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REAL ESTATE CONSULTING REPORT

Of

Rodney & Dickinson Dormitory – Highest & Best Use Study
Newark, Delaware

As of
December 31, 2014

Prepared For
Mr. Andrew Lubin
University of Delaware

Prepared by
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Re: Rodney & Dickinson Dormitory Site
Real Estate Highest & Best Use Analysis
City of Newark, New Castle County, Delaware

APPRAISAL CONSULTING ANALYSIS – EXECUTIVE SUMMARY

Market Analysis: We have been asked by the University of Delaware to undertake a highest and best use analysis of the site of the Rodney and Dickinson dormitories as if demolished, thus leaving 15.63 acres vacant land available for development. The intended use of this memo is for the client's internal asset management planning related to potentially marketing the site.

Scope of Work/Analysis: Apex Realty Advisory undertook the following steps for this study:

(1) Reviewed assessment plat & aerial maps, building plans, & building sizes/unit mixes;
(2) Toured the building exteriors, adjacent neighborhoods and college/university settings;
(3) Reviewed national student housing market trends;
(4) Researched the local City of Newark market economic and demographic overview;
(5) Summarized office, retail and residential trends in Newark;
(6) Focused on existing and proposed student housing developments in Newark;
(7) Reviewed multi-family land sales in the City of Newark;
(8) Considered financial feasibility for a variety of redevelopment programs for the site;
(9) Summarized our highest and best use findings in this executive summary memo.

Client: our clients are Mr. Andrew Lubin and the University of Delaware.

Intended use & Intended users: in this case our service provided is to be used to render guidance related to client's internal asset planning. No other users are intended. We have considered the intended users when forming the level of detail to be provided in this memo.

Summary: The subject is an in-fill 15.63 acre site, in close proximity to the university and thus would be very marketable and attractive for redevelopment. The University of Delaware growth is on-going with the redevelopment of the 245 acre former Chrysler auto plant into a science and technology/park and the expansion of several campus buildings. This expansion and growth in student enrollment have created a post-recession surge in commercial real estate development in Newark.

Based upon this backdrop we undertook a highest and best use analysis focused on local market supply/demand and demographic research to see what kind of future development would be best supported at the subject site as vacant. The estimated cost to decommission, demolish and clear each complex is about $3 million per the University.

We inventoried the local retail market within a three mile ring of the subject and identified about 2.5 million square feet of retail space. The larger retail buildings are primarily located along the area's main commercial corridors of East and South Main Street/Elkton Road. Based upon the subject's zoning, current use, not being located on an established retail corridor and the likely surrounding residential neighborhood opposition it would be unlikely to consider the site suitable for larger scale retail/commercial development.

We identified about 1.325 million square feet of office space within a three mile radius of the subject. Much of the office inventory, which would not be included in the CoStar count, is University owned/occupied space. Based upon the subject's location on a secondary road, the existing office market vacancy levels, and lack of large tenant demand, office development would not seem probable given the subject's location.

We investigated the local housing market and found 3,750 student housing beds within a one-mile radius of the subject. Adding 7,300 university dormitory beds currently and an estimated 3,550 beds in other housing options we identified a total existing inventory of about 14,600 beds.

To meet the market demand for new student housing growth multi-family development in the city has been explosive. In 2013 the City of Newark approved 476 (gross) multi-family units and about 179 units have been approved through the first half of 2014. With limited vacant land available for development, many of these 2013 approved units involved the redevelopment and/or demolition of existing older, inefficient buildings which will likely continue.

The university will add about 300 new beds when new dorms come on-line in the fall of 2016 plus we identified almost 1,600 new, private, market rate, beds either recently constructed or in the pipeline within a three mile radius. Totaling the existing and proposed projects we estimate the total student housing supply in Newark is about 16,500 beds. Some of this inventory is in older, converted single family homes that are located on the fringe of the campus.

On the demand side we estimate about 15,500 (undergraduate) to 17,500 students (including full-time graduates) will need some form of local housing. Based upon totaling the existing and planned pipeline of supply to come on-line over the next two years we count about a 16,500 bed supply. Based upon 850 students being added over the next two years, we estimate a market shortfall of about 1,500 beds. Since these supply/demand figures are very close to one another the market risk element is developer's over-shooting supply vs. student demand.

Considering university enrollment trends, market housing supply conditions, size and in-fill location of the subject it is our opinion that the development of a 625 bed (low density) to 1,500 bed (high density), "student village" would be represent its highest and best use. The buildings would be mid-rise construction and offer a variety of student amenities. The village would provide a sense of community for students and provide a part of the "college experience".

We made certain assumptions herein that are detailed elsewhere in this study. Please be advised these form the basis for our opinions and conclusions and are highly variable and could impact our outcomes and conclusions (i.e., unit counts, values, etc.) if significantly different.

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- ESRI City of Newark Demographics 2010-18
- City of Newark Residential Development Project Summary 2011 to date
- Urban Partners – 2014 Newark Rental Housing Study Scope of Work
- University of Delaware Summary
- Urban Partners Newark Student Housing Rental Summary

NEIGHBORHOOD

The subject is located along the south side of Hillside Road, just east of Apple Road, within the City of Newark, New Castle County, Delaware. This location contains a mix of residential, office and industrial uses. As of 2010, the total population of Newark was 31,454, which is 10.18 percent more than 2000. The population growth rate is lower than the state average rate of 14.59 percent and is about the same as the national average rate of 9.71 percent. The subject is situated about ¾ of a mile west of the Newark central business district and the University of Delaware. As stated, the subject's immediate neighborhood contains residential uses along the west side of Hillside Road and office and industrial uses are found on the north side of this road.

The following describes the subject's adjacent and surrounding land uses:

North: The Oakwood Valley Club swimming pool club, Forrest Lane, single family detached residential dwellings located along and off Hillside Road

South: Apple Road, the City of Newark municipal building and other commercial building(s)

East: CSX freight rail line, S. Main Street and various apartment and retail uses

West: Residential properties located along Hillside Road

A significant aspect of the immediate neighborhood and the City of Newark is the influence of University of Delaware ("UD"). UD is the center of education and business in Newark and spurs demand for a variety of housing, office and retail/commercial real estate. The subject is located on the west side of campus. This area of campus typically is reserved for underclassmen where they can walk to class. Graduate and professional students typically prefer quieter neighborhoods in the surrounding Newark suburbs and either drive or take a shuttle to campus.

In conclusion, the subject is located in an area that benefits from its proximity to the University of Delaware campus. The immediate surrounding area contains primarily residential uses as well as ancillary supportive retail uses.

SUBJECT PROPERTY SUMMARY

The following description is based on our property inspection, assessment records, and information provided by the University of Delaware. The sites have been owned by the University since 1966 according to public records.

Land Summary

Parcel ID	Location	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Topography	Shape
18-019.00-296	Rodney Dormitories	7.24	315,374	Level	Roughly rectangular
18-019.00-297	Dickinson Dormitories	8.39	365,468	Level	Roughly rectangular
Totals		15.63	680,843		

The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X, which is not classified as a flood hazard area. FEMA Map Number: 10003C0230J; FEMA Map Date: January 17, 2007 (the last date published). The subject is not in a flood zone.

BUILDING IMPROVEMENTS

The subject property is currently improved with two, 3-4-story masonry, multi-building, University of Delaware dormitories that were built in the 1960s. The university has announced plans to close and demolish both buildings and is contemplating next steps for the site.

The 20 buildings contain 367,412 gross square feet including a dining hall and 1,506 beds, which indicates a 1.8 FAR and 96.5 beds per acre. Physically the buildings are older and inefficient with functional limitations (i.e., painted masonry block interior walls, small rooms with bunk beds, small windows, gangland common showers, etc.) The University has announced plans for their demolition in 2015. The 15.63 acres is zoned 18 UN by the City of Newark, which is a zoning specific for the University. It is identified as tax parcels 18-019.00-296 and 18-019.00-222 by New Castle County.

Dickinson Dormitories							
Location	**Land Area**	**Gross SF**	**Assignable SF**	**Zoning**	**# of Bldgs**	**# of Beds**	**Years Built**
Hall A-321 Hillside Road	8.39 Acres	27,324	20,441	18UN	1		1938
Hall B-323 Hillside Road	8.39 Acres	20,480	15,900	18UN	1		1938
Hall C-331 Hillside Road	8.39 Acres	26,958	19,714	18UN	1		1938
Hall D-333 Hillside Road	8.39 Acres	19,296	14,471	18UN	1		1938
Hall E-341 Hillside Road	8.39 Acres	19,175	18,121	18UN	1		1938
Hall F-343 Hillside Road	8.39 Acres	23,908	14,319	18UN	1		1938
Commons A&B-325 Hillside Road	8.36 Acres	4,285	3,236	18UN	1		1938
Commons C&D-335 Hillside Road	8.39 Acres	4,285	3,085	18UN	1		1938
Commons E&F-345 Hilside Road	8.39 Acres	4,285	3,200	18UN	1		1938
					9		
Total Square Footage		**149,996**	**112,487**			**706 Beds**	

Rodney Dormitories							
Location	**Land Area**	**Gross SF**	**Assignable SF**	**Zoning**	**# of Bldgs**	**# of Beds**	**Years Built**
Hall A-207 Hillside Road	7.24 Acres	26,148	20,086	18UN	1		1962
Hall B-201 Hillside Road	7.24 Acres	32,685	26,105	18UN	1		1962
Hall C- 103 Hillside Road	7.24 Acres	26,148	19,943	18UN	1		1962
Hall D-113 Hillside Road	7.24 Acres	32,685	25,692	18UN	1		1962
Hall E-105 Hillside Road	7.24 Acres	32,685	26,529	18UN	1		1962
Hall F-109 Hillside Road	7.24 Acres	26,148	22,298	18UN	1		1962
Commons A&B-209 Hillside Road	7.24 Actes	2,925	2,868	18UN	1		1962
Commons C&D-111 Hillside Road	7.24 Acres	2,925	2,902	18UN	1		1962
Commons E&F-107 Hillside Road	7.24 Acres	6,850	2,985	18UN	1		1962
Dining Hall-203 Hillside Road		28,217	24,340		1		1962
Convenience Store-205 Hillside Road		550	460		1		1962
Total Acres	15.63				11		
Total Square Footage		**217,416**	**173,748**			**803 Beds**	
	Grand Totals	**367,412**	**286,235**			**1,509**	

The subject property is comprised of two separate tax parcels with the middle/"donut hole" being a 1.61 acre parcel owned and operated by the Oakwood Valley Club swimming pool. It is zoned 18RS, Single Family, and it appears its property line extends into a portion of the Dickenson surface parking lot. The University reportedly is in negotiations with the pool for a land swap. This would connect both the Rodney and Dickinson parcels and make an assembled total of 17.24 acres. This pool parcel could be incorporated as an amenity for the future redevelopment of the site depending upon its condition and functionality. The university securing this contiguous parcel would provide a nice corridor enhancement for future development.

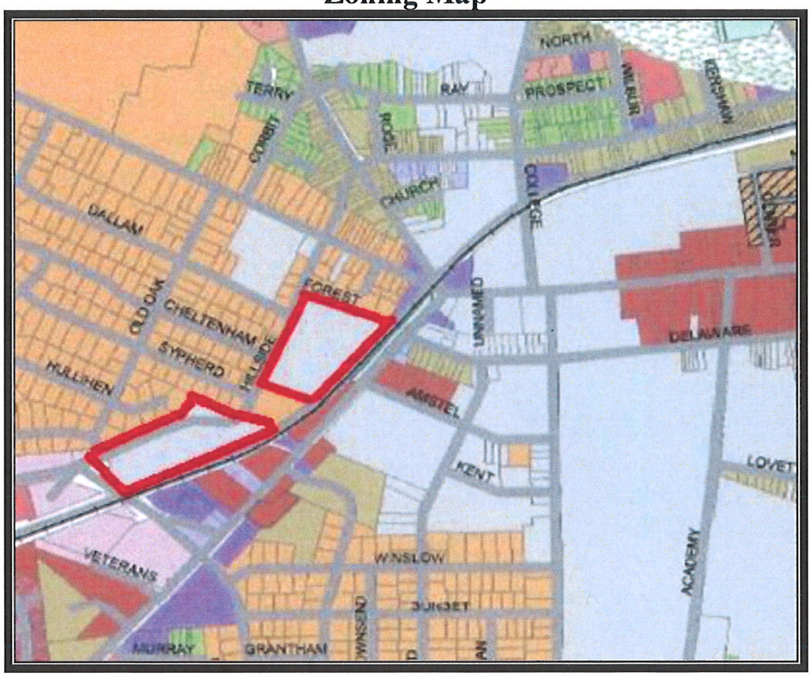
The age, upkeep and maintenance of the existing dormitory buildings are reportedly an issue according to the University of Delaware Facilities and Construction group. Problems include frequent leaks in the windows and roofs as well as problems with the brickwork and mechanical systems. Dickinson doesn't have air conditioning and it has very small rooms.

ZONING

The property is zoned 18UN – College Use by New Castle County. This zoning is an accessory use customarily incidental to a college or university. In a UN district, no building or premises shall be used and no building shall be erected or altered which is arranged, intended, or designed to be used, except for use by of either a state college or university or an accessory use customarily incidental to a college or university.

No other regulations or deed restrictions were noted or revealed by the property owner. It is unknown as to whether the subject, if transferred to another party, would retain its UN zoning or be subject to re-zoning. In our opinion the subject zoning in the open market is most similar to City's RM, Multi-family which permits maximum building height of 35 feet, lot coverage of 30 percent, with at least 40 percent of the lot area devoted to open area (6.25 acres). The city is flexible in granting variances based upon our experience though. We would recommend holding discussions with the City or engaging a land engineer and/or architect to better help gauge the site development limitations permitted. Below is a zoning map summary identifying the subject.

Zoning Map



REAL ESTATE ASSESSMENT & TAXES

Taxing Authority New Castle County

Assessment Year 2013

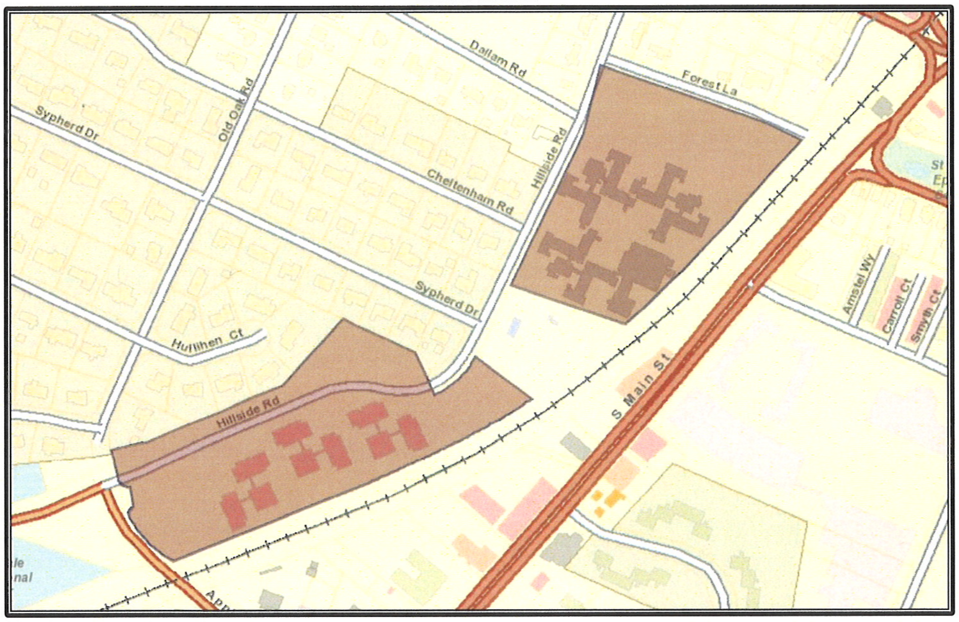
Below is a summary of the current taxes for the subject property.

Real Estate Assessment and Taxes

Tax ID	Land	Improvements	Total	City Rate	County Rate	Other Rate	Tax Rate	Taxes
18-019.00-296	$506,800	$23,866,500	$24,373,300	$0.70	$0.27	$2.24	$3.21	$0
18-019.00-222	$376,800	$14,831,400	$15,208,200	$0.70	$0.70	$0.70	$2.09	$0
Totals	$883,600	$38,697,900	$39,581,500					$0

Comments
The subject, since it is owned by the University, is currently exempt from taxes including the City of Newark rental permit for dwellings with unrelated persons occupying the property. The assessments in New Castle County have a 1983 base date of valuation which means that real estate taxes in the county are assessed at 100 percent of the estimated market value by the county assessor as of 1983. Neither the State of Delaware nor any of the counties publish any type of equalization ratio (like Pennsylvania) that correlates assessed value with current market sale prices. The assessment can only be changed subsequent to the addition or reduction of floor area at a building, and/or with a change in use. Further, assessments are not revised subsequent to property transfers/sales. The current methodology is expected to remain unchanged and no reassessments are planned according to local officials. Future changes in the real estate taxes of a property will occur through a changing tax millage rate.

TAX MAP



National Student Housing Market Analysis

There has been a shift in the student housing market place nationally over the last decade. This is witnessed in valuations, participants and product. In turn there has been a defined gap between market-rate apartment unit and student housing rents. Of course there are differences between the two in terms of unit sizes, metrics (i.e., per unit vs. per bed), lease duration (10 vs. 12 month lease) levels of management, repair & maintenance costs, amenities, etc.

With enrollment growth expected to continue trending upwards, reaching nearly 20.5 million by 2021, so demand for housing around universities will continue to increase. Almost 100 percent of rental market growth is coming from the "Echo Boom" generation, or Generation Y, comprised of individuals aged 15-34. Generation Y is the largest segment of the population, currently making up 27.1 percent of the total US population according to Nielsen.

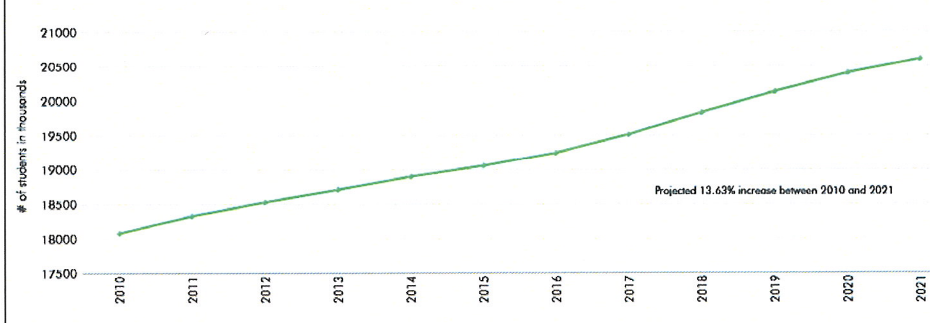
In addition, this segment will continue to grow as most new immigrants arriving in the United States are young adults who will continue to boost enrollment with first generation college applicants. The Echo Boomer population has grown by 8.1 percent since 2000, and Nielsen projects continued growth through 2018.

In addition more young adults are graduating from high school with the national average graduation rate of 81 percent in 2012 up from 75 percent in 2008. According to the National Center for Education Statistics (NCES) the annual amount of new high school graduates has increased by 4.9 percent.

These demographic cohorts are enrolling at post-secondary institutions around the country and are pushing current on-campus housing stock to the limit, and universities are struggling to keep up. On average, the largest universities in the county are only able to house 22 percent of the undergraduate student body in on-campus housing. As a result, the remaining 78 percent of undergraduate and graduate students are left to find off-campus housing.

As state and federal funding diminishes, and as endowment funds lose value, universities across the country are finding it more difficult to add on-campus housing to meet growing demand; this pent up demand will force more students off-campus, driving rents and ultimately values of student housing assets.

ACTUAL & PROJECTED FULL-TIME & PART-TIME UNDERGRADUATE ENROLLMENT



SOURCE: National Center for Education Statistics Actuals through 2010

In the early 1990s off-campus student housing was primarily single-family homes and small, private owned apartment buildings located around universities. The owners were typically fragmented local mom-and-pop operators who rarely had properties in more than one market. But since then, local regional developers and institutional capital has begun to recognize student housing's potential, and this niche play has evolved into a mainstream investment.

As shown below new student housing construction has picked up considerably after the Great Recession. Nationally the number of projects has grown at a compounded positive rate of almost 30 percent annually over the past three years.

YEAR OVER YEAR PIPELINE SUMMARY

CONSTRUCTION PIPELINE						
	2011	2012	2013	% OF CHANGE	2014	FUTURE
# OF PROJECTS	16	25	38	52%	34	78
# OF UNITS	1,968	3,634	6,322	74%	5,348	15,228
PROJECT COST	$204M	$443M	$920M	108%	$792M	$1,600M

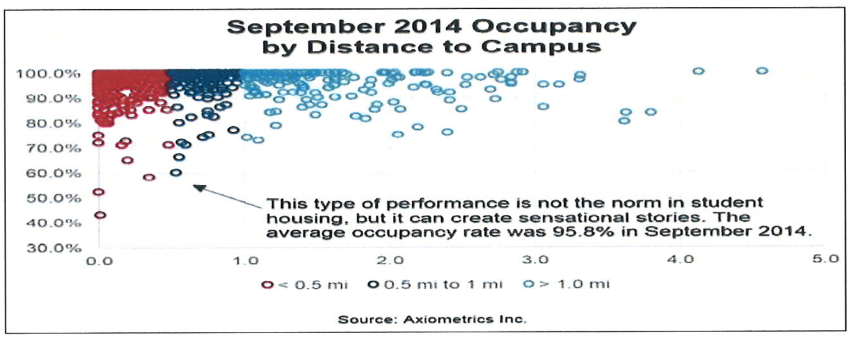
New student housing construction in 2013 was predominantly concentrated at near-campus locations that benefit from high barrier of entry. New construction is focused on luxury communities with high end unit finishes and abundant amenities. The anticipated influx in supply in some markets is causing concern for investors and lenders in those markets who expect rent growth will stagnate in the near and mid-term while enrollment trends lag new construction.

At the start of 2014, many analysts were expressing deep concern about the number of new student housing developments scheduled for delivery for the fall 2014 semester. With the new academic year under way, it seems safe to say their fears about potential oversupply were wrong.

The popularity of the cottage style developments is waning. Although initially well received, typically during the second or third academic year, occupancy drops and operations suffer. This is largely attributed to the challenges of managing a sprawled community and the distance from campus, which is the result of the required low density construction.

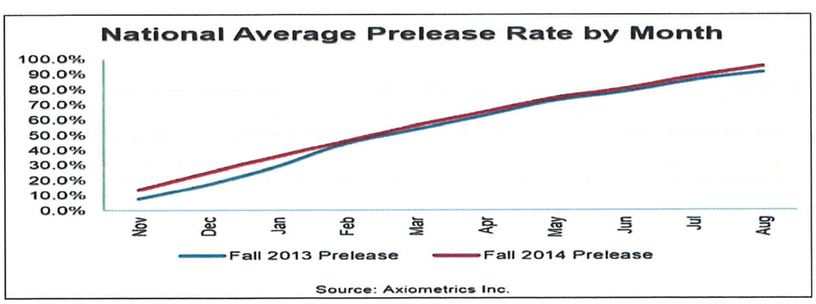
About 65,000 new beds were delivered to the privately owned, purpose-built student housing sector this fall - approximately 6,700 more than last year - and the overall performance has proven stronger than it was one year ago. Occupancy in already existing off-campus properties averaged 95.8% in September 2014 on a same-store basis, some 190 basis points (bps) higher than the 93.9% recorded in September 2013.

At times, media have reported that properties were struggling to fill beds, with too much supply being the supposed culprit. As seen in the chart below, those low occupancy rates are outliers, as most properties achieved an occupancy rate greater than 90 percent by September 2014, even those more than one mile from campus. Similar outliers can be found in other real estate sectors, and there is often an underlying reason for the performance that has little to do with supply.



Preleasing occupancy rates throughout the leasing season saw the hints of stronger performance for the fall 2014. It was obvious in November and December last year that beds were being leased at a faster clip than the previous year. While the spread in outperformance narrowed during the spring months, properties made a late push in July and August.

The prelease rate in August 2014 was 95.2 percent, a hefty 420 bps above the August 2013 prelease rate of 91.0 percent. This is a same-store figure for properties undergoing the preleasing process in both the November 2012-August 2013 and November 2013-August 2014 periods.



A strong occupancy rate for this school year could lead to more pricing power for fall 2015, especially at universities with growing enrollment and relatively small supply totals

The industry trend in university housing is for Universities to outsource their student housing if possible so they can spend more time and energy on their core mission of providing higher-level education and/or research. This means creating joint ventures and/or creating an operating structure to provide new/expanded student housing offerings with a third-party student housing developer/operators. These typically REITs have a track record of providing the necessary levels of quality product offerings, marketing, amenity packages, and on-site management in order to satisfy the housing for today's students and their parents.

Much of the existing on-campus and off-campus housing stock is old, inefficient and tired. Questionnaires developed by other universities indicate that most students leave dorms based upon their desire to be independent and to have kitchens/microwaves. This is followed by having a living room space, having a washer/dryer in their unit, general condition/maintenance, etc. Key market rate student housing building features would include security/safety, full service leases (i.e., rent including utilities) student study lounges, bike rooms, availability of high speed internet service, proximity to classes, private bedrooms/bathrooms, pest control, etc. "Lockable" shared suites with other students have appeal as do flexible leases with buyouts.

Transaction Investment

In 2011, U.S. student-housing transaction activity reached $2.2 billion, according to Real Capital Analytics, a 40 percent increase from 2010 and well over triple 2009s total. Institutional buyers accounted for 42 percent of these transactions, up from 29 percent from 2010.

The largest student-housing operators are all growing at a brisk pace due to the flow of debt and equity into the sector, and acquisitions have been heavy. Austin, Texas-based American Campus Communities was by far the most active buyer from February 2010 through February 2012, acquiring 23 properties totaling $603.4 million, according to RCA.

Los Angeles-based Kayne Anderson and Memphis, Tenn.-based Education Realty Trust rounded out the top three buyers during that period, with $442.1 million for 16 properties and $260.1 million for 10 acquisitions, respectively. Boston-based Fidelity Investments topped the list of sellers, disposing of 18 properties for $383.3 million.

Sales volume in 2012 marked the highest seen in the industry to date, totaling over $3.5 billion. 2013 marked the second year in a row that student housing transaction volume surpassed the peak pre-recession level achieved in 2007 at $3.43 billion and it would have outperformed 2012s record year in both number of properties sold and total volume if the ACC-Kayne Anderson and ACC-Campus portfolio transactions were excluded from 2012s figures.

With all the competition in the acquisition world, development has become very attractive. Even merchant builders, which have been out of the game since 2006, are slowly coming back. Institutional capital (either returning to the market or coming in for the first time), fund capital, and private capital looking for value-add deals within walking distance to universities.

Year over Year Sales Snapshot

Year	No of Transactions	No. of Units	Price/Unit	No. of Beds	Price/Bed	Cap Rate	Occupancy
2013	159	23,043	$148,990	51,971	$57,261	6.6%	96%
2012	286	44,733	$136,015	83,117	$48,813	6.5%	93%
2011	97	17,049	$106,525	28,779	$48,416	7.1%	96%
2010	71	12,387	$161,254	29,587	$47,903	7.8%	90%
2009	32	3,961	$140,263	7,467	$26,391	8.6%	92%

Source For All Above: Real Capital Analytics

Many investors are moving into student housing investment as yields are 50-100 basis points (bps) above conventional multi-family apartments. Cap rates averaged 6.6 percent in 2013. Concurrent to the increased interest drawn from new investors, new development has spurred with approximately 38,000 beds being delivered for the 2013- 2014 school year.

The following is a summary of student housing sales activity trends through the third quarter 2014 as reported by Real Capital Analytics. Average cap rates in 3Q 2014 were 5.9 percent at an average price of $168,215 per unit.

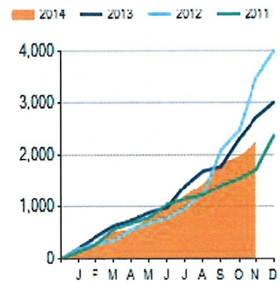
Market Snapshot

Current Market Statistics

	Q4 '14 to Date	Deals Pending	Combined Total	Last Quarter
Volume (mil)	$411.2	$0.0	$411.2	$873.4
No. of props	11	0	11	38
Total units	3,084	0	3,084	5,721
Avg Price/unit*	$98,430	$0	$98,430	$168,215
Avg Cap Rate*	—%	—%	—%	5.9%

*Pricing and Cap-Rate figures are calculated based on well-qualified deals that also include area statistics

Cumulative Monthly Volume $ (mil)



Year-to-date volume: $2,235.6
Year-over-year chg: -17%

Historical Market Performance

		United States		North America	
		Actual	Chg vs Prior	Actual	Chg vs Prior
Volume (mil)	Prior 12 mos (thru Q3 '14)	$3,052.4	-17%	$106,941.2	3%
	Q3 '14	$873.4	95%	$28,354.8	4%
No. of props	Prior 12 mos (thru Q3 '14)	173	8%	7,022	14%
	Q3 '14	38	27%	1,735	1%
Total units	Prior 12 mos (thru Q3 '14)	24,381	-8%	1,020,855	10%
	Q3 '14	5,721	55%	248,534	3%
Avg Price/unit	Prior 12 mos (thru Q3 '14)	$147,133	8%	$119,017	4%
	Q3 '14	$168,215	26%	$131,302	13%
Avg Cap Rate (Yield)	Prior 12 mos (thru Q3 '14)	6.3%	-48 bps	6.1%	-3 bps
	Q3 '14	5.9%	-79 bps	6.1%	-12 bps

LOCAL ECONOMIC & DEMOGRAPHIC ANALYSIS

Population & Age Distribution

The table below shows the historical and projected populations in Delaware, its counties, and three of its major cities. The growth seen, and predicted, between years 2000 and 2020 for both Kent and Sussex counties are over 40 percent. New Castle County trails with just over 13 percent growth, followed by the City of Newark with almost five percent population growth.

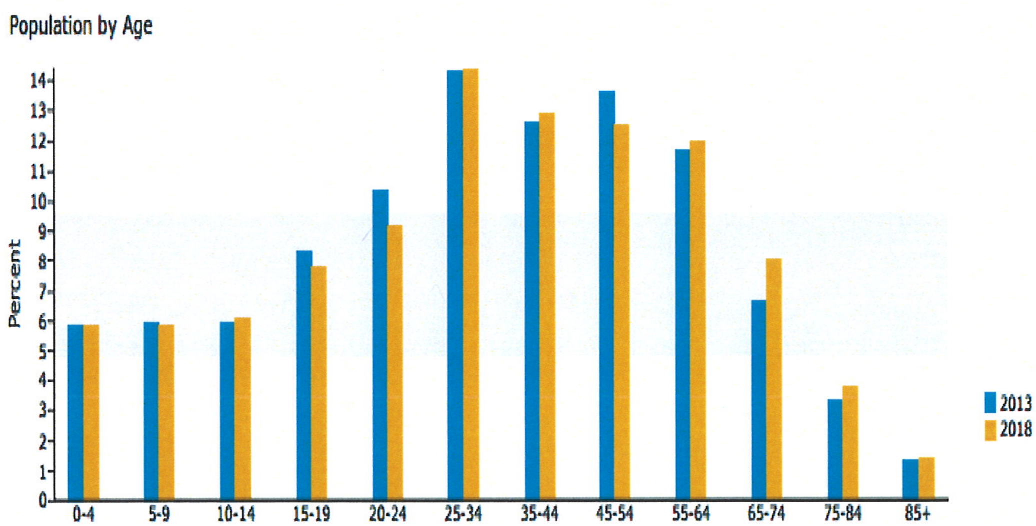
Delaware Population Growth Projections*

	2000	2005	2010	2015	2020	Growth (2000-2020)
New Castle County	501,855	520,929	538,170	554,405	567,764	13.13%
City of Wilmington	72,728	72,265	73,022	72,777	72,549	-0.25%
City of Newark	29,367	30,334	30,486	30,604	30,715	4.59%
Kent County	127,114	143,308	160,058	169,884	178,817	40.67%
City of Dover	32,197	33,965	37,341	38,138	38,952	20.98%
Sussex County	157,439	175,687	196,945	216,160	235,341	49.48%
Total Delaware State	**786,408**	**839,924**	**895,173**	**940,449**	**981,922**	**24.86%**

* As of July 1, 2010, Delaware Population Consortium

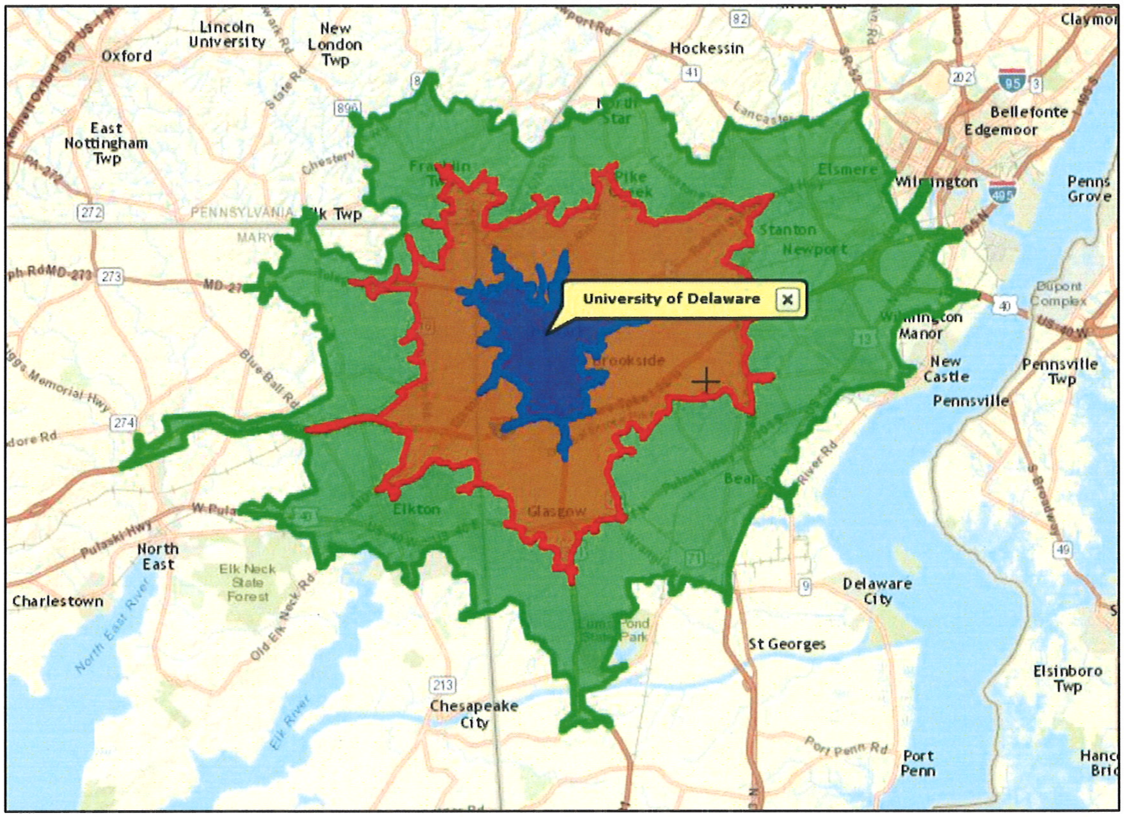
DEMOGRAPHICS ANALYSIS (STDB DATA)

The population within a 15 minute drive time of the university has and is projected to maintain a relatively steady allocation across a variety of age cohorts. This trend is projected to continue through 2018 as seen in the graph below. The population of age groups 15 to 24 and 45 to 54 years old are expected to see some decrease in the near future while the age groups of those 55 and older are expected to see the most notable increase.



Average household income reflects a lower middle class populace at $64,586 as estimated for 2013, with an increase to $78,061 projected for 2018. The 2013 household income figures reflect 37.4 percent of the households have income below $50,000.

The map below presents a demographic overview of the subject's neighborhood and submarkets contained within a 5, 10 and 15 minute drive time.



Within a 15 minute drive time the neighborhood population had a small increase from an estimated population in 2013 of 189,324 and is expected to further increase to 192,840 in 2018, or about 700 people per year. At the same time the median age is climbing from 33.9 in 2010 to 34.4 in 2013 while projected to further increase to 35.4 in 2018.

To the right is a summary of demographic and income data within the 5, 10 and 15 minute drive times for 2010, 2013 and 2018 (projected). The 5-minute drive time contains the University of Delaware's 17,550 full-time students which tend to skew the ages and incomes drastically downward.

University of Delaware - Newark Campus Demographic and Income Profile

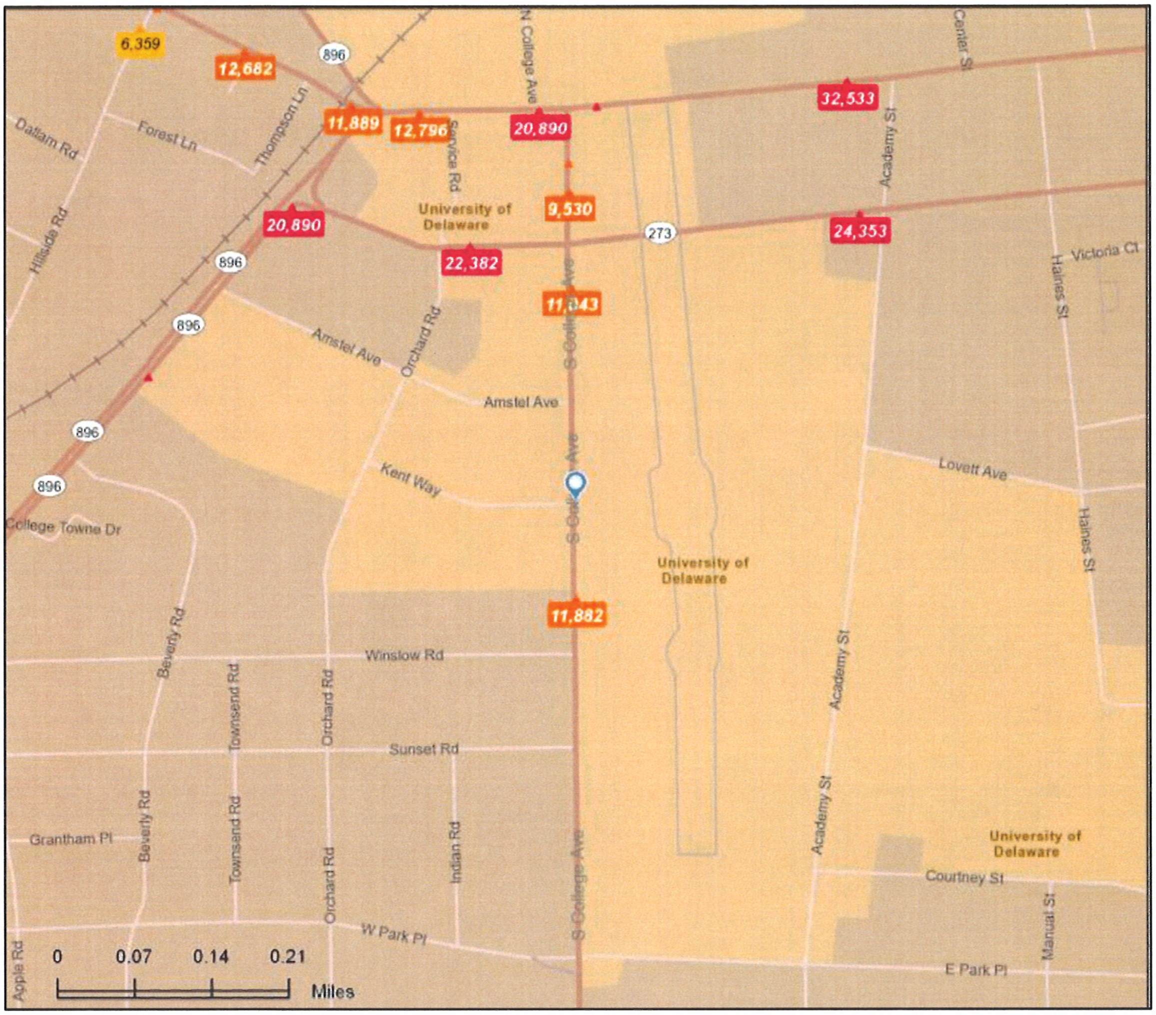
Within 5 Minute Drive Time			
	Census		
	2010	2013	2018
Population	20,733	20,710	20,877
Median Age	22.5	22.6	22.7
Median Income		$32,461	$35,791
Within 10 Minute Drive Time			
	Census		
	2010	2013	2018
Population	81,703	81,948	83,272
Median Age	29.4	30.2	31.9
Median Income		$56,081	$68,055
Within 15 Minute Drive Time			
	Census		
	2010	2013	2018
Population	205,181	206,006	209,430
Median Age	33.9	34.4	35.5
Median Income		$64,586	$78,061

Note: Income is expressed in current dollars.
Source: US Census Bureau, Census 2010 Summary File 1
Esri forecasts for 2013 and 2018

TRAFFIC COUNTS

The traffic counts surrounding the subject property also make a significant impact on investor and tenant interest, when considering this location. The subject is located at the southern corner of the intersection of South Main Street (Route 273) and Apple Road. The traffic counts along South Main Street were 18,048 and 20,003 vehicles per day in 2011, the most recent study available.

The map below shows the traffic counts in the neighborhood of the subject, as reported by the 2011 MPSI (Market Planning Solutions Inc.) Systems Inc. d.b.a. DataMetrix®.



CONCLUSION

The subject's neighborhood demographics indicate a middle-income population base. The subject property is in a mature neighborhood less than a quarter mile west of the University of Delaware and downtown East/West Main Street, Newark. The immediate neighborhood is known as West Campus and consists of a mix of single and multi-family homes and several apartment complexes and the City of Newark Municipal Building. Being located within a large university town provides insulation from fluctuations and downturns in the economy.

Newark Market Analysis

The City of Newark is primarily a residential community although it is also home to the University of Delaware campus and supporting retail and office uses. The University of Delaware has been at the center of Newark since the 18th century and has shaped much of the way the housing and retail markets in the area have evolved.

The City of Newark's economic development strategy vision statement is that "in 2020, Newark, Delaware will be internationally recognized as a regional hub of science, technology, and higher education. Its research, science, and technology sector will be the core of a diversified economy providing well-paying jobs for workers from a multi-state area. Downtown Newark and its shopping and entertainment opportunities will be a destination for regional residents and global visitors, as well as a sought-after business location. Newark's economic sector will be a key component of its highly desirable quality of life."

The undergraduate population of the University of Delaware is 17,712 full-time students for 2014-15, of which 62 percent are out of state residents. In addition there are 3,654 graduate students (2,833 full-time) and 1,203 full-time faculty members.

University of Delaware Student Population - School Year 2014-15			
Fulltime Undergraduates	17,712	Fulltime Graduates	3,679
No. in university housing	7,500	No. of full time	2,833
No. in off-campus housing	8,000	No. of part time	946
No. living with relatives	1,200	No. in off-campus housing	1,980
No. of commuters	1,000		
No. in housing	15,500	Total housing demand (Rounded)	17,500

The number of existing students that need housing is about 15,500 to 17,500 including full-time graduates. But this number is anticipated grow if about 2,000 over the next three years based upon historical university enrollment growth and plans to grow the graduate program by 2,000 students over the next 10 years.

The University currently has 7,755 beds in a variety of residence halls located over campus. Normal capacity is 7,437 students so current occupancy is 104.3 percent. The University requires all freshmen to live in campus housing, but some upper classmen continue to live in university housing; with about 60 percent of sophomores, and 18 percent of upperclassmen juniors and seniors returning. Overall, 44 percent of undergraduates live on campus.

To meet the student housing needs the University completed two new East campus residence halls in August 2013. The five-story residence halls, totaling 252,000 square feet, have 767 beds as well as offices. The most recent additions to University owned residence hall housing stock is on Academy Street with a 100,000 square foot, 305-bed, residence hall for freshman students and a 50,000 square foot, 1,150 seat, dining hall. South Academy Street Residence, currently under construction, will add 515 beds in traditional doubles or singles in September 2015. These new residence halls will increase the count slightly to 7,600 beds in the fall of 2016 netting out removal of the Dickinson and Rodney residence halls.

Off-Campus Housing Market

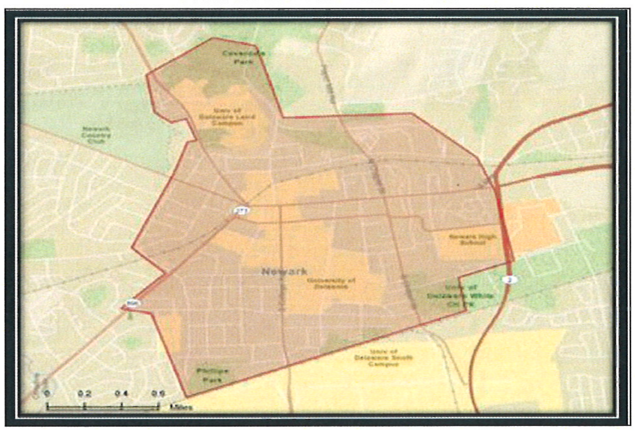
The desire for students to live within a close proximity to the university has made much of the real estate in the surrounding area highly sought after. It is not unlikely to have a house that was built over 100 years ago standing next to a brand new apartment complex. Recently, multifamily apartments are being built with greater frequency than new houses, likely because it is the easiest way to house the most students.

Facts and figures tell the story: in 2013 the City of Newark had approved 476 apartment units, which is almost equivalent to the 482 units approved in total over the previous 10 years (2002 to 2012). With limited vacant land available, many of the 2013 approved units involved the redevelopment and/or demolition of existing older buildings.

The city is seeking ways to curb traffic and parking issues as well as promote growth by encouraging development of owner-occupied housing and restricting the permitted number of unrelated individuals who may resident per residential unit. This figure is typically no more than four, unrelated students per unit, but the count can go as high as six students per unit.

The first data we gathered was the supply of housing in the area was based off of an area where students would have a short walk to school and housing landmarks that already exist. This is the subject area that best represents the housing supply for the students and also much of the faculty for the University of Delaware. Within this area there are a total of 2,501 households and 3,119 housing units. Out of those housing units, 1,820 of these properties are renter occupied units. Assuming four students per household we get an estimated 7,300 beds. The majority of renters have to pay their utilities as well, only 28 percent of renters in the area have no extra payments for utilities. A map of the primary market area is presented on the following page.

Newark Market Area



Housing units by structure also vary. There are 987 single detached housing units in the subject area, and 480 single attached housing units. Units where the complex includes two to four units in structure total 364. That number of units increases to 724 when the complex includes 5-19 total units per structure. There are also a considerable number of units, 433 total units, when there are over 50 units contained within a complex. During the school-year the occupancy percentage at most off-campus apartment complexes is very close to or at 100 percent.

The Census Bureau reports show that Newark had more than double the statewide average for multi-unit structures between 2008 and 2012, at 37.6 percent, and a 54.3 percent rate of home ownership that is well below the statewide 72.7 percent mark.

According to an on-going study by Urban Partners the City of Newark had a total of 1,596 rental permits at yearend 2013. The city's total of 5,001 housing units is 500 more than reported in the 2011 Census Bureau. Most of the rental complexes surveyed contained less than 50 units, with the largest complex containing 308 units. Three of the top five largest rental complexes are Park Place Apartments, Christina Mill, Towne Court/Studio Green that together contain 708 units, or 55 percent of the top five rental community inventory.

Christina Mill is owned and managed by Lowe Enterprises Investors while Park Place Apartments and Towne Court/Studio Green is owned by Campus Living Villages, both large, institutional investors. Towne Court/Studio Green has 1,071 beds offered in a mixture of studio to four-bedroom units. All together these larger student-oriented apartment complexes contribute an estimated 2,775 beds.

Our research shows that surrounding the subject along South Main Street, there are a number of student apartment and townhouse units. The table on the following page summarizes 12 apartment complexes located primarily less than two miles away. They total 989 units housing about 3,750 beds/people. These figures don't include the previously mentioned residence hall university beds or the 3,550 beds in other houses in the surround communities.

Summary of S. Main Street, Newark, Delaware - Apartment Projects

#	Name	Location	Yr. Built	# Units	Comments
1	Park Place Apartments	650 Lehigh Road	1963	276	Estimated 1,380 beds in a mix of studio to 4-bedroom units
2	West Knoll Apartments	260 S. Main Street	1964	100	152 beds; 5-bldg, 3-sty garden apartment; all 1- & 2-bedroom units
3	Towne Court/Studio Green	91 Thorn Lane	1969	204	1,071 beds in a mix of studio to 4-bedroom apartment units
4	Christina Mill Apartments	100 Christina Mill Drive	1992	228	Estimated 325 beds within 1 & 2-bedroom units in multi-bldg complex
5	Amstel Square Townhouses	201-215 Amstel Ave	2008	18	85 beds; 10, 4 & 5-bdrm apts & 8, 4-bdrm townhouses with garages
6	Millyard	100 S. Main Street	2008	9	45 beds in nine 3 & 4-bedroom apts w/ ground floor retail
7	Amstel Square	57 S. Main Street	2009	18	90 beds in 10, 4 to 5-bdrm apts over retail
8	Rittenhouse Station	250 S. Main Street	2011	65	380 beds in two- to four bedroom units some over retail
9	Rittenhouse Lofts	264 S. Main Street	2013	22	90 beds in two- and three bedroom units
10	136 S. Main Street	136 S. Main Street	2013	22	88 beds in three bedroom apartments some over retail
11	S. Main Commons	300 Socom Court	2014	13	78 beds in 4-bedroom townhouses
12	Madeline Crossing	168 S. Main Street	2003/2014	14	44 beds in 2 & 4-bdrrm apt units over retail; + 10 apts/36 beds planned
				989	

The demand for housing in such a condensed area is due to limited to the amount of units which serve the growing local population and student body. Local families, undergraduates (i.e., juniors and seniors), graduate students, and faculty all enjoy living in close proximity to the school and East and South Main Streets.

In addition to locational proximity to the university campus and Main Street(s), tenants make subjective judgments where to live based upon building condition, unit sizes, floor plans, and any amenities (i.e., pool, clubhouse, workout facility, study lounges, TV/media rooms, etc.). Other factors such as exterior curb appeal, security and the availability of parking or public transportation will also affect the desirability of a residence to a prospective tenant. Last, but certainly not least, the convenience to employment, shopping, recreational and cultural centers will favor an apartment complex over the others in the mind's eye of a resident.

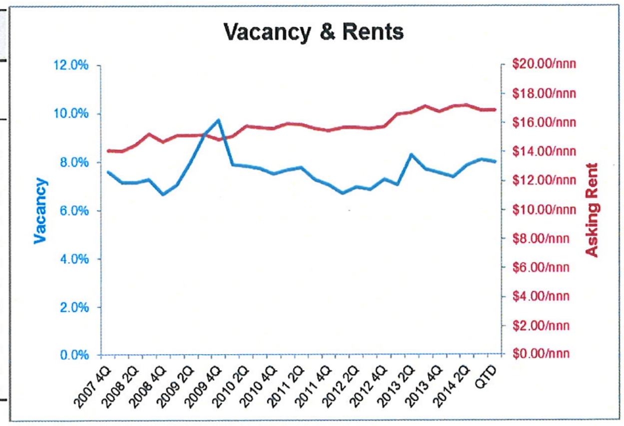
Retail Market

We also evaluated retail market statistics below from CoStar based upon a three mile ring from the subject. The retail market is currently operating in the single digit eight percent vacancy rate but the 2014 rents are flat to declining and absorption over the past three years has been negative 6,000 square feet. With a little over 2.5 million square feet of existing retail space, fair local retail market performance and no major preleasing it would seem that the prospects for retail development at the site would be limited.

Historical Retail Statistics
3 Mile Radius of Subject Sub-Market

Period	# Bldgs	Total RBA	Total Vacant %	Total Net Absorption	Total Average Rate
QTD	135	2,511,951	8.0%	595	$16.89/nnn
2014 3Q	135	2,511,951	8.1%	(7,067)	$16.89/nnn
2014 2Q	135	2,511,951	7.9%	(10,400)	$17.20/nnn
2014 1Q	135	2,511,951	7.4%	2,000	$17.15/nnn
2013 4Q	135	2,511,951	7.5%	5,430	$16.80/nnn
2013 3Q	135	2,511,951	7.7%	12,988	$17.18/nnn
2013 2Q	135	2,511,951	8.3%	(30,581)	$16.72/nnn
2013 1Q	135	2,511,951	7.0%	5,445	$16.62/nnn
2012 4Q	135	2,511,951	7.3%	(550)	$15.79/nnn
2012 3Q	134	2,501,451	6.8%	4,357	$15.64/nnn
2012 2Q	134	2,501,451	6.9%	(3,880)	$15.71/nnn
2012 1Q	134	2,501,451	6.7%	18,080	$15.74/nnn
2011 4Q	134	2,501,451	7.0%	(1,941)	$15.49/nnn

Source: CoStar, 2014



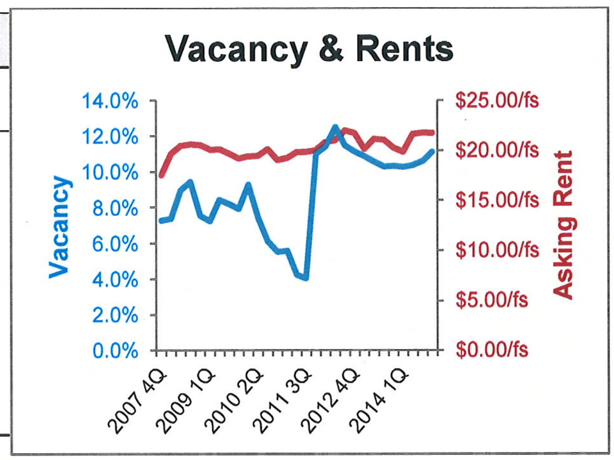
Office Market

We also evaluated office market statistics below per CoStar based upon a similar three mile radius from the subject. The market is operating with a negative year-to-date net absorption rate, vacancy has been "stuck" at 11 to 12 percent over the past three years and rents are flat. With about 1.325 million square feet of existing office space and flat market dynamics it would seem that any prospects for office development at the site would not be market supported.

Historical Office Statistics
3 Mile Radius of Subject Sub-Market

Period	# Bldgs	Total RBA	Total Vacant %	Total Net Absorption	Total Average Rate
QTD	81	1,324,891	11.1%	(9,903)	$21.76/fs
2014 3Q	81	1,324,891	10.6%	(1,493)	$21.79/fs
2014 2Q	81	1,324,891	10.4%	(2,552)	$21.68/fs
2014 1Q	81	1,324,891	10.3%	1,951	$19.86/fs
2013 4Q	81	1,324,891	10.3%	(1,700)	$20.27/fs
2013 3Q	81	1,324,891	10.3%	3,393	$21.08/fs
2013 2Q	81	1,324,891	10.5%	9,136	$21.18/fs
2013 1Q	81	1,324,891	10.9%	(1,636)	$20.16/fs
2012 4Q	81	1,324,891	11.1%	13,507	$21.76/fs
2012 3Q	81	1,324,891	11.5%	8,187	$22.00/fs
2012 2Q	81	1,324,891	12.5%	(18,109)	$21.06/fs
2012 1Q	81	1,324,891	11.4%	(5,315)	$20.87/fs
2011 4Q	81	1,324,891	11.0%	(91,994)	$20.05/fs

Source: CoStar, 2014



In addition there are several significant industrial and commercial developments along the primary roadways in the area. The largest of these is the 250-acre former Daimler/Chrysler Newark Assembly Plant that was purchased by the University of Delaware in 2009 for $24.25 million. They demolished the existing 4.2 million square feet of buildings, renamed the property the STAR Campus and are developing a science and technology research park. The first building of Bloom Energy opened in April 2013 and a data center on 43 acres was recently announced. The first 105,000 square foot building for the College of Health Sciences opened in January 2014. The former Avon facility located on Route 273 (Ogletown Road), which is 394,000 square foot warehouse/manufacturing facility situated on 45.5 acres, is rumored to be under contract of sale and planned for redevelopment with a mixed-use project.

New Construction & Development

CoStar reports that the New Castle County market had 2,600 square feet of new retail space delivered in the fourth quarter 2014 with no new deliveries since that time. In the last five years there has been 254,391 total square feet of new retail space delivered within the county with 12,700 square feet of new retail space reported to be under construction.

Despite the addition of a quarter million square feet of retail space during the last five years, net retail space has declined by 33,317 square feet, a decrease of 0.12 percent.

In the smaller Newark sub-market, 20,125 square feet of new retail space was delivered in the first quarter 2012, but no new retail space has been delivered since. About 3,600 square feet is reported under construction in mid-2014. Much of the new development has been in the way of either adaptive re-use of existing buildings or demolition and in-fill redevelopment.

During the University of Delaware school-year the occupancy at the dorms and most apartments is at or near 100 percent capacity. In addition retail space along both downtown E. Main Street and S. Main Street has been in demand from both local and national tenants. This has led to developers beginning to expand the market with new commercial and residential developments. Below is a summary of several on-going or planned pipeline larger scale residential projects we researched. In total they comprise 597 units, or almost 1,600 new beds/people.

Developer Survey - In-Progress & Pipeline Multi-Family Projects

	Lang Development	Prettyman	Tsionas Management	Atlantic Realty Company	The Retreat (Landmark Properties)	Total
Pipeline # Projects	3	2	4	1	completed Aug-14	9 projects
Number of Units	20	68	46	220	169	523 units
Number of Beds	80	336	131	444	597	1,588 beds

Of these 11 identified projects, four are nearby and located along South Main Street. Lang Development has Madeline Crossing, which as of May 2014, received approvals to build an additional 10, four-bedroom units, or 36 new beds. They are also building One South Main Street which is a nearly complete 12-unit apartment complex with 48 beds.

Mr. Hal Prettyman is demolishing the existing 40-unit College Town Apartments located at 163 S. Main Street and redeveloping the 2.63 acre site with 32, six-bedroom/3.5 bath, townhouse apartments housing 192 beds known as Chimney Ridge Townhouses. In addition he plans to build the adjacent mixed-use South Main Plaza with 19,482 square feet of ground retail space and 36 upper-level apartments with 144 beds. Cumulatively these three projects will add an additional 420 new beds along the S. Main Street corridor.

For redevelopment density is very important to developers. The nearby Rittenhouse Station reflects a density of 14.6 units per acre and the adjacent Rittenhouse Lofts project reflects a density of 26.3 units per acre. The recently completed 13 townhouse unit community known as South Main Commons has a density of 15.3 units per acre. The expansion of Madeline Crossing to 24 apartment units reflects a density of 16.8 units per acre. Assuming an average of four people per unit above the density would increase to 58 to 105 beds per acre.

According to the City of Newark planning & development director, per an interview with the Wilmington News Journal May 2014, the city is "at a critical juncture," following approval of several new multifamily projects. The approved unit figures from the past five years are summarized in the table to the right. In our opinion the current Newark housing market phase is considered "mature" based upon having strong demand, strong rental growth and accelerating construction and plentiful capital available for the development. The next phase is "peak" where demand peaks, capital remains available, construction continues, but rent turn down. Unfortunately the last phase of the real estate life cycle is a "downturn" where a recession hits, capital is short, construction stops, and market vacancies increase.

City of Newark Multi-Family Unit Approvals	
Year	**Units Approved**
2009	26
2010	86
2011	81
2012	121
2013	476
*2014	179

* as of May 2014

The City of Newark Comprehensive Development Plan has defined goals such as protect and upgrade existing residential neighborhoods, expand housing opportunities for future Newark residents at all income levels, make it a destination culturally rich for young families and couples, and foster civic duty. So, the plan generally promotes diverse lifestyles.

To gain a further understanding of the local residential market planned we spoke with a variety of officials at the City of Newark. The city would like to see more owner occupied housing and less students renting single family houses because it disrupts neighborhoods and puts upward pressure on home prices. Much of the new housing development and redevelopment is aimed at student oriented housing in mixed use buildings.

In addition we read the last Comprehensive Development Plan IV completed for the City of Newark and adopted in October 2008. Below is a summary of the comments, strategy and recommendations of planned developments located in District Two and in District Six.

According to the plan: "The developed lands between Barksdale and Elkton Road contain a mixture of single family homes; townhouses; light hi-tech industry (the Gore site) and office uses; a large number of garden apartments; parkland; the CSX railroad right-of-way, and along and on either side of Elkton Road, numerous small shops, businesses, restaurants, and the small Park-N-Shop shopping center. Recently approved mixed use commercial and apartment buildings are also located in this area on Elkton Road (i.e., Rittenhouse Station Apartments), between Apple Road and Delaware Avenue. University dormitories and the Aetna Fire Station are also found in this section of the City. Office buildings; newer apartment complexes; the large Suburban Plaza Shopping Center, with a Home Depot added to this site; and, finally, several small commercial buildings are located south of Casho Mill Road, on the west side of Elkton Road, reaching to the Maryland line. A large gap in the City boundary is occupied by the DuPont Company's Stine-Haskell facility between Suburban Plaza and the in-the-City properties across from Ott's Chapel Road, on Elkton Road."

The plan's District Two, where the subject is located, is termed University or an area that includes mostly University of Delaware owned lands with other properties that almost encircle the Downtown Core District. The area is intended for continued university related uses. The University should make the Downtown business community aware of student, faculty and staff commercial needs and opportunities through the Downtown Newark Partnership.

The plan's description for District Six-Highway, the Commercial District from Elkton Road to Apple Road included a recommendation the DNP's downtown target area to coincide with the full size of the ***Strategy***'s recommended Downtown Development Districts. As a result, this District's uses were revised by replacing the originally suggested uses and adopting those that were suggested for District One. The recommended uses, therefore, in this District are first floor specialty and traditional retail shops, with a balanced concentration of food and entertainment. Apartments and offices are proposed for upper floors. Any additional apartments, however, must be carefully and closely evaluated in terms of their impact on downtown traffic and parking; their compatibility with existing buildings in terms of design, scale and intensity of development; the contribution of the overall project, including proposed apartments, to the quality of the downtown economic environment; and potential significant negative impacts on nearby established businesses and residential neighborhoods.

HIGHEST AND BEST USE

Highest and best use may be defined as: the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

1. **Legally Permissible:** What uses are permitted by zoning and other legal restrictions?
2. **Physically Possible:** To what use is the site physically adaptable?
3. **Financially Feasible:** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive.** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

The highest and best use of a specific parcel of land does not depend on subjective analysis; rather, highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property.

Market forces also shape market value. The general data that is collected and analyzed to estimate property value is also used to formulate an opinion of the property's highest and best use as of the effective date of the appraisal. The highest and best use of a property to be appraised provides the foundation for a thorough investigation of the competitive positions of buyers and sellers in the marketplace. Consequently, highest and best use can be described as the foundation on which market value rests. Without interaction in the marketplace, highest and best use would not exist and market value estimations would be impossible.

When potential buyers contemplate purchasing real estate for personal use or occupancy, their principle motivations are perceived benefits of enhanced enjoyment, prestige, and privacy. Purchasers of investment property are frequently motivated by the promise of net income or capital accumulation and/or certain tax advantages. Investors are more directly concerned with feasibility, an indication that a project has a reasonable likelihood of satisfying their specific objectives. These objectives may include assured occupancy, hitting a targeted yield, establishing operating costs at a reasonable and acceptable level, and potential property appreciation.

We evaluated the subject's highest and best use as if vacant on a hypothetical basis based upon the existing buildings being demolished and removed. As vacant land the highest and best use of the real estate must meet four criteria. The highest and best use must be (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive.

These criteria are usually considered sequentially; a use may be financially feasible, but this is irrelevant if it isn't physically possible or legally prohibited. Only when there is a reasonable possibility that one of the prior, unacceptable conditions can be changed is it appropriate to proceed with the analysis. If, for example, current zoning does not permit a potential highest and best use, but there is a possibility that the zoning can be changed, the proposed use can be considered on that basis.

To estimate the highest and best use of the site as vacant we must analyze the pertinent data we have collected and compiled herein. After determining what uses are legally permissible and physically possible, we test potential uses based upon economic demand and financial feasibility.

AS IF VACANT LAND

Legally permitted – the most important restriction governing land use is the local zoning ordinance. Other public restrictions include building codes, historic preservation regulations, environmental controls, and private or contractual restrictions found in deeds or long-term leases. It is important to investigate these restrictions as they typically preclude the potential use of land. The subject property is currently zoned UN, University by the City of Newark, which permits a variety of university supportive uses. We have assumed the site if not owned by the University would be zoned for residential multifamily. Currently the site is improved with two, multi-building, university student housing dormitories and a dining hall. Based upon the surrounding neighborhood uses it is doubtful that the zoning could be changed to reflect anything other than residential student housing. Based upon the current zoning and surrounding neighborhood it would seem that the most likely, legally permissible use would be for residential development. Vacant land zoned for multifamily use is scarce in Newark, but rezoning land is not too difficult. Developers are willing to incur the risk, time and costs necessary to receive plan approvals, secure construction loans, and complete the equity and debt stack for new development.

Physically possible — the physical possibility of a use is estimated by characteristics such as size, shape, location, utility, and availability of utilities, topography and any other physical aspects of the site that would restrict or prevent any of the legal uses of the site. Size, shape and terrain of the parcel of land affect the uses to which it can be developed.

The utility of the parcel may depend on its frontage and depth. Also considered are the capacity and availability of public utilities. When a site's topography or subsoil conditions make development restrictive or costly, its potential use is adversely affected. In general, the larger the site, the greater is the potential for achieving economies of scale or flexibility in development.

The site is two irregularly shaped, non-adjoining parcels with good roadside frontage, access and visibility. The subject land size and shape is conducive to a variety of developments in concert with the surrounding neighborhood. All public utilities are in place and the soil is assumed to have sufficient load bearing capacity to support maximum development. The site's proximity to campus and classes is important/very important to most students. Therefore, the physical aspects of the site do seem not impose restrictive constraints which would prevent the subject from being developed to its highest and best use. A portion of the Dickinson dormitory site does appear to cross and include Hillside Road and an open area on the west side of the road.

The subject's existing density is 96.5 beds per acre and the market densities at market projects reflect 60 to 106 beds per acre. We have estimated that about 625 to 1,500 beds, or 40 to 100 beds per acre, would be legally permissible based upon existing density use and market densities.

	Low Scenario	High Scenario
Beds per acre	40 beds/acre	100 beds/acre
Number of stories	3-4 stories	3-4 stories
Number of Beds on 15.63 acres	625	1,563
Type of parking	Surface	Under or pedistal

Financially feasible — the uses that meet the first two criteria (legally permissible and physically possible) are analyzed further to estimate which are likely to produce an income or return equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible. There are several uses would be considered financially feasible for the subject site, with a student housing complex being most probable.

We considered development of various forms of senior housing but could not identify sizable market demand. Economic demand exists locally for student housing and we note that such a use would be in harmony with surrounding neighborhood land use patterns. Based upon this it is believed that as if vacant the highest and best use of the site is as a higher density, modern student housing village would be most prudent. The housing inventory/supply in the defined market area is about 16,500 beds in existing and planned pipeline additions. These housing offerings are in a variety of buildings including garden apartments of varying vintage, townhouse apartment, single family homes, etc. Demand is based upon undergraduates and graduate students who currently occupy housing plus projected enrollment growth at the university. Based upon this we have identified a 1,500 bed gap between supply/demand.

Supply	# Beds	Demand		% Capture
Existing Housing Supply	14,600	Undergraduates	15,500	100.0%
University Additional Supply	300	Graduates	2,000	67.0%
Proposed Private Market Supply	1,600	Total demand	17,500	16,840
Total	16,500	Anticipated Enrollment Growth	850	850
Projected Next 2 Year Supply	16,500	Range of Projected Demand	18,350	17,690
Supply Shortfall	**1,500 beds**	Projected Next 2 Year Demand	18,000	

Maximally productive — of the financially feasible uses, the use that produces the highest price, or value, consistent with the rate of return warranted by the market for that use is the highest and best use. To estimate the highest and best use of land, the same rate of return is often used to capitalize income streams from different uses into their respective values.

This procedure is appropriate if all competing uses have similar risk characteristics. If not, different rates of return would be required. The use that produces the highest value is the highest and best use. The use that represents maximum profitability is the financially feasible use that will produce the highest net return.

To test the highest and best use of land as though vacant or a property as improved, an appraiser analyzes all logical, feasible alternatives. The market usually limits the number of property uses to a few logical choices. Each alternative use must first meet the tests of physical possibility and legal permissibility. The uses that meet the first two tests are then analyzed to ascertain how many financially feasible alternatives must be considered. Hereafter we need to better define the size and type of the student housing village that would be maximally productive and create a return to a developer. In this case we have developed this study based upon two density scenarios of 40 (Scenario 1) and 100 beds per acre (Scenario 2). Below we have summarized several local Newark market land sales that were purchased for student housing development. They vary in terms of location, size, unit mix permitted by zoning and density.

MARKET LAND SALE SUMMARY

Comp	Address	City	Date	Price	Acres	Land SF	Land Units	Price per Land SF	Price per Land Unit
Subject	103 - 343 Hillside Road	Newark	Oct-14		15.63	680,843	1,500		
1	230 E. Main Street	Newark	Aug-14	$4,500,000	4.60	200,511	220	$22.44	$20,455
2	201 E. Delaware Avenue	Newark	Nov-13	$995,000	0.41	17,860	12	$55.71	$82,917
3	56-62 E. Main Street	Newark	Jun-13	$3,500,000	0.53	23,087	24	$151.60	$145,833
4	300 Socom Court	Newark	May-13	$1,400,000	0.85	36,921	13	$37.92	$107,692
5	264 Elkton Road	Newark	Aug-12	$1,550,000	0.83	36,155	22	$42.87	$70,455
6	7 & 15 S. Main Street	Newark	Apr-12	$650,000	0.31	13504.00	12	$48.13	$54,167

Each land sale was compared to the subject in terms of location, land size, shape, zoning and density. After analysis a unit rate range of about $25 to $35 per square foot of land area was reconciled. Based upon a unit rate value of $30 per square foot a pro-forma value of $20.4 million was reconciled via market comparison for a site based upon a density of approximately 100 beds per acre. Net of an estimated $3 million for demolition and site clean-up we would reconcile a potential market value of $17,400,000. With lesser density we would estimate a lower land value of $8,500,000 based upon comparable land sales analysis.

Considering the re-development of the subject site with a 625 to 1,500 bed "student village" complex we also looked to the market for rents. We assumed an average of four beds per unit at 400 square feet per bed. We found that modern off-campus townhouses are renting for $725 to $800 per bed, per month plus utilities. Considering the subject's on-campus location we input market rents of $925 per bed in Scenario 1 and $800 per bed per month for 10 month leases in our pro-forma for Scenario 2. We also accounted for $250 per bed for additional income such as parking, storage, application and lease buyout fees, etc. We deducted two percent for vacancy since we assumed the parents would guarantee leases. We reviewed operating costs at other local apartments and estimated $1,750 to $2,100 per bed (or about 22 percent of EGI) which includes all utilities and reserves. Our capitalization rate of 6 percent was based upon our market analysis and knowledge of the local market.

Capitalized Value Pro-forma - Scenario 1			
# of Potential Beds		625	beds
Estimated monthly rent		$925.00	
Additional income		$156,300	
Potential Gross Income		$5,939,400	
Less vacancy/credit loss	2.0%	-$118,788	
Effective Gross Income		$5,820,612	
Less operating costs @	$2,100	-$1,312,920	
NOI estimate		$4,507,692	
NOI capped @	6.00%	$75,128,200	
	Rounded	$75,100,000	
		$120,122	per bed

Capitalized Value Pro-forma - Scenario 2			
# of Potential Beds		1,500	beds
Estimated monthly rent		$800.00	
Additional income		$375,120	
Potential Gross Income		$12,378,960	
Less vacancy/credit loss	2.0%	-$247,579	
Effective Gross Income		$12,131,381	
Less operating costs @	$1,750	-$2,625,840	
NOI estimate		$9,505,541	
NOI capped @	6.00%	$158,425,680	
	Rounded	$160,000,000	
		$106,633	per bed

Our pro-forma property value estimate above of $160 million dollars, equates to $106,633 per bed. Another method to arrive at a value estimate for the underlying land was via the land residual technique summarized below. Our building value was based upon the total cost including entrepreneurial profit for the improvements as presented on the following page. Based upon our projected NOI, the calculated 6.18 percent building cap rate and the residual to the land capped at 5.0 percent results in a net (of demolition and removal cost) residual land value range of $6,200,000 to $21,500,000 million rounded based upon the two densities pro-forma below.

Land Residual - Scenario 1			
Estimated Total Property Value		$69,000,000	
Estimated Building Cost		$65,570,976	
NOI	$4,507,692		
Less income attributable to building	$4,049,972		
Residual income to the land	$457,720		Rounded
Land value (capped at RI)	5.00%	$9,154,399	$9,200,000
Total Indicated property value	*Check*	$74,725,375	$6,200,000

Land Residual - Scenario 2			
Estimated Total Property Value		$160,000,000	
Estimated Building Cost		$134,056,218	
NOI	$9,505,541		
Less income attributable to building	$8,279,943		
Residual income to the land	$1,225,598		Rounded
Land value (capped at RI)	5.00%	$24,511,959	$24,500,000
Total Indicated property value	*Check*	$158,568,177	$21,500,000

The land value range of $17.4 to $21.5 million is for a density of 100 beds per acre. It is important to review potential redevelopment projects based upon the parcel size, permitted density and ultimate number of beds and scope of the proposed housing development. Evidence of this is the lower end of the value range at $6,200,000 to $8,500,000 based upon a density of 40 beds per acre.

We also considered a cost summary based upon an average unit size of about 400 square feet per bed and about four people per unit, or 1,600 square feet per unit. Based upon research into the market for costs of other student housing projects in Philadelphia and nationwide we believe that a cost of about $190 per square foot for a 3 to 4-story building with parking, or about $78,000 per bed is reasonable for Scenario 2. The estimated development cost for a smaller complex under Scenario 1 was estimated to be about 20 percent higher at $228 per square foot, or a little over $65 million in total.

Cost Estimate Pro-forma Summary - Scenario 1

Est. Construction costs $/SF	$228.00		
Est. Average unit size	1,600		
Cost per unit		$364,800	
Pro-forma development cost		$57,018,240	
Contigency @	15.0%	$8,552,736	$/Bed
Subtotal		$65,570,976	$104,880
Entreprenurial Profit	15.0%	$9,835,646	
Plus land		$6,200,000	$8,500,000
Total development cost		$81,606,622	$83,906,622

Cost Estimate Pro-forma Summary - Scenario 2

Est. Construction costs $/SF	$190.00		
Est. Average unit size	1,600		
Cost per unit		$304,000	
Pro-forma development cost		$101,365,760	
Contigency @	15.0%	$15,204,864	$/Bed
Subtotal		$116,570,624	$77,714
Entreprenurial Profit	15.0%	$17,485,594	
Plus land		$17,400,000	$21,500,000
Total development cost		$151,456,218	$155,556,218

Based upon these various methods we have arrived at the highest and best use of the site as vacant and available for redevelopment into a 625-bed (Scenario 1) or a 1,500-bed (Scenario 2), student housing village. Based upon the Scenario 1 development program a range of underlying land value is estimated to be $6,200,000 to $8,500,000. Based upon the Scenario 2 development program the underlying land value would range from $17,400,000 to$21,500,000.

Including developer's profit of 15 percent and the land value range the total cost for the Scenario 1 (lower density) project would be approximately $80 to $85 million. Including entrepreneurial profit and the land value range for Scenario 2 the total development cost would approximate $150 to $155 million.

Next we tested the project feasibility based upon a land price of $7,500,000 based upon the 40 beds per acre development program under Scenario 1. For Scenario 2 we input the land value at $20,000,000. The aforementioned construction cost estimate and other assumptions are presented in the tables below.

Student Housing Development Feasibility - Scenario 1		
Number of beds	625	
Land Cost	$7,500,000	
Estimated Land Cost per bed	$11,996	
Estimated Construction Costs	$65,570,976	
Estimated Construction Cost/Bed	$104,880	
Total Cost per bed	$116,876	
Typical SF per bed	400	
Typical construction time	15 mos.	
Necessary developer IRR	20.0%	
Sale price/bed required to achieve IRR	$146,792	
Cap Rate	6.00%	
Necessary NOI per bed	$8,808	
Expense Ratio	22.56%	
Implied Annual Revenue per bed	$11,373	
Implied Monthly Rent per bed	$948	per 12 mo. Lease
	$1,137	per 10 mo. Lease

In Scenario 1 and certain assumptions related to the construction of a 625 bed complex within 15 months, a land price of $7.5 million, and a desired 20 percent yield the result would be a rental range of $948 to $1,137 per bed per month depending upon the length of the lease term.

Student Housing Development Feasibility - Scenario 2		
Number of beds	1,500	
Land Cost	$20,000,000	
Estimated Land Cost per bed	$13,333	
Estimated Construction Costs	$116,570,624	
Estimated Construction Cost/Bed	$77,714	
Total Cost per bed	$91,047	
Typical SF per bed	400	
Typical construction time	15 mos.	
Necessary developer IRR	20.0%	
Sale price/bed required to achieve IRR	$114,352	
Cap Rate	6.00%	
Necessary NOI per bed	$6,861	
Expense Ratio	21.65%	
Implied Annual Revenue per bed	$8,756	
Implied Monthly Rent per bed	$730	per 12 mo. Lease
	$876	per 10 mo. Lease

In Scenario 2 and certain assumptions related to the construction of a 1,500 bed complex within 15 months, a land price of $20 million, and a desired 20 percent yield the result would be a rental range of $730 to $876 per bed per month depending upon the length of the lease term.

Based upon the development of each scenario it would seem that the higher NOI per bed of Scenario 1 would be the more attractive of the two, but only if rents of $948 to $1,137 per month could be obtained. These rents would represent the top of the current market range or a premium over those found in the market today, but on the other hand constructing, leasing up and managing 625 beds is less intensive than a 1,500 bed complex.

CONCLUSION

The University of Delaware's development plan over the past two years has been aimed to centralize their campus and develop more dormitories to accommodate the need for additional and better quality student housing. There is macro demographic evidence that supports the future growth for higher education student enrollments and hence housing. We have estimated that 17,500 university students desire some form of local residential housing on the demand side.

The local micro demographics contribute to the optimism of improving fundamentals in the current market. The area's population is growing due to the influx of both permanent and transient student residents estimated at about 1,400 to 2,000 people over the next two years, but we considered about half of these residents, or 850 potential student housing renters.

We identified 3,750 existing off-campus beds located along the S. Main Street corridor. Adding residents at other housing options plus university residence halls we count 14,600 existing student housing beds. We also identified a pipeline of 300 university dorm beds and 1,600, off-campus beds proposed. The total existing and proposed competitive housing inventory is 16,500 beds for the Newark student population. This projected supply is compared to the estimated demand from 15,500 to 17,500 existing students plus growth of 850 students over the next two years. Based upon increased demand there is a projected shortfall of 1,500 beds. The key market risk element here is developer's avoiding over-shooting student demand and building too much supply. This would impact land prices, result in increased apartment competition, put downward pressure on net effective rents, and increase vacancy rates.

Based upon this student demand the City of Newark has a good amount of existing as well as on-going and planned apartment construction. In general this is viewed as a positive for the local community. The City of Newark seems interested in fostering redevelopment along its Main Streets, as it seeks to enhance and create a pedestrian friendly environment along these two roads and concentrate development close to the campus. The subject property location is well aligned for re-development based upon being within a half mile of campus and near S. Main Street.

In our opinion the subject's highest and best use for the subject site would be for the addition of 625 to 1,500 new beds as part of a purpose-built, residential "student village". This would take advantage of the subject's strategic near-campus location, could be matched to the projected anticipated increase in student enrollments and provide a housing alternative for students. Demographics and the investment sales market trends show increasing student housing values over the long term. The ultimate density level will vary based upon the desires of the University, and the input from the surrounding neighborhood.

The City of Newark is clearly in a housing expansion cycle based upon the University growth and on-going additions to the housing stock. These factors will bode well for matching housing demand & supply. Other factors for consideration for student housing development include:

- Individual leases (leased "per bed")
- Roommate matching and monitoring
- Academic year leases and sublease, assignment and buyout provisions
- Furnished, and utilities, Wi-Fi etc. included in gross rent
- Social programming and student focused amenities: study lounges, bike storage
- Transportation and/or close proximity to campus
- Unit mix aligned with demand (largely 3-4 BR suites for students) <400 SF/Bed
- Liberal credit requirements with parent co-signers
- The ability to incorporate the pool parcel as an amenity for the future redevelopment

CERTIFICATION STATEMENT

I certify to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- We haven't performed any other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and represents my personal, unbiased professional analyses, opinions, and conclusions.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* ("*USPAP*") as promulgated by the Appraisal Standards Board of The Appraisal Foundation. In addition, the report is in conformity with the requirements of the *Supplemental Standards of Professional Appraisal Practice* and *Code of Professional Ethics* of the Appraisal Institute.
- I have read, understood, and satisfied the *Competency Provision* of the *USPAP*.
- Jay L. White, MAI, CRE® made a personal exterior inspection of the property that is the subject of this valuation. If applicable, any areas or inaccessible portions of the property or improvements not inspected are assumed to be as reported or similar to comparable portions that were inspected.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No one has provided any significant professional real property appraisal assistance to the person(s) signing this report.
- As of the date of this report, Jay L. White, MAI, CRE® has completed the requirements of the continuing education program of the Appraisal Institute.

Jay L. White, MAI, CRE®
Delaware Certified General Real Estate Appraiser
License # X1-0000515; Expires 10/31/2015

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

The standard assumptions and limiting conditions pertaining to the value estimate conclusion(s) stated in this report are summarized below:

1. To the best of Apex Realty Advisory' s knowledge and belief, the statements of fact contained in the appraisal report, upon which the analysis, opinions, and conclusion(s) expressed are based, are true and correct. Information, estimates, and opinions furnished to us and contained in the report or utilized in the formation of the value conclusion(s) were obtained from sources considered reliable and are believed to be true and correct. However, no representation, liability, or warranty for the accuracy of such items is assumed by or imposed on Apex Realty Advisory, and are subject to corrections, errors, omissions, and withdrawal without notice.

2. The legal description of the appraised property, if exhibited in the report, is assumed correct.

3. The valuation may not be used in conjunction with any other appraisal or study. The value conclusion(s) stated in this appraisal is based on the program of utilization described in the report, and may not be separated into parts. The appraisal was prepared solely for the client named and for the purpose, function, and party so identified in the report. The appraisal report may not be reproduced, in whole or in part, and the findings of the report may not be relied upon or used in any manner by a third party for any purpose, without the express written consent of Apex Realty Advisory.

   Any findings, estimates, assumptions, conclusions, and the like contained in the appraisal report shall be the professional opinion of Apex Realty Advisory and the individual appraiser(s) who signed the report. Apex Realty Advisory shall retain ownership of all reports and all original documentation, field notes, memoranda, data, and the like made or assembled in or about the preparation of the report.

4. No change of any item in any portion of the appraisal report shall be made by anyone other than Apex Realty Advisory; furthermore, Apex Realty Advisory shall have no responsibility for any such unauthorized change.

5. The property has been appraised as though free and clear of mortgages, liens, leases, and encumbrances, except as may be described in the appraisal.

6. Employees of Apex Realty Advisory are not required to give testimony or be in attendance at any court or administrative proceeding with reference to the property appraised unless additional compensation is agreed to and prior arrangements have been made.

7. The work papers for this engagement are being retained in Apex Realty Advisory's files and are available for your reference. Apex Realty Advisory will be available to support the valuation conclusion(s) found in this report should this be required. Those services would be performed for an additional fee.

8. Unless specifically stated, the value conclusion(s) contained in the appraisal applies to the real estate only, and does not include personal property, machinery and equipment, trade fixtures, business value, goodwill, or other non-realty items.

Income tax considerations have not been included or valued unless so specified in the appraisal. We make no representations as to the value changes that may be attributed to such considerations.

9. Neither all nor any part of the contents of the report (especially any value conclusion(s), the identity of the appraiser(s) or the firm with which they are affiliated, or any reference to the professional organizations or designations shall be disseminated or referred to the public through advertising, public relations, news or sales media, or any other public means of communication including the internet or referenced in any publication, including any private or public offerings including, but not limited to, those filed with the Securities and Exchange Commission or other governmental agency, without the prior written consent and approval of and review by Apex Realty Advisory.

10. In completing the appraisal, it is understood and agreed the report is not intended to be, nor will be used in connection with a real estate syndication. The report and any liability or obligation on the part of Apex Realty Advisory or the appraiser(s) who signed the report is invalid if used in connection with syndication.

    A real estate syndication means a general or limited partnership, joint venture, unincorporated association, or similar organization formed for the purpose of, and engaged in, investment or gain from an interest in real property, including, but not limited to, the sale, exchange, trade, or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investment made as a public or private offering.

11. Good and marketable title to the interest being appraised is assumed. Apex Realty Advisory' employees are not qualified to render an *opinion of title*, and no responsibility is assumed or accepted for matters of a legal nature affecting the property being appraised. No formal investigation of legal title was made, and we render no opinion as to ownership of the property or condition of its title.

12. Unless otherwise noted in the appraisal, it is assumed there are no encroachments, zoning, building, fire or safety code violations, or restrictions of any type affecting the subject property. It is assumed the property is in full compliance with all applicable federal, state, local and private codes, laws, consents, licenses, and regulations, and all licenses, permits, certificates, approvals, franchises, etc. have been secured and can be freely renewed and/or transferred to a purchaser.

13. It is assumed the use of the land and any improvements are within the boundaries or property lines of the property described, and there are no encroachments, easements, trespass, etc., unless noted within the report. Employees of Apex Realty Advisory have not made a survey of the property, and no responsibility is assumed in connection with any matter that may be disclosed by a property survey. If a subsequent survey should reflect a differing land area and/or frontages, Apex Realty Advisory reserves the right to review the final value estimate found in this report.

14. All maps, plats, building diagrams, site plans, floor plans, photographs, etc. incorporated into the appraisal are for illustrative purposes only, to assist the reader in visualizing the property, but are not guaranteed to be exact. Dimensions and

descriptions are based on public records and/or information furnished by others and is not meant to be used as a reference in legal matters of survey.

15. Ownership and management are assumed to be competent, and the subject property is assumed to be in responsible hands. The quality of property management can have a direct effect on a property's economic viability and value. The prospective financial analyses contained in the appraisal assume both responsible ownership and competent management unless noted otherwise. Any variance from this assumption could have a significant impact on the final value estimate(s).

16. Apex Realty Advisory assumes that there are no hidden or unapparent conditions of the property's soil, subsoil, or structure(s) which would render them more or less valuable. No responsibility is assumed for such conditions, or for engineering which might be required to discover such factors. Detailed soil studies were not made available to Apex Realty Advisory, so statements regarding soil qualities, if made in the report, are not conclusive but have been considered consistent with information available to us and provided by others. In addition, unless stated otherwise in the appraisal, the land and soil of the area under appraisement appears firm and solid, but the appraisal does not warrant this condition.

17. The appraisal report covering the subject property is limited to surface rights only, and does not include any inherent subsurface or mineral rights, unless so noted in this report.

18. The appraisal is made for valuation purposes only. It is not intended nor to be construed as an engineering report. Employees of Apex Realty Advisory are not qualified as structural or environmental engineers; therefore, Apex Realty Advisory' employees are not qualified to judge the structural or environmental integrity of the improvements, if any. Consequently, no warranty, representations, or liability are assumed for the structural soundness, quality, adequacy, or capacities of said improvements and utility services, including the construction materials, particularly the roof, foundations, and equipment, including the HVAC systems. Should there be any question concerning same, it is strongly recommended an engineering, construction, and/or environmental inspection be obtained. The value estimate(s) stated in this appraisal, unless noted otherwise, is predicated on the assumption all improvements, equipment, and building services, if any, are structurally sound and suffer no concealed or latent defects or inadequacies other than those noted in the appraisal.

19. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. For this report no specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA was completed. It is possible a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since Apex Realty Advisory has no direct evidence relating to this issue, possible non-compliance with the requirements of ADA in estimating the value of the property was considered.

20. Any proposed construction or rehabilitation referred to in the appraisal report is assumed to be completed within a reasonable time and in a workmanlike manner according to or exceeding currently accepted standards of design and methods of construction.

21. Any areas or inaccessible portions of the property or improvements not inspected are assumed to be as reported or similar to the areas which were inspected.

22. No obvious evidence of insect infestation or damage, dry or wet rot or mold was found, unless specifically stated in the report. Since a thorough inspection by a competent inspector was not performed, unless otherwise noted, for the subject improvements, the subject property is assumed to be free of existing insect infestation, wet rot, dry rot, mold, and any structural damage which may have been caused by pre-existing infestation or rot or mold which was subsequently treated.

23. In the appraisal assignment, the existence of potentially hazardous materials used in the construction, maintenance, or servicing of the improvements, such as the presence of urea-formaldehyde foam insulation, asbestos, lead paint, toxic waste, underground tanks, radon, and/or any other prohibited material or chemical, which may or may not be present on, in, or nearby the subject property, was, unless specifically indicated in the report, not observed by employees of Apex Realty Advisory, nor does Apex Realty Advisory have any knowledge of the existence of such materials on or in the property as employees of Apex Realty Advisory are not qualified to detect such substances. The existence of these potentially hazardous materials may have a significant effect on the value of the property. The client is urged to retain an expert in this field, if desired. The value conclusion(s) assumes the property is *clean* and free of any of these adverse conditions unless noted in this report or Apex Realty Advisory have been notified to the contrary in writing.

24. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject property of energy shortage, or future federal, state, or ecological matters, or interpretations thereof.

25. Apex Realty Advisory takes no responsibility for any events, conditions, or circumstances affecting the subject property or its value that occur subsequent to either the effective date of value cited in the appraisal or the date(s) of the field inspection, whichever occurs first.

26. The estimate(s) of value stated in this appraisal applies only to the effective date of value stated in the report. Value is affected by many related and unrelated economic conditions within a local, regional, national, and/or worldwide context, which might necessarily affect the prospective value of the subject property. Apex Realty Advisory assumes no liability for any unforeseen precipitous change in the economy, the subject property or, if applicable, the project, or the inability to find a buyer.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

When a value opinion is subject to an extraordinary assumption or hypothetical condition the appraiser must state that condition so that its effect on the value opinion or conclusion is clear.

An extraordinary assumption is an assumption that is directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

A hypothetical condition assumes that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

This appraisal is subject to the following extraordinary assumptions.

1. We assumed the site has no deed restrictions, but we would highly recommend a survey/title report be obtained to verify the property boundaries and identify any restrictions.

2. The ownership structure of any future development program as well as the ultimate building design, unit mix, size, layout, features, amenities, rents, lease terms and other project features will have to be better identified latter via the University, engineering studies, meeting with the city planning department, etc.

3. We have made extensive efforts to confirm the accuracy and timeliness of the information contained herein. Such information was compiled from a variety of sources deemed to be reliable including state and local government, planning agencies, and other third parties. Although we believe all information in this study is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties. Further, no guarantee is made as to the possible effect on development of current or future federal, state, or local legislation including environmental or ecological matters.

4. Any presented projections and analyses are based on estimates and assumptions which were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, require review or revision of this document.

5. The findings herein are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured. The analysis, opinions, recommendations and conclusions of this document are Apex's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

6. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, traffic impacts, and mitigation measures required through the approval process.

7. Any estimates of development costs, capitalization rates, income and/or expense projections are based on the best available project specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

8. We have utilized a cost of $3 million for building demolition and site clearing as provided by the client. This cost seems reasonable based upon the size and scope of the existing building improvements and our experience.

9. We have assumed that the site based upon its flexible university zoning would be sold to a developer who could obtain development approvals without undue delay.

This appraisal was not subject to any hypothetical conditions.

ADDENDUM

SUBJECT PHOTOGRAPHS

RODNEY DORMITORY COMPLEX

RODNEY DORMITORY COMPLEX

SUBJECT PHOTOGRAPHS

OAKWOOD VALLEY CLUB SWIMMING POOL

DICKINSON DORMITORY A

SUBJECT PHOTOGRAPHS

DICKINSON DORMITORIES B & C

DICKINSON DORMITORY E

City of Newark: Population, Demographic & Household Income Summary 2010-2018

Summary	Census 2010	2013	2018
Population	20,733	20,710	20,877
Households	5,881	5,838	5,875
Families	2,058	2,030	2,021
Average Household Size	2.51	2.53	2.54
Owner Occupied Housing Units	2,147	2,017	2,056
Renter Occupied Housing Units	3,734	3,821	3,819
Median Age	22.5	22.6	22.7
Trends: 2013 - 2018 Annual Rate	**Area**	**State**	**National**
Population	0.16%	0.83%	0.71%
Households	0.13%	0.84%	0.74%
Families	-0.09%	0.80%	0.63%
Owner HHs	0.38%	0.92%	0.94%
Median Household Income	1.97%	3.61%	3.03%

	2013		2018	
Households by Income	Number	Percent	Number	Percent
<$15,000	1,779	30.5%	1,769	30.1%
$15,000 - $24,999	653	11.2%	520	8.9%
$25,000 - $34,999	614	10.5%	597	10.2%
$35,000 - $49,999	753	12.9%	712	12.1%
$50,000 - $74,999	671	11.5%	530	9.0%
$75,000 - $99,999	472	8.1%	567	9.7%
$100,000 - $149,999	577	9.9%	729	12.4%
$150,000 - $199,999	204	3.5%	299	5.1%
$200,000+	115	2.0%	150	2.6%
Median Household Income	$32,461		$35,791	
Average Household Income	$53,207		$63,395	
Per Capita Income	$17,577		$20,397	

	Census 2010		2013		2018	
Population by Age	Number	Percent	Number	Percent	Number	Percent
0 - 4	420	2.0%	397	1.9%	408	2.0%
5 - 9	408	2.0%	392	1.9%	389	1.9%
10 - 14	386	1.9%	370	1.8%	374	1.8%
15 - 19	4,966	24.0%	4,893	23.6%	4,897	23.5%
20 - 24	8,254	39.8%	8,361	40.4%	8,136	39.0%
25 - 34	1,783	8.6%	1,744	8.4%	1,783	8.5%
35 - 44	926	4.5%	890	4.3%	936	4.5%
45 - 54	1,016	4.9%	956	4.6%	908	4.3%
55 - 64	1,079	5.2%	1,137	5.5%	1,212	5.8%
65 - 74	742	3.6%	810	3.9%	992	4.8%
75 - 84	525	2.5%	517	2.5%	575	2.8%
85+	229	1.1%	244	1.2%	264	1.3%

City of Newark Residential Real Estate Development Summaries 2011-to-date

The following is a summary of other completed, on-going or planned developments in Newark.

- 83 E. Main Street – involved the redevelopment of the former Christiana School District Administration building along with other assembled lands by a JV with the University of Delaware and Buccini Pollin into a new student book store that is operated by Barnes & Noble. The building totals 60,000 square feet and was delivered in 2011.

- 250 & 264 S. Main Street – this complex includes the mixed-use Rittenhouse Station Apartments with 17,000 square feet of ground-level retail and 65 upper level apartment units plus the two-story, adjacent, 22-unit Rittenhouse Loft apartments. These buildings opened in 2011 and 2013, respectively.

- 208 & 224 E. Delaware Avenue – is a 39,000 square, 5-story, building with four commercial units on the ground and 39 upper level apartments. This property is known as "Campus Edge" which opened in 2012.

- 132 Delaware Avenue – A three-story development containing twelve upper story apartments over 4,500 square feet of retail. The 2- to 3-bedroom apartment units can accommodate up to five people each. This project opened in August of 2013.

- 71-82 E. Cleveland Avenue: is a project known as Hadley Mill which contains nine four and five person townhouse-style apartment units with three parking spaces per unit. The units were delivered for the 2013/2014 school year with all units preleased.

- 70-74 Amstel Avenue: Are two buildings, known as "Carroll Commons," containing first floor retail space with 16 townhouse style apartments above. One building has 1,215 square feet of ground floor commercial space for a small beauty shop and seven, two-story, townhouse style apartments. The second building consists of nine townhouses. Ground level parking garages are incorporated into the buildings as well as on-site surface parking. This project was completed for the 2013-14 school year.

- 300 Socom Court – is the recently completed South Main Commons. It consists of 13 townhouse units. This complex opened in 2014.

- 152-154 E. Main Street – is known as "Kate's Place". The buildings were demolished for redevelopment into a larger four-story mixed-use building. The building has three ground level retail units containing 2,760 square feet, ground level parking and 22 upper-floor, two-bedroom apartments. It also has five, four-bedroom townhouse units on Choate Street. This project opened in August 2014.

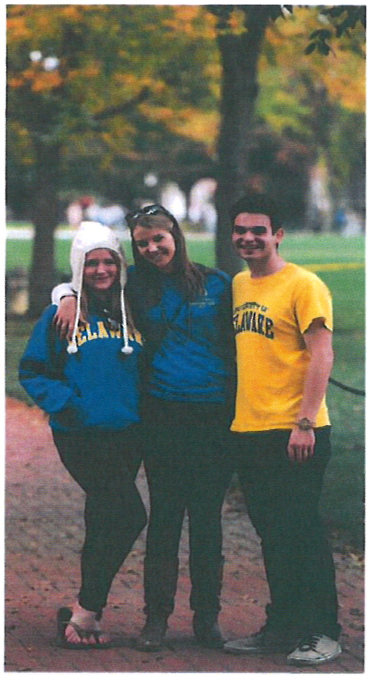
- The Retreat Suburban Plaza Shopping Center - 169 housing units are currently being completed. This complex is being marketed and leased to university students for the 2014-15 school year. This complex is located on two sides of the existing Suburban Plaza shopping center off S. Main Street. The complex is built in clusters of "lodge" style walk-up flats and duplex cottages on approximately 24 acres. It includes a mix of one-bedroom to five-bedroom units.

- 113 New London Road – 12 three-story townhomes with 6 bedrooms known as "Campus Walk" were delivered for the 2014/2015 school year.

- One South Main – consists of 12,466 square feet of ground floor retail with 12 apartments on the upper floors were completed for the 2014/2015 school year.
- 56-62 E. Main Street – was acquired in June 2013 and the buildings subsequently demolished. It is currently known as 58 E. Main Street and is being developed with a mixed-use building containing 6,800 square feet of ground level retail and 24 upper level apartment (two, one-bedroom, 17, two-bedroom and 5, three-bedroom) units. It is expected to be delivered for later in the 2014-15 school year.
- 201 E. Delaware Avenue – existing building to be demolished and redeveloped into 12 upper level apartment units over 1,751 square feet of ground level office and structured parking. The apartment occupancy is restricted to four, unrelated individuals per unit. Approvals were granted in April 2014.
- 230 E. Main Street – is planned in place of the existing bowling alley building at the Newark Shopping Center. The Bainbridge Companies is planning to construct a six-story, elevator served, and 220-unit apartment building containing 250,000 square feet, and a 455-space parking garage as well as associated retail/commercial improvements. The plans were recently approved by the City of Newark, reflecting a density of 47.8 units per acre. An April 2016 completion is expected for this development.
- Chimney Ridge Townhouses & South Main Plaza – this project on 2.63 acres replaces the existing 40-unit College Town Apartments with 32 townhouses in four buildings in the rear of the site and a 4-story mixed use retail/apartment building fronting S. Main Street. The townhouses will have six bedrooms and 3.5 bathrooms and average in size 1,927 square feet. They are expected to be completed for the 2015/2016 school year. The adjacent South Street Plaza is a mixed-use project to include 19,482 square feet of ground floor retail with 32 upper level apartments planned for completion after the Chimney Ridge Townhouses are delivered.
- The Mill at White Clay Creek Townhouses – 10 four-bedroom townhouses are planned with an additional four, two-bedroom apartments at 6000 Woolen Way. Delivery is expected for the 2015/2016 school year.
- 60 North College Avenue – is an existing two-story, retail/office/apartment building on 1.07 acres. It is planned to be demolished and converted to a four-story building with 36, upper level, apartment units over 5,500 square feet of first floor retail space. Delivery is expected in April/June 2016.

UNIVERSITY OF DELAWARE

Overview of the University



While the University traces its roots back to 1743, it was chartered for higher education by the State of Delaware in 1833

Carnegie Classification: "Very high research activity"

17,712: 2014-15 full-time equivalent (FTE) undergraduate enrollment (Newark Campus and Associate in Arts)

- 62% of Newark Campus undergraduates are out-of-state residents

4,037: Full-time faculty and staff

1,203: Full-time faculty (2014-15; includes department chairs, academic center directors and faculty with administrative appointments)

- 461 professors
- 353 associate professors
- 293 assistant professors
- 96 instructors

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UNIVERSITY OF DELAWARE

Fall 2014 Auxiliary Information

- Freshmen are required to live on campus
- Normal maximum housing capacity is 7,437 students
- 104.3% occupancy rate, a 5% increase from Fall 2013
- In FY 2015, due to the debt service being lower than projected, the comprehensive student fees were decreased by 5%, these fees had been held constant for FY 2014 compared to FY 2013
- In FY 2015, due to operational efficiencies the student health fees were decreased by 10%, these fees had been held constant for FY 2014 compared to FY 2013
- FY 2016 projections include an additional decrease in the comprehensive student fee over FY 2015

Housing

- 7,755 beds under contract for Fall 2014 as of 10th day

Dining

- 8,637 total meal contracts as of 10th day
  - 6,422 **mandatory** full meal contracts
  - 539 optional full meal contracts
  - 1,676 optional partial meal contracts

Mandatory fees for undergraduates

- Student health fee - $454 year
- Student center fee - $238 year
- Comprehensive student fee - $750 year

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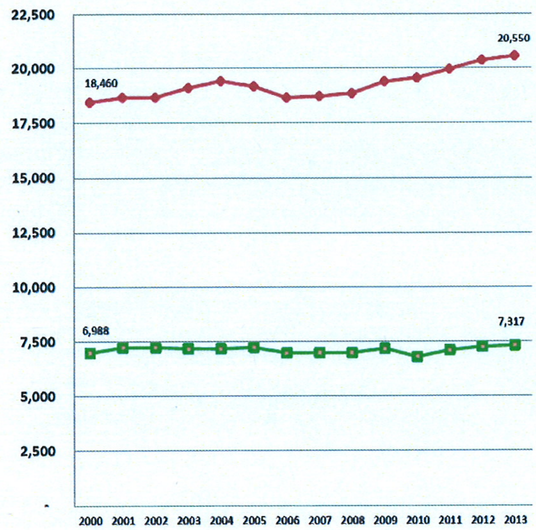
Newark Rental Housing – UD Students

UD Enrollment/Dorm Residents



Student Residential Pattern (2013)

- Total enrollment: 20,550
- Undergraduates: 16,871
  - 1st Year Students: 3,808 (91% in dorms)
  - 2nd Year Students: 3,492 (60% in dorms)
  - Upperclassmen: 9,571 (18% in dorms)
- Undergrads in dorms: 7,317 (43%)
- Undergrads living w/ relatives[1]: 1,518 (9%)
- Undergrads off-campus: 8,036 (48%)
- Graduate students: 3,679
  - Full-time Graduate Students: 2,833 (77%)
  - Part-time Graduate Students: 846 (23%)
- Full-time grad students off-campus[2]: 1,980

[1] *From UD student survey conducted by Biddison Hier on behalf of UD.*

[2] *Approximately 70% of all full-time graduate students live in the City of Newark. Estimated by Urban Partners.*

Newark Rental Supply – Student Rentals

Total Rental Units in 2013: 5,000 – **Vacant Rental Units: 385 (7.7%)** – **Rentals to Non-Students: 1,370** = **Rentals to Students: 3,245**

Source: City of Newark | *Source: US Census* | *Source: US Census*

Off Campus Student Rentals

- Undergrads off-campus: **8,036** (including 243 in fraternity/sorority houses)
- Full-time grad students off campus: **1,980**
- Variable - % of full-time grads living in the City of Newark: **70%**
- Variable – average number of undergrad students per unit: **4**
- Variable – average number of full-time grad students per unit: **1.5**

➢ # of units occupied by undergrads: **1,925**
➢ # of units occupied by full-time grads: **1,320**
➢ Total # of student rentals: **3,245** (70% of all rentals)