CUPERTINO

2017/18 PROPERTY TAX SUMMARY

The City of Cupertino experienced a net taxable value increase of 8.4% for the 2017/18 tax roll, which was modestly more than the increase experienced countywide at 7.3%. The assessed value increase between 2016/17 and 2017/18 was $1.8 billion. The change attributed to the 2% Proposition 13 inflation adjustment was $330 million, which accounted for 18% of all growth experienced in the city.

The largest asessed value increase was reported on seven commercial and formerly vacant properties owned by Campus Holdings Inc. at 3 Apple Park Way, 10300 and 10335 N. Tantau Ave and 19400 Homestead Road with a collective increase of $822.3 million. This is the newly developed Apple Campus. Commercial property owned by Cupertino Hotel Owner LLC (Juniper Hotel Cupertino) at 10050 S. De Anza Blvd. increased $50.7 million reflecting the purchase price paid in a transfer of ownership in 2015. 2 Commercial sites owned by Main Street Cupertino at 19349 and 19319 Stevens Creek Blvd. with a combined increase of $57.5 million. This is the location of the Main St. Cupertino.

The largest value decline was posted on commercial property owned by Wolfe Properties at 10333 N Wolfe Road with a reduction of $23 million correcting an error made by the assessor in valuing this vacant property last year. Industrial Property owned by Bubb Road Joint Venture LLC in the 10200 block of Bubb Road reported a decrease after there was a change in the way this property was held (title) last year and the assessor re-appraised the parcel in error. The correction resulted in a decline of $7.3 million.

The housing market has fully recovered from the recent recession in many urban and coastal areas of the State while housing recovery has tended to lag in more rural and inland areas. Current median home prices are at or above the pre-recession peak values in many areas. Inventory constraints are the main contributor to increases in home prices over the last year. Lack of significant new home construction in both Northern and Southern California is one of the main factors affecting supply. The median sale price of a single family home in Cupertino from January through July 2017 was $1,738,000. This represents a $88,000 (5.3%) increase in median sale price from 2016.

Year	SFR Sales	Median Price	% Change
2011	464	$950,000	
2012	471	$1,062,000	11.79%
2013	451	$1,221,000	14.97%
2014	411	$1,435,000	17.53%
2015	365	$1,655,000	15.33%
2016	350	$1,650,000	-0.30%
2017	219	$1,738,000	5.33%

2017/18 Tax Shift Summary

ERAF I & II	$-3,924,608
VLFAA (est.)	$7,549,772

Top 10 Property Owners

	Owner	Net Taxable Value	% of Total	Use Type
1.	APPLE COMPUTER INC	$5,151,722,757	22.26%	Commercial
2.	MAIN STREET CUPERTINO	$331,405,037	1.43%	Commercial
3.	VALLCO PROPERTY OWNER LLC	$326,717,496	1.41%	Commercial
4.	BVK PERIMETER SQUARE RETAIL LLC ET AL	$174,280,482	0.75%	Commercial
5.	CUPERTINO PROPERTY DEVELOPMENT LLC	$152,928,711	0.66%	Residential
6.	CUPERTINO CITY CENTER	$146,109,891	0.63%	Commercial
7.	MISSION WEST PROPERTIES LP II ET AL	$134,964,379	0.58%	Commercial
8.	SVF CUPERTINO CITY CENTER CORPORATION	$129,871,378	0.56%	Commercial
9.	PR CUPERTINO GATEWAY LLC	$125,591,580	0.54%	Commercial
10.	CUPERTINO HOTEL OWNER LLC	$114,600,014	0.50%	Commercial
	Top Ten Total	**$6,788,191,725**	**29.34%**	

Real Estate Trends

Home Sales

According to industry experts, unsold inventory is below normal levels particularly in the Bay Area. The lack of supply from resales and the absence of new housing units has driven the increase in housing prices up in most areas. Median sale prices in many areas have surpassed their pre-recession peaks. The reported median price of an existing, single family detached home in California during June 2017 was $555,150. This was a 7 percent increase from $518,830 in June 2016.

All Homes	Units Sold June-2016	Units Sold June-2017	% Change	Median Price June-2016	Median Price June-2017	% Change
Alameda County	1,818	1,902	4.62%	$700,000	$770,000	10.00%
Contra Costa County	1,816	1,907	5.01%	$541,000	$580,000	7.21%
Marin County	373	367	-1.61%	$950,000	$1,080,050	13.69%
Napa County	165	169	2.42%	$535,000	$597,000	11.59%
San Francisco County	576	570	-1.04%	$1,180,000	$1,250,000	5.93%
San Mateo County	678	650	-4.13%	$1,025,000	$1,207,500	17.80%
Santa Clara County	1,971	2,071	5.07%	$860,000	$965,000	12.21%
Solano County	733	646	-11.87%	$375,000	$400,000	6.67%
Sonoma County	670	659	-1.64%	$530,000	$588,500	11.04%

Comparison of Current Median Sale Price to Peak Price Before the Great Recession

In 1978 California voters approved Proposition 8 that requires county assessors to reduce the value of properties below their Proposition 13 taxable values when the real estate market declines. These reductions are to be restored as the real estate market improves. One of the gauges of the values to be restored is the progress each community is seeing in the growth of the median sale prices of single family homes. As we have moved through the Great Recession, we have seen the recovery of the real estate home prices in many regions approach or exceed pre-recession peak prices. The graph below provides a comparison of the detached home (excluding Condos and Townhomes) median peak price experienced at the height of the real estate bubble in Cupertino and Santa Clara County well as several other counties in this region. Considering these trends, we expect to see continued restoration of values reduced per Proposition 8. The annual restoration of Prop 8 reduced values has diminished over the past couple of years in most of the counties reviewed. More counties have neared a 90-100% restoration level after our review of the 2017-18 data in this segment of residential properties. **As we begin the 2017-18 fiscal year 97.6% of properties in Cupertino awaiting restoration of value since 2012-13 have been FULLY restored.**

Comparison of Median Sale Price to Pre Recession Peak Price