

Exhibit C. Market Study

Proposed Multi-Use Compact Community in Chatham County, NC

May 2020

[Updated March 2021]

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Development Proposal

Herndon Farms will be a well-planned multi-use adult-oriented community of 97.86 acres located on Highway 15-501 between Chapel Hill and Pittsboro. The development will provide residents the opportunity to comfortably age-in-place in a vibrant, amenity-rich environment. This active adult community is designed to meet the specific needs of seniors but also affords comfortable living for all later-in-life stages. The proposed uses include 161 residential units and commercial space for an Congregant Care Facility, specifically Independent Living, and family/health-oriented businesses.

The Herndon Farms site is about 7.5 miles from UNC and Chapel Hill to the north and 11 miles to the town of Pittsboro to the south. Highway 15-501 intersects I-64 9.5 miles to the south, which is the east-west artery to Raleigh and Cary. The site is across the street from Briar Chapel Parkway which serves as the main entrance to the Briar Chapel Community and is less than 2 miles from recreational facilities at Jordan Lake.

The project incorporates many of Chatham County's expressed goals of providing for the older segment of the population, as specified in Chatham County's recently adopted Comprehensive Plan and reflected in the Chatham County Council on Aging Vision statement:

"Our vision is a Chatham County that offers older adults, and all residents, a safe, affordable, accessible, and inclusive community that promotes wellness, presents and respects choices, values diversity, recognizes and uses people's strengths, and supports individuals aging in community with dignity."

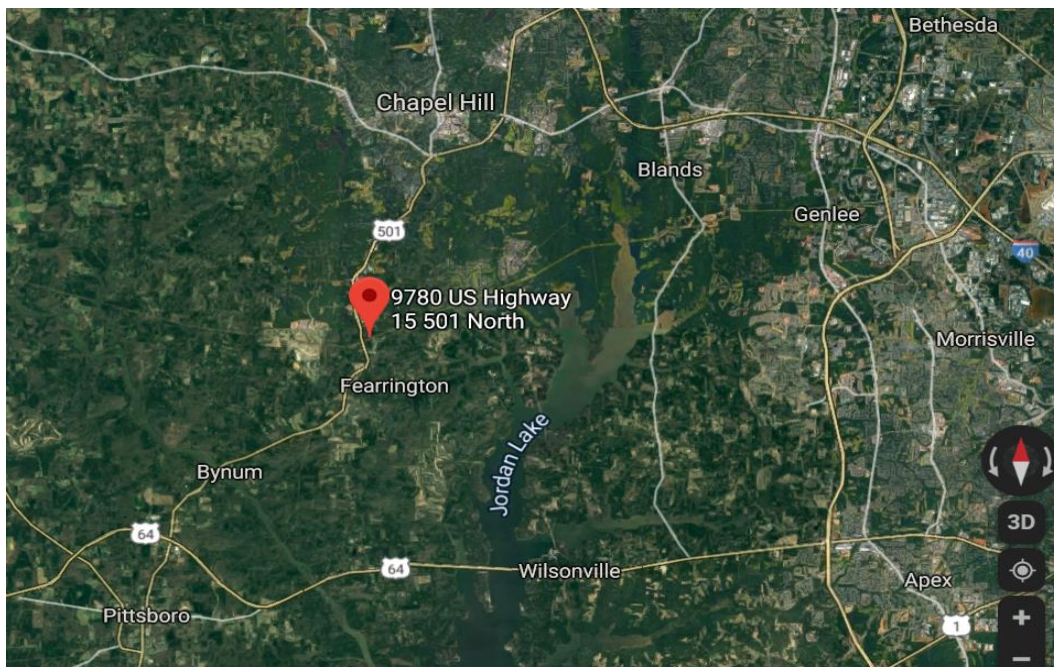
Empty Nesters ready to downsize have targeted Chatham County for its proximity to quality healthcare and accessibility to cultural and recreational activities in the Chatham County area. UNC's and Duke's Health Care resources are easily accessible. Chatham County Community College is opening a campus less than 1 mile from the site which will eventually include a Chatham County Library as well.

The look and feel of Herndon Farms will be designed to create a truly unique and livable community. It will combine mindful architecture, environmentally friendly components and farming. The proposed farm reflects the agrarian history of Chatham County. The bulk of the farming operation will be located along and under the Duke Power easement. There will also be two smaller gardens, one dedicated to flowers and ornamental plants, and farm-related activities elsewhere in the community. These amenities will give residents opportunities to develop and enhance their social experiences by facilitating healthy community activities and opportunities to connect with one another.

Project Status

Saprolite Development, LLC is in the process of submitting an application for rezoning under the Compact Community Ordinance and requesting approval of a new Major Subdivision for Herndon Farms (the "Project"). The site is located to the North of both Vickers Road and the Briar Chapel Parkway. Approximately 56 Acres of the proposed project are located on the east side of 15-501 and north of Vickers Road, with about 42 acres located to the west of 15-501 and north of the Briar Chapel Parkway. The Project location is show in Exhibit 1.

Exhibit 1. Proposed Project Location



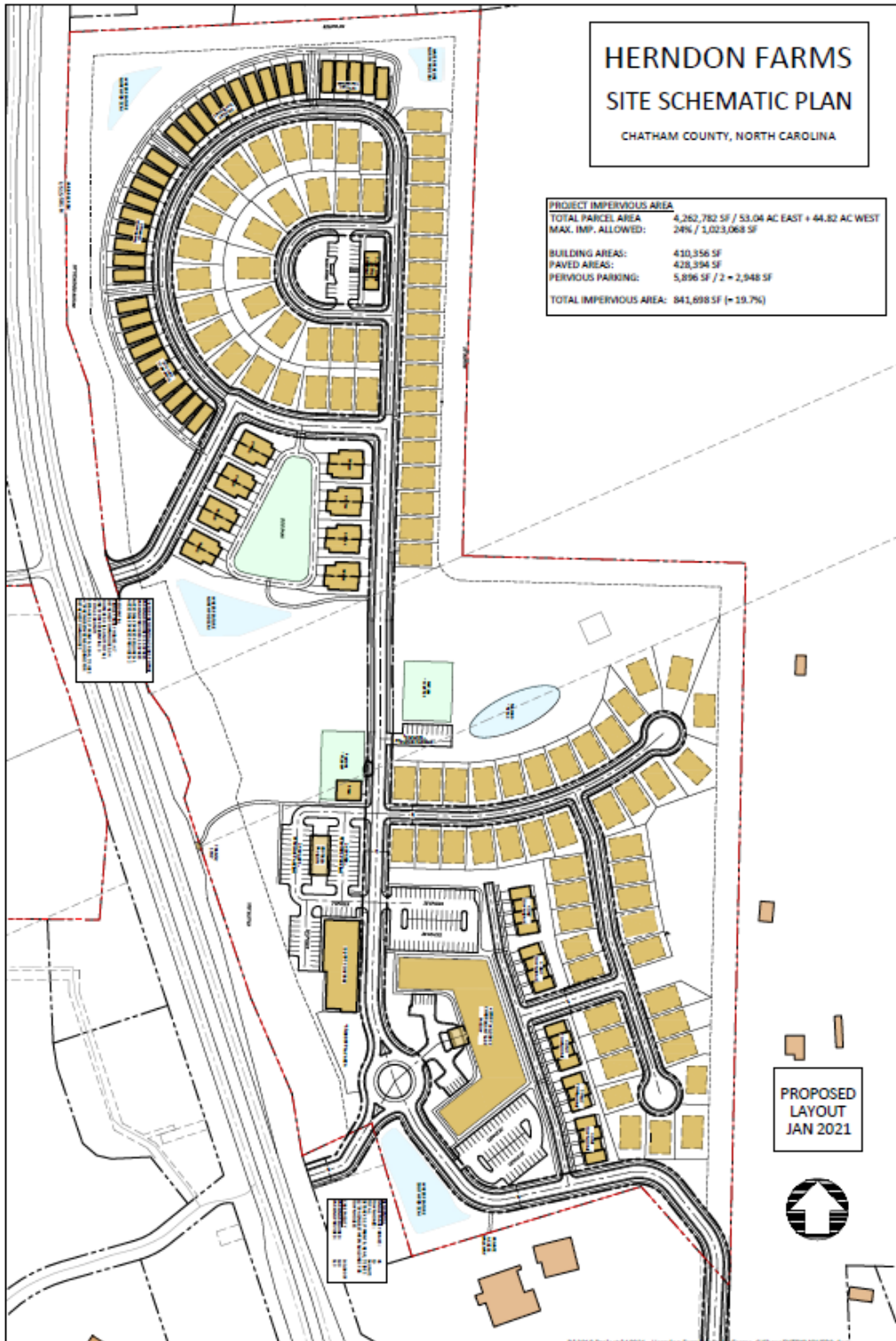
*Source: Google Maps

The site is currently zoned R-1.

The proposal for the site includes 161 residential units and at least 150,000 square feet of commercial space. The commercial space will be primarily devoted to a Congregant Care Facility, specifically Independent Living, for seniors with the remainder used for Fitness, Medical, OT/PT, or Daycare.

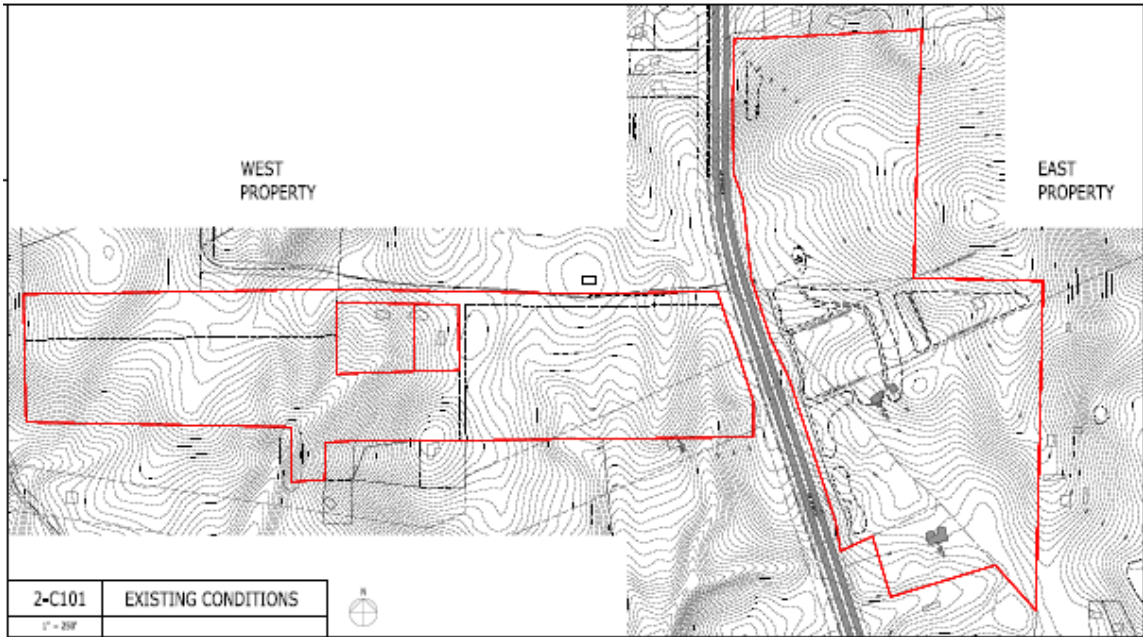
The proposed Project site plan shown in Exhibit 2 locates the development on the east side of 15-501. The acreage on the west side of 15-501, as shown in Exhibit 3, will largely be preserved for open space though may accommodate additional farming activities or limited future development.

Exhibit 2. Proposed Site Plan



*Source: Acadia Engineering

Exhibit 3: Site Plan Context



*Source: Acadia Engineering

The site plan is designed to accommodate the topography on the northwest corner of the development while still allowing for no more than a 5% grade throughout the rest of the community. The 5% grade allows ease of mobility for wheelchair or walker users as it is relatively flat. The layout of the community further allows for communal spaces, such as the community building in the north, a potential dog park, which would likely also be in the north between the duplexes, and community gardens around the perimeter.

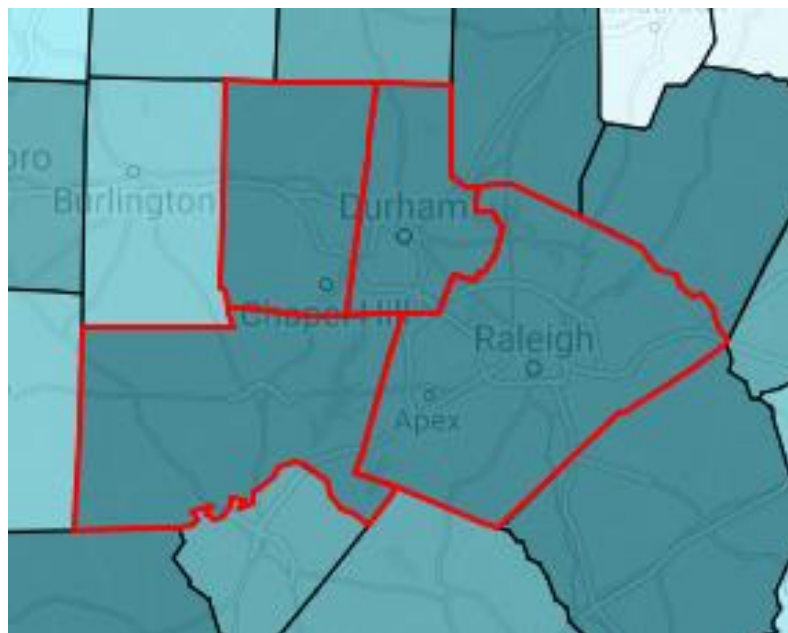
Market Analysis

The market analysis has five parts: definition of the Market Area, population projections – overall and 55+, residential market analysis – overall and 55+, commercial market analysis, and conclusion.

1.0 Market Area

Residents of the NC Triangle Region are highly mobile and less anchored to traditional locations such as places of work. Seniors tend to be even more mobile than the general population and less oriented to proximity to family members, work, etc. To account for this mobility, we include four Counties – Chatham, Orange, Durham and Wake, generally referred to as the NC Triangle Region. These four counties, shown in Exhibit 4, make up the Market Area for purposes of this study.

Exhibit 4: Market Area



*Source: U.S. Census Bureau

2.0 Population Growth

Market Area Population Growth

Growth in the Market Area remains one of the strongest in the U.S. While the average population growth rate for North Carolina hovers around 1%, the combined growth rate for the Market Area hovered around 2% for the last 9 years as shown in Exhibit 5.

Exhibit 5: Population Growth for NC and Market Area

	NC	Growth Rate	Market Area	Growth Rate
July2010	9,574,293		1,376,053	
July2011	9,656,754	0.86%	1,404,284	2.05%
July2012	9,749,123	0.96%	1,437,063	2.33%
July2013	9,843,599	0.97%	1,467,561	2.12%
July2014	9,933,944	0.92%	1,499,915	2.20%
July2015	10,033,079	1.00%	1,532,673	2.18%
July2016	10,156,679	1.23%	1,568,603	2.34%
July2017	10,270,800	1.12%	1,598,674	1.92%
July2018	10,389,148	1.15%	1,629,359	1.92%
July2019	10,508,254	1.15%	1,656,195	1.65%

*Source: U.S. Census Bureau

Chatham County Population Growth

Chatham County general population growth has routinely been one of the fastest in the Market Area. According to the US Census Bureau, the average growth rate between 2014 and 2019 was 2.23%. This compares to Orange County at 1.06% and Durham County at 1.18%. It is only matched by Wake County at 2.23%, as shown in Exhibit 6.

Exhibit 6: Population Growth by County in Market Area

	Chatham County		Orange County		Durham County		Wake County	
2010	63,845		133,981		271,357		906,870	
2011	64,109	0.41%	134,825	0.63%	276,563	1.92%	928,787	2.42%
2012	64,527	0.65%	137,817	2.22%	282,659	2.20%	952,060	2.51%
2013	65,243	1.11%	139,397	1.15%	288,723	2.15%	974,198	2.33%
2014	66,669	2.19%	140,321	0.66%	295,137	2.22%	997,788	2.42%
2015	68,263	2.39%	141,298	0.70%	300,793	1.92%	1,022,319	2.46%
2016	69,642	2.02%	142,800	1.06%	307,826	2.34%	1,048,335	2.54%
2017	71,189	2.22%	143,626	0.58%	312,153	1.41%	1,071,706	2.23%
2018	73,127	2.72%	147,980	3.03%	316,979	1.55%	1,091,273	1.83%
2019	74,470	1.84%	148,476	0.34%	321,488	1.42%	1,111,761	1.88%

*Population Estimates as of July 1 of each calendar year

*Source: U.S. Census Bureau

The NC Triangle Area has experienced an outsized proportion of growth through migration into the area from other regions of the nation. Trends broken down by age all show the same pattern. More specifically, seniors are moving to the area for reasons

including moderate climate, access to healthcare and closeness to family. Many seniors are staying in-state for the very same reasons. Focusing on individuals age 55 and over demonstrates an even greater concentration of people who qualify for age-segregated communities, generally referred to as 55+ communities.

Senior Population Growth

Chatham county has a significantly higher concentration of residents over the age of 55 than the other counties in the Market Area, as shown in Exhibit 7.

Exhibit 7: Senior Population Growth by County in Market Area

	Chatham County			Orange County			Durham County			Wake County		
	Pop	55+	55+ % of Pop	Pop	55+	55+ % of Pop	Pop	55+	55+ % of Pop	Pop	55+	55+ % of Pop
2010	63,845	21,368	33.47%	133,981	28,518	21.29%	271,357	55,127	20.32%	906,870	167,497	18.47%
2011	64,109	22,074	34.43%	134,825	29,710	22.04%	276,563	57,283	20.71%	928,787	176,211	18.97%
2012	64,527	22,808	35.35%	137,817	31,101	22.57%	282,659	59,704	21.12%	952,060	185,554	19.49%
2013	65,243	23,713	36.35%	139,397	32,371	23.22%	288,723	62,067	21.50%	974,198	195,160	20.03%
2014	66,669	24,771	37.16%	140,321	33,624	23.96%	295,137	64,409	21.82%	997,788	205,128	20.56%
2015	68,263	26,133	38.28%	141,298	34,857	24.67%	300,793	66,501	22.11%	1,022,319	215,928	21.12%
2016	69,642	27,328	39.24%	142,800	36,103	25.28%	307,826	68,908	22.39%	1,048,335	226,868	21.64%
2017	71,189	28,636	40.23%	143,626	37,212	25.91%	312,153	70,980	22.74%	1,071,706	237,718	22.18%
2018	73,127	29,917	40.91%	147,980	38,570	26.06%	316,979	73,238	23.11%	1,091,273	248,720	22.79%
2019	74,470	31,192	41.89%	148,476	39,863	26.85%	321,488	75,362	23.44%	1,111,761	260,065	23.39%

*Source: U.S. Census Bureau

Furthermore, as shown in Exhibit 8, while this segment of the population across the nation is increasing in size, it is growing at a higher rate than the general population in Chatham County.

Exhibit 8: Senior Population Growth Relative to All Ages in Chatham County

	Chatham County			
	All Ages		55+	
	Pop	% Change	Pop	% Change
2010	63,845		21,368	
2011	64,109	0.41%	22,074	3.30%
2012	64,527	0.65%	22,808	3.33%
2013	65,243	1.11%	23,713	3.97%
2014	66,669	2.19%	24,771	4.46%
2015	68,263	2.39%	26,133	5.50%
2016	69,642	2.02%	27,328	4.57%
2017	71,189	2.22%	28,636	4.79%
2018	73,127	2.72%	29,917	4.47%
2019	74,470	1.84%	31,192	4.26%

*Population Estimates as of July 1 of each calendar year

*Source: U.S. Census Bureau

The growth in the senior market has been accommodated, in part, by two large senior communities in Chatham county – Fearington Village and Carolina Meadows. Governors Club and Governors Village also serve many retirees from other parts of the country. These communities are thriving, attracting more seniors than they can house, thus creating unmet senior housing demand.

3.0 Residential Market Analysis

To determine the potential for the Herndon Farm’s Residential products, the Market Area’s future household formation was first determined. The annual household formation was calculated by dividing the Market Area’s annual population growth by the Market Area’s persons per household (“PPH”) number. This information was then used to determine the demand for senior residential product, based on the growth of the senior population in the Market Area.

The average persons per household in the four Counties in the Market Area range from 2.37 to 2.51 as show below in Exhibit 9. The national average is 2.63 people per household.

Exhibit 9: Average Persons Per Household in the Market Area by County

All Topics	Chatham County, North Carolina	Wake County, North Carolina	Durham County, North Carolina	Orange County, North Carolina
Persons per household, 2014-2018	2.42	2.62	2.37	2.51
PEOPLE				
Population				
Population estimates, July 1, 2019, (V2019)	74,470	1,111,761	321,488	148,476
Population estimates, July 1, 2018, (V2018)	73,139	1,092,305	316,739	146,027

*Source: U.S. Census Bureau

If the population in the Market Area is growing at approximately 2%/year, the additional housing needs reach +/-15,112 residential units a year in the Market Area by 2025.

Exhibit 10: Average New Household Unit Formation in Market Area

Growth Rate		2.00%	
Avg Pop/HH		2.42	
Market Area	Est Pop	Est Pop Growth	Average New HH Unit Formation
2019	1,656,195		
2020	1,689,319	33,124	13,688
2021	1,723,105	33,786	13,961
2022	1,757,567	34,462	14,241
2023	1,792,719	35,151	14,525
2024	1,828,573	35,854	14,816
2025	1,865,145	36,571	15,112

*Source: 2019 Est - U.S. Census Bureau, forecast based on assumptions in table.

We can refine this forecast by looking at the population and population growth within a 10-mile radius of the site. The projected population growth within this area suggests that over the next 5 years, the population will grow by 11,487 people, implying a need for 4,746 additional dwelling units.

Exhibit 11: Average Population Growth within 10 Miles of the Project

Population	3 Mile	5 Mile	10 Mile
2020 Total Population:	11,450	31,242	156,844
2025 Population:	12,613	34,118	168,331
Pop Growth 2020-2025:	10.16%	9.21%	7.32%
Average Age:	47.30	44.70	38.50

*Source: CoStar

Exhibit 12: Estimated Household Formation

	Population Growth 2020-2025	HH Formation @2.42
10 Mile Radius	11,487	4,747
Market Area	189,072	78,129

*Source: Author

The population of seniors in Chatham County is growing at approximately twice as fast as the general population in the Market Area. However, because seniors are choosing to live in both age segregated communities as well as non-age segregated communities, and because it is difficult to parse seniors who are aging into the population vs. seniors who are moving into the area, it is appropriate to evaluate housing demand on a population-wide basis. This approach results in more conservative estimates, which will likely be less than actual demand. As shown in Exhibit 13, at 161 residential units, the Project only addresses 3.5% of potential housing demand within a 10-mile radius. This is well under 1% when considering the entire Market Area.

Exhibit 13: Project Capture Rate

	Residential Units	5 yr HH Formation @2.42	Project Capture Rate
10 Mile Radius	161	4,747	3.50%
Market Area		78,129	0.21%

*Source: Author

Project Absorption

Herndon Farm's annual absorption will average 55 units/year starting slowly, ramping up in year two, and then finishing in year 3. This absorption schedule is in line with similar communities in the Market Area. The Epcon Community by David Weekly absorption rate for the first phase of approximately 132 units sold out in about 2.5 to 3 years.

It is likely that the project will experience a relatively quick ramp up in sales as there is established demand for senior residential projects in this corridor. Exhibit 14 shows annual absorption anticipated for the five residential products.

Exhibit 14: Projected Residential Absorption

Residential Product	Units	Year 1	Year 2	Year 3	Year 4
Single Family Model 1	92		31	31	30
Duplex Model 1	16		5	5	6
Single Family Model 2 (Row Home)	34		12	11	11
Townhome	19		0	10	9
Total	161	-	48	57	56

Note: Year 1 is the year the Project is approved and built.

Units will not be available for occupancy until Year 2.

*Source: Author

While at least one senior apartment rental community is planned in Briar Chapel, which will be approximately 150 units, currently, no other known senior communities are planned in the immediate future within 20 miles of the project. Therefore, Herndon Farms will be the only new senior housing development that can absorb the demand for owner-occupied housing. Furthermore, the Briar Chapel rental project will bring prospects past the residential units at Herndon Farms increasing their market exposure.

Even if Chatham County reverts to the mean in concentration of seniors to match the current nationwide average, approximately 1,090 new age 55+ households will be formed within 10 miles of the project within the next 5 years, as shown in Exhibit 15. Herndon Farms residential units and the senior apartment complex in Briar Chapel combined represent a market capture of only less than 1/3 of that demand.

Exhibit 15: Projected Senior Residential Demand

	Pop Growth 2020-2025	HH Formation @2.42	55+ @23%	Project
10 Mile Radius	11,487	4,747	1,092	312

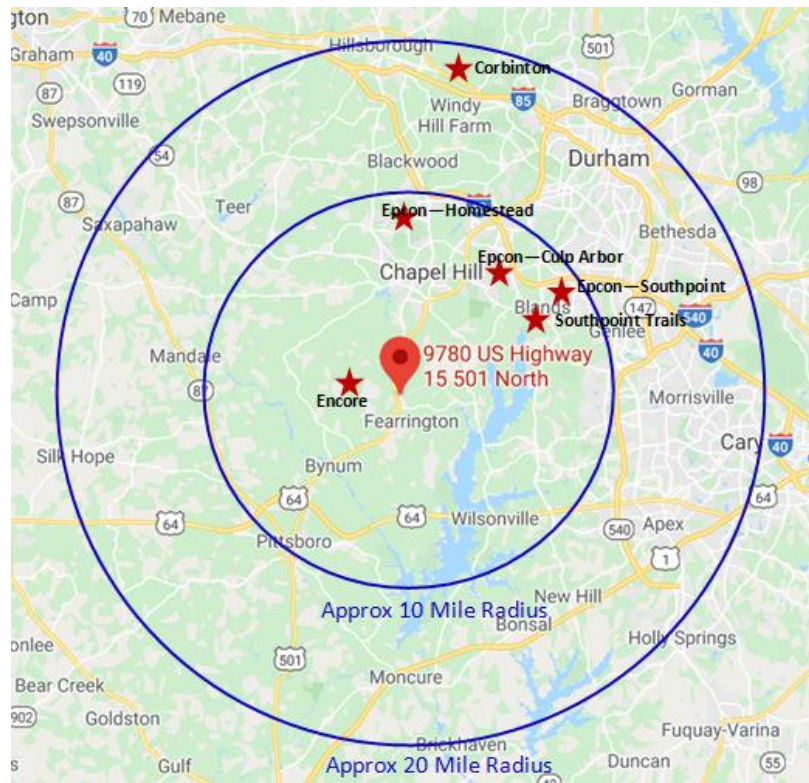
*Source: CoStar, Author

This demand estimate is quite conservative as it does not represent the percentage of seniors who may be attracted to the Project from other areas due to the favorable features and amenities in Chatham County.

New Senior Housing Comparable Properties in the Market Area

In order to examine prices and costs of the residential product, it is useful to survey current and recent communities in the market area. While the best comparable properties are strictly in age segregated communities, it is also useful to compare sales in non-age segregated communities for the townhome product at Herndon Farms, as townhomes exist in limited quantities in age-segregated communities in the Market Area. Comparable communities are Identified in Exhibit 16.

Exhibit 16: Map of Competition



*Source: Author

The Builders developing these communities are listed below:

- Epton Communities – Culp Arbor, Homestead, Southpoint
- Blueheel Development - Corbinton
- CalAtlantic – Southpoint Trails

Project Mix and Pricing

Product mix in comparable communities tends to balance affordability and size to meet the needs of senior households which tend to have a wider range of requirements than the general population. For example, senior households may require specific layouts to accommodate mobility impairments or have a wider range of price points to meet various household budgets. Product mix and price range for comparable communities are shown in Exhibit 17.

Exhibit 17: Competitive Price Survey

	Product	Sold Price Range (unless noted)	
		Min	Max
Encore @ Briar Chapel	Single Family	\$ 340,500	\$ 617,871
Epcon @Homestead	Single Family	\$ 372,890	\$ 547,710
Epcon @Culp Arbor	Single Family	\$ 374,500	\$ 529,920
	Quad/Condo Units**	\$ 351,560	\$ 519,285
Epcon @ Southpoint*	Single Family*	\$ 431,400	\$ 558,815
Corbinton	Single Family	\$ 355,000	\$ 485,630
	Duplex Units*	\$315,000	\$338,597
Townhomes @Southpoint Trails	Townhomes	\$ 268,840	\$ 396,000
*List Price due to limited closed sales			
**Only includes units built 2017 and later			

*Source: MLS, Zillow

Unit pricing was similarly based on comparable projects identified above and uses Q4 2019 and Q1 2020 dollars. While normally an inflation adjustment would be made to reflect 2021 dollars, no adjustment has been made for 2021 dollars due to the current volatility in the economy. Unit pricing by product type for Herndon Farms is show in Exhibit 18 which are reasonable given the asking prices in the comparable projects. Estimated total value for the residential component is \$69.95 million.

Exhibit 18: Projected Residential Product Pricing

Residential Product	Sq Ft	Units	Market Value per Unit*
Single Family Model 1	2,200	92	\$ 480,000
Duplex Model 1	1,800	16	\$ 370,000
Single Family Model 2 (Row Home)	2,200	34	\$ 425,000
Townhome	1,300	19	\$ 260,000
Total		161	

*Source: Author

4.0 Commercial Product

The primary intended use of the commercial buildings is Independent Living and will total at least 125,000 square feet and as large as 150,000, depending on the size of the Congregant Care Facility. We also expect between 10,000 and 13,000 square feet to be devoted to Fitness, Medical, Retail, Office and Daycare with the highest and best uses likely being Fitness or Medical-OT/PT. The commercial space is concentrated on the southeast side of the property (see bottom area of site plan in Exhibit 2).

Fitness/Health-Oriented Center

At least 10,000 square feet of commercial is designated as a future fitness facility or Health-Oriented center targeted toward general fitness as well as occupational therapy and physical therapy. Target partners include the UNC Wellness Centers or other large fitness gym operators. However, the space could also accommodate fitness users oriented toward personal training or specific fitness segments such as yoga studios. Competition to this space will likely come from the North Chatham O2 Fitness which is approximately 2 miles to the north and the Duke Center for Living facility in Fearington Village, approximately 3 miles to the south. There are limited small scale studios for services such as Pilates and Yoga.

Demand for a fitness facility will exist at Herndon Farms due to the following factors:

- The general increase in the population within Chatham County.
- The buildout of the multifamily in Briar Chapel and the potential additional multifamily in Williams Corner
- The convenience of the project to the residents of Briar Chapel which has limited facilities aside from its pool complex.
- The demand generated from the residences at Herndon Farms.

A day care facility will also enjoy proximity to the working farm and access to substantial residential development that continues along the 15-501 corridor.

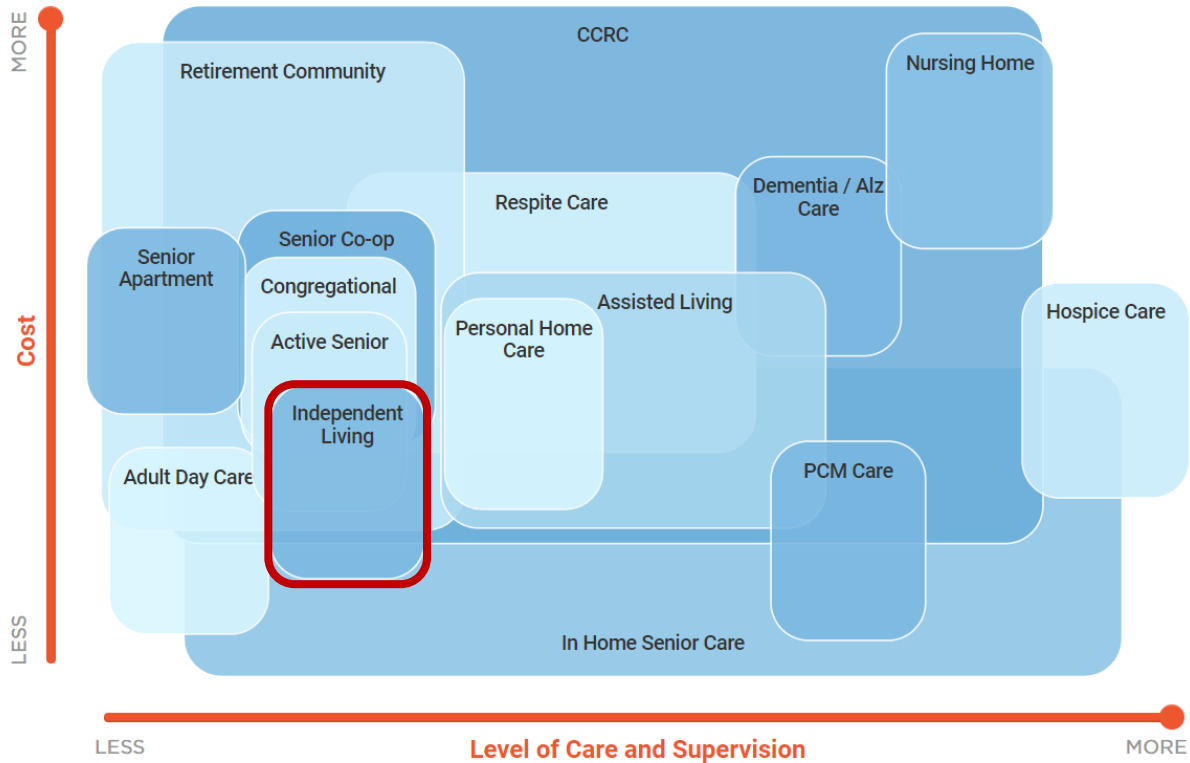
Congregant Care, Independent Living

The major portion of the commercial space is designated for an independent living facility. Independent living is defined as residential suites with a dining common and other shared spaces. Often independent living facilities offer residents movie theaters, arts and craft studios and social activities while providing all food and some care, where the care is largely on an a la cart basis.

As shown in Exhibit 19, independent living offers a bridge between completely unassisted residential living and assisted living/skilled nursing care. Operators of this model include the Gracious Retirement Living, building the Azalea Estates on Estes

Drive in Chapel Hill, NC and Atria South Point Walk on Fayetteville Road in Durham, NC. Independent living is not to be compared to age segregated apartments which are a multifamily product as each residential unit is self-contained.

Exhibit 19: Survey of Senior Living Facilities



*source – Seniorliving.org “The Senior Living Spectrum”

Potential demand for an Independent Living facility follows many of the same patterns as the general demand for senior communities. However, the average age of an independent living resident is older at about 84 years and residents are generally single (Source: www.wherelivematters.org).

As of 2018, 2.41% of individuals in Chatham County were age 80 and over. This was 5.9% of individuals over the age of 55 as show in Exhibit 20. Like the general population for Chatham County, this cohort is expected to grow.

Exhibit 20: Population Over 80 in Chatham County

	Total Population	55+	80+	% of total Pop	% of 55+
2018	73,139	29,917	1,765	2.41%	5.90%

*Source: US Census Bureau Table B01001

Average residents per household for independent living, where each household in this instance occupies one living unit, is closer to 1 rather than 2.42 as is assumed for the residential market study. At approximately 125 to 140 units, the target size for this facility, the independent living facility at Herndon Farms would only absorb 7.0%-8.0% of the *current* population over the age of 80 as shown below in Exhibit 21. This does not account for the *future* population that adds to Chatham County’s count. Nor does it account for the future demand from current residents that may eventually prefer the increased level of support in their housing situations in Chatham County.

Exhibit 21: Population Over 80 in Chatham County

	Total Population	80+	ILF at 125 Units	ILF at 140 Units
2018	73,139	1,765	7.08%	7.93%

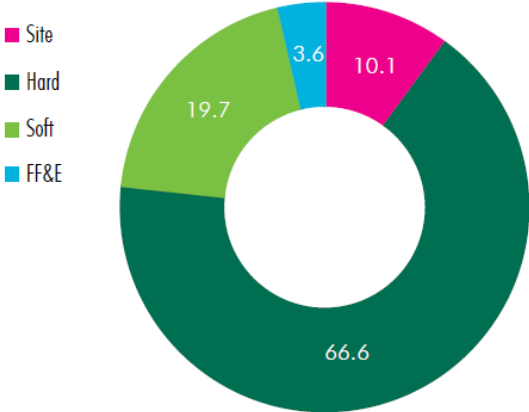
*Source: US Census Bureau

Independent Living Project Contribution

Three recent transactions exist to compare to the proposed Independent Living facility. Two are planned senior living, either apartments or Independent Living facilities and both are planned be approximately 150 units. The third transaction is non-age-segregated apartments in close proximity to Herndon Farms. All parcels sold for between \$20,000 to \$29,000 per unit.

According to the CBRE U.S. Seniors Housing Development Cost Report (December 2018), the cost to build Independent Living facilities is rather similar across the country with approximately 10%-11% of the overall cost attributed to the site, with more urban locations demanding a higher percentage. Exhibit 22 shows the allocation of construction costs for an Independent Living facility.

Exhibit 22: Project Allocation for Construction of Independent Living Facilities



Source: CBRE Valuation & Advisory Services and CBRE Research, Q4 2018.

Based on these comparable transactions, the site cost at Herndon Farms for the Independent Living facility is projected to be between \$25,000-\$30,000 per unit. Exhibit 22 could be used to impute a cost range for the finished complex of between \$35,000,000 and \$42,000,000.

Commercial Value

As noted, commercial value was based on comparable projects identified above as well as current market data from CoStar and uses Q4 2019 dollars. Like the residential product pricing, no adjustment has been made for 2021 dollars due to the current volatility in the economy. Value by commercial product type for Herndon Farms is show in Exhibit 23.

Exhibit 23: Projected Commercial Product Value

Commercial Product			
	Sq Ft	Market Value/SQFT	Market Value
Fitness/Medical/Office/Daycare	10,000	\$ 189	\$ 1,890,000
	Units	Market Value/Unit	Market Value
Independent Living	140	\$ 250,000	\$ 35,000,000
*Assumes values based on 2019 data/dollars			

5.0 Conclusion

The estimated value of the Herndon Farms development is shown below in Exhibit 24.

Exhibit 24: Projected Project Total Value

Product Type	Potential Sales Value
Residential	\$ 69,950,000
Commercial	\$ 36,890,000
Project Total	\$ 106,840,000
*Assumes values based on 2019 data/dollars	

As population in the Market Area continues to expand and, more specifically, in Chatham County, Herndon Farms will be able to absorb existing demand in this area from the senior population and meet the future needs of the community as this population continues to grow.