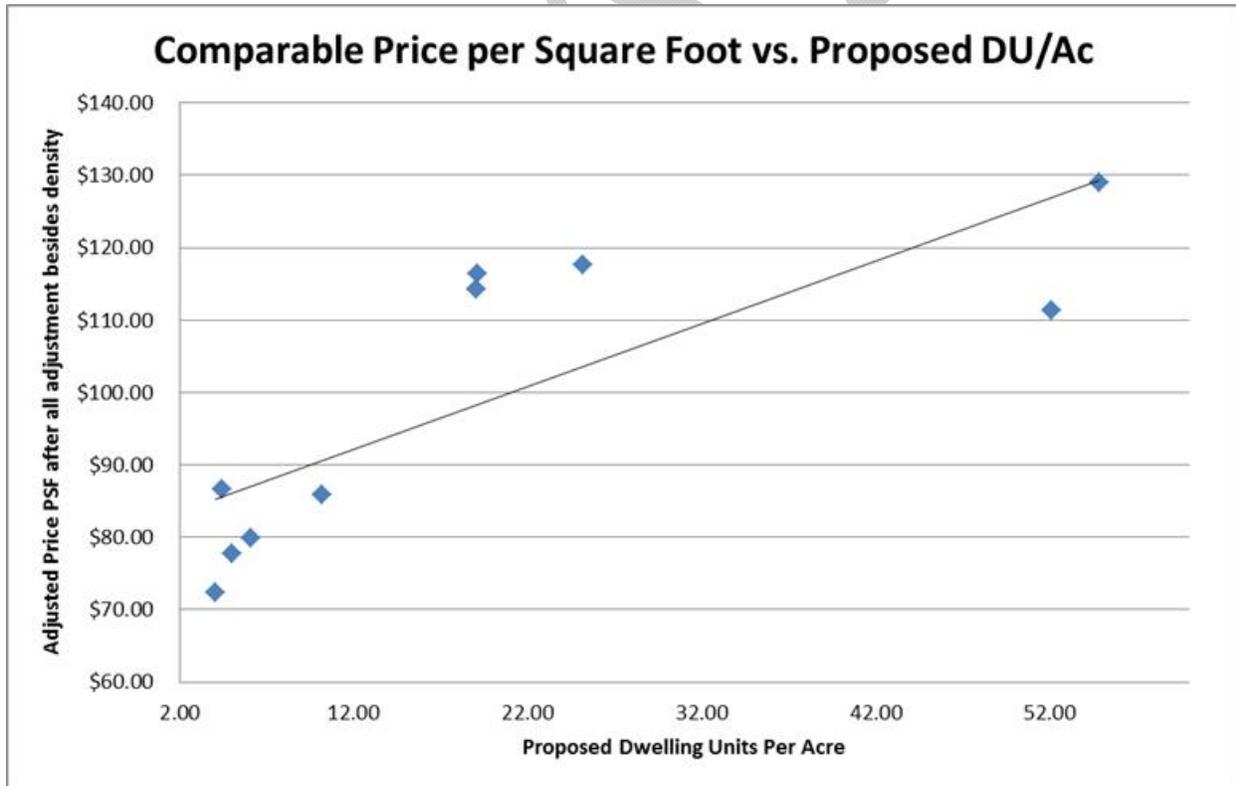
Unit \$/SF	x	Land Area (SF)	=	Indicated Value
\$85	x	43,560	=	\$3,702,600

Estimated Market Value of a 1-Acre

Very Low-Density Residential Lot in 95050 Zip Code: \$3,702,600

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 preceding comparables, giving greater weight to those with the most similar density, the preceding chart, and market participant feedback, with a density of 13 dwelling units per acre for the low-density land use, we concluded to \$119/SF. 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
\$95	x	43,560	=	\$4,138,200

Estimated Market Value of a 1-Acre

Low-Density Residential Lot in 95050 Zip Code:

\$4,138,200

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		4935 Stevens Creek Blvd	3051 Olcott Street	1031 El Camino Real	861 E El Camino Real	1812 Hillsdale Ave	1139-41 Minnesota Avenue
	Santa Clara	Santa Clara	Santa Clara	Santa Clara	Sunnyvale	San Jose	San Jose
APN		296-20-004	224-46-006	224-28-035	211-16-021	419-05-059	429-17-(063 & 071)
SELLER		LJS LLC	Deerfield-Scott LLC	Heidi Weidmann	Pisa Trust, et al	T Antraccoli RL & RL 1990 Trust	Lexor Investments Inc.
BUYER		Nevada Deanza Family LP	MDY Properties Inc.	City of Santa Clara	Baton Rouge Hospitality LLC	Thao Bui & Mai T Thai	Primus Ventures LLC/Haddad
SALE PRICE		\$3,700,000	\$8,800,000	\$1,700,000	\$5,050,000	\$1,700,000	\$1,950,000
PARCEL SIZE (Acres)	1.00	1.02	2.73	0.60	1.56	0.69	0.55
PARCEL SIZE (SF)	43,560	44,475	118,919	26,136	67,954	29,977	23,958
SALES PRICE/SQUARE FOOT		\$83.19	\$74.00	\$65.04	\$74.32	\$56.71	\$81.39
DOCUMENT NUMBER		22879286	22872801	22712081	22539072	22893779	23444677
EXPOSURE TIME		7 Months	7 Months	Unknown	Unknown	5 Months	Unknown
TRANSACTIONAL ADJUSTMENTS							
REAL PROP. RIGHTS CONVEYED		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
FINANCING TERMS \$		Conventional	All Cash	All Cash	All Cash	All Cash	All Cash
CONDITIONS OF SALE		Arm's-Length	Arms-Length	Arm's Length	Arm's-Length	Arm's-Length	Arm's-Length
<i>ADJUSTMENT</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURES AFTER PURCHASE		Demo Offset by Income	Demo Offset by Income	Demolition	Demolition Offset by Income	None Significant	Demolition Offset by Income
<i>ADJUSTMENT</i>		0.0%	0.0%	3.8%	0.0%	0.0%	0.0%
CONTRACT DATE / MKT CONDITIONS	December 2016	January 2015	Assumed January 2015	August 2014	December 2013	November 2014	July 2016
RECORDING DATE		March 11, 2015	March 4, 2015	September 22, 2014	March 7, 2014	March 25, 2015	September 27, 2016
MONTHS SINCE SALE THROUGH 3Q-2016		20	20	25	33	22	2
<i>Adjustment rate per month</i>	1.00%	20.00%	20.00%	25.00%	33.00%	22.00%	2.00%
ADJ. PRICE/SF WITH TRANS. ADJ.		\$99.83	\$88.80	\$84.40	\$98.84	\$69.19	\$83.02
LOCATIONAL ADJUSTMENTS							
EXPOSURE	Average	Similar	Superior/Corner	Similar	SI Superior/Traffic	Similar	Similar
APPEAL/SITE INFLUENCES/ACCESS	Average	Superior/Access & Neigh	Similar	Similar	Superior/Rents	Inferior/Rents/Synergies	Inferior Rents
ZIP CODE	95050	95051	95054	95050	94087	95124	95125
LOCATIONAL COMPARISON		Superior	Superior	Similar	Superior	Inferior	Inferior
PHYSICAL & USE/ZONING ADJUSTMENTS							
PARCEL SIZE (Acres)	1.00	1.02	2.73	0.60	1.56	0.69	0.55
UTILITY	Average	Similar	Similar	Similar	Superior/2 Street Frontages	Similar	SI Inferior/Elongated
OFF-SITE IMPROVEMENTS	Finished Lot	Similar	Similar	Similar	Similar	Similar	Similar
ZONING/GENERAL PLAN	CT / Regional Commercial	CT/ Regional Commercial	ML / High Intensity Office R&D	CT/ Community Mixed-Use	C-2 ECR / General Business	CN/Neigh Community Comm	CO / Neigh. Commercial
PROPOSED USE(S)	Commercial	Hold/Car Wash Interim	Office	Future Development	Hotel	Retail	Office
PHYSICAL & USE/ZONING COMPARISON		Similar	Inferior	Similar	Superior	Similar	Slightly Inferior
OVERALL RATING		SLIGHTLY DOWN	SIMILAR	SIMILAR	DOWN	UP	UP

Adjustment Process

The adjustment methodology was similar as above.

Transactional adjustments were warranted. The seller of Comparable 1 opined that this transaction represents the land only; the building(s) and car wash business sold separately. Comparables 1, 2, 4 and 6 had operating tenants at the time of sale creating income to the new buyer, offsetting the need for any demolition costs, while the buyers worked on entitlements for their new intended 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 was a vacant lot.

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. Based on the data, lot size differences greater than 50%, Comparables 2 and 4, warranted upward adjustments due to the law of diminishing returns.

building has not been demolished. For these reasons and because we couldn't determine the contributory value 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.

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4
ADDRESS	Average Street Santa Clara	980 Martin Avenue Santa Clara	1505 Nicora Ave San Jose	2365 Lafayette Santa Clara	430 Aldo Ave Santa Clara
APN		224-62-010	101-13-001	220-40-010	101-15-006
SELLER		Gaffney MF & JM Trust	Rolston & Jacquelyn Johnson	Gangi Brokers Packing Company, Inc	Allen G Trust & Marta MT Dinsmore
BUYER		980 Martin Ave. LLC	DRL Properties LLC	Bowles Eckstrom & Associates, LLC	Logadia Holdings, LLC
SALE PRICE		\$1,476,000	\$1,100,000	\$4,135,000	\$1,896,500
DOCUMENT NUMBER		22984379	22876483	22872800	22837169
BONDS ASSUMED / SF		\$0.00	\$0.00	\$0.00	\$0.00
TOTAL COST TO BUYER / SF		\$72.71	\$27.75	\$36.51	\$53.75
TRANSACTIONAL ADJUSTMENTS					
REAL PROPERTY RIGHTS CONVEYED <i>ADJUSTMENT</i>	Fee Simple	Fee Simple 0.00%	Fee Simple 0.00%	Fee Simple/S Term Lease 0.00%	Fee Simple 0.00%
FINANCING TERMS / DOWNPAYMENT <i>ADJUSTMENT</i>		Conv./50% down 0.00%	Conventional/35% 0.00%	All Cash 0.00%	Conv/Constr. Loan 0.00%
CONDITIONS OF SALE <i>ADJUSTMENT</i>		Arm's-Length 0.00%	Arm's-Length 0.00%	Arm's-Length 0.00%	Arm's-Length 0.00%
ADDITIONAL COSTS TO BUYER <i>ADJUSTMENT</i>		None 0.00%	None 0.00%	None 0.00%	None 0.00%
CONTRIBUTORY VALUE OF IMPROVEMENTS <i>ADJUSTMENT</i>		Metal Bldg./\$635k -43.00%	None Significant 0.00%	None Significant 0.00%	Metal Building / \$325k -17.14%
CLOSE OF ESCROW		6/12/2015	3/9/2015	3/20/2015	1/27/2015
TIME OF SALE / MARKET CONDITION	December 2016	1-Feb-15	January 2015	January 2015	November 2014
MO'S FROM START OF 4Q-2014 THROUGH 3Q-2016 <i>ADJUSTMENT @ % PER MONTH</i>	1.25%	19 23.75%	20 25.00%	20 25.00%	22 27.50%
ADJUSTED PRICE / SF		\$51.29	\$34.69	\$45.64	\$56.79
LOCATIONAL ADJUSTMENTS					
EXPOSURE/VISIBILITY	Average	Similar	Similar	SI Sup/Traffic Retail Syn	Similar
ACCESS	Average	Similar	Inf/cul-de-sac & Fwy	Similar	Similar
NEIGHBORHOOD APPEAL	Average	Similar	Inferior/Rents	Similar	Superior/Rents
ZIP CODE	95050	95050	95133	95050	95054
OVERALL LOCATIONAL RATING		Similar	Far Inferior	SI Superior	Superior
PHYSICAL & USE/ZONING ADJUSTMENTS					
PARCEL SIZE (ACRES)	1.00	0.47	0.91	2.60	0.81
PARCEL SIZE (SF)	43,560	20,300	39,640	113,256	35,284
UTILITY	Average	Average	Inf/Irregular Sup/Paved	Easements / Paved	Superior/Paved
OFF-SITES	Finished Lot	Similar	Similar	Similar	Similar
INTENDED USE		Industrial	Storage Yard	Industrial	Industrial
ZONING	Heavy Industrial	Heavy Industrial	Light Industrial	Heavy Industrial	Light Industrial
GENERAL PLAN	Light Industrial	Heavy Industrial	Light Industrial	Heavy Industrial	Light Industrial
OVERALL PHYSICAL & USE/ZONING RATING		Superior	Slightly Inferior	Slightly Inferior	Similar
OVERALL RATING		DOWN	UP	SIMILAR	DOWN

Adjustment Process

Adjustments were considered for and applied in a similar manner as above for the commercial sales. Because there are few industrial land sales in this market, we used two sales that were improved with metal buildings, Comparables 1 and 4. To estimate the residual land value of these transactions, we determined and deducted the contributory value of the building improvements based on our observations, and/or feedback from the broker, MVS cost estimates, and the adjustment that was a good fit for the data.

Market conditions adjustments were applied at the rates concluded to in the Market Conditions section. As stated in the preceding material, industrial property in the City of Santa Clara is in high demand, supported by generally lower than 3.0% vacancy rates and rising rental rates which have averaged more than 1.5%/SF/Mo increases.

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 value in the \$47.50 per square foot range.

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

Unit \$/SF	x	Land Area (SF)	=	Indicated Value
\$47.50		43,560		\$2,069,100

**Estimated Market Value of a 1-Acre
Industrial Lot in Zip Code 95050: \$2,069,100**

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 Title reported a total of 994 arms-length transactions in Santa Clara in 2016. There were 11 commercial sales, 20 industrial sales that included 2 vacant land sales, 531 residential single family sales, 30 2-4 residential unit sales, and 402 medium to high density residential sales which comprised residential unit sales greater than 5 units, condominiums and townhomes. The 2 industrial land transactions were not used as comparables because one was for a data center use, which commands premium prices, and the other transaction was for a small 3,740 SF lot that was not comparable due to its small size.

Residential transactions included single family, townhomes and condominiums, 2 to 4 unit, and residential units greater than 5 units. Of the total residential sales, single family transactions comprised the most land area as shown in the next table. We point out to the reader that in our previous 2015 appraisal commercial and industrial sales only comprised about 16% of the total land area, whereas in 2016 these property types comprised nearly half of all the sales in the city by land area. Since in this appraisal we are estimating the weighted average based on the acreage associated with each property type, the increased percentage of industrial and commercial land area transactions will influence the value of the hypothetical 1-acre lot because their value is less than residential land in this market.

The total number of land square feet (SF) sales (broken out by property type) is reflected in the next table:

2016 Santa Clara Sales		
Sale Type	Land SF	Total %
Commercial	1,312,159	15.34%
Industrial	3,024,338	35.35%
Very Low Density Residential	3,185,941	37.24%
Low Density Residential	212,889	2%
Medium to High Density Residential	819,397	9.58%
Total	8,554,724	100.00%
Source: Old Republic Title Company		

Old Republic Title provided the data depicted in the preceding table, segregated by the property type. The single family sales were grouped into very low density, 2-4 residential sales were grouped into low-density, the townhome and condominium data was grouped into the medium to high-density residential, retail and office was grouped into commercial, and industrial was designated industrial. As shown in the table, the commercial/industrial versus residential sales by land area was nearly evenly split 50/50.

Conclusion

The % of total in the previous table was applied to the appropriate categories for each property type. Since the data provided by the title company did not segregate medium and high-density residential, we split the total percentage evenly between the two densities. As shown in the next table, the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95050 zip code:

2016 VALUE 95050 ZIP CODE SUMMARY						
Land Use	Price per SF	Price per Acre	x	Weighted Avg	=	Weighted Value
Very Low Density Residential	\$85.00	\$3,702,600	x	37.24%	=	\$1,378,848
Low Density Residential	\$95.00	\$4,138,200	x	2.49%	=	\$103,041
High Density Residential	\$124.00	\$5,401,440	x	4.79%	=	\$258,729
Medium Density Residential	\$119.00	\$5,183,640	x	4.79%	=	\$248,296
Commercial	\$89.00	\$3,876,840	x	15.34%	=	\$594,707
Industrial	\$47.50	\$2,069,100	x	35.35%	=	\$731,427
					TOTAL AVERAGE VALUE	\$3,315,049

Average Value of a Hypothetical 1-Acre

Lot in the 95050 Zip Code:

\$3,315,000 (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.

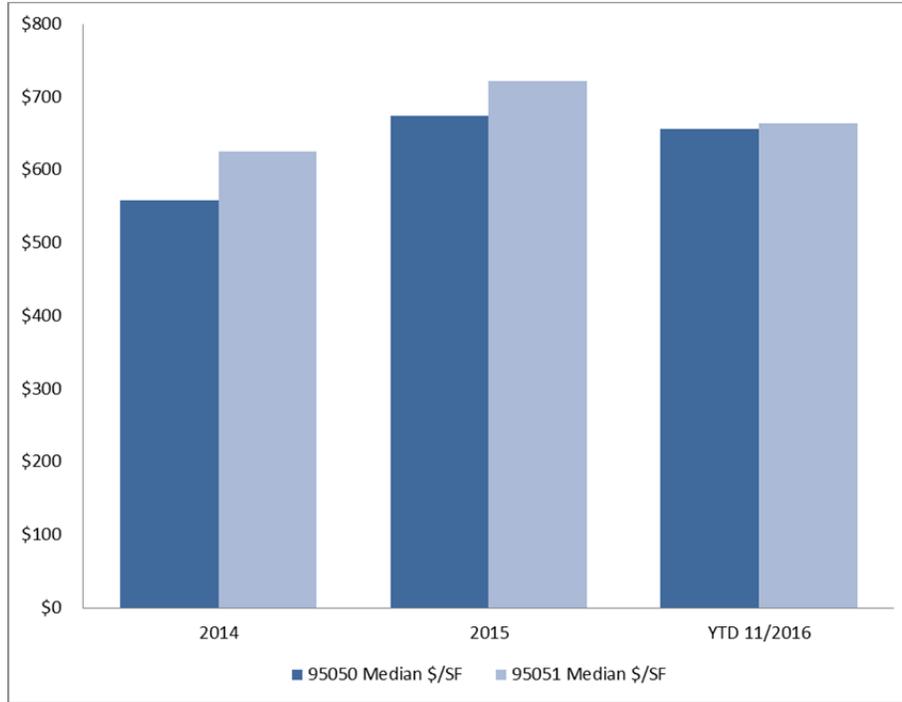
Estimating Differences Between Zip Codes

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 and average selling prices for the residential uses.

Residential Difference

Market participants and average selling prices provided support that residential prices in the 95051 zip code are generally superior 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/SF and YTD November 2016 median prices/SF between the 95050 and 95051 zip codes, as reported by DataQuick News, indicated the following:



The chart above indicates that the median selling price/SF has historically been higher in zip code 95051. In 2014 95051 was 12% higher, 2015 it was 7% higher, and the most recent YTD November 2016 median selling price/SF was about 1% higher than 95050. The decline in price difference in the most recent period is likely due to the closing out of new construction project(s) in 95051, which had higher prices. The difference in median prices between the zip codes was supported by the next table which reflects data provided by Old Republic Title, showing that the average 95051 price (SFR's and Condo/Townhomes) for all residential sales in Santa Clara in 2016 was about 7.5% higher than 95050.

Housing Type	Zip Code	Total	Number of Sales	Avg. Sales Price
SFR, Condo & Townhome	95050	\$229,458,818	260	\$882,534
	95051	\$465,581,663	491	\$948,231
	95054	\$174,351,464	181	\$963,268

Source: Old Republic Title

Based on market data, we concluded that residential land prices were 7.5% 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 effective rents between these zip codes were \$22.78/SF Gross in 95050 vs. \$28.03/SF Gross in 95051 which is 23% higher. Based on market data and rental rates differences, we concluded that 95051 rated a 20% premium compared to 95050, warranting an upward adjustment for 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 Exwy., 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 effective rental rate per SF however, as compiled by CoStar, showed that effective rental rate rents averaged about 5% less in 95051 in the past 5 years. The rental rate is likely skewed to fewer deals being completed in 95051 because much of the industrial land has been converted to non-industrial uses. After consideration for differences in asking rents and the opinions of the market, we concluded that industrial land prices were similar in both zip codes.

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			=	95051 Average Price per Acre
	Price/Acre Weighted	x	Adjustment Factor		
Very Low Density Residential	\$1,378,848	x	107.50%	=	\$1,482,262
Low Density Residential	\$103,041	x	107.50%	=	\$110,769
High Density Residential	\$258,729	x	107.50%	=	\$278,134
Medium Density Residential	\$248,296	x	107.50%	=	\$266,919
Commercial	\$594,707	x	120.00%	=	\$713,649
Industrial	\$731,427	x	100.00%	=	\$731,427
TOTAL AVERAGE VALUE PER ACRE					\$3,583,159

Average Value of Hypothetical 1-Acre

Lot in the 95051 Zip Code:

\$3,583,000 (Rounded)

AVERAGE VALUE ESTIMATE IN 95054 ZIP CODE

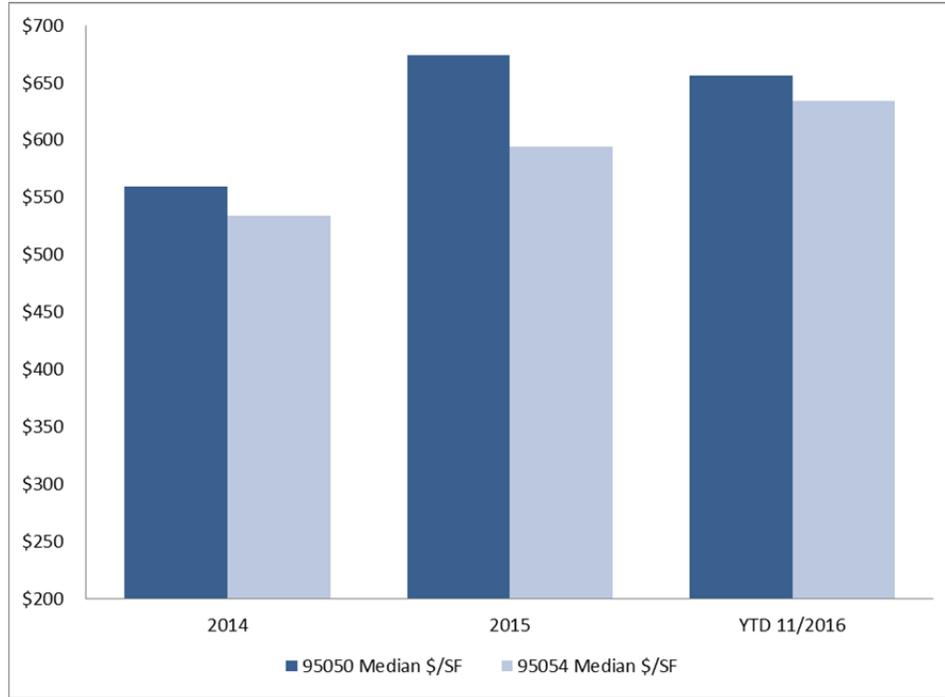
We utilize the same 1 acre of weighted land values from zip code 95050 and apply any differences in value between the 95054 and 95050 zip codes. We then apply the appropriate weighted average number of acres to each 95054 land use value.

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 and average selling prices provided support that the residential prices in the 95054 zip code were generally similar compared to the 95050 zip code. Brokers active in the market reported a range of opinions, supporting the perception that neither was more superior today. Recent yearly-summary median prices/SF and YTD November 2016 median prices between the 95050 and 95054 zip codes, as reported by DataQuick, indicated the following:



As shown in the chart above, in 2014 and 2015 median selling prices/SF were higher in the 95050 zip code compared to 95054. And the higher 95050 price/SF difference was less pronounced in 2016. Conversely, in the next table, which is 2016 sales data provided by Old Republic Title, the average 95054 zip code sale price was about 9.0% higher compared to 95050.

Housing Type	Zip Code	Total	Number of Sales	Avg. Sales Price
SFR, Condo & Townhome	95050	\$229,458,818	260	\$882,534
	95051	\$465,581,663	491	\$948,231
	95054	\$174,351,464	181	\$963,268

Source: Old Republic Title

The higher 95054 price from the Old Republic Title data in the preceding table may be skewed somewhat due to fewer samples in the sales data and the fact that the higher average price is likely 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 all the market data, there was no definitive conclusion that one or the other zip code was superior. Therefore, 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 synergies created by the presence of Levi 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 effective rental rate/SF compiled by CoStar, revealed that the average Gross rents between these zip codes was higher in 95054, \$38.02/SF vs. \$22.78/SF in 95050, a difference of more than 50.0%. Based on market data, brokers opined that pricing could be about \$500,000 to as much as \$1M more per acre in 95054, which was about 13.0% to 25.0% higher than our commercial value conclusion in the 95050 zip code. Bracketed by data including broker estimates and rental rate differences in each zip code, we concluded that an upward adjustment of 35% was warranted for the 95054 zip code for higher commercial land value.

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 rent per SF, as compiled by CoStar, showed that effective rents averaged \$9.39/SF Gross in the 95050 zip code vs. \$10.75/SF Gross in the 95054 zip code, about a 15% premium. A local broker estimated that there was a 15-25% premium in the 95054 zip code area compared to 95050. Bracketed by the data, 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			=	95051 Average
	Price/Acre	x	Adjustment		
	Weighted		Factor		
Very Low Density Residential	\$1,378,848	x	100.00%	=	\$1,378,848
Low Density Residential	\$103,041	x	100.00%	=	\$103,041
High Density Residential	\$258,729	x	100.00%	=	\$258,729
Medium Density Residential	\$248,296	x	100.00%	=	\$248,296
Commercial	\$594,707	x	135.00%	=	\$802,855
Industrial	\$731,427	x	120.00%	=	\$877,712
TOTAL AVERAGE VALUE PER ACRE					\$3,669,482

**Average Value of a Hypothetical 1-Acre
Lot in the 95054 Zip Code: \$3,669,000 (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: \$3,315,000**
(Three Million Three Hundred and Fifteen Thousand Dollars)

**Opinion of Average Value of a 1-Acre
Lot in the 95051 Zip Code: \$3,583,000**
(Three Million Five Hundred and Eighty-Three Thousand Dollars)

**Opinion of Average Value of a 1-Acre
Lot in the 95054 Zip Code: \$3,669,000**
(Three Million Six Hundred and Sixty-Nine Thousand Dollars)

ADDENDA

- Old Republic Title Company 2016 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)

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