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, 2020

March 26, 2021

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, 2020 precedes the date I wrote and transmitted this appraisal by about 2½ 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 2020 land area data provided by Old Republic Title Company which was not available until February 2021, and some brokerage reports published in January 2021, but containing 2020 data.

I have appraised the subject of this appraisal numerous times since 2014, and most recently with a date of opinion of December 31, 2019. Based on land area, in 2019 about 55% of all the transactions sold in the preceding 12 months were categorized as industrial and commercial, and the other 45% were categorized as residential. In 2020, approximately 43% of all transactions sold in the preceding 12 months were industrial and commercial, while 57% were categorized as residential. Because residential unit values are greater than commercial and industrial, this resulted in higher concluded values for each zip code in 2020 compared to 2019.

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.

The COVID-19 pandemic had various affects on local real estate markets in 2020. Following a general shutdown of the economy in mid-March and April 2020, the remainder of the year experienced a fairly strong bounce-back for many real estate sectors, particularly housing and industrial. However, retail showed mixed signs and office markets appear to be in a holding pattern as office-workers have adapted to working from home. Some small market segments, notably hospitality and leisure/entertainment faced sharp declines in demand. Two vaccine manufacturers received FDA approvals for emergency use authorization in mid-December 2020. By the close of 2020 (and the effective date of value for this appraisal) the vaccine began being administered to health care workers and the elderly. Economists believe the vaccine roll-out will aid in getting the economy moving again. If, and when, schools reopen, many parents will be able to work more and possibly return to offices or into the workforce. Already, unemployment improved significantly from spring 2020. Further discussion of the COVID-19 effects are presented throughout this report.

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.

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

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

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

- 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 2020. 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, 2020, the effective date of opinion, for each zip code was:

Zip Code	Average Value
95050	$4,720,000
95051	$5,120,000
95054	$4,830,000

Sincerely,

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

[2] *2020-2021 Uniform 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	Light Industrial Building

EFFECTIVE DATE OF VALUE : December 31, 2020

PROPERTY RIGHTS APPRAISED : Fee Simple Estate

AVERAGE VALUE CONCLUSIONS :

Zip Code	Average Value
95050	$4,720,000
95051	$5,120,000
95054	$4,830,000

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 a draft appraisal report transmitted June 11, 2020 and having a date of value of December 31, 2019.

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).

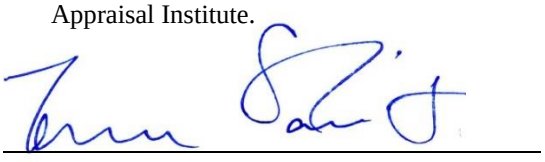
9. I have not inspected the property that is the subject of this report since the subject lots are hypothetical.

10. Under my direction, Mr. Matthew Watson, MAI 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.



March 26, 2021

Frank E. Schmidt, MAI, SRA — Date

California Certified General Real Estate Appraiser, No. AG005421

SCOPE OF THE ASSIGNMENT

Information Provided to the Appraisers

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

Extent of Research into Physical Factors

We drove several streets throughout Santa Clara over the past several years including various times in 2016, 2017, 2020, and 2021. We note changes that are occurring or have occurred, particularly regarding new development. We gathered data about land use ordinances for each hypothetical lot and the comparables from the websites of the appropriate municipalities.

Extent of Research Into Economic Factors

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

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

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

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

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

Extent of Comparable Data Research

We used a variety of 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 June 11, 2020 with an effective date of opinion of December 31, 2019. The next most recent appraisal of the subject was transmitted February 22, 2018 with an effective date of opinion of December 31, 2017. 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, 2020, the county had a population of 1,962,251, an increase of 0.07 percent from the July 2019 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 5.9% in December 2020, based on a labor force of 1,040,900. This is a steep increase from the March 2020 unemployment rate of 3.4%, prior to COVID-19. It is also higher compared with the one-year prior unemployment rate of 2.2%, based on a labor force of 1,058,900 jobs. However, the County's unemployment rate peaked at 11.7% in April 2020 and has gradually declined since.

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 129,104 as of January 1, 2020, according to the CDF, about 1.3% 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 5.3% in Santa Clara as of December 2020, based on a labor force of 70,600. The unemployment rate has generally followed a downward trend since peaking in April 2020 at 9.5%. Still, the current rate is far above the year ago rate of 2.0 percent in December 2019.

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. The project is a 240-acre mixed use development located across from the street from Levi's Stadium. It would include 5.4 million SF of office, 1,680 residential units, 700 hotel rooms, and 1 million SF of retail, food and beverage, and entertainment. The first development phase will begin later in 2021 after being delayed by the pandemic. The Gateway Crossings project has received approvals for 1,565 residential units, 225 hotel rooms, 45,000 square feet of commercial uses, and 2.6 acres of parkland at 1205 Coleman Ave. Additional development in the City includes several new structures on the Santa Clara University campus, an expansion at Valley Fair Mall, and continued residential build-out of the Lawrence Station area.

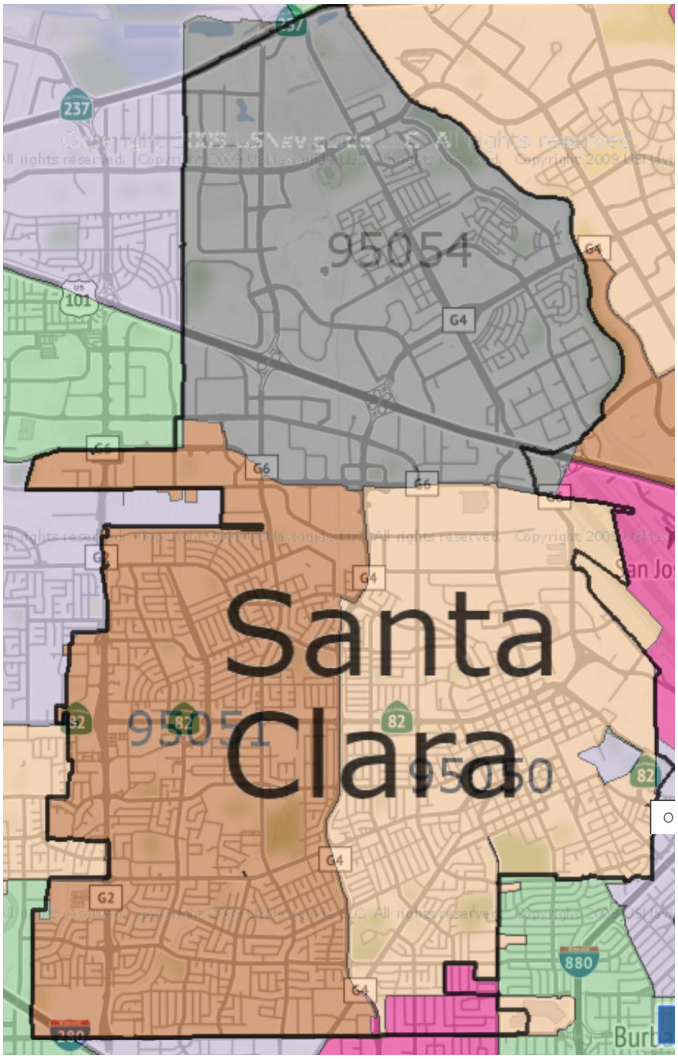
The City's median household income was estimated by the U.S. Census Bureau at $126,006 in 2019 and the per capita income was about $53,986. The United States Census Quick Facts for 2015-2019 indicated the following demographics in Santa Clara:

Total Households	44,669
Owner Occupied Housing Unit Rate	42.9%
Average Household Size	2.74
Bachelor's Degree or Higher	59.9%
In Civilian Labor Force	69.2%

The City is home to Santa Clara University, Mission College, a junior 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 December 9, 2020 *UCLA Anderson Forecast* expects encouraging economic news to be forthcoming. "The December Forecast offers hope of a robust recovery from the current recession, based on the assumption that mass vaccinations would clear a path toward a new, productive normalcy for many industries. However, that good news is tempered by predictions of a rough winter, as economic growth remains stalled by measures intended to prevent rising spread of virus cases until vaccines become widely available."

"But a vaccine would help release pent-up consumer demand over the next year, leading to a strong recovery. The forecast anticipates that a surge in services consumption and continued strength in housing markets will propel the economy forward. Senior Economist Leo Feler expects the housing market to remain hot through at least 2023, with housing starts already at their highest levels since 2007."

"The reopening of the economy is directly related to the population's ability to safely return to work. As a result, the latest UCLA Anderson Forecast report, written by senior economist Leo Feler, anticipates two more quarters of slow growth — seasonally adjusted annual rates of 1.2% for the fourth quarter of 2020 and 1.8% for the first quarter of 2021 — before robust growth of 6% in the second quarter of 2021. After that, growth rates should remain above 3.0% well into 2023."

The *Winter 2021 Allen Matkins/UCLA Anderson Forecast California Commercial Real Estate Survey* "shows that the current pandemic-related economic recession is having a mixed effect on California commercial real estate sectors, as this particular downturn is not characterized by a slackening in housing markets or a stock market crash. While office space markets are in a holding pattern and retail markets are on a downward trajectory, multi-family housing and industrial space instead remain in the growth portion of their business cycles."

Following we present some statistics and comments regarding the market conditions for each land use we are appraising. Land market conditions for each of these uses are not typically tracked by any firms that we are aware of; it has been my experience and historically as reported by market participants that the land market for these uses typically shadow 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

The commercial brokerage firm Cushman & Wakefield's *Bay Area Investment Marketbeat* for the fourth quarter of 2020, dated January 2021, notes that the San Francisco Bay Area investment market "witnessed nearly $7.1 billion in total sales in the fourth quarter of 2020 and finished the year with $19.2 billion in total sales. From 2015-2019, the market saw an average of $25.3 billion in sales. Since the third quarter, average price per square foot (psf) (excluding multi-family) increased to $553 psf across 107 property sales. The 2020 annual average was $434 psf, which is down from $521 psf in 2019, but higher than the previous five-year average of $383 psf. The office sector remains the most expensive sector finishing 2020 at $683 psf with a historic high of $817 psf during the fourth quarter. The average cap rate for all products increased to 5.4% by the end of the fourth quarter, bringing the 2020 cap rate to 4.9%, which is 10 basis points lower than the 2019 average."

"Numerous transactions were pending at the end of the third quarter and closed in the fourth quarter as investors focused on durable income streams and the sectors most likely to benefit from the disruptions of COVID - distribution, industrial, data centers, and life science. Government-backed loans for multi-family product have pushed interest rates to record lows, enabling many multi-family investment sales to close at cap rates below pre-Covid levels. The San Francisco Bay Area market had a particularly exceptional fourth quarter as it was the home of many large transactions and nearly $2.0 billion in sales volume."

CoStar Group, Inc. is a multinational provider of information, analytics, and marketing services to the commercial real estate industry. According to a CoStar Group report on economic conditions in the greater San Jose/Silicon Valley market area:

> *The coronavirus pandemic abruptly ended what had been the longest economic expansion in U.S. history, and disrupted San Jose's streak of above-average job growth. California and Bay Area counties including Santa Clara are taking a cautious approach to reopening economic activity, and businesses are suffering from the downturn in commerce.*
>
> *Employment in the San Jose metropolitan statistical area encompassing Santa Clara and San Benito Counties fell roughly 13% immediately following the coronavirus outbreak, and the market has slowly regained roughly a quarter of those losses. Employment is still down roughly 60,000 from its pre-pandemic peak, representing a 5.2% decline as of the latest jobs report from the Bureau of Labor Statistics covering November. While stark,*

job losses were even more pronounced across the state of California and the nation overall. San Jose, perhaps due to its concentration of employment stemming from mature tech giants, saw slightly fewer job losses than even San Francisco or the East Bay did, and it is on a slightly stronger recovery trajectory.

As expected, leisure and hospitality were the hardest hit sector, while retail trade is also down significantly. Employment in typical office-using sectors did not fall as sharply, but also declined. Professional and business services, which account for over a fifth of all jobs in the metro, has nearly recovered its initial coronavirus pandemic losses, registering less than 2% below its February 2020 peak now, while employment in information is 11% lower, and financial activities employment remains 4% lower. Manufacturing employment is down 6%. Construction employment fell by 31% but has already regained all of its losses and is up to a new high.

While San Jose's employment losses have been comparatively subdued, the tech industry's ability to adopt a remote-based workforce poses an acute threat to local demand for commercial real estate. Major Silicon Valley employers are now reevaluating their use of physical space and location, and if a wealth of existing locally-based positions become remote-based permanently, an outflow from commercial space and apartments could ensue.

Moving forward, Oxford projects San Jose's economic recovery will rank among the strongest across the country due to its unique industry makeup. The thriving tech industry drove San Jose's economic growth coming out of the Great Recession and is expected to do so again in the post-pandemic recovery. Unemployment registered just above 2% as 2019 ended, and employment opportunities outnumbered qualified workers. E-commerce was growing around 17% annually and has seen a recent spike due to social distancing measures.

Employee compensation at large tech companies is relatively high, but while income levels in San Jose rank among the strongest in the country, they do not necessarily support the market's rising costs of living. Home purchase affordability declined over the past decade as housing prices skyrocketed above the pace of income growth. As a result, many higher-income residents who would typically purchase a home are virtually locked into renting and paying a hefty percentage of their incomes on rent. If given the opportunity to maintain their jobs, a significant share of local workers recently surveyed said they would move out of town to work remotely on a permanent basis from a cheaper area.

> *Given the nature of how the coronavirus and social distancing measures are affecting the economy, some of the lowest risk sectors locally have proven to be healthcare and professional services, as employees have adapted to work remotely. Put together, these two employment sectors make up over a third of San Jose's employment, making San Jose one of the more insulated metros in the country. Harder hit sectors like leisure & hospitality and retail make up only around 20% of San Jose's employment base.*
>
> *Overall, the long-term economic prospects in San Jose remain strong. Despite the market's high cost of living and transportation challenges, the world's most valuable companies are already committed to the South Bay/San Jose market. While there is near term uncertainty in the economy, long-term growth prospects for the metro are strong, and demand for commercial real estate and housing should remain high in conjunction with San Jose's robust economic base.*

According to San Jose think-tank Joint Venture Silicon Valley (JVSV), job losses in Silicon Valley were most acute in the community infrastructure and services sector (retail, hotels, arts, entertainment, personal services, food services, and transportation). These jobs declined about 15.4% over the 12-month period ended June 2020, while overall employment over the same period fell 8.9%. Tech companies, however, increased job totals by 1.8% in Silicon Valley. "Silicon Valley city revenues are expected to decline by an average of 5% due primarily to the effects of the pandemic, with the most dramatic declines expected in transient occupancy taxes," the JVSV report stated. Furthermore, JVSV expects the economic rebound to be swift.

Some new construction may not occur in this market due to soaring prices for lumber and steel. Softwood lumber prices increased by 73% year-over-year, and iron and steel prices are up by 15.6%, according to data from the Associated Builders and Contractors. Part of this increase is delivery delays caused by congestion at the Port of Oakland and other ports nationwide.

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.

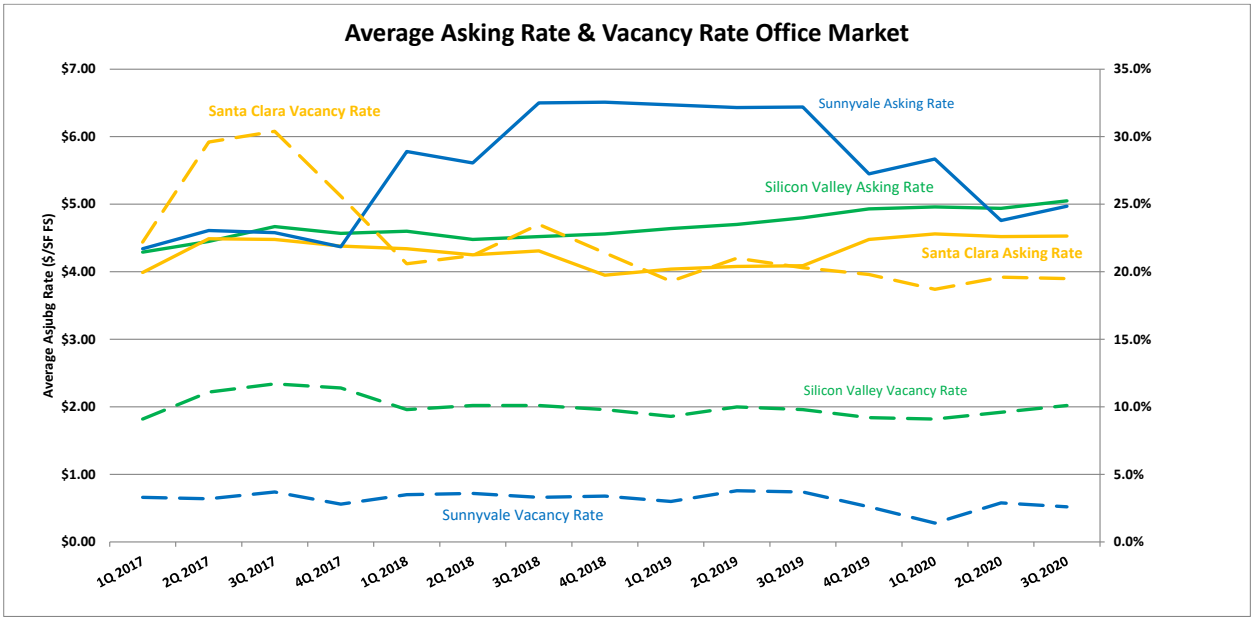
In this market, real estate brokerages track office and retail statistics by city or submarket; they are not broken out by zip code. Following we present the relevant statistics pertaining to the

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 3Q-2020 was generally characterized by stable vacancy rates, positive net absorption, and overall increasing average asking rental rates. The next table displays data from the Cushman & Wakefield's 3Q-2020 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



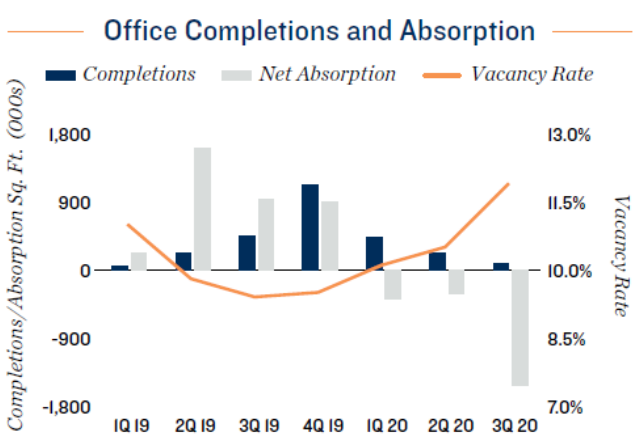
Source: Cushman & Wakefield Marketbeat Office Snapshot

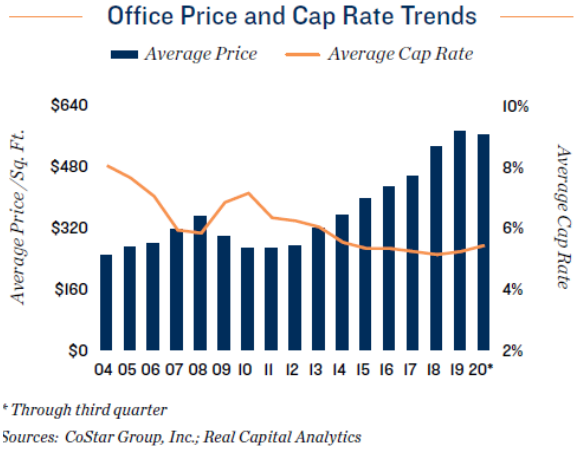
The data indicates that the office vacancy rate in Santa Clara generally declined from Q3-2017 through Q1-2020; it has remained just below 20% for four straight quarters. This elevated vacancy rate is due to several large office buildings in the Great America Pkwy, Bunker Hill Ln, and Scott Blvd corridors having significant vacancy. The Silicon Valley market has been overall more stable with vacancy reported at 10.1% for Q3-2020 and this rate has been within about 200 basis points during the last four years. However, it is the first time the rate has exceeded ten percent since Q4-2017. The region's availability represents 8.8 million square feet following just 84,069 square feet of net absorption in 3Q-2020. Cushman & Wakefield reports that the City of Santa Clara has some of the largest subleases on the market including Citrix and Avaya. The City of Santa Clara's experienced 8,978 square feet of net absorption in Q3-2020 aided by a 59,078 square foot renewal by KPMG at 3975 Freedom Circle.

The average asking rent in 3Q-2020 for the City of Santa Clara was $4.53/SF/Month on a Full Service expense basis, whereby taxes, insurance, maintenance, utilities, and janitorial expenses are bundled into the base rent. This is more than the $4.09/SF/Month asking rate from one year ago, but about the same as the asking rate from 3Q-2017 ($4.48/SF/Mo).

Marcus & Millichap's 4Q-2020 Market Report stated that in the San Jose Metro area, which includes Santa Clara, office vacancies increased 140 basis points in the third quarter to 11.9%; the largest jump was in Milpitas. Asking rents in the San Jose Metro decreased just 1.4% year-over-year to $4.11/SF/Month.

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





*Through third quarter

Sources: CoStar Group, Inc.; Real Capital Analytics

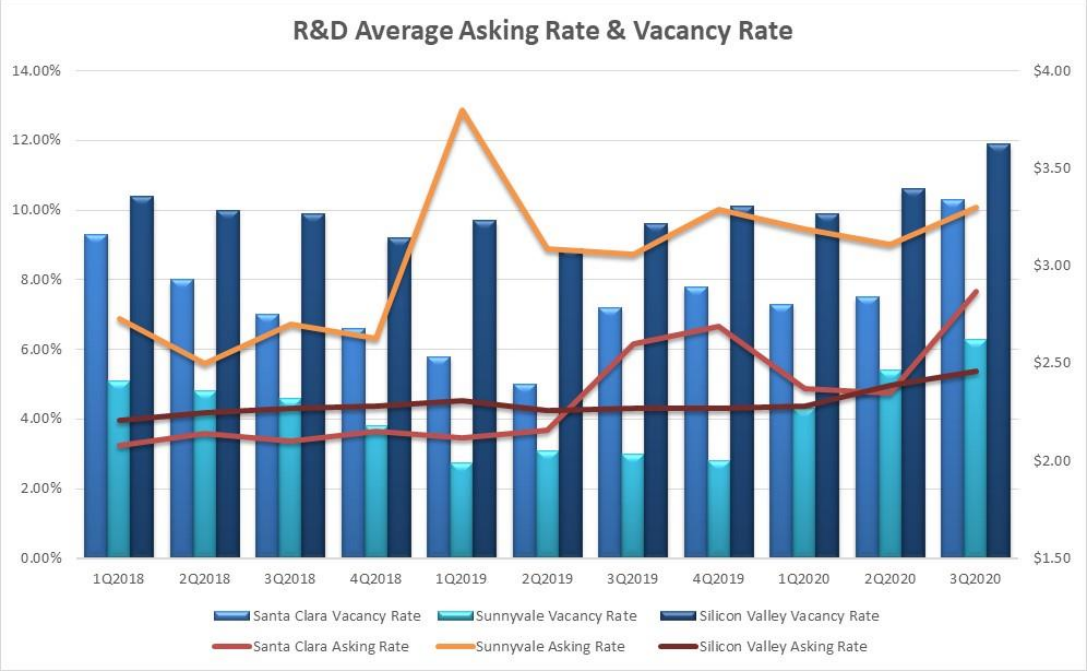
Marcus & Millichap's report states that "Over the past 12 months, developers added 1.8 million square feet of space, up from 950,000 square feet the prior year. Another 9.3 million square feet is underway, which is nearly 80 percent pre-leased. The average price per square foot was $559 during the 12-month period ending in September, unchanged from the prior year. The average cap rate was 5.4 percent in the last 12 months, up from a cyclical low of 5.1 percent"

There are several office developments under construction in Silicon Valley and Santa Clara. Notable developments in the City of Santa Clara include: a 6-story, 230,500 SF office building and a five-level garage under construction at 3200 Scott; an approved 6-story, 237,107 square foot office building at 3375 Scott Blvd; an approved 4-story, 1500,000 square foot office building at 3001 Tasman Drive; a five-story, 175,163 SF office building under construction at 3607 Kifer Rd; a proposal for a 12-story office building totaling 1,031,957 SF on a 10.1 acre site at 2901 Tasman Drive; and a proposal for two 8-story office buildings totaling 695,435 SF at 3625 Peterson Way that is pending review. Additionally, there is a large mixed-use development at 3905 Freedom Circle under construction which will include more than 1,000 residential units, 606,968 SF of office, and about 18,653 SF of commercial space.

It is still too soon to tell whether the work-from-home movement will have a long-lasting impact on office occupancy. Although many large tech companies have embraced the idea, and it appeared to be working for several months in 2020, towards the end of 2020, there were many reports of workers experiencing Zoom fatigue and missing the collaboration/comradery of an office environment. Office building developers remain bullish on downtown San Jose as evidenced by several office towers that remain under construction. Discussions with market participants revealed a consensus that the demand will pick up again with vaccine roll-out. The office market should improve given that some new construction has ceased. Locally, professional and business services employment, comprising more than one-fifth of all metro-area jobs, has recovered nearly all job losses incurred during the early stages of the pandemic. Long-term, office workers are expected to return in some form to the office, but lower space requirements due to workers working from home more are likely.

Research and Development (R&D) Market

The next table displays data from Colliers International's 3Q-2020 Silicon Valley R&D Market Snapshot and its predecessor reports:



Source: Colliers International

As shown above, Silicon Valley's R&D market experienced an overall stable vacancy rate within about 100 basis points of 10.0% from 1Q-2018 to 2Q-2020 before increasing to 11.9% in 3Q-2020. Meanwhile, asking rents have increased from $2.27/SF/month in 3Q-2019 to

$2.46/SF/month in 3Q-2020, an increase of about 0.70%/month 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 pays all other operating expenses.

Since 3Q-2018 the average asking rate in the City of Santa Clara increased from $2.10/SF/month NNN to $2.87/SF/Mo ending the 3Q-2020 or 0.99%/month. Over the last twelve months the asking rental rate increased 0.87%/month. Investor demand for R&D and office product remains above average, especially for well-located, modern buildings with long-term tenants in place. However, the vacancy rate trend shows a different narrative as in Santa Clara the vacancy rate experienced a cycle low of 5.0% in 2Q-2019 before registering 10.3% in 3Q-2020, the highest since Q4-2017. Part of the jump was due to the renovations at Mission Tech campus (at 2421-2451 Mission College Blvd), which resulted in 426,255 SF of vacancy coming online. The vacancy rate would be closer to eight percent without the Mission Tech vacancy.

Colliers International reported in their *2020 Q3 Silicon Valley Research and Forecast Report* a net absorption of negative 1,941,636 SF of R&D space in 3Q-2020 within Silicon Valley and a year-to-date total of negative 3,010,150 SF. The report notes that there is no new R&D product under construction throughout all of Silicon Valley and that none has been completed over the past four quarters.

Retail Market

According to Marcus & Millichap's Fourth Quarter 2020 San Jose Market Report, the expected impact of COVID on the retail market remains unknown while investors continue to be cautious. The report states that "In the yearlong period ending in the third quarter, developers added 690,000 square feet of retail space in San Jose. During the previous 12-month period, builders completed 180,000 square feet. Vacancy was 4.6 percent in September, up 10 basis points from the same period in 2019. The rate has been trending higher since the end of 2017 when it fell to a cyclical low of 3.0 percent. Although the impact of the health crisis is only slowly emerging in vacancy, rents are already declining. In the third quarter, average asking rent decreased 1.1 percent to $34.12 per square foot. Single-tenant prices jumped 10 percent to $629 per square foot during the 12-month period ending in October as buyers gravitated toward high-quality assets during the health crisis. The average cap rate was in the high-4 percent range. Multi-tenant assets changed hands at an average cap rate of 5.2 percent during the last 12 months, up 30 basis points year over year. The average price was $549 per square foot during the period."

Some retail categories have managed well during the pandemic while others have not. Drive-thru fast food and fast-casual restaurants generally did fine, particularly those with drive-throughs. Sit-down restaurants, particularly those without outdoor seating have not done as well. Essential

services, such as grocery, drug, and convenience stores have been stable. More than 5% of U.S. bank branches closed between 2017 and June 2020, and the coronavirus accelerated the trend as more people bank digitally. Fitch Ratings reported that "leisure and entertainment properties could experience a loan default rate of 30% this year as the coronavirus continues to challenge the sector…Liquidity is down for movie theaters as they remain closed in many states. Fitness centers also face liquidity issues, with revenue expected to be down again this year, but recover to pre-pandemic levels in 2022."

Within Santa Clara, Westfield Valley Fair Mall completed a $1.1 billion expansion in 2020, and 18,653 square feet of retail was recently completed at 2020 Wyatt Drive, anchored by Orangetheory Fitness. 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.

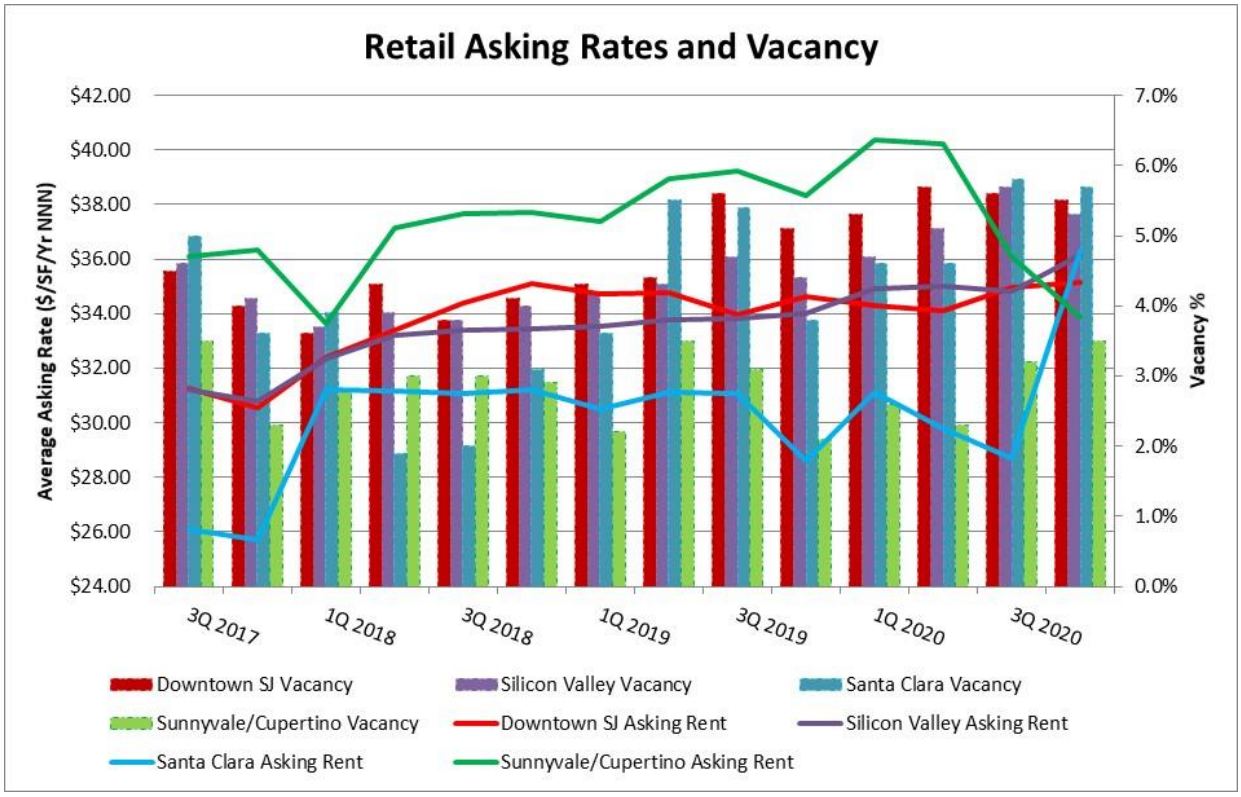
Within the City of Santa Clara, total taxable sales in Q3-2020 were $1,000,178,865. This represents a notable decrease over the prior third quarter reported total taxable sales of $1,120,643,861. However, it shows a quick reversal from the $841 million reported in Q2-2020 as the pandemic first emerged. On an annual basis, the total taxable sales in Santa Clara decreased about 1.6 percent from $4.707 billion in 2018 to $4.63 billion in 2019.

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 Q4-2020 *Marketbeat Silicon Valley Retail* that 137,500 SF of retail space was added to the metro in 2020, and that the vacancy rate increased from 4.8% in 4Q-2019 to 5.3% in 4Q-2019. However, the vacancy rate was down 30 basis points from 3Q-2020. Total net absorption for 4Q-2020 was 207,174 SF; however, year to date net absorption was negative 42,110 square feet. Cushman & Wakefield reports "the main contributors to the positive retail absorption in the fourth quarter were the openings of 52,700-SF

Whole Foods Market and 51,300-SF AMC DINE-IN Sunnyvale 12 in the CityLine Sunnyvale mixed-use complex."

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 $3.01/SF/Mo NNN in 4Q-2020, an increase of 8.3% from one year ago. Cushman & Wakefield reports "Higher quality space returning to the market has lifted the overall average rents in the region despite the increase of vacancy rate. We expect a rent correction in line with a rise in vacancies in the near term, given the current economic backdrop." Neighborhood and community centers account for most of the vacancies in the market.

In 4Q-2020 asking rents averaged $3.02/SF/Mo NNN in the subject's Santa Clara submarket, an increase of 26.9% from 4Q-2019. Again, this is the result from higher quality space coming to the market. In 4Q-2020 the retail vacancy rate in Santa Clara was reported at 5.7% with no new retail under construction. Vacancy rates in the subject's submarket declined from 5.0% in Q3-2017 to 1.9% in Q2-2018, before climbing again to 5.7% as of Q4-2020. Asking rental rates in Santa Clara had generally been stable since Q1-2018 before a sharp increase in Q4-2020.

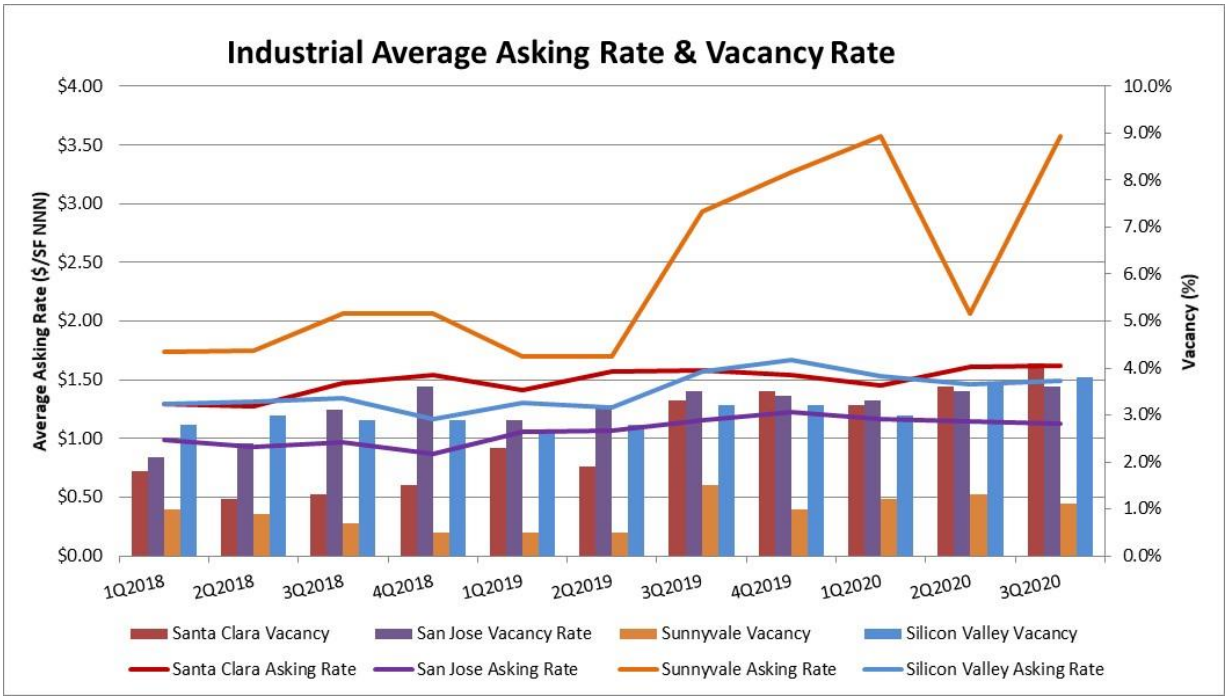
According to Marcus & Millichap's Hospitality Report for Third Quarter 2020, the hotel sector "began to see rising foot traffic in late spring as many cities initiated phased reopenings of their local economies. After bottoming out at 21 percent during the week ended April 11, average weekly hotel occupancy for the U.S. has improved to over 47 percent in late July. The pace of growth is slowing, however, as many metros, particularly those in the Sunbelt, have reported surges in coronavirus cases. Amplified health concerns have prompted rollbacks in reopenings, with markets such as Miami, Nashville, and Phoenix reporting modest occupancy contractions in July. Even in settings where the infection rate is dropping, hotel performance remains well below historical averages, driven by COVID-19's profound impact on travel." Hotel room demand has shown more resilience among economy and mid-scale hotels; full service establishments have had more difficult challenges. San Jose led the nation in supply growth through the first half of 2020 based on percentage. The report notes "The share of CMBS hotel loans in delinquency rose from 1.6 percent in February to 24.3 percent in June before dipping to 23.8 percent in July. That is still the largest jump among property types, however. Real Capital Analytics has also reported an increase in the number of distressed hotel sales, representing about 4 percent of deal volume last quarter." Lodging has been among the hardest hit real estate segments as business travel sharply declined. Leisure travel was also affected due to shelter-in-place policies.

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 Q4-2020*, that vacancy for industrial product in Silicon Valley increased in 4Q-2020 to 5.3% from 3.8% in 3Q-2019. Most of this increase was due to the delivery of 1.1 million square feet of vacant new construction delivered. Warehousing vacancy increased to 6.1%, up 50 basis points year over year. The vacancy rate for manufacturing increased from 2.4% to 4.8% over the last 12 months. The Central Silicon Valley industrial submarket, which includes Santa Clara, San Jose, Campbell, and Sunnyvale, had an overall vacancy rate of 3.8% and an average asking rate of $1.20/SF/Month NNN at the end of 4Q-2020. The average asking rental rate in the subject's Santa Clara submarket was reported at $1.33/SF/Month NNN and a vacancy rate of 3.9% was reported. Year-over-year, the average asking rent declined 7 percent in Santa Clara and 3.3 percent in Central Silicon Valley, but increased 0.9 percent in Silicon Valley. The subject's Santa Clara submarket represents a moderate sized industrial submarket in the region with a total industrial inventory reported at approximately 15,506,816 square feet, or roughly 13 percent of the total Silicon Valley industrial inventory. As of fourth quarter 2020, Cushman & Wakefield reported the subject's Santa Clara industrial submarket had an overall vacancy rate of 3.9%, higher than the 3.1% vacancy rate reported one year prior.

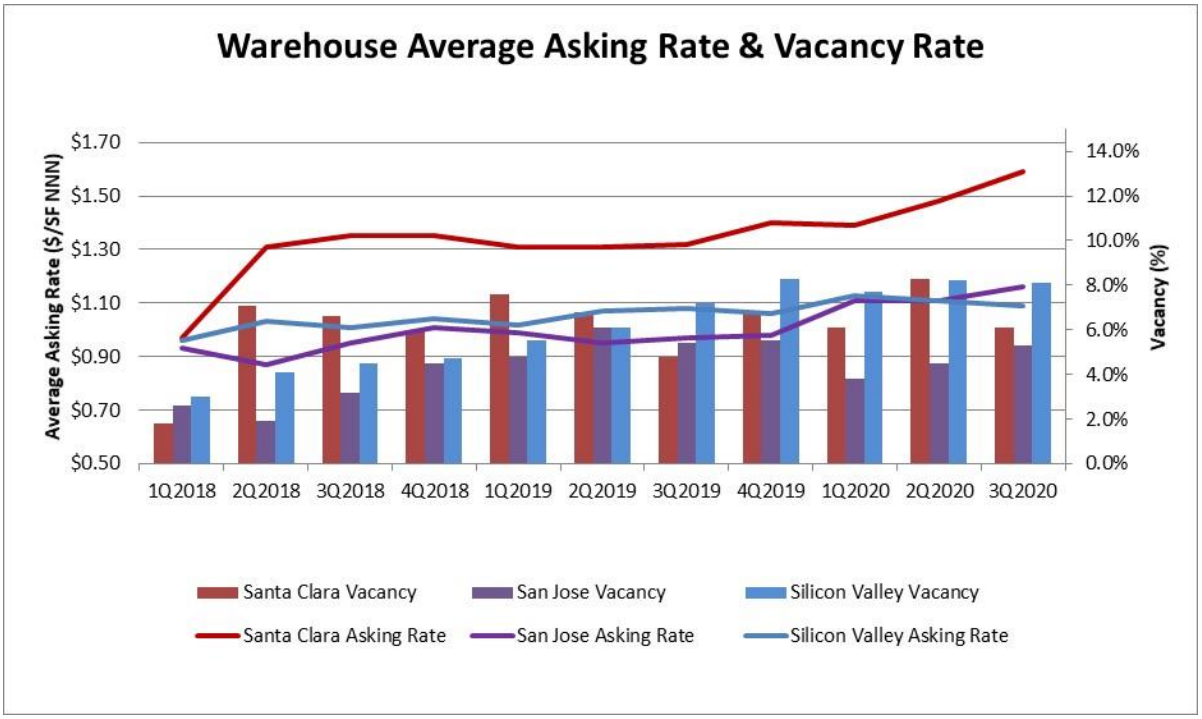
In their *Q3 2020 San Jose Silicon Valley Research & Forecast Report* for industrial/warehouse properties, Collier's International reported *Leasing in the Valley's industrial-warehouse sector accelerated in the third quarter with more than 1.5 million square feet. However, just two build-to-suit completions accounted for 35.4 percent of quarterly absorption. On top of this boost from pre-Covid commitments, new activity swelled pushing net absorption back into positive territory. The industrial-warehouse market was the sole sector in Silicon Valley with occupancy gains, which registered at 59,484 square feet. The quarter saw two newly inked deals above 100,000 square feet: In Milpitas, KZ Kitchen Cabinets and Stone signed a 122,000-square-foot lease at 875 Cadillac Drive and in Santa Clara, Tesla took 103,500 square feet at 700 Laurelwood Road.* Average asking rates decreased 10.4% from the previous year to $1.21/SF/Month NNN, or about 0.86%/SF/Month.

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 increasing vacancy rates and stable rental rates, Sunnyvale being the exception.



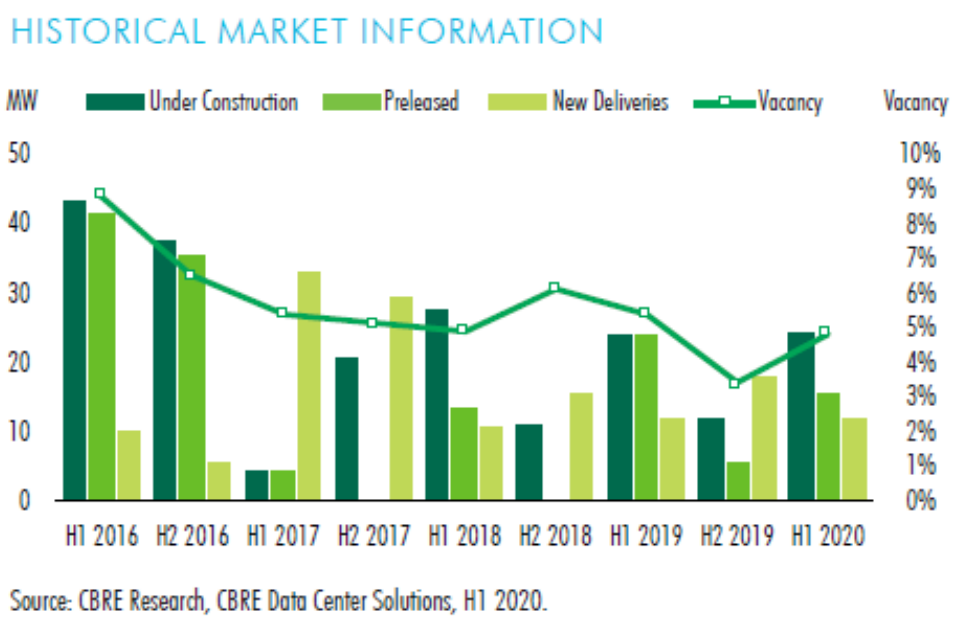
Vacancy rates for manufacturing were generally stable in Silicon Valley between the start of 2015 and 1Q-2020, before increasing to the high-three percent range. A similar trend has played out in the Santa Clara submarket with a generally increasing trend in manufacturing vacancy rates since 2Q-2018. 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 $1.62/SF/month in 3Q-2020, or an average increase of 0.43%/month. Within Silicon Valley, the average asking rate for warehouse increased 0.47% over the last two years but decreased 0.4% over the last year.

Warehouse data collected from Colliers International's *Silicon Valley Research & Forecast Report Q3 2020* 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 stabilizing in 2020. Warehouse rental rates in Santa Clara continue to increase; the asking rental rate rose from $1.32/SF/month NNN in 3Q-2019 to $1.59/SF/month in 3Q-2020, or an average increase of 1.69%/month. Within Silicon Valley, the average asking rate for warehouse increased 0.33% over the last two years and 0.1% over the last year.

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 CoreSite Realty Corp., RagingWire, and Vantage Data Centers. There have been several land sales in recent years in Santa Clara that are proposed for new data centers. Market participants report that data center operators will pay a premium for a larger site in Santa Clara and that the ideal site will be about six acres; several operators are building on sites as small as 1.7 acres. A few additional (data center) sites in Santa Clara are reportedly in contract as of the date of this opinion of value. *CBRE's* U.S. Data Center Trends report for the 1H 2020 indicated the following market changes in Silicon Valley's data center market:



The CBRE report notes that since 2015 the Silicon Valley Market has increased its data supply inventory 92.5% to about 279.6 MW. The current vacancy rate stands at 4.8 percent, according to CBRE, which is the lowest rate among all primary markets. An additional 24.6 MW remains under construction in Silicon Valley. Over the next two years, a significant amount of new capacity is expected due to developments by NTT Global Data Centers, Cyrus One, Digital Realty, EdgeCore, and Stack Infrastructure.

CBRE reported that *absorption among primary U.S. data center markets (Atlanta, Chicago, Dallas/Ft. Worth, New York Tri-State, Northern Virginia, Phoenix and Silicon Valley) totaled 134.9 MW in H1 2020. Hyperscale companies, large cloud service providers and content providers leased space in wholesale colocation facilities to meet a spike in demand from their customers during the COVID-19 pandemic. Hyperscale activity likely will level out in 2021 as demand drivers that spiked in 2020 begin to plateau, including enterprise clients leveraging hybrid IT solutions to accommodate remote working mandates. This trend likely will continue, albeit at a slower pace than in 2020. With more than 373 MW of wholesale colocation currently under construction across the seven primary markets, data center supply is expected to grow next year.*

Investor interest in the data center sector has increased based on the success of the five core data center REITs, which have recorded more than 28% revenue growth year-to-date. Most investors are looking for high-quality assets from providers with strong credit ratings that offer facilities with high client retention and low churn rates. Many enterprise users continue to leverage partial-sale leasebacks as they reevaluate their IT spend next year.

Residential Market Conditions

The *Housing Market Index*, based on a survey by the National Association of Home Builders, reported a builder sentiment of 86 in December 2020, its second highest level in 35 years of tracking, and bested only by the November 2020 index of 90. Any reading above 50 signals expansion and that home builders feel very confident about the housing market. The index dipped from 72 in March 2020 to 30 in April 2020, but had risen to 58 by June 2020 and back to 72 in July 2020.

The California Association of Realtors (C.A.R.) published their December Home Sales and Price Report in mid-January 2021. The report notes that "despite a global pandemic that lingered most of the year, two lockdowns and a struggling economy, California's housing market closed out 2020 on a high note, recording solid sales and a fifth record-high median price in December. Closed escrow sales of existing, single-family detached homes in California totaled a seasonally adjusted annualized rate of 509,750 units 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 2020 if sales maintained the December pace throughout the year. It is adjusted to account for seasonal factors that typically influence home sales.

December home sales ticked up 0.2 percent from 508,820 in November and were up 28 percent from a year ago, when 398,370 homes were sold on an annualized basis. The year-over-year, double-digit sales gain was the fifth consecutive and the largest yearly gain since May 2009. For the year as a whole, annual home sales rose to a preliminary 411,870 closed escrow sales in California, up 3.5 percent from 2019's pace of 397,960.

"It's a testament to the strength of the market that even after the pandemic effectively shut down the spring home-buying season in 2020, the market still was able to recover the substantial sales lost in the first half of the year and even top 2019's levels," said C.A.R. President Dave Walsh, vice president and manager of the Compass San Jose office. "With mortgage rates expected to stay near the lowest in history, demand for homeownership will continue to be strong, so home sales should remain elevated into the first half of 2021, as motivated buyers take advantage of the increased purchasing power."

The statewide median home price rose 2.7 percent on a month-to-month basis to $717,930 in December, up from November's $698,890. Home prices continued to gain on a year-over-year basis with the statewide median price surging 16.8 percent from $614,880 recorded last December. The double-digit increase from last year was the fifth in a row, and the month-to-month gain was higher than the long-run average of 0.8 percent observed between 1979 and

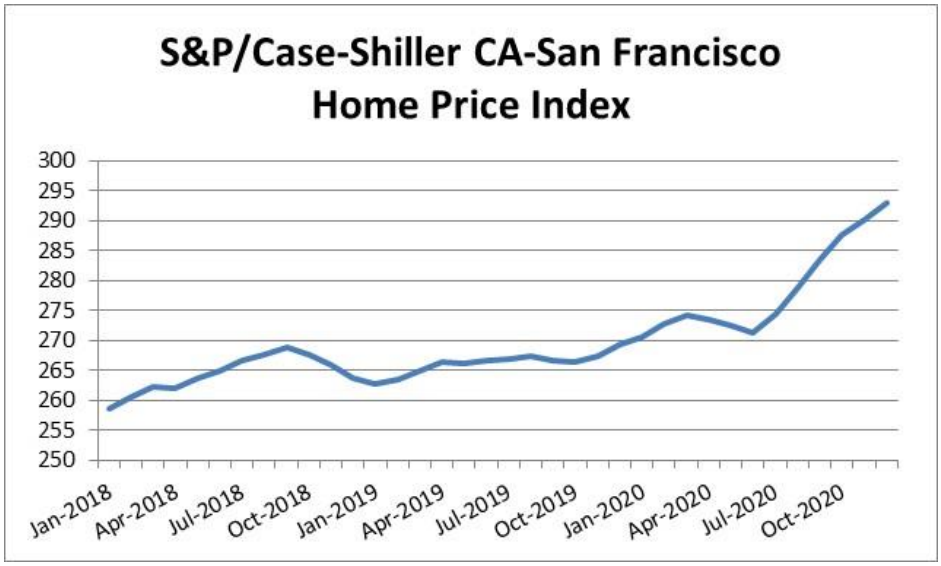
2019. The statewide median home price for the entire year was $659,380, an increase of 11.3 percent from a revised $592,230 in 2019.

Perhaps due to increasing home prices, more consumers said it is a good time to sell, according to C.A.R.'s monthly Consumer Housing Sentiment Index. Conducted in early January, the poll found that 59 percent of consumers said it is a good time to sell, up from 55 percent a month ago, and up from 56 percent a year ago. Meanwhile, low interest rates continue to fuel the optimism for homebuying; one-fourth of the consumers who responded to the poll believed that now is a good time to buy a home, unchanged from last year."

Within the San Francisco Bay Area region, the median price increase 16.4% over the past 12 months ended December 2020, while sales increased a whopping 40.2%. The County of Santa Clara experienced a median price increase of 12.2% year-over-year, with sales increasing 31.0% from a year ago, according to C.A.R.

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 11% from 263.868 in December 2018 to 292.993 in December 2020, or about 0.46%/month. Over the twelve months between December 2019 and December 2020 the increase was about 0.73%/month, echoing the builder confidence 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 674,558 units as of January 1, 2020. This represents an increase of 6,588 units over the 667,970 total units reported in January 2018 and about 3,119 more units than in 2019. 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 48,975 housing units as of January 2020. This represents an increase of 831 units from the 48,144 housing units recorded in January 2018, and an increase of approximately 3,828 housing units from the 45,147 housing units recorded in January 2010. Over the past ten years this is equivalent to a compounded annual increase of about 0.817% and an average annual increase of 383 units per year. Housing is being built at a faster rate in Santa Clara than the County as a whole.

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 2020 San Jose Multifamily Mid-Year Report, the *apartment market in the San Jose metro has benefited from strong economic expansion, and particularly a steady increase in population primarily employed in high-paying tech jobs. The lack of new single-family home construction has resulted in increased apartment demand, and the region has been in an expansion stage of the apartment market, and particularly, Class A luxury projects. Strong demand has led to quick lease-up of new units, stable, low vacancy rates and steadily increasing rental rates. The multifamily residential market appears to be less*

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

affected by the global COVID-19 pandemic than other segments of commercial real estate. With low overall capitalization rates, continual upward trend in rental rates and pricing, most markets across the nation were still viewed as being in an expansion mode leading into 2020. Historically speaking, the apartment market in the Silicon Valley has typically maintained relatively low vacancy. Over the last decade, the region's average vacancy rate has generally hovered in the 4-5% range. The exception was in 2016 when vacancy rose to 6% as supply from new development outpaced net absorption. Over the past 24-30 months, the vacancy rate has been stable, even with significant new construction deliveries and the beginning of a slowdown in the economy.

Despite the recent upward spike in unemployment, vacancies have not been severely impacted by the pandemic, which may be due, in part, to a temporary moratorium on evictions in California. As the stay at home orders and non-essential business closures have begun to relax and employees are returning to work, demand is expected to remain strong and, although a moderate increase is likely, vacancy levels are not expected to change significantly over the balance of the year. However, some tenants will continue to struggle due to income loss. This may bode well for Class B/C properties as some tenants will be forced to relocate from the more expensive Class A properties.

Values for multifamily properties are projected to increase between 2% and 2.9% over the next 12 months, according to Integra's report. An estimated 6,304 units will be delivered and Integra indicates that the multifamily market remains in and expansion stage of the market cycle. However, asking rents over the next 36 months are projected to increase just 0.32%.

According to a CoStar report on the local multifamily market, the "Santa Clara submarket is an important job center, with some prominent companies making the city their home. The submarket is the second largest in the metro, with nearly 20,000 units in its inventory. The economic effects of the coronavirus pandemic and changing demand trends are weighing on submarket occupancy rates. Vacancies are increasing, and continued supply pressure will likely lead to an elevated vacancy rate for an extended period. Prior to the pandemic, job growth around the metro had kept demand high, and absorption was able to keep pace with rapid supply increases over the past decade. Average asking rents have declined in conjunction with slowing demand, and year-over-year growth is expected to remain negative for several quarters. Strong demand for housing, particularly near transit, was a driving force for rent gains in recent years. The coronavirus pandemic has quickly changed market trends and created significant uncertainty in the market. Local owners have appeared content to hold their higher rated assets recently, with only a small number of deals taking place the past several years. Overall sales volume has averaged over $120 million annually over the past five years. But the expectation is for transaction activity to pull back as market participants take stock of the changing economic and commercial real estate landscape."

"Vacancy in Santa Clara has been volatile since 2016, with large scale construction projects driving the variability. In total, the submarket has added over 3,700 units since 2010. The submarket had previously been able to absorb the new units at a healthy rate, with the vacancy rate consistently normalizing just a few quarters after project deliveries. But the economic effects of the coronavirus are stressing near term occupancy rates. Remote working trends have allowed renters to look further afield to meet housing needs, reducing demand, and job losses are putting further pressure on apartment occupancies. As a result of the reduced apartment demand, existing units are experiencing move-outs, and new projects are facing longer lease-up times."

"The coronavirus pandemic has halted positive rent growth trends that had persisted for over a decade in the Santa Clara submarket. Renters in many of the more expensive and central submarkets in San Jose, including Santa Clara, have taken advantage of remote working trends to seek alternative housing options. As a result, demand for apartments has slowed considerably in the near term. CoStar's daily asking rent series showed the quick response landlords have had to the pandemic. And year-over-year rent growth has turned negative, currently measuring -10.0%, with the expectation for continued declines in rental rates over the next several quarters. Rents in Santa Clara are just above the metro average at $2,610/unit. Overall, rent gains in Santa Clara were robust in the economic expansion, as landlords took advantage of the submarket's healthy fundamentals."

The report notes that about 395 units are under construction in Santa Clara as of fourth quarter 2020 but that no new units were delivered in 2020. The average monthly rent in 2020 for multifamily units ranged from $2,224 in 95050 to $2,765 in 95054, bracketing $2,502 in 95051. This range of rents is partly reflective of the greater number of newer multifamily units constructed in 95054 and 95051 over the last decade.

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 48,975 households in Santa Clara, as reported by the DOF, the single-family (attached and detached) market represents about 23,923 or about 49% of the total households in Santa Clara.

CoreLogic is a national real estate, mortgage, consumer, and specialized business data provider. They tracked the annual median home price for all homes (single-family, condo, and townhouse), including new construction, in the City's three ZIP code areas through 2020:

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

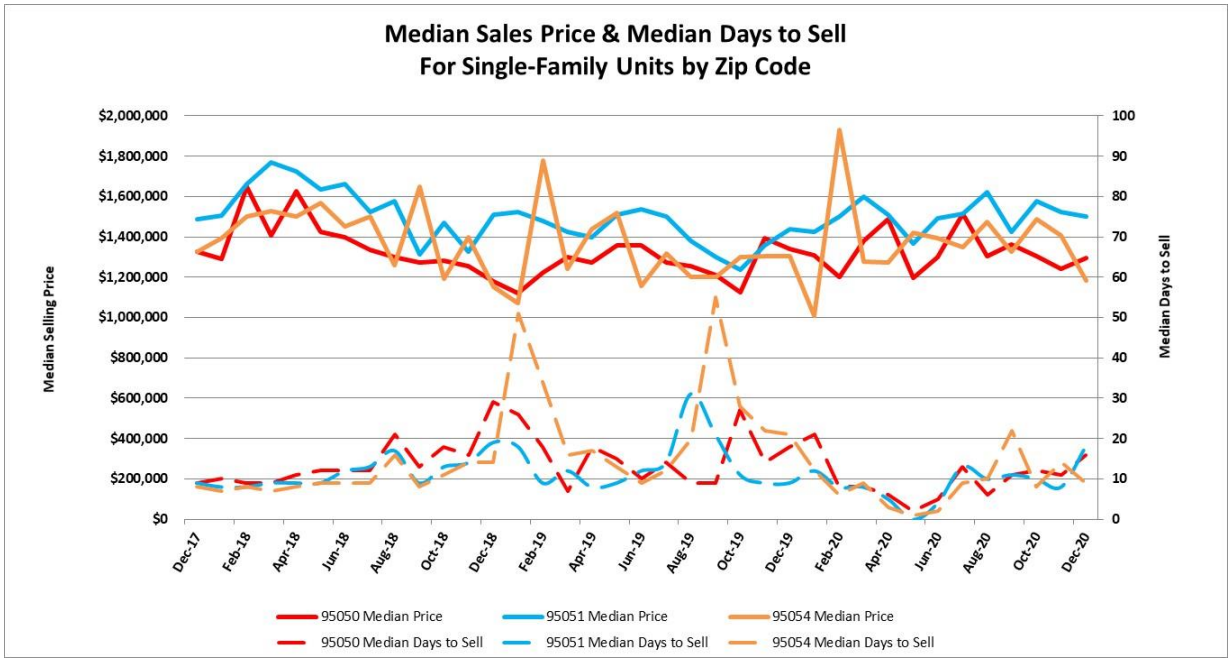
2019 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
95050	332	-12.6%	$1,200,000	1.3%	$2,350,000	$837	-5.6%
95051	461	-4.8%	$1,300,000	-4.3%	$2,400,000	$860	-7.9%
95054	162	-12.4%	$1,140,000	-8.8%	$2,450,000	$748	-6.3%

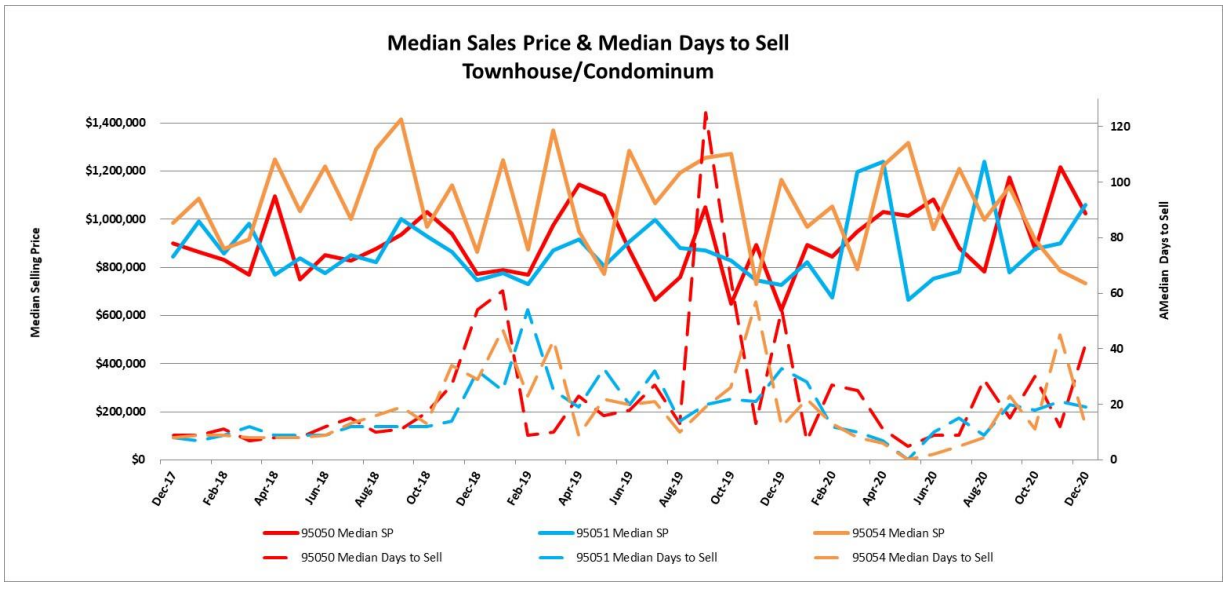
2020 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	$/SqFt	% Chg
95050	301	-9.3%	$1,200,000	0.0%	$2,780,000	$834	-0.4%
95051	614	33.2%	$1,400,000	7.7%	$2,200,000	$869	1.0%
95054	160	-1.2%	$1,175,000	3.1%	$2,090,000	$774	3.5%

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 two of the last three 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 before stabilizing in 2019 and 2020. Overall median prices were higher in 2020 than 2018 by about 1.3% in 95050 and 3.1% in 95051, but about 6.4% lower in 95054. Based on the data above, median prices were increasing between 1.4% per month and 2.0% per month in 2018. By the end of 2019 median prices were generally flat in 95050 and had declined slightly between 0.36% per month and 0.73% per month in 95051 and 95054. By the end of 2020, median prices remained flat in 95050, but had increased about 0.64% per month in 95051 and about 0.26% per month in 95054.

The $/SF indicators showed an overall decreasing trend from 2018 to 2019, but a more stable to increasing rate from 2019 to 2020. The total number of sales indicator showed a declining rate from 2018 to 2020 in 95050. In the 95051 zip code, the total number of sales declined slightly between 2018 and 2019 but then jumped 33.2% between 2019 and 2020. In the 95054 zip code, the total number of sales decreased between 2018 and 2019, but recorded only two fewer sales between 2019 and 2020. Total citywide sales were 1,049 in 2018, 955 in 2019, and 1,075 in 2020. Overall, more sales transacted in Santa Clara in 2020 compared to 2018 and 2019, suggesting an increase in demand during the pandemic.

The following tables depict the median price trend by zip code over the 37 months ending December 2020 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:





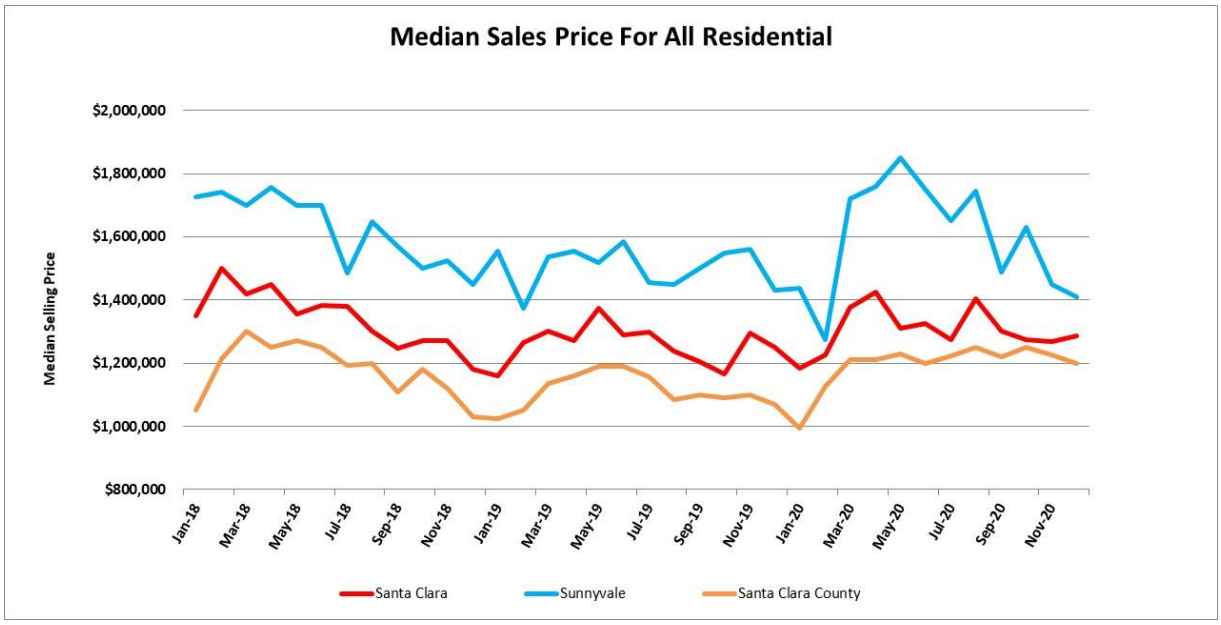
As shown above, market data derived from the local MLS shows that prices were trending downward in 2018, and oscillated up and down in 2019 and 2020.

We note that CoreLogic data includes resales and new construction, while MLS typically does not include all new construction. This is because builders often do not use MLS to market their homes. The following tables show the annual and 2-year change for all housing types over the last three Decembers, according to the MLS:

Housing Type	Zip Code	December-18	December-19	December-20	% Change per Month Last 12 Months	% Change per Month Last 2 Years
SFR. Condo & Townhouse	95050	$1,074,000	$1,210,000	$1,265,000	0.38%	0.74%
	95051	$1,275,000	$1,425,000	$1,415,000	-0.06%	0.46%
	95054	$1,025,000	$1,202,500	$1,128,000	-0.52%	0.42%
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 fairly stable in 95051, lower in 95054, and higher in 95050 over the last 12 months. The median throughout the entire city, encompassing all zip codes, increased 2.8% over the 12 months ended December 2020 from $1,250,000 to $1,285,149.

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 peaked 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.

Conclusions

The overall economy was in a healthy place in the first few weeks of 2020 prior to the coronavirus being declared a pandemic. Beginning in mid-March some of the nation's first stay-out-home orders began and the economy quickly fell into a recession as the unemployment rate skyrocketed in the spring. The uncertainty in the market caused nearly all facets of real estate to be reevaluated. However, beginning in the third quarter, some restrictions began loosening and there was a better understanding of the virus. The unemployment rate began declining and detached single-family buyers showed greater interest in the market as they fled more urban areas such as San Francisco and smaller housing types and were looking for more space in less dense environments. The work-from-home dynamic kept pressure on delivery services and data center operators to keep up with demand, which in turn kept up demand for industrial properties storing product. Essential retailers generally fared okay during 2020, particularly grocery stores, home improvement stores, drive-thru fast food, and quick serve restaurants. However, fine dining, hospitality, entertainment, and shopping malls, to name a few, suffered greatly. As the vaccine is distributed in the community and businesses open, employment numbers are expected to improve and demand for most real estate is forecast to continue to return to pre-pandemic levels.

Commercial (retail and office) properties exhibited mixed indications due to the pandemic in 2020. 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. During 2020 office buildings experienced stable to increasing vacancy despite increasing asking rental rates. The rental rate increases were due in part to newer, better space becoming available as tenants migrated from nearby higher cost markets. The trend was generally the same for retail, whereby vacancy ticked up slightly over the second half of 2020, but average asking rents were also higher at the end of the year. There is limited new retail construction occurring; most is part of mixed-use developments. Office construction is occurring, but it is mostly located in downtown San Jose and the Bayside portions of the county where larger blocks of land can be found and generally comprises high-intensity, 4 or more story buildings. Based on 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 following of negative 0.75% per month from the start of April 2020 through 4Q-2020. From the date of sale through 1Q-2020 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, although we point out to the reader that the subject's 1 acre site is too small for a data center. 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. Industrial Land Comparable 2 used following was also a paired sale: it 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 increasing 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 December 2020, the date of value.

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 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 2020. 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 no rate of change during 2019 and an increasing rate of change of 0.25% per month from the start of 2020 through the fourth quarter 2020. For the high-density land sales, median sale prices oscillated somewhat and multifamily rents stagnated or declined during 2020. So, no market change is applied during 2019 and 2020 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	Light 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):

- 13 dwelling units per gross acre (DU/AC) for Low-Density Residential;
- 26-30 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 flex or light industrial building or some type of interim contractor storage yard with minimal building improvements.

APPRAISAL PROCESS

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

Market value was estimated using the sales comparison approach. The income capitalization approach is seldom used when valuing land. The cost approach did not offer substantial insight into this estimate of market value since there are no building improvements. Sellers, buyers, and our peers in this market rarely rely on the cost and income capitalization approaches when offering, purchasing, or valuing properties similar to the 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 buyers. We were unable to confirm the details of Comparable 6 with a party to the transaction. We relied on published data, city records, subscription service data, and information available from a summary transcript of the public record for transaction details regarding this comparable. A map showing the location of these comparables is displayed in the Addenda.

VERY LOW DENSITY COMPARABLE LAND SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
ADDRESS	95050 Santa Clara	4254 Cheeney St Santa Clara	159 Brookside Avenue Santa Clara	3159 Butte Street Santa Clara	972 Elm Street San Jose	124 Brookside Avenue Santa Clara	1433-1493 El Camino Real Santa Clara
APN		104-12-031	303-22-028	290-04-044	230-41-025	303-22-023	224-48- (004, 005, 006)
SELLER		Lawrence L Fargher Trust	Domingo 1992 Revocable Trust	Wallis 1983 Family Trust	Okano Trust	Hui C Chiang	Santa Clara De Asis LLC
BUYER		B S & L S Schulman Trust	Ranjan Trust, et al	Cheng C & Tsai L Chen	CN One Investment LLC	Van Le Loc & Le Song D Trust	Landsea Homes of Calif. Inc
DOCUMENT NUMBER		24770884	24597855	24420940	24408526	24349494	24291267
SALE / *LISTING* PRICE		**$925,000**	**$1,325,000**	**$1,600,000**	**$2,360,000**	**$1,200,000**	**$22,425,000**
SALE / OFFERING PRICE PER SF		**$123.33**	**$96.72**	**$110.92**	**$122.61**	**$87.59**	**$302.47**
TRANSACTIONAL ADJUSTMENTS		$308,333	$662,500	$800,000	$262,222	$600,000	
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple (M-t-M leases)	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		All Cash	Conventional	All Cash	All Cash	All Cash	All Cash
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Motivated Seller	Arm's-Length	Arm's-Length/Improvement Value	Arm's-Length	Arm's-Length	Arm's-Length/Building on Adj.
ADJUSTMENT		10.00%	0.00%	-9.38%	0.00%	0.00%	-10.00%
EXPENDITURES AFTER SALE		Demolition Offset	Demolition Offset	None	Demolition Offset	Demolition	None Known
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.83%	0.00%
CLOSE OF ESCROW		December 31, 2020	September 2, 2020	March 4, 2020	February 20, 2020	December 5, 2019	September 27, 2019
TIME OF SALE / MARKET CONDITION	December 31, 2020	November 2020	August 2020	February 2020	December 2019	October 2019	Est. July 2019
MONTHS FROM START 1Q-2020 THROUGH 4Q-2020		1	4	10	12	12	12
ADJUSTMENT @ % PER MONTH	0.25%	0.25%	1.00%	2.50%	3.00%	3.00%	3.00%
ADJ PRICE PER SF AFTER TRANSACTIONAL ADJS		**$136.01**	**$97.68**	**$103.03**	**$126.29**	**$90.97**	**$280.39**
LOCATIONAL ADJUSTMENTS							
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Inferior	Inferior/San Tomas Expy	Superior	Inferior	Similar	Similar
ZIP CODE	95050	95054	95050	95051	95126	95050	95050
OVERALL LOCATIONAL RATING		Inferior	Inferior	Superior	Inferior	Similar	Similar
PHYSICAL ADJUSTMENTS							
SITE SIZE (ACRES)	1.00	0.17	0.31	0.33	0.44	0.31	1.70
SITE SIZE (SF)	43,560	7,500	13,700	14,425	19,248	13,700	74,139
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Sl Irregular / 1 Street Front	Rectangular / 1 Street Front	Rectangular / 1 Street Front	Mostly Rectangular/2 Frontages
USE/ZONING ADJUSTMENTS							
ZONING		R3-18D	R1-8L	R1-6L	A(PD)	R1-8L	PD
GENERAL PLAN	Very Low Density Res	Very Low Density Res	Very Low Density Res	Very Low Density Res	Mixed Use Neighborhood	Very Low Density Res	Community Mixed Use
NUMBER OF UNITS	10	3	1	1	9	1	39
ESTIMATED / PROPOSED DU/ACRE	*10.0*	17.4	3.2	3.0	20.4	3.2	22.9
INTENDED USE	Residential	Triplex	SFD + ADU	Residential + ADU	SFR Court Homes	SFD	Townhomes
AFFORDABLE HOUSING COMPONENT	Yes / 1 Unit (10%)	No	No	No	15% or in-lieu	No	Yes / 4 Units (10%)
PARK FEE COMPONENT PER UNIT	$40,588	Superior/None	Superior/None	Superior/None	$32,000	Superior/None	$24,567
ENTITLEMENT STATUS	Has Zoning & GP	Had Zoning and GP	Had Zoning and GP	Had Zoning and GP	Had Zoning and GP	Had Zoning and GP	Entitled 6/2019
OVERALL PHYSICAL & USE/ZONING RATING		Superior	Inferior	Inferior	Superior	Inferior	Far Superior
SUBJECT PRICE PER SQUARE FOOT IS:		**LESS**	**MORE**	**A LITTLE MORE**	**LESS**	**MORE**	**MUCH LESS**

Adjustment Process

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

Comparable 1 is the recent closing of a parcel in an off-market transaction. Based on a conversation with the buyer, the seller was in poor health and was motivated to sell. The existing rents for this triplex were well below market and the agreed upon selling price was close to land value. The buyer is a builder who may renovate or demolish; he has not yet decided. If demolished, he estimated that another triplex would be built, but possibly a fourplex. After making all other adjustments first, an upward adjustment is concluded for motivation on the part of the seller, as shown above. Since this comparable is expected to support three units again, the developer of this comparable will not pay park impact fees since there will be no net new units.

Comparables 2 and 5 are the sales of single-family lots improved with older homes. The buyer of Comparable 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 ADU's are exempt under the Santa Clara City Code (17.35.090). The buyer of Comparable 5 demolished the old improvements and has begun construction on a new single-story dwelling; there will be no park fee for this comparable because there are no net new dwellings, i.e., the new dwelling replaces the demolished structure.

Comparable 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 that 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 6 sold to a builder who was building on the adjacent property and who had previously acquired the adjacent site from the same seller in 2018. As this entitled comparable represents the second phase with similar product, motivation on the part of the buyer was concluded to be present. The buyer will be able to realize greater efficiencies by constructing a second phase adjacent to the original phase, thereby reducing overall costs. After making all other adjustments first, a downward adjustment is concluded for motivation on the part of the buyer, as shown above. This comparable was selected to help bracket size.

Comparables 1 and 4 continued to be rented following close of escrow; we concluded that the cost of demolition was offset by the rents that could continue to be received. The seller of Comparable 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. Comparable 5 requires a demolition adjustment, which was estimated at $10,000 for this 1,500 square foot dwelling. This is shown as an upward adjustment.

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 2020.

Locational adjustments were broken into elements that reflect the property's identity to potential tenants or buyers (exposure, visibility), access (to freeways and amenities), and overall desirability of the location based on neighborhood factors such as age and condition of nearby properties, proximity to enhancing or detrimental factors, or an identifiable valuation element relating to address (locational appeal, zip code). Locational adjustments were warranted for the elements of comparison as summarized on the grid. 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. Although Comparable 2 backs to a public park, beyond the park is San Tomas Expy, 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.

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 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. Comparable 6 warranted downward adjustments for having two street frontages, which rates superior utility. Comparables 1, 4, and 6 supported higher densities, rating superior, and warranting downward adjustment. ADUs are an accessory use for the purposes of calculating allowable density under the general plan and zoning. For this analysis, upward adjustment was warranted for the lower densities of Comparables 2, 3, and 5. Comparable 6 had entitlement approvals in place, warranting a downward adjustment for this element of comparison. Each comparable warrants downward adjustment for having either no park fees or for having lower park fees than the hypothetical subject lot.

Conclusion

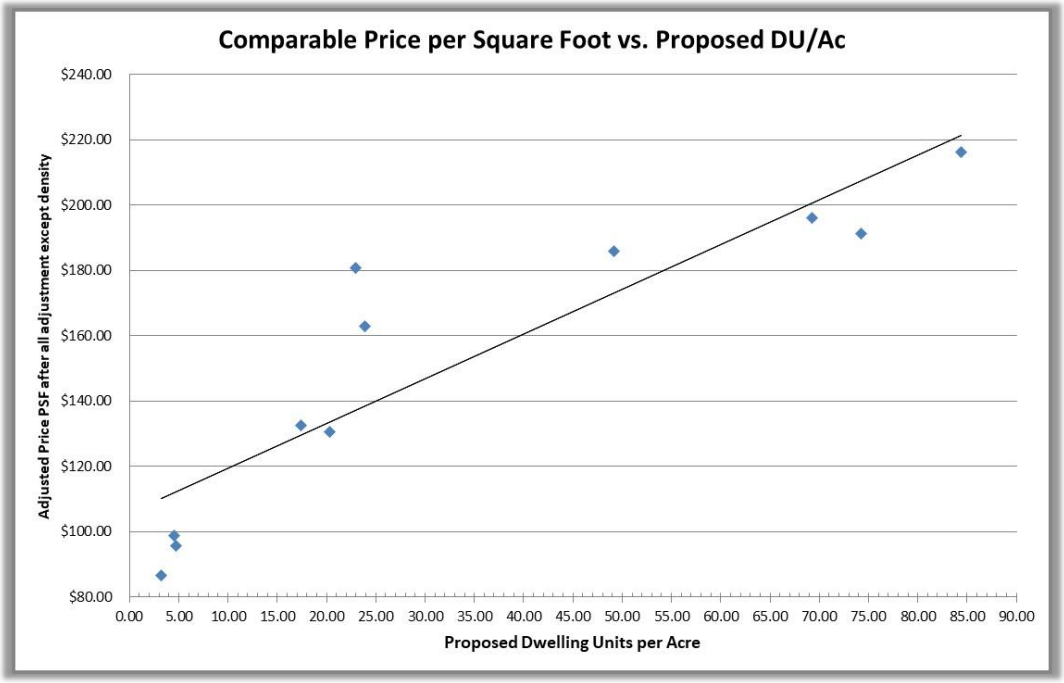
Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the sales grid. Bracketed by the comparable ratings, giving most weight to the 2020 sale comparables located in Santa Clara, we concluded to the following unit value of unentitled very low-density residential land in the 95050 zip code:

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

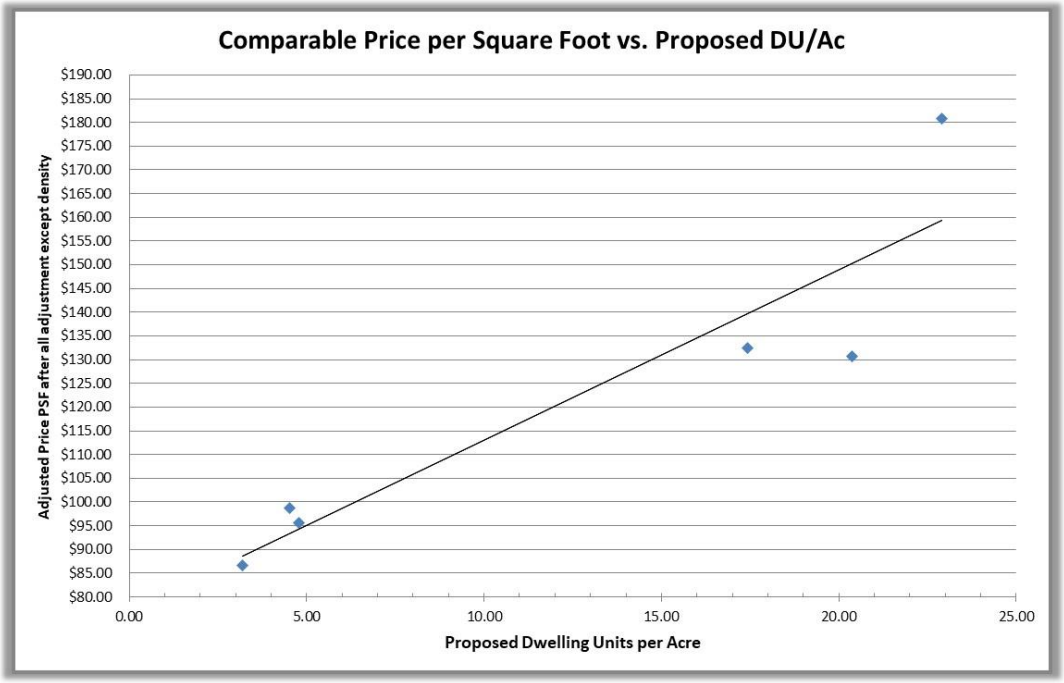
Estimated Market Value of a 1-Acre
Very Low-Density Residential Lot in 95050 Zip Code: $4,791,600

Low Density Land Value

For the low-density value component, the City's land use classification cites a low-density range of 8-19 dwelling units/acre (DU/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 $125 per square foot. By graphing only the very low density sales, the following occurs:



The chart above showing just the low density comparables indicates that the appropriate unit value based on a density of 13 dwelling units per acre would be in the range of about $120 to $125 per square foot.

Based on the comparable data, with a density of 13 dwelling units per acre for the low-density residential land use, we concluded to **$125/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
$125	**x**	43,560	=	$5,445,000

Estimated Market Value of a 1-Acre
Low-Density Residential Lot in 95050 Zip Code: $5,445,000

High Density Land Value

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, a little higher than 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 Comparables 1 and 4 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.

Several parcels near the intersection of Calle De Luna and Lafayette St were purchased by various buyers in 2018, 2019, and 2020. These sites are generally proposed for residential development of more than 100 dwelling units per acre on sites ranging from about ½ to 2 acres. These sales transacted in the range of about $150 to $260 per square foot of land area. Due to the very high-density nature of these sales, they were not considered appropriate for use in this analysis.

HIGH DENSITY COMPARABLE LAND SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
ADDRESS	95050 Santa Clara	425 Winchester Blvd San Jose	925 S Wolfe Rd Sunnyvale	950 Monroe St Santa Clara	1601 Civic Center Drive Santa Clara	3337 Kifer Road Santa Clara
APN		303-39-044	211-14-034	269-20-086	224-49-006	216-33-035
SELLER		Rhee Joint Management Team	Summerhill 925 S Wolfe Road LLC	Von Raesfeld Family Partnership	K & K Outdoor Advertising LLC	Kdvu LLC
BUYER		Olin Avenue, LLC	Arroyo Cap II-3 LLC	Lamb Partners LLC	CIVIC Center LP	Allied Housing Inc
DOCUMENT NUMBER		24760924	24725875	24395084	24380714	24359208
SALE / *LISTING* PRICE		**$7,600,000**	**$68,500,000**	**$4,700,000**	**$12,100,000**	**$4,700,000**
SALE / OFFERING PRICE PER SF		**$317.99**	**$294.09**	**$207.73**	**$197.03**	**$205.52**
TRANSACTIONAL ADJUSTMENTS						
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple (Short Term Lease)	Fee Simple (Short Term Lease)	Fee Simple (Short Term Leases)	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		Conventional	Conventional	Conventional	Conventional	All Cash
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Arm's-Length	Assemblage	Arm's-Length	Arm's-Length/Entitled Adjacent
ADJUSTMENT		0.00%	0.00%	-5.00%	0.00%	0.00%
EXPENDITURES AFTER SALE		Demolition Offset	None	Demolition Offset	Demolition of 30k SF Office Bldng	Demolition Offset
ADJUSTMENT		0.00%	0.00%	0.00%	1.65%	0.00%
CLOSE OF ESCROW		December 23, 2020	November 25, 2020	February 3, 2020	January 15, 2020	December 17, 2019
TIME OF SALE / MARKET CONDITION	December 31, 2020	Dec. 2019	Est. Sept 2020	December 2018	Est. Sept 2019	Est. July 2019
MONTHS FROM START 1Q-2020 THROUGH 4Q-2020		12	3	12	12	12
ADJUSTMENT @ % PER MONTH	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJ PRICE AFTER TRANSACTIONAL ADJS		**$317.99**	**$294.09**	**$197.35**	**$200.29**	**$205.52**
LOCATIONAL ADJUSTMENTS						
EXPOSURE / VISIBILITY	Average	Similar/Corner	Similar	Similar/Corner	Similar	Similar
ACCESS	Average	Superior/Freeway	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Superior/Synergies	Superior	Similar	Similar	Superior
ZIP CODE	95050	95128	94086	95050	95050	95051
OVERALL LOCATIONAL RATING		Superior	Superior	Similar	Similar	Superior
PHYSICAL ADJUSTMENTS						
SITE SIZE (ACRES)	1.00	0.55	5.35	0.52	1.41	0.53
SITE SIZE (SF)	43,560	23,900	232,925	22,625	61,411	22,869
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Mostly Rectangular	Mostly Rectangular	Mostly Rectangular/2 Frontages	Mostly Rectangular/Deed Rest	Rectangular / 1 Street Front
USE/ZONING ADJUSTMENTS						
ZONING		CG (General Commercial)	R-3	CC (Community Commercial)	OG	ML
GENERAL PLAN	High Density Residential	Mixed Use Commercial	Residential Medium Density	Community Mixed Use	Community Commercial	Very High Density Residential
ALLOWED DENSITY (dwelling units per acre)	37-50	N/A	24	N/A	N/A	51-100
NUMBER OF UNITS	45	27	128	36 (Pro Rata)	119	39
ESTIMATED / PROPOSED DU/ACRE	45.0	49.2	23.9	69.3	84.4	74.3
INTENDED USE	Residential	Mixed-Use Retail/Office/Res	TH's & Stacked Flats	Mixed-Use Condos and Retail	Affordable Housing	Residential
AFFORDABLE HOUSING COMPONENT	10% or in-lieu	In-lieu Fee	20 BMR Units	10% or in-lieu	Yes / 100%	10% or in-lieu
PARK FEE COMPONENT PER UNIT	$32,688	$16,000	None	$32,688	$31,058	$31,058
ENTITLEMENT STATUS	Has Zoning & GP	Entitled	Entitled	Had General Plan	Needs Zoning and General Plan	Has GP & Specific Plan
OVERALL PHYSICAL & USE/ZONING RATING		Superior	Superior	Slightly Superior	Similar	Superior
SUBJECT PRICE PER SQUARE FOOT IS:		**MUCH LESS**	**MUCH LESS**	**LESS**	**SIMILAR**	**LESS**

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 3 was purchased as part of an assemblage—the buyer had recently purchased two adjacent properties. Based on the data, a downward adjustment is warranted for motivation on the part of the buyer.

Comparables 1, 3, and 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.

Comparable 4 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.

Comparable 1 is across the street from Santana Row and in the vicinity of new office construction and two freeways, rating superior synergies and freeway access, warranting downward adjustments for these elements of comparison. Comparables 2 and 5 are located in areas commanding higher median selling prices and rents, supported by data in the market conditions chapter, each warranting downward adjustment.

Physical and Use/Zoning adjustments were broken into elements that reflect property size, utility/topography, allowed land uses and density, intended use/development density, affordable housing component, park fees, and entitlement status. Physical and use/zoning adjustments were warranted as summarized on the grid.

Larger properties tend to command lower unit values and vice versa. Within the range of the comparables, we concluded that larger Comparable 2 warranted an upward adjustment for larger

size. Comparable 3 had two street frontages, allowing for greater design flexibility, rating superior utility, and warranting downward adjustment. The comparables proposed building densities/acre bracket the subject; the highest densities warrant downward adjustment and the lower densities warrant an upward adjustment. Comparables 3 and 4 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. Within the range of the comparables a downward adjustment is applied to Comparables 1, 2, and 5 based on their lower park fees per unit or for having none.

Conclusion

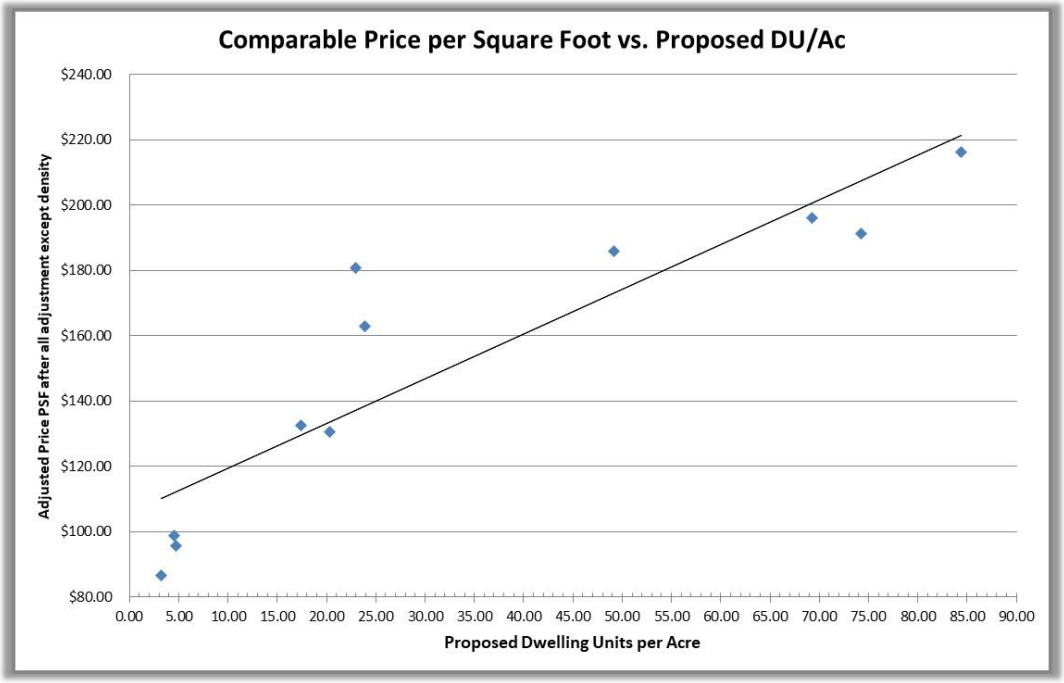
Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the grid. Although Comparable 1 required significant adjustment, it was selected because it was a recently closed sale at a similar density as the hypothetical subject lot. The 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
$185	**x**	43,560	**=**	$8,058,600

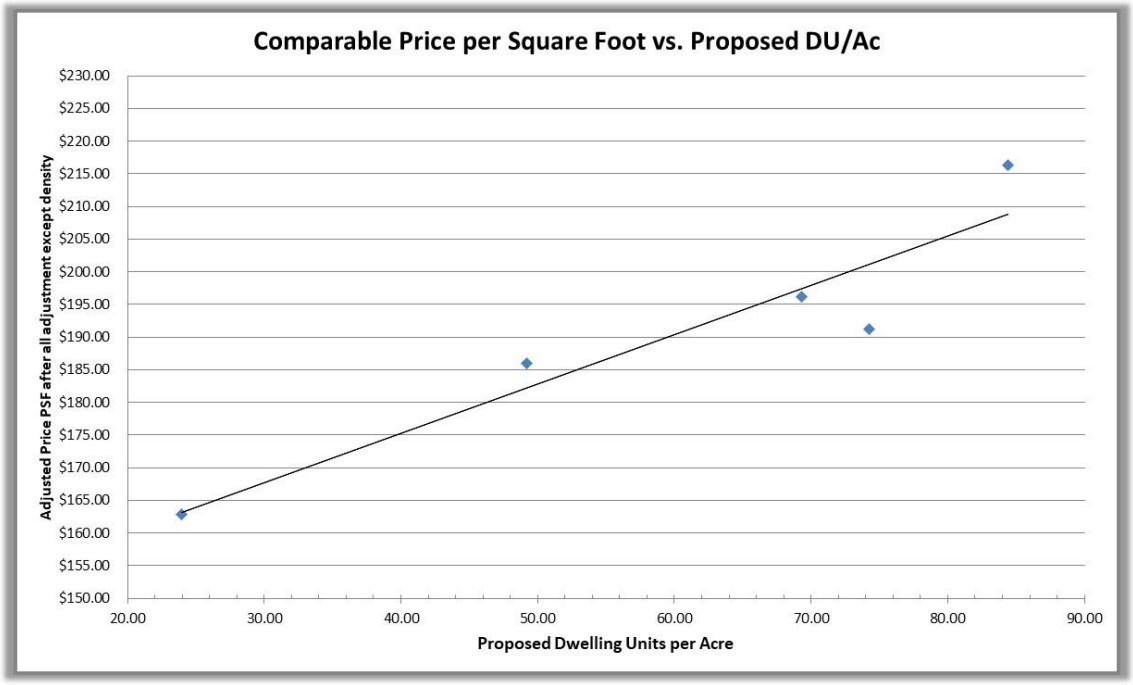
Estimated Market Value of a 1-Acre
High-Density Residential Lot in 95050 Zip Code: $8,058,600

Medium Density Land Value

For the medium-density value component, a density of 30 dwelling units per acre is assumed, slightly above the midpoint of the allowed range under the Medium Density General Plan designation, which allows 19-36 dwelling units per acre, because buyers typically build to the higher end of allowed density. In the market, the primary difference between the medium-density land value and high-density land value relates to density. The density adjustment was estimated based on the relationship between price per SF and density, as evidenced by the comparables. In the chart below, we plotted the preceding high-density comparables and the very-low density comparables used in the 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 $145 to $150. The next chart removes the low density comparables and includes only the higher density comparables:



The chart above indicates that at a density of about 30 DU/acre, the indicated price per square foot is about $165 to $170 per square foot. We also graphed the five most similar density comparable sales, which indicated a price per square foot range of about $160 to $165. Based on the preceding comparable data, giving greater weight to the more comparable similar density range and the higher density sales chart above, with a density of 30 DU/acre for the medium-density land use, a unit value of **$165/SF** is concluded.

Conclusion

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

Unit $/SF	X	Land Area (SF)	=	Indicated Value
$165	**x**	43,560	=	$7,187,400

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

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.

In addition to the comparables depicted on the next grid, we are aware of two commercial transactions and one listing in Santa Clara but did not select them as comparables:

- There was an office building at 1850 Warburton Avenue in Santa Clara that closed escrow in February 2020. This was an improved two-story building of about 10,104 square feet on a 0.6-acre site. The purchase price of $3.2 million equates to a unit value of about $122 per square foot of land area [$3,200,000 / 26,136 SF], which includes any improvement value. It was zoned and general planned community commercial. Based on a discussion with the listing broker, he believed that the improvements still contributed value and one reason the selling price appeared low was due to the building occupancy being at about one-third. Because the improvements were still being utilized and contributed value, this sale was not utilized as a comparable. Even so, the indicated land

value for the subject would be less than $122 per square foot, and supports our following conclusion below.

- A 4.965-acre land sale at 3710 El Camino Real in Santa Clara transacted in October 2019. Based on the seller's previous bankruptcy litigation, they previously sold 50% of the fee title in this property in 2011. The 2019 sale was recorded at a selling price of $10,806,500 and reflects the buyback of those rights, which means less than the 100% fee title transferred. As this transaction was not arm's-length, it was not selected as a comparable.

- There is an offering of a vacant 0.691-acre site at 2035 White Oak Drive in Santa Clara. The asking price is $4,000,000, equivalent to about $133 per square foot of land area. This property fronts onto Lawrence Expressway and is adjacent a 7-11. Based on the listing nature and superior exposure/traffic volume, the hypothetical subject lot would be expected to have a lower unit value. This property is not included as a comparable since it is not a closed sale.

COMMERCIAL LAND COMPARABLE SALES						
ELEMENT OF ADJUSTMENT	**SUBJECT**	**Comparable 1**	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**
ADDRESS	95050	3375 El Camino Real	3378 El Camino Real	1125 Coleman Avenue	2103 Scott Blvd	3246 Mckinley Drive
	Santa Clara	Santa Clara	Santa Clara	San Jose	Santa Clara	Santa Clara
APN		220-02-049	290-02-102	230-46-093	224-30-006	296-21-014
SELLER		Norma E Rice, Trustee	An S Shin	Cap Phase 1 LLC	Weidert-Lohner LLC	Jacqueline C Smith Trust
BUYER		3375 Camino City Square LLC	Veguard USA LLC	San Jose Hotel Investments LLC	Eager 1031 LLC	HMRE LLC
SALE PRICE		$9,925,000	$5,340,000	$9,800,000	$2,375,000	$2,202,000
PARCEL SIZE (Acres)	1.00	1.630	0.877	1.873	0.407	0.580
PARCEL SIZE (SF)	43,560	71,003	38,211	81,588	17,745	25,265
SALES PRICE/SQUARE FOOT		**$139.78**	**$139.75**	**$120.12**	**$133.84**	**$87.16**
DOCUMENT NUMBER		24595053	24569843	24339364	24188588	24172903
EXPOSURE TIME		2 Months	Off Market (6 Months in 2019)	Unknown	2 Months	Marketed for Lease
TRANSACTIONAL ADJUSTMENTS						
REAL PROP. RIGHTS CONVEYED		F. Simple (Short-term Leases)	F. Simple (Short-term Leases)	Fee Simple	Fee Simple (Short-term Ls)	Fee Simple
FINANCING TERMS $		All Cash	All Cash	Construction Loan	All Cash	Conventional
CONDITIONS OF SALE		Arm's-Length/Improved	Arm's-Length/Improved	Arm's Length	Arm's Length/Improved	Arm's Length/Assemblage
ADJUSTMENT		-15.0%	-11.0%	0.0%	-16.0%	-5.0%
EXPENDITURES AFTER PURCHASE		None	None	None	None	Demolition Offset by Income
ADJUSTMENT		0.0%	0.0%	0.0%	0.0%	0.0%
CONTRACT DATE / MKT CONDITIONS	**December 31, 2020**	July 2020	June 2020	Est. September 2019	April 2019	February 2019
RECORDING DATE		August 31, 2020	August 10, 2020	November 22, 2019	May 28, 2019	May 7, 2019
MONTHS FROM END 1Q-20 THROUGH 4Q-20		5	7	9	9	9
Adjustment rate per month	-0.75%	-3.75%	-5.25%	-6.75%	-6.75%	-6.75%
ADJ. PRICE/SF WITH TRANS. ADJ.		**$114.36**	**$117.85**	**$112.01**	**$104.84**	**$77.21**
LOCATIONAL ADJUSTMENTS						
EXPOSURE	Average	Superior/Corner	Similar	Corner/Inferior Traffic	Superior/Corner	Corner/Inferior Traffic
APPEAL/SITE INFLUENCES/ACCESS	Average	Similar	Similar	Superior/Access	Similar	Similar
ZIP CODE	95050	Similar	Similar	95110	95050	95051
LOCATIONAL COMPARISON		Superior	Similar	Similar	Superior	Inferior
PHYSICAL & USE/ZONING ADJUSTMENTS						
PARCEL SIZE (Acres)	1.000	1.630	0.877	1.873	0.407	0.580
UTILITY	Average	Similar	Similar	Similar	Similar	Similar
OFF-SITE IMPROVEMENTS	Finished Lot	Similar	Similar	Similar	Similar	Similar
ZONING/GENERAL PLAN	CT / Regional Commercial	CT / Community Mixed-Use	CT / Community Mixed-Use	A(PD)/ Combined Ind/Comm	CN/ Neighborhood Comm.	OA/ Regional Commercial
PROPOSED USE(S)	Commercial	Retail in Near-Term	Retail in Near-Term	Hotel/Entitled	Retail	Medical Office
PHYSICAL & USE/ZONING COMPARISON		Superior	Superior	Superior	Similar	Inferior
SUBJECT PRICE PER SQUARE FOOT IS:		**MUCH LESS**	**MUCH LESS**	**LESS**	**A LITTLE LESS**	**MORE**

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 1, 2, and 4 were improved.

Comparable 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 2 included about 7,800 square feet of improvements dating from the late 1950s and the sale of Comparable 4 included about 5,000 square feet of improvements dating from 1961; each contributed to the overall selling prices. Based on our observations and discussions with the broker, the contributory value for each of these buildings 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 5 sold to a buyer who was under contract for an adjacent property; the data suggests that a downward adjustment for motivation on the part of the buyer is warranted, shown on the grid as an assemblage adjustment. Comparable 5 had operating tenants at the time of sale creating income to the new buyer, offsetting the need for any demolition costs, while the buyers worked on entitlements for their new intended use.

Market conditions adjustments were applied from the 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 3 does not face Coleman Ave despite its Coleman Ave address.

Physical and Use/Zoning adjustments were considered for size, utility, off-site improvements, zoning/General Plan, and planning/entitlement status. Within the range of the comparables, larger Comparables 1 and 3 warranted upward adjustment. Among the differences in land use ordinances, those of Comparables 1 and 2 were more favorable and warranted a downward adjustment. The land use ordinances of Comparable 5 are more restrictive and an upward

adjustment is warranted. Comparable 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
$100		43,560		$4,356,000

Estimated Market Value of a 1-Acre Commercial Lot in Zip Code 95050: $4,360,000

Industrial Land Value

We searched the same databases listed above and reviewed other data discovered by talking to brokers, agents, property owners, and market participants from within the industrial market. We searched for recent sales of competing industrial properties throughout Santa Clara and nearby cities 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.

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

- The Fujitsu campus at 1200-1280 E. Arques Avenue on the Santa Clara border with Sunnyvale sold in October 2020 to Lane Partners. This campus includes six buildings on about 26 acres. The purchase price was recorded at $104 million, but we discovered that there was an additional $15 million spent on lease buyouts. Based on a total purchase of about $119 million, the equivalent land value is indicated at about $104 per square foot. The site is expected to be redeveloped and allowed uses could include R&D, office, and data center. The large size precluded use as a comparable.

- There was an improved sale at 2170 Martin Avenue that closed escrow in November 2020, but based on a discussion with the listing and buying broker this was effectively a distressed sale as the seller's business had dried up due to the pandemic. Furthermore, the buyer and seller had a previous relationship and the broker represented both sides. For these reasons, it was not appropriate to use as a comparable.

INDUSTRIAL LAND COMPARABLE SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
ADDRESS	95050 Santa Clara	365 Reed St Santa Clara	1623 S 10th Street San Jose	1125 Mabury Road San Jose	980 Martin Avenue Santa Clara	1131 Auzerais Ave San Jose
APN		230-47-105	477-09-010	254-39-008	224-62-010	264-14-010
SELLER		Reed Street Associates	Mary Tran	Collishaw Holdings LLC	980 Martin Avenue LLC	Cps Holding Co
BUYER		Prosperous Corgi Holdings 1 LLC	Ta Phong	Lam Group International LLC	Mark & Kelly Verni LLC	Ed Auzerais LLC
SALE PRICE		$5,358,000	$3,800,888	$6,500,000	$2,200,000	$2,800,000
DOCUMENT NUMBER		24721853	24670054	24414732	24381016	24044871
BONDS ASSUMED / SF		$0.00	$0.00	$0.00	$0.00	$0.00
TOTAL COST TO BUYER / SF		**$104.70**	**$84.75**	**$74.61**	**$108.37**	**$66.12**
TRANSACTIONAL ADJUSTMENTS						
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple (Sh Term)	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		All Cash	SBA	Conventional	Conventional	All Cash
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Arm's-Length	Arm's-Length	Purchase by Tenant	Motivated Buyer
ADJUSTMENT		0.00%	0.00%	0.00%	-10.00%	-10.00%
ADDITIONAL COSTS TO BUYER		None	None	Demolition	None	None
ADJUSTMENT		0.00%	0.00%	1.21%	0.00%	0.00%
CONTRIBUTORY VALUE OF IMPROVEMENTS		Yes/24,145 SF	Yes/5 WH's 14,000 SF	None	Yes/4,000 SF	None
ADJUSTMENT		-22.53%	-11.05%	0.00%	-13.64%	0.00%
CLOSE OF ESCROW		11/24/2020	10/23/2020	2/26/2020	1/15/2020	10/18/2018
TIME OF SALE / MARKET CONDITION	December 31, 2020	September 2020	August 2020	December 2019	November 2019	August 2018
MONTHS FROM SALE THROUGH DATE OF VALUE		3	4	12	13	28
ADJUSTMENT @ % PER MONTH	0.75%	2.25%	3.00%	9.00%	9.75%	21.00%
ADJUSTED PRICE / SF		**$82.94**	**$77.65**	**$82.31**	**$92.45**	**$72.00**
LOCATIONAL ADJUSTMENTS						
EXPOSURE/VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar
NEIGHBORHOOD APPEAL	Average	Similar	Inferior	Inferior	Similar	Inferior
ZIP CODE	95050	95050	95112	95133	95050	95126
OVERALL LOCATIONAL RATING		Similar	Inferior	Inferior	Similar	Inferior
PHYSICAL & USE/ZONING ADJUSTMENTS						
PARCEL SIZE (ACRES)	1.00	1.17	1.03	2.00	0.47	0.97
PARCEL SIZE (SF)	43,560	51,174	44,846	87,120	20,300	42,350
UTILITY	Average	Similar	Similar	Superior/2 Frontages	Similar	Inferior/Deep/Narrow
OFF-SITES	Finished Lot	Similar	Similar	Similar	Similar	Inferior
INTENDED USE		Industrial	Industrial	Corporation Yard	Contractor Yard	Yard
ZONING	Heavy Industrial	Light Industrial	Heavy Industrial	Light Industrial	Heavy Industrial	Light Industrial
GENERAL PLAN	Light Industrial	Light Industrial	Heavy Industrial	Heavy Industrial	Heavy Industrial	Combined Ind/Comm
OVERALL PHYSICAL & USE/ZONING RATING		Similar	Inferior	Superior	Superior	Inferior
SUBJECT PRICE PER SQUARE FOOT IS:		**SIMILAR**	**MORE**	**SIMILAR**	**LESS**	**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 three sales that were improved with buildings that contributed value to the selling price: Comparables 1, 2, and 4. 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.

Comparable 3 was purchased by an owner user and improved with a building that will be demolished prior to redevelopment; a demolition amount estimated at $5 per square foot of building area is included on the adjustment grid as an additional cost to the buyer.

Comparable 4 was purchased by the tenant and based on the data, a downward adjustment was warranted for buyer motivation. Comparable 5 was purchased by the adjacent property owner as part of an assemblage. After making all other adjustments first, a downward adjustment was warranted for motivation on the part of the buyer.

Market conditions adjustments were applied at the rate concluded to in the Market Conditions section. As stated in the preceding material, industrial property in the City of Santa Clara (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. Locational adjustments are warranted as summarized on the grid. Comparable 2 afforded greater exposure to higher traffic streets. However, this is not typically an important consideration for industrial users and based on the data no adjustment was warranted for exposure/visibility. Comparables 2, 3, and 5 are in competing San Jose neighborhoods and within differing zip codes. Based on discussions with market participants, these areas of San Jose rate inferior, supported by lower rents and the subject's more attractive electricity rates; upward adjustments are warranted for the inferior locations of Comparable's 2, 3, and 5.

Physical and use/zoning adjustments were considered for size, utility, intended use, zoning, general plan land use designation, and off-site improvements. Within the range of the comparables, only Comparable 4 rated superior for its smaller site size, warranting a downward adjustment. Comparable 3 offers multiple street frontages, allowing for greater utility and warranted 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 comparables suggested a land value in the $80 to $85 per square foot range, with a median of about $83 per square foot.

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

Unit $/SF	x	Land Area (SF)	=	Indicated Value
$83		43,560		$3,615,480

Estimated Market Value of a 1-Acre Industrial Lot in Zip Code 95050: $3,615,480

Average Value Estimate in 95050 Zip Code

The average value was estimated by applying a weighted average based on the land area of the total sales in Santa Clara in 2020 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 922 sale transactions in Santa Clara in calendar year 2020. These included 15 commercial sales, 16 industrial sales, 576 residential single-family sales, 26 2-4 residential unit sales, and 289 medium to high-density residential sales which comprised residential unit sales greater than 5 units, condominiums, and townhomes. This compares to 945 total transactions reported in 2019 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, and 2019 data, single family transactions comprised the most land area, as shown in the next table, in 2020. In 2019, commercial and industrial sales comprised about half of the total land area in the city by area; by 2020, a greater percentage of land area sold in the city was residential. This will result in higher 2020 values for the hypothetical 1-acre lot because residential land in this market transacts at higher unit prices than commercial and industrial. 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:

2020 City of Santa Clara Sales		
Sale Type	**Land SF**	**Total Percent**
Commercial	2,095,401	27.29%
Industrial	1,197,222	15.59%
Very Low Density Residential	3,584,306	46.68%
Low Density Residential	229,563	2.99%
Medium to High Density Residential	572,151	7.45%
Total	**7,678,643**	**100.00%**
Source: Old Republic Title Company		

Old Republic Title Company provided the data depicted in the preceding 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 42.9% of the total while residential sales accounted for about 57.1% 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 (7.45% / 2 = 3.725% 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:

2020 VALUES FOR 95050 ZIP CODE SUMMARY						
Land Use	**Price per SF**	**Price per Acre**	**x**	**Weighted Average**	**=**	**Weighted Value**
Very Low Density Residential	$110	$4,791,600	x	46.68%	=	$2,236,719
Low Density Residential	$125	$5,445,000	x	2.99%	=	$162,806
Medium Density Residential	$165	$7,187,400	x	3.725%	=	$267,731
High Density Residential	$185	$8,058,600	x	3.725%	=	$300,183
Commercial	$100	$4,356,000	x	27.29%	=	$1,188,752
Industrial	$83	$3,615,480	x	15.59%	=	$563,653
				TOTAL AVERAGE VALUE		**$4,719,844**

Average Value of a Hypothetical 1-Acre Lot in the 95050 Zip Code: $4,720,000 (Rounded)

AVERAGE VALUE ESTIMATE IN 95051 ZIP CODE

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

Estimating Differences Between Zip Codes

Differences between the 95050 and 95051 zip code for 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 2020 median prices/SF between the 95050 and 95051 zip codes, as reported by CoreLogic, indicated the following:

The chart above indicates that the median selling price/SF has historically been higher in zip code 95051, corroborating the general consensus among market participants. In 2018 the median price per square foot was about 5.3% higher in 95051. In 2019, the difference was about 2.7% and it was 4.1% in 2020. The CoreLogic data indicated that the aggregate median selling price in 95051 was 14.6% higher than 95050 in 2018, 8.3% higher in 2019 and 16.7% higher in 2020. This data supports the opinions of market participants that 95050 rates inferior to 95051.

In the next table, based on data reported by MLS the median price in 95051 has historically been higher than zip code 95050. In the most recent year 95051 was about 10% higher than 95050. However, unlike CoreLogic which reports all recorded sales transaction, MLS only reports listings marketed on MLS, which often does not include all new construction. This is because builders, in the current market environment, often market their product in-house without using MLS, which is probably more cost effective and garners more marketing control to the builder.

Housing Type	Zip Code	December-18	December-19	December-20
SFR, Condo, & Townhouse	95050	$1,074,000	$1,210,000	$1,265,000
	95051	$1,275,000	$1,425,000	$1,415,000
	95054	$1,025,000	$1,202,500	$1,128,000
Source: Local MLS				

Based on market feedback, historical norms, and giving most weight to the CoreLogic data, which includes all recorded transactions, supported by MLS data, we concluded 2020 residential prices in zip code 95051 were 12.5% 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. A comparison of the 3-year average asking rental rate, as compiled by CoStar, revealed that the average rents (for office and retail combined) between these zip codes were $4.53/SF/Month in 95050 vs. $3.49/SF/Month in 95051, or a difference of about 29.8% higher in 95050. This metric is skewed somewhat by newer retail construction over the last several years in 95050. A comparison of the 3-year average asking rental rate among office properties as reported by CoStar was $3.70/SF/Month in 95050 vs. $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 average selling price per square foot among these two zip codes was within 6% of each other over the last three years, $451 in 95050 vs $478 in 95051 for both office and retail properties. Based on market data, rental rates differences, selling price differences, and vacancy rate differences we concluded that commercial land values in 95051 rated similar to 95050.

Industrial Difference

Among industrial properties, much of the product in the 95051 zip code is built as, or allows for R&D and higher intensity office uses, and greater floor area ratios, rating superior to 95050. Furthermore, about 65 acres of industrial lands in the 95051 zip code, around Kifer Rd and Lawrence Expy., are converting to residential uses, reducing the supply of industrial properties, and pushing increasing demand and value for industrial at the same time. A comparison of the 3-year average rental rate per SF, as compiled by CoStar, showed that the average rental rates were more in 95051 during the past 3 years ($2.13/SF vs. $1.72/SF). The rental rates are partly skewed because there are a greater number of older buildings in 95050 and many of those buildings are more warehouse in nature, which command lower rental rates. The average selling price per square foot among these two zip codes was within about 6% over the last three years, $325 in 95050 vs $345 in 95051, according to CoStar. Again, this difference is partly explained by the type of product within each zip code, with 95050 having older and generally lower quality finishes/build-out. 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 5% superior 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 12.5% superior, while commercial values rated similar, and industrial values rated 5% superior. In the next table, the adjusted price per acre for each land use in the 95051 zip code was adjusted and the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95051 zip code:

95051 ZIP CODE LAND USE VALUES & AVERAGE VALUE PER ACRE					
Land Use	95050 Average Price/Acre Weighted	x	Adjustment Factor	=	95051 Average Price per Acre
Very Low Density Residential	$2,236,719	x	112.5%	=	$2,516,309
Low Density Residential	$162,806	x	112.5%	=	$183,157
Medium Density Residential	$267,731	x	112.5%	=	$301,197
High Density Residential	$300,183	x	112.5%	=	$337,706
Commercial	$1,188,752	x	100.0%	=	$1,188,752
Industrial	$563,653	x	105.0%	=	$591,836
			TOTAL AVERAGE VALUE PER ACRE		**$5,118,957**

Average Value of Hypothetical 1-Acre Lot in the 95051 Zip Code: $5,120,000 (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.

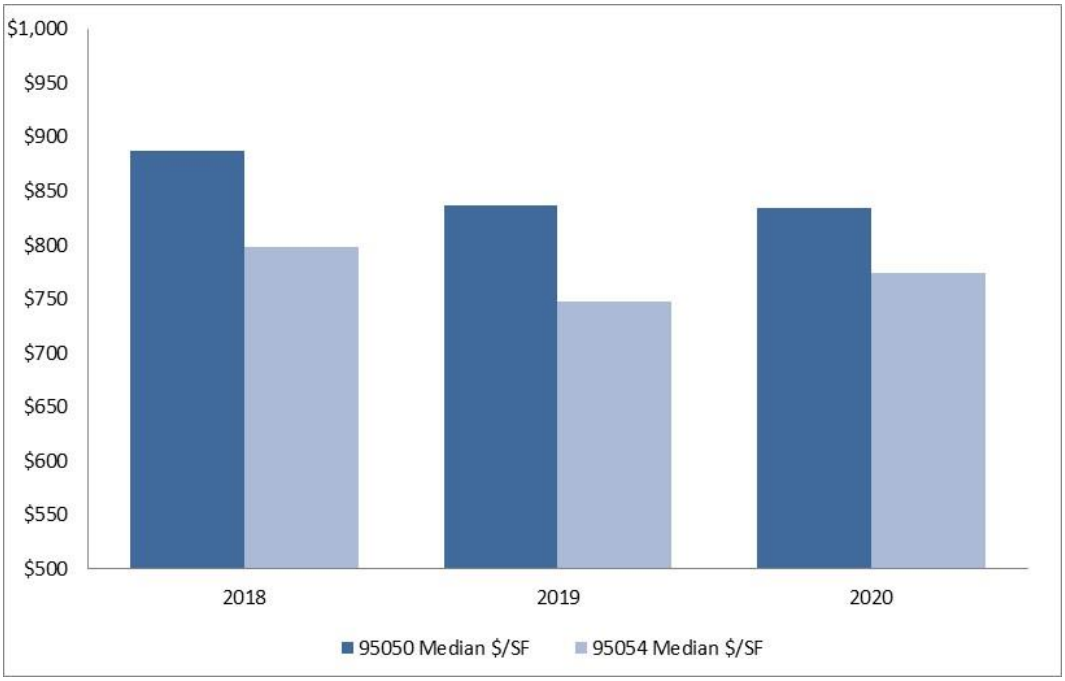
Estimating Differences Between Zip Codes

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 is affected by airport noise and has a higher concentration of higher-density housing units; there is less single-family selection and therefore fewer traditional residential neighborhoods with detached units. Recent yearly-

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



The median selling prices/SF has been historically higher in the 95050 zip code. The CoreLogic data indicated that the aggregate median price in 95054 was 5.0% *lower* in 2019 and about 2.1% *lower* in 2020. This data supports the opinions of market participants that 95054 generally rates inferior to 95050.

The next table is the same MLS data displayed above. In this data set the median price in 95050 ranged from about 0.6% to about 12.1% more than in 95054 in the most recent year. Again, unlike CoreLogic which reports all recorded sales transaction, MLS only reports listings marketed on MLS, which often does not include all new construction.

Housing Type	Zip Code	December-18	December-19	December-20
SFR, Condo, & Townhouse	95050	$1,074,000	$1,210,000	$1,265,000
	95051	$1,275,000	$1,425,000	$1,415,000
	95054	$1,025,000	$1,202,500	$1,128,000
Source Local MLS				

Based on market data, the opinions of market participants, and giving more weight to the CoreLogic price differences, which includes new and resale residential construction, we

concluded that residential land prices in zip code 95054 were 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 3-year average rental rate 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. As before, the 95050 rental rate is influenced by newer retail construction which typically commands higher rental rates. A comparison of office rents indicates that the 3-year average of $4.35/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 compared to 95050 ($451 in 95050 vs $521 in 95054) for office and retail sales. 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 upward adjustment of 15% was warranted for 95054 for higher commercial land value.

Industrial Difference

Among industrial properties, much of the product in the 95054 zip code is built as, or allows for R&D and higher intensity office uses, rating superior to 95050. This also allows for greater floor area ratios in 95054. Most market participants reported higher prices in 95054 due primarily to superior freeway access and fewer heavy-industrial uses. A comparison of the 3-year average rent per SF, as compiled by CoStar, showed that rents averaged $1.72/SF in the 95050 zip code vs. $2.26/SF in the 95054 zip code, about a 31% premium. The average selling price per square foot in the 95054 zip code was about 26% higher over the last three years compared to 95050 ($325 in 95050 vs $410 in 95054) based on industrial sales reported by CoStar. Again, the difference in rental rates and selling prices is partly explained by the type of product within each zip code, with 95050 having older and generally lower quality finishes/build-out compared to 95054. A local broker estimated that there was a 15-25% premium in the 95054 zip code area

compared to 95050. Bracketed by the data, including rental rate differences, sale prices/SF, and broker opinions, we concluded to a 15.0% premium for industrial land within 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 VALUE PER ACRE					
Land Use	95050 Average Price/Acre Weighted	x	Adjustment Factor	=	95054 Average Price per Acre
Very Low Density Residential	$2,236,719	x	95.0%	=	$2,124,883
Low Density Residential	$162,806	x	95.0%	=	$154,666
High Density Residential	$267,731	x	95.0%	=	$254,344
Medium Density Residential	$300,183	x	95.0%	=	$285,174
Commercial	$1,188,752	x	115.0%	=	$1,367,065
Industrial	$563,653	x	115.0%	=	$648,201
			TOTAL AVERAGE VALUE PER ACRE		**$4,834,333**

Average Value of a Hypothetical 1-Acre Lot in the 95054 Zip Code: $4,830,000 (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 43% of the total sales in the city by land area were commercial and industrial transactions and the other 57% were residential. This represents a greater percentage of residential sales than in 2019. Because residential unit values are greater than commercial and industrial, this resulted in higher concluded values for each zip code in 2020 compared to 2019. Industrial sales in 2020 comprised 15.59% of the total land sold, much lower than the 43.47% reported in 2019 and the 34.93% reported in 2017 by Old Republic Title Company. All these factors resulted in higher 2020 values for the hypothetical one-acre lots.

We concluded to the following average value for each zip code on December 31, 2020, the effective date of value opinion:

Opinion of Average Value of a 1-Acre Lot in the 95050 Zip Code: $4,720,000

(Four Million Seven Hundred Twenty Thousand Dollars)

Opinion of Average Value of a 1-Acre Lot in the 95051 Zip Code: $5,120,000

(Five Million One Hundred Twenty Thousand Dollars)

Opinion of Average Value of a 1-Acre Lot in the 95054 Zip Code: $4,830,000

(Four Million Eight Hundred Thirty Thousand Dollars)

ADDENDA

- Old Republic Title Company 2020 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.*

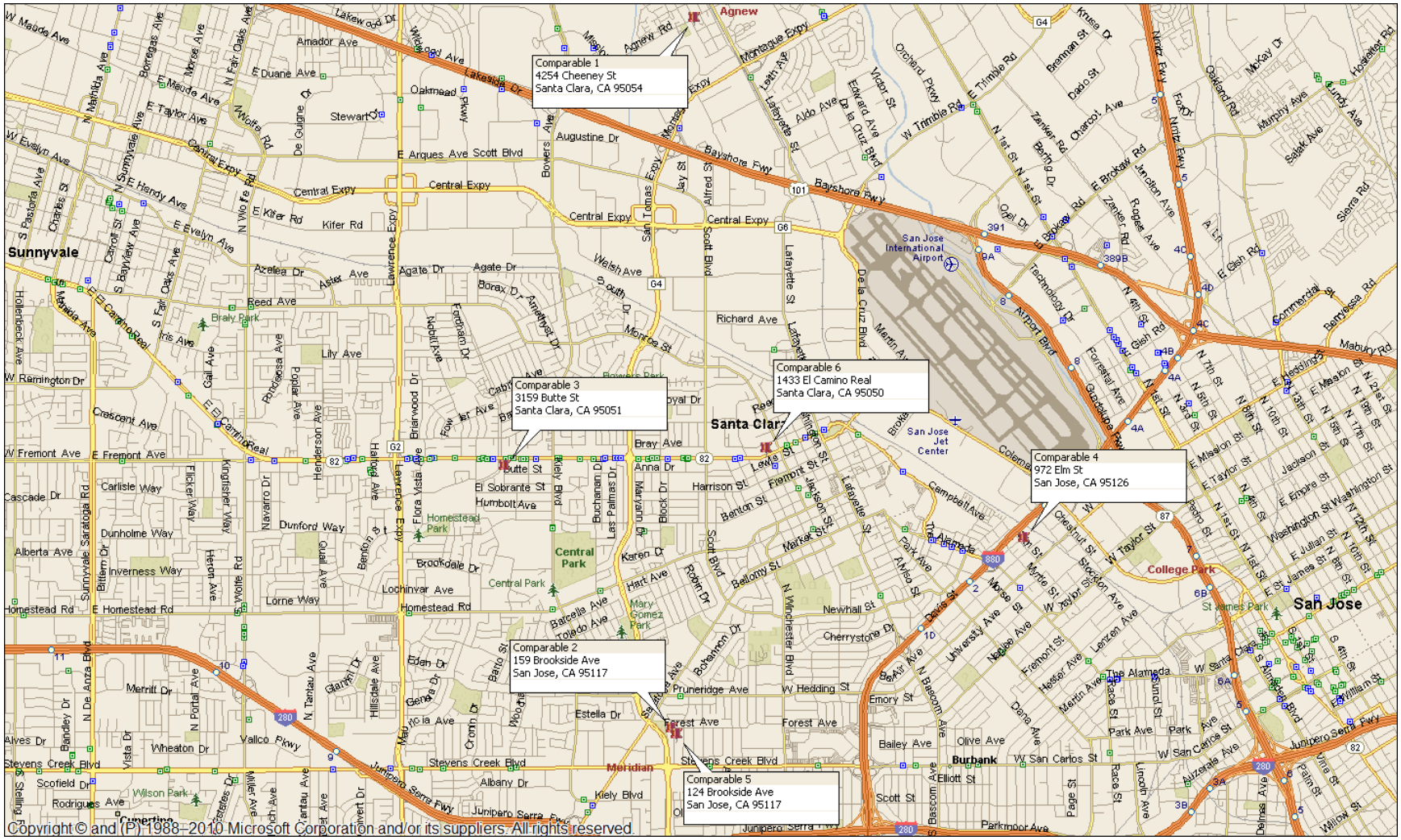
k. **Research Factors to be considered for Comparable sales:** *The factors to be used to compare property values include, but are not limited to physical factors, economic factors, market conditions verification to parcel maps, public records, CoStar data bank. Additional factors may be used provided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

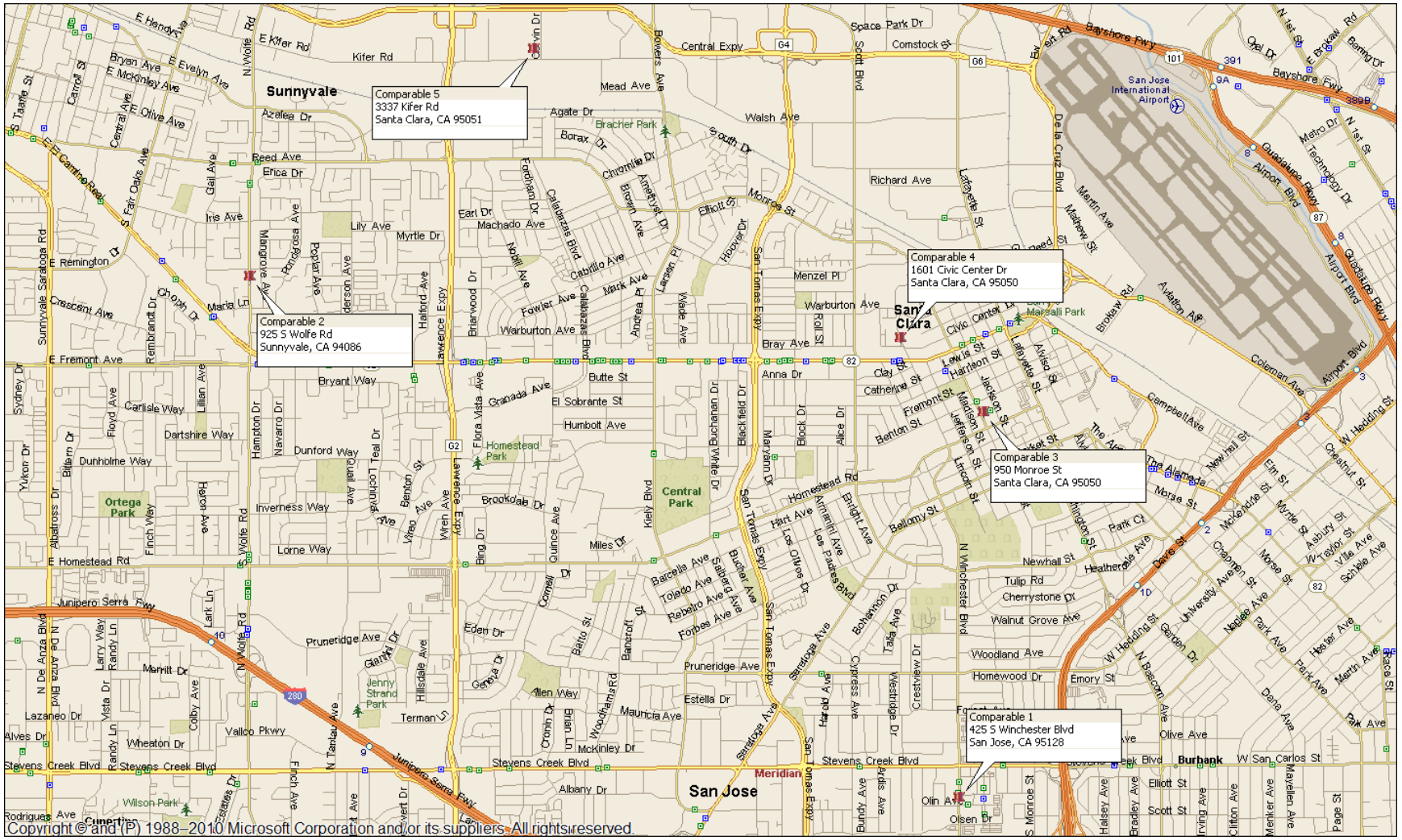
m. **Weight to be applied to Property Types:** *The weighted average of each property type will be based on the percentage of land area in the sales transactions, for example, if 25% of total acreage is high density residential, then the relative weight of that property type will be 25%. (The weight 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.*

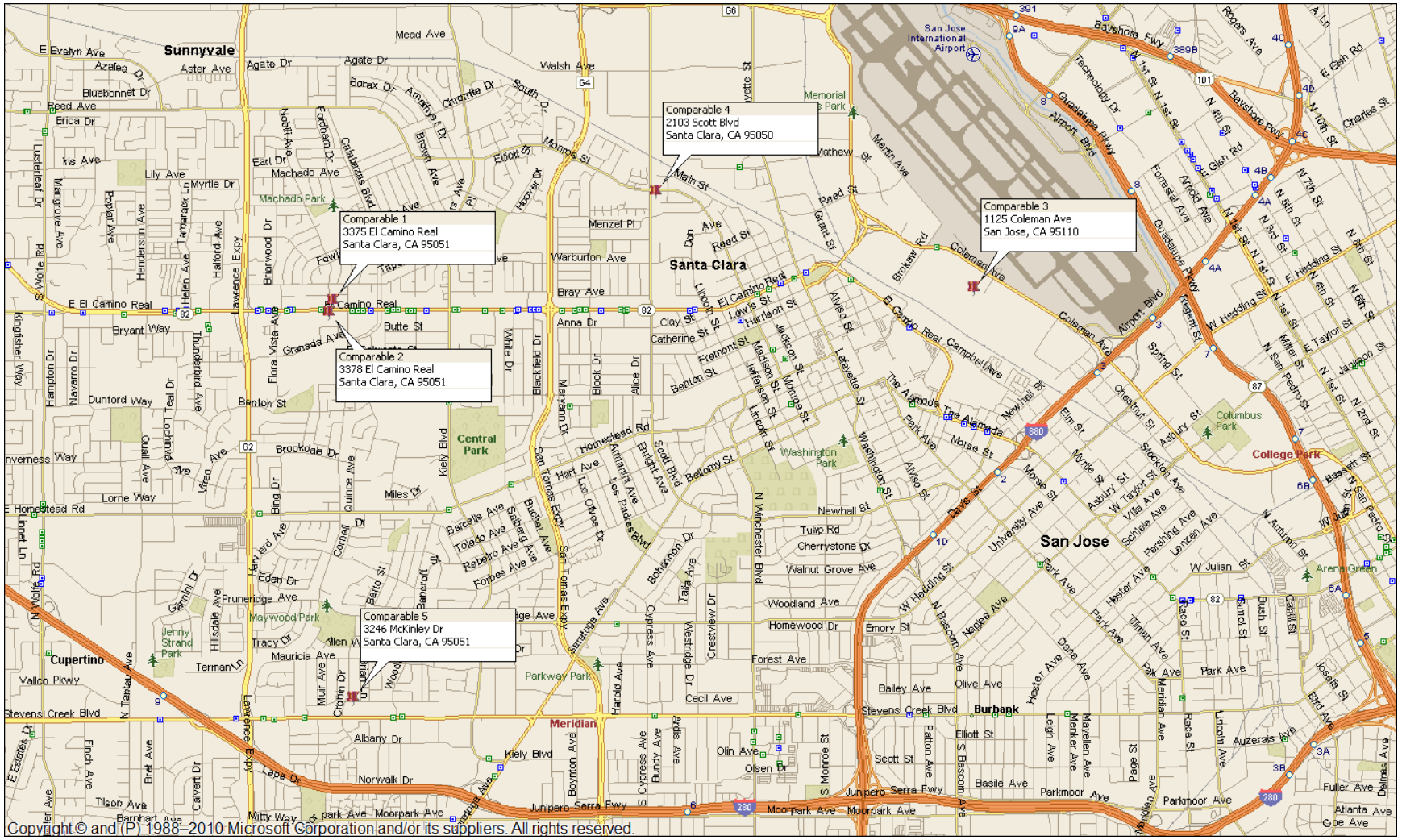
VERY LOW-DENSITY RESIDENTIAL SALE COMPARABLE LOCATION MAP



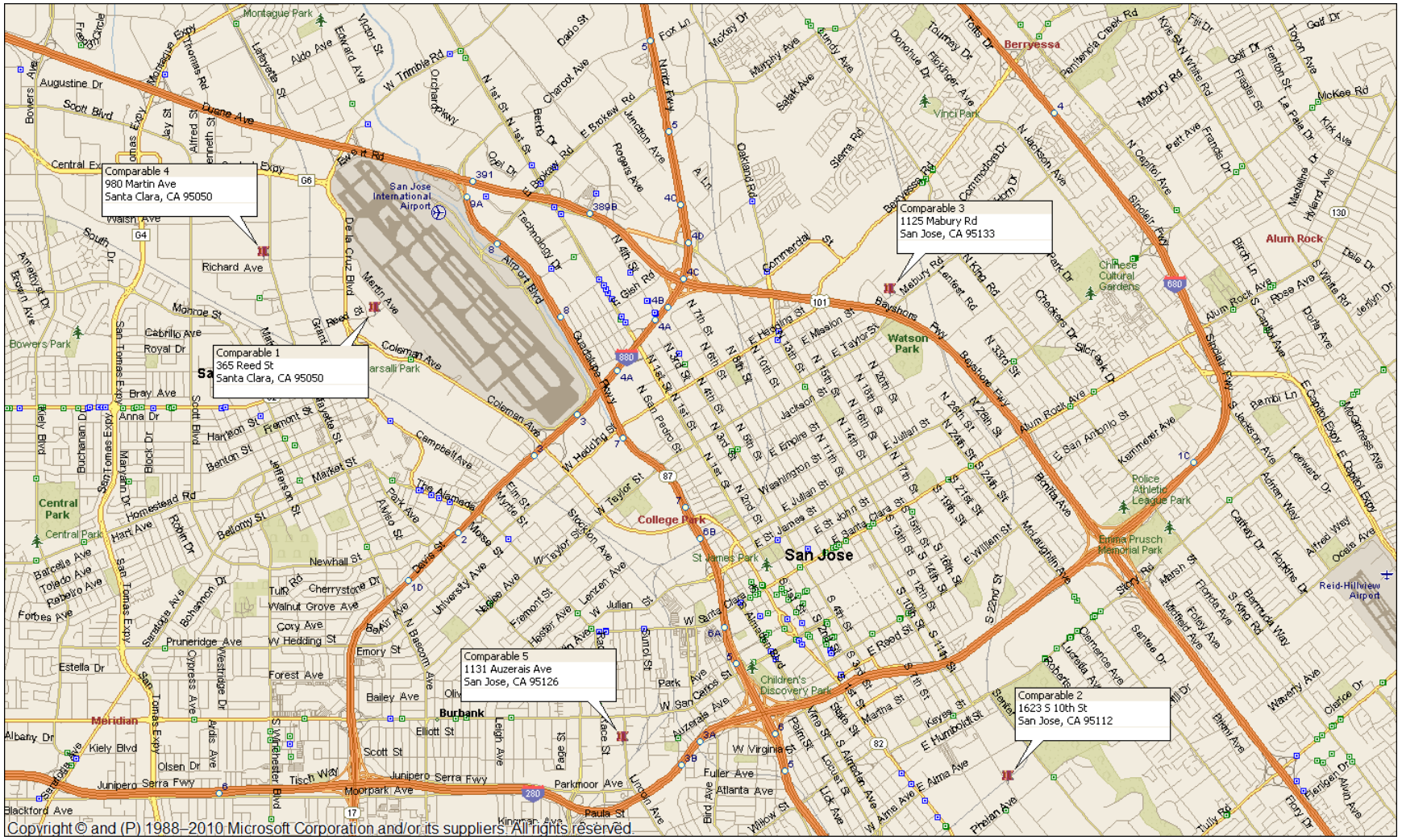
HIGH-DENSITY RESIDENTIAL SALE COMPARABLE LOCATION MAP



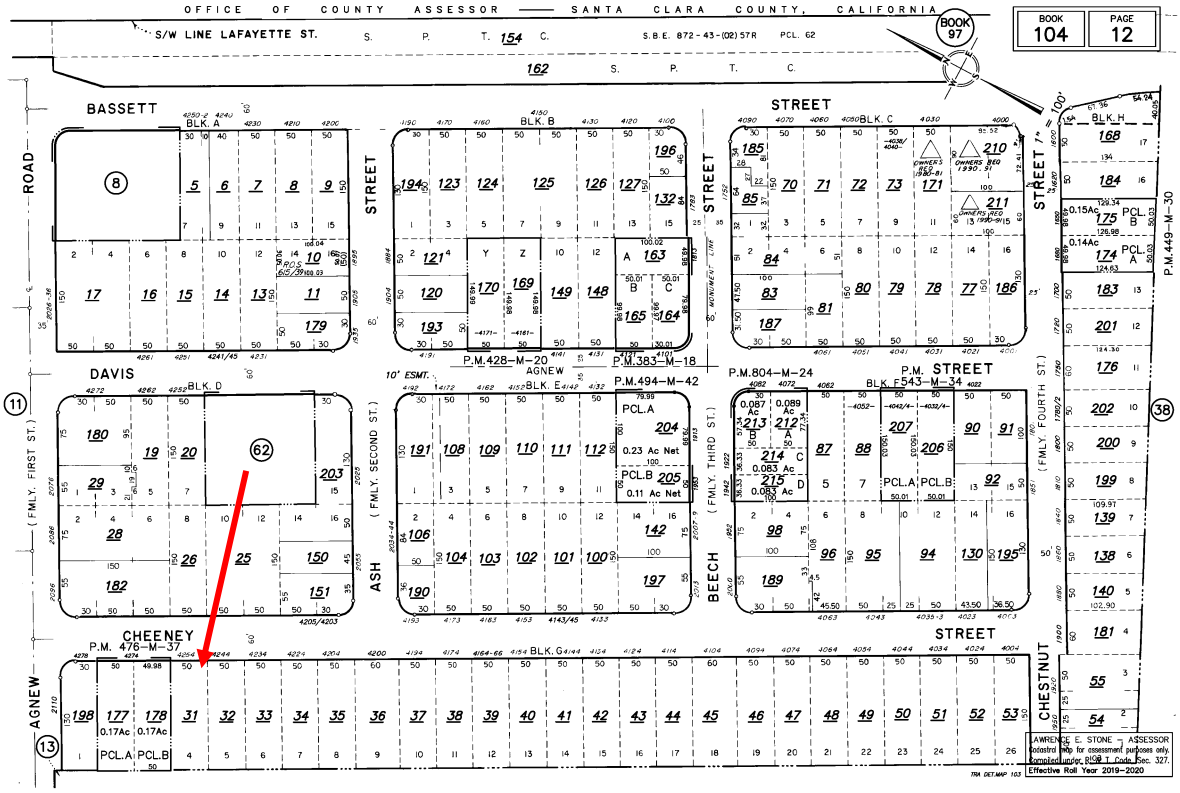
COMMERCIAL SALE COMPARABLE LOCATION MAP



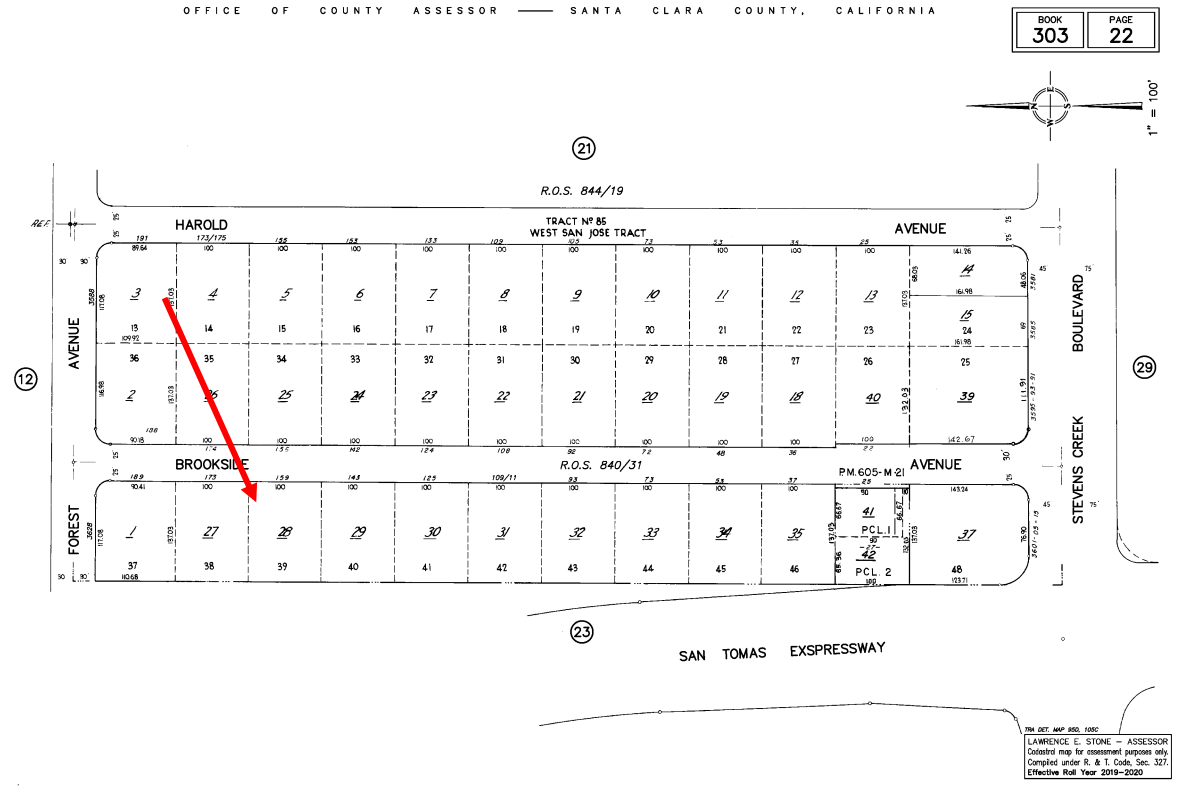
INDUSTRIAL SALE COMPARABLE LOCATION MAP



COMPARABLE LAND SALE PARCEL MAPS

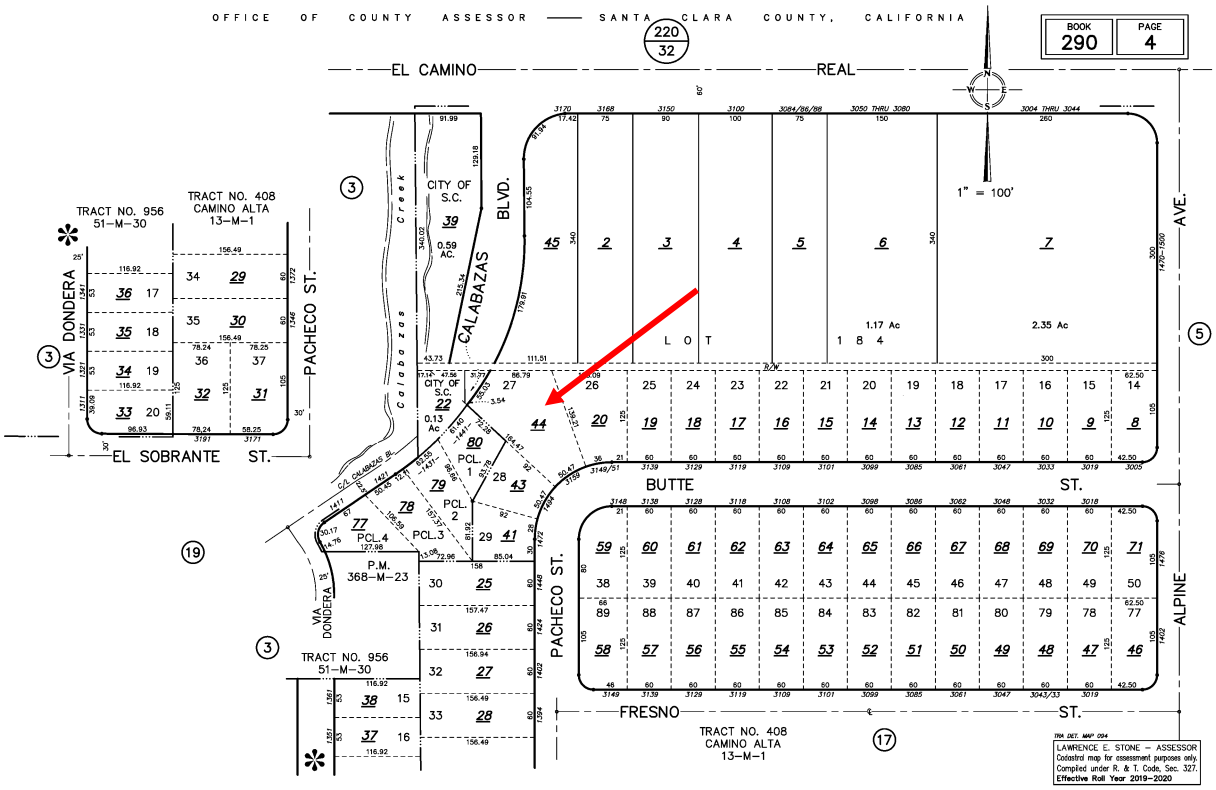


Very-Low Density Land Comparable Sale 1

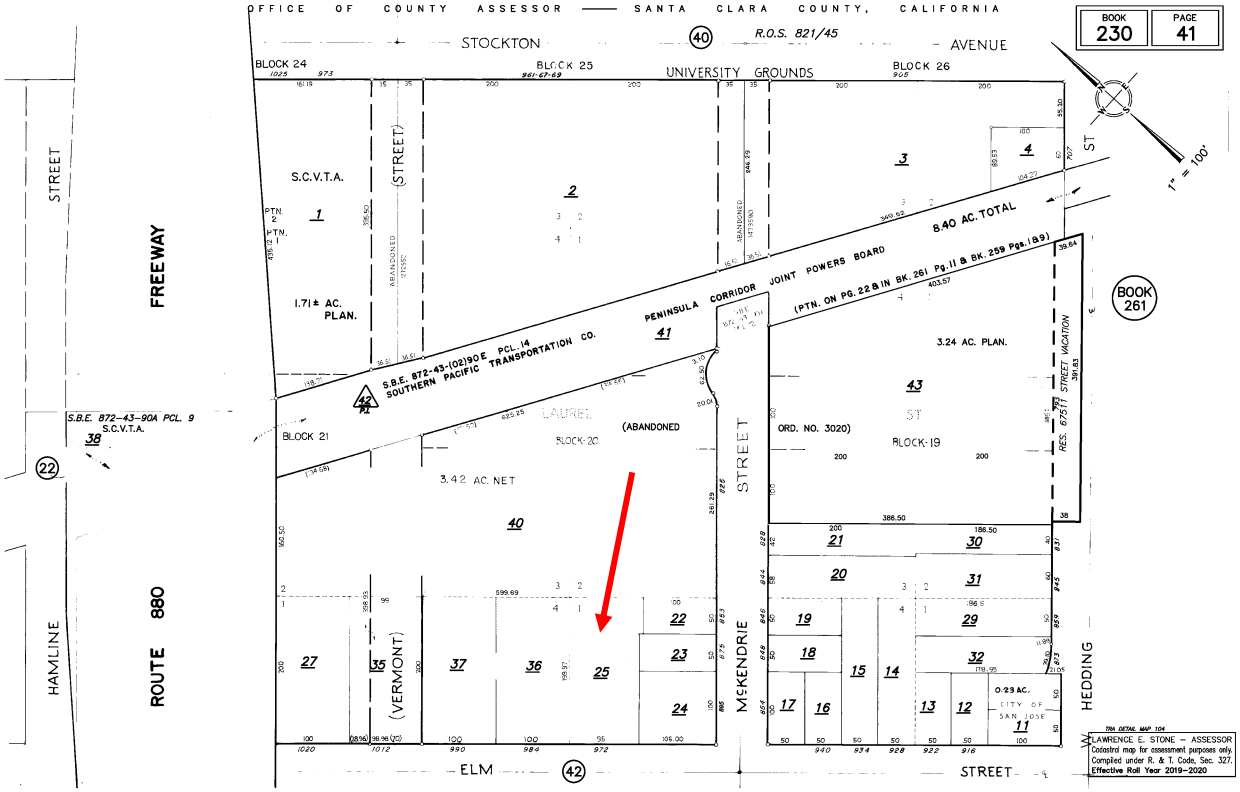


Very-Low Density Land Comparable Sale 2

COMPARABLE LAND SALE PARCEL MAPS

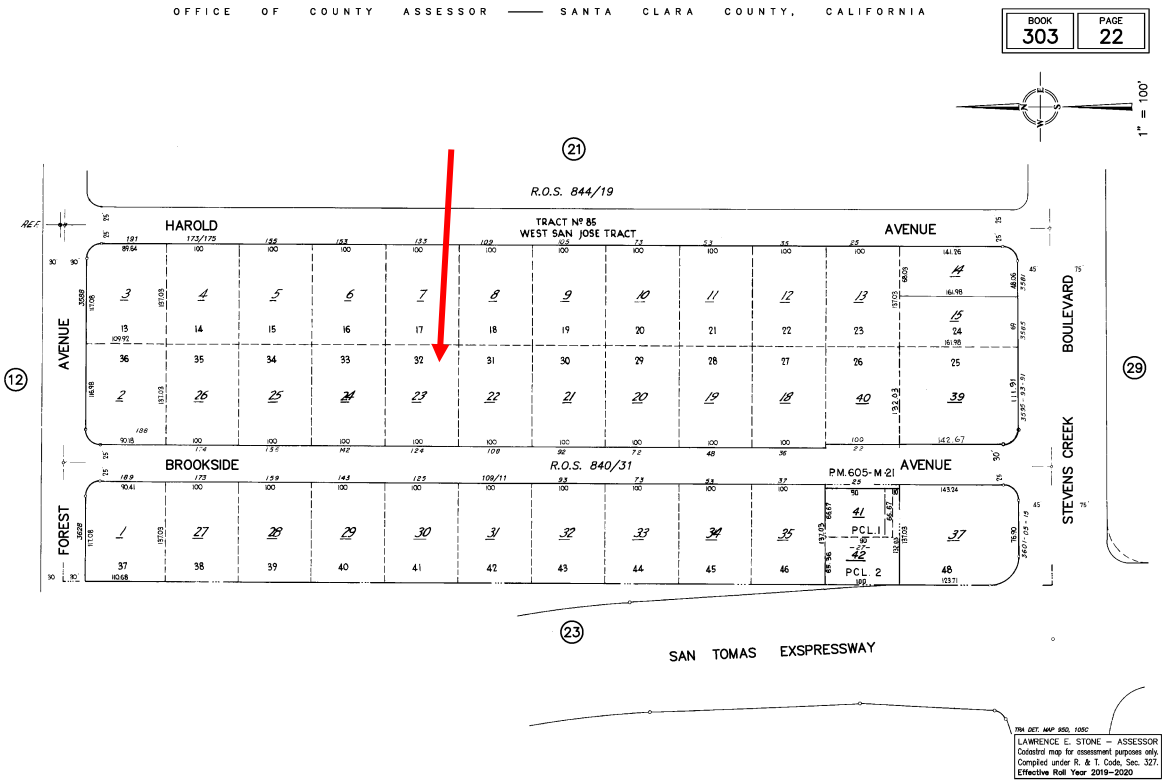


Very-Low Density Land Comparable Sale 3

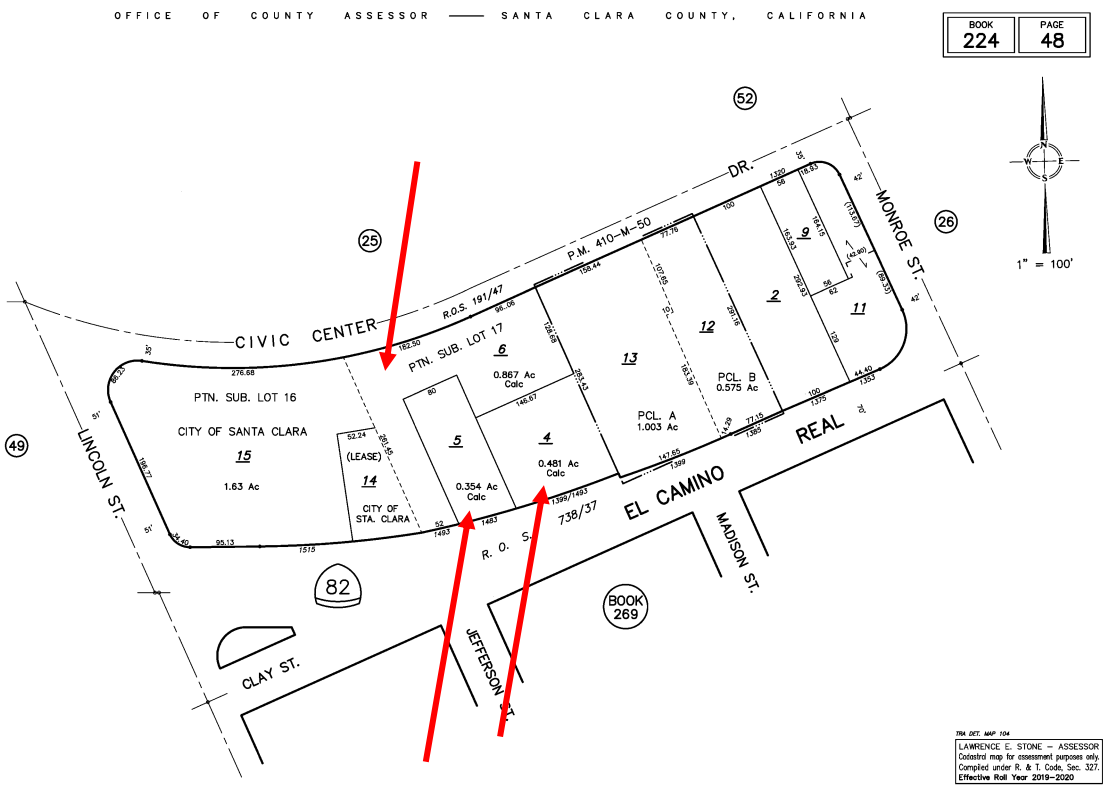


Very-Low Density Land Comparable Sale 4

COMPARABLE LAND SALE PARCEL MAPS

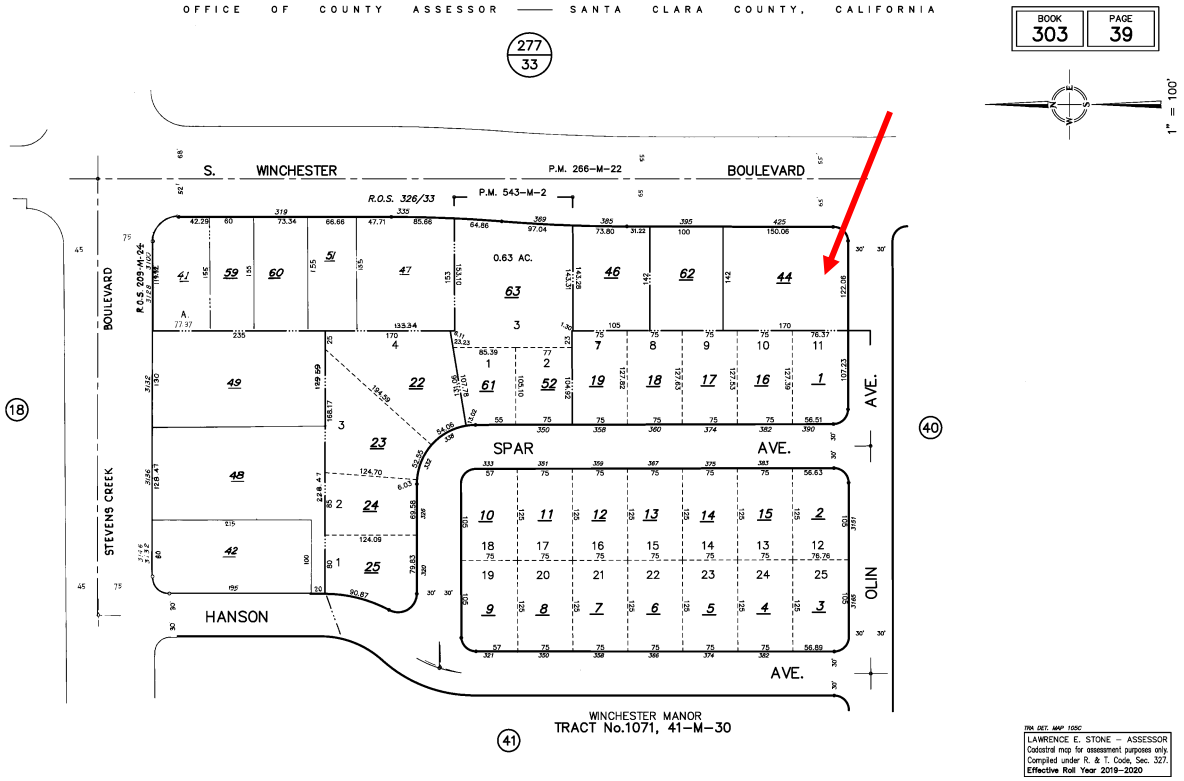


Very-Low Density Land Comparable Sale 5

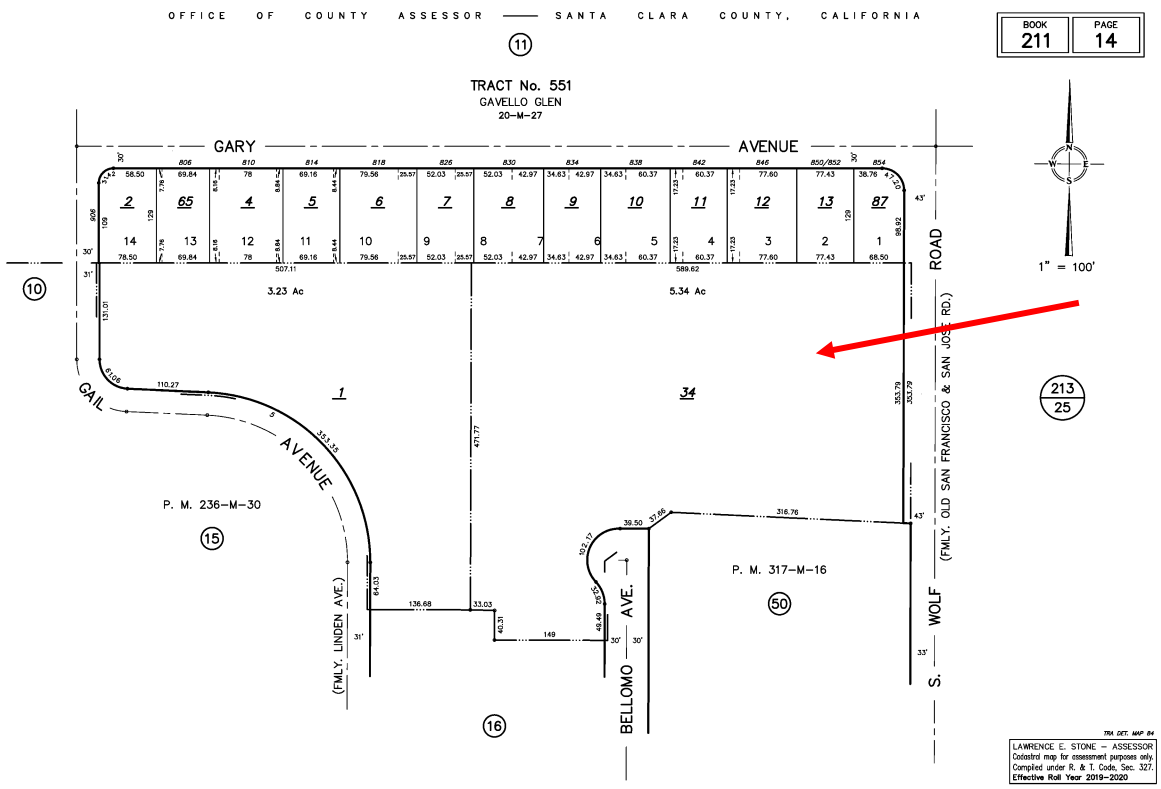


Very-Low Density Land Comparable Sale 6

COMPARABLE LAND SALE PARCEL MAPS

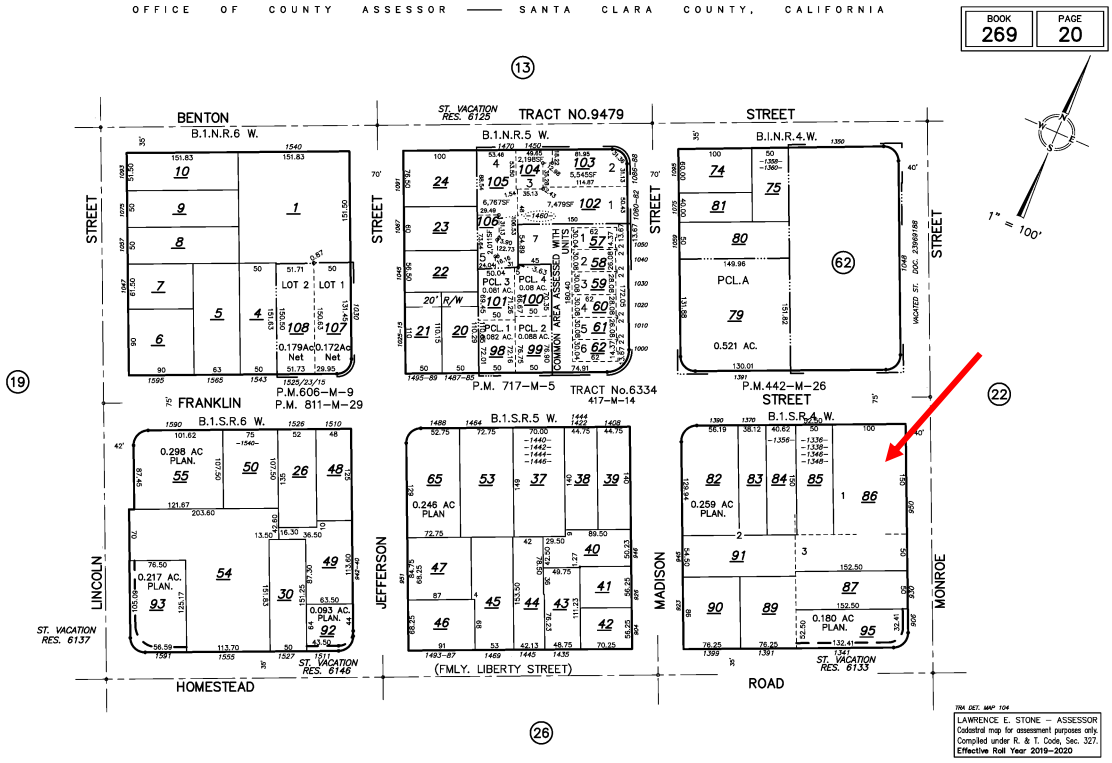


High Density Land Comparable Sale 1

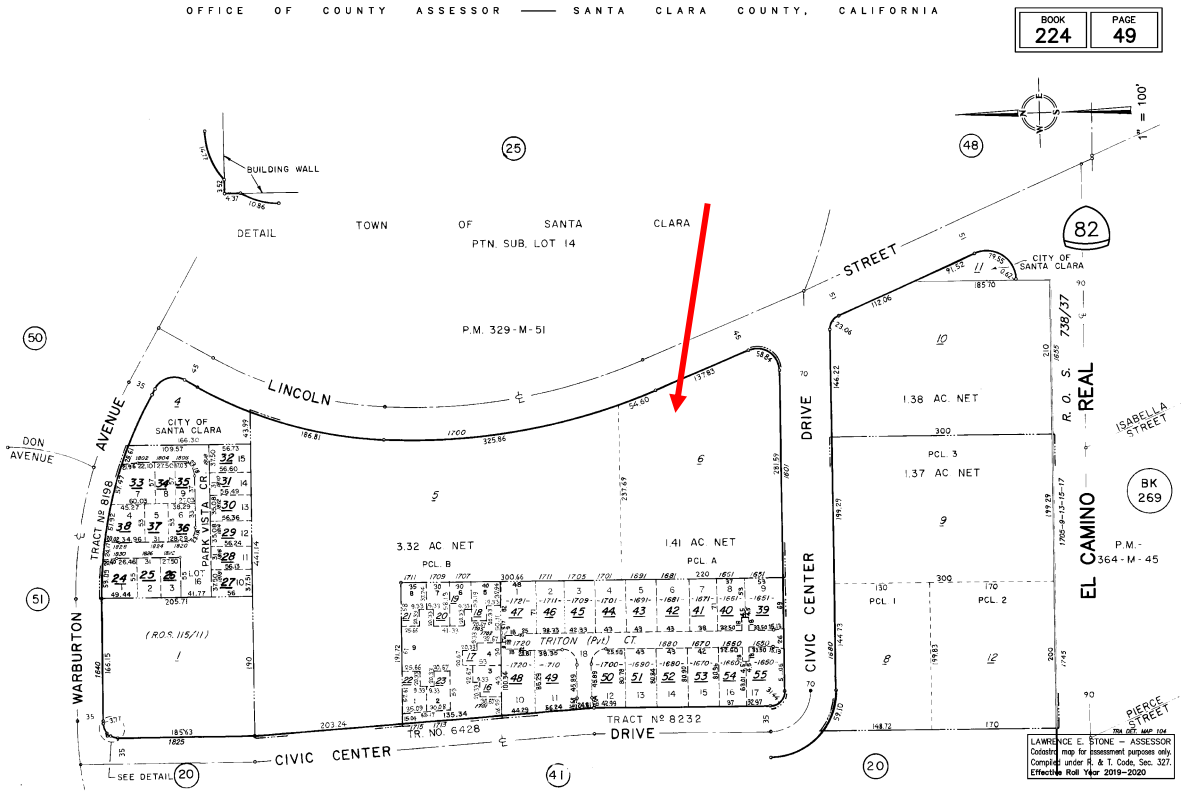


High Density Land Comparable Sale 2

COMPARABLE LAND SALE PARCEL MAPS

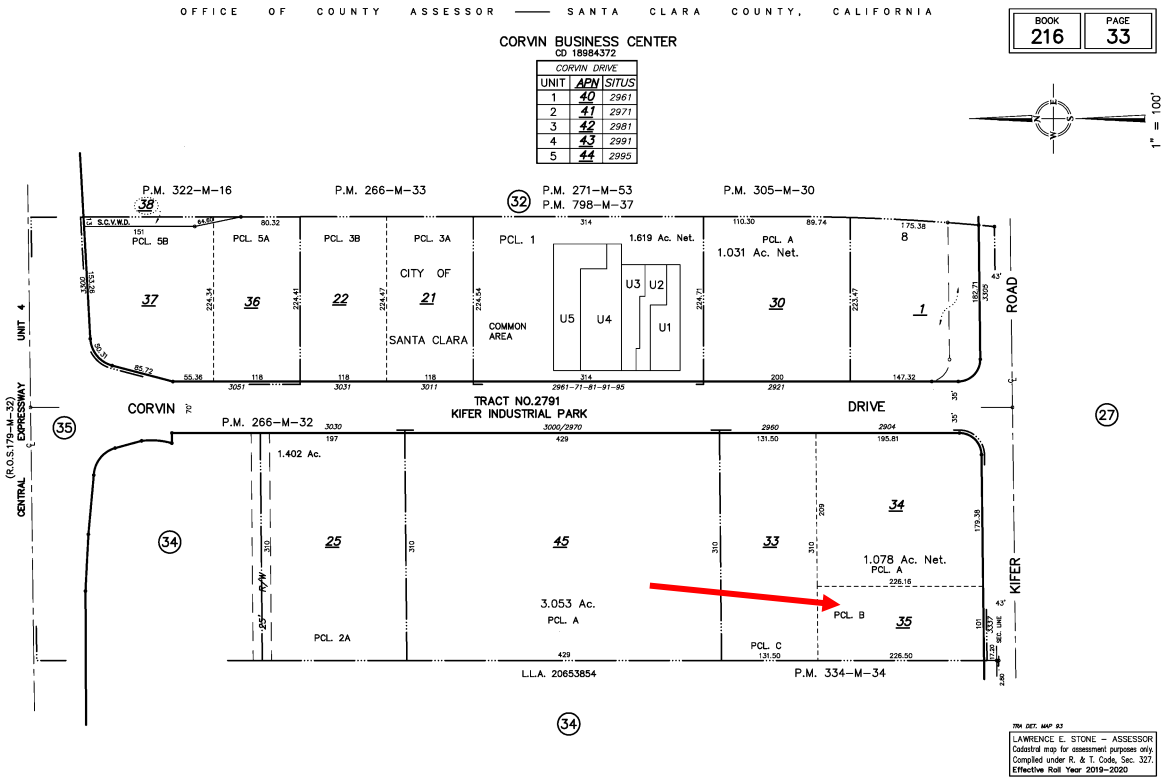


High Density Land Comparable Sale 3



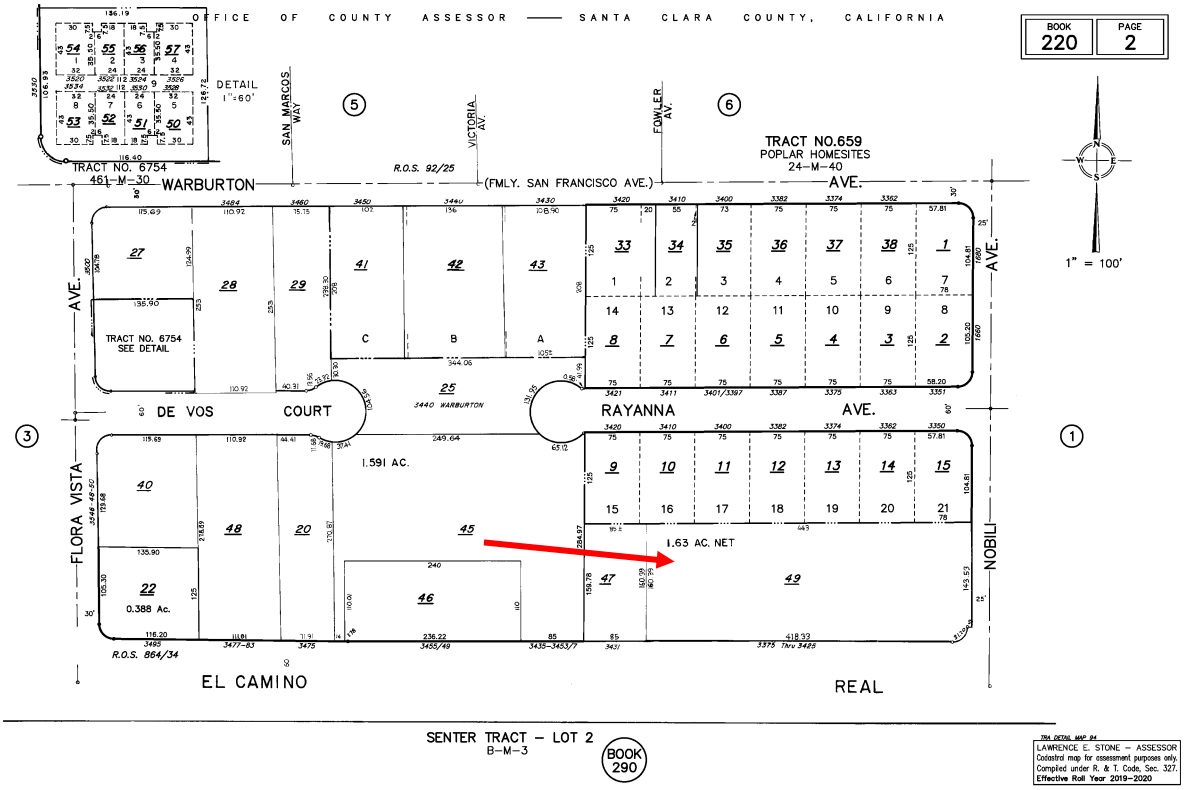
High Density Land Comparable Sale 4

COMPARABLE LAND SALE PARCEL MAPS

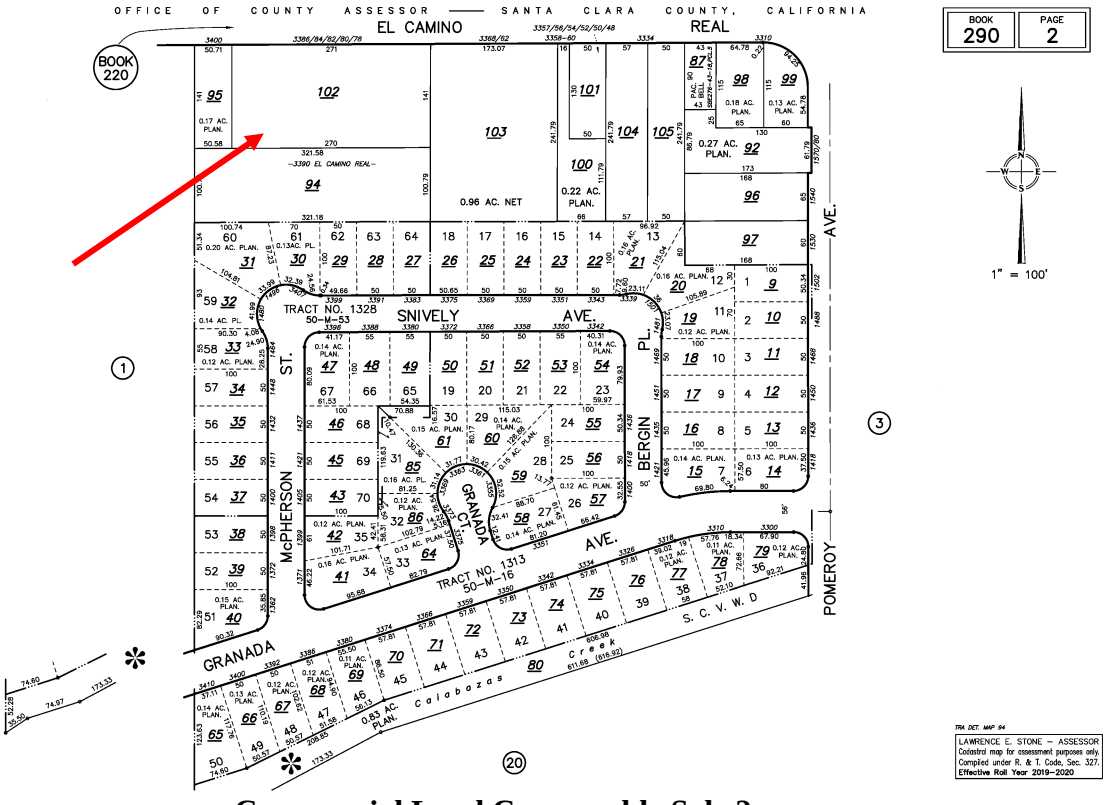


High Density Land Comparable Sale 5

COMPARABLE LAND SALE PARCEL MAPS

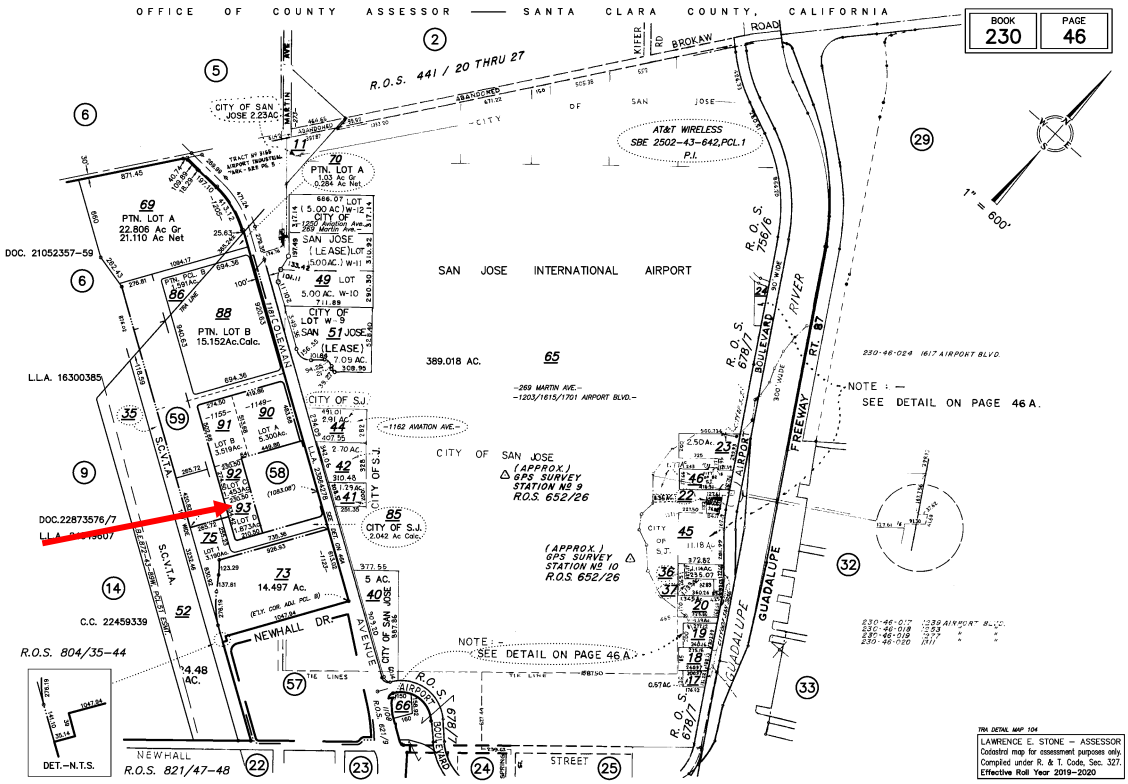


Commercial Land Comparable Sale 1



Commercial Land Comparable Sale 2

COMPARABLE LAND SALE PARCEL MAPS



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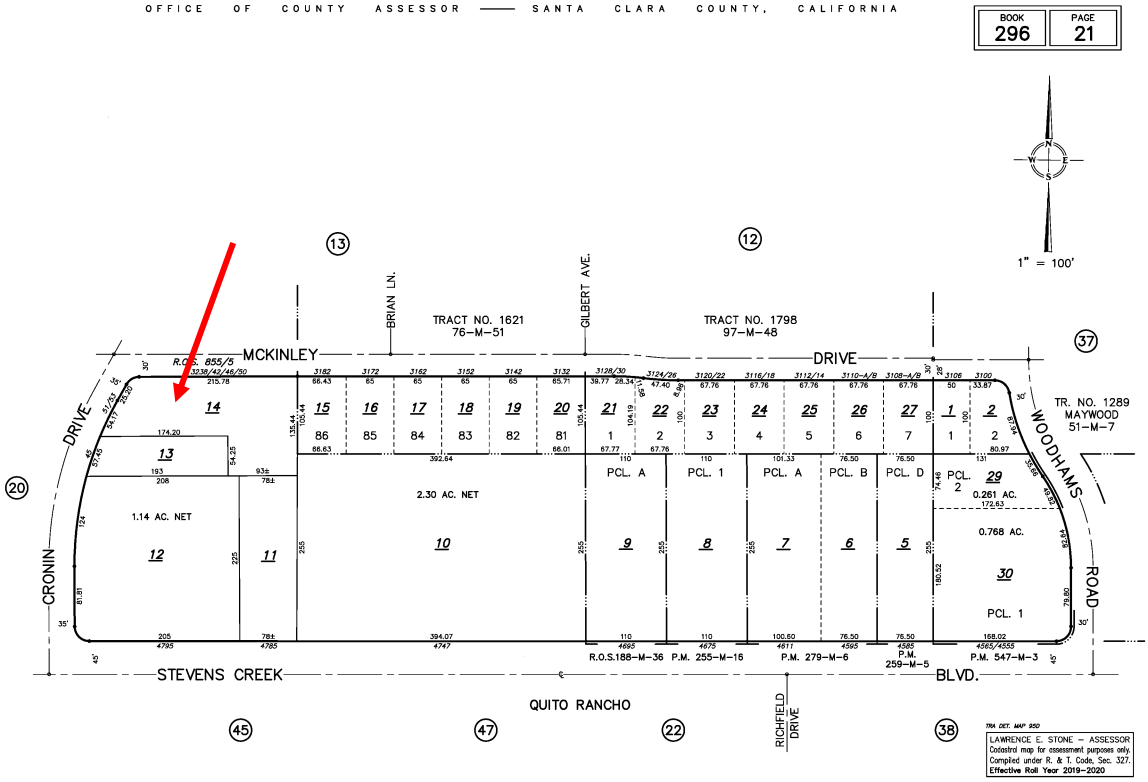
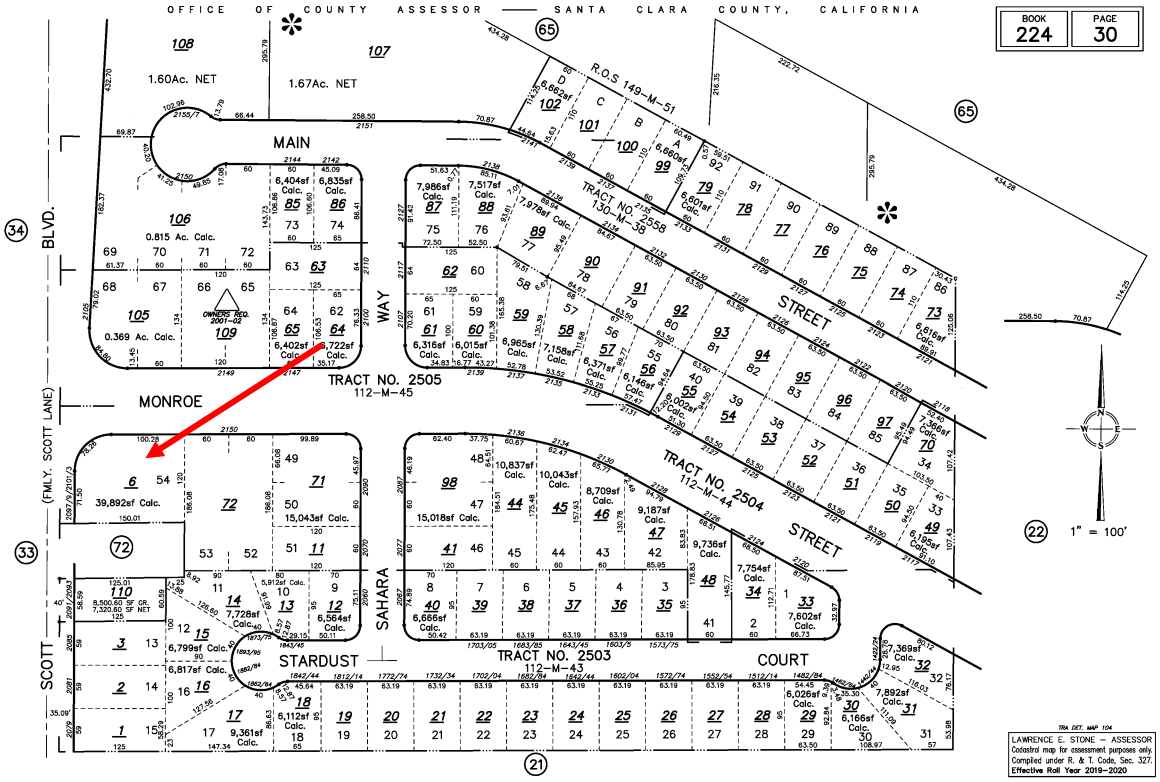


Commercial Land Comparable Sale 4

COMPARABLE LAND SALE PARCEL MAPS



Commercial Land Comparable Sale 5

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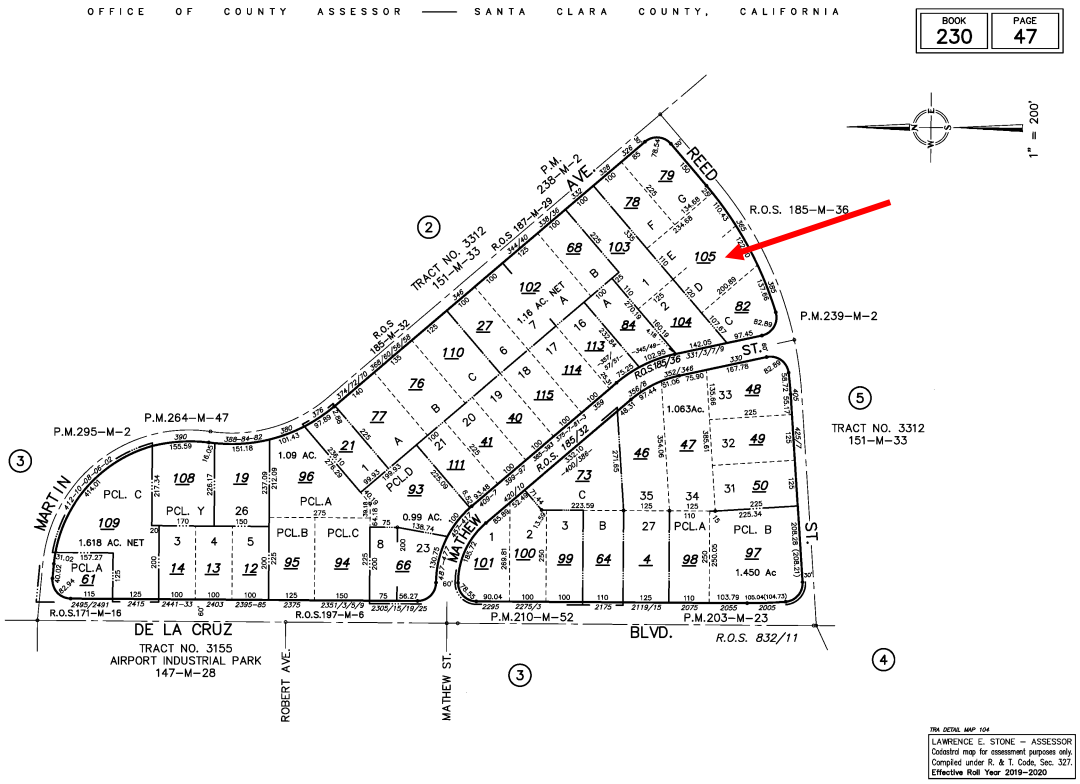
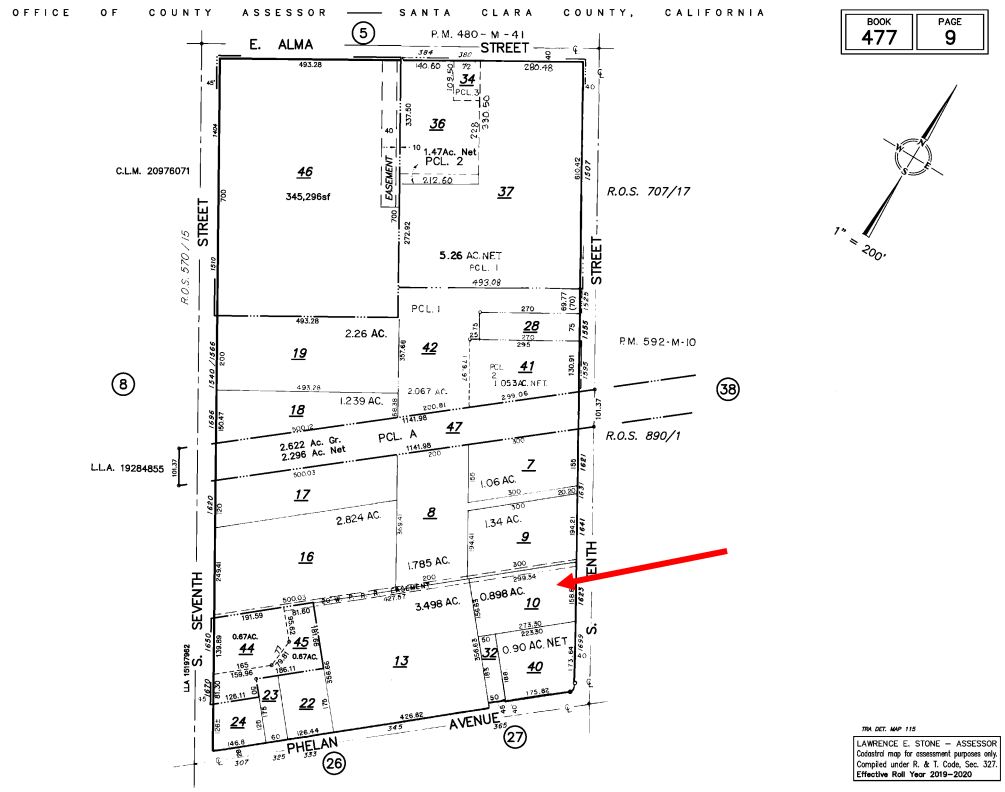
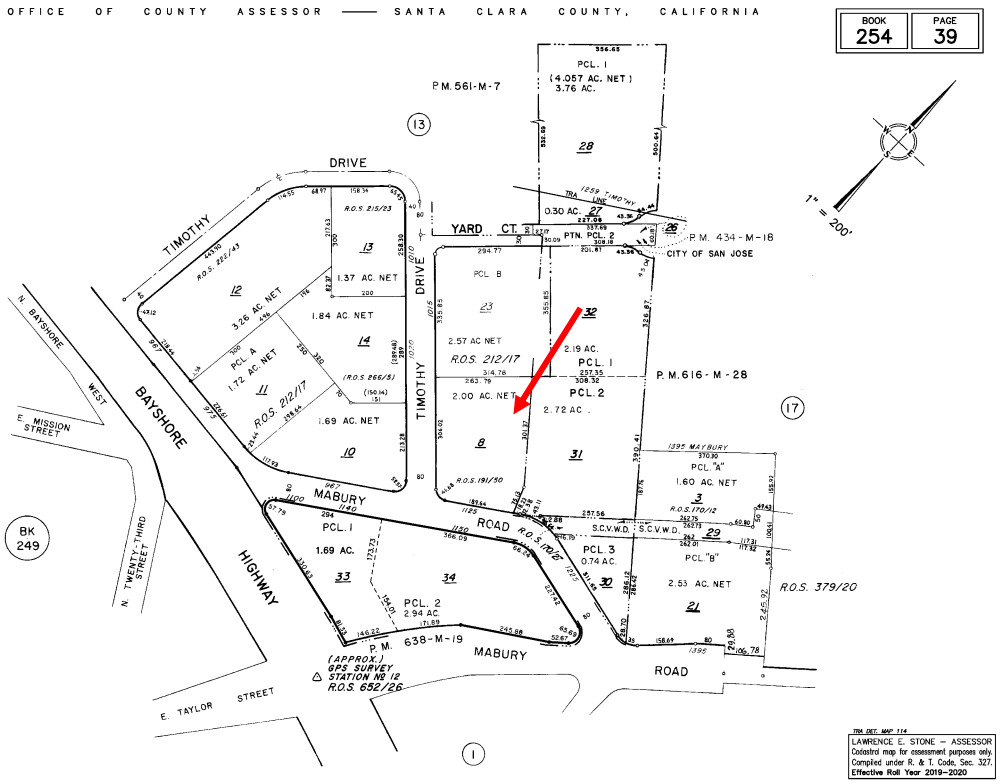


Industrial Land Comparable Sale 1

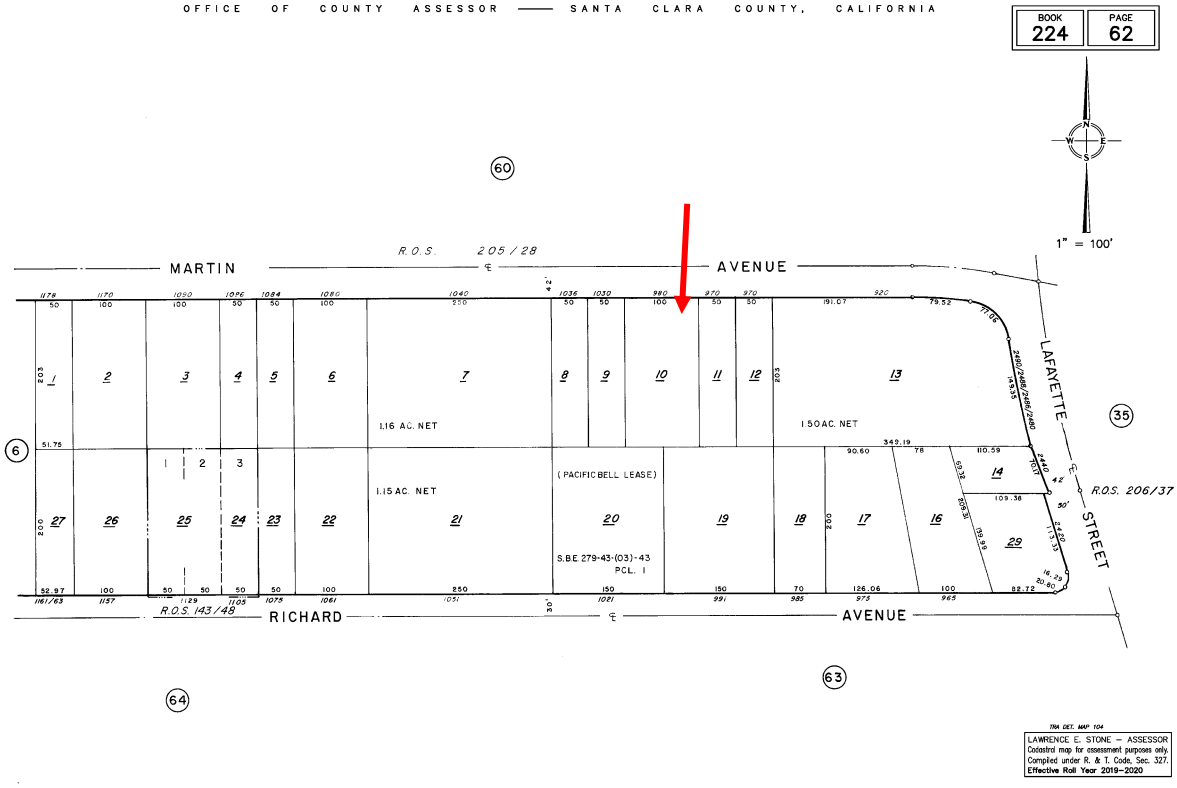


Industrial Land Comparable Sale 2

COMPARABLE LAND SALE PARCEL MAPS

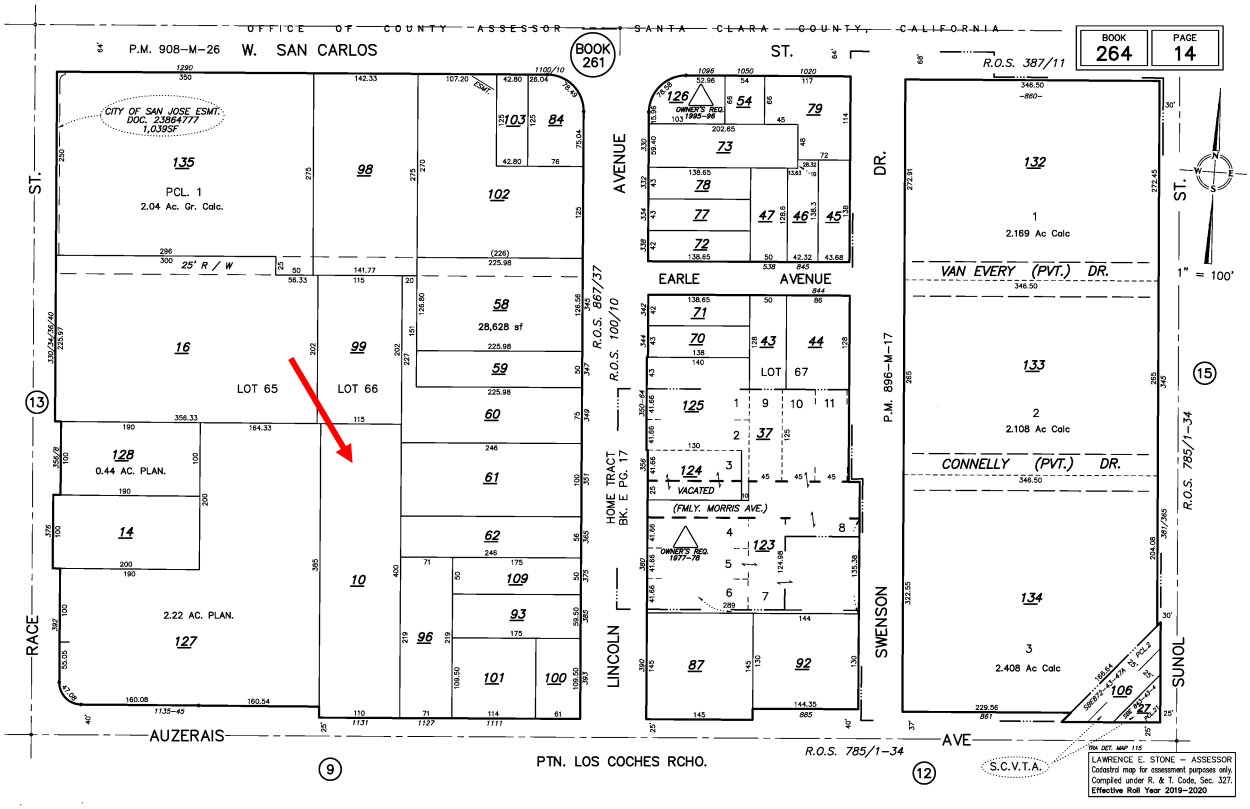


Industrial Land Comparable Sale 3



Industrial Land Comparable Sale 4

COMPARABLE LAND SALE PARCEL MAPS



Industrial Land Comparable Sale 5

FRANK E. SCHMIDT, MAI, SRA
CURRICULUM VITAE, January 2021

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)] – Continuing Education Program Completed through December 31, 2021; International Right of Way Association

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