

Watkins Property, Kalas Falls & Rogers Farm Market Study

1832 Rolesville Road
Rolesville, Wake County, NC 27587

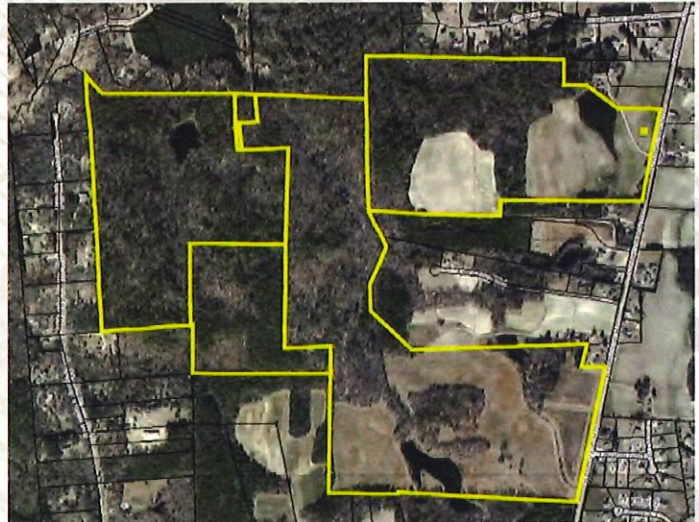
NKF Job No.: 19-0002399-1

Market Study Prepared For:

Karl Blackley
Mitchell Mill Road Investors, LLC
105 Weston Estates Way
Cary, NC 27513

Prepared By:

Newmark Knight Frank
Valuation & Advisory, LLC
1100 Peachtree Street NE, Suite 350
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April 23, 2019

Karl Blackley
Valuation Consultant
Mitchell Mill Road Investors, LLC
105 Weston Estates Way
Cary, NC 27513

RE: Market Study of the proposed Watkins Property, Kalas Falls & Rogers Farm development located at 1832 Rolesville Road, Rolesville, Wake County, NC 27587, prepared by Newmark Knight Frank Valuation & Advisory, LLC (herein "Firm" or "NKF")

NKF Job No.: 19-0002399-1

Dear Mr. Blackley:

The following is a market study for the Watkins Property, Kalas Falls, Rogers Farm proposed development off the west side of Rolesville Road in the Town of Rolesville.

The market study was developed based on, and this report has been prepared in conformance with the Client's appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP).

We conducted an in-depth analysis of the subject property and the surrounding market to make recommendations concerning proposed product offering and pricing within the development. Our recommendations are outlined in the Recommendations section of this report.

Extraordinary Assumptions

An extraordinary assumption is defined in USPAP as 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. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

April 23, 2019
Karl Blackley

Hypothetical Conditions

A hypothetical condition is defined in USPAP as 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. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None



Certification

We certify that, to the best of our 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 our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We 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. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of North Carolina.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Scott R. Tonneson, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.
12. Scott R. Tonneson, MAI, MRICS made a personal inspection of the property that is the subject of this
13. Significant real property appraisal assistance was provided by Nicholas Lukacs. The assistance of Nicholas Lukacs consisted of conducting research on the market, subject property, and transactions involving comparable properties, performing certain appraisal analyses, and assisting in report writing, all under the supervision of the person(s) signing this report.
14. The Firm operates as an independent economic entity. Although employees of other service lines or affiliates of the Firm may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Within this report, "Newmark Knight Frank", "NKF Valuation & Advisory", "NKF, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.
16. Scott R. Tonneson, MAI, MRICS has not performed any 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.





Scott R. Tonneson, MAI, MRICS
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Certified General Real Estate Appraiser
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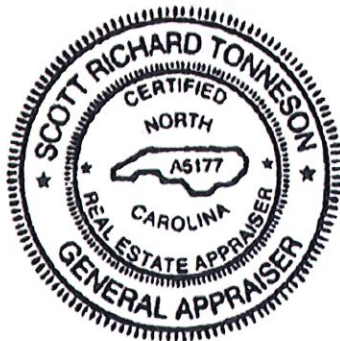


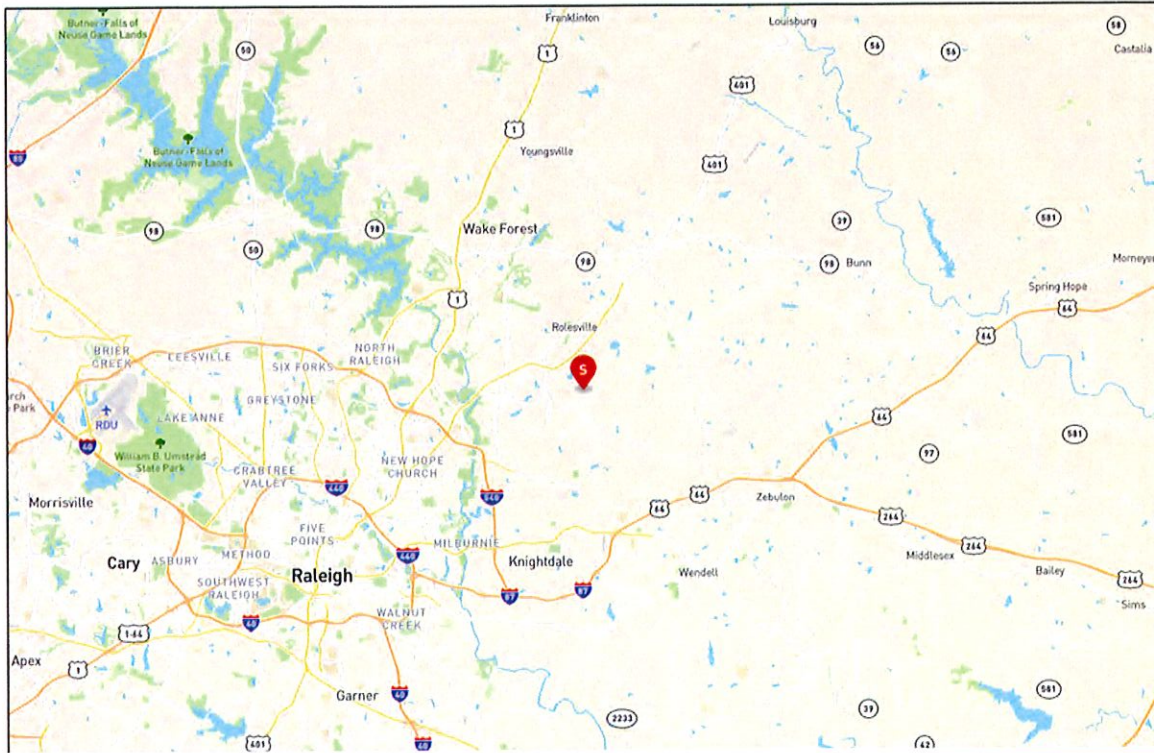
Table of Contents

Appraisal Transmittal and Certification

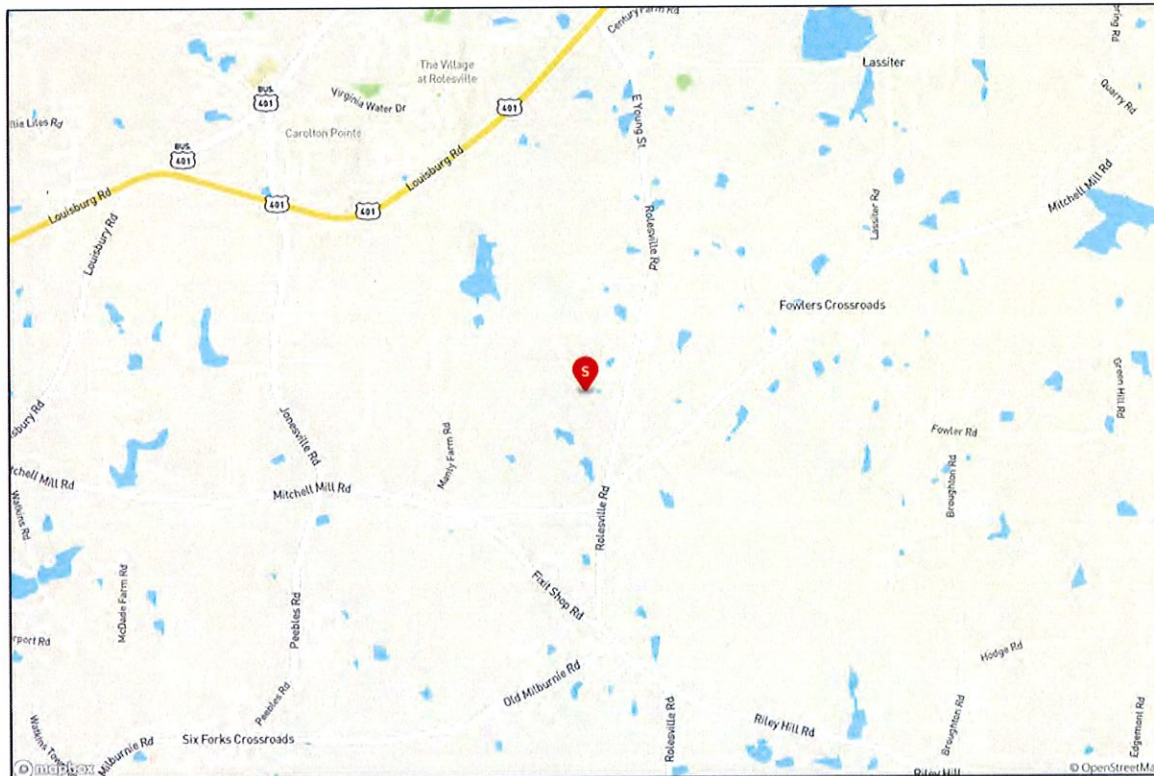
Certification
Table of Contents
Subject Maps

Introduction	8
Property Overview	10
Housing Market Analysis	12
Regional Housing Market	12
Local Housing Market Analysis	24
Recommendations	30
Assumptions and Limiting Conditions	32
Addenda	
A. Glossary of Terms	
B. Engagement Letter	
C. Financials and Property Information	
D. Précis Metro Report - Economy.Com, Inc.	
E. Appraiser Qualifications and Licenses	





Regional Map



Location Map



Introduction

Ownership History

The current owner is Mitchell Mill Road Investors, LLC.

Mitchell Mill Road Investors, LLC has owned the majority of the subject assemblage totaling approximately 284 acres for at least 10 years. Parcel 1768002153 (1.25 acres) was purchased by Mitchell Mill Road Investors, LLC in December 2018 for \$35,000 (Deed Book 17316, Page 1283).

To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective date of the appraisal.

Intended Use and User

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark Knight Frank will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

- ❑ The intended use of the appraisal is for Internal Review and no other use is permitted.
- ❑ Mitchell Mill Road Investors, LLC

Appraisal Report

This appraisal is presented in the form of a restricted appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. This report incorporates sufficient information regarding the data, reasoning and analysis that were used to develop the opinion in accordance with the intended use and user.

Purpose of the Appraisal

The purpose of the appraisal is to develop recommendations for development of the subject property.

Scope of Work

Extent to Which the Property is Identified

- ❑ Physical characteristics
- ❑ Legal characteristics
- ❑ Economic characteristics

Extent to Which the Property is Inspected

NKF inspected the subject property on April 15, 2019 as per the defined scope of work. Scott R. Tonneson, MAI, MRICS made a personal inspection of the property that is the subject of this report.

Type and Extent of the Data Researched

- ❑ Exposure and marking time;
- ❑ Neighborhood and land use trends;
- ❑ Demographic trends;
- ❑ Market trends relative to the subject property type;
- ❑ Physical characteristics of the site and applicable improvements;
- ❑ Flood zone status;
- ❑ Zoning requirements and compliance;
- ❑ Real estate tax data;
- ❑ Relevant applicable comparable data; and
- ❑ Investment rates

Type and Extent of Analysis Applied

We analyzed the property and market data gathered through the use of appropriate, relevant, and accepted market-derived methods and procedures.

Property Overview

The subject property contains an assemblage of 5 parcels off the west side of Rolesville Road, north and south of Amazon Trail in the Town of Rolesville. The site is primarily raw land, covered in a mixture of open grass fields, mature wooded areas, and several ponds. The site has gently rolling topography, and an irregular shape.

The subject site is zoned R2-SUD, Residential II Special Use District by the Town of Rolesville. The purpose of Special Use Districts in the Town of Rolesville are to promote greater land use compatibility by allowing landowners to voluntarily place their property into classifications in which a special use permit is required as a prerequisite to any use or development. The corresponding general use district for the subject's SUD is R-II, Residential II District. The R-II Residential II District is established as a district in which the principal use of land is for residential purposes, excluding mobile homes. The regulations of this district are intended to discourage any use which, because of its character, would be a nuisance to the development of residences and would be detrimental to the quiet residential nature of the areas included within this district.

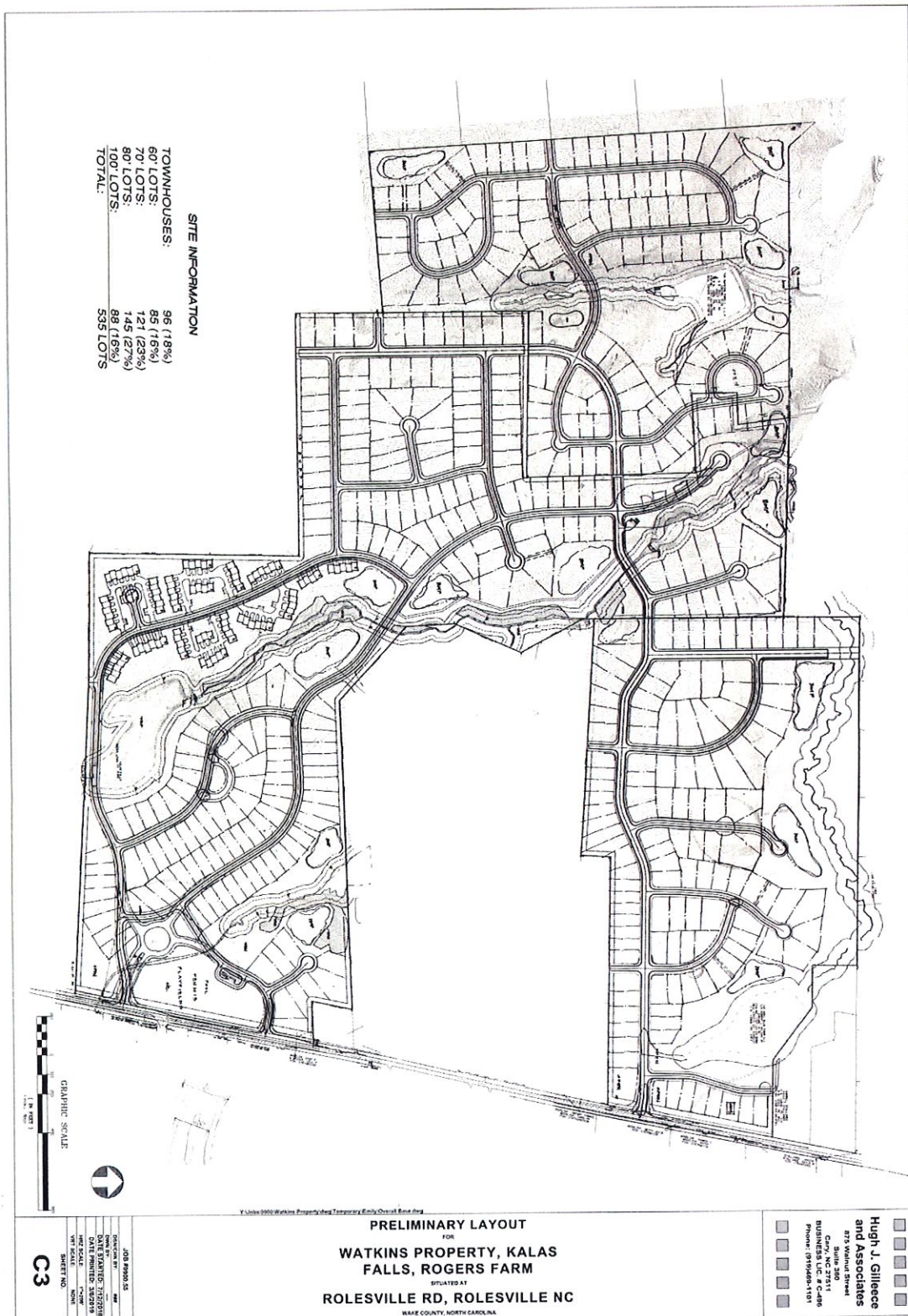
The subject is located in a generally rural residential/agricultural area of Wake County, South of US Route 401. The majority of new housing development over the past several years in this area of Wake County has taken place north of US Route 401, to the west closer to the Mitchell Mill Road/Forestville Road interchange, or to the south in the Town of Knightdale.

According to information obtained from the client, the subject site is currently proposed for approximately ~535 residential lots, which include a mixture of townhome lots (18%) and four single-family detached lot sizes (82%), which is summarized in the following chart:

SITE INFORMATION

TOWNHOUSES:	96 (18%)
60' LOTS:	85 (16%)
70' LOTS:	121 (23%)
80' LOTS:	145 (27%)
100' LOTS:	88 (16%)
TOTAL:	535 LOTS

The following is the overall site rendering provided by the client:



Housing Market Analysis

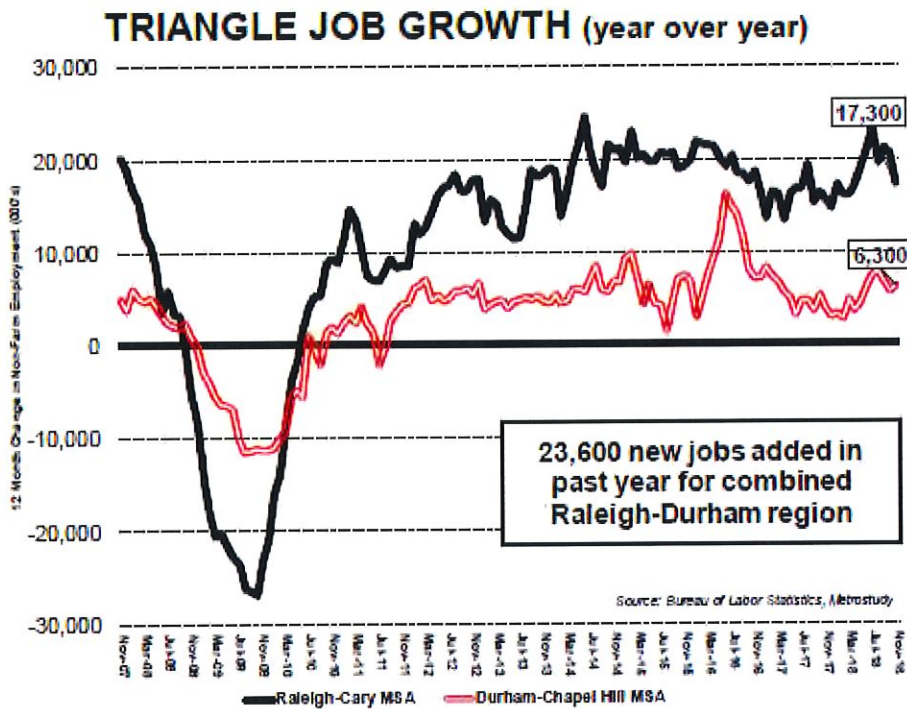
Regional Housing Market

The following is from the Raleigh Executive Summary report produced by MetroStudy for Fourth Quarter 2018. The complete report is located in the Addenda.

Economic Overview

Employment

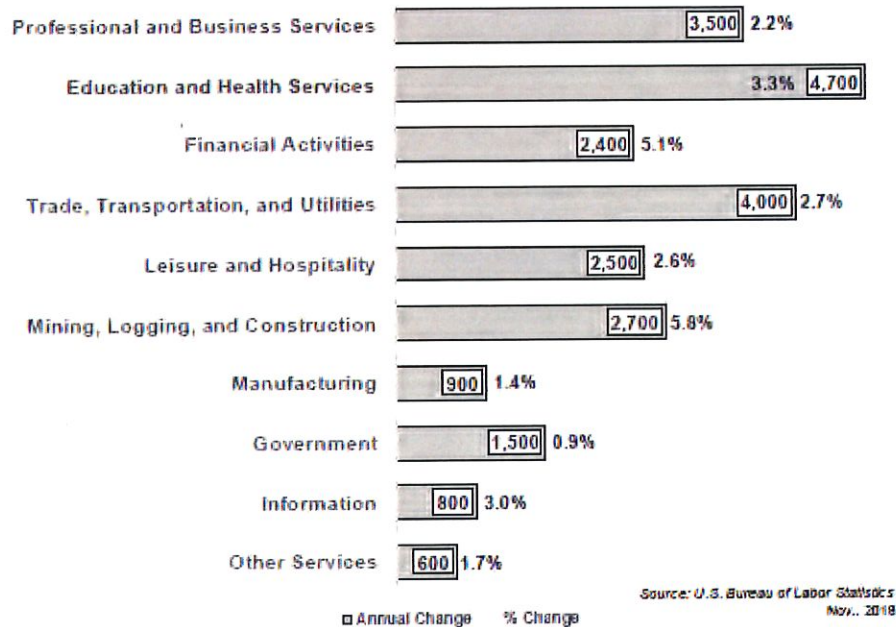
North Carolina’s Triangle region, which encompasses both the Raleigh-Cary MSA and Durham-Chapel Hill MSA, added 23,600 more jobs in the 12 months ended November 2018, or an annual growth rate of 2.8 percent, according to U.S. Bureau of Labor Statistics and the North Carolina Division of Employment Security. The market overall employs about 966,500 people in nonfarm payroll positions.



Industry sectors that have reported the highest demand for job growth include companies involved in professional and business services, education and health services, and trade, transportation and utilities, which includes workers in retail, wholesale trade and distribution.



TRIANGLE JOB GROWTH by SECTOR (year over year)



The number of workers employed in construction in the Triangle showed improvement with employment growth of 5.8 percent compared to a year ago. Construction employment – a field critical to the growth of the new home construction market – has returned to the region’s pre-recession peak levels in 2007 with more than 50,900 people employed with the local construction industry.

Unemployment

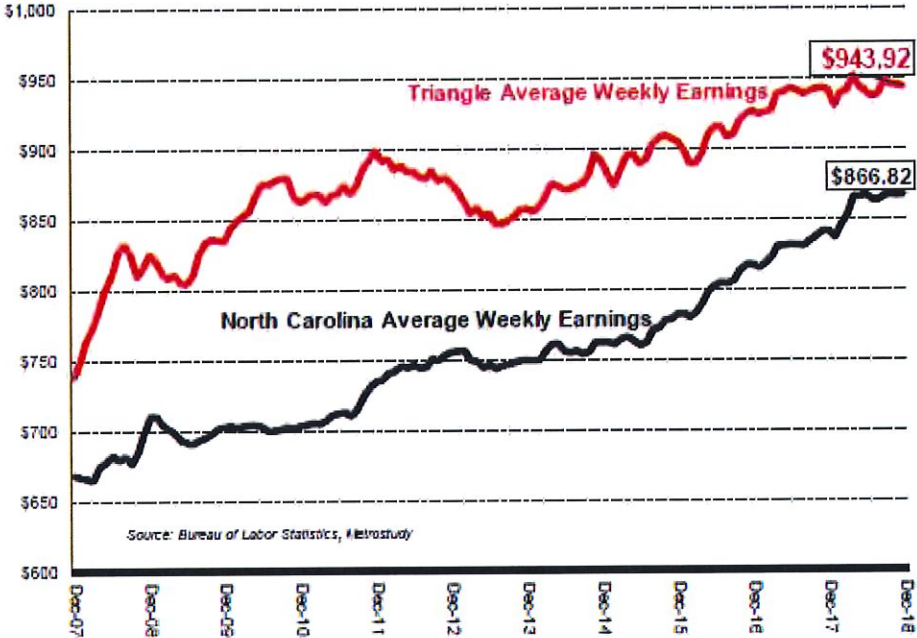
The Triangle region’s unemployment rate dropped to 3.0 percent for both Raleigh and for Durham in November 2018, besting both the U.S. average (3.4 percent) and North Carolina statewide (3.5 percent).

Wages

Lower unemployment traditionally signals stronger wage growth among those who are already employed. Employee wage growth in the region has been slower than expected as the region has experienced a surge in jobs for both high-end positions and in low-end positions but fewer in the middle-level income range.



EMPLOYMENT AVERAGE WEEKLY EARNINGS (trailing 3-month average)



Average weekly earnings for employees in the Triangle were up 1.9 percent in December. North Carolina’s average weekly earnings have been increasing at a faster clip increasing close to 4.1 percent over year prior.

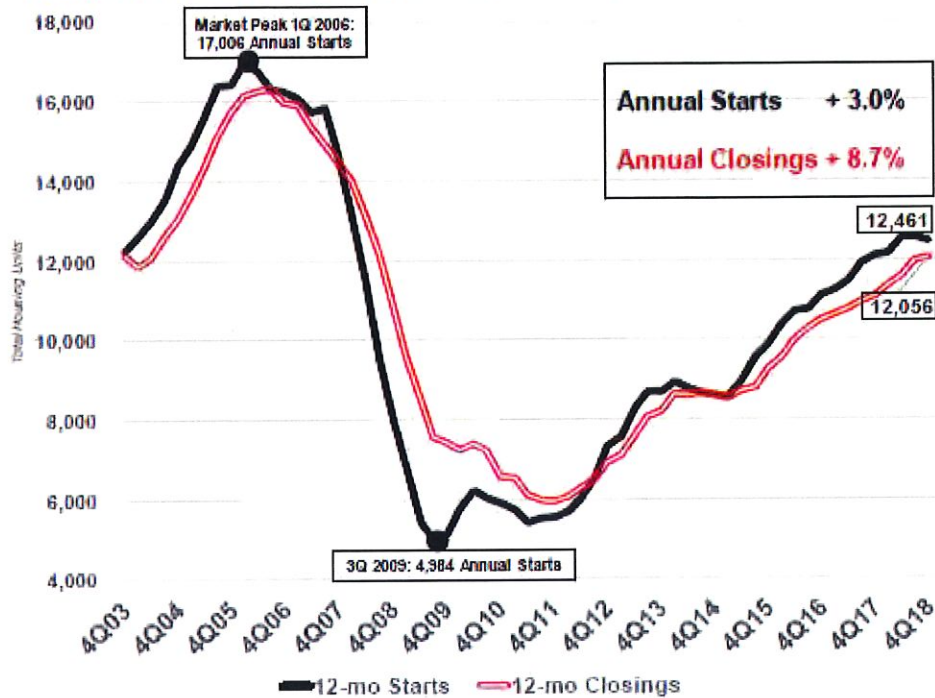
Housing Market Activity

Starts and Closings

As of the 12 months ending December 2018, the Triangle homebuilding market had started construction of 12,481 new homes, or a 3 percent increase compared to the year prior.



TRIANGLE ANNUAL STARTS AND CLOSINGS



The annual closings rate finished the year up 8.7 percent as more homes were observed to be newly occupied compared to the year prior.

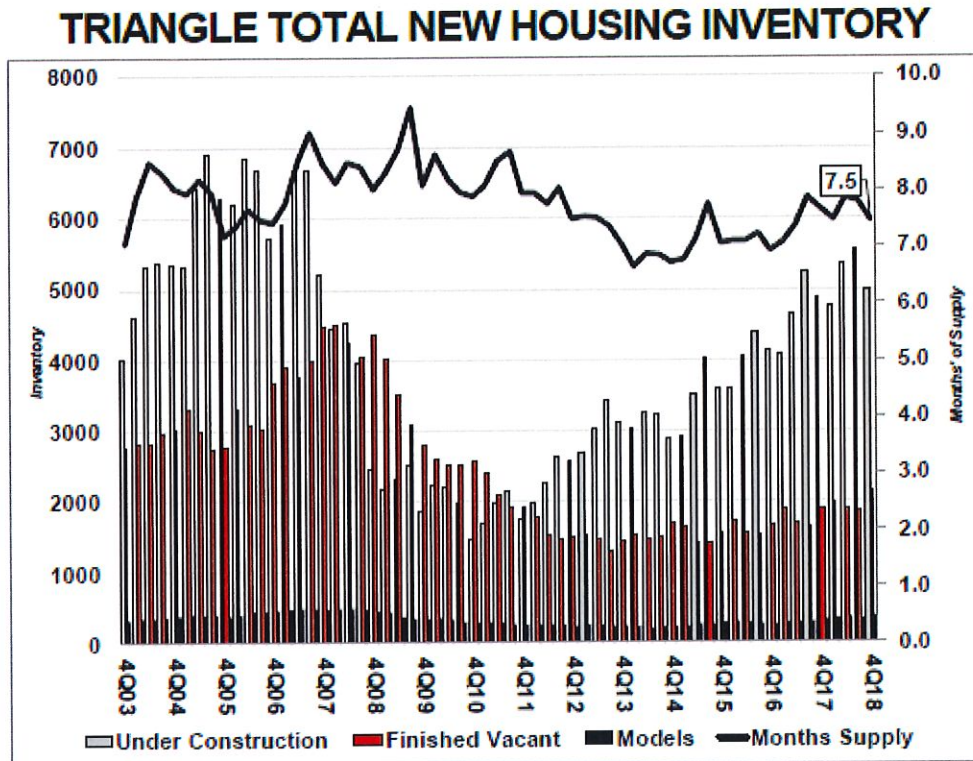
Annual closings and starts are the sum of the past four quarters, or trailing 12 months, and a key metric tracked by the builder community.

For the quarter, however, construction activity slowed with 101 fewer new housing starts, down 3.6 percent, in fourth quarter 2018 than was observed the fourth quarter the year prior as builders adjusted to slower buyer demand. Quarterly closings, or observed home sales, though, were more robust with sales up 3.3 percent compared to the same quarter the year prior.

New Home Inventory

As available inventory of existing homes for sale has remained at an anemic 2-3 months of supply or less for the past four years, builders in the Triangle region have been boosting production of new homes.

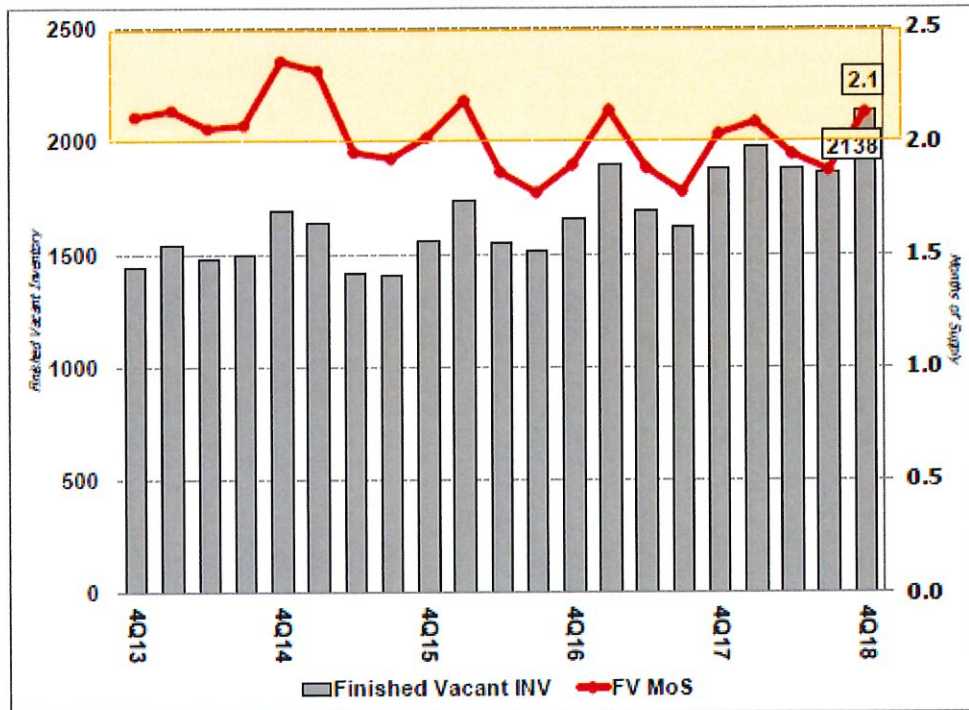




New home inventory – models, finished vacant unoccupied new homes and new homes under construction – totaled 7,490 units in the fourth quarter. It was a 5.7 percent increase compared to the total new construction inventory observed the same quarter the year prior. Inventory continues to increase primarily because of a growing backlog of housing units that are taking longer to complete due to supply and labor constraints in the region coupled with weather delays.



TRIANGLE FINISHED VACANT NEW HOME INVENTORY



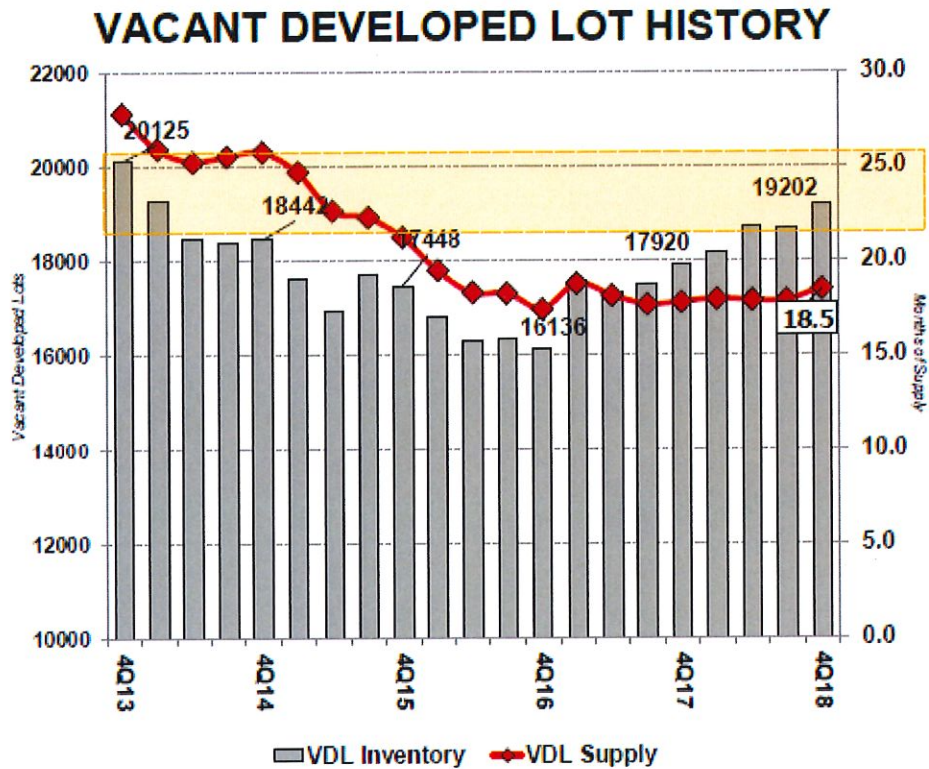
The number of finished vacant units, or homes built speculatively without a pre-sale contract, represented about 28.5 percent of the construction inventory. That signals that the Triangle remains a supply-constrained market, but the inventory of finished vacant units has increased 13.8 percent in the past 12 months.

At the present annual closings pace, this level of construction inventory represents 7.5 months' of supply, which is in line with the market's historical inventory equilibrium of between 7-8 months' of supply. The inventory of finished vacant units represents about 2.1 months of supply, which is also in line with the market's historical equilibrium.

Lot Inventory and Deliveries

The 19,200 vacant developed lots, or lot properties with streets and infrastructure in place, counted as part of Metrostudy's fourth quarter survey represented a 7.26 percent increase in the number of available builder lots compared to the year prior.

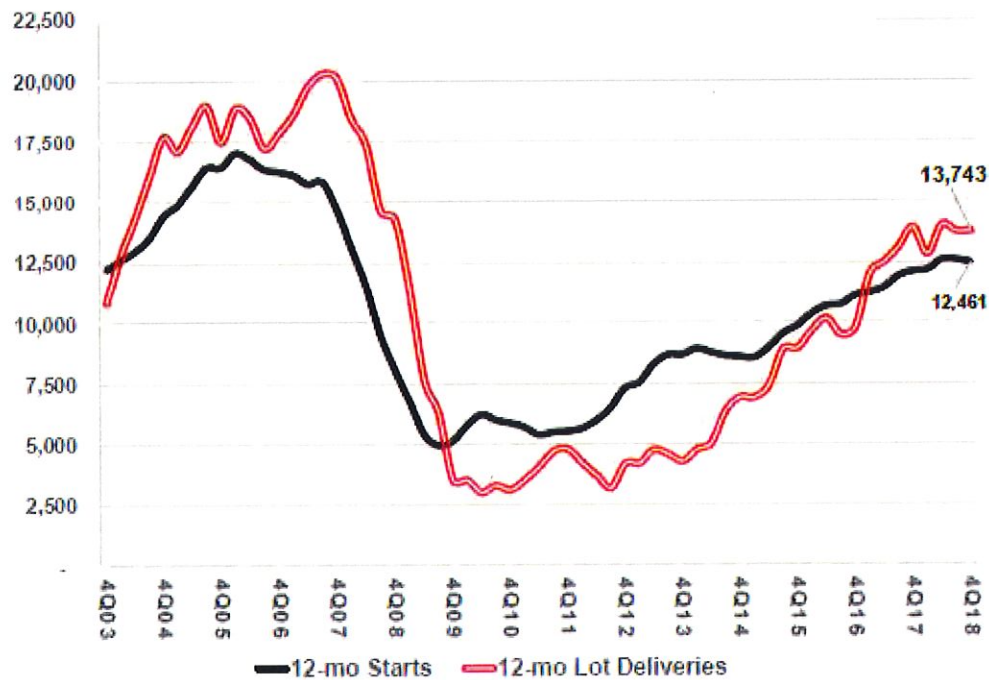




At the current pace of new home construction, the inventory of vacant developed lots represent an 18.5- months' supply of inventory. Metrostudy considers 24-28 months to be normal equilibrium, as on average that has been the historical amount of time it takes to entitle and deliver new replacement lots to the market.



Annual Starts & Lot Deliveries History

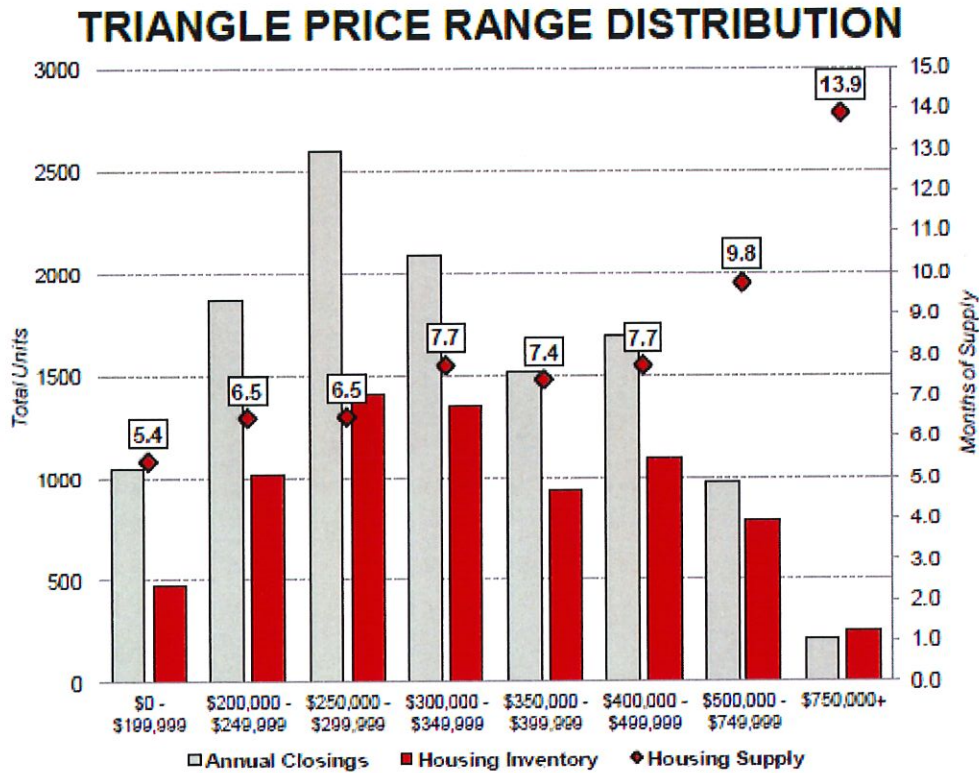


Triangle lot developers, led by production builders managing development of their own land, delivered nearly 3,200 new lots in the fourth quarter. In the previous 12 months, Triangle developers have added 13,743 new lots to inventory, a 1.2 percent decrease over the previous 12 months' total as builders have slowed inventory starts in response to a slowing buyer demand.

Triangle Price Range Analysis

The average base price increase for a single family home under construction in the Triangle has been slowing, on average, to about \$1.40 a square foot each quarter for the past year and is up 1 percent year-over-year. In fourth quarter 2018, the average single family home measured 2,754 square feet and cost \$400,479, or \$144.77 a square foot. The year prior, the average home was larger at 2,779 square feet with a base price of \$381,242, or \$137.25 a square foot.





Production of affordable homes in the Triangle with a base price below \$250,000 continues to decline as the costs of land, construction materials and labor increases.

As of the fourth quarter, new homes priced under \$250,000 encompassed about 24 percent of the total region’s market share, which compares to about 37 percent of the total market share two years ago.

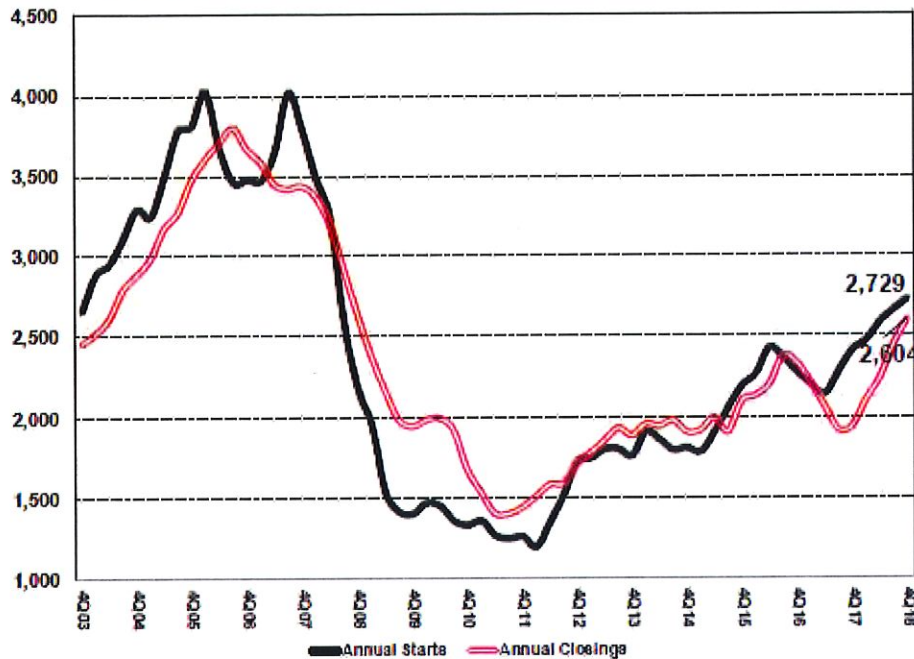
The Triangle region had about 5.4 months’ of inventory supply for units priced under \$200,000.

Townhome/Condo

As local land prices continue to rise and average home prices along with it, many local builders are increasing inventory for attached product like townhomes and, to a smaller degree, condominiums, across the Triangle market.



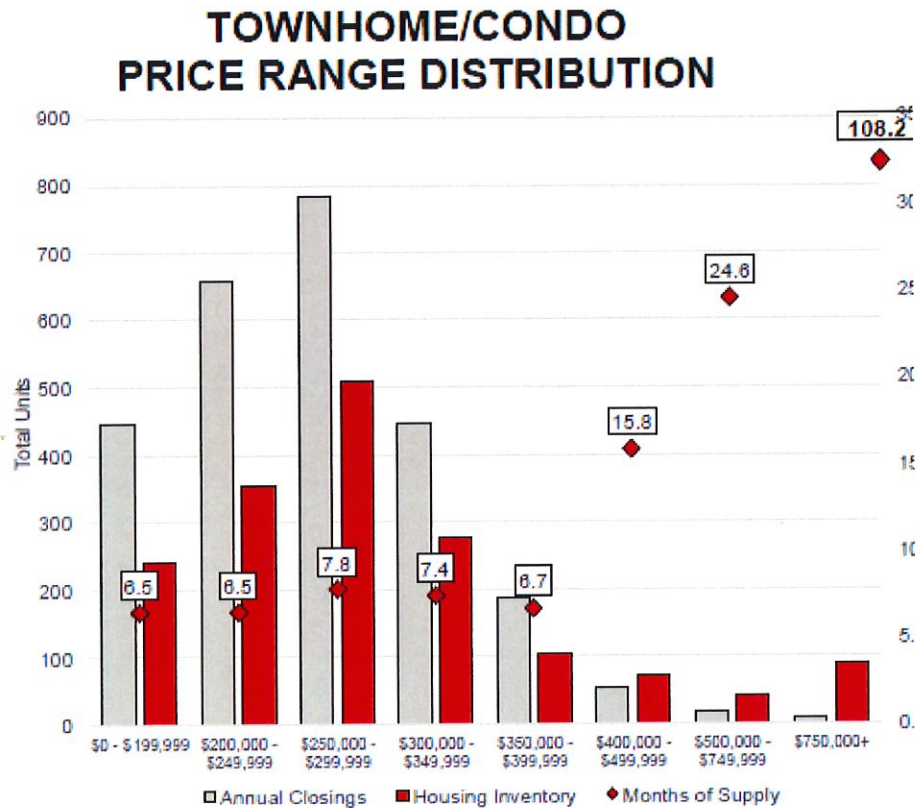
TOWNHOME/CONDO ANNUAL STARTS AND CLOSINGS



Annual starts for townhouse product was up 13 percent in the fourth quarter while annual closings were up 34.1 percent. Total market share for all attached, townhouse and condo housing product in the Triangle has reached nearly 22 percent.

The average base price increase for a townhouse unit was \$144 a square foot in the fourth quarter, a 3.3 percent increase year-over-year. In fourth quarter 2018, the average townhouse measured 2,016 square feet and cost \$289,822. The year prior, the average townhouse home was larger at 2,032 square feet with a base price of \$283,034, or \$139.91 a square foot.





Nearly 30 percent of all the townhouse inventory in the Triangle was in the \$250,000 to \$299,999 base price category in the fourth quarter 2018, which is also the price range category with the highest demand.

Observations

Job growth for the region remains strong with several major high-profile job announcements in December boosting local consumer confidence, including Advance Auto Parts' commitment to relocate its headquarters to Raleigh and add another 435 high-paying jobs.

The region's real estate and business leaders, however, are still licking their wounds after the market was passed over for a \$1 billion campus project by Apple. A site in Research Triangle Park had been rumored for months to be the front-runner for the Apple project that's now expected to create up to 9,000 new jobs over the next three years in Austin, Texas.

Optimism among Triangle homebuilders was already waning in the final months of 2018 as buyer traffic across the market had slowed, and as builders and construction crews dealt with one of the region's wettest years on record. Recorded rainfall at Raleigh-Durham International Airport



was almost 39 percent above normal in 2018, including about 26 inches of rainfall, snow and other precipitation that fell in the last four months of the year.

Builder sentiment in January, though, was improving as mortgage rates had declined and buyer traffic was beginning to normalize.

Builder competition for land and lot positions, as well as marketing to future buyers, is becoming more intense as the pace of homebuilder company mergers and acquisitions in 2018 was the highest in the Triangle market's history.

Local Housing Market Analysis

Demographics

A demographic summary for the defined area is illustrated as follows:

Demographic Analysis							
	1-Miles Radius	3-Miles Radius	5-Miles Radius	Zip Code 27587	Wake County	Raleigh, NC	
						MSA	North Carolina
Population							
2010 Total Population	413	7,190	39,000	53,378	900,993	1,130,490	9,535,483
2018 Total Population	438	9,216	52,431	70,274	1,092,636	1,358,294	10,455,604
2023 Total Population	502	10,560	60,679	80,994	1,224,073	1,515,978	11,061,202
Projected Annual Growth %	2.8%	2.8%	3.0%	2.9%	2.3%	2.2%	1.1%
Households							
2010 Total Households	157	2,599	13,517	18,699	345,645	430,577	3,745,155
2018 Total Households	166	3,279	18,057	24,510	415,940	513,364	4,087,430
2023 Total Households	190	3,739	20,845	28,162	464,773	571,487	4,317,068
Projected Annual Growth %	2.7%	2.7%	2.9%	2.8%	2.2%	2.2%	1.1%
Income							
2018 Median Household Income	\$73,920	\$73,977	\$78,217	\$81,260	\$74,355	\$69,009	\$51,844
2018 Average Household Income	\$82,654	\$85,855	\$92,412	\$102,465	\$98,660	\$92,910	\$72,420
2018 Per Capita Income	\$28,886	\$30,077	\$32,037	\$35,848	\$37,805	\$35,379	\$28,752
Housing							
2018 Owner Occupied Housing Units	73.4%	75.4%	81.2%	73.7%	58.8%	60.2%	55.4%
2018 Renter Occupied Housing Units	16.9%	15.4%	13.6%	19.9%	34.6%	32.5%	31.0%
2018 Median Home Value	\$237,500	\$239,294	\$243,879	\$284,779	\$262,628	\$237,763	\$178,691
Median Year Structure Built	2000	1998	2000	2000	1994	1994	1986
Miscellaneous Data Items							
2018 Bachelor's Degree	25.9%	26.5%	30.3%	34.2%	33.2%	29.8%	20.0%
2018 Grad/Professional Degree	12.4%	11.5%	13.9%	17.2%	19.3%	16.7%	11.1%
2018 College Graduate %	38.3%	38.0%	44.2%	51.3%	52.5%	46.5%	31.1%
2018 Average Household Size	2.64	2.81	2.90	2.85	2.58	2.60	2.50
Median Age 2018	37.9	38.5	36.7	37.3	35.7	36.2	38.7

Source: ESRI; Compiled by NKF

Population growth in the surrounding area has been very strong with income levels increasing. This has a positive effect on retail and services related real estate demand. This trend is projected to continue into the foreseeable future. Within a five mile radius of the subject property, projected annual population growth is expected to be 3.0 percent, which is significantly above the overall State of North Carolina and the Raleigh MSA as a whole. Over the past 10 years, population growth within a 5 mile radius has increased approximately 3.8 percent per year.

The median age within a 5 mile radius of the subject property is approximately 37, with an average household income of \$92,412, indicating the financial ability to purchase and maintain a home of at least \$450,000.



Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall positive external influence for the subject, which is concluded to have a good position in context of competing properties. The neighborhood's convenient access to retail, commercial, and employment centers in the Raleigh MSA enhance its desirability for new housing. Given the history of the area and the growth trends, it is anticipated that demand warrants continued home construction and new lot development at this time, especially in affordable segments between \$200,000 and \$400,000.

Buyer Profiles

According to Claritas LLC's PRIZM Premier program, the most common buyer segments for the subject's Rolesville zip code (27587) are as follows:

❖ Country Squires

- <55 years old: The wealthiest residents in exurban America live in Country Squires, an oasis for affluent Baby Boomers who've fled the city for the charms of small-town living. In their bucolic communities noted for their recently built homes on sprawling properties, the families of executives live in six-figure comfort
- Median Household Income \$117,759

❖ Campers & Camo

- <55 years old: Primarily found in more rural areas, Campers & Camo families enjoy the outdoors. They enjoy outdoor activities and attending motorsports events. Despite their age, they are below average in their use of technology, but they visit WWE.com and enjoy social networking sites.
- Median Household Income \$46,915

❖ Executive Suites

- Age Range 35-54: The residents of Executive Suites tend to be prosperous and active professionals and are above average in their use of technology, following sports on Instagram and Twitter. Executive Suites enjoy reading fashion and style magazines and participating in soccer and tennis.
- Median Household Income \$91,518

❖ Fast-Track Families

- Age Range 35-54: Fast-Track Families lead busy, active lives often centered around the schedules and interests of their children. Always on the go, they are



frequent quick service restaurant diners, drive SUVs, visit Pinterest, and tend to shop for sporting goods and active wear clothing.

- Median Household Income \$89,538

❖ Big Fish, Small Pond

- 65+ Years Old: Older, upper-class, college-educated professionals, the members of Big Fish, Small Pond are often among the leading citizens of their small-town communities. These upscale, empty-nesting couples enjoy the trappings of success, including belonging to country clubs, maintaining large investment portfolios, and dining at upscale restaurants.
- Median Household Income \$116,466

New Home Market

Townhome/Attached

According to MetroStudy, there were 157 new townhomes closed within the subject's competitive area over the last 12 months, which includes Rolesville, Wake Forest, and Knightdale. All of the closings occurred in communities located in Wake Forest. The sales prices ranged from \$166,000 to \$349,500 with an overall average of \$251,083, or \$122.60 per square foot (based on average heated area of 2,048 SF). The top selling builders of new townhomes in the area were primarily regional/national production builders, including Lennar Homes, Dan Ryan Builders, Stanley Martin Homes, and DR Horton. Average absorption within the top selling townhome communities in the competitive area ranged from approximately 1.7 closings per month to 3.4 closings per month with an average of approximately 1.94 closings per month (23.3 units annually).

These builders typically offer two to four floor plans, and the most common product type is a two-story, two-car garage front entry plan, or three-story, two-car garage rear entry plan. The most common lot widths are 20' to 22'. According to MetroStudy, of the top six selling communities in the competitive area, only approximately 130 existing or future units remain in 4 of the six communities, indicating less than a one year supply based on historical finished unit sales.

Single-Family Detached

According to Metrostudy, there were 460 new single-family detached homes closed within a 5 mile radius of the subject property over the last 12 months. The sales prices ranged from \$188,000 to \$910,000 with an overall average of \$376,071, or \$131.54 per square foot (based on average heated area of 2,859 SF).

The top selling builders of new townhomes in the area were primarily regional/national production builders, including Lennar/CalAtlantic Homes, Dan Ryan Builders, Stanley Martin Homes, Pulte Homes, Eastwood Homes, HHHunt Construction, and DR Horton.

The most popular lot size in the competitive area is 60' to 70' which accounted for over 2/3 of total new home closings in the market, and generally ranged from \$300,000 to \$400,000 with an overall average around \$340,000. Among the top six selling communities with lot widths ranging from 60' to 70', the average finished unit closings pace ranged from 1.25 units per month to 4.83 units per month with an overall average of approximately 2.91 new home closings per month.

New homes on larger lots, generally ranging from 75' to 100' in the competitive area, generally had finished unit pricing ranging in the \$350,000 to \$600,000 range, and had slower new home sales absorption pace over the last 12 months, typically ranging from 1 to 4 units per month with an overall average of approximately 2.25 new home closings per month.

Typical builders of single-family detached homes in the market will offer anywhere from 4 to 10 single-family floor plans in a community, with 3 to 6 bedrooms and 2.5 to 4 bathrooms and two or three car garages. Floor plans typically have options for a master on main, which is generally preferred by older buyers, or open main floor plans with all bedrooms on the second floor.

Currently, there are approximately 100 inventory homes completed or under construction between 6 of the top 8 selling communities in the area, and the other two are recently completely sold out of inventory. According to local sales agents, a large portion of the sales occur during the construction phase, and inventory homes rarely sit on the market for more than 1 to 2 months.

Proposed Pipeline

According to MetroStudy, there are currently 2,816 total residential units proposed within a five mile radius of the subject property, including the 535 units proposed in the subject. Among the remaining 2,281 proposed units, 109 are currently under active development in the Brinley Manor community (65' lots), and an additional 304 units are proposed for near term development in additional phases of the Granite Falls PUD. The remaining proposed residential units are still in the early planning stages, or have no immediate plans for development.

Among the 12 active single-family detached residential communities within a 5 mile radius of the community, the average amount of annual starts is approximately 16 units, with the highest amount of annual starts concentrated in the 60' to 70' range, where they average nearly 50 new starts annually.

Resale Market

According to Metrostudy, there were approximately 965 resale closings within a 5 mile radius of single-family detached homes over the last 12 months averaging approximately \$287,526, or \$121,99 per square foot. Additionally, there were approximately 152 resales closings of townhomes over the last 12 months averaging approximately \$195,683, or \$122.45 per square foot.

Residential Building Permits

Demand for residential single-family lots can be derived from a combination of population growth and economic conditions. However, the cyclical nature of the construction industry makes it difficult to develop demand forecast for single-family homes based solely on socioeconomic profiles. This is because supply tends to lag demand - basically it can take several months for a development to be completed and made available to the market for sale. Therefore, the demand forecast is conducted by a combination of analyses of demographic and economic profile and market data (building permits).

The following table shows housing units authorized by building permits in Wake County and the Town of Rolesville. The data are from U.S. Census and SOCDS:

Building Permits - Single-Family Residences			
Year	Wake County	Town of Rolesville	% of Wake County
2004	10,066	87	0.86%
2005	11,513	197	1.71%
2006	10,894	210	1.93%
2007	10,347	227	2.19%
2008	5,246	114	2.17%
2009	3,635	25	0.69%
2010	3,865	65	1.68%
2011	4,039	63	1.56%
2012	5,414	152	2.81%
2013	6,636	323	4.87%
2014	6,146	175	2.85%
2015	6,796	168	2.47%
2016	3,980	236	5.93%
2017	7,913	183	2.31%
2018	7,947	180	2.27%

Source: SOCDS

Compiled by NKF



The demographic profile is given secondary emphasis to project the number of building permits in the next five years. Employment and personal income growth data generally show a strong correlation with the number of building permits granted for construction of single-family residences. Therefore, the economic profile of employment and personal income become a primary assumption to forecast the number of building permits in the next five years. According to the demographic data summarized on the previous pages, there are forecasted to be approximately 560 new households per year within a five-mile radius of the subject over the next five years.



Recommendations

Affordability remains a large concern for the Raleigh metro housing area, as new home prices have increased so rapidly over the past several years. Mortgage interest rates remain low, but the general complaint from buyers has been a lack of supply of “affordable” housing in the Raleigh MSA.

Production builders have been experiencing difficulty absorbing homes priced at the higher end of the eastern Wake County market (\$350,000 and above). The communities of Rolesville, Knightdale, and certain parts of Wake Forest have experienced continued excess in more affordable pricing segments for townhome and single-family detached product alike with homes ranging from \$200,000 to \$400,000. The most popular lot sizes in the subject’s competitive area for townhomes remains 20’ to 24’, and 55’ to 70’ for single-family detached homes. Some builders are experiencing success in pricing segments above \$350,000 on generally larger lots ranging from 80’ to 100’, but at generally lower sales paces than the smaller, production product driven lot sizes.

After analyzing the market, and the proposed plans for the subject property, we have made the following recommendations for the subject property.

A community of this size, and with this variation of product offering is typically developed in several phases, and often marketed as several independent communities within one. This appears to be the intent of the property owner, and is recommended to maximize absorption potential.

Due to the size, scope and location of the subject property, it is recommended that two distinct product lines be offered within the development, including townhome and single-family detached product. The recommendations for each are explained in further detail below.

Townhomes

Townhomes within the subject development should ideally range from 1,700 SF to under 2,500 SF with two-car garages. The recommended product would offer a master on main option, with at least 3 to 4 total bedrooms. Based on recent finished unit pricing of new townhomes in the market, all-in finished unit pricing should range from \$200,000 to \$300,000 with all-in finished unit pricing in the mid \$200,000’s.

Single-Family Detached Homes

The proposed development includes four distinct lot sizes; 60’, 70’, 80’ and 100’. Approximately 40% of the total development is projected to include the most popular SFD lot sizes of 60’ and 70’, with an additional 43% of the total development projected to include 80’ to 100’ lots. It is our

recommendation that a higher concentration of the smaller 60' to 70' lots be included if allowable, as the projected price point of those lots will serve the large portion of the housing segment looking for more affordable options in Rolesville. Builders should offer a variety of ranch and two-story floor plans on the single-family lots beginning around 2,000 SF up to nearly 4,000 SF on some of the larger lots. It is important builders offer both ranch and two-story plans to capture an appropriate share of the buyer pool, and offer both master up and master on main options for the two-story detached plans. Base pricing for the single-family detached homes should likely start in the mid \$200,000's on the smallest units up to nearly \$350,000 for the larger units, and builders are typically able to option up base pricing with lot premiums and upgrades anywhere from 5 to 10 percent per unit in strong markets.

Given the affordability issues for new housing seen in the area, builders are best served to offer smaller, higher quality products with practical design features that start in the mid \$200,000's and average closer to the higher \$200,000's to mid \$300,000's. Finished unit pricing on larger lots (80' to 100') could be expected to average in the high \$300,000's to mid \$400,000's, but the market is judged to be saturated with that pricing segment at this point, and the need is overwhelmingly for more affordable product.

Recreational Amenities

Buyers in the subject's competitive market, especially in the proposed pricing segment would expect a community of this size to have a recreational amenity package. In traditional communities (non age-targeted/restricted), common amenities include a swimming pool and cabana, a playground, and activity/playfields. Tennis courts and small clubhouses are often still built in many new communities throughout the area, but are not as common and swim/cabana packages with open space.



Assumptions and Limiting Conditions

The Appraisal contained in this Report (herein "Report") is subject to the following assumptions and limiting conditions:

1. Unless otherwise stated in this report, title to the property which is the subject of this report (herein "Property") is assumed to be good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. No responsibility is assumed for the legal description, zoning, condition of title or any matters which are legal in nature or otherwise require expertise other than that of a professional real estate appraiser. This report shall not constitute a survey of the Property.
2. Unless otherwise stated in this report, it is assumed: that the improvements on the Property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. No responsibility is assumed for soil or subsoil conditions or engineering or structural matters. The Property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated. The physical condition of the Property reflected in this report is solely based on a visual inspection as typically conducted by a professional appraiser not someone with engineering expertise. Responsible ownership and competent property management are assumed.
3. Unless otherwise stated in this report, this report did not take into consideration the existence of asbestos, PCB transformers or other toxic, hazardous, or contaminated substances or underground storage tanks, or the cost of encapsulation, removal or remediation thereof. Real estate appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials and substances may adversely affect the value of the Property. Unless otherwise stated in this report, the opinion of value is predicated on the assumption that there is no such material or substances at, on or in the Property.
4. All statements of fact contained in this report as a basis of the analyses, opinions, and conclusions herein are true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to and relies upon the accuracy of information and material furnished by the owner of the Property or owner's representatives and on information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third party sources are assumed to be reliable and have not been independently verified. No warranty is made as to the accuracy of any of such information and data. Any material error in any of the said information or data could have a



substantial impact on the conclusions of this Report. The appraiser reserves the right to amend conclusions reported if made aware of any such error.

5. The opinion of value stated in this report is only as of the date of value stated in this report. An appraisal is inherently subjective and the conclusions stated apply only as of said date of value, and no representation is made as to the effect of subsequent events. This report speaks only as of the date hereof.
6. Any projected cash flows included in the analysis are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within this report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of market expectations of future income and expenses. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. There is no warranty or assurances that these forecasts will occur. Projections may be affected by circumstances beyond anyone's knowledge or control. Any income and expense estimates contained in this report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
7. The analyses contained in this report may necessarily incorporate numerous estimates and assumptions regarding Property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from estimates, and the variations may be material.
8. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraphs, several events may occur that could substantially alter the outcome of the estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. In making prospective estimates and forecasts, it is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
9. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This report shall be considered only in its entirety. No part of this report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the Firm. Possession of this report, or a copy hereof, does not carry with it the right of publication.
11. Client and any other Intended User identified herein should consider this report and the opinion of value contained herein as only one factor together with its own independent considerations and

underwriting guidelines in making any decision or investment or taking any action regarding the Property. Client agrees that Firm shall not be responsible in any way for any decision of Client or any Intended User related to the Property or for the advice or services provided by any other advisors or contractors. The use of this report and the appraisal contained herein by anyone other than an Intended User identified herein, or for a use other than the Intended Use identified herein, is strictly prohibited. No party other than an Intended User identified herein may rely on this report and the appraisal contained herein.

12. Unless otherwise stated in the agreement to prepare this report, the appraiser shall not be required to participate in or prepare for or attend any judicial, arbitration, or administrative proceedings.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No survey or analysis of the Property has been made in connection with this report to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. No expertise in ADA issues is claimed, and the report renders no opinion regarding the Property's compliance with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. Acceptance and/or use of this report constitutes full acceptance of these Assumptions and Limiting Conditions and any others contained in this report, including any Extraordinary Assumptions and Hypothetical Conditions, and is subject to the terms and conditions contained in the agreement to prepare this report and full acceptance of any limitation of liability or claims contained therein.



Addendum A

Glossary of Terms



The following definitions are derived from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

- ◆ **Absorption Period:** The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.
- ◆ **Absorption Rate:** 1) Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time. 2) In subdivision analysis, the rate of sales of lots or units in a subdivision.
- ◆ **Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (International Association of Assessing Officers [IAAO])
- ◆ **Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.
- ◆ **Cash Equivalency:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.
- ◆ **Contract Rent:** The actual rental income specified in a lease.
- ◆ **Disposition Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **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.
- ◆ **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. See also **surplus land**.



- ◆ **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.
- ◆ **Exposure Time:** 1) The time a property remains on the market. 2) [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.
- ◆ **Extraordinary Assumption:** An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. See also **hypothetical condition**.
- ◆ **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.
- ◆ **Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.
- ◆ **Frictional Vacancy:** The amount of vacant space needed in a market for its orderly operation. Frictional vacancy allows for move-ins and move-outs.
- ◆ **Full Service Lease:** See **gross lease**.
- ◆ **General Vacancy:** A method of calculating any remaining vacancy and collection loss considerations when using discounted cash flow (DCF) analysis, where turnover vacancy has been used as part of the income estimate. The combined effects of turnover vacancy and general vacancy relate to total vacancy and collection loss.
- ◆ **Going-Concern Premise:** One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely).
- ◆ **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.
- ◆ **Gross Building Area (GBA):** 1) 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. 2) Gross leasable area plus all common areas. 3) 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.



- ◆ **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 full-service lease.
- ◆ **Hypothetical Condition:** 1) A condition that is presumed to be true when it is known to be false. (Appraisal Institute: The Standards of Valuation Practice [SVP]) 2) 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. See also **extraordinary assumption**.
- ◆ **Intended Users:** 1) The party or parties the valuer intends will use the report. (SVP) 2) The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP, 2016-2017 ed.)
- ◆ **Investment Value:** 1) 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. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (International Valuation Standards [IVS])
- ◆ **Land-to-Building Ratio:** The proportion of land area to gross building area; one of the factors determining comparability of properties.
- ◆ **Lease:** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.
- ◆ **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.
- ◆ **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.
- ◆ **Lessee:** One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.
- ◆ **Lessor:** One who conveys the rights of occupancy and use to others under a lease agreement.
- ◆ **Liquidation Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a short time period. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under extreme compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms.

- ◆ **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).
- ◆ **Market Value:** A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following. 1) The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. 2) Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.¹
- ◆ **Market Value of the Going Concern:** The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.
- ◆ **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.
- ◆ **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.
- ◆ **Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also **gross lease; modified gross lease.**
- ◆ **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, triple net lease, or fully net lease.

¹ The actual definition of value used for this appraisal is contained within the body of the report. The definition of market value given above is general in viewpoint and is only provided for amplification.



- ◆ **Occupancy Rate:** 1) The relationship or ratio between the potential income from the currently rented units in a property and the income that would be received if all the units were occupied. 2) The ratio of occupied space to total rentable space in a building.
- ◆ **Overage Rent:** The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.
- ◆ **Percentage Rent:** Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.
- ◆ **Prospective Opinion of Value:** A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
- ◆ **Rentable Area:** For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
- ◆ **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."
- ◆ **Shell Rent:** The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called vanilla finish or white wall finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes, mechanical systems, interior electricity, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses.
- ◆ **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. See also **excess land**.
- ◆ **Turnover Vacancy:** A method of calculating vacancy allowance that is estimated or considered as part of the potential income estimate when using discounted cash flow (DCF) analysis. As units or suites turn over and are available for re-leasing, the periodic vacancy time frame (vacancy window) to release the space is considered.

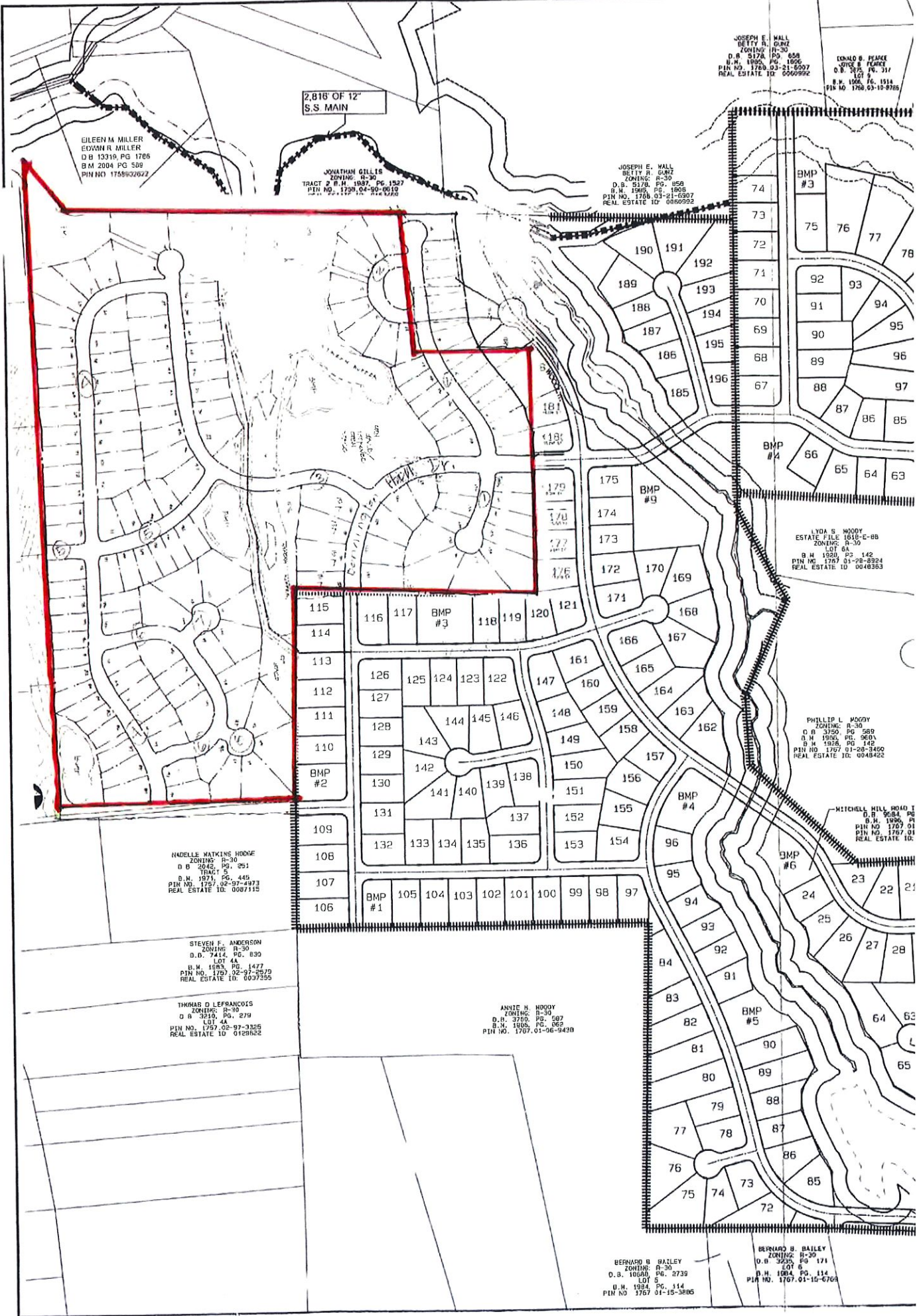
- ◆ **Usable Area:** 1) For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. See also floor area. 2) The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.
- ◆ **Use Value:** 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. Use value may or may not be equal to market value but is different conceptually. See also **value in use**.
- ◆ **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. See also **use value**.
- ◆ **Value Indication:** A valuer's conclusion of value resulting from the application of an approach to value, e.g., the value indication by the sales comparison approach.



Addendum C

Financials and Property Information





2,816' OF 12"
S.S. MAIN

GILEEN M MILLER
EDWIN R MILLER
D.B. 13319, PG. 1765
B.M. 2004 PG. 532
PIN NO. 1758022022

JONATHAN GILLIS
ZONING: R-30
TRACT 2, B.M. 1987, PG. 1527
PIN NO. 1729, 04-90-0610

JOSEPH E. HALL
BETTY R. GUNZ
ZONING: R-30
D.B. 5178, PG. 656
B.M. 1992, PG. 1026
PIN NO. 1724, 03-21-1907
REAL ESTATE ID: 0860992

JOSEPH E. HALL
BETTY R. GUNZ
ZONING: R-30
D.B. 5178, PG. 656
B.M. 1992, PG. 1026
PIN NO. 1724, 03-21-1907
REAL ESTATE ID: 0860992

EDWARD B. PEACE
ONICE B. PEACE
D.B. 311, PG. 311
B.M. 1984, PG. 1514
PIN NO. 1780, 03-15-8765

2.12
1/16

HADELLE WATKINS HODGE
ZONING: R-30
D.B. 2042, PG. 251
TRACT 5
B.M. 1971, PG. 445
PIN NO. 1757, 02-97-4973
REAL ESTATE ID: 0087115

STEVEN F. ANDERSON
ZONING: R-30
D.D. 7414, PG. 830
LOT 4A
B.M. 1983, PG. 1477
PIN NO. 1787, 02-97-2679
REAL ESTATE ID: 0037355

THOMAS D. LEFRANCOIS
ZONING: R-30
D.B. 3210, PG. 279
LOT 1A
PIN NO. 1757, 02-97-3225
REAL ESTATE ID: 012952

ANNIE H. HODDY
ZONING: R-30
D.B. 3750, PG. 587
B.M. 1905, PG. 362
PIN NO. 1767, 01-06-9430

BERNARD B. BAILEY
ZONING: R-30
D.B. 1068, PG. 2739
LOT 6
B.M. 1984, PG. 114
PIN NO. 3767, 01-15-3885

BERNARD B. BAILEY
ZONING: R-30
D.B. 3225, PG. 171
LOT 6
B.M. 1984, PG. 114
PIN NO. 1707, 01-15-6765

LYDA S. WOODY
ESTATE FILE 1518-C-88
ZONING: R-30
LOT 6A
B.M. 1980, PG. 142
PIN NO. 1767, 01-08-8924
REAL ESTATE ID: 0048353

PHILLIP L. WOODY
ZONING: R-30
D.B. 3750, PG. 589
B.M. 1905, PG. 363A
B.M. 1928, PG. 142
PIN NO. 1757, 01-08-3450
REAL ESTATE ID: 0048422

MICHELL HILL ROAD I
D.B. 3584, PG. 8
B.M. 1984, PG. 8
PIN NO. 1767, 01-08-91
REAL ESTATE ID:

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Addendum D

Précis Metro Report - Economy.Com, Inc. & MetroStudy Reports



TRIANGLE NEW HOME MARKET EXECUTIVE SUMMARY

Fourth Quarter 2018

ECONOMIC OVERVIEW

Employment

North Carolina's Triangle region, which encompasses both the Raleigh-Cary MSA and Durham-Chapel Hill MSA, added 23,600 more jobs in the 12 months ended November 2018, or an annual growth rate of 2.8 percent, according to U.S. Bureau of Labor Statistics and the North Carolina Division of Employment Security. The market overall employs about 966,500 people in nonfarm payroll positions.

Industry sectors that have reported the highest demand for job growth include companies involved in professional and business services, education and health services, and trade, transportation and utilities, which includes workers in retail, wholesale trade and distribution.

The number of workers employed in construction in the Triangle showed improvement with employment growth of 5.8 percent compared to a year ago. Construction employment – a field critical to the growth of the new home construction market – has returned to the region's pre-recession peak levels in 2007 with more than 50,900 people employed with the local construction industry.

Unemployment

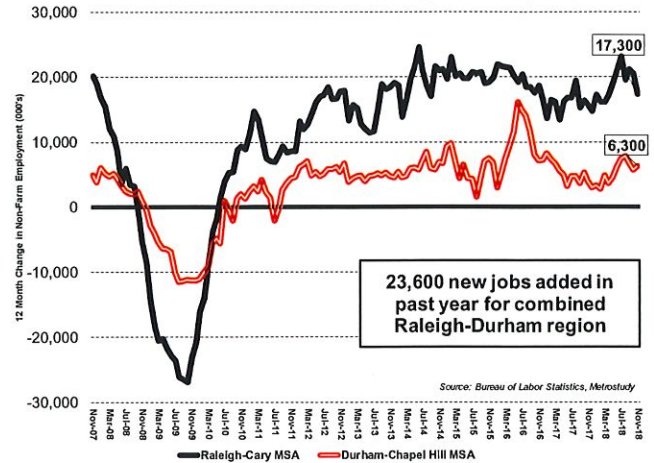
The Triangle region's unemployment rate dropped to 3.0 percent for both Raleigh and for Durham in November 2018, besting both the U.S. average (3.4 percent) and North Carolina statewide (3.5 percent).

Wages

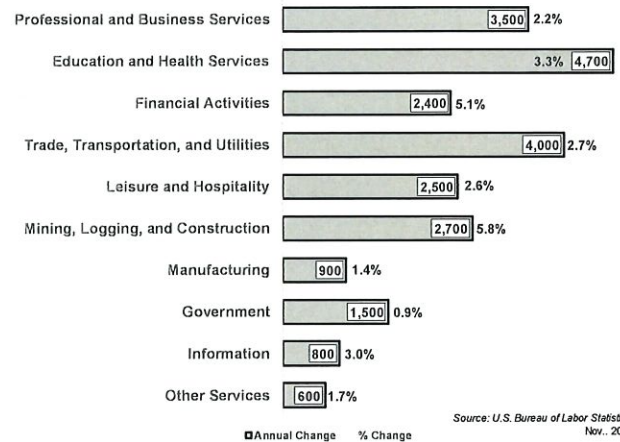
Lower unemployment traditionally signals stronger wage growth among those who are already employed. Employee wage growth in the region has been slower than expected as the region has experienced a surge in jobs for both high-end positions and in low-end positions but fewer in the middle-level income range.

Average weekly earnings for employees in the Triangle were up 1.9 percent in December. North Carolina's average weekly earnings have been increasing at a faster clip increasing close to 4.1 percent over year prior.

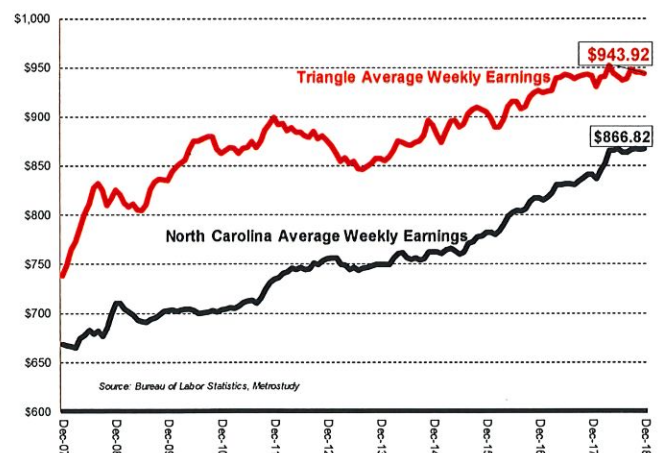
TRIANGLE JOB GROWTH (year over year)



TRIANGLE JOB GROWTH by SECTOR (year over year)



EMPLOYMENT AVERAGE WEEKLY EARNINGS (trailing 3-month average)



Triangle New Home Market Executive Summary

HOUSING MARKET ACTIVITY

Starts & Closings

As of the 12 months ending December 2018, the Triangle homebuilding market had started construction of 12,481 new homes, or a 3 percent increase compared to the year prior. The annual closings rate finished the year up 8.7 percent as more homes were observed to be newly occupied compared to the year prior. Annual closings and starts are the sum of the past four quarters, or trailing 12 months, and a key metric tracked by the builder community.

For the quarter, however, construction activity slowed with 101 fewer new housing starts, down 3.6 percent, in fourth quarter 2018 than was observed the fourth quarter the year prior as builders adjusted to slower buyer demand. Quarterly closings, or observed home sales, though, were more robust with sales up 3.3 percent compared to the same quarter the year prior.

New Home Inventory

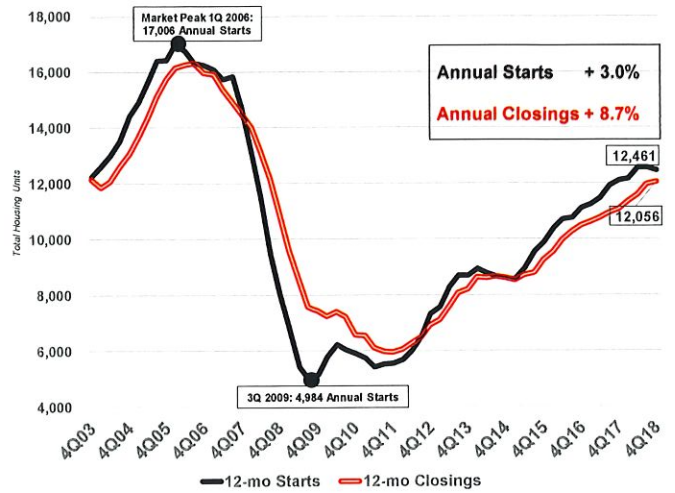
As available inventory of existing homes for sale has remained at an anemic 2-3 months of supply or less for the past four years, builders in the Triangle region have been boosting production of new homes.

New home inventory – models, finished vacant unoccupied new homes and new homes under construction – totaled 7,490 units in the fourth quarter. It was a 5.7 percent increase compared to the total new construction inventory observed the same quarter the year prior. Inventory continues to increase primarily because of a growing backlog of housing units that are taking longer to complete due to supply and labor constraints in the region coupled with weather delays.

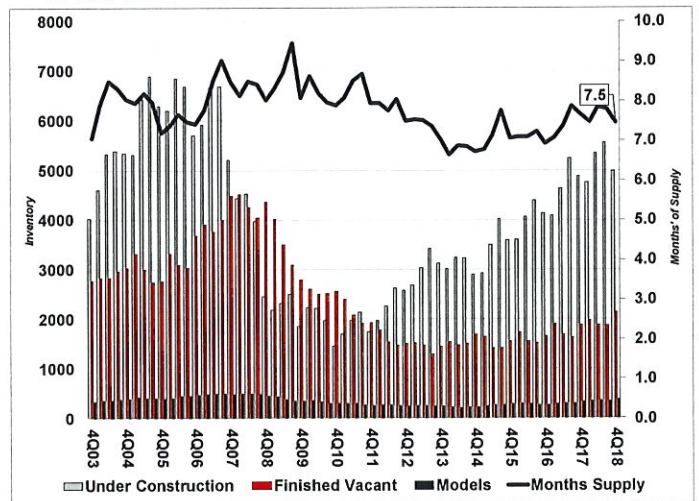
The number of finished vacant units, or homes built speculatively without a pre-sale contract, represented about 28.5 percent of the construction inventory. That signals that the Triangle remains a supply-constrained market, but the inventory of finished vacant units has increased 13.8 percent in the past 12 months.

At the present annual closings pace, this level of construction inventory represents 7.5 months' of supply, which is in line with the market's historical inventory equilibrium of between 7-8 months' of supply. The inventory of finished vacant units represents about 2.1 months of supply, which is also in line with the market's historical equilibrium.

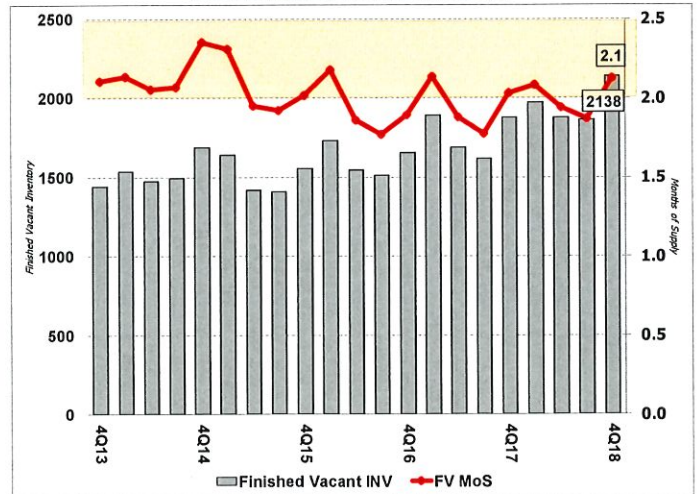
TRIANGLE ANNUAL STARTS AND CLOSINGS



TRIANGLE TOTAL NEW HOUSING INVENTORY



TRIANGLE FINISHED VACANT NEW HOME INVENTORY



Triangle New Home Market Executive Summary

Lot Inventory and Deliveries

The 19,200 vacant developed lots, or lot properties with streets and infrastructure in place, counted as part of Metrostudy's fourth quarter survey represented a 7.26 percent increase in the number of available builder lots compared to the year prior.

At the current pace of new home construction, the inventory of vacant developed lots represent an 18.5-months' supply of inventory. Metrostudy considers 24-28 months to be normal equilibrium, as on average that has been the historical amount of time it takes to entitle and deliver new replacement lots to the market.

Triangle lot developers, led by production builders managing development of their own land, delivered nearly 3,200 new lots in the fourth quarter. In the previous 12 months, Triangle developers have added 13,743 new lots to inventory, a 1.2 percent decrease over the previous 12 months' total as builders have slowed inventory starts in response to a slowing buyer demand.

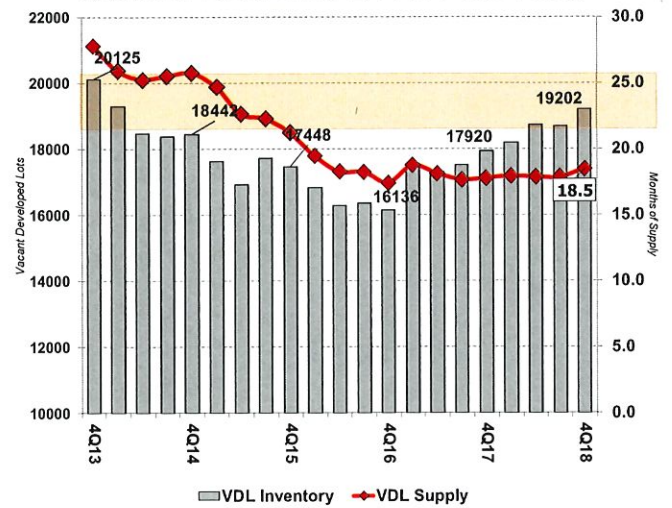
TRIANGLE PRICE RANGE ANALYSIS

The average base price increase for a single family home under construction in the Triangle has been slowing, on average, to about \$1.40 a square foot each quarter for the past year and is up 1 percent year-over-year. In fourth quarter 2018, the average single family home measured 2,754 square feet and cost \$400,479, or \$144.77 a square foot. The year prior, the average home was larger at 2,779 square feet with a base price of \$381,242, or \$137.25 a square foot.

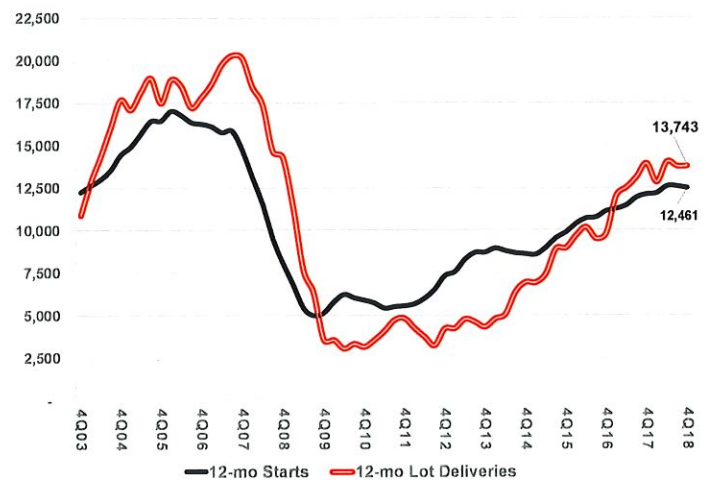
Production of affordable homes in the Triangle with a base price below \$250,000 continues to decline as the costs of land, construction materials and labor increases.

As of the fourth quarter, new homes priced under \$250,000 encompassed about 24 percent of the total region's market share, which compares to about 37 percent of the total market share two years ago. The Triangle region had about 5.4 months' of inventory supply for units priced under \$200,000.

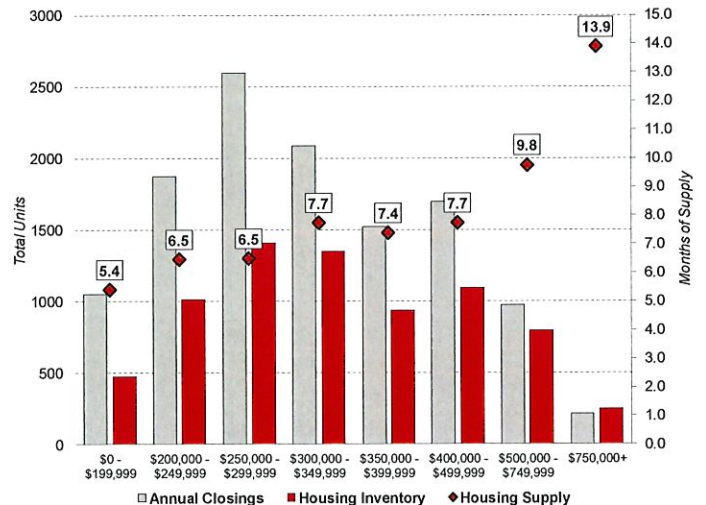
VACANT DEVELOPED LOT HISTORY



Annual Starts & Lot Deliveries History



TRIANGLE PRICE RANGE DISTRIBUTION



Triangle New Home Market Executive Summary

TOWNHOME/CONDO

As local land prices continue to rise and average home prices along with it, many local builders are increasing inventory for attached product like townhomes and, to a smaller degree, condominiums, across the Triangle market.

Annual starts for townhouse product was up 13 percent in the fourth quarter while annual closings were up 34.1 percent. Total market share for all attached, townhouse and condo housing product in the Triangle has reached nearly 22 percent.

The average base price increase for a townhouse unit was \$144 a square foot in the fourth quarter, a 3.3 percent increase year-over-year. In fourth quarter 2018, the average townhouse measured 2,016 square feet and cost \$289,822. The year prior, the average townhouse home was larger at 2,032 square feet with a base price of \$283,034, or \$139.91 a square foot.

Nearly 30 percent of all the townhouse inventory in the Triangle was in the \$250,000 to \$299,999 base price category in the fourth quarter 2018, which is also the price range category with the highest demand.

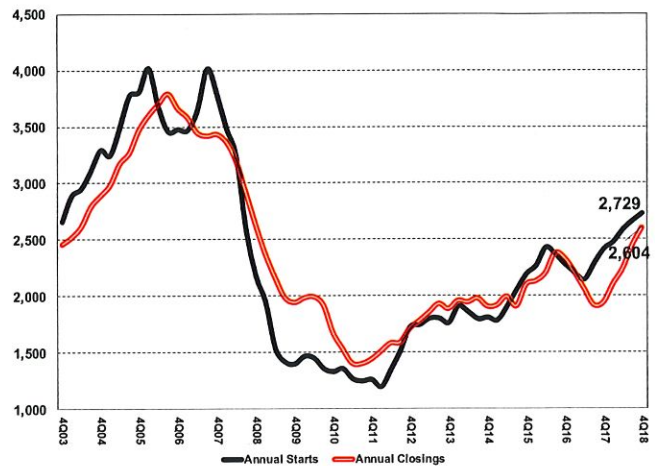
OBSERVATIONS

Job growth for the region remains strong with several major high-profile job announcements in December boosting local consumer confidence, including Advance Auto Parts' commitment to relocate its headquarters to Raleigh and add another 435 high-paying jobs. The region's real estate and business leaders, however, are still licking their wounds after the market was passed over for a \$1 billion campus project by Apple. A site in Research Triangle Park had been rumored for months to be the front-runner for the Apple project that's now expected to create up to 9,000 new jobs over the next three years in Austin, Texas.

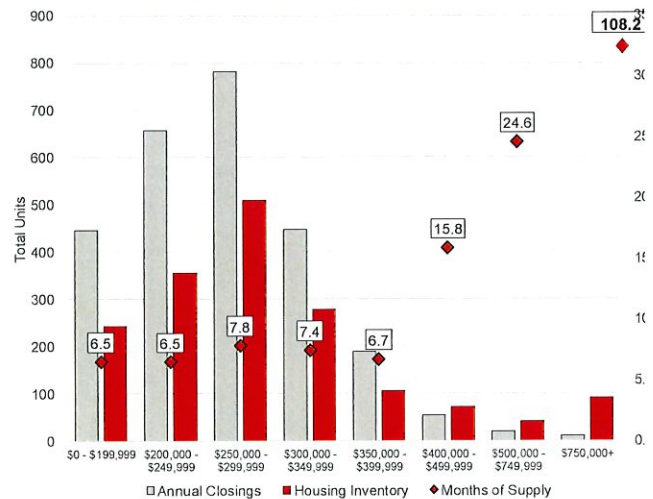
Optimism among Triangle homebuilders was already waning in the final months of 2018 as buyer traffic across the market had slowed, and as builders and construction crews dealt with one of the region's wettest years on record. Recorded rainfall at Raleigh-Durham International Airport was almost 39 percent above normal in 2018, including about 26 inches of rainfall, snow and other precipitation that fell in the last four months of the year. Builder sentiment in January, though, was improving as mortgage rates had declined and buyer traffic was beginning to normalize.

Builder competition for land and lot positions, as well as marketing to future buyers, is becoming more intense as the pace of homebuilder company mergers and acquisitions in 2018 was the highest in the Triangle market's history.

TOWNHOME/CONDO ANNUAL STARTS AND CLOSINGS



TOWNHOME/CONDO PRICE RANGE DISTRIBUTION



METROSTUDY is the leading provider of primary and secondary market information to the housing and related industries nationwide. In addition to providing information, the company is recognized for its consulting expertise on development, marketing and economic issues, and is a key source of research studies evaluating the feasibility of residential and commercial real estate projects. Services are offered through an extensive network of offices strategically located in major metropolitan areas throughout the country. Any quoting or reproduction of all or part of this proprietary summary without the written permission of Metrostudy is expressly prohibited.

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Addendum E
Appraiser Qualifications and Licenses



**SCOTT R. TONNESON, MAI,
MRICS**

Executive Vice President



Newmark Knight Frank
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scott.tonneson@ngkf.com
T 404.343.7249

Years of Experience

25 Years

Areas of Specialization

- Residential Development
- Subdivisions
- Planned Unit Developments
- Retirement Communities
- Master-planned Communities
- Condominiums
- Land

Professional Background

Scott R. Tonneson, MAI, MRICS, joined Newmark Knight Frank Valuation & Advisory in 2018 as an executive vice president in the Atlanta office. Mr. Tonneson has more than 25 years of real estate appraisal and consulting experience, with particular expertise in the valuation of all types of commercial land and residential development property, including proposed and remaining inventory in subdivisions and planned unit developments (PUDs), mixed-use projects, retirement/second-home communities, condominiums and master-planned communities throughout the Mid-Atlantic and Southeast. Additionally, Mr. Tonneson has provided appraisal and consulting services on a variety of commercial and investment properties, including office, retail, industrial, multifamily, daycare, self-storage, auto dealership, golf courses, poultry operations and marinas. Mr. Tonneson has provided expert witness testimony more than 100 times in Georgia. Prior to NKF, Mr. Tonneson had worked in the valuation & advisory group at Cushman & Wakefield of Georgia for nearly 16 years, most recently as head of the Residential Development Practice Group in the Southeast.

Professional Achievements

- Atlanta – Top Valuation & Advisory Professional, Cushman & Wakefield, 2008 – 2012

Licenses and Designations

- Designated member, Appraisal Institute
- Member, Royal Institution of Chartered Surveyors (MRICS)
- Certified general real estate appraiser, Commonwealth of Virginia, states of Alabama, Florida, Georgia, North Carolina, South Carolina and Tennessee

Education

Mr. Tonneson earned a Bachelor of Business Administration degree from the University of West Georgia. More recently, he has completed the continuing education requirements of the Appraisal Institute.

NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2019

REGISTRATION / LICENSE / CERTIFICATE HOLDER

18 **SCOTT RICHARD TONNESON** **19**
A5177 **G** **Y**
APPRAISER NUMBER TYPE NATIONAL REGISTRY

APPRAISER'S SIGNATURE


EXECUTIVE DIRECTOR

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