



EXECUTIVE SUMMARY

Market Analysis for the Development of a Mixed-Use Town Center in Belville, near Wilmington, North Carolina

TOWN OF BELVILLE | AUGUST 4, 2008



Executive Summary

BACKGROUND

Report Preparation

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Critical Assumptions and General Limiting Conditions

- Current trends continue:
 - Economy and demographic trends, including real estate market and employment and household growth follow current patterns of stable to moderate rate
 - Competitive and public works projects move forward as planned
 - Real estate supply offerings continues to meet demand
- Does not account for possible contingencies:
 - Major economic “shocks”
 - Cyclical nature of real estate markets
 - Major shifts in consumer confidence
 - Cost of development and construction
 - Changes in tax laws
 - Availability/cost of capital and mortgage financing
- Conclusions/recommendations should be reviewed should any major changes in the above occur

BACKGROUND AND OBJECTIVES

Background

RCLCO was retained to provide a market feasibility analysis and development recommendations for a proposed new mixed-use project that would serve as the downtown area for the town of Belville.

Objectives

Understand and provide:

Level of opportunity for each land use, including residential, commercial, hospitality and marina;

Target market audiences by each use;

Product types for each land use as well as development intensity, size, price, and mix recommendations;

Achievable positioning and absorption of each product type in the market;

Total square feet offered and potential phasing of the project;

Critical success factors in execution of the project.

METHODOLOGY

Site Analysis

Identify levels of opportunity and potential positioning through attributes of site and relationship to market.

Local and regional access and visibility
Character and type of surrounding developments
Proximity of regional attractions/destinations, services, and employment
Water/natural orientations

Market Depth

Understand target markets and supportable units/SF based on current and future market growth and demonstrated demand.

Depth of overall market demand for both for-rent and for-sale residential products based on population and socioeconomic characteristics, market preferences, and demonstrated demand
Increased demand from household growth expectations
Support for new retail, office, and hospitality development based existing unmet need in the market, projected growth, and other macro and micro level trends in the region

Competitive Market Analysis

Understand opportunities in the market in relationship to competitive supply.

Evaluation of comparable new and existing residential, retail, and office, hotel and marina developments in the Belville/Brunswick County area
Determine types of products and the correlating number of units, size, price, positioning, absorption and phasing

Recommendations/Market Position

Advise on critical success factors for the town center, creating a set of recommendations that responds to the analysis undertaken

DISCUSSION POINTS

- ▶ SITE ANALYSIS & OPPORTUNITY STATEMENT
- ▶ ECONOMIC & DEMOGRAPHIC OVERVIEW
- ▶ FOR-SALE RESIDENTIAL
- ▶ APARTMENTS
- ▶ RETAIL
- ▶ OFFICE
- ▶ HOTEL
- ▶ MARINA

DIRECT HIGHWAY ACCESS/FRONTAGE, WATERFRONT LOCATION ARE STRONG ADVANTAGES FOR DEVELOPMENT AT SITE

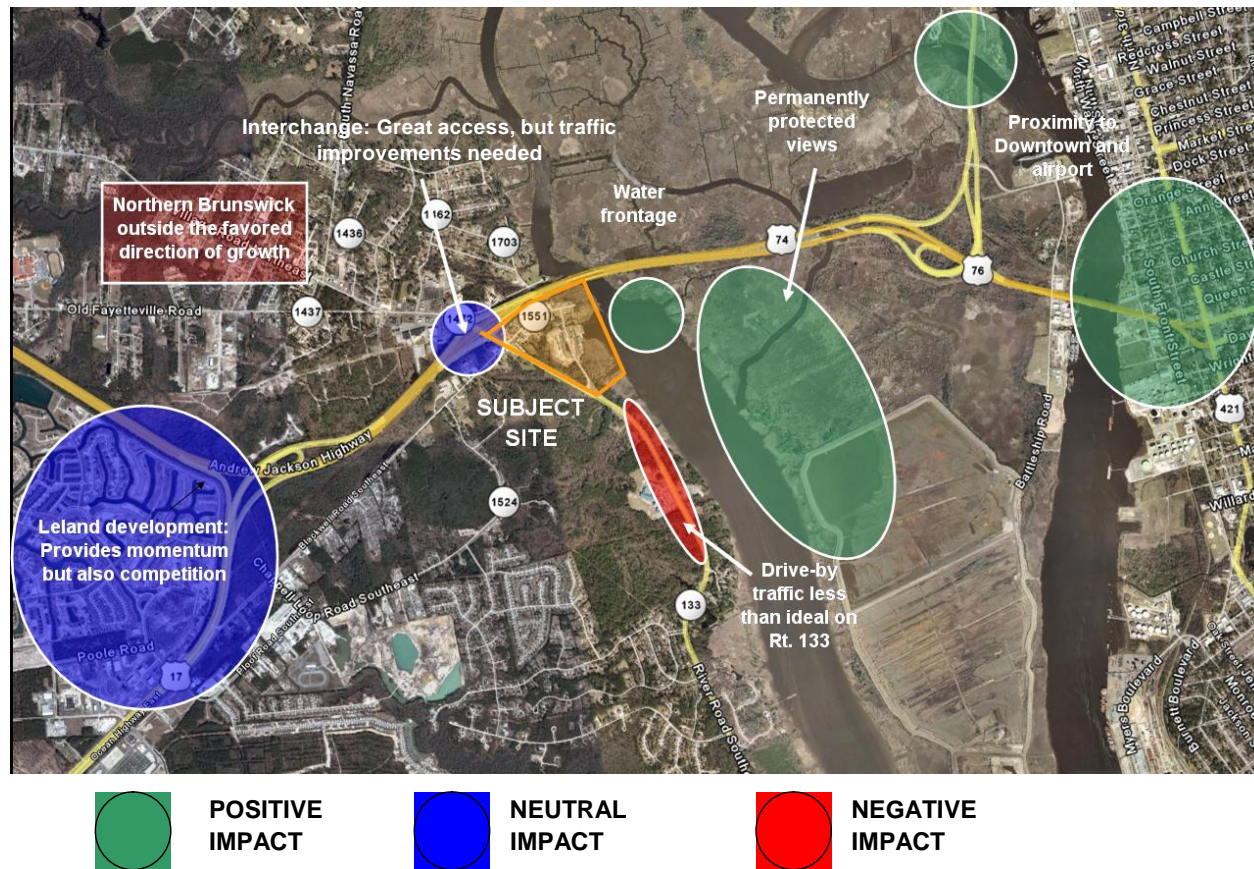


Image courtesy of Google Earth

- ▶ Preeminent regional access via 17/74/76 provides
 - Immediate connection to downtown Wilmington, but limited connection to New Hanover County
 - Good ingress/egress comparable to most other destinations in the greater Wilmington area
- ▶ High visibility with location at bridge very favorable for all land uses - hotel, retail, office, and residential
- ▶ Waterfront location on Brunswick River provides unique opportunity to develop water-oriented mixed-use downtown center
- ▶ Recent efforts to take over pay-by-hour lodging establishments and clean up the area are helping to improve seedy perception

REGIONAL TERRAIN & LOCATION OF COMPETITIVE CENTERS INDICATES GREATEST OPPORTUNITY TO SERVE NORTH BRUNSWICK COUNTY

Limited access across the river to New Hanover County and lack of proximity to tourist demand drivers make North Brunswick County the more likely primary demand generator for a town center at the subject site.

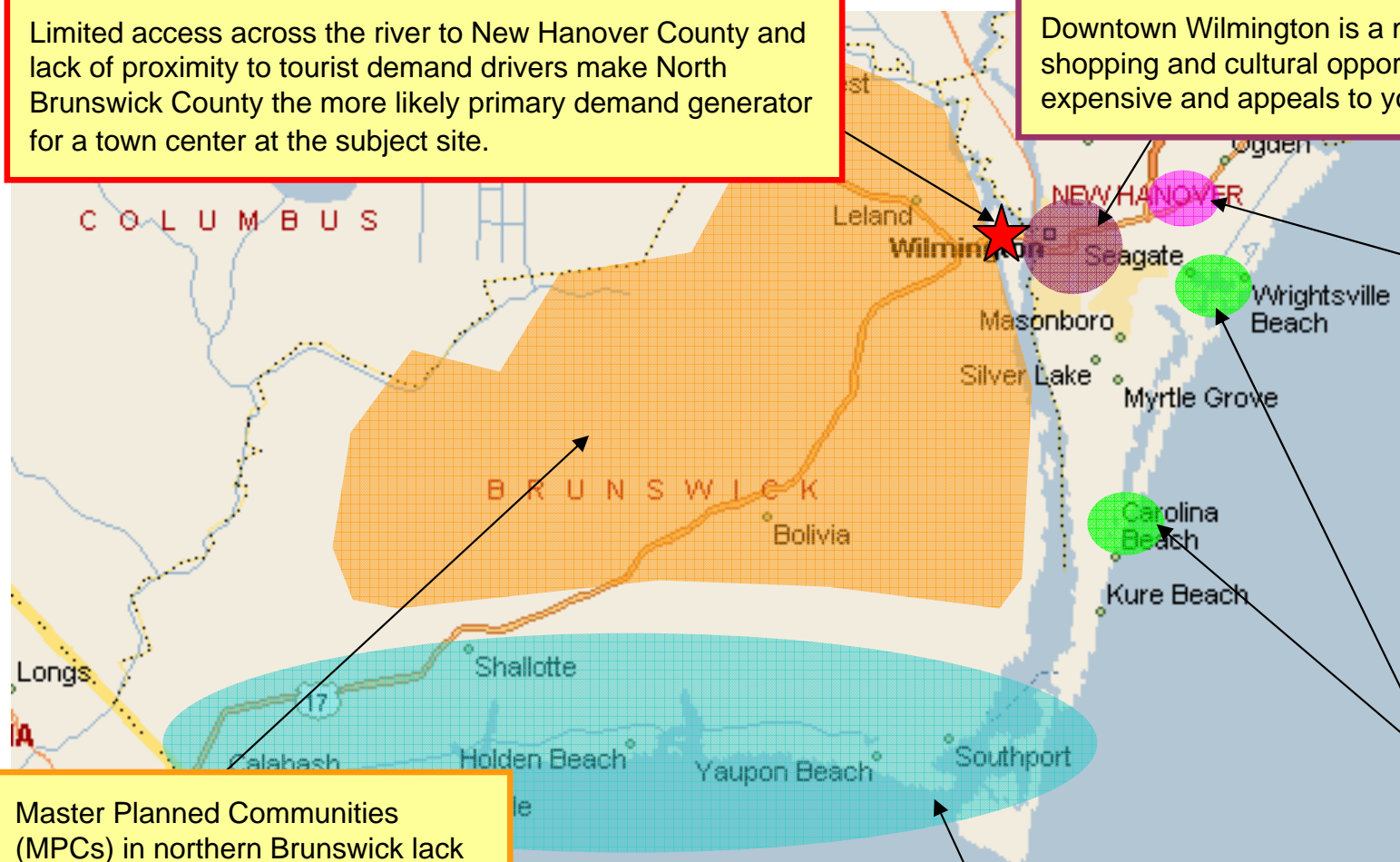
Downtown Wilmington is a more urban environment with shopping and cultural opportunities that is increasingly expensive and appeals to young singles and retirees.

Mayfaire Town Center provides the only town center experience in Wilmington. Mayfaire has been quite successful as a shopping destination for New Hanover residents Wilmington beach tourists.

Wrightsville Beach and other New Hanover coastal locations are heavily seasonal and driven by tourism and second home buyers.

Master Planned Communities (MPCs) in northern Brunswick lack a town center project and town center type of residential products that have been successful in New Hanover County.

South Brunswick County is increasingly related to beach-driven tourism, especially towards the western boundary of the county, which heavily relates to Myrtle Beach.



STRONGEST OPPORTUNITIES ARE FOR SUB-REGIONAL DESTINATION TOWN CENTER

- ▶ **The success of Mayfaire Town Center demonstrates the market acceptance and demand for an integrated and mixed-use environment in the Wilmington area**
 - Project not well integrated, suffers from design flaws
 - Yet highly successful even without significant orientation
- ▶ **North Brunswick County currently lacks a mixed-use project or the type of residential products that are offered in a town center format**
 - Opportunity to provide the type of premium priced attached product found only in downtown Wilmington or at Mayfaire at a slightly less expensive price point
 - Area remains underserved for hotel rooms
 - Planned and proposed horizontal town center at Brunswick Forest will still leave a void for additional retail and dining
- ▶ **Limited access to New Hanover County make accessibility from destinations other than downtown Wilmington limited**
 - Can capture some spillover demand from downtown Wilmington for value and congestion alternative for housing and lodging
 - Wrightsville Beach and other beach area tourists/second home owners likely to have minimal impact



A STRENGTHS & CHALLENGES ASSESSMENT INDICATES A STRONG OPPORTUNITY TO DEVELOP ALL CURRENTLY PLANNED LAND USES AT THE SITE

LAND USE	STRENGTHS	CHALLENGES	OPP LEVEL	DEVELOPMENT OPPORTUNITY	ANNUAL ABS.	MARKET VALUE ¹
APARTMENTS	Proximity to employment cores; Nearby projects performing well, lack of town center apartments	Few significant challenges. Area around site less established today	HIGH	240 apartments: \$0.90 - \$1.00/SF (avg/month)	162	\$24MM
CONDOS	Excellent views of water and downtown Wilmington; Prime land in pricier New Hanover County becoming scarce; Lack of well-integrated mixed-use projects in market	Existing product types are more value-oriented in Brunswick County; Need to influence buyers to trade-off for less established location	HIGH	338 Retail or Stand-alone Condos: \$330K, 1,070 SF; 70 Waterview Condos: \$523K, 1,480 SF; 70 Waterfront or Penthouse Condos: \$793K, 1,980 SF	92	\$203MM
OFFICE	Excellent regional access; limited competition; land for new office development in New Hanover County becoming scarce	Non-traditional but emerging office core with limited history; Need to influence tenants to trade off for less established location	MED	154,000 SF: \$22/SF	~25K SF	\$28.2MM
RETAIL	High levels of residential development in N. Brunswick; high visibility location; unique water orientation with marinas provide a superior anchor and attraction	Lack of surrounding retail to provide critical mass; somewhat challenged highway visibility with current site layout; existing footprint caps may make it difficult to provide second anchor for site	MED/ HIGH	127,700 SF \$22-\$24.50/SF	45K SF	\$28.5MM
HOTEL	Brunswick County is currently undersupplied; high traffic highway location; waterfront amenity of the river; proposed Convention Center across river can provide spillover demand	North Brunswick currently has four planned and proposed hotels	HIGH	250 Keys, ADR \$150	65% occupancy	N/A

¹ Market values presented are mid-range and are based on net income generated and, to the extent available, comparable sales in the Coastal Southeast US.

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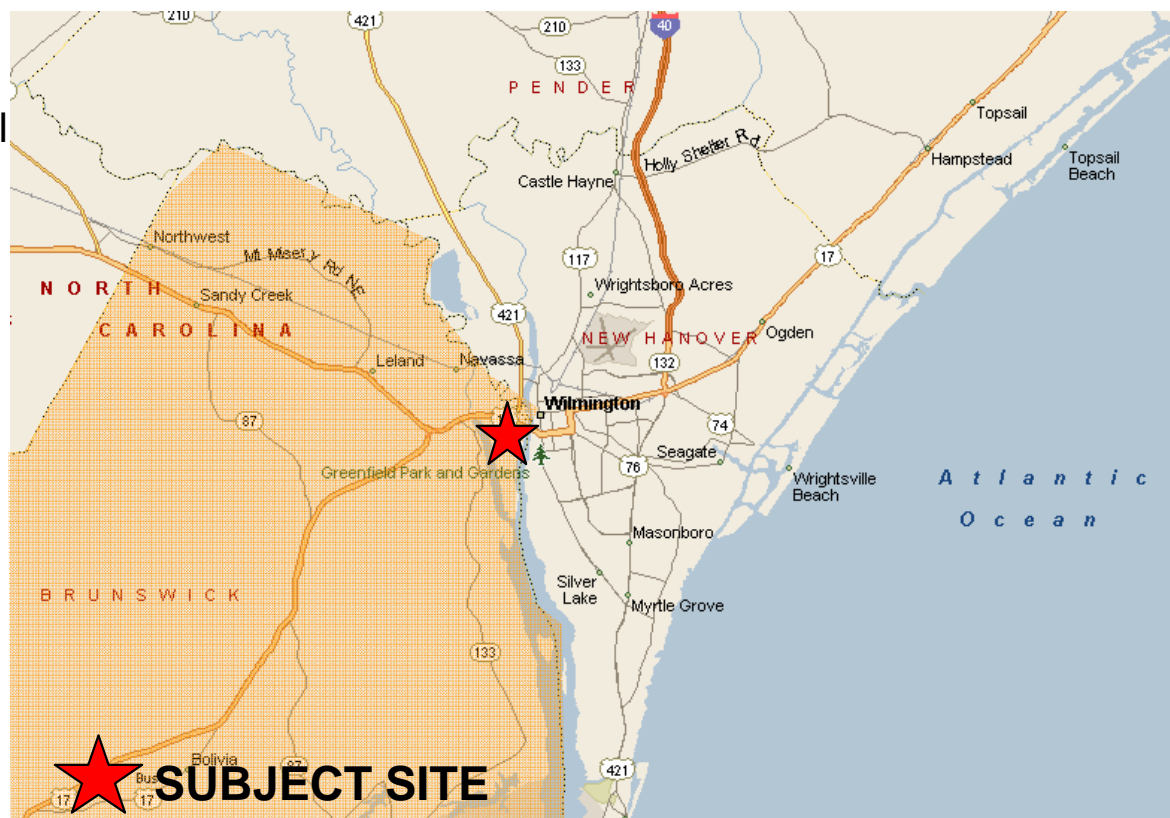
NORTH BRUNSWICK COUNTY GROWTH FUELED BY GROWTH OF WILMINGTON AND NEED FOR VALUE ALTERNATIVE

Wilmington growth spurred by coastal location, attractive climate

- ▶ The Wilmington Metropolitan Statistical Area (MSA) has benefited from “half-back” retirees in-migrating from Florida and points north attracted because of:
 - Four seasons, climate
 - Beaches
 - Culture & Shopping
 - Relative affordability
- ▶ Recent growth in employment and relocation of PPD corporate headquarters also related to these factors

Relative Value

- ▶ New Hanover increasingly expensive and land is becoming more scarce
- ▶ North Brunswick is filling the void with new MPCs providing good quality residential at a lower price and complimentary office and retail developments



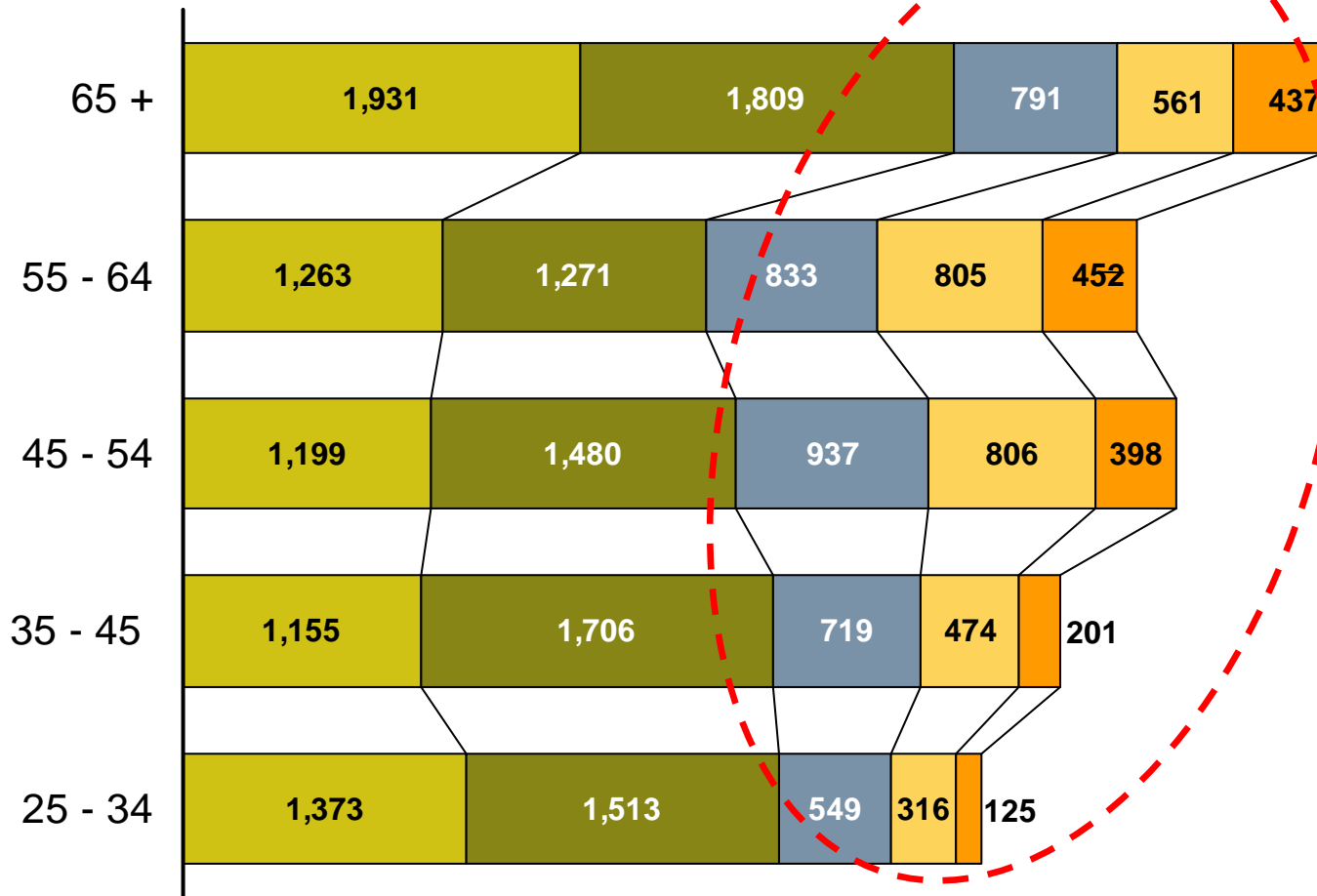
BRUNSWICK COUNTY		
	2007	2012
Households	40,369	47,586
% Wilmington MSA	29%	30%
Annual HH Growth Rate ¹	4.8%	3.3%
% Wilmington MSA	39%	38%

¹The Household (HH) growth rate indicated for 2007 is the estimated growth from 2000-2007; 2012 growth rate is estimated growth projected for 2007-2012

BRUNSWICK COUNTY INCOME AND AGE DISTRIBUTION OF HOUSEHOLDS

2007 BRUNSWICK COUNTY HOUSEHOLDS (HHs)

Existing By Age And Income



While Wilmington is a big retiree market, Brunswick County has sizable market segments across all age groups at higher income brackets.

The sweetest spot of the market is with the more mature buyers with annual incomes of \$75K+, which total 6,020 households in 2007 and is expected to grow annually at a rate of 6% through 2012.

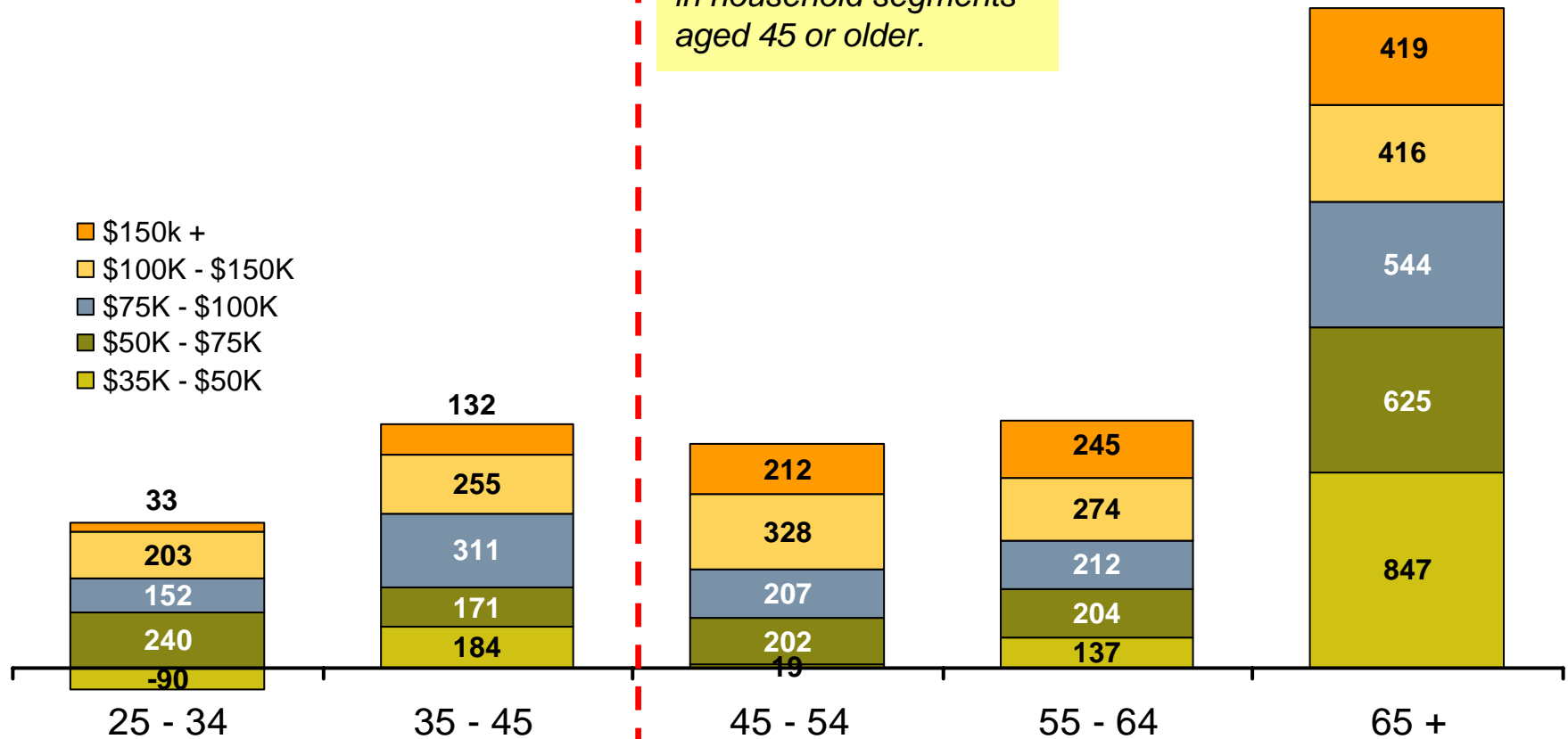
- \$35K - \$50K
- \$50K - \$75K
- \$75K - \$100K
- \$100K - \$150K
- \$150k +

SOURCE: Claritas, Inc.

CONSISTENT WITH THE STRONG RETIREE DESTINATION OF WILMINGTON, BRUNSWICK COUNTY GROWTH EXPECTED TO BE CONCENTRATED IN MATURE HOUSEHOLD SEGMENTS

2007- 2012 BRUNSWICK COUNTY HHS

Growth by Age and Income



76% of growth through 2012 is expected to occur in household segments aged 45 or older.

SOURCE: Claritas, Inc.

RCLCO CONSUMER RESEARCH ON BUYER PREFERENCES FOR THE TOWN CENTER LIFESTYLE

- ▶ Life stage and income are key variables in the degree of interest
- ▶ High interest among most market segments, including families (20%+)
 - Greatest interest among higher income “empty nesters” and singles households
- ▶ Respondents at virtually all life stages would like to live within walking distance of a town center
 - Being close to town center, ability to walk to shops, restaurants and other amenities strongest age 50 and above
 - Desire for convenience and sociability
- ▶ With the number high income mature households increasing, especially in Wilmington MSA and Brunswick County specifically, the size of the market is growing



DEMOGRAPHIC SHIFTS FAVOR MORE DENSE PRODUCTS—MIXED-USE ENVIRONMENT

▶ *Demographic shifts = growing market for smart growth*

- Aging Boomers
- Gen Y increasing home ownership rates
- More married couples without kids
- More people living alone
- More single parents
- Greater need for 3rd Places, interactive environments

▶ *Young consumers (Gen X, Y)*

- Entering age where homeownership rates higher
- Many still “drive for value” to the “edges”
- Others prefer urban/infill locations
 - Seek more “exciting” environments
 - Walkability critical
 - Greater sense of place
 - More accepting of density



AGING BOOMERS AND THE TOWN CENTER LIFESTYLE

- ▶ ***Aging Boomer preferences are more easily addressed in smart growth or town center format than conventional subdivision design***
 - Many retiring suburbanites relocating to more “urban” locations
 - Attracted to places that provide “urban amenities” in suburban locale – Mayfaire Town Center, for example
 - Consumer research in Wilmington confirms the local demand and desire for such a format
- ▶ ***Boomers have made “third places” like Starbucks, B&N, Borders their “community centers”***
 - Must capture in community design - village center or town center
 - 70% say they will continue working in retirement
 - Indicates demand for executive office space in a village center for “second” or “third” career, small business, etc.
- ▶ ***Especially in Wilmington, aging Boomers seek communities that facilitate:***
 - Sociability by making new friends and offering community and or programmed events
 - Desire to keep mind and body active, encouraging cultural pursuits and activities as well as a more active pedestrian-oriented lifestyle
 - Convenience by being close to essential services
 - Low-maintenance property that frees them to travel, socialize and pursue new interests
 - Amenities that enable ease of living:
 - Grocery stores, banks, parks, restaurants, medical offices, fitness facilities



UNIQUE PRODUCT AND MIXED-USE ORIENTATION: EFFECTIVELY TARGETS KEY MARKET AUDIENCES

Retirees/Empty-Nesters/ Downsizing Households

- Retired, children out of the household, downsizing
- Attracted to a project like Belville Town Center because of:
 - Town center format with integration of retail, services, dining
 - Water-orientation of the site consistent with the coast appeal of the Wilmington area
 - Lack of congestion, more affordable price than Downtown Wilmington
 - Proximity to Downtown Wilmington offers additional cultural, shopping opportunities
- Location, amenities, maintenance-free lifestyle drives purchase / rental decision

Second Home/Seasonal Households

- Water or other natural feature orientation is a priority
- Proximity to basic services and retail is important
- Low-maintenance lifestyle is key for those maintaining a second home
- Regional access via main transportation corridors, access to airport important
- Execution, charm, and convenience are key to rental or purchase decision

Young Professionals

- Work in either Brunswick County or across the river in Downtown Wilmington
- Easy access to Downtown Wilmington just across the bridge
- Proximity to retail, entertainment, and recreational areas is important
- Design and amenities are key to purchase / rental decision
- Lack of rental product in the area helps drive the demand by this group at the site

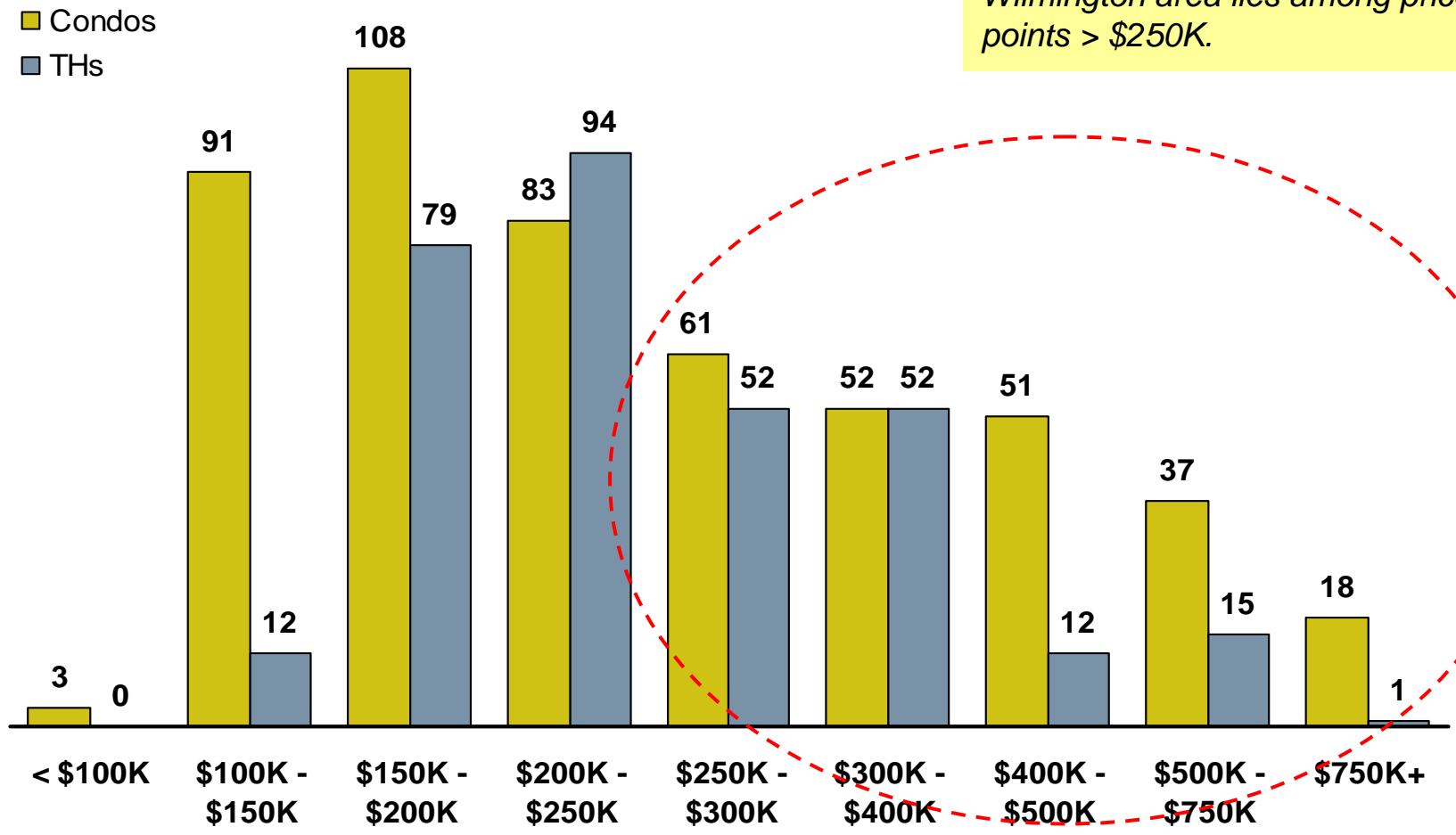
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APPETITE IN WILMINGTON MSA FOR ATTACHED PRODUCT HEALTHY FROM \$250K TO \$500K, THINNER AT \$500K+

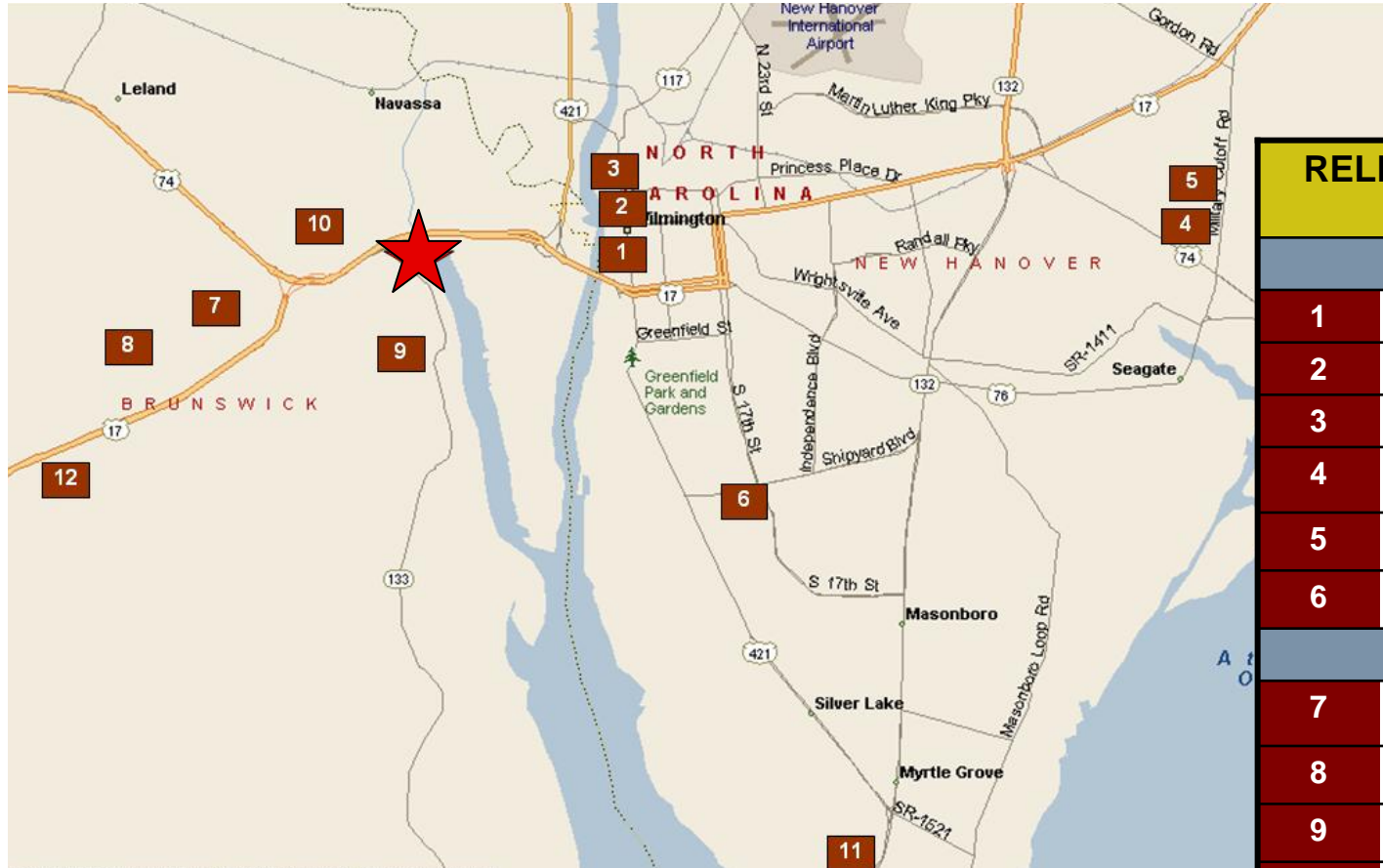
2007 NEW HOME SALES BY PRICE POINT

43% of new condo demand for the Wilmington area lies among price points > \$250K.



SOURCE: MORE

COMPETITIVE SUPPLY OF ATTACHED PRODUCT HIGH PRICED IN WILMINGTON, VALUE PRICED IN BRUNSWICK

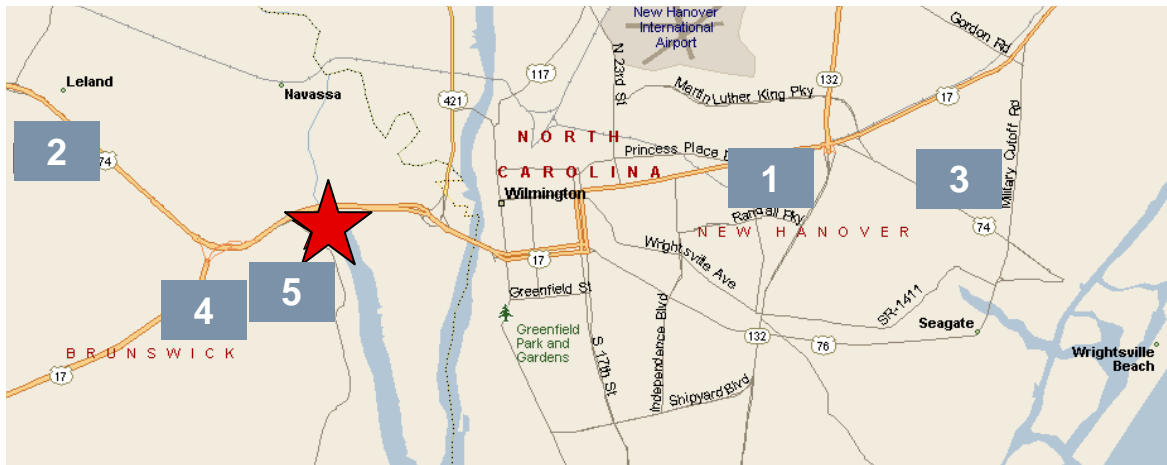


RELEVANT COMPARABLE COMMUNITIES	
CONDOS	
1	The View
2	Bannerman Station
3	Modern Baking Company
4	Mayfaire Townview
5	The Village at Mayfaire
6	Bellingham Park
TOWNHOMES	
7	Waterford of the Carolinas
8	Magnolia Greens
9	Charleston Common
10	Lincoln Place
11	Townes at Marketplace
12	Brunswick Forest

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LIMITED SUPPLY OF APARTMENT COMMUNITIES IN THE AREA INDICATE AN OPPORTUNITY FOR THE SITE



RELEVANT COMPARABLE COMMUNITIES	
1	Avalon Apartments
2	Park at Village Oaks
3	Reserve at Mayfaire
4	Hunter Stone
5	Egret Pointe

- ▶ There is a very limited supply of apartments in the North Brunswick area, with only two market rate projects currently serving the population (Egret Pointe is primarily affordable housing)
 - Park at Village Oaks and Hunter Stone were both introduced within the last three years
 - The projects are performing very well, with up to 20 units per month leased at Hunter Stone and occupancy levels at both over 93%
- ▶ The competitive set overall is performing quite well, with an average occupancy of 89% and average rent per square foot of \$0.90.
- ▶ The apartment units at Mayfaire are leasing 11 units per month, but with high absolute prices and a significant portion of seasonal renters, vacancy levels are higher than desirable

LOCAL COMPETITIVE PRODUCT REPRESENTS DIVERSITY OF SIZE, PRICE, AND QUALITY

RELEVANT COMPARABLE APARTMENT COMMUNITIES							
NAME	YEAR BUILT	OCC.	TOTAL UNITS	WEIGHTED AVERAGE SF	WEIGHTED AVERAGE RENT	WEIGHTED AVERAGE RENT/SF	AMENITIES ¹
Avalon Apartments	2007	85%	155	996	\$894	\$0.90	2.5
Park at Village Oaks	2005	94%	156	1,080	\$880	\$0.81	2
Reserve at Mayfaire	2004	79%	264	1,209	\$1,177	\$0.97	3
Hunter Stone	2006	96%	288	881	\$732	\$0.83	2.5
Egret Pointe	2007	100%	64	1,211	\$694	\$0.57	1

- ▶ Overall, the area offers relatively large units in a moderately executed garden-style project
 - The majority of units (65% on average) are two-bedroom
- ▶ The area lacks a truly integrated apartment offering
 - While Mayfaire Town Center offers apartments, the project is of a conventional garden-style that is removed from the retail
- ▶ Main target markets are primary home renters, including young singles and couples and empty nester retirees and mature couples as second-home/seasonal renters
 - Mayfaire in particular caters to this market with lease terms less than one year

¹ Amenities are rated on a scale of 1 to 3 with 3 representing the highest level of amenity offering in the market.

DEVELOPMENT CONSIDERATIONS FOR APARTMENTS AT THE SUBJECT SITE TOWN CENTER

- ▶ There is an immediate opportunity for the development of apartments at the subject site, given the lack of supply in the area and the high occupancy levels at the existing projects
- ▶ Apartments are the logical leading use for a mixed-use development, as they begin to establish a vitality and energy for the site and are the beginning base of patrons for the shopping and dining to be developed at the site
- ▶ While it is not necessary to vertically integrate the units over retail, the apartment project should be:
 - Adjacent, not isolated, and tied via common architectural style to the other uses at the site
 - An urban format – 3 or 4 stories, internal entry with the building edging up to the sidewalk

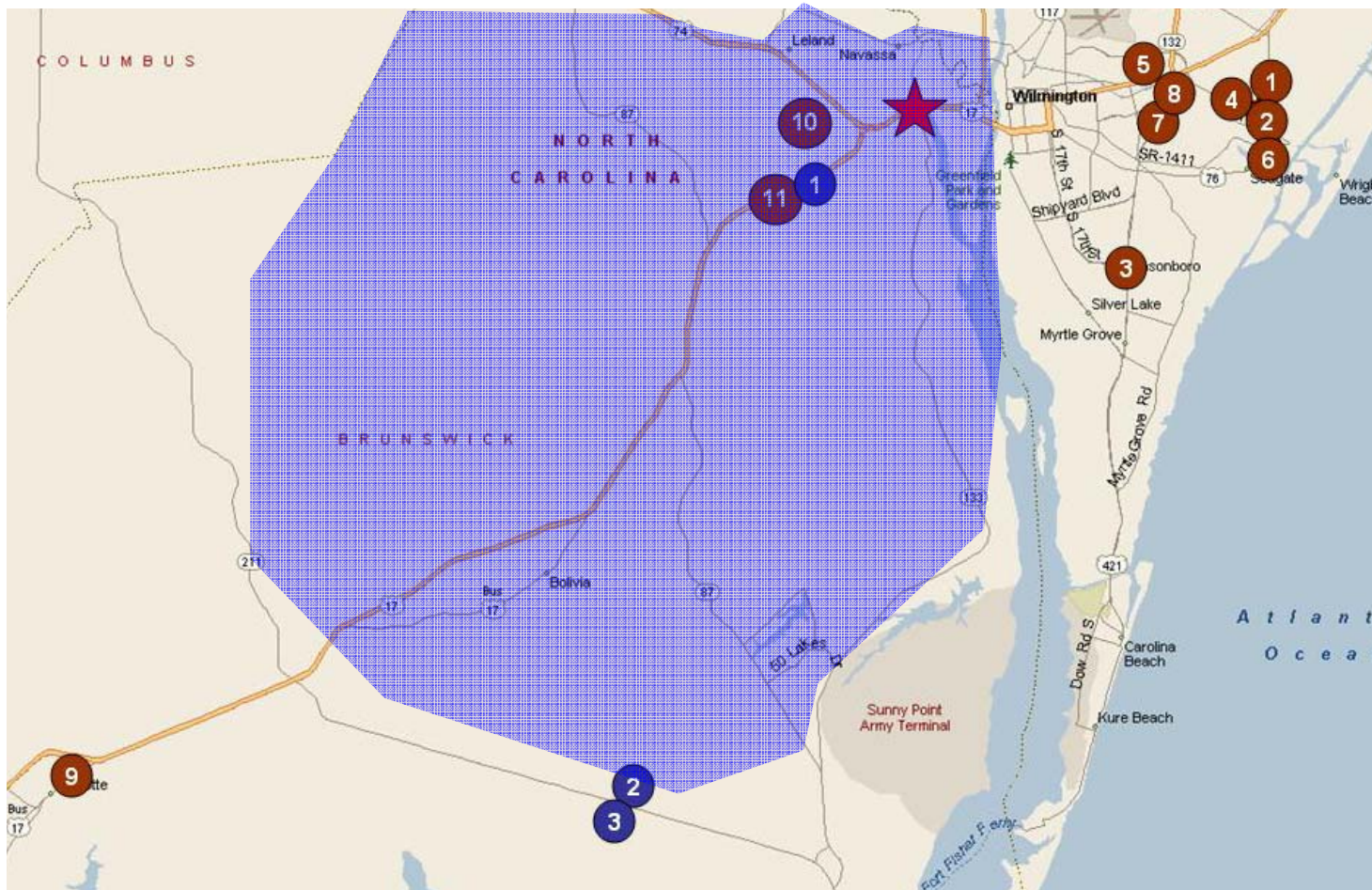


- ▶ It should be noted that the relatively low rents in the market may not be high enough to counterbalance the financial implications of decked parking that would be needed at the site

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WITH LIMITED COMPETITION DEMAND FOR RETAIL AT THE SUBJECT SITE EXPECTED TO EMANATE FROM NORTH BRUNSWICK



- Existing Retail Center
- Planned & Proposed
- Retail Trade Area for Subject Site
- ★ SUBJECT SITE

STATISTICAL DEMAND ANALYSIS REVEALS ADEQUATE DEMAND FOR PLANNED RETAIL BY VARIOUS TENANT TYPES

RETAIL DEMAND 2007-2012

CATEGORY	2007 NUMBER OF STORES	2007 TOTAL SUPPORTABLE SF	2012 TOTAL NUMBER OF STORES	2012 TOTAL SUPPORTABLE SF ³
Furniture & Home Furnishings	6	16,500	10	27,500
Electronics & Appliance	1	2,450	1	2,450
Lawn & Garden Store	1	2,300	2	4,600
Grocery & Specialty Food	1	20,000	4	44,000
Health & Personal Care	0	0	1	8,500
Clothing & Shoes	8	15,200	12	23,200
Books, Music & Sports	1	2,700	1	2,700
General Merchandise	0	0	5	17,500
Florists	0	0	0	0
Office Supply, Stationary, or Gift Stores	1	1,600	1	1,600
Restaurants	10	21,000	23	49,300
TOTAL DEMAND	29	81,750	50	180,350

ALTHOUGH ADEQUATE DEMAND EXISTS, LEASE-UP WILL BE EASED IF LIMIT ON SQUARE FOOTAGE IS INCREASED

- ▶ The dining and boardwalk/waterfront area will create a destination on eastern edge of the property, but without a draw on the western entrance of the property, it may be difficult to encourage foot traffic through the internal, main street retail
 - ▶ The appropriate draw would be an anchor –ideally a retail tenant, but could also be a civic use
- ▶ Interviews with regional brokers for national tenants suggest that junior anchors seek retail space that is 15,000 square feet or larger
 - ▶ For instance Barnes & Noble, Borders bookstore, Bed, Bath & Beyond or specialty grocers seek space of 15,000 – 20,000 SF
- ▶ In light of this information, the Board of Commissioners may want to consider easing the restriction on total square footage to provide the space necessary for a grocer with a smaller footprint store or junior anchor such as a bookstore or mid-line clothing store to anchor the western edge of the property
 - ▶ The optimal revised square footage cap would be 20,000 – 25,000 square feet
- ▶ Another potential anchor could be a civic use, such as a YMCA
 - YMCA's can range from 5,000 – 15,000 SF for a YMCA Express, a perfect size fit for the site plan
 - YMCA's have been broadly accepted in North Carolina, so much so that RCLCO consumer research has indicated a preference by homeowners for an on-site YMCA over a HOA community fitness facility
 - Such a facility could double as the fitness facility amenity for home owners at the site
 - The numerous community and member activities typically planned by a YMCA would further increase traffic to the site and provide the benefit of additional social opportunities for homeowners at the site

OTHER RETAIL DEVELOPMENT CONSIDERATIONS



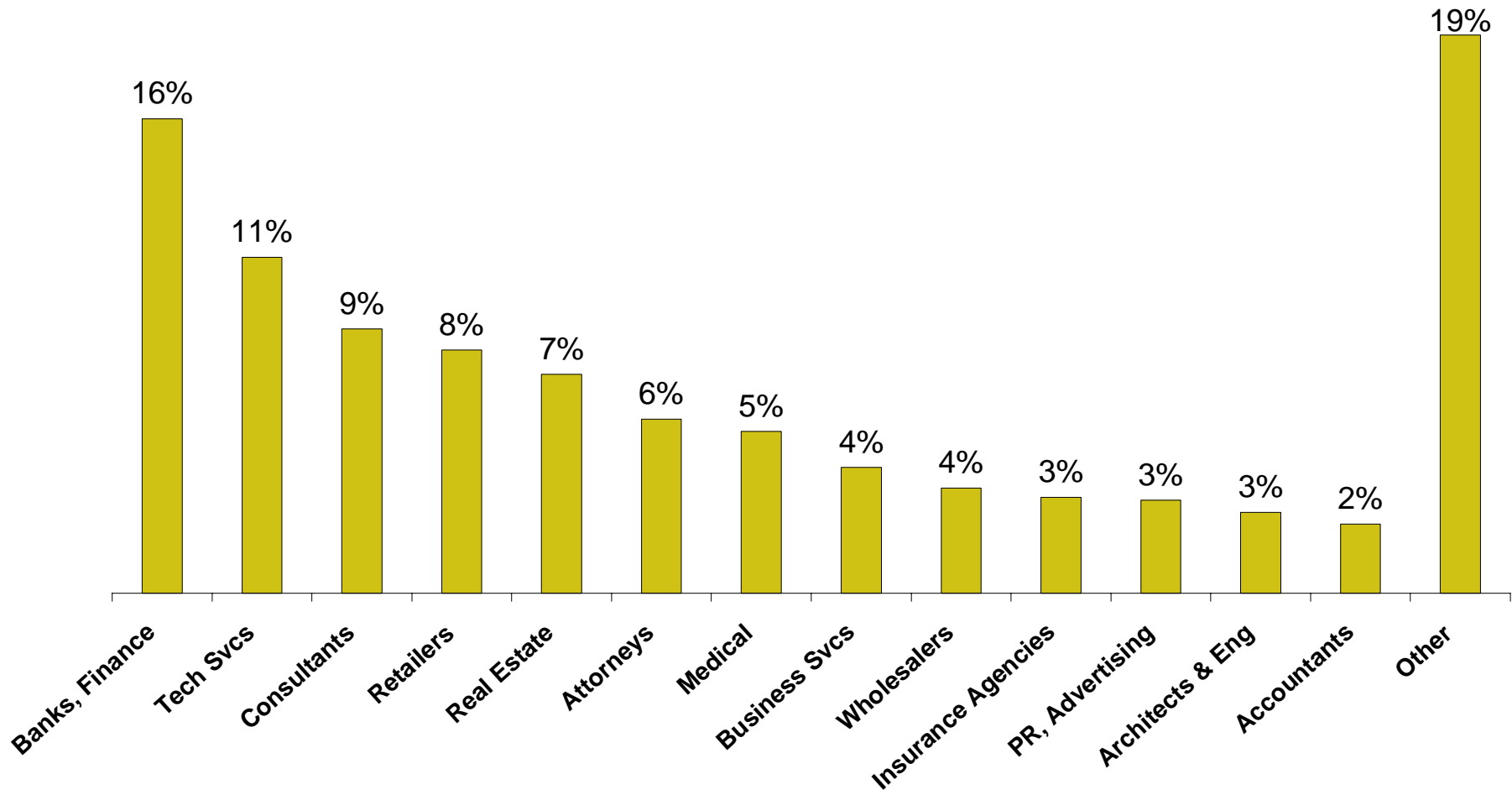
- ▶ Use civic anchors to draw visitors from the greater community and utilize programming and community events to establish as a destination
 - Helps to create critical mass at the project
- ▶ Use larger retailers in line-up to help animate and increase foot traffic to interior locations.
- ▶ Provide a different experience from strip retail through the strategic tenanting of non-chain retailers.
- ▶ Utilize public art to serve as a focal point, encourage civic pride, and provide a sense of place.
- ▶ Use green areas bordered by public streets for flexible passive recreation use and smaller community events.

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CASE STUDIES OF TOWN CENTER OFFICE INDICATES TENANTS TEND TO BE SMALLER PROFESSIONAL FIRMS OR CREATIVE CLASS BUSINESSES

SHARE OF TOWN CENTER OFFICE USERS BY TYPE

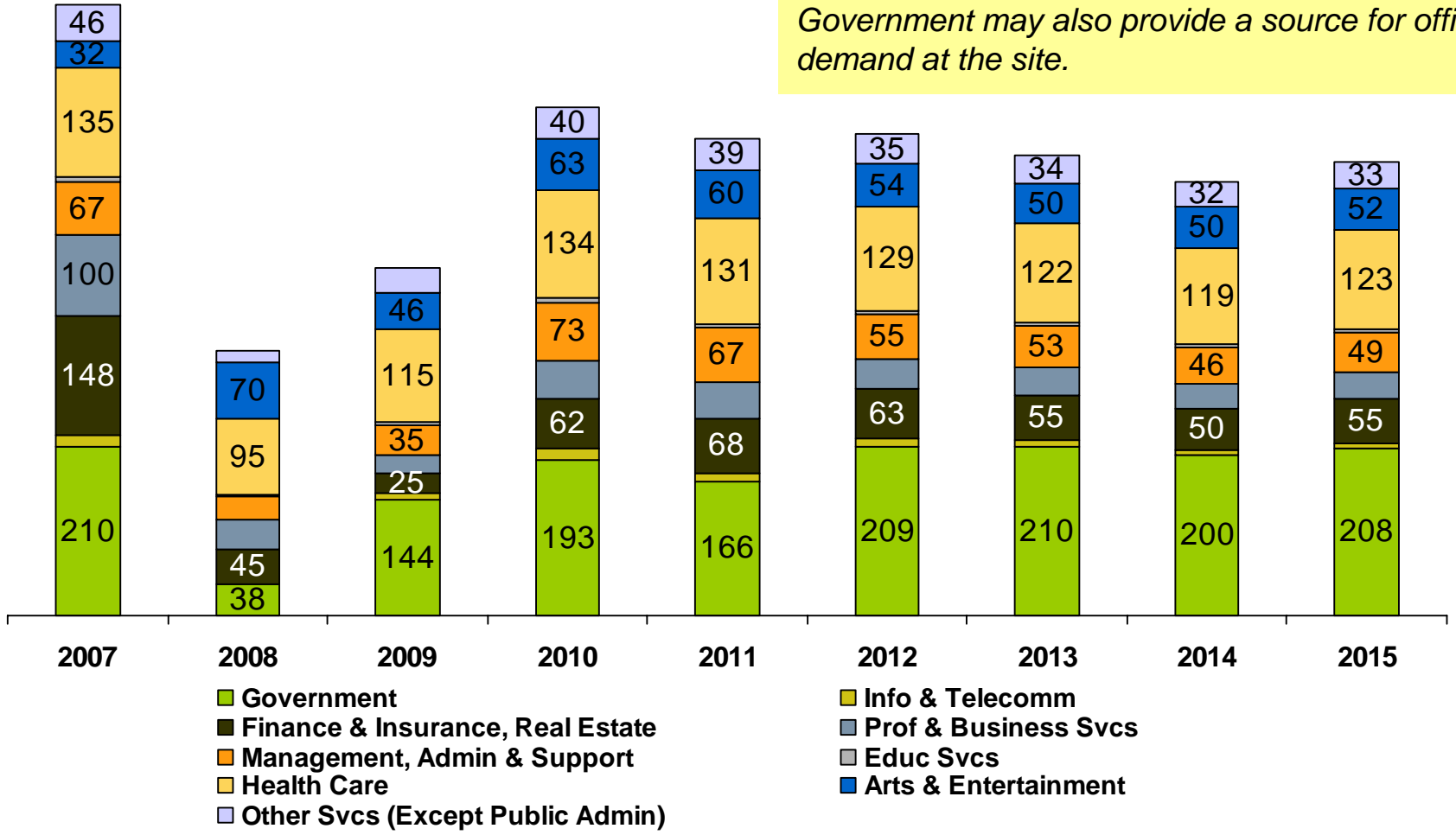


SOURCE: Case Studies

BRUNSWICK COUNTY OFFICE IS PROJECTED TO HAVE A HEALTHY LEVEL OF GROWTH IN SIMILAR OFFICE USING INDUSTRIES

BRUNSWICK COUNTY ANNUAL NET JOB GROWTH
Office Using Industries 2007-2015

On average, it is expected that there will be 365 of these jobs added annually to the county. Government may also provide a source for office demand at the site.



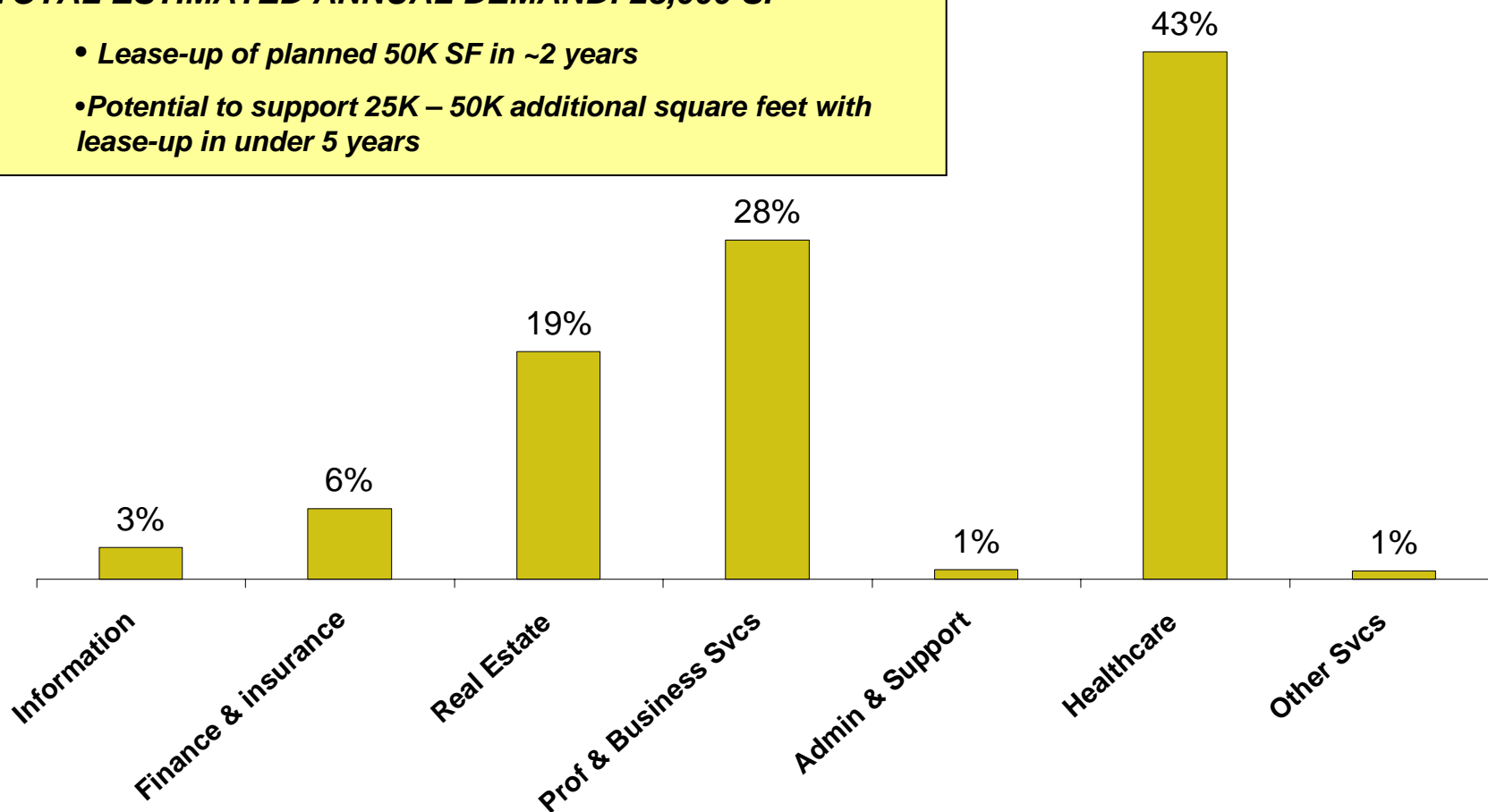
SOURCE: Claritas, Economy.com

DEMAND FOR OFFICE SPACE AT THE SUBJECT SITE IS EXPECTED TO COME PRIMARILY FROM MEDICAL & PROFESSIONAL SERVICES; LEASE-UP TO OCCUR IN 2 YEARS

SHARE OF OFFICE DEMAND AT SUBJECT SITE BY TYPE

TOTAL ESTIMATED ANNUAL DEMAND: 23,000 SF

- Lease-up of planned 50K SF in ~2 years
- Potential to support 25K – 50K additional square feet with lease-up in under 5 years

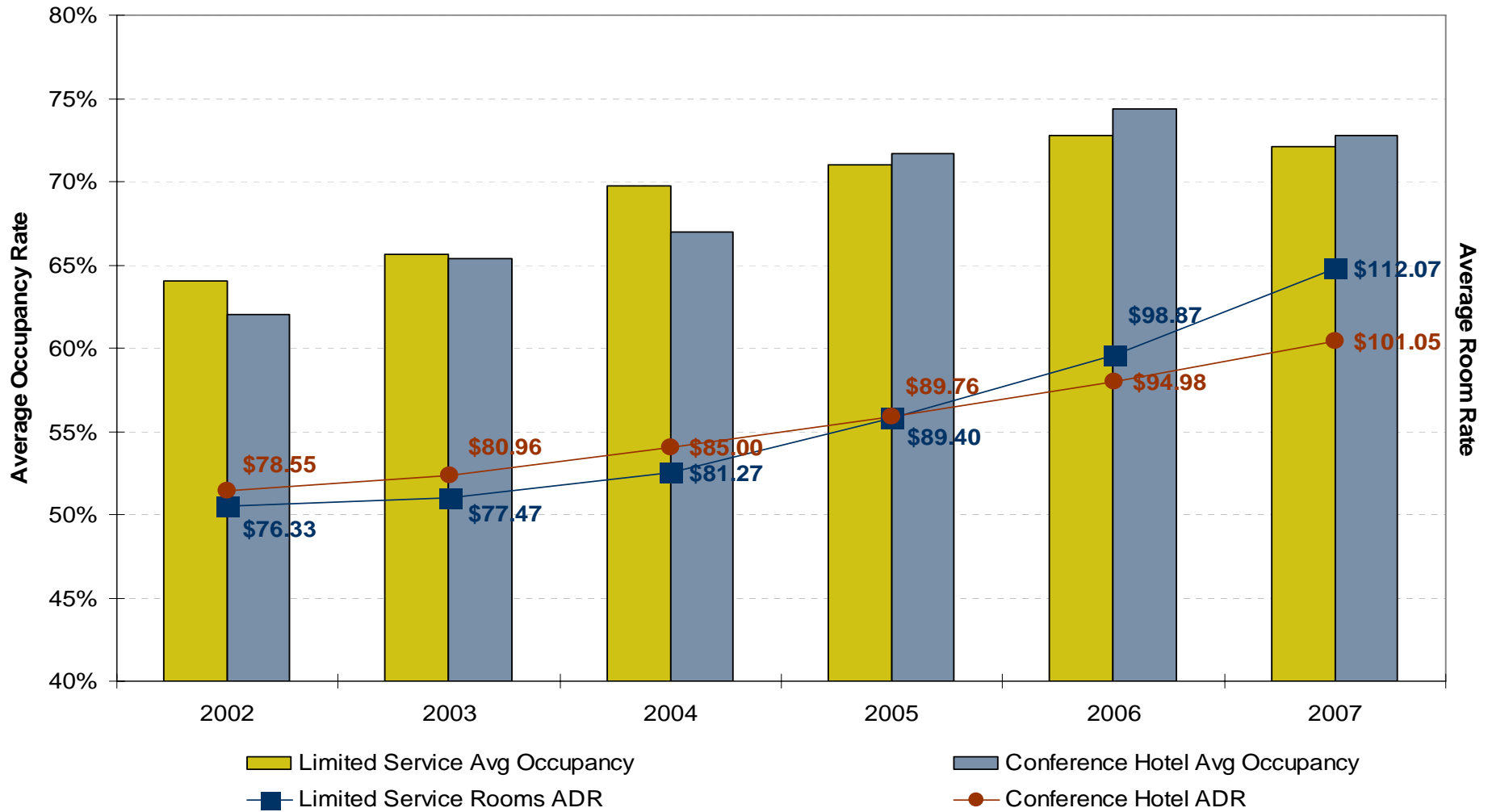


SOURCE: Case Studies

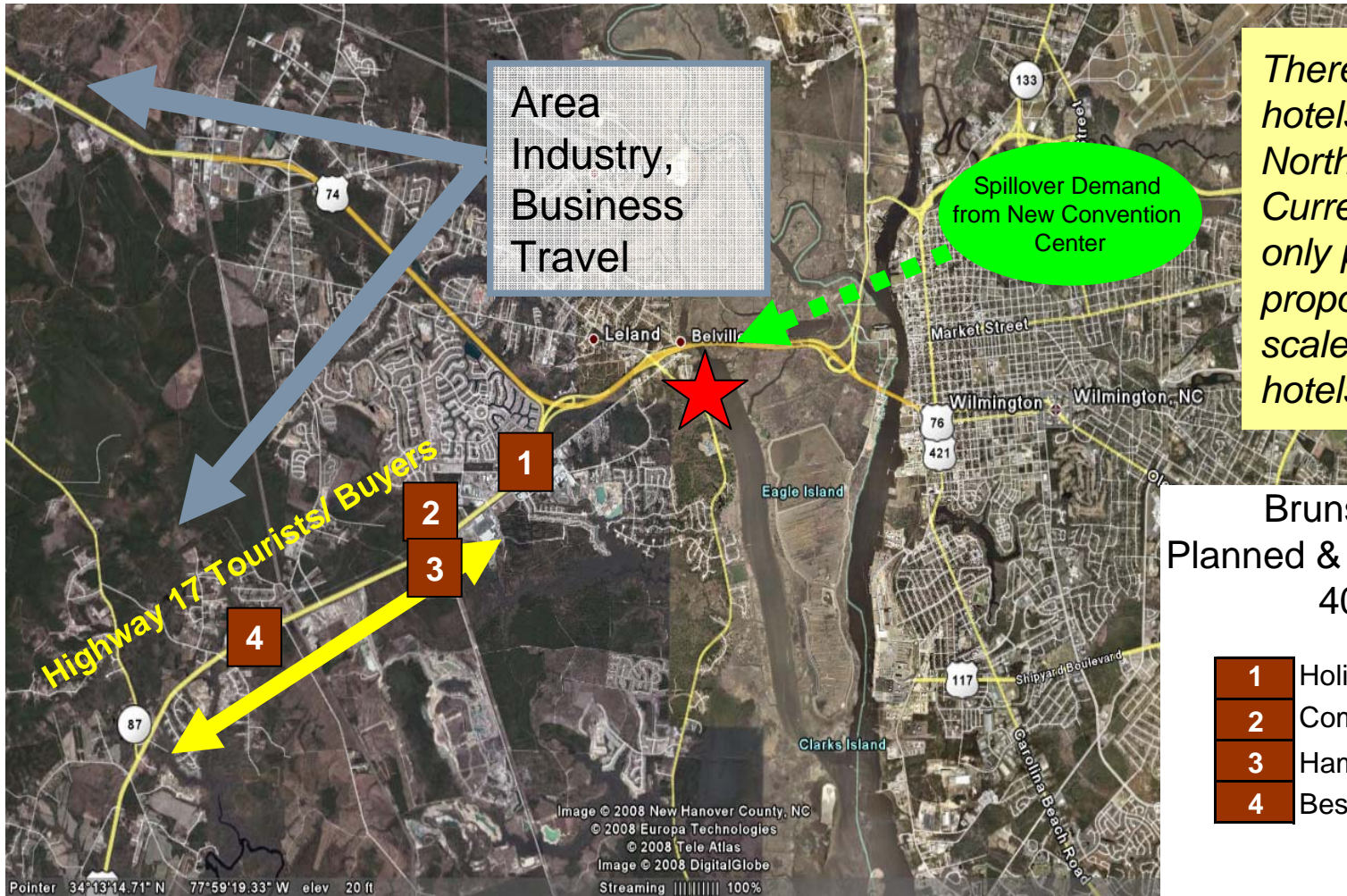
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HOTELS IN THE AREA ARE PERFORMING VERY WELL, WITH RISING ADRS AND OCCUPANCIES MUCH HIGHER THAN 65%



DEMAND FOR HOTEL ROOMNIGHTS AT THE SITE IS EXPECTED TO EMANATE FROM TOURISTS, BUSINESS TRAVEL TO BRUNSWICK COUNTY, AND THE NEW CONVENTION CENTER



There is a lack of hotels serving the North Brunswick area. Currently, there are only planned and proposed moderate scale limited service hotels in the area.

**Brunswick County
Planned & Proposed Hotels =
400 Rooms**

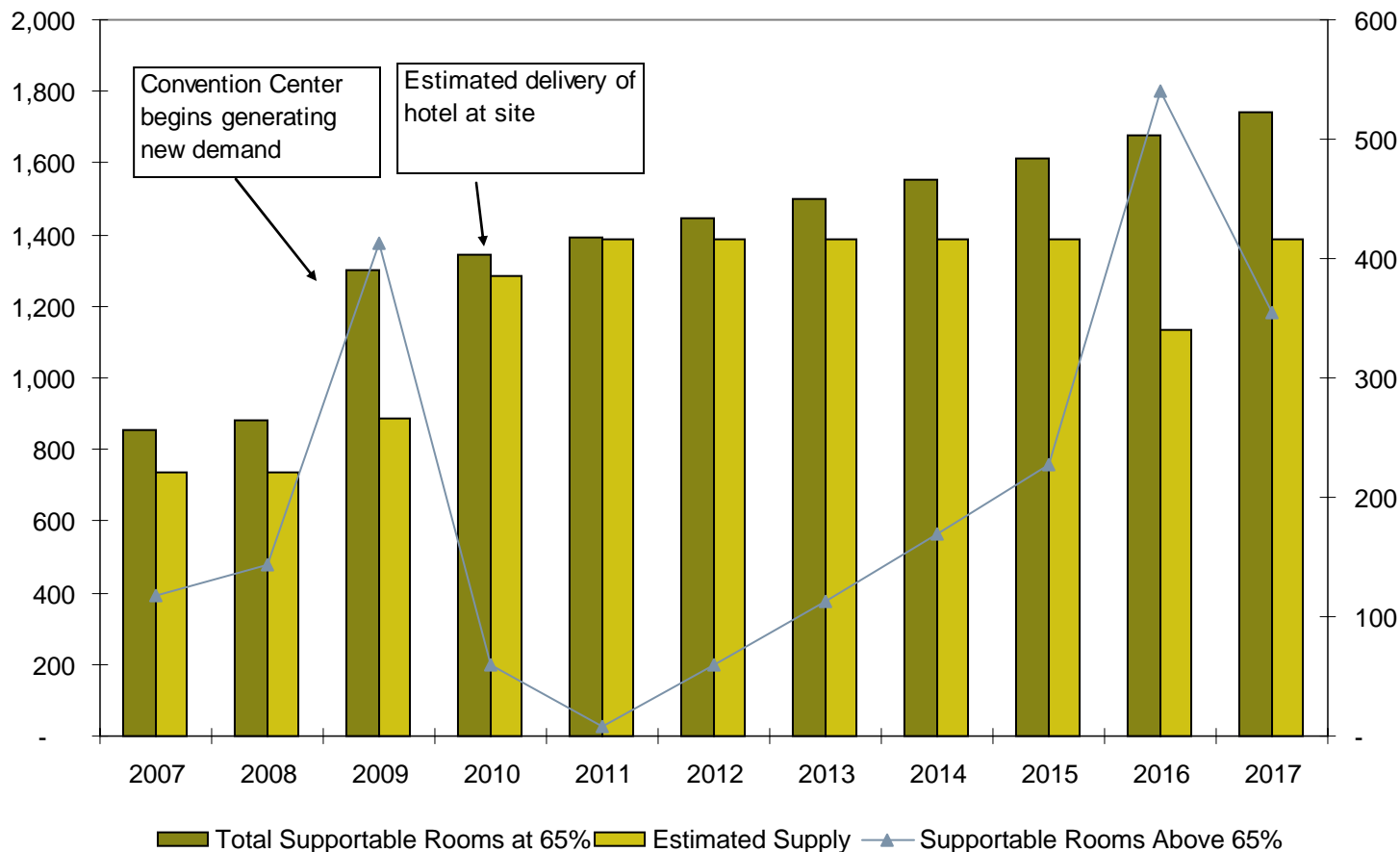
- 1** Holiday Inn Express
- 2** Comfort Suites
- 3** Hampton Inn
- 4** Best Western

Pointer 34°13'14.71" N 77°59'19.33" W elev 20 ft

Image © 2008 New Hanover County, NC
© 2008 Europa Technologies
© 2008 Tele Atlas
Image © 2008 DigitalGlobe
Streaming 100%

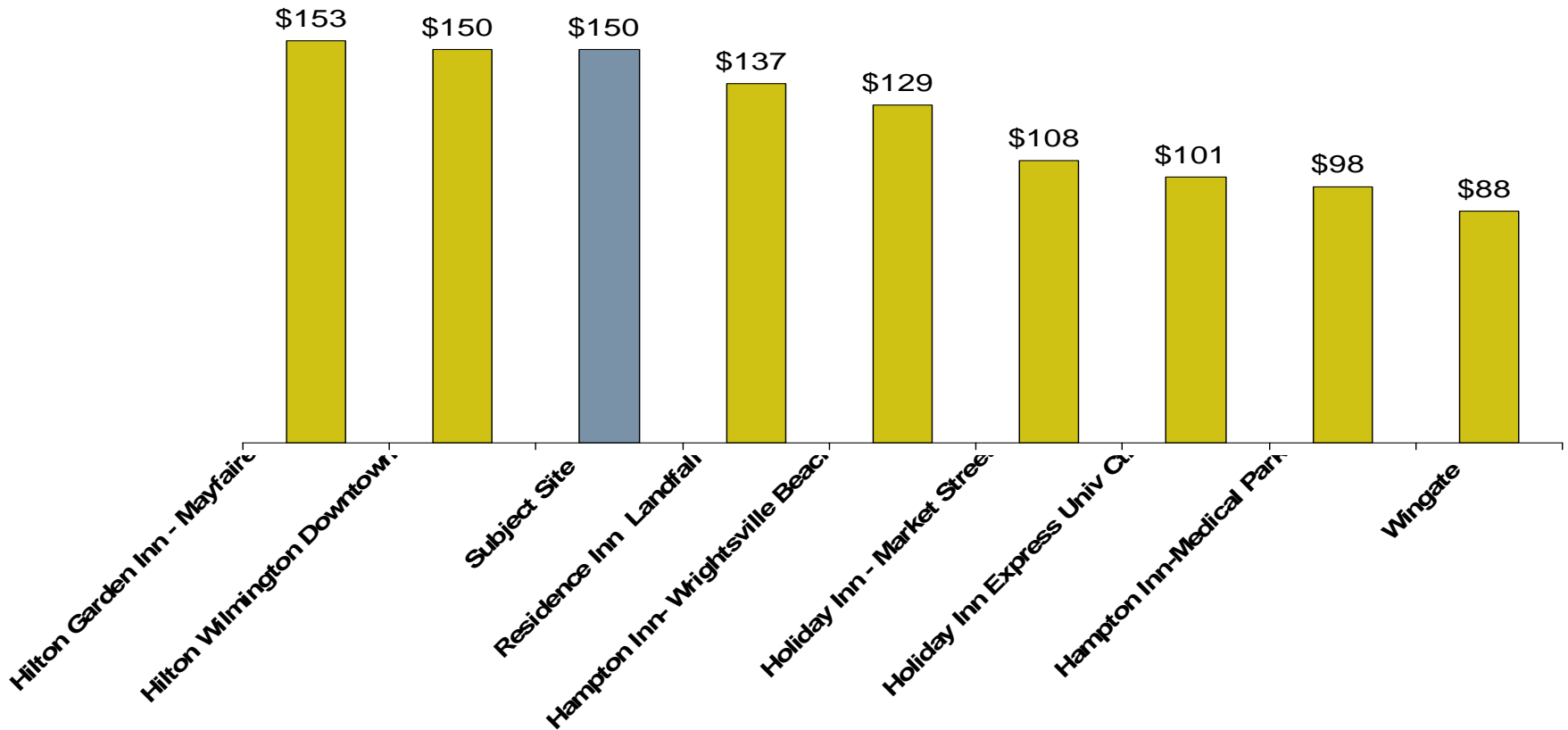
DEMAND ANALYSIS SUGGESTS STRONG DEMAND FOR HOTELS IN THE AREA

ESTIMATED HOTEL ROOMS SUPPORTABLE IN NORTH BRUNSWICK COUNTY AREA



GIVEN THE MIXED-USE AND WATER-ORIENTATION, AS WELL AS PROXIMITY TO DOWNTOWN, THE SITE IS EXPECTED TO ACHIEVE ATTRACTIVE ADRS

ESTIMATED HOTEL ROOMS SUPPORTABLE IN NORTH BRUNSWICK COUNTY



The subject site should be a slight discount to Hilton Downtown Wilmington, because of the more preferred location, and to Mayfaire, as it is not close to the beach.

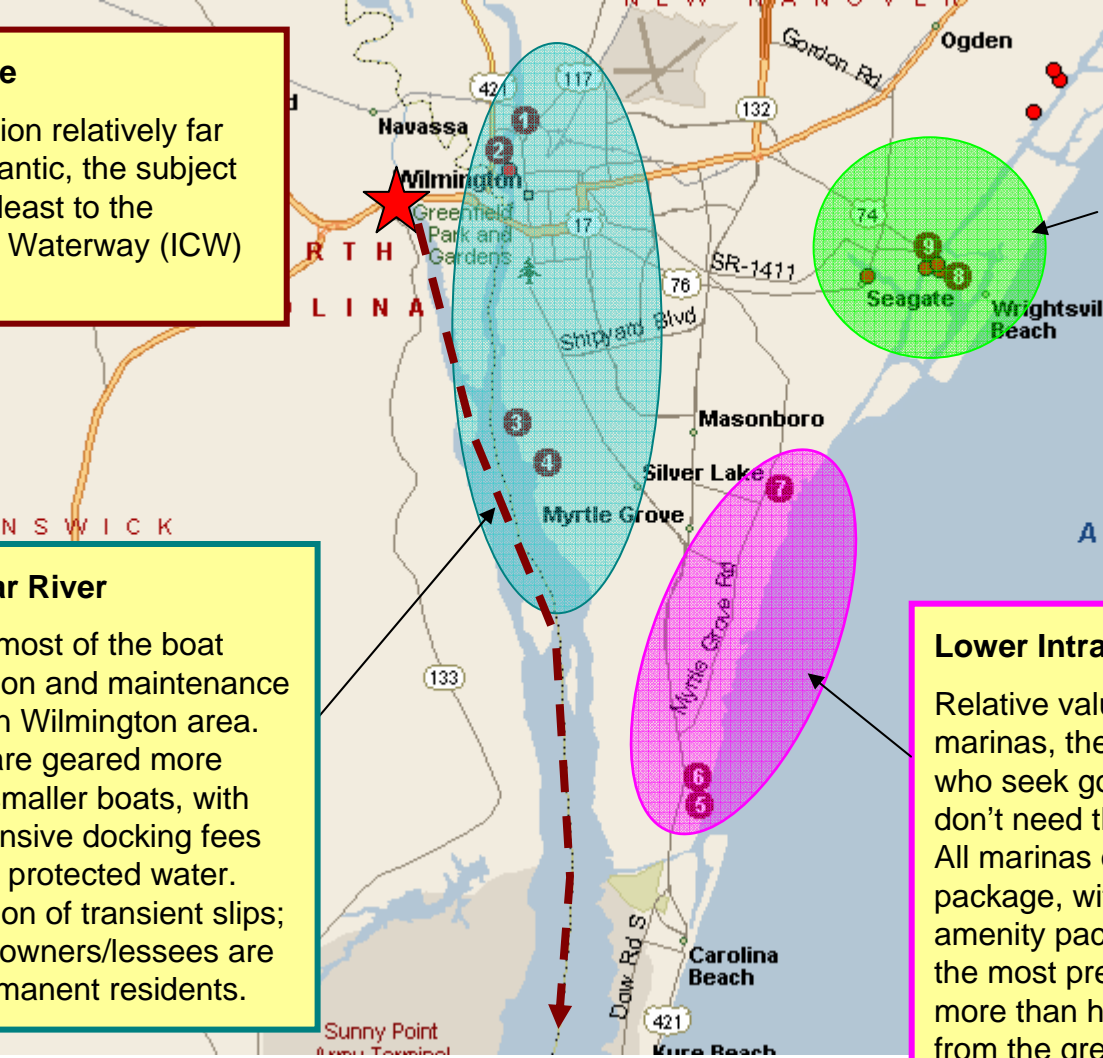
DISCUSSION POINTS

- ▶ SITE ANALYSIS & OPPORTUNITY STATEMENT
- ▶ ECONOMIC & DEMOGRAPHIC OVERVIEW
- ▶ FOR-SALE RESIDENTIAL
- ▶ APARTMENTS
- ▶ RETAIL
- ▶ OFFICE
- ▶ HOTEL
- ▶ MARINA

WITH DIRECT OCEAN ACCESS, THE MORE PREMIER MARINAS IN WILMINGTON ARE LOCATED ALONG THE INTRACOASTAL

Subject Site
With a location relatively far from the Atlantic, the subject site relates least to the Intracoastal Waterway (ICW) marinas.

Cape Fear River
Home to most of the boat construction and maintenance facilities in Wilmington area. Marinas are geared more towards smaller boats, with less expensive docking fees and more protected water. High portion of transient slips; most slip owners/lessees are local, permanent residents.



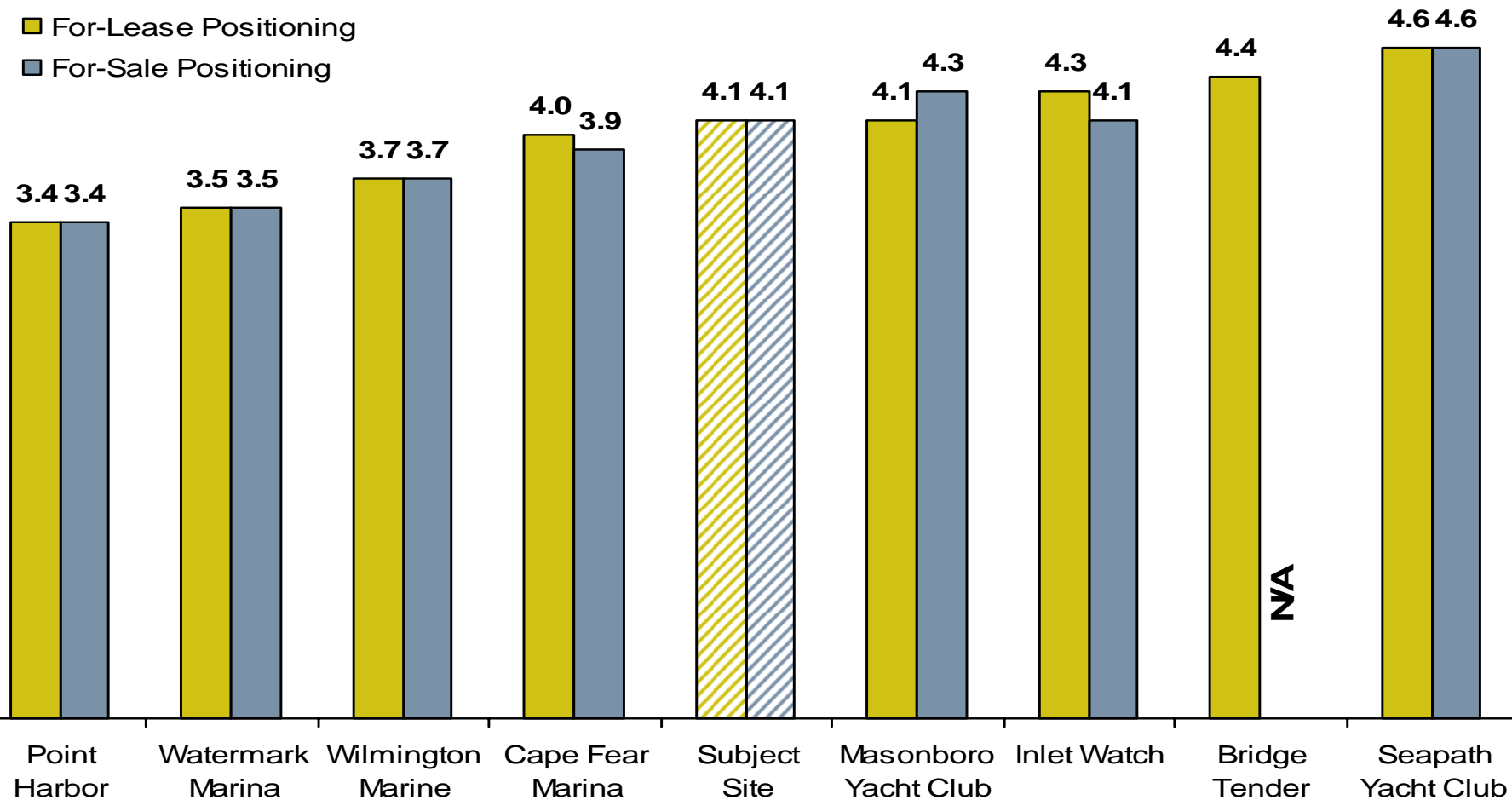
Upper Intracoastal
The premier marina location in the Wilmington area with marinas primarily as for-sale only or exclusive memberships that include a slip. This is the premier location because of the direct access to the ocean and proximity to Wrightsville Beach, Figure 8 and Wilmington while offering the protection of the barrier islands. These marinas have the highest portion of seasonal residents.

Lower Intracoastal
Relative value to the upper Intracoastal marinas, these marinas appeal to boaters who seek good access to the ocean, but don't need the cache of Wrightsville Beach. All marinas offer some sort of amenity package, with majority boasting a deluxe amenity package. Large fishing boats are the most prevalent vessel type, with slightly more than half of the slip owners/renters from the greater Wilmington area.

SITE SHOULD BE AT A PREMIUM TO OTHER MARINAS LOCATED ON RIVER, BUT DISCOUNT TO INTRACOASTAL MARINAS

POSITIONING OF THE MARINA SUBJECT SITE RELATIVE OTHER AREA MARINAS

■ For-Lease Positioning
■ For-Sale Positioning



PROXIMITY TO THE ATLANTIC OCEAN & WRIGHTSVILLE BEACH ARE THE PRIMARY FACTORS IN MARINA POSITIONING

- ▶ Seapath Yacht Club is the highest positioned of the competitive set marinas due to its premium upper Intracoastal Waterway location and pedestrian access to Wrightsville Beach.
- ▶ Similarly, Bridge Tender Marina is ranked highly because of its premium location, even though it lacks amenities.
 - The subject site marina will be able to capitalize on the entertainment and walkability, but lacks Seapath's ease of access and the accompanying luxury branding.
- ▶ The subject site marina should be most comparably positioned to Inlet Watch Yacht Club and Masonboro Yacht Club, which give boaters easy access to the Atlantic and the ICW. Because of their more remote locations, it is necessary for Inlet Watch and Masonboro to include extensive amenities to create a sense of place and cater to all of a boater's needs.
 - Superior drive-in access and surrounding land uses help the subject site will compensate for the lack of ocean access relative to Inlet Watch and Masonboro.
 - For-sale positioning is slightly different than for lease. Masonboro commands a higher sales price than Inlet Watch because of its longer slips, views, cache of protected Masonboro Island, and younger age. Longer slips are priced higher per foot than smaller slips because of their scarcity. A number of slips currently available at Inlet Watch - likely due to its age – appears to have driven down its pricing.
 - Thus, the subject site should be at a discount to Masonboro – mostly due to the smaller slip sizes to be offered at the site, but a premium to Inlet Watch sales prices, because it will be newer construction and have slips of a comparable size.
 - While there is doubt concerning whether or not Carolina Marina will be delivered, it boasts an ICW locational advantage, which results in a slight discount for dry slips at the subject site.
- ▶ The subject site marina shares the quality surge protection of competitors along the Cape Fear River but should be positioned higher than nearby facilities because of the unmatched entertainment, lodging, and dining accessibility that the Belville Town Center will offer.

IN PARTICULAR, THE MIXED-USE ENVIRONMENT AND REGIONAL ACCESSIBILITY HELP THE SITE OVERCOME RIVER LOCATION TO ACHIEVE MONTHLY RATES OF \$11 - \$13/LINEAR FOOT

SUBJECT SITE MARINA POSITIONING	WEIGHTING	SCORE
Accessibility for Boaters	20%	4.0
Atlantic Access	10%	3.5
Types of Boats Accommodated	15%	4.0
Boater Services (Launch, Detailing, Etc.)	10%	5.0
Maintenance Facilities	5%	2.0
Prestige/Execution	15%	4.0
Surrounding Land Uses/Access to Dining, Retail	20%	4.5
Surge Protection	5%	5.0
WEIGHTED AVERAGE SCORE OF SUBJECT SITE MARINA		4.1
COMPETITIVE MARINAS WEIGHTED AVERAGE SCORE		4.0
BELVILLE PREMIUM TO COMPETITIVE MARKET		3%
BELVILLE MIXED-USE PREMIUM		10%
SUBJECT SITE PROJECTED WET SLIP RENT/LINEAR FOOT		\$12.75
SUBJECT SITE PROJECTED DRY SLIP RENT/LINEAR FOOT		\$10.75
SUBJECT SITE PROJECTED WET SLIP FOR-SALE PRICE/LINEAR FOOT		\$4,250
SUBJECT SITE PROJECTED DRY SLIP FOR-SALE/LINEAR FOOT		\$3,450

The attractiveness of surrounding land uses – dining, lodging, and retail – as well as ease of access for boaters to get to and from marina from other points in the area bring the site close to the positioning of marinas located on the Intracoastal.

STATISTICAL ANALYSIS INDICATES AMPLE DEMAND FOR PLANNED TOTAL OF WET & DRY SLIPS AT SITE

DEMAND SOURCES	ANNUAL	TOTAL 5-YR
WET SLIPS		
Boats < 16'	19	95
Boats 16' – 20'	25	125
Boats 20' – 40'	14	70
Boats > 40'	0	0
WET SLIPS 16' – 40'	39	195
DRY SLIPS		
Boats < 16'	26	130
Boats 16' – 20'	25	125
Boats 20' – 40'	15	75
Boats > 40'	0	0
DRY SLIPS 16' – 40'	40	200
TOTAL DEMAND FOR WET & DRY SLIPS 16' – 40'	79	395

Lease-up for wet slips is estimated in two years with lease-up for dry storage estimated in approximately five years for a 200 slip facility and seven to eight years for a 300 slip facility.

MARINA RECOMMENDATIONS: SIZE, PRICING & AMENITIES

- ▶ **60 Wet Slips @ monthly rate of \$12.75/linear foot OR for-sale at \$4,250/linear foot**
 - Lease-up in 1.5 years with estimated average annual absorption of 40 slips per year
- ▶ **200 Dry Storage Slips @ monthly rate of \$10.75/linear foot OR for-sale at \$3,450/linear foot**
 - Lease-up in 5 years with estimated average annual absorption of 40 slips per year
 - 200 dry storage slips are recommended because of the estimated lease-up time; if seven to eight years is not too long, than 300 is supportable
- ▶ **Services & Amenities**
 - Utilities: Electric, water, cable, wi-fi
 - Services: Contracted maintenance and mechanic available, fuel, pump-out
 - Club Amenities: Full bar, eatery, club house with event space, a partnership with fitness facilities at the project for access
 - A full, exclusive restaurant is not necessary with the planned surrounding dining options to be at the waterfront of the Belville Town Center
 - In absence of a full restaurant, event space at the club house that can be reserved/rented out is necessary



MARINA RECOMMENDATIONS: EXECUTION AND PRICING CONSIDERATIONS

- ▶ With a location off of the Intracoastal Waterway, no matter the level of execution or services, caution must be used in pricing of the marina slips
 - Watermark Marina, new construction with a deluxe amenity package and closer proximity to the Atlantic Ocean, had to drop their pricing from \$11 to \$10/ft (dry) because the boaters interested in a river location are quite price sensitive
- ▶ With the mixed-use environment of the town center anchored by the waterfront, it is very important to execute the dry storage in a very attractive way or disguise it all together and a smaller quantity of slips should make that easier
- ▶ To the extent that cutting edge technology that reduces the disparity of experience from use of dry storage in comparison to a wet slip, there is demand upside for the dry storage facility
 - Wilmington Marina and Watermark Marina have done a particularly good job of incorporating technology to offer very attractive dry storage to boaters



CRITICAL ASSUMPTIONS

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

Our conclusions and recommendations are based on certain assumptions about the future performance of the global, national, and/or local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing conclusions and making the appropriate recommendations. However, given the fluid and dynamic nature of the economy and real estate markets, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions and recommendations periodically to ensure that they stand the test of time.

We assume that, in the future, the economy and real estate markets will grow at a stable and moderate rate. However, history tells us that stable and moderate growth patterns are not sustainable over extended periods of time. Indeed, we find that the economy is cyclical and that the real estate markets are typically highly sensitive to business cycles. Our analysis does not necessarily take into account the potential impact of major economic "shocks" on the national and/or local economy and does not necessarily account for the potential benefits from a major "boom." Similarly, the analysis does not necessarily reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. The future is always difficult to predict, particularly given changing consumer and market psychology. Therefore, we recommend the close monitoring of the economy and the marketplace. The project and investment economics should be "stress tested" to ensure that potential fluctuations in the economy and real estate market conditions will not cause failure.

In addition, we assume that economic, employment, and household growth will occur more or less in accordance with current expectations, along with other forecasts of trends and demographic and economic patterns. Along these lines, we are not taking into account any major shifts in the level of consumer confidence; in the cost of development and construction; in tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth); or in the availability and/or cost of capital and mortgage financing for real estate developers, owners, and buyers. Should any of the above change, this analysis should probably be updated, with the conclusions and recommendations summarized herein reviewed accordingly (and possibly revised).

We also assume that competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand. Finally, we assume that major public works projects occur and are completed as planned.

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.



EXECUTIVE SUMMARY

Market Analysis for the Development of a Mixed-Use Town Center in Belville, near Wilmington, North Carolina

TOWN OF BELVILLE | AUGUST 4, 2008