



Josh Shumsky

CA RE License #01883266

January 9, 2017

RecipientsName

CompanyName

Re: Sunsweet Mixed Use Development – Retail Component

Dear Recipient

My name is Josh Shumsky, and I am a commercial real estate broker with Newmark Cornish and Carey, specializing in retail leasing and sales. I have had the chance to review the initial plans for the Republic Urban Properties Sunsweet Mixed Use Development's retail space, and am confident that the existing plan, meets the market demand of today's restaurants and retailers. In addition, with the abundant glassline, and the central courtyard component, facilitating an attractive outdoor seating option for the tenants, effectively expanding their useable space, the project is well positioned to capitalize on the strong market growth of the bay area.

It therefore becomes critical to evaluate the proper amount of retail space to place within a mixed-use project, as too little can sometimes limit a project's draw, but too much can facilitate chronic vacancy and a dysfunctional tenant mix. In this case, the potential pitfall lies with the possibility of over-retailing versus under retailing, as the continued investment in the Morgan Hill downtown core has created it's own anchorability similar to other successful bay area downtowns like Campbell. In it's current form, the project allows the developer to be selective in their Tenant mix bringing in businesses that will prove a strong addition to the downtown core, without needing to stretch to fill space. This will provide the best opportunity for a seamless integration to the growing business district. One example of a successful mixed use with a more conservative retail offering is the Stack's Breakfast restaurant building at 139 E. Campbell Avenue in Downtown Campbell. This space, which ties into the greater downtown, is well positioned to capture the foot traffic and anchorability of Downtown Campbell, as Republic's project is within Morgan Hill.

The final item to address is the bay depths of the retail space. Sunsweet has proposed bay depths of up to 60 feet for the restaurant space and up to 40 feet for the retail. This provides a tenant with the frontage they require at a square footage they can afford. When spaces are designed too deep, they are difficult to demise and can force a Landlord to split them in ways that limit both utility as well as future leaseability. The existing plan anticipates a feature restaurant, who would likely place their Main entrance on Third Street, Patio in the courtyard, and their kitchen in the deeper portion of the premises along Depot Street. The retail space on the opposite side is ideal for a boutique or personal services use as the right sized depth allows for multiple configurations and demising options. In a project, Main Street Cupertino, that I am personally leasing next to the new Apple Campus in Cupertino, the Landlord intentionally provided a variety of bay depths to capture a mixture of tenant types and needs. While some bay depths were as large at 65 feet, our retail space next to the parking structure has depths of 45 feet, which allows for greater flexibility in leasing. Tenant's who have preferred the limited bay depths located within that building include Oren's Hummus, Pressed Juicery, and Pieology Pizzeria to name a few.

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In conclusion, I believe the Sunsweet Mixed-Use development has positioned itself well to capture the retail demand in the market today. They have programmed an appropriate amount of retail, and have provided the necessary dimensions to satisfy the design needs of contemporary tenants. I look forward to seeing this project constructed, and enjoying the vibrant Morgan Hill Downtown.

Sincerely,

Josh Shumsky

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