

**21C HOTEL
CONVERSION**

**AUSTIN LAWRENCE
23 STORY APARTMENT/
OFFICE BUILDING**

**DURHAM PERFORMING
ARTS CENTER**

**AMERICAN TOBACCO
CAMPUS (ATC)**

**NEW 12-STORY
DURHAM COURTHOUSE**

**DURHAM BULLS
BASEBALL STADIUM**

VENABLE

VAN ALEN

DURHAM FREEWAY

INVESTMENT HIGHLIGHTS

OUTSTANDING INFILL REDEVELOPMENT OPPORTUNITY

Premier 6.16-acre “city block” in Downtown Durham perfectly suited for high density development.

ATTRACTIVE LIVE, WORK, PLAY URBAN SETTING

Located in vibrant Downtown Durham; adjacent to the American Tobacco Campus, Durham Bulls Athletic Park, Durham Performance Arts Center (DPAC) and numerous retail amenities.

FAVORABLE ZONING PROCESS- THE SKY IS THE LIMIT

Property is zoned Downtown Durham Core (“DD-C”), which gives developers tremendous flexibility with minimal restrictions on height and density.

SUPERB DRIVE-BY VISIBILITY AND EXCELLENT ACCESS

Excellent visibility from and easy access to the Durham Freeway (Highway 147 - 73,000 vehicles per day) providing developers the opportunity to dominate the visual landscape of Downtown.

Easy vehicular access to the site via three surface roads fronting the Property

- Jackie Robinson Boulevard to the South
- Roxboro Street to the East
- South Mangum Street to the West

RESURGENT DOWNTOWN DURHAM

Downtown Durham is well-positioned for the next wave of mixed-use development and the Van Alen site is perfectly positioned for a creative blend of office, residential (apartment or condo), hospitality and retail uses.



LOCATION OVERVIEW

Downtown Durham has benefited from a series of recent infill redevelopments and adaptive re-use projects that have transformed the former tobacco town into a cultural and entertainment hotbed. The Van Alen developer will be poised to benefit from accelerating urbanization in Downtown Durham, a result of smart economic development, rapid area population growth, and the growing worldwide preference to live and work in walkable urban settings.

The Van Alen site is prominently positioned along the Durham Freeway -- a location that gives developers an opportunity to add a signature project to the Durham skyline. The site also benefits from walkable access to the iconic American Tobacco Campus (ATC) which is anchored by the Durham Bulls Athletic Park and features a total of 1,000,000 square feet of office and retail uses. Once completed, the proposed luxury mixed-use development will seamlessly extend the urban landscape cementing Downtown Durham's status as an emerging 24/7 location.

The site also benefits from its proximity to major employment centers. Duke University and Duke Medical Center, which generate a combined economic impact of nearly \$3.5 billion, are within two and a half miles of Van Alen, while the world-renowned Research Triangle Park- home to 39,000 employees- is just six miles to the south.





85

85

70

● VAN ALEN | DURHAM, NC

DURHAM

147

CHAPEL HILL

40

RTP

540

RDU Airport

540

40

440

RALEIGH

TOLL

540

40

1

EXISTING SITE CONDITIONS | 6.1 ACRES

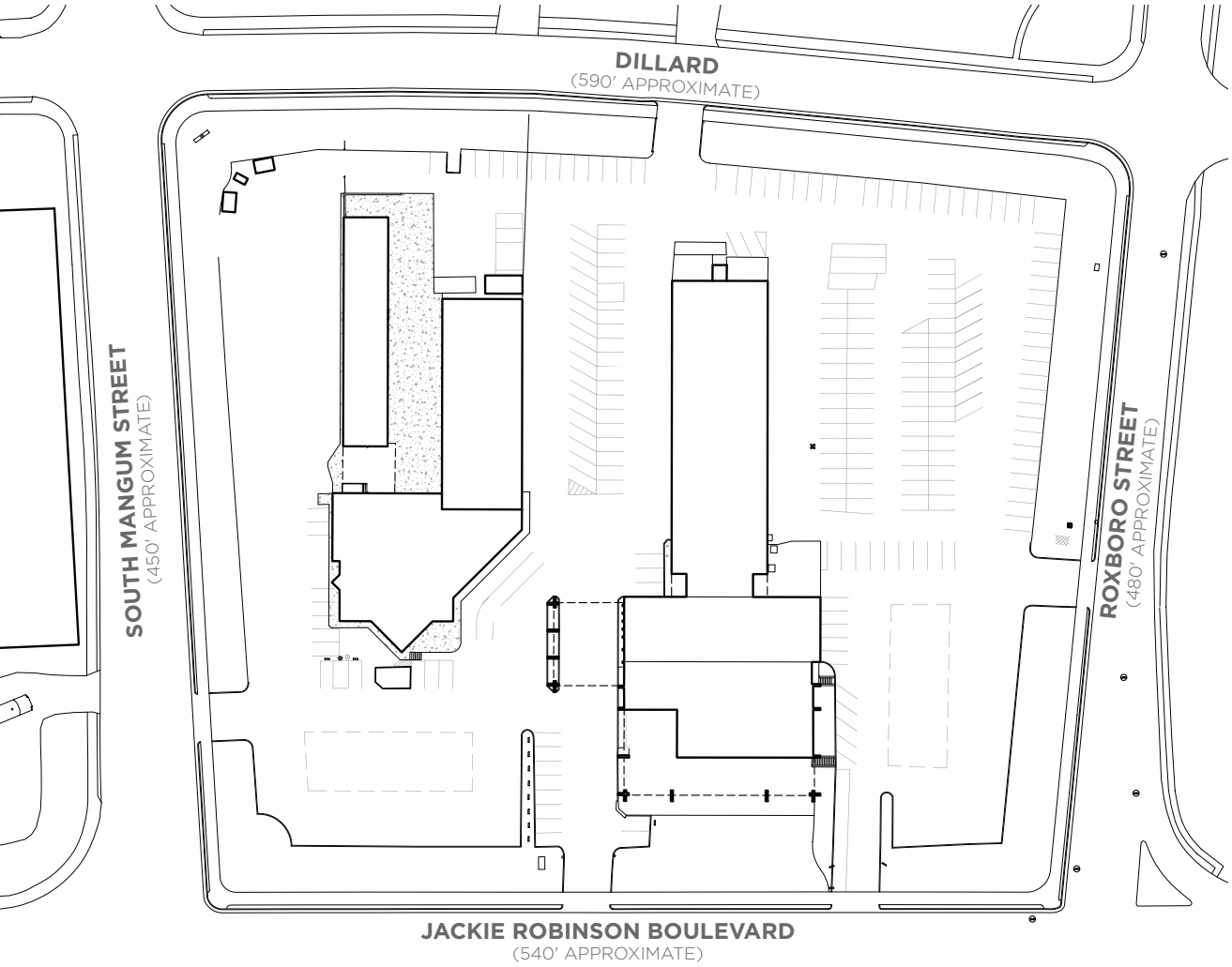




PHOTO BY: STEWART WALLER/DURHAM CONVENTION & VISITORS BUREAU

■ DOWNTOWN DURHAM OVERVIEW

ROBUST ECONOMY BOLSTERED BY NON-CYCLICAL INDUSTRY

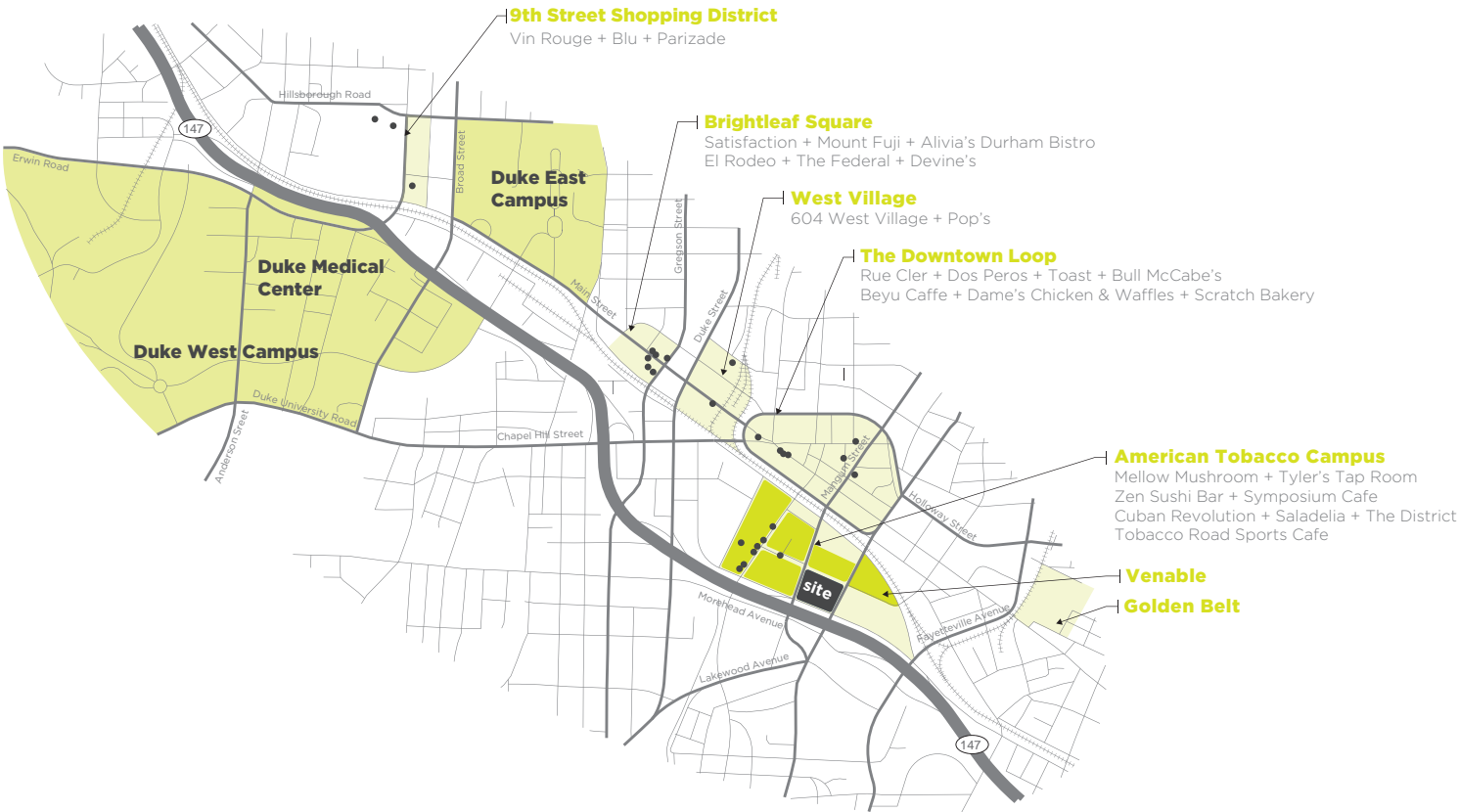
The economy in the Raleigh-Durham-Chapel Hill area (the “Triangle”) is driven by a diversified mix of commercial activity including technology, healthcare, government, and higher education, which combine to create a stable economic base resistant to economic downturns. The operational synergies between high-tech enterprises and the area’s three highly ranked universities has helped establish the Triangle as a hub for research and development and technological entrepreneurship.

DOWNTOWN DURHAM ECONOMIC DEVELOPMENT MOMENTUM

The Van Alen Site is ideally situated in the heart of the “Bull City” at the intersection of Mangum Street, Roxboro Road, and Jackie Robinson Boulevard, encompassing an entire city block next to the Durham Bull Athletic Park and the Durham Performing Arts Center (DPAC).

- Approximately 60 businesses opened in Downtown Durham last year.
- The Hill Building was purchased in February 2013 and is in process of being converted from high-rise office to luxury hotel
- Austin Lawrence Partners is in progress on a 26-story, 424,000 square foot mixed-use high-rise between Parrish and Main streets
- Family Health International moved into 100,000 square feet of office space at the newly built Diamond View III speculative office building
- Aloft Hotel has plans to open a new hotel at American Tobacco Campus

■ DOWNTOWN DURHAM KEY DEVELOPMENTS + RESTAURANTS



■ DOWNTOWN DURHAM OVERVIEW

DUKE UNIVERSITY'S PRESENCE IS ACCELERATING GROWTH IN DOWNTOWN DURHAM

In recent years, Duke University has begun to focus its resources toward the ongoing economic development efforts in Downtown Durham. The university has rapidly expanded its presence in Downtown Durham.

- In 2005, Duke had 70,000 square feet of downtown space compared to more than 950,000 square feet today.
- In 2013, Duke Clinical Research Institute moved 1,000 employees to Downtown Durham

DUKE UNIVERSITY MEDICAL CENTER EXPANSION

Nearby Duke University Medical Center, a world-renowned hospital and educational institution, is in the midst of a massive \$900 million expansion, which includes the following:

- \$235 million Duke Cancer Center opened in February 2012
- \$596 million Duke Medical Pavilion officially opened in July 2013
- \$55 million medical school addition, opened to classes in January 2013
- \$12 million Duke Eye Center, on schedule to open in late 2013



MARKET OVERVIEW | OFFICE

RESURGENCE OF DOWNTOWN DURHAM OFFICE MARKET

The Downtown Durham office market has experienced a resurgence during the past decade fueled by the redevelopment and new construction of over 1,000,000 square feet of office space at the adjacent American Tobacco Campus. The presence of Duke University and their growth into over 900,000 square feet has also been a driving force in the expansion of this market.

The American Tobacco Campus was the lynchpin of redevelopment and proved to the market that office tenants would relocate from other submarkets to be part of a vibrant mixed-use urban project. The following are just some of the office tenants that have relocated to American Tobacco Campus from outside the Downtown Durham market.

| TENANT | RELOCATED FROM | SQUARE FOOTAGE |
|-----------------------------|------------------|----------------|
| McKinney Advertising Agency | Downtown Raleigh | 53,000 |
| FHI | RTP/RDU | 99,000 |
| Burt's Bees | RTP/RDU | 71,000 |
| Motricity | RTP/RDU | 70,000 |
| James Scott Farrin | RTP/RDU | 32,000 |
| GlaxoSmithKline | RTP/RDU | 63,000 |
| Smith Breeden Associates | Chapel Hill | 34,000 |
| HTC | Outside Market | 28,500 |
| Art Institute | Outside Market | 34,000 |
| TOTAL | | 486,000 |

PHOTO BY + SYNERCOMMERCIALADVISORS.COM



■ MARKET OVERVIEW | OFFICE

RALEIGH-DURHAM REGION

A snapshot of key data points as of mid-year 2013 are as follows:

- **Shrinking Vacancy**
Office vacancy is currently 11.2%, which is down from 12.2% at year end 2012.
- **Positive Absorption During last 4 quarters**
The market has experienced positive absorption during the last five quarters with Class A space outperforming the market with 400,000 square feet of absorption during the first six months of 2013.

DOWNTOWN DURHAM AREA

HIGHLIGHTS

- 5.3 million square foot market (supporting data available upon request)
- 95.8% leased
- 231,625 square feet absorption in 2012

GROWTH + VACANCY

- 31% increase in inventory from 4Q 2003 (4 MSF) to 2Q 2013 (5.3 million SF)
- Vacancy decline from 13.8% in 2003 to 4.6% in 2Q 2013



MARKET OVERVIEW | MULTI-FAMILY

The Van Alen site is located in the Durham-North submarket as defined by Real Data, Inc. The submarket, which includes Downtown Durham and Duke University, has benefitted from several infill redevelopment and adaptive-reuse projects that continue to catalyze economic development in the area. The flurry of developments include Durham Bulls Athletic Park, Durham Performing Arts Center (DPAC), and American Tobacco amongst others. The accelerating pace of economic development has led to greater demand for urban mid-rise apartments that are able to accommodate greater residential density.

DOWNTOWN DURHAM APARTMENT RENTAL MARKET

The Durham-North apartment submarket, consists of 9,840 total units or approximately 9% of the total apartment inventory in Raleigh-Durham. Submarket occupancy is 94.4% and rental rates average \$871 per month or \$0.98 per square foot, although newer properties perform significantly better. Properties that are less than five years old are 96.3% occupied at an average rent of \$1,287 per month or \$1.29 per square foot and average rents for projects in lease up are \$1.49 per square foot.

| DURHAM NORTH-SUBMARKET BY AGE GROUP | | | | | | | |
|-------------------------------------|--------------|-------------|--------------|-------------|------------|--------------|---------------|
| AGE GROUP | TOTAL UNITS | % MARKET | VACANT UNITS | VACANCY % | AVERAGE SF | AVERAGE RENT | \$/PSF |
| Lease-Up | 116 | 1% | 38 | 32.8% | 812 | \$1,204 | \$1.48 |
| 1-5 Years | 947 | 10% | 35 | 3.7% | 997 | \$1,287 | \$1.29 |
| 6-15 Years | 2,708 | 28% | 143 | 5.3% | 1,018 | \$1,118 | \$1.10 |
| 16-30 Years | 1,865 | 19% | 71 | 3.8% | 887 | \$774 | \$0.87 |
| 30+ Years | 4,204 | 43% | 265 | 6.3% | 794 | \$653 | \$0.82 |
| TOTAL/AVERAGES | 9,840 | 100% | 552 | 5.6% | 893 | \$871 | \$0.98 |

MARKET OVERVIEW | MULTI-FAMILY

COMPETITIVE PROPERTY RENT ANALYSIS

The following chart illustrates several mid-rise properties that are considered comparable to the proposed mid-rise development on the Van Alen site. The newest property in the comp set, Trinity Commons, is quickly approaching the \$2.00 per square foot threshold, while the competitive set average is \$1.54 per square foot.

| DURHAM URBAN APARTMENT RENT COMPARABLES | | | | | | | | |
|---|----------------------|------------------------|-------|--------------|------------|----------------|------------|---------------|
| PROPERTY NAME | OWNER | MANAGEMENT COMPANY | BUILT | UNITS | OCCUPANCY | RENT | AVG. SF | \$/PSF |
| Station Nine | LaSalle | Riverstone Residential | 2005 | 323 | 97% | \$1,369 | 964 | \$1.42 |
| Trinity Commons | Northwestern Mutual | Northwood Ravin | 2011 | 342 | 95% | \$1,672 | 871 | \$1.92 |
| Lofts at Lakeview | Sentinel Real Estate | Sentinel Real Estate | 2006 | 352 | 97% | \$1,463 | 1,009 | \$1.45 |
| West Village | Bell Partners/FCP | Bell Partners | 2000 | 453 | 94% | \$1,360 | 993 | \$1.37 |
| TOTAL/AVERAGES | | | | 1,470 | 96% | \$1,466 | 959 | \$1.54 |



MARKET OVERVIEW | MULTI-FAMILY

RECENT SALES TRANSACTIONS

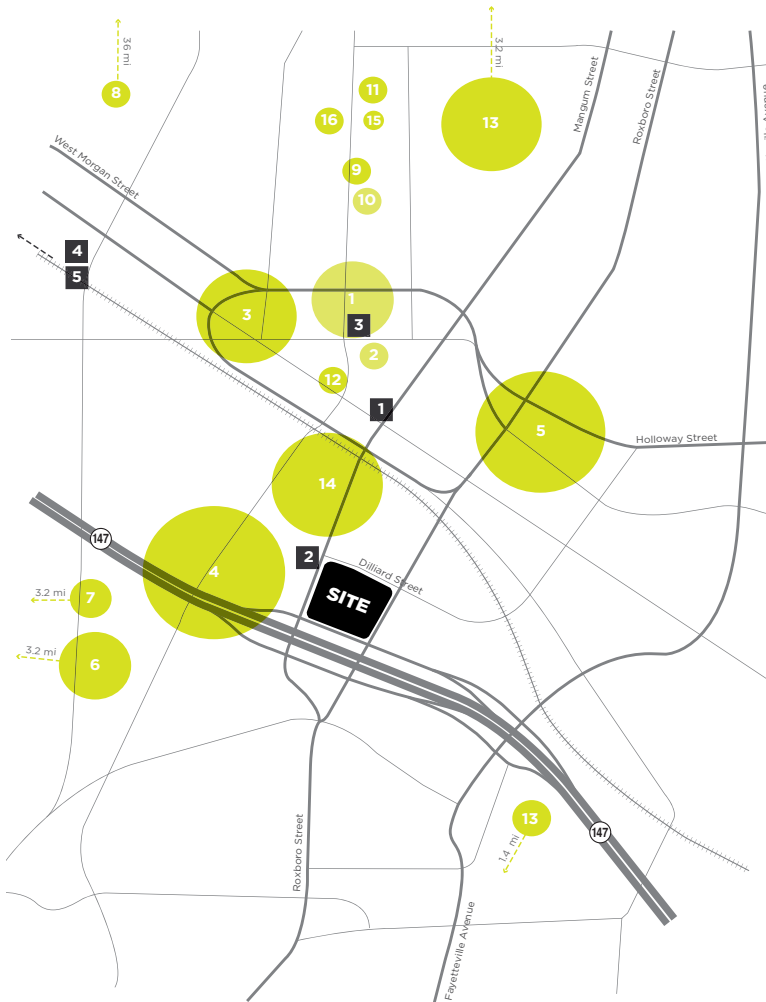
The following chart illustrates several urban properties that are considered comparable to the proposed development on the Van Alen site. The weighted average sales price of the properties is \$62.4 million or \$185,927 per unit. It should be noted that several mid-rise properties are currently on the market, and at least two trades are expected to exceed \$225,000 per unit.

SALES COMPARABLES

| PROPERTY | CITY | BUILT | UNITS | AVG. SF | SALE DATE | PRICE | \$/UNIT | \$/PSF |
|--------------------------------|---------------|------------|------------|------------|------------|---------------------|------------------|--------------|
| <i>Van Alen Site</i> | <i>Durham</i> | <i>TBD</i> | <i>TBD</i> | <i>TBD</i> | <i>TBD</i> | <i>TBD</i> | <i>TBD</i> | <i>TBD</i> |
| Park & Market | Raleigh | 2010 | 409 | 937 | Apr-12 | \$82,000,000 | \$200,489 | \$214 |
| The Residence at the Arboretum | Cary | 2009 | 205 | 1,068 | May-12 | \$39,250,000 | \$191,463 | \$179 |
| Oberlin Court | Raleigh | 2005 | 370 | 1,013 | Jan-12 | \$72,250,000 | \$195,270 | \$193 |
| The Tribute | Raleigh | 2010 | 359 | 857 | Oct-11 | \$56,200,000 | \$156,546 | \$183 |
| TOTAL/AVERAGES | | | | | | \$62,425,000 | \$185,927 | \$192 |

■ DOWNTOWN DURHAM VISITORS + HOTEL DEVELOPMENT

Almost three million visitors to Durham each year helping to drive new hotel development



EVENT

OF ATTENDEES

| | | |
|----|--------------------------------------|---------|
| 1 | Carolina Theater | 185,200 |
| 2 | Civic Center | 32,600 |
| 3 | Durham Arts Council | 290,000 |
| 4 | Durham Bulls | 573,600 |
| 5 | Durham County Library | 500,000 |
| 6 | Duke Basketball | 177,000 |
| 7 | Duke Graduation | 60,000 |
| 8 | Eno River Festival | 36,000 |
| 9 | Farmers Market | 26,500 |
| 10 | Full Frame Documentary Fest | 26,600 |
| 11 | Historic Durham Athletic Park | 22,600 |
| 12 | Museum of Life and Sciences | 446,485 |
| 13 | NCCU Football | 40,000 |
| 14 | Durham Performing Arts Center (DPAC) | 350,000 |
| 15 | St. Joseph Hayti Blues Festival | 20,000 |
| 16 | World Beer Festival | 8,000 |

RECENT HOTEL ANNOUNCEMENTS

| | | |
|---|----------------------------------|-----------|
| 1 | Hotel 21C (conversion) | 125 rooms |
| 2 | Aloft (pending approval) | 125 rooms |
| 3 | Holland Hotel (conversion) | 54 rooms |
| 4 | Hilton Garden at Erwin Square | 128 rooms |
| 5 | Residence Inn (near Duke campus) | 145 rooms |

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

- Aerial photos
- Site plans (approved in 2007-expired)
1.1 million SF office, hotel, apartments + retail
- Zoning information
- Urban multi-family land sale comparables
- Office market summary
- Phase I + Phase II environmental reports available
for review with qualified offer

Although the information contained herein was provided by sources believed to be reliable, Thalhimer makes no representation, expressed or implied, as to its accuracy and said information is subject to errors, omissions or changes.

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