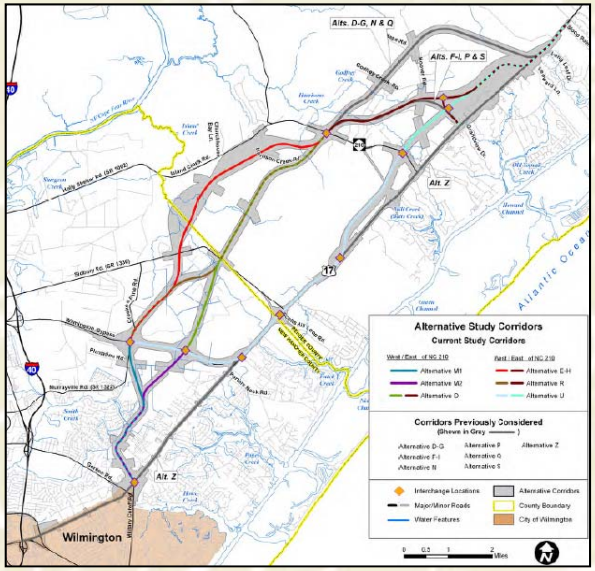
Focus Area #5

Pender County

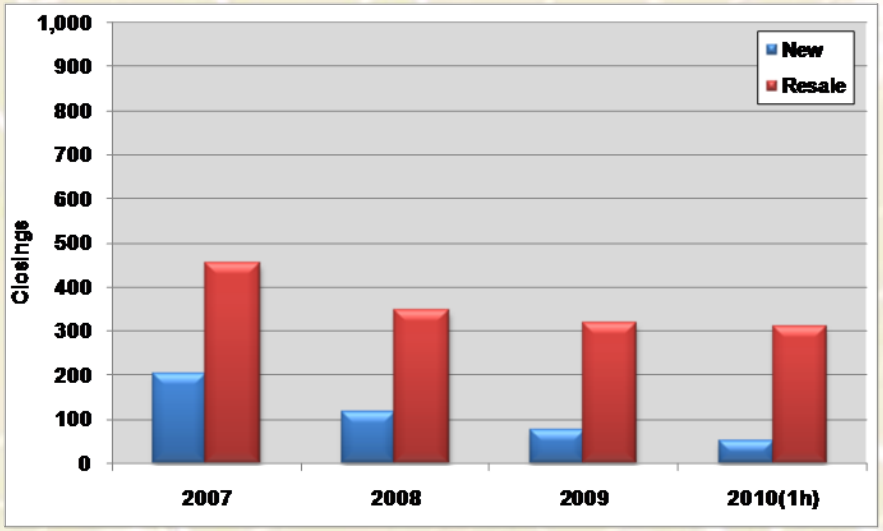
Focus Area #5:
Site Selection Background

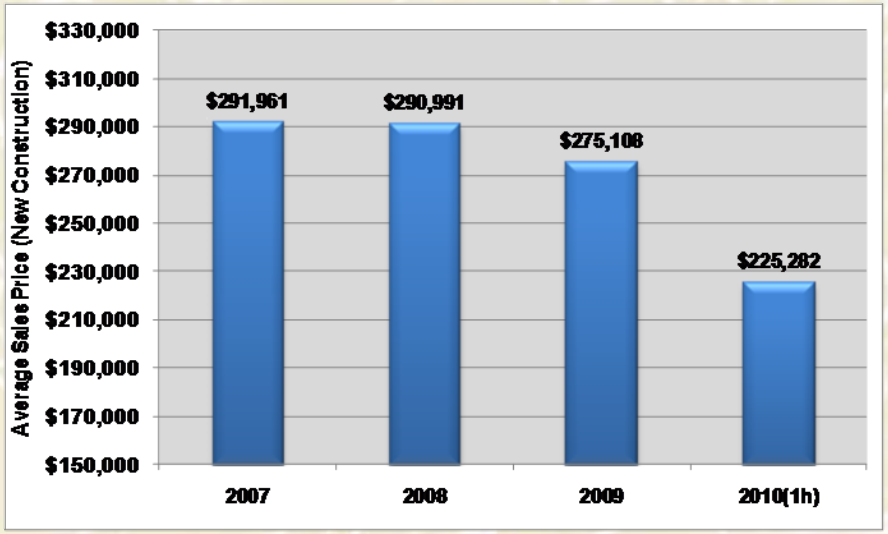
- Eastern Pender County popular for households with split commuting to Jacksonville and Wilmington
- Proposed Hampstead Bypass could offer increased accessibility to both cities; land acquisition begin in 2014
- Plans to extend sewer south along US-17 through public-private partnership
- Public water along US-17 and NC-210
- Recent construction of new middle and high schools along US-17
- Proposed Pender County Rail Trail / Pender County Greenway



Pender County:
For-Sale Detached Market Trends

- Total closings declined from 650 in 2007 to just under 400 in 2009
- Pender County averaged 506 closings annually
- New construction has declined since 2007; resale has recently stabilized
- Average sales price for new product declined 22.8% between 2007 and first-half 2010





Pender County:
Single-Family Pricing and Absorption

Community	Unit Size (Sq.Ft.) Min.	Unit Size (Sq.Ft.) Max.	Price Min.	Price Max.
Avendale - Craftman Style Units	1,700	3,300	$200,000	$350,000
Avendale - Cottage Units	1,000	1,700	$130,000	$200,000
The Neighborhood at Holly Ridge	1,028	2,521	$159,900	$231,000
The Cottages at Holly Ridge	1,333	2,472	$215,000	$297,000

Source: Warren & Associates

			Single-Family Detached			
Community	Address	Year Approved	Est. Comp.	Under Constr.	Prop.	Total
The Neighborhood at Holly Ridge	NC-50	2006	225	10	149	384
The Cottages at Holly Ridge	NC-50	2005	65	11	33	109
Landing at Mill Creek	Hwy. 210	2007	75	19	356	450
Mimosa Bay	Folkstone Road	2005	35	40	300	375
Total			**400**	**80**	**838**	**1,318**

Source: Warren & Associates

- Two comparable communities in the vicinity of the Pender County Focus Area; each community offers two distinct product types
- Approximately 625 lots have been approved, 50% complete
- The Neighborhood at Holly Ridge has achieved average absorption of 55 units annually, or 4.6 per month
- Pricing ranges from mid-$100,000 to $200,000 for lower-end product to over $300,000 for higher-end product.

Focus Area #5:
Project Description

- A 192-acre parcel in Hampstead area west of US-17
- Single-family detached product
- Three scenarios tested:
  - 110-unit, large-lot (avg. 1-acre)
  - 110-unit, conservation (avg. 1/5 acre)
  - 192-unit (avg. 1/4 acre)
- Large-lot scenario maxes out available land with exception of environmentally constrained areas (+/-50 acres)
- Conservation scenario includes +/-154 acres of open space with same residential yield
- 192-unit scenario has larger residential yield and maintains +/-107acres open space
- All scenarios include walking trails as community amenity

Focus Area #5:
Site Plan – Large Lot

Focus Area #5:

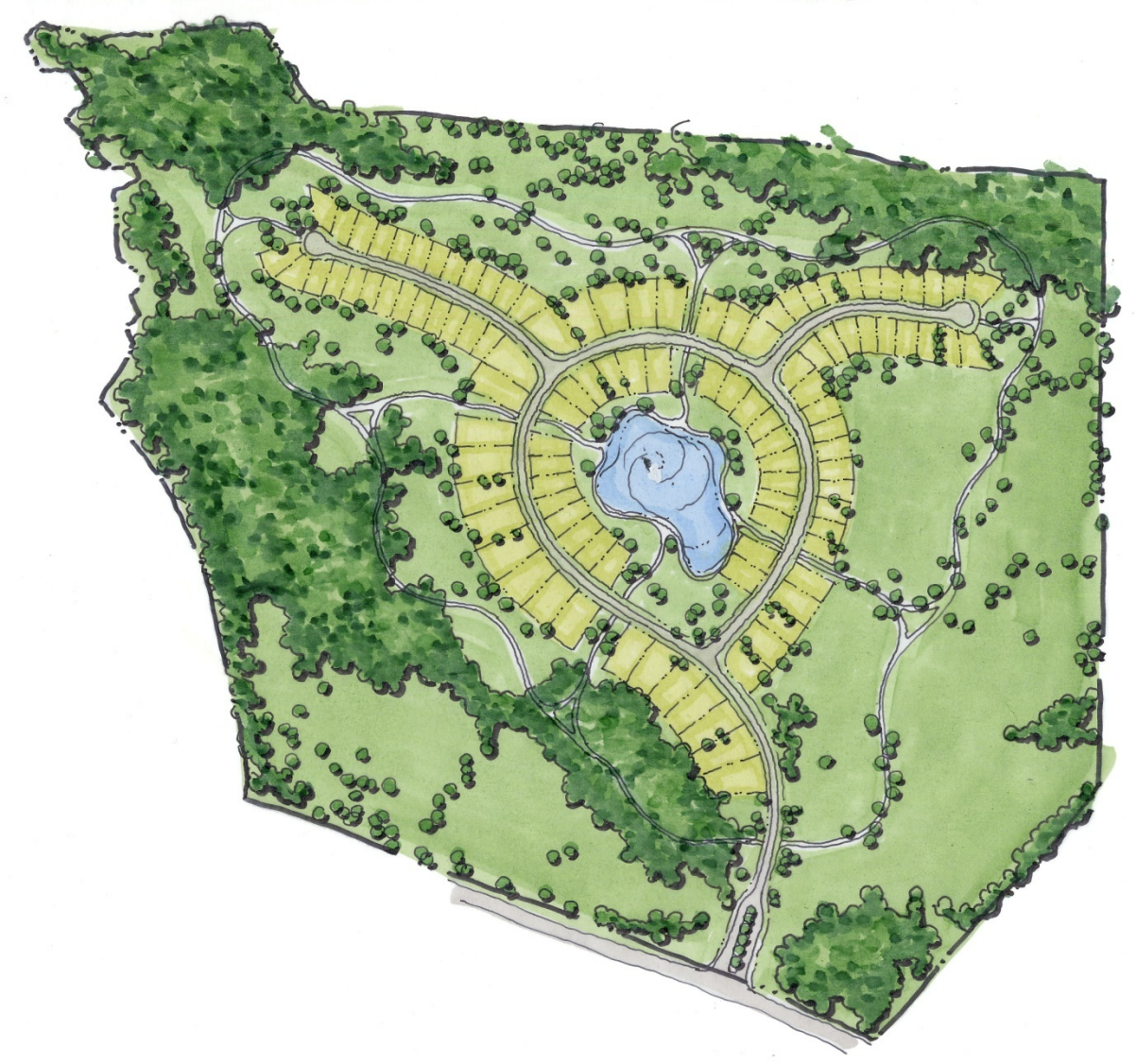
Aerial Perspective – Large Lot

Focus Area #5:
Financial Feasibility – Large Lot

W	D	SF Min	SF Max	SF Avg	$SF	Lot Price	House Min	House Max	House Avg	%	Lot Totals
160	260	1800	2800	2300	103	$ 42,840	$ 186,261	$ 289,739	$ 238,000	100%	110
0	0	0	0	0	0	$ -	$ -	$ -	$ -	0%	0
0	0	0	0	0	0	$ -	$ -	$ -	$ -	0%	0
	Total Weighted Average			**2300**	**103**	**$ 42,840**	**$ 186,261**	**$ 289,739**	**$ 238,000**	**100%**	**110**

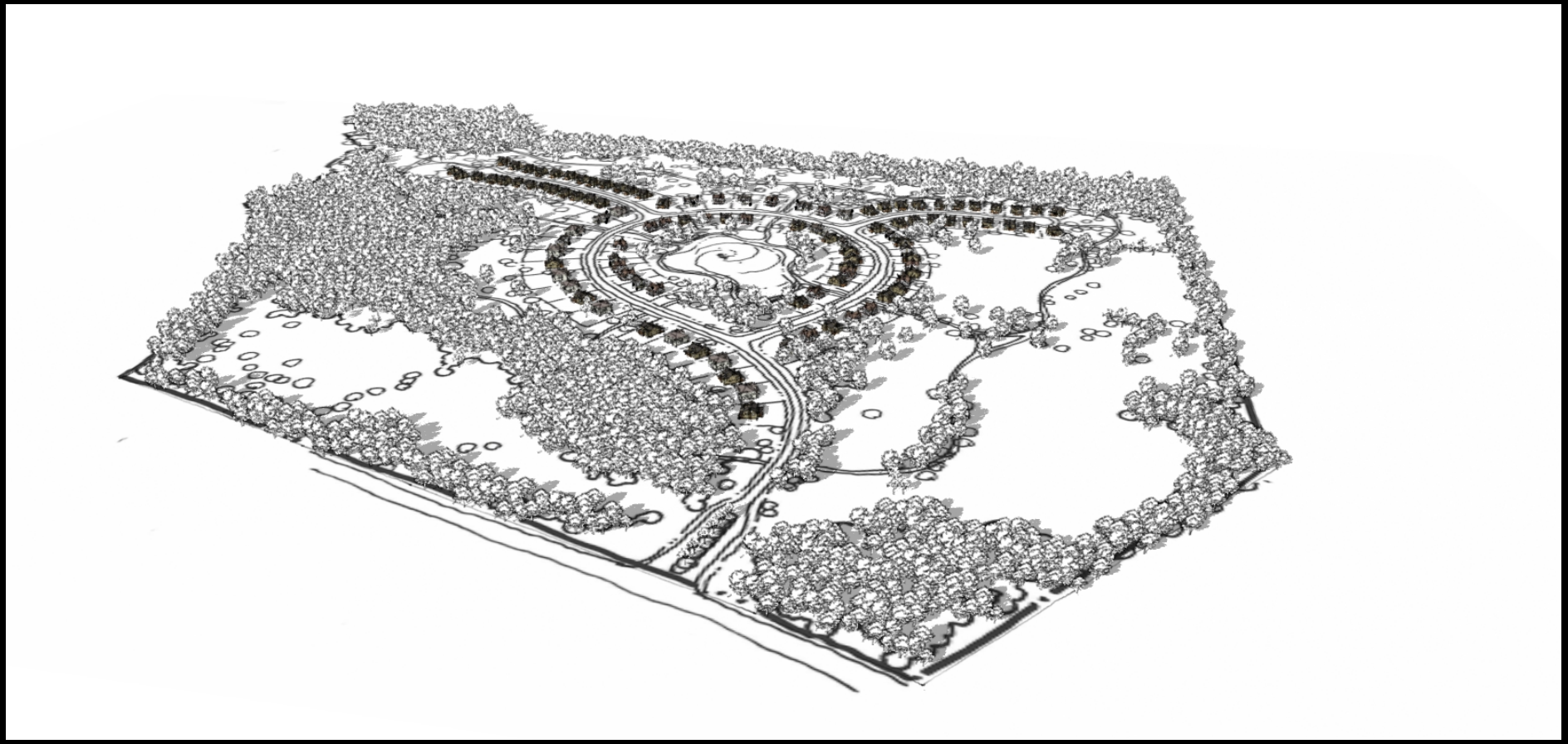
- Raw land $2,000/acre
- 26% open space; average lot size is one acre
- Individual lot well and septic
- 2.3 miles of streets with no curb, gutter or sidewalks
- 1.5 miles of trails
- 10% contingency
- 3% inflation on revenues and costs
- Lot sales to two or three builders
- 4.8-year absorption period starting 1Q ‘13
- 25.8% IRR – will get land developer to table

Focus Area #5:
Site Plan - Conservation



Focus Area #5:

Aerial Perspective - Conservation



Focus Area #5:
Financial Feasibility - Conservation

W	D	SF Min	SF Max	SF Avg	$SF	Lot Price	House Min	House Max	House Avg	%	Lot Totals
60	125	1900	2500	2200	102	$ 40,500	$ 194,318	$ 255,682	$ 225,000	50%	55
80	150	2400	3000	2700	104	$ 50,400	$ 248,889	$ 311,111	$ 280,000	30%	33
90	175	2900	3500	3200	113	$ 64,800	$ 326,250	$ 393,750	$ 360,000	20%	22
TOTALS (weighted average)				**2550**	**105**	**$ 48,330**	**$ 237,076**	**$ 299,924**	**$ 268,500**	**100%**	**110**

- Raw land $2,000/acre
- 78% open space; lot sizes range from one-fifth to one-third acre
- Public water and sewer; $350k for on-site pump station
- 1.2 miles of streets with curb, gutter and sidewalks
- 2 miles of trails
- 10% contingency
- 3% inflation on revenues and costs
- Lot sales to three to five builders
- 3.5-year absorption period starting 2Q ’13
- House and lot pricing solved to 25% IRR for land developer

Focus Area #5:

Site Plan – 192-Lot

Focus Area #5:
Financial Feasibility – 192-Lot

W	D	SF Min	SF Max	SF Avg	$SF	Lot Price	House Min	House Max	House Avg	%	Lot Totals
60	125	1800	2400	2100	100	$ 37,800	$180,000	$ 240,000	$ 210,000	50%	96
80	150	2300	2900	2600	104	$ 48,600	$238,846	$ 301,154	$ 270,000	30%	58
90	175	2800	3400	3100	106	$ 59,400	$298,065	$ 361,935	$ 330,000	20%	38
TOTALS (weighted average)				**2249**	**103**	**$ 41,653**	**$200,532**	**$ 262,281**	**$ 231,406**	**100%**	**192**

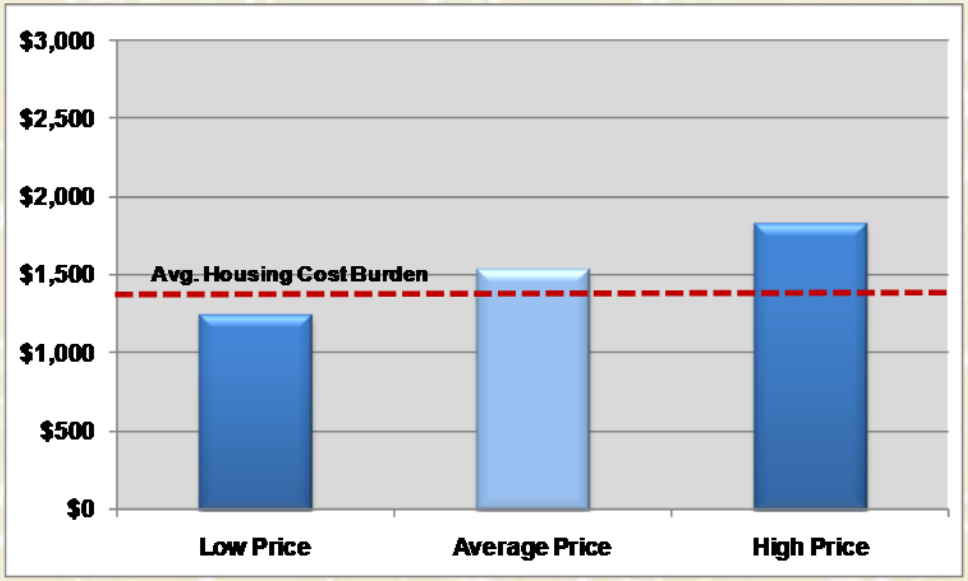
- Raw land $2,000/acre
- 56% open space; lot sizes range from one-fifth to one-third acre
- Public water and sewer; $400k for on-site pump station
- 2.6 miles of streets with curb, gutter and sidewalks
- 2 miles of trails
- 10% contingency
- Lot sales to three to five builders
- 5.8-year absorption period starting 2Q ’13
- House and lot pricing solved to 25% IRR for land developer

Focus Area #5:
Housing Affordability for Civilians

- Average 2010 monthly income in Pender County is $4,520
- Assume 30% housing cost burden ratio; equates to $1,350 monthly for mortgage, property taxes, insurance, and utilities

110-UNIT LARGE-LOT

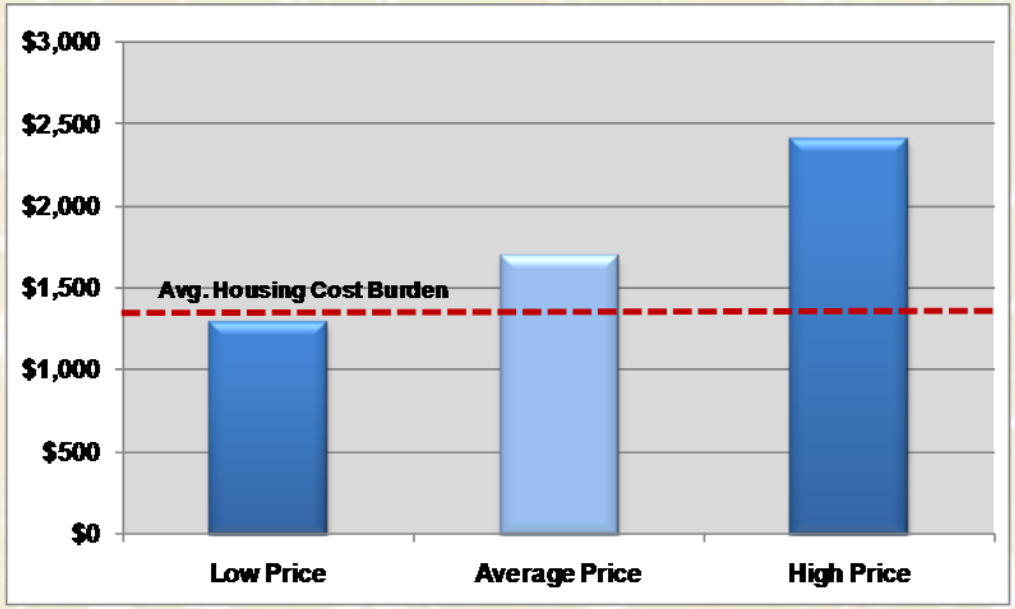
- Single-family detached home would cost an average of $238,000 to get a 25% internal rate of return for the land developer, ranging from $186,261 to $289,739
- Monthly housing costs range from $1,243 to $1,823, equating to a surplus of $107 to a deficit of $473



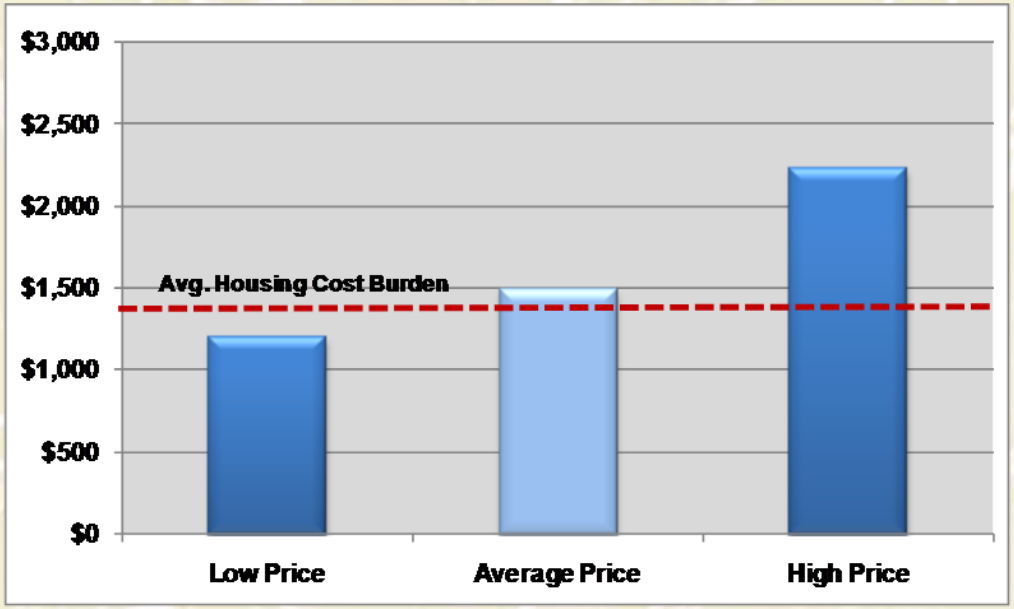
Focus Area #5:
Housing Affordability for Civilians

110-UNIT CONSERVATION

- Conservation pricing ranges from $194,318 to $393,750; average home price is $268,500
- Monthly housing costs could range from $1,289 to $2,406
- Lowest price house equates to a surplus of $61; higher priced units have a deficit of $1,056



Focus Area #5:
Housing Affordability for Civilians

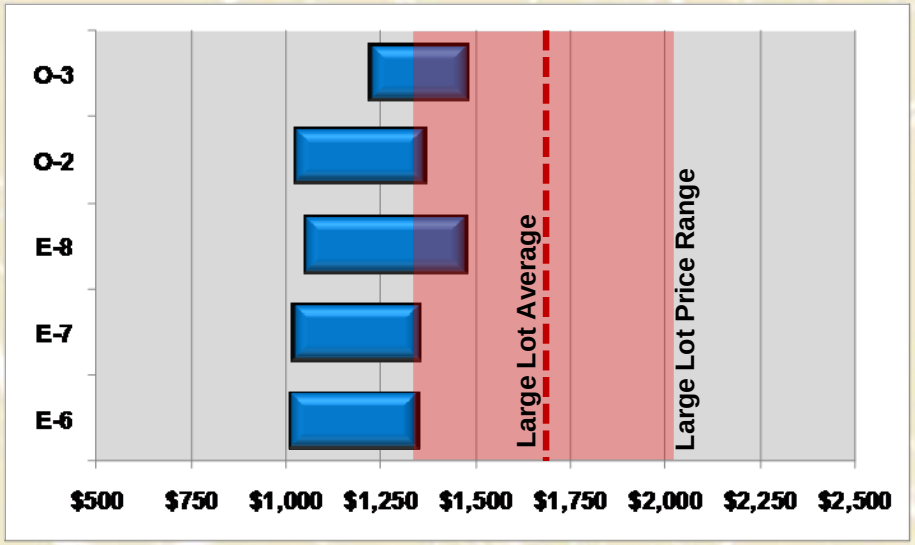


192-UNIT

- Pricing ranges from $180,000 to $361,935; average home price is $231,400
- Monthly housing costs range from $1,208 to $2,228
- Lowest price house equates to a surplus of $142; higher priced units have a deficit of $878

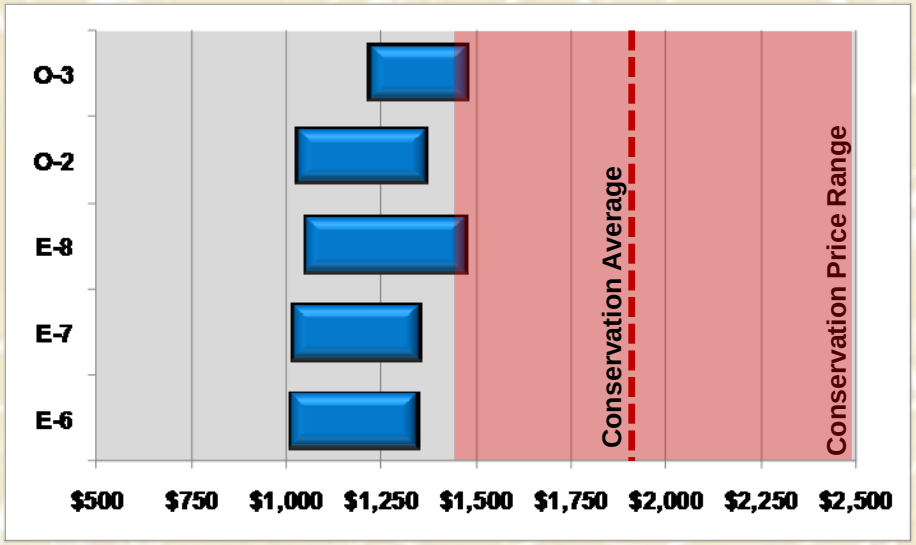
Focus Area #5:
Housing Affordability for Military

110-UNIT LARGE-LOT



- Lower half of price range is affordable to three of five pay grades
- Average house cost is above all grades
- Developer could pursue this project; limited planning approval risk and infrastructure investment

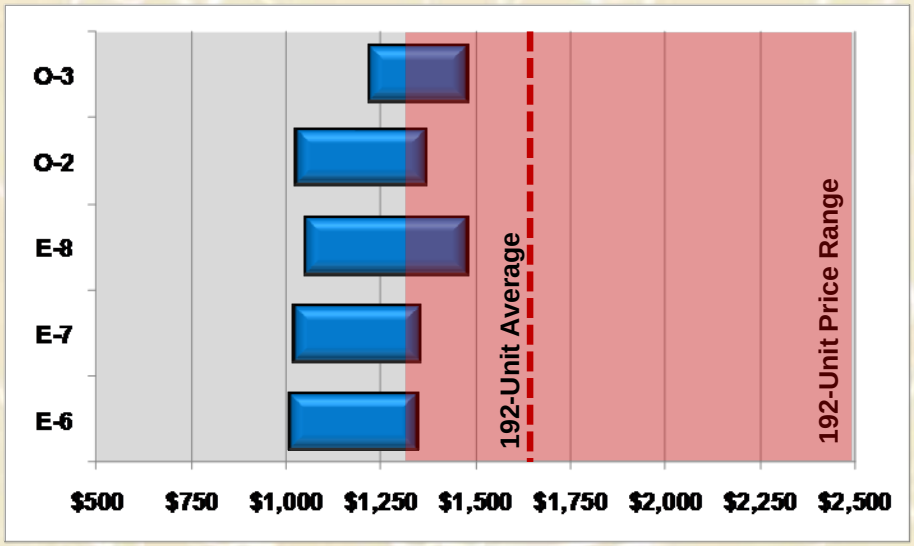
110-UNIT CONSERVATION



- Not affordable to three pay grades; barely affordable for other two grades
- Avg. house cost is above all grades
- Developer unlikely to pursue this project; required pricing out-of-line with market and risky approval process

Focus Area #5:
Housing Affordability for Military

192-UNIT



- 192-unit development offers product that could be affordable for all five pay grades
- Average price point is closer to all five pay grades than both 110-lot scenarios
- Developer could pursue this project depending on required approval process; variety of lot sizes increases affordability to different pay grades

Conservation Design - Impacts on Site Development Costs, Pricing, and Absorption

Conservation subdivisions can generate cost reductions and value premiums. However, the results will vary by site and market area. Examples include:

- Randall Arendt, a national expert on conservation subdivisions, reported a $250k savings in grading costs by redesigning a 60-acre Texas subdivision
- Mr. Arendt reduced street costs by $212k in an 86-lot Tennessee subdivision
- The second phase of an Indiana subdivision, containing 40 lots in a conservation design, commanded a $20k-$25k per lot premium over the conventional large-lot first phase
- 2006 research by Rayman Mohamed found a 12%-16% price premium per acre for conservation lots in South Kingstown, RI ($123.5k versus $108k)
- Mohamed also documented a 47% faster sales period for conservation (9.1 mos.) versus conventional lots (17 mos.)