

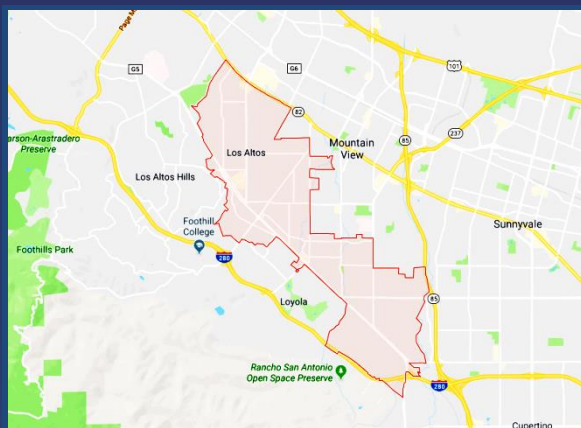


Valbridge
PROPERTY ADVISORS

Appraisal Report

Unentitled Residential Land
Los Altos, Santa Clara County, California 94022

Report Date: February 16, 2021



FOR:

City of Los Altos
Mr. Dave Brees
1 North San Antonio Road
Los Altos, CA 94022

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February 16, 2021

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Mr. Dave Brees
City of Los Altos
1 North San Antonio Road
Los Altos, CA 94022

RE: Appraisal Report
Unentitled Residential Land
Los Altos, Santa Clara County, California 94022

Dear Mr. Brees:

In accordance with your request, we have provided appraisal consulting services regarding the range of current land values for unentitled land located in Los Altos for residential development. Our research and analysis is presented in this report. The attached report sets forth the most pertinent data gathered and our analysis.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The purpose of this assignment is to develop an opinion of the range in market value of residential land in Los Altos. The land value range is provided on a per square foot unit value for the land. We are providing a range of values; the values are based on a site that is physically vacant and ready for development.

Unentitled residential land values are dependent on a variety of factors and are specific to individual properties. The range of values reported in this appraisal are not specific to any single piece of property in Los Altos but rather reflect a range of values expected for land purchased in Los Altos that has residential development potential. The actual value for any specific property is dependent on factors such as the ease in which entitlements can be obtained, its location, school district, size, likely development density, etc. The values reported herein bracket a variety of these factors, as reflected in the current market.

The client in this assignment is City of Los Altos and the intended user of this report is the City of Los Altos and no others. The sole intended use is for setting a park-in-lieu fee. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- None

Hypothetical Conditions:

- None

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusion

Component	Unentitled - As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	February 1, 2021
Value Range- Single Family Residential	\$150-\$200 psf
Value Range- Multi Family Residential	\$310-\$370 psf

The above range reflects the value of most vacant, unentitled residential land sites within Los Altos. Most land purchased in Los Altos is for condominium and mixed-use development. The adjusted range for such land is between \$310 to \$370 per square foot, while for single family residential land the value is much lower, between \$150 and \$200 per square foot of site area.

Respectfully submitted,
Valbridge Property Advisors | Northern California



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Introduction

Client and Intended Users of the Appraisal

The client in this assignment is the City of Los Altos and the sole intended user of this report is the City of Los Altos and no others.

Intended Use of the Appraisal

The sole intended use of this report is for setting a park-in-lieu fee.

Type and Definition of Value

The appraisal problem is to develop an opinion of the range in market value for land located in Los Altos. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."*¹

The value conclusions apply to the value of residential land under the market conditions presumed on the effective date of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Date of Report

The date of this report is February 16, 2021.

¹ *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Appraisal Institute, 2015), 141

Special Note

Unentitled residential land values are dependent on a variety of factors and are specific to individual properties. The range of values reported in this report are not specific to any single piece of property in Los Altos but rather reflect a range of values expected for land purchased in Los Altos that has residential development potential. The actual value for any specific property is dependent on factors such as the ease in which entitlements can be obtained, its location, school district, size, likely development density, etc. The values reported herein bracket a variety of these factors, as reflected in the current market.

List of Items Requested but Not Provided

- None

Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

Extraordinary Assumptions

- None

Hypothetical Conditions

- None

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the type and extent of data researched, (3) the type and extent of analysis applied, and (4) the type of appraisal report prepared. These items are discussed as below.

Type and Extent of Data Researched

In preparation for this report, we reviewed the residential zoning designations in the city of Los Altos, as well as the application of the park in-lieu fee. We researched and analyzed regional and local economic trends, and analyzed and reported market trends relevant to Los Altos. Land sales that were purchased for residential development, located in and around Los Altos, were researched and analyzed. Adjustments were made to these sales to reflect factors such as entitlements and current market conditions, so that a current range of values for unentitled land could be concluded. These sales formed the basis for the opinions concluded in this report. The scope of work also included preparation of this report.

Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Type and Extent of Analysis Applied (Valuation Methodology)

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. When appraising land, one or more of the approaches below are used.

- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Direct Capitalization: Land Residual Method - The land residual methodology involves estimating the residual net income to the land by deducting from total potential income the portion attributable to the improvements, assuming development of the site at its highest and best use. The residual income is capitalized at an appropriate rate, resulting in an indication of land value.
- Direct Capitalization: Ground Rent Capitalization - A market derived capitalization rate is applied to the net income resulting from a ground lease. This can represent the leased fee or fee simple interest, depending on whether the income potential is reflective of a lease in place or market rental rates.
- Yield Capitalization: Subdivision Development Method - Also known as Discounted Cash Flow Analysis (DCF), the methodology is most appropriate for land having multiple lot development in the near term as the highest and best use. The current site value is represented by discounting the anticipated cash flow to a present value, taking into consideration all necessary

costs of development, maintenance, administration, and sales throughout the absorption period.

We assessed the availability of data and applicability of each approach to value within the context of the characteristics of this valuation assignment and the needs and requirements of the client. Based on this assessment, we relied upon the sales comparison approach. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Population

Area	2010	Estimated 2020	Annual %	Projected 2025	Annual %
			Change 2010 - 20		Change 2020 - 25
United States	308,745,538	333,793,107	0.8%	346,021,282	0.7%
California	37,253,956	39,648,525	0.6%	40,742,448	0.6%
Santa Clara County	1,781,642	1,920,646	0.8%	1,984,503	0.7%
Los Altos	29,001	30,523	0.5%	31,052	0.3%

Source: Site-to-Do-Business (STDB Online)

Transportation

Excellent transportation routes and linkages to all major cities within the region and throughout the state are primary reasons for the advancement of business activity in the Bay Area, including Santa Clara County.



Air service in the area is provided by Norman Y. Mineta San Jose International Airport, which accommodated more than 15 million passengers from April 2019 to March 2020. San Francisco and Oakland airports are also within an hour's drive from most portions of the county. In 2010, San Jose International Airport completed the first phase of a two-phase expansion with the goal of increasing service to 17.3 million travelers a year, at a cost of \$1.3 billion. Planning for the second phase, nine additional gates and a new concourse extension at the south end of Terminal B, began early in 2018.

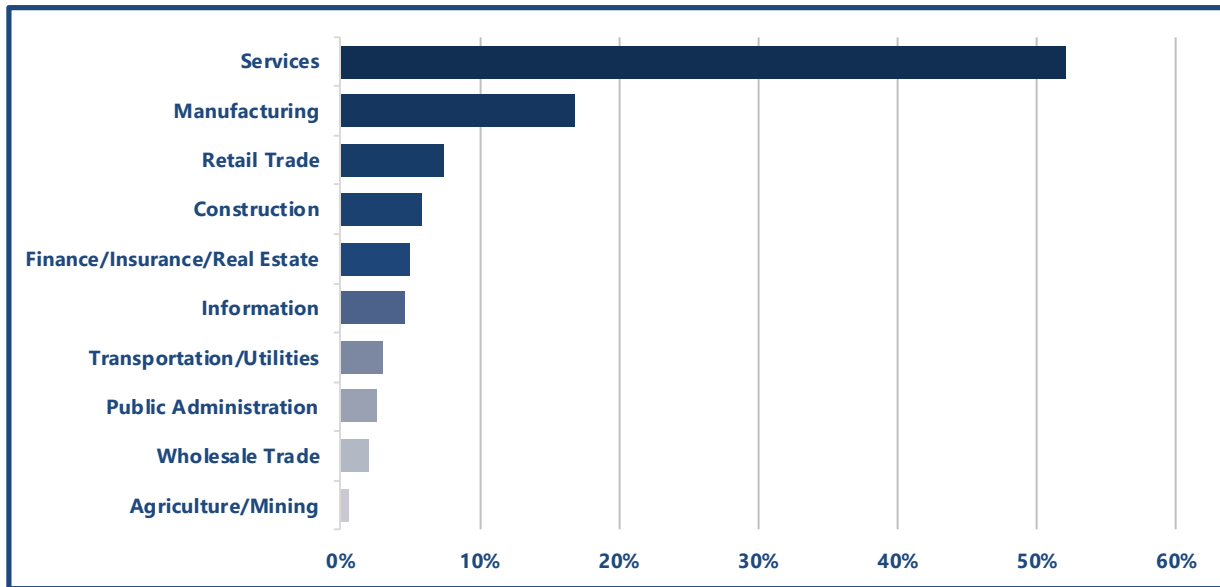
The area has a well-developed freeway system although traffic congestion is unquestionably one of the negative aspects. The county's transportation network also includes multiple expressways, which provide streamlined access to most interior locations. Lawrence Expressway, San Tomas Expressway and Foothill Expressway run north-south, while Central Expressway and Montague Expressway run roughly east-west.

Employment

High-technology employment and a skilled workforce translate into relatively high-income levels, and Santa Clara County is one of the most affluent metropolitan regions in the nation. Silicon Valley's economy is stable, although its narrow range of driving industries has kept recent growth very slow.

Significant employment sectors within Santa Clara County include manufacturing; professional, scientific, and technical services; health care; retail; and educational services. Some of the largest employers are associated with the computer industry such as Adobe, Apple, AMD, and Hewlett-Packard; hospitals such as the VA Medical Center, Kaiser Permanente, and the San Jose Medical Center;

space and aerotech including NASA and Lockheed Martin; and educational facilities such as San Jose State University and Stanford University School of Medicine.



Source: Site-to-Do-Business (STDB Online)

Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 5.1% as of November 2020 (most recent available). The State of California was at 8.2% while the nation was at 6.7% for the same period.

Unemployment rates locally and nationwide had been on a decreasing trend over the last several years and more recently have increased as a result of the coronavirus pandemic and the efforts in place to contain it; these trends are shown in the following table. During the COVID-19 crisis, California experienced one of the largest employment declines in the country, with a loss of 2.3 million jobs.²

Unemployment Rates

Area	2015	2016	2017	2018	2019	Nov-20
United States	6.7%	4.7%	4.1%	3.9%	3.5%	6.7%
California	5.7%	5.3%	4.4%	4.3%	3.9%	8.2%
Santa Clara County	3.7%	3.4%	2.7%	2.5%	2.2%	5.1%
Los Altos	2.4%	3.1%	2.7%	2.3%	2.0%	3.4%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

National Economic Overview

In April 2020, UCLA Anderson revised its earlier economic forecast, reporting that the U.S. economy had entered a recession, effectively ending the expansion that began in July 2009. Their June forecast was rather bleak, stating that the national economy had fallen into a “depression-like” crisis and would

² “Jobless Rate Rose in All 50 States in April, Labor Department Says,” *Wall Street Journal*, May 22, 2020.

not rebound for a while. By September, the forecast shifted toward a “cautiously optimistic” outlook, as result of reopening of businesses, adaptation to e-commerce and social distancing, unprecedented funding by the Federal Reserve, and the fiscal stimulus approved at the recession’s onset.

Their December forecast calls for “a gloomy COVID winter,” as the anticipated economic recovery is dependent on a widespread administration of an effective vaccine. According to senior economist Leo Feler, the national economic forecast is for two more quarters of slower growth, at 1.2% for the Fourth Quarter (Q4) of 2020 and at 1.8% for Q1-2021, before a robust GDP growth at 6.0% in Q2-2021, followed by a consistent 3.0% growth each quarter thereafter into 2023. Implicit within the forecast is that the vaccine would foster a “strong surge” in consumption; this coupled with a continued strength in the housing markets will thrust the economy forward. It is anticipated that housing markets will remain strong through at least 2023.

Even with the national economy poised for recovery by the second half of 2021, Feler expects a modest inflation rate, between 2.1% to 2.2% per year. In addition, unemployment is expected to improve “only gradually,” with the rate hovering above 5% through 2021, before decreasing to 4% by 2023. Feler also acknowledges that as the economy adjusts to a “new normal,” post-pandemic recovery, some parts of the economy remain uncertain as more people continue to telecommute and purchase goods through e-commerce portals, and that some areas of the economy may never recover.

For now, the focus remains on how to make it through to the Spring 2021 recovery. Even with the promise of a mass vaccination by mid-2021, Feler writes, “These next few months will be dire, with rising COVID-19 infections, continued physical distancing, and the expiration of social assistance programs. Additional timely fiscal relief would prevent unnecessary hardship and allow the economy to maintain the structural relationships that will help us recover more quickly once vaccines become widely available.”

Economic Relief Packages

Since March 2020, Congress has passed several economic-relief packages which are expected to inject up to \$5 trillion into the national economy. The “Coronavirus Aid, Relief, and Economic Security” (CARES) Act, a \$2.2 trillion stimulus package, was signed into law on March 27, 2020.

Key components of the CARES Act include: (1) a one-time payment of \$1,200 per individual, and an additional \$500 per child, with certain income requirements; (2) an extended unemployment insurance program which expands eligibility and offers applicants an additional \$600 per week for four months, in addition to local State programs; (3) a “Payroll Protection Program” (PPP) available to qualifying small businesses to provide funds for up to eight weeks of payroll costs, interests on mortgages, rent, and utilities, with the caveat that borrowers must use 75% of the loan for payroll expenses.

On May 15, 2020, the House of Representatives passed the “Health and Economic Recovery Omnibus Emergency Solutions” (HEROES) Act. The legislation as proposed consists of the following: (1) a second round of relief payments to individuals; (2) an extension of the weekly \$600 booster to all eligible unemployed workers until the end of January 2021; (3) an allocation of \$875 million for state and local governments, earmarked for hazard pay for certain essential workers, child and family care assistance for essential workers, funding for COVID-19 testing, and rental assistance – among others.

On December 21, 2020, Congress approved a \$900 billion COVID-relief plan, including a \$600 stimulus payment per individual, and an additional \$600 per child – again with income requirements. The relief bill also included an extension of unemployment insurance, with an additional federal unemployment insurance bonus of \$300 per week; \$284 billion in available loans to business owners; \$51 billion allocated towards testing and vaccine distribution funds; and \$82 billion in funding for colleges and schools. The bill also included \$25 billion in rental assistance, along with a one-month extension on the eviction moratorium. The bill was signed by the President on December 27, 2020. Although the President signed the relief bill, an increase to the stimulus payment is being discussed.

Federal Funds Rate

To maximize employment and stabilize inflation, the Federal Reserve Bank raised the federal funds rate nine times from 2015, when interest rates were almost zero, to 2018. The table to the right summarizes the previous rate changes occurring over the past several years.

The Fed initially lowered the target range for the federal funds rate this year on March 3, 2020 in response to the recession. Then in an emergency action to revive the economy during the pandemic, the Federal Reserve Bank cut rates again by 100 basis points on March 15, 2020.

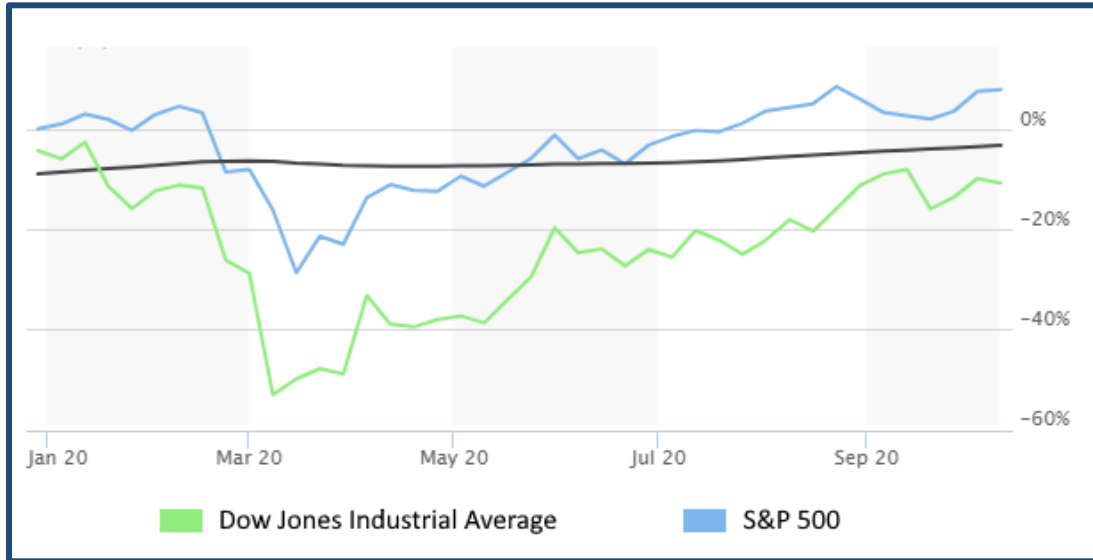
At their April 29, 2020 policy meeting, the Federal Reserve decided to hold the funds rate at near zero until inflation reaches a targeted rate of 2% and the national unemployment rate returns to pre-pandemic levels. In June, they projected interest rates staying near zero through 2022.

On Monday, March 16, 2020 the US stock market

tumbled, with the Dow dropping almost 13%, closing at its lowest level since May 2017, and the S&P 500 dropping 12%, its worst day since 1987. However, the markets have quickly rebounded with the Dow and S&P 500 approaching pre-pandemic levels in October as shown in the following graph.

Federal Funds Rate

Date	Target Range (%)	Basis Point Change
Dec-15	0.25% - 0.50%	+25
Dec-16	0.50% - 0.75%	+25
Mar-17	0.75% - 1.00%	+25
Jun-17	1.00% - 1.25%	+25
Dec-17	1.25% - 1.50%	+25
Mar-18	1.50% - 1.75%	+25
Jun-18	1.75% - 2.00%	+25
Sep-18	2.00% - 2.25%	+25
Dec-18	2.25% - 2.50%	+25
Aug-19	2.00% - 2.25%	-25
Sep-19	1.75% - 2.00%	-25
Oct-19	1.50% - 1.75%	-25
Mar-20	1.00% - 1.25%	-50
Mar-20	0.00% - 0.25%	-100
Apr-20	0.00% - 0.25%	0



Source: MarketWatch

After the December 2020 meeting, Federal Reserve Chair Jerome Powell reveals he is hopeful that the economy should perform better again in 2021. He is anticipating revisions to a more positive outlook. Key factors include the distribution of the COVID-19 vaccinations and US fiscal policies to complement the continued low-interest rate and asset purchase policies by global central banks.

The California Forecast

The statewide economic recovery is expected to follow the national trajectory, according to the latest UCLA Anderson forecast. As of the date of the forecast, the statewide unemployment rate was higher than the national level, and it is influenced by a loss of international tourism and tighter restrictions on businesses than in many other parts of the country.

As expected, the leisure and hospitality industries have struggled, and are anticipated to remain at rates 20% below the January 2020 peak level – even through 2023. The high-technology industry, however, remains strong. Santa Clara County, for instance, boasts the nation’s largest technology workforce with 349,000. Although growth in this field is expected to continue, the pace will be influenced by whether or how quickly the workforce returns to the office.

The residential market suffered a substantial decline in sales in the first quarter but rebounded in the second quarter. As a result, residential construction is projected to approach pre-pandemic levels by the end of 2020 with 117,000 units.

Expectations are for statewide unemployment to drop from 8.9% (at year end 2020) to 6.9% in 2021, and then to 5.2% in 2022 and to 4.4% in 2023. Total nonfarm payroll (wages) will drop this year by 6.8%, but is anticipated to grow by 3.6% in 2021, and then by 3.8% in 2022 and by 2.5% in 2023 – according to Jerry Nickelsburg and Leila Bengali, the authors of the California portion of the UCLA Anderson forecast report.

The authors also point out that labor markets in California are weaker than those in the US overall. Non-pharmaceutical interventions tend to be more restrictive in California. State with more restrictive non-pharmaceutical interventions tend to have higher unemployment rates, although these

restrictions might help in the long run. The forecast for the State is that the technology and residential construction sectors, along with the logistics sector, will lead the recovery efforts, and California will grow at a faster rate than the U.S. once the largely more-restrictive statewide efforts to minimize the effects of the COVID-19 pandemic are lifted.

Median Household Income

In Santa Clara County, San Jose, the county seat, ranks first out of the entire nation in terms of median household income for major metropolitan areas. San Francisco, about 50 miles to the north of San Jose, also ranked as one of the wealthiest cities in the nation: it holds the number two spot with a median household income of about 9% less than San Jose.

Total median household income for the region is presented in the following table. Overall, the subject compares quite favorably to the state and the country.

Median Household Income

Area	Estimated 2020	Projected 2025	Annual % Change 2020 - 25
United States	\$62,203	\$67,325	1.6%
California	\$77,500	\$84,782	1.9%
Santa Clara County	\$128,034	\$143,752	2.5%
Los Altos	\$200,001	\$200,001	0.0%

Source: Site-to-Do-Business (STDB Online)

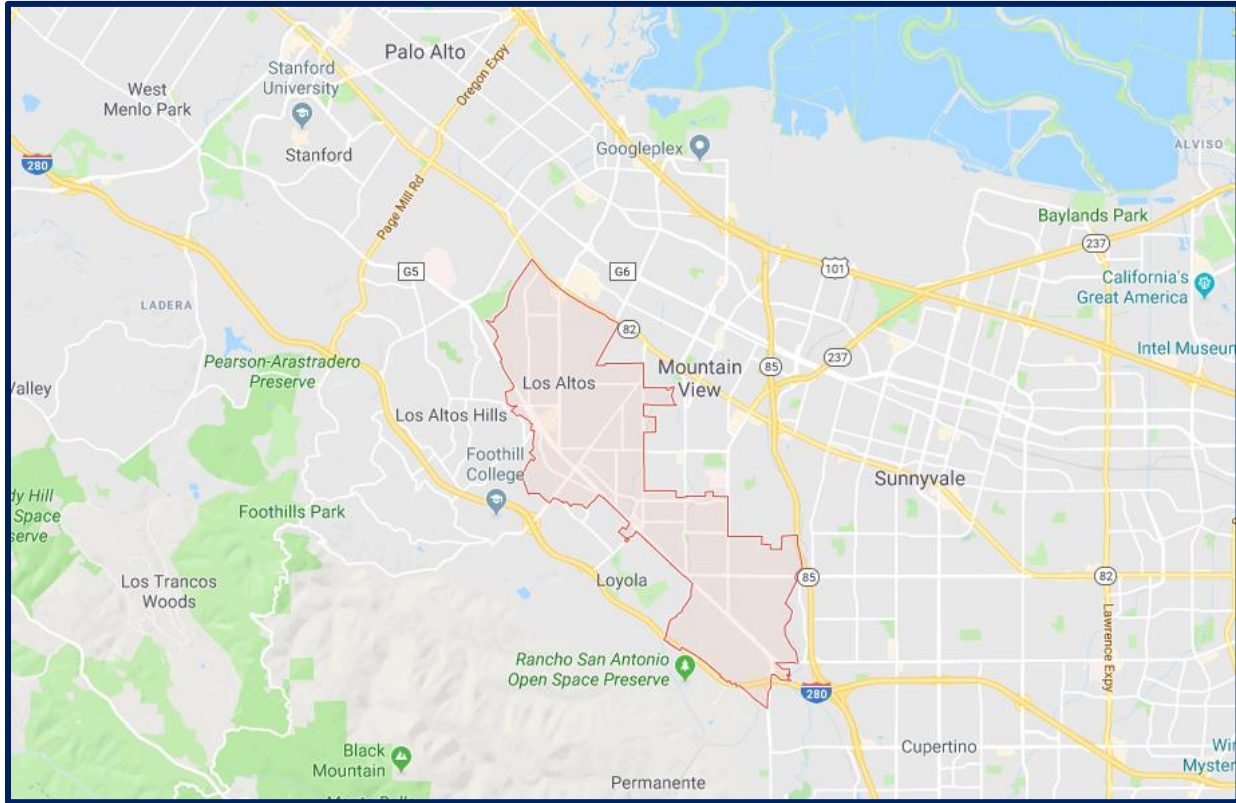
Conclusions

Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a worldwide leader in technology and a regional employment center, with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.

Until just recently, the real estate market in general was several years into positive trends after a period of deep recession. The outlook for at least the early part of 2021 is clouded by the unknowns associated with COVID-19. There are increasing impacts on many businesses as people continue to curb their activity, and certain industries have been severely affected. The outlook is for the market to improve perhaps as early as late 2021 or early 2022 once more restrictive regional efforts to minimize the effects of the pandemic are lifted, but as is the case for other disasters, any extended marketing times or negative impacts on values will subsequently tend to wane before they return to some degree of normalcy. The actual timeline remains unknown, however the historic reasons for growth in the region are the same reasons that will continue that growth.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



Incorporated in December 1952, the City of Los Altos is a relatively small, suburban community. Located 37 miles south of San Francisco and 16 miles northwest of San Jose, the city encompasses seven square miles and is bordered by Los Altos Hills, Palo Alto, Mountain View, Sunnyvale, and Cupertino. Los Altos is a General Law City, with five elected council members serving four-year terms. The city's climate is considered Mediterranean with average temperatures ranging from a low of 37.5 to a high of 83.9 degrees and a mean average yearly rainfall of 17.47 inches. Los Altos is a desirable upscale community with tree-lined streets and high-quality public schools.

Situated in the western portion of Santa Clara County, Los Altos has excellent access to local and regional transportation networks. It is home to numerous recreational and shopping opportunities. Annual events include Los Altos Kiwanis Club Pet Parade, Los Altos Rotary Club Fine Art Show, Downtown Los Altos Arts and Wine Festival, Los Altos Fall Festival, and Festival of Lights Parade.

The City is known for its exceptional schools. As ranked by California's Academic Performance Index, all eight schools, six elementary and two junior-high, in the Los Altos School District are among the top 1% of schools in the state. The vast majority of kindergarten through eighth grade students in Los Altos and Los Altos Hills are served by the Los Altos School District. Serving students in grades nine through twelve from Los Altos, Los Altos Hills, and Mountain View is the Mountain View-Los Altos Union High School District. Students residing in the most southern portion of Los Altos attend an elementary and junior high school located in the highly desirable Cupertino Union School District. With

Foothill College located in nearby Los Altos Hills, Los Altos is within a short distance of numerous colleges and universities including De Anza as well as Mission Colleges along with San Jose State, Santa Clara, and Stanford Universities.

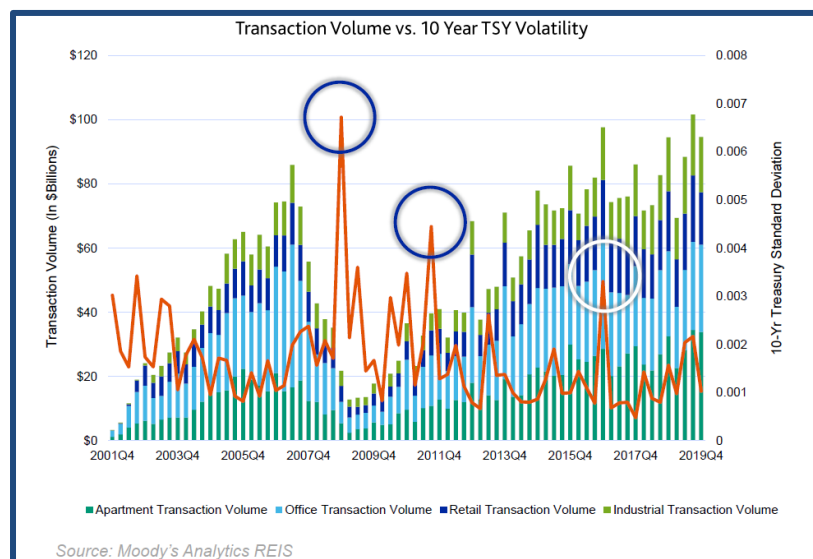
Market Analysis

Financial markets are seeing dramatic impacts due to the novel coronavirus pandemic, and while the pandemic continues to be fought, no metric will be reliable to predict with certainty what value impacts will be. However, using trusted analytics resources we can better understand the ways in which past economic shocks have progressed which will help us better assess true risk associated with a particular CRE asset.

China's Q1 GDP contracted 6.8% year over year, then rebounded for a 3.2% growth in Q2, year over year. In the third quarter, China's GDP grew by 4.9% bringing that country's Q1-Q3 overall growth to 0.7%. A record annualized drop of 32.9% for the United States was reported at the end of July for Q2, followed by a dramatic rebound in Q3, with a stunning 33.1% growth. This figure represents a 7.4% growth quarter-over-quarter. Unemployment as of September was 7.9% nationwide.

CRE markets have been reporting drops in transaction volumes due to travel restriction, quarantines and "stay at home" orders. Movements in the stock market and interest rates as well as stimulus packages and legislation have caused deals in progress to be put on hold while participants reconstruct return expectations and yield estimates. According to Real Capital Analytics, Q3 dollar volume of properties changing hands dropped 57% from a year prior but was stronger than Q2 levels by 37%. Distressed sales of commercial properties totaled 1% of the overall market in Q3. A higher share of distressed sales was seen in the hotel and retail sectors, which were 9% and 3% of deal volume, respectively.

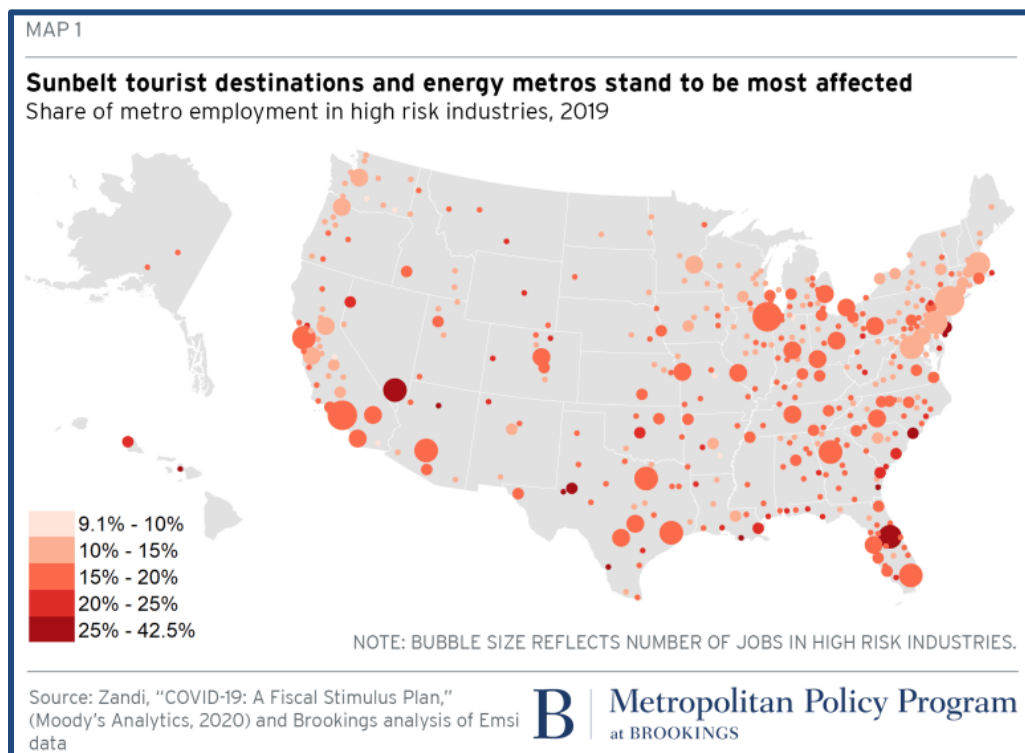
The end date of this period of volatility is impossible to foresee, but a historical picture of the relationship between volatility (as measured by deviations in the 10-Yr Treasury prices) and the transaction volume of commercial real estate from the end of 2001 to the end of 2019 may provide some insight.



The preceding graph shows that transactional volume may drop anywhere from 20 to 40% during periods of extreme volatility.

The National Council of Real Estate Investment Fiduciaries (NCREIF) tracks the values and returns for institutionally owned commercial real estate. NCREIF compared the recession in the early 1990's to the financial crisis that began in 2007-08. They found a 27% decline in values across 40,000 individual office, industrial, retail, multi-family and hotel properties for the 2007-08 period. While this was slightly higher than the 25% value drop during the recession of the early 1990's, the recovery was much quicker. The NCREIF study attributes the faster recovery in values to better data for valuation being available and a desire by investment managers to get the properties in their funds marked to market quickly. The addition of more frequent outside appraisals likely also helped. In the current crisis, we have even more data available (now nearly in real time), as well as stronger analytic models and the benefit of a financial stimulus playbook from which to act more quickly to respond to systemic shocks. The strong federal response has been well received and has kept many markets solvent. The second half of 2020 has seen some volatility again as legislators argue over additional stimulus options, eviction moratoria end and substantial government unemployment programs have run out.

Impacts to values have not been consistent across sectors, asset classes and markets. Study and analysis on micro levels is critical. Moreover, the analysis of markets and properties prior to the downturn is important as is the market's vulnerability to recession. The Brookings Institution used Moody's Analytics to identify "most at risk" industry groups, from which it compiled a list of five particularly vulnerable sectors: mining/oil and gas, transportation, employment services, travel arrangements, and leisure/hospitality. The following map illustrates areas most affected by employment in these sectors.



Property types will also be asymmetrically affected. In the multi-family sector, markets that are oversupplied, or which have a history of rising vacancy or low to flat rent growth are indications of areas that may be harder hit by the new crisis. Markets with volatility in rent growth are still vulnerable, even if vacancy was stable in the past 12 months.

For office and retail properties, Moody's predicts a protracted slump.

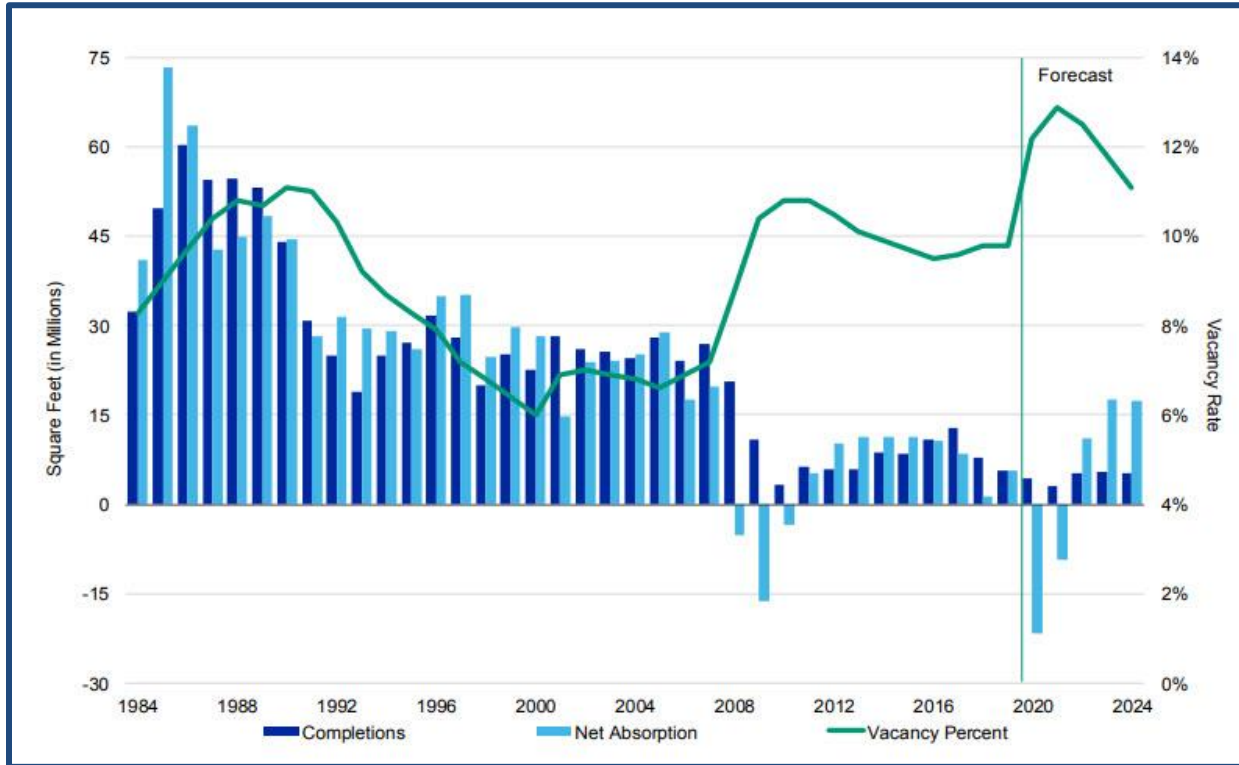
OFFICE MARKET FORECAST



Source: REIS/Moody's Analytics

Moody's expects office vacancy to peak just under 20% in 2021-22 and come down to 18% through 2024. This is an historic high, but long-term leases in place will help the sector overall weather some of the short-term shock. Systemic change to office space use remains a variable. Remote working is likely to reduce overall footprints, and workers used to saving commuting times may press for smaller suburban office locations over large unified spaces in city centers.

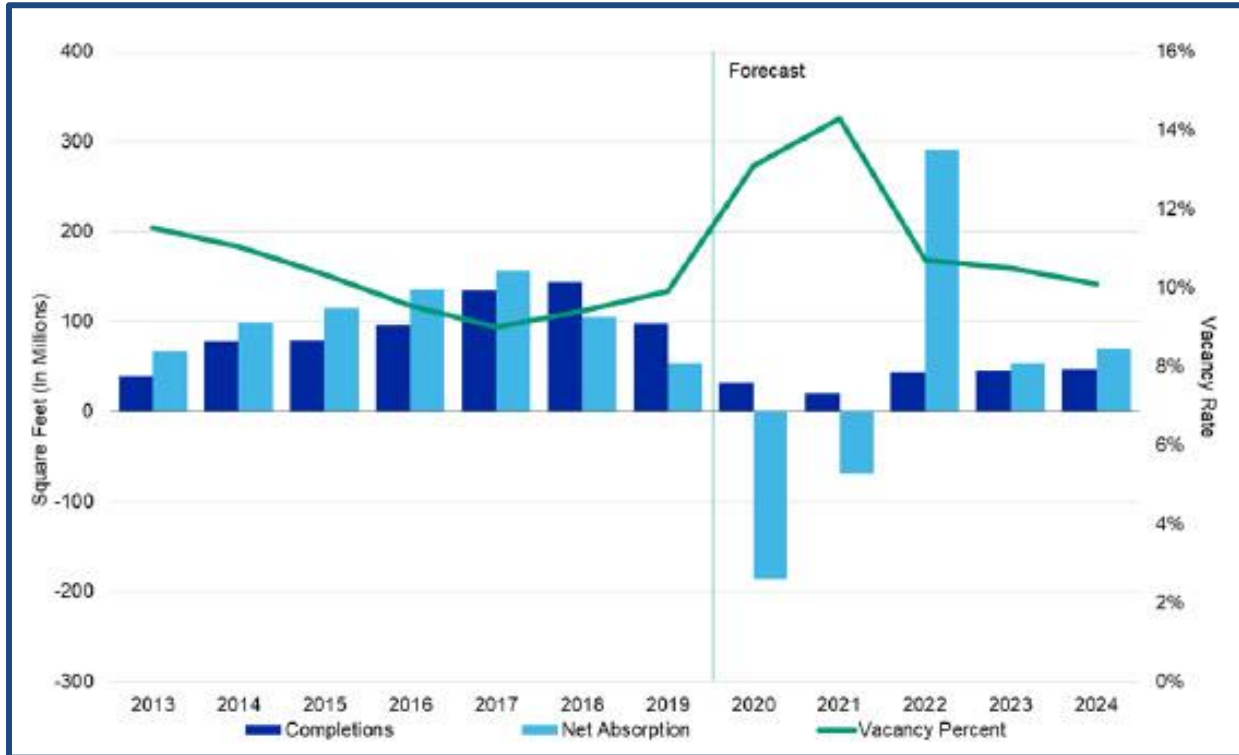
RETAIL FORECAST



Source: REIS/Moody's Analytics

Retail, according to the models, will top out in 2021 at just under 13% vacancy and gradually improve to 11% by 2024. Net absorption drops precipitously in 2020 and 2021 and begins to recover after that. It's important to note that rents and vacancies in both office and retail are expected to track with GDP performance, so the model is sensitive to future changes in that metric. Retail must also be considered in its specific iteration. Grocery stores and pharmacies have not seen impacts to their business, nor is one expected. Tenants concentrated in malls, however, are experiencing high bankruptcies. This sector especially necessitates more granular identification when looking for trends. Location also plays a role in performance as surges in infection have and may still cause additional shutdowns to retailers such as bars, restaurants, theaters and gyms creating a longer recovery arc for the sector.

INDUSTRIAL FORECAST

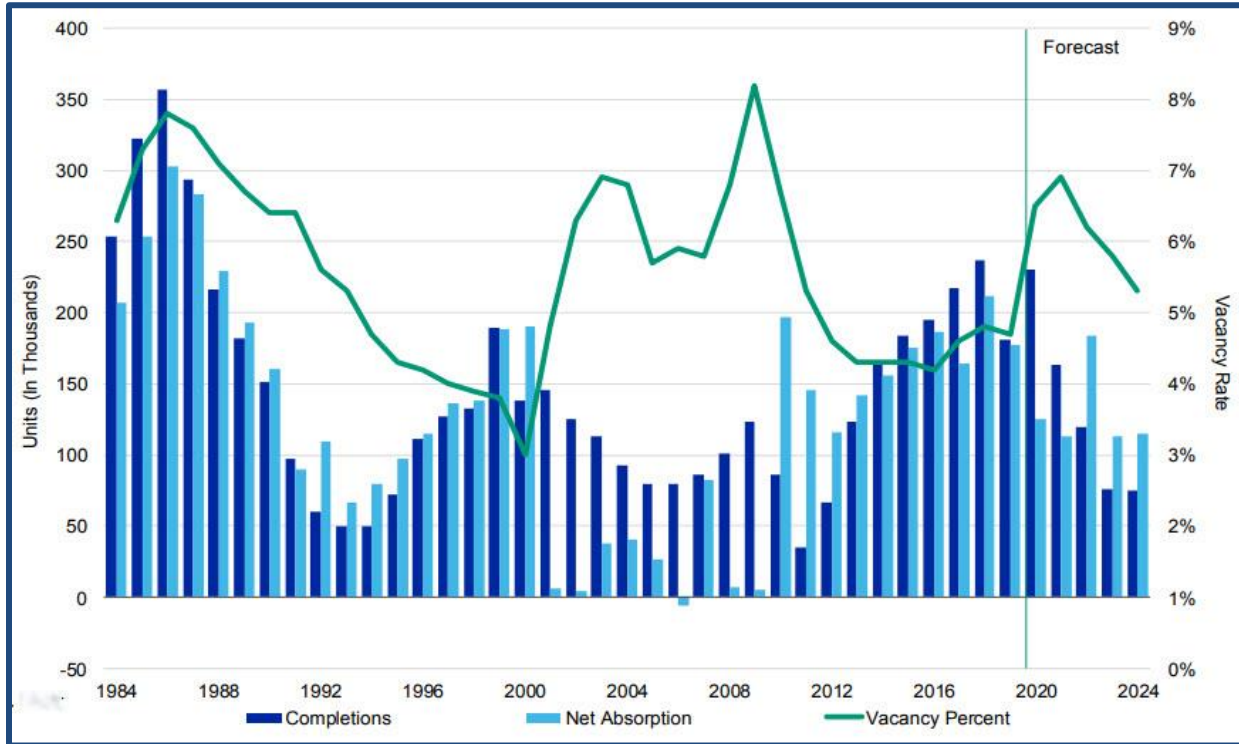


Source: REIS/Moody's Analytics

Industrial follows the same pattern. Absorption drops in the next 24 months, through 2021, vacancy peaks at just over 14%, and improves to 10% by 2024. This trend is higher than in 2019, but is less severe than impacts to retail and office.

Multi-family has yet to see a significant impact to vacancies and rents. It is unclear to what extent this will continue through the year. As we enter into the period where the CARES Act's eviction moratorium has ended and some states have no protections in place for renters outside of the federal programs, we may see vacancies begin to rise. As of October 20, the National Multifamily Housing Council (NMHC) reported that 90.6% of apartment households paid full or partial rent. Vacancies are expected to peak at just under 7% in 2021. For comparison, this is a less dramatic impact than what was seen in 2008 and 2009.

MULTI-FAMILY FORECAST



Source: REIS/Moody's Analytics

Secondary property types are also being impacted by the pandemic. Occupancy for self-storage properties improved in the second quarter by 70 basis points and rents fell by 5.4% year over year for 10 by 10 foot non-climate controlled units. Student housing in certain geographic areas has been unevenly affected as schools chose virtual, hybrid or in person instruction for the fall and possibly spring semesters. Moody's is predicting a -5.6% rent growth for by-the-bed properties and 80 basis point vacancy increases for rent-by-the-unit.

Senior housing has seen a dramatic impact. This is not surprising given the disproportional impact of the virus on elderly populations. Vacancies in the sector rose to 12.3% in the second quarter of 2020. Rates for Q3 are not available at this time but are expected to continue to rise. The property type will have substantial challenges both creating safe environments for residents and staff and then convincing residents and their families of that safety.

Affordable housing, on the other hand, does not appear to have been impacted by the downturn. Vacancies in the sector are only at 2.4% and asking rents increased by 0.2% in Q2. As families continue to feel the employment strain the demand is unlikely to slacken, however, investors are watching closely as there is talk of issuing rent waivers in certain locales and/or extending eviction moratoria.

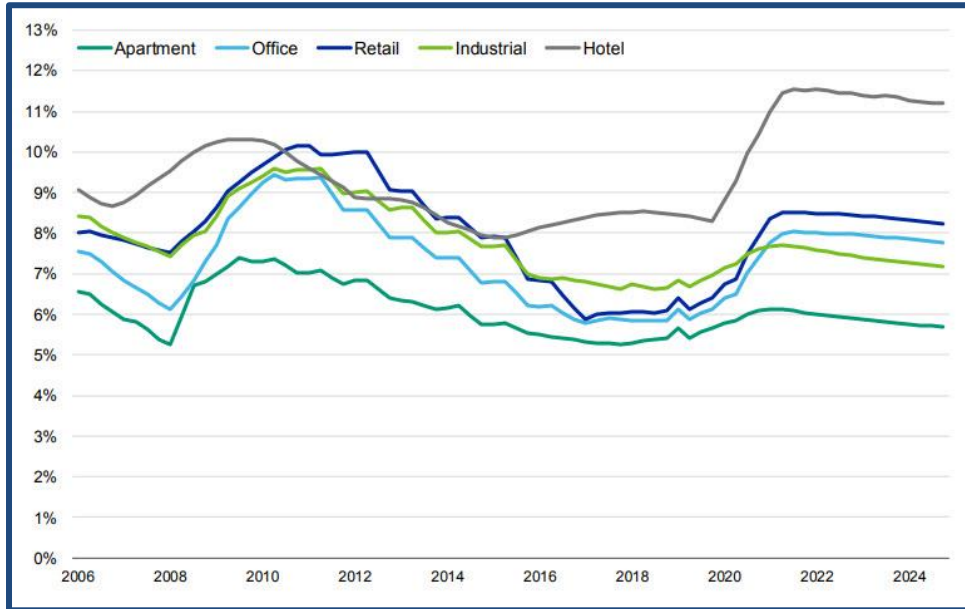


Source: STR.com

The U.S. hotel industry showed slightly lower performance from the month prior, according to September 2020 data from STR. Occupancy for September was 48.3%, down -28.2% from a year prior. ADR for is at \$99.12, down -24.9%. RevPAR shows the steepest drop. The September reported rate was \$47.87, a -46.1% decline from the previous year's number.

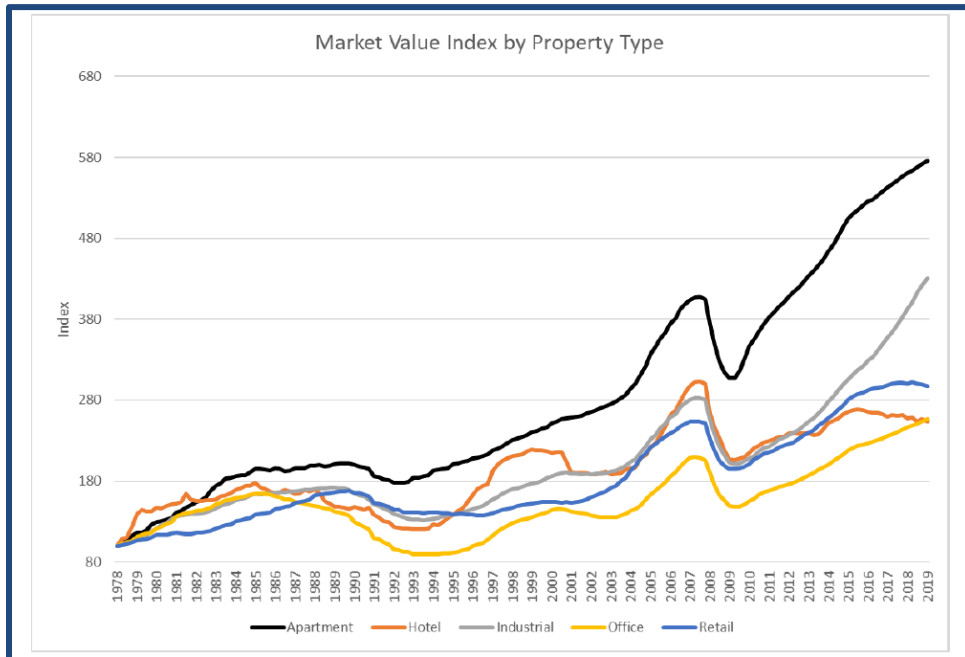
Across all asset classes, investors are also watching the interest rate landscape closely. Rates are expected to remain low for the foreseeable future. Conversely, cap rates are expected to rise over the next couple of years and stay level through the forecasting period. Hotel rates are the highest, expected to peak near 11.5% in late 2021, and multifamily is steadier, staying around 6% for the duration of the period forecasted.

CAP RATE FORECAST



Source: REIS/Moody's Analytics

To complement the Moody's predictive modeling, NCREIF published a breakdown of impact on market value by property sector, tracking from 1978 to the end of Q4 2019.



As the graph illustrates, multi-family saw one of the largest value drops in 2007-09, but was also the first to recover, and that recovery was the largest and fastest.

Industrial followed the curve, even surging in recent years.

Hotels never returned to their pre-recession peak, even as the economy as a whole was growing.

Office and retail both recovered around seven years after the low point. Office however, had the second most dramatic drop in value and was last to recover (after hotels). This is likely to repeat in the recovery from this crisis as firms may discover that their employees and clients can be served by work-from-home models, allowing them to consolidate square footage.

Local Market Overview-Residential Market

The Bay Area residential market has historically experienced demand and value levels amongst the strongest in the nation. From 2012 to 2018, prices steadily increased as the economy fully recovered from the recession and tech companies in the Bay Area continued to pay top dollar for top talent. In late 2018 and into 2021, some cooling was noted in the market; however, prices remain stable.

Sustained demand for for-sale and rental housing has fueled an increase in demand for land suitable for residential development. Land values have increased significantly over the past few years, as higher sale prices and rents make development both feasible and profitable. Throughout 2020, the housing market weathered the economic uncertainty posed by COVID-19 due to shelter-in-place policies, the shuttering of businesses, and a spike in unemployment. However, the surge of COVID-19 cases in the Fall of 2020 has dampened the market, particularly with an exodus of Bay Area residents moving to more affordable areas, including Sacramento, San Diego, and even Tennessee. This prolongs uncertainty and extends the forecasted recovery. Still, the historical strength of fundamentals in the Bay Area position the market to rebound in 2021. An overview of the various residential markets is provided below and on the following pages.

Santa Clara County and Los Altos For-Sale Market

Residential land values are directly tied to supply and demand of current housing product. Land values vary depending on location, size, permitted uses, and allowable density. Due to the limited number of true land sales, it is difficult to infer meaningful data from sales statistics in this category. However, with the prices of homes generally going up, land prices have also experienced an upward trend over the past years. Historically, the Bay Area and Santa Clara County have experienced explosive growth, in large part due to the various tech companies located in the area, and thus, these areas command some of the highest home prices in the region. We note, however, that by the end of 2020, some high-tech giants, including Oracle, Hewlett Packard Enterprise, and Tesla moved their headquarters to Texas. The locational shift is prompted in part from the adjustment to working remotely, which offers more flexibility to staff and allows companies to reduce costs. The impact is yet to be fully seen, but has slowed the pace of the market, which is expected to put downward pressure on land values.

The Bay Area marketplace has historically been characterized as among the most expensive housing markets in the nation. The following table highlights median prices for housing within the City of Los Altos and Santa Clara County, as reported by the local Multiple Listing Service. We note that the pool of townhome in the Los Altos submarket was too small to be statistically meaningful and have therefore concentrated on the statistics for single-family homes and condominiums.

Historical Median Single-Family and Condominium Housing Prices City of Los Altos and Santa Clara County

		2018	2019	2020	2021 YTD	2018-2019 % Change	2019-2020 % Change	2020-2021 % Change
SFR	Los Altos	\$3,400,000	\$3,284,000	\$3,350,000	\$3,880,600	-3.4%	2.0%	16%
	County	\$1,325,000	\$1,250,000	\$1,370,000	\$1,375,000	-5.7%	9.6%	0%
Condo	Los Altos	\$1,592,500	\$1,619,444	\$1,511,000	\$992,500	1.7%	-6.7%	-34%
	County	\$760,000	\$720,000	\$700,000	\$716,000	-5.3%	-2.8%	2%

The preceding table shows median sale prices for both single-family homes and condominiums have fluctuated over the past few years; however, demand endures for single-family housing with prices either increasing or remaining stable. Following a decrease in 2019, sale prices for Los Altos single-family homes increased modestly in 2020 and show a spike in the beginning of 2021. Sale prices for single-family homes within the county peaked in 2020 at 9.6% and remain stable in 2021.

Sale prices for condominiums, on the other hand, have generally declined, particularly in Los Altos. This represents a considerable shift as higher density condominium development had been the preferred type of development both in Los Altos as well as in the Bay Area as a whole, especially in downtown areas. However, in the pandemic, the lure of downtown living has lost its luster as many employees have adjusted to working from home and opt for less crowded, more affordable areas. Condominium sale prices in Los Altos increased slightly in 2019, but then fell and plummeted by 34% in January 2021. Condominium sale prices county-wide decreased as well, but less severely, and rebounded conservatively in 2021 at 2%. We note that the disparity may be attributed to fewer condominium sales in Los Altos, which can skew statistics.

Los Altos/Mountain View Multifamily Overview

Below is a summary of the Fourth Quarter 2020 Multifamily market report published by CoStar Analytics.

The Mountain View/Los Altos submarket is home to some of the area's largest employers, including Google, Intuit, and Microsoft. This concentration of employers and jobs has led to strong demand for housing, especially multifamily units. Developers have responded to the demand, adding more than 2,300 units to the submarket since 2013. The surge in construction has led to sporadic vacancy rates, but robust demand has tightened the market with quick lease-up times for new apartment complexes.

Despite the pandemic, new construction projects continue to break ground with more projects on the horizon in the next several years. However, the impact of the pandemic is weakening demand as observed in higher vacancy, longer lease-up times, and lower rental rates. The Mountain View/Los Altos submarket, known as a higher cost area, is now experiencing some of the sharpest declines in asking rental rates. No longer tethered to workplace locations, many renters are dispersing, which drives rental rates downward. Sales activity in the submarket has remained stable, however, with most transactions in transpiring with value-add deals in the older stock of inventory.

KEY INDICATORS

KEY INDICATORS							
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	2,762	21.7%	\$3,679	\$3,554	61	0	642
3 Star	4,184	15.5%	\$2,745	\$2,694	(3)	0	211
1 & 2 Star	7,061	8.9%	\$2,203	\$2,183	(11)	0	0
Submarket	14,007	13.4%	\$2,745	\$2,689	47	0	853
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	7.0%	5.3%	14.6%	13.7%	2020 Q4	2.4%	2000 Q2
Absorption Units	(307)	44	214	510	2017 Q3	(392)	2020 Q3
Delivered Units	727	126	259	787	2020 Q2	0	2016 Q3
Demolished Units	5	8	7	74	2014 Q4	0	2019 Q3
Asking Rent Growth (YOY)	-12.4%	1.4%	-0.5%	22.1%	2001 Q1	-13.2%	2002 Q3
Effective Rent Growth (YOY)	-13.3%	1.2%	-0.2%	22.1%	2001 Q1	-16.7%	2020 Q3
Sales Volume	\$191 M	\$90.5M	N/A	\$496.6M	2020 Q1	\$5.6M	2010 Q4

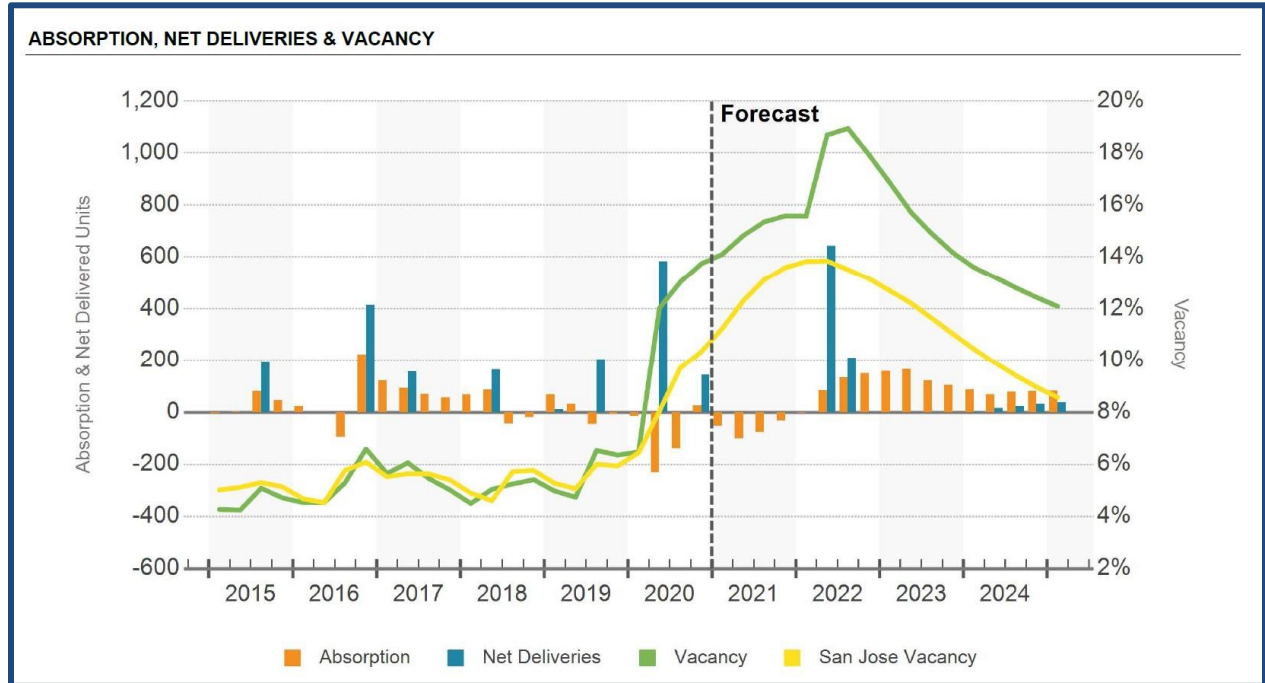
Source: CoStar

Vacancy

The Mountain View/Los Altos submarket is at the center of one of the world's hottest economies; however, it is not immune to the challenges imposed by COVID-19. Compared to the San Jose Metro, vacancy in the Los Alto submarket rose more steeply. By the fourth quarter (Q4) of 2020, the vacancy rate had more than doubled over the year, rising from 6.5% in the first quarter to 13.7% in the fourth quarter. Year to date, the vacancy rate stands at 13.4%.

Vacancy in the submarket is forecast to remain elevated into 2021 and 2022 peaking in Q3 2021 at 18.9%. By Q4 2022, vacancy is expected to fall but will take years to return to pre-pandemic levels. Part of the upswing in vacancy is due to long-term demand that drives development even in a pandemic. The City of Mountain View is continuing to capitalize on the strong presence of Google and LinkedIn, which establishes Mountain View/Los Altos as one of the highest-paying submarkets in the metro. With single-family home prices still averaging more than \$1 million, rental housing remains a preferred option, even for highly paid employees.

The City of Mountain View recently finalized plans for its North Bayshore community where nearly 10,000 housing units and 5 million square feet of commercial space are slated for development through 2030. The new neighborhoods in the North Bayshore will be dense - apartment buildings will be as tall as 15 stories, and the City has targeted 70% of the units for studio or one-bedroom apartments. Google owns slightly more than half of the land reserved for residential development.



Source: CoStar

Rent

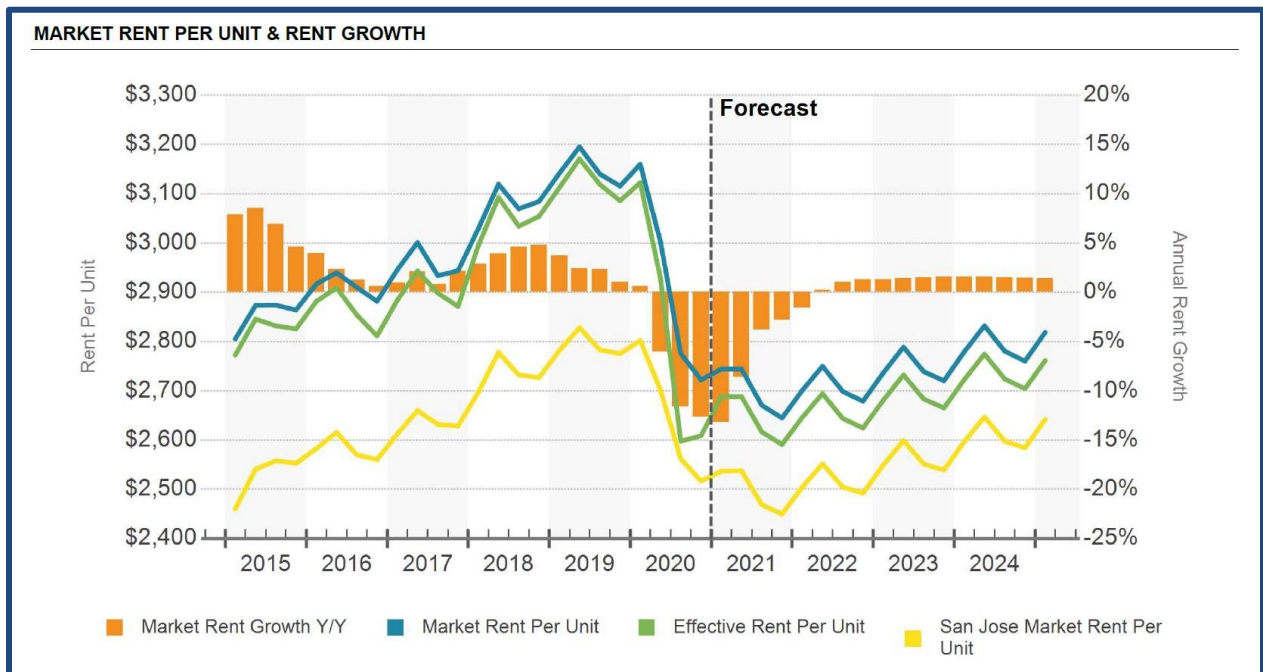
Historically, in the submarket apartment rents have come at a premium due to the central location in Silicon Valley and proximity to the headquarters of leading technology firms. Mountain View/Los Altos ranks in the top fourth in terms of asking rent. However, the pandemic changed this dynamic by driving employees away from the office and spiking unemployment, which compelled many residents to consider more affordable housing options outside the metro. As a result, Mountain View/Los Altos asking rent crashed in 2020, from \$3,160 in Q1 to \$2,776 in Q3.

In Q1 2021, asking rent for apartments in Mountain View/Los Altos averages \$2,745/unit, which is still 8.2% higher than the San Jose metro average. However, the submarket ranks in the bottom third for annual rent growth. The submarkets with the greatest rent growth are more affordable areas, including Morgan Hill and East San Jose, which are more appealing to workers on a tighter budget in the pandemic. Rent growth is anticipated to recover in mid-2022 but will continue to be low through 2025. Average asking rent is projected to increase slowly and with a rocky trajectory.

Most of the inventory within the submarket is older and of lower quality. Only around 15% of the submarket's apartment stock is rated 4 & 5-star quality, compared to 30% in the broader market. This may explain why average rent levels are lower in Mountain View than in neighboring Cupertino, where around a quarter of units are 4- & 5-Star. Units in 4- & 5-Star buildings rent for a significant premium over 1- and 2-Star units at an average of \$3,680 per unit compared to \$2,200 per unit for 1- and 2-Star units. For newly constructed buildings, rents have been especially high; average asking rents in buildings delivered since 2013 range from \$4,000 to \$5,000/month. Upcoming residential projects, including the North Bayshore master plan, are envisioned to revitalize inventory and support a rebound in rent growth.

SB 91 Eviction Moratorium

We note that the impact of COVID-19 on the multifamily market has created considerable uncertainty to both renters and landlords particularly in the wake of exceedingly high job loss and devastating hardship, leading too many residents unable to pay rent. In response, the State of California issued an eviction moratorium to aid renters and landlords most affected. Further, following surges in COVID-19, the State of California recently extended its qualified residential eviction moratorium to June 30, 2021. The new law, SB 91, replaces California’s COVID-19 Tenant Relief Act of 2020 (AB 3088), signed by Governor Newsom on August 31, 2020, and adds several new benefits to both landlords and tenants. Through SB 91, \$1.4 billion in federal emergency rental assistance funds is allocated to provide residential landlords the option to apply for government funding covering up to 80% of rent accumulated from April 1, 2020 to March 31, 2021, for tenants who demonstrated they could not pay their rent due to the COVID-19 pandemic. This recent state legislation will likely influence the rental housing market, yet to what extent and how it will affect the submarket lies to be determined.



Source: CoStar

Construction

As mentioned previously, developers have responded to the tight market conditions in Mountain View/Los Altos with a surge in construction and have delivered 2,300 units since 2013. More units are set to come online in the next few years, although at a slower pace with an estimated 850 units currently being built. Other areas of the metro are adding even more units, and more units as a percentage of their total inventory, than this submarket.

Between Mountain View and Los Altos, construction is primarily taking place in Mountain View, which comprises most of the submarket with an estimated population of 80,000. Los Altos, with a smaller population of about 30,000, also has much more restrictive zoning. The city has added just 325 units since 2009, the most recent being Colonnade, a 167-unit 4 Star building that exemplifies the difficulty that employers may face in retaining their workforces amid the area’s housing crunch. To secure

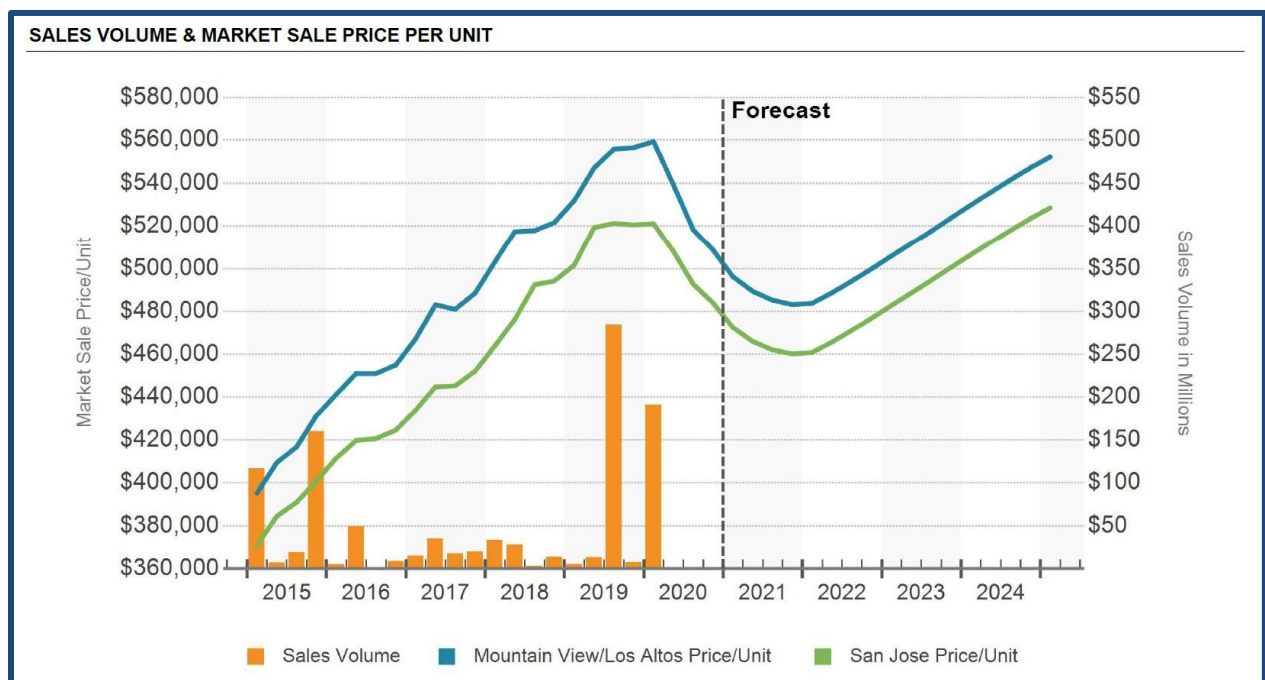
housing, Stanford University has preleased the entire complex and plans to rent the apartments to faculty.

Sales

High rents and steady rent growth due to strong demand in this submarket have resulted in some of the highest pricing in the metro. Pricing for Mountain View/Los Altos multifamily assets average roughly \$510,000, which trails only a few other submarkets in this metro, such as Palo Alto. However, sales volume declined substantially in 2020 and continues downward in 2021 as investors tread the market cautiously amid economic uncertainty and dampened fundamentals. In the submarket and metro, asset appreciation is projected to drop.

Ownership turnover in Mountain View/Los Altos is slow in comparison to surrounding areas. The submarket contains nearly 30 apartment properties with more than 100 units, yet only six of those have changed hands since the 1990s.

Lower-end, older properties have sold more often in the past few years. Many older properties in the area are ripe for redevelopment or value-add investment. One example is the sale of the Village Lake complex in February 2020 for \$191 million or \$918,000 per unit. Village Lake is a 208-unit asset constructed in the 1970s. Miramar Capital Advisors purchased the complex and obtained full entitlements for more than 700 residential units over 9.84 acres. The redevelopment represents the largest residential project within proximity of Google’s main campus.



Source: CoStar

Land Market Overview

Residential land values are directly tied to supply and demand of current housing product. Land values vary depending on location, size, permitted uses, and allowable density. Unfortunately, there are no meaningful statistics for residential land values in Santa Clara County and the subject’s submarket of

Los Altos. However, with the prices of homes going up, land prices have also experienced a notable upward trend over the past years. The Bay Area and Santa Clara County are both experiencing growth, in large part due to the various tech companies located in the area, and, thus, these areas command some of the highest home prices in the region. While home prices appear to be stabilizing at present, they are expected to continue to increase over the next year, which puts upward pressure on land values.

Residential land is typically purchased contingent on project approval or with entitlements (tentative or final map) in place. When contingent upon approvals, the risk to a developer is significantly reduced, putting upward pressure on the price. Prices for land purchased without this contingency are typically lower than for land purchased on a contingency. The price differential is especially large as the risk increases. We note that citizen participation in planning activities is very high in certain municipalities; thus, the approval process for residential projects can become political, long and arduous. It is not uncommon for new projects to take three to four years for development approval.

Buyer types range from the individual developer to the large-scale national housing developer, depending on the size of the site. Well-located, small sites are still in demand from small local buyers, while national builders are very actively seeking land sites that are over three acres in size. If a property has easy access, no topographic or geologic issues, and has infrastructure available, the property will be in higher demand. In addition, higher density land for affordable developments is exhibiting equal demand than for-sale housing at this time.

Residential land in Santa Clara County sells in the \$80-to-\$500+-per-square-foot range. The upper end of the range is indicated by urban markets such as downtown San Jose or in markets with major high-technology employers such as Palo Alto/ Menlo Park (headquarters of Facebook), Cupertino (headquarters of Apple), and Mountain View (headquarters of Google). These markets, easily accessible and usually fronting more than one major freeway benefit from excellent access and are proximate to both demand as well as employment generators.

Oftentimes, residential land is valued on the basis of price per unit as opposed to price per square foot, particularly for entitled sites. High-density residential land throughout the Bay Area currently ranges between \$75,000 up to \$500,000+ per unit. The higher end of this range is indicative of primary markets or "A" locations within Santa Clara and San Mateo County. The "B" locations, which are usually proximate to employment centers, in San Jose, Santa Clara, Milpitas, generally range from \$75,000 to over \$180,000 per unit. According to our survey of market participants, Los Altos is considered to be an "A" type location given its proximity to employment centers, natural setting and the reputation of the school district.

Los Altos Land Market

The Los Altos residential market was fairly active in 2018-2019 and there have been several properties that sold for higher density residential development. Most of these properties were improved sites, where the improvements contributed limited to no value to the land and the intention was to redevelop the sites. Sales along the El Camino Real corridor were mixed-use sales, with a retail component requirement on the ground floor. However, the market stalled in 2020, and we were able to find only a handful of new sales for townhome, condo or single-family residential development to base our value conclusions. Thus, we expanded our research to other nearby cities.

Land values have increased over the past several years, as demand has increased for new space, and as rental rates have climbed upwards. The increase in land values in downtown Los Altos is also associated with the increased FAR/ density currently envisioned by the City. Values for residential/ mixed-use sites reflect a wide range of value, depending in large part on the development costs and challenges to be faced by the developer. The feasibility of a project is evaluated based on the total development costs. Costs for items such as parking garage, impact fees, etc., therefore can negatively impact the underlying land value. Therefore, the cost to develop a site significantly impacts the land value.

Land values typically range from \$300-\$550+ per square foot of land area, depending on location, FAR, construction costs and land use entitlements, among other factors. Commercial land is strongest for well-located sites. Primary locations such as sites in the downtown area or fronting El Camino Real and along other major commercial corridors have the highest demand with secondary locations seeing more tempered demand.

The vast majority of development projects occurring in the subject area are mixed-use or standalone residential. There is very strong demand for more housing. Development projects along El Camino Real in Los Altos have a typical density range between 30 and 70 units per acre. The maximum density per the zoning code is 38 dwellings per acre; however, the city offers density bonus if a developer is willing to include affordable housing within their project and we see that many developers are taking advantage of this. Density within the downtown area is typically lower, based on height limitations.

Market Summary/Conclusions

Although the Los Altos submarket is a relatively small market, it has generally kept up with and even outpaced many core Bay Area markets. Due to the strong demand for both commercial and residential land in the area, as well as a very limited supply of land available for development, developers in the Silicon Valley are increasingly turning to redevelopment projects that involve the demolition of an older, existing property in favor of their new developments.

All else being equal, land values track home values and rents although not necessarily in the same proportion. Land values of sites with entitlements are higher than those without entitlements due to the level of risk involved in obtaining entitlements. Many times, a buyer will agree to purchase a site contingent on receiving entitlements, then proceed with obtaining the entitlements, and finally close escrow only after the entitlements are secured. Again, this reduces risk to a developer/buyer and puts upward pressure on the purchase price. These factors are considered in our analysis.

Park in Lieu Fee

According to Section 13.24.010 of the Los Altos Municipal Code, as a condition of approval of a final subdivision or parcel map, the subdivider shall dedicate land, pay a fee in lieu thereof, or a combination of both at the option of the city, for park or recreational purposes. The planning commission shall, upon approving a tentative map, recommend the conditions necessary to comply with the requirements for park land dedication or fees in lieu thereof as set forth in this section, and such conditions shall be attached as conditions of approval of the map. Table B-44, reproduced below, presents the current Park Land Dedication in-Lieu Fees.

According to our client, the City of Los Altos raised the Park Land Dedication In-Lieu Fees in 2019. The current fees are \$77,500 for single family residential units and \$48,000 for multiple family residential units. This is a significant (35%+) increase from the previous 2014 fee structure but is a result of increasing land values in Los Altos and the Bay Area in general. The inlieu fees will be updated in 2021, following this appraisal.

Since the fee for both subdivisions and multifamily rental housing is based on the fair market value of the land that otherwise would have been required, the fee is based on the value of land that is purchased for residential development, not for commercial or industrial development. As this report will be used to establish the park in-lieu fee, the most appropriate land sales to research and analyze, therefore, are those for residential development.

We note, however, that most of the projects that are currently approved are for mixed use projects that contain a retail component alongside the residential component. The retail component often represents a small portion of the development, and the value is created by the residential component. There have been cases, however, that the residential is only a small portion of the larger development. This element will be considered in our analysis.

Land Valuation

Introduction

The estimation of market value involves a systematic process in which the problem is defined and the data required is gathered, analyzed, and interpreted into an estimate of value. The best way to estimate the value required for this report is to research and analyze actual sales of residential land, both land for low density as well as higher density projects. These sales can then provide a range of value for residential land in Los Altos. This method is known as the Sales Comparison Approach.

Sales Comparison Approach

The most common way of valuing land is the Sales Comparison Approach, in which recent sales or offerings of vacant land are gathered and analyzed. Typically, the values indicated by the comparable transactions are reduced to a unit of comparison, such as sale price per square foot of land area. This is the most common unit of analysis for unentitled land, where the number of units to be constructed on a site is unknown.

In a typical appraisal, each comparable sale is adjusted to the subject for differences in market conditions, sale conditions, location, physical characteristics, zoning, or other significant differences. For this assignment, however, there is no single subject property. The purpose of this assignment is to provide a range of values for unentitled, residential land in Los Altos. The values reported herein, therefore, bracket a variety of the factors mentioned above, as reflected in the current market.

Analysis of Los Altos Residential Land Sales

An investigation was made of recent sales of unentitled, residential land located in Los Altos. As noted earlier, however, residential land is typically sold contingent on project entitlements. Sites sold with this contingency sell at higher prices than land that is sold "as is," without this contingency.

Another challenge we were presented with in our search for comparable residential land sales is that it was difficult to find "pure" residential land sales. Most cities currently require a retail component on the ground floor of high-density residential projects, especially those located along main thoroughfares or within downtown areas.

Given that we were unable to find sufficient pure residential land sales without contingencies, we included sales of sites that sold with contingencies or entitlements, but made adjustments for this factor so as to provide an appropriate range of value for unentitled land. We similarly adjusted mixed-use land sales for the ground floor commercial component, if appropriate.

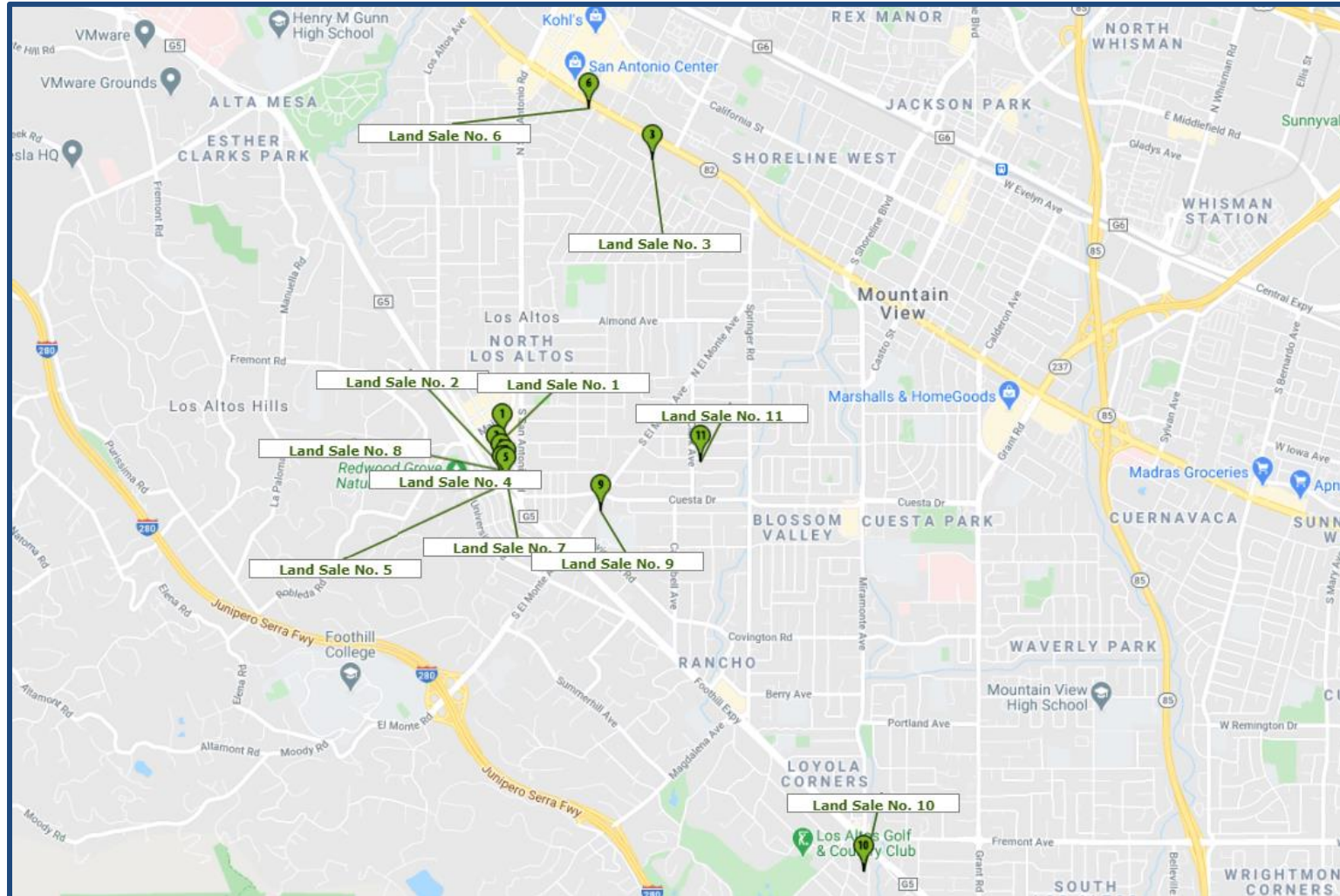
The most recent sales that we were able to research and confirm are summarized in the table on the following page. As discussed earlier, the Los Altos residential land market picked up in 2018-2019, as several sales occurred during this time frame. However, the market has slowed down significantly, perhaps as a result of the pandemic, over the past year. As a result, we were able to find only a couple of new sales in Los Altos. We have, however, supplemented the sales located in Los Altos with additional, more recent sales located in the areas surrounding Los Altos, namely Mountain View, Palo Alto, Sunnyvale and Cupertino. After adjusting these sales for their general locations relative to Los Altos, these additional sales support the land value range indicated by the Los Altos sales. The locational adjustments are based on the mean and median home price and rental rates within each comparable city, as compared to Los Altos.

First, the sales located in Los Altos are summarized in the table on the next page, followed by a Location Map. Details of each sale follow the Location Map. As discussed, later in the report we also present and analyze additional sales from the surrounding area.

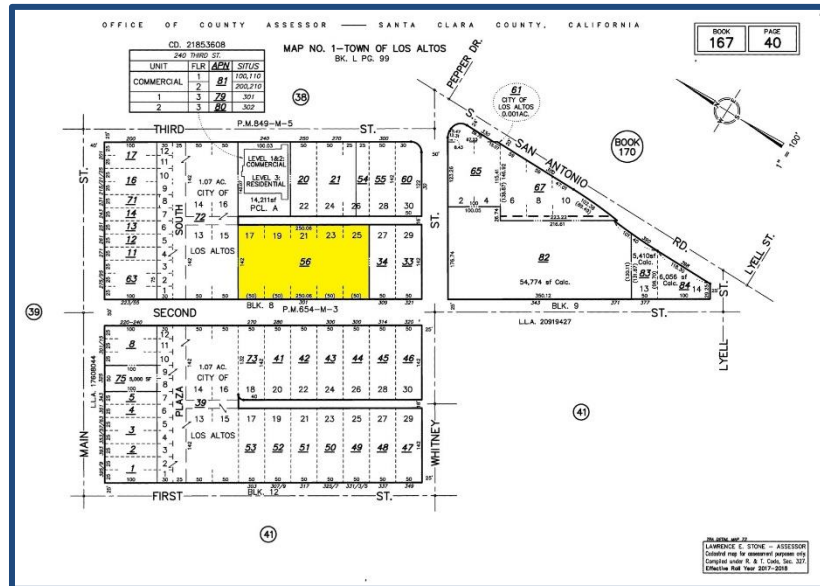
Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location		Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	April-20	0.815	301-307 2nd Street	Los Altos, California	CD	Mixed Use	\$12,100,000	\$340.85
2	October-19	0.160	365 First Street	Los Altos, California	CD/ R3	Multi-family	\$3,100,000	\$444.44
3	July-19	0.551	745 Distel Drive	Los Altos, California	OA-1CT	Multifamily Residential	\$4,700,000	\$195.83
4	June-19	0.126	440 First Street	Los Altos, California	CD/R3	Multifamily Residential	\$3,300,000	\$600.55
5	November-18	0.350	444-450 First Street	Los Altos, California	CD/R3	Multifamily Residential	\$7,500,000	\$491.74
6	August-18	0.840	4896 El Camino Real	Los Altos, California	CT	Mixed-Use Building	\$11,700,000	\$319.67
7	June-18	0.271	425 1st Street	Los Altos, California	CD/R-3	Multi-Family Development	\$5,700,000	\$483.05
8	January-17	0.224	389 1st Street	Los Altos, California	CD/R3	Hold for future redevelopment	\$3,515,000	\$360.51
9	September-17	0.650	555 S El Monte Avenue	Los Altos, California	R1-10	Residential subdivision	\$3,600,000	\$127.15
10	February-18	0.460	961 Lundy Lane	Los Altos, California	R1-10	Single-family residence	\$2,960,000	\$147.72
11	February-20	0.301	606 Paco Drive	Los Altos, California	R1	SFR	\$3,300,000	\$251.33

LOS ALTOS COMPARABLE SALES MAP



LAND SALE COMPARABLE 1



Property Identification

Property/Sale ID	11116297/1515666
Property Type	Mixed Use Land
Address	301-307 2nd Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.377492/-122.115656
Tax ID	167-40-056

Transaction Data

Sale Date	April 30, 2020	Recording Number	0024467818
Sale Status	Recorded	Days on Market	60
Grantor	Duc-han Corp	Sale Price	\$12,100,000
Grantee	Samantha Chien		

Property Description

Gross Acres	0.81	Use Designation	Downtown Commercial
Gross SF	35,500	Zoning Jurisdiction	City of Los Altos
Corner/Interior	Mid-Block	Zoning Code	CD
Shape	Rectangular	Zoning Description	Commercial Downtown

Indicators

\$/Gross SF	\$340.85
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Remarks

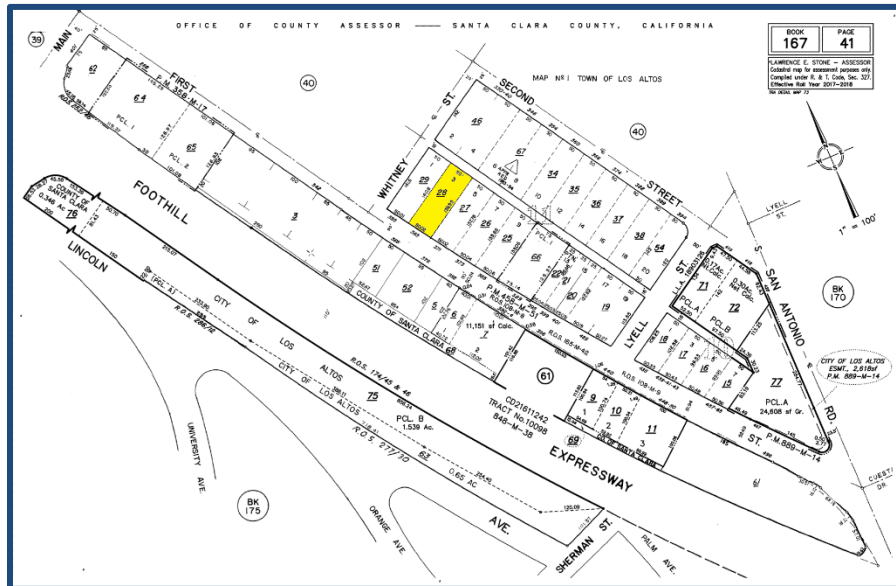
The improvements consist of a 14,875-square-foot retail building, constructed in 1963 and fully renovated in 1993. The improvements are single-story, of average quality concrete and masonry construction and are in average condition. Interior space is typical of drug stores in the submarket, and consists of retail areas, pharmacy, offices, and storage. A small portion of the building has been sectioned off and is subleased to a nail salon. The FAR is 42%. Onsite parking is provided for approximately 50 cars at a ratio of 3.36/1,000. There is also a City parking lot adjacent to the subject's parking lot as well as street parking.

The property is leased by Walgreens on a lease that commenced in 1993. Current rent is at \$1.60 per square foot per month until February 28, 2021, when the current term expires. Walgreens has one remaining 7-year option to extend the lease until February 29, 2028, at a rate of \$1.90 per square foot, or \$28,258.75 per month. Contract rent is below market. According to the lease, the tenant pays for the maintenance of the parking lot and also reimburses the landlord for property insurance. The current real estate taxes are paid by the tenant; however, Walgreens is not responsible for increases in the real property taxes that result from a change of ownership. The tenant pays for their own utilities and maintenance.

It is our understanding that Walgreens subleases a 1,170-square-foot portion of the property to Forever Nail Spa. Information on this sublease was not provided to us. It is assumed that the sublease expires when the subject lease terminates in 2028.

The subject property was listed for sale unpriced. It was on the market for approximately two months and received significant interest. The listing agents include Steve Henry, Jack Troedson, and Randy Gabrielson of Newmark Knight Frank as well as Jon Goldman of Premier Properties. The buyer of the property purchased it for future redevelopment.

LAND SALE COMPARABLE 2



Property Identification

Property/Sale ID	10780058/1468262
Property Type	Mixed Use Land
Address	365 First Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.376130/-122.116162
Tax ID	167-41-028

Transaction Data

Sale Date	October 2019	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24370187
Grantor	Robert Perruso Trust	Sale Price	\$3,500,000
Grantee	Liem Nguyen		

Property Description

Gross Acres	0.16	Use Designation	Downtown Commercial
Gross SF	6,975	Zoning Jurisdiction	City of Los Altos
No. of Units	2	Zoning Code	CD/ R3
Density (Units/Ac)	12.49	Zoning Description	Commercial Downtown/ Multifamily Residential
Corner/Interior	Interior		
Shape	Rectangular		

Indicators

\$/Gross Acre	\$21,858,606.00	\$/Unit	\$1,750,000
\$/Gross SF	\$501.80		

Remarks

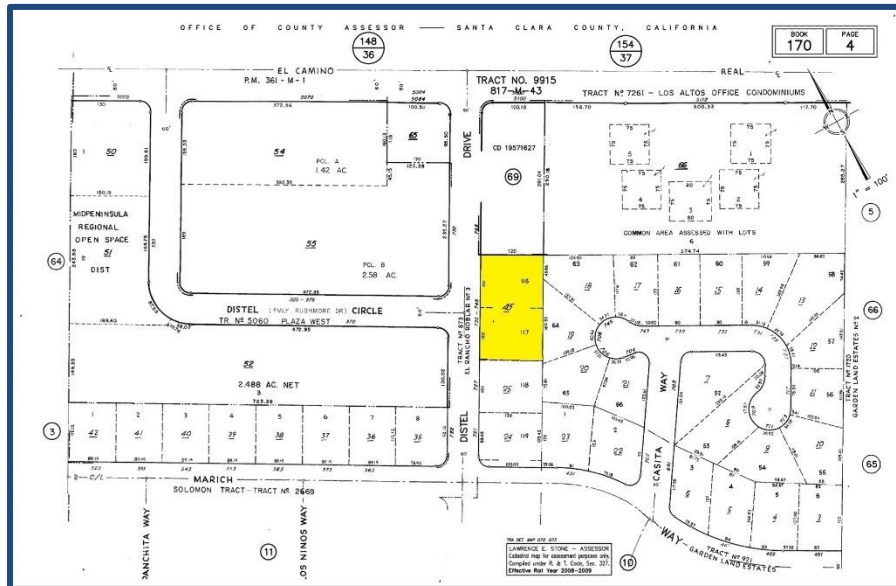
The property consists of a single parcel improved with a multi-tenant retail building located east of First Street in Downtown Los Altos. The parcel has a rectangular shape and an interior lot configuration with approximately 50 feet of frontage along First Street with a depth of 140 feet. An alley runs adjacent to the property, providing access to the site's rear parking lot, although parking is limited within the area. The site's downtown location is conveniently less than a mile from Foothill Expressway and approximately 1.5 miles from Interstate 280.

The underlying site measures approximately 6,975 square feet or 0.16 acres. Under the jurisdiction of the City of Los Altos, the property is zoned Commercial Downtown/ Multifamily Residential (CD/R3) and has a General Plan designation of Downtown Commercial. The site is surrounded by a diverse mix of retailers and single-family homes.

Constructed in 1938, the retail building had below-average functional utility, significant deferred maintenance, and a dated appearance. The value, therefore, was clearly in the land, and the property was marketed as a redevelopment opportunity.

The buyer of the property is the adjacent owner who intends to assemble and redevelop the site. He is considering a mixed-use project with residential uses on upper floors. The property was listed on the market for sale at \$3,100,000 for two months and had two offers both of which were above market.

LAND SALE COMPARABLE 3



Property Identification

Property/Sale ID	10985430/1426664
Property Type	Commercial
Address	745 Distel Drive
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.395130/-122.103760
Tax ID	170-04-045

Transaction Data

Sale Date	July 2019	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24241101
Grantor	Kim N. Bakke	Sale Price	\$4,700,000
Grantee	DD 5150 ECR Partners LLC		

Property Description

Gross Acres	0.55	Shape	Rectangular
Gross SF	24,000	Use Designation	Thoroughfare Commercial
No. of Units	N/A	Zoning Jurisdiction	City of Los Altos
Density (Units/Ac)	N/A	Zoning Code	OA-1CT
Corner/Interior	Interior	Zoning Description	Office Administrative

Indicators

\$/Gross Acre	\$8,530,565.00	\$/Unit	N/A
\$/Gross SF	\$195.83		

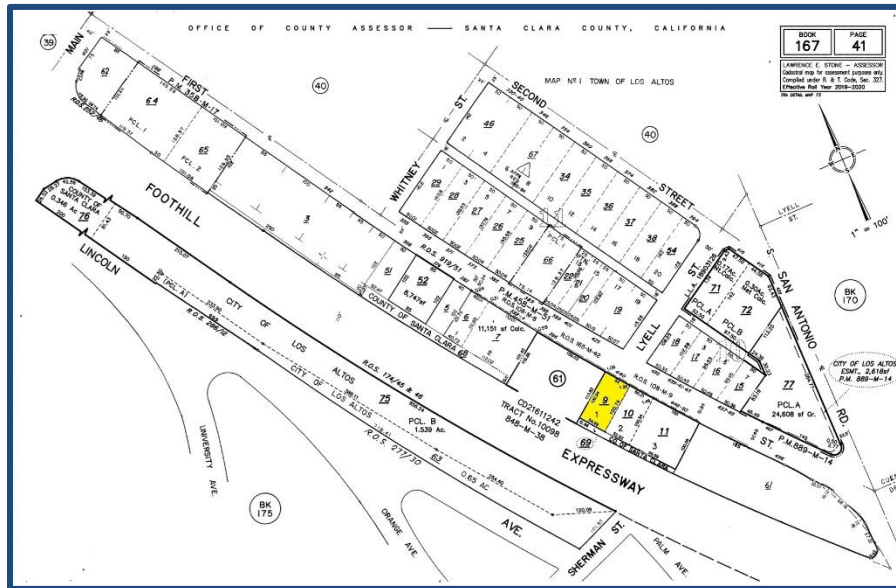
Remarks

This property consists of a single parcel improved with an office building located along the east side of Distel Drive in Los Altos. The site has a rectangular shape and a T-intersection lot configuration one parcel south of El Camino Real and across from Distel Circle. The site has approximately 200 feet of frontage along Distel Drive (with two curb cuts) and an average depth of 120 feet.

The underlying site contains 24,000 square feet or 0.55 acres. The existing improvements contain 8,676 square feet and were originally constructed circa 1963. The property zoning is Office Administrative, and the General Plan land use designation is Thoroughfare Commercial.

DD 5150 ECR Partners LLC purchased this property in July 2019 from Kim N. Bakke. This property sold for \$4,700,000 or approximately \$195.83 per square foot of land. The property sold below the asking price of \$6,500,000 and was exposed to the market for 236 days. The property sold without entitlements. There is a deed restriction limiting redevelopment to office; however, the buyer expressed interest in redeveloping the site with residential and will seek to have the deed restriction removed. The buyer also owns the adjacent parcel to the north developed with multifamily residential uses.

LAND SALE COMPARABLE 4



Property Identification

Property/Sale ID	10985113/1426423
Property Type	Multi-Family
Address	440 First Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.374876/-122.115719
Tax ID	167-41-009

Transaction Data

Sale Date	June 2019	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24213237
Grantor	Echerd Family Trust	Sale Price	\$3,300,000
Grantee	Bourgan Family Trust		

Property Description

Gross Acres	0.13	Use Designation	Downtown Commercial
Gross SF	5,495	Zoning Jurisdiction	City of Los Altos
No. of Units	7	Zoning Code	CD/R3
Density (Units/Ac)	55.49	Zoning Description	Commercial
Corner/Interior	Interior		Downtown/Multiple Family
Shape	Rectangular		

Indicators

\$/Gross Acre	\$26,159,334.00	\$/Unit	\$471,429
\$/Gross SF	\$600.54		

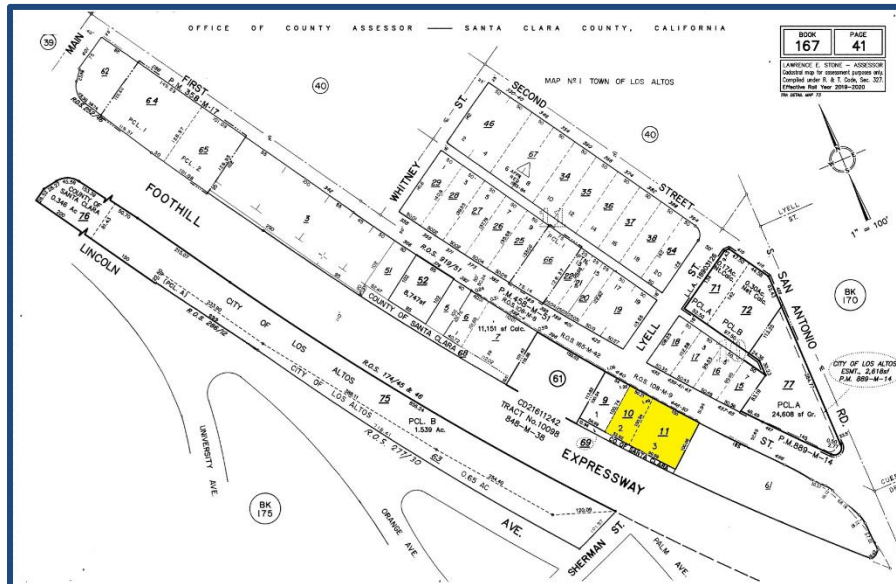
Remarks

This property consists of a parcel improved with a single-story medical office building located in downtown Los Altos. The site has a rectangular shape and an interior lot configuration with approximately 54 feet of frontage along First Street and a depth of 95 feet. The property benefits from its downtown location and nearby commercial uses.

The underlying site contains approximately 5,495 square feet or 0.13 acres. The improvements were constructed in 1980. The property is zoned Commercial Downtown/ Multiple Family, and the General Plan land use designation is Downtown Commercial.

This property sold for \$3,300,000 or approximately \$600 per square foot of land area. The buyer is a developer who intends on redeveloping the site with a residential condominium project. The buyer paid cash, and there were no entitlements in place at the time of sale. The buyer had, however, submitted plans for the development of a four-story, 7-unit, multi-family building with one level of underground parking. However, significant work was needed until project approval.

LAND SALE COMPARABLE 5



Property Identification

Property/Sale ID	10985111/1426420
Property Type	Multi-Family
Address	444-450 First Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.374769/-122.115429
Tax ID	167-41-010 and 167-41-011

Transaction Data

Sale Date	November 2018	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24066419
Grantor	Los Altos Fields LLC	Sale Price	\$7,500,000
Grantee	DD 1st Street Group LLC		

Property Description

Gross Acres	0.35	Use Designation	Downtown Commercial
Gross SF	15,252	Zoning Jurisdiction	City of Los Altos
No. of Units	26	Zoning Code	CD/R3
Density (Units/Ac)	74.26	Zoning Description	Commercial
Corner/Interior	Interior		Downtown/Multiple Family
Shape	Rectangular		

Indicators

\$/Gross Acre	\$21,420,003.00	\$/Unit	\$288,462
\$/Gross SF	\$491.74		

Remarks

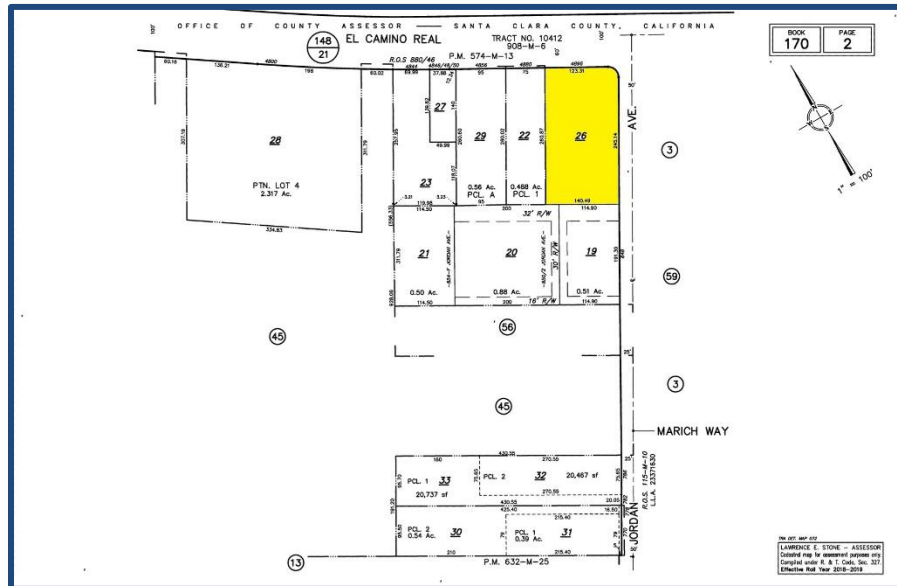
This property consists of two contiguous parcels improved with a partial two-story, multi-tenant office building located in downtown Los Altos. The site has a rectangular shape and an interior lot configuration with approximately 153 feet of frontage along First Street and a depth of 95 feet. The property benefits from its downtown location and nearby commercial uses.

The underlying site contains approximately 15,252 square feet or 0.35 acres. The site is improved with two office buildings constructed in 1957. The property is zoned Commercial Downtown/ Multiple Family, and the General Plan land use designation is Downtown Commercial.

The combined site sold for \$7,500,000 or approximately \$492 per square foot of land area. The buyer is a developer who intends to redevelop the site with a four-story multi-family (26 units) residential condominium project. The buyer paid cash, and there were no entitlements in place at the time of sale.

The improvements were leased at the time of sale and generated some interim income, until entitlements were received for redevelopment. The value was, however, in the land.

LAND SALE COMPARABLE 6



Property Identification

Property/Sale ID	10720536/1426425
Property Type	Commercial
Address	4896 El Camino Real
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.398364/-122.108809
Tax ID	170-02-026

Transaction Data

Sale Date	August 2018	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24000141
Grantor	Rielli Cecile 1990 Trust	Sale Price	\$11,700,000
Grantee	Doheny-Vidovich Partners/De Anza Properties		

Property Description

Gross Acres	0.84	Shape	Rectangular
Gross SF	36,600	Use Designation	Thoroughfare Commercial
No. of Units	28	Zoning Jurisdiction	City of Los Altos
Density (Units/Ac)	33.32	Zoning Code	CT
Corner/Interior	Corner	Zoning Description	Commercial Thoroughfare

Indicators

\$/Gross Acre	\$13,924,924.00	\$/Unit	\$417,857
\$/Gross SF	\$319.67		

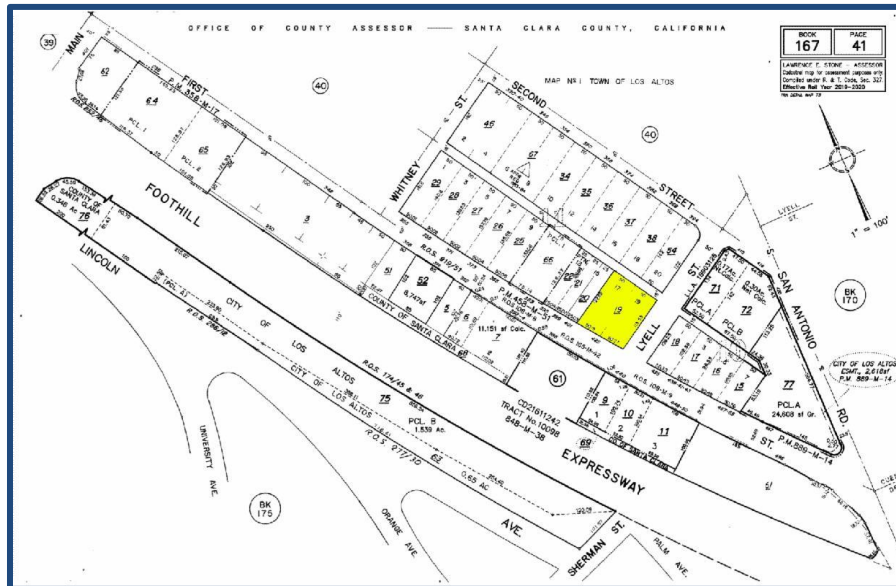
Remarks

This property consists of a single parcel improved with a fastfood restaurant (Jack in the Box) and a single-family residence located along the south side of West El Camino Real in Los Altos. The site has a rectangular shape and a corner lot configuration at the signalized intersection of West El Camino Real and Jordan Avenue. The site has approximately 140 feet of frontage along West El Camino Real (with two curb cuts) and 260 feet of frontage along Jordan Avenue (with two curb cuts).

The underlying site contains 36,600 square feet or 0.84 acres. The improvements were originally constructed circa 1968. The property zoning is Commercial Thoroughfare, and the General Plan land use designation is Thoroughfare Commercial.

Doheny-Vidovich Partners/De Anza Properties purchased this property in August 2018 from Rielli Cecile 1990 Trust. The sale price was \$11,700,000 or approximately \$320 per square foot of land. The property sold above the asking price of \$11,500,000 and was exposed to the market for 38 days. The property sold without entitlements, and the buyer intends on redeveloping the site with a four-story mixed-use building with three floors of office and four residential condo units on the 4th floor.

LAND SALE COMPARABLE 7



Property Identification

Property/Sale ID	10780965/1425211
Property Type	Planned Development (PUD)
Address	425 1st Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.375270/-122.115408
Tax ID	167-41-019

Transaction Data

Sale Date	June 2018	Property Rights	Leased Fee
Sale Status	Recorded	Recording Number	23956278
Grantor	Los Altos Fields LLC	Sale Price	\$5,700,000
Grantee	425 First Los Altos LLC		

Property Description

Gross Acres	0.27	Use Designation	Downtown Commercial
Gross SF	11,800	Zoning Jurisdiction	City of Los Altos
No. of Units	20	Zoning Code	CD/R-3
Density (Units/Ac)	73.83	Zoning Description	Commercial
Corner/Interior	Corner		Downtown/Multiple Family
Shape	Irregular		

Indicators

\$/Gross Acre	\$21,041,751.00	\$/Unit	\$285,000
\$/Gross SF	\$483.05		

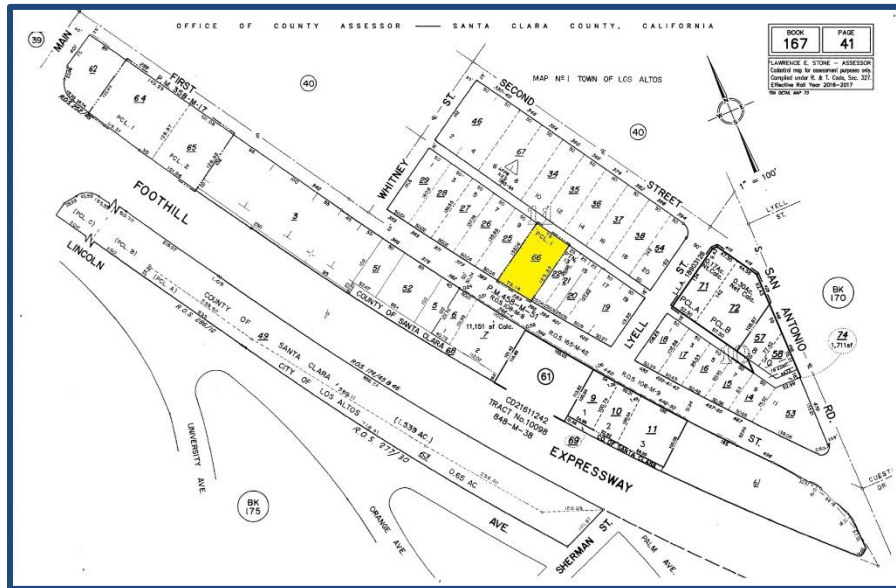
Remarks

This is an irregularly-shaped corner parcel located in Downtown Los Altos. The site measures 11,800 square feet or 0.27 acres. The improvements consist of a two-story office building with a gross building area of 4,913 square feet and net rentable area of 4,722 square feet. The building was constructed in 1975 and appears to be in adequate condition. The improvements represent a floor area ratio of 42%. However, the value of these improvements was interim, until entitlements are received for redevelopment.

This property sold for \$5,700,000 or approximately \$337 per square foot of site area. The property was reportedly 29% occupied at the time of sale by one tenant with a lease through December 2020. The buyer intended on occupying the remaining ground-floor unit, and eventually redevelop in 2020. The buyer put \$2.7M down and financed the remainder through Technology Credit Union.

In June of 2019 the site received entitlements for a new three-story, 20-unit multi-family building with one level of underground parking. The project will provide three affordable units but did not seek any development incentives.

LAND SALE COMPARABLE 8



Property Identification

Property/Sale ID	10777228/1318422
Property Type	Mixed Use Land
Address	389 1st Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.375602/-122.115744
Tax ID	167-41-066

Transaction Data

Sale Date	January 2017	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	23590261
Grantor	Sandridge Trust	Sale Price	\$3,515,000
Grantee	1st Place Village, LLC		

Property Description

Gross Acres	0.22	Use Designation	Downtown Commercial
Gross SF	9,750	Zoning Jurisdiction	City of Los Altos
No. of Units	6	Zoning Code	CD/R3
Density (Units/Ac)	26.81	Zoning Description	Commercial Downtown/ Multiple Family
Corner/Interior	Interior		
Shape	Generally Rectangular		

Indicators

\$/Gross Acre	\$15,703,882.00	\$/Unit	\$585,833
\$/Gross SF	\$360.51		

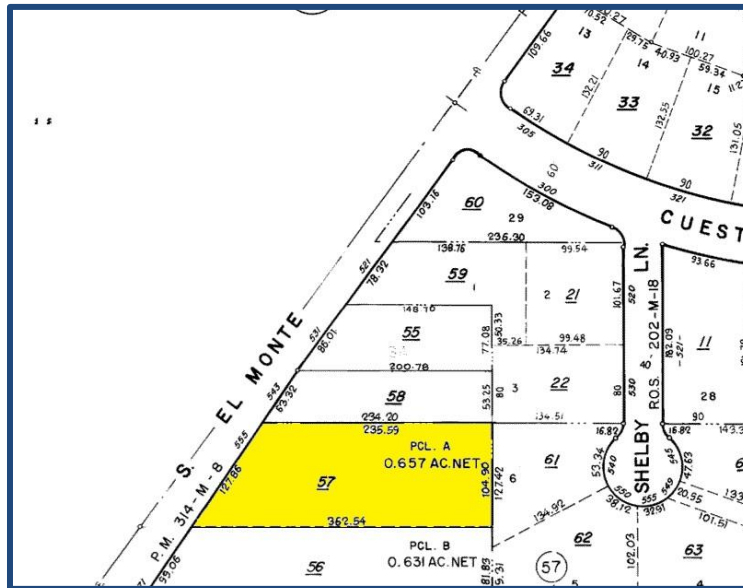
Remarks

This property consists of a single parcel improved with two contiguous commercial buildings located along the northeast side of 1st Street in downtown Los Altos. The site has a generally rectangular shape with approximately 75 feet of frontage along 1st Street and an average depth of 130 feet. There is an alleyway which runs along the rear of the property and connects Lyell Street and Whitney Street. The property benefits from its downtown Los Altos location.

The underlying site measures 9,750 gross square feet or 0.22 gross acres. The improvements contain approximately 3,140 square feet, were constructed circa 1980, and are demised into two retail units and one office unit. The floor area ratio is 32%. The property is zoned Commercial Downtown/ Multiple Family, and the General Plan land use designation is Downtown Commercial. The property sold fully leased with long-term tenants on month-to-month leases.

1st Place Village, LLC purchased this property in February 2017 from Sandridge Trust. The property sold below the asking price of \$2,500,000. The sale price was \$3,515,000 or \$360.51 per square foot of land. The buyer is a tenant who will continue to occupy a portion of the property. His eventual plans are, however, to redevelop the property in the future. The site received entitlements along with the adjacent 385 First Street site for the development of 10 condo units over 2,800 square feet of office in July of 2019. There will also be a one level ground garage with a mechanical lift system and a rooftop deck. The project received development incentives for increased height in exchange of providing one affordable unit. We estimate that 6 of the units will be located on this portion of the assembled site, based on the project density of 27 du/ac.

LAND SALE COMPARABLE 9



Property Identification

Property/Sale ID	10782488/1321407
Property Type	Subdivision-Residential
Address	555 S El Monte Avenue
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.373055/-122.107909
Tax ID	189-51-057

Transaction Data

Sale Date	September 2017	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	0023766123
Grantor	Padori Trust	Sale Price	\$3,600,000
Grantee	Bauhaus LLC		

Property Description

Gross Acres	0.65	Use Designation	Single-Family Medium Lot (SF-4)
Gross SF	28,314	Zoning Jurisdiction	City of Los Altos
No. of Units	2	Zoning Code	R1-10
Density (Units/Ac)	3.08	Zoning Description	Single-Family
Corner/Interior Shape	Interior Trapezoidal		

Indicators

\$/Gross Acre	\$5,538,462.00	\$/Unit	\$1,800,000
\$/Gross SF	\$127.15		

Remarks

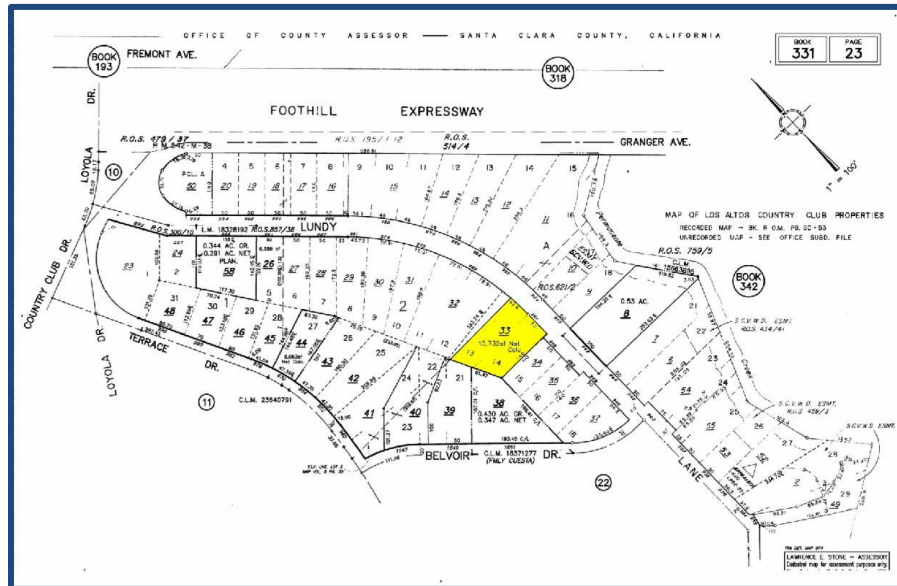
The property consists of a single parcel improved with an older single-family residence located northeast of the intersection of Foothill Expressway and El Monte Avenue in Los Altos. The site is composed of two legal lots with an interior lot configuration. The parcel has approximately 128 feet of frontage along a divided portion of El Monte Avenue, which restricts the flow of traffic one-way north from the property. Foothill Expressway is approximately half a mile west, which connects to Interstate 280 approximately 3.6 miles west of the property. Downtown Los Altos is conveniently located less than 2 miles north.

The underlying site measures 28,314 gross square feet or 0.65 acres. Under the jurisdiction of the City of Los Altos, the site has a zoning of R1-10, or Single Family, and a General Plan land use designation of Single-Family Medium Lot (SF-4), which permits a maximum density of 4 dwelling units per net acre.

The single-family home was built circa 1907 and was of little to no value. The value was in the land for subdivision and redevelopment.

Padori Trust purchased this property from Bauhaus LLC in September 2017. The property was listed for a week and sold above the asking price of \$3,250,000.

LAND SALE COMPARABLE 10



Property Identification

Property/Sale ID	11017207/1468416
Property Type	Residential (Single-Family)
Address	961 Lundy Lane
City, State Zip	Los Altos, California 94024
County	Santa Clara
Latitude/Longitude	37.350301/-122.086957
Tax ID	331-23-033

Transaction Data

Sale Date	February 2018	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	0023880074
Grantor	Jo Alida Wilcox	Sale Price	\$2,960,000
Grantee	West Valley Ventures LLC		

Property Description

Gross Acres	0.46	Use Designation	Single-Family Medium Lot (SF-4)
Gross SF	20,038	Zoning Jurisdiction	City of Los Altos
No. of Units	1	Zoning Code	R1-10
Density (Units/Ac)	2.17	Zoning Description	Single-Family
Corner/Interior Shape	Interior Trapezoidal		

Indicators

\$/Gross Acre	\$6,434,783.00	\$/Unit	\$2,960,000
\$/Gross SF	\$147.72		

Remarks

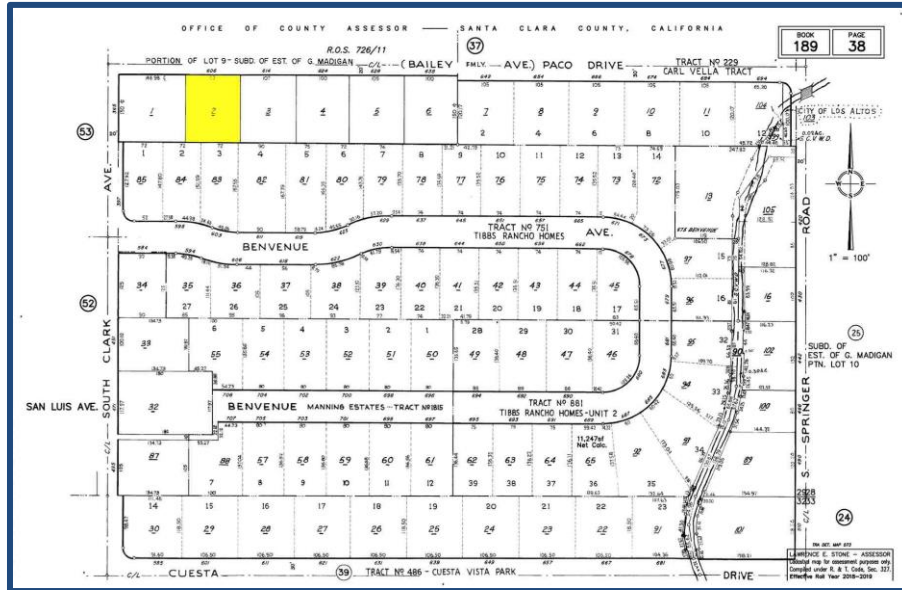
The property consists of one parcel improved with a single-family home located west of Foothill Expressway in Loyola, a census-designated place nestled between the city of Los Altos and the Los Altos Hills. The parcel has an interior lot configuration and is composed of two lots that form a trapezoidal shape. Along Lundy Avenue, the parcel has approximately 120 feet of frontage and a depth of 184 feet. The property is less than a quarter of a mile from Foothill Expressway and less than two miles from Interstate 280, providing adequate access. Both El Camino Hospital and Downtown Los Altos are within 2.5 miles north, and the property also benefits from being near the Los Altos Golf and Country Club.

The underlying site measures approximately 20,038 square feet or 0.46 gross acres, although the title company shows a slightly smaller size of 17,765 square feet or 0.4 acres to the middle of the road and the Assessor's plat map shows a net square footage of 15,732 square feet or 0.36 acres. Under the jurisdiction of the City of Los Altos, the site has a zoning of R1-10, or Single Family, and a General Plan land use designation of Single-Family Medium Lot (SF-4), which permits a maximum density of 4 dwelling units per net acre.

The site is improved with a single-family home originally constructed in 1944 and in fair condition. The home was expanded by the owner in the past, but it is unclear if the expansion was approved. The property's value is in the land.

The property sold in March 2018 for a reported \$2,960,000 and involved a conventional loan of \$2,368,000. The buyer, West Valley Ventures LLC, is a luxury home builder who is planning a 6,000-square-foot home onsite.

LAND SALE COMPARABLE 11



Property Identification

Property/Sale ID	11122210/1518917
Property Type	Residential (Single-Family) Land
Address	606 Paco Drive
City, State Zip	Los Altos, California 94024
County	Santa Clara
Latitude/Longitude	37.376170/-122.099921
Tax ID	189-38-002

Transaction Data

Sale Date	February 2020	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24416383
Grantor	18598 McCoy	Sale Price	\$3,300,000
Grantee	OACO1 LLC		

Property Description

Gross Acres	0.30	Use Designation	Single-Family Medium Lot (SF-4)
Gross SF	13,130	Zoning Jurisdiction	City of Los Altos
No. of Units	1	Zoning Code	R1-10
Density (Units/Ac)	3.32	Zoning Description	Single-Family Residential
Corner/Interior	Interior		
Shape	Rectangular		

Indicators

\$/Gross Acre	\$10,948,178	\$/Unit	\$3,300,000
\$/Gross SF	\$251.33		

Remarks

The site consists of an interior parcel of residential land, located in a quiet residential neighborhood of Los Altos. The parcel measures 13,130 square feet, or 0.3 acres, with 130 feet of frontage along Paco Drive (one curb cut) and a depth of 150 feet.

The property is approximately two miles from Interstate 280, El Camino Real, and Highways 237 and 85, providing convenient regional access. The site is also within proximity of schools, parks, El Camino Real Hospital, shopping centers, and Downtown.

As of the date of value, the site was improved with a three-bedroom, two-bathroom, single-family home, measuring 1,185 square feet. The house was built in 1947 of wood frame construction and was reported in fair condition. The value of the property lies in the land for expansion or rebuild a SFR.

The site has a zoning of R1-10, Single-Family Residential, which requires a minimum 10,000-square-foot site area for internal parcels. The site's land use designation is Single-Family Medium Lot (SF-4), which permits up to four dwelling units per net acre.

In February 2020, the property was purchased for \$3,300,000, or \$251.33 per square foot. The buyer bought to rebuild and expand. The property was on the market for 11 days and sold for the full asking price.

Multi-Family Residential Land

Comparables 1 through 8 in the table presented earlier, represent the best comparables to value high-density, multi-family residential land in Los Altos. These sales are summarized in the table below:

Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location		Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	April-20	0.815	301-307 2nd Street	Los Altos, California	CD	Mixed Use	\$12,100,000	\$340.85
2	October-19	0.160	365 First Street	Los Altos, California	CD/ R3	Multi-family	\$3,100,000	\$444.44
3	July-19	0.551	745 Distel Drive	Los Altos, California	OA-1CT	Multifamily Residential	\$4,700,000	\$195.83
4	June-19	0.126	440 First Street	Los Altos, California	CD/R3	Multifamily Residential	\$3,300,000	\$600.55
5	November-18	0.350	444-450 First Street	Los Altos, California	CD/R3	Multifamily Residential	\$7,500,000	\$491.74
6	August-18	0.840	4896 El Camino Real	Los Altos, California	CT	Mixed-Use Building	\$11,700,000	\$319.67
7	June-18	0.271	425 1st Street	Los Altos, California	CD/R-3	Multi-Family Development	\$5,700,000	\$483.05
8	January-17	0.224	389 1st Street	Los Altos, California	CD/R3	Hold for future redevelopment	\$3,515,000	\$360.51

The residential land sales presented above bracket a variety of locations within Los Altos, densities, sizes, project types and other physical characteristics. Overall, they bracket current residential land values in Los Altos well.

Summary of Adjustments

The purpose of this assignment is to provide a range of values for vacant, unentitled, residential land in Los Altos. The comparable sales bracket current residential land values in Los Altos. We have adjusted the sales for interim income and other factors that affect the sale price, so that the final range concluded represents current, unentitled land values.

Comparable 2 was downward adjusted under conditions of sale as it was purchase by a motivated adjacent owner for assemblage. The price paid was believed to be slightly above market. Comparable 8 was purchased by the tenant, a motivated buyer. It warrants a downward adjustment for motivation, under conditions of sale.

We note that the land market in Los Altos had been very active between 2018 and 2019, although it is slowed down a bit as a result of COVID-19 pandemic. Our adjustment for current market conditions is based on an approximately annual increase of 5% per year. Each of the sales was adjusted accordingly, to reflect current market conditions. No adjustment was made past March 2020, due to the uncertainty associated with the pandemic.

All of the comparables were purchased for residential development. While some of the comparable sales were located along major commercial thoroughfares, and within zoning districts that encouraged mixed-use development, the buyers' intentions were to develop the sites residentially. This is the case with Comparables 1 and 6. However, an adjustment for the likely mixed-use development was not evident from these comparables, and, thus, no adjustment was warranted.

Comparable 3 had inferior Office zoning and general plan. While the buyer intends to develop the site residentially, he would have to proceed with a zoning change and a general plan amendment, a discretionary process with uncertain outcome. Considering that office land commands lower prices than residential land, an upward adjustment for zoning was supported.

All of the comparable sales were unentitled land sales and no adjustments were warranted in this category. However, partial entitlements were in place for Comparables 4 and 7, and as such they required a downward adjustment in this category.

Most of the comparables had improvements on site that were either attributed some value or contributed interim income; this interim income could carry the properties through the entitlements process. Along these lines, a downward adjustment was made to Comparables 1, 2, 4, 5, 7 and 8.

Finally, Comparable 3 was encumbered with a deed restriction that presented significant uncertainty to the buyer. We have made an upward adjustment to this comparable, in account of the significant risk associated with redevelopment.

After these adjustments, the sales reflect a broad range of current, unentitled land values in Los Altos. The adjustments made to the sales are summarized in the adjustment grid on the following page. We note that the adjustment grid is not intended to be a scientific method in adjusting the land sales. It is merely presented as an explanation to help the reader follow the appraiser's judgment and the adjustment process. While the amount of individual adjustments can be argued, they do help provide an order of magnitude and an adjustment direction based on the market data presented.

Land Sales Adjustment Grid

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6	Sale # 7	Sale # 8
Sale ID		1515666	1468262	1426664	1426423	1426420	1426425	1425211	1318422
Date of Value & Sale	February-21	April-20	October-19	July-19	June-19	November-18	August-18	June-18	January-17
Unadjusted Sales Price		\$12,100,000	\$3,100,000	\$4,700,000	\$3,300,000	\$7,500,000	\$11,700,000	\$5,700,000	\$3,515,000
Usable Acres	0.000	0.815	0.160	0.551	0.126	0.350	0.840	0.271	0.224
Unadjusted Sales Price per Usable Sq. Ft.		\$340.85	\$444.44	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$360.51
Transactional Adjustments									
Property Rights Conveyed	<i>Fee Simple</i>	<i>Leased Fee</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Leased Fee</i>	<i>Fee Simple</i>
Adjustment		-	-	-	-	-	-	-	-
Adjusted Sales Price		\$340.85	\$444.44	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$360.51
Financing Terms	<i>Cash to Seller</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Cash</i>	<i>Cash</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Conventional</i>
Adjustment		-	-	-	-	-	-	-	-
Adjusted Sales Price		\$340.85	\$444.44	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$360.51
Conditions of Sale									
	<i>Typical</i>	<i>None</i>	<i>Assemblage</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Purchased by tenant</i>
Adjustment		-	-5.0%	-	-	-	-	-	-5.0%
Adjusted Sales Price		\$340.85	\$422.22	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$342.49
Expenditures after Sale									
Adjustment		-	-	-	-	-	-	-	-
Adjusted Sales Price		\$340.85	\$422.22	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$342.49
Market Conditions Adjustments									
Elapsed Time from Date of Value		<i>0.76 years</i>	<i>1.27 years</i>	<i>1.54 years</i>	<i>1.62 years</i>	<i>2.21 years</i>	<i>2.49 years</i>	<i>2.64 years</i>	<i>4.05 years</i>
Market Trend Through	April-20	-	2.1%	3.5%	3.9%	6.8%	8.3%	9.0%	16.1%
Subsequent Trend Ending	February-21	-	-	-	-	-	-	-	-
Analyzed Sales Price		\$340.85	\$431.25	\$202.73	\$623.99	\$525.35	\$346.08	\$526.46	\$397.57
Physical Adjustments									
Location	<i>Unentitled Residential Land Los Altos, California</i>	<i>301-307 2nd Street</i>	<i>365 First Street</i>	<i>745 Distel Drive</i>	<i>440 First Street</i>	<i>444-450 First Street</i>	<i>4896 El Camino Real</i>	<i>425 1st Street</i>	<i>389 1st Street</i>
Adjustment		-	-	-	-	-	-	-	-
Size	<i>0.000 acres</i>	<i>0.815 acres</i>	<i>0.160 acres</i>	<i>0.551 acres</i>	<i>0.126 acres</i>	<i>0.350 acres</i>	<i>0.840 acres</i>	<i>0.271 acres</i>	<i>0.224 acres</i>
Adjustment		-	-	-	-	-	-	-	-
Zoning		<i>CD</i>	<i>CD/R3</i>	<i>OA-1CT</i>	<i>CD/R3</i>	<i>CD/R3</i>	<i>CT</i>	<i>CD/R-3</i>	<i>CD/R3</i>
Adjustment		-	-	10.0%	-	-	-	-	-
Entitlements					<i>Preliminary</i>			<i>Preliminary</i>	
Adjustment		-	-	-	-20.0%	-	-	-20.0%	-
Other		<i>Interim Income</i>	<i>Interim Use</i>	<i>Deed Restricted</i>	<i>Interim</i>	<i>Interim</i>		<i>Interim</i>	<i>Interim</i>
Adjustment		-10.0%	-20.0%	50.0%	-20.0%	-20.0%	-	-20.0%	-20.0%
Net Physical Adjustment		-10.0%	-20.0%	60.0%	-40.0%	-20.0%	-	-40.0%	-20.0%
Adjusted Sales Price per Usable Square Foot		\$306.76	\$345.00	\$324.36	\$374.40	\$420.28	\$346.08	\$315.88	\$318.05

Value Conclusions

After adjustment, the sales indicate a range from \$307 to \$420 per square foot of land area. The range of values reflects a variety of other factors, such as the underlying zoning/ density of development, the specific location within Los Altos, the size of the lot etc. The average of the comparables is \$344 per square foot and the median is \$335 per square foot.

Land Sale Statistics

Metric	Unadjusted	Adjusted
Min. Sales Price per Usable Square Foot	\$195.83	\$306.76
Max. Sales Price per Usable Square Foot	\$600.55	\$420.28
Median Sales Price per Usable Square Foot	\$402.48	\$334.68
Mean Sales Price per Usable Square Foot	\$404.58	\$343.85

All of the comparables analyzed in this section reflect higher density sales, proposed for condo or multi-family residential(apartment) development. This is a very desirable product/ density range for most developers today.

We note that Comparable 5 is an outlier, with a much higher adjusted per square foot price. Excluding this comparable, the rest of the comparable sales provide for a tighter range of \$307 to \$375 per square foot. Giving more weight to these comparables, as well as the average of the comparable sales, a range of value of \$310 to \$370 is considered more appropriate for medium to high-density residential land.

Most land purchased in Los Altos is for condominium or apartment development. The value for this type of land most commonly ranges between **\$310 and \$370** per square foot.

Analysis of Additional Residential Land Sales

As noted previously, we have also researched and analyzed additional land sales located in the communities surrounding Los Altos, in an effort to provide additional support for the land value range concluded above. These sales are summarized in the table on the next page.

Prior to adjustment, the sales range between \$240 and \$487 per square foot. As with the sales located in Los Altos, they reflect a variety of physical characteristics, densities and development potential.

Summary of Nearby Residential Land Values

We have adjusted the comparable sales under various categories that affect the sale price, so that the final range concluded represents current, unentitled land values reflective of the Los Altos market. Upon adjustment, the additional sales from the broader market area, suggest a range of value of \$260 to \$340 per square foot, and provides additional support for the value ranges indicated by the Los Altos land sales.

Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location	Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	May-20	0.195	129 Fair Oaks Street	Mountain View, California	R1	Residential Subdivision	\$2,300,000 \$271.19
2	January-19	0.654	1926-1938 Gamel Way	Mountain View, California	R3	Condo Development	\$6,830,000 \$239.79
3	December-20	5.696	1555 W. Middlefield Road	Mountain View, California	Multi-family	Townhomes	\$81,000,000 \$326.49
4	November-19	3.050	2310 Rock Street	Mountain View, California	R3	Townhomes	\$40,500,000 \$304.84
5	June-20	6.035	1090 E. Duane Ave.	Sunnyvale, California	R-3, Residential	Townhomes	\$73,000,000 \$277.69
6	February-19	0.360	4115 El Camino Real	Palo Alto, California	CN	Mixed Use	\$7,650,000 \$487.26
7	March-19	0.878	410-414 Sierra Vista Avenue	Mountain View, California	R3-22	Townhomes	\$10,000,000 \$261.53

Land Valuation Single Family Land

Comparables 9 through 11 presented earlier, represent single family residential land sales. Unfortunately, there have not been many such sales in Los Altos, the majority being lots with single family homes on site. While they were purchased for eventual redevelopment, the improvements contributed some interim value to the buyers. These three sales are again presented below.

Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location	Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
9	September-17	0.650	555 S El Monte Avenue	Los Altos, California	R1-10	Residential subdivision	\$3,600,000 \$127.15
10	February-18	0.460	961 Lundy Lane	Los Altos, California	R1-10	Single-family residence	\$2,960,000 \$147.72
11	February-20	0.301	606 Paco Drive	Los Altos, California	R1	SFR	\$3,300,000 \$251.33

Summary of Adjustments

Comparables 9 and 10 were older sales and required an upward adjustment for time, while Comparables 10 and 11 had improvements in place that added interim value and required a downward adjustment as appropriate. No other adjustments were warranted to these sales.

Land Sales Adjustment Grid

		Subject	Sale # 9	Sale # 10	Sale # 11
Sale ID			1321407	1468416	1518917
Date of Value & Sale		February-21	September-17	February-18	February-20
Unadjusted Sales Price			\$3,600,000	\$2,960,000	\$3,300,000
Usable Acres		0.000	0.650	0.460	0.301
Unadjusted Sales Price per Usable Sq. Ft.			\$127.15	\$147.72	\$251.33
Transactional Adjustments					
Property Rights Conveyed		<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjustment			-	-	-
Adjusted Sales Price			\$127.15	\$147.72	\$251.33
Financing Terms		<i>Cash to Seller</i>	<i>Cash</i>	<i>Conventional</i>	<i>Cash</i>
Adjustment			-	-	-
Adjusted Sales Price			\$127.15	\$147.72	\$251.33
Conditions of Sale		<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjustment			-	-	-
Adjusted Sales Price			\$127.15	\$147.72	\$251.33
Expenditures after Sale					
Adjustment			-	-	-
Adjusted Sales Price			\$127.15	\$147.72	\$251.33
Market Conditions Adjustments					
Elapsed Time from Date of Value			<i>3.36 years</i>	<i>2.97 years</i>	<i>0.97 years</i>
Market Trend Through		April-20	12.6%	10.7%	0.6%
Subsequent Trend Ending		February-21	-	-	-
Analyzed Sales Price			\$143.20	\$163.46	\$252.95
Physical Adjustments					
Location		<i>Unentitled Residential Land Los Altos, California</i>	<i>555 S El Monte Avenue Los Altos, California</i>	<i>961 Lundy Lane Los Altos, California</i>	<i>606 Paco Drive Los Altos, California</i>
Adjustment			-	-	-
Size		<i>0.000 acres</i>	<i>0.650 acres</i>	<i>0.460 acres</i>	<i>0.301 acres</i>
Adjustment			-	-	-
Zoning			<i>R1-10</i>	<i>R1-10</i>	<i>R1</i>
Adjustment			-	-	-
Entitlements					
Adjustment			-	-	-
Other				<i>Improvement Value</i>	<i>Improvement value</i>
Adjustment			-	-10.0%	-20.0%
Net Physical Adjustment			-	-10.0%	-20.0%
Adjusted Sales Price per Usable Square Foot			\$143.20	\$147.12	\$202.36

Value Conclusions

The three comparables analyzed in this section reflect SFR lots. After adjustment, the sales indicate a range from \$143 to \$202 per square foot of land area. The range of values reflects a variety of other factors, such as the specific location within Los Altos, the size of the lot etc. The average of the comparables is \$164 per square foot and the median is \$147 per square foot.

Land Sale Statistics

Metric	Unadjusted	Adjusted
Min. Sales Price per Usable Square Foot	\$127.15	\$143.20
Max. Sales Price per Usable Square Foot	\$251.33	\$202.36
Median Sales Price per Usable Square Foot	\$147.72	\$147.12
Mean Sales Price per Usable Square Foot	\$175.40	\$164.23

In summary, the Los Altos sales surveyed indicate an adjusted range of \$143 to \$202 per square foot, which reflects the value of most vacant, single family residential land within Los Altos. Therefore, we conclude to a value for low density residential land in the **\$150 to \$200** per square foot range.

Because the sample for low density residential land sales in Los Altos is very small, we have also researched and analyzed additional land sales located in the communities surrounding Los Altos, in an effort to provide additional support for the land value ranges concluded above.

Analysis of Additional Residential Land Sales

Several recent low density residential land sales were found in the broader market area. These sales are summarized in the table below. A location map follows.

Prior to adjustment, the sales range between \$113 and \$171 per square foot. As with the sales located in Los Altos, they reflect a variety of physical characteristics.

Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location	Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	June-20	0.465	19820 Homestead Road Cupertino, California	A	Subdivision Residential	\$2,640,000	\$130.43
2	October-19	0.742	2003 Sunnyview Lane Mountain View, California	R1	3 Lot Subdivision	\$4,000,000	\$123.70
3	July-20	0.870	466 Bryant Avenue Mountain View, California	R1-8	Residential Subdivision	\$6,520,000	\$171.43
4	May-19	0.239	211 Fairchild Drive Mountain View, California	P	Multi-Family Development	\$1,175,000	\$112.81
5	January-21	0.471	1991 Colony Street Mountain View, California	R-3-2	SFR Development	\$2,850,000	\$139.00
6	September-18	0.580	715 Sleeper Avenue Mountain View, California	R1-10	Two home subdivision	\$3,350,000	\$132.59

Summary of Nearby Residential Land Values

The residential land sales presented above bracket current residential land values in Los Altos well.

We have adjusted the comparable sales under various categories that affect the sale price, so that the final range concluded represents current, unentitled land values reflective of the Los Altos market.

In summary, the additional sales surveyed, from the broader market area, suggest an adjusted range of value in the \$142 to \$205 per square foot, which reflects the value of most vacant, unentitled residential land sites within the submarket. Therefore, these sales drawn from the broader market area provide additional support for the value ranges indicated by the Los Altos land sales.

Conclusion of Land Value

Based on the research and analysis contained in this report, the range of current land values for vacant, unentitled land purchased in Los Altos for residential development, as of February 1, 2021, is as follows:

Value Conclusion	
Component	Unentitled - As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	February 1, 2021
Value Range- Single Family Residential	\$150-\$200 psf
Value Range- Multi Family Residential	\$310-\$370 psf

The above range reflects the value of most vacant, unentitled residential land sites within Los Altos. These values are generally supported by land sales drawn from surrounding cities/ broader market area.

We note that current, unentitled residential land values are dependent on a variety of factors and are specific to individual properties. The range of values reported in this report is not specific to any single piece of property in Los Altos but rather reflects a range of values expected for land purchased in Los Altos that has residential development potential. The actual value for any specific property is dependent on factors such as the ease in which entitlements can be obtained, its location, school district, size, likely development density, etc. The values reported herein bracket a variety of these factors, as reflected in the current market.

General Assumptions and Limiting Conditions

This assignment is subject to the following general assumptions and limiting conditions:

1. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
2. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Northern California will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
3. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
4. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
5. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Northern California is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
6. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
7. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
8. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
9. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.

10. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
11. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Northern California and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
12. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
13. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Northern California.
14. This report shall be considered in its entirety. No part thereof shall be used separately or out of context.
15. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
16. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
17. This consulting assignment does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
18. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.


19. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
20. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
21. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
22. You and Valbridge Property Advisors | Northern California both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Northern California and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Northern California or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Northern California for this assignment, and under no circumstances shall any claim for consequential damages be made.
23. Valbridge Property Advisors | Northern California shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Northern California. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Northern California and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Northern California harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Northern California in such action, regardless of its outcome.

24. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Hulberg & Associates, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
25. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
26. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
27. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Maria Aji, PhD

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Maria Aji has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.



Maria Aji, Ph.D.

Senior Appraiser

California Certified License #AG027130

Certification – Yvonne J. Broszus, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Yvonne J. Broszus, MAI did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Yvonne J. Broszus, MAI
Managing Director
California Certified License #AG019587

Addenda

Glossary

Qualifications

- Maria Aji, PhD - Senior Appraiser
- Yvonne J. Broszus, MAI – Managing Director

Information on Valbridge Property Advisors

Office Locations

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat,

or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

The time a property remains on the market. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal;

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

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

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

Fee Simple Estate

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. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's

operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

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.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely to

be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or

creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;

- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified

terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable

terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her

claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *net net net lease*, or *fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

VTAB

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)

Qualifications

Qualifications of Maria Aji, PhD Senior Appraiser

Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Education

Ph.D.
Urban and Regional Planning
University of Southern California,
Los Angeles, CA,

Master of Community Planning
University of Cincinnati

Diploma in Economics
National University of Greece
Athens, Greece

Certificate in International
Marketing and Export Techniques
Organization for the Promotion of
Exports
Athens, Greece

Contact Details

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408-279-3428 (f)
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San Jose, CA 95113

www.valbridge.com

Experience

Senior Appraiser

Valbridge Property Advisors | Northern California
(2015-Present)

Appraiser

Valbridge Property Advisors | Northern California
(2013-2014)

Hulberg & Associates, Inc. (2001-2013)
(joined to create Valbridge in 2013)
San Jose, CA

Associate Appraiser

The Property Sciences Group, Inc. (1998-2001)
San Jose, CA

Researcher

Nanyang Technological University, Business School
(1994-1995)
Singapore

Market Research Director

Grubb & Ellis Company (1993-1994)
San Jose, CA

Economic/Planning Consultant

Gruen Gruen & Associates (1992-1993)
San Francisco, CA

Research Associate

Practical Research for Planning, Inc., Pasadena, CA
(1991-1992)
Pasadena, CA

Appraisal/valuation and consulting assignments include: professional/ medical offices, shopping centers, mixed-use projects, gas stations, oil-changing facilities, vacant land, single family homes, apartments, condominiums, vacant land, light industrial, manufacturing, and research and development buildings, condominiums, warehouses, industrial parks, mini-storage facilities, vacant land, and special purpose properties.

Qualifications of Yvonne J. Broszus, MAI
Managing Director
Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Education

Bachelor of Science,
Marketing
Santa Clara University

Contact Details

408-279-1520 ext. 7135 (p)
408-279-3428 (f)
ybroszus@valbridge.com (e)

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Membership/Affiliations

Member: Appraisal Institute MAI Designation
Chairman: AI Fall Conference Committee (2006)
AI Spring Litigation Conference (2017)

Committee Member: AI Spring Litigation Conference (2014-current)
AI Silicon Valley Subchapter (2006-07)
AI Fall Conference (2004, 2005, 2018-current))

Award: AI Claudia B. Carleton Leadership Award

Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Experience

Managing Director

Valbridge Property Advisors | Northern California (2018-Present)

Director

Valbridge Property Advisors | Northern California (2013-2018)

Vice President

Hulberg & Associates, Inc. (1988-2013)
(joined to create Valbridge in 2013)

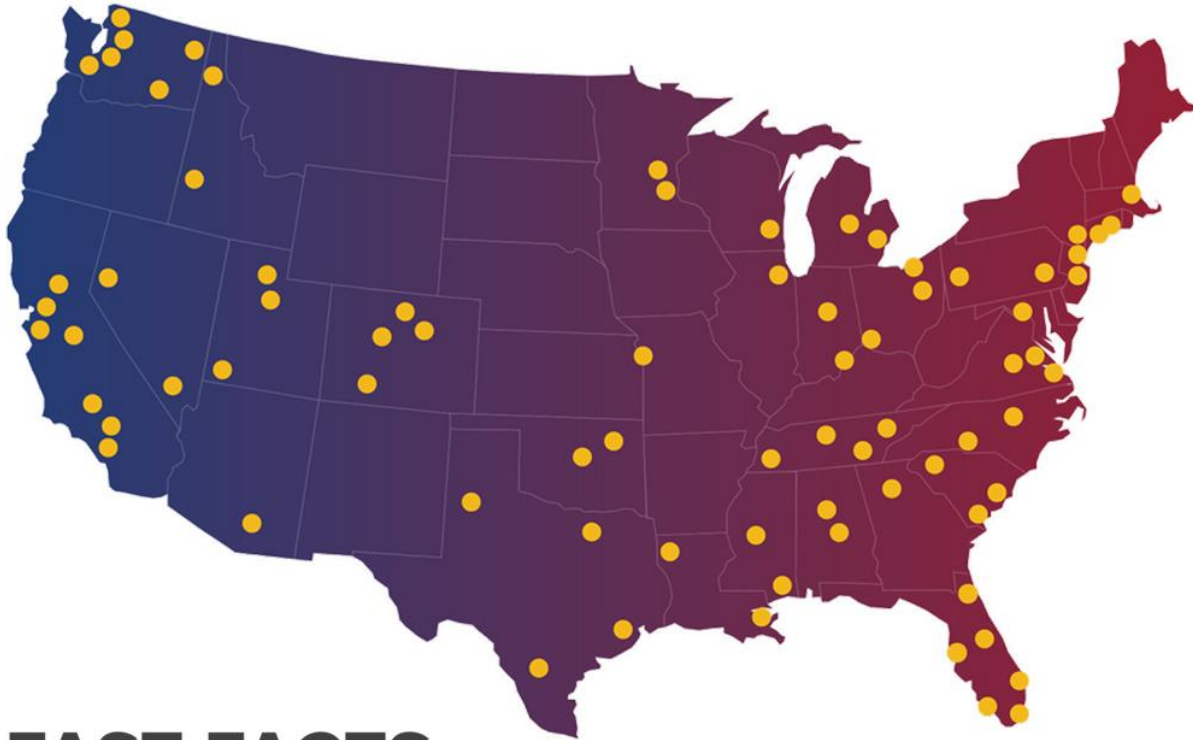
Appraisal/valuation and consulting assignments include: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant and agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family residential, mobile home parks, auto dealerships, service stations, worship facilities, truck stops, food processing and cold storage facilities, fixed base operators at airports, professional sports stadiums, and other special purpose properties.

Ms. Broszus has provided valuation services in a wide variety of complex civil litigation cases involving real estate. These matters have included condemnation issues, contract disputes, bankruptcy/creditors matters, and environmental lawsuits, among other issues. She also specializes in property tax appeals, having helped clients recover millions of dollars in property tax refunds.

Qualified as an expert witness, Ms. Broszus has testified in state and federal courts, major arbitrations, and at Assessment Appeal Board hearings. She is a highly experienced forensic appraiser.



Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers: 200+ on staff
 - Total number of office locations: 70+ across U.S.
 - Total number of staff: 675+ strong
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

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