

SUMMARY APPRAISAL REPORT

of the Fee Simple, Leasehold and Leased Fee Values for
307.95 Acres of Land (Net of Railroad Right-of-Way) and Existing Improvements

Known as Dorothea Dix Hospital Campus

Located

On the South Side of Western Boulevard and
The West Side of Lake Wheeler Road just
East of Centennial Boulevard
In Raleigh, North Carolina

OWNED BY

The State of North Carolina

PREPARED BY

Martin L. Wachtel, III, MAI
Ronald Thomas, Associate Member-Appraisal Institute

EFFECTIVE DATE OF VALUATION

July 9, 2013

DATE OF APPRAISAL

January 3, 2014



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January 17, 2014

Mr. Jay W. Smith, RLA, ASLA
Principal
Director of Landscape Architecture/Planning
O'Brien/Atkins Associates, PA
Post Office Box 12037
Research Triangle Park, North Carolina 27709

Dear Mr. Smith:

As you requested, we have made an appraisal of 307.95 acres of land and existing improvements known as Dorothea Dix Hospital Campus. The property is located on the south side of Western Boulevard, the west side of Lake Wheeler Road and just east of Centennial Boulevard, in Raleigh, Wake County, North Carolina. The subject property is currently owned by The State of North Carolina. The effective date of valuation for this appraisal is July 9, 2013.

We arrived at our estimate of value after having inspected the property from public road rights-of-way and having reviewed numerous documents provided to us relating to the size of the site, the size/ages of the numerous buildings located on it, zoning, hydrology, demolition costs, tax records and existing ground leases, among others. Additionally, we have documented numerous sales of property that provide a basis on which we have arrived at our opinion of value. Based on the information obtained from these actions and the assumptions and limiting conditions stated in this report, along with the application of our best judgment and the use of sound appraisal techniques, it is our opinion that the Fee Simple, Leasehold and Leased Fee values of the subject property as of July 9, 2013, subject to our limiting conditions are:

Fee Simple/Leased Fee Value (State of North Carolina): \$66,000,000; includes Leased Fee Values of \$507,000 (10.475 acres leased to The Healing Place) and \$360,000 (60 acres leased to the City of Raleigh) and \$65,133,000 for the land owned in Fee-Simple. Value is net after deducting cost of demolition.

Leasehold Value (City of Raleigh): \$51,500,000 (Net after demolition cost)

Leased Fee Value (State of North Carolina): \$13,000,000; includes \$456,000 for reversionary value of 307.95 acres.

Mr. Jay W. Smith, RLA, ASLA
O'Brien/Atkins Associates, PA
January 17, 2014

These values are predicated on the additional assumption that there are no hazardous materials present on the site that would require a major clean-up.

We, the undersigned, do hereby certify that to the best of our knowledge and belief, the statements contained in this appraisal and the statements upon which the opinions expressed herein are based, are correct, subject to the limiting conditions set forth. Employment in and compensation for making this report are in no way contingent upon the value reported, and we certify that we have no financial interest present or contemplated in the subject property. This letter of transmittal is a part of the attached report which consists of 32 pages of description, analyses, and conclusions as well as Exhibits A through S. In this report are found facts and opinions that have influenced us to arrive at the above mentioned estimates of value.

This report is prepared in conformity with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and is also prepared in conformity with and subject to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

We hope you find our appraisal report acceptable. If you have any reason to desire supplementary information, please let us know, and we will be happy to supplement our report for additional consideration on a per diem basis.

Sincerely yours,


Martin L. Wachtel, III, MAI



Ronald Thomas


SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Date of Appraisal: July 9, 2013

Owned By: State of North Carolina

Location: On the south side of Western Boulevard and the west side of Lake Wheeler Road, Raleigh, North Carolina

Land Area: 307.95 Acres, estimated net of railroad right-of-way but including existing street rights-of-way (Includes 60 acres +/- Soccer Field and 10.475 acres "Healing Place")

Description of the Improvements: **Fee-Simple** - Some 1,172,475 square feet of hospital, office, dormitory, warehouse, engineering and residential buildings occupied by Dorothea Dix staff and patients for the care of mentally ill citizens

Leased Fee - 40,700 square foot alcohol/drug rehabilitation facility on ground lease to "Healing Place"

Utilities: All municipal utilities

Zoning: Office & Institutional - 1 (297.5 acres +/-) and Thoroughfare District (10.5 acres +/-)

Values of Subject Property:

Fee Simple/Leased Fee (State of North Carolina)	\$66,000,000 (including Reversionary Value for 60 acres and 10.475 acres)
Leasehold (City of Raleigh)	\$51,500,000
Leased Fee (State of North Carolina)	\$13,000,000 (including Reversionary Value of 307.95 acres)

PURPOSE OF THE APPRAISAL AND INTENDED USE

The purpose of this appraisal is to estimate the market value of the Fee Simple/Leased Fee Estate of 307.95 acres owned by the State of North Carolina, the Leasehold Estate based on the terms of a lease, now in dispute, to the City of Raleigh and the Leased Fee Estate held by the State of North Carolina under the terms of the disputed lease. This appraisal is to be used by both the State and the City to help facilitate the resolution of their different legal positions relating to a lease of the property which is the subject of this appraisal.

SCOPE OF THE APPRAISAL

This property was a major portion of the subject of an appraisal prepared by Worthy & Wachtel, Inc. in the summer of 2007. That appraisal included an in-depth analysis of the potential value of the property “as improved,” considering the rehabilitation/renovation and conversion costs of the hospital facility to state-occupied offices as a “value-in-use.” Other scenarios were considered but the conclusion of the analysis was that all existing buildings should be razed to allow a highest and best use “as vacant” for the land. A May, 2011 appraisal concluded the same highest and best use but was based on prospective and current market trends, price/value levels, etc. and included land areas and improvements that are not included in this appraisal.

Subsequent to the 2011 appraisal the “State of North Carolina signed a Lease Agreement on December 28, 2012 whereby the State agreed to lease land to the City subject to the terms of the Lease. Since then the State has set forth the legal position that the Lease is void and without force and effect. The City has set forth the legal position that the lease is valid and enforceable.”

The above paragraph is a summary from the STANDSTILL AGREEMENT between the State and the City dated July 9, 2013. This AGREEMENT required that two appraisers, one appointed by each party, “utilize the same or similar data, assumptions and methodologies in rendering an opinion of value;” this requirement resulting in an “Instructions for the Appraisal.” These two documents, the AGREEMENT and the INSTRUCTIONS, are the guidelines that structure most of the scope of this appraisal. The guidelines are:

1. Date of Valuation: July 9, 2013;
2. Interests Valued: Fee Simple, Leasehold and Leased Fee;
3. Values: “Fair Market Value” or Market Value;
4. Source for definition of Market Value: The Appraisal of Real Estate, 14th Edition;
5. Legal Description: June 6, 2013 survey prepared by Taylor Weisman & Taylor; 307.95 acres;
6. Contract Rent: “Base Rent” of \$500,000 per year increasing at 1.5% per year with adjustments for “Retained Premises” during first 15 years;
7. Retained Premises: 40.3 acres;

8. Hazardous Materials: “Valued as though clean;”
9. Lease Term: 99 years; and
10. Building Demolition: Appraiser should account for all reasonable costs of demolition, excluding any additional costs associated with removal and disposal of hazardous materials.

In summary, the scope of this appraisal is reflective of the INSTRUCTIONS and the report is presented in Summary format.

PROPERTY RIGHTS APPRAISED

This is an appraisal that will include three separate values:

1. The **Fee Simple Value** of 237.475 acres plus the Leased Fee values of 10.475 acres leased to The Healing Place and 60 acres leased to the City of Raleigh;
2. The **Leasehold Value** of the total leased premises of 307.95 acres based on a lease term of 99 years with a beginning rent of \$500,000 per year, increasing at 1.5% per year but adjusted for the initial 15 years based on a “Retained Premises” factor; and
3. The **Leased Fee Value** of the contract rent as described above plus the reversionary value of the 307.95 acres at the end of the lease term.

Each of these real property estates are defined below.

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Leasehold Estate: The right to use and occupy real estate for a stated term under the conditions conveyed in the lease.

Leased Fee Estate: An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor or the leased fee owner and leased fee are specified by contract terms contained within the lease.

Reversion: A lump-sum benefit that an investor receives or expects to receive at the termination of an investment.

DEFINITION OF MARKET VALUE

Market Value (Often referred to as Fair Market Value): Market value is defined in *The Appraisal of Real Estate*, 14th Edition, as follows:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights

should sell, after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

Implicit in this definition are the following assumptions:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and both are acting in what they consider to be their own best interest;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in U.S. dollars, or in terms of financial arrangements comparable thereto; and
- e. 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 – in other words, an arms-length transaction.

OWNERSHIP HISTORY AND LEGAL DESCRIPTION

The Dorothea Dix property has been owned by the State of North Carolina since the 1850's. In the late 1990's two parcels were conveyed to others by long-term ground leases summarized as follows:

- **60 acres (Soccer Field)** - Leased to the City of Raleigh for a term of 70 years, beginning April 18, 1997 as part of an exchange of properties between the City and the State of North Carolina; no rent paid. Remaining term – 53.78 years.
- **10.475 acres** - Leased to The Healing Place of Wake County for a term of 14.70 years with two options to renew for an additional 10 years beginning December 30, 2012 at a rent of \$1.00. Remaining term – 34.17 years including renewals.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions:

1. The basic limitation of this and any appraisal is that the appraisal is an opinion of value, and is, therefore, not a guarantee that the property will sell at exactly the appraised value. The market price may differ from the market value, depending upon the motivation and knowledge of the buyer and/or seller, and may, therefore, be higher or lower than the market value. The market values, as defined herein, are our opinion of the probable price that is obtainable in a market free of abnormal influences.
2. This appraisal is being made based on the subject property having a land area of 307.95 acres net of railroad right-of-way but including the right-of-way of existing streets and being improved with numerous buildings having a gross area of some 1,172,475 square feet. We did not measure the building areas and assume the area measurements provided to us by our client and the State of North Carolina are correct. We also assume no responsibility for

legality of title, which is assumed to be good and marketable. All existing liens and encumbrances have been disregarded, and the property is appraised as though free and clear under responsible ownership and competent management.

3. We assume there are no hazardous materials present on the site that would require a major clean-up. We note that we are not experts in such fields and make no claim of technical knowledge with regard to such hazardous substances. If any additional hazards are in fact present on the subject, the value of the subject would be reduced by at least the expense necessary to eliminate any potential hazard, and the income lost, if any, during this elimination.
4. We assume that there are no hidden conditions of the subject property, such as subsoil conditions or structural defects, which affect the value of the subject property.
5. Exhibits in this report are included to assist the reader in visualizing the subject property. We assume responsibility for these exhibits only to the extent that they are based upon information which has been supplied to us.
6. Possession of this report does not carry with it the right of publication, nor may it be used for any purpose other than that designated by our client without our previous written consent, and then only with proper qualifications.
7. It is our specific understanding that we are not required to give testimony or to appear in court by reason of this appraisal with reference to the subject property, unless further arrangements acceptable to us are made, regarding compensation for our time.

We, the undersigned, do hereby certify that the information and statements contained in this appraisal, and upon which the appraisal is based, are correct, subject to the limiting conditions hereinbefore set forth.

REGIONAL DATA

The subject property is located in the City of Raleigh, the state capital, in a large regional market known as the Research Triangle area, or Triangle. The economy of the Triangle is based in great measure on five components, which have combined to create one of the country's fastest growing metropolitan areas:

- Raleigh is the capital of North Carolina, and as such, is the location for many state and federal agencies. The city's population was over 350,000 in 2006, roughly a 28% increase from its 2000 census numbers. Wake County shows a population of over 835,000 resulting in a population density of over 1,000 people per square mile.
- The Triangle has emerged as a center for high tech research, development and manufacturing. The role of the 7,000-acre Research Triangle Park has been crucial in this evolution. Currently about 38,000 people work in the Park, down from 42,000 in 2000. Numerous spin-off companies also exist in the Triangle, especially in the I-40 corridor and in Cary. The high tech fields of computer software, telecommunications, pharmaceuticals, biomedicine and transportation equipment are especially important in the Triangle.

- The Triangle is an important medical research and training center. The presence of nationally prominent hospitals at Duke University in Durham and the University of North Carolina at Chapel Hill, combined with research ongoing at many private businesses and laboratories, helps to attract professionals to the Triangle.
- Over 60,000 students attend colleges and universities full-time in the Triangle. This reserve of students and faculty help create an environment conducive to innovation and research, and attracts to the Triangle some of the nation's most active research and development-oriented corporations. Few metropolitan areas of similar size can boast of having three major universities.
- As the largest metropolitan area in eastern North Carolina, the Triangle is a center for shopping, services, government, culture and recreation for much of that section of the state.

Over recent years, the generally healthy economy has drawn people to the Triangle and provided employment for local residents. Accordingly, population in the six county metropolitan statistical area has grown considerably since 1970:

Population Trends		
Year	Population	%Change
1970	537,365	N/A
1980	664,788	24%
1990	858,485	29%
2000	1,187,941	38%

Source: U.S. Census Bureau

COMMERCIAL REAL ESTATE MARKET

Office Market

Office vacancy in the Triangle increased slightly to 16.99% in the First Quarter of 2013, up slightly from 16.23% in the Fourth Quarter 2012 according to the Space survey published by Triangle Business. For the subject's submarket, Downtown Raleigh, vacancy in the First Quarter 2013 was 9.64%. Pending and proposed new office development in the Downtown submarket include:

- **“State Employees Credit Union”**– A 12-story building with 110,950 square feet of offices, a 13,071 square foot branch bank and an 8-story level parking deck with 158 spaces, all on a 0.49 acre site located on N. Salisbury Street between W. Edenton and W. Jones Streets.
- **“Citrix Systems”** – A 130,000 square foot building of three levels including an estimated 100,000 square feet on two levels plus a fitness center, yoga studio, bocce court and restaurant on the third level. This building, currently under construction, occupies a 2.347 acre tract sold by the TTA on October 31, 2012 for \$3,280,000 or \$32.08 per square foot. The site fronts on W. Morgan, S. West and W. Hargett Streets with a rear property line along the active CSX spurline. To encourage new employment-based development around the proposed Union Station and future light-rail/high-speed rail, the Commerce Department of the State of North Carolina and the City of Raleigh provided significant incentives to Citrix for selecting this site:

- \$8,655,000 in Job Development Investment Grant funds over 12 years and \$440,700 for community college training by the Commerce Department and a reduction of 50% of their ad valorem taxes over a 12-year period by the City of Raleigh. Grant funds and tax abatements are paid each year that Citrix employs a minimum number of employees at an average annual pay of \$70,000+ per employee.
- **“Charter Square”** – The first of two towers planned on a 1.75 acre parcel located at the south end of Fayetteville Street, this 11-story building is proposed as a 225,000 square foot office facility with 8,000 square feet of retail space, construction scheduled to begin in the Fall of 2013. The 1.75 acres were originally purchased from the City in November 2008 for \$5.28 million and intended as two towers, one of 21 floors containing 405,000 square feet of office, retail and residential space and a second with 38,000 square feet of retail space and up to 200 residential units above the retail. Under the original deal with the City, the developers had five years from the sales date of the site to build the two towers, valued at \$100 million. The City amended the agreement to allow for the construction of this single, smaller tower and funded the construction and purchase of a 550-space underground parking deck which they purchased for \$25.5 million. The proposed 11-story building will site on the parking deck.
- **“227 Fayetteville Street”** – Formerly known as the Wachovia Bank building, the 9-story plus basement building with 101,600 square feet was purchased in December 2012 for \$5.233 million and renamed “227 Fayetteville.” The building occupies a small site of 0.26 acres but is connected to the city-owned parking deck on Wilmington Street by a tunnel under Wilmington Street, providing convenient access to parking. The building will be renovated and leased on a speculative basis.
- **“Edison”** – This is part of the development of a city block formed by S. Wilmington, E. Martin, S. Blount and E. Davie Streets originally planned in 2007 as a mixed-use project with two high-rise buildings. The “Edison” is a 13-story building with 300,000 square feet of offices and 9,000 square feet of retail but there are no plans at this time to construct this office building. A second tower, “Skyhouse” is tentatively planned as a 23-story building with 320 luxury apartment units and 19,223 square feet of retail space; 7,159 square feet new and 12,064 square feet existing, vacant. In order to provide an incentive for the proposed development, the City built a 1,224 parking deck in 2008 between the two proposed towers. More recently, they propose to sell the vacant 12,064 square feet of vacant retail space they own to the developer for \$627,627 (assessed value).
- **“Wake County Justice Center”** – This 11-story structure of 577,000 square feet recently opened. It will have 18 new courtrooms, associated support spaces, capacity for four additional courtrooms, the Register of Deeds offices and adjoining parking deck. The facility occupies the entire block formed by S. Salisbury, W. Davie, S. McDowell and W. Martin Streets.

Warehouse Market

The Triangle warehouse market vacancy declined slightly from 19.42% in the Fourth Quarter 2012 to 19.09% in the First Quarter 2013. Vacancy in this submarket was 41.24%.

Flex Market

This market has suffered to some degree and vacancy increased from 16.14% in the Fourth Quarter 2012 to 15.54% in the First Quarter 2013. Vacancy in this submarket was 14.36%.

Retail Market

The Triangle retail market remained relatively strong although vacancy increased to 8.14% in the First Quarter 2013 from 7.87% in the Fourth Quarter 2012. First Quarter vacancy in this submarket was 15.77%. Most retail space in the Downtown market is small storefront street level space located in larger office buildings or apartment buildings. Existing space is in a constant state of change, mostly as restaurants, pubs, bars or specialty shops. Pending new retail space includes “Charter Square,” 8,000 square feet, “L” building, 8,000 square feet and “Skyhouse,” 19,200 square feet.

Condominium Market

The urban condominium market is slowly recovering from the “over-built” market of 2006 – 2008. A market analysis relating to sales prices and absorption rates over the period August 2007 – March 2011 was conducted in 2011. A more recent analysis provided on the following schedule indicates:

- Of the 5 condominium communities selected, 39 units sold over the period of January 2012 to June 2013.
- Only 5 of a total of 483 units remain unsold.
- In terms of price per unit, recent sales range from 88% to 99% of their peak prices but in terms of price per square foot, sales range from only 77% to 82% of peak prices. That the largest units are the last to sell accounts for this difference; i.e. the market prefers smaller units at a lower price per unit although at a highest price per square foot.
- Re-sales are also below peak prices, 6% to 15% less.
- Sell-out of two communities, “222 Glenwood” and “West” required bulk sales or foreclosures at discount prices. For example, the last eight units at “West” were purchased at foreclosure for \$3.5 million and resold individually for \$2.643 million.

SUMMARY OF URBAN RALEIGH CONDOMINIUM MARKET					
SALES PRICES/ABSORPTION RATES/TRENDS:1/11/:4/12					
Community	Palladium	Quorum	222	West	Plaza
Address	444 S. Blount	323 W. Jones	Glenwood Glenwood	400 N. West	former RBC Plaza
Year Built	2006	2007	2007	2008	2008
Total Units	66	38	117	122	140
No. Sold(3/11)	59	31	110	107	116
Peak Price/unit	\$ 283,560	\$ 720,650	\$ 319,028	\$ 351,619	\$ 361,892
Peak Year	2007-08	2008-09	2007-08	2008-09	2008-09
Peak Price/s.f.	\$ 223.10	\$ 388.49	\$ 281.33	\$ 315.74	\$ 372.01
No. Most Recent Sales	7	8	15	14	14
Price/unit	\$ 174,964	\$ 336,275	\$ 262,067	\$ 316,750	\$ 350,000
Price/unit as % of Peak	62%	47%	82%	90%	97%
Price/s.f.	\$ 121.08	\$ 251.89	\$ 229.48	\$ 253.00	\$ 306.47
Price/s.f/ as % of Peak	54%	65%	82%	80%	82%
Available Units (1/2012)	5	7	7	15	10
Units Sold 1/2012-6/2013	5	2	7	15	10
Units Not Sold as of 6/2013	0	5	0	0	0
Price/Unit	\$257,400	NA	\$314,570	\$330,375	\$316,750
Price/unit as % of Peak	91%		99%	94%	88%
Price/s.f.	\$178.21		\$218.85	\$259.78	\$286.91
Price/s.f. as % of Peak	80%		78%	82%	77%
See Notes	No. 1			No. 2	
Notes:					
No. 1-	White Oak Palladium sold as bulk sale last 7 units in June 2011 for \$1,224,750 or \$174,964/unit or \$121.08/s.f. All units sold as of 6/2013; five sales in 2012 were at \$257,400/unit or \$178.21/s.f.				
No. 2-	Last 8 units in "West" purchased at foreclosure in July 2012 for \$3.5 million and sold for \$2,643,000, 75.5 % of foreclosure purchase price				
RESALES					
Initial Purchase Price/Unit	\$ 237,700	NA	\$ 262,722	\$ 331,222	NA
Resale Purchase Price/Unit	\$ 222,700		\$ 222,889	\$ 307,167	
Resale Price as % Purchase	94%		85%	93%	
Price/					

Apartment Market

Two communities, "712 Tucker" and "Hue" were constructed as condominiums but as a result of a depressed market they were successfully converted to rental apartments. "712 Tucker" was sold in August 2010 for \$30 million or \$167,598 per unit and the "Hue" sold in June 2010 for \$36.9 million or \$177,404 per unit, both based on rental income and potential future conversion back to condominiums.

Encouraged by the successful and profitable conversion of "712 Tucker" and the "Hue" from condominium to rental apartment communities in addition to the sales of "Alexan" and "Oberlin Court" rental apartment communities, developers and lenders have focused new residential development almost exclusively on new rental apartment communities. As noted earlier, "712 Tucker" sold in August 2010 for \$30 million or \$167,598 per unit and the "Hue" sold in June 2010 for \$36.9 million or \$177,404 per unit. The "Alexan" sold in 2006 \$159,933 per unit and "Oberlin Court" sold in 2011 for \$180,000 per unit. The "Hue" is located in Raleigh's Central Business District, "712 Tucker" is located in the trendy "Glenwood South" area, "Alexan" is located in the North Hills area and "Oberlin Court" is located near the Cameron Village neighborhood.

As of the effective date of this appraisal, there were some 1,214 luxury apartments under construction. They include:

- Gallery – 400 Oberlin Road in Cameron Village, 295 units
- 425 Boylan – Glenwood South, 250 units
- 600 St. Mary’s – Glenwood South, 145 units
- W. Morgan – Hillsborough Street @ W. Morgan Street, 249 units
- 401 Oberlin Road – Cameron Village, 275 units

Approved and proposed new apartment development totals some 1,168 units that include:

- West – 153 units in Glenwood South
- 616 Oberlin Road – 200 units in Cameron Village
- “Skyhouse” – 320 units at Blount Street parking deck
- Links at Glenwood South – 203 units
- Bramery in Glenwood South – 209 units
- “L” at Wake County parking deck – 83 small units

In summary, there are approximately 2,382 apartment units either under construction, approved or proposed in the urban area of the City of Raleigh and within one mile of the subject.

Two proposed apartment communities, “Skyhouse” and “L,” are associated with publically funded and supportive parking decks provided by the City (“Skyhouse”) or Wake County (“L”). The “L” has been in the works since 2007 when conceived as an office building with some retail space. This project gets its name from the shape of the site it will occupy, an “L” shape wrapping around two sides of the 989-space Wake County parking deck at Davie and McDowell Streets. Greg Hatem, the intended developer initially, has teamed with Belfour Beatty Construction for the project’s construction. Mr. Hatem has a long history of successfully renovating old buildings in Downtown Raleigh and filling them with restaurants, retail shops and offices. He and his company, Empire Properties, have yet to construct a building from the ground up. A summary of apartment data is included on the following schedule.

SUMMARY OF MARKET DATA FOR URBAN APARTMENT COMMUNITIES U/C						
Project	"Gallery"	"425 Boylan"	"600 St. Marys"	"W.Morgan"	"401 Oberlin"	
Address	400 Oberlin	425 Boylan	600 St. Marys	W.Morgan	401 Oberlin	
Total Site(ac.)	2.61	1.769	1.212	3.475	2.970	
Total Site(s.f.)	113,691.6	77,057.6	52,794.7	151,371	129,373	
Date Sold	8/11/2011	9/13/2011	8/29/2011	10/18/2011	NA	
Sales Price	\$4,450,000	\$4,580,000	\$2,950,000	\$9,600,000	NA	
Price/s.f. of Land	\$39.14	\$59.44	\$55.88	\$63.42	NA	
Retail s.f.	23,825	13,100	7,296	9,995	60,000	
Retail \$/s.f.	\$50.00	\$30.00	\$30.00	\$30.00	\$40.00	
Retail Value	\$1,191,250	\$393,000	\$218,880	\$299,850	\$2,400,000	
Office s.f.	0	0	4,225	0	0	
Office \$/ s.f.	0	0	\$20.00	0	NA	
Office Value	0	0	\$84,500	0	NA	
Net \$ to Apts.	\$3,258,750	\$4,187,000	\$2,646,620	\$9,300,150	NA	
Total Apts.	295	250	145	249	275	
\$/Apt.	\$11,047	\$16,748	\$18,253	\$37,350	NA	
Apts./acre	113.03	141.32	119.64	71.65	92.59	
Av .unit size (s.f.)	850	883	748	Unknown	Unknown	
Av.Rent/s.f./mo.	\$1.70	\$1.54	\$1.54	Unknown	Unknown	
Av.Rent/unit/mo.	\$1,445.00	\$1,359.82	\$1,151.92	Unknown	Unknown	
Total Apt. s.f.	250,750	220,750	108,460	385,605	Unknown	
\$/s.f.	\$13.00	\$18.97	\$24.40	\$24.12	Unknown	
Planning Case No.	SP-47-2010	SP-23-2011	SP-14_2011	SP-15-2011	SP-72-2011	
Av. \$/ Apt. unit	\$20,652					
Av.\$/s.f. of Apt.	\$28.17					
APPROVED APARTMENT DEVELOPMENTS NOT U/C						
1- "West" at 413 N. Harrington, 153 du's on 0.96 acres purchased 3/2005; SP-36-2011						
2- "Links at Glenwood South," 203 luxury du's on 1.27 acres; SP-57-2012 (site not yet purchased)						
3- "Gramercy" in Glenwood South area, 209 luxury du's on 1.22 acres; SP-64-2011 (site not yet purchased)						
4- "616 Oberlin Rd.," 200 luxury du's on 2.41 acres; no Site Plan approved and site not yet purchased						
5- "Skyhouse" at Blount St. parking deck, 320 luxury high-rise du's on 1.3 acres;SP-16_2012 (site acquired in 2008)						
6- "L" at Wake Co. parking deck, 83 small du's on .45 acres; SP-48-2012 (site to be acquired from Wake Co.)						
In summary, there are a total of 1,214 apartments currently u/c and another 1,168 units approved; a grand total of 2,382 apartments either u/c or approved and located within 1 mile of the TTA property.						

More recent and pending sales includes two parcels also purchased for apartment or condominium development. They are Sale Numbers 7 and 8 on the following schedule. As indicated by this data, the City continues to be the largest, most active single buyer of Downtown property.

SUMMARY OF RECENT/PENDING DOWNTOWN LAND PURCHASES						
Sale No.	Buyer	Seller	Date	Size (ac.)	Price	Price/Acre
1	City of Raleigh	Dillon Supply	Pending	2.67	\$7,000,000	\$2,621,723
					\$10,000,000	\$3,745,318.35
2	City of Raleigh	The Woodpile	6/28/2013	1.71	\$3,687,156	\$2,156,231.58
3	City of Raleigh	Salvation Army	8/23/2013	0.8875	\$2,100,000	\$2,366,197.18
4	318 Partners LLC	WPG Partners LLC	11/27/2012	0.28	\$545,000	\$1,946,428.57
5	Raleigh Properties	RCT Davie	12/21/2012	0.72	\$1,750,000	\$2,430,555.56
6	Warehouse Distric	Triangle Transit	10/31/2012	2.347	\$3,280,000	\$1,397,528.76
	Partners, LLC	Authority				
7	Greyhound Lines	West Jones Street	3/15/2013	1.77	\$4,750,000	\$2,683,615.82
		Associates, LLC				
8	Banner Lincoln, LL	The Woodpile LLC	8/20/2013	2.0641	\$4,340,000	\$2,102,611.31
				12.4486	\$37,452,156	\$3,008,543.61
	City of Raleigh			5.2675	\$14,287,156	\$2,712,321.97
				42%	38%	
Note: Assumes that City of Raleigh pays \$8,500,000 for 2.67 acre Dillon Supply land						

Hotel/Motel Market

This market is slowly recovering and three new urban developments are planned or under construction. They include:

- Residence Inn by Marriott – A proposed 11-story hotel with 140 to 154 rooms, restaurant and retail on the first floor, a rooftop terrace and parking in a nearby city deck, all located near the Raleigh Convention Center.
- A 126-room Hampton Inn & Suites was recently completed in Glenwood South. It is the first new hotel in the downtown area since the Marriott Center opened along Fayetteville Street in July 2008.
- 125-room hotel across from the Bell Tower on Hillsborough Street is proposed by N.C. State University. It will replace Sadlacks's Heroes and a small strip center that includes Schoolkids Records.

A proposed 80-room boutique hotel and 40 condominiums on 0.51 acres just south of the Civic/Convention Center was proposed in 2008 as a development by Greg Hatem but has been shelved.

DESCRIPTION OF THE NEIGHBORHOOD

Neighborhood use is defined by the *Dictionary of Real Estate Appraisal*, second edition, as "a group of complementary land uses." It is typically bounded by either natural or man-made barriers, although they may also be defined by changes in land uses.

Located about one mile southwest of the Central Business District of the City of Raleigh and one-half mile east of the main campus of N. C. State University, the Dix Campus is bounded by Western Boulevard on the north side, Lake Wheeler Road on the east side, the State of N.C. Farmers Market on the south side and the N.C. State University Centennial Campus on the west side.

Centennial Campus consists of 1,307.95 acres of which 1,120 acres are a research/education campus and 214 acres are a biomedical campus. With the land transferred to N.C. State in 1984 and the first building opening in 1989, the present use is 3 million square feet of facility space, 62 private research partners, 75 academic units and 7,000 people. Projected "built-out" development is 9 million square feet of facility space and 30,000 people. Existing amenities include the Lonnie Poole Golf Course/Clubhouse, James b. Hunt Library (under construction), conference/hotel center, Town Center, student housing, food services, additional recreation (all in planning stages) plus College of Engineering (ongoing) and Lab/Office space (pre-leasing). Development of the campus by private, for-profit developers is constructed on long-term ground leases. Typical ground lease terms are 65 years with ground rent based on 8.5% of the fee simple value, increased every 5 years if the trailing 30-year LIBOR rate exceeds 8.5% and adjusted every 10 years at the then-prevailing market rate. Tenants also pay Common Area Maintenance and Ad Valorem taxes. The leases are unsubordinated to a deed-of-trust and lease provisions allow review of the Tenant's debt to make certain the amount of debt does not exceed the value of their leasehold plus improvements.

Along the north side of Western Boulevard across from the Dix Campus are the Central Prison facility, N.C. School for the Blind and Pullen Park, a City of Raleigh public park.

Slightly further north and east is Boylan Heights, a historic single-family residential neighborhood with homes dating back to the late 1880's. Wake County Tax Assessor records indicate recent selling prices of homes in the neighborhood ranging from a low of \$187,000 to a high of \$470,000.

SITE DATA

Based on a total gross area of 307.95 acres as provided by the June 2013 survey, we have estimated that about 164.35 acres are located east of the railroad and 143.6 acres are located west of it, suggesting that the total campus area could be considered as two smaller tracts.

The shape of each of the smaller tracts is slightly irregular but not considered to be restrictive. Topography is predominately gentle to moderate slopes with the exception of areas located within the 165 acres east of the railroad. A portion of some 40 acres located south of and adjacent to Rocky Branch, a tributary of Walnut Creek that parallels the right-of-way of Western Boulevard, and north of Umstead Drive/Richardson Street, has some moderate to steep slopes. This area is often referred to as "The Grove."

Drainage for both tracts appears to be excellent for the most part. A ridge line extends across the center of the tract creating two separate drainage basins: Rocky Branch to the northeast and Walnut Creek to the southwest. More significantly, the railroad corridor is the major drainage channel for the tract, carrying stormwater into each of the two basins. As a result, onsite stormwater piping is minimal, un-intrusive and represents a major savings in stormwater site cost for future development. There are some minor areas of 100-year and 500-year floodplain along Rocky Branch and adjacent to Western Boulevard but they are adjacent to the perimeter property boundaries.

Regional access to the campus is provided by Western Boulevard that has an interchange with I-440, located about 2.5 mile to the west and by the I-440/Lake Wheeler Road interchange that is about ½ mile south. Local access is provided by Centennial Boulevard and by a full access and signalized intersection at Western Boulevard with Hunt Drive, right-in/right-out access at Western Boulevard and Boylan Avenue; full access at Lake Wheeler/Umstead Drive, Lake Wheeler/Goode Drive and Centennial Boulevard at Blair Drive. Interior access is numerous and includes Umstead Drive, Goode Drive, Blair and Barbour Streets, Richardson Drive, etc. Linkage between the two tracts that are located on each side of the railroad is provided by an above grade crossing along Umstead Drive and a small grade crossing at Biggs/Barbour. We estimate a total of 10,471 linear feet of street improvements for Hunt, Umstead, Blair, Goode and Boylan. Other features of note include:

- The area now known as the soccer field and under a long-term ground lease to the City of Raleigh is an old landfill of about 60 acres. Historical data obtained from the N.C. Department of Natural and Environment Resources (NCDENR) indicates the landfill began

operation in the 1950's as a municipal solid waste landfill. As portion was later used additionally as a construction and demolition landfill concurrent with renovations/additions made to Central Prison. Now considered a "Superfund" site, we believe it is reasonable to assume that most, if not all of the 60 acres could be approved for a Brownfield designation. This belief is supported by our client, their environmental and geotechnical consultants and, apparently, by the City of Raleigh. It is our understanding that the City has engaged a consultant to pursue the Brownfield designation. Such agreement is designed as a tool for developers to remove uncertainties in environmental liability. Properties with such agreements in place can be viewed as assets for investment rather than uncertain environmental liabilities. An NCDENR aerial photograph of the landfill and its limits are included as Exhibit E.

- Some 30 acres known as The Grove is considered to be a contributing site in the National Registry of Historic Places.
- A public greenway is located along Rocky Branch adjacent to Western Boulevard on its south side.
- Approximately 5 acres bounded by Lake Wheeler Road (S/S), the railroad (W/S), Biggs (N/S) and Goode (E/S) has very narrow depths and is encumbered by a powerline easement, resulting in limited buildable area.
- A 3.31 acre cemetery with potentially as many as 1,000 grave sites is located on the west side of the railroad.

A summary of the major site characteristics is set forth on the following schedule. A 2012 Wake County GIS Aerial Photograph is included as Exhibit B, a Floodplain Map is included as Exhibit C and a Stormwater Map is included as Exhibit D.

DIX BASICS							
SUMMARY OF LAND AREAS							
ACREAGE:					"RETAINED PREMISES" ACREAGE		
	143.599	(WEST SIDE OF R/R)			WEST SIDE:		
	<u>164.351</u>	(EAST SIDE OF R/R)			BLDGS.	PARKING	TOTAL
	307.95	TOTAL ACREAGE			1.52	5.109	6.629
LEASED PARCELS:					EAST SIDE:		
	60	(SOCCER FIELD, W/S)			BLDGS.	PARKING	TOTAL
	<u>10.475</u>	(THE HEALING PLACE, E/S)			11.787	21.92	<u>33.707</u>
	70.475	TOTAL ACREAGE LEASED					
					TOTAL AREA		40.336
FEE SIMPLE:							
	237.475	(INCLUDES 3.31 ACRES IN CEMETARY)					
	234.165	NET FEE SIMPLE (EXCLUDES CEMETARY)					
	80.289	(NET FEE SIMPLE WEST OF R/R)					
	153.876	(NET FEE SIMPLE EAST OF R/R)					
SUMMARY OF BUILDINGS ON DIX CAMPUS: ALL OCCUPIED BY DHHS							
USE:	GBA	NRA	Effeciency Ratio				
Office	153,640	93,753	0.61021218				
Health Services	780,839	465,095	0.59563495				
Housing	55,747	47,276	0.84804563				
Food Services	<u>62,644</u>	<u>40,751</u>	<u>0.65051721</u>				
Sub-Total	1,052,870	646,875	0.61439209				
Warehouse/Storage	32,030	29,149					
Sub-total							
Day Care/Chapel	16,235	10,528					
Recreational	<u>6,531</u>	<u>5,869</u>					
Sub-Total	22,766	16,397					
Maintenance/Repair	44,603	41,421					
Power Plant/Utilities	<u>20,206</u>	<u>17,014</u>					
Sub-Total	64,809	58,435					
Total Space Occupied	1,172,475	750,856					
SUMMARY OF EXISTING GROUND LEASES							
	<u>Soccer Field</u>	<u>The Healing Place</u>					
Leased Premises	60	10.475					
Beginning Date	18-Apr-97	12/20/1999 (amended 12/19/2012)					
Term (years)	70	47.72 (assume both renewal options)					
Expiration Date	4/17/2067	9/10/2047					
Remaining Term (7/9/2013)	53.78	34.17					
Renewal Options (years)	None	20 (2 renewal periods of 10 years each)					

DESCRIPTIONS OF IMPROVEMENTS

With more than 80 buildings located throughout the campus, there are some 1.17 million square feet in gross building areas owned by the State of North Carolina. An additional 40,000 +/- square feet of a more recently constructed building (Healing Place) is located on a 10.475 acre site under a long-term ground lease.

Occupying portions of the 164.35 acres east of the railroad are some 75 buildings with an estimated total area of about 1,029,570 square feet. They include the hospital, patient dormitories, offices, daycare center, cafeteria, warehouses and staff residences. We have estimated a total of 27 small dwellings are used as staff residences. Other residential buildings include the Superintendent's House, Doctor's residence, Gate Keeper's house, House of Many Porches, Benner House and

gazebo, all considered to be contributing structures when listed on the National Registry of Historic Places in 1990. Other contributing structures located on this portion of the campus include the canteen, kitchen, cafeteria, laundry, old boiler room and carpenter shop. Former dormitories now converted to office use and considered contributing structures are Brown, Clark, Broughton and Hoey.

The age of the buildings vary widely, a few dating back as early as 1850's and some as recently as 1975.

Located on the 143.6 acres west of the railroad are 5 structures owned in fee-simple and having a total area of 142,903 square feet. In addition to these buildings is Warehouse #4 and maintenance shop with about 25,000 square feet. The major buildings on this portion of the campus are Ashby, Scott, Adams, Williams and Kirby, five buildings used as hospital/offices, offices or school. They were constructed over the period 1939 - 1955 and are located beyond the boundaries of the historical district. A schedule of all buildings to be occupied as "Retained Premises" is included on Exhibit O.

As noted earlier, we did not conduct on-site inspections of any of the buildings located on the campus except for visual exterior observations from street rights-of-ways. Their sizes, ages, quality and condition are based on data provided to us by the client, including second-party data obtained from DHHS. Most buildings are functionally obsolete. Of some 1,053,000 square feet of office, health services, food services and housing, only 647,000 square feet (61%) is net rentable area. Included as Exhibit F, operating cost ranged from \$7.6 million to \$7.73 million over the years 2011 to 2013. As determined in the 2007 appraisal and reconfirmed in the 2011 appraisal, there is no contributing value based on market value. As a result, it is likely that under the highest and best use of the property, these improvements would be razed to allow for a more efficient new development.

UTILITIES

The Dix property has all municipal utilities available, including electricity which is provided by Carolina Power & Light, telephone service provided by AT&T, and natural gas provided by PSNC Energy. The City of Raleigh provides water and sanitary sewer service. Fire and police protection are also provided by the City of Raleigh.

ZONING

Located within the Southwestern District of the City of Raleigh's Comprehensive Plan, the Dix Campus is considered to be part of a regional center under the plan's recommended urban form. It is also within the Centennial Campus/Dorothea Dix Small Area Plan which states: "The future of the Dorothea Dix Campus will be determined by the North Carolina State Legislature."

As to the specific zoning, about 297.5 acres of the subject property is zoned **Office and Institutional - 1 (O & I - 1)** by the City of Raleigh, a classification in which medium intensity offices are commonly found. The key features applying to this district are detailed below. This information is taken from the City of Raleigh Zoning Code, Section 10-2035 and related sections.

Permitted Uses

The following list is of the major land uses permitted in the district. A complete list is given in the Zoning Code.

- * **General Uses** allowed under the basic requirements of the O & I - 1 district: banks, day care, hospitals, orphanages, rest homes, funeral homes, charitable institutions, civic clubs, and public libraries.
- * **Conditional Uses** allowed under additional restrictions: offices, office centers (more than one building on a lot), private recreational clubs, and multi-family residences up to 10 units per acre.
- * **Special Uses** requiring approval by the *Board of Adjustment*: restaurants without drive-thru, boarding houses, guest houses, group care facilities.
- * **Special Uses** requiring approval by the *City Council*: multi-family residences between 10 and 25 units per acre.

Site Plan Approval by the City Council is required for nearly all major uses.

Dimensional Standards

Multi-family Minimum Area per Unit: 4,356 square feet (10 units per acre) without Special Use

Permit; 1,742 square feet (25 units per acre) with Special Use Permit

Single-family Minimum Lot Area per Unit: 5,000 square feet

Minimum Size of Office Centers: 2.5 acres of land or 30,000 gross square feet of building.

Minimum Yard Setbacks (in feet):

Front - 30

Side - 5

Rear - 20

Aggregate Sides - 10

Aggregate Front and Rear - 50

Corner Lot Side - 5

(For corner lots, the front yard adjoins the major street)

Maximum Building Height: 40 feet (may be exceeded if one foot is added to yard setbacks for each additional foot of height; if building within 50 feet of the lot line of a residential use or a residential zoning district, two additional feet of setback are required for each additional foot of height)

Maximum Office Building Floor Area Ratio: 75% of lot area, without Special Use Permit

Maximum Office Building Lot Coverage: 25% of lot area

Off-Street Parking Standards

Minimum number of spaces for selected land uses in this district:

Banks: 1 space per 300 square feet and 3 storage spaces for each drive-thru window or drive-up automated teller machine

General offices: 1 space per 300 square feet of *gross* floor area

Medical offices: 6 spaces per doctor or dentist

Landscaping Standards

Banks are "medium impact uses" requiring landscaped transitional protective yards when next to or across from residential, park, or "low impact uses." The low impact group includes offices, day care, and others listed above that require protective yards only next to residential uses. The width of the protective yard in combination with the degree of vegetation must exceed some minimum standard, established by a scale displayed in Section 10-2082.9 of the Code.

Some 10.5 acres of the subject property are zoned **Thoroughfare District (TD)** by the City of Raleigh, a classification allowing all major types of residential and non-residential uses, with special landscaping standards adjacent to major roads. The key features applying to this district are detailed below. This information is taken from the City of Raleigh Zoning Code, Section 10-2045 and related sections.

Permitted Uses

The following list is of the major land uses permitted in the district. A complete list is given in the Zoning Code.

- * **General Uses** allowed under the basic requirements of the TD district: retail sales, banks, restaurants, food stores, automotive sales, service, and repair, hotels or motels, warehouses and distribution centers, manufacturing (except certain types creating noxious by-products), mini-warehouses, machine shops, wholesaling, outdoor storage (except junkyards), offices, indoor and outdoor recreational uses, movie theaters, and bars, nightclubs, and the like
- * **Conditional Uses** allowed under additional restrictions: shopping centers not within 400 feet of a major thoroughfare or major access corridor, office centers (more than one building on a lot), mixed use developments, single-family dwellings, and multi-family developments up to 20 units per acre
- * **Special Uses** requiring approval by the *City Council*: shopping centers within 400 feet of major thoroughfare or major access corridor, and multi-family developments between 20 and 40 units per acre

The major routes for which special provisions apply are I - 40, Wade Avenue between I - 40 and I - 440.

Site Plan Approval by the City Council is required for most commercial uses (does not include office buildings on their own lots).

Dimensional Standards

Multi-family Minimum Area per Unit: 2,178 square feet (20 units per acre) without Special Use Permit; 1,089 square feet (40 units per acre) with Special Use Permit

Single-family Minimum Lot Area per Unit: 5,000 square feet

Minimum Size of Office Centers: 2.5 acres of land or 30,000 gross square feet of building.

Minimum Size of Shopping Centers: 2.5 acres of land and 25,000 square feet of building

Minimum Yard Setbacks: (in feet)

Yards adjoining rights-of-way - 90 if fronting thoroughfare or arterial (50 if treescape doubled); 50 or 30 for minor roads

Interior Rear and Sides - 0 if adjoining a lot in the same development or subdivision, 20 if on the periphery of a development

Maximum Building Height: 70 feet if subject to 90-foot setback, otherwise 50 feet (may be exceeded if two feet are added to yard setbacks for each additional foot of height); if buildings within 50 feet of a residential dwelling or residential zoning district, 30 feet is the base maximum height

Off-Street Parking Standards

Minimum number of spaces for selected land uses in this district:

Shopping Centers (up to 600,000 square feet): 1 space per 250 square feet

Shopping Centers (600,000 - 1,200,000 square feet): 1 space per 200 square feet

Banks: 1 space per 300 square feet and 3 storage spaces for each drive-thru window or drive-up automated teller machine

Restaurants: 1 space per 50 square feet or 1 space per 4 seats, whichever is greater. If drive-thru is present, 1 space per 35 square feet if this requires more spaces

Automobile Service and Repair: 3 spaces per service bay or mechanic where bays are not used

Service Stations: 1 space per 1,000 square feet of land

Miscellaneous Retail: 1 space per 200 square feet

General offices: 1 space per 300 square feet of *gross* floor area

Manufacturing, Warehouses, and Wholesaling: 1 space per 2 employees during shift of maximum employment, plus 1 space for every truck to be parked simultaneously

Landscaping Standards

Aside from the basic landscaping requirements in this district, additional landscaping may be required for some yards according to a set of impact-based standards. Shopping areas, manufacturing facilities, warehouses, transportation terminals, and mini-warehouses are "high impact uses" requiring landscaped transitional protective yards next to adjoining properties, with a greater degree of landscaping next to residential uses. Restaurants, food stores, banks with drive-thru's, hotels/motels, and other retail uses are "medium impact uses" requiring protective yards next to residential, park, and "low impact uses." The low impact group includes offices, day care, and others listed above that require protective yards only next to residential uses. The width of the protective yard in combination with the degree of vegetation must exceed some minimum standard, established by a scale displayed in Section 10-2082.9 of the Code.

Notwithstanding the existing zoning, it is likely the entire campus can be rezoned for mixed-use under the new Unified Development Ordinance categories.

AD VALOREM TAXES

The Dix property is part of a larger 536.35 acre tract identified as PIN 1703.09-05-1169 by the Wake County Tax Assessor's Office with tax assessed values as follows:

<u>PIN Number</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
1703.09-05-1169	\$82,657,921	\$100,935,295	\$183,593,226

The assessed value for the entire 536.35 acres is \$183,593,226 and the 2011 tax rate is \$0.9166 per \$100 of tax assessed value, including the Wake County rate of \$0.534 per \$100, and the City of Raleigh rate of \$0.3826 per \$100.

Total Tax Assessed Value	\$183,593,226
Tax Rate	\$0.9166 per \$100 of assessed value
Estimated 2013 Ad Valorem Taxes	\$1,682,816

The State of North Carolina requires that all of the real estate in every county be revalued for tax purposes at least every eight years. Wake County has historically revalued its real estate every eight years and last established new tax assessed values in January 2008, indicating a revaluation in January 2016. Furthermore, state owned, the property is exempt from Wake County Ad Valorem taxes and assessed values of state owned properties rarely have any relationship to market value.

APPRAISERS' OPINION OF THE HIGHEST AND BEST USE

Highest and best use, as defined, is that use which, at the time of appraisal, is the most profitable and likely use to which a proper can be put. It may also be defined as that available use and program of future utilization which produces the highest present land value.

According to *The Appraisal of Real Estate*, 9th Edition, the highest and best use must be 1) physically possible, 2) legally permissible, 3) financially feasible, and 4) maximally productive.

Physically Possible: The size, shape, area and terrain of a parcel of land affects the uses to which it may be developed. The highest and best use of a property must be a use to which the property is capable of being developed. It must consider factors including capacity and availability of utilities, topography, and sub-soil conditions and any other physical characteristics of a property which will alter the property's development potential.

Legally Permissible: The highest and best use must be a use which is legally allowable. Private restrictions, zoning, building codes, historic district controls, and environmental regulations must allow for the development of a site's highest and best use.

Financially Feasible: In the highest and best use analysis, all uses that generate a positive return on the property should be considered. If a use does not generate a positive return, it is not considered financially feasible and would not be considered as a potential highest and best use of a property.

Maximally Productive: Of the financially feasible uses, that use which produces the highest price, or value, (given a constant rate of return), is the highest and best use.

For improved properties, a distinction must be made between highest and best use as though vacant and as though improved. The former identifies the use of the site as though vacant that would produce the highest present land value. The latter takes into account the presence of the existing improvements. The determination must be made whether the existing improvements should be maintained as is, expanded, renovated, or partially or totally demolished in favor of a different use altogether.

Highest and Best Use as though Vacant - 247.95 Acres

Physically there are simply no significant features of the site that would restrict the ultimate density of development to less than that permitted by zoning. Two very minor physical encumbrances are the floodplain along Rocky Branch with the greenway over it and the powerline easement along Lake Wheeler Road. The floodplain is, however, along the right-of-way and can be used to meet tree conservation, open space and other requirements. Similarly, the powerline easement is generally adjacent to the right-of-way of Lake Wheeler Road. It can be used to meet setback requirements and can be used for parking. The small 3.31 acre cemetery is perhaps the most restrictive physical feature, certainly not developable and adjacent to the 60-acre soccer field that was previously a landfill.

Nearly all other physical attributes of the site are positive in terms of use and cost of future development. Most of the site is of a gently rolling topography with a ground cover of open meadows or landscaped lawn and parking. Upon the razing of the existing buildings and parking there will be some 40 acres of nearly level, buildable pads. This represents a significant cost savings when compared to sites that require clearing of wooded areas, grubbing and rough grading prior to development; \$40,000 to \$60,000 per acre based on our estimates..

Other site improvements that indicate a premium value for the subject as compared to most sites purchased for new development are existing streets, sidewalks and street lights; stormwater drainage, onsite water/sewer service and a bridge that connects the two parcels located on each side of the railroad. Combined with the savings in site clearance and rough grading, these positive features represent a premium to value of \$55,000 to \$80,000 per acre. (See Exhibit R)

Legally, the site is zoned O&I-1 with a small area zoned TD. In relating these two classifications to the ones under the new Unified Development Ordinance, we believe it is reasonable to conclude the entire site could be developed in the future using a combination of the new RX, OX, OP or CX Mixed-Use Districts. For each of these districts the height limitation could vary from 3-story up to 12-20 story and frontage could vary from PK to PL to SH. This matrix of combinations would cover almost all, if not all, of the future uses.

Based on the favorable physical features of the site, the wide range of new zoning categories, its favorable location and its size, a mixed-use development is financially feasible. The mix of uses would include some medium single-family, medium to high-density apartments and condominiums,

offices and retail. A precise estimate of the percent of land area for each type of use is beyond the scope of this appraisal but we think that conservatively high-density residential, office/institutional and retail would cover 40% to 45% of total area.

As to the maximally productive use, the site would be developed on smaller “pods” whose boundaries would generally be defined by the railroad corridor, Hunt Drive, Umstead Drive, Barbour Drive, Biggs Drive and S. Boylan Avenue. These interior collector streets create some six smaller parcels which could be marketed and developed separately. Two would lie west of the railroad, one on each side of Umstead and Blair Drives. Four would lie on the east side of the railroad; two on the north side of Umstead Drive and two on the south side of Umstead Drive. One of these two would be bounded by the railroad, Umstead and Biggs Drives. The second would be bounded by the railroad, Biggs Drive and Lake Wheeler Road.

To conclude, the highest and best use of the 244.64 acres net of the cemetery is for mixed-use development as residential, office/institutional and retail to the maximum density as permitted by zoning. The marketing of the site, if it were to be sold, would allow for multiple buyers, each acquiring a parcel suitable for their particular use.

For this portion of the 307.95 acres, its highest and best use and ultimately its value are based, in ascending order of contribution, its size, existing infrastructure (streets, stormwater management, utilities), available open space/tree conservation, favorable topography, absence of assembly costs and location. Simply stated, there is no market data for sales and prices paid for sites comparable to this property. In estimating its value from the market data that is available, these superior features need to be recognized.

Leased Fee: 10.475 acres leased to The Healing Place and 60-acre Soccer Field leased to City of Raleigh

- **10.475 Acres (The Healing Place)** – The highest and best use for the property is mixed-use as part of a larger mixed-use development. Although the current lease expires in about 14 years, we consider it highly likely that the two 10-year options for renewal will be exercised. This will extend the term an additional 20 years resulting in its reversion to the State in about 34.17 years. The existing improvements are substantial and have major contributing value at this time but are of a special-purpose use and constructed in 1999. At the termination of the lease they will be 48 years old. At that time it is unlikely they would have a contributing value based on their functional obsolescence, physical condition and the highest and best use of the site if vacant. Accordingly, the highest and best use and value is measured by the present value of the reversion. The cost to raze the building would be offset by any interim value.
- **60 Acres (Soccer Field)** – This former municipal solid waste and construction/demolition landfill is currently a superfund site with oversight by NCDENR. It is currently used as a soccer field and parking facility as part of the City’s parks department. Although we have concluded that the site can be successfully designated as a Brownfield, allowing for new and more intense use, basing an opinion of highest and best use on its future potential uses would be speculative. We conclude a highest and best use as recreational open space and a value based on the present value of its reversion in 54 years under this use.

LAND VALUE BY COMPARISON – 244.64 Acres (Excludes 3.31 Acre Cemetery)

Land Value by Comparison is an appraisal technique in which the market estimate is predicated upon prices paid in actual market transactions and current listings of similar tracts of land; the former fixing a lower limit of value in a static or advancing market, and fixing a higher limit of value in a declining market; the latter fixing a higher limit of value in any market. It is the process of correlation and analysis of similar recently sold properties.

In identifying market data on which to base our estimate of the value of this portion of the subject it quickly became apparent that there is no data base of reasonably comparable market transactions. The subject is a large site under single ownership and located in an urban area of medium to high density development. Most of its land area is vacant with positive physical features and significant site improvements. No comparable sites have sold in the past years and none are available. To assemble a site of comparable size, location and physical features would be time-consuming and excessively costly, even if possible.

To overcome this limitation to the valuation process, we first consider highest and best use; mixed-use development of residential, office/institutional and retail at a medium to high density. Reflecting this highest and best use we have compiled data from sales that represent four differing types of land use: multi-family (apartments and condominiums), single-family (detached and townhome), office/institutional (medical and retirement) and retail (big box wholesale/discount, shopping center and out-parcel). For each of the four types of land use we have separated them into two different general locations: Urban (downtown) and Suburban (generally outside the I-440 perimeter).

Having selected and grouped the sales by use and location, our analysis uses the following methodology with Price Per Acre as the unit of comparison.

1. Average Price Per Acre – Total purchase price for all sales divided by total size for each type of location and use.
2. Weighted Value – Total average by location divided by total acreage of each location times average price of each location.
3. Total Weighted Value – Sum of the weighted value of each location.

Example:

- A. The five Urban Multi-Family land sales totaled 9.3771 acres with an average sales price of \$2,166,981 per acre; the seven Suburban Multi-Family land sales totaled 83.5 acres with an average sales price of \$392,494 per acre.
- B. Weighted average for Urban Multi-Family land sales was 9.3771 acres divided by 92.8778 times \$2,166,981 = \$218,782 per acre; Suburban Multi-Family land sales was 83.5 divided by 92.8778 times \$392,494 = \$352,867.
- C. Total Weighted Average was $\$218,782 + \$352,867 = \$571,649$ per acre.

The analysis of each of the four types of land use resulted in a Total Weighted Value per acre. As seen on the following schedule, the values were \$571,649 (Multi-Family), \$198,145 (Single-Family), \$358,882 (O&I) and \$342,927 (Retail). A review of the data also clearly demonstrates that Urban sales were much smaller in size and sold for much higher prices than Suburban sales. As a result their weighted factor was low, reducing their impact or contribution to the Total Weighted Value.

Upon completion of this analysis of the market data in terms of use and location, the average for each type of use was added to determine the total acreage for all sales. This total was 558.3615 acres. To determine a per acre value for the subject, a weighted factor for each type of use was calculated; this factor was multiplied by the weighted value of the use; weighted value of all uses was totaled to measure a final value. As seen on the schedule, Single-Family use had the highest weighted factor due to the large size of a “typical” site and the highest weighted contributing amount. Total weighted value was \$302,191 per acre and we conclude a value of \$300,000 per acre.

SUMMARY OF MARKET DATA AND ANALYSIS FOR ESTIMATE OF THE FEE SIMPLE VALUE OF 234.165 ACRES KNOWN AS "DIX CAMPUS"							
LOCATED ALONG WESTERN BOULEVARD AND LAKE WHEELER ROAD IN THE CITY OF RALEIGH, WAKE COUNTY NORTH CAROLINA							
OWNED BY: THE STATE OF NORTH CAROLINA EFFECTIVE DATE OF VALUATION: JULY 9, 2013							
A. Multi-Family Land Value							
I. Urban Multi-Family Land Sales				II. Suburban Multi-Family Land Sales			
Sale No.	Size (acres)	Sales Price	Price/Acre	Sale No.	Size (acres)	Sales Price	Price/Acre
1	2.61	\$4,450,000	\$1,704,981	1	13.35	\$3,000,000	\$224,719
2	1.769	\$4,580,000	\$2,589,033	2	9.1079	\$6,400,000	\$702,687
3	1.212	\$2,200,000	\$1,815,182	3	10.4323	\$4,775,000	\$457,713
4	1.722	\$4,750,000	\$2,758,420	4	13.43	\$4,750,000	\$353,686
5	2.0641	\$4,340,000	\$2,102,611	5	14.6465	\$4,556,500	\$311,098
	9.3771	\$20,320,000		6	9.7	\$4,000,000	\$412,371
				7	12.834	\$5,292,000	\$412,342
					83.5007	\$32,773,500	
Average Price/Acre:			\$2,166,981				\$392,494
Total Multi-Family Acreage			92.8778	Weighted Value:		Urban	Suburban
% Urban			0.100961694			\$218,782	\$352,867
% Suburban			0.899038306	Total Weighted Value		\$571,649	
B. Single-Family Land Value							
I. Urban Single-Family Land Sales				II. Suburban Single-Family Land Sales			
Sale No.	Size (acres)	Sales Price	Price/Acre	Sale No.	Size (acres)	Sales Price	Price/Acre
1	2.733	\$2,810,000	\$1,028,174	1	91	\$8,519,000	\$93,615
2	1.799	\$2,000,000	\$1,111,729	2	40.93	\$5,300,000	\$129,489
3	2.66	\$2,755,000	\$1,035,714	3	27.38	\$3,850,000	\$140,614
4	17.769	\$11,000,000	\$619,056	4	13.304	\$4,060,000	\$305,171
5	20.549	\$6,750,000	\$328,483	5	95	\$15,000,000	\$157,895
	45.51	\$25,315,000			267.614	\$36,729,000	
Average Price/Acre:			\$556,251				\$137,246
Total Single-Family Acreage			313.124	Weighted Value:		Urban	Suburban
% Urban			0.145341782			\$80,847	\$117,299
% Suburban			0.854658218	Total Weighted Value		\$198,145	
C. Office/Institutional Land Value							
I. Urban Office/Institutional Land Sales				II. Suburban Office/Institutional Land Sales			
Sale No.	Size (acres)	Sales Price	Price/Acre	Sale No.	Size (acres)	Sales Price	Price/Acre
1	0.34	\$1,350,000	\$3,970,588	1	12.588	\$2,900,000	\$230,378
2	3.158	\$6,000,000	\$1,899,937	2	15.944	\$3,148,000	\$197,441
	3.498	\$7,350,000		3	16.814	\$4,875,000	\$289,937
				4	18.518	\$6,400,000	\$345,610
				5	3.522	\$1,200,000	\$340,716
				6	13.4947	\$4,409,000	\$326,721
					80.8807	\$22,932,000	
Average Price/Acre:			\$2,101,201				\$283,529
Total Office/Institutional Acreage			84.3787	Weighted Value:		Urban	Suburban
% Urban			0.04146			\$87,107	\$271,775
% Suburban			0.95854404	Total Weighted Value		\$358,882	
D. Retail Land Value							
Sale No.	Size (acres)	Sales Price	Price/Acre				
1	10.73	\$3,000,000	\$279,590				
2	12.86	\$2,412,500	\$187,597				
3	10.23	\$4,000,000	\$391,007				
4	7.81	\$1,700,000	\$217,670				
5	17.618	\$7,150,000	\$405,835				
6	6.348	\$3,450,000	\$543,478				
7	2.385	\$1,600,000	\$670,860				
	67.981	\$23,312,500					
Average Price/Acre:			\$342,927				
WEIGHTED CONTRIBUTION OF LAND SALES							
Use:	Multi-Family	Single-Family	Office/Institutional	Retail	Total Acreage		
Acreage	92.8778	313.124	84.3787	67.981	558.3615		
% Total	0.16633991	0.560790814	0.1511184	0.121750873			
Weighted Value	\$571,649	\$198,145	\$358,882	\$342,927			
Contrib. Value	\$95,088	\$111,118	\$54,234	\$41,752			
Total Value/Acre	\$302,191						
Rounded...	\$300,000 per acre						

Comments on Analysis and Adjustments

It could be argued that the sales data used in our analysis and conclusion of value was based on “retail” values of smaller sites and the value of the entire subject site should be a “wholesale” value, i.e. discounted for an extended marketing period. Such a discounting, however, would be contrary to our opinion of highest and best use and would not recognize the subject’s superior features. The maximally productive use is not as a sale to a single buyer but to multiple buyers, each purchasing a smaller parcel for a specific use. The property’s size, shape, topography, ground cover and onsite improvements provide for multiple parcels at minimum future development cost “as is.” Furthermore, we believe necessary upward adjustments to each of the sales for the subject’s superior features will more than offset any discounting. Existing onsite improvements add, in our estimate, \$55,000 to \$80,000 in value to the subject; an additional value not enjoyed by nearly all sales used in the analysis. Adding to the value of onsite improvements, the cost to assemble a site of comparable size and location, this premium in value will more than offset any contemplated discounting.

MARKET VALUE – 60 Acres (Soccer Field Leased to City of Raleigh)

As briefly discussed in a previous section, this former landfill is currently used as a soccer field and adjacent parking and the City has proposed an expansion of the facility according to information provided by NCDENR. It is also our understanding that the City is in the early stages of securing a Brownfield agreement for the site that, if secured, would allow for more intense future uses. We have also concluded independent of the City that successfully obtaining a Brownfield agreement is a reasonable assumption. If obtained, the agreement provides significant benefits. Specific ones are:

- Strong liability protection in the form of a covenant not-to-sue that can be provided to a lender for project financing;
- The liability protection passes on to new owners, enhancing marketability;
- Site remedies are much less costly than that of tradition cleanup programs required of other polluted sites;
- Site remedies are up-front, i.e. known costs thereby removing uncertainty;
- Closure can be obtained reasonably quickly; and
- Brownfield property tax incentives reduce property taxes on new improvements for five years after completion of the improvements; offsetting in part or paying in full the costs of environmental assessment, risk mitigation or cleanup activities required of a developer.

Notwithstanding the potential for future more intense uses of the 60 acres and a significant increase in its value, we have identified two purchases of sites by the City of Raleigh for future park use. Described in detail on Exhibit N - Municipal Park Land Sales, the properties include 24.97 acres located along the Neuse River east of Perry Creek Road in northeast Raleigh and 85.46 acres located on the Neuse River and Falls of Neuse Road in northwest Raleigh. They sold for \$84,922 per acre and \$105,312 per acre respectively. Both have physical features and locations far inferior

to the subject but neither is a former landfill. Based on these sales, we conclude a value of \$100,000 per acre and a total value of **\$6,000,000**.

DEMOLITION COST

Our estimate to raze the existing buildings located on the Dix Campus was provided by our client who relayed to us a copy of a proposal they have from D. H. Griffin Wrecking Co., Inc. The estimate was provided initially in May 2011 and the cost was \$5,225,000. An updated estimate requested in the Fall of 2013 resulted in the same cost; the company stating the estimate had not increased.

PROPERTY VALUE ESTIMATE

SECTION I: Combined Fee Simple and Leased Fee for 307.95 Acres

The total value of the 307.95 acres owned by the State of North Carolina is the sum of the fee simple value of 234.165 acres (237.475 acres less 3.31 acres in Cemetery) less demolition cost plus the leased fee value of the 10.475 acres now leased to The Healing Place plus the leased fee value of the 60 acres now leased to the City of Raleigh. The value of the 234.165 acres before a deduction for demolition cost is based on \$300,000 per acre. The value of the reversion of the 10.475 acres is the present value of \$3,142,500 (10.475 acres x \$300,000 per acre) and the value of the reversion of the 60 acres is the present value of \$6,000,000 (60 acres x \$100,000 per acre). The present value of the 10.475 acres uses a term of 35 years and 54 years for the 60 acres. These are the number of years remaining on the leases. The discount rate is a very low, safe rate of 5.35%.

As seen on the following table, we have segmented the total value into two separate components: one for the 164.351 acres on the east side of the railroad and a second for the 143.599 acres on the west side. Total value is **\$66,000,000 (Rounded)**, including \$42,000,000 for the east side and \$24,000,000 for the west side.

ESTIMATE OF THE MARKET VALUE OF 307.95 ACRES KNOWN AS "DIX CAMPUS" LOCATED ALONG WESTERN BOULEVARD AND LAKE WHEELER ROAD IN THE CITY OF RALEIGH, WAKE COUNTY, NORTH CAROLINA			
OWNED BY: THE STATE OF NORTH CAROLINA EFFECTIVE DATE OF VALUE: JULY 9, 2013			
307.95 ACRES NET OF RAILROAD CORRIDOR			
ASSUMPTIONS:			
a.	RAZE ALL HOSPITAL/OFFICE BLDGS. ON PROPERTY		
b.	RECOGNIZE LEASED FEE ESTATE VALUES OF HEALING PLACE (10.475 ACRES IN 35TH YEAR) AND SOCCER FIELD (60 ACRES IN 54TH YEAR)		
c.	ASSUME NO VALUE FOR CEMETARY (3.31 ACRES)		
PROPERTY VALUE			
1. AREA EAST OF RAILROAD			
	TOTAL AREA (ACRES)	164.351	
	LESS:	10.475 (HEALING PLACE)	
	NET AREA (ACRES)	153.876	
	\$/ACRE	\$300,000	
	POTENTIAL SITE VALUE		\$46,162,800
	LESS:DEMOLITION COST		
	AREA (S.F.)	1,029,579	
	\$.S.F.	\$4.46	
	DEMO. COST		-\$4,591,922
	NET LAND VALUE		\$41,570,878
	ADD:		
	HEALING PLACE (Reversion)		\$507,068 (PV of \$3,142,500 at 5.35 %)
	TOTAL SITE VALUE		\$42,077,946
2. AREA WEST OF RAILROAD			
	TOTAL AREA (ACRES)	143.599	
	LESS:	3.31 (Cemetery)	
		60 (Soccer Field)	
	NET AREA (ACRES)	80.289	
	\$/ACRE	\$300,000	
	POTENTIAL SITE VALUE		\$24,086,700
	LESS:DEMOLITION COST		
	AREA (S.F.)	142,905	
	\$.S.F.	\$4.46	
	DEMO. COST		-\$637,356
	NET LAND VALUE		\$23,449,344
	ADD:		
	SOCCER FIELD (Reversion)		\$359,655 (PV of \$6,000,000 at 5.35 %)
	TOTAL SITE VALUE		\$23,808,999
	TOTAL PROPERTY VALUE		\$65,886,945
		ROUNDED...	\$66,000,000

SECTION II: Leasehold Value

A second requirement of this appraisal is to provide an opinion of value for the Leasehold Estate; i.e. the value of the City's interest in the property as determined from an analysis of current fee simple value (234.165 acres), current and future value of 70.475 acres now under long-term leases, areas and schedules of portions of the site available for lease as allowed by lease terms and "Retained Premises," market ground rental rates, ground rent escalations, contract rents, discount rates and adjustments for demolition. Estimates and selections of these various factors are based on the following:

- Current Fee Simple Value (234.165 Acres) - \$300,000 per acre
- Annual Inflation/Appreciation: 2% per year, compounded
- Future Value (70.475 Acres)

- 10.475 Acres – Future value of \$300,000 per acre in 35th year increasing at 2% per year
- 60 Acres – Future value of \$100,000 per acre in 54th year increasing at 2% per year
- Areas/Schedule of Portions for Lease
 - “Retained Premises” – NCDHHS will occupy most of the buildings on the property for a period of 15 years. The building pads and necessary parking will occupy a total of 40.3 acres; 33.7 acres on the east side and 6.6 acres on the west side.

Nearly all buildings are located on the east side, some 1,029,679 square feet, and only five on the west side with 142,905 square feet. Although the retained area on the east side is only 33.7 acres of the 153.876 acres net of The Healing Place site, we estimate that only 52.44 acres would be available for lease during the first 15 years. Identified as Parcels 1 thru 5 on Exhibit O, they include 30.4 acres of the historic “Grove,” two parcels along Goode Street, one on Lake Wheeler Road and one along Umstead Drive at Ruggles Drive.

For the west side’s 80.289 acres, the five buildings and parking occupy 6.6 acres. We have estimated that three parcels with a total of 60.33 acres can be leased during the first 15 years. This includes the 47.52 acres known as “Big Field.” Two other parcels are located along Barbour or Umstead Drives. They are Parcels 6, 7 and 8 on Exhibit O.

To summarize, the schedule and areas available for lease are:

112.77 Acres	-	Years 1 to 99
121.39 Acres	-	Years 16 to 99
10.475 Acres	-	Years 35 to 99
60 Acres	-	Years 54 to 99

Market Ground Rental Rates and Terms

Parcels are developed with a variety of uses utilizing ground leases with terms typically ranging from 25 years for “fast food” shopping center out-parcels to 50 to 65 years for shopping centers, offices and apartments. Owner-occupied residential development on ground lease parcels is rare and requires a 99-year term with the ground rental paid up front as a single lump-sum payment. Examples of ground rent development are:

- **“Park Devereux”** – 46 owner-occupied residential condo units on 1.05 acres for 99 years with lump-sum payment of \$1,000,000
- **“Kilpatrick-Stockton”** – 182,000 square foot office building on 4.36 acres; rent and term unknown
- **“Poyner Spruill”** – 81,000 square foot office building on 6.94 acres, rent unknown, term 40 years, 6 options at 10 years each, CPI increases every 10 years

- **“Mission Valley Shopping Center”** – Neighborhood shopping center on 17.05 acres, 75-year lease with rental rate of 8% of market value adjusted every 10 years
- **“Mission Valley Apartments”** – 240 rental units on 7.51 acres, 75-year lease with rental rate of 8% of market value adjusted every 10 years
- **“UCB Plaza”** – Bank/office of 131,300 square feet on 8.81 acres, term 40 years with 5 options of 5 years each, CPI adjustment every 5 years
- **“Paragon”** – Bank/office of 38,500 square feet on 5.02 acres, term 25 years with 14 options of 5 years each, CPI increases every 5 years
- **“Cary Towne Mall”** – Regional mall on 49.952 acres, term of 20 years with options to renew for additional 50 years, rent unknown but increases every 10 years
- **“Centennial Campus”** – The Endowment Fund has leased numerous parcels for development. They include “Venture” office buildings, Lucent Technologies and the Wildlife Federation. More recent leases are 8 acres for a hotel, 3.5 acres to Alliance and 10.08 acres for 292 rental apartments. Lease terms are 65 years with a 10-year renewal option. Rents are 8.5% of market value, reviewed every 5 years based on trailing 30-year LIBOR rates and adjusted every 10 years for market value. Most parcels are valued at \$325,000 to \$350,000 per acre. The 10.08 acre apartment site was valued at \$3,290,000 or \$326,389 per acre, resulting in a rent of \$279,650 per year or \$27,743 per acre per year.

Based on the above data, we conclude a market rent of 8.5% of market value, adjusted every 10 years with market value increasing at 2% per year.

Contract Rent

This is the amount of rent specified by the lease: \$500,000 per year, increasing at 1.5% per year with an abatement on years 1 thru 15 to account for the “Retained Premises.” The abatement factor is 0.130865; 40.3 acres divided by 307.95 acres. Beginning in the 16th year rent is based on \$500,000 per year, increased at 1.5% per year from year one.

Discount Rate

This is the rate at which the rent differential over the 99 years is discounted to arrive at a present value. Based on a “safe” rate of 5.0% and a “risk” premium of 0.35%, the discount rate is 5.35%. The basis for electing this rate is provided by data listed in Exhibit Q - Discount Rate Data.

In summary, the value of the Leasehold Estate is the present value of the difference between contract rent and market rent. Although the cost to raze the improvements will occur at the end of the 15th year, for clarity and credibility, we have deducted this current cost from the present value of the difference between market rent and contract rent to arrive at the net present value. As seen on the following schedule, the net present value is **\$51,500,000 (Rounded)**.

For the discount rate to be used to estimate the present value of the reversion we have two options:

- Use a relatively low-risk discount rate and the current fair market value of the 307.95 acres; or
- Use a relatively high-risk discount rate after estimating what the value of the 307.95 acres might be in 99 years after accounting appreciation and inflation.

As estimated, a low-risk rate would be 5.35%. Comparing the yield of Investment Grade Corporate bonds to High-Yield bonds, the risk premium is 2.13%. This would result in a discount rate to be applied to some projected future value for the 307.95 acres of 7.48%.

We consider the current value of the 307.95 acres to be much more reliable than some projected future value at the end of the 99 year lease term. Accordingly, our estimate of the present value of the reversion is calculated by using a current value of \$79,392,000 (60 acres x \$100,000 per acre + 244.64 acres x \$300,000 per acre) and a discount rate of 5.35%. As seen on the following schedule, the value of the Leased Fee Estate is **\$13,000,000** (Rounded).

PRESENT VALUE OF LEASED FEE ESTATE HELD BY THE STATE OF NORTH CAROLINA OF CONTRACT RENTS AND REVERSION IN 307.95 ACRES LEASED TO THE CITY OF RALEIGH FOR A PERIOD OF 99 YEARS				
Rent:	\$500,000 per year increasing at 1.5%/year; years 1-15 adjusted for "Retained Premises"			
Constant Ratio:	0.015		Ground Rent Interest Rate:	0.0385
Term		12/31/2012- 12/30/2027	12/31/2027- 12/30/2111	
Annual Rent at Begin of Year		\$434,567.00	\$625,116.00	
No. Years		15.000	84	
PV Factor Begin Term		11.7089	26.1641	
Annual Yield Rate:	0.0535			
PV at Begin of Term		\$5,088,292	\$16,355,586	
Present Value Factor, 15 years			0.457596	
			\$7,484,245	
Present Value of Rents:	\$12,572,538			
Reversion:	Acreage	Annual Yield Rate		
Total Size (acres)	307.95			
Less: Soccerfield	60.00			
Cemetery	3.31	0.0535		
Net Acreage	244.64			
Current Value/Acre				
Net Acres	\$ 300,000			
Soccerfield	\$ 100,000			
Total Value	\$ 79,392,000			
Annual Yield Rate	0.0535			
PV Factor	0.0057436			
PV of Reversion	\$ 455,992			
Total Leased Fee	\$13,028,530			
Rounded.....	\$13,000,000			
Note: PV Factor for Ground Rent for years 16-99 and PV for Reversion is calculated using Annual Yield Rate				

Marketing and Exposure Time

Our value of the Fee Simple Interest is based on a period of 9 to 18 months for each of marketing and exposure.

January 17, 2014

CERTIFICATION

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

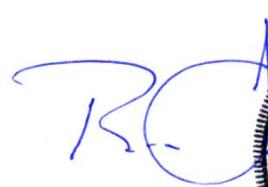
1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation is not contingent upon the reporting of a pre-determined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with Uniform Standards of Professional Appraisal Practice.
6. We have made a personal inspection of the property that is the subject of this report.
7. No one provided significant professional assistance to the persons signing this report.

Neither all nor any part of the contents of this appraisal shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communications without the prior written consent and approval of the undersigned.

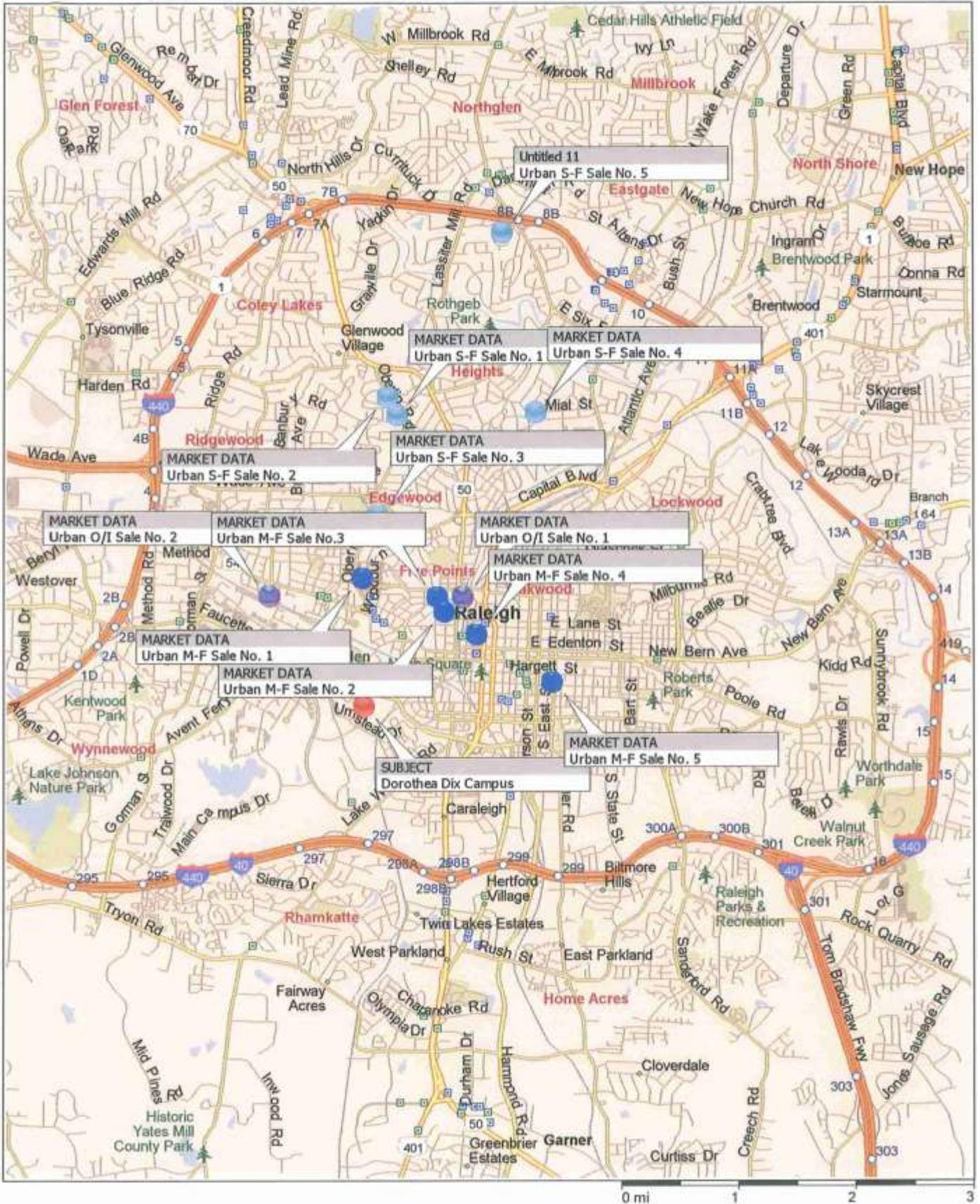
Based upon the information obtained regarding the property, and in the application of our best judgment, along with the use of sound appraisal techniques, it is our opinion that as of July 9, 2013, the values of the Dix Campus property would be:

Fee Simple/Leased Fee (State of NC)	\$66,000,000 (including Reversionary Value for 60 acres and 10.475 acres)
Leasehold (City of Raleigh)	\$51,500,000
Leased Fee (State of North Carolina)	\$13,000,000 (including Reversionary Value of 307.95 acres)


Martin L. Wachtel, III, MAI

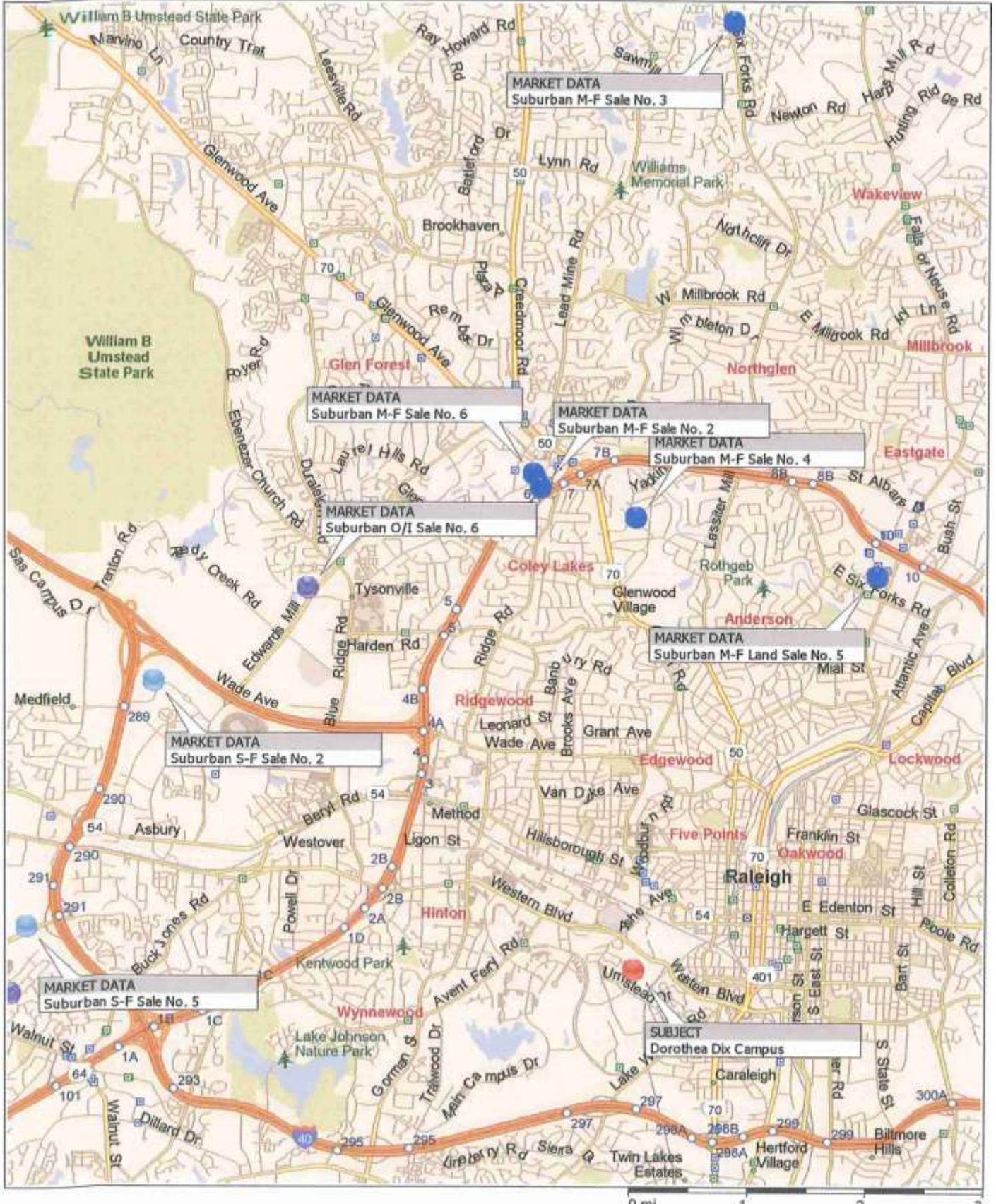


Ronald Thomas, MAI


AREA AND SALES LOCATION MAP



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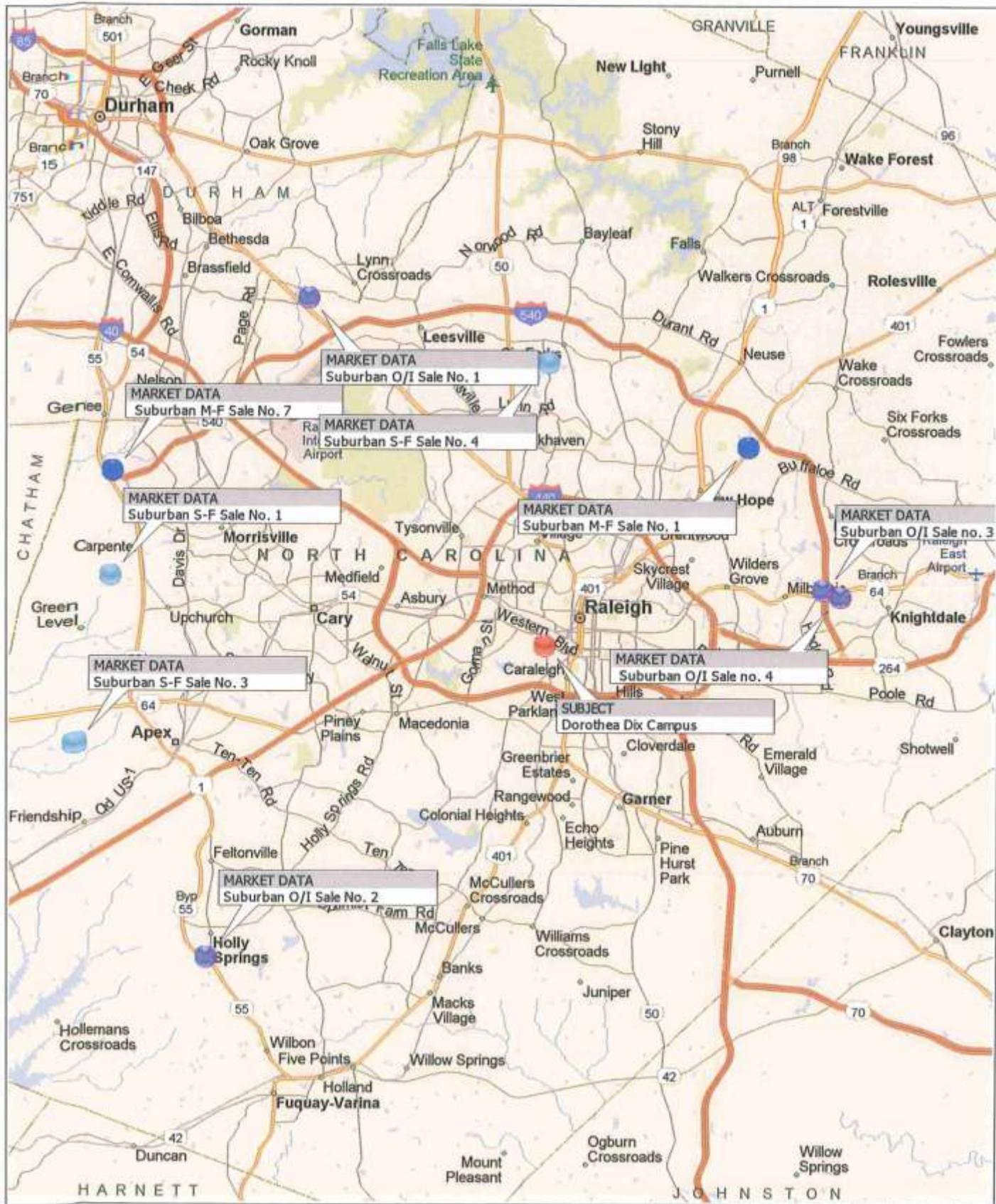
AREA AND SALES LOCATION MAP



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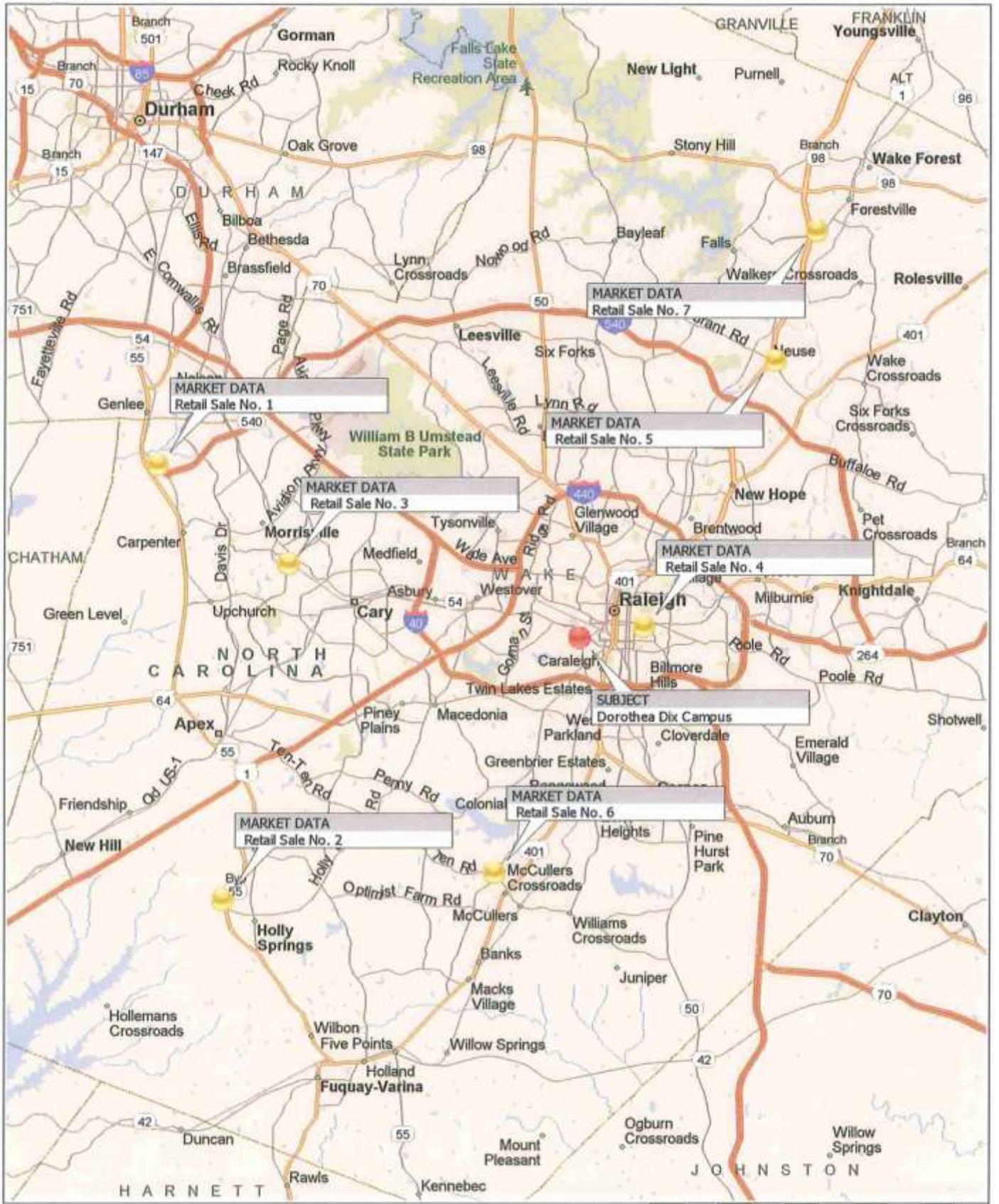
Exhibit A: Area and Sales Location Maps
 Page 2

AREA AND SALES LOCATION MAP



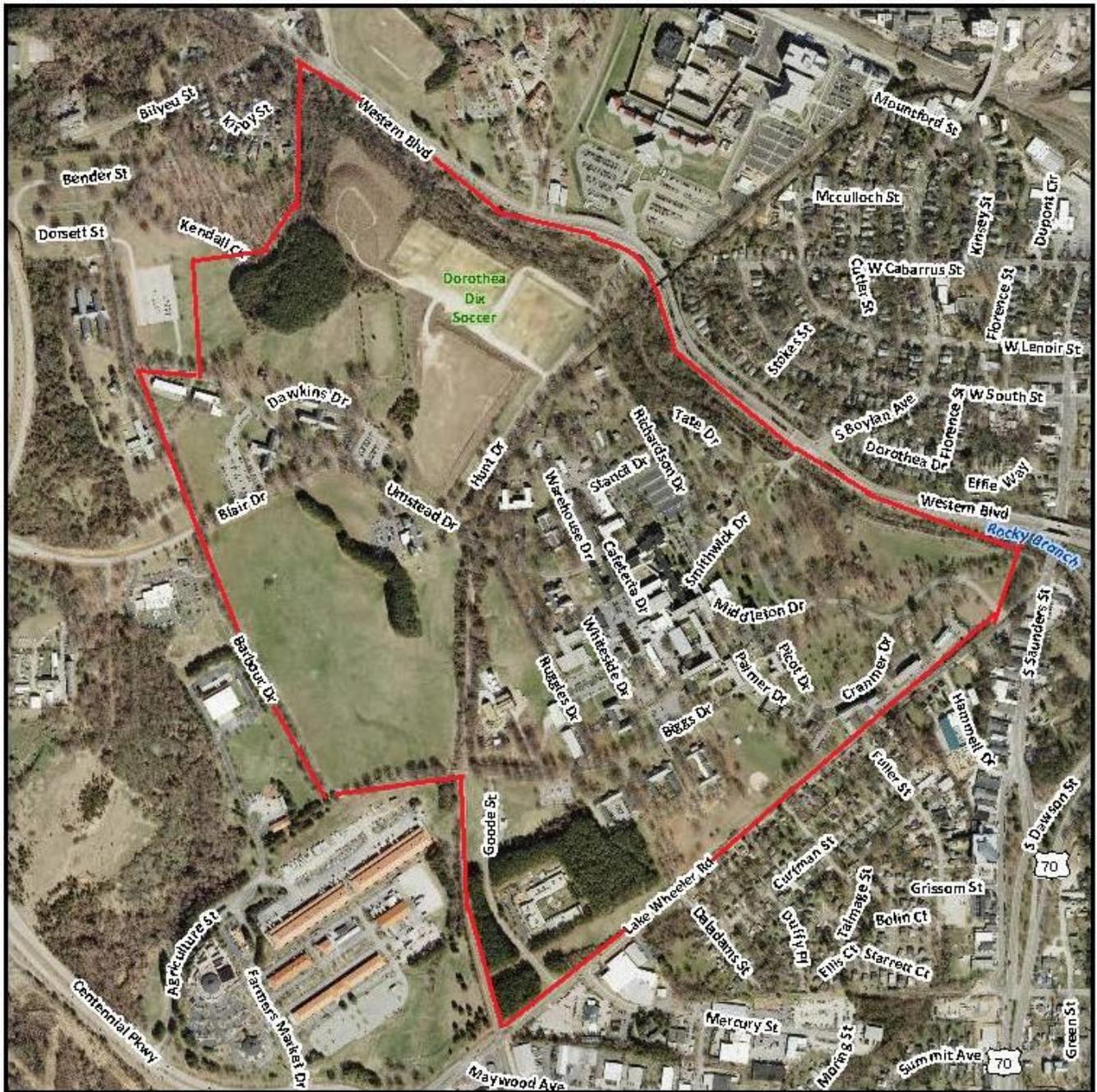
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AREA AND SALES LOCATION MAP

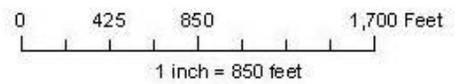


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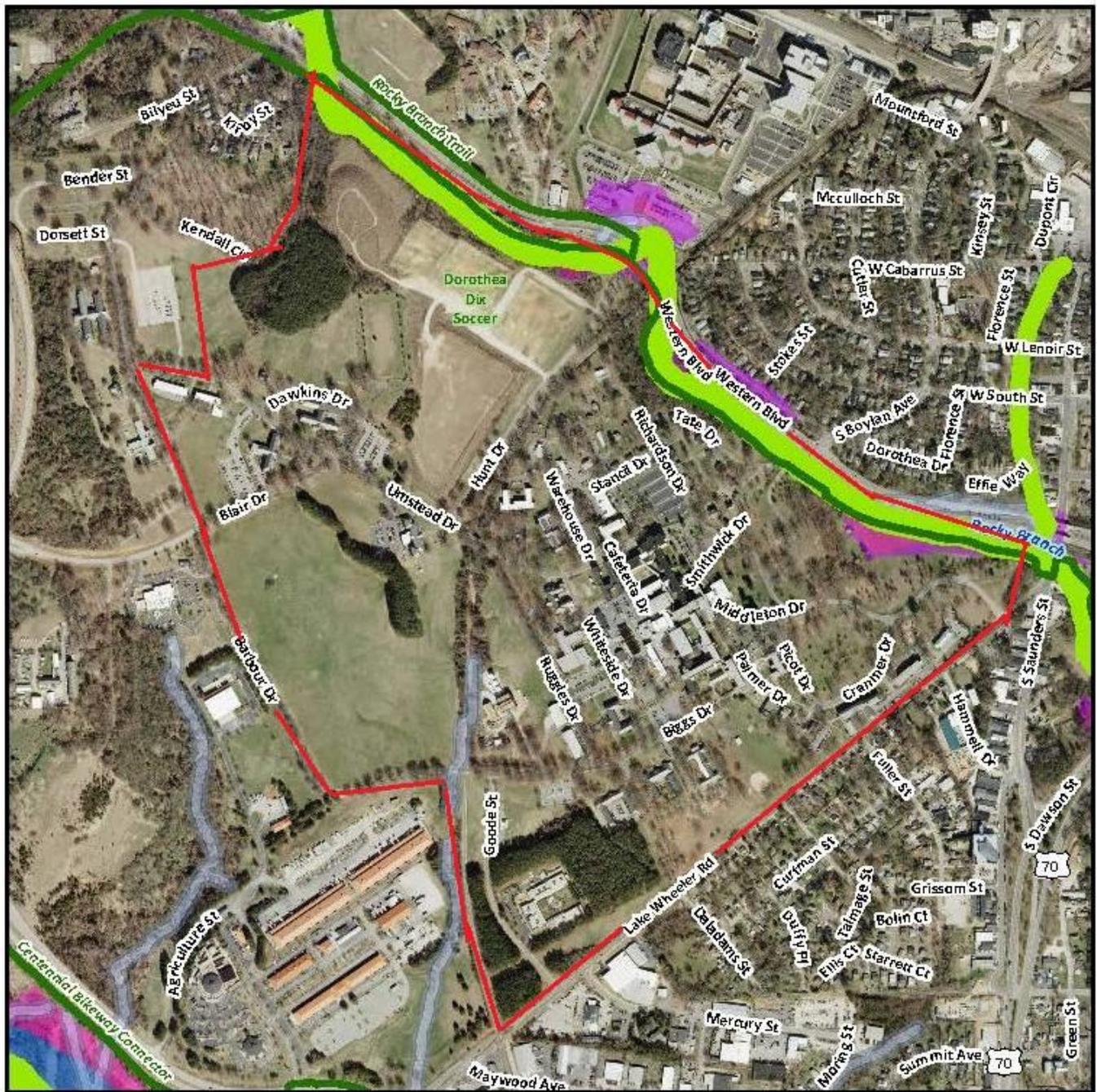
Exhibit A: Area and Sales Location Maps
Page 4



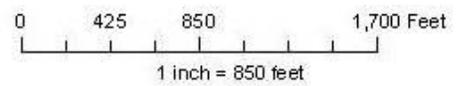
Dix Aerial (2012)



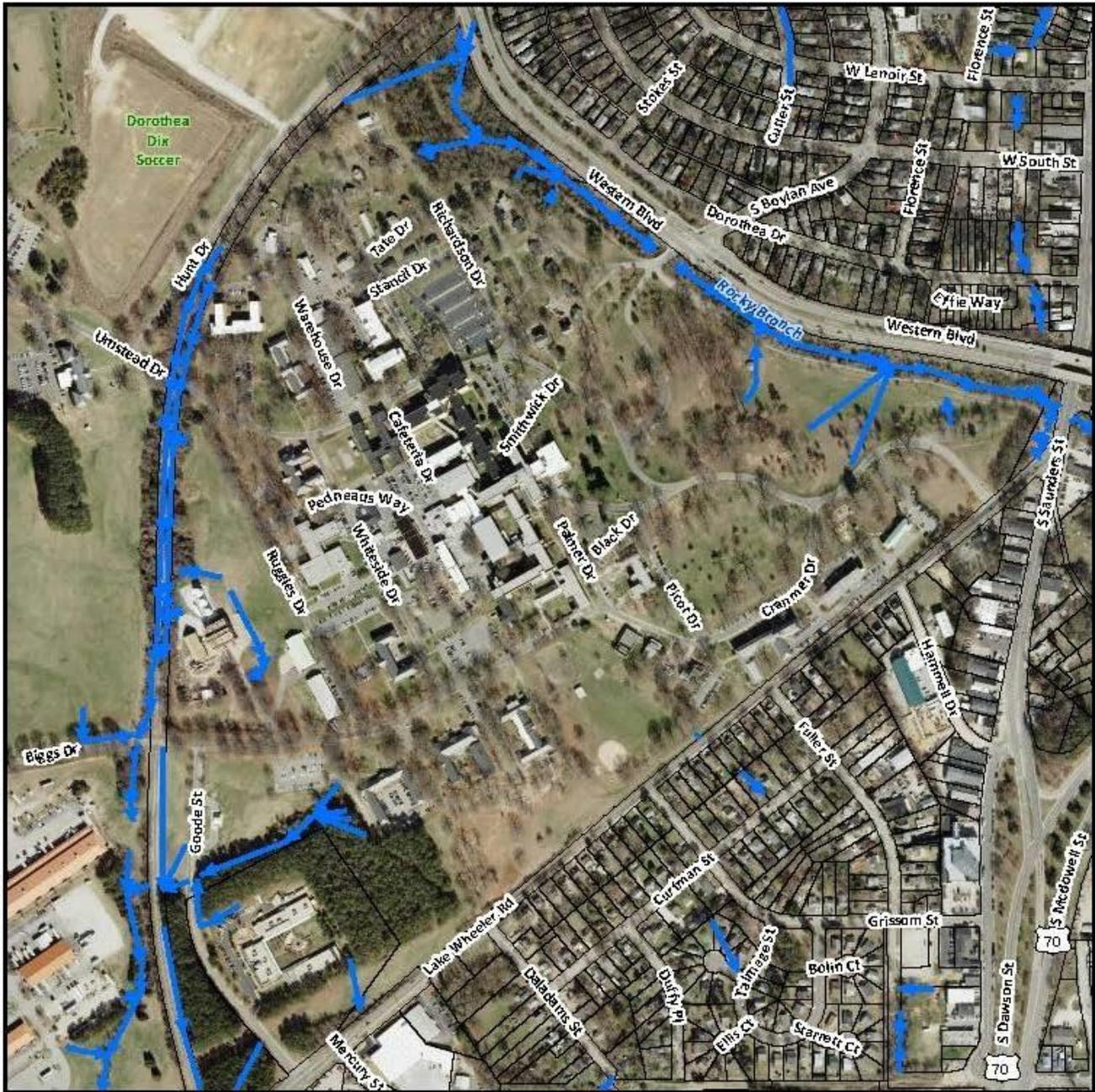
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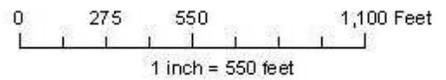
Dix Floodplain/Greenway



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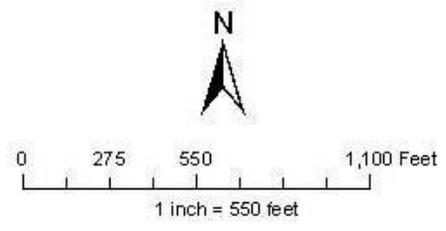
Stormwater - East Side



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Stormwater - West Side



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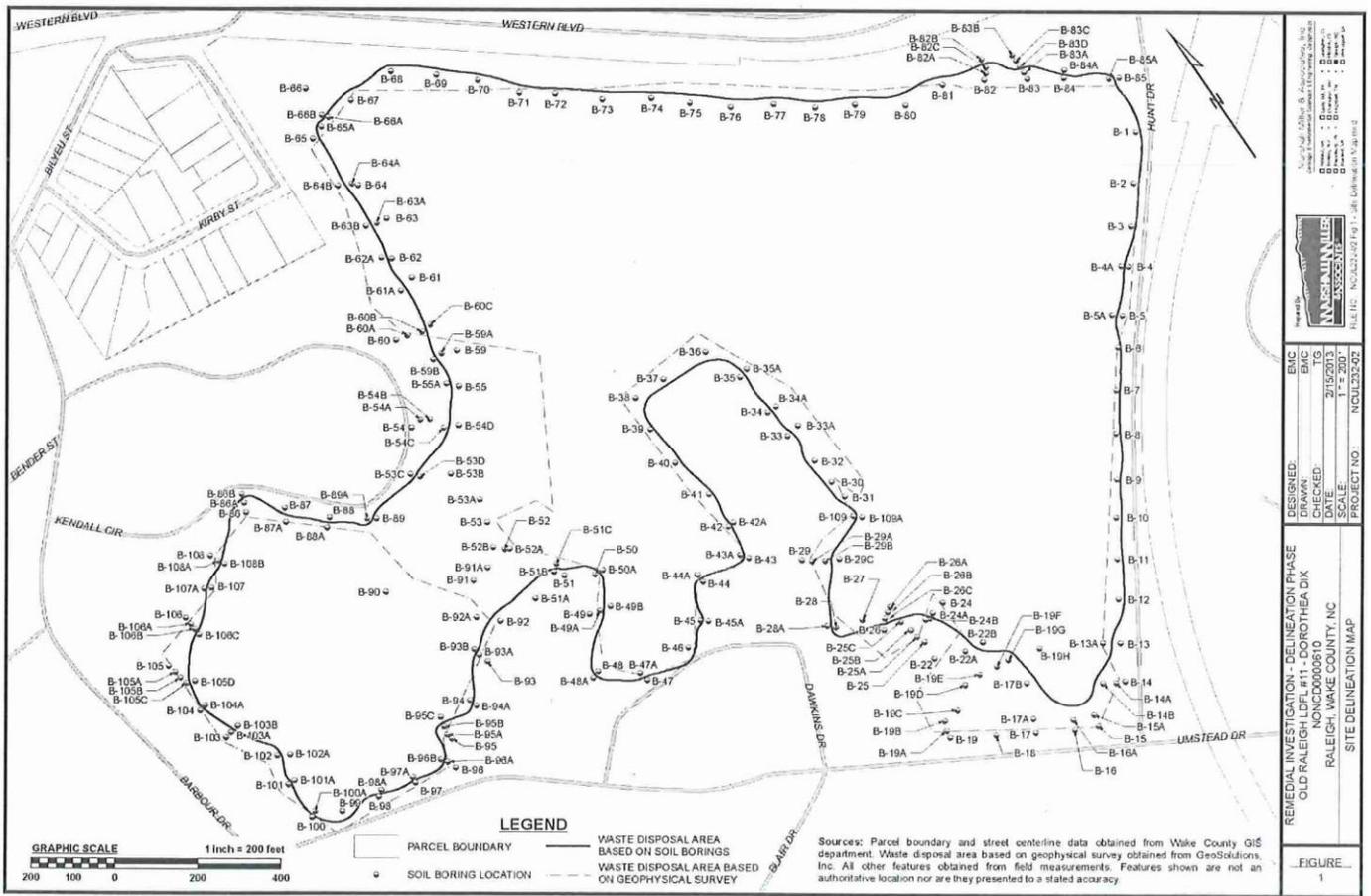
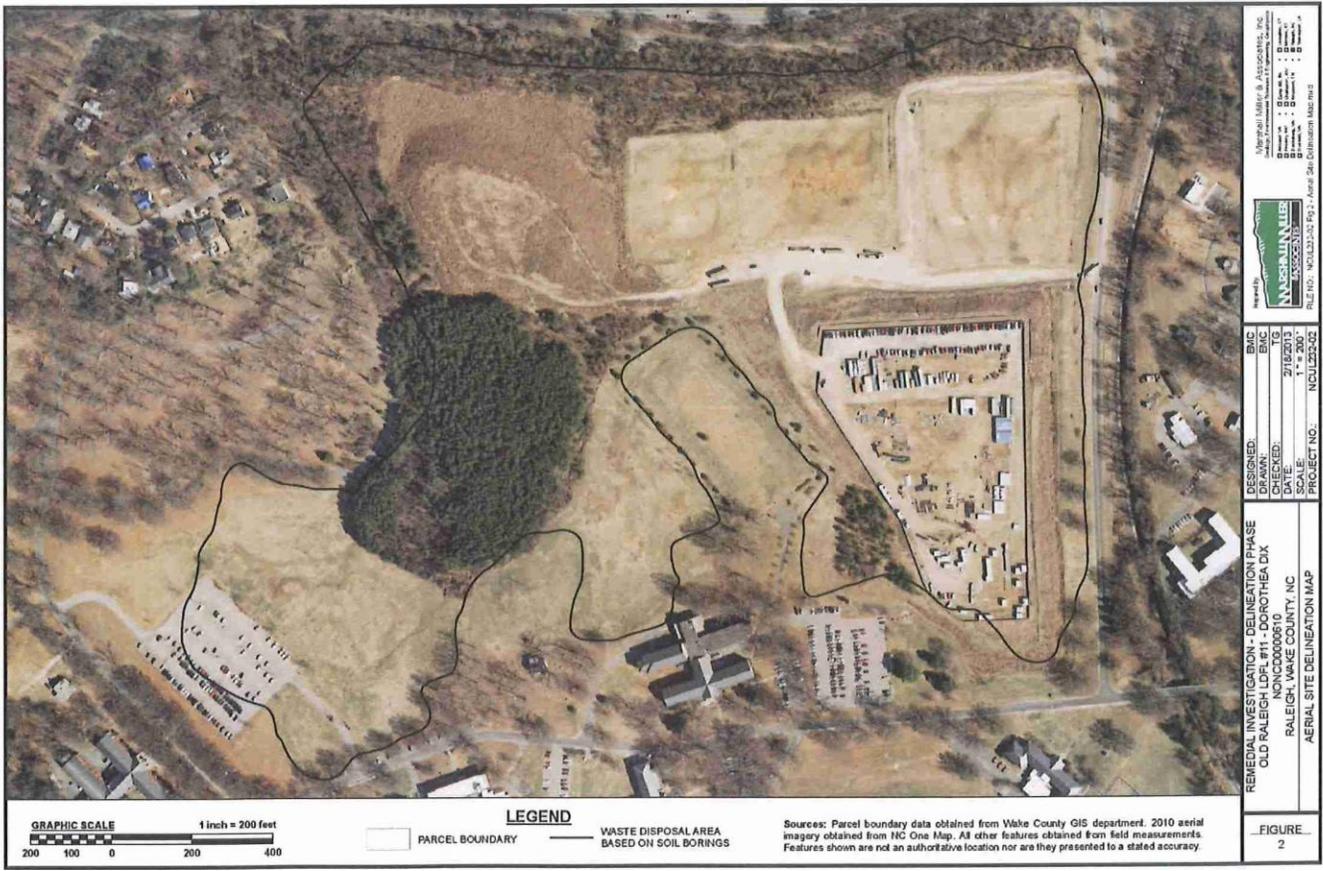


Exhibit E: NCDENR Aerial Photograph (Landfill and Limits)



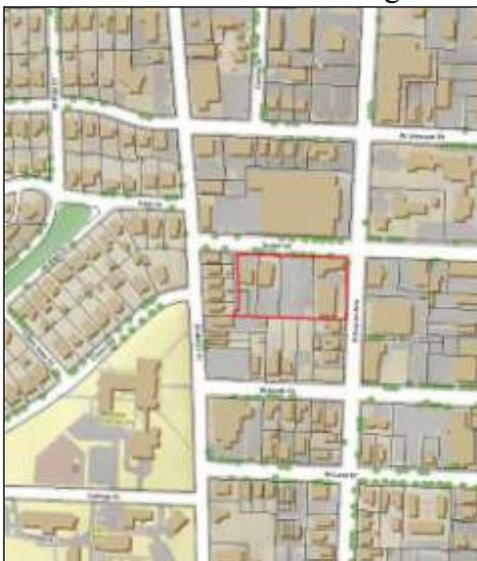
Urban Multi-Family Land Sale No. 1

Date of Sale: August 11, 2011
Grantor: Columbia Cameron Village, LLC
Grantee: Crescent Cameron Venture I, LLC
Location: 400 Oberlin Road, corner of Oberlin Road and Clark Avenue, Cameron Village Shopping Center
Size: 2.61 acres
Frontage: 315 feet +/- on Clark Avenue; 310 feet +/- on Oberlin Road
Shape: Rectangular
Drainage: Good
Topography: Good
Utilities: All municipal
Zoning: SC; PBOD
Improvements: None; existing improvements to be razed
Present Use: Proposed mixed-use development
Highest and Best Use: Mixed-use; predominately apartments; 295 dwelling units on 2.06 acres, 143 dwelling units per acre
Revenue Stamps: \$8,900.00
Confirmed Sales Price: \$4,450,000 (see remarks); net to dwelling units \$3,258,750
Confirmed By: Bryan Nicholson for Grantee
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 14429, Page 2519, Wake County Registry
Tax Reference: PINS 1704-02-0696; part of 3636, 0486, 2318
Remarks: Located within Cameron Village Shopping Center; 295 dwelling units; 23,825 square feet retail; average dwelling unit size 850 square feet; average monthly rent \$1,445; retail value \$1,191,250; net to apartments = \$3,258,750 or \$11,047 per dwelling unit or \$1,579,576 per acre.



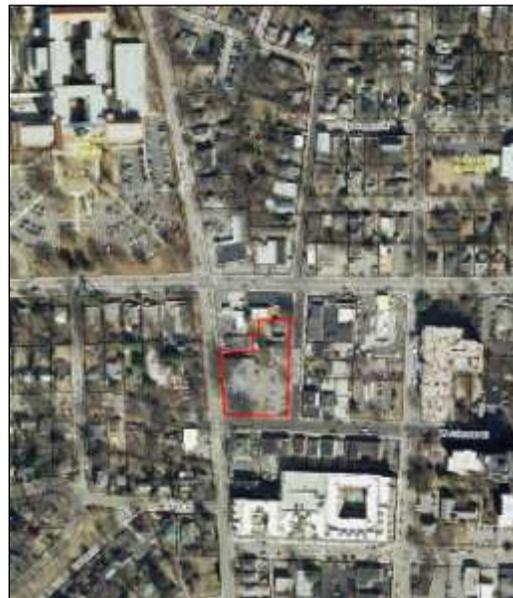
Urban Multi-Family Land Sale No. 2

Date of Sale: September 13, 2011
Grantor: George W. Lennon, et ux; Blue Heron III, LLC; MS Holding Co., LLC; David S. Chaplin, et ux
Grantee: 425 Boylan LLC
Location: 425 N. Boylan Avenue, 721 Tucker Street, 723 Tucker Street, 715 Tucker Street
Size: Total, 1.769 acres; 1.690 + 0.255 + 0.06 + 0.006 + 0.358
Frontage: 375 feet +/- on Tucker Street; 207 feet +/- on N. Boylan Avenue
Shape: Slightly irregular
Drainage: Good
Topography: Level to gentle
Utilities: All municipal
Zoning: O & I-1; PBOD
Improvements: None of value; all to be razed
Present Use: Proposed Mixed-use; predominately apartments, 250 dwelling units on 1.47 acres, 170 dwelling units per acre
Highest and Best Use: Mixed-use; predominately apartments
Revenue Stamps: \$5,620.00; \$2,080.00; \$1,300.00 + \$160.00
Confirmed Sales Price: \$4,580,000 (see remarks); net to dwelling units \$4,056,000; \$16,224 per dwelling unit, \$2,759,184 per acre
Confirmed By: Deeds, Tax Office
Financing: Cash
Condition of Sale: Market
Deed Reference: Deed Book 14460, Pages 2566, 2453, 2542, 2557, Wake County Registry
Tax Reference: ID #'s 52770, 52772, 51904, 92039, 92040
Remarks: Located in "trendy" Glenwood South; 250 dwelling units; 13,100 square feet retail; average dwelling unit size 883 square feet; average monthly rent \$1,360; retail value \$524,000; net to dwelling units \$16,224 per dwelling unit



Urban Multi-Family Land Sale No. 3

Date of Sale: August 29, 2011
Grantor: Alamance Four, LLC
Grantee: NR St. Mary's, LLC
Location: East side St. Mary's Street, north side W. Johnson Street, west side Gaston Street, 600 St. Mary's Street
Size: 1.212 acres
Frontage: 196 feet +/- on St. Mary's Street, 183 feet +/- on W. Johnson Street, 237 feet +/- on Gaston Street
Shape: Slightly irregular
Drainage: Good
Topography: Gentle Slopes
Utilities: All municipal
Zoning: NB, PBOD
Improvements: None of value
Present Use: Proposed 145 apartments on 1.04 acres or 139 dwelling units per acre
Highest and Best Use: Mixed-use
Revenue Stamps: \$4,400.00
Confirmed Sales Price: \$2,200,000 (see remarks); net to dwelling units \$1,823,660; \$12,577 per dwelling unit, \$1,745,953 per acre
Confirmed By: Carter Worthy, for Grantor
Financing: Cash
Condition of Sale: Market
Deed Reference: Deed Book 14445, Page 1837, Wake County Registry
Tax Reference: PINS 1704-31-6808, 7718, 7806
Remarks: Located in "trendy" Glenwood South, retail is valued at \$291,840 (\$40.00 per square foot); office valued at \$84,500 (\$20.00 per square foot); net to dwelling units is \$12,577 per dwelling unit.



Urban Multi-Family Land Sale No. 4

Date of Sale: March 25, 2013
Grantor: Greyhound Lines, Inc.
Grantee: West Jones Street Associates LLC
Location: 314 W. Jones Street, Raleigh, Wake County, NC
Land Area: 1.722 acres or 75,012 square feet
Frontage: 105 feet on W. Jones St.; 294 feet on N. Harrington St.
Shape: "L" shaped
Drainage: Good
Topography: Level
Utilities: All municipal
Zoning: Industrial-2, Downtown Overlay District, City of Raleigh
Improvements: Former Greyhound Bus Terminal
Present Use: Future construction
Highest and Best Use: Commercial
Revenue Stamps: \$9,500
Contract Price: \$4,750,000 or \$2,758,420 per acre or \$63.32 per square foot
Financing: Cash to seller
Confirmed by: Ted Reynolds, with Grantee
Condition of Sale: Market
Deed Reference: Deed Book 15198, Page 187, Wake County Registry
Tax Reference: PIN 1704 50 4286
Remarks: Site is former Greyhound bus terminal and is being held for future residential condominium tower development. A Deed of Trust was issued from Wells Fargo Banks for the full sales price over a thirty-year term secured by letter of credit. Buyer indicated sales price was an arms-length transaction.



Urban Multi-Family Land Sale No. 5

Date of Sale: August 20, 2013
Grantor: The Wood Pile LLC
Grantee: Banner Lincoln LLC
Location: 409 E. Martin Street, Raleigh, Wake County, NC
Land Area: 2.0641 acres or 89,913 SF
Frontage: 210 feet on E. Martin St.; 426 feet on S. Bloodworth St.; 211 E. Hargett St.; and 428 feet on East Street
Shape: Rectangular
Drainage: Good
Topography: Level
Utilities: All municipal
Zoning: CUD O&I-1, Downtown Overlay District, City of Raleigh
Improvements: None
Present Use: Future apartment community
Highest and Best Use: Multi-family
Revenue Stamps: N/A, sale out of bankruptcy proceedings
Contract Price: \$4,340,000 or \$2,102,611 per acre or \$48.27 per square foot
Financing: Cash to seller
Confirmed by: Public Records
Condition of Sale: Market
Deed Reference: Deed Book 15411, Page 2613, Wake County Registry
Tax Reference: PIN 1703 88 8096
Remarks: Lot 1, Book of Maps 2013, Page 1231.



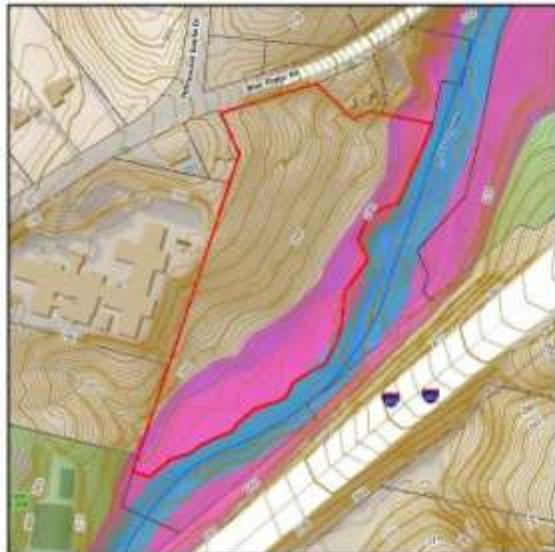
Suburban Multi-Family Land Sale No. 1

Date of Sale: October 4, 2012
Grantor: Raleigh Northeast Commercial Associates, L.P.
Grantee: The Flats on 401, LLC
Location: 5915 Louisburg Road, at northwest corner of Louisburg and Spring Forest Roads, Raleigh, NC
Size: 13.35 acres
Frontage: 1,246 feet on west side of Louisburg Road
Shape: Rectangular
Drainage: Most good but small area riparian buffers along north and rear property lines
Topography: Moderate slopes, heavily wooded
Utilities: All municipal
Zoning: CUD TD with SHOD-3 by City of Raleigh
Improvements: None
Present Use: Future 300 unit apartment community in three mid-rise buildings
Highest and Best Use: Multi-family
Revenue Stamps: \$6,000.00
Confirmed Sales Price: \$3,000,000 or \$224,719 per acre or \$10,000 per dwelling unit
Confirmed By: Michael Sandman for Grantee
Financing: Cash to Seller; \$24,575,000 construction loan by Wells Fargo
Condition of Sale: Market
Deed Reference: Deed Book 14959, Page 2270, Wake County Registry
Tax Reference: PIN 1736-27-1573 (REID # 0409247)
Remarks: Development at a density of 22.5 units per acre; Lot 2 on Book of Maps 2012, Page 633.



Suburban Multi-Family Land Sale No. 2

Date of Sale: July 27, 2012
Grantor: GFM II, LLC
Grantee: Simpson Woodfield Marshall Park, LLC
Location: South side of Blue Ridge Road just east of Homewood Banks Drive, Raleigh, NC
Size: 9.1079 acres or 396,740 square feet
Frontage: 274.46 feet on Blue Ridge Road
Shape: Very Irregular
Drainage: Adequate but some low floodplain
Topography: Moderate to very steep slopes
Utilities: All municipal
Zoning: O&I-2 by City of Raleigh
Improvements: None at purchase
Present Use: 359 unit apartment community under construction; 39.4 dwelling units per acre
Highest and Best Use: Office or multi-family
Revenue Stamps: \$12,800.00
Confirmed Sales Price: \$6,400,000 or \$702,687 per acre or \$16.13 per square foot
Confirmed By: Richard Cotton, Broker
Financing: Cash to Seller
Condition of Sale: Market
Deed Reference: Deed Book 14860, Page 1304, Wake County Registry
Tax Reference: PIN 0795-47-9879
Remarks: Lot 3, Book of Maps 2012, Page 918. Price was based on \$20,000 per unit but capped at 320 units. Purchase price was \$17,827 per dwelling unit.



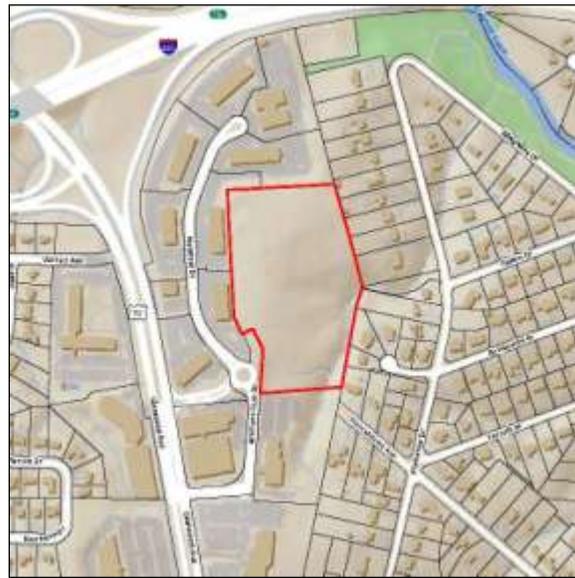
Suburban Multi-Family Land Sale No. 3

Date of Sale: July 17, 2012
Grantor: Marjorie Finch Smith
Grantee: Six Forks Apartments, LLC
Location: East side of Six Forks Road about 125 feet south of Featherstone Drive, Raleigh, NC
Size: 10.4323 acres or 454,431 square feet
Frontage: 718.52 feet on Six Forks Road
Shape: Slightly Irregular
Drainage: Good
Topography: Moderate slopes
Utilities: All municipal
Zoning: O&I-1 by City of Raleigh
Improvements: None of value
Present Use: Proposed for 266 unit apartment community; 25.5 dwelling units per acre
Highest and Best Use: Multi-family
Revenue Stamps: \$9,550.00
Confirmed Sales Price: \$4,775,000 or \$457,713 per acre or \$10.51 per square foot
Confirmed By: Terry Mikels, Broker
Financing: \$4,125,000 seller-financed for 3 months
Condition of Sale: Market
Deed Reference: Deed Book 14845, Page 908, Wake County Registry
Tax Reference: PIN 1707-49-5136
Remarks: Site about 50-50 cleared-wooded. Purchase price was \$17,951 per dwelling unit



Suburban Multi-Family Land Sale No. 4

Date of Sale: December 18, 2012
Grantor: Branch Banking & Trust Co., Trustee and Garland S. Tucker, Jr.
Grantee: GP Land, LLC
Location: Northern end of Woman's Club Drive at National Drive, Raleigh, NC
Size: 13.43 acres or 585,011 square feet
Frontage: At terminus of Woman's Club Drive, 339 feet on future extension of Woman's Club Drive
Shape: Slightly Irregular
Drainage: Good
Topography: Most good, some riparian buffers
Utilities: All municipal
Zoning: O&I-1 (10 acres +/-), Cons. Mgmt. (3.43 acres +/-) by City of Raleigh
Improvements: None
Present Use: Proposed for 292 unit apartment community; potential small area in retail
Highest and Best Use: Multi-family
Revenue Stamps: \$9,500.00
Confirmed Sales Price: \$4,750,000 or \$353,686 per acre or \$8.12 per square foot
Confirmed By: Garland Tucker for Grantor, Ann Stoddard for Grantee
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 15065, Page 211 and 217, Wake County Registry
Tax Reference: PIN 0795-98-3272
Remarks: If small amount of retail, number of dwelling units will be reduced to 280; purchase price was \$16,267 per dwelling unit. Density is 29.2 dwelling units per acre for the 10 acres of O&I.



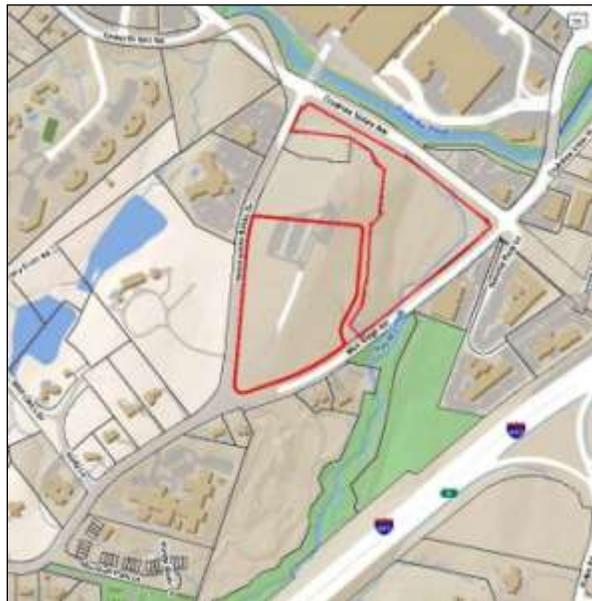
Suburban Multi-Family Land Sale No. 5

Date of Sale: November 25, 2013
Grantor: Gaddy Real Properties, LLC
Grantee: AVR Davis Raleigh, LLC
Location: 3015 Wake Forest Road along south side of Wake Towne Drive, Raleigh, NC
Size: 14.6465 acres or 638,002 square feet
Frontage: Abundant on Wake Forest Road and Wake Towne Drive
Shape: Very Irregular; 10.32 acres +/- on Wake Forest Road, 4.32 acres +/- at end of Wake Towne Drive
Drainage: Most good, some riparian buffers
Topography: Variable slopes, heavily wooded
Utilities: All municipal
Zoning: R-20 by City of Raleigh
Improvements: Historic "Crabtree" home to be moved
Present Use: Future multi-family community
Highest and Best Use: Office, Multi-family
Revenue Stamps: \$9,113.00
Confirmed Sales Price: \$4,556,500 or \$311,098 per acre or \$7.14 per square foot
Confirmed By: Lynn Woodall, Manager of Grantor
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 15513, Page 1172, Wake County Registry
Tax Reference: PIN 1715-14-1895
Remarks: Book of Maps 2013, Page 1111. See GH-4-2012 for site plan approval.



Suburban Multi-Family Land Sale No. 6

Date of Sale: December 31, 2012
Grantor: Redus NC Land, LLC
Grantee: PAP Apartment Investors Crabtree, LLC
Location: 5401 Homewood Banks Drive, Raleigh, NC
Size: 17.910 acres or 780,155 square feet (9.7 acres usable)
Frontage: Access from Homewood Banks Drive, abundant frontage on Blue Ridge Road and Crabtree Valley Avenue not accessible
Shape: Very Irregular
Drainage: 9.7 acres good; 8.21 acres low
Topography: Moderate to very steep
Utilities: All municipal
Zoning: CUD Shopping Center by City of Raleigh
Improvements: None of value
Present Use: Future apartment community
Highest and Best Use: Multi-family
Revenue Stamps: \$8,000.00
Confirmed Sales Price: \$4,000,000 or \$412,371 per acre or \$9.47 per square foot (9.7 acres)
Confirmed By: Isabel Worthy Mattox, Attorney
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 15085, Page 1362, Wake County Registry
Tax Reference: PIN 0795-58-0885, 59-6214
Remarks: New Lots 1 and 4, Book of Maps 2012, Page 1356. Grantee is required to construct 1,000 feet +/- access drive plus other access and parking area improvements, 1,000 feet of 12-inch water line, 600 feet 8-inch sanitary sewer line, 800 feet of storm drain; perform cut/fill and create plateau on abutting property. Only 9.7 acres usable of 17.91 acres. Remainder very steep, low and requires extensive, costly site work.



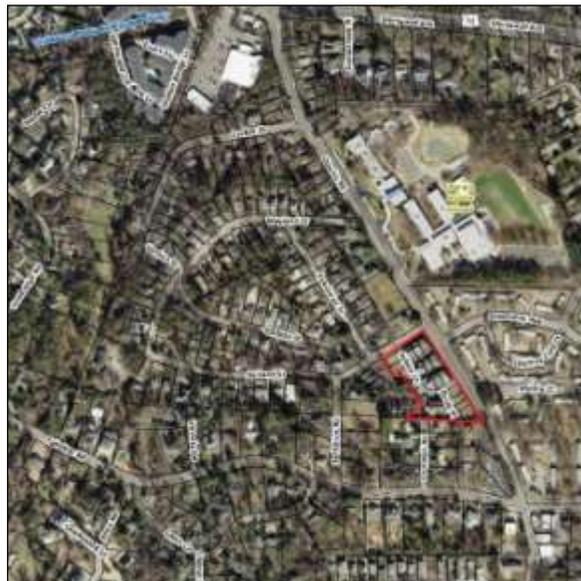
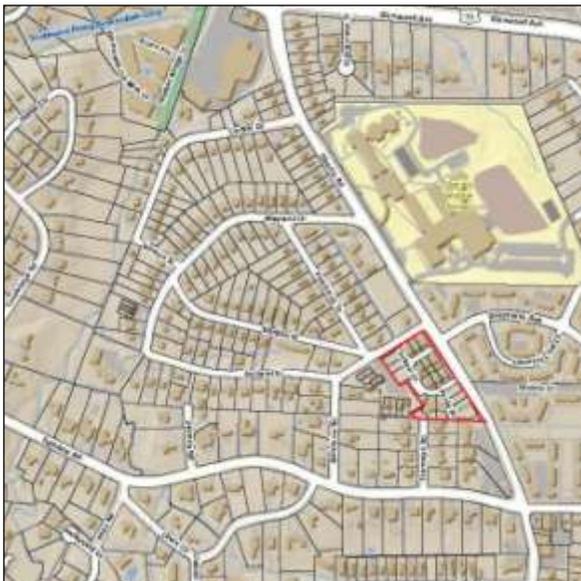
Suburban Multi-Family Land Sale No. 7

Date of Sale: November 15, 2013
Grantor: KRG/PRISA II Parkside, LLC
Grantee: PR II DRP Parkside, LLC
Location: Northeast quadrant of NC 55 and I-540, Cary, NC
Size: 12.834 acres +/- or 559,130 square feet
Frontage: 814 feet on NC Highway 55
Shape: Slightly Irregular
Drainage: Adequate
Topography: Moderate Slopes
Utilities: All municipal
Zoning: GCM by Town of Cary
Improvements: None
Present Use: Vacant
Highest and Best Use: Proposed apartment community
Revenue Stamps: \$10,584.00
Confirmed Sales Price: \$5,292,000 or \$412,342 per acre or \$9.46 per square foot
Confirmed By: Ellis & Winters, Attorneys
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 15504, Page 1998, Wake County Registry
Tax Reference: PIN 0736-14-9424
Remarks: "Residential" parcel, Book of Maps 2012, Pages 1314-1316; part of "Parkside" mixed-use community.



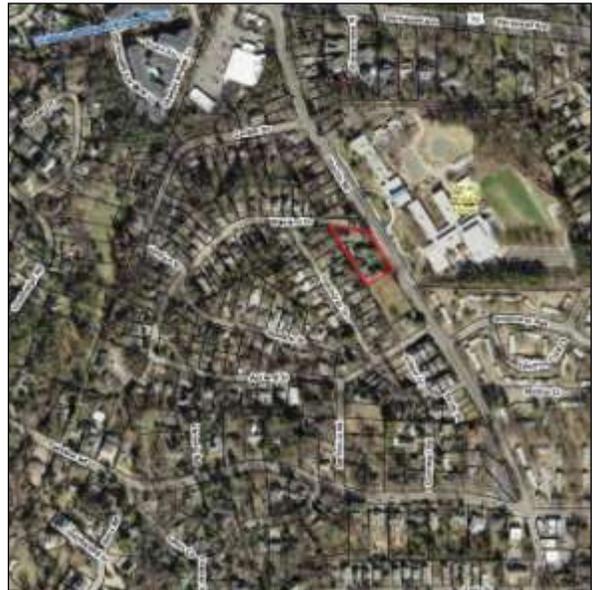
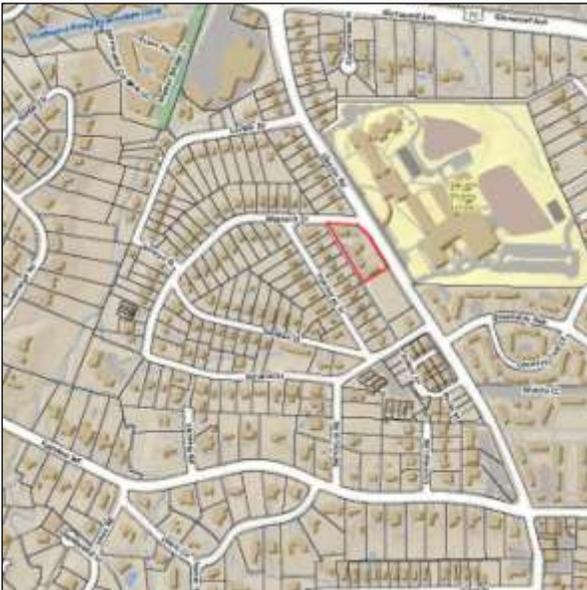
Urban Single-Family Land Sale No. 1

Date of Sale: April 24, 2002 - November 28, 2005
Grantor: Various
Grantee: J. Gregory Poole, Jr.
Location: 2615-17-21-23 Oberlin Road, Raleigh, Wake County, NC
Land Area: 2.733 acres or 119,049 square feet
Frontage: 551.24 feet on Oberlin Road, 200 feet on Ashland
Shape: Slightly irregular, not restrictive
Drainage: Adequate
Topography: Gentle to moderate slopes
Utilities: All municipal
Zoning: R-10 CU after purchase
Improvements: Stone and frame dwellings to be razed
Present Use: Five single-family detached residences
Highest and Best Use: Townhouse
Revenue Stamps: \$5,620.00
Confirmed Sales Price: \$2,810,000 or \$23.60 per square foot; \$156,111 per dwelling unit
Financing: Cash to Sellers
Confirmed by: Kenan Poole for Grantee
Condition of Sale: Market
Deed Reference: Book 9388, Page 21; Book 9626, Page 2707; Book 10707, Page 565; Book 10795, Page 1045; Book 11709, Page 135, Wake County Registry
Tax Reference: PINs 1705-10-6278, 7166, 5474, 6328 etal
Remarks: An assembly of adjacent lots to be developed with 18 new townhomes of 2,600 to 3,000 square feet and marketed at prices beginning at \$750,000 after existing residences are razed. Estimated demolition cost is \$75,000 or \$0.63 per square foot of land area.



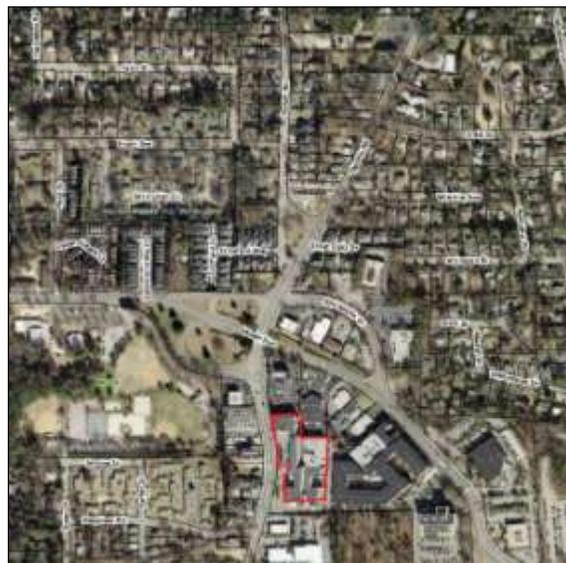
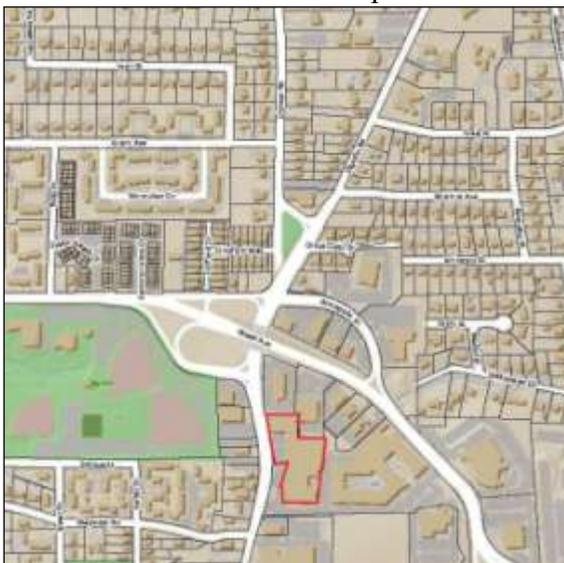
Urban Single-Family Land Sale No. 2

Date of Sale: August 30, 2006
Grantor: Hehl Properties, LLC
Grantee: The Gantis Group, LLC
Location: West side of Oberlin Road and south side of Wayland Drive, just north of Ashland Street, Raleigh, Wake County, NC
Size: 1.799 acres or 78,364 square feet
Frontage: 479 feet on Oberlin Road, 165 feet on Wayland Drive
Shape: Rectangular
Drainage: Adequate
Topography: Moderate slopes
Utilities: All municipal
Zoning: R-10 by City of Raleigh
Improvements: 16 rental apartments to be razed
Present Use: Rental apartments
Highest and Best Use: Residential infill redevelopment
Revenue Stamps: \$4,000.00
Confirmed Sales Price: \$2,000,000 or \$25.52 per square foot, \$117,647 per dwelling unit
Confirmed By: Purchase contract by other sources
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 12142, Page 1629, Wake County Registry
Tax Reference: PIN 1705-10-3877
Remarks: Grantee proposes to raze existing buildings and develop site with 17 upscale townhouses priced from \$750,000. Cost of demolition is \$160,000 or about \$2.04 per square foot of land area.



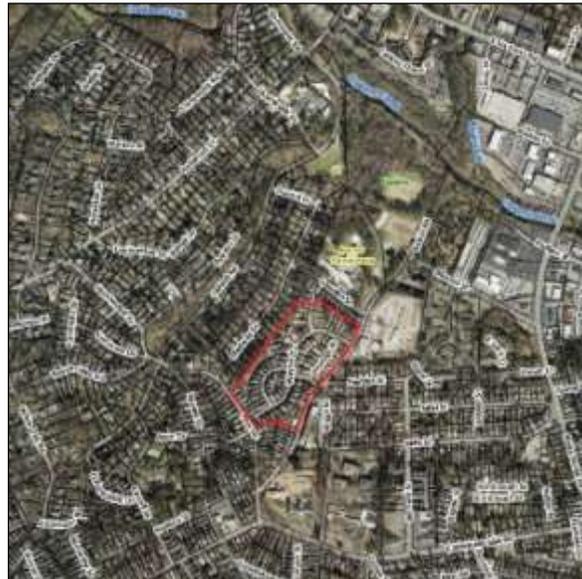
Urban Single-Family Land Sale No. 3

Date of Sale: June 13, 2005
Grantor: Oberlin Capital Acquisition II, LLC
Grantee: The Northwestern Mutual Life Insurance Co.
Location: East side of Oberlin Road about 310 feet south of Wade Avenue, Raleigh, Wake Co., NC
Size: 2.66 acres +/- or 115,860 square feet
Frontage: 195.22 feet on Oberlin Road
Shape: Irregular but not restrictive
Drainage: Adequate
Topography: Level to gentle slopes
Utilities: All municipal
Zoning: Planned Development District (PDD) by City of Raleigh
Improvements: None
Present Use: Vacant
Highest and Best Use: Commercial, Mixed-use (30,418 square feet first floor retail, 105 residential units on Floors 2 thru 4)
Revenue Stamps: \$5,510.00
Confirmed Sales Price: \$2,755,000 or \$23.78 per square foot
Confirmed By: Neil Coker of Grantor
Financing: Cash
Condition of Sale: Market
Deed Reference: Deed Book 11408, Page 2626, Wake County Registry
Tax Reference: PIN 1704-05-9564
Remarks: This purchase price was originally based on an option to purchase agreement between Grantor and Crosland Oberlin, LLC dated June 2003. Crosland transferred the option to Northwestern at no consideration who bought the property at the option price. Development requires 260-space parking deck, 58 surface parking spaces.



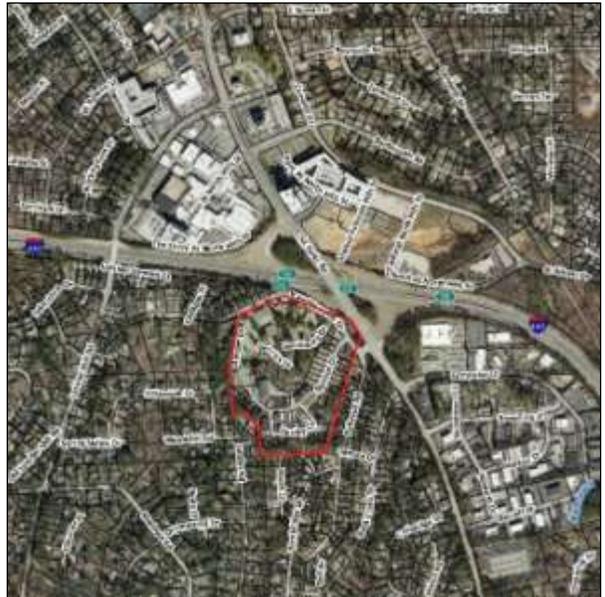
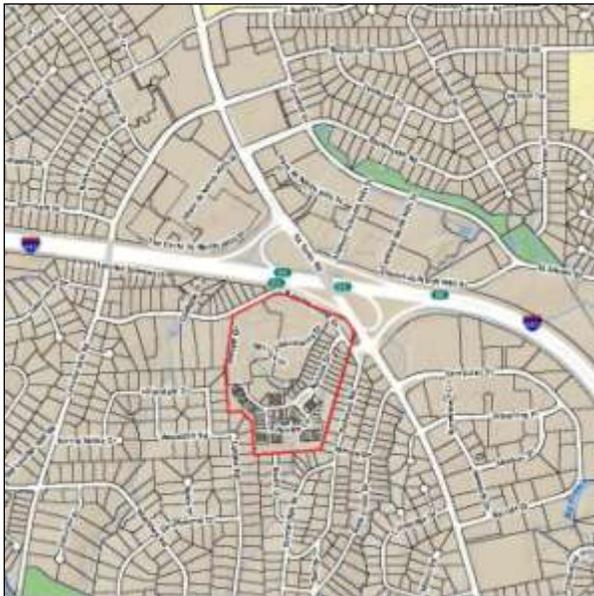
Urban Single-Family Land Sale No. 4

Date of Sale: June 20, 2005
Grantor: Lucas Investments, Ltd.
Grantee: Whitaker Park, LLC
Location: Northwest side of Noble Road and northeast side of Pine Drive, Raleigh, Wake County, NC
Land Area: 17.769 acres or 774,017 square feet
Frontage: 460 feet +/- on Pine Drive; 1160 feet +/- on Noble Road
Shape: Rectangular
Drainage: Good
Topography: Gentle slopes
Utilities: All municipal
Zoning: R-15 and R-20 CU
Improvements: 197 rental units to be razed
Present Use: Rental apartments
Highest and Best Use: Future redevelopment
Revenue Stamps: \$22,000.00
Confirmed Sales Price: \$11,000,000 or \$14.21 per square foot of land area
Financing: Cash
Confirmed by: Gordon Grubb of Grantee
Condition of Sale: Market
Deed Reference: Book 11421, Page 1173, Wake County Registry
Tax Reference: PINs 1705-80-3845 and 2128
Remarks: Interior streets may be closed in the future, increasing redevelopment land area to 20 acres +/-.



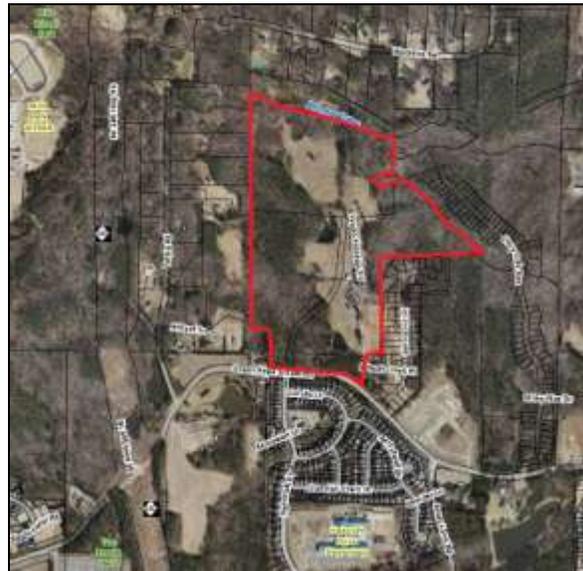
Urban Single-Family Land Sale No. 5

Date of Sale: July 7, 2005
Grantor: Tara East Apartments L.P.
Grantee: Ramblewood 2005 LLC
Location: Southwest quadrant Six Forks Road at I-440, Raleigh, Wake County, NC.
Size: 20.549 acres or 895,114 square feet
Frontage: 1,150 feet +/- on Tara Drive, 183.19 feet on Six Forks Road, 112.24 feet on Ramblewood Drive
Shape: Irregular
Drainage: Adequate
Topography: Moderate
Utilities: All municipal
Zoning: R-15
Improvements: 197 rental apartments to be razed
Present Use: Rental apartment community
Highest and Best Use: Residential townhomes/condominiums
Revenue Stamps: \$13,500.00
Confirmed Sales Price: \$6,750,000 or \$7.54 per square foot of land
Confirmed By: John Kane of Grantee
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 11457 Page 155, Wake County Registry
Tax Reference: PIN 1705-67-4860
Remarks: Buyers propose to raze existing apartments and redevelop with 175 condominium or townhouse units.



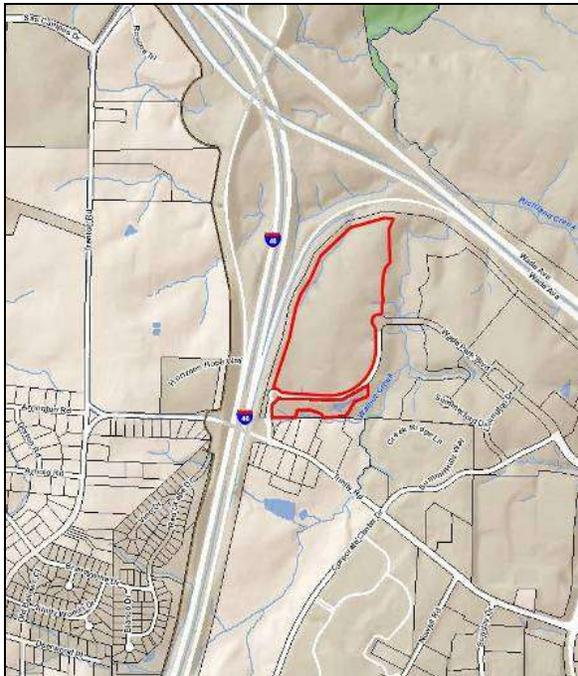
Suburban Single-Family Land Sale No. 1

Date of Sale: June 11, 2012
Grantor: R. Daniel Brady, Trustee; Fryar Family, LP
Grantee: Lennar Carolinas, LLC
Location: North side of Green Hope School Road along south side of Panther Creek about 600 feet east of Twyla Drive, Cary, Wake County, NC
Size: 91.0 acres
Frontage: 950 feet on Green Hope School Road
Shape: Irregular
Drainage: Most good but three small ponds and riparian buffer at rear
Topography: Variable slopes, wooded
Utilities: Available but require extension
Zoning: PDD Major by Town of Cary; in watershed
Improvements: None
Present Use: Future 305 single-family residential lots
Highest and Best Use: Single-family residential
Revenue Stamps: \$17,038.00 (\$7,328.00, \$8,445.00 and \$1,265.00)
Confirmed Sales Price: \$8,519,000 or \$93,615 per acre (see remarks)
Confirmed By: Steve Leach for Grantee
Financing: Cash
Condition of Sale: Market
Deed Reference: Deed Book 14798, Page 1272, 1283 and 1293, Wake County Registry
Tax Reference: PINs 0734-39-7102; 48-2230; 49-6195; 0735-40-2360
Remarks: Off-site costs of \$150,000 for improvements to Green Hope School Road, \$900,000 for tunnel under Morrisville Parkway and \$200,000 for miscellaneous off-site added \$1,250,000 or \$13,736 per acre to acquisition cost; total cost was \$107,351 per acre.



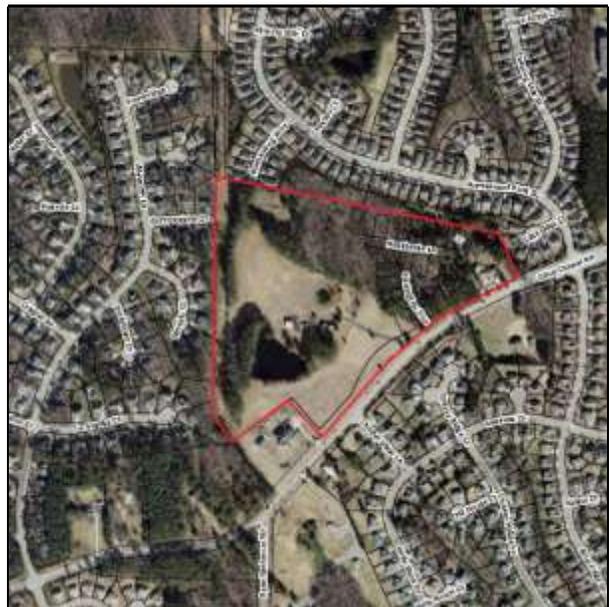
Suburban Single-Family Land Sale No. 2

Date of Sale: November 22, 2010
Grantor: Post Wade Tract R-1, LLC
Grantee: Lennar Carolinas, LLC
Location: Wade Park Boulevard in southeast corner of I-40 at Wade Avenue, Raleigh, Wake County, NC
Size: 40.93 acres
Frontage: 2,274 feet on Wade Park Boulevard, 3,100 feet on I-40 exit ramp
Shape: Irregular (two tracts)
Drainage: Most is good
Topography: Moderate slopes, wooded
Utilities: All municipal
Zoning: CUD O&I-2 by City of Raleigh
Improvements: None at sale
Present Use: 306 improved residential lots
Highest and Best Use: Single-Family Residential
Revenue Stamps: \$10,600.00
Confirmed Sales Price: \$5,300,000 or \$129,489 per acre
Confirmed By: Steve Leach for Grantee
Financing: Cash
Condition of Sale: Market
Deed Reference: Deed Book 14167, Page 1488, Wake County Registry
Tax Reference: PINs 0774-89-2683 and 88-0642
Remarks: Lots 4 and 5 on Book of Maps 2007, Page 2870; 75 foot SHOD/Landscape buffer along I-40 and Wade Avenue



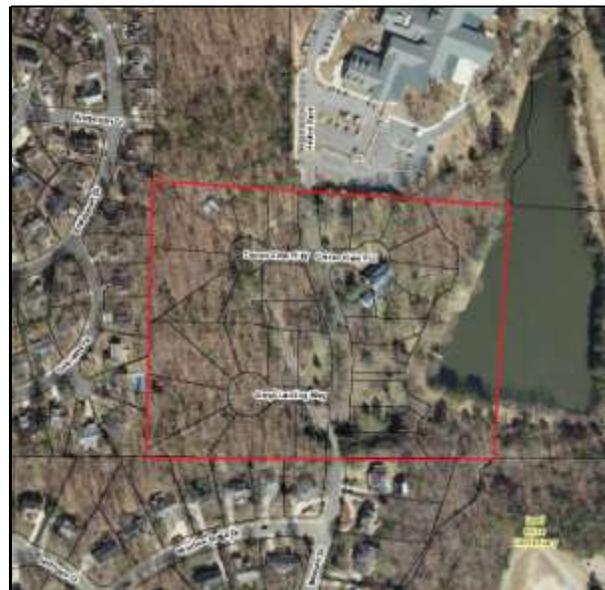
Suburban Single-Family Land Sale No. 3

Date of Sale: April 4, 2013
Grantor: Green Oliver Investments, LLC
Grantee: Beazer Homes Corp.
Location: On the north side of Olive Chapel Road at its intersection with Chapel View Lane in Apex, Wake County, NC
Size: 27.38 acres
Frontage: 1,260 feet on the north side of Olive Chapel Road
Shape: Irregular
Drainage: Good; pond on the property
Topography: Gently rolling; minimal areas subject to buffer regulations
Utilities: All public utilities
Zoning: MD-CZ (Medium Density with conditions) by Town of Apex
Improvements: Dwelling and out buildings of no value
Present Use: Vacant
Highest and Best Use: Approved 77 lot single family residential subdivision
Revenue Stamps: \$7,700.00
Confirmed Sales Price: \$3,850,000 or \$140,614 per acre
Confirmed By: Andy Sandman, with grantee
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 15215, Page 2704, Wake County Registry
Tax Reference: PIN 0722 81 3731 (REID 0049185)
Remarks: Purchase on December 12, 2012 for \$85,573 per acre; Book of Maps 2013, Page 406



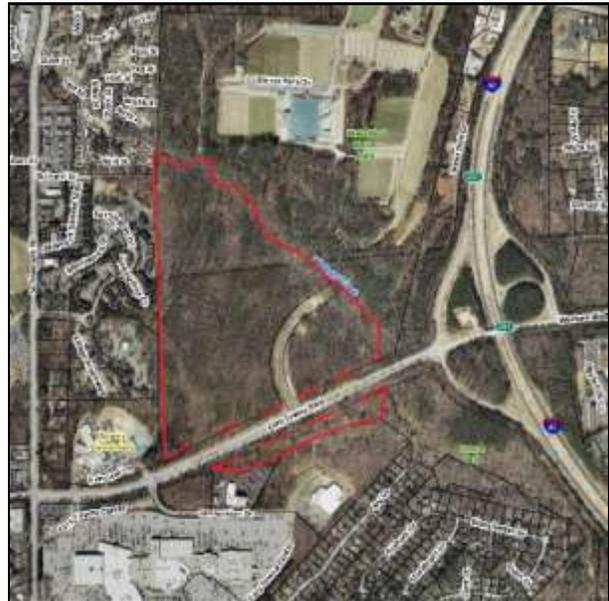
Suburban Single-Family Land Sale No. 4

Date of Sale: April 5, 2012
Grantor: M/I Homes of Raleigh, LLC
Grantee: Ashton Raleigh Residential, LLC
Location: At northern end of Woburn Drive and southern end of Healthier Park, Raleigh, Wake County, NC.
Size: 13.304 acres
Frontage: 50 feet at end of Woburn Drive
Shape: Rectangular
Drainage: Most good
Topography: Moderate slopes, heavily wooded
Utilities: All municipal
Zoning: R-4 by City of Raleigh
Improvements: None at sale
Present Use: 31 single-family lots in "Grey's Landing" subdivision
Highest and Best Use: Single-Family Residential
Revenue Stamps: \$8,120.00
Confirmed Sales Price: \$4,060,000 or \$305,171 per acre
Confirmed By: Michael King, Attorney
Financing: Cash
Condition of Sale: Market
Deed Reference: Deed Book 14717, Page 180, Wake County Registry
Tax Reference: REID # 0063570
Remarks: See Book of Maps 2013, Page 66



Suburban Single-Family Land Sale No. 5

Date of Sale: Pending Contract as of January 2013
Grantor: State of North Carolina
Grantee: Lennar Carolinas, LLC
Location: North and south sides of Cary Towne Boulevard and south side of Walnut Creek near I-40 interchange, Cary, Wake County, NC
Size: 95 acres
Frontage: 1,374 feet and 1,100 feet on north side of Cary Towne Boulevard, 1,600 feet (no access) on south side of Cary Towne Boulevard
Shape: Irregular (two tracts)
Drainage: Most good but riparian buffers along Walnut Creek
Topography: Variable, heavily wooded
Utilities: All municipal
Zoning: O&I by Town of Cary
Improvements: None
Present Use: Vacant, proposed mixed-use 379 residential lots on 74.50 acres, 14.25 acres commercial
Highest and Best Use: Mixed-Use
Revenue Stamps: N/A
Confirmed Sales Price: \$15,000,000 or \$157,895 per acre
Confirmed By: Purchase Agreement
Financing: Cash
Condition of Sale: Subject to rezoning to MXD
Deed Reference: N/A
Tax Reference: Out of PIN 0774-31-1292
Remarks: 88.75 acres on north side of Cary Towne Boulevard developable; 6.25 acres on south side is uneconomic remnant (low with no access)



Urban Office/Institutional Land Sale No. 1

Date of Sale: January 26, 2010
Grantor: Paul Stam and Benjamin R. Kuhn, Co-Commissioners
Grantee: Glenwood Hospitality Associates, LLC
Location: 600 Glenwood Avenue on east side; north side of W. Johnson Street, Raleigh, Wake County, NC
Land Area: 0.34 acres or 14,810 square feet
Frontage: 54 feet on Glenwood Avenue; 209 feet on W. Johnson Street
Shape: "L"
Drainage: Good
Topography: Nearly level
Utilities: All municipal
Zoning: Ind-2/PBOD by City of Raleigh
Improvements: Older 12,000 s.f. office to be razed
Present Use: Office
Highest and Best Use: High-density Commercial
Revenue Stamps: \$2,700.00
Confirmed Sales Price: \$1,350,000 or \$3,970,588 per acre or \$91.15 per square foot
Financing: Cash to Seller
Confirmed By: Commissioners Deed
Condition of Sale: Market
Deed Reference: Book 13834, Page 1622, Wake County Registry
Tax Reference: REID's 0071379 and 0071381
Remarks: Assembled with adjacent 0.16 acre lot for future 126-room Hampton Inn, See SP-56-2010



Urban Office/Institutional Land Sale No. 2

Date of Sale: January 8, 2010
Grantor: Stanhope Apartments, LLC
Grantee: CDC-Raleigh Stanhope, LLC
Location: Immediately east of Stanhope Avenue, south of Concord Street, Raleigh, Wake County, NC
Land Area: 3.158 acres or 137,562 square feet
Frontage: 348.11 feet on Stanhope Avenue; 82.31 feet on Concord Street; 50.98 feet on Friendly Avenue
Shape: Irregular (See Book of Maps 2006, Page 2337; Book of Maps 2009, Page 1273)
Drainage: Good
Topography: Gentle slopes
Utilities: All municipal
Zoning: CUD O&I-2 by City of Raleigh
Improvements: Gravel parking lot
Present Use: Surface, gravel private parking lot
Highest and Best Use: High-density private student housing
Revenue Stamps: \$12,000.00 (\$8,640; \$3,360)
Confirmed Sales Price: \$6,000,000 or \$1,899,937 per acre or \$43.61 per square foot
Financing: Cash to Seller; \$6,000,000 acquisition loan by Brassfield & Gorrie, LLC
Confirmed By: Val Valentine of Grantor
Condition of Sale: Market
Deed Reference: Book 13819, Page 1130 and 1135, Wake County Registry
Tax Reference: REID's 0022254-55, 0012437, 0004388, 0039944, 0041656, 0004804 and 0041631
Remarks: This Brownfields property is located just west of the campus of N.C. State University, adjacent to an NCSU parking deck and to University Towers, a large student residence hall. Buyer will develop this site with some 900 student housing units, cafeteria, etc. and adjacent parking deck.



Suburban Office/Institutional Land Sale No. 1

Date of Sale: June 18, 2010
Grantor: SLF Ruby Jones, LLC
Grantee: WakeMed Property Services
Location: South side of T. W. Alexander Drive, 1,080 feet +/- east of U.S. Highway 70 (Glenwood Avenue), Raleigh, NC
Land Area: 12.588 acres or 548,333 square feet
Frontage: 590 feet +/- on T. W. Alexander Drive, 700 feet +/- on ACC Boulevard
Shape: Irregular
Drainage: 5.8 acres low and floodprone
Topography: Moderate to low, wooded; 1.25 acres in 100-foot powerline easement
Utilities: All municipal
Zoning: CUD Thoroughfare District by City of Raleigh
Improvements: None at sale
Present Use: Vacant, future WakeMed facility
Highest and Best Use: Commercial/O&I
Revenue Stamps: \$5,800.00
Confirmed Sales Price: \$2,900,000, or \$230,378 per acre or \$5.29 per square foot
Financing: Cash to Sellers
Confirmed by: Deed, Tax Office
Condition of Sale: Market
Deed Reference: Book 13975, Page 1874, Wake County Registry
Tax Reference: Out of REID 0036846, now PIN 0768-48-1917
Remarks: New Lot 111 on Book of Maps 2010, Page 552



Suburban Office/Institutional Land Sale No. 2

Date of Sale: December 7, 2007 – January 31, 2008
Grantor: H. Brantley Powell, et al; Joyce H. Pittman, et vir; Gerald I. Padnos, et ux
Grantee: Rex Hospital, Inc.
Location: Northeast corner of NC 55 Bypass and Avent Ferry Road, Holly Springs, NC
Land Area: 15.944 acres or 694,521 square feet
Frontage: 770 feet +/- on NC 55 Bypass, 720 feet +/- on Avent Ferry Road
Shape: Irregular
Drainage: Most good but small area of riparian buffers
Topography: Gentle slopes, mostly open field, home sites
Utilities: All municipal
Zoning: OR by Town of Holly Springs
Improvements: None of value
Present Use: Vacant
Highest and Best Use: Commercial/O&I
Revenue Stamps: \$6,296.00 (\$1,796 + \$2,500 + \$2,000)
Confirmed Sales Price: \$3,148,000, or \$197,441 per acre or \$4.53 per square foot
Financing: Cash to Sellers
Confirmed by: Chad Lefteris for Grantee
Condition of Sale: Market
Deed Reference: Book 12866, Page 2198; Book 12934, Pages 2173-2178, Wake County Registry
Tax Reference: Formerly PINs 0648-88-6778, 0648-89-7470, 0648-88-2814 & 0648-89-4105; now PINs 0648-88-3964, 6797 & 7356
Remarks: Assembly of 3 parcels for future community medical plaza



Suburban Office/Institutional Land Sale No. 3

Date of Sale: August 22, 2007
Grantor: William R. Watson, Jr., et al
Grantee: Duke University Health System, Inc.
Location: Northeast corner of U.S. Hwy. 64 and I-540, Knightdale, NC
Land Area: 16.814 acres or 732,418 square feet
Frontage: 496 feet +/- on U.S. 64, 1,400 feet +/- on I-540 (no access), 1,300 feet +/- on Legacy Oaks Drive
Shape: Irregular
Drainage: Most good, very minor area of riparian buffer
Topography: Moderate slopes; 50% wooded, 50% open
Utilities: All municipal
Zoning: HB (Highway Business) by Town of Knightdale
Improvements: None at sale, now 40,500 s.f. medical plaza
Present Use: Medical Plaza
Highest and Best Use: Commercial/O&I/Retail
Revenue Stamps: \$9,750.00
Confirmed Sales Price: \$4,875,000, or \$289,937 per acre or \$6.66 per square foot
Financing: Cash to Sellers
Confirmed by: David Fricke, Attorney
Condition of Sale: Market
Deed Reference: Book 12716, Page 1270, Wake County Registry
Tax Reference: Out of PIN 1744-27-8973, now PIN 1744-35-0539
Remarks: Purchased site of 16.814 acres includes about 2 acres in right-of-way for Legacy Oaks Drive



Suburban Office/Institutional Land Sale No. 4

Date of Sale: January 5, 2007
Grantor: Joseph P. Riddle, III, et ux
Grantee: Rex Healthcare, Inc.
Location: South side of Knightdale Boulevard, just east of I-540 interchange in the Midway Plantation Shopping Center, Knightdale, NC
Land Area: 18.518 acres net (see remarks); 806,644 square feet
Frontage: 800 feet +/- on Knightdale Boulevard, 300 feet +/- on Lynwood Road
Shape: Slightly irregular
Drainage: Good
Topography: Very moderate slopes
Utilities: All municipal
Zoning: HB (Highway Business) by Town of Knightdale
Improvements: None at sale; now 64,000 s.f. medical plaza
Present Use: Medical clinic
Highest and Best Use: Commercial/O&I/Retail
Revenue Stamps: \$15,600.00 (see remarks)
Confirmed Sales Price: \$6,400,000 (see remarks); \$345,610 per acre or \$7.93 per square foot
Financing: Cash to Sellers
Confirmed by: Chad Lefteris for Grantee
Condition of Sale: Market
Deed Reference: Book 12347, Page 1251, Wake County Registry
Tax Reference: Formerly PIN 1744-54-5683; now PINs 17449-54-5393, 5752, 1388 and 9772
Remarks: Rex Healthcare purchased 21.37 acres for \$7,800,000 with the knowledge they would sell 2.882 acres to First Citizens Bank for \$1,400,000 (Deed Book 13269, Page 434). Net acreage to Rex was 18.518 acres at a net purchase price of \$6,400,000 or \$345,610 per acre or \$7.93 per s.f.



Suburban Office/Institutional Land Sale No. 5

Date of Sale: December 4, 2012
Grantor: J. Michael Edwards, et al
Grantee: Cary Town Blvd Retirement Residence, LLC
Location: 105 Convention Drive, southern margin of Cary Towne Boulevard, north side of Cary Towne Shopping Center, Cary, Wake County, NC
Land Area: 3.522 acres or 153,418 square feet
Frontage: Approximately 646 feet on the north side of Convention Dr.
Shape: Irregular
Topography: Gently rolling , wooded with small stream near west side
Utilities: All public
Zoning: Mixed Use (MXD), Mixed Use Overlay and Thoroughfare District by the Town of Cary
Improvements: None of value.
Present Use: Vacant land, future 124-unit life care facility
Highest and Best Use: Office/Institutional (Retirement home)
Revenue Stamps: \$2,400.
Confirmed Sales Price: \$1,200,000 or \$7.82 per square foot
Financing: Cash to Sellers
Confirmed by: Paul Stam, with Grantor
Condition of Sale: Market
Deed Reference: Deed Book 15043 Page 431, Wake County Registry
Tax Reference: Wake Co. PIN 0773 17 5435
Remarks: Property rezoned from General Commercial to Mixed Use by a Site Plan submitted for Hawthorne Retirement Group showing a four-story, 124-unit life care community with a common dining facility. Development plan equates to 36.36 units per acre. Tract 5, Book of Maps 1990, Page 1284. Site has 570' +/- on Cary Towne Blvd. but no access permitted



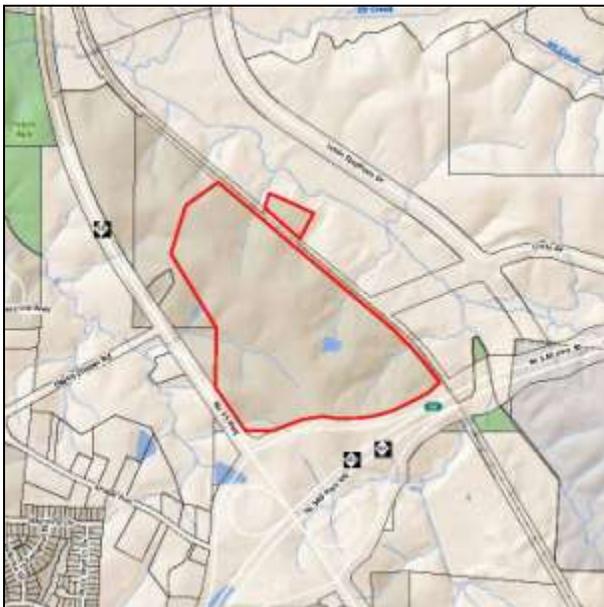
Suburban Office/Institutional Land Sale No. 6

Date of Sale: January 13, 2012
Grantor: Rex Hospital, Inc.
Grantee: Group 1 Ventures Edwards Mill, LLC
Location: On the northwest side of Edwards Mills Road just north of Macon Pond Road, Raleigh, Wake County, NC
Land Area: 587,829 square feet or 13.4947 acres
Frontage: 932 feet +/- on Edwards Mill Road
Shape: Irregular
Drainage: Good
Topography: Moderate slopes, some lowland along creek on property line.
Utilities: All municipal
Zoning: O & I - 1 CU by Raleigh
Improvements: Office buildings under construction
Present Use: Office/surgery center
Highest and Best Use: Office/Institutional
Revenue Stamps: \$8,818.00
Confirmed Sales Price: \$4,409,000 or \$326,721 per acre or \$7.50 per square foot
Financing: Cash to Sellers
Confirmed by: Chad Lefteris, with grantor
Condition of Sale: Market
Deed Reference: Book 14611, Page 817, Wake County Registry
Tax Reference: PINs 0785-54-5109 and 0785-54-9304 (REIDs 0408072 and 0350032).
Remarks: Long distance power line along property line.



Retail Land Sale No. 1

Date of Sale: January 3, 2013
Grantor: KRG/PRISA II Parkside, LLC
Grantee: Target Corporation
Location: Northeast corner NC 55/I-540, Cary, Wake County, NC
Land Area: 10.73 acres or 466,960 square feet
Frontage: 295 feet on on future O'Kelly Chapel Road
Shape: Irregular
Drainage: Good
Topography: Moderate slopes, 100% wooded
Utilities: All municipal
Zoning: GCM (General Commercial) by Town of Cary
Improvements: None at sale
Present Use: Future "Target" store
Highest and Best Use: Retail
Revenue Stamps: \$6,000.00
Contract Price: \$3,000,000 or \$279,590 per acre or \$6.42 per square foot
Financing: Cash to sellers
Confirmed by: Paulette Stephenson for Grantee
Condition of Sale: Market
Deed Reference: Deed Book 15089, Page 643, Wake County Registry
Tax Reference: Out of PIN 0736-32-7647
Remarks: Lot 1, Book of Maps 2012, Page 1316. This "big box" retail store and Harris Teeter (now likely Kroger) will occupy Phase I (250,000 square feet) of 580,000 square foot shopping center.



Retail Land Sale No. 2

Date of Sale: March 3, 2012
Grantor: KRG New Hill Place, LLC
Grantee: Target Corporation
Location: North side of New Hill Road about 660 feet west of NC 55, Holly Springs, Wake County, NC
Land Area: 12.86 acres or 559,990 square feet
Frontage: 1,050 feet on New Hill Road
Shape: Slightly Irregular
Drainage: Good
Topography: Moderate slopes, heavily wooded
Utilities: All municipal
Zoning: CB (Commerical Business) by Town of Holly Springs
Improvements: None
Present Use: Future 134,000 square foot "Target" store
Highest and Best Use: Retail
Revenue Stamps: \$4,825.00
Contract Price: \$2,412,500 or \$187,597 per acre or \$4.31 per square foot
Financing: Cash to sellers
Confirmed by: Paulette Stephenson for Grantee
Condition of Sale: Market
Deed Reference: Deed Book 14672, Page 2591, Wake County Registry
Tax Reference: PIN 0649-45-1311
Remarks: Book of Maps 2012, Page 192. This is a major anchor store in "Holly Springs Towne Center" shopping center.



Retail Land Sale No. 3

Date of Sale: August 30, 2010
Grantor: Morrisville Partners, LLC
Grantee: Target Corporation
Location: 3001 Market Center Drive at NC 54 and Cary Parkway, Morrisville, Wake County, NC
Land Area: 10.23 acres or 445,449 square feet
Frontage: 500 feet +/- on Market Center Drive
Shape: Irregular
Drainage: Good
Topography: Gentle slopes, partially wooded
Utilities: All municipal
Zoning: MU (Mixed Use) by Town of Morrisville
Improvements: Vacant
Present Use: 138,000 square foot "Target" store
Highest and Best Use: Retail
Revenue Stamps: \$8,000.00
Contract Price: \$4,000,000 or \$391,007 per acre or \$8.98 per square foot
Financing: Cash to sellers
Confirmed by: Paulette Stephenson for Grantee
Condition of Sale: Market
Deed Reference: Deed Book 14055, Page 886, Wake County Registry
Tax Reference: PIN 0754-48-6109
Remarks: Book of Maps 2010, Page 787. Anchor tenant in "Park West Village" shopping center.



Retail Land Sale No. 4

Date of Sale: November 16, 2011
Grantor: The Raleigh Rescue Mission, Incorporated
Grantee: Vintage 21 Church
Location: 600 New Bern Avenue, 17 S. Swain Street, Raleigh, Wake County, NC
Land Area: 7.81 acres or 340,204 square feet
Frontage: 772.5 feet on New Bern Avenue, 434 feet on S. Swain Street
Shape: Rectangular
Drainage: Good
Topography: Gentle slopes, cleared
Utilities: All municipal
Zoning: SC (Shopping Center, 7.61 acres); O&I (Office & Institutional, 0.20 acres)
Improvements: None
Present Use: Vacant
Highest and Best Use: Mixed-Use Retail, Office/Institutional
Revenue Stamps: \$3,400.00
Contract Price: \$1,700,000 or \$217,670 per acre or \$5.00 per square foot
Financing: Cash to Seller; \$1.275 million loan by New Bridge Bank
Confirmed by: Tyler Jones, Pastor of Grantee
Condition of Sale: Market
Deed Reference: Deed Book 14542, Page 159, Wake County Registry
Tax Reference: PIN 1713-08-4852 and 1714
Remarks:



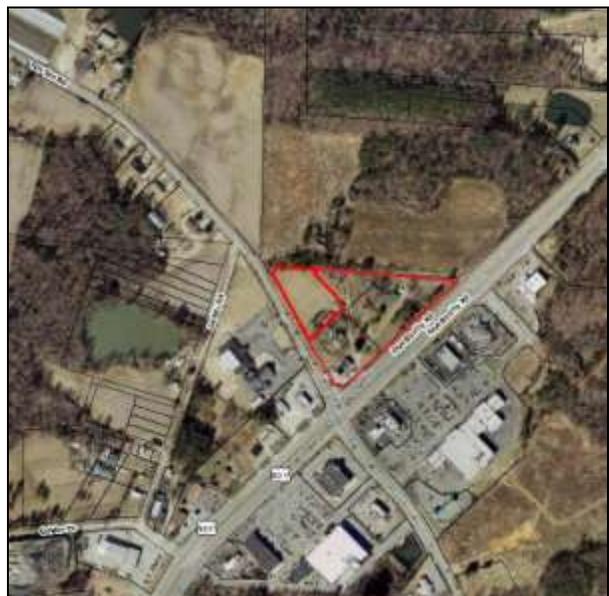
Retail Land Sale No. 5

Date of Sale: October 23, 2012
Grantor: Perry Creek Road, LLC
Grantee: Carmax Auto Superstores, Inc.
Location: Northeast corner Capital Boulevard at Perry Creek Road, Raleigh, Wake County, NC
Land Area: 17.618 acres or 767,440 square feet
Frontage: 828 feet on Perry Creek Road, 1,246 feet on Wadford Drive and 680 feet on Wild Wood Forest Drive
Shape: Slightly Irregular
Drainage: Good
Topography: Moderate slopes, mostly cleared
Utilities: All municipal
Zoning: TD (Thoroughfare District) by City of Raleigh
Improvements: None
Present Use: Vacant, future use automobile dealership
Highest and Best Use: Retail
Revenue Stamps: \$14,300.00
Contract Price: \$7,150,000 or \$405,835 per acre or \$9.32 per square foot
Financing: Cash to seller
Confirmed by: Doug Watson for Grantor
Condition of Sale: Market
Deed Reference: Deed Book 14982, Page 1951, Wake County Registry
Tax Reference: REID No. 0379127
Remarks: Site plan indicates future Perry Commons Drive will extend thru site, creating two separate parcels.



Retail Land Sale No. 6

Date of Sale: March 8, 2012
Grantor: Jeffrey S. Buffalo, et al
Grantee: 401 & Ten Ten, LLC
Location: Northwest corner US 401 at Ten Ten Road, Raleigh, Wake County, NC
Land Area: 6.348 acres or 276,519 square feet
Frontage: 795 feet on US 401 and 642 feet on Ten Ten Road
Shape: Triangular
Drainage: Good
Topography: Gentle slopes, mostly clear
Utilities: All municipal
Zoning: CR (Community Retail) by City of Raleigh
Improvements: None at Purchase
Present Use: Walgreens, Sheetz and Advance Auto
Highest and Best Use: Retail
Revenue Stamps: \$6,900.00 (\$2,300.00 + \$2,300.00 + \$2,300.00)
Contract Price: \$3,450,000 or \$543,478 per acre or \$12.48 per square foot
Financing: Cash to sellers
Confirmed by: James Buffalo for Grantor
Condition of Sale: Market
Deed Reference: Deed Book 14680, Page 165, 169 and 173, Wake County Registry
Tax Reference: REID Nos. 0009734, 0009732, 0009176, 0121874 and 0328916
Remarks:



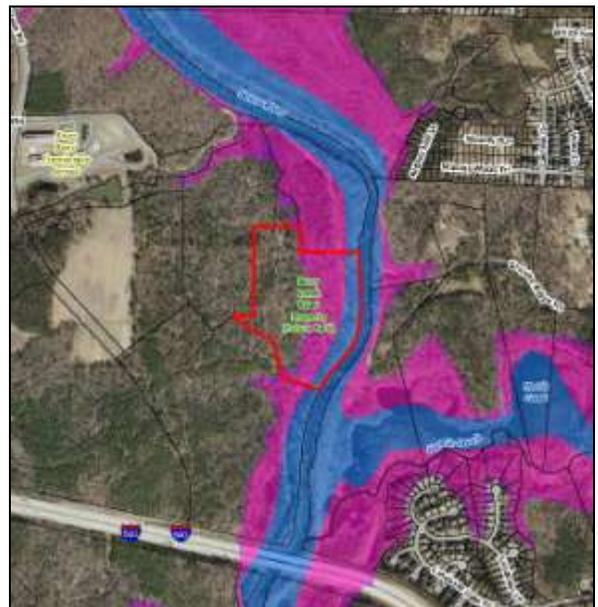
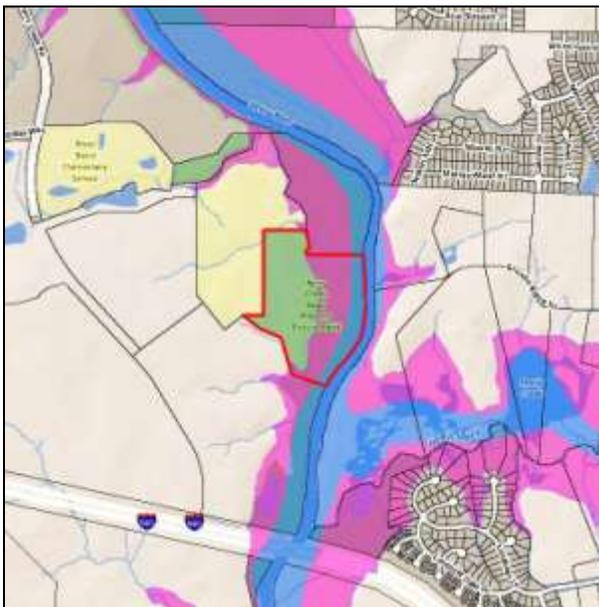
Retail Land Sale No. 7

Date of Sale: February 7, 2011
Grantor: Crossroads Holdings, LLC
Grantee: Aldi (N.C.), LLC
Location: 2132 S. Main Street, Wake Forest, Wake County; northwest side S. Main Street about 1,100 feet northeast of its intersection with US 1
Size: 2.385 acres or 103,890 square feet +/- (includes sewer easement, drainage easement)
Frontage: 238.45 feet on S. Main Street; access from Shopping Center
Shape: Slightly Irregular, not restrictive
Drainage: Good
Topography: Level, cleared and graded pad
Utilities: All municipal available
Zoning: HB by Town of Wake Forest
Improvements: Vacant at sale but curb\gutter, minor landscaping by Seller
Present Use: 18,092 square foot "Aldi's" grocery
Highest and Best Use: Retail
Revenue Stamps: \$3,200
Confirmed Sales Price: \$1,600,000 or \$15.40 per square foot
Confirmed By: Bill Bernard, Closing Attorney (919-619-1408 cell)
Financing: Cash to Sellers
Condition of Sale: Market
Deed Reference: Deed Book 14263, Page 173, Wake County Registry
Tax Reference: PIN 1830-70-5441
Remarks: Lot 3, "Crossroads Holdings"; Book of Maps 2011, Page 117; Occupies corner of S. Main Street entry to "Walmart"; sewer easement paved for parking



Municipal Park Land Sale No. 1

Date of Sale: August 23, 2012
Grantor: 5401 North LLC
Grantee: City of Raleigh
Location: 6580 Perry Creek Road; west side of Neuse River and east of Perry Creek Road, Wake County, NC
Land Area: 24.970 acres
Frontage: None; Future 60-foot access/utility easement
Shape: Irregular
Drainage: Fair to poor; 13 acres +/- in floodplain of Neuse River
Topography: Moderate to low; heavily wooded
Utilities: Require extension
Zoning: R-6
Improvements: None
Present Use: Vacant
Highest and Best Use: Residential
Revenue Stamps: \$4,242.00
Contract Price: \$2,120,500 or \$84,922 per acre
Financing: Cash
Confirmed by: Deed
Condition of Sale: Market
Deed Reference: Deed Book 14896, Page 2266, Wake County Registry
Tax Reference: PIN 1736-98-6508
Remarks: Lot 8, Book of Maps 2012, Page 884; existing 60-foot sewer easement and Neuse River Greenway Easement along Neuse River.



Municipal Park Land Sale No. 2

Date of Sale: March 26, 2010
Grantor: R. Nelson Leonard, et al
Grantee: City of Raleigh
Location: East side of Neuse River and south side of Neuse River, Wake County, NC
Land Area: 85.46 acres
Frontage: 1,500 feet +/- on Old Falls of Neuse Road; 60 feet at end of Wide River Drive
Shape: Irregular
Drainage: Adequate to Poor
Topography: Variable to low
Utilities: All municipal
Zoning: R-4
Improvements: None
Present Use: Future Park
Highest and Best Use: Residential
Revenue Stamps: N/A (See Remarks)
Contract Price: \$9,000,000 (See Remarks) or \$105,312 per acre
Financing: Cash
Confirmed by: Consent Judgement
Condition of Sale: Market value of \$9,000,000
Deed Reference: Deed Book 13888, Page 452, Wake County Registry
Tax Reference: PIN 1729-55-9875
Remarks: Consent Judgement awarded Grantors \$10,350,000 as “just compensation.” Grantee had deposited \$9,000,000 as their estimated compensation. New Falls of Neuse Road since constructed across tract.

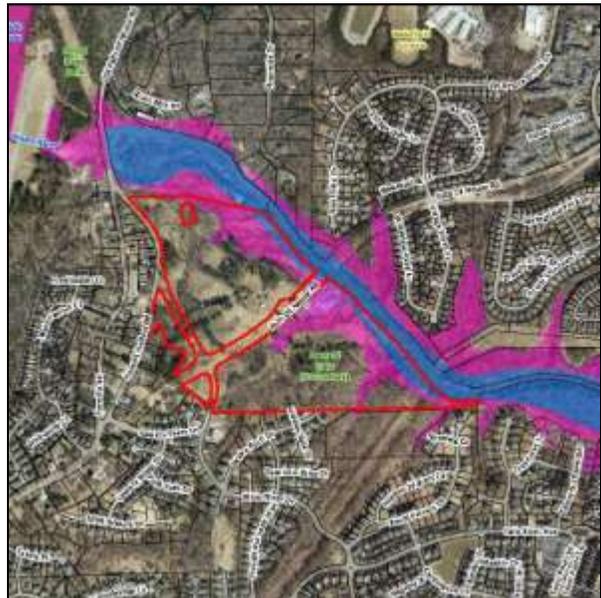
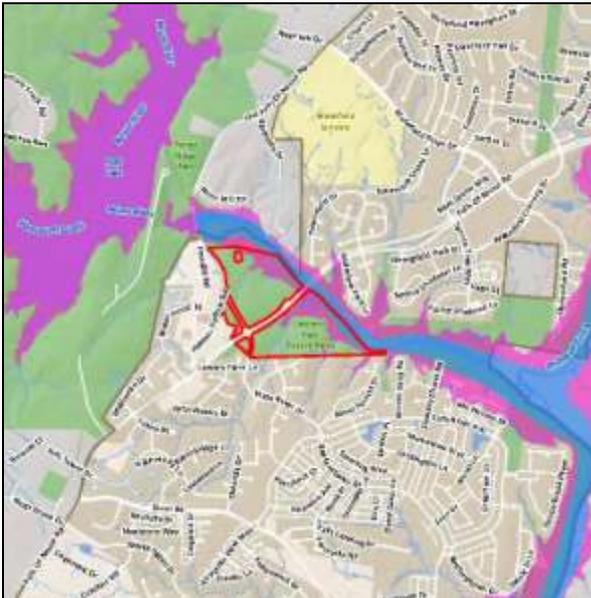




Exhibit P: Dix Lease Parcels (Years 1 thru 15)

DISCOUNT RATE DATA

I. U.S. Treasury Bills

Term:	5-year	10-year	20-year	25-year	30-year	99-year
Rate:	1.50%	2.65%	3.36%	3.50%	3.64%	5.00%

Note: Rate for years 25 and 99 are estimated from rate curve for years 5-30

II. City of Raleigh Borrowing Rate

25-year
3.85%

Note: Actual rate for \$52,000,000 bond issued Sept. 2013 over 25 years

III. Risk Rate and 99-year Risk-Free Rate

Risk Rate:	
Required Rate-	3.85% (City of Raleigh bond rate, 25 yrs.)
Risk-Free Rate	<u>3.50%</u> (25-year T-bill Rate)
Indicated Risk Premium	0.35%

III. Discount Rate for Lease Payments over 99-years by City of Raleigh

Risk-Free Rate-	5.00%
Risk Premium-	<u>0.35%</u>
Discount Rate	5.35%

IV. Risk Rate- Investment Grade vs. High-Yield

Investment Grade:	3.78%
High-Yield:	<u>5.91%</u>
Risk Premium	2.13%

Notes: Rates for U.S. T-Bills obtained from U.S. Treasury web site historical data July 2013

Rates for Investment Grade and High-Yield bonds obtained from Bloomberg

ESTIMATE OF SITE IMPROVEMENT VALUE- DIX CAMPUS

1.- Clear, Grub and Rough-Grade		\$/Acre	
		\$40,000	\$60,000
2. Streets, C&G, Sidewalks			
Street	Linear Ft.	C&G	Sidewalk
Hunt	1,810	Yes	No
Umstead	5,841	Yes	50%
Blair	890	No	No
Goode	1,330	No	No
Boylan	<u>870</u>	Yes	No
	10,741	\$7,000	\$8,000
3. Stormwater: 14,610 l.f. +/-		\$3,700	\$4,200
4. Water/Sewer: 5,700 l.f. +/-		\$1,500	\$2,000
5. R/R Bridge		<u>\$3,200</u>	<u>\$5,300</u>
Total		\$55,400	\$79,500

**QUALIFICATIONS
OF
MARTIN L. WACHTEL, III, MAI**

GENERAL INFORMATION:

Home Address: 1703 Saint Mary's Street, Raleigh, North Carolina 27608

Born: April 23, 1941

Graduated in 1959 from Spring Hope High School, Spring Hope, North Carolina

Attended North Carolina State University on Football Scholarship

 Lettered in Football - 1961, 1962, and 1963

 Governor's Award - Most Outstanding Player - 1962

Graduated from North Carolina State University in 1964 with a B. S. in Applied Mathematics and a minor in Economics

Married to Marianne Diab Wachtel. Two children: Martin Cameron and Victoria Lassiter

Member - Carolina Country Club in Raleigh, North Carolina

Former Member - Board of Directors of Boys and Girls Club of Wake County, Inc.

 Past President in 1985

Member - Advisory Board of Boys and Girls Club of Wake County, Inc.

Member - Board of Directors of YMCA of Raleigh, Inc.

Former Member of North Carolina State University Foundation - 1986 and 1987

EMPLOYMENT EXPERIENCE:

1964 to 1968: Employed as an Appraiser with North Carolina Department of Transportation. Wrote narrative before and after value appraisals of many different property types in connection with the acquisition of right-of-way for the construction of roads.

1968 to 1972: Employed with Worthy & Company

1972 to 1975: Partner in Worthy & Wachtel, a North Carolina General Partnership consisting of F. S. Worthy, Jr., and Martin L. Wachtel, III

1975 to 1988: Partner in Worthy & Wachtel & Associates, a N. C. General Partnership consisting of F. S. Worthy, Jr., Martin L. Wachtel, III, W. Martin Winfree, Jr., Jerry L. McGuirt, Neil C. Gustafson and J. Thomas Hester.

1988 to 2011: President of Worthy and Wachtel, Inc.

2012 to Present: MAI Appraiser for Worthy and Wachtel, Inc.

Since 1968, Wachtel has appraised shopping centers, shopping malls, office buildings, office-laboratory facilities, apartment complexes, residential subdivisions, mixed use subdivisions, hotels, industrial properties, churches and other special use properties, farms, and all types of unimproved land.

As a real estate broker since 1973, he has sold residential, commercial, and industrial land, apartments, office buildings, shopping centers, improved industrial properties, farms, and timberland.

As a real estate investor since 1968, he has bought and sold many properties including farms, timberland tracts, shopping centers, apartments, unimproved commercial and industrial land, and single family residences. He continues to own and manage a variety of properties.

PROFESSIONAL:

MAI Designation - Appraisal Institute (Formerly - American Institute of Real Estate Appraisers).
Currently Certified under Continuing Educational Program

State Certified General Real Estate Appraiser (North Carolina)

Licensed Real Estate Broker - State of North Carolina
Realtor - Member of Triangle Commercial Association of Realtors
Member of North Carolina Association of Realtors and the National Association of Realtors
Member - Commercial Listing Service of Raleigh, Inc.

Past President (1989) - N. C. Chapter 40 of American Institute of Real Estate Appraisers

Past President (1981) - Commercial Listing Service of Raleigh, Inc.

Former Board Member - Raleigh Board of Realtors

APPRAISAL CLIENTS (Partial List):

United Carolina Bank	NCNB National Bank
Branch Banking and Trust Company	First Union National Bank
Southern National Bank	Wachovia Bank and Trust Company
Maryland National Bank	Raleigh Federal Savings and Loan
Allstate Insurance Company	Research Triangle Foundation
City of Raleigh	North Hills, Inc.
North Carolina Department of Transportation	York Family Properties
North Carolina Department of Administration	Northgate Associates

QUALIFICATIONS OF RONALD THOMAS

SUMMARY OF QUALIFICATIONS

Forty years experience in the appraisal of commercial and industrial properties including complex and special-use properties that include pharmaceutical, fiber optic and landfill facilities. Appraisal skills supported by additional background in management, leasing and analysis of existing and proposed retail, apartment and office properties.

EXPERIENCE

Present **Worthy & Wachtel, Inc., Raleigh, North Carolina.**

- . Fee Appraiser.

1987-1997 **SELF-EMPLOYED.**

- . Fee consultant for the analysis and marketing of commercial properties of individuals, corporate clients, and banks.
- . Expert witness testimony for governmental agencies and individuals.

1979-1987 **York Properties, Inc., Raleigh, North Carolina.**

- . Supervision of management and leasing for three apartment communities, 1 million s.f. of shopping center space, 500,000 s.f. office/warehouse space.
- . Structure and placement of tax-deferred sale-lease back of income properties for corporate clients.
- . Land-planning, land-use, and marketing strategy of excess land and facilities for manufacturing corporations.
- . Pro-forma analysis of office, shopping center, and apartment development for permanent loan placement.

1970-1979 **Fee Appraiser.**

- . Market value estimates and brokerage of income properties.
- . Expert witness testimony for governmental agencies and individuals.

EDUCATION

- 1966-1970 **North Carolina State University**, Raleigh, North Carolina.
B.S. Degree in Economics and Statistics; Minor in Chemistry.
One year research with NMR spectroscopy.
- 1972 **University of Connecticut.** Real Estate Valuation.
- 1980 **University of Colorado.** Case Studies in Income Property Analysis.
- 1982 **University of Florida.** Advanced Financial Analysis.

Successful completion of all required courses for MAI designation including demonstrative appraisal reports and comprehensive exam.

LICENSES

- 1976 **Broker's License (#38797).**
- 1991 **State Certified General Real Estate Appraiser's License (#A1094).**

CLIENTS

City of Raleigh
State of North Carolina
First Citizens Bank
Triangle Bank
Raleigh Federal
NationsBank
Centura Bank
Wake County

United Carolina Bank
Southern National Bank
Investors Savings Bank
Guaranty Savings Bank
Wachovia Bank
Resolution Trust Company
Individual Developers