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

MARCH 2023

2023-CNA-102

March 14, 2023

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

Re: 2023CNA102, ***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.

As you know, Carneghi-Nakasako & Associates previously appraised the same hypothetical development sites for the City of Cupertino in an Appraisal Report identified as 2022CNA150, dated August 24, 2022, and having a date of value of January 1, 2022. In this appraisal, these hypothetical development sites are appraised again, but as of January 1, 2023. The concluded unit value for the typical residential development site for the current date of value was a little higher than for the January 1, 2022 date of value. This is primarily because the residential subdivision sales for the current date of value indicated a higher typical density compared to the density utilized for the January 1, 2022 date of value and higher densities typically transact at higher selling prices per square foot.

The client for this appraisal is the City of Cupertino, c/o Chad Mosley, P.E., Interim Director of Public Works. The purpose of this appraisal is to estimate the market value of three hypothetical development sites in the City of Cupertino as of January 1, 2023. The intended user/use of this appraisal 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, 2023, is:

TWO HUNDRED THIRTY DOLLARS PER SQUARE FOOT

($230 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, 2023, is:

ONE HUNDRED SIXTY DOLLARS PER SQUARE FOOT

($160 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, which is comprehensive and inclusive of all Cupertino land types, as of January 1, 2023, is:

TWO HUNDRED FIFTEEN DOLLARS PER SQUARE FOOT

($215 per Square Foot)

This appraisal report is identified on the footer of each page as 2023CNA102 and includes this letter of transmittal plus related exhibits, tables, and addendums.

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 previously appraised the hypothetical development sites that are the subject of this report for the same client in an Appraisal Report identified as 2022CNA150, dated August 24, 2022, and having a date of value of January 1, 2022; 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; my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice;* I have not made a personal inspection of the property that is the subject of this report since the subject sites are hypothetical; no one provided significant real property appraisal assistance to the person(s) signing this certification, however, Eric Yu-Hsi Liu assisted in researching some of the sales data and market statistics; the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; and 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

I.	**REPORT SUMMARY**	**1**
	A. Property Appraised	**1**
	B. Client, Purpose, Intended Use and Intended User	**1**
	C. Report Format and Scope of Work	**1**
	D. Real Property Rights Appraised	**3**
	E. Date of Valuation/Report	**3**
	F. Definitions	**3**
	G. Value Conclusion(s)	**4**
	H. Hypothetical Conditions and Extraordinary Assumptions	**5**
	I. General Assumptions and Limiting Conditions	**5**
II.	**AREA DESCRIPTION**	**7**
	A. County of Santa Clara	**7**
	B. City of Cupertino	**8**
III.	**MARKET ANALYSIS**	**10**
	A. General Economic Conditions	**10**
	B. Regional Economic Conditions	**13**
	C. Commercial Market Conditions	**15**
	D. Residential Market Conditions	**22**
	E. Conclusions	**30**
IV.	**PROPERTY IDENTIFICATION AND DESCRIPTION**	**33**
	A. Hypothetical Parcel Site Description	**33**
	B. Assessed Value and Real Estate Taxes	**34**
	C. General Plan, Zoning, and other Land Use Ordinances	**34**
V.	**HIGHEST AND BEST USE AND VALUATION METHODOLOGY**	**35**
	A. Highest and Best Use of the Hypothetical Sites	**35**
	B. Valuation Methodology	**36**
VI.	**MARKET VALUE OF A TYPICAL RESIDENTIAL DEVELOPMENT SITE**	**37**
	A. Residential Single Family Lot Sales Discussion	**37**
	B. Residential Subdivision Land Sales Discussion	**39**
	C. Residential Development Site Conclusion	**40**
VI.	**MARKET VALUE OF A TYPICAL COMMERCIAL DEVELOPMENT SITE**	**42**
VII.	**MARKET VALUE OF A GENERAL DEVELOPMENT SITE**	**44**

TABLE OF EXHIBITS

LIST OF MAPS & EXHIBITS

City Map **following Page 8**

ADDENDA

Single Lot Residential Land Sales Summary Table

Residential Subdivision Land Sales Summary Table

Residential Subdivision Land Sales Map

Commercial Land Sales Summary Table

Commercial Land Sales Map

List of Issued Demolition/New Construction Permits (on file)

Qualifications of Appraiser

I. REPORT SUMMARY

A. Property Appraised

This appraisal addresses the hypothetical market value of the fee simple interest as of January 1, 2023 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 is the City of Cupertino c/o Chad Mosley, P.E., Interim Director of Public Works.

The purpose of this appraisal is to estimate the market value of three hypothetical development sites in the City of Cupertino as of January 1, 2023. 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 appraisal 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, 2023.
- Comparables will include sales from January 1, 2020, through December 31, 2022, 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; and the California Department of Finance.

A variety of subscription and web-based services were used to gather comparable sales data. The sources of information 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 January 2020 through February 2023.

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 date of valuation is January 1, 2023.

The date of this Appraisal Report is March 14, 2023.

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, 2023, is:

TWO HUNDRED THIRTY DOLLARS PER SQUARE FOOT

($230 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, 2023, is:

ONE HUNDRED SIXTY DOLLARS PER SQUARE FOOT

($160 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 my opinion that the market value of the fee simple interest in a hypothetical **general development site** in Cupertino (that is comprehensive and inclusive of all Cupertino land types), as of January 1, 2023, is:

TWO HUNDRED FIFTEEN DOLLARS PER SQUARE FOOT

($215 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 hypothetical residential 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, planned unit development (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 these hypothetical condition(s) and extraordinary assumption(s) 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 an estimated population of 1,882,601 as of July 1, 2022, according to the California Department of Finance (DOF). This represents a *decrease* of about 0.35 percent from the July 1, 2021 reported population. Population growth in Santa Clara County is generally limited by the fully built out nature of the area. In its 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-2025, and to 2,538,320 in the year-2040.

According to statistics published by the State of California Employment Development Department (EDD), the Santa Clara County unemployment rate was 2.4 percent as of November 2022. Although this rate is up 20 basis points from the previous month, this is a decline from the 3.2 percent reported in November 2021 and the tenth consecutive month the unemployment rate has been below three percent. The most recent statistics are a considerable improvement from the 12.0 percent high-point recorded in April 2020 at the onset of the COVID-19 pandemic.

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 San Jose Mineta 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

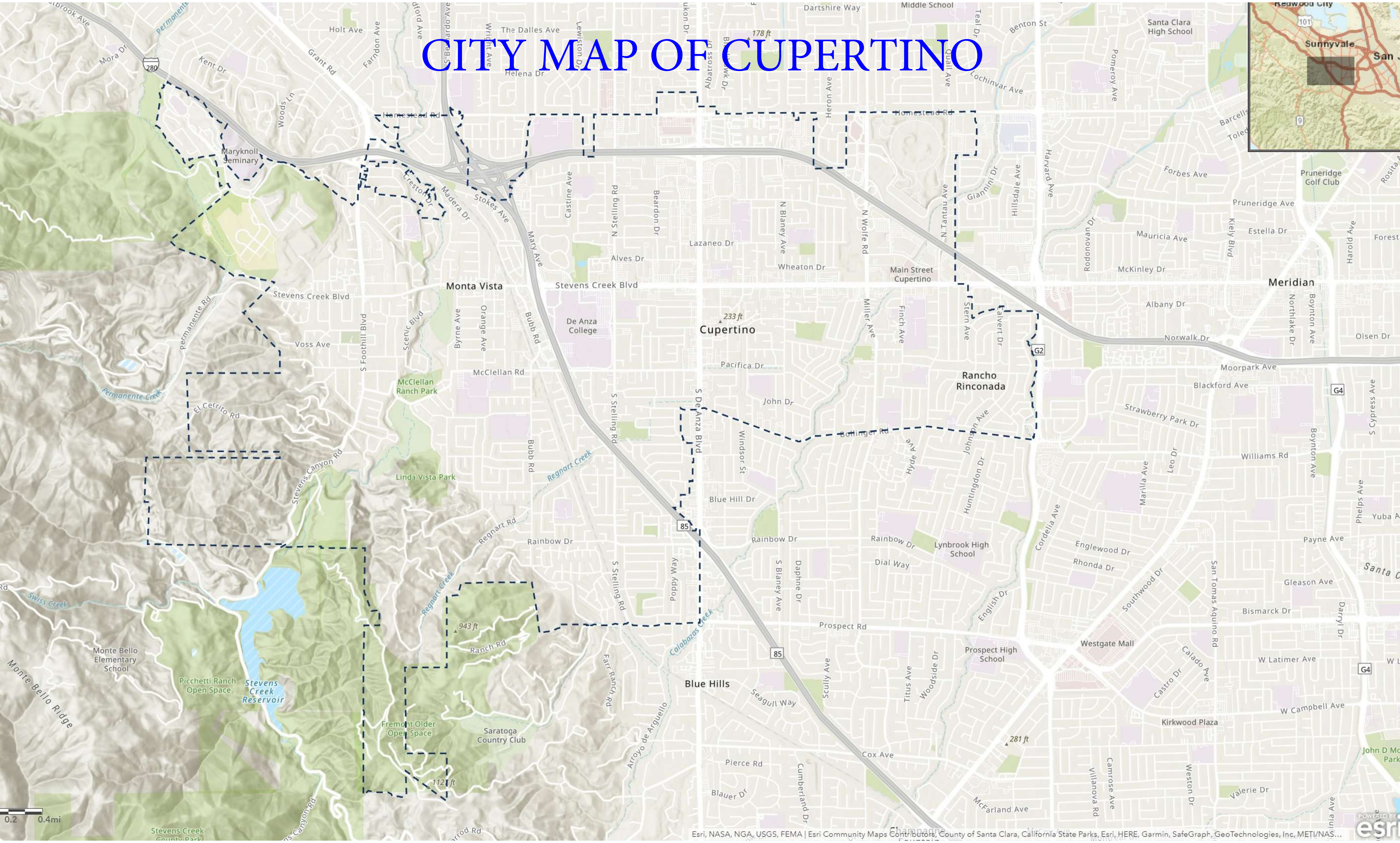
The City of Cupertino is situated in the northern portion of Santa Clara County. Cupertino is one of many cities that claim to be the "heart" of Silicon Valley, as many computer and technology companies were founded here and in the surrounding areas. The world headquarters for Apple is located here, whose 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.

Like the County as a whole, the City's population and employment bases expanded dramatically during recent decades, with growth more recently slowing due to lack of remaining land suitable for residential development. The DOF most recently estimated the City's population at 59,610 as of January 1, 2022. The number of residents decreased 0.5 percent from one year prior, according to the DOF.

The unemployment rate, as reported by the EDD, was at 2.2 percent in the City of Cupertino as of November 2022 and represents a 40 basis point increase from the previous month and a 20 basis point decrease from the year-ago unemployment rate of 2.4 percent. 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.

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

CITY MAP OF CUPERTINO



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 2017-2021, Cupertino was comprised of 53.5% foreign born persons with 97.0% of all residents 25 and older being a high school graduate and 80.9% having attained a bachelor's degree or higher. The median household income in 2021 dollars was $199,778, among the highest in Santa Clara County. Cupertino is well-regarded for its public schools, which drives residential property values to be well above the county median ($2,500,000 vs. $1,365,750 in August 2022 per CoreLogic for new and resale single family residences and condominiums).

Notable uses in Cupertino include: De Anza Junior College; Apple's Infinite Loop campus; Apple's 2.8 million square foot "spaceship" campus facility; several parks and public facilities; and the former Vallco Fashion Mall, which has been demolished and is 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: the Westport project at 25661 Stevens Creek Blvd, which is under construction with a 158-unit senior living facility, 88 market rate townhomes, and 48 below market rate units for seniors, in addition to open space and some commercial space. The Canyon Crossing project at 10625 South Foothill Blvd 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; a proposed project at 1655 S De Anza Blvd that would replace an older retail center with 34 new residential units and about 7,600 square feet of commercial space; and the Loc-n-Store self-storage facility at 10655 Mary Avenue, which is being redeveloped with a larger, modern 167,000 square foot multistory self-storage 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

UCLA Anderson Forecast's fourth quarterly report from December 7, 2022 projects that the final quarter of 2022 will be a strong one for the nation, with conditions buoyed by consumption and business investment. The report continues:

As 2022 draws to a close, the U.S. economy has reached a recession-related fork in the road. According to the UCLA Anderson Forecast, one path would lead to continued economic growth —although slower than the recent 2.4% growth rate— while the other would be a relatively mild, short-lived recession.

Despite dire predictions by some business leaders, the national economy has proved resilient as consumers continue to spend and businesses continue to invest. Whether the economy slips into a recession or doesn't will depend largely on inflation stickiness and any additional actions the Federal Reserve takes to bring down inflation.

The important difference between the two scenarios is the decision of the Federal Reserve in setting monetary policy. In the coming months, the Federal Reserve will have to decide between two paths: continued aggressive tightening and moderation. The two forecast scenarios provide the likeliest outcome of each.

The economic outlook for California is similarly uncertain and, as with the national economy, the source of that uncertainty is national economic policy. The December forecast for the state —like the December U.S. forecast— consists of two scenarios. The difference between the state and the nation in both scenarios is that economic forces from sectors including construction, non–information technology fields and defense will lead the state to a more moderate outcome.

The UCLA Anderson Forecast for the U.S. states: *Whether the United States avoids a recession or endures a short-lived economic downturn is dependent on the actions the central bank takes to curb inflation. Regardless, the UCLA Anderson Forecast expects the final quarter of 2022 to be a strong one for the nation, economically speaking, with conditions buoyed by consumption and business investment.*

Beyond that, the two scenarios diverge. If the country does not go into a recession in 2023, economic growth is expected to slow in the first quarter of 2023 and to be virtually nonexistent in the second quarter. From there, the economy is expected to pick up again in the last six months of 2023.

By the same token, if there is a recession, the economy is expected to contract at an annual rate of 2% to 3% in both the second and third quarters, to be flat the last three months of 2023 and then to begin to rebound in 2024.

If a recession occurs, it will be relatively mild and brief, the economists write, with consumer resilience the key factor. In the recession scenario, consumption is expected to stay flat for the first two quarters of 2023 and contract modestly during the next two quarters. The forecast projects consumption growth, under both scenarios, for 2024.

Historically, Fed-driven recessions have featured sharper declines in both business and residential investment. With higher interest rates and uncertainty surrounding consumption, businesses cut back on capital investment and inventory replacement. Both the recession and non-recession scenarios would be characterized by declining home prices, with slightly larger declines in the recession scenario.

In both cases, inflation eases at about the same rate through mid-2023. The Forecast economists reason that if there is not a recession, it would be in part because supply chain pressures will ease more rapidly and inflation will come down more quickly on its own. In the recession scenario, the decline in home prices would be tempered by a decrease in new housing supply.

The UCLA Anderson Forecast for California indicates *that the actions taken by the Federal Reserve will have a milder impact on California's economy. The employment picture in California remains in flux. The state's non-farm payroll jobs now exceed its February 2020 pre-pandemic level by 31,000 jobs, although many of the new jobs are in different sectors than those in which job loss was the most acute. Specifically, about 170,000 payroll jobs in leisure and hospitality and other services sectors have not returned.*

In the logistics, technology and health care sectors, rapid job creation has more than made up for those losses. This explains, in part, why California's GDP growth has been faster than that of the U.S. Rapidly growing sectors like tech and logistics are typically high-income sectors, while the slow-growth sectors are generally low-income.

Over the past three months, the picture has evolved slightly as the three sectors of health care and social services, leisure and hospitality, and education have shown the largest gains in jobs. And despite the statewide gains in leisure and hospitality employment, the landscape for that sector remains difficult in the major employment centers of San Francisco and Los Angeles. Ongoing flex work arrangements by California companies and the continued lack of Asian tourists arriving in the state have resulted in an incomplete recovery in both cities. With neither of those factors likely to change in the coming months, the recovery is expected to remain on a shallow trend.

The gain in education is partly a result of schools reopening after pandemic-era closures. The number of payroll employees in education has now returned to pre-pandemic levels, and significant additional gains are not expected.

Higher interest rates have led to a downturn in California's housing markets. The median price of single-family homes in the state has declined on a seasonally adjusted basis. As of October 2022, the median price was 8.4% below its previous peak but had returned to early 2021 levels. Nevertheless, California housing is not overbuilt. The surge in construction of accessory dwelling units as well as new infrastructure and continued growth in construction of industrial space will shield the state from the more severe interest rate–induced contraction expected in the rest of the nation.

With employment growth in green tech, medical tech, aerospace and construction fueled by the infrastructure and defense budgets, and a healthy rainy-day fund in Sacramento, the 2023 forecast for California is for more a moderate slowing or, in the case of a recession, a milder downturn than for the U.S. overall.

According to the Federal Reserve District's Beige Book, published November 30, 2022, *economic activity was about flat or up slightly since the previous report, down from the modest average pace of growth in the prior Beige Book period. Five Districts reported slight or modest gains in activity, and the rest experienced either no change or slight-to-modest declines. Interest rates and inflation continued to weigh on activity, and many contacts expressed greater uncertainty or increased* *pessimism concerning the outlook. Nonauto consumer spending was mixed but, on balance, eked out slight gains. Inflation pushed low-to-moderate income consumers to substitute increasingly to lower-priced goods. Travel and tourism contacts, by contrast, reported moderate gains in activity, as restaurants and high-end hospitality venues enjoyed robust demand. Auto sales declined slightly on average, but sales increased significantly in a few Districts in response to higher inventories. Manufacturing activity was mixed across Districts but up slightly on average. Demand for nonfinancial services was flat overall but softened in some Districts. Higher interest rates further dented home sales, which declined at a moderate pace overall but fell steeply in some Districts; apartment leasing started to slow, as well. Residential construction slid further at a modest pace, while non-residential construction was mixed but down slightly on average. Commercial leasing weakened slightly, and office vacancies edged up. Bank lending saw modest further declines amid increasingly weak demand and tightening credit standards. Agricultural conditions were flat or up a bit, and energy sector activity increased slightly on balance.*

As for real estate and construction activity in the subject's Twelve District, a*ctivity in residential real estate markets weakened moderately compared to the prior reporting period. Demand for single-family homes fell overall due to elevated prices and rising mortgage rates, while demand for multifamily rental units remained strong. One contact in Southern California noted that potential homebuyers have opted to rent instead, and a Northern California contact reported a change in scope for some single-family construction projects, now built to rent rather than to sell. Selling prices across the District remained high but began to stabilize, with price reductions in some markets. Across the District, inventories remained limited but increased somewhat in recent weeks as homes took longer to sell. Residential construction activity declined notably across the District. Contacts largely attributed the decline to the rising cost of capital due to rising interest rates. Commercial real estate activity was unchanged overall. Demand for industrial space remained strong, and in some regions demand for retail space strengthened, while office space demand was subdued. A contact in Northern California reported the pace of new commercial space construction continued overall but noted some slowing in warehouse construction.*

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 January

2023 CoStar report on economic conditions in the San Jose/Silicon Valley market area:

The coronavirus pandemic abruptly halted what had been the longest economic expansion in U.S. history, thereby ending San Jose's streak of above-average job growth. 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. San Jose's job losses are also lighter than San Francisco's and the East Bay's, due to its concentration of employment in technology companies rather than harder hit sectors like leisure and hospitality and retail, which make up only around 20% of San Jose's employment base.

Thus, San Jose's employment losses were comparatively subdued, and as of 22Q3, employment in San Jose has moved above its pre-pandemic peak. Due to social distancing measures, the leisure and hospitality sector suffered most severely during the lockdown, and employment in that sector remains 7% below 20Q1. Employment in typical office-using categories did not fall as sharply and has rebounded well, with total employment now 4% above the pre-pandemic peak.

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. Software investment grew in the expansion period, while internet advertising revenue has already reattained new record levels following a temporary slump.

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 or start-ups 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 30% and 40% 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 2021, but deal count and investment value has pulled back in 2022 in response to higher interest rates and global economic uncertainty.*

Despite these strengths, the market does have areas of weakness. 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 foreign immigration has fallen, particularly from India and China, reducing the size of the available labor force.

Prohibitive living and business costs are not the only issues of concern for San Jose's economy. While the talent pool associated with the tech industry remains the market's key source of strength, remote working provides the potential for companies to adjust their operating models to comprise a more mobile and distributed workforce, thus diminishing their reliance on local talent pools. The tech industry of today is more mature and profitable than ever before, but the San Jose/Silicon Valley market could potentially experience a downturn if mobile work is adopted at scale permanently, allowing companies to spread their recruiting efforts far and wide.

C. Commercial Market Conditions

Commercial properties typically include office and retail uses. However, at the instruction of the Client, the commercial hypothetical site being appraised is presumed to also allow for industrial and mixed-uses combining residential and commercial use. Therefore, each of these uses, reflecting office, retail, research and development (R&D), and industrial, are discussed following.

Office Market

The commercial brokerage firm Cushman & Wakefield (C&W) reported on office market conditions in the subject area in their Silicon Valley Office Marketbeat report for the Fourth Quarter of 2022. They note that the Bay Area has begun to show signs of an economic downturn, due in part to mass layoffs from tech companies.

New product under construction across the region currently stands at approximately 4.8 million square feet (msf), a figure bolstered by 1.8 msf of build-to-suit office projects breaking ground this quarter in Mountain View and Sunnyvale for a single technology tenant. The size of these projects indicates that established tenant interest in the region remains strong and will recover following the downturn. Additionally, there is currently 2.9 msf of speculative projects currently under construction, suggesting that developers foresee a continued need for ultra-modern, Class A office space in the Valley.

Silicon Valley's office vacancy rate increased in the fourth quarter of 2022 to 19.0 percent, up from 18.6 percent in the third quarter 2022 and from 15.3 percent from one year ago, according to C&W. The latest figure translates to 17.2 million square feet of availabilities, an increase from the 13.7 million square feet in fourth quarter 2021. In the subject's Cupertino submarket, the fourth quarter 2022 vacancy rate was reported at 9.4 percent, higher than the 9.0 percent vacancy rate recorded one year prior. The 9.4 percent figure is the second lowest vacancy rate among 17 submarkets tracked by C&W.

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 2,528,825 square feet in 2019, negative 114,702 square feet in 2020, and negative 1,442,953 square feet in 2021, according to statistics compiled by Cushman & Wakefield. Through 2022 net absorption of negative 2,559,198 square feet was reported in Silicon Valley, with negative 360,441 square feet occurring in the fourth quarter. 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 in 2022 was negative 16,402 square feet, which followed 2021's negative 26,499 square feet of net absorption. 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 4.76 million square feet, all of it Class A and almost half of which is in the Sunnyvale submarket. In the subject's submarket, there was no new office space under construction as of fourth quarter 2022 according to

C&W. 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 fourth quarter 2022, Cushman & Wakefield reports an average asking rental rate for office space in Silicon Valley of $5.36 per square foot per month full service. One year prior, the average asking rental rate was roughly the same at $5.35 per square foot per month full service. *The average asking rent recorded over the past four quarters was $5.34 per square foot per month, indicating that rents remained flat for most of 2022. Given the current lack of demand for office space as well as upcoming economic uncertainty, there is little expectation that significant rent increases would occur in the near term.* The average asking price in Silicon Valley for Class B space was reported at $4.88 per square foot per month full service in fourth quarter 2022, down from $5.02 per square foot per month one year earlier.

As of fourth quarter 2022, the average asking rental rate for all classes of office space in the subject's Cupertino submarket was reported at $5.75 per square foot per month full service, less than one percent lower than the $5.79 per square foot per month rate reported one year earlier.

The Cushman & Wakefield report projects: 1) *Layoffs among tech companies have caused uncertainty regarding how much new space is needed going forward. C&W is currently tracking approximately 2.8 msf of active office/R&D tenant requirements in the Silicon Valley, the lowest level recorded since Q4 2001.* 2) *Though it is unclear how much space will be needed, there will continue to be a bifurcation of the market with tenants searching for the best quality space in order to woo employees back to the office; commodity space is expected to linger on the market.* 3) *Although the wave of mass layoffs in the software field and the upcoming economic downturn will affect all sectors, the impact of the cycle is likely to be diminished in the Valley due to its focus on critical industries such as hardware, semiconductor, and IT infrastructure.*

Retail Market

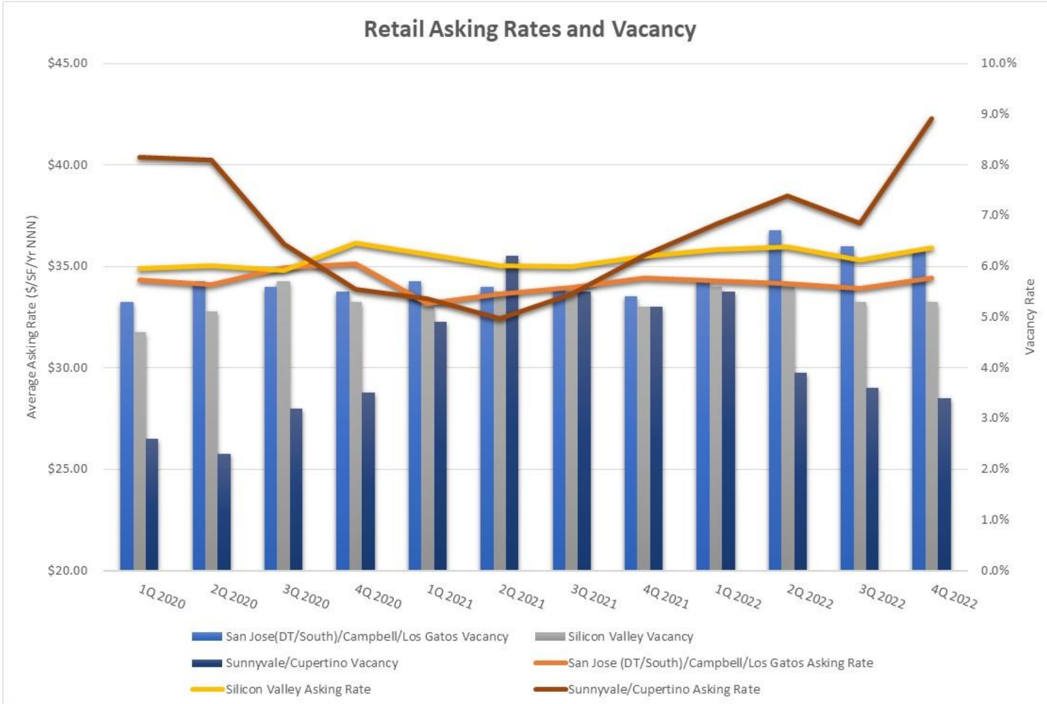
According to Marcus & Millichap's Third Quarter 2022 San Jose Metro Area Market Report for retail, *the strength of the metro's economy, coupled with pent-up consumer demand stemming from pandemic lockdowns, led to a rise in consumer spending over the past 12 months ending in June. These circumstances are improving the outlook for the retail sector in the Silicon Valley. Although availability has remained relatively steady over the past year ending in June, the* *vacancy rate in San Jose is at least 80 basis points lower than any other major Bay Area market. The metro's second quarter performance provides additional reason for optimism. During the three-month span, nearly all San Jose submarkets recorded positive net absorption. Specifically, vacancy fell 120 basis points in Santa Clara to 2.4 percent, the lowest rate in the metro, while availability in Sunnyvale-Cupertino dropped by 110 basis points.* The report goes on to state *In the trailing 12-month period ending in June, only 24,000 square feet of retail space was delivered in the South Bay, marking the lowest four-quarter total in more than 15 years. The lack of deliveries aided retail fundamentals, as recently vacated space had little competition from new supply, which helped keep vacancies from rising substantially. With only 230,000 square feet of retail space underway metrowide as of September, deliveries are expected to remain well below the long-term average of 510,000 square feet per annum in the near- to mid-term.*

However, much of the new retail being proposed in this market is part of larger mixed-use projects. Asking rents declined by 0.7 percent over the last 12 months while vacancy remained tight at about 4.5 percent, unchanged from one year earlier. By the end of 2022, vacancy was expected to increase 10 basis points while asking rents were forecast to increase 3.5 percent, per Marcus & Millichap.

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 *Marketbeat Silicon Valley Retail Q4-2022* that no new retail space was added to the metro in the fourth quarter of 2022, and that the vacancy rate increased from 5.2% in 4Q-2021 to 5.3% in 4Q-2022. Total net absorption for 4Q-2022 was 22,425 SF with year-to-date net absorption at negative 50,794 square feet.

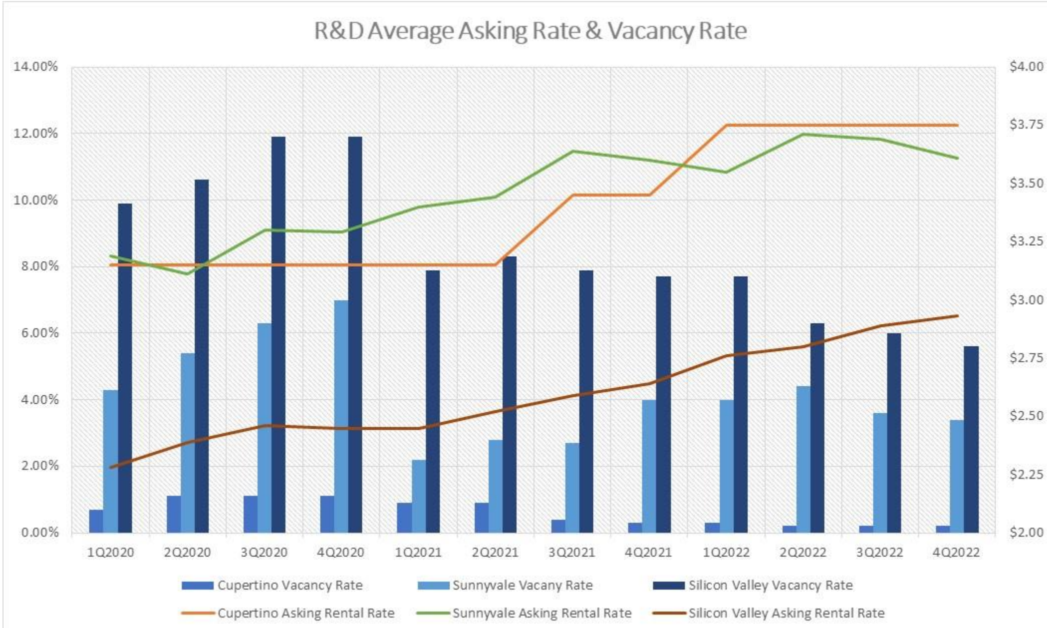
The chart below displays the average asking rental rate and vacancy for the subject's Sunnyvale/Cupertino submarket, the comparable San Jose (Downtown & South)/Campbell/Los Gatos submarket, and the larger Silicon Valley market taken from Cushman Wakefield and its predecessor retail reports from 1Q-2020 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 $2.99/SF/Mo NNN in 4Q-2022, an increase of three cents per square foot per month from one year ago. In 4Q-2022 asking rents averaged $3.52/SF/Mo NNN in the subject's Sunnyvale/Cupertino submarket, an increase of 18.9% from 4Q-2021. In 4Q-2022 the retail vacancy rate in the Sunnyvale/Cupertino submarket was reported at 3.4%, which is tied with the Morgan Hill/Gilroy submarket as the lowest vacancy rate in Silicon Valley. There is no new retail under construction in the Sunnyvale/Cupertino submarket and 2022 overall net absorption was positive 14,240 square feet.

Research and Development (R&D) Market

The next chart displays data from Colliers International's 4Q-2022 Silicon Valley Market Report and its predecessor reports for the R&D market:



Source: Colliers International

As shown above, Silicon Valley's R&D market experienced an overall stable vacancy rate within about 100 basis points of 11.0% from 1Q-2020 to 4Q-2020 before settling in the 8.0% range during 2021 and the first quarter of 2022. The last three quarters of 2022 saw a declining vacancy rate. Meanwhile, asking rents in Silicon Valley have increased from $2.64/SF/month in 4Q-2021 to $2.93/SF/month in 4Q-2022, an increase of about 0.92%/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.

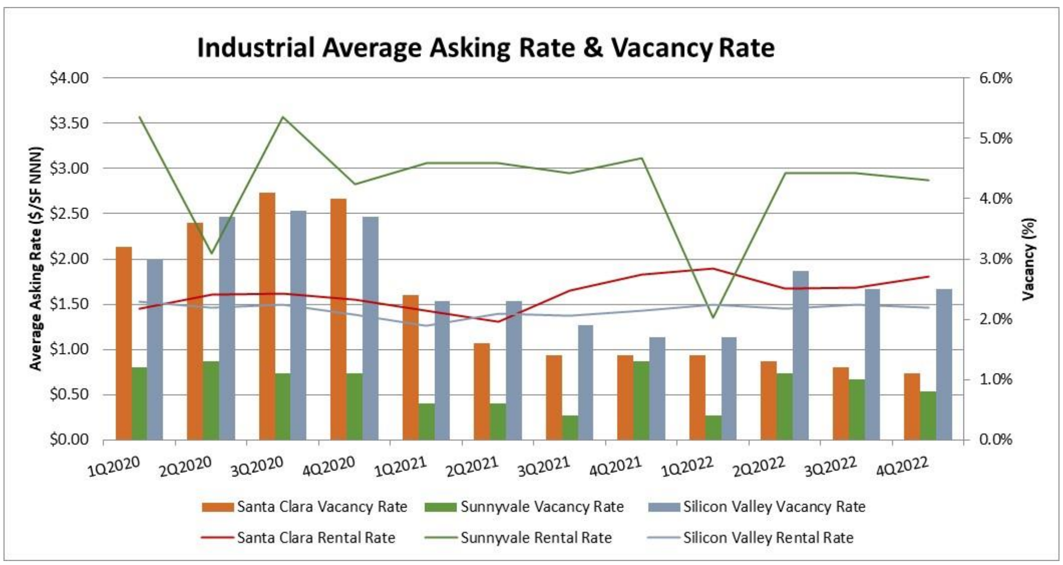
Since the third quarter of 2021 the average R&D asking rate in the City of Cupertino increased from $3.45/SF/month NNN to $3.75/SF/Mo ending the 4Q-2022 or an increase of about 0.58%/month. The vacancy rate trend in Cupertino remains stable and registered just 0.2 percent in fourth quarter 2022 marking the eighth consecutive quarter this rate has been below one percent. The report notes *the Silicon Valley R&D market remains a resilient and robust asset class in Silicon Valley, with tenants opting to transact on a long-term direct basis. Gross absorption, the measure of nonrenewal leasing and user-sale activity, demonstrated stability by increasing just 3.5 percent from the previous quarter. All gross absorption added this quarter was in the form of direct leases.*

Colliers International reported a net absorption of 66,293 SF of R&D space in 4Q-2022 within Silicon Valley and a year-to-date total of 786,874 SF. The report notes that there is no R&D product under construction throughout all of Silicon Valley but that new deliveries totaled 65,972 square feet in 2022.

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-2020 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 in Silicon Valley since the start of 2020. The asking rental rate was reported at $1.46/SF/month NNN in 4Q-2022 in Silicon Valley, a little higher than the $1.43/SF/month reported 12 months earlier.

Cushman & Wakefield reported in its *Marketbeat Silicon Valley Industrial Q4-2022*, that vacancy rate for all industrial product (manufacturing and warehouse) in Silicon Valley decreased in 4Q-2022 to 3.0% from 3.3% in 4Q-2021. The vacancy rate for just manufacturing space increased from 2.8% to 3.1% over the 12 months ending Q4-2022. The Central Silicon Valley industrial submarket, which includes Santa Clara, San Jose, Campbell, and Sunnyvale, and would be most comparable to the subject's Cupertino location, had an overall vacancy rate of 2.8% and an average asking rate of $1.40/SF/Month NNN at the end of 4Q-2022. Year-over-year from 4Q-2021 to 4Q-2022, the average asking rent increased 8.5% in Central Silicon Valley and 5.2 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 2021 amounted to 4,529 (including both single-family and multi-family units). This represents a one-year *decrease* of approximately 24 percent in the number of permits issued in the metropolitan area following 2020 (5,948 permits). Through November 2022, 6,110 permits had been issued, making 2022 on pace for about 6,665 total building permits. This represents an *increase* of 47 percent year-over-year.

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 696,489 units as of January 1, 2022. This represents an increase of 34,614 units over the 661,875 total units recorded in January 2017. The total number of housing units as of January 1, 2012 was estimated at 636,748. Based on these figures, between 2012 and 2022, the housing supply in Santa Clara County increased by 59,741 units, or an average of 5,974 units per year. In comparison, the Association of Bay Area Governments (ABAG) forecasts total household growth (an indicator of housing demand) in Santa Clara County will total 453,000 between 2015 and 2050, or an average of 15,100 households per year. This indicates that the housing supply has not kept pace with projected household growth (an indicator of housing demand) as there has been an average annual shortfall of approximately 9,100 housing units. This lack of new supply locally continues to exacerbate the housing imbalance and is corroborated by the U.S. Census statistics.

The *Housing Market Index*, based on a survey by the National Association of Home Builders, reported a builder sentiment of 31 in December 2022, its lowest level since April 2020 at the onset of the pandemic. The index peaked with a November 2020 index of 90, its highest level in 35 years of tracking. Any reading above 50 signals expansion and that home builders feel very confident about the housing market. The index remained above 50 between June 2020 and July 2022, but has declined over the last several months of 2022.

The California Association of Realtors (C.A.R.) published their December Home Sales and Price Report in mid-January 2023. The report notes "A short respite in rising interest rates helped edge up California home sales in December to break a three-month sales decline but still remained below the 250,000 level for the second straight month. Closed escrow sales of existing, single-family detached homes in California totaled a seasonally adjusted annualized rate of 240,330 in December, according to information collected by C.A.R. from more than 90 local REALTOR® associations and MLSs statewide. The statewide annualized sales figure represents what would be the total number of homes sold during 2022 if sales maintained the December pace throughout the year. It is adjusted to account for seasonal factors that typically influence home sales. December's sales pace was up 1.1 percent on a monthly basis from 237,740 in November and down 44.1 percent from a year ago, when 429,860 homes were sold on an annualized basis."

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

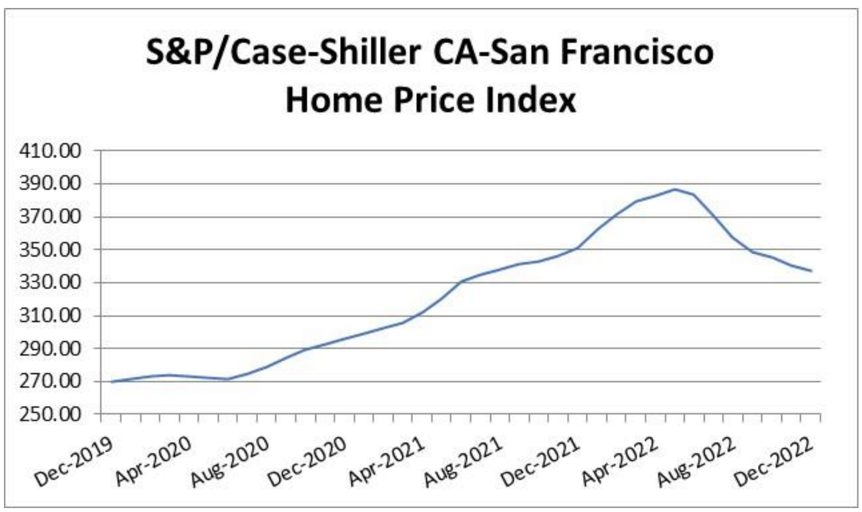
California's median home price remained on a downward trend for the fourth straight month and has been down on a monthly basis for six of the last seven months. December's median price of $774,580 was down 0.4 percent from the $777,500 recorded in November. December's price also was lower on a year-over-year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

"Home prices are holding up relatively well, despite rising interest rates and falling housing demand in recent months. Tight housing inventory was a primary factor preventing prices from free falling as new active listings continued to dip to reach the lowest level in at least the past five years," said C.A.R. Vice President and Chief Economist Jordan Levine. "While depressed inventory will preclude major price declines beyond the 8.8 percent we forecast for this year, it will also slow sales growth and prevent the housing market from having a rapid recovery."

Within the San Francisco Bay Area region, the median price decreased 9.6 percent over the past 12 months ended December 2022, while sales decreased 37.4 percent. The County of Santa Clara experienced a median price decrease of 15.1% year-over-year, with sales decreasing 42.8% 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% from 295.544 in December 2020 to 337.143 in December 2022, or about 0.59%/month. Over the twelve months between December 2021 and December 2022 the change was a *decrease* of about four percent.



Source: S&P Dow Jones Indices LLC

As shown above, the recent decrease has been occurring over the last 6 months or so of 2022 and is also reflective of the waning builder's confidence that was evident in the Housing Market Index decline over the latter half of 2022.

According to the Association of Bay Area Governments (ABAG)[3] Projections 2050 report (most recent report), in 2015, Santa Clara County had a total of 623,000 households. ABAG projects that in 2050, the number of Santa Clara County

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

households will have increased by a compounded annual increase of 1.84 percent, to 1,076,000 or an average of 15,100 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 1, 2022, there were 21,757 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-2022 states the following regarding the local apartment market:

- Openings pick up notably in the Mountain View-Palo Alto-Los Altos area, joining Central San Jose as the two submarkets slated to welcome the most new units in 2022. The 2.3 percent inventory expansion matches the pace from 2020.

- Elevated supply growth, paired with stabilizing renter demand following last year's absorption surge, will place metro vacancy at 3.8 percent this year. Availability will still trail the year-end 2019 mark by 20 basis points.

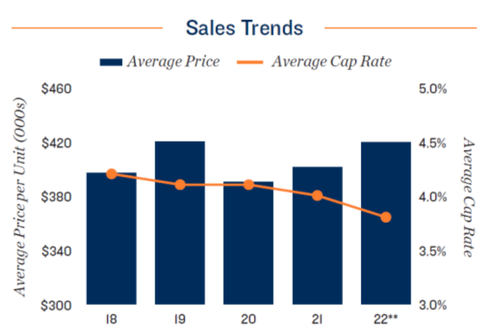
- After declining 14.6 percent in 2020, the average effective rent will have posted a combined 2021-2022 growth rate of 23.3 percent. The mean monthly rate for the metro will reach $3,060 by year-end, a new high point.

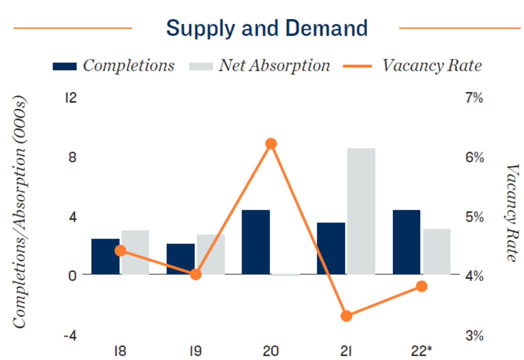
- A favorable turnaround in property fundamentals has encouraged investment activity, as transaction velocity over the 12-month period ended in June improved about 30 percent from the preceding yearlong period. Competition for listings helped lift the average sale price in the most recent four-quarter period to $419,300 per unit, up 6 percent over the previous span. While posting the greatest pricing increase of any Bay Area metro, entry costs in San Jose still modestly trail the 2019 high.

- Sales velocity through the first six months of 2022 exceeded the second half of 2021, even as rising interest rates impacted investment and financing conditions. Those factors may come into play through the rest of this year, as San Jose boasts the tightest cap rate in the Bay Area at an average of 3.8 percent. Buyers seeking initial yields above 4 percent found options with Class C properties older than 60 years in locations like Downtown San Jose and Sunnyvale, for entry costs under $5 million.

- Transactions notably picked up in Downtown and Midtown San Jose, as well as Sunnyvale, Campbell-Los Gatos and Mountain View-Los Altos, as predominantly California investors regained confidence in central areas and neighborhoods near major tech employers.

The following charts from Marcus & Millichap's report show apartment pricing per unit has been stable of late while the average capitalization rate had remained in the low-four percent range until 2022. Meanwhile, following a vacancy spike in 2020 and a net absorption near zero, in 2021 the vacancy rate decreased and net absorption was above average. By the end of 2022 vacancy was expected to increase slightly while net absorption would return to a more normal level:





* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

As delivery of new units moderates and the vacancy rate remains less than five percent, the apartment market is expected to remain stable. With a forecast for lower capitalization rates and higher selling prices per unit, demand should continue to be greater than supply.

According to commercial brokerage firm Integra Realty Resources published report on apartment market statistics, *2023 San Jose, CA Multifamily Annual Report*:

> The San Jose apartment market continued to recover during 2022. The pandemic had negatively impacted demand as widespread remote working

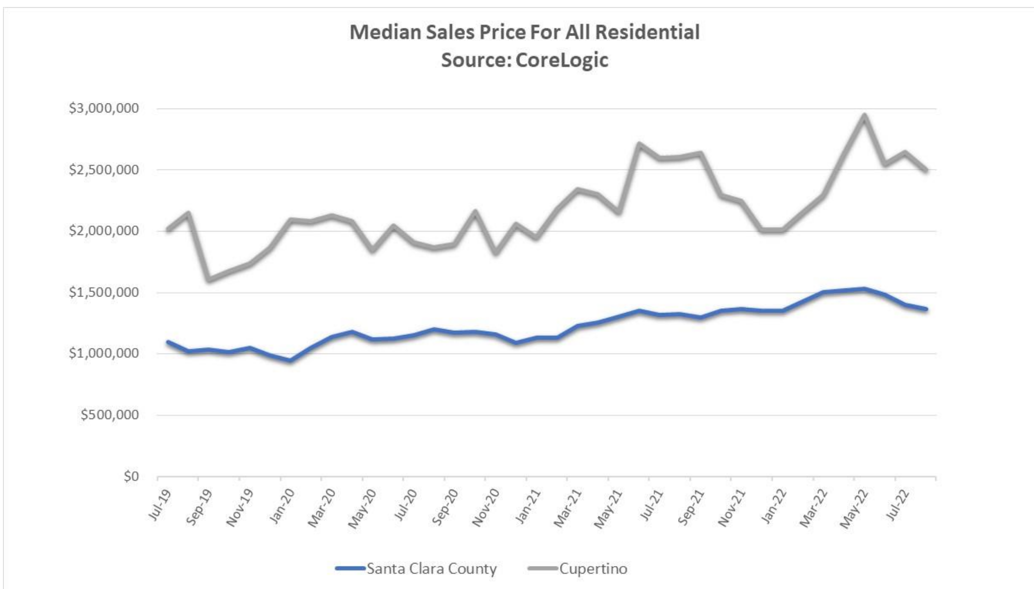
> environments allowed many renters to relocate to more affordable markets. The most expensive submarkets in the Silicon Valley were the hardest hit with greater occupancy loss and greater rent decline. However, as the economy recovered and businesses reopened, renter demand returned with employees once again needing to be near employment centers. Though a widespread return to the office has not materialized, most employers have adopted some form of a hybrid schedule, requiring employees to be in the office at least a few days of the week. Improvement in apartment market conditions began in 2021, and reached pre-pandemic levels by mid-2022, with positive net absorption, increasing rental rates and a decrease in overall vacancy. The sub markets most heavily impacted were also the ones with the greatest recovery. New development likewise remains very active; the Silicon Valley is the second most active of the Bay Area markets. following the East Bay (Oakland). The most desirable new projects are integrated into mixed-use, transit-oriented developments. Although activity has moderated from the most recent peak in 2018, it remains elevated with deliveries scheduled into 2024. The most active submarkets are Santa Clara, North Sunnyvale and Mountain View, which are proximate to good transit options.
>
> Sales activity slowed in the years prior to the pandemic due to a shortage of listings and, again in 2020 due to the economic uncertainty during the pandemic. As market conditions improved, investor interest grew to historic highs in the first half of 2022. While interest is expected to remain strong, it will likely moderate in response to the series of interest rate increases, especially in the second half of 2022, with potential for additional increases in 2023. Looking forward, recovery in the Silicon Valley apartment market will continue, though conditions may temper in the short term as a result of new inventory added to the market and the ongoing uncertainty with regard to remote and hybrid work options, which can directly impact apartment demand. However, the market remains a desirable place to live and sustained demand is expected in the near term.

IRR reports that apartment vacancy at the end of the fourth quarter 2022 in San Jose was 2.0 percent for Class B apartments. This is down from the 3.2 percent vacancy rate from fourth quarter 2021 and down from the 3.3 percent vacancy rate reported in fourth quarter 2020. Average asking rents are reported by IRR at $2,352 per month for Class B apartments in San Jose, which is a little higher than the $2,205 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 2022, unchanged from fourth quarter 2021 and fourth quarter 2020.

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 four percent and that over the next 36 months market rents will increase about 10.5 percent while values will increase between 1 percent and 1.9 percent.

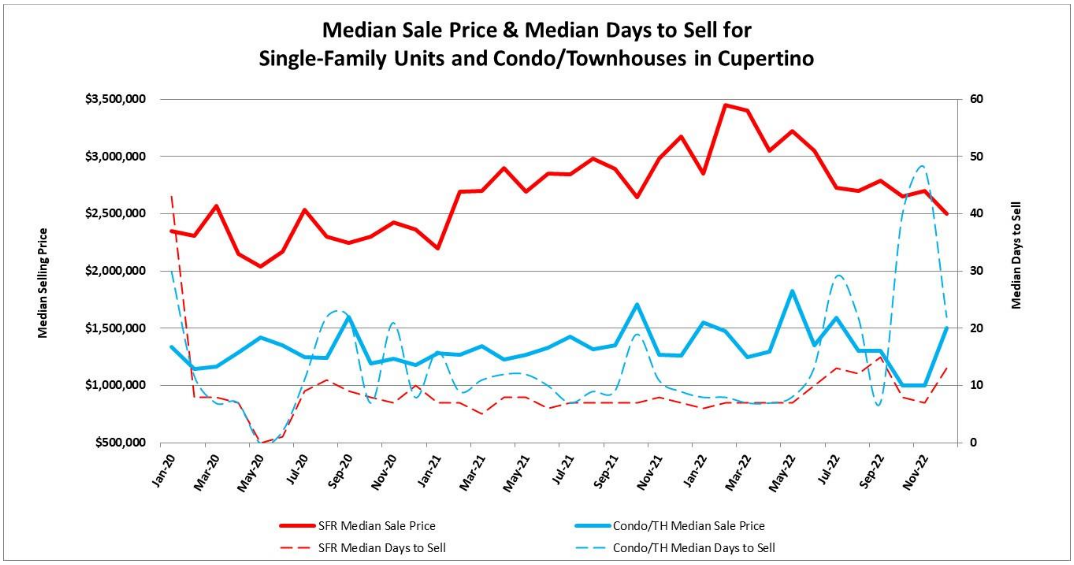
Local Single-Family Market

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, condominium, and townhouse), *including new construction*, in Cupertino and Santa Clara County through August 2022 (when they abruptly stopped publishing this report) and reported the following:



The data above indicates an overall upward trend beginning in 2020 for Santa Clara County and around the fourth quarter of 2019 for Cupertino. By the middle of 2022 median prices began to decline, which is in line with opinions of market participants. This coincided with rising mortgage rates.

The following table depicts the median price trend and median days to sell over the 36 months ending December 2022 for single family homes and common interest developments (townhouse/condos) in the City of Cupertino using closed sale data obtained by MLSlistings.com:



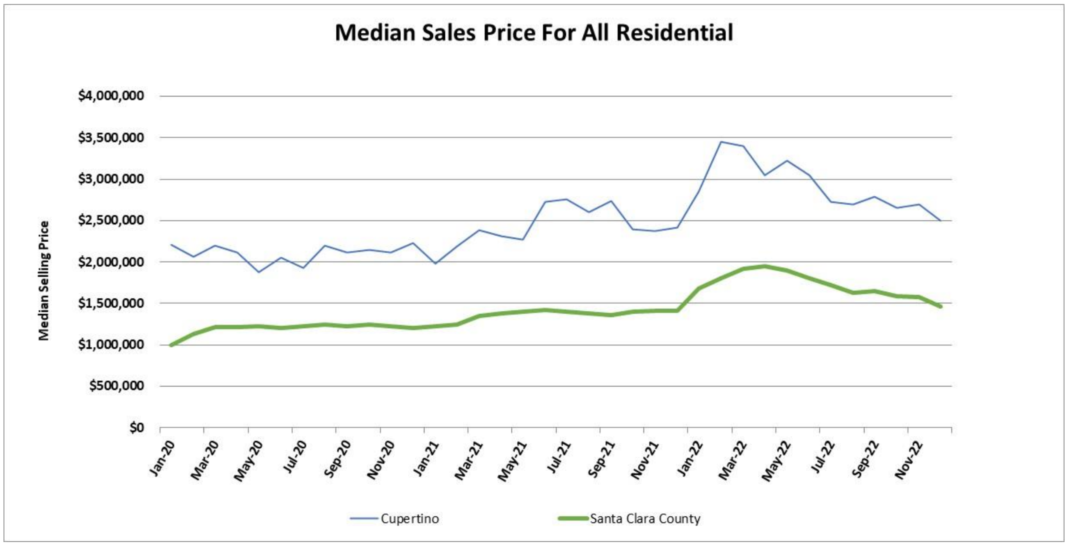
As shown above, market data derived from the local MLS shows that prices for both housing types were generally level in 2020, but starting in 2021 the median price for single-family units increased rapidly through the first quarter of 2022 while the median price for condominiums/townhouses remained mostly level through December 2022. The median price for single-family units decreased over the last three quarters of 2022.

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 beginning 2020 at elevated levels, the median days to sell declined during the early stages of the pandemic. This statistic normalized between mid-2020 and mid-2022 before showing greater volatility over the six months preceding the date of value; the oscillating trend for the condo/townhouses is indicative of few sales being tracked.

The following rates of change in median selling price was measured for each housing type over the two years preceding the date of value:

Housing Type	Area	December-2020	December-2021	December-2022	% Change per Month Last 12 Months	% Change per Month Last 2 Years
SFR	Cupertino	$2,359,000	$3,176,000	$2,942,500	-0.61%	1.03%
	Santa Clara County	$1,355,000	$1,676,900	$1,750,000	0.36%	1.21%
Condo & TH	Cupertino	$1,180,000	$1,262,500	$1,300,000	0.25%	0.42%
	Santa Clara County	$828,500	$920,000	$960,000	0.36%	0.66%
Source: Local MLS						

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 2020 using MLS statistics:



As the table above indicates, median selling prices were generally increasing from the start of 2020 through about December 2021. They then increased sharply for about four months in early 2022 before beginning a steady decline through the end of 2022, corroborating the CoreLogic data. Overall, the median selling price was only marginally higher in December 2022 compared to December 2021 in both Cupertino and Santa Clara County, per MLS statistics.

E. Conclusions

The economy fell into a recession at the onset of the pandemic in early 2020, 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. 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. Stability in the market continued for most of calendar year 2021 and the early part of 2022. As inflation worries began and as borrowing rates increased, the single-family residential market saw greater volatility and a decline in demand and median prices during the second half of 2022. Meanwhile, multifamily and the general commercial market generally remained stable while industrial values further increased in 2021 and 2022, though at a slower rate.

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. This trend continued into 2021 and 2022. By the end of 2022 several large tech companies began announcing major layoffs and it is expected that more office will become available as a result. For retail, vacancy ticked up slightly over the second half of 2021, but average asking rents were also higher at the end of the year. In 2022, retail vacancy rates and asking rents generally remained unchanged in the overall market, although the subject’s submarket showed increasing asking rents. 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 retail and office land sales used following of negative 0.50% per month from the start of April 2020 through 4Q-2020. Prices increased slightly during 2021 compared to the date of value and an upward adjustment at a rate of 0.50% per month during 2021 only was applied. Prices were generally stable during 2022 for (retail and office) commercial and did not warrant adjustment.

Over the past several years, industrial (and warehouse) market statistics indicated that rental rates were trending upwards, while vacancy rates have generally stabilized below three percent over the last eight quarters. Market participants opined that selling prices continue to increase, especially for large sites suitable for data centers or distribution warehouses. The R&D market has generally been stable over the several quarters with stable vacancy rates and increasing asking rents.

Based on increasing rents and prices, I concluded that competing industrial land prices were increasing at the rate of about 0.60% per month from the date of sale of each sale through January 1, 2023, 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.

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 indicate that single-family residential prices increased in 2021 and early 2022 before declining in mid-2022. The single-family residential market showed a steeper decline during the latter half of 2022 while the median prices for condominiums and townhouses increases between the end of 2021 and the end of 2022, and multifamily displayed stable vacancy rates and increasing asking rates at the end of 2022. 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 occurring between January 2020 and March 2021. No adjustments for changing market conditions are applied for the sales transacting between April and November 2021. Beginning in December 2021 and continuing through the third quarter of 2022, downward adjustments are warranted. No adjustments for market conditions were applied for any sale transacting in the fourth quarter of 2022 as they are considered reflective of market conditions as of the January 1, 2023 effective date of value.

IV. PROPERTY IDENTIFICATION AND DESCRIPTION

A. Hypothetical Parcel Site Description

It is a general assumption of this appraisal that each of the subject's hypothetical sites is a finished lot that is graded and level and with all utilities and services stubbed to the sites. Furthermore, each is vacant and ready for building improvement, each had typical neighborhood views, and each is 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 site
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 site 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 appraised sites are hypothetical and therefore are 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 will typically transact 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. From a physical standpoint, any of the legally permissible uses would be possible. The financial feasibility of each use is the primary determining factor of the highest and best use for each hypothetical site. As indicated in the market conditions section, most real estate types were generally experiencing increasing or stable prices and stabilizing vacancy rates in 2021, while 2022 was characterized by increasing prices in the first part of the year and declining prices in the latter half of the year for single-family residential, but generally stable prices for all other property types. Nonetheless, we discovered several sales in 2022 with the intended use of supporting new residential. This included both single-family lot sales and land subdivisions for future multifamily or single-family residential development. This is indication enough that despite lower median selling prices and increased interest rates, there is still demand for new residential uses in this market.

For the hypothetical commercial site, most retail and office projects continue to be on hold unless part of a mixed-use development, so construction would not likely be undertaken until these markets further improve, unless preleased or a build-to-suit is procured. There was evidence of large retail properties being demolished for new residential and retail mixed-uses. Furthermore, although the industrial market remains strong, new industrial uses seem unlikely given the high cost of land in Cupertino and the limited number of locations that could support such uses. Therefore, the highest and best use for the hypothetical commercial use would be

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

to hold for future development of a commercial building until the market improves, unless preleased or a build-to-suit.

The following highest and best uses are concluded based on the allowed use(s) of each of the three hypothetical subject sites and based on the overall market for each:

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

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 not proposed for development. 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. 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. The value of the land is estimated by comparing the hypothetical site with sales of properties considered similar and adjusting for various comparative differences. 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) a property that could be subdivided into two or more residential lots supporting two or more single- or multi- family units and 2) a site 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 2020 to 2022 was performed. The City provided a list of residential demolition permits and new residential permits from the period January 2020 through February 2023 as an aid in discovering potential lots that had sold, including tear-downs where the sale price was reflective of land value. Based on this information and the sales revealed through our databases, there were about 70 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, 66 fell within the range of about 5,000 to 14,000 square feet of land area. The remaining sales were hillside lots which are not representative of a typical single family residential development site in Cupertino, or they were potential tear-downs where the existing improvements still contributed some value. As such, these other sales were concluded not relevant to this analysis.

The 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 5,000 square feet to 13,831 square feet, with an average of 8,160 square feet and a median of 8,081 square feet. These 66 sale transactions indicate an unadjusted price range from $1,350,000 to $2,900,000 and reflect the following indicators:

Single Lot Residential Land Sales Data Summary		
Sample Size	66 Sales	
	Property Size (SF)	Unadjusted Sale Price/SF of Land
Low	5,000	$136
High	13,831	$380
Average	8,081	$257
Weighted Average	**-**	**$248**
Median	**8,603**	**$254**

Adjustments were applied to the sale transactions to reflect comparative differences with the hypothetical subject site. Sales represented a mix of corner lots, interior lots, cul-de-sac lots, and lots along high and low traffic streets.

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. Sales occurring between January 2020 and March 2021 were adjusted upward based on increasing market conditions. No adjustments for market conditions were applied for the sales transacting between April and November 2021. Beginning in December 2021 and continuing through the third quarter of 2022, downward adjustments are warranted. No adjustments for market conditions were applied for the sales transacting in fourth quarter 2022 as they are considered reflective of market conditions as of the January 1, 2023 effective date of value.

Based on the median lot size of about 8,600 square feet, rounded, sales that differed by more than 1,000 square feet of this median were adjusted for size.

The only utility adjustment concluded was for the few long and narrow lots which were adjusted upward for their inferior utility or for the lots that backed to creeks, which effectively reduced the overall usable area.

Following the adjustments, the sales adjusted to a narrower range of about $195 to $330 per square foot of land area with an average adjusted unit value of $250 per square foot of land area and a median adjusted unit value of $253 per square foot of land area. Further, 55 of the 66 sales reflect an even narrower adjusted range from $225 to $285 per square foot of land area. The eighteen sales from 2022 indicated an adjusted median unit value of $249 per square foot of land area.

Based on my analysis, I conclude to a unit value of **$250 per square foot** of land area for single-family residential land in Cupertino.

B. Residential Subdivision Land Sales Discussion

This category of sales includes all parcels of land for which more than one residential unit would be permitted i.e., subdivision land. Within Cupertino I discovered seven sales that occurred between 2020 and the end of 2022 that were selected as appropriate for this analysis. To include more data points, the search parameters were expanded to include west San Jose neighborhoods and the cities of Campbell, Mountain View, Santa Clara, Saratoga, and Sunnyvale. Eight 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 0.97 acres, or 42,323 square feet, and the weighted average density was 18.4 dwelling units per acre.

Before adjustment, the residential subdivision sales indicated a median unadjusted price per unit (or price per lot) of $811,364, while the unadjusted weighted average was $464,315 per unit/lot. However, the price per unit/lot indicator also indicated a wide range from about $233,000 to $2,050,000 per unit/lot due to the wide range of densities. 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	**15 Sales**	
	Property Size (SF)	**Unadjusted Sale Price/SF of Land**
Low	14,118	$114
High	514,400	$351
Average	127,308	$170
Weighted Average	**-**	**$197**
Median	**42,323**	**$142**

Adjustments are applied to the residential subdivision land sales for changing market conditions, location, size, density, utility, and entitlement status. Adjustments for differences in location are primarily based on a comparison of median selling prices.

As shown on the table, the median site size is 43,323 square feet while the average is 127,308 square feet. Size adjustments are 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 18.4 dwelling units per acre. Among just the Cupertino sales, the average density is about 10.4 dwelling units per acre while the weighted average density of the Cupertino sales is 13.2 dwelling units per acre. Density adjustments are applied to the sales by comparing the hypothetical subject parcel as if it has a density of about 13 dwelling units per acre to be consistent with the typical development density occurring in Cupertino.

Development utility adjustments are considered for any sale that had atypical shape, frontage, and/or topography. The only other adjustment warranted is for entitlements. Sales with approved entitlements or that sold subject to entitlement approvals sell at a premium compared to unentitled properties, and appropriate adjustments are applied.

Following the adjustments outlined above, the adjusted unit values range from about $137 to $210 per square foot of land area with a median adjusted unit value of $163 per square foot of land area and an average adjusted unit value of $171 per square foot of land area.

I conclude to a unit value of **$165 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 is 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 16,225 records. These were broken down between detached single-family units (SFR) and everything else as follows:

Housing Type	# of Records	% of Total
SFR	12,162	74.96%
Res Condo/TH/PUD/Apt	4,063	25.04%
Total	**16,225**	**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		74.96%	=	$187.40
Subdivision Lots	$165		25.04%	=	$41.32
			Total Unit Value		**$228.71**
			Total Unit Value (Rounded)		**$230.00**

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, 2023, is:

TWO HUNDRED THIRTY DOLLARS PER SQUARE FOOT

($230 per square foot)

VI. MARKET VALUE OF A TYPICAL COMMERCIAL DEVELOPMENT SITE

The market value of the typical commercial development site 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 is inclusive of mixed-use and industrial sales.

A search for sales of properties throughout Cupertino and nearby cities which were intended for commercial, industrial, and mixed-use development and that closed escrow between 2020 and 2022 was performed. The relevant sales discovered are displayed in a table titled Commercial Land Sales Summary Table, which is displayed as an Addendum. 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	**18 Sales**	
	Property Size (SF)	**Unadjusted Sale Price/SF of Land**
Low	5,760	$110
High	262,887	$260
Average	70,661	$170
Weighted Average	**-**	**$170**
Median	**47,662**	**$150**

Differences for location are 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 over one acre, at 47,662 square feet, while the average is 70,661 square feet. Size adjustments are based on a hypothetical 1.1-acre site, which is about the middle of the range of the typical development site selling in this market. Only the very largest and the very smallest sales are concluded to warrant adjustment for size.

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

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

After the adjustments discussed above the sales adjusted to a narrower range of about $130 to $190 per square foot of land area. The average adjusted unit value is $155 per square foot of land area while the median adjusted unit value is $157 per square foot.

After the analysis above and giving greater weight to the sales from Cupertino, a unit value of **$160 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, 2023, is:

ONE HUNDRED SIXTY DOLLARS PER SQUARE FOOT

($160 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 based on land use is 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 is as follows:

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

Note the data above does not include the following General Plan 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 use areas shown in the above table.

After applying the corresponding weighted average to each respective 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%	$230	$184.62
Commercial	19.73%	$160	$31.57
			$216.19
		Rounded	**$215.00**

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 (that is comprehensive and inclusive of all Cupertino land types), as of January 1, 2023, is:

TWO HUNDRED FIFTEEN DOLLARS PER SQUARE FOOT

($215 per Square Foot)

ADDENDA

Table 1

Single Lot Residential Land Sales Summary Table
Cupertino Parkland In Lieu Fee Study
Date of Value - January 1, 2023

Location	COE Date	Sale Price	Lot Size (Sq. Ft.)	Price/SF Land Area	Grantor/Grantee Document #
10325 Cherry Tree Lane Cupertino APN: 316-33-056	12/30/2022	$1,900,000	7,609	**$250**	Paul T & Margareta G Roth Living Trust Ramalingam Rajkumar & Priya Rajkumar #25421466
10589 Gascoigne Dr Cupertino APN: 375-28-011	12/28/2022	$1,795,000	6,149	**$292**	McKenzie Family Trust Jianjun Zhai #25420328
18831 Barnhart Avenue Cupertino APN: 375-16-053	12/8/2022	$1,700,000	5,355	**$317**	H B & R D Martinez Recovable Living Tr Wenjing Dong #25413189
19841 La Mar Dr Cupertino APN: 369-10-031	11/15/2022	$1,750,000	6,300	**$278**	Ranney Family Revocable Trust Tjh Re Properties III LLC #25400144
21590 Grand Ave Cupertino APN: 326-25-005	10/12/2022	$1,775,000	5,400	**$329**	Perez Family Trust Jingqiang Ding & Qiao Zhang #25385159
18980 Newsom Ave Cupertino APN: 375-35-015	9/30/2022	$1,471,500	5,630	**$261**	Jennifer Porterlong Heintz 2021 Living Trust Liping Zhang #25380233
22079 San Fernando Ct Cupertino APN: 357-12-008	9/6/2022	$2,500,000	11,820	**$212**	Diane Beem Lingyun Meng #25368257
10552 Gascoigne Dr Cupertino APN: 375-23-007	8/25/2022	$1,725,000	5,260	**$328**	Paul Higham & Marion MacKinnon Trust Grand Success LLC #25363591
21102 Lavina Ct Cupertino APN: 326-08-025	8/1/2022	$2,500,000	11,347	**$220**	Jane Kuei Chen Liu Bypass Trust Balasubramanian Santhanagopal et al. #25351207
10481 N Stelling Rd Cupertino APN: 326-28-088	7/26/2022	$2,125,000	9,375	**$227**	Sai Global Mission Sorrento Mesa Medical Group PC #25341374
10080 Judy Avenue Cupertino APN: 375-11-011	7/25/2022	$2,500,000	9,375	**$267**	Lorenzen Family Trust Kwan Living Trust #25340574
10567 John Way Cupertino APN: 359-19-005	7/11/2022	$2,650,000	9,044	**$293**	Sandra L McConnell Sf21a LLC #25333722
10300 Stern Ave Cupertino APN: 375-14-034	4/8/2022	$1,900,000	5,000	**$380**	Ray 1990 Family Trust Sf21g LLC #25278892
10755 Minette Dr Cupertino APN: 375-32-049	3/14/2022	$2,025,000	5,714	**$354**	Chi-Gen & Chu-Ching Hsin Lee Family Trust Sf21g LLC #25259981
10467 Glencoe Drive Cupertino APN: 326-30-106	2/1/2022	$2,900,000	9,375	**$309**	Robert Theodore Damask Jianjun Zhai & Li Wei #25231223
19161 Tilson Avenue Cupertino APN: 375-08-029	1/28/2022	$2,510,000	10,219	**$246**	Stella Valdez Family Trust Tilson Sterling Homes LLC #25228832
10526 Sterling Blvd Cupertino APN: 375-23-034	1/5/2022	$2,001,000	9,330	**$214**	Patricia Louise Bustamante Pristine Sterling Homes LLC #25212675
10682 Flora Vista Cupertino APN: 326-08-042	1/5/2022	$2,745,500	9,680	**$284**	Uday B Koppikar Recovable Trust Sf21a LLC #25212630

Table 1 (continued)

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
10542 Sterling Blvd Cupertino APN: 375-23-032	10/28/2021	$1,900,000	9,431	**$201**	Lundquist Family Trust Sterling Realty LLC #25147324
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
7480 De La Farge Dr Cupertino APN: 359-26-037	7/1/2021	$1,900,000	6,165	**$308**	Marc L Thibert SF21G LLC #25016072
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
10667 Wunderlich Dr Cupertino APN: 375-31-049	4/23/2021	$1,750,000	6,449	**$271**	Wesolowski Trust 10671 Johnson Investment LLC #24933382
10827 Minette Dr Cupertino APN: 375-32-057	4/19/2021	$1,852,000	6,300	**$294**	Recupero Family Trust Jianping & Anil Wu #24925731
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
10279 S Tantau Avenue Cupertino APN: 375-08-006	3/2/2021	$2,100,000	9,375	**$224**	Shawn E & Lori L Kimball Homeland Global LLC #24855630
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
10621 Tuggle Place Cupertino APN: 375-34-065	1/22/2021	$2,200,000	8,900	**$247**	Hari & Rekha Gopinathan Arora Jatin Darshan Trustee et al. #24796489
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

Source: Carneghi-Nakasako & Associates, March 2023
2023CNA102

Table 2

Residential Subdivision Land Sales Summary Table
Cupertino Parkland In Lieu Fee Study
Date of Value - January 1, 2023

#	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	1175 Aster Ave Sunnyvale APN: 213-01-040 & -041	$98,500,000 10/21/2022	514,400 SF 11.81 Ac. MXD3	Entitled 329 DU 27.9 DU/Ac.	**$191**	**$299,392**	JJ&W LLC Aster-Sunnyvale LP #25389940	Sale of entitled project with 189 condos and 140 THs. Part of larger project that includes 741 residential units and 1,500 SF of ground floor retail space on 16.82 acres (44 du/ac).
2	20865 McClellan Rd Cupertino APN: 359-13-019	$6,015,000 8/31/2022	42,323 SF 0.97 Ac. R1-10	Unentitled 4 DU 4.1 DU/Ac.	**$142**	**$1,503,750**	Santina M Disalvo Trust 20865 McClellan LLC #25366098	Note sellers will allow for extended escrow 12 to 14 months for a developer to secure the entitlements on the property to build 4 to 5 Single Family Homes. Also, sellers want to see a $2 million per SFR home site approved by Cupertino PlanningDept. in a contract addendum
3	1957 Pruneridge Avenue Santa Clara APN: 303-03-025	$12,250,000 8/1/2022	107,516 SF 2.468 Ac. B	Unentitled 22 DU 8.9 DU/Ac.	**$114**	**$556,818**	Episcopal Church in the Diocese of ECR Santa Clara De Asis, LLC #25351419	The proposal is to construct 19 detached two-story homes with attached accessory dwelling unit and three car garages, and 3 detached two-story homes with detached two-car garages on a 2.47-acre property that is currently developed with a church use.
4	Hanson Avenue San Jose APN: 303-41-018	$1,800,000 6/27/2022	15,120 SF 0.347 Ac. R1-8	Unentitled *3 DU* 8.6 DU/Ac.	**$119**	**$600,000**	Rroca Llc Bakhtiari Family Trust et al. #25326305	Sale of a vacant flag shaped lot with possible 3 or 4-unit subdivision.
5	773 Cuesta Dr Mountain View APN: 193-22-003	$7,480,000 5/20/2022	30,307 SF 0.696 Ac. R1	Entitled 4 DU 5.7 DU/Ac.	**$247**	**$1,870,000**	773 Cuesta LLC GLZ 08 LLC #25306634	Sale of a lot with entitlements for 4 SFR's.
6	21255 Stevens Creek Blvd Cupertino APN: 326-27-042 & 326-27-043 (portion)	$71,400,000 12/29/2021	203,301 SF 4.667 Comm./Res./Heart of the	Entitled 88 DU 18.9 DU/Ac.	**$351**	**$811,364**	KT Urban, Inc. VPTM Westport LB LLC #25207367	Fully entitled site for 88 market rate townhomes
7	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.
8	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
9	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
10	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
11	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
12	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
13	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
14	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
15	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
		Average **$16,684,387**	**Average** **127,308 SF** **2.92 Ac.**	**Weighted Average** 18.4 DU/Ac.	**Weighted Average** **$197**	**Weighted Average** **$464,315**		
			Median **42,323 SF** **0.97 Ac.**		**Median** **$142**	**Median** **$811,364**		

Source: Carneghi-Nakasako & Associates, March 2023
2023CNA102

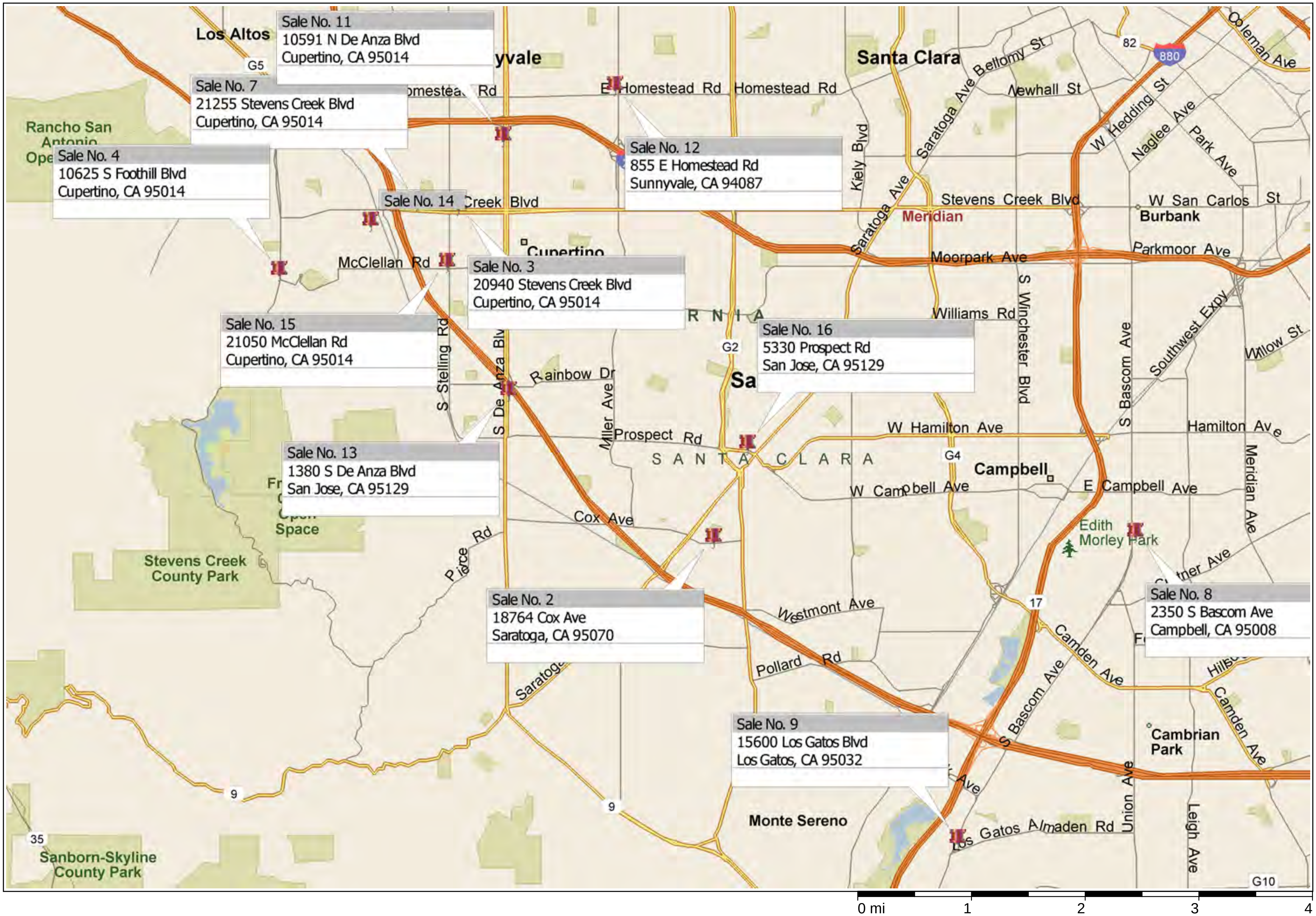
Residential Subdivision Land Sales Map

Table 3

Commercial Land Sales Summary Table
Cupertino Parkland In Lieu Fee Study
Date of Value - January 1, 2023

No.	Location	COE Date	Sale Price	Lot Size (SF/Ac)	General Plan/ Zoning	Price/SF Land Area	Grantor/ Grantee/ Document #
1	1950 Leghorn St Mountain View APN: 153-01-013	11/7/2022	$3,350,000	21,000 0.482	General Industrial MM-40 Unentitled	**$160**	LMTNV LLC LifeMoves #25396771
2	18764-18850 Cox Ave Saratoga APN: 389-12-019	9/1/2022	$54,750,000	262,887 6.035	Commercial Retail C-N Entitled	**$208**	SHP Quito Village LLC Pulte Home Company LLC #25367478
3	20940 Stevens Creek Blvd Cupertino APN: 359-07-022	5/13/2022	$800,000	6,598 0.151	Comm./Off./Res. Planned (CG, Res.)/Heart of the City Unentitled	**$121**	Lin Ching-Chen Andrew Lee #25302915
4	10625 S Foothill Blvd Cupertino APN: 342-16-087	2/24/2022	$15,500,000	60,374 1.386	Commercial/Residential P (CG) Entitled	**$257**	SCR Enterprises LLC Canyon Crossings LLC #25246703
5	327 E Weddell Dr Sunnyvale APN: 110-13-071	2/24/2022	$7,000,000	49,487 1.136	Industrial M-S Unentitled	**$141**	Peter & Linda Hurwicz Prologis, LP #25246489
6	102-174 East Fremont Ave Sunnyvale APN: 309-01-002 & -006	2/2/2022	$27,475,000	199,505 4.580	Village Mixed Use C1/PD Entitled	**$138**	Fremont Corners Inc et al. Sunnyvale Fremont Corners LLC #25232619 & #25232620
7	21255 Stevens Creek Blvd Cupertino APN: 326-27-043 (portion)	1/5/2022	$23,386,500	110,948 2.547	Comm./Res./Heart of the City Mixed Use Planned Dev. (General Comm., Res.) Entitled	**$211**	KT Urban, Inc. Cupertino SCB PropCo LLC #25211665
8	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
9	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
10	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
11	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
12	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 Unentitled	**$130**	Sunby Living Trust SST Investments LLC #24998730
13	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
14	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
15	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
16	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
17	581-583 East Fremont Ave Sunnyvale APN: 211-31- (018 & 019)	2/7/2020	$15,000,000	100,885 2.316	Public Facilities Public Facility Entitled	**$149**	St Johns Evangelical Lutheran Sunrise of Cupertino Propco LLC #24400029
18	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
			Average $12,043,361	**Average 70,661 SF 1.62 Ac.**		**Weighted Average $170**	
				Median 47,662 SF 1.09 Ac.		**Median $150**	

Commercial Land Sales Map 1



Commercial Land Sales Map 2

Qualifications of Matt Watson, MAI

CARNEGHI-NAKASAKO + ASSOCIATES

Senior Appraiser

California Certified General Real Estate Appraiser No. AG040050

1600 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 more than twenty years in the broader San Francisco Bay Area. 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-one 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.

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 (No. 464083)**
- **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

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 – January 2023