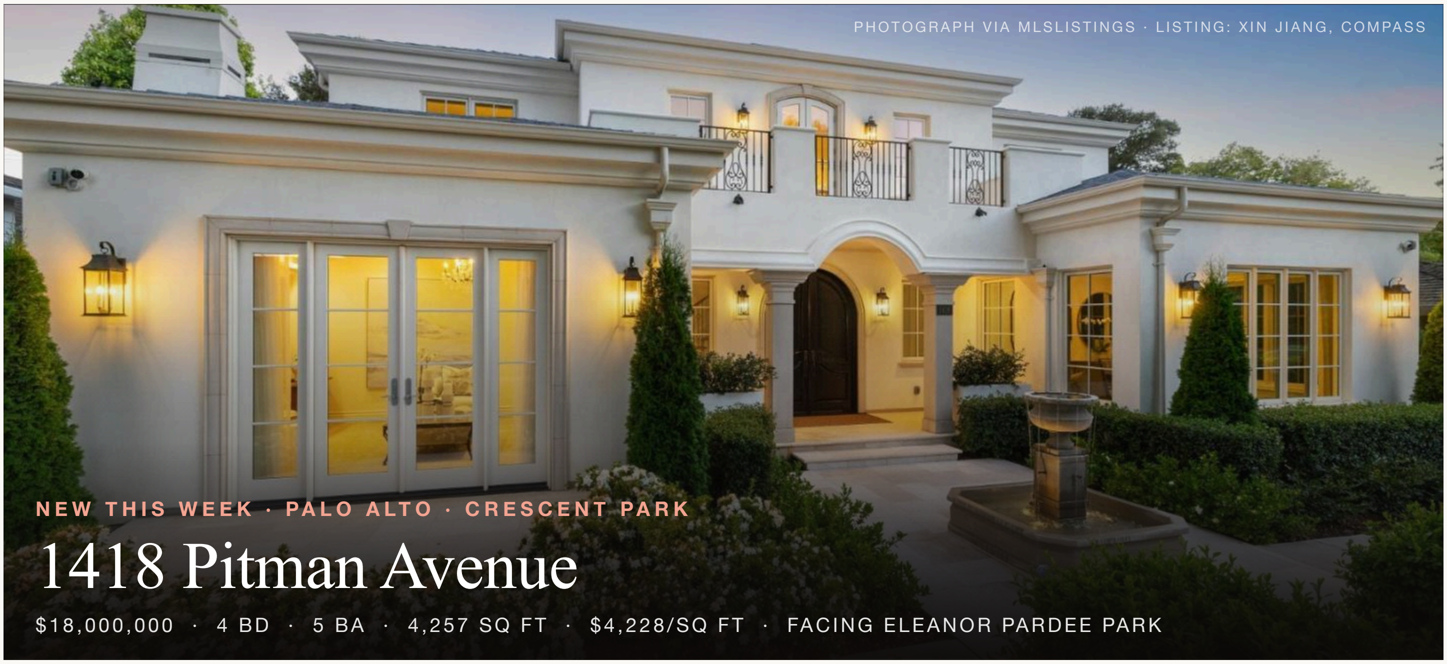
PAYNE

REAL ESTATE · CAPITAL · POLICY · THE PENINSULA

VOL. I · NO. 2 | FRIDAY, JULY 31, 2026 | PALO ALTO, CALIFORNIA

S&P 500	NASDAQ COMP.	30-YR FIXED	FED FUNDS	ATHERTON TYP.
7,437.64	25,122.18	6.66%	3.50–3.75%	$8.22M
▲ 0.4% wk.	▲ 0.6% wk.	▲ 8 bp wk.	Held, 9–3	▲ 10.5% y/y



PHOTOGRAPH VIA MLSLISTINGS · LISTING: XIN JIANG, COMPASS

NEW THIS WEEK · PALO ALTO · CRESCENT PARK

1418 Pitman Avenue

$18,000,000 · 4 BD · 5 BA · 4,257 SQ FT · $4,228/SQ FT · FACING ELEANOR PARDEE PARK

MLSLISTINGS · KERI NICHOLAS, PARC AGENCY

ACTIVE · ATHERTON

18 Linda Vista Avenue

$32,500,000 · 8 BD · 9 BA · $3,050/SQ FT

MLSLISTINGS · HUGH CORNISH, COLDWELL BANKER

NEW THIS WEEK · WOODSIDE

180 Farm Road

$24,995,000 · VINEYARD ESTATE · 4.34 ACRES

ALSO ON THE MARKET · ELEVEN LISTINGS INSIDE

LOS ALTOS HILLS
$19.995M

PORTOLA VALLEY
$15.495M

LOS GATOS
$12.0M

LOS ALTOS
$6.889M

MENLO PARK
$6.498M

LOS ALTOS
$6.388M

MTN. VIEW
$5.65M

MENLO PARK
$5.588M

PAYNE SHARPLEY · CALRE 02195155
INTERO REAL ESTATE SERVICES, A BERKSHIRE HATHAWAY AFFILIATE

PALO ALTO · CRESCENT PARK · 94301

1418 Pitman Avenue

A custom French Modern estate facing Eleanor Pardee Park at $4,228 per square foot — the clearest print yet on what a finished house next to permanent open space is worth in this market.

Listed by Xin Jiang, Compass · MLS# ML82056115 · Photographs via MLSListings, courtesy of the listing brokerage. Figures from the current MLS listing; the analysis is the editor's own.

$18.0M	$4,228	2024	10,960
ASKING	PER SQ. FT.†	BUILT · 4-YR PROJECT†	LOT SQ. FT.†

Last week this letter priced a new Atherton estate as the cost of not spending four years building. This week the market produced the companion print. 1418 Pitman Avenue is what those four years look like when somebody else has already spent them: excavation, an over-built foundation, a DaVinci slate roof, and finish work that took the better part of a construction cycle — completed in 2024, seasoned for two years, and offered finished at eighteen million dollars.

The number to sit with is **$4,228 per square foot**. The Palo Alto citywide figure runs near $1,510. This asks nearly triple, and the premium decomposes into exactly three things: new construction with zero build risk, Crescent Park, and a front-row orientation onto Eleanor Pardee Park — protected open space that functions as a several-acre front yard the city maintains and no neighbor can ever build on. Two of those three can be bought elsewhere. The third is a fixed supply of a few dozen parcels, and it is doing most of the work in this price.

The lot is 10,960 square feet — ordinary for the neighborhood. What is being sold is not land area but *adjacency*: the view corridor and light of parkland without the tax bill of acreage. In every mature luxury market — the houses on Central Park, the crescents of London — permanent-open-space frontage carries a durable premium of twenty to forty percent over the same house a block interior. Crescent Park has never had enough such trades to price that premium cleanly. This listing is the test.

Geography footnote worth knowing: Crescent Park's eastern edge runs to San Francisquito Creek, where the 1911 Newell Road bridge into East Palo Alto came down this spring; its wider replacement is under construction and due next year. What that crossing means for both banks of the creek is the subject of page twelve.

HOW I READ IT

Against this week's eleven new listings, the ask is the second-highest dollar-per-foot figure on the board — behind only a Woodside vineyard estate — and roughly **2.8×** the citywide Palo Alto rate. The premium is park frontage plus finished 2024 construction.

If this clears inside a month near ask, every park- and creek-adjacent parcel in 94301 has a new comparable — and most owners will not have noticed.

THIS WEEK'S $/SQ FT BOARD

180 Farm Rd, Woodside	$4,355
1418 Pitman, Palo Alto	**$4,228**
18 Linda Vista, Atherton	$3,050
241 Georgia, Portola Vly	$2,725
Median, all 11 new	**$2,203**

Ask ÷ MLS square footage, this week's featured listings. Computed by the editor from listing figures.

BUYER REPRESENTATION

These are other brokerages' listings, credited on each photograph. To see any of them with independent representation: Payne Sharpley, 650.384.3546 · payne@paynesoldit.com.

FROM THE DESK

The Week the Dissents Showed Up

Last week this letter argued the tail risk on rates ran toward a hike, not a cut, while nearly everyone was positioned the other way. On Wednesday the committee held — and three of its members dissented in writing, all three in the direction of a hike. That has not happened since 2016. The forecast did not change this week. The evidence for it did.

The rest of this issue is about quotas and concrete. Sacramento has handed every Peninsula town a number — the homes it must plan for by 2031 — and the towns are handling those numbers in ways that will move land values more than any rate decision. Atherton's answer runs through eleven rezoned lots and, very possibly, the first condominiums in the town's history. I introduced the buyer to one of those lots, so this is not secondhand.

And on page twelve: a two-lane bridge over San Francisquito Creek, reopened after a century of history, that says more about where this region is going than any index I can print.

Payne Sharpley

EDITOR · CALRE 02195155

THE WEEK IN ONE LINE

The Fed held with three members demanding a hike, Microsoft and Amazon were rewarded for AI spending while Meta was punished for it, and eleven new Peninsula listings arrived priced as though none of it matters — because, above eight million, it mostly does not.

COMING IN THE MONTHLY

- Full quarter absorption tables, all eleven cities
- The complete RHNA scorecard: permits vs. quota, every town
- Data-center fiscal math: what Santa Clara actually collects
- Forbes Global Properties international comparables

DATA INTEGRITY

Figures marked † are drawn from named public sources and dated. Figures without a dagger are the editor's estimates or derived calculations and are labeled as such. Sources are printed on the back page of every issue.

Nothing in this publication is tax, legal, or investment advice. Consult your CPA, attorney, or advisor before acting.

THE WEEK'S ELEVEN

What Came to Market, In Photographs

Eleven active listings, nine towns, $5.59M to $32.5M — each another brokerage's listing, credited below.

18 Linda Vista Avenue, Atherton

$32,500,000 · 8 BD · 9 BA · 10,657 SQ FT · 1.05 AC · BUILT 2023

Listed by **Keri Nicholas**, Parc Agency Corporation · ML82022665 · Photo: MLSListings

180 Farm Road, Woodside

$24,995,000 · 4 BD · 5 BA · 5,740 SQ FT · 4.34 AC · BUILT 2016

Listed by **Hugh Cornish**, Coldwell Banker Realty · ML82054839 · Photo: MLSListings

25355 La Loma Drive, Los Altos Hills

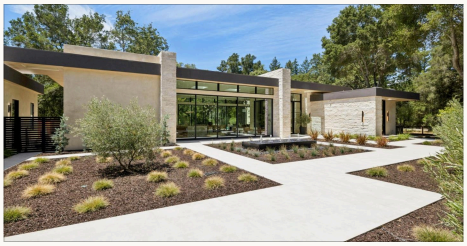
$19,995,000 · 7 BD · 8 BA · 8,211 SQ FT · 8.10 AC · BUILT 1991

Listed by **Stefan Walker**, KW Bay Area Estates · ML82054633 · Photo: MLSListings

1418 Pitman Avenue, Palo Alto

$18,000,000 · 4 BD · 5 BA · 4,257 SQ FT · BUILT 2024 · PAGE 2

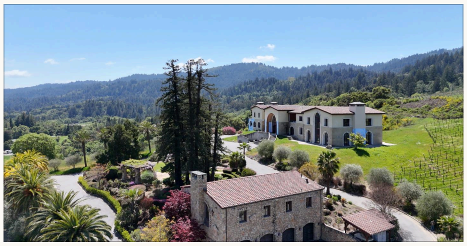
Listed by **Xin Jiang**, Compass · ML82056115 · Photo: MLSListings



241 Georgia Lane, Portola Valley

$15,495,000 · 6 BD · 7 BA · 5,686 SQ FT · 1.01 AC · BUILT 2026

Listed by **Brent & Mary Gullixson**, Compass · ML82053175 · Photo: MLSListings



18550 Black Road, Los Gatos

$12,000,000 · 5 BD · 8 BA · 18,000 SQ FT · 12.5 AC VINEYARD · BUILT 2010

Listed by **Tiger Teerlink**, Compass · ML82017350 · Photo: MLSListings

730 S. El Monte Avenue, Los Altos

$6,888,888 · 5 BD · 5 BA · 4,316 SQ FT · BUILT 2015

Listed by **Julie Tsai Law**, Compass · ML82055186 · Photo: MLSListings

40 Montana Lane, Menlo Park

$6,498,000 · 4 BD · 3 BA · 3,230 SQ FT · BORDERS ATHERTON · BUILT 2007

Listed by **Chris A. Sabido**, eXp Realty of California · ML82055595 · Photo: MLSListings

1720 Penny Way, Los Altos

$6,388,000 · 6 BD · 6 BA · 2,899 SQ FT + ADU · BUILT 2026

Listed by **Richard Rollins**, Rollins Realty · ML82055506 · Photo: MLSListings

1691 S. Springer Road, Mountain View

$5,650,000 · 4 BD · 5 BA · 3,048 SQ FT · NEW CONSTRUCTION 2026

Listed by **Sumeet Mittal**, Pellego · ML82053666 · Photo: MLSListings

145 Gloria Circle, Menlo Park

$5,588,000 · 4 BD · 4 BA · 3,040 SQ FT · VINTAGE OAKS · BUILT 1996

Listed by **Diane Ji**, Elite Realty & Finance · ML82054907 · Photo: MLSListings

READ THE SET

Median ask **$12.0M**; median **$2,203** per foot. Five of the eleven were built in 2023 or later — finished new construction is now the defining product at the top of this market.

Two open houses this weekend: 40 Montana Ln. and 1720 Penny Way, Sat–Sun afternoons, per MLS.

All eleven active on MLSListings as of July 30, 2026; status and pricing change without notice. Photographs via the MLSListings portal, courtesy of each listing brokerage, credited above. Payne Sharpley is not the listing agent; derived figures are the editor's. Not a solicitation of listed property.

THE BOARD

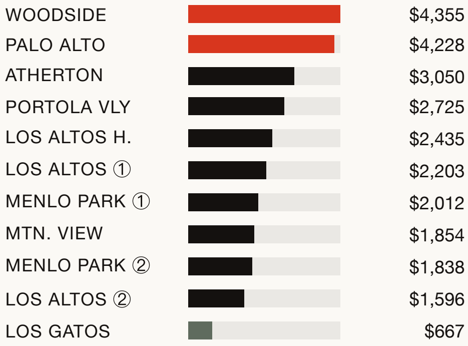
Price Per Foot Across Eleven Cities

Typical values, twelve-month change, and the five-year compound — the only three numbers that matter, printed the same way every week.

CITY / ZIP	TYPICAL VALUE	$ / SQ FT	1-YR	5-YR
Atherton 94027	**$8,220,143**[†]	**$2,420** e	**+10.5%**[†]	**+22.7%**[†]
Portola Valley 94028	$4,253,425[†]	$1,530 e	+9.5%[†]	+28.9%[†]
Woodside 94062	$3,926,400[†]	$1,480 e	+4.0%[†]	+17.7%[†]
Palo Alto 94301/03/06	**$3,600,000**[†]	**$1,510**[†]	**+6.1%** e	**+19.4%** e
Los Altos Hills 94022	$5,180,000 e	$1,410 e	+7.2% e	+21.0% e
Los Altos 94024	$4,090,000 e	$1,690 e	+6.8% e	+20.2% e
Menlo Park 94025	**$2,869,009**[†]	**$1,440** e	**+5.5%**[†]	**+18.7%**[†]
Stanford 94305	$3,240,000 e	$1,350 e	+3.1% e	+12.4% e
Mountain View 94040/41/43	$2,310,000 e	$1,290 e	+4.4% e	+15.8% e
Cupertino 95014	$2,540,000 e	$1,340 e	+5.9% e	+17.1% e
Los Gatos 95030/32	$2,780,000 e	$1,120 e	+4.8% e	+16.3% e

[†] Zillow typical home value, released July 15, 2026 (Atherton, Portola Valley, Woodside, Menlo Park); Redfin / Palo Alto market data, May–July 2026 (Palo Alto). **e** — editor's estimate, derived from trailing closed-sale sets. Estimates are replaced with sourced figures as county records post. Countywide reference, C.A.R. June 2026 medians[†]: San Mateo $2.31M (+7.9% y/y) · Santa Clara $1.95M (–7.6% y/y) · San Francisco $2.13M (+24.8% y/y).

THIS WEEK'S NEW LISTINGS · ASK $/SQ FT



Ask ÷ MLS square footage, the eleven listings on page 4. Editor's calculations from listing data.

THE ANOMALY IS INFORMATIVE

The top two dollar-per-foot asks this week are not Atherton. A Woodside vineyard estate and a park-fronting Palo Alto build both ask more per foot than the $32.5M Atherton flagship — because both are selling something scarcer than square footage: setting that cannot be reproduced at any budget.

At the other end, $667 per foot buys 18,000 square feet in the Los Gatos hills. Size is cheap. Placement is not.

Size is cheap this week — placement is not. The spread between the dearest and cheapest foot of new inventory is six and a half to one.

THE BOARD · JULY 31, 2026

HOUSING DATA RELEASED THIS WEEK

CASE-SHILLER · MAY, REL. JUL 28

National +1.1% y/y; San Francisco metro **+2.2%** y/y.[†] The release's own commentary notes prices are still falling in *real* terms against ~4.2% inflation — a nominal-gain, real-loss market nationally. Not here: C.A.R. has San Francisco county +24.8% y/y on AI-driven demand.[†]

MORTGAGE APPS · WK OF JUL 29

Applications fell **6.4%**; MBA's 30-year rate printed **6.76%**, the highest since August 2025.[†] Freddie Mac's Thursday average: 6.66%, up 8 bp.[†] The rate-sensitive band tightened further this week. The cash band did not notice.

NEW HOMES · JUNE, REL. JUL 24

628K annualized, **9.3 months of national supply**.[†] The national builder is discounting into a glut while the Peninsula's problem remains the opposite — which is precisely why finished new construction here commands the premiums on page 4.

THE QUOTA LEDGER · 2023–2031 CYCLE

What Sacramento Assigned Your Town

Every city in this letter carries a state-assigned housing number due by 2031. Three years in, no town is on pace — and the machinery for punishing that has teeth now: fines, lawsuits, and the builder's remedy.

The Regional Housing Needs Allocation is the state's answer to fifty years of local veto: Sacramento sets a number of homes — by income tier — that each jurisdiction must plan for, zone for, and demonstrably permit across the 2023–2031 cycle. The Peninsula's assignments range from Atherton's 348 units to Mountain View's 11,135.[†] Miss the planning deadlines and a town loses its zoning authority to the "builder's remedy"; slow-walk the permits and, since last year, monthly civil penalties attach. Two weeks ago the Governor and Attorney General sued five cities — including Half Moon Bay, one county over — for exactly this.[†]

The scorecard at right rewards a careful read. **Atherton leads the Peninsula at 57 percent of quota** — but the denominator is 348 and the production is almost entirely accessory dwelling units: guest houses over garages, counted one by one.[†] Palo Alto, with a quota seventeen times larger, sits at 23 percent, last among the nine. The pattern is general: the smaller the assignment, the easier the arithmetic and the better the optics. The towns with real numbers — Mountain View, Palo Alto, Menlo Park — are the ones where the gap between plan and production will actually be decided, mostly by whether large projects pencil at current rates and fees (see page 13).

Compliance is not academic. **Portola Valley** became the first Bay Area town decertified — March 2024, still repairing its element through a public-review draft that closed June 30.[†] **Los Altos Hills** was sued in April by a housing nonprofit over rezonings it walked back; three builder's-remedy projects are already filed there.[†] **Los Gatos** is litigating three builder's-remedy towers from its own noncompliant window — one thirteen stories, on the site of a fruit stand.[†] And **Palo Alto** discovered in July what a gap in the armor costs: its temporary SB 79 ordinance lapsed for the first fifteen days of the month, and at least seven transit-density applications — some near seven stories — were filed through the window before it closed.[†]

The through-line for owners: every one of these fights ends with more entitled density somewhere specific. Knowing where, before it is priced, is the entire game. Which brings us to Atherton — next page.

PERMITTED VS. QUOTA · APR 2026

ATHERTON	199 / 348
WOODSIDE	160 / 328
LOS ALTOS	918 / 1,958
MENLO PARK	1,316 / 2,946
LOS GATOS	878 / 1,993
LOS ALTOS HILLS	156 / 489
MOUNTAIN VIEW	3,497 / 11,135
PORTOLA VALLEY	70 / 253
PALO ALTO	1,429 / 6,086

Building permits issued this cycle vs. total RHNA quota. Quotas: ABAG final allocation.[†] Progress: HCD annual-report data as compiled by Urban Insight Group, April 2026 — treat as approximate.

STATUS BOARD

Palo Alto	CERTIFIED '24
Atherton	CERTIFIED '25
Woodside	CERTIFIED '25
Los Altos Hills	CERTIFIED · SUED
Los Gatos	IN LITIGATION
Portola Valley	DECERTIFIED
Half Moon Bay	SUED BY STATE

Housing-element status as reported, July 2026.

WHY OWNERS SHOULD CARE

A noncompliant town cannot say no to a qualifying project — that is the builder's remedy, and it is how a 13-story tower gets filed in Los Gatos.

A compliant town has named the specific parcels that absorb its quota. If yours is one, its value has two prices now — and only one is on Zillow.

† Sources: ABAG Final RHNA Allocation Report (Dec 2021); Governor's office and Cal. DOJ, July 16, 2026; HCD decertification letter, Mar 26, 2024; CalHDF v. Los Altos Hills, filed Apr 9, 2026; Los Gatan and The Real Deal on Los Gatos litigation; CP&DR and Palo Alto Online, July 2026. Progress figures are third-party compilations of state data and may lag. **This page is reporting, not legal advice.**

ATHERTON · RM-10 & SB 79

Ten Acres, Eleven Lots — and the First Condominiums

The most expensive zip code in America now has two legal paths to multifamily housing. Every dwelling in town today is a detached house. That sentence has an expiration date.

Atherton's route to a certified housing element was as contested as any in California: a seventeen-lot El Camino Real upzoning proposed and abandoned in 2023 under threatened litigation, two state rejections, and a council staring at fines of ten to one hundred thousand dollars a month before it adopted the final version — "we're putting the entire city's finances in jeopardy," in the mayor's words — and won certification in May 2025.† What survived is precise: an opt-in overlay, **RM-10**, on **eleven sites totaling 10.14 acres — 101 units of zoned capacity at ten units per acre** — concentrated on Ravenswood Avenue, Bay Road, Oakwood Boulevard and a handful of institutional parcels, including the Menlo Circus Club's edge.† Owners keep their single-family zoning, or may build multifamily *by right* — ministerial review, no discretionary hearing — under a 34-foot cap.

Separately, SB 79 arrived on July 1. Atherton has no station of its own, but **seven parcels on Glenwood Avenue, Laurel Street and Victoria Drive** sit within a quarter-mile of the Menlo Park Caltrain stop — and on those lots the state floor is now **75 feet and 120 units per acre**, under the objective-standards ordinance the town adopted in March.† Read that again: a seventy-five-foot residential building is now a lawful use on seven parcels in Atherton. The two maps do not overlap — the RM-10 lots sit beyond the transit ring — which means the town's first-ever condominium project can now arrive down either of two tracks: low-rise, ten-to-an-acre on the overlay, or transit-scale at the Menlo Park border.

A personal note, because I was in the room: when the overlay map became real, I introduced one of these rezoned lots — and the fact that it could be bought — to the developer who went on to acquire it. Watching entitlement-literate capital move on Atherton dirt before the neighbors had read the ordinance taught me more about this market than any index in this issue. The buyers of the town's first condominiums will be households who want the zip code, the schools and the gates without the groundskeeping — a product Atherton has never once offered in its 103-year history.

The date that matters is **December 2026**. Atherton's housing element carries a self-executing trigger: if fewer than four of the eleven overlay sites have development activity or active proposals by then, the town is committed to a mid-cycle rezoning — more sites, or more density — effective January 2028.† Five months out, the overlay's owners hold a quiet option with a clock on it, and most of them, in my experience, have not priced either fact.

THE RM-10 OVERLAY · 11 SITES

SITE	ACRES	UNITS
23 Oakwood Blvd.	1.60	16
175 Ravenswood Ave.	1.10	11
185 Ravenswood Ave.	1.10	11
197 Ravenswood Ave.	1.00	10
999 Ringwood Ave.	0.90	9
352 Bay Rd.	0.92	9
318 Bay Rd.	0.94	9
296 Bay Rd.	0.93	9
Gilmore House	0.90	9
Menlo Circus Club	0.50	5
Cal Water land	0.25	3
Total	**10.14**	**101**

Town of Atherton housing element, adopted Oct 2024; certified May 2025.† Opt-in; owners retain R-1A rights.

TWO TRACKS TO THE FIRST CONDO

RM-10 overlay: 11 lots · 10 du/ac · 34 ft · by-right review.

SB 79 ring: 7 lots on Glenwood, Laurel & Victoria · up to 120 du/ac · 75 ft · quarter-mile of Menlo Park Caltrain.

The clock: fewer than 4 active RM-10 sites by Dec 2026 → mid-cycle rezoning, effective Jan 2028.

IF YOU OWN ONE

An overlay parcel is now worth the greater of its house value and its entitlement value — Issue No. 1's land-residual framework applies directly. Before you answer a developer's knock, price both branches. I can run that math with you.

† Sources: Town of Atherton Multi-Family Housing program & staff report, Sept 2024; Municipal Code Ch. 17.35 & 17.59; The Almanac; Menlo Park staff report 26-078-CC. The lot introduction is the editor's own account. **Reporting, not legal advice.**

FEDERAL RESERVE · DECISION, JULY 29

Three Dissents, One Direction

The Fed held at 3.50–3.75 percent. The news was the vote: 9–3, with all three dissents demanding a hike — the first same-direction triple dissent since 2016. Last week's tail risk is now on the record.

3.50–3.75%	9–3	6.66%	~4.68%
TARGET RANGE · HELD†	THE VOTE · 3 HIKE DISSENTS†	FREDDIE 30-YR, JUL 30 · ▲8BP†	10-YR TREASURY · ▲10BP WED.†

This letter wrote seven days ago that the tail risk on rates no longer ran toward a cut — that it ran the other way, and almost nobody was positioned for it. On Wednesday the committee put that in writing. Kashkari, Hammack and Logan — Minneapolis, Cleveland and Dallas — each dissented in favor of an immediate quarter-point **increase**.† Three policymakers had not dissented in the same direction at one meeting since September 2016.

Chair Warsh, nine weeks into the job, stripped the statement down to almost nothing — no forward guidance, no projections, and a press conference built around a single sentence: "There is no soft inflation target… There's only a target, and it's 2%."† With inflation running near four percent, that sentence is a commitment with a direction attached.

The bond market read it the same way and did not enjoy it. The ten-year yield jumped roughly ten basis points into Wednesday's close, equities sold off, and by Thursday morning Freddie Mac's thirty-year average printed **6.66 percent**, up eight on the week; the Mortgage Bankers Association's survey rate reached **6.76 percent**, its highest since last August, with applications down 6.4 percent.† The path to a meaningfully lower mortgage rate now runs through an inflation surprise, not a Fed pivot.

The local translation is the same bifurcation as last week, sharpened. Above roughly five million dollars the Peninsula transacts in cash and portfolio credit, and Wednesday changed nothing — eleven new listings arrived this week priced accordingly. Below three and a half million, the buyer qualifies on debt-to-income at whatever Thursday's print says, and Thursday's print went the wrong way for the fourth consecutive week.

What is genuinely new is the asymmetry of information inside the committee. A 9–3 vote with a shortened statement tells you the argument has moved from "when do we cut" to "do we hike" — and markets reprice that argument slowly, meeting by meeting. If a hike actually lands this year, the mid-band pause becomes a mid-band freeze. If inflation breaks lower instead, the springs under that band are now compressed four years deep.

Sellers in the rate-sensitive band should hear this plainly: the buyer pool you have today — this August, this September — is the buyer pool. Waiting for a rate-driven improvement is now a bet against three regional Fed presidents in writing.

THE ASYMMETRY, UPDATED

If the Fed **holds** through year-end: base case, unchanged. Flat at six and two-thirds is a regime, not a phase.

If the Fed **hikes**: the $2–3.5M band freezes and the bifurcation on this page becomes the whole story of 2027.

If inflation **breaks lower**: the recovery bid arrives fast, because four years of deferred move-up demand is stacked behind it.

> The argument inside the committee has moved from "when do we cut" to "do we hike." Every forecast in this market that assumes otherwise is now a minority position.

† Sources: Federal Reserve statement and press conference, July 29, 2026; CNBC and CFO Dive FOMC coverage, July 29; Freddie Mac PMMS, July 30; MBA weekly survey, July 29; Treasury yields as reported July 30, 2026. Rate figures move daily; verify before relying on them. **Not financial advice.**

EQUITIES · THE BUYER POOL REPORTS

The AI Trade Learned to Discriminate

Four of the five largest companies on Earth reported this week. The market rewarded proof and punished promises — and the difference maps directly onto Peninsula zip codes.

+18%	−21%	+37%	$5T
MICROSOFT REVENUE · RECORD 1-DAY VALUE GAIN†	META · 11 STRAIGHT RED DAYS†	AWS GROWTH · FASTEST IN 18 QTRS†	APPLE MARKET CAP, BRIEFLY, JUL 28†

A year ago the market bought artificial-intelligence capital spending indiscriminately — every incremental billion of capex was rewarded as ambition. This week it graded the same spending on evidence, and the grades diverged violently. Microsoft reported Azure past $100 billion a year, growing 43 percent, and added more market value on Thursday than any company has ever added in a single day.† Amazon printed AWS at 37 percent, its fastest in eighteen quarters, and jumped double digits.†

Meta reported revenue up 28 percent — a beat — and still fell nearly nine percent, because earnings missed on a fifty-five percent surge in costs: a legal charge, severance from an eight-thousand-person reduction, and a capex floor raised again, to as much as $145 billion for the year, with the revenue proof still pending.† Through Friday the stock has fallen eleven consecutive sessions, its longest losing streak ever, down roughly 21 percent — over $220 billion of market value erased in three weeks.†

The lesson is not that the AI trade is over. Spending with receipts was paid handsomely this week. The lesson is that the market has stopped funding faith, and started auditing it.

For this market, the split matters by geography. Meta is Menlo Park's hometown balance sheet and one of the largest single sources of vested-equity purchasing power from Burlingame to Los Altos. Its employees' November vests — recall the two-quarter lag from last week's issue — will price against a share price a fifth lower than July's high if this level holds. Microsoft and Amazon wealth, by contrast, sits lighter on the Peninsula and heavier in Seattle.

Meanwhile Apple briefly became the second five-trillion-dollar company in history on Tuesday,† and its employees remain the quiet, chronically underestimated bid in Cupertino, Los Altos and Los Gatos. The composite picture for local housing is therefore not bearish — the aggregate wealth of the buyer pool rose this week. But it rotated, and rotation shows up street by street: the Menlo Park move-up buyer got more cautious this week at the exact moment the Cupertino and Mountain View bid got richer.

WHAT THIS MEANS FOR YOU

Selling in Menlo Park / Palo Alto this fall: the Meta-equity cohort just repriced. Do not anchor on a February comparable if your likely buyer vests in November.

Selling in Cupertino / Los Gatos: the Apple bid strengthened this month. The window into September is favorable.

Holding anywhere: one earnings week is weather, not climate. The capex cycle's housing effects arrive on vest dates, not headlines.

The market stopped funding faith this week and started auditing it. Housing feels that audit two quarters from now, one vest date at a time.

† Sources: company reports and CNBC/Bloomberg/Yahoo Finance coverage, July 28–31, 2026 — Microsoft FY26 Q4 (Jul 29), Meta Q2 (Jul 29), Amazon Q2 and Apple FQ3 (Jul 30), Apple $5T intraday Jul 28; Meta streak per Trefis/Forbes, Jul 30–31. Amazon's headline EPS beat likely includes one-time investment gains. Figures as reported at press time. **Not investment advice.**

INFRASTRUCTURE · POWER · MONEY

The Grid Is the New Zoning

California's data-center boom is being rationed not by land or capital but by electricity — and the machinery deciding who gets power is quietly reshaping local budgets, utility bills, and land prices from Santa Clara to the Imperial Valley.

12.7 GW	55	~60%	$45M
PG&E DATA-CENTER QUEUE · JUN 30†	DATA CENTERS IN SANTA CLARA†	OF SILICON VALLEY POWER SALES†	TO SANTA CLARA'S GENERAL FUND, FY25†

PG&E disclosed on its earnings call last week that its pipeline of data-center interconnection requests hit **12.7 gigawatts** at the end of June — up from 5.4 gigawatts three months earlier.† For scale, that queue alone approaches a quarter of the entire state grid's historical peak. Almost none of it will be built as filed. What gets built is whatever the wires can carry, which means the binding constraint on this industry in California is no longer capital, chips, or even land. It is interconnection — and interconnection is a permitting queue, which makes it behave exactly like zoning.

The Peninsula's own cluster shows the ceiling. Santa Clara hosts 55 standalone data centers — more than any city in California — because its municipal utility, Silicon Valley Power, sells electricity at roughly a third of PG&E's residential rate. Data centers now buy about sixty percent of its power, requests for another ~500 megawatts sit against a peak load of ~720, and the city has begun turning projects away while it spends $459 million to roughly double the system by 2029.† Two finished facilities reportedly stand empty awaiting connections.† Meanwhile Microsoft broke ground in June on a 48-megawatt campus in North San Jose, Prologis filed in early July for a 99-megawatt, 516,000-square-foot project in South San Jose, and Gilroy's first data center — an Amazon campus approved without a single public hearing, on 1981 industrial zoning — is under construction against a five-thousand-signature petition.†

Follow the money and the local stakes get clearer. Data centers are now Santa Clara's third-largest general-fund revenue source — about $45 million last fiscal year, thirteen percent of the general fund — delivered through utility transfers rather than property tax.† That is revenue with almost no school enrollment, no housing demand, and almost no permanent payroll attached: the canonical project ratio, from the Imperial Valley's contested campus, is 2,500 construction jobs against roughly 100 permanent ones.† For a city treasurer, that is the best land use ever invented. For a region short on housing, it is a competitor for dirt: Silicon Valley industrial land suitable for data centers now trades near $3.6–4.4 million per acre — roughly double the county's residential land values — an inversion of fifty years of "housing is the highest use" arithmetic.†

Sacramento has noticed the other side of the ledger: who pays for the wires. SB 57, signed last fall, ordered the CPUC to report by January on whether big new loads shift costs onto households; the CPUC opened a full rate-design proceeding in April; and SB 886 would force any data center above 25 megawatts to carry its own transmission costs, with early-exit penalties.† Santa Clara's own residential rates rose four percent in January, attributed to buildout costs.† The politics of AI infrastructure are becoming utility-bill politics, and utility-bill politics are the most reliably populist kind there is. Watch Monterey Park, where voters just banned data centers outright by an 88-percent margin, and the Imperial Valley's moratorium — the template fights for every California council chamber with an industrial parcel and a substation.†

THE CAPEX BEHIND IT

Alphabet, Microsoft, Meta and Amazon guided to roughly **$725–785 billion** of combined 2026 capital spending this earnings season — up three-quarters from 2025.† The checks are written within twenty miles of this page; the buildings mostly land where power is cheap.

WHY NOT HERE

Land at $4M an acre, the state's highest construction costs, contested water, and a saturated grid mean the Bay Area keeps the compensation and exports the concrete. Santa Clara's cluster exists only because of one cheap municipal utility — and it is full.

THE HOMEOWNER ANGLE

Host cities collect data-center revenue without housing load — which quietly tilts industrial-land decisions away from homes. If your town has industrial parcels near a substation, this fight is coming to a council agenda near you.

† Sources: Utility Dive (PG&E Q2), Jul 24, 2026; San José Spotlight & Silicon Valley Power (cluster rates); Silicon Valley Voice (general fund); Data Center Dynamics (Prologis; vacant facilities — secondary); NBC Bay Area (Microsoft); Gilroy Dispatch; CalMatters/KPBS (Imperial); Fox Business (Monterey Park); NAHB (land); company reports (capex). Some figures via secondary aggregators.

THE PREDICTION

Pink Slips, Term Sheets

Tech layoffs are running 83 percent ahead of last year, and the reflex read is bearish for housing. Here is the argument — and the early evidence — that this wave mints founders, not out-migrants.

139,156	9,390	~86%	73%
US TECH CUTS, H1 '26 · +83% Y/Y†	BAY AREA WARN CUTS, Q2 · 2.2×†	OF H1 US VENTURE $ INTO AI†	OF YC COS. NOW IN SF†

The layoff numbers are real and they are accelerating. Challenger counts 139,156 announced U.S. tech cuts in the first half — up 83 percent on last year — with artificial intelligence the leading stated reason for four consecutive months.† Locally, WARN filings across San Francisco, San Jose and the East Bay more than doubled year over year in the second quarter, and Meta booked severance for eight thousand people in Wednesday's earnings.† Oracle cut 21,000 over the past year and said the quiet part in its own filing: AI adoption "resulted… in reductions to our workforce."†

Here is the prediction this letter is prepared to be graded on: *this layoff cycle will produce a wave of new Bay Area companies unlike anything since 1999 — because for the first time, the laid-off engineer's severance is longer than the time it takes to build a product.* The tools changed the math. Y Combinator's CEO reports that for a quarter of a recent batch, ninety-five percent of the code was written by AI; batch companies are reaching millions in revenue with fewer than ten people; eleven percent of the winter batch is a single person.† A solo founder recently bootstrapped an AI app-builder to an $80 million cash acquisition in six months, with no outside funding.†

The capital is already positioned for them: roughly $413 billion of U.S. venture money deployed in the first half — more than all of 2025 — with about 86 percent of it into AI, and the overwhelming share of that within forty miles of this page.†

The early evidence is behavioral. National business applications are holding near record levels at over half a million a month, with California second among states.† Y Combinator's geographic concentration in San Francisco has gone from 21 percent of companies in 2021 to 73 percent now — the network effects that dispersed in the remote era have re-agglomerated here.† U-Haul's growth index put San Francisco back among the top-twenty arrival metros last year for the first time since the pandemic; rents in the city are at record highs; and AI employers are requiring five days in office.† People do not pay record rents to leave.

The honest caveats: no government dataset yet links a layoff notice to a new EIN, and the best survey on laid-off workers founding companies predates this AI cycle. Treat the thesis as a forecast, not a fact. But the mechanism is visible in plain sight — every reduction notice at a large firm is now also a term sheet moment, because the cost of finding out whether your idea works has collapsed from two years of payroll to a winter of tokens.

For housing, the arithmetic runs opposite to the headline. A laid-off engineer who leaves is a renter lost. A laid-off engineer who founds is a household that stays, raises, and — two liquidity events later — becomes the cash buyer on page two. That pipeline is refilling right now, at record rate, within commuting distance of every listing in this issue.

GRADED NEXT YEAR

The claim on record: Bay Area new-business formation and early-stage headcount will more than absorb 2026's tech layoffs, and Peninsula housing demand will show it by mid-2027. This letter will publish the scorecard either way.

The cost of finding out whether your idea works has collapsed from two years of payroll to a winter of tokens. That is what a founder wave looks like the quarter before it shows up.

† Sources: Challenger, Gray & Christmas H1 2026; CoStar (WARN); TechCrunch AI-layoff list, Jul 25; Oracle FY26 filing via Newsweek; CNBC on Y Combinator (2025); Wix/Calcalist (Base44); Census BFS; U-Haul 2025 index; venture totals via aggregators — reported, not audited. The formation thesis is the editor's forecast.

SAN FRANCISQUITO CREEK · NEWELL ROAD

Two Banks of One Creek

A 1911 bridge came down this spring between Palo Alto's Crescent Park and East Palo Alto's Woodland Avenue. What replaces it next year is the most undervalued piece of infrastructure on the Peninsula.

Stand at the end of Newell Road and you can see both halves of this region's future across sixty feet of creek bed. On the Palo Alto bank: Crescent Park, median sale price near **$5.9 million** and rising seventeen percent this year.[†] On the East Palo Alto bank: the Woodland Avenue corridor — roughly 1,800 rent-stabilized apartments assembled by an institutional owner at about $228,000 a unit in 2016.[†] Median household income doubles when you cross: $113,000 east of the creek, $231,000 west.[†] It is the steepest value gradient over the shortest distance in Northern California.

The 115-year-old bridge that connected them — eighteen feet curb to curb, two cars barely passing — closed on May 21 and was demolished the same week. Its replacement, due **spring 2027**, is a different object entirely: forty-four feet wide, two lanes, bike shoulders, sidewalks on both sides, raised four feet as the first major flood-control project on this reach of the creek.[†] Palo Alto spent fifteen years arguing about it — Crescent Park residents lobbied for one lane, explicitly to suppress crossings; East Palo Alto called it an artery to work and school. The two-lane design won, five votes to two, with roughly $20 million of state, city and Valley Water money.[†]

Infrastructure that reduces a boundary reprices both sides of it. The new span raises flood protection — a direct insurance input — for Crescent Park and Woodland alike, and it gives East Palo Alto's densest neighborhood a modern, walkable connection to Palo Alto's schools, parks and downtown for the first time.

And the eastern bank is not waiting. Colibri Commons — 136 affordable units at 965 Weeks Street — opened in May.[†] The city approved 250-plus units at the long-vacant Four Corners site in March, after state housing law made denial untenable.[†] The Woodland corridor's owner filed pre-applications this spring for more than **1,300 new units** across two phases — while proposing to demolish 488 rent-stabilized ones, which is the fight that will define the next five years there.[†] The adopted Ravenswood plan east of 101 allows 3.35 million square feet of R&D and 1,600 homes.[†] This is the largest development pipeline per acre of any city on the Peninsula, in the only city with a median home value still near one million dollars.

Notice what the two banks did this past year: Palo Alto's citywide typical value slipped twelve percent; East Palo Alto's slipped two.[†] The gap is not closing because the top is falling — Crescent Park is ripping — it is closing because the floor under the eastern bank is structural: last entry-level geography within two miles of Stanford, a development wave, and now the infrastructure to match.

The unresolved question is who the convergence serves. Rent-relief orders against the Woodland owner sat unpaid this spring after the buildings changed hands; the affordable share at Four Corners was cut before approval; the city budget is running a deficit.[†] Whether this reads as shared prosperity or displacement in 2030 will be decided in East Palo Alto's council chamber, not Palo Alto's. Watch it like an investor and a neighbor at once — this letter will.

THE ASYMMETRIC READ

A generational gradient — 3× home values in sixty feet — plus new infrastructure plus a development wave is the setup value investors search whole states for. It is sitting one bridge away from the most expensive zip codes in America, in plain sight.

Infrastructure that reduces a boundary reprices both sides of it. Sixty feet of creek is carrying a three-times difference in home values — for now.

† Sources: The Almanac & Palo Alto Online (bridge; Woodland Park; Four Corners), 2025–26; The Registry (2016 sale; 2026 filings); SF YIMBY (Colibri); Zillow & Redfin data, mid-2026; ACS incomes. Construction schedules change. Not a prediction of any property's value.

THE TWO PIPELINES

Cranes Without Housing

Commercial San Francisco is staging the sharpest office recovery in America, powered by AI leasing. Residential construction is at multi-decade lows. Both facts are about to show up in the price of every house in this letter.

−5 pts	~47%	9,100	405
SF OFFICE VACANCY, 1 YR · TO ~30%†	OF H1 SF LEASING BY AI FIRMS†	BAY AREA HOUSING PERMITS, 2024†	SF UNITS COMPLETED, H1 2026†

The commercial tape first, because it is genuinely historic. San Francisco office vacancy fell five points in a year — the best improvement in the country — on the strongest new leasing since 2000, and nearly half of it was signed by artificial-intelligence companies.† OpenAI and Anthropic each crossed a million square feet this spring. Sublease space is at its lowest since early 2020, trophy-tier vacancy is down to eight percent at rents above a hundred dollars a foot, and for the first time in years developers have proposed new towers — including a 76-story project that would be the tallest building on the West Coast.† The recovery is spreading south: Silicon Valley vacancy fell again in the second quarter, and AI firms were nearly a third of San Mateo County leasing.†

Now the other pipeline. The Bay Area permitted roughly **9,100 homes in 2024** — about a quarter of its 2018 output. The San Jose metro leads the nation in permit decline, down two-thirds. Accessory dwelling units — backyard cottages — are now nearly 28 percent of all regional housing permits, which tells you what the "pipeline" actually is. San Francisco completed 405 units in the first half of this year against a paper pipeline of 75,000 that will not pencil at current rates and costs.† Apartment starts region-wide are down by half year over year.

AI is the connector between the two charts. The same boom filling the towers is repricing the dirt beneath prospective housing: data-center-suitable industrial land in Silicon Valley now trades near twice residential land values, cities collect utility revenue from servers without school obligations, and every construction trade is bidding against a hyperscaler's schedule.† Capital, land and labor are all being outbid at once — by a tenant class that produces high-wage jobs and no bedrooms.

Redfin's economists have already measured the distributional result: since late 2022, Bay Area luxury-band values are up 13 percent while the most affordable band is down 4.† Jobs concentrating, housing not building, and the gap clearing through price — this is not a cycle to wait out. It is the region's structure now, and it is the single most durable argument under Peninsula residential values in this letter. It is also the argument for the towns that build — because the handful of large projects that do land (a 251-unit groundbreaking in San Carlos this month; East Palo Alto's pipeline, previous page) will capture demand the rest of the region is refusing.

THE UNDERWRITING CONSEQUENCE

Owners: scarcity is policy now, on both coasts of the Bay. The replacement cost of your neighborhood rises every quarter this persists.

Buyers waiting for supply: the supply is not coming at current rates and fees. The honest choices are price band, geography, or timing — not patience.

Land owners near jobs: your parcel is appreciating faster than your house. Page seven explains what to do about it.

High-wage jobs and no bedrooms: the AI economy is being built one lease at a time on top of a housing pipeline running at a quarter of its 2018 rate.

† Sources: Cushman & Wakefield SF MarketBeat Q2 2026; CBRE via The Real Deal, Jul 1, 2026; Kidder Mathews & Colliers Q2 reports; Bay Area Council Economic Institute; NBC Bay Area; Planetizen; SF Planning/The Frisc; NAHB; Redfin via Fortune, May 7, 2026. Brokerage figures differ by tracked inventory; the firm is named wherever a number is used.

OFF-MARKET · PRE-MARKET · COMING SOON

What I Am Watching

A meaningful share of Peninsula luxury never reaches a public portal. This is the part of the market that does not appear on your search alerts.

Eleven listings made the public market this week. The more interesting motion was in the inventory that did not. August is traditionally the quietest listing month of the year on the Peninsula — and the month in which September's discreet launches are prepared. What follows is the shape of what I am seeing; the book itself is not published, for obvious reasons.

- **West Atherton** — the two estate parcels above $20M flagged in last week's issue remain on course to test the market in early autumn; a third owner, watching this week's $32.5M listing on Linda Vista, has begun asking the preparation questions. The public comp will move the private math.
- **Crescent Park & Old Palo Alto** — the Professorville-adjacent pre-market property is now likely a September launch, $12–15M. If 1418 Pitman clears quickly, expect at least one park-adjacent neighbor to follow it out.
- **Los Altos Hills** — three large-parcel holdings still quietly seeking buyers; one has engaged counsel on a lot-line adjustment first, which usually signals a longer runway and a more negotiable seller today.
- **Menlo Park, half-mile ring** — developer assembly interest continues following the city's SB 79 adoption; two owners on adjacent parcels have now received the same knock. Owners in this ring should understand what they hold before answering the door.

If you are a buyer above eight million, the public market is showing you a fraction of what is genuinely available. If you are an owner in one of these pockets, the unsolicited approach is coming — and the first offer in that situation is almost never the best one.

THE QUIET BOOK

Off-market inventory is shared confidentially with qualified buyers only. If you would like access, reply to this issue or call directly.

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A NOTE ON FAIR HOUSING

Off-market marketing raises legitimate fair-housing questions and I take them seriously. Every property in this book is available to any qualified buyer who asks, without exception. Access is a function of the seller's privacy preference, never of who the buyer is.

THIS WEEK'S DIARY

Aug 1–2	Open houses: Montana Ln. · Penny Way
Aug 5	Figma Q2 — local lockup wealth
Aug	Q2 county recordings post
Sep 15–16	Next FOMC decision
Sep	Post-Labor Day listing wave

HOW THE QUIET BOOK ACTUALLY WORKS

For Sellers

A discreet launch is not a lesser marketing effort — done properly it is a more expensive one. The property is prepared, photographed, and priced exactly as it would be publicly, then introduced to a defined list of qualified buyers and their agents before any portal sees it.

The advantage is that days on market never accrues. If it does not clear, you go public with a clean listing history rather than a stale one.

For Buyers

Access requires proof of funds or a lender commitment and a genuine, specific brief — price band, towns, timeline. Vague interest does not get shown quiet inventory, because sellers at this level are trading publicity for certainty and will not spend it on tourists.

In return you see property four to twelve weeks before the market does, and you negotiate without an audience.

The Honest Caveat

Off-market is not automatically a better price. Sometimes it is a worse one — a seller who avoids competition also avoids the bidding that competition produces, and buyers occasionally pay a premium for exclusivity itself.

I will tell you which situation you are in. Any agent who tells you off-market is always the better deal is selling access, not advice.

ESSAY

The Quota and the Queue

If you read only one thing in this issue, read this. Every consequential story in these fifteen pages is the same story wearing different clothes: an allocation problem that the price system is no longer allowed to solve alone.

Sacramento assigns your town a housing number and the town decides which ten lots absorb it. The grid assigns California's data-center boom a megawatt budget and a queue decides which billion-dollar campus gets built. The Fed holds the price of money flat while three dissenters argue the ration should tighten. Even the labor market has become an allocation mechanism — the same companies cutting a hundred thousand jobs are bidding record sums for the engineers who remain, and the spillover walks out the door and founds companies at a record rate.

In every one of these systems, the scarce thing is no longer capital. It is *permission* — an entitlement, an interconnection slot, a filing window, a quota allocation. And assets that carry permission are quietly diverging in value from identical assets that do not.

That is why an Atherton lot rezoned for ten units a decade before anyone wanted density may end up the most consequential dirt in town. It is why a Menlo Park parcel inside the half-mile ring carries an option its owner was never told about. It is why Santa Clara's industrial land outprices its residential land, and why a two-lane bridge over a creek is worth more than its twenty-million-dollar budget suggests. Permission, once granted, is the hardest asset on the Peninsula to replicate — harder than views, harder than schools, harder than square footage.

My working view, on the record: the towns, parcels and owners holding explicit permission — zoned, ringed, allocated, connected — will outperform everything around them for the balance of this decade. The market has priced almost none of it, because permission does not appear on a listing sheet. It appears in council minutes, housing elements and interconnection queues, which is where this letter spends its week so you do not have to.

Payne Sharpley

PALO ALTO · JULY 31, 2026

Forbes Global Properties

THE GLOBAL DESK

Forbes Global Properties is an invitation-only network of residential brokerages representing the finest homes worldwide, with editorial distribution through Forbes. As the network's Peninsula member, I can market your property to a genuinely international audience and introduce you to a vetted local expert in any market where the network operates.

Forbes on Fifth convenes the network in New York this October — if a New York, London or Singapore move is anywhere in your household's five-year plan, tell me this fall and I will make the introductions in person.

SOURCES FOR THIS ISSUE

Listings: MLSListings client portal, accessed July 30–31, 2026; each listing's agent and brokerage credited on pages 1, 2 and 4. Derived per-foot figures are the editor's.

Rates & macro: Federal Reserve statement & press conference, Jul 29 · Freddie Mac PMMS, Jul 30 · MBA weekly survey, Jul 29 · CNBC, Bloomberg, CFO Dive FOMC coverage · BEA Q2 GDP advance, Jul 30.

Markets & earnings: Microsoft, Meta, Amazon, Apple Q2/FQ4 reports and CNBC/Yahoo Finance/Trefis coverage, Jul 28–31 · S&P Cotality Case-Shiller (May data), Jul 28 · C.A.R. June 2026 county medians · Census/HUD new-home sales, Jul 24.

Policy & development: ABAG/HCD housing-element data · Atherton town records · Utility Dive · San José Spotlight · CalMatters · Silicon Valley Voice · Cushman & Wakefield, CBRE, Kidder Mathews, Colliers Q2 2026 reports · Bay Area Council Economic Institute · The Almanac & Palo Alto Online · The Registry · SF YIMBY · Challenger, Gray & Christmas · Census BFS · TechCrunch · U-Haul Growth Index.

Estimates marked **e** are the editor's own and are replaced with sourced figures as county records post.

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