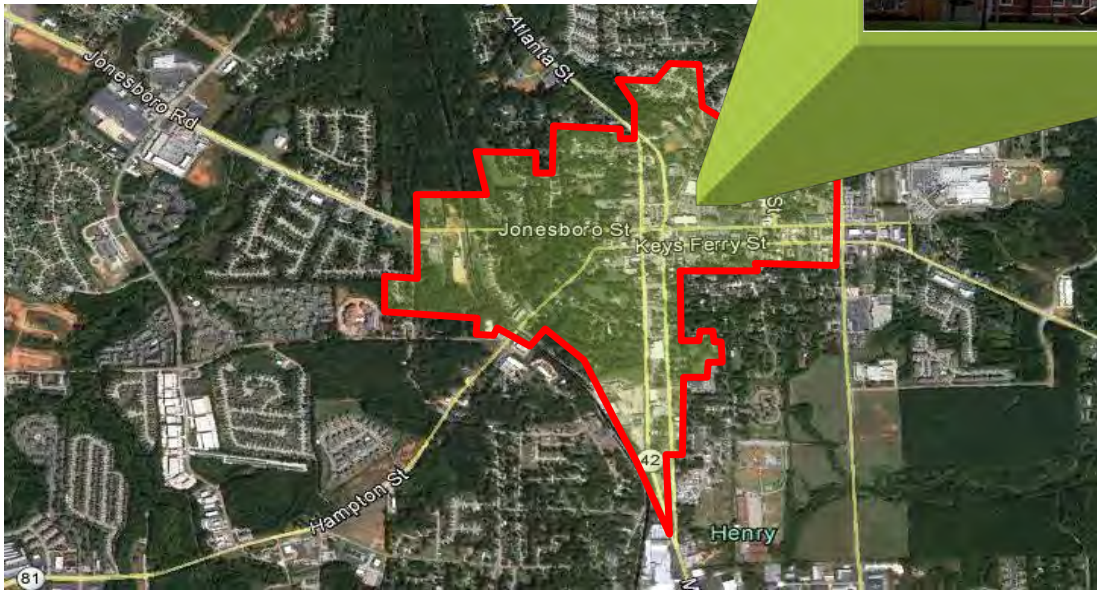


## Downtown McDonough LCI Update Market Analysis City of McDonough, Georgia February 2012, Revised March 2012



Prepared For:



## DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

### Introduction

Noell Consulting Group (NCG) was retained as a part of a larger consulting team to conduct a market analysis for the Downtown McDonough area. At present it is an area perceived to be underperforming in a number of aspects, yet containing some strengths and attributes that could make it a more attractive commercial and residential location in the coming years.

As shown to the right (within the red boundary), the defined study area includes the true Downtown area of McDonough as well as adjacent commercial, vacant, and residential neighborhoods. The study area, while benefitting from its historic charm and character, particularly around the Square, and a number of institutional anchors, has largely failed to appeal to market audiences that fuel demand for new housing, retail, and office space. As such it has lost market share and competitiveness during a period in which smaller downtowns and mixed-use environments have gained in popularity.



The following report summarizes the key conclusions from a market analysis conducted by NCG as part of The Lawrence Group consulting team. This study is both intended to identify overall demand potential and development opportunities in the study area as well as serve as an initial component of a larger retail strategy for Downtown McDonough; a strategy that will provide guidance to the City of McDonough and other Downtown interests as to tenancing opportunities and appropriate short-term and long-term endeavors needed to bolster the area's faltering retail market.



The study area indeed features a significant number of institutional anchors; anchors that create real demand potential for retail, office, and residential uses, including:

- McDonough and Henry County government offices, stations and facilities;
- An elementary school, high school, and community college campus just beyond the study area boundaries; and
- Several churches with more than 2,000 members and a significant private school

Lacking, however, is private support beyond these institutions, including support for new housing, retail uses, and private office users. This market demand is tempered by a number of significant physical and market factors, including:

- Significant overbuilding of for-sale residential, retail, and office space, in Henry County and McDonough alike, that has diluted demand and tempered home prices and lease rates;
- A strong sense of walkability, which only exists within a block or so of the Square and, even there, is challenged by a road network functioning solely as a means to move vehicles through--not to--the area;
- A lack of private-sector anchors, including retail uses or private-sector employment uses;
- A lack of well-targeted residential product with unit types, design, and attributes sought by many in the market; and
- A strong, efficient, and proactive champion for Downtown--one that is truly solely focused on making things happen Downtown and one equipped with the data, connections, and capabilities needed to help Downtown compete in the market.

With an appropriate strategy, a proactive entity "driving" the Downtown market and delivery of the right products and lifestyle, Downtown once again can be in a position to thrive in the market, taking advantage of its relatively unique character and lifestyle, and offering the location so many in the market indicate they are seeking yet have not been able to enjoy in recent years.

## **Executive Summary**

While the Downtown McDonough Study Area real estate market has largely underperformed over the past decade or so, the area's unique character, historic charm, and walkability make it a largely unique environment in the I-75 South corridor; one that has the potential to appeal to upwards of one-fourth of the market in the area and one that allows it to fill a role similar to those seen in areas like Decatur, Smyrna, and Suwanee. To this a number of opportunities exist for the Study Area both in terms of residential and non-residential land uses; opportunities that will become stronger as the area real estate market continues to recover. These opportunities will require a proactive approach by the City of McDonough and other downtown interests and to be realized, yet are opportunities we believe are highly achievable.





The following summarizes these opportunities by land use.

Single-Family Residential: Create a walkable, connected residential community proximate to downtown that can appeal to younger singles & couples (some with young children) and more mature couples (including retirees). Product should be more moderately priced than recent offerings (\$150,000 to \$250,000) and should focus on smaller single-story and two-story homes around 1,500 to 1,800 square feet in size.

Estimated demand potential: Over time, demand could approach 40 units annually.

For-Sale Townhouses: Focus product in amenitized locations—possibly within the aforementioned residential community, on small parks or walkable to the square—and allow single-family to better establish the area before introducing new townhouse product. Target younger singles & couples, including some more mature, valuing the location and not seeking single-family ownership and maintenance.

Estimated demand potential: Up to 30 units annually by the latter part of the decade.

For-Sale Condominiums: Offerings for this product should be small (30 – 40 units in total) and provided in amenitized infill locations (on parks, walkable to the square, on a small water feature) to tap into the limited demand present from singles and childless couples. Like townhouses, condominium development should only occur once single-family homes have created a more significant residential environment in the area.

Estimated demand potential: Up to 12 units annually by the latter part of the decade.

Rental Apartments: This land use is perhaps the strongest opportunity of all land uses in the near-term and, given challenges in the for-sale market, should remain strong in the coming years. Product in the McDonough area is largely garden-oriented with little variation or lifestyle offering. Downtown McDonough creates an orientation and lifestyle unique to renters in the market. Product will need to be low to moderate in intensity as economics do not support vertical mixing of land uses or structured parking. Timing of this opportunity could be within the next three or so years.

Estimated demand potential: 100 units annually, equating to a new community every 2.5 years, although we recommend tempering delivery to every five years or so.

Senior Housing: Opportunities will grow in the area for senior housing (independent and assisted living) in the coming years. This land use will lend a more residential feel to the study area and should complement other residential offerings.

Estimated demand potential: Roughly 17 to 20 units annually, creating an opportunity for a new facility every five to six years (assuming 100 to 120 units per facility).

Office: The McDonough office market has struggled as of late hit both by oversupply (newer projects closer to I-75), Atlanta's hard-hit economy, and a lack of quality offerings that are well-known to the brokerage market. This said, office opportunities do exist in the Study Area, particularly from smaller (less than 20 employees) firms serving the local market such as accountants, medical users (dentists, doctors), realtors and other similar users.

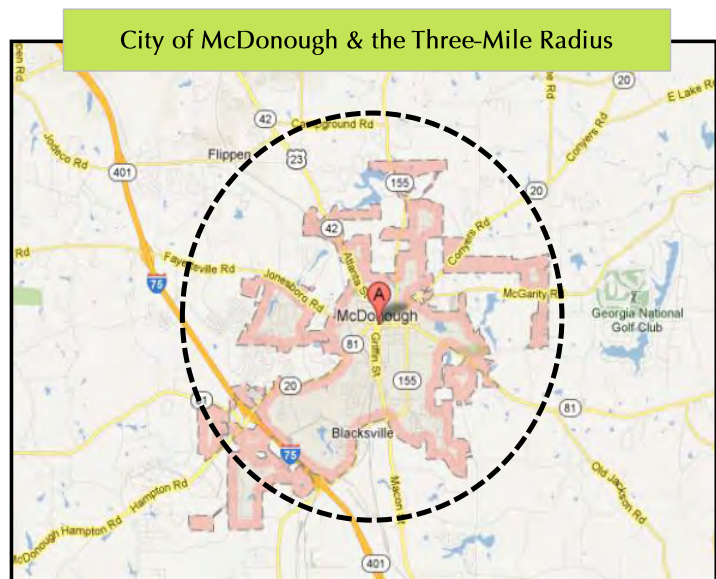
Estimated demand potential: Some short-term demand will be needed to backfill existing vacant spaces, with demand potential increasing from 42,000 square feet today to 53,000 square feet in five years.

Retail: Downtown's retail market has struggled significantly over the last decade, struggling against an oversupply of cheaper strip centers in the area, a lack of large-scale audiences Downtown, and an environment that tempers interest by potential store owners, brokers, and patrons. Market opportunities do exist though, particularly to attract residents living within five to seven miles of downtown.

Estimated demand potential: 84,000 square feet today, including existing tenant bases (given difficulty in obtaining data, the size of the existing occupied offering is challenging to determine) and growing by 15,000 to 20,000 square feet every five years or so, with roughly half of the demand being for restaurants & food offerings (ice cream, coffee, wine, etc.). In addition, we believe there is also demand for 7,700 additional square feet of personal services space, including a hair or nail salon and credit union.

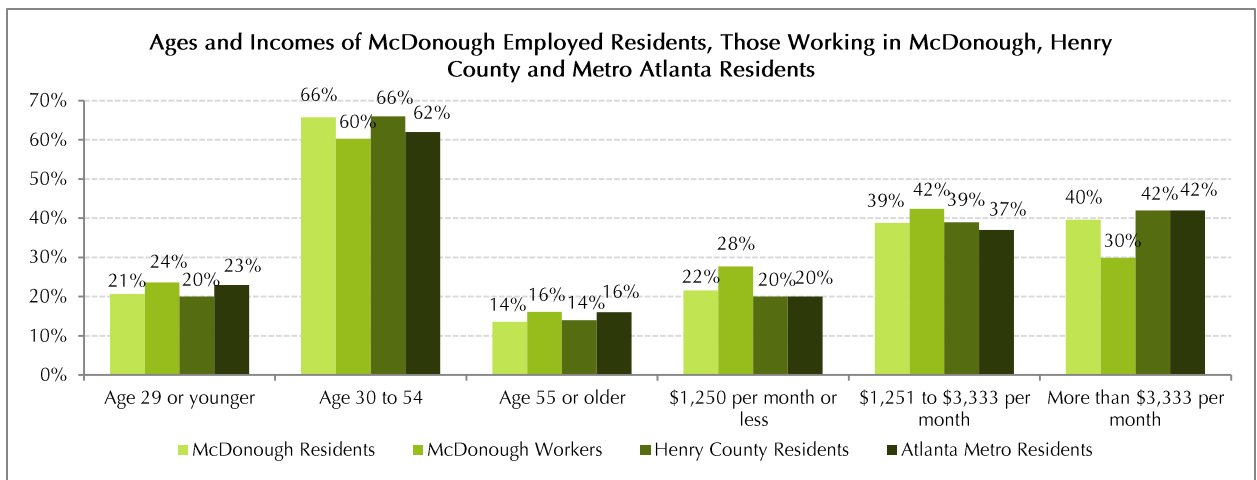
### Market Audiences

There are a number of market audiences that fuel demand potential for new and existing real estate products in the Downtown McDonough Study Area. Overall these audiences can be described as being lower-middle to middle-income, both in terms of who lives in the area and who works in the area. In part this is due to McDonough's fringe location—an area that appeals to “drive for value” audiences—and its function as a government center for Henry County as well as the aforementioned lack of a strong lifestyle proposition in the Downtown area. The following summarizes some of the key market characteristics within a three-mile radius around the center of the study area as well as the population within the city limits. As can be seen in the image to the right, these areas are fairly similar and thus the key takeaways from both are quite relevant.



- Household growth in the area has been strong since 2000, with the area growing by more than 7,200 households during the period—roughly 25% of Henry County's total household growth.
- McDonough's household growth has largely been focused in households earning between \$25,000 and \$75,000, with the area seeing a greater share of its household growth among these lower-middle to middle-income households relative to Henry County overall.

- Households earning in excess of \$75,000 annually have largely located around Eagle's Landing and Stockbridge, areas that provide a lifestyle proposition in terms of community amenities (golf, swim and tennis centers, etc) and quality schools.
  - While Downtown McDonough has a lifestyle proposition to "sell", that proposition needs investment and guidance to better compete with other areas of the I-75 South corridor and attract more of these higher-income audiences.
  - Schools in McDonough are considered somewhat inferior to those in other areas of the county, thus potentially tempering demand from families with children.
- Education levels in McDonough are generally lower than that of Henry County and the Atlanta MSA overall, with 22% of McDonough adults having a Bachelor's Degree or Graduate Degree (vs. 24% in Henry and 35% in Metro Atlanta).
- Only about one-fourth of all employed residents in McDonough work in Henry County, with most working north along I-75 into Fulton and Clayton Counties
- Conversely, nearly half of the 13,400 people working in McDonough live in Henry County, with most of the others living in adjacent south side counties such as Clayton, Spalding, and Butts Counties.
- Roughly 38% of the jobs in McDonough can be found in the public sector, either in Public Administration or in Educational Services, with many others working in Retail, Warehousing, and Accommodations industries, all generally moderate-paying jobs.
- Consistent with this, only about 30% of McDonough's jobs pay more than \$3,333/month (more than \$40,000 annually), well below those seen in Henry County and the MSA (42% respectively).



- Missing from the area are white collar office jobs which account for only about 6% of all jobs in McDonough (compared to roughly 17% in Henry County), a factor influenced by the lack of executive households on the south side of Atlanta overall (executive housing drives locations of white collar office employment) as well as the emergence of Eagle's Landing as the corporate center of Henry County.

While all of these factors do not eliminate opportunities to attract households earning higher incomes or attracting white collar office users, they do point to the need to recognize that residential, retail, and office space offerings will need to effectively target those with more moderate incomes; a group that is quite significant in terms of size and growth, and quite varied in terms of lifestyle and preferences.

This also should be an indicator that the likely prices, rents and lease rates needed to develop more expensive, vertically-integrated product, don't exist in the area and thus planning efforts should focus on more horizontally-integrated products in new structures.

### **The Near-Term Context**

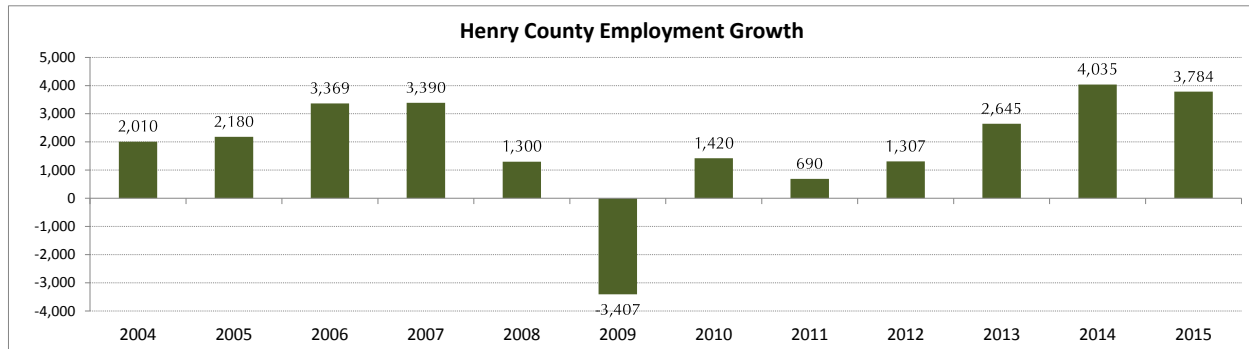
The Atlanta Metro Area has been among the hardest hit metro areas in the country during the most recent recession. Job losses between 2008 and 2010 totaled close to 200,000 jobs, erasing the job gains seen in the region since the last recession and resulting in unemployment rates in excess of 10% in 2010 and 2011.

On top of this, the housing market in Metro Atlanta, and particularly in Henry County, has been badly damaged by the recession and will take years to recover. Single-family permits are down more than 90% from their peaks in the mid-2000s and home prices are down roughly 30%. This is particularly troubling as many homeowners in the region are now considered "under water," owing more on their homes than the homes are now valued at.

The pain has been greatest at the urban fringe, where the "drive-for-value" buyers often have the least cushion to absorb the combination of home price declines, higher unemployment and higher gasoline costs. Indeed, Henry County experienced foreclosure rates more than 2.5 times the national average and today has roughly 8,000 vacant lots awaiting new homes or townhouses; a supply that will take years to burn off.

The recovery has begun in the Atlanta Metro Area with job growth returning to positive territory in 2012 and gaining strength each year. In fact, there is considerable debate currently that the Metro Area may have already benefitted from very strong growth in 2011, with some economists revising their growth estimates from -17,000 jobs in the year to more than 68,000 net new jobs. Regardless, the next five years should offer a stronger employment picture and will allow the region to once again return to net job growth over the past decade.

Henry County itself, while hit hard by the housing downturn, has fared better economically than the Metro Area, with the county only posting one year of negative employment growth. Over the next several years employment growth in the county is expected to return to levels more consistent with those seen in the 2000s, with the area experiencing higher concentrations of employment growth in: Construction, Education & Health Services, Professional Services (local-serving) and Accommodations & Food Service. While many of these jobs will be moderate-paying some, such as Professional Services and Health Care, will feature shares of their jobs occurring at stronger pay levels.



Lenders are expected to remain tight in the near-term and will thus limit new supply of residential and non-residential products in the area. On the residential side, the oversupply of lots, loss of builders in the market (most are out of business today) and very low resale prices in the area will temper the ability of many to deliver new product as well as financial institutions' interest in lending to builders. Apartments will be the one exception, given the strong performance of this product type over the past few years (to be discussed later in this report). Commercially, retail lending will be extremely tight as national retailers continue to cut underperforming stores and financial institutions avoid this underperforming asset. To this, very few retail centers are likely to deliver in the next five years, with only those backed by stable developers and strong commitments by tenants getting financing.

These conditions both temper and create opportunities for the Downtown McDonough Study Area. On the positive side these conditions will:

- Temper new potential supply that could compete with the Downtown area over the next several years; and
- Should create potential for rising home prices and rents given anticipated increases in demand (from continuing growth) and caps on new supply in the market.

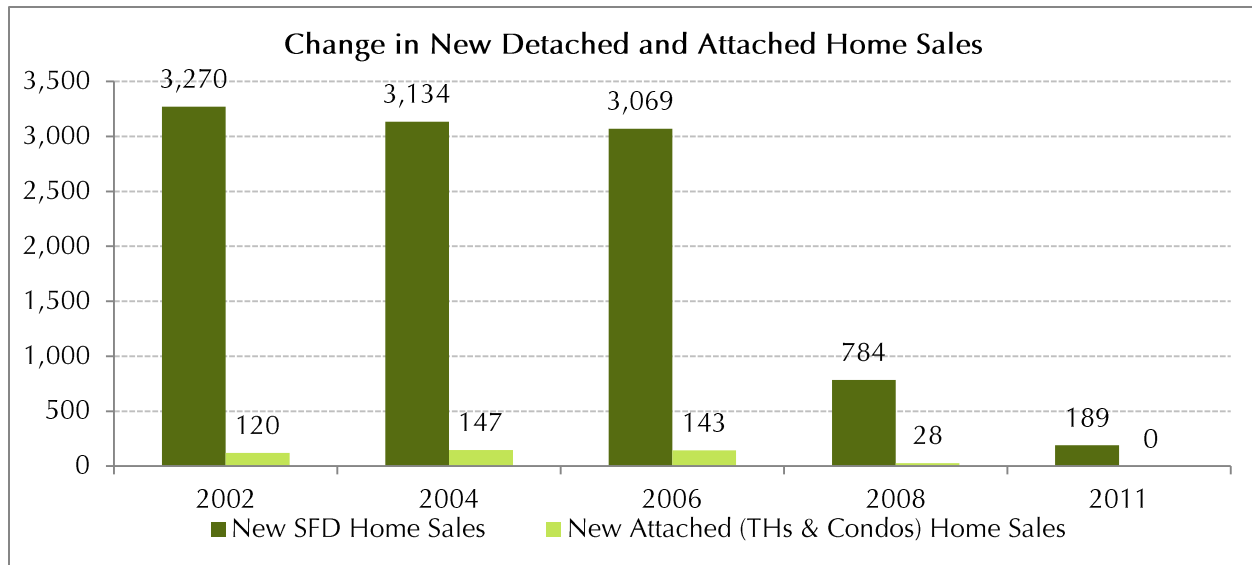
This said, these conditions will likely limit financing of new endeavors in the study area without significant backing from the City, some type of public-private development entity, or financial backing from a local BID (Business Improvement District). This may come in the form of low-interest loans or revolving loans for façade improvements or home construction loans to help builders deliver new product in the study area they may not be able to deliver (due to lack of financing) elsewhere.

## For-Sale Residential Market Overview

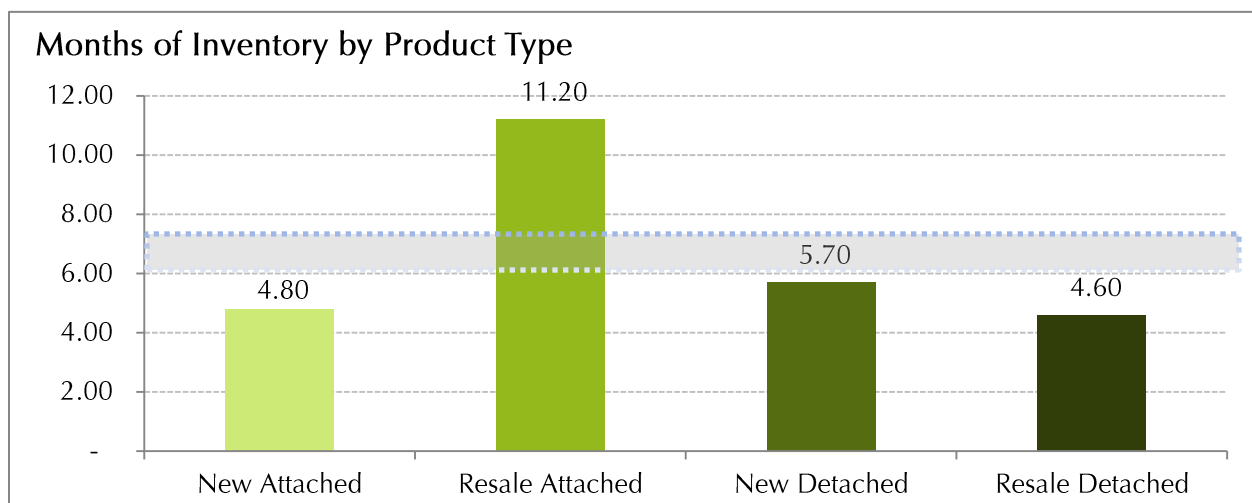
### *Market Trends & Conditions*

As noted, Henry County's for-sale residential market has been hard hit by the recent housing downturn and will be slow to recover. As shown on the following page, new detached (single-family) home sales in the county have dropped by 95% from highs in the mid-2000s with new townhouse sales dropping to zero in 2011.





While the Henry County and McDonough area housing market has been suffering from an oversupply in the last several years it is encouraging to see that, with the exception of resale townhouses (attached product), new and resale housing product in the local area is now showing less than six to eight months of supply; a healthy level and an indicator that the market could be ready for new construction in the next year or so (with foreclosures remaining a potential factor tempering demand).



Townhouses (and condominiums) are attractive to market audiences for two major reasons:

1. They serve as a price alternative to single-family homes in a particular area; and
2. They can function as a lifestyle proposition when located on water, on a park or golf course, or in a walkable environment.

In Henry County, townhouses have purely functioned as a price-alternative product and, thus, have fared worse than single-family homes in terms of price drops, inventories, and sales. Downtown McDonough, however, offers one of the few opportunities where townhouses could function as a lifestyle product, and thus may be an opportunity in the coming years.

In addition to drops in volumes, prices have fallen significantly in the county, with more than 60% of all home sales in 2011 occurring below \$100,000 and nearly 80% of new and existing home sales occurring below \$150,000. Such low prices significantly temper the ability of builders to deliver new homes to the market and will limit demand in the coming years. As with townhouses, creation of a strong selling proposition—including a walkable environment with access to Downtown shops and area parks—could enhance achievable prices and development opportunities for new single-family homes in the study area.



An examination of actively-selling single-family and townhouse communities in the McDonough area indeed reveals a very bleak scene in the market today. New single-family homes in and around McDonough are selling for only \$48/SF (square foot) today (\$145,000 absolute price); a level at which new construction isn't justifiable. This said, the price point itself is fine given incomes in the area. The size of the homes, however, averaging more than 3,000 square feet, is the greater problem. Developing homes in that price range, yet with a more reasonable size (under 2,000 SF)—homes that could appeal to singles and couples—is certainly more feasible in the area than these oversized homes targeting families with children.



Townhouse product is in even worse shape than single-family homes, with new townhouse inventory selling for only \$31/SF (\$52,000 absolute price), a horrific price point that indicates the weakness of the market and the weakness of the product offered in the area. Again, these prices, absolute or per square foot, aren't feasible to build and will temper townhouse demand. Development of townhouse product in a lifestyle location, however, should allow for higher prices on a per square foot basis and may be feasible over time in the study area.

As noted earlier, condominiums are largely non-existent in Henry County today and are even more dependent on a lifestyle proposition than are townhouses. To understand potential opportunities in the study area we examined seven other actively- or recently-selling condo communities in suburban Atlanta. As with other for-sale products, these condominium communities have struggled, achieving roughly \$136/ SF on average (with many being on the north side of Atlanta) and selling less than one unit per month. These condo communities are



generally small (under 50 units) and have been attractive to a mix of singles and couples, most originating from within five miles of the community. Locations adjacent to, or within, new or historic town centers have been the major selling point, and are indeed something Downtown McDonough can provide over time (after the area has become much more established as a residential location than it is today). More so than single-family homes and townhouses, financing for condominiums is a huge hurdle and, when combined with the lack of a significant affluent base of move-down audiences in the area today, condo development in the study area is seen as much more of long-term opportunity.

### *For-Sale Demand Potential*

Not surprising, demand for single-family homes in the near-term is expected to be minimal, both in Henry County and in the study area. Utilizing historic and projected employment data, home sales data, and area demographics, NCG created a demand model to estimate demand potential for new single-family, townhouses and condominiums in the area over the next 8 years. These demands incorporate both statistical data as well as qualitative data, and are intended to identify support for new residential in the study area in the coming years. The full models are provided in the attached appendix following this report.

As shown below, we estimate demand for new detached homes priced above \$150,000 (a feasible price point to build and likely price point for new products in the study area) in Henry County is expected to grow from around 210 homes today to more than 1,000 homes by 2020. Consumer research conducted by groups such as SMARTRAQ (with Atlanta households), RCLCO (national surveys), and the Congress for New Urbanism (national) indicate roughly one in every four or five homebuyers prefers a walkable community—one that offers opportunities to walk to shops and parks—over a more conventional community. When applying these estimates to Henry County and making reasonable assumptions regarding the number of potential competitors and the capture rate the McDonough area has achieved, we believe that, over time, demand for new single-family homes could approach 40 units annually.

Demand Factor	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Est. Avg 2012 - 2020
Total Est. New Home Demand \$150k+	220	343	474	612	759	915	1,074	1,104	1,062	1,090	826
% Choose Single-Family Detached	95.3%	95.3%	95.3%	95.3%	95.3%	92.0%	92.0%	92.0%	92.0%	92.0%	93.0%
<b>Total Est. New SFD Demand \$150k+</b>	<b>210</b>	<b>327</b>	<b>451</b>	<b>584</b>	<b>724</b>	<b>841</b>	<b>989</b>	<b>1,016</b>	<b>977</b>	<b>1,003</b>	<b>768</b>
% Preferring Walkable Environment	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
Potential Subject Site Capture	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
<b>Potential Study Area New SFD Sales</b>	<b>8</b>	<b>13</b>	<b>18</b>	<b>23</b>	<b>29</b>	<b>34</b>	<b>40</b>	<b>41</b>	<b>39</b>	<b>40</b>	<b>31</b>

Indeed, interviews with area realtors as part of this LCI process indicate bungalows and smaller homes (those under 2,000 SF) could be a highly attractive product for retirees, childless singles and couples interested in the McDonough area.

Similar to single-family homes, we also created demand models to estimate demand potential for townhouses and condominiums in the area. This demand assumes delivery of product from a lower price point (\$100,000+) and utilizes the same preferences and demonstrated demand factors as the single-family

demand above, along with demonstrated demand preferences for townhouse and condominium products in suburban Atlanta.

Condo and TH Demand Potential	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Est. Avg. 2012 - 2020
Total Est. New Home Demand \$100k+	295	459	634	820	1,017	1,225	1,439	1,478	1,518	1,557	1,127
% Choose Attached	4.7%	4.7%	4.7%	4.7%	4.7%	8.0%	8.0%	8.0%	8.0%	8.0%	7.0%
<b>Total Est. New Att. Home Demand \$100k+</b>	<b>14</b>	<b>22</b>	<b>30</b>	<b>39</b>	<b>48</b>	<b>98</b>	<b>115</b>	<b>118</b>	<b>121</b>	<b>125</b>	<b>79</b>
Est. % Would Choose Condos	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	
Potential Subject Site Capture	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	
<b>Pot. Study Area New Condo Sales</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>10</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>8</b>
Est. % Would Choose Townhomes	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	
Potential Subject Site Capture	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	
<b>Potential Subject Site New TH Sales</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>10</b>	<b>12</b>	<b>24</b>	<b>28</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>20</b>

As shown in the demand model above, new condominium demand in the Downtown McDonough study area will likely to remain quite moderate over time, with annual sales averaging around 12 units. Assuming sales during a construction and after, this equates to support for a 30 – 40 unit building over time, with additional opportunities emerging every five years or so. Again, condominium development would certainly come after other for-sale products in the area have become much more established and the lifestyle proposition and built-in value of the area have been enhanced.

Townhouse demand will likely be somewhat more significant than condominium demand, and should increase from around 3 to 7 units today to around 30 units annually later this decade. Townhouses, like condominiums, require a lifestyle proposition to achieve this sales pace and thus should be included within a mixed-use neighborhood with a location on a park or greenway. They can precede condos but should follow single-family into the area, allowing the location to become more established and attractive.

## Rental Multifamily Market Overview

### Market Trends & Conditions

As noted earlier in this report, rental multifamily has been one of the few, if not only, real estate products to perform well locally and nationally. With for-sale housing still struggling and lending remaining very tight, Atlanta's apartment market has experienced near-record absorption, with more than 18,000 units absorbed in 2010 and 2011. These numbers, combined with a lack of construction, have pushed occupancies significantly higher, with 3<sup>rd</sup> Quarter, 2011 ending at more than 92% occupied Metro-wide.

The Clayton & Henry markets (the I-75 South Corridor) have also experienced strong absorption, with more than 1,300 units being absorbed during that period and 2011 being the strongest absorption year in the Corridor in the last decade and beyond. The results of this absorption have been an increase in occupancy to more than 91%, the highest occupancy level in the area in four years. To this, rents have also pushed northward, returning to positive territory, although still remaining affordable, with overall area rents averaging only \$678/month.

Given the low rent levels found in the submarket, all new product being delivered is in the form of walk-up garden apartments with surface parking. While opportunities do exist to incorporate garden-style apartments



into some type of mixed-use community or setting, no one in Henry County has effectively done this, thus all rental apartment communities in the area rely purely on their own amenities to provide a sense of lifestyle to their residents. The Downtown McDonough Study Area, with its historic charm and (potentially) walkable environment has the ability of providing a greater sense of lifestyle than these suburban communities and thus could perform well in the market.

We surveyed five rental apartment communities in the McDonough area to understand their performance in the market and the opportunities they present for Downtown. Consistent with the I-75 South submarket, these communities are averaging 91% occupancy, with 2BR (bedroom) units performing the strongest. Unit sizes are relatively large in the area, averaging 1,073 square feet, which tempers the rents achieved on a per square foot basis (\$.75/SF), with the top communities in the area achieving rents of close to \$.80/SF. These rents do not support structured parking or significant ground floor retail and thus any new rental product built will need to be wood-framed construction. As noted before, this does not mean this product cannot be street-oriented and more pedestrian-friendly in format and McDonough should work with any prospective developers to provide affordably designed product.

### *Rental Multifamily Demand Potential*

NCG created a demand model to estimate rental apartment demand over the next five years in the McDonough area. Like the for-sale housing demand models, this model incorporates demographic and market data and segments demand by price point as well as by market audience (utilizing Census data). As can be seen below, we believe the Study Area can achieve annual demand for approximately 100 rental apartment units annually. Given the need to balance ownership and rental tenure in the study area, we do not recommend delivering new apartment communities every 2 to 3 years (for a 200 – 250 unit rental apartment community), but rather believe such opportunities should be pursued every five years or so.

	Married	Other Fam	Singles	Roommates	Total
\$600 - \$1,000	9	13	8	2	32
\$1,000 - \$1,400	8	12	7	2	30
\$1,400 - \$2,000	11	15	9	3	38
Total	35	49	30	9	101

While NCG did not specifically study senior housing options in depth, we did look at demand potential for new, market-rate independent and assisted living units in the area. As shown on the following page, we estimate annual demand for new independent senior living housing will increase by approximately 85 units in Clayton and Henry Counties, with a new facility in the Downtown McDonough Study Area being able to capture roughly 17 units of that demand annually.

Previous NCG research has identified a likely model that provides for 70% of the units in a facility to be for independent seniors, with an additional 30% of units being occupied by those needing some form of assistance. Utilizing this model, we believe a new seniors housing facility with roughly 100 units could be supported every four to five years in the study area.

Senior Household Demand	
Annual Demand for New Independent Living Units	85
No. of Competitive Indp/Ass. Senior Living Facilities in Clayton and Henry	4
Study Area Fair Share Capture	20%
Net Annual Demand Potential at Fair Share Capture	17
Two-Year Lease-Up Period	34
Total Units Assuming Add'l 30% Assisted Living Units	44

Given the charm of the study area, its access to local medical uses nearby, and its solid access to convenience retail from CVS to Walmart, we believe it could be a strong site for some type of senior housing, when incorporated into a larger community concept.

## Office Market Overview

As referenced earlier in this report, Henry County and Atlanta's southern suburbs are not major office cores, due largely to the lack of executive housing south of I-20. Large scale office development tends to follow executive housing and thus most of Atlanta's office development in the last two decades has occurred from Midtown to Buckhead northward to Alpharetta. Overall the South Atlanta submarket, which includes the I-75 South and I-85 South Corridors, is comprised of 11.8 million square feet of space and has absorbed about 114,000 square feet of space annually over the past nine years. This accounts for roughly 7% of the total office absorption in the Metro Area.

The submarket is among the most affordable in the region, averaging around 13% less than Metro Atlanta's \$18.90/SF average lease rate. Indeed, much of the space offered in the region can be found in either older, Class B properties or smaller office buildings (often with less than 20,000 SF) serving local-serving users. Vacancy rates in the area are lower than Metro Atlanta overall, yet are still considered somewhat high at 16.2%.

NCG looked at a number of office properties to understand trends and conditions proximate to McDonough and found a tale of two different areas: one around Eagle's Landing that is performing consistently with the South Atlanta submarket region and a second, in McDonough, that is struggling. As can be seen below, properties fronting I-75 or in the Eagle's Landing area are averaging around 13% vacancy and achieving

Area	Year Built	Total SF	Available SF	Occ'd	Vac Rate	\$/SF Range	Avg. \$/SF
McDonough Area	2008	18,540 SF	7,091 SF	62%	38%	\$10.00 - \$23.00	\$13.90
I-75/Eagle's Landing	2005	45,786 SF	5,997 SF	87%	13%	\$15.19 - \$16.69	\$15.81

lease rates of nearly \$16/SF. These buildings are generally larger than those found around McDonough and include a significant medical office component, driven by proximity to Henry Medical Center.



McDonough-area office spaces, meanwhile, tend to be much smaller and vary more significantly in terms of lease rates, averaging around \$14/SF overall. The very high vacancy rates plaguing the area which today average around 38% indicate very weak demand in the area. In fairness, most of the leasable space in and around McDonough is found in older, Class B & C properties, although even the nicer, newer properties in the area are struggling, with I-75 proximate properties stealing significant market share away from Downtown. Spaces closer to Downtown also tend to be somewhat more challenging given their configurations and age, and may be tougher for the local broker market to understand and/or promote. Having a solid list of properties available and their characteristics, dimensions and lease rates could go a long way in helping to promote spaces in Downtown McDonough.

### *Local-Serving Office Demand Potential*

Much of the demand for office space in McDonough, as well as in Henry County, is generated from businesses servicing the local population or other local businesses, with very limited demand existing for regional headquarters or larger office users. To understand demand potential in McDonough, NCG created a model that examines existing office users in two ZIP codes: 30252 and 30253. These ZIP codes include the entire McDonough area and areas east, yet exclude areas around Stockbridge and Eagle's Landing that may siphon demand from the McDonough area. This demand model is focused on smaller tenants—those with fewer than 20 employees—as these types of users dominate the landscape in Henry County's office market and will be less fixated on regional interstate-type locations.

In our initial examination of office tenants in this area (e.g., lawyers, accountants, professional services, medical users, etc.) we identified 293 office firms in the McDonough area which, assuming an average tenant size of around 2,500 SF, occupy somewhere around 975,000 SF of office space in the area, including both multi-tenant and single-tenant spaces. The largest sources of existing demand (2010) include: Real Estate (75 firms), Medical-Related (84 firms) and Lawyers (29 firms).

We then examined typical ratios of these smaller local-serving firms in the state of Georgia relative to Georgia's population to establish rough benchmarks for firms per capita by office type and applied those ratios to the populations of these two ZIP codes (90,808 people in 2010). From this we identified potential unmet demand of roughly 195,000 square feet of space today, with most of this demand coming from medical-related users (114,000 SF) and insurance carriers (49,000 SF). While a good bit of this former group is being captured around the Henry Medical Center, we believe opportunities exist to capture more of this demand in and around the Study Area.

Assuming reasonable capture rates (equating to about 22% overall) of this unsatisfied demand, we believe the support exists for approximately 42,000 square feet of additional office space in the Study Area today (some of which will be needed to backfill quality vacant properties). This capture provides for three key assumptions:

- Quality office space is available with space owners willing to be as proactive as owners of other space outside of Downtown McDonough; and

- The brokerage community is aware of space offerings Downtown and understand lease terms, potential upfit provisions, parking considerations, etc.; and
- Greater efforts are made to enhance walkability and lifestyle proposition of Downtown McDonough through better traffic management, greater retail offerings, etc.

As the population of the area continues to grow, demand potential will also increase. Over the next five years we believe demand potential in Downtown McDonough (the Study Area) will increase to 53,375 SF (as shown at right), an increase of 11,000 square feet over 2010 demand and an incremental growth amount that should be supportable every five years as population growth in the area continues.

Industry Code Description	Estimated Downtown Demand By SF
<b>Typical Office Users</b>	<b>53,375</b>
Insurance Carriers and Related Act.	15,625
Other Schools and Instruction	2,600
Office of Physicians	20,000
Office of Dentists	6,400
Portfolio Management	3,000
Investment Advice	3,750
Testing Laboratories	2,000

It should be noted that this demand estimate does not factor in industries where an undersupply of firms exists. Some of these industries, such as Realtors, could easily be attracted back to Downtown McDonough through a stronger lifestyle proposition than that being offered today and represent incremental demand potential beyond that identified.

## Retail Market Overview

Perhaps the most visible and debatable struggle the Downtown McDonough Study Area has experienced over the past decade can be found in the area's retail market. While other smaller Downtowns in the region, new and historic, have gained in momentum, Downtown McDonough has struggled to maintain its market share. By all definitions, it has underperformed in the market. There are a number of factors that have led to retail challenges in Downtown (physical constraints, poor marketing and regional competition). Specifically:

- Traffic patterns and configurations that place an emphasis on getting through Downtown McDonough and not to Downtown McDonough
  - Retail struggles on one-way streets that emphasize speed and auto volume over walkability;
  - Traffic volumes aren't actually that high in the Study Area, with most streets averaging between 10,000 and 15,000 vehicles/day, at the lower end of the threshold for volumes desired by many retailers;
- Space offerings Downtown are not well publicized or coordinated and owners are often absent or uninvolved in the leasing process, placing Downtown at a disadvantage to other retail offerings in the area;
  - To this, owners of area retail centers often provide some type of upfit allowance and typically have information readily available to the brokerage community relative to lease rates, utilities, space configurations, etc.;
- Too much retail space has been approved throughout McDonough and nearby areas of the county;



- Contrary to some opinions, this space is indeed competitive with Downtown McDonough, offering cheap lease rates, ample parking, good signage and proactive ownership and or brokerage involvement;
- Parking that, while ample on the street, is overly enforced and limits the interest of potential patrons in coming to Downtown.

In short, many of these factors have made opening a business in Downtown and/or patronizing a business in the area unpredictable, which greatly tempers Downtown McDonough's potential. Addressing many of these issues, particularly those in control of City government (non-market issues), could go a long way in enhancing potential support that exists Downtown.

The good news for Downtown McDonough is that there are no true lifestyle retail offerings in Henry County today. No area downtowns compete with the Study Area and no retail in the market today is "experiential"—a place where people want to come and shop, relax, have coffee, eat, and enjoy a more dynamic environment relative to parking, going into an establishment, and leaving again. Interviews with different resources during this process (from retailers to brokers and realtors, to churches) indicates that many do indeed seek out these environments, but often drive 10 miles or more to other Downtowns on the south side of Atlanta, bypassing Downtown McDonough.

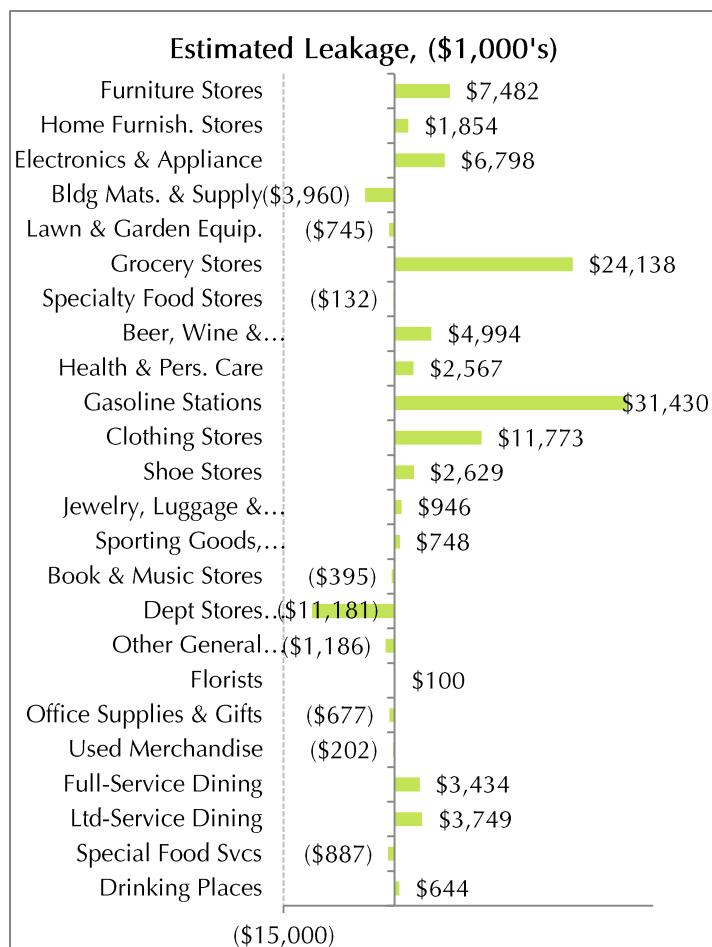
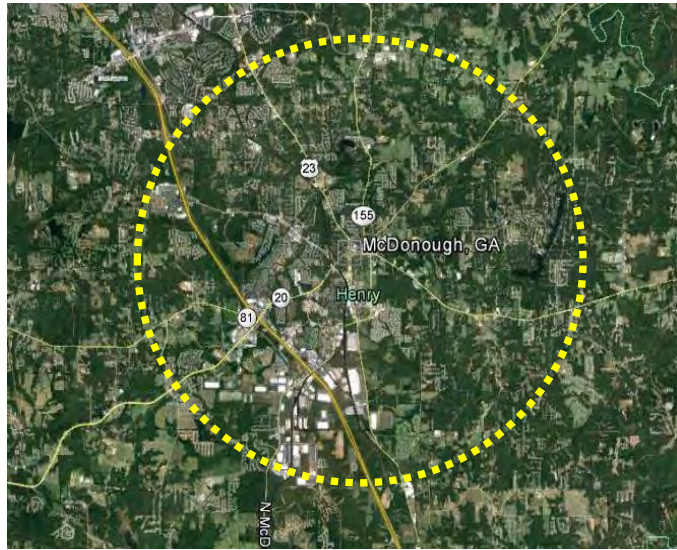
Downtowns in other areas of Metro Atlanta, including Decatur, Suwanee, Woodstock and Roswell indicate the potential that exists to capture those seeking more lifestyle-driven environments. Interviews with representatives from some of these town centers indicate that a significant amount of the support for these Downtowns comes from roughly a five (5) to seven (7) mile radius around these town centers, with some restaurants drawing support from potentially further distances.

This is somewhat consistent with Downtown McDonough. It appears that local support for retail in Downtown is insufficient, with many merchants reliant upon with a greater share of support coming from beyond five miles. This is due in part to the nature of some specialty Downtown merchants who offer goods or services that draw from far away (picture enhancement and refurbishing, for example). Additionally, the relatively small population found around the study area (roughly half that around Downtown Suwanee, for example), drops off quickly to the east of Downtown.

An overview of area retail centers indicates that the McDonough area market is largely comprised of smaller, unanchored neighborhood and strip retail centers. Occupancy rates are less than optimal, with about 16% of the space in these centers being vacant today. Given the nature of these centers, largely differentiated by cost alone, this is not surprising. Indeed, lease rates in the area are quite low, averaging around \$12/SF (modified gross), with Downtown spaces coming in at the bottom of the local market (around \$5 - \$8/SF), reflecting some of the challenges identified earlier in this section.

## DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

While retail space in the area is underperforming today, this underperformance may be more due to the quality and types of space offered as opposed to a lack of demand. NCG examined demand potential for roughly a five-mile radius around the center of the study area. This five-mile radius includes all of the city of McDonough and extends across I-75 to include retail concentrations around Jonesboro Road and McDonough-Hampton Road—the two major interchanges serving McDonough from I-75. This area also excludes the Eagle's Landing/Hudson Bridge area which, while contributing some support to Downtown McDonough, is viewed by many in the local market as having a secondary influence on the area.



When examining retail demand potential in this area relative to existing supply, it becomes apparent that McDonough is “leaking” retail demand and support to other areas outside of this five-mile radius.

As shown at left, demand expenditures exceeds captured sales in most retail categories, including grocery stores, clothing stores, and full-service and limited-service restaurants; all types of establishments that could fit well in Downtown McDonough. Dining establishments, in particular, perform well in town center environments and often comprise up to one-half of all establishments in newer or older town centers.

Oversupplied in the area are bigger box retailers (Department Stores & Other General Merchandisers, Bldg. Materials & Garden Supply), which draw typically extensive support from further south along the I-75 corridor.

## Retail Demand Potential

To better understand retail demand potential in the Downtown McDonough Study Area, NCG created a model that examines expenditure potential from residents in the five-mile radius around the site, utilizing per capita expenditures by store type (not merchandise line) and adjusts for:

- Shares of expenditures in non-regional retail centers (which are dominated by larger stores that do not compete with local-serving retailers);
- Expenditures likely to occur within the local, five-mile radius factoring out expenditures at work or in establishments beyond the five-mile radius (a Friday night dining in Buckhead, for example);
- Demand potential from other sources, including area workers and residents beyond the five-mile radius;
  - This was assumed to increase demand by 20% overall, with restaurants drawing more than a third of their support from beyond this radius; it should be noted that these restaurants today appear to draw more support from beyond the five-mile radius, although we believe that to be more due to the lack of support from within rather than their ability to draw from greater distances;
- Captures of demand potential the Downtown Study Area can achieve within this five-mile radius.

This demand model was conducted both for 2010 (the most recent year for which retail sales expenditures are measurable) and for 2015, assuming population growth continues in the area. It should be noted that expenditures were converted to supportable square feet via use of national average performance metrics for local, neighborhood-serving retailers, and discounted slightly to account for the lower sales per square foot occurring in the McDonough area relative to national averages.

As can be seen at right, we believe the Downtown McDonough Study Area can

Store Type	2010 Demand	2015 Demand
Home Furnishing Stores	2,251	2,420
Bldg Materials & Supply Stores	9,617	11,816
Beer, Wine & Liquor Stores	4,329	5,318
Health & Personal Care	14,537	17,861
Clothing Stores	3,196	3,927
Florists	1,474	1,811
Other Miscellaneous Store Retailers	6,058	7,444
Full-Service Restaurants	23,815	29,260
Limited-Service Eating Places	9,832	12,080
Special Food Services	9,023	11,086
<b>TOTAL</b>	<b>84,132</b>	<b>103,023</b>
<b>% Food/Dining</b>	<b>51%</b>	<b>51%</b>

support roughly 84,000 square feet of true retail space (not including service users, to be discussed on the following page), a number which grows to around 103,000 by 2015. It is important to note these numbers include existing occupied retail space. The caveat that sales per square foot levels among Downtown retailers today are likely well below the estimates used in this model, given the extremely low lease rates charged (\$5 - \$8/SF) and the feedback from retailers and restaurateurs regarding the performance struggles they are having even at those lease rates.

In addition to this we created a brief demand model to examine potential support for personal services firms that often occupy retail spaces, such as hair salons, dry cleaners, etc. These services are largely satisfied in

the greater McDonough area today and very little undersupply exists currently and over the next five years. This said, we believe there is support for roughly 7,700 additional (net new) square feet of services space targeting personal services, a credit union and a nail or hair salon.

The demand numbers provided above assume that many of the issues presented at the beginning of this retail section are addressed. To recap, these issues largely relate to creating a more predictable process for store owners, brokers, and patrons alike, and focus on enhancing the relationships between downtown interests and the City. They include:

- Creating a stronger inventory of available spaces, their dimensions, lease rates, potential upfit allowances, utilities, parking, and other information that can assist brokers in the area;
- Proactively addressing on-street parking (possibly lengthening meter times) and identifying the ways in which the City can become more of a partner than an entity perceived as carrying a big stick;
- Implementing façade improvement programs and signage ordinances that focus on incenting improvements as opposed to penalizing mistakes;
- Creating anchors in downtown, which are sorely lacking today, such as a significant fitness center, performing arts facility/troupe, etc., uses that will bring people downtown on a consistent basis;
- Addressing pedestrian abilities Downtown and effectively dealing with issues relating to one-way pairs in the area; and
- Limiting new retail development elsewhere in McDonough to only the most appropriate sites, as new strip centers will only further weaken Downtown via low lease rates and dilution of retail dollars in the area.

## Demand Summary

As demonstrated in this report and summarized in the table on the following page, there is significant potential for new residential, commercial, and retail space in the Downtown McDonough Study Area and that demand potential will continue to grow stronger in the coming years.

The timing for the revitalization and re-creation of Downtown McDonough is more than appropriate for near-term investments and strategies to bring the area forward. Increasingly, market audiences, including younger Gen X (age 34 to 47) & Gen Y's (Under 34), and maturing Baby Boomers (48 to 66), are seeking the sense of location and character Downtown McDonough has to offer; character largely not available in many of the southern suburbs today.



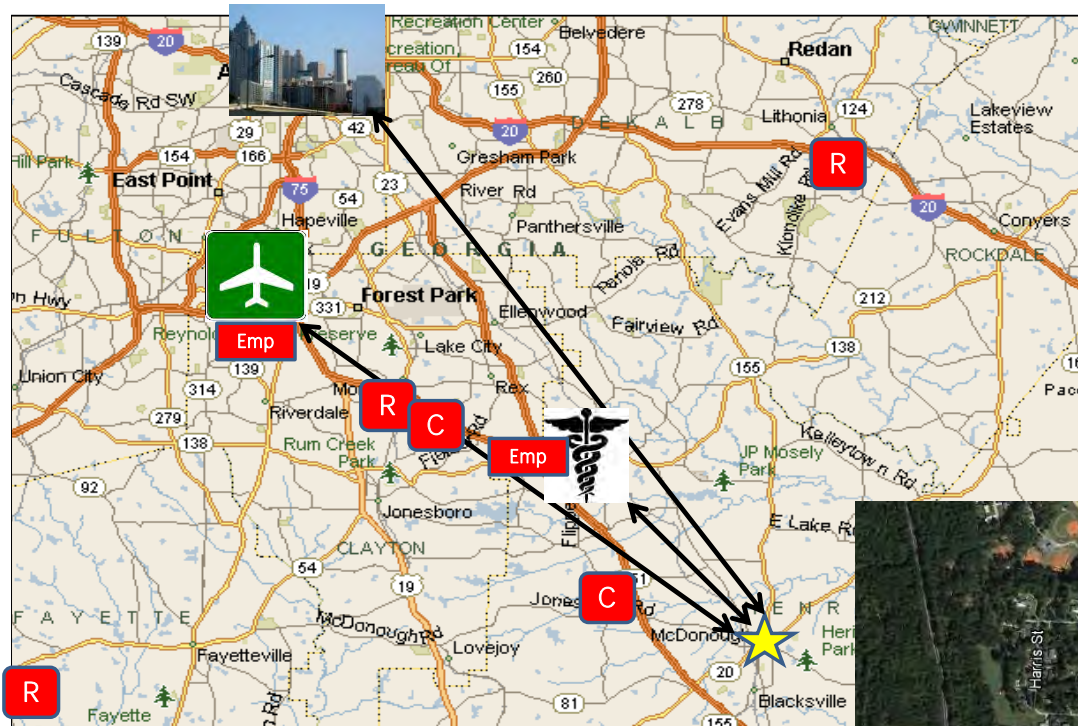
# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Sector	Estimated Current Unmet Demand	Forecasted Future Demand	Product Type
<b>Office</b> 	While demand potential exists (42,000 SF), it isn't being realized in McDonough and the local office market is currently oversupplied	Demand potential for around 10,000 - 15,000 square feet every five years from growth.	Small, service oriented space in neighborhood/ town center formats
<b>Single-Family Homes</b> 	None--market is inundated with product.	Once the market recovers, potential exist to sell 3.5 - 4.0 units/ month, assuming strong execution & lifestyle	Single-family homes with 1,400 to 2,000 SF that can appeal to singles and childless couples, as well as Empty Nesters
<b>Townhomes</b> 	None--market is unable to support existing stock.	Demand very low today, growing to around 24 - 30 units annually once market recovers and lifestyle proposition exists.	Entry-level product for young singles, couples, and starter families. Priced under \$150,000
<b>Condominiums</b> 	May be some pent-up demand, but not enough to justify project in next three years.	10 - 12 annually as the market recovers.	Wood-frame construction needed to keep costs down. Identify "amenitized" locations to provide maximum lifestyle.
<b>Apartments</b> 	Market is tightening with vacancies dropping, and will be ready for new product in the near-term.	Demand potential for roughly 200 - 250 units every two to three years.	Rent levels dictate wood construction and surface parking. Some opps to do ltd. ground floor commercial.
<b>Retail</b> 	Total demand Downtown is around 84,000 SF today, including existing retail. Add'l demand for 7,700 SF of personal service users (salon, nails, credit union)	15,000 - 20,000 net new annual demand every five years or so (3k to 4k annually). Must address issues Downtown to capture.	50% of demand growth is for restaurant space, something Downtown should be well-positioned to take advantage of.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit I - 1

Physical Context of Downtown McDonough Based on Key Local and Regional Factors



Factor	Distance
Community Retail	4 - 15 Miles
Regional Retail	15 - 25 Miles
Medical Access	6 Miles
Freeway Access	2.5 - 4 Miles
Airport Proximity	12.5 Miles
Closest Major White Collar Office Core	27 Miles

Factor
Elementary School
High School
Private School
Major Employers
Park
Walkable Area



Source: Noell Consulting Group. Maps from Google Earth and Streets & Trips.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit I - 2

### Assessment of Downtown McDonough's Physical Characteristics

Factor	Significant Findings	Important to...	Assessment	QOL Rating	Opportunities
<b>Regional Factors</b>				<b>XX - XXX</b>	
Community & Regional Retail	Majority of Henry County retail is discount/big box. Mall-type retail is found in P'tree City, South DeKalb, and even Buckhead.	Households, from singles & couples to families, particularly those with more significant incomes	Regional retail access considered inferior today, although Cousins is planning Avenues concept in Henry--will improve greatly.	XXX	Will improve with time. Create local destination missing from bigger centers.
Medical Access	Henry's major medical center is by Eagle's Landing, roughly 5 miles from Downtown McDonough, with the Downtown area lacking significant medical.	Particularly important to senior households, but also important to families with children.	Generally considered acceptable distance to primary care, although major hospitals are a healthy drive away. Should be room Downtown for some type of medical facilities.	XXX	Demands show unmet potential in study area, but may be challenging to compete with Eagle's Landing
Freeway Access	I-75 is approximately 2.5 to 4 miles from Downtown McDonough via a mix of two and four-lane roads.	Commuters into and out of McDonough, regional residents that may patronize Downtown	The distance from I-75 is generally considered somewhat inferior, although not too dissimilar from other older Downtowns in metro Atlanta.	XX	Improve Highway 20 to four lanes
Airport Proximity	Relative proximity to the airport is considered good, particularly compared to northside Downtowns	Those involved in sales, pilots and those involved in the travel industry.	Generally considered a strength of the area, although much less of a factor than some other QOL indicators.	XXXX	Market airport proximity and lack of small town lifestyle on south side.
Office Core Proximity	Downtown Atlanta is the closest major employment core, approximately 27 miles north, with a small core existing around Eagle's Landing	White collar commuters that could live in McDonough and Henry County	Considered inferior to other town centers in Metro Atlanta, particularly northern suburbs.	X	Focus on attracting smaller, creative firms seeking unique environment not found in many southside locations.
<b>Local Factors</b>				<b>X -XX</b>	
Education	Schools, while proximate, are perceived as being somewhat inferior to those around Stockbridge and areas west by the Realtor community	Families with children. Those concerned about home resale values.	Considered a weakness and something that can be addressed. Private Methodist school in study area viewed as big positive.	XX	Improve quality & offerings at McDonough Elementary
Employment	Most employment within the study area is in government offices, which are increasingly locating off of the Square.	Attracting residents to the study area and fueling daytime demand for retail uses.	Distance to I-75 and increasing shift of City/County offices to less walkable areas of study area tempers retail demand potential	X	Focus on attracting small firms serving local population. Locate County offices in more walkable, supporting manner.
Parks	One small park within study area and Square function as recreational areas for Downtown McDonough.	Residents that could live in and around Downtown	Park spaces and recreational opportunities not the strengths they could be	XX	Tame traffic around Square, create dog park, greenways, small pocket parks.
Walkability	Area immediately around the Square is walkable, but drops off quickly beyond a block or two	Residents that could live in and around Downtown	Walkability, particularly from residential & employment needs enhancement	X	Enhance walkability from n'hoods & employment, create more street-facing uses.
Retail Environment	Local retail market overbuilt, overly competitive. Numerous issues impacting Downtown retail mkt	Residents, retailers, Downtown businesses	Too many cheap retail centers & plethora of issues Downtown really undercutting retail.	X	Limit new retail beyond study area, address exist. issues.







Source: Noell Consulting Group.



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit I - 3

### Land Use Opportunity Matrix for the Downtown McDonough Study Area

Sector	Current Situation	Drivers of Demand	Study Area Strengths	Study Area Challenges	Current Lease Rates/Prices	Estimated Current Unmet Demand	Forecasted Future Demand	Product Type
<b>Office</b> 	Henry not a major office market--most tenants are local-serving. Fundamentals strongest near along I-75. Higher vacancies (30%+) around McDonough	Local population growth--freeway access trumps. Some related to govt in DT McDonough	Area is home to major govt offices & banks with the square offering lifestyle play for office users.	Lack of high incomes temper regional market. DT lifestyle not enough to counter issues of convenience	\$10 - \$13 NNN near Downtown--roughly 20% discount from freeway locales.	While demand potential exists (42,000 SF), it isn't being realized in McDonough and the local office market is currently oversupplied	Demand potential for around 10,000 - 15,000 square feet every five years from growth.	Small, service oriented space in neighborhood/ town center formats
<b>Single-Family Homes</b> 	Henry market is badly hit by the housing downturn. Overall home inventory dropping, but lot inventory very high.	Employment growth and continued outflow from Clayton County	Opportunity to provide walkable environment, something desired by 20% to 25% of the market.	Schools and perception as more modest-income locale. Lack of parks and places to walk to.	New home communities are offering product for \$58 on average.	None--market is inundated with product.	Once the market recovers, potential exist to sell 3.5 - 4.0 units/month, assuming strong execution & lifestyle	Single-family homes with 1,400 to 2,000 SF that can appeal to singles and childless couples, as well as Empty Nesters
<b>Townhomes</b> 	Performance is abysmal today with most area townhouse communities in foreclosure. Weak market fundamentals, especially on southside. Many now in rental situation.	Employment growth, changing household types	Unique walkable lifestyle not found anywhere else in Henry. No other projects have an orientation.	Interstate distance challenging. Southside housing market is bombed out--years to recover.	Too low to justify new construction (\$33/SF). Will take years to recover	None--market is unable to support existing stock.	Demand very low today, growing to around 24 - 30 units annually once market recovers and lifestyle proposition exists.	Entry-level product for young singles, couples, and starter families. Priced under \$150,000
<b>Condominiums</b> 	Virtually no condo product exists in the area today. Other suburban product struggling to close out--prices down 30% or more.	Employment growth, changing household types. Strong lifestyle proposition.	Walkable environment attractive to singles and childless couples	Not enough value creation exists to justify trade-off for condos. Need stronger lifestyle play to compete.	None locally. Other similar products selling for \$150/SF	May be some pent-up demand, but not enough to justify project in next three years.	10 - 12 annually as the market recovers.	Wood-frame construction needed to keep costs down. Identify "amenitized" locations to provide maximum lifestyle.
<b>Apartments</b> 	Apartments doing very well and apartment fundamentals improving. Vacancies dropping and rents are going up.	Employment growth, changing household types	Walkable environment provides lifestyle younger renters are seeking	Interstate distance again the big issue. Land prices challenging.	\$ .75/SF (\$800/mo. avg), but opportunities to push rents higher with orientation	Market is tightening with vacancies dropping, and will be ready for new product in the near-term.	Demand potential for roughly 200 - 250 units every two to three years.	Rent levels dictate wood construction and surface parking. Some opps to do ltd. ground floor commercial.
<b>Retail</b> 	Henry County oversupplied given speculative development (including a lot of unanchored centers) in anticipation of population growth before recession.	Population growth, much of it fleeing Clayton. Visibility & access important.	Unique environment increasingly sought by Gen X, Gen Y & Boomers	Parking, street networks, and lack of large-scale population. Tough to access regionally.	Downtown area \$5 - \$8/SF. Area strip centers leasing for \$8 - \$13NNN.	Total demand of 84,000 SF today, <u>including existing retail</u> (half of that for dining). Add'l 7,700 SF demand for personal services	15,000 - 20,000 net new annual demand every five years or so (3k to 4k annually). Must address issues Downtown to capture.	50% of demand growth is for restaurant space, something Downtown should be well-positioned to take advantage of.

SOURCE: Noell Consulting Group



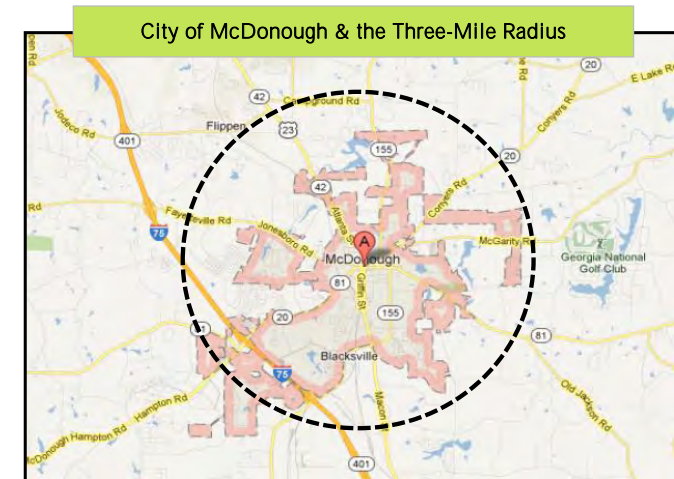
## DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

### Exhibit I - 4

Age and Income Analysis of A Three-Mile Radius Around Downtown McDonough Relative to Henry County Overall

2000 - 2011

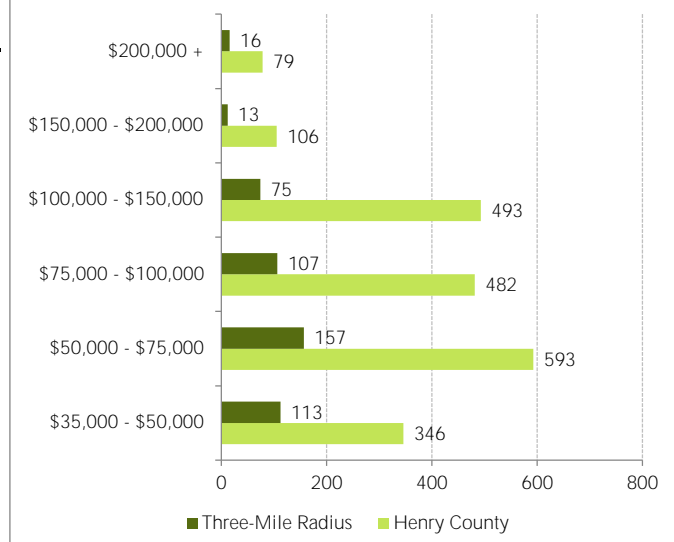
Three-Mile Ring Around Downtown McDonough							
2000 - 2011	15 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+	Total
\$25,000 - \$35,000	70	68	123	231	137	121	750
\$35,000 - \$50,000	122	248	246	323	174	125	1,238
\$50,000 - \$75,000	69	254	547	404	321	132	1,727
\$75,000 - \$100,000	35	137	412	334	122	134	1,174
\$100,000 - \$150,000	35	57	252	315	78	83	820
\$150,000 - \$200,000	0	0	47	59	29	3	138
\$200,000 +	0	32	21	92	31	3	179
<b>Total</b>	<b>412</b>	<b>840</b>	<b>1,826</b>	<b>1,920</b>	<b>1,230</b>	<b>996</b>	<b>7,224</b>
<b>Total Above \$50,000</b>	<b>139</b>	<b>480</b>	<b>1,279</b>	<b>1,204</b>	<b>581</b>	<b>355</b>	<b>4,038</b>



Three-Mile Ring Household Growth Relative to Henry County HH Growth							
2000 - 2011	15 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+	Total
\$25,000 - \$35,000	1.21	-32.58	2.30	2.21	1.06	0.69	1.45
\$35,000 - \$50,000	1.13	2.25	2.99	1.42	0.66	0.61	1.25
\$50,000 - \$75,000	0.84	1.93	1.27	0.84	0.83	0.67	1.01
\$75,000 - \$100,000	1.09	0.66	1.43	0.76	0.42	1.07	0.85
\$100,000 - \$150,000	2.40	0.44	0.67	0.59	0.29	0.85	0.58
\$150,000 - \$200,000	0.00	0.00	0.71	0.43	0.42	0.20	0.46
\$200,000 +	0.00	2.79	0.51	0.86	0.68	0.14	0.79
<b>Total</b>	<b>1.22</b>	<b>1.43</b>	<b>1.32</b>	<b>0.90</b>	<b>0.76</b>	<b>0.86</b>	<b>1.00</b>
<b>Total Above \$50,000</b>	<b>1.32</b>	<b>1.22</b>	<b>1.33</b>	<b>0.88</b>	<b>0.68</b>	<b>0.97</b>	<b>1.00</b>

While the greatest absolute growth proximate to Downtown McDonough was among middle class households between the ages of 35 and 54 (likely families with children), the area experienced greater than its fair share of growth among households under 45 and those earning less than \$75,000. Retail and new housing in the area will need to target families with children with an eye toward attracting the younger, pre-children market; a target audience to build from.

Annual HH Growth (All HHs) 2000 - 2011



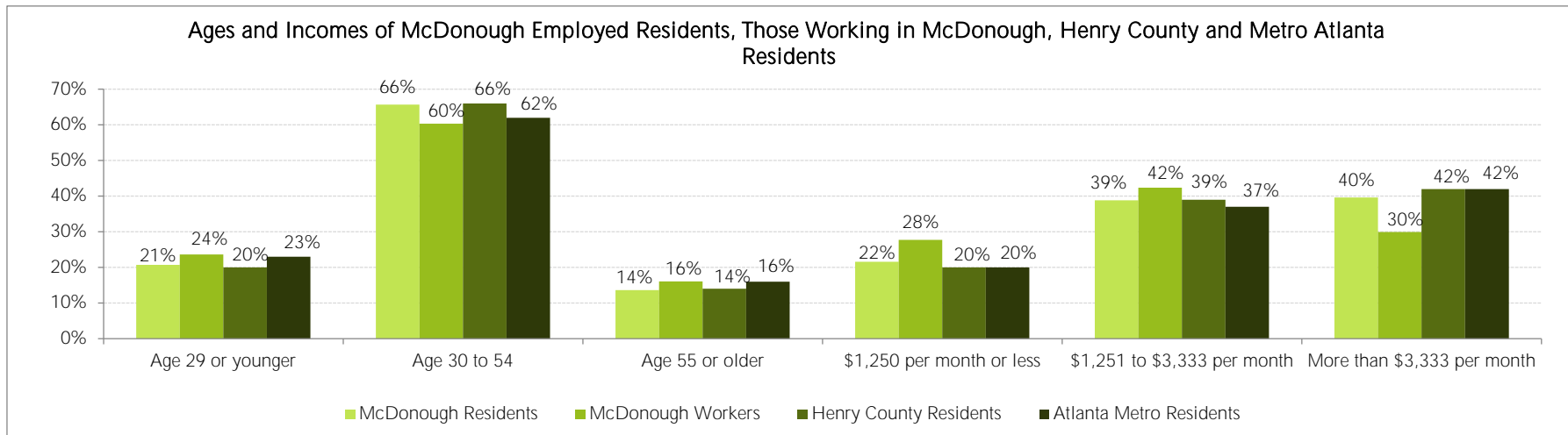
Source: Noell Consulting Group based on data obtained from Claritas, Inc.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

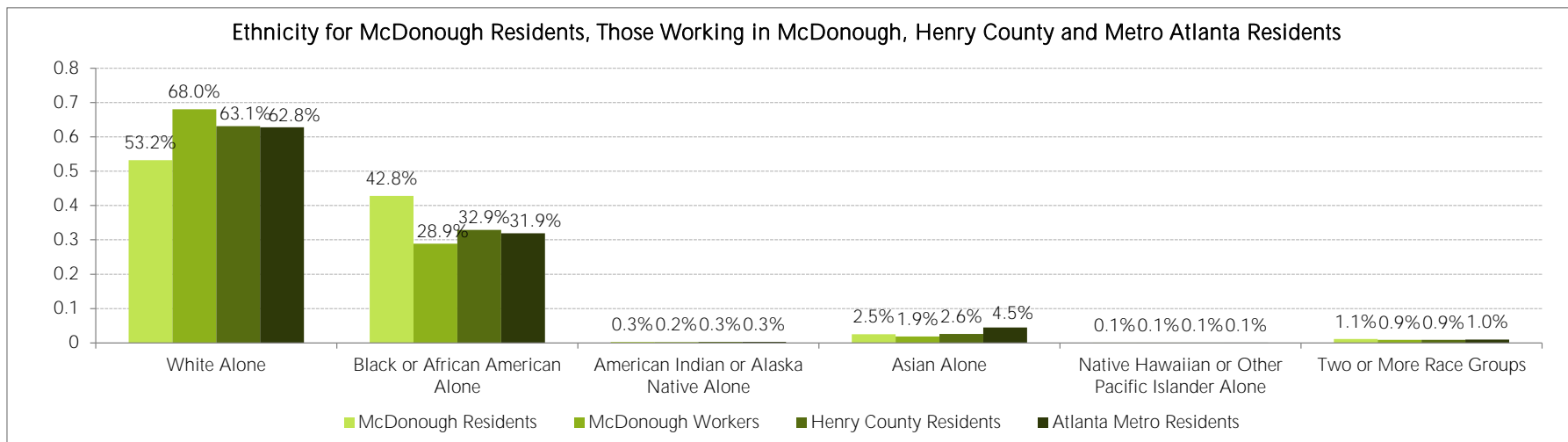
Exhibit I -5

Age, Income and Ethnicity for Employed Persons Living in or Working in the Downtown McDonough Study Area

2011



Residents of McDonough tend to be very similar to those of Henry County in terms of ages and monthly incomes, with African-Americans comprising a greater share of city residents than those of the county overall. Those working in McDonough, meanwhile, tend to have more moderate incomes than McDonough residents or Henry residents, not surprising given the prevalence of government jobs in the area.

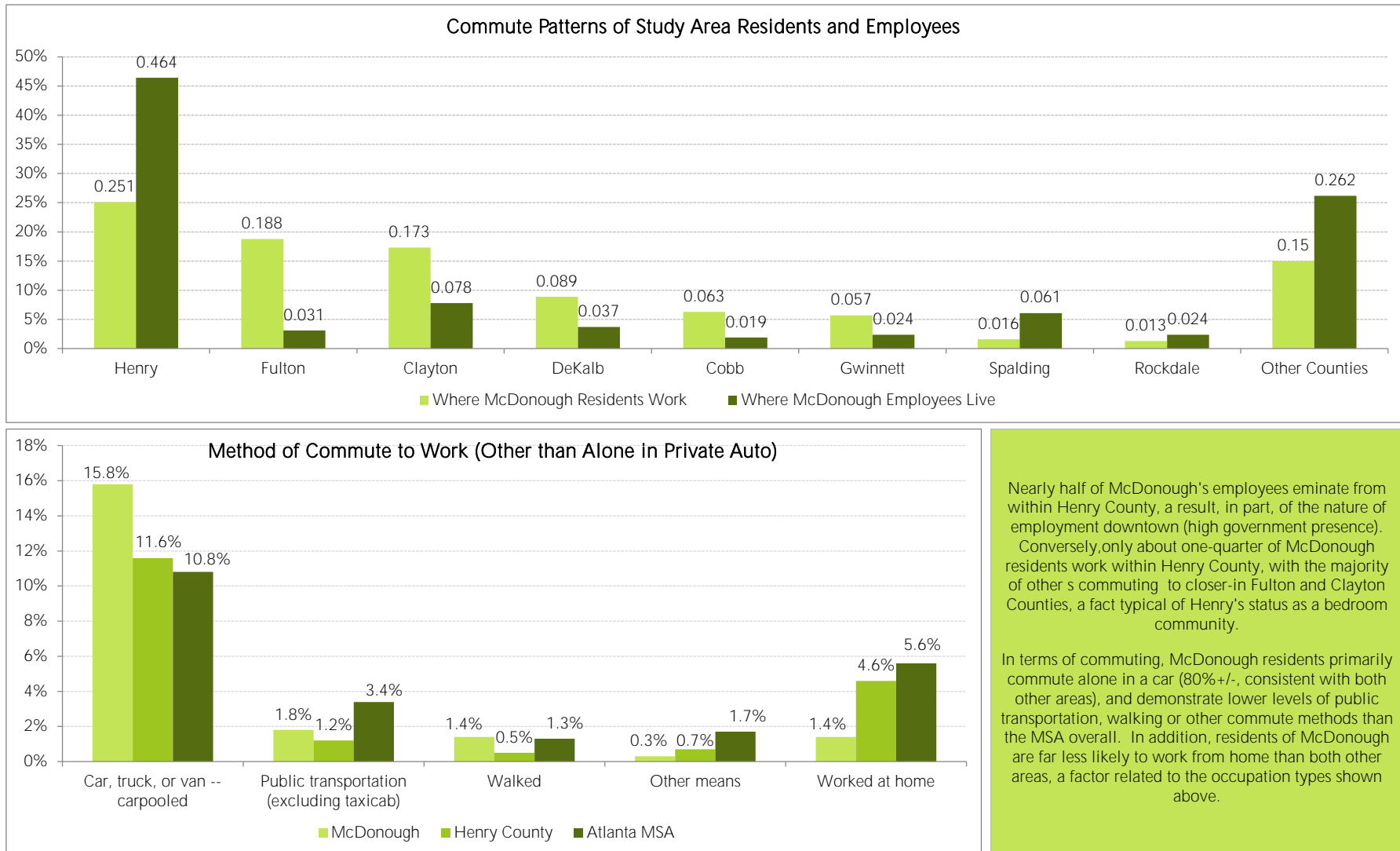


Source: Noell Consulting Group based on data obtained from US Census LED on the Map.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit I - 6

Commuting Patterns for Study Area Residents and Workers and Mode of Travel to Work for McDonough, Henry County, and Atlanta MSA 2011

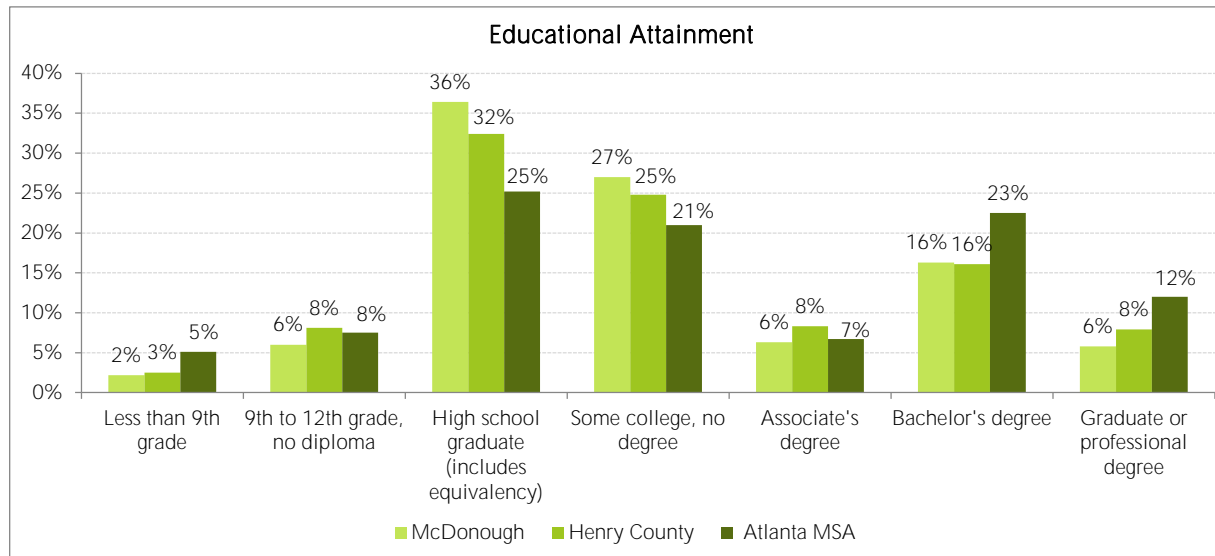
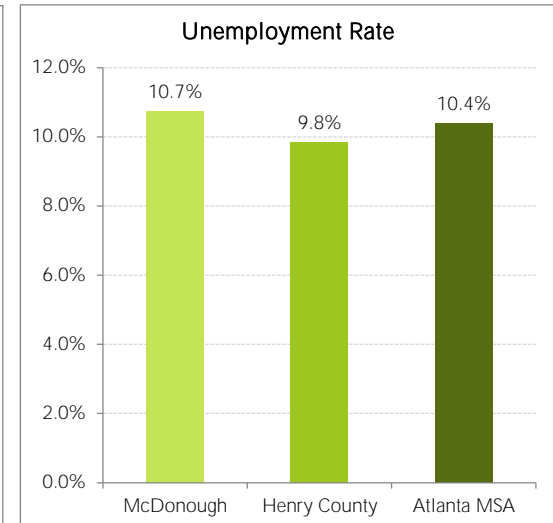
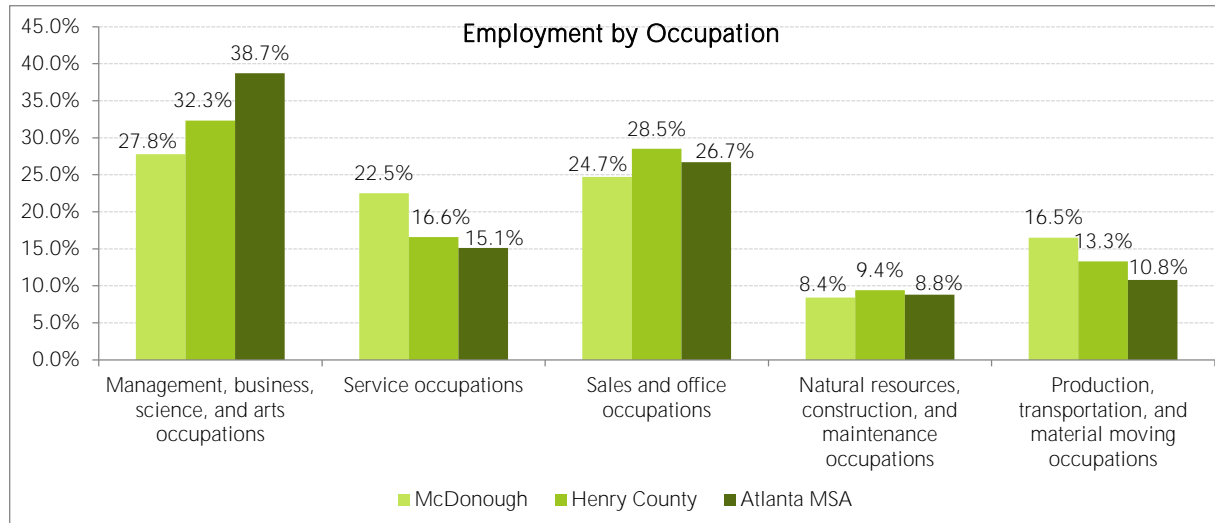


Source: Noell Consulting Group based on data obtained from US Census LED on the Map.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit I - 7

Employment Characteristics of the Populations of McDonough, Henry County, and the Atlanta MSA  
2010



Residents of McDonough are more likely to have moderate-paying jobs (with more working in service occupations and production & transportation than either residents of Henry County overall or the Atlanta MSA). Unemployment in McDonough is slightly higher than that of Henry County, but consistent with levels seen in the MSA.

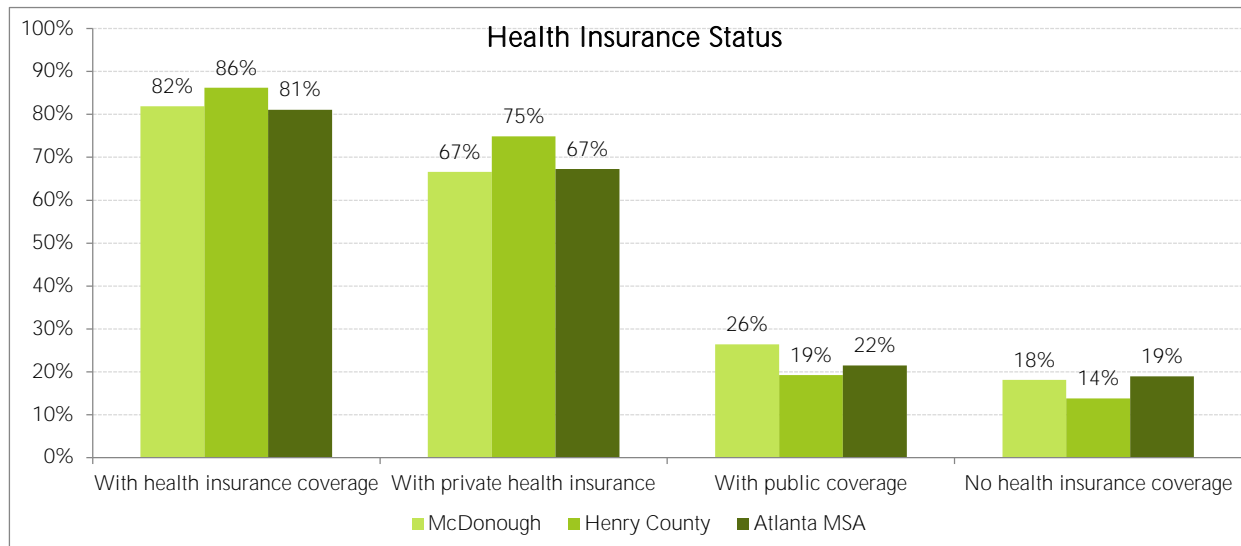
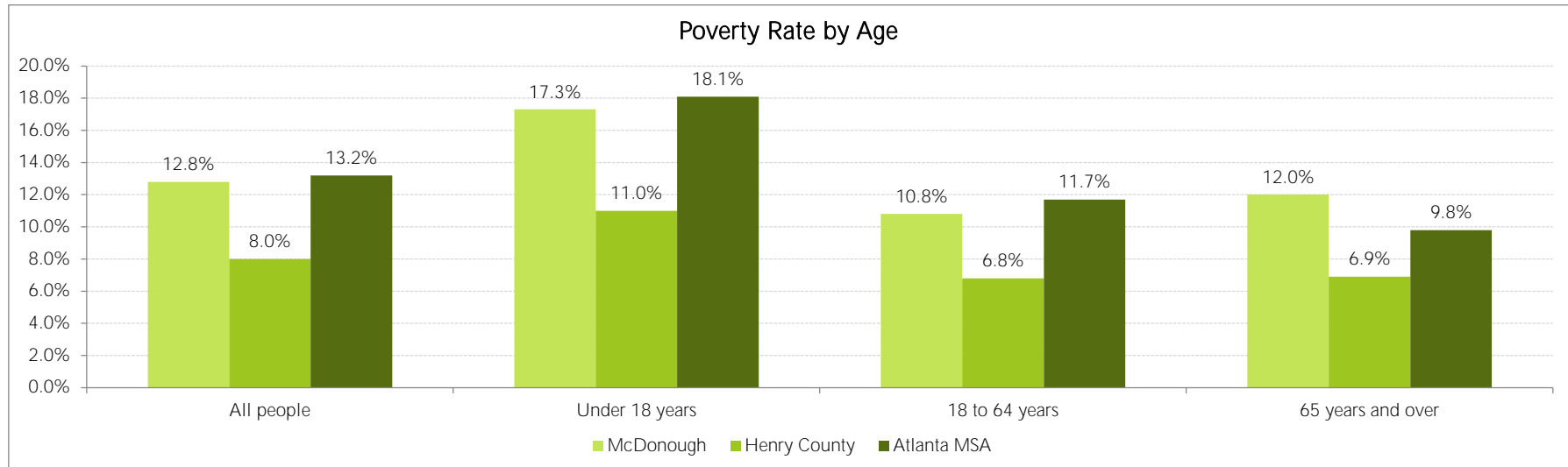
Relating to this, McDonough features a greater share of residents lacking a college degree than Henry County or the Atlanta MSA.

Source: Noell Consulting Group based on data obtained from the US Census American Community Survey.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit I - 8

Poverty and Health Insurance As Indicators of Economic Distress in McDonough, Henry County, and the Atlanta MSA  
2010



Indicators of economic distress are generally higher in McDonough than in Henry County and are consistent with those of the larger Atlanta MSA.

Included in this are children and adults living in poverty (12.8% in McDonough overall), and persons living without health insurance (18%).

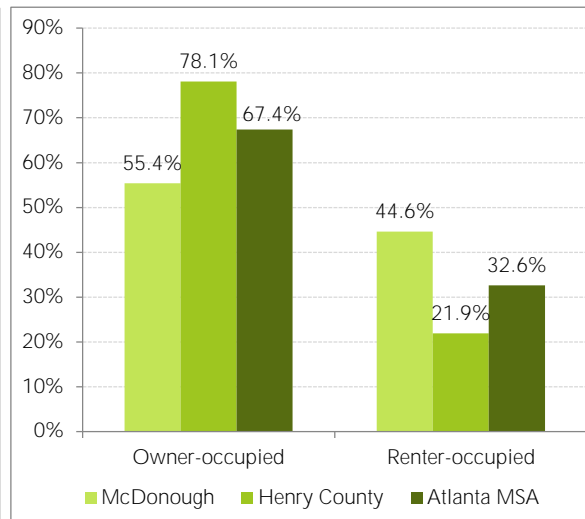
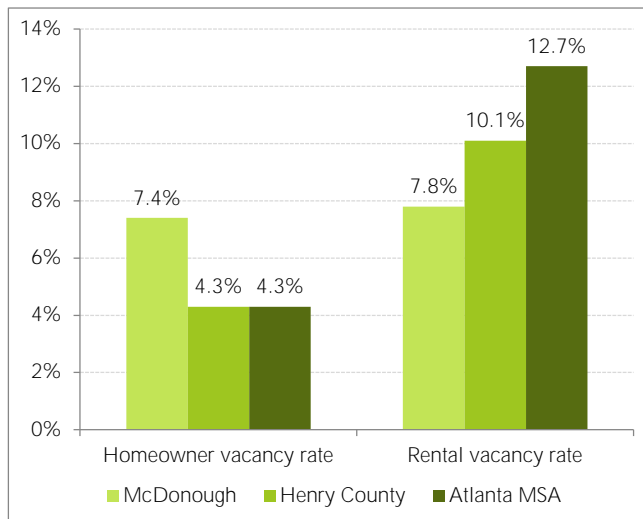
Source: Noell Consulting Group based on data obtained from the US Census American Community Survey.



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

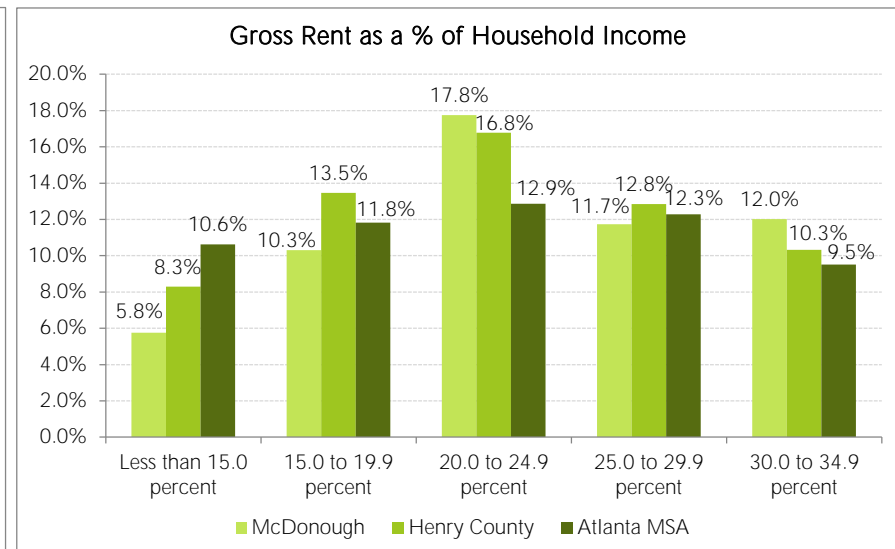
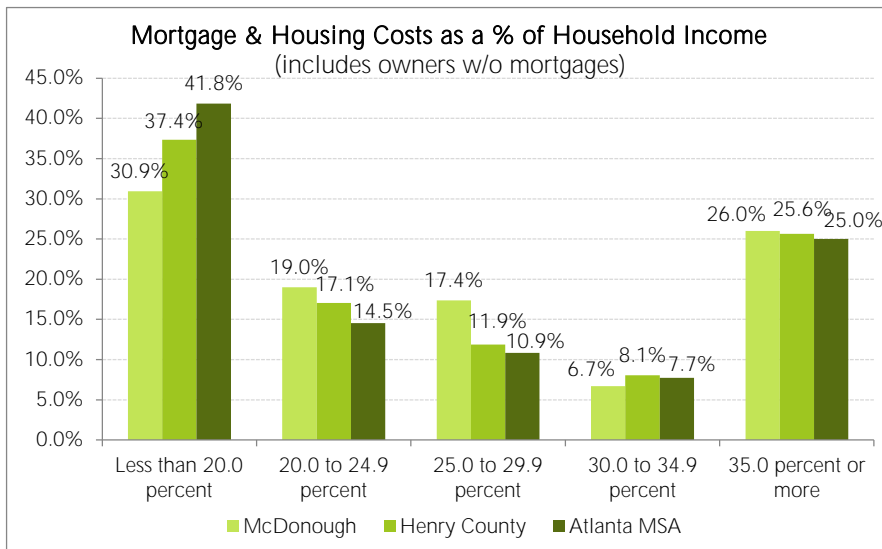
Exhibit I - 9

Housing Characteristics for McDonough, Henry County and the Atlanta MSA  
2010



McDonough features a significantly higher share of renters than do Henry County or the Atlanta MSA, although rental rates are lower for rental properties than in these larger areas. Roughly 12% of renters pay more than 30% of their income in rent, an indicator of financial distress.

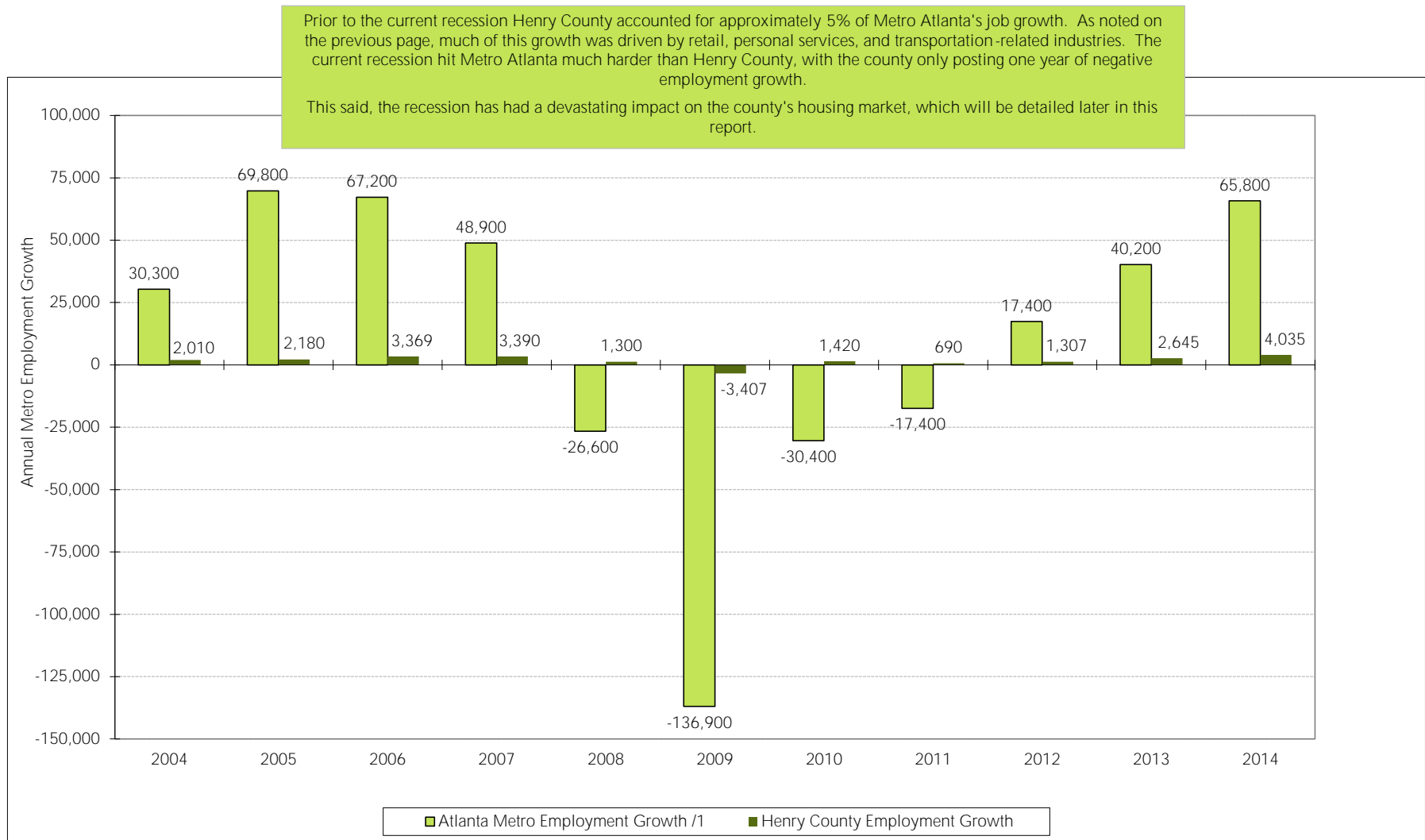
On the ownership side, McDonough is suffering from a for-sale housing vacancy rate nearly double that of the larger areas overall and roughly one-third of all homeowners are demonstrating some financial distress (paying more than 30% of their income to mortgage and housing costs).



Source: Noell Consulting Group based on data obtained from the US Census American Community Survey.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit I - 10  
Historical and Projected Atlanta and Henry County Employment Growth

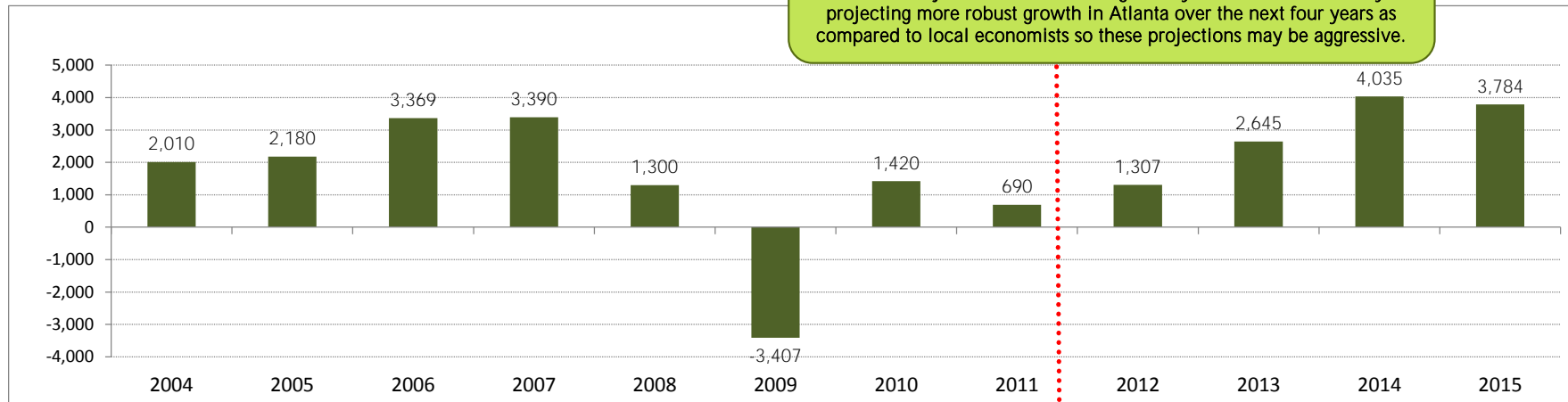


SOURCE: Noell Consulting based on data from Georgia State Economic Forecasting Center and Moody's Economics.  
Note: 2014 employment growth forecast is a weighted average of Fishkind & Associates and Moody's Analytics forecasts.

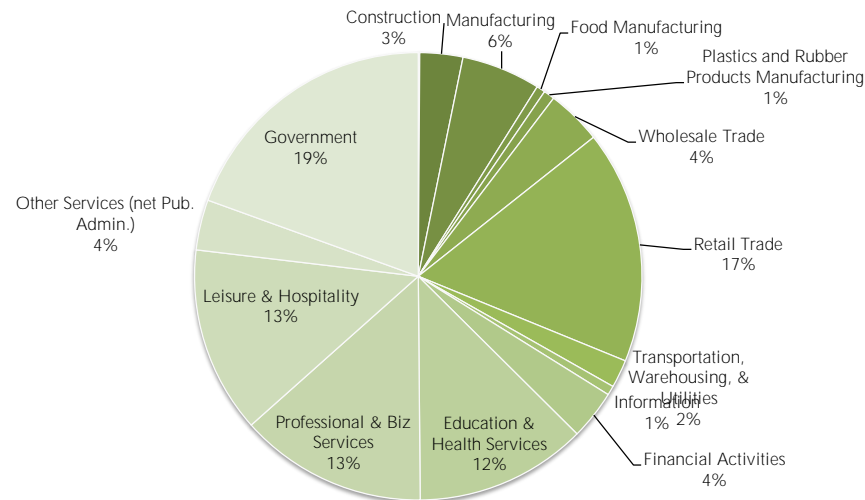
# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit I - 11  
Historical and Projected Henry County Employment Trends

According to Moody's Analytics, Henry County will have replaced the jobs lost during the recession by the end of 2012 and will post net gains of 10,000 new jobs over the following three years. Note that Moody's is projecting more robust growth in Atlanta over the next four years as compared to local economists so these projections may be aggressive.



Current Henry County Employment by Sector



Sectors	Current Share	Fair Share of Growth 2000 - 2010	Fair Share of Growth 2012 - 2020
Natural Resources & Mining	0.1%	-0.60	0.43
Construction	3.2%	-0.81	1.79
Manufacturing	5.8%	-0.44	0.46
Food Manufacturing	0.6%	2.22	0.44
Plastics & Rubber Products Man.	0.8%	14.11	0.47
Wholesale Trade	4.0%	1.14	0.47
Retail Trade	17.1%	1.14	0.86
Utilities	2.1%	0.90	0.83
Information	0.7%	-0.49	0.71
Financial Activities	3.6%	1.26	1.42
Education & Health Services	12.6%	1.94	1.55
Health Care & Social Assist.	11.0%	1.80	1.14
Professional & Biz Services	13.8%	1.87	1.43
Admin, Support, Waste Man.	10.2%	1.69	1.55
Leisure & Hospitality	13.7%	1.32	1.12
Other Services (net Pub. Admin.)	3.7%	0.81	1.10
Government	19.8%	1.70	0.73

NOTE: Fair Share measures the portion of existing employment relative to the portion of growth. A score of higher than 1.0 indicates a high growth sector.

SOURCE: Noell Consulting based on data from Georgia State Economic Forecasting Center and Moody's Analytics.

# DOWNTOWN McDONOUGH LCI UPDATE

## MARKET ANALYSIS

### Exhibit II - 1

#### For-Sale Residential Market Summary

##### New Single-Family Summary

- Similar to Atlanta overall, Henry County has witnessed a significant drop in volume of new home sales with 2011 only seeing 190 new detached home sales, down more than 95% from levels seen from 2002 - 2006.
- New home prices are down around 10% to 15% from prices seen at the peak, with little, if any, appreciation expected in the coming years.
- Henry County remains a relatively affordable housing market, with roughly 50% of new home sales being priced below \$200,000
- Lot inventory in the county is massive and will temper new development for much of the remainder of the decade. This lot inventory, much of which has been through foreclosure, will temper home price appreciation in the area.
- This said, the large majority of subdivisions developed in the county and in the McDonough area are comprised of conventional suburban product that only offers one real lifestyle proposition.
- There are few, if any, Traditional Neighborhood Developments (TNDs) in the market, an opportunity for Downtown McDonough
- Our demand models indicate that, with strong execution and lifestyle creation, new single-family homes could sell at a pace of 40 homes/year.



##### New Townhouse Summary

- The townhouse market in Henry County has been slammed by the recession, with only 28 total new townhouses selling in the county in the last two years, with all sales being below \$150,000.
- Existing townhouse product is entirely priced below \$100,000 and purely functions as a price-alternative product for those unable to afford single-family homes in the area.
- Our survey of area townhouse communities reveals average prices of \$33/SF, way too low to justify new construction of these units.
- Creation of a sense of lifestyle (the other reason people buy attached in suburban areas), will be critical to the success of townhouse product in the study area.
- Assuming creation of a lifestyle proposition and strong execution, new townhouse product in Downtown McDonough could sell at a pace of 24 - 30 units/year once the housing market recovers.



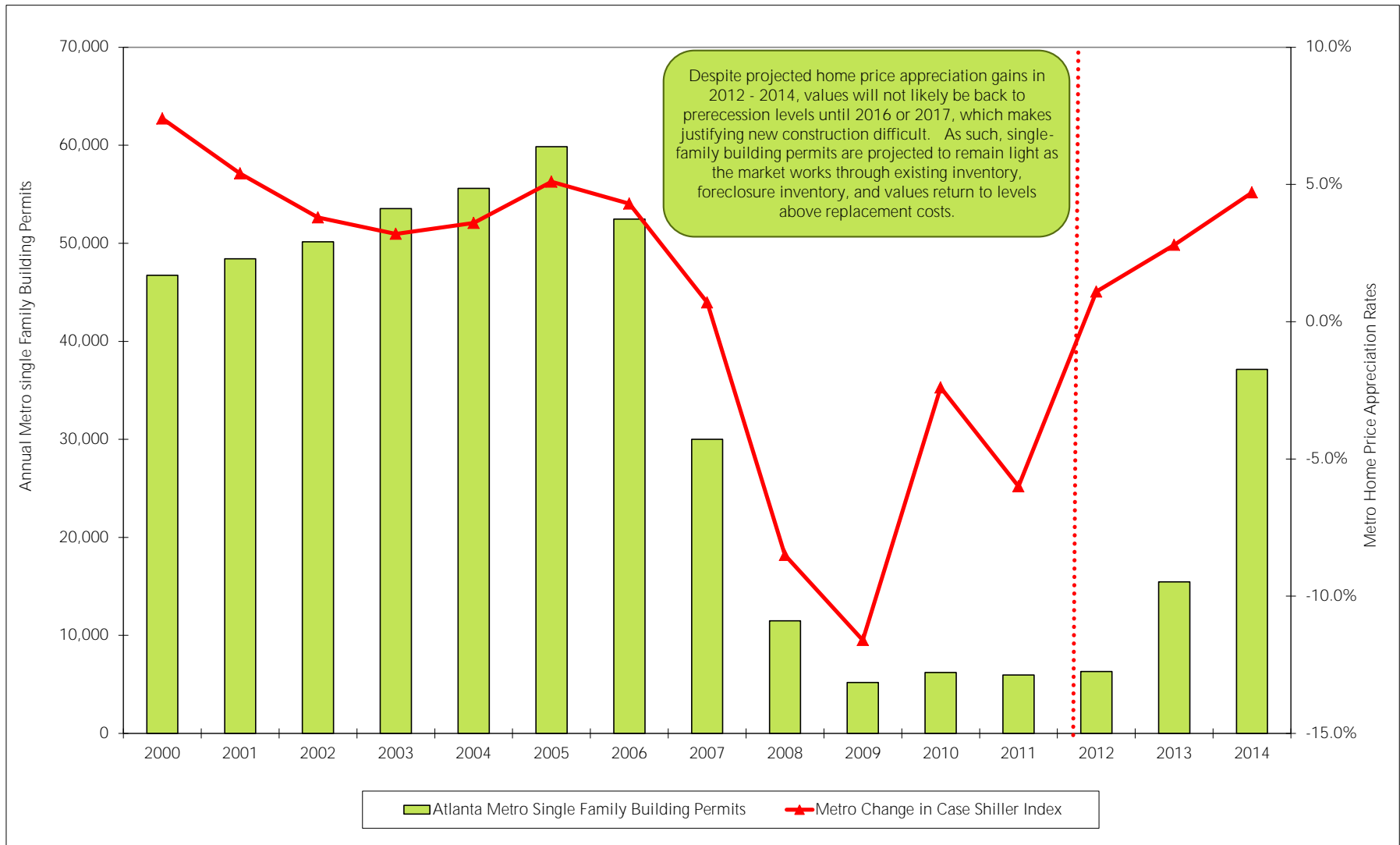
##### New For-Sale Condo Summary

- Henry County lacks a real condominium market currently and no such product exists around McDonough.
- Other similarly situated projects have been built, however, near older Downtowns in suburban Atlanta.
- Those projects have met with moderate success, drawing a mix of singles and childless couples, as well as Empty Nesters drawn to the lifestyle these condos can offer.
- Unfortunately, many of these condo communities were developed near the end of the last cycle and have been caught up in sales problems.
- Sales prices in these projects average around \$145/SF overall and sales paces have been modest, even at these prices, which are down around 35% from original pricing.
- Based on local demand models we believe a project in Downtown McDonough could sell approximately 1.0 units monthly once the area economy recovers.
- Even this pace will require solid execution and the creation of a significant lifestyle and orientataion (park, view, water) to attract buyers.



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit II - 2  
Historical and Projected Atlanta Single-Family Permits to Home Price Appreciation



SOURCE: Noell Consulting based on data from Georgia State Economic Forecasting Center/Case Shiller Index. 2013 and 2014 Forecasts are from Moody's Analytics.



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 3

### Historical and Projected Atlanta Employment Relationships to Home Price Appreciation



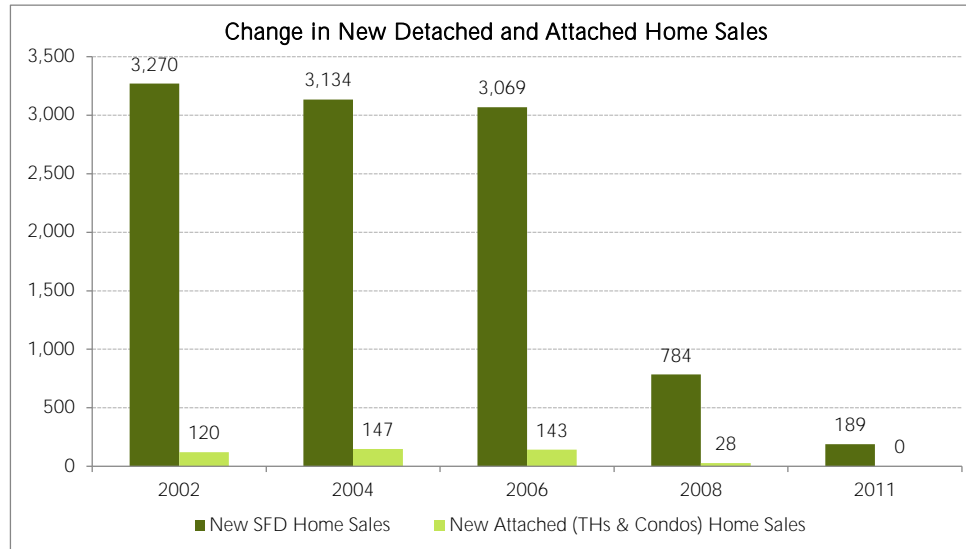
SOURCE: Noell Consulting based on data from Georgia State Economic Forecasting Center and the Case Shiller Index

Note: 2014 employment growth forecast is a weighted average of Fishkind & Associates and Moody's Analytics forecasts.

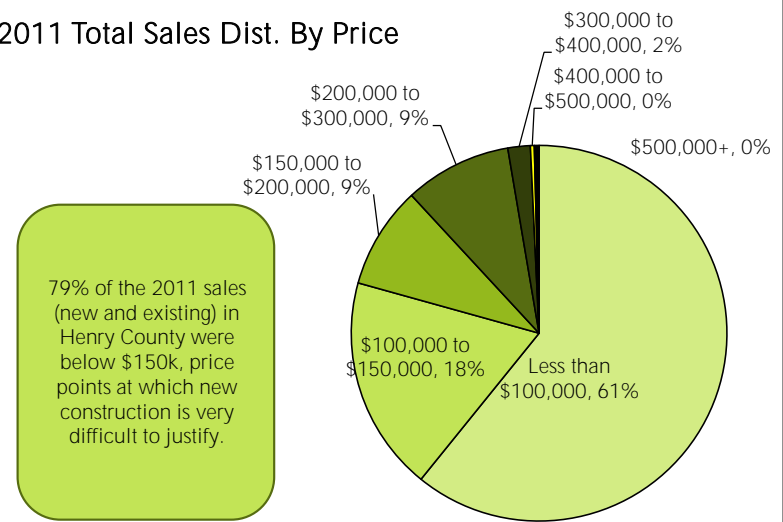
# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 4

### Henry County New Home Sales, 2002 - 2011



### 2011 Total Sales Dist. By Price



### New Detached Home Sales Price Point Evolution

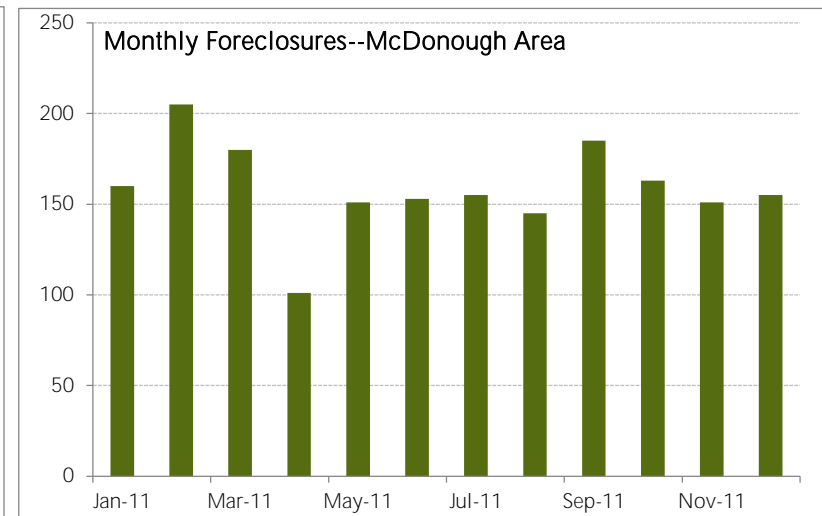
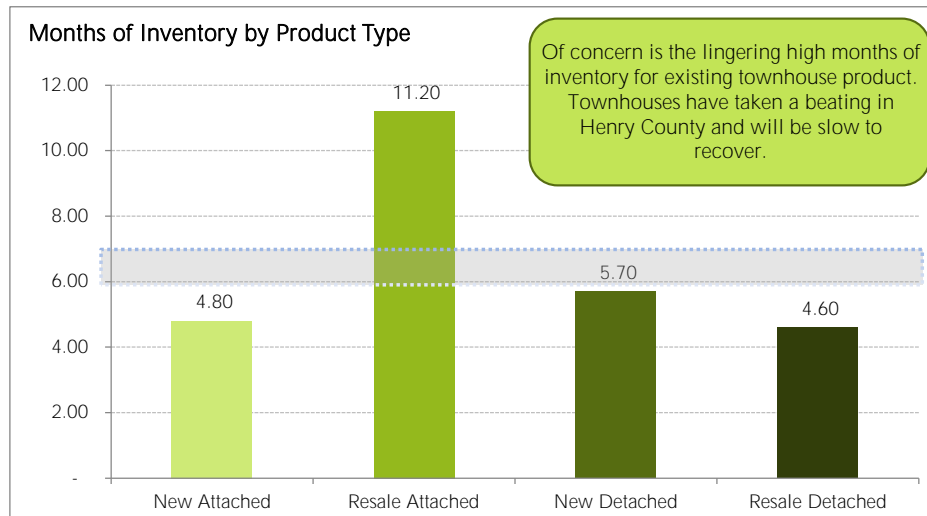
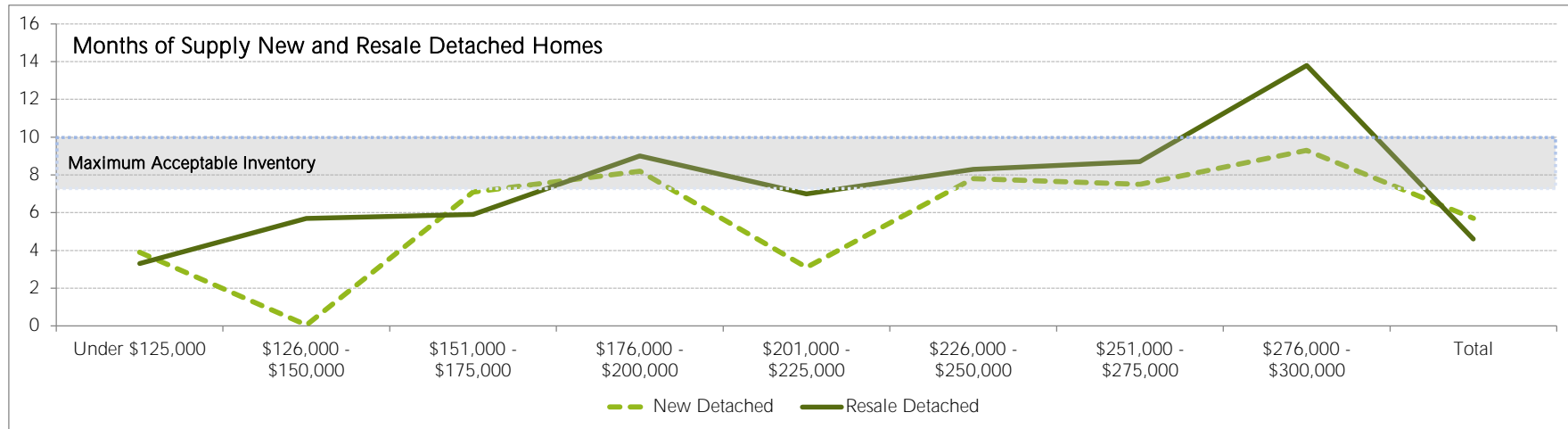


SOURCE: Noell Consulting Group based on data obtained from SmartNumbers

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit II - 5  
Henry County Home Inventory

Dramatic price reductions have helped clear out existing distressed and foreclosure inventory. For nearly all products priced below \$300,000, months of inventory is below Atlanta's historic average of 9 months. Months of inventory for new product and that below \$150,000 is below 6 months which is an industry-accepted level for when a market is "healthy" and can justify new construction. In McDonough, however, foreclosures are continuing at a rapid clip of 150 per month which will continue to place downward pressure on pricing and constrain demand. The positive trends with inventory do not point to support for new building at this point in time. However, when overall demand fundamentals return (job growth, income growth, etc.), the data suggests that current home inventories will not hamper the market.

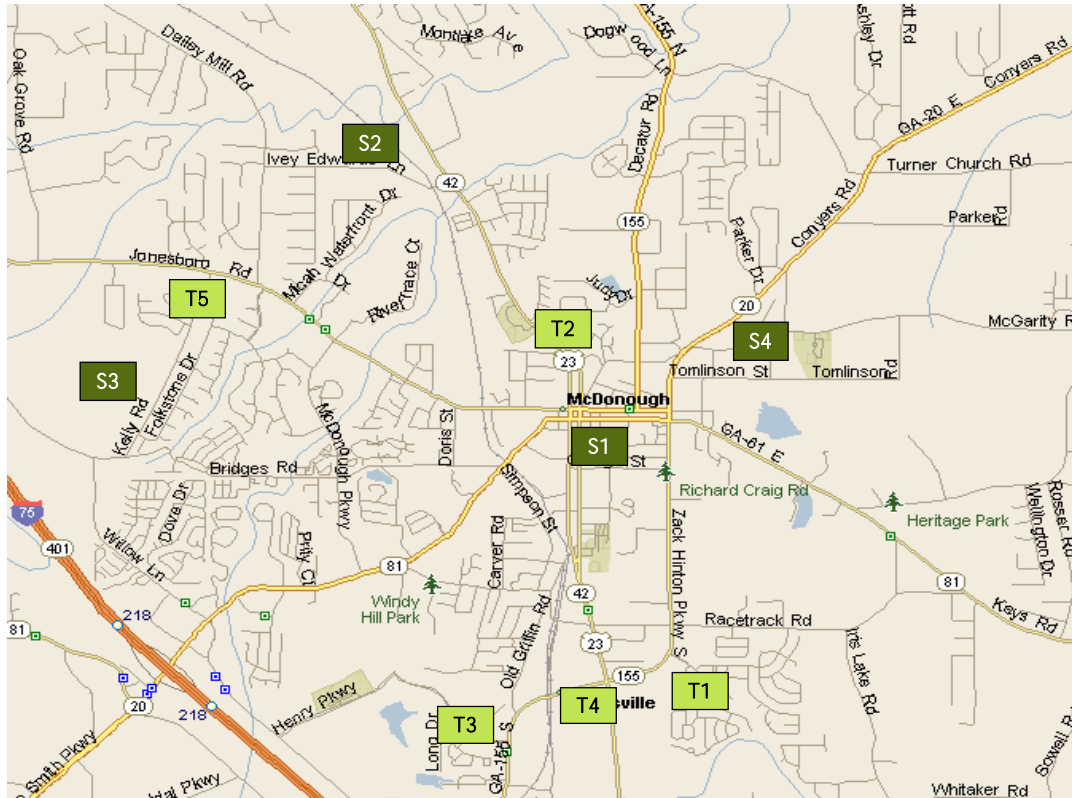


SOURCE: Noell Consulting Group based on data obtained from SmartNumbers and RealtyTrac.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 6

Map of Actively/Recently-Selling Single-Family and Townhome Communities Near McDonough



	Units	\$/SF
<b>S1</b> Ranier Park Homes (in city limits)	9	\$67
<b>S2</b> Hamilton Pointe (in city limits)	17	\$54
<b>S3</b> Pembroke Park (outside of city)	130	\$38
<b>S4</b> Cameron Manor (in city limits)	46	\$74
<b>SFD Average</b>	<b>50.5</b>	<b>\$48</b>
<b>T1</b> Towne Village (in city limits)	146	\$32
<b>T2</b> Rose Court (in city limits)	47	\$27
<b>T3</b> Charleston Village	29	\$43
<b>T4</b> Green Valley Villages (in city limits)	120	\$27
<b>T5</b> Gardens at Magnolia Vlg (in city limits)	75	\$43
<b>Townhouse Average</b>	<b>83</b>	<b>\$31</b>

As indicated by the remarkably low prices per square foot, the local new construction housing market is currently dominated entirely by distressed and foreclosure communities. The market's ability to work through this inventory and return to pricing that can justify new construction will be driven in large part by the broader Atlanta economy and associated demand.

SOURCE: Noell Consulting Group

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 7

Select Actively or Recently-Selling, New Construction Single-Family Communities in McDonough

Map Key	Photo	Subdivision Name	Year Built/ Started	Community Status	Homes Built	Unsold Homes	Current Price Range	Current Avg Price	Unit Size Range	Avg Size	\$/SF Range	Avg \$/SF	Amenities
S1		Rainer Park Homes	2007	Bank owned. 9 homes sold. 6 lots remain. Lots range from \$5,500-\$35,000	9	0	\$189,000 - \$280,000	\$234,500	3,200 - 3,800	3,500	\$59 - \$74	\$ 67	Very close to town square and open space for residents
S2		Hamilton Pointe	2008	Bank owned. Failed subd. 17 homes built & 195 lots remain.	17	5	\$145,000 - \$190,000	\$160,000	2,500 - 3,400	2,950	\$58 - \$56	\$ 54	None
S3		Pembroke Park	2007	Bank owned. Failed subdivision. Est. 130 homes built in planned 805 home community.	130	2	\$60,000 - \$185,000	\$122,500	1,500 - 3,900	3,200	\$40 - \$47	\$ 38	Tennis courts, pool (not maintained), greenspace
S4		Cameron Manor	2007	Failed subdivision. Majority of lots sold to hedge fund with some bank & bldr-owned lots.	46	2	\$160,000 - \$300,000	\$185,000	1,800 - 4,800	2,500	\$89 - \$63	\$ 74	Green space, lake, & garden
<b>Summary:</b>					<b>202</b>	<b>9</b>	<b>\$ 60,000 - \$ 300,000</b>	<b>\$ 144,879</b>	<b>1,500 - 4,800</b>	<b>3,033</b>	<b>\$40 - \$74</b>	<b>\$48</b>	






SOURCE: Noell Consulting Group.



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 8

Select Actively- or Recently-Selling Townhome Communities in McDonough

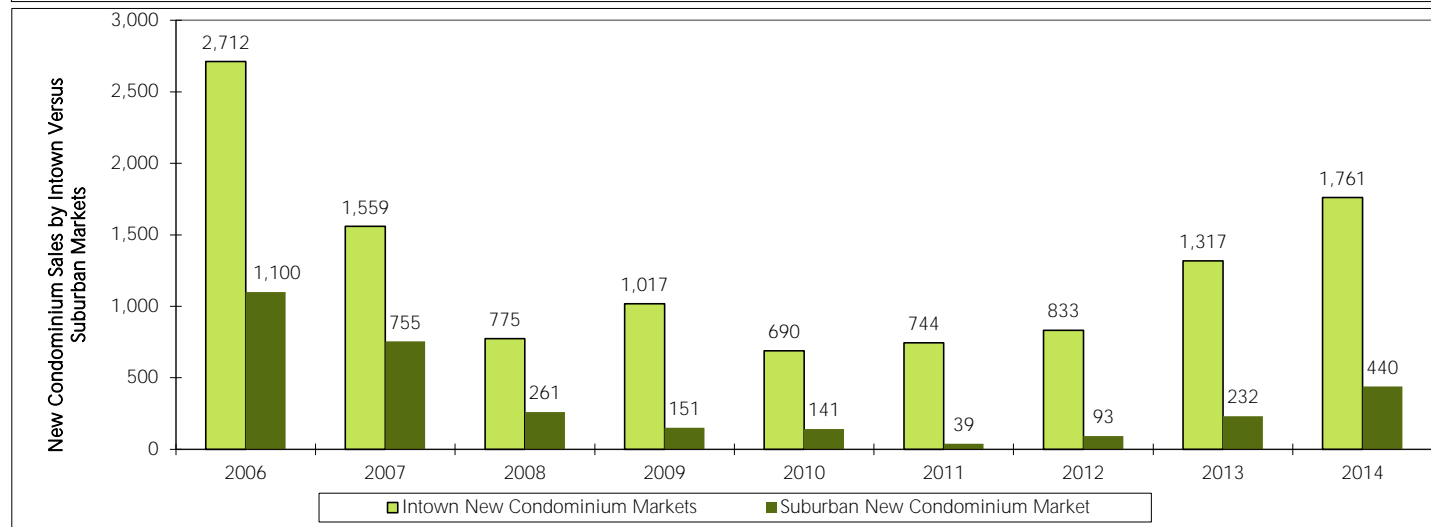
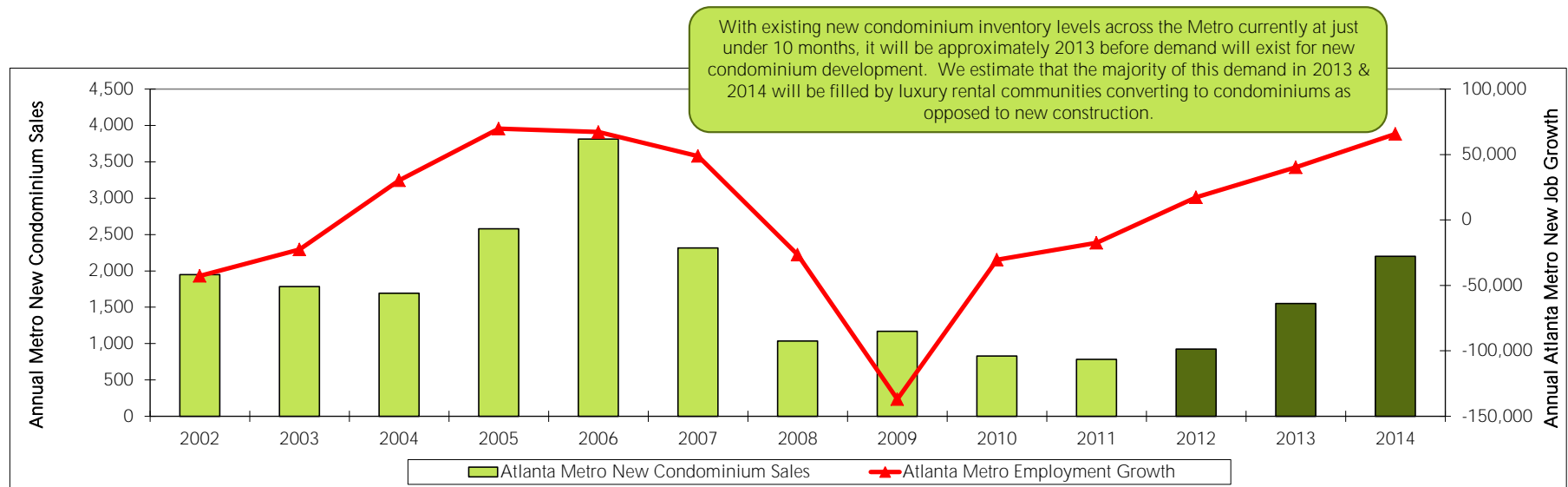
Map Key	Photo	Community Name	Year Built/ Started	Community Status	Total Units	Units Left	Current Price Range	Current Avg Price	Unit Size Range	Avg Size	\$/SF Range	Avg \$/SF	Amenities
T1		Towne Village	2004	Completed and occupied	146	0	\$45,000 - \$110,000	\$60,000	1,450 - 2,000	1,860	\$31 - \$55	\$32	Close to retail/ shopping centers
T2		Rose Court	2003	Completed and occupied	47	0	\$35,000 - \$46,500	\$40,750	1,400 - 1,600	1,500	\$25 - \$29	\$27	Greenspace common area
T3		Charleston Village	2007-2008	Planned 111 TH's. Const stalled. Units 100% rented. Not banked owned <i>yet</i>	29	21	\$80,000 - \$110,000	\$80,000	1,600 - 2,100	1,850	\$50 - \$52	\$43	None. Clubhouse built but empty.
T4		Green Valley Villages	2006	Not completed. Bank foreclosed & sold most of the 120 TH built. Est. 146 lots at avg of 2k per lot	120	0	\$30,000 - \$73,000	\$40,000	1,200 - 1,750	1,475	\$25 - \$42	\$27	Pool & playground
T5		Gardens at Magnolia Village	2006	75 built, all sold. 51 lots remain. Dev ready to build more only if buyer asks	75	0	\$45,000 - \$85,000	\$52,000	1,550 - 2,000	1,600	\$29 - \$43	\$33	Clubhouse with greenspace. Pool not built yet
Summary:					417	21	\$ 30,000 - \$110,000	\$ 52,027	1,200 - 2,100	1,661	\$25 - \$55	\$31	

SOURCE: Noell Consulting Group based on data obtained from MORE and local sales agents

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 9

### Historical and Projected Atlanta Metro New Condominium Sales to Employment Growth



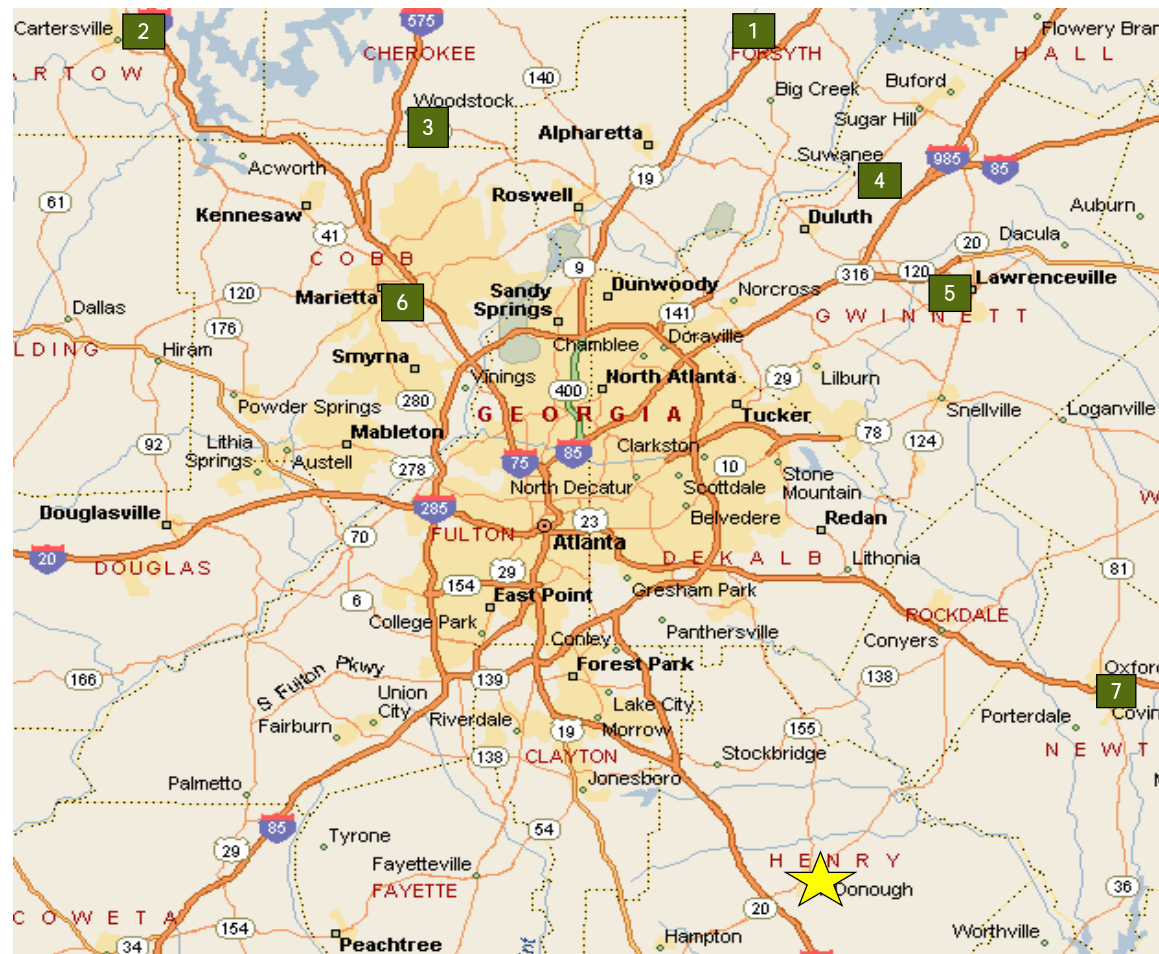
Based on demonstrated historic captures, we have projected the new suburban condominium market to average a 10-20% capture of the total Metro. At this level, current inventory levels represent approximately 20 months of supply, and will soak up the majority of demand in 2012 & 2013. Given the inability of most to finance new construction condominiums we believe much of the 2014 demand will be satisfied by apartment conversions, and it will not be until 2015 until true new construction suburban condominium demand returns to the market.

SOURCE: Noell Consulting based on data from Georgia State Economic Forecasting Center, SmartNumbers.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit II - 10

Map of Recently- and Actively-Selling Suburban Condominium Communities in Metro Atlanta










	Units	\$/SF
<b>★ Subject Site</b>		
1 Vickery Village	24	\$138
2 The Lofts at Integrity Square	15	\$166
3 Woodstock Downtown	62	\$144
4 Madison Park	31	\$145
5 Cornerstone On the Square	12	\$124
6 Emerson Overlook	32	\$145
7 Lofts on the Square	15	\$90
Average, All Projects	27	\$136

SOURCE: Noell Consulting Group

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 11

### Summary of Comparably-Situated Condo Communities Around Suburban Metro Atlanta

Photo	Project	Unit Type	Unit Count	Unit Mix	Unsold Units	Annual Sales Pace	Current Sales Prices	Avg. Sales Price	Unit Size Range	Avg. Size	Current Average \$/SF
	Vickery Condos (Forsyth County)	2B/2.5b	24	100%	6	.5 units/mo	\$159,900 - \$195,900	\$177,900	1,244 - 1,326	1,285	\$138
	<b>Summary:</b>		<b>24</b>	<b>100%</b>	<b>6</b>		<b>\$159,900 - \$195,900</b>	<b>\$177,900</b>	<b>1,244 - 1,326</b>	<b>1,285</b>	<b>\$138</b>
	Lofts at Integrity Square (Cartersville)	2B/1-2b	15	100%	0	NA	\$169,000 - \$197,000	\$183,000	852 - 1,357	1,105	\$166
	<b>Summary:</b>		<b>15</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>\$169,000 - \$197,000</b>	<b>\$183,000</b>	<b>852 - 1,357</b>	<b>1,105</b>	<b>\$166</b>
	Woodstock Downtown (Woodstock)	1B/1b	11	18%	1	6 in the last year (.5 units/mo.)	\$124,900 - \$149,400	\$137,150	1,030 - 1,108	1,069	\$128
		1B/1.5-2b	14	23%	5		\$125,000 - \$200,000	\$162,500	1,179 - 1,220	1,200	\$135
		2B/2b	26	42%	3		\$184,900 - \$226,400	\$205,650	1,318 - 1,631	1,475	\$139
		2B/2.5b	10	16%	10		\$214,900 - \$327,100	\$271,000	1,615 - 1,902	1,759	\$154
		3B/3b	1	2%	0		\$619,134 - \$619,134	\$619,134	1,615 - 1,902	1,759	\$352
	<b>Summary:</b>		<b>62</b>	<b>100%</b>	<b>19</b>	<b>69%</b>	<b>\$124,900 - \$619,134</b>	<b>\$200,963</b>	<b>1,030 - 1,902</b>	<b>1,391</b>	<b>\$144</b>
	Madison Park (Suwanee)	2B/2.5B	17	55%	0	0 per month	\$210,000 - \$389,000	\$299,500	2,060 - 2,080	2,070	\$145
		3B/3-4b	14	45%	8		\$400,000 - \$450,000	\$425,000	2,342 - 3,600	2,971	\$143
		<b>Summary:</b>	<b>31</b>	<b>55%</b>	<b>8</b>	<b>74%</b>	<b>\$210,000 - \$389,000</b>	<b>\$164,242</b>	<b>2,060 - 2,080</b>	<b>1,135</b>	<b>\$145</b>
	Cornerstone (Lawrenceville)	2B/2.5b	12	100%	8	NA	\$199,000 - \$199,000	\$199,000	1,546 - 1,668	1,607	\$124
	<b>Summary:</b>		<b>12</b>	<b>100%</b>	<b>8</b>	<b>33%</b>	<b>\$199,000 - \$199,000</b>	<b>\$199,000</b>	<b>1,546 - 1,668</b>	<b>1,607</b>	<b>\$124</b>
	Emerson Overlook (Marietta)	1B/1.5b	5	16%	2	3 total (1/mo)	\$144,900 - \$149,900	\$147,400	1,093 - 1,093	1,093	\$135
		1B/2b + Den	2	6%	2		\$159,900 - \$159,000	\$159,450	1,141 - 1,141	1,141	\$140
		2B/2b	4	13%	4		\$204,000 - \$209,900	\$206,950	1,379 - 1,426	1,403	\$148
		2B/2b + Den	10	31%	7		\$199,000 - \$231,900	\$215,450	1,403 - 1,708	1,556	\$139
		3B/2.5b	11	34%	10		\$367,900 - \$367,900	\$367,900	2,435 - 2,435	2,435	\$151
	<b>Summary:</b>		<b>32</b>	<b>100%</b>	<b>25</b>	<b>0%</b>	<b>\$144,900 - \$367,900</b>	<b>\$252,659</b>	<b>1,093 - 2,435</b>	<b>1,741</b>	<b>\$145</b>
	Lofts on the Square (Covington)	2B/2b	15	100%	0	NA	\$139,000 - \$160,000	\$149,500	1,172 - 2,138	1,655	\$90
	<b>Summary:</b>		<b>15</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>\$139,000 - \$160,000</b>	<b>\$149,500</b>	<b>1,172 - 2,138</b>	<b>1,655</b>	<b>\$90</b>

SOURCE: Noell Consulting Group.



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 12

Estimated New Single-Family Residential Demand in Henry County and in Downtown McDonough

Demand Factor	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Forecasted Average 2012 - 2020
Henry County HH's	69,018	71,576	74,134	76,692	79,250	81,808	84,103	86,398	88,693	90,988	81,516
% Age 25-74, with incomes \$50k - \$100k	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%
Age & Income Qualified HHs	38,650	40,083	41,515	42,948	44,380	45,812	47,098	48,383	49,668	50,953	45,649
% Owner HH Above \$50k	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%
% Turnover	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Annual Qualified Owners in Turnover	2,756	2,858	2,960	3,062	3,164	3,266	3,358	3,449	3,541	3,633	3,254
% Choose New	8.0%	12.0%	16.0%	20.0%	24.0%	28.0%	32.0%	32.0%	30.0%	30.0%	25.4%
Total Est. New Home Demand \$150k+	220	343	474	612	759	915	1,074	1,104	1,062	1,090	826
% Choose Single-Family Detached	95.3%	95.3%	95.3%	95.3%	95.3%	92.0%	92.0%	92.0%	92.0%	92.0%	93.0%
<b>Total Est. New SFD Demand \$150k+</b>	<b>210</b>	<b>327</b>	<b>451</b>	<b>584</b>	<b>724</b>	<b>841</b>	<b>989</b>	<b>1,016</b>	<b>977</b>	<b>1,003</b>	<b>768</b>
% Preferring Walkable Environment	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
Potential Subject Site Capture	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
<b>Potential Subject Site New SFD Sales</b>	<b>8</b>	<b>13</b>	<b>18</b>	<b>23</b>	<b>29</b>	<b>34</b>	<b>40</b>	<b>41</b>	<b>39</b>	<b>40</b>	<b>31</b>

Single-family demand for Henry County is expected to increase over time as the market recovers and regains its momentum. Previous research indicates that roughly 20% to 25% of all buyers would prefer a home in a community that is walkable and offers opportunities to walk to a store or park. Of this pool of buyers, we believe a sizable project within walking distance of Downtown McDonough could achieve annual sales of 40 units, assuming solid execution, amenities and a strong lifestyle proposition.



SOURCE: Noell Consulting Group based on data from SmartNumbers, Claritas, and the US Census.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit II - 13

Estimated New Condominium and Townhome Demand in the Local Trade Area and at the Subject Site

Capture Method - Condo Only	Historic Average 2000 - 2010	2012	2013	2014	2015	2016	2017	2018	2019	2020	Forecasted Average 2012 - 2020
Atlanta Metro New Employment Growth	2,727	17,400	40,200	65,800	50,000	50,000	45,000	42,000	35,000	25,000	41,156
Atlanta Metro New Condominium Sales	1,907	925	1,550	2,202	2,446	2,446	2,397	2,367	2,299	2,200	2,092
Atlanta Suburban New Condominium Sales	482	93	232	440	489	489	479	473	460	440	400
Potential SE Capture of Suburban Market	NA	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Potential SE Suburban New Condo Sales		8	20	38	42	42	41	41	40	38	34
Potential Subject Site Capture	NA	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
<b>Potential Subject Site New Condo Sales</b>		<b>3</b>	<b>8</b>	<b>15</b>	<b>17</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>14</b>

Based on a capture method of estimating demand, we believe the subject site, if delivered during the 2015-2020 time period could achieve an average of 14 sales per year, or 1.2 per month.

Demographic Method - Condo and TH	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Forecasted Average 2012 - 2020
Henry County HH's	69,018	71,576	74,134	76,692	79,250	81,808	84,103	86,398	88,693	90,988	81,516
% Age 25-74, with incomes \$35k+	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Age & Income Qualified HHs	51,764	53,682	55,601	57,519	59,438	61,356	63,077	64,799	66,520	68,241	61,137
% Owner HH Above \$35k	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%
% Turnover	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Annual Qualified Owners in Turnover	3,690	3,827	3,964	4,101	4,238	4,374	4,497	4,620	4,742	4,865	4,359
% Choose New	8.0%	12.0%	16.0%	20.0%	24.0%	28.0%	32.0%	32.0%	32.0%	32.0%	25.9%
Total Est. New Home Demand \$100k+	295	459	634	820	1,017	1,225	1,439	1,478	1,518	1,557	1,127
% Choose Attached	4.7%	4.7%	4.7%	4.7%	4.7%	8.0%	8.0%	8.0%	8.0%	8.0%	7.0%
<b>Total Est. New Att. Home Demand \$100k+</b>	<b>14</b>	<b>22</b>	<b>30</b>	<b>39</b>	<b>48</b>	<b>98</b>	<b>115</b>	<b>118</b>	<b>121</b>	<b>125</b>	<b>79</b>
Est. % Would Choose Condos	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	
Potential Subject Site Capture	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	
<b>Potential Subject Site New Condo Sales</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>10</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>8</b>
Est. % Would Choose Townhomes	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	
Potential Subject Site Capture	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	
<b>Potential Subject Site New TH Sales</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>10</b>	<b>12</b>	<b>24</b>	<b>28</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>20</b>

Running a demographic demand model we estimate demand potential for around 120 new attached units in Henry County annually, with the large majority of that demand going for townhouse product. Both models suggest potential demand is limited until approximately 2015+ when both the for-sale market witnesses greater value enhancement and growth in target markets signifies a larger target market base to pull from. Of this demand we believe the subject site can achieve a sales pace of 1.0 condo sales and 2.0 - 2.5 townhome per month if selling in the 2016-2020 time period. In the interim, McDonough should work to further enhance the lifestyle proposition Downtown offers to maximize potential market response.

SOURCE: Noell Consulting Group based on data from SmartNumbers, Claritas, and the US Census.

# DOWNTOWN McDONOUGH LCI UPDATE

## MARKET ANALYSIS

### Exhibit III - 1 Rental Apartment Market Summary

#### Macro Trends

- Nationally and regionally, rental apartments have gained significant favor as the for-sale housing market has struggled to recover from the recent recession.
- Many markets, including Atlanta, are posting record rental apartment absorption numbers over the past couple of years. Absorption levels have tapered off a bit as a lack of new construction has resulted in a tightening market.
- Demographic trends indicate rental apartments will continue to perform well, as many Gen Y's will increasingly opt to rent instead of buy.
- Overall in Metro Atlanta occupancies are up more than 400 basis points, reaching more than 92% by the end of 2011. Given a lack of construction, occupancy rates are expected to continue trending upward.
- As with the larger Metro Area, occupancy rates in the I-75 South Corridor have improved significantly, reaching close to 92% by late 2011.
- Rents are beginning to respond as well, with rent growth returning to positive territory over the past couple of years.



#### McDonough Area Trends

- McDonough's rental apartment market is comprised almost entirely of suburban garden-style walk-up rental apartments, with a handful of rental townhouse units and virtually no urban, street-oriented product.
- These rental apartment communities lack any real lifestyle proposition, beyond offering a pool and other amenities, and space for the money.
- Rents are relatively affordable in these communities; averaging \$800/mo. or \$.75/SF.
- These lower rents do not allow for the development of structured parking and, even with tightening unit sizes, surface parking will be required in any new product developed in Downtown McDonough (with the exception of any use of the County parking deck).
- Some opportunities may exist to incorporate a small amount of commercial space in the ground floor of a rental building, if well-located.
- Rental demand models indicate support for roughly 200 rental apartment units in the study every 2.0 - 2.5 years



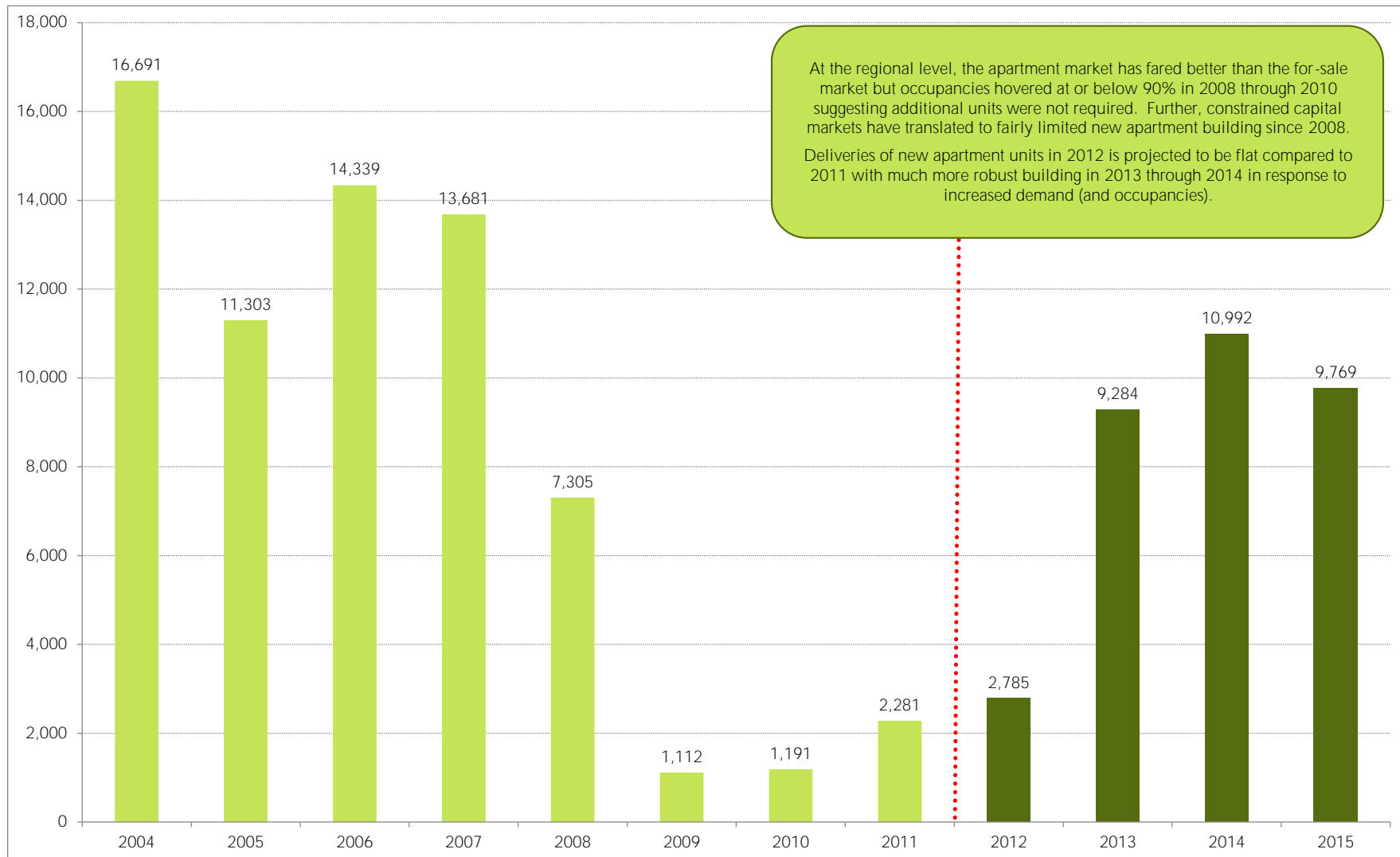
#### Senior Housing Opportunities

- Market fundamentals are improving for independent living and assisted living in the Atlanta market, following an extended period in which oversupply was a significant issue.
- There is very little independent living product in Henry or Clayton Counties, with only a handful of communities existing in Clayton and N. Henry.
- NCG demand modeling indicates that demand exists in the market for roughly one new seniors housing community in the study area every three to four years or so. This assumes a blend of roughly 80% independent units and 20% assisted living units.
- We believe this demand is supportable given the relative proximity of medical facilities, its quaint historic charm, and aging households in the area. As with other uses, it will be several years before demand potential exists in the area, as many households have opted to hold off on moving to independent living as a result of lower housing values (loss of equity) and higher unemployment rates (among their children).



## DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit III - 2  
Historical and Projected Atlanta Multi-Family Permits



SOURCE: Noell Consulting based on data from Georgia State Economic Forecasting Center and Moody's Analytics.

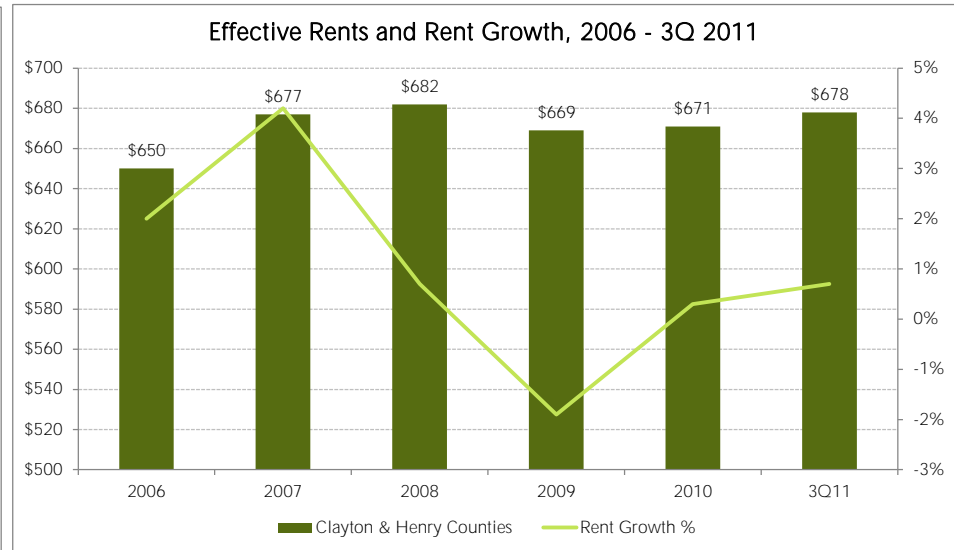
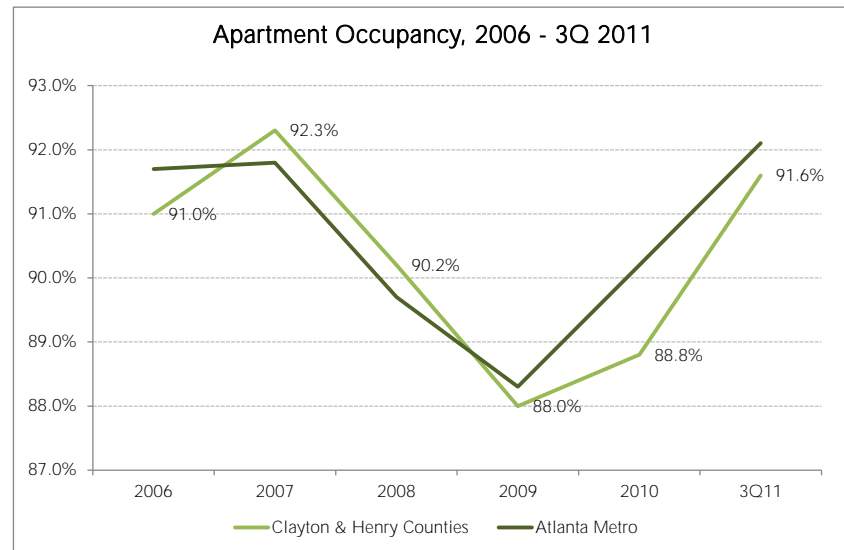
# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit III - 3

### Summary of the Atlanta Multifamily Rental Market and Henry/ Clayton County Submarket

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Avg	2012	2013	2014	2015	2016	2017	2018	2019	2020
Historic and Projected Atlanta Empl. Growth	61,200	11,700	-42,700	-22,500	30,300	69,800	67,200	48,900	-36,600	-136,900	-30,400	-17,400	217	17,400	40,200	65,800	50,000	50,000	45,000	42,000	35,000	25,000
Atlanta Net Apartment Abs.	13,597	494	2,566	3,751	6,912	7,910	-318	4,472	-1,694	1,563	10,732	7,777	4,814	4,096	5,785	6,406	6,023	6,023	5,901	5,828	5,658	5,415
Combined Clayton & Henry Co. Net Absorption	482	691	745	665	538	1,335	671	341	-464	212	250	1,048	543	462	652	722	679	679	665	657	638	611
Henry/ Clayton as % of Metro	4%	140%	29%	18%	8%	17%	-211%	8%	27%	14%	2%	13%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%

Rental apartment absorption is expected to remain strong in the coming years as home ownership continues to slowly recover and many younger households opt to rent instead of own. Overall home ownership in Henry County and Atlanta overall is likely to return to levels seen in the 1990s, if not slightly lower.

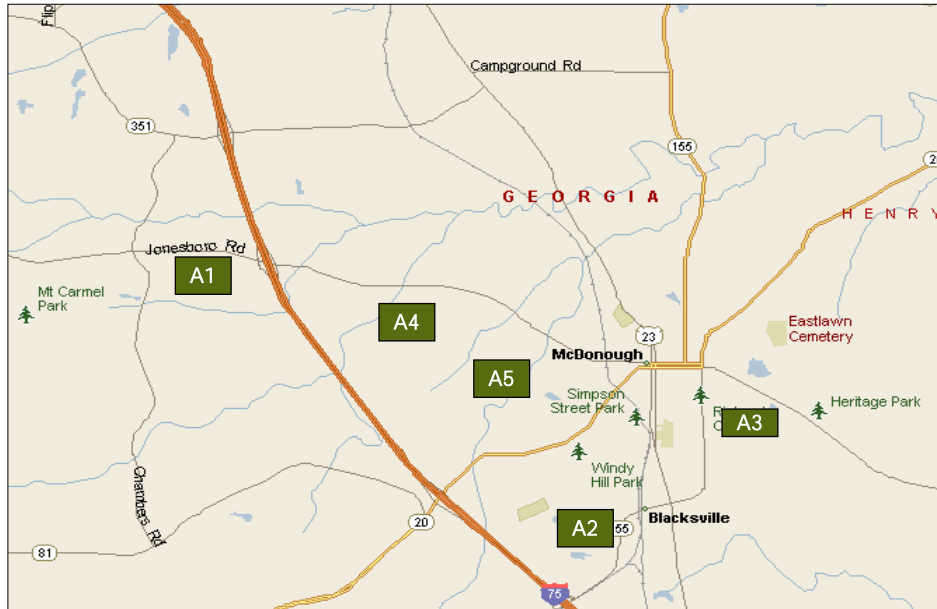


SOURCE: Noell Consulting Group based on data from REIS



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit III - 4  
Area Rental Apartment Community Map



		Units	\$/SF	% Leased
A1	Mandaly Villas	300	\$0.79	98%
A2	The Crossings at McDonough	252	\$0.70	89%
A3	Woodlawn Park	360	\$0.79	89%
A4	Haddon Place	250	\$0.73	97%
A5	Sundance Creek	200	\$0.70	81%
Rental Apt Averages		272	\$0.74	91%

The McDonough area is characterized by apartment communities that are a strong value in terms of the amount of space for the amount of monthly rent.

Some communities are enjoying very strong occupancies while others are performing below average relative to the Atlanta metro market overall.






Overall rents are far too low to support structured parking and won't like be high enough to do so in the next decade and beyond. This said, none of the communities has any kind of street orientation, an opportunity for Downtown McDonough.

SOURCE: Noell Consulting Group

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit III - 5

### Summary of Select Rental Apartment Communities in McDonough

Community Name	Exterior Picture	Year Del.	# of Units	Unit Mix	Avail. Units	Leased	Unit Type	Unit Size Range	Avg. Size	Current Market Rent Range	Avg. Rent	\$/SF Range	Avg. \$/SF	Comments			
Mandalay Villas		2008	300	37%	3	97%	1B/1b	675 - 976	826	\$675 - \$779	\$727	\$1.00 - \$0.80	\$0.88	Purchased for \$28,800,000 in 2011			
				44%	4	97%	2B/2b	997 - 1,442	1,220	\$792 - \$1,104	\$948	\$0.79 - \$0.77	\$0.78				
				19%	1	98%	3B/2b	1,447 - 1,523	1,485	\$1,017 - \$1,120	\$1,068	\$0.70 - \$0.74	\$0.72				
				100%	8	98%		675 - 1523	1122	\$675 - \$1,120	\$888	\$0.70 - \$0.80	\$0.79				
The Crossing At McDonough		2004	252	16%	0	100%	1B/1b	908 - 908	908	\$677 - \$677	\$677	\$0.75 - \$0.75	\$0.75	Conventional suburban product			
				70%	12	93%	2B/2b	1,152 - 1,152	1,152	\$777 - \$817	\$797	\$0.67 - \$0.71	\$0.69				
				14%	9	75%	3B/2b	1,390 - 1,390	1,390	\$937 - \$987	\$962	\$0.67 - \$0.71	\$0.69				
				100%	21	89%		908 - 1390	1147	\$677 - \$987	\$801	\$0.67 - \$0.75	\$0.70				
Woodlawn Park		2004	360	20%	12	83%	1B/1b	787 - 787	787	\$655 - \$709	\$682	\$0.83 - \$0.90	\$0.87	Close proximity to downtown			
				60%	18	92%	2B/1-2b	951 - 1,059	1,005	\$770 - \$834	\$802	\$0.81 - \$0.79	\$0.80				
				20%	6	92%	3B/2b	1,271 - 1,271	1,271	\$899 - \$959	\$929	\$0.71 - \$0.75	\$0.73				
				100%	36	89%		787 - 1271	1015	\$655 - \$959	\$803	\$0.71 - \$0.90	\$0.79				
Haddon Place		2008	250	31%	2	97%	1B/1b	882 - 885	884	\$672 - \$746	\$709	\$0.76 - \$0.84	\$0.80	Apt. community in failed subdivision			
				60%	5	97%	2B/1-2b	1,005 - 1,300	1,153	\$788 - \$857	\$823	\$0.78 - \$0.66	\$0.71				
				10%	1	96%	3B/2b	1,444 - 1,444	1,444	\$968 - \$968	\$968	\$0.67 - \$0.67	\$0.67				
				100%	8	97%		882 - 1444	1098	\$672 - \$968	\$802	\$0.67 - \$0.84	\$0.73				
Sundance Creek		2005	200	42%	22	74%	1B/1-1.5b	768 - 864	816	\$374 - \$392	\$383	\$0.49 - \$0.45	\$0.47	TH style apartments			
				58%	10	88%	2B/2-2.5b	1,049 - 1,152	1,101	\$763 - \$1,050	\$907	\$0.73 - \$0.91	\$0.82				
				100%	32	81%		768 - 1152	981	\$374 - \$1,050	\$687	\$0.49 - \$0.91	\$0.70				
				SUMMARY											1,362	28%	39
											58%	49	94%	2BR	1,116	\$844	\$0.76
											14%	17	91%	3BR	1,380	\$982	\$0.71
														All Units	1,073	\$804	\$0.75

SOURCE: Noell Consulting Group

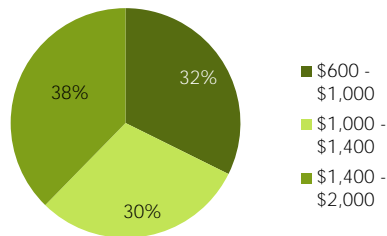
# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit III - 6

Estimated Annual Demand Potential for New Rental Apartments in the PMA and at the Study Area, 2011

Income	Est. Rent Range	2011 HHs	% Renter	Renter HHs	Married	Other Fam	Singles	Rmts./ Cpls.	Total
All Households in PMA		23,479	23.6%	5,542	1,562	2,222	1,371	387	5,542
Under \$20k	Under \$600	2,271	36.8%	835	235	335	206	58	835
\$20k - \$35k	\$600 - \$1,000	2,943	42.4%	1,249	352	501	309	87	1,249
\$35k - \$50k	\$1,000 - \$1,400	3,672	31.6%	1,159	327	465	287	81	1,159
\$50k - \$75k	\$1,400 - \$2,000	5,937	24.5%	1,455	410	584	360	102	1,455
\$75k+	\$2,000+	8,657	9.8%	844	238	339	209	59	844

### Estimated Demand By Rent Range

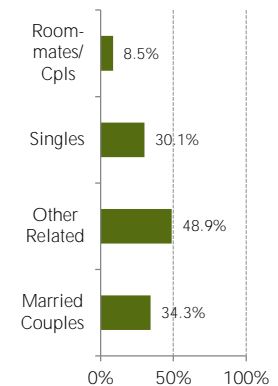


Based on the demographics in the supporting PMA, if new rental product was to be offered in the Study Area, demand exists for an average community size of approximately 200 - 250 units to be absorbed every 5 years (the community would lease-up within 2 years), driven by area singles, couples and one parent households.

Households in Turnover	41%	41%	41%	41%	1,916
\$600 - \$1,000	143	204	126	35	508
\$1,000 - \$1,400	133	189	117	33	472
\$1,400 - \$2,000	167	238	146	41	592
\$2,000+	97	138	85	24	344
Those Continuing to Rent	85%	85%	85%	85%	1,629
\$600 - \$1,000	122	173	107	30	432
\$1,000 - \$1,400	113	161	99	28	401
\$1,400 - \$2,000	142	202	125	35	504
\$2,000+	82	117	72	20	292
Preference for New	16%	16%	16%	16%	261
\$600 - \$1,000	19	28	17	5	69
\$1,000 - \$1,400	18	26	16	4	64
\$1,400 - \$2,000	23	32	20	6	81
\$2,000+	13	19	12	3	47

Estimated Study Area Capture	47%	47%	47%	47%	
	Married	Other Fam	Singles	Roommates	Total
\$600 - \$1,000	9	13	8	2	32
\$1,000 - \$1,400	8	12	7	2	30
\$1,400 - \$2,000	11	15	9	3	38
Total	35	49	30	9	101

### Demand By Market Audience



Est. 2-Year Dmd (@95 occ)	
Avg. Units/Mo.	Avg. New
8.4	212

### NOTES:

Households by Income via Claritas for the PMA

Households by tenure, rent, turnover via US Census for PMA

Preference for new estimated via examination of Henson data for the 11 County Area Class A Garden Properties.

Study Area captures based on share of renters who are typically willing to make trade-offs to be in a walkable community per national consumer research.

Capture for \$2,000+ removed due to current product positioning.

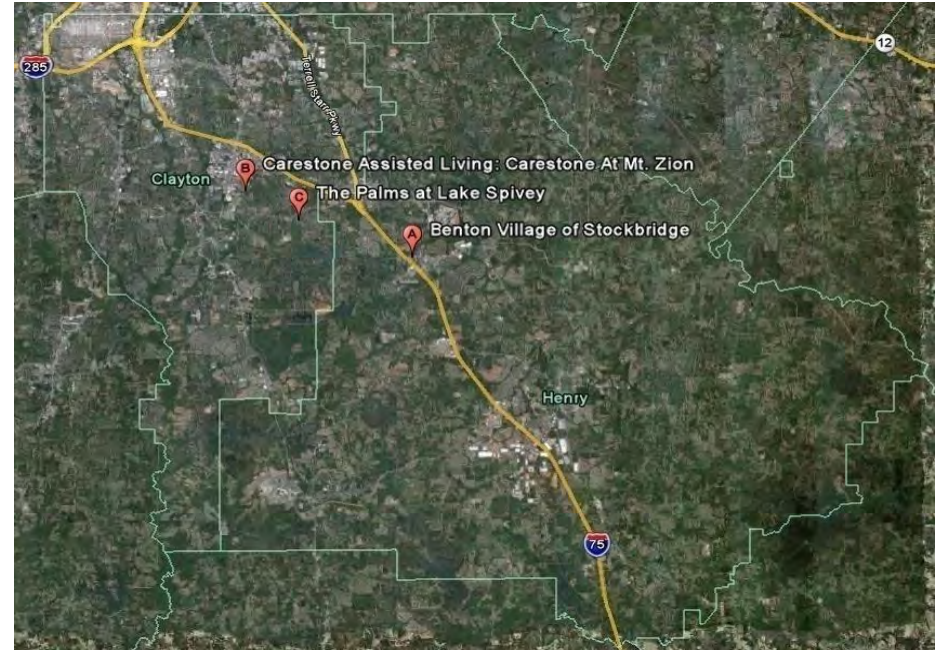
SOURCE: Noell Consulting Group

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit III - 7

### Estimated Demand Potential for New Independent and Assisted Living Units in the Study Area

Senior Household Demand	
Total Senior Households, Clayton and Henry County /1	20,791
Seniors 70+, \$25k Income + /1	8,657
% Not in Nursing Home/Assisted Living/Living with Family /2	76%
Renter Propensity /3	10.6%
Preference for Age-Restricted Apartments /2	43.0%
Annual Turnover /4	16.2%
Total Supportable Age-Restricted Apartments	48
Growth of Age/Income-Qualified Seniors Preferring Age-Restricted Apts	28
Total Annual Demand	76
Factoring in Lost Seniors (at 5%) /5	80
Factoring in 10% Vacancy Rate /5	89
No. of Competitive Indp/Ass. Senior Living Facilities in Clayton and Henry	4
Study Area Fair Share Capture	20%
Net Annual Demand Potential at Fair Share Capture	18
Two-Year Lease-Up Period	36
Total Units Assuming Add'l 30% Assisted Living Units /5	46



While limited, demand exists for a small offering of senior living facilities, at a rate of 40 to 50 units every two years, or more than likely a 100 unit property every four years. The opportunity to be in a safe, attractive, walkable downtown coupled with good regional access via I-75, creates a desirable setting for senior housing.

- 1/ Claritas, Inc. for HHs 65+.  
 2/ AARP based on National average.  
 3/ Noell Consulting using modified estimates from the US Census.  
 4/ US Census Bureau  
 5/ From previous interviews and research with analagous facilities in the SE.  
 SOURCE: Noell Consulting, Claritas, AARP, US Census

# DOWNTOWN McDONOUGH LCI UPDATE

## MARKET ANALYSIS

### Exhibit IV - 1

#### South Atlanta and Study Area Commercial Market Overview

##### Trends and Conditions

- McDonough and Henry County are in the South Atlanta office submarket, comprised of approximately 10.5 M SF of space
- The area represents 5.2% of the Atlanta market, and has averaged 113,000 SF of annual net demand
- The I-75 South market, which includes Clayton and Henry Counties, generally lacks the higher incomes needed to drive larger headquarters-type demand and is thus largely comprised of smaller office users
- The exception to this is Porsche's corporate relocation to a site by the airport. While other such relocations may occur, most of these will be closer to the airport and areas offering superior regional access to Henry County.
- Vacancy rates in South Atlanta remain relatively high, averaging 16% overall, although vacancies closer to McDonough are substantially higher, with the areas closest to Downtown experiencing vacancy rates in excess of 33%.
- These high vacancy rates are due, in part, to the development of newer office space along I-75 as well as downturns in employment in the professional services industry, including those related to Henry's large real estate and construction industry.
- While McDonough should feature a sizable medical base, much of that base has migrated and grown to the north near Eagle's Landing.
- Perceptions of traffic and the abundance of affordable new office space closer to I-75 have resulted in Downtown McDonough's erosion as an office market.
- Office lease rates in and around Downtown McDonough are relatively low, averaging around \$13/SF, roughly 15% to 20% below the interstate market



##### Demand Potential

- NCG created a demand model that examines the relationships between smaller, local-serving office-using firms and the populations they serve.
- Based on this demand analysis, we believe the Downtown study area can support roughly 42,500 square feet of space with the greatest demand potential existing for offices of physicians and insurance carriers. While the former offices will more heavily trend toward Eagle's Landing, we believe some of this demand potential can be captured in the Downtown area.
- This demand is expected to grow to roughly 53,375 square feet by 2015 as employment growth regains momentum in the area.



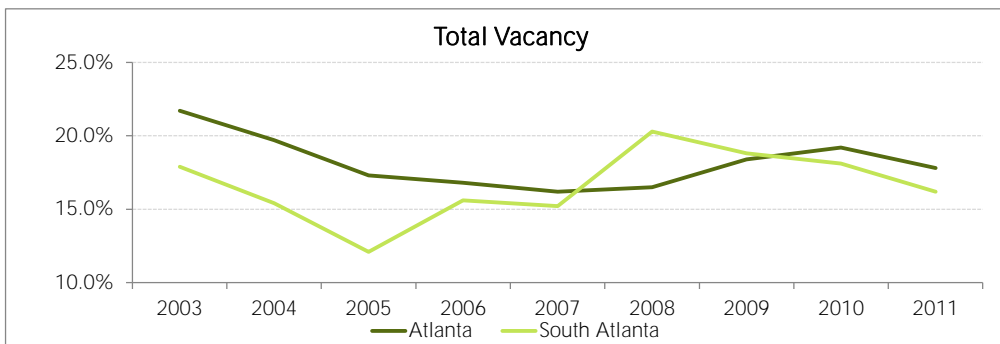
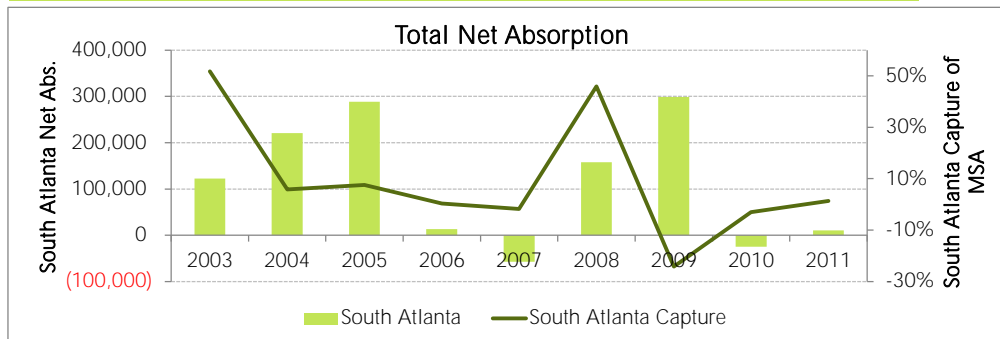
SOURCE: Noell Consulting Group



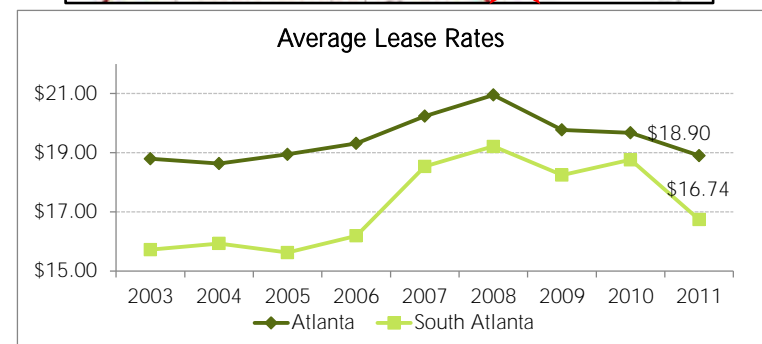
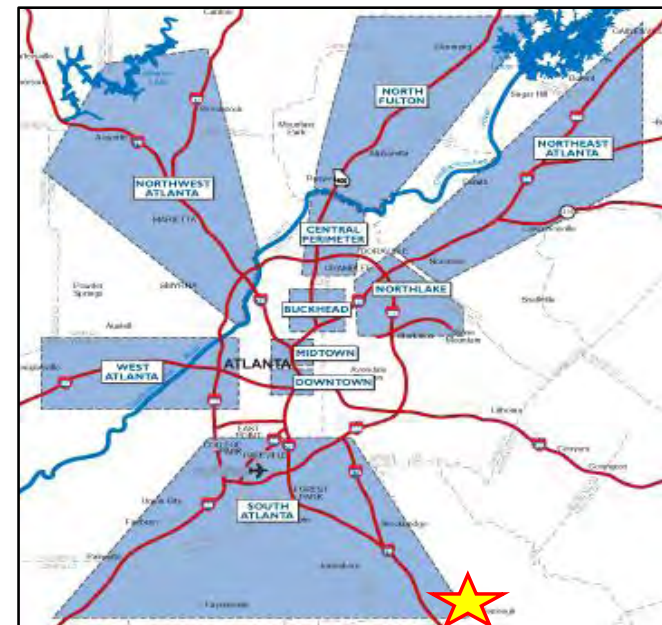
# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit IV - 2  
Atlanta and the South Atlanta Office Market Overview

Office Submarket	Total Existing SF (YE 2011)	Share of Office Market	Current Vacancy Rate	Avg. Rental Rate	Net Abs. (2011)	Share of Net Abs.
Buckhead	20,538,847	9.4%	19.2%	\$23.69	706,903	87%
North Fulton	27,671,486	12.7%	14.8%	\$17.62	359,319	44%
Northwest Atlanta	35,759,737	16.4%	16.7%	\$17.82	302,106	37%
Northlake	18,116,652	8.3%	13.7%	\$17.07	95,828	12%
Northeast Atlanta	23,160,485	10.6%	19.4%	\$15.66	65,919	8%
South Atlanta	11,800,800	5.4%	16.2%	\$16.74	10,522	1%
West Atlanta	3,048,353	1.4%	28.6%	\$13.88	(19,740)	-2%
Midtown	22,161,903	10.1%	19.5%	\$24.63	(144,941)	-18%
Central Perimeter	29,070,889	13.3%	21.3%	\$19.97	(232,635)	-29%
Downtown	27,278,955	12.5%	16.6%	\$18.22	(331,883)	-41%
<b>TOTAL</b>	<b>218,608,107</b>	<b>100.0%</b>	<b>17.8%</b>	<b>\$18.90</b>	<b>811,398</b>	



The South Atlanta office market is one of the smallest submarkets in the metro, averaging only a 7% capture of annual net absorption. By maintaining its value position in the marketplace at a 12% discount to average lease rates metro wide, South Atlanta has posted net positive absorption of space (385,000) since 2007. In order to attract tenants and in response to the overall economic downturn, average rents are down 13% from their peak in 2008. McDonough currently lies at the edge of the South Atlanta office core and will not likely compete for regional tenants. A unique development may be able to attract a small portion of regional demand











SOURCE: Noell Consulting Group, Colliers International

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit IV - 3

### Summary of Competitive or Analogous Office Communities

Building Name	Exterior Picture	Year Built	Total SF	Available SF	Occ'd	Vac Rate	Major Anchors	Lease Type	\$/SF Range	Avg. \$/SF
Office Space In and Around Downtown McDonough										
The Daniels Building		2007	15,000 SF	3,854 SF	74%	26%	Dentist practice, ProActive Rehab, H&W Properties	Mod.	\$20.00 - \$23.00	\$21.50
40 Harkins St.			5,200 SF	5,200 SF	0%	100%	N/A	Mod.	\$10.00 - \$10.00	\$10.00
Towne Village Center			30,000 SF	6,200 SF	79%	21%	Mix of smaller, local firms	Mod.	\$13.00 - \$13.00	\$13.00
The Commerce Building II			35,000 SF	17,500 SF	50%	50%	Hamilton State Bank	NNN	\$14.00 - \$16.00	\$15.00
<b>Averages:</b>		<b>2008</b>	<b>18,540 SF</b>	<b>7,091 SF</b>	<b>62%</b>	<b>38%</b>			<b>\$10.00 - \$23.00</b>	<b>\$13.90</b>
Other Henry County Comps										
Eagle's Place II		1998	30,000 SF	4,205 SF	86%	14%		MG	\$15.75 - \$15.75	\$15.75
Magnolia Office Pavilion		2002 - 2008	52,552 SF	6,624 SF	87%	13%	Local-serving tenants	NNN	\$12.00 - \$12.00	\$12.00
2010 - 2030 Avalon Parkway		2007	66,195 SF	10,471 SF	84%	16%	Univ. of Phoenix,	Gross	\$15.00 - \$21.00	\$17.50
Overlook at Eagle's Landing		2008	35,184 SF	4,023 SF	89%	11%	Medical office bldg	NNN	\$18.00 - \$18.00	\$18.00
Pinnacle at Eagle's Pointe		2007	45,000 SF	4,664 SF	90%	10%	Attorneys, some medical	NNN	WND - WND	WND
<b>Averages:</b>		<b>2005</b>	<b>45,786 SF</b>	<b>5,997 SF</b>	<b>87%</b>	<b>13%</b>			<b>\$15.19 - \$16.69</b>	<b>\$15.81</b>

SOURCE: Noell Consulting Company based on information provided by Dorey's, Loopnet, and interviews.

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit IV - 4  
Small Service-Oriented Office and Retail User Demand, 2010

Industry Code Description	2009 Statewide Estabs Less Than 19 Employees	Statewide Approximate SF @ 275 SF/Employee	Statewide Approx. SF Per Capita	Local Estabs Less Than 19 Employees	Approx. SF Per Capita	Potential Unmet Demand	Average Tenant Size	Estimated Tenants Supported	Estimated Demand By SF	Achievable Capture, Study Area	Estimated Downtown Demand By SF
<b>Typical Office Users</b>									<b>193,800</b>	<b>22%</b>	<b>42,500</b>
Real Estate	8,469	23,289,750	2.40	75	2.39	791	2,500	-	-	-	-
Rental and Leasing Services	1,915	5,266,250	0.54	16	0.51	2,969	2,500	1	2,500	25%	-
Insurance Carriers and Related Act.	5,160	14,190,000	1.46	29	0.93	48,921	2,500	20	50,000	25%	12,500
Specialized Design Services	1,112	3,058,000	0.16	4	0.13	2,734	2,500	1	2,500	50%	-
Technical and Trade Schools	118	324,500	0.03	1	0.03	142	-	-	-	-	-
Other Schools and Instruction	1,194	3,283,500	0.34	8	0.26	7,581	2,600	3	7,800	25%	1,950
Office of Physicians	6,014	16,538,500	1.71	26	0.83	79,634	4,000	20	80,000	20%	16,000
Office of Dentists	3,214	8,838,500	0.91	20	0.64	24,855	4,000	6	24,000	20%	4,800
Office of Other Health Practicioners	3,445	9,473,750	0.98	29	0.93	4,713	2,500	2	5,000	20%	-
Outpatient Care Centers	647	1,779,250	0.18	4	0.13	5,079	2,500	2	5,000	-	-
Medical and Diagnostic Laboratories	282	775,500	0.08	3	0.10	0	2,500	-	-	-	-
Home Health Care Services	310	852,500	0.09	2	0.06	2,192	2,500	1	2,500	20%	-
Death Care Services	509	1,399,750	0.14	4	0.13	1,522	2,500	-	-	-	-
Mortgage and Non Mortgage Loan Brokers	418	1,149,500	0.12	5	0.16	0	-	-	-	-	-
Portfolio Management	418	1,149,500	0.12	2	0.06	4,976	1,500	3	4,500	50%	2,250
Investment Advice	557	1,531,750	0.16	3	0.10	5,659	1,500	4	6,000	50%	3,000
Offices of Lawyers	5,035	13,846,250	0.36	32	1.02	0	-	-	-	-	-
Veterinary Services	737	2,026,750	0.21	8	0.26	0	-	-	-	-	-
Offices of CPAs	1,645	4,523,750	0.23	8	0.26	0	-	-	-	-	-
Tax Preparation Services	767	2,109,250	0.22	9	0.29	0	-	-	-	-	-
Testing Laboratories	137	376,750	0.04	0	0.00	3,531	2,000	2	4,000	50%	2,000
Computer Related Services	455	1,251,250	0.13	5	0.16	0	-	-	-	-	-
<b>Typical Retail Users</b>									<b>32,800</b>	<b>18%</b>	<b>5,888</b>
Wireless Telecommunication Carriers	366	1,006,500	0.10	2	0.06	3,635	1,750	2	3,500	25%	-
Child Day Care Facilities	1,759	4,837,250	0.50	17	0.54	0	4,900	-	-	-	-
Dry Cleaning and Laundry Services	1,225	3,368,750	0.35	11	0.35	0	1,500	0	-	-	-
Other Personal Services	907	2,494,250	0.26	5	0.16	8,882	1,500	6	9,000	25%	2,250
Commercial Banking	2,923	8,038,250	0.83	26	0.83	0	2,850	-	-	-	-
Savings Institutions	243	668,250	0.07	2	0.06	465	-	-	-	-	-
Credit Unions	338	929,500	0.10	0	0.00	8,713	2,850	3	8,550	25%	2,138
Fitness and Other Rec. Centers	669	1,839,750	0.19	4	0.13	5,646	5,750	1	5,750	25%	-
Hair, Nail, and Skin Care Services	2,285	6,283,750	0.65	18	0.57	6,707	1,500	4	6,000	25%	1,500
Other Personal Services	513	1,410,750	0.15	5	0.16	0	-	-	-	-	-
<b>Total, Office and Retail-Using Services</b>		<b>147,911,500</b>	<b>13.80</b>	<b>383</b>	<b>12.23</b>	<b>229,345</b>		<b>81</b>	<b>226,600</b>		<b>48,388</b>

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit IV - 5

### Small Service-Oriented Office and Retail User Demand, 2015

Industry Code Description	2009 Statewide Estabs Less Than 19 Employees	Statewide Approximate SF @ 275 SF/Employee	Statewide Approx. SF Per Capita	Local Estabs Less Than 19 Employees	Approx. SF Per Capita	Potential Unmet Demand	Avg Tenant Size	Estimated Tenants Supported	Estimated Demand By SF	Achievable Capture, Study Area	Estimated Downtown Demand By SF
<b>Typical Office Users</b>									242,400	22%	53,375
Real Estate	8,469	23,289,750	2.40	75	2.39	791	2,500	-	-	-	-
Rental and Leasing Services	1,915	5,266,250	0.54	16	0.51	3,735	2,500	1	2,500	25%	-
Insurance Carriers and Related Act.	5,160	14,190,000	1.46	29	0.93	61,550	2,500	25	62,500	25%	15,625
Specialized Design Services	1,112	3,058,000	0.16	4	0.13	3,439	2,500	1	2,500	50%	-
Technical and Trade Schools	118	324,500	0.03	1	0.03	179	-	-	-	-	-
Other Schools and Instruction	1,194	3,283,500	0.34	8	0.26	9,538	2,600	4	10,400	25%	2,600
Office of Physicians	6,014	16,538,500	1.71	26	0.83	100,191	4,000	25	100,000	20%	20,000
Office of Dentists	3,214	8,838,500	0.91	20	0.64	31,272	4,000	8	32,000	20%	6,400
Office of Other Health Practitioners	3,445	9,473,750	0.98	29	0.93	5,929	2,500	2	5,000	20%	-
Outpatient Care Centers	647	1,779,250	0.18	4	0.13	6,391	2,500	3	7,500	-	-
Medical and Diagnostic Laboratories	282	775,500	0.08	3	0.10	0	2,500	-	-	-	-
Home Health Care Services	310	852,500	0.09	2	0.06	2,757	2,500	1	2,500	20%	-
Death Care Services	509	1,399,750	0.14	4	0.13	1,915	2,500	-	-	-	-
Mortgage and Non Mortgage Loan Brokers	418	1,149,500	0.12	5	0.16	0	-	-	-	-	-
Portfolio Management	418	1,149,500	0.12	2	0.06	6,260	1,500	4	6,000	50%	3,000
Investment Advice	557	1,531,750	0.16	3	0.10	7,120	1,500	5	7,500	50%	3,750
Offices of Lawyers	5,035	13,846,250	0.36	32	1.02	0	-	-	-	-	-
Veterinary Services	737	2,026,750	0.21	8	0.26	0	-	-	-	-	-
Offices of CPAs	1,645	4,523,750	0.23	8	0.26	0	-	-	-	-	-
Tax Preparation Services	767	2,109,250	0.22	9	0.29	0	-	-	-	-	-
Testing Laboratories	137	376,750	0.04	0	0.00	4,443	2,000	2	4,000	50%	2,000
Computer Related Services	455	1,251,250	0.13	5	0.16	0	-	-	-	-	-
<b>Typical Retail Users</b>									41,900	18%	7,725
Wireless Telecommunication Carriers	366	1,006,500	0.10	2	0.06	4,574	1,750	3	5,250	25%	-
Child Day Care Facilities	1,759	4,837,250	0.50	17	0.54	0	4,900	-	-	-	-
Dry Cleaning and Laundry Services	1,225	3,368,750	0.35	11	0.35	0	1,500	0	-	-	-
Other Personal Services	907	2,494,250	0.26	5	0.16	11,175	1,500	7	10,500	25%	2,625
Commercial Banking	2,923	8,038,250	0.83	26	0.83	0	2,850	-	-	-	-
Savings Institutions	243	668,250	0.07	2	0.06	584	-	-	-	-	-
Credit Unions	338	929,500	0.10	0	0.00	10,962	2,850	4	11,400	25%	2,850
Fitness and Other Rec. Centers	669	1,839,750	0.19	4	0.13	7,104	5,750	1	5,750	25%	-
Hair, Nail, and Skin Care Services	2,285	6,283,750	0.65	18	0.57	8,439	1,500	6	9,000	25%	2,250
Other Personal Services	513	1,410,750	0.15	5	0.16	0	-	-	-	-	-
<b>Total, Office and Retail-Using Services</b>		147,911,500	13.80	383	12.23	288,347		102	284,300		61,100

# DOWNTOWN McDONOUGH LCI UPDATE

## MARKET ANALYSIS

### Exhibit V - 1

#### Southlake Area Retail Market Overview

##### Regional Retail Market

- Retail has been hit hard by a combination of the recent recession and ongoing growth in Internet sales. The result has been numerous large chains going bankrupt and many others eliminating underperforming locations.
- This said, national retail sales have returned to pre-recession levels overall, with growth being fueled by population growth and greater stabilization of the economy.
- A massive shift is occurring in the I-75 South retail market, with stores following rooftops out of Clayton County and into Henry County
- Included in this are tenants shifting from Southlake Mall south into Henry as well as newer big box retailers "cutting off" market opportunities to the north.
- Competition will likely remain significant in the years to come as Cousins Properties is still planning to deliver an 800,000 lifestyle-type center that will be highly attractive to mainline mall-type tenants (including those with no I-75 South positions today) and could include a significant restaurant component.
- Henry has also seen a significant amount of retail space provided in unanchored retail centers, including a significant number in the McDonough area.
- While not offering a lifestyle proposition themselves, these small strip centers have had an impact on Downtown McDonough through both creating an oversupply of space and by reducing lease rates to levels below what is feasible for development, with many of these strip centers offering space for \$9 - \$11/SF.



##### Downtown McDonough

- Henry has also seen a significant amount of retail space provided in unanchored retail centers, including a significant number in the McDonough area.
- While not offering a lifestyle proposition themselves, these small strip centers have had an impact on Downtown McDonough through both creating an oversupply of space and by reducing lease rates to levels below what is feasible for development, with many of these strip centers offering space for \$9 - \$11/SF.
- Downtown McDonough itself offers a relatively strong lifestyle proposition, with historic architecture, strong street orientation, and a walkable environment.
- Retail, however, is struggling Downtown due to a number of factors, including the road network, which features too many one-way streets (tough for retail), perceived (and in some cases, real) issues with parking availability, a lack of major anchors to drive demand, a lack of information on space availability, and no champion. These are all items that most suburban strip centers are able to address.
- Leakage from the five-mile radius around Downtown McDonough, an area where most of the support for retail should be derived, is significant, with roughly 16% of all potential dollars spent going outside of the area.
- Lease rates Downtown are very low and reflect a lack of market support, with many spaces leasing for roughly \$5 to \$8/SF. Restaurants draw roughly half of their support from outside of the area while retailers appeal to differing audiences.

##### Retail Demand

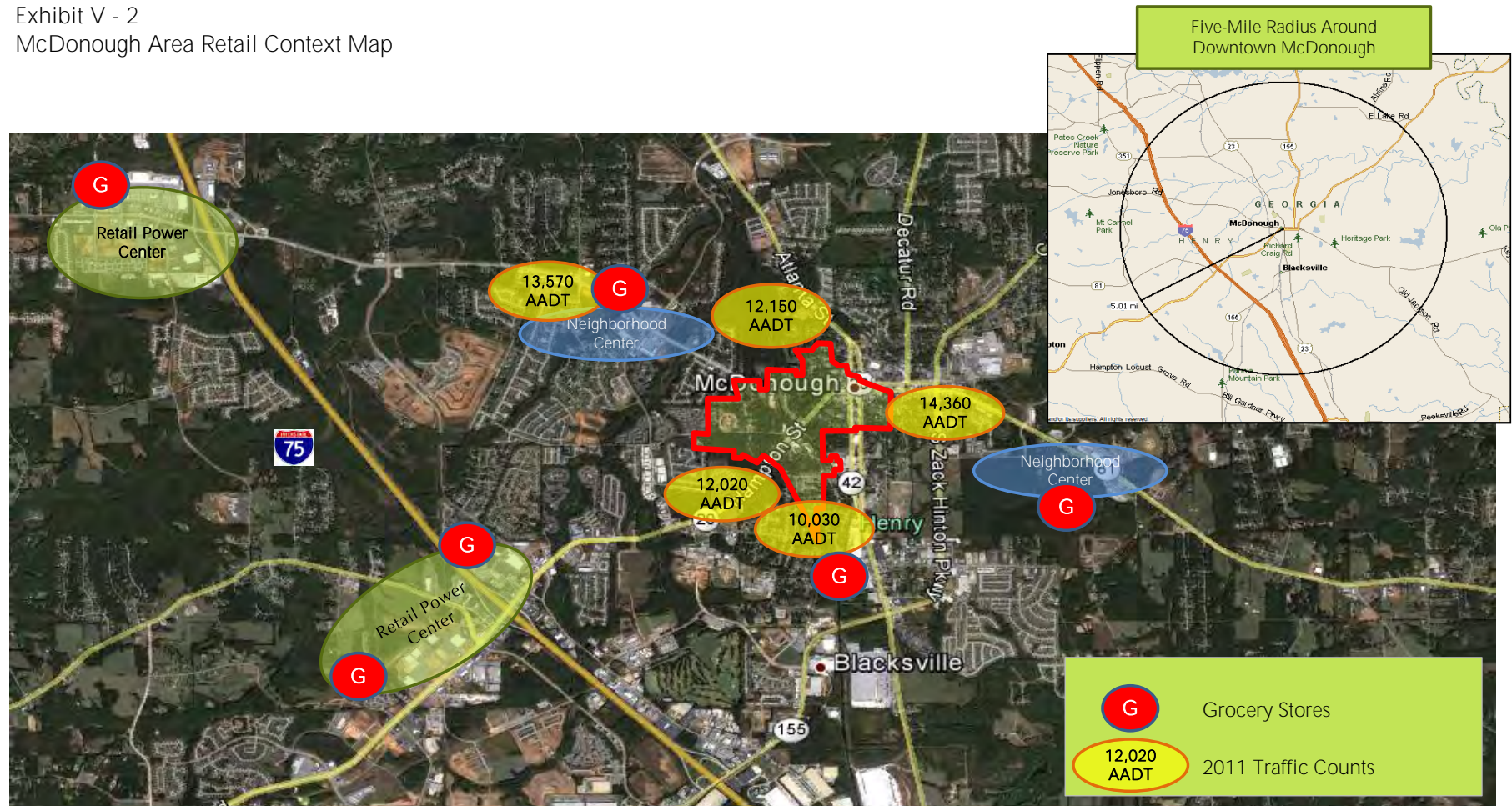
- Not surprisingly, demand potential does exist for retail space in the study area and is estimated to be approximately 84,000 square feet today, growing to 103,000 over the next five years. This demand estimate includes existing retail space in the area, which is underperforming today.
- Roughly half of this demand potential is for full-service and limited-service dining establishments, an opportunity Downtown seems well-situated to take advantage of.





# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit V - 2  
McDonough Area Retail Context Map



## Study Area Strengths

- Lack of lifestyle-type retail in the area
- Solid population base to the west and close to Downtown
- Traffic counts are generally sufficient for neighborhood-serving retail
- Some daytime employment exists in and around the square
- A number of events are held Downtown that draw exposure and business to retailers present.

## Study Area Challenges

- One-way roads not supportive for retail and traffic on the Square tempers walkability
- Downtown lacks many "anchors", with no major retailer present and a relatively small employment base
- Population base to the east drops off significantly and does little to contribute to retail demand
- High vacancy rates (around 20%) and an oversupply of unanchored strip centers have suppressed rents in the area, which average slightly over \$10/SF in McDonough
- Other issues relative to parking meters, space availability and marketing exists--issues that impact day-to-day operation and performance of retail.

SOURCE: Noell Consulting Group, Google Earth

# DOWNTOWN McDONOUGH LCI UPDATE

## MARKET ANALYSIS

### Exhibit V - 3

#### Trends in US Retail Expenditures, 2000 - 2011

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total US Retail and Food Service Sales (Excl. Auto Parts & Dealers; In Millions) /1	\$2,496,649	\$2,568,636	\$2,645,867	\$2,775,977	\$2,986,809	\$3,205,487	\$3,404,551	\$3,540,356	\$3,628,661	\$3,492,000	\$3,611,174	\$3,871,185
Total US Population (thousands) /1	282,172	285,082	287,804	290,326	293,046	295,753	298,593	301,580	304,375	307,007	308,746	311,592
Total US Retail Sales Expenditures Per Capita	\$8,848	\$9,010	\$9,193	\$9,562	\$10,192	\$10,838	\$11,402	\$11,739	\$11,922	\$11,374	\$11,696	\$12,424



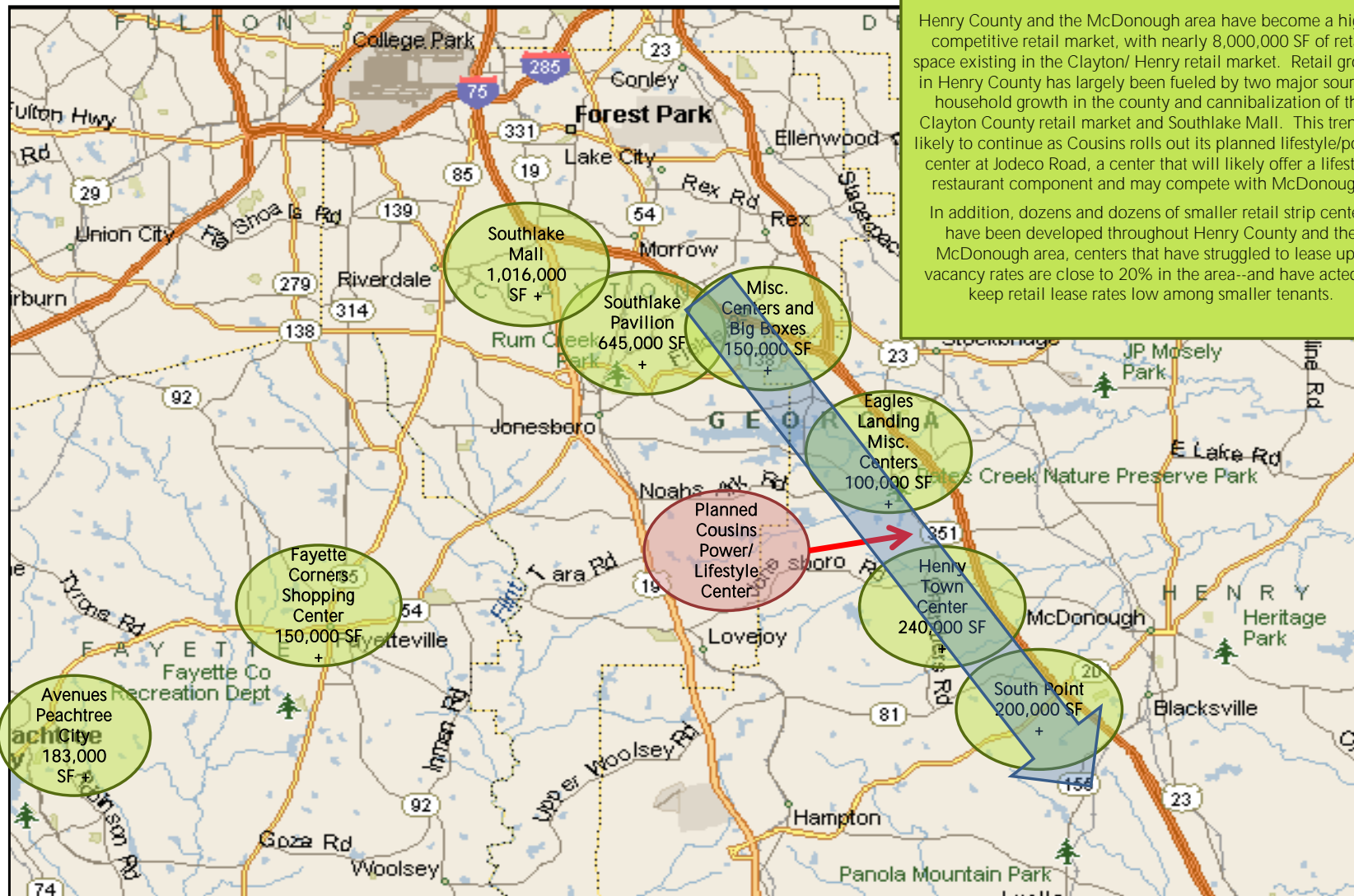
1/ US Census

SOURCE: Noell Consulting Group, US Census.

## DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit V - 4

Summary of I-75 South Retail Trends & Conditions






SOURCE: Noell Consulting



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit V - 5





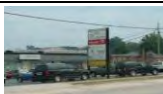
Summary of McDonough Area Retail Offerings (Page 1 of 2)

Building Name	Exterior Picture	Total SF	Available SF	Occ'd	Vac Rate	Major Anchors	Lease Type	\$/SF Range	Avg. \$/SF
Carriage Gate at McDonough Place		44,166 SF	15,330 SF	65%	35%	Woody's Jump & Play, Ballet studio, Bridal, Cigars	NNN	\$10.00 - \$10.00	\$10.00
Cross Creek Village		16,800 SF	2,400 SF	86%	14%	Cookie Barn, Air Force Recruiting, All Star Sporting Goods	Mod. Gross	\$13.50 - \$13.50	\$13.50
McDonough West		80,773 SF	11,475 SF	86%	14%	Publix, Dollar Tree, Cato Fashions	NNN	\$15.00 - \$17.00	\$16.00
McDonough Pavillion		9,600 SF	2,400 SF	75%	25%	Anthony's Pizza, CT Nails, Cleaners, Loans and Taxes, Hair Salon		\$8.00 - \$9.00	\$8.50
Lake Dow Pavillion		18,000 SF	7,200 SF	60%	40%	Greek restaurant, T&T Meats, Nail Tech, Victory Church	Mod. Gross	\$9.50 - \$9.50	\$9.50
McDonough Crossing		95,500 SF	8,000 SF	92%	8%	Kroger, First Newton Bank, Big 10 Tires, Washington Mutual	NNN	\$12.00 - \$13.00	\$12.50
McDonough Plaza		85,900 SF	1,000 SF	99%	1%	Food Depot, Farmer's Furniture, Maxway		\$12.00 - \$12.00	\$12.00
McDonough Village		24,000 SF	7,200 SF	70%	30%	Smoothie King, Jackson Hewitt, Collision Center		\$13.00 - \$14.00	\$13.50
Shoppes at Henry Crossing		98,023 SF	11,000 SF	89%	11%	LA Fitness, Great Escape Theatre, Kauffman Tire	NNN	\$25.00 - \$25.00	\$25.00
Magnolia Village		35,000 SF	3,500 SF	90%	10%	Shane's Rib Shack, Little Caesar's, State Farm	NNN	\$15.00 - \$15.00	\$15.00

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

Exhibit V - 5

Summary of McDonough Area Retail Offerings (Page 2 of 2)

Building Name	Exterior Picture	Total SF	Available SF	Occ'd	Vac Rate	Major Anchors	Lease Type	\$/SF Range	Avg. \$/SF
McDonough Market place		115,000 SF	1,396 SF	99%	1%	Walmart (shadow), Lowe's (shadow), Office Depot, Dollar Tree, Rent-A-Center	NNN	\$13.00 - \$14.00	\$13.50
Shoppes at Lake Dow		73,271 SF	9,082 SF	88%	12%	Publix	CND	CND - CND	CND
19 Keys Ferry St.		7,000 SF	SF	100%	0%	Pawn and Jewelry	Mod. Gross	\$5.14 - \$5.14	\$5.14
20 Macon St.		2,700 SF	SF	100%	0%	Bliss Bakery	Mod. Gross	\$5.33 - \$5.33	\$5.33
McDonough Towne Center		12,000 SF	4,500 SF	63%	38%	DUI School, Hair Salon, Sports Medicine and Physical Therapy	Mod. Gross	\$10.00 - \$10.00	\$10.00
Averages:		47,849 SF	5,632 SF	84%	16%			\$5.14 - \$25.00	\$12.11

SOURCE: Noell Consulting Company



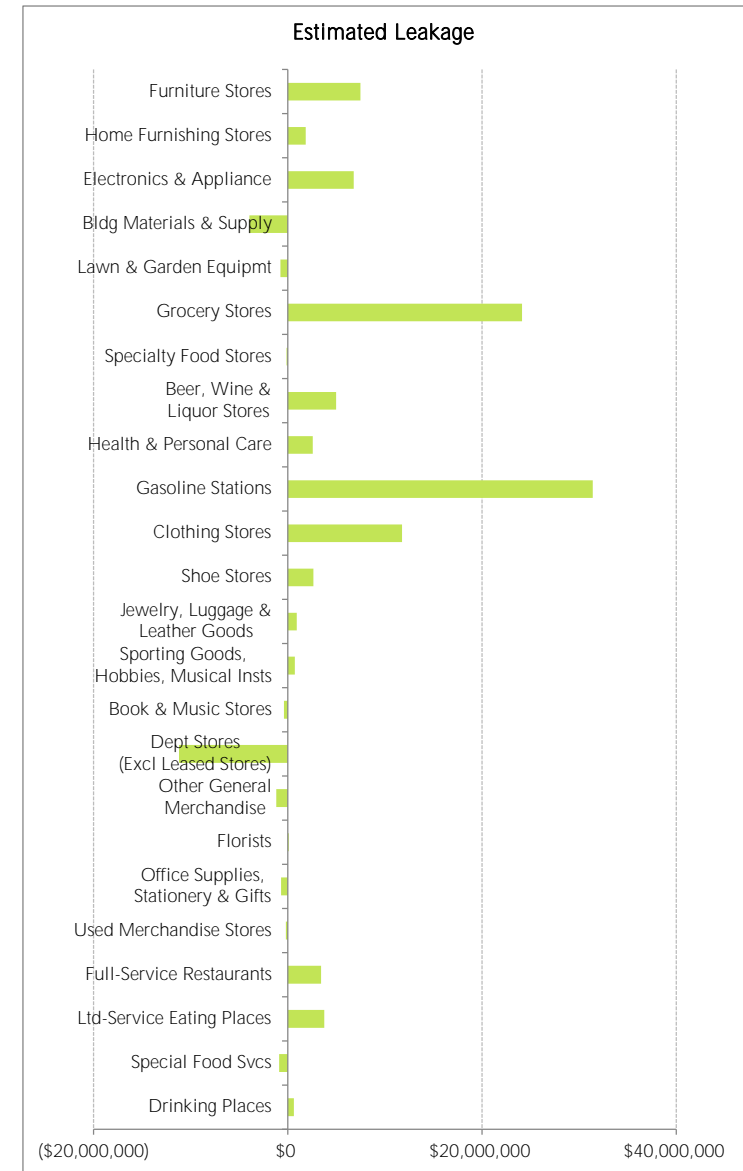
# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit V - 6

### Summary of Five-Mile Radius Retail Demand and Supply

Store Type	Demand	Supply	Leakage (Inflow)	Per Capita
			2010 Population	65295
<b>Furniture and Home Furnishings</b>	<b>\$13,670,561</b>	<b>\$4,335,843</b>	<b>\$9,334,718</b>	<b>\$209</b>
Furniture Stores	\$10,284,617	\$2,802,447	\$7,482,170	\$158
Home Furnishing Stores	\$3,385,945	\$1,532,396	\$1,853,549	\$52
<b>Electronics &amp; Appliance Stores</b>	<b>\$13,389,749</b>	<b>\$6,591,476</b>	<b>\$6,798,273</b>	<b>\$205</b>
<b>Bldg Materials, Garden Equip &amp; Supply :</b>	<b>\$26,628,593</b>	<b>\$31,334,133</b>	<b>(\$4,705,540)</b>	<b>\$408</b>
Bldg Materials & Supply Stores	\$24,004,210	\$27,964,274	(\$3,960,064)	\$368
Lawn & Garden Equipment	\$2,624,382	\$3,369,858	(\$745,476)	\$40
<b>Food &amp; Beverage Stores</b>	<b>\$101,231,994</b>	<b>\$72,232,047</b>	<b>\$28,999,947</b>	<b>\$1,550</b>
Grocery Stores	\$95,817,619	\$71,679,470	\$24,138,149	\$1,467
Specialty Food Stores	\$281,987	\$414,396	(\$132,409)	\$4
Beer, Wine & Liquor Stores	\$5,132,389	\$138,182	\$4,994,207	\$79
<b>Health &amp; Personal Care</b>	<b>\$21,042,454</b>	<b>\$18,475,114</b>	<b>\$2,567,340</b>	<b>\$322</b>
<b>Gasoline Stations</b>	<b>\$102,325,046</b>	<b>\$70,894,679</b>	<b>\$31,430,367</b>	<b>\$1,567</b>
<b>Clothing &amp; Clothing Accessories</b>	<b>\$22,059,873</b>	<b>\$6,711,193</b>	<b>\$15,348,680</b>	<b>\$338</b>
Clothing Stores	\$16,309,154	\$4,536,028	\$11,773,126	\$250
Shoe Stores	\$3,680,454	\$1,051,082	\$2,629,372	\$56
Jewelry, Luggage & Leather Goods	\$2,070,265	\$1,124,083	\$946,182	\$32
<b>Sporting Goods, Hobby, Book &amp; Music :</b>	<b>\$4,278,867</b>	<b>\$3,926,318</b>	<b>\$352,549</b>	<b>\$66</b>
Sporting Goods, Hobby Stores, Musical	\$3,706,554	\$2,958,706	\$747,848	\$57
Book & Music Stores	\$572,313	\$967,612	(\$395,299)	\$9
<b>General Merchandise Stores</b>	<b>\$106,972,940</b>	<b>\$119,340,058</b>	<b>(\$12,367,118)</b>	<b>\$1,638</b>
Department Stores (Excl Leased Stores)	\$45,035,795	\$56,217,294	(\$11,181,499)	\$690
Other General Merchandise Stores	\$61,937,145	\$63,122,764	(\$1,185,619)	\$949
<b>Miscellaneous Store Retailers</b>	<b>\$6,742,725</b>	<b>\$5,094,927</b>	<b>\$1,647,798</b>	<b>\$103</b>
Florists	\$710,489	\$610,914	\$99,575	\$11
Office Supplies, Stationery & Gift Stores	\$1,061,616	\$1,738,303	(\$676,687)	\$16
Used Merchandise Stores	\$270,710	\$472,302	(\$201,592)	\$4
Other Miscellaneous Store Retailers	\$4,699,910	\$2,273,408	\$2,426,502	\$72
<b>Food Service &amp; Drinking Places</b>	<b>\$103,946,043</b>	<b>\$97,006,464</b>	<b>\$6,939,579</b>	<b>\$1,592</b>
Full-Time Restaurants	\$40,684,924	\$37,251,391	\$3,433,533	\$623
Limited-Service Eating Places	\$58,138,823	\$54,389,383	\$3,749,440	\$890
Special Food Services	\$4,062,242	\$4,949,377	(\$887,135)	\$62
Drinking Places	\$1,060,054	\$416,313	\$643,741	\$16
<b>TOTAL</b>	<b>\$522,288,845</b>	<b>\$435,942,252</b>	<b>\$86,346,593</b>	<b>\$7,999</b>

SOURCE: ESRI



# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit V - 7

Estimated Retail Demand from a Five-Mile Radius Around Downtown McDonough, 2010

Store Type	Demand Potential <sup>1</sup>	Per Capita	% In Non-Regional Ctrs <sup>2</sup>	Sales In Non-Reg Ctrs	% Local Sales <sup>2</sup>	Local Sales In Non-Reg Ctrs	Demand Beyond 5-Mile Radius <sup>2</sup>	Est. Sales/ SF	Capture Rate <sup>2</sup>	Downtown McDonough Capture	Avg Store Size <sup>3</sup>	Stores Supported	SF Supported
	2010 Population	65,295					80%						
<b>Furniture and Home Furnishings</b>	\$13,670,561	\$209	22%	\$2,145,824	78%	\$1,665,236	\$2,241,168			4,578		1.1	2,251
Furniture Stores	\$10,284,617	\$158	10%	\$1,028,462	75%	\$771,346	\$964,183	\$125	25%	1,931	12,000		
Home Furnishing Stores	\$3,385,945	\$52	33%	\$1,117,362	80%	\$893,889	\$1,276,985	\$187	33%	2,251	2,000	1.1	2,251
<b>Electronics &amp; Appliance Stores</b>	\$13,389,749	\$205	10%	\$1,338,975	20%	\$267,795	\$334,744	\$296	35%	396	4,000		
<b>Bldg Mats., Garden Equip &amp; Supply</b>	\$26,628,593	\$408	25%	\$6,657,148	82%	\$5,456,938	\$6,821,172			10,493		2.4	9,617
Bldg Materials & Supply Stores	\$24,004,210	\$368	25%	\$6,001,053	80%	\$4,800,842	\$6,001,053	\$125	20%	9,617	4,000	2.4	9,617
Lawn & Garden Equipment	\$2,624,382	\$40	25%	\$656,096	100%	\$656,096	\$820,119	\$187	20%	876	4,000		
<b>Food &amp; Beverage Stores</b>	\$101,231,994	\$1,550	95%	\$96,113,998	90%	\$86,481,449	\$108,101,811			33,147		1.4	4,329
Grocery Stores	\$95,817,619	\$1,467	95%	\$91,026,738	90%	\$81,924,064	\$102,405,080	\$364	10%	28,133	50,000		
Specialty Food Stores	\$281,987	\$4	75%	\$211,490	80%	\$169,192	\$211,490	\$154	50%	685	1,988		
Beer, Wine & Liquor Stores	\$5,132,389	\$79	95%	\$4,875,770	90%	\$4,388,193	\$5,485,241	\$317	25%	4,329	3,196	1.4	4,329
<b>Health &amp; Personal Care</b>	\$21,042,454	\$322	90%	\$18,938,209	90%	\$17,044,388	\$21,305,485	\$366	25%	14,537	12,544	1.2	14,537
<b>Clothing &amp; Clothing Accessories</b>	\$22,059,873	\$338	20%	\$4,411,975	80%	\$2,647,185	\$3,308,981			4,465		1.5	3,196
Clothing Stores	\$16,309,154	\$250	20%	\$3,261,831	60%	\$1,957,098	\$2,446,373	\$230	30%	3,196	2,150	1.5	3,196
Shoe Stores	\$3,680,454	\$56	20%	\$736,091	60%	\$441,654	\$552,068	\$164	30%	1,010	2,150		
Jewelry, Luggage & Leather Goods	\$2,070,265	\$32	20%	\$414,053	60%	\$248,432	\$310,540	\$361	30%	258	1,500		
<b>Sporting Gds, Hobby, Book &amp; Music</b>	\$4,278,867	\$66	20%	\$855,773	60%	\$513,464	\$641,830			1,025		0.0	0
Sporting Goods, Hobby, Musical Inst	\$3,706,554	\$57	20%	\$741,311	60%	\$444,786	\$555,983	\$156	25%	891	12,000		
Book & Music Stores	\$572,313	\$9	20%	\$114,463	60%	\$68,678	\$85,847	\$160	25%	134	20,000		
<b>Miscellaneous Store Retailers</b>	\$6,742,725	\$103	53%	\$3,596,558	83%	\$2,982,264	\$3,727,829			8,832		2.8	7,532
Florists	\$710,489	\$11	100%	\$710,489	100%	\$710,489	\$888,111	\$181	30%	1,474	1,424	1.0	1,474
Office Supplies, Stationery & Gifts	\$1,061,616	\$16	25%	\$265,404	95%	\$252,134	\$315,167	\$162	33%	644	4,000		
Used Merchandise Stores	\$270,710	\$4	100%	\$270,710	95%	\$257,175	\$321,468	\$162	33%	656	3,500		
Other Miscellaneous Store Retailers	\$4,699,910	\$72	50%	\$2,349,955	75%	\$1,762,466	\$2,203,083	\$120	33%	6,058	3,500	1.7	6,058
<b>Food Service &amp; Drinking Places</b>	\$103,946,043	\$1,592	52%	\$54,534,170	72%	\$39,085,036	\$60,130,825			43,679		12.2	42,670
Full-Service Restaurants	\$40,684,924	\$623	50%	\$20,342,462	75%	\$15,256,847	\$23,472,072	\$246	25%	23,815	5,500	4.3	23,815
Limited-Service Eating Places	\$58,138,823	\$890	50%	\$29,069,412	70%	\$20,348,588	\$31,305,520	\$159	5%	9,832	2,400	4.1	9,832
Special Food Services	\$4,062,242	\$62	100%	\$4,062,242	70%	\$2,843,569	\$4,374,722	\$160	33%	9,023	2,400	3.8	9,023
Drinking Places	\$1,060,054	\$16	100%	\$1,060,054	60%	\$636,032	\$978,511	\$320	33%	1,009	2,400		
<b>TOTAL</b>	<b>\$312,990,859</b>	<b>\$4,793</b>	<b>60%</b>	<b>\$188,592,628</b>	<b>83%</b>	<b>\$156,143,754</b>	<b>\$206,613,845</b>			<b>121,152</b>		<b>22.5</b>	<b>84,132</b>
											<b>% Restaurants/Food</b>		<b>51%</b>

1 Based on data obtained from ESRI

2 Estimates via NCG

3 ICSC Adjusted for local Henry County market

# DOWNTOWN McDONOUGH LCI UPDATE MARKET ANALYSIS

## Exhibit V - 8

Estimated Retail Demand from the Five-Mile Radius Around Downtown McDonough, 2015

Store Type	Demand Potential <sup>1</sup>	Per Capita	% In Non-Regional Ctrs <sup>2</sup>	Sales In Non-Reg Ctrs	% Local Sales <sup>2</sup>	Local Sales In Non-Reg Ctrs	Demand Beyond 5-Mile Radius <sup>2</sup>	Est. Sales/ SF	Capture Rate <sup>2</sup>	Downtown McDonough Capture	Avg Store Size <sup>3</sup>	Stores Supported	SF Supported
	2015 Population	80,224					80%						
<b>Furniture and Home Furnishings</b>	\$13,670,561	\$209	22%	\$2,636,443	78%	\$2,045,974	\$2,557,468			5,279		1.2	2,420
Furniture Stores	\$12,636,084	\$158	10%	\$1,263,608	75%	\$947,706	\$1,184,633	\$125	25%	2,373	12,000		
Home Furnishing Stores	\$4,160,105	\$52	33%	\$1,372,835	80%	\$1,098,268	\$1,372,835	\$187	33%	2,420	2,000	1.2	2,420
<b>Electronics &amp; Appliance Stores</b>	\$16,451,171	\$205	10%	\$1,645,117	20%	\$329,023	\$411,279	\$296	35%	486	4,000		
<b>Bldg Mats., Garden Equip &amp; Supply</b>	\$26,628,593	\$408	31%	\$8,179,233	82%	\$6,704,608	\$8,380,760			12,892		3.0	11,816
Bldg Materials & Supply Stores	\$29,492,515	\$368	25%	\$7,373,129	80%	\$5,898,503	\$7,373,129	\$125	20%	11,816	4,000	3.0	11,816
Lawn & Garden Equipment	\$3,224,419	\$40	25%	\$806,105	100%	\$806,105	\$1,007,631	\$187	20%	1,077	4,000		
<b>Food &amp; Beverage Stores</b>	\$101,231,994	\$1,550	117%	\$118,089,430	90%	\$106,254,503	\$132,818,129			40,725		1.7	5,318
Grocery Stores	\$117,725,288	\$1,467	95%	\$111,839,023	90%	\$100,655,121	\$125,818,901	\$364	10%	34,566	50,000		
Specialty Food Stores	\$346,460	\$4	75%	\$259,845	80%	\$207,876	\$259,845	\$154	50%	841	1,988		
Beer, Wine & Liquor Stores	\$6,305,855	\$79	95%	\$5,990,562	90%	\$5,391,506	\$6,739,382	\$317	25%	5,318	3,196	1.7	5,318
<b>Health &amp; Personal Care</b>	\$25,853,585	\$322	90%	\$23,268,226	90%	\$20,941,404	\$26,176,755	\$366	25%	17,861	12,544	1.4	17,861
<b>Clothing &amp; Clothing Accessories</b>	\$22,059,873	\$338	25%	\$5,420,725	80%	\$3,252,435	\$4,065,544			5,485		1.8	3,927
Clothing Stores	\$20,038,067	\$250	20%	\$4,007,613	60%	\$2,404,568	\$3,005,710	\$230	30%	3,927	2,150	1.8	3,927
Shoe Stores	\$4,521,950	\$56	20%	\$904,390	60%	\$542,634	\$678,293	\$164	30%	1,241	2,150		
Jewelry, Luggage & Leather Goods	\$2,543,609	\$32	20%	\$508,722	60%	\$305,233	\$381,541	\$361	30%	317	1,500		
<b>Sporting Gds, Hobby, Book &amp; Music</b>	\$4,278,867	\$66	25%	\$1,051,437	60%	\$630,862	\$788,578			1,260		0.0	0
Sporting Goods, Hobby, Musical Inst	\$4,554,018	\$57	20%	\$910,804	60%	\$546,482	\$683,103	\$156	25%	1,095	12,000		
Book & Music Stores	\$703,166	\$9	20%	\$140,633	60%	\$84,380	\$105,475	\$160	25%	165	20,000		
<b>Miscellaneous Store Retailers</b>	\$6,742,725	\$103	66%	\$4,418,872	83%	\$3,664,126	\$4,580,158			10,852		3.4	9,254
Florists	\$872,935	\$11	100%	\$872,935	100%	\$872,935	\$1,091,168	\$181	30%	1,811	1,424	1.3	1,811
Office Supplies, Stationery & Gifts	\$1,304,343	\$16	25%	\$326,086	95%	\$309,781	\$387,227	\$162	33%	791	4,000		
Used Merchandise Stores	\$332,605	\$4	100%	\$332,605	95%	\$315,975	\$394,968	\$162	33%	807	3,500		
Other Miscellaneous Store Retailers	\$5,774,494	\$72	50%	\$2,887,247	75%	\$2,165,435	\$2,706,794	\$120	33%	7,444	3,500	2.1	7,444
<b>Food Service &amp; Drinking Places</b>	\$103,946,043	\$1,592	64%	\$67,002,821	72%	\$48,021,410	\$73,879,092			53,666		15.0	52,426
Full-Service Restaurants	\$49,987,095	\$623	50%	\$24,993,547	75%	\$18,745,160	\$28,838,708	\$246	25%	29,260	5,500	5.3	29,260
Limited-Service Eating Places	\$71,431,640	\$890	50%	\$35,715,820	70%	\$25,001,074	\$38,463,191	\$159	5%	12,080	2,400	5.0	12,080
Special Food Services	\$4,991,030	\$62	100%	\$4,991,030	70%	\$3,493,721	\$5,374,955	\$160	33%	11,086	2,400	4.6	11,086
Drinking Places	\$1,302,424	\$16	100%	\$1,302,424	60%	\$781,454	\$1,202,237	\$320	33%	1,240	2,400		
<b>TOTAL</b>	<b>\$320,863,412</b>	<b>\$4,793</b>	<b>72%</b>	<b>\$231,712,306</b>	<b>83%</b>	<b>\$191,844,345</b>	<b>\$253,657,761</b>			<b>148,507</b>		<b>27.4</b>	<b>103,023</b>
											<b>% Restaurants/Food 51%</b>		

1 Based on data obtained from ESRI

2 Estimates via NCG

3 ICSC Adjusted for local Henry County market