



IN HONOR OF THE TEN
THOUSAND SOULS WHO
CALLED PENNHURST HOME
AND THOSE WHO STRUGGLED
WITHIN AND OUTSIDE ITS
WALLS TO END A BROKEN
SYSTEM OF
INSTITUTIONALIZATION.

THE WORK OF THE PM&PA TO
ENCOURAGE THE RE-USE OF
THIS IMPORTANT PLACE IS
DEDICATED TO THEM AND THE
LEGACY OF THAT PLACE WHERE
THEIR TRIUMPH CHANGED
THE COURSE OF HUMAN
DESTINY:

P E N N H U R S T .



stitution for Feeble Minded and Epileptics,
City, Pa.



Pennhurst Market Analysis Real Estate Marketing & Management Fall 2010

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Executive Summary

For the purpose of this market analysis, we examined the Pennhurst project in relation to six different product types. They were: apartment condominiums, seniors housing, recreation centers, movie theaters, office, and hospitality. We used a top down methodology when it comes to the project. First we examined the site, its history, context, and current state, as well as proposed project. A regional economic analysis was then conducted assessing the macro trends for the Philadelphia-Camden-Wilmington Metropolitan Statistical Area. Overall while some of the macro trends are positive, with employment being a key indicator of economic health, the outlook for the local MSA is negative.

The market analysis of apartment condominiums revealed a positive outlook, with demand outpacing supply. Demographic analysis shows empty nesters looking to scale down from single-family homes. Affordability also plays into the trend, thereby allowing first time buyers a chance to get into the housing market at a price point they can afford. Analysis also showed a demand for second homes within this market.

National supply and demand trends for Seniors Housing are positive, overall. Local trends for seniors housing are also positive, with above average occupancies and above average rents for the majority of care types. There appears to be substantial unmet demand for nursing care, assisted living and independent living. Considering that new supply will be limited for the foreseeable future, this positive trend is likely to continue as the local aging demographic continues to grow.

The market analysis for both recreation and entertainment merits further study. Both are very untraditional product types that are highly qualitative in terms of market analysis. Both demonstrate heavy supply in the existing market, especially for movie theaters. This does not mean that there is not sufficient demand for additional product, just that a more detailed analysis must be taken in conjunction with high-level discussions with the planning department, parks department, and economic development authorities, as well as prospective tenants.

In terms of the office analysis it seems that the outlook is generally negative. While there are strong economic and demographic indicators for both Chester and Montgomery, the supply and demand are not as positive. There is oversupply in the market while demand is anemic, meaning that there will be a supply overhang for at least a few more quarters. The only opportunity lies in attracting a large company for build to suit employment campus.

An analysis of hospitality reveals that there is opportunity for development of this product type. However local demand is decreasing, therefore a strong business plan is needed in order for the product to be competitive. Being the only luxury hotel in the area it should be able to gain market share. At a national level, occupancy, ADR, and RevPAR are forecasted to increase so the sector outlook is positive.

In summation, the findings regarding the individual product types were mixed. There is an opportunity for development of seniors housing, apartment condominiums, and a luxury hotel on the Pennhurst site. The prospect for office development is not positive, and the recreation and entertainment uses require further inquiry and discussion with various parties and stakeholders.

Site & Improvement Description

General Description

The subject site consists of approximately 112 Acres (4,878,720 SF), bounded by Commonwealth Drive on the West, North and East, and Veterans Drive to the South. The campus is positioned approximately ¼ mile east of the intersection of Commonwealth Drive and Brown Drive.

The subject site sits on a hill overlooking the Schuylkill River, surrounded by woods as well as the institution's former playing fields. The tract is irregular in shape, with exact dimensions unknown. However we consider site utility to be average. Although the campus sprawls across the entire 112 acres, the site itself is secluded, with access limited to two points.

As mentioned above, the site has frontage along Commonwealth Drive and Veterans Drive, both secondary neighborhood thoroughfares. Commonwealth Drive and Veterans Drive are both a two-lane, asphalt-paved, non-median divided roadway with no curbs, gutters or sidewalks. Neither provides primary interior neighborhood ingress-egress. Rather, they serve as feeder streets from the subject site to more primary thoroughfares, primarily Pennhurst Road.

Flood Plain

Based on a review of FEMA Panel 42029C0025F, dated September 29, 2006, as well as a review of the property survey, the subject property is located in a non-hazardous portion of Zone X, outside of the 100-year flood plain.

Topography/Drainage

The subject site exhibits a generally rolling topography; the landscape surrounding the campus varies greatly in elevation, sloping from the Schuylkill River to the highest point in East Vincent Township.

Easements/Encroachments

We were not provided a current title report to review. Thus, we are not aware of any easements, encumbrances, or restrictions that would adversely affect the development potential of the site.

Soil/Subsoil Conditions

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems.

Environmental Hazards/Nuisances

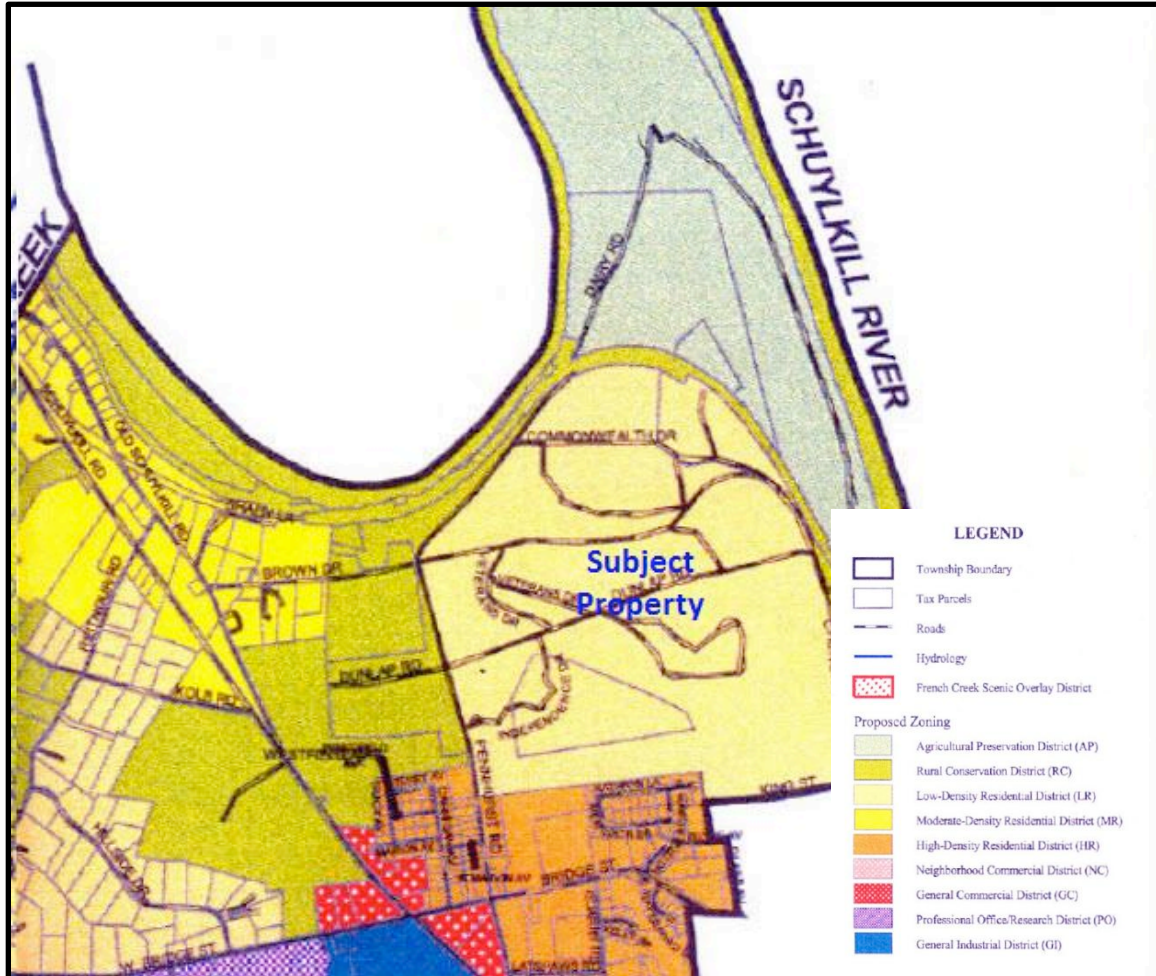
An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Utilities

It is assumed that all utilities are available to the subject site.

Zoning/Deed Restrictions

As depicted in the map below, the subject property is zoned "LR", Low-Density Residential District. Per conversations with local officials, the subject property is regulated under the zoning jurisdiction of East Vincent Township.



According to the East Vincent Township Zoning Ordinance, the Low-Density Residential District is established for the following purposes:

- To provide for low to medium density residential development consistent with existing residential development patterns and easily accessible to major highways, commercial areas and/or centers of employment
- To assure a healthful water supply from on-lot wells and the safe disposal of sewage waste to on-lot systems.
- To provide for alternative residential development patterns through the use of the open space design options provisions of Part 9 [of the Zoning Ordinance], offering higher net densities of development while affording greater opportunities for preservation of open space ancillary to such development.
- To preserve and promote continued open space and conservation uses, perpetuating the semi-rural residential character of the area and facilitating the conservation of land, water and cultural resources.

General restrictions imposed by this designation are summarized below:

Zoning Summary	
Zoning Jurisdiction	East Vincent Township
Zoning Designation	LR
Description	Low-Density Residential District
Permitted Uses	Single-family detached dwellings Agriculture Conservation uses including woodlands preserve, game preserve, arboretum or other similar use Park, playground, athletic field, recreation building, or community center operated on a non-commercial basis for recreation purposes Municipal uses Public school Forestry National cemetery containing a minimum lot area of 170 acres Composting (other special uses are also permitted)
<i>Except for public schools, all uses permitted by right shall comply with the following standards:</i>	
Minimum Lot Size	1.5 Acres
Minimum Lot Width at Building Line	150'
Minimum Lot Width at Street Line	50'
Minimum Setback at Building Setback Line	50'
Minimum Side Yard	25' Each
Minimum Rear Yard	40'
Maximum Impervious Coverage	20%
Maximum Building Coverage	10%
Maximum Building Height	35'
Source:	East Vincent Township

Considering the current condition of the subject property, as an improvement in a state of transitioning, the improvements are considered to be legally non-conforming at this current time. However, when property ownership decides to reposition the improvements to one of the allowable uses, an understanding of the code is needed to ensure conformity. Accordingly, we have included the “LR-Low Density Residential” zoning regulations in their entirety in the addendum of the report.

Surrounding Land Uses

Per the aerial map below, the immediate area is predominantly vacant land. There is a small amount of commercial uses to the south and west of the subject property meanwhile single-family residential dominates the land usage on the east-side of the Schuylkill River.



History of the Subject Property

The following data on the subject property has been provided courtesy of Wikipedia.org and Development Opportunity Summary October 2010.

Pennhurst State School and Hospital, originally known as the Eastern Pennsylvania State Institution for the Feeble-Minded and Epileptic, is positioned on the border between Chester County and Montgomery County in Pennsylvania. Pennhurst was an institution for the mentally and physically disabled individuals of Southeastern Pennsylvania.

In 1903, the Pennsylvania Legislature authorized the creation of the Eastern State Institution for the Feeble-Minded and Epileptic and a commission was organized to take into consideration the number and status of the feeble-minded and epileptic persons in the state and determine a placement for construction to care for these residents.

This commission discovered 1,146 feeble-minded persons in insane hospitals and 2,627 in almshouses, county-care hospitals, reformatories, and prisons and were in immediate need of specialized institutional care.

The legislation stated that the buildings would be in two groups, one for the educational and industrial department, and one for the custodial or asylum department. The institution was required to accommodate no less than five hundred inmates or patients, with room for additions.

Construction & Design

The lower campus sits on a parcel of approximately 112 acres with expansive views of the surrounding river valley. Campus buildings are arranged in two extended quadrangles. All have a steel and concrete supporting frame and decorative brickwork laid in a Flemish bond pattern. Approximately 600,000 square feet of usable space is available in the buildings. First floor ceiling heights average 15 feet and second and third floor ceiling heights range from 11 to 13 feet. Most buildings contain large open rooms divided by partial or curtain walls. The buildings are of a style uncommon in the region and have complex and intriguing rooflines.

A 1908 newspaper announcement of the institution's opening described the interior of the buildings as having "fine fixtures and finish," with the living areas "furnished with heavy quartered oak and with fine high ceilings." Pennhurst embodies distinguishing characteristics of the Jacobean Revival style and is one of the finest extant examples of it. While Jacobean Revival was once a popular genre for institutional architecture, remaining examples – particularly ones as complete as those present at Pennhurst – are not common.



Though the entire campus is predominantly in the Jacobean Revival style, no two buildings are identical. The result is a visually interesting, aesthetically pleasing treatment of a classic architectural motif on a picturesque landscape layered with cultural meaning and imbued with historical significance. Pennhurst is a noteworthy and now rare example of the architectural design of Philip H. Johnson, a colorful and prolific local architect.



Approximately seventeen buildings are located on the lower campus portion of the site. The buildings are arranged in campus format and are linked to one another by exterior pedestrian ramps and an underground system of tunnels. Each tunnel has an above-ground walkway component. Most buildings are directly accessible via the pedestrian walkways. Outlying structures built after the original campus was constructed were not connected to the tunnel/walkway system. These include Assembly Hall and the Female Colony. Additionally, the hospital was not connected to the tunnel/walkway system with

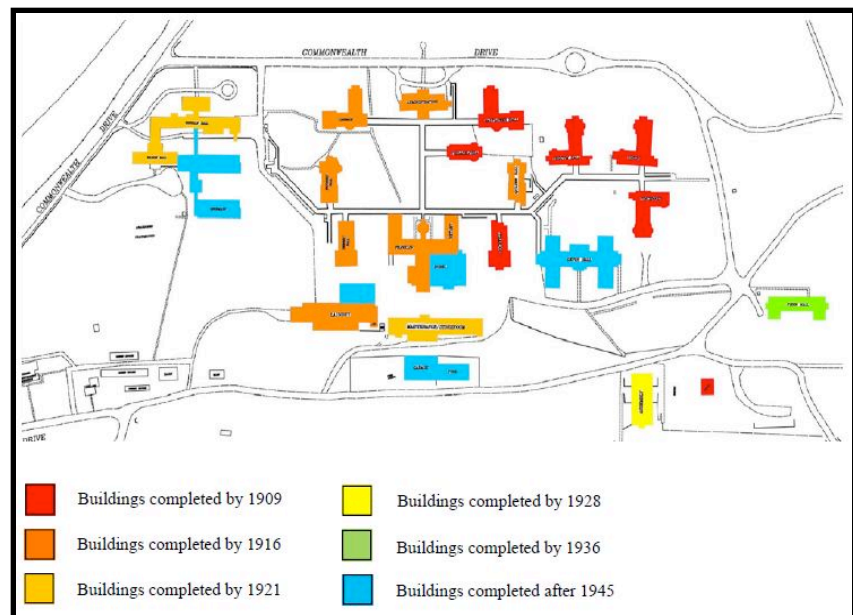
the intention of keeping the facilities separate to prevent the spread of disease. Steam pipes leading from the heating plant at the far east end of the site travel in a channel connected to the pedestrian tunnel and are wrapped in un-encapsulated asbestos.

The first buildings on the campus were completed between 1908 and 1909, and include Philadelphia, Tinicum, Union, Vincennes, and Rockwell Halls. These six buildings are all constructed in a similar fashion consisting of brick exterior ornamented with limestone lintels, sills, and bands. The structures all have a steel and concrete supporting frame, and a wood frame and asphalt shingle roof. All structures originally had slate roofs. All also had ventilation cupolas visible in historic photographs. The photographic record suggests these cupolas were removed in the 1950s.

The next major expansion of the center occurred between the years of 1913 and 1919, when the Laundry Building, Hershey Hall, Administration Building, Limerick Hall, Mayflower Hall, Quaker Hall and Dietary/Franklin Hall, were started. These buildings were built in the same Jacobean Revival style as the 1908-1909 structures and are of similar construction.

Some have steel-frame roofs, others are wood. Most retain the slat shingles that were original to them. All of the 1913-1916 buildings had ventilation cupolas identical to those of the 1908-1909 buildings. Additionally, Administration had a pair of eyebrow windows on the roof of its north elevation, one flanking each side of the tower. Presumably these were removed when Administration received new asphalt roof cladding sometime in the 1960s or 1970s.

In 1921, Wards B and C of the Hospital were constructed in the same manner as the eleven campus buildings. From aerial photographs, it is also clear that the Maintenance/Storeroom was also constructed by this date. The Hospital was



expanded several times since 1921. It can be estimated that Wards A and D were constructed within a few years after 1921 due to the similar style of construction. The last two wards, Wards E and F, were most likely constructed sometime in the 1950s and have steel frames with built-up flat roofs.

Assembly and Penn Halls were constructed in 1928 and 1936, respectively. Both buildings differ structurally from the other buildings on the campus although retain some of the architectural style and character of the older campus buildings. These buildings are steel and concrete frame structures with a steel frame and built-up flat roof. They are somewhat removed from the original campus. Both are located on opposite sides of the Blacksmith shop on Brown Drive.

The last building constructed on the lower campus was Devon Hall in 1948. Though Devon Hall was constructed to be similar to its older counterparts, with a similar fenestration pattern and brick and limestone facing, it is a significantly larger building with different massing. It is constructed with a steel frame and slate-covered roof. Devon is the largest building at Pennhurst, containing over 100,000 square feet. It was placed within the original campus grouping of buildings and completes the south end of a secondary quad it forms with Quaker, Tinicum, Vincennes, and Union Halls, Pennhurst's oldest buildings. This quad is adjacent to the main historic quad. Devon is connected to the tunnel system.

Approximately 636,454 square feet of floor space is available at Pennhurst. About 136,000 square feet is attic space and 127,000 square feet is basement space, and therefore limited in potential use. The remaining first, second and third floor space totals approximately 373,000 square feet. The ceilings are relatively high in all the campus buildings. The average first floor ceiling height is nearly 15 feet; the other floors are slightly lower at 11 to 13 feet. Most of the buildings contain large open rooms with temporary or non-load-bearing walls that do not extend to the ceiling.

Railroad

The Pennsylvania Railroad created a Pennhurst Station on its Schuylkill Division concurrent to accommodate Pennhurst. Coal and other supplies were delivered by rail for decades to operate the power house. Tracks are still visible under the pavement behind Dietary and Devon Hall, which allowed boxcars to be brought directly onto the main campus. The railroad tracks have been removed and are now part of the Schuylkill River Trail

The Superintendent reported to the Board of Trustees that:

It is without question absolutely wrong to place the feeble-minded and epileptic in the same institution. They are not the same; they are as different, one from the other, as day is from night. They are mentally, physically and morally incompatible, and require entirely different treatment.

The mission of the institution was clarified once again and only people with mental disabilities were to be admitted. Recreation of the train tracks has started and they are working to create a working train transportation system.

General Operation

On November 23, 1908, "Patient number 1" was admitted to the hospital. Within four years of operation, Pennhurst was already overcrowded and under pressure to admit immigrants, orphans and criminals.

Residents were classified into mental categories of imbecile or insane, into physical categories of epileptic or healthy, and into dental categories of good, poor or treated teeth when admitted.

Some of the sensorial and functional anomalies, vices of constitution and habit, and disorders of volition common to the feeble-minded admitted to Pennhurst were Strabismus, defective sight and/or hearing, mute, semi-mute, imperfect speech, paralytic, epileptic, blind, imperfect gait, imperfect prehension, deformity of face, head, limbs and/or feet, microcephalic or hydrocephalic head, and offensive habits.

The branches of industry which residents were assigned to were mattress making, shoe making and repair, grading, farming, laundry, domestic duties, sewing, baking, butchering, painting, and working in the store.

In 1913, the legislature appointed a Commission for the Care of the Feeble-Minded which stated that the disabled were unfit for citizenship and posed a menace to the peace, and thus recommended a program of custodial care. Furthermore, the Commission desired to prevent the intermixing of the genes of those imprisoned with the general population. In the Biennial Report to the Legislature submitted by the Board of Trustees, Pennhurst's Chief Physician quoted Henry H. Goddard, a leading eugenicist, as follows:

Every feeble-minded person is a potential criminal. The general public, although more convinced today than ever before that it is a good thing to segregate the idiot or the distinct imbecile, they have not as yet been convinced as to the proper treatment of the defective delinquent, which is the brighter and more dangerous individual.

In 1916, the Board of Trustees initiated a plan to increase the capacity of the Institution by constructing cottages specifically for females to segregate them from the males, in part to prevent pregnancies.

In 1968, conditions at Pennhurst were exposed in a five-part television news report anchored by local NBC10 correspondent Bill Baldini. "Suffer the Little Children". The class-action case against Pennhurst State School was ruled by U.S. District Judge Raymond J. Broderick in 1977, where the institution was found guilty of violating patient's constitutional rights. Pennhurst State School was forced to close by 1987 following several allegations of abuse, beginning a deinstitutionalization process that would last several years. Its 460 patients were discharged or transferred to other facilities; Pennhurst was responsible for discussing treatment plans with each patient's family to decide what would be the best for the patient.

Modern Day

After many years of determining what to do with Pennhurst, congressman Jim Gerlach sought to establish a federal veterans cemetery at Pennhurst in 2003 but the VA rejected the proposal.

In 2005, the state adopts the Keystone Principles, which re-affirm the state's duties to maintain historic property and to consult with the Pennsylvania Historical and Museum Commission before transferring the property into private hands, but East Vincent Supervisors Zaremba and Costello voted 2-1 to approve a subdivision of Pennhurst anyway and Pennhurst was sold to a private developer, Pennhurst Associates, for two million dollars. The Pennhurst Memorial and Preservation Alliance was formed to advocate for the sensitive re-use of the site.

PM&PA is invited to present at East Vincent Township Historical Commission Preservation Open House and Art Show and adopts a portion of Route 724 through PennDOT's Adopt-a-Highway program and Pennhurst is added to the National Register of Historic Places and Pennsylvania's list of the most At-Risk Pennsylvania Properties as well as a member of the International Coalition of Sites of Conscience, a worldwide network of historic sites specifically dedicated to remembering struggles for justice.

In partnership with the Preservation Alliance of Greater Philadelphia, PM&PA obtains a service grant to complete a re-use design and feasibility study on the Pennhurst campus.

As of 2010, Penn Organic Recycling LLC currently operates on four-and-a-half-acres of Pennhurst, offering tipping, composting and food waste services. The Department of Environmental Protection permitted the composting operation at Pennhurst to maintain no more than 25 tons.

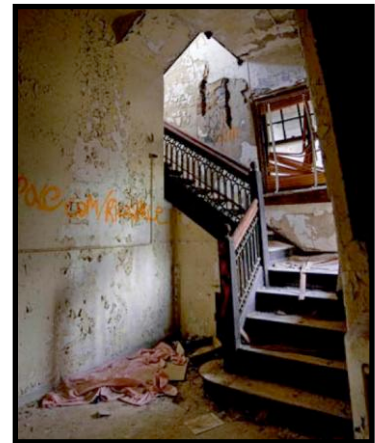
Current Condition

As discussed above, the subject improvements were constructed from a period beginning in 1903, to 1971. According to both a 1992 Department of Public Welfare survey and the 2010 Community Design Collaborative Re-Use Study, the buildings are in relatively good structural condition. However, a lack of use and maintenance is accelerating their deterioration each year. Many buildings have roof leaks which have compromised the roof structure meanwhile vandalism has damaged many windows and interior finish.



Per review of the *Development Opportunity Summary 2010* report for the subject property, the most

common deficiencies among the improvements include: roofing in poor condition; broken windows and doors; missing mortar in masonry joints; broken or missing gutters and downspouts. Overall, exterior walls are in fair to good condition. Most roofs are in poor condition.



Per conversations with parties associated with the re-development effort, the average building, estimated at 30,000 SF, will need an estimated rehabilitation in the cost range of \$9,000,000-\$10,000,000, (with a \$7M rehabilitation getting you a workable building). It is important to note, the local preservation board has offered a 10% *Rehabilitation Credit* to help subsidize the cost of the effort.

Future

The Pennhurst Memorial and Preservation Alliance would like to see the site be transformed into an international center of understanding and conscience with a memorial, conference center, interpretive center and a university-based research institute while preserving as much open space as possible with a park-and-ride facility and a rest stop along the Schuylkill River Trail. The Pennhurst Memorial and Preservation Alliance, in partnership with the Preservation Alliance of Greater Philadelphia, was PM&PA awarded a design services grant through the American Institute of Architect's Community Design Collaborative. The grant will be used to conduct a conceptual design/feasibility study and shall be publicly viewable in late September.

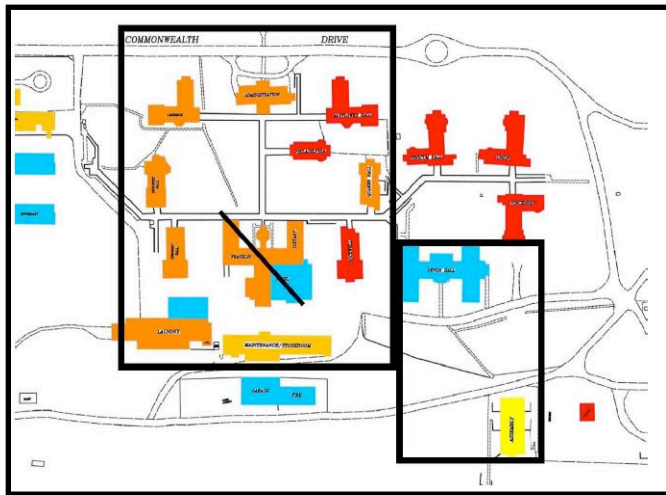
Currently, some of the buildings are under renovation, including Administration, for the use of a haunted attraction called Pennhurst Haunt, which will open the last weekend of September.

The PM&PA hopes to work with the property owners, the township, and other interested parties toward a consensus as to how to re-use in the property in a way that is respectful of the site's history, economically sustainable, preserves a historic core of the campus, and is a cultural and economic dynamo for the region.

Re-Development Effort: Pennhurst: *Planning a Community of Conscience*

We have included in this report a summary of the findings of a recent *Re-Use Design and Feasibility Study* for the subject property.

The Pennhurst Memorial and Preservation Alliance and the Preservation Alliance of Greater Philadelphia partnered to obtain a \$50,000 grant in services for the study completed by the Community Design Collaborative. Professional architectural, planning and engineering work was provided by design team volunteers from leading firms including John Milner Architects, Wallace Roberts and Todd, Thomas Comitta Associates, and Larsen and Landis. A community task force included state and local politicians, preservation and disability advocacy groups, and the public at large.



Definition of a Historic Core

Of the 636,454 square feet of floor space at Pennhurst, the design team recommends the adaptive re-use of 372,170 square feet, including the following buildings: Administration, Hershey, Industry, Limerick, Mayflower, Philadelphia, Quaker, Rockwell, Devon, and Assembly. Dietary/Franklin is the team's historic core, and forms its south end.

However, for a variety of reasons, the team felt it could be sacrificed if either a new building in a style matching the others of the quad took its place or if the Stores/Maintenance building was

retained to form the south end of the quad. The retention of this historic core would qualify the re-development for the 10% rehabilitation tax credit. Additional negotiation with the Pennsylvania Historic and Museum Commission would be required to see if the historic core could qualify for the 20% preservation tax credit.

As discussed earlier in the report, the improvements are in a substantially dilapidated state with common deficiencies including poor roof conditions, broken windows and doors, missing mortar in joints, and broken or missing gutters and downspouts. The following provides a list of recommended improvements.

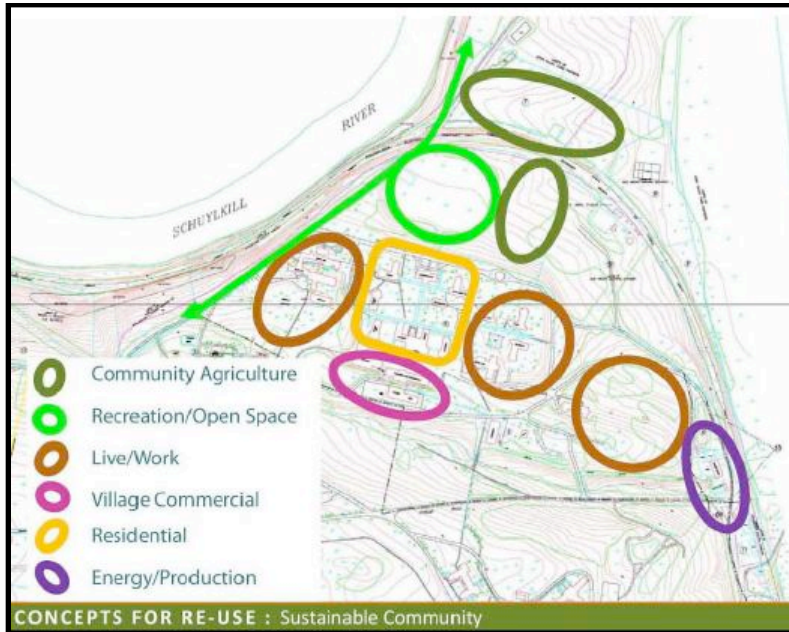
Stabilization Recommendations

- Repair all roof framing
- Replace roofing as required
- Replace gutters and downspouts
- Repair or replace and paint exterior trim
- Close door and window openings with weather-tight enclosures or replace doors/windows
- Point masonry as required
- Repair cracked masonry
- Interior: repair/replace damaged or collapsed framing

Development Scenarios

The Community Design Collaborative Study's Design Team proposed two possible site development scenarios as the most viable, asset enhancing and market-building approaches to developing the Pennhurst site. Both proposed scenarios were cast broadly enough to allow a range of programmatic uses.

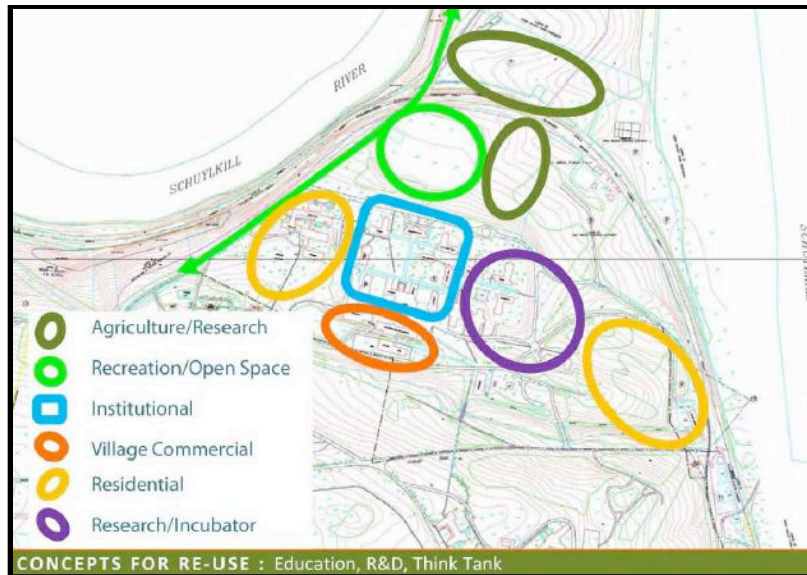
Development Scenario I: Sustainable Community



This scenario describes a green lifestyle community with possible aspirations for some degree of self-sufficiency, incorporating the following:

- A residential core developed through the adaptive reuse of the buildings within the central historic core. May consider a Generations of Hope community here for inter-generational uses.
- A village commercial area at the gateway to the site, acting as an interface with the surrounding communities and helping to support the needs of the VA Hospital residents and employees. Makes uses of state financial incentives in this area.
- A combination of types of live/work spaces within the brown bubbled areas flanking the residential core. Might include educational facilities serving inter-generational facility
- Placing any heavier industrial, accepted only provisionally, at the far southeastern portion of the site, near the current power plant area
- Development of a Schuylkill River Trail connector segment throughout the length of the property
- Enhancement of the former ball field as a community recreation area
- Agricultural production in the areas described in dark green in the lower, northern portion of the site. Philadelphia's Greensgrow project or Maine's Pineland Farms may serve as a model.
- A small museum space and guided tour of the historic quad could provide a history of the site and highlight the new uses.

Development Scenario II: Education/R&D/Think-Tank



This scenario describes the strong potential for educational programming for the site and the range of complementary programs that could be developed. Education related opportunities include arts and trade training, business incubation and employment center, demonstration agriculture, green technologies incubator, college/boarding school/trade school/etc., conference center, and museums and other art and culture venues.

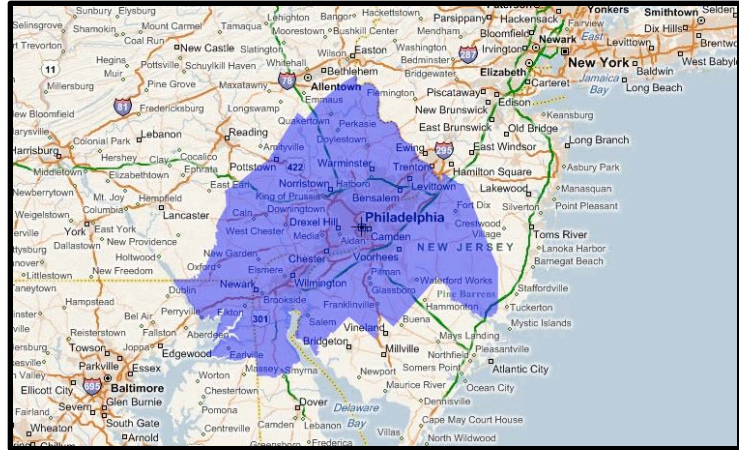
The diagram of this scenario shown above describes:

- An institutional core developed through the adaptive reuse of the buildings within the historic central core
- Business incubation and trades training to the east of the institutional core
- A village commercial area at the gateway to the site, acting as an interface with the surrounding communities and helping to support the needs of the VA Hospital residents and employees
- Residential areas at the eastern and western edges of the site. These could include a Generations of Hope Community, single family homes, etc.
- Development of a Schuylkill River Trail connector segment throughout the length of the property
- Enhancement of the former ball field as a community recreation area
- Agricultural production in the areas described in dark green in the lower, northern portions of the site.

Regional Economic Analysis

Introduction

The subject property is located within the Philadelphia-Camden-Wilmington Metropolitan Statistical Area, as defined by the United States Census Bureau. This area is also known as the Delaware Valley and encompasses several counties in southeastern Pennsylvania and Southern New Jersey, a single county in northern Delaware, and a county in northeastern Maryland. The Philadelphia-Camden-Wilmington MSA is the 5th largest metropolitan area in the U.S, out of 363 Metropolitan Statistical Areas.¹ The area is comprised of seven principal cities, including: Camden, Bridgeton, Millville and Vineland, New Jersey; Philadelphia and Reading Pennsylvania; and Wilmington, Delaware.



Population

The following table summarizes population growth in Philadelphia-Camden-Wilmington MSA, and the United States:

Population Growth					
Area	2000	2010	Annual %	Projected	Annual %
			Change	2015	Change
			2000-2010		2010-2015
MSA	5,687,147	5,890,141	0.36%	5,931,875	0.14%
United States	281,421,906	309,038,974	0.98%	321,675,005	0.82%

Source: STDB Online & Claritas

As summarized in the chart above, annual population growth for the Philadelphia-Camden-Wilmington MSA trailed the United States from 2000 to 2010. This trend is expected to continue, although increasing at a decreasing rate, estimated at 0.14% per year.

Household Growth

The following table summarizes household growth in Philadelphia-Camden-Wilmington MSA, and the United States:

¹ http://www.ask.com/wiki/Philadelphia-Camden-Wilmington,_PA-NJ-DE-MD_MSA

Household Growth					
Area	2000	2010	Annual %	Projected	Annual %
			Change	2015	Change
			2000-2010		2010-2015
MSA	2,134,404	2,229,415	0.45%	2,250,222	0.19%
United States	105,480,101	116,136,617	1.01%	120,947,177	0.83%
Source: STDB Online & Claritas					

Similar to population trends for the local MSA, annual household growth for the Philadelphia-Camden-Wilmington MSA trailed the United States from 2000 to 2010 and is expected to continue, increasing at a decreasing rate, projected at 0.19% per year.

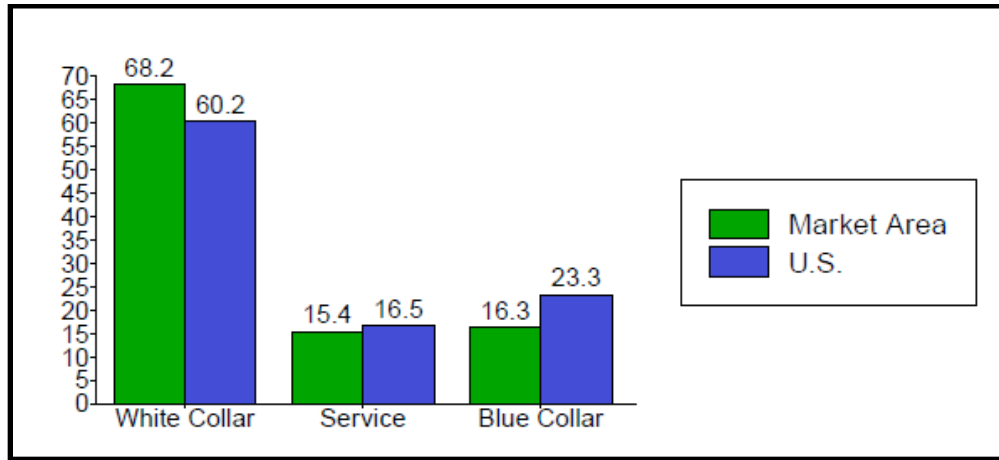
Employment

Total employment in the Philadelphia-Camden-Wilmington MSA is currently estimated at 2,694,392 jobs. Between 1999 and the present, employment declined by -52,034 jobs, equivalent to a -1.9% loss over the entire period. Over the past decade, there were decreases in employment for five years out of ten.

Employment Trends						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg)	
	MSA	% Change	United States	% Change	MSA	United States
1999	2,746,426		136,289,214		4.1%	4.3%
2000	2,735,745	-0.4%	138,117,863	1.34%	3.9%	4.0%
2001	2,747,741	0.4%	138,241,765	0.09%	4.3%	4.8%
2002	2,743,147	-0.2%	137,936,672	-0.22%	5.4%	5.8%
2003	2,722,397	-0.8%	138,386,941	0.33%	5.4%	6.0%
2004	2,741,707	0.7%	139,988,841	1.16%	5.1%	5.6%
2005	2,788,070	1.7%	142,328,021	1.67%	4.7%	5.2%
2006	2,824,738	1.3%	145,081,526	1.93%	4.5%	4.7%
2007	2,831,414	0.2%	146,505,034	0.98%	4.3%	4.7%
2008	2,842,252	0.4%	146,198,116	-0.21%	5.3%	5.8%
2009	2,749,657	-3.3%	140,870,681	-3.64%	8.3%	9.3%
Sep-10	2,694,392	-2.0%	140,797,785	-0.05%	8.7%	9.2%
Overall Change 1999-2009	-52,034	-1.9%	4,508,571	3.31%		
Avg. Unemp. Rate 1999-2009					5.3%	5.8%
Source: Texas A&M Real Estate Center						

Although many areas suffered drops in employment over the last decade, the Philadelphia-Camden-Wilmington MSA underperformed the United States, which experienced an increase in employment of 3.31% or 4,508,571 jobs over the same time period. Considering that trends in employment are a key indicator of economic health, which exhibits a strong correlation with real estate demand, the outlook for the local MSA is negative.

As summarized below, the majority of the Philadelphia-Camden-Wilmington MSA consists of “white collar” jobs, with a slightly larger percentage as compared to the United States, followed by “blue collar” and “service” sector jobs.



Household Income

The following table summarizes household income growth in Philadelphia-Camden-Wilmington MSA, and the United States:

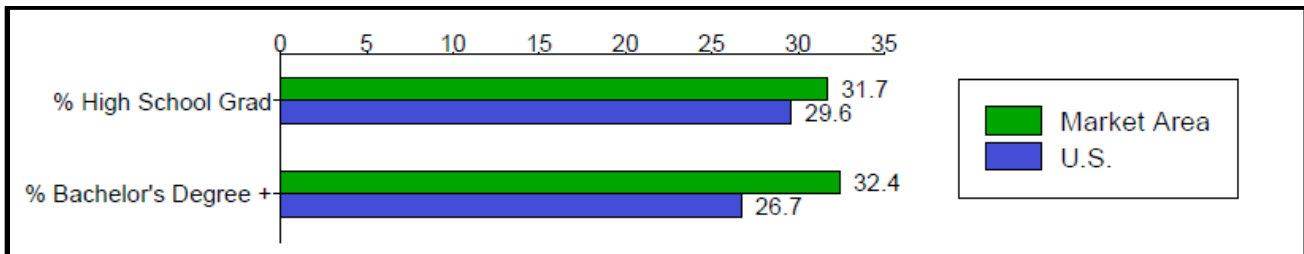
Median Household Income Growth					
Area	Annual %		Projected	Annual %	
	2000	2010		Change	2010-2015
MSA	\$48,201	\$64,648	3.41%	\$74,610	3.08%
United States	\$42,164	\$54,442	2.91%	\$61,189	2.48%

Source: STDB Online

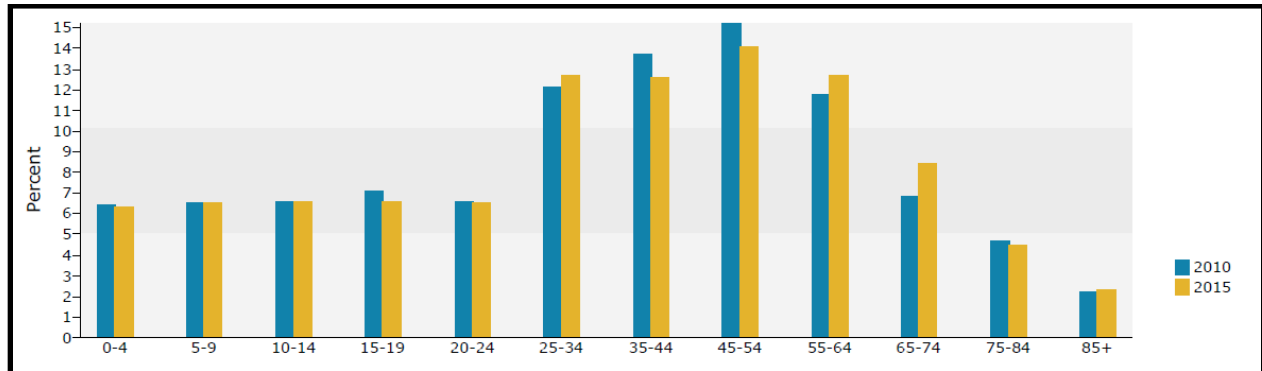
As summarized above, median income for the local MSA has historically exceeded that of the United States. This trend is expected to continue for the foreseeable future, with annual growth projected to be 3.08% and 2.48% for the local MSA and the United States, respectively.

Education and Age

As summarized below, residents of the Philadelphia-Camden-Wilmington MSA are more educated than the United States, on average, with 31.7% of the population receiving high school diplomas compared to only 29.6% for the United States; and 32.4% attaining Bachelor’s Degrees compared to 26.7% for the United States.



As depicted below, the median age of the Philadelphia-Camden-Wilmington MSA population is 38.5 years in the current year, compared to 36.7 for the United States, for the same time period.



Conclusion

The Philadelphia-Camden-Wilmington MSA is the 5th largest metropolitan area in the U.S, out of 363 Metropolitan Statistical Areas. Population and household growth for the MSA trailed the United States from 2000 to 2010; and these trends are expected to continue, although increasing at decreasing rates. Positively, human capital at the MSA-level is more educated as compared to the United States as a whole. Although many areas suffered drops in employment over the last decade, the Philadelphia-Camden-Wilmington MSA underperformed the United States, overall, with a net decline of -52,034 jobs, or -1.9% from the period of 1999 to 2009; this compares to the U.S., which experienced an increase in employment of 3.31% or 4,508,571 jobs over the same time period. Considering that trends in employment are a key indicator of economic health, the outlook for the local MSA is negative.

Condominium Market Analysis

Target Population

Condominiums can potentially attract young singles, childless young couples, households with a baby, and empty nesters or retirees. The elderly population is the largest growing segment. These aging baby boomers could be attracted to the community, location, and services that a condo development at Pennhurst could provide. Furthermore, young professionals working along the Route 422 could be more attracted to this housing option compared to a single-family home. Condos are especially attractive to households without a child. Second-home owners in the greater area could also be targeted.

Market Area Trends

The primary market area for which the condominium project would be expected to receive about 80% of its occupants would be the 50-minute driving time radius. This includes downtown Philadelphia and its suburbs. This will not only include retirees, but also second family homes who are looking to vacation to Pennhurst over the weekend. Surrounding urban areas outside this radius can also be targeted, such as Camden, New Jersey, specifically for the second home market and retirees who are looking to migrate from their city of residence to rural areas. However, the primary market will be the 30-minute drive range; Chester and Montgomery Counties. However, considering the potential draw for second home buyers, and those that might want to own homes in several locations, the market could be even be outside of the local 50-minute drive area.

Home Ownership.

Home ownership dropped from 2006-2008 as the for-sale market weakened. By 2008, only 67.8% owned their homes, down from 68.9% in 2005ⁱ. Home-ownership can be expected to stay at this level while lending standards are tightened.

Factors affecting home ownership

Household size continues to drop as marriage is delayed, families have fewer children, and more single people live alone. 2007, average household size dropped to 2.76. Percentage of single person households as a percentage of total households has grown from 17.1% in 1970 to 26.8% in 2007. According to the Harvard Joint Center for Housing Studies, growth in persons living alone will account for 36% of total household growth in 2020. ³/₄ of this gain will be senior citizens. However, smaller households do not necessarily prefer smaller homesⁱⁱ. Small households that will attract young singles, couples and roommates without children, empty nesters, and seniors, will expect increase in demand even in the absence of absolute population growth.

Young people, including couples and singles, are choosing location criteria more on the basis of convenient access to work, restaurants, and entertainment, and maintenance services provided by community association or a condominium board as opposed to suburban features that their parents were attracted to (ibid). Pennhurst would be particularly appealing to these groups, especially considering the multi-use development and new-urbanism communities that are planned for the Route 422 area.

However, homeowners are much less likely to move as opposed to renters. Only 7% of homeowners move in any given year, compared with 30% of renters. The main reason for homeowner movement is due to better jobs or climate, which are not relevant in Pennhurst.

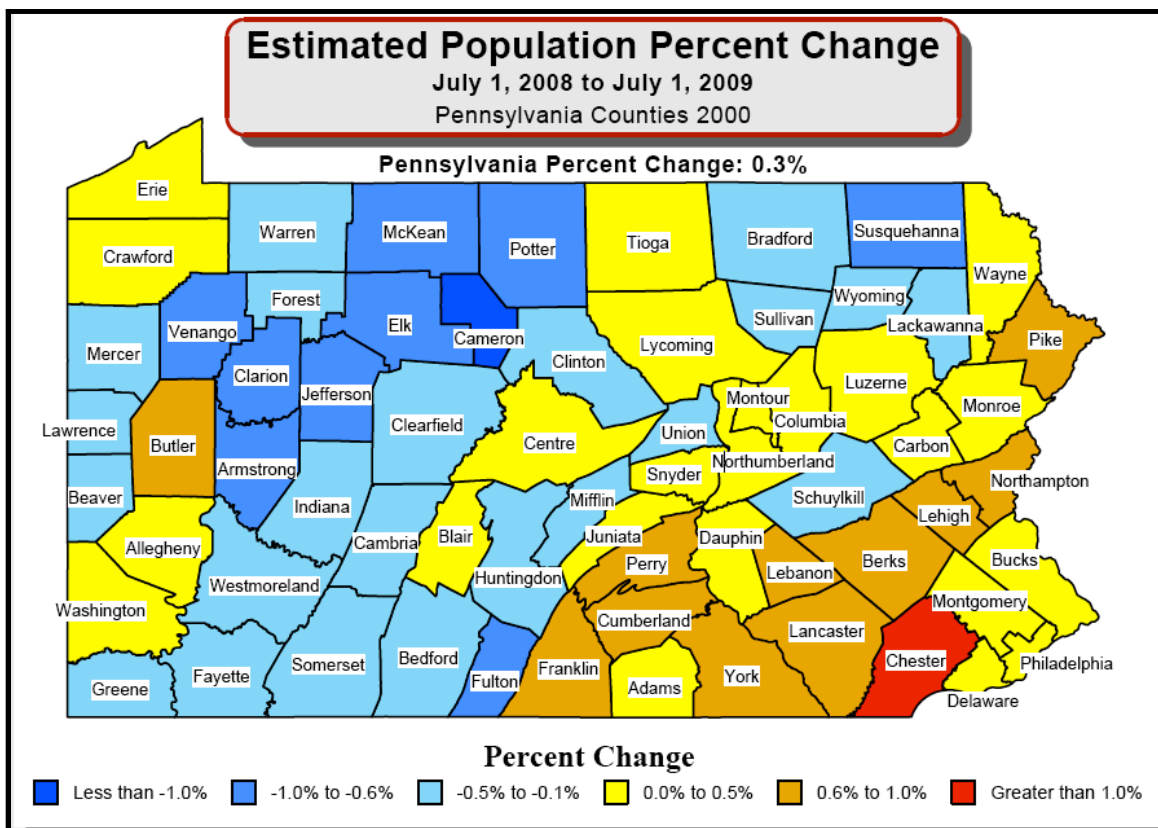
Affordability is also a main concern, as many families are unable to find shelter that costs less than the recommended 30% of their income. Many others can only afford payments if both members of the

household are working. 30.4% of homeowners paying more than 30% of income (ibid). Condominiums are a more affordable housing choice than single-family detached homes.

Demographics

Projected Population Growth

As mentioned, Chester county is Pennsylvania’s fastest growing county, gaining 5,613 people, or a 1.1% change from 2008 to 2009, and has grown by 15.1 percent or 65,393 persons since April 1, 2000. Chester County also had the one of the largest natural population increases in Pennsylvania (births outpacing deaths), gaining 25,138 people since 2009. Chester also experienced the largest net in-migration, with 45,959 new people moving into the area from 2000 to 2009. Since 2000, Montgomery is currently one of the most populous counties in PA. These counties can be expected to continue this growth, which will be supportive of new housing developments.



Source: DVRPC

Short-term projections: 2014

Data from Claritas was used to predict population growth in the area. The population in the Philadelphia-Camden-Wilmington MSA is projected to grow 1.72% from 2009 to 2014 (from 5,852,669 to 5,953,277). Chester and Montgomery counties are expected to grow by 3.99% from 2009 to 2014 (from 1,276,080 to 1,327,039). The population within the 50 minute drive time from the Pennhurst Campus is expected to

increase by 1.44% from 2009 to 2014 (from 3,274,729 to 3,321,946). The more immediate area is expecting larger growth. The population within a 30-minute drive time is expected to grow by 5.87% from 2009 to 2014 (from 502,072 to 531,519), and within 20 minutes 7.01% growth is expected (from 196,067 to 209,812). The areas west of Philadelphia along US 422 are already seeing migration of wealthy individuals and families outside of the city, and Chester County, one of the wealthiest counties in PA, is in prime location to receive them.

Long-term projections: 2020

Based on the Pennsylvania State Data Center, the total population of Pennsylvania is estimated to projected to grow 2.64% from 2010 to 2020 (from 12,540, 718 to 12,871,823). Chester and Montgomery counties are expected to grow above this state average. Chester is expected to grow by 16.23% from 2010 to 2020 (from 519,979 to 604,385), and Montgomery is expected to grow 5.05% from, 2010 to 2020 (from 813,853 to 854,994). This shows sustainable growth to support housing projects in the long term.

Age Groups

One of the primary age demographics for condominiums will be the aging population. These include empty nester who will be seeking to downsize, and senior citizens who will be looking to either retire to more quiet areas and have the community, amenities, and services that condominiums provide.

According to the Pennsylvania Department of Aging, Pennsylvania has the third highest percentage of people over age 60, with 20% of the state population over the age of 60. By the year 2020, Pennsylvania's 60 and older population is expected to be 25% of the total population - more than 3 million people. The majority of the "baby boomers" will be over age 60 by that time. The 65 and older population is projected to increase to 2.3 million and the 85 and older population to about 363,000.

Over the next 10 years, the number of elderly age 60 and older is projected to increase by about 9% to 2.6 million people. The number of elderly ages 60 to 74 will increase by about 15% to 1.6 million; the number of people age 75 to 84 will decrease by 11% to 623,000 and the number of 85 and older will increase by more than 50% to 365,000.

Currently, Pennsylvania ranks 4th in percentage of population over the age of 65, with 15.5%. By 2030, the state will have 22.6% of the population over 65, bringing it to 11th.

The average age for males and females in the MSA is about 40 years. The average age in Chester and Montgomery counties is 50, which can be attributed to the local Veterans Hospital.

Condominium Demand

According to Claritas, the number of households is expected to increase by 14,322 from 2009 to 2014 (from 337,882 to 352,204). Multifamily can be expected to absorb much of this increase.

Second Home Buyers

The NAR reports that 5.3% of homes are second homes, with 21% of these owners possessing multiple properties in different locations. Second home markets are made up of households whose heads are in their 40s and early 50s, with incomes in the top 10% of all households. However, only a small percent of these affluent middle-aged households actually buy second homes. Accessibility are primary draws, particularly close to airports and ones that serve private planes. Driving time of owner's primary residence is pivotal consideration.

In the Philadelphia-Camden-Wilmington MSA, the 45-54 age group range that makes over \$125,000 is projected to grow 20.22% from 2009 to 2014 (from 123,701 to 148,724). This can represent the potential second home buyers who would be attracted to Pennhurst because of its seclusion and distance from their primary homes. Within in a 30 minute from Pennhurst, this age and income group is estimated to grow 26.52% from 2009 to 2014 (from 15,464 to 19,565). This is representative of the potential second home buyers who are attracted to Pennhurst because of its vicinity to their primary home.

The average Effective Buying Income in the MSA for is estimated to grow 11.2% from 2009 to 2014 (from \$62,811 to \$69,846), while in Chester and Montgomery Counties the equivalent is expected to grow 11.62% (from \$82,747 to \$92,365).

Wealth is a more precise measure when looking at move-up for sale communities (those targeted to existing homeowners). Many of these potential buyers are retired, and therefore do not have high incomes, but have many high net-worth assets. The estimated average household net worth in the MSA is expected to grow 13% from 2009 to 2014 (from \$360,408 to \$407,257), while the equivalent in Chester and Montgomery counties is estimated to grow 12.1%.

Therefore, the market will be strong for second home-buyers in the larger area and short distance.

Future Development and Job Growth

The Delaware Valley Regional Planning Commission performed a study estimating the future development along the US 422 Corridor. If past trends continue, there will be 28,000 new jobs created in this region, which will require the addition of 21,000 housing units. However, this will mostly entail low density residential development on open land along the Corridor.

One short to medium term strategy is to convert single-use commercial tracts to mixed-use developments, encouraging a "vertical" mixing of uses with retail on the ground floor and residences above. This will allow for close nit, walkable communities, and avoid urban sprawl. The public costs for this strategy are relatively low, and it will require the collaboration with property owners and investors. Condominiums would be conducive to this plan, allowing for vertical mixed use residents. In the long term, the DVRPC hopes to locate the majority of residential units within ¼ mile of transit stations. This will also require zoning changes and working with the municipalities.

The DVRPC explains that as funding becomes scarce and sustainability is stressed, there is a need to maximize ways to use the existing facilities and infrastructure. Pennhurst presents an existing facility along a rapidly congestion and soon to be expanding route.

Home Ownership and Rental Figures

	Rate	# Units
# Occupied Housing Units		
Chester County:		175,047
Montgomery County:		299,280
Owner-Occupied Units		
Chester County:	78%	136,587
Montgomery County:	75%	224,460
% Change in Home Ownership (2000-2007)		
Chester County:	13.30%	
Montgomery County:	6.70%	
Renter-Occupied Units		
Chester County:	22%	38,510
Montgomery County:	25%	74,820
% Change in # Renters (2000-2007)		
Chester County:	2.90%	
Montgomery County:	-1.3%	

% Housing Units Vacant	
Chester County:	4.60%
Montgomery County:	4.60%
% Housing Units Vacant that are seasonal, recreational, or occasional use (Difference is what is for sale)	
Chester County:	9.10%
Montgomery County:	5.70%

Source: Claritas

Data from the Center for Rural Pennsylvania suggest that home ownership has been on the rise for both counties, especially Chester County. In both counties, the increase in home ownership outpaced the increase in # of renters, which actually decreased in Montgomery County. The average home ownership rate is 76.5%. As previously mentioned, the projected increase in households in both counties for 2014 is 14,322 units. Therefore, 10,957 new owner-occupied units are needed to fill this demand. However, as will be mentioned later, these figures are taken during the housing bubble, and currently home ownership is less desirable. Furthermore, the percentage of vacant housing units, especially for sale units, can be expected to increase because of this.

Condominium Affordability

Average cost of condo, townhouse, or other attached unit in 2008¹¹

Chester County: \$267,029

Montgomery County: \$239,394

Pennsylvania: \$161,921

The average price of a condo in Chester County and Montgomery County is \$267,029 and \$239,394 respectively, for an average of \$253,211 (well above the state average of \$161,921). Assuming a thirty-year mortgage with 5% interest, one can expect an average annual payment of \$16,471.74, or a monthly payment of \$1,372.58.

The median household income in these counties is \$77,908, or \$6,492.33 monthly. Assuming that home costs will be no more than 30% of their income, home owners can afford monthly payments of \$1,947.70. Therefore, condominiums are generally within the buying range of most people in the area. From the perspective of Effective Buying Income, 93.42% of the local populace can afford the average condo payment.

Comparing this to other home types, the median monthly housing cost for a single family home with a mortgage is \$2,153 in Chester County, and \$2,012 in Montgomery County, which averages \$2,082.5. With the median income allowing maximum payments of \$1,947.70, the cost of a single family house mortgage is too

expensive for a large portion of the local population. From the perspective of Effective Buying Income, only 86.36% of the population in these counties can afford this price, which is about 7% less than those that can afford the average condo payments. Condos are the more available home ownership option.

While the Philadelphia region participated less in speculation, easy lending, and overbuilding in the housing bubble, and therefore suffered less than the rest of the U.S., housing has still suffered, especially second-home and condo markets. According to the Philly Inquirer, prices for condos in the Philadelphia region fell 7.9% from their peak, to a median price of \$240,000 in the second quarter of 2010, and are estimated to dip 4.2% until 2011. However, the worst 12-month period ended in the first quarter of 2009.

Condo Types

These estimates have assumed that condos at Pennhurst will be priced according to affordability for the surrounding populace, and would track average condos and home prices in the area. However, two other options exist: 1. a possibly co-government subsidized or sponsored affordable housing or independent living for seniors, or 2. luxury condominiums. Independent living condominiums would target aging senior in the area or in the MSA who would want to retreat to a more secluded area and take advantage of a community atmosphere and reduced maintenance responsibilities.

One such development is the Autumn Green in Chicago, developed by Senior Lifestyle Corporation. These apartments and condos are independent living for senior citizens, with affordable options. Seniors are attracted by comprehensive dining and community events, which can be another source of revenue or an all-inclusive package. Kendall at Ithaca more closely resembles Pennhurst, as it is located in a remote, rural location. Kendall features attached cottages as well as independent living units. In many of these developments, there are actually a range of service levels types, and health care assistance options, as is explained in Senior Housing section. These developments can also have mixed occupants, including seniors, and younger couples and families.

Luxury condominiums are also a viable option. As mentioned, the average household income in both counties is far above the state average of \$66,976, with \$111,683 in Chester and \$102,693 in Montgomery County. Average household value is also above the state total of \$155,400, with \$338,000 for Chester and \$302,100 for Montgomery. Condos in these counties also tend to be larger, with 7.1 rooms in condos on average compared to the 6.4 room state average. Pennhurst buildings would therefore lend themselves nicely to conversion to large condominiums, and the scenic surroundings and traditional architecture could also be conducive to a luxury product type.

Median Housing Value, 2006-08

Chester County	\$338,000
Montgomery County	\$302,100
Pennsylvania State Total	\$155,400

Average Household Income, 2006-2008

Chester County	\$111,683
Montgomery County	\$102, 693

Pennsylvania State Total

\$66,976

Source: City-Data



Kendal at Ithaca



Autumn Green in Chicago

Condominium Supply

Reis reports the delivery of 427 condominium units in 2010, and 60 so far for 2011. The overall vacancy rate for multifamily units in Philadelphia is 6.3%, with a year to date net absorption of 335. This surge of new supply is responding to a period of limited supply across the region. Most of the competition for a condo development at Pennhurst would come from the Village at Valley Forge, in King of Prussia. 400 units have been under construction, and 300 more are planned. The 388 unit Lofts at Valley Forge have also been completed. Closer to Pennhurst campus is the proposed Vincent Village, a multi-use development with 393 condominium units located in Northeast Chester/ Upper Montgomery County along Route 724.

On a national scale, condominium and multifamily starts are outpacing single family starts, as home ownership, especially detached homes, are less desirable. The Commerce Department reported that multifamily starts rose 32.2% for rental apartments and condos, compared to 4.3% for single-family starts. Permits can be more important than starts, as these signal future speculation. Multifamily permits rose 9.8%, compared to the 1.2% drop for single-family units. According to the National Association of Homebuilders, a three year decline of multi-family construction has got some builders trying to replenish the supply. However, because of a large inventory of unsold condos, more construction could potentially push some markets towards a condominium bubble. Difficulty finding construction financing has affected the single-family market more than buyer apathy.

With the more than 13,000 units of housing completed since 1990 in Philadelphia, rental demand continues to exceed the supply, and is clearly the stronger market. As is sometimes the case, in Philadelphia, several failed for-sale condo projects have been converted to rentals. Parkway Corp. recently purchased American Lofts from Abington Bank, which foreclosed the developers of a 40-unit condo project in June this year, shifting the building to rental. However, the DVRPC plans for a much more single-family development along Route 422 compared to multi-family.

Conclusion

It appears that the market for condominiums in Pennhurst is positive. With population increase in the surrounding counties, part of this will be made up of the elderly, second home buyers, and young adults that would be attracted to this type of development. Furthermore, the creation of new jobs along Route 422 will demand 21,000 housing units. Despite home low national home ownership levels, home ownership will be on the rise, and 10,957 new owner-occupied units will required to fill the demand by 2014. Lastly, about 7% more people can afford the average condominium than single-family detached houses.

Seniors Housing Market Analysis

Delineation of Primary Market Area

According to the *Dictionary of Real Estate Terms, 7th Edition*, a property's PMA (Primary Market Area), is the geographic region from which one can expect the primary demand for a specific product or service provided at a fixed location. As it relates to Seniors Housing, according to various industry sources, the primary market area of a seniors housing facility is determined by the density of the population, the proximity of competing properties, and the ease of transit in the surrounding area. According to *The Assisted Living Industry, 2009 Overview*, the primary market areas for urban, suburban and rural facilities are summarized as follows:

Distance	Distances That Residents Relocated From		
	Assisted Living	Assisted & Independent Living	CCRC
Less Than 5 Miles	40.00%	43.50%	52.20%
5 to 10 Miles	20.40%	20.00%	16.40%
11 to 25 Miles	20.00%	15.30%	13.40%
25 to 50 Miles	7.30%	5.90%	6.00%
More Than 50 Miles	12.40%	15.30%	11.90%

Source: *The Assisted Living Industry, 2009 Overview*

A number of factors tend to define a market area. One important factor is density. In rural areas, it may be many miles between towns large enough to sustain services, and residents are accustomed to driving significant distances to access services. Conversely, in urban or suburban areas, a resident may have a choice of competing services within a short drive of his or her home and will normally select the more proximal service provider or the service provider more convenient to access. Physical barriers can also shape market areas. Rivers, lakes, streams, military bases, and major highways are all examples of barriers that can constrain market areas. Barriers can also be psychological. For example, it is common for persons who live on one side of a highway to seldom access services in a similar area on the opposite side of the freeway, even though access is not constrained. Likewise, persons living in a given town or country are often reluctant to access services in an adjacent town or county. The location of competing facilities is also a factor to consider. In market areas served by a greater number of competing facilities, the primary drawing area for each facility tends to be smaller since residents of the market area tend to access the service provider nearest their location. Each of these factors is considered in the delineation of the subject's PMA.

Density

Per our inspection of the subject property and surrounding area, we consider the market to be **rural**. Accordingly, residents will likely have to drive large distances from the subject property to access services. This gives us a general idea that our primary market area will **larger** than average.

Physical Barriers

No significant natural boundaries were discovered that limit the subject's market area. However, we consider US Highway 422, (Pottstown Expressway), the major area highway running northwest/southeast, to limit the primary market area to the southwest-side of the highway.

Psychological Barriers

We discovered no significant psychological barriers that would impact the subject's market area.

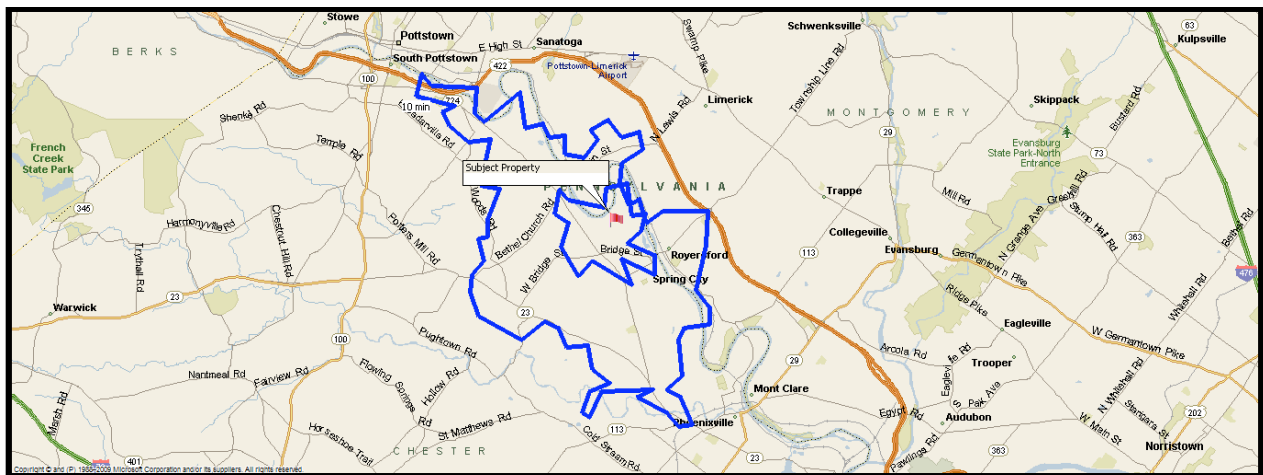
Location of Competing Facilities

There are numerous competing facilities in the area surrounding the subject, as summarized in the chart below.

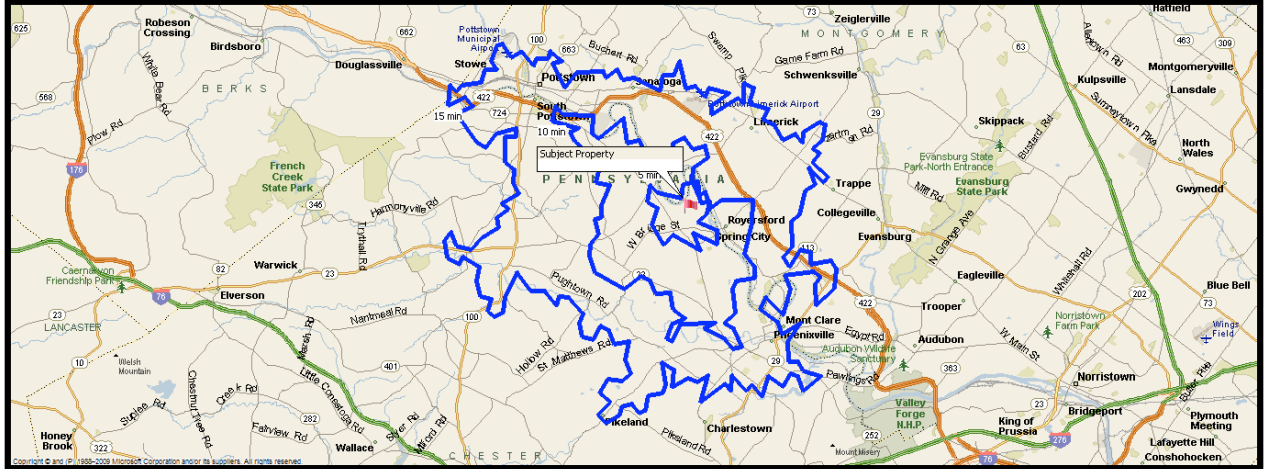
Location of Competing Facilities						Distance From
Property Name	Address	City	County	State	the Subject	
Arden Courts - King of Prussia	620 West Valley Forge Road	King Of Prussia	Montgomery	PA	10.8	
Golden LivingCenter - Phoenixville	833 South Main St	Phoenixville	Chester	PA	5.5	
The Colonnade of Schwenksville	300 Perkiomen Ave	Schwenksville	Montgomery	PA	6.6	
Columbia Cottage - Collegeville	901 East Main Street	Collegeville	Montgomery	PA	5.3	
Coventry Manor Nursing Home	3031 Chestnut Hill Rd	Pottstown	Chester	PA	6.8	
Frederick Mennonite Home	2849 Big Road	Frederick	Montgomery	PA	7.9	
Highgate At Paoli Pointe	600 Paoli Pointe Drive	Paoli	Chester	PA	10.8	
Chester Valley Nursing And Rehab Center	283 E Lancaster Avenue	Malvern	Chester	PA	10.5	
Manatawny Manor	Old Schuylkill Rd	Pottstown	Chester	PA	2.2	
ManorCare Health Services - King Of Prussia	600 West Valley Forge Road	King Of Prussia	Montgomery	PA	10.8	
ManorCare Health Services - Pottstown	724 N Charlotte St	Pottstown	Montgomery	PA	5.8	
Exton Senior Living	600 N Pottstown Pike	Exton	Chester	PA	10.3	
Parkhouse	1600 Black Rock Rd	Royersford	Montgomery	PA	3.5	
Sanatoga Court/ Sanatoga Manor Nursing And Rehab Center	225 Evergreen Road	Pottstown	Montgomery	PA	3.3	
Shannondell At Valley Forge	10000 Shannondall Dr.	Norristown	Montgomery	PA	9.2	
Exton, Sunrise of	200 Sunrise Boulevard	Exton	Chester	PA	10.6	
Paoli, Sunrise of	324 West Lancaster Ave	Malvern	Chester	PA	10.5	
Woodbridge Place	1191 Rapps Dam Road	Kimberton	Chester	PA	3.7	
Arbour Square of Harleysville	695 Main St	Harleysville	Montgomery	PA	10.8	

As mentioned earlier, in market areas served by a greater number of competing facilities, the primary drawing area for each facility tends to be smaller, working against a rural population density.

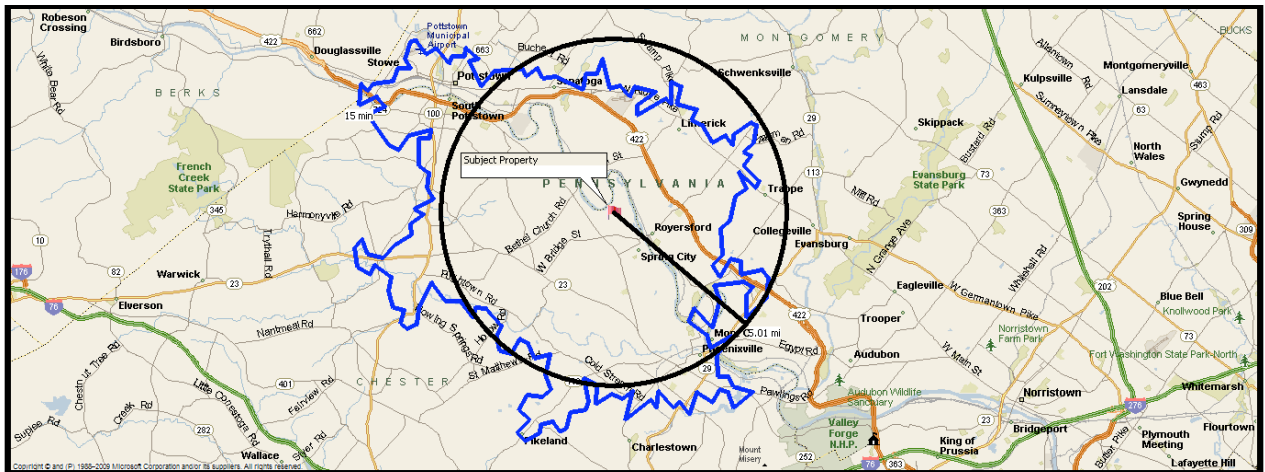
We apply our qualitative criteria above to our drive-time map in order to narrow down our PMA delineation.



As shown above, the 5-Minute and 10-minute drive-times provide limited access to major area highways and surrounding support services. Accordingly, we look to a larger, 15-minute drive-time, shown below.



As shown above, a 15-mile drive-time provides adequate access to major area highways and surrounding support services. Furthermore, considering physical and psychological barriers, the density of the population, and the concentration facilities, we have concluded that an appropriate Primary Market Area (PMA) for the subject is the area within a 15-minute drive-time of the subject property, or 5-mile radius as shown in the map on the following page. It is important to note, this coincides with the demand that the subject property is likely to generate as its most probably use, a CCRC, or *Continuing Care Retirement Community*, in which 52.50% of the subject's resident will come from within a 5-mile radius.



History & Character of the Primary Market Area

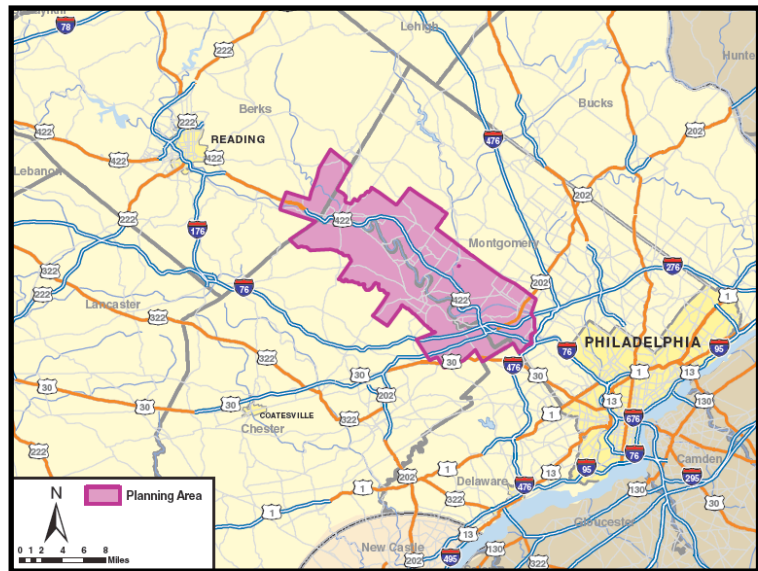
The subject property is located within Spring City, Chester County, Pennsylvania. According to the United States Census Bureau, the city has a total area of 0.8 square miles, of which, 0.8 square miles of it is land and 0.1 square miles of it (7.32%) is water.

According to Wikipedia.com, Spring City, Pennsylvania has a rich history: at the turn of the 20th century it was a growing, vibrant and complete community. There was all of the industrial development, agricultural development, and commercial enterprise needed to support a growing town. Schools, churches, and numerous social organizations were growing with the population. For recreation there were two movie theaters on Main Street, an amusement park just outside of town that could be easily reached with a short trip on the trolley. Horse racing at the track on Wall Street was also very popular and attracted people from several nearby states. The canal was used for boating and fishing during the summer months and ice skating in the winter. Trains ran on a regular schedule for those wishing to travel to Reading or Philadelphia and beyond. Although progress and the passing of time has changed the face of Spring City, the 21st century brings promise, as the citizens who live here today are infused with the spirit and resolve of those who originally settled here.

Notable Developments Impacting the Area

The most notable development impacting the subject's primary market area is the *US 422 Corridor Planning Area*. From King of Prussia to southeastern Berks County, this area covers a considerable land mass, encompassing over 200 square miles in southern Montgomery, northern Chester and southern Berks Counties, Pennsylvania. The corridor is approximately 25 miles long, spanning three counties and encompassing 24 local municipalities.

According to the US 422 Summary Report, dated October 2010, the study area, a landscape of rolling hills, is bisected by the Schuylkill River. The river valley ways was an important transportation route in the eras of canals and railroads, connecting Philadelphia and its port with the rich, coal, iron ore and lumber regions to the north and west. The older communities within the planning area (now boroughs) are either river towns or are located along Ridge Pike. The most densely developed and heavily populated area is King of Prussia to the east. Home to one of the nation's largest shopping malls, King of Prussia is located at the interchange of the Pennsylvania Turnpike and the Schuylkill Expressway. This edge city grew extensively after the completion of the interchange between the two expressways and is now a major retail and employment center. This growth extends along the US 202 corridor. Similarly, the growth of newer and emerging suburban areas is being fueled by access to US 422.



US Highway 422 is probably the single most important and fastest growing suburban expressway in the Philadelphia suburban region, carrying over 100,000 vehicles (AADT) on some eastern sections. Accordingly, a master plan has been set forth to provide a unified framework and vision for land use and multi-modal transportation planning to deal with rapid growth and heightening traffic congestion in the corridor. The efforts to make this corridor a more navigable route, in anticipation of a growing population density and increased vehicular traffic, should have a notable, positive impact on the subject's primary market area well into the future.

Access/Linkages

As discussed earlier, the subject site has frontage along Commonwealth Drive and Veterans Drive, both secondary neighborhood thoroughfares, with neither providing primary interior neighborhood ingress-egress. Rather, they serve as feeder streets from the subject site to more primary thoroughfares, primarily Pennhurst Road. As discussed in the prior section, the primary arterial feeding the subject's market area is US-422.

Police/Fire Protection

Police and fire protection is provided by Spring City and East Vincent Township.

Schools

The local area is served by the Spring-Ford Area School District. The school district includes seven elementary schools, a 5-6 Grade Center, 7 Grade Center, 8 Grade Center, a Senior High School, and West Montgomery Career & Technology Center.

Medical

The nearest hospital is, Phoenixville Hospital, located 5.3 miles southeast of the subject property. Phoenixville Hospital is a 153-bed acute-care facility with clinical partnerships with the University of Pennsylvania Health System, The Children's Hospital of Philadelphia, and The Philadelphia Hand Center. The hospital provides comprehensive medical services through approximately 25,000 emergency room visits, 8,200 inpatient admissions, and more than 700 community outreach programs annually. Approximately 1000 babies are delivered each year. A full range of services and programs are offered, including an award-winning cardiovascular program, fully-accredited cancer center, comprehensive women's health services, as well as other specialty areas.

The Phoenixville Hospital Outpatient & Surgery Center at Limerick, located just off Route 422, offers diagnostic imaging, outpatient surgery, pain management, wound care, and other services. Physician offices at Limerick include primary care, pediatrics, ob/gyn, The Philadelphia Hand Center, and other specialties.

Social Forces

An analysis of PMA demographics relative to other statistical comparison groups yields insight into the nature of the PMA. The sources of data include 3rd party demographic sources such as Claritas and Site To Do Business, as follows:

Population Growth

The following table summarizes population growth in the subject's 5-mile PMA, and the United States:

Population Growth					
Area	2000	2010	Annual % Change 2000-2010	Projected 2015	Annual % Change 2010-2015
PMA	76,294	89,602	1.74%	94,634	1.12%
United States	281,421,906	309,038,974	0.98%	321,675,005	0.82%
Source: Claritas					

As summarized in the chart above, annual population growth for the subject's PMA led the United States from 2000 to 2010. This trend is expected to continue, although increasing at a decreasing rate, estimated at 1.12% per year.

Household Growth

The following table summarizes household growth in the subject's 5-mile PMA, and the United States:

Household Growth					
Area	2000	2010	Annual % Change 2000-2010	Projected 2015	Annual % Change 2010-2015
PMA	29,417	34,852	1.85%	36,950	1.20%
United States	105,480,101	116,136,617	1.01%	120,947,177	0.83%
Source: Claritas					

Similar to population trends for the local MSA, annual household growth for the subject's PMA led the United States from 2000 to 2010 and is expected to continue, increasing at a decreasing rate, projected at 1.20% per year.

Income Levels

The following table summarizes household income growth in the subject's 5-mile PMA, and the United States:

Median Household Income Growth					
Area	2000	2010	Annual % Change 2000-2010	Projected 2015	Annual % Change 2010-2015
PMA	\$51,099	\$76,598	4.99%	\$90,101	3.53%
United States	\$42,164	\$54,442	2.91%	\$61,189	2.48%
Source: STDB Online					

As summarized above, median income for the subject's PMA has historically exceeded that of the United States. This trend is expected to continue for the foreseeable future, with annual growth projected to be 3.53% and 2.48% for the PMA and the United States, respectively.

Market Area Type

Almost every seniors housing market area has its own nuances and unique characteristics. However, most market areas can be classified as falling into one or more of the following market area types.

Adult Child Market

According to a number of published studies, the children of the elderly often participate in the decision of where and when an elderly person or couple relocates. It is very common for the elderly to relocate to a seniors housing facility near their children. Thus, adult child markets are markets where there are relatively high concentrations of persons in the 45 to 64 age bracket, as persons in those age groups are likely to have parents that are candidates for senior housing. Most adult child markets are also characterized as moderate to high-income areas, as such children generally have more of an impact on the decisions of their parents. Adult child markets are generally areas where there are good job opportunities, creating an influx of wage earning households. Adult child markets depend, to a large extent, upon in-migration of seniors to fill seniors housing facilities.

Aging in Place Market

An aging in place market is a market where seniors tend to remain near their original homes when it becomes desirable or necessary to move into seniors housing. Such markets are typically found in older, well-established areas where there are a variety of services and amenities that seniors do not want to abandon. Relatively high senior income levels and a high ratio of senior households relative to adult child households generally characterize such markets. These markets generally experience minimal in-migration of seniors and may experience some out-migration, as some seniors will elect to relocate to be nearer adult children.

Destination Retirement Market

A percentage of seniors, typically the more active seniors, will seek out seniors housing facilities in areas where the climate and the recreational opportunities are attractive. These markets depend on in-migration of seniors to fill facilities.

Out-Migration Market

Some market areas do not retain a high percentage of seniors when it comes time for relocation to a seniors housing facility. Such market areas tend to have one or more of the following characteristics: adverse climates, high cost of living, or lack of services. While facilities can be successful in such markets, out-migration will reduce the pool of potential residents.

In order to determine the appropriate market for the subject property, we have examined the following characteristics:

Market Area Characteristics		
Item	PMA	USA
Total Population		
2010 Population	89,602	309,038,974
Forecasted 2015 Population	94,634	321,675,005
Forecasted Annual Growth, 2010-2015	1.12%	0.82%
Adult Child (45-64) Population		
2010 Population 45-64	24,719	80,007,649
Forecasted 2015 Population 45-64	27,263	84,186,715
Forecasted Annual Growth, 2010-2015	2.06%	1.04%
2010 Age 45-64 Pop. as % of Total Pop.	27.59%	25.89%
65+ Population		
2010 Population 65+	11,135	40,678,969
Forecasted 2015 Population 65+	13,318	46,983,879
Forecasted Annual Growth, 2010-2015	3.92%	3.10%
2010 Age 65+ Pop. as % of Total Pop.	12.43%	13.16%
75+ Population		
2010 Population 75+	5,326	19,098,611
Forecasted 2015 Population 75+	5,726	20,513,860
Forecasted Annual Growth, 2010-2015	1.50%	1.48%
2010 Age 75+ Pop. as % of Total Pop.	5.94%	6.18%
85+ Population		
2010 Population 85+	1,759	5,931,055
Forecasted 2015 Population 85+	2,011	6,588,006
Forecasted Annual Growth, 2010-2015	2.87%	2.22%
2010 Age 85+ Pop. as % of Total Pop.	1.96%	1.92%
Income Levels		
Median Household Income, All Ages	\$76,094	\$52,795
Median Income Level Age 65 to 74	\$44,372	\$39,819
Median Income Level Age 75 to 84	\$30,767	\$29,848
Median Income Level Age 85+	\$26,736	\$24,044
Source: Claritas		

In our evaluation of each demographic cohort as it compares to the United States, we consider the subject's market area to be an adult-child type market, with above average forecasted growth of 2.06% for 2010-2015, representing approximately 28% of the total population. Recall that adult child markets depend, to a large extent, upon in-migration of seniors to fill seniors housing facilities.

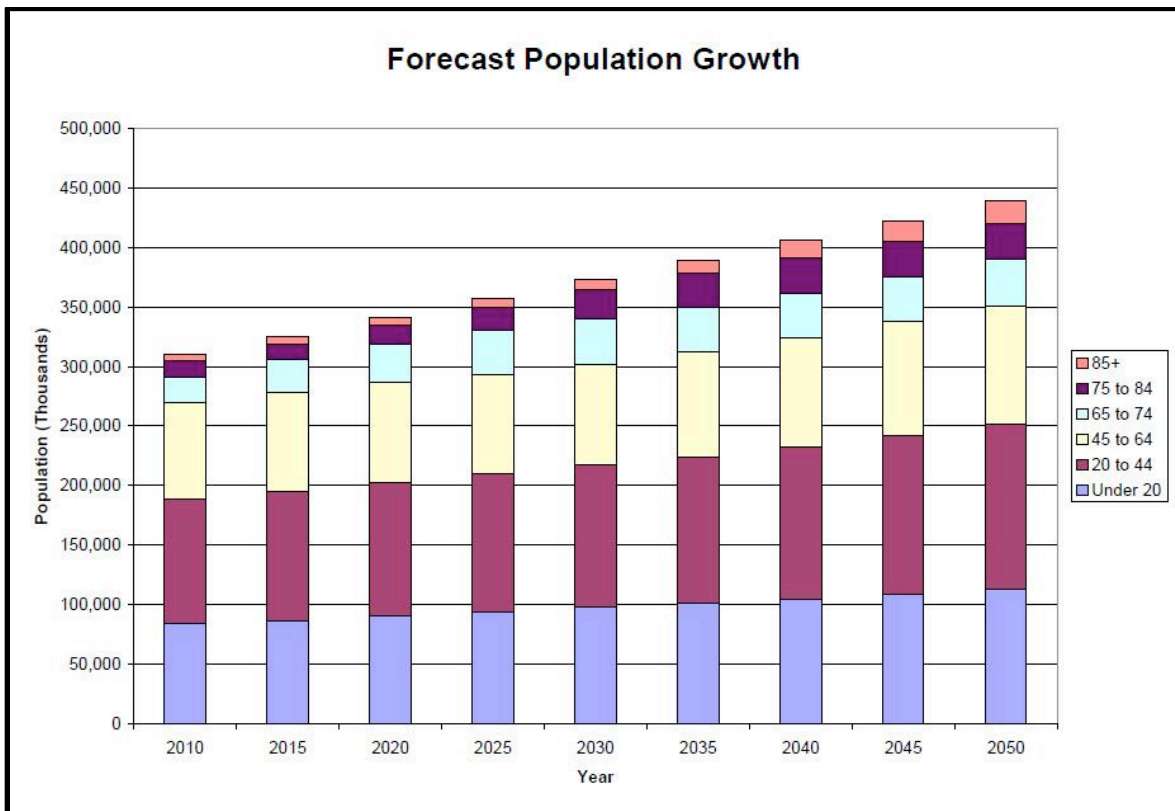
National Supply & Demand Trends

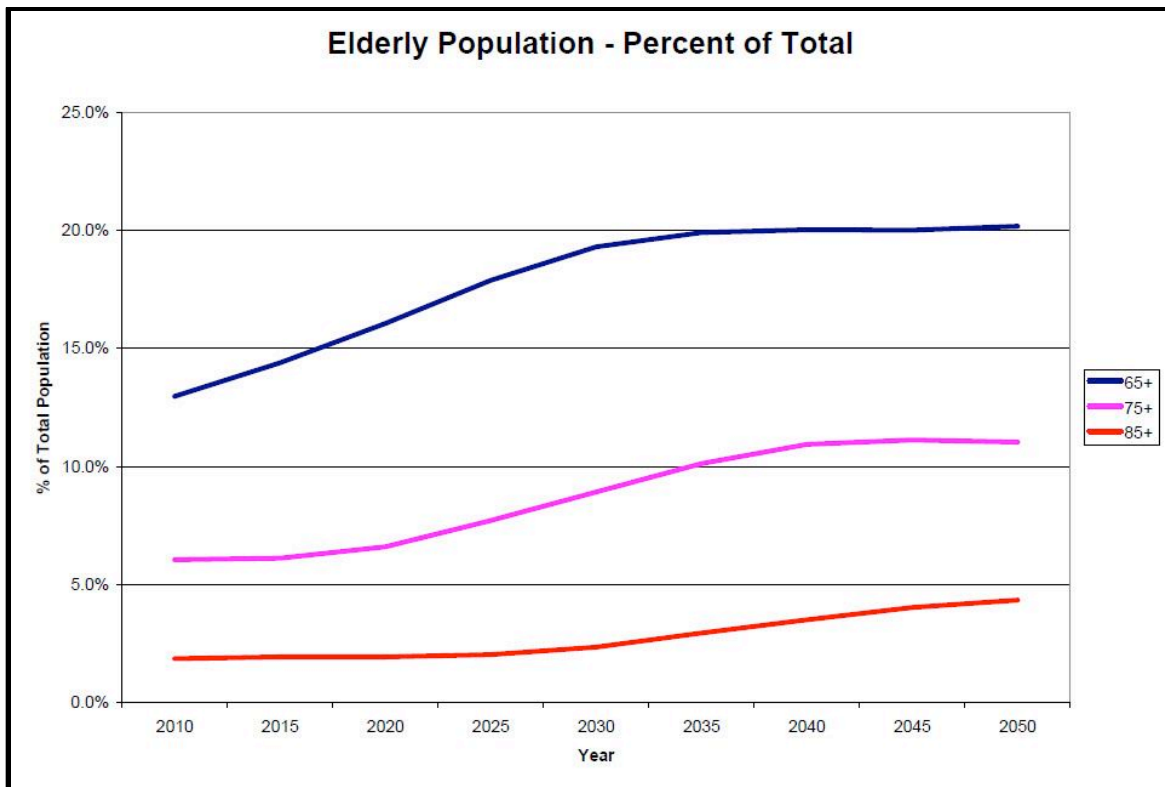
The following national seniors housing trends are provided by various 3rd party sources, compiled and analyzed per Integra Realty Resources Seniors Housing Valuation & Consulting Group.

Aging Trends

There is no denying that the demographic trends impacting the seniors housing sector are positive. As of the 2000 Census, there were 34.1 million elderly Americans (those aged 65 and older), making up nearly 13% of the total population. The elderly population is expected to more than double by the year 2030 to 72 million, to make up 19% of the total population. As of the 2000 Census, there were 3.8 million Americans aged 85 and older, just over 1% of the total population. This population is expected to more than double by 2030 and become 2.3% of the total population. In 2050, as many as one in five Americans could be elderly.

Much of the forecast growth will occur between 2010 and 2030, when the "Baby Boom" generation enter their elderly years. This is most apparent when comparing growth rates. Between 2010 and 2030, the overall US population is forecast to grow at an annual pace of 0.9% per year. But growth in all three seniors sectors is much stronger: 3.0% per year for the 65+ population; 2.9% per year for the 75+ population and 2.1% per year for the 85+ population. These strong rates of growth will lead to growing demand for seniors housing.





Other Factors Leading to Increased Demand

In addition to demographic trends, the following factors are leading to increasing demand for seniors housing and long term care:

- a) Need for assistance with activities of daily living (ADLs). According to census figures, about 6.5 million older people need assistance with activities of daily living. As the number of older Americans continues to increase, that number is expected to double by 2020.
- b) More elderly living alone. Women continue to outlive men, and the likelihood that either men or women will live alone increases with age. Societal factors, such as rising divorce rates and the growing numbers of people choosing not to marry, also contribute to this trend.
- c) Changes in the role of women. Women have traditionally been the primary caregivers of older people. But the number of women in the work force grew from 20.5% in 1915 to more than 50% in 1995. With this change, fewer women are serving as caregivers, creating the need for the elderly to seek assistance outside the home.

National Supply Trends

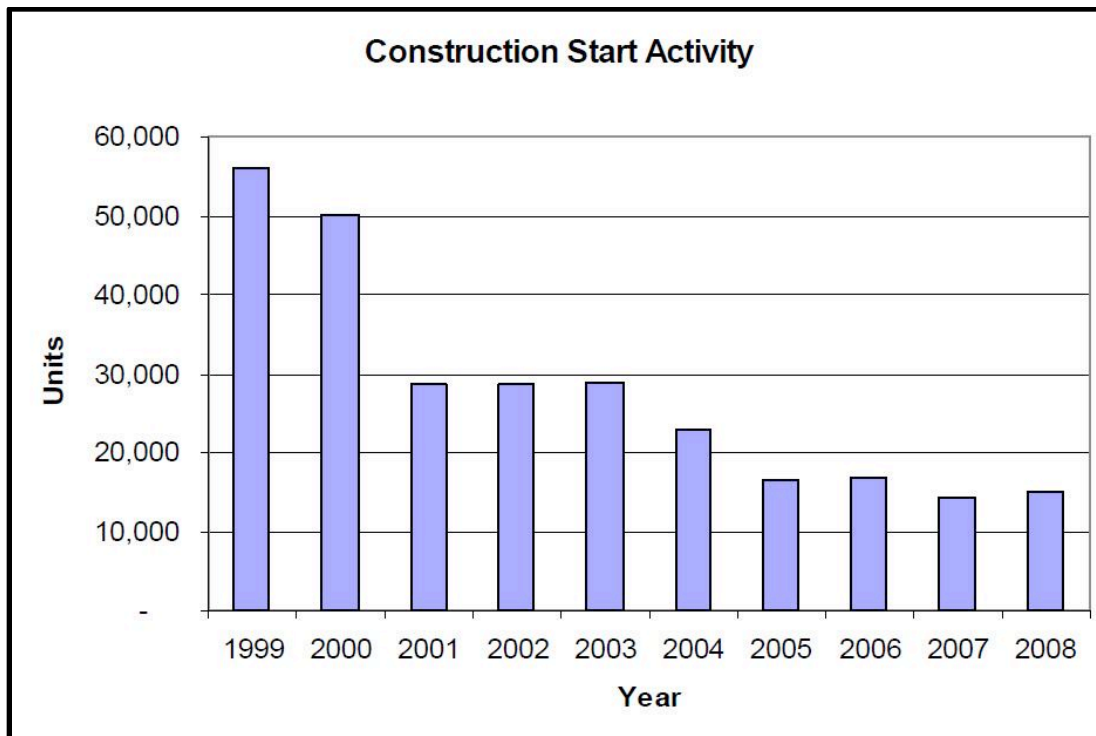
The supply of seniors apartments and independent living supply is typically expressed in terms of units, while assisted and nursing supply is expressed in terms of beds. The 2009 Seniors Housing Construction Trends Report published by the American Seniors Housing Association estimated there were 2,035,303 units/beds in 2008 in the 100 largest MSAs, as follows:

Seniors Housing Supply		
Type	Properties	Units/Beds
Senior Apartments	3,600	410,000
Majority Independent Living	2,223	460,075
Majority Assisted Living	3,733	276,787
Majority Nursing Care	6,479	888,441
Totals	16,035	2,035,303
Source: 2009 Senior Housing Construction Trends Report		

The report also reported 41,040 units/beds under construction as of March 31, 2009. Assuming these were all completed in 2009, year end 2009 supply was about 2,076,343 units/beds in the largest 100 MSAs. These MSAs are 66% of the total US population. So, assuming the remainder of the country to have a similar ratio of supply to population, the total inventory of senior apartment units, independent living units, assisted living beds and nursing beds is about 3,146,000 units/beds.

New Development

The ASHA (American Seniors Housing Association) and NIC (National Investment Center for Seniors Housing & Care Industries) recently released their Seniors Housing Construction Trends Report 2009. National construction start activity was as follows:



Note that the data for 1998-2005 reported all known U.S. construction starts for senior apartments (excluding Section 202), independent living communities, assisted living residences, dementia care, and CCRCs. In 2006, a new survey methodology was used. This methodology included both construction starts and construction activity underway, and was limited to the largest 75 metro markets. In addition, the new methodology included 202 senior apartments and freestanding nursing care, which had not been included in previous years.

There were a total of 41,040 units that started construction between April 1, 2008 and March 31, 2009, compared to 45,019 units that started construction over the previous year.

Between April 1, 2008 and March 31, 2009, new development activity was heaviest in the following markets:

Construction Starts	
Market	Units/Beds Started
Chicago	2,450
New York	2,067
Boston	1,944
Los Angeles	1,483
Houston	1,340
San Francisco	1,316
Austin	1,293
Cleveland	1,246
Phoenix	1,114
Pittsburgh	1,018

Source: 2009 Senior Housing Construction Trends Report

Assuming no change in industry acceptance and growth in demand of roughly 3% per year (the annual rate of growth of the 65+ population through 2030), the industry will need to add about 94,000 units/beds a year to keep up with demand. Between 2010 and 2030 this means the existing supply will need to increase by about 60%. But this likely understates the level of demand that will be experienced as it is evident that seniors housing utilization rates are rising as the industry matures and the public becomes more knowledgeable about the myriad of seniors housing options available to them.

As of the third quarter of 2009, the supply of new units under construction in the top 100 MSAs was only 22,000 units/beds according to NIC MAP. Again, assuming this accounts for 66% of the national total, the total under construction inventory was about 33,333 units/beds. This is well below the level needed to meet new demand. Furthermore, with construction financing exceptionally difficult to obtain at present, it is anticipated that the number of new units/beds added to the market will remain very low through at least 2012.

Conclusion

As discussed earlier in this section, the elderly population is expected to more than double by the year 2030 to 72 million, to make up 19% of the total US population. Accordingly, there is no denying that the demographic trends impacting the demand for seniors housing sector are positive. In addition to overall demographic trends, demand is being further fueled by the need for assistance with activities of daily living (ADLs), the growing trend of more elderly living alone, and the changes in the role of women.

As for supply of seniors housing, assuming no change in industry acceptance and growth in demand of roughly 3% per year (the annual rate of growth of the 65+ population through 2030), the industry will need to add about 94,000 units/beds a year to keep up with demand. Accordingly, the positive trends in demand are commensurate with supply. Considering the current construction financing environment, it is anticipated that the number of new units/beds added to the market will remain very low through at least 2012.

Regional Supply & Demand Trends

MSA Supply & Demand Trends

The following chart summarizes local supply and demand trends for the Philadelphia-Camden-Wilmington MSA. Data is as of 3rd Quarter 2010, provided by NIC.

Property Types ->	Majority IL		Majority AL		Majority NC	
	Metro	MAP31	Metro	MAP31	Metro	MAP31
Stabilized Occupancy	90.3%	87.8%	88.4%	89.4%	93.7%	88.7%
Average Monthly/Daily Rent	\$3,081	\$2,688	\$4,203	\$3,518	\$291	\$264
Median Age	25	21	13	13	33	35
Reporting Need to Upgrade(%)	44.9%	15.7%	49.2%	17.8%	68.5%	21.7%
Median Units/Beds Per Property	293	171	76	70	150	120
For Profit (%)	36.1%	61.0%	82.7%	86.3%	66.5%	78.8%
Property Count	83	1,444	98	2,314	182	3,987
Inventory	27,254	320,542	7,694	179,626	30,102	569,762
Independent Living Units	18,897	242,637	375	8,884	1,228	11,841
Assisted Living Units ¹	4,006	42,039	6,942	165,508	1,177	19,800
Nursing Care Beds	4,351	35,866	377	5,234	27,697	538,121
Penetration	11.5%	6.7%	3.2%	3.8%	12.7%	12.0%
Construction Units/Beds	276	6,201	160	3,659	0	3,061

As summarized in the chart above, as of 3rd Quarter 2010, occupancies for Independent Living and Nursing Care product are higher in the Philadelphia-Camden-Wilmington MSA compared to the Top 31 MSAs, at 90.3% and 93.7%, respectively. Assisted Living facilities in the local area have slightly lower occupancies, averaging 88.4%, as compared to the Top 31 MSAs, at 89.4%. Rents among all product types are notably higher in the Philadelphia-Camden-Wilmington MSA versus the Top 31 MSAs.

PMA Supply & Demand Trends

Methodology for Quantifying Supply

In the case of facilities located some distance from the subject, we have allocated only a portion of the units based upon the estimated percent the market area for each competing facility overlaps the PMA. The percent of overlap is mathematically calculated using a formula that factors in the size of the market area and the distance between each comparable and the subject.

Nursing Home Supply

The following table is a list of nursing facilities serving the subject's PMA. The following chart provides the occupancy rates of these competing properties, indicative of local demand.

Existing Supply Of Skilled Nursing					
Property Name/Address	Type	Number of Nursing Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Golden LivingCenter - Phoenixville 833 S. Main Street, Phoenixville	NC	138	5.5	20.0%	28
Manatawny Manor Old Schuylkill Rd, Pottstown	NC/ALF	144	2.2	57.0%	82
ManorCare Health Services - Pottstown 724 N Charlotte St, Pottstown	NC	163	5.8	18.0%	29
Parkhouse 1600 Black Rock Rd, Royersford	IL/NC	467	3.5	39.0%	182
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	CCRC	333	9.2	1.0%	3
Coventry Manor Nursing Home 3031 Chestnut Hill Rd, Pottstown	NC	41	6.8	12.0%	5
Frederick Mennonite Home 2849 Big Road, Frederick	CCRC	61	7.9	6.0%	4
Sanatoga Court/ Sanatoga Manor Nursing & Rehab Center 225 Evergreen Rd, Pottstown	NC/ALF	130	3.3	42.0%	55
Total Number of Existing Competitive Beds					388
Type Key					
NC = Nursing Center					
NC/ALF = Nursing Center w/ Assisted Living					
NC/ALZ = Nursing Center w/ Specialized Alzheimer's Care Beds					
ALF = Free-Standing Assisted Living Facility					
ALF/ALZ = Free-Standing Assisted Living Facility w/ Dedicated Alzheimer's Care Wing					
ALF D/ALZ = Free-Standing Assisted Living Facility 100% Dedicated Alzheimer's Care Wing					
ILF = Independent Living Facility					
IALF = Independent & Assisted Living Facility					
IALF/ALZ = Independent & Assisted Living Facility w/ Dedicated Alzheimer's Care Wing					
CCRC = Continuing Care Retirement Community					

The following chart summarizes occupancy rates of the local nursing home supply.

Occupancy of Existing Skilled Nursing		
Property Name	Current Occupancy	Waiting List Status
Golden LivingCenter - Phoenixville 833 S. Main Street, Phoenixville	100%	Yes
Manatawny Manor Old Schuylkill Rd, Pottstown	88%	No
ManorCare Health Services - Pottstown 724 N Charlotte St, Pottstown	95%	No
Parkhouse 1600 Black Rock Rd, Royersford	92%	No
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	93%	No
Coventry Manor Nursing Home 3031 Chestnut Hill Rd, Pottstown	88%	No
Frederick Mennonite Home 2849 Big Road, Frederick	89%	No
Sanatoga Court/ Sanatoga Manor Nursing & Rehab Center 225 Evergreen Rd, Pottstown	94%	No

Based on these occupancies, the weighted average of competitive facilities is summarized as follows:

Weighted Average Occupancy of Existed Skilled Nursing			
Property Name	Number of Competitive		Number of Occupied
	Beds	Current Occupancy %	Beds
Golden LivingCenter - Phoenixville 833 S. Main Street, Phoenixville	28	100%	28
Manatawny Manor Old Schuylkill Rd, Pottstown	82	88%	72
ManorCare Health Services - Pottstown 724 N Charlotte St, Pottstown	29	95%	28
Parkhouse 1600 Black Rock Rd, Royersford	182	92%	168
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	3	93%	3
Coventry Manor Nursing Home 3031 Chestnut Hill Rd, Pottstown	5	88%	4
Frederick Mennonite Home 2849 Big Road, Frederick	4	89%	3
Sanatoga Court/ Sanatoga Manor Nursing & Rehab Center 225 Evergreen Rd, Pottstown	55	94%	51
Totals	388		357
Weighted Average Occupancy		92%	

Our research revealed no competitive nursing projects under construction or proposed within the subject's PMA.

Assisted Living Supply

The following table is a list of assisted living facilities serving the subject's PMA. The following chart provides the occupancy rates of these competing properties, indicative of local demand.

Existing Supply Of Assisted Living					
Property Name	Type	Number of Assisted Living Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Manatawny Manor Old Schuylkill Rd, Pottstown	NC/ALF	48	2.2	57%	27
Sanatoga Court/ Sanatoga Manor Nursing & Rehab Center 225 Evergreen Rd, Pottstown	NC/ALF	70	3.3	42%	29
Columbia Cottage - Collegeville 901 East Main St, Collegeville	ALF	41	5.3	22%	9
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	CCRC	333	9.2	1%	3
Frederick Mennonite Home 2849 Big Road, Frederick	CCRC	103	7.9	6%	6
The Colonnade of Schwenksville 300 Perkiomen Ave, Schwenksville	IALF/ALZ	81	6.6	13%	11
Woodbridge Place 1191 Rapps Dam Rd, Kimberton	IALF/ALZ	68	3.7	37%	25
Total Number of Existing Competitive Beds					111
Type Key					
NC = Nursing Center					
NC/ALF = Nursing Center w/ Assisted Living					
NC/ALZ = Nursing Center w/ Specialized Alzheimer's Care Beds					
ALF = Free-Standing Assisted Living Facility					
ALF/ALZ = Free-Standing Assisted Living Facility w/ Dedicated Alzheimer's Care Wing					
ALF D/ALZ = Free-Standing Assisted Living Facility 100% Dedicated Alzheimer's Care Wing					
ILF = Independent Living Facility					
IALF = Independent & Assisted Living Facility					
IALF/ALZ = Independent & Assisted Living Facility w/ Dedicated Alzheimer's Care Wing					
CCRC = Continuing Care Retirement Community					

The following chart summarizes occupancy rates of the local assisted living supply.

Occupancy of Existing Assisted Living		
Property Name	Current Occupancy	Waiting List Status
Manatawny Manor Old Schuylkill Rd, Pottstown	90%	No
Sanatoga Court/ Sanatoga Manor Nursing & Rehab Center 225 Evergreen Rd, Pottstown	86%	No
Columbia Cottage - Collegeville 901 East Main St, Collegeville	91%	No
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	88%	No
Frederick Mennonite Home 2849 Big Road, Frederick	93%	No
The Colonnade of Schwenksville 300 Perkiomen Ave, Schwenksville	94%	No
Woodbridge Place 1191 Rapps Dam Rd, Kimberton	97%	No

Based on these occupancies, the weighted average of competitive facilities is summarized as follows:

Weighted Average Occupancy of Existed Assisted Living			
Property Name	Number of Competitive		Number of Occupied
	Beds	Current Occupancy %	Beds
Manatawny Manor Old Schuylkill Rd, Pottstown	27	90%	25
Sanatoga Court/ Sanatoga Manor Nursing & Rehab Center 225 Evergreen Rd, Pottstown	29	86%	25
Columbia Cottage - Collegeville 901 East Main St, Collegeville	9	91%	8
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	3	88%	3
Frederick Mennonite Home 2849 Big Road, Frederick	6	93%	6
The Colonnade of Schwenksville 300 Perkiomen Ave, Schwenksville	11	94%	10
Woodbridge Place 1191 Rapps Dam Rd, Kimberton	25	97%	24
Totals	111		101
Weighted Average Occupancy		91%	

Our research revealed no competitive assisted living projects under construction or proposed within the subject's PMA.

Independent Living Supply

The following table is a list of independent living facilities serving the subject's PMA. The following chart provides the occupancy rates of these competing properties, indicative of local demand.

Existing Supply Of Independent Living					
Property Name	Type	Number of Independent Living Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Parkhouse 1600 Black Rock Rd, Royersford	IL/NC	15	3.5	39%	6
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	CCRC	333	9.2	1%	3
Frederick Mennonite Home 2849 Big Road, Frederick	CCRC	103	7.9	6%	6
The Colonnade of Schwenksville 300 Perkiomen Ave, Schwenksville	IALF/ALZ	27	6.6	13%	4
Woodbridge Place 1191 Rapps Dam Rd, Kimberton	IALF/ALZ	22	3.7	37%	8
Total Number of Existing Competitive Beds					27
Type Key					
NC = Nursing Center					
NC/ALF = Nursing Center w/ Assisted Living					
NC/ALZ = Nursing Center w/ Specialized Alzheimer's Care Beds					
ALF = Free-Standing Assisted Living Facility					
ALF/ALZ = Free-Standing Assisted Living Facility w/ Dedicated Alzheimer's Care Wing					
ALF D/ALZ = Free-Standing Assisted Living Facility 100% Dedicated Alzheimer's Care Wing					
ILF = Independent Living Facility					
IALF = Independent & Assisted Living Facility					
IALF/ALZ = Independent & Assisted Living Facility w/ Dedicated Alzheimer's Care Wing					
CCRC = Continuing Care Retirement Community					

The following chart summarizes occupancy rates of the local independent living supply.

Occupancy of Existing Independent Living		
Property Name	Current Occupancy	Waiting List Status
Parkhouse 1600 Black Rock Rd, Royersford	87%	No
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	94%	No
Frederick Mennonite Home 2849 Big Road, Frederick	95%	No
The Colonnade of Schwenksville 300 Perkiomen Ave, Schwenksville	100%	Yes
Woodbridge Place 1191 Rapps Dam Rd, Kimberton	90%	No

Based on these occupancies, the weighted average of competitive facilities is summarized as follows:

Weighted Average Occupancy of Existed Independent Living			
Property Name	Number of Competitive		Number of Occupied
	Beds	Current Occupancy %	
Parkhouse 1600 Black Rock Rd, Royersford	6	87%	5
Shannondell At Valley Forge 10000 Shannondall Dr, Norristown	3	94%	3
Frederick Mennonite Home 2849 Big Road, Frederick	6	95%	6
The Colonnade of Schwenksville 300 Perkiomen Ave, Schwenksville	4	100%	4
Woodbridge Place 1191 Rapps Dam Rd, Kimberton	8	90%	7
Totals	27		25
Weighted Average Occupancy		92%	

Our research revealed no competitive independent living projects under construction or proposed within the subject's PMA.

Market Area Penetration

In order to determine appropriate penetration rates, we have relied upon the National Demand Estimates provided in *The Case for Investing in Seniors Housing and Long Term Care Properties With Updated Projections*. The study, conducted by the National Investment Conference for the Senior Living and Long Term Care Industries (NIC) in partnership with Price Waterhouse, LLP, produced the following "Base Case" estimates of effective demand for seniors housing.

Using the updated demand estimates in this study, national penetration rates are calculated as follows:

Penetration Rates - Nursing				
Item	Target Group			
	1. Persons 65+	2. Households 75+	3. Households 75+, Inc. \$25,000+	4. Persons 45-64
A. Demand for Skilled Nursing 2000 Per Revised Investment Case	1,679,327	1,679,327	1,679,327	1,679,327
B. 2000 Population Households for Each Target Group From Claritas	34,991,753	10,657,476	4,786,520	61,952,636
C. Achievable Penetration Rate (A Divided by B)	4.80%	15.76%	35.08%	2.71%
Penetration Rates - Assisted Living				
Item	Target Group			
	1. Persons 65+	2. Households 75+	3. Households 75+, Inc. \$25,000+	4. Persons 45-64
A. Demand for Assisted Living 2000 Per Revised Investment Case	706,146	706,146	706,146	706,146
B. 2000 Population Households for Each Target Group From Claritas	34,991,753	10,657,476	4,786,520	61,952,636
C. Achievable Penetration Rate (A Divided by B)	2.02%	6.63%	14.75%	1.14%
Penetration Rates - Independent Living				
Item	Target Group			
	1. Persons 65+	2. Households 75+	3. Households 75+, Inc. \$25,000+	4. Persons 45-64
A. Demand for Independent Living 2000 Per Revised Investment Case	706,740	706,740	706,740	706,740
B. 2000 Population Households for Each Target Group From Claritas	34,991,753	10,657,476	4,786,520	61,952,636
C. Achievable Penetration Rate (A Divided by B)	2.02%	6.63%	14.77%	1.14%

Source: The Case For Investing In Seniors Housing and Long Term Care Properties With Updated Projections

Indicated Demand

The following table shows the estimated number of persons or households in each target group for various time periods.

The demand for skilled nursing within the local PMA is summarized as follows.

Demand For Skilled Nursing							
Target Group 1 - Persons Age 65+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA Persons Age 65+	11,135	11,572	12,008	12,445	12,881	13,318	16,358
B. Achievable Penetration Rate	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
C. Indicated Market Area Demand (A x B)	534	555	576	597	618	639	785
Target Group 2 - Persons Age 75+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA HHs Age 75+	2,871	2,912	2,953	2,993	3,034	3,075	3,306
B. Achievable Penetration Rate	15.76%	15.76%	15.76%	15.76%	15.76%	15.76%	15.76%
C. Indicated Market Area Demand (A x B)	452	459	465	472	478	485	521
Target Group 3 - Households Age 75+ With Income \$25,000+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA HHs Age 75+ W/Inc. \$25,000+	1,686	1,751	1,817	1,882	1,948	2,013	2,467
B. Achievable Penetration Rate	35.08%	35.08%	35.08%	35.08%	35.08%	35.08%	35.08%
C. Indicated Market Area Demand (A x B)	592	614	637	660	683	706	865
Target Group 4 - Persons Age 45-64 (Adult Children)							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA Persons Age 45-64	24,719	25,228	25,737	26,245	26,754	27,263	30,305
B. Achievable Penetration Rate	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%	2.71%
C. Indicated Market Area Demand (A x B)	670	684	698	711	725	739	821
Demand Conclusions							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
Indicated Demand	493	507	521	534	548	562	653
Adjustment for Local Market Conditions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Concluded Demand	493	507	521	534	548	562	653

The demand for assisted living in the local PMA is summarized as follows.

Demand For Assisted Living							
Target Group 1 - Persons Age 65+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA Persons Age 65+	11,135	11,572	12,008	12,445	12,881	13,318	16,358
B. Achievable Penetration Rate	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%
C. Indicated Market Area Demand (A x B)	225	234	242	251	260	269	330
Target Group 2 - Persons Age 75+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA HHs Age 75+	2,871	2,912	2,953	2,993	3,034	3,075	3,306
B. Achievable Penetration Rate	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%
C. Indicated Market Area Demand (A x B)	190	193	196	198	201	204	219
Target Group 3 - Households Age 75+ With Income \$25,000+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA HHs Age 75+ W/Inc. \$25,000+	1,686	1,751	1,817	1,882	1,948	2,013	2,467
B. Achievable Penetration Rate	14.75%	14.75%	14.75%	14.75%	14.75%	14.75%	14.75%
C. Indicated Market Area Demand (A x B)	249	258	268	278	287	297	364
Target Group 4 - Persons Age 45-64 (Adult Children)							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA Persons Age 45-64	24,719	25,228	25,737	26,245	26,754	27,263	30,305
B. Achievable Penetration Rate	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%
C. Indicated Market Area Demand (A x B)	282	288	293	299	305	311	345
Demand Conclusions							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
Indicated Demand	207	213	219	225	230	236	275
Adjustment for Local Market Conditions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Concluded Demand	207	213	219	225	230	236	275

The demand for independent living in the local PMA is summarized as follows.

Demand For Independent Living							
Target Group 1 - Persons Age 65+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA Persons Age 65+	11,135	11,572	12,008	12,445	12,881	13,318	16,358
B. Achievable Penetration Rate	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%	2.02%
C. Indicated Market Area Demand (A x B)	225	234	243	251	260	269	330
Target Group 2 - Persons Age 75+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA HHs Age 75+	2,871	2,912	2,953	2,993	3,034	3,075	3,306
B. Achievable Penetration Rate	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%
C. Indicated Market Area Demand (A x B)	190	193	196	199	201	204	219
Target Group 3 - Households Age 75+ With Income \$25,000+							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA HHs Age 75+ W/Inc. \$25,000+	1,686	1,751	1,817	1,882	1,948	2,013	2,467
B. Achievable Penetration Rate	14.77%	14.77%	14.77%	14.77%	14.77%	14.77%	14.77%
C. Indicated Market Area Demand (A x B)	249	259	268	278	288	297	364
Target Group 4 - Persons Age 45-64 (Adult Children)							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. PMA Persons Age 45-64	24,719	25,228	25,737	26,245	26,754	27,263	30,305
B. Achievable Penetration Rate	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%
C. Indicated Market Area Demand (A x B)	282	288	294	299	305	311	346
Demand Conclusions							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
Indicated Demand	208	213	219	225	231	236	275
Adjustment for Local Market Conditions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Concluded Demand	208	213	219	225	231	236	275

Comparison of Supply & Demand

The following tables reconcile the local supply and demand data for each of the nursing home, assisted living and independent living care types.

Comparison of Supply and Demand For Skilled Nursing							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. Indicated Demand	493	507	521	534	548	562	653
B. Less Existing Supply	388	388	388	388	388	388	388
C. Less New Supply	0	0	0	0	0	0	0
D. Unmet Demand or Oversupply	106	119	133	147	160	174	265
Comparison of Supply and Demand For Assisted Living							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. Indicated Demand	207	213	219	225	230	236	275
B. Less Existing Supply	111	111	111	111	111	111	111
C. Less New Supply	0	0	0	0	0	0	0
D. Unmet Demand or Oversupply	96	102	108	114	120	125	164
Comparison of Supply and Demand For Independent Living							
Item	Year						
	2010	2011	2012	2013	2014	2015	2020
A. Indicated Demand	208	213	219	225	231	236	275
B. Less Existing Supply	27	27	27	27	27	27	27
C. Less New Supply	0	0	0	0	0	0	0
D. Unmet Demand or Oversupply	181	186	192	198	204	209	248

Conclusion

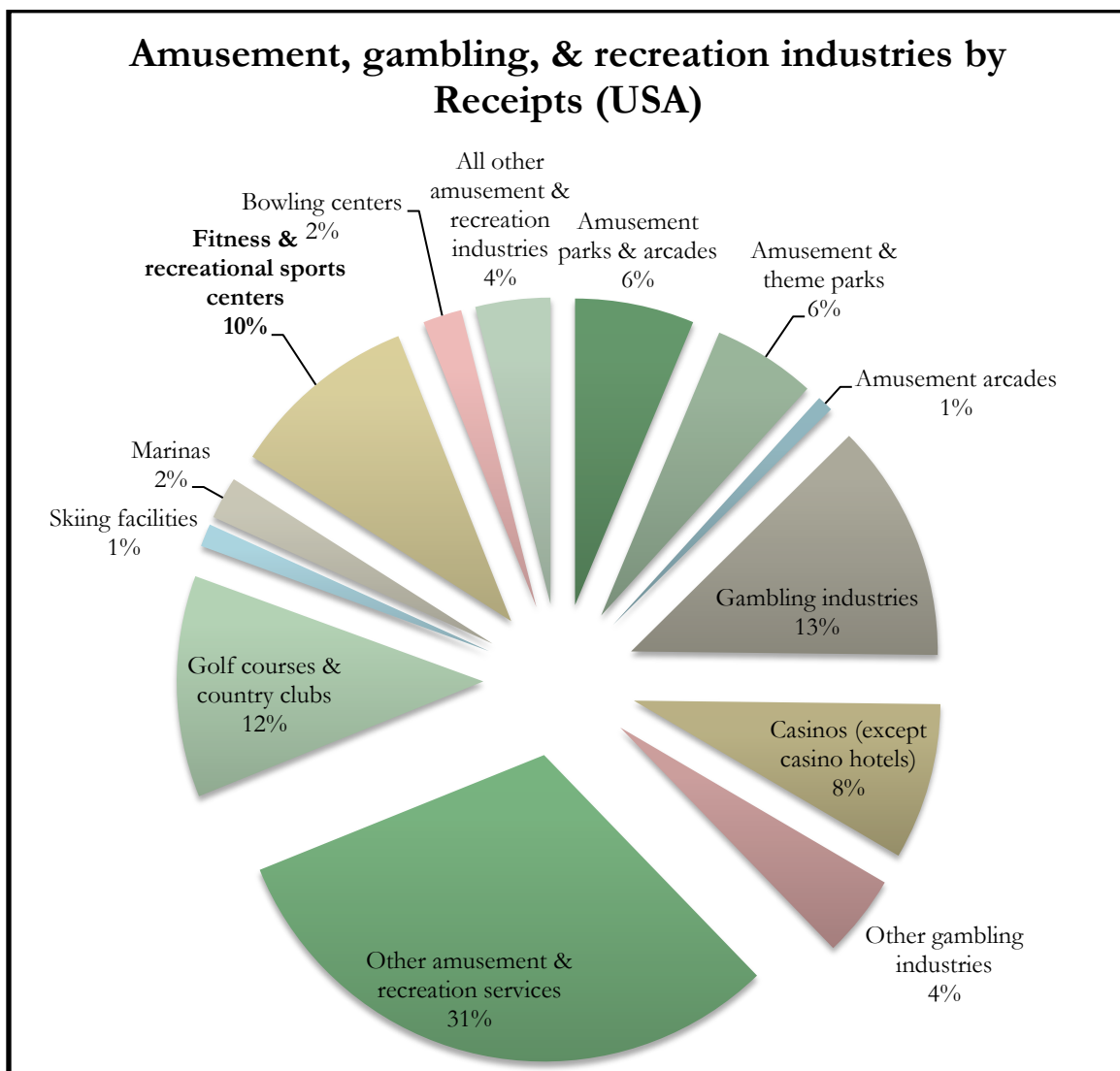
As discussed throughout the report, national supply and demand trends for Seniors Housing are positive, overall. Per review of 3rd Quarter 2010 data provided by NIC on the Philadelphia-Camden-Wilmington MSA, local trends for seniors housing are also positive, with above average occupancies and above average rents for the majority of care types. Furthermore, per comparison of supply and demand characteristics in the subject's 5-mile PMA, there appears to be substantial unmet demand for nursing care, assisted living and independent living. Considering that new supply will be limited for the foreseeable future, this positive trend is likely to continue as the local aging demographic continues to grow.

Recreation/Entertainment Market Analysis

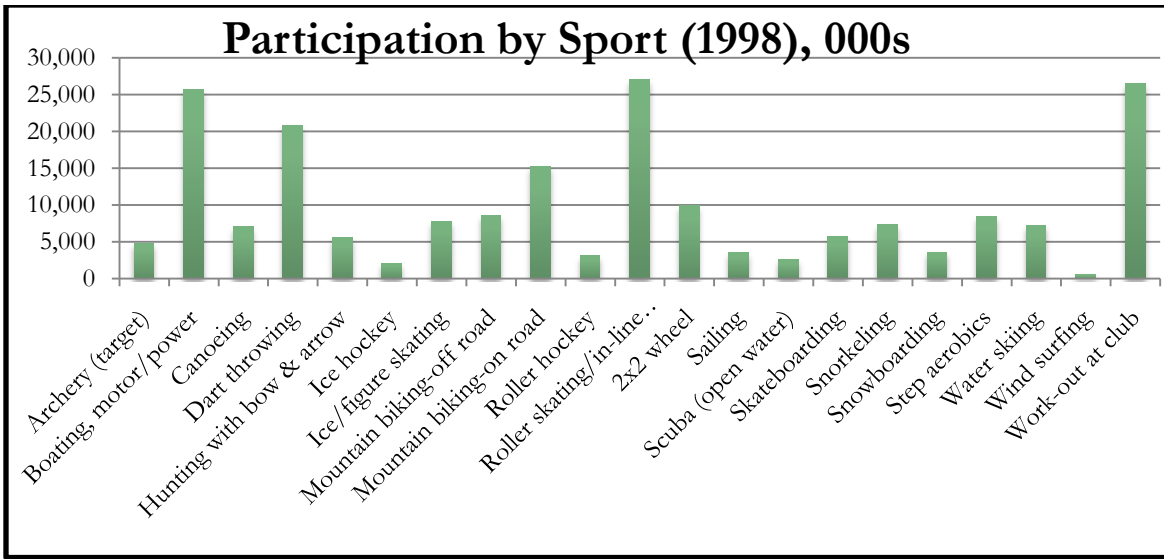
Introduction

A recreation centre is a very complex product type which is typically developed in partnership with a municipality. For that reason it is challenging to assess demand for one. However there is excellent demographic information and guidelines available at a national level. For the purposes of this analysis we will examine trends in recreation centre design, as well as fitness trends that are going on in different areas of the United States and Canada. We will then examine supply and demand in the local market to get an estimate of what the market is.

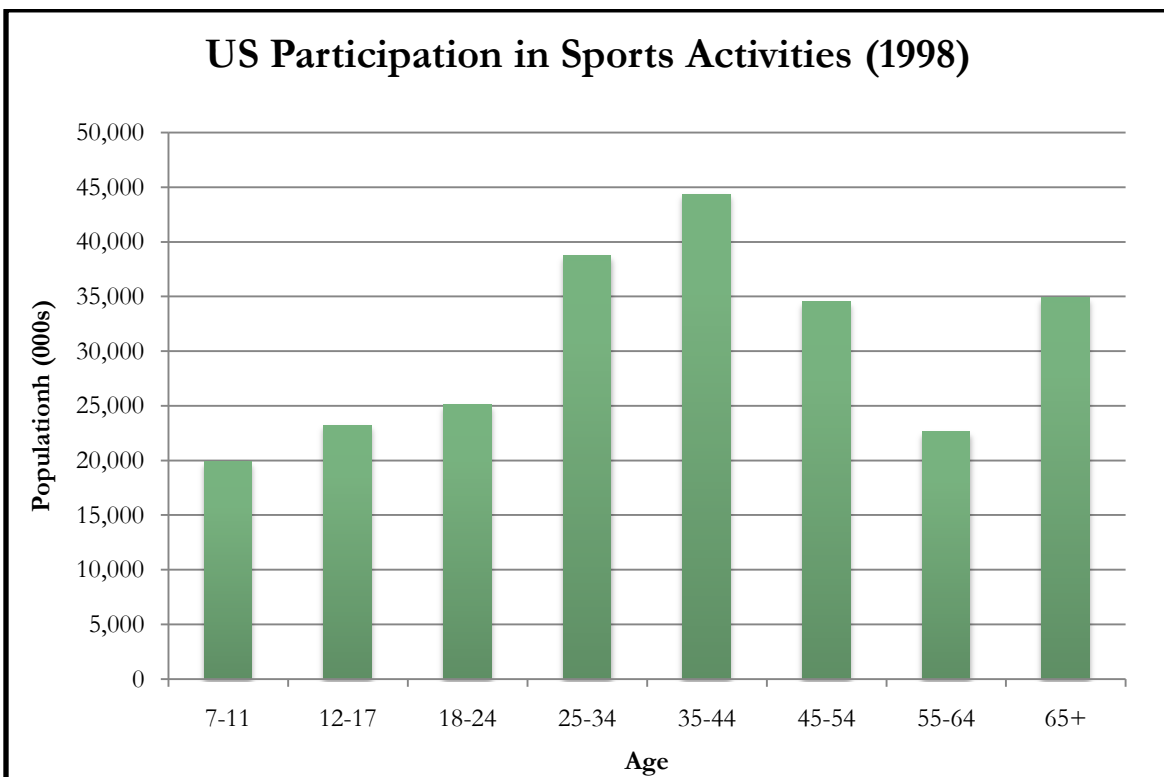
Demographics



Source: NAICS 2002 Data



Source: National Sporting Goods Association



Source: National Sporting Goods Association

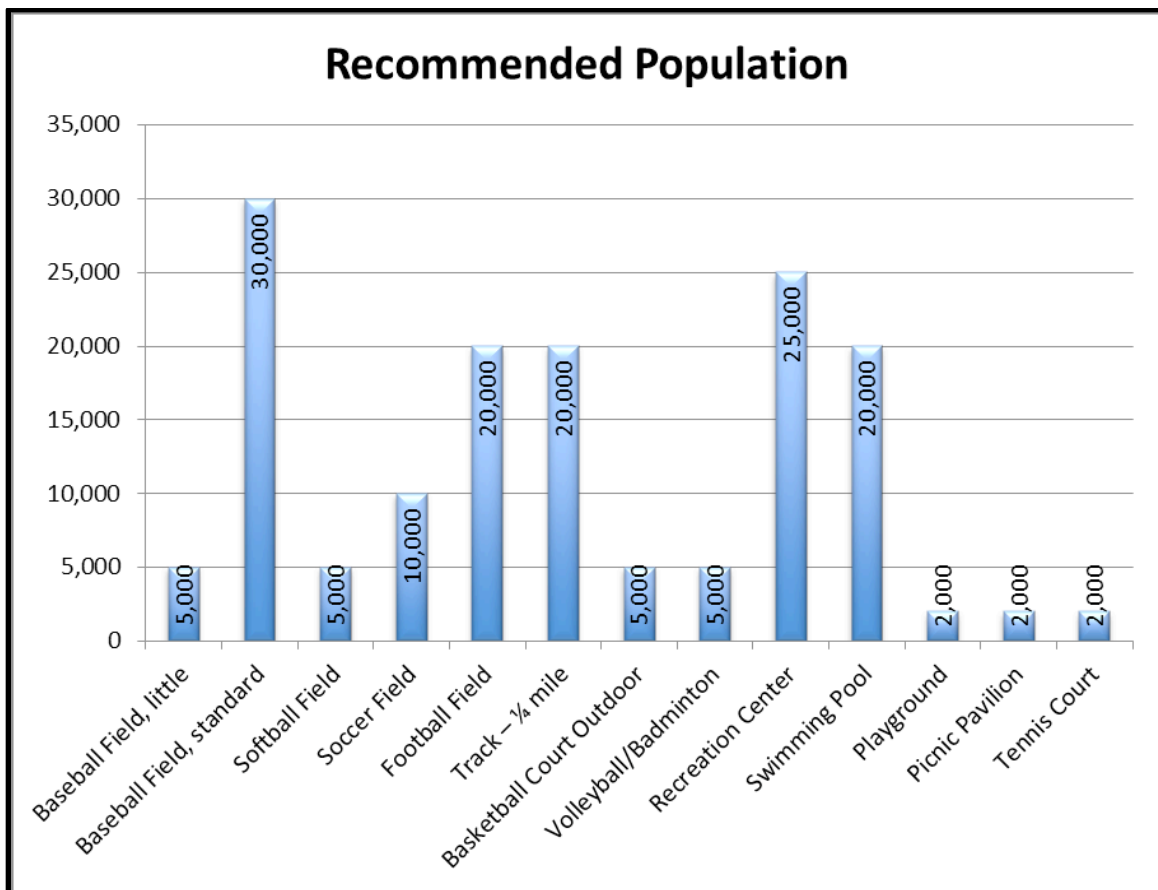
Population to Amenity Ratios

Many communities create studies based on the ratio of population to amenities in order to better understand the best use of facilities. Although the requirements may differ depending on community or country, national and international studies are equally beneficial to observe in order to understand base standards and trending models.

United States National Recreation and Park Association Guidelines

The following table comes from National Recreation and Park Association (NRPA)^v numbers shown are the National (U.S.) standard average amenity per population number.

Facility	Per Population	Facility	Per Population
Baseball Field, little	1 / 5,000	Volleyball/Badminton	1 / 5,000
Baseball Field, standard	1 / 30,000	Recreation Center	1 / 25,000
Softball Field	1 / 5,000	Swimming Pool	1 / 20,000
Soccer Field	1 / 10,000	Trails	Miles ½ / 1,000
Football Field	1 / 20,000	Playground	1 / 2,000
Track – ¼ mile	1 / 20,000	Picnic Pavilion	1 / 2,000
Basketball Court	1 / 5,000	Tennis Court	1 / 2,000



Study from City of Calabasas, California

The community of Calabasas is a suburban community, 50km west of Los Angeles in California. The population is 22,000 where 27% of households have children. This community was chosen for this study due to its close proximity to a major metropolis. Also, it is an established community with little population growth in the last decade. They are a community who value outdoor livability and a wide range of recreational activities for all ages. It is of interest to note that the average household income is \$115,000 versus the California average of \$56,211^{vi}. In a study carried out for the community in May 2007 the below standards are noted. These recommended standards were set by the National Recreation and Park Association (USA).^{vii}

Baseball	1 field / 3,400 people
Softball	1 field / 7,000 people
Soccer	1 field / 1,500 people

Study from City of San Diego, California

The city of San Diego is located in the Southwest corner of California. The population is 2,900,000. The community was chosen for this study because even though they are a huge metropolis they rate high on international measures gauging quality of life. San Diego has 52 city-run recreation centers and 13 swimming pools. They have over 34,000 acres of open park space. The city has established their own set of recommended standards to be followed within their city limits and individual communities which are highlighted below.

Highlights:

- For every 1,000 people there should be 20 acres of park space. Of these 20 acres, 1.6 acres should be comprised of athletic areas and parks.
- Neighbourhood parks (10 acres (reduced to 5 acres if adjacent to school park property) should service 3,500-5,000 residents within an 800metre radius.
- It is recommended to build a pool facility for an area servicing 50,000 residents in 2,400-3,200m radius.^{viii}

Ivins City, Utah

Ivins City Parks and Trails Master Plan^{ix} has a compilation of the most commonly mentioned needs and desires for new or additional facilities and programs, as received through the community involvement efforts, reveal a variety of recreational uses, as shown below (listed alphabetically):

- Art and cultural parks
- Athletic grass fields for soccer, baseball and softball
- Basketball courts
- City Parks and Recreation Department with recreational programs
- Clusters of shade trees in parks and on streets
- Multi-use, indoor/outdoor recreation complex
- Network of recreational trails
- Open green or natural areas
- Park at the Ivins Reservoir
- Pavilion / picnic areas
- Playgrounds

- Public fishing pond
- Public plaza
- Skateboard park
- Streetscapes or linear parks along main corridors

Study from Town of Oakville, Ontario

The town of Oakville is located 40kms southwest of Toronto. The population is 165,000. Oakville was chosen for this study because of its close proximity to a major metropolis and its high quality of life. Recently, 86% of residents surveyed said Oakville was the best place to live in the Greater Toronto Area. They have over 2,400 acres of open park space, which makes up approximately 7% of their total land base of 34,226 acres. In June 2005 the town of Oakville created a Recreation Facility Analysis. This study was revised in March 2006. Below are recommended standards for amenities within a community based on population numbers. ^x

Facility	Metric
Baseball	1 field / 5,000 people
Rink (in or outdoor)	1 surface / 18,137 people (or min 700 youth participants)
Soccer	1 field / 100 users (*specific city recommended*)
Basketball	1 outdoor court / 1,500 youth or 1 hoop / 750 youth
Tennis	1 / 4,000-5,000 residents
Parks	1 / 800m radius of all residences without crossing major intersection
Skate Park	1 / 5,000 youth aged 10-19
Pool	1 / 35,000 Leisure pools gaining popularity over rectangle pools.
Splash Pad	1 / 2,500 youth aged 0-14

Recreation Design Trends

Through research, there are many design trends that start to become prevalent in the design of recreation facilities. Over time, trends change based on marketing, technology, economy, demographics, education and others. It is important to consider these trends when initially designing facilities in order for them to draw initial attention while being sustainable from a longevity perspective.

Highlights:

- Multi-use facilities
- Less structured amenities and open-air fields
- Universally accessible playground structures
- Multi-use pools and water recreation

One prevalent design trend is multi-use facilities. Combining all recreation amenities together creates a greater sense of community providing one single location where everyone congregates to celebrate active living in a social environment.

Study from US Parks and Recreation - Pools (US November 2002)

In this study, pool design trends are observed. In conjunction with the movement towards less formal, more individual activity participation, pools have changed from the rectangle boxes they once were. Some aspects now considered instead are more aggressive zero-depth entries, ramps and steps to deep water, separate dive pools, and spray-grounds. ^{xi} Zero-depth entry pools are becoming more aggressive in order to maximize the amount of useable pool area. Spray-grounds combine water with playground activities to entertain younger children. Combinations of waterfalls, slides and spraying features mixed with thoughtful design create playful environments. Making pools accessible to all abilities is becoming mainstream. Designs which have stairs gradually descend into deep pools, and wheelchair accessible ramps to recreation pools are gaining popularity. It is noted that the North American trend has moved from dropping the children off at the pool to it being more of a family based activity. In this, successful and sustainable facilities need to be attractive to all genders, ages and family-types simultaneously.



Sprayground at pool in Rocky River Ohio



All age and ability accessible water recreation facility in Revelstoke, British Columbia

Study from Recreation Management – Playgrounds

In this study playground design trends are noted. Universally accessible (all abilities and ages) playgrounds are gaining popularity. From this, playgrounds are designed with accessible surfacing (poured-in-place rubber) or with pathways to transition points. Other playground design trends are swings with high back support for special-needs children. Creating spaces that are sound and touch based in support of vision impaired children, as well as playground panels with games and puzzles to integrate use for different abilities and ages. Finally, physical thrill is seeing a re-emergence in playground design. Climbers, tilting balance beams, slides with steep twists and multiple chutes as well as anything that bounces, sways or uses centripetal motion are all on the rise in popularity.^{xiii}



Playground structure example showing universally accessible structure and activities



Climber example for young thrill seekers



Supportive swing for all abilities

British Columbia Recreation Trend Study (2006)

A provincial study was done in 2006 to outline trends occurring in the parks, recreation and culture field. This was done to discover how the trends are affecting parks and recreation and the use and need for facilities and amenities. ^{xiii}

Highlights:

- Unstructured, individual recreation is becoming more popular.
- There is a trend towards more condensed periods of recreation.
- There is greater demand for drop-in opportunities.
- Multi-function facilities and multi-generational facilities are growing in popularity.
- Many groups and organizations enjoy large gatherings. Large group areas with shelter and washrooms should be incorporated into park systems.
- Systems to reduce fossil fuels need to be considered based on payback. Solar panels, heat recovery systems and motion-sensitive light as well as planning around LEED principles. Water use (landscaping and lavatory applications) needs to be reduced.
- Gaining popularity is the use of native and drought-tolerant plants for landscaping as well as leaving the natural landscape as is.
- The top four most popular adult activities are:
 1. Walking
 2. Gardening
 3. Home Exercise
 4. Swimming
- The top four most popular youth activities are:
 1. Walking
 2. Biking
 3. Swimming
 4. Running



With unstructured and outdoor recreation growing in popularity so should the provision of outdoor adult oriented fitness apparatus along trail systems or adjacent to children oriented parks.

Conclusions – Recreation Design Trends

After research, many design trends start to become prevalent in changing societies. These changes are based on many factors, but are all strongly linked to rising technology, education and changes in demographics. Understanding and accepting these trends will lead to a more successful facility with regards to recreation and sustainability. Below is a list of highlights with regards to current recreation design trends.

Highlights:

- Multi-use facilities bring communities closer together
- Less structured amenities – fields and green space available for a variety of uses
- Climbing walls
- Universally accessible pools and water recreation facilities
- Universally accessible playgrounds

Supply Analysis

For the purposes of this analysis, we examined supply in terms of competition within a 10 and 20 mile radius. When it comes to recreation and fitness, users tend to be driven by a mix of functionality of convenience. The following is an image of the locations within 10 miles of the Pennhurst site:



“Health Clubs” within 10 Mile Radius of Pennhurst

Spring Valley YMCA

Located just 1.37 Miles from Pennhurst, the Spring Valley YMCA is a top notch facility designed to fill the community's needs for health and wellness. It's extensive outdoor and indoor facilities as well as close proximity make it a very tough competitor.

Spring Valley's facility includes:

- Outdoor Pool Complex & Water Slides
- 2 Indoor Pools with Water Slide
- 1/13-mile Indoor Elevated Track
- State-of-the-Art Wellness Center
- MAJIC Youth Fitness Center
- 2 Double Gymnasiums
- Whirlpool & Sauna
- Child Watch Center
- Outdoor Walking Trail
- Cafe YMCA
- Traverse Rock Wall
- Enclosed Spray Pad
- Belay Rock Wall



Pottstown YMCA

Located 5.6 Miles from Pennhurst, the Pottstown YMCA

Pottstown's facility includes:

- Wellness Center with Nautilus, Free Weights & Cardio Equipment
- Warm Water Indoor Pool
- Indoor Lap Pool
- Adult, Youth & Special Needs Locker Room
- Indoor Track
- 2 Gymnasiums
- 2 Racquetball Courts & Spinning Studio
- Kidz Zone with Nintendo Wii, Dance, Dance Revolution
- Saunas, Whirlpool & Streamroom



The 422 Sportsplex

Located 4.37 Miles from Pennhurst, The 422 Sportsplex is a private facility that provides indoor sports field facilities to groups and leagues that rent the space. The newly renovated facility is a 102,000 sq. ft. dome.

Amenities include:

- Fields larger than standard indoor soccer & lacrosse fields
- 42,000 sq ft. of UNBOARDED, clear span turf
- 2 standard inline hockey rinks with professional style dasher boards

Other Health Clubs

Within the 10 mile radius there are numerous small health clubs and gyms ranging from independents to chains like Curves. While none of these has critical mass, it does provide additional competition and added complexity to a competitive analysis of supply. Another factor is public parks and facilities such as sports fields that are available for public use at schools.

The following is an image of the locations within 20 miles of the Pennhurst site:



“Recreation Center” within 20 Mile Radius of Pennhurst

Greater Plymouth Community Center

Located 14.91 Miles from Pennhurst, the Greater Plymouth Community Center is a 76,000 sq. ft. facility in Plymouth Township that is open to the public. It is owned and operated by the municipality.

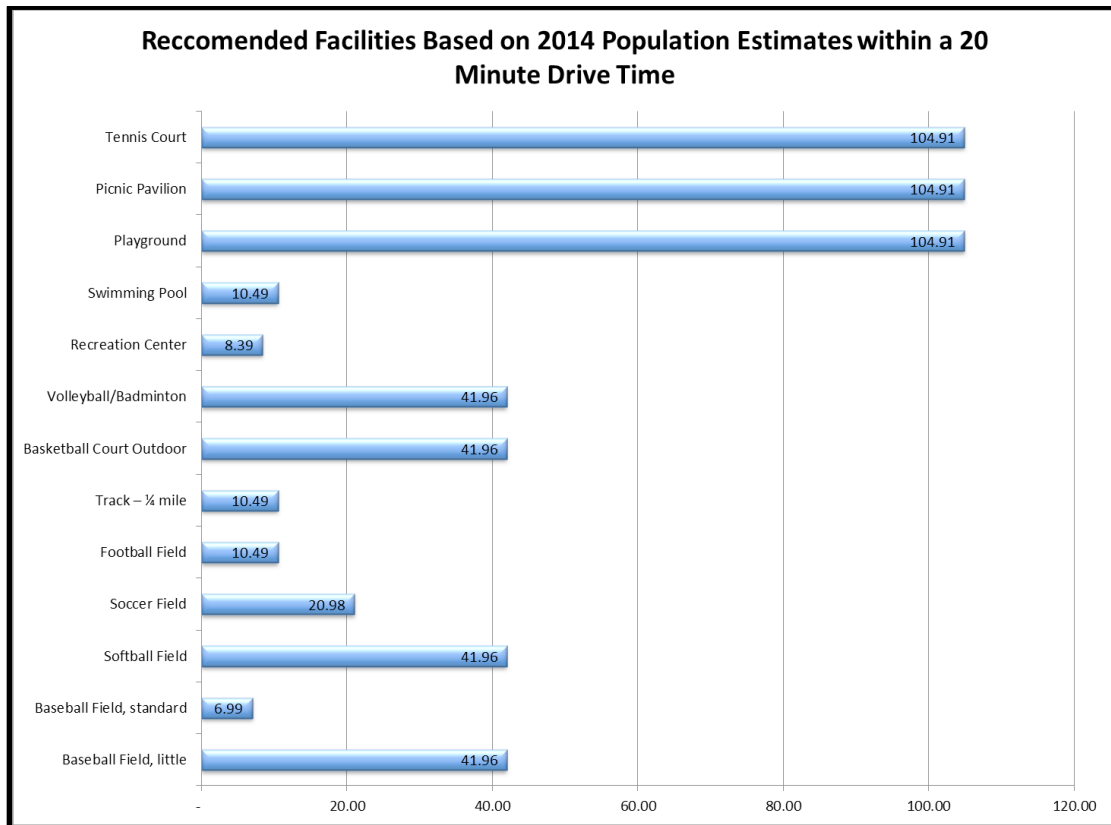
Facilities include:

- Aquatics Center with a 25-yard lap pool with 10 lanes and a Leisure pool with a zero-depth entry, water slide and spray features.
- Fitness center with over 30 pieces of equipment and staffed by trained professionals.
- Two Gymnasiums with 4 courts for basketball, volleyball and badminton.
- Locker rooms with private showers and large vanity area
- Active Zone a fitness center for kids ages 7-14. There are 9 pieces of strength equipment and interactive virtual reality games including Dance Dance Revolution, Game Bikes, Eyetoy and Wii Fit.

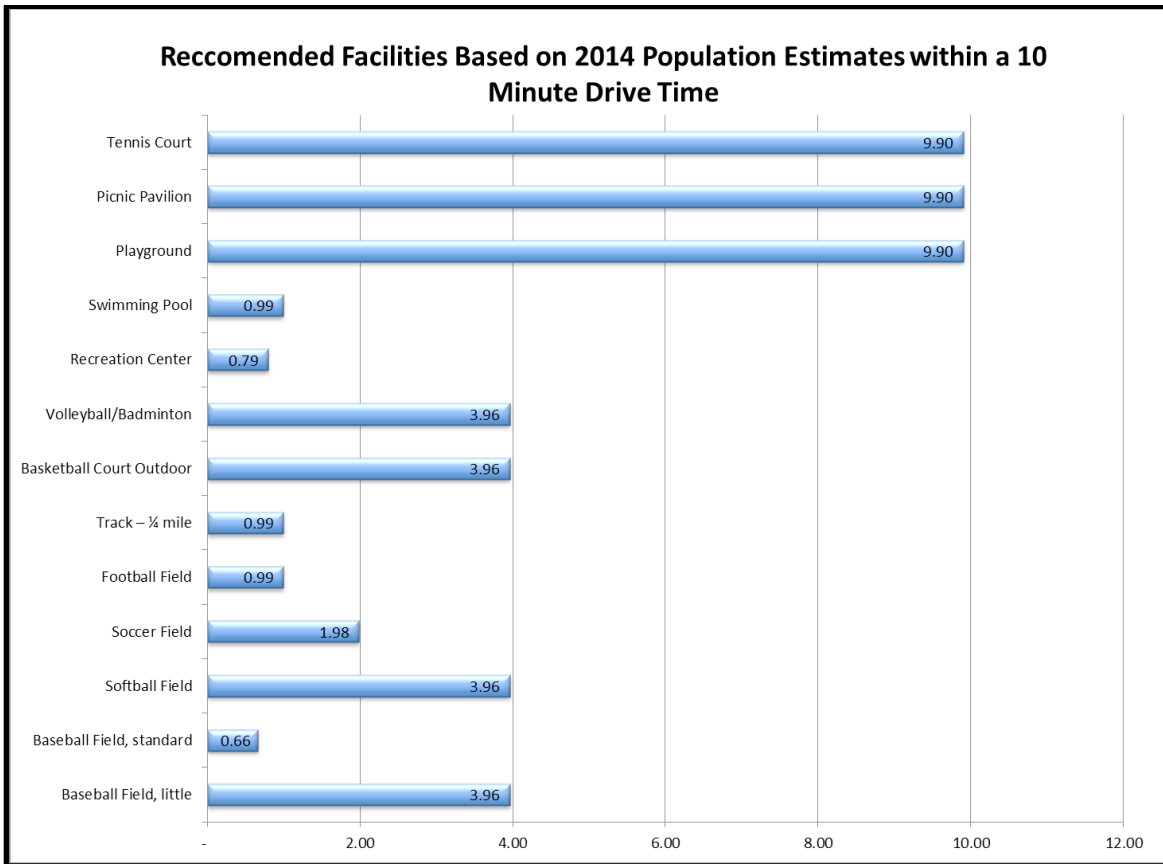


Demand Analysis

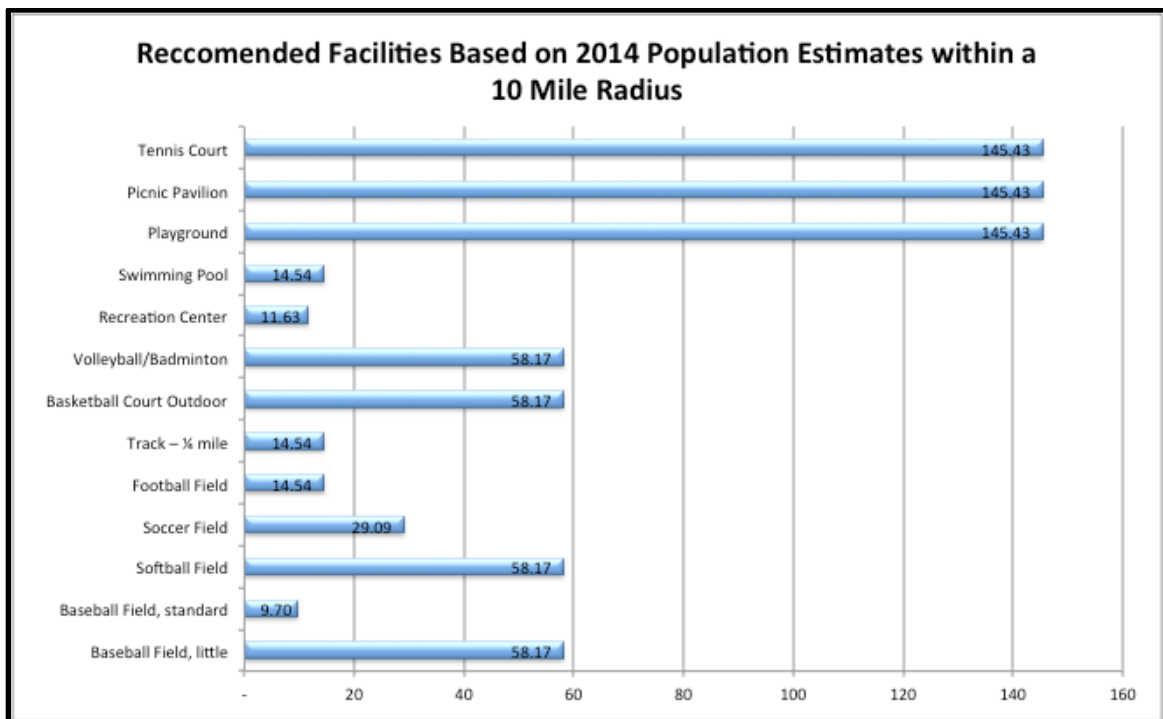
Using the recommended ratios of the NRPA, we were able to derive the recommended facilities that should exist based on the population that exists within a 10 and 20 minute drive time since that is likely an important factor. We also extrapolated numbers based on a 10 mile radius as this gives us context for the supply analysis.



Source: Claritas



Source: Claritas



Source: Claritas

Additional Case Studies

Glenwood Springs, Colorado

The city of Glenwood Springs is located 250km (3 hours) west of Denver, Colorado. The population of Glenwood Springs is 8,900 (2007 survey). Glenwood Springs was chosen for this study based on its reputation of being an active and healthy lifestyle community. It hosts the largest hot springs pool in the world and is situated close to Aspen and Vail Colorado, both famous winter sport destinations.

Glenwood Springs – Existing Amenities

Amenity	Quantity	Facility/Capita
Outdoor Rinks	1	1 / 8,900
Indoor Rinks	1 (Regulation size)	1 / 8,900
Sport Fields	1	1 / 8,900
Ball Diamonds	2	1 / 4,450
Pool	1 (6x25yds + diving board, wading pool and waterslide)	1 / 8,900
Gymnasium	1	1 / 8,900
Skate Park	1	1 / 8,900
Tennis	3	1 / 2,967
Playgrounds	7	1 / 1,271
Basketball	3	1 / 2,967
Other	4 volleyball, climbing wall, fitness centre w/ indoor track, 3 horseshoe pits	



Glenwood Springs, Colorado



The multi-use recreation facility in Glenwood Springs has a covered rink, 8x25yd pool, waterslide and spray park, a fitness centre, climbing wall and childcare services

Community Points of Satisfaction

- In 2007/08 a 45mile piece of abandoned railway system was transformed into a paved trail between Glenwood Springs and Aspen. Being 15feet wide, it is successfully and heavily shared by pedestrians, cyclists and roller-bladers
- Community very satisfied with abundance of amenities – ‘work to live’ mentality
- User costs have not gone up in 3 years. Office staff is considerate of waste and where products are purchased from. Repairs are dealt with quickly and has lowered cost of monthly bills
- The community pool works well for program and budget users. Recreational and tourism users are more inclined to use the hot springs

Community Points of Concern

- Residents would like to see more ‘flat’ park space, however they forget they live in a mountain community. The community is sandwiched in a valley. Instead, current parks are attended to critically



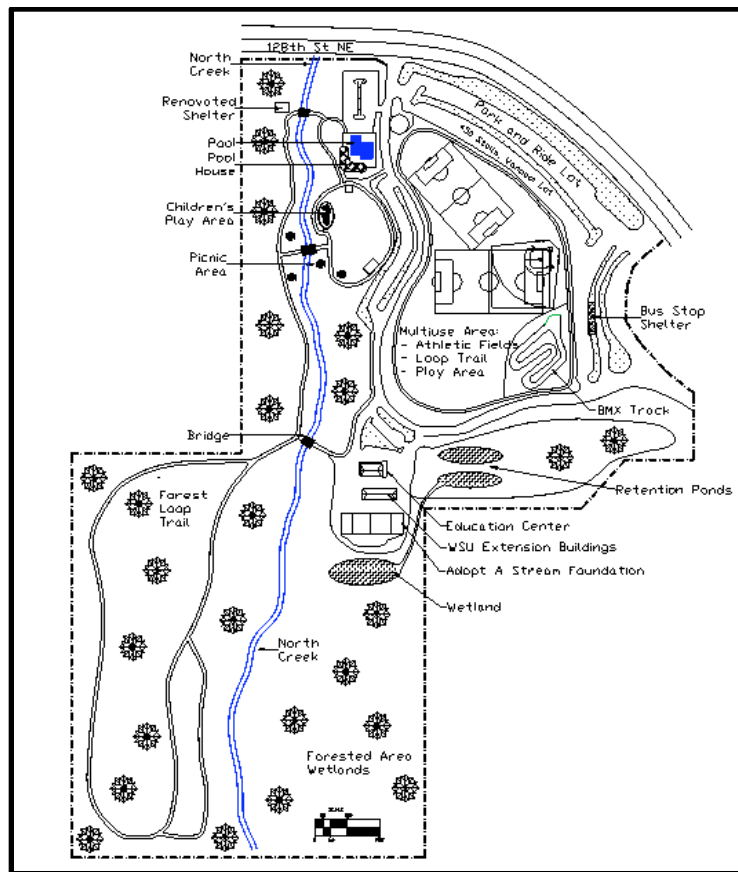
Glenwood Springs has the largest natural hot springs pool in the world.

Snohomish, Washington

The community Snohomish is located 50km (40minutes) north of Seattle. The population of Snohomish is 8,800 (2007 census). This community was chosen for this study due to its close proximity to a major metropolis and its growing suburbs.

Snohomish – Existing Amenities

Amenity	Quantity	Facility/Capita
Outdoor Rinks	0	
Indoor Rinks	0 (closest rink is 10k in nearby suburb)	
Sport Fields	4	1 / 2,200
Ball Diamonds	1	1 / 8,800
Pool	1 (6x25yds + diving tank & wading pool). Indefinitely closed. Seeking funds for renovation	1 / 8,800
Gymnasium		
Skate Park	1	1 / 8,800
Tennis	2	1 / 4,400
Playgrounds	7	1 / 1,257
Basketball	0	
Other	Lake for fishing only. Disk golf course	



One example of multi-use park planning in Snohomish, Washington combining organized sports, natural habitat and multi-generational activities

Community Points of Satisfaction

- New public online camera views the skate park 24h/day

Community Points of Concern

- Residents are hoping for more trails and opportunities for walking/hiking



McCullen Park, Snohomish

81 acres on landfill. Park and ride facility combined with outdoor facility. See map below for amenities:

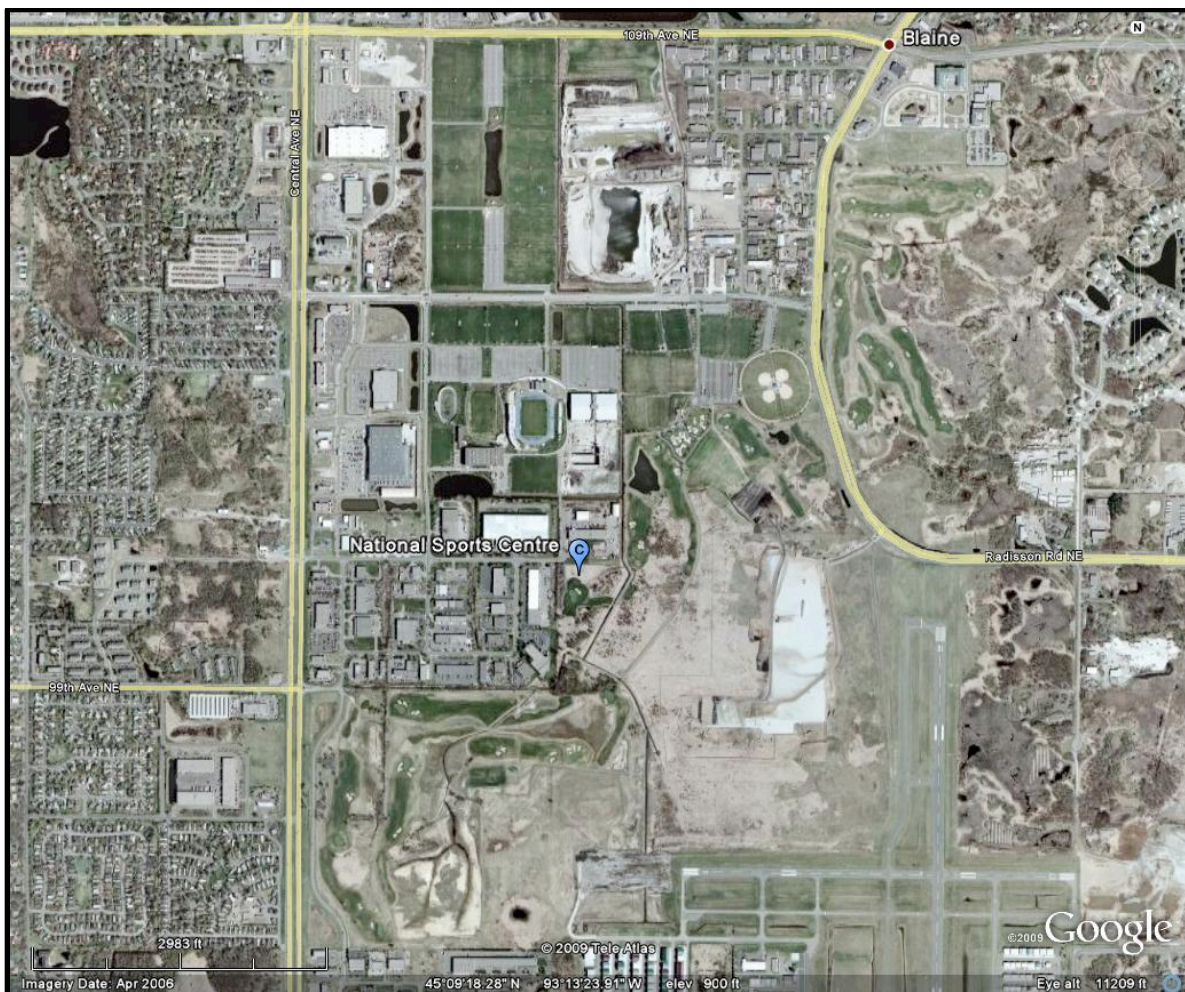


National Sports Centre, Minnesota – 600 acres

On the extreme end of the scale is the National Sports Centre in Minnesota. The sports campus is 600 acres making it the the world's largest sports facility

The Amenities include:

- 8 sheet ice arena, the world's biggest
- Over 50 sports fields
- Cycling velodrome
- Residences
- Stadium
- Sports hall
- National youth golf centre
- Developing a 16 acre sports mall
- In 2005 3.3 million people visited the centre





Financing Methods for Recreation Facilities

Funding and Cost Sharing Methods

- Tax Supported Debt – Tax supported debt may be an appropriate tool for developing parks, recreation and culture facilities. This especially makes sense when the benefits of the facilities will for generations to come.
- Development Levies – Municipalities have worked with the development industry to set development based funding for new facilities. The capacity of this method to fund major facilities is somewhat limited, depending on the size and economics of the development.
- Dedicated Tax Levies – Some municipalities use contributions on residential property taxes for dedicated services.
- User Fees and Surcharges – Revenue from fees and charges to access and use of public recreation and cultural facilities is usually directed to the operational costs of those facilities. However, in some cases a surcharge may be implemented as a source of capital funding for the development of new facilities or expansions of current ones. It places the burden on existing users.
- Sponsorships From Public Sector Organizations – Corporate sponsorships and naming rights have emerged as a significant opportunity for securing funds for the development and enhancement of recreation and cultural facilities. These sponsorships are usually used by the private sector to demonstrate their support for the community, and of course advertising.
- Private Donations and Bequeathments – Private citizens are also possible sources of capital through fundraising.

Ideas from the Study by City of Calabasas, California

- Revenue from recreation user fees
- Private and public donations
- Short-term community-wide tax (set up as ‘condo’ fees or yearly community fees)

Ideas from the Study by Recreation Management Playground

- Playground equipment manufacturers offer strategies to collaborate with foundations and communities to raise funds.
- Charitable organizations can link projects to local and national foundations to set up matching funds
- Neighbourhoods can fundraise through yard sales, donations, pooling employers matching funds

Other Cost Reduction Ideas

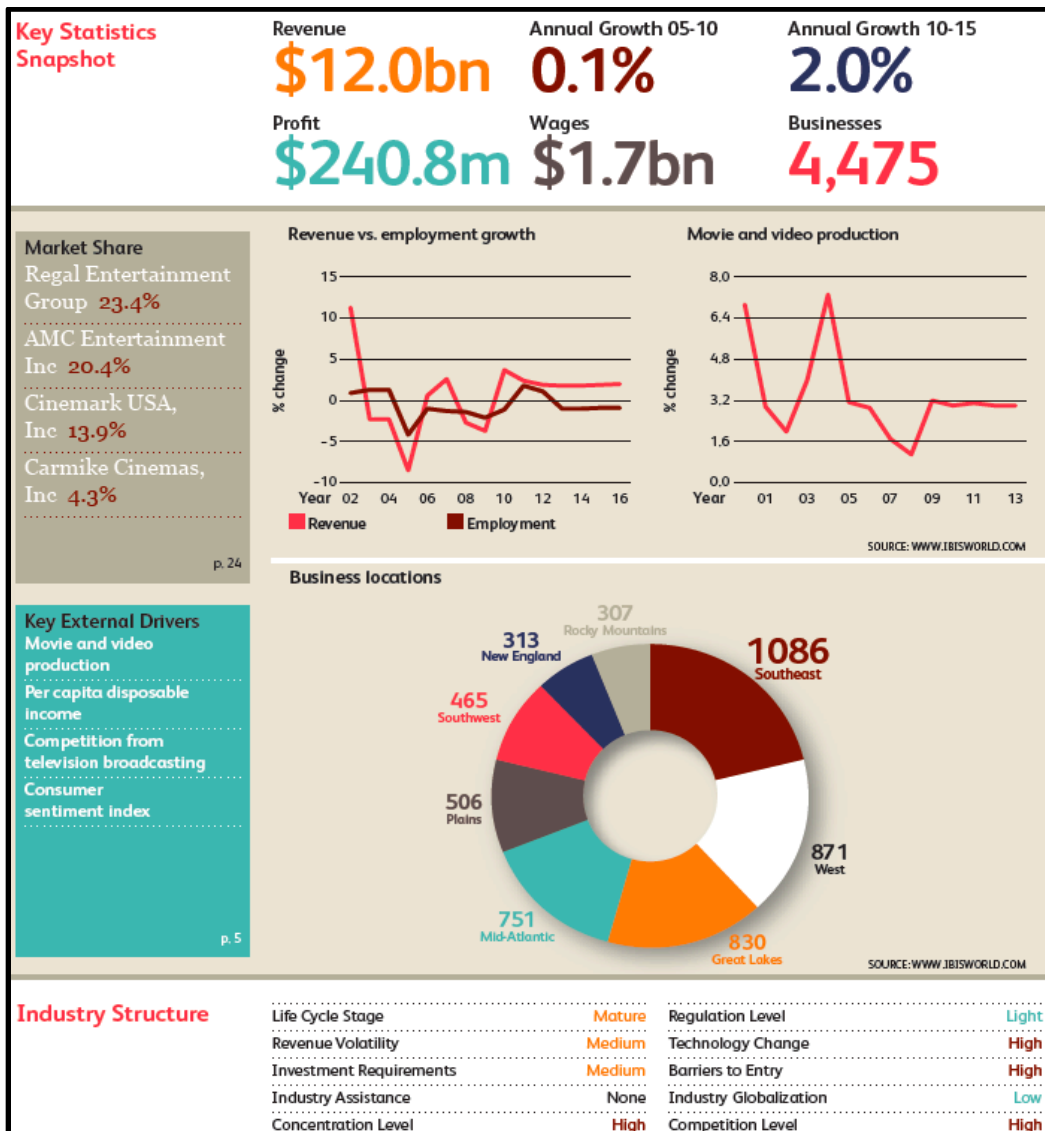
- Shared facilities: Facilities such as school gymnasiums and classrooms can be used or converted during off-times to teach fitness classes or host sporting events.
- Utilizing volunteers to run programs or oversee facility use or even help with garbage collection and landscape maintenance can offset full-time staff. Volunteers can be compensated with free facility use in return.

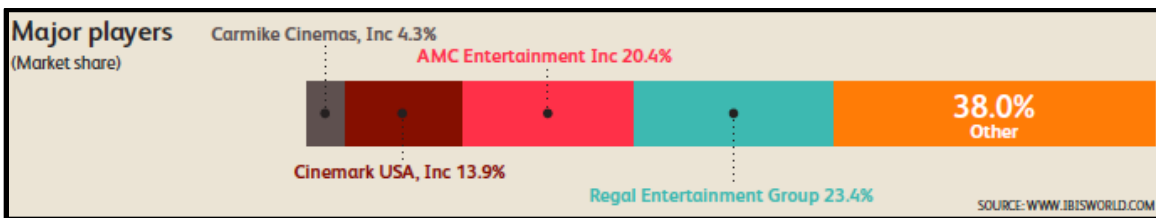
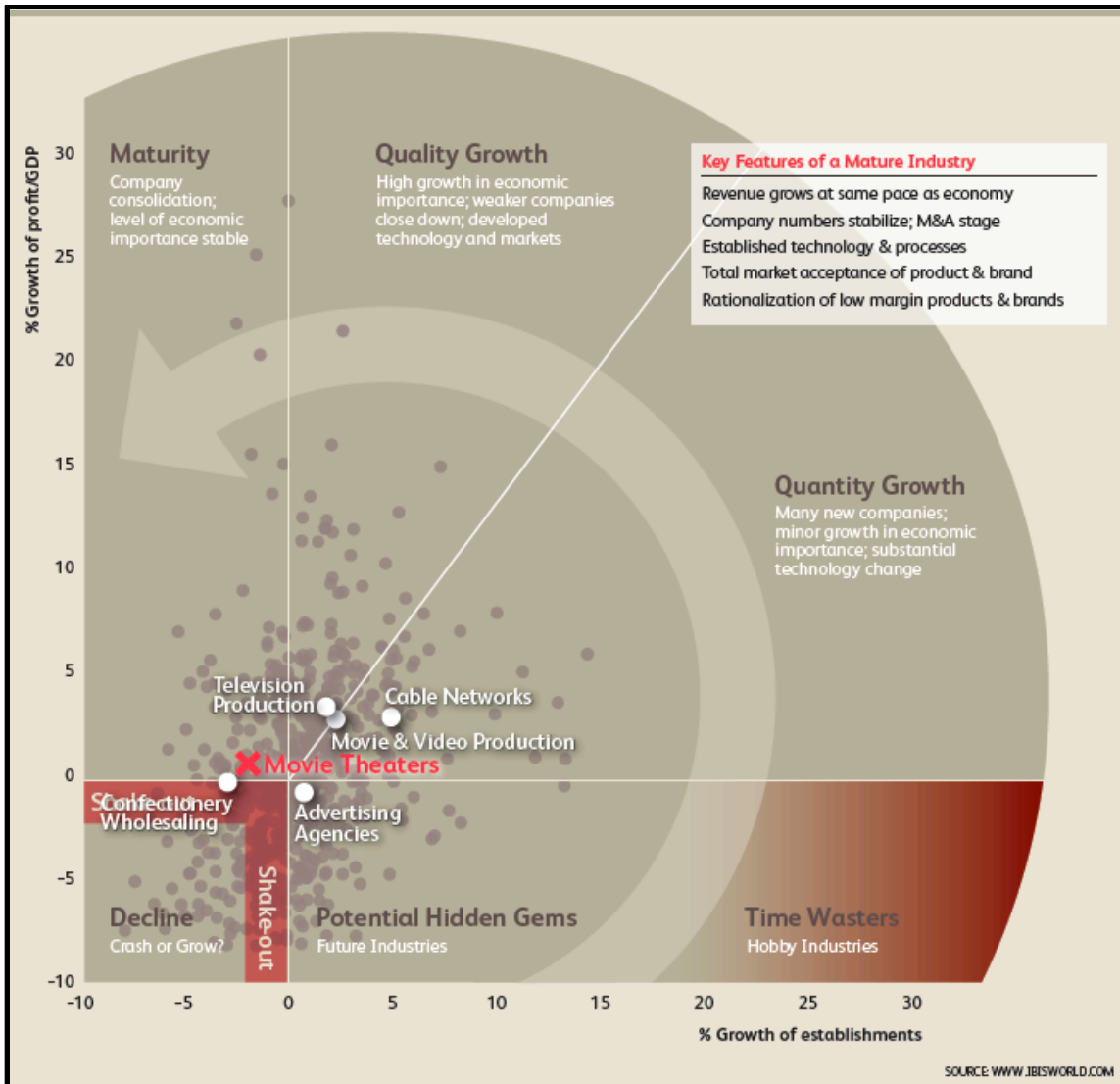
Conclusion

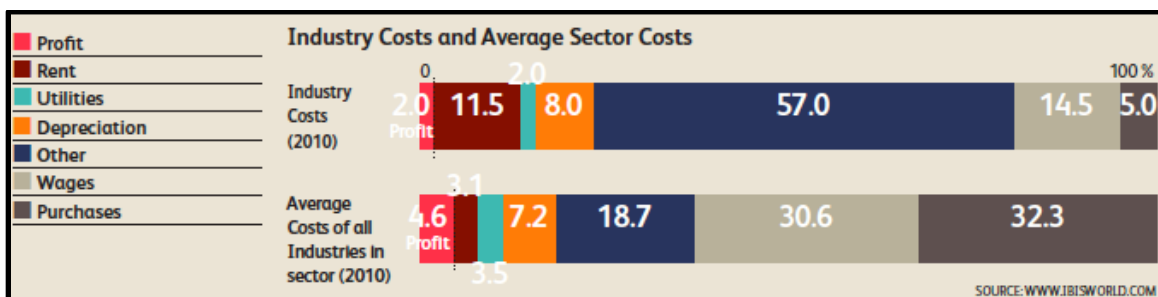
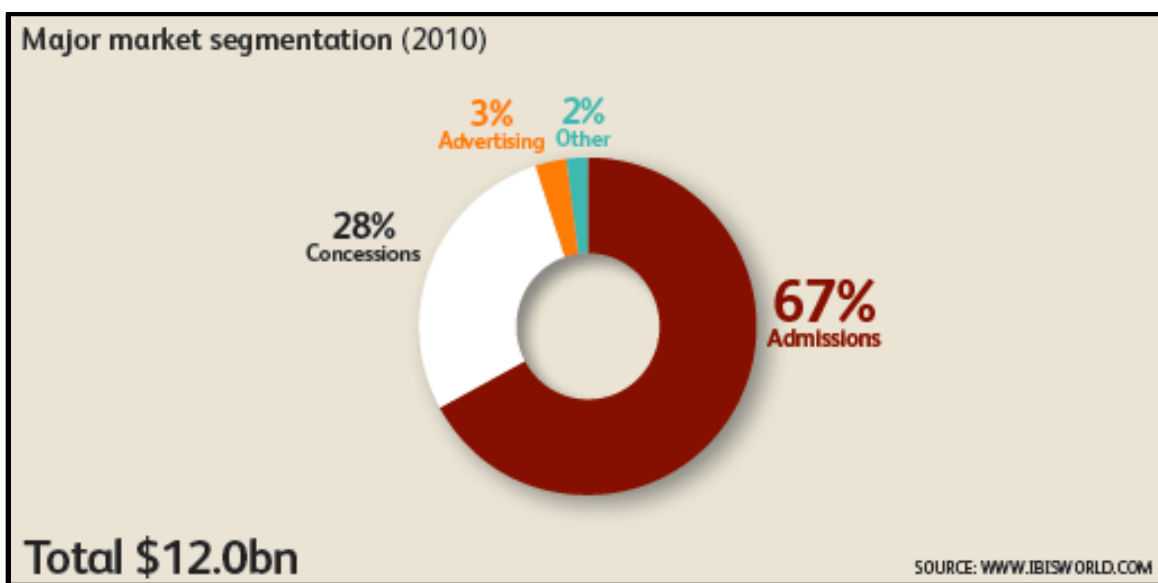
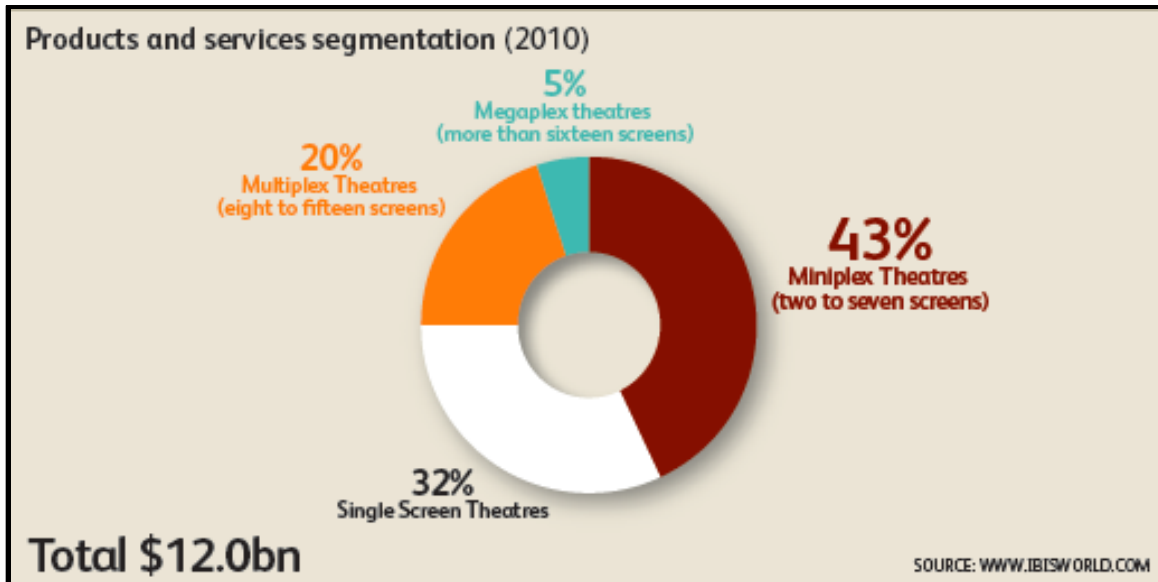
Based on the population, there is certainly demand for this type of recreational facility. There seems to be supply, both very close to the site and even farther away. The developer should work closely with the planning department at the municipality to determine whether or not there is a need for one. These facilities are mostly run by the public, so it would be crucial to have public buy in. Additionally the sheer cost of building a facility is one that is typically financed with partnerships as well as a variety of vehicles and tax credits. This product type warrants further examination and discussion.

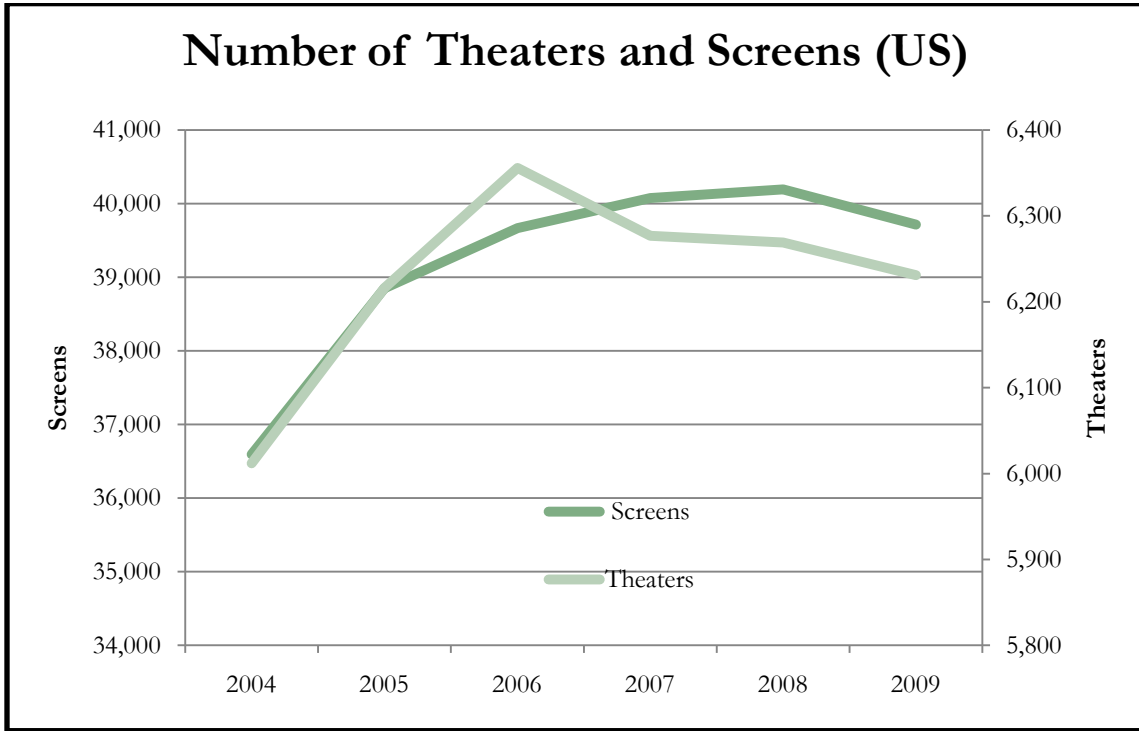
Movie Theaters - Industry Background

3D movies have had a significant impact on the industry. They are the biggest driver of growth, which Avatar clearly demonstrated with its impact on box office numbers. This is also the most significant profit area in terms of films due to its higher than average margins due to premium ticket prices. However 3D has higher capital costs due to the need to implement equipment usually from RealD. Piracy and digital content have had a significant negative impact on the industry. When coupled with the recession, there has been a negative impact on the industry. However, future growth prospects are strong, especially with the advent of 3D technology.^{xiv}

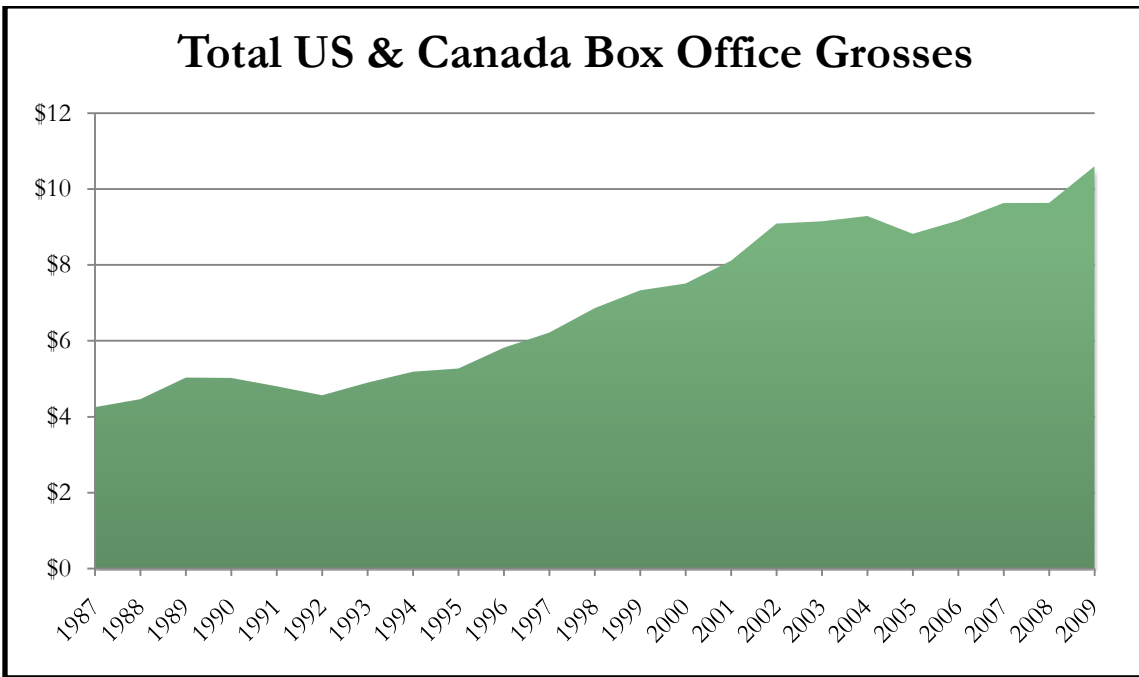




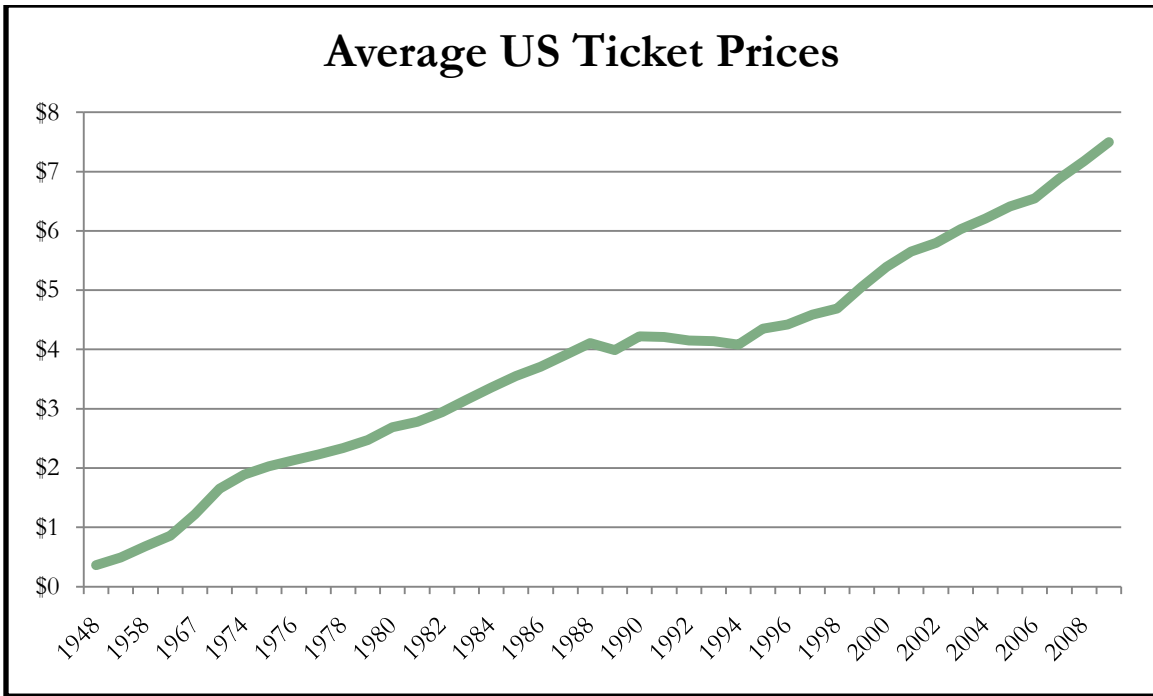




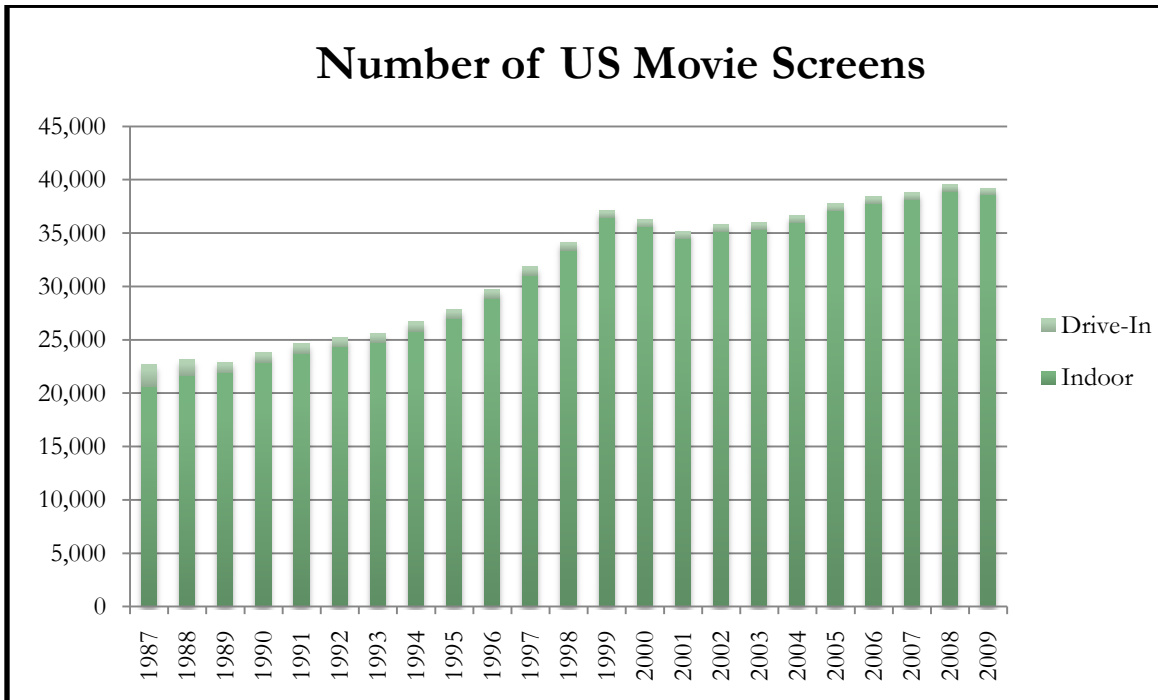
Source: National Association of Theatre Owners



Source: National Association of Theatre Owners



Source: National Association of Theatre Owners



Source: National Association of Theatre Owners

Movie Theatre Supply Analysis

For the purposes of this analysis, we examined supply in terms of competition within a 10 mile radius. When it comes to going to movies, customers want something that is convenient. The primary driver is proximity to their homes, but proximity to retail and places of employment. The following is an image of the locations within 10 miles of the Pennhurst site:



Regal Cinemas Oaks Stadium 24

Located 7.26 miles to the SE of Pennhurst is the The Regal Cinemas Oaks Stadium 24 opened in 1999. It is off Route 422 and Egypt Road. The theater is in a big box development with ample parking. The exterior of the theater is done in a neo-Moderne style. The 24 auditoriums all have stadium seating and digital sound.^{xv} Five of the screens are equipped with RealD's 3D equipment.

Carmike Cinemas Coventry 8

Located 6.19 miles NW from the site is the Carmike Coventry 8 Theater. This theater is located in Pottstown and has 8 screens. Three of the screens are equipped with 3D technology.

Colonial Theatre

Located 4.72 miles from the site in Phoenixville is the Colonial Theatre. This is a single run theatre that tends to show art house and second run films. It has a single screen and an iconic neon sign.



United Artists King of Prussia Stadium 16 & IMAX

Although it is located outside of the 10 mile radius at 11.09 miles from the site, the Stadium 16 must be taken into consideration also when it comes to supply in the area. As the name implies it is equipped with 16 screens with stadium style seating. Two of these screens have RealD 3D, and one of them is an IMAX screen. There are also three theaters equipped with digital projectors.

Summary of Supply

Theatre	Distance From Site	Screens	3D	IMAX	3D Screen Ratio	
Oaks Stadium	7.26	24	24	5	0	20.8%
Coventry 8	6.19	8	8	3	0	37.5%
Colonial Theatre	4.72	1	1	0	0	0.0%
UA King of Prussia	11.09	16	16	2	1	12.5%
Total/Avg	7.315	49	49	10	1	20.4%

Movie Theatre Demand Analysis

Deriving demand for movie theatres is a challenging task. For this we used national averages of population per screen to estimate how many screens are necessary for a given population. That number is one screen for every 8,005 people in the US. However this statistic can be misleading because it covers both rural and urban areas with different densities, preferences and lifestyles. For the purpose of this exercise, it is likely the best measure.

Statistic	Population (10 Miles)	Population (10 min drive)
2009 Population Estimate	272,288.00	18,731.00
Average US Population/Screen	8,005.15	8,005.15
Inferred Demand for # of Screens	34.01	2.34

Source: NATO, Claritas

Conclusion

Market analysis is challenging for movie theaters because it is fairly qualitative. Most theater owners use qualitative analysis and do not have firm metrics that they use. Simply, they evaluate theaters on a case-by-case basis. When compared to the supply, it would seem that there is excess supply for the area based on US averages. However, it warrants further study and conversations with the planning department to see what the desires are in terms of development and zoning. If a theater were to be built, it would be advisable to pursue 3D in order to increase profitability.

Office Market Analysis

Local Population & Income

Chester County

As of 2000, Chester County had a population of 433,501 and by 2009 it was estimated to be 498,894 representing a growth of 15.1 as compared to a 2.1% growth in population of Pennsylvania and 10 % growth in population of the country. The number of households has increased to 157,905.

Chester County is the highest income county in Pennsylvania and 24th highest in the nation as measured by median household income (as of 2010). The median income for a household in the county was \$65,295, and the median income for a family was \$76,916 (these figures had raised to \$ 85,547 and \$97,894 respectively as of a 2007 estimate). Males had a median income of \$51,223 versus \$34,854 for females. The per capita income for the county was \$31,627.

In the county, the population was spread out with 26.20% under the age of 18, 7.90% from 18 to 24, 30.40% from 25 to 44, 23.80% from 45 to 64, and 11.70% who were 65 years of age or older. The median age was 37 years. This represented huge workforce availability.

Montgomery County

Montgomery represented an increase in population of only 4.50%, when the figures changed from 748,987 in 2000 to 782,339 in 2009. But nonetheless it is 69th most populous county in the country.

Montgomery County had an increase in median household income from \$ 60,829 in 2000 to \$77,993 in 2008. The housing units rose to 316,010 and households to 286,098. Montgomery received ‘AAA’ rating from S & P, for strong job base and tax generation, one of the fewer than 30 counties in country to do so.

In the county, the population was spread out with 24.10% under the age of 18, 7.10% from 18 to 24, 30.50% from 25 to 44, 23.40% from 45 to 64, and 14.90% who were 65 years of age or older. The median age was 38 years. This when added to a highly educated and experienced workforce leads to a mature marketplace.

	CHESTER	MONTGOMERY	PENNSYLVANIA	U.S
<i>Population (2000)</i>	433,501	748,987	12,281,071	281,424,602
Population (Estimated 2009)	498,894	782,339	12,604,767	307,006,550
Population Growth	15.10%	4.50%	2.60%	9.10%
Households	157,905	286,098	4,777,003	105,480,101
Housing Units	186,605	316,010	5,518,556	129,925,421
Median Household Income	\$85,547	\$77,993	\$50,702	\$52,029

Local Employment & Economic Base

Chester County

The number of employed people increased from 214,400 in 2000 to 235,238 in 2009 representing an increase of 10%. The highest increase has been in Health and education sectors (37.8%) and Professional and Business services (31.8%). This to a big extent has mitigated the decrease of jobs in the manufacturing sector which for long has been the backbone sector for the county.

Financial activities in the county increased by 11% as compared to only 7% on the national level and professional and business activities rose by 20.25% as compared to 15.5%. These data lead us to believe that the county has been not only improving its overall sector ratio but has overtaken the nation by a huge margin in Financial and professional activities, which thereby make us, believe that there is a possible demand for office space for these sectors.

Montgomery County

As in the case of Chester County, Financial companies found Montgomery a very conducive place to expand. Hence Education and health services had an increase of 12.8% in the employment strength from 2000. The Professional and Business services increased by 22.0%. It is also important to note that these two sectors are the major employers in the region. The county had a fall in total employable people due to a one-third reduction in the manufacturing sector workforce.

The county has 9% of its workforce employed in the Financial Activities sector as compared to 7% for the nation. The Professional and Business Services is the biggest employer having workforce strength of 22%.The education and Health services is fast catching up having a share of 17.5%, and is now on par with the nation’s average. The data shows that sectors which require office space are fast growing and possibly expanding.

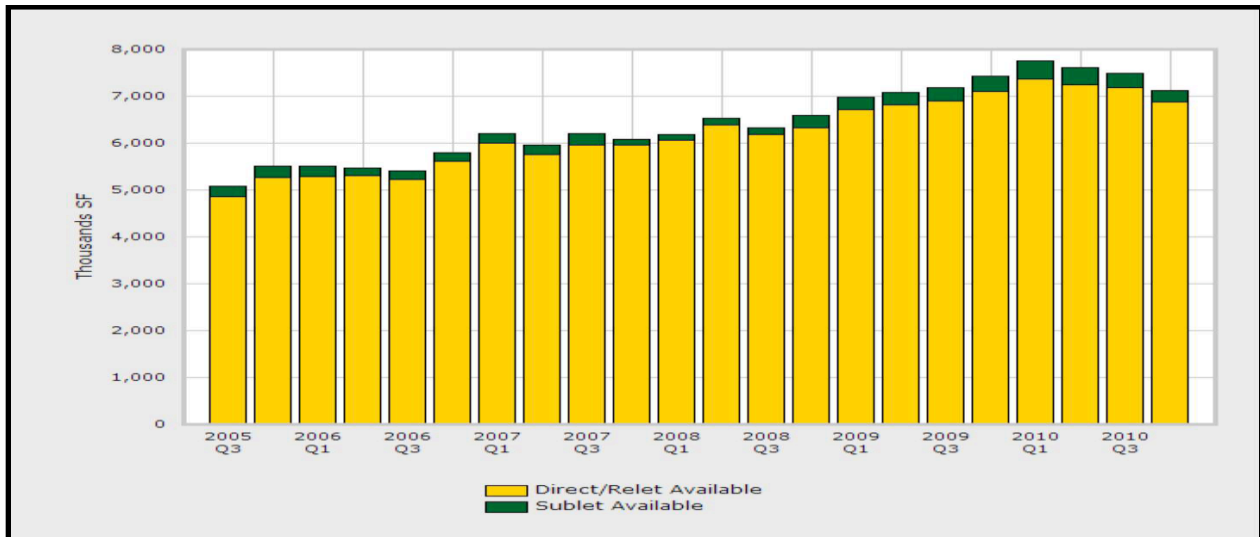
Major Private Employers in the region are:

No.	Chester County	Montgomery County
1	Vanguard Group Inc	Merck & Co
2	Siemens Medical Solutions	Abington Memorial hospital
3	QVC Inc	Lockheed Martin Corporation
4	Downingtown Area School District	Smithkline Beecham Corporation
5	Main Line Hospitals	Giant Food Stores
6	Acme Markets	North Penn School District

Source: Center for Workforce Information and Analysis

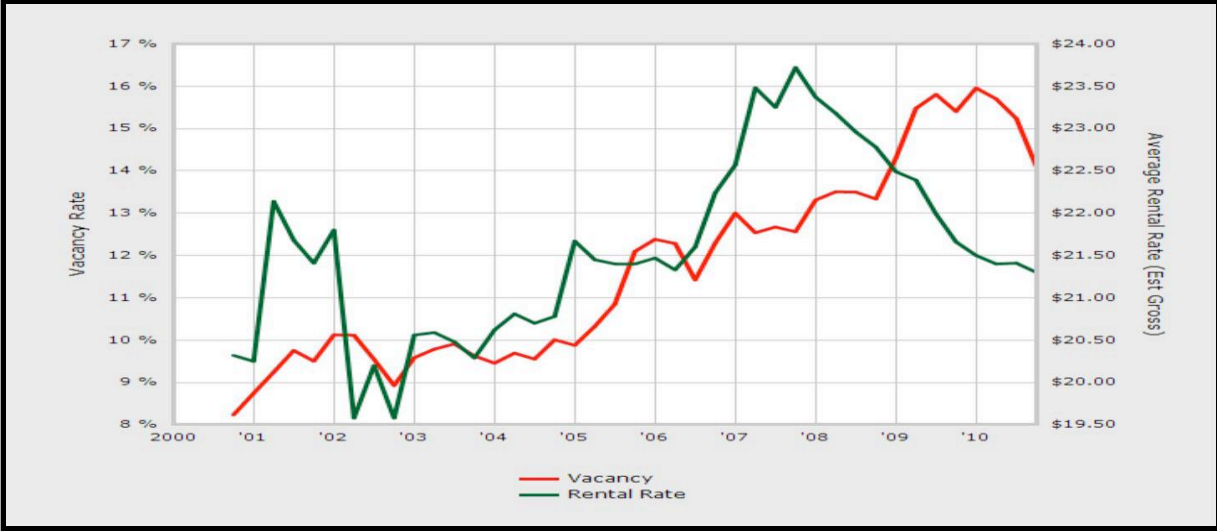
Local Office Supply

As office market is primarily limited to Chester County and Montgomery County, for analysis an area with 50 mile radius around Montgomery County is considered for comparison. The first aspect to be looked upon is the vacancy trend. The region had maintained a vacancy of 5 million sq.ft in 2006 and 2007 which was around 16% to 17%. As the market toppled due to downturn, vacancy increased and crossed 7 million sq.ft in early 2010 but since then it has decreased bringing some respite in the market. The new leases were mostly tenants making use of the low rental rates.

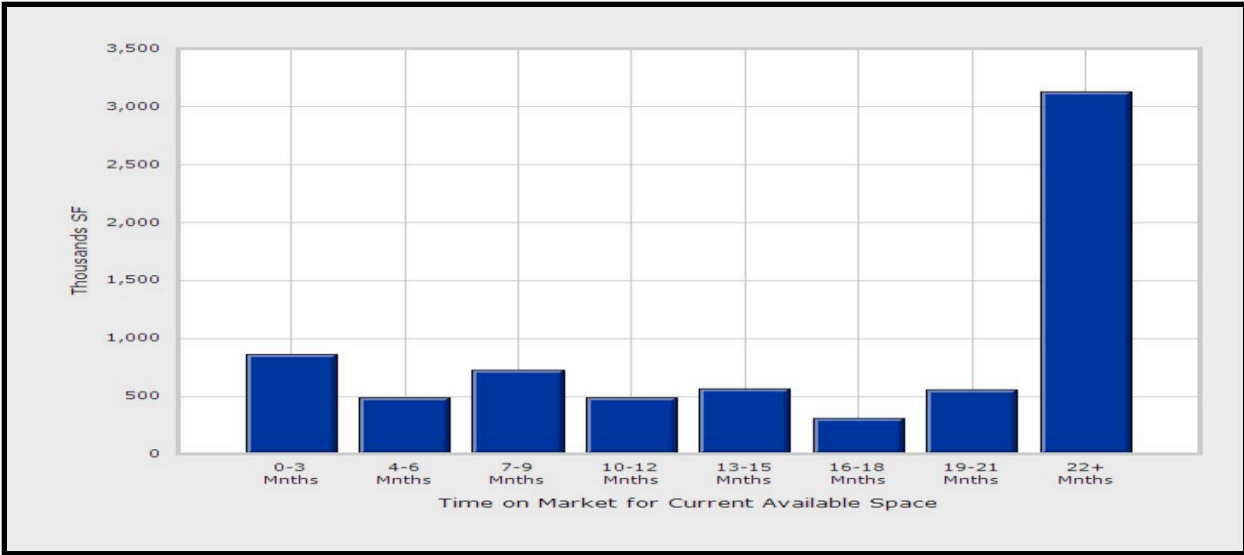


The above graph gives the available space in the market both directly and through sublet. Due to the downturn a lot of available space remained vacant. The unfavorable economic conditions compelled a lot of tenant to downsize their company and sublease their excess space. Big corporate went through bankruptcy thereby getting leases cancelled bringing a huge volume of indirect supply into market. Hence the demand had to fill the existing vacancy, sublet options and new constructions.

The increasing vacancy had started showing its effect on the rental rates by mid 2007. According to the graph below the average rental rates have been dropping from an all time high off \$23.50 per sq.ft to current values of \$21.30 per sq.ft representing a decline of more than 10% and further reducing. But what is important is that due to absorption by tenants in 2010 the vacancy has reduced from highs of 16% to 14%. The strange phenomenon is that vacancy has been on continuous increase but so is the average rental rate. This is possible due to two reasons one there is a high amount of stock in the market which client don't like due to reasons ranging from quality, efficiency to cost and that new supply is increasing faster than the increased absorption.

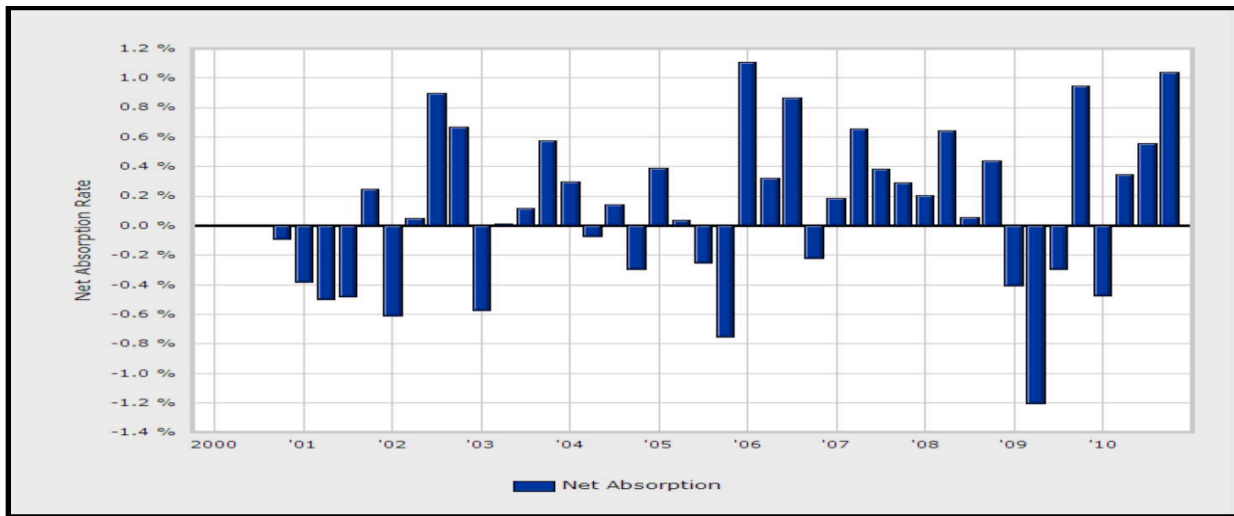


Our previous point can be confirmed by the graph below that though new supply has been entering the market but a lot of old stock is not moving.



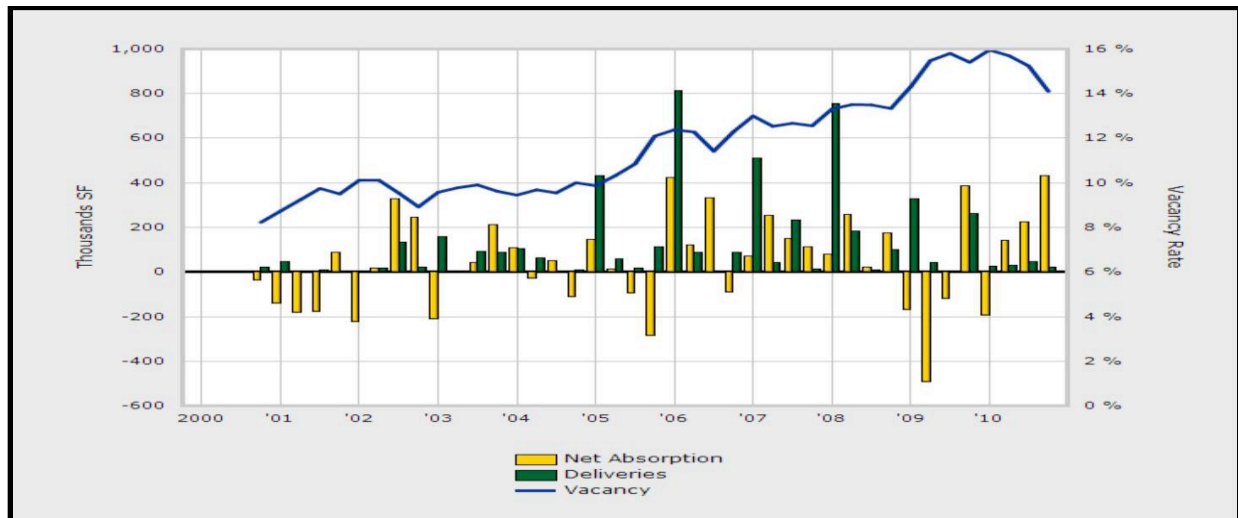
Local Office Demand

The most accurate means to understand the pulse of market would be to analyze the absorption which gives a clear picture of demand. As seen from the graph that the absorption has been reducing from end of 2006 all through 2007 and 2008. Negative values are seen through 2009, indicating that lot of leased properties were coming into market either through sublet or termination of lease. For a change 2010 has shown a positive trend. REIS, a major commercial real estate research company, states that this is due to availability of few opportunistic deals which are offering reduced rents along with other concessions.



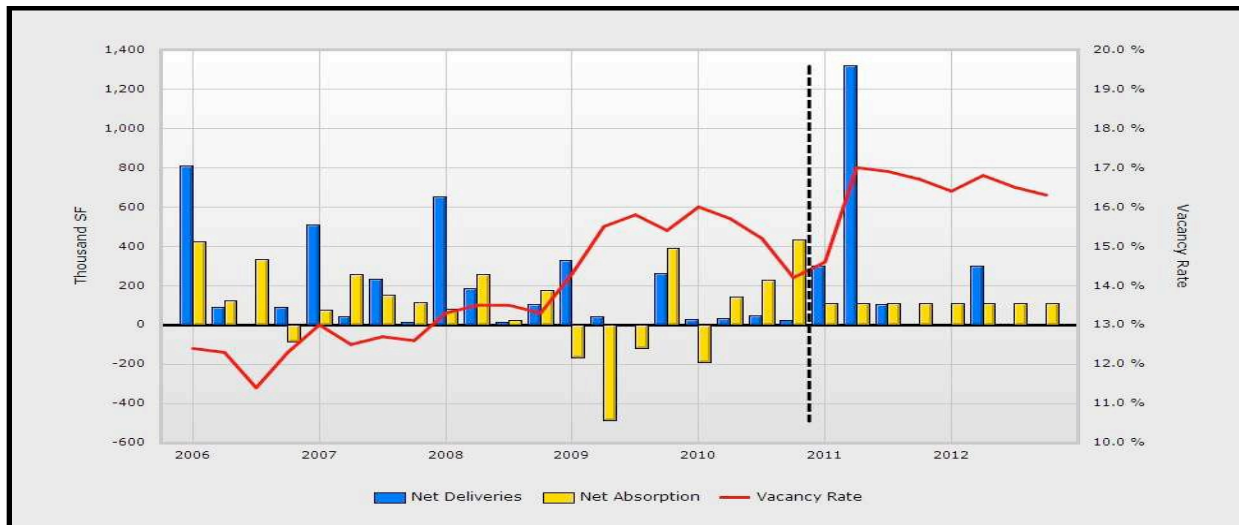
Supply & Demand Scenario

The entire supply and demand scenario is summarized by the graph below. Deliveries have completely disappeared by the end of 2008; demand has been nonexistent for a long time except for first half of 2010. The demand has led to a small decrease in the vacancy. As seen that this graph does not depict a clear picture on the future outcomes due to high volatility.



To overcome this we analyze the new supply coming into the market in next 2 to 3 years which is determinable and compare this with predicted demand which is more of the 100 5 of the previous five year average.

It is seen that there is a big amount of space coming into market by 2011 which would suddenly shoot up the vacancy from then low 13% to high 17%. This could have detrimental effect on the rental rates. The vacancy from there would reduce to stagnate around 16% for next 6 quarters.



If a project of Pennhurst size (350,000 sf) comes into the market it would increase the supply and shoot the vacancy to sub 20% levels. This would be devastating both for Pennhurst and the market as such. Furthermore the availability of higher quality and efficient office spaces at cheaper prices could lead to a free fall of prices in the market.

Conclusion

It is seen that the socioeconomic factors like population, income, and employable people for Chester County and Montgomery County are really strong. But the past developments have put huge strain on the supply demand relationship due to the huge inventory in the system and this is expected to be felt for few more quarters in future. Furthermore the cost of redevelopment of Pennhurst facility to a quality and efficiency of certain class would cost more than its returns. The only scope for Pennhurst is to tap into the booming pharmaceutical sector and rent it on built to suit basis.

Hospitality Market Analysis

Market Overview

The current market of hotels and lodging for the surrounding area of the proposed site of the Pennhurst Campus is made up of midscale and economy properties. This means that there is an opportunity for a luxury destination resort spa to be successfully added to the mix. Below is a list of the current hotel properties in the surrounding area.

Golden Plough Inn	Lahaska, PA
Comfort Inn Montgomeryville	Montgomeryville, PA
Quality Inn Conference Center Montgomeryville	Montgomeryville, PA
New Hope Inn	New Hope, PA
Comfort Inn & Suites	Quakertown, PA
Springhill Suites Quakertown	Quakertown, PA
Holiday Inn Express & Suites Quakertown	Quakertown, PA
Best Western Motor Inn	Quakertown, PA
Hampton Inn Quakertown	Quakertown, PA
Holiday Inn Express & Suites Doylestown	Warminster, PA
Hampton Inn Doylestown	Warrinton, PA
Hilton Garden Inn Philadelphia Fort Washington	Fort Washington, PA
Holiday Inn Philadelphia N Fort Washington	Fort Washington, PA
Best Western Fort Washington Inn	Fort Washington, PA
Candlewood Suites Philadelphia Willow Grove	Horsham, PA
Extended Stay America Philadelphia Horsham	Horsham, PA
TownePlace Suites Philadelphia Horsham	Horsham, PA
Homestead Horsham Willow Grove	Horsham, PA
Residence Inn Philadelphia Willow Grove	Horsham, PA
Days Inn Horsham Philadelphia	Horsham, PA
Springhill Suites Philadelphia Willow Grove	Willow Grove, PA
Hampton Inn Philadelphia Willow Grove	Willow Grove, PA
Courtyard Willow Grove	Willow Grove, PA
Homewood Suites Philadelphia Valley Forge	Audubon, PA
Courtyard Philadelphia Valley Forge	Collegeville, PA
Homewood Suites Lansdale	Lansdale, PA
Courtyard Philadelphia Montgomeryville	North Wales, PA
Residence Inn Philadelphia Montgomeryville	North Wales, PA
Hampton Inn Suites Valley Forge Oaks	Phoenixville, PA
Doubletree Plymouth Meeting	Plymouth Meeting, PA
Courtyard Philadelphia Plymouth Meeting	Plymouth Meeting, PA
Springhill Suites Philadelphia Plymouth Meeting	Plymouth Meeting, PA
Extended Stay America Philadelphia Plymouth Meeting	Plymouth Meeting, PA
Hampton Inn Philadelphia Plymouth Meeting	Plymouth Meeting, PA
Quality Inn Pottstown	Pottstown, PA
Comfort Inn & Suites Pottstown	Pottstown, PA
Days Inn Pottstown	Pottstown, PA
Best Western Pottstown Inn	Pottstown, PA
Motel 6 Pottstown	Pottstown, PA
Staybridge Suites Philadelphia Valley Forge 422	Royersford, PA

The existence of these current properties does not hurt the demand that will the proposed luxury hotel at Pennhurst will attract. The fact that there is a fairly large supply of hotel rooms in the surrounding area means there is a demand in the market. The proposed project will be able to set itself apart from the competition because it will offer amenities that currently do not exist in the market. As previously mentioned there is not direct competition for the luxury destination resort segment. The current hotels in the surrounding area will also help act as demand drivers for the proposed project.

Description of the Site

As discussed throughout the report, the proposed property is on the campus of the former Pennhurst State School and Hospital. The site is a 112 acre campus surrounded by woods. The beauty of the surrounding area with the natural elements, including the nearby Schuylkill River, will help increase the demand of the property as it suites the needs of a destination resort spa. These pleasant natural elements add the experience of a getaway. The natural element and greenery will add to the soothing experience of a destination spa resort.

Transportation

One of the characteristics of a destination natural environment resort hotel is that it is normally within an hour drive from and airport served by major airlines. The Pennhurst site has this as it is about a 45-60 minute drive from the Philadelphia International Airport. There are also two general aviation airports located closer to the site, the Pottstown Municipal Airport and the Perkiomen Valley Airport, which are about a 15 and 20 minutes drive, respectively, from the site.

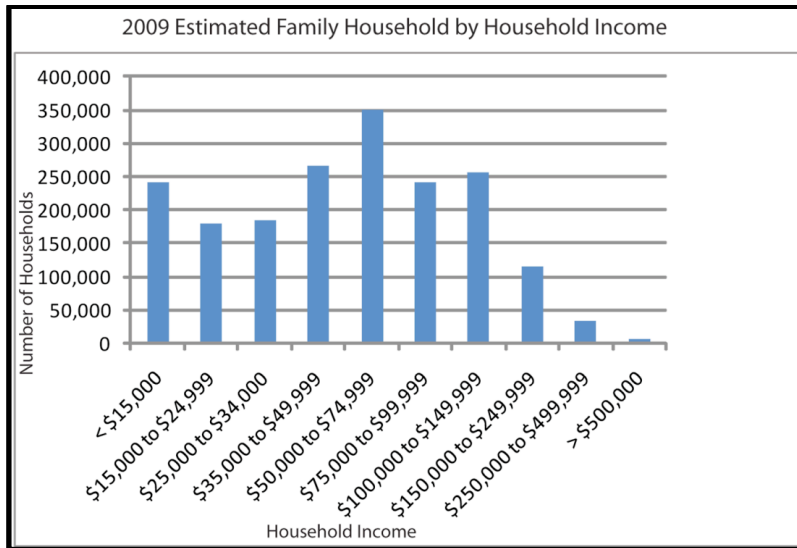
There are two major roadways that are easily accessible to the Pennhurst site, Interstate 422 and 76. These two roadways make up the US 422 Corridor. Close proximity the corridor is very important to the development and success of the project as easily allows for travelers to access the site.

Target Market

The primary market that this project will attract consists of individuals living within 60 minutes of the site, which includes the greater Philadelphia area. The secondary market is the entire nation. The analysis for this proposed project will look at demand generated by both market segments.

Market Analysis

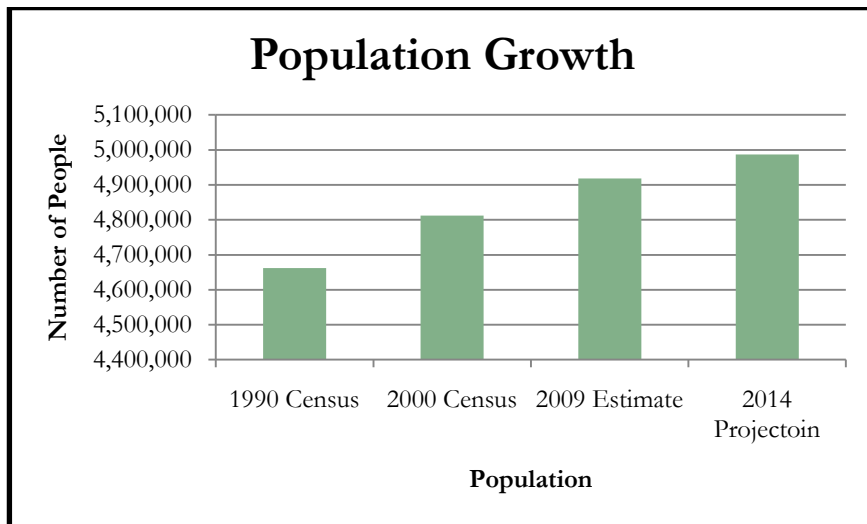
As previously mentioned, the target market for the proposed project is the individuals who live within an hour drive from the Pennhurst site, which includes the greater Philadelphia area. Of the roughly 1.2 million homes, the majority (almost 20%) has an estimated household income between \$50,000 and \$74,999, and more than 65% of this population has at least a \$50,000 household income. This shows that the majority of the target market generates enough disposable income to be able to utilize and take advantage of the services and amenities of the proposed hotel.



xvi

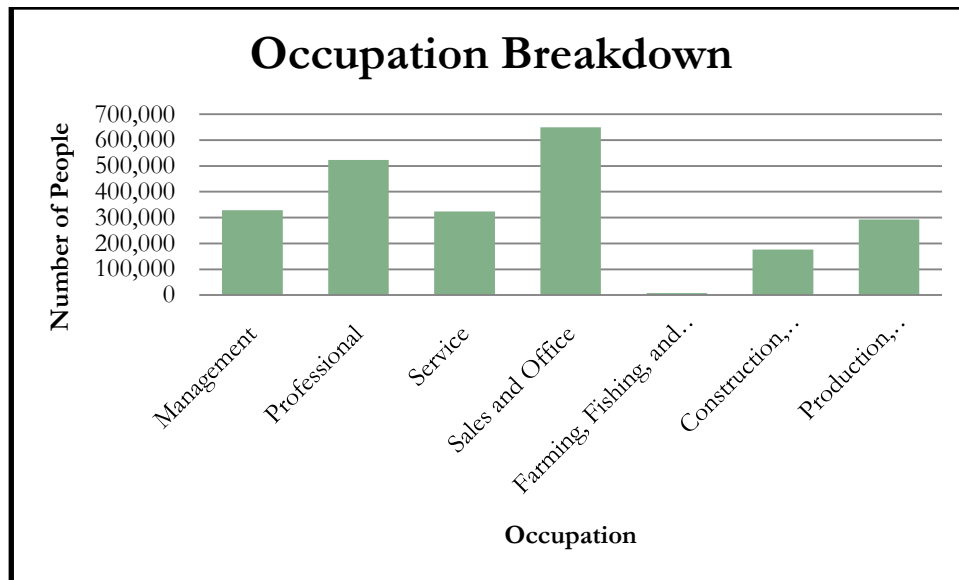
Population Growth

The population of the target market has been increasing over the recent decades. Below is a chart that depicts the growth in total population of the target market. As can be seen, there has been a steady increase in population since 1990, and it continues to increase, as the projected population for 2014 is 4,987,424. With the continual increase in population comes a need for more jobs in the area. Not only will a luxury hotel provide jobs for members of the surrounding area, but it will also serve as a demand generator for other establishments. The hotel itself will clearly also benefit from the increase in population as it increases their target market without extending its boundaries.



xvii

The chart on the following page shows a distribution of the type of occupations individuals in the target market have. The distribution shows that the majority of the population has occupation in the professional, sales, and office sector. These jobs could be considered to have relatively high job security. For the purpose of this analysis, it shows the majority of the population in the target market is likely to have the ability to enjoy and utilize the services and amenities of the proposed project.



xviii

Local Attractions

When proposing a project to develop a luxury destination resort, it is very important to identify the demand generators of the site. The characteristics of the site itself are things that create demand for the project. The site is in a secluded area, and the surrounds greenery creates privacy and provides for a pleasant aesthetic. The adaptive reuse of the historic buildings is also something that adds to the demand. Below is a list of major attractions in the surrounding area, and all are within roughly an hours drive from the site.

Attraction	Distance (miles)
Spring Hollow Golf Course	2
Kimberton Golf Course	2.7
Sanatoga Premium Outlets	5
Sanatoga Memorial Park	6
Schuylkill River Heritage Center (Phoenixville)	6
Pottsgrove Manor (Pottstown)	8
Evansburg State Park	9
Pennypacker Mills	9
St. Peter's Village	9
Valley Forge National Historical Park	9
Audubon Wildlife Sanctuary	10
King of Prussia Mall	12
Skippack Village	12
Hopewell Furnace National Historic Site (Birdsboro)	14
Amish Country Attractions (Lancaster County)	15
Daniel Boone Homestead (Birdsboro)	15
French Creek State Park	20
Hope Lodge, Montgomery County, PA	20

Peter Wentz Farmstead, PA	20
Berks County Museum (Reading)	22
Brandywine River Museum (Kennett Square)	22
Pearl S. Buck House, PA	22
Longwood Gardens (Kennett Square)	23
Vanity Fair Outlets (Reading)	23
Henry Mercer Museum (Doylestown)	25
Moravian Tile Works (Doylestown)	25
Bear Creek Ski Area	28
Brandywine Battlefield	30
Peddler's Village (New Hope)	30
Philadelphia	35
Rockvale Square Outlets (Lancaster)	35
Tanger Outlets (Lancaster)	36
Conrad Weiser Homestead (Wernersville)	40
Graeme Park, Montgomery County, PA	40
Pocono Mountain Attractions	70

These attractions are all things that will help draw the demand up for the proposed hotel. In return, the hotel will help these attractions by providing an increase in tourists. The hotel will be able to market their services and available amenities at the various sites, and the attractions will be able to market themselves to guests of the hotel.

By offering different amenities, the hotel attracts not only overnight travelers, but also day travelers from the target market. People from the greater Philadelphia area can utilize the services for a peaceful getaway from the busy and clustered downtown Philadelphia center city.

Additionally, the hotel shouldn't see a lot of increase and decrease in demand with the changing of the seasons. The services and amenities provided as well as the local attractions can be taken advantage of year round.

Leisure Travelers

The market segment of leisure travelers is the primary market the proposed hotel would attract. Data about leisure travelers has been analyzed and is presented in the following pages. The chart below shows annual data of domestic leisure travel. In recent years, the number of leisure travelers has decreased, but future projects suggest leisure travel and increase over the next few years. This means that the demand for a luxury hotel will increase the proposed project will a beneficiary of that increase.

Domestic Travel Forecast		
	Leisure	
	Total	% Change
2006	1.49 billion	0.60%
2007	1.51 billion	1.20%
2008	1.50 billion	-0.40%
2009	1.47 billion	-2.00%
2010*	1.50 billion	1.90%
2011*	1.54 billion	2.70%
2012*	1.58 billion	2.40%
2013*	1.60 billion	1.50%
US Travel Association, Tourism Economics		
* Projected		

xix

The chart below compares Center City Philadelphia hotel performance, to the Five-County Region, and to the national averages. It shows occupancy percent changes, average daily rates (ADR), and Revenue per available room (RevPAR). Despite having negative percent changes in all categories, both Center City Philadelphia and the Five-County Region are above the national average. These figures along with the previous chart, which shows an increase in leisure travel projections for the nation, provide some optimism for the success of a luxury destination resort spa at Pennhurst.

Philadelphia and National Hotel Performance, 2008-2009									
	Occupancy			Average Daily Rate (ADR)			Revenue Per Available Room (RevPAR)		
	2009	2008	% Change	2009	2008	% Change	2009	2008	% Change
National	55%	60%	-9%	\$98	\$107	-9%	\$54	\$64	-17%
Five-County Region	63%	66%	-5%	\$119	\$134	-11%	\$74	\$88	-15%
Center City	68%	71%	-3%	\$152	\$174	-13%	\$104	\$123	-15%

Smith Travel Research, PKF Consulting (Center City)

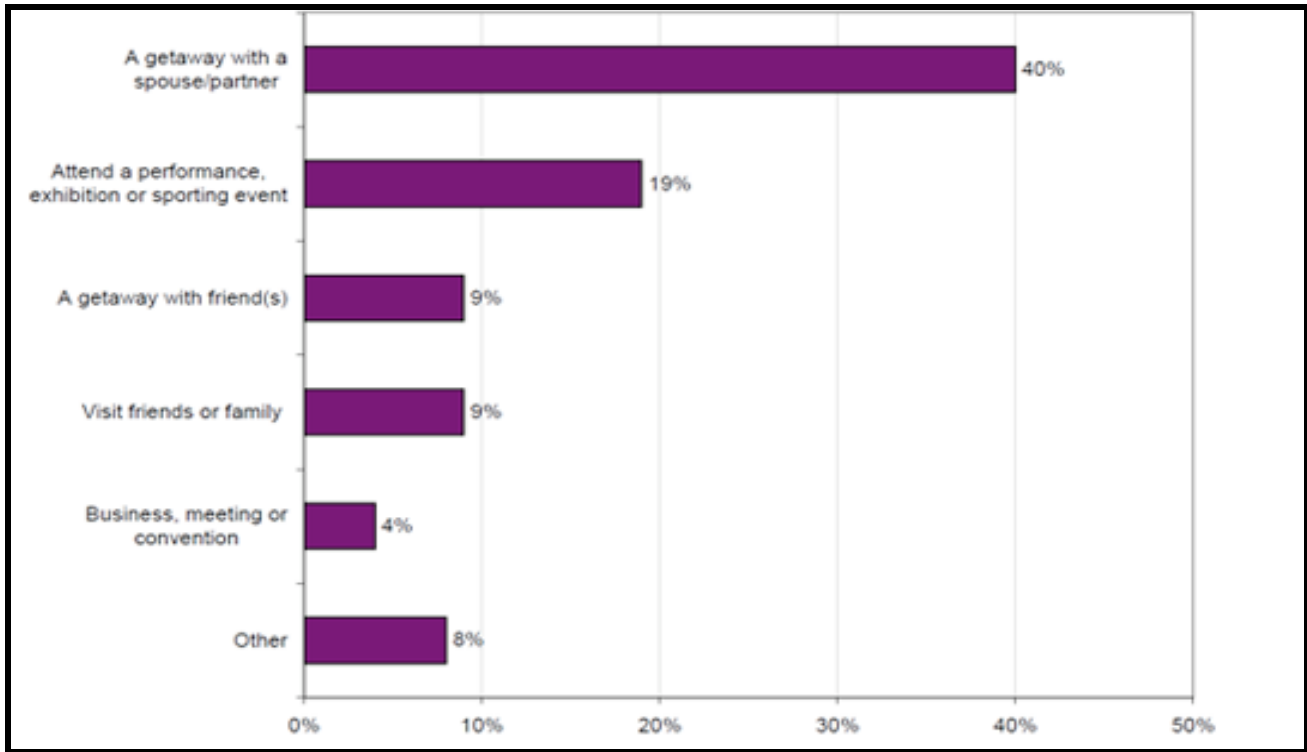
xx

Map of Pennsylvania highlighting the five-county region.



The graph below is a breakdown of travelers' reason for visiting the Greater Philadelphia area. Clearly, the majority of travelers make the trip to use as a getaway. Traveling for a getaway with a spouse or partner and getaways with friends makes up almost 50% of reasons for visiting the greater Philadelphia area. This information tells us that there is a greater demand for a luxury hotel in the area than any other hotel type. Leisure travelers will be able to utilize the proposed hotel as a perfect getaway whether it is with family or friends and for an overnight stay or day trip. ^{xxi}

Reasons for Visiting the Greater Philadelphia Area



Below is a chart that takes another look at the supply and demand of the existing hotel rooms in the Greater Philadelphia region and the Center City. Again, comparing these numbers with the national averages hotels in the Greater Philadelphia area are able to produce high occupancy rates and ADR's while percent changes are decreasing.

Greater Philadelphia Hotel Industry Facts and Figures, 2008		
	Regional	Center City
Daily supply	32,454 rooms	10,450 rooms
Total supply	11,681,499 rooms	3,671,169 rooms
Total demand	7,685,760 rooms	2,592,127 rooms
Occupancy	65.8%	70.6%
Average daily rate	\$133.48	\$173.68
Total revenue	\$1,025,932,993	\$450,202,698

Source: Smith Travel Research Source: PKF Consulting

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The chart below shows the occupancy, ADR, and RevPAR percent changes for the five-county region of the Greater Philadelphia area. The location of the proposed project is in Chester County. These figures indicate and overall decrease in occupancy, ADR, and RevPAR. The addition of a new hotel to the supply could be both beneficial and detrimental to these rates. Ideally, the hotel will be able to attract a greater demand than other hotels in the market by providing services and amenities that no other establishments are able to provide.^{xxiii}

Greater Philadelphia Hotel Performance by Area, 2008						
Area	Occupancy		Average Daily Rate		RevPAR	
	Percent	% Change	Amount	% Change	Amount	% Change
Five-county totals	65.8%	-5.8%	\$133.48	+2.8%	\$87.83	-3.1%
Philadelphia County	70.3%	-4.4%	\$158.33	+2.8%	\$111.33	-1.7%
Bucks County	61.5%	-3.4%	\$99.10	+2.4%	\$60.93	-1.1%
Chester County	63.3%	-9.8%	\$120.29	+4.5%	\$76.20	-5.7%
Delaware County	66.4%	-8.4%	\$96.30	+1.6%	\$63.99	-6.9%
Montgomery County	60.0%	-6.9%	\$117.75	+1.8%	\$70.61	-5.2%

Source: Smith Travel Research

The charts below show that overwhelming majority of travelers to the Greater Philadelphia are traveling for leisure purposes. This again expresses the need for a luxury hotel in the surrounding area for individuals to

use as a getaway for leisure purposes. While the growth has decreased in recent years, the majority of all travelers are still traveling for leisure purposes. ^{xxiv}

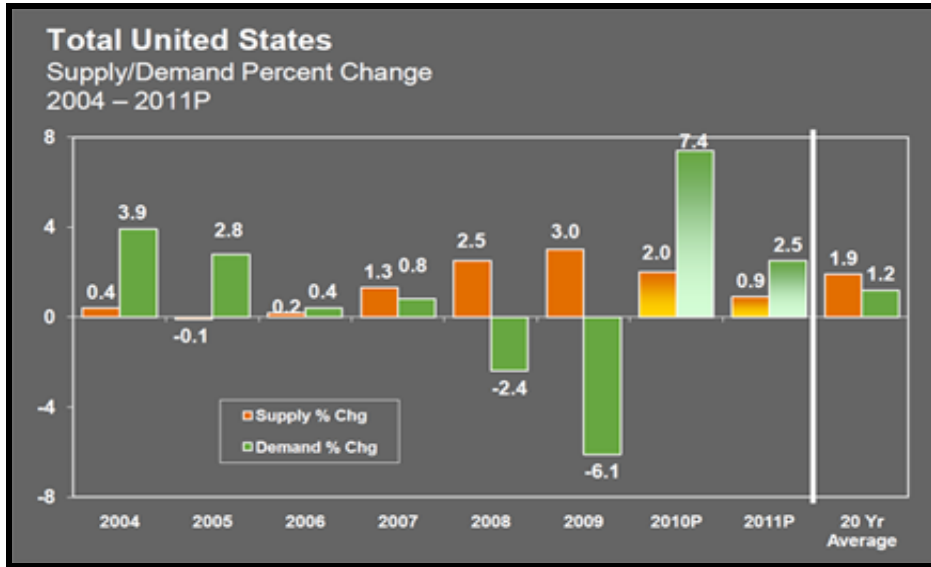
Domestic Visits to Greater Philadelphia by Market Segment

Visitor Volume Estimates (in millions)									
	Overnight Business	Overnight Leisure	Day Business	Day Leisure	Overnight Visitors	Day Visitors	Business	Leisure	Total Domestic Visitors
1997	1.39	7.30	2.48	15.50	8.69	17.97	3.87	22.79	26.66
1998	1.42	8.25	2.09	15.71	9.67	17.80	3.50	23.97	27.47
1999	1.26	8.19	2.49	15.39	9.45	17.88	3.75	23.58	27.33
2000	1.48	8.11	2.56	16.21	9.59	18.76	4.04	24.32	28.35
2001	1.39	8.11	2.37	15.87	9.50	18.24	3.76	23.98	27.74
2002	1.46	9.35	2.30	16.54	10.81	18.84	3.76	25.89	29.65
2003	1.54	10.08	2.28	19.11	11.61	21.39	3.81	29.19	33.00
2004	1.87	11.14	2.28	19.27	13.01	21.55	4.15	30.41	34.56
2005	2.02	11.85	2.30	20.03	13.87	22.33	4.31	31.88	36.19
2006	2.01	11.65	2.48	20.04	13.66	22.52	4.49	31.69	36.17
2007	2.01	11.79	2.49	20.51	13.80	23.00	4.51	32.30	36.80
2008	1.89	11.56	2.44	20.83	13.45	23.27	4.34	32.39	36.72
2009	1.80	11.35	2.36	20.50	13.14	22.87	4.16	31.85	36.01
TOTAL	21.5	128.7	30.9	235.5	150.2	266.4	52.4	364.2	416.7

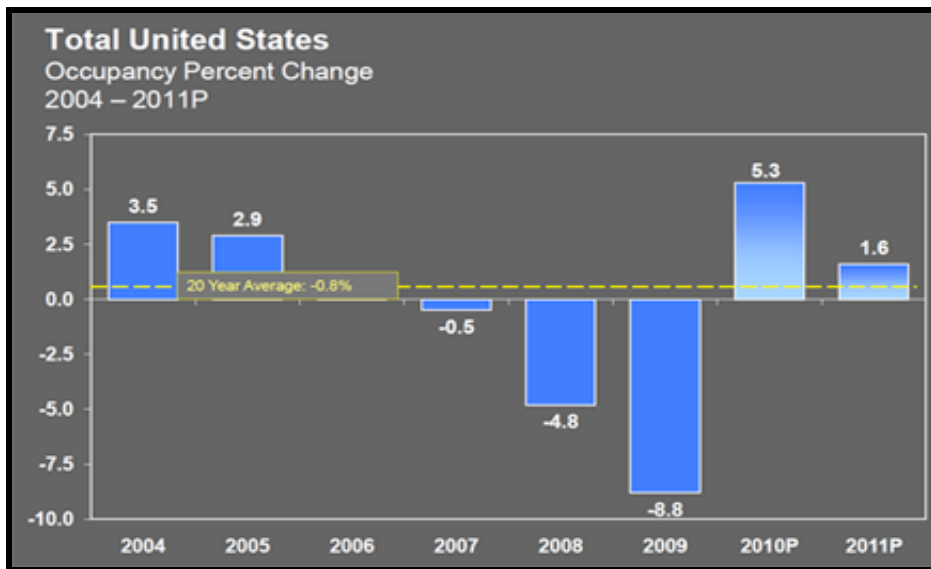
Annual Growth Rates									
	Overnight Business	Overnight Leisure	Day Business	Day Leisure	Overnight Visitors	Day Visitors	Business	Leisure	Total Domestic Visitors
1997									
1998	2%	13%	-16%	1%	11%	-1%	-10%	5%	3%
1999	-11%	-1%	19%	-2%	-2%	0%	7%	-2%	0%
2000	18%	-1%	3%	5%	1%	5%	8%	3%	4%
2001	-6%	0%	-7%	-2%	-1%	-3%	-7%	-1%	-2%
2002	5%	15%	-3%	4%	14%	3%	0%	8%	7%
2003	5%	8%	-1%	16%	7%	14%	2%	13%	11%
2004	21%	11%	0%	1%	12%	1%	9%	4%	5%
2005	8%	6%	1%	4%	7%	4%	4%	5%	5%
2006	0%	-2%	8%	0%	-2%	1%	4%	-1%	0%
2007	0%	1%	1%	2%	1%	2%	0%	2%	2%
2008	-6%	-2%	-2%	2%	-3%	1%	-4%	0%	0%
2009	-5%	-2%	-3%	-2%	-2%	-2%	-4%	-2%	-2%
Growth	29%	55%	-5%	32%	51%	27%	8%	40%	35%

The following four graphs were obtained from Smith Travel Research, and indicate national trends of the hotel industry. Also provided are projections for 2010 and 2011. These charts are provided because they suggest that the hotel industry is showing a climb out of the recession and the possibility of success in the near future for current and new developments.

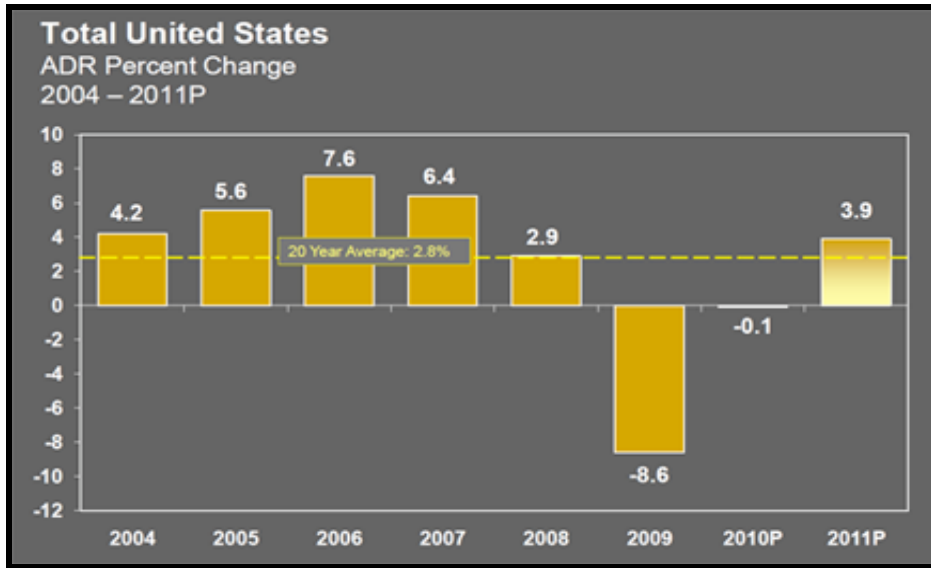
Demand is projected to increase above the 20 year average. The same can be said of occupancy, ADR, and RevPAR percent change. ^{xxv}



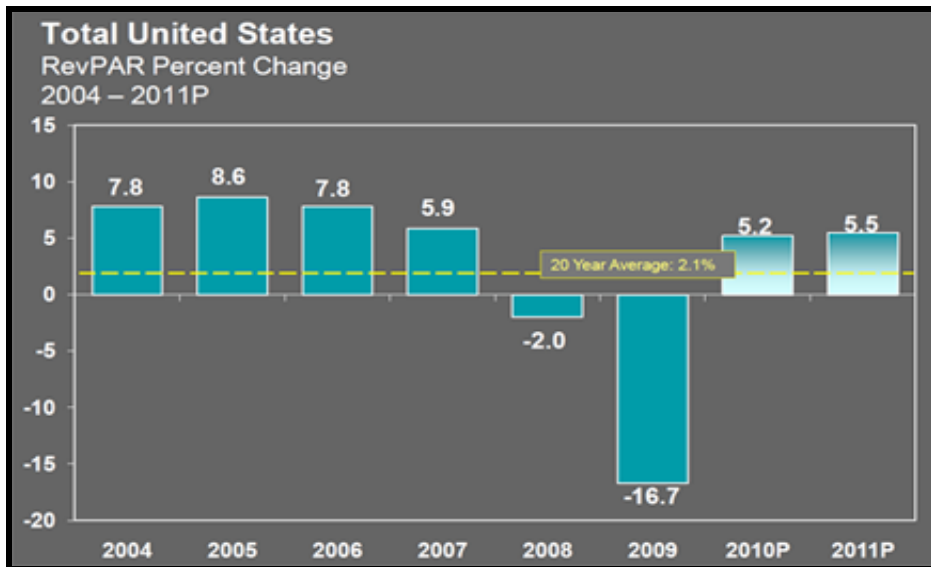
Projections show an increase in occupancy for upcoming years.



Projections show an increase in ADR percent change for the upcoming years.



Projections show an increase in RevPAR for the upcoming years.



The Proposed Project

The proposed project is for the development of a luxury hotel located within the campus of the old Pennhurst State School & Hospital. The hotel will be a 275 room destination resort and spa. The hotel will offer a range of services and amenities which will attract its target market. The primary market is the population of the Greater Philadelphia area, with the secondary market being the rest of the country. The hotel will attract individuals traveling for a variety of purposes, but mainly for leisure. Also, the hotel will be utilized as an overnight stay as well as for single day trips.

Competitive Advantage

The proposed project has a major competitive advantage in that it will be the only hotel of its kind in the area. There currently are not any other proposed projects that would create competition. A luxury hotel in this location would be able to serve the entire population of the Greater Philadelphia area as a place to use as a getaway for a weekend trip. Again, there is no other place in the area that will be offer the same services and amenities as the proposed project can.

Services/Amenities

The proposed hotel will need to offer a range of desired services and amenities to use as demand generators. A full service spa will be the primary attraction of the hotel. Other amenities will include a full service food and beverage outlet. In order attract the business segment of travelers; the hotel will also have large meeting space. This space will be a multi-functional space that way it can be utilized in different ways. The hotel will also provide recreational space to use used by guests. Guests will enjoy access to a fitness center and swimming pool. The surrounding greenery and woodlands will also be used as an amenity as guests will be able to walk trails around the campus.

Guestrooms

There will be a guestroom mix that consists of suites and standard sized rooms.

Connection to Surrounding Attractions

The hotel should work with the surrounding tourist attractions to develop incentives for staying there. Package deals and discount rates should be worked out which will increase demand for both the hotel and the surrounding attractions.

Conclusion

Current trends in the supply and demand indicate that new developments will need to have a strong competitive edge in order to attract the decreasing demand. The proposed project will have an advantage of being the only luxury hotel in the market so it should not have a problem reaching their portion of the market share. At a national level, future projections for occupancy, ADR, and RevPAR forecast an increase which means there will be more demand available to attract. However, an increase in demand will also mean an increase in supply as other investors will look to take advantage of the recovering market.

ⁱ Center for Rural Pennsylvania: <http://www.rural.palegislature.us/>

ⁱⁱ Real Estate Market Analysis, Methods and Case Studies

ⁱⁱⁱ http://pasdc.hbg.psu.edu/pasdc/PA_Stats/estimates_and_projections/projections/SummaryTabB1.html

^{iv} http://www.city-data.com/county/Chester_County-PA.html and http://www.city-data.com/county/Montgomery_County-PA.html

^v www.nrpa.org

^{vi} United States Census Bureau

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- vii http://www.cityofcalabasas.com/pdf/documents/GPAC/Issue_Papers/Recreation-Issue-Paper.pdf
- viii <http://www.sandiego.gov/park-and-recreation/general-info/prstand.shtml>
- ix Ivins City, Utah Parks and Trails Master Plan
- x http://www.oakville.ca/Media_Files/BlueprintOakville/PRCL_Master_Plan_draftRecreationAssessment_public.pdf
- xi http://findarticles.com/p/articles/mi_m1145/is_11_37/ai_95107106
- xii <http://recmanagement.com/>
- xiii http://www.bcrpa.bc.ca/about_bcrpa/documents/Trends.pdf
- xiv <http://www.ibisworld.com>
- xv <http://cinematreasures.org/theater/20922/>
- xvi Claritas
- xvii Claritas
- xviii Claritas
- xix http://c0526532.cdn.cloudfiles.rackspacecloud.com/Tourism_2010.pdf
- xx http://c0526532.cdn.cloudfiles.rackspacecloud.com/2008-9_Monitor_full.pdf
- xxi http://c0526532.cdn.cloudfiles.rackspacecloud.com/Winter_08_09_Hotel_Survey_Report.pdf
- xxixxxii http://c0526532.cdn.cloudfiles.rackspacecloud.com/Tourism_2010.pdf
- xxiii <http://c0526532.cdn.cloudfiles.rackspacecloud.com/Tourism2009.pdf>
- xxiv http://c0526532.cdn.cloudfiles.rackspacecloud.com/Greater_Philadelphia_Visitor_Volume_1997-2009.pdf
- xxv http://www.hotelnewsresource.com/pdf8/STR20101124_USForecast_Nov.pdf

Disclaimer

Given the time and resources that were allotted to us, we believe that we have assembled the most comprehensive market analyses possible. If more time and money were available, additional efforts would have been utilized to draw more thorough conclusions. Additional information would have been gathered as follows:

- Discussions with local municipalities and stakeholders, i.e. Planning Department, Economic Development Authority, Parks Department, Transportation Department, Politicians, Historical Preservation Society, Local Developers, local Board of Realtors,
- Full Inventory of the Marketplace per Product Type
 - Profile of Quality
 - Comprehensive Listing of Amenities
 - Rent/Pricing Breakdowns
 - Profiling of Architectural forms for each product type
- More Detailed Regional Economical Analysis
 - Thorough investigation of product in the pipe-line as well as local infrastructure upgrades, long-term transportation plans, telecommunication
- Utilization of Additional 3rd Party Data
 - Korpacz Investor Survey
 - MLS (Multiple Listing Service) Data
 - Zillow
 - Loopnet