

**North Carolina Department of Transportation-Right of Way Unit
REVIEW CERTIFICATION**

TIP/Parcel No.: B-5121/002 **WBS Element:** 42263.2.1 **County:** Wake
Owner(s): Wake County **FedAid Project:** BRNHS-0070(119)

I HEREBY CERTIFY THAT, to the best of my knowledge and belief the facts and data reported by me and used in the review process are true and correct.

I understand that this estimate of value is to be used in connection with a highway project and/or NCDOT Real Estate transaction.

The analyses, opinions, and conclusions in this **Review Report** are limited only by the critical assumptions and limiting conditions stated in this **Review Report** and are my personal, unbiased professional analyses, opinions, and conclusions.

I have no direct or indirect, present or prospective interest in the subject property or in any benefit from the acquisition of the subject property and I have no personal interests or bias with respect to the parties involved.

I have ☒, have not ☐, performed NO appraisal and NO other services as an appraiser or any other capacity, regarding the property that is the subject of this appraisal within the three year period immediately preceding acceptance of this assignment.

My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this **Review Report**.

My estimate of the value of all items which are Compensable under State law but not eligible for Federal Aid reimbursement is \$ 0

I personally inspected the subject parcel. I did ☒ did not ☐ personally inspect all sales/rentals considered to be comparable to the subject parcel.

My analyses, opinions, and conclusions were developed and this **Review Report** was prepared in compliance with **NCDOT Real Estate Appraisal Standards and Legal Principles** and the **Uniform Standards of Professional Appraisal Practice**. The appraisals in this assignment are to be made in accordance with all of the requirements set out in the **NCDOT Real Estate Appraisal Standards and Legal Principles** and the **Uniform Standards of Professional Appraisal Practice** and shall also comply with all applicable **Local, State, and Federal** laws, ordinances, regulations, restrictions and/or requirements; and any additions, revisions and/or supplements thereto. No one provided me with significant professional assistance with this **Review Report**.

My opinion of the difference, if any, in the "**Market Value**" of the entire tract **Before the Acquisition** and the "**Market Value**" of the remaining property immediately **After the Acquisition** is \$ 278,850, as allocated:
Allocation

Right Of Way	\$ <u>199,200</u>
Permanent Easements	\$ <u>0</u>
Temporary Easements	\$ <u>79,650</u>
Total Value of Land Acquired	\$ <u>278,850</u>
Value of Improvements Acquired	\$ <u>0</u>
Damage to Remainder	\$ <u>0</u>
Benefits to Remainder	\$ <u>0</u>
DIFFERENCE	\$ <u>278,850</u>



February 26, 2016
DATE OF CERTIFICATION

R. Thomas
REVIEW APPRAISER

Un-Economic Remnant to the Owner is a Factor ☐ Yes ☒ No
Area _____ Amount \$ _____

Administrative Approval

R. Thomas
APPROVED BY:

February 26, 2016
DATE:

North Carolina Department of Transportation

Right of Way Branch

Appraisal Summary Sheet

1. **TIP/Parcel No.:** B-5121 / 002 **WBS Element:** 42263.2.1 **County:** Wake

2. **Owner(s):** Wake County **Fed Aid Project:** BRNHS-0070(119)

3. **Plan Sheet No.:** 4 & 5 **Survey Stations:** SS 11+50 to SS 16+00 Left of SL -L-

4. Land Areas:	AREA LT.OF R/W	AREA IN R/W	AREA RT. OF R/W	TOTAL
	6.072 Ac	0.082-Ac	0.000 Ac	6.154 Ac
5. Less: Land Area in Existing R/W:	0.000 Ac	0.000 Ac	0.000 Ac	0.000 Ac
6. Appraise Net Areas	6.072 Ac	0.082-Ac	0.000 Ac	6.154 Ac

7. **Easements:**

TCE:	<u>0.163</u>	Ac	AUE:	<u>0.000</u>	Ac	PDE:	<u>0.000</u>	Ac
TDE:	<u>0.000</u>	Ac	PUE:	<u>0.000</u>	Ac	PCE:	<u>0.000</u>	Ac
TUE:	<u>0.000</u>	Ac	DUE:	<u>0.000</u>	Ac	Other:	<u>0.000</u>	Ac

8. Improvements Lt. of R/W	Improvements to be Acquired	Improvements Rt. of R/W
2 SBKBUS, Canopy, Paved	Landscaping, Portion of Paved Driveway	None
Parking Lot/Driveway,		
Landscaping		

9. Rights and Interests to be Appraised: **Unencumbered Fee Simple Interest**
(Subject to Existing Easements and Restrictions as Affected by Highway Acquisition.)

10. Estimated **"MARKET VALUE"** of Property Immediately Before:

Land \$	<u>15,038,450</u>
Improvements \$	<u>0</u>
TOTAL \$	<u>15,038,450</u>

11. Estimated **"MARKET VALUE"** of Property Immediately After:

Land \$	<u>14,759,600</u>
Improvements \$	<u>0</u>
TOTAL \$	<u>14,759,600</u>

12. **"DIFFERENCE"** Between Before and After Value (If Benefited, Type **"BENEFITS"**) \$ 278,850

Charles Richard Birkholz
Signed

February 17, 2016
Date of Appraisal

Name: Charles Richard Birkholz #A4939 **Phone:** (919) 455-7309
Address: 324 S. Wilmington St, Suite 163
Raleigh, NC 27601
E-Mail Address: Richard@OakwoodValuation.com



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Addenda

Allocation

Photographs of Subject Property

Qualifications of the Appraiser

Certificate of Appraiser



ASSUMPTIONS AND LIMITING CONDITIONS

For properties subject to eminent domain procedures, assumptions are made regarding both before and after valuation conditions. In the before valuation analysis, the appraiser considers data assuming away that a highway project is either proposed or underway. In the after valuation, the appraiser analyzes data and the resulting impact of a completed project, whether or not the project is realized.

Hazardous Material Statement

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client/property owner is urged to retain an expert in this field, if desired. That is, the subject property is appraised "as clean".

Americans with Disabilities Act

The appraiser has not made a specific compliance survey and analysis of the subject parcel to determine whether or not it is in conformity with the various detailed requirements of the American with Disabilities Act ("ADA"). It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the subject parcel is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, the appraiser did not consider possible non-compliance with the requirements of ADA in estimating the value of the subject.



SCOPE OF WORK

In accordance with the Uniform Standards of Professional Appraisal Practice effective January 1, 2016, the following is noted: The client and the intended user of this report is the North Carolina Department of Transportation. The intended use of the appraisal is to assist in the acquisition of private property for public use under North Carolina eminent domain laws. The purpose of the appraisal is to estimate market value of the property before and after the acquisition. The market value estimate is the opinion of the appraiser and assumes a reasonable exposure time (preceding the effective date of appraisal) of one year or less. As defined in The Appraisal of Real Estate, 14th Edition, market value is 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 fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

The surrounding environment was identified including legal, economic, and physical characteristics that impact value. Interviews were conducted with local/regional market participants and available published data was consulted during the valuation process. Regional and local research was conducted with respect to taxation, planning, zoning, flood zone determination, demographics, income and expense data, comparable listing, sale, and rental information (when applicable).

Statement Regarding Prior Services

I/we have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the acceptance of this assignment.



INSPECTION OF THE PROPERTY

The subject consists of 6.154 acres and is improved with several municipal buildings of an office and industrial nature. The subject has a physical address of 401 Capital Boulevard, Raleigh, North Carolina 27603. The appraiser contacted Mr. Mark Edmondson with Facilities Design and Construction for Wake County who referred me to Mr. Rick Stogner, Director of Facility and Field Services. The appraiser met with Mr. Stogner on February 17, 2016 which shall also serve as the effective date of this report.

The subject consists of a large site located at the gateway to downtown Raleigh. The site is improved with several municipal and industrially-oriented buildings. Similar improved sales on large acreage tracts are nonexistent in this market nor are similar leased properties. Therefore, the sales comparison (improved) and income approaches are inapplicable. Given the subject's highest and best use, the **sales comparison approach** (for the land component) is best suited to the valuation of property that involves the partial taking.

DESCRIPTION AND ANALYSIS OF THE NEIGHBORHOOD AND DISTRICT

In this section of the report, factors that directly or indirectly affect the economic viability of the subject area are examined. General location as well as employment, population and household growth trends, and income levels will be examined to provide an understanding of the economic/demographic characteristics of the area in which the subject is located.

Location

Specifically, the subject area is located in the City of Raleigh, Wake County, North Carolina. The three cities of Raleigh, Durham and Chapel Hill are identified locally and regionally as the Triangle area, although nationally, the area is known mainly as Raleigh/Durham. The Raleigh/Cary and the Durham/Chapel Hill MSA's comprise the Triangle, and are located approximately 250 miles south of Washington, DC, 370 miles northeast of Atlanta, Georgia, and 150 miles west of the North Carolina coast. Its geographic location in the north-central portion of the state provides excellent access to other major markets, which contributes to the area's economic growth. This area analysis focuses primarily on the Triangle area, which includes Durham, Orange and Wake Counties. Information will also be introduced regarding the Research Triangle Park, which has a



substantial impact on the Triangle area economy and the subject. The Triangle has certain qualities that attract new businesses and motivate existing companies to expand including:

- Research Triangle Park and its concentration of technology related industries
- Well educated workforce and three major universities
- Central location in the Eastern United States
- High quality of life and lower cost of living
- Lower business costs compared to other major technology centers

Transportation

Highway System - The Triangle area has an excellent transportation system. Interstate highways serving the Triangle include Interstate 85 (north/south primarily, but running east/west with Interstate 40 between Greensboro and Durham), and Interstate 40 (east/west). Interstate 85 extends west of Durham to Greensboro/High Point and south to Charlotte, South Carolina and Atlanta. Interstate 85 also extends northward toward Richmond, Virginia. From Interstate 85 in Durham, the Durham East/West Expressway (State Highway 147) extends through the Research Triangle Park, connecting with Interstate 40. Interstate 40 crosses the entire State of North Carolina from Wilmington on the coast to the mountainous western border and extends westward to California. In the Triangle area, the highway links the Research Triangle Park, the Raleigh/Durham Airport, southern Raleigh, southern Durham, and Chapel Hill. Major thoroughfares serving the area include I-40, US 1, US 64, NC 54, NC 55, and the northwest and northeast quadrants of the I-540 Loop that has been completed. The southern end of the loop, proposed to connect Garner with Holly Springs, has been under scrutiny. Two routes have been proposed, and both are under protest. One would affect an endangered Mussel that inhabits the area, and the other would travel through the middle of town. Lawmakers have since approved a measure to allow the road to travel through the middle of town, but a resolution has not been made.

Raleigh/Durham International Airport (RDU) - The main airport serving the Triangle area is Raleigh/Durham International Airport (RDU). Located between Raleigh and the Research Triangle Park, the airport has excellent access along a recently opened roadway system from



Interstate 40. On January 24, 2011, the second phase of Terminal 2 officially opened featuring an additional 15 shops and restaurants and a \$68 million-dollar modernization project in Terminal 1 began in July 2013. The turmoil in the airline industry has seen reductions in service at the smaller hubs like RDU. Even so, its presence and proximity to the subject area is a major benefit.

Economy/Employment

Since the mid-1980's, the Triangle area has been consistently touted as one of the fastest-growing markets in the country. As notable as the pace of its growth is, it is the character of that growth that is paramount in importance. Because of the business/industry profile in the Research Triangle region and the concentration of major universities and medical centers in the three-county area, the Triangle has the largest per-capita concentration of Ph.D. scientists, physicians and engineers among the 100 largest metropolitan areas in the nation. Area schools graduate about 12,000 students annually creating a supply of educated employees for local employers. These institutions are primarily Duke University in Durham, the University of North Carolina in Chapel Hill, and North Carolina State University in Raleigh. Duke University, one of the nation's best-known private institutions, has a student body enrollment in excess of 14,000, and the teaching faculty numbers about 1,600. Graduate degrees are offered in many fields, including business, divinity, engineering, law, medicine, the sciences, and others. The University of North Carolina was the first state university in the country to accept and graduate students. UNC is comprised of 14 colleges and schools, including more than 70 traditional academic departments and numerous affiliated institutes and organizations. The university's student body numbers over 29,000, with a full-time faculty of more than 2,300. N.C. State University is one of the nation's major public universities with a student enrollment of approximately 32,000 and over 2,000 faculty members. NCSU is particularly noted for its engineering, design, and textile colleges. The university offers 115 undergraduate, 169 masters, 61 doctoral fields, and a doctor of veterinary medicine degree. The combined enrollment for these three universities is in excess of 75,000.

In recent years, the Raleigh/Durham region has received a lot of favorable national attention. Magazines, newspapers, and business organizations have praised the area for its excellent overall



business climate, for its high quality of life, for its relatively low cost of living, and for being one of the best places in the country to start and relocate a business.

Research Triangle Park - The economic engine that tends to influence all sectors of the Triangle economic base is the Research Triangle Park (RTP), which grew out of a cooperative effort by the three major universities in the Triangle area. Founded in 1959, the Research Triangle Park is the earliest and largest planned research-oriented industrial park in the world. It is centrally located within 15 miles (15 to 20 minutes driving time) of each of these major cities and universities and contains 7,000 acres. Park tenants are a very select group of firms engaged in research and development and/or scientifically oriented production. More than 130 private, governmental and non-profit organizations employ nearly 50,000 people in the Triangle area.

U.S. Government research facilities, including the Environmental Protection Agency and the National Institute of Environmental Health Sciences, occupy about 10% of the Park's developed acreage. Special state-supported initiatives such as the Microelectronics Center of North Carolina, the Supercomputing Center, and the North Carolina Biotechnology Center are also located in the park. The largest private company in the Park is IBM Corporation, which has a 500-acre campus and 5.5 million square feet of buildings in the RTP, as well as a 700-acre complex just east of the park, and other facilities in Raleigh and elsewhere in the Triangle area.

There are about 15.8 million square feet of building space in the Park. Most of the developed portion of the Research Triangle Park is in Durham County. In 1993, the Research Triangle Park opened 2,300 acres for new development, of which 1,800 acres are in Wake County. Electronics/software development represents the largest sector (37%), followed by telecommunications (29%), healthcare (12%), environmental sciences (10%), and biotechnology (5%). Major tenants include IBM, GlaxoSmithKline, Nortel, and the U.S. Environmental Protection Agency.

Trends in Labor Force and Unemployment Rates – The Triangle area provides employment for over 95 percent of its residents who seek work. The stable employment base, anchored by universities, medical centers, and government jobs, has resulted in unemployment trends that have smoother peaks and valleys than the state and national rates.



Unemployment rates in the Raleigh/Cary and Durham/Chapel Hill MSA's have remained low for several years and have consistently been below the state and national averages. However, volatility in the housing and financial markets nationwide has been well documented and the MSA's are feeling this contraction. For the Raleigh/Cary and the Durham/Chapel Hill MSA's, the unemployment rates have continued to drop since their respective peaks in 2010. As of December 2015 unemployment rates for the Triangle MSA's continued to outperform state and national averages.

UNEMPLOYMENT RATES										
Metro Area	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
USA	4.6%	4.6%	5.8%	9.7%	9.1%	8.3%	8.1%	7.4%	6.2%	5.0%
North Carolina	4.8%	4.8%	6.3%	10.5%	10.9%	10.5%	9.5%	8.0%	6.1%	5.6%
Ral-Cary MSA	3.7%	3.6%	4.9%	8.7%	9.0%	8.6%	7.7%	6.3%	4.9%	4.6%
Durham-Chapel Hill	3.7%	3.6%	4.9%	8.7%	9.0%	8.6%	7.4%	6.2%	5.0%	4.7%
Not Seasonally Adjusted. *Average Through December										
Source: Employment Security Commission										

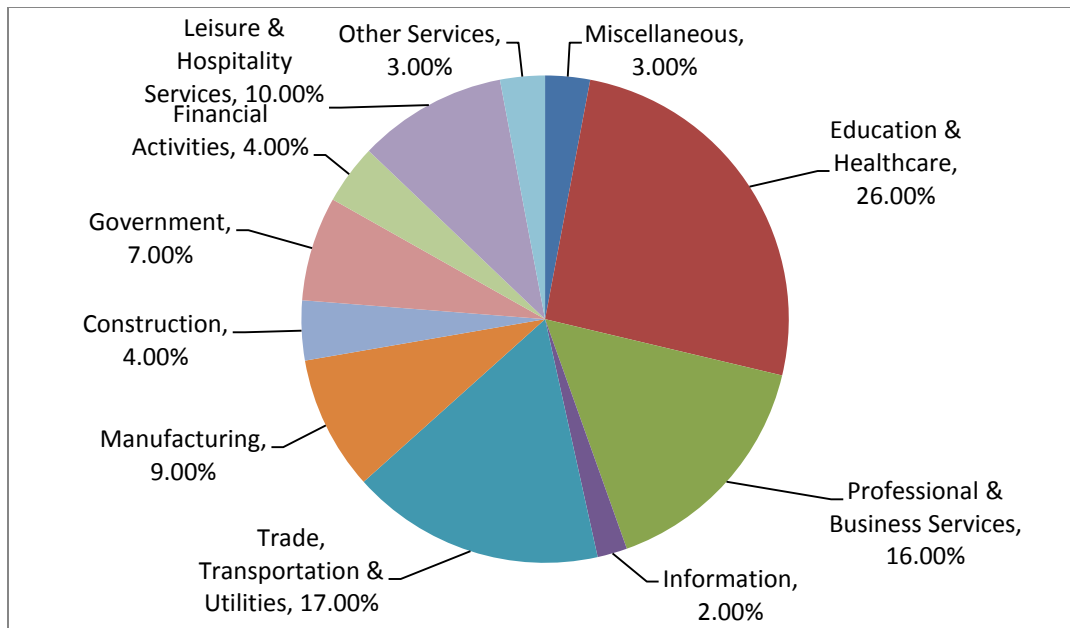
Employment growth is a vital component for continued population growth and demand for housing and services. While an average of about 25,000 new jobs per year had been added to the Triangle in the 1990's, including a record 55,000 jobs in 1997, job growth has steadily declined before bottoming out in 2002. Since 2002, the MSA's have seen modest gains in employment peaking at the end of 2006. 2009 saw a contraction with employment numbers plummeting and that trend continued through 2010 for the Raleigh-Cary and Durham-Chapel Hill MSAs. Even so, the Triangle's employment numbers fared better than the state average. 2011 through the latest period saw improved employment growth with numbers that continued to outpace state averages.



Annual Average Employment (Total All Industries)									
YEAR	Ral-Cary MSA	NO. NEW JOBS	% GROWTH	Dur-CH MSA	NO. NEW JOBS	% GROWTH	State of N.C.	NO. NEW JOBS	% GROWTH
2002	445,069			228,050			3,930,736		
2003	452,149	7,080	1.6%	226,345	(1,705)	-0.7%	3,973,635	42,899	1.1%
2004	464,689	12,540	2.8%	230,539	4,194	1.9%	4,031,081	57,446	1.4%
2005	483,659	18,970	4.1%	235,859	5,320	2.3%	4,123,857	92,776	2.3%
2006	511,641	27,982	5.8%	244,879	9,020	3.8%	4,261,325	137,468	3.3%
2007	521,914	10,273	2.0%	245,004	125	0.1%	4,283,826	22,501	0.5%
2008	534,493	12,579	2.4%	251,294	6,290	2.6%	4,280,354	(3,472)	-0.1%
2009	518,808	(15,685)	-2.9%	247,671	(3,623)	-1.4%	4,104,049	(176,305)	-4.1%
2010	525,500	6,692	1.3%	242,435	(5,236)	-2.1%	4,136,257	32,208	0.8%
2011	535,351	9,851	1.9%	247,479	5,044	2.1%	4,183,052	46,795	1.1%
2012	554,871	19,520	3.6%	254,894	7,415	3.0%	4,275,449	92,397	2.2%
2013	570,981	16,110	2.9%	255,896	1,002	0.4%	4,318,319	42,870	1.0%
2014	599,581	28,600	5.0%	260,237	4,341	1.7%	4,370,379	52,060	1.2%
2015*	616,559	16,978	2.8%	266,523	6,286	2.4%	4,477,803	107,424	2.5%
*Average Through November / NC through Dec.									
Source: N.C. Employment Security Commission									
d4.nccommerce.com/Laus Selection.aspx									

We have also examined the employment by sector (type of employment) in the Triangle MSA. As is true throughout the state and nation, Triangle area employment is becoming ever more service-oriented. The Triangle's economy is broadly based. Primary influences are Education and Healthcare, Professional & Business Services, and Trade, Transportation and Utilities. The diversity makes for a stable economy that is less susceptible to recession, but it does not provide immunity. The following chart shows the composition of the employment base in the Triangle.





The following table presents the largest employers in the Triangle area. Employment in this area is dominated by state government, plus a few large employers in the public and private sectors and numerous small and medium-sized employers.

Industry Base (2,500+ Employees)	
Triangle MSA's	
Name of Employer	No. of Employees
State of NC	76,394
Duke Univ. & Med. Ctr.	34,863
Wake Co. Public Schools	17,572
UNC-Chapel Hill	16,217
IBM (Durham)	10,000
UNC Health Care System	8,200
WakeMed Health	8,423
NC State University	8,080
Cisco Systems	5,500
Rex Healthcare	5,400
GlaxoSmithKline	5,175
SAS (Wake)	5,159
Durham Public Schools	4,600
Wake Co. Government	4,341
Wells Fargo	4,100
Blue Cross Blue Shield	3,800
Duke Energy	3,700
City of Raleigh	3,244
Affiliated Computer Services	2,915
Source: Research Triangle Regional Data Book	



Demographic Information

Population – The Triangle’s economy is still perceived to be healthy, and as such, it still draws new residents. In 2007, the area added 4.7% to its population while the nation grew by only 1%. Three-quarters of the increase was from net in-migration. Even when the local economy was coming out of the last recession in 2003, relocations accounted for 60% of the population increase. Coming off the current slowdown will be no different as expansion of high-paying sciences and professional services jobs will attract job seekers and population growth is expected to remain in the 3.5% range in the medium term. Expansion of consumer-oriented services and the housing market will accompany the robust rise in population.

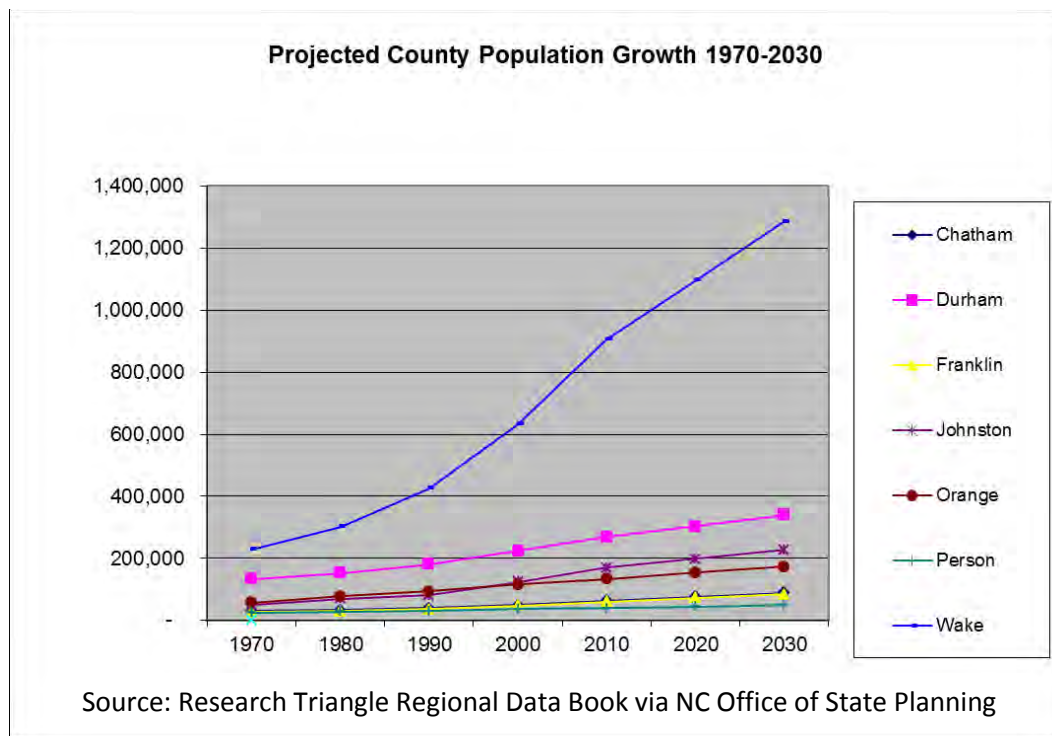
The following chart illustrates the projected increase in population which, on a percentage basis should be representative of the Triangle region.

	1970	1980	1990	2000	2010	2020	2030
Chatham	29,554	33,415	38,979	49,812	63,806	75,869	88,459
Durham	132,681	152,235	181,844	224,572	268,412	304,081	339,482
Franklin	26,820	30,055	36,414	47,636	60,836	72,626	84,440
Johnston	49,667	70,599	81,306	123,265	169,669	198,084	226,494
Orange	57,567	77,055	93,662	116,106	134,201	153,380	172,994
Person	25,914	29,164	30,180	35,718	39,448	44,061	48,821
Wake	229,006	301,429	426,311	633,333	906,788	1,096,426	1,286,185
Source: Research Triangle Regional Data Book via NC Office of State Planning							

The Raleigh-Cary MSA grew 41% from 2000 to 2010 and has been projected to grow another 29% through 2020. Additionally, the Durham-Chapel Hill MSA grew 18% from 2000 to 2010 and is projected to add another 19% of its population through 2020.

While the Triangle's growth is partially internally generated (expansion of existing industry and government), there are external factors that have also contributed substantially to the Triangle area's growth. Primarily is the trend of industries and companies relocating from the North to the South due to lower employment costs, lower building and utility costs, and the perception of a very high "quality of life." With this business investment has come a population influx, which produced a strong demand for new housing and supporting commercial facilities.





Income/Cost of Living - According to the US Department of Housing and Urban Development, Wake County typically has the highest median household income as compared to all other major counties.

Cost of Living Index							
	Composite Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Goods & Services
United States	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Atlanta	97.6	103.6	92.5	93.0	100.3	96.3	99.7
Austin	95.4	88.5	86.5	101.8	98.0	100.3	101.5
Baltimore	107.9	108.0	143.4	90.5	100.1	88.6	90.8
Boston	135.6	118.2	168.4	133.8	108.9	118.0	130.2
Charlotte	94.3	99.9	83.5	107.7	99.8	97.9	93.7
Jacksonville	98.3	102.3	80.2	108.2	106.9	92.7	105.5
Nashville	88.9	91.9	74.1	93.6	92.1	81.5	97.7
Raleigh	94.6	103.0	80.1	103.9	101.7	104.7	95.5
Richmond	100.6	101.0	87.0	107.2	98.6	103.2	109.3
San Jose	157.0	122.0	265.7	130.4	111.5	119.9	104.2
Source: ACCRA Cost of Living Index 1st Qtr 2014							

In comparison to the rest of the state, and nation as a whole, per capita income for the Raleigh-Durham area has consistently been much higher. Regarding cost of living, the American Chamber of Commerce Researchers Association collects comparative cost data for metropolitan areas in the



United States for a mid-management level family. The national average is an index of 100.0. This current index for the counties that make up the Triangle area illustrates the moderate cost of living. Combined with the relatively high income levels, these factors contribute to the favorable quality of life enjoyed by residents of the area, which continues to promote population and job growth.

Per Capita Income					
County	2005	2009	2010	2011	2012
Chatham	\$ 39,380	\$ 44,247	\$46,034	\$48,191	\$50,697
Durham	\$ 35,535	\$ 37,748	\$37,917	\$38,654	\$40,963
Franklin	\$ 26,602	\$ 28,870	\$28,926	\$29,670	\$31,063
Harnett	\$ 36,898	\$ 28,746	\$28,666	\$29,247	\$30,059
Johnston	\$ 29,736	\$ 32,155	\$32,501	\$34,149	\$35,218
Orange	\$ 39,558	\$ 45,163	\$46,700	\$48,683	\$51,702
Person	\$ 26,398	\$ 28,733	\$28,811	\$29,386	\$31,237
Wake	\$ 39,503	\$ 40,478	\$41,115	\$42,555	\$44,839
North Carolina	\$ 31,905	\$ 34,001	\$34,604	\$36,028	\$37,049
United States	\$ 35,452	\$ 38,637	\$39,791	\$41,560	\$42,693
Source: Research Triangle Regional Data Book via Bureau of Economic Analysis					

Summary

After maintaining healthy growth at the beginning of 2008, the Raleigh-Cary and Durham-Chapel Hill MSA's both experienced stalls in the economy. However, beginning in 2011, modest gains were made in employment in both MSA's. Professional/business services and education/healthcare are still eking out gains, offsetting the slight contraction in manufacturing. The robust expansion in construction has come to an end. This is being reflected in the downturn in the area's housing market since the beginning of the year amid mounting credit problems. Flat job numbers and an expanding labor force are behind the rise in the unemployment rate.

Even so, the Raleigh-Cary and Durham-Chapel Hill MSA's highly educated; technically efficient workforce rivals that of other technologically-oriented, new economy areas. The mix of top-notch facilities supported by business networks and leading research institutions lures many science-based firms to the area. In addition to having a quality workforce and developed sciences clusters, the area has distinct cost advantages across the board compared to most other areas. One of the biggest advantages is that the qualified workforce comes with a much lower price tag than in other tech hubs. The low cost of living and perceived high quality of life also contribute to the availability of labor.



The Triangle area has a diverse economy, which includes some relatively large segments such as government and education. Thus, it tends to fare better than other metropolitan areas during years of recession. The Triangle has been one of the fastest growing areas in the nation since the mid-1980's. Employment and population growth created demand for housing and commercial development during the last ten years, especially in areas accessible to the Research Triangle Park and Raleigh. Currently a national economic recession has resulted in increasing vacancy and a generally overbuilt commercial real estate market. At the same time, however, residential growth continues. The general outlook is favorable, and it is expected that additional commercial and residential growth will occur concurrently as the need arises.

In the near term, it is anticipated that the MSA's economy will weather its relatively late slowdown without falling into recession. It will continue to be driven by science-based industries, services, and government. Better prospects for job growth than in most areas support in-migration and strong population growth. Lower exposure to manufacturing reduces the risks associated with production cuts. The long-term outlook is for the Triangle to perform well above average as the area continues to attract new firms, not only in its established industries, but also as it continues to become more diverse.

NEIGHBORHOOD ANALYSIS

The subject site spans from the CSX Railroad corridor along the western margin of Capital Boulevard north to West Johnson Street just north of Raleigh's downtown core. Capital Boulevard is one of the most important transportation corridors in Raleigh and serves as a gateway into and out of Downtown. Traffic counts throughout the corridor range from 39,000 to over 60,000 vehicles per day. In the vicinity of the subject project, a 2013 AADT survey revealed 49,000 vpd north of the Wade Avenue bridge to 54,000 vpd south of the bridge. In this area, Capital Boulevard includes mostly three northbound and southbound lanes with intermittent ingress and egress ramps at Wade Avenue, Wake Forest Road and Peace Street. Lesser-travelled feeder roads include Fairview Road, West Street, and Dortch Street.

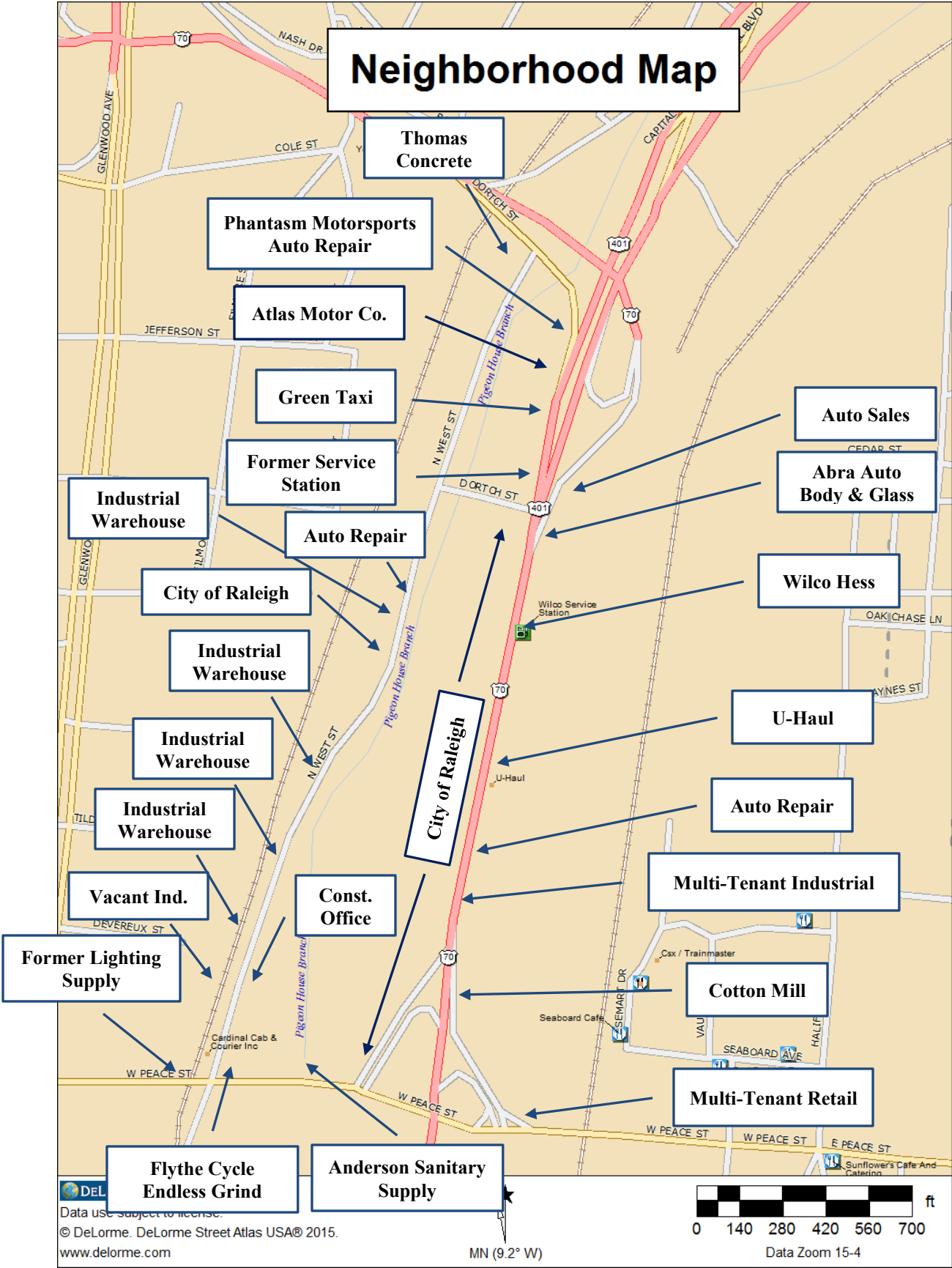


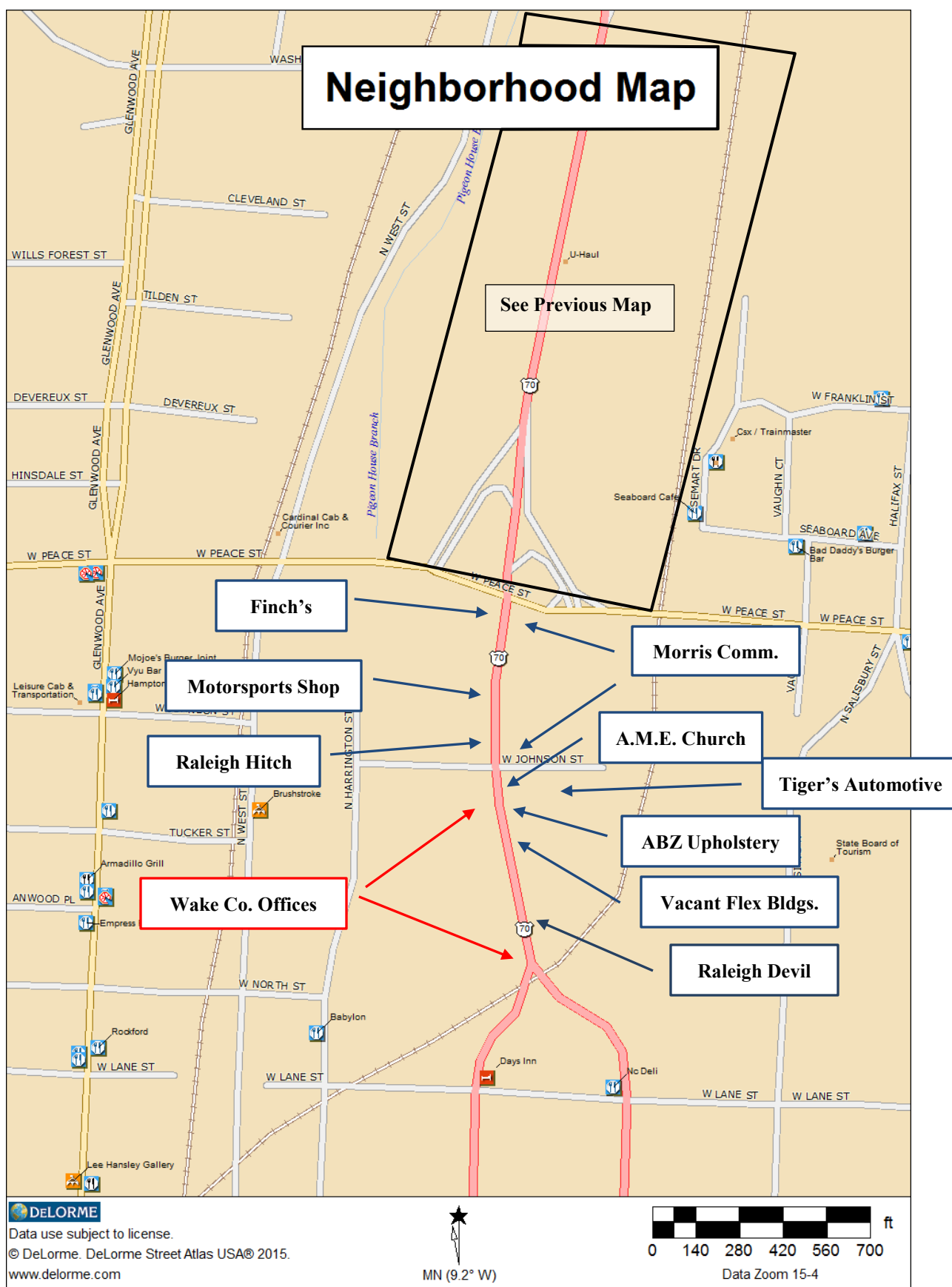
boundaries of the subject neighborhood. Peace Street serves as a significant physical barrier dividing uses between the downtown core (office, governmental, and retail uses) south of Peace and mostly older industrial and distribution uses north. Aside from the confines of the active rail lines, confounding growth north of Peace Street along this corridor is the existence of the FEMA designated floodway and 100-year floodplain which extends outward from the Pidgeon House Branch. Restrictions on building within these environmentally sensitive lands have stifled new development and have forced existing, older non-conforming improvements to remain.

Summary

There is significant untapped real estate value along the corridor which is well poised to capitalize on the access and visibility provided by Capital Boulevard and the area's location as the gateway to downtown. Value will most likely come in the form of relatively large-scale land assemblages and will hinge, in part, on what the City's intentions are for the Devereux Meadow site. The site had formerly been the home of a minor league baseball stadium until it was razed in 1979. The site is currently the location for a few city offices and parking for waste disposal vehicles. There have been numerous discussions over the past decade to transform this area into a destination park with river walk.







DESCRIPTION OF THE LAND

The description of the subject land is based on various sources including information provided by the NCDOT, Wake County tax records, and the recorded deed and plats. According to the NCDOT, the subject property contains 6.154 acres which is slightly larger than that indicated in the tax records (6.13 acres) and the recorded plat (BM 1985, Page 594) indicates 6.16 acres. Regardless, the appraiser has adopted the land area per the NCDOT Appraisal Summary Sheet and reserves the right to revise should any information be provided to the contrary.

The subject is located along the western margin of Capital Boulevard extending north from the CSX railroad corridor to Johnson Street. According to the City of Raleigh's iMaps GIS website, the subject has frontage of 215.50± feet along the southern margin of Johnson Street, 471.50± feet along the Capital Boulevard service road, and roughly 633± feet of frontage along the eastern margin of N. Harrington Street. The subject has multiple points of ingress and egress. Two driveway connections were noted along the Capital Boulevard service road (labeled as Johnson Street). The southern end of the service road provides right-in, right-out connectivity with Capital Boulevard. The northern end of the service road is one-way and provides additional right-in ingress from Capital Boulevard. Additionally, two driveway connections are oriented toward N. Harrington Street. Lastly, the subject has a single driveway connection along Johnson Street.

All public utilities are available to the site. The Raleigh iMaps GIS indicates that the subject property is located entirely outside of a FEMA designated flood hazard area. The reader is referred to the maps following this section for a depiction of the remaining lot boundaries and dimensions.





GIS AERIAL TAX MAP



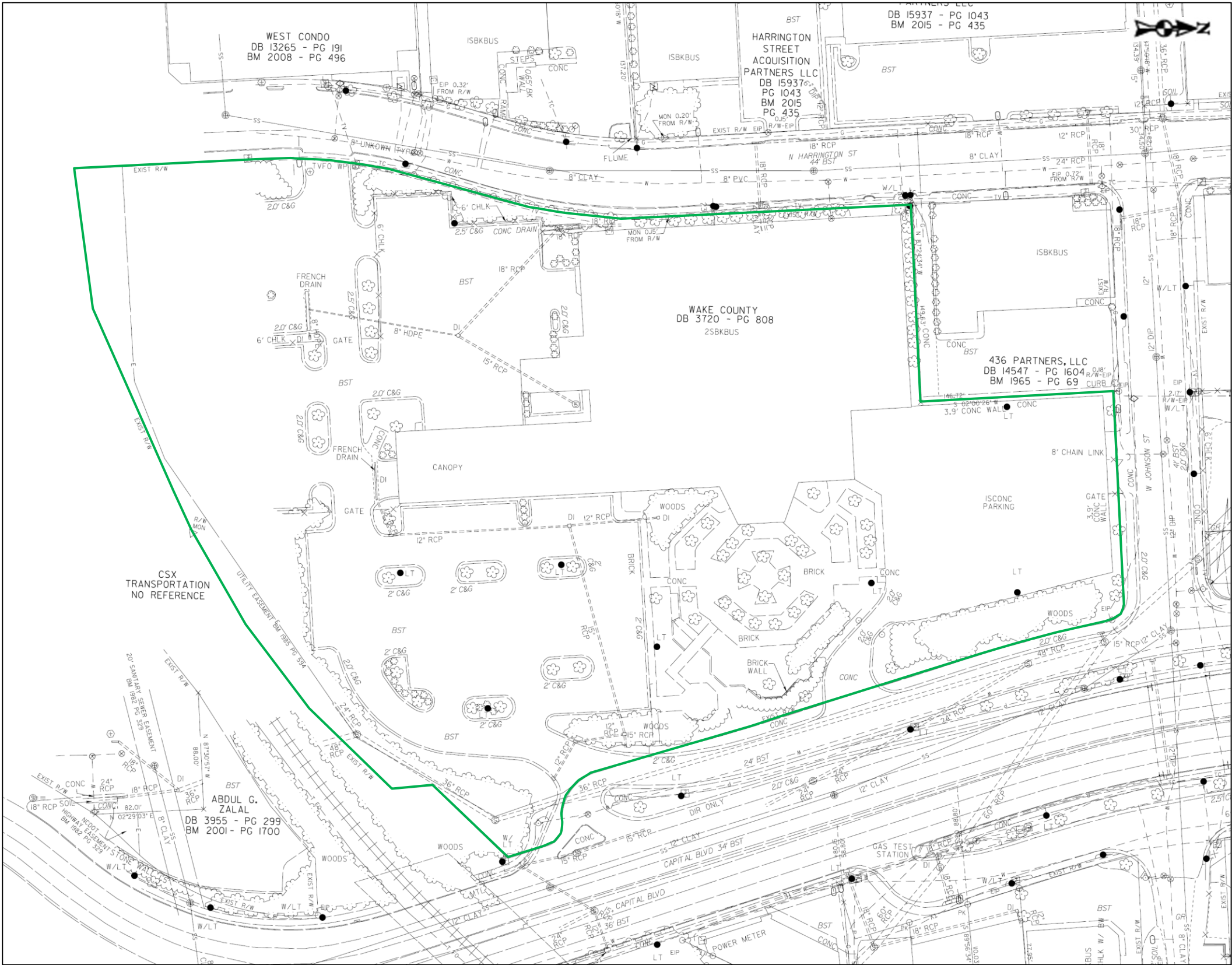
DESCRIPTION OF THE IMPROVEMENTS

An inspection of the property revealed the site to be improved with numerous industrial buildings, small offices, garages, fuel stations and associated site improvements. According to the Wake County Tax Department, these improvements were constructed between 1968 and 1988 and have been continuously maintained by the County.

Improvements directly impacted by the project include a double-sided, lighted sign mounted on a masonry base, a significant portion of landscaping, and asphalt and concrete paving. As will be discussed in the highest and best use section to follow, these improvements along with the associated site improvements represent an underutilization of the site given the tremendous growth and corresponding development currently occurring in the immediate vicinity. The highest and best use analysis dictates that the existing improvements have no remaining contributory value and should be razed in favor of new mixed-use development.



SITE PLAN

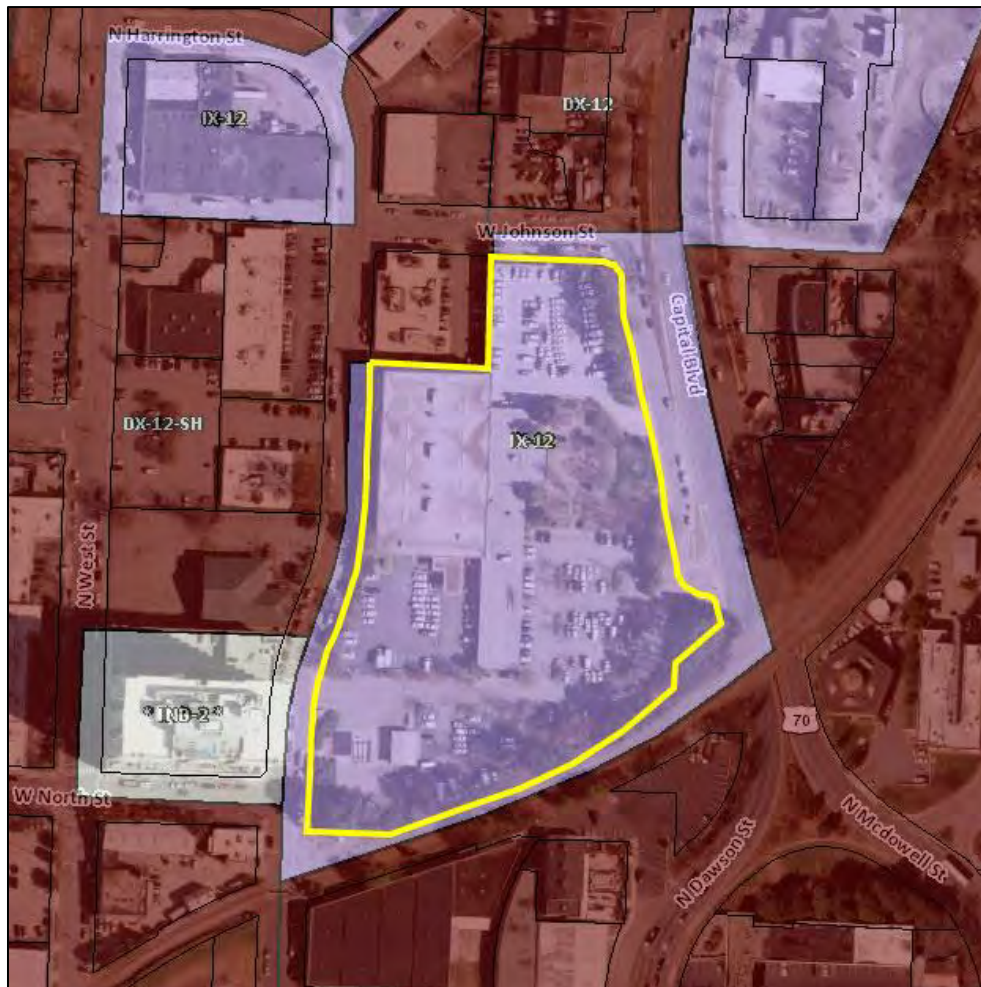


ZONING INFORMATION

The subject is located within Raleigh's zoning jurisdiction and has recently been rezoned to IX-12 (Industrial Mixed-Use (IX), 12-Story Max).

According to Raleigh's UDO, the IX- (Industrial Mixed Use) district is "intended to provide for a variety of light industrial and manufacturing uses while allowing for retail, service and commercial activity and limited housing opportunities. To help ensure that land is reserved for manufacturing and employment, residential uses are limited to the upper stories of mixed use buildings. IX- is not intended to provide for areas exclusively dominated by light industrial or manufacturing but provide for developments that incorporate commercial uses with housing, retail and service-related activity. IX- can serve as a land use transition between heavy industrial areas and mixed use districts."

ZONING MAP



The dimensional standards for the subject are as follows:

Section 3.2.5; General Building Dimensional Standards	
Zoning District: IX-12	
Lot Dimensions	
Area (min)	n/a
Area (max)	n/a
Width (min)	n/a
Outdoor amenity area (min)	10%
Building/Structure Setbacks	
From primary street (min)	3'
From side street (min)	3'
From side lot line (min)	0' or 6'
From rear lot line (min)	0' or 6'
From alley	5'
Parking Setbacks	
From primary street (min)	10'
From side street (min)	10'
From side lot line (min)	0' or 3'
From rear lot line (min)	0' or 3'
From alley (min)	5'
Transparency	
Ground story (min)	20%
Upper story (min)	20%
Blank wall area (max)	50'
Height	
Principal building (max)	12 Stories/150' max
Floor Heights	
Ground floor elevation (min)	0'
Ground story height, floor to ceiling (min)	11'
Upper story height, floor to ceiling (min)	9'
Allowed Building Elements	
Balcony	
Gallery, awning	
Source: Part 10A; Raleigh UDO	

As a vacant site, the subject appears to meet the dimensional requirements of the zoning district. As currently improved, the subject also appears to be conforming to the dimensional standards of the zoning district. Regardless, as will be discussed in the highest and best use section to follow, the building improvements are to be razed in favor of mixed-use development.



TAX INFORMATION

For ad valorem tax purposes, the subject is identified in the Wake County tax records as Real Estate Identification Number 0062081. The subject has a tax assessment of \$10,212,283 consisting of land with an assessed value of \$6,728,979 and buildings assessed at \$3,483,304. Because the property is owned by the County, it is exempt from taxes.

The state of North Carolina mandates that all counties value real estate every eight years for ad valorem tax purposes. Wake County initiated its last reassessment of all properties in January 1, 2016, and the subject's assessment reflects this valuation. However, it is common for tax assessments to be different than actual market value. The tax assessment should not be considered a reliable indicator of the value of the property as it does not always take into consideration individual property features. The assessment can lag current value as time passes.

TAX MAP



PUBLIC AND PRIVATE RESTRICTIONS

Easements for utilities and restrictive covenants may result in minimal restrictions on the subject property. Other than the dimensional requirements of the zoning district previously detailed, there are no other restrictions that prevent the property from being used in the highest and best use capacity.

HISTORY OF THE PROPERTY

The subject was acquired May 14, 1986 per instrument recorded in Deed Book 3720, Page 808. Based on the excise stamps, the purchase price was \$2,950,000. No other transfers of the subject are known.

HIGHEST AND BEST USE

According to *The Appraisal of Real Estate*, published by the Appraisal Institute, Highest and Best Use is defined as follows:

The reasonably probable use of a property that results in the highest value.

To be reasonably probable, a use must meet certain conditions:

- The use must be *legally permissible*
- The use must be *physically possible*
- The use must be *financially feasible*

Uses that meet the three criteria of reasonably probable uses are tested for *economic productivity*, and the reasonably probable use with the highest value is the highest and best use.¹

Two analyses are generally made when considering the highest and best use of a property: (1) the site is viewed as if vacant and available for development; and (2) the property is analyzed based on its existing improvements and location. The subject is improved requiring two analyses.

¹ *The Appraisal of Real Estate*, published by Appraisal Institute, Fourteenth Edition, 2013, p. 332.



As Vacant:

Any proposed use for the subject property must be legally permissible. Legal considerations primarily relate to zoning regulations, and, if any, restrictive covenants recorded by deed. The subject site is currently zoned IX-12 by the City of Raleigh. As currently zoned, the site is legally conforming with regard to dimensional requirements as a vacant tract.

Physical characteristics are important in determining the highest and best use for a site. The subject consists of 6.154 acres of land. Additionally, the site is irregular in shape, has a good location, frontage, visibility, and ingress/egress via multiple points. The site has favorable topography and is located entirely outside of a flood hazard area. Given its physical characteristics, the subject site is conducive to development with a variety of uses allowed by zoning.

The final criterion in highest and best use analysis examines uses that are financially feasible and maximally productive. As previously noted, the subject is located just outside of the downtown core in an area that has seen significant recent development. The subject site has recently been rezoned to IX-12 which opens up development to uses other than office or industrial. The 12-story maximum suggests a mixed-use concept with ground-level retail, office and upper floors comprised of residential units. Based on the tremendous growth currently happening in the immediate vicinity of the subject tract, it is clear that a more intense use of the site (mixed-use including retail, office, and residential) would be maximally productive. Further, a mixed-use concept for the subject fits the City's vision for this area. Naturally, any proposed redevelopment would have to go through the site planning process and be approved by the Planning Department. Still, since most of the components requisite for redevelopment are in place, the hypothetical developer's holding costs, legal and professional fees associated with achieving development approval are somewhat minimized.

The timing for alternative uses is paramount to the analysis. As stated, Downtown Raleigh is currently experiencing unprecedented growth and the subject is located in an emerging node with a unique location at the entrance to Downtown. It is clear that if the site were presently vacant and available, it would be redeveloped with more intense uses. It is the appraiser's opinion that



the timeframe for a shift in use is now. Lastly, given the large size of the subject tract as compared to area sales, the appraiser will apportion the site equally amongst these potential uses.

As Improved:

The subject is currently improved with several buildings of an office and industrial nature. These improvements were noted to be in average condition for their age. Even so, given the site's location, the structures are clearly an underutilization of the land. Aside from the Dorothea Dix campus and the City's Devereux Meadow site, the subject site is one of the largest and highest-profile sites in the downtown Raleigh market. For these reasons, the existing building improvements should be razed in favor of new construction capitalizing on its "gateway" location at the northern tip of Raleigh's Downtown Core. Accordingly, the subject property will be considered as vacant land ready to accommodate its highest and best use.

VALUATION OF PROPERTY BEFORE THE ACQUISITION

The purpose of this section is to combine the property specific information previously described with additional information obtained from the local/regional real estate market to estimate a value for the subject property.



SALES COMPARISON APPROACH

The subject's land value is based on its highest and best use as vacant, which is for commercial, mixed-use development. Hence, the methodology of this analysis is to compare recent and similar land sales to the subject tract, making adjustments for their dissimilarities. However, there are no recent sales of the subject's size or location. Furthermore, it is the appraiser's opinion that redevelopment would be phased and include a mixture of uses between retail, office, and mixed-use (retail on lower levels, office and residential units on upper levels.) Therefore, the most logical sales would include each of these use categories. Since a site plan for redevelopment is hypothetical, the appraiser will divide the subject property equally amongst these use types. The sales will be presented in the following order:

Property Allocation			
	Segment	Size (Ac)	Size (SF)
1	Mixed-Use	2.051	89,355.092
2	Multi-Family	2.051	89,355.092
3	Office	2.051	89,355.093
Total		6.154	268,065.277

Rounding will be done at the end of the valuation process to avoid duplicity.



**NORTH CAROLINA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY BRANCH**

RECORD ID No: 302

Date: December 18, 2015 **Deed Book/Page:** 16245/820 **Stamps:** \$27,750 **County:** Wake
Grantor: Dillon Supply Company **Grantee:** Dillon Station, LLC
Location: 220 S. Harrington Street, Raleigh, NC, 27603
Sales Price: \$13,875,000 **Confirmed by (Name):** Justin Good (Broker), 704-526-2829, Deed, Pub. Recs, CoStar, Press Release, N&O
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for redevelopment with mixed-use
Days On Market: Unk Days **Prior Sale:** No sales in previous five years
Present Use: Industrial **Zoning:** DX-20-SH-CU, Mixed-Use
Highest and Best Use: Mixed-Use Development
Size: 2.520 Acres±, 109,771 SF **Shape:** Rectangular **Topography:** Level
Existing R/W Area: None **Area Cleared/Wooded:** Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Good via S. Harrington, W. Hargett, S. West, W. 528 ± Ft on S. Harrington St; 528± Ft on S. West St; 416± W.
Access: Martin **Frontage:** Hargett
Improvements: Industrial improvements with little to no contributory value

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
0018308, 0018312, 0018311, 0018307, 0018319,
Unit Price: \$5,505,952/Acre, \$126.40/SF **Tax ID:** 0179263, 001327, 0018321

Other Pertinent Information: This sale represents the 2.52-acre site "The Dillon" mixed-use development. The project will include a 210,000 square-foot, 17-story Class A office tower, 40,000 square feet of retail, and two six-story apartment buildings comprising 261 units with adjoining parking deck. The property consists of 8 tax parcels divided by W. Hargett Street in the Warehouse District. A small portion of the original facade will be preserved though its value is negligible with any value more than offset during the construction "work-around" and preservation effort.

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Taken By: Oakwood Valuation Group, LLC
Date Inspected: February 10, 2016



**NORTH CAROLINA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY BRANCH**

RECORD ID No: 298

Date: December 16, 2015 **Deed Book/Page:** 16241/2281 & 2643 **Stamps:** \$8,083 **County:** Wake
Grantor: Bogey Enterprises, LLC; Thera, LLC **Grantee:** Glenwood HPI, LLC
Location: 605-609 Hillsborough Street, Raleigh, NC, 27603
Sales Price: \$4,041,500 **Confirmed by (Name):** Marcus Jackson (Broker), 919-645-1428, Deed, Pub. Recs, CoStar, Press Release
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for mixed-use development
Days On Market: 215 Days **Prior Sale:** No sales known in previous five years
Present Use: Office, retail, and parking with no remaining contributory value **Zoning:** DX-12-UL & UG, Commercial
Highest and Best Use: Mixed-Use Development
Size: 0.831 Acres±, 36,200 SF **Shape:** Irregular **Topography:** Slightly Sloping
Existing R/W Area: None **Area Cleared/Wooded:** Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Access: Good via Hillsborough St and W. Morgan St **Frontage:** 147 ± Ft on Hillsborough St; 125± Ft on W. Morgan St; 227± Ft. Glenwood
Improvements: Improvements with no remaining contributory value

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$4,863,197/Acre, \$111.64/SF **Tax ID:** 0020598, 0020597, 0020600, 0072809

Other Pertinent Information: According to a 1/29/16 report by the News and Observer, the buyer intends to redevelop the 0.831-acre site (36,200 SF) with 14,500 square feet of ground-level retail and 205,000 square feet of office space within the 10-story building. The project will have a parking deck located on the site across the street which is currently home to Shelton's Furniture. "One Glenwood" is anticipated to be complete in Q2 of 2018. As of the date of sale, the site was improved with surface parking and older office/retail buildings given no value in the purchase price and are to be razed.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: February 09, 2016



**NORTH CAROLINA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY BRANCH**

RECORD ID NO: 264

Date: October 29, 2013 **Deed Book/Page:** 15491/2326 **Stamps:** \$8,248 **County:** Wake
Grantor: Edison Land LLC **Grantee:** Skyhouse Raleigh, LLC
Location: 308 S. Blount Street, Raleigh, NC, 27601
Sales Price: \$4,124,000 **Confirmed by (Name):** Gregg Sandreuter via reliable 3rd party, , Deed, Pub. Recs, Bus. Jrnl
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for development with 23-story multi-family project
Days On Market: Unk Days **Prior Sale:** No sales in previous five years
Present Use: Mixed Use Development known as "Skyhouse" **Zoning:** Bus w/Downtown Overlay, Commercial
Highest and Best Use: Multi-Family with lower level retail
Size: 0.684 Acres±, 29,805 SF **Shape:** Rectangular **Topography:** Level
Existing R/W Area: None **Area Cleared/Wooded:** Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Access: Good via Blount and Martin Streets **Frontage:** 142 ± Ft on S. Blount St; 210± Ft on E. Martin St
Improvements: None at time of sale

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$6,027,225/Acre, \$138.37/SF **Tax ID:** 0418309

Other Pertinent Information: 23-story high-rise apartment building containing 320 units and 3 street-level retail bays totaling 5,553 square feet. The project is located in Raleigh's downtown core proximate to Moore Square, City Market, and the Fayetteville Street districts. According to the Triangle Business Journal, apartment rental rates range from \$1,198/month for 585 SF 1-Br units to \$2,946/month for 1,508 SF 3-Br units. Additionally, the site abuts a City of Raleigh parking deck which the developer will lease 400 spaces at rent of \$1,000 per space per year. Lastly, the recent city-wide remapping calls for the zoning to change to DX-40-SH allowing for a 40-Story building height.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: November 12, 2015



NORTH CAROLINA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY BRANCH

RECORD ID No: 266

Date: July 21, 2015 **Deed Book/Page:** 16098/125 **Stamps:** \$8,100 **County:** Wake
Grantor: 431 McDowell, LLC **Grantee:** Winwood Hospitality Group, Inc.
Location: 431 S. McDowell Street, Raleigh, NC, 27601
Sales Price: \$4,050,000 **Confirmed by (Name):** CoStar via Grantee, N&O, Bus. Jrnl, , Deed, Pub. Recs
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for future hotel development
Days On Market: Unk Days **Prior Sale:** No sales in previous five years
Present Use: Rental car facility to be razed after lease expiration **Zoning:** IND-2 to DX-20-SH, Commercial
Highest and Best Use: Commercial Development
Size: 0.576 Acres±, 25,075 SF **Shape:** Rectangular **Topography:** Level
Existing R/W Area: None **Area Cleared/Wooded:** Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Good via McDowell St, W. Cabarrus St, and 141 ± Ft on McDowell St; 178± Ft on Cabarrus St; 141± Ft.
Access: Gale St **Frontage:** Gale St
Improvements: Service Garage to be razed

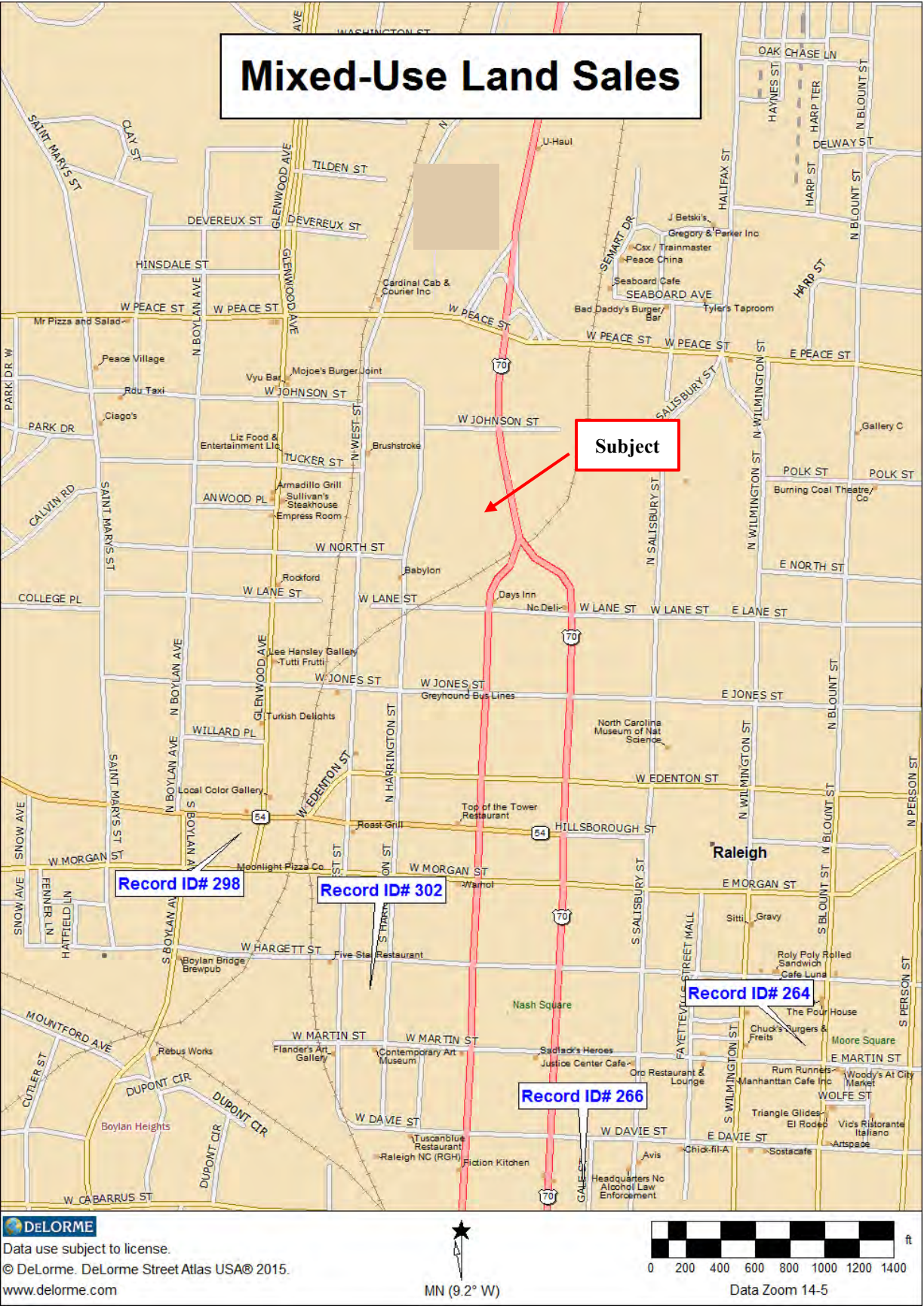
Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$7,035,613/Acre, \$161.52/SF **Tax ID:** 0001106

Other Pertinent Information: 25,075 square-foot site located across from the Raleigh Convention Center in downtown Raleigh. The property was improved with a service garage leased to Enterprise rental at the time of sale. According to the News and Observer and the Triangle Business Journal who verified the transaction with the buyer (Amit Patel with Winwood Hospitality) the lease was extended an additional 24 months while entitlements are secured. The buyer intends to develop the site with a 10-12-story hotel with "about" 175 rooms and structured parking.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: November 12, 2015





LAND SALES ADJUSTMENT CHART - BEFORE VALUE					
Wake County					
42263.2.1; B-5121; Parcel 002					
Mixed-Use Segment					
<u>Sale</u>	<u>Subject</u>	<u>Sale #1</u>	<u>Sale #2</u>	<u>Sale #3</u>	<u>Sale #4</u>
<u>Name</u>	N/A	The Dillon	One Glenwood	Skyhouse	Hotel Site
<u>Record ID</u>	<u>N/A</u>	<u>302</u>	<u>298</u>	<u>264</u>	<u>266</u>
<u>Location</u>	401 Capital	220 S. Harrington	605-609 Hillsborough	308 S. Blount	431 S. McDowell
	<u>Boulevard</u>	<u>Street</u>	<u>Street</u>	<u>Street</u>	<u>Street</u>
<u>Date of Appraisal/Sale</u>	02/17/16	12/18/15	12/16/15	10/29/13	07/21/15
<u>Zoning</u>	IX-12	DX-20-SH-CU	NB/BUS to DX-12-UL & UG	BUS to DX-40-SH	IND-2 to DX-20-SH
<u>Utilities</u>	All Public	All Public	All Public	All Public	All Public
<u>Sales Price</u>	N/A	\$13,875,000	\$4,041,500	\$4,124,000	\$4,050,000
<u>Size (Ac)</u>	2.051	2.520	0.831	0.684	0.576
<u>Size (SF)</u>	89,355.092	109,771	36,200	29,805	25,075
<u>Implied Sales Price/Ac</u>	N/A	\$5,505,952	\$4,863,197	\$6,027,225	\$7,035,613
<u>Implied Price Per SF</u>	N/A	\$126.40	\$111.64	\$138.37	\$161.52
SUMMARY OF MARKET ADJUSTMENTS TO SALES PRICES					
Adjustment for Property Rights Transferred		\$0	\$0	\$0	\$0
Adjusted Price		\$13,875,000	\$4,041,500	\$4,124,000	\$4,050,000
Adjustment for Financing Terms		\$0	\$0	\$0	\$0
Adjusted Price		\$13,875,000	\$4,041,500	\$4,124,000	\$4,050,000
Adjustment for Condition of Sale		\$0	\$0	\$0	\$0
Adjusted Price		\$13,875,000	\$4,041,500	\$4,124,000	\$4,050,000
Adjustment for Post-Purchase Expenditures		\$0	\$0	\$0	\$0
Adjusted Price		\$13,875,000	\$4,041,500	\$4,124,000	\$4,050,000
Adjusted Price/SF		\$126.40	\$111.64	\$138.37	\$161.52
Adjustment for Date of Sale @ 3%		0.50%	0.52%	6.91%	1.73%
Adjusted Price/SF		\$127.03	\$112.22	\$147.93	\$164.32
SUMMARY OF PHYSICAL ADJUSTMENTS TO SALES PRICES					
Location/Exposure		-30%	-15%	-35%	-40%
Site Utility		0%	0%	0%	0%
Net Adjustment - Physical Factors		-30%	-15%	-35%	-40%
Implied Indication per SF		\$88.92	\$95.39	\$96.15	\$98.59
Minimum Price/SF	\$88.92				
Median Price/SF	\$95.77				
Mean Price/SF	\$94.76				
Maximum Price/SF	\$98.59				

Adjustment Methodology:

The methodology is to make a comparison of the sales to the subject property with regard to the terms of sale and major differences in location and site characteristics. This analysis first considers adjustments to the comparables for the date of sale, property interest sold, any



buyer/seller motivation, and for special financing. This market-adjusted price will then reflect a current sale price for a similar property interest on a cash basis as negotiated by typically motivated participants. The market adjusted sale price is then adjusted for specific physical characteristics. The adjusted sale prices will then be correlated to an indicated value for the subject segment. The explanation of adjustments is as follows:

Rights Conveyed, Financing & Condition of Sale: Each of the sales represents fee simple, cash equivalent and arm's length transactions. Therefore, no adjustments were made.

Time: The adjustment for time is to compensate a property for appreciation or depreciation experienced in the marketplace because of inflation and or supply and demand factors over time. Raleigh/Wake County has been growing in spite of the state and national housing slow-down. However, in 2007 through the end of 2011, the state and national economic climate was dismal and the Triangle area saw a real estate contraction with no market evidence of appreciation. 2012 saw significant growth with land prices escalating at an estimated 3% annual rate through 2015. Hence, any sales occurring after 2012 are adjusted to reflect upward-trending real estate values at 3% per year.

Location: The subject is located along Capital Boulevard between the CSX Railroad corridor and Johnson Street. Sale #1 is located in the Warehouse District in a rapidly revitalizing area of downtown with adjacent proximity to the downtown core. Furthermore, the purchase included an entire city block with abundant visibility along several highly trafficked roads. Therefore, this sale was adjusted downward. Sale #2 is located at the base of the Glenwood South District with frontage on Hillsborough and Morgan Streets and additional visibility along Glenwood Avenue. Given the Sale's location along three hi-profile streets, the site is considered to have a superior location and was adjusted downward. Sale #3 is located on Blount Street and Martin Street in the downtown core. This area of downtown commands higher land prices necessitating a downward location adjustment. Sale #4 is located next to the Convention Center in the heart of Downtown's core and proximate to the courthouse, justice center, and popular retail and dining establishments. Accordingly, this sale is adjusted downward.



Conclusions:

After adjustments have been applied to the comparable sales, the value of the mixed-use segment is indicated to be in the range of \$88.92 per square foot to \$98.59 per square foot averaging about \$94.76 per square foot. With equal consideration given to the adjusted indications of all sales, the appraiser has selected a value of **\$95.00 per square foot** which equates to:

$$2.051 \text{ Acres (89,355.092 SF Mixed-Use Segment)} \times \$95.00/\text{SF} = \$8,488,734$$

The following sales are offered as the best evidence of the value for the Multi-Family Segment:



NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

RIGHT OF WAY BRANCH

RECORD ID No: 227

Date: February 27, 2015 **Deed Book/Page:** 15937/1043 **Stamps:** \$7,270 **County:** Wake
Grantor: Marlowe Farms & Land, Inc. **Grantee:** Harrington Street Acquisition Partners, LLC
Location: 437 & 441 N. Harrington Street, Raleigh, NC, 27603
Sales Price: \$3,635,000 **Confirmed by (Name):** Reliable 3rd Party, Triangle Business Journal, , Dee, Pub. Recs, Plng Dept.
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for multi-family development
Days On Market: Unknown Days **Prior Sale:** No sales in previous five years
Present Use: Multi-tenant office **Zoning:** Ind-2 to DX-12-SH, Multi-Family
Highest and Best Use: Multi-Family development
Size: 1.219 Acres±, 53,079 SF **Shape:** Rectangular **Topography:** Slightly Sloping
Existing R/W Area: None **Area Cleared/Wooded:** Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Access: Good via Harrington Street **Frontage:** 363 ± Ft on N. Harrington St
Improvements: Two older office buildings given no consideration and to be razed

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$2,983,112/Acre, \$68.48/SF **Tax ID:** 0077459 & 0077460

Other Pertinent Information: Developer Gregg Sandreuter will be constructing a five-story apartment building containing 177 dwelling units along with a 226-space parking deck. Site plan approval has been granted by the City of Raleigh. At the time of sale, the site was improved with two older office buildings containing a total of 20,876 square feet. Any demolition costs would be offset by salvage value (copper, steel, etc.).



Taken By: Oakwood Valuation Group, LLC
Date Inspected: May 19, 2015



**NORTH CAROLINA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY BRANCH**

RECORD ID No: 195

Date: April 22, 2014 **Deed Book/Page:** 15640/332 **Stamps:** \$10,900 **County:** Wake
Grantor: PHP Development, LLC **Grantee:** Glenwood South Raleigh Apartments, LLC
Location: 201 N. Harrington Street, Raleigh, NC, 27603
Sales Price: \$5,450,000 (Gross) \$3,754,000 (Net) **Confirmed by (Name):** CoStar via Buyer Grubb Properties, 704-372-5616, Deed, Public Records
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for development with multi-family project
Days On Market: Unknown Days **Prior Sale:** No prior sales in previous five years
Present Use: Multi-Family Development Under Construction **Zoning:** IND-2, Multi-Family
Highest and Best Use: Multi-Family Development
Size: 1.266 Acres±, 55,147 SF **Shape:** Rectangular **Topography:** Generally Level
Existing R/W Area: None **Area Cleared/Wooded:** Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
263 ± Ft on N. Harrington St; 262± Ft on N. West St; 210± ft.
Access: Good via N. Harrington St and N. West St **Frontage:** W. Jones St
Improvements: Network/fiber-optic switching station

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$4,304,894/Acre, \$98.83/SF (Gross) \$68.07/SF (Net) **Tax ID:** 0000282

Other Pertinent Information: The seven-story Link Apartments at Glenwood South will feature 203 units and will include a fitness center, outdoor pool, and deck areas. At the time of sale, the site was improved with a network/fiber-optic switching station that is leased with annual rent of \$122,987 increasing 3% per year. The lease runs for 18.58 years with a renewal option. The estimated present value of the lease is \$1.696 million.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: December 13, 2014



**NORTH CAROLINA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY BRANCH**

RECORD ID No: 196

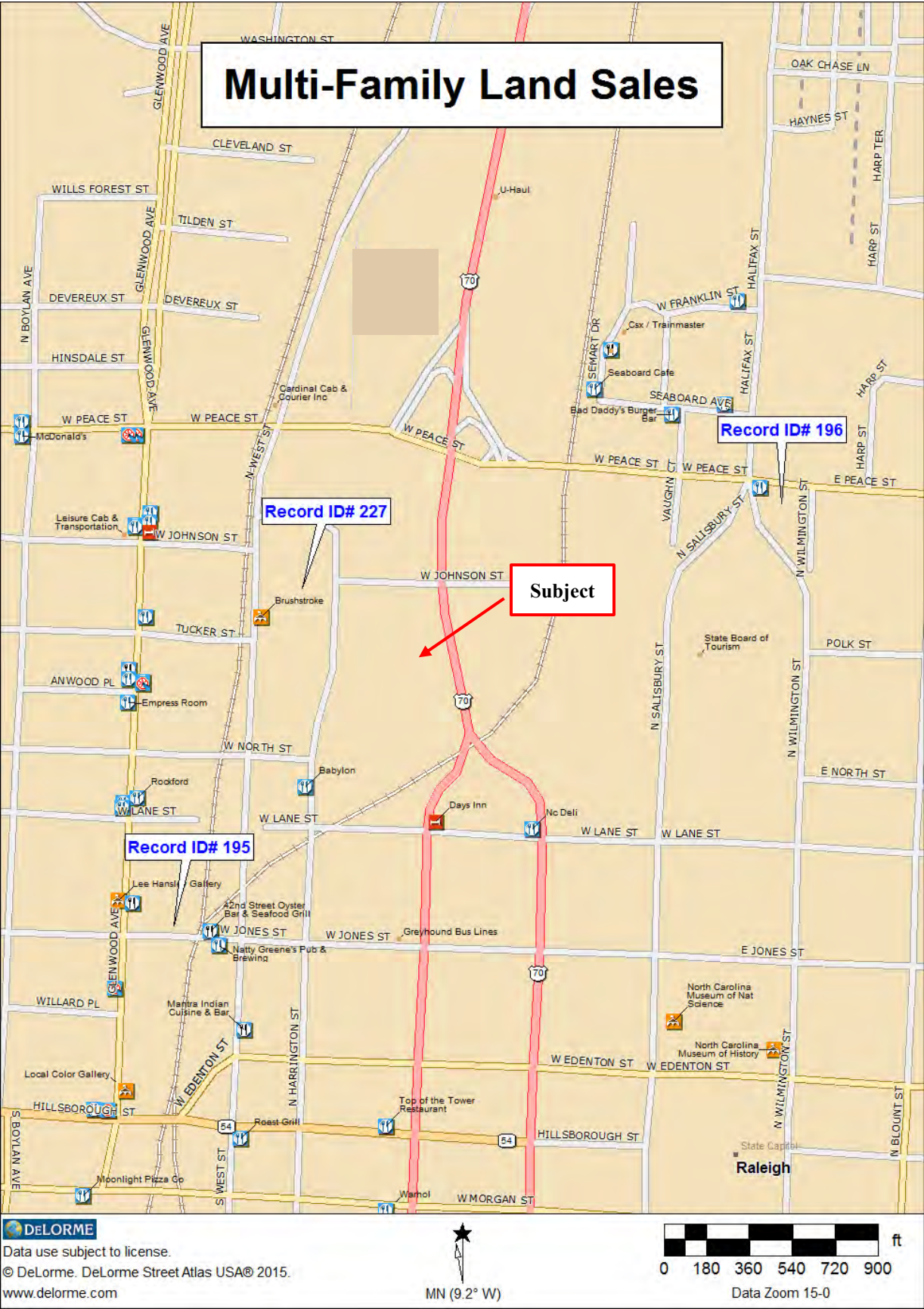
Date: September 27, 2013 **Deed Book/Page:** 15456/1346 **Stamps:** \$9,411 **County:** Wake
Grantor: LNR Blount Street, LLC **Grantee:** Elan Raleigh Property, LLC
Location: 510 N. Wilmington Street, Raleigh, NC, 27604
Sales Price: \$4,705,500 **Confirmed by (Name):** CoStar, N&O, , Deed, Public Records, Planning Dept.
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for multi-family development
Days On Market: Unknown Days **Prior Sale:** Prior Sale 5/8/2008 per DB 13088/1434
Present Use: Apartments under construction **Zoning:** O&I-2, Multi-Family
Highest and Best Use: Multi-Family Development
Size: 1.944 Acres±, 84,668 SF **Shape:** Rectangular **Topography:** Generally Level
Existing R/W Area: None **Area Cleared/Wooded:** Mostly Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
150 ± Ft on N. Wilmington St; 207± Ft on Polk St; 413± ft.
Access: Good via Polk Street & Alley **Frontage:** Alley
Improvements: None at time of sale

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$2,420,886/Acre, \$55.58/SF **Tax ID:** 0371453
Other Pertinent Information: The five-story Elan City Center Apartments will feature a reported 213 units (Wake County Tax records indicate 395 units in error). The site is well located near the State offices and Seaboard Station in Downtown Raleigh.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: December 13, 2014





LAND SALES ADJUSTMENT CHART - BEFORE VALUE				
Wake County				
42263.2.1; B-5121; Parcel 002				
Multi-Family Segment				
<u>Sale</u>	<u>Subject</u>	<u>Sale #1</u>	<u>Sale #2</u>	<u>Sale #3</u>
<u>Name</u>		West II	The Link	Elan City Center
<u>Record ID</u>	<u>N/A</u>	<u>227</u>	<u>195</u>	<u>196</u>
<u>Location</u>	401 Capital	441 & 437 N.	201 N. Harrington	510 N. Wilmington
	<u>Boulevard</u>	<u>Harrington St.</u>	<u>Street</u>	<u>Street</u>
<u>Date of Appraisal/Sale</u>	02/17/16	02/27/15	04/22/14	09/27/13
<u>Zoning</u>	IX-12	IND-2 to DX-12-SH	IND-2 to DX-12 SH	O&I to PD
<u>Utilities</u>	All Public	All Public	All Public	All Public
<u>Sales Price</u>	N/A	\$3,635,000	\$5,450,000	\$4,705,500
<u>Size (Ac)</u>	2.051	1.219	1.266	1.944
<u>Size (SF)</u>	89,355.092	53,079.000	55,147.000	84,668.000
<u>Implied Sales Price/Ac</u>	N/A	\$2,983,112	\$4,304,894	\$2,420,886
<u>Implied Price Per SF</u>	N/A	\$68.48	\$98.83	\$55.58
SUMMARY OF MARKET ADJUSTMENTS TO SALES PRICES				
Adjustment for Property Rights Transferred		\$0	\$0	\$0
Adjusted Price		\$3,635,000	\$5,450,000	\$4,705,500
Adjustment for Financing Terms		\$0	\$0	\$0
Adjusted Price		\$3,635,000	\$5,450,000	\$4,705,500
Adjustment for Condition of Sale		\$0	-\$1,696,000	\$0
Adjusted Price		\$3,635,000	\$3,754,000	\$4,705,500
Adjustment for Post-Purchase Expenditures		\$0	\$0	\$0
Adjusted Price		\$3,635,000	\$3,754,000	\$4,705,500
Adjusted Price/SF		\$68.48	\$68.07	\$55.58
Adjustment for Date of Sale @ 3%		2.92%	5.47%	7.18%
Adjusted Price/SF		\$70.48	\$71.80	\$59.56
SUMMARY OF PHYSICAL ADJUSTMENTS TO SALES PRICES				
Location/Exposure		0%	0%	10%
Site Utility		0%	0%	0%
Net Adjustment - Physical Factors		0%	0%	10%
Implied Indication per SF		\$70.48	\$71.80	\$65.52
Minimum Price/SF	\$65.52			
Median Price/SF	\$70.48			
Mean Price/SF	\$69.27			
Maximum Price/SF	\$71.80			

Adjustment Methodology:

The same methodology previously employed is carried forward to this analysis. The adjusted sale prices will then be correlated to an indicated value for the subject segment. The explanation of adjustments is as follows:



Rights Conveyed, Financing & Condition of Sale: At the time of sale, Sale #2 included a Duke Net Switching Station with annual rent of \$122,987 increasing at 3% per year. The lease is for 18.58 years. The net present value of the income stream is \$1,696,000 which is deducted from the overall sale price.

Time: The appraiser has selected a 3% annual rate of appreciation.

Location: Sale #3 is located along the southern margin of Peace Street and is bounded by N. Wilmington Street. This sale is well located but deemed less walkable to area amenities as compared to the subject. Therefore, Sale #3 was adjusted upward.

Conclusions:

After adjustments have been applied to the comparable sales, the value of the multi-family segment is indicated to be in the range of \$65.52 per square foot to \$71.80 per square foot averaging about \$69.27 per square foot. After adjustments, each of the sales produce consistent indications and all are valid indicators of value. With equal consideration given to the adjusted indications of all sales, the appraiser has selected a value of **\$70.00 per square foot** which equates to:

$$2.051 \text{ Acres (89,355.092 SF Multi-Family Segment)} \times \$70.00/\text{SF} = \$6,254,856$$

The following sales are offered as the best evidence of the value for the Office Segment:



NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

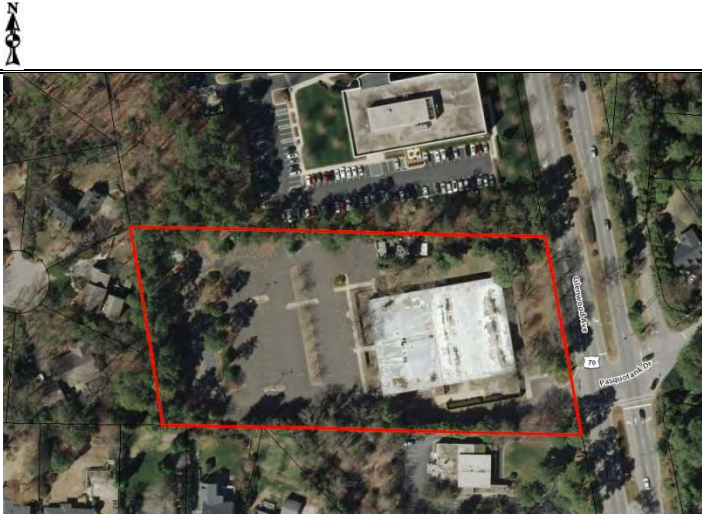
RIGHT OF WAY BRANCH

RECORD ID No: 299

Date: October 13, 2015 **Deed Book/Page:** 16189/585 **Stamps:** \$8,700 **County:** Wake
Grantor: DLS Properties, LLC, et al **Grantee:** Bank of North Carolina
Location: 3515 Glenwood Avenue, Raleigh, NC, 27612
Sales Price: \$4,350,000 **Confirmed by (Name):** John Lyon w/grantor via TBJ, , Deed, Pub. Recs, CoStar
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for redevelopment with 3-story office building
Days On Market: Unk. Days **Prior Sale:** No prior sales within five year period
Present Use: Office Building (to be razed) **Zoning:** O7I-1 to OX-5, Mixed-Use
Highest and Best Use: Office
Size: 4.200 Acres±, 182,952 SF **Shape:** Rectangular **Topography:** Generally Level
Existing R/W Area: None **Area Cleared/Wooded:** Mostly Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Access: Good via Glenwood Ave **Frontage:** 300 ± Ft on Glenwood Ave
Improvements: Office building given no consideration in purchase price (to be razed)

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$1,035,714/Acre, \$23.78/SF **Tax ID:** 0051531

Other Pertinent Information: The Bank of North Carolina purchased 4.20 acres improved with a 1960's era medical office building. The building was given no contributory value in the purchase price and is to be razed. According to the site plans filed with Raleigh's Planning Department, the site is to be redeveloped with a 3-story, 75,000 square-foot office building that will be partially owner-occupied.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: February 10, 2016



NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

RIGHT OF WAY BRANCH

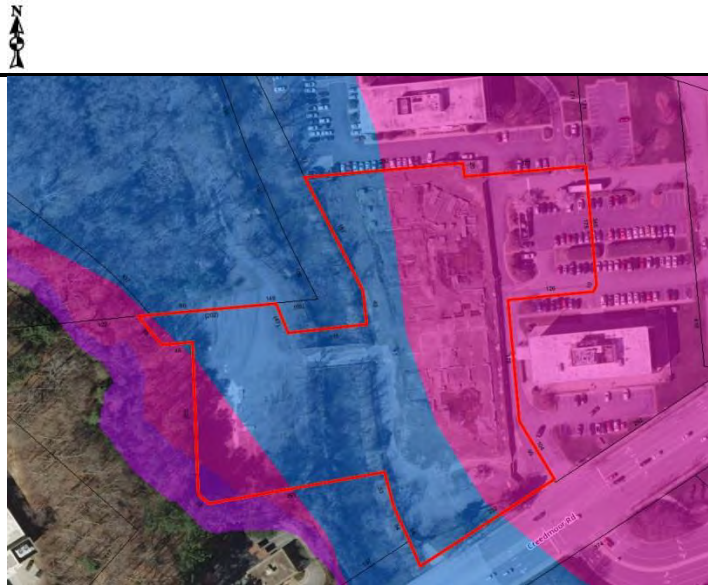
RECORD ID No: 300

Date: May 29, 2015 **Deed Book/Page:** 16046/167 **Stamps:** \$10,700 **County:** Wake
Grantor: RL-REGI-NC GTREE, LLC **Grantee:** CV Hotel, LLC
Location: 4501 Creedmoor Road, Raleigh, NC, 27612
Sales Price: \$5,350,000 **Confirmed by (Name):** Justin Good (Broker), 704-331-6511, Deed, Pub. Recs., CoStar, N&O, TBJ
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for future hotel development
Days On Market: Unk Days **Prior Sale:** Previous Sale: 6/22/11; \$4,200,000 (DB 14381/2153)

Present Use: Vacant Land **Zoning:** CUD-SC to CX-12-CU, Mixed-Use
Highest and Best Use: Hotel or Office Development
Size: 4.884 Acres±, 212,730 SF (Gross) 2.146 Ac, 93,472 SF (Net) **Shape:** Irregular **Topography:** Sloping
Existing R/W Area: None **Area Cleared/Wooded:** Mostly Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Access: Good via Creedmoor Rd **Frontage:** 232 ± Ft on Creedmoor Rd; 1,167± Ft on Interior Rd
Improvements: Portion of foundation

Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$1,095,503/Acre, \$25.15/SF Gross Land Area; \$2,493,217/Ac, \$57.24/SF Usable Land Area **Tax ID:** 0082210

Other Pertinent Information: 4.8836-acre site (per BM 2007/2115) located across from the Crabtree Valley Mall. Based on a scaling of the Raleigh iMaps GIS, approximately 2.738 acres is located within or severed by a floodway and is considered to be unusable. The balance, containing 2.146 acres (93,472 SF), is located within a floodplain and is usable though the first finished floor must be elevated at one-foot above the base flood elevation. "The Soleil Center" site was previously slated to become the tallest building outside of downtown proper but was nixed after the 2008 real estate crash. While the site is located in an office environment, the buyer is a known hotel developer.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: February 10, 2016



NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

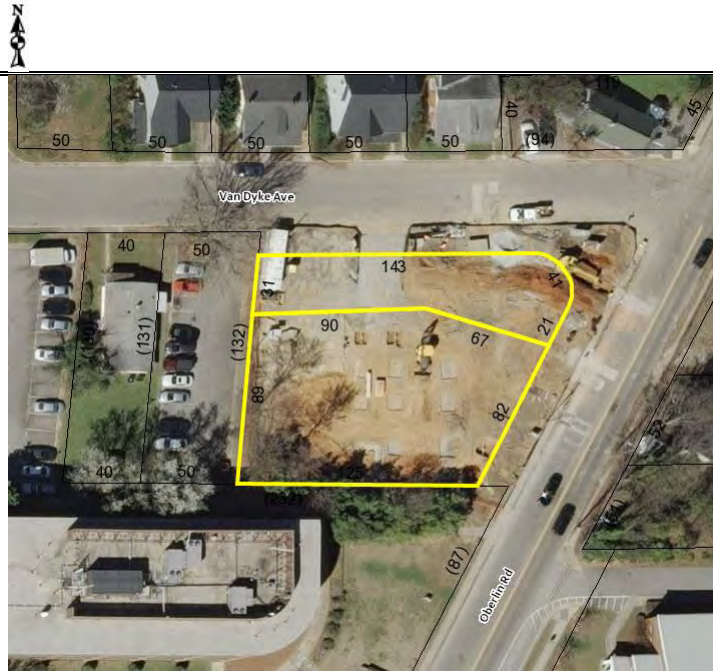
RIGHT OF WAY BRANCH

RECORD ID No: 301

Date: October 17, 2013 **Deed Book/Page:** 15477/609 **Stamps:** \$1,263 **County:** Wake
Grantor: Oberlin Investments, LLC **Grantee:** Rare Oberlin Investments, LLC
Location: 815-817 Oberlin Rd, Raleigh, NC, 27605
Sales Price: \$631,500 **Confirmed by (Name):** Jack Kimball (Broker), 919-782-1110, Deed, Pub. Recs, CoStar
Financing: Cash to Seller
Condition of Sale and Reason Bought/Sold: Market Transaction, Bought for development with office building
Days On Market: 1,770 Days **Prior Sale:** Prior Sale (REID 0016434) DB13263/154; \$312,500
Present Use: Office Building **Zoning:** OX-3, Commercial
Highest and Best Use: Office Building
Size: 0.409 Acres±, 17,807 SF **Shape:** Irregular **Topography:** Level
Existing R/W Area: None **Area Cleared/Wooded:** Mostly Cleared
Soil Type: Typical **Drainage:** Appears Adequate **Available Utilities:** All Public
Access: God via Oberlin Rd and Van Dyke Ave **Frontage:** 124 ± Ft on Oberlin Rd; 164± Ft on Van Dyke Ave
Improvements: Residentially-oriented improvements with no contributory value (razed)

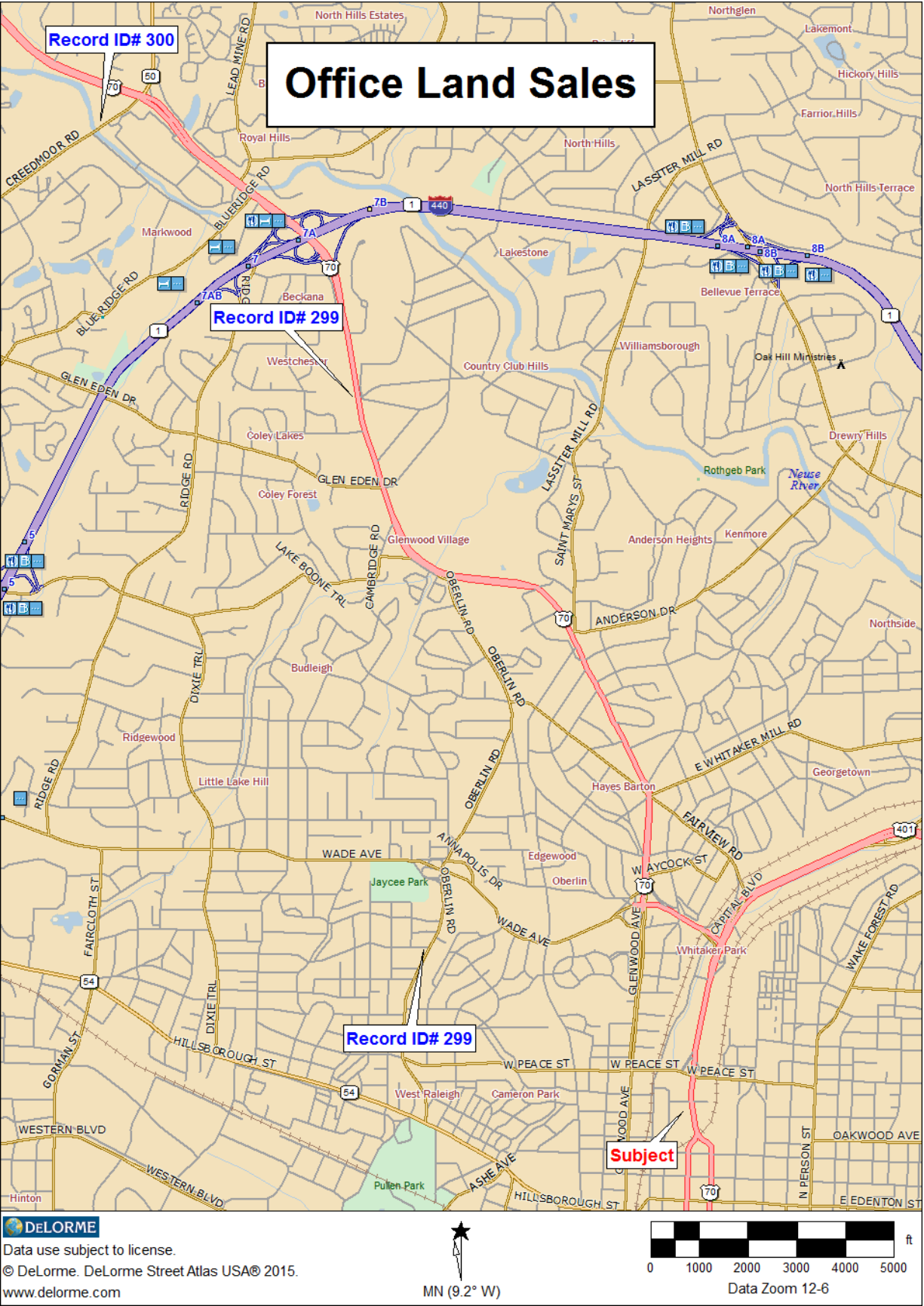
Lessor: N/A **Lessee:** N/A
Rentable Area: N/A **Rent:** N/A **V & C:** N/A **Expenses:** N/A **Term:** N/A
Unit Price: \$1,544,794/Acre, \$35.46/SF **Tax ID:** 0016434, 0011191

Other Pertinent Information: Site containing 0.409-acre/17,807 square feet (net of right-of-way) located at the corner of Oberlin Road and Van Dyke Avenue in Cameron Village. The site has since been improved with a 12,197 square-foot office building (2014) constructed over parking. The building is partially owner-occupied with Avance Primary Care and Pharmacy (10,635 SF) with the remaining 1,562 SF available for lease.



Taken By: Oakwood Valuation Group, LLC
Date Inspected: February 10, 2016





LAND SALES ADJUSTMENT CHART - BEFORE VALUE				
Wake County				
42263.2.1; B-5121; Parcel 002				
Office Segment				
Sale	Subject	Sale #1	Sale #2	Sale #3
Name		Raleigh Orthopaedic	Former Soleil Site	Avance Primary Care
Record ID	N/A	299	300	301
Location	401 Capital	3515 Glenwood	4501 Creedmoor	815-817 Oberlin
	Boulevard	Avenue	Road	Road
Date of Appraisal/Sale	02/17/16	10/13/15	05/29/15	10/17/13
Zoning	IX-12	O&I-1 to OX-5	CUD-SC to CX-12-CU	OX-3-UL
Utilities	All Public	All Public	All Public	All Public
Sales Price	N/A	\$4,350,000	\$5,350,000	\$631,500
Size (Ac)	2.051	4.200	2.146	0.409
Size (SF)	89,355.093	182,952	93,472	17,807
Implied Sales Price/Ac	N/A	\$1,035,714	\$2,493,217	\$1,544,794
Implied Price Per SF	N/A	\$23.78	\$57.24	\$35.46
SUMMARY OF MARKET ADJUSTMENTS TO SALES PRICES				
Adjustment for Property Rights Transferred		\$0	\$0	\$0
Adjusted Price		\$4,350,000	\$5,350,000	\$631,500
Adjustment for Financing Terms		\$0	\$0	\$0
Adjusted Price		\$4,350,000	\$5,350,000	\$631,500
Adjustment for Condition of Sale		\$0	-\$3,000,000	\$0
Adjusted Price		\$4,350,000	\$2,350,000	\$631,500
Adjustment for Post-Purchase Expenditures		\$0	\$0	\$0
Adjusted Price		\$4,350,000	\$2,350,000	\$631,500
Adjusted Price/SF		\$23.78	\$25.14	\$35.46
Adjustment for Date of Sale @	3%	1.04%	2.17%	7.01%
Adjusted Price/SF		\$24.02	\$25.69	\$37.95
SUMMARY OF PHYSICAL ADJUSTMENTS TO SALES PRICES				
Location/Exposure		20%	0%	0%
Site Utility (Floodplain)		0%	25%	0%
Net Adjustment - Physical Factors		20%	25%	0%
Implied Indication per SF		\$28.83	\$32.11	\$37.95
Minimum Price/SF	\$28.83			
Median Price/SF	\$32.11			
Mean Price/SF	\$32.96			
Maximum Price/SF	\$37.95			

Adjustment Methodology:

The same methodology previously employed is carried forward to this analysis. The adjusted sale prices will then be correlated to an indicated value for the subject segment. The explanation of adjustments is as follows:



Rights Conveyed, Financing & Condition of Sale: Each of the sales represents fee simple, cash equivalent and arm's length transactions. Sale #2 sold with entitlements and significant site work including a foundation to support the former plans for a 16-story hotel with capacity to add 54 condominium units. Calls and emails pertaining to the specific value of these items were not returned. A downward adjustment is made to Sale #2 based on a paring of the adjusted indications of Sales #1 and #3 as compared to the unadjusted value per square foot of Sale #2. The resulting difference implies a downward adjustment of \$3,000,000.

Time: The appraiser has selected a 3% annual rate of appreciation.

Location: Sale #1 is located along the western margin of Glenwood Avenue in an area that is less walkable and does not command the land values of the subject area. Therefore, this sale was adjusted upward.

Site Utility/Floodplain: Sale #2 includes a total of 4.884 acres (212,730 square feet). However, of that 4.884-acre site, 2.738 acres (119,258 square feet) is located in, or severed by the floodway leaving a net usable area of 2.146 acres (93,472 square feet). The unusable area has been deducted from the overall site size. The remaining 2.146 acres is encumbered with land area within the floodplain requiring a downward adjustment to account for the additional costs associated with larger than typical foundation walls, fill, and compaction. Therefore, this sale was adjusted upward.

Conclusions:

After adjustments have been applied to the comparable sales, the value of the office segment is indicated to be in the range of \$28.83 per square foot to \$37.95 per square foot averaging about \$32.96 per square foot. After adjustments, each of the sales produce consistent indications and all are valid indicators of value. However, least emphasis has been placed on Sale #2 given the unconfirmed value of the site improvements and entitlements that sold with the property. With primary emphasis placed on sales #1 and #3, the appraiser has selected a value of **\$33.00 per square foot** which equates to:

$$2.051 \text{ Acres (89,355.093 SF Office Segment)} \times \$33.00/\text{SF} = \$2,948,718$$



Summary of Before Value Indications

The following chart is a summary of the value conclusions for the various segments:

Summary of Before Values						
Segment	Size (Ac)	Size (SF)		\$/SF		Value
Mixed-Use	2.051	89,355.092	x	\$95.00	=	\$ 8,488,734
Multi-Family	2.051	89,355.092	x	\$70.00	=	\$ 6,254,856
Office	2.051	89,355.093	x	\$33.00	=	\$ 2,948,718
Total Blended Value:	6.154	268,065.277				\$ 17,692,308
Blended Value/SF:						\$ 66.00
Rounded:						\$ 17,692,300

Discount for Holding Period:

The appraiser recognizes that the subject is not likely to be sold in one transaction. Rather, the site will likely be sold off in stages, over the projected holding period. For this reason, it is necessary to discount the value derived in the previous analysis to reflect the holding period over the sellout. The discount can be expressed in two ways:

First, the appraiser has inputted the value indication of \$17,692,300 as a future value and discounted that for three years at a safe rate of 8%. The result is a net present value of \$14,044,700 (rounded). The overall percentage discount between the two values is 20.62%.

Alternatively, the appraiser can apply a discount based on what the typical investor, or entrepreneur, would expect as incentive to take on the project. According to the Appraisal Institute (14th Edition), the term “Entrepreneurial Incentive” refers to the amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming all risks associated with a development (Page 573). The entrepreneurial profit earned differs from entrepreneurial incentive and is representative of the difference between expectations and reality. Hence, there is a spread between what is expected going into a development and what is actually realized after completion. Appraisal journals suggest that “typical” incentive for an entrepreneur is 20% to 25%. The appraiser interviewed a developer of single-family subdivisions who indicated that he generally anticipates 20% (incentive) in addition to the return of his equity investment. He recognized that he rarely realizes the full



amount given the numerous unforeseen events that whittle at the profit and that not all projects are profitable. Naturally, different property types such as apartments and office developments have inherently greater risk. Since the subject site is a well located, large tract that is already appropriately zoned, risk is somewhat minimized. Accordingly, the appraiser has included entrepreneurial incentive/profit at 15%. The 15% discount is representative of the return on capital that the entrepreneur expects after completion of the project. \$17,692,300 discounted at 15% results in a value of \$15,038,450 or \$56.10 per square foot, rounded.

It is the appraiser's opinion that the second method is the more realistic and representative of market expectations. Therefore, the previous value indication is brought forward and adjusted to reflect entrepreneurial incentive of 15% as follows:

Summary of Before Values					
Segment	Size (Ac)	Size (SF)		\$/SF	Value
Mixed-Use	2.051	89,355.092	x	\$95.00	= \$ 8,488,734
Multi-Family	2.051	89,355.092	x	\$70.00	= \$ 6,254,856
Office	2.051	89,355.093	x	\$33.00	= \$ 2,948,718
Total Blended Value:	6.154	268,065.277			\$ 17,692,308
Blended Value/SF:					\$ 66.00
Rounded:					\$ 17,692,300
Less: Entrepreneurial Incentive @ 15%					x 15%
					\$ 2,653,845
Adjusted Value Indication (rounded):					\$ 15,038,450
Adjusted Value/SF (rounded):					\$ 56.10

RECONCILIATION AND FINAL VALUE ESTIMATE

Per the highest and best use analysis, maximum value is achieved by razing the office and industrially-oriented improvements and the site redeveloped with a mixture of uses. The analysis resulted in the following before value:

FINAL VALUE ESTIMATE - BEFORE		
Land Value	\$	15,038,450
Value of Improvements	\$	-
Total	\$	15,038,450



DESCRIPTION OF THE ACQUISITION

The acquisition affecting the subject is part of a larger project that involves the replacement of the bridges over Capital Boulevard at Wade Avenue and Peace Street along with the widening and improvement to Capital Boulevard. The project includes the controlling of access along the corridor, resolving substandard conditions at intersections and interchanges, and the installation of pedestrian and bicycle facilities.

Land:

According to the Appraisal Summary Sheet, the acquisition involves 0.082-acre (3,550.751 square feet per CADD) of new right-of-way. The area to be acquired consists of an irregular area located along the subject's service road frontage.

Temporary Construction Easements (TCE's) containing a total of 0.163-acre (7,097.312 square feet per CADD) will be located on the property for the duration of the project. The TCE's consists of two areas. The first will adjoin the new right-of-way along the service road. The second will be located along the subject's Johnson Street frontage at the location of its driveway connection. The TCE's are needed to facilitate construction of the project and the land area will revert to the property owner after completion. As such, the easement is temporary.

Control of Access:

A major portion of the project includes the control of access along Capital Boulevard and the limiting of driveway access points to existing locations. In the subject's case, there are no driveways directly fronting on Capital Boulevard. However, control of access is being installed along the subject's service road frontage and extending up a portion of the Johnson Street frontage. All five driveway connections that existed in the before condition remain in the after and it's the appraiser's opinion that the remainder site will continue to be well served by these connections. Therefore, no damages are recognized for the installation of controlled access as the remainder continues to have adequate ingress and egress via the same points that existed in the before condition.



Improvements:

Improvements located within the acquisition and easement areas consist of a double-sided, lighted sign, a portion of the concrete and asphalt paving, and landscaping. However, as earlier detailed, these improvements do not represent the highest and best use of the land and are to be razed in favor of mixed-use development.

DESCRIPTION OF THE REMAINDER AND EFFECTS OF THE ACQUISITION

Land:

Without consideration of the easements, the remainder includes a total of 6.072 acres or 264,514.526 square feet per CADD.

Improvements:

The subject remainder will still be improved with the office and industrially-oriented buildings along with miscellaneous site improvements. However, as previously detailed, these improvements represent an underutilization of the site based on the premise that the site is to be redeveloped with a mixed-use scheme.

Effects of the Acquisition:

Land:

The remainder site will be of an adequate size to accommodate development in accord with its highest and best use. The control of access is not deemed to impair the site as the remainder will have adequate ingress and egress via the same driveway connections that existed in the before condition. Therefore, no damages are recognized for the installation of control of access.



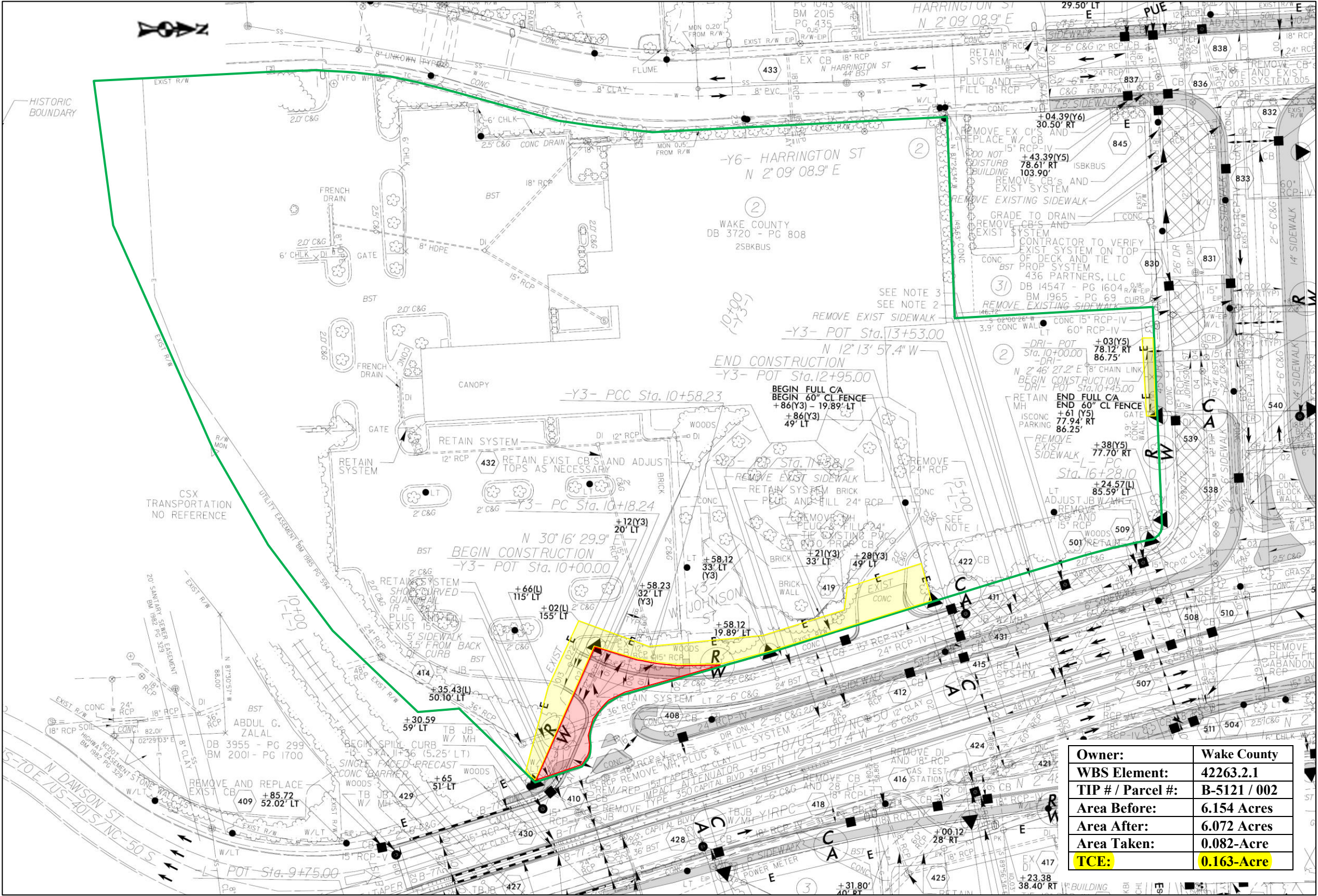
Improvements:

The remainder will still be improved with office and industrial buildings along with ancillary site improvements deemed to have no remaining contributory value under the subject's highest and best use premise.

On the following page, the existing property lines are highlighted in Green, new right-of-way highlighted in Red and the TCE in Yellow.



NCDOT ACQUISITION MAP



HIGHEST AND BEST USE OF THE REMAINDER

Though slightly smaller, the subject remains physically similar to the before condition. As such, the highest and best use remains unchanged, for the existing improvements to be razed and the site redeveloped with a mixed-use scheme.

VALUATION OF THE PROPERTY - AFTER THE TAKING

In the before-value section of this report, a sales comparison approach was developed. The same methodology is carried forward to the after valuation.

SALES COMPARISON APPROACH – AFTER

Much of the data from the before-value analysis is incorporated herein, and modified to reflect the effects of the taking.

Land Value – After

The subject has seen the loss of 0.082-acre (3,550.751 square feet) leaving a remainder that includes 6.072 acres (264,514.526 square feet). With the exception of newly installed temporary easements, the site retains most of the characteristics of the before condition and that data is referenced. Therefore, the same blended value estimated in the before condition (\$56.10/SF) is brought forward and applied in the after condition. Hence, the value of the remainder after the taking and prior to consideration of the easements is as follows:

Summary of the After Value - Prior to Easements					
Before Value:					\$ 15,038,450
Less Value of Taking:	3,550.751	SF	x	\$ 56.10	\$ 199,200
Land After Value:					\$ 14,839,250



Easement Valuation:

Temporary Construction Easements (TCE's) containing a total of 0.163-acre (7,097.312 square feet per CADD) will be located on the property for the duration of the project. The TCE consists of two areas that are irregular in shape. The TCE's is needed to facilitate construction of the project and the land area will revert to the property owner after completion. As such, the easement is temporary. Accordingly, the TCE's are valued at 20% of the land after value (\$56.10/SF) or:

$$0.163\text{-Acre (7,097.312 SF)} \times \$56.10/\text{SF} \times 20\% = \$79,650 \text{ (rounded)}$$

Hence, the value of the land after consideration of the easements is **\$14,759,600** (\$14,839,250 less \$79,650 (TCE)).

Improvement Value – After the Taking

The subject remainder will still be improved with all of the previously described buildings and the majority of site improvements. However, as previously detailed, these improvements have no remaining contributory value. Therefore, there value is brought forward and concluded at **\$0**.

RECONCILIATION AND FINAL VALUE ESTIMATE – AFTER THE TAKING

The sales comparison approach was used to estimate the after value with the following result:

FINAL VALUE ESTIMATE - AFTER		
Land Value	\$	14,759,600
Value of Improvements	\$	-
Total	\$	14,759,600

DIFFERENCE IN BEFORE AND AFTER VALUES

DIFFERENCE - BEFORE & AFTER		
Before	\$	15,038,450
After	\$	14,759,600
DIFFERENCE	\$	278,850



ADDENDA



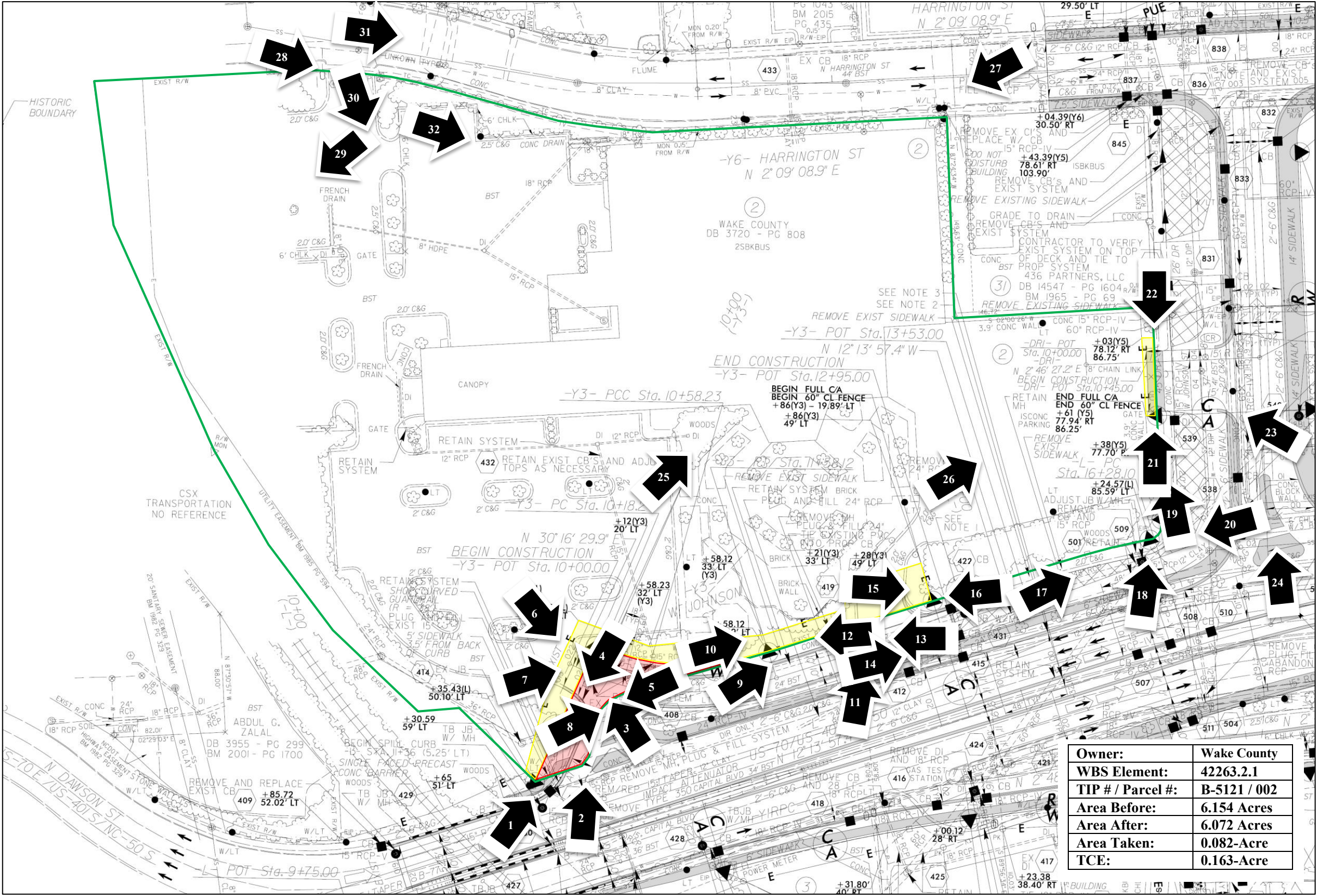
<u>ALLOCATION</u>			
Value of Land Taken:			
Permanent Right-of-Way:			\$199,200
Temporary Easements:			\$79,650
Permanent Easements:			\$0
Total Value of Land Acquired:			\$278,850
Value of Improvements Taken:			\$0
Damages to Remainder:			
Land:			\$0
Improvements:			\$0
Benefits to Remainder:			\$0
Difference Between Before and After Values:			\$278,850

The subject site containing 6.154 acres (268,065.277 square feet) was valued at \$56.10 per square foot. Hence, the value of the 0.082-acre (3,550.751 square feet) of land area taken for right-of-way is **\$199,200** (rounded). Additionally, a TCE containing 0.163-acre (7,097.312 square feet) was valued at 20% of the land after value (\$56.10/SF) or **\$79,650**. Therefore, the total allocated to land taken is **\$278,850**.

The before value of land and improvements was **\$15,038,450** while the after value was **\$14,759,600** indicating a difference of **\$278,850**.



Photographic Log



WBS Element: 42263.2.1 Parcel #: B-5121/ 002 Owners Name: Wake County

PHOTOGRAPHS OF SUBJECT



(1)



(2)

TAKEN BY: C. Richard Birkholz

DATE: February 17, 2016

WBS Element: 42263.2.1 Parcel #: B-5121/ 002 Owners Name: Wake County



(3)



(4)

TAKEN BY: C. Richard Birkholz

DATE: February 17, 2016

WBS Element: 42263.2.1 Parcel #: B-5121/ 002 Owners Name: Wake County



(5)



(6)

TAKEN BY: C. Richard Birkholz

DATE: February 17, 2016

WBS Element: 42263.2.1 Parcel #: B-5121/ 002 Owners Name: Wake County



(7)



(8)

TAKEN BY: C. Richard Birkholz

DATE: February 17, 2016

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(9)



(10)

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DATE: February 17, 2016

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(11)



(12)

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DATE: February 17, 2016

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(14)

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(15)



(16)

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(18)

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(19)



(20)

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(21)



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(23)



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(27)



(28)

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(29)



(30)

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(31)



(32)

TAKEN BY: C. Richard Birkholz

DATE: February 17, 2016



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QUALIFICATIONS

C. Richard Birkholz

Education: Bachelor of Arts Degree, 1995 Political Science
University of Florida, Gainesville, Florida
Overseas Study Program, Rome, Italy
Student Government Campaign Consultant
Volunteer – State and US Political Campaigns
Intern – United States House of Representatives, Capitol Hill

Appraisal Related Seminars:

1997 Appraisal Board Course 1
1998 USPAP/Law Update - FL CE
1998 Residential Course II
2000 Appraising the Appraisal - FL CE
2000 USPAP/Florida Law Update – FL CE
2001 Rural Appraising – NC CE
2001 The After Value Appraisal - NC CE
2001 Advanced Income Capitalization Procedures (G-2)
2001 Applied Income Property Valuation (G-3)
2001 Sales Comparison/Appraisal of Transitional Properties - NC CE
2001 NC Rules and Regulations,/USPAP Update – NC CE
2002 Communicating the Appraisal – FL CE
2002 USPAP – FL CE
2002 Appraisal License Law – FL CE
2002 Research and Analysis – FL CE
2002 Sales Comparison Approach – FL CE
2002 Residential Subdivision Analysis – FL CE
2002 Neighborhood Analysis – FL CE
2003 Revisiting the Cost Approach and those Recurring Errors – NC CE
2003 The Appraisal of Residue and Special Purpose Properties – NC CE
2003 North Carolina Real Estate Licensing Course
2004 Appraisal Institute Course 520 – Highest and Best Use and Market Analysis – CE
2004 Appraisal Institute Course 410 – National USPAP – CE
2004 Appraisal Institute Course 420 – Business Practices and Ethics – CE
2004 Appraisal Institute Course 530 – Advanced Sales Comparison and Cost Approaches – CE
2005 North Carolina Real Estate Update Course – NC CE
2006 North Carolina Real Estate Update Course – NC CE
2006 National USAP Course – CE
2006 The Practicality of the Income Approach – NC CE
2006 Real Estate Leasing and Value – NC CE
2006 Florida Real Estate Appraisal Law and Rules – FL CE
2007 The Appraiser Performing Ethically – NC CE

324 S. Wilmington Street, No. 163, Raleigh, NC 27601

Phone: (919) 455-7309

www.OakwoodValuation.com



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- 2007 Tackling Highest and Best Use in a Range of Situations – NC CE
- 2007 North Carolina Real Estate Update Course – NC CE
- 2007 Supervisors/Trainees – NC CE
- 2008 National USPAP Update
- 2008 Elusive Comparables and Complex Property Illustrations
- 2008 Florida Real Estate Appraisal License Law – FL CE
- 2009 Staying out of Trouble – NC CE
- 2009 Situational Alternatives Impacting Market Value Appraisals NC CE
- 2010 Market Conditions – NC CE
- 2010 National USPAP Update
- 2011 “Applying Assignment Conditions to Value Situations” – NC CE
- 2011 Obsolescence – Impact on Value – NC CE
- 2012 National USPAP Update
- 2012 “A Better Review = A Better Appraisal” – NC CE
- 2013 You, the Court & the Other Side
- 2013 Applying Highest & Best Use to Transitional & Mixed Use Properties
- 2014 National USPAP Update
- 2014 General Appraiser Report Writing and Case Studies
- 2014 Advanced Income Capitalization
- 2015 Supervisory Appraiser/Trainee Course & Report Writing
- 2015 Cost Approach
- 2015 Advanced Concepts & Case Studies

Employment and Experience Record:

- June 2012 to Present: Oakwood Valuation Group, LLC
Raleigh, North Carolina
Real Estate Appraiser/Consultant

- March 2007 to May 2012: North Carolina Department of Transportation
Staff Appraiser

- Oct. 2002 to January 2007: John McCracken & Associates, Inc.
Greensboro, North Carolina
Real Estate Appraiser/Consultant

- Jan. 2001 to Oct. 2002: North Carolina Department of Transportation
Staff Appraiser

- 1997 to Jan. 2001: Birkholz Appraisal
Senior Appraiser



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1990 to 1997: The Video Studio, Inc.
Office Manager/Technician

1994 to 1995: Associated Writers
Research Director

Professional Affiliations:

State-Certified General Real Estate Appraiser (Certificate #A4939) in North Carolina.
Candidate for Designation, Appraisal Institute.

North Carolina Department of Transportation - Right of Way Unit

Certificate of Appraiser

TIP/Parcel No.: B-5121 / 002 WBS 42263.2.1 County Wake

Description: Bridge #277 on US 70/US 401/NC50 (Capital Blvd.) over Peace St. and Bridge #213 on US 70/NC 50 (Wade Ave.) over US 401 (Capital Blvd.)

Property Owner's Name: Wake County Fed Aid Project: BRNHS-0070(119)

I HEREBY CERTIFY THAT:

I have ☐, have not ☒, performed ANY appraisal and ANY other services as an appraiser or any other capacity, regarding the property that is the subject of this appraisal within the three year period immediately preceding acceptance of this assignment. If "Have" box is marked, please see Scope of Appraisal Section for details.

I have personally inspected the property herein appraised and that I have also made a personal field inspection of the comparable sales/rentals relied upon in making said appraisal. The subject and the comparables relied upon in making said appraisal were as represented by the photographs contained in said appraisal.

I have given the owner or his designated representative the opportunity to accompany me during my inspection of the subject property.

Any decrease or increase in the "Market Value" of real property prior to the date of valuation caused by the public improvement for which such property is acquired or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, is disregarded in determining the compensation for the property.

The statements of fact contained in this appraisal report are true and correct, and the reported analyses, opinions and conclusions, subject to the critical assumptions and limiting conditions herein set forth, are my personal, unbiased, professional analyses, opinions and conclusions.

I understand such appraisal may be used in connection with the acquisition of or disposal of right-of-way for a highway to be constructed by the **State of North Carolina**, and that such appraisal has been made in conformity with appropriate State laws, regulations, and policies and procedures applicable to appraisal of right-of-way for such purposes, and that to the best of my knowledge, no portion of the value assigned to such property consists of items which are "Non-Compensable" under established laws of the **State of North Carolina**.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in compliance with **NCDOT Real Estate Appraisal Standards and Legal Principles** and the **Uniform Standards of Professional Appraisal Practice**. The appraisals in this assignment are to be made in accordance with all of the requirements set out in the **NCDOT Real Estate Appraisal Standards and Legal Principles** and the **Uniform Standards of Professional Appraisal Practice** and shall also comply with all applicable **Local, State, and Federal** laws, ordinances, regulations, restrictions and/or requirements; and any additions, revisions and/or supplements thereto.

Neither my employment nor my compensation for making this appraisal is in any way contingent on the values reported herein.

I have no direct or indirect, present or prospective interest in neither the subject property nor any benefit from the acquisition of this property nor any bias with respect to the parties involved.

In addition to the undersigned, those persons duly noted in this report and under my direct supervision and responsibility, in so far as this particular appraisal is concerned, have contributed to the production of this appraisal. The analyses, conclusions or value estimates set forth in this appraisal are those of the undersigned.

I will not reveal the findings and results of such appraisal to anyone other than the proper officials of the **State of North Carolina** or officials of the **Federal Highway Administration** until authorized by State officials to do so, or until I am required to do so by **due process of law**, or until I am released from this obligation by having publicly testified as to such findings or to a duly authorized professional peer review committee.

My independent opinion of the difference in Market Value as of the 17th day of February, 2016, is \$ 278,850 based upon my independent appraisal and the exercise of my professional judgment.

Charles Paul Birkholz
Specified Appraiser

02/17/2016
Date

