CARNEGHI-NAKASAKO + ASSOCIATES | Carneghi-Nakasako & Associates
Commercial Real Estate Appraisal

APPRAISAL OF:

THREE HYPOTHETICAL, TYPICALLY SIZED, DEVELOPMENT SITES IN CUPERTINO, CALIFORNIA

PREPARED FOR:

PUBLIC WORKS DEPARTMENT

CITY OF CUPERTINO

CUPERTINO, CALIFORNIA

AUGUST 2022

2022-CNA-150

CARNEGHI-NAKASAKO + ASSOCIATES | Carneghi-Nakasako & Associates
Commercial Real Estate Appraisal

August 24, 2022

Mr. Chad Mosley, P.E.
Assistant Director of Public Works
City of Cupertino
10300 Torre Avenue
Cupertino, California 95014

Re: 2022CNA150, Appraisal Report
Market Value of Three Hypothetical, Typically Sized, Development Sites
Cupertino, California

Dear Mr. Mosley:

At your request and authorization, Carneghi-Nakasako & Associates has provided appraisal consulting to determine the fair market value of three hypothetical, typically sized, development sites in Cupertino as an aid in establishing the parkland in-lieu fee. This appraisal addresses the hypothetical market value of the fee simple interest in: 1) a typical residential development site; 2) a typical commercial development site; and 3) a general development site that is comprehensive and inclusive of all Cupertino land types. The hypothetical development sites are not any specific property in terms of use, location within the City of Cupertino, size, or development potential.

The client for this appraisal report is Mr. Chad Mosley, Assistant Director of Public Works, City of Cupertino. The purpose of this report is to estimate the market value of three hypothetical development sites in the City of Cupertino as of January 1, 2022. The intended user/use of this report is the City of Cupertino and it will be used as an aid in establishing the City's parkland in-lieu fee. ***This report should not be used or relied upon by any other parties for any reason.***

Market Value Conclusions

Based on the research and analysis, and subject to the assumptions, hypothetical conditions, and limiting conditions contained in this report, it is the opinion of the undersigned that the market value of the fee simple interest in a hypothetical **typical residential development site** in Cupertino, as of January 1, 2022, was:

TWO HUNDRED TWENTY-FIVE DOLLARS PER SQUARE FOOT

($225 per Square Foot)

Furthermore, based on the research and analysis, and subject to the assumptions, hypothetical conditions, and limiting conditions contained in this report, it is the opinion of the undersigned that the market value of the fee simple interest in a hypothetical **typical commercial development site** in Cupertino, as of January 1, 2022, was:

ONE HUNDRED FIFTY DOLLARS PER SQUARE FOOT

($150 per Square Foot)

Lastly, based on the research and analysis, and subject to the assumptions, hypothetical conditions, and limiting conditions contained in this report, it is the opinion of the undersigned that the market value of the fee simple interest in a hypothetical **general development site** in Cupertino, as of January 1, 2022, was:

TWO HUNDRED TEN DOLLARS PER SQUARE FOOT

($210 per Square Foot)

This Appraisal Report is identified on the footer of each page as 2022CNA150 and includes this letter of transmittal plus related exhibits, tables, and addendum.

Certification

I, the undersigned, hereby certify that, to the best of my knowledge and belief: the statements of fact contained in this report are true and correct; 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; 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; I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment; I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; my engagement in this assignment was not contingent upon developing or reporting predetermined results; 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; the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; my analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice* and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Practice; I have not made a personal inspection of the property that is the subject of this report since the subject sites are hypothetical; and no one provided significant real property appraisal assistance to the person(s) signing this certification. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute. In accordance with the Competency Provision in the USPAP, I certify that my education, experience, and knowledge are sufficient to provide the valuation services needed for this assignment.

I am pleased to have had this opportunity to be of service. Please contact me if there are any questions regarding this appraisal.

Sincerely,

CARNEGHI-NAKASAKO & ASSOCIATES

Matt Watson, MAI
Certified General Real Estate Appraiser
State of California No. AG040050

TABLE OF CONTENTS

TABLE OF EXHIBITS

LIST OF MAPS & EXHIBITS

ADDENDA

I. REPORT SUMMARY

A. Property Appraised

This appraisal addresses the hypothetical market value of the fee simple interest in: 1) a typical residential development site; 2) a typical commercial development site; and 3) a general development site that is comprehensive and inclusive of all Cupertino land types. The hypothetical development sites are not any specific property in terms of use, location within the City of Cupertino, size, or development potential

It was a general assumption of this appraisal that the subject's hypothetical sites are graded and level with all utilities and services stubbed to the site, and ready for building improvement.

B. Client, Purpose, Intended Use and Intended User

The client for this appraisal report is Mr. Chad Mosley, Assistant Director of Public Works, City of Cupertino.

The purpose of this report is to estimate the market value of three hypothetical development sites in the City of Cupertino as of January 1, 2022. The hypothetical development sites include: 1) a typical residential development site; 2) a typical commercial development site; and 3) a general development site that is comprehensive and inclusive of all Cupertino land types.

The intended user/use of this report is the City of Cupertino and it will be used as an aid in establishing the City's parkland in-lieu fee. ***This report should not be used or relied upon by any other parties for any reason.***

C. Report Format and Scope of Work

This report is intended to satisfy the requirements of USPAP Standards Rule 2-2 as a real property appraisal presented in an Appraisal Report format.

The agreed upon scope of work performed within this report is the following:

- The City of Cupertino intends to use the appraisal as an aid in establishing the parkland in-lieu fee. The City of Cupertino will be the intended user.

- The subject of the appraisal will not be any specific property in terms of use, location, size, or development potential. Rather, the appraisal will reflect the current market value of three hypothetical, typically sized, development sites in Cupertino. The appraisal will provide the current market value for:
  1) a typical residential development site;
  2) a typical commercial development site (commercial land to include any parcels not zoned residential, inclusive of mixed-use and industrial sales); and
  3) a general development site that is comprehensive and inclusive of all Cupertino land types.
- Date of appraised value will be January 1, 2022.
- Comparables will include sales from January 1, 2019, through December 31, 2021, and appropriate "time/market conditions" adjustments will be utilized.
- The search for comparable sales will emphasize development sites located within the City of Cupertino, but may, where appropriate, include relevant sales from adjacent and/or nearby Cities. "Tear downs" and other improved sites wherein the improvement contribution to the selling price was minimal will be included. City to provide a list of issued demolition permits to substantiate these sales/conclusions.

Additionally, the following steps were taken to complete the scope of work:

Extent of Data Research

For this appraisal, data was gathered concerning land use ordinances for the hypothetical lots and sale comparables from the websites of the appropriate municipalities. Macro- and micro-economic information was gleaned from many sources, including: 12th District Beige Book; CoStar; GlobeSt.com; CoreLogic; Silicon Valley Business Journal; California Department of Finance; and discussions with agents active in the subject market.

I used a variety of subscription and web-based services to gather comparable data. The sources of information used may or may not have included: appraiser work files; real estate brokers and agents; property owners; CoStar; MLS; DataTree; The Registry; news articles; local government agencies; and other market participants. The City of Cupertino provided a list of issued demolition and new construction permits from the period 2019 through 2021.

Type and Extent of Analysis Applied

The data is summarized on spreadsheets displayed in the Valuation chapter(s) following. The sales comparison approach was the only applicable approach to value. The analysis was comparative, iterative, qualitative, and quantitative.

D. Real Property Rights Appraised

Fee simple property rights were appraised.

Fee Simple Estate is defined as "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." [1]

E. Date of Valuation/Report

At the client's request, the retrospective date of valuation is January 1, 2022.

The date of this Appraisal Report is August 24, 2022.

F. Definitions

The city codes states: *The Director of Public Works shall establish the fair market value of land within the City and update the value on an annual basis in the City's Fee Schedule. The fair market value shall be determined by reference to comparable land within the City. As used herein, the term "comparable" means land of similar size and development potential as the land which would otherwise be dedicated.*

Within this appraisal the terms "fair market value" and "market value" are used interchangeably and carry the same meaning. As used herein, **market value** is defined as "the most probable price, as of a specific date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. [2]

[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 7th ed. (Chicago: Appraisal Institute, 2022)

[2] *Ibid*

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

Median means the value separating the higher half from the lower half of a data sample. i.e., "the middle" value.

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

G. Value Conclusion(s)

Based on the research and analysis, and subject to the assumptions, hypothetical conditions, and limiting conditions contained herein, it is my opinion that the market value of the fee simple interest in a hypothetical **typical residential development site** in Cupertino, as of January 1, 2022, was:

TWO HUNDRED TWENTY-FIVE DOLLARS PER SQUARE FOOT

($225 per Square Foot)

Furthermore, based on the research and analysis, and subject to the assumptions, hypothetical conditions, and limiting conditions contained in this report, it is my opinion that the market value of the fee simple interest in a hypothetical **typical commercial development site** in Cupertino, as of January 1, 2022, was:

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TWO HUNDRED TEN DOLLARS PER SQUARE FOOT

($210 per Square Foot)

H. Hypothetical Conditions and Extraordinary Assumptions

Hypothetical Conditions

1. The market value conclusions are estimated based on a typical, but hypothetical site. It was a hypothetical condition of this appraisal that each typical subject site was a finished lot and rated average in all other physical, locational, and legal aspects.

2. Since the hypothetical residential site will be comprised of more than one value component, it was necessary to apply a hypothetical condition that each of the following uses would be allowed on the subject site: high-density residential, medium-density residential, low-density residential, and very-low density residential.

Extraordinary Assumptions

3. An estimate of the total parcels under residential use in the City of Cupertino was obtained from DataTree, which is owned by First American. I then used the County defined land use classifications within DataTree to qualify each residential record as either single family, condominium, townhouse, PUD, multifamily, or other multiple-unit. It was an extraordinary assumption of this appraisal that the number of parcels reported by DataTree for each residential use in the City of Cupertino was accurate.

The use of any hypothetical conditions or extraordinary assumptions in this appraisal report might have affected the assignment results.

I. General Assumptions and Limiting Conditions

1. It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.

2. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser is assumed by the appraiser.

3. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.

4. The appraiser is not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.

5. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with the proper written qualification and only in its entirety, and only for the contracted intended use as stated herein.

6. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, new sales, or other media without the written consent and approval of the appraiser, particularly as to the valuation conclusions, the identity of the appraisers, or any reference to the Appraisal Institute or the MAI designation.

II. AREA DESCRIPTION

A. County of Santa Clara

Santa Clara County is the most populous of the San Francisco Bay Area counties. The County had a population of 1,934,171 as of January 1, 2021, according to the California Department of Finance (DOF). This represents a *decrease* of about 0.6 percent from the January 1, 2020 reported population. Population growth in Santa Clara County is generally limited by the fully built out nature of the area. In its most recent publication, *Plan Bay Area Projections 2040*, the Association of Bay Area Governments (ABAG) in conjunction with the Metropolitan Transportation Commission forecasts the population in Santa Clara County to increase to 2,098,695 in the year-2075, and to 2,538,320 in the year-2040.

Up until the COVID-19 Pandemic, Santa Clara County had been experiencing exceptionally strong employment conditions, reflective of the robust local economy. However, the Pandemic caused unemployment in both Santa Clara County and the larger United States to surge. According to statistics published by the State of California Employment Development Department (EDD), the Santa Clara County unemployment rate was 3.2 percent as of November 2021. This is a significant decline from the 3.6 percent reported in October 2021 and the third consecutive month the unemployment rate has been below four percent since the onset of the pandemic. The most recent statistics are a considerable improvement from the 12.0 percent high-point recorded in April 2020 and 6.2 percent as of one year earlier (in November 2020).

Santa Clara County is well served by transportation routes, although many are heavily congested during commute hours. Highway 101 travels in a north/south direction through the middle of the County, continuing north to San Francisco and south to Los Angeles. Interstate 880 extends south from Oakland in the north, through Santa Clara County, where it becomes State Highway 17, extending into Santa Cruz County. Interstate 280 crosses through the middle of Santa Clara County in an east/west direction, before turning north towards San Francisco. Interstate 680 extends in a predominantly northerly direction across the eastern portion of the County, extending into Alameda County. State Highways 237, 85, and 87 provide further freeway transportation through the County.

Public transportation options in Santa Clara County include an extensive bus network, the Santa Clara County Light Rail system, and the Caltrain commuter rail service. The Light Rail system provides public transportation to areas of San Jose,

Santa Clara, Sunnyvale, Mountain View, Campbell, Los Gatos, and Palo Alto. An extension along Capitol Expressway will extend the system to Eastridge Mall. The Caltrain commuter rail service extends from Gilroy in the south, through San Jose, to San Francisco in the north, with multiple stops provided in both Santa Clara and San Mateo Counties. The metro area is served by Norman Y Mineta San Jose International Airport.

A planned extension of the Bay Area Rapid Transit (BART) regional rail system, which serves the greater San Francisco Bay Area, into downtown San Jose will further enhance public transit options. Following the completion of an extension of the BART system to the southern end of Alameda County, new BART stations in Milpitas and the Berryessa neighborhood of San Jose opened in summer 2020.

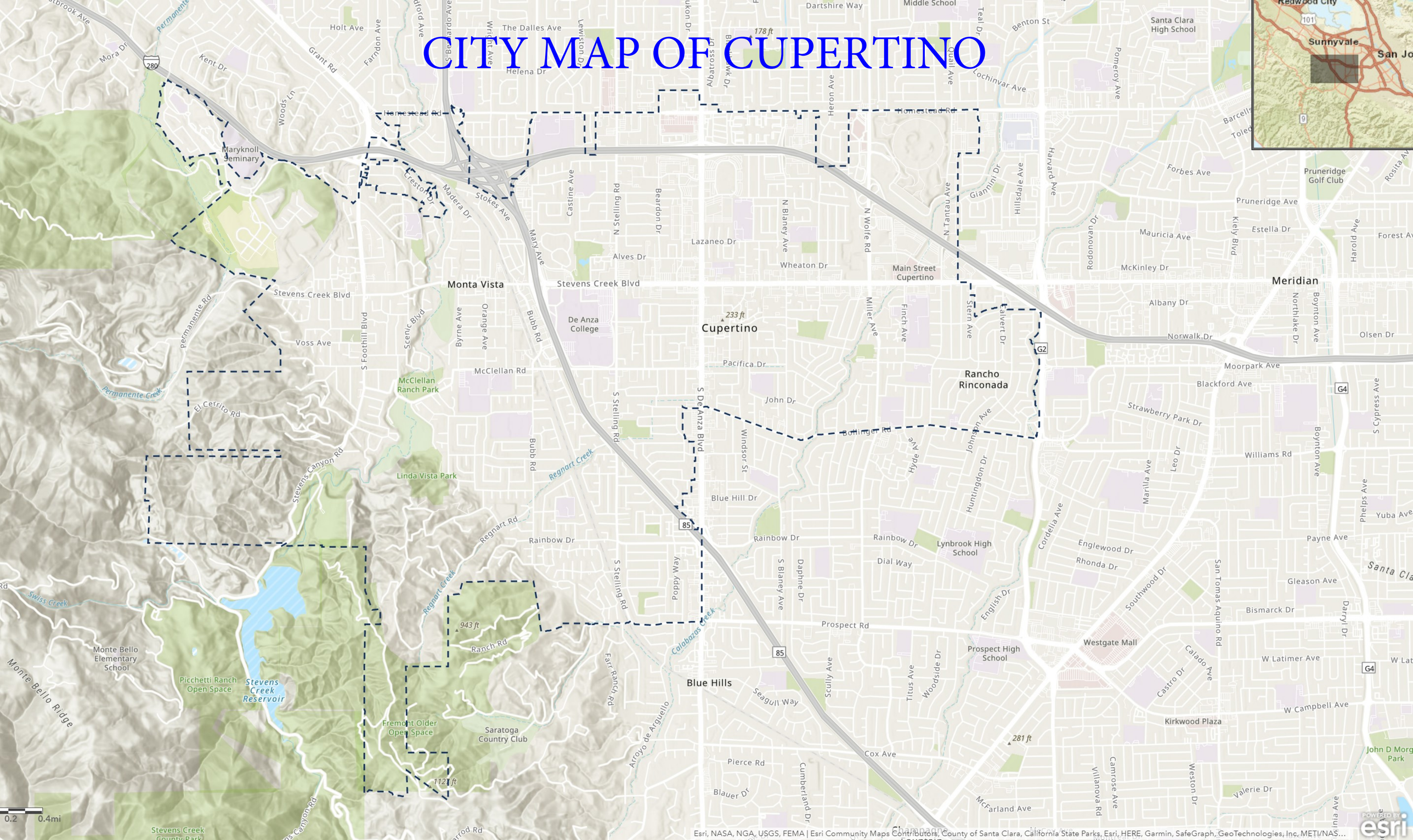
B. City of Cupertino

The City of Cupertino is situated in the northern portion of Santa Clara County. Cupertino is one of many cities that claim to be the "heart" of Silicon Valley, as many computer companies were founded here and in the surrounding areas. The world headquarters for Apple Inc. is located here, and Apple opened a new campus facility in 2017. The new campus houses up to 13,000 employees in one central four-storied circular building surrounded by extensive landscaping, with parking mainly underground and the balance centralized in a parking structure. Though Cupertino is home to the headquarters of many high-tech companies, very little manufacturing takes place in the city. The city's large office parks are primarily dedicated to management and design functions.

Similar to the County as a whole, the City's population and employment bases expanded dramatically during recent decades, with growth more recently slowing due to the lack of remaining land suitable for residential development. The DOF most recently estimated the City's population at 58,656 as of January 2021. The number of residents decreased 1.0 percent from one year prior. This low rate of growth is reflective of the fully built out nature of the community.

Like the County, pre-Pandemic, the City of Cupertino had exhibited strong employment conditions. Unemployment, as reported by the EDD, was at 2.4 percent in the City of Cupertino as of November 2021 and represents a return to the pre pandemic level. This is also a considerable improvement from the 7.1 percent high-point recorded for the city in April 2020. It continues to be noted that employment conditions in the City of Cupertino are superior to those for the County as a whole.

CITY MAP OF CUPERTINO



Cupertino is well served by transportation routes, although many are heavily congested during commute hours. Interstate 280 extends in an east/west direction along Cupertino's northern boundary, while Highway 85 extends in a generally northerly direction along Cupertino's western side. Major surface arterials include De Anza Boulevard, extending in a north/south direction, and Stevens Creek Boulevard, extending in an east/west direction.

According to the U.S. Census Bureau, from 2016-2020, Cupertino was comprised of 52.4% foreign born persons with 97.3% of all residents 25 and older being a high school graduate and 79.6% having attained a bachelor's degree or higher. The median household income in 2020 dollars was $182,857, among the highest in Santa Clara County. Cupertino is well-regarded for its schools, which drives residential property values to be well above the county median ($2,015,000 vs. $1,350,000 in December 2021 per CoreLogic for new and resale single family residences and condominiums).

Notable uses in Cupertino include, but are not limited to: De Anza Junior College; several parks and public facilities; Apple's Infinite Loop campus; Apple's 2.8 million square foot "spaceship" campus facility; and the former Vallco Fashion Mall that was recently demolished and planned for 2,400 residential units, 400,000 square feet of retail, and 1.8 million square feet of office space.

Additional new development occurring in Cupertino includes: demolition of the Oaks Center at 25661 Stevens Creek Blvd, which is planned for replacement with 259 new residential units, open space, and 20,000 square feet of commercial space. The Canyon Crossing project at 10625 South Foothill Blvd, in escrow as of the date of value, will replace a commercial building with a mixed-use development of 18 residential units and about 4,500 square feet of commercial space. The Marina Food project at 10145 N De Anza Blvd which will create 206 new residential units. The Hamptons Apartment Homes at 19500 Pruneridge Avenue is increasing its unit count from 342 units to 600 units. There is also a proposed project at 7357 Prospect Road that would replace an older retail center with 34 new residential units and about 8,000 square feet of commercial space. The Loc-n-Store site at 10655 Mary Avenue was working its way through the entitlement process on the date of value for the redevelopment of this self-storage property with a 167,000 square foot multistory facility.

III. MARKET ANALYSIS

Following a general discussion of the economy, some statistics and comments regarding the market conditions for each land use being appraised are presented. Land market conditions for each of these uses are not typically tracked by any firms that I am aware of; it has been my experience and historically as reported by market participants that the land market for these uses typically follow the improved property markets, oftentimes leading. I report on the sale, rental, and construction trends of the respective markets, in estimating the appropriate market conditions adjustments used in the following analysis.

A. General Economic Conditions

In its December 8, 2021 report, the UCLA Anderson Forecast commented "The recent arrival of the omicron variant of the coronavirus is not great news for the U.S. economy, not least because 70% of the economy relies on consumption. The December forecast assumes the likelihood of a winter surge in COVID-19 cases and predicts that consumers will temporarily cut back their spending on in-person services. But Anderson Forecast economists expect the impact on the economy to be relatively short term, writing that consumer spending may dip over the next quarter and then rebound quickly."

The National Forecast

"For the current quarter, UCLA Anderson Forecast senior economist Leo Feler, author of the national report, forecasts growth of 6.9%, which would be the highest growth rate for 2021, as the economy rebounds from the wave of cases caused by the delta variant. Feler notes that the omicron variant emerged too late to have much effect on the quarter's average growth rate.

For the first quarter of 2022, the UCLA Anderson Forecast has now adjusted its forecast to 2.6% growth from the 4.2% predicted in September, based on the assumption that omicron might be disruptive, while acknowledging that its effects cannot be predicted. But the forecast for the second quarter of 2022 calls for stronger growth than previously predicted, as the economists expect in-person service consumption to rebound. For the third and fourth quarters of 2022, growth is forecast at 4.6% and 2.4%, respectively.

Feler writes that much of the recent increase in inflation is related to higher oil prices, as demand has recovered more quickly than supply. He forecasts that supply

will start catching up, meaning that oil prices will come down and act as a deflationary force against inflation in other goods and services.

In addition, prices have recently stabilized or declined for some goods and services that experienced the largest increases in inflation — used cars, for example — as the supply constraints that led to rising goods prices have begun to ease. The catch-up for prices of in-person services appears to have run its course. This doesn't necessarily mean that prices will come down, Feler writes, but they will stop increasing at the rate they have over the past year.

Overall, the national forecast is for continued strong economic growth and labor market recovery, with a lessening of supply constraints and inflation. A more severe COVID-19 wave caused by the omicron variant could temporarily derail the forecast, but it's still too soon to tell.

The California Forecast

As the coronavirus continues to evolve and mutate, so does the pandemic's impact on the California economy. The winter surge, which was not accounted for in the September forecast, is now anticipated to have a dampening effect on the state's economy and recovery time. The December forecast, authored by UCLA Anderson Forecast director Jerry Nickelsburg and economist Leila Bengali, begins with the same assumptions about the pandemic reflected in the national forecast.

Under those assumptions, some labor market headwinds are expected through the end of 2021 and into 2022. An increase in COVID-19 cases will curtail economic activity in some sectors if consumers pull back from, or are slow to return to, in-person activities and travel.

Job growth will slow in sectors with high levels of personal contact and in sectors that cater to tourists, as comparatively few international tourists are expected to visit California over the next 12 months. But the pullback from in-person activities will also lead to a slower-than-expected decline in goods purchases. This will contribute to higher demand in the logistics industry, which should spell solid growth in that sector, especially as ports continue to work through backlogs.

In a slight change from the projections they issued in September, the economists now expect the economy to be somewhat weaker in late 2021 and early 2022, before picking up in mid-2022, although the potential effects of the omicron variant represent a downside risk to the forecast.

California's unemployment rate is expected to reach 7.0% in the fourth quarter of 2021, before falling to an annual average of 5.6% in 2022 and 4.4% in 2023. The economists expect non-farm payroll job growth for 2021, 2022 and 2023 to be 1.9%, 4.7% and 2.5%, respectively.

Inflation in the state is expected to be higher than in the past, but largely below inflation in the U.S., with rates of 4.0%, 4.1% and 2.9% year over year in 2021, 2022 and 2023. Inflation will reduce real personal income to some degree, although real personal income is expected to grow at a faster rate in California than in the U.S., increasing by 2.6% in 2021, declining by 2.2% in 2022 and growing by 2.9% in 2023. (The expected decline in 2022 is a result of government stimulus programs ending.)

California home prices continue to climb, and a lack of affordability has become increasingly important in both the policy sphere and for forecasting the Golden State's economic growth. Over the past two years, the state's median home price as reported by the California Association of Realtors has increased 33.6% to a record high of $800,000. According to the S&P Case Shiller Home Price Index, prices on same-home sales in San Diego increased by 34.9%, in Los Angeles by 26.1% and in San Francisco by 25.9% over the same period. Those prices will result in increased residential construction, with permits expected to reach 119,500 in 2021, and then increasing to 123,700 in 2022 and 139,700 in 2023.

Recent data indicate increased relative affordability compared to other cities. The data also point to other factors that can reverse that trend, such as the Bay Area's tech sector boom from 2012 to 2017. The implication for the forecast is that net out-migration ought to continue to slow and become less of a drag on aggregate economic growth. However, the data do not indicate when net out-migration will become zero or positive.

The Bay Area Forecast

The San Francisco Bay Area, a well-known technology hub, is a driver of economic growth in California. The region's real GDP made up about 30% of the total real GDP for California overall in 2019, and real GDP in the Bay Area grew an average of 3.9% per year from 2001 to 2019, compared to 2.8% per year for the entire state. Despite that strong growth and the technology sector's solid performance through the pandemic, in some respects economic recovery in the Bay Area appears to be progressing a bit slower than for the state overall.

Economist Leila Bengali, author of the Bay Area report and a co-author of the California forecast, expects that, following a 7.9% decline in 2020, labor market headwinds will curb job growth in 2021 and into 2022, leading to job growth slightly lower than for the state overall during those two years.

The Bay Area in 2020 and 2021 showed strong growth in real personal income for a combination of reasons, including asset price appreciation (the sale of those appreciated assets increases personal income, for example) and various government stimulus programs. Those factors contributed to strong growth in 2020 and 2021. In 2022, because of the expiration of many government stimulus programs and the risk of inflation, real personal income growth is expected to decline by 1.7%, with positive growth returning in 2023."

B. Regional Economic Conditions

CoStar Group, Inc. is a multinational provider of information, analytics, and marketing services to the commercial real estate industry. According to a fourth quarter 2021 CoStar Group report on economic conditions in the greater San Jose/Silicon Valley market:

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 have taken a cautious approach in reopening, and businesses suffered from the downturn in commerce. However, with Santa Clara County recently falling back into the state's lower-tiers for COVID-19 regulations, gyms, and personal service providers are allowed to reopen.

Employment in the San Jose metropolitan statistical area encompassing Santa Clara and San Benito Counties fell 13% immediately following the coronavirus outbreak. While stark, job losses were even more pronounced across the state of California and the nation overall initially. San Jose's job losses are also lighter than San Francisco's and the East Bay's, perhaps due to its concentration of employment stemming from mature profitable tech giants. Additionally, harder hit sectors like leisure & hospitality and retail make up only around 20% of San Jose's employment base.

While San Jose's employment losses were comparatively subdued, the local economy has struggled to regain jobs in the recovery. Employment in San Jose remains 3.4% lower, or 40,000 jobs below its pre-pandemic peak as of October's

jobs report from the Bureau of Labor Statistics. In general, the pace of job recovery across the entire Bay Area has lagged the national average.

Due to social distancing measures, the leisure and hospitality sector suffered most severely, and retail trade is also down significantly. Employment in typical office using sectors did not fall as sharply last year and has fully recovered, breaking into record territory over the summer. Professional and business services, which account for over a fifth of all jobs in the metro, has recovered and moved about 2% above pre-pandemic levels, while the tech-centered information sector now boasts employment around 5% higher than pre-pandemic levels. Financial activities employment has nearly recovered as well, sitting just 3% below pre-pandemic.

The unemployment rate in San Jose ticked down to 3.8% in October. Unemployment registers significantly below California's statewide average of 6.1% and slightly below the national unemployment rate of 4.3%. Moving forward, Oxford Economics 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. Software investment grew substantially in the expansion period, while internet advertising revenue has already reattained new record levels following a temporary slump. E-commerce was growing around 17% annually and has seen a recent spike due to social distancing measures.

San Jose and, more broadly, the Bay Area, has firmly established itself as the nation's largest and most prestigious market for tech companies. Highly educated, STEM-field graduates (science, technology, engineering, and mathematics) flock to San Jose and the greater San Francisco Bay Area in pursuit of employment at one of the many leading tech companies headquartered in Silicon Valley. As a result, the market boasts one of the highest rates of educational attainment in the country, with over 50% of its working-age population possessing a college degree, more than 1.5 times the national rate.

Several factors led to San Jose's prominence in technology. The market is home to one of the nation's premier educational institutions, Stanford University, as well as San Jose State and several other large universities. In conjunction with the culture of innovation that Stanford and Silicon Valley foster, venture capital investment is a key component of the market's success. Technological advancements incubated locally are funded by the nation's largest collection of venture capital firms, many

of which are located along Sand Hill Road in Menlo Park, next to the university. The relationship between tech and venture capitalists in San Jose is symbiotic, with between 40% and 50% of total U.S. venture capital funding typically going to Bay Area-based companies. Venture capital funding to San Jose-based businesses reached a record level in 2020 despite the pandemic, and the stock market is still ripe for public offerings.

Thanks to its highly skilled workforce, history of innovation, institutes of higher education, and access to venture capital, San Jose has become a global leader in technology. The metro plays host to one of the highest concentrations of Fortune 500 companies in the country, with notable names like traditional business software and hardware manufacturers like Cisco and Intel, along with dominant electronic and mobile software developers Apple and Google. Mature, profitable tech companies and emerging startups alike were flush with cash in the 2010s expansion, prompting massive real estate expansions and job gains.

In general, mega tech firms slowed their pace of growth during the pandemic, and some consumer-reliant startups have failed. Also, as highly educated and well-paid employees moved into the market over the past decade, many cost-sensitive renters moved out. Domestic migration has turned heavily negative and population growth overall has slowed. Foreign immigration, particularly from India and China has slowed slightly over the past few years.

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 high costs of living. Provided the opportunity to work remotely during the pandemic, many tech workers moved to cheaper destinations, at least temporarily. Home purchase affordability has 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 to lease. 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.

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

industry of today is more mature and profitable than ever before, but the market could potentially experience a steep pullback if mobile work is adopted at scale permanently. San Jose's dependence on large, mature tech firms appears to have sheltered it from the comparatively worse economic downturns seen in other U.S. metros at the onset of the pandemic, but it may also be hindering recovery as the pandemic subsides.

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 Silicon Valley and San Jose. Demand for commercial real estate and housing should remain strong in conjunction with San Jose's robust economic base.

C. Commercial Market Conditions

Commercial properties typically include office and retail uses. However, at the instruction of the Client, the commercial hypothetical lot being appraised is presumed to also allow for industrial and mixed-uses combining residential and commercial use.

Office Market

The commercial brokerage firm Cushman & Wakefield reported on office market conditions in the subject area in their Silicon Valley Office Market Snapshot report for the Third Quarter of 2021. They note that unemployment continued to improve in the quarter and should improve further as businesses fully reopen. *New product under construction across the region currently stands at approximately 3.3 million square feet (msf). This is comprised of 1.7 msf of speculative (spec) product and 1.6 msf of build-to-suits. It's important to note that only 92,000 sf of the spec space is preleased which leaves 1.6 msf that will enter the vacancy if not leased prior to completion.*

Silicon Valley's office vacancy rate increased in the third quarter of 2021 to 15.3 percent, up from 13.4 percent in the second quarter 2021 and from 10.1 percent from one year ago. The latest figure translates to 13.6 million square feet of availabilities, an increase from the 8.76 million square feet in third quarter 2020. *Subleases increased slightly, finishing the third quarter at 25.1% of all vacant space, up from 24.3% in the second quarter.*

The Cushman & Wakefield report projects: 1) *Office vacancy is forecast to increase further in the short-term as completed spec projects and additional sublease space are added to the market.* 2) *Rents will hold flat and deal velocity will remain below average until early next year when most tech companies plan a more robust return to the office.*

As of the third quarter 2021, the office vacancy in Silicon Valley was reported at 15.3 percent, according to Cushman & Wakefield statistics. Although this represents an increase of 420 basis points from the 10.1 percent vacancy rate recorded one year prior, over the same time nearly 2.5 million square feet of new office inventory was added to the region with an additional 3.3 million square feet of office under construction in the third quarter of 2021. In the subject's Cupertino submarket, the third quarter 2021 vacancy was reported at 9.6 percent, higher than the 7.5 percent vacancy rate recorded one year prior.

Net absorption is the difference between space leased at the end of a period and the start of that period. Net absorption of office space in Silicon Valley totaled 1,836,663 square feet in 2018, 2,528,825 square feet in 2019, and negative 114,702 square feet in 2020 according to statistics compiled by Cushman & Wakefield. Through the first three quarters of 2021 net absorption of negative 2,013,068 square feet was reported with negative 949,395 square feet occurring in the third quarter alone. As the net absorption remains negative, these figures are indicative of continuing challenges in this segment of the market.

Net absorption in the subject's Cupertino submarket through the first three quarters of 2021 was negative 66,732 square feet. For all of 2020 net absorption was negative 218,985 square feet, which was a reversal from 2019's positive net absorption of 1,883 square feet.

According to statistics compiled by Cushman & Wakefield, construction across the region is currently estimated at 3.27 million square feet, all of it Class A and almost half of which is in the Downtown San Jose submarket. In the subject's submarket, there was no new office space under construction as of third quarter 2021. The year 2019 was the last reported year to have new office construction in this submarket, when 32,307 square feet was delivered.

As of the third quarter 2021, Cushman & Wakefield reports an average asking rental rate for office space in Silicon Valley of $5.38 per square foot per month full service. One year prior, the average asking rental rate was roughly 6.5 percent lower, reported at $5.05 per square foot per month full service. Silicon Valley's

northern submarkets (i.e. Palo Alto, Menlo Park, Mountain View, and Sunnyvale) typically command significantly higher rental rates as compared with the southern markets and were generally responsible for the increase, according to the report. The average asking price in Silicon Valley for Class B space was reported at $5.17 per square foot per month full service in third quarter 2021, up from $4.85 per square foot per month one year ago.

As of third quarter 2021, the average asking rental rate for all classes of office space in the subject's Cupertino submarket was reported at $5.92 per square foot per month full service, about one percent lower than the $5.99 per square foot per month rate reported one year earlier.

It remains 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 hybrid model requiring workers in the office two or three days a week may become the norm. 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.

Retail Market

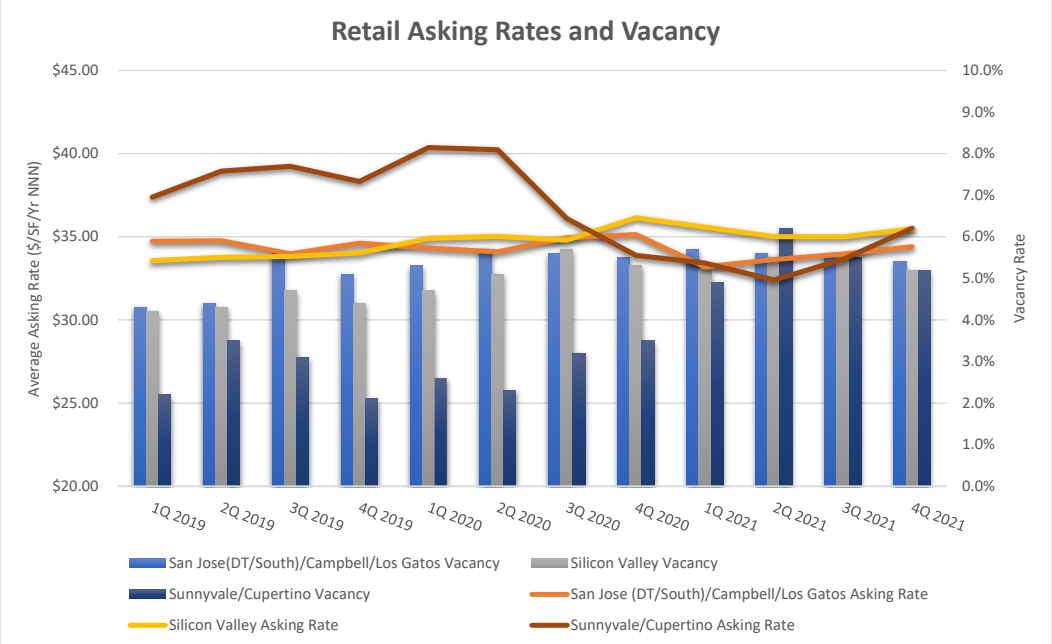
According to Marcus & Millichap's Second Quarter 2021 San Jose Metro Area Market Report, *although retail fundamentals in the South Bay have not eroded significantly, some further weakness is expected in vacancy through the end of this year. Retailers near major tech campuses are particularly susceptible over the next few months. While many of the area's largest companies have announced plans to return workers to offices, those actions will not occur until the second half of the year. Some of these decisions were made when the pace of vaccine development and distribution was unclear. As a result, scattered workers will likely need to await apartment leases to expire prior to coming back to the market. As high-paying tech positions are re-added to the metro, retail sales will recover and encourage new retailers to occupy space left vacant by the health crisis.* The report goes on to state *Development has been relatively light in San Jose over the past five years, averaging approximately 450,000 square feet annually. Only 150,000 square feet of space is underway across the metro in mostly build-to-suit projects. As a result,*

pre-leasing is nearly 90 percent, limiting supply-side pressure. However, most of the new retail being proposed in this market is part of larger mixed-use projects. Asking rents declined by 0.8 percent over the last 12 months while vacancy remained tight at 4.5 percent. By the end of 2021, vacancy is expected to increase 60 basis points while asking rents will increase 2.8 percent.

Average Asking Retail Rental Rates and Vacancy Rates

Cushman & Wakefield publishes quarterly reports for the retail market in the San Jose metro area. They reported in their Q4-2021 *Marketbeat Silicon Valley Retail* that no new retail space was added to the metro in Q4-2021, and that the vacancy rate decreased from 5.3% in 4Q-2020 to 5.2% in 4Q-2021. Total net absorption for 4Q-2021 was 101,944 SF with year-to-date net absorption ate 162,062 square feet.

The chart below displays the average asking rental rate and vacancy for the subject's Sunnyvale/Cupertino submarket, the comparable San Jose(Downtown & South)/Campbell/Los Gatos submarket, and the larger Silicon Valley market taken from Cushman Wakefield and its predecessor retail reports from 1Q-2019 onwards:

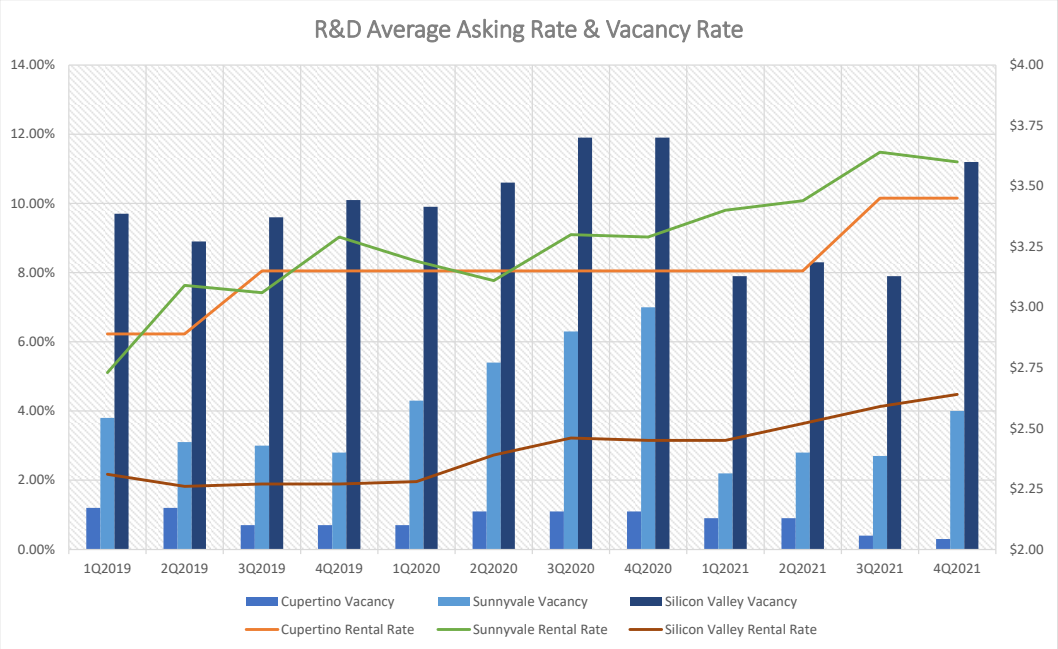


As indicated in the table above, the Silicon Valley retail market had stable average asking rents since the start of 2020. The average asking rent was $2.96/SF/Mo NNN in 4Q-2021, an increase of three cents per square foot per month from the previous quarter, but a decrease of five cents per square foot per month from one year ago.

In 4Q-2021 asking rents averaged $2.96/SF/Mo NNN in the subject's Sunnyvale/Cupertino submarket, an increase of 4.9% from 4Q-2020. In 4Q-2021 the retail vacancy rate in the Sunnyvale/Cupertino submarket was reported at 5.2% with no new retail under construction and year to date overall net absorption standing at negative 77,028 SF, which mostly accounts for the closing of the Oaks Center.

Research and Development (R&D) Market

The next chart displays data from Colliers International's 4Q-2021 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-2019 to 2Q-2020 before increasing to 11.9% in 3Q-2020 but then declining again in 2021. Meanwhile, asking rents have increased from $2.27/SF/month in 4Q-2019 to $2.64/SF/month in 4Q-2021, an increase of about 0.68%/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.

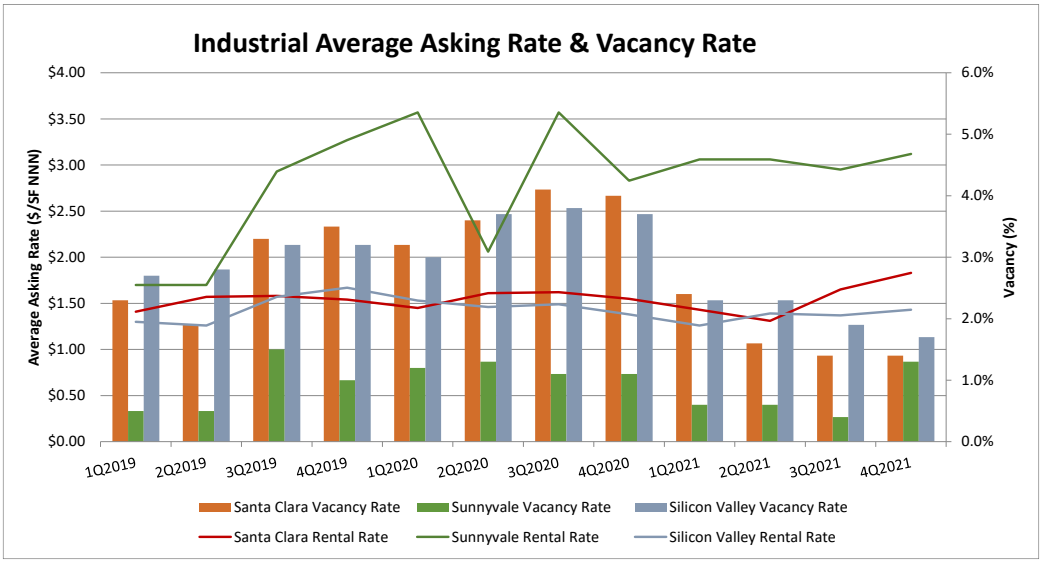
Since the start of 2019 the average R&D asking rate in the City of Cupertino increased from $2.89/SF/month NNN to $3.45/SF/Mo ending the 4Q-2021 or an increase of about 0.59%/month. Investor demand for R&D and office product remains above average, especially for well-located, modern buildings with long-term tenants in place. The vacancy rate trend in Cupertino remains stable and registered just 0.3 percent in fourth quarter 2021.

Colliers International reported in their *2021 Q4 Silicon Valley Research and Forecast Report* a net absorption of negative 239,121 SF of R&D space in 4Q-2021 within Silicon Valley and a year-to-date total of negative 1,080,970 SF. The report notes that just 7,002 SF of R&D product is under construction throughout all of Silicon Valley and that no new deliveries occurred over the past four quarters.

Industrial Market

I referenced industrial (manufacturing) market data from brokerages Cushman & Wakefield and Colliers International. The Cupertino industrial market is too small to be tracked by brokerage firms; thus, only an overview of the Silicon Valley market is discussed below. Additionally, there is minimal warehouse space in Cupertino so this segment of the market is not discussed.

The next chart shows industrial rental rate and vacancy trends since 1Q-2019 based on data from Colliers International. The chart includes data from Silicon Valley as well as Sunnyvale and Santa Clara, which are the two largest Cupertino-adjacent industrial submarkets.



Source: Colliers International

As shown in the table, industrial (manufacturing) rental rates have generally been stable but showed an increasing trend over the last two quarters of 2021. Since the start of 2019, the asking rental rate rose in Silicon Valley from $1.30/SF/month NNN to $1.43/SF/month in 4Q-2021, or an average increase of about 0.3%/month.

Cushman & Wakefield reported in its *Marketbeat Silicon Valley Industrial Q4-2021*, that vacancy rate for all industrial product (manufacturing and warehouse) in Silicon Valley decreased in 4Q-2021 to 3.3% from 5.3% in 4Q-2020. The vacancy rate for just manufacturing space decreased from 4.8% to 2.8% over the 12 months ending Q4-2021. The Central Silicon Valley industrial submarket, which includes Santa Clara, San Jose, Campbell, and Sunnyvale, and would be most comparable to the subject, had an overall vacancy rate of 3.0% and an average asking rate of $1.29/SF/Month NNN at the end of 4Q-2021. Year-over-year, the average asking rent increased 7.5% in Central Silicon Valley and 16.4 percent in Silicon Valley.

D. Residential Market Conditions

Based on statistics provided by the U.S. Census, the total number of residential building permits issued in the subject's San Jose-Sunnyvale-Santa Clara metropolitan area for 2020 amounted to 5,948 (including both single-family and multi-family units). This represents a one-year decrease of approximately 4.5 percent in the number of permits issued in the metropolitan area following 2019 (6,230 permits). Through November 2021, 4,033 permits had been issued, making 2021 on pace for about 4,400 total building permits. For comparison, the increase in the number of building permits issued in California between 2019 and 2020 decreased 3.6 percent. This lack of new supply locally continues to exacerbate the housing imbalance.

Because of the relatively limited amount of remaining developable residential land in Santa Clara County, especially in the northern portion of the county, growth of the housing supply is generally limited. 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 680,298 units as of January 1, 2020. This represents an increase of 18,423 units over the 661,875 total units recorded in January 2017. The total number of housing units as of January 1, 2011 was estimated at 633,143. Based on these figures, between 2011 and 2020, the housing supply in Santa Clara County increased by 47,155 units, or an average of 4,716 units per year. In comparison, the Association of Bay Area Governments (ABAG) estimated total household growth (an indicator of housing demand) in Santa Clara County of 39,140 between 2015

and 2020, or 7,828 households per year. This indicates that the housing supply has not kept pace with household growth (an indicator of housing demand) as there has been an average annual shortfall of approximately 3,100 housing units.

The *Housing Market Index*, based on a survey by the National Association of Home Builders, reported a builder sentiment of 84 in December 2021, its highest level in 10 months. 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. It recently peaked with a November 2020 index of 90, its highest level in 35 years of tracking.

The California Association of Realtors (C.A.R.) published their December Home Sales and Price Report in mid-January 2022. The report notes "California home sales and prices moderated in December as mortgage rates edged higher, but home sales for the entire year recorded the strongest pace since 2009, exceeding 2020's level by 7.9 percent. Closed escrow sales of existing, single-family detached homes in California totaled a seasonally adjusted annualized rate of 429,860 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 2021 if sales maintained the December pace throughout the year. It is adjusted to account for seasonal factors that typically influence home sales.

December's sales pace was down 5.4 percent on a monthly basis from 454,450 in November and was down 15.7 percent from a year ago, when 509,750 homes were sold on an annualized basis. Despite the sixth straight year-over-year sales decrease, for the year as a whole, annual home sales rose to a preliminary 444,520 closed escrow sales in California, up 7.9 percent from 2020's pace of 411,870.

"Despite signs of moderating in the second half of the year, California's housing market continued to outperform last year's level and remained competitive even as home prices rose at a double-digit pace — a testament to the imbalance of high demand and not enough homes on the market for sale," said 2022 C.A.R. President Otto Catrina, a Bay Area real estate broker and REALTOR®. "For the year as a whole, the market turned in its best performance in more than a decade, as buyers took advantage of historically low interest rates and continued to value the benefits of homeownership amid another year of the pandemic."

California home prices remained below the $800,000 benchmark for the third straight month as the seasonal slowdown continued. Despite a deceleration in

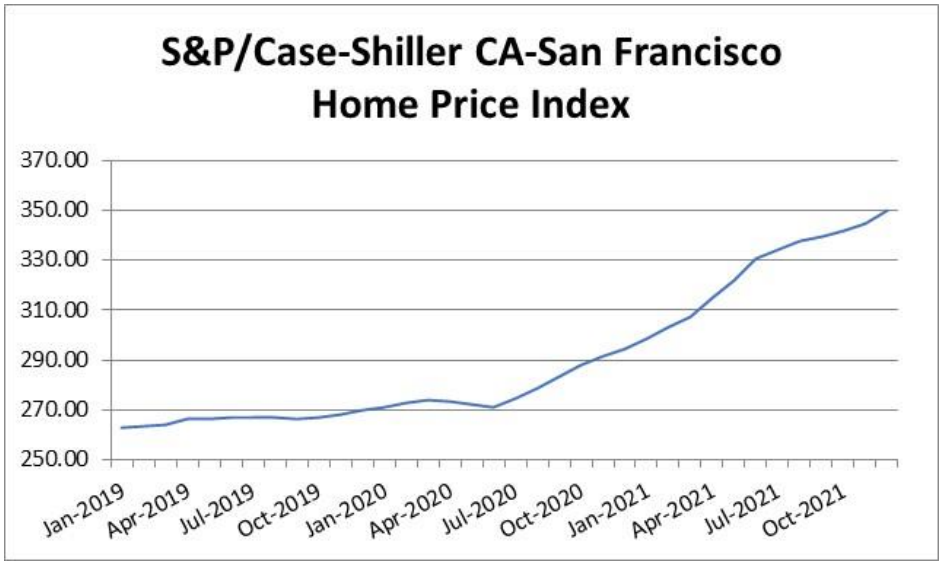
growth at the end of the year, the statewide median price rose to $796,570 in December, up 1.8 percent from November's $782,480 and up 11.0 percent from the $717,930 recorded in December 2020. The double-digit annual price gain was the 17th consecutive month with more than a 10 percent increase since the summer of 2020. The annual increase was also the smallest since July 2020 as the share of high-end homes continued to moderate since July 2021. For the year as a whole, California set a new annual record median price of $786,750, improving 19.3 percent from the prior year.

"The state's housing market is expected to perform solidly this year as the economy recovers further and consumers' desire to buy remains elevated," said C.A.R. Vice President and Chief Economist Jordan Levine. "However, with COVID cases surging and inventory constraints remaining an issue, the housing market will see headwinds of ongoing high inflation, which will put pressure on the Fed to raise rates sooner than previously expected. These factors will increase the cost of borrowing and put more affordability burden on potential homebuyers who want to purchase in 2022."

Within the San Francisco Bay Area region, the median price increase 13.4% over the past 12 months ended December 2021, while sales decreased 23.1%. The County of Santa Clara experienced a median price increase of 26.5% year-over-year, with sales decreasing 17.2% 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 29.6 percent from 269.91 in December 2019 to 349.84 in December 2021, or about 1.23%/month. Over the twelve months between December 2020 and December 2021 the increase was about 1.57% per month, supporting builder's confidence as evident in the Housing Market Index.



Source: S&P Dow Jones Indices LLC

According to the Association of Bay Area Governments (ABAG) [3] 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.

According to the DOF, as of January 2021, there were 21,716 housing units in Cupertino; 57 percent of these were single-family detached, about 12.2 percent single-family attached, and the remaining multifamily. Cupertino's General Plan estimates that 1,882 new residential units could be accommodated between 2014 and 2040 based on the current land use designations.

According to ABAG's Projections 2040 report, in 2020, the City of Cupertino had an estimated 22,525 housing units. This total is projected to increase to 22,805 housing units by 2030, a compounded annual rate of 0.12%, or an average increase of 28 housing units per year.

Local Multifamily Market

Marcus & Millichap's *Market Report San Jose Metro Area* for 3Q-2021 states the following regarding the local apartment market:

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

- Led by additions in Central San Jose, apartment stock expands 3.0 percent this year as construction stays robust. In 2020, the delivery of nearly 4,200 units resulted in a 2.2 percent rise in South Bay inventory.

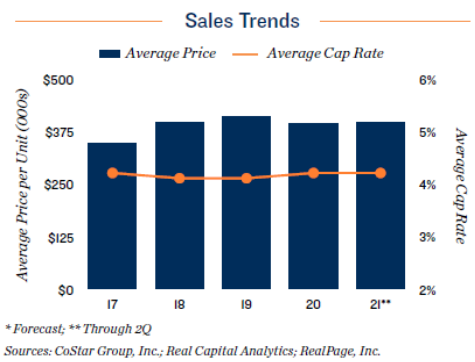
- By year-end, the average vacancy rate will dip to 4.8 percent as conditions continue to improve. Vacancy is lower in submarkets farther away from Big Tech firms, a trend that should reverse in the coming quarters.

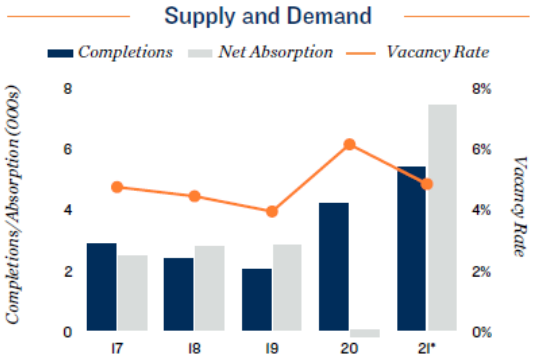
- The average effective rent is anticipated to finish the year at $2,572 per month, still 12.7 percent below the rate preceding the health crisis. Rents should record broader gains next year as the market inches closer to economic stabilization.

- Investors expressed much greater confidence in the South Bay relative to San Francisco over the past year largely because of the more wide-open nature of the market. Deal flow declined approximately 10% during the recent 12-month period ending in June, relative to a 50% decline in neighboring San Francisco.

- Buyers paid an average price of $394,300 per unit during the yearlong period ending in June, approximately two percent lower than the prior four-quarter average. A portion of the decline in the average price is due to the decrease in Class A and B transactions. The number of Class C properties that changed hands remained constant year over year.

The following charts from Marcus & Millichap's report show apartment pricing per unit has been stable of late while the average capitalization rate has remained in the low-four percent range since 2016. Meanwhile, following a vacancy spike in 2020 and a net absorption near zero, in 2021 the vacancy has decreased and net absorption is running above average. Developers continue to add more units at an increasing pace to support demand.





As the pandemic fades and more employees return to offices, the apartment market is expected to further improve; average asking rents have already begun to recover and selling prices per unit have remained stable.

According to commercial brokerage firm Integra Realty Resources published report on apartment market statistics, *2022 San Jose, CA Multifamily Annual Report*, "The Silicon Valley apartment market is in a recovery stage after the significant decline in demand and rents brought about by the pandemic in 2020. The market saw a significant exodus as employees, who had previously paid high premiums for housing located near transit centers or employment hubs, relocated to more affordable markets in the wake of working from home flexibility. In recent years, new apartment supply has grown tremendously, and demand kept pace with deliveries as steady job growth brought new residents to the metro. Over the past decade, apartment inventory has grown over 25%. There are over 5,000 units under construction. However, the economic downturn, job losses and remote working policies prompted longer-lease up periods and an increase in vacancies, while also putting downward pressure on asking rents and forcing landlords to offer greater concessions. The economy began to see improvement in 2021, as jobs returned, businesses re-opened and some employees returned to work. The full reopening that was expected with the termination of COVID-19 restrictions in mid-June 2021 was delayed by the subsequent spread of the Delta variant and additional restrictions issued in response. However, the need to once again be near employment campuses, coupled with delivery of new luxury projects with lower rents prompted renters to return to the San Jose metro. After several quarters of negative net absorption, the market recorded positive net absorption in 2021, slightly increasing rental rates in the most desirable projects and a decrease in overall vacancy. Although the market is poised for continuing recovery, the pace of recovery will largely be dependent on when and to what extent employers will require a return to the office. Some level of hybrid work solutions is expected for the major tech companies and thus, lease-up for the new supply in the pipeline will be protracted, keeping market conditions subdued compared to recent years."

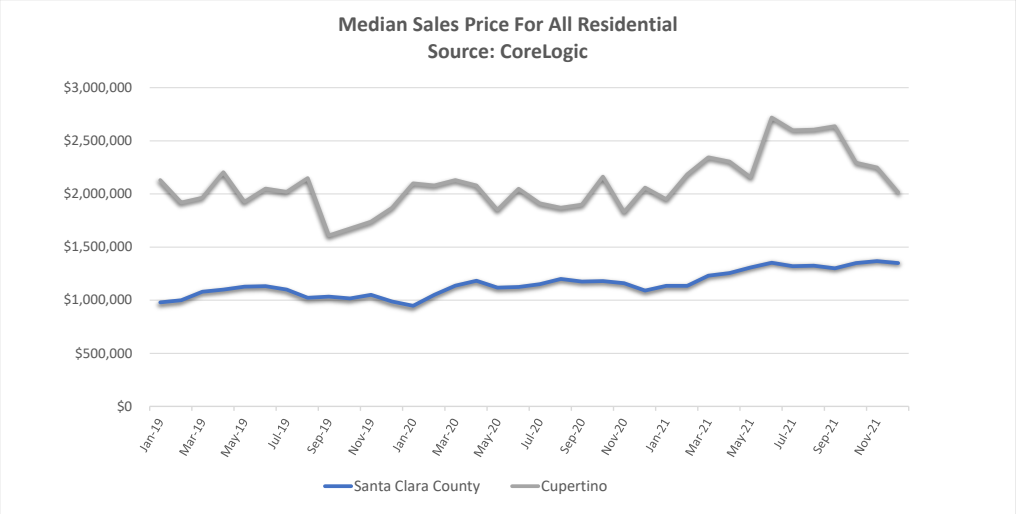
IRR reports that apartment vacancy at the end of the fourth quarter 2021 in San Jose was 3.2 percent for Class B apartments. This is down slightly from the 3.3 percent vacancy rate from fourth quarter 2020 and down from the 3.7 percent vacancy rate reported in fourth quarter 2019. Average asking rents are reported by IRR at $2,205 per month for Class B apartments in San Jose, which is similar to the $2,212 per month rent from 12 months earlier. IRR reports that going-in capitalization rates

for Class B apartments in San Jose average 4.5 percent in fourth quarter 2021, unchanged from the previous 12 months.

IRR forecasts that over the next twelve months there will be no changes to going-in capitalization rates, market rents, or values regardless of apartment class. They do forecast that expenses will increase about two percent and that over the next 36 months market rents will increase about 13.5 percent while values will increase between 2 percent and 2.9 percent.

Local Single-Family Market

CoreLogic is a national real estate, mortgage, consumer, and specialized business data provider. They tracked the monthly median home price for all homes (single-family, condo, and townhouse), including new construction, in the Cupertino and Santa Clara County through 2021:

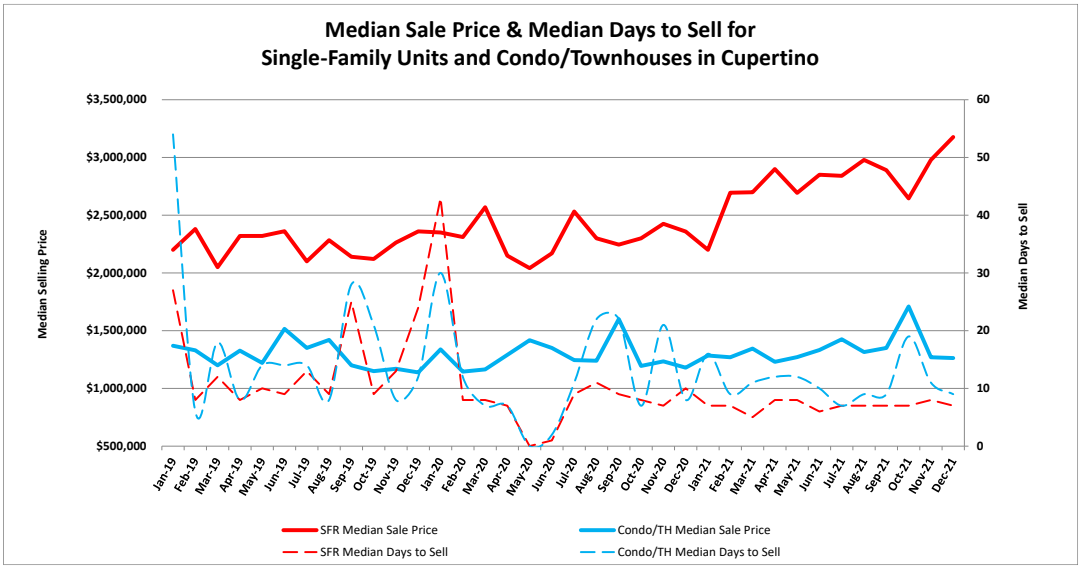


The data above indicates an overall upward trend in 2020 and the first part of 2021, while the second half of 2021 was flatter in the County and decreased significantly in Cupertino. The following monthly trends are indicated by the CoreLogic data:

Area	Q1-2019	Q4-2020	Q4-2021	% Change per Month Last 12 Months	% Change per Month Last 3 Years
Cupertino	$2,005,000	$2,017,750	$2,190,000	0.71%	0.28%
Santa Clara County	$1,020,000	$1,140,000	$1,356,000	1.58%	1.00%
Source: CoreLogic					

As indicated above, the long-term trend has been increasing median selling prices for all residential.

The following table depicts the median price trend over the 36 months ending December 2021 for single family homes and common interest developments (townhouse/condos) in the City of Cupertino using closed sale data obtained by MLSlistings.com:

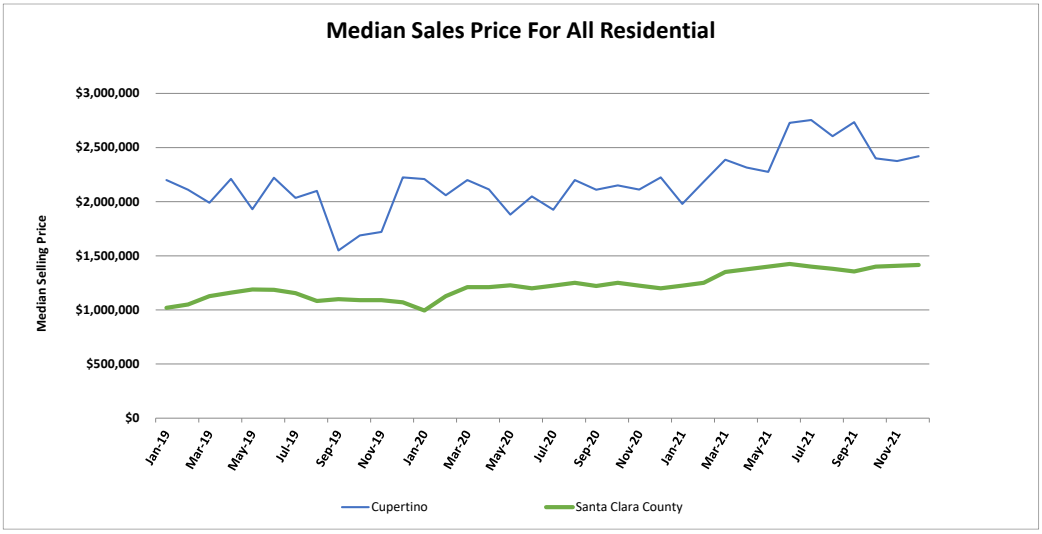


As shown above, market data derived from the local MLS shows that prices for both housing types were generally level in 2019, but starting in 2020 the median price for single-family units increased rapidly while the median price for condominiums/townhouses remained mostly level through December 2021.

I 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 days to sell statistic shown above indicates that after increasing over the fourth quarter of 2019, the median days to sell declined during the early stages of the pandemic. This statistic normalized over the 18 months preceding the date of value at less than 10 days for single-family units while the change for condo/townhouses oscillated for a few additional months before flattening. The following rates of change in median selling price was measured for each housing type since the start of 2019 using MLS statistics:

Housing Type	Area	December-2019	December-2020	December-2021	% Change per Month Last 12 Months	% Change per Month Last 2 Years
SFR	Cupertino	$2,360,000	$2,359,000	$3,176,000	2.89%	1.44%
	Santa Clara County	$1,210,241	$1,355,000	$1,676,900	1.98%	1.61%
Condo & TH	Cupertino	$1,138,000	$1,180,000	$1,262,500	0.58%	0.46%
	Santa Clara County	$760,000	$828,500	$920,000	0.92%	0.88%

The next table shows the monthly median change in selling prices for all houses in Cupertino and the larger Santa Clara County market since the start of 2019 using MLS statistics:



As the table above indicates, median selling prices were generally stable throughout 2019, but then increased sharply in the early part of 2020 through the fourth quarter of 2021, corroborating the CoreLogic data.

E. Conclusions

The economy fell into a recession at the onset of the pandemic, and the uncertainty in the market caused nearly all facets of real estate to be reevaluated. However, beginning in the third quarter of 2020, 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 was distributed in the community beginning in late 2020 and more businesses opened, employment numbers improved and demand for most real estate returned to pre-pandemic levels.

Commercial (retail and office) properties exhibited mixed indications because of the pandemic in 2020. 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 2021, 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, four or more story buildings. Based on discussions with market participants, general market conditions and the sales data I analyzed, I applied a market conditions rate of change to the commercial land sales used following of negative 0.50% per month from the start of April 2020 through 4Q-2020. Prices were generally stable during 2021 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 or warehouses. Based on increasing rents and prices, I concluded that competing industrial land prices were increasing at the rate of about 0.75% per month from the date of sale of each sale through January 1, 2022, the date of value.

Cupertino (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 increased in 2021. In 2020, the residential market showed different trends depending on property type. The market generally saw greater demand for detached residential during 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. Market data and market participants report that residential prices increased in 2021. Based on the market reports cited above, sales data analyzed, and market participant interviews, for the residential land sales used in the following analysis I applied a positive adjustment for all sales that occurred up through third quarter 2021 and no adjustment for any sale that occurred in fourth quarter 2021.

IV. PROPERTY IDENTIFICATION AND DESCRIPTION

A. Hypothetical Parcel Site Description

It was a general assumption of this appraisal that each of the subject's hypothetical finished lots were graded and level, all utilities and services were stubbed to the sites, they were vacant and ready for building improvement, each had typical neighborhood views, and each was further defined as follows:

Area	**:**	Typical
Shape & Frontage	**:**	Rectangular with typical frontage along one street
Topography	**:**	Level, at street grade
Drainage	**:**	Adequate
Utilities & Services	**:**	All normal utilities are piped and wired onto the hypothetical lot
Easements	**:**	Typical public utility easements along frontage(s)
Soil Conditions	**:**	It was a general assumption of this appraisal that each hypothetical site is suitable for any legally permissible and physically possible use(s).
Off-Site Improvements	**:**	Street is fully improved and maintained by the City; it is asphalt paved with streetlights, curbs, gutters, and sidewalks.
Flood Hazard Status	**:**	Each hypothetical lot is presumed to be within Zone X, which denotes areas of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.
Earthquake Fault Zone	**:**	Although seismic activity is typical of the region, each hypothetical lot is not located in an Earthquake

Fault Zone as designated under the Alquist-Priolo Earthquake Fault Zoning Act.

B. Assessed Value and Real Estate Taxes

The parcel is hypothetical and is not assessed for ad valorem tax purposes. In this appraisal, real estate taxes were not an issue that affected the value opinion(s).

C. General Plan, Zoning, and other Land Use Ordinances

Since I am analyzing hypothetical sites, I 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, the sale of land typically transacts based on its intended use, which is supported by the General Plan in almost all cases. I supposed the following General Plan designations for each hypothetical use:

Use of Hypothetical Site	General Plan Land Use Designation
Residential	Very Low Density, Low Density, Low Density Rancho Rinconada, Residential, Low/Medium Density, Medium, Medium/High Density, High Density
Commercial	Regional Shopping, Regional Shopping/Res., Commercial/Office/Res., Commercial/Res., Office/Industrial/Comm/Res., Industrial/Res., Industrial/Res./Comm., Neighborhood Comm./Res.
General	All of the Above

V. HIGHEST AND BEST USE AND VALUATION METHODOLOGY

A. Highest and Best Use of the Hypothetical Sites

Highest and best use is defined as "the reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."[4]

Implied in the definition of highest and best use is that the determination of highest and best use takes into account the contribution of a specific use to the community, and community development goals, as well as the benefits of that use to individual property owners.

The legally permissible, physically possible, financially feasible, and maximally productive uses of each hypothetical site were considered. I also considered prevailing market conditions and recent development trends. As indicated in the market conditions section, most real estate types were generally experiencing increasing or stable prices and stabilizing vacancy rates in 2021. These were 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. Furthermore, new industrial uses seem unlikely given the high cost of land in this market. 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. I concluded to the following components of property uses for the highest and best use of the hypothetical lot based on the overall market:

Use of Hypothetical Site	Highest & Best Use
Residential	Residential
Commercial	Hold for Development of a Commercial Building
General	Any of the Above

[4] **Source:** Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed., (Chicago: Appraisal Institute, 2022)

B. Valuation Methodology

The three approaches to value form the foundation of current appraisal theory: the Income Capitalization Approach, the Sales Comparison Approach, and the Cost Approach. It is not always possible, practicable, or necessary to use all these approaches to value. The nature of the property, and the amount, quality and type of data available dictate the use of each of the three approaches. The income capitalization approach to value utilizes the capitalization of income generated by the property; the cost approach to value adds the depreciated value of improvements and entrepreneurial incentive to the estimated land value; and the sales comparison approach analyzes sales of properties comparable to the subject, in this case three hypothetical sites.

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 development sites. Therefore, I did not undertake a cost or income capitalization approach.

Following I estimated the value of a hypothetical development site under each use scenario described above.

VI. MARKET VALUE OF A TYPICAL RESIDENTIAL DEVELOPMENT SITE

Market value is estimated using the Sales Comparison Approach. The value of the land is estimated by comparing the hypothetical site with sales of properties considered similar and adjusting for various comparative differences. This approach is based on the principle of substitution, i.e., the value of a property is governed by the prices generally obtained for similar properties. In analyzing the market data, it is beneficial that the sales prices be reduced to common denominators to relate the degree of comparability to the property being appraised.

The hypothetical residential development site is presumed to be in a typical neighborhood of Cupertino with average accessibility, average views, and surrounding development in average condition, typical of most Cupertino residential properties.

It was discovered in this market that residential development sites fall into two categories: 1) parcels that could be subdivided into two or more residential lots supporting multiple single-family units and 2) parcels intended for a single-family dwelling only. Therefore, two sets of sales are analyzed for the typical residential development site analysis following.

A. Residential Single Family Lot Sales Discussion

A search for lots intended for development with single-family dwellings that sold in the years 2019 to 2021 was performed. The City provided a list of residential demolition permits and new residential permits from the period June 2019 through May 2022 as an aid in discovering potential lots that had sold, including tear-downs where the sale price was reflective of land value. There were 63 sales discovered in Cupertino. Given the quantity of relevant data available for analysis, searches outside the city limits were not necessary. Among the single-family lot sales, 60 fell within the range of about 5,200 to 15,600 square feet of land area. The other three sales were hillside lots which are not representative of a typical single family residential development site in Cupertino. As such, these three sales were deemed not relevant to this analysis.

The remaining 60 sales which give the best indication of market value for the single-family residential hypothetical site are outlined in the tables displayed in the Addenda. These transactions represent a broad segment of the market and reflect sales from nearly all residential neighborhoods within Cupertino. From this sample, lot sizes range from 5,214 square feet to 15,600 square feet, with an average of 8,160 square feet and a median of 8,683 square feet.

These 60 sale transactions indicate an unadjusted price range from $1,350,000 to $2,550,000, which is equivalent to the following price per square foot indicators:

Single Lot Residential Land Sales Data Summary		
Sample Size	60 Sales	
	Property Size (SF)	Unadjusted Sale Price/SF of Land
Low	5,214	$136
High	15,600	$369
Average	8,160	$244
Weighted Average	-	**$234**
Median	**8,683**	**$242**

Adjustments were applied to the sale transactions to reflect comparative differences with the hypothetical subject lot.

Market conditions adjustments were applied to the sales on a sliding scale with the oldest sales warranting the greatest adjustment, supported by changes in median selling prices as discussed in the Market Conditions chapter and by the sales data. No adjustments for market conditions were applied for the sales transacting in fourth quarter 2021 as they are deemed reflective of market conditions as of the January 1, 2022 effective date of value.

Based on the median lot size above of about 8,700 square feet, sales that differed by more than 1,000 square feet of this median were adjusted for size.

Sales represented a mix of corner lots, interior lots, and cul-de-sac lots. The only utility adjustment concluded was for the few long and narrow lots which were adjusted upward for their inferior utility.

Following the adjustments, the sales adjusted to a narrower range of about $180 to $300 per square foot of land area with an average adjusted unit value of $241 per square foot of land area and a median adjusted unit value of $240 per square foot of land area. Among the 2021 sales, the adjusted median unit value was $255 per square foot of land area. Further, 48 of the 60 sales reflect an even narrower adjusted range from $220 to $290 per square foot of land area.

Based on my analysis, which gives greater weight to the more recent sales, I concluded to the following unit value of single-family residential land in Cupertino: **$250 per square foot** of land area.

B. Residential Subdivision Land Sales Discussion

This category of sales includes all parcels of land for which more than one lot would be permitted i.e., subdivision land. Within Cupertino I discovered nine sales that occurred between 2019 and the end of 2021, although I am aware of two properties that were pending sales as of the date of value. Of these nine, six were selected as appropriate for this analysis. To include more data points, the search parameters were expanded to include the neighboring cities of Sunnyvale, Santa Clara, and Saratoga, and west San Jose neighborhoods. Six additional sales were selected for comparison from this expanded search. A table detailing the relevant sales titled Residential Subdivision Land Sales Summary Table is included in the Addenda. The median size of the selected sales was 0.80 acres, or 35,050 square feet, and the weighted average density was 9.2 dwelling units per acre.

Before adjustment, the residential subdivision sales indicated a median unadjusted price per unit/lot was $786,897, while the unadjusted weighted average was $669,387 per unit/lot. However, they also indicated a wide value range from about $233,000 to $2,050,000 per unit/lot. Because the data was more consistent on a price per square foot unit of comparison, the following subdivision unit value was analyzed and concluded on the price per square foot unit of comparison.

Before adjustment, the residential subdivision sales indicated the following:

Residential Subdivision Land Sales Data Summary		
Sample Size	**12 Sales**	
	Property Size (SF)	**Unadjusted Sale Price/SF of Land**
Low	14,118	$113
High	385,793	$192
Average	67,094	$149
Weighted Average	-	**$141**
Median	**35,050**	**$138**

Adjustments were applied for changing market conditions, location, size, utility, density, and entitlement status. Adjustments for differences in location were primarily based on a comparison of median selling prices.

As shown on the table, the median site size is 35,050 square feet while the average is 67,094 square feet. Size adjustments were based on a hypothetical one-acre site,

which is about the middle of the range of the typical subdivision site selling in this market.

The sales table shows that the weighted average density of the sales is 9.2 dwelling units per acre. Density adjustments were applied to the sales by comparing the hypothetical subject parcel as if it had a density of about 9.2 dwelling units per acre.

Development utility adjustments were considered for any sale that had atypical shape, frontage, and/or topography.

The only other adjustment warranted was for entitlements. Sales with approved entitlements or that sold subject to entitlement approvals sell at a premium compared to unentitled properties, and appropriate adjustments were applied.

Following the adjustments outlined above, the adjusted unit values ranged from $124 to $188 per square foot of land area with a median adjusted unit value of $148 per square foot of land area and an average adjusted unit value of $151 per square foot of land area.

I concluded to a unit value of **$150 per square foot** of land area for unentitled residential subdivision land in Cupertino.

C. Residential Development Site Conclusion

The fair market value of the hypothetical residential development site was estimated by applying the weighted average of the number of sales of each housing type in Cupertino to the concluded unit values above. I utilized DataTree, an online public records search tool owned by First American, to obtain an estimate of the total parcels under various residential uses in the City of Cupertino. I then used the County defined land use classifications within DataTree to qualify each residential record as either single family, condominium, townhouse, PUD, multifamily, or other multiple-unit. *It was an extraordinary assumption of this appraisal that the number of parcels reported by DataTree for each residential use in the City of Cupertino was accurate.* Using these search parameters, the raw data produced 16,222 records. These were broken down between detached single-family units (SFR) and everything else as follows:

Housing Type	# of Records	% of Total
SFR	12,159	74.95%
Res Condo/TH/PUD/Apt	4,063	25.05%
Total	**16,222**	**100.00%**

As the table above shows, about 75% of the property records in Cupertino reflect a detached single-family housing unit. The % of Total in the previous table was applied to the appropriate unit values concluded above (as shown in the table below). The appropriate weighted values for each land use are summed to produce the unit value of a hypothetical residential development site in Cupertino:

Land Use	Unit Value per SF	x	Weighted Average	=	Weighted Conclusion Per SF
Single Family Lots	$250		74.95%	=	$187.38
Subdivision Lots	$150		25.05%	=	$37.57
			Total Unit Value		**$224.95**
	Total Unit Value (Rounded)				**$225.00**

Based on the extraordinary assumptions, hypothetical conditions, and limiting conditions described herein, it is my opinion that the market value of a **typical residential development site** in Cupertino, as of January 1, 2022, was:

TWO HUNDRED TWENTY-FIVE DOLLARS PER SQUARE FOOT

($225 per square foot)

VI. MARKET VALUE OF A TYPICAL COMMERCIAL DEVELOPMENT SITE

The market value of the typical commercial land is estimated using the Sales Comparison Approach. Just like in the previous chapter, the value of the land is estimated by comparing the hypothetical parcel with sales of properties considered similar and adjusting for various comparative differences. At the instruction of the Client, the typical commercial development site includes any parcels not zoned residential and it is inclusive of mixed-use and industrial sales.

I searched for sales of properties throughout Cupertino and nearby cities which were intended for commercial development and that closed escrow between 2019 and 2021. The relevant sales disclosed by my research are displayed in a table titled Commercial Land Sales Summary Table displayed in the Addenda. Geographically, Sunnyvale, Santa Clara, Mountain View, San Jose, Los Gatos, Los Altos, and Saratoga were included.

The relevant sale transactions indicate the following:

Commercial Land Sales Data Summary		
Sample Size	**14 Sales**	
	Property Size (SF)	**Unadjusted Sale Price/SF of Land**
Low	5,760	$110
High	343,958	$260
Average	64,520	$167
Weighted Average	-	**$173**
Median	**41,035**	**$150**

Differences for location were applied based on a comparison of achievable rental rates and market perception. Inclusive in this category are consideration for exposure and access to linkages.

As shown on the table, the median commercial site size is just under one acre, at 41,035 square feet, while the average is 64,520 square feet. Size adjustments were based on a hypothetical one-acre site, which is about the middle of the range of the typical development site selling in this market.

Development utility adjustments were considered for any sale that had atypical shape, frontage, and/or topography.

The only other adjustment warranted was for entitlements. Sales with approved entitlements or that sold subject to entitlement approvals sell at a premium compared to unentitled properties, and appropriate adjustments were applied.

After the adjustments discussed above the sales adjusted to a narrower range of about $130 to $185 per square foot of land area. The average adjusted unit value was $151 per square foot of land area while the median adjusted unit value was $149 per square foot.

After the analysis above and giving greater weight to the sales from Cupertino, a unit value of **$150 per square foot** of land area for unentitled commercial land in Cupertino is concluded.

Based on the extraordinary assumptions, hypothetical conditions, and limiting conditions described herein, it is my opinion that the market value of a **typical commercial development site** in Cupertino, as of January 1, 2022, is:

ONE HUNDRED FIFTY DOLLARS PER SQUARE FOOT

($150 per Square Foot)

VII. MARKET VALUE OF A GENERAL DEVELOPMENT SITE

The market value of the general development site is estimated using the previously concluded values of the typical residential and typical commercial site. This value conclusion is intended to reflect all Cupertino land types.

A weighted average was concluded as the most reasonable method of estimating the market value of a general development site. Utilizing the City's GIS data for General Plan Land Uses in the City, I was able to quantify the acreage within the City of Cupertino dedicated to commercial and residential uses. The breakdown was as follows:

	Acreage	Weighted Average
Residential GP Land Uses		
Very Low Density		
Low Density		
Residential		
Low/Medium Density	3,391	**80.27%**
Medium Density		
Medium/High Density		
High Density		
Commercial GP Land Uses		
Commercial / Office / Residential		
Commercial / Residential		
Industrial / Commercial / Residential		
Industrial / Residential	834	**19.73%**
Neighborhood Commercial / Residential		
Office / Industrial / Commercial / Residential		
Regional Shopping		
Regional Shopping / Residential		
Total	**4,225**	**100.00%**

Note the data above does not include the following land use designations: County, Parks and Open Space, Public Facilities, Quasi-Public/Institutional, Riparian Corridor, and Transportation.

The data in the previous chapters indicated that the primary land use in Cupertino is residential and that most sites that are (re)developed are planned for new residential uses. Therefore, it would be reasonable that the market value of a general development site in

Cupertino would skew toward the concluded residential unit value conclusion, which is supported by the distribution of land area shown in the above table.

After applying the weighted average to each respective property type previously concluded unit value, the appropriate unit value for a general development site is estimated as:

GENERAL DEVELOPMENT SITE			
Land Type	**Weighted Average**	**Unit Value/SF**	**Weighted Conclusion Per SF**
Residential	80.27%	$225	$180.61
Commercial	19.73%	$150	$29.60
			$210.21
		Rounded	**$210.00**

Based on the extraordinary assumptions, hypothetical conditions, and limiting conditions described herein, it is my opinion that the market value of a **general development site** in Cupertino, as of January 1, 2022, is:

TWO HUNDRED TEN DOLLARS PER SQUARE FOOT

($210 per Square Foot)

ADDENDA

Table 1

Single Lot Residential Land Sales Summary Table
Cupertino Parkland In Lieu Fee Study
Date of Value - January 1, 2022

Location	COE Date	Sale Price	Lot Size (Sq. Ft.)	Price/SF Land Area	Grantor/Grantee Document #
18890 Pendergast Avenue Cupertino APN: 375-33-043	12/10/2021	$1,975,000	5,349	**$369**	Sha & Ming Lu Le Lu #25191406
10548 S Tantau Ave Cupertino APN: 375-37-018	11/23/2021	$1,958,000	5,807	**$337**	Shao Mei Lau Living Trust Jianjun Zhai #25176036
10683 Minette Place Cupertino APN: 375-32-040	11/5/2021	$2,400,000	9,176	**$262**	Miller Revocable Trust T & J Living Trust #25155282
7412 Wildflower Way Cupertino APN: 366-18-034	11/2/2021	$1,850,000	7,007	**$264**	Lai Seung Lam Leung Changwook Yoon #25151439
10395 Judy Ave Cupertino APN: 357-08-053	8/19/2021	$2,150,000	9,375	**$229**	William M & Emma L Bridge Cailin Huang #25071274
18745 Loree Ave Cupertino APN: 375-19-017	7/22/2021	$1,800,000	5,589	**$322**	Tina W Yu SF21G LLC #25038111
Bellevue Avenue Cupertino APN: 357-01-012	6/23/2021	$2,500,000	9,583	**$261**	Gates 2000 Living Trust Sivaprasad R Udupa #25005825
10270 Sterling Blvd Cupertino APN: 375-24-021	6/21/2021	$1,850,000	8,100	**$228**	Roberto & Nina Ahlers SF21G LLC #25002016
22071 Hibiscus Drive Cupertino APN: 326-02-019	5/13/2021	$2,337,000	10,890	**$215**	Hartney Family Recovable Living Tr Jie Wang & Xiang Zhang #24968001
18645 Ralya Court Cupertino APN: 375-25-007	4/8/2021	$1,775,000	5,895	**$301**	Jungsying Pan Trust SF21A LLC #24913342
20941 Alves Drive Cupertino APN: 326-30-005	3/4/2021	$2,314,750	9,380	**$247**	Jun & Yuanyuan Zhao Han Family 1996 Revocable Tr #24859101
10618 Gascoigne Dr Cupertino APN: 375-22-024	3/2/2021	$1,850,000	5,720	**$323**	Lirong Chen Li Wei #24855769
20564 Kirwin Lane Cupertino APN: 359-23-013	3/1/2021	$2,050,000	10,125	**$202**	Charlsi Mae Marshall 1998 Living Tr 20564 Kirwin Investment LP #24852648
18811 Loree Avenue Cupertino APN: 375-13-021	2/1/2021	$1,500,000	5,412	**$277**	David & Phuong Kim Woodward T & J Living Trust #24810215
10872 W Estates Drive Cupertino APN: 369-22-025	1/26/2021	$1,980,000	8,306	**$238**	Guymon Family Bypass Trust Haixia Shi #24801175
10520 Johnson Ave Cupertino APN: 375-28-039	1/8/2021	$1,645,000	6,004	**$274**	Jimmy Woo Cailin Huang #247779119

Table 1 (continued)

Location	COE Date	Sale Price	Lot Size (Sq. Ft.)	Price/SF Land Area	Grantor/Grantee Document #
10080 Bret Avenue Cupertino APN: 375-11-043	12/18/2020	$2,025,000	9,375	**$216**	John L & Kathleen K McChesney Li Family Trust #24754163
7544 Kirwin Lane Cupertino APN: 359-23-001	10/23/2020	$2,300,000	10,170	**$226**	Shirley Ann Hall Survivors Trust Ting & Limin Chen #24670006
21965 Hyannisport Drive Cupertino APN: 356-07-017	10/15/2020	$2,484,000	8,220	**$302**	Beth Ann Feng Survivors Trust Bhattacharya Family Rev Trust #24655385
10840 Johnson Avenue Cupertino APN: 375-30-024	9/18/2020	$1,350,000	6,700	**$201**	John D Atchison Suzan Fishel Living Trust #24621273
20565 Kirwin Lane Cupertino APN: 359-018-047	9/17/2020	$1,900,000	9,060	**$210**	Shirley Ann Hall Survivors Trust Singhal Sanjay && Singhal Fam Tr #24618808
10740 Gascoigne Dr Cupertino APN: 375-29-016	9/15/2020	$1,495,000	7,140	**$209**	Barbara J Faulkner Trust SF20G LLC #24614845
10826 Brookwell Drive Cupertino APN: 369-21-021	9/8/2020	$1,818,000	9,355	**$194**	Joseph C & Sharon L Saturnio Hoying Ada Kwan #24604106
18660 Ralya Court Cupertino APN: 375-25-010	8/28/2020	$1,830,000	9,500	**$193**	Karen K Hunt Siva Singaram #24593543
10052 S Tantau Avenue Cupertino APN: 375-07-044	8/11/2020	$1,638,000	9,375	**$175**	Keyu & Yiqiong Chen Amy Yiwang Su #24571272
1111 Steeplechase Lane Cupertino APN: 359-31-045	7/28/2020	$1,635,000	6,098	**$268**	Street Family Trust Treasure Valley LLC #24556108
10264 Judy Ave Cupertino APN: 375-10-013	7/17/2020	$1,975,000	9,375	**$211**	Barbara Faulkner Trust 10264 Judy Investment LP #24540229
7922 Woodlark Way Cupertino APN: 362-04-047	7/13/2020	$1,674,500	12,275	**$136**	Charles E II & June L Sheldon Ira Services Trust Company #24534305
10363 Bret Avenue Cupertino APN: 375-10-023	6/26/2020	$2,102,000	9,375	**$224**	Dyg Realty Investment LLC Bret Prime LLC #24519083
10135 Bret Avenue Cupertino APN: 375-11-026	6/18/2020	$2,170,000	9,375	**$231**	Pamela R Coppel 2007 Trust Hesheng & Yuan Li #24510831
10742 Carver Drive Cupertino APN: 375-32-009	6/2/2020	$1,610,000	5,950	**$271**	Campo Living Trust SF20G LLC #24494666
830 Betlin Avenue Cupertino APN: 369-27-036	5/18/2020	$1,515,000	6,003	**$252**	Steven Nichols Tang Tseng #24480974
10275 Scenic Blvd Cupertino APN: 357-02-004	5/11/2020	$2,550,000	13,831	**$184**	Patrick Lee Family Trust Kwan Living Trust #24475803
1202 Stafford Drive Cupertino APN: 362-11-018	4/27/2020	$2,225,000	7,020	**$317**	L C A Mollah 2008 Living Trust Yoko, Chen-YulFujii Lee #24464786
18833 Tuggle Avenue Cupertino APN: 375-33-056	4/23/2020	$1,515,000	5,350	**$283**	DMJ Home Solution LLC SF20G LLC #24462695
858 Betlin Avenue Cupertino APN: 369-27-032	4/23/2020	$1,555,000	6,003	**$259**	Danforth Living Trust Sushma, MunishPadiyar Poonia #24462484
10732 Culbertson Drive Cupertino APN: 375-34-021	4/16/2020	$1,650,000	6,742	**$245**	W E & E S Maston Trust Jianjun & Li Zhai #24456864
909 Providence Ct Cupertino APN: 356-11-052	3/9/2020	$2,128,500	7,000	**$304**	Delia M Marks Living Trust Sobha & Venkateswarlu Talapaneni #24425186
20713 Rodrigues Ave Cupertino APN: 359-10-058	3/5/2020	$2,500,000	9,761	**$256**	Woodruff Family Trust Arora Family Trust #24421768
20697 Scofield Drive Cupertino APN: 359-09-013	2/20/2020	$2,218,000	10,840	**$205**	Jenncy Chen Family Trust Xiangdong Huang #24408760
21841 Alcazar Ave Cupertino APN: 357-15-083	2/13/2020	$2,100,000	9,690	**$217**	Winslow Blower Trust Kwan Living Trust #24403350
7467 Heatherwood Drive Cupertino APN: 359-26-048	1/3/2020	$2,150,000	9,450	**$228**	Stephen J & Christopher P Metzger T & J Living Trust #24372623

Table 1 (continued)

Location	COE Date	Sale Price	Lot Size (Sq. Ft.)	Price/SF Land Area	Grantor/Grantee Document #
10621 Gascoigne Dr Cupertino APN: 375-28-015	12/20/2019	$1,500,000	5,530	**$271**	Lin Xia Dyg Realty Investment LLC #24363487
10345 Ann Arbor Avenue Cupertino APN: 326-28-031	12/18/2019	$2,320,000	9,830	**$236**	Ducey 1995 Family Living Trust Gupta Family Rec Living Trust #24361156
18811 Newsom Avenue Cupertino APN: 375-29-040	11/14/2019	$1,510,000	5,214	**$290**	Diego Lagunas SF19G LLC #24331589
1318 Flower Court Cupertino APN: 366-18-043	10/23/2019	$1,730,000	9,500	**$182**	Kenneth J & Susan L Lamarch Ravipatio Family Trust #24311533
18828 Tuggle Ave Cupertino APN: 375-32-029	9/5/2019	$1,550,000	5,355	**$289**	Suzanne E Trust Mei Kong & Hongmin Huang #24272942
10661 Gascoigne Dr Cupertino APN: 375-28-021	8/30/2019	$1,595,000	6,447	**$247**	Khan 2011 Family Living Trust SF19g LLC #24268712
10272 Menhart Lane Cupertino APN: 375-17-017	8/27/2019	$1,622,500	5,780	**$281**	Joseph R & Stella E Bullock SF19G LLC #24264337
10583 Santa Lucia Rd Cupertino APN: 342-17-002	8/26/2019	$2,265,150	15,600	**$145**	Richard A Lumactod Living Trust Kwan Living Trust #24263358
10590 Carver Drive Cupertino APN: 375-33-065	7/31/2019	$1,600,000	6,415	**$249**	Jeongho Park SF19G LLC #24242826
22160 Wallace Drive Cupertino APN: 326-03-031	7/29/2019	$1,871,250	9,375	**$200**	T M & M S Humphries Trust Yugal K Aggarwal 1999 Rev Trust #24240452
10771 Johnson Ave Cupertino APN: 375-31-059	7/8/2019	$1,525,000	5,616	**$272**	McCune Living Trust SF19G LLC #24220740
10204 Judy Ave Cupertino APN: 375-11-002	6/7/2019	$2,193,750	9,375	**$234**	Duff & Kyle Criley T & J Living Trust #24198435
10265 S Tantau Ave Cupertino APN: 375-08-005	6/4/2019	$2,050,000	9,375	**$219**	Tantau10265 LLC Andy & Cua Chin #24195169
22545 Poppy Drive Cupertino APN: 342-12-005	5/31/2019	$1,925,000	9,450	**$204**	Bruce I Grime Trust Afzal Malik #24191925
18820 Arata Way Cupertino APN: 375-13-010	5/24/2019	$1,650,000	5,580	**$296**	Kuehnis & Zhang Family Trust SF19G LLC #24188285
21074 Gardena Dr Cupertino APN: 326-08-011	4/10/2019	$2,000,000	10,685	**$187**	Scott Barclay, Trustee Liqin Zhao #24152905
20600 Rodrigues Ave Cupertino APN: 359-11-019	3/15/2019	$2,050,000	9,600	**$214**	Janice PDT Survivors Lin Xia #24135897
19210 Tilson Ave Cupertino APN: 375-40-060	3/5/2019	$1,531,000	6,100	**$251**	George C Bateh Ramneet & Tajinder Sandhu Singh #24128422

Source: Carneghi-Nakasako & Associates, August 2022
2022CNA150

Table 2

Residential Subdivision Land Sales Summary Table
Cupertino Parkland In Lieu Fee Study
Date of Value - January 1, 2022

#	Location	Sale Price/ COE Date	Lot Size/ Zoning	Entitlements/ No. of Lots/Units Density	Price/SF Land Area	Price/Unit	Grantor/Grantee Document #	Comments
1	20860 McClellan Road Cupertino APN: 359-20-030	$7,300,000 10/19/2021	55,191 SF 1.27 Ac. R1-10	Entitled 6 DU 4.7 DU/Ac.	**$132**	**$1,216,667**	Carlotto 1973 Fam Tr, et al District McClellan LLC #25137535	Sale was contingent upon receiving Tentative Map approval for a six-lot subdivision.
2	1429-1445 Westmont Avenue Campbell APN: 403-10- (116 & 117)	$6,688,800 8/24/2021	54,013 SF 1.24 Ac. R-1-6	Entitled 6 DU 4.8 DU/Ac.	**$124**	**$1,114,800**	Climax Development Westmontave LLC #25076029	Two adjacent lots improved with two small, older SFDs marketed as a redevelopment opportunity and sold with tentative map approval
3	11226 Bubb Road Cupertino APN: 362-06-036	$6,150,000 7/2/2021	32,068 SF 0.74 Ac. R1-7.5	Entitled 3 DU 4.1 DU/Ac.	**$192**	**$2,050,000**	Mike & Jenny Mazhenlu 11226 Bubb Inv. LP #25016359	Square lot; entitled for a three-lot subdivision
4	1334-1348 Miller Avenue San Jose APN: 377-25- (053 & 055)	$6,332,000 5/18/2021	46,406 SF 1.07 Ac. R-1-8	Entitled 6 DU 5.6 DU/Ac.	**$136**	**$1,055,333**	Alice Sasao Tr & Steven K Doi 2011 Tr Tao Zhang et al #24965470 & 24965466	Sold with entitlements for six-lot subdivision
5	10193 Randy Lane Cupertino APN: 316-24-016	$3,650,000 4/29/2021	19,700 SF 0.45 Ac. R1-7.5	Unentitled *6 DU* 13.3 DU/Ac.	**$185**	**$608,333**	T E Thiel & L J Camarda Rev Liv Tr James Livingston #24942160	Supported density is 10-20 dwelling units per acre
6	3035 El Camino Real Santa Clara APN: 220-32-059	$11,190,000 4/2/2021	81,492 SF 1.87 Ac. CT	Entitled 48 DU 25.7 DU/Ac.	**$137**	**$233,125**	Janet S Larson Taylor Morrison of California LLC #24903764	Sold with entitlements for 48 condos, 6 of which are live-work units
7	466 Bryant Avenue Mountain View APN: 197-21-056	$6,520,000 1/22/2021	38,032 SF 0.87 Ac. R1-8	Unentitled 4 DU 4.6 DU/Ac.	**$171**	**$1,630,000**	Minoura 1994 L T Goldsilverisland Homes #24797382	Property improved with 1K SF SFD from 1952. Advertised for subdivision into four 9,500 SF lots and then for SFR development. No entitlements at time of sale. Purchased by housing developer
8	10040 Bianchi Way Cupertino APN: 359-07-021	$2,350,000 12/24/2020	14,118 SF 0.32 Ac. P(CG, Res)	Unentitled *6 DU* 18.5 DU/Ac.	**$166**	**$391,667**	Jason C & Ying Ho Lin Peyruu Young #24762708	Identified site in City for redevelopment and expeted to suport six new units; sold as a multifamily property with dated improvements
9	19820 Homestead Road Cupertino APN: 316-04-064	$2,640,000 7/27/2020	19,095 SF 0.44 Ac. A1-43	Entitled 4 DU 9.1 DU/Ac.	**$138**	**$660,000**	Sherer Family Trust Yan Sun, et al #24554577	Two blocks from Apple; can support 6 units; GP amendment in Nov. 2020 for 4 lot subdivision
10	22690 Stevens Creek Blvd Cupertino APN: 342-14- (066, 104, & 105)	$3,100,000 12/31/2019	27,506 SF 0.63 Ac. P(CG)	Unentitled 9 DU 14.3 DU/Ac.	**$113**	**$344,444**	G C & Ocale Bateh 1993 Tr Alan Ents LLC #24370764	Sold unentitled but buyer plans to develop with 8 townhouses and 1 detached unit
11	582 East Maude Avenue Sunnyvale APN: 204-38-006	$4,875,000 6/7/2019	31,716 SF 0.73 Ac. R-3	Unentitled *14 DU* 19.2 DU/Ac.	**$154**	**$348,214**	Annette Laranjo Arete Silicon Valley LLC #24198635	Advertised as a tear down and buyer plans to contruct a multifamily building, but no plans in process to redevelop
12	1142 Dahlia Court Sunnyvale APN: 213-12-001	$53,000,000 5/30/2019	385,793 SF 8.86 Ac. R-1.5/PD	Entitled 58 DU 6.5 DU/Ac.	**$137**	**$913,793**	Francia Family Living Trust TH-HW Dahlia LLC (Trumark Homes) #24191538	Former Corn Palace site that sold subject to entitlement approvals for a 58-unit single-family residential development with a two-acre park
		Average $4,968,780	**Average 67,094 SF 1.54 Ac.**	**Weighted Average** 9.2 DU/Ac.	**Weighted Average $141**	**Weighted Average $669,387**		
			Median 35,050 SF 0.80 Ac.		**Median $138**	**Median $786,897**		

Source: Carneghi-Nakasako & Associates, August 2022
2022CNA150

Residential Subdivision Land Sales Map

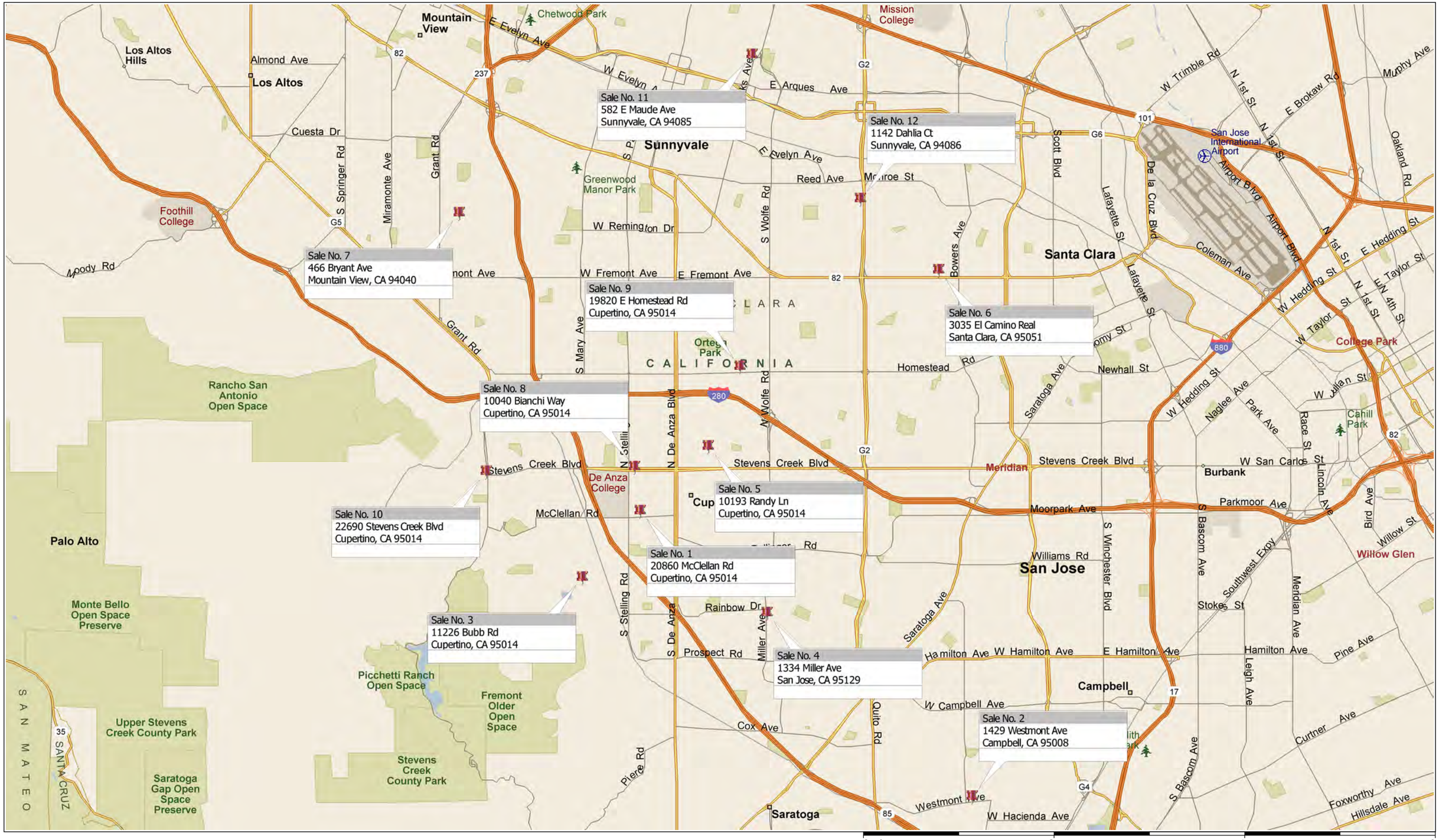


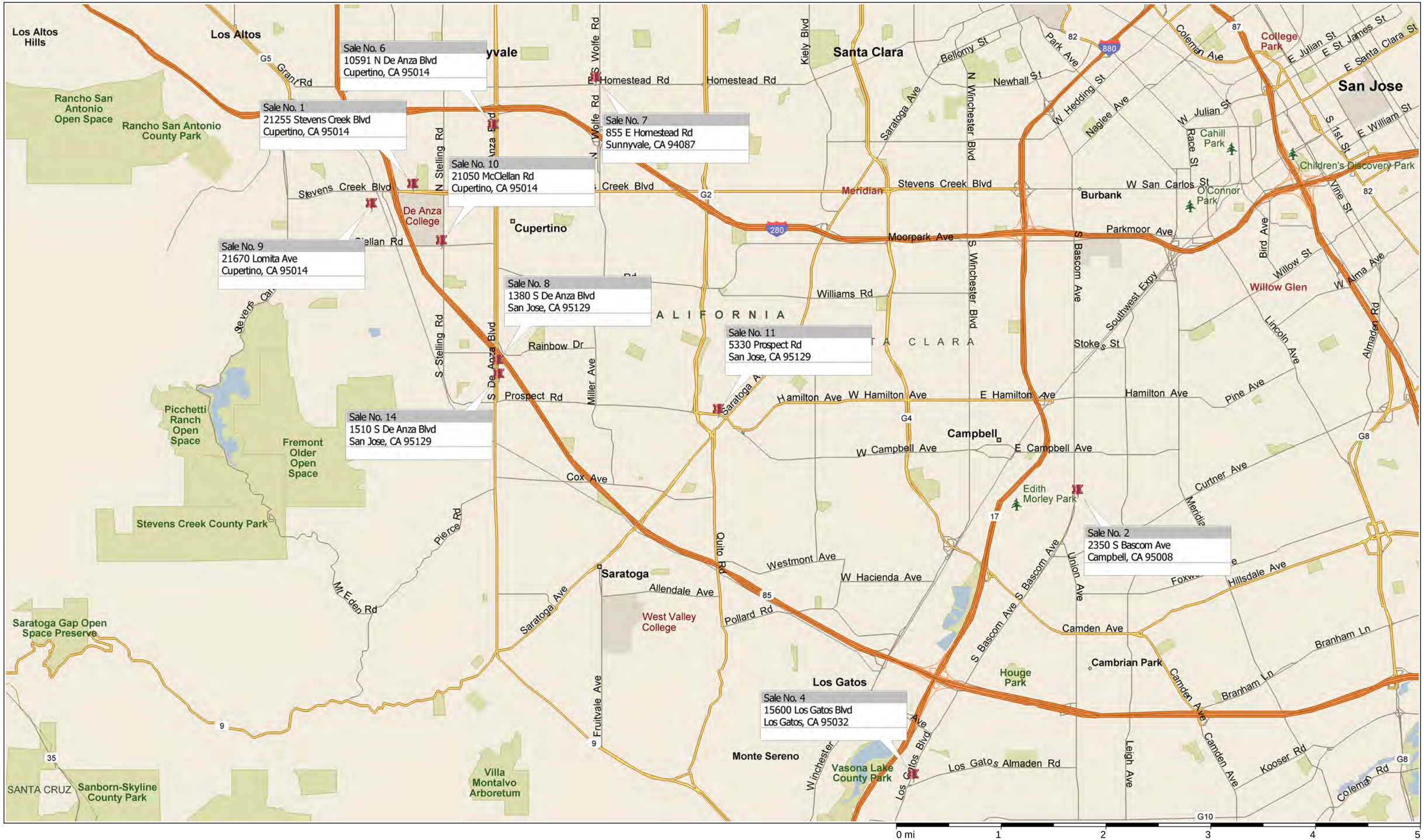
Table 3

Commercial Land Sales Summary Table
Cupertino Parkland In Lieu Fee Study
Date of Value - January 1, 2022

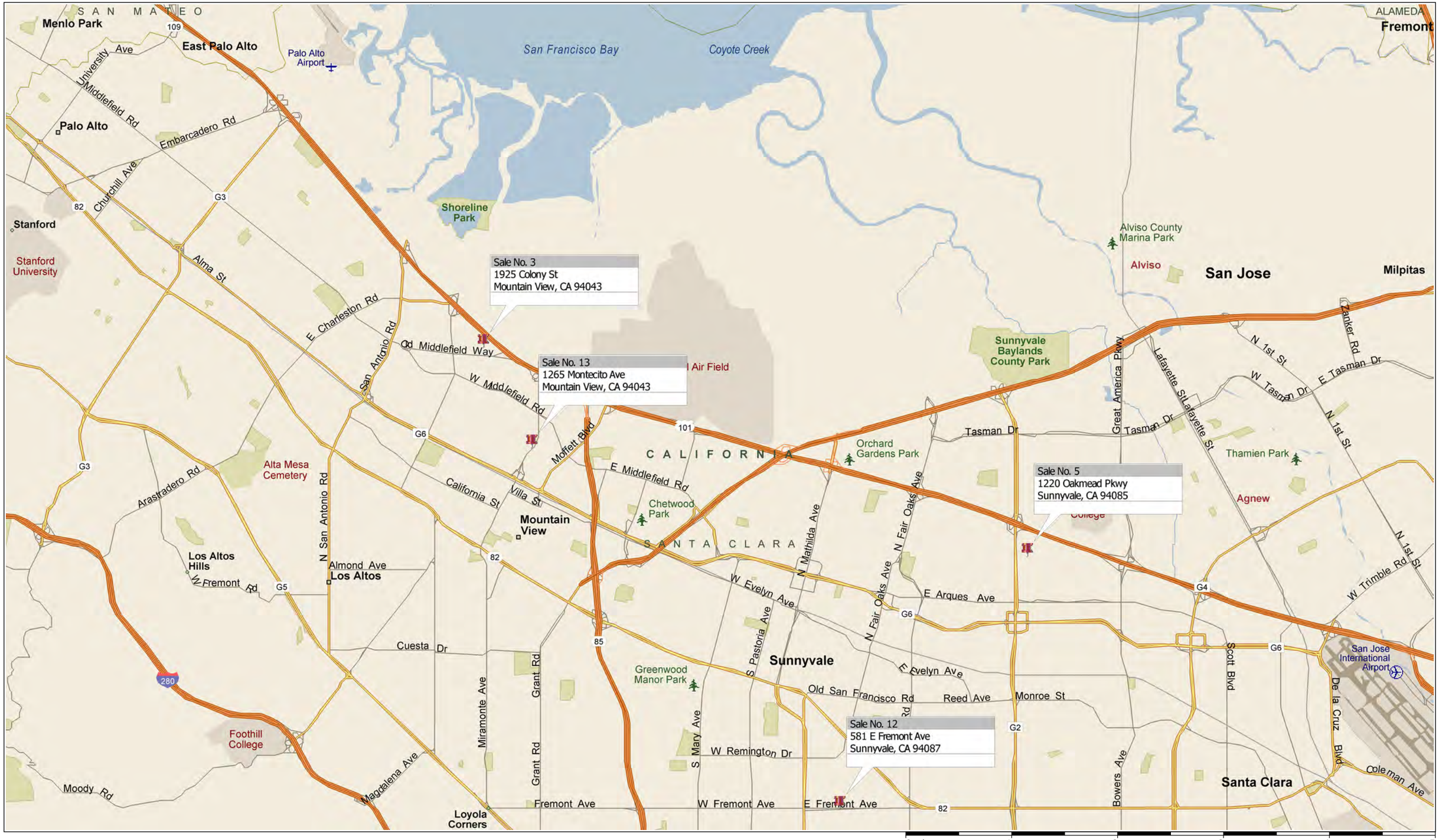
No.	Location	COE Date	Sale Price	Lot Size (SF/Ac)	General Plan/ Zoning	Price/SF Land Area	Grantor/ Grantee/ Document #
1	21255 Stevens Creek Blvd Cupertino APN: 326-27- (042 & 043)	12/29/2021	$71,400,000	343,958 7.896	Comm./Res./Heart of the City Mixed Use Planned Dev. (General Comm., Res.) Entitled	**$208**	KT Urban, Inc. Vptm Westport LB LLC #25207367
2	2350 South Bascom Avenue San Jose APN: 288-05-045	12/23/2021	$8,500,000	41,770 0.959	Neighborhood/Community Commercial Commercial Pedestrian Entitled	**$203**	Russell J Maynard III The Pacific Companies #25203620
3	1925 Colony Street Mountain View APN: 153-05-038	9/28/2021	$1,400,000	11,665 0.27	General Industrial General Industrial Unentitled	**$120**	Helene L Barron Chihpin Hsu #25114388
4	15600 Los Gatos Blvd Los Gatos APN: 424-14- (028 & 036)	9/21/2021	$15,100,000	121,856 2.80	Mixed Use Commercial CH (Restricted Commercial Highway) Unentitled	**$124**	Longs Drug Stores California LLC SHP-Cute LLC #25107922
5	1220 Oakmead Pkwy Sunnyvale APN: 216-44-048	9/8/2021	$4,450,000	40,300 0.925	Industrial Industrial and Service Unentitled	**$110**	Princeton Garden Properties LLC BPR Properties UC SC LLC #25091522
6	10591 N De Anza Blvd Cupertino APN: 326-10-054	6/25/2021	$8,100,000	65,776 1.51	Comm./Res./Heart of the City Mixed Use Planned Dev. (Gen. Comm., Light Ind., Res.) Unentitled	**$123**	Rancho De Anza Shopping Center County of Santa Clara #250008065
7	855 E Homestead Road Sunnyvale APN: 309-51-005	6/17/2021	$6,400,000	49,223 1.13	Commercial Admin-Prof. Office/Planned Dev. Combining District	**$130**	Sunby Living Trust SST Investments LLC #24998730
8	1380 South De Anza Blvd San Jose APN: 372-22-054	4/9/2021	$8,997,000	34,609 0.79	Neighborhood/Community Commercial Commercial Pedestrian Entitled	**$260**	Osi Arrowhead LLC Shp VI MS San Jose LLC #24914015
9	21670 Lomita Avenue Cupertino APN: 357-18-005	2/17/2021	$872,000	5,760 0.13	Industrial/Residential Planned Development (Light Industrial) Unentitled	**$151**	Legalforce Rapc Worldwide Srinithyaa Parthasarathy & V S Kasi #24835708
10	21050 McClellan Road Cupertino APN: 359-05-133	1/14/2021	$4,800,000	34,412 0.79	Commercial/Office/Residential Planned Development Unentitled	**$139**	Mary R Hoefler Great Enlightenment Lotus Society of N Cal #24787849
11	5330 Prospect Road San Jose APN: 386-10-058	6/1/2020	$2,800,000	20,400 0.47	Neighborhood/Community Commercial Commercial Pedestrian Unentitled	**$235**	Carver Trust Westgate Community Bible Church #24493187
12	581 East Fremont Ave Sunnyvale APN: 211-31-018	2/7/2020	$7,500,000	50,421 1.158	Public Facilities Public Facility Entitled	**$149**	St Johns Evangelical Lutheran Sunrise of Cupertino Propco LLC #24400029
13	1265 Montecito Ave Mountain View APN: 150-26-004	1/7/2020	$9,500,000	46,100 1.058	Neighborhood Commercial CN (Commercial Neighborhood) Unentitled	**$206**	Ferrari Brothers LP Montecito LP (Charities Housing) #24374392
14	1510 South De Anza Blvd San Jose APN: 372-21-002	12/12/2019	$6,500,000	37,037 0.85	Neighborhood/Community Commercial Commercial Pedestrian Unentitled	**$176**	Steve H & Carol Y T Lin Nshd 100 LLC #24356618
			Average $11,165,643	**Average 64,520 SF 1.48 Ac.**		**Weighted Average $173**	
				Median 41,035 SF 0.94 Ac.		**Median $150**	

Source: Carneghi-Nakasako & Associates, August 2022
2022CNA150

Commercial Land Sales Map



Commercial Land Sales Map



Qualifications of Matt Watson, MAI
CARNEGHI-NAKASAKO + ASSOCIATES

Senior Appraiser
California Certified General Real Estate Appraiser No. AG040050
1602 The Alameda, Suite 103, San Jose CA 95126
Main: 408-535-0900 ext. 106 Direct: 408-514-1610 matt@cnaappraisal.com

Mr. Watson has been appraising commercial, industrial, residential, and special purpose properties for over twenty years. He was awarded the Appraisal Institute's MAI designation in 2016 and has furthered his appraisal knowledge by attending appraisal classes and seminars offered by the Appraisal Institute, including the past twenty Fall Conferences put on by the Appraisal Institute's Northern California Chapter. Past appraisal/valuation work include fee simple, leased fee, leasehold, and easement appraisals of improved properties and/or land for: schools; service stations; office buildings; warehouses; industrial; R&D buildings; apartment complexes; shopping centers; big-box retail; restaurants; mixed-use; auto-related uses; manufactured housing communities; agriculture; ranchland; courthouse; data center; parking garages; historic properties; a former salt pond; residential and commercial condominiums; attached and detached single family dwellings, including residential subdivisions; and entitled development projects. Appraisal services have been provided to a variety of attorneys, individuals, trusts, partnerships, title companies, lenders, school districts, cities, and non-profits. He also provides services to property owners and various agencies for right-of-way and open space acquisitions. He volunteers his time as a Candidate Advisor for appraisers seeking a designation from the Appraisal Institute.

Work Experience

Since January 2018:	**Senior Appraiser**	Carneghi-Nakasako + Associates San Jose, California
January 2002 – December 2017:	**Appraiser/Senior Appraiser**	The Schmidt-Prescott Group, Inc. Fremont and San Jose, California

Professional Affiliations

- **California Certified General Real Estate Appraiser No. AG040050**
- **MAI Designated Member of the Appraisal Institute**
- **2017 Candidate Guidance Chair—Northern Calif. Chapter of the Appraisal Institute**
- **Candidate Advisor for the Appraisal Institute**

Qualifications of Matt Watson, MAI
CARNEGHI-NAKASAKO + ASSOCIATES

Education

B.S. Electrical Engineering — University of California
Santa Barbara, California, 2001

Appraisal & Real Estate Classes & Seminars Sponsored by The Appraisal Institute

2022-2023 7-Hour National USPAP Update Course

Advanced Concepts & Case Studies

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

Appraising Automobile Dealerships

Eminent Domain and Condemnation, Online

Federal & California Statutory and Regulatory Laws (Dec. 2021)

General Market Analysis & Highest and Best Use

General Appraiser Report Writing & Case Studies

General Demonstration Report Writing

Spring Litigation Conference 2011, 2012, 2013, 2014, 2015, 2016

General Demonstration Report—Capstone Program

Business Practices & Ethics

General Applications

Basic Appraisal Procedures

Supervisory Appraiser/Trainee Appraiser Course

Updated – March 2022