# ANNUAL LAND VALUATION 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
***Frank Schmidt & Associates***

## EFFECTIVE DATE OF VALUE OPINION

December 31, 2019

June 11, 2020

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

Re: Annual Land Valuation 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:

Pursuant to your request, I have completed the annual land valuation appraisal to aid the City of Santa Clara in establishing park impact fees. Following this letter of transmittal is my appraisal and analysis opining the value of a hypothetical 1-acre lot in each of the City's three zip codes.

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, 2019 precedes the date I wrote and transmitted this appraisal by about 5 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 I only considered data that was available and/or public as of the date of value. The exception to this was the 2019 land area data provided by Old Republic Title Company which was not available until February 2020. *Furthermore, the current Covid-19 pandemic is not considered in this analysis since it had not occurred yet on the date of value on December 31, 2019.*

I have appraised the subject of this appraisal numerous times since 2014, and most recently on December 31, 2016 and December 31, 2017. Similar to the 2016 and 2017 appraisals and based on land area, in 2019 about 55% of all the transactions sold in the preceding 12 months were categorized as industrial and commercial, and the other 45% were categorized as residential. This is a slight change from 2016 and 2017 when commercial and industrial categories

accounted for about half of the land area for all the transactions sold in Santa Clara, and the remaining were residential related.

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 and based on land area data provided by Old Republic Title Company.

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 assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions."[2]

[1] *2020-2021 Uniform Standards of Professional Appraisal Practice* (USA, The Appraisal Foundation, 2020)
[2] *Ibid*

- In this appraisal, land areas provided by Old Republic Title Company were used to estimate the weighted average of all the sale transactions that occurred in the City of Santa Clara in 2019. It was an extraordinary assumption of this appraisal that the land areas provided by Old Republic were accurate.

*The use of these hypothetical conditions and extraordinary assumption might have affected the assignment results.*

There are general assumptions and limiting conditions set forth in this report. I did not apply any contingencies.

Based on the investigation and analyses undertaken, I formed the opinion that the average value per acre on December 31, 2019, the effective date of opinion, for each zip code was:

| Zip Code | Average Value per Acre |
|---|---|
| 95050 | $4,385,000 |
| 95051 | $4,630,000 |
| 95054 | $4,495,000 |

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 Low-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, 2019

**PROPERTY RIGHTS APPRAISED** : Fee Simple Estate

**AVERAGE VALUE CONCLUSIONS** :

| Zip Code | Average Value per Acre |
|---|---|
| 95050 | $4,385,000 |
| 95051 | $4,630,000 |
| 95054 | $4,495,000 |

## 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 hypothetical properties 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;

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 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; and

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;

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

1. 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;

2. 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; and

3. 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

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 on several occasions, most recently in an appraisal report transmitted February 22, 2018 and having a date of value of December 31, 2017.

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).

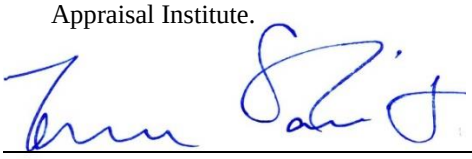
9. I have not made a personal inspection of the property that is the subject of this report since the subject lots are hypothetical.

10. Under my direction, Mr. Matthew Watson, MAI verified some of the comparable data, performed analysis, and wrote the first draft of 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 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.



June 11, 2020

Frank E. Schmidt, MAI, SRA — Date

California Certified General Real Estate Appraiser, No. AG005421

## SCOPE OF THE ASSIGNMENT

### Information Provided to the Appraisers

The Client provided excerpts from the Parks and Recreation Facilities Fee Study completed by Willdan Financial Services. Old Republic Title Company provided Santa Clara sales statistics of land areas to assist us in estimating the weighted average of all the sale transactions that occurred in the City of Santa Clara in the 12 months preceding the date of value. We were also provided the "Supplemental Instructions for Appraisal" approved by Santa Clara City Council on June 7, 2016, which are displayed in the Addenda. Lastly, in previous appraisals, City Parks provided us the Park Impact Fee Ordinance (No. 1928).

### Extent of Research into Physical Factors

We drove several streets throughout Santa Clara over the past several years including various times in 2016, 2017, and 2020. We note changes that are occurring or have occurred, particularly regarding new development. We gathered data about land use ordinances for each hypothetical lot and the 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
- CoStar News
- The Kiplinger Letter
- CoreLogic

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

- Websites of Commercial Brokerages
- 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 and during comparable verification. We learned about additional market data from these people.

## Extent of Comparable Data Research

We used a variety of subscription services to gather comparable data, including:

- Verified Data Files from Other Appraisals
- CoStar Group
- DataTree
- MLSlistings.com
- The Registry
- Various Commercial Real Estate Brokerage Websites

## Verification

The most appropriate data that we discovered was verified with a party to the transaction. When that was not possible, we discuss and/or state the verification source(s), using public record data, subscription services, MLS, etc. in the Analysis section.

Among the comparables selected we studied copies of the assessor's parcel maps, public record summary, aerial maps, records of survey, and other data such as structural, geological, or environmental reports, subdivision maps, title reports, etc. We also reviewed planning approvals and permit histories where appropriate.

## 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 Practice of the Appraisal Institute.

- The City of Santa Clara's "Supplemental Instructions for Appraisal"

## 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.

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

**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 absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." [3]

[3] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., (Chicago: Appraisal Institute, 2015)

## 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. |
| **Easements** | **:** | Typical public utility easements along frontage presumed. |
| **Soil Conditions** | **:** | It was a general assumption of this appraisal that each 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

The author 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, an Appraisal Report transmitted July 1, 2016 with a date of opinion of December 31, 2015, an Appraisal Report transmitted March 2, 2017 with a date of opinion of December 31, 2016, and an Appraisal Report transmitted February 22, 2018 with a date of opinion of December 31, 2017. 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 about 1,304 square miles of land with 15 incorporated cities and towns, and is the most affluent county on the West Coast of the United States. The Brookings Institution has indicated that Santa

Clara County has the third highest GDP per capita in the world after Zurich, Switzerland and Oslo, Norway. According to California Department of Finance (CDF), on July 1, 2019, the county had a population of 1,961,117, an increase of 0.26 percent from the July 2018 estimate. Based on California Employment Development Department (EDD) statistics, the county had a labor force of about 1,059,200 and an unemployment rate of 2.3% in November 2019, down from an unemployment rate of 2.5% one year prior. These rates essentially reflect full employment conditions. *We point out to the reader that this appraisal did not consider any potential Covid-19 effects on market values, since the pandemic occurred after the date of value.* Santa Clara County, which makes up the bulk of Silicon Valley, is highly dependent on technology employment, including Adobe, Apple, Applied Materials, Cisco, eBay, Flextronics, Google (Alphabet), HP, Intel, Intuitive Surgical, Lockheed Martin Space Systems, Microsoft, Netapp, and PayPal.

The City of Santa Clara covers about 18.4 square miles and is surrounded by San Jose on the north, east, and south, and is adjacent to Sunnyvale and Cupertino on the west. The City of Santa Clara's population estimate was 127,401 as of January 1, 2019, according to the CDF. Based on EDD statistics, the City had a labor force of about 72,300 and an unemployment rate of 2.2% in November 2019, down from an unemployment rate of 2.3% one year prior. The two largest employers in the City of Santa Clara are Intel and Applied Materials. Other high-tech companies, such as Nvidia, Palo Alto Networks, Sun Microsystems, ServiceNow, and Agilent Technologies have headquarters in the City. Other large employers include California's Great America, Avaya Inc., Santa Clara City Hall, EMC Corporation, Macy's, and Santa Clara University. 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.


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's Stadium hosted Super Bowl 50 and in January 2019 it hosted the College Football Playoff National Championship game.

The opening of the stadium spurred an increase in demand for nearby properties. There are several proposals in progress that are anticipated to add thousands of square feet of new retail, office and residential. The largest proposal is from Related California. According to the Related California website, the project is planned for a 240-acre mixed use development, located across from the street from Levi's Stadium. The project would include 5.4 million SF of office, 1,680 residential units, 700 hotel rooms, and 1 million SF of retail, food and beverage, and entertainment. The first development phase will begin in 2020. Kylli Inc. is proposing a mixed-use project at 3005 Democracy Way in Santa Clara on 49 acres that will include up to 3.5 million square feet of office, 400,000 square feet of hotel and amenity uses, and 6.1 million square feet of residential (or an estimated 6,000 housing units). Farther south, the Gateway Crossings project is nearing approvals for 1,565 residential units, 225 hotel rooms, 45,000 square feet of commercial uses, and 2.6 acres of parkland at 1205 Coleman Ave. Additional development in the City includes several new structures on the Santa Clara University campus, an expansion at Valley Fair Mall, and the first phase of residential build-out of the Lawrence Station area.

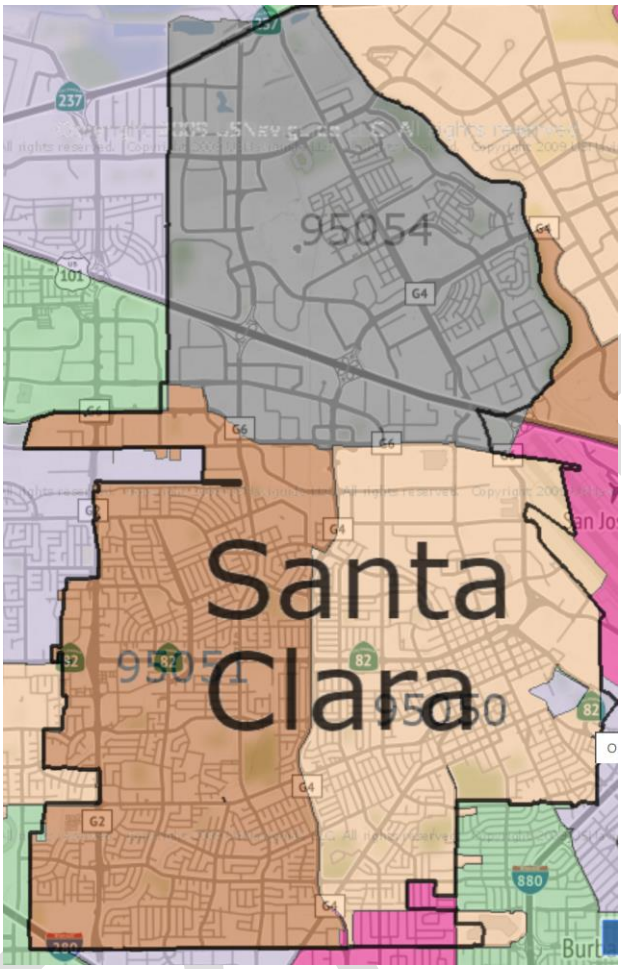
The City's median household income in 2018 was about $116,257 and the per capita income was about $49,485. The United States Census Quick Facts for 2014-2018 indicated the following demographics in Santa Clara:

| | |
|---|---|
| **Total Households** | **44,079** |
| **Owner Occupied Housing Unit Rate** | 42.9% |
| **Median Age** | 33.9 Years |
| **Average Household Size** | 2.75 |
| **Bachelor's Degree or Higher** | 58.5% |
| **In Civilian Labor Force** | 68.3% |

The City is home to Santa Clara University, Mission College, a junior college, and Golden State Baptist College. The City is served by Santa Clara Unified School District, which includes 19 schools spanning transitional kindergarten through high school. The southwest corner of the City is served by Cupertino schools.

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.

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: zipmap.net*

## 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 December 4, 2019 *UCLA Anderson Forecast* indicated that due to "improved financial conditions, a better housing and employment outlook, some relaxation of trade tensions and a modest improvement in business fixed investment," the national economic forecast has been updated through 2020. Instead of calling for 1% real growth for 2020, the Forecast now expects growth to be about 1.7% on a fourth-quarter-to-fourth-quarter basis. The *Winter 2020 Allen Matkins/UCLA Anderson Forecast California Commercial Real Estate Survey* "shows that although the economy is predicted to slow in 2020, developers' views on most California commercial real estate in 2022 are optimistic, and they reflect an eagerness to get in on the

ground floor of the next commercial real estate expansionary cycle. The biannual survey projects a three-year-ahead outlook for California's commercial real estate industry and forecasts potential opportunities and challenges impacting the office, multi-family, retail, and industrial sectors.

Overall, survey panelists for each market, with the exception of retail, predict that 2020 will be as good or better than 2019. Panelists are optimistic about industrial and multi-family projects, while office markets are neutral, and retail space sentiment remains generally pessimistic." Retail was given its lowest values in four years of doing the survey.

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.

**Regional Economic Conditions**

The commercial brokerage firm Cushman & Wakefield's *Bay Area Investment Marketbeat* for the third quarter of 2019, dated November 2019, notes that the San Francisco Bay Area economy remains robust with continued job growth momentum. "The Bay Area investment market closed the third quarter of 2019 with over $7.2 billion in total sales, well above its $6.0 billion three-year quarterly average. Average price per square foot (excluding apartments) reached $590 per square foot across 67 properties; the office sector remains red hot at $693 per square foot. The average cap rate shifted down 40 basis points year-over-year to 5.1%, East Bay commands the highest spot at 5.9% and San Mateo at the low end at 4.8% across all products." Among 13 retail properties sold, the average selling price was $675 per square foot with an average capitalization rate of 5.1 percent. The top investment activity was in the Silicon Valley area, followed by the San Francisco, San Mateo, and the East Bay regions.

According to a CoStar report on economic conditions in the greater San Jose/Silicon Valley market area:

> "A thriving tech industry continues to bolster Silicon Valley's economy. Mature, profitable tech companies and emerging start-ups alike are flush with cash, prompting massive real estate expansions and continual job gains. As rapid economic growth stretches the market's infrastructure and real estate supply to its limits, expansion now appears to be hindered by a lack of qualified workers and space to house them in.

Silicon Valley has firmly established itself as the world's largest and most significant market for tech companies. Highly-educated, STEM-field graduates (science, technology, engineering, and mathematics) flock to Silicon Valley and the greater San Francisco Bay Area in pursuit of employment at one of the many leading tech companies headquartered in Silicon Valley. As a result, the market boasts one of the highest rates of educational attainment in the country, with almost 51% of its working age population possessing a college degree, more than 1.5 times the national rate.

As highly educated and well-paid employees have moved into the market, many cost-sensitive renters have moved out. Domestic migration out of the market has picked up substantially since 2013, as lower-income residents move to more affordable areas. Overall population growth remains positive due to strong international immigration, in addition to a moderate pace of natural increase (births minus deaths). With a high percentage of new residents moving in from overseas, particularly India and China, potential changes to the nation's immigration policies pose an acute threat to San Jose's economy.

Several factors led to Silicon Valley's prominence in technology. The market is home to one of the nation's premier educational institutions, Stanford University, as well as San Jose State and several other large universities. In conjunction with the culture of innovation that Stanford fosters, venture capital investment is a key component of Silicon Valley's success. Technological advancements incubated at Stanford and by its surrounding ecosystem are funded by the nation's largest collection of venture capital firms located on and around Sand Hill Road in Menlo Park, next to the university. The relationship between tech and venture capitalists in Silicon Valley is symbiotic, and funding remains extremely robust as tech company valuations soar to new highs.

Thanks to its highly-skilled workforce, history of innovation, institutes of higher of education, and access to venture capitalists, Silicon Valley has become a global leader in technology, hosting traditional business software and hardware manufacturers Cisco and Oracle, along with dominant electronic and mobile software developers Apple and Google.

Employee compensation at these companies is relatively high, but while income levels in Silicon Valley rank among the strongest in the country, they do not necessarily support the market's rising costs of living. Home purchase affordability has declined throughout the expansion cycle as housing prices skyrocketed above the pace of income growth. As a result, many higher income residents who would typically purchase a home are virtually locked into apartment renting and paying a hefty percentage of their incomes on rent.

Prohibitive living and business costs are not the only issues of concern for Silicon Valley's economy. While the tech industry remains the market's key source of strength, Silicon Valley's exceptionally high exposure to the sector has led to significant volatility in the past. Boom periods tend to be followed by a time of bust with harsh job losses, as was experienced in the early 2000s, and 2009 recessions.

For now, though, Silicon Valley is still flying high. The overall unemployment rate in San Jose registered just above 2% as 2019 ended, and employment opportunities outnumber qualified worker availability. While slowing job growth presents a unique challenge to the market, most tech sector economic indicators, such as software investment, internet advertising revenue, and ecommerce sales, continue to grow substantially.

Long-term economic prospects appear robust, and despite the market's high cost of living and transportation challenges, the world's most valuable companies are committing to the South Bay/San Jose market indefinitely. Growth prospects for the metro are strong and demand for commercial real estate and housing should remain high in conjunction."

## Commercial Market Conditions

Commercial properties typically include office and retail uses. We discovered that office properties are generally being built in the central business districts and in light industrial locations. Research and development (R&D) properties have historically been a subcategory of industrial. However, R&D can rival office space in terms of finishes and quality and we elected to include the R&D submarket as part of the commercial 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.

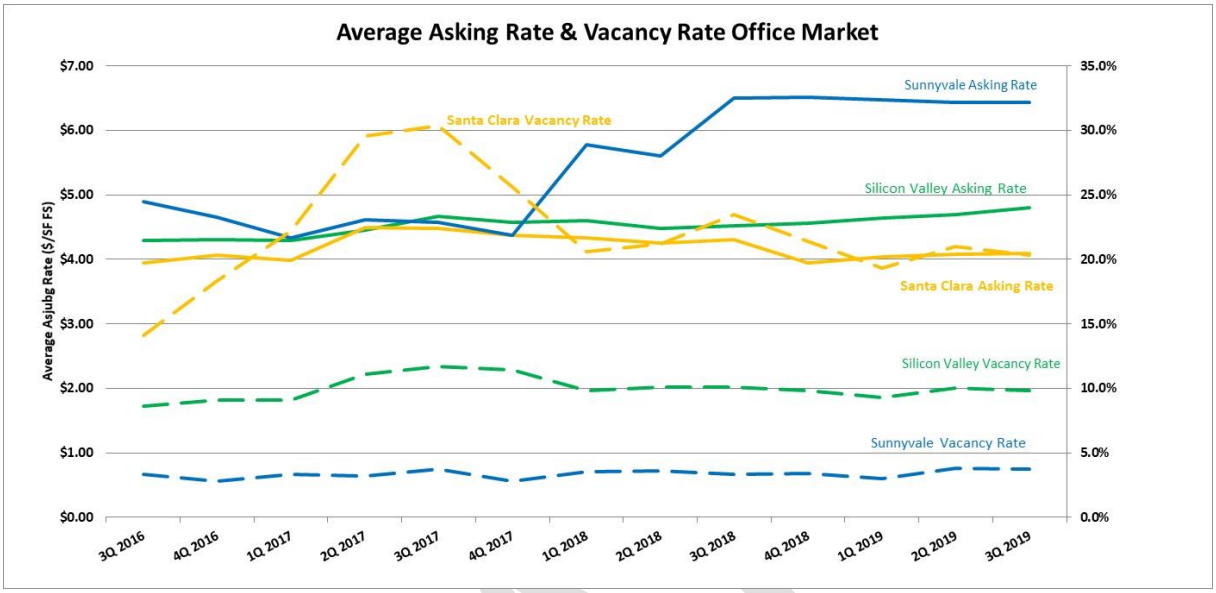
In this market, real estate brokerages track office and retail statistics by city or submarket; they are not broken out by zip code. Following we present the relevant statistics pertaining to the Santa Clara market and provide comments from market participants regarding the perceived differences in each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

### Office Market

The Silicon Valley office market from late 2015 through 3Q-2019 was generally characterized by increasing to stable vacancy, positive net absorption, and overall increasing average asking rental rates. The next table displays data from the Cushman & Wakefield's 3Q-2019 Silicon Valley Marketbeat Office Snapshot and predecessor reports and includes statistics from the

overall Silicon Valley market, the subject's submarket (Santa Clara), and the adjacent submarket of Sunnyvale.

**OFFICE STATISTICS**




**Source: Cushman & Wakefield Marketbeat Office Snapshot**

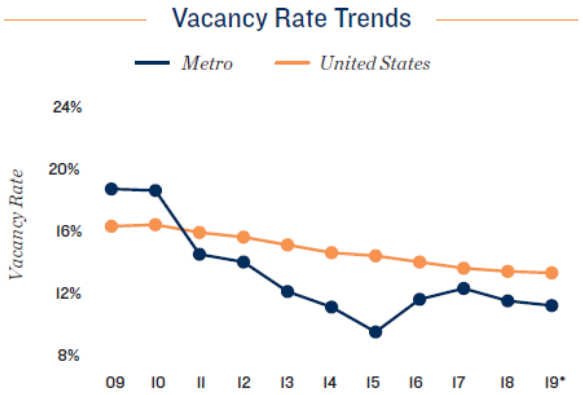
The data indicates that the office vacancy rate in Santa Clara has generally declined from Q3-2017 through Q3-2019; it remains around 20%. This is due to several large office buildings in the Great America Pkwy, Bunker Hill Ln, and Scott Blvd corridors having significant vacancy. The Silicon Valley market has been overall more stable with vacancy reported at 9.8% for Q3-2019 and this rate within about 200 basis points during the last 4.5 years. Cushman & Wakefield reports that the City of Santa Clara has some of the largest subleases on the market including Palo Alto Networks, Citrix, and Global Foundries. The region's availability represents 8.2 million square feet following 412,000 square feet of net absorption in 3Q-2019. The city of Santa Clara's leasing activity was buoyed in the fourth quarter by Airbnb who leased 301,163 SF at 4301 Great America Pkwy and by Global Foundries who leased 65,000 SF at 2600 Great America Pkwy.

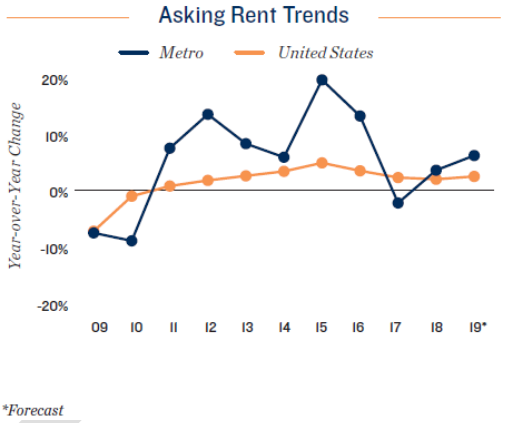
The average asking rent in 3Q-2019 for the City of Santa Clara was $4.09/SF/Month on a Full Service expense basis, whereby taxes, insurance, maintenance, utilities, and janitorial expenses are bundled into the base rent. This is less than the $4.31/SF/Month asking rate from one year ago, but about 0.1%/month more than the asking rate from 3Q-2016.

Marcus & Millichap's 2Q-2019 Office Research Market Report stated that in the San Jose Metro area, which includes Santa Clara, office vacancies decreased 30 basis points over the past year to 11.1%. Asking rents increased 6.2% to $4.46/SF/Month. In the submarket of Santa Clara, the vacancy rate reported for 1Q-2019 decreased by 640 basis points to 15.7% over the past 12

months while average asking rents decreased by 0.4% to $3.23/SF/Month. The report notes: *Pricing and cap rates offer considerable value in San Jose and Santa Clara, where a lack of institutional quality assets are allowing investors to achieve significant outperformance.*

Marcus & Millichap reported the following trends in the San Jose Metro:



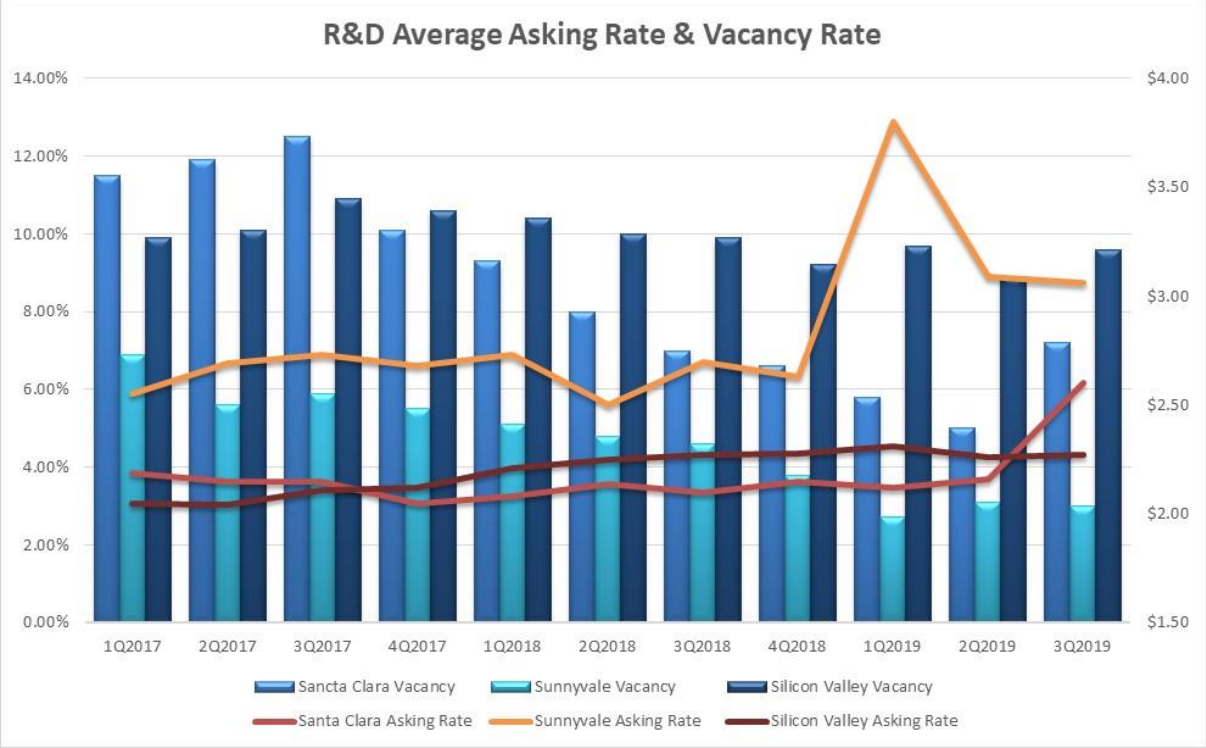

Marcus & Millichap's report states that "Roughly 4.2 million square feet is slated for delivery by year's end. The pipeline will be led by the new Google headquarters in Mountain View and Moffett Towers in Sunnyvale. Combined, these projects account for a quarter of the space expected this year." Furthermore, "The Santa Clara submarket posted the strongest performance over the past year as vacancy fell 640 basis points to 15.7 percent as net absorption reached 1.2 million square feet."

There are several office developments under construction in Silicon Valley and Santa Clara. One of the most noteworthy indicators in 2019 was the groundbreaking of a speculative office tower in downtown San Jose, the first such development in over 10 years. Notable developments in the City of Santa Clara include: a 6-story, 230,500 SF office building and a five-level garage under construction at 3200 Scott; an approved 6-story, 237,107 square foot office building at 3375 Scott Blvd; a five-story, 175,163 SF office building under construction at 3607 Kifer Rd; and a proposal for two 8-story office buildings totaling 695,435 SF at 3625 Peterson Way. Additionally, there is a proposal for a large mixed-use development at 3905 Freedom Circle which would include more than 1,000 residential units, 606,968 SF of office, and about 18,653 SF of commercial space.

**Research and Development (R&D) Market**

The next table displays data from Colliers International's 3Q-2019 Silicon Valley R&D Market Snapshot and its predecessor reports. It suggests that Silicon Valley's R&D market experienced an overall stable vacancy rate from 4Q-2017 to 3Q-2019, while asking rents have increased from $1.98/SF/month to $2.16/SF/month since 4Q-2017, an increase of about 0.43%/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.




**Source: Colliers International**

Since 3Q-2016 the average asking rate in the City of Santa Clara increased from $2.22/SF/month NNN to $2.60/SF/Mo ending the 3Q-2019 or 0.4%/month. However, between 3Q-2016 and 2Q-2019 the asking rental rate declined $0.06/SF/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 3Q-2019 included five leases that were greater than 100,000 square feet and Embarcadero Capital Partners' purchase of Campus Center in Milpitas, a 471,580 square foot development fully leased to Cisco Systems.

Colliers International reported in their *2019 Q3 Silicon Valley Research and Forecast Report* a net absorption of 273,652 SF of R&D space in 3Q-2019 within Silicon Valley and a year-to-date total of 5,059,556 SF. The Silicon Valley asking rate averaged $2.27/SF NNN in 3Q-2019 and was 7.6% higher than 3Q-2017 or a 0.3% per month increase.

**Retail Market**

According to Marcus & Millichap's Third Quarter 2019 Bay Area Local Retail Report "the Bay Area is well positioned for another year of strong retail demand. While the region's trio of

metros contain tight labor markets, each locale will record an increased or unchanged rate of employment growth in 2019, equating to the establishment of 84,000 total positions. Half of these jobs will be office professions, with many being tech-related. These additions improve household earnings in each of the three metros on an annual basis, with the regional median income eclipsing $120,000. A rise in higher-paying job creation bolsters households' discretionary coffers, which bodes well for consumer spending. Retailers eyeing expansions during a span of strong economic growth will compete for a limited inventory of vacant floor plans, maintaining tight conditions throughout and enabling operators to push asking rents at a strong rate."

"Amid extremely tight conditions, the volume of retail completions tempers throughout the Bay Area, with less than 1 million square feet finalized. Of the 650,000 square feet of space slated for delivery this year, 60 percent is contained within four projects, the largest being an expansion of the San Francisco Premium Outlets in the city of Livermore. Retail additions at the Salesforce Transit Center in San Francisco's South Financial District and a Whole Foods/AMC in Sunnyvale account for half the space completed in the San Francisco and Santa Clara County metros this year."

Within Santa Clara, Westfield Valley Fair Mall is nearing completion of a $1.1 billion expansion, which includes a new 150,000 SF flagship Bloomingdales department store.

***Spending Patterns***

General market conditions for the retail real estate segment can be indicated by taxable retail sales. Typically, a market where taxable retail sales are increasing would be supportive of additional retail development as existing retailers are willing to expand and new retailers are interested in entering the market. The converse is true when taxable retail sales are declining.

Over the course of 2018 (the most recent statistics available), taxable retail sales in Santa Clara County totaled approximately $45,353,073,677, or more than $45.3 billion dollars. This represents an increase of approximately 5.1 percent more than the total taxable retail sales reported over the course of 2017. Taxable sales increased by approximately 2.42 percent from 2016 and 2017, approximately 1.45 percent between 2015 and 2016, and by approximately 4.79 from 2014 to 2015. These positive retail sales figures are indicative of a strong local retail market.

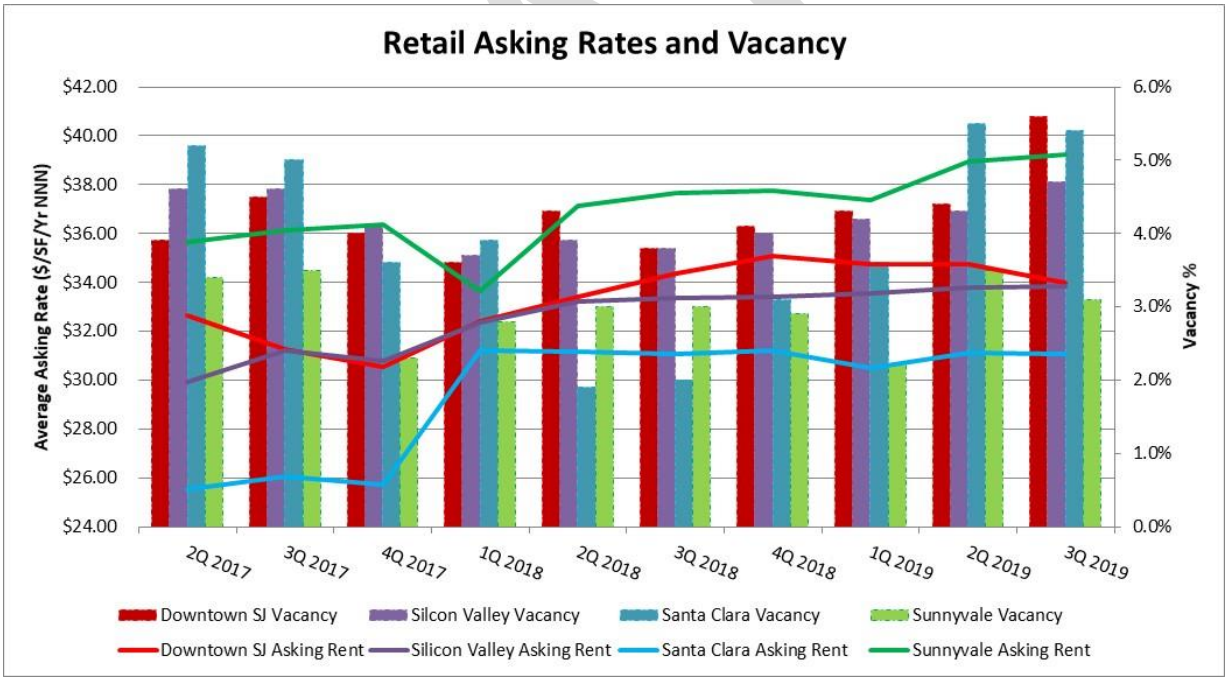
***Average Asking Retail Rental Rates and Vacancy Rates***

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 Q3-2019 *Marketbeat Silicon Valley Retail* that just 11,000 SF of retail space was added to the metro, and that the vacancy rate

increased from 4.3% in 3Q-2018 to 4.7% in 3Q-2019. Total net absorption for 3Q-2019 was 49,299 SF; however, year to date net absorption was negative 118,750 square feet. The Santa Clara County market had an average asking rent of $2.82/SF/Mo NNN in 3Q-2019, an increase of 1.4% from one year ago. 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 $5.83/SF/Month with some projects exceeding $6.67/SF/Month.

In 3Q-2019 asking rents averaged $2.59/SF/Mo NNN in the subject's Santa Clara submarket flat from 3Q-2018. In 3Q-2019 the retail vacancy rate in Santa Clara was reported at 5.4% with an estimated 23,195 SF of new retail product under construction. Cushman & Wakefield reports "the majority of the positive absorption was concentrated among neighborhood & community centers at 43,000 sf, followed by power & regional centers at 18,500 sf. Meanwhile, strip and lifestyle centers were in the red, at negative 4,000 sf and negative 9,000 sf, respectively."

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 retail reports from 2Q-2017 onwards:




Vacancy rates in the subject's submarket declined from 5.2% in 2Q-2017 to 1.9% in 2Q-2018, before climbing again to 5.4% as of 3Q-2019. Asking rental rates in Santa Clara have generally been stable since Q1-2018.

According to Marcus & Millichap's Hospitality Report for Second Half 2019, the hotel sector posted statewide occupancy rates of 75.3 percent in the 12-month period ended in June 2019,

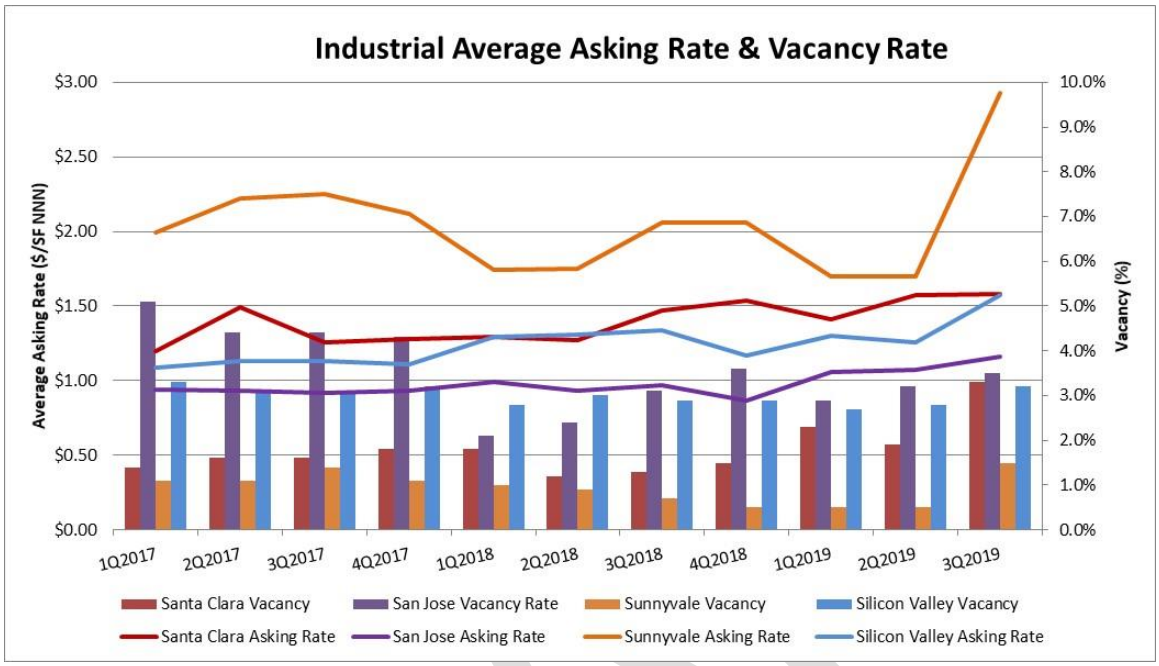
which was 20 basis points more than one year ago. The forecast for 2019 is for an additional 20-30 basis point increase. The revenue per available room (RevPAR) metric is a common ratio used in the hotel industry. It is a measure that incorporates both room rates and occupancy and provides a snapshot of how well a hotel/company or the market is filling its rooms. As RevPAR increases, the average room rate or occupancy rate is increasing. RevPAR increased 3.75 percent over the past 12 months and is forecast to rise to 3.2 percent year-over-year statewide, according to Marcus & Millichap. In California, there were 24,400 rooms under construction, of which about 4,000 were under development in the San Jose metro market. This is expected to add about 13.3% to the local supply. "Buoyed by a rising occupancy rate that lies above any other region, revenue metrics continue to grow at about double the national pace. Hotels in the Bay Area are experiencing the largest gains in average daily rate (ADR) and RevPAR, aided by popular cultural events and business travel associated with the tech industry." The average daily rate reflects the average price that customers are paying for hotel rooms over a given period. The ADR rose 3.7% in 2018 and is forecast to increase 3.0% in 2019 in the Bay Area.

## Industrial Market Conditions

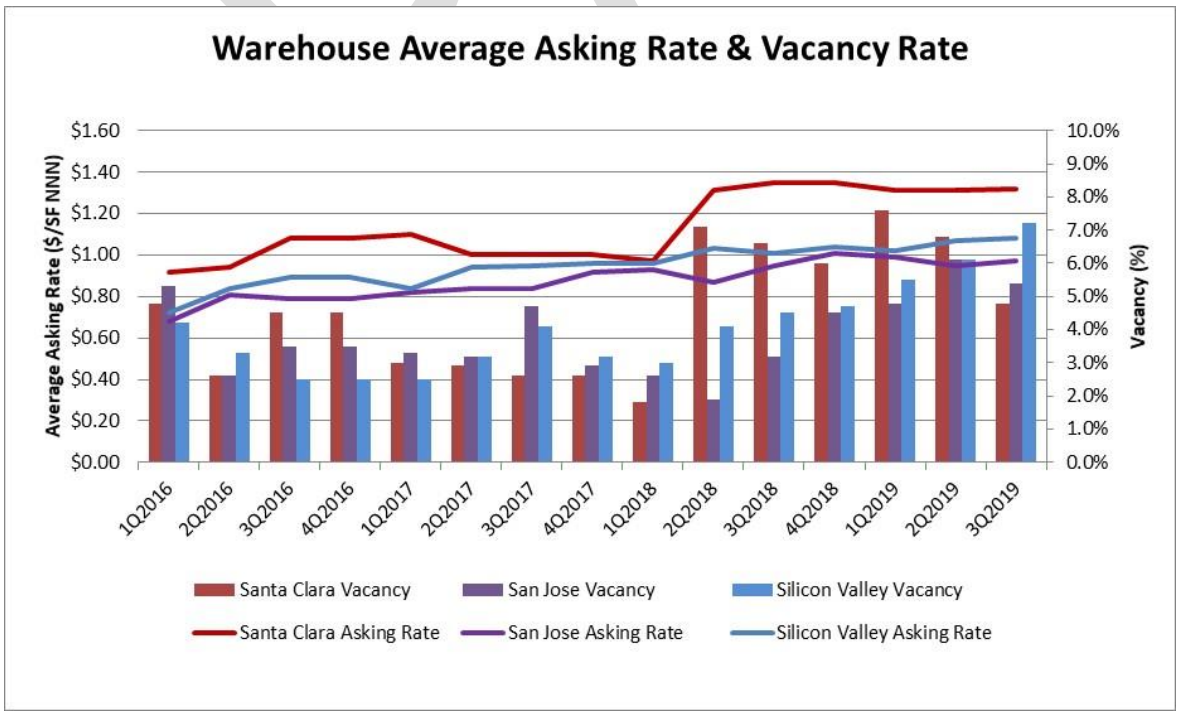
We referenced industrial (manufacturing) and warehouse market data from brokerages Cushman & Wakefield and Colliers International; we also interviewed local market participants for this report. Cushman & Wakefield reported in its *Marketbeat Industrial Snapshot, Silicon Valley, Q3-2019*, that vacancy for warehouse product increased in 3Q-2019 to 5.9% from 4.3% in 3Q-2018, while manufacturing product increased to 2.3% from 2.1% over the last 12 months. The Central Silicon Valley industrial submarket, which includes Santa Clara, San Jose, Campbell, and Sunnyvale, had a vacancy rate of 2.3% and an average asking rate of $1.19/SF/Month NNN at the end of 3Q-2019. The average asking rental rate in the subject's Santa Clara submarket was reported at $1.40/SF/Month NNN and a vacancy rate of 3.0% was reported. Moreover, rent increases overall had an upward trend since 1Q-2017 to 3Q-2019 of about 0.5%/SF/Month. The subject's Santa Clara submarket represents a moderate sized industrial submarket in the region with a total industrial inventory reported at approximately 15,223,194 square feet, or roughly 13.2 percent of the total Silicon Valley industrial inventory. As of third quarter 2019, Cushman & Wakefield reported the subject's Santa Clara submarket had a vacancy rate of 3.0 percent, slightly higher than the 2.0 percent vacancy rate reported one year prior.

In their *Q3 2019 San Jose Silicon Valley Research & Forecast Report* for industrial/warehouse properties, Collier's International reported *"Silicon Valley's industrial-warehouse sector grew even more competitive in the third quarter of 2019, posting 129,600 square feet of positive net absorption and pushing the combined vacancy rate to 1.5 percent, down 10 basis points year over year."* Average asking rates increased 8.5% from the previous year to $1.28/SF/Month NNN, or about 0.7%/SF/Month.

The next chart shows industrial rental rate and vacancy trends since 1Q-2017 based on data from Colliers International. The chart shows generally stable vacancy rates and increasing rental rates overall.

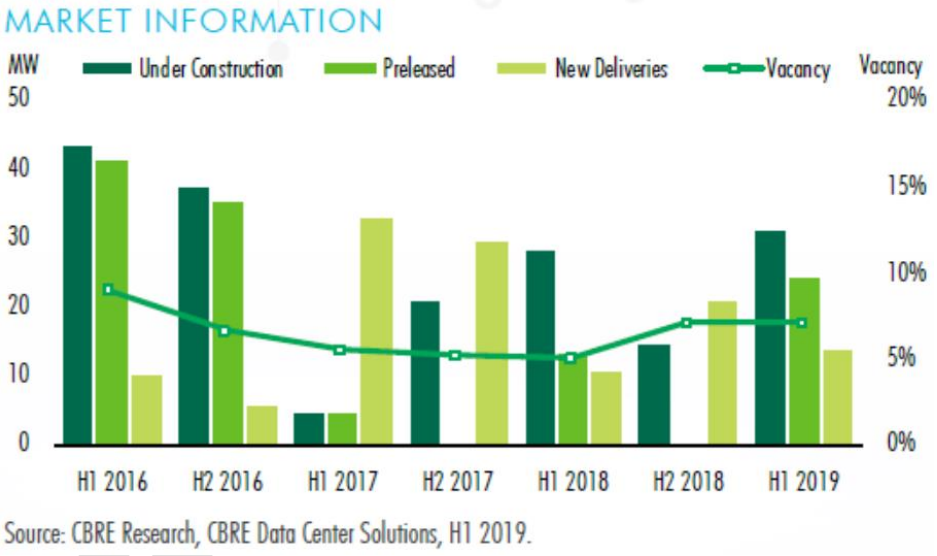



Warehouse data collected from Colliers International's *Silicon Valley Research & Forecast Report Q3 2019* and its predecessor reports are displayed in the next chart:



Manufacturing and warehouse vacancy rates in Silicon Valley had been declining for several years before increasing in 2018 and 2019. Vacancy rates for warehouse in the Santa Clara submarket has been fluctuating over the last several quarters. However, warehouse rental rates in Santa Clara have been increasing of late, rising from $1.08/SF/month NNN in 3Q-2016 to $1.32/SF/month in 3Q-2019, or an average increase of 0.62%/month. Within Silicon Valley, the average asking rate for warehouse increased 0.59% over the last three years and 0.57% over the last two years.

Data centers are one of the largest industrial occupancy groups in Santa Clara, due mostly to Silicon Valley Power, which has lower rates than elsewhere in the Bay Area. We discovered several expansion plans and construction occurring on existing sites, notably from CoreSite Realty Corp., RagingWire, and Vantage Data Centers. There have been several land sales in recent years in Santa Clara that are proposed for new data centers. Market participants report that data center operators will pay a premium for a larger site in Santa Clara and that the ideal site will be about six acres; several operators are building on sites as small as 1.7 acres. *CBRE's* U.S. Data Center Trends report for the 1H 2019 indicated the following market changes in Silicon Valley's data center market:




The CBRE report notes that 100 Megawatts (MW) of capacity have been added over the last two years in the Silicon Valley Market increasing inventory about 37 percent to about 270 MW. The current vacancy rate stands at seven percent, according to CBRE. An additional 30.8 MW remains under construction. Digital Realty is obtaining entitlements for a 100-MW development along Walsh Avenue in Santa Clara; this alone would increase the current supply from about 270-MW to 370-MW in Silicon Valley. Furthermore, there are several new players gaining

approvals or under construction in Silicon Valley including Lightstone, EdgeCore, CyrusOne, and RagingWire.

## Residential Market Conditions

The *Housing Market Index*, based on a survey by the National Association of Home Builders, reported a builder sentiment of 76 in December 2019, its highest index in 20 years. Any reading above 50 signals expansion and that home builders feel very confident about the housing market. The index has remained above 60 since September 2016 and has been above 50 since July 2014.

### Regional Housing Market

The State of California Department of Finance (DOF) compiles statistics on total housing units in both the cities and counties of California. Based on DOF statistics, Santa Clara County had a total housing supply of 671,439 units as of January 1, 2019. This represents an increase of 14,079 units over the 657,360 total units recorded in January 2016 and about 3,469 more units than in 2018. Extending further back in time, the DOF estimates the total supply of housing units in Santa Clara County at 631,920, as of January 2010. This indicates that over the ten-year period between 2010 and 2019, the housing supply in Santa Clara County increased by a total of 39,519 units, equivalent to a compounded annual increase of 0.61 percent or an average of 3,952 units per year.

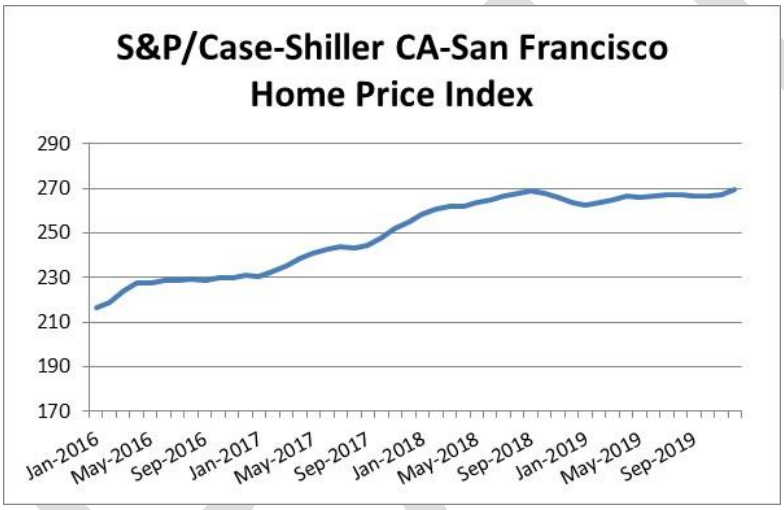
According to the Association of Bay Area Governments (ABAG) [4] Projections 2040 report (most recent report), in 2015, Santa Clara County had a total of 648,900 households. ABAG projects that in 2030, the number of Santa Clara County households will have increased by a compounded annual increase of 1.04 percent, to 757,690 or an average of 7,253 households per year. As such, the demand for housing (i.e. households) is projected to increase at a considerably higher pace than that of housing supply.

In the City of Santa Clara, the DOF reported a total of 48,183 housing units as of January 2019. This represents an increase of 1,648 units from the 46,535 housing units recorded in January 2017, and an increase of approximately 3,036 housing units from the 45,147 housing units recorded in January 2010. This is equivalent to a compounded annual increase of 0.65 percent and an average annual increase of 304 units per year, over the past ten years. Housing is being built at a slower rate in Santa Clara than the County as a whole, although the most recent two-year period showed a significant increase. The City's lower level of housing development is due to the lack of vacant residential land, according to the General Plan and based on our observations.

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

According to ABAG's Projections 2040 report, in 2015, the City of Santa Clara had a total of 49,685 housing units. This statistic is projected to increase to 52,675 housing units by 2030, a compounded annual rate of 0.39 percent, or an average increase of 199 housing units per year. Based on the most recent two year and 10-year periods, the City has exceeded ABAG's projections.

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 increased about 5.5% from 255.15 in December 2017 to 269.3 in December 2019, or about 0.23%/month.




**Source:** S&P Dow Jones Indices LLC

The real estate market research firm CoreLogic published their final Data Brief Report on September 26, 2019. The publication indicated a total of 7,247 new and existing houses and condominiums sold in the nine-county San Francisco Bay area in August 2019, down 2.3 percent month-over-month from 7,416 sales in July 2019, and down 5.7 percent year-over-year from 7,682 sales in August 2018. Furthermore, August 2019 sales "were the lowest for that month since August 2010, when 6,698 homes sold. For the past 13 consecutive months, sales have fallen on a year-over-year basis. Since 1988, the average change in San Francisco Bay Area home sales between July and August is an increase of 2.3%. August sales have ranged from a low of 6,688 in 1992, to a high of 13,940 in 2004. August 2019 sales were 21.6% below the August average of 9,246."

In August 2019, the median price paid for all homes sold in the nine-county San Francisco Bay Area region was $810,000, which is down 0.7% from $816,000 in July 2019 and down 2.4% from $830,000 in August 2018. "This is the fourth consecutive month in which the regional median sale price has fallen on a year-over-year basis, beginning with a 1.9% year-over-year

decline this May, followed by a 2% dip in June and a 4% drop in July. The median also dipped 0.1% year over year this March but, compared with a year earlier, remained flat in April. Before March 2019, the median sale price had risen on a year-over-year basis for 83 consecutive months—since April 2012. The $875,000 median in June 2018 was the highest ever. The highest median so far this year was in May, when it reached $858,000."

According to Integra Realty Resources Viewpoint 2019 San Jose Multifamily Mid-Year Report, the "Silicon Valley multifamily market continues to exhibit strong market conditions. Fueled by the technology industry, the area has had significant population and employment growth over the past four years. To meet the resulting high demand for housing, developers responded with new multifamily construction, delivering over 3,000 units per year for the past several years. There are estimated to be over 10,000 units under construction, with the highest concentration in North and Central San Jose, and especially along mass transit lines. It is expected that deliveries in 2019 will reach a cycle high. Even with new development, vacancy continues to remain low, in the low 4% range, as new units are leased quickly, and rent continues to escalate, particularly in prime submarkets near corporate campuses and in high-end suburban markets.

Notable apartment projects under construction include Santa Clara Square II, which will add 851 units, along with office and retail space; The Reserve, which will redevelop an existing apartment project with 636 luxury units; MIRO, featuring two, 28-story apartment towers with a total of 610 units; and The Dean Apartments, adding 583 units and ground floor commercial within three buildings in Mountain View. Overall, the apartment market in Silicon Valley is poised for continued expansion in the near term with demand holding strong and a significant number of new units being added to the inventory."

Capitalization rates are projected to remain in the four percent range and vacancy rates will remain around five percent in Class A buildings with vacancies ranging between 2.5 and 3.4 percent in the Class B buildings. Values are projected to increase between two percent and 3.9 percent over the next 12 months, according to Integra's report.

In conclusion, with Silicon Valley continuing to drive the metro economy, increases in economic indicators are expected to continue into 2020. However, the report notes that the local market cycle is likely in the last phase of expansion and a hypersupply phase may be next, but this would occur before any recession.

**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 2035. 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.

According to a CoStar report on the local multifamily market, the "Santa Clara submarket is an important job center, with some prominent companies making the city their home. The submarket is the second largest in the metro, with nearly 20,000 units in its inventory. Job growth around the metro has kept demand high, and absorption has steadily lowered vacancies following spikes due to inventory additions. The strong demand led to robust rent growth in the economic expansion period. Local owners have appeared content to hold their higher rated assets recently, with only a small number of deals taking place the past several years. Overall sales volume has averaged over $120 million annually over the past five years." CoStar reports that 7 new projects were completed in 2019 as the vacancy rate was about 6.1%. "Rents in Santa Clara are just above the metro average at $2,890/unit. Like most of the Bay Area, rents in Santa Clara were growing at an exceptional rate in the early years of the economic expansion, reaching over 5% annual growth from 2012 through 2015. A slight blip occurred in 2016, when asking rents gave back some of their gains, but recent years saw a return to steady rent growth." The report notes that more than 1,200 units were delivered over the last two years and more than 1,200 units are under construction in fourth quarter 2019. The three-year average monthly rent for multifamily units ranged from $2,318 in 95050 to $3,108 in 95054, bracketing $2,788 in 95051. This range of rates is more of a function of the greater number of newer multifamily units constructed in 95054 and 95051 over the last decade.

Among the 48,183 households in Santa Clara, as reported by the DOF, the single-family (attached and detached) market represents about 23,882 or about 50% of the total households in Santa Clara. CoreLogic is a national real estate, mortgage, consumer, and specialized business data provider. They tracked the annual median home price for all homes (single-family, condo, and townhouse) in the City's three ZIP code areas through 2019:

| 2017 Year End Summary Sales | | | | | | | |
|---|---|---|---|---|---|---|---|
| Zip | Sales | % Chg | Median Price | % Chg | High Price | $/SqFt | % Chg |
| 95050 | 383 | 21.2% | $950,000 | 9.8% | $2,425,000 | $714 | 10.4% |
| 95051 | 580 | -8.5% | $1,161,000 | 22.4% | $2,600,000 | $814 | 23.4% |
| 95054 | 248 | 13.8% | $1,014,000 | 10.2% | $2,350,000 | $701 | 10.6% |

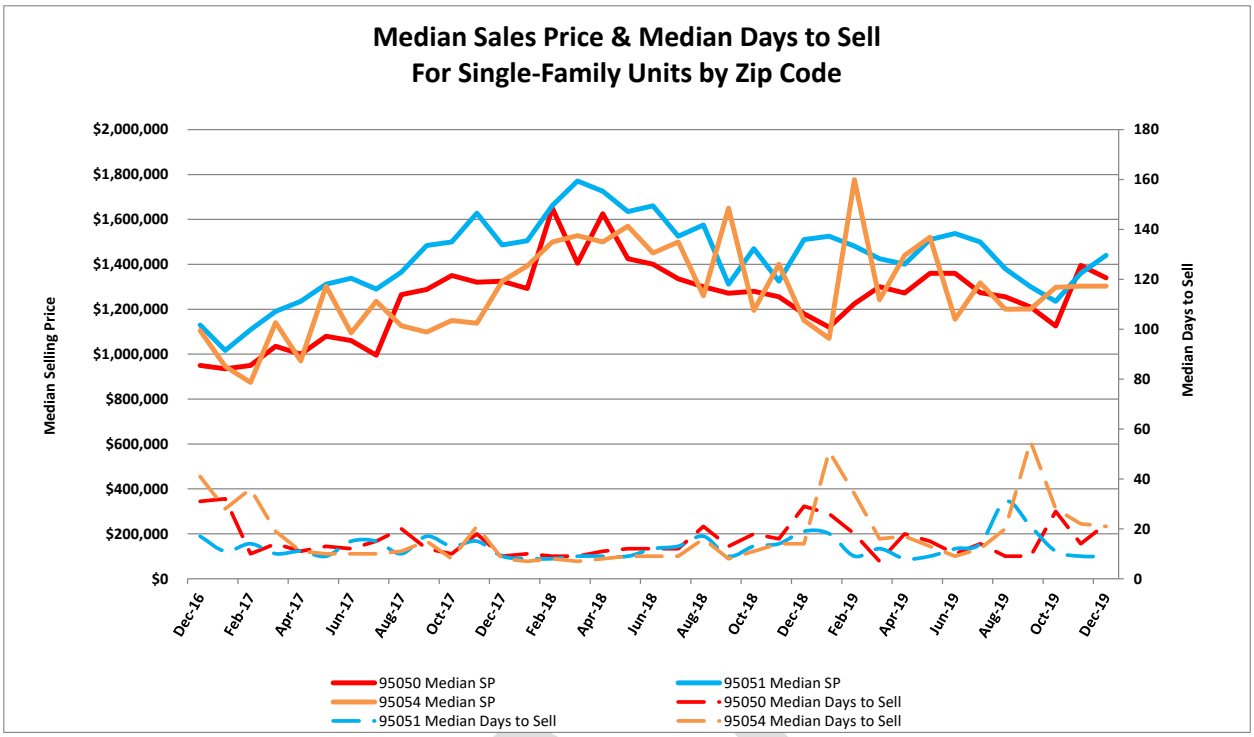
| 2018 Year End Summary Sales | | | | | | | |
|---|---|---|---|---|---|---|---|
| Zip | Sales | % Chg | Median Price | % Chg | High Price | $/SqFt | % Chg |
| 95050 | 380 | -0.5% | $1,184,500 | 24.4% | $2,609,000 | $887 | 25.0% |
| 95051 | 484 | -16.6% | $1,358,000 | 17.0% | $2,800,000 | $934 | 14.7% |
| 95054 | 185 | -25.4% | $1,250,000 | 23.3% | $2,400,000 | $799 | 13.9% |

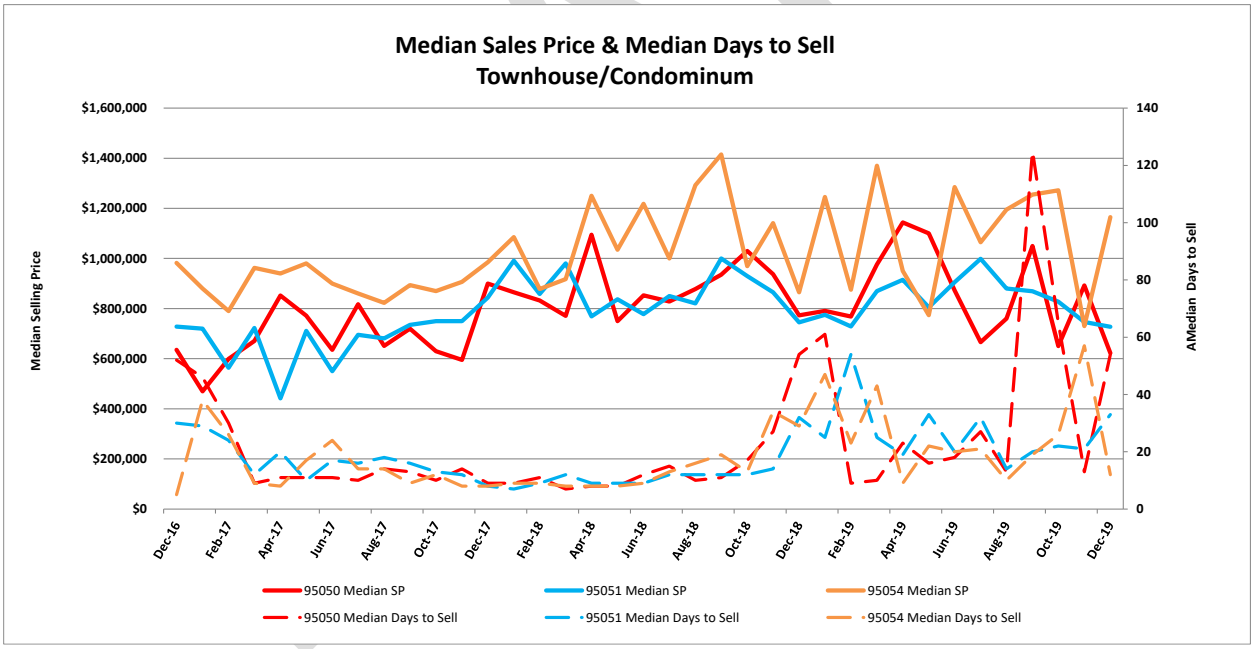
| 2019 Year End Summary Sales | | | | | | | |
|---|---|---|---|---|---|---|---|
| Zip | Sales | % Chg | Median Price | % Chg | High Price | $/SqFt | % Chg |
| 95050 | 332 | -12.6% | $1,200,000 | 1.3% | $2,350,000 | $837 | -5.6% |
| 95051 | 461 | -4.8% | $1,300,000 | -4.3% | $2,400,000 | $860 | -7.9% |
| 95054 | 162 | -12.4% | $1,140,000 | -8.8% | $2,450,000 | $748 | -6.3% |

In previous appraisals, the data above was provided by DQ News, which is now part of CoreLogic. The data clearly indicates that the 95051 zip code has the highest median price among Santa Clara's zip codes, followed by 95054 in 2017 and 2018, and more recently in 2019 zip code 95050 became the 2nd highest median price. The $/SF indicator shows that 95051 has higher prices than 95050, which both have higher prices than 95054. The data indicates that median prices were increasing in 2017 and 2018 before stabilizing in 2019. Overall median prices were higher in 2019 than 2017 by about 26% in 95050, 12% in 95051, and 12.4% in 95054. Based on the data above, median prices were increasing between 1.4% per month and 2.0% per month in 2018. By the end of 2019 median prices were generally flat in 95050 and had declined slightly between 0.36% per month and 0.73% per month in 95051 and 95054.

The $/SF indicators showed overall price appreciation from 2017 to 2019, but some softening from 2018 to 2019. The overall increase based on the median $/SF between 2017 and 2019 was 17.2% in 95050, 5.7% in 95051, and 6.7% in 95054.

The following tables depict the median price trend by zip code over the 36 months ending December 2019 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:



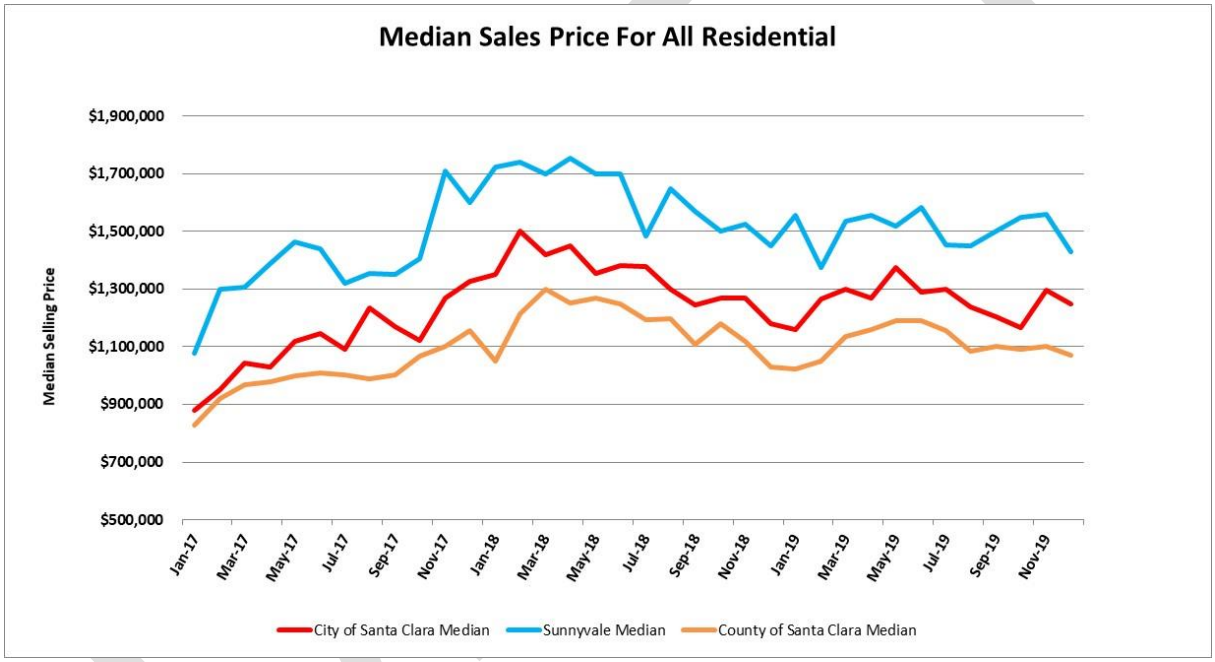




Similar to the CoreLogic data presented previously, market data derived from local MLS confirms that prices were trending upward in 2017 and the first six to nine months of 2018, before oscillating through December 2019. We note that CoreLogic data includes resales and new construction, while MLS typically does not include all new construction. This is because builders often do not use MLS to market their homes. The following tables show the annual and 2-year change for all housing types over the last three Decembers, according to the MLS:

| Housing Type | Zip Code | December-17 | December-18 | December-19 | % Change per Month Last 12 Months | % Change per Month Last 2 Years |
|---|---|---|---|---|---|---|
| SFR. Condo & Th | 95050 | $1,400,000 | $1,074,000 | $1,210,000 | 1.06% | -0.57% |
| | 95051 | $1,325,000 | $1,275,000 | $1,425,000 | 0.98% | 0.31% |
| | 95054 | $1,280,000 | $1,025,000 | $1,202,500 | 1.44% | -0.25% |
| **Source Local MLS** | | | | | | |

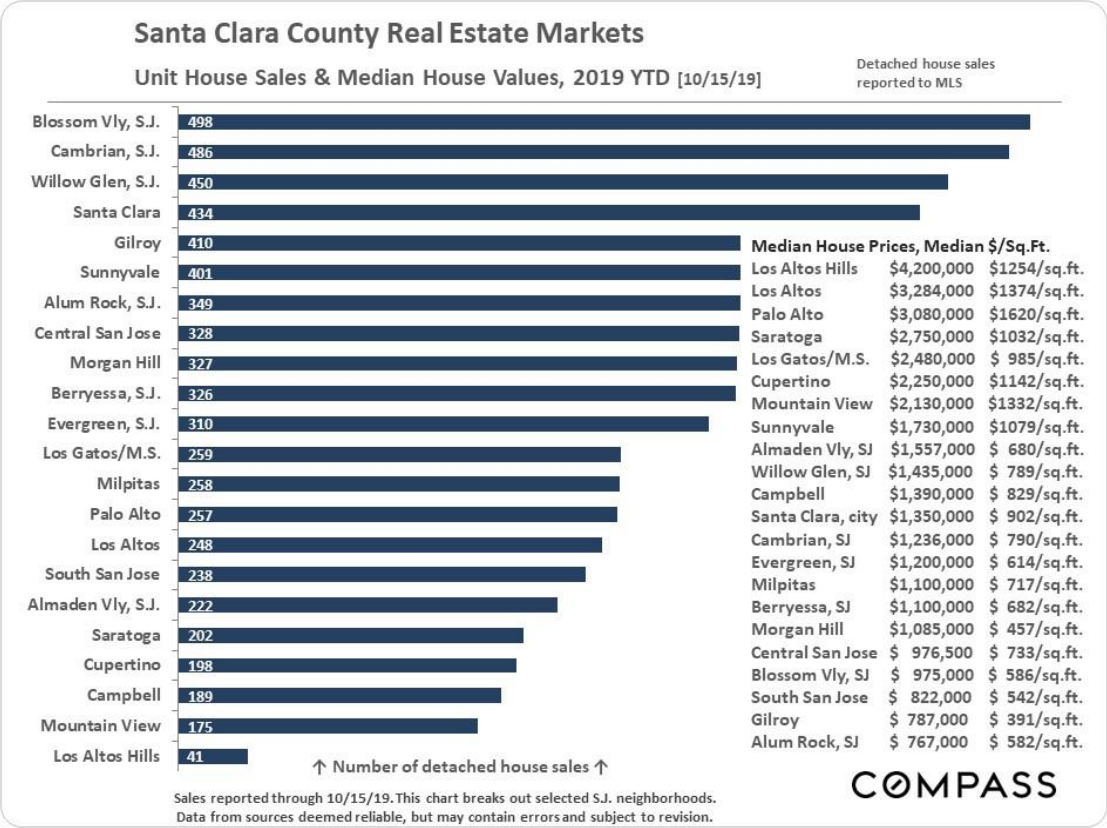
The data in the above table supports the notion that 95050 and 95054 generally rate similar to each other but inferior to 95051. The data also indicates that median selling prices are higher over the past 12 months but generally flat to slightly lower over the past two years.

The next table shows the monthly median change in selling prices in Santa Clara, adjacent Sunnyvale, and the larger Santa Clara County market:




As the table above indicates, median selling prices peaked in the spring of 2018, receded until early 2019 and then were more stable through the end of 2019.

The following table shows the strongest submarkets for the number of detached units sold in Santa Clara County in the first 9.5 months of 2019:




As shown above, Santa Clara was the most active city in terms of number of sales in the first 9.5 months of 2019, second only to San Jose, which is considerably larger and is broken down into several submarkets.

## Conclusions

Due primarily to increased employment throughout the City and region, the demand for all property types is generally greater than the supply. Office vacancy rates have improved but remain above the 10% range due primarily to a combination of aging product with less appeal and 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.

Commercial (retail and office) properties are exhibiting stable asking rental rates and increasing to stable vacancy rates. There is limited new retail construction occurring; most is part of a mixed-use developments. Office construction is occurring, but it is mostly located in the Bayside portions of the county where larger blocks of land can be found and generally comprises high-intensity, 4 or more story buildings. 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 0.75% per month from the date of sale through 4Q-2018. Beyond this date, prices appeared stable and no further adjustment was concluded.

Over the past couple of years, industrial market statistics indicated that rental rates have been trending upwards, while occupancy rates generally decreased to less than 5%. Market participants opined that selling prices are also increasing, especially for large sites suitable for data centers. The increase in land value is supported by an improved paired sale at 3600 Peterson Way that sold in October 2016 for $30 million and again in June 2019 for $37 million, which indicates a straight-line increase of about 0.72% per month. Based on increasing rents and prices, while vacancies have continued to be less than 5% in the market, we concluded that competing industrial land prices were increasing at the rate of about 0.75% per month from the date of sale of the comparables through December 2019.

Santa Clara (and the Bay Area in general) is an undersupplied housing market. Demand for housing is expected to continue into the foreseeable future, with 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. This is due to the scarcity of developable land, increasing prices, and the City's desire for more vertical, higher-density residential.

Market data and market participants report that residential prices increased in 2017 and the first half of 2018, before declining in the latter part of 2018 and remaining stable overall during 2019. The market generally peaked near the end of 2017 in terms of the number of sales; however, median pricing continued to rise through the first half of 2018 before stabilizing in the first half of 2019. By the end of 2019 the residential market was increasing again. Residential land does not always track the trend in median home prices both in time and magnitude. Based on the market reports cited above, sales data analyzed, and market participant interviews, we applied an increasing rate of change for market conditions of 1.50% per month from the date of sale through first quarter 2018, no change during second quarter 2018, and a declining rate of change during third and fourth quarter 2018 of 0.50% per month. Beyond this date prices appeared more stable overall.

## 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 in effect and is intended to guide land uses for the years 2015-2025. Compared to Phase I, it expands 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 or stable prices, stabilizing vacancy rates, decreasing supply, and generally 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 overall market and 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 about the midpoint of the allowed density ranges: 13 dwelling units per gross acre (DU/AC) for Low-Density Residential; 26-30 DU/AC for Medium-Density Residential; and 44 DU/AC for High-Density Residential. For Very Low-Density Residential, which allows up to 10 DU/AC, we concluded that the most likely subdivision for a hypothetical one acre of land would support a subdivision at the high of this range, or 10 DU/AC. This is because the scarcity of land requires ever increasing densities to make projects financially feasible.

The likely commercial use would be an office or hotel. The likely industrial use would be a flex or light industrial building or some type of interim contractor storage yard with minimal building improvements.

## 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 of the highest and best land use component, 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 (as reported by Old Republic Title Company). 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 DataTree.com, MLSlistings.com, and CoStar.com databases for recent sales, and searching Loopnet.com and broker databases 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 three years. Those we found most comparable are displayed on the following adjustment grid. The 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.

A parcel map for each comparable sale is displayed in the Addenda. Selling prices were verified using our summary transcript of the public record and conversations with selling and listing brokers/agents, sellers, and buyers. Due to the timing of this report and the ongoing shelter-in-place/Covid-19 pandemic, verification with parties to the transactions was challenging. We were unable to confirm the details of Comparables 1, 2, and 3 with a party to the transaction. We relied on published data, city records, 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.

# HIGH DENSITY COMPARABLE LAND SALES

| ELEMENT OF ADJUSTMENT | SUBJECT | COMPARABLE 1 | COMPARABLE 2 | COMPARABLE 3 | COMPARABLE 4 | COMPARABLE 5 |
|---|---|---|---|---|---|---|
| ADDRESS | Average Street<br>Santa Clara | 1601 Civic Center Drive<br>Santa Clara | 3337 Kifer Road<br>Santa Clara | 1433-1493 El Camino Real<br>Santa Clara | 1900 Warburton Ave<br>Santa Clara | 1890 El Camino Real<br>Santa Clara |
| APN | | 224-49-006 | 216-33-035 | 224-48- (004, 005, 006) | 224-20-027 | 269-01-(081, 082) |
| SELLER | | K & K Outdoor Advertising LLC | Kdvu LLC | Santa Clara De Asis LLC | 1900 Warburton LLC | Gangi Corp. |
| BUYER | | CIVIC Center LP | Allied Housing Inc | Landsea Homes of Calif. Inc | DD Warburton Group LLC | Legend Santa Clara LLC |
| DOCUMENT NUMBER | | 24380714 | 24359208 | 24291267 | 24089167 | 23645335 |
| **SALE / *LISTING* PRICE** | | **$12,100,000** | **$4,700,000** | **$22,425,000** | **$6,050,000** | **$10,000,000** |
| **SALE / OFFERING PRICE PER SF** | | **$197.03** | **$205.52** | **$302.47** | **$249.35** | **$152.03** |
| **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 | | Conventional | All Cash | All Cash | Assumed All Cash | Assumed All Cash |
| ***ADJUSTMENT*** | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CONDITIONS OF SALE | | Arm's-Length | Arm's-Length/Entitled Adjacent | Arm's-Length/Building on Adj. | Arm's-Length | Arm's-Length |
| ***ADJUSTMENT*** | | 0.00% | 0.00% | -10.00% | 0.00% | 0.00% |
| EXPENDITURES AFTER SALE | | Demolition of 30k SF Office Bldng | Demolition Offset | None Known | Demolition Offset | None Known |
| ***ADJUSTMENT*** | | 1.65% | 0.00% | 0.00% | 0.00% | 0.00% |
| CLOSE OF ESCROW | | January 15, 2020 | December 17, 2019 | September 27, 2019 | December 28, 2018 | May 10, 2017 |
| TIME OF SALE / MARKET CONDITION | December 31, 2019 | Est. Sept 2019 | Est. July 2019 | July 2019 | Est. Oct 2018 | January 2017 |
| MONTHS SINCE SALE THROUGH 1Q-2018 | | 0 | 0 | 0 | 0 | 14 |
| ***ADJUSTMENT @ % PER MONTH*** | 1.50% | 0.00% | 0.00% | 0.00% | 0.00% | 21.00% |
| MONTHS FROM START 3Q-2018 THROUGH 4Q-2018 | | 0 | 0 | 0 | 2 | 6 |
| ***ADJUSTMENT @ % PER MONTH*** | -0.50% | 0.00% | 0.00% | 0.00% | -1.00% | -3.00% |
| **ADJ PRICE AFTER TRANSACTIONAL ADJS** | | **$200.29** | **$205.52** | **$272.22** | **$246.86** | **$178.44** |
| **LOCATIONAL ADJUSTMENTS** | | | | | | |
| EXPOSURE / VISIBILITY | Average | Similar | Similar | Similar | Similar | Similar |
| ACCESS | Average | Similar | Similar | Similar | Similar | Similar |
| APPEAL/SITE INFLUENCES | Average | Similar | Superior | Similar | Similar | Similar |
| ZIP CODE | 95050 | 95050 | 95051 | 95050 | 95050 | 95050 |
| **OVERALL LOCATIONAL RATING** | | Similar | Superior | Similar | Similar | Similar |
| **PHYSICAL ADJUSTMENTS** | | | | | | |
| SITE SIZE (ACRES) | 1.00 | 1.41 | 0.53 | 1.70 | 0.56 | 1.51 |
| SITE SIZE (SF) | 43,560 | 61,411 | 22,869 | 74,139 | 24,263 | 65,776 |
| UTILITY/TOPOGRAPHY | Rectangular / 1 Street Front | Mostly Rectangular/Deed Rest | Rectangular / 1 Street Front | Mostly Rectangular/2 Frontages | Mostly Rectangular / 1 St | Trapezoidal |
| **USE/ZONING ADJUSTMENTS** | | | | | | |
| ZONING | | OG | ML | PD | OG | CT |
| GENERAL PLAN | High Density Residential | Community Commercial | Very High Density Residential | Community Mixed Use | Medium Density Residential | Community Mixed Use |
| ALLOWED DENSITY (dwelling units per acre) | 37-50 | N/A | 51-100 | 20-36 | 20-36 | 20-36 |
| NUMBER OF UNITS | 44 | 124 | 39 | 39 | 12 | 56 |
| *ESTIMATED* / PROPOSED DU/ACRE | *44.0* | *88.0* | *74.3* | 22.9 | 21.5 | 37.1 |
| INTENDED USE | Residential | Affordable Housing | Residential | Townhouses | Townhouses | Residential and Retail |
| AFFORDABLE HOUSING COMPONENT | 10% or in-lieu | Yes / 100% | 10% or in-lieu | Yes / 4 Units | 10% or in-lieu | Yes / 6 units (10%) |
| PARK FEE COMPONENT PER UNIT | $31,058 | $31,058 | $31,058 | $24,567 | $24,567 | $24,457 |
| ENTITLEMENT STATUS | Has Zoning & GP | Needs Zoning and General Plan | Has GP & Specific Plan | Entitled 6/2019 | Entitled 7/2018 | Approved Tentative Map |
| **OVERALL PHYSICAL & USE/ZONING RATING** | | Similar | Superior | Superior | Superior | Slightly Superior |
| **OVERALL RATING - SUBJECT SHOULD SELL FOR** | | **SIMILAR** | **LESS** | **LESS** | **LESS** | **SLIGHTLY LESS OR SIMILAR** |

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

- Several parcels near the intersection of Calle De Luna and Lafayette St were purchased by various buyers in 2018 and 2019. These sites are generally proposed for residential development of more than 100 dwelling units per acre on sites ranging from about ½ to 2 acres. These sales transacted in the range of about $150 to $260 per square foot of land area. Due to the high-density nature of these sales, they were not considered appropriate for use in this analysis.

- A 1.6-acre parcel at 2961 Corvin Drive was purchased in August 2018 for $16.5 million. It sold with entitlements for a 38-unit townhouse development. The purchase price is about $234 per square foot of land area. The buyer was constructing homes on an adjacent parcel and appeared motivated to pay an above market price. Since more recent or more appropriate density comparables were available this sale was not selected.

- A site at 2240 El Camino Real entitled for 151 units of senior apartments and some retail sold in October 2019. The density is 55 dwelling units per acre and the selling price was equivalent to about $112 per square foot. This selling price was low and out of pattern compared to competing properties and we were unable to determine why the selling price was low.

- A 2.3-acre development site at 1375-1399 El Camino Real was purchased in July 2018 for a reported $25.5 million. It sold with entitlements for a 54-unit townhouse development. The purchase price is about $255 per square foot of land area. Since more recent, more similarly-sized, and more appropriate density comparables were available this sale was not selected.

- Selected Comparables 3 and 4 (1433-1493 El Camino Real and 1900 Warburton) each sold in 2018. The more recent sales were an indication of the strong demand locally and helped demonstrate the increasing values occurring and/or the value of obtaining entitlements. The 2018 transactions were not utilized as comparables since in each case the more recent sale was selected as a 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 is a recently closed transaction of an infill site improved with a vacant 30,000 square foot office building. This building will require demolition prior to redevelopment, estimated at $200,000, based on our observation. This element of comparison is shown as an upward adjustment on the Expenditures After Sale line.

Comparable 2 is a recently closed transaction of an unentitled site. The buyer had entitled the adjacent site; however, no motivation on the part of the buyer was apparent in the sale price of this comparable. Comparables 2 and 4 required the demolition of 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.

Comparable 3 sold to a builder who was building on the adjacent property and who had previously acquired the adjacent site from the same seller in 2018. As this entitled comparable represents the second phase with similar product, motivation on the part of the buyer was concluded to be present. The buyer will be able to realize greater efficiencies by constructing a second phase adjacent to the original phase, thereby reducing overall costs. After making all other adjustments first, a downward adjustment is concluded for motivation on the part of the buyer, as shown above.

The only transactional adjustments required for Comparables 4 and 5 are for changing market conditions. Market conditions adjustments were applied from the date of the meeting of minds using the rate(s) of adjustment discussed previously in the Market Conditions section of this report.

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

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 comparable was adjusted downward.

***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, park fees, and entitlement status. Physical and use/zoning adjustments were warranted as summarized on the grid.

Comparable 3 had two street frontages, allowing for greater design flexibility, rating superior utility, and warranting downward adjustment. Comparable 5 was trapezoidal in shape but had two frontages; no adjustment for development utility was concluded. The comparables proposed building densities/acre bracket the subject; the highest densities warrant downward adjustment and the lower densities warrant an upward adjustment. The comparables with approved entitlements rated superior to the subject's unentitled status and are adjusted downward. Comparable 1 will require a zoning change to allow for residential and an upward adjustment is warranted. Park impact fees varied somewhat based upon the use and timing of the fee. Within the range of the comparables a downward adjustment is applied to Comparables 3, 4, and 5 based on their lower park fees per unit.

**Conclusion**

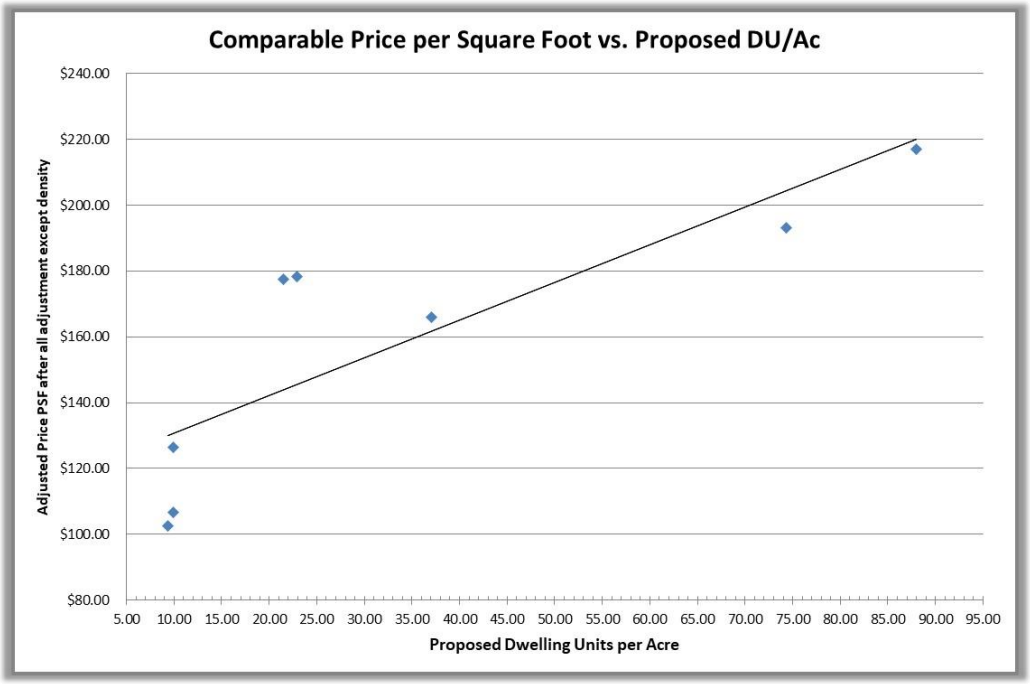
Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the grid. The range of value was more consistent on a price/SF basis rather than a price/density unit basis, so more weight is given to the price/SF, which was utilized as the primary comparison of value. Bracketed by the comparable ratings, the following value of unentitled high-density 44 DU/Acre residential land in the 95050 zip code is concluded at:

| Unit $/SF | x | Land Area (SF) | = | Indicated Value |
|---|---|---|---|---|
| $180 | **x** | 43,560 | = | $7,840,800 |

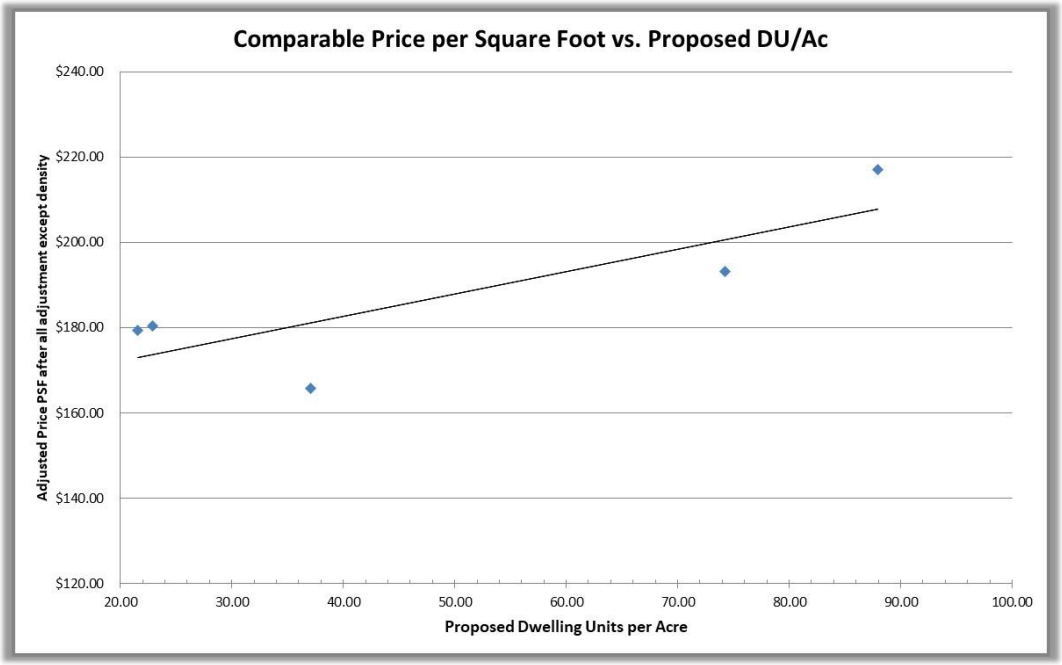
**Estimated Market Value of a 1-Acre**
**High-Density Residential Lot in 95050 Zip Code: $7,840,800**

**Medium Density Land Value**

For the medium-density value component, a density of 30 dwelling units per acre is assumed, 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 of land 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 must 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. The chart above indicates that at a density of about 30 dwelling units per acre, the indicated price per square foot is about $150 to $155. The next chart removes the low density comparables and includes only the higher density comparables:




The chart above indicates that at a density of about 30 DU/acre, the indicated price per square foot is about $175. Based on the preceding comparables, giving greater weight to the more comparable higher density sales chart above and market participant feedback, with a density of 30 DU/acre for the medium-density land use, a unit value of **$165/SF** is concluded.

**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 |
|---|---|---|---|---|
| $165 | **x** | 43,560 | = | $7,187,400 |

**Estimated Market Value of a 1-Acre**
**Medium-Density Residential Lot in 95050 Zip Code: $7,187,400**

**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 sales 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<br>Santa Clara | 1433-1493 El Camino Real<br>Santa Clara | 3424 Cecil Avenue<br>Santa Clara | 1900 Warburton Ave<br>Santa Clara | 1444 Madison St<br>Santa Clara | 917 Warburton Ave.<br>Santa Clara |
| APN | | 224-48- (004, 005, 006) | 303-20-044 | 224-20-027 | 269-03-034 | 224-27-049 |
| SELLER | | Santa Clara De Asis LLC | Dunn1 Family Trust | 1900 Warburton LLC | J F & A J Nunes | IRIS2 LLC |
| BUYER | | Landsea Homes of Calif. Inc | Kwong Yam & Chang H L Cheng | DD Warburton Group LLC | Bothman Family Trust, et al | Warburton LLC |
| DOCUMENT NUMBER | | 24291267 | 2414709 | 24089167 | 23966923 | 23765143 |
| **SALE / *LISTING* PRICE** | | **$22,425,000** | **$1,160,000** | **$6,050,000** | **$1,500,000** | **$2,650,000** |
| **SALE / OFFERING PRICE PER SF** | | **$302.47** | **$132.19** | **$249.35** | **$113.85** | **$94.63** |
| **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 | Assumed All Cash | All Cash | Conv./50% down |
| ***ADJUSTMENT*** | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CONDITIONS OF SALE | | Arm's-Length/Building on Adj. | Arm's-Length | Arm's-Length | Arm's-Length | Arm's Length |
| ***ADJUSTMENT*** | | -10.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EXPENDITURES AFTER SALE | | None Known | Demolition Offset | Demolition Offset | Demolition Offset | None Reported |
| ***ADJUSTMENT*** | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CLOSE OF ESCROW | | September 27, 2019 | March 26, 2019 | December 28, 2018 | June 29, 2018 | Sept 26, 2017 |
| TIME OF SALE / MARKET CONDITION | December 31, 2019 | Est. July 2019 | March 2019 | Est. Oct 2018 | November 2017 | June 2017 |
| MONTHS SINCE SALE THROUGH 1Q-2018 | | 0 | 0 | 0 | 4 | 9 |
| ***ADJUSTMENT @ % PER MONTH*** | 1.50% | 0.00% | 0.00% | 0.00% | 6.00% | 13.50% |
| MONTHS FROM START 3Q-2018 THROUGH 4Q-2018 | | 0 | 0 | 2 | 6 | 6 |
| ***ADJUSTMENT @ % PER MONTH*** | -0.50% | 0.00% | 0.00% | -1.00% | -3.00% | -3.00% |
| **ADJ PRICE AFTER TRANSACTIONAL ADJS** | | **$272.22** | **$132.19** | **$246.86** | **$117.06** | **$104.18** |
| **LOCATIONAL ADJUSTMENTS** | | | | | | |
| EXPOSURE / VISIBILITY | Average | Similar | Similar | Similar | Similar | Inferior/Busy St |
| ACCESS | Average | Similar | Similar | Similar | Similar | Similar |
| APPEAL/SITE INFLUENCES | Average | Similar | Similar | Similar | Similar | Similar |
| ZIP CODE | 95050 | 95050 | 95050 | 95050 | 95050 | 95050 |
| **OVERALL LOCATIONAL RATING** | | Similar | Similar | Similar | Similar | Inferior |
| **PHYSICAL ADJUSTMENTS** | | | | | | |
| SITE SIZE (ACRES) | 1.00 | 1.70 | 0.201 | 0.557 | 0.302 | 0.643 |
| SITE SIZE (SF) | 43,560 | 74,139 | 8,775 | 24,263 | 13,175 | 28,004 |
| UTILITY/TOPOGRAPHY | Rectangular / 1 Street Front | Mostly Rectangular/2 Frontages | Rectangular / 1 Street Front | Mostly Rectangular / 1 St | Rectangular/ 2 Streets | Inferior/Trapezoid |
| **USE/ZONING ADJUSTMENTS** | | | | | | |
| ZONING | | PD | R1-6L | OG | R3-36D | |
| GENERAL PLAN | Very Low Density Res | Community Mixed Use | Very Low Density Res | Medium Density Residential | Very Low Density Res | Very Low Density |
| ALLOWED DENSITY (dwelling units per acre) | Up to 10 | 20-36 | up to 10 | 19-36 | up to 10 | up to 10 |
| NUMBER OF UNITS | 10 | 39 | 2 | 12 | 3 | 6 |
| *ESTIMATED* / PROPOSED DU/ACRE | *10.0* | 22.9 | 9.9 | 21.5 | 9.9 | 9.3 |
| INTENDED USE | Residential | Townhomes | Residential + ADU | Townhomes | Detached SFDs | Residential |
| AFFORDABLE HOUSING COMPONENT | Yes / 1 Unit (10%) | Yes / 4 Units (10%) | No | 10% or in-lieu | No | No |
| PARK FEE COMPONENT PER UNIT | $38,563 | $24,567 | None | $24,567 | $4,825 | $34,511 |
| ENTITLEMENT STATUS | Has Zoning & GP | Entitled 6/2019 | Had Zoning and GP | Entitled 7/2018 | Had Zoning and GP | Approved Tentative Map |
| **OVERALL PHYSICAL & USE/ZONING RATING** | | Far Superior | Slightly Superior | Far Superior | Superior | Similar |
| **OVERALL RATING-SUBJECT SHOULD SELL FOR** | | **MUCH LESS** | **LESS** | **MUCH LESS** | **LESS** | **SIMILAR** |

Some sales of single-family lots in Santa Clara were considered but were not included as comparables as they either were too small or had existing improvements that contributed too much value to the selling price.

**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 utilized above as Comparable 3 for the High Density Comparable Land Sales. It represents a recent closed sale at a density of about 23 dwelling units per acre, which is near the midpoint of the concluded densities for the high density and low density land sales analyses. This comparable warrants the same downward adjustment for buyer motivation as discussed above.

Comparable 2 was the sale of a single-family lot improved with a smaller, older house. The buyer intended to completely renovate the existing home, add an additional 619 square feet, and add a 1,032 square foot additional dwelling unit (ADU). After making all other adjustments first, the contributory value of the existing improvements appeared minimal; based on the data, no adjustment for this matter is warranted. This comparable will not pay park impact fees since ADU's are exempt under the Santa Clara City Code (17.35.090).

Comparable 3 was utilized above in the high-density analysis as Comparable 4. Like Comparable 1 in this analysis, its density of 21.5 dwelling units per acre is near the midpoint of the concluded density for the high and low- density analyses. Therefore, it was appropriate for inclusion in both analyses.

Comparable 4 was the sale of a lot proposed to be subdivided and redeveloped with three new detached units. This lot was improved with two older dwellings that will require demolition prior to redevelopment. The total park fee amount per unit was low since the project is only netting one new unit.

Comparable 5 is located close to Lafayette Street, which is a relatively busy street with resulting traffic noise. The site is trapezoidal shape which somewhat limits its development potential.

As discussed in the preceding material, market conditions adjustments are applied through the end of 2018; only Comparables 3, 4, and 5 are affected by this adjustment.

***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 as summarized on the grid.

Comparable 5 is near a busy street and active railroad, rating inferior for this element of comparison.

***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, park fees, and entitlement status.

Comparables 1 and 4 warranted downward adjustments for having two street frontages, which rates superior utility. Comparables 1 and 3 had much higher densities, rating superior, and warranting downward adjustment. Comparables 1 and 3 had entitlement approvals in place, warranting a downward adjustment for this element of comparison. Comparable 5 had tentative map approval, rating slightly superior, and warranting downward adjustment.

**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 comparables with the most similar density, we concluded to the following unit value of unentitled very low-density residential land in the 95050 zip code:

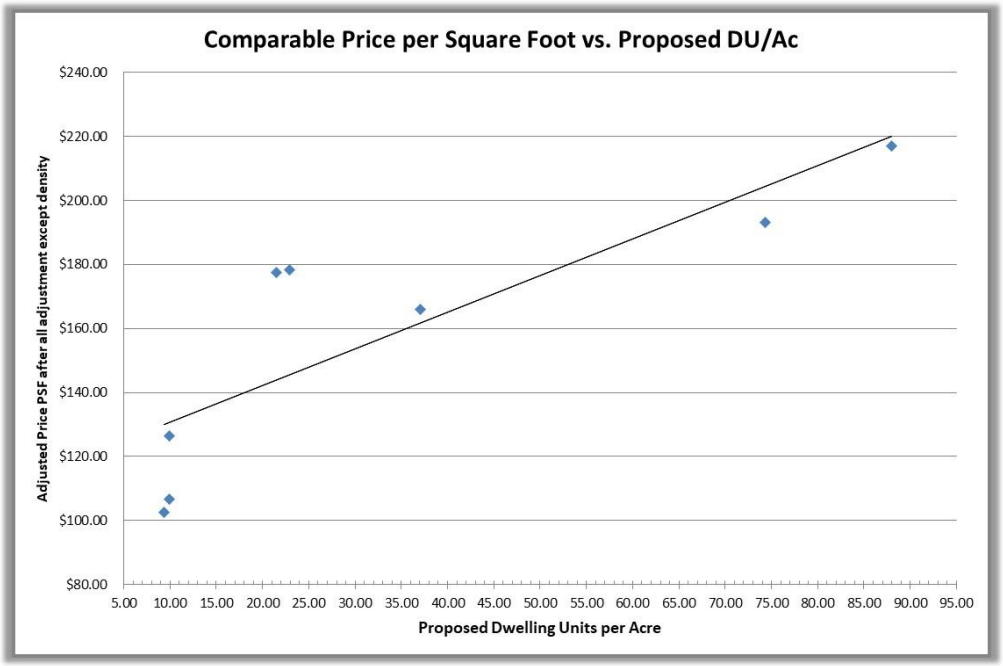
| Unit $/SF | x | Land Area (SF) | = | Indicated Value |
|---|---|---|---|---|
| $110 | **x** | 43,560 | = | $4,791,600 |

**Estimated Market Value of a 1-Acre**
**Very Low-Density Residential Lot in 95050 Zip Code: $4,791,600**

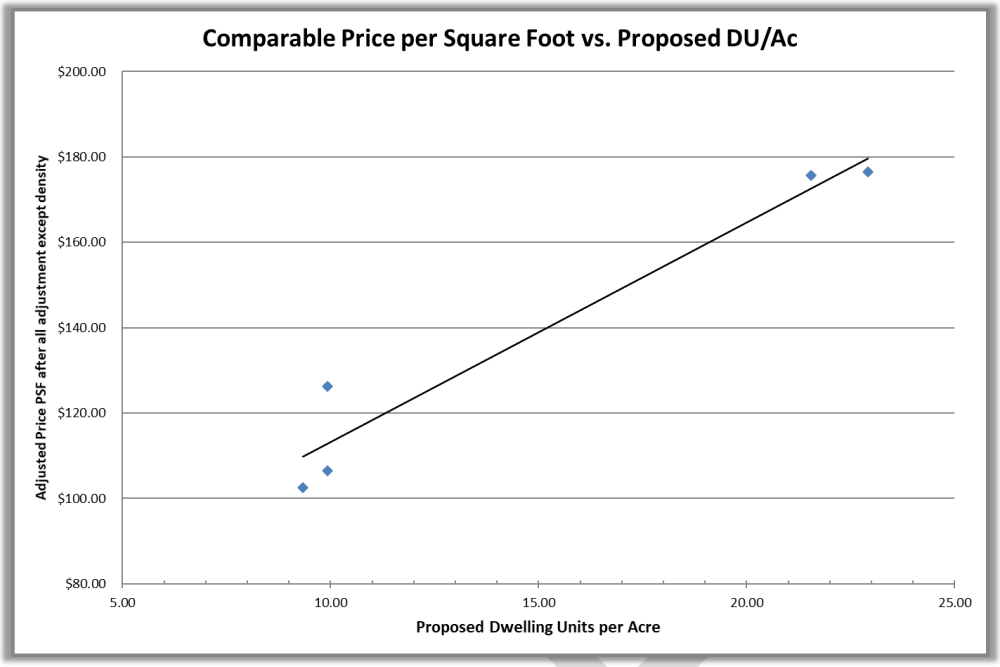
**<u>Low Density Land Value</u>**

For the low-density value component, the City's land use classification cites a low density range of 8-19 dwelling units/acre (DU/Acre), which is greater than the maximum 10 DU/Acre 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 value difference between very low and low-density land relates to density. The density adjustment was estimated based on the relationship

between price per SF and density, as evidenced by the comparables. Like the previous chart, 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 stated in the preceding material, the data shows the price per square foot of land increases with increasing density, which is congruent with our observations in the market. We concluded there is a difference in value/SF between the preceding very low density and low-density residential which has a higher density. The chart above indicates that the appropriate unit value based on a density of 13 dwelling units per acre would be about $135 per square foot. By graphing just the low density sales, the following occurs:




The chart above showing just the low density comparables indicates that the appropriate unit value based on a density of 13 dwelling units per acre would be about $125 to $130 per square foot.

Based on the comparable data, giving greater weight to those with the most similar density, the preceding low-density comparables chart, and market participant feedback, with a density of 13 dwelling units per acre for the low-density land use, we concluded to **$128/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 |
|---|---|---|---|---|
| $128 | **x** | 43,560 | = | $5,575,680 |

**Estimated Market Value of a 1-Acre**
**Low-Density Residential Lot in 95050 Zip Code: $5,575,680**

**<u>Commercial Land Value</u>**

Like the search for residential land sales data, we searched similar data sources 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 of competing retail and office

properties throughout Santa Clara and nearby cities. Those we found most comparable are displayed on the grid on the 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 a commercial transaction in Santa Clara but did not select it as comparable. The sale included about 1.96 acres of land at 2900 Lakeside Drive that closed escrow in May 2018. The purchase price was $17.2 million, which equates to about $201 per square foot of land. The site offered freeway visibility and was walking distance to the new Santa Clara Square. It was entitled for a large hotel. Overall, this sale has many dissimilarities and would have required significant downward adjustments for exposure, location, freeway access, and entitlements, and therefore was concluded to not make a good comparable.

We also discovered a commercial sale at 3084 El Camino Real in Santa Clara that closed escrow in November 2019. This was an improved retail property on a 25,500 square foot site. The purchase price of $3 million equates to a unit value of about $118 per square foot of land. Because the land use ordinances would allow for residential uses, a higher value use in this market, and because the improvements were still being utilized and contributed value, this sale was not utilized as a comparable.

| COMMERCIAL LAND COMPARABLE SALES | | | | | | |
|---|---|---|---|---|---|---|
| **ELEMENT OF ADJUSTMENT** | **SUBJECT** | **Comparable 1** | **Comparable 2** | **Comparable 3** | **Comparable 4** | **Comparable 5** |
| ADDRESS | | 3610 El Camino Real | 3246 Mckinley Drive | 2103 Scott Blvd | 1125 Coleman Avenue | 1296 Lawrence Station Road |
| | Santa Clara | Santa Clara | Santa Clara | Santa Clara | San Jose | Sunnyvale |
| APN | | 313-06- (002 & 004 (portions)) | 296-21-014 | 224-30-006 | 230-46-093 | 104-33-012 |
| SELLER | | Santa Clara Square LLC | Jacqueline C Smith Trust | Weidert-Lohner LLC | Cap Phase 1 LLC | Douglas D & Suejane G Lau |
| BUYER | | SCS Gateway LLC | HMRE LLC | Eager 1031 LLC | San Jose Hotel Investments LLC | Sunnyvale Holdings LLC |
| SALE PRICE | | $10,806,500 | $2,202,000 | $2,375,000 | $9,800,000 | $5,550,000 |
| PARCEL SIZE (Acres) | 1.00 | 4.965 | 0.580 | 0.407 | 1.873 | 1.108 |
| PARCEL SIZE (SF) | 43,560 | 216,275 | 25,265 | 17,745 | 81,588 | 48,264 |
| SALES PRICE/SQUARE FOOT | | **$49.97** | **$87.16** | **$133.84** | **$120.12** | **$114.99** |
| DOCUMENT NUMBER | | 24301369 | 24172903 | 24188588 | 24339364 | 24015780 |
| EXPOSURE TIME | | Not Exposed | Marketed for Lease | 2 Months | Unknown | Unknown |
| **TRANSACTIONAL ADJUSTMENTS** | | | | | | |
| REAL PROP. RIGHTS CONVEYED | | Fee Simple | Fee Simple | Fee Simple (Short-term Ls) | Fee Simple | Fee Simple |
| FINANCING TERMS $ | | Conventional | Conventional | All Cash | Construction Loan | All Cash |
| CONDITIONS OF SALE | | Arm's Length/85% | Arm's Length/Assemblage | Arm's Length/Improved | Arm's Length | Arm's Length |
| *ADJUSTMENT* | | 17.6% | -5.0% | -16.0% | 0.0% | 0.0% |
| EXPENDITURES AFTER PURCHASE | | None | Demolition Offset by Income | None | None | Demolition Offset by Income |
| *ADJUSTMENT* | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| CONTRACT DATE / MKT CONDITIONS | **December 2019** | Est. August 2019 | February 2019 | April 2019 | Est. September 2019 | Est. July 2018 |
| RECORDING DATE | | October 10, 2019 | May 7, 2019 | May 28, 2019 | November 22, 2019 | August 31, 2018 |
| MONTHS SINCE SALE THROUGH 4Q-2018 | | 0 | 0 | 0 | 0 | 5 |
| *Adjustment rate per month* | 0.75% | 0.00% | 0.00% | 0.00% | 0.00% | 3.75% |
| **ADJ. PRICE/SF WITH TRANS. ADJ.** | | **$58.76** | **$82.80** | **$112.43** | **$120.12** | **$119.30** |
| **LOCATIONAL ADJUSTMENTS** | | | | | | |
| EXPOSURE | Average | Superior/Corner | Corner/Inferior Traffic | Superior/Corner | Corner/Inferior Traffic | Superior/Fwy |
| APPEAL/SITE INFLUENCES/ACCESS | Average | Similar | Similar | Similar | Superior/Access | Superior/Rents |
| ZIP CODE | 95050 | 95051 | 95051 | 95050 | 95110 | 94089 |
| **LOCATIONAL COMPARISON** | | Superior | Inferior | Superior | Similar | Superior |
| **PHYSICAL & USE/ZONING ADJUSTMENTS** | | | | | | |
| PARCEL SIZE (Acres) | 1.000 | 4.965 | 0.580 | 0.407 | 1.873 | 1.108 |
| UTILITY | Average | Inferior | Similar | Similar | Similar | Similar |
| OFF-SITE IMPROVEMENTS | Finished Lot | Similar | Similar | Similar | Similar | Similar |
| ZONING/GENERAL PLAN | CT / Regional Commercial | CC/ Regional Mixed-Use | OA/ Regional Commercial | CN/ Neighborhood Comm. | A(PD)/ Combined Ind/Comm | MS/ Industrial |
| PROPOSED USE(S) | Commercial | Retail | Medical Office | Retail | Hotel/Entitled | Hotel |
| **PHYSICAL & USE/ZONING COMPARISON** | | Far Inferior | Inferior | Superior | Superior | Superior |
| **SUBJECT SHOULD SELL FOR:** | | **MUCH MORE** | **MORE** | **LESS** | **LESS** | **LESS** |

**Adjustment Process**

The adjustment methodology was similar as above.

***Transactional adjustments*** were warranted. Comparable 1 could not be verified with a party to the transaction. Based on the seller's previous bankruptcy litigation, they previously sold 85% of the fee title in this property in 2011. The 2019 sale reflects the buyback of those rights, which means less than the 100% fee title transferred. Therefore, an upward adjustment is warranted on the Conditions of Sale line to reflect a 100% fee simple transfer. Comparable 2 sold to a buyer who was under contract for an adjacent property; the data suggest that a downward adjustment for motivation on the part of the buyer is warranted as shown on the grid. The sale of Comparable 3 included about 5,000 square feet of improvements that contributed to the overall selling price. Based on a discussion with the listing broker, our observation, and the age and condition of these improvements, the contributory value was estimated at about $75 per square foot of building area, or about 16% of the selling price as shown on the adjustment grid. This is shown as a downward adjustment.

Comparables 2 and 5 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.

Market conditions adjustments were applied from the date of the meeting of minds through 4Q-2018 using the amount of adjustment discussed in the Market Conditions section.

***Locational adjustments*** were broken into elements that reflect the hypothetical 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. Note that Comparable 4 does not face Coleman Ave despite its Coleman Ave address.

***Physical and Use/Zoning adjustments*** were considered for size, utility, off-site improvements, zoning/General Plan, and planning/entitlement status. Within the range of the comparables, adjustments appeared warranted when differences in land area varied by more than 0.5 acres. Larger Comparables 1 and 4 warranted upward adjustment and smaller Comparable 3 warranted a downward adjustment. The only other physical adjustment warranted was for Comparable 1's irregular shape and roadway easements across the property that limited the overall utility; an upward adjustment was applied. Among the differences in land use ordinances, those of

Comparables 2 and 5 were more restrictive and warranted an upward adjustment. Comparable 4 sold entitled for a hotel development and warranted a downward adjustment.

**Conclusion**

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

| Unit $/SF | x | Land Area (SF) | = | Indicated Value |
|---|---|---|---|---|
| $100 | | 43,560 | | $4,356,000 |

**Estimated Market Value of a 1-Acre Commercial Lot in Zip Code 95050: $4,356,000**

**Industrial Land Value**

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

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

- A transaction including 1015 Martin Ave and 1000 Walsh Ave in Santa Clara closed escrow in March 2019. This site totaled 9.63 acres and sold for a reported $16 million, which equates to about $38/SF of land. The large size of this property rendered it not an appropriate comparable.

- A contractor's storage yard at 1295 Norman Ave sold in December 2018, and included a 6,000 SF office and a 2,000 SF shop building on about one acre of land. The selling price of $4.2 million was about $96.42/SF of land area. We did not use this comparable because the improvements were concluded to have contributed too much value to the selling price. Therefore, it wasn't a true land comparable.

- A 0.96-acre contractor's storage yard at 3150 Kenneth Street sold in November 2018 for about $29 per square foot of land. This unit value appears below market and the parties

involved appeared to be related based on similar mailing addresses. Because this comparable could not be verified and because the unit value was out of pattern, it was not included as a comparable.

- There was a 1.08-acre sale at 735 Reed Street that sold in June 2019 and included a 4,100 square foot metal building. The reported selling price of $1,500,000 is about $32 per square foot of land area. Again, this value was low compared to almost all other data. Because this comparable could not be verified, had improvement value, and because the unit value was out of pattern, it was not included as a comparable.

# INDUSTRIAL LAND COMPARABLE SALES

| ELEMENT OF ADJUSTMENT | SUBJECT | COMPARABLE 1 | COMPARABLE 2 | COMPARABLE 3 | COMPARABLE 4 | COMPARABLE 5 | COMPARABLE 6 |
|---|---|---|---|---|---|---|---|
| ADDRESS | Average Street<br>Santa Clara | 980 Martin Avenue<br>Santa Clara | 2380-2390 Lafayette St<br>Santa Clara | 720 Comstock St<br>Santa Clara | 651 Mathew St.<br>Santa Clara | 1131 Auzerais Ave<br>San Jose | 356 Mathew St<br>Santa Clara |
| APN | | 224-62-010 | 224-63- (018 thru 020) | 224-36-025 | 224-40-001 | 264-14-010 | 230-47-046 |
| SELLER | | 980 Martin Avenue LLC | Lack Properties | Jeff Olofsen | Mathew Property LLC | Cps Holding Co | James H & Mail H Yates |
| BUYER | | Mark & Kelly Verni LLC | DiNapoli Family LP | Albanese Parker I LLC | Vantage Data Centers 7 LLC | Ed Auzerais LLC | Sierra Greens LP |
| SALE PRICE | | $2,200,000 | $21,500,000 | $570,500 | $15,301,000 | $2,800,000 | $2,950,000 |
| DOCUMENT NUMBER | | 24381016 | 24275020 | 24065356 | 24058652 | 24044871 | 24015273 |
| BONDS ASSUMED / SF | | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| **TOTAL COST TO BUYER / SF** | | **$108.37** | **$81.22** | **$84.64** | **$81.01** | **$66.12** | **$74.40** |
| **TRANSACTIONAL ADJUSTMENTS** | | | | | | | |
| REAL PROPERTY RIGHTS CONVEYED | Fee Simple | Fee Simple | Fee Simple | Fee Simple | Fee Simple | Fee Simple | Fee Simple |
| ***ADJUSTMENT*** | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| FINANCING TERMS / DOWNPAYMENT | | Conventional | All Cash | All Cash | All Cash | All Cash | All Cash |
| ***ADJUSTMENT*** | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CONDITIONS OF SALE | | Purchase by Tenant | Arm's-Length | Motivated Buyer | Arm's-Length/Buyer Option | Motivated Buyer | Arm's-Length |
| ***ADJUSTMENT*** | | -10.00% | 0.00% | -10.00% | -19.75% | -10.00% | 0.00% |
| ADDITIONAL COSTS TO BUYER | | None | Demolition Offset by Income | None | None | None | None |
| ***ADJUSTMENT*** | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| CONTRIBUTORY VALUE OF IMPROVEMENTS | | Yes/4,000 SF | None | None | None | None | Yes/15,330 SF |
| ***ADJUSTMENT*** | | -13.64% | 0.00% | 0.00% | 0.00% | 0.00% | -15.25% |
| CLOSE OF ESCROW | | 1/15/2020 | 9/9/2019 | 11/16/2018 | 11/8/2018 | 10/18/2018 | 8/31/2018 |
| TIME OF SALE / MARKET CONDITION | December 31, 2019 | November 2019 | July 2019 | Est. Sept 2018 | Option March 2017 | August 2018 | July 2018 |
| MO'S FROM SALE THROUGH DATE OF VALUE | | 1 | 5 | 15 | 33 | 16 | 17 |
| ***ADJUSTMENT @ % PER MONTH*** | 0.75% | 0.75% | 3.75% | 11.25% | 24.75% | 12.00% | 12.75% |
| **ADJUSTED PRICE / SF** | | **$84.87** | **$84.27** | **$84.75** | **$81.10** | **$66.64** | **$71.09** |
| **LOCATIONAL ADJUSTMENTS** | | | | | | | |
| EXPOSURE/VISIBILITY | Average | Similar | Similar/2 Corners | Similar/Expy | Similar | Similar | Similar |
| ACCESS | Average | Similar | Similar | Similar | Similar | Similar | Similar |
| NEIGHBORHOOD APPEAL | Average | Similar | Average | Similar | Similar | Inferior | Similar |
| ZIP CODE | 95050 | 95050 | 95050 | 95054 | 95050 | 95126 | 95050 |
| **OVERALL LOCATIONAL RATING** | | Similar | Similar | Similar | Similar | Inferior | Similar |
| **PHYSICAL & USE/ZONING ADJUSTMENTS** | | | | | | | |
| PARCEL SIZE (ACRES) | 1.00 | 0.47 | 6.08 | 0.15 | 4.34 | 0.97 | 0.91 |
| PARCEL SIZE (SF) | 43,560 | 20,300 | 264,714 | 6,740 | 188,876 | 42,350 | 39,649 |
| UTILITY | Average | Average | Superior/3 Frontages | Inferior/Triangular | Average | Inferior/Deep/Narrow | Average |
| OFF-SITES | Finished Lot | Similar | Similar | Similar | Similar | Inferior | Similar |
| INTENDED USE | | Contractor Yard | Car Rental/Data Center | Yard Expansion | Entitled Data Center | Yard | Industrial |
| ZONING | Heavy Industrial | Heavy Industrial | Heavy Industrial | Heavy Industrial | Heavy Industrial | Light Industrial | Light Industrial |
| GENERAL PLAN | Light Industrial | Heavy Industrial | Heavy Industrial | Heavy Industrial | Heavy Industrial | Combined Ind/Comm | Light Industrial |
| **OVERALL PHYSICAL & USE/ZONING RATING** | | Superior | Superior | Superior | Superior | Inferior | Similar |
| **OVERALL RATING, SUBJECT SHOULD SELL FOR:** | | **LESS** | **LESS** | **LESS** | **LESS** | **MORE** | **SIMILAR** |

**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 buildings that contributed value, Comparables 1 and 6. 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 verifying broker, MVS cost estimates, and the adjustment that was a good fit for the data. Comparable 2 was improved with four buildings that will be demolished prior to redevelopment. The cost of this demolition was concluded to be offset by the short-term income being received from the tenant(s).

Comparable 1 was purchased by the tenant and based on the data, a downward adjustment was warranted for buyer motivation. Similarly, Comparable 3 was purchased by the adjacent property owner to expand their service yard; a downward adjustment for buyer motivation was warranted. The listing broker for Comparable 4 indicated that the buyer exercised an option to acquire this property at an above market price in March 2017, at the time of closing of an adjacent site to the same buyer. A downward adjustment was applied to Comparable 4 for this element of comparison, based on the data and input from the listing broker. Comparable 5 was purchased by the adjacent property owner as part of an assemblage. After making all other adjustments first, a downward adjustment was warranted for motivation on the part of the buyer.

Market conditions adjustments were applied at the rate concluded to in the Market Conditions section. As stated in the preceding material, industrial property in the City of Santa Clara continues to be in high demand, supported by low vacancy rates, rising rental rates, and new construction.

Like the commercial sales grid, locational adjustments were considered for exposure, visibility, access (to freeways and amenities), and overall desirability of the location, including zip code. Locational adjustments are warranted as summarized on the grid. Comparables 2 and 3 afforded greater exposure to higher traffic streets. However, this is not typically an important consideration for industrial users and based on the data no adjustment was warranted for exposure/visibility. Comparable 5 is in San Jose and within a differing zip code. Based on discussions with market participants, this area of San Jose rates inferior, supported by rents and the subject's more attractive electricity rates; a downward adjustment is warranted for Comparable 5's inferior location.

Physical and use/zoning adjustments were considered for size, utility, intended use, zoning, general plan land use designation, and off-site improvements. These adjustments are warranted as summarized on the grid. Comparable 1 is improved with a metal building and the buyer, who

was the tenant, intends to keep using the property as a storage yard. Comparable 3 is a small sliver of land that was purchased by the adjacent property owner to expand their yard area. Comparable 5 was also purchased by the adjacent property owner and the interim use was for yard storage; long term plans were not determined. Typically, a larger site will sell for a lower price per square foot than a smaller site. Smaller Comparables 1 and 3 warranted downward adjustment for this element of comparison. Based on discussions with brokers, in Santa Clara, a premium is paid for properties large enough to support a data center. i.e. more than about two acres. For this reason and based on support from the data, much larger Comparables 2 and 4 are adjusted downward.

**Conclusion**

Following transactional adjustments and considering the overall rating comparison for each comparable, the unit values of the comparables suggested a value in the mid-$70 per square foot range.

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

| Unit $/SF | x | Land Area (SF) | = | Indicated Value |
|---|---|---|---|---|
| $75 | | 43,560 | | $3,267,000 |

**Estimated Market Value of a 1-Acre Industrial Lot in Zip Code 95050: $3,267,000**

**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 2019 by property type. The information was obtained from 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 945 arms-length transactions in Santa Clara in calendar year 2019. These included 19 commercial sales, 28 industrial sales, 532 residential single-family sales, 38 2-4 residential unit sales, and 328 medium to high density residential sales which comprised residential unit sales greater than 5 units, condominiums and townhomes.

Residential transactions included single family, townhomes, and condominiums, 2 to 4 unit, and residential units greater than 5 units. Of the total residential sales, and similar to the 2016 and 2017 data, single family transactions comprised the most land area, as shown in the next table, in 2019. And like the 2016 and 2017 data, in 2019 commercial and industrial sales comprised about

half of the total land area in the city by area. The most change from 2017 to 2019 was due to increasing land values, as demonstrated in the preceding analysis. This resulted in higher 2019 values for the hypothetical 1-acre lot, which is congruent with market trends from 2017 to 2019.

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

| 2019 Santa Clara Sales | | |
|---|---|---|
| **Sale Type** | **Land SF** | **Total %** |
| Commercial | 1,328,519 | 12.12% |
| Industrial | 4,765,586 | 43.47% |
| Very Low Density Residential | 3,401,827 | 31.03% |
| Low Density Residential | 310,667 | 2.83% |
| Medium to High Density Residential | 1,156,765 | 10.55% |
| **Total** | **10,963,364** | **100.00%** |
| Source: Old Republic Title Company | | |

Old Republic Title Company 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 were grouped into the medium to high-density residential, retail and office was grouped into commercial, and industrial and manufacturing was designated industrial. As shown in the table, within the city limits of Santa Clara, commercial/industrial sales accounted for about 55.6% of the total while residential sales accounted for about 44.4% of the total.

**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 (5.275% to each). 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:

| 2019 VALUES FOR 95050 ZIP CODE SUMMARY | | | | | | |
|---|---|---|---|---|---|---|
| **Land Use** | **Price per SF** | **Price per Acre** | **x** | **Weighted Average** | **=** | **Weighted Value** |
| **Very Low Density Residential** | $110.00 | $4,791,600 | **x** | 31.03% | = | $1,486,833 |
| **Low Density Residential** | $128.00 | $5,575,680 | **x** | 2.83% | = | $157,792 |
| **Medium Density Residential** | $165.00 | $7,187,400 | **x** | 5.275% | = | $379,135 |
| **High Density Residential** | $180.00 | $7,840,800 | **x** | 5.275% | = | $413,602 |
| **Commercial** | $100.00 | $4,356,000 | **x** | 12.12% | = | $527,947 |
| **Industrial** | $75.00 | $3,267,000 | **x** | 43.47% | = | $1,420,165 |
| | | | | **TOTAL AVERAGE VALUE** | | **$4,385,474** |

**Average Value of a Hypothetical 1-Acre Lot in the 95050 Zip Code:** **$4,385,000 (Rounded)**

## AVERAGE VALUE ESTIMATE IN 95051 ZIP CODE

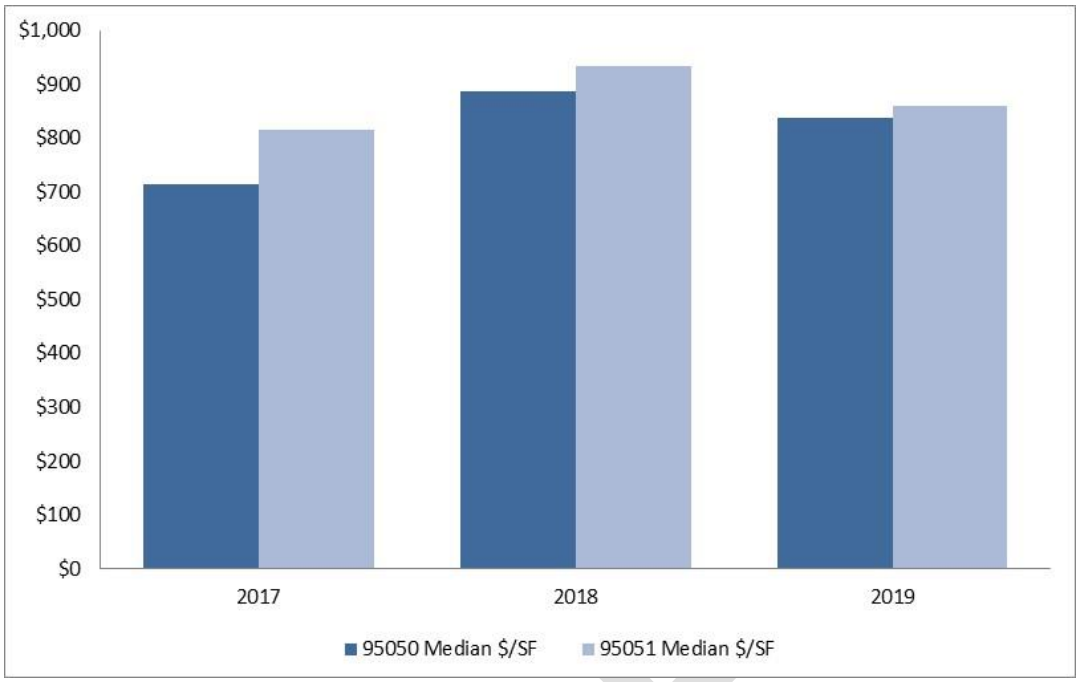
We estimated the value of 1 acre of land for zip code 95050 above. Following we apply any differences in value between the 95051 and 95050 zip codes to estimate the average value of one acre of land in 95051.

### 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, and a comparison of median and average selling prices for the residential uses.

#### Residential Difference

Market participants and selling prices provided support that residential prices in the 95051 zip code are generally higher 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 includes an area of the city within the Cupertino Union School District, a higher rated school district, which commands residential price premiums. 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. One market participant opined that the neighborhoods of 95051 were generally safer and that insurance premiums were lower rendering 95051 to be more desirable. Recent residential yearly-summary median prices/SF and Year End 2019 median prices/SF between the 95050 and 95051 zip codes, as reported by CoreLogic, indicated the following:




The chart above indicates that the median selling price/SF has historically been higher in zip code 95051, corroborating the general consensus among market participants. In 2017 the median price per square foot was about 14% higher, while in 2018 it was 5.3% higher in 95051. By 2019, the difference was only about 2.7%; a declining difference in median price per square foot is indicated over the last couple of years. The CoreLogic data indicated that the median price in 95051 was 22.2% higher than 95050 in 2017, 14.6% higher in 2018, and 8.3% higher in 2019. This data supports the opinions of market participants that 95050 rates inferior to 95051.

In the next table, based on data reported by MLS the median price in 95051 is typically more than zip code 95050. However, unlike CoreLogic which reports all recorded sales transaction, MLS only reports listings marketed on MLS, which often does not include all new construction. This is because builders, in the current market environment, typically market their product in house without using MLS, which is probably more cost effective and garners more marketing control to the builder.

| Housing Type | Zip Code | December-17 | December-18 | December-19 |
|---|---|---|---|---|
| SFR. Condo & Th | 95050 | $1,400,000 | $1,074,000 | $1,210,000 |
| | 95051 | $1,325,000 | $1,275,000 | $1,425,000 |
| | 95054 | $1,280,000 | $1,025,000 | $1,202,500 |
| **Source Local MLS** | | | | |

Based on market feedback, historical norms, and giving most weight to the CoreLogic data which includes all recorded transactions, I concluded 2019 residential prices in zip code 95051 were 10% higher than 95050.

**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 3-year average asking rental rate, as compiled by CoStar, revealed that the average rents (for office and retail) between these zip codes were $4.07/SF/Month in 95050 vs. $3.36/SF/Month in 95051, or a difference of about 21% higher in 95050. This sole matrix is a reverse of the historical trend which has seen that 95051 generally rated superior overall in terms of office and retail asking rates. This appears to be a result of newer retail construction over the last several years in the 95050. A comparison of the 3-year average asking rental rate among office properties as reported by CoStar was $3.70/SF/Month in 95050 vs. $4.02/SF/Month in 95051, or about 8.6% higher in 95051. Additionally, CoStar reported a lower vacancy rate in 95051 over the same period (2.94% vs. 3.56% among all office and retail). The average selling price per square foot among these two zip codes was within 5% of each other over the last three years, $447 in 95050 vs $469 in 95051. Based on market data, rental rates differences, selling price differences, and vacancy rate differences we concluded that commercial land values in 95051 rated similar to 95050.

**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, about 65 acres of industrial lands in the 95051 zip code, around Kifer Rd and Lawrence Expy., are converting to residential uses, reducing the supply of industrial properties, and pushing increasing demand and value for them at the same time. A comparison of the 3-year average rental rate per SF, as compiled by CoStar, showed that the average rental rates were more in 95051 in the past 3 years. The rental rates are partly skewed because there are a greater number of older buildings in 95050 and many of those buildings are more warehouse in nature, which command a lower rental rate. The average selling price per square foot among these two zip codes was within 9% over the last three years, $284 in 95050 vs $310 in 95051, according to CoStar. A discussion with a local industrial broker felt that all areas of the city were generally comparable. After consideration for differences in asking rents, sale prices, 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 above, I concluded residential in zip code 95051 rated 10% superior, while commercial and industrial values rated similar. In the next table, the adjusted price per acre for each land use in the 95051 zip code was adjusted and the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95051 zip code:

| 95051 ZIP CODE LAND USE VALUES & AVERAGE VALUE PER ACRE | | | | | |
|---|---|---|---|---|---|
| Land Use | 95050 Average Price/Acre Weighted | x | Adjustment Factor | = | 95051 Average Price per Acre |
| Very Low Density Residential | $1,486,833 | x | 110.00% | = | $1,635,516 |
| Low Density Residential | $157,792 | x | 110.00% | = | $173,571 |
| Medium Density Residential | $379,135 | x | 110.00% | = | $417,049 |
| High Density Residential | $413,602 | x | 110.00% | = | $454,962 |
| Commercial | $527,947 | x | 100.00% | = | $527,947 |
| Industrial | $1,420,165 | x | 100.00% | = | $1,420,165 |
| | | | TOTAL AVERAGE VALUE PER ACRE | | **$4,629,210** |

**Average Value of Hypothetical 1-Acre Lot in the 95051 Zip Code: $4,630,000 (Rounded)**

## AVERAGE VALUE ESTIMATE IN 95054 ZIP CODE

We utilize the same weighted land values from zip code 95050 and apply any differences in value between the 95054 and 95050 zip codes.

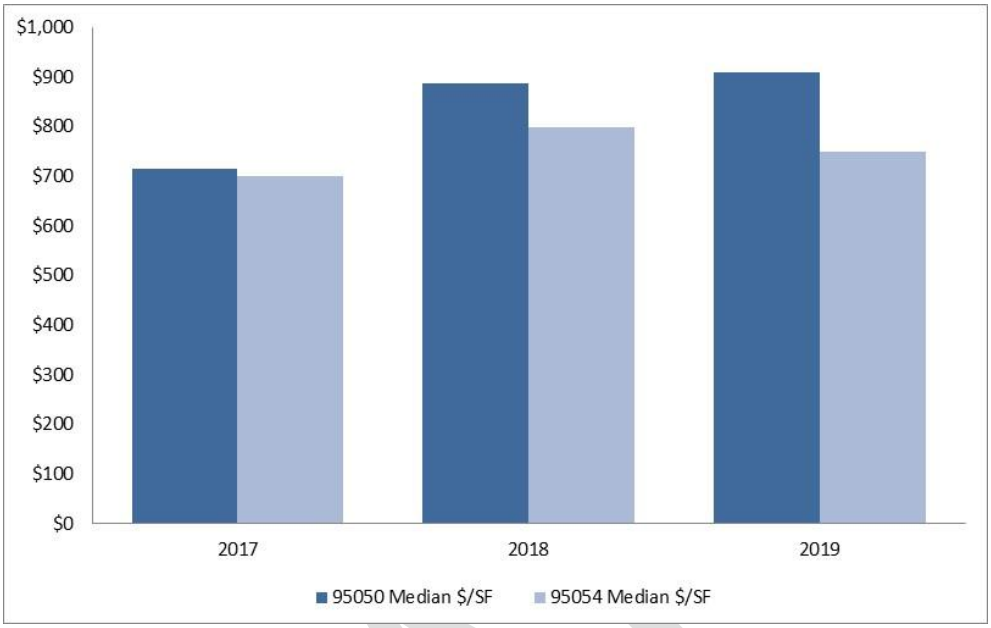
## Estimating Differences Between Zip Codes

For 95054 value conclusions, I applied the same methodology 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 or a little inferior when compared to the 95050 zip code. Brokers active in the market reported a range of opinions, that generally these two zip codes are not much different, but that 95054 tends to rate a little inferior. The 95054 is affected by airport noise and has a higher concentration of higher-density housing units; there is less single-family selection and therefore fewer traditional residential neighborhoods with detached units. Recent yearly-

summary median prices/SF for the 95050 and 95054 zip codes, as reported by CoreLogic, indicated the following:




The median selling prices/SF has been historically higher in the 95050 zip code, but the gap narrowed to only about a 2.0% difference in 2016 and 2017. As shown in the above chart, the difference widened to about 11% to 12% higher in both 2018 and 2019, respectively. The CoreLogic data indicated that the median price in 95054 was 8.6% lower than 95050 in 2017, 4.6% lower in 2018, and 0.6% lower in 2019. Comparing the median price per square foot indicates that in 95054 it was 9.9% lower in 2018 and 10.6% lower in 2019. This data supports the opinions of market participants that 95054 rates inferior to 95050.

The next table is the same MLS data displayed above. In this data set the median price in 95050 ranged from about 0.6% to about 9.4% more than in 95054, while on a per SF basis the median price in 95054 was higher by about 16% in 2018 and 2019. Again, unlike CoreLogic which reports all recorded sales transaction, MLS only reports listings marketed on MLS, which often does not include all new construction.

| Housing Type | Zip Code | December-17 | December-18 | December-19 |
|---|---|---|---|---|
| SFR. Condo & Th | 95050 | $1,400,000 | $1,074,000 | $1,210,000 |
| | 95051 | $1,325,000 | $1,275,000 | $1,425,000 |
| | 95054 | $1,280,000 | $1,025,000 | $1,202,500 |
| **Source Local MLS** | | | | |

Based on market data, the opinions of market participants, and giving more weight to the CoreLogic price differences, which includes new and resale residential construction, I concluded that residential land prices in 95054 were slightly lower than the 95050 zip code, on the order of 7.5%.

**Commercial Difference**

Most of the new commercial planned or proposed for the 95054 zip code comprises office and hotel uses. This is partly influenced by the synergies created by the presence of Levi's Stadium. This area of Silicon Valley includes the Golden Triangle and has historically supported higher intensity uses and properties offering freeway visibility (U.S. 101 and CA-237). The greatest concentration of Class A office is located within this zip code and more is planned and under construction. As noted above, there are several mixed-use projects in process, which if built-out, will add both retail and new residential customers.

A comparison of the 3-year average rental rate compiled by CoStar, revealed that the average rents between these zip codes was slightly higher in 95054, $4.18/SF vs. $4.07/SF in 95050, a difference of about 2.7% based on office and retail uses. As before, the 95050 rental rate is influenced by newer retail construction which typically commands higher rental rates. A comparison of office rents indicates that the 3-year average of $4.19/SF/Month in 95054 is about 13.2% higher than the $3.70/SF/Month in 95050. And the average selling price per square foot in the 95054 zip code was 17.9% higher over the last three years compared to 95050 ($447 in 95050 vs $527 in 95054) for office and retail sales. Based on market data, brokers opined that pricing could be about 12.0% to 24.0% higher than in the 95050 zip code. Based on the data including broker estimates and rental rate differences in each zip code, I concluded that an upward adjustment of 15% was warranted for 95054 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. A comparison of the 3-year average rent per SF, as compiled by CoStar, showed that rents averaged $1.58/SF in the 95050 zip code vs. $2.15/SF in the 95054 zip code, about a 36% premium. The average selling price per square foot in the 95054 zip code was 27.8% higher over the last three years compared to 95050 ($284 in 95050 vs $363 in 95054) based on industrial sales reported by CoStar. A local broker estimated that there was a 15-25% premium in the 95054 zip code area compared to 95050. Bracketed by the data, including rental rate differences, sale prices/SF, and broker opinion, I concluded to a 15.0% premium for industrial land within the 95054 zip code.

## Conclusion of Value in 95054 Zip Code

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

| 95054 ZIP CODE LAND USE VALUES & AVERAGE VALUE PER ACRE | | | | | |
|---|---|---|---|---|---|
| Land Use | 95050 Average Price/Acre Weighted | x | Adjustment Factor | = | 95054 Average Price per Acre |
| Very Low Density Residential | $1,486,833 | x | 92.50% | = | $1,375,321 |
| Low Density Residential | $157,792 | x | 92.50% | = | $145,958 |
| High Density Residential | $379,135 | x | 92.50% | = | $350,700 |
| Medium Density Residential | $413,602 | x | 92.50% | = | $382,582 |
| Commercial | $527,947 | x | 115.00% | = | $607,139 |
| Industrial | $1,420,165 | x | 115.00% | = | $1,633,190 |
| | | | TOTAL AVERAGE VALUE PER ACRE | | **$4,494,890** |

**Average Value of a Hypothetical 1-Acre Lot in the 95054 Zip Code: $4,495,000 (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 56% of the total sales in the city by land area were commercial and industrial transactions and the other 44% was residential. The most change from 2017 to 2019 was due to increasing land values. This resulted in higher 2019 values for the hypothetical 1-acre lot, which is congruent with market trends from 2017 to 2019.

I 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: $4,385,000**

**(Four Million Three Hundred Eighty-Five Thousand Dollars)**

**Opinion of Average Value of a 1-Acre Lot in the 95051 Zip Code: $4,630,000**

**(Four Million Six Hundred Thirty Thousand Dollars)**

**Opinion of Average Value of a 1-Acre Lot in the 95054 Zip Code: $4,495,000**

**(Four Million Four Hundred Ninety-Five Thousand Dollars)**

## ADDENDA

- Old Republic Title Company 2019 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
- Land Sale Comparable Parcel Maps
- Brokerage Reports (on file)
- Qualifications of Appraiser