

TOWN OF CHAPEL HILL BLUE HILL DISTRICT MARKET ANALYSIS FOR FUTURE DEVELOPMENT DENSITY

Exhibit 1

Conventional Commercial Product Matrix for Relevant Blue Hill District Future Development



The Chapel Hill office market is limited due to being located on the fringe of the Raleigh-Durham-Chapel Hill Combined Statistical Area (CSA), with most office space occupied by healthcare providers, companies tied to local universities, and professional service firms serving the local market. Most seek space in the 5,000 to 10,000 SF range and if growing, the company typically graduates to a more central location to make itself more attractive and accessible to a larger population. As such, commercial space in the Blue Hill District will primarily come in the form of retail and/or local population servicing firms. Future space will primarily be service, food & beverage offerings and entertainment as the area attracts increased residential population, with larger format dry good stores seeking cheaper land with more of a highway orientation.

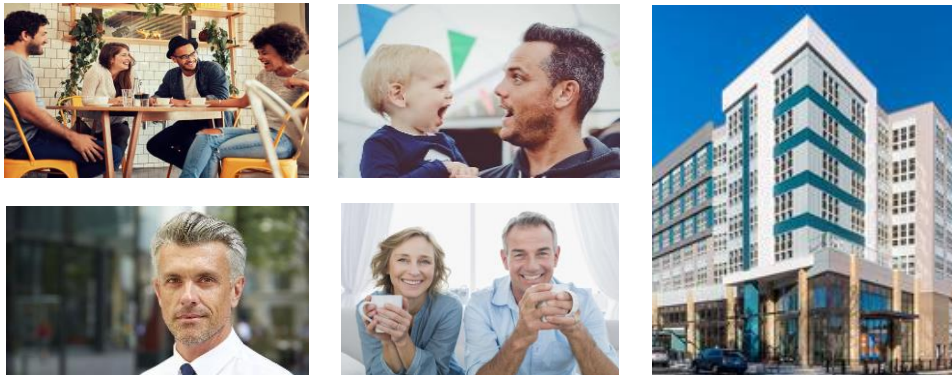
Product Type	Example	Description	Typical FAR	Typical Acreage	NNN Rent Needed	Average Value Per SF	Typical Dev. Cost Per SF	Typical Land Value Per Bldg. SF	Typical Land Value Per Acre
Mid-High Rise, Adjacent Deck		Type I construction, but with adjacent pre-cast deck. Typically 100,000 SF +/-.	0.5-3.0	1-6	\$30.00	\$575	\$400-450	\$25	\$1M+
Low-Mid Rise (2-5 Stories), Surface Parked		Various construction types, but not concrete, with surface parking. Typically 100,000 SF +/-.	0.35-0.75	4	\$25.00	\$425	\$300-350	\$22	\$500k+
Single Story, Surface Parked		Often steel frame for larger spans, but can be wood. Office or retail use, but retail buildings may have more fenestration.	0.1-1.0	1-10	\$24.00	\$375	\$275-300	\$20	\$175k+

SOURCE: Noell Consulting Group

TOWN OF CHAPEL HILL BLUE HILL DISTRICT MARKET ANALYSIS FOR FUTURE DEVELOPMENT DENSITY

Exhibit 2

Conventional Multifamily Product Matrix for Relevant Blue Hill District Future Development



When excluding properties catering only to local students, the Chapel Hill multifamily market is driven by a mix of young and mature professionals, couples, and families both new to market and those between homes, with a notable concentration of empty-nester / retiree move-downs. Those without kids tend to seek the same locational attributes: a convenient location with proximity to work and lifestyle amenities. Many choose the Blue Hill District area to get away from the "college scene" and also a convenient location for split-commuting couples / roommates.

Since the recession only one apartment community has been delivered in the Blue Hill District, a 264 unit podium and deck-wrapped community called Berkshire Chapel Hill, however, there are two projects currently under construction - Trilogy Chapel Hill, a 328 unit project by Leon Capital Group and a 272 unit project off Fordham Boulevard by Ram Realty, both projects are wrapped product, but the Fordham Blvd site also features a partial podium to allow for retail.

Product Type	Example	Description	Typical Units/Acre	Typical Acreage	PSF Rent Needed	Typical Unit Rent	Average Household Income	Average Value Per Unit	Typical Dev. Cost Per Unit	Typical Land Value Per Unit	Typical Land Value Per Acre
Podium		6-12 Stories, but most are 6-7 to remain wood frame above 1-2 floors of parking podium	100-150	3 to 4	\$2.20+	\$1,850	\$85k+	\$310,000	\$250,000	\$28,000	\$3-4M
Wrap		4-5 Stories, around or adjacent to structured parking	60-100	4 to 7	\$2.00+	\$1,700	\$70k+	\$285,000	\$225,000	\$25,000	\$2M
Garden-Urban		3-4 Stories, surface parked, typically with elevators	20-40	10 to 15	\$1.60+	\$1,300	\$50k+	\$200,000	\$165,000	\$20,000	\$600k
Garden With Elevators		3-4 Stories, surface parked	15-20	15 to 20	\$1.40+	\$1,200	\$40k+	\$180,000	\$150,000	\$18,000	\$300k

SOURCE: Noell Consulting Group, CoStar

TOWN OF CHAPEL HILL BLUE HILL DISTRICT MARKET ANALYSIS FOR FUTURE DEVELOPMENT DENSITY

Exhibit 3
Conventional For-Sale Product Matrix for Relevant Blue Hill District Future Development



1 Winmore, 2010 - Present		
Average Size (SF)	Average Price (\$)	\$/SF
2,300	\$273,925	\$119
2 Summit Park Meadowmont, 2001 - 2066		
Average Size (SF)	Average Price (\$)	\$/SF
4,428	\$857,683	\$194
3 Murray Hill Meadowmont, 2016 - Present		
Average Size (SF)	Average Price (\$)	\$/SF
2,729	\$825,833	\$303
4 Creekside Commons, 2019 - Present		
Average Size (SF)	Average Price (\$)	\$/SF
2,249	\$302,022	\$134
5 Chapel Run, 2018 - Present		
Average Size (SF)	Average Price (\$)	\$/SF
1,628	\$273,471	\$168

Townhome product in the Chapel Hill area since the recession has been primarily built as an entry-level product for those seeking to reside in the Chapel Hill area. Communities average around 1,600 to 2,300 SF in size with averaging pricing roughly \$270,000 to \$300,000.

Higher end product has been limited, with a small development in Meadowmont offering larger, higher-end product targeting empty-nester / move-down types with pricing in the \$800,000s. The sizes for this product are a significant reduction in the previous townhomes sold in Meadowmont, which averaged around 4,400 SF and resale in the mid to high \$800,000s.

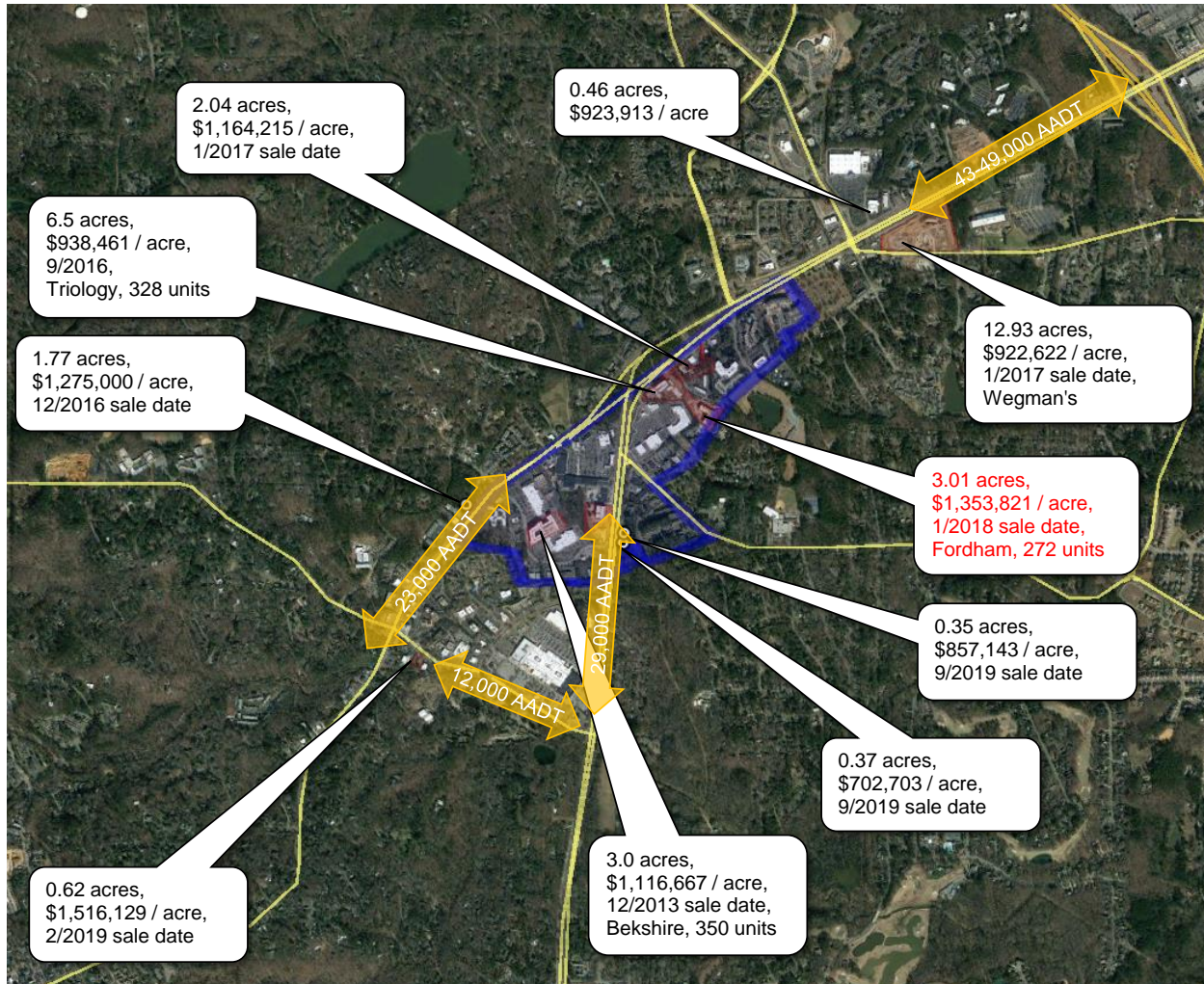
With the demonstrated pricing, the entry-level townhome product can pay roughly \$150,000 an acre with the higher end product paying upwards of \$1.5 million an acre.

Product Type	Example	Description	Typical Units/Acre	Typical Acreage	PSF Value Needed	Minimum Sales Price	Average Household Income	Typical Dev. Cost Per Unit	Typical Raw Land Value Per Unit	Typical Raw Land Value Per Acre
Luxury Townhomes		3-4 Stories, typically 22'-32' widths, 2-car garage, rooftop or yard, typically alley loaded	8-14	3-15	\$250/SF+	\$700,000	\$160k+	\$455,000	\$175,000	\$1.4M
Urban/Micro Townhomes		3-4 Stories, typically 12'-18' widths, surface or tandem garage	12-28	0.5 to 15	\$275/SF+	\$300,000	\$75k+	\$210,000	\$54,000	\$800k-\$1M
Detached Townhomes		2-3 Stories, typically 17'-24' widths, 2-car garage typically front loaded, sometimes w/yard	10-12	3-15	\$200/SF+	\$400,000	\$100k+	\$280,000	\$72,000	\$700-800k
Conventional Townhomes		3-4 Stories, typically 18'-28' widths, 2-car garage typically front loaded, sometimes w/yard	8-12	10+	\$195/SF+	\$360,000	\$90k+	\$252,000	\$64,800	\$650k
Entry-Level Townhomes		2 Stories, typically 12'-20' widths, surface parking, some with 1-car garage	8-12	10 to 20	\$100/SF+	\$150,000	\$35-45k	\$112,500	\$15,000	\$150k

SOURCE: Noell Consulting Group

TOWN OF CHAPEL HILL BLUE HILL DISTRICT MARKET ANALYSIS FOR FUTURE DEVELOPMENT DENSITY

Exhibit 4
Recent Land Sales in/near the Blue Hill District



Land costs in the local area range depending on locational attributes such as in-place zoning, ability to upzone, street frontage, and drive counts of said streets. Additionally, the size of the lot and developable area play an important role.

Small lot, proximity to major retail core, entitled: \$1.5 million / acre



Large lot in Blue Hill District, significant Fordham or Franklin Street frontage: \$1.25 million / acre



Outside Blue Hill District & outside major retail core, strong street frontage with high traffic count: \$1.0 million / acre



Smaller, challenged development parcels and/or more limited access/visibility: \$800,000 / acre

Source: NCG, CoStar, NCDOT

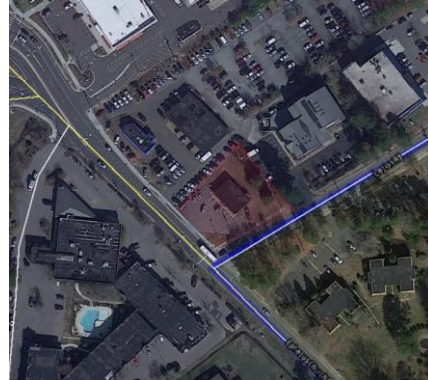


TOWN OF CHAPEL HILL BLUE HILL DISTRICT MARKET ANALYSIS FOR FUTURE DEVELOPMENT DENSITY

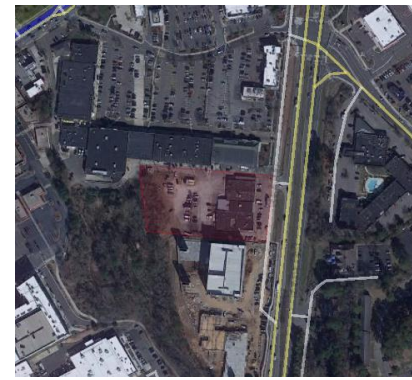
Exhibit 5 Redevelopment Potential of Existing Shopping Centers



Performance Automall Wegman's
Value: \$922,622 / acre



106 Ephesus Church Road
Est. Value: \$1,045,000 / acre



Mariakakis Plaza
Est. Value: \$2,050,000 / acre



Eastgate / Galleria
Est. Value: \$3,000,000 / acre



One of the challenges, in terms of attracting new development into the Blue Hill District, is that the area is home to many high performing retail centers such as Eastgate Crossing where high occupancies and high retail rents lead to high economic values of the property. These high values limit redevelopment opportunities to only the highest performing and dense commercial and residential building types. These higher density projects require higher rents to justify the costs of construction. For example, podium multifamily product in the Southeastern United States typically requires rents in the range of \$2.20 / SF to justify the costs of new construction. Currently Berkshire Chapel Hill is achieving rents in the \$1.70 / SF range.

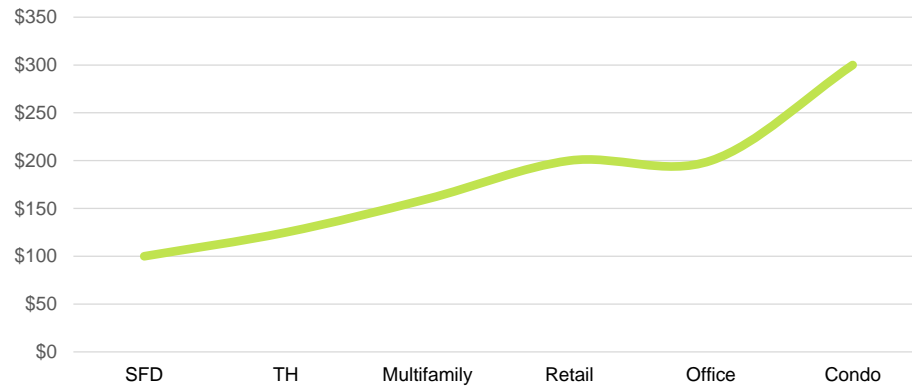
Even older shopping centers in the area, such as Mariakakis Plaza, have an estimated value of \$2,000,000+ / acre based on their estimated occupancy and market rents. Opportunity exists on larger sites that aren't producing as high economically such as the former Performance Automall that was bought for roughly \$925,000 / acre. Additionally, sites such as 106 Ephesus Church Road where small retail buildings limit the economic value of the property make such sites redevelopable, but the small nature of the site presents other challenges such as the need for assemblage with other nearby properties.

TOWN OF CHAPEL HILL BLUE HILL DISTRICT MARKET ANALYSIS FOR FUTURE DEVELOPMENT DENSITY

Exhibit 6

Typical Current Construction Costs (Hard Costs Only) By Product Type in the Southeast

Construction Costs (\$/SF)



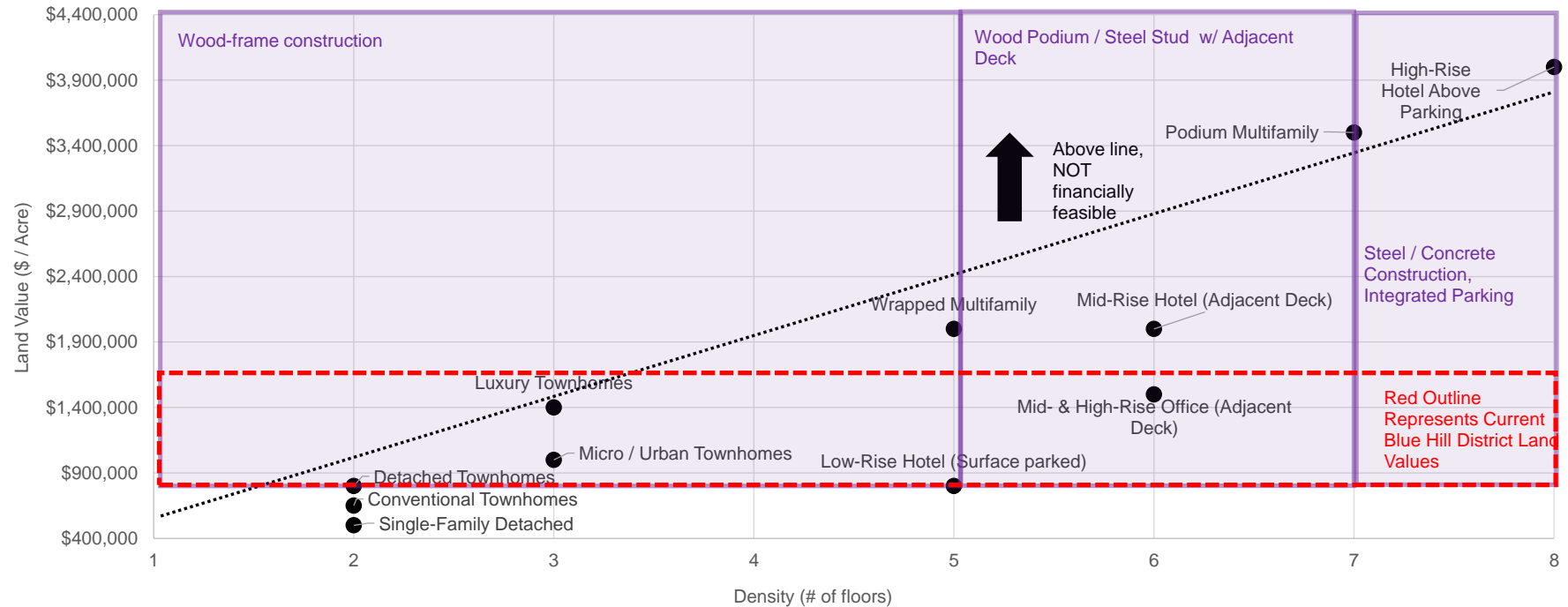
- ❑ Development costs = land, construction, and soft costs (architectural, engineering, financing, legal fees, etc)
- ❑ Soft costs consistent at around 20-25% of total development costs
- ❑ Profit margins consistent at around 20-25% of total development costs (certain profit margin hurdles are needed to get financing approval for the project and investor buy-in)
- ❑ Assuming land price is set by the market, the only significant variable in a development proforma is density



Source: NCG

TOWN OF CHAPEL HILL BLUE HILL DISTRICT MARKET ANALYSIS FOR FUTURE DEVELOPMENT DENSITY

Exhibit 7
Feasible Development Types By Land Value, Density, and Market Values



- The chart above shows typical building heights for various uses, typical land values (per acre) they can justify paying, and current Blue Hill District land values outlined in red. The black line shows what is financially feasible given current market values and typical construction costs for each product type, across various land values and densities.
- **Key Conclusions:**
- Land values are typically too expensive to support new single-family detached homes and/or conventional townhomes (under \$700k) within the District. Surface parked hotels will also be difficult to financially justify going forward.
- Wrapped multifamily and mid-rise hotels with either surface parked or adjacent deck configurations can justify paying more for land than current values. This additional benefit to their proforma may result in the ability to extract more community benefits in the future. Mid and high-rise office developments with adjacent parking decks may fall into this category as well if they are allowed greater than 6 stories.
- Market values do not currently support the ability to financially justify full podium multifamily developments or hotels above structured parking. These development types may come soon, but they will be financially thin and will have little ability to contribute significantly to community benefits.
- Three varieties of townhomes; detached townhomes, micro/urban townhomes, and luxury townhomes represent ideal development types currently supportable in the District, yet are under represented today. While financially they will have a hard time contributing significantly to community benefits, they may represent a strong opportunity for lowering overall density and/or creating transitions.

Source: NCG