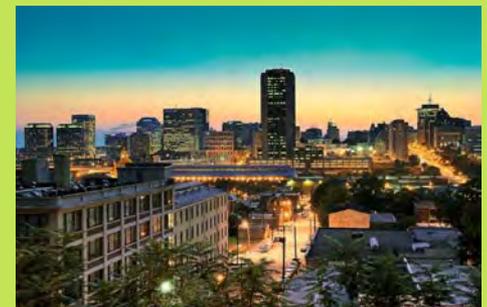




Overview of Rental Apartment Project Feasibility at Navy Hill

CAPITAL CITY PARTNERS



Conclusions Summary

- Noell Consulting Group (NCG) was retained by Capital City Partners to conduct a market analysis for rental components of the initial development efforts at Navy Hill.
- Through our research we found strong demand for rental apartments in intown and Downtown Richmond, with demand remaining high over the next five years. Continuing growth of medical-related fields, students, and move-in empty nesters will continue propelling demand for infill rental product in the area.
- Rental product at Richmond Hill is well positioned to capture more than its fair share of this demand, with the project offering a cohesive, well-amenitized environment—something other stand-alone projects have not been able to take advantage of. Mixed-use projects such as these create a synergy between land uses, something independent, stand-alone projects aren't able to take advantage of. Amenities within the Navy Hill project include numerous restaurants and entertainment venues, the new arena and convention hotel, as well as new and adjacent employment cores attractive to those seeking maximum convenience in the market.
- By proper differentiation of the three initial sequence rental apartment buildings, through different levels of amenities and unit finishes, mixes of units and unit sizes and designs, Capital City Partners is well-positioned to lease these buildings in less than two years.
- NCG's programming, pricing and positioning of each of these initial sequence rental buildings allow each to effectively compete in the market and meet market audience needs, lifestyles, affordabilities and expectations.
- To the above, we believe these first three initial sequence buildings are indeed feasible from a demand perspective, a pricing and positioning perspective, and a market desirability perspective.



About Noell Consulting Group

- Real estate consulting firm founded in 2008;
- Based in Atlanta and works all over the US;
- 75% of engagements are for private sector, 25% are for public sector clients;
- Product types studied include:

Single-Family	Townhouse	Condominium
Rental Apartments	Retail	Office
Lodging	Mixed-Use	TOD



About Noell Consulting Group

- Projects cover large portion of the US
- Active in Richmond, Charlottesville, Metro DC (most active NCG market)
- Rental apts & mixed-use our most active sectors



NCG Goals for Navy Hill Analysis

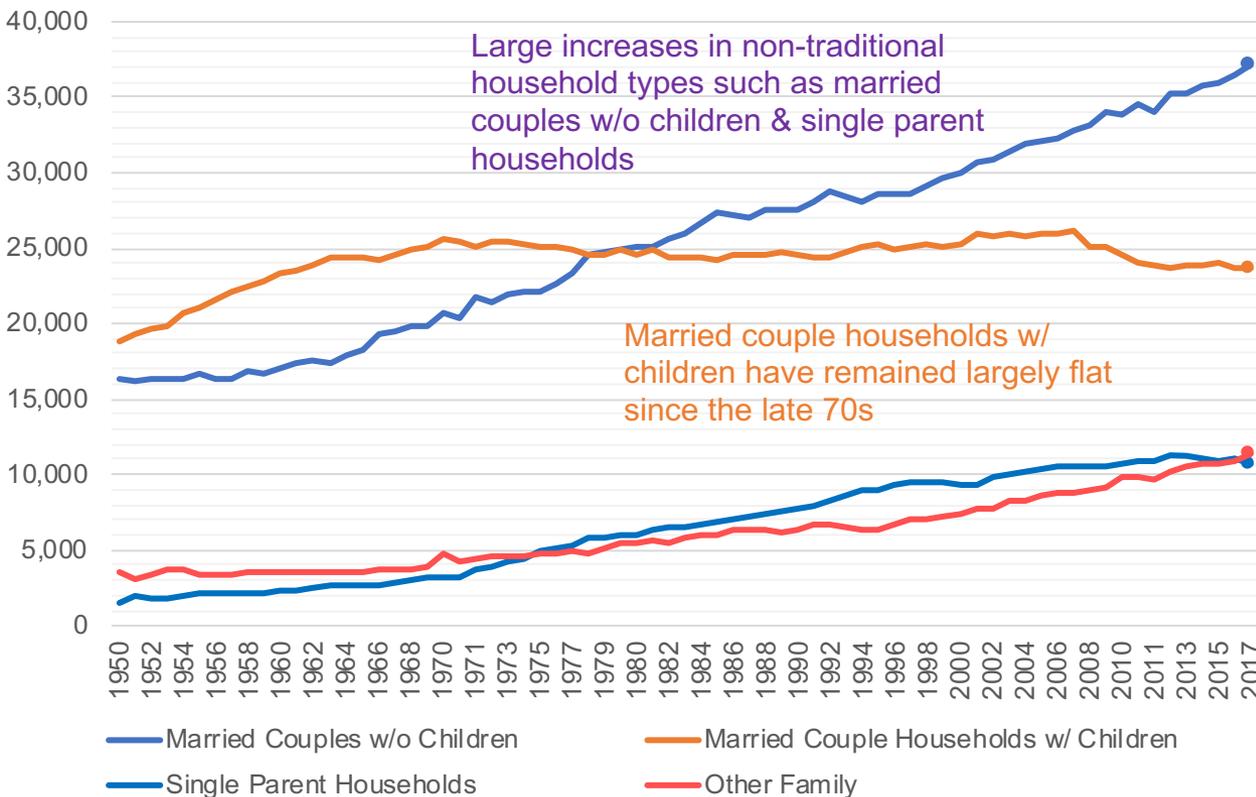
- Understand larger trends occurring in Richmond and larger US market
- Estimate market depth for new rental apartments regionally and at subject site
- Understand market audiences fueling apartment demand & which are target audiences for Navy Hill
- Identify specific opportunities at hand in Phase I of the project.



Households Types are Changing Demand for Housing

Household Types in United States

Changing Households Types Over the Decades



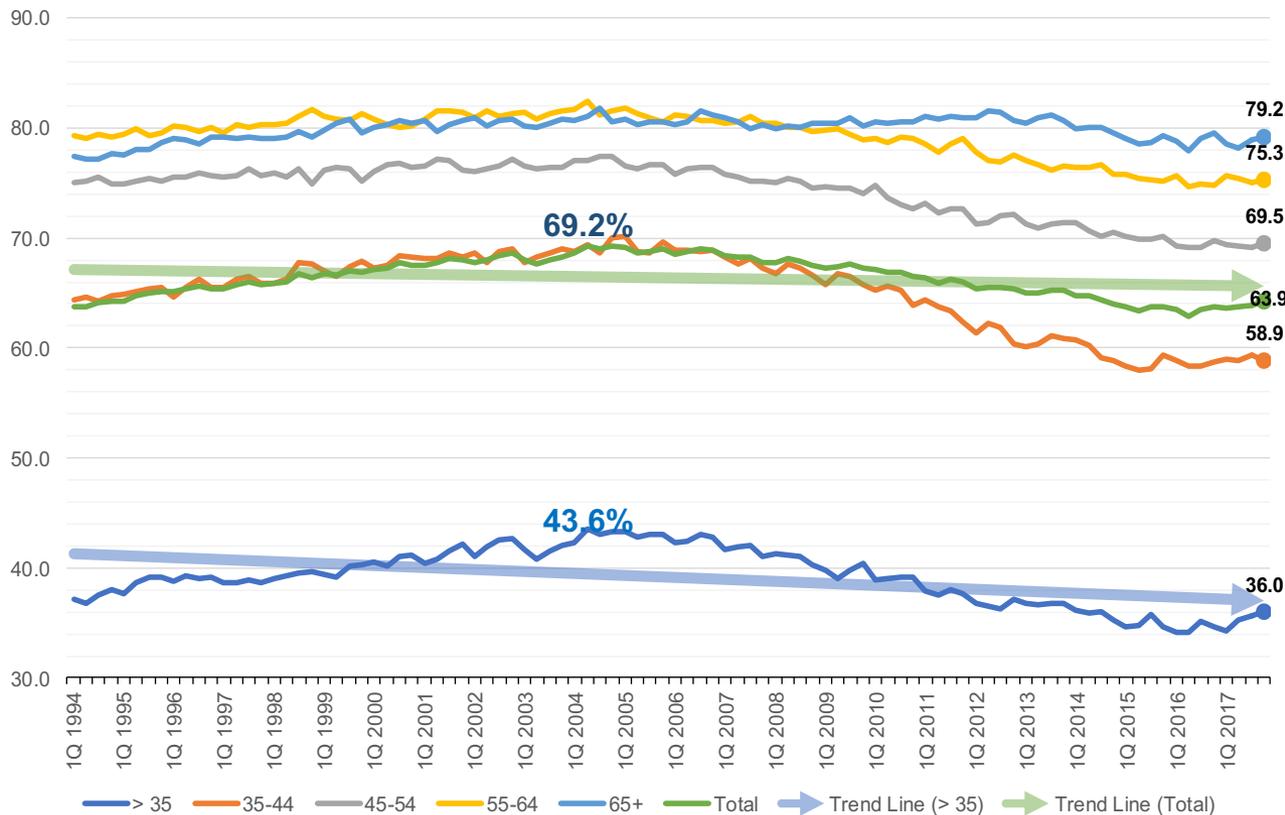
- American family structure has changed dramatically over the decades.
- Many more are living alone, are single parents, or are unmarried couples. This changes how and where people want to live.
- Non-traditional household types are less likely to want or need a large single-family home w/ a yard. This creates more demand for apartment living and alternatives to conventional single-family homes.
- These changes also mean that existing home inventory and renter / owner ratios are mismatched for today's households.



Change in Home Ownership

Home Ownership Rates

Changing Homeownership Rates Among Age Groups



- Home ownership is still down among all age groups, having peaked in 2004-2005.
- Inversely, rental demand remains quite strong.
- For-sale home affordability and debt are continuing to drive demand for rental product among younger generations.
- Boomers are increasingly going to rental positions as a lifestyle choice.



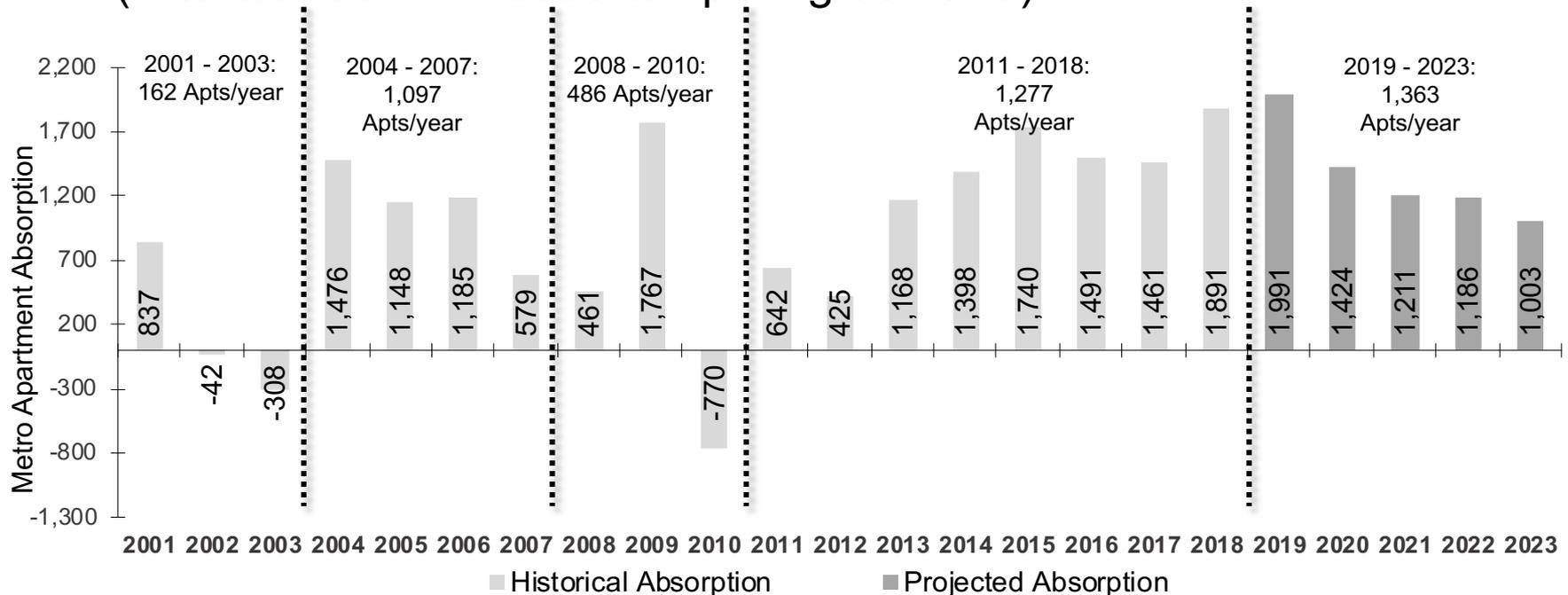
Intown Preference Continues to Benefit Rental Apartments

- Push for walkability and convenience major factors for location decisions.
- Particularly among younger households, but increasingly for mature as well
- Companies shifting location strategies to be intown closer to brains and talent
- Driving up land costs and home prices—supports rental apartment development



Apartment demand in Metro Richmond expected to stay strong

- Richmond has added around 1,277 net new apts annually from 2011 – 2018 (1,781/year 2017 – 2019)
- Demand expected to cool slightly, but remain solid through 2023 (mild slowdown in 2020 tempering demand)



City of Richmond expected to continue to dominate absorption

- Richmond city has accounted for roughly 75% of Metro apartment absorption since 2011
- Given higher rents and increasing opportunities in suburbs, we've tempered this capture to around 62% through 2023.
- Still creates demand for around 750 net new units in the City from 2020 – 2023.
- Demand will be attracted to strongest locations—those with lifestyle and employment access
 - Navy Hill has opportunity to offer both
- When factoring in competition, Navy Hill can lease up all three initial sequence buildings—428 market rate units—in less than two years.



Renters want both convenience and lifestyle

- Recent NCG Survey in Atlanta

	Renters
Prefer to live closer to work even if that means having less square feet	62.2%
Prefer a home with more square feet even it meant being further from work	31.8%

	Renters
Prefer to live where I can walk to stores or restaurants	75.0%
Prefer to live where I could drive to stores or restaurants	25.0%



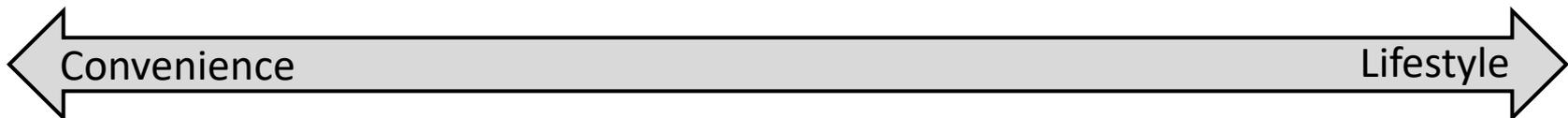
Navy Hill Offers Superior Convenience, Growing Lifestyle

Renters have different priorities, including opting for locations that are more convenient vs. those that are more lifestyle driven.

Initial sequence of development at Navy Hill offers abundant convenience, and an emerging lifestyle

Navy Hill at full build-out will offer that greater lifestyle play

These values create opportunities for different products.



- Adjacent to VCU Health, VCU Med Ctr
- Adjacent to BioTech & MVC District
- Easy freeway access for reverse commute
- Enhanced transit access on-site
- Planned dining/retail on-site
- High walkability
- Walkable to several dining cores
- Proximate to Historic Downtown Richmond
- Planned dining/retail on-site



Rental programs set to maximize market opportunity

- Three rental buildings are provided for in Phase I of Navy Hill.
- Within each, NCG varied unit sizes, mixes of units, rents, and amenities.
- Goal is for buildings to complement, not cannibalize, one another
- Play on different value propositions



Market-Based Positioning

- Each building was positioned against the competitive offerings in the market to identify their achievable rents.
 - Factors examined include those relating to location (access to employment, dining, retail, parks, etc.) as well as specific building factors (unit sizes, amenities, finishes, parking, etc.)
- All three buildings have different pricing and positions relative to other competitors in the market.
- 280 affordable units being offered—all mixed-income buildings.



Rental programs set to maximize market opportunity

Apartment Building A2

Development Opportunity:

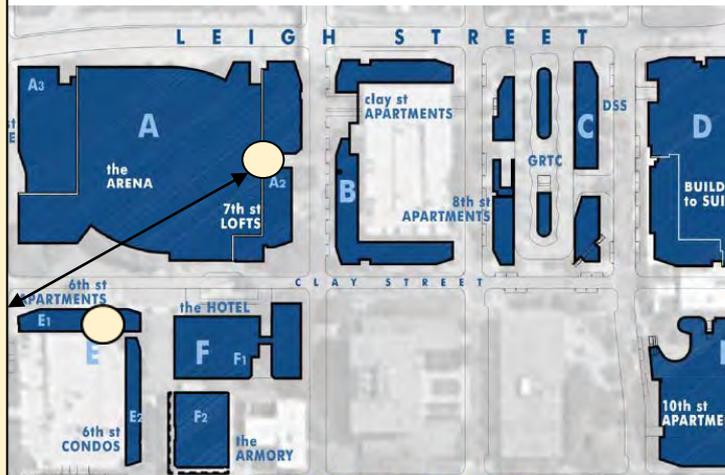
Slightly larger unit count building appealing to a slightly younger audience, including those focused on work proximity.

Units: 203

Wtd Avg Unit Size: 793

Wtd Avg \$/SF: \$2.02

Amenities: Offering superior amenity package.



Apartment Building E1

Development Opportunity: More streamlined and efficient program targeting younger, more price-sensitive renters.

Units: 43

Wtd Avg Unit Size: 711

Wtd Avg \$/SF: \$1.97

Amenities: Limited & Streamlined

Apartment Building C

Development Opportunity:

Audiences will vary more than those in A2, with a heavy appeal to those driven by medical & biopark adjacency, from med students to staff/admin.

Units: 182

Wtd Avg Unit Size: 856

Wtd Avg \$/SF: \$1.94

Amenities: Focused on services & convenience.

Conclusion

- The Richmond rental apartment market is strong, with the city of Richmond capturing a large share of demand.
- The Navy Hill site is a major mixed-use project—the largest in the Downtown area—and can offer both a high level of convenience as well as an increasing sense of lifestyle;
- Each building is positioned differently, targeting specific audiences, and with varying programs (unit mixes and sizes) to maximize market appeal and minimize internal cannibalization.
- Finally, all three initial sequence buildings can be absorbed and accommodated by market demand.

