ANNUAL LAND VALUATION APPRAISAL REPORT

VALUATION OF

The Average per Acre Land Value of High-Density Residential, Medium-Density Residential, Low-Density Residential, Very Low-Density Residential, Commercial, &Industrial Properties Located in Three 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, 2022

March 1, 2023

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, U.S.A.

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, 2022 precedes the date I wrote and transmitted this appraisal by about 2 months, this is considered a retrospective appraisal as defined by the Uniform Standards of Professional Appraisal Practice. Since this is a retrospective value, it is important to note that I only considered data that was available and/or public as of the date of value. The exception to this was the 2022 land area data provided by Old Republic Title Company which was not available until February 2023, and some brokerage reports published in January and February 2023, but containing 2022 data.

I have appraised the subject of this appraisal numerous times since 2014, and most recently with a date of opinion of December 31, 2022. Based on land area, in 2020 about 43% of all the transactions sold were categorized as industrial and commercial, and the other 57% were categorized as residential. In 2021, approximately 42% of all transactions sold were industrial and commercial, while 58% were categorized as residential. In 2022, commercial/industrial sales accounted for about 27.06% of the total while residential sales accounted for about 72.94% of the total. However, the median residential selling price in 2022 was generally increasing

throughout the first half of 2022 and generally trending downwards in the last half of 2022. This resulted in lower residential unit values for 2022. Industrial and commercial land values were unchanged in 2022. The combination of recent Federal Reserve interest rate increases, expected slower economic growth and an increased possibility of a near-term recession has impacted the market. All these factors resulted in lower 2022 values for the hypothetical one-acre lots for each zip code compared to 2021.

To complete this appraisal, I conducted an investigation, gathered data, and made the analyses necessary to enable me to fulfill the purpose of this 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-density residential, 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.

I understand that this Appraisal Report is intended for use by the Client, the City of Santa Clara, for assistance 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]I supposed the following hypothetical conditions:

- 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.

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

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]

- 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 2022. It was an extraordinary assumption of this appraisal that the land areas provided by Old Republic were accurate.

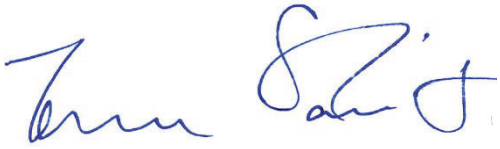
The use of these hypothetical conditions and extraordinary assumption might have affected the assignment results.

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

Based on the investigation and analyses undertaken, I formed the opinion that the average value per acre on December 31, 2022, the effective date of opinion, for each zip code was:

Zip Code	2022 Average Value per Acre
95050	$5,500,000
95051	$5,840,000
95054	$5,240,000

Sincerely,



Frank E. Schmidt, MAI, SRA

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

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EXECUTIVE SUMMARY

CLIENT : City of Santa Clara

LOCATION : City of Santa Clara, California

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

SITE AREA : Each Hypothetical Lot is One Acre

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
Medium Density Residential	Medium Density Residential	Medium Density Residential
High Density Residential	High Density Residential	High Density Residential
Commercial	Regional Commercial	Hold for Development of a Commercial Building
Industrial	Light Industrial	Industrial Building

EFFECTIVE DATE OF VALUE : December 31, 2022

PROPERTY RIGHTS APPRAISED : Fee Simple Estate

AVERAGE VALUE CONCLUSIONS :

Zip Code	2022 Average Value per Acre
95050	$5,500,000
95051	$5,840,000
95054	$5,240,000

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 this 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 hypothetical properties that render them 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;

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 hypothetical properties, was not investigated by this consultant.

   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 April 1, 2022 and having a date of value of December 31, 2021.

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).

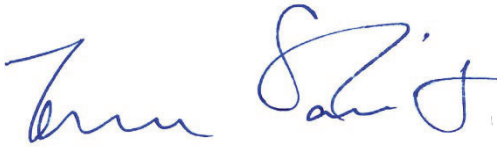
9. I have not inspected the property that is the subject of this report since the subject lots are hypothetical.

10. Under my direction, Mr. Dennis Moredock verified 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.



Frank E. Schmidt, MAI, SRA

March 1, 2023
Date

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 land 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, 2020, 2021, and 2022. 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
- DQ News/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 sources and subscription services to gather comparable data, including:

- Verified Data Files from Other Appraisals
- CoStar Group
- DataTree
- MLSlistings.com
- LoopNet
- 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 proposals/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 is appraised.

Real Estate Appraised

It is 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 lot.
Easements	:	Typical public utility easements along frontage presumed.
Soil Conditions	:	It is a general assumption of this appraisal that the hypothetical site is suitable for any legally permissible and physically possible use.
Environmental Impairment Issues	:	It is a general assumption of this appraisal that there are no environmental issues that affect the market value of the hypothetical lots.

Off-Site Improvements	:	Street is fully improved and maintained by the City; it is asphalt paved with streetlights, curbs, gutters, and sidewalks.
Street Access	:	Rates average in comparison to competing properties.
Exposure/Visibility	:	Rates average in comparison to competing properties for each hypothetical use.
Flood Hazard Status	:	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 lot is 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 several occasions, most recently in an Appraisal Report transmitted April 1, 2021 with an effective date of opinion of December 31, 2021. The next most recent appraisal of the subject was transmitted March 21, 2021 with an effective date of opinion of December 31, 2020. The intended use of all 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. According to California Department of Finance (CDF), on July 1, 2022, the county had a population of 1,882,601, a decrease of 4.82 percent from the July 2021 estimate. Over the past several years, Santa Clara County had been experiencing strong employment conditions. Prior to the COVID-19 pandemic,

unemployment was at historical lows and essentially reflected full employment conditions. According to statistics published by the State of California Employment Development Department (EDD), the Santa Clara County unemployment rate was 2.0% in December 2022, based on a labor force of 1,060,500. This is a decrease from the March 2020 unemployment rate of 3.4%, prior to COVID-19. It is also lower compared with the one-year prior unemployment rate (December 2021) of 4.0%, based on a labor force of 1,042,900 jobs.

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, Oracle, PayPal, and Tesla.

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 130,127 as of January 1, 2022, according to the CDF, about .8% higher than 12 months earlier. Employment conditions in Santa Clara followed a similar trend as seen in Santa Clara County. Unemployment, according to the EDD, was reported at a rate of 2.1% in the city of Santa Clara as of November 2022, based on a labor force of 74,000. The unemployment rate has generally followed a downward trend since peaking in April 2020 at 9.5%. Still, the current rate is below the rate of 2.6% reported in February 2022.

An aerial of the City of Santa Clara (outlined in red) and surrounding areas is shown below:

The two largest employers in the City of Santa Clara are Intel and Applied Materials. Other high-tech companies, such as AMD, 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 Santa Clara Convention Center is also nearby and offers about 302,000 square feet of meeting space.

The opening of Levi's Stadium spurred an increase in demand for nearby properties. There are several projects under construction throughout the city and 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 and is named Related Santa Clara (5155 Stars & Stripes Drive). The project is a 240-acre mixed use development located across from the street from Levi's Stadium. It would include 9.16 million gross SF of office, residential units, retail and entertainment facilities, hotel rooms, and surface and structured parking facilities. The first development phase is approved and was slated to open to the public in 2023 but was delayed by the pandemic. The Lake Park office development project is a 4.05 acre project site that has received approvals for a 150,000 SF office development located at 3001 Tasman Drive. The Kylli mixed use development project Mission Point is currently pending review and is located at 3005 Democracy Way. This project is a 46 acre site that proposes 3,000,000+- SF of commercial office/lab space, 100,000+- SF of neighborhood retail, 1,800+- new multi-family residential, a child care facility, and indoor and outdoor community spaces. The Santa Clara Square development project (The Irvine Company) encompasses approximately 93 acres and includes 1,862,000 SF of office, 178,000 SF of retail, and up to 1,840 units of residential apartment units. This project is at 2600 Augustine Drive and is currently under construction. The NVIDIA project is under construction and is located at 2600, 2788 and 2800 San Tomas Expressway. The 35.6 acre site will have 1,950,000 SF of office/research and development (R&D) space within three buildings. 575 Benton Street is a mixed use project by Prometheus that is currently under construction. This 5.7 acre site will have apartment units and retail space. A 190-room hotel on a 1.96 acre site is currently under construction at 2900 Lakeside Drive. Gateway Village by Essex Property Trust at 3700 El Camino Real will have 476 residential units and 108,600 sq.ft. of retail space on a 12.6 acre site. This project is currently under construction. The Lawrence Station Project – Kifer Road (Summerhill) is at 3505 Kifer Road and is currently under construction. This 29.4 acre project is part of the Lawrence Station Area Plan. The project is a 988 residential unit, four-story, multi-family development with 39,225 SF of retail/amenity space. Additional development in the City includes several new

structures on the Santa Clara University campus and continued residential build-out of the Lawrence Station area.

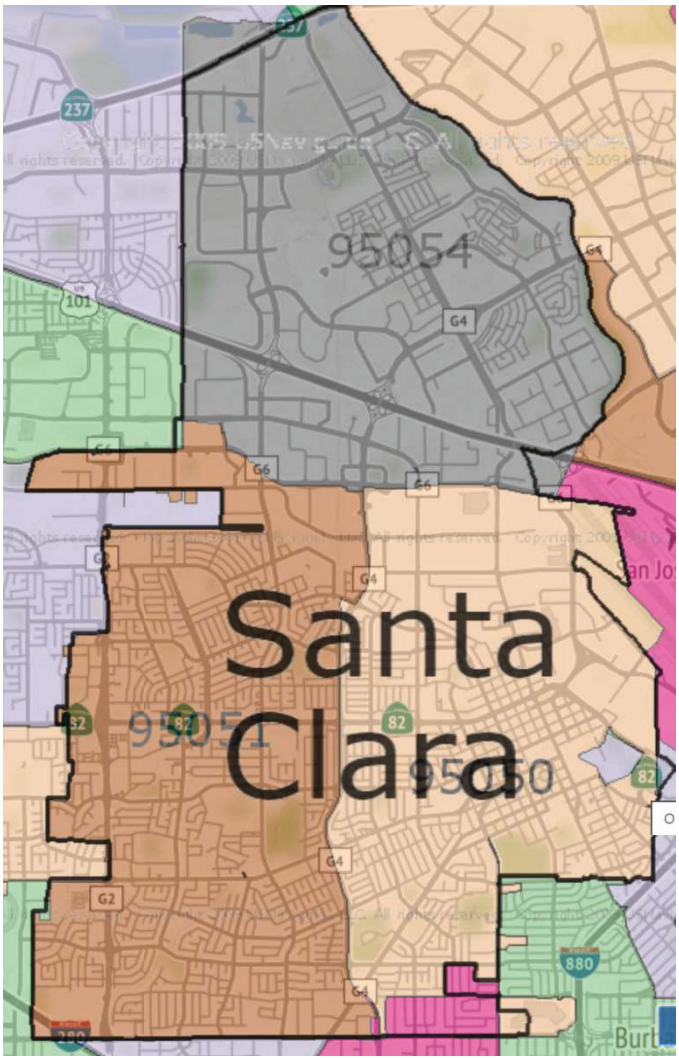
The City's median household income was estimated by the U.S. Census Bureau at $150,244 in 2021 and the per capita income was about $69,021. The United States Census Quick Facts for 2017-2021 indicated the following demographics in Santa Clara:

Total Households	45,830
Owner Occupied Housing Unit Rate	42.4%
Average Household Size	2.68
Bachelor's Degree or Higher	63.2%
In Civilian Labor Force	71.1%

The City is home to Santa Clara University, Mission College, a public community college, and Golden State Baptist College. The City is primarily 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, with service to about 30 destinations.

There are three primary zip codes within the city, which are shown on the following map as the color-coded areas within the black-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 COVID-19 pandemic had various effects on local real estate markets in 2022. The December 9, 2021 *UCLA Anderson Forecast* states that "Since March 2020, the state of the COVID-19 pandemic has determined the course of the economy nationally and across California. With each successive wave, the economy has grown more resilient to the effects of the virus, but by the end of 2020, it became clear that consumer behavior, not government restrictions, had the greatest effect on economic outcomes." Further discussion of the COVID-19 effects are presented throughout this report.

The *Winter 2022 Allen Matkins/UCLA Anderson Forecast California Commercial Real Estate Survey* "was taken as the Delta/Omicron phase of the pandemic was raging and was slowing the return of consumers to the purchase of services, to the office, and to vacation travel." Multi-family housing has rapidly bounced back from a "falling-rent" hiatus and is also in for a run of new project development. Though the last two Surveys suggested a turn in office and retail market, it has happened sooner than expected."

The *Winter 2023 Allen Matkins/UCLA Anderson Forecast California Commercial Real Estate Survey* reports "The level of uncertainty in the economy has elevated dramatically in the months since the Summer 2022 according to Allen Matkins/ UCLA Anderson Forecast California Commercial Real Estate Survey. The combination of recent Federal Reserve interest rate increases and an increased possibility of a near-term recession has resulted in more challenging commercial real estate financing including a demand by financiers for higher equity participation and higher rate of return hurdle rates. Nationwide, a contraction in new commercial development is now underway. The latest Survey, taken in December 2022, coupled with analysis by the UCLA Anderson Forecast, paints a relatively better picture for commercial real estate in California. This is particularly true for the period after 2023. Nevertheless, commercial real estate development in California is also impacted by higher interest rates and the expected slower economic growth."

In the following narrative 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 my experience and historically as reported by market participants that the land market for these uses typically trend with the improved markets, oftentimes leading. 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

According to San Jose think-tank Joint Venture Silicon Valley (JVSV), "The region recovered from pandemic job losses by April 2022. Unemployment hit an historic low. Tech is becoming more highly concentrated. Silicon Valley added 88,000 jobs between mid-2021 and mid-2022, a growth rate of 5.4 percent. An estimated 22,000 jobs were added in the second half of the year. At the end of 2022 Silicon Valley was home to a quarter of the US workforce for our largest tech companies. Layoffs commencing in the second half of 2022 resulted in a one percentage point loss in the region's share of this 1.1 million-person workforce. The tech sector (including San Francisco) continues to become more concentrated. The 30 largest firms account for 42 percent of employment (19 percent are at Google, Apple and Meta alone). Silicon Valley's unemployment rate hit an historic low (1.8 percent) in May of 2022."

"Demand for commercial space is tempered by remote work but specialized R&D space is hot. Though remote work is shifting the dynamic, leasing activity remained strong throughout 2022, reaching 24.8 million square feet (up 2 percent). While there was a 45 percent increase in the number of lease agreements, the average amount of space per lease has sharply declined (to 12,700 square feet). Bay Area companies requiring other commercial types have not downsized, reflecting how R&D, laboratory and industrial spaces are less inherently able to be replicated off-site. The amount of office development in the pipeline remains robust, indicating a continued desire of owners to expand their footprint, and optimism from developers. Rental rates rose in 2022 for all space types, although Office rates did not outpace inflation. Rates for lab space have climbed the most rapidly. With the majority of Silicon Valley's premier tech companies announcing layoffs, sublease space has started to appear. A total of five million square feet of new Silicon Valley commercial space was completed in 2022 (61 percent Office, 10 percent Lab, 12 percent R&D and 8 percent Industrial), an amount nearly half of what was completed in 2021. Google, Apple, Meta, Amazon, LinkedIn and Netflix, combined, occupy 20 percent (54.2 million square feet) of office and R&D space. Of these six companies, Google occupies the most (approximately 20.5 million square feet). Remote work is increasing, creating extra capacity on roadways and decimating public transit. The share of Silicon Valley workers working from home grew to 35 percent in 2022, up from 28 percent in 2021. The share was 6 percent in 2019."

"Silicon Valley's population declined by 38,900 residents between mid-2020 and mid-2021, the highest figure ever recorded. The decline was due to a 74 percent rise in domestic outmigration, a reversal of the net flow of foreign immigrants (-103 percent), declining birth rates, and rising death rates."

Commercial Market Conditions

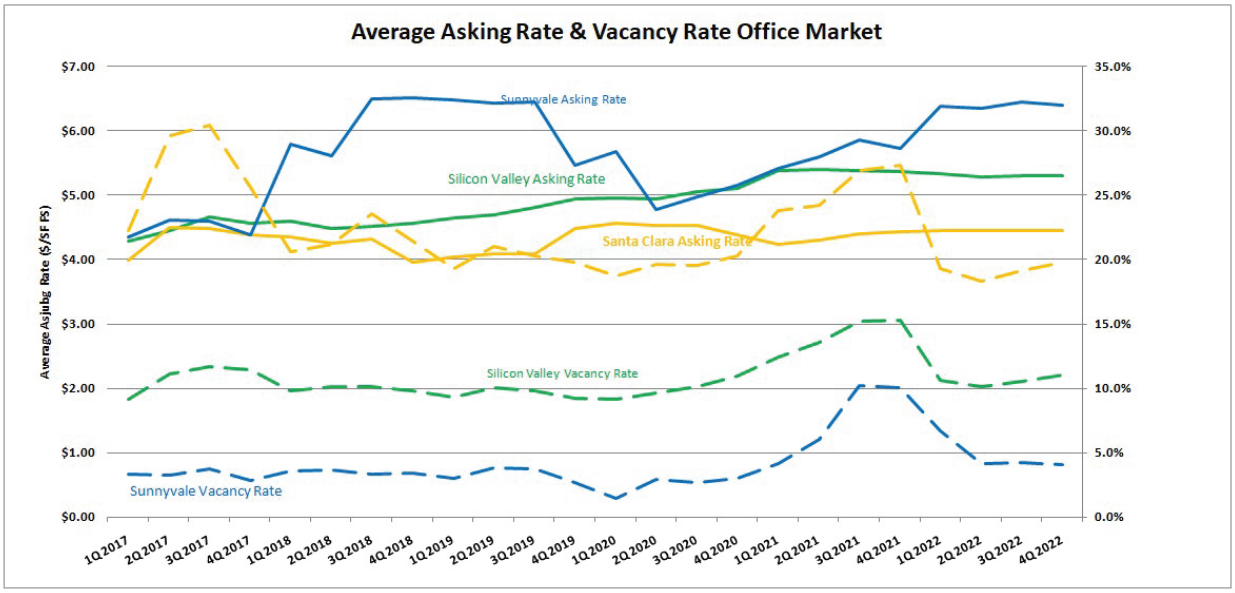
Commercial properties typically include office and retail uses. We discovered that office properties are generally being built in the central business districts and in light industrial locations. Research and development (R&D) properties have historically been a subcategory of industrial. However, R&D can rival office space in terms of finishes and quality and we elected to include a discussion of 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 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 early 2017 through 4Q-2022 was generally characterized by increasing vacancy rates, negative net absorption, and overall flat to slightly increasing average asking rental rates. The next table displays data from the Cushman & Wakefield's 4Q-2022 Silicon Valley Marketbeat Office Snapshot and predecessor reports and includes statistics from the Silicon Valley market, the subject's submarket (Santa Clara), and the adjacent Sunnyvale submarket.

OFFICE STATISTICS



Source: Cushman & Wakefield Marketbeat Office Snapshot

The data indicates that the office vacancy rate in Santa Clara generally increased slightly from Q1-2022 through Q4-2022. The Silicon Valley market has been overall more stable with vacancy reported at 11.0% for Q4-2022, slightly up from the 10.5% rate in the third quarter 2022. The region's availability represents 17.2 million square feet of vacancy in 4Q-2022. "Despite strong fundamentals, remote work policies popularized during the COVID-19 pandemic as well as fears of an upcoming economic downturn have left a significant amount of office space in the Valley vacant."

Cushman & Wakefield reports key 2022 lease transactions in the City of Santa Clara's include 160,611sf expansion at 3075 Olcott Street and DataStax sublease of 31,250sf at 2755 Augustine Drive in Q1-2022, aided by a 330,317 square foot sublease by Pure Storage at 2555 & 2565 Augustine Drive in Q2-2022, and a expansion by AMD of 62,500 square feet at 2755 Augustine Drive in Q3-2022.

The average office asking rent in 4Q-2022 for the City of Santa Clara was $4.45/SF/Month on a Full Service expense basis, whereby taxes, insurance, maintenance, utilities, and janitorial expenses are bundled into the base rent. This is slightly more than the $4.43/SF/Month asking rate from one year ago.

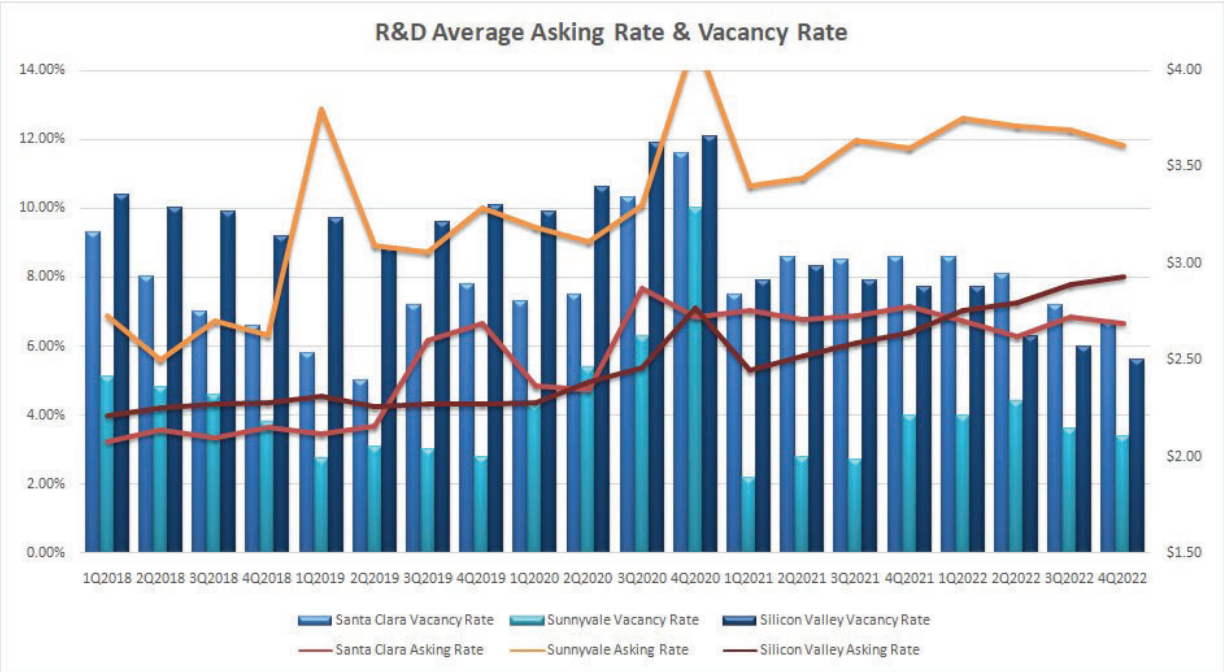
Marcus & Millichap's 4Q-2022 Market Report shows that in the San Jose Metro area, which includes Santa Clara, office vacancy increased 30 basis points Asking rents in the San Jose Metro increased 2.4% year-over-year.

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

There are several office developments under construction in Silicon Valley and Santa Clara. Notable developments previously discussed in the City of Santa Clara include: Related California, Lake Park, Kylli, Santa Clara Square, and NVIDIA.

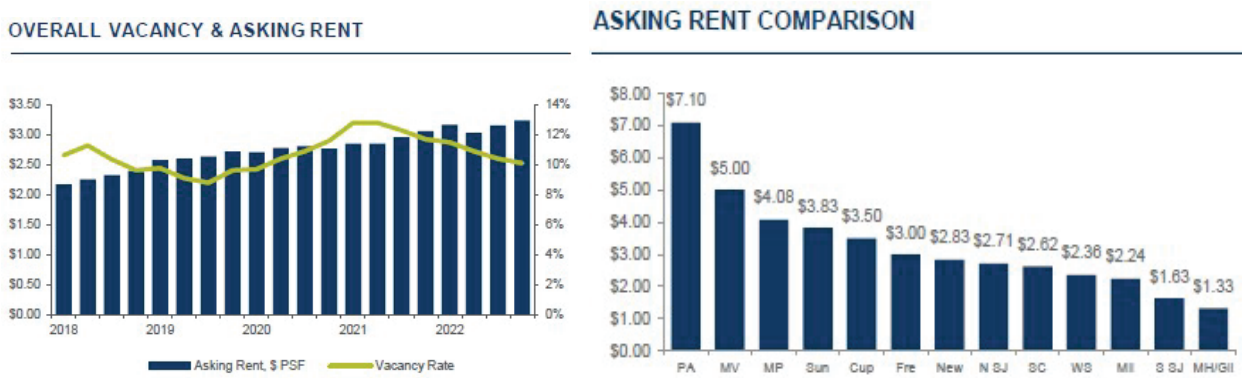
Research and Development (R&D) Market

The next table displays data from Colliers International's 4Q-2022 Silicon Valley R&D Market Snapshot and its predecessor reports:



Source: Colliers International

The next tables display data from Cushman & Wakefield's Marketbeat 4Q-2022 Silicon Valley R&D Market:



Source: Cushman & Wakefield

As shown above, Silicon Valley's R&D market experienced an overall decreasing vacancy rate in 4Q-2022. Meanwhile, asking rents in Santa Clara have remained stable from $2.70/SF/month in 1Q-2022 to $2.69/SF/month in 4Q-2022 on a NNN expense basis, despite the pandemic. 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 typically pays all other operating expenses.

Cushman & Wakefield reported in their Marketbeat 4Q-2022 Silicon Valley R&D Market that though more resilient than other markets nationally, the Bay Area has begun to show signs of an economic downturn. Mass layoffs from tech companies throughout the Bay Area have caused tenants and landlords to pause and reassess. Despite growing fears about the global economy, R&D product seems to be backed by strong demand and has consistently posted growth during the post-pandemic era.

Retail Market

According to Marcus & Millichap's Third Quarter 2022 San Jose Metro Area Retail Report, Sector outlook is brightening. With an unemployment rate of 2.4 percent in August, San Jose's labor market is outperforming the national average by 130 basis points. The strength of the metro's economy, coupled with pent-up consumer demand stemming from pandemic lockdowns, led to a rise in consumer spending over the past 12 months ending in June. These circumstances are improving the outlook for the retail sector in the Silicon Valley. Although availability has remained relatively steady over the past year ending in June, the vacancy rate in San Jose is at least 80 basis points lower than any other major Bay Area market. The metro's second quarter performance provides additional reason for optimism. During the three-month span, nearly all San Jose submarkets recorded positive net absorption. Specifically, vacancy fell 120 basis points in Santa Clara to 2.4 percent, the lowest rate in the metro, while availability in Sunnyvale-Cupertino dropped by 110 basis points. Transaction velocity for single-tenant assets increased by nearly 25 percent during the past four quarters ending in June, relative to the previous yearlong span. Pricing for properties in this segment was largely unchanged, recording at an average of $739 per square foot, while the mean cap rate remained in the high-4 percent range.

Within Santa Clara, Westfield Valley Fair Mall completed a $1.1 billion expansion in 2020 (Three-story, 98,000 square foot addition). Most of the new retail being proposed in this market is part of larger mixed-use projects.

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.

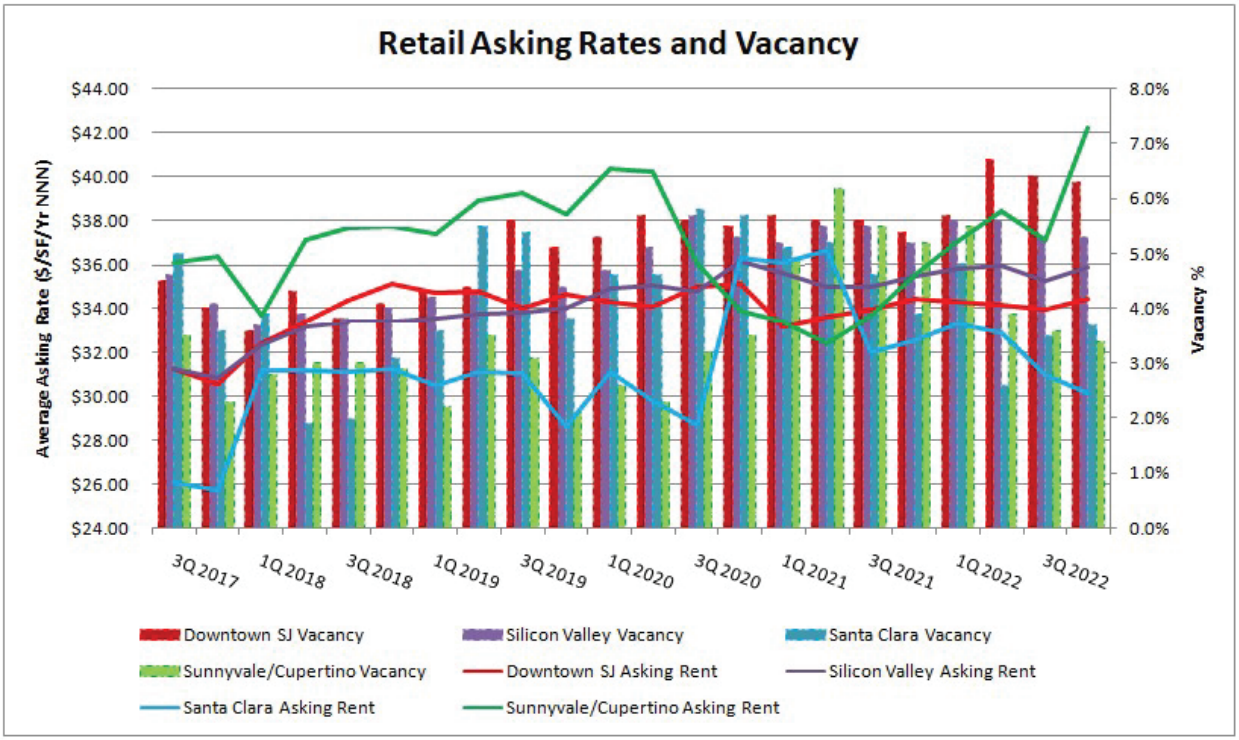
Over the course of 2019 (the most recent statistics available), taxable retail sales in Santa Clara County totaled approximately $47,001,964,265, or more than $47 billion dollars. This represents an increase of approximately 3.9 percent over the total taxable retail sales reported over the

course of 2018. The city of Santa Clara's economic & growth data show total taxable sales in the city were reported to be $2,909,866,700 in 2010 and $2,135,359,000 in 1990.

Average Asking Retail Rental Rates and Vacancy Rates

Cushman & Wakefield is a brokerage firm that publishes quarterly reports for the retail market in the San Jose metro area. They reported in their Q4-2022 *Marketbeat Silicon Valley Retail* that although the job growth has been slower in the fourth quarter, the unemployment rate in Silicon Valley was still low at 2.2% at the end of 2022, down 160 basis points (bps) from last year's figure of 3.8%. Professional and business services as well as hospitality contributed to the most job growth in Silicon Valley in 2022. The median household income was recorded as the highest in the country at $149,600, an increase of 8.2% from $138,200 a year ago. Meanwhile, the population grew by 0.5% annually. The overall vacancy rate of the shopping centers in Silicon Valley was fairly stable in the fourth quarter of 2022 at about 5%. The total retail inventory in Silicon Valley remained at 37.3 million square feet (msf) at the end of 2022, leaving 2.0 msf of vacant retail space, which consisted of 1.9 msf (96.2%) of direct retail space and 74,100 square feet (3.8%) of sublease space.

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 3Q-2017 onwards:



As indicated in the table above, the Santa Clara County retail market had an average asking rent of $2.99/SF/Mo NNN in 4Q-2022 which is a slight increase compared to $2.96/SF/Mo NNN in 4Q-2021. Neighborhood and community centers account for most of the vacancies in the market. In 4Q-2022 asking rents averaged $2.51/SF/Mo NNN in the subject's Santa Clara submarket which is a decrease compared to $2.71/SF/Mo NNN in 4Q-2021. In 4Q-2022 the retail vacancy rate in Santa Clara was reported at 3.7% with no new retail under construction. Vacancy rates in the subject's submarket declined from 3.9% from one-year ago. Asking rental rates in Santa Clara had generally been stable since Q1-2018 before a sharp increase in Q4-2020 and a decline starting in the final two quarters of 2021.

According to Marcus & Millichap's Hospitality Report for Midyear 2022 - *San Francisco Metro Area (which includes Santa Clara)*, "High-profile events return as pandemic restrictions fade. One of the hardest-hit metros during the health crisis, San Francisco dropped nearly all COVID-19 restrictions earlier this year. As capacity regulations are lifted, large-scale events should stimulate hospitality recovery. An expected influx of foreign travelers will play a significant role in boosting hotel demand, as before the pandemic, one third of the metro's tourism stemmed from international sources. Full recovery dependent on business and foreign travel. Hospitality services catering to business clients still face headwinds, due to a high proportion of firms operating on hybrid or remote schedules."

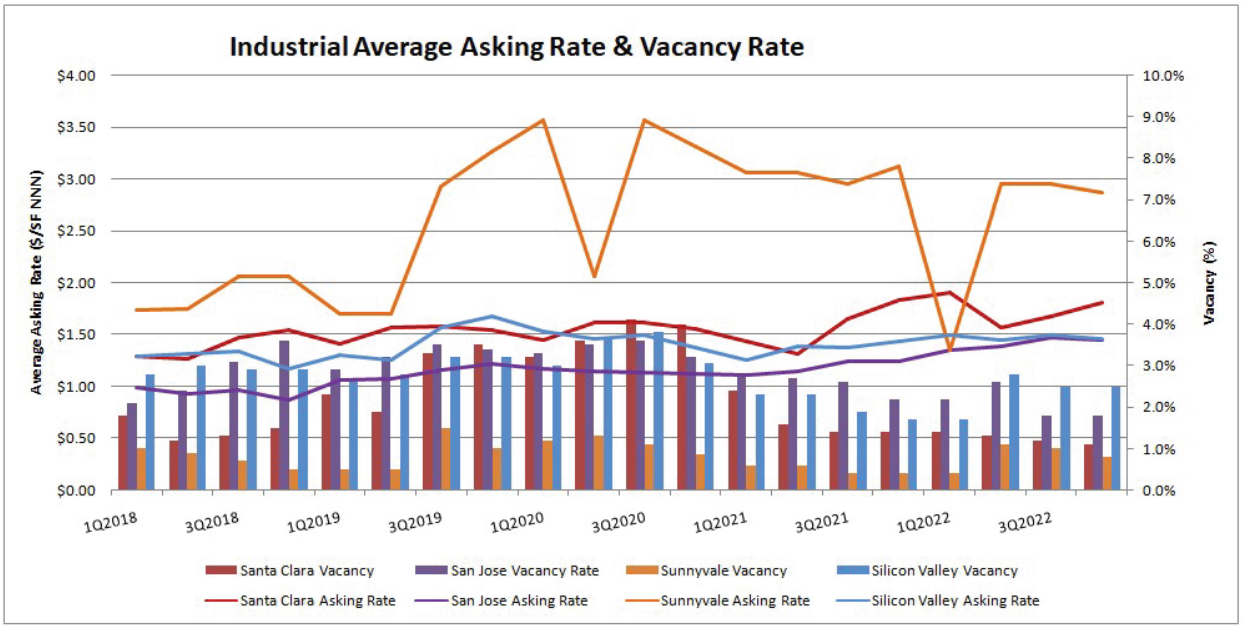
Industrial Market Conditions

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 Silicon Valley Industrial Q4-2022*, that vacancy for industrial product in Silicon Valley decreased in 4Q-2022 to 3.0% from 3.3% in 4Q-2021. Colliers International reported that warehousing vacancy in Silicon Valley decreased to 1.5% from 2.2% in the prior year. Cushman & Wakefield reported the Central Silicon Valley industrial submarket, which includes Santa Clara, San Jose, Campbell, and Sunnyvale, had an overall vacancy rate of 2.8% and an average asking rate of $1.40/SF/Month NNN at the end of 4Q-2022. The average asking rental rate in the subject's Santa Clara submarket was reported at $1.56/SF/Month NNN and a vacancy rate of 1.7% was reported. The subject's Santa Clara submarket represents a moderate sized industrial submarket in the region with a total industrial inventory reported at approximately 15,487,547 square feet, or roughly 23 percent of the total Silicon Valley industrial inventory.

In their *Q4 2022 San Jose Silicon Valley Research & Forecast Report* for industrial/warehouse properties, Collier's International reported *The industrial market in the Silicon Valley remains stable leading into 2023 but has softened in comparison to the tremendous growth seen since Covid in the past two years. While considered the base of the economy, industrial users are*

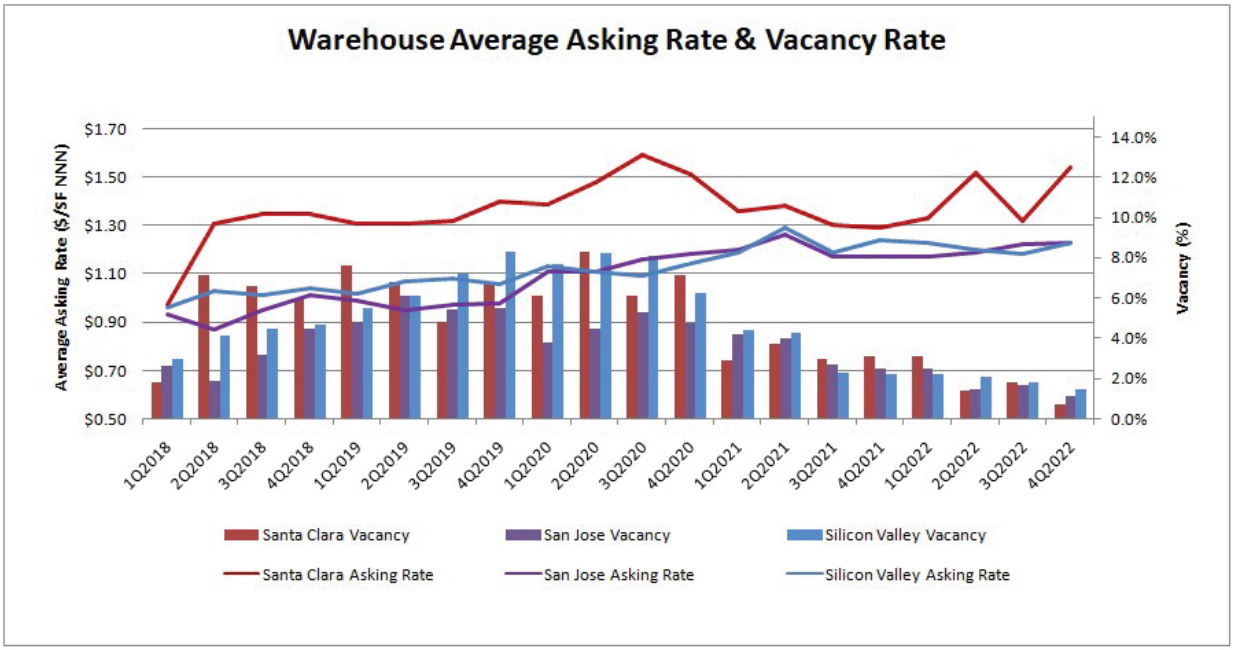
beholden to their own sales demand, so while industrial remains strong in the fourth quarter, the slowdown experienced in the other sectors will likely affect the demand for industrial space in the Valley. Regardless, with limited new supply, decreasing vacancy rates, and high asking rents, the Silicon Valley industrial market remains competitive heading into the new year. Regarding notable user activity, in San Jose Home Depot preleased 126,700 square feet at 1953 Concourse Drive and Inspur subleased Amazon's 78,000-square-foot warehouse at 615 King Road. Despite high interest rates, investors were very active in the Santa Clara submarket; Ellis Partners acquired a 30,000-squarefoot building at 3060 Raymond Street for $13.5 million and Dollinger purchased a 12,000-square-foot building from Victor Leasing Company at 2290 De La Cruz for $625 per square foot.

The next chart shows industrial rental rate and vacancy trends since 1Q-2018 based on data from Colliers International. The chart shows generally stable to decreasing vacancy rates and stable to decreasing rental rates, Sunnyvale being the exception.



Vacancy rates for manufacturing were generally stable in Silicon Valley between the start of 2015 and 1Q-2020, before decreasing to the 2.5% range in 4Q-2022. A similar trend has played out in the Santa Clara submarket with a generally decreasing vacancy rate to the 1.1% range in 4Q-2022. However, manufacturing rental rates in Santa Clara continue to increase; the asking rental rate rose from $1.47/SF/month NNN in 3Q-2018 to $1.81/SF/month in 4Q-2022. Within Silicon Valley, the average asking rate for warehouse was $1.46/SF/month in 4Q-2022compared to last year's rate of $1.43/SF/month.

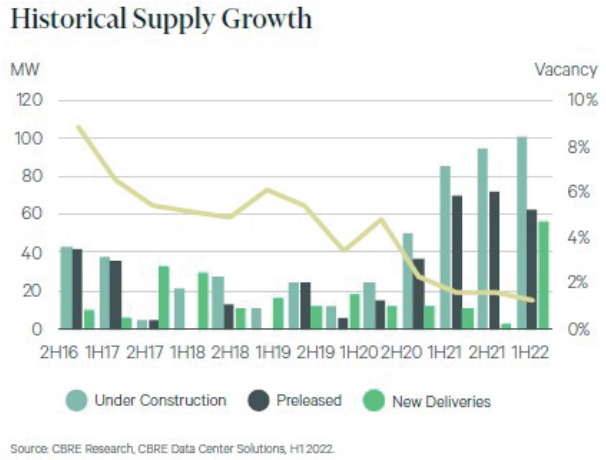
Warehouse data collected from Colliers International's *Silicon Valley Research & Forecast Report Q4 2022* and its predecessor reports are displayed in the next chart:



Warehouse vacancy rates in Silicon Valley had been declining for several years before increasing in 2018 and 2019, and then decreasing in 2022. Warehouse rental rates in Santa Clara increased; the asking rental rate increased from $1.29/SF/month in 4Q-2021 to $1.54/SF/month in 4Q-2022. Within Silicon Valley, the average asking rate for warehouse generally remained stable at $1.23/SF/month in 4Q-2022 compared to last year's rate of $1.24/SF/month.

Data centers are one of the largest industrial occupancy groups in Santa Clara, due mostly to Silicon Valley Power, which has lower rates than elsewhere in the Bay Area. The rise of remote working reinforced the need and demand for data centers. We discovered several expansion plans and construction occurring on existing sites, notably from Prime 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; however Prime is planning to build on a site as small as 1.68 acres. Two (data center) sites in Santa Clara were sold in 2021 (see Industrial Land Comparables I-1 and I-2, these are the most recent industrial sales that we uncovered and confirmed). One additional transaction at 2315 Mission College Boulevard in Santa Clara (not included in the sales grid) is also a data center land sale that was reported to have been purchased by Amazon Data Services Inc. The 7.04 acre site reportedly sold for $51,817,500 or $168.97sq.ft. of land area. This sale could not be fully confirmed but was reported to have closed escrow on January 4, 2022.

CBRE's U.S. Data Center Trends report for the 1H 2022 indicated the following market changes in Silicon Valley's data center market:



The CBRE report notes that Silicon Valley collocation data center supply remains extremely tight, with strong demand lowering the overall vacancy rate to just 1.3% - the lowest in the nation. Cloud service providers continue to dominate, although the area has seen a resurgence of enterprise demand. Limited land and ability to deliver power has caused some providers to explore options beyond Santa Clara in neighboring markets like San Jose and the East Bay Area. The city of Santa Clara is power constrained. Developers are land-banking available sites while waiting for power delivery. Notable activity includes NTT/RaginWire SV1 was 100% preleased. GIPartners, EdgeCore and CyrusOne all announced new developments to begin the year or next. Projects that began construction in Santa Clara are a 435,050sq.ft. 48-MW data center by Digital Realty, a 121,000sq.ft. 9-MW facility by Prime Data Centers, and a 560,000sq.ft. 60-MW building by Skybox Data Centers.

Residential Market Conditions

The National Association of Home Builders, reported housing data for the end of 2022 illustrate a market continuing to weaken because of low housing affordability, largely as a result of elevated mortgage interest rates. At the start of 2023, the average 30-year fixed mortgage rate is near 6.5%, down from a near 20-year high of 7.1% in early November.

However, forecasters expect the Federal Reserve will end its path of rate increases at the end of the first quarter. This should lead to sustainable declines for mortgage rates in the second half of 2023 and into 2024, enough to spur a rebound for single-family construction. However, rising mortgage rates combined with 35% to 45% growth in home prices since 2020 have priced many prospective buyers out of the market. Indeed, according to new NAHB estimates, 18 million households were priced out of the market as rates increased from 3% to 7% throughout 2022.

The decline in affordability is clearly reflected in current housing sales statistics: The volume of existing home sales in November 2022 was 35% lower than a year prior, while inventory was at just a 3.3-month supply. New home sales, per Census data, were down 15% in November on a year-to-date basis when compared against the same time period of 2021. Inventory is elevated at an 8.6-month supply, as builders report growing cancellation rates (30% on average) and declining buyer traffic.

As a result of these market developments, single-family builder sentiment — as measured by the NAHB/Wells Fargo Housing Market Index (HMI) — declined every single month of 2022, falling from 83in December 2021 to 31 in December 2022. This is the lowest reading since 2012, with the exception of the spring of 2020. In fact, nearly two-thirds (62%) of builders are using some form of sales incentive to sell homes, with 35% reporting they cut prices.

The California Association of Realtors (C.A.R.) published their December Home Sales and Price Report in mid-January 2022. The report notes that "Closed escrow sales of existing, single-family detached homes in California totaled a seasonally adjusted annualized rate of 240,330 in December, according to information collected by C.A.R. from more than 90 local REALTOR® associations and MLSs statewide. The statewide annualized sales figure represents what would be the total number of homes sold during 2022 if sales maintained the December pace throughout the year. It is adjusted to account for seasonal factors that typically influence home sales. December's sales pace was up 1.1 percent on a monthly basis from 237,740 in November and down 44.1 percent from a year ago, when 429,860 homes were sold on an annualized basis."

"It's encouraging to see an uptick in December's home sales as buyers took advantage of a slightly more favorable lending environment that provided them with a window of opportunity to enter the California housing market," said C.A.R. President Jennifer Branchini, a Bay Area REALTOR®. "As buyers and sellers gradually adapt to the new normal, we are seeing a shift toward a more balanced market. With both sides slowly adjusting their expectations, it's hopeful that we'll see sales ratcheting higher as market conditions improve further throughout 2023."

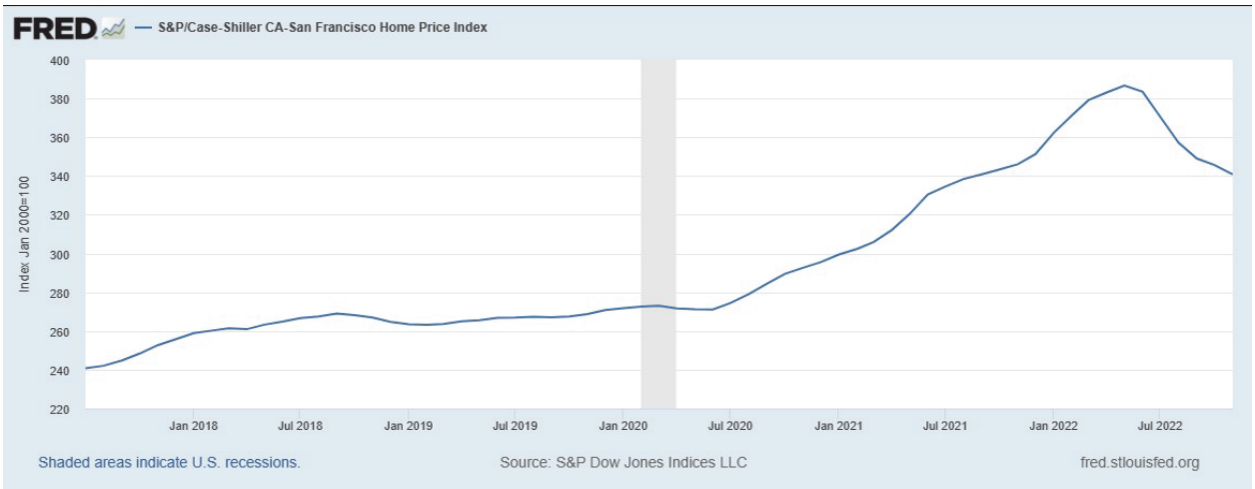
California's median home price in 2022 remained on a downward trend for the fourth straight month and has been down on a monthly basis for six of the last seven months. December's median price of$774,580 was down 0.4 percent from the $777,500 recorded in November. December's price also was lower on a year-over-year basis for the second consecutive month, declining 2.8 percent from the $796,570 recorded last December. For 2022 as a whole, California's median home price increased 4.5 percent from 2021's $786,750 figure but is expected to decline by 8.8 percent in 2023.

"Home prices are holding up relatively well, despite rising interest rates and falling housing demand in recent months. Tight housing inventory was a primary factor preventing prices from

free falling as new active listings continued to dip to reach the lowest level in at least the past five years," said C.A.R. Vice President and Chief Economist Jordan Levine. "While depressed inventory will preclude major price declines beyond the 8.8 percent we forecast for this year, it will also slow sales growth and prevent the housing market from having a rapid recovery."
"At the regional level, median home prices dropped from a year ago in all major regions, with the San Francisco Bay Area experiencing the biggest annual price decline at 9.6 percent. All nine Bay Area counties experienced a year-over-year median price decline, with four of the nine counties sliding more than 10 percent."

Regional Housing Market

The Standard & Poor/Case-Shiller Home Price Index measures the average change in value of residential real estate 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 29% from 263.868 in December 2018 to 340.806 in November 2022, or about 0.62%/month. However, over the eleven months between December 2021 and November 2022 the decrease was about .24%/month, echoing the builder sentiment evident in the Housing Market Index.



Source: S&P Dow Jones Indices LLC

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 696,489 units as of January 1, 2022. This represents an increase of 4,076 units over the 692,413 units as of January 1, 2021. 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 2020, the housing supply in Santa Clara County increased by a total of 42,638 units, equivalent to a compounded annual increase of 0.655 percent or an average of 4,264 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 52,000 housing units as of January 2022. This represents an increase of 748 units from the 51,252 housing units as of January 2021.

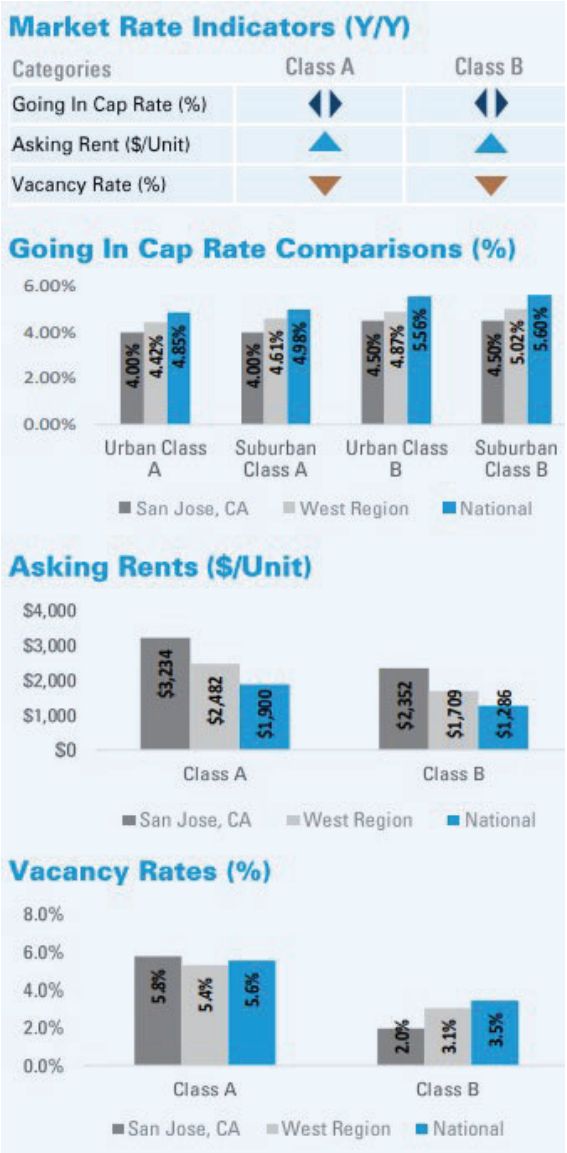
According to ABAG's Projections 2040 report, in 2015, the City of Santa Clara had a total of 49,685 housing units. This statistic is projected to increase to 52,675 housing units by 2030, a compounded annual rate of 0.39%, or an average increase of 199 housing units per year. Based on the most recent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

Local Multifamily Market

According to Integra Realty Resources Viewpoint 2023 San Jose Multifamily Mid-Year Report,
The San Jose apartment market continued to recover during 2022. The pandemic had negatively impacted demand as widespread remote working environments allowed many renters to relocate to more affordable markets. The most expensive submarkets in the Silicon Valley were the hardest hit with greater occupancy loss and greater rent decline. However, as the economy recovered and businesses reopened, renter demand returned with employees once again needing to be near employment centers. Though a widespread return to the office has not materialized, most employers have adopted some form of a hybrid schedule, requiring employees to be in the office at least a few days of the week. Improvement in apartment market conditions began in 2021, and reached pre-pandemic levels by mid-2022, with positive net absorption, increasing rental rates and a decrease in overall vacancy. The submarkets most heavily impacted were also the ones with the greatest recovery.

Integra Realty Resources Viewpoint 2023 San Jose Multifamily Mid-Year Report summary is displayed in the following charts:

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



Source: Integra Realty Resources Viewpoint 2023 San Jose Multifamily Mid-Year Report

Values for multifamily properties are projected to be stable over the next 12 months, according to Integra's report. Asking rents over the next 12 months are projected to increase.

According to a CoStar report on the local multifamily market, "Demand remained elevated through the first half of 2022, but drew back during 22Q3 as the economy slowed. The vacancy rate sits at 3.9% compared to 9.7% earlier in the pandemic, when remote and hybrid work enabled many renters to relocate to more affordable areas."

"Vacancy in Santa Clara has fluctuated over the past 10 years as large-scale construction projects were completed and units were absorbed. In total, the submarket added over 4,300 units in the

past decade. The current pipeline is likely to apply upward pressure to vacancy in the coming years, even as the submarket has previously been able to absorb new units at a healthy rate."

"Asking rents in Santa Clara fell during the pandemic as renters took advantage of remote working trends to seek alternative housing options outside of the Bay Area. As a result, demand for apartments slowed considerably, necessitating decreases in asking rents. Rent growth picked back up in 2021 and over the trailing 12-month period, rents have advanced 5.9%, a robust recovery as the economy has reopened and renters began to renew their interest in the submarket."

The Marcus & Millichap's 3Q-2022 Multifamily San Jose Metro Area Market Report stated that San Jose apartments return to pre-pandemic path as potential tech office return lies on the horizon. Renters are moving back to central areas, ahead of office plans. Apple's aim to have most employees in the office at least three days per week starting in September may be a catalyst for a broader workplace return among South Bay technology companies, but for the metro's apartments, demand has already come back. The addition of over 26,000 jobs through the first six months of the year places metro employers on track to expand staff counts by 3.7 percent this year. The total employment base is set to recover to the pre-pandemic level by the end of 2022.

Local Single-Family 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.

Among the 52,000 housing units (January 2022) in Santa Clara, as reported by the DOF, the single-family (attached and detached) market represents about 24,460 or about 47% of the total housing units in Santa Clara.

CoreLogic is a national real estate, mortgage, consumer, and specialized business data provider. DQ News has in the past tracked the annual median home price for all homes (single-family, condo, and townhouse), including new construction, in the City's three ZIP code areas through 2021. As the DQ News reports are no longer available, all of 2022 year end summary data was obtained from MLS Listings and does not include all new construction.

	2018 Year End Summary Sales							
Community	Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
Santa Clara	95050	380	-0.5%	$1,184,500	24.4%	$2,609,000	$959	20.3%
Santa Clara	95051	484	-16.6%	$1,358,000	17.0%	$2,800,000	$1,043	13.2%
Santa Clara	95054	185	-25.4%	$1,250,000	23.3%	$2,400,000	$823	14.5%

	2019 Year End Summary Sales							
Community	Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
Santa Clara	95050	332	-12.6%	$1,200,000	1.3%	$2,350,000	$910	-5.1%
Santa Clara	95051	461	-4.8%	$1,300,000	-4.3%	$2,400,000	$973	-6.7%
Santa Clara	95054	162	-12.4%	$1,140,000	-8.8%	$2,450,000	$782	-5.0%

	2020 Year End Summary Sales							
Community	Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
Santa Clara	95050	301	-9.3%	$1,200,000	0.0%	$2,780,000	$834	0.9%
Santa Clara	95051	614	33.2%	$1,400,000	7.7%	$2,200,000	$869	2.3%
Santa Clara	95054	160	-1.2%	$1,175,000	3.1%	$2,090,000	$774	3.5%

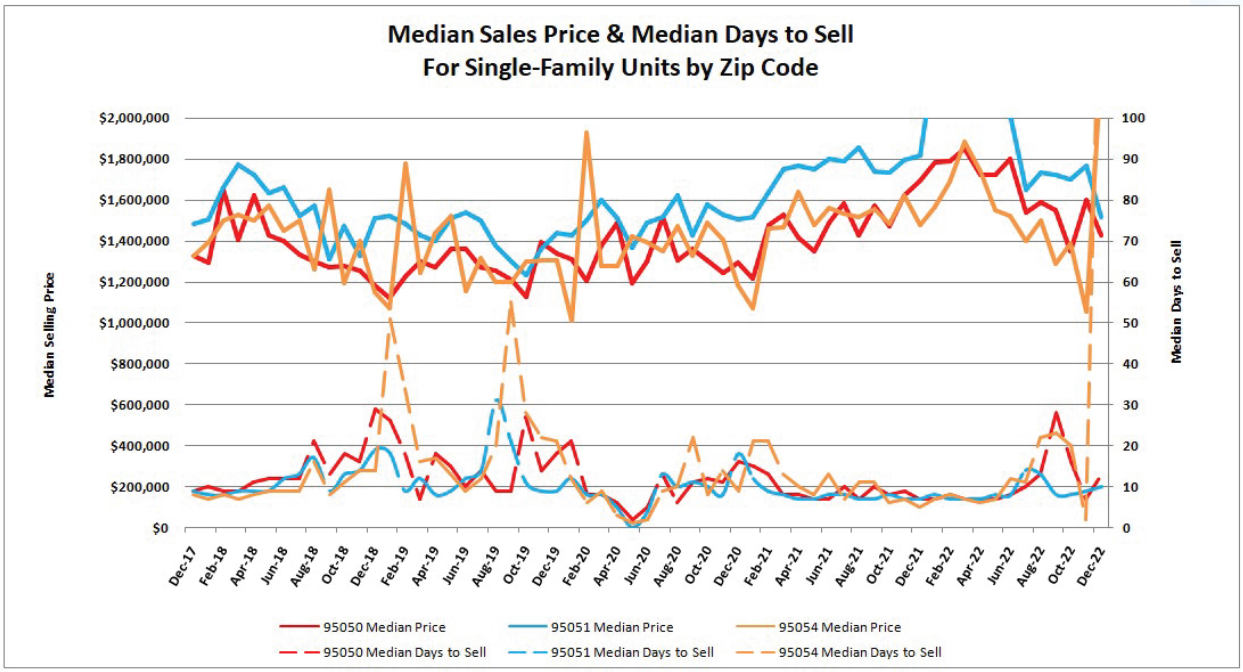
	2021 Year End Summary Sales							
Community	Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
Santa Clara	95050	441	46.5%	$1,289,500	7.5%	$3,218,500	$858	2.9%
Santa Clara	95051	855	39.3%	$1,490,000	6.4%	$3,180,000	$912	5.0%
Santa Clara	95054	242	51.3%	$1,255,000	6.8%	$2,900,000	$794	2.6%

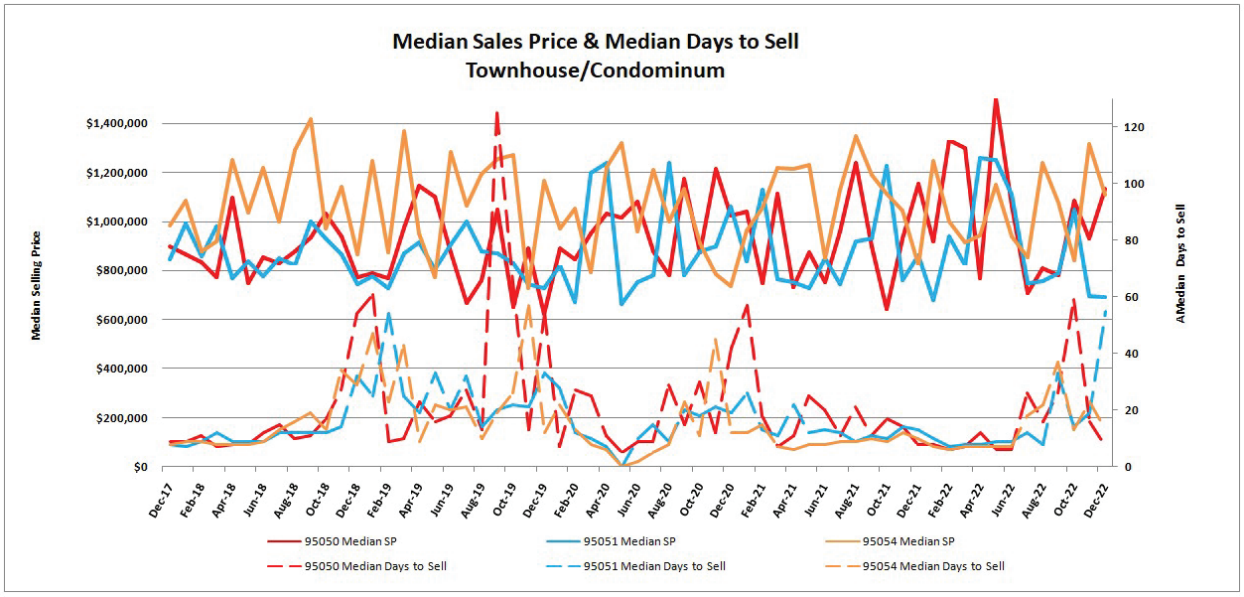
	2022 Year End Summary Sales							
Community	Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
Santa Clara	95050	258	-41.5%	$1,472,500	14.2%	$3,650,000	$1,024	19.4%
Santa Clara	95051	483	-43.5%	$1,630,000	9.4%	$3,500,000	$1,119	22.7%
Santa Clara	95054	138	-43.0%	$1,278,044	1.8%	$3,330,000	$887	11.7%

The data above indicates that zip code 95051 consistently has the highest median price among Santa Clara's zip codes. Zip code 95050 had the second highest median in most years. 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 2018, stabilizing in 2019 and 2020, and increasing in both 2021 and 2022. Overall median prices were higher in 2022. By the end of 2022, compared to the previous year, median prices had increased about 14.2% per year in 95050, increased about 9.4% per year in 95051 and about 1.8% per year in 95054.

The $/SF indicators showed an overall increasing trend from 2020 to 2022. The total number of sales indicator showed an overall decreasing rate from 2021 to 2022 in all three zip codes.

The following tables depict the median price trend by zip code over the 61 months ending December 2022 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:





As shown above, market data derived from the local MLS shows that prices were trending downward in 2018, and oscillated up and down in 2019, 2020 and 2021. Similarly, townhouses and condominiums oscillated up and down in 2022. However, prices for single family homes were generally trending downwards in the last half of 2022. In addition, the median days to sell increased in the last half of 2022.

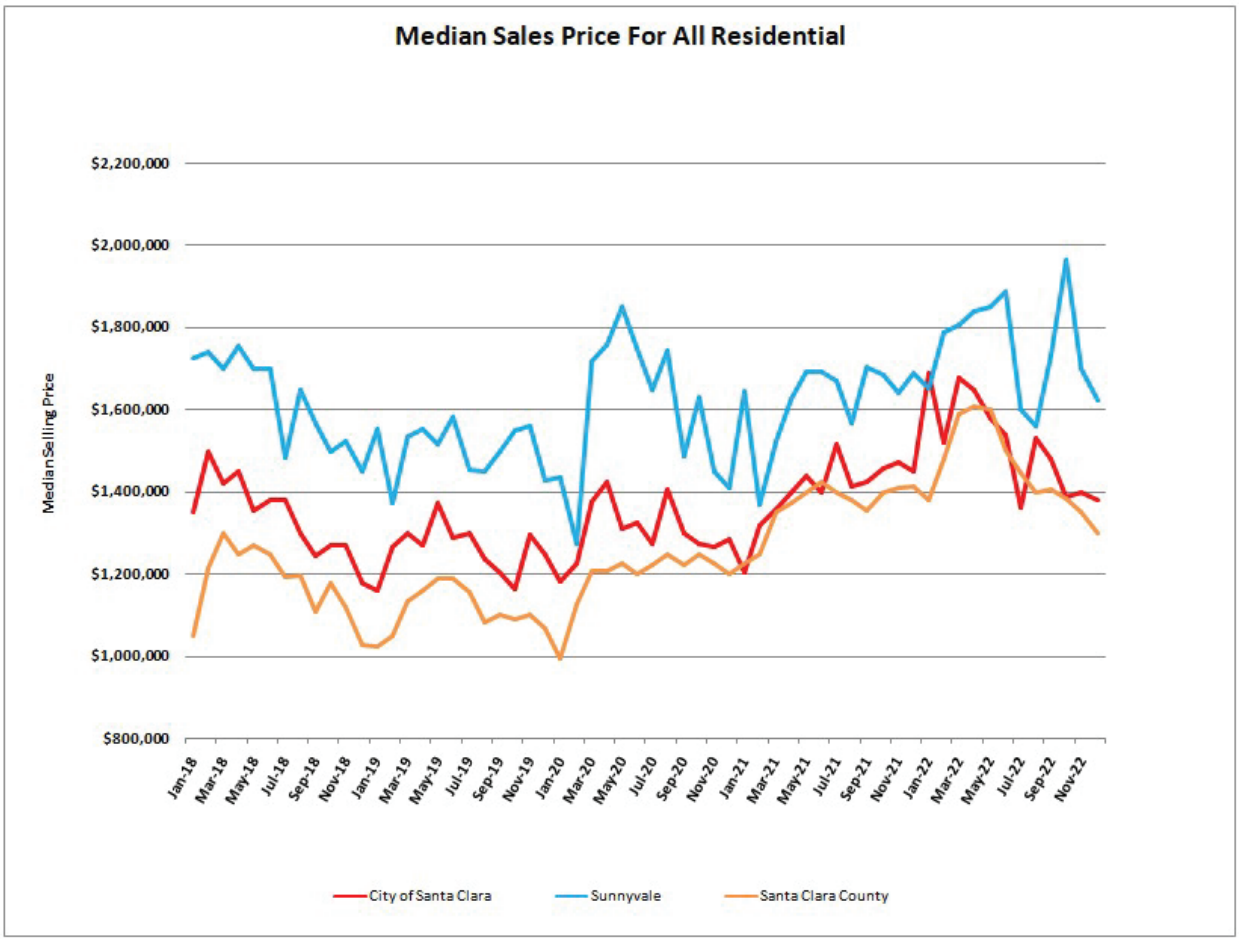
We note that DQ News/CoreLogic data includes resales and new construction, while MLS typically does not include all new construction. This is because builders often do not use MLS to

market their homes, using their in-house marketing efforts instead. The following tables show the annual and 2-year change for all housing types over the last three Decembers, according to the MLS:

Median Sales Price						
Housing Type	**Zip Code**	**2020**	**2021**	**2022**	**% Change per Month Last 12 Months**	**% Change per Month Last 2 Years**
SFR, Condo,	95050	$1,257,750	$1,350,000	$1,472,500	0.76%	0.71%
&	95051	$1,390,000	$1,550,000	$1,630,000	0.43%	0.72%
Townhouse	95054	$1,212,500	$1,290,000	$1,278,044	-0.08%	0.23%
Source: Local MLS						

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

The next table using MLS statistics shows the monthly median change in selling prices in Santa Clara, adjacent Sunnyvale, and the larger Santa Clara County market since the start of 2018:



As the table above indicates, median selling prices were rising in the spring of 2018, receded until early 2019, were more stable through the end of 2019, but then increased sharply in the early part of 2020 through the spring of 2020. Prices were generally stable over remainder of 2020 in Santa Clara and Santa Clara County but declined in Sunnyvale. The median selling prices for each of these three areas generally increased throughout 2021 and the first half of 2022. Prices were generally trending downwards in the last half of 2022.

Conclusions

The *Winter 2023 Allen Matkins/UCLA Anderson Forecast California Commercial Real Estate Survey* reports "The level of uncertainty in the economy has elevated dramatically in the months since the Summer 2022 Allen Matkins/ UCLA Anderson Forecast California Commercial Real Estate Survey. The combination of recent Federal Reserve interest rate increases and an increased possibility of a near-term recession has resulted in more challenging commercial real estate financing including a demand by financiers for higher equity participation and higher rate of return hurdle rates. Nationwide, a contraction in new commercial development is now underway. The latest Survey, taken in December 2022, coupled with analysis by the UCLA Anderson Forecast, paints a relatively better picture for commercial real estate in California. This is particularly true for the period after 2023. Nevertheless, commercial real estate development in California is also impacted by higher interest rates and the expected slower economic growth."

Commercial (retail and office) properties exhibited mixed indications due to the pandemic in 2021. Some retail is doing fine, but the hospitality/leisure/entertainment industries remain depressed. Office demand appears in limbo as many employees may or may not fully return to offices, particularly among tech companies. Layoffs commencing in the second half of 2022 resulted in a one percentage point loss in the region's share of this 1.1 million-person workforce. Demand for commercial space is tempered by remote work but specialized R&D space is in demand. Though remote work is shifting the dynamic, leasing activity remained strong throughout 2022. Based on discussions with market participants, general market conditions and the sales data we analyzed, we applied a market conditions rate of change to the commercial land sale comparables used of negative 0.75% per month from the start of 1Q-2020 through 4Q-2021. For the year 2022 prices were more stable for commercial and did not warrant adjustment.

Over the past couple of years, industrial (and warehouse) market statistics indicated that rental rates have been trending upwards, while vacancy rates generally stabilized near 5%. Market participants opined that selling prices are also increasing, especially for large sites suitable for data centers. The increase in industrial value is supported by an improved paired sale at 3600 Peterson Way in Santa Clara 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 for this 75,800 square foot building on an approximate 5.42-acre site. 1623 S 10th Street in San Jose sold for

$3,000,000 in August 2018 and again for $3,801,000 in October 2020, indicating a straight-line increase of about 1.0% per month. Based on changing rents and prices, 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 Q4-2020, with no additional adjustment in 2021 or 2022.

Santa Clara (and the Bay Area in general) is an undersupplied housing market. Demand for housing is expected to continue in the long-term, with increased demand for higher density housing options, a result of the scarcity of developable land and the more affordable nature for prospective buyers/renters.

Market data and market participants report that residential prices declined in the latter part of 2018 and were stable overall during 2019. In 2020, the residential market showed different trends depending on property type. The market generally saw greater demand for detached residential over the course of 2020 and 2021 as buyers looked to have more indoor/outdoor space since they began spending a greater proportion of time at home. Meanwhile, condominiums and apartments experienced a slower market during 2021. Comparing just the December 2022 city of Santa Clara overall median residential sales price to the December 2021 overall median residential sales price, MLS Listings shows a decline of 4.83% year or a decreasing rate of change of about .40% per month. Based on the market reports cited above, sales data analyzed, and market participant interviews, for the very low-density residential land sales used in the following analysis we applied an increasing rate of change of 0.25% per month from the start of 2020 through the fourth quarter 2020, an increasing rate of change of 1.00% per month from the start of 2021 through the fourth quarter 2021, and an decreasing rate of change of 0.40% per month from the start of 2022 through the fourth quarter 2022.

For the high-density land sales, median sale prices oscillated somewhat and multifamily rents stagnated or declined during 2021. Rent growth picked back up in the first half of 2022. CoStar's Santa Clara Multi-Family report showed stagnating rent growth in the second half of 2022. Over the longer term, rent growth in Santa Clara has averaged 3.6% annually over the past decade. We conclude no market change is warranted during 2019, 2020 and 2021. A 3.6% annual market change is applied during 2022 for this property type.

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 studied 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, except for retail/hospitality/office, each product type is generally experiencing increasing or stable prices and stabilizing vacancy rates. These are indications that the highest and best use is to construct the legally permissible product for each respective property type. However, for the commercial use, since many retail and office projects are on hold, construction would not likely be undertaken until the market improves, unless preleased or a build-to-suit is procured. Therefore, the highest and best use for the hypothetical commercial use would be to hold for future development of a commercial building until the market improves, unless preleased or a build-to-suit. 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
Medium Density Residential	Medium Density Residential
High Density Residential	High Density Residential
Commercial	Hold for Development of a Commercial Building
Industrial	Industrial Building

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

For 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 or nearer the high end of the allowed density ranges (based on ever-increasing density proposals/approvals):

- 10 dwelling units per gross acre (DU/AC) for Very Low-Density Residential;
- 13 dwelling units per gross acre (DU/AC) for Low-Density Residential;
- 30 DU/AC for Medium-Density Residential; and
- 45 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 building, but only if preleased or a build-to-suit. The likely industrial use would be a data center, flex, 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 hypothetical subject lots. Therefore, we did not undertake a cost or income capitalization 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

Very Low-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 very low-density value component, we assumed a density of 10 dwelling units per acre, at the high end of the allowed range under the Very Low-Density General Plan designation, which allows up to 10 dwelling units per acre. We searched for competing sales and listings of properties throughout Santa Clara and adjacent cities which were intended for development with residential densities less than 25 dwelling units per acre and that closed escrow over the last three years. We first analyze the subject hypothetical one-acre site located in zip code 95050 since more appropriate sales from this zip code were discovered. The sales 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/or buyers when possible. A map showing the location of these comparables is displayed in the Addenda.

VERY LOW DENSITY COMPARABLE LAND SALES								
ELEMENT OF ADJUSTMENT	**SUBJECT**	**COMPARABLE VLD-1**	**COMPARABLE VLD-2**	**COMPARABLE VLD-3**	**COMPARABLE VLD-4**	**COMPARABLE VLD-5**	**COMPARABLE VLD-6**	**COMPARABLE VLD-7**
ADDRESS	Average Street	2303 Gianera Street	159 Brookside Avenue	3159 Butte Street	1334 Miller Ave	1348 Miller Ave	4249 Cheeney Street	Hanson Avenue
	Santa Clara	Santa Clara	Santa Clara	Santa Clara	San Jose	San Jose	Santa Clara	San Jose
APN		104-06-037	303-22-028	290-04-044	375-25-053	375-25-055	104-12-025 & 026	303-41-018
SELLER		Jose Trinidad Nuno	Domingo 1992 Revocable Trust	Wallis 1983 Family Trust	Steven K. Doi 2011 Trust	Li Shaoliang	Marlene Munson Rebello	RROCA LLC
BUYER		Gianeral ST Estate LLC	Ranjan Trust, et al	Cheng C & Tsai L Chen	Zhang Tao	Ke Lun	Maruti Builders LLC	Bakhtiari Family Trust
DOCUMENT NUMBER		25354706	24597855	24420940	24965466	24965471	25297169	25326305
VERIFICATION SOURCE		Broker, MLS, Public Record	Broker, MLS, Public Record	Broker, MLS, Public Record	Buyer, Public Record	Buyer, Public Record	Broker, Subscription Svcs, Public Record	Broker, MLS, Public Record
ASSESSMENT BONDS		None	None	None	None	None	None	None
NUMBER OF UNITS	10	4	2	2	3	3	8	4
SALE / *LISTING* PRICE		$2,443,000	**$1,325,000**	**$1,600,000**	**$3,100,000**	**$3,232,000**	**$2,650,500**	**$1,800,000**
SALE / OFFERING PRICE PER SF		**$145.42**	**$96.72**	**$110.92**	**$139.87**	**$145.82**	**$119.31**	**$119.05**
TRANSACTIONAL ADJUSTMENTS								
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		Conventional	Conventional	All Cash	All Cash	All Cash	All Cash	All Cash
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Arm's-Length	Arm's-Length/Improvement Value	Arm's-Length	Arm's-Length	Arm's-Length	Arm's-Length
ADJUSTMENT		0.00%	0.00%	-9.38%	0.00%	0.00%	0.00%	0.00%
EXPENDITURES AFTER SALE		Demolition Offset	Demolition Offset	None	Demolition Offset	Demolition Offset	None	None
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CLOSE OF ESCROW		August 8, 2022	September 2, 2020	March 4, 2020	May 18, 2021	May 18, 2021	May 5, 2022	June 27, 2022
TIME OF SALE / MARKET CONDITION	December 31, 2022	June 2022	August 2020	February 2020	March 2021	March 2021	April 2022	June 2022
MONTHS FROM START 1Q-2020 THROUGH 4Q-2020		0	4	10	0	0	0	0
ADJUSTMENT @ % PER MONTH	0.25%	0.00%	1.00%	2.50%	0.00%	0.00%	0.00%	0.00%
MONTHS FROM START 1Q-2021 THROUGH 4Q-2021		0	12	12	9	9	0	0
ADJUSTMENT @ % PER MONTH	1.00%	0.00%	12.00%	12.00%	9.00%	9.00%	0.00%	0.00%
MONTHS FROM START 1Q-2022 THROUGH 4Q-2022		6	12	12	12	12	8	6
ADJUSTMENT @ % PER MONTH	-0.40%	-2.40%	-4.80%	-4.80%	-4.80%	-4.80%	-3.20%	-2.40%
ADJ PRICE PER SF AFTER TRANSACTIONAL ADJS		**$141.93**	**$104.15**	**$109.86**	**$145.14**	**$151.32**	**$115.49**	**$116.19**
LOCATIONAL ADJUSTMENTS								
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Similar	Inferior/San Tomas Expy	Similar	Superior	Superior	Inferior	Similar
ZIP CODE	95050	95054	95050	95051	95129	95129	95054	95117
OVERALL LOCATIONAL RATING	Average	Inferior	Inferior	Similar	Superior	Superior	Inferior	Similar
PHYSICAL ADJUSTMENTS								
SITE SIZE (ACRES)	1.00	0.386	0.31	0.33	0.51	0.51	0.51	0.35
SITE SIZE (SF)	43,560	16,800	13,700	14,425	22,164	22,164	22,216	15,120
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Inferior / Sl Irregular / 1 Street Front	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Sl Irregular / 1 Street Front
USE/ZONING ADJUSTMENTS								
ZONING		R1-6L	R1-8L	R1-6L	R1-8	R1-8	R1-6L	R1-8
GENERAL PLAN	Very Low Density Res	Low Density Res	Very Low Density Res	Very Low Density Res	Residential Neighborhood	Residential Neighborhood	Very Low Density Res	Residential Neighborhood
ALLOWED DENSITY (dwelling units per acre)	up to 10	8 to 19	up to 10	up to 10	up to 10	up to 10	up to 10	up to 10
NUMBER OF UNITS	10	6	2.0	2.0	3.0	3.0	8.0	4.0
ESTIMATED / PROPOSED DU/ACRE	*10.0*	*15.6*	*6.4*	*6.0*	*5.9*	*5.9*	*15.7*	*11.5*
INTENDED USE	Residential	4 Residential Units	SFD + ADU	Residential + ADU	3 Residential Units	3 Residential Units	8 or 9 units	4 Residential Units
PARK FEE COMPONENT PER UNIT	$65,263	Similar/$60,658	Superior/None	Superior/None	Superior/$27,300	Superior/$27,300	Similar/$60,658	Similar/$60,658
ENTITLEMENT STATUS	Has Zoning & GP	Has Zoning & GP	Had Zoning and GP	Had Zoning and GP	Has Zoning & GP	Has Zoning & GP	Had Zoning and GP - No Approvals	Had Zoning and GP - No Approvals
OVERALL PHYSICAL & USE/ZONING RATING		Superior	Inferior	Similar	Superior	Superior	Inferior	Similar
OVERALL RATING-SUBJECT SHOULD SELL FOR		**LESS**	**MORE**	**Similar**	**LESS**	**LESS**	**Slightly MORE**	**Similar**

VERY LOW DENSITY COMPARABLE LAND LISTINGS				
ELEMENT OF ADJUSTMENT	**SUBJECT**	**LISTING 1**	**LISTING OFFER 2a**	**LISTING OFFER 2b**
ADDRESS	Average Street	1530-1540 Pomeroy Avenue	Fillmore Street	Fillmore Street
	Santa Clara	Santa Clara	Santa Clara	Santa Clara
APN		290-02-096 & 097	104-10-077	104-10-077
SELLER		Maesumi/Pascual	Manisha Kamal Sitlani	Manisha Kamal Sitlani
BUYER		Listing	Listing	Listing
DOCUMENT NUMBER		Listing	Listing	Listing
VERIFICATION SOURCE		Broker, MLS, Public Record	Broker, MLS, Public Record	Broker, MLS, Public Record
ASSESSMENT BONDS		None	None	None
NUMBER OF UNITS	10	8	4	4
SALE / *LISTING* PRICE		$4,600,000	$1,100,000	$1,115,000
SALE / OFFERING PRICE PER SF		**$220.00**	**$117.33**	**$118.93**
TRANSACTIONAL ADJUSTMENTS				
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%
FINANCING TERMS		Listing	Offer	Offer
ADJUSTMENT		0.00%	0.00%	0.00%
CONDITIONS OF SALE		Listing	Offer	Offer
ADJUSTMENT		-20.00%	0.00%	0.00%
EXPENDITURES AFTER SALE		Listing	Offer	Offer
ADJUSTMENT		0.00%	0.00%	0.00%
CLOSE OF ESCROW		Listing	Offer	Offer
TIME OF SALE / MARKET CONDITION	December 31, 2022	December 2022	November 2022	November 2022
MONTHS FROM START 1Q-2022 THROUGH 4Q-2022		0	1	1
ADJUSTMENT @ % PER MONTH	-0.40%	0.00%	-0.40%	-0.40%
ADJ PRICE PER SF AFTER TRANSACTIONAL ADJS		**$176.00**	**$116.86**	**$118.46**
LOCATIONAL ADJUSTMENTS				
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar
APPEAL/SITE INFLUENCES/Approvals	Average	Superior	Inferior	Inferior
ZIP CODE	95050	95051	95054	95054
OVERALL LOCATIONAL RATING	Average	Superior	Inferior	Inferior
PHYSICAL ADJUSTMENTS				
SITE SIZE (ACRES)	1.00	0.480	0.215	0.215
SITE SIZE (SF)	43,560	20,909	9,375	9,375
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Irregular Rectangular Corner / 2 Frontages	Irregular Rectangular Corner / 2 Frontages
USE/ZONING ADJUSTMENTS				
ZONING		R3-18D / A	R3-18D / A	R3-18D / A
GENERAL PLAN	Very Low Density Res	Very Low Density Res / Community	Very Low Density Res / Community	Very Low Density Res / Community
ALLOWED DENSITY (dwelling units per acre)	up to 10	up to 10	up to 10	up to 10
NUMBER OF UNITS	10	8	4	4
ESTIMATED / PROPOSED DU/ACRE	*10.0*	*16.7*	*18.6*	*18.6*
INTENDED USE	Residential	8 Residential Units	Residential	Residential
PARK FEE COMPONENT PER UNIT	$65,263	$65,263	$60,658	$60,658
ENTITLEMENT STATUS	Has Zoning & GP	Had Zoning and GP & Approvals	Had Zoning and GP	Had Zoning and GP
OVERALL PHYSICAL & USE/ZONING RATING		Superior	Inferior	Inferior
OVERALL RATING-SUBJECT SHOULD SELL FOR		**LESS**	**MORE**	**MORE**

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. Market conditions adjustments are applied from the start of the first quarter 2020 through December 2022, based on trending sales data and our observations.

Comparable Sale VLD-1 is the sale of single-family lot improved with an older home. The buyer of Comparable 1 is an investor and intends to demolish the existing home and improvements. The lot was reported to have been approved for six single family units in the past, however that transaction never consummated. Although the lot was most recently marketed with the potential of being subdivided to provide four multiple guaranteed units without city approval, we depicted 6 units on the sales grid due to its reported pre-approval. The property was reported to have been owner occupied at the time of sale. This sale has a R1-6L zoning and a low density residential general plan that allows 8 to 19 dwelling units per gross acre compared to subject's very low density residential general plan that allows up to ten units per gross acre.

Comparable Sale VLD-2 is the sale of residential lot improved with an older home. The buyer of Comparable VLD-2 intends to demolish the home and construct a new two-story dwelling and add a 748 square foot detached additional dwelling unit (ADU). This comparable will not pay park impact fees since it already had a home improved on it and ADU's are exempt under the Santa Clara City Code (17.35.090).

Comparable Sale VLD-3 was the sale of an improved lot that could support two lots or a SFD and an ADU. The listing broker opined that the existing improvements needed a lot of work, but the buyer intended to move into the home, which dated from the 1940s. Based on the expected utilization of the improvements, we concluded that a downward adjustment was warranted for their contributory value. The amount of adjustment was estimated based on our observations, input from the listing broker, and a good fit for the data. A downward adjustment of $150,000 for this element of comparison was applied to the comparable on the Conditions of Sale line.

Comparable Sale VLD-4 and Comparable Sale VLD-5 are the sales of two single-family lots improved with older homes. These comparables were offered together by separate ownerships. The comparables were offered as a development site and a four lot conceptual site plan was included with the listings. Instead of a four-lot subdivision, the buyer intends to demolish both of the homes and subdivide the two existing lots into six lots and one common access lot. These comparables were selected to help bracket the subject's lot size. These sales were relisted on April 20, 2022 for $11,500,000. The MLS shows that the properties were sold on August 23,

2022 for $12,000,000. The reported close of escrow was December 9, 2022. However, the transaction has not closed escrow and was reported by the listing broker to be in contract subject to all of the entitlements. The new subdivision if approved will have six lots with five single family homes and four condominium units (two of these will be affordable housing units). As of the date of value the property did not have approvals for this new proposed development.

Comparable Sale VLD-6 was the sale of two vacant lots that could support a reported 8 or 9 unit development. The seller had previously applied for a tentative map to allow for an 8-unit townhouse development. The proposed development was not approved and the lots currently do not have any pending approvals. The lots were not listed on the MLS but were reported to have been actively marketed for six months. The property was listed at $2,700,000 and was reported to have had four offers. This was an all cash sale.

Comparable Sale VLD-7 was the sale of a vacant lot that could support a reported 4 unit development. No pending approvals at the time of sale. Buyer was not sure if they will develop the lot for single family or multi-family use. The comparable had only one offer and it was an all cash sale.

Comparable Sale VLD-1 was reported to have been owner occupied at the time of sale and could be rented. The cost of demolition was offset by the rents that could potentially be received. The seller of Comparable Sale VLD-2 was given some time to lease back following close of escrow; again, we concluded that the cost of demolition would be offset by rental income. The sellers of Comparable Sales VLD-4 and VLD-5 were each given a short time to lease back following close of escrow; again, we concluded that the cost of demolition would be offset by rental income.

Comparable Listing 1 is the current listing of two single-family lots with each improved with an older home. The older homes will be demolished (the cost of demolition would be offset by rental income during the entitlement process). The properties are each listed at $2,300,000 ($4,600,000 total asking price) and must be purchased together. The listing agent is part owner and reported that the development has been approved by the City of Santa Clara and it is ready to pull permits within 3-6 months. The project consists of two adjacent properties that have been approved for two single family detached dwellings and six townhouses. The agent reported that they have interest in the property but have had no offers.

Comparable Listing Offer 2a and Comparable Listing Offer 2b are November 2022 offers for the current listing of a vacant corner parcel. This property was originally listed for $1,498,900 in July 2022. The listing price was reduced in September 2022 to $1,398,900. The price was again reduced in October 2022 to $1,298,900. Offer 2a was reported to have been $1,100,000 and Offer 2b was reported to have been $1,115,000. Both offers were considered low and rejected by the owner. The lot is currently marketed as having the potential for a duplex or fourplex.

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). As will be discussed in the following material, residential land values in the 95050 zip code rated superior to the 95054 zip code but inferior to the 95051 zip code; thus, the 95054-located comparable is adjusted upward and the 95051-located comparable is adjusted downward.

Locational adjustments were warranted for the elements of comparison as summarized on the grid. Although Comparable VLD-2 backs to a public park, beyond the park is San Tomas Expressway, which is within about 200 feet of this comparable and is not separated by a sound wall, rating inferior to the subject; an overall upward adjustment is concluded for this element of comparison. Comparable VLD-4 and VLD-5 are considered to be in a superior location with a higher median home sales price and are therefore rated as overall superior to subject.

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.

Comparable VLD-3 is located at the elbow of two streets and thus has an irregular pie-slice shape; an upward adjustment is concluded for inferior utility. For this analysis, upward adjustments were warranted for the lower densities of Comparables VLD-2 and VLD-3, rating inferior for this element of comparison. Excepting Comparable VLD-1, each comparable warrants downward adjustment for having either no park fees or for having lower park fees than the hypothetical subject lot.

As discussed in the preceding material, market conditions adjustments are applied from the start of the first quarter 2020 through the end of the fourth quarter 2022.

Conclusion

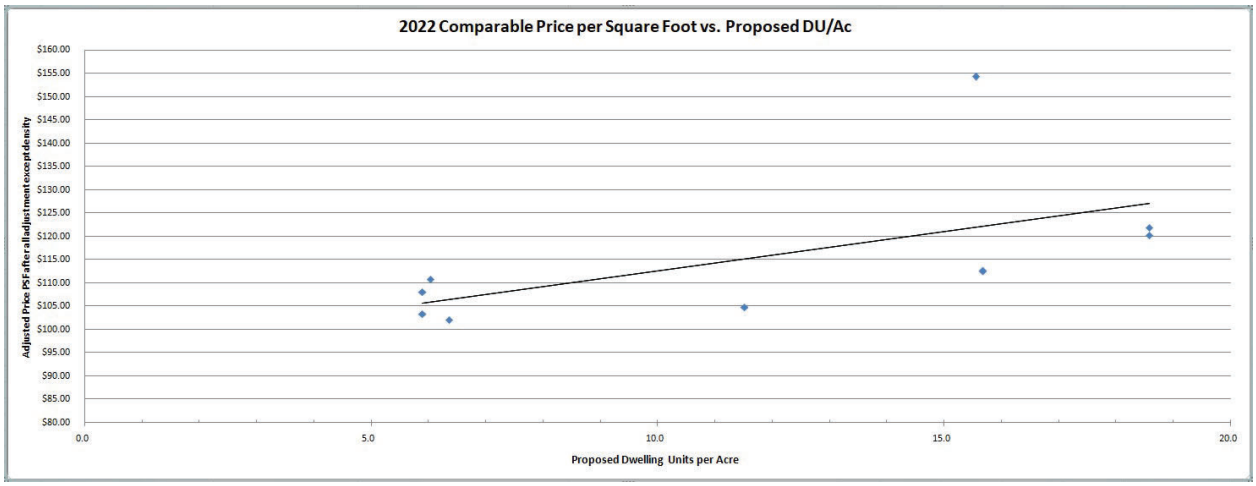
Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the sales grid. Bracketed by the comparable ratings, giving most weight to the sale comparables located in Santa Clara, we concluded to the following unit value of unentitled very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

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

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

Low Density Land Value

For the low-density value component, the City's land use classification cites a low-density range of 8-18 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/Acre, 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. In the chart below, we plotted the preceding very-low density comparables and the high-density comparables used in the following high-density value scenario.



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. 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 trendline in the chart above indicates that the appropriate unit value based on a density of 13 dwelling units per acre would be about $120 per square foot. Historically, there has been a 5% to 10% price difference between the preceding very low density and low-density residential. Based on the comparable data, with a density of 13 dwelling units per acre for the low-density residential land use, we concluded to **$120/SF**.

Conclusion

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

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

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

<u>High Density Land Value</u>

Similar to the preceding very low-density land search, we searched data sources for high and medium-high 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 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 45 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. The sales we found most comparable are displayed on the next grid. A map showing the location of these comparables is displayed in the Addenda. A parcel map for each comparable sale is also 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. We were unable to confirm the details of Comparable HD-2 with a party to the transaction. We relied on published data, city records, subscription service data, news articles, and information available from a summary transcript of the public record for transaction details regarding these comparables.

HIGH DENSITY COMPARABLE LAND SALES							
ELEMENT OF ADJUSTMENT	**SUBJECT**	**COMPARABLE HD-1**	**COMPARABLE HD-2**	**COMPARABLE HD-3**	**COMPARABLE HD-4**	**COMPARABLE HD-5**	**COMPARABLE HD-6 LISTING**
ADDRESS	Average Street	950 Monroe St	1601 Civic Center Drive	3941 Stevens Creek Blvd.	2303-2319 Calle Del Mundo	2221-2251 Calle De Luna	2301-2317 Calle De Luna
						2232-2246 Calle Del Mundo	
	Santa Clara	Santa Clara	Santa Clara	Santa Clara	Santa Clara	Santa Clara	Santa Clara
APN		269-20-086	224-49-006	294-39-010	097-05-060 & 061	097-46-020 & 027	097-46-007, 008, 009
SELLER		Von Raesfeld Family Partnership	K & K Outdoor Advertising LLC	MB Exclusively Properties LLC	Beta & Properties LLC	Laison LLC/2232 Calle Del Mundo LLC	TGR Associates LLC
BUYER		Lamb Partners LLC	CIVIC Center LP	CRP The Meridian LP	2263 Calle Del Mundo LLC	GS Tasman East Subsidiary, LLC	Listing
DOCUMENT NUMBER		24395084	24380714	25233709	24840021	25062330/25062315	Listing
VERIFICATION SOURCE		Broker, Public Record	Subscription Svcs, Public Record	Subscription Svcs, Public Record	Subscription Svcs, Public Record	Subscription Svcs, Public Record	Broker, Subscription Svcs, Public Record
EXPOSURE TO MARKET		12 Months	12 Months	12 Months	12 Months	12 Months	24 Months
NUMBER OF UNITS	45	*36 (Pro Rata)*	*124*	*27*	*27*	*27*	*235*
SALE / *LISTING* PRICE		**$4,700,000**	**$12,100,000**	**$5,075,000**	**$8,000,000**	**$21,995,000**	**$15,000,000**
SALE / OFFERING PRICE PER SF		**$207.73**	**$197.03**	**$197.47**	**$181.83**	**$235.95**	**$249.53**
TRANSACTIONAL ADJUSTMENTS							
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple (Short Term Leases)	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Leased Fee
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		Conventional	Conventional	Conventional	Conventional	Conventional	Listing
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Assemblage	Arm's-Length	Arm's-Length	Assemblage	Assemblage	Listing
ADJUSTMENT		-5.00%	0.00%	0.00%	-5.00%	-5.00%	-10.00%
EXPENDITURES AFTER SALE		Demolition Offset	Demolition of 30k SF Office Building	Demolition Offset	Demolition Offset	Demolition Offset	Solvent contamination in soil and ground water
ADJUSTMENT		0.00%	1.65%	0.00%	0.00%	0.00%	-15.00%
CLOSE OF ESCROW		February 3, 2020	January 15, 2020	February 03, 2022	February 19, 2021	August 11, 2021	Listing
TIME OF SALE / MARKET CONDITION	December 31, 2022	December 2018	Est. Sept 2019	April 2021	Est. April 2019	Est. Feb. 2020	December 2022
MONTHS FROM START 1Q-2019 THROUGH 4Q-2019		12	3	0	8	0	0
ADJUSTMENT @ % PER MONTH	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MONTHS FROM START 1Q-2020 THROUGH 4Q-2020		12	12	0	12	10	0
ADJUSTMENT @ % PER MONTH	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MONTHS FROM START 1Q-2021 THROUGH 4Q-2021		12	12	8	12	12	0
ADJUSTMENT @ % PER MONTH	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MONTHS FROM START Q1-2022 THROUGH 4Q-2022		12	12	12	12	12	0
ADJUSTMENT @ % PER MONTH	0.30%	3.60%	3.60%	3.60%	3.60%	3.60%	0.00%
ADJ PRICE/SF AFTER TRANSACTIONAL ADJS		**$204.45**	**$207.50**	**$204.58**	**$178.96**	**$232.22**	**$190.89**
LOCATIONAL ADJUSTMENTS							
EXPOSURE / VISIBILITY	Average	Similar/Corner	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Similar	Similar	Similar	Similar	Similar	Similar
ZIP CODE	95050	95050	95050	95051	95054	95054	95054
OVERALL LOCATIONAL RATING		Similar	Similar	Similar	Similar	Similar	Similar
PHYSICAL ADJUSTMENTS							
SITE SIZE (ACRES)	1.00	0.52	1.41	0.59	1.01	2.14	1.38
SITE SIZE (SF)	43,560	22,625	61,411	25,700	43,996	93,218	60,114
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Mostly Rectangular/2 Frontages	Mostly Rectangular/Deed Rest	Rectangular / 2 Street Fronts	Rectangular / 1 Street Front	Mostly Rectangular / 3 Street Fronts	Rectangular / 1 Street Front
USE/ZONING ADJUSTMENTS							
ZONING		CC (Community Commercial)	OG	CT	TN (Transit Neighborhood)	TN (Transit Neighborhood)	TN (Transit Neighborhood)
GENERAL PLAN	High Density Residential	Community Mixed Use	Community Commercial	Community Mixed Use	Transit Neighborhood	Transit Neighborhood	Transit Neighborhood
ALLOWED DENSITY (dwelling units per acre)	37-50	N/A	N/A	20-36	Minimum 100, Up to 350 du/acre	Minimum 100, Up to 350 du/acre	Minimum 100, Up to 350 du/acre
NUMBER OF UNITS	45	36 (Pro Rata)	119	59	303	371	235
ESTIMATED / PROPOSED DU/ACRE	*45.0*	*69.3*	*84.4*	*100.0*	*156.0*	*173.4*	*170.0*
INTENDED USE	Residential	Mixed-Use Condos and Retail	Affordable Housing	Affordable Housing	Residential	Residential	Residential
AFFORDABLE HOUSING COMPONENT	10% or in-lieu	10% or in-lieu	Yes / 100%	Yes / 100%	In-lieu Fee	In-lieu Fee	10% or in-lieu
PARK FEE COMPONENT PER UNIT	$36,908	$32,688	$31,058	$33,536	$21,683	$30,918	$36,908
ENTITLEMENT STATUS	Has Zoning & GP	Had General Plan	Needs Zoning and General Plan	Had General Plan	Has Zoning & GP	Has Zoning & GP	Has Zoning & GP
OVERALL PHYSICAL & USE/ZONING RATING		Slightly Superior	Slightly Superior	Slightly Superior	Slightly Inferior	Slightly Superior	Slightly Inferior
OVERALL RATING - SUBJECT SHOULD SELL FOR		**LESS**	**LESS**	**LESS**	**MORE**	**LESS**	**Slightly MORE**

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 HD-1 was purchased as part of an assemblage—the buyer had recently purchased two adjacent properties. Similarly, Comparables HD-4, and HD-5 were also purchased as part of an assemblage. Based on the data, a downward adjustment is warranted for motivation on the part of the buyer due to the assemblage.

HD-6 is a current listing that has been on the market for approximately 24 months and a downward adjustment is warranted for conditions of sale. The adjustment we used was a good fit for the data.

Comparables HD-1, HD-3, HD-4, and HD-5 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. Similarly Listing HD-6 will require the demolition of three industrial buildings which can be offset by the current rental income. Currently the buildings are reported to be leased at $2.00 sq.ft./month on a NNN basis. The leases give the owner a right for early termination. In 2001, solvent contamination in soil and ground water near a sump was reported within the former metal shavings storage enclosure located on one of the parcels (2301 Calle De Luna). In September 2016, the property owner submitted a Voluntary Cleanup Program application and entered into a Voluntary Cleanup Agreement with the DEH for oversight of future property assessment activities and mitigation activities, if required, to facilitate redevelopment of the property. The listing broker stated that the current cost to clean up the site is unknown. A downward adjustment is warranted for this risk of uncertainty. The adjustment we applied was a good fit for the data.

Comparable HD-2 is a 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 and cost data. This element of comparison is shown as an upward adjustment on the Expenditures After Sale line.

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.

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 HD-1 and HD-3 both had two street frontages, allowing for greater design flexibility, rating superior utility, and warranting downward adjustment. Comparables HD-4, HD-5, and HD-6 are zoned Transit Neighborhood and have a minimum density of 100 dwelling units per acre. Comparable HD-3 will have 100% affordable housing and was given a 15% credit on the park fees. Comparable HD-4 has been given a credit of $1,290,000 for park fees in exchange for 14,000 square feet of dedicated park space and private amenities. The comparables proposed building densities/acre bracket the subject; the highest densities warrant downward adjustment and the lower densities warrant an upward adjustment. Comparables HD-1 and HD-2 will require a zoning change or general plan amendment to allow for residential and an upward adjustment is warranted for this element of comparison. The comparables with approved entitlements rated superior to the subject's unentitled status and are adjusted downward. Park impact fees varied somewhat based upon the use and timing of the fee.

Conclusion

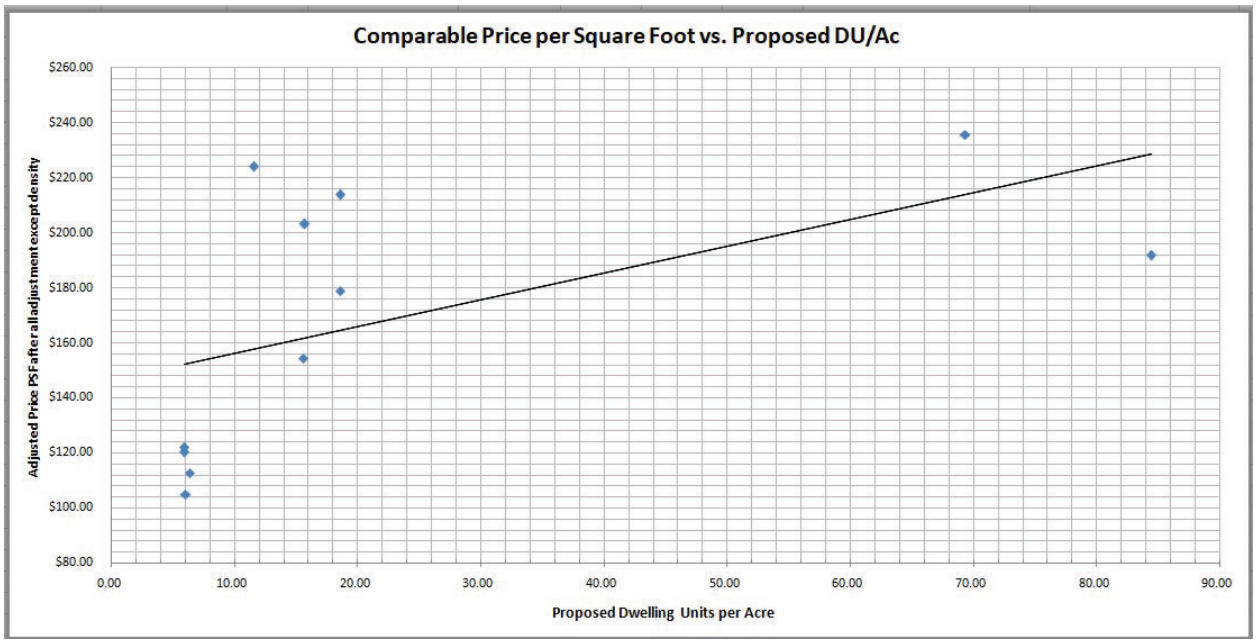
Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the grid. The comparables were analyzed based on a price per square foot and a price per unit units of comparison. The range of adjusted values is more consistent on a price/SF basis rather than a price/density unit basis; therefore, the price/SF is utilized as the primary comparison of value. Bracketed by the comparable ratings, the following value of unentitled high-density 45 DU/Acre residential land in the 95050 zip code is concluded:

Unit $/SF	x	Land Area (SF)	=	Indicated Value
$190	x	43,560	=	$8,276,400

Estimated Market Value of a 1-Acre
High-Density Residential Lot in 95050 Zip Code: $8,276,400

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. 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 preceding low-density value scenario. We graphed the change in land value per square foot versus the change in density.



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. The difference in pricing for changing densities is clear when comparing the lowest to the higher densities. The chart above indicates that at a density of about 30 dwelling units per acre, the indicated price per square foot is about $180, but is somewhat skewed by the cluster of low density sales. Historically, there has been a 5% to 10% difference between the medium density residential and the preceding high density. Based on the comparable data, with a density of 30 DU/acre for the medium-density land use, a unit value of **$180/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
$180	x	43,560	=	$7,840,800

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

Commercial Land Value

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 a following page. A map showing the location of these comparables is displayed in the Addenda.

COMMERCIAL LAND COMPARABLE SALES							
ELEMENT OF ADJUSTMENT	**SUBJECT**	**Comparable C-1**	**Comparable C-2**	**Comparable C-3**	**Comparable C-4**	**Comparable C-5**	**Comparable C-6**
ADDRESS	Average Street	3375 El Camino Real	3378 El Camino Real	1125 Coleman Avenue	855 E Homestead Road	1220 Oakmead Pky.	1240 & 1290 Coleman Avenue, 312 Brokaw Road
	Santa Clara	Santa Clara	Santa Clara	San Jose	Sunnyvale	Sunnyvale	Santa Clara
APN		220-02-049	290-02-102	230-46-093	309-51-005	216-44-048	230-05-045, 049, 050
SELLER		Norma E Rice, Trustee	An S Shin	Cap Phase 1 LLC	Sundby Living Trust	Princeton Garden Properties LLC	Kevin E. Wennergren 2013 Revocable Trust
BUYER		3375 Camino City Square LLC	Veguard USA LLC	San Jose Hotel Investments LLC	SST Investments LLC	BPR Properties UCSC LLC	Mogul hospitality Partners - Coleman LLC
SALE PRICE / *LISTING PRICE*		$9,925,000	$5,340,000	$9,800,000	$6,400,000	$4,450,000	$10,100,000
PARCEL SIZE (Acres)	1.00	1.630	0.877	1.873	1.130	0.970	1.658
PARCEL SIZE (SF)	43,560	71,003	38,211	81,588	49,223	42,240	72,204
SALES PRICE/SQUARE FOOT		**$139.78**	**$139.75**	**$120.12**	**$130.02**	**$105.35**	**$139.88**
DOCUMENT NUMBER		24595053	24569843	24339364	24998730	25091522	25294738, 25294739
EXPOSURE TIME		2 Months	Off Market (6 Months in 2019)	Unknown	2 Months	1 Month	1,177 Days
TRANSACTIONAL ADJUSTMENTS							
REAL PROP. RIGHTS CONVEYED	Fee Simple	F. Simple (Short-term Leases)	F. Simple (Short-term Leases)	Fee Simple	Fee Simple	Fee Simple	Fee Simple
FINANCING TERMS $		All Cash	All Cash	Construction Loan	All Cash	Conventional	Conventional
CONDITIONS OF SALE		Arm's-Length/Improved	Arm's-Length/Improved	Arm's Length	Arm's-Length/Improved	Arm's-Length/Improved	Arm's-Length/Improved
ADJUSTMENT		-15.0%	-11.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURES AFTER PURCHASE		None	None	None	Demolition Offset by Income	Demolition Offset by Income	Demolition Offset by Income
ADJUSTMENT		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CONTRACT DATE / MKT CONDITIONS	December 31, 2022	July 2020	June 2020	Est. September 2019	March 2021	August 2021	Est. July 2020
RECORDING DATE		August 31, 2020	August 10, 2020	November 22, 2019	June 17, 2021	September 08, 2021	May 03, 2022
MONTHS FROM END 1Q-20 THROUGH 4Q-21		17	18	15	9	3	17
Adjustment rate per month	-0.75%	-12.75%	-13.50%	-11.25%	-6.75%	-2.25%	-12.75%
MONTHS FROM START 1Q-2022 THROUGH 4Q-2022		12	12	12	12	12	12
ADJUSTMENT @ % PER MONTH	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJ. PRICE/SF WITH TRANS. ADJ.		**$103.67**	**$107.59**	**$106.60**	**$121.24**	**$102.98**	**$122.05**
LOCATIONAL ADJUSTMENTS							
EXPOSURE	Average	Superior/Corner	Similar	Corner/Inferior Traffic	Similar	Similar	Superior/Corner
APPEAL/SITE INFLUENCES/ACCESS	Average	Similar	Similar	Superior/Access	Similar	Similar	Similar
ZIP CODE	95050	95051	95051	95110	94087	94085	95050
LOCATIONAL COMPARISON		Superior	Similar	Similar	Similar	Similar	Similar
PHYSICAL & USE/ZONING ADJUSTMENTS							
PARCEL SIZE (Acres)	1.000	1.630	0.877	1.873	1.130	0.970	1.658
UTILITY	Average	Similar	Similar	Similar	Similar	Similar	Similar
OFF-SITE IMPROVEMENTS	Finished Lot	Similar	Similar	Similar	Similar	Similar	Similar
ZONING/GENERAL PLAN	CT / Regional Commercial	CT / Community Mixed-Use	CT / Community Mixed-Use	A(PD)/ Combined Ind/Comm.	O/PD / Commercial	MS / Industrial	ML - Light Industrial / Regional Commercial
PROPOSED USE(S)	Commercial	Retail in Near-Term	Retail in Near-Term	Hotel/Entitled	Office or Preschool	Hotel	Hotel/Pending Review
PHYSICAL & USE/ZONING COMPARISON		Superior	Sl Superior	Superior	Superior	Superior	Superior
SUBJECT SHOULD SELL FOR:		**Less**	**Sl Less**	**Less**	**Less**	**Less**	**Less**

Adjustment Process

The adjustment methodology was similar as above for the residential land sales.

Transactional adjustments were warranted. As described above, due to a lack of commercial land sales, some improved sales were utilized for which the improvements contributed little to the overall selling price. Comparables C-1, C-2, C-4, C-5, and C-6 were improved at the time of sale. A listing at 160 Saratoga Avenue in Santa Clara (not included in the sales grid) was previously improved with a 15,814 sq.ft. office building that was completely destroyed by fire prior to the listing. The 1.21 acre site is currently reported to be vacant. This property was reportedly listed at $8,900,000 ($168.86/sq.ft. of land area unadjusted) and went into escrow in February of 2023 at an undisclosed price.

Comparable C-1 was marketed as a development site; the eventual buyer planned to continue the retail uses. Based on a discussion with the listing broker, our observations, and the age and condition of these improvements, which comprised about 25,150 SF, the contributory value was estimated at about $60 per square foot of building area, or about 15% of the selling price as shown on the adjustment grid. This is shown as a downward adjustment.

Similarly, the sale of Comparable C-2 included about 7,800 square feet of improvements dating from the late 1950s; which contributed to the overall selling prices. Based on our observations and discussions with the broker, the contributory value for the building was estimated at about $75 per square foot of building area, or about 11% and 16%, respectively of the selling prices as shown on the adjustment grid. These are shown as downward adjustments.

Comparable C-4 included a 6,295 square foot restaurant building originally constructed in 1972. This site was being sold for land value and the restaurant was leased month-to-month. We concluded that the cost of demolition would be offset by rental income.

Comparable C-5 included a 5,515 square foot restaurant building. The building was vacant at the time of sale, but could have been leased on a month-to-month basis. We concluded that the cost of demolition would be offset by rental income.

Comparable C-6 included two restaurant buildings and one R&D buildings. The buildings were vacant at the time of the close of escrow, but could have been leased on a month-to-month basis. Based on our observation, we concluded that the cost of demolition would be offset by rental income. The new proposed development (currently pending review) will be a six-story hotel with 396 guest rooms, dining, and event space (totaling 204,444 square feet).

Market conditions adjustments were applied from the contract date through the date of opinion using the degree of adjustment(s) discussed in the Market Conditions section.

Locational adjustments were broken into elements that reflect the hypothetical property's identity to potential tenants, buyers, or occupants (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 C-3 does not face Coleman Avenue, a major arterial, despite its Coleman Avenue 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, larger Comparables C-1 and C-3 warranted upward adjustment. Among the differences in land use ordinances, those of Comparables C-1 and C-2 were more favorable, rating superior and warranted a downward adjustment. Comparable C-3 sold entitled for a hotel development and warranted a downward adjustment for this element of comparison.

Conclusion

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

Unit $/SF	x	Land Area (SF)	=	Indicated Value
$95		43,560		$4,138,000

Estimated Market Value of a 1-Acre Commercial Lot in Zip Code 95050: $4,138,000

<u>Industrial Land Value</u>

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 with similar industrial markets. 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.

INDUSTRIAL LAND COMPARABLE SALES						
ELEMENT OF ADJUSTMENT	**SUBJECT**	**COMPARABLE I-1**	**COMPARABLE I-2**	**COMPARABLE I-3**	**COMPARABLE I-4**	**COMPARABLE I-5**
ADDRESS	Average Street	2225 Martin Ave	2175 Martin Ave	1535 & 1575 Industrial Ave	365 Reed St	980 Martin Avenue
	Santa Clara	Santa Clara	Santa Clara	San Jose	Santa Clara	Santa Clara
APN		224-10-119	224-10-115	237-30-020 & 025	230-47-105	224-62-010
SELLER		Project 38 LLC	LVP Martin Ave Assoc LLC	Frank J. & Leslie A. Mangione	Reed Street Associates	980 Martin Avenue LLC
BUYER		2225 Martin Property LLC	2175 Martin Property LLC	LBA RVI Company XLIV LLC	Prosperous Corgi Holdings 1 LLC	Mark & Kelly Verni LLC
SALE PRICE		$28,250,000	$13,900,000	$12,800,000	$5,358,000	$2,200,000
DOCUMENT NUMBER		25195861	25020411	24902328	24721853	24381016
BONDS ASSUMED / SF		$0.00	$0.00	$0.00	$0.00	$0.00
TOTAL COST TO BUYER / SF		**$157.03**	**$189.94**	**$81.17**	**$104.70**	**$108.37**
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	Conventional	All Cash	Conventional
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Arm's-Length	Arm's-Length	Arm's-Length	Purchase by Tenant
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	-10.00%
ADDITIONAL COSTS TO BUYER		Demolition Offset	Demolition Offset	Demolition Offset	None	None
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONTRIBUTORY VALUE OF IMPROVEMENTS		None	None	None	Yes/24,145 SF	Yes/4,000 SF
ADJUSTMENT		0.00%	0.00%	0.00%	-22.53%	-13.64%
CLOSE OF ESCROW		12/15/2021	7/7/2021	4/1/2021	11/24/2020	1/15/2020
TIME OF SALE / MARKET CONDITION	December 31, 2022	ND	June 2021	September 2020	September 2020	November 2019
MO'S FROM SALE THROUGH Dec. 31, 2020		0	0	3	3	13
ADJUSTMENT @ % PER MONTH	0.75%	0.00%	0.00%	2.25%	2.25%	9.75%
MONTHS FROM START 1Q-2021 THROUGH 4Q-2021		0	6	12	12	12
ADJUSTMENT @ % PER MONTH	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MONTHS FROM START 1Q-2022 THROUGH 4Q-2022		12	12	12	12	12
ADJUSTMENT @ % PER MONTH	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED PRICE / SF		**$157.03**	**$189.94**	**$83.00**	**$82.94**	**$92.45**
LOCATIONAL ADJUSTMENTS						
EXPOSURE/VISIBILITY	Average	Similar	Similar	Sup/Fwy	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar
NEIGHBORHOOD APPEAL	Average	Similar	Similar	Inferior	Similar	Similar
ZIP CODE	95050	95050	95050	95112	95050	95050
OVERALL LOCATIONAL RATING		Similar	Similar	Inferior	Similar	Similar
PHYSICAL & USE/ZONING ADJUSTMENTS						
PARCEL SIZE (ACRES)	1.00	4.13	1.68	3.62	1.17	0.47
PARCEL SIZE (SF)	43,560	179,903	73,181	157,687	51,174	20,300
UTILITY	Average	Similar	Similar	Similar	Similar	Similar
OFF-SITES	Finished Lot	Similar	Similar	Similar	Similar	Similar
INTENDED USE		Industrial	Industrial	Industrial	Industrial	Contractor Yard
ZONING	Heavy Industrial	Light Industrial	Light Industrial	Heavy Industrial	Light Industrial	Heavy Industrial
GENERAL PLAN	Light Industrial	Low Intensity Office/R&D	Low Intensity Office/R&D	Heavy Industrial	Light Industrial	Heavy Industrial
OVERALL PHYSICAL & USE/ZONING RATING		Similar	Superior	Inferior	Inferior	Inferior
OVERALL RATING-SUBJECT SHOULD SELL FOR		**SIMILAR**	**LESS**	**MORE**	**MORE**	**MORE**

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 to the selling price: Comparables I-4 and I-5. To estimate the residual land value of these transactions, we estimated and deducted the contributory value of the building improvements based on our observations, feedback from the verifying broker(s), and the adjustment that was a good fit for the data. Additionally, most of the recent industrial land transactions we uncovered were intended for data center (see Industrial Land Comparables I-1 and I-2). A transaction at 2315 Mission College Boulevard in Santa Clara (not included in the sales grid) is also a data center land sale that was reported to have been purchased by Amazon Data Services Inc. The 7.04 acre site reportedly sold for $51,817,500 or $168.97sq.ft. of land area (unadjusted), which is high and out of the pattern. This sale could not be fully confirmed but was reported to have closed escrow on January 4, 2022.

Comparable I-5 was purchased by the tenant and based on the data, a downward adjustment was warranted for buyer motivation. 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 (and Silicon Valley in general) continues to be in demand, supported by rising asking rental rates, generally stable vacancy rates, and the opinions of market participants.

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. Sale I-3 was adjusted downward for its inferior San Jose location. Locational adjustments are warranted as summarized on the grid.

Physical and use/zoning adjustments were considered for size, utility, intended use, zoning, general plan land use designation, and off-site improvements. Both I-1 and I-2 were purchased by Prime Data Centers. For I-1 the buyer plans to develop a 207,000 square foot data center with a 32MW capacity. For I-2 the buyer plans to develop a three story 80,000 square foot data center with a reported 9MW capacity. The selling agent reported that the property sold entitled and has a “will serve letter’ from Silicon Valley Power. These sales were adjusted downward for the entitlements. Within the range of the comparables, only Comparable I-5 rated superior for its smaller site size, warranting a downward adjustment. Any other warranted adjustments are summarized on the grid.

Conclusion

Following the adjustments discussed above and considering the overall rating comparison for each comparable, the unit values of the most recent comparables suggested a land value in the $130 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
$130		43,560		$5,662,800

Estimated Market Value of a 1-Acre Industrial Lot in Zip Code 95050: $5,662,800

<u>Average Value Estimate in 95050 Zip Code</u>

The average value was estimated by applying a weighted average based on the land area of the total sales in Santa Clara in 2022 by property type. The information was obtained from Old Republic Title Company (ORTC). *It was an extraordinary assumption of this appraisal that the land areas provided by Old Republic Title Company were accurate.*

ORTC reported a total of 1,064 sale transactions in Santa Clara in calendar year 2022. These included 27 commercial sales, 22 industrial sales, 516 residential single-family sales, 30 2-4 residential unit sales, 9 vacant sales, and 460 medium to high-density residential sales which comprised residential unit sales greater than 5 units, condominiums, and townhomes. This compares to 1,442 total transactions reported in 2021 by ORTC.

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, 2017, 2020, and 2021 data, 2022 single family transactions comprised the most land area, as shown in the next table. In 2019, commercial and industrial sales comprised about half of the total land area in the city by area. In 2020, 2021 and 2022, a greater percentage of land area sold in the city was residential. Due to declining median residential selling price in 2022, residential unit values were lower compared to 2021. Industrial and commercial land values were unchanged in 2022. The combination of recent Federal Reserve interest rate increases, expected slower economic growth and an increased possibility of a near-term recession has impacted the market. All these factors resulted in lower 2022 values for the hypothetical one-acre lots. This is congruent with overall market trends over the last year.

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

2022 City of Santa Clara Sales		
Sale Type	**Land SF**	**Total Percent**
Commercial	844,663	13.02%
Industrial	911,037	14.04%
Very Low Density Residential	3,427,343	52.83%
Low Density Residential	223,257	3.44%
Medium to High Density Residential	1,081,815	16.67%
Total	**6,488,115**	**100.00%**

Source: Old Republic Title Company

Old Republic Title Company provided the data depicted in the preceding 2022 City of Santa Clara Sales table, segregated by 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, R&D, and manufacturing was designated industrial. As shown in the table, within the city limits of Santa Clara, commercial/industrial sales accounted for about 27.06% of the total while residential sales accounted for about 72.94% of the total.

Conclusion

The Total Percent 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 (16.67% /2 = 8.335% 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:

2022 VALUES FOR 95050 ZIP CODE SUMMARY						
Land Use	**Price per SF**	**Price per Acre**	**x**	**Weighted Average**	**=**	**Weighted Value**
Very Low Density Residential	$115.00	$5,009,400	x	52.83%	=	$2,646,466
Low Density Residential	$120.00	$5,227,200	x	3.44%	=	$179,816
Medium Density Residential	$180.00	$7,840,800	x	8.335%	=	$653,531
High Density Residential	$190.00	$8,276,400	x	8.335%	=	$689,838
Commercial	$95.00	$4,138,200	x	13.02%	=	$538,794
Industrial	$130.00	$5,662,800	x	14.04%	=	$795,057
				TOTAL AVERAGE VALUE		**$5,503,502**

Average Value of a Hypothetical 1-Acre Lot in the 95050 Zip Code: $5,500,000 (Rounded)

AVERAGE VALUE ESTIMATE IN 95051 ZIP CODE

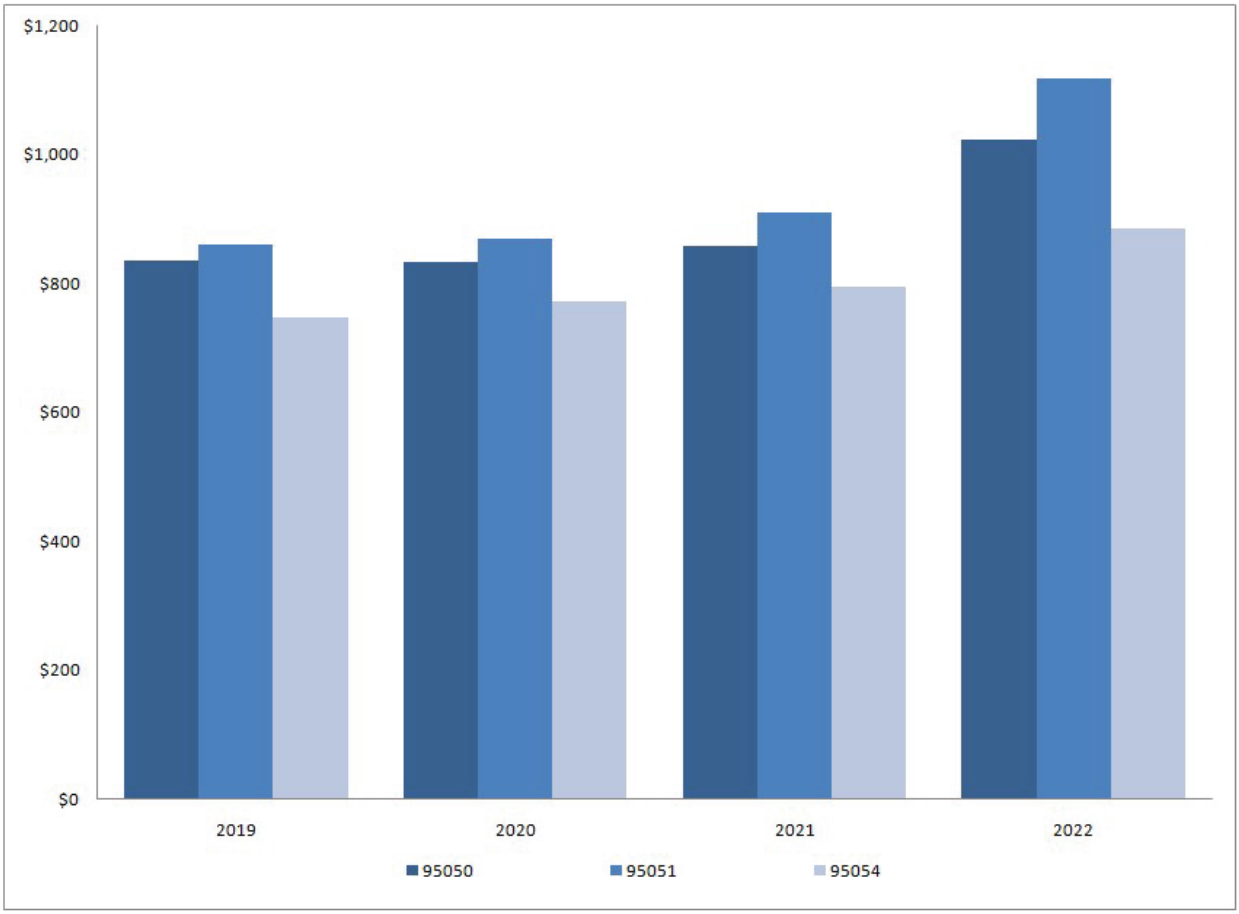
We estimated the value of 1 acre of land for zip code 95050 above. Following we apply any differences in value between the 95051and 95050 zip codes to estimate the average value of one acre of land in 95051.

Estimating Differences Between Zip Codes

Differences between the 95050 and 95051 zip code for each use was based upon market feedback and anecdotal information. We also considered differences in values/rents for the commercial and industrial uses, and compared median selling prices and rents 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 close to Apple's headquarters and also 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 opined that the neighborhoods in 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 2022 median prices/SF between the 95050 and 95051 zip codes, as reported by DQ News /CoreLogic and MLS Listings, 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. This data supports the opinions of market participants that 95050 rates inferior to 95051.

In the next table, based on data reported by the MLS the median price in 95051 has historically been higher than zip code 95050. In the most recent year the 2022 median price for 95051 was about 10% higher than 95050. However, unlike DQ News/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, often market their product in-house without using MLS, which is probably more cost effective and garners more marketing control to the builder.

Median Sales Price						
Housing Type	**Zip Code**	**2020**	**2021**	**2022**	**% Change per Month Last 12**	**% Change per Month Last 2 Years**
SFR, Condo, & Townhouse	95050	$1,257,750	$1,350,000	$1,472,500	0.76%	0.71%
	95051	$1,390,000	$1,550,000	$1,630,000	0.43%	0.72%
	95054	$1,212,500	$1,290,000	$1,278,044	-0.08%	0.23%
Source: Local MLS						

Based on market feedback, historical norms, and giving more weight to the MLS data, supported by historic DQ News/CoreLogic data, we concluded 2022 residential prices in zip code 95051 were 10.0% higher than zip code 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. CoStar reported that the 4Q 2022 average rents for retail between these zip codes were $2.42/SF/Month in 95050 vs. $3.17/SF/Month in 95051. A historic comparison of the 3-year average asking rental rate (2018-2020) among office properties as reported by CoStar was $3.70/SF/Month in 95050 vs. $3.83/SF/Month in 95051, or about 3.5% higher in 95051. Additionally, CoStar reported a lower vacancy rate in 95051 over the same period (2.14% vs. 6.00% among all office and retail). The 4Q 2022 average rents for office only between these zip codes were $4.75/SF/Month in 95050 vs. $4.08/SF/Month in 95051. The average selling price per square foot among these two zip codes was within 6% of each other over the three year period (2018-2020), $451 in 95050 vs. $478 in 95051 for both office and retail properties. Note that 95050 only had one retail sale in 4Q 2022 which was not sufficient to do a meaningful comparison. Based on market data, rental rates differences, historic selling price differences, and vacancy rate differences we concluded that commercial land values in 95051 rated 15% inferior 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 Expressway, are converting to residential uses, reducing the supply of industrial properties, and pushing increasing demand and value for industrial at the same time. A comparison of the average rental rate per SF, as compiled by CoStar, showed that the average rental rates were equal in 95051 during 2022 ($2.33/SF in 95050 vs. $2.33/SF in 95051). 2022 average selling prices were relatively similar ($490 in 95050 vs. $438 in 95051), these numbers represent a difference of approximately 10%. After consideration for differences in asking rents,

sale prices, and the opinions of the market, we concluded that industrial land prices rated about equal the 95054 zip code compared to 95050. 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 rated about equal in 95051 compared to 95050.

Conclusion of Value in 95051 Zip Code

Based on the above, we concluded residential uses in zip code 95051 rated 10.0% superior, while commercial values rated 15% inferior, 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 2022 VALUE PER ACRE					
Land Use	**95050 Average Price/Acre Weighted**	**x**	**Adjustment Factor**	**=**	**95051 Average Price per Acre**
Very Low Density Residential	$2,646,466	x	110.0%	=	$2,911,113
Low Density Residential	$179,816	x	110.0%	=	$197,798
Medium Density Residential	$653,531	x	110.0%	=	$718,884
High Density Residential	$689,838	x	110.0%	=	$758,822
Commercial	$538,794	x	85.0%	=	$457,975
Industrial	$795,057	x	100.0%	=	$795,057
	TOTAL AVERAGE VALUE PER ACRE				**$5,839,649**

Average Value of Hypothetical 1-Acre Lot in the 95051 Zip Code: **$5,840,000 (Rounded)**

AVERAGE VALUE ESTIMATE IN 95054 ZIP CODE

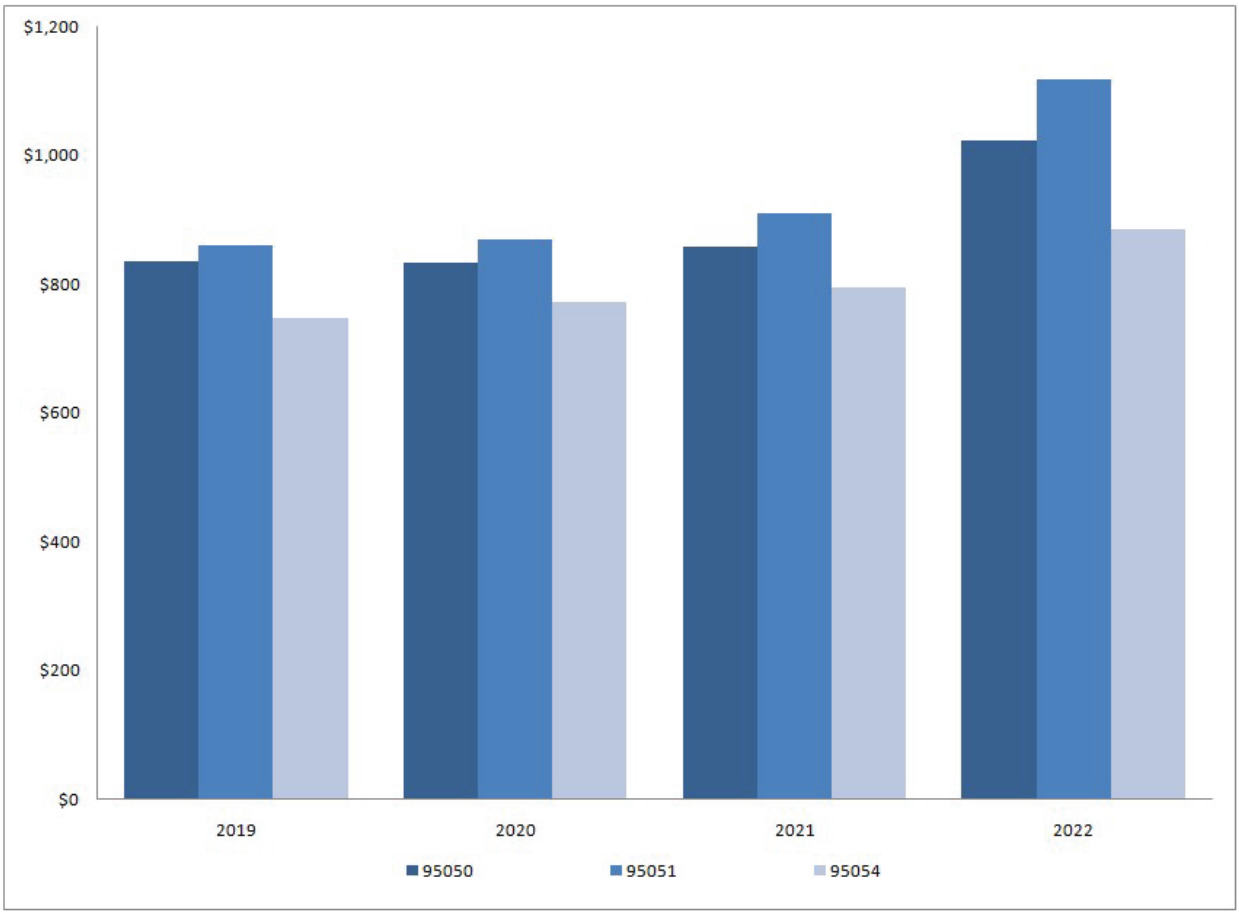
We utilize the same weighted land values from zip code 95050 and apply any differences in value between the 95054 and 95050 zip codes.

Estimating Differences Between Zip Codes

For 95054 value conclusions, we 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 zip code 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 DQ News /CoreLogic and MLS Listings, indicated the following:



The median selling prices/SF has been historically higher in the 95050 zip code. The historic DQ News/CoreLogic data indicated that the aggregate median price in 95054 was 5.0% *lower* in 2019 and about 2.1% *lower* in 2020. In 2021 the difference was about 2.7% *lower*. In 2022 the difference was about 15% *lower*. This data supports the opinions of market participants that 95054 generally rates inferior to 95050. As previously discussed, market data derived from the local MLS shows that residential prices were trending upward in 2020, 2021 and the first half of

2022. However, prices for single family homes were generally trending downwards in the last half of 2022. In addition, the median days to sell increased in the last half of 2022. This resulted in an aggregate median price in 95054 of about 15% *lower in 2022*.

The next table is the same MLS data displayed above.

Median Sales Price						
Housing Type	Zip Code	2020	2021	2022	% Change per Month Last 12	% Change per Month Last 2 Years
SFR, Condo, & Townhouse	95050	$1,257,750	$1,350,000	$1,472,500	0.76%	0.71%
	95051	$1,390,000	$1,550,000	$1,630,000	0.43%	0.72%
	95054	$1,212,500	$1,290,000	$1,278,044	-0.08%	0.23%
Source: Local MLS						

Based on market data, historical norms, the opinions of market participants, and giving more weight to the historical norms, supported by historic DQ News/CoreLogic data (which includes new and resale residential construction), we concluded that residential land prices in zip code 95054 were historically lower than zip code 95050, on the order of 5%.

Commercial Difference

Most of the new commercial planned or proposed for the 95054 zip code comprises office and hotel uses, however, there are several mixed-use projects in process, notably Related Santa Clara. 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 addition of Levi's Stadium and the draw of Great America theme park and the Santa Clara Convention Center create additional synergies for this zip code. The greatest concentration of Class A office is located within this zip code and more is planned. 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 historic 3-year average rental rate (2018-2020) compiled by CoStar, revealed that the average rents between these zip codes was slightly lower in 95054, $4.33/SF vs. $4.53/SF in 95050, a difference of about 4.4% based on office and retail uses. The 4Q 2022 average rents for office only between these zip codes were lower in 95054, $4.25/SF vs. $4.75/SF in 95050. The 95050 rental rate is influenced by newer retail construction which typically commands higher rental rates. A comparison of office rents indicates that the historic 3-year average (2018-2020) of $4.35/SF/Month in 95054 is about 14.9% higher than the $3.70/SF/Month in 95050. And the average selling price per square foot in the 95054 zip code was 15.5% higher over the last three years (2018-2020) compared to 95050 ($451 in 95050 vs. $521 in 95054) for office and retail sales. Note that both 95050 and 95054 only had one retail

sale in 4Q 2022 and 95054 had zero office sales which was not sufficient to do a meaningful comparison. Based on the data, including broker estimates and rental rate differences in each zip code, and considering that there is a greater proportion of office uses compared to retail uses, we concluded that an adjustment of 10% 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 average rental rate per SF, as compiled by CoStar, showed that the average rental rates were equal in 95054 during 2022 ($2.33/SF in 95050 vs. $2.33/SF in 95054). 2022 average selling prices were similar ($490 in 95050 vs. $479 in 95054), these numbers represent a difference of approximately 2%. After consideration for differences in asking rents, sale prices, and the opinions of the market, we concluded that industrial land prices rated about equal to the 95054 zip code compared to 95050.

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 2022 VALUE PER ACRE					
Land Use	95050 Average Price/Acre Weighted	x	Adjustment Factor	=	95054 Average Price per Acre
Very Low Density Residential	$2,646,466	x	95.0%	=	$2,514,143
Low Density Residential	$179,816	x	95.0%	=	$170,825
High Density Residential	$653,531	x	95.0%	=	$620,854
Medium Density Residential	$689,838	x	95.0%	=	$655,346
Commercial	$538,794	x	90.0%	=	$484,915
Industrial	$795,057	x	100.0%	=	$795,057
	TOTAL AVERAGE VALUE PER ACRE				$5,241,140

Average Value of a Hypothetical 1-Acre Lot in the 95054 Zip Code: $5,240,000 (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 27.06% of the total sales in the city by land area were commercial and industrial transactions and the other 72.94% were residential. This represents a greater percentage of residential sales than in 2021. Because residential unit values are generally greater than commercial and industrial, this would have resulted in higher concluded values for each zip code in 2022 compared to 2021. However, as stated previously, residential selling prices declined in 2022. This resulted in lower residential unit values for 2022. Industrial and commercial land values were unchanged in 2022 compared to the preceding year. The combination of recent Federal Reserve interest rate increases, expected slower economic growth and an increased possibility of a near-term recession has impacted the market. All these factors resulted in lower 2022 values for the hypothetical one-acre lots for each zip code compared to 2021.

We concluded to the following average value for each zip code on December 31, 2022, the effective date of value opinion:

Opinion of Average Value of a 1-Acre Lot in the 95050 Zip Code: $5,500,000 (Rounded)

(Five Million Five Hundred Thousand Dollars)

Opinion of Average Value of a 1-Acre Lot in the 95051 Zip Code: $5,840,000 (Rounded)

(Five Million Eight Hundred Forty Thousand Dollars)

Opinion of Average Value of a 1-Acre Lot in the 95054 Zip Code: $5,240,000 (Rounded)

(Five Million Two Hundred Forty Thousand Dollars)

ADDENDA

- Old Republic Title Company 2022 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

City of Santa Clara
The Center of What's Possible

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

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

Background.

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

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

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

(b) Fair Market Value.

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

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

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

Guidelines for Appraiser:

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

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

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

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

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

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

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

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

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

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

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

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

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

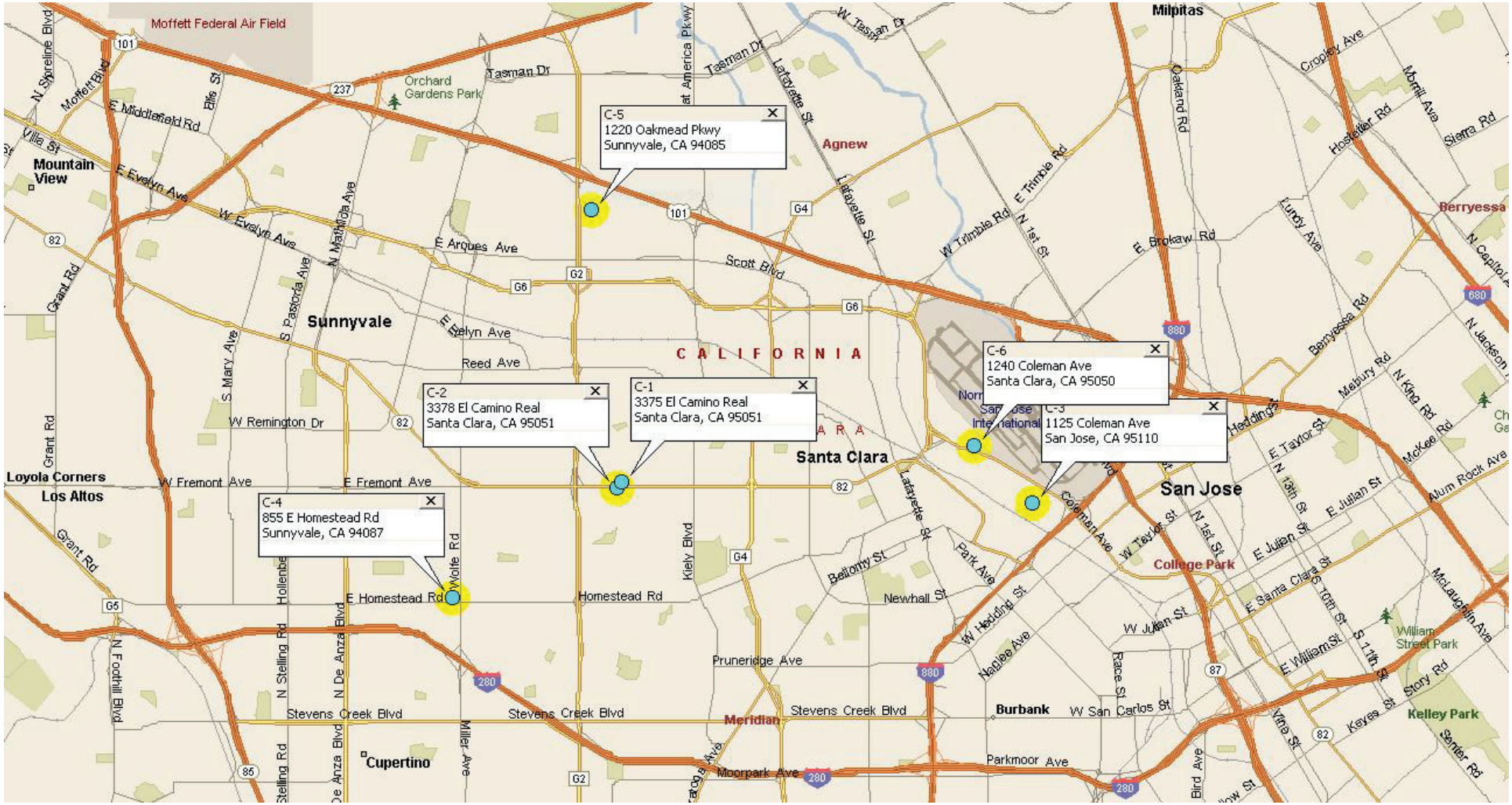
n. **Reporting:** *A draft valuation report will be generated by March 15. City will provide for a two week circulation and comment period. The valuations included the final valuation report will be used in the calculation formula for fees prepared by staff to be reviewed by Council as part of the annual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

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

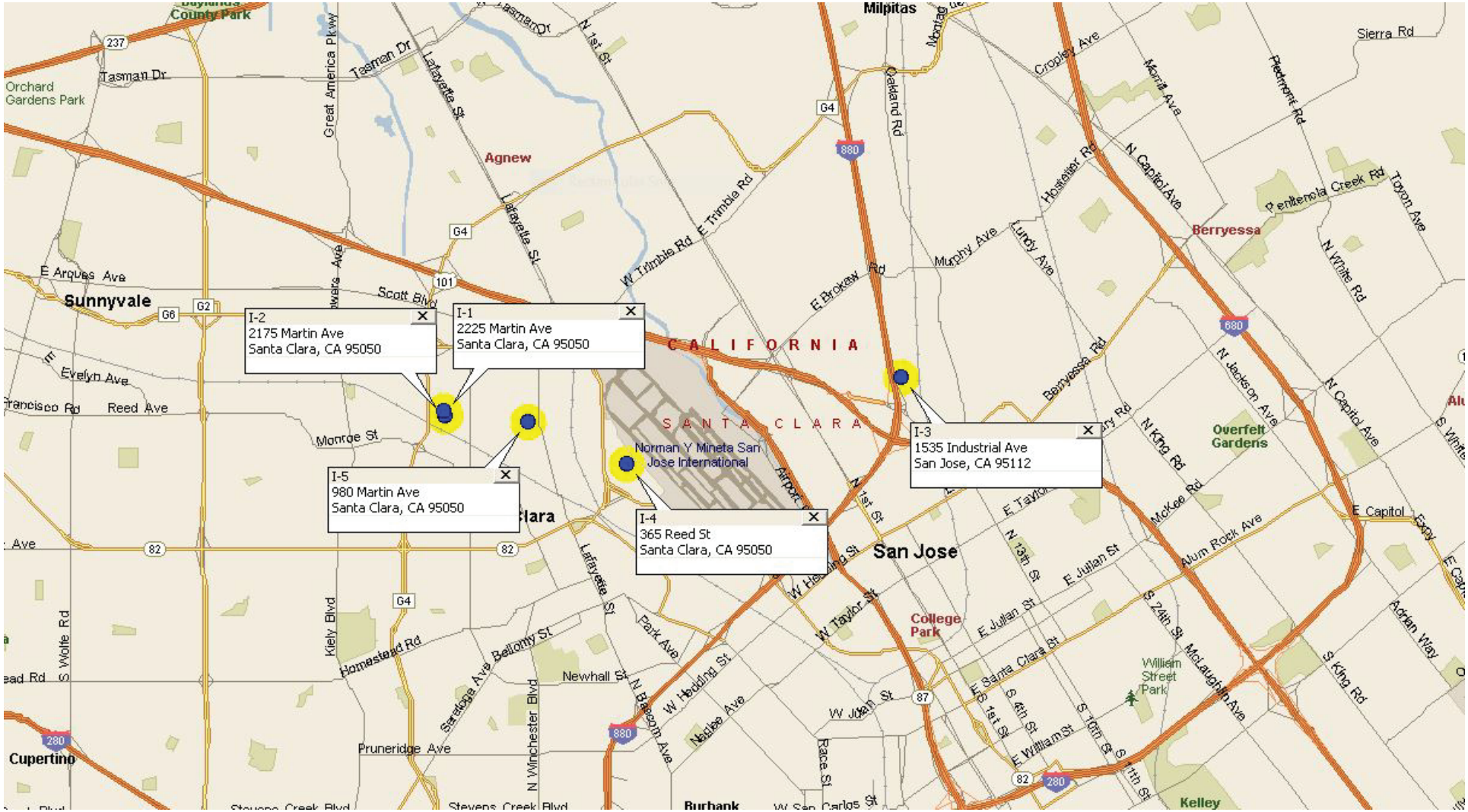
VERY LOW-DENSITY RESIDENTIAL SALE COMPARABLE LOCATION MAP

HIGH-DENSITY RESIDENTIAL SALE COMPARABLE LOCATION MAP

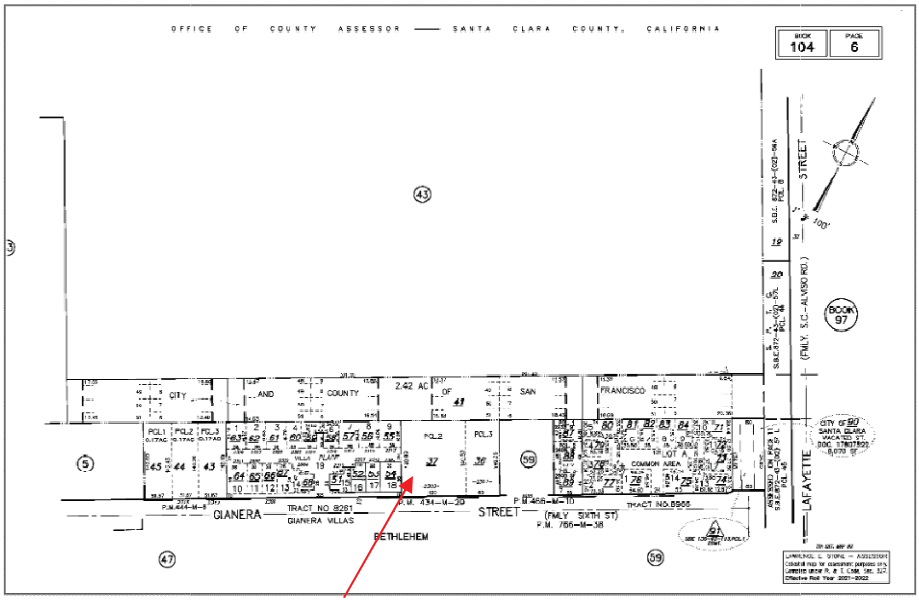
COMMERCIAL SALE COMPARABLE LOCATION MAP



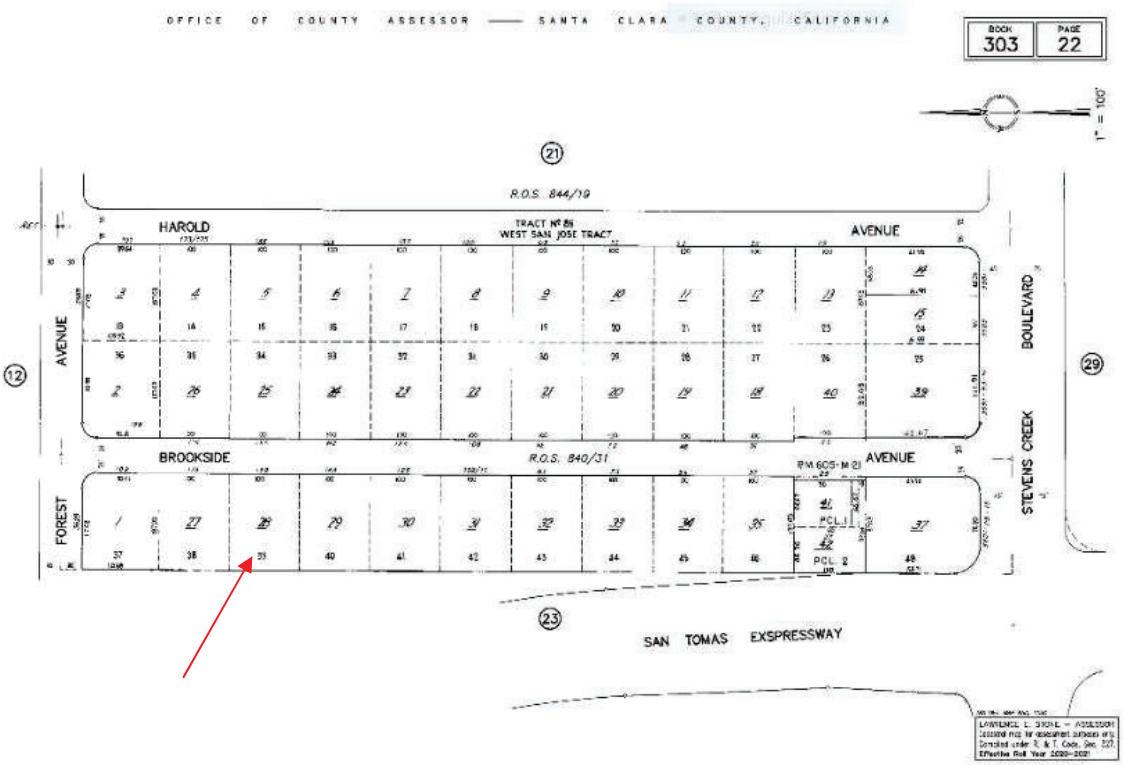
INDUSTRIAL SALE COMPARABLE LOCATION MAP



COMPARABLE LAND SALE PARCEL MAPS

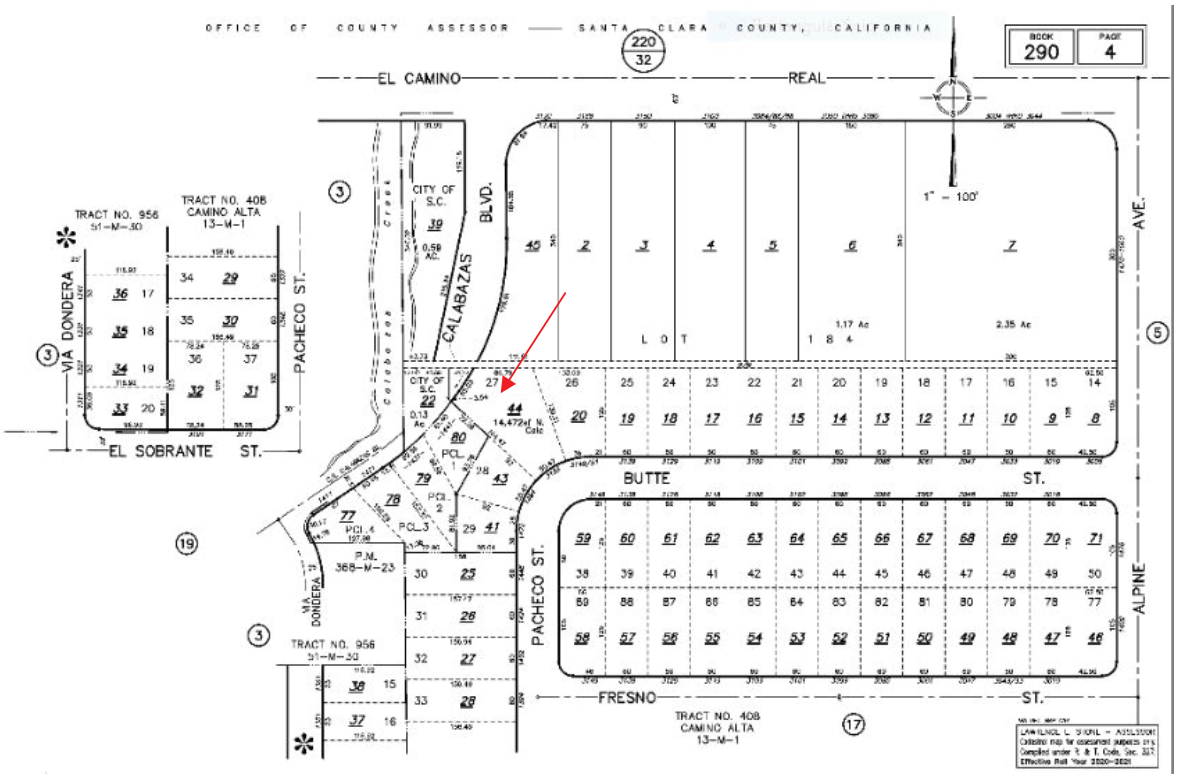


Very Low Density Land Comparable Sale VLD 1



Very Low Density Land Comparable Sale VLD 2

COMPARABLE LAND SALE PARCEL MAPS



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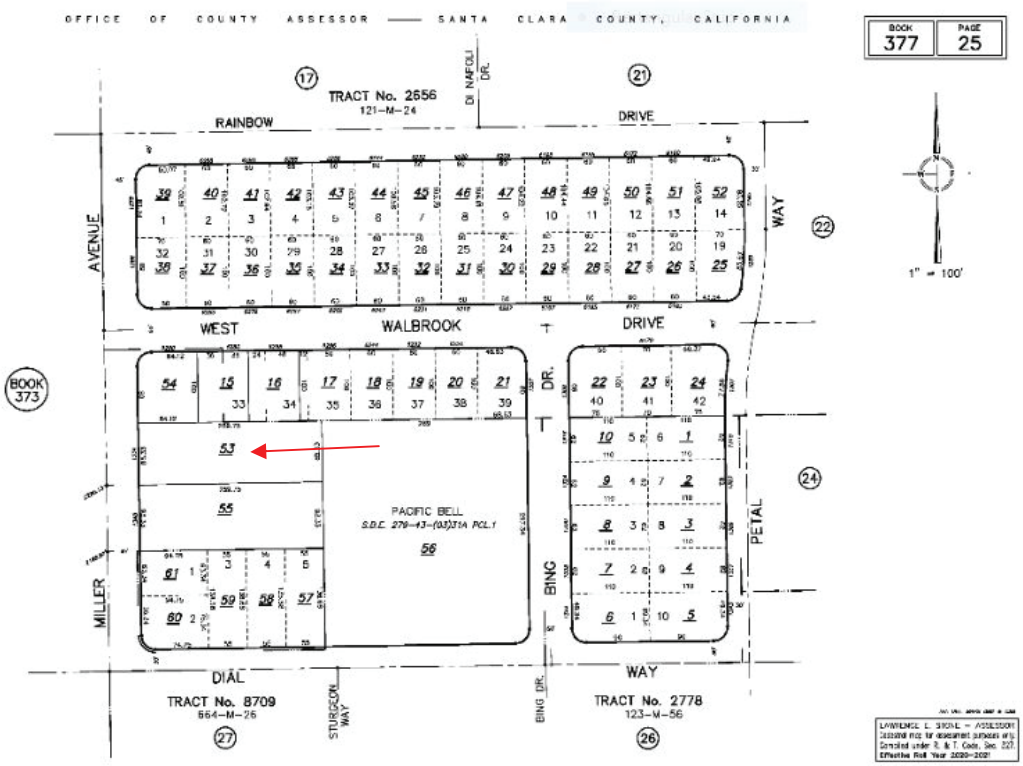
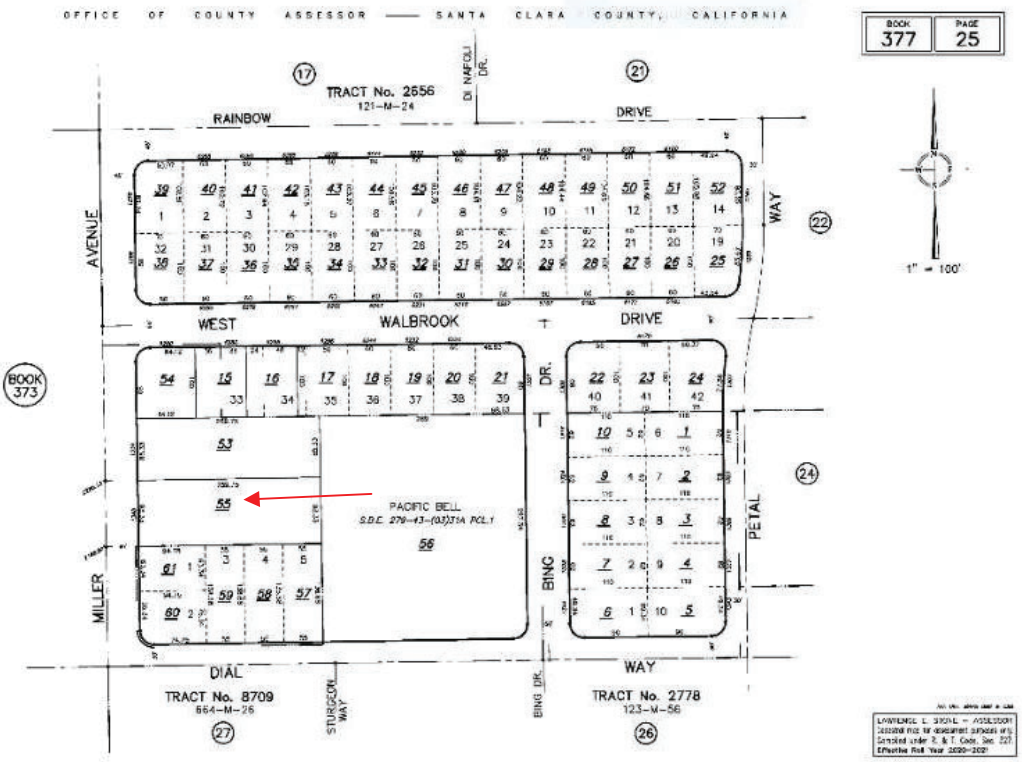
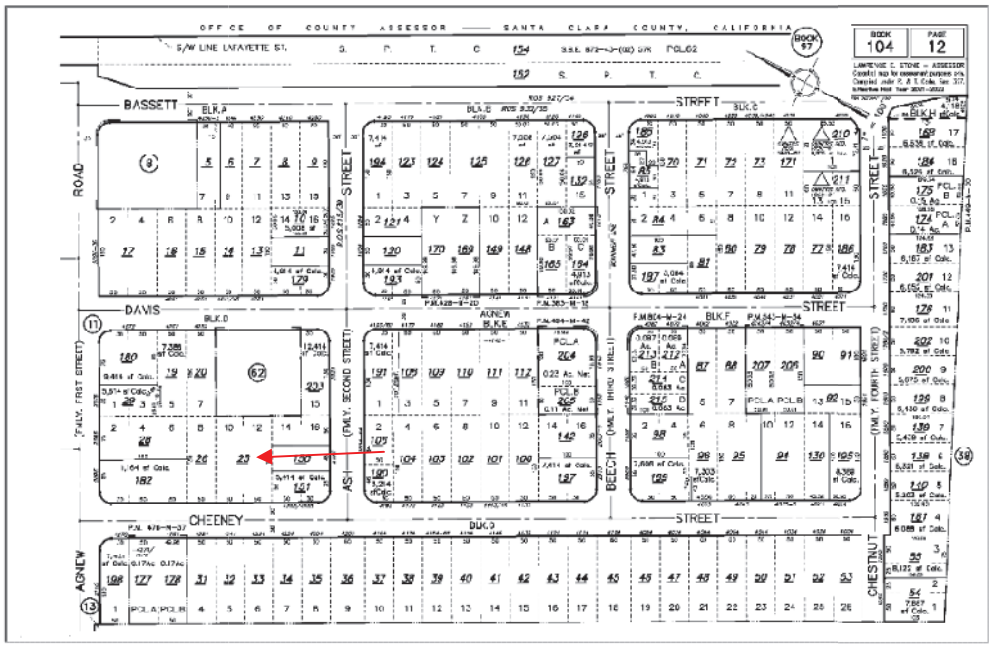


Very Low Density Land Comparable Sale VLD 4

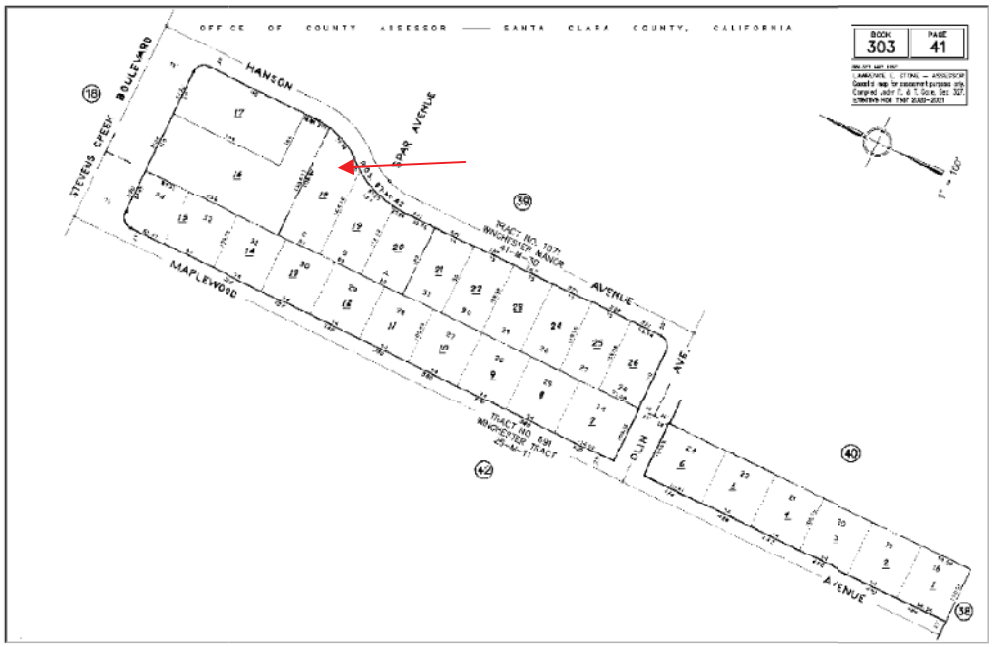
COMPARABLE LAND SALE PARCEL MAPS



Very Low Density Land Comparable Sale VLD 5



Very Low Density Land Comparable Sale VLD 6



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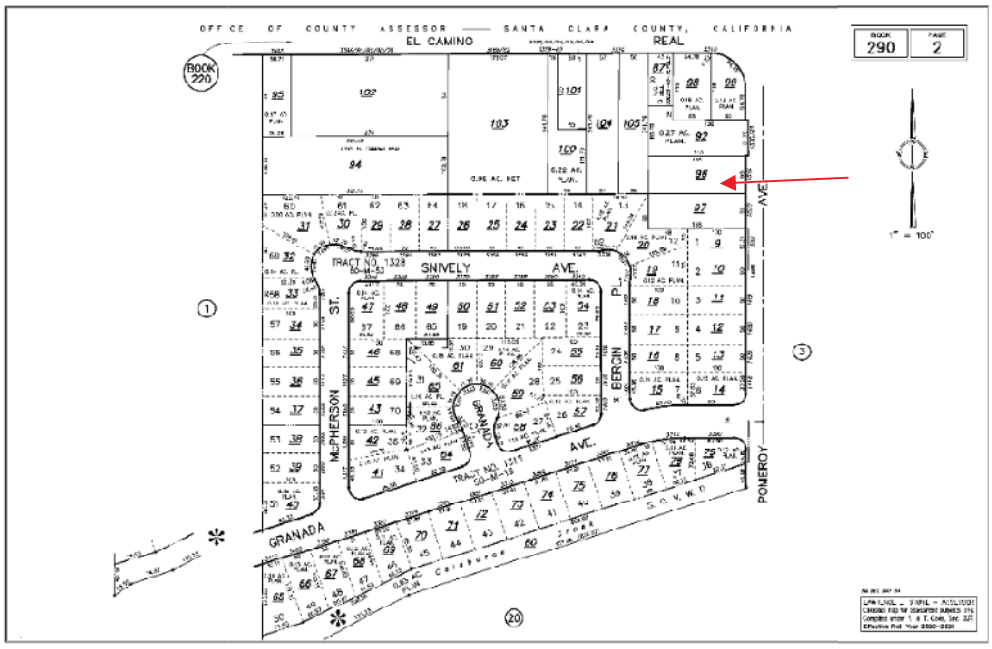
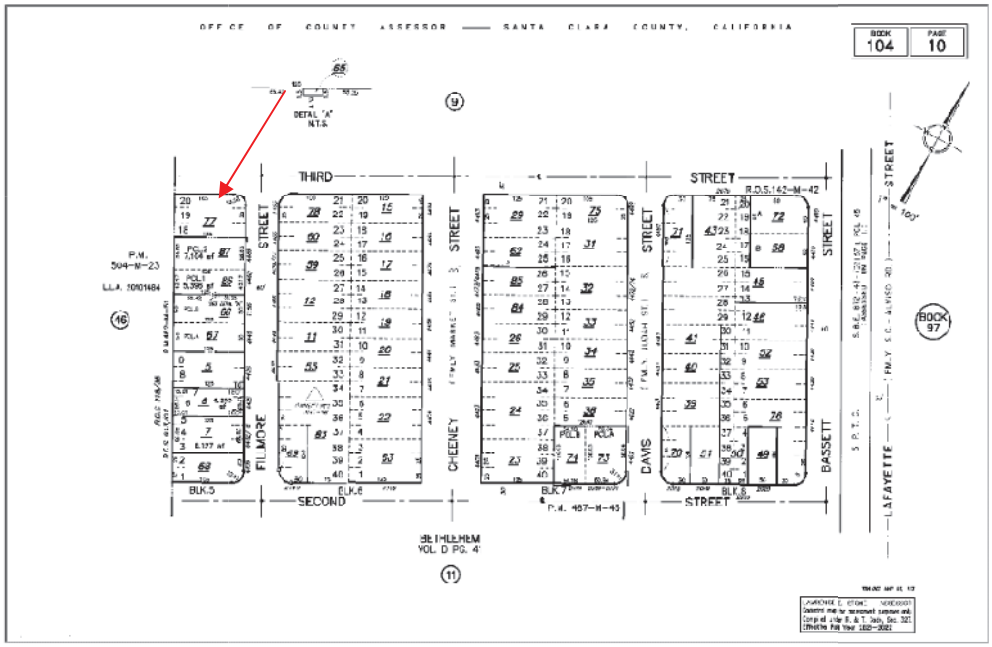
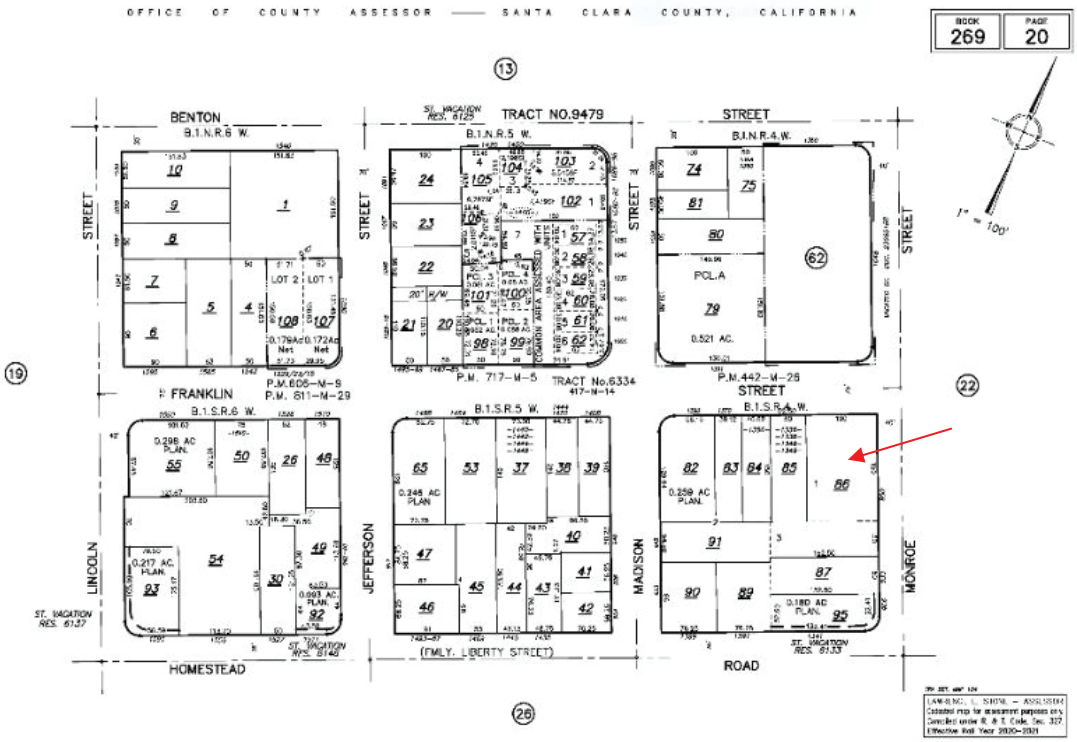


Very Low Density Land Comparable Listing 1



Very Low Density Land Comparable Listing 2

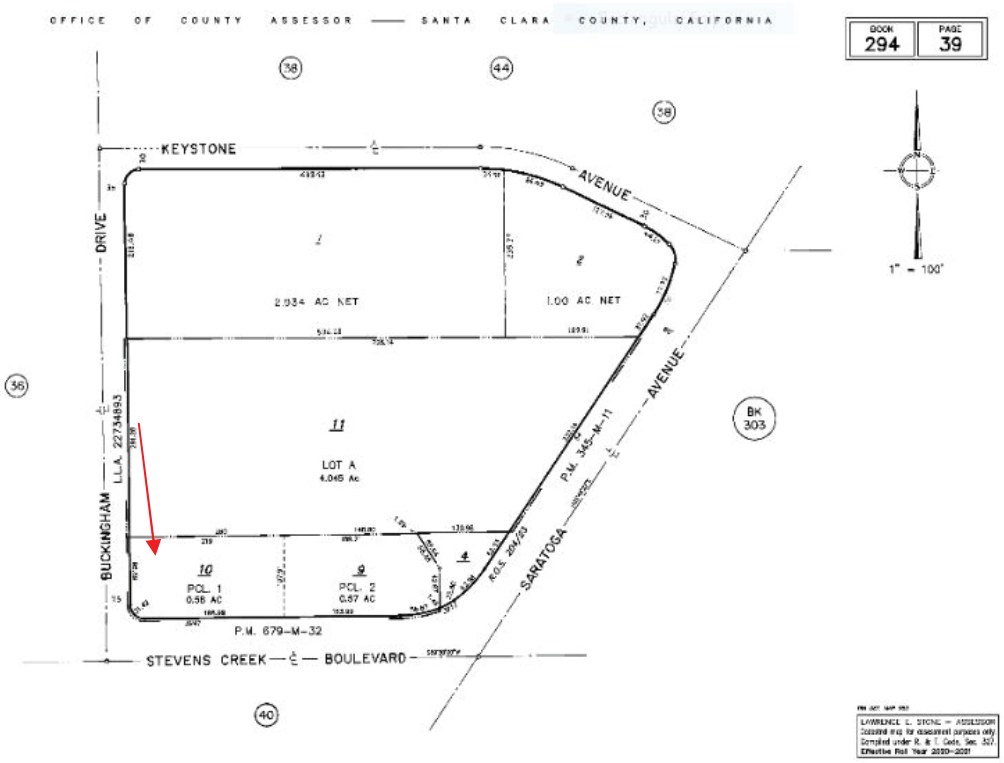
COMPARABLE LAND SALE PARCEL MAPS



High Density Land Comparable Sale HD 1

High Density Land Comparable Sale HD 2

COMPARABLE LAND SALE PARCEL MAPS



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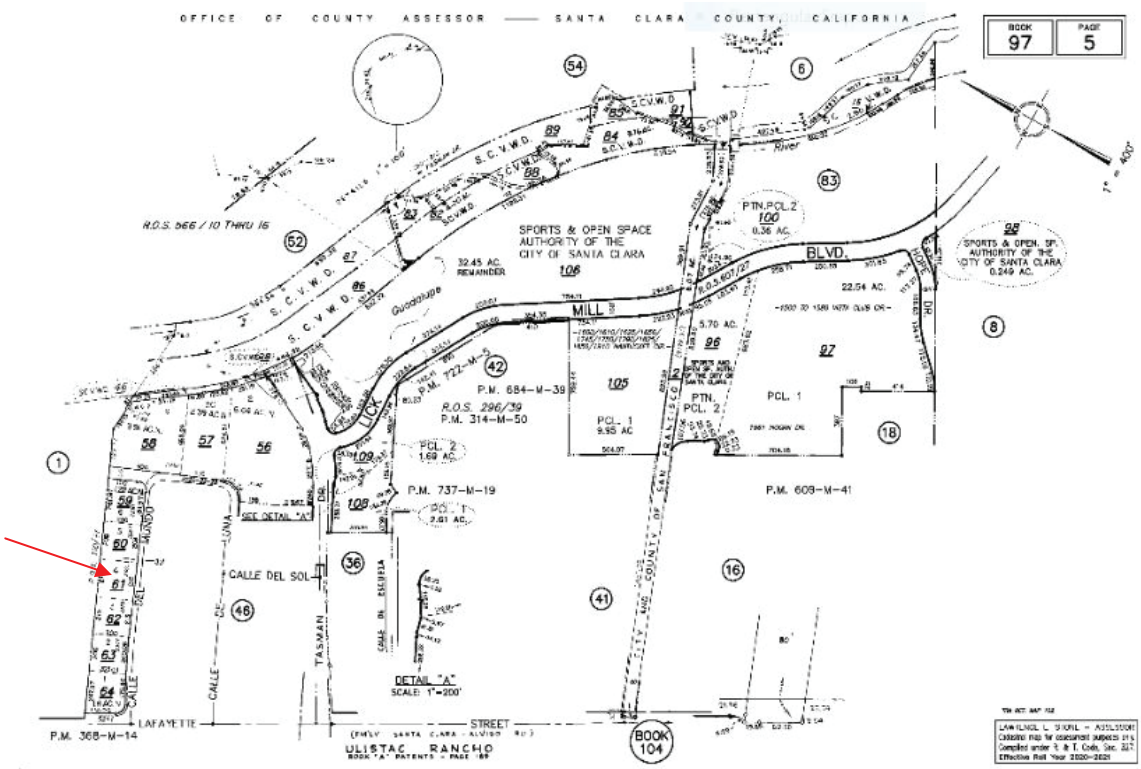
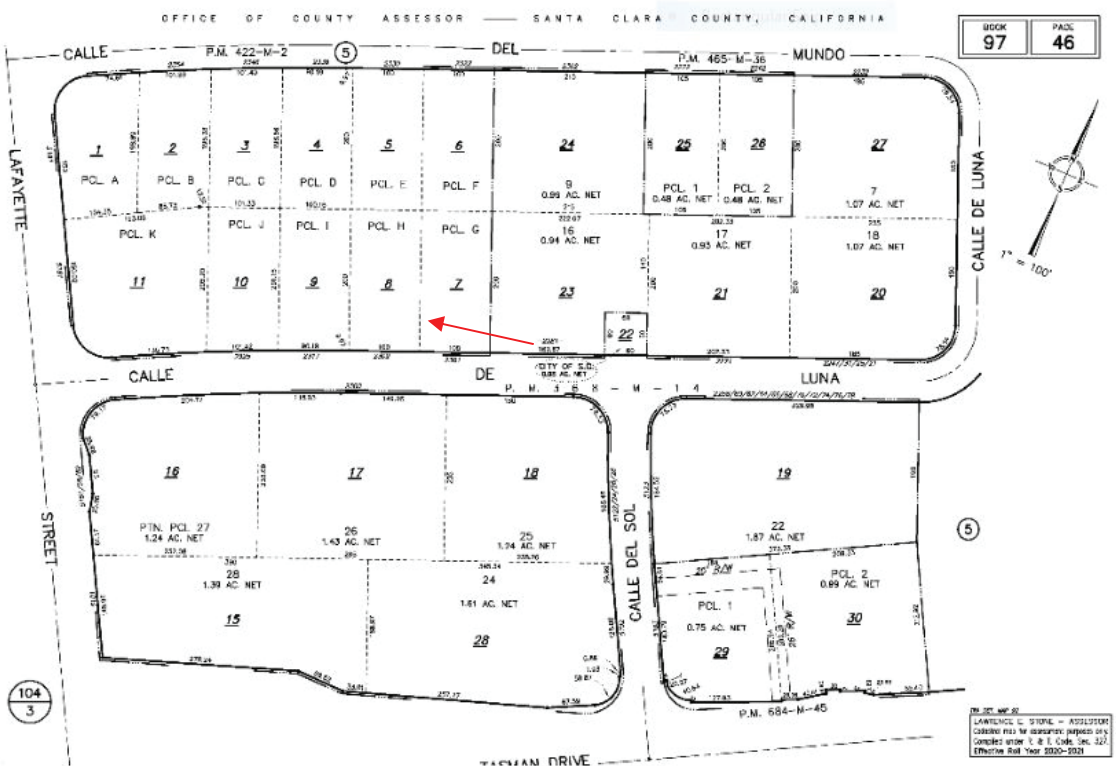


High Density Land Comparable Sale HD 4

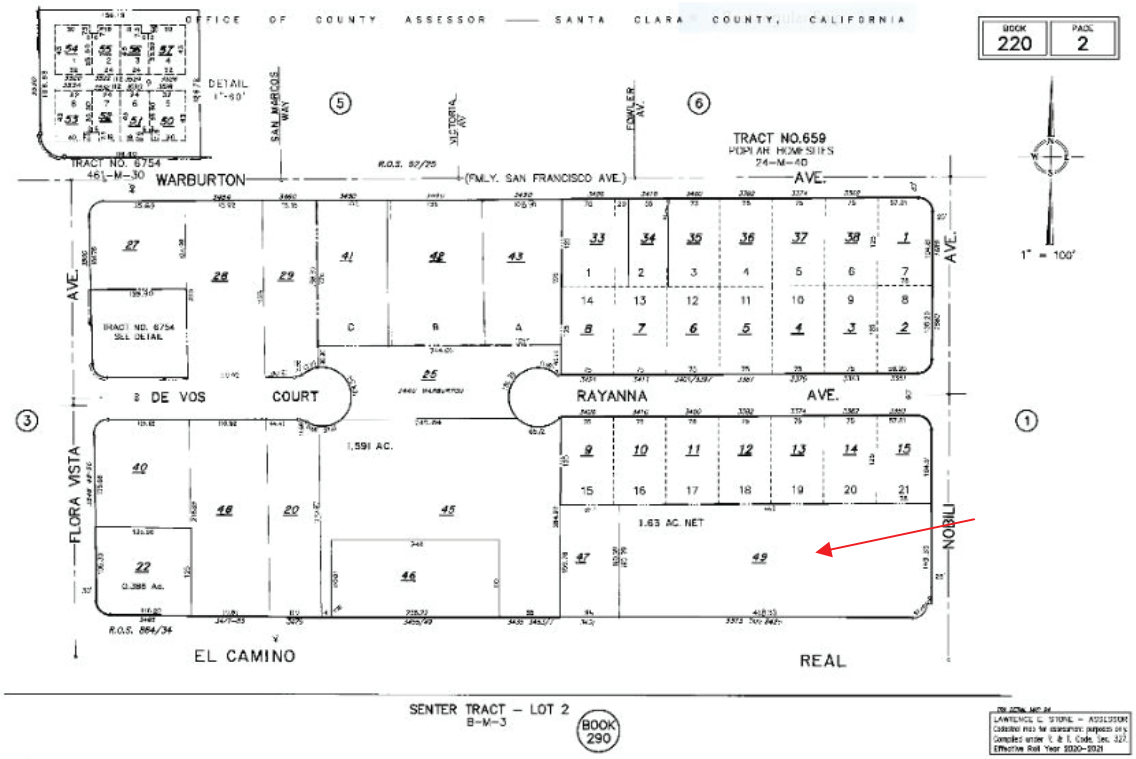
COMPARABLE LAND SALE PARCEL MAPS

High Density Land Comparable Sale HD 5

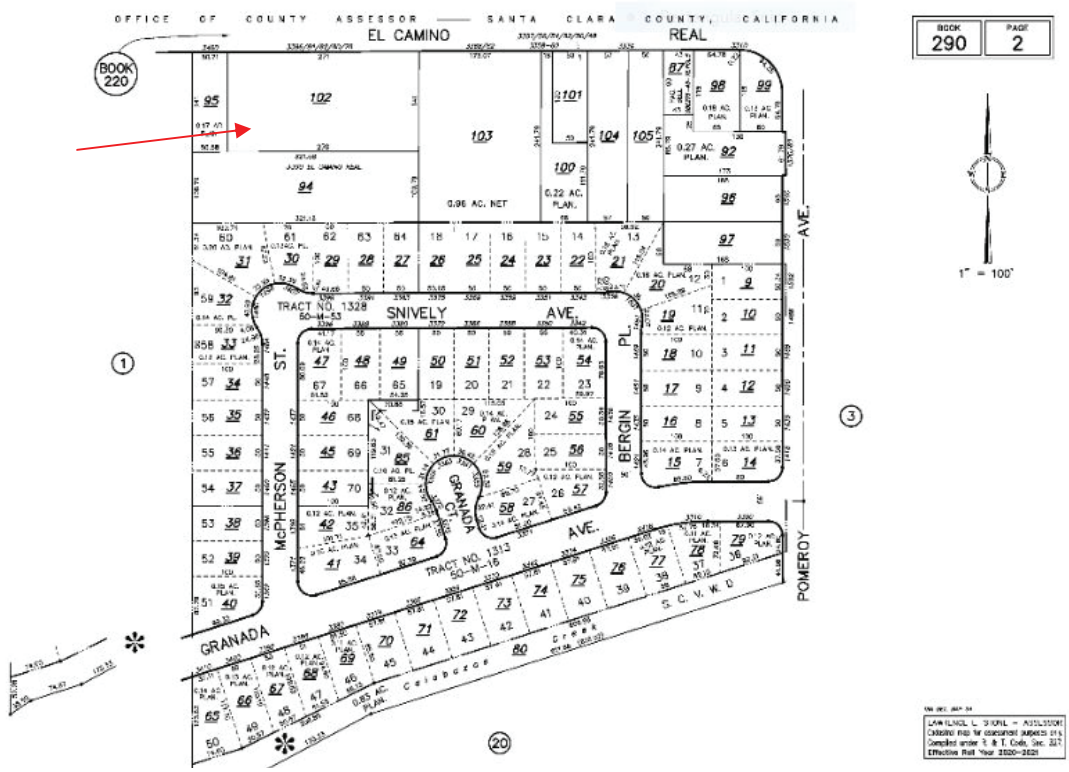


High Density Land Comparable Sale HD 6

COMPARABLE LAND SALE PARCEL MAPS

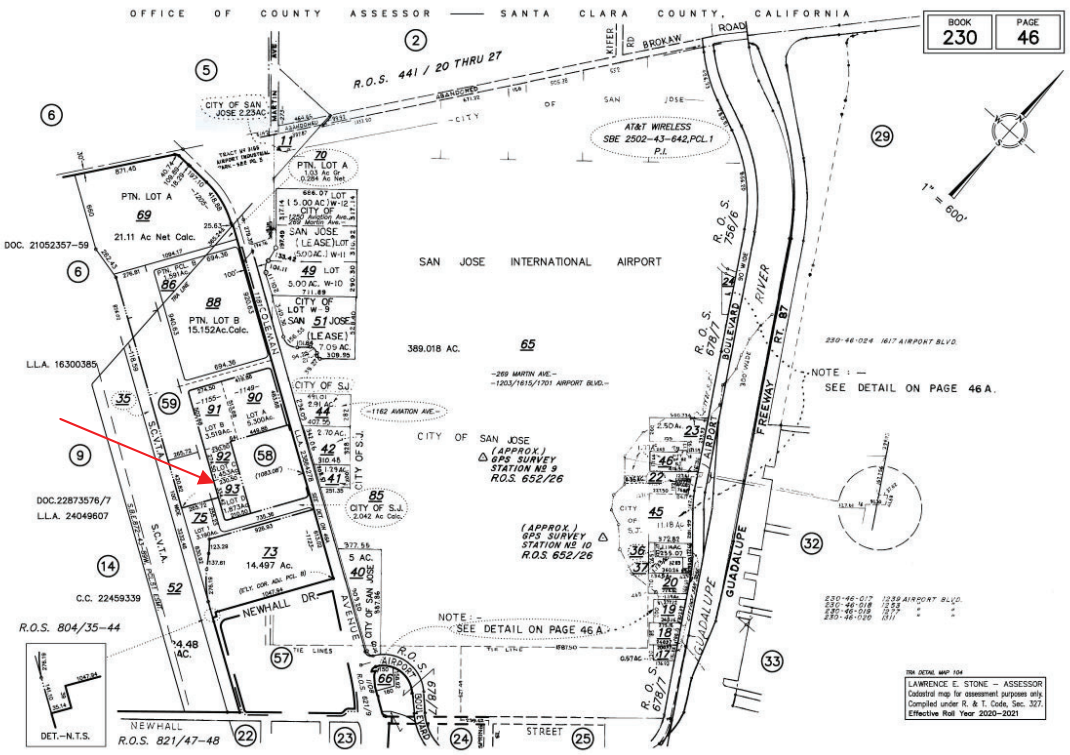


Commercial Land Comparable Sale C 1



Commercial Land Comparable Sale C 2

COMPARABLE LAND SALE PARCEL MAPS



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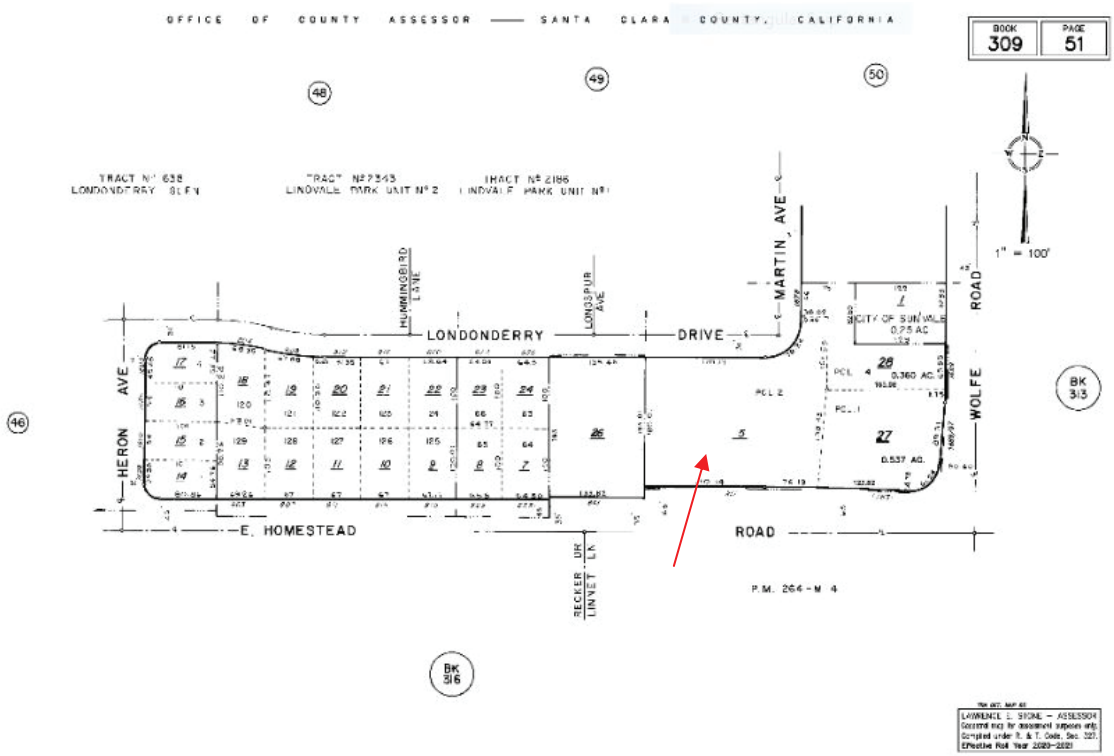
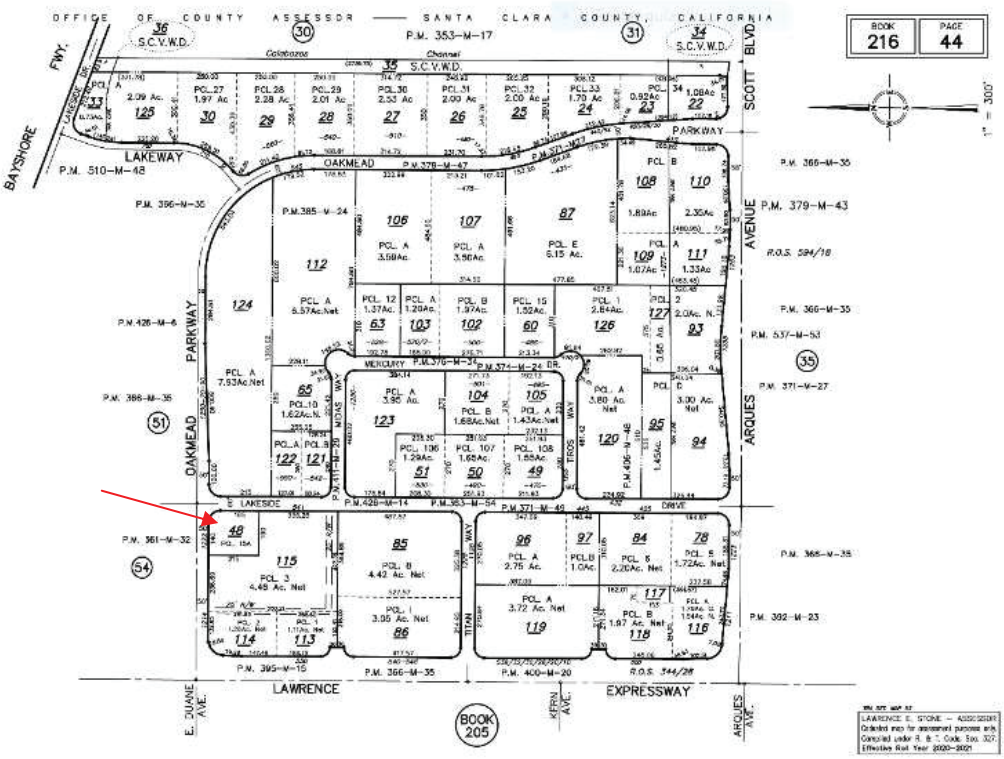


Commercial Land Comparable Sale C 4

COMPARABLE LAND SALE PARCEL MAPS



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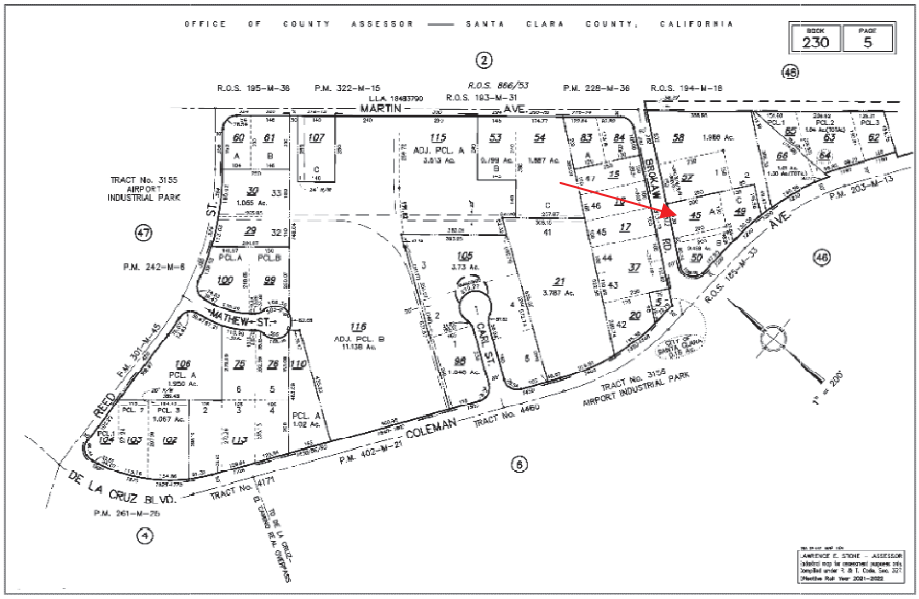


Commercial Land Comparable Sale C 6

COMPARABLE LAND SALE PARCEL MAPS

Industrial Land Comparable Sale I 1

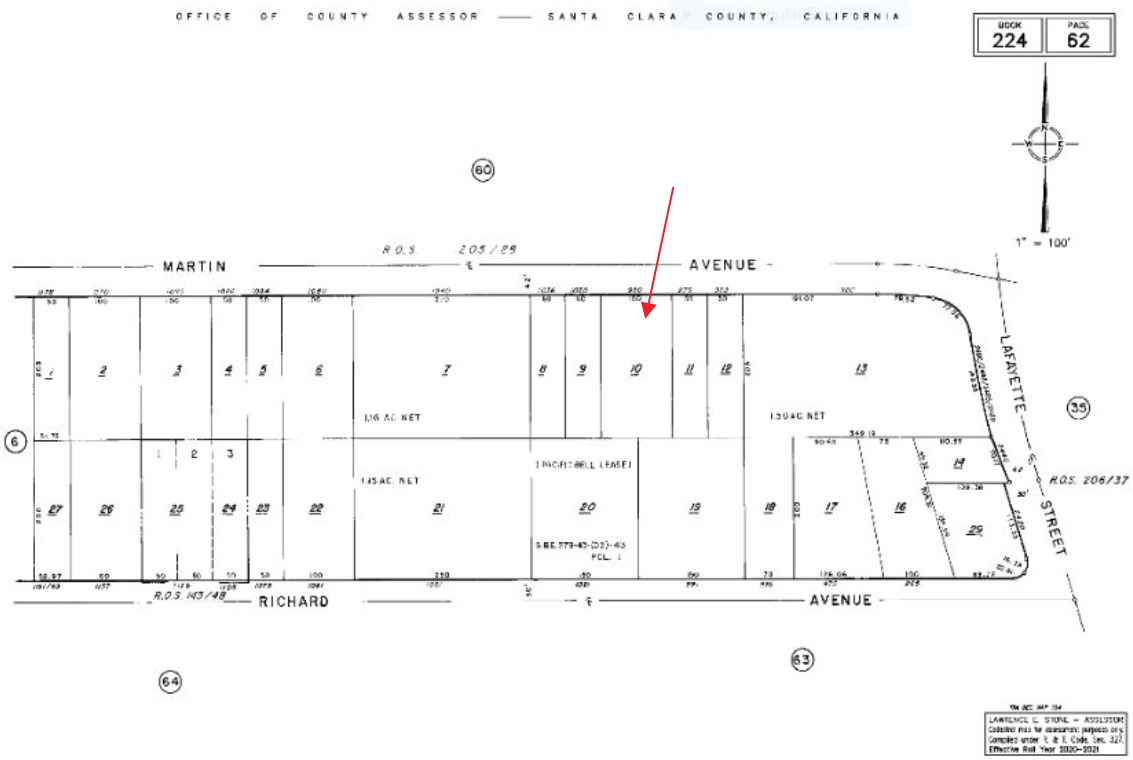
Industrial Land Comparable Sale I 2

COMPARABLE LAND SALE PARCEL MAPS

Industrial Land Comparable Sale I 3

Industrial Land Comparable Sale I 4

COMPARABLE LAND SALE PARCEL MAPS



Industrial Land Comparable Sale I 5

FRANK E. SCHMIDT, MAI, SRA
CURRICULUM VITAE, January 2022

Valuation Consulting, Forensic and General Appraisal, Expert Testimony
MAI and SRA MEMBER of the APPRAISAL INSTITUTE, No. 11933
fschmidt@valuationconsultant.net (510) 468-9219
San Francisco Bay Area

For more than four decades, Mr. Schmidt has been a real estate appraiser and consultant with a practice primarily in Northern California and the San Francisco Bay Area. He began his career as a residential appraiser, earning the coveted SRA designation from the Appraisal Institute in 1989, and the prestigious MAI designation in 2002. In 1995, he partnered with Wayne Prescott to form the Schmidt-Prescott Group, a commercial appraisal firm of which he was president until its dissolution in 2017.

During his career, Mr. Schmidt has appraised a wide variety of real estate including residential, commercial, industrial, raw land, and special purpose properties for various property rights. His experience includes litigation support and testifying as an expert witness for both plaintiffs and defendants. Mr. Schmidt's client list includes attorneys, municipalities, private entities, lenders, and publicly traded companies. He was engaged as a diminution in value consultant on PG&E cases involving the destruction of thirty-eight homes in the 2010 San Bruno gas-line rupture fires. Mr. Schmidt was recently retained by the City of Santa Clara as an expert to assist the city's task force in the process of setting Parkland Dedication fees.

Mr. Schmidt has served on several professional committees throughout his career, including the International Right-of-Way Association and the Appraisal Institute. He currently serves on the Santa Clara County Assessment Appeals Board, of which he was elected Chairperson in 2017.

Expert Witness Testimony
U.S. District Court, Santa Clara County Superior Court, San Joaquin County Superior Court,
San Francisco County Superior Court, Public Utility Commission of the State of CA,
American Arbitration Association, Standard of Care, Eminent Domain

Professional Affiliations

Membership in:	Appraisal Institute [MAI (2002) and SRA Member (1989)]

Work Experience

1/2019 to Present:	Frank Schmidt & Associates, President San Francisco Bay Area
2018	Carneghi-Nakasako, Appraiser Consultant San Jose, CA
2/95 to 12/2017:	The Schmidt-Prescott Group, President San Jose, California
4/78 to 2/95:	Schmidt & Associates, Inc., President San Jose and Fremont, CA
6/76 to 4/78:	Senior Supervising Appraiser, Mercury Savings & Loan Cupertino, CA
1/76 to 6/76:	Staff Appraiser, American Savings & Loan San Jose, CA
2/75 to 12/75:	Real Estate Appraiser and Consultant, B.A. Ericson Appraisal Co., San Jose, CA

Formal Education

B.S. Business Management, 1997 Graduated with Honors	University of Phoenix San Jose, CA