

**Appraisal of Real Property**

**Parking Lot**

Vacant Land  
135 E. Rosemary St.  
Chapel Hill, Orange County, North Carolina 27514

**Prepared For:**

Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P.

**Effective Date of the Appraisal:**

July 2, 2020

**Report Format:**

Appraisal Report – Standard Format

**IRR - Raleigh**

File Number: 167-2020-0548





**Parking Lot**  
135 E. Rosemary St.  
Chapel Hill, North Carolina



July 14, 2020

Mr. Toby Coleman  
Partner  
Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P.  
150 Fayetteville Street, Suite 2300  
Raleigh, NC 27601

SUBJECT:           Market Value Appraisal  
                        Parking Lot  
                        135 E. Rosemary St.  
                        Chapel Hill, Orange County, North Carolina 27514  
                        IRR - Raleigh File No. 167-2020-0548

Dear Mr. Coleman:

Integra Realty Resources – Raleigh is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value as is of the fee simple interest in the property. The client for the assignment is Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P., and the intended use is for asset valuation purposes.

The subject is a parcel of vacant land containing an area of 0.81 acres or 35,284 square feet. The property is zoned TC-2, Town Center, which permits development of commercial, service, and social uses while maintaining the character of the town's downtown area, its pedestrian-oriented scale, and its nature as a concentration of business, administrative, financial, governmental, and support functions serving the community.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report –

Mr. Toby Coleman  
Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P.  
July 14, 2020  
Page 2

Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

<b>Value Conclusion</b>			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	July 2, 2020	\$5,120,000

#### **Extraordinary Assumptions and Hypothetical Conditions**

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

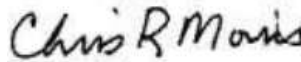
If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - RALEIGH**



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## Executive Summary

Property Name	Parking Lot	
Address	135 E. Rosemary St. Chapel Hill, Orange County, North Carolina 27514	
Property Type	Land - Other	
Owner of Record	Investors Title Company	
Tax ID	9788-37-6817	
Legal Description	See addenda	
Land Area	0.81 acres; 35,284 SF	
Zoning Designation	TC-2, Town Center	
Highest and Best Use	Mixed use	
Exposure Time; Marketing Period	3 to 6 months; 3 to 6 months	
Effective Date of the Appraisal	July 2, 2020	
Date of the Report	July 14, 2020	
Property Interest Appraised	Fee Simple	
Sales Comparison Approach		
Number of Sales	6	
Range of Sale Dates	Mar 16 to Aug 20	
Range of Prices per SF (Unadjusted)	\$79.16 - \$188.36	
Market Value Conclusion	\$5,120,000	(\$145.11/SF)

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P. may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

## General Information

### Identification of Subject

The subject is a parcel of vacant land containing an area of 0.81 acres or 35,284 square feet. The property is zoned TC-2, Town Center, which permits development of commercial, service, and social uses while maintaining the character of the town's downtown area, its pedestrian-oriented scale, and its nature as a concentration of business, administrative, financial, governmental, and support functions serving the community. A legal description of the property is in the addenda.

#### Property Identification

Property Name	Parking Lot
Address	135 E. Rosemary St. Chapel Hill, North Carolina 27514
Tax ID	9788-37-6817
Owner of Record	Investors Title Company
Legal Description	See addenda
Census Tract Number	0117.00

### Sale History

The most recent closed sale of the subject is summarized as follows:

Sale Date	February 21, 1989
Seller	Investors Title Company
Buyer	Investors Title Company
Sale Price	No Consideration
Recording Instrument Number	Deed Book 778, Page 87, of the Orange County Register of Deeds

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

### Pending Transactions

We note that the property is not currently listed for sale as of the effective appraisal date, although the owners have engaged a brokerage firm to prepare marketing material.

We contacted the listing agent, Mr. John Hibbits with Tri Properties/NAI Carolantic, and confirmed that the planned listing price is \$5,450,000. Mr. Hibbits confirmed that the owners have received two unsolicited letters of intent to purchase the property ranging from \$4,500,000 to \$5,000,000. Both offers were contingent upon receiving approvals for the buyers' proposed developments. Mr. Hibbits commented that this illustrates the demand for the subject site, considering that these offers were made without any active marketing effort.

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value as is of the fee simple interest in the property as of the effective date of the appraisal, July 2, 2020. The date of the report is July 14, 2020. The appraisal is valid only as of the stated effective date or dates.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of As Is Market Value

As is market value is defined as, “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015); also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471)*

## Definition of Property Rights Appraised

Fee simple estate is defined as, “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.”

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*



## Intended Use and User

The intended use of the appraisal is for asset valuation purposes. The client and intended user is Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P.. The appraisal is not intended for any other use or user. No party or parties other than Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P. may use or rely on the information, opinions, and conclusions contained in this report.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed no 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 the agreement to perform this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

<b>Approaches to Value</b>		
<b>Approach</b>	<b>Applicability to Subject</b>	<b>Use in Assignment</b>
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

We use only the sales comparison approach in developing an opinion of value for the subject. This approach is applicable to the subject because there is an active market for similar properties, and sufficient sales data is available for analysis.

The cost approach is not applicable because there are no improvements that contribute value to the property, and the income approach is not applicable because the subject is not likely to generate rental income in its current state.

### **Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

### **Inspection**

Andrew W. Cable, MAI, conducted an on-site inspection of the property on July 2, 2020. Chris R. Morris, MAI, FRICS, conducted an on-site inspection on an earlier date.

## Economic Analysis

### Orange County Area Analysis

Orange County is located in central North Carolina. It is 398 square miles in size and has a population density of 371 persons per square mile. Orange County is part of the Durham-Chapel Hill, NC Metropolitan Statistical Area, hereinafter called the Durham MSA, as defined by the U.S. Office of Management and Budget.

#### Population

Orange County has an estimated 2020 population of 147,586, which represents an average annual 1.0% increase over the 2010 census of 133,801. Orange County added an average of 1,379 residents per year over the 2010-2020 period, and its annual growth rate is similar to that of the State of North Carolina.

Looking forward, Orange County's population is projected to increase at a 1.1% annual rate from 2020-2025, equivalent to the addition of an average of 1,588 residents per year. Orange County's growth rate is expected to exceed that of North Carolina, which is projected to be 1.0%.

	Population			Compound Ann. % Chng	
	2010 Census	2020 Estimate	2025 Projection	2010 - 2020	2020 - 2025
Orange County, NC	133,801	147,586	155,526	1.0%	1.1%
North Carolina	9,535,483	10,545,270	11,084,066	1.0%	1.0%
United States	308,745,538	330,342,293	341,132,738	0.7%	0.6%

Source: Environics Analytics

#### Employment

Total employment in Orange County is currently estimated at 70,984 jobs. Between year-end 2008 and the present, employment rose by 7,586 jobs, equivalent to a 12.0% increase over the entire period. There were gains in employment in seven out of the past ten years despite the national economic downturn and slow recovery. Orange County's rate of employment growth over the last decade surpassed that of North Carolina, which experienced an increase in employment of 9.9% or 397,720 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Orange County unemployment rate has been consistently lower than that of North Carolina, with an average unemployment rate of 5.1% in comparison to a 7.3% rate for North Carolina. A lower unemployment rate is a positive indicator.

Recent data shows that the Orange County unemployment rate is 3.2% in comparison to a 3.7% rate for North Carolina, a positive sign for Orange County economy but one that must be tempered by the fact that Orange County has underperformed North Carolina in the rate of job growth over the past two years.

<b>Employment Trends</b>						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Orange County	% Change	North Carolina	% Change	Orange County	North Carolina
2008	63,398		4,000,278		4.0%	6.1%
2009	60,925	-3.9%	3,804,059	-4.9%	6.5%	10.6%
2010	61,757	1.4%	3,835,921	0.8%	6.6%	10.9%
2011	61,850	0.2%	3,889,178	1.4%	6.5%	10.3%
2012	63,095	2.0%	3,969,167	2.1%	6.1%	9.3%
2013	65,382	3.6%	4,044,954	1.9%	5.3%	8.0%
2014	66,517	1.7%	4,142,253	2.4%	4.6%	6.3%
2015	67,965	2.2%	4,249,766	2.6%	4.6%	5.7%
2016	71,832	5.7%	4,324,044	1.7%	4.2%	5.1%
2017	71,131	-1.0%	4,389,335	1.5%	3.8%	4.5%
2018*	70,984	-0.2%	4,397,998	0.2%	3.3%	3.9%
Overall Change 2008-2018	7,586	12.0%	397,720	9.9%		
Avg Unemp. Rate 2008-2018					5.1%	7.3%
Unemployment Rate - December 2018					3.2%	3.7%

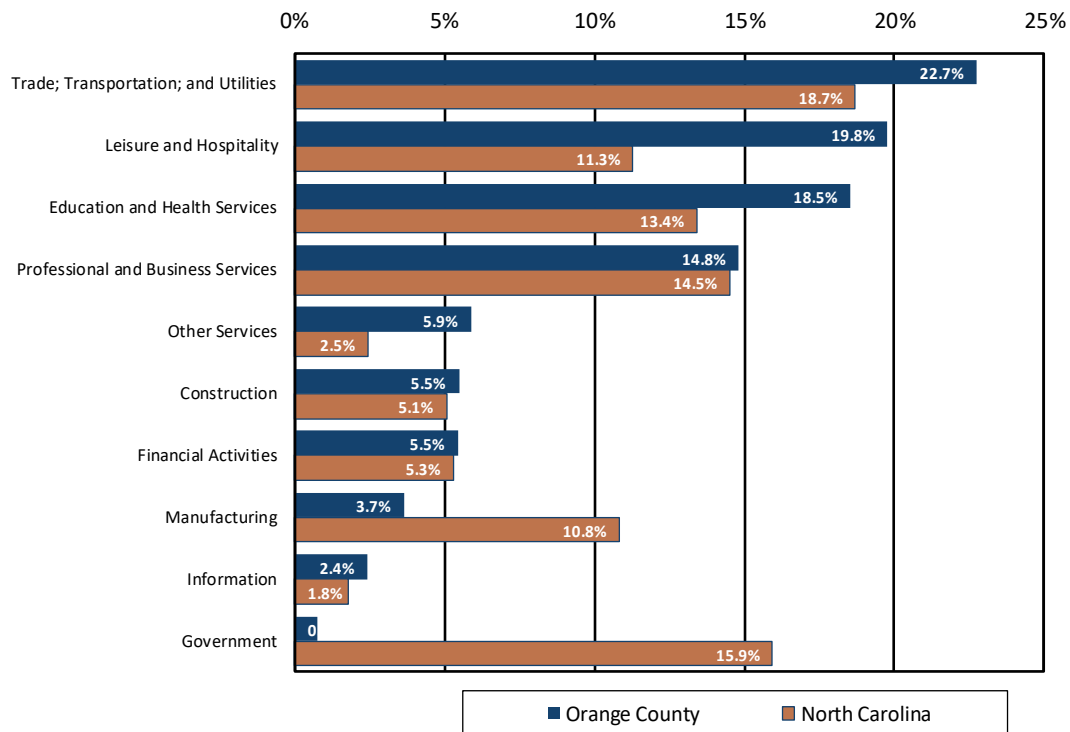
\*Total employment data is as of September 2018; unemployment rate data reflects the average of 12 months of 2018.

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

## Employment Sectors

The composition of the Orange County job market is depicted in the following chart, along with that of North Carolina. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Orange County jobs in each category.

**Employment Sectors - 2018**



Source: Bureau of Labor Statistics and Economy.com

Orange County has greater concentrations than North Carolina in the following employment sectors:

1. Trade; Transportation; and Utilities, representing 22.7% of Orange County payroll employment compared to 18.7% for North Carolina as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Leisure and Hospitality, representing 19.8% of Orange County payroll employment compared to 11.3% for North Carolina as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
3. Education and Health Services, representing 18.5% of Orange County payroll employment compared to 13.4% for North Carolina as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
4. Professional and Business Services, representing 14.8% of Orange County payroll employment compared to 14.5% for North Carolina as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.



Orange County is underrepresented in the following sectors:

1. Manufacturing, representing 3.7% of Orange County payroll employment compared to 10.8% for North Carolina as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.
2. Government, representing 0.8% of Orange County payroll employment compared to 15.9% for North Carolina as a whole. This sector includes employment in local, state, and federal government agencies.
3. Natural Resources & Mining, representing 0.5% of Orange County payroll employment compared to 0.7% for North Carolina as a whole. Agriculture, mining, quarrying, and oil and gas extraction are included in this sector.

### Major Employers

Major employers in Orange County are shown in the following table.

Major Employers - Orange County, NC	
Name	Number of Employees
1 UNC Chapel Hill	1000+
2 UNC Health Care System	1000+
3 Chapel Hill-Carrboro City Schools	1000+
4 UNC Physicians Network LLC	1000+
5 Eurosport	1000+
6 Local Government	1000+
7 Orange County Schools	1000+
8 Town of Chapel Hill Inc	500-999
9 Wal-Mart Associates Inc	250-499
10 Harris Teeter	250-499

Source: <https://d4.nccommerce.com/QCEWLargestEmployers.aspx>

### Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the Durham MSA is considered meaningful when compared to the nation overall, as Orange County is part of the MSA and subject to its influence.

Economic growth, as measured by annual changes in GDP, has been considerably lower in the Durham MSA than the United States overall during the past eight years. The Durham MSA has declined at a 1.0% average annual rate while the United States has grown at a 2.1% rate. As the national economy improves, the Durham MSA continues to underperform the United States. GDP for the Durham MSA was essentially unchanged in 2017 while the United States GDP rose by 2.2%.

The Durham MSA has a per capita GDP of \$65,696, which is 19% greater than the United States GDP of \$55,418. This means that Durham MSA industries and employers are adding relatively more value to the economy than their counterparts in the United States overall.

<b>Gross Domestic Product</b>				
Year	(\$ Mil) Durham MSA	% Change	(\$ Mil) United States	% Change
2010	40,026		15,598,753	
2011	36,723	-8.3%	15,840,664	1.6%
2012	35,905	-2.2%	16,197,007	2.2%
2013	38,852	8.2%	16,495,369	1.8%
2014	39,357	1.3%	16,899,831	2.5%
2015	38,682	-1.7%	17,386,700	2.9%
2016	37,288	-3.6%	17,659,187	1.6%
2017	37,278	0.0%	18,050,693	2.2%
Compound % Chg (2010-2017)		-1.0%		2.1%
GDP Per Capita 2017	\$65,696		\$55,418	

Source: Bureau of Economic Analysis and Economy.com; data released September 2018. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

## Household Income

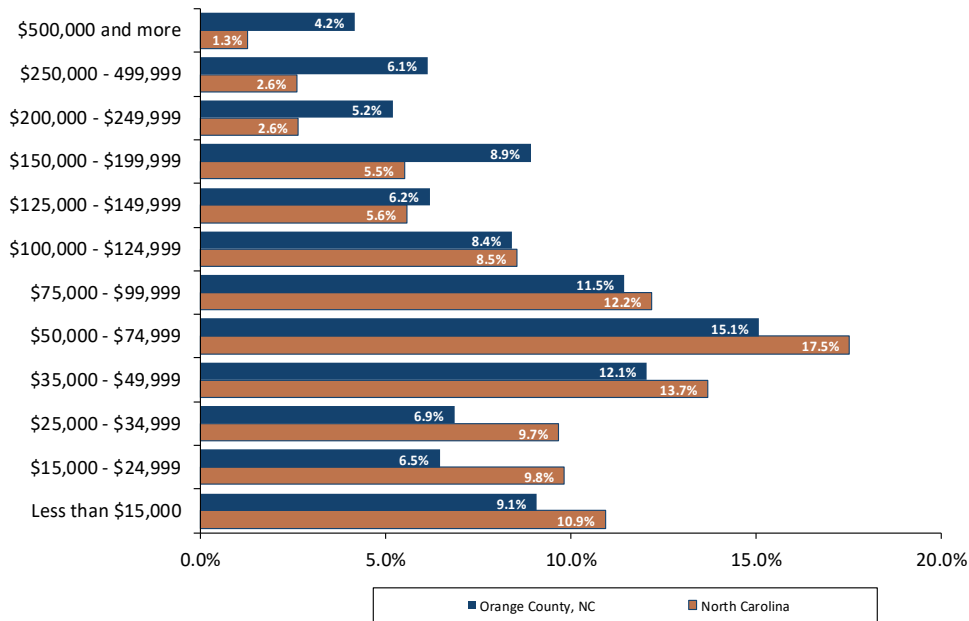
Orange County is more affluent than North Carolina. Median household income for Orange County is \$75,873, which is 32.1% greater than the corresponding figure for North Carolina.

<b>Median Household Income - 2020</b>	
	Median
Orange County, NC	\$75,873
North Carolina	\$57,438
Comparison of Orange County, NC to North Carolina	+ 32.1%

Source: Environics Analytics

The following chart shows the distribution of households across twelve income levels. Orange County has a greater concentration of households in the higher income levels than North Carolina. Specifically, 50% of Orange County households are at the \$75,000 or greater levels in household income as compared to 38% of North Carolina households. A lesser concentration of households is apparent in the lower income levels, as 22% of Orange County households are below the \$35,000 level in household income versus 30% of North Carolina households.

**Household Income Distribution - 2020**

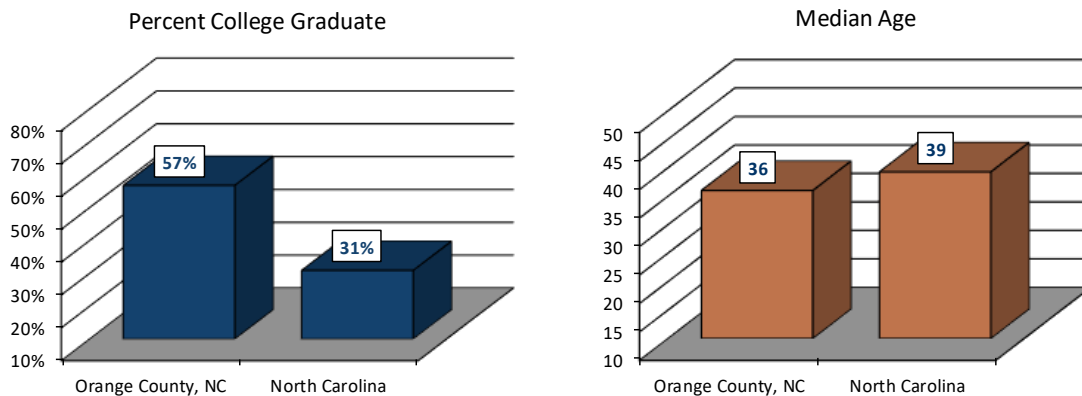


Source: Environics Analytics

**Education and Age**

Residents of Orange County have a higher level of educational attainment than those of North Carolina. An estimated 57% of Orange County residents are college graduates with four-year degrees, versus 31% of North Carolina residents. People in Orange County are younger than their North Carolina counterparts. The median age for Orange County is 36 years, while the median age for North Carolina is 39 years.

**Education & Age - 2020**



Source: Environics Analytics





### Conclusion

The Orange County economy will benefit from a growing population base and higher income and education levels. Orange County experienced growth in the number of jobs and has maintained a consistently lower unemployment rate than North Carolina over the past decade. Moreover, Orange County benefits from being part of the Durham MSA, which generates a higher level of GDP per capita than the nation overall. We anticipate that the Orange County economy will improve and employment will grow, strengthening the demand for real estate.

### Area Map



## Surrounding Area Analysis

### Location

The subject is located in the southern portion of Orange County, within the downtown submarket of the Town of Chapel Hill.

### Access and Linkages

Primary highway access to the area is via Interstate 40 (I-40), which traverses through Orange County in an east/west direction. Access to the subject from I-40 is provided by US-15/501 (Fordham Boulevard), within 10 minutes driving time from the subject. Public transportation is provided by Chapel Hill Transit, which provides free bus access throughout the Chapel Hill-Carrboro submarket. Overall, the primary mode of transportation in the area is the automobile.

### Demand Generators

The most significant demand generator impacting the subject is its location in the core of downtown Chapel Hill. The property is located one city block away from the town's primary intersection of Franklin Street and Columbia Street. This area contains a concentration of high-density development including multiple retail/restaurant uses, multifamily developments, hotels, and mixed-use buildings. These uses are all supported by the University of North Carolina at Chapel Hill, which is located along the south side of Franklin Street, approximately 800 feet from the subject. The subject's proximity to the university and its high-density development potential dramatically increase the property's marketability.

It is also noted that the subject is located in a corner of an opportunity zone, which are defined as "economically-distressed communities where new investments, under certain conditions, may be eligible for preferential tax treatment." The subject's location is not economically distressed but is included on the periphery of a census tract that is designated as an opportunity zone that includes other inferior areas of Chapel Hill. Investing real estate within an opportunity zone allows a buyer to defer taxes on previously earned capital gains and permanently exclude income from new gains, as well as other tax benefits. Therefore, the subject's location within this zone allows a developer to reap tax benefits without investing in a distressed market, and thus enhances the subject's marketability.

### Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

<b>Surrounding Area Demographics</b>					
	1-Mile Radius	3-Mile Radius	5-Mile Radius	Orange County,	
2020 Estimates				NC	North Carolina
Population 2010	16,378	66,082	99,264	133,801	9,535,483
Population 2020	16,674	70,895	111,438	147,586	10,545,270
Population 2025	17,257	74,209	118,143	155,526	11,084,066
Compound % Change 2010-2020	0.2%	0.7%	1.2%	1.0%	1.0%
Compound % Change 2020-2025	0.7%	0.9%	1.2%	1.1%	1.0%
Households 2010	4,286	24,930	39,003	51,457	3,745,155
Households 2020	4,680	27,033	44,118	56,853	4,152,345
Households 2025	4,900	28,309	46,800	59,849	4,371,606
Compound % Change 2010-2020	0.9%	0.8%	1.2%	1.0%	1.0%
Compound % Change 2020-2025	0.9%	0.9%	1.2%	1.0%	1.0%
Median Household Income 2020	\$41,063	\$67,292	\$79,342	\$75,873	\$57,438
Average Household Size	2.4	2.3	2.4	2.5	2.5
College Graduate %	68%	70%	70%	57%	31%
Median Age	23	30	34	36	39
Owner Occupied %	27%	44%	52%	61%	67%
Renter Occupied %	73%	56%	48%	39%	33%
Median Owner Occupied Housing Value	\$418,209	\$419,884	\$419,033	\$319,461	\$191,720
Median Year Structure Built	1974	1984	1989	1988	1989
Average Travel Time to Work in Minutes	21	23	24	26	27

Source: Environics Analytics

As shown above, the current population within a 3-mile radius of the subject is 70,895, and the average household size is 2.3. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Orange County overall, the population within a 3-mile radius is projected to grow at a slower rate.

Median household income is \$67,292, which is lower than the household income for Orange County. Residents within a 3-mile radius have a considerably higher level of educational attainment than those of Orange County, while median owner-occupied home values are considerably higher.

### Land Use

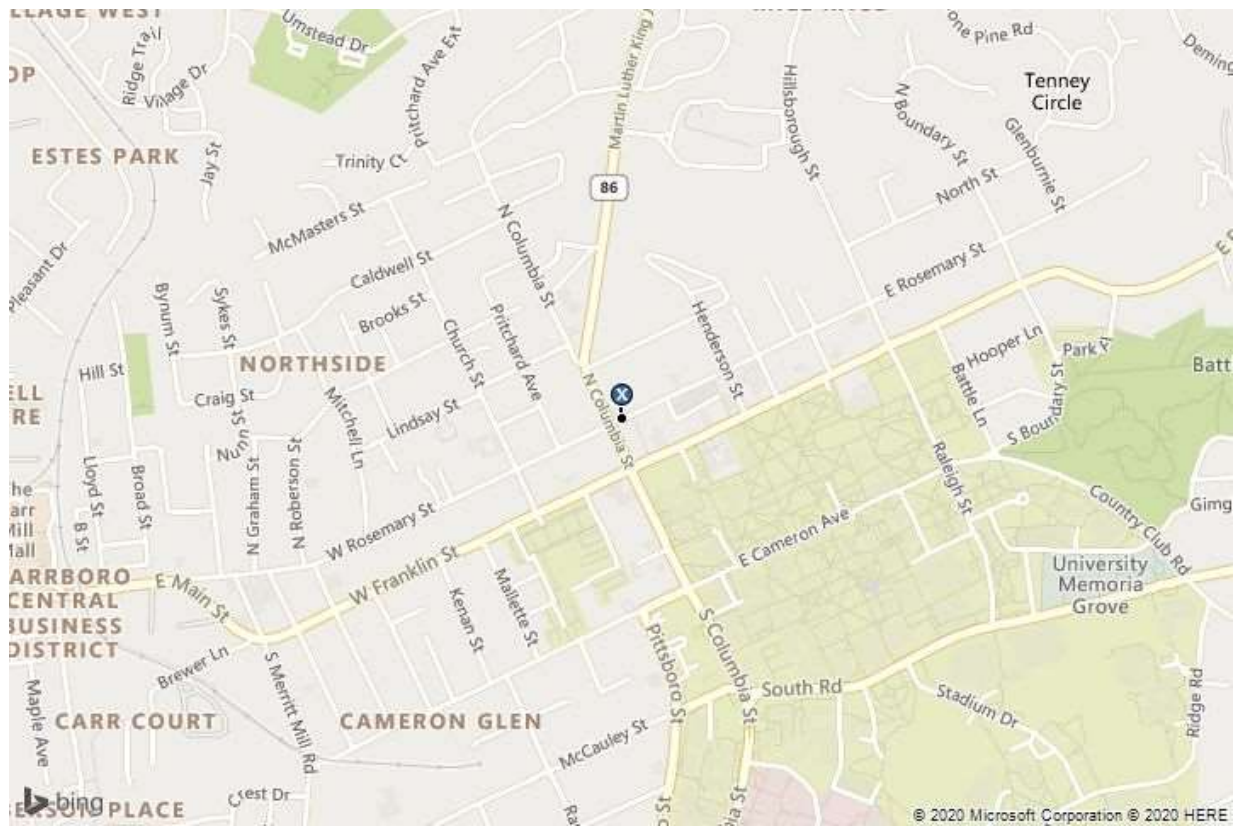
The area is urban in character and approximately 95% developed.

Predominant land uses in the area include multiple historic mixed-use properties and single-family residential to the north. During the last five years, development has been predominantly of mixed-use retail/multifamily uses. The pace of development has generally accelerated over this time.

### Outlook and Conclusions

The area is in the growth stage of its life cycle. We anticipate that property values will increase in the near future.

### Surrounding Area Map



Parking Lot



# Property Analysis

## Land Description and Analysis

### Land Description

Land Area	0.81 acres; 35,284 SF
Source of Land Area	Public Records
Primary Street Frontage	W. Rosemary St. - 164 feet
Shape	Rectangular
Corner	No
Rail Access	No
Water/Port Access	No
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed
Ground Stability	No problems reported or observed
Flood Area Panel Number	37135C9788K
Date	November 17, 2017
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

### Zoning; Other Regulations

Zoning Jurisdiction	Town of Chapel Hill
Zoning Designation	TC-2
Description	Town Center
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	The town center (TC) districts are intended to provide for the development of the commercial, service, and social center of Chapel Hill while maintaining its character, its pedestrian-oriented scale, and its nature as a concentration of business, administrative, financial, governmental, and support functions serving the community; and to encourage further residential development in the central area of Chapel Hill.
Minimum Lot Area	None
Minimum Street Frontage (Feet)	12'
Minimum Lot Width (Feet)	15'
Minimum Lot Depth (Feet)	0
Minimum Setbacks (Feet)	None; 8' against residential zone to the north
Maximum Building Height	44' (at setback); 90' (at core)
Maximum Site Coverage	None
Maximum Floor Area Ratio	1.97
Parking Requirement	1 per 1 BR unit, 1.25 per 2 BR unit, & 1.50 per 3 BR unit
Other Land Use Regulations	None

### Utilities

Service	Provider	Adequacy
Water	Orange County Water and Sewer Authority (OWASA)	Presumed adequate
Sewer	Orange County Water and Sewer Authority (OWASA)	Presumed adequate
Electricity	Duke Energy	Presumed adequate
Natural Gas	Dominion Energy	Presumed adequate
Local Phone	Various Providers	Presumed adequate

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance with zoning is required.

### **Potential Development Density**

We note that the sellers have received two yield studies of the subject site, prepared by Ratio Architecture, that illustrate the subject's development potential considering the zoning requirements shown above. The studies vary in density to allow for options in dealing with the easements that run through the property, but both are considered to be possible developments on the subject site.

Based on these studies, the lower density option, which includes a side setback to allow for a utility easement, the site could be developed with a 65,250 square foot student housing property with 128 bedrooms in 32 apartments, as well as a 20,700 square foot parking deck at podium level.

Under the higher density scenario, which does not include a setback for utility easements, the site could be developed with a 68,130 square foot student housing property with 220 bedrooms in 55 apartments, as well as a 32,000 square foot parking deck at podium level.

Both of these development options are judged to be physically possible and legally permissible, although it is noted that the yield studies are considered to be conservative estimates of the subject's development potential. **As such, the figures cited do not necessarily reflect the maximally productive use of the site. Nevertheless, they reflect a reasonable development potential for the site, and are therefore referenced in our appraisal.**

We note that the Town has reportedly indicated to the ownership that no additional student housing would be approved in the area. However, the subject's broker commented that similar student housing developments have faced similar challenges to their legally permissible uses under their zoning designations and have been able to overcome these through legal means. It is therefore believed that student housing could be legally built on the site.

It is believed that the utility easements that currently bisects the property could be rerouted at minimal cost to allow for development of the site, considering that substantial site work would already be required to develop the property. Although we value the subject on a per square foot basis, we utilize the results of these yield studies in our residual analysis of the subject's potential development.

### **Rent Control Regulations**

The subject is not affected by any type of regulation that would restrict the amount of rent that the owner can charge to tenants.

**Easements, Encroachments and Restrictions**

We were not provided a current title report to review. We note that the subject is reportedly encumbered by a sanitary sewer and a drainage easement that extend through the subject site in a north/south direction. It is unclear if development is permitted on top of these lines, although it is believed that the lines could be rerouted to the perimeter of the property during construction of any future improvements at negligible additional cost. Additionally, the area encumbered by these easements can be utilized in the FAR calculation, and therefore has not material impact on the size of the potential development that could be built on the site. As such, these easements are not judged to have a significant impact on the subject's value.

We are not aware of any other easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

**Conclusion of Land Analysis**

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. We are not aware of any other particular restrictions on development.



View of the subject site  
(Photo Taken on July 2, 2020)



View of the subject site  
(Photo Taken on July 2, 2020)



View of the subject site  
(Photo Taken on July 2, 2020)



View of the subject site  
(Photo Taken on July 2, 2020)



Street view facing northeast on W. Rosemary Street  
(Photo Taken on July 2, 2020)



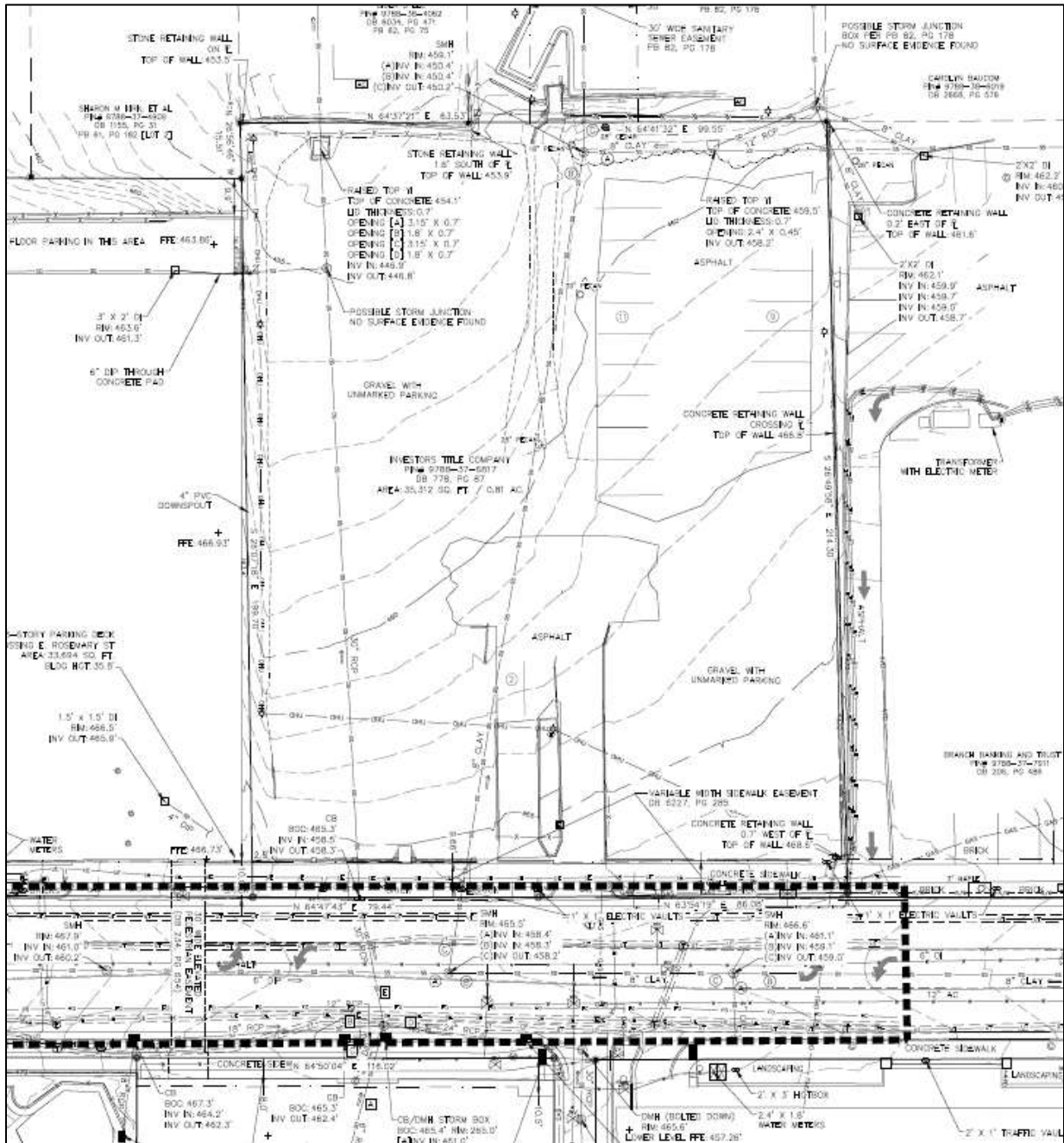
Street view facing southwest on W. Rosemary Street  
(Photo Taken on July 2, 2020)

Parking Lot

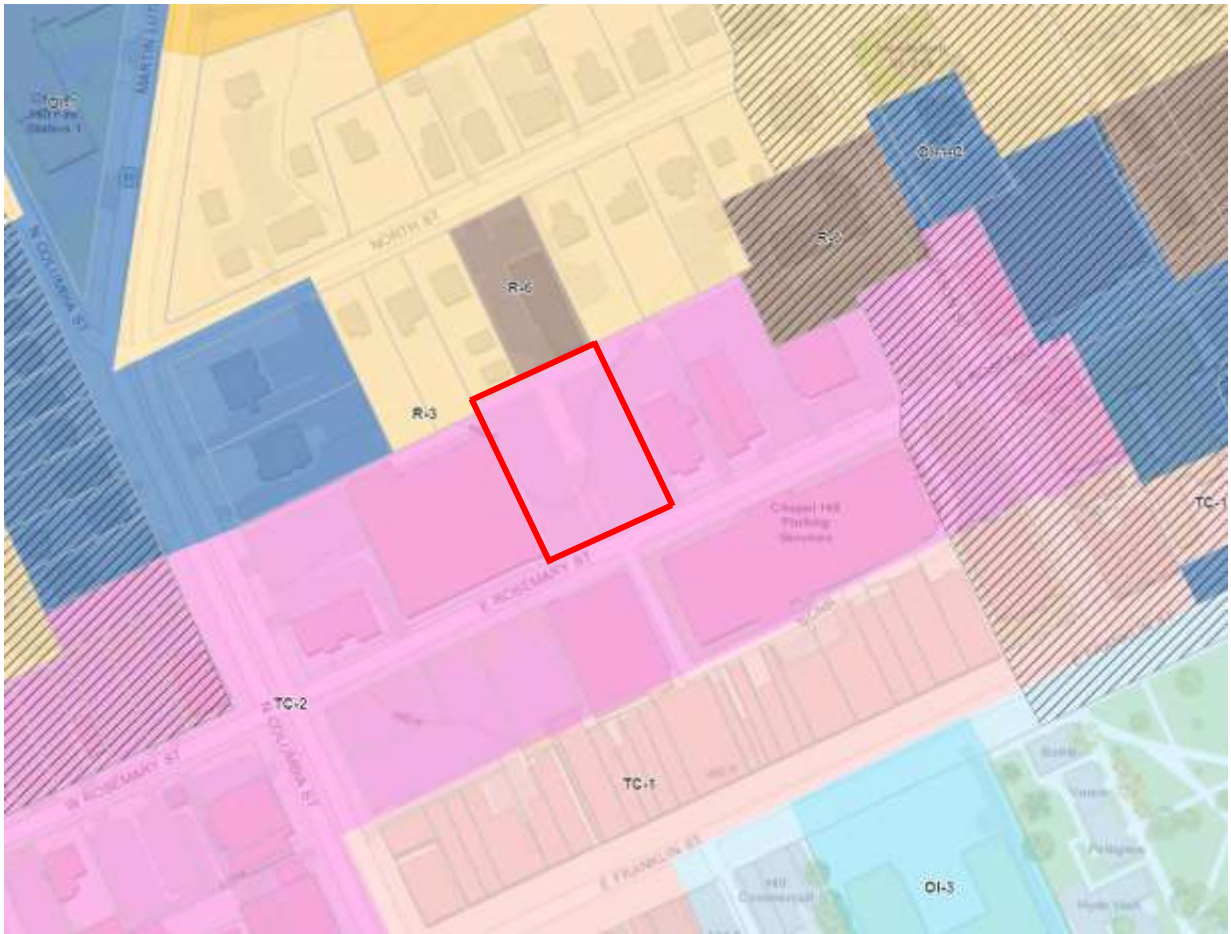




# Survey



### Zoning Map



Parking Lot



### Topographical Map



Parking Lot



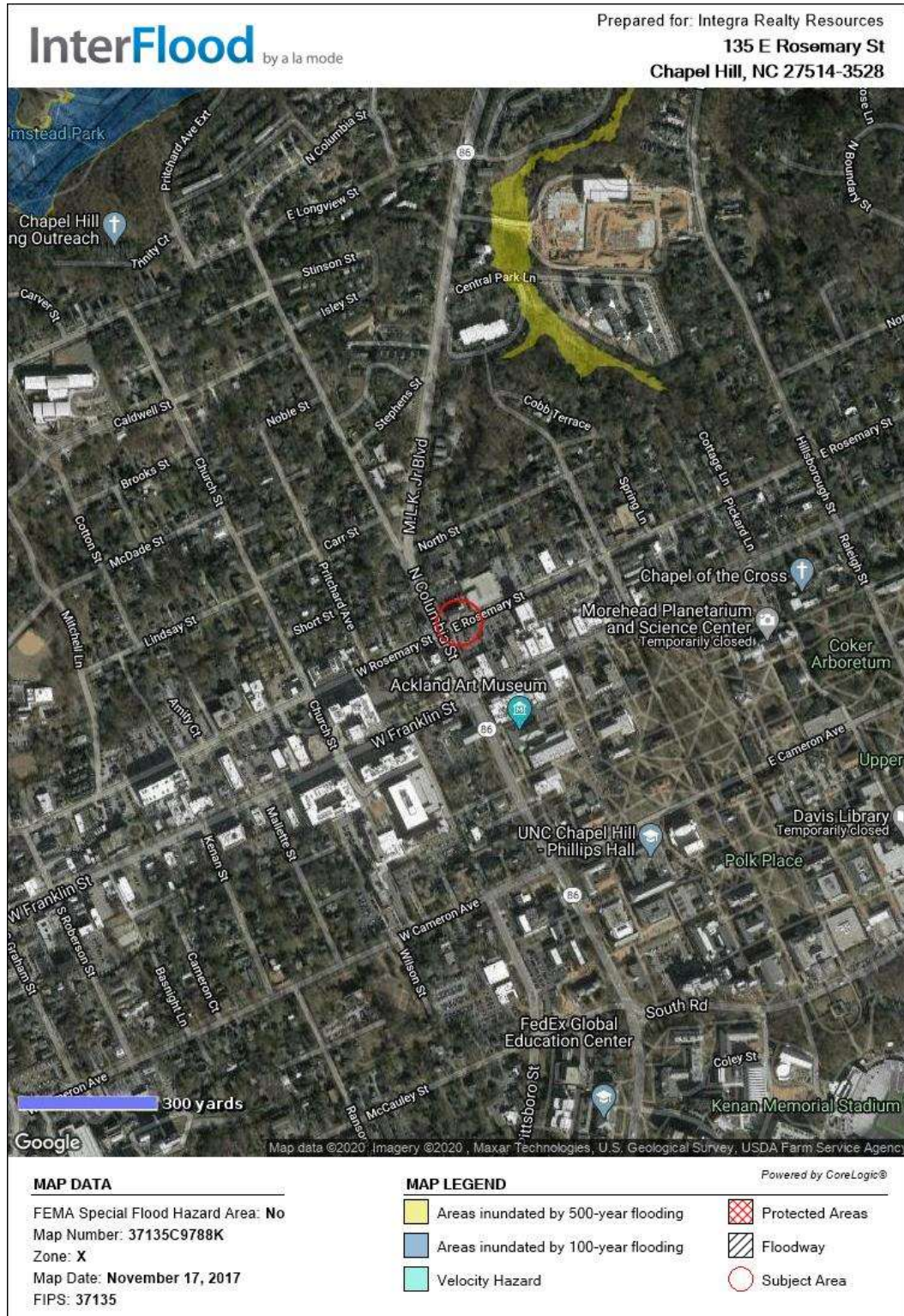
### Aerial Map



Parking Lot



### Flood Map



## Real Estate Taxes

The subject property is assessed by Orange County. The most recent revaluation in Orange County took effect in January 2017. The next revaluation is scheduled to take effect in January 2021. The subject is located within Orange County, and is situated inside the town of Chapel Hill. Therefore, the subject is obligated for Orange County, Town of Chapel Hill, Chapel Hill-Carrboro School District, and Downtown Chapel Hill taxes. The combined tax rate for 2020 is \$1.6837 per \$100 of assessed value. Real estate taxes and assessments for the current tax year are shown in the following table.

Taxes and Assessments - 2020							
Tax ID	Assessed Value			Tax Rate	Taxes and Assessments		
	Land	Improvements	Total		Ad Valorem	Direct Assessments	Total
9788-37-6817	\$1,741,600	\$0	\$1,741,600	1.6837%	\$29,323	\$0	\$29,323

Based on the concluded market value of the subject, the assessed value is extremely low.

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### As Vacant

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

#### Legally Permissible

The site is zoned TC-2, Town Center. According to the Town of Chapel Hill, the town center (TC) districts are intended to provide for the development of the commercial, service, and social center of Chapel Hill while maintaining its character, its pedestrian-oriented scale, and its nature as a concentration of business, administrative, financial, governmental, and support functions serving the community; and to encourage further residential development in the central area of Chapel Hill. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only mixed use is given further consideration in determining highest and best use of the site, as though vacant.

#### Financially Feasible

Based on our analysis of the market, there is currently adequate demand for mixed use in the subject's area. It appears that a newly developed mixed use on the site would have a value commensurate with its cost. Therefore, mixed use is considered to be financially feasible.

#### Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than mixed use. Accordingly, it is our opinion that mixed use, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

### Conclusion

Development of the site for mixed use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant.

**As Improved**

No vertical improvements are situated on the subject. Therefore, a highest and best analysis as improved is not applicable. The subject has historically been used as a parking lot to service the surrounding developments, although this use is not the highest and best use of the property and the

**Most Probable Buyer**

Taking into account the functional utility of the site and area development trends, the probable buyer is a developer.



# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

<b>Approaches to Value</b>		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

## Sales Comparison Approach

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties.

Our sales research focused on transactions within the following parameters:

- Location: Downtown locations in the Triangle with close proximity to major universities
- Size: Smaller than 3.0 acres
- Use: Mixed-Use Development
- Transaction Date: January 2016 to present

**After an extensive search for comparable sales within the downtown Chapel Hill market, only three comparable sales were found, two of which were over three years old. Therefore, we expanded our search to include other downtown areas in the region with similar demographics and access to large universities. These alternative market areas would likely generate similar rents to a landlord and have similar highest and best uses. As such, the return to a developer would be relatively consistent with these areas and the land prices would therefore indicate similar values to that of the subject.**

For this analysis, we use price per square foot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table.

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**Summary of Comparable Land Sales**

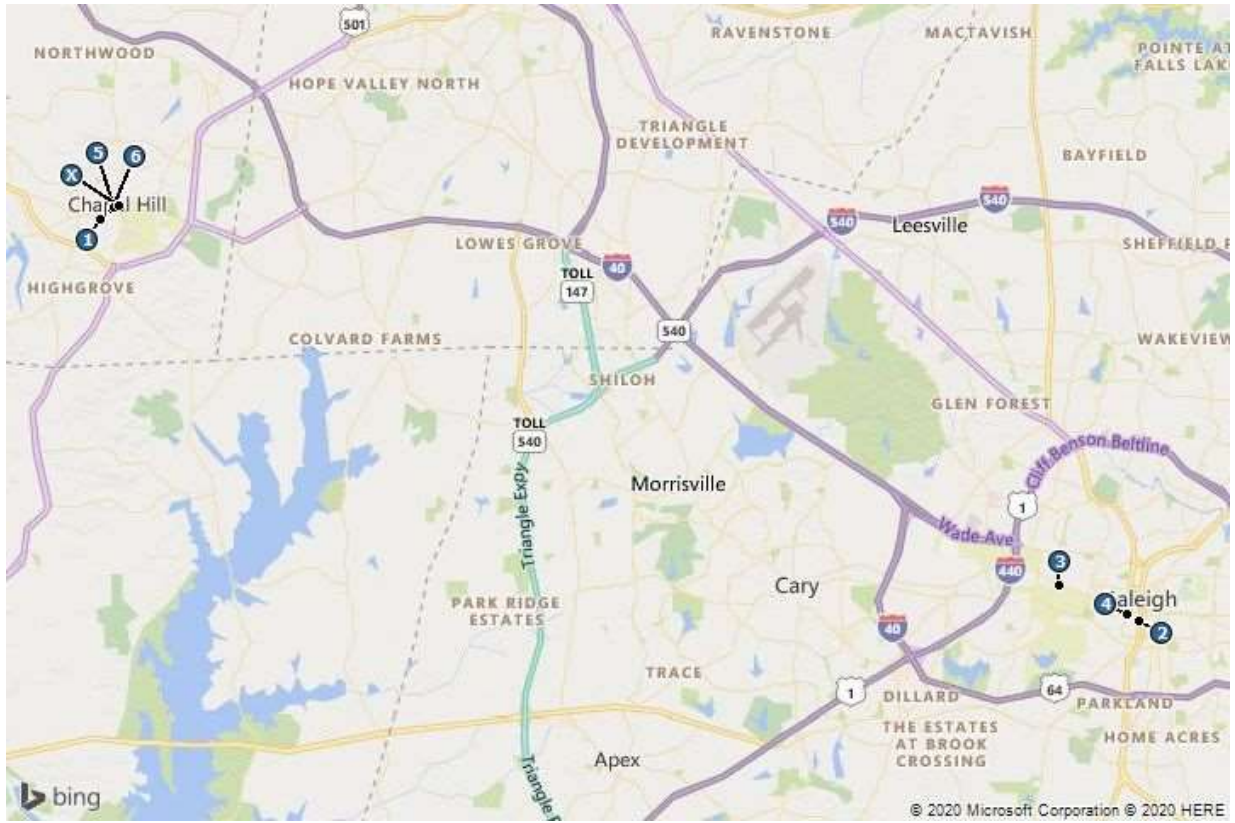

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No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/SF Land	\$/Acre
1	Former News and Observer Site 505 W. Franklin St. Chapel Hill Orange County NC <i>Comments: Arm's length. Site is being purchased for redevelopment of a mixed-use property. Sale is not contingent upon receiving any entitlements or approvals. Site is improved with a 22,643 square foot building and is known to suffer from environmental contamination. Effective sale price includes estimated demolition costs of \$4.00 per SF of existing improvements (22,643 SF) and estimated remediation costs of \$175,000, as indicated by the broker.</i>	Aug-20 In-Contract	\$5,065,572	34,848 0.80	Town Center Business	\$145.36	\$6,331,965
2	Land - .78 Acres 321, 327 W. Hargett St. Raleigh Wake County NC	Jul-19 Closed	\$6,400,000	33,977 0.78	Downtown Mixed Use	\$188.36	\$8,205,128
3	Land - 2.46 Acres Daisy St, Hillsborough St, Dixie Trail Raleigh Wake County NC <i>Comments: Sales records documented on 7 deeds in book 17354. Page 1162 (Dixie Hill Group, LLC for \$2,250,000), page 1165 (Jean P. Hunt for \$1,500,000), page 1170 (Melissa E. Griffin for \$1,250,000), page 1174 (James N. Sarantos et.al. for \$1,461,000), page 1179 (Farris, Inc. for \$1,750,000), page 1183 (The Complete Computer Store of Raleigh, Inc. for \$3,100,000), and page 1188 (Dennis Sebesan et.ux. for \$900,000). Total Sale's price: \$12,211,000.</i>	Feb-19 Closed	\$12,211,000	107,158 2.46	Residential, Office / Neighborhood Mixed Use	\$113.95	\$4,963,821
4	Land - 0.4291 Acres 701 Hillsborough St. & 12 S Boylan Ave. Raleigh Wake County NC <i>Comments: Site bought to be part of a second phase to the One Glenwood Mixed Use Development.</i>	Oct-18 Closed	\$2,430,000	18,692 0.43	Neighborhood Mixed Use - 7 Stories - Urban Limited	\$130.00	\$5,663,016
5	AC Hotel Site 212 W. Rosemary St. Chapel Hill Orange County NC <i>Comments: Arm's length sale. Purchased for the development of a 123-room hotel property. Site was improved with three single-family residences, which were demolished shortly after the sale for a negligible cost. Site was entitled for development at the time of sale, which contributed substantial value. Buyer commented that the price is reflective of the site's market value.</i>	Jun-16 Closed	\$3,250,000	31,363 0.72	Town Center 2	\$103.62	\$4,513,889
6	Land - 0.58 Acres 109 Church St. Chapel Hill Orange County NC <i>Comments: Arm's length sale. The buyer signed a 5-year lease for the building immediately following the sale, with the long-term plan to combine with other adjacent properties and redevelop. The interim income from the lease offsets the demolition and holding costs.</i>	Mar-16 Closed	\$2,000,000	25,265 0.58	Town Center	\$79.16	\$3,448,276
	<b>Subject</b> Parking Lot Chapel Hill, NC			35,284 0.81	Town Center		

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**Please note that we have confirmed with a local broker that the property located at 505 W. Franklin Street, Chapel Hill, NC will be going under contract imminently, and the pricing of the sale has reportedly been agreed upon by both the buyer and seller. The purchase agreement has not yet been signed and the terms still under negotiation relate to the handling of the known environmental contamination. We have included this transaction in the analysis above because it is the most recent market indicator and reflects local market conditions in downtown Chapel Hill, and have considered the pending status in our reconciliation. According to the seller's broker, the seller has three backup offers from legitimate buyers at or above the pending contract price.**

### Comparable Land Sales Map



Parking Lot





Sale 1  
Former News and Observer Site



Sale 2  
Land - .78 Acres



Sale 3  
Land - 2.46 Acres



Sale 4  
Land - 0.4291 Acres



Sale 5  
AC Hotel Site



Sale 6  
Land - 0.58 Acres

Parking Lot



### Analysis and Adjustment of Sales

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factor	Accounts For	Comments
Effective Sale Price	Atypical economics of a transaction, such as demolition cost or expenditures by buyer at time of purchase.	Sale 1 received an upward adjustment for demolition and remediation costs required to redevelop the site.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.	No adjustments necessary.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	No adjustments necessary.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale.	No adjustments necessary.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	All sales received an upward adjustment of 5.0% per year to account for rapidly increasing urban land prices across the subject's MSA.
Location	Market or submarket area influences on sale price; surrounding land use influences.	Sale 1 received an upward adjustment for being located further from the UNC-Chapel Hill campus when compared to the subject. Sale 2 received a downward adjustment for being located within the core of the Raleigh CBD, which is a superior submarket when compared to the subject. Sales 5 and 6 received upward adjustments for not being located within an opportunity zone, which slightly reduces their marketability. We note that Sales 3 and 4 are also not located within an opportunity zone, although the location adjustments are offset by being in a slightly superior market with lower barriers to entry when compared to the Chapel Hill submarket.

<b>Adjustment Factor</b>	<b>Accounts For</b>	<b>Comments</b>
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility; traffic counts.	No adjustments necessary.
Size	Inverse relationship that often exists between parcel size and unit value.	Sale 3 received an upward adjustment for being larger than the subject.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.	No adjustments necessary.
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.	Sale 2 received a downward adjustment for having superior zoning designations that allow for development up to 12 stories. Sale 6 received an upward adjustment for having an inferior zoning designation that is more restrictive when compared to the subject's zoning.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.	No adjustments necessary.



The following table summarizes the adjustments we make to each sale.

<b>Land Sales Adjustment Grid</b>							
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Name	Parking Lot	Former News and Observer Site	Land - .78 Acres	Land - 2.46 Acres	Land - 0.4291 Acres	AC Hotel Site	Land - 0.58 Acres
Address	135 E. Rosemary St.	505 W. Franklin St.	321, 327 W. Hargett St.	Daisy St, Hillsborough St, Dixie Trail	701 Hillsborough St. & 12 S Boylan Ave.	212 W. Rosemary St.	109 Church St.
City	Chapel Hill	Chapel Hill	Raleigh	Raleigh	Raleigh	Chapel Hill	Chapel Hill
County	Orange	Orange	Wake	Wake	Wake	Orange	Orange
State	North Carolina	NC	NC	NC	NC	NC	NC
Sale Date		Aug-20	Jul-19	Feb-19	Oct-18	Jun-16	Mar-16
Sale Status		In-Contract	Closed	Closed	Closed	Closed	Closed
Sale Price		\$4,800,000	\$6,400,000	\$12,211,000	\$2,430,000	\$3,250,000	\$2,000,000
Other Adjustment		\$265,572	\$0	\$0	\$0	\$0	\$0
Description of Adjustment		Demolition & remediation costs	N/A	N/A	N/A	N/A	N/A
Effective Sale Price		\$5,065,572	\$6,400,000	\$12,211,000	\$2,430,000	\$3,250,000	\$2,000,000
Square Feet	35,284	34,848	33,977	107,158	18,692	31,363	25,265
Acres	0.81	0.80	0.78	2.46	0.43	0.72	0.58
Zoning Code	TC-2	TC-2 /Chapel Hill	DX-12-SH /Raleigh	R-6, OX-3-DE, NX-3-UG /Raleigh	NX-7-UL (Raleigh)	TC-2	TC-1 (Chapel Hill)
<b>Price per Square Foot</b>		<b>\$145.36</b>	<b>\$188.36</b>	<b>\$113.95</b>	<b>\$130.00</b>	<b>\$103.62</b>	<b>\$79.16</b>
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		-	-	-	-	-	-
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
% Adjustment		-	-	-	-	-	-
Conditions of Sale		Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
% Adjustment		-	-	-	-	-	-
Market Conditions	7/2/2020	Aug-20	Jul-19	Feb-19	Oct-18	Jun-16	Mar-16
Annual % Adjustment	5%	-	5%	7%	8%	20%	21%
<b>Cumulative Adjusted Price</b>		<b>\$145.36</b>	<b>\$197.78</b>	<b>\$121.93</b>	<b>\$140.40</b>	<b>\$124.35</b>	<b>\$95.78</b>
Location		5%	-10%	-	-	5%	5%
Access/Exposure		-	-	-	-	-	-
Size		-	-	10%	-	-	-
Shape and Topography		-	-	-	-	-	-
Zoning		-	-10%	-	-	-	10%
Entitlements		-	-	-	-	-	-
Net \$ Adjustment		\$7.27	-\$39.56	\$12.19	\$0.00	\$6.22	\$14.37
Net % Adjustment		5%	-20%	10%	0%	5%	15%
<b>Final Adjusted Price</b>		<b>\$152.63</b>	<b>\$158.23</b>	<b>\$134.12</b>	<b>\$140.40</b>	<b>\$130.57</b>	<b>\$110.15</b>
Overall Adjustment		5%	-16%	18%	8%	26%	39%
<b>Range of Adjusted Prices</b>		<b>\$110.15 - \$158.23</b>					
<b>Average</b>		<b>\$137.68</b>					
<b>Indicated Value</b>		<b>\$145.00</b>					

Please note that the impacts of COVID-19 and the subsequent economic downturn have adversely affected the national economy. However, the subject's market is positioned better than most metro areas, with good population and job growth in strong sectors. Additionally, the subject is vacant land, and the land market has not been materially impacted by the COVID-19 pandemic. For these reasons, no downward adjustment is necessary to account for the impacts of COVID-19.

### Land Value Conclusion

Prior to adjustment, the sales reflect a range of \$79.16 - \$188.36 per square foot. After adjustment, the range is narrowed to \$110.15 - \$158.23 per square foot, with an average of \$137.68 per square foot. We give greatest weight to Sale 1, as it is the most recent indicator, it received the least gross adjustment and is located within the subject's submarket, although our reliance is slightly decreased because the sale contract has not yet been signed. Secondary weight is given to Sales 2, 3, and 4 for requiring more gross adjustment. Least emphasis is given to Sales 5 and 6. Although these sales are within the Chapel Hill submarket, they are the oldest sales and do not reflect the current behavior of market participants. As such, we arrive at a land value conclusion as follows:

<b>Land Value Conclusion</b>	
Indicated Value per Square Foot	\$145.00
Subject Square Feet	35,284
Indicated Value	\$5,116,122
Rounded	\$5,120,000

As previously discussed, the ownership received two unsolicited offers to purchase the property in June 2020 ranging from \$4,500,000 to \$5,000,000, or \$127.54 to \$141.71 per square foot of land area. These offers were contingent upon the buyers receiving entitlements and approvals of proposed student housing developments. Nevertheless, the property was not actively marketed, and it is believed that a slightly higher offer could be obtained through listing the property openly that is not contingent upon any approvals being acquired, particularly because of the planned development in immediate proximity to the subject.

## Land Residual Method

As secondary support, we consider the residual value implied by the yield studies provided. The following table shows the actual construction costs and extracted land values for two recently built and sold student housing developments in close proximity to the NC State campus in Raleigh, NC.

<b>Land Valuation - Extraction Method</b>				
Line		Student Housing, Raleigh, NC	Student Housing, Raleigh, NC	Notes/Comments
1	Year Built	2018	2013	
2	Year Sold	2019	2019	
3	Units (Beds)	525	162	
4	Development Costs (Excluding Land)	\$41,218,340	\$6,514,180	Actual Development Costs
5	Development Costs per Bed	\$78,511	\$40,211	Line 4 ÷ Line 3
6	NOI per Bed	\$5,616	\$4,042	Actual NOI at Time of Sale
7	Cap Rate	4.80%	5.42%	Actual Cap Rate
8	Sale Price per Bed	\$117,000	\$74,580	Actual Sale Price
9	Extracted Land Value per Bed	\$38,489	\$34,369	Line 8 - Line 5
	<b>Reconciled</b>	<b>\$36,000</b>		

Based on the information shown above, the extracted land values from the sales range from \$34,369 to \$38,489 per bed of a proposed student housing development (prior to considering the entrepreneurial profit), reconciled to \$36,000 per bed, consistent with the rounded average of the two indicators. This is then applied to the results of the subject's yield studies in the following table to indicate a value of the subject per square foot of land.

<b>Land Valuation - Residual Method Application</b>					
		<b>SUBJECT SCENARIO #1</b>		<b>SUBJECT SCENARIO #2</b>	
		<b>(Lower Density)</b>		<b>(Higher Density)</b>	
Indicated Land Value per Bed		\$36,000		\$36,000	
Bedrooms		128		220	
Indicated Land Value		\$4,608,000		\$7,920,000	
Less: Entrepreneurial Profit	12%	\$552,960		20%	\$1,584,000
Indicated Land Value with Profit Factor		\$4,055,040		\$6,336,000	
Subject Size (SF-Land)		35,284		35,284	
<b>Indicated Land Value per SF</b>		<b>\$114.93</b>		<b>\$179.57</b>	

As shown above, we apply varying entrepreneurial profit factors to the two development scenarios. The higher density development receives a higher entrepreneurial profit factor to account for the higher initial capital outlay required, as well as the risk of achieving the proposed development density. When the derived land values per bedroom are applied to the bedroom counts indicated by the yield studies and divided by the subject's land area, the analysis indicates a wide range of \$114.93 to \$179.57 per square foot of land that a developer could pay for the subject and achieve an adequate profit to incentivize development.

As an alternate way to consider the residual analysis, we have analyzed the calculated land price that could be paid for the subject’s land to achieve yield thresholds based on the total units that could be built on the subject site. We note that The Warehouse, a 219-bedroom student housing property built in 2002 on Rosemary Street in Chapel Hill sold for \$115,392 per bedroom in 2019. Adjusting upward for age/condition by 10.0%, we estimate that a student housing development at the property could sell for approximately \$125,000 per bedroom. Based on the construction costs of the 525-bedroom 2018-built property in Raleigh, NC shown in a prior table (which had similar height restrictions and parking requirements to the subject), we estimate that a development could be constructed for \$80,000 per bedroom (excluding land price and entrepreneurial profit). Using these approximate figures, we have analyzed the calculated price that could be paid for the subject’s land to achieve specified yield thresholds based on the total units that could be built on the subject site. These are shown in the following matrix.

		Land Residual Yield Matrix								
		Yield Requirement								
		10.0%	12.5%	15.0%	17.5%	20.0%	22.5%	25.0%	27.5%	30.0%
Total Developable Bedrooms	120	\$125.84	\$119.04	\$112.23	\$105.43	\$98.63	\$91.83	\$85.03	\$78.22	\$71.42
	130	\$136.32	\$128.96	\$121.59	\$114.22	\$106.85	\$99.48	\$92.11	\$84.74	\$77.37
	140	\$146.81	\$138.87	\$130.94	\$123.00	\$115.07	\$107.13	\$99.20	\$91.26	\$83.32
	150	\$157.30	\$148.79	\$140.29	\$131.79	\$123.29	\$114.78	\$106.28	\$97.78	\$89.28
	160	\$167.78	\$158.71	\$149.64	\$140.58	\$131.51	\$122.44	\$113.37	\$104.30	\$95.23
	170	\$178.27	\$168.63	\$159.00	\$149.36	\$139.72	\$130.09	\$120.45	\$110.82	\$101.18
	180	\$188.76	\$178.55	\$168.35	\$158.15	\$147.94	\$137.74	\$127.54	\$117.33	\$107.13
	190	\$199.24	\$188.47	\$177.70	\$166.93	\$156.16	\$145.39	\$134.62	\$123.85	\$113.08
	200	\$209.73	\$198.39	\$187.06	\$175.72	\$164.38	\$153.05	\$141.71	\$130.37	\$119.04
	210	\$220.22	\$208.31	\$196.41	\$184.50	\$172.60	\$160.70	\$148.79	\$136.89	\$124.99
	220	\$230.70	\$218.23	\$205.76	\$193.29	\$180.82	\$168.35	\$155.88	\$143.41	\$130.94
	230	\$241.19	\$228.15	\$215.11	\$202.08	\$189.04	\$176.00	\$162.97	\$149.93	\$136.89
	240	\$251.67	\$238.07	\$224.47	\$210.86	\$197.26	\$183.65	\$170.05	\$156.45	\$142.84
250	\$262.16	\$247.99	\$233.82	\$219.65	\$205.48	\$191.31	\$177.14	\$162.97	\$148.79	

As shown above, higher unit counts and lower yield thresholds result in higher land value indications. We note that the 525-bedroom 2018-built property in Raleigh, NC shown in a prior table achieved a profit yield of 19.9%, based on the actual development costs, land acquisition costs, and sale price of the improved property. Based on the conservative yield studies that indicated between 128 and 220 bedrooms could be developed on the site, a developer could reasonably pay between approximately \$107 and \$180 per square foot and achieve a profit of 20.0%, as highlighted in the table above. While this is a wide range of values, we note that the average and median of this range are both \$143.83 per square foot, within 0.81% of the unit value derived from the comparable sales.

**It is noted that the preceding analyses are based on the yield studies and approximate estimates of development costs and values of completed student housing projects, which result in a very wide range because of the uncertainty of what the maximum number of units could be built on the site. As such, this method is given secondary weight. Nevertheless, we note that the values indicated by this analysis support the results of the direct sales comparison analysis and illustrate that a buyer could pay significantly more than what has historically been paid in the Chapel Hill submarket and still achieve a substantial profit.**



## Reconciliation and Conclusion of Value

As discussed previously, we use only the sales comparison approach in developing an opinion of value for the subject. The cost and income approaches are not applicable and are not used.

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our value opinion follows:

<b>Value Conclusion</b>			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	July 2, 2020	\$5,120,000

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

### Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Based on the concluded market value stated previously, it is our opinion that the probable exposure time is 3 to 6 months.

### Marketing Period

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. We estimate the subject's marketing period at 3 to 6 months.

## Certification

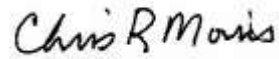
We certify that, to the best of our knowledge and belief:

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 performed no 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 the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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.
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 applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of 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. Andrew W. Cable, MAI, made a personal inspection of the property that is the subject of this report. Chris R. Morris, MAI, FRICS, has personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Andrew W. Cable, MAI and Chris R. Morris, MAI, FRICS have completed the continuing education program for Designated Members of the Appraisal Institute.



Andrew W. Cable, MAI  
Certified General Real Estate Appraiser  
North Carolina Certificate # A7810



Chris R. Morris, MAI, FRICS  
State Certified General Real Estate Appraiser  
North Carolina Certificate # A266

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal



- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
  8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
  9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal 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 appraisers, 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 persons signing the report.
  11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
  12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
  13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
  14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
  15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
  16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
  17. The analyses contained in the report 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 our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject 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.
  19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
  20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. IRR - Raleigh, Integra Realty Resources, Inc., and their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
  21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
  22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
  23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
  24. **IRR - Raleigh is an independently owned and operated company. The parties hereto agree that Integra shall not be liable for any claim arising out of or relating to any appraisal report or any information or opinions contained therein as such appraisal report is the sole and exclusive responsibility of IRR - Raleigh. In addition, it is expressly agreed that in any action**

- which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the appraisal reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the appraisal was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.**
25. IRR - Raleigh is an independently owned and operated company, which has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. 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 paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

29. The appraisal is also subject to the following:

---

**Extraordinary Assumptions and Hypothetical Conditions**

---

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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**Addendum A**  
**Appraiser Qualifications**



# Andrew Cable, MAI

## Experience

Director with Integra Realty Resources-Raleigh. Began appraisal career in June 2009, working for Springside Partners, LLC in Charlotte, NC assisting with appraisal reviews. Began conducting appraisals in February 2011 with HCP Advisors, Inc. in Austin, TX.

Experienced in valuation of a wide variety of property types including vacant land, industrial, single and multi-tenant retail properties, general and medical offices, subsidized and market rent multifamily properties, mixed-use developments, and several various special purpose properties.

## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) , September 2016

## Licenses

North Carolina, State Certified General Real Estate Appraiser, A7810, Expires June 2021

Virginia, State Certified General Real Estate Appraiser, 4001017015, Expires April 2022

## Education

Bachelor of Arts Degree, History; Davidson College Davidson, NC (2009)

Appraisal courses completed are as follows:

- Basic Appraisal Principles
- Basic Appraisal Procedures
- Residential Market Analysis & Highest and Best Use
- General Appraiser Market Analysis & Highest and Best Use
- USPAP, Uniform Standards of Professional Appraisal Practice
- General Appraiser Site Valuation and Cost Approach
- Real Estate Finance Statistics and Valuation Modeling
- General Appraiser Sales Comparison Approach
- General Appraiser Income Capitalization I
- General Appraiser Income Capitalization II
- Commercial Appraisal Review
- Advanced Income Capitalization
- Advanced Market Analysis and Highest & Best Use
- Advanced Concepts & Case Studies
- Quantitative Analysis
- Uniform Appraisal Standards for Federal Land Acquisitions
- Condemnation Appraising: Principles & Applications

**Integra Realty Resources**  
**Raleigh**

8382 Six Forks Rd.  
Suite 200  
Raleigh, NC 27615

T 919.847.1717  
F 919.847.1714

irr.com



**NORTH CAROLINA APPRAISAL BOARD**  
**APPRAISER QUALIFICATION CARD**  
*Expires June 30, 2021*

REGISTRATION / LICENSE / CERTIFICATE HOLDER

20

**ANDREW W CABLE**

21

A7810

APPRAISER NUMBER

G

TYPE

Y

NATIONAL REGISTRY



APPRAISER'S SIGNATURE



EXECUTIVE DIRECTOR



# Chris R. Morris, MAI, FRICS

## Experience

Senior Managing Director of Integra Realty Resources Raleigh. Actively engaged in real estate since 1986. Joined Integra after 11 years as a Principal with Shaw Boykin & Morris in Raleigh, after 6 years as a Staff Appraiser with Shaw/Boykin & Associates. Worked for 6 years as a Staff Appraiser and Utilities Agent for the N.C. Department of Transportation in Charlotte and Raleigh. Broad range of experience in valuation and analysis of many types of real estate for purposes including financing, estate planning, ad valorem tax valuation, general litigation and eminent domain.

## Professional Activities & Affiliations

Member: International Right of Way Association, October 2010  
Board of Director: NC Chapter Appraisal Institute, January 2008 - December 2010  
Member: Appraisal Institute, June 1992  
Royal Institute of Chartered Surveyors, Fellow (FRICS) , June 2012

## Licenses

North Carolina, State Certified General Real Estate Appraiser, A266, Expires June 2021  
North Carolina, State Licensed Real Estate Broker, 084603, Expires June 2021  
South Carolina, State Certified General Real Estate Appraiser, CG 6958, Expires June 2022  
Virginia, State Certified General Real Estate Appraiser, 4001 015036, Expires August 2020

## Education

Phillips Academy, Andover, MA (1976-1979)

University of North Carolina, Chapel Hill, NC (1979-1980)

Brown University, Providence, RI (1981-1984)  
B.A. Degrees, Economics and Organizational Behavior & Management

Real Estate courses completed are as follows:

Report Writing and Valuation Analysis  
Uniform Standards of Professional Practice  
Case Studies in Real Estate Valuation  
Capitalization Theory & Techniques, Part B  
Capitalization Theory & Techniques, Part A  
Residential Valuation  
Basic Valuation Procedures  
Real Estate Appraisal Principles  
Principles of Real Estate Management  
Commercial Real Estate Finance  
Commercial/Industrial Real Estate  
Cost Estimating  
Construction Methods and Materials  
Real Estate Brokerage Operations  
Real Estate Finance  
Real Estate Law  
Fundamentals of Real Estate

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**Raleigh**

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cmorris@irr.com - (919) 847-1717 x101





# Chris R. Morris, MAI, FRICS

## Education (Cont'd)

- Condemnation Appraising
- Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)
- Appraisal of Medical Office Buildings
- Subdivision Valuation
- Real Estate Finance, Value and Investment Performance

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F 919.847.1714

irr.com



## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com



## **Addendum B**

### **Property Information**



19890221000020820 DEED  
Bk: RB778 Pg: 87  
2/21/1989 1/2

BOOK 778 PAGE 87



FILED  
BOOK XXXXX778 PAGE 87

FEB 21 1 12 PM '89

BETTY HUNG BATES  
REG. CLERK  
ORANGE COUNTY, N.C.

\$0.00 *CLW* Excise Tax

Recording Time, Book and Page

Tax Lot No. 7-80-6-17 Parcel Identifier No. 9788-37-6817  
Verified by \_\_\_\_\_ County on the \_\_\_\_\_ day of \_\_\_\_\_, 1989  
by \_\_\_\_\_

Mail after recording to Investors Title Company, P. O. Drawer 2687  
Chapel Hill, North Carolina 27515-2687

This instrument was prepared by Investors Title Insurance Company, 137 E. Rosemary St., Chapel Hill,  
Carl Wallace North Carolina 27514  
Brief description for the Index 135 and 137 East Rosemary Street

### NORTH CAROLINA NON-WARRANTY DEED

THIS DEED made this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by and between

GRANTOR

GRANTEE

INVESTORS TITLE COMPANY,  
a North Carolina Corporation

INVESTORS TITLE COMPANY  
137 East Rosemary Street  
Chapel Hill, North Carolina

RECORDED  
FEB 21 1989  
ORANGE COUNTY, N.C.

Enter in appropriate block for each party: name, address, and, if appropriate, character of entity, e.g. corporation or partnership.

The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH, that the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee in fee simple, all that certain lot or parcel of land situated in the City of Chapel Hill, Chapel Hill Township, Orange County, North Carolina and more particularly described as follows:

All that certain lot or parcel of land, together with the improvements thereon, situate, lying and being on the North side of Rosemary Street in the Town of Chapel Hill, North Carolina and more particularly described as BEGINNING at an iron stake, said stake being located North 64° 26' 26" East 331.2 feet from the Northeast corner of the intersection of Rosemary Street and Columbia Street, said iron stake also being the Southeast corner of the property of Franklin Street Plaza Limited; running thence from said BEGINNING with the North margin of Rosemary Street North 64° 26' 26" East 80.0 feet to an iron stake, Southwest corner of Investors Title Company property (See Deed recorded in Book 308, page 608); thence continuing with the North margin of Rosemary Street North 64° 35' East 83.35 feet to an existing iron stake, Harold H. Harville's Southwest corner; running thence in a Northern direction with Harville's line, North 26° 51'W 214.44' to an existing iron stake in the South property line of the property formerly belonging to the Orange County Building and Loan Association; running thence with said line in a Western direction and parallel with Rosemary Street South 63° 59'W 84.3 feet to an existing iron stake, Bush's Northeast corner; running thence North 26° 24' 15" West 1.46' to an existing iron stake; running thence South 65° 32' 48" West 17.04 feet to an existing iron stake; running thence South 64° 08' 15" West 63.39 feet to an existing iron stake; running thence South 26° 31' 00" East 215.02 feet to an existing iron stake, the point and place of BEGINNING, and being that property conveyed to Investors Title Company by Deed recorded in Book 308, page 608, and by Deed recorded in Book 484, page 42, Orange County Registry.

Together with all right, title and interest of the Grantor, if any, in and to a strip of land approximately 10 feet in width and lying along the northern boundary line of the property above described.



778 88 2/2

The property hereinabove described was acquired by Grantor by instrument recorded in Book 308, page 608 and Book 484, page 42, Orange County Registry

A map showing the above described property is recorded in Plat Book page

TO HAVE AND TO HOLD the aforesaid lot or parcel of land and all privileges and appurtenances thereto belonging to the Grantee in fee simple.

The Grantor makes no warranty, express or implied, as to title to the property hereinabove described.

IN WITNESS WHEREOF, the Grantor has hereunto set his hand and seal, or if corporate, has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, the day and year first above written.

INVESTORS TITLE COMPANY

(Corporate Name)

By: *E. Allen Fine*  
President

ATTEST: *Carl E. Wallace Jr.*  
Secretary (Corporate Seal)



USE BLACK INK ONLY

(SEAL)  
(SEAL)  
(SEAL)  
(SEAL)

NORTH CAROLINA, \_\_\_\_\_ County.  
I, a Notary Public of the County and State aforesaid, certify that \_\_\_\_\_ Grantor, personally appeared before me this day and acknowledged the execution of the foregoing instrument. Witness my hand and official stamp or seal, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.  
My commission expires: \_\_\_\_\_ Notary Public

SEAL - STAMP



NORTH CAROLINA, *Orange* *Alamance* County.  
I, a Notary Public of the County and State aforesaid, certify that *Carl E. Wallace Jr.*, Secretary of *Investors Title Company*, a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by *him* as its Secretary.  
Witness my hand and official stamp or seal, this *16<sup>th</sup>* day of *February*, 19*89*.  
My commission expires: *November 20, 1993* *Teresa Crisson Kelly* Notary Public

The foregoing Certificate(s) of \_\_\_\_\_  
Teresa Crisson Kelly, Notary Public of the designated governmental unit is

~~XXXX~~ certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

This 21st day of February, 1989  
By: *Betty June Hayes*  
REGISTER OF DEEDS FOR *Orange* COUNTY  
Dputy Assistant-Register of Deeds.

**ORANGE COUNTY NORTH CAROLINA**

139735  
135 E ROSEMARY ST

**MAILING ADDRESS** INVESTORS TITLE COMPANY  
121 N COLUMBIA ST  
CHAPEL HILL NC 27514

Total Assessed Value  
**\$1,741,600**

Key Information

Tax Year	2020		
Parcel ID	9788376817	Township	7 - CHAPEL HILL
Land Size	0.80	Land Units	AC
Rate Code	32		
District Codes	DR Dwtwn.Rev, G0 County, CH CHSchoolDst., G2 Chapel Hill		
Property LUC	Offices, Banks and Medical-Unimproved		
Neighborhood	L004 - 7E ROSEMARY		
Legal Description	N/S ROSEMARY ST		
Exempt Type	-		

Appraisal Details

Total Land	\$1,741,600
Ag Credit	-
Land	\$1,741,600
Building	\$0
Yard Items	\$0
Market Total	\$1,741,600
Total Assessed	\$1,741,600

**RESIDENTIAL**  
No data to display

**MISC IMPROVEMENTS**  
No data to display

**SALES**

SALE DATE	SALE PRICE	DEED BOOK	DEED PAGE	INSTRUMENT TYPE	GRANTOR
02/21/1989	\$0	778	87		-

**YARD ITEMS**  
No data to display

**LAND**

UNIT / SOIL TYPE	DESCRIPTION	USE CODE	ACRES / LOTS	VALUE
SF	Square Ft	PRIMARY	34831	\$1,741,600

**VALUE HISTORY**

YEAR	TOTAL MARKET VALUE
2011	\$1,748,729
2012	\$1,748,729
2013	\$1,748,729
2014	\$1,748,729
2015	\$1,748,729
2016	\$1,748,729
2017	\$1,741,600
2018	\$1,741,600
2019	\$1,741,600
2020	\$1,741,600

Neighborhood Median Sale Price

No data to show

Neighborhood - Assessed Values

Low  
\$324,400  
Median  
\$2,047,150  
High  
\$4,031,600

# Neighborhood Sales by Type

No data to show

## Neighborhood - Sale Prices

Biggest Sale

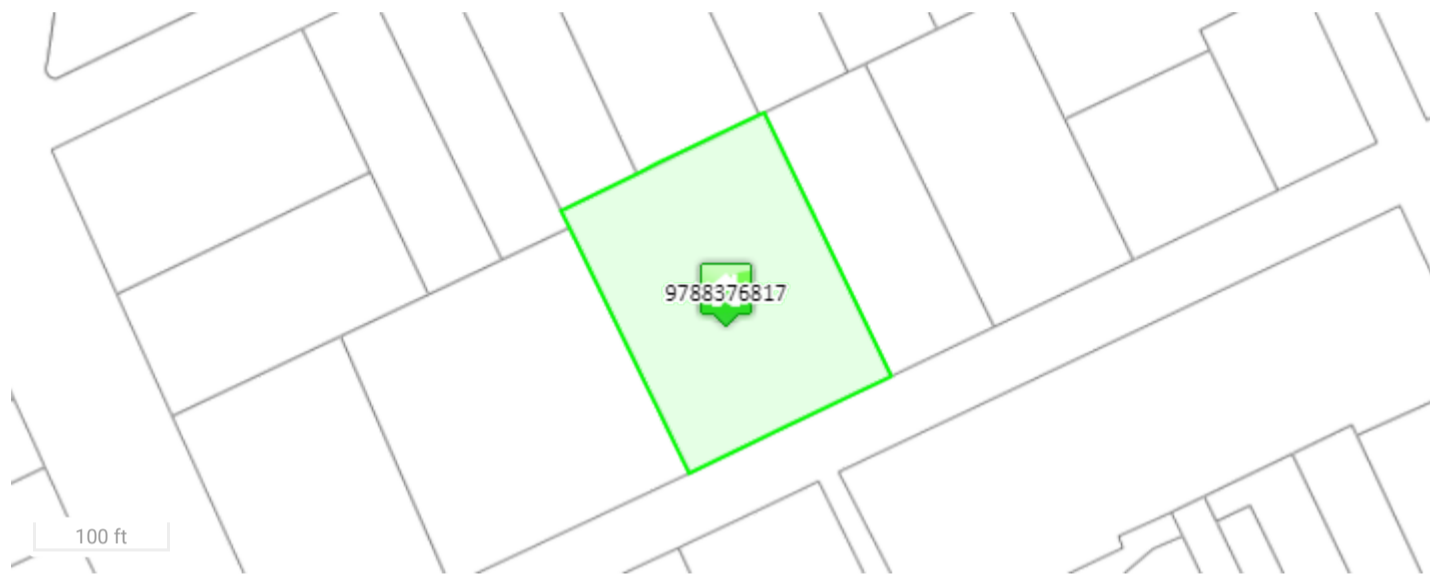
\$0

Average Home Price

\$0

Lowest Sale

\$0



No Photo Available



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### Disclaimer

Orange County Assessor's Office makes every effort to produce the most accurate information possible. **No warranties, expressed or implied, are provided for the data herein, its use or interpretation.**

## **Addendum C**

### **Comparable Data**



## Location & Property Identification

Property Name:	Former News and Observer Site
Sub-Property Type:	Commercial
Address:	505 W. Franklin St.
City/State/Zip:	Chapel Hill, NC 27516
County:	Orange
Submarket:	Chapel Hill
Market Orientation:	Suburban
IRR Event ID:	2340862



## Sale Information

Sale Price:	\$4,800,000
Effective Sale Price:	\$5,065,572
Sale Date:	08/01/2020
Listing Price:	\$4,800,000
Sale Status:	In-Contract
\$/Acre(Gross):	\$6,331,965
\$/Land SF(Gross):	\$145.36
\$/Acre(Usable):	\$6,331,965
\$/Land SF(Usable):	\$145.36
Grantor/Seller:	Franklin Junto, LLC
Grantee/Buyer:	TBD
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	TBD
Verified By:	Andrew Cable, MAI
Verification Date:	07/09/2020
Confirmation Source:	John Hibbits, 919-832-0594
Verification Type:	Confirmed-Seller Broker

## Sale Analysis

Other Adj.:	\$265,572
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Adjust. Comments:

Demolition & remediation costs

## Improvement and Site Data

MSA:	Durham, NC Metropolitan Statistical Area
Legal/Tax/Parcel ID:	9788150842
Acres(Usable/Gross):	0.80/0.80
Land-SF(Usable/Gross):	34,848/34,848
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Frontage Feet:	459
Frontage Desc.:	107' W. Franklin St., 352' S. Graham St.
Zoning Code:	TC-2 /Chapel Hill
Zoning Desc.:	Town Center Business
Flood Plain:	No
Date:	01/01/1900
Utilities:	Electricity, Water Public, Sewer, Telephone
Utilities Desc.:	All public and available.
Source of Land Info.:	Other

## Comments

Arm's length. Site is being purchased for redevelopment of a mixed-use property. Sale is not contingent upon

## Comments (Cont'd)

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receiving any entitlements or approvals. Site is improved with a 22,643 square foot building and is known to suffer from environmental contamination. Effective sale price includes estimated demolition costs of \$4.00 per SF of existing improvements (22,643 SF) and estimated remediation costs of \$175,000, as indicated by the broker.

## Location & Property Identification

Property Name: Land - .78 Acres  
 Sub-Property Type: Commercial  
 Address: 321, 327 W. Hargett St.  
 City/State/Zip: Raleigh, NC 27601  
 County: Wake  
 Submarket: Central Raleigh  
 Market Orientation: Suburban  
 IRR Event ID: 2259997



## Sale Information

Sale Price: \$6,400,000  
 Effective Sale Price: \$6,400,000  
 Sale Date: 07/12/2019  
 Sale Status: Closed  
 \$/Acre(Gross): \$8,205,128  
 \$/Land SF(Gross): \$188.36  
 \$/Acre(Usable): \$8,205,128  
 \$/Land SF(Usable): \$188.36  
 Grantor/Seller: Goodwill Community Foundation, Inc.  
 Grantee/Buyer: Highwoods Realty Limited Partnership  
 Assets Sold: Real estate only  
 Property Rights: Fee Simple  
 % of Interest Conveyed: 100.00  
 Financing: Cash to seller  
 Terms of Sale: Arm's Length  
 Document Type: Deed  
 Recording No.: 17502/1370  
 Verified By: M. Scott Smith, MAI  
 Verification Date: 08/11/2019  
 Confirmation Source: Dennis McLain, 919-941-9600  
 Verification Type: Confirmed-Seller

Legal/Tax/Parcel ID: 1703584233, 1703583355  
 Acres(Usable/Gross): 0.78/0.78  
 Land-SF(Usable/Gross): 33,976/33,976  
 Usable/Gross Ratio: 1.00  
 Shape: Irregular  
 Topography: Level  
 Corner Lot: No  
 Frontage Feet: 322  
 Frontage Desc.: 200' W Hargett St, 122' S Harrington St  
 Zoning Code: DX-12-SH /Raleigh  
 Zoning Desc.: Downtown Mixed Use  
 Flood Plain: No  
 Utilities: Electricity, Water Public, Sewer, Telephone  
 Utilities Desc.: All available  
 Source of Land Info.: Public Records

## Improvement and Site Data

MSA: Raleigh, NC

**Land - .78 Acres**



## Location & Property Identification

Property Name:	Land - 2.46 Acres
Sub-Property Type:	Residential
Address:	Daisy St, Hillsborough St, Dixie Trail
City/State/Zip:	Raleigh, NC 27607
County:	Wake
Submarket:	Central Raleigh
Market Orientation:	Suburban
Property Location:	9 lots
IRR Event ID:	2221832



## Sale Information

Sale Price:	\$12,211,000
Effective Sale Price:	\$12,211,000
Sale Date:	02/06/2019
Sale Status:	Closed
\$/Acre(Gross):	\$4,963,821
\$/Land SF(Gross):	\$113.95
\$/Acre(Usable):	\$4,963,821
\$/Land SF(Usable):	\$113.95
Grantor/Seller:	Dixie Hill Group, LLC et.al.
Grantee/Buyer:	CA Student Living Raleigh PD, LLC
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	17354/1162-1192
Verified By:	Samuel Bryan, MAI
Verification Date:	04/17/2019
Confirmation Source:	Teddy Hobbs, Phoenix Commercial, 919-395-1495
Verification Type:	Confirmed-Seller Broker

Legal/Tax/Parcel ID:	0794527651, 0794527678, 0794527793, 0794528746, 0794528860, 0794620723, 0794620632, 0794529555, 0794528662
Acres(Usable/Gross):	2.46/2.46
Land-SF(Usable/Gross):	107,158/107,158
Usable/Gross Ratio:	1.00
Shape:	Irregular
Topography:	Gently Sloping
Vegetation:	Trees and grasses
Corner Lot:	Yes
Frontage Feet:	941
Frontage Desc.:	282' Daist St, 391' Hillsborough St, 268' Dixie Tr
Zoning Code:	R-6, OX-3-DE, NX-3-UG /Raleigh
Zoning Desc.:	Residential, Office / Neighborhood Mixed Use
Flood Plain:	No
Utilities:	Electricity, Water Public, Sewer, Telephone
Utilities Desc.:	All available
Source of Land Info.:	Public Records

## Improvement and Site Data

MSA:	Raleigh, NC
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## Comments

Sales records documented on 7 deeds in book 17354. Page 1162 (Dixie Hill Group, LLC for \$2,250,000), page 1165 (Jean P. Hunt for \$1,500,000), page 1170 (Melissa E. Griffin for

## Comments (Cont'd)

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\$1,250,000), page 1174 (James N. Sarantos et.al. for \$1,461,000), page 1179 (Farris, Inc. for \$1,750,000), page 1183 (The Complete Computer Store of Raleigh, Inc. for \$3,100,000), and page 1188 (Dennis Sebesan et.ux. for \$900,000). Total Sale's price: \$12,211,000.

## Location & Property Identification

Property Name:	Land - 0.4291 Acres
Sub-Property Type:	Commercial
Address:	701 Hillsborough St. & 12 S Boylan Ave.
City/State/Zip:	Raleigh, NC 27603
County:	Wake
Submarket:	Central Raleigh
Market Orientation:	Urban
IRR Event ID:	2155054



## Sale Information

Sale Price:	\$2,430,000
Effective Sale Price:	\$2,430,000
Sale Date:	10/25/2018
Sale Status:	Closed
\$/Acre(Gross):	\$5,663,016
\$/Land SF(Gross):	\$130.00
\$/Acre(Usable):	\$5,663,016
\$/Land SF(Usable):	\$130.00
Grantor/Seller:	FMW at 701 Hillsborough Street LLC
Grantee/Buyer:	Glenwood Two, LLC
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	17275/909
Rent Controlled:	No
Verified By:	M. Scott Smith, MAI
Verification Date:	11/19/2018
Confirmation Source:	Ryan Blair - Heritage Properties
Verification Type:	Confirmed-Buyer

MSA:	Raleigh, NC
Legal/Tax/Parcel ID:	1703-49-0200 and 1703-49-0102
Acres(Usable/Gross):	0.43/0.43
Land-SF(Usable/Gross):	18,692/18,692
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Gently Sloping
Corner Lot:	Yes
Frontage Feet:	97
Frontage Desc.:	Hillsborough Street
Zoning Code:	NX-7-UL (Raleigh)
Zoning Desc.:	Neighborhood Mixed Use - 7 Stories - Urban Limited
Flood Plain:	No
Flood Zone Designation:	X
Comm. Panel No.:	37183C1703J
Date:	05/02/2006
Utilities:	Electricity, Water Public, Sewer
Source of Land Info.:	Engineering Report

## Comments

Site bought to be part of a second phase to the One Glenwood Mixed Use Development.  
Improvements of no value. Adjoining property is 12 S. Boylan.

## Improvement and Site Data

Land - 0.4291 Acres



## Location & Property Identification

Property Name:	AC Hotel Site
Sub-Property Type:	Commercial
Address:	212 W. Rosemary St.
City/State/Zip:	Chapel Hill, NC 27514
County:	Orange
Submarket:	Chapel Hill
Market Orientation:	CBD
IRR Event ID:	1959561



## Sale Information

Sale Price:	\$3,250,000
Effective Sale Price:	\$3,250,000
Sale Date:	06/06/2016
Sale Status:	Closed
\$/Acre(Gross):	\$4,513,889
\$/Land SF(Gross):	\$103.62
\$/Acre(Usable):	\$4,513,889
\$/Land SF(Usable):	\$103.62
Grantor/Seller:	Michael & Kimberly Slomiany

Grantee/Buyer:	Chapel Hill Hotels, LLC
Assets Sold:	Real estate only
Property Rights:	Fee Simple
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	6134/313
Verified By:	Andrew Cable, MAI
Verification Date:	05/22/2018
Confirmation Source:	Burt Shuler, 864-699-4570
Verification Type:	Confirmed-Buyer

## Improvement and Site Data

MSA:	Durham-Chapel Hill, NC
Legal/Tax/Parcel ID:	9788-27-5353, 9788-27-6326, & 9788-27-6387
Acres(Usable/Gross):	0.72/0.72
Land-SF(Usable/Gross):	31,363/31,363

Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Zoning Code:	TC-2
Zoning Desc.:	Town Center 2
Easements Desc.:	None
Environmental Issues:	No
Flood Plain:	No
Utilities Desc.:	All available
Source of Land Info.:	Public Records

## Comments

Arm's length sale. Purchased for the development of a 123-room hotel property. Site was improved with three single-family residences, which were demolished shortly after the sale for a negligible cost. Site was entitled for development at the time of sale, which contributed substantial value. Buyer commented that the price is reflective of the site's market value.

## Location & Property Identification

Property Name:	Land - 0.58 Acres
Sub-Property Type:	Commercial, Office
Address:	109 Church St.
City/State/Zip:	Chapel Hill, NC 27516
County:	Orange
Submarket:	Chapel Hill
Market Orientation:	CBD
IRR Event ID:	1960233



## Sale Information

Sale Price:	\$2,000,000
Effective Sale Price:	\$2,000,000
Sale Date:	03/31/2016
Sale Status:	Closed
\$/Acre(Gross):	\$3,448,276
\$/Land SF(Gross):	\$79.16
\$/Acre(Usable):	\$3,448,276
\$/Land SF(Usable):	\$79.16
Grantor/Seller:	The North Carolina Pharmaceutical Association
Grantee/Buyer:	Antoine A. Puech
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Terms of Sale:	Arm's Length
Document Type:	Deed
Recording No.:	6097/199
Verified By:	Andrew Cable, MAI
Verification Date:	12/12/2018
Confirmation Source:	Beth Gunn, 919-932-5800
Verification Type:	Confirmed-Buyer

Land-SF(Usable/Gross):	25,265/25,265
Usable/Gross Ratio:	1.00
Shape:	Irregular
Topography:	Level
Corner Lot:	Yes
Zoning Code:	TC-1 (Chapel Hill)
Zoning Desc.:	Town Center
Flood Plain:	No
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Source of Land Info.:	Public Records

## Comments

Arm's length sale. The buyer signed a 5-year lease for the building immediately following the sale, with the long-term plan to combine with other adjacent properties and redevelop. The interim income from the lease offsets the demolition and holding costs.

## Improvement and Site Data

MSA:	Durham-Chapel Hill, NC
Legal/Tax/Parcel ID:	9788-27-4180
Acres(Usable/Gross):	0.58/0.58

**Land - 0.58 Acres**





**Addendum D**  
**Engagement Letter**

**SMITH, ANDERSON, BLOUNT,  
DORSETT, MITCHELL & JERNIGAN, L.L.P.**

**LAWYERS**

**OFFICES**

Wells Fargo Capitol Center  
150 Fayetteville Street, Suite 2300  
Raleigh, North Carolina 27601

**TOBY R. COLEMAN**

**DIRECT DIAL: (919) 821-6778**  
**E-Mail: tcoleman@smithlaw.com**

**MAILING ADDRESS**

P.O. Box 2611  
Raleigh, North Carolina  
27602-2611

June 30, 2020

**TELEPHONE: (919) 821-1220**  
**FACSIMILE: (919) 821-6800**

**SENT VIA E-MAIL ONLY ([cmorris@irr.com](mailto:cmorris@irr.com))**

Chris Morris, MAI, FRICS  
Senior Managing Director  
Integra Realty Resources-Raleigh  
8382 Six Forks Rd., Suite 200  
Raleigh, NC 27615

Re: Engagement of Chris Morris and Andy Cable, Integra Realty Resources-Raleigh  
135 East Rosemary Street, Chapel Hill, Orange County, NC, PIN 9788376817  
(the "Property")

Dear Mr. Morris:

As you are aware, our firm represents Investors Title Company in connection with above referenced Project. The purpose of this letter is to confirm our firm's retention of you, Mr. Cable, and your firm as consulting experts for the purpose of providing appraisal services for the Property. The engagement will involve preparing a standard format appraisal report on the Property in connection with the Town of Chapel Hill's efforts to rezone and purchase the Property. This may involve analyzing data and project documents and consulting with counsel. Although the scope of the work to be performed will be determined in consultation with our firm, all conclusions and opinions reached will be yours.

You will be compensated at a flat rate of \$3,500 for the appraisal. Your invoice will be submitted directly to our office prior to submission to Investors Title Company for payment, and will include a description of services rendered. Investors Title Company will be solely responsible for payment of your invoices. Our firm reserves the right, in its sole discretion, to discontinue this engagement at any time. In the event that the engagement is discontinued, you will be compensated for services rendered through the date the engagement is discontinued.

Documents and communications relating to this engagement will continue to be protected in whole or in part by the attorney work product doctrine and/or the attorney-client privilege, and confidentiality is important in maintaining that protection. We would therefore ask that you safeguard the confidentiality of documents and information provided to you during the course of this engagement, as well as any documents and information prepared and developed by you in connection with this engagement, and that you refrain from sharing such documents with any third person without consulting with me. This includes people you work with, with the

Mr. Chris Morris  
Integra Realty Resources-Raleigh  
June 30, 2020  
Page 2

exception of those who are assisting directly with your work on this matter. Following the termination of the engagement, you shall return or destroy all documents pursuant to our firm's instructions.

This agreement, and all questions relating to its validity, interpretation, performance and enforcement, is governed by North Carolina law without regard to its principles of conflicts of law. The state or federal courts of North Carolina shall be the sole and exclusive forums for litigation concerning this agreement or any aspect of this engagement. Your signature below indicates your acceptance of the terms and conditions outlined herein. Please return a signed copy of this letter to my office in the envelope provided. We look forward to continuing to work with you on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Toby R. Coleman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Toby R. Coleman

Consented and Agreed to:

A handwritten signature in blue ink, appearing to read "Chris Morris". The signature is cursive and somewhat stylized.

---

Chris Morris, MAI, FRICS  
Senior Managing Director  
Integra Realty Resources-Raleigh  
8382 Six Forks Rd., Suite 200  
Raleigh, NC 27615