

Midtown Morehead Cherry Area Plan Market Analysis Charlotte, North Carolina



Prepared For:



CHARLOTTE

February 2011



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY MARKET ANALYSIS**

Executive Report

Background

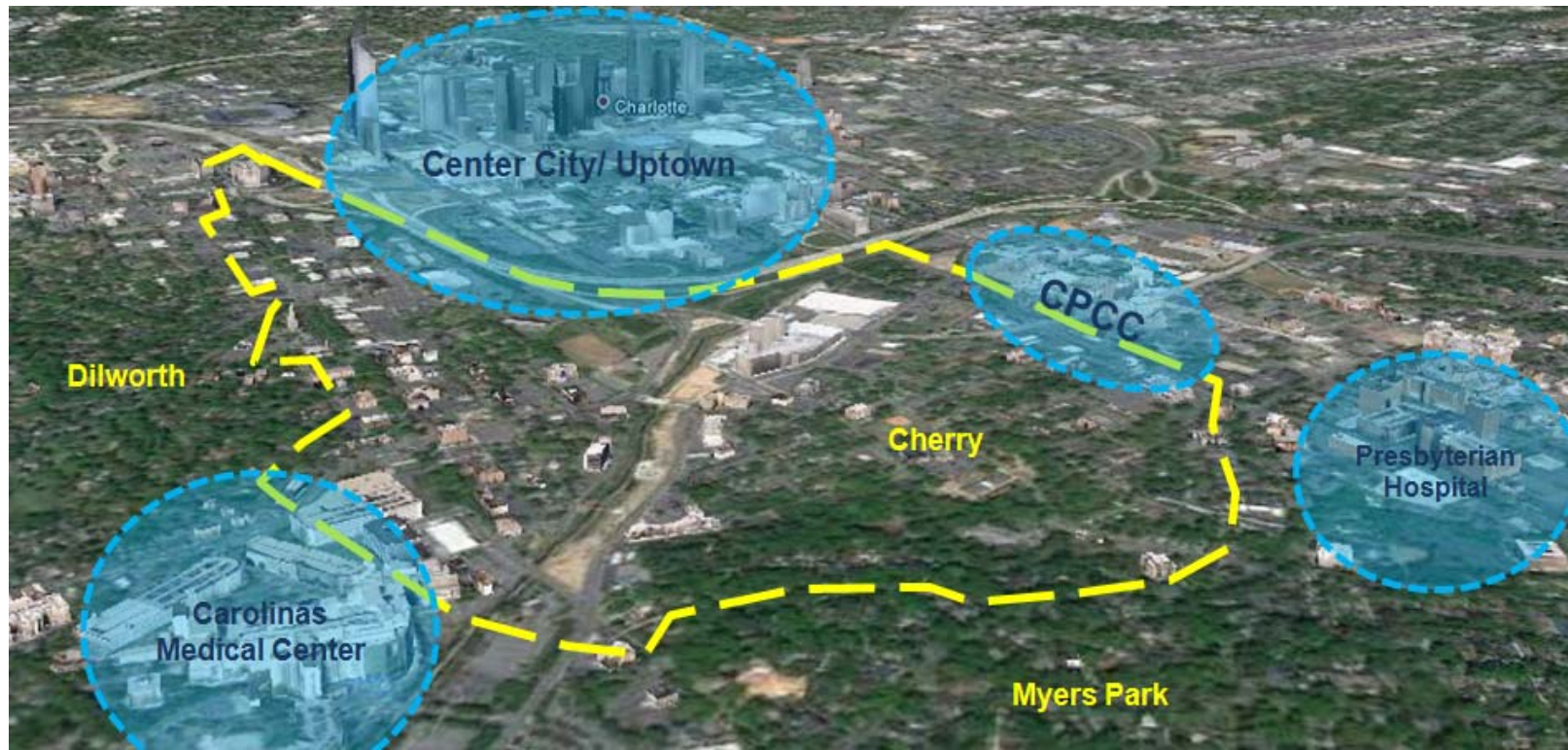
Noell Consulting Group (NCG) was retained by the Charlotte-Mecklenburg Planning Department to conduct a market analysis in support of planning efforts for the Midtown-Morehead-Cherry Area, a highly diverse area with significant strategic characteristics that make it attractive as an area to live, work, and shop. Specifically NCG was tasked with identifying demand potential for residential (both for-sale and rental) and commercial (office and retail) uses in the study area, the timing of that potential, locations where demand could best be satisfied, and key issues impacting demand in the coming two decades. The following summarizes the results of our research and analysis relative to these goals.

Study Area Situation

The Midtown-Morehead-Cherry study area is very well positioned for growth and development in the coming years and enjoys many of the attributes sought after by a variety of market audiences. A map of the study area can be found on the following page, with its key attributes being provided below:

- Convenience: Located within minutes of Center City, Carolinas Medical Center, Presbyterian Hospital and other major employment concentrations;
- Existing retail shopping anchor through Metropolitan Midtown;
- Strong neighborhood orientations, with Dilworth, Cherry, and Myers Park all providing adjacency to many potential development sites;
- Access to local restaurants, bars, and retail, although most of these uses are outside of the study area;
- Great skyline views from many underutilized properties, an attractive selling point for a variety of uses; and
- The Sugar Creek Greenway, which acts as a major park anchor for the study area and can be a focal point for residential development.





Perhaps the most significant challenges can be found in the lack of a true sense of location within the study area, as it represents somewhat of a "tweener" location, largely lacking a character or identity unto itself (parts of the Cherry neighborhood being the exception). This in itself is an opportunity, as sufficient underutilized property exists in strategic locations to create that identity over time. Certainly the major investments being made by the City along the greenway have the potential to function as a spine for significant redevelopment in the area and create a greater sense of location. An additional challenge is the lack of large underutilized properties in strategic locations, meaning again, that creating an identity will need to occur at a smaller level over time.

Economic and Demographic Conclusions

The study area enjoys a large employment base from which to draw support for a number of land uses. In 2008 there were nearly 50,000 jobs in and adjacent to the study area, not including government workers and Center City employees. Overall employment growth in the area, while showing solid growth since 2000, has failed to keep pace with that of Mecklenburg County overall. As can be seen in the table below, the greatest growth in the study area has occurred in Institutional users, particularly Health Care, which alone accounted for the equivalent of 100% of the growth in the area overall (some sectors lost employees while others gained to net out). The hospitals and other medical employers indeed represent a major source of demand for housing across a spectrum of price points and formats from office space to retail and lodging uses.

Sector	Industry	Midtown/South End/Elizabeth Change 2000 - 2008	Mecklenburg County Change 2000 - 2008	Midtown/South End/Elizabeth Area as a % of County
Total Growth		2,664	61,365	4.3%
Total, Moderate-Paying Employment		-1,487	5,572	-26.7%
Total, Higher-Paying, Office-Using Employment		1,246	33,545	3.7%
Total, Institutional/Office Emp. (Wide Range of Pay)		3,000	25,716	11.7%

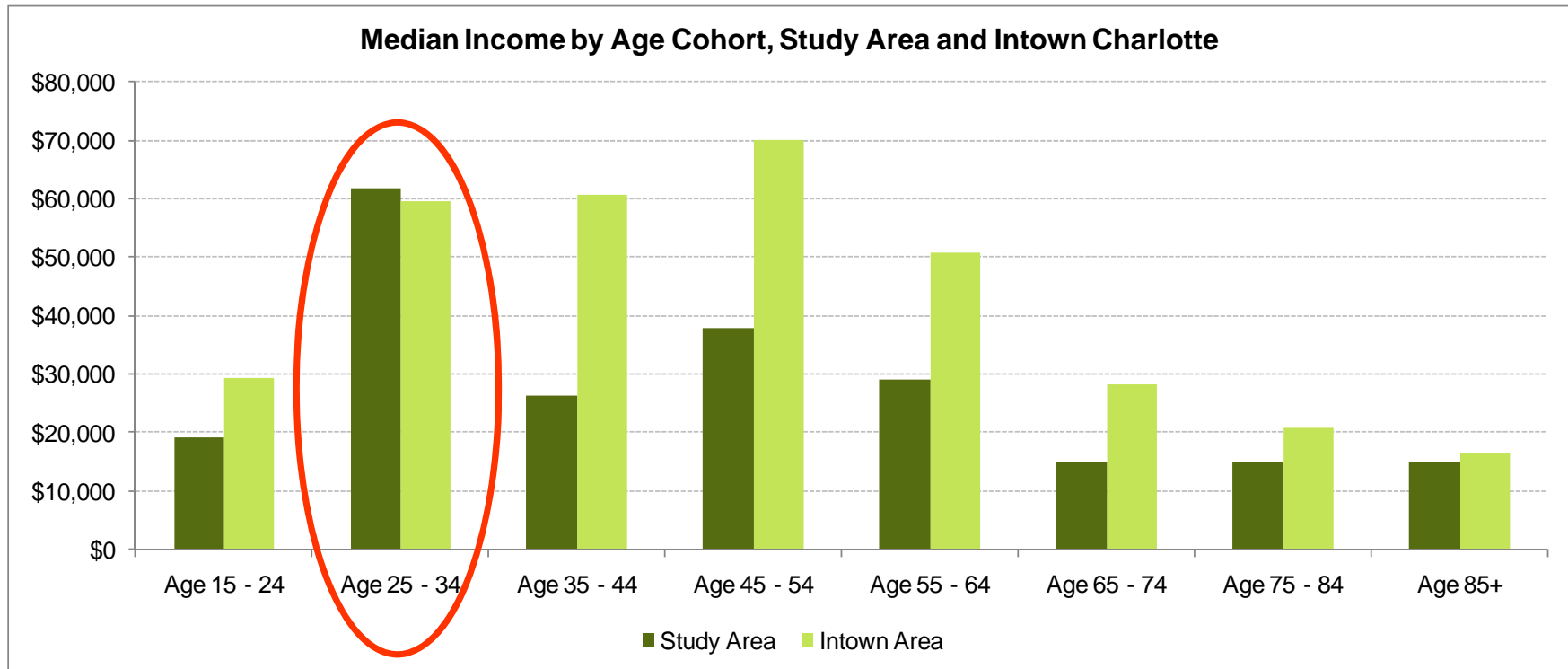
White collar employment also showed positive growth during the period, albeit at a pace slower than that seen in the county overall. These jobs tend to be higher-paying and create demand for homes, condos, townhouses and apartments as well as office space and retail uses. Given the lack of large-scale office space in the study area, the majority of white collar firms in the study area tend to be smaller firms (under 5,000 square feet) in the professional service sector.

Finally, more moderate-paying employment, including retail, construction, and industrial-related employment, declined significantly during the decade as a result of increasing land values (forcing industrial users out), redevelopment of aging retail properties (Midtown Square), and the onset of the recession (construction).

This latter employment sector is unlikely to come back in mass given changing dynamics of the area. Regardless, the presence of this variety of job types and the wages they employ creates opportunities and potential for housing at all price points, an ability for many to walk or bike to work, and the support needed for new and expanding office and retail uses.



The study area itself has historically had a small population that skewed toward lower incomes. Indeed, when compared to Intown Charlotte (see Exhibit 3 for a map of the area), the prevalence of lower income households in the study area becomes apparent, with more than half of study area residents having household incomes below \$35,000; a price point that somewhat limits opportunities for new market-rate housing options.



Changes in the study area's household composition can clearly be seen in the incomes of some of its youngest residents--25 to 34 year olds-- a group which features a median income very much in line with that of Intown Charlotte (around \$60,000) and the most affluent group in the area. This younger group (generally defined as Generation Y), is one that increasingly values inner city locations for their walkability and convenience, social aspects and character and is highly evident in Intown Charlotte. Many are choosing the study area both as a location for new apartments, townhouses, and condominiums, as well as single-family homes in the Cherry neighborhood. This trend is likely to continue over time and the study area will gradually grow to resemble other Intown areas demographically; a positive and yet challenging issue relative to preserving affordable housing close-in.

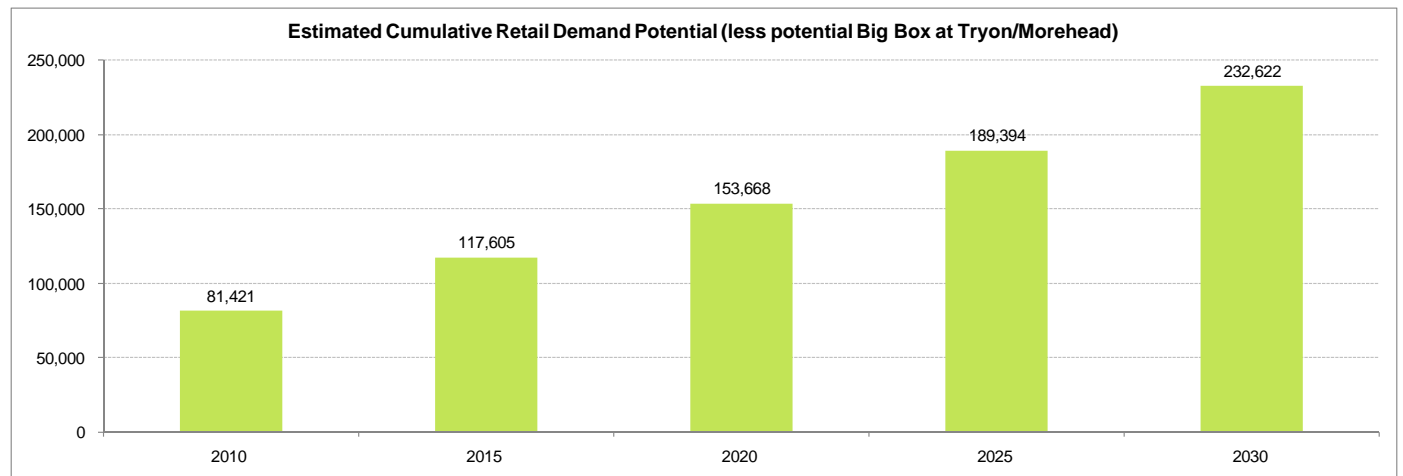


Retail Market Overview

Over the past decade the Intown Charlotte retail market has experienced solid growth, fueled by the return of higher-end housing to the inner city and the realization among major retailers that intown areas hold massive retail spending power that few have pursued in the last several decades. Evidence of this can be seen in Metropolitan Midtown's national tenant mix, the adjacent Target, and the Lowe's in South End. Evidence can also be seen in the Harris Teeter in 4th Ward and the resurgence of restaurants and bars in areas like Center City, South End, Plaza/Midwood, and NoDa. Increasingly national retailers are adjusting their suburban models to fit more urban environments; even Walmart is now pursuing vertically-integrated retail opportunities in Chicago and Washington, DC. This retail resurgence will resume as the recession eases in the coming years and market trends and preferences for street-oriented and mixed-use retail continue to grow.

Retail demand potential in Charlotte's Intown area is expected to remain strong in the coming decades, swelling to more than two million net square feet as the Intown residential base, employment, and visitation levels continue to grow. While the study area enjoys a location that positions it well to capture this demand from a location perspective, there is a lack of available strong retail sites within the study area, tempering the demand potential that can be captured within the study area itself. The area actually features few major thoroughfares traversing the study area and those that do typically feature shallow lot depths or intersections where property is already "out of play" (e.g. hospital ownership). Other sites exist just outside of the study area, including the Elizabeth Avenue property held by Grubb Properties and opportunities in Center City for retail in vertically-integrated buildings.

Demand potential in the study area is therefore somewhat tempered in the coming two decades, with estimated net demand growing to around 232,000 square feet by 2030, not including potential big boxes that could possibly land around the Morehead/Tryon intersection, an area on the fringe of the study area. Area residents, those living within roughly two miles of the study area, represent the greatest source of future demand potential for this retail, followed by employees working in the study area or in Center City.



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Retail Opportunities

Three major retail opportunities will emerge in the study area over the next 20+ years:

1. Smaller, hospital-oriented retail uses around the Kings Drive/ Morehead Street intersection;
2. Intown resident-serving infill retail around Metropolitan Midtown, retail that could include a mix of restaurants and bars targeting CPCC students as well;
3. Potential big-box retail around the S. Tryon/ W. Morehead Street intersection where larger underutilized properties exist today.

In addition, some reformatting of existing retail is likely in the coming years as freestanding retail centers will likely be redeveloped into mixed-use projects with retail on the ground floor. Areas along Kings Drive in particular could convert over time.



Office Market Overview

The Midtown-Morehead-Cherry area is quite well-positioned to compete for a growth market of Near-Uptown companies seeking the proximity to Center City Charlotte, yet either seeking space for a discounted price or seeking space in a highly convenient, neighborhood-oriented, and creative environment. Included in this Near Uptown market are areas such as South End, Elizabeth, Midtown, and other newly-emerging office areas. Indeed, a number of build-to-suits have been developed along East Morehead and Metropolitan Midtown has been delivered with the largest offering in the study area to date.

Office tenants in these Near Uptown markets tend to be smaller, white collar services firms, with most occupying less than 5,000 (generally under 20 employees). This is indeed true of the study area, which also benefits from adjacency to two major hospitals and thus has also experienced strong demand for medical office space.

	<u>Total SF</u>	<u>Est. Available</u>	<u>% Occ'd</u>
1 Bank of America Center	750,000 sf	40,000 sf	95%
Ally Center	363,000 sf	162,000 sf	56%
NASCAR Plaza	390,000 sf	255,800 sf	34%
Duke Energy Center	1,300,000 sf	74,000 sf	95%
Total	2,857,000 sf	531,800 sf	81%

The recent recession has combined with a poorly-timed delivery of five office buildings in Center City to create a highly competitive office market. While the damage from delivering three million square feet of space in a shrinking economy wasn't as bad as feared, Center City



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still is saddled with more than two million square feet of vacant space; an amount that will temper demand for new office space for several years to come. This highly competitive situation also has significant impacts on the study area as the price alternative proposition Midtown and other areas have offered to Center City has been somewhat negated via concessions in Center City. As such, demand for office space in the study area will be tempered significantly in the next several years; largely limited to medical-related users seeking hospital proximity.

Longer-term, opportunities for office development in the study area are significant, particularly for those smaller firms seeking a greater lifestyle play or price discount to Center City, and those firms seeking hospital proximity. Over the next twenty years, we believe demand from those two firm types is expected to exceed 2.5 million in an area from South End to Elizabeth with one million square feet in the study area itself. Given the large majority of

demand will emanate from firms seeking less than 5,000 square feet, much of the product delivered will be in smaller spaces, including second and third story offices above retail.

	2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030
Midtown/Randolph/South End Capture Rate	5.0%	9.0%	11.0%	12.0%
Estimated Midtown Office Demand (Square Feet)	277,576	673,023	753,881	826,441
Midtown/Morehead/Cherry Capture Rate (Based on Deliveries)	35%	45%	45%	40%
Midtown-Morehead-Cherry Office Demand (Square Feet)	97,152	302,860	339,247	330,576

Office Opportunities

From the above we believe three major office development opportunities will exist in the study area over the next two decades:

1. Development of midrise office buildings on underutilized sites closest to I-277 interchanges, where access and visibility are greatest.
2. Creation of smaller office spaces along Kings Drive, Morehead Street, and other thoroughfares in the study area, in mixed-use projects (upstairs from retail) or in smaller office properties in areas providing the greatest lifestyle propositions.
3. Delivery of medical office space on underutilized properties closest to Carolinas Medical Center and Presbyterian Hospital. Short-term demand may be satisfied by the development of a medical office building planned in Elizabeth, with demand opportunities increasing in the study area over time.



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Rental Residential Market Overview

Rental residential has made a dramatic recovery over the past 12 - 18 months, bolstered by overly restrictive lending practices that have effectively shut down the nation's for-sale housing market. Indeed, 2010 saw the absorption of approximately 7,000 rental apartments, the highest annual total in Charlotte's history. That trend is a reversal of the previous decade which saw demand for rental apartments tempered by two recessions and overly aggressive lending practices that raided apartment renters and placed them into for-sale housing.

Like the Charlotte market overall, the Intown Charlotte apartment market has done quite well, and is overcoming a glut of rental apartment deliveries in the last two years that resulted from the fallout of the condo market. Indeed, more than half of the 2,500+

Summary of New Intown Units	New Units	Absorbed	Vacancy	Lease Rate Range
South End	1,671	855	49%	\$1.15 - \$1.52/SF
Elizabeth	256	241	6%	\$1.29/SF
Center City	641	405	37%	\$1.38 - \$1.67/SF
Total Intown	2,568	1,501	42%	\$1.15 - \$1.67

new units delivered in the last two years have been absorbed in fairly short order. The remaining 1,000 units will likely be absorbed in 2011 given a lack of construction and improving demand fundamentals; a situation which will allow for stronger rent growth in the coming years.

As shown in the preceding table, rents in newer intown apartment product are solid and improving; largely hitting the levels needed to support more expensive structured parking and more urban product, including projects with ground floor retail.

The Midtown-Morehead-Cherry area is very well positioned to attract significant rental apartment development in the coming years and, while lacking rail transit access today, should be able to effectively compete with other intown core areas. The study area specifically enjoys:

- Very close proximity to Center City and other intown job cores;
- Walkable distances to the two major hospitals and their related medical office cores;
- Access to the Sugar Creek Greenway, a major park and exercise trail system;
- Access to restaurants, bars and retail in the area, including at Metropolitan Midtown; and
- Major views of the Center City skyline from a number of areas within the property--views stronger than those offered in many other intown areas.

Given these strong attributes we believe demand for new rental apartments in the study area will be significant, with net demand eclipsing 2,000 units (possibly a conservative number) over the next twenty years, some of which may be delivered above retail or in mixed-use environments.

	New Apartment Unit Demand by Timeframe				Totals
	2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030	
Total HH Growth	25,617	35,586	33,197	30,403	124,803
Renter Propensity	40%	40%	40%	40%	40%
New Renter HH Growth	10,247	14,234	13,279	12,161	49,921
Central Capture	22%	23%	23%	25%	23%
New Renter HH Growth in Central Mecklenburg	2,254	3,274	3,054	3,040	11,623
Intown Ring Area Capture	50%	50%	50%	50%	50%
New Renter HH Growth in Intown Ring	1,127	1,637	1,527	1,520	5,811
Midtown/Morehead/Cherry Capture	35%	35%	35%	35%	35%
New Renter HH Growth in Midtown/Morehead/Cherry	395	573	534	532	2,034

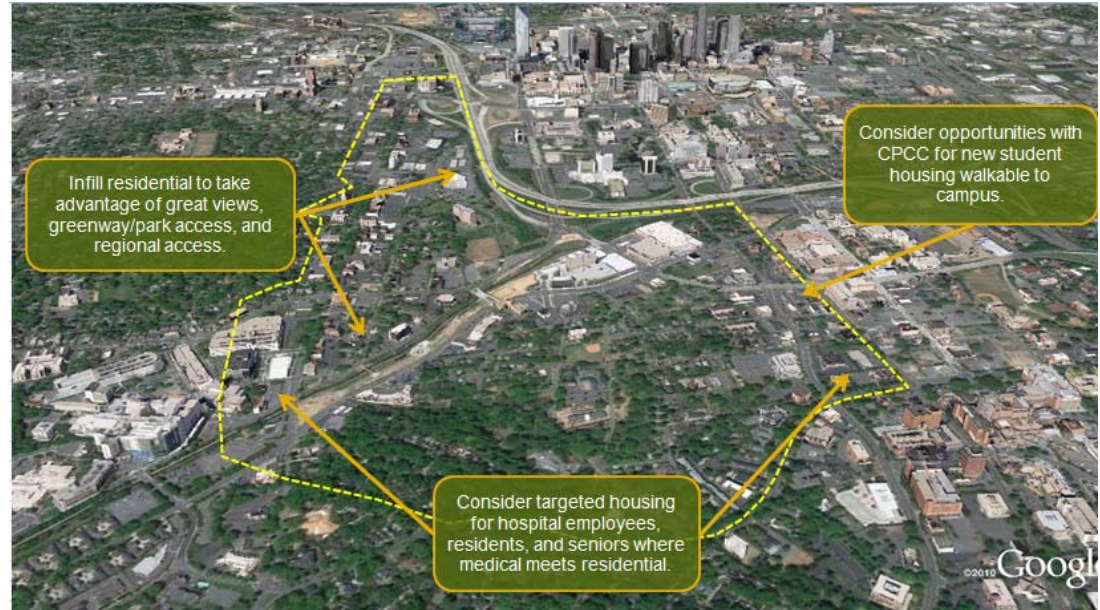


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Rental Residential Opportunities

Three major opportunities emerge for the infilling of rental residential in the study area:

1. The creation of a more urban neighborhood running along the greenway, particularly along Greenwood Cliff and Harding Place, two streets offering strong views of the skyline and direct adjacency to the greenway;
2. Opportunities for housing related to the hospitals including employee housing and potentially seniors-oriented housing;
3. Housing targeting CPCC students (and possibly, over time, medical students) that is walkable to campus and/or to CMC.



For-Sale Residential Market Overview

Not surprising, the for-sale residential market has struggled to a much greater extent in the last three years, blown out by overly aggressive lending practices and a massive housing bubble that helped to undermine the economy. Indeed the pain in the for-sale residential market is still continuing, with home prices in Charlotte returning to 2004 levels; a situation that wipes out equity many have in their homes and, while not as bad as in many markets, will have longer-lasting impacts to the area's and nation's economy. So far in 2011 home prices have continued to slide slightly with foreclosures improving, but still existing at undesirable levels, a factor that will remain in place as long as job growth in the area remains modest.

Intown Charlotte, like other urban areas, has generally fared better than the suburbs given both its convenience to major employers (built-in value retention) and the suburbs' historic appeal to the "drive for value" market; an audience that had little margin for error in the first place and one severely impacted by rising gas prices.

ZIP/Area	Foreclosure Rates		Current Average Home Price	Est. Avg. Yr-Over-Yr Price Change
	January 2011	Fall 2009		
28204--Elizabeth/Cherry	0.03%	0.06%	\$416,000	49%
28207--Elizabeth & Myers Pk	0.09%	0.09%	\$652,643	2.3%
28202--Uptown	0.19%	0.27%	\$326,773	92.2%
28203--S. End/Dilworth	0.10%	0.18%	\$316,292	-7.0%
Mecklenburg County	0.18%	0.25%	\$207,591	5.4%

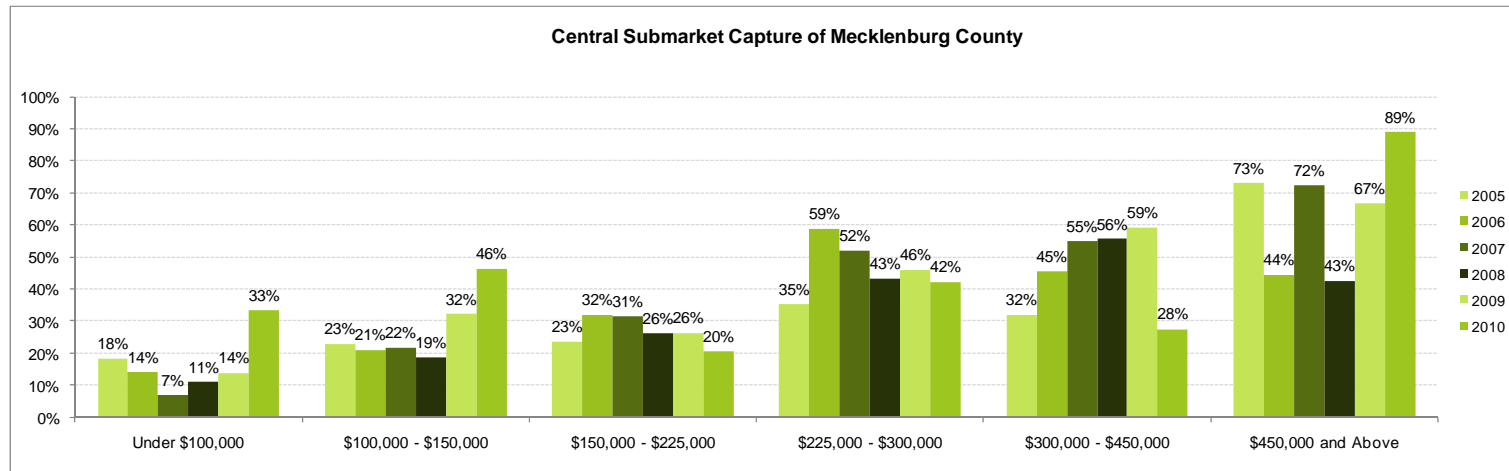
The study area and surrounding neighborhoods appear to be faring better, with foreclosure rates dropping by 50% over the past year and home prices showing increases over the past 12 months.



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While opportunities for infilling single-family detached homes are very limited in Intown Charlotte, the area is highly attractive for the development of for-sale condominiums and townhouses, and accounts for a large share of the attached product offered in the county. Indeed, Intown Charlotte, and specifically the areas in Center City, South End, Dilworth, Myers Park, Midtown and Elizabeth, account for more than half of all new for-sale product



sales in the entire county for units priced above \$300,000. Buyers of these products are largely younger singles and couples under 40, but includes a growing audience of Empty Nesters moving down for convenience and lifestyle.

As noted earlier, the Midtown-Morehead-Cherry study area offers both solid convenience and lifestyle propositions to prospective buyers, offering strong access to major job cores, walkable neighborhoods, access to the greenway, and easy proximity to retail and dining opportunities in adjacent areas (although somewhat lacking in the study area itself). Creating the right opportunities will be important to capturing demand for new for-sale housing in the coming decades.

Demand for new for-sale housing is expected to be moderate over the next five years (through 2015) and improve from there, with net demand potential totaling around 1,000 new for-sale attached units and 30 net new single-family homes (beyond replacements) over the next two decades.

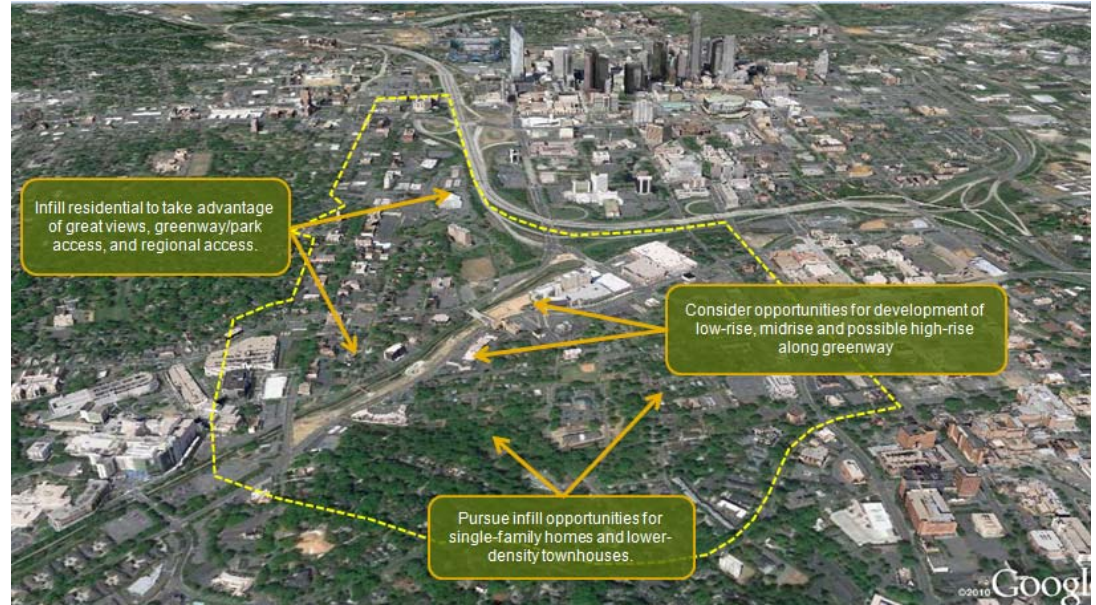
	New For-Sale Housing Demand (Units) by Timeframe				Totals
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Midtown/Morehead/Cherry Capture					
Attached Homes	35%	35%	35%	35%	35%
New MMC Study Area Attached Homes	199	268	269	265	1,001
Detached Homes	10%	10%	10%	10%	10%
New MMC Study Area Detached Homes	7	8	8	6	30



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Like rental opportunities, the greatest opportunities for new for-sale product will be those locations that can offer the strongest lifestyle play. Specific opportunities include:

- Townhouses and midrises proximate to the greenway and in areas with strong skyline views, such as Greenwood Cliff and Harding Place;
- Infill opportunities for single-family homes and townhouses within the Cherry neighborhood--conducted in a manner that is sensitive to the existing scale of the neighborhood;
- Low-rise and midrise development above retail or office along Kings Drive.



Overall Conclusions

The Midtown-Morehead-Cherry study area is very well positioned for growth in the coming decades, particularly for new residential development. The convenience of the area, the strength of the neighborhoods, greenway and park access, and proximity to restaurants, bars and retail are all positive attributes for not only residential uses, but commercial uses as well. The key challenge in the study area will be leveraging the strong attributes of the study area itself and creating a more dynamic and cohesive atmosphere within the study area, one that appeals to future market audiences yet respects the existing attributes and neighborhoods within the study area.

Assuming such an environment can be created, we believe the market can support the development and redevelopment of more than 80 acres over the next two decades, the majority of which is for residential uses.

	Retail	Office	Rental Residential	For-Sale Attached	For-Sale Detached
Estimated Supportable Units/SF	232,622	1,069,835	2,034	1,001	30
FAR/Intensity	0.54	2.10	68	41	7
Total Acres Demanded	9.8	11.7	30	25	4
Annual Acres Demanded	0.49	0.58	1.50	1.23	0.21



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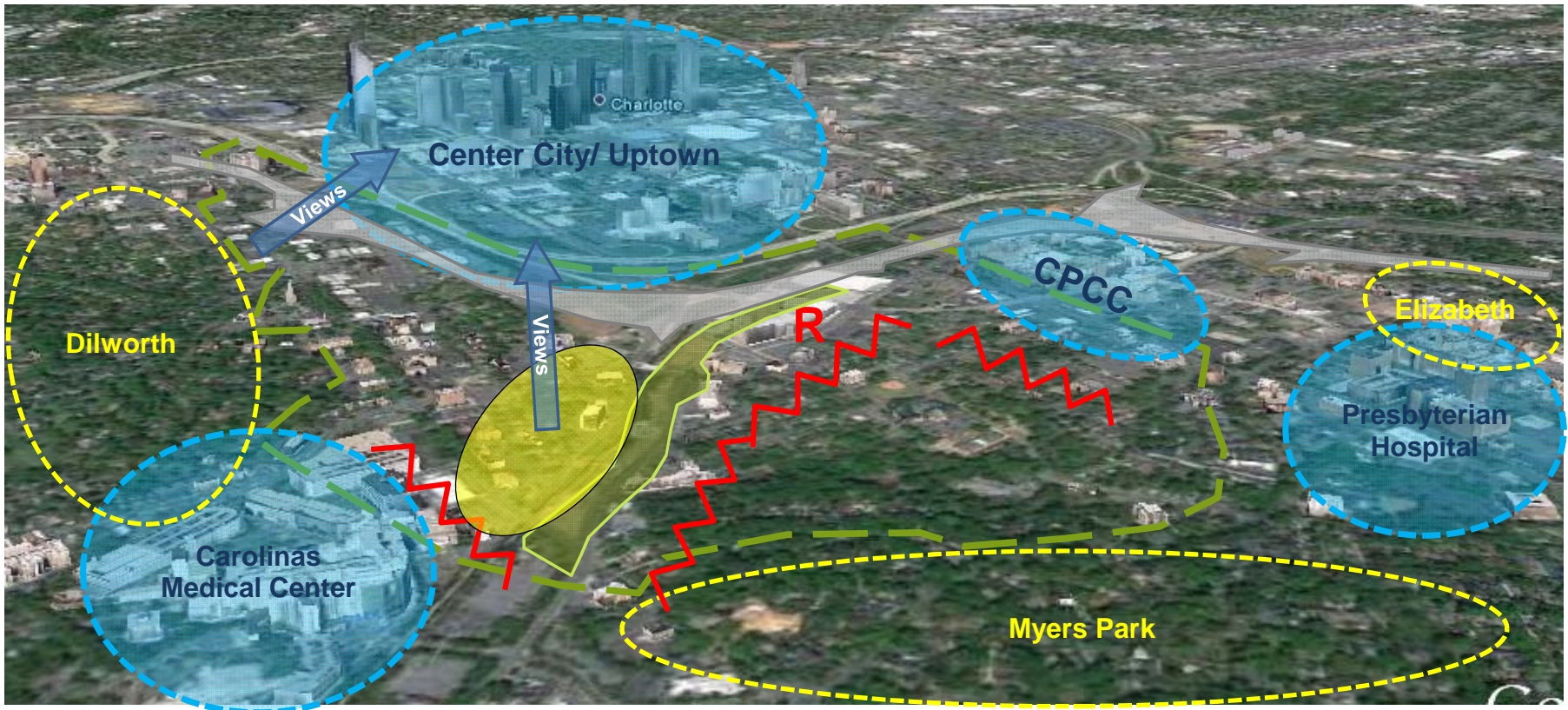
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Exhibit 1
Midtown-Morehead-Cherry Study Area Map



Strengths:

Area is surrounded by strong and highly affluent neighborhoods
 Two hospitals are located immediately adjacent to the study area
 Study area flanks Center City, the largest employment core in the region
 Greenway and parks are great amenities and potential residential anchors
 Metropolitan Midtown provides grocery and convenience shopping
 CPCC located adjacent to the study area--potential demand generator
 Morehead Street and other area roads feature strong character to build from
 Several locations in the study area offer great views of Center City
 Abundant underdeveloped land in strategic locations in study area.

Challenges:

Portions of Cherry neighborhood not fully stabilized & suffer from connectivity issues
 Infill development not always sensitive to existing land uses/residences
 Neighborhood edges threatened by commercial infill development.

Opportunities:

Leverage greenway investments through dense residential development west and mixed-use to the east
 Capitalize on great views via transition of Greenwood Cliff/Harding area to residential
 Identify walkable office/mixed-use opps proximate to hospitals, CPCC and Met. Midtown to attract smaller office users seeking Center City-proximate location



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Exhibit 2

Non-Governmental Employment Growth: Midtown-Morehead-Cherry Study Area, Elizabeth, and Mecklenburg County, 2000 - 2008

Sector	Industry	Midtown/South End/Elizabeth Change 2000 - 2008	Mecklenburg County Change 2000 - 2008	Midtown/South End/Elizabeth Area as a % of County
Total Growth		2,664	61,365	4.3%
22----	Utilities	102	2,451	4.2%
23----	Construction	-358	-147	243.2%
31----	Manufacturing	-486	-8,291	5.9%
42----	Wholesale trade	-314	-5,270	5.9%
44----	Retail trade	-530	3,870	-13.7%
48----	Transportation & warehousing	4	-1,008	-0.3%
51----	Information	75	-2,100	-3.6%
56----	Admin, support, waste mgt, remediation services	-650	1,793	-36.3%
72----	Accommodation & food services	518	14,852	3.5%
81----	Other services (except public administration)	151	-578	-26.0%
Total, Moderate-Paying Employment		-1,487	5,572	-26.7%
52----	Finance & insurance	567	28,158	2.0%
53----	Real estate & rental & leasing	36	1,675	2.1%
54----	Professional, scientific & technical services	377	2,614	14.4%
55----	Management of companies & enterprises	267	1,098	24.3%
Total, Higher-Paying, Office-Using Employment		1,246	33,545	3.7%
61----	Educational services	207	4,058	5.1%
62----	Health care and social assistance	2,769	16,990	16.3%
71----	Arts, entertainment & recreation	24	4,668	0.5%
Total, Institutional/Office Emp. (Wide Range of Pay)		3,000	25,716	11.7%

Overall

The Midtown/South End/Elizabeth Area lost ground relative to Mecklenburg County overall, initially accounting for 9.4% of total jobs, yet only 4.3% of total job growth from 2000 - 2008.

Moderate-Paying Jobs

This is where most jobs in the area were lost, with many occurring in sectors losing jobs in the county and nationally, but some, like retail, being the result of local factors (Outlet Square demolition). Accommodations/Food Service and Personal Services did experience growth in the area.

Higher-Paying, Office-Using Jobs

The area generally kept pace with the greater region in terms of capturing these jobs, with Finance & Insurance, and Professional Services showing the greatest growth.

Institutional Jobs (Wide Range of Pay)

The area continued to see large-scale employment growth in these jobs, with Health Care accounting for the overwhelming share of that growth.

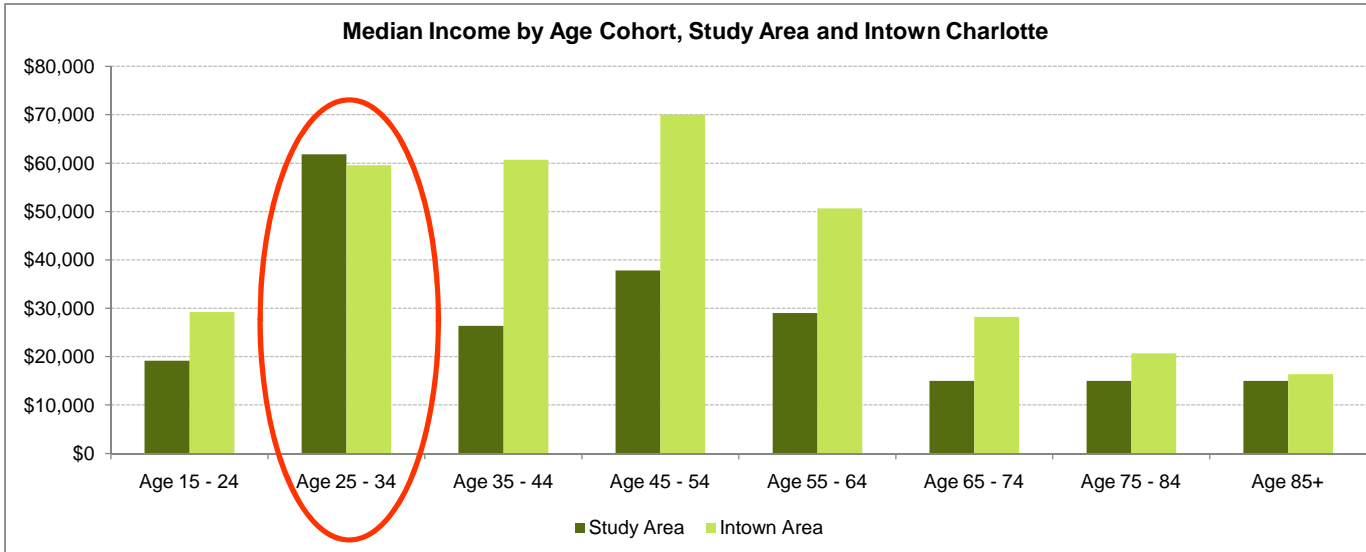
SOURCE: US Census County Business Patterns for 28203, 28204 and 28207, as well as Mecklenburg County



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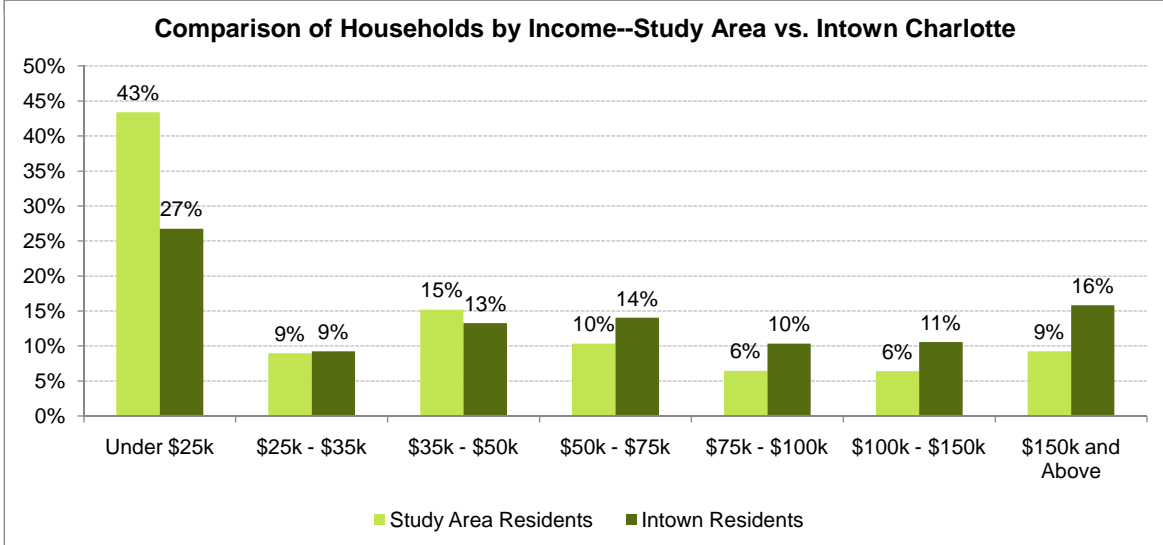
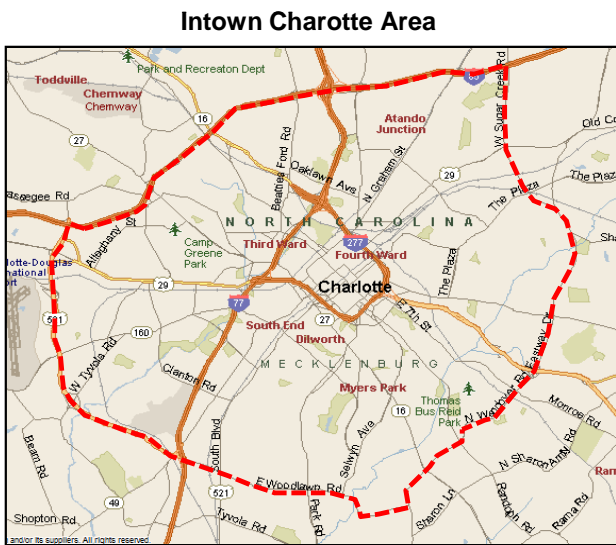
Exhibit 3

2010 Households by Income and Median Income by Age Cohort; Midtown-Morehead-Cherry Study Area and Intown Charlotte



The Midtown-Morehead-Cherry study area is largely comprised of households with lower incomes than that of other similar intown areas, although households in the study area span a wide array of incomes.

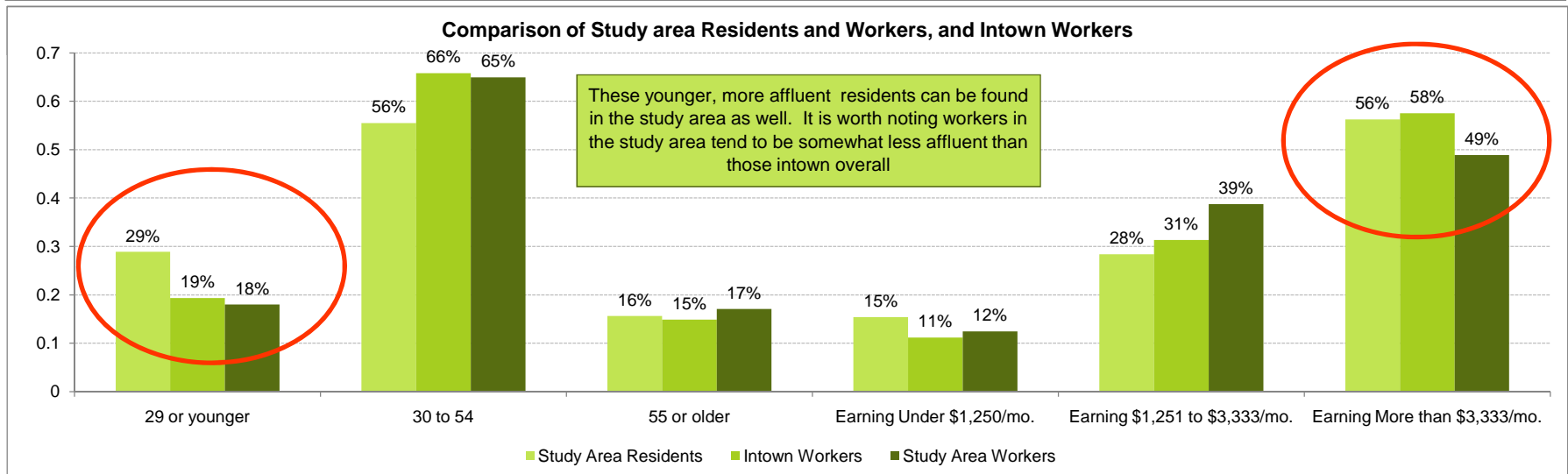
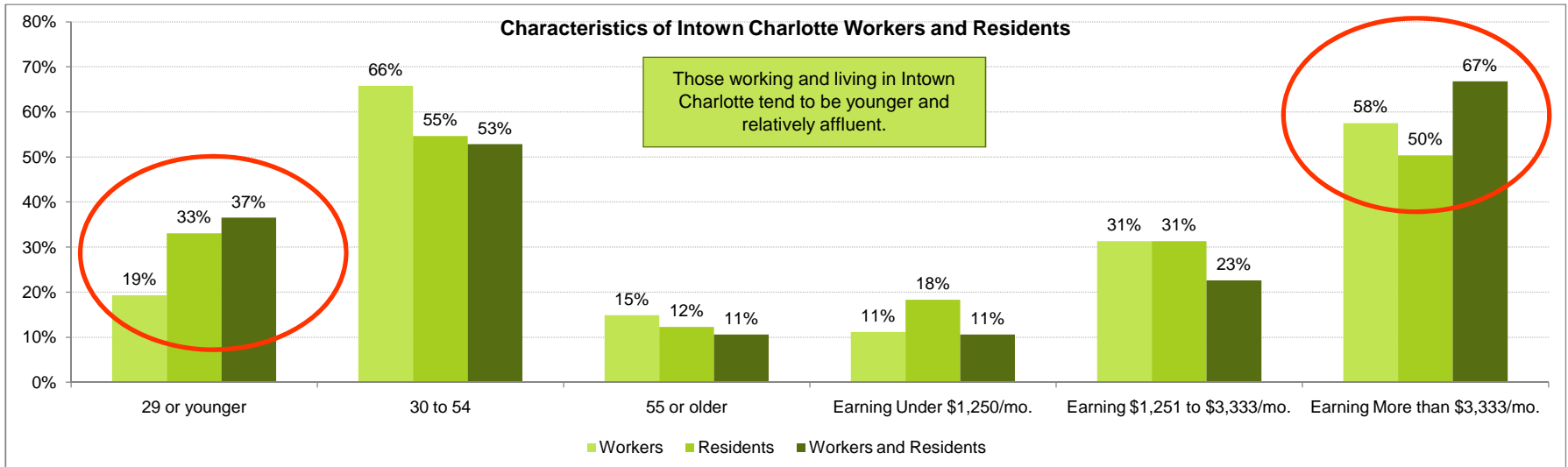
Perhaps the most notable exception are 25 to 34 year olds, who have median incomes largely in-line with those of other similar intown neighborhoods. These households have largely bought into condos and townhouses in the area, but also represent the first, more affluent residents purchasing homes in the Cherry neighborhood.



Source: Claritas, Inc.



Exhibit 4
Intown and Study Area Worker & Resident Demographic Comparison



SOURCE: Noell Consulting Group based on data obtained from the US Census.

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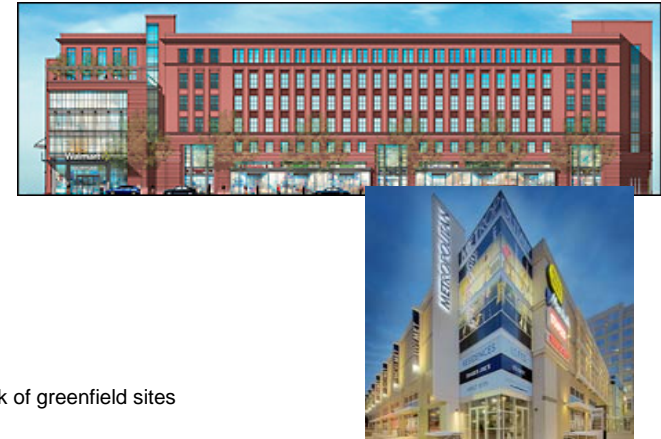
Exhibit 5
Retail Market Overview

National Trends/Factors

- Spending by US consumers still tight, but loosening modestly--not likely to return to growth of last 20 years.
- National chains closing marginal stores/consolidating to more strategic locations (Borders the latest)
- These locations increasingly include stable intown areas
- New models being created for more urban setting (even Walmart joining the trend)
- Large-scale fallout in commercial lending claiming poorly situated/conceptualized centers
- Lifestyle/"experiential" retail on the rise--particularly retail in more walkable formats
- Seeing more congregating of destination retail uses, including restaurants, to strengthen traffic/sales

Intown Charlotte Trends

- Trend of retail chains moving intown only gaining momentum--safe play given strong affluent population base & lack of greenfield sites
- Uptown itself tough for larger formats (block sizes, densities, land costs)
- Chains therefore opting for strategic intown locations close to freeway network/major thoroughfares



<u>Already Intown</u>		<u>Others not present:</u>		
Lowe's	Marshalls	Barnes & Noble	Ross	Bed, Bath & Beyond
Target	Staples	TJ Maxx	PetSmart	Chain fitness centers
Wal-Mart	Best Buy	Old Navy	Whole Foods	

- Large array of demand audiences

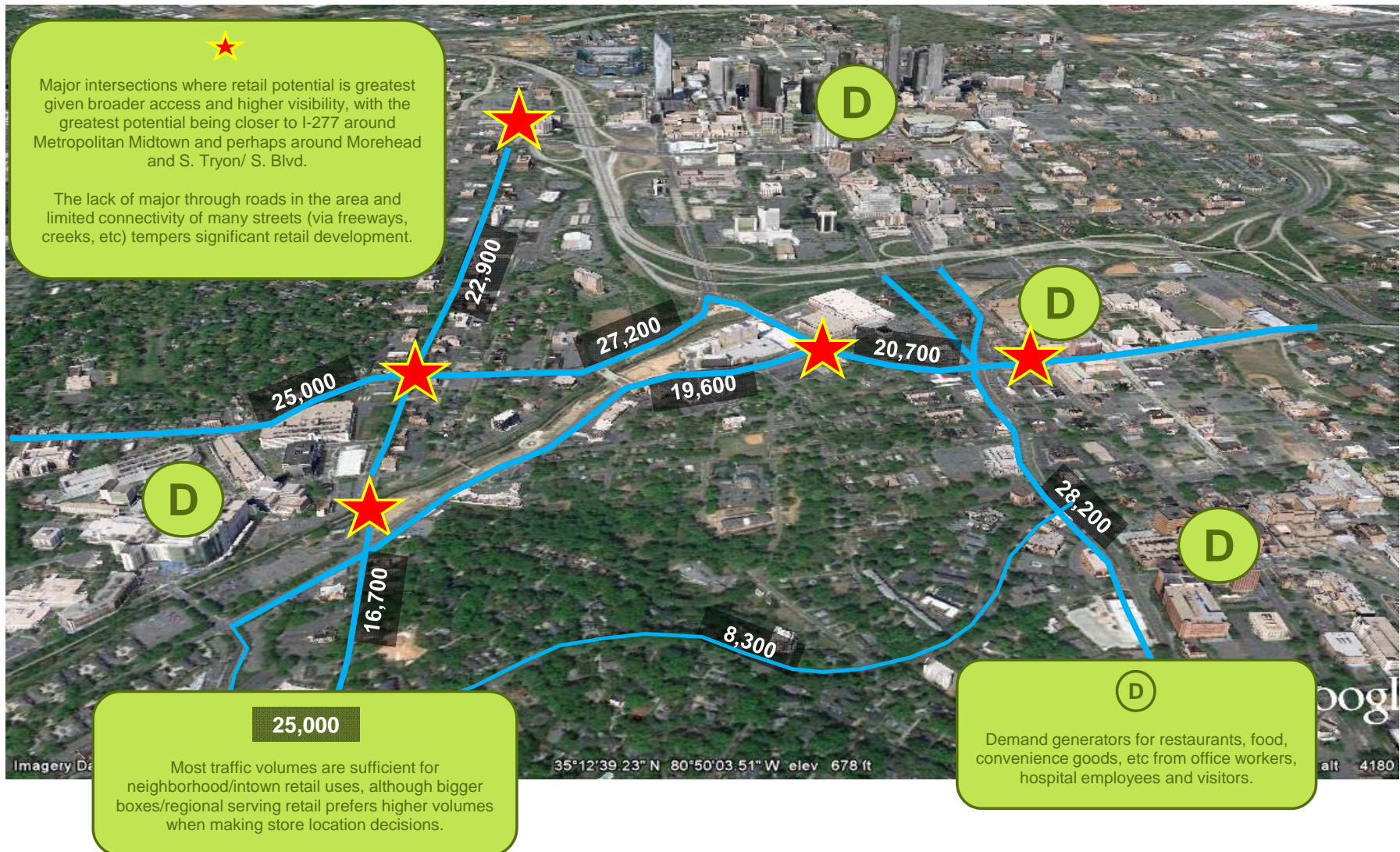
Center City residents	69,000 within 2.5 miles of Midtown
Intown office workers	59,000+ office workers, additional 56,000+ in other sectors
Convention center/sports venues	500,000 convention visitors, 2M sports attendees
Other audiences	includes CMC, Presbyterian hospital visitors, CPCC/Kings students, other hotel visitors, suburban residents

Midtown-Morehead-Cherry Trends/Conditions

- Metropolitan Midtown first major retail in area in decades
- Area retail in an array of product types, with study area having abundant unanchored strip centers or free-standing retail
- Elizabeth Avenue project would be second major delivery--waiting to get past recession
Likely to be an intown destination and not a regional one
- Retail supply down in past decade due to Midtown Square demo, greenway project, hospital expansion
- Area vacancy rates very high currently, running close to 20% in multitenant spaces
- Retail in study area tends to be more restaurant/entertainment oriented, with Met. MT being the major exception
- Land availability and traffic counts elsewhere in the study area are not ideal for large-scale retail development
- Outside of Metropolitan Midtown 80% of retail tenants and 50% of restaurant tenants smaller than 5,000
- Average rents around \$20/SF with newer space quoting \$18 - \$20 for unanchored retail and Met Midtown quoting \$28 - \$30/SF.



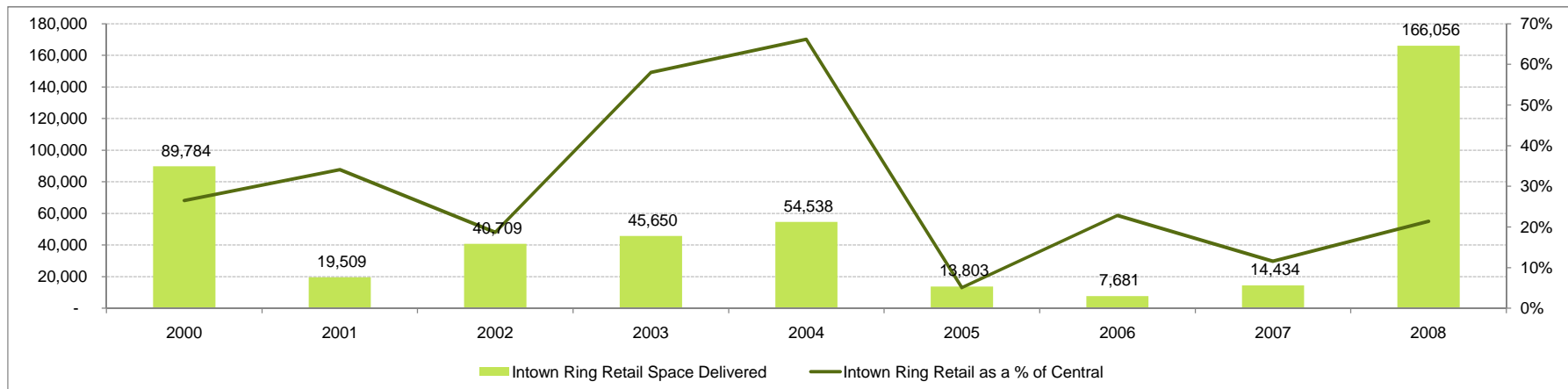
Exhibit 6
Factors Impacting Potential Retail Development Opportunities



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Exhibit 7
Retail Space Delivered by Planning District and the Intown Ring, 2000 - 2008

District	Retail Development by Year (Square Feet)									Totals
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Central Square Feet Totals	339,003	57,242	218,037	78,724	82,437	274,228	33,641	124,638	776,110	1,984,060
Central Capture	10.9%	2.5%	17.5%	6.7%	3.4%	9.0%	1.8%	9.3%	28.0%	10.3%
Intown Ring Area	89,784	19,509	40,709	45,650	54,538	13,803	7,681	14,434	166,056	452,164
Intown Ring Capture of Central	26.5%	34.1%	18.7%	58.0%	66.2%	5.0%	22.8%	11.6%	21.4%	22.8%
North Square Feet Totals	474,335	344,084	182,081	227,510	419,809	115,548	72,068	329,448	147,123	2,312,006
North Capture	15.2%	15.3%	14.6%	19.4%	17.1%	3.8%	3.8%	24.6%	5.3%	12.0%
Northeast Square Feet Totals	634,683	233,567	25,247	195,960	474,530	151,215	343,499	176,043	308,219	2,542,963
Northeast Capture	20.4%	10.4%	2.0%	16.7%	19.3%	5.0%	18.1%	13.1%	11.1%	13.2%
Northwest Square Feet Totals	41,950	113,682	58,144	33,896	250,937	1,190,580	77,472	121,084	682,377	2,570,122
Northwest Capture	1.3%	5.1%	4.7%	2.9%	10.2%	39.2%	4.1%	9.0%	24.6%	13.3%
South Square Feet Totals	1,072,518	496,296	404,585	304,408	666,042	814,178	796,239	348,241	451,620	5,354,127
South Capture	34.5%	22.1%	32.5%	26.0%	27.1%	26.8%	41.9%	26.0%	16.3%	27.8%
Southeast Square Feet Totals	244,605	759,119	154,890	195,897	491,707	294,706	170,791	97,710	58,629	2,468,054
Southeast Capture	7.9%	33.8%	12.5%	16.7%	20.0%	9.7%	9.0%	7.3%	2.1%	12.8%
Southwest Square Feet Totals	304,789	241,829	200,170	135,445	71,702	200,080	405,043	141,941	350,389	2,051,388
Southwest Capture	9.8%	10.8%	16.1%	11.6%	2.9%	6.6%	21.3%	10.6%	12.6%	10.6%
Total	3,111,883	2,245,819	1,243,154	1,171,840	2,457,164	3,040,535	1,898,753	1,339,105	2,774,467	19,282,720



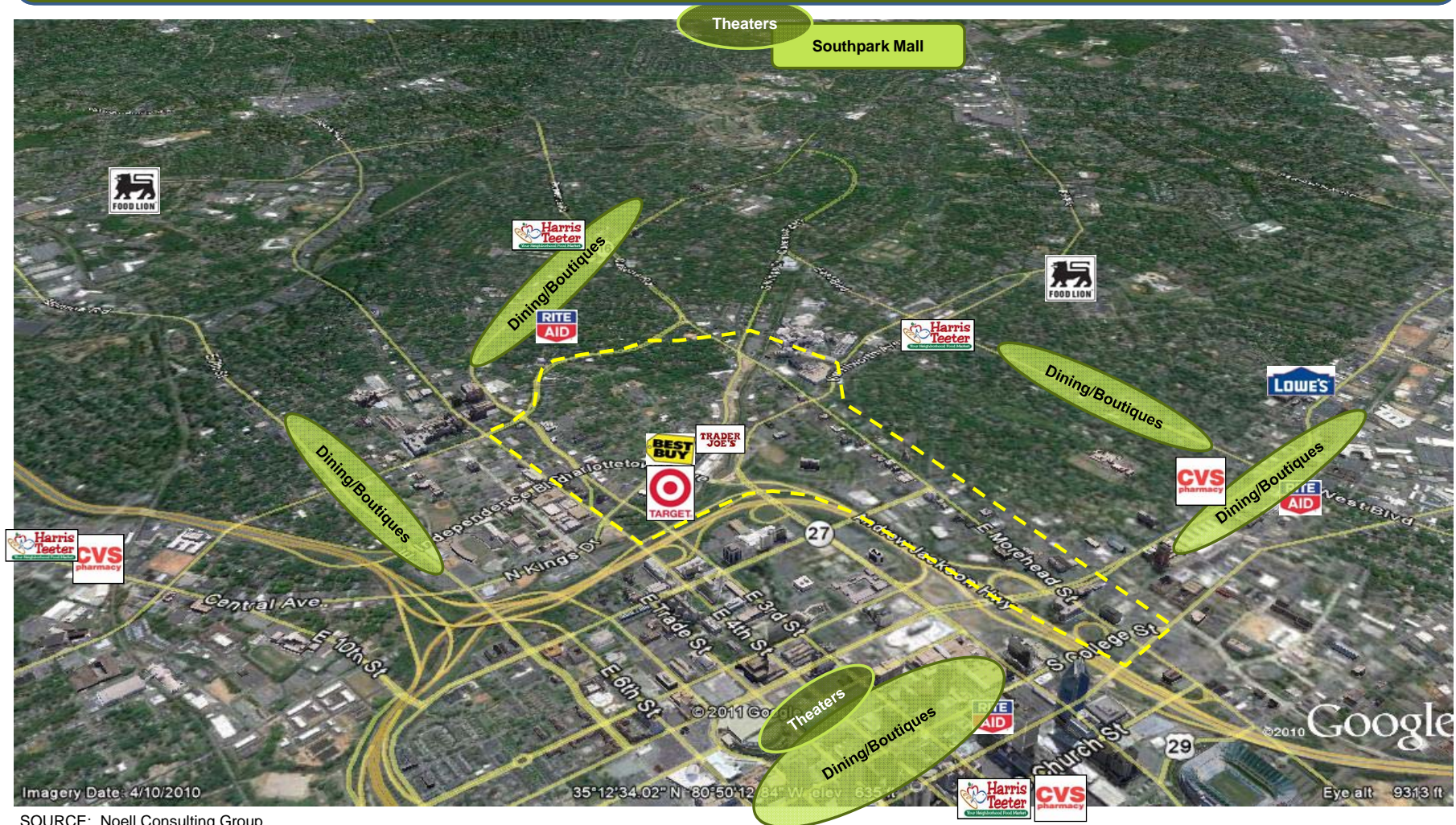
Note: The Intown Ring is an area that includes South End, Midtown/Cherry, Elizabeth, Dilworth, Myers Park and Plaza/Midwood.
SOURCE: Charlotte-Mecklenburg Planning Department



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Exhibit 8
Intown Major Retailer and Retail Core Map

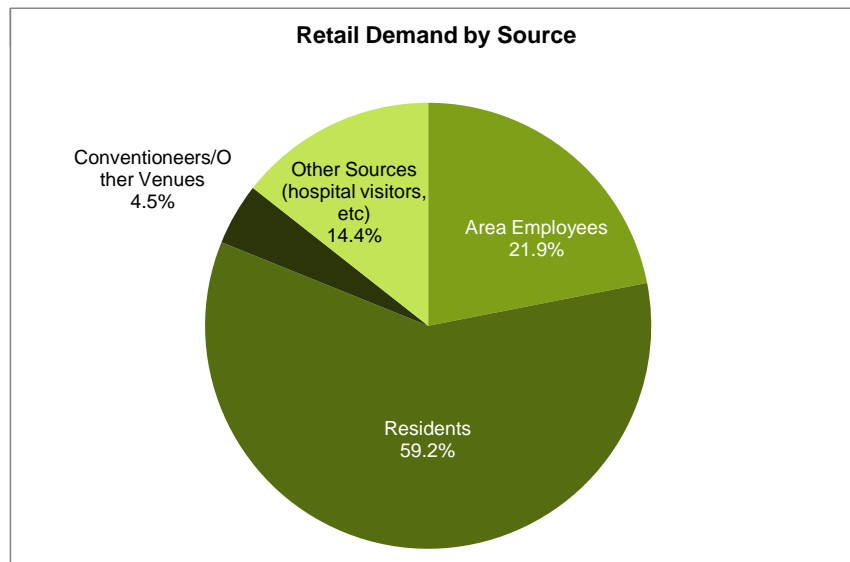
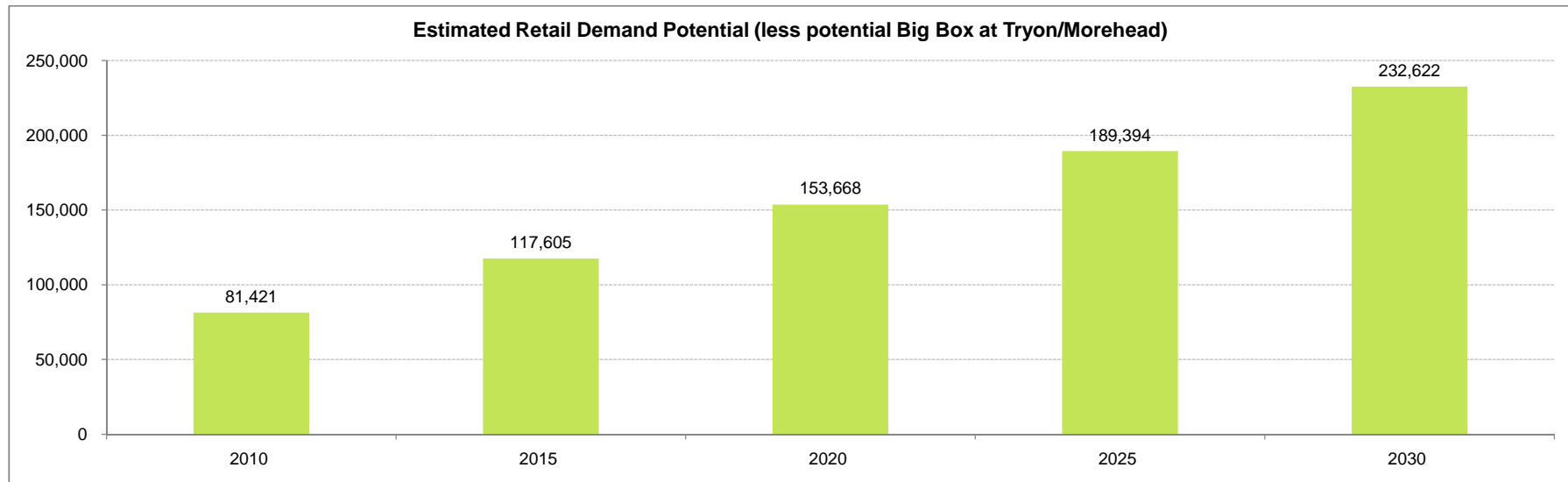
The Midtown-Morehead-Cherry area itself features very little retail outside of Metropolitan Midtown, with the bulk of retail offerings being limited service restaurants, independent boutiques, drug stores and medical or office-serving uses. Retail offerings are generally limited proximate to the study area, with only a handful of larger retail chains being within a brief drive of the study area and few options being available along transit stops. Grocery options are somewhat better, although dominated by one chain. Walk able, convenient retail is a major factor for younger singles and couples and for maturing Baby Boomers in search of a more walk able and convenient lifestyle.



SOURCE: Noell Consulting Group



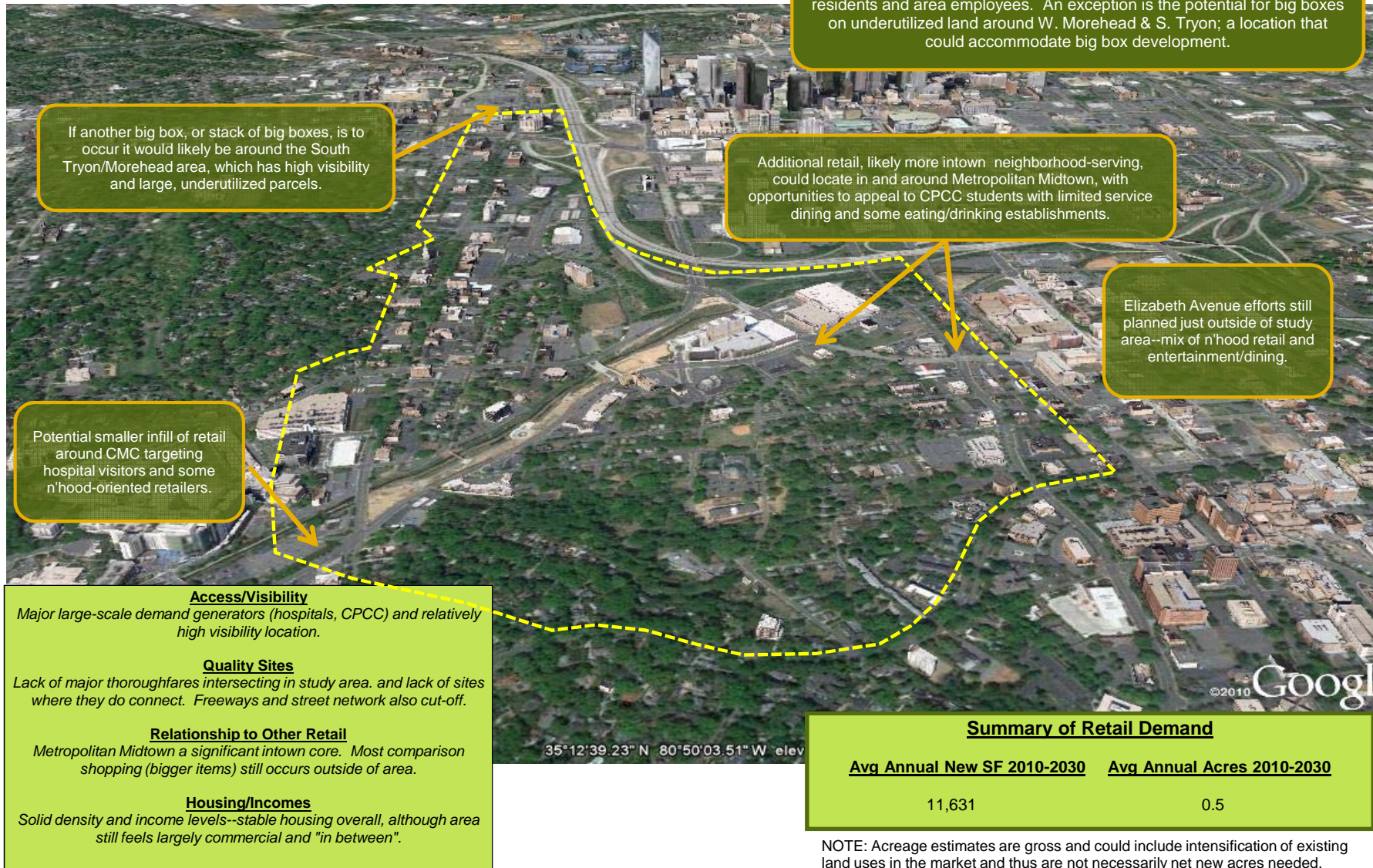
Exhibit 9
Midtown-Morehead-Cherry Study Area Retail Demand, 2011 - 2030



Categories where demand exists in the next five to eight years

Category	Suitability/Opportunity for Study Area	Comments
Grocery Store	Good	Finding location may be a challenge
Clothing/Shoe Stores	Moderate	Nationals a challenge, mostly local
Hobby/Toy Stores	Low - Moderate	Finding tenants may be a challenge
Sporting Goods	Low	Shake-out occurring in category
Big Box Discount	Moderate	Definite opportunity, but lack of attractive locations--Tryon/Morehead area possible
Limited Service Dining	Good	Major employers in study area, hospital visitors create opportunities
Personal Services	Good	Prefer smaller spaces throughout area Could be free-standing or in mixed-use

Exhibit 10
Potential Retail Opportunities in the Midtown-Morehead-Cherry Study Area



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Exhibit 11
Office Market Overview

Macro Trends/Factors

- Massive job losses in professional services, financial sectors impacting office space--still slow to recover
- Commercial properties still down in value, but trading hands
- Office markets in 24-hour cities (areas) most preferred for investment--these areas are typically most walkable areas in the US
- Office locations in areas with higher quality of life preferred both for retention and attraction of employees
 - Greater emphasis on walkable locations and mixed-use environments to attract strongest new talent
- Charlotte actually experienced positive net absorption overall in 2010, an encouraging sign of an improving economy



Intown Charlotte Trends

- Timing of recession corresponded with a major surge in new supply and pushed vacancy rates substantially higher
- Center City had lowest vacancy rate in US in 2008, now experiencing glut of office space
- Several newer towers opening during the recession have struggled to attract major tenants and being forced to offer reduced rent as an incentive
- Nearly 3,000,000 square feet of space hitting a down market--has cannibalized some other properties downtown--will take several years to fully absorb.

	<u>Total SF</u>	<u>Est. Available</u>	<u>% Occ'd</u>
1 Bank of America Center	750,000 sf	40,000 sf	95%
Ally Center	363,000 sf	162,000 sf	56%
NASCAR Plaza	390,000 sf	255,800 sf	34%
Duke Energy Center	1,300,000 sf	74,000 sf	95%
Total	2,857,000 sf	531,800 sf	81%

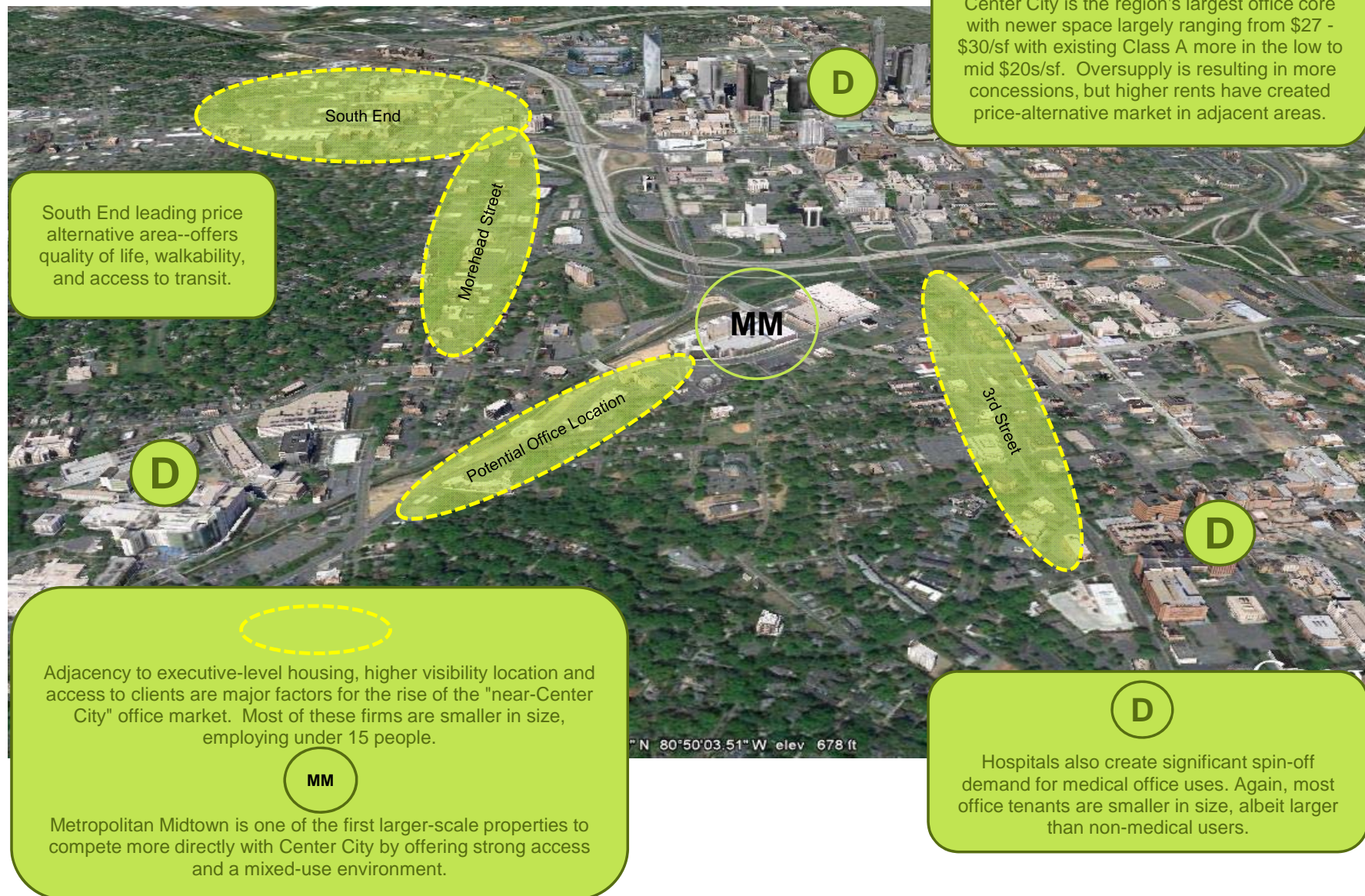
- Areas around Center City have emerged--three major sources of demand;
 - Firms seeking Center City location at price alternative
 - Firms related to hospitals, other uses nearby
 - Firms seeking funky, walkable, and/or neighborhood-oriented locations
- South End, Midtown, Elizabeth all emerging as "fringe" alternative locations to Center City
 - Health, creative firms (architects, marketing/PR firms, designers, etc) fueling markets
 - Many of these firms are smaller in size (under 5,000 sf)
- Competition from Center City towers will compete with newer "fringe" Center City product, tempering demand for next 3 - 5 years



Midtown/Morehead/Cherry Area Trends/Conditions

- Office market a mix of smaller professional services firms and medical/health-related firms
- Non-health firms typically under 5,000 square feet (except in Metropolitan Midtown), health-related firms can be larger--up to 10,000 sf +
- Demand for office likely to be slow in the coming two to three years, with hospitals bringing on their own properties and Uptown towers discounting to retenant.
- Vacancy rates are generally healthy (around 10%) in the area, although shadow market may be a bit larger.
- Lease rates in newer office space in the area (Midtown/Randolph/South End) generally range from \$17 - \$24/sf and need to stay priced below Uptown towers.
- The Metropolitan represents the largest multitenant offering and has performed relatively well, being 85% occupied with quoted lease rates of \$28/sf, down from 2009 levels.
- Just outside of the study area, Presbyterian is still planning a 400,000 sf office building (medically-oriented) and CMC is undertaking a 10-year program to develop a \$500M cancer institute, with a first phase comprised of 204,000 SF building on Morehead Street.

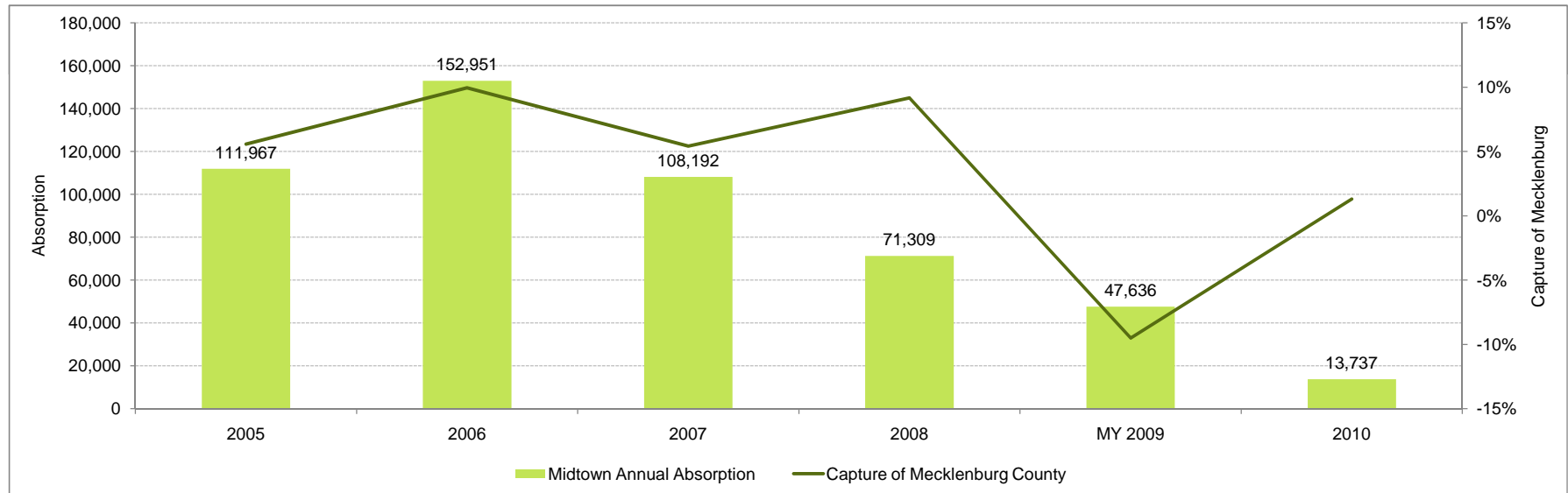
Exhibit 12
Factors Impacting Potential Office Development Opportunities



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Exhibit 13
Historic Office Absorption by Submarket, Mecklenburg County

	YE 2004				Average Rents			Annual Absorption (Square Feet)							Capture Ratio	
	Ttl Space	Vacant	Occ'd	Share	2005	2010	Annual Change	2005	2006	2007	2008	2009	2010	Total		Share
Downtown	14,306,340	9.2%	12,990,157	37.7%	\$20.27	\$22.97	3.0%	378,668	166,980	362,963	43,606	-203,682	457,047	1,205,582	17.8%	0.47
Cotswold	274,112	10.3%	245,878	0.7%	\$14.19	\$21.46	11.4%	11,910	-990	-2,292	33,204	-6,928	20,092	54,996	0.8%	1.14
Crown Point	891,401	23.0%	686,379	2.0%	\$16.65	\$15.51	-1.5%	170,059	-42,816	67,027	83,966	10,363	-34,447	254,152	3.8%	1.88
East	1,256,318	23.4%	962,340	2.8%	\$13.98	\$15.54	2.5%	75,429	9,798	87,161	69,822	138,222	49,322	429,754	6.3%	2.27
Midtown (Rand. & SEnd)	6,285,357	10.4%	5,630,008	8.5%	\$18.54	\$19.44	2.8%	111,967	152,951	108,192	71,309	47,636	13,737	418,341	6.2%	0.73
NC 51/South	3,599,256	21.8%	2,814,618	8.2%	\$19.93	\$22.03	2.3%	430,453	507,054	498,127	177,968	108,472	270,532	1,992,606	29.4%	3.59
I-77 North	3,379,387	21.2%	2,663,421	7.7%	\$19.03	\$19.19	0.2%	154,988	250,269	121,046	-23,083	-52,658	248,070	698,632	10.3%	1.33
University	4,294,893	27.6%	3,109,503	9.0%	\$17.09	\$16.37	-0.9%	401,160	80,040	56,780	-10,088	41,148	-54,538	514,502	7.6%	0.84
Northwest	468,160	15.5%	395,694	1.1%	\$14.19	\$12.36	-2.9%	-99	26,547	-10,605	-3,942	105,225	35,025	152,151	2.2%	1.95
Park Road	690,203	16.7%	574,939	1.7%	\$15.67	\$17.39	2.4%	-23,046	52,544	-19,564	13,411	-22,489	42,303	43,159	0.6%	0.38
Southpark	3,755,187	15.0%	3,191,909	9.3%	\$20.44	\$20.85	0.4%	194,110	16,458	340,648	-37,708	-290,008	-17,488	206,012	3.0%	0.33
Airport/SW	1,515,377	24.1%	1,150,171	3.3%	\$16.20	\$16.18	0.0%	101,876	318,015	384,748	359,860	-376,586	19,498	807,411	11.9%	3.56
Totals	40,715,991	15.5%	34,415,016		\$17.55	\$18.89	1.7%	2,007,475	1,536,850	1,994,231	778,325	-501,285	1,049,153	6,777,298		



NOTE: Capture ratio is the ratio of the percent of space absorbed in a submarket over that submarket's share of total existing space at the beginning of that period.

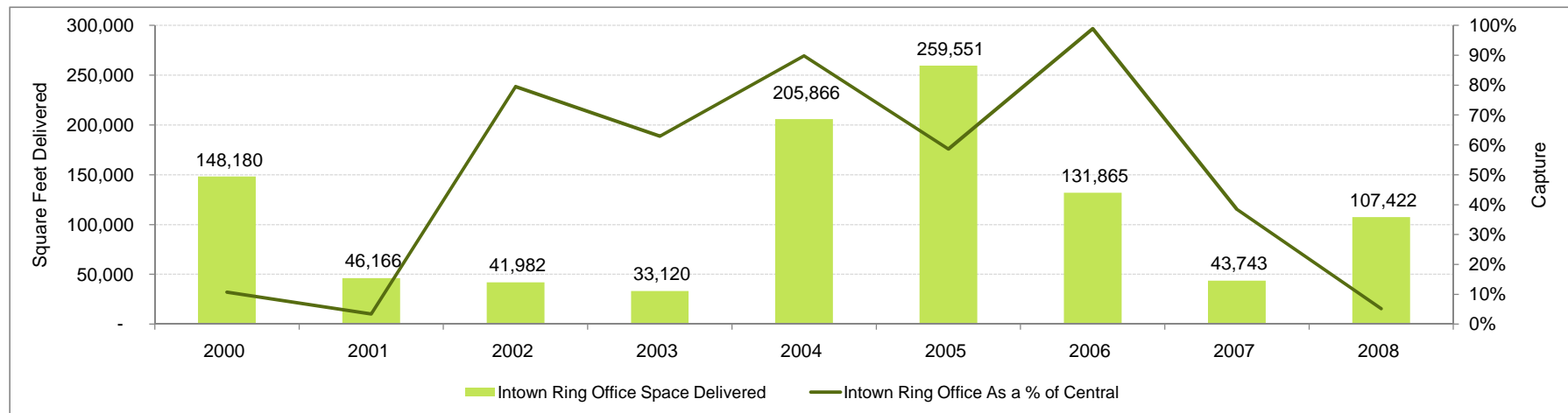
Source: Colliers Pinkard; CoStar; Noell Consulting Group



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
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Exhibit 14
Office Space Delivered by Planning District and the Intown Ring, 2000 - 2008

District	Office Development by Year (Square Feet)									Totals
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Central District Totals	1,384,641	1,354,848	52,810	52,655	229,157	442,803	133,321	113,648	2,071,552	5,835,435
Central Capture	32.7%	48.2%	5.7%	3.5%	17.6%	25.1%	8.0%	6.3%	57.9%	29.8%
Intown Ring Area	148,180	46,166	41,982	33,120	205,866	259,551	131,865	43,743	107,422	1,017,895
Intown Ring as a % of Central	10.7%	3.4%	79.5%	62.9%	89.8%	58.6%	98.9%	38.5%	5.2%	17.4%
North District Totals	162,650	324,399	38,695	193,776	213,209	111,768	91,036	161,474	85,494	1,382,501
North Capture	3.8%	11.5%	4.2%	12.9%	16.4%	6.3%	5.5%	8.9%	2.4%	7.1%
Northeast District Totals	1,359,558	439,988	388,392	283,841	37,249	342,182	64,936	189,598	44,748	3,150,492
Northeast Capture	32.1%	15.6%	41.9%	18.9%	2.9%	19.4%	3.9%	10.5%	1.3%	16.1%
Northwest District Totals	18,251	14,708	11,458	41,208	7,732	11,914	76,428	21,230	123,465	326,394
Northwest Capture	0.4%	0.5%	1.2%	2.7%	0.6%	0.7%	4.6%	1.2%	3.5%	1.7%
South District Totals	486,444	562,562	243,804	697,552	467,621	740,367	892,429	666,973	586,984	5,344,736
South Capture	11.5%	20.0%	26.3%	46.4%	36.0%	41.9%	53.6%	37.0%	16.4%	27.3%
Southeast District Totals	37,558	12,292	166,240	38,830	94,892	53,388	65,344	143,246	76,248	688,038
Southeast Capture	0.9%	0.4%	17.9%	2.6%	7.3%	3.0%	3.9%	7.9%	2.1%	3.5%
Southwest District Totals	785,534	103,228	25,364	195,940	248,641	64,042	340,346	508,443	589,599	2,861,137
Southwest Capture	18.6%	3.7%	2.7%	13.0%	19.1%	3.6%	20.5%	28.2%	16.5%	14.6%
Mecklenburg County	4,234,636	2,812,025	926,763	1,503,802	1,298,501	1,766,464	1,663,840	1,804,612	3,578,090	19,588,733



SOURCE: Charlotte-Mecklenburg Planning Department



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
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Exhibit 15

Estimated Demand Potential for Office Space in the Midtown-Morehead-Cherry Study Area

	2005	2006	2007	2008	2009	2010	2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030
Mecklenburg Employment Growth	14,803	23,656	23,850	1,617	-32,780	-3,521	63,722	85,835	78,666	79,051
Estimated Office Job Growth	4,860	10,307	8,561	326	-17,506	-4,856	19,117	25,751	23,600	23,715
Mecklenburg Office Absorption (Square Ft)	2,007,475	1,536,850	1,994,231	778,325	-501,285	1,049,153				
Meck Office Absorption/Net New Job	136	65	84	481	15	-298				
Average (Not incl. outliers of 2008 & 2009):				95						
Meck Office Absorption/Net New Office Job	413	149	233	2388	29	-216				
Average (Not incl. outliers of 2008 & 2009):				265						
Midtown Absorption (Square Feet)	111,967	152,951	108,192	71,309	47,636	13,737				
Midtown Capture	5.6%	10.0%	5.4%	9.2%	-9.5%	1.3%				
Average Capture:				3.7%						
Estimated Office Demand (Square Feet)										
					Based on Total Job Growth	(333,548)	6,036,445	8,131,231	7,452,104	7,488,576
					Based on Office Job Growth	(1,287,021)	5,066,611	6,824,842	6,254,826	6,285,438
					Blended Scenario	(810,284)	5,551,528	7,478,036	6,853,465	6,887,007
Midtown/Randolph/South End Capture Rate							5.0%	9.0%	11.0%	12.0%
Estimated Midtown Office Demand (Square Feet)							277,576	673,023	753,881	826,441
Midtown/Morehead/Cherry Capture Rate (Based on Deliveries)							35%	45%	45%	40%
Midtown-Morehead-Cherry Office Demand (Square Feet)							97,152	302,860	339,247	330,576

Midtown capture rates have been adjusted for the impact of oversupply in the Uptown market over the coming 5 years. This oversupply results in dropping rates, making it more attractive to many tenants priced out of the Uptown market.

SOURCE: Noell Consulting Group

NOTES: Employment growth via Economy.com (historic) and Charlotte-Mecklenburg Planning Commission (projected). Economy.com source for all office-based jobs. Demand estimates are gross and do not net out projects planned or in the pipeline. Historic office absorption data via Colliers Pinkard.



Exhibit 16
Potential Office Opportunities in the Midtown-Morehead-Cherry Study Area



Office should be a strong land use in the study area in the coming 20 years as it increasingly serves as an attractive location for price-alternative space relative to Center City. Product offered will vary from low-rise freestanding or mixed-use product (over retail) to high-rise towers such as Metropolitan.

Maintain smaller office opportunities throughout the study area, including both free-standing offices and second floor office space above retail.

Strongest opportunities for infill midrise office around interchanges that provide stronger regional access. Create mixed-use environments and identify ways to foster more cohesive development

Medical-oriented office around the two hospital campuses, with some need to more clearly define boundaries for that space.

Location
Generally strong with high visibility, adjacency to two major hospitals, freeway access, and opportunities to function as a price alternative to Center City.

Retail/Services
Relatively strong, with abundant dining opportunities, convenience, and other providers easily within reach. The area still, however, lacks true walkability and a cohesive office "quality of life", something South End is further along providing.

Housing Quality
Executive housing is immediately adjacent to the study area and is attractive to decision-makers for office locations. Lack of housing options for workers is a bit of a challenge.

Summary of Office Demand

<u>Avg Annual New SF 2010-2030</u>	<u>Avg Annual Acres 2010-2030</u>
53,491	0.6

NOTE: Acreage estimates are gross and could include intensification of existing land uses in the market and thus are not necessarily net new acres needed.



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
AREA PLAN MARKET ANALYSIS**

Exhibit 17
Rental Residential Product Overview

National Trends/Factors

- Rental product is among the stronger performing real estate products, fueled by issues in the for-sale housing market.
- Developers beginning to look for sites as existing product stabilizes --2010 was the strongest absorption year in a decade in many markets.
- Investors purchasing existing apartments given strengthening fundamentals.
- Strongest locations for rental product are convenient areas--those close to major employment cores and in walkable environments.
- Unit sizes anticipated to decrease as renters become less interested in paying for less excess space
- Condo-level finishes have become the norm in solid locations--not your old garden-style product.



Intown Charlotte Trends

- Consistent with national trends, absorption in 2010 was very strong--fueled by demand from younger singles/couples locked out/uninterested in owning.
- Overall vacancy rates are still very high intown but have improved from 2009 levels and, given the lack of new construction, should continue improving in 2011.
- After declining for close to two years due to oversupply and negative job growth, rental rates are again trending upward, increasing to an average \$1.08/SF.
- Still, rents achieve a 42% premium over Mecklenburg County apartments overall
- Absorption in the last half of 2010 was very strong for new communities coming online in South End, Elizabeth, and Center City:

Summary of New Intown Units	New Units	Absorbed	Vacancy	Lease Rate Range
South End	1,671	855	49%	\$1.15 - \$1.52/SF
Elizabeth	256	241	6%	\$1.29/SF
Center City	641	405	37%	\$1.38 - \$1.67/SF
Total Intown	2,568	1,501	42%	\$1.15 - \$1.67



- Absorption will eat up remaining units in next 12 - 15 months at which point rent levels will begin to climb and new construction will likely be delivered.
- In Center City, the two products delivered at actually for-sale condos converted to rental situations due to sales issues.
- Growth being fueled by singles working intown--most in Uptown--and seeking urban lifestyle

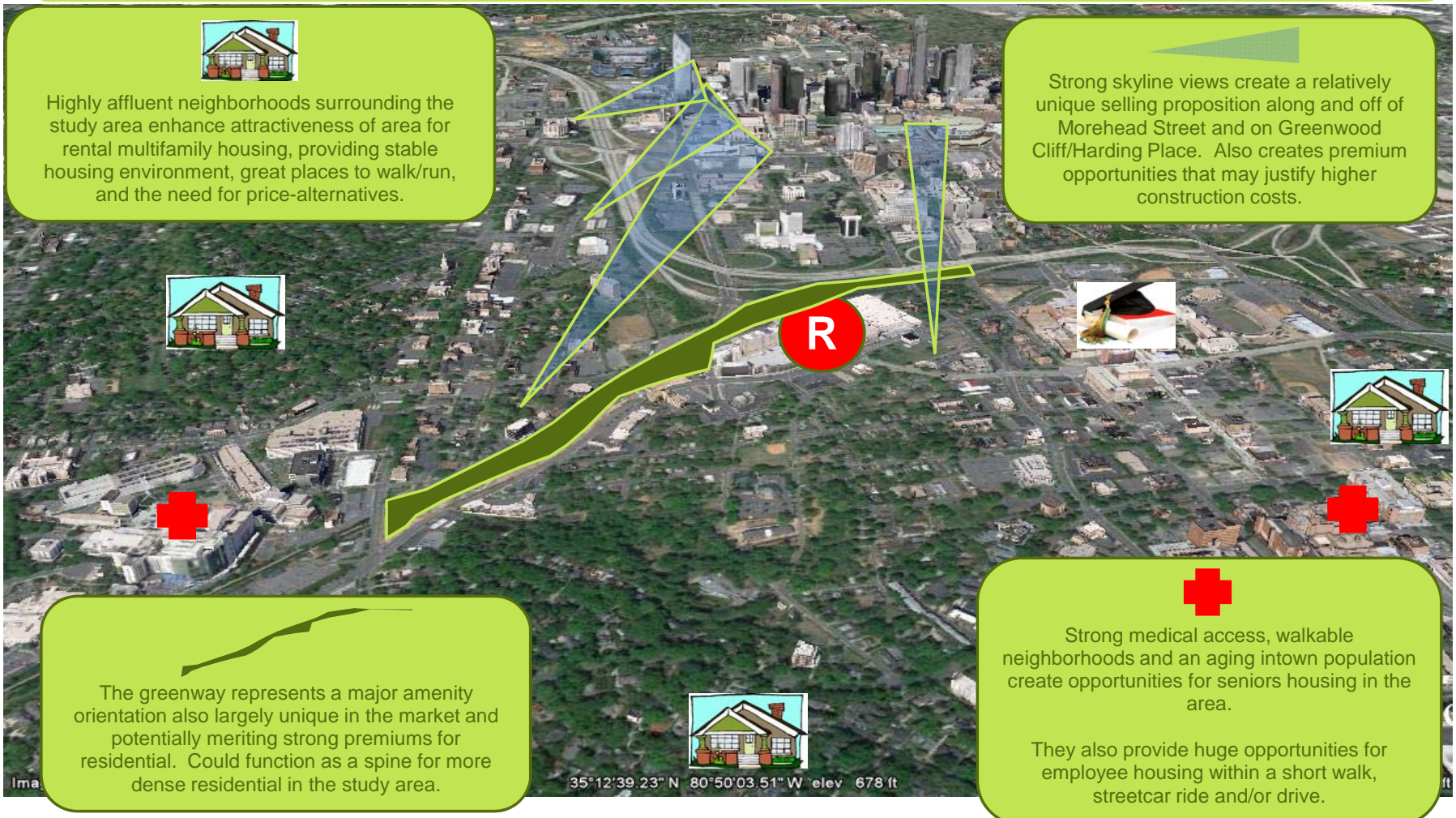
Midtown/Morehead/Cherry Area Trends/Conditions

- Very little modern rental product existing in the area today, in spite of the very strong location
- South End and Elizabeth Square represent the strongest analogs with 4 - 5 story product performing better than high-rise product.
 - Leasing well with somewhat discounted rents, but still achieving solid rates.
- Adjacent to the study area, Grubb is planning potential rental product at its Elizabeth Street mixed-use project.
- To date no rental product has been incorporated into a solid mixed-use project in the study area.
- No product has been rolled out targeting hospital employees
- No product has been rolled out targeting CPCC students



Exhibit 18
Factors Impacting Potential Rental Residential Development Opportunities

The Midtown-Morehead-Cherry study area represents a very strong location for the development of new, higher-density residential development, bolstered by its unparalleled access to jobs, regional accessibility, strong access to parks and greenways, and strong skyline views. New rental product should largely be delivered in the form of midrise product likely wrapping a parking structure.



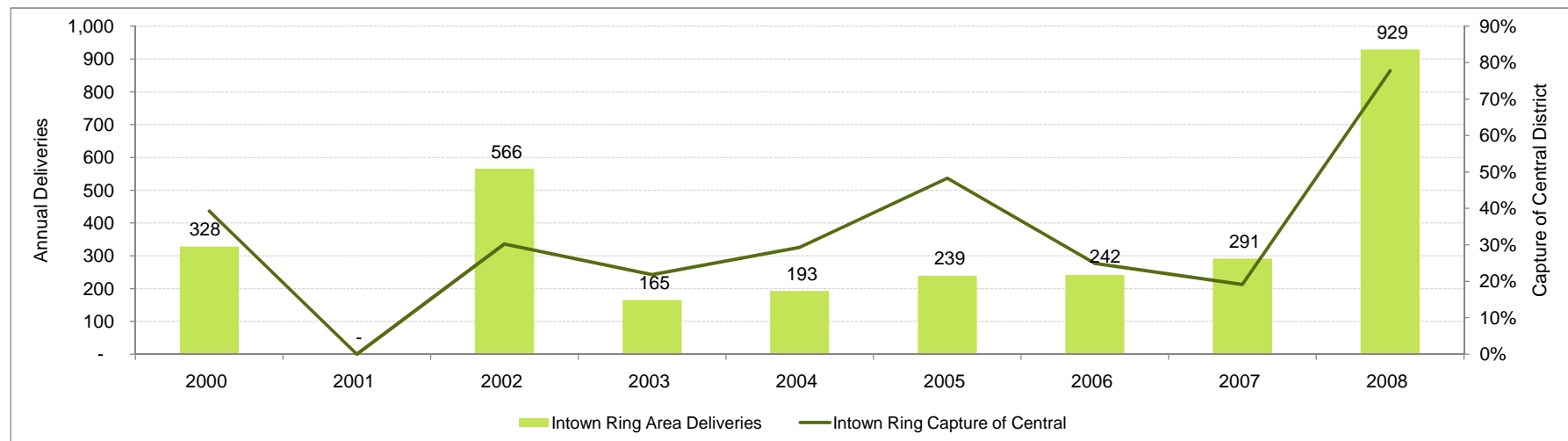
SOURCE: Noell Consulting Group



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
AREA PLAN MARKET ANALYSIS**

Exhibit 19
Rental Residential Units Delivered by Planning District, 2000 - 2008

District	Multifamily Units Delivered by Year									Totals
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Central District Totals	835	53	1,873	755	658	495	972	1,522	1,195	8,358
Central Capture	13.1%	1.0%	30.1%	20.0%	15.0%	11.2%	17.9%	24.6%	26.0%	17.9%
Intown Ring Area	328	-	566	165	193	239	242	291	929	2,953
Intown Ring of Central	39.3%	0.0%	30.2%	21.9%	29.3%	48.3%	24.9%	19.1%	77.7%	35.3%
North District Totals	653	684	550	542	227	605	627	930	255	5,073
North Capture	10.2%	13.1%	8.8%	14.3%	5.2%	13.7%	11.5%	15.0%	5.5%	10.9%
Northeast District Totals	1,697	653	1,534	636	954	1,428	1,549	660	822	9,933
Northeast Capture	26.6%	12.5%	24.6%	16.8%	21.7%	32.4%	28.5%	10.6%	17.9%	21.3%
Northwest District Totals	379	96	194	603	76	495	44	251	558	2,696
Northwest Capture	5.9%	1.8%	3.1%	15.9%	1.7%	11.2%	0.8%	4.0%	12.1%	5.8%
South District Totals	1,428	1,362	1,423	743	1,105	654	1,312	1,635	890	10,552
South Capture	22.4%	26.2%	22.9%	19.6%	25.1%	14.8%	24.1%	26.4%	19.4%	22.6%
Southeast District Totals	399	896	433	373	302	515	187	272	47	3,424
Southeast Capture	6.3%	17.2%	7.0%	9.9%	6.9%	11.7%	3.4%	4.4%	1.0%	7.3%
Southwest District Totals	990	1,032	220	132	1,079	214	748	929	832	6,176
Southwest Capture	15.5%	19.8%	3.5%	3.5%	24.5%	4.9%	13.8%	15.0%	18.1%	13.2%
Total	6,381	5,205	6,227	3,784	4,401	4,406	5,439	6,199	4,599	46,641

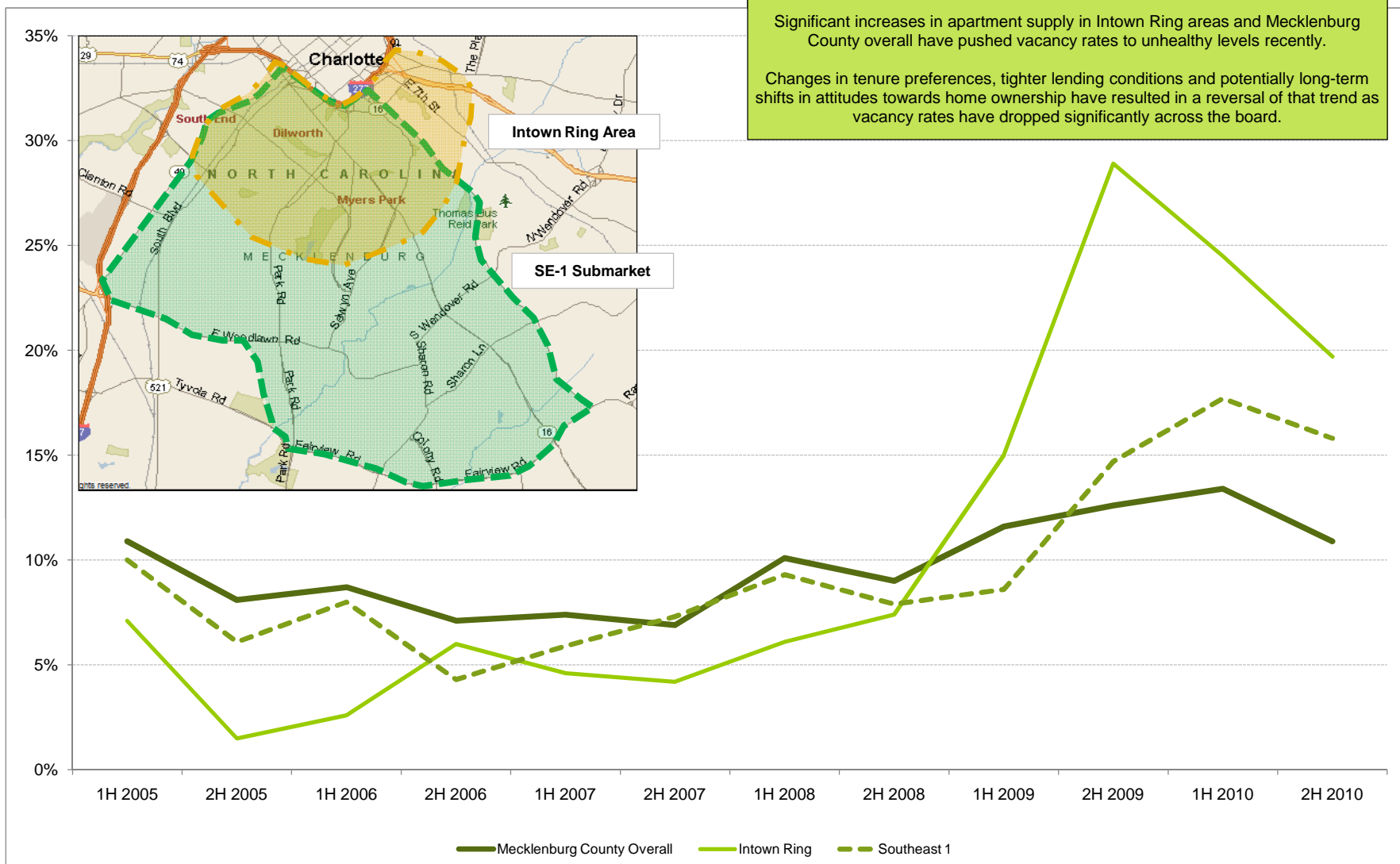


Source: Noell Consulting Group based on data obtained from the Charlotte-Mecklenburg Planning Department



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
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Exhibit 20
Historic Apartment Vacancy, Mecklenburg County and Intown Ring Area



Note: The Intown Ring is comprised of newer, Class A apartment product in Charlotte's intown neighborhoods--those most proximate to Center City.

SOURCE: Real Data Apartment Index Sept. 09/Sept. 10



**CITY OF CHARLOTTE
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Exhibit 21
Historic Net Apartment Absorption, Central Submarket /1



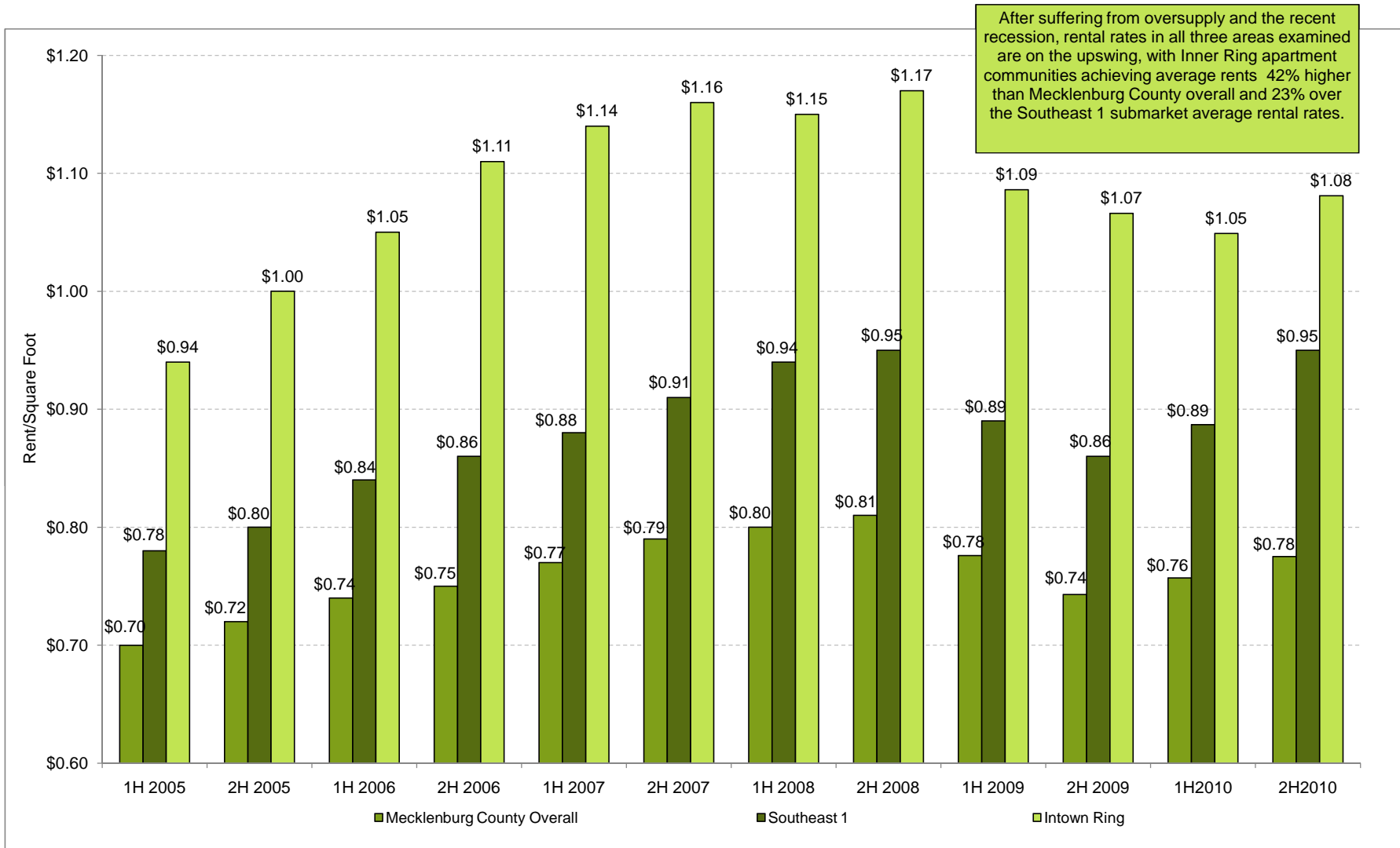
1/ The Central submarket is a combination of the SE, East, NE1, and Central submarkets.
SOURCE: Real Data Apartment Index Sept. 09



**CITY OF CHARLOTTE
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Exhibit 22

Historic Apartment Rental Rate Growth, Mecklenburg County, Southeast 1 Submarket and Intown Ring Area



A map of the Intown Ring and Southeast 1 submarkets is provided on Exhibit 20 of this package.

SOURCE: Real Data Apartment Index Sept. 09



**CITY OF CHARLOTTE
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Exhibit 23
New Rental Residential Demand, 2000 - 2030

	New Apartment Unit Demand by Timeframe						Totals 2010 - 2030
	2000 - 2005	2005- 2010	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Total HH Growth	76,469	27,238	25,617	35,586	33,197	30,403	124,803
Renter Propensity	42%	40%	40%	40%	40%	40%	40%
New Renter HH Growth	32,117	10,895	10,247	14,234	13,279	12,161	49,921
Central Capture	15%	19%	22%	23%	23%	25%	23%
New Renter HH Growth in Central Mecklenburg	4,818	2,070	2,254	3,274	3,054	3,040	11,623
Intown Ring Area Capture	28%	40%	50%	50%	50%	50%	50%
New Renter HH Growth in Intown Ring	1,349	828	1,127	1,637	1,527	1,520	5,811
Midtown/Morehead/Cherry Capture	25%	25%	35%	35%	35%	35%	35%
New Renter HH Growth in Midtown/Morehead/Cherry	337	207	395	573	534	532	2,034

The Midtown/Morehead/Cherry area has all of the attributes attractive to renters in the coming years: access to jobs (hospitals and Center City), adjacency to stable neighborhoods, access to parks and greenways, superior freeway access, skyline views, and high proximity to groceries and other retail.

Given this, demand potential in the study area is very high, averaging more than 100 units annually over the next 20 years.



Projected household growth via population projections provided by MUMPO
 Renter propensities from US Census Bureau
 Captures based on historic and current trends and estimates of where those captures will trend going forward.
 Estimated demand potential estimates are gross and do not net out projects planned or in the pipeline.

SOURCE: Noell Consulting Group

**Exhibit 24
Factors Impacting Potential Rental Residential Development Opportunities**

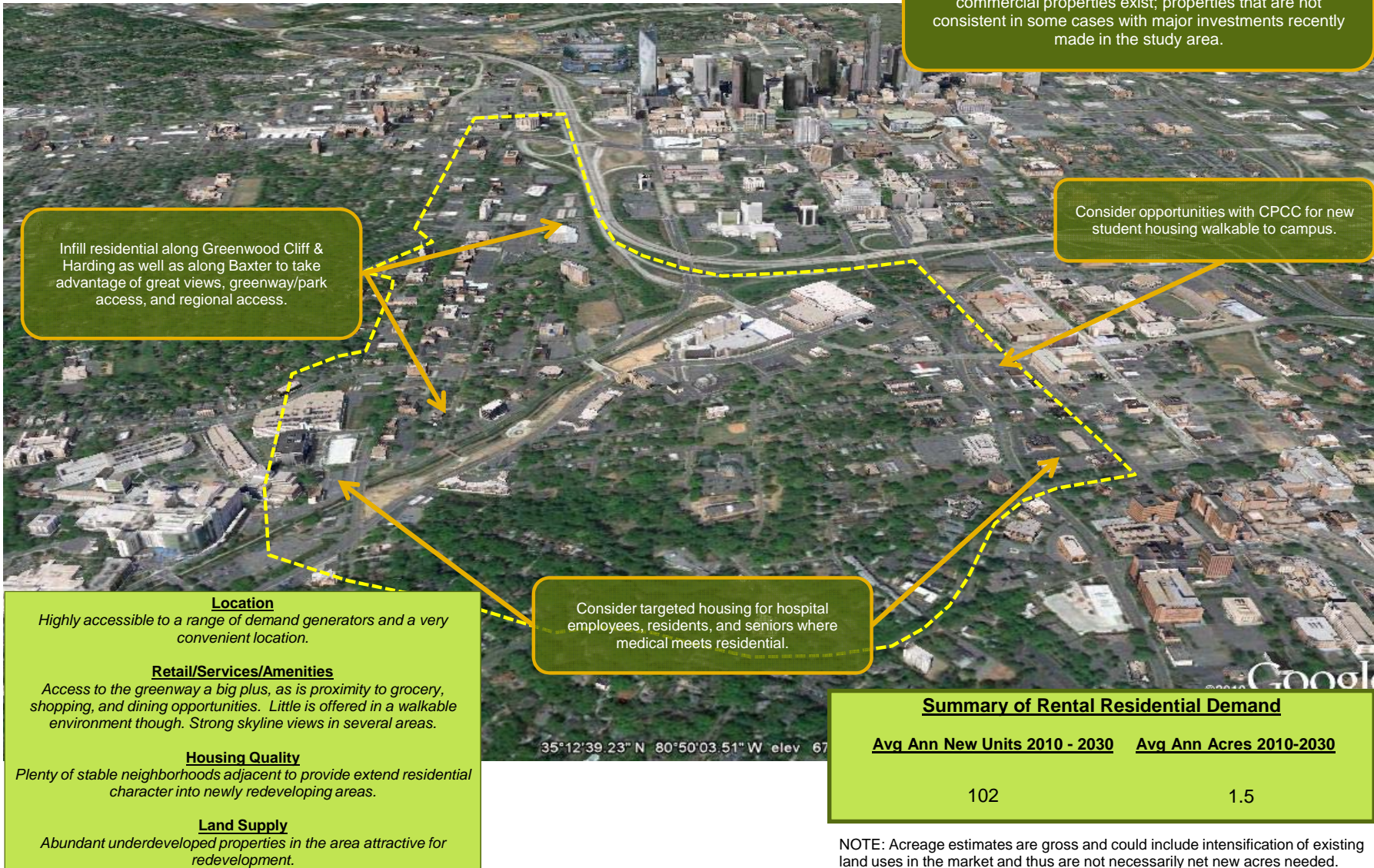


Exhibit 25
For-Sale Residential Product Overview

Macro Trends/Factors

- Home prices in the largest US housing markets are still showing weakness, with 11 of 20 markets surveyed hitting new lows in the past five years.
- Home prices in Charlotte are now back to 2004 prices which, while painful, still represents an improvement on markets like Atlanta, which are now back to pre-2000 levels.
- Economists do not expect housing market conditions to improve significantly in the near-term, with gradual improvements occurring in 2011, 2012, and 2013.
- Pain in the housing market has been focused largely at the more moderate end of the spectrum, particularly in the starter market as many who cannot afford new home ownership have been able to purchase new or existing homes and have subsequently given those homes back to the bank.
- The suburbs is most metros, including Charlotte, have largely been hit harder than intown areas given many buyers "drive for value" and are most susceptible to downturns in the market. Rising gas prices could inflict further pain on homeowners on the suburban fringe.
- Home prices in Mecklenburg County have generally stabilized or have fallen slightly, with median home prices showing minor declines and average home prices actually increasing, a sign that the high-end is recovering more quickly than more affordable product.

Intown Charlotte Trends

- Intown Charlotte home prices continue to fare relatively well, with most neighborhoods surrounding the study area showing increases in sales prices. Dilworth has seen some continued drop-off
- This is in part due to the significant drop-off in foreclosures intown, with neighborhoods around the study area generally seeing foreclosure rates drop by roughly 50% from the levels seen in late 2009.

ZIP/Area	Foreclosure Rates		Current <u>Average</u> Home Price	Est. Avg. Yr-Over-Yr Price Change
	January 2011	Fall 2009		
28204--Elizabeth/Cherry	0.03%	0.06%	\$416,000	49%
28207--Elizabeth & Myers Pk	0.09%	0.09%	\$652,643	2.3%
28202--Uptown	0.19%	0.27%	\$326,773	92.2%
28203--S. End/Dilworth	0.10%	0.18%	\$316,292	-7.0%
Mecklenburg County	0.18%	0.25%	\$207,591	5.4%

Note: Home prices shown at left are average prices. Overall, median prices in Mecklenburg County have declined by a little less than 1% from January 2010.

Midtown/Morehead/Cherry Trends/Conditions

- The Midtown/Morehead/Cherry study area has been a relatively stable housing market overall, with foreclosure rates generally remaining low and home prices remaining relatively stable over the past year.
- Product in the study area varies significantly, with most single-family homes being relatively affordable in the Cherry neighborhood, and newer product being in condos in higher-end properties such as Metropolitan Midtown and Royal Court.
 - While having major employment concentrations that span a huge range of incomes, very few employees in the area actually live close to work, with younger households, those under the age of 30, having the greatest proclivity to buy or rent in the area.
 - The hospitals in particular represent major sources of potential buyers in the area and could represent an opportunity to initiate some type of program to encourage employees to buy (or rent) nearby.



Exhibit 26
Factors Impacting Potential For-Sale Residential

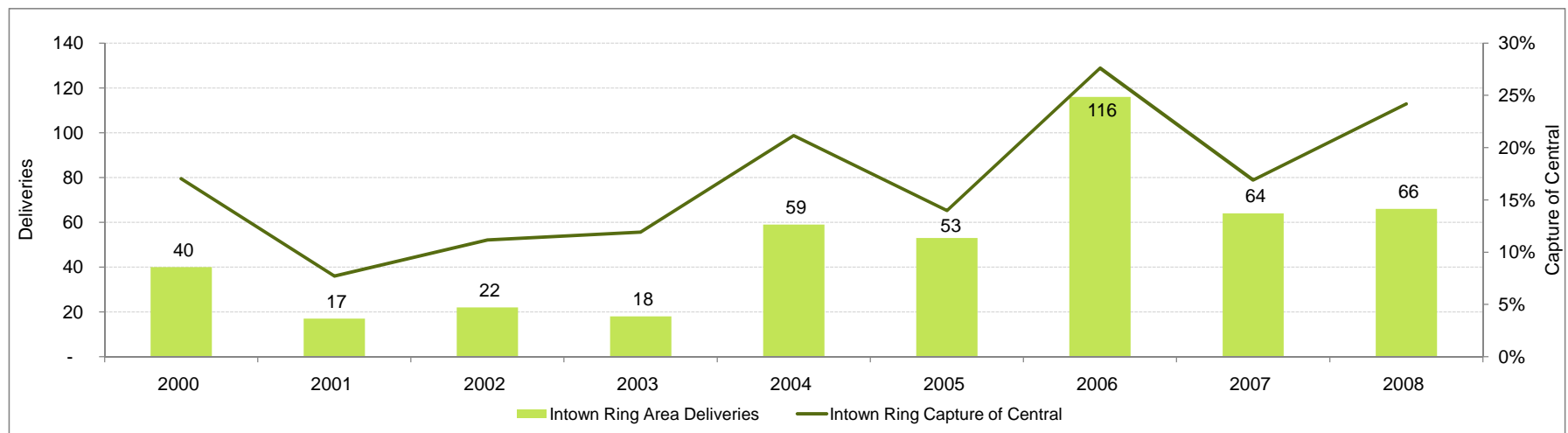
As with rental, the Midtown-Morehead-Cherry study area represents a very strong location for the development of new infill for-sale residential of all product types, from single-family infill in the Cherry neighborhood to townhouses and condos along the greenway, where views are strongest, and adjacent to stable neighborhoods.



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
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Exhibit 27
Single-Family Units Delivered by Planning District and the Intown Ring, 2000 - 2008

District	Single-Family Units Delivered by Year									Totals
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Central District Totals	235	220	197	151	279	379	420	379	273	2,533
Central Capture	3.0%	2.9%	2.6%	2.1%	4.1%	5.3%	5.0%	6.1%	9.4%	4.1%
Intown Ring Area	40	17	22	18	59	53	116	64	66	455
Intown Ring Capture of Central	17.0%	7.7%	11.2%	11.9%	21.1%	14.0%	27.6%	16.9%	24.2%	18.0%
North District Totals	1,365	1,252	1,146	1,350	1,277	1,378	1,273	972	489	10,502
North Capture	17.3%	16.5%	15.1%	18.8%	18.7%	19.2%	15.3%	15.5%	16.9%	17.0%
Northeast District Totals	1,960	1,833	1,744	1,568	1,502	1,539	1,528	1,274	425	13,373
Northeast Capture	24.8%	24.2%	23.0%	21.9%	22.0%	21.4%	18.3%	20.4%	14.7%	21.7%
Northwest District Totals	1,306	1,450	1,593	1,553	1,155	1,070	1,377	853	296	10,653
Northwest Capture	16.5%	19.1%	21.0%	21.7%	16.9%	14.9%	16.5%	13.6%	10.2%	17.3%
South District Totals	1,600	1,294	1,256	1,236	1,221	1,014	1,175	889	435	10,120
South Capture	20.3%	17.1%	16.6%	17.2%	17.9%	14.1%	14.1%	14.2%	15.0%	16.4%
Southeast District Totals	956	803	912	690	702	882	1,146	952	447	7,490
Southeast Capture	12.1%	10.6%	12.0%	9.6%	10.3%	12.3%	13.7%	15.2%	15.4%	12.1%
Southwest District Totals	472	715	724	577	619	887	1,388	918	532	6,832
Southwest Capture	6.0%	9.4%	9.5%	8.1%	9.1%	12.4%	16.6%	14.7%	18.4%	11.1%
Total	7,898	7,582	7,589	7,166	6,839	7,181	8,343	6,256	2,897	61,751



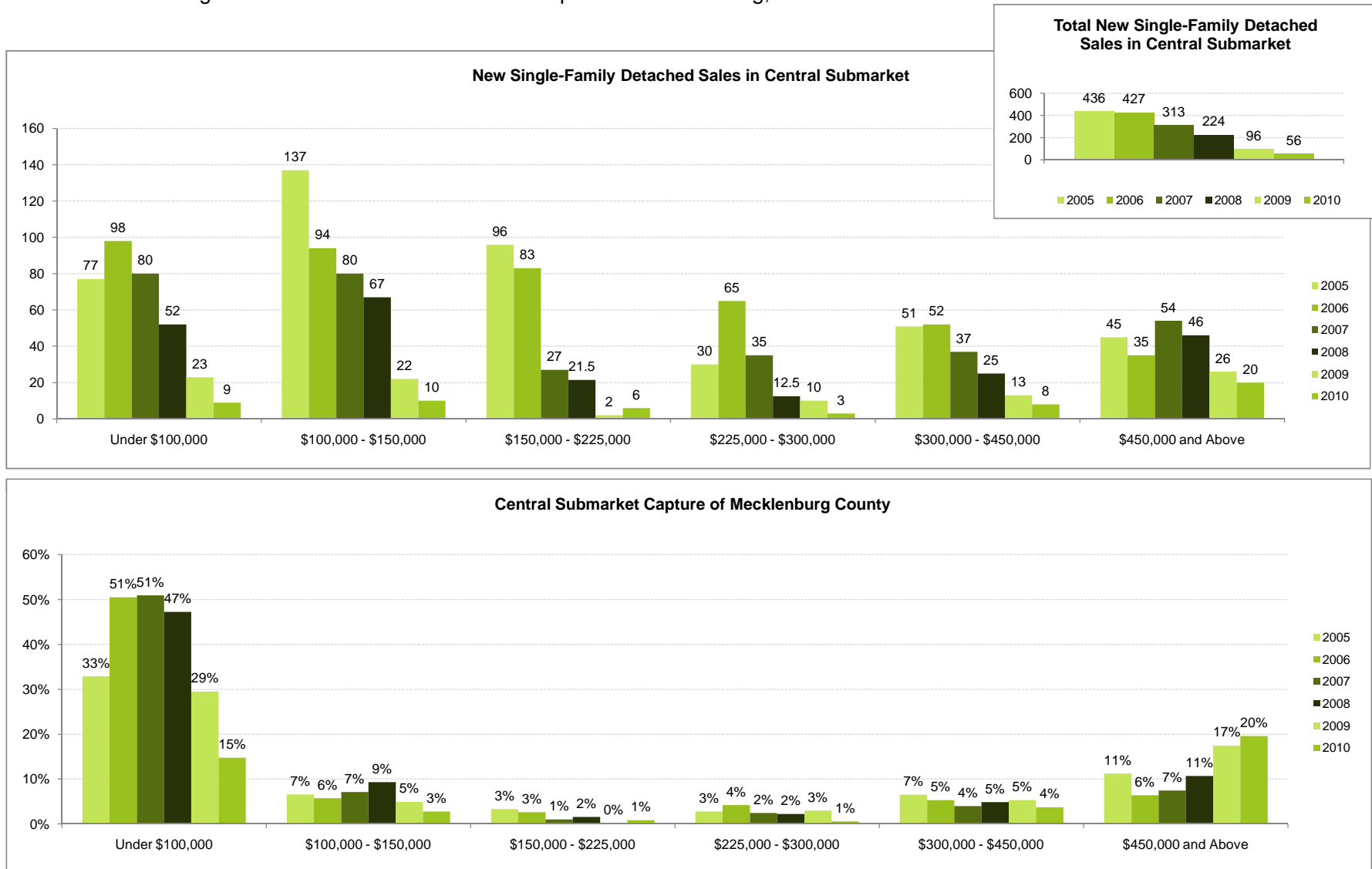
Source: Noell Consulting Group based on data obtained from the Charlotte-Mecklenburg Planning Department



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
AREA PLAN MARKET ANALYSIS**

Exhibit 28

Central Mecklenburg New Detached Home Sales and Capture of Mecklenburg, 2005 - 2010



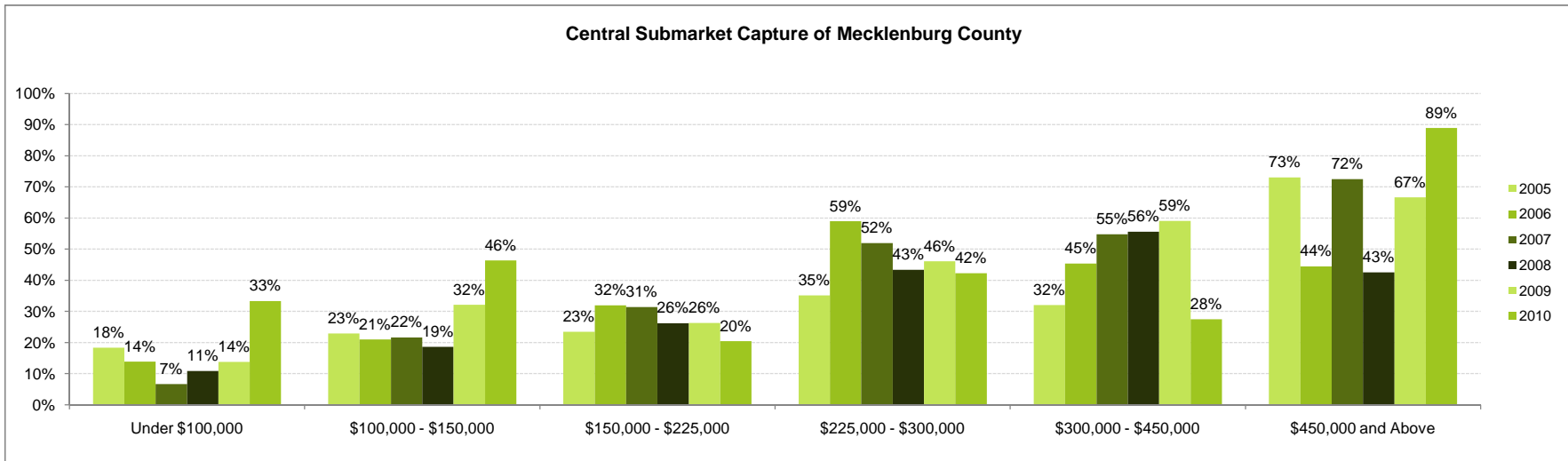
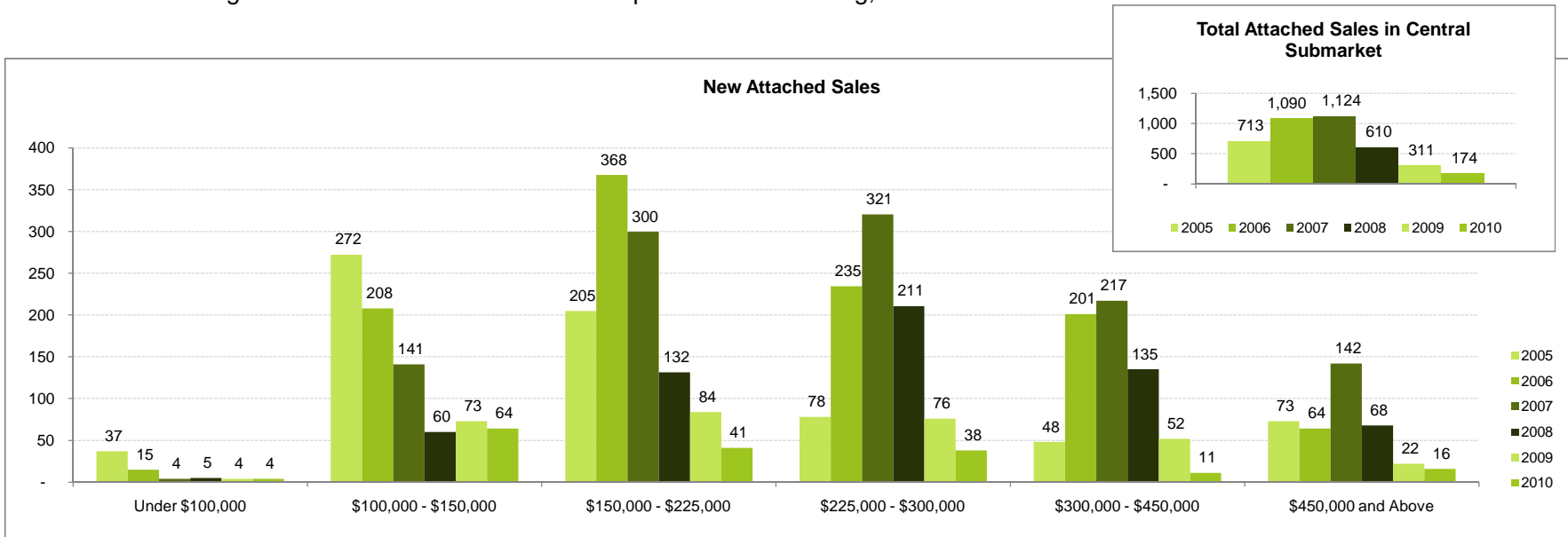
SOURCE: Noell Consulting Group based on data obtained from MORE.



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
AREA PLAN MARKET ANALYSIS**

Exhibit 29

Central Mecklenburg New Attached Home Sales and Capture of Mecklenburg, 2005 - 2010



SOURCE: Noell Consulting Group based on data obtained from MORE.



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
AREA PLAN MARKET ANALYSIS**

Exhibit 30

Estimated For-Sale Residential Demand in the Midtown-Morehead-Cherry Area, 2010 - 2030

	New For-Sale Housing Demand (Units) by Timeframe						Totals 2010 - 2030
	2000 - 2005	2005- 2010	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Total Mecklenburg County HH Growth 15 - 75+	76,469	27,238	25,617	35,586	33,197	30,403	124,803
Owner Propensity	58%	60%	60%	60%	60%	60%	60%
New 15 - 75+ Owner HH Growth	44,352	16,343	15,370	21,352	19,918	18,242	74,882
% Choose Attached	25%	29%	32%	35%	39%	42%	55%
New Mecklenburg County Attached Homes	11,088	4,739	4,918	7,473	7,768	7,662	27,821
% Choose Detached	75%	71%	68%	65%	61%	58%	45%
New Mecklenburg County Detached Homes	33,264	11,603	10,452	13,879	12,150	10,580	47,061
Central Mecklenburg Area Capture							
Attached Homes	33%	33%	35%	31%	30%	30%	31%
New Central Attached Homes	3,659	1,564	1,721	2,317	2,330	2,298	8,667
Detached Homes	5%	6%	7%	6%	7%	6%	6%
New Central Detached Homes	1,663	696	732	833	790	635	2,989
Intown Ring Area Capture							
Attached Homes	20%	28%	33%	33%	33%	33%	33%
New Intown Ring Attached Homes	732	438	568	764	769	758	2,860
Detached Homes	10%	10%	10%	10%	10%	10%	10%
New Intown Ring Detached Homes	166	70	73	83	79	63	299
Midtown/Morehead/Cherry Capture							
Attached Homes			35%	35%	35%	35%	35%
New MMC Study Area Attached Homes			199	268	269	265	1,001
Detached Homes			10%	10%	10%	10%	10%
New MMC Study Area Detached Homes			7	8	8	6	30

As with rental apartment product, the Midtown/Morehead/Cherry study area represents an ideal location for the infill of new, for-sale residential housing. This includes opportunities for infill single-family homes in the Cherry neighborhood to townhouses and mid-rise condos in higher-visibility areas and those that benefit the most from walkable access to the greenway, groceries and shopping, and great skyline views.

Annual demand for new attached products is estimated to average around 50 units in the study area, with detached for-sale residential demand averaging around 2 homes annually. While potential demand could easily exceed this amount, supply and the ability to deliver market-rate product temper achievable demand levels.



NOTE: Demand estimates are gross and do not net out planned projects or those in the pipeline.

Source: Noell Consulting Group based on data obtained from MORE and the Charlotte-Mecklenburg Planning Department



Exhibit 31
Potential For-Sale Residential Opportunities in the Midtown-Morehead-Cherry Area

As with rental residential, the study area is ideally situated for infilling a variety of for-sale residential products, from single-family homes to high-rise residential, provided infilling is done in the proper context. Where possible incorporate residential into mixed-use projects.



**CITY OF CHARLOTTE
MIDTOWN MOREHEAD CHERRY
AREA PLAN MARKET ANALYSIS**

Exhibit 32
Summary of Demand By Land Use, 2011 - 2030

	Retail Square Feet Demanded by Timeframe				Totals
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Total New Supportable Retail SF (incl. current undersupply)	117,605	36,063	35,726	43,228	232,622
Average Retail FAR	0.50	0.60	0.60	0.60	0.54
Estimated New Retail Acreage Demanded	5.4	1.4	1.4	1.7	9.8
Annual New Retail Acreage 2010 Forward	5.4	0.3	0.3	0.3	0.5

* Note: 2010 - 2015 retail demand includes existing pent-up demand in the market.



	Office Square Feet Demanded by Timeframe				Totals 2010-2030
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Total New Supportable Office SF	97,152	302,860	339,247	330,576	1,069,835
Average Office FAR	1.50	1.75	2.25	2.75	2.10
Estimated New Office Acreage Demanded	1.5	4.0	3.5	2.8	11.7
New Office Acreage 2010 Forward	0.3	0.8	0.7	0.6	0.6

* Note: Above figures include potential hospital expansions



	Rental Residential Units Demanded by Timeframe				Totals 2010-2030
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Total New Rental Residential Units	395	573	534	532	2,034
Average Units/Acre	60	70	70	70	68
Estimated New Rental Residential Acreage Demanded	6.6	8.2	7.6	7.6	30.0
New Rental Residential Acreage 2010 Forward	1.3	1.6	1.5	1.5	1.5



	For-Sale Detached Unit Residential Demanded by Timeframe				Totals 2010-2030
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Total New For-Sale Detached Residential Units	7	8	8	6	30
Average Units/Acre	7.0	7.0	7.0	7.0	7.0
Estimated New For-Sale Detached Residential Acreage Demanded	1.0	1.2	1.1	0.9	4.3
New For-Sale Res. Detached Acreage 2010 Forward	0.2	0.2	0.2	0.2	0.2



	For-Sale Attached Residential Units Demanded by Timeframe				Totals 2010-2030
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	
Total New For-Sale Attached Residential Units	199	268	269	265	1,001
Average Units/Acre	33	40	42	48	41
Estimated New For-Sale Attached Residential Acreage Demanded	6.0	6.8	6.4	5.5	24.6
New For-Sale Res. Attached Acreage 2010 Forward	1.2	1.4	1.3	1.1	1.2



	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	Totals 2010-2030
Total Acreage All Land Uses:	20.5	21.5	20.0	18.4	80.4
Average Annual:	4.1	4.3	4.0	3.7	4.0

NOTE: Acreage estimates for all land uses are gross and could include intensification of existing land uses in the market and thus are not necessarily net new acres needed. Demand estimates should be considered gross and do not net out projects planned or in the pipeline. In some cases, short-term captures have been reduced to account for significant oversupply that exists today (e.g. Uptown office space & condominiums).